

First Six Months of Fiscal 2024 Results Briefing Meeting: Summary of Q&A

Q: Why is the level of profit projected for the prepared dishes and other prepared foods business in the second half lower than actual profit in the first half? Also please explain if the profit margin can continue being improved going forward?

A: Our second-half projection reflects factors such as that the effect of price revisions will run their course and the minimum wage will increase from October. On the other hand, I believe that higher costs can be absorbed through the implementation of product proposals and productivity improvements and, in practice, we will focus on improving earnings with the second-half projection as the minimum profit level. Furthermore, in the medium and long term, I believe there is room for improvement in the profit margin as a result of increased productivity achieved through the utilization of digital technology and further automation, etc.

Q: Please explain about the future potential of the mesh cloth business.

A: The products of the mesh cloth business can be broadly divided into fiber mesh and metal mesh, and metal mesh is used in solar panel screen printing. This market has the potential to grow further in the future. Meanwhile, the powder technology of the engineering business is used not only in plant engineering but also in cutting-edge fields to finely grind various materials. I believe that collaboration between the engineering business and the mesh cloth business in such areas will be key moving forward.

Q: Please confirm your outlook for the cost environment in Japan and your sales strategies based on this assumption.

A: Wheat is our main raw material and the price at which the government sells imported wheat was lowered for the first time in three years in October. On the other hand, the cost of other commodities besides wheat are in an upward trend and we expect to see continued moderate inflation. I think it is important to figure out what kind of strategies we will take in face of moderate inflation, unlike the extreme food inflation caused by the Ukraine conflict, and we intend to step up sales in relation to profitable markets.

Q: With your earnings increasing at a faster pace than anticipated, please explain how you will approach improvement in capital efficiency.

A: We recently announced that we would be closing Oriental Yeast Co., Ltd.'s underutilized Saitama Plant, which manufactures flour paste, at the end of December this year and consolidating production at the Biwa Plant. We intend to actively implement such initiatives aimed at increasing production efficiency.

Q: Please explain your approach to shareholder returns.

A: We intend to fully use cashflow from operations and cash obtained from asset sales and other sources during the period of the Medium-Term Management Plan in investments and shareholder returns. Under the Medium-Term Management Plan, we plan to invest more aggressively to maintain EPS growth and we plan to use cash for strategic investment, including advancing environmental and digital investments, but we will also return profit to shareholders through dividends. Our initial annual dividend forecast for the fiscal year ending March 31, 2024 was 41 yen, which represented an increase of 1 yen per share from the previous fiscal year; however, in light of the first-half results, we have revised the annual dividend forecast to 42 yen, an increase