

*Notice: This document was prepared by machine translation (Nissin AI-chat powered by GPT-4o), and manual modification has not been made to the translated contents.

Financial Results Briefing Q&A Session Overview for FY 3/2025

[Time and Date] Monday, May 12, 2025

[Speaker]

Koki Ando, President & Representative Director, CEO

Noritaka Ando, COO and Executive Vice President, and President & Representative Director of NISSIN FOOD PRODUCTS CO., LTD.

Yukio Yokoyama, Director, Managing Executive Officer, and Chief Representative, the Americas

Takashi Yano, Executive Officer and CFO

Overseas Business

Q. Could you tell us about the organizational structure in the U. S.? Last year, there was increased competition with Korean companies, and I think the response to market changes was insufficient. Please share the challenges you have identified so far and whether the establishment of RHQ-Americas will enable a more agile response to changes.

A. One of the challenges was the delayed response to market changes and consumer trends. Additionally, we felt that we were slow to respond to channel changes in different areas over the past year. FY2024 was the first year for the local president, and it took time for the new management to get a comprehensive understanding, resulting in a delayed response to changes in consumer preferences. Last month, I visited the U.S. with the CEO and conducted consumer surveys. As a result, we found that American food preferences are changing. Through group interviews for consumers, we sensed that consumers are becoming very sensitive to texture and flavor, and their tastes and preferences are evolving through social media. We also confirmed that Korean companies are accelerating sales of instant noodles through TikTok and word-of-mouth. It is essential to quickly grasp and respond to such information. Therefore, it is crucial to monitor the situation geographically close to the business companies and make speedy decisions with an overview of the entire situation. We decided to establish RHQ-Americas as we believe supervisory organization is necessary. Additionally, it is important to take a comprehensive view of the strategy for the entire North and Central American region, including Mexico, not just the U.S. To consider it as a broad area rather than by country, I (Yokoyama) will be stationed locally as the Chief Representative of the Americas to expedite decision-making.

Q. Please tell us about the schedule for the operation of the new factory in the U.S. There was a discussion recently about determining the start-up timing while observing the situation. Will it be next fiscal year, or will it be operational towards the end of this fiscal year? Please share the operation schedule and the scale at that time.

A. Regarding the third factory in Greenville, we initially planned to start operations in August 2025, but the overall operation timing is currently under consideration. Some facilities, such as warehouses, will begin operations, but we will carefully judge the

overall operation timing, including production lines, while closely monitoring the current market environment and business conditions.

Q. Could you define your premium strategy and its essential strengths in the U.S.? With Korean companies dominating the market with spicy flavors, what do you think your unique strengths in your premium strategy? Of course, I believe it is necessary to respond to the current situation with Korean competitors, but what is your unique value, and if you have organized strategies for continuing to win globally in the medium to long term, please share them.

A. In the U.S., we offer premium products with high added value and base products at affordable prices. We will strengthen sales of the base product, Cup Noodles, with a new package that removes the sleeve covering the outside around September. As it is a paper cup, it can be cooked in a microwave. The design is almost the same as Japan's Cup Noodles, and product information can be printed on the cup. The airtightness will also improve, enhancing the soup's taste. Consumer surveys have also shown positive evaluations regarding taste. Cup Noodles is the core product in the U.S. We offer the same original, seafood, and curry products as in Japan, making it a top brand. Additionally, we will introduce "Cup Noodles PROTEIN," a product rich in protein, as part of the Cup Noodles lineup. Currently, low-priced products are selling well, but we aim to improve quality and transition to "Microwaveable" double paper cups as a strategy. We believe this new Cup Noodles will support competitiveness in grocery stores, club stores, and discounters. Furthermore, we are strengthening import sales with the "GEKI" brand to counter Korean competitors. We strategically expand premium bag noodles from mid-priced to high-priced ranges, such as RAOH. In the U.S., Yokoyama will assume the top position of RHQ-Americas, including the U.S. and Mexico, and we expect faster responses. Our company consists of 24 profit departments and 13 chief officer systems, and with the establishment of RHQ-Americas, the CXO group will be directly connected, allowing for the transfer of functions, enabling us to strengthen the U.S. market. Regarding global management outside the U.S., we are advancing branding in Asia, China, and the EMEA region. We are expanding spicy products under the "GEKI" brand, along with yakisoba lines, centered on Cup Noodles. We anticipate growth in mid-priced products. Branding will focus on Cup Noodles, including strengthening the NISSIN RAOH and Asian-style Demae Iccho brands, and we are preparing to thoroughly implement this strategy.

