

FY2025 Results Briefing: QA

- Date and Time May 12, 2026 (Tue) 13:00 p.m. - 13:55 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

Does your adoption of a policy targeting the acquisition of treasury shares of up to 26.0 billion yen and DOE of 3% or more from FY2026 reflect a growing sense of urgency among management? What is the background to this change?

A1

The biggest factor is that we are now more than two years into our Eighth Medium-Term Business Plan and the widening gap between actual results and the initial plan is increasing our sense of urgency. Our operating profit forecast for the final fiscal year (FY2026) is 18.5 billion yen, against an initial target of 27.0 billion yen. Our three value chains (VC) are all underperforming, with the Soybean VC having a particularly hard time. The Spice VC is being heavily impacted by rising raw material prices, and while we have absorbed the costs and maintained profit, we have been unable to achieve growth. We have estimated that the Group's capital cost is around 6% but have yet to achieve this, leading us to the conclusion that we need to rapidly increase ROE alongside improving profit. Our policy is to improve both profit as the numerator and shareholders' equity as the denominator, and the treasury share acquisitions and new policy on profit distribution are part of such efforts to strengthen our financial strategy.

Q2

FY2026 ROE target of 6% includes extraordinary income? What is the timeline for achieving return exceeding the cost of capital in real terms, excluding extraordinary items, and your target ROE of 8%?

A2

I understand your comments relate to the target set for FY2026. I am currently unable to specify when we will achieve capital cost of 6% in real terms, excluding extraordinary items, or whether we will achieve our 8% target soon. However, in terms of methodology, improvement of profit through our business

activities is our number one priority but given that there are no quick fixes, we intend to implement organizational reforms, shareholders' equity management and changes to the business portfolio in parallel with growth in profit from our core business operations to get closer to an ROE exceeding 6% in real terms and the level of returns sought by the market. We will do our best to rapidly achieve our targets.

Q3

Does concentration on the Spice VC mean a strategy of business selection and concentration? What are your thoughts on the Soybean VC and Ichibanya Co., Ltd.?

A3

Although the Soybean VC is unlikely to generate a profit in FY2026, we are first making "achievement of profitability in FY2027" one of the judgment criteria for business withdrawal. Furthermore, since the avoidance of a loss alone is not sufficient grounds for business continuation, other withdrawal criteria will be whether or not the business has differentiation advantage and whether asset-lite technological development is possible. We are in discussions with Ichibanya Co., Ltd. on the nature of business cooperation downstream in the Spice VC.

Q4

Regarding the organizational structure changes, what are the challenges and expected effects of supervising Spice VC on a global scale?

A4

We currently regard the costs of the organizational structure as an issue and intend to also consider management aimed at accelerating growth. We intend to put an end to the current situation where House Foods Group Inc. costs are continually rising due to the separation of functions and businesses and where operating companies are treated on a par with each other under the control of House Foods Group Inc, to the detriment of individual company optimization. While our basic policy is to supervise global operations from Japan from the viewpoint of increasing cohesion, when it comes to overseeing a VC from upstream to downstream, I think we need to optimize the control point.

Q5

What is going to be stepped up as a result of concentration on the Spice VC?

A5

Nothing major is going to change. However, there have been advances in technological development in the Spice VC over the two years of the Eighth Medium-term Business Plan, opening up potential areas for growth. Additionally, in the curry business, we plan to shift away from a business model focused on local production for local consumption towards a model of local production for local consumption + cross-border. From April 2025, control of the export division was transferred to House Foods Corporation to ensure that development resources can be shared. As our production plants have also been enhanced with factories in Japan, China and ASEAN, we will use them flexibly and also consider leveraging global brands. While making adjustments according to the maturity of the market and organization in each country we operate, we will increase cohesion as a Group and translate this into growth.

Q6

Have target levels for cash and deposits and the optimal capital structure been decided? Will you consider using leverage?

A6

At present, we have not yet clearly determined actual target levels that we think are optimal for cash and deposits and shareholders' equity but we intend to do so based on consensus. We will also consider using leverage as one course of action. Our policy is to consider acquiring investment capital not only through cash flows from operating activities as in the past but also through liabilities financing from a shareholders' equity management perspective.

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