

FY2025 Year-End Financial Results Briefing (Online) Q&A

Q.	Is the ¥38.0 billion operating profit plan positioned as a conservative minimum baseline with potential upside, or does it already reflect the likelihood of overachievement based on improvements in the external environment?
A.	<p>¥38.0 billion represents 10% year-on-year operating profit growth and is not an overly optimistic plan. We have set this level as our target under the policy of continuing growth-oriented investments while generating earnings. There are two key points behind this. Firstly, the ¥38.0 billion plan has been set on the premise of earning profits while investing where necessary, including human resources, AI, and sustainability investments.</p> <p>Secondly, we have conservatively estimated the impact of egg market prices on our business. Our plan incorporates the spread of avian influenza, assuming a worst-case scenario involving the culling of up to 8 million birds. Currently, approximately 4 million birds have been culled.</p> <p>If the expansion of infection calms in the future, or chick rearing advances and egg production recovery quickens, the market price will relatively decrease, working positively for us. Conversely, if the infection spreads further, egg prices will rise, making it difficult to achieve the ¥38.0 billion target.</p> <p>This assumption incorporates environmental factors that are difficult to predict and accepts a somewhat challenging environment.</p>
Q.	Regarding upside and downside factors for the ¥38.0 billion plan, besides avian influenza, are there any upside factors or points of caution? How do you view upsides and risks overseas?
A.	<p>Exchange rates are a major external factor. Currently, the yen is weakening and trading above our assumed exchange rate of ¥150. Although overseas profits tend to increase on a yen-converted basis, sharp yen depreciation can have adverse effects, whereas a more stable exchange rate would be a positive factor.</p> <p>Furthermore, vegetable prices, which were challenging last year, have stabilized recently, and it will be positive for us if this continues throughout the year. These are the main external factors.</p> <p>Regarding our overseas business, unexpected developments are occurring in various regions. It is difficult to predict how the Company, which operates primarily in Japan, will be affected. However, we handle daily necessities, and our basic model is local procurement, production, and sales in each country. Even if unexpected risks arise, we will accept them, make adjustments, and aim to achieve our profit plans and ROE targets.</p>
Q.	I understand that there are plans in place to increase overseas sales. Could you provide an update on the current situation since October?
A.	<p>As an overview, the Asia-Pacific region continues to proceed smoothly. In China, although we are experiencing a temporary plateau due to our strategic shift toward the middle-class market, we are firmly grasping the momentum for the next phase of growth.</p> <p>In the Americas, we are gradually ramping up production at the new plant that began full operation last summer.</p> <p>In the first quarter, we recognize that progress in terms of business profit is challenging due to upfront investments in marketing for branding and depreciation expenses for equipment.</p> <p>However, negotiations themselves are progressing at very high level, and demand is extremely robust.</p> <p>We are adhering to our policy of prioritizing stable operation and a gradual ramp-up to avoid issues from rapid production increases, and the true value of the new plant is expected to become clearly evident in the results from the second half of the fiscal year onward.</p>
Q.	What are the factors contributing to the profit decline in the Americas during the fourth quarter of FY2025? We also understand that the outlook for the first quarter of FY2026 is also challenging. Can we interpret this as meaning that the level of performance will continue at a similar level to the fourth quarter?
A.	<p>In the Americas, exports progressed steadily throughout FY2025.</p> <p>On the other hand, for the first quarter of FY2026, we anticipate a temporary pause in export growth due to external factors such as tariff fluctuations and a reactionary decline from rush demand ahead of price revisions.</p> <p>Regarding the supply system at the new plant, we are gradually ramping up operations, which will result in some time lag before it contributes to full-scale sales expansion.</p> <p>The Tennessee Plant, which is currently operating, has sufficient building capacity to meet future demand increases, but not all lines have been introduced at this point.</p> <p>We are pursuing an expansion strategy aligned with actual demand by first ensuring reliable operation of existing lines, and then sequentially adding new lines based on demand trends.</p> <p>While we will refrain from disclosing specific first-quarter figures at this time, we view the current period as a phase of solid preparation for supply expansion in the second half and beyond.</p> <p>By the second half of FY2026, we plan to accelerate growth to a level at which these initiatives begin to deliver results, targeting approximately 20% year-on-year revenue growth.</p>
Q.	What is the top-line growth rate for the fourth quarter of FY2025 in the U.S.? In addition, while anticipating approximately 20% revenue growth for the new fiscal year, how do you view the potential for upward revision?