Q. Please tell us about the situation in the global instant noodle market. There is a lot of negative talk about tariffs and economic downturns, but I believe instant noodles are a very strong product in such economic conditions. As a company with global operations, if you have observed any signs in each region, please share them.

A. We have very few export products and are promoting local production for local consumption. Therefore, we are hardly affected by global tariffs. Due to minimal imports and exports, our business structure is centered on local production.

Q. There is talk of tariffs and economic downturns, but could these unforeseen circumstances become an opportunity for the expansion of the instant noodle market? Particularly in the American market, I think the local production for local consumption initiative might be a tailwind. Are there any positive signs?

A. Growth is expected in the Asia and EMEA regions this fiscal year. Asia has a high per capita consumption and a growing population, so despite the challenging economic environment, price-sensitive consumers are abundant, and significant growth is anticipated. The EMEA region is a relatively high-income market, but per capita consumption is still low. However, cup noodles and bag noodles are gaining acceptance, especially in Europe, and high growth is expected. It is universally agreed that instant noodles are relatively affordable food. Differentiation and sales of high-value-added products, including premium strategies, are one of our strategies for this fiscal year.

Q. Regarding overseas expansion, please tell us about the necessity of localization in each region, including the U.S. There are multiple countries in Asia and Europe, but are the same products selling well, or are you conducting localized brand development for each country? Please share the current strategic situation.

A. Regarding localization and its necessity, each country has unique flavors, and it is important to cater to those preferences. However, recently, brands and flavors shared globally through social media have been increasing. Amidst the global trend for spicy products, we are selling hot and spicy products under the "GEKI" brand. However, even within the "GEKI" brand, flavors vary by region, necessitating localization. Of course, staple products like the original Cup Noodles and seafood are sold as they are, but regional-specific flavors are also important. We will also incorporate global trends like spiciness. We will advance product development considering both global trends and regional roots.

Q. Is it correct to understand that you are promoting your unique premium strategy centered on delicious cup noodles and health value cultivated in Japan, mainly in the U.S.?

A. In the American market, we plan to offer globally popular products. In addition to the current brand, we plan to introduce the "KANZEN MEAL" series, advancing branding to provide high-quality products.

Q. Please tell us about your U.S. business. You explained the cost impact due to tariffs recently, but how is the competitive environment changing? With reduced imports from Korea and China, how is the competitive environment changing, and what impact might it have on your strategy? If there are updates, please share them.

A. Regarding the competitive environment, there are no noticeable changes yet, but we anticipate gradual impacts. The activation of tariffs will increase overall costs, leading to price revisions across consumer goods, not just food. Companies importing finished products are significantly affected by tariffs. On the other hand, companies focused on local production may face cost increases for unavoidable imports of some materials, but the impact is less compared to companies importing finished products. As prices rise overall, the food industry will also be affected, and price revisions may be possible. American consumers are currently very sensitive to price increases, so price differences may work in our favor. As trading down progresses, we believe we can gain a price advantage and leverage it to introduce products to the market. Specifically, we see value in strategically introducing mild spicy and spicy products through speedy branding activities.

Q. Observing your performance, it seems that the strengths of the domestic instant noodle business were horizontally expanded in 2022 and 2023, significantly improving performance through marketing and development processes. Listening to this explanation, it seems you are further horizontally expanding the strengths of the domestic business, such as introducing new products selling well in Japan to overseas markets this year and next year. Is this understanding correct? Please share your thoughts.

