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[Speaker] Mr. Yukio Yokoyama, Director, Managing Executive Officer, and
Chief Representative, the Americas

Q. Competitors are planning to implement a double-digit percentage price revision starting in July 2025. Could you share your thoughts on your company's pricing strategy? While I think price increases are difficult for premium products due to intense competition, base products are dominated by competitors and NISSIN in the market. In addition, since the base product is now a paper cup, I think the general logic is that if a competitor implements a price revision, your company will follow suit, but are you thinking positively about this?

A. As per our traditional policy, we will address rising costs to some extent. However, the current economic environment, including tariffs, is highly uncertain. Although we practice local production for local consumption, some items like palm oil are affected, making it difficult to predict consumer trends. For premium products, we are advancing product initiatives such as transitioning to paper cups. We want to comprehensively evaluate market conditions and the cost structure of various initiatives.

Q. In response to Korean competitors, product strategy is crucial. Could you tell us more about the new products coming soon to counter Korean competitors? Are these renewals of GEKI or FIREWOK, and will they be released around July?

A. We have a wide lineup and are considering products that match consumer demands, such as focusing on texture. These are expected to be released soon, so please look forward to them. There will be renewals of existing products and new products, forming a combination. We plan to release them around summer to the second half of the year.

Q. You have planned for an increase in quantity for fiscal year 2025. What is the difference between last year's and this year's new products?

A. There are mainly two premises for quantity increase. The first is the introduction of new products centered on premium items, and the second is acquiring new distribution channels. Of course, there will be renewals of existing CUP NOODLES and challenges against new forces like Korean competitors, using several methods to grow. A significant change from fiscal year 2024 is the establishment of RHQ-A, which is expected to strengthen support and communication from HD, allowing us to respond more quickly to market changes. Regarding new products, we used to renew them once or twice a year, but now we can quickly capture market changes and engage in scrap and build initiatives.

Q. You mentioned acquiring new distribution and expanding sales channels. Has this initiative already started, and how will it be realized?

A. Not limited to the U.S., new distribution channels are emerging, and we believe it is important to quickly capture these changes. We want to constantly challenge and engage with new channels.

Q. Why have Korean competitors grown so much, and are you analyzing the competition?

A. We are analyzing consumer preferences and purchasing demographics more meticulously than before. Korean products have better noodle quality and clear flavors. U.S. consumers are increasingly sensitive to instant noodles through SNS and other means. With various information coming in, demand for Asian flavors is rising, and Korean competitors are effectively capturing these changes in consumer preferences. We have been a bit behind, but we need to release new flavors and products that capture these preferences, leveraging our strengths in marketing and innovation.

Q. Last year, there were at least two announcements about releasing new products. There was talk about launching new products like Bistro for Back to School around summer to fall, and HOT POT shipments to club stores began around December to January. Could you share your evaluation of last year's new products and any lessons learned from this year's strategy?

A. There were unexpected changes in shelf composition. For example, the HOT POT for club stores was introduced slightly later than planned. We also reflect on the overall outlook being too optimistic. In the future, we need to pay close attention to distribution. However, the response from buyers to the new products we are about to launch was very positive, so we want to continue advancing distribution.

Q. You mentioned advancing overseas new product launches, including scrap and build. Are you replacing SKUs while increasing new products, or are you currently in a stage of simply increasing SKUs?

A. SKU replacement occurs alongside the introduction of new products aligned with new trends. We also need to organize the overall concept of products that have been released sporadically. While shelf space is expanding overall, it's not about continuously increasing SKUs. It's important to activate each item within the shelves, and we will respond while considering that balance.

Q. Is SKU replacement something you will be working on from now on?

A. It will be a future initiative. Among past sales, there are popular products and those that are not. We want to develop product strategies by closely examining each channel.

Q. After completing the fiscal year 2024, what is the composition ratio of sales channels? How has it changed compared to the past when viewed by area?

A. Traditionally, we had more expansion in the West, but we are considering broad expansion across the U.S., and overall, the number of stores is increasing. However, our share in the Western area, where we have a high share, has declined. In new areas, awareness is still low, and we need to consider sales strategies to increase recognition.

Q. Considering new areas and new sales channels in the long term is necessary, but if you don't recover what was lost in the West, overall growth won't be visible. Can we expect the new products to come out after July to contribute to overall quantity recovery?

