



NISSIN FOODS Group Medium-Term Business Plan 2021

May 12, 2016

NISSIN FOODS HOLDINGS CO., LTD.
(Stock Code: TSE 2897)

EARTH FOOD CREATOR



NISSIN FOODS Group Philosophy

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- The NISSIN FOODS Group explores various possibilities for food and creates dream-inspiring delicious tastes
- We contribute to society and the earth by gratifying people everywhere with pleasures and delights food can provide

The Spirit of Our Founder

食 足 世 平

“Peace will come to the world when
there is enough food”

食 創 為 世

“Create foods to serve society”

美 健 賢 食

“Eat wisely for beauty and health”

食 為 聖 職

“Food-related jobs are
a sacred profession”

Group Philosophy

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Review of our Previous Medium-Term Business Plan (2016)

- Achieved projections for sales, net income and ROE, but fell short on operating income and ordinary income
- Exceeded projected sales for instant noodle business in China, while newly consolidated Nissin Foods do Brasil Ltda. that has high growth potential in the Americas
- Revised prices in order to offset increased raw material costs, due to the weak yen and fluctuating market prices
- Unable to meet operating income targets due to continued investment in human resources in support of global management and capital investment in support of sustained growth, and delays establishing profitability in Asia
- Achieved net income and ROE targets thanks to agile management initiatives

Looking Ahead to our Current Medium-Term Business Plan (2021)

- Achieving recognition as a global company by fiscal 2021
- Focusing on “earning power through operations” and “value in capital markets” under the medium-term plan
- Investing management resources in the interests of sustained growth, as well as achieving numerical management targets
- Sharing our long-term vision with shareholders and working towards market capitalization of ¥1 trillion in fiscal 2021

Review of Previous Medium-Term Business Plan

Impact on domestic business

- Trends towards weak yen and high stock prices under “Abenomics”
- Increase in consumption tax (April 2014 onwards)
- Consumers increasingly conscious of safety and security
- Growing demand in emerging countries → Soaring raw material prices

Impact on overseas business

- Slowdown of rapid growth in Chinese economy
- Slower than anticipated growth rate across Asian economy
- Currency weakness in emerging countries
- Fall in oil prices

Impact on management platform

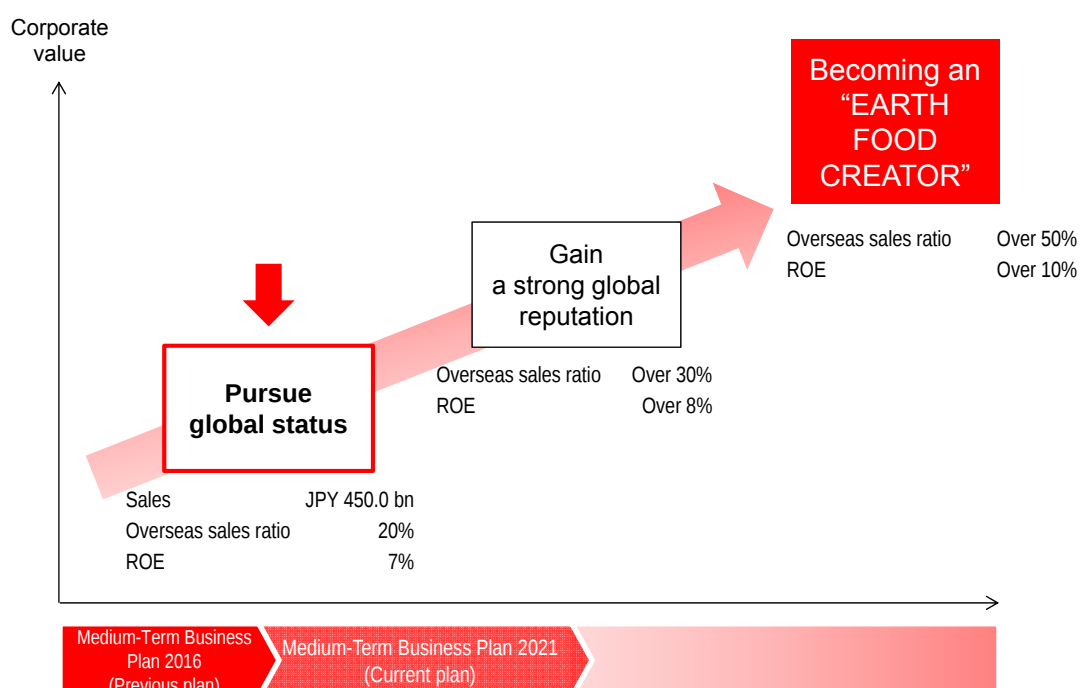
- Introduction of the Japan’s Stewardship Code and the Japan’s Corporate Governance Code



Positioning of Previous Medium-Term Business Plan

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Positioned as a “global evolution phase” on the road to becoming an “EARTH FOOD CREATOR”, marked by active investment in overseas business



We surpassed our sales targets, thanks to results for domestic business significantly exceeding projections, not least in the instant noodle business. In terms of operating income, we had to increase up-front investment in line with changes in the environment, and experienced delays in establishing profitability in Asia. Thanks to agile management initiatives however, we were able to achieve targets for net income and ROE, both of which translate directly into corporate value.

