



FY2014 Results Briefing

May 14, 2015



House

House Foods Group Inc.

URL <http://housefoods-group.com>

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Supplementary materials

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History of businesses (Abstract) / Major new products and varieties for the spring and summer 2015 / Initiatives of the House Foods Group / Trends of cost reductions and capital investment / Breakdowns of non-operating income and expenses and extraordinary income and loss / Content of business segments



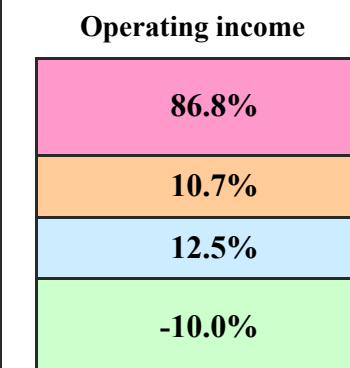
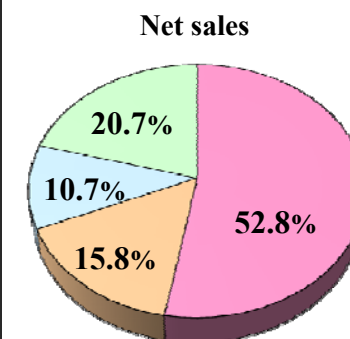
FY2014 Results

FY2014 Consolidated Performance



(Billion yen)	FY2013 performance	FY2014 revised target	FY2014 performance	Year on year (%)	Comparison with revised target (%)	ROS (%)
Net sales	232.6	234.0	231.4	-1.2 (99.5)	-2.6 (98.9)	—
Spice / Seasoning / Processed Food Business	125.5	125.0	122.1	-3.4 (97.3)	-2.9 (97.7)	—
Health Food Business	39.5	38.2	36.6	-2.9 (92.7)	-1.6 (95.9)	—
International Business	19.7	21.5	24.7	+5.0 (125.1)	+3.2 (114.8)	—
Other Food Related Business	47.8	49.3	48.0	+0.2 (100.4)	-1.3 (97.4)	—
Operating income	9.6	10.0	8.7	-0.9 (90.6)	-1.3 (86.9)	3.8
Spice / Seasoning / Processed Food Business	6.9	7.6	7.5	+0.6 (108.6)	-0.1 (99.2)	6.2
Health Food Business	1.6	1.8	0.9	-0.7 (58.9)	-0.9 (51.9)	2.5
International Business	0.6	1.0	1.1	+0.5 (176.4)	+0.1 (108.8)	4.4
Other Food Related Business	0.5	-0.4	-0.9	-1.3 (-)	-0.5 (-)	(1.8)
Non-operating income (expenses)	1.4	1.4	2.3	+0.9 (165.3)	+0.9 (162.2)	—
Ordinary income	11.0	11.4	11.0	-0.0 (100.0)	-0.4 (96.1)	—
Extraordinary income (loss)	2.5	-0.4	0.9	-1.5 (38.0)	+1.4 (-)	—
Net income	8.8	7.1	7.0	-1.8 (79.3)	-0.1 (98.2)	—

Breakdown by segment

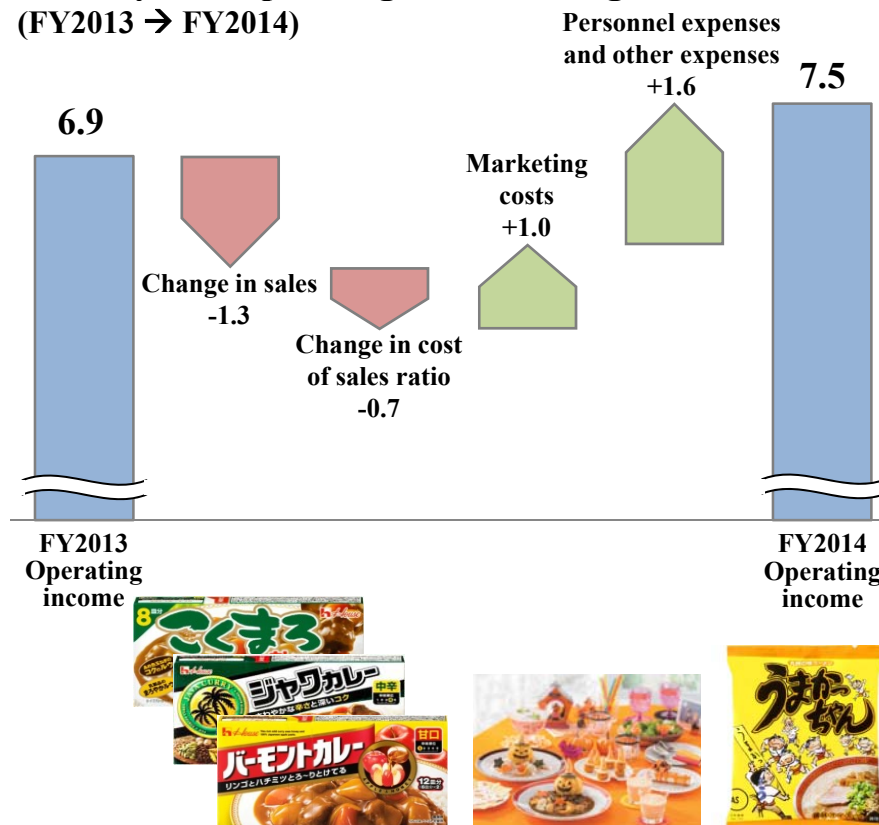


FY2014 Performance by Business Segment (Spice / Seasoning / Processed Food Business)



Spice / Seasoning / Processed Food Business	FY2014 full-year performance	Year on year (%)	Comparison with revised target (%)
Net sales	122.1	-3.4 (97.3)	-2.9 (97.7)
Operating income	7.5	+0.6 (108.6)	-0.1 (99.2)
◆ Breakdown of sales (main factors)			
Curry roux	37.3	-0.5 (98.8)	+0.7 (101.9)
Stew roux	12.8	-0.8 (93.8)	-0.5 (96.6)
Hashed beef sauce roux	4.2	+0.2 (103.7)	-0.0 (99.5)
Spice	16.5	-0.5 (97.3)	-0.6 (96.2)
Retort pouched curry	12.9	-1.1 (92.1)	-0.5 (96.5)
Packaged noodles	6.3	+0.2 (103.1)	+0.1 (101.9)
Snack	6.7	-0.9 (88.1)	-0.5 (93.6)
Dessert	3.4	-0.1 (96.0)	-0.5 (86.7)
Food service products	16.3	+0.3 (102.2)	+0.1 (100.3)

◆ Analysis of operating income change (FY2013 → FY2014) (Billion yen)



Despite the significant impact of rising costs of raw materials and energy, operating income increased, reflecting the effective use of marketing costs and a smaller burden of temporary costs that had arisen in the previous fiscal year.

Curry roux sales declined but remained higher than the target. Focus was given to the revised operation of promotion expenses to maintain and strengthen the brand value, as well as the activation of the market by proposing menus by incorporating a new perspective. Efforts to reduce costs, such as the optimization of roux production bases, also contributed.

Sales grew for packaged noodles products such as *Umakacchan*, which celebrated the 35th anniversary of the start of sales.

Retort pouched curry sales remained sluggish due to the effect of the consumption tax hike and the slow response to customer needs.

Snack products faced uphill battle, reflecting continued efforts for proper sales and intensifying competition in the category.

Successive price revisions have been made since January 2015 (packed noodles products in January, roux, retort pouched and dessert products in February, and food service products in April).

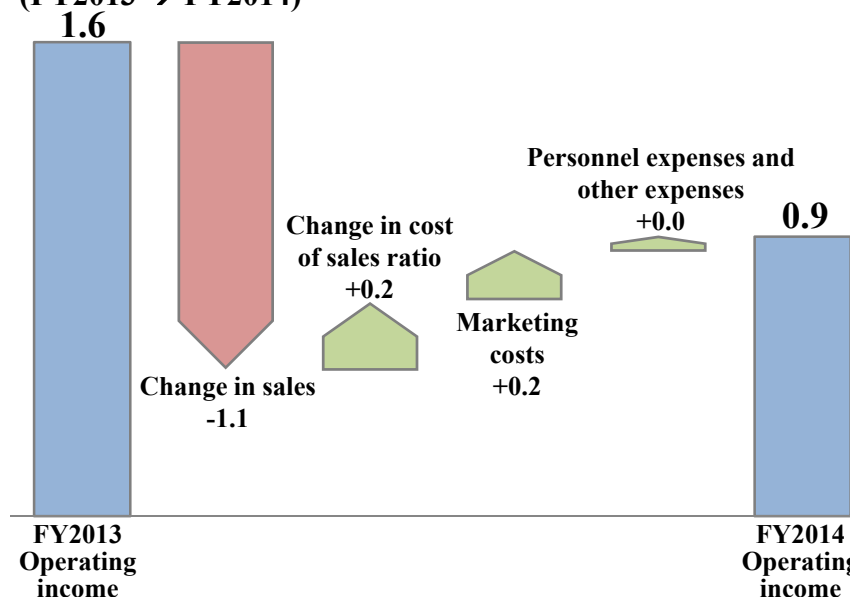
FY2014 Performance by Business Segment (Health Food Business)



Health Food Business	FY2014 full-year performance	Year on year (%)	Comparison with revised target (%)
Net sales	36.6	-2.9 (92.7)	-1.6 (95.9)
Operating income	0.9	-0.7 (58.9)	-0.9 (51.9)
◆ Breakdown of sales (main factors)			
<i>Ukon No Chikara</i>	12.8	-0.2 (98.5)	-1.6 (88.7)
<i>Mega Shaki</i>	2.3	-0.3 (87.0)	-0.1 (96.1)
<i>C1000</i>	13.5	-2.3 (85.4)	+0.3 (102.2)

◆ Analysis of operating income change (FY2013 → FY2014)

(Billion yen)



For *Ukon No Chikara*, the Company responded to the needs of heavy users by launching *Liver Plus*, a high-performance product. Sales declined amid continued competition with other companies, despite the promotion of trials of existing products that feature Bisacurone, a newly identified useful component.

