Consolidated Financial Results Briefing

for the 2nd Quarter (Interim) of the Fiscal Year Ending March 2026

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Speakers: Masaru Ikemi, Representative Director, President & CEO

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Yoshitaka Koseki, Managing Executive Officer (In charge of Corporate Planning Department and Finance Department)

Q. What will be the main driver of profit in the next fiscal year?

The key to restoring our performance and driving future growth lies in the Marine Resources Business Segment. While the segment generated approximately 7.0 billion yen in operating income in FY ended March 2022, it posted a 3.9 billion yen operating loss in FY ended March 2024. We are currently reviewing resource management, organizational structure, and business operations to support recovery. We are already seeing some positive effects this fiscal year, with performance trending upward. We intend to further strengthen our focus on this segment going forward.

Q. Within the Marine Products segment, is it correct to view the North America Operations Unit as the main profit driver?

As natural marine resources decline globally, a key challenge is how to maximize the advantages of the stable marine resources in North America, a large portion of our business is in upstream primary processing, such as surimi and fillets. Going forward, increasing the share of downstream final products, such as imitation crab products, will be essential.

In the Aquaculture Business Unit, we aim to transform the business into one with higher profitability by advancing technological innovation to position aquaculture as an alternative protein source to natural fish.

In the Fishery Business Unit, we aim to strengthen resource management and improve vessel efficiency so that companies with natural fish resources can maintain a competitive advantage.

Q. Regarding the North America Operations Unit, is it correct to understand that the expansion of the imitation crab plant will contribute to operating income from both upstream and downstream next year? Will the partnership with Kibun Foods also contribute?

Yes, that is correct—we aim to generate operating income by combining both upstream and downstream businesses. In addition to imitation crab, our surimi-based product categories are diverse, and we intend to invest actively in those areas as well.

Kibun Foods is a strong development partner in Japan. In the U.S., one of the largest markets for Alaska pollock, how we expand the use of locally available raw materials will be an important focus going forward.

Q. How do you position the aquaculture business within your portfolio, and how will you strengthen profitability? Are you considering expanding species as a countermeasure for rising water temperatures?

We position aquaculture as an alternative business to address the depletion of natural marine resources. Our main species are bluefin tuna, yellowtail, and amberjack. In Japan, however, the yellowtail and amberjack businesses have recently been affected by abnormal weather conditions. To address rising feed and production costs, we are pursuing technological innovation to reduce overall costs while enhancing the value of farmed fish as a natural-marine product alternative.

As announced in March, we have begun working with species such as cobia, which grow rapidly even in high-temperature environments. We are also examining the potential expansion of aquaculture operations overseas. Instructions have already been given, and while this may become a theme of the next Mid-term Plan, we aim to make progress within the current plan as well.

Q. Regarding the Marine Resources Business Segment's outlook for the second half, you noted that your view is cautious. How conservative is the forecast, and what benchmark are you assuming?

The segment recorded 1.0 billion yen in operating income in the first half, but the full year plan is 0.6 billion yen implying an operating loss in the second half. Several factors explain this.

First, the skipjack (fishery) business has seen lower operating rates. Since last year, fishing and distribution have not progressed as planned, and the industry as a whole has been in the red. Although conditions have somewhat improved this year, stability remains uncertain, so we are taking a cautious stance.

New Zealand fisheries have performed well so far this fiscal year, but we expect lower activity in the second half and currently assume performance will remain around the initial budget level.

Q. In the domestic operations of the Marine Products Trading Unit, the industry is struggling, yet your operating income is strong this year. How do you assess the external environment, your internal efforts, and your outlook for next fiscal year?

We are confident that our trading business has strengths comparable to any competitor. By handling a wide variety of species, we are able to hedge risk across markets. We closely monitor customer needs and production-area information and adjust inventory—such as reducing holdings when prices decline—to manage risk appropriately.

At present, fish prices remain high. Even if prices fall, the impact would be largely limited to valuation losses on existing inventory. Conversely, lower prices would lead to lower raw-material costs going forward. While short-term fluctuations may occur, we do not expect a significant overall impact.

Q. Previously, you explained that the underlying operating income of the domestic trading business was around 4–4.5 billion yen. Given high market prices and strengthened inventory management, is it correct to assume that this underlying level has risen?

The main factor raising overall performance is the expansion of operating income in our European business. In Japan, declining fish landings and weaker markets make it difficult for the domestic business alone to significantly lift its underlying level. However, we have built a structure that ensures we can consistently secure a baseline level of operating income.

Q. Regarding the pet food business in Thailand, have tariffs led to lower sales volumes? Also, given the industry-wide softening in unit prices, has your business been affected?

The tariff impact on sales to the U.S. is limited. We specialize in premium pet food, and in most cases, price pass-through is achievable. The premium pet-food market continues to grow at a CAGR of around 7%, and we see only minimal impact.

Q. The Mid-Term Plan assumes 150 billion yen in cash flow over three years. Given the upward revision to earnings this year and your tighter control over marine product inventories, do you expect operating cash flow to exceed operating income?

Operating cash flow has exceeded 50 billion yen for two consecutive years. We are also reviewing our meat products business, which is trading-oriented and requires substantial working capital. We believe we can continue generating operating cash flow at this level going forward.

*This document is not a complete transcript of the Q&A session from the briefing. Selected excerpts have been edited and compiled by Maruha Nichiro Corporation.