Summary

(JPY bn)	FY 2013	FY2016			
		Plan	Actual	Change	Achieved
Sales	382.8	450.0	468.1	+18.1	✓
(Overseas)	53.5	98.5	100.9	+2.4	✓
Operating income	24.0	31.0	26.4	-4.6	X
Ordinary income	31.0	36.0	30.7	-5.3	X
Net income	18.9	23.0	26.9	+3.9	✓
Operating income margin	6.3%	6.9%	5.6%	-1.3pt	X
Ordinary income margin	8.1%	8.0%	6.6%	-1.4pt	X
ROE	6.4%	7.2%	7.4%	+0.2pt	✓
Investment over three years	-	115.0	124.4	+9.4	-

■ Achieved sales target

- Significantly exceeded projected domestic sales in the instant noodle business
- Set out to almost double overseas sales, and were successful thanks to business growth and the impact of exchange rates

■ Fell short of operating income/margin targets

- Brought forward investment in systems and human resources for our global management platform support structure
- Experienced delays in establishing profitability in areas where we are looking to expand or enter new markets (Asia, Turkey)

■ Achieved net income/ROE targets

- Posted extraordinary income due to consolidation of Brazil biz.
- Purchased treasury stock on a flexible basis to improve management efficiency
- Revised strategic stock holdings

■ Investment/dividend policy

- Engaged in up-front investment in improving safety/security, growth, etc.
- Maintained stable dividends of over 40% on average over three years

Targets for Current Medium-Term Business Plan



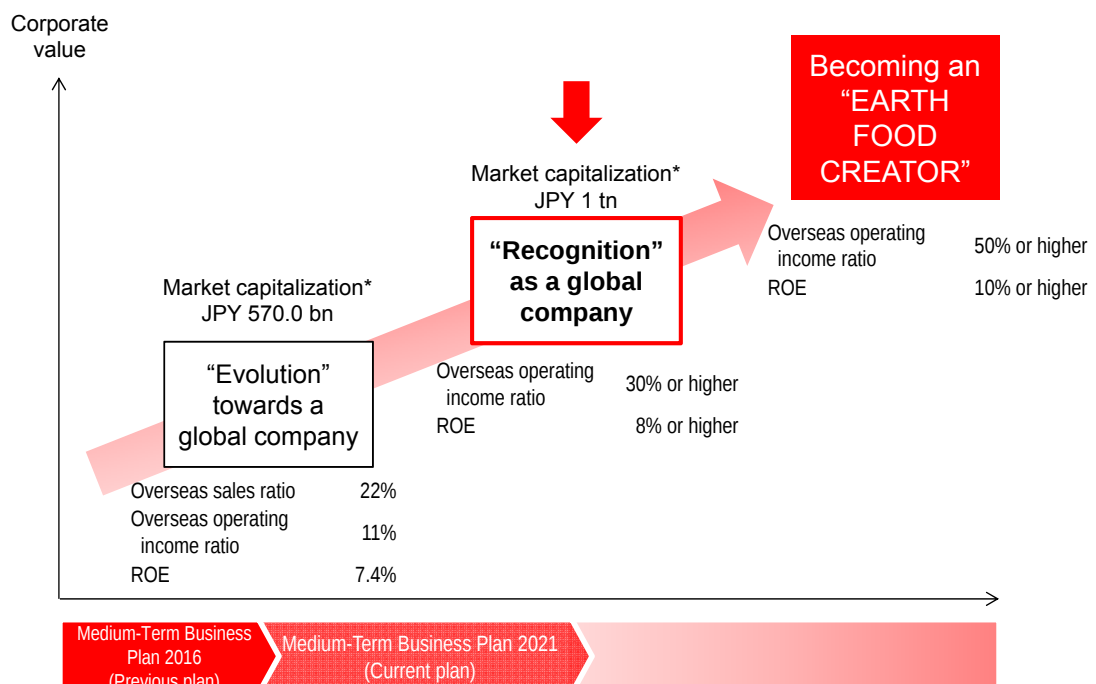
1,000,000,000,000 YEN

We can do it!

Positioning of Current Medium-Term Business Plan

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Shift towards “profitability” from the current medium-term plan onwards



Focusing on “Earning power through operations” and target to achieve 40.0 billion yen in Adjusted Operating Income

		FY2016		FY2021					
Earning power through operations	Sales	JPY 468.1 bn		600.0 bn					
	Adjusted Operating Income*1	JPY 24.7 bn		40.0 bn					
	Adjusted Operating Income Margin	5.3 %		6.7 %					
	Overseas portion of Adjusted Operating Income	11 %		30% or higher					
Businesses in Japan		Businesses (Areas) in Overseas							
(JPY bn)		FY2016	FY2021		(JPY bn)		FY2016	FY2021	
			Plan	Change				Plan	Change
Instant Noodles	Sales	265.2	297.6	+32.4	The Americas	Sales	48.3	80.8	+32.5
	OP	25.3	29.5	+4.2		OP	1.1	6.4	+5.3
	OPM	9.6%	9.9%	+0.3pt		OPM	2.2%	7.9%	+5.7pt
Chilled and Frozen Foods, Confectionery and drinks	Sales	98.4	132.3	+33.9	China incl. H.K.	Sales	40.9	53.7	+12.8
	OP	2.0	5.2	+3.2		OP	4.1	5.1	+1.0
	OPM	2.0%	3.9%	+1.9pt		OPM	10.1%	9.5%	-0.6pt
					Asia	Sales	7.2	24.1	+16.9
						OP	(2.0)	0.5	+2.5
						OPM	(27.9%)	2.2%	+30.1pt
					EMEA	Sales	4.6	8.3	+3.7
						OP	(0.4)	0.8	+1.2
						OPM	(8.0%)	9.4%	+17.4pt

The difference between the sum of the figures of each segment and the consolidated figure includes sales and OP at the holding company and other subsidiaries in Japan, etc.