In *C1000*, the Company emphasized the effectiveness of daily vitamin intake, centering on bottled products.

Sales declined with the added effect of bad weather in the summer on plastic-bottled products, even though Company worked to improve the earnings structure of these products.

Net sales and operating income were detached from the targets, despite the entry into the energy drink market and the challenge of developing new areas by injecting marketing costs.



FY2014 Performance by Business Segment (International Business)



International Business	FY2014 full-year performance	Year on year (%)	Comparison with revised target (%)	Year on year in local currency
Net sales	24.7	+5.0 (125.1)	+3.2 (114.8)	-
Operating income	1.1	+0.5 (176.4)	+0.1 (108.8)	-

◆ Breakdown of sales (main factors)

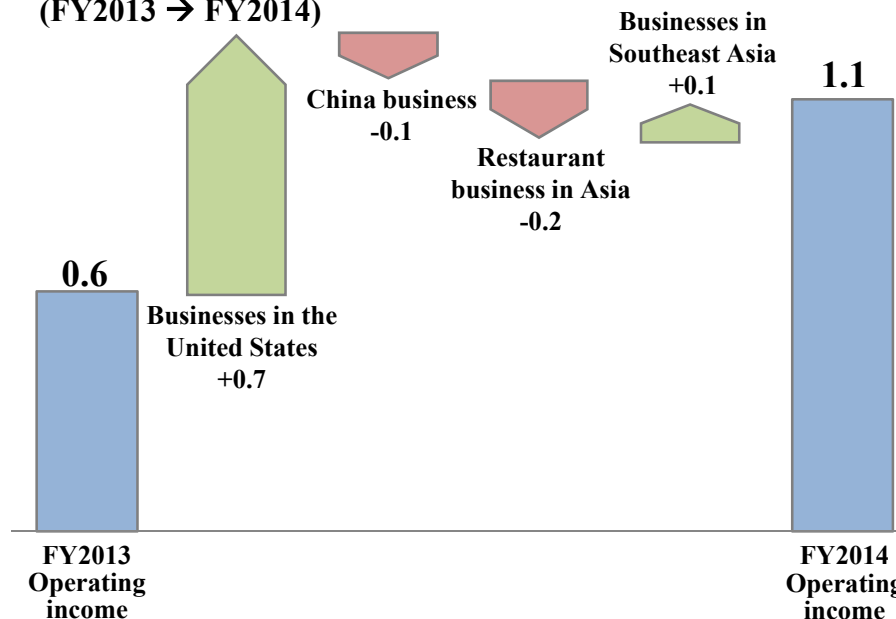
Businesses in the United States	12.0	+2.3 (123.9)	+1.8 (117.4)	108.3%
Tofu business	9.2	+2.0 (127.3)	+1.4 (118.1)	111.3%
Restaurant business (11 restaurants)	1.7	+0.3 (120.5)	+0.2 (117.4)	105.4%
China business (excl. restaurant business)	3.5	+1.3 (157.1)	+0.6 (119.1)	140.9%
Restaurant business in Asia	5.0	+0.8 (119.5)	+0.5 (110.6)	-
China (44 restaurants)	3.0	+0.5 (117.7)	+0.2 (108.6)	105.6%
Taiwan (27 restaurants)	1.5	+0.3 (126.0)	+0.2 (116.0)	116.4%
South Korea (23 restaurants)	0.5	+0.0 (111.2)	+0.0 (106.2)	101.3%
Businesses in Southeast Asia	1.4	+0.6 (175.0)	+0.2 (116.7)	-
Thailand	1.4	+0.6 (178.6)	+0.2 (120.9)	153.1%
Vietnam	0.0	+0.0 (101.7)	-0.0 (52.2)	88.7%

The fiscal year of the businesses in the United States, the China business (excl. restaurant business), and the restaurant business in Asia ends in December. The number of restaurants in each country above is as of March 31, 2015.

(*) Exchange rates of each country are described later.

◆ Analysis of operating income change (FY2013 → FY2014)

(Billion yen)



Businesses in the United States	Sales of organic tofu grew, and progress was also made in the expansion of new customers. New products with cooking sauce also contributed to higher sales. Stability of soybean prices, in addition to cost reduction, also contributed to the higher income.
China business (excl. restaurant business)	A second production base in Dalian began operation (September, 2014). Costs were invested in advance in marketing activities, the sales system, and the expansion of follow-up areas, etc. for dramatic growth.
Restaurant business in Asia	The development of business categories was promoted to improve the business base and multi-store operations in each area. Operating income declined due to intensifying competition and higher costs in urban areas in China.
Businesses in Southeast Asia	In Thailand, <i>C-vitt</i> drove the functional drink business and helped it move back into the black.

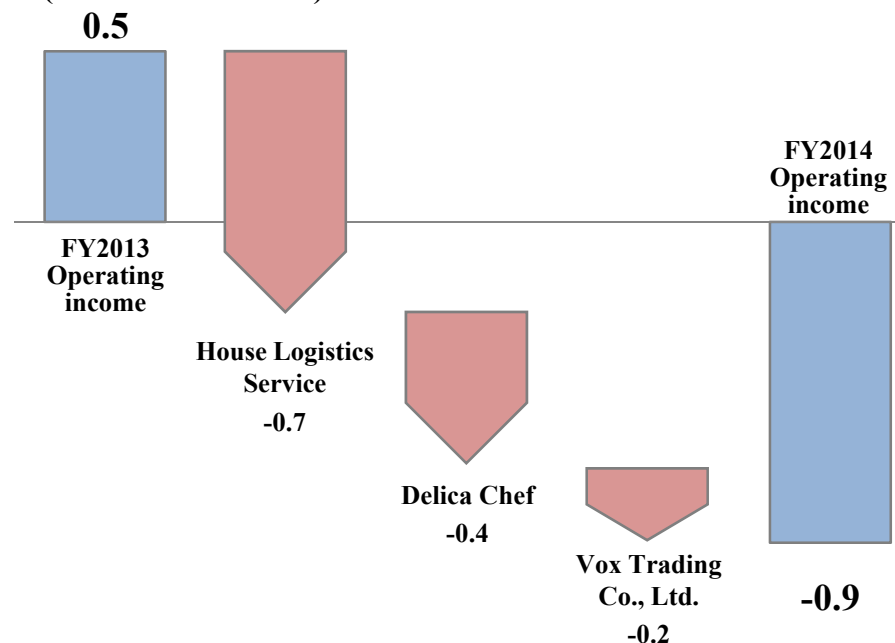
FY2014 Performance by Business Segment (Other Food Related Business)



Other Food Related Business	FY2014 full-year performance	Year on year (%)	Comparison with revised target (%)
Net sales	48.0	+0.2 (100.4)	-1.3 (97.4)
Operating income	-0.9	-1.3 (-)	-0.5 (-)
◆ Breakdown of sales (main factors)			
House Logistics Service (consolidated)	14.2	+0.4 (103.2)	-0.6 (95.8)
Delica Chef	14.8	+0.4 (102.9)	-0.2 (98.9)
Vox Trading Co., Ltd. (consolidated)	17.1	-0.1 (99.4)	-0.7 (96.3)

◆ Analysis of operating income change (FY2013 → FY2014)

(Billion yen)



House Logistics Service (transport and warehousing)

Earnings were significantly affected by costs generated associated with the commencement of newly commissioned operations (H1) and subcontract costs.

Although an operating loss was posted in the full year, the loss diminished in the second half due to the improvement in subcontract costs and fundamental activities to reduce costs.

A new logistics system was introduced, and efforts moved forward to realign the logistics bases.

(14 bases at the end of March 2014

→ 12 bases at the end of March 2015)



Delica Chef (convenience store vendor)

The dessert business and the bread business remained strong.

A new plant for prepared foods started operation in February to help strengthen profitability.

Operating income declined due to a rise in energy and shipping costs, along with an increase in temporary costs associated with the operation of the new plant.

Vox Trading Co., Ltd. (import, sales, etc. of foodstuffs)

Irregular settlement of accounts for 10 months due to the change of the fiscal year-end.

Sales rose year on year, chiefly reflecting the acquisition of new transactions.

