



April 17, 2024

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Notice Regarding the Eighth Medium-term Business Plan

House Foods Group Inc. (the “Company”) is pleased to announce that it has formulated its Eighth Medium-term Business Plan, which will run for three years from FY2024 to FY2026.

1. Period Covered

Three years from April 2024 to March 2027

2. Positioning of the Medium-term Business Plan

The Medium-term Business Plan has been formulated as an action plan (“To Do”) that will enable the Company to get closer to its Group philosophy (Vision, “To Be”). The Company has established “Striving to become a high quality company that provides "Healthy Life Through Foods" <Chapter 2> Striving for growth by building a global value chain*” as a major theme of the Eighth Medium-term Business Plan. Setting priority themes to address customers, society, employees and their families, respectively, the Company will push ahead to transform into a high-quality company with a global presence.

Overview of the Eighth Medium-term Business Plan (Overall Picture)



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* Value chain

3. Consolidated Numerical Targets

To promote management with an awareness of cost of capital, starting with the Eighth Medium-term Business Plan, the Company will introduce ROIC as a new management indicator.

Consolidated Numerical Targets							
◇ Consolidated Targets	Seventh Medium-term Business Plan (FY2023)		Eighth Medium-term Business Plan (FY2026)		Ninth Medium-term Business Plan (FY2029)		
	Forecast	Target	vs. Seventh Medium-term Business Plan	Target	vs. Eighth Medium-term Business Plan		
Net sales	302.8 billion yen	360.0 billion yen	+57.2 billion yen	450.0 billion yen	+90.0 billion yen		
Operating profit	20.0 billion yen	27.0 billion yen	+7.0 billion yen	40.0 billion yen	+13.0 billion yen		
◇ Management Indicators	Seventh Medium-term Business Plan (FY2023)		Eighth Medium-term Business Plan (FY2026)		Ninth Medium-term Business Plan (FY2029)		Ideal proportions
	Forecast	Target	vs. Seventh Medium-term Business Plan	Target	vs. Eighth Medium-term Business Plan		
NEW ROIC	5.0%	6.0% or higher	—	8.0% or higher	—	—	
ATO (Total asset turnover)	0.76 times	0.83 times	+0.07 times	0.96 times	+0.13 times	1.0 time or greater	
ROS (Return on sales)	6.6%	7.5%	+0.9pt	8.9%	+1.4pt	10% or higher	
EBITDA margin	11.1%	11.4%	+0.3pt	12.7%	+1.3pt	—	
ROA (Return on assets)	5.0%	6.2%	+1.2pt	8.6%	+2.4pt	10% or higher	
ROE (Return on equity)	6.5%	7.0%	+0.5pt	—	—	Securing 10%	

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Please refer to the attached materials for details.



Eighth Medium-term Business Plan Briefing

April 18, 2024

House Foods Group Inc.

Stock code 2810

<https://housefoods-group.com/>

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*1 From FY2021, the Company has adopted the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29) as the new standard.

*2 Allocation of the purchase price (PPA) regarding the business combination with the US-based Keystone Natural Holdings, LLC effected September 30, 2022 was completed during FY2023. Due to the completion of these accounting procedures, figures that reflect completion of the PPA are used.



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1-6: Consolidated Numerical Targets

1-7: "Three Responsibilities" KPIs

1-1: Review of the Seventh Medium-term Business Plan (Change in Consolidated Results)

- **Net sales:** Got close to but fell short of the initial plan, in part due to price revisions at Group companies
- **Operating profit:** Fell far short of the initial plan, in part due to changes in the business environment that were not incorporated into initial assumptions (prolonged effects from the COVID-19 pandemic, advancing inflation)

Billion yen	Old Accounting Standards	New Accounting Standards					
	Sixth Medium-term Business Plan	Seventh Medium-term Business Plan					
	FY2020 (Results)	FY2021 (Results)	FY2022 (Results)	FY2023 (Forecast)	Initial plan	Comparison with initial plan	
Net sales	283.8	253.4	275.1	302.8	305.0	-2.2	-0.7%
Operating profit	19.4	19.2	16.7	20.0	26.0	-6.0	-23.1%
EBITDA *1	31.1	30.1	28.5	33.5	40.4	-6.9	-17.1%
Ordinary profit	19.8	21.1	18.3	21.2	—	—	—
Profit *2	8.7	14.0	13.7	18.0	—	—	—

*1 EBITDA: Operating profit (before amortization of goodwill) + Depreciation

*2 Profit attributable to owners of parent

1-1: Review of the Seventh Medium-term Business Plan (Management Indicators)

- Despite restoring earning capacity through price revisions and other measures, and working to improve asset efficiency such as by reducing cross-shareholdings, we fell short of our targets.

◇ Five Indicators	Old Accounting Standards	New Accounting Standards				
	Sixth Medium-term Business Plan FY2020 (Results)	Seventh Medium-term Business Plan				
		FY2021 (Results)	FY2022 (Results)	FY2023 (Forecast)	Initial plan	Comparison with initial plan
ATO (Total asset turnover)	0.77 times	0.67 times	0.71 times	0.76 times	0.80 times	-0.04 times
ROS (Return on sales)	6.8%	7.6%	6.1%	6.6%	8.5%	-1.9pt
EBITDA margin	10.9%	11.9%	10.4%	11.1%	13.2%	-2.2pt
ROA (Return on assets)	5.3%	5.1%	4.3%	5.0%	6.8%	-1.8pt
ROE (Return on equity)	3.4%	5.3%	5.1%	6.5%	6.1%	+0.4pt

◇ Reducing Cross-shareholdings and Acquiring Treasury Shares

- In the Seventh Medium-term Business Plan we planned to reduce cross-shareholders by **20%** (with the reduction amount based on market value as of FY2020). We expect to achieve the planned reduction.

Results: FY2021 **7.8%**, FY2022 **8.9%**, FY2023 1st Half **2.9%**, cumulative reduction up to the first half of FY2023 **19.5%**

- We planned to use the funds gained from these reductions to acquire treasury shares valued at **12** billion yen over the course of the Seventh Medium-term Business Plan. The acquisitions were completed as planned.

Results: FY2021 **4** billion yen, FY2022 **6** billion yen, FY2023 **2** billion yen (as of January 31, 2024)

1-1: Review of the Seventh Medium-term Business Plan (Three Responsibilities)

- Under the Seventh Medium-term Business Plan we conducted activities in line with priority themes to address each of the three responsibilities that we must fulfill to survive as a company that continually provides value: for customers, for our employees and their families, and for society.

Three Responsibilities	Themes	Summary
For Customers	Achievement of growth driven by four value chains	<ul style="list-style-type: none"> • For the Functional Ingredients VC and Soybean VC, we went ahead with growth initiatives and investment from a back-casting perspective. • For the Spice VC, we made progress expanding production capabilities and expanding customer contact points, but are still part way through the process of establishment.
	Realization of three GOT*1 themes	<ul style="list-style-type: none"> • The BtoB GOT (launch of House Gaban) and production GOT (optimization of spice production sites, etc.) yield some results. • For the procurement GOT*2 there remain some challenges with the execution of business structural reforms from upstream.
	Creation of new value through collaborative creation	<ul style="list-style-type: none"> • For the Value-added Vegetables VC, we proceeded to consider the development of business models with collaborative creation partners. • Despite working to create themes under a unified structure integrating business development, R&D and human resource development, the establishment of business is still a work in progress.
For Society	Establishment of a recycling-oriented model	<ul style="list-style-type: none"> • We made a 2050 carbon neutrality (Scope 1 and 2) declaration. We expect to achieve our CO₂ Scope 1 and Scope 2 reduction targets.*3 • We pursued initiatives to reduce CO₂ emissions and waste through collaborative creation with stakeholders.
	Achievement of a society of healthy longevity	<ul style="list-style-type: none"> • Aiming to contribute to the advancement of health through our core business, we have worked to create health value leveraging the strengths of each VC, but there remain challenges to developing themes in coordination with business activities.
For our Employees and Their Families	Implementation of job satisfaction transformation	<ul style="list-style-type: none"> • We define job satisfaction as a comfortable work environment × sense of worth, and implement measures encouraging reduced working hours and the embracing of challenges.
	Support for demonstrating individuality and achieving integration	<ul style="list-style-type: none"> • We have implemented measures aimed at achieving diversity in three areas: individual attributes, experience and aptitude. • We have taken steps to improve our infrastructure to enhance diversity, including the introduction of a new personnel system (House Foods).

*1 GOT: Initiatives to be conducted beyond the boundaries within the Group

*2 Renamed to Spice VC GOT from the Seventh Medium-term Business Plan

*3 Per unit of production against FY2013

1-2: Overview of the Eighth Medium-term Business Plan (Overall Picture)

Group philosophy, To Be

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

Eighth Medium-term Business Plan, To Do

Striving to become a high quality company that provides
"Healthy Life Through Foods" <Chapter 2>
Striving for growth by building a global value chain

For Customers

Aim to achieve value chain management that delivers healthy life through foods globally

For Society

Tackle the environmental impact caused by our global corporate activities as corporate responsibility

For our Employees and Their Families

Turn diversity into a strength and support initiatives to become a quality company in powerful terms

Spice

Functional Ingredients

Soybean

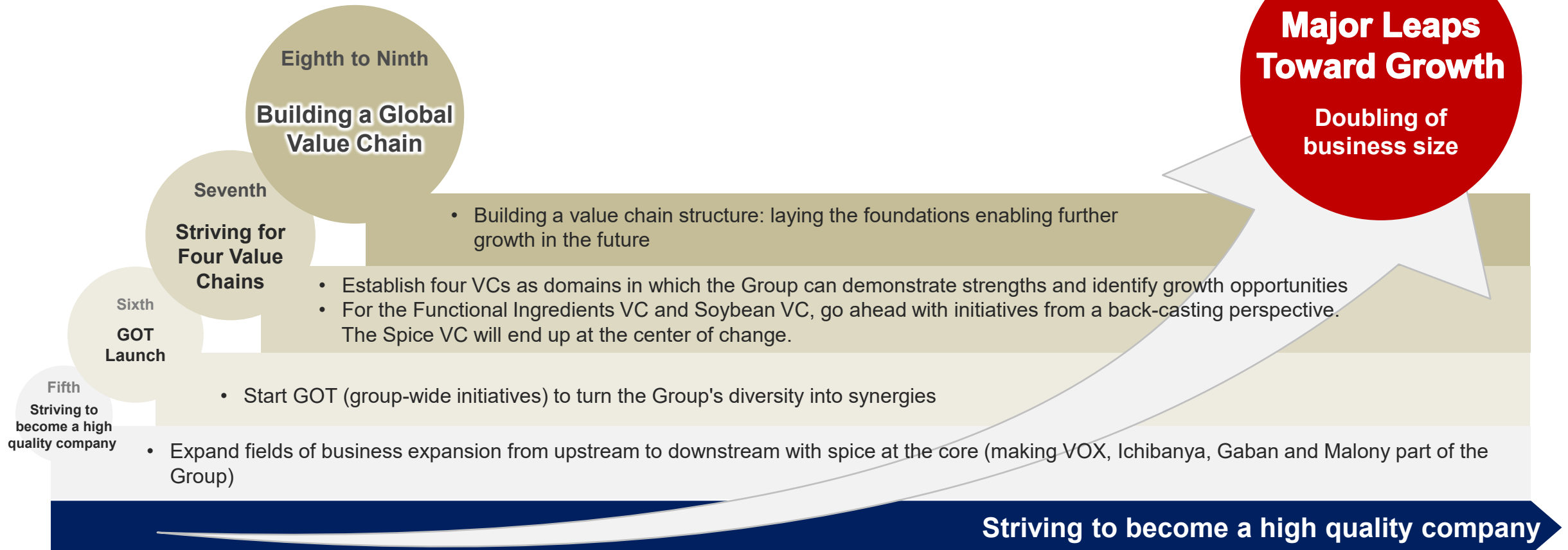
Value-added Vegetables
(Creation of new value)

Financial Capital Policy

1-2: Overview of the Eighth Medium-term Business Plan (Standing)

Eighth Medium-term Business Plan To Do

**Striving to become a high quality company that provides
"Healthy Life Through Foods" <Chapter 2>
Striving for growth by building a global value chain**



1-3: For Customers (Story of our Initiatives)

- We connect value chains to create new value and offer "Healthy Lives Through Foods" globally

◇ Themes of the Eighth Medium-term Business Plan

Accelerating growth through VC management

Seize new business opportunities to strengthen earning power

Strive to expand contact points of the three value chains in which we maintain operating foundations (Spice VC, Functional Ingredients VC, Soybean VC) not just in operating countries but at a worldwide scale

Building a VC framework

Implement a phased migration to an organization capable of making VC optimal decisions about management resources

Spice:	Orient to VC integration with House Foods playing the central role
Functional Ingredients:	Strengthen functions of HAP and establish an VC Promotion Meeting
Soybean:	Strengthen management functions as HFUSA headquarters
House Foods Group Inc.:	Bolster foundations supporting VC management

Creation of new value through collaborative creation

Implement initiatives to build business models with partners inside and outside the Group through collaborative creation

The Value-added Vegetables VC will continue to take on challenges positioned as a new business.

