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CEO Small Meeting Q&A Session Overview

[Data] May 2025

[Location] NISSIN FOODS HOLDINGS CO., LTD. Tokyo Headquarters

[Speaker] Koki Ando, President & Representative Director, CEO

Overall

Q. I believe the year-end financial results briefing for FY2024 highlighted the strength of your global portfolio. Looking globally, could you tell us which regions you expect to contribute to profits over the next 3-4 years?

A. Despite having a high market share, Brazil has low profitability, so we need to achieve a profit margin of around 14-15%, like our domestic instant noodle business. Although Brazil faces supply shortages against demand, the third factory is operational, and profit contributions are expected to expand. China is also going through tough times with a real estate recession, but I believe it has underlying strength. The market is recovering, and sales of our CUP NOODLES brand are returning, especially in Guangdong Province. We also expect growth in Asia and EMEA, partly due to contributions from equity-method affiliates. For instance, India's current profits are small, but we view it as a growing area due to population increase. In Europe, we are building a second factory in Hungary, which will enhance the presence of instant noodle market. We have invested in Premier Foods, which has strong connections with UK buyers and quick product deployment. We supply products, and the company is growing well, so we expect results. The African market is in a sowing stage and will take some time. Our group is expanding brand businesses in various countries, and we want to continue growing NISSIN as a whole by leveraging our strengths in food tech and marketing.

Q. Your market capitalization once exceeded 1 trillion yen, but it is currently around 900 billion yen. Competitors have consistently higher market capitalizations. How do you frankly evaluate your corporate value?

A. I am somewhat dissatisfied with the market capitalization, and I believe the current PER is too low. We are advancing share buybacks and cancellations. Competitors have an overwhelming share in the U.S., and that aspect is certainly evaluated. However, looking at our entire business portfolio, we are very stable, and I see growth opportunities in various countries.

Q. Regarding shareholder returns, the target value for Net Debt/EBITDA is far from the current figure. Is there anything to consider besides M&A?

A. The 2x is merely a maximum value, not a target. As of the end of last year, it was 0.4x, and we anticipate around 1x through share buybacks. While aiming for the target ROE of

15%, we have various options, including M&A. For inorganic growth, we envision a range between 1-2x.

Q. In last year's meeting, you mentioned that challenges for growth by 2030 include acquiring and developing talent. Looking back over the past year, what measures have you advanced to address these challenges?

A. We are actively pursuing alumni and career hires, but the competition for talent is fierce. We hire more career personnel than new graduates. It's challenging to quickly integrate career hires into the company and get them working. We believe onboarding should be completed in about three months, and we are advancing initiatives in this area.

Domestic Business

Q. Please tell us about domestic profitability. Amid global macro uncertainty, if domestic profitability improves, I think it will be evaluated for the stability of the business portfolio. What are the medium-term upsides for domestic business? In various market environments like high value-added and down-trading, where do you have expectations?

A. I also think that the core OPM of NISSIN FOODS, at 14-15%, is too low for a brand. Despite high market shares in Brazil and Japan, profitability is low. There are challenges regarding profitability in each region, but brand diversification and integration are necessary. We aim for higher profitability than now.

Q. I was surprised to see the plan for volume growth at NISSIN FOODS. I perceived a change in direction. I thought the policy was to protect prices and outperform in high price ranges. This time, it seems like a shift to focus on volume. Is that correct? Did external factors and the domestic market lead to this change?

A. The price range depends on how you look at it, and it can be considered to be already competitive enough, while there is still room for more competitiveness. However, cost-push price increases are currently unlikely. The factors for raising prices are not aligned. It is not a policy shift.

Q. Please tell us about your thoughts on the overseas non-instant noodle business. There are discussions about complete meals in the U.S. and strengthening non-instant noodles in Brazil. Is it reasonable to expect profits from non-instant noodles overseas, like Japan, or is such expansion not anticipated?