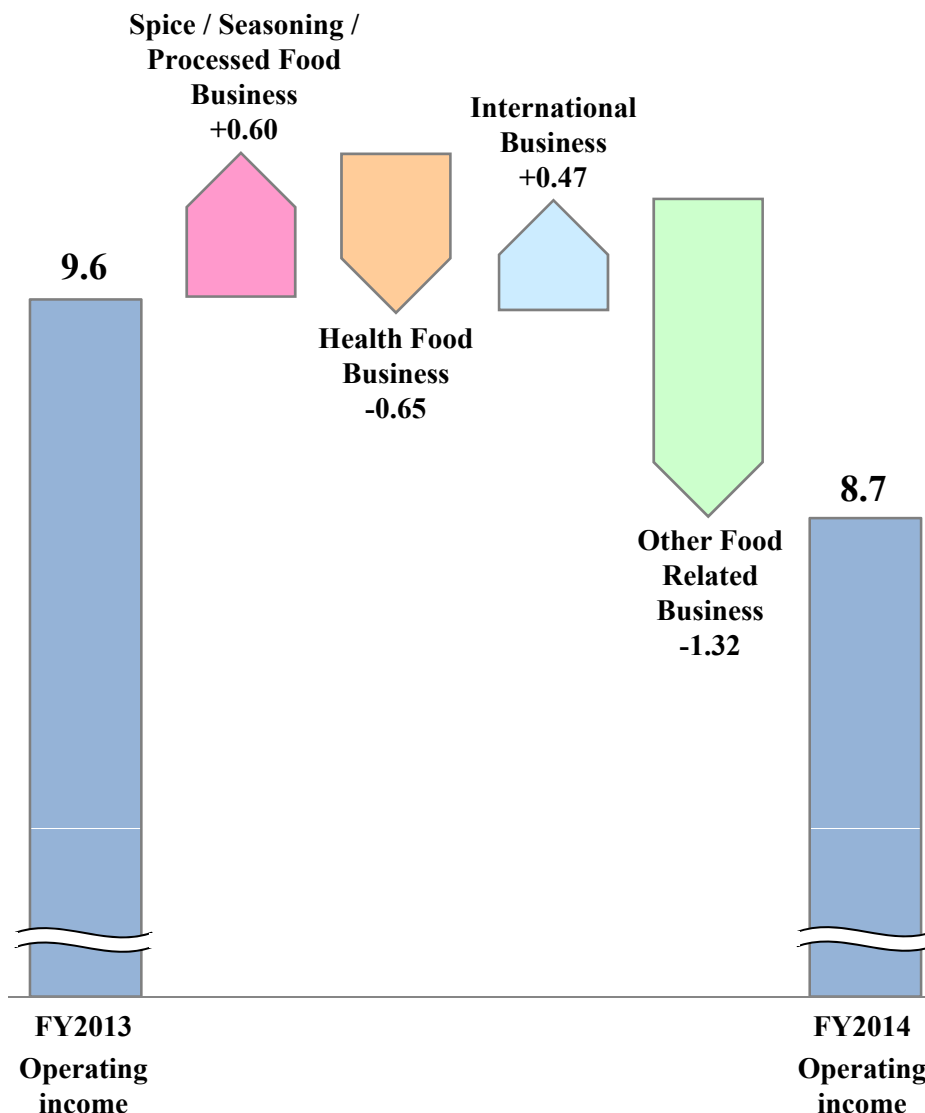
FY2014 Operating Income Change Analysis



(Billion yen)

◆ Factors of changes by business segment

	FY2014 performance
Spice / Seasoning / Processed Food Business	+0.60
Change in sales	-1.3
Change in cost of sales ratio	-0.7
(Change in and change in the ratio of) marketing costs	+1.0
Change in personnel expenses and other expenses	+1.6
Health Food Business	-0.65
Change in sales	-1.1
Change in cost of sales ratio	+0.2
(Change in and change in the ratio of) marketing costs	+0.2
Change in personnel expenses and other expenses	+0.0
International Business	+0.47
Businesses in the United States	+0.7
China business (excl. restaurant business)	-0.1
Restaurant business in Asia	-0.2
Businesses in Southeast Asia	+0.1
Other Food Related Business	-1.32
House Logistics Service (consolidated)	-0.7
Delica Chef	-0.4
Vox Trading Co., Ltd. (consolidated)	-0.2
Changes in operating income	-0.90





Fifth Medium-Term Business Plan (FY2015-FY2017)

Fourth Medium-Term Business Plan | Summary



● Quantitative targets and actual performance

	Fourth Medium-Term Business Plan Target	FY2014 performance	Comparison with target (%)
Consolidated net sales (Billion yen)	230.0	231.4	+1.4 (100.6)
Consolidated operating income (Billion yen)	18.0	8.7	-9.3 (48.3)
ROS (%)	7.8	3.8	-4.1 Pt
ROE (%)	Up 1 point or more from FY2011 (FY2011 4.3%)	3.3	Down 1.0 point from FY2011

● Performance by segment

(Billion yen)	Net sales			Operating income		
	Fourth Medium-Term Business Plan Target	FY2014 performance	Comparison with target (%)	Fourth Medium-Term Business Plan Target	FY2014 performance	Comparison with target (%)
Spice / Seasoning / Processed Food Business	132.4	122.1	-10.3 (92.2)	10.5	7.5	-3.0 (71.8)
Health Food Business	50.0	36.6	-13.4 (73.3)	5.5	0.9	-4.6 (17.0)
International Business	20.0	24.7	+4.7 (123.4)	1.0	1.1	+0.1 (108.8)
Other Food Related Business	27.6	48.0	+20.4 (173.9)	1.0	-0.9	-1.9 (-)

Although the Company steadily promoted growth in the International Business, a growing business, there was a large gap between the results and initial targets of the two core businesses, which support the earnings in the mature domestic market.

<Basic concept and outcomes of the Fourth Medium-Term Management Plan>

1) Position the two domestic businesses as core businesses and accelerate overseas expansion by positioning the International Business as a growing business

- Profitability declined in the two core domestic businesses due to the lack of response to major changes in the environment.
- The top line in each of the focused areas grew in the International Business.

2) Establish an optimal organizational structure for consolidated management to continue growth and expansion

- Shift to a holding company system (strengthen competitiveness of each business)
- Consolidate the Health Food Business into House Wellness Foods.
- Promote the localization of management in focused areas overseas (the United States, China, and ASEAN).
 - * In China, an investment corporation was established to create an organizational structure for pursuing future business development.

3) Continue to bolster initiatives to increase development capability, cost competitiveness and CSR initiatives

- There are issues to be addressed in cultivating products that will become the next generation of mainstay products.
- Cost reduction target of 3.0 billion yen was achieved as planned.

<Basic concept and outcomes of the Fourth Medium-Term Management Plan>

Business investments

Guidelines |

Utilize 50 billion yen as business investment funds and aim for growth and expansion of businesses.

- **Growth of the International Business | Start-up of an investment corporation in China and the operation of the second production base in China**
- **Vertical enhancement of efforts | Inclusion of Vox Trading Co., Ltd. and Horie Yamatoya Co., Ltd. into consolidation
The establishment of a new plant for prepared foods**

Capital policy and measures for shareholders

Guidelines | Secure consolidated payout ratio at 30% or higher

- **Continue stable dividends.**

FY2012:

Increased annual dividends by 2 yen to 30 yen.

FY2013:

Paid commemorative dividends of 5 yen for the 100th anniversary of the Company's founding.

- **Acquire treasury shares in a flexible manner.**

FY2012: 1 million shares (approx. 1.3 billion yen)

FY2014: 3 million shares (approx. 5.5 billion yen)

Changes in dividends and dividend payout ratio (Yen / %)

	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014
Interim	11	11	13	15	15	15
Year-end	11	11	15	15	20 (5)*	15 (plan)
Full year	22	22	28	30	35 (5)*	30 (plan)
Consolidated dividend payout ratio	50.1	45.5	37.7	38.6	42.1	44.4 (plan)

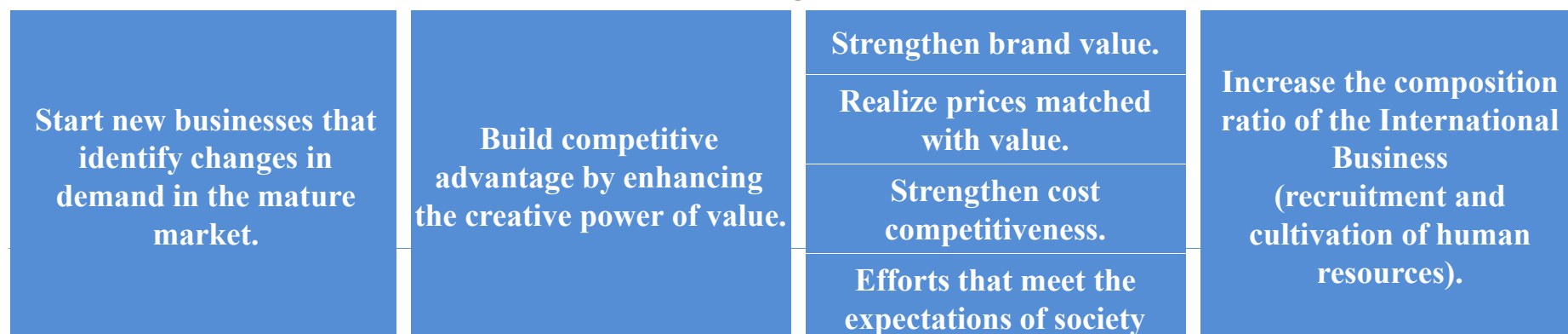
(*) Commemorative dividends of 5 yen for the 100th anniversary of the Company's founding

