Progress of the Medium-term Business Plans (Up to Now)

House Foods Group has positioned each Medium-term Business Plan as a milestone for the realization of its Group philosophy. We have changed our corporate strategy and organizational structure at each turning point in order to respond to the business environment that changes over time.
With the aim of growing by creating a global value chain (VC), we will continue to transform into a high quality company that provides "Healthy Life Through Foods."

–1990s
Before introduction of Medium-term Business Plans

Value creation from a customer perspective

Thorough implementation of value creation from a customer perspective
Expanded product category in line with Japan's high economic growth

2003–
First to Fourth Medium-term Business Plans

Selection and concentration

Introduction of portfolio approach
Classification of existing businesses into growth drivers and revenue drivers to clarify roles Establishment of "Health" and "Overseas" as growth themes

2015–
Fifth to Sixth Medium-term Business Plans

Striving to become a high quality company that provides "Healthy Life Through Foods"

Aiming for transformation into a high quality company in terms of all Three Responsibilities

2021–
Seventh Medium-term Business Plan

Striving to become a high quality company that provides "Healthy Life Through Foods" [Chapter 2]

Striving for Four Value Chains

Seek growth along with quality transformation, to become a high-quality company with a global presence

2024–
Eighth to Ninth Medium-term Business Plans

Striving to become a high quality company that provides "Healthy Life through Foods" [Chapter 2]

Striving for growth by building a global value chain

Create a VC system to enable Group companies to create collaboratively to demonstrate their "strength" and build a foundation that can be further developed for the future

Realizing the Group Philosophy
- Providing value to stakeholders from the perspective of the Three Responsibilities
- Reinforcement of financial and capital policies

Realization of the Group Philosophy

2003 — First to Fourth Medium-term Business Plans

- Reorganization of Japanese business (transfer of the mineral water business, reintegration of production bases, reorganization of curry roux production lines, etc.)
- Establishment of House Wellness Foods Corporation (2006)
- Three priority overseas areas established (the United States, China and Southeast Asia)
- Shifted to a holding company system (2013)
- Brought Vox Trading Co., Ltd. into the Group (2013)

2015 — Fifth to Sixth Medium-term Business Plans

- Made Ichibanya (2015), Gaban (2016) and Malony (2017) Group companies
- Start of GOT (Groupwide initiatives)
- Established a corporate venture capital fund (2017)
- Entered the Lactobacillus business (2018)

2021 — Seventh Medium-term Business Plan

- Established House Foods Group Asia Pacific Co., Ltd. (2022)
- Brought Keystone Natural Holdings, LLC into the Group (2022)
- Declaration of carbon neutrality (Scope 1 and 2) by 2050 (2022)
- Established House Gaban Corporation (2023)
- Introduction of a new personnel system (House Foods) (2023)

Overall Eighth Medium-term Business Plan

The House Foods Group's Medium-term Business Plan is formulated from the perspective of backcasting the Group's philosophy, the "To Do" action plan for approaching our "To Be."
The main theme of the Eighth Medium-term Business Plan, which began in FY2024, is "Striving to become a high quality company that provides' Healthy Life Through Foods' [Chapter 2], Striving for growth by building a global value chain (VC)." Following on the Seventh Medium-term Business Plan, we have given it the title "Striving to become a high quality company that provides' Healthy Life Through Foods' [Chapter 2]. We also set up a new subtitle, "Striving for growth by building a global value chain."
Based on the concept of the "Three Responsibilities," which form the basis of the Group philosophy, the entire Group is playing a role in the action plan, each with its own "To Do." By implementing these plans, including reinforcement of financial and capital policies, we aim to become a high qualitycompany with a global presence.

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

For Our Employees and Their Families
Turn diversity into a strength and support initiatives to become a high quality company in powerful terms

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

Spice VC | Functional Ingredients VC | Soybean VC | Creation of New Value (Value-added Vegetables VC)