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*1 Adjusted operating income = Operating income – Impact of retirement benefit accounting

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Capital and Business Investment (Policy on M&A)

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To achieve market capitalization of JPY 1 trillion in fiscal 2021, engaging in investment for sustained growth from fiscal 2022 onwards throughout the medium-term plan

Capital investment

Anticipating investment of approx.
JPY 150 billion over five years

- Domestic
 - Investment aimed at saving labor and strengthening safety/security management in the instant noodle business, in the interests of sustained growth, etc.
- Overseas
 - Investment in strengthening production systems in promising growth areas
- General
 - Investment in improvements/upgrades

Business investment (M&A)

Anticipating investment of approx.
JPY 100 billion over five years

		Overseas	
		Advanced markets (Europe, U.S., Hong Kong, Singapore)	Emerging markets (Mainly BRICs)
Instant noodles	Domestic	Projects likely to enhance value, revolving around brands	
	Other products	Projects to strengthen competitiveness, revolving around confectionery	Projects likely to generate synergy with instant noodle business (Confectionery, soups, cereals, etc.)
		Locations with technology that can be rolled out globally	

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Setting out KPI based on “earning power through operations” and “value in capital markets” (market capitalization), as requirements for “recognition as a global company”

		FY2016	FY2021	
		Results Japanese accounting standards	Reference Japanese accounting standards	Targets IFRS standards
Earning power through operations	Net sales	JPY 468.1 bn	JPY 600.0 bn	550.0 bn
	Adjusted operating income*1	JPY 24.7 bn	JPY 40.0 bn	47.5 bn
Value in capital markets	Market capitalization*2	JPY 570.0 bn		1 tn
	Net income*3	JPY 26.9 bn		33.0 bn
	ROE	7.4 %		8% or higher
	Adjusted EPS*4	JPY 196	CAGR 10% or higher	JPY 330
		Payout ratio: 40% or higher on the average for the five-year period		

*1 Adjusted operating income = Operating income – Impact of retirement benefit accounting

*2 Market capitalization = Share price × Issued shares at end of year (after deduction of treasury shares)

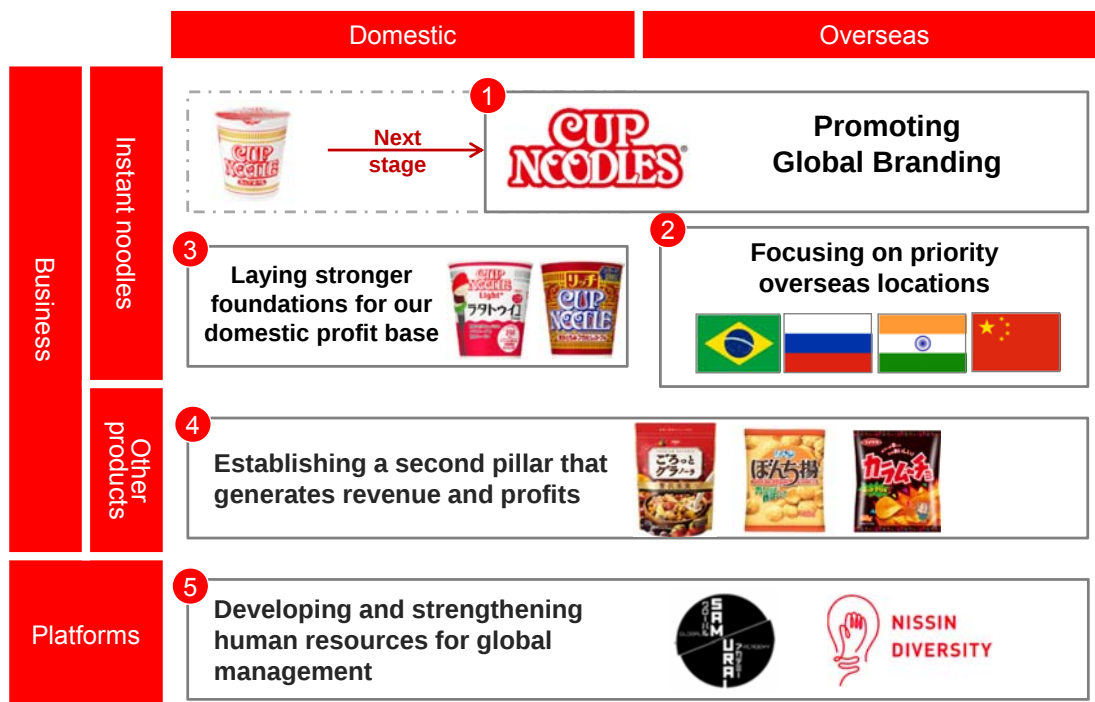
*3 “Net income attributable to owners of parent” under Japanese accounting standards, “profit attributable to owners of the parent” under IFRS standards