1-3: For Customers (Spice VC Initiatives: Review of the Seventh Medium-term Business Plan and Perspectives for Implementation of the Eighth Medium-term Business Plan)

- **Review of the Seventh Medium-term Business Plan:** Despite procurement GOT focusing on business structural reforms from an upstream perspective, fundamental changes were not achieved.
- **Perspectives for Implementation of the Eighth Medium-term Business Plan:** It is important to execute a VC optimum strategy that keeps two-dimensional VC expansion in mind and build an implementation framework

◇ Review of the Seventh Medium-term Business Plan
(Realization of three GOT themes)

BtoB-GOT: Launch of House Gaban Corporation

Production GOT: Certain progress on each theme

Procurement GOT*: **Did not make progress as planned**

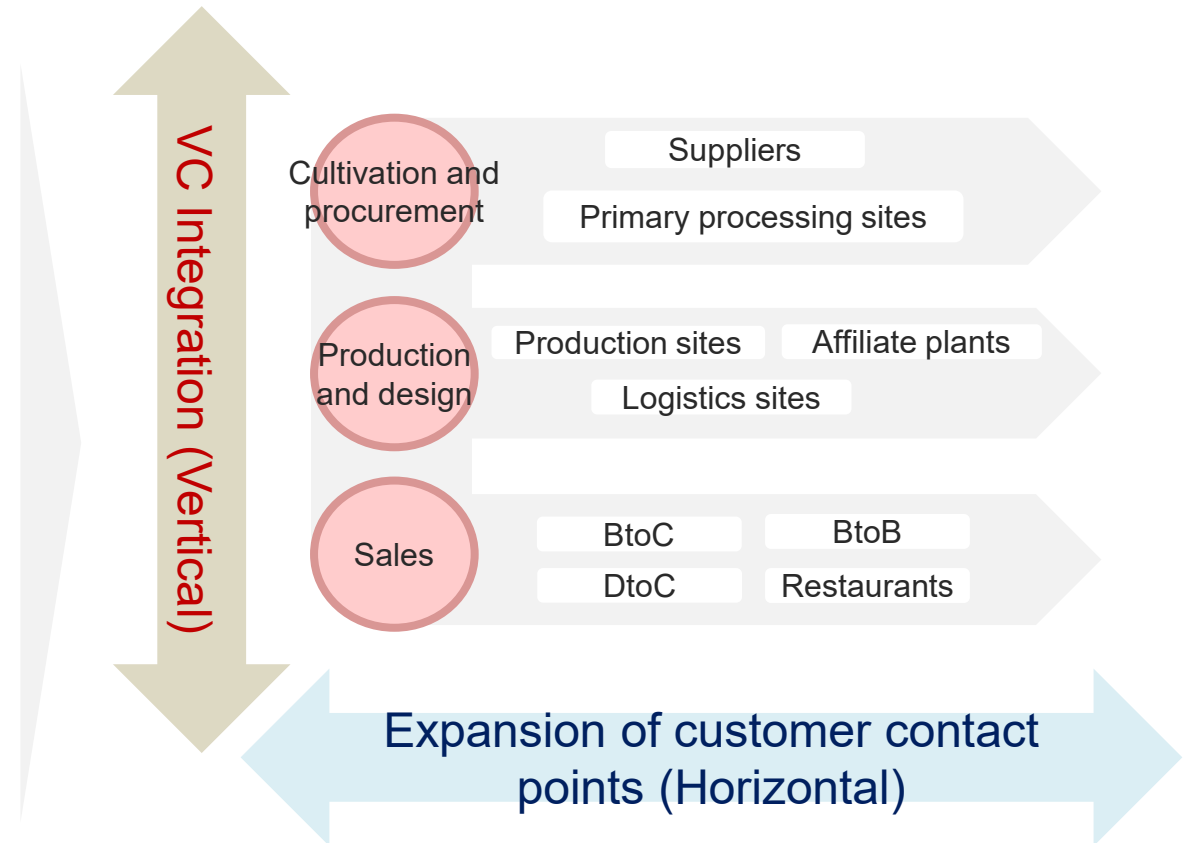
Issue 1

A significant concept change that was not apparent at the start of the initiatives was required

Issue 2

Projects for each function did not go beyond individual company optimization

◇ Perspectives for Implementation of the Eighth Medium-term Business Plan (VC expansion)



* Renamed to Spice VC GOT from the Seventh Medium-term Business Plan

1-3: For Customers (Spice VC Initiatives: From the Eighth Medium-term Business Plan to Ninth Medium-term Business Plan)

- House Foods will become the engine of change for the Spice VC and promote the unification of domestic and overseas management.

◇ Expansion of customer contact points (horizontal strategy)

House Foods and House Gaban playing central roles in promotion
<unification of domestic and overseas management>

House Foods

Consideration of integration strategy with Global Headquarters

- Integrate the global curry business including China and Indonesia
- Broaden perspective to encompass the global market
(Development of products for overseas export, development of non-rice businesses)
- Expand sales by utilizing the technologies and knowledge gained from global expansion

House Gaban

- Pursue the expansion of business domains and scale by incorporating B-to-B sales strategy functions for Spice in Southeast Asia

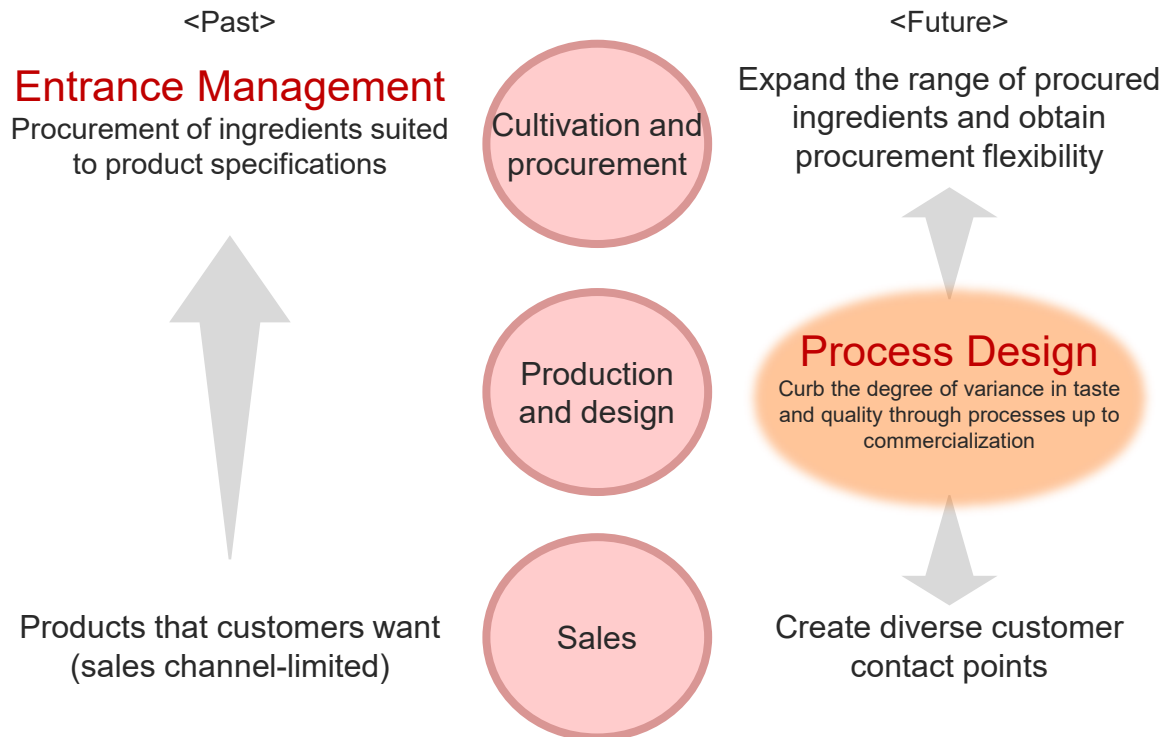
Toward constructive dissolution of the Global Headquarters

1-3: For Customers (Spice VC Initiatives: From the Eighth Medium-term Business Plan to Ninth Medium-term Business Plan)

- House Foods Group and House Foods will tackle concept change together
- Unify strategic functions related to procurement and production and promote the fusion of business strategies

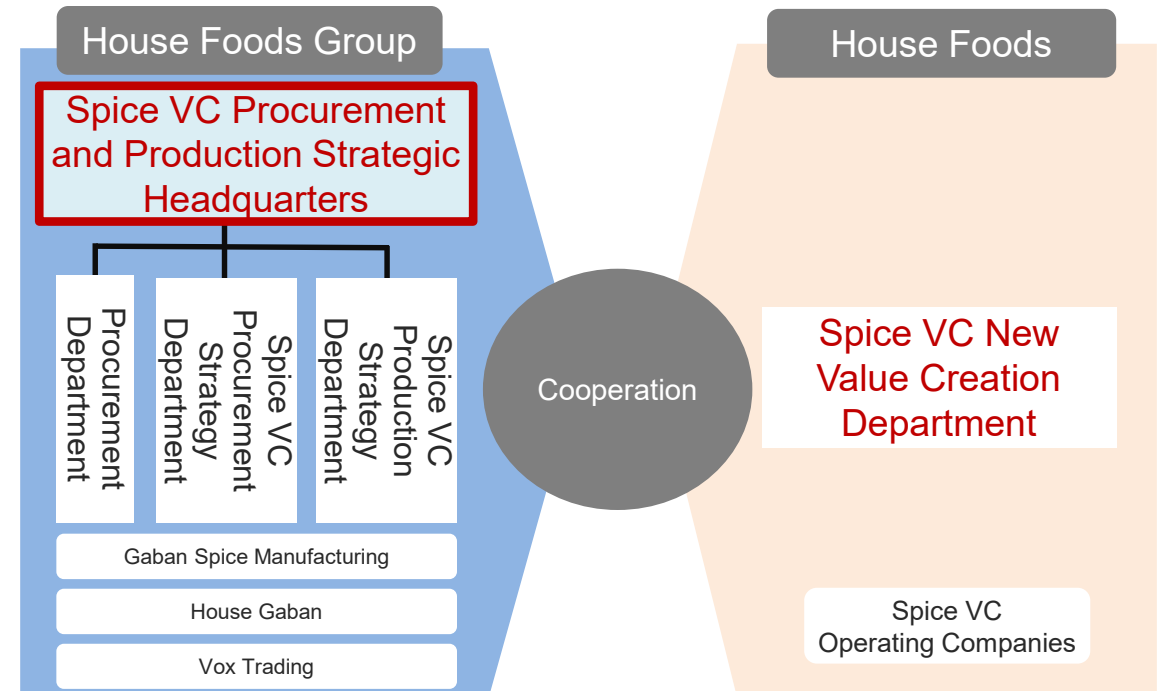
◇ VC Integration (vertical strategy)

