May 10, 2023

Company Name: House Foods Group Inc.
Representative: Hiroshi Urakami, President
(Securities Code: 2810, TSE Prime Market)
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Notice Regarding Opinions of House Foods Group's Board of Directors on Shareholder Proposals

House Foods Group Inc. (hereinafter "the Group") received a letter (hereinafter referred to as the "Shareholder Proposals Letter") requesting the incorporation of shareholder proposals (hereinafter the "Shareholder Proposal(s)") in the agenda of the 77th Annual General Meeting of Shareholders (hereinafter the "Annual General Meeting of Shareholders") to be held on June 27, 2023. The Group announces that, at a meeting of the Board of Directors held today, it resolved to oppose the Shareholder Proposals as described below.

I. Proposing Shareholder
Name of shareholder: LONGCHAMP SICAV

II. Details of the Shareholder Proposals
1. Agenda
(1) To purchase treasury shares
(2) To partially amend the Articles of Incorporation in regard to the handling of shares held by Directors
(3) To partially amend the Articles of Incorporation in regard to the composition of Outside Directors

2. Details of proposals
As stated in the attached "Details of the Shareholder Proposals."
The Attachment "Details of the Shareholder Proposals" is the original text of a part of the Shareholder Proposals Letter, which has been submitted by the Proposing Shareholder.

III. Opinions of the Group's Board of Directors on the Shareholder Proposals
1. To purchase treasury shares
(1) Opinion of the Group's Board of Directors
The Board of Directors opposes the Shareholder Proposal.

(2) Reason for the opposition

Under the Seventh Medium-term Business Plan launched in April 2021, the Group plans to make investments totaling 70 billion yen over three years (investments of 40 billion yen in growth domains, 20 billion yen in existing domains, and 10 billion yen in digital transformation and the environment). In FY2022, the Group allocated its own funds to aggressive investments in growth domains, primarily investment in international business including making US-based Keystone Natural Holdings into a subsidiary and, as a result, cash assets (*) at the end of the fiscal year amounted to 129.9 billion yen, down 17.9 billion yen from the end of the previous fiscal year. In FY2023, the Group will continue pushing ahead with aggressive growth investment in line with the Medium-term Business Plan.

The Group is also implementing management based on an awareness of the cost of capital. In making investment decisions, the Investment Committee, which is an advisory body to the Group Management Committee, verifies that the return on an investment will be greater than the cost of capital and also carries out an objective assessment covering aspects such as strategy suitability and identification of risks, and the management then makes a final decision.

The Group recognizes that the return of profit to shareholders is a key management issue. The Group's basic policy on the payment of dividends is to "maintain stable dividends, with a dividend payout ratio of at least 30% on a consolidated basis excluding the effects of extraordinary income/losses arising from business combination and the amortization of goodwill as a standard," and the annual dividend for FY2022 has been set at 46 yen per share (giving a consolidated payout ratio calculated on the above basis of 31.9%), which is the same amount as the previous fiscal year, and the Group plans to submit a proposal to this effect to the Annual General Meeting of Shareholders. In addition, under the Medium-term Business Plan, the Group plans to purchase treasury shares worth 12 billion yen funded by cash obtained from the reduction of its cross-shareholdings as a shareholder return measure alongside dividends. As of March 31, 2023, the Group had reduced its cross-shareholdings by 16.7% against a planned reduction of 20% over three years under the Medium-term Business Plan and had purchased treasury shares worth 10 billion yen against a planned total of 12 billion yen over three years, and the Group expects to achieve the planned level for both of these in the final fiscal year (FY2023).

In this way, the Group is steadily making forward-looking investment and returning profits to shareholders, based on clear financial and capital strategies. Meanwhile, the scale of treasury share purchases proposed in the Shareholder Proposal far exceeds the Group's annual profit level and would therefore eat into funds for growth investment, potentially delaying sustainable improvement in the Group's corporate value in the medium and long term and, as a result, is considered not to be in the interests of shareholders. The Group believes it is appropriate to implement treasury share purchases based on comprehensive consideration of the Group's business performance, financial standing and share price, in accordance with the Medium-term Business Plan, rather than based on the timing and amounts set out in the Shareholder Proposal.

