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Q&A

Date and time: Thursday, March 14, 2024

Part1: The 2024 issue of Logistics Services:

Masahiro Fukai, Director, NISSIN FOOD PRODUCTS Co., Ltd.

Part 2: Initiatives to Utilize Generative AI

Toshihiro Narita, NISSIN FOODS HOLDINGS, Executive Officer and CIO (Chief Information Officer)

Part1: Questions and Answers on Initiatives for Distributions "2024 issue"

Q: Please tell us about the size of distribution costs, which is affected by this initiative, the curtailment of cost increases through alliances with other companies, the impact on results, and the difference from other companies.

A: The percentage of distribution costs is not specific, but is comparable or lower within processed food sector. System investment for regulation and standardize in policy packages, etc. leads to cost increase. On the other hand, while the scale of alliances is still small from the perspective of distribution costs as a whole, cost reductions are expected to be more than 20% for each of the alliance's initiatives. We believe that distribution costs will decline considerably if the load factor is increased. We aim to reduce costs across the entire supply chain by absorbing rising costs through joint delivery and storage through alliances and other means, and by eliminating waste and unevenness through joint delivery and data collaboration with retailers, wholesalers, us, and material manufacturers.

Q: Please tell us about the current percentage of alliances and their medium-to long-term goals, as well as their contributions to the top line as proactive distributions.

A: The percentage of alliances is currently minor. POC is now aimed at standardizing data and mechanisms that vary across industries and industries in line with international standards. Although the company has not set specific medium-to long-term targets, it is currently maintaining highly sustainable supply chains and improving productivity through alliances across multiple industries and industries. We believe that alliances with companies that have significant loads are a win and can be made by us. It is also looking to provide unique value that only we can supply in the future, leading to top-line growth.

Q: Could you elaborate on the risk awareness and response to the revised distributions-related laws?

A: On the contrary, we think the situation is an opportunity, and we consider the content that is expected to be enacted into law to be almost already in place, or we are working on it, and we see it as an opportunity to establish our position as a leader and accelerate reforms through legislation. The company believes that legislation will boost its efforts in production, distribution, and sales in response to logistics crises.

Q: Please tell us about the first-mover benefits and specific benefits of law revisions.

A: It is epoch-making that the concept of shippers and shippers was clarified in the legal system. As shippers, we have the opportunity to sort out complex relationships with retailers and logistics companies that are already in progress. The acceleration of reforms will be a major benefit for us, as the legal system will be required to shorten the waiting time for cargo. We are grateful for the legislation this time to promote the progress of production, distribution, and sales in order to advance the reforms.

Q: Would you tell us about the differences in global logistics issues and the potential for future overseas expansion?

A: At present, the standardization which we are advancing is based on the global standardization, and the business process and data which are standardized as the whole group are being prepared. Although our materials are imported in large quantities, domestic distributions crisis countermeasures have been utilized to visualize data and materialize risks in the global procurement network.

Q: Effects of policy packages and future potatoes on the standardization of data linkage and protocols from retail and wholesale.

A: Awareness has changed greatly due to the policy package, and the attitude to positively tackle the data linkage is observed. You see. Consultations with major retailers are progressing, and we believe that reforms will proceed in the future. In addition to the fact that alliances and joint deliveries are currently taking place overseas, we recognize that various environmentally friendly (kankyo) such as labour environmentally friendly (kankyo) related to logistics are completely different from those in other countries.

Part II: Questions and Answers on Initiatives to Utilize Generated AI

Q: Please tell us about the cost of introducing the generation AI, analyzing the effects, and expanding the effects due to the passage of time.

A: We have decided to start the introduction cost on April 3, 2023. Naturally, we did not set up a budget in advance, and we made a hypothetical assumption in obtaining the budget at the management meeting. The assumption is that a paid chat GPT costs ¥2500 per month per person, which is approximately ¥120 million if ¥30000 per year is used by 4000 employees. While we have reached a deal with management to the greatest extent, we don't actually spend the money so far. The reason is that this initiative is fully in-house and basically not supported by outside vendors and incorporated by themselves. In addition, the pay-as-you-go system is used for Microsoft services. However, the amount of pay-as-you-go is much smaller than originally expected, less than one-tenth the size of the service. In reality, it is about one-fourth of the hypothetical budget, and the effect is expected to be 32000 hours. Similar initiatives are being pursued by prime companies, and we intend to continue to do so without making any major investments in the future. The company-wide average utilization rate is 32%, and it exceeds 50% in the department which is intensively tackled. Within the Group as a whole, we are working on NISSIN FOOD PRODUCTS, the

largest operating company in the Group. We plan to horizontal rollout / Lateral Development these initiatives to NISSIN FOOD PRODUCTS, chilled foods, frozen foods, MYOJO FOODS, NISSIN YORK, and NISSIN CISCO, and by doing so, we aim to achieve a level of over 50% on a company-wide basis.

Q: Please tell us about the marketing/sales benefits of the generated AI.

A: Naturally, we think it is very good that the use of AI will have some kind of positive impact on our top line, but at this point it is not linked up to a clear causal relationship. At this point, the way marketing and sales staff work is still at a stage of change.

Q: Please tell us about the possibility of maintaining the affinity and quality of the generation AI and marketing, and the quality of marketing, which is your company's strength, falling.

A: I am really concerned about such a place, and if this AI were to come out, that's what marketing/sales representatives would use as it is, the strengths of our ideas would be diminished, so I'm talking about how people will respond to what they think is appropriate and where they can only be judged by people, by making the basis AI and refining it. By thoroughly implementing these measures, we aim to ensure that the quality of our output does not decline.

Q: Please tell us about the current situation and prospects of personnel training in data science, the construction stage of the database, and the gathering of SNS data.

A: Company data scientists are responsible for the generation of the prompts we have seen earlier and for the scrutiny of the answer statements we have returned, and we believe that data scientists are very key. In the area of data science, we established the Data Science Office one year ago, and people with a background in this field outside the company have very few personnel with such skills in the data science field. Therefore, in our case, we are promoting human resource development, including the recruitment of new graduates, in order to expand this organization.

The data base covers five major companies: Holdings, NISSIN FOOD PRODUCTS, NISSIN FROZEN FOODS, chilled foods, and MYOJO FOODS. In addition to this, we plan to expand our business in the future to include NISSIN CISCO and NISSIN YORK and KOIKE-YA and BonChi.

We are considering gathering SNS data after organizing internal data.