Tackled by House Foods Group and House Foods together
<Concept Change>



◇ Implementation framework for VC integration

Unify strategic functions related to procurement and production
Promote the fusion of business strategies

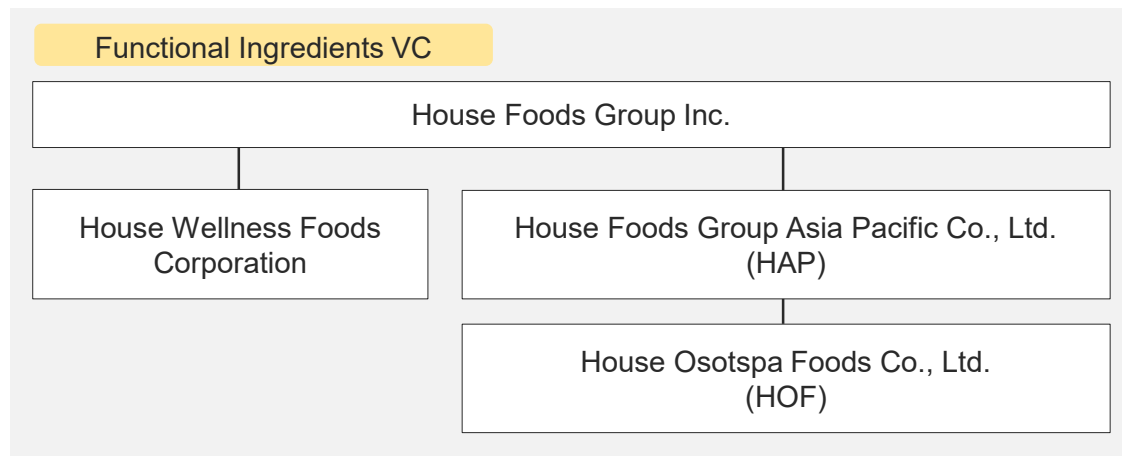


1-3: For Customers (Functional Ingredients VC Initiatives: From the Eighth Medium-term Business Plan to Ninth Medium-term Business Plan)

- **Review:** Developed the management framework of the Functional Ingredients VC, including integration of domestic sales functions and the establishment of HAP
- **Future initiatives:** Implement global business development centered around health strategy ingredients to further expand customer contact points

◇ Review of the Seventh Medium-term Business Plan

Shift management to a VC framework

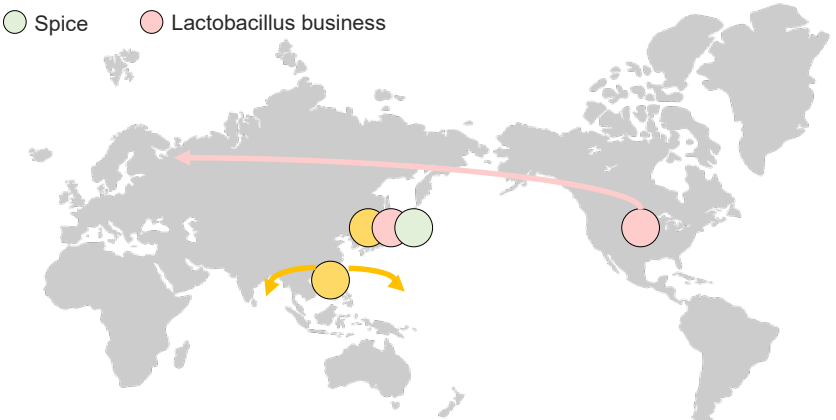


- Japan
- Implemented profit structure reforms and successfully expanded customer contact points, driving a recovery in the earning strength of the Health Food Business from FY2022 onwards
 - Allocated management resources to growth domains
- Overseas
- Vitamins: Expanded countries in which we operate in Southeast Asia starting with the establishment of HAP in 2022
 - Lactobacillus: Shifted to a structure prioritizing operations overseas from FY2022

◇ Future Initiatives

Drive a global shift with strategic ingredients playing a key part

● Vitamin ● Spice ● Lactobacillus business



Vitamin

Expand the vitamin business consumer market in Southeast Asia

- HOF: Roll out multi-vitamins as the next pillar after the *C-vitt* brand
- HAP: Accelerate new market creation by enhancing functions (Vietnam, Philippines)



Lactobacillus business

Establish a BtoB solutions business model in Europe and the US

- Create European and US markets with a focus on US sites and aim to develop high revenue models

Framework

Implement global coordination through the VC Promotion Meeting

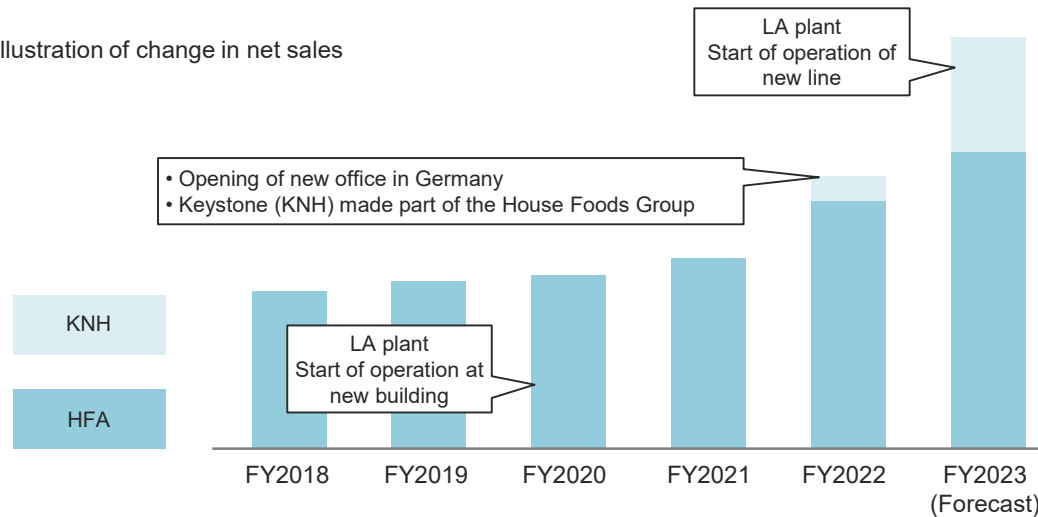
1-3: For Customers (Soybean VC Initiatives: From the Eighth Medium-term Business Plan to Ninth Medium-term Business Plan)

- **Review:** Developed infrastructure to build the Soybean VC, including increased production capacity and business investment in the PBF*1 segment
- **Future initiatives:** Combine the strengths of each operating company. Aim to expand customer contact points not just in the US but at a worldwide scale

◇ Review of the Seventh Medium-term Business Plan

Built a framework intended for medium- to long-term business growth as a VC

Illustration of change in net sales



Results

- Increased production capacity of HFA
- Made KNH a member of the House Foods Group to expand presence in the PBF segment

Issues

- Implementation of strategies to deal with competition
- Using the expansion of production capacity as opportunity to expand business once more
- Creation of synergies between operating companies

◇ Future Initiatives

Expand presence in the PBF market and implement strategies to deal with the competition

- **Expand presence in the PBF market**
 - Drive PMI with KNH and build a production system designed to ensure competitiveness
 - Create markets outside the US, such as in Europe
- **Implement a strategy to deal with the competition**
 - Reclaim sales space that was lost due to supply issues

Framework

Strengthen management functions of HFUSA

Strengthen management functions in a phased manner to operation as headquarters of the Soybean VC



*1 PBF: Plant Based Foods

1-3: For Customers (Creation of New Value Through Collaborative Creation: From the Eighth Medium-term Business Plan to Ninth Medium-term Business Plan)

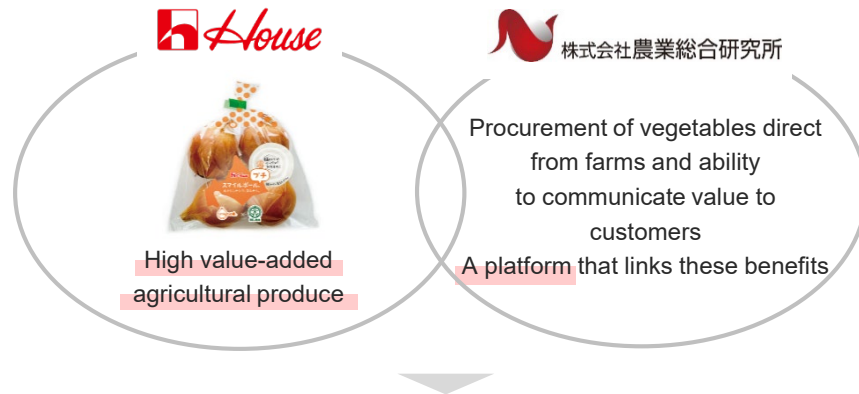
- **Review:** Accelerated initiatives inside and outside the Group to create new value. Made progress internalizing knowledge but business establish is still only partially complete
- **Future Initiatives:** Implement initiatives to build business models with partners inside and outside the Group through collaborative creation

Positioning of Initiatives

Engage in collaborative creation with stakeholders while generating large amounts of new value and acquiring the expertise to create something small and grow it into something large

◇ Value-added Vegetables VC

Capital and Business Alliance with Nousouken Corporation



Combined House Foods' high value-added agricultural products with proprietary qualities including Smile Balls (onions without a pungent taste) with Nousouken's strengths in farm-direct distribution in an effort to collaboratively create value in agricultural products

◇ Initiatives to Create New Value

Kidslation

E-commerce business for frozen infant food



タスミイ

Prepared dish sales business through vending machines installed at day care facilities



- New business themes developed from a program to collect proposals internally
- Work on an e-commerce business for frozen infant food and prepared food sales business through vending machines installed at day care facilities to solve the issues faced by customers in the child-rearing generation

1-4: For Society

- Formulation of the House Foods Group Long-term Environmental Strategy 2050
- In the Eighth Medium-term Business Plan we will focus on climate change action and the creation of a resource recycling-oriented society as priority challenges.

◇ Basic Approach

Healthy people and a healthy planet

Initiatives to establish a recycling-oriented model

Realization of House Foods Group Long-term Environmental Strategy 2050

◇ Priority Challenges in Realizing House Foods Group Long-term Environmental Strategy 2050

Action on climate change

Accelerate initiatives to reduce CO₂ emissions
aiming for carbon neutrality by 2050

Creation of a resource recycling-oriented society

Make effective use of limited resources from the
three perspectives of reduce, utilize and return

1-5: For Our Employees and Their Families

- Turn diversity as a group into a driving force for building a global VC
- Deepen understanding of others, break down stereotypes about self and the organization, and produce innovation

◇ Basic Approach

Turn diversity into a driving force for building a global VC

Turn diversity into strength

~ Deepen understanding of others, break down stereotypes about self and the organization, and produce innovation ~

◇ Key Challenges to Turning Diversity into Strength

**Development of
an in-house environment**
in which a diverse group of individuals are
gathered and perceive job fulfillment

