

**Q&A Session in the Financial Results Briefing
for the First Half of the Fiscal Year Ended March 31, 2019**

[Time & Date] 13:30 to 15:00, Friday, November 9, 2018

[Respondents]

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, CFO and Managing Executive Officer

Yoshinori Miura, Managing Executive Officer in charge of Japan Business and Chairperson & Representative Director of NISSIN FOOD PRODUCTS CO., LTD

Shinji Honda, Managing Executive Officer and CSO

Q: Operating profit for this fiscal year is planned to be 36 billion yen. To achieve the fiscal 2021 target of 47.5 billion yen, an increase of about 10 billion yen is needed. I would like to know your measures for achieving this target.

A: The operating profit target of 47.5 billion yen includes M&A of 3 billion yen. We have been considering a lot of things for M&A.

We think that you are most concerned about NISSIN's situation in the U.S. This fiscal year, NISSIN FOODS (U.S.A.) was in the red in the first and second quarters, but the deficit became smaller in the second quarter than in the first quarter. We are now in the process of raising prices, so the situation will improve in the third quarter. To eliminate the deficit in the fourth quarter, we are taking urgent measures, including implementing the price rise we are carrying out right now, and rationalization.

Other than the U.S., we believe that Brazil will contribute to profit. The company in China was listed in the Hong Kong market, so we believe it will enter a growth period. We thought that the business in Asia was in the period of initial investment, but some areas that were in the red have moved into the black. The business in Thailand also went into the black, and India will do so as well going forward. The business in the Philippines is also doing well. It may take a bit more time in Indonesia. In EU, sales of "Soba" and "CUP NOODLES" are growing steadily, so they are expected to contribute to profit in the future.

Our target groups are responding to high value-added products as global brands, so expanding these will be our core driver. We will not sell discounted products but high value-added products and highly profitable products to contribute to revenue.

Businesses in Japan are very steady. Overseas businesses were somewhat slow in

some areas, but it started to pick up.

Q: In the Medium-Term Business Plan 2021, you showed strong motivation to become a company with a market value of 1 trillion yen, the figure obtained by multiplying EPS of 330 yen by PER, but I think operating profit would be difficult to achieve. To achieve EPS, it is necessary to grow the business, but I think that EPS won't be achieved without enhancing the capital policy, namely increasing shareholder returns. Could you tell me your view on this point?

A: EPS of 330 yen is the basis. The issue of capital policy depends on the stage, so we cannot mention it now. We believe it is important to do what we need to do in the next two and a half years and thereby accumulate profits. There are some uncertainties over M&A, but we are considering it positively.

Q: As for the Medium-Term Business Plan 2021, even if you achieve one-time profit in order to increase operating profit from 36 billion yen to 47.5 billion yen, it won't be appreciated. Can you achieve it through measures like streamlining the cost structure? I'd like to know about this.

A: Since we became a holding company, we have discovered many matters that can be more efficient and labor-saving in each company. We are not thinking of achieving the target by bringing profit from somewhere else. There are also synergy effects. We are working on rationalization by consolidating the group with the help of SAP, etc., but it is still not progressing well.

Streamlining is also necessary. Some companies fail in work-style reform, but our company has corporate strength. We are focusing on carrying out tasks that are highly productive per hour and are advancing the use of robots and increasing administration efficiency by introducing RPA. We are striving to create synergies through measures such as reviewing the structures between businesses.

Q: Regarding M&A, what are you thinking of as your targets?

A: The purpose of M&A is to create synergies. For example, we invested in Premier Foods plc., and the company is making efforts to sell our product "Soba". They are saying that they will sell "CUP NOODLES" too. We receive orders for the OEM products, "Batchelors Super Noodle Pots", which sold 30 million servings instantly. This is one of the targets. We are also good at channel sales and marketing, so distribution connecting retailers is an option. We believe that there are a wide range of considerations.

Q: In the first half, increased costs including the costs of distribution and raw materials took almost all the profit from increased revenue. To overcome this situation, could you tell me how you are going to increase operating profit?

A: In terms of the rise in distribution costs and raw material costs, we will respond by revising prices. Domestically, the rise in distribution costs is being controlled at present, but overseas the rise in distribution and raw material costs is impacting profits. Therefore, we revise prices in the U.S., Brazil, Mexico and other countries in order to improve profits.

In addition, in markets such as Asia and Brazil, sales of high value-added products have begun rising recently, so we feel that they will contribute to profits in order to achieve the Medium-Term Business Plan 2021. In the U.S., we believe that it is important to release value-added products, but the key to recover profit is achieving the penetration of prices.

Q: The consumption tax rise will occur in October next year in Japan. What opportunities do you think the rise will provide to your company, and what efforts are you implementing toward the rise?

A: Products in our industry are subject to a reduced tax rate, while the fast food products of our competitors are subject to the tax rise. We therefore think that we will have a chance in that sense.

