

Q&A from Small Meeting on Growth Strategy April 3, 2026

Q1. What was your intention in announcing your long-term strategy through 2035 in March? What kind of explanation are you planning to provide during the presentation of full-year financial results in May?

Given the conclusion of Change 2025 in March 2026, the announcement was meant to share our views on the next long-term vision with investors before the start of the next period. We presented our direction in March because it would have been too late to announce it simultaneously with the full-year results. We plan to explain our business strategy in detail when we announce our full-year results in May.

Q2. Will you enter the "Return to Growth" phase outlined in Change 2025 from the fiscal year ending March 2027? In the long-term strategy through 2035, you divided the period into two phases: the first half as a growth investment phase and the second half as a value creation phase. What was the rationale behind this division?

Our basic approach has not changed since Change 2025, when the fiscal year ending March 2027 was designated as the start of the "Return to Growth" phase. Investment is essential to sustaining growth. In order to accelerate growth over the next 10 years, we determined that further investment would be necessary during the first five years. In light of lessons learned from underinvestment in the past, we intend to invest while increasing our earnings power and generating profits.

Q3. The three pillars of corporate value enhancement are "Strengthen earnings power," "Improve capital efficiency," and "Foster growth expectations". Which of these should the market understand as the most important driver of stock prices?

The most important is earnings power. We will intensively focus on EBITDA growth as an indicator of earnings power. We believe that improving earnings power and gaining the market's confidence in our growth story will be the drivers of our stock price.

In Japan, the central theme will be enhancing cash generation capability by increasing profit margins. On the other hand, as overseas operating profit levels remain low, it is important to increase EBITDA in absolute terms while controlling volatility.

Q4. Isn't the 10% ROE guidance for the first five years too conservative? The guidance for the fiscal year ending March 2036 is 15%. Is there a possibility of achieving this earlier?

We recognize that the current decline in domestic profits and insufficient overseas growth are key factors behind our inability to fully meet capital market expectations. We will grow by first generating profits domestically and then investing the generated cash overseas. We believe that demonstrating to the market how we generate profits in Japan and overseas will enable us to earn the market's trust.

During the first five years, we plan to build a new factory in Kanto. The impact of depreciation expenses and phased operation associated with launching the plant will become apparent toward the end of the period. We will also step up marketing investment in North America. It may look conservative in the short term, but we hope to secure ROE of at least 10%. We will aim to achieve our ROE target of 15% for the fiscal year ending March 2036 ahead of schedule.

Q5. The ROIC guidance is 8% for the fiscal year ended March 2026 and the fiscal year ending March 2031, and 13% or more thereafter. What is the reason for this trajectory?

As we mentioned earlier, ROIC appears low based on a five-year period due to the impact of depreciation expenses for the new Kanto factory and marketing investments in North America. To demonstrate the progress of our initiatives to date, we believe it is necessary to comprehensively present, together with timelines, EBITDA growth in domestic and overseas, EBITDA margin growth, and growth in the entire regional portfolio.

Q6. What are the details and time horizon of the growth investments?

More than half of the growth investments are expected to be in the new Kanto factory. Additional capital investment is not expected to be substantial, since existing overseas facilities still have spare operating capacity, enabling us to effectively use our current assets to generate sales and profits.

Q7. What will be different from the past in terms of strengthening resilience in the domestic business?

The domestic business has been making operational improvements, and the first two years of Change 2025 saw record profits. However, the guidance is not expected to be met in the final year due to the reduced yields and deteriorating quality of potatoes produced in Hokkaido. Our high dependence on raw potatoes is an issue. We will review our product portfolio from the perspective of profitability, as well as work to ensure stable domestic potato procurement and strengthen our ability to import raw potatoes. As part of these efforts, we announced the establishment of a new production line for Japan Frito-Lay corn-based products at our Hiroshima Hatsukaichi Factory.

Q8. What measures will be taken to improve operating margins in Japan?

It will be difficult to improve operating margins simply by developing products in the conventional price range. We are also considering expanding our product lineup to include items in the 200-300 yen price range for the first time, and test sales have been well received. We will also strive to lower the break-even point through S&OP and digital transformation at factories. We will improve profit margins by expanding our product portfolio and strengthening operational capabilities.

Q9. Have there been any changes to new product development in expanding the product portfolio?