**Individual and organizational
revitalization**

**Development of
a human resource portfolio**
to build a global VC

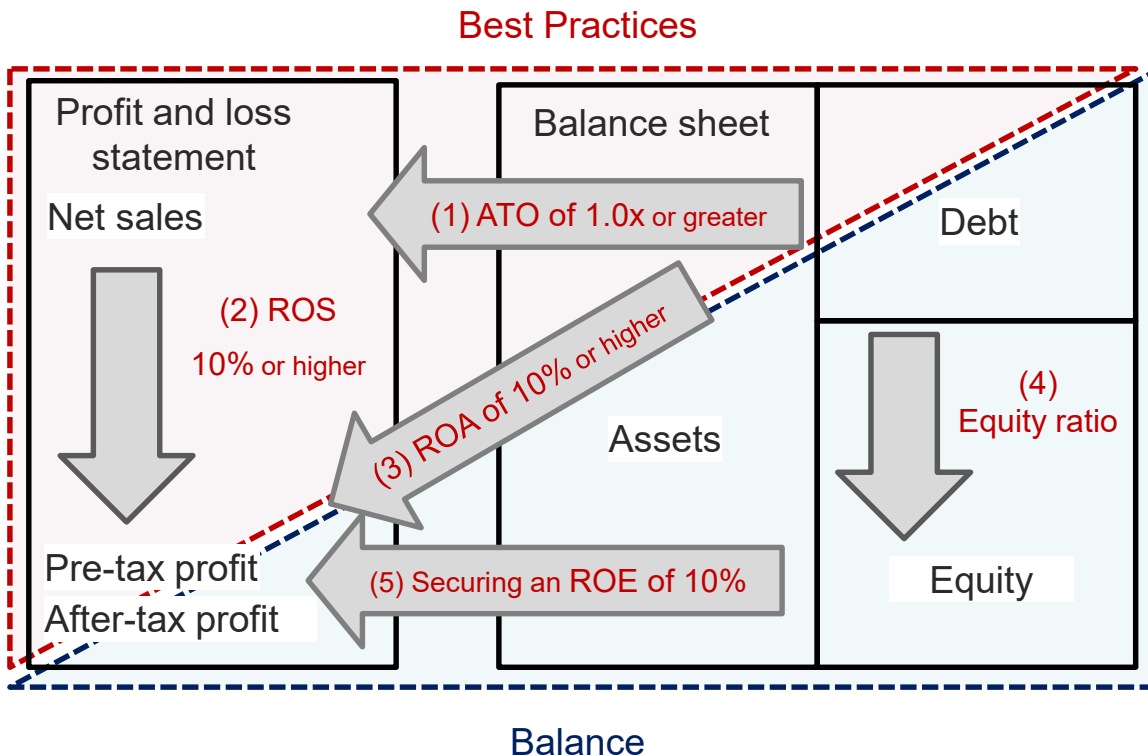
1-6: Consolidated Numerical Targets

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EBITDA margin	11.1%	11.4%	+0.3pt	12.7%	+1.3pt	—	
ROA (Return on assets)	5.0%	6.2%	+1.2pt	8.6%	+2.4pt	10% or higher	
ROE (Return on equity)	6.5%	7.0%	+0.5pt	—	—	Securing 10%	

1-6: Consolidated Numerical Targets (Intention to Adopt ROIC)

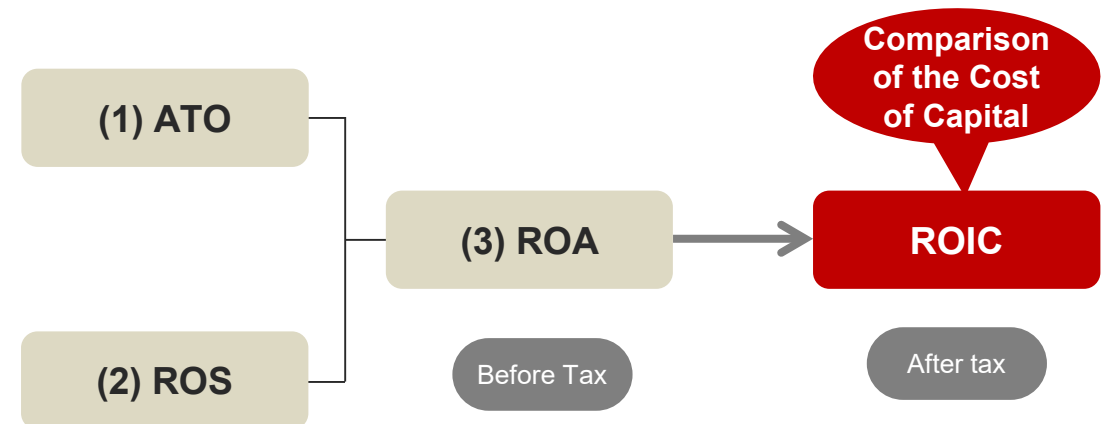
- Adopt ROIC to enhance the effectiveness of improvements to best practices (ATO, ROS, ROA)
- Change mindset and promote management improvements with a B/S perspective aimed at cost of capital-conscious management

◇ Approach to Management Indicators



◇ Intention to Adopt ROIC

- Introduced as an indicator to **comparatively evaluate best practices against the cost of capital**
- Utilize ROIC to realize steady progress towards our ideal proposition



1-7: Eighth Medium-term Business Plan: "Three Responsibilities" KPIs

Three Responsibilities	KPI	Eighth Medium-term Business Plan (FY2026)	Ninth Medium-term Business Plan (FY2029)
For Customers	Net sales	360.0 billion yen	450.0 billion yen
	ROS	7.5%	8.9%
	EBITDA margin	11.4%	12.7%
	ROIC	6.0% or higher	8.0% or higher
For our Employees and Their Families	Proactive behavior to take on challenges (Percentage of Group employees taking on challenges or responding to internal calls for submissions)	20% or higher	30% or higher
	Organizational culture diagnostic results (Percentage of employees who gave positive responses regarding "culture that is accepting of diversity" and "culture that encourages people to take on challenges")	70% or higher	75% or higher
	Active participation of women (Ratio of group female managers)	20% or higher	30% or higher
For Society	Scope 1 and 2 (compared with FY2013 levels)	27% reduction in total emissions	38% reduction in total emissions
	Scope 3 (reduction in CO ₂ emissions across the whole supply chain, compared with before initiatives were launched)	-5,000 t	—
	Waste (compared with FY2021 per unit of sales)	-25.0%	—
	By-product recycling rate (including valuables)	99.5%	100.0%
	Plastic usage (product usage compared with FY2018)	-8.5%	—

Reference: Consolidated Numerical Targets (by Segment)

◇ Eighth Medium-term Business Plan Targets by Segment

Billion yen	Net sales			Operating profit			ROS		EBITDA margin	
	Target	vs. Seventh Medium-term Business Plan		Target	vs. Seventh Medium-term Business Plan		Target	vs. Seventh Medium-term Business Plan	Target	vs. Seventh Medium-term Business Plan
Consolidated	360.0	+57.2	+18.9%	27.0	+7.0	+35.0%	7.5%	+0.9pt	11.4%	+0.3pt
Spice / Seasoning / Processed Food Business	140.0	+12.0	+9.4%	14.5	+3.8	+35.5%	10.4%	+2.0pt	13.6%	+1.3pt
Health Food Business	21.0	+3.8	+22.1%	2.8	+0.7	+33.3%	13.3%	+1.1pt	15.7%	+1.1pt
International Food Business	74.0	+16.7	+29.1%	4.8	+0.8	+20.0%	6.5%	-0.5pt	12.8%	-0.8pt
Tofu business in the United States	39.4	+7.5	+23.4%	1.0	+0.3	+51.6%	2.6%	+0.5pt	11.7%	+0.4pt
Curry business in China	14.8	+2.9	+24.1%	1.8	+0.2	+13.4%	12.0%	-1.1pt	19.1%	-1.1pt
Functional drinks business in Thailand	10.4	+2.7	+35.9%	1.7	+0.3	+23.5%	16.5%	-1.7pt	16.6%	-1.7pt
Restaurant Business	74.0	+18.9	+34.3%	5.7	+2.1	+58.3%	7.7%	+1.2pt	11.8%	-0.3pt
Other Food Related Business	62.0	+6.4	+11.5%	2.6	+0.7	+36.8%	4.2%	+0.8pt	5.0%	+0.7pt
Adjustment (elimination)	-11.0	-0.6	—	-3.4	-1.1	—	—	—	—	—



Chapter 2: For Society

2-1: Recognizing the Environmental Issues

2-2: The Story of Our Initiatives for Society
House Foods Group Long-term Environmental
Strategy 2050

2-3: Action on Climate Change

2-4: Creating a Resource Recycling-oriented Society

2-1: Recognizing the Environmental Issues

- Various negative cycles related to climate change are causing more frequent and severe damage including loss of life and shelter, while soil and ocean pollution due to waste and marine plastic debris is becoming increasingly serious worldwide.

Climate change

- Average global temperatures exceed the 1.5°C target on an yearly average.
- Deaths and economic losses due to natural disasters are on the rise.
- Impacts from food and water shortages are also becoming more severe.

Waste products

- Increased waste generation worldwide leads to water and soil pollution.
Worldwide: approx. 2.1 billion tons (2019) → 2050 forecast: 3.4 billion tons
Japan: 30.02 million tons (2022 commercial waste): +1% year on year

Plastic

- Increased use of plastic leads to marine plastic debris and micro plastics issues.

Water

- The amount of water available to people is less than 0.01% of the volume of water on earth, making it a precious resource.
- Fresh water is unevenly distributed around the earth.

2-2: The Story of Our Initiatives For Society

Group philosophy To Be

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

Eighth Medium-term Business Plan To Do

Striving to become a high quality company that provides
"Healthy Life Through Foods" <Chapter 2>
Striving for growth by building a global value chain

For Customers

Aim to achieve value chain management that delivers healthy life through foods globally

Spice

For Society

Tackle the environmental impact caused by our global corporate activities as corporate responsibility

Functional Ingredients

For our Employees and Their Families

Turn diversity into a strength and support initiatives to become a quality corporation in powerful terms

Soybean

Value-added Vegetables
(Creation of new value)

Financial Capital Policy

2-2: The Story of Our Initiatives For Society

- Formulation of the House Foods Group Long-term Environmental Strategy 2050
- In the Eighth Medium-term Business Plan we will focus on climate change action and the creation of a resource recycling-oriented society as priority challenges.

◇ Basic Approach

Healthy people and a healthy planet

Initiatives to establish a recycling-oriented model

Realization of House Foods Group Long-term Environmental Strategy 2050

◇ Priority Challenges in Realizing House Foods Group Long-term Environmental Strategy 2050

Action on climate change

Accelerate initiatives to reduce CO₂ emissions
aiming for carbon neutrality by 2050

Creation of a resource recycling-oriented society

Make effective use of limited resources from the
three perspectives of reduce, utilize and return

House Foods Group Long-term Environmental Strategy 2050

As a company that delivers good taste and health through food, we aim to establish a unique recycling-oriented model that will protect nature's gifts and continue to create value.

The Recycling-oriented Model the House Foods Group Aims to Create

A recycling-oriented model is one that makes the food value chain sustainable through action on climate change and the creation of a resource recycling-oriented society.

