

November 2022

Financial Results Briefing Q&A Session for FY 3/2023 2Q

[Time and Date] 2:30 p.m. to 4:00 p.m., Friday, November 11, 2022

[Presenters]

Koki Ando, Representative Director, President and CEO

Noritaka Ando, COO and Executive Vice President,

and President & Representative Director of NISSIN FOOD PRODUCTS CO., LTD.

Yukio Yokoyama, Director, CSO, and Managing Executive Officer

Takashi Yano, Executive Officer and CFO

Q. What is your view of the profit margin in the U.S. for the next fiscal year?

A. We implemented a 36% price revision in August this fiscal year. We assumed that this would cause a drop in volume, but current demand is stronger than we expected, and we continue to make steady progress. We expect the current price revisions to add to profits in the next fiscal year. But we are also concerned about soaring personnel expenses, which will continue to put upward pressure on costs. We expect profit levels to rise and cover for these factors, and forecasts call for profits in the mid to high single-digits.

Q. What is your outlook for the *KANZEN MEAL* products business toward achieving the 10 billion yen sales target in the next fiscal year?

Also, what is your forecast for when this business will achieve profitability?

A. We have been selling and manufacturing across various new categories over the last six months, and we feel it will take a little more time to establish a supply system. Our projection is that sales will be between 3 billion yen and 10 billion yen in the next fiscal year.

We expect sales to reach 10 billion yen by 2024. But to achieve this goal by supplying products using only existing facilities will be a challenge. We will need to secure more production capacity, including capacity from our partners. And while we have not set a clear timeline for achieving profitability, we hope to see positive signs in the next five to seven years, as profit margins vary greatly by product line.

But it will likely take some time for the new business as a whole to become profitable.

This is because we will expand not only packaged food products, but also our BtoB business and other touch points not currently part of the existing business.

Q. What are your thoughts on overseas expansion of *KANZEN MEAL*?

A. Our research has revealed interest and definite needs overseas. But it will take some time to secure the resources for overseas expansion. I cannot offer specifics related to countries or regions, but we expect to begin next year or so. We will keep you updated on our progress.

Q. What is your concrete vision of the future of your U.S. business from a medium- to long-term perspective?

Will you look to expand your product portfolio across a variety of brands, as you do in Japan?

A. Demand for our base products is firm, so it is important for us to maintain a good balance with competitors, and set supply levels of base products to compete using our premium product strategy. Base products have been marketed to relatively low-income consumers to date. But with the expansion of premium products, we believe new demand had been created for a certain segment of the population that is somewhat above the mainstream. In fact, premium product sales has continued to grow in recent years. The COVID-19 pandemic has had a significant effect in widening the frontiers of the market, and demand for relatively inexpensive premium products is strong, even amid a sense of uncertainty about the economy. Going forward, we plan to maintain current market share for base products, while growing and strengthening our strategy for premium products. For example, if we expand our presence in the U.S. as we have in Europe with higher-priced products under the *Authentic Asia* theme, in Asia under the *GEKI* theme, and in Japan and overseas under the authentic *RAOH and CUP NOODLES* product lines, then we will extend our market reach further. The deeper we build expanded product lines, the more that instant noodles will find new growth. In any case, we believe that expanding the premium product strategy in various forms is essential for medium- to long-term development. We expect to add new demand and look forward to building depth.

Q. So, when you reach your future vision of the U.S. business, it seems you will achieve a certain level of profit. What are the challenges in further growth beyond?

A. There is still a next step to be taken to develop even higher-priced products. At present, we have differentiated through our premium products. But, for example, we believe we can increase added value through a new format such as authentic, and that there will be a sufficient customer base to support this. Even so, the issue of supply

remains. It will also be important to build production lines to ensure we offer these new products to consumers at the same high levels of quality and added value.

Q. Are the *KANZEN MEAL* products gaining a wider customer following? What are your specific product strategies and prospects for the BtoC business to expand the customer base further?

A. The *KANZEN MEAL* series will certainly lead to an expansion in our customer base in the future. Sales of *CURRY MESH* and *RAOH*, the two main products in the current five SKUs targeted for nationwide launch, are growing mainly among current instant noodle consumers. But these products alone will not be enough to expand the customer base to include women and new customers. We introduced other products that include smoothies and granola, but the launches have been limited due to supply issues. If we expand our lineup of products to more attractive to women, then the number of female users will increase organically. Next spring, we plan to increase the *KANZEN MEAL* lineup to include soups and new smoothie flavors. We also hope to expand the *KANZEN MEAL* brand more toward the field of medical cooperation and to customer segments such as seniors, who have not been targets so far. We also believe we can expand into new categories by applying our food technology to the dishes and boxed lunches sold by retailers. We believe these efforts will lead to inroads building new customer segments. And while it may take some time, we are confident that we can build a steadily growing customer base.

Q. What is the target for the core operating profit ratio of NISSIN FOOD PRODUCTS on a non-consolidated basis?

Would it be difficult to achieve the target level of 17% to 18%?