Given Environmental Conditions Surrounding the Group



<Given environmental conditions surrounding the Group and direction of response>

Domestic market	Food industry	Domestic demand	International situation
<ul style="list-style-type: none"> ◆ Market-side - Maturity and shrinkage - Super-aging society - Diversification of purchases and points of contact with information ◆ Changes in customers - Externalization and simplification of eating foods and meals - Rising health consciousness (prevention of diseases and nursing care) 	<ul style="list-style-type: none"> - Diversifying competition in the mature market - Rising raw material costs - Safety and security - Enhancement of the governance system 	<ul style="list-style-type: none"> - Weaker yen - Rising share prices - Trends towards breaking out of deflation - Activation of the capital market - Drastic changes in the employment environment 	<ul style="list-style-type: none"> - Worldwide population increase - Expansion of the middle-income group - Geopolitical risks



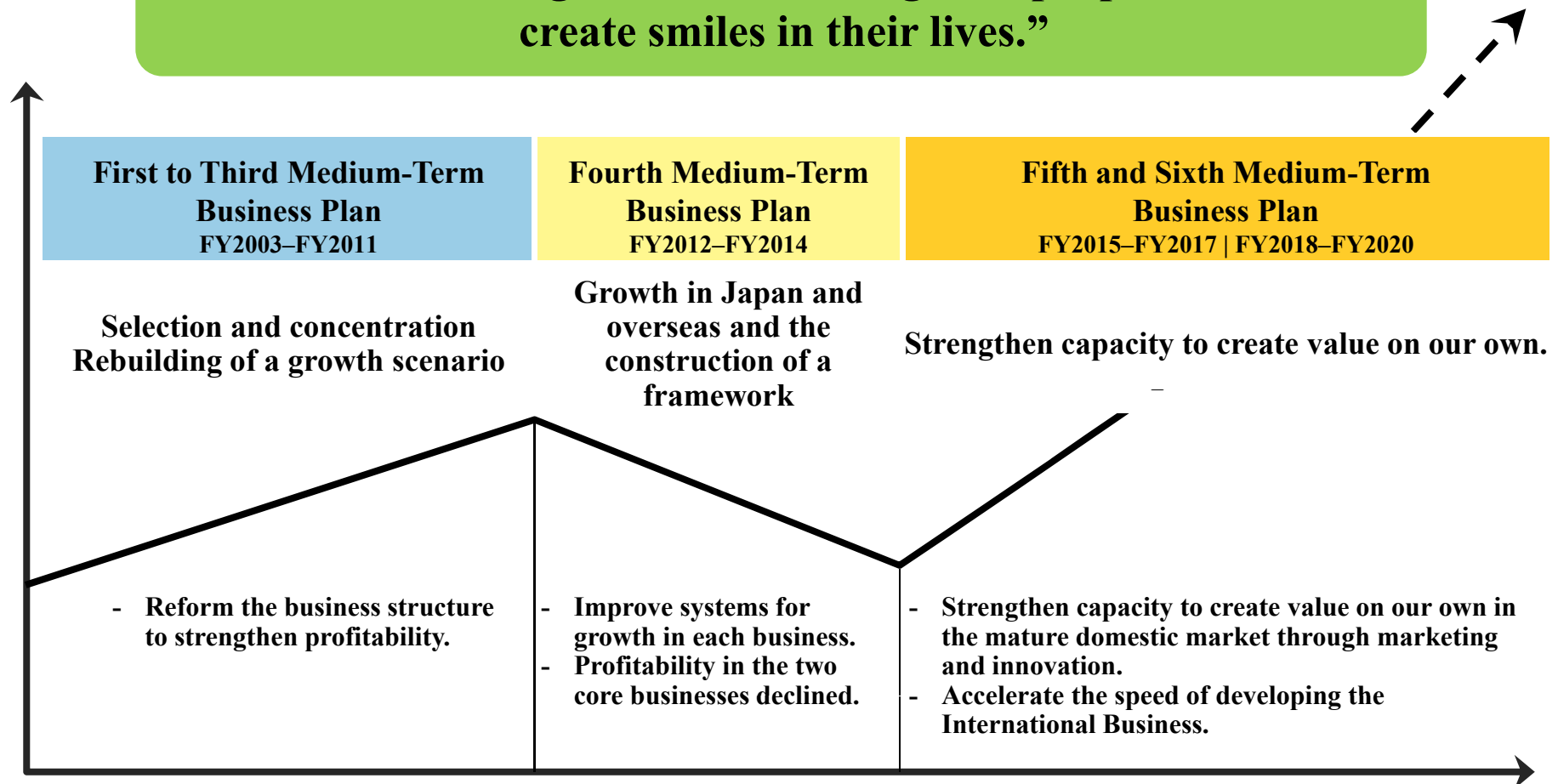
Management Policy (2020) | Positioning of the Medium-Term Business Plan



The implementation of the Medium-Term Business Plan is an important stepping stone towards realizing the Group philosophy.

Group philosophy

**“Through food, we aim to be a good corporate citizen,
connecting and collaborating with people to
create smiles in their lives.”**



Management Policy (2020) | Business Framework the House Foods Group Aims to Achieve



Significance of existence in society

Confirmation of given environmental conditions

Review from the past

Business framework the House Foods Group aims for by 2020 <(1) Vision>

Marketing



Innovations

**Innovative changes to
a quality company that offers
health through its foods**

**Realization of the
effective use of
resources**

**Creation of value on our
own in R&D and value
chains**

**Concurrent fulfillment
of three responsibilities
(to customers, employees and their
families, and society)**

Business framework the House Foods Group aims for by 2020 <(2) Proportion>

- ◆ Realization of one of the highest ROAs among Japanese companies
(aim to achieve an ROS of 10% by 2020)
- ◆ Realization of robust income growth that does not depend on leverage by the effective use of capital
- ◆ Realization of growth with the International Business
- ◆ Cultivation of new businesses (create seeds for offering new value in the future)

ATO	1.0 or more	Overseas ratio	Net sales	20% or more
ROS	10% or more		Operating income	30% or more
ROA	10% or more	New businesses	Sales breakdown	10% or more
ROE	Achieve 10%			

Fifth Medium-Term Business Plan

To grow in the mature domestic market, we will work on “creating new businesses” that will transform new value into demand.

<Concept of business creation>

- Focus on starting a high value-added new business able to aim for an ROS of 10% or more.
- Build a scheme to discover a growth model through trial and error amid many uncertainties (KPI → Move into the black → Discover a growth model).
- Pursue new possibilities by bringing together the expertise of the Group companies.
- If a business model strays away from the existing businesses, House Foods Group Inc. will take on the incubation function.

<Direction of areas of focus>



Areas of focus

**Upstream areas
(value of materials)**

**Externalization of eating
foods and meals**

Super-aging society

* Proportion in 2020
Sales composition ratio of new businesses:
10% or more

Start up a business model (new business) that offers new value in the mature domestic market, in addition to the core domestic businesses and the overseas core growth businesses.

- **Support the Group's earnings base by further strengthening the brand value of the existing domestic businesses.**
- **Propel the Group's growth by applying the Group's expertise overseas.**
- **Start up business in collaboration with value-chain-type businesses that will offer new value in Japan.**

Enhance the significance of Group's existence in society by fulfilling the "three responsibilities."

- **Aim to realize the Group philosophy by conducting corporate activities based on the "three responsibilities" (for customers, employees and their families and society) we are obligated to fulfill as a corporate citizen.**

Further strengthen the capacity to put functions and plans into practice.

- **Group's PDCA function**
- **R&D function**
- **Cost competitiveness**

Narrow the gap with the target ROE by improving the ROA.

Fifth Medium-Term Business Plan | Changes in the method for disclosing segment income



We will revise the method for presenting segments in the Fifth Medium-Term Business Plan to clarify the responsibilities of business companies for segment income.

- ◆ **Before revision** Allocate income of the holding company (House Foods Group Inc.) to business segments.
- ▼
- ◆ **After revision** Indicate income of the holding company as a business segment (adjustment) without allocating the income to business segments.