A. For example, in Brazil, our market share has reached nearly 70%, and we believe we can broadly expand various domestic business company brands in multi-categories, not just instant noodles. This year, we launched NISSIN CISO's crisp chocolate "Crock Choco" in Brazil. Although not yet announced, we plan to widely expand successful examples from Japan, such as cup-type rice products and yakisoba lines like "U.F.O." launched two years ago. We are broadly expanding successful examples from Japan in China and Hong Kong and believe it is necessary to expand these in America and Europe in the future. In new businesses, we plan to launch cup-type rice "KANZEN MEAL" globally, along with equipment investments. Europe is also growing significantly, so we plan to expand in multi-categories. The timing of specific product announcements is undecided, but since instant noodles grew significantly post-COVID, we have focused on instant noodles until now. In the U.S., Mexico, Brazil, and Europe, new production lines and facilities are being prepared, so we aim to accelerate global branding by utilizing these capacities.

Q. Regarding your U.S. business, I found it very interesting to hear about gaining consumer insights during your visit in April. Could you also share the feedback from the distribution side? Additionally, do the measures planned for this fiscal year sufficiently address the challenges presented, or are there additional measures that can be implemented within this fiscal year? Please share your thoughts.

A. Regarding the distribution side, we were not fully able to respond to the expansion of operations, especially relying on one major distribution channel during the growth process, and we did not adequately cover groceries and specific areas. Therefore, we are strengthening the system, increasing personnel, and proceeding with restructuring. As a result, we are beginning to see achievements such as acquiring new distribution channels. We are able to properly introduce premium products, and we anticipate a certain level of success. Last year, there were parts where promotional activities were insufficient, but this fiscal year, we plan to respond systematically and adequately cover each distribution channel, such as groceries and clubs. We are currently negotiating for shelf replacements and sales starting in the fall, and we are receiving positive feedback. We are introducing three products with three flavors and advancing renewals through high-speed branding. We believe we are effectively appealing to the distribution side.

Q. By establishing a regional headquarters in the U.S., will profit management for the Americas region, including Mexico and Brazil, become more agile? Also, regarding Mexico, you aim for growth in the double digits for quantity and in the 20% range for sales this fiscal year. Last year was challenging, but can we expect effective profitability management in the Americas region?

A. The purpose of RHQ is area management with a view of the entire Americas. We first aim to establish a solid system centered on the U.S. and Mexico in North and Central

America. Specifically, we want to strategically manage the U.S., Mexico, and Central America as a whole and establish a system to maximize profits. Regarding Mexico, we plan to proceed with equipment investments, add new factories, and expand the paper cup strategy. We also aim to strategically respond to Central American countries centered on Mexico and steadily grow Mexico's performance.

Q. Regarding feedback from distribution, do you feel that the measures for this fiscal year are sufficient, or do you perceive any bottleneck challenges?

A. We have not yet received all the feedback, but we are receiving relatively good evaluations. For example, campaigns for new products through LTO are highly evaluated, and there is a request for higher frequency. We believe it is important to increase turnover in each area as store expansion spreads horizontally. Therefore, we aim to strengthen the sales and marketing systems to increase turnover in each area.

Domestic Business

Q. Regarding NISSIN FOOD PRODUCTS, the fourth quarter showed improved performance, but is it correct to understand that there were adjustments in promotion costs and rebates? Can you continue to grow steadily towards the new fiscal year, or is it a challenging goal? Please share your thoughts.

A. The improvement in fourth-quarter performance was partly influenced by adjustments in promotions and rebates, but we prioritize sales and profit growth throughout the year. We believe it is important to aim for long-term growth rather than quarterly profit management. For the new fiscal year, we plan to develop product strategies centered on core products like "Cup Noodles" and "DONBEI", addressing diverse needs such as health-conscious and low-priced products, as well as large-sized products for younger consumers. We aim for growth in the domestic market by efficiently allocating resources while observing market conditions. This is our strength, and we plan to continue growing in FY2025.

