

Fifth Medium-Term Business Plan (FY2015-FY2017)

May 14, 2015



House

House Foods Group Inc.

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

● 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)

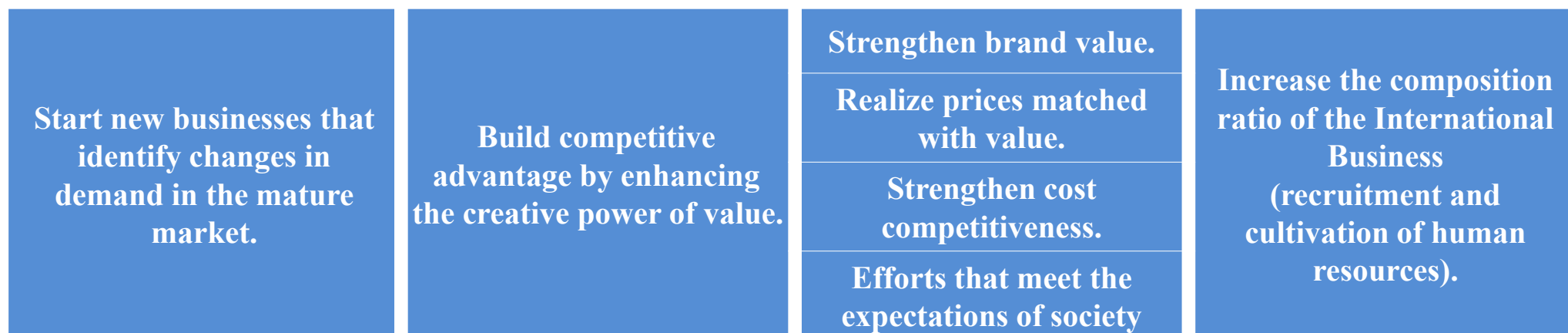
Changes in dividends and dividend payout ratio (Yen / %)

| | 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 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 |