Accordingly, the Board of Directors opposes the Shareholder Proposal.

(*) Cash assets = Cash + Securities + Investment securities

2. To partially amend the Articles of Incorporation in regard to the handling of shares held by Directors

(1) Opinion of the Group's Board of Directors

The Board of Directors opposes the Shareholder Proposal.

(2) Reason for the opposition

As the Group's basic policy, the compensation system for Directors is based on the following points: "it gives motivation for the enhancement of corporate value and sustainable growth," "it is commensurate with the role and responsibilities of the position held," and "objectivity and transparency are ensured in the decision process of compensation."

Moreover, in May 2017, the Group established the Compensation Advisory Committee which is chaired by an Independent Outside Director and the majority of whose members are Independent Outside Directors to ensure objectivity and transparency in the procedure for determining compensation.

The compensation of Directors (excluding Directors who are Audit & Supervisory Committee Members) is composed of monthly compensation and single fiscal year performance-linked compensation (short-term incentives) and restricted stock compensation (long-term incentives). The Compensation Committee uses the objective data of an outside research agency to verify that the levels and percentages of each type of compensation are in keeping with the Group's business scale and set "70%:20%:10%" as the percentages of each type of compensation.

"Monthly compensation" is fixed compensation whose level is determined for each position, with additional compensation paid according to the role. "Single fiscal year performance-linked compensation" is variable compensation, with bonuses varying within the range of 70-130% (or within the range 0-150% in the event of significant fluctuation in performance) based on two evaluations, namely evaluation of the level of achievement of Group or operating company targets and evaluation of the level of achievement of personal targets in a single fiscal year. In June 2021, the Group introduced restricted stock compensation with the transfer restriction period from the day of delivery of restricted stock until the day on which a relevant Director retires, for the purpose of advancing the sharing of value between the Directors and shareholders of the Group.

Compensation for Directors who are Audit & Supervisory Committee Members consists of fixed compensation only from the viewpoint that their role is to supervise and audit the execution of duties from an independent perspective.

In this way, the existing Directors' compensation system ensures the "objectivity and transparency of the determination process", the "appropriateness of compensation levels and percentages" and the "sharing of value between the Directors and shareholders" and is a system under which decisions are made in an appropriate manner.

Meanwhile, the Shareholder Proposal demands the establishment of Share Ownership Guidelines without specifying the information they should contain. In the Group's judgment, given the Group's current Directors' compensation system, there is no need to provide for the establishment of such Guidelines, which set out special provisions for stock compensation only, in the Articles of Incorporation.

Accordingly, the Board of Directors opposes the Shareholder Proposal.

3. To partially amend the Articles of Incorporation in regard to the composition of Outside Directors

(1) Opinion of the Group's Board of Directors

The Board of Directors opposes the Shareholder Proposal.

(2) Reason for the opposition

In June 2021, the Group established the Nomination Advisory Committee which is chaired by an Independent Outside Director and the majority of whose members are Independent Outside Directors to ensure objectivity and transparency in the procedure for selecting candidates for Director. The Group proposes as candidates for Director individuals who will contribute to the enhancement of corporate value in accordance with the Directors selection criteria disclosed in the Corporate Governance report.

As a holding company committed to accelerating transformation into a high quality company and taking on new challenges for growth, the Group also believes it is desirable for the Board of Directors to have both supervisory and executive functions. Therefore, the Group's Board of Directors is made up of individuals in charge of each business who concurrently serve as executive Directors, together with Audit & Supervisory Committee Members who have an audit function to supervise business execution from a groupwide bird's eye view perspective.

In June 2021, the Group transitioned to a Company with an Audit & Supervisory Committee and all outside officers became Directors who are Audit & Supervisory Committee Members in order to further strengthen the independent audit and supervisory functions. Under the organizational structure, the Audit & Supervisory Committee has the internal audit department under its control and conducts systematic audits in cooperation with the auditors of each operating company. The Group attaches importance not only to legal compliance audits but also to the expression of opinions on business execution from an independent perspective, ensuring that Outside Directors/Audit & Supervisory Committee Members have the opportunity to comment at every Board Meeting, for example, and utilizes such opinions in management to further strengthen corporate governance. Currently, four out of a total of 12 Directors are Independent Outside Directors (including one woman), and the composition of the Group's Board is very diverse, including for instance individuals with experience in corporate management, as a lawyer, or working at government bodies.

