

**Q&A Session at the Financial Results Briefing
for FY 3/2021 2Q**

[Time & Date] 13:30 to 15:00, Tuesday, November 10, 2020

[Respondent]

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

Shinji Honda, CSO and Managing Executive Officer

1. FY 3/2021 2Q financial results

Q. In the second quarter, operating profit increased by 12.1 billion yen to 31.8 billion yen. Please tell us how much coronavirus diseases 2019 (COVID-19) affected operating profit. How much do you think the expansion of COVID-19 boosted operating profit? I believe the price revision implemented in June last year also contributed to the first quarter.

A. There is no doubt that the impact of COVID-19 on operating profit was significant.

We are currently analyzing the impact of the spread of COVID-19 on operating profit. However, it is difficult to give a clear figure as the amount of impact depends on how you define it. For example, a simple calculation is to multiply the increase in sales by the profit margin, but profit margin also increased due to production efficiency by narrowing down to core products to maintain a stable supply. In addition, various expenses such as promotional and advertising expenses are unused. In the future, these expenses will be used to promote brand strategies, new product launches, etc., while keeping in mind the situation. However, in the event of a second or third wave of a COVID-19 pandemic or a simultaneous flu pandemic, it will be difficult to use these expenses. Due to this difficulty in prediction, we are not able to give clear figures at this time. When we have some idea of the prospects for the future, we would like to explain it to you.

2. Domestic Business

Q. In the domestic instant noodles business, the spread of COVID-19 would have increased the demand. In FY 3/2022 and thereafter, will you continue to control sales promotion expenses and SKU reduction in NISSIN FOOD PRODUCTS when a reactionary decline in the market is expected.

A. In this fiscal year, we are working on a plan to reduce SKUs by 25% for new products and about 10% for the product as a whole. However, due to the impact of COVID-19, the balance between

bag-type and cup-type instant noodles is changing, so we do not have specific SKU reduction plans for FY 3/2022 at this time. In addition, the future of COVID-19 remains unclear and extremely difficult to predict regarding how to spend sales promotion expenses in a reactionary decline is expected. We will invest in branding and sales promotion expenses to revitalize the cup-type instant noodles category, although we will have to keep a balance in mind. As for bag-type instant noodles, we will invest in the introduction of new products and new categories with high profit margins.

In the first half of FY 3/2021, the demand for bag-type instant noodles has grown significantly, but the demand has recently calmed down. In the second half of FY 3/2021, there is a possibility that demand will shrink, even falling below the previous year's level.

We will strengthen the cup-type instant noodles business in the second half of FY 3/2021 and FY 3/2022, since cup-type instant noodles make up a higher proportion of our company's business and higher profit margin than bag-type instant noodles. Next year will be the 50th anniversary of *CUP NOODLE* and the 45th anniversary of *NISSIN NO DONBEI* and *U.F.O.* To ensure that we achieve record sales in this memorable year, we will revitalize the cup-type instant noodles category and invest in branding, sales promotion and advertising while keeping a balance. Of course, we will also establish a bag-type category in which we can earn a solid profit by introducing new products, as well as new products as prime bag-type instant noodles with high profit margins.

Q. Please tell us the actual operating profit margin of NISSIN FOOD PRODUCTS. Due to the impact of COVID-19, profit margin was very high in the first half of FY 3/2021. From a medium- to long-term perspective, how much do you think the operating profit margin is based on organic performance?

A. Due to the impact of COVID-19, the operating profit margin was irregular for FY 3/2021. Our plan was to achieve about 14%. We cannot comment on the organic operating margin at this time because we would like to announce it together with our next plan for FY 3/2022. However, products with high profit margins such as *CUP NOODLE* and *NISSIN NO DONBEI* continue to perform well, so I think we can raise the operating profit margin a bit more. For example, the operating margin for FY 3/2019 is 12.3%, 13.7% for FY 3/2020, and 13.6% is planned for FY 3/2021. In the first half of FY 3/2021, it was about 17%. I believe this is a result of the steady increase in the strength of our brand. In the future, we will continue to invest in brands, such as by changing the bag-type instant noodles with low profit margins to prime bag-type instant noodles, to increase the overall profit margin.

Q. In terms of quantity, will you adopt a strategy of expanding the quantity of cup-type instant noodles through the SKU policy in FY 3/2022? In Japan, demand for COVID-19 has leveled off, but is there any changes in consumer price trends for both cup-type and bag-type instant

noodles?

A. We will increase sales of *CUP NOODLE*, *NISSIN NO DONBEI* and *U.F.O.*, which will celebrate their anniversary in the next fiscal year. Cup-type instant noodles account for an extremely high proportion of our sales and have high profit margins, so we would like to revitalize the cup-type instant noodles category.

We will also focus on prime bag-type instant noodles as a high profit margin, high value-added category for bag-type instant noodles. In the second half of FY 3/2021, for example, we have been aggressively marketing products including television commercials in the prime bag-type instant noodles category, such as *KORE ZETTAI UMAIYATSU* and *OWAN DE TABERU* series. We expect bag-type instant noodles to be on par with the previous year in the second half. Our market share is increasing now, and we believe we can continue to grow steadily in the future.