*4 Adjusted EPS = Adjusted NOPAT*5 ÷ Average issued shares for the period (after deduction of treasury shares)

*5 Adjusted NOPAT = Adjusted operating income + Equity method gains or losses + Amortization of goodwill (including equity method companies) – Net income attributable to non-controlling interests

Strategy to Achieve Targets

Focusing on five key themes in pursuit of business profitability



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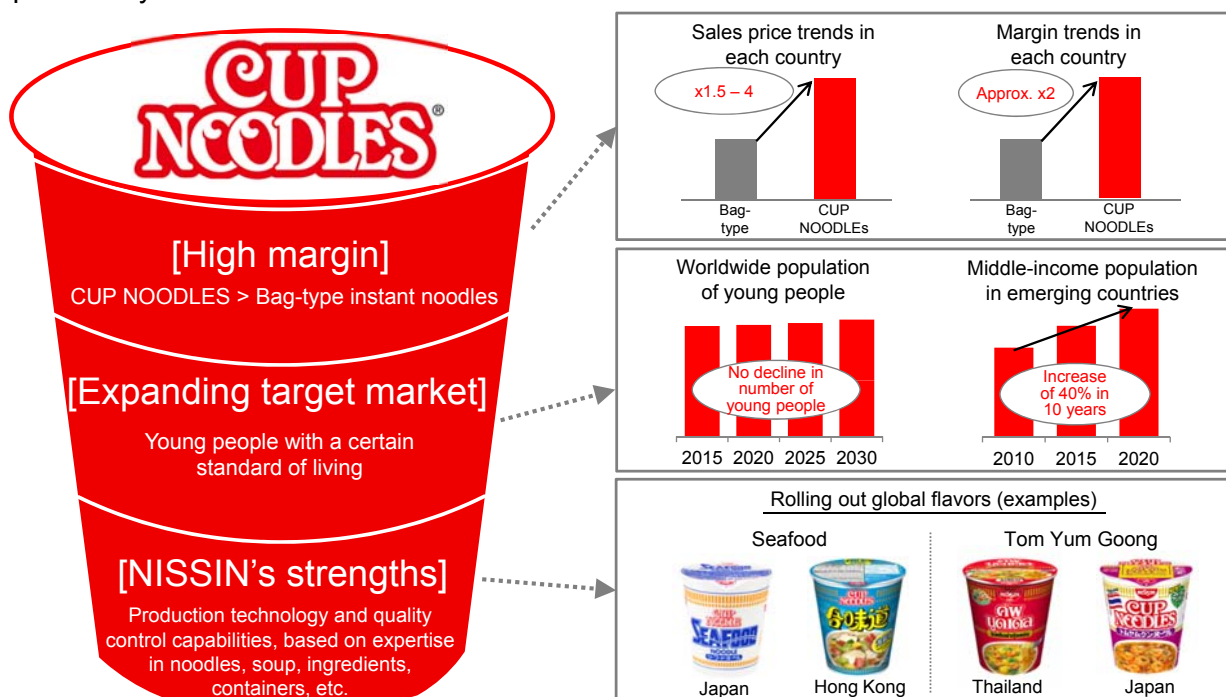


Strategic Theme 1

Promoting Global Branding > Globalize CUP NOODLES

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Actively rolling out CUP NOODLES, as a high value-added product that makes the most of our strengths, to young people with a certain standard of living, in order to improve overseas profitability



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Approaching clearly defined target markets with initiatives including design, flavor and promotion with the aim of expanding more efficiently and effectively, and increasing overseas CUP NOODLES sales (units) by 50%

Overseas CUP NOODLES sales (units) in FY2021: **up 50%**

(Compared to FY2016)



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As markets continue to grow in scale and standards of living continue to improve, we have earmarked BRICs as priority locations where we expect to achieve growth by harnessing NISSIN's strengths in each area.

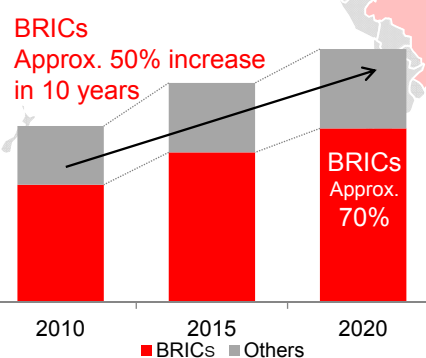
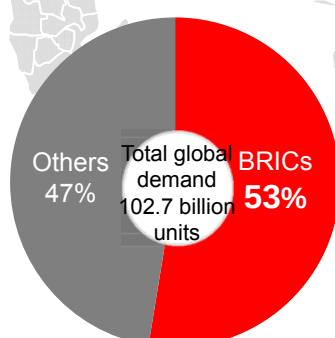
Income*1 to be generated in the priority overseas locations accounts for: (in income from overseas business)

