Monday, August 4, 2025

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Financial Results Briefing Q&A Session Overview for FY 3/2026 Q1

[Time and Data] Monday, August 4, 2025
[Speaker] Takashi Yano, Executive Officer and CFO

Performance

Q. How much did the Q1 results fall short of the internal Q1 plan? Is there differences by business segment?
A. As explained from the beginning of the fiscal year, the internal plan was set at a lower level compared to the previous year, largely due to a decline in sales volume in the U.S. The shortfall from the internal plan was approximately 1 billion yen, with most of the decline attributable to reduced profits in the U.S. Other contributors included NISSIN FOOD PRODUCTS and Mareven.

Q. The initial full-year plan was nearly flat, but Q1 results fell short. To achieve full-year profit growth, you will need to outperform the previous year from Q2 onward. Which business are expected to drive this profit growth? Given that Q1 appears particularly challenging, especially in the U.S., which segments outside the U.S. should we focus on to offset the U.S. profits?
A. A full-scale recovery is expected from Q3 onward, with the U.S. business being the primary driver. In Q3–Q4 of the previous fiscal year, both volume and profit in the U.S. declined significantly. This fiscal year, we plan to implement measures to recover volume and profit starting in Q3. For other regions and businesses, we do not currently plan to make major revisions to the initial plan, but we aim to steadily accumulate profits across all areas. In Japan, NISSIN FOOD PRODUCTS posted a year-on-year decline in Q1 due to special factors mentioned earlier. However, since May, sales volumes have been trending positively compared to the Q1 FY23. With various initiatives planned, we aim to recover and achieve the initial plan. Given the large volume and the ability to control certain expenses, we believe NISSIN FOOD PRODUCTS will be a solid contributor to full-year profit growth.

Overseas Business

Q. Please provide a breakdown by country of the 3.1 billion yen profit decline in the Americas.
A. Nearly 90% of the decline was in the U.S., with Brazil accounting for about 10%. Mexico saw a slight increase in profit.

Q. U.S. sell-in volume in Q1 was reportedly down about 20% year-on-year. What does this look like in terms of sell-out? Also, what are the trends from Q2 onward?
A. According to IRI (sell-out) data, the market saw a low single-digit decline, while our company experienced a decline in the low to mid-10% range. One major factor was the

time required to clear the inventory backlog caused by increased sales from Q4 promotions in the club channel. This situation is gradually being resolved, and we are seeing a narrowing of the sell-out decline. Additionally, in newly acquired regions, our sell-out is the only one showing growth. Bowl-type premium products are performing well, partly due to substitution for dining out, with both the market and our company seeing volume increases—indicating signs of bottoming out.

Q. What were the trends in the club channel from Q1 to Q2? Korean competitors are reportedly launching aggressive campaigns in Q2—will competition intensify?
A. Korean products differ in price range and concept, so we do not necessarily expect intensified competition. Our Q4 promotions helped raise awareness of our products in the club channel, and we aim to build on that momentum in Q2.

Q. Other companies have announced price revisions. Will you implement price hike?
A. Given the significant drop in volume, we see this as an opportunity for recovery. We plan to be the last to revise prices, carefully monitoring the environment. Reports suggest that not all U.S. companies are keen on passing tariff costs onto prices. We are cautiously discussing the optimal timing and format for any price revisions.

Q. What initiatives are planned to turn around the U.S. business in the second half? What new products are launching from July onward? Are you targeting demand from dining out?
A. In the second half, we plan national launches of premium products like Ramen Bistro and Hot Pot, and will introduce Cup Noodles Protein as a new product. Ramen Bistro and Hot Pot were previously sold in limited channels in FY2024 and are now expanding nationwide. Cup Noodles Protein is a new vertical-type product with high protein content. While it's too early to comment on sales, buyer feedback has been positive. These premium products were designed not to compete with base products but to capture demand from dining out alternatives like burgers and pizza. With Mexican restaurants and dining chains currently struggling, we see increased opportunities to capture in-home consumption demand.