Based on the above, the Group believes it has achieved Board diversity and independence and has put in place a system which will help strengthen corporate governance in the future.

In the Group's judgment, the incorporation of provisions like those proposed in the Shareholder Proposal into the Articles of Incorporation would stymy discussions on the desired composition of the Board and restrict scope for the selection of Director candidates, preventing the Board composition needed for flexible consideration based on management strategies on a moment-to-moment basis.

Accordingly, the Board of Directors opposes the Shareholder Proposal.

(Attachment “Details of the Shareholder Proposals”)

* The original text of a part of the Shareholder Proposals Document, which has been submitted by the Proposing Shareholder

Part 1. The proposals

1. To purchase treasury shares
2. To partially amend the Articles of Incorporation in regard to the handling of shares held by Directors
3. To partially amend the Articles of Incorporation in regard to the composition of Outside Directors

Part 2. Summaries of the proposals and the reasons for the proposals

1 To purchase treasury shares

(1) Summary of the proposal

The Group should purchase shares of its common stock, up to a total of 9,750,000 shares and a total acquisition price of 28,000,000,000 yen, within one year from the conclusion of this Annual General Meeting of Shareholders pursuant to Article 156, Paragraph 1 of the Companies Act.

(2) Reason for the proposal

In its domestic business operations, the Group is market leader for curry roux, stew roux and retort pouched products, has strong brand power and a competitive edge. The Group also has strong growth potential in the International Food Business, which consists of the tofu business in the United States, the curry business in China and the functional beverages business in ASEAN. However, In contrast to the Group’s strong competitive edge and high growth potential, the Group’s return on equity (ROE) keeps getting worse due to the accumulation of cash assets and is partly responsible for the Group’s low stock price. The Group’s 5 year average ROE is less than 5%, falling far short of the Group’s ideal proposition of at least 10% under the Medium-term Business Plan and it is clear that ROE is consistently less than the cost of equity.

The Group deserves some credit for its plans under the Seventh Medium-term Business Plan to purchase treasury shares of 12 billion yen over three years and its implementation of measures to enhance shareholder returns and improve capital efficiency. However, we believe that, in light of the current situation in which ROE keeps getting worse due to the accumulation of cash assets, and also taking into consideration funds for future M&A, capital investment and R&D and funds needed to prepare for unforeseeable risks, the current level of cash assets is too high. The excessive accumulation of cash assets will lead to decline in capital efficiency and will hurt corporate value. In light of the current situation in which excessive cash assets are negatively impacting ROE, the Group should seek to improve ROE by further enhancing shareholder returns. In our view, the Group should, therefore, adopt the measure of turning around 10% of total shares issued and outstanding (excluding treasury shares) into treasury shares and purchasing them, for the purpose of further enhancing the Group’s shareholder returns and improving capital efficiency.

2. To partially amend the Articles of Incorporation in regard to the handling of shares held by Directors

(1) Summary of the proposal

The Group should amend Article 9 of its Articles of Incorporation as follows to provide for the handling of shares held by the Group's Directors. (Amendments are underlined)

Before change	After change
(Share handling Regulations) Article 9. The Group's shares and fees shall be handled in accordance with the rules specified by laws and regulations, the Articles of Incorporation, and the Share Handling Regulations established by the Board of Directors. <u>2. (Newly established)</u>	(Share handling Regulations) Article 9. The Group's shares and fees shall be handled in accordance with the rules specified by laws and regulations, the Articles of Incorporation, and the Share Handling Regulations established by the Board of Directors. <u>2. Shares held by Directors shall be handled in accordance with the Shareholding Guidelines established by the Board of Directors.</u>

(2) Reason for the proposal

We believe that the biggest weakness of company boards in Japan is that they lack a shareholder perspective due to the low level of share ownership among directors. At your Company as well, the majority of economic benefits payable to Directors, excluding those who are from founder's family, is linked to basic compensation and short-term performance-based compensation and we believe that the correlation with improvement of corporate value in the medium and long-term is insufficient.