Financial Capital Policy

Three Responsibilities - KPIs

Three Responsibilities and KPIs	Seventh Medium-term Business Plan Results (FY2023)	Eighth Medium-term Business Plan (FY2026)	Ninth Medium-term Business Plan (FY2029)
For Our Customers			
Net sales	299.6 billion	360.0 billion	450.0 billion
ROS	6.5%	7.5%	8.9%
EBITDA margin	11.0%	11.4%	12.7%
ROIC	4.6%	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)	17.7%	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")	Embracing diversity 63.1% A culture that encourages challenges 59.3%	70% or higher	75% or higher
Active participation of women (Ratio of Group female managers)	12.2%	20% or higher	30% or higher
For Society			
Scope 1 and 2 (Total, compared to FY2013)	–27% (per unit of production compared to FY2013)	–27%	–38%
Scope 3 (Compared to prior to initiatives)	–26,483 tons (compared to prior initiatives)	–5,000 tons	—
Waste (Net sales per unit of materials, compared to FY2021)	–1.8%* (units of materials at production sites in Japan, compared to FY2019)	–25.0%	—
By-products (Recycling rate)	—	99.5%	100.0%
Plastics (Container packaging for Japanese products, derived from fossil-fuel resources, compared to FY2018)	—	–8.5%	—
Water (Affected sites: "Areas at risk of water depletion" at production sites)	—	Implement water conservation measures	—

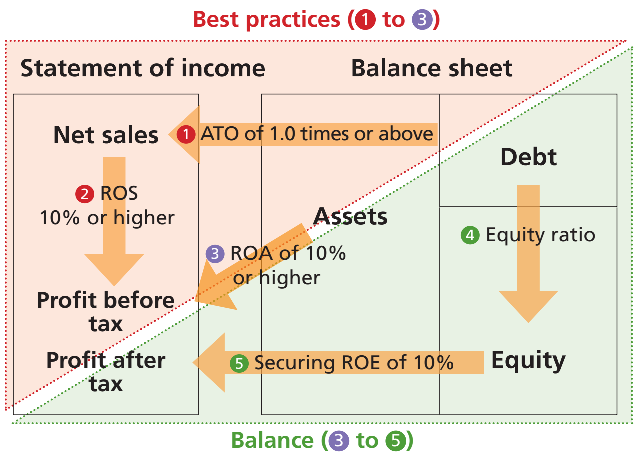
*Total waste disposal

Message from the Director in Charge of Financial Strategies

Leveraging ROIC-based analysis, we will engage in Group-wide reforms and pursue enhanced capital returns.

Yoshiyuki Osawa
Representative Director & Senior Managing Director/
General Manager, Administration Headquarters/
Responsible for Secretarial Division

Five Indicators of the Ideal Proportions



❶ **Asset turnover (ATO):** Net sales / Total assets
❷ **Return on sales (ROS):** Operating profit / Net sales
❸ **Return on assets (ROA):** Operating profit / Total assets = ATO × ROS
❹ **Equity ratio:** Operating profit / Net sales
❺ **Return on equity (ROE):**
Profit / Equity = ROA (adjusted for after tax) × Financial leverage (1 / equity ratio)

Current situation and issues

In our business performance for FY2024, sales, operating profit, and ordinary profit increased from the previous fiscal year, driven by the Spice/Seasoning/Processed Food Business. On the other hand, the profit attributable to owners of parent fell due to the impact of the rebound from gain on revision of the retirement benefit plan recorded in FY2023 and impairment losses associated with the goodwill of Keystone Natural Holdings, LLC (KNH). In the Spice/Seasoning/Processed Food Business, we continued to implement cost-cutting initiatives in response to rising commodity and raw material prices, while also introducing new products and revising the prices of some of our commercial spice products.

As raw material prices continue to rise, we decided to revise prices in FY2025. Looking ahead, we face challenges such as how to cope with rising raw material prices and how to compete in the mature market of Japan. We also need to consider how to engage with overseas markets where we seek growth in light of the business development of the Group as a whole. We are implementing various measures to strengthen vertical connections and solidify businesses in each value chain (VC), thereby expanding our potential to grow our businesses horizontally.

As for our business in the United Sates, although we recorded an impairment loss on the goodwill of KNH in FY2024, we are currently reviewing our recent measures to grow our Soybean VC, and Group headquarters is directly involved in restructuring the company to ensure future growth.

Pursuing ROIC Management and Capital Returns

Our Group has declared “through food, we aim to be a good corporate citizen, connecting and collaborating with people to create smiles in their lives,” as our Group philosophy. In order to grow as a superior partner to all of our stakeholders, we have established five management indicators (ATO, ROS, ROA, equity ratio, and ROE) and have made it our policy to aim for the ideal balance among them. However, looking back on our actual initiatives up to this point, since our perspectives emphasized profit and loss (statement of income), our efforts focused on improving the top line or product-by-product profit loss management, resulting in inadequate discussions and initiatives pertaining to our balance sheet.