Reference | Operating income in FY2014 based on the new allocation method

(Billion yen)	FY2014 performance (Before revision) (1)	FY2014 performance (New presentation) (2)	Difference ((2) - (1))
Operating income	8.7	8.7	-
Spice / Seasoning / Processed Food Business	7.5	6.6	-0.9
Health Food Business	0.9	0.6	-0.3
International Business	1.1	1.1	+0.0
Other Food Related Business	-0.9	-0.8	+0.1
Adjustment	-	1.2	+1.2

Fifth Medium-Term Business Plan | Consolidated Targets



(Billion yen)	FY2014 performance (New presentation)	FY2017 target	Comparison with FY2014 (%)
Net sales	231.4	274.0	+42.6 (118.4)
Spice / Seasoning / Processed Food Business	122.1	136.0	+13.9 (111.4)
Health Food Business	36.6	38.0	+1.4 (103.7)
International Business	24.7	42.0	+17.3 (170.1)
Other Food Related Business	48.0	58.0	+10.0 (120.9)
Operating income	8.7	15.0	+6.3 (172.7)
Spice / Seasoning / Processed Food Business	6.6	10.0	+3.4 (151.1)
Health Food Business	0.6	2.0	+1.4 (333.3)
International Business	1.1	3.0	+1.9 (275.6)
Other Food Related Business	-0.8	0.8	+1.6 (-)
Adjustment	1.2	-0.8	-2.0 (-)
ROS	3.8%	5.5%	+1.7 Pt

**Aim for net sales of 274.0 billion yen,
operating income of 15.0 billion yen, and ROS of 5.5%.**

Fifth Medium-Term Business Plan | Spice / Seasoning / Processed Food Business



(Billion yen)	FY2014 performance (New presentation)	FY2017 target	Comparison with FY2014 (%)
Net sales	122.1	136.0	+13.9 (111.4)
Operating income	6.6	10.0	+3.4 (151.1)
ROS	5.4%	7.4%	+1.9 Pt

<Framework of efforts>

Response to changes in home-cooked meals

Response to the externalization of eating foods and meals

-- Healthier, better quality (more delicious), more easily, and with a more appropriate amount --

“Strengthening of existing areas” × “Development of new areas”

**Home-cooked meals
(Profitable business)**

- Strengthen core brands.
- Enhance profitability.
- Create demand by offering new value.

**Home meal
replacements
(Growth business)**

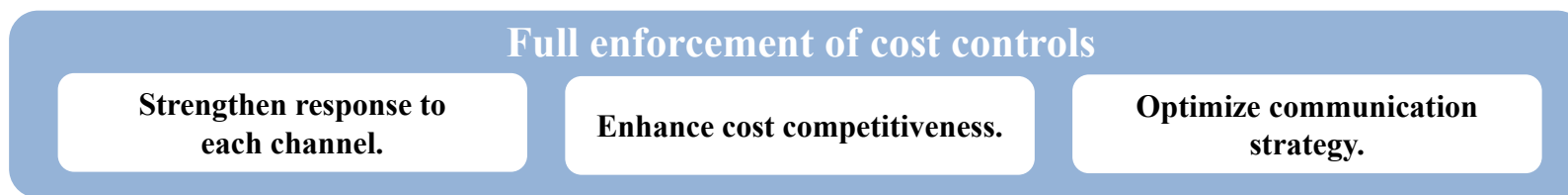
- Expand business in the area of home meal replacements.
- Offer new added value.

**Restaurant
(Profitable +
growth business)**

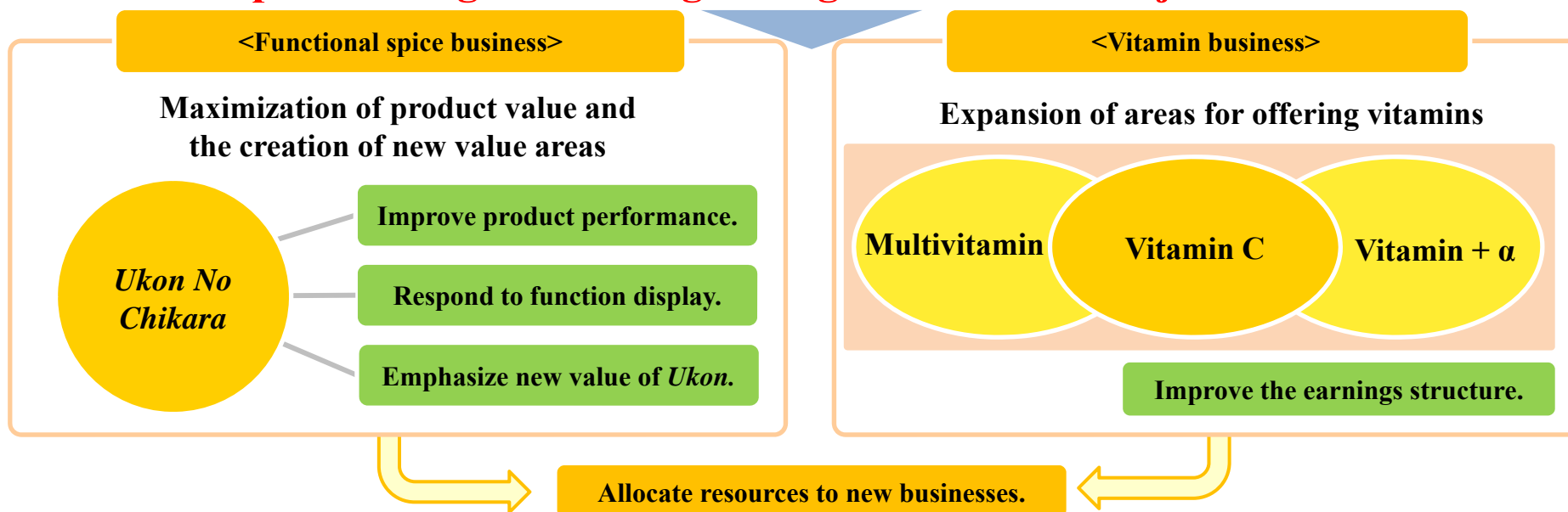
- Pursue earnings and growth by drawing upon the Group’s own competitiveness and ability to offer value.

(Billion yen)	FY2014 performance (New presentation)	FY2017 target	Comparison with FY2014 (%)
Net sales	36.6	38.0	+1.4 (103.7)
Operating income	0.6	2.0	+1.4 (333.3)
ROS	1.6%	5.3%	+3.6 Pt

<Framework of efforts>



Prepare for higher earnings and growth in two major businesses.



(Billion yen)	FY2014 performance (New presentation)	FY2017 target	Comparison with FY2014 (%)
Net sales	24.7	42.0	+17.3 (170.1)
Businesses in the United States	12.0	15.0	+3.0 (124.6)
China business (excl. restaurant business)	3.5	11.5	+8.0 (332.4)
Restaurant business in Asia	5.0	10.0	+5.0 (198.6)
Businesses in Southeast Asia	1.4	3.0	+1.6 (208.0)
Operating income	1.1	3.0	+1.9 (275.6)
ROS	4.4%	7.1%	+2.7 Pt

<Framework of efforts>

Spreading the tastes of the food the House Food Group has cultivated to countries around the world.

The United States	China	Southeast Asia	Restaurants
Provide people throughout the United States with “Tofu.”	<p>Make curry and rice a more popular dish in China.</p> <p>Offer new value to meet the needs for health and disease prevention.</p>	Offer the riches and pleasure of food in emerging markets.	Become the No. 1 curry restaurant chain in countries of operations.

Develop business in each area center.

Fifth Medium-Term Business Plan | Businesses in the United States



(Billion yen)	FY2014 performance (New presentation)	FY2017 target	Comparison with FY2014 (%)
Net sales	12.0	15.0	+3.0 (124.6)

<Positioning of the Fifth Medium-Term Business Plan>

Build base for business expansion in the next medium-term business plan.

Asian Markets:
Further expand the top share.

American market:
Acquire and expand new health-conscious customers.

Strengthen the “HOUSE TOFU” brand

Launch high value-added products.

[Water-packed tofu]
Quality for peace of mind and good taste



[Processed tofu and soybean products
and new businesses]
Make soybeans, a healthy food, easier to eat.



Apply theme for improving profitability.