Approx. 70% in FY2021



Total demand for instant noodles (unit basis)*2

Middle-income population in emerging countries*3

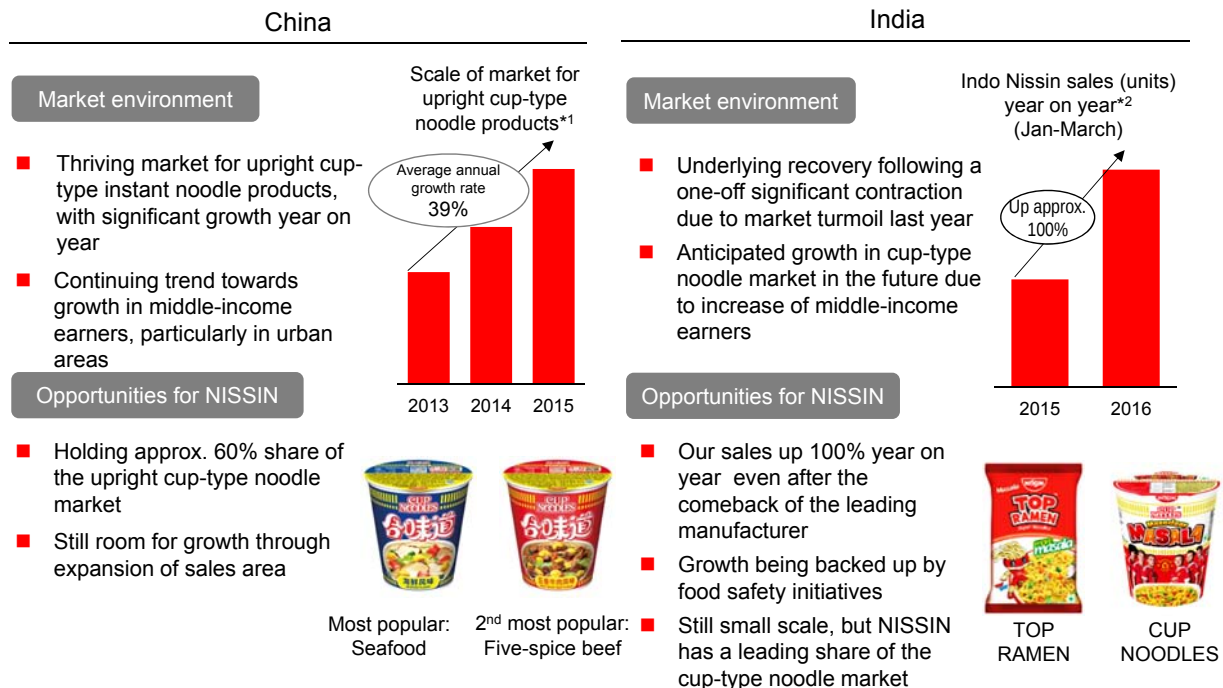


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*1 Income = Operating income + Equity method income *2 Source: WINA/2014
*3 Source: NISSIN estimates based on data from various sources

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- ✓ **China:** Making the most of our leading share of the growing market for upright cup-type noodle products to expand our sales area
- ✓ **India:** Stepping up promotion of CUP NOODLES to rapidly growing population of middle-income earners, as well as tapping into growth in bag-type instant noodle products