Message from the Director in Charge of Financial Strategies

With this awareness in mind, we have introduced return on invested capital (ROIC) in the Eighth Medium-term Business Plan as a new management indicator. Using ROIC allows us to compare ROA with capital cost in order to improve investment profitability, so that we can promote management that stays conscious of capital cost. Doing so will also bring us closer to the ideal state for our top three of five management indicators (ATO, ROS, and ROA), which we pursue as part of our best practices.

To improve ROIC, we will break it down into "business ROIC," which measures the return on capital of our core business, and "business capital ratio," which measures the ratio of business capital to invested capital; and to improve on business ROIC, we will advance efforts to improve the return on investment of existing facilities and new investments, and will ensure improvement during the Ninth Medium-term Business Plan.

In terms of our existing facilities, we broke down Facility ROIC (i.e., ROIC at each facility) into three elements: marginal profit ratio, operating rate, and equipment efficiency. By reexamining the profitability and viability of each production line, we were able to determine the characteristics of, and issues facing, each production line, and recognized that the challenges inherent to investment return lie within our core businesses. Up to this point, the Group's approach to capital expenditures has tended to focus on ideas centered around our roux products, realized through our cumulative experience and know-how, but our traditional approach to investments in our non-roux products can create challenges for us in terms of investment returns, due in part to the fact that marginal profit ratio and appropriate utilization rates can differ between categories. By further clarifying challenges through the breakdown of Facility ROIC into three elements, the mission of each department will grow clearer through day-to-day work operations, and we will promote greater understanding and behavioral reforms amongst Group members in various positions to better link our profit and loss statements with our balance sheet. Specifically, the research and production departments will be primarily working to improve marginal profit ratios, while the product development, marketing, and sales departments will steadily implement measures to improve utilization rates. As for equipment efficiency, the technology and production departments will work to improve investment productivity, and by clarifying roles and further linking these roles, the departments will strive to improve Facility ROIC.

In addition, we will review our investment criteria for new investments and raise the hurdle rate, leading to stricter judgment and decision-making regarding investments. The Investment Committee, which has previously evaluated and monitored M&As and other business investments, has decided to also evaluate and verify important capital investments starting from FY2025. Rather than simply evaluating whether to go ahead or stop investing, the Committee recognizes risks and opportunities via the three-element breakdown analysis method, and advance the consideration of strategies to secure solid investment returns.

Meanwhile, the Committee aims to raise our business capital ratio to 90.0% or higher by FY2026, by reducing cross-shareholdings, promoting the sale of fixed assets, and returning profits to shareholders. With respect to cross-shareholdings, as the Eighth Medium-term Business Plan delineates a reduction of 15 billion yen within the plan term, we are steadily working toward that goal. To deepen employee understanding of our efforts to implement ROIC management, top management is assertively explaining to employees the significance of and approach to ROIC implementation through various opportunities like financial results briefings for employees. Certain departments within the Group have begun voluntary initiatives, such as collaborating with the accounting department to conduct learning sessions on ROIC management, and thanks to these efforts we are beginning to see changes in employee awareness, giving us the strong impression that this approach is beginning to take root in the Group.

As we continue to develop our VC concepts, we will establish ROIC management and pursue investment profitability in ways that suit the various upstream, midstream, and downstream business characteristics.

Eighth and Ninth Medium-term Business Plan Consolidated Numerical Targets

■ Consolidated targets

	FY2024	Eighth Medium-term Business Plan (FY2026)		Ninth Medium-term Business Plan (FY2029)	
	Results	Targets	vs. Seventh Medium-term Business Plan	Targets	vs. Eighth Medium-term Business Plan
Net sales	315.4 billion yen	360.0 billion yen	+60.4 billion yen	450.0 billion yen	+90.0 billion yen
Operating profit	20.0 billion yen	27.0 billion yen	+7.5 billion yen	40.0 billion yen	+13.0 billion yen

■ Management indicators

	FY2024	Eighth Medium-term Business Plan (FY2026)		Ninth Medium-term Business Plan (FY2029)		Ideal proportions
	Results	Targets	vs. Seventh Medium-term Business Plan	Targets	vs. Eighth Medium-term Business Plan	
ROIC	4.5%	6.0% or higher	—	8.0% or higher	—	—
ATO (Asset turnover)	0.73 times	0.83 times	+0.11 times	0.96 times	+0.13 times	1.0 times or more
ROS (Return on sales)	6.3%	7.5%	+1.0 pt	8.9%	+1.4 pt	10% or higher
EBITDA margin	10.8%	11.4%	+0.4 pt	12.7%	+1.3 pt	—
ROA (Return on assets)	4.6%	6.2%	+1.5 pt	8.6%	+2.4 pt	10% or higher
ROE (Return on equity)	4.3%	7.0%	+0.8 pt	—	—	Securing 10%