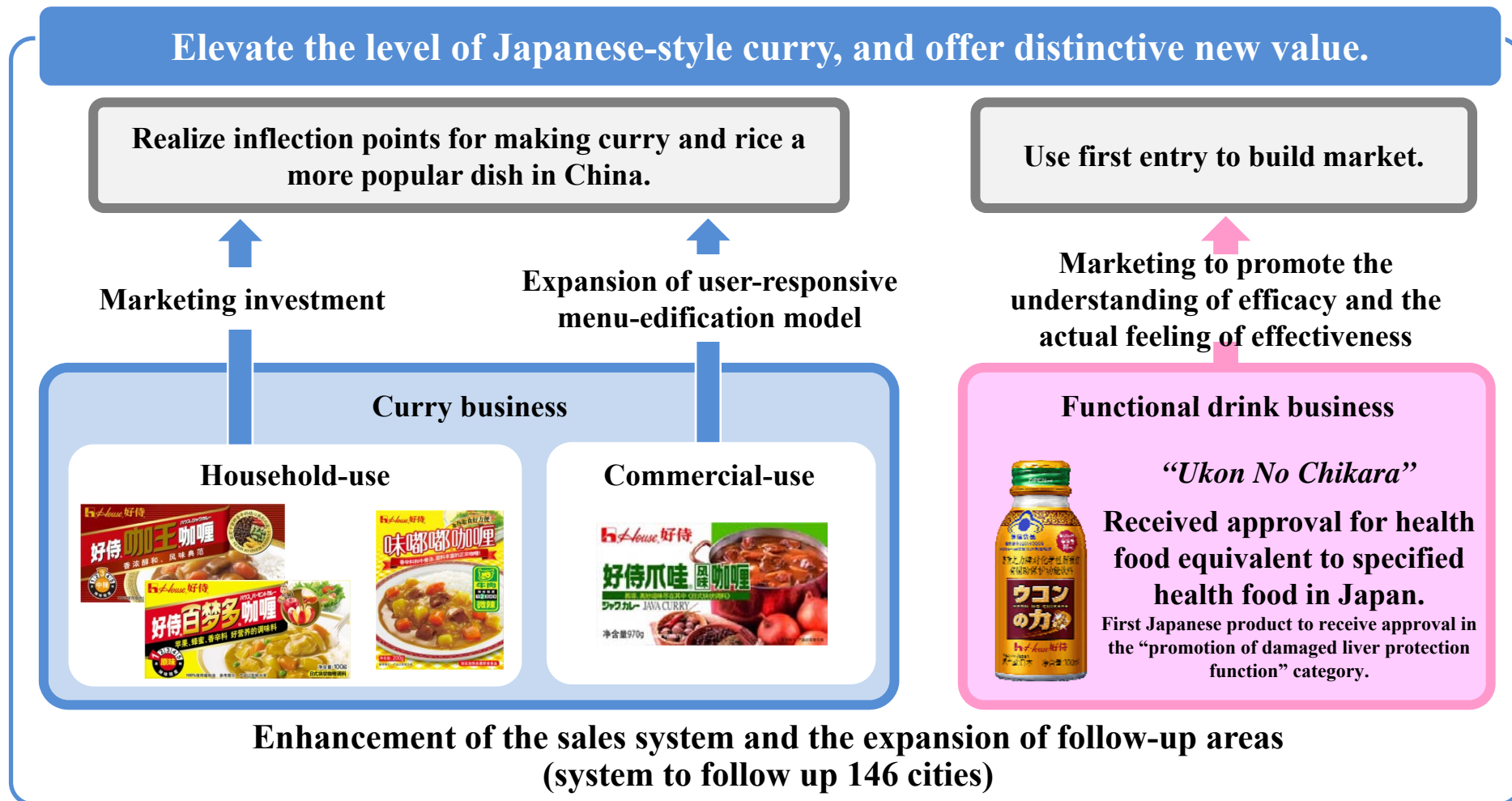
Promote the health benefits of eating soybeans, and implement measures to increase recognition.

Fifth Medium-Term Business Plan | China Business (excluding restaurant business)



(Billion yen)	FY2014 performance (New presentation)	FY2017 target	Comparison with FY2014 (%)
Net sales	3.5	11.5	+8.0 (332.4)

<Positioning of the Fifth Medium-Term Business Plan>



Capital policy

◆ Guidelines concerning business investments

- Utilize 50 billion yen for business investment funds.
- Set 70 billion yen as the upper limit of business investment by borrowing 20 billion yen if necessary.
- Focused areas

Japan | Building of a new business model (upstream areas, externalization of eating foods and meals, super-aging society)

Overseas | Acceleration of the growth speed (the United States, China, and ASEAN)

Measures for shareholders

◆ Guidelines concerning profit distribution

- Dividend policy | **Stable dividends with a payout ratio of 30% as the benchmark**
- Purchase of treasury shares | **Make purchase at an undervalued share price level in a mobile manner to establish a fair value.**

◆ ROE

- Up 2 points from the current level (aiming for 5%)

◆ Realization of the most appropriate shareholders' structure

(Billion yen)	Fourth Medium-Term Business Plan FY2012-FY2014	Fifth Medium-Term Business Plan FY2015-FY2017
Total	3.3	3.0

(Materials 2.6, Logistics 0.7)

<Major accomplishments in the Fourth Medium-Term Business Plan and the basic concept of the Fifth Medium-Term Business Plan>

Fourth Medium-Term Business Plan

- ◆ Cost reduction in each business unit by consolidating roux production facilities into points of demand
- ◆ Consolidation of logistics bases (16 bases → 12 bases)

Fifth Medium-Term Business Plan

- ◆ Set focused themes throughout the Group.
 - Procurement | Reform of the raw materials procurement system
 - R&D | Fundamental restructuring
 - Production and logistics | Strengthening of the cost competitiveness of production and logistics



Full-Year Plan for FY2015

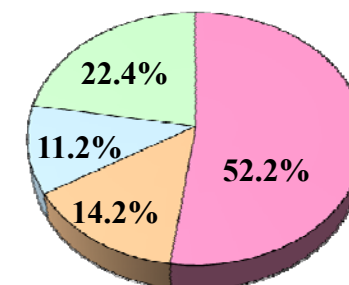
FY2015 Full-Year Targets for Consolidated Income (Loss)/ Performance by Business Segment



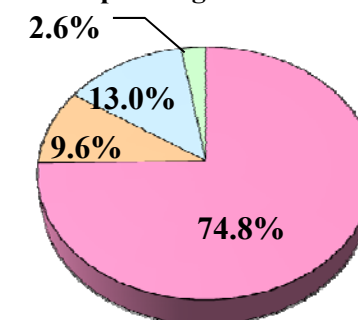
(Billion yen)	FY2014 performance (New presentation)	FY2015 full-year target	Year on year (%)	ROS (%)
Net sales	231.4	246.0	+14.6 (106.3)	—
Spice / Seasoning / Processed Food Business	122.1	128.4	+6.3 (105.1)	—
Health Food Business	36.6	35.0	-1.6 (95.5)	—
International Business	24.7	27.6	+2.9 (111.8)	—
Other Food Related Business	48.0	55.0	+7.0 (114.7)	—
Operating income	8.7	11.5	+2.8 (132.4)	4.7
Spice / Seasoning / Processed Food Business	6.6	8.6	+2.0 (130.0)	6.7
Health Food Business	0.6	1.1	+0.5 (183.3)	3.1
International Business	1.1	1.5	+0.4 (137.9)	5.4
Other Food Related Business	-0.8	0.3	+1.1 (-)	0.5
Adjustment	1.2	0.0	-1.2 (-)	—
Non-operating income (expenses)	2.3	1.4	-0.9 (61.7)	—
Ordinary income	11.0	12.9	+1.9 (117.7)	—
Extraordinary income (loss)	0.9	-0.3	-1.2 (-)	—
Net income	7.0	8.9	+1.9 (127.7)	—

Breakdown by segment

Net sales



Operating income



FY2015 Full-Year Performance Targets by Business Segment (Spice / Seasoning / Processed Food Business)



(Billion yen)

Spice / Seasoning / Processed Food Business	FY2014 performance (New presentation)	FY2015 full-year target	Year on year (%)
Net sales	122.1	128.4	+6.3 (105.1)
Operating income	6.6	8.6	+2.0 (130.0)
◆ Breakdown of sales (main factors)			
Curry roux	37.3	37.9	+0.6 (101.7)
Stew roux	12.8	13.5	+0.8 (106.0)
Hashed beef sauce roux	4.2	4.3	+0.1 (103.0)
Spice	16.5	17.4	+0.9 (105.4)
Retort pouched curry	12.9	13.2	+0.3 (102.5)
Packaged noodles	6.3	6.5	+0.2 (103.4)
Snack	6.7	7.1	+0.5 (106.9)
Dessert	3.4	3.9	+0.6 (117.0)
Food service products	16.3	16.8	+0.5 (103.2)



Promote company-wide focused plans to firmly establish prices in the market after the price revision.
Implement strategic publication and promotion of products, such as proposals for new ways of eating, to stimulate demand for curry.

Work to launch retort pouched curry products that strive to meet customer needs in each price range.

FY2015 Full-Year Performance Targets by Business Segment (Health Food Business)



(Billion yen)

Health Food Business	FY2014 performance (New presentation)	FY2015 full-year target	Year on year (%)
Net sales	36.6	35.0	-1.6 (95.5)
Operating income	0.6	1.1	+0.5 (183.3)
◆ Breakdown of sales (main factors)			
<i>Ukon No Chikara</i>	12.8	13.0	+0.2 (101.4)
<i>Mega Shaki</i>	2.3	2.6	+0.3 (113.7)
<i>C1000</i>	13.5	12.5	-1.0 (92.4)

◆ Functional spice business

- Strengthen communication with heavy users through concerted marketing in line with target scenes.
- Activate the market by launching products that offer both palatability and a feeling that products work.

◆ Vitamin business

- Bottled products | Activate the market by strengthening response to each channel and launching high value-added products.
- Plastic-bottled products | Further improve the earnings structure by fully implementing the effective operation of promotion expenses.

◆ Develop products that fit the function display.