In the past, we devoted significant efforts to dealing with flavor variations, but under Change 2025, we reviewed the SKUs, which accelerated development. Motivation in R&D to develop new products is also increasing, which has resulted in accelerating the development cycle.

Q10. What are your views on the growth potential and competitive advantages of the "Better For You" market in North America? The lack of investment has been an issue, but what will be improved and how will the prospects for growth be enhanced?

We forecast that the Better For You market, which currently has a market size of approximately 900 billion yen, will grow at an annual average rate of about 5% in the future and reach approximately 1.1 trillion yen in five years. The North American market has seen a rise in health consciousness and snacking occasions. In addition, among families, the health consciousness of parents is influencing their children.

Despite challenging market conditions due to inflation, *Harvest Snaps*' sales outpaced the market, demonstrating its strength. We believe we can accelerate growth by further leveraging this brand power.

In the past, promotions focused on discounts and had weak consumer appeal. There are also untapped distribution channels. We believe there is substantial room for growth by raising awareness and expanding channels.

We will increase our investment in advertising, social media and other communication initiatives, as well as in marketing and sales talent. In addition, we believe that leveraging our product development capabilities and flavor recipes developed in Japan will afford us a competitive advantage.

We will invest in brands and talent over the next 3-4 years and increase operating profit over five years.

Q11. What types of functions will be targeted for M&A candidates in North America?

We will target companies with sales and delivery capabilities in the North American market and companies that can strengthen the development of Better For You products.

Q12. If the Better For You strategy succeeds in North America, will it be used as a guide for strategies elsewhere?

As in North America, a rise in health consciousness is also seen in the UK. There is potential for

expanding the strategy to Europe.

Q13. How much autonomy do you give to local teams in the North America business?

The head office provides support for communication, R&D, and human resources. Meanwhile, to prioritize speed, the local teams make decisions on promotional campaigns and the importance of sales channels, which are better understood by them. Plans are mutually agreed upon and monitored on a monthly basis.

Q14. How is Japan's expertise being utilized in the North America business?

It is mainly utilized in the areas of marketing and R&D. With the support of the Marketing Direction Center (MDC), the range of communication has expanded. Development speed has also been accelerated with the support of the R&D division in Japan.

Q15. How will you position your China business over the next five years? Do you have any intention of strengthening Asia? What are your priorities within your overseas strategies?

In China, we do not anticipate any major investment due to geopolitical risks, but we will steadily expand sales by utilizing the local OEM production system.

Given market trends and competitive advantages, North America will be a priority for the next five years. After enhancing cash generation capacity in North America, we will invest in Asia. In the medium to long term, regional priorities may be reconsidered.

Q16. Have you already identified any specific M&A projects for investment in inorganic growth? In addition, at what stage are you in terms of the consideration phase and determining the scale of M&A? Will the team responsible for exploring and executing M&A opportunities continue to handle post-M&A processes such as PMI?

We recognize our insufficient preparedness to date as an area for improvement. We have established a dedicated M&A team and developed a system capable of handling everything from exploration to execution. Several projects are being considered. The same team will continue to handle PMI. We are strengthening the system, including in terms of talent.

Q17. What efforts are being made to develop overseas talent?

We are advancing the development of future management talent through global leadership programs and the dispatch of personnel overseas. Instead of increasing the number of personnel over a short period, our policy is to build a talent pool and develop talent steadily through a rotation system.

Q18. What are your views on synergies with Frito-Lay?

The establishment of the Japan Frito-Lay product line at the Hiroshima Hatsukaichi Factory was decided in cooperation with Frito-Lay. We are working to achieve growth based on effective communication. No announcement has been made regarding overseas projects, but discussions are under way.

Q19. What is the reason for not providing a clear indication of the total payout ratio even though you have announced a progressive dividend policy?

Shareholder returns are an important management issue. We intend to carry out share buybacks flexibly, taking into account investment conditions and cash flows, with the aim of increasing shareholder value at the TSR level.

Q20. What additional KPIs and indicators related to your long-term strategy will you present in May, when you announce your full-year financial results? Will you also disclose items such as operating profit growth rates?

We are considering disclosing additional indicators in May, based on feedback from investors.

Q21. Are there any risks to supply chains in light of the current situation in the Middle East?

We may be impacted by rising market prices for raw materials. If the situation is prolonged, there will be concerns over raw material procurement risks.