In Europe and the United States, almost all major listed corporations have adopted shareholding guidelines requiring that a certain level of personal shareholding be maintained for a certain period of time, as considered necessary for the alignment of interests with shareholders. In most cases, after a grace period of several years, senior executives must own three to five times their base salary in company shares and even outside directors must own shares worth one times their compensation.

We propose that, regardless of the conventional wisdom, the Group aims for a level of share ownership comparable to the global level among its Directors and other executives and that it demonstrates its commitment to this through appropriate disclosures. We further propose the establishment of shareholding guidelines.

3. To partially amend the Articles of Incorporation in regard to the composition of Outside Directors

(1) Summary of the proposal

The Group should amend Article 18 of its Articles of Incorporation as follows to ensure the Board is made up of a majority of Outside Directors.

(Amendments are underlined)

Before change	After change
(Number of Directors) Article 18. 1. The number of the Directors of the Group shall be no more than ten (10), excluding Directors who serve as Audit & Supervisory Committee members. 2. The number of Directors of the Group who are Audit & Supervisory Committee members shall be no more than eight (8). <u>3. (Newly established)</u>	(Number of Directors) Article 18. 1. The number of the Directors of the Group shall be no more than ten (10), excluding Directors who serve as Audit & Supervisory Committee members. 2. The number of Directors of the Group who are Audit & Supervisory Committee members shall be no more than eight (8). <u>3. For as long as the Group remains a listed company, a majority of the Directors (includes Directors who are Audit & Supervisory Committee members) of the Group shall be Outside Directors as defined in Article 2, Paragraph 1,(xv) of the Companies Act.</u>

(2) Reason for the proposal

We believe that diversity and independence of the Board of Directors is essential for the management of a listed corporation these days. Board diversity means diversity in terms of skills, experience, age, nationality, gender and other characteristics, enabling management judgments from diverse perspectives. Board independence means a Board that it is comprised of, at least, a majority of independent Directors.

Principle 4-8 of the Corporate Governance Code stipulates that “Independent directors should fulfill their roles and responsibilities with the aim of contributing to sustainable growth of companies and increasing corporate value over the mid- to long-term. Companies listed on the Prime Market should therefore appoint at least one-third of their directors as independent directors (two directors if listed on other markets) that sufficiently have such qualities. Irrespective of the above, if a company listed on the Prime Market believes it needs to appoint the majority of directors as independent directors based on a broad consideration of factors such as the industry, company size, business characteristics, organizational structure and circumstances surrounding the Group, it should appoint a sufficient number of independent directors.” Meanwhile, Principle 4-7 of the Corporate Governance Code lists “Appropriately representing the views of minority shareholders and other stakeholders in the boardroom from a standpoint independent of the management and controlling shareholders” as one of the roles and responsibilities of Independent Directors.

With four Outside Directors out of a total of twelve Directors, your Company meets the requirements in the principles of the Corporate Governance; however, we believe that you should put in place a corporate governance framework for increasing capital efficiency, seeking to return profits to shareholders, and contributing to the Group’s sustainable growth and enhancement of its corporate value in the medium and long term by more proactively seeking a Board composed of a majority of Outside Directors.

Not only in terms of the number of Outside Directors but also in terms of the qualities of Outside Directors, we believe you need individuals who can contribute to the Group's sustainable growth and enhancement of its corporate value in the medium and long term and, in this regard, we believe you need to consider appointing women and individuals with high levels of experience and skills as analysts.

As for the appointment of individuals with high levels of experience and skills as analysts, we believe this would be an effective way of bringing the perspective of outside investors and shareholders to bear on Board meetings and also contributing to enhancement of corporate value through healthy risk-taking. Whilst the Board of Directors of a listed company and investors and shareholders should share the same goal of long-term improvement in corporate value, unfortunately it is not unusual in Japan for antagonism to be seen between them. The participation of a director with the above experience and skills in the Board's discussions and decision-making would surely ensure, through healthy risk-taking and capital allocation and good communication with the market, that the relationship between the Board and share market is the kind of constructive relationship it should be. Whilst a former banker or an accountant is sometimes said to be responsible for finance matters in the skills matrix, accounting or debt market expertise alone is insufficient from the viewpoint of encouraging healthy risk taking and we believe that an equity market expert would make sense.