A.	<p>For the fourth quarter alone, growth will be in the low 20% range on a local currency basis.</p> <p>Regarding the upward revision for FY2026, negotiations are progressing smoothly, and if production systems can be established at an early stage, growth exceeding 19% is possible.</p> <p>However, we must be mindful of the risks associated with rapid expansion as a manufacturer. In the U.S., we are building a new plant from scratch on a separate site, unlike the same-site expansions in Thailand and Indonesia. We are currently in a phase of steady, step-by-step growth, and we intend to grow steadily without rushing.</p> <p>Ultimately, achieving 19% annual growth would be satisfactory, and we have no intention of pushing too hard for quick results.</p>
Q.	How has the response to branding investments in the Americas been?
A.	<p>In the U.S., marketing channels are diverse, and in addition to TV commercials, we are utilizing social media and other tools, while also rolling out large-scale street-level promotions. As a result, Kewpie Mayonnaise awareness rose from the 10% range in FY2022 to over 25% in FY2025.</p> <p>We see substantial room for further market share growth, as brand awareness appears to be outpacing actual market share. In FY2026, building on this, we plan to roll out brand advertising in the U.S. similar to what we have done in Japan.</p>

Q.	How do you view the potential for the Food Service segment in North America? How much room for growth is there?
A.	The Food Service segment in North America has extremely high potential. Kewpie Mayonnaise has high affinity with Japanese cuisine and fusion cuisine, and in aligns with demand from foreign visitors to Japan seeking flavors they experienced in Japan. Until now, we couldn't allocate much management resources to the Food Service segment, but with infrastructure in place, we have entered a stage where we can fully expand the Food Service segment alongside the Retail Market segment.
Q.	How are the preparations for personnel and production lines toward expanding the Food Service segment in North America? In addition, what is the envisioned future composition ratio between household and the Food Service segment?
A.	At the Tennessee Plant, we prioritized meeting the growing demand in the Retail Market segment first. However, for the Food Service segment, we will carefully assess market reactions and introduce production lines gradually at the optimal timing. Looking ahead to 2030 and beyond, our ideal vision is to build a system where Retail Market products, Food Service products, and private brand (PB) products, which are expected to have steady demand, are produced and sold in a well-balanced manner. We are confident that in the future, we believe that by evolving our portfolio so that commercial use is closer to the Retail Market segment, we will be able to maximize our strengths and establish a foundation for sustainable growth and stable profits.
Q.	For the China business, in addition to the current economic sentiment and progress on the middle-class market strategy, how do you view the impact on performance from intensifying competition with local manufacturers?
A.	In China, we operate under the assumption that the overall market growth stage has changed due to shifts in the economic environment and middle-class consumption patterns. Meanwhile, Chinese manufacturers are entering the market and improving quality, making previous price differentials increasingly difficult to justify. This structural change is not limited to food products, it is a challenge faced by all Japanese companies. For the Company, we believe that efforts such as advancing rationalization and robotics and reducing administrative operations to establish a structure capable of competing at competitive prices is essential for future global expansion, including growth in the Asia-Pacific region.
Q.	Regarding the domestic business, how do you evaluate the results and momentum of the 100th anniversary promotion from a medium- to long-term perspective?
A.	We believe the 100th anniversary promotion has had a clear medium- to long-term impact. We have reiterated the value of our strengths, brand penetration and a strong reputation, and these strengths have been well received by many customers. Communication has progressed not only with general consumers but also with supermarkets, wholesalers, and the food service industry, which has led to new business opportunities. Moreover, the internal branding effect has been significant. The motivation of Kewpie Group employees both in Japan and overseas has increased, and their perception of the Company has changed. In the short term, the Kewpie Mayonnaise 100th anniversary campaign contributed to increased mayonnaise sales, particularly in the first half of the fiscal year.