Q. It's hard to believe the U.S. business has bottomed out. How do you view the current situation?
A. There may be differing views on what constitutes a "bottom," but IRI data shows that the rate of decline is gradually narrowing month by month. In newly acquired regions, our sell-out is the only ones showing growth. For premium products, bowl-type items are seeing volume increase both in the market and for our company. With the national launch of two premium products and the introduction of new items, we believe there is ample room for a turnaround in the second half, especially as the impact of inventory issues fades.

Q. What were the volume declines for base and premium products in Q1 in the U.S.? Are base products facing more challenges?
A. Base products declined by over 20%, while premium products saw about a 10% drop. Q1 comparisons were tough due to strong sales in the same period last year. Base

products were particularly affected by inventory buildup from large-scale Q4 promotions in the club channel.

Q. Last year's Q1 profit margin in the U.S. was relatively high, so the decline this year seems steep. What is your outlook for future profit margins?
A. Due to royalty revisions from this year, core operating profit margins have declined—about 2% in the U.S. and 1.5% in Brazil and Mexico. The benchmark for the U.S. is around 10%, based on last year's results. While this may be difficult to achieve this year, it remains a future target.

Q. What is your view on Korean competitors?
A. There is room for discussion on how directly our products compete with Korean brands. Korean products tend to focus on spicy flavors and bag-type noodles, while our premium products are mainly cup-type with a different flavor variety. That said, the overall number of premium servings is increasing, and the market is steadily expanding, which is a positive trend for our premium offerings.

Q. Any updates on the new 3rd plant in the U.S.?
A. We cannot make a decision until we confirm a certain level of volume recovery. The timing of operations remains undecided.

Q. Other companies implemented price revisions in July. Have you seen any changes in momentum since then?
A. It's difficult to comment at this point as we don't yet have concrete figures for July. However, even outside the instant noodle industry, there are companies that have not implemented price revisions. Depending on how we approach pricing, this could be an opportunity to regain volume, and we intend to proceed cautiously.

Q. Could you summarize the factors behind the profit decline in the U.S.? We understand that the main factor is a drop in sales, but what about raw material costs or the impact of warehouse expenses used last year?
A. Raw material costs increased by several hundred million yen, but the impact was limited. The reduction in external warehouse expenses contributed positively by a similar amount. Other factors were largely offset, so the main cause of the profit decline was the drop in sales.

Q. How should we interpret the reduced volume decline and the inventory buildup in the club channel?
A. We pushed to increase sell-in during Q4 of the previous fiscal year to build a strong foundation for recovery in FY2025. However, post-promotion sell-out did not grow as expected. Currently, inventory levels are decreasing overall. Similar inventory issues occurred at the beginning of the fiscal year in Brazil and at NISSIN FOOD PRODUCTS, contributing to a slow start company-wide.

Q. Bowl-type products are reportedly performing well in the U.S. What is their share within premium products?
A. Bowl-type products account for about 50% of premium products in the U.S. Key items include *Hot & Spicy* and *Top Ramen*. Compared to vertical-type products, bowls appear

larger and offer a sense of value, making them more likely to be consumed as meals, which contributes to their strong performance.

Q. What is the impact of expanding into new areas in the U.S.?
A. Our products are being introduced in new areas, contributing positively to sell-out. However, challenges remain in improving product turnover and securing more shelf space. Negotiations are ongoing, and while it's difficult to quantify the impact at this stage, we believe the trend is clearly positive.

Q. What impact will the three new products in the U.S. have on this fiscal year's performance?
A. The impact is still limited at this point, but based on our initial plan, about half of the projected volume increase is expected to come from new products. Sales began sequentially in July, and we expect to see sell-out trends starting around August.

