Nichirei Corporation

FY26/3 Q2 Financial Results Conference Call (Analyst Meeting) Q&A Session

Date and time: Tuesday, November 11, 2025, 17:00-18:10

Format: Web Conference

Presenters: Kenya Okushi, Representative Director, President & Chief Executive Officer
Kenji Suzuki, Director, Senior Executive Officer, Chief Financial Officer
Satoshi Ichikawa, General Manager, Public Relations & Investor Relations

<Processed Foods Business (Japan)>

Q. Regarding the price revisions, is the cost increase for the next fiscal year factored in on top of the 6.1 billion yen increase in raw material costs for this fiscal year?

A. In anticipation of a significant rise in rice procurement prices in the next fiscal year, we plan to revise prices mainly for rice products in February 2026. We also plan to revise the prices of hamburg steak, Harumaki (spring rolls), potato croquettes, and others in addition to rice products to improve our earnings structure. We will consider price revisions in the next fiscal year and beyond while continuing to closely monitor cost trends.

Q. What is your view on the scale of cost increases in the next fiscal year?

A. Over the past four to five years, fluctuations in foreign exchange rates and raw material prices have continued to be factors for decrease in profits accounting for approximately 9 billion yen, and we expect a similar level of increase in costs also in the next fiscal year. Basically, there is no change in our policy of revising prices to cover factors that cannot be absorbed through our own efforts.

Q. Could you tell us about the recent changes in the market environment and the measures you are taking?

A. Thus far, we have achieved growth in revenue and profits by increasing volume while revising prices. However, in the current fiscal year, sales volume has fallen short of our target, and some customers are turning away from us due to their preference for low prices. In terms of costs, we have not been able to absorb all of the increase in raw material costs through price revisions. Meanwhile, sales promotion expenses increased more than expected, pushing down our marginal profit ratio.

As for future measures, we will strengthen our earnings base by revising the use of sales promotion expenses while properly implementing price revisions as we have done in the past. Although there is a risk of a decrease in sales volume due to restraining sales promotion expenses, we plan to supplement this by increasing the number of products that meet the needs of the market (market-oriented products), such as products that accommodate the eating styles of customers who turned away and those that are within the desired price range.

Q. What are the differences in profitability by channel? I assume the competitive environment is also different for each channel. Are there any characteristics?

A. The Company's strategic categories, which are rice products and processed chicken products, are more affected than those of other companies because of the notable surge in costs of rice, chicken and eggs, which are the main raw materials. While we implement price revisions to cover for cost increases, the sales volumes of discount retailers have been increasing, and profitability tends to be low due to high sales promotion expenses.

Although we are seeing growth in revenue, we are not seeing the profit effect that we are hoping for because growth is sluggish in areas where we should be able to make solid profits and achieve sound marginal profit ratio and amount.

Q. I understand that your message reflects the need to review your management strategy in light of major changes in the consumer and market environments, but do you mean that it is essential to develop products in line with the new market environment in order to return to the past profit growth trend?

A. The risk will decrease if conditions in the Japanese economy and wage growth turn for the better, but because we see the need to compete in a market where prices are falling and private label branding is becoming more active, we are reviewing our strategy.

Q. Please tell us about the Company's strengths and competitive advantage amid changes in the market.

A. The Company's competitive advantage lies in its approach of focusing management resources in the categories of rice products and processed chicken products. These are recognized as staple foods and are in the group of products that are often served in meals. Traditionally in the area of household-use prepared foods, individual items such as fried rice and fried chicken have been the core products, receiving recognition from customers and driving the volume upward. In the past few years, however, eating styles have become more diverse, with meal choices such as rice with other side dishes, chicken with other staple items, and noodles, and we expect to see more of these types of products in the future. In such a trend, the Company's strength is that we handle foods that are most often served on the table plus we own factories that produce them. We will rearrange production lines and make capital investments at plants in Japan and overseas to establish a system that enables us to introduce new products to the market faster than other companies.

The Company also has development resources. We will also consider reallocating staffs and increasing the number of employees in the Product Development Department in order to differentiate ourselves and speed up our operations.

Q. What is your strategy amid the cost-conscious trend?

A. We not only simply reduce capacity and cut prices, but also aim to design products that ensure profitability while offering added value. For example, we have been test-selling half-portion fried rice, which comes in half the weight in grams, in the noodle section and have been successful in inducing "impulse buying," and showing strong sales.

Q. Please describe how you manage rebates and sales promotion expenses.

A. We set annual budgets by product and channel, and manage them, but it has been difficult to control rebates associated with increased sales at discount retailers under the existing system. Going forward, we will work to control expenses by segmenting business negotiation methods and properly managing sales promotion expenses by customer.

Q. What is your profit outlook for the next fiscal year?

A. We aim to launch new products worth around 10 billion yen per year in market-oriented products, including “balanced pricing products.” However, it will be difficult to achieve a V-shaped recovery in the next fiscal year even with the price revisions of existing core products and greater control of sales promotion expenses, and we expect the year to be a period of solidifying our foundation. As it takes time to launch new products, we plan to make up for lost profits over the period (about three years) of our medium-term business plan.

Q. How much was the increase in sales promotion expenses in the first half?

A. Sales promotion expenses increased by about 1 billion yen. While sales promotion expenses partly contributed to an increase in volume, but the increase was also one of the factors that pushed down profits.

Q. Please describe your policy on capital investment.

A. Given the severe domestic market environment, we will focus on capital investment in market-oriented products and review large-scale new investments. On the other hand, in North America, although the final decision has not yet been made, we are placing a high priority on investment in in-house production to promote the switch from OEM to in-house production.

<Processed Foods Business (Overseas)>

Q. What is your product strategy for the North American foods business? I would also like to hear about the consolidation of Latin brand products and the expansion of Asian brands.

A. The U.S. frozen food market has been sluggish, and while the Asian foods business has showed growth thus far, the overall market fell slightly year-on-year in the first half of the year. Frozen foods are priced higher than other foods, and an increase in volume is unlikely. The Company introduced Latin brand products last year, but these products will be consolidated because of the high sales promotion expenses involved. In the future, we will focus on promoting sales of products in the Asian category to maintain and expand volume.

Q. Is the trend toward lower prices currently strong in the frozen food category in North America?

A. Yes, the ratio of operating profit/net sales of InnovAsian Cuisine for this period was 4%, not even reaching 5%. We aim to improve earnings by proceeding to switch from OEM production to in-house production.

End

Note: This document is not a complete record of the Q&A session on the day, and has been edited by Nichirei Corporation.