1. Action on climate change

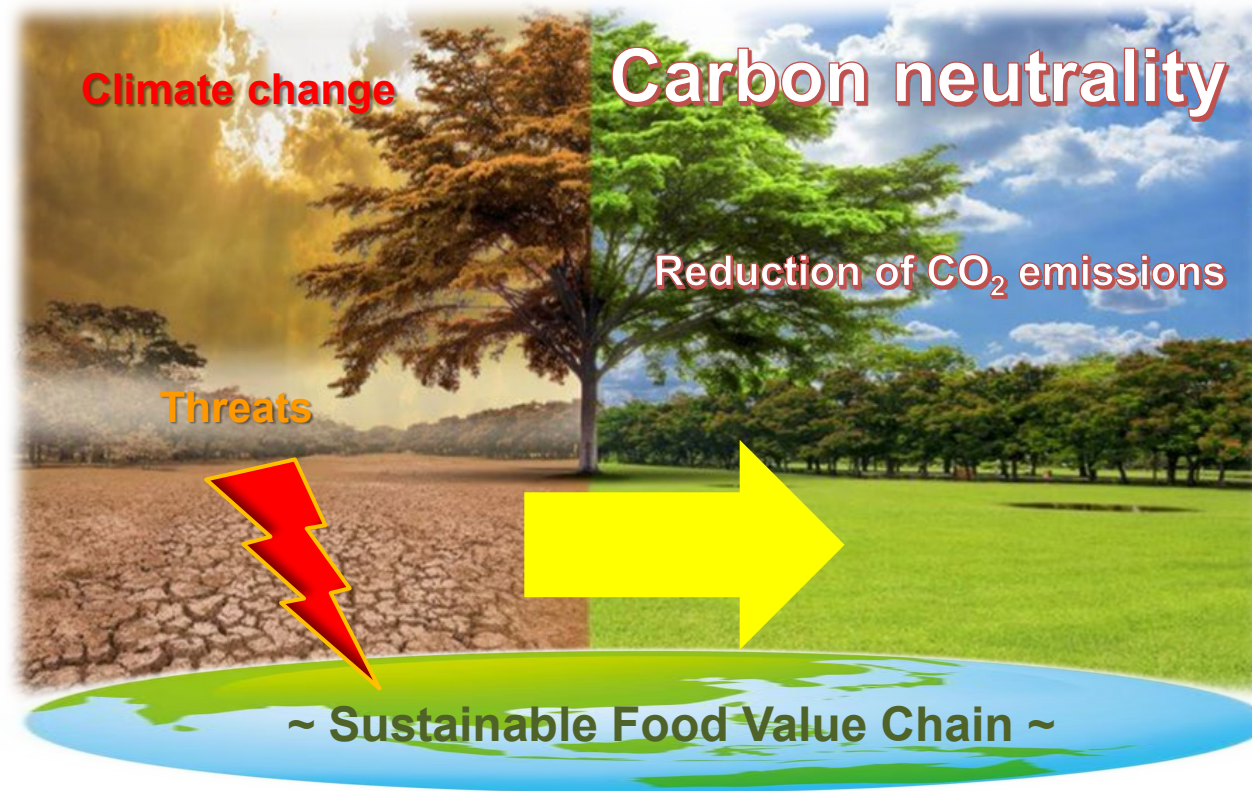
We will aim to achieve carbon neutrality as a measure to deal with climate change that threatens the provision of sustainable food, and protect the foundations of business and society.

2. Creation of a resource recycling-oriented society

We will make the value chain sustainable by developing mechanisms that will create a cycle of reducing, utilizing and returning the earth's limited resources.

2-3: Action on Climate Change

We will aim to achieve carbon neutrality globally by 2050 as a measure to deal with climate change that threatens the provision of sustainable food, and protect the foundations of business and society



<Specific Initiatives>

Scope 1, 2

Scope 3

2-3: Action on Climate Change

Scope 1, 2

2050 Target

Achieve carbon neutrality

FY2030 Target:

38% reduction in total emissions (compared with FY2013 levels)

Eighth Medium-term Business Plan target:

27% reduction in total emissions (compared with FY2013 levels)

◇ Key Initiatives

Total energy services for multiple sites

(Began operating in April 2024)

- System to exchange low-CO₂ electric power within Japan



Renewable energy procurement

- Expanded installation of solar panels



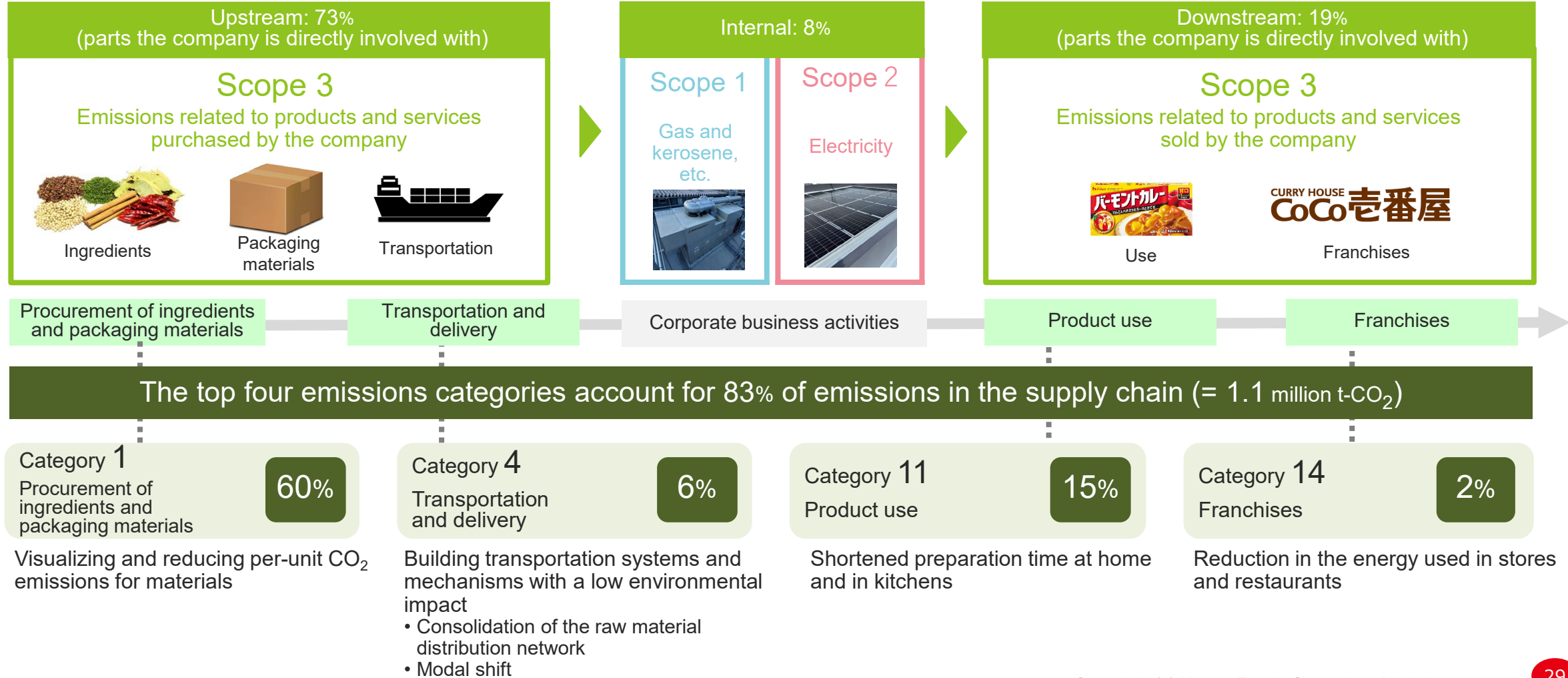
Introduction of an internal carbon pricing (ICP) scheme to promote eco-friendly capital investment

- Internal carbon price: 6,000 yen / t-CO₂
- Coverage: Capital investment associated with reduced CO₂ (Scope 1 / 2) emissions

2-3: Action on Climate Change

Scope 3

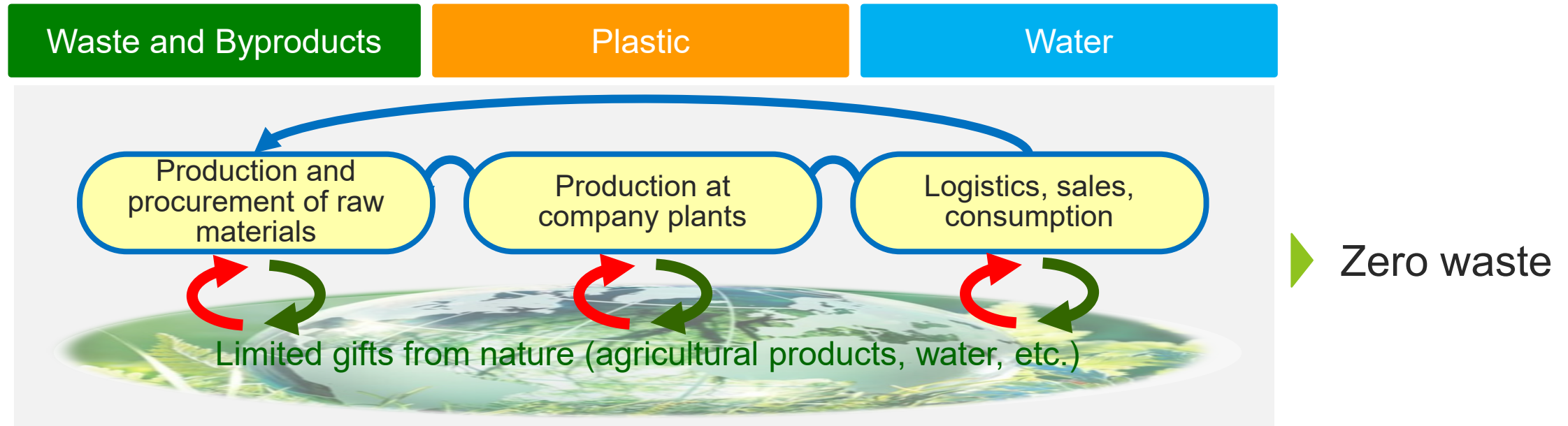
Eighth Medium-term Business Plan target: reduction of 5,000t-CO₂
 (compared with before initiatives)
 (overall, with a focus on priority themes)



2-4: Creating a Resource Recycling-oriented Society

With the cooperation of stakeholders, we will make the value chain sustainable by developing mechanisms that will create a cycle of reducing, utilizing and returning the earth's limited resources, namely waste and byproducts, plastics and water.

◇ Specific Initiatives



Reduce

Efficiently use limited resources and minimize resource consumption

Coverage: Waste, plastics, water Examples of initiatives: reducing containers and packaging, conserving water

Use

Turn the materials produced into something valuable and reduce external diseconomies

Coverage: waste, byproducts, plastics Examples of initiatives: Upcycling, composting, bioplastics, shift to use of paper

Return

Take used resources, restore them to a clean state in accordance with the laws and regional systems of each country, and return them to the natural environment

Coverage: Water Examples of initiatives: Treat wastewater and release it into rivers or sewage systems

2-4: Creating a Resource Recycling-oriented Society

Waste products

Start by working to reduce the amount of waste generated, and for the waste that is still generated, turn it into valuable resources

Eighth Medium-term Business Plan target: Reduce waste by 25%
(compared with FY2021 per unit of sales)

Reduce

Efficiently use limited resources and minimize resource consumption

Reducing waste generation:

Initiatives that incorporate the adoption of new technologies or incorporation of designs, and collaborative creation with other companies (Collaboration with Friend Microbe^{*1}: Decomposition of oil in sludge from wastewater treatment in plants)

Use

Turn the materials produced into something valuable and reduce external diseconomies

Turning waste and byproducts into valuable resources: adding value and considering Group-wide initiatives

Byproducts^{*2}

Work to convert waste and byproducts into valuable resources on the premise of recycling them

FY2030 Target: Recycling rate 100%

Eighth Medium-term Business Plan target: Recycling rate 99.5%

*1 See news release dated May 31, 2023 titled "Notice Regarding Investment in Friend Microbe Inc. by House Foods Group Innovation Fund II." (Japanese Only)

*2 Byproducts produced by the House Foods Group: Bean curd refuse, mustard residue, okra and wasabi residue Recycling rate as of 2022: 99%

2-4: Creating a Resource Recycling-oriented Society

Plastic

Reducing the use of fossil resource-derived plastics in product containers and packaging
Eighth Medium-term Business Plan target: 8.5% reduction
(compared with FY2018)

Ways to reduce fossil resource-derived plastic

- Reduce: Make containers and packaging thinner, smaller and lighter
- Recycling: Switch to recyclable materials
- Biomass plastics: Switch to plant-based plastics
- Shift to paper: Change to paper-based materials
- Reuse: Develop refillable containers

Water

Applicable sites: Areas at risk of water depletion at production sites

House Foods America Corporation Los Angeles Plant
(screening results by Aqueduct)

Eighth Medium-term Business Plan target:
Conduct a detailed investigation to determine the degree of water depletion pressure at the above sites, and develop concrete response measures

