

Showa Sangyo Co., Ltd. Fiscal Year Ending March 2026 Financial Results Briefing: Main Q&A

Date & Time: Wednesday, May 20, 2026, 10:30 – 12:00

Company Attendees:

Hideyuki Tsukagoshi, Representative Director, President and Executive Officer

Takaaki Suzuki, Director and Senior Managing Executive Officer, In charge of Business & Sales Divisions

Michiyo Semba, Managing Executive Officer, In charge of Technical Division

Kiyoshi Shirai, Managing Executive Officer, In charge of Corporate Division

Question: Why is the average operating profit target for the Animal Feed Business in the Medium-Term Management Plan 26-29 lower than the actual results for FY2025?

Answer: At the time we formulated the current Medium-Term Management Plan, we set targets based on the assumption that results would improve significantly from the FY2025 forecast. However, the actual results for FY2025 significantly outperformed the forecast at that time, contributing more to profit than expected. While the target value appears lower when compared to the actual results of FY2025, we intend to firmly secure 800 million yen, which was our initial planned target.

Question: Regarding capital investment in Boso Oil & Fat Co., Ltd., please provide an outlook for the plan.

Answer: We have determined that the 5.3 billion yen investment in Boso Oil & Fat is necessary to achieve our goal of reducing volatility by focusing on high value-added products in the oil extraction business. From FY2026 onward, we are making investment decisions based on ROIC for each field, and we will continue to invest appropriately in projects where returns meet the investment criteria.

Question: Regarding the impact of the situation in the Middle East, how much of this has been factored into the earnings forecast for the fiscal year ending March 2027? Some other food manufacturers are suspending sales of certain products; will you take similar measures?

Answer: The impact of the situation in the Middle East has not been factored into the earnings forecast for the fiscal year ending March 2027 as specific numerical values. We do anticipate that various costs, including energy, will rise. As a hypothetical scenario, if crude oil prices reach \$100 per barrel, we estimate a cost increase of approximately 500 million to 1 billion yen per year; at \$150 per barrel, we expect a cost increase of 1.5 to 2 billion yen.

While some other companies have begun suspending certain product lines, none of our products are currently at risk of immediate supply disruption. However, this does not guarantee future supply availability.

Question: Regarding the Feed Business, there was a shortage of feed rice in the previous period. What is the status of securing supply for FY2026?

Answer: Feed rice supply is expected to decrease in FY2026, similar to FY2025. However, we are working to retain a certain amount of the new feed ingredients we have been developing. We believe there is a possibility that supply volumes may return depending on the future supply and demand of rice.

Question: Regarding the "sales price variance" and "cost of sales variance," could you explain in more detail how price increase effects and other factors are reflected in each?

Answer: The difference resulting from price increases is reflected as "sales price variance." The "cost of sales variance" reflects whether costs, including raw material grain prices, have risen or fallen compared to the previous period.

Question: Due to the situation in the Middle East, some food manufacturers are simplifying the specifications of ink and plastic containers for packaging materials to prioritize supply. What is your company's response?

Answer: Our policy is to reflect price increases in packaging materials in our product prices. While supply is becoming quite tight for some items, such as films for bundling industrial 18-liter cans and PP bands, we are responding by optimizing our delivery methods. Additionally, we are exchanging information closely with material manufacturers; currently, there are no items that cannot be procured immediately. However, we are conducting trials of alternative materials in preparation for potential supply disruptions.

Question: What is your future vision for Phytochemical Products Inc.?

Answer: We expect that the consideration of commercializing biofuels in the oleochemical field will progress relatively quickly. We will prioritize resolving issues related to manufacturing at scaled-up facilities. In the fine chemicals field, although there is very high customer interest in products such as Super Vitamin E and paraffin, we have determined that commercialization will take a bit more time as they are still in the research stage.

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