Q.	Regarding price increases in Japan, how do you view demand and risks for Retail Market condiments after the price hike in September 2025? Moreover, for Food Service, with additional price increases decided on, what is the reason that condiment profits in FY2026 are planned to be flat year on year?
A.	In the Retail Market business, we implemented price revisions for mayonnaise and some dressing products in September 2025. For mayonnaise, due to the reactionary decline from rush demand in the third quarter before the revision, there was a temporary volume decrease from September to November. However, by December, performance had recovered to the previous year's level, and we recognize that the adjustments are steadily taking effect. While external factors such as shifts in consumer sentiment and competitor actions likely influenced these demand trends, we have strong confidence in our brand strength and the strong support for our product quality. Currently, although no additional price revisions are planned, we intend to consider them flexibly in response to future changes in the environment. In the Food Service business, price revisions have generally penetrated smoothly, against the backdrop of expanded inbound demand in the second half of FY2025 and stimulation of the market from the Osaka-Kansai Expo. On the other hand, for low-profit product lines where price increases are difficult to implement, we are accelerating portfolio reorganization, including category contraction or withdrawal, where we see limited competitiveness. In the FY2026 plan, we continue to pursue a policy of concentrating management resources on areas where high added value can be created, while closely monitoring market response.
Q.	For Retail Market mayonnaise, it was mentioned that the fourth quarter alone shows a decline in revenue. Does "recovered to prior-year levels by December" refers to net sales? Or does it refer to volume?
A.	The recovery to prior-year levels by December refers to net sales. Due to the price increase, the volume is still below the previous year, but it has been recovering gradually from September, October, November, to December. Going forward, maintaining and improving this level will be a theme for us.
Q.	Other companies are planning price increases in April. How do you think this will impact your company?
A.	Although the impact on the Company from competitors' actions cannot be generalized, there is potential for it to work positively for the industry as a whole. We intend to continue with attractive product development as the core, while implementing measures in a way that does not disrupt the supply-demand balance.
Q.	How do you view the volume plans for household condiments and Food Service condiments?
A.	The plan for this fiscal year was formulated assuming increased revenue from price revisions, and we expect a somewhat conservative trend in sales volume.
Q.	For Food Service condiments, the business profit plan is flat year on year. However, couldn't we expect profit growth if there are measures such as price revisions?
A.	For Food Service condiments, we have formulated a solid profit plan assuming the continued high prices of main raw materials such as eggs and edible oils.
Q.	On page 19 of the financial results briefing materials, regarding portfolio improvement, the plan is for the proportion of low-profit businesses (5% or less) to decrease in 2026. Specifically, which businesses will see improved profitability? Will there be any developments in terms of selection and concentration within this fiscal year?

A.	<p>The businesses targeted to shift from low-profit to stable-profit are delicatessen and cut vegetables. These two businesses generate sales of several tens of billions of yen, and there remains significant room for profitability improvement.</p> <p>For delicatessen foods, previously multiple items were manufactured nationwide by prepared delicatessen production companies, but from December 1, they were integrated into Deria Foods. This advances unification of administrative operations, information, and systems, leading to cost reductions.</p> <p>Under our strategy of expanding strong products, growing our best-selling delicatessen item, potato salad, creates value for both customers and the Company. Since last year, we have been selling potato salad with a traditional mayonnaise recipe, which has been well-received.</p> <p>We are also innovating in raw material procurement to grow strong products under stable supply conditions and generate profits.</p> <p>For cut vegetables, last year we suffered significant damage from high vegetable and cabbage prices. Based on our experience of losing profits in the first quarter due to a lack of agility in price revisions, we have learned how to ensure profitability without undermining value. This includes improving our approach to price revisions, effectively leveraging industry alliances, and implementing volume-increase measures during periods of price declines.</p> <p>Profitability was solid in the second half of FY2025, and we believe stable operations are achievable in a year without significant market volatility. Moreover, improvements in line efficiency and raw material procurement will have compound effects.</p>