When the tax rose three years ago, we increased sales while raising prices. As a result, overall demand also rose in Japan. We think this was because our products were more reasonable than eating out or fast foods and were much talked about due to our marketing.

Q: The deterioration in the U.S. appears to be having a greater impact on your company than on the other company. Under the new management system, what issues do you have in terms of improving the business in the U.S., and could you also tell me about your strategy other than the price rise?

A: In the U.S., price competitions and discount battles are taking place, and we think it is very difficult to make profits in such an environment. We are therefore developing one-dollar products and selling higher value-added products such as “*NISSIN RAOH*,” bag-type instant noodle products for two dollars, which have begun selling well. This has made us think that we should shift to high value-added products. Michael Price, our new CEO, is also thinking the same way.

In the U.S., a pack of five bag-type instant noodle products costs one dollar and a pack of three cup-type instant noodle products costs one dollar. Under such circumstances, instant noodle products are now cheaper than bread for the meals. This is important in terms of supporting food, but for managing a company, making profits is important. There are consumers who want high value-added products like in Japan, so we will shift in this direction.

Q: As for Brazil, the top line grows, but I don't think it has contributed much to profit until now. Will Brazil grow as a driver for profit from the next fiscal year? Please explain what will be different from the way it has been up until now.

A : Basically, we believe that we need to revitalize products with high profit margins such as "CUP NOODLES" and "Nissin Lamén".

In terms of brand communication, we began Japanese-style marketing in Brazil this spring. We implemented social media marketing, which we are good at, and a commercial and online campaign that was designed to create a buzz among mainly young people, which have become hits. The commercial was replayed online about 10 million times, and people are saying that the recent NISSIN commercial is funny. Bag-type instant noodle products already had a broad range of users, but when the commercial – which had the potential to cause controversy – was aired on TV, it fired up the interest of users, including inactive users, and sales grew at a high single-digit rate. Cup-type instant noodle products grew significantly, at a double-digit rate. Revitalizing profit-generating products through communication is our best driver, with which we actually have the feeling that sales will grow. However, this fiscal year costs are expected to increase more than planned in the second half, and especially the costs of wheat, palm oil, and packaging materials as well as fuel costs will raise transport costs, and we therefore began an unplanned price rise this month. This rise appears to be going well, so we believe that we will be able to achieve our plan this fiscal year.

Q: Could you tell me how much the composition of Brazil's cup-type instant noodle products has changed since immediately after the acquisition?

A: Before the acquisition, it was around 3% in terms of amount, but it has grown to over 7%.

In Brazil, bag-type instant noodle products are generating more profits than "CUP NOODLES". We therefore have plans to steadily grow the bag type as well. Accordingly, the composition of the cup-type instant noodle products won't go up that much.

“CUP NOODLES” are generating profits, but are still in the middle of growing. In order to attract new consumers, we will spend a lot on marketing. To raise the base of sales of bag-type instant noodle products to fund the marketing cost, we began to air a commercial on the bag-type instant noodle products this spring. We are working to grow the sales of bag-type instant noodle products and increase the volume of the cup-type instant noodle products.

Q: As for Asia, double-digit growth is planned under the Medium-Term Business Plan 2021, and in the first half of this fiscal year revenue rose by real 8%. Profit also rose by 800 million yen in the first half, but this includes gain on investments accounted for using the equity method and gain on sales of plants. When will you be able to draw a picture of more improved sales and profit margin?

A: We believe that NISSIN FOODS Group’s overseas business is somewhat unique. Firstly, regarding affiliates accounted for using the equity method, particularly in the case of the Philippines, our stake is 49% while URC’s is 51%. So taking the same approach as for Premier Foods, we are selling “CUP NOODLES” utilizing URC’s distribution network. All the overhead costs are underwritten by URC, so this business structure generates a very high profit margin. We believe that these affiliates are one of the extremely important overseas businesses for our Group.

As for our company, the management team in India is changing dramatically. They started setting goals toward the direction in which they are heading based on their strategy, and clearly show the path to the goals. The business is indeed in the red, but our system is improving enough to speed up the process significantly in order to turn positive.

The NISSIN FOODS Group is highly unique, so although it is applied to our overseas business overall, we believe that we will be able to go a bit further with efforts that differ from those of our competitors.

Q: Another company continued to achieve double-digit growth in emerging countries, but they are saying that they will change their plan to reduce the growth rate to 5% given the effects of digitalization. In the case of your company, however, even in volume terms “CUP NOODLES” can grow 7-8%, so is it correct to understand that you can aim for double-digit growth with inflation included?

A: We are not certain what the other company has said, but as for the relationship between cup-type and bag-type instant noodle products, as we explained before, when per-capita GDP reaches 8,000 dollars, consumers change from the bag-type

instant noodle products to the cup-type instant noodles products. So the situation is getting closer to the one we are good at. The speed of change varies from country to country, and China took 20 years to reach the current position. India will reach it before too long, and Brazil has already begun to reach the position. The concept that advanced digitalization will decrease the growth rate does not necessarily fit our instant noodles.

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