

FY2026 (Year Ending March 31, 2026) Full-Year Financial Results Briefing Q&A

[Q] : One year has passed since you assumed the role of President. What do you see as the Group's key challenges, and what should be addressed going forward?

[A] : In the meat business, I believe we were able to fully capture the favorable tailwinds in FY2025, thanks to measures implemented early in the year.

On the other hand, our response to environmental changes in the processed foods business did not progress as quickly as expected. While product renewal, price revisions, and price increases proceeded largely as planned, our response to consumers' growing cost-consciousness lacked speed. This is an area where we clearly see room for improvement.

[Q] : What is your outlook for market conditions for the ANZCO business in the second half of FY2026?

[A] : We assume that the beef market, supported by demand in North America, will gradually stabilize toward the second half of the year. We also expect procurement conditions for livestock in New Zealand to change from current levels and therefore forecast a more conservative outlook compared with the previous year. At this point, however, no major risks have materialized.

[Q] : How long do you expect the favorable business environment at ANZCO to continue?

[A] : Based on our current assessment, taking into account global and macroeconomic conditions—including the U.S., Brazil, and Australia—we expect the current favorable environment to continue through FY2026 and FY2027.

[Q] : What impact could Middle East tensions have on the meat business?

[A] : Japan imports very little meat sourced from the Middle East, so there is no direct impact on supply and demand.

That said, the yen has been depreciating, which raises the cost of imported meat overall and represents a risk. We will continue to mitigate this through strict position management, which we have been strengthening since last fiscal year.

In addition, increases in packaging materials, logistics costs, and energy costs at plants are unavoidable. We will address these cost increases by further strengthening profitability.

[Q] : What are the Company's strengths and growth potential?

[A] : To answer simply, we believe we will continue to grow both overseas and domestically—please watch our progress.

One pillar is our full-scale overseas expansion. While not flashy, collaboration with overseas partners is steadily advancing. We will communicate more once we reach a stage where this can be clearly demonstrated. Domestically, we also see significant room for growth. In particular, we have high expectations for the transformation following the start-up of the Mishima Plant. This plant will serve as a test case for producing our core products efficiently on labor-saving continuous lines at lower manufacturing costs. At the same time, this model assumes mass production, which requires a reduction in SKUs. In FY2026, we aim to demonstrate our ability to execute this plan as intended.

[Q] : What is the direction of the next Medium-Term Management Plan?

[A] : We are still at the stage of conducting in-depth internal discussions, so it is difficult to provide specifics. However, overseas expansion, as mentioned earlier, is clearly one strategic direction.

Internally, we emphasize that we should not define ourselves narrowly as a meat or processed meat company. Our goal is to become a broader food company. Where we can leverage our strengths, we will expand into new areas and pivot accordingly.

Our key strengths lie in our nationwide chilled and frozen logistics networks, which we operate in-house, and our relationships with most major distributors in Japan. By leveraging these strengths, we aim to expand into areas beyond meat and processed meat.

For example, the extract business and adding value to by-products are areas where knowledge gained could also be applied at ANZCO and IPC. While these initiatives may appear modest, systematically sharing insights gained at one location across the Group is something we have not sufficiently emphasized in the past.

[Q] : What assumptions underlie cost increases in the processed foods business, and how will you respond?

[A] : We expect cost increases of JPY 4.9 billion for main raw materials, primarily pork; JPY 3.5 billion for secondary materials, including packaging, influenced by Middle East conditions; and JPY 0.7 billion for utilities such as energy costs.

In addition to internal improvements, we will consider price revisions as necessary, although details have not yet been announced. To balance price revisions with volume retention, we will apply differentiated strategies by product category.

Following several past price revisions, we plan to strengthen the volume zone by introducing large-pack products, simplified packaging formats, and products with adjusted specifications that offer more accessible price points.

[Q] : What is the expected impact of SKU reductions?

[A] : Through SKU reductions and optimization of the product portfolio, we expect an improvement effect of approximately JPY 1.0 billion in the current fiscal year.

[Q] : What initiatives are you taking regarding packaging materials in response to rising costs?

[A] : We are working to reduce packaging surface area, simplify product labels, and decrease the number of colors used in packaging, in order to mitigate cost increases as much as possible.

[Q] : What is the Company's normalized operating cash flow level, and how do you view cash allocation?

[A] : At the time of announcing the Medium-Term Management Plan, we planned cumulative operating cash flow of JPY 120 billion over three years. However, in FY2024 and FY2025, operating cash flow fell short of plan due to increases in working capital driven by market conditions.

On a normalized basis, assuming flat market conditions at current profit levels, we believe we can generate JPY 35–40 billion annually, or JPY 100–110 billion over three years.

When considering M&A, if a transaction contributes to mid- to long-term growth, we are prepared to proceed without hesitation within the limits allowed by our current cash position.

Regarding shareholder returns during the current Medium-Term Management Plan period, we will base our policy on a DOE of 3% and progressive dividends. We will review our return policy for FY2027 and beyond during the current fiscal year.

[Q] : Is there room for improvement in working capital?

[A] : Yes, we believe there is room for improvement. In particular, there were areas where inventory levels at ANZCO could have been better controlled. Not only at ANZCO but also in Japan, interest rate conditions are changing, and we intend to further strengthen the management and control of working capital.

[Q] : What is your commitment to achieving profit targets in the processed foods business in FY2026?

[A] : We believe price revisions will be critical. By leveraging our experience from past price revisions, the key will be how precisely we can tailor our actions by product, channel, and customer, and how effectively we execute them.

Beyond pricing, internal improvements are also essential. We are currently enhancing visualization at factories and sales divisions, clarifying issues and increasing the effectiveness of countermeasures. Even in a challenging external environment, we aim to achieve profit growth.

[Q] : Assuming SKU reductions progress, is it possible to achieve lower revenue but higher profit after the Mishima Plant becomes operational?

[A] : From a longer-term perspective, yes. Achieving the FY2025 ordinary income target of JPY 30 billion was also significant. Internally, this gave us confidence that steady execution leads to results, while also reinforcing the shared understanding that continuing the same approach would make it difficult to reach JPY 40–50 billion in profits.

Although labor-saving investments and site consolidation may result in temporary cost increases and hesitation at the operational level, we have established a foundation to actively pursue these initiatives through management decisions, as they are expected to deliver returns over the mid to long term. From a medium-term perspective, achieving higher profit with lower revenue is well within reach.