FY2015 Full-Year Performance Targets by Business Segment (International Business)



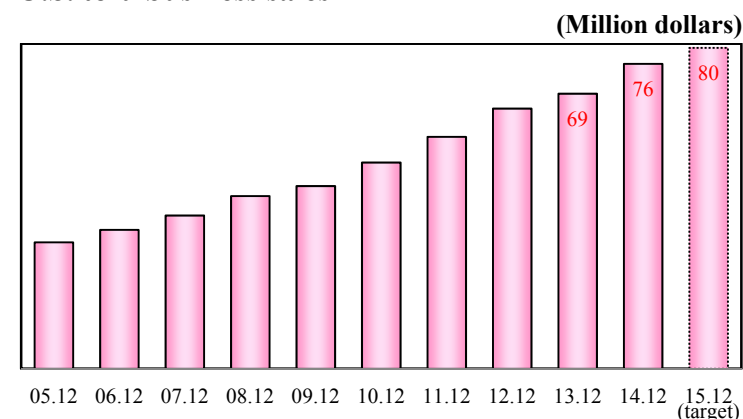
(Billion yen)				
International Business	FY2014 performance (New presentation)	FY2015 full-year target	Year on year (%)	Year on year in local currency
Net sales	24.7	27.6	+2.9 (111.8)	-
Operating income	1.1	1.5	+0.4 (137.9)	-
◆ Breakdown of sales (main factors)				
Businesses in the United States	12.0	12.6	+0.6 (104.7)	105.2%
Tofu business	9.2	9.6	+0.4 (104.2)	-
Restaurant business	1.7	1.8	+0.1 (104.9)	-
China business (excl. restaurant business)	3.5	4.8	+1.4 (139.3)	141.9%
Restaurant business in Asia	5.0	6.3	+1.3 (124.9)	-
China	3.0	3.9	+0.9 (128.2)	130.5%
Taiwan	1.5	1.8	+0.3 (120.0)	120.0%
South Korea	0.5	0.5	+0.1 (119.4)	119.2%
Businesses in Southeast Asia	1.4	1.4	-0.0 (97.5)	-
Thailand	1.4	1.3	-0.1 (91.9)	94.4%
Vietnam	0.0	0.1	+0.1 (296.1)	301.2%

The fiscal year of the businesses in the United States, the China business (excl. restaurant business), and the restaurant business in Asia ends in December.

The fiscal year-end of businesses in Southeast Asia changed from March to December (the settlement of accounts for 9 months in fiscal 2015).

(* Exchange rates of each country are described later.

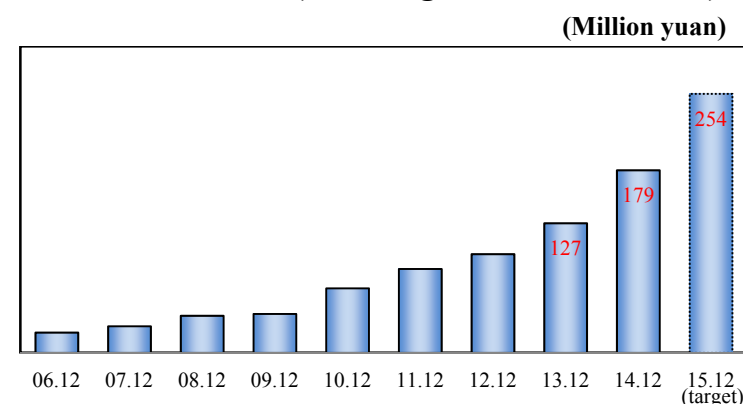
◆ U.S. tofu business sales



Realization of growth through market activation

Enhancement of the business base through the expansion of high value-added products and products for commercial-use

◆ China business sales (excluding restaurant business)



Improvement in the capacity utilization rate and profitability of the second production base due to the market expansion (production line for commercial-use is to start operation around summer 2015).

Smooth start-up of the functional drink business

FY2015 Full-Year Performance Targets by Business Segment (Other Food Related Business)



(Billion yen)

Other Food Related Business	FY2014 performance (New presentation)	FY2015 full-year target	Year on year (%)
Net sales	48.0	55.0	+7.0 (114.7)
Operating income	-0.8	0.3	+1.1 (-)
◆ Breakdown of sales (main factors)			
House Logistics Service (consolidated)	14.2	15.0	+0.8 (105.9)
Delica Chef	14.8	16.9	+2.1 (114.2)
Vox Trading Co., Ltd. (consolidated)	17.1	21.2	+4.1 (124.1)

◆ House Logistics Service Corporation

- Review the business structure to focus on income and the enhancement of the transport capacity of products.
- Promote fundamental cost reduction activities.
- Promote collaboration among six food companies to build a logistics platform for food companies.

◆ Delica Chef Corporation

- Improve profitability through stable operation of a new plant for prepared foods (Kuki Plant) adjacent to distribution center.
- Develop new menus in response to demand for home meal replacements, and boost the earnings of the dessert and the bread businesses.

◆ Vox Trading Co., Ltd.

- Expand sales of spices, seasonings, and frozen vegetables in cooperation with local subsidiaries.
- * Impact of the settlement of accounts for fewer months in the previous fiscal year

Kuki Plant of Delica Chef

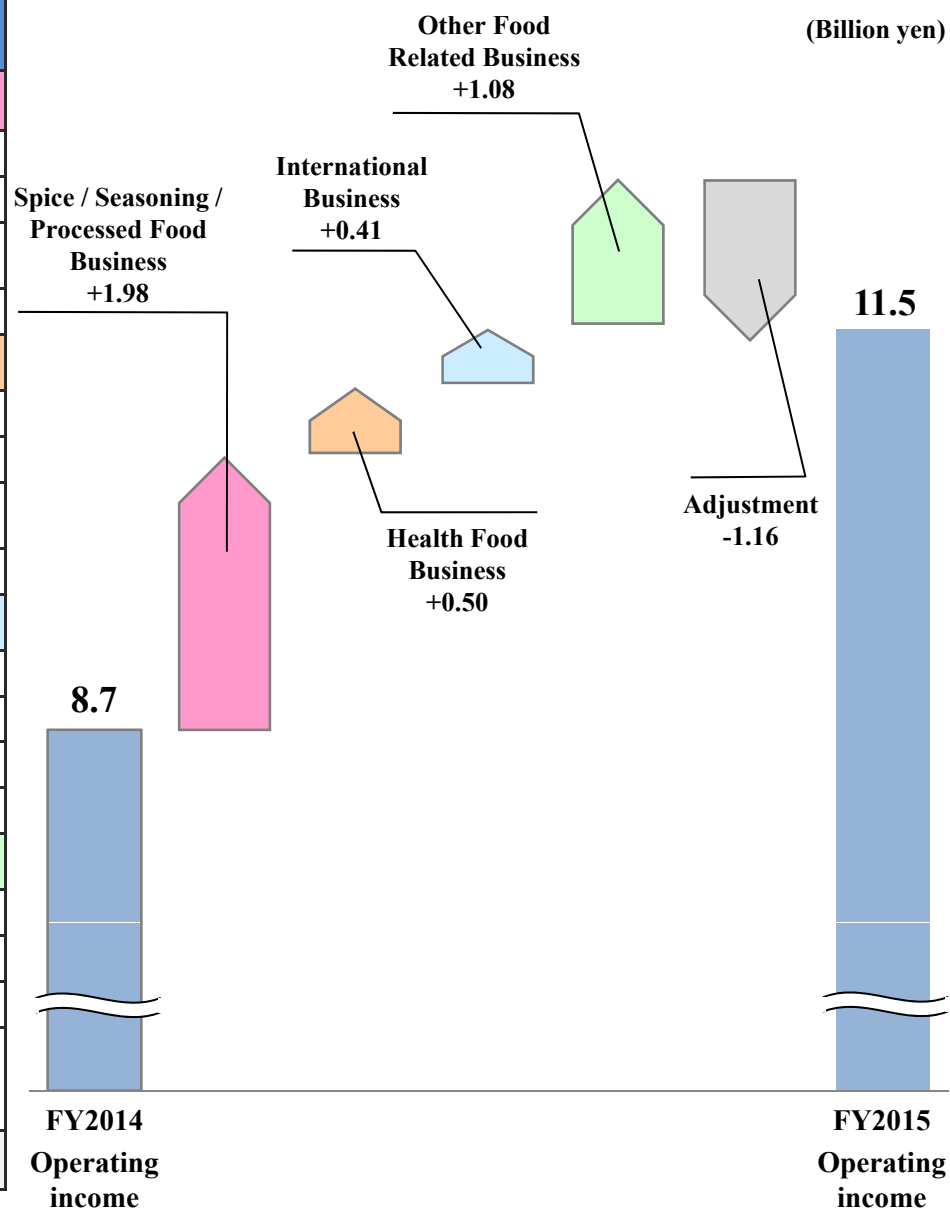


FY2015 Operating Income Change Analysis



◆ Factors of changes by business segment

	FY2015 full-year target
Spice / Seasoning / Processed Food Business	+1.98
Change in sales	+2.5
Change in cost of sales ratio	+0.9
(Change in and change in the ratio of) marketing costs	-0.6
Change in personnel expenses and other expenses	-0.8
Health Food Business	+0.50
Change in sales	-0.0
Change in cost of sales ratio	+0.6
(Change in and change in the ratio of) marketing costs	+0.2
Change in personnel expenses and other expenses	-0.4
International Business	+0.41
Businesses in the United States	+0.0
China business (excl. restaurant business)	+0.1
Restaurant business in Asia	+0.2
Businesses in Southeast Asia	+0.2
Other Food Related Business	+1.08
House Logistics Service (consolidated)	+0.6
Delica Chef	+0.4
Vox Trading Co., Ltd. (consolidated)	+0.1
Adjustment Costs for new businesses and the Group overseeing costs (HP, company advertisements), etc.	-1.16
Changes in operating income	+2.81





