



May 9, 2024

Company Name: House Foods Group Inc.
 Representative: Hiroshi Urakami, President
 (Securities Code: 2810, TSE Prime Market)
 Contact: Eiki Miyake, General Manager,
 Public & Investors Relations Division
 (Tel: +81-3-5211-6039)

Notice Concerning Review of Executives' Compensation System

House Foods Group Inc. (the “Company”) hereby announces that a meeting of the Board of Directors held on May 9, 2024 resolved to review the compensation system for its Directors (excluding those who concurrently serve as Audit & Supervisory Committee members. Hereinafter referred to as “Executive Directors.”) Among the matters reviewed, the “revision of restricted stock compensation system” is contingent upon the approval of a proposal on the revision of the system at the 78th Annual General Meeting of Shareholders to be held on June 25, 2024.

1. Review of composition ratios of compensation to Executive Directors (Ratio of each compensation amount level to total compensation)

Based on decisions of the Board of Directors, the Company has adopted ratios of monthly compensation, single-year performance-linked compensation (short-term incentive) and restricted stock compensation (long-term incentive) of 70%, 20% and 10%, respectively. Recently, it reviewed these ratios and increased the ratio for the performance-linked portion in order to better incentivize Executive Directors to achieve short-, medium- and long-term goals. In particular, by raising the ratio of restricted stock compensation and newly attaching conditions to achieving business results, the Company intends to better incentivize Executive Directors to achieve the medium-term business plans and further increase value shared with shareholders and other stakeholders.

[Review of compensation composition ratio]

| Before the review | | After the review | |
|---|-------------------|--|---|
| Compensation type | Composition ratio | Compensation type | Composition ratio |
| Monthly compensation (fixed) | 70% | Monthly compensation (fixed) | 60% |
| Short-term incentive (bonus) | 20% | Short-term incentive (bonus) | 25% |
| Long-term incentive (restricted stock compensation) | 10% | Medium- to long-term incentive* ¹ | Advance-issue-type restricted stock compensation |
| | | | Performance-linked, restricted stock compensation |
| | | | 10% |
| | | | 5% |

*1: This type of compensation under long-term incentive will be revised to be categorized under medium- to long-term incentive, given the new addition of medium-term business goals to business performance conditions.

2. Changeover points in short-term incentive (bonus)

In the basic structure for bonuses to the Company’s Executive Directors, two performance evaluation indicators for the Company and individuals are used, and standard amounts predetermined for each job position and role are fluctuated in the range between 70% and 130%. For the evaluation of the Company’s performance, an indicator determined by the Board of Directors based on reports by the Compensation Advisory Committee has been adopted. In the Seventh Medium-term Business Plan (fiscal year ended March 31, 2022 - fiscal year ended March 31, 2024), EBITDA multiples were used for the purpose of ensuring steady implementation of investments toward business growth. Under the Eighth Medium-term Business Plan that started in April this year, ROIC was newly adopted as an evaluation indicator in addition to EBITDA, in order to ensure that Executive Directors are aware of capital cost in the management of the Company.

[Indicator of evaluation of the Company’s performance in relation to bonus]

| Before the review | After the review |
|--|--|
| Status of progress in achieving EBITDA | Bonus for final year of medium-term business plan: Respective status of progress in achieving EBITDA and ROIC Bonus in relation to business years other than the above: Status of progress in achieving EBITDA |

3. Changeover points in medium- to long-term incentive (stock compensation)

The Company provides incentives to Executive Directors with the aim of achieving a sustained improvement in corporate value, and restricted stock compensation in amounts according to their job positions and roles for the purpose of further encouraging value sharing with its shareholders. Regarding the latter, it will maintain the system after changing its name to “advance-issue-type restricted stock compensation system.”

In addition, it will launch a “performance-linked, restricted stock compensation system^{*2}” that links to the status of progress in achieving non-financial indicators in medium-term business plans. By combining these two types of stock compensation systems, the Company will strive to better incentivize Executive Directors to achieve medium-term business plans through a link with plan targets, in addition to strengthening their motivation to improve corporate value over the medium- to long-term through share price rises.

*2: Performance-linked, restricted stock compensation system

[Outline] After the end of a business year (applicable period), monetary compensation claims will be provided to eligible Executive Directors in amounts determined in accordance with predetermined evaluation indicators and structures. The eligible Executive Directors will pay the said claims to the Company and receive restricted stock. The period of transfer restriction will start on share issuance date and end on retirement date.

[Linkage with performance] In the final year of a medium-term business plan, the status of progress toward targets described in the medium-term business plan will be reflected in stock compensation for the said business year. In concrete terms, stock compensation equivalent to the amount obtained by multiplying the base amount determined in accordance with job positions and roles by 10% to 190% will be provided. The payment rate of stock compensation for business years other than the above will be 100% of the base amount, in principle, taking into consideration the status of progress for each business year to be confirmed by the Compensation Advisory Committee.

[Performance evaluation indicator] The Company will adopt non-financial indicators prescribed in medium-term business plans as evaluation indicators for the stock compensation. This will allow the Company to reflect “responsibility for society” and “responsibility for our employees and their families” that it advocates for achieving the Group philosophy on its compensation system and to work toward achieving these responsibilities.

Non-financial indicators set forth under the Eighth Medium-term Business Plan are as follows.

[For reference: Targets under the Eighth Medium-term Business Plan (non-financial indicators)]

| Item | Indicator classification | Indicator |
|--|--------------------------|---|
| Indicators for “Responsibility for society” | Climate change | Amount of CO ₂ reduction (Scope 1 and 2, Scope 3) |
| | Resource recycling | Reduction of waste production, recycling rate for by-products, amount of use of plastic |
| Indicators for “Responsibility for our employees and their families” | Engagement | Proactive behavior to take on challenges, organizational climate diagnostic results |
| | Diversity | Active participation of women |

4. Other

There is no change in the compensation system for Directors who are Audit & Supervisory Committee members.