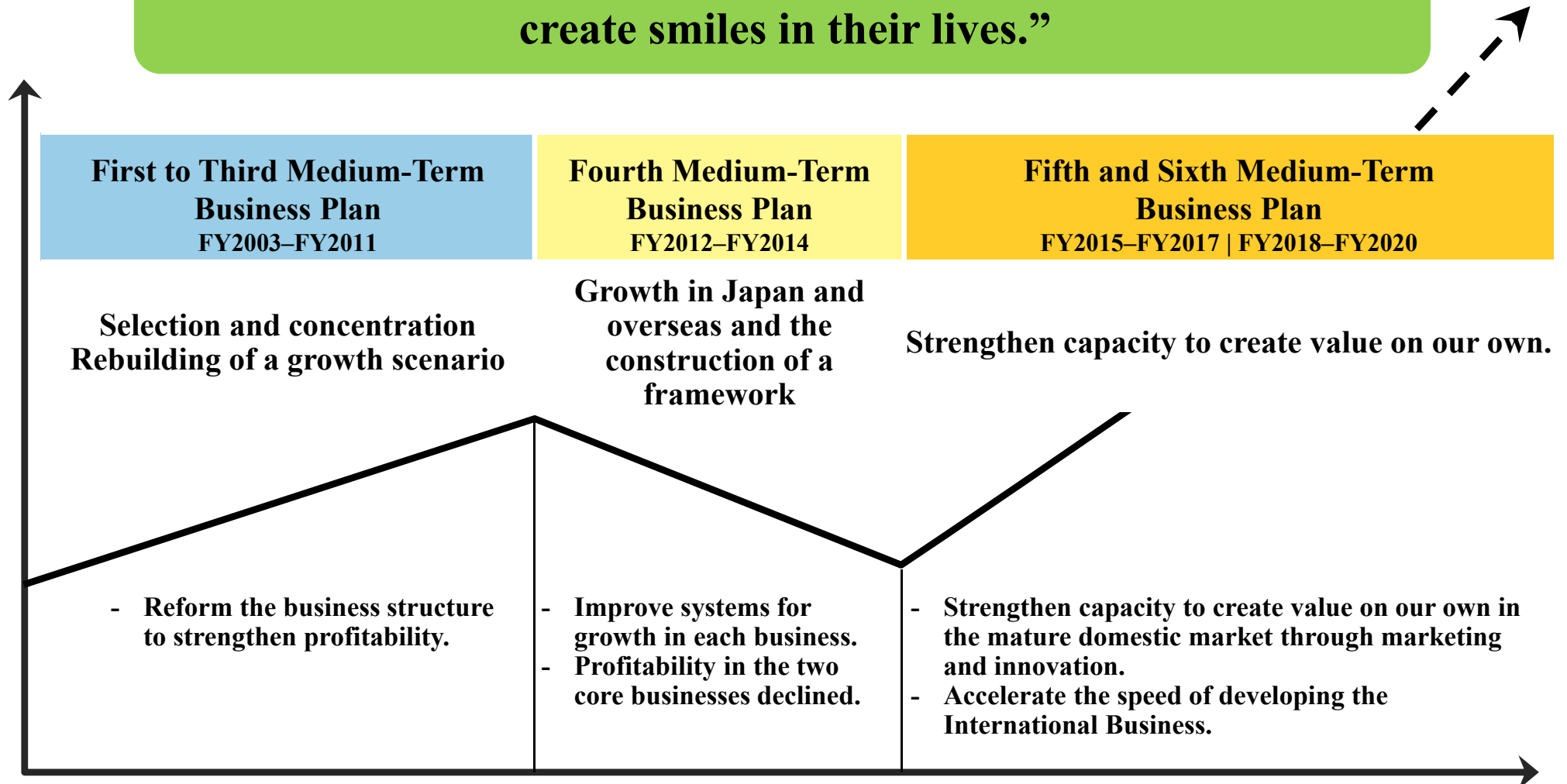


Management Policy (2020) | Positioning of the Medium-Term Business Plan

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.”**



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% | | | |

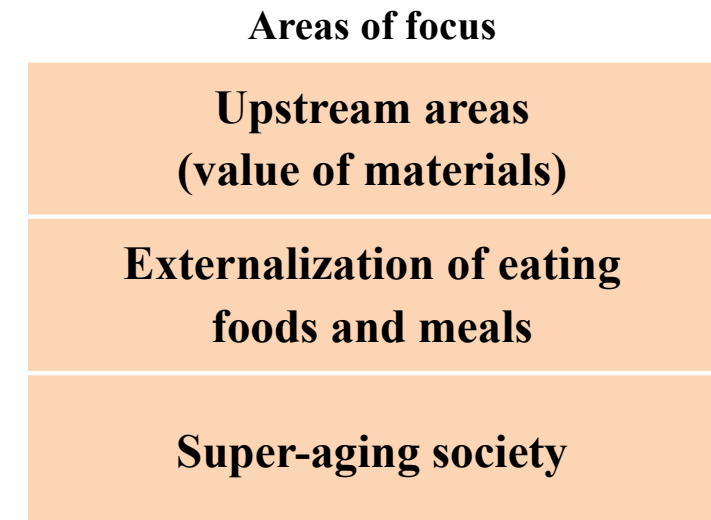
Fifth Medium-Term Business Plan

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>



* 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

| | FY2014 performance (Before revision) (1) | | FY2014 performance (New presentation) (2) | | Difference ((2) - (1)) |
|--|--|------|---|--|------------------------|
| (Billion yen) | | | | | |
| 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 |