A. The core operating profit for FY 3/2022 was 14.5%, and we plan to achieve 14.4% in FY 3/2023. Our first priority here is to achieve plan. Although uncertainties exist over the short term, including raw materials, distribution, utility, and labor costs, we want to maintain 15% over the medium- to long-term. We will do this by selling at appropriate price ranges through efficient sales promotions and marketing, which is our forte. If we maintain the current scale of sales without building a new plant, then we can expect to grow the profit margins. However, given the limited share of stomach in Japan, we intend to make a large investment to expand market share across categories by using our marketing skills to excavate demand. Therefore, we believe that 15% is sufficient over the medium- to long-term.

Q. Can you provide more details about the customer base and purchasing objectives related to *KANZEN MEAL* products on the market currently?

Also, how do you plan to promote the product in the future? Please also touch on medical cooperation.

A. Originally, we assumed that the main customer base would be consumers in their 40s and 50s. But in fact, men in their 30s and 40s have been the main customer base. Of course, men in their 50s are also buying our products, but the relatively young instant ramen consumers are accepting the new health conscious concept with the idea of junk food. In the future, I believe this product line will expand across a number of categories, including meals for seniors who no longer eat instant ramen, for women, and for frozen foods. The media is becoming more familiar with the new *KANZEN MEAL* concept, and we are seeing more exposure in connection with rising interest. We will take advantage of these opportunities to communicate clearly with consumers. With regard to the development concept, in general, when one tries to create a health food product, it tends to look and taste healthy. Here, we want to reflect the nature of NISSIN, making the best junk food look and taste healthy and delicious. We will emphasize nutritional balance in a product that is very satisfying to the appetite. We want to take an approach that caters to the appetite. A balanced nutritional profile despite being junk food. We believe there are many people who are casually health conscious than those who are stoic about their health. The *KANZEN MEAL* addresses the appetites of the former, which represents a much wider market. In terms of marketing, we will compete in part through the sheer volume of content and information, which is in our wheelhouse. But it will likely take more time before we penetrate the market. With the current support we have among retailers, we hope to create a boom recognized in three to five years by communicating with consumers not only on the sales floor, but also through social media.

Q. Why have you performed so well in the China region, including Hong Kong?

And while you may have benefited from lockdowns in certain cities this year, there was also talk of a poor economy. How will your strategy change in the future due to changes in the external environment? Further, regarding EMEA, what has been the impact of addition of Premier Foods as an equity method affiliate?

A. (CSO Yokoyama) There are two reasons for the strong performance on the mainland. First, we focused originally on sales in urban areas. But as the economy worsened, consumers began leaving the cities and returning to the countryside, where they are eating instant noodles. Second is that the number of convenience stores is increasing in rural areas. We are expanding our sales area steadily to the northern and western

districts, and our performance on the mainland is growing at a firm pace. We believe that the high quality and brand strength of our products are further reasons for our growth, despite quality issues with certain mainstay brands among our competitors. In Hong Kong, the number of tourists from the mainland has not fully recovered. However, demand has been growing due to the influence of COVID-19. Exports of *DEMAE ICCHO* are particularly strong. Overall, I believe by maintaining strong demand throughout the second half of the year, we will make advancements in the form of increased revenue and profits.

(CEO Ando) We manufacture *DEMAE ICCHO* entirely in Hong Kong.

It is a high-quality, higher-priced product that is selling well. And consumers have stood by us, even with a certain degree of price revisions. The same is true for *CUP NOODLES*. As we expand *CUP NOODLES* outward to regional cities, many consumers have returned to their hometowns in response to the lockdowns. We hear that these people are eating *CUP NOODLES*. Rather than large and low-priced products, we see demand for higher-priced, higher-quality products. Students are especially inclined to buy these products. And we have been informed that students are a strong and persistent consumer group.

A. With respect to EMEA, adding Premier Foods as an equity method affiliate has had a very large impact. But NISSIN FOODS Europe itself is also growing.

The presence of "Asian Blast" which is the brand strategy and products such as *CUP NOODLES Soba*, is very strong and differentiated in the UK. We are building sales steadily by through a strong conceptual approach in comparison to the products of other companies in the region. For example, we are hiring more sales staff and implementing strategies in detail with our distributors.

Q. Other companies have used apps to help improve lifestyle-related diseases, etc. Are there any areas other than packaged foods that you will turn your attention toward in the future?

A. We are still in the process of preparing apps, and we are making the necessary joint development and investments to create an environment in which consumers can monitor their health easily, leveraging this environment as a mechanism linked to sales. The situation may take some time to play out.

Q. If you were to expand *KANZEN MEAL* products overseas, would it be possible to do so by simply adding a line to an existing plant?

A. If we had the same level of facilities as in Japan, it would be possible. But since our facilities differ country to country, and there may not be enough production capacity, we would need to invest in new lines or work together with overseas partners.
We do not necessarily consider that all production must be performed at our own plants.