A. We lost shelf space in major retailers, but premium products are available nationwide, and we believe that by expanding this, the overall channel mix will improve. We are conservatively viewing the growth of base products this year and want to expand premium products and new channels. Of course, we aim for recovery in the West, but we are conservatively viewing the quantity plan.

Q. Could you tell us about strengthening relationships with distribution? You mentioned increasing sales personnel, but are there any differences in focus among channels like grocery, value, and club? Have you already strengthened, and is the initiative progressing?

A. The previous challenge was that we couldn't fully respond to the rapid increase in sales volume, but we have increased personnel, and we continue to work on areas that need further strengthening. We are starting to increase personnel for area expansion and channel strengthening.

Q. Which channel did you feel was understaffed among the sales channels?

A. The West and East were relatively well-staffed, but the South and Central are still weak, and we want to strengthen them further.

Q. With the new factory coming online, fixed costs will increase. Shouldn't you first increase the quantity of base products to capture marginal profits? How much do you need to sell base products in the near term? Also, could you share the balance between base products and premium products?

A. As you pointed out, the sales composition ratio based on quantity for premium products has not yet reached base products, so we believe it's necessary to firmly sell base products. Additionally, we need to innovate base products and firmly establish their position in response to overall demand growth. Currently, the monetary base is about 45:55 for premium products to base products, and we want to grow premium products to about 50:50, but we also recognize the need to grow base products. The new factory will enable more efficient production of base products, which is a positive aspect.

Q. As you expand new businesses overseas, the idea of selling interesting products like Japanese products in the U.S. seems close to new business. If so, in the U.S. there might not be a need to separate new business from instant noodles. I personally feel that the priorities are reversed in an environment where new businesses can use costs as an upfront investment even if they lose money, whereas existing U.S. businesses must use costs in the profit and loss. Wouldn't it be better to think more comprehensively and flexibly with costs, selling your products across the U.S.? As new products emerge, your stage will rise, so it might be good to create a period of upfront investment to build a new foundation. I hope you create the best form for the Americas as a whole.

A. As we are about to establish RHQ-A, please watch how the organization develops and the Americas region takes shape. On the other hand, the major concept is to earn well from existing businesses and invest in new businesses. Although profits decreased in fiscal year 2024, the Americas region is still a profitable area, so the basic strategy of redirecting profits to new businesses remains unchanged.

Q. Regarding area expansion, it's been more than 50 years since entering the U.S. market, but why hasn't it progressed until now, and what was the bottleneck? Also, even in the most recent period, they have been using external warehouses, but have not made much progress in expanding into the southern and southeastern areas. Why has area expansion started to progress now?

A. There were issues with production capacity and production areas, making supply difficult in the South, while competitors could produce stably. Until recently, competitors had a high share of base products, and we couldn't penetrate that market. We proceeded to conquer various areas using premium products as a weapon, resulting in some openings in the area, and demand for our products increased. However, this happened rapidly, leaving some areas uncovered. In the South and Southeast, NISSIN's recognition is still low, and simply expanding distribution doesn't increase sales volume. It's a challenging stage now, but we want to enhance coverage with a sales strategy that raises product turnover and moves to the next step.

Q. After the factory starts operating, I hear the OPM will exceed 10%. What is the OPM you aim for in the medium to long term?

A. We first aim for a mid-to late 10% as a cruising speed. However, in the short term, there are still many elements of change.

Q. Regarding future quantity growth, does the initiative for new distribution refer to channels in the South and Central, which are new expansion areas?

A. It refers to new retail channels. We want to enter retail channels that are gaining strength as new forces.

Q. How do you plan to approach the South and Central areas? Will it be with base products, premium products, or a mix of base and premium products?

A. It will be a mix, but since the recognition of base products is weak, we want to work on that firmly. On the other hand, premium products can secure a certain amount of shelf space, so we will also sell them. Of course, there is also the aim to regain lost shelf space in the West. We have several methods and will proceed according to the situation.

Q. The Southeast is a competitive market. Are there any states with high priority in that region? How do you plan to introduce NISSIN products?

A. First, in the Southeast, we believe it's important to differentiate base products, and we want to consider rebuilding the base product brand by renewing CUP NOODLES. We think we can differentiate and, based on that, proceed with expansion into areas where we haven't been able to enter before. We are considering expanding the entire area rather than focusing on individual states.

Q. Could you tell us about competition with Korean competitors? Is it tough across all regions, or are there differences in share by area?

A. In terms of the market, we recognize that Korean competitors are strong in the West and South. Generationally, they are capturing needs using SNS and other tools, especially among younger demographics.