FY2024 Results Briefing: QA

- Date and Time	**May 12, 2025 (Mon)　13:00 p.m. - 13:39 p.m.**
- Method	Real-time streaming
- Q&A Panel	Hiroshi Urakami, Representative Director & President Yoshiyuki Osawa, Representative Director & Senior Managing Director Kotaro Kawasaki, Senior Managing Director Yoshiyuki Miyaoku, Director Atsushi Sakuma, Director Yuichi Okamoto, Director

Q1

Regarding the treasury share acquisitions disclosed on May 8. Why did you implement the treasury share acquisitions ahead of the initial schedule set out in the Eighth Medium-term Business Plan and, in your view, what kind of action is needed to improve the share price in the future?

A1

We accelerated the treasury share acquisitions to send a message in relation to movements in our share price but, basically, this was action taken based on the financial capital policy set out in the Eighth Medium-term Business Plan. We indicated that during the three-year period of the Eighth Medium-term Business Plan we would sell our cross-shareholdings while allocating the profit generated from this to shareholder returns and, on each occasion, we make decisions on cross-shareholdings and treasury share acquisitions respectively. On this occasion, we were able to more or less confirm that the sale of cross-shareholdings was feasible and so we decided to fund shareholder returns through the sale of cross shareholdings. As for future plans, we intend to flexibly make decisions on the sale of cross-shareholding and treasury share acquisitions respectively.

To improve our share price in the future, improvement in the proportion of operating capital based on the financial capital policy is, of course, important; however, in our view, we need to increase Business ROIC.

At the time of the Fourth Medium-term Business Plan, we thought the problem with our ROIC lay in surplus funds, and so to resolve this issue, since the Fifth Medium-term Business Plan, we have been increasing the component ratio of operating capital through the reduction of cross-shareholdings alongside the promotion of business investments in Ichibanya, Gaban and other operations. We believe that the continued low level of ROIC despite such measures can probably be attributed to our core business and so last year, we introduced ROIC management.

As part of this, we are now assessing the “ROIC for equipment” of each production line and we visualize this broken down into three elements: “marginal profit ratio,” “capacity utilization” and “equipment effectiveness.”

The Group’s approach to capital investment in the past has inevitably been a roux product-centered approach drawing on our experience and knowhow; however, given that marginal profit ratios and appropriate capacity utilization rates vary from product category to product category, when we approach investment in other products in our usual way, we have problems with ROIC. Accordingly, we are breaking ROIC down into three elements with the intention of enabling multi-faceted decisions on optimal investments in each product category.

We know that we must gain experience and that we are not going to master this overnight; however, we consider it extremely important to increase Business ROIC through these initiatives.

Q2

Regarding initiatives to be conducted beyond the boundaries within the Group (GOT). Although I imagine your resilience to price hikes has increased, given the fast-paced changes in the business environment, I think you need to further accelerate the GOT and structural reforms. What progress has been made on initiatives and what is your thinking in regard to acceleration of initiatives?

A2

Regarding initiatives to be conducted beyond the boundaries within the Group (GOT), we have made progress on the three GOT, including welcoming Ichibanya, Gaban and Vox Trading to the Group. The three GOT are Production GOT, BtoB GOT and Procurement GOT.

For BtoB GOT, we established House Gaban in April 2023 by separating the food service business from House Foods Corporation and integrating it with Gaban Co., Ltd. House Gaban will serve as an engine driving the Group’s food service business. We consider House Gaban’s future growth in the food service products market to be a result achieved through GOT.

For the Production GOT, delays in progress have been pointed out before but these initiatives take a considerable amount of time because we need to reshape our bases while at the same time continuing to ship the products we currently manufacture. Specific themes include the reorganization of our spice packaging bases and the new Tohoku Factory that will achieve high mix variable volume retort production, which we explained today. Then there are three initiatives with Ichibanya, which will enter the actual investment stage in the future. We believe that our implementation of such initiatives overcoming various conflicts is a concrete step towards becoming a high quality company.

As for the Procurement GOT, we feel that this third GOT is the most difficult and on the basis that we would probably fail to make any progress under a project-based GOT structure, we established the Spice Value Chain Procurement and Production Strategy Headquarters last year; however, further discussion is needed. This is theme which requires a shift away from the existing House Foods Group perspective to a new approach. That said, Director Yuichi Okamoto is taking the lead in promoting this shift, because we know and have been told that unless we develop our own upstream procurement capabilities instead of simply counting on business partners going forward, we will not be able to survive the 21st century.

We have been told this process is taking time, but we hope you understand that this is something that takes time and requires discussion.