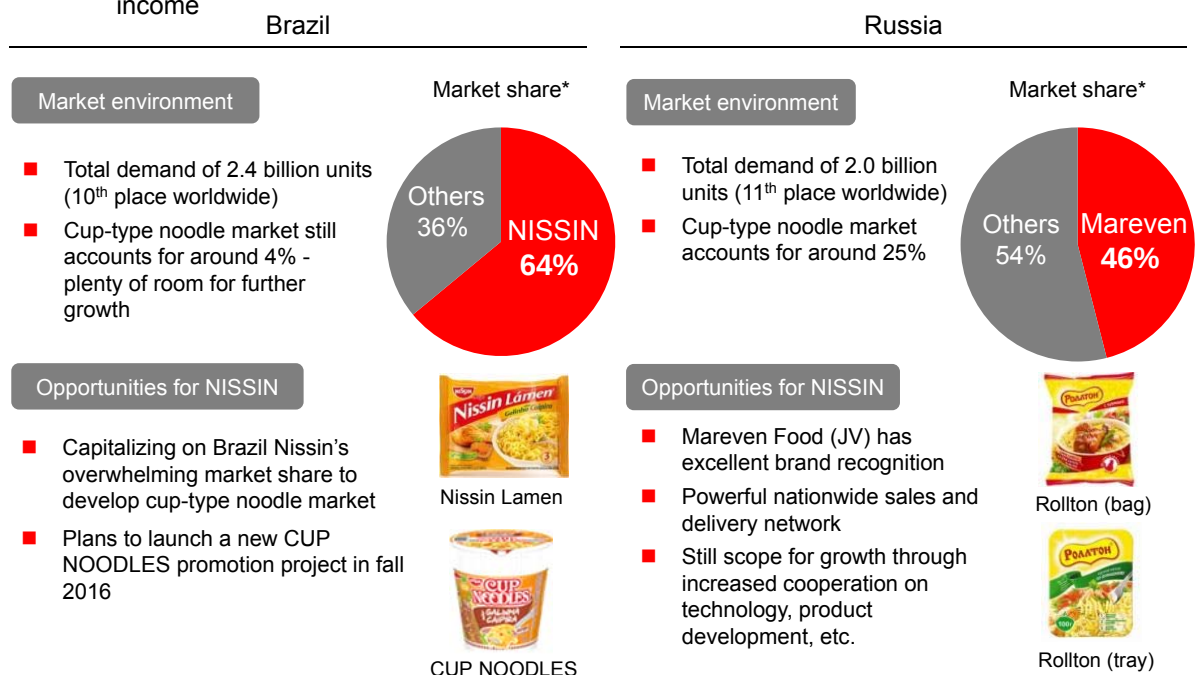


EARTH FOOD CREATOR *1 Source: Nielsen 2015 *2 Source: Internal data



Establishing strong foundations as market leader in both Brazil and Russia

- ✓ **Brazil:** Building on strong foundations to reinforce CUP NOODLES and establish a base of operations for expansion into South America
- ✓ **Russia:** Strengthening support structure in order to secure an even greater market share and increase income



EARTH FOOD CREATOR *Source: Nielsen 2015



Developing the domestic instant noodle market further, investing in sophisticating plants to improve food safety and production efficiency, and achieving stable profit over the long term

Operating income from domestic instant noodle business

JPY 25.3 bn
(FY2016 Actual)



JPY 29.5 bn
(FY2021 Plan)

Develop the domestic instant noodle market further

Product proposals/communication aimed at specific target market

- Encouraging the “next generation”
Successful communication with young generation: trend towards more experience of and interest in eating noodles amongst target market



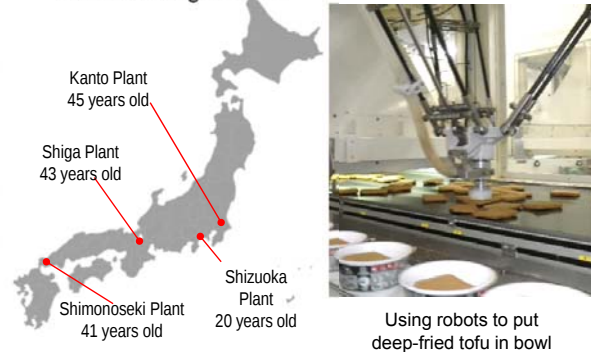
- Encouraging female consumers
- Tapping active seniors



Investing in sophisticating plants

Rebuilding aging facilities, with an eye to restructuring domestic plants

- Further improving food safety and security
- Cutting costs by saving labor, conserving energy and manufacturing in-house



Creating a “Century Brand Company”

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As well as growing brands organically, we intend to strengthen cooperation to achieve greater synergy, expand overseas operations and make the most of M&A, with the aim of increasing sales to JPY 100.0 billion, including partners.

NISSIN 日清シスコ
NISSIN CISCO

No.1 best selling cornflakes (unit base)

Rapidly growing major brand

Brand with over 50 years history

ほんち Bonchi

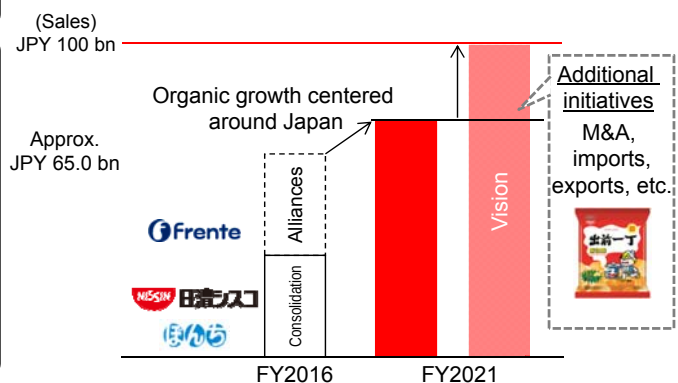
Brand with over 50 years history

Frente

No.1 for spicy flavors

No. 1 for sour flavors

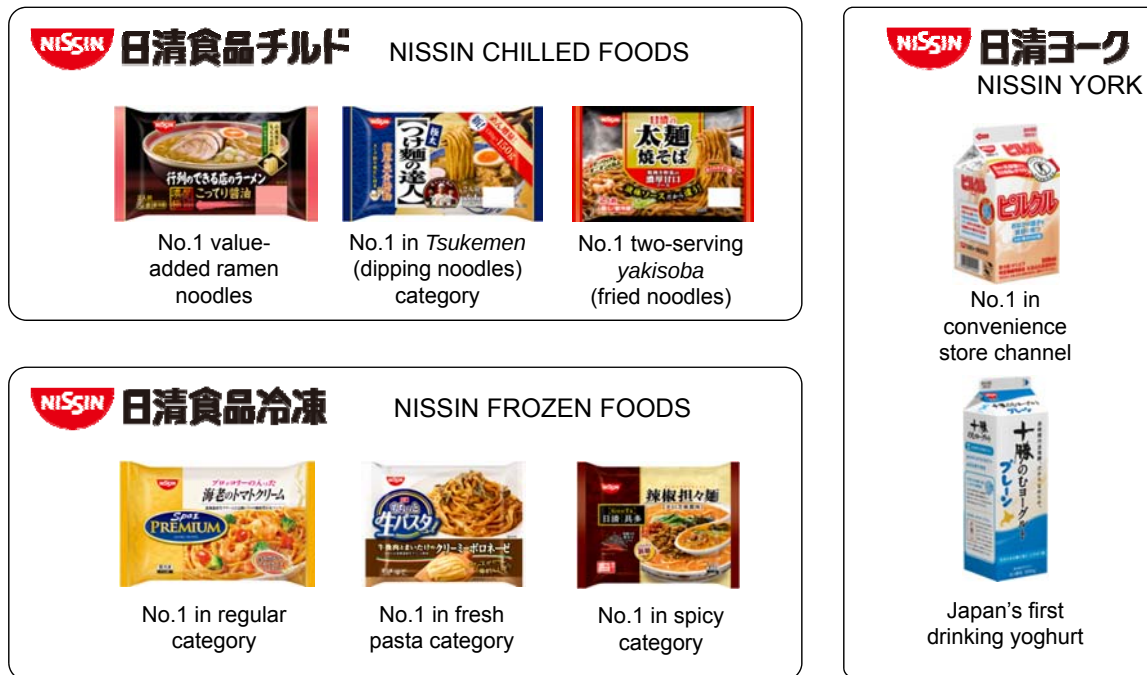
- Stepping up cooperation between three existing companies
 - Appointing outside executives to oversee the confectionery business
 - Promoting groupwide cooperation on sales, marketing, procurement, etc.
- Launching overseas expansion initiatives
 - Building on NISSIN's overseas business foundations to expand confectionery operations
 - Strengthening import and export business
- Making the most of M&A to expand strong brands even further



