

August 2019

**Q&A Session at the Financial Results Briefing
for the First Three Months for the Fiscal year Ended March 31, 2020**

[Time & Date] 17:30 to 18:30, Wednesday, August 7, 2019

[Respondent] Yukio Yokoyama, Director, CFO and Managing Executive Officer

Q: Regarding your comment that overall results were in line with expectations, should we be aware that overseas businesses showed better-than-expected performance, while domestic businesses fell slightly short of projections?

A: We feel that overseas businesses narrowly surpassed projections. For domestic businesses, the instant noodle business was almost in line with projections, but other businesses were slightly weak.

Q: With price hikes steadily being implemented in the domestic noodle business, are you confident that both NISSIN FOOD PRODUCTS and MYOJO FOODS will achieve an increase in profits in the second quarter and beyond?

A: We have successfully raised prices as intended since June and feel that sales were good in July. However, it is too early to make conclusive comments because a variety of factors, such as seasonality, should be considered.

Q: NISSIN FOOD PRODUCTS appears to have experienced a slightly sharper decline in profits. Is this attributable to an increase in depreciation and amortization at the Kansai Plant?

A: As you mentioned, there was an increase in depreciation and amortization, which is unavoidable when commencing the operation of a new factory. Therefore, such an increase can be considered in line with projections.

Q: Regarding the domestic instant noodle business, you explained that sales volumes are expected to remain flat after price revisions. Have you received any feedback? Am I correct in understanding that there was no negative impact in terms of quantity? Also, please describe if there was the temporary demand in May and how long you expect it to be before revised prices are fully reflected in market prices.

A: We project that sales volume will be flat on a full-year basis. Regarding the results in June, sales declined approximately 20%, because we refrained from offering discounts, prioritizing the establishment of new prices. The results were in line with the initial projection. When new prices are established to some extent, we will be able to move forward aggressively with initiatives, such as a sales promotion with new sales prices, which will also make up for a decline in sales in terms of quantity. There was no significant temporary demand in May. We expect that it will be at least three months before the price revision is reflected on a retail level.

Q: Please describe your thoughts on the low targets you set for August and September compared to last year in consideration of the disasters that occurred, such as heavy rain in August and the Hokkaido earthquake in September.

A: Last year, we celebrated the 60th anniversary of “CHICKEN RAMEN” since its launch. Taking this into consideration, we do not consider the targets to be low compared to previous year.

Q: Regarding the characteristics of overseas business in the first quarter, a large portion of the increase in sales appears to be contributing to profits. Was this due to a company-wide aim to control profit generation or was it attributable to profits equivalent to increases in sales that were incidentally recorded in the Americas, China and Asia?

A: How to increase profits is the most important consideration. For example, in the “CUP NOODLE” product line, the effective promotion of high value-added products is important. In Thailand, the business has become profitable, reflecting solid sales of 10-Bhat products.

Q: The Americas are generating profits, reflecting significant improvements in profitability. Please describe the breakdown of the 1.7 billion-yen improvement by country. What is your take on the control of logistics costs that appears to be effective in the United States? How do you evaluate the Americas’ first quarter results compared to the full-year projection?

A: The United States accounts for two thirds of the 1.7 billion-yen increase in operating profit and the rest is from Brazil. Operating profit decreased in Mexico, but the amount is negligible due to a small sales volume.

The United States recorded better-than-projected results. Profit levels are not usually so high in the first quarter in the United States. Taking this into account, price hikes and a

rise in sales of premium products were favorable. Logistics cost reductions in the United States are progressing.

Q: You have said that the recovery of business performance in the United States is progressing. However, I am under the impression that actual profits are zero in general. Is it difficult to achieve one-level higher profitability within this fiscal year?

A: Recently, operating profit has turned slightly positive. According to the plan for this fiscal year, profits are expected to be positive on a full-year basis. Profit levels were low in the first and second quarters and are expected to improve in the third and fourth quarters. Even so, we cannot afford to be optimistic. Building a profit structure with one-level higher profitability, going forward, largely depends on the growth of premium products.

Q: Please describe the extent of price increases in the United States amid improvements in profitability since the fourth quarter of fiscal 2018. Am I correct in assuming that this favorable performance will continue?

A: We successfully raised prices from January to April 2019, although it took longer for stores in the dollar and club channels to implement price increases. Efforts began to produce effects. Starting from April 2019, some stores in the grocery channel that implemented price hikes in July 2018 successfully raised prices for the second time. I visited stores in the United States and found that the increased prices were reasonable.

Q: Please describe the growth of sales of one-dollar products in the United States. I heard that your competitors acquired new trade partners. Does this acquisition pose the risk of a sharp drop in sales in the second quarter and beyond?

A: The ratio of premium products to all products has been increasing steadily. In contrast, the ratio of base products (“*TOP RAMEN*” and “*CUP NOODLES*”) has been falling slightly. The composition ratio of the premium product line to sales, which accounted for less than 30% last year, has exceeded 30%, overtaking “*CUP NOODLES*”. The trend is expected to continue in the second quarter and beyond. Because we have been focusing efforts on measures to increase premium products, we do not pay a lot of attention to the possibility of competitors entering the market or a related negative impact on profits.

Q: Can you confirm whether or not you assumed that raw material costs would fluctuate negatively compared to the previous year in the current fiscal year's business plan for the United States? You have said that Brazil recorded increased profits in the first quarter, even excluding tax returns. Please describe the impact of such tax refund.

A: Raw material costs are expected to remain flat on a full-year basis. With a tax return of approximately 200 million yen, Brazil achieved positive profitability, even excluding taxes.

Q: Please describe if the apparently significant increases in unit prices in Brazil are attributable only to the impact of price revisions implemented last year. Also, please describe if the ratio of "CUP NOODLES" has been rising.

A: Price revisions had the most significant impact overall. The sales volume of "CUP NOODLES" has been increasing sharply. It increased 4% in terms of the ratio to total sales and 40% in terms of year-on-year growth.

Q: Please describe how sales volume grew with respect to NISSIN FOOD PRODUCTS, the United States, Mexico, Brazil, Hong Kong and China. Also, please describe future trends in those respective markets.

A: A slight decline was recorded in the United States. Mexico and Brazil grew by slightly high single digits of 10%. Hong Kong showed a slight decrease, while China grew at a rate similar to Brazil and Mexico. Regarding future trends, we assume that sales volume in the United States will maintain this trend and decline year on year, because we will pursue quality rather than quantity. Mexico will remain on its current trend, while Brazil will see a slight decline. Currently, we cannot comment on China, but Hong Kong is expected to be almost flat.

Q: Regarding China including Hong Kong, sales are growing considerably in the mainland. Please describe the background.

A: There are two main factors. In the mainland, there are some signs of recovery in the Huanan area, which has been sluggish. In addition, with steady progress being made in the development of new marketing areas, sales are also increasing in line with such efforts.

Q: You announced price hikes with respect to products sold in Hong Kong. I assume that the increases, which were supposed to be effective from July, are not reflected in the results for the first quarter. Please provide any update that you have received from the sales fronts.

A: As far as Hong Kong is concerned, prices were raised for the first time in 10 years. The increases were accepted smoothly without strong objections from retailers.

Q: Regarding the results in Asia, Vietnam seems unprofitable due to a decline in revenue. Please explain the background behind these difficulties. Also, please describe to what extent Asia was affected by Vietnam, considering the increase in operating profit of 400 million yen that was recorded in the overall Asia in the first quarter.

A: We are not very concerned about our business in Vietnam, because it has a minimal impact on our overall results.

End.