Q.	<p>Regarding the domestic business, how do you view the gross profit margin results and this year's outlook? Rather than in terms of KPIs, I would like to hear about progress and current challenges in enhancing the "fundamental earning power in Japan," which the President has consistently emphasized.</p>
A.	<p>Despite headwinds from soaring market prices, the gross profit margin for the domestic business is steadily improving.</p> <p>We are carefully reviewing our business portfolio by category and advancing revisions, including the contraction of or withdrawal from low-profit businesses and product SKUs.</p> <p>Such efforts are steadily enhancing our fundamental earning power in the domestic market.</p>
Q.	<p>The yen has recently weakened to nearly 160 yen against the dollar, compared to the assumed rate of 150 yen. If this level persists, is there a possibility of considering additional price revisions?</p>
A.	<p>Regarding the impact of exchange rate fluctuations, attention is needed for our main raw materials such as eggs and edible oils. For edible oils, because we implement forward contracts (advance purchases) for a certain period, the direct impact from current yen depreciation is expected to manifest more in FY2027 than in 2026.</p> <p>On the other hand, for eggs, in addition to market factors such as avian influenza, rising feed prices and energy costs due to the weak yen are factors causing downward pressure on profitability.</p> <p>We recognize that the progression and prolonged nature of the yen depreciation cannot be ignored in terms of its impact on our business.</p> <p>Regarding additional price pass-throughs, although there are currently no matters decided on, we are constantly conducting simulations assuming all scenarios.</p> <p>We intend to respond decisively and flexibly without hesitation if cost fluctuations exceed assumptions in the future.</p>
Q.	<p>In an environment where costs are expected to become even more difficult, is another round of price increases possible for Retail Market mayonnaise and dressings? How do you perceive the market environment, such as whether consumer tolerance for price increases is approaching its limit?</p>
A.	<p>It is a fact that consumer acceptance of price revisions is becoming more difficult throughout the food industry.</p> <p>Although the Company is supported by strong brand power and high recognition, it is not our view that mere price pass-throughs can be continued indefinitely.</p> <p>In future pricing strategies, we will make careful judgments by combining multiple approaches such as enhancing product added value, deepening sustainability value, and maintaining trust with customers through strategic sales promotion activities. Currently, no additional price revisions are planned, but if external environmental changes continue intensely and exceed the limits of self-efforts, we will consider all options while maintaining management flexibility.</p>
Q.	<p>I would like to ask about the impact or concerns on market demand from further increases in egg prices due to expansion of avian influenza again.</p>
A.	<p>Three years ago, during the largest-scale avian influenza outbreak on record, we suffered significant damage. Beyond price surges, it caused supply stagnation, leading to delays in supplying key customers. We faced not only lost opportunities from plant shutdowns but also a bitter experience of shrinking demand, including a market-wide shift away from eggs.</p> <p>Taking this experience as a lesson, we are currently working toward strategic inventory securing in preparation for unforeseen situations. Currently, we operate under a system that can dispel supply concerns, and we are prioritizing the fulfillment of our supply responsibility above all else.</p> <p>Moreover, we are promoting value-added initiatives, such as shifting from raw materials to processed goods, to maintain and enhance both market demand and profitability.</p>
Q.	<p>Could you provide the breakdown of the ¥1.4 billion profit increase from domestic sales growth?</p>
A.	<p>Regarding the breakdown of the ¥1.4 billion, of the ¥1.4 billion profit increase from domestic sales growth, approximately ¥1.0 billion is from the growth in the Fine Chemicals mail-order business (including the acetic acid bacteria-related business). These businesses maintain high operating profit margins and contribute to a boost in earnings overall.</p>
Q.	<p>Regarding K.R.S. Corporation, discussions on reviewing shareholdings seem to have made no progress in 2025. How are you approaching this in the current fiscal year, and at what stage are you now?</p>
A.	<p>Regarding K.R.S. Corporation, we do have plans for consideration. Last year, we prioritized addressing our listed subsidiary Aohata Corporation within that framework.</p> <p>We view food logistics as an extremely high-value business domain for food manufacturers.</p> <p>We are constantly deepening our consideration of what capital relationships and partnership structures are optimal for the sustainable growth of the Group from the perspectives of the market environment and capital efficiency.</p> <p>We are now in a phase of further deepening our consideration, but no decisions have been made. We will continue to proceed with discussions carefully and flexibly as we aim to maximize our corporate value.</p>