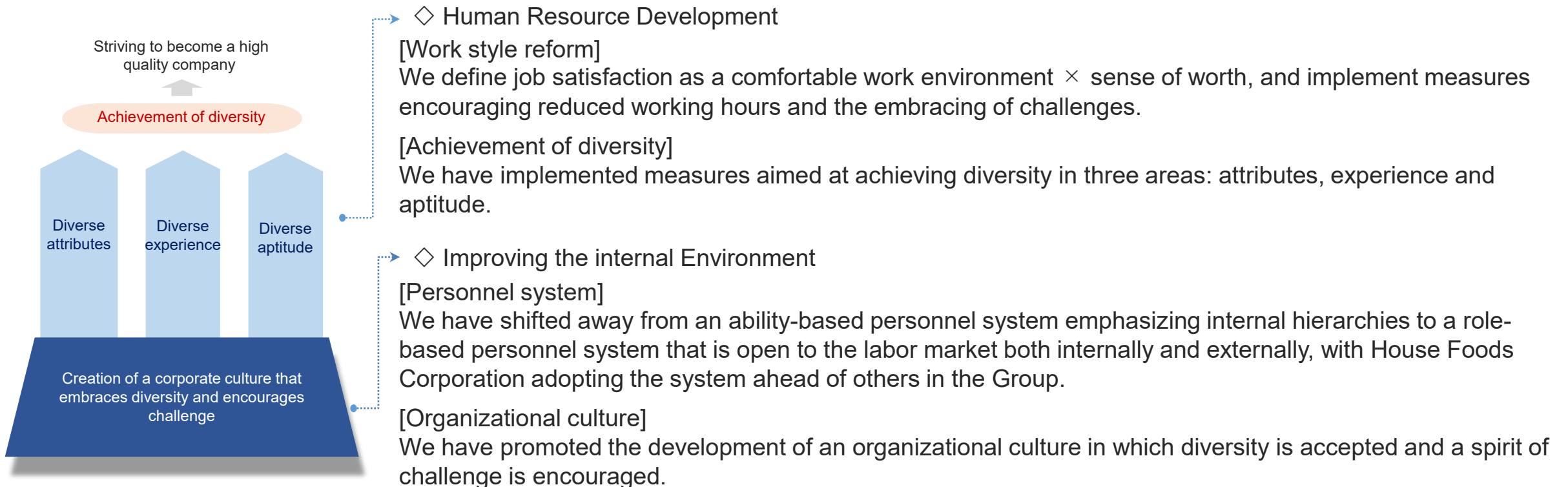
Chapter 3: For Our Employees and Their Families

- 3-1: Seventh Medium-term Business Plan
- Diversity Initiatives**
- 3-2: Results of the Seventh Medium-term Business Plan and Future Issues**
- 3-3: Overview of the Eighth Medium-term Business Plan and Themes for Action**
- 3-4: Eighth Medium-term Business Plan KPIs**

3-1: Seventh Medium-term Business Plan - Diversity Initiatives

Towards achieving diversity enabling our transformation into a high-quality company with a global presence

To gather human resources with diverse individual qualities who can demonstrate those qualities while enjoying job satisfaction, we will pursue diversity in the three areas of attributes, experience and aptitude, and work to cultivate human resources and improve the internal environment.



◇ Achievements of the Seventh Medium-term Business Plan

Made progress improving our infrastructure to enhance diversity



◇ Challenges That Await in the Eighth Medium-term Business Plan

In addition to having a diverse array of human resources demonstrate their individual qualities to an even greater degree in the interests of building a global VC, we need to pursue dynamic collaboration and co-creation beyond organizational barriers.

Human capital-oriented management = initiatives tackling our responsibilities to employees and their families

3-3: Overview of the Eighth Medium-term Business Plan and Themes for Action

Turn diversity into a driving force for building a global VC

Turn diversity into strength

~ Deepen understanding of others, break down stereotypes about self and the organization, and produce innovation ~

Development of an in-house environment

in which a diverse group of individuals are gathered and perceive job fulfillment

(1) Development of open mechanisms that enhance the mobility of human resources inside and outside the Group

- ✓ Switching of personnel systems, Group roll out and instillment of role-based grading systems

(2) Development of a corporate culture that accepts diversity and encourages employees to take on challenges

- ✓ Implementation of the PDCA cycle to transform the organizational culture into one that accepts a broad array of human resources and focuses on results
- ✓ Pursuit of job satisfaction and promotion of health and productivity management

Individual and organizational revitalization

(3) Support for proactive self-transformation and enhanced support systems for childcare and family care

- ✓ Further measures to improve diversity in the three areas of attributes, experience and aptitude.

(4) Creation of relationships and opportunities intended for collaborative creation

- ✓ Initiatives to instill a philosophy serving as a unifying force to build diversity and have employees feel they have a personal stake in the Medium-term Business Plan
- ✓ Management transformation to multiply and leverage diversity

Human resource portfolio enabling the building of a global VC

(5) Achieving an organizational structure that simultaneously achieves VC strategy and employee success, and the exploration and implementation of personnel allocations

- ✓ Introduction of group position management
- ✓ Development of more sophisticated group talent management

3-4: Eighth Medium-term Business Plan KPIs

Turn diversity into a driving force for building a global VC

Turn diversity into strength

~ Deepen understanding of others, break down stereotypes about self and the organization, and produce innovation ~

KPI		Seventh Medium-term Business Plan (FY2023)	Eighth Medium-term Business Plan (FY2026)	Ninth Medium-term Business Plan (FY2029)
	Proactive behavior to take on challenges (Percentage of Group employees taking on challenges or responding to internal calls for submissions)	17.7%	20% or higher	30% or higher
For our Employees and Their Families	Organizational culture diagnostic results (Percentage of employees who gave positive responses regarding "culture that is accepting of diversity" and "culture that encourages people to take on challenges")	A culture that accepts diversity 63.1%	70% or higher	75% or higher
		A culture that encourages the embracing of challenges 59.3%		
	Active participation of women (Ratio of group female managers)	12.2%	20% or higher	30% or higher

Chapter 4: Financial Capital Policy

**(Toward achieving management that is conscious of
the cost of capital and share prices)**

4-1: Recognition of the Current Situation and Action Plan

4-2: Introducing ROIC Management

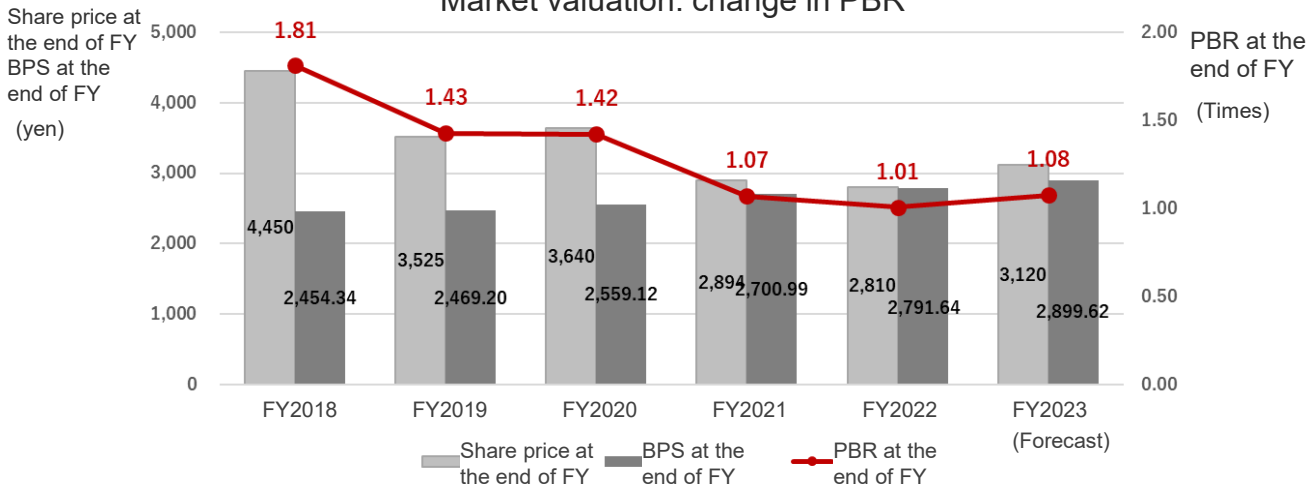
4-3: Clarifying Resource Allocation

**4-4: Strengthening of IR and SR Activities, Mechanisms
to Enhance Value Sharing with Shareholders**

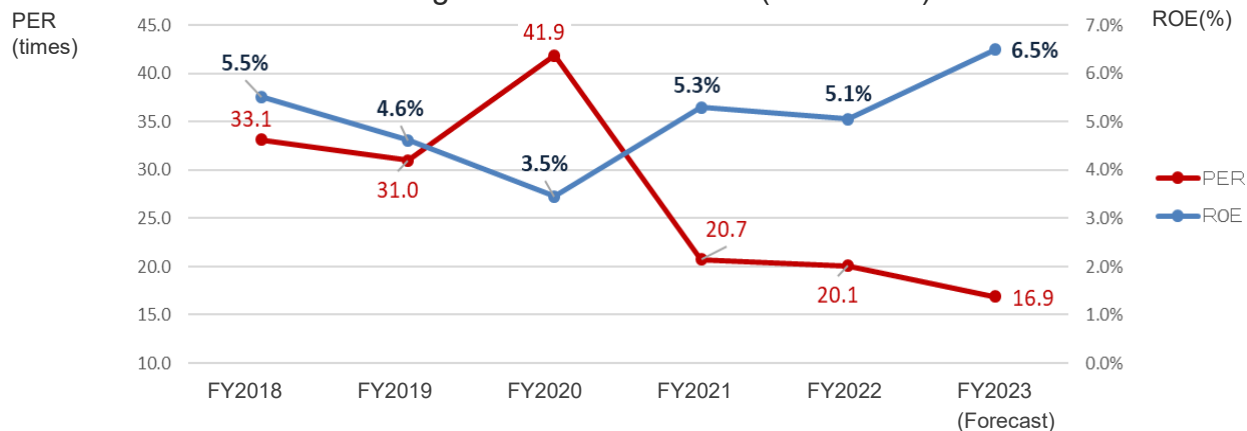
4-1: Recognition of the Current Situation (PBR and Management Indicators)

- PBR has been trending downward in recent years after peaking in FY2018, was almost at 1.0x in the most recent fiscal year. PER has declined over the past few years but is positioned roughly at the industry average. However, ROE is at a low level, averaging 5.0% over five years.
- Among management indicators ATO (asset turnover) in particular is at a state of less than 1.0 times, suggesting improvements to asset efficiency are required.