A. Currently, there are six non-instant noodle businesses domestically, and we want to introduce those that can succeed overseas. However, there are challenges in profitability for Chilled and CISCO. I think a core operating profit margin of over 10% is healthy, but around 5% is too low, and it is not well linked with our food tech and marketing. We believe that good quality is important, as cheap prices alone will be weeded out in price competition. Many of our non-instant noodle businesses are through M&A, but food tech knowledge is introduced

across the board. The research institute deeply engages to improve products, reaching a profit margin of 10%. For example, PILKUL is a product with deep collaboration with the research institute. Originally, lactic acid bacteria were not a field we were involved in, but research has advanced, and now it supports the profits of YORK. We will continue to carefully respond to non-instant noodle businesses and introduce those that can succeed overseas.

Overseas Business

Q. Instant noodles should be strong in times of crisis, but demand for instant noodles is weak in the U.S. With weak demand, there is a possibility of falling into a price competition. How do you view this?

A. I think inflation is quite advanced in the U.S. In such an environment, there are no products that meet needs. Unlike Japan, few adults in the U.S. continue to eat instant noodles. For example, consumer behavior in Mexico is changing, and people are returning to what is called TT, buying ingredients and eating at home. The same is true in the U.S., where inflation is more severe. Overall, the situation of trading down continues, and there may be trading down among those who used to eat out, but it is not yet clear. As for premium products, I think it is possible to capture the trading down of the consumer base that used to buy products that were a step higher than the instant noodle premium products.

Q. Everyone eats ramen when they come to Japan, but why is there no Japanese-style ramen like RAOH in the overseas product lineup?

A. The Japanese ramen market has both instant ramen and street ramen, and they complement each other. Collaborative products are also growing. On the other hand, the U.S. ramen market was essentially instant ramen. Street ramen has been growing in recent years, with places like IPPUDO, but the scale is not yet large. In Japan, there is stable demand for eating street ramen like RAOH at home, but that demand is not yet present in the U.S., and I believe it will emerge. As you pointed out, we must advance RAOH. Regarding production and technology, there is space at the Greenville plant, so we are considering placing equipment there.

Q. Regarding the U.S. business, I think there is a long history, but couldn't you have acted sooner? Could you tell us about the background?

A. We started the U.S. business early, establishing it in 1972, marking half a century. The American perception of taste differs from that of the Japanese, with the Japanese placing more emphasis on texture, gloss, and aroma, while the Americans do not. The history of instant noodles in the U.S. began with canned noodles made by Campbell's and others. We tried to convey what Japanese people find good to Americans, but it wasn't market oriented. Currently, through SNS, American preferences for noodles are changing. Street ramen shops are increasing, and perceptions of taste are changing. Additionally, the annual per capita consumption in the U.S. is about 15 meals, and until now, bag noodles guaranteed a minimum standard of living, but with premium products emerging, there is a shift in

appreciating the quality of noodles. Regarding the current issue of declining sales, as you know, there was a decrease in the number of distribution stores at major retailers. During the pandemic, NISSIN FOODS (U.S.A.) significantly supported major retailers. As things settled, this issue arose, and we believe another direction of support was needed. We are building a system to recover.

Q. With the establishment of a Regional Headquarter (RHQ) in the U.S., I think you aim to enhance local responsiveness. Could you tell us the background and internal changes leading to the decision to place an RHQ?

A. We also have an RHQ in Thailand, functioning as an Asian headquarters, and we decided to expand this successful example to the Americas. We have established a system with profit centers and Holdings (HD) CxOs supporting them. However, there were limits to local leaders collaborating with HD CxOs to advance business. In the U.S., NISSIN FOODS (U.S.A.) is the profit center, with its top as CEO, and the support function top was Yokoyama. This system is excellent, but it wasn't sufficient to leave it to U.S. CxOs alone. Rapid decision-making and flexibility are required, and decisions need to be made locally and promptly. Reflecting on this, to advance globalization, we established profit centers and HD as a platform in 2008. About 10 years ago, we hired local presidents, initially bringing a president from Nestlé to the U.S. The then-CEO first introduced non-MSG products and began considering premium routes. Using premium products, we could start transactions with major retailers that were previously untapped. The second CEO nurtured premium products like Chow Mein, Hot & Spicy, and Stir Fry, creating opportunities for significant growth in the U.S. business. During the pandemic, when competitors supplying base products exclusively to major retailers faced supply shortages, we could fill the empty store shelves. Subsequently, we expanded smoothly in 2021-2022, improving profits with price revisions. However, competitors steadily recovered their supply capabilities. While aiming for nationwide expansion at major retailers, the number of distribution stores on the West Coast, where sales were high, decreased, and the product turnover rate in expanded regions didn't fully rise, leading to a drop in overall sales, while competitors returned to their usual distribution. This is the current situation. In addition, in relation to the change in the perception of the taste of instant noodles among Americans, our Korean competitors have been expanding their market very rapidly over the past year. On the other hand, we were able to respond to the Korean competitors in Asia by taking measures against them early on. The challenge in the U.S. is to capture speed, market movements, and consumer sensitivity quickly, and we are responding. There have been several growth stages, but RHQ-Asia was established five years ago, enabling many to turn from red to black. As a result, the current CEO has been gradually changing since establishing HD, and we are where we are now.