Supplementary Description

History of businesses (Abstract)



-1950s

- 1913 Urakami Shoten, an enterprise dealing in herbal medicines, founded
- Spice
- 1926 Launch of powder curry start
- 1934 Hashed beef sauce

1960s-1980s

- 1960 Solid curry roux
- 1964 Dessert
- 1966 Stew
- 1970 Retort pouched food (Sun House Foods)
- Transport and warehousing (House Logistics Service)
- 1973 Instant noodles
- 1977 Snacks
- 1983 Entry into USA (Restaurants, Tofu)
- Mineral water
- 1985 Deli products (Delica Chef)

Vermont Curry



Launched in 1963

Stew Mix



Launched in 1966

tofu (USA)



Launched in 1983

Tongari Corn



Launched in 1978

Kukure Curry



Launched in 1971

1990s

- 1995 Liquid seasoning
- 1997 Entry into China (Restaurants)
- Health foods

C1000



Launched in 1990

2000s

- 2000 Entry into Taiwan (Restaurants)
- 2002 Retort pouched curry (China)
- 2004 Ukon extract drink
- 2005 Curry roux (China)
- 2006 Health foods (House Wellness Foods)
- 2007 Entry into South Korea (Restaurants)

Ukon No Chikara



Launched in 2004

Vermont Curry (China)



Launched in 2005

2010s

- 2010 Transfer of the mineral water business
- 2011 Entry into Thailand (House Osotspa Foods Co., Ltd.)
- 2012 Entry into Vietnam (House Foods Vietnam Co., Ltd.)
- 2013 Import/sales of foodstuffs (Vox Trading Co., Ltd.)
- Switch to a holding company system (the company name changed to House Foods Group Inc.)

Major new products and varieties for the spring and summer 2015



◆ New product

Tax is not included. Prices in parentheses are for reference.

Category	Product	Suggested retail price (reference price)	On-shelf date
Curry peripheral products	CoCo Ichibanya Jikiden Seasoning Spice	Open (¥370)	Feb. 16
Retort pouched curry	Shime Curry (Tender Soup Rice-Type/Soft Risotto-Type)	Open (¥180)	Feb. 16
Retort pouched curry	Keema Style (Tokyo Keema Curry/Osaka Keema Curry)	Open (¥240)	Feb. 16
Other retort pouched products	Satto Gourmet (Shirunashi Tantanmen No Moto/Spicy Curry Men No Moto/Gelee Tsuyu Men No Moto)	Open (¥150)	Feb. 16
Dessert	150 g Fruiche Light (Strawberry & Rum Blossom/Acai Mix)	Open (¥194)	Feb. 16
Dessert	130 g Dolce Bar (Chardonnay & Berry/Brandy & Orange)	Open (¥225)	Feb. 16
Dessert	90 g Gurutto Shake (Strawberry/Grape/Banana)	Open (¥120)	Feb. 16
Drink	Ninniku No Chikara Maca Plus	Open (¥324)	Mar. 9
Drink	PLUSSY1000 Oishii Tetsubun	¥124	Mar. 2

◆ Variety

Curry roux	Hajimete Taberu Vermont Curry without Seven Specific Ingredients	Open (¥240)	Feb. 16
Hashed beef sauce roux	Kanjuku Tomato No Hayashi Rice Sauce without Seven Specific Ingredients	Open (¥345)	Feb. 16
Seasoning for specific menus	Mitsuboshi Shokkan (Moyashi Shakishaki Buta Moyashi Toromi Itame/Cabbage Shakishaki Tori Shio Cabbage/Koromo Karikari Tandoori Chicken)	Open (¥180)	Feb. 16
Seasoning	Spice Cooking Wasaisai (Ginger-fried Roasted Sesame Jitate/ Kinpiragobo Pirikara Seven Tastes Jitate/ Pirikara Konnyaku Coarsely-ground Hot Pepper Jitate, etc.)	Open (¥110)	Feb. 16
Spice	85 g Honkizami Aragiri Wasabi/82 g Honkizami Aragiri Yuzu Pepper/75 g Honkizami Aragiri Raw Ginger	Open (¥315)	Feb. 16
Dessert	200 g Fruiche Strawberry Banana	¥194	Feb. 16

◆ Renewal

Curry roux	109 g Prime Vermont Curry Ama-kuchi/ Chu-kara 117 g Prime Java Curry Chu-kara/ Kara-kuchi	¥272	Feb. 16
Spice	43 g Oroshi Raw Wasabi/43 g Neri Wakarashi/43 g Oroshi Raw Garlic/40 g Momiji Oroshi	¥125	Mar. 16
Drink	Mega Shaki	Open (¥238)	Mar. 9

Helping to solve social issues through the Group's main businesses

Society

Dietary education activities to children who will support mealtime in the future



Allergen countermeasures so that the entire family can enjoy the same menu items



Environment

Environmentally-friendly product planning



Contributing to society by "creating electricity"



Quality

Inspection system to ensure safety



Trends of cost reductions and capital investment



◆ Trends of cost reductions (from the year-ago level)

(Million yen)

	Cost reductions		
	Materials cost	Logistics cost	Total
FY2012	772	105	877
FY2013	750	153	903
FY2014	1,096	400	1,496
FY2015 target	540	50	590

◆ Trends of capital investment

(Million yen)

	Capital investment			Major capital investment	Depreciation		
	Investment	Leases	Total		Investment	Leases	Total
FY2012	5,684	433	6,117	Expansion of the building and manufacturing facilities of House Foods America Construction of a new building for the Osaka Head Office	5,020	382	5,402
FY2013	11,115	395	11,510	Land for Delica Chef's plant and construction of the plant Investment related to the roux production line for House Foods	5,056	333	5,389
FY2014	9,588	286	9,874	Construction of Delica Chef's plant Investment related to the roux production line for Dalian Horie Yamatoya Food Co., Ltd.	5,789	294	6,083
FY2015 plan	9,500	500	10,000	Investment related to the production line for House Foods Investment related to the roux production line for Dalian Horie Yamatoya Food Co., Ltd.	6,700	300	7,000

Breakdowns of non-operating income and expenses and extraordinary income and loss



◆ Non-operating income and expenses (Million yen)

	FY2013	FY2014	Year on year
Interest income / Interest on securities	549	530	-18
Dividend income	599	603	+4
Share of profit of entities accounted for using equity method	458	628	+170
Foreign exchange gains	305	820	+515
Other	376	356	-21
Total non-operating income	2,287	2,937	+651
Interest expenses	221	129	-92
Commission fee	141	–	-141
Compensation expenses	287	–	-287
Other	265	538	+273
Total non-operating expenses	913	667	-246

◆ Extraordinary income and loss (Million yen)

	FY2013	FY2014	Year on year
Gain on sales of non-current assets	3,110	195	-2,915
Reversal of allowance for doubtful accounts	20	1	-19
Gain on sales of investment securities	108	1,311	+1,203
Gain on sales of investments in capital	–	18	+18
Gain on change in equity	–	3	+3
Compensation income	–	13	+13
Other	2	2	-0
Total extraordinary income	3,240	1,543	-1,697
Loss on sales of non-current assets	124	121	-3
Loss on retirement of non-current assets	240	141	-98
Loss on valuation of investment securities	1	4	+3
Loss on valuation of membership	24	1	-23
Impairment loss	129	323	+193
Provision for loss on guarantees	152	–	-152
Loss on step acquisitions	69	–	-69
Loss on disaster	33	–	-33
Other	7	18	+11
Total extraordinary losses	778	607	-171

Content of business segments (As of March 31, 2015)



Business segment	Group company name
Spice / Seasoning / Processed Food Business	House Foods Corporation Sun House Foods Corporation / Sun Supply Corporation Asaoka Spice K.K. House Ai-Factory Corporation
Health Food Business	House Wellness Foods Corporation
International Business	United States House Foods Holding USA, Inc. / House Foods America Corporation / El Burrito Mexican Food Products Corporation
	China House Foods China Inc. / Shanghai House Foods Co., Ltd. / Dalian Horie Yamatoya Food Co., Ltd. / House Restaurant Management (Shanghai) Co., Ltd. / House Restaurant Management (Beijing) Co., Ltd. / House Restaurant Management (Guangzhou) Co., Ltd.
	Taiwan Taiwan Curry House Restaurant, Inc.
	South Korea Curry House Korea Corporation
	Thailand House Osotspa Foods Co., Ltd.
	Vietnam House Foods Vietnam Co., Ltd.
Other Food Related Business	House Logistics Service Corporation / High Net Corporation Delica Chef Corporation House Food Analytical Laboratory Inc. Horie Yamatoya Co., Ltd. Vox Trading Co., Ltd. / Tim Food Co., Ltd. / PT. Java Agritech
Other	House Foods Group Inc. / House Business Partners Corporation