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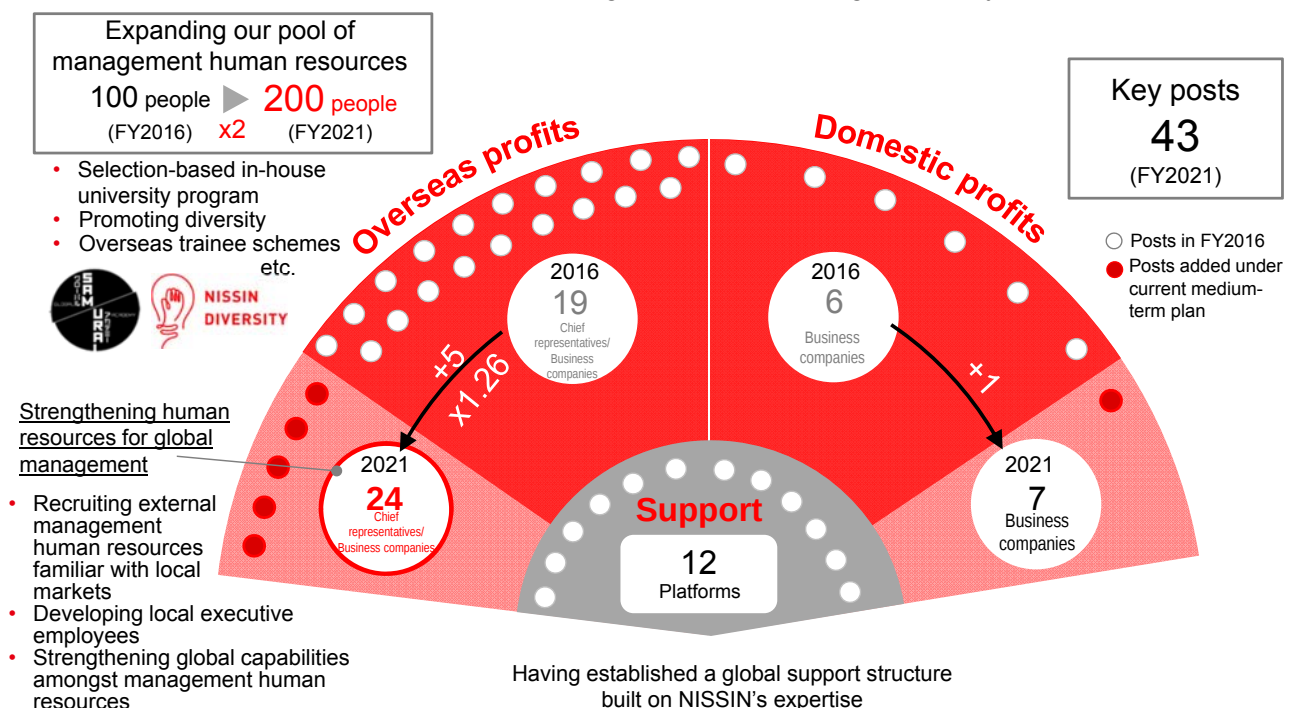
Building on efforts to establish brands throughout the previous medium-term period in order to increase profit growth domestically



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Having established a platform-based support structure, we intend to increase management human resources and accelerate global management in the future, based on both human resource development measures within the group and recruiting externally.



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We are determined to contribute to the world and its people by creating food, as an “EARTH FOOD CREATOR.”

We go about our work in a Creative and Unique manner every day, and provide enjoyment of food for a Global audience, in order to make people all over the world Happy.