Q. Until now, the HD support system for the U.S. business seemed to work relatively well, but looking back, does it conclude that there was insufficient investment of management resources in the U.S.?

A. Looking solely at the results, it concludes that there was insufficient investment of management resources. Therefore, we are reinvesting management resources, establishing

RHQ, and advancing speedy decision-making and execution.

Q. Will the situation in the U.S. that occurred in FY2024 not be resolved unless someone of Yokoyama's caliber is assigned? Is the idea to "restore the growth foundation at all costs"?

A. Internally, the assignment of Yokoyama to the U.S. has conveyed the seriousness of rebuilding the U.S. business. We expect CUP NOODLES to sell from autumn when Yokoyama is assigned. We will advance not only products responding to Korean competitors but also excellent product sales and channel revival/new acquisition. It is important to connect product development, marketing, and sales.

Q. Regarding the U.S. business, what tasks and KPIs have been given by the CEO to Yokoyama, the Chief Representative of the Americas, looking three years ahead and towards 2030? Will it first be about recovering share?

A. We aim to expand sales share. It is a combination of premium and base products, nurturing both and producing numbers. Considering the future U.S. economy and annual consumption growth, and viewing changes in American taste as opportunities, we aim for differentiation from competitors.

Q. Besides Yokoyama, what kind of personnel will join the U.S. RHQ?

A. For many years, we have sent personnel from Japan to the U.S. in production and development technology fields, and those personnel are growing in those areas. Meanwhile, we have hired local Americans as CEOs for top management, but we judged that it was not sufficient due to environmental changes. By placing Yokoyama above the local U.S. CEO, there will be situations where Yokoyama must make various decisions, but we believe that quick and agile decision-making will lead to sales and profits. We will further improve the top management system that has been conducted locally.

Q. Please tell us your evaluation of the current president of NISSIN FOODS (U.S.A.).

A. As a transition for half a year, evaluating over the past year, there was a system change, so while the new CEO's ability is high, it takes time. The CEO system, headed by local talent, is a team effort, and the CEO brings the sales and marketing team to build a cabinet. Now that it is in place, the system is starting to work well. Technology and production know-how are brought from the Japanese headquarters, and joint work was one reason for the time taken. In addition, while the previous structure was still in place, problems arose with major distributors. Furthermore, as the business expanded geographically, there was insufficient coverage by area managers, but reinforcement is underway.

Q. Will you strengthen the marketing and sales teams? I think top-level sales is also important for expanding sales channels. What will the system be like for that?

A. We will strengthen the marketing and sales teams. The current U.S. CEO excels in top-level sales, so we will create a system that can better support this.

Q. I can't quite see your overseas growth strategy. Despite being a frontrunner in instant noodles, it seems like the renewal of GEKI in the U.S. doesn't showcase your uniqueness and strengths. On the other hand, if you plan to expand domestic products like CUP NOODLES PRO, it would be very interesting. I hope you can highlight NISSIN's strengths more in the U.S., including marketing. I understand the significance of spending 5-6 billion yen on new businesses, but I hope you can control costs across the group by investing properly in the U.S. for 1-2 years.

A. My intention is to place CUP NOODLES Original at the core and have it on major retailer's main shelves in the U.S. If you have the chance to visit the U.S., I hope you try the Original, which tastes as good as Japan's CUP NOODLES. Currently, the Original is displayed on the Asian shelves, but I want it to be placed where it can be easily reached, like the main shelves. As you pointed out, we want to introduce products that are truly NISSIN-like. Regarding costs, we will consider managing them as a whole.

