

FY2025/3 H1 Results Presentation Q&A
November 1, 2024

Q1 The revised forecasts have lower profit in the domestic business and higher in the overseas business. Why?

Domestically, we have good momentum continuing from H1 and, as we have done to date, we will aim to achieve results greater than the forecast. Overseas, we will work to achieve the forecast throughout our portfolio.

Q2 What are your thoughts on marketing investment in H2?

The Setouchi Hiroshima Factory will commence operation in Q4. In order to make the most of the resulting expanded supply capacity, we will invest in marketing to strengthen our brand and further increase sales momentum.

Q3 Please discuss the status of North America. Why did profit fall in Q2?

The decrease in profit was due to one-off costs. Sales have been steadily rising, with double-digit growth year on year. This stems from expanded distribution and improved turnover rates for *Harvest Snaps* and brands of Japanese origin.

Q4 What is your outlook for sales and profit growth next year?

Although there is a depreciation cost burden for the Setouchi Hiroshima Factory, we would like to show the results of our investments in terms of EBITDA. We want to overcome the slowdown in operating profit growth with various efficiency improvements, such as S&OP. We will achieve our growth strategy guidance as a three-year commitment.

Q5 What is your outlook for costs for the next fiscal year and beyond, and what is your pricing strategy for rising costs, including labor costs?

If costs rise due to factors such as exchange rate trends, we will consider various options, including price revisions. The cost of potato cultivation, including fertilizer, is rising continuously, and we also need to take this into account. On the other hand, consumers are becoming increasingly inclined to save money, and we think it is important to continue to respond selectively on a product-by-product basis just as we have been doing.

Q6 What effects have the S&OP initiatives had?

In this fiscal year and the next, we will realize profit improvement effects by using profit and loss by SKU. We are also working on streamlining the supply chain in conjunction with digital transformation. C-BOSS, the supply chain efficiency system we are developing, is scheduled to commence operation next year, and we expect to see its effects manifest from FY2026/3. As our next initiative, we are also considering marketing and sales reforms with digital transformation in FY2026/3 and beyond.

Q7 Is there any update on the review of fiscal strategy?

We would like to proceed with the three pillars of raising the quality of profit, ensuring a sound financial position, and the appropriate implementation of shareholder returns.

With regard to investments aiming for growth through our business portfolio, we will pursue investment decisions and returns with the cost of capital in mind. We plan to incorporate KPIs for improving profitability of capital into our plans for next year. Furthermore, while taking soundness into account, we aim to lower capital costs to around 6% by leveraging an optimal capital structure. Shareholder returns are an important management issue, and we aim to stably increase dividends while making comprehensive decisions on share buybacks.