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APPENDIX

Previous Medium-Term Plan: Numerical Targets: Domestic

Although positive trends have continued across all businesses, particularly the instant noodle business thanks to superior product and brand capabilities, we fell short of our operating income target due to increased spending on group growth and up-front investment in sustained growth

Summary

(JPY bn)		FY 2013	FY2016			
			Plan	Actual	Change	Achieved
Instant noodles	Sales	240.2	252.0	265.2	+13.2	✓
	OP	25.5	27.2	25.3	-1.9	X
	OPM	10.6%	10.8%	9.6%	-1.2pt	X
Chilled & frozen Confectionery drinks (Restaurant)	Sales	86.6	98.0	98.4	+0.4	✓
	OP	1.4	3.3	2.0	-1.3	X
	OPM	1.4%	3.4%	2.0%	-1.4pt	X

- NISSIN FOODS: Record high sales (FY2016)
- Soared raw material prices due to weak yen and high market prices
→ Offset by price revisions
- Selected and concentrated businesses (transferred restaurant business (AJI-NO-MINGEI))
- Increased investment in growth markets
 - Confectionery: Invested in Goro-Gra advertising and increased production
 - Frozen foods: Investing in increased pasta production in line with continued sales growth
- Investment in sustainable management
 - Invested in safety/security and optimized production
 - Built food research facility (“the WAVE”)
 - Restructured domestic instant noodle plants (MYOJO FOODS: Saitama Plant)
- Increased investment and spent on group growth
 - Brought forward investment in ERP systems
 - HD expenses and personnel costs in line with expanding platforms

Despite the achievement of targets in China and Hong Kong a year ahead of schedule, we fell short of overall operating income targets as a result of delays in establishing profitability in areas reliant on expanding the scale of our operations or entering new markets (other Asian countries, Turkey).

Summary

(JPY bn)		FY 2013	FY2016			
			Plan	Actual	Change	Achieved
The Americas	Sales	25.9	37.8	48.3	+10.5	✓
	OP	0.2	0.8	1.1	+0.3	✓
	OPM	0.9%	2.1%	2.2%	+0.1pt	✓
China incl. H.K.	Sales	20.8	32.2	40.9	+8.7	✓
	OP	1.8	2.7	4.1	+1.4	✓
	OPM	8.8%	8.5%	10.1%	+1.6pt	✓
Asia	Sales	4.0	18.0	7.2	-10.8	X
	OP	-0.5	0.1	-2.0	-2.1	X
	OPM	(11.3%)	0.6%	(27.9%)	-28.5%	X
EMEA	Sales	2.7	10.5	4.6	-5.9	X
	OP	0.2	1.0	-0.4	-1.4	X
	OPM	7.2%	9.5%	(8.0%)	-17.5%	X

- The Americas: Consolidation of Brazil/increased sales costs in the US
 - Brazil: Acquired JV with dominant position in the market as a wholly-owned subsidiary (six-month contribution to FY2016 results)
 - USA: Increased spending on marketing in line with intensifying competition
- China/Hong Kong: Increased sales and income beyond plans thanks to success with CUP NOODLES and expansion of market area
 - Expanded sales targeting white collar workers and students in 60 cities with populations over 3 million
- Asia: Miscalculated speed of growth and country risks
 - Currently reviewing follower strategy due to over-optimism regarding losing market share amidst competition for dominance
- EMEA: Established stable management foundations in Europe, but experiencing delays in developing the instant noodle market in Turkey
 - Despite efforts to create a market in Turkey, the speed of growth remains insufficient in terms of return on investment

Major Exchange Rates Forming the Basis of Plan

Currency	Local exchange rate (yen)	
	FY2016	FY2021
US dollar	120.14	112.68
Brazilian real	30.60	28.00
Chinese yuan	18.85	17.39
Hong Kong dollar	15.49	14.53
Euro	134.31	131.77

Domestic Business	Overseas Business
■ Instant noodles (NISSIN FOOD PRODUCTS) - Targeting new markets and strengthening brand capabilities, with the aim of creating brands to last 100 years - Capital investment aimed at saving labor, improving safety/security and cutting costs - MYOJO FOODS - Growing core brands and developing new brands ■ Chilled and frozen foods - Building on technical and brand capabilities to expand high value-added products and increase margins ■ Confectionery and drinks - Developing confectionery business into a second pillar that generates revenue and profit - Continuing to grow Goro-Gra and expanding lactobacillus drinks in the healthcare market	■ The Americas - Achieve substantial growth in Brazil, capitalizing on cup-type instant noodle growth - Strengthen product sales and brands based on an awareness of diversifying food needs in the U.S. ■ China/Hong Kong - Maintain overwhelming leading share of the growing premium market - Optimize balance of investment between expanding market area and increase capacity ■ Asia - Target high income earners, revolving around CUP NOODLES - Collaborate with Mitsubishi Corporation - Tailor strategies to suit individual countries ■ EMEA - Transition from stable profit base to revenue and profit growth phase in Europe
■ Management platform - Improving quality of global management human resources - Shifting towards management based on pursuit of profit	

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Note: The fiscal term on this material indicate as follows:
FY2015: from April 1, 2014 to March 31, 2015
FY2016: from April 1, 2015 to March 31, 2016
FY2021: from April 1, 2020 to March 31, 2021



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The Company's plans, projections of results and strategies included in this document are forward-looking statements that reflect management's judgment based on information available at the time of their release. The Company cautions that intensification of price competition in the market, changes in the economic trends in the business environment, significant fluctuations in valuation in capital markets and various other risks and uncertainties may cause these forward-looking statements to differ from actual results.

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