Q. Looking back over the past year, there were sudden changes in shelf arrangements, and I had concerns about whether you were aware of the situation. However, after hearing the CEO's explanation about consumer surveys today, I feel reassured. I think the strengths of the domestic instant noodle business, such as product development close to consumers, distributors, and management, have both strengths and weaknesses in the U.S. What do you think?

A. Amid steady challenges, we must first organize our product lineup. Web promotions will likely be necessary to make consumers aware of them. Connecting these efforts to distribution is crucial, but more important than having products placed is increasing their turnover, which is marketing. If it is clear how consumers will respond to the creation and activation of a system that allows products to sell, we believe that there are multiple ways to strike for channel expansion (the process of installing a system that allows products to sell). The main issue is creating a thorough system to ensure product turnover. Whether a product is handled depends on the buyer's decision, which typically happens once a year, but there are opportunities in between. As we expand our scale, the arrangement of managers and coverage varies by area, and there are parts that were insufficient which we are addressing. As performance has been sluggish for many years, there is still room for improvement in the use of money, and we must think carefully about how to invest our management resources. Regarding shelves, for example, at major retailer, the introduction of products previously placed on Asian shelves has caused confusion in shelf allocation, and we will need to work with distributors to create shelves while communicating the product concept.

Q. Please tell us your overall approach to marketing in the U.S. As people transition from students to adults, their consumption decreases. How do you plan to appeal to this demographic? In expanding the market, do you need to capture stomach share not only from competitors but also from other food categories?

A. The fact that a person has periods of high consumption and then stops suggests there are no suitable products for that demographic. I think the base product now is the product that people eat just to fill their stomachs when they are poor. Once you outgrow that, you have to

shift to products that taste good, but now there are no products to shift to. Even though we offer premium products, they haven't become "your product." We need to create opportunities for tasting and connections with various products, provide engaging information through the web, and develop products that accurately target individuals. With the CUP NOODLES brand, we strengthen ingredients with every price increase. In other industries, quantity is reduced when prices rise, but that's not the case in our industry. When prices rise, we increase ingredients like shrimp, meat, and eggs, considering the optimal product for the times. However, the U.S. hasn't achieved this and remains one-dimensional. Therefore, we need to enhance the premium value and create products with satisfaction comparable to CUP NOODLES Original. In the U.S., what used to be called instant noodles is now referred to as instant ramen. It's surprising that people have started discussing ramen soup and noodle texture through SNS. The power of SNS dissemination is significant and progressing rapidly. Over the past five years, the number of ramen enthusiasts has grown rapidly, and we haven't fully addressed this. I think consumption will increase to 20 or 30 meals. Technologically, the level has significantly improved, and even the reproduction of soup has evolved to the point where it's indistinguishable whether it's made from powder, chilled, or liquid type. When you hear powder, you might think it's bland and tasteless, but the technology for preservation, flavor addition, and cooking sensation has advanced considerably. Although it's said to be just a hot water culture, the future potential of this product is immense. People might think this is the limit, but I hope you see that there's still depth.

Q. Considering the need to increase the number of products, do you think you can maintain a double-digit profit margin temporarily, given the research and development costs and sales promotion expenses? Do you need to raise the price level of base products?

A. Price issues always arise. New products are highly rated at the research stage, but whether they sell is uncertain. Depending on the response, prices may rise or fall, and we are flexible in our approach. New products incur listing fees, but we aim to maintain a certain level of marginal profit rate. We set it up to generate profit after several years. While competitors revise prices, we are considering the timing and price level of our revisions, but we are also cautious. For example, premium products can maintain a certain price, but base products need to be supplied cheaply, and polarization is progressing.

Q. Please tell us about the recovery level or any signs regarding the reduction in shelf space for your products in the U.S. that occurred in FY2024.

A. Negotiations are ongoing but not easy. We are negotiating from various angles, including promotions. The major shelf change timing in the distribution is once a year. In newly distributed areas, product turnover is also important.

Q. Is the required turnover rate during normal times at major distributors insufficient at the level you are supplying now?

A. While some of your points are true, the turnover rate wasn't so low that it didn't meet their requirements. The overall profit structure is also important. We will differentiate ourselves

from competitors in the future. For example, consumer reactions vary significantly depending on whether there is a sleeve or not.