Message from the Director in Charge of Financial Strategies

Growth Investments for Building Global Value Chains and Shareholder Returns

Under the Eighth Medium-term Business Plan we intend to advance proactive investments into growth sectors, and harvest returns from those investments during the Ninth Medium-term Business Plan and onward. To develop our global VC concept, we plan to invest 50 billion yen in growth strategies and businesses, and 20 billion yen in infrastructure strengthening investments (including DX and the environment) for production optimization in the spice VC, growth investments in the soybean VC, and M&A activities to accelerate global growth.

In FY2024, in light of the diversification of needs and reduced labor pool of the restaurant industry, as well as the increased need for commercial retort pouched products, we advanced construction on the House Foods Group Tohoku Factory, a new Factory for commercial retort pouched products that will implement production facilities capable of producing a wide variety of products in variable quantities, set to begin operation in 2026. We also proceeded with restructuring our domestic spice packaging facilities and made investments of 15 billion yen.

In FY2025, we plan to invest 23.2 billion yen in the construction of the House Foods Group Tohoku Factory and a new factory in Indonesia, among other projects. At our new factory in Indonesia, we plan to begin production of halal-certified curry roux products for both home and commercial use in 2027. We are promoting the development of individually packaged products rather than conventionally packaged roux so that they can be purchased not only at established retailers but also at local traditional markets. Furthermore, we will expand sale of these produced products into global halal markets outside of Indonesia, and are aiming to develop a business with a scope of 10 billion yen in net sales.

As for shareholder returns, our new policy as of FY2024 was: (1) a total return ratio of 40% or higher, and (2) a stable, continuous dividend of at least 46 yen per year. Under the Eighth Medium-term Business Plan, we are striving for total return ratio of at least 50% based on our advancement of repurchases of treasury shares made possible through funds from reducing cross-shareholdings. In accordance with this policy, we set a per share dividend of 48 yen for FY2024, 1 yen higher than the dividend amount for the preceding fiscal year. In addition, although 15 billion yen in treasury shares repurchases were originally planned under the Eighth Medium-term Business Plan, in FY2024 we made repurchases of 6 billion yen, with another 10 billion yen scheduled for FY2025, as a result of bringing the planned repurchase amounts forward into the following year.

	FY2024 Business Results	FY2025 Plan
Investment	Capital investment: 15 billion yen [Growth investments] • Construction of a new commercial retort food factory (Tohoku Factory) • Reorganization of domestic spice packaging bases, etc.	Capital investment: 23.2 billion yen [Growth investments] • Construction of Tohoku Factory • Construction of curry roux factory in Indonesia, etc. [Investment to strengthen foundations] • Spice/Seasoning/Processed Food Business Sales logistics system reconstruction, etc.
Shareholder returns	Total return ratio: 84.4% (63.7% excluding KNH impairment loss) [Dividend] 48 yen per share [Repurchase of treasury shares] Acquired 6 billion yen	[Dividend] 48 yen per share planned [Repurchase of treasury shares] Resolved May 8, 2025 • Total acquisition amount: 10 billion yen (maximum)

Communicate with stakeholders to improve corporate value

As of FY2024, our PBR is below 1.0, which we recognize as an issue. Our PER has been hovering at around 21 times, while ROE was 4.3% for FY2024 and was below 5% on average over the past five years, making improvements to ROE essential. First, we urgently need to raise ROE to above our recognized capital cost of 6.0%. To achieve this, we will focus on efforts to increase ROIC, which we are working on as a new indicator, and by producing results, we will work to receive positive recognition from the market.

In addition, to ensure that our stakeholders understand and can expect great things from our growth strategy, we understand how critical it will be to work with the IR departments to explain in easy-to-understand ways our goals and initiatives for the Eighth Medium-term Business Plan, as well as our progress in those goals and initiatives, and to connect these efforts to improved corporate value for the Company.

As is evident from the attitude of top management at general shareholders' meetings, small meetings, and large meetings, we strive to communicate and reach mutual understanding with our shareholders and investors in a courteous and honest manner. We will listen earnestly to the opinions we receive from you as we work to identify the areas in which we require greater improvement, and what elements require greater explanation in order to foster better understanding.

Financial Capital Policy

To advance management that takes capital costs (our policy: 6.0%) and stock prices into account, under the Eighth Medium-term Business Plan, we are working to implement ROIC management, clarify capital allocation, and create mechanisms to increase shared value with our shareholders.