Q. Could you explain your thoughts on the pricing strategy for domestic instant noodles? Given the uncertain domestic consumption environment and the demand for low-priced products, do you think the overall profitability of domestic instant noodles will deteriorate?

A. As for future price revisions in the domestic market, no decisions have been made at this time. We anticipate various cost increases in 2025, but we currently believe we can cover the immediate cost rises through our own efforts. However, if the market conditions become too unstable to cover through self-help efforts, there is a possibility of implementing price revisions during the fiscal year, although we are not considering it at this time. We believe we can cover the changes in the current product mix and various cost reductions for the time being.

Q. You mentioned that you are not considering price revisions at this time, but there might be things you can't cover. What factors do you see as downside risks? Could you provide specifics, such as worsening product mix or rising costs?

A. Factors considered as downside risks include rising material costs and exchange rate impacts. Material cost increases may affect us in six months to a year, and there is also

a downside risk that sales of profitable products could be affected by economic conditions. While we have secured quantities through marketing efforts, if the economy worsens and the instant noodle category itself doesn't sell, it could become a challenging situation. However, we expect the value of the instant noodle category to rise relatively this year, so we are not overly concerned. There is also a risk of not being able to enhance the promotional effects of main brands and low-priced products but based on experience, we do not anticipate a crisis situation. Additionally, changes in the positions of players in the retail industry are occurring, and we believe it is important to respond to these changes and address them comprehensively.

New Business

Q. How do you see the overall profit and loss of new businesses evolving? Should we focus on sales growth first?

A. As shown on page 55, we aim for profitability in the B to C grocery sector by 2028. In the B to C category, we expect profitability to progress from here, moving towards resolving the accumulated losses. Meanwhile, we will continue investing in new categories such as overseas and medical collaborations, so as one issue is resolved, another new one arises, and we cannot yet announce the overall profitability. In the case of overseas, when launching cup-type rice "KANZEN MEAL" as a new business, we are considering manufacturing regular cup rice products that are not Optimized Nutri-Dense Meals within the same production facilities. Until we see the sales trends of regular products and new business products, it is difficult to calculate overseas profitability at this time. However, we aim for profitability in each category within a span of 5 to 10 years. The B to C business incurs development costs by category, so B to C profitability is slow. Frozen and employee cafeterias businesses, with basic investments being low, can achieve early profitability, but overseas, new factories and lines need to be established. There is a possibility of expanding normal cup-type rice products overseas, and various variations will emerge, so it is difficult to answer when overall profitability will occur. For the time being, the investment phase will continue. We aim to organize and explain by category.

Capital Investment

Q. Regarding capital investment, you mentioned a plan of 100 billion yen this term, with FY2025 being the peak, and that leveling it with last year would be according to plan. However, it still feels large in scale. Could you share your thoughts on capital investment and the scale beyond FY2026? Also, what is the current status of the new Kanto Plant?

A. We plan capital investments of 100 billion yen this term. We consider growth investments and renewal investments both domestically and overseas at approximately a 3:3:3 ratio. New factories are planned in the U.S., Brazil, and Mexico overseas. Domestically, we plan to strengthen material-related facilities and establish a new plant for KOIKE-YA in the Chubu region. Plans for the next fiscal year are still being developed, but we expect it to be about half the level of this fiscal year. It is expected to decrease gradually thereafter. Regarding the new Kanto Plant, the capacity of general contractors

is tight, and due to the impact of the 2024 problem, the start of operations is likely to be after 2026. We are monitoring the situation as the current construction costs is too high. Domestic demand is increasing, but for the time being, it can be addressed through increasing production at existing plants. While utilizing existing plants to meet demand, new business lines will also be necessary, so the new Kanto Plant will be needed in the future, but the start of operations is expected to be after 2026. The current plan does not include the new Kanto Plant.