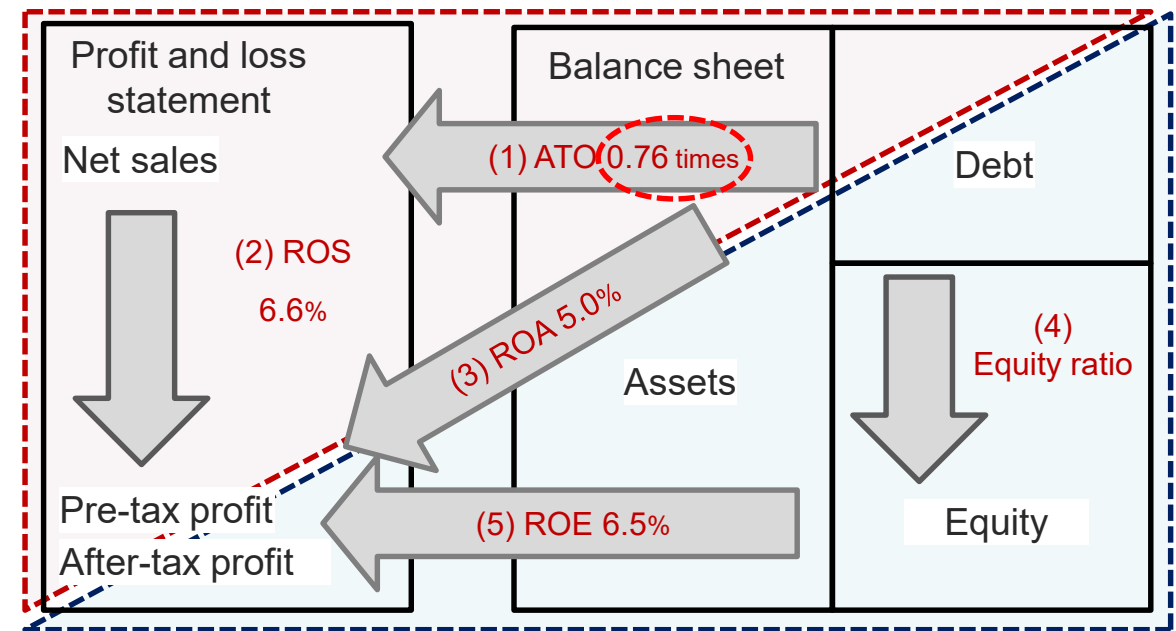
Market valuation: change in PBR



Change in PBR break-down (ROExPER)



Management indicators (FY2023 forecast)



4-1: Recognition of the Current Situation (Balance Sheet)

- As a result of prioritizing the allocation of funds to growth investments (capital and business investment) in the Seventh Medium-term Business Plan, the balance of cash on hand (cash and deposits + securities) decreased, and tangible and intangible fixed assets increased due to the execution of investments.
- Despite making the 20% reduction (compared with FY2020 levels) in cross-shareholdings declared in our financial and capital policy and acquiring 12 billion yen in treasury shares, as a result of the balance of shareholdings increasing due to share prices rising more than expected, the net asset ratio also increased.
- Shareholders' equity increased due to retained earnings and a significant increase in the cumulative amount of other comprehensive income from rising share prices and the increasingly weak yen.

Consolidated B/S for FY2020

Total assets 369.3 billion yen	Total liabilities 82.5 billion yen
Cash, deposits and securities 88.4 billion yen	Net assets 286.9 billion yen
Tangible and intangible fixed assets: 134.0 billion yen	Shareholders' equity 257.8 billion yen
Cross-shareholdings 46.3 billion yen	Treasury shares -0.0 billion yen

Consolidated B/S for FY2023/3Q

Total assets 428.6 billion yen	Total liabilities 104.7 billion yen
Cash, deposits and securities 71.6 billion yen (-16.8 billion yen)	Net assets 323.9 billion yen
Tangible and intangible fixed assets: 160.8 billion yen (+26.9 billion yen)	Shareholders' equity 294.7 billion yen (+36.9 billion yen)
Cross-shareholdings 53.3 billion yen (+7.0 billion yen)	Treasury shares -9.9 billion yen

Change in B/S

<Tangible and Intangible Fixed Assets>	
Keystone acquisition	+13.8 billion yen
* Acquisition price × rate conversion at the end of December 2023	
<Cross-shareholdings>	
Decrease due to reductions:	-9.1 billion yen
Impact from rising share prices:	+16.0 billion yen
Net asset ratio:	16.1% ⇒ 16.5%
<Shareholders' equity>	
Profit attributable to owners of parent:	+44.0 billion yen
Dividends to shareholders of parent company:	-13.6 billion yen
Acquisition of treasury shares:	-9.9 billion yen
Other comprehensive income:	+16.4 billion yen

4-1: Action Plan (Direction of Initiatives Under the Eighth Medium-term Business Plan Conscious of the Cost of Capital and Share Price)

- While the theoretical cost of shareholders' equity is expected to be in the mid-4% to 5% range, our policy is to set the cost of capital to 6%.

Cost of shareholders' equity on a CAPM basis

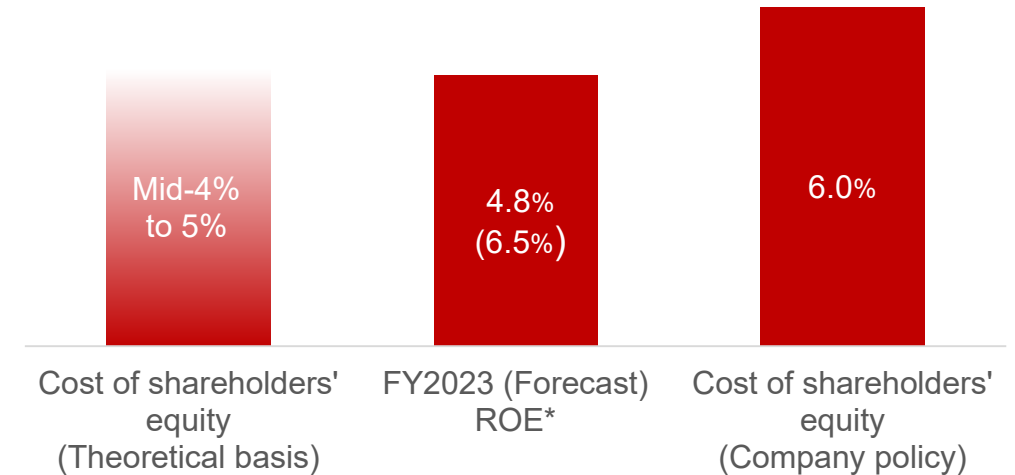
$$\begin{array}{ccccccc}
 \boxed{\text{Risk-free rate}} & + & \boxed{\text{B value}} & \times & \boxed{\text{Risk premium}} & = & \boxed{\text{Cost of shareholders' equity (Reference value)}} \\
 \text{Around 0.5\%} & & 0.5 - 0.6 & & \text{Around 7-8\%} & & \text{Mid-4\% range}
 \end{array}$$

Cost of shareholders' equity on a profit yield basis * Inverse of PER

Actual values for FY2022

$$\begin{array}{ccc}
 \boxed{1} & \div & \boxed{\text{PER}} & = & \boxed{\text{Cost of shareholders' equity (Reference value)}} \\
 1 & & 20.1 & & 5\%
 \end{array}$$

Asset efficiency: ROE / cost of shareholders' equity



* Figures excluding the effect of extraordinary gains due to revised retirement benefit plans
 Figures within parentheses are inclusive of the above impacts.

Work on management conscious of the cost of capital (company policy of 6%) and share price

Three initiatives

(1)
Introduction of ROIC management

(2)
Clarification of resource allocation

(3)
Strengthening of IR and SR activities
Mechanisms to enhance value sharing with shareholders

4-2: Introducing ROIC Management

- ROIC is an indicator that consolidates the three indicators of best practices (ATO, ROS, ROA) of the "five indicators" the Company emphasizes.
- **Strengthen B/S perspectives and work to improve the profitability of capital**

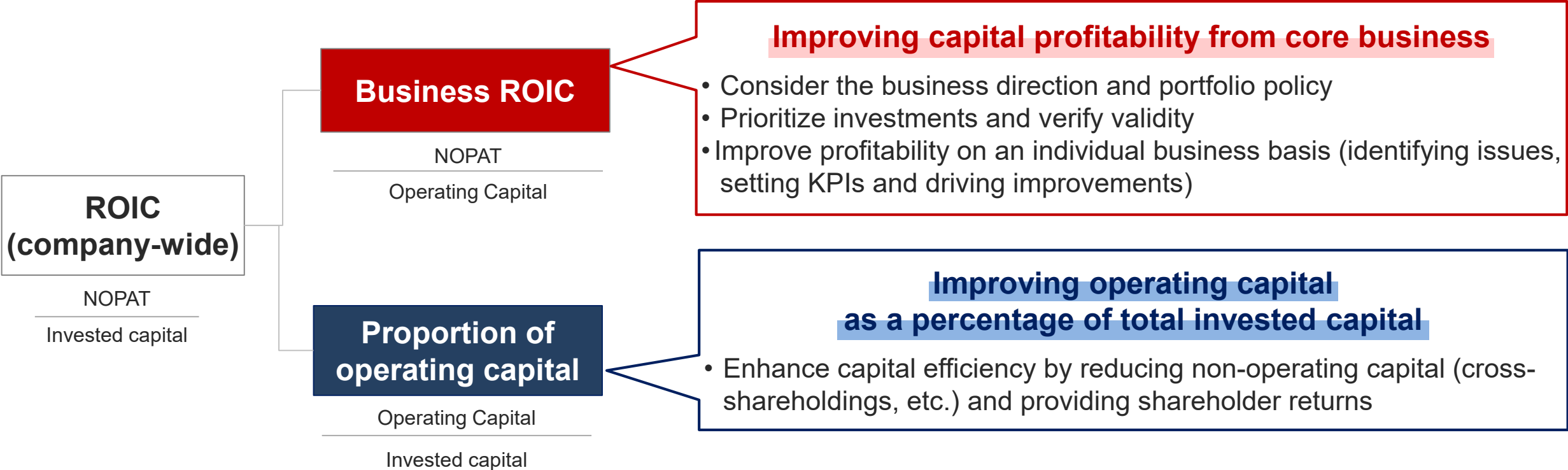
◇ Management Indicators

	Seventh Medium-term Business Plan (FY2023)			Eighth Medium-term Business Plan (FY2026)		Ninth Medium-term Business Plan (FY2029)		Ideal proportions
	Forecast	Target	vs. Seventh Medium-term Business Plan	Target	vs. Eighth Medium-term Business Plan			
NEW ROIC	5.0%	6.0% or higher	—	8.0% or higher	—	—	—	
ATO (Total asset turnover)	0.76 times	0.83 times	+0.07 times	0.96 times	+0.13 times		1.0 time or greater	
ROS (Return on sales)	6.6%	7.5%	+0.9pt	8.9%	+1.4pt		10% or higher	
EBITDA margin	11.1%	11.4%	+0.3pt	12.7%	+1.3pt		—	
ROA (Return on assets)	5.0%	6.2%	+1.2pt	8.6%	+2.4pt		10% or higher	
ROE (Return on equity)	4.8%	7.0%	+2.2pt	—	—		Securing 10%	

4-2: Introducing ROIC Management (The House Foods Group's Definition of ROIC)

- Acknowledging our challenge with the low level of capital efficiency, we aim to break down company-wide ROIC into business ROIC and proportion of operating capital and make improvements to each indicator in order to enhance the Group's overall capital profitability.

◇ The House Foods Group's Definition of ROIC



4-2: Introducing ROIC Management (Projected Change in ROIC)

- As we will continue to invest in growth areas under the Eighth Medium-term Business Plan, we will aim to significantly improve the proportion of operating capital and enhance company-wide ROIC by reducing non-operating capital, though improvements to business ROIC will be limited.
- In the Ninth Medium-term Business Plan we will complete the cycle of investment in growth areas. By improving the capital profitability of our core business produced from investments (business ROIC), we will strive to further improve company-wide ROIC.

