

FY2025 Results Briefing for the First Half: Q&A

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- Q&A Panel

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Q1

Regarding the halal curry business in Indonesia. What is your estimate of sales in FY2029 and what is the background to the sales growth plan for the household use business?

A1

In the Indonesia business, we launched the food service business in 2016 and the household use business from 2024. Currently, the ratio of food service business sales to household use business sales is approximately 3:1. We intend to grow the Indonesia business into a business that can aim for sales of around 10 billion yen in 10 years from now, and we believe that, in this scenario, the sales of the household use business will increase more than those of the food service business. This is because women's workforce participation is increasing in Indonesia, giving rise to growing needs for simpler meal preparation at home. We are expanding sales in a price range that is affordable for many people, and expect to be able to capture demand.

Q2

Assuming the Indonesia business currently has an annual turnover of several hundred million yen, I guess, based on the materials, that you estimate sales of around 2.0 billion yen in FY2029. Do you think rapid growth into a business with net sales of 10 billion yen is possible in the five years from 2030?

A2

The household use business is currently growing rapidly. We cannot, of course, say now how everything will turn out in the future; however, we believe that the target is achievable.

Q3

Regarding your approach to business reorganization. The transfer of the Delica Chef business is your first business sale in a long time and I feel that the company is changing. Do you have any intention of going any further with this kind of business reorganization? The soybean value chain in the U.S. continues to face a challenging situation on the profit front, and I feel that your ROIC also suffers under the weight of assets. When do you expect to return to profit? If a return to profit is not on the cards, is there the option of withdrawing from the soybean value chain? What are your thoughts?

A3

The Eighth Medium-term Business Plan, which we are currently implementing, was formulated with a view to achieving global growth driven by three value chains: the spice value chain, the functional ingredients value chain, and the soybean value chain. While we will continue considering narrowing down our businesses to concentrate management resources on these three value chains, we still position the three value chains as growth areas. Although, in the functional ingredients value chain, the development of new business areas is behind schedule, there is great potential in our R&D. The soybean value chain has growth potential in the long term given the environmental and health advantages of soybeans as 21st century food, and we believe this is a business area that can be expected to be enormously beneficial for customers. Our approach in the short term is to focus our efforts on improving profit.

We have said with respect to the current problems in the soybean value chain that we are going to return the business to profit by FY2027 and we will formulate and implement a concrete plan accordingly.

In the second quarter of this fiscal year in particular, customers became increasingly aware of the rising cost of living, and competition intensified as a result. In response to this situation and with conditions growing more challenging from the second half of last year, the Group headquarters also joined efforts to turn the business around. The first task was to clarify profitability by product and draw up a strategy. Given that the latest second quarter was extremely tough, we have once again revised our plan and are working to improve profit based on three major themes.

Firstly, we have come to realize that even among products in similar categories, the marginal profit ratio varies. We should, therefore, perhaps focus on products with high marginal profit ratios and switch to a mix/lineup of products in similar categories with higher profit margins. We are confident that considerable improvement in profit can be expected through such efforts.

The second theme is reduction of production losses. Minimizing tofu loss would have a significant impact on profit, and we are focusing our efforts on this.

The third theme is to adapt to changing market conditions by investing in existing production lines and increasing productivity.

By focusing on these three themes, we aim to reap the benefits in FY2027.

Currently, conditions in the plant-based foods market are more challenging than those in the tofu market. Since the ratio of tofu sales to plant-based foods sales is 9:1, profit improvement for tofu is our priority; however, we have devised and implemented survival measures for plant-based foods and are considering the possibility of base reorganization should these measures fail to pay off.

Q4

Regarding the business in China. Recently, the household use business and the food service business are both performing strongly and you say you are aiming for a CAGR of around 10%. What are the factors behind the strong performance given the severe economic conditions in China? What are your thoughts on the competition environment and maintenance of growth in the future?

A4

Market conditions in China are as you describe; however, one of the factors behind our strong performance is that in the modern trade channels through which we conduct our business, we have partnered with strongly performing companies. The wholesale club exclusive items mentioned earlier are one such example. Additionally, channels where we have stepped up initiatives such as the fresh food e-commerce channel and channels of traditional trading are also performing strongly.

We believe that the spread of products beyond the first-tier cities that account for the majority of sales due to strong name recognition such as Shanghai and Beijing is key and that there is sufficient scope for market expansion. Last year, we focused on reducing inventories to a reasonable level and believe we also gained the ability to figure out the market. Accordingly, we will now also expand into other cities besides first-tier cities. We are also focusing on broadening the range of curry dishes in China and on the difference in attitudes towards simple meal preparation in China compared with Japan. While popularizing Japanese-

style curry as a dish is, of course, important, the variety of curry-flavored dishes, especially at restaurants, is also increasing. We are currently considering the need to change the product lineup to enable such usage at home as well, for instance.

Q5

There is talk about intensification of competition with local Chinese companies in other categories. What is the case in the curry category?

A5

Rival products are definitely emerging but we have an almost 70% share of the market, and believe that the brand power we have built up is our asset. Since an array of products will likely be launched in the future, we will be careful and also press on with product development ourselves.

Q6

Regarding the rising cost of raw materials and other commodities. The impact of rising costs has been significant especially in the Spice/Seasoning/Processed Food Business and Restaurant Business. What is your outlook for the cost trend next fiscal year?

A6

In the Spice/Seasoning/Processed Food Business, we expect costs to continue rising next fiscal year as well. The price increases we implemented during this first half were intended to counter these cost increases to some extent, including probable cost increases next fiscal year. Among the hikes in costs of raw materials at Ichibanya in the Restaurant Business, the rising cost of rice had the biggest impact. We have managed to procure enough rice to last until next fiscal year; however, rice prices are not expected to trend down even with the new harvest, but rather remain stubbornly high. Although Ichibanya passes through higher costs to FC, in principle, the management status of FC will also be judged carefully when future steps are considered.

Q7

Regarding Q6, please also give details of price measures in view of cost increases over the medium term in the Spice/Seasoning/Processed Food Business.

A7

Even if we have managed to counter the price increases this fiscal year and next fiscal year with the price increases implemented this first half, we will probably still need to take further action in the future. Possible courses of action include increasing the added value of products or increasing the sales weight of products like prime curry, for example, which has achieved sales growth despite the recent price increases. We took the cost increases as an opportunity to change product designs and this is also starting to pay off. This shows we also have other options open to us, such as increasing profitability through our own efforts or developing a highly profitable business model centered on overseas channels.

Of course, if costs keep on rising in the future, we will be required to constantly eye the possibility of price increases; however, considering increased awareness of the rising cost of living, we understand that we cannot increase the prices of seasoning products so easily under such circumstances and so I guess we will have to make a decision based on an assessment of customer trends. Customer trends are fairly fragmented, with customers who buy products based on brand, those who buy based on price, and those who weigh up price and brand in their purchasing decisions. Rather than implementing across-the-board price increases for all items as we have done in the past, we intend to offset higher costs through action tailored to each situation.

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