Q. What are the hurdles for expanding in the southern U.S., and what are the differences from the west?

A. We have relatively covered the west and east, but the south has been weak, leading to low recognition and insufficient measures to promote product turnover. To strengthen this, we are increasing the number of area managers and implementing measures to enhance sales power and promote product turnover.

Q. Observing last year's HOTPOT launch, it seemed like you were busy responding to Korean competitors. Amidst this, I personally have high expectations for CUP NOODLES PROTEIN. Please tell us about the background and expectations for launching this new product.

A. The background is that in U.S. retail, products with protein displayed in grams, like 10g or 12g, have increased significantly. It's even displayed on snacks. There are other nutrients like fiber, but protein is the most highlighted. Additionally, there's a trend to display nutritional information on the front of products. Amid issues like reduced sugar, salt, and fat, displaying protein, fiber, and calories is also becoming common, with at least four, and now five or six nutrients, being voluntarily displayed. In Japan, displaying nutritional information on the front is also being considered. Consumers are choosing products with clear nutritional content, and while display methods vary by country, the basic axis is reduced sugar, salt, and fat, along with fiber and protein. Originally, cup noodles weren't created with such displays in mind, but their importance has increased over time. Thus, there is a need for protein intake, and we want to clarify positioning and proceed with reorganization. CUP NOODLES PROTEIN is expected to become a flagship product in this context.

Q. Korean companies' products are delicious, and with the spread of K-Pop culture, I think this trend is not just a temporary boom but will continue. Your company plans to launch various products, but there are skeptical views about whether you can truly win. How do you see this?

A. The proportion of people who prefer spicy flavors cannot exceed a certain level and won't expand permanently. Some people try spicy products as a test of courage, but we see limits to their consumption and response to spiciness. Regarding K-Pop culture, in group interviews conducted in the U.S., only one Korean woman was eating Korean instant noodles due to K-Pop influence. Korean culture doesn't necessarily have a strong influence. As a Japanese company, we want to offer a variety of products beyond just spicy flavors.

Q. The expansion of Korean companies is partly due to organizational factors like relationships with distributors, but is it also because a niche demographic, thought to be small, has rapidly expanded due to SNS dissemination?

A. The expansion of what was thought to be a niche demographic has surprised us. Additionally, the growth of Korean companies is seen not only in the U.S. but also in other

countries. In the U.S., we were somewhat behind, but in Asia, there are examples where the influx of Korean companies was controlled with products like GEKI. We don't underestimate Korean companies, but looking at the numbers, their growth seems to be slowing down a bit. We will firmly counter their actions with our mild spicy products, which are expected to attract a wide range of consumers. For Korean companies, the image of "Korea = spicy" might be a hindrance, making it difficult to launch the next move. Competitors are also releasing other flavors, but they don't seem to be selling well. In contrast, we have a variety of products, which gives us an advantage. Additionally, against Korean culture, we have Japanese culture like anime, offering various options. The development of SNS has also led to diversification of preferences. There is polarization between those seeking relatively low-priced items and those seeking premium products. In the premium world, there is a spread of multicultural flavors like Asian flavors, along with health and product quality axes. Such diversity is necessary for increasing the per capita consumption of 15 meals in the U.S. and expanding the market. We believe there are still opportunities to increase total demand through these efforts. By leveraging food tech capabilities and investing in marketing, we can increase total demand and expand our share within it.

Q. In the U.S., there were times when you were slow to respond to Korean competitors. Are you creating a system and structure to apply this lesson globally if similar situations arise in other regions?

A. We are advancing a high-speed branding system. We want RHQ to accurately assess, confirm, and take measures regarding marketing and sensitivity issues occurring on-site. RHQ will quickly gather information from the field and advance coordination with headquarters. We have already established an RHQ system in Asia, which is functioning well. We want the U.S. to also play the role of a speedy arranger.

Q. Overseas, the word "KANZEN" seems to have a very good image. What strategy will you use to advance the global expansion of KANZEN MEAL?

A. As you mentioned, the word "KANZEN" is different from "perfect," with oriental elements, and it seems to be very well received. We plan to launch KANZEN MEAL pizzas and pasta in the U.S. We want to introduce various products globally, including Europe. We feel confident from consumer surveys and distribution responses. The price range is currently under negotiation.