ROIC

(company-wide)
(Cost of capital)

||

Business ROIC

(capital profitability from core business)

<Formula>

NOPAT

Operating Capital

×

Proportion of operating capital

(Operating capital as a percentage of overall invested capital)

<Formula>

Operating Capital

Invested capital

5.0%

6.0% or higher

8.0% or higher

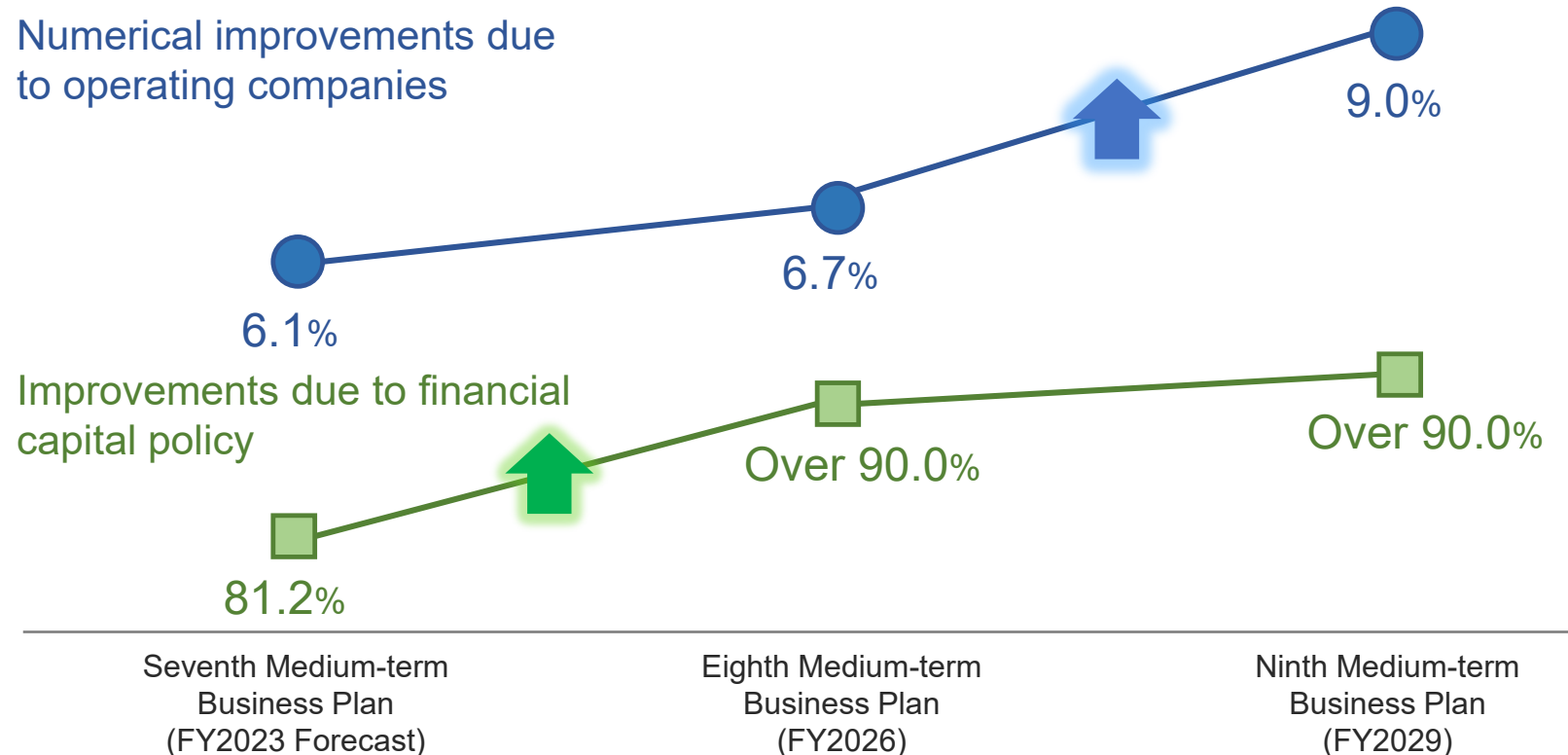
6.0%

6.0%

6.0%

Numerical improvements due to operating companies

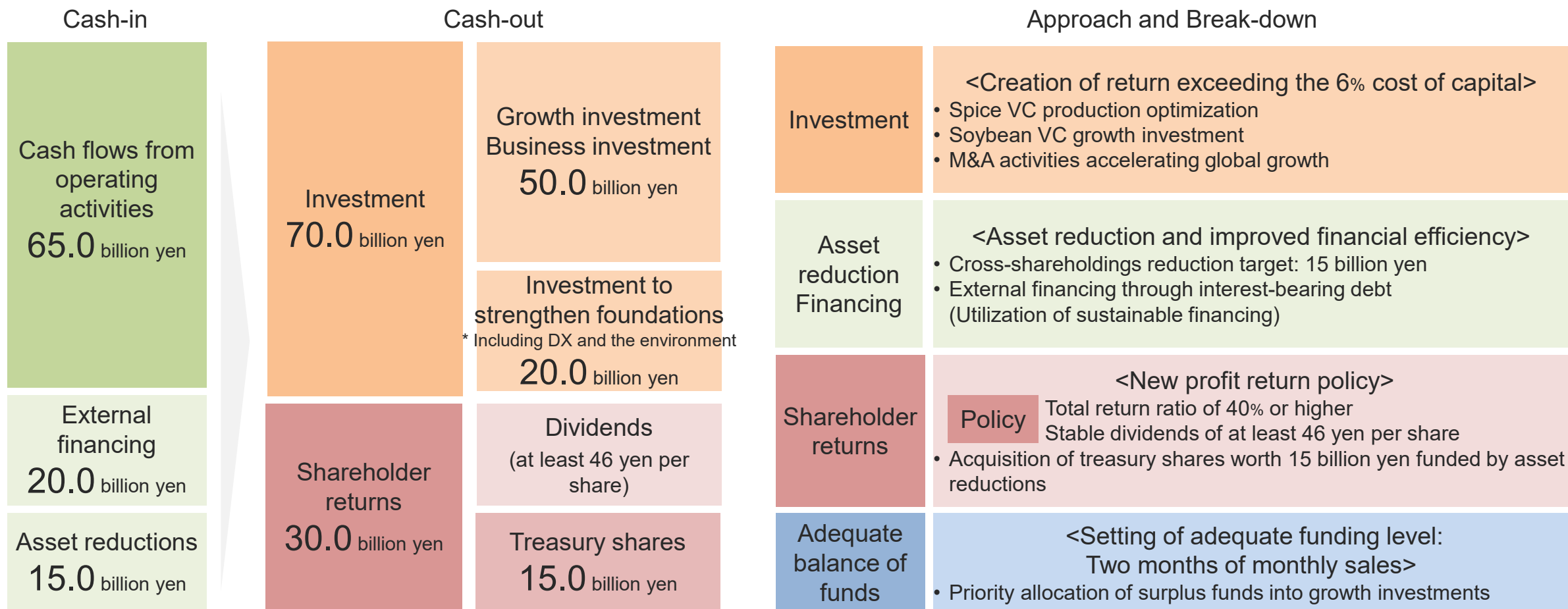
Improvements due to financial capital policy



4-3: Clarifying Resource Allocation

- Following on from the Seventh Medium-term Business Plan, we will continue to prioritize the investment of resources in accelerating growth through the building of a global VC.
- We will work to further reduce cross-shareholdings and enhance shareholder returns to improve capital efficiency.
- For some growth investments we will utilize external funding through interest-bearing debt.

◇ Eighth Medium-term Business Plan Resource Allocation (excluding Ichibanya)



4-3: Clarifying Resource Allocation (New Profit Distribution Policy)

◇ New Profit Distribution Policy

Previous

Continued to pay stable dividends with a consolidated payout ratio of 30% as the basis

* Excluding the effects of extraordinary income/losses arising from business combination and the amortization of goodwill

New profit distribution policy

(1) Total return ratio of 40% or higher

(2) Ongoing payment of annual dividends of at least 46 yen as stable dividends

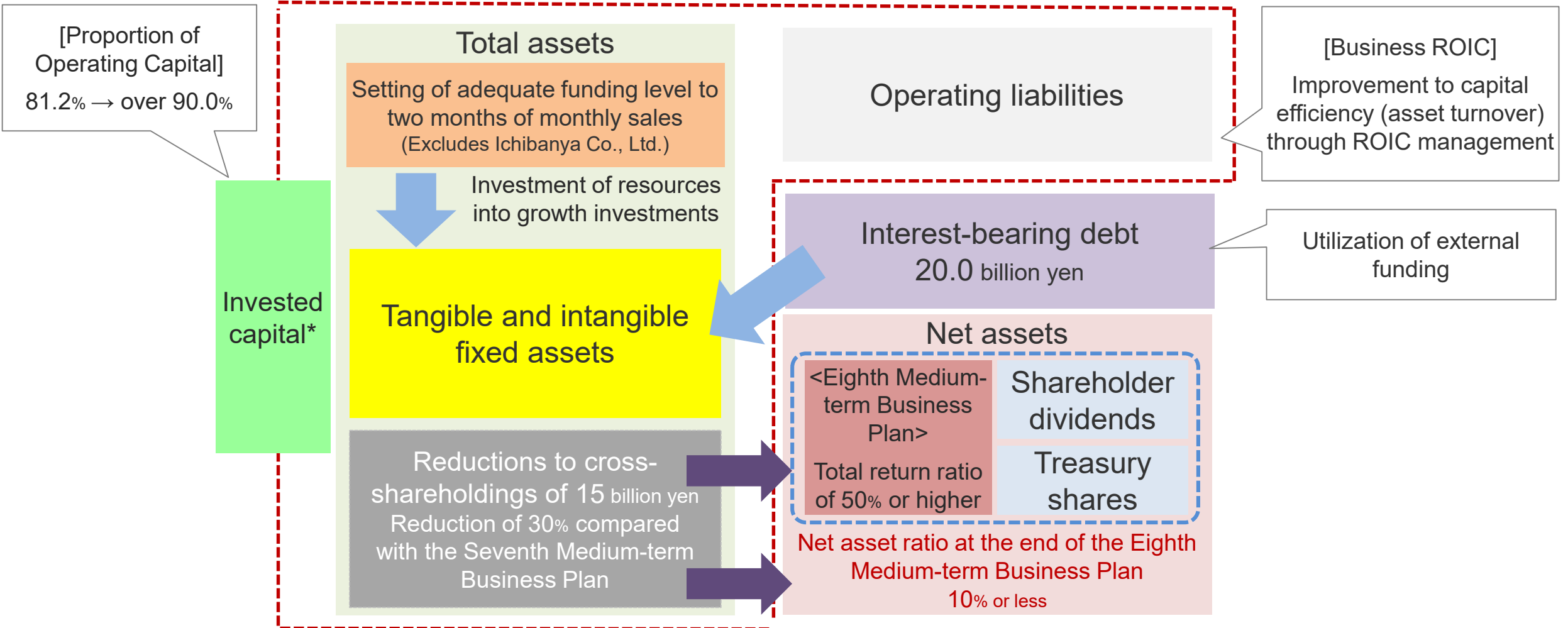
* During the period of the Eighth Medium-term Business Plan, since we will pursue treasury share acquisitions funded by reductions in cross-shareholdings, we will aim to improve the

total return ratio to at least 50%.

4-3: Clarifying Resource Allocation (Balance Sheet Improvements)

- We will steadily implement ROIC management and resource allocations, and aim to develop a solid B/S.

◇ Projection for Balance Sheet Improvements Under the Eighth Medium-term Business Plan



* Invested capital = total assets - operating liabilities

4-4: Strengthening of IR and SR Activities, Mechanisms to Enhance Value Sharing with Shareholders

- We will aim to reduce the cost of capital through better IR and SR activities, while enhancing mechanisms to improve value sharing with shareholders, leading to greater corporate value.

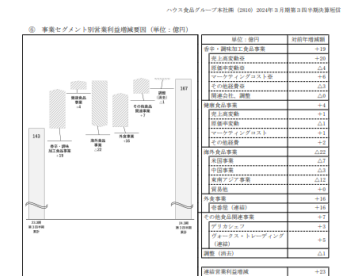
◇ Improved IR and SR activities

- Setting up various opportunities for dialogue (various briefings and on-site tours, etc.)
- Strengthening dialogue from a medium- to long-term perspective through IR and SR activities
- Enhancing information disclosures through the website and various disclosure documents

Tour of new production line at US business by analysts (September 2023)



Enhanced information disclosures (example: improvements to supplementary materials for financial statements)



◇ Mechanisms to Enhance Information Sharing with Shareholders

- Ongoing in-Group financial results briefings (since 2021)
 - Appearances by the President Calling on employees to show an interest in business results and enhance their sense of ownership
- Improvements to the employee stock ownership plan under consideration
- Revisions to the officer remuneration system under consideration
 - Medium- to long-term incentives and improvements to the percentage of stock-based compensation under consideration

In-group financial results briefings





The forward-looking statements such as plans, strategies and result forecasts included in this document are based on the information available to the Company at the time of the announcement and on certain assumptions considered reasonable, and the Company makes no representations as to their achievability. Actual results may differ materially from the forecast depending on a range of factors.

Amounts of less than one million yen are rounded to the nearest million yen.