Introduction of ROIC management

To achieve the ideal proportions, we are further strengthening our balance sheet (BS)-oriented efforts and introducing ROIC management to promote management that is more conscious of capital costs.

The Group's Definition of ROIC

ROIC (all companies) = NOPAT / Invested capital

Business ROIC = NOPAT / Operating capital

Operating capital ratio = Operating capital / Invested capital

Increased capital profitability from core business
- Consideration of business direction and portfolio policy
- Investment prioritization and validation
- Improve profitability of each business unit (identify issues, set KPIs, and promote improvements)

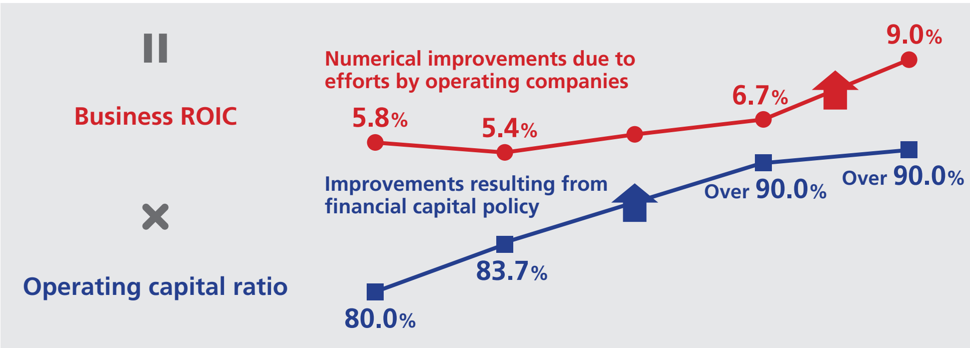
Increased proportion of operating capital in overall invested capital
- Improve capital efficiency by reducing non-operating capital (cross-shareholdings, etc.) and returning profits to shareholders

As we will continue to invest in growth areas for the Eighth Medium-term Business Plan, although business ROIC improvements will be limited, we will aim to significantly improve the ratio of operating capital by further promoting reduction in non-operating capital ratio, thereby improving ROIC (all companies).

Under the Ninth Medium-term Business Plan, we aim to further improve our ROIC (all companies) by improving capital returns (Business ROIC) of our core business generated from investment, as investment in growth areas will be completed.

Illustration of ROIC Outlook

	FY2023 Results	FY2024 Results	FY2025 Forecast	FY2026 Targets	FY2029 Targets
ROIC for all companies	4.6%	4.5%	4.7%	6.0% or higher	8.0% or higher
Capital cost	6.0%				6.0%



Clarification of resource allocation

Under the Eighth Medium-term Business Plan, we will utilize new fund-raising methods in addition to our operating cash flow, continue to make active investments to build value chains (VC), and promote management that is conscious of capital costs by improving capital efficiency through measures such as reducing cross-shareholdings, and allocating the resulting capital to shareholder returns.

Resource Allocations under the Eighth Medium-term Business Plan (excluding Ichibanya)

Cash-in
- Cash flows from operating activities 65.0 billion yen
- External financing 20.0 billion yen
- Asset reduction 15.0 billion yen

Cash-out
- Investment 70.0 billion yen
  - Growth investments Business investments 50.0 billion yen
  - Investment to strengthen foundations *Including DX and the environment 20.0 billion yen
- Shareholder returns 30.0 billion yen
  - Dividends (at least 46 yen per share)
  - Treasury shares 15.0 billion yen

Approach and Breakdown

Investment	<Creation of return exceeds 6.0% capital cost> • Spice VC production optimization • Soybean VC growth investment • M&A activities accelerating global growth
Asset reduction and financing	<Asset reduction and improved financial efficiency> • Cross-shareholdings reduction target: 15.0 billion yen • External financing through interest-bearing debt (Utilization of sustainable financing)
Shareholder returns	<Profit return policy> • Total return ratio of 40% or higher • Stable dividends of at least 46 yen per share • Acquisition of treasury shares worth 15.0 billion yen funded by asset reductions
Adequate balance of funds	<Setting of adequate funding level: Two months of monthly sales> • Priority allocation of surplus funds into growth investments

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

*Under the Eighth Medium-term Business Plan, the Company will promote the repurchase of treasury shares through the reduction of cross-shareholdings, enabling our goal of a **total return ratio of 50% or higher**

Trends in dividends