| (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%.**

| (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)**

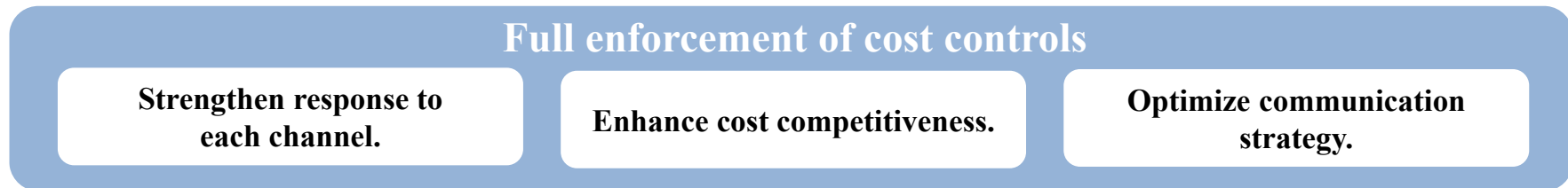
- Expand business in the area of home meal replacements.
- Offer new added value.

**Restaurant
(Profitable +
growth business)**

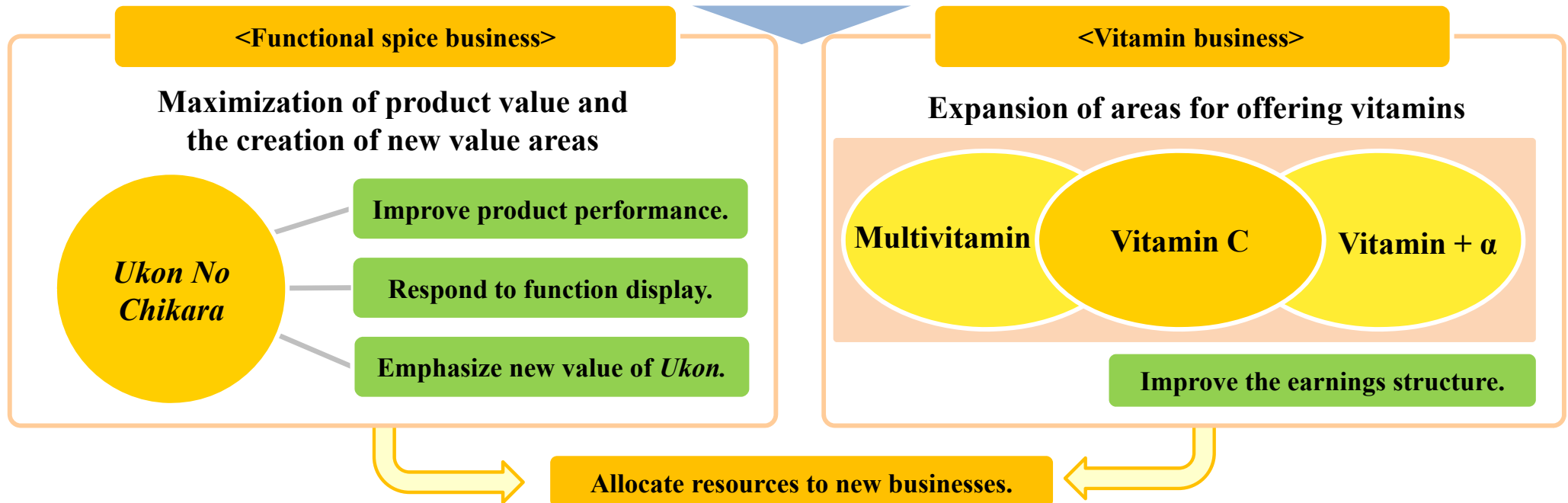
- Pursue earnings and growth by drawing upon the Group’s own competitiveness and ability to offer value.

| (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.



Allocate resources to new 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.

| (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>

Elevate the level of Japanese-style curry, and offer distinctive new value.

Realize inflection points for making curry and rice a more popular dish in China.

Use first entry to build market.

Marketing investment

Expansion of user-responsive menu-edification model

Marketing to promote the understanding of efficacy and the actual feeling of effectiveness

Curry business

Functional drink business

Household-use

Commercial-use

“Ukon No Chikara”



Received approval for health food equivalent to specified health food in Japan.

First Japanese product to receive approval in the “promotion of damaged liver protection function” category.

Enhancement of the sales system and the expansion of follow-up areas (system to follow up 146 cities)

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