Q. Your premium strategy in the U.S. previously seemed promising, but current pricing and product strategies appear inconsistent with your core strengths. Are there plans to fundamentally revise your business and management strategy?
A. As the leading company in the global instant noodle market, we recognize that our current short-term strategy in the U.S. does not reflect our identity. We have established RHQ-Americas to explore future product strategies and discuss how to create NISSIN-style added value and expand our presence in the U.S. At the same time, recovering lost shelf space and rebuilding sales in the short term is also critical. These efforts will support our long-term strategy, and although they may seem inconsistent, both approaches must be pursued in parallel.

Q. We understand the need for short-term measures in the U.S., but when can we expect a new fundamental plan from RHQ-Americas?
A. Discussions on the new strategy are ongoing, and we ask for your patience. Our immediate priority is to develop a strategy to recover lost shelf space and further expand our sales area.

Q. U.S. volume has declined by over 20%, which seems severe. How do you plan to recover base product sales, and what is your outlook?
A. We are still analyzing why base products declined more than premium products. Factors discussed by other companies include uncertainty from immigration and tariff policies leading to trading down, and reduced outings among Hispanic consumers. However, no clear cause has been identified yet. Base products are widely accepted in the U.S. and are essential for low-income consumers, so they won't disappear from the market. While there has been a temporary shift to rice, pasta, and beans, we believe that once conditions improve, consumers will return, and volumes can recover. Our volume decline is mainly due to reduced sales in major West retailers, where our lost volume has been offset by competitors. In other regions, our base product decline rate is lower. Securing shelf space and improving turnover in newly entered areas is a challenge, but we see new growth potential.

Additionally, base products have been sold for many years, and it's time to reconsider their current form. Maintaining a certain sales volume is necessary to retain raw material volume discounts, so we must recover to a certain level. We are currently at the bottom, but we see this as a turning point to push back with new possibilities.

Q. What was the change in unit price in Q1 in the U.S.? Did sell-out stagnate despite using rebates?
A. Overall unit price declined. Although the product mix improved due to reduced base product volume, we also used promotional expenses, resulting in a unit price drop of a few percentage points.

Q. You mentioned volume recovery in the second half, but competitors are increasing production and promotions. With new product effects, the market may become more volatile. Can you comment on your current reinforcement measures?
A. By launching new premium products, we aim to increase both sales and profit. We are also closely monitoring consumer needs and future trends. Based on how new products are received, we will consider our next steps.

Q. Mareven, your equity-method affiliate in EMEA, posted core operating profit of 0.1 billion yen, indicating further stagnation after appearing to bottom out. What is the current situation and outlook?
A. We've heard that wheat and palm oil prices are rising in Russia, and price increases have not kept pace. However, sales remain strong, and price negotiations are underway. We will continue to monitor the situation, but we recognize the risk that Mareven may fall short of last year's results.

Q. What are the reasons behind the weak top-line performance in Asia and Europe, and what is the outlook?
A. In Thailand, our main Asian market, we are reviewing our sales structure and sell-in is weak due to inventory adjustments. However, we have no concerns about the full-year plan. In Europe, NISSIN FOODS EUROPE posted lower sales and profits in Q1, mainly due to timing differences in promotions. We expect recovery from Q2 onward.

Domestic Business

Q. NISSIN FOOD PRODUCTS posted lower sales in Q1, partly due to weak performance in April. What is the outlook from Q2 onward? What are your thoughts on product mix and price revisions?
A. Sales in April 2025 were sluggish due to the rebound from new product launches and renewals in March 2024. However, May and June were strong, and July is showing even better momentum. Last year, our strategy was to shift demand from price-conscious products back to regular items. This year, demand for low-priced products is increasing, and we've identified new consumer segments such as seniors. Therefore, we are actively incorporating demand for low-priced products, especially the Assari Series, alongside core products. This strategy is progressing well. Events like Chicken Ramen and Cup Noodles Birthday in Q2–Q3 are expected to shift the momentum. In terms of profitability, the Assari Series uses the same production lines as core products, resulting in high production efficiency. Marketing costs such as TV commercials are also lower,

so the profit margin is not necessarily low. As a result, even if sales of the Assari Series increase, the product mix will not deteriorate significantly. Currently, there are no plans for domestic price revisions.