Regarding consumer price trends, there is no severe price volatility in the current period. However, as the economy recedes a bit towards the end of the year, we believe that the movement of low-priced products would be more active. We are sure to gain volume, sales and profits by selling low-priced products such as *ASSARI OISHII CUP NOODLE* and *NISSIN NO ASSARI ODASHI GA OISHII DONBEI* to these price-conscious consumers.

3. Overseas Business

Q. The spread of COVID-19 may have led to the acquisition of new users or an increase in the frequency of eating in the instant noodles business. How have "frontage" and "depth" changed in major overseas countries such as the U.S., Brazil, Mexico, Mainland China, Asia, and EMEA?

A. In the overseas business, there was an increase in demand for instant noodles due to the increase in eating at home similar to the trend in Japan. Particularly in the Americas and Asia, the rise in demand for bag-type instant noodles is notable and has expanded in "depth", and we have been able to respond firmly to production. In the U.S., we are pursuing sales of premium products, and the demand for high-priced products is also increasing. Premium products, especially *CUP NOODLES STIR FRY*, are gaining new customers and expanding "frontage", resulting in a very strong performance in terms of both volume and value.

On the other hand, economic stagnation and recessions increase the need for products like pasta, which is even cheaper than instant noodles, and such regions are negatively affected, but the demand for our products was generally strong. Overall, overseas business was very strong.

Q. In the U.S., revenue was strong in local currency terms for the first half of FY 3/2021. Is this a result of the acquisition of new users, or is it a result of the deepening of existing users?

A. In the U.S., we think *CUP NOODLES STIR FRY* and new products in the premium product lines

are attracting new users. In other words, we see the "frontage" expanding significantly. On the other hand, we think that the "depth" of existing users of our lower-priced products has deepened.

Q. Please tell us the growth rate of the instant noodles market and your instant noodle business in Hong Kong and Mainland China in the July-September period and first half of FY 3/2021? In addition, please let me know your company's situation regarding the market trends in the July-September period.

A. We are not currently disclosing revenue for the July-September period on the Chinese side, so we will refrain from disclosing specific figures. Market growth is not shown on a three-month basis. On the other hand, in the six months of the first half, the Mainland China seemed to have grown steadily in sales due to the expansion of areas, as well as the expansion of trials amid stay-at-home demand, we think that the overall growth was strong and market share increased.

Q. Please tell us about revenue in Brazil and the U.S. In Brazil, the growth rate on a local basis has accelerated from April-June period to July-September period. This may be partly due to the impact of the price revision implemented in May, but I think the volume is also growing steadily. Please tell us more about the background. In the U.S., where the growth rate was very high from the April-June period to the July-September period, but I have the impression that the growth rate has slowed slightly. Could you explain the reasons for this?

A. In the U.S., the pace is slightly slower in the July-September period compared to the April-June periods. In Brazil, on the other hand, the July-September period is going strong.

The reason for the increase in demand in Brazil is that, the number of people infected with COVID-19 has increased to a degree that is incomparable to Japan, and Brazil is in lockdown, so there is continued stay-at-home demand. In addition, the government is providing benefits, and this is helping low-income people to have a better life than usual. In Brazil, bag-type instant noodles have always been high-margin products, and in addition to the high demand for such bag-type instant noodles, sales of *Nissin Lamén*, a high-priced bag-type instant noodles, also performed very strongly. *CUP NOODLES* in Brazil has also been focusing on branding penetration over the past few years, so even under the spread of COVID-19, there has been a significant increase in sales due to the effect of communication through commercials and social networking services, as well as increased stay-at-home demand. Therefore, due to the prolonged spread of COVID-19 and the impact of benefit payments, demand for both bag-type and cup-type instant noodles has been growing rapidly.

In the U.S., we were able to meet very strong demand in the first half of FY 3/2021, and although business in the July-September period remained slightly higher than the rapid and short-lived growth in the April-June period, business was good in the first half as a whole.

Q. In Brazil, marketing has been conducted using social networking service, and I think the impact of COVID-19 is very positive. Please let me know if you have any quantitative information on the top line acceleration factors in marketing, such as the number of views and the effectiveness of SNS advertisements.

A. We do not have specific data on the number of views on SNS in Brazil now. However, as I mentioned at the financial results briefing of FY 3/2020, in Nissin Brazil, we take content for branding that has been a hit on TV commercials and SNS in Japan and re-casts it in Brazil by casting Brazilians and other people. For this reason, Nissin Brazil is gaining the same reputation as NISSIN FOOD PRODUCTS in Japan, meaning that it is an extremely unique and challenging company that is unbelievable for a food manufacturer, especially among young people. Specifically, sales of *CUP NOODLES* have increased by about 20 to 30% each time a commercial is posted. In recent years, in terms of acquiring new users, the "frontage" has doubled.

Q. Please tell us about the July-September period in the U.S. I think that operating profit did not grow much, despite the growth in the top line, mainly because of the growth in low-priced products.

A. There is no doubt that the range of low-priced products is growing in the U.S. On the other hand, the volume of premium products, which we focus on, has steadily increased, and the growth rate from the April-June quarter to the July-September quarter exceeded that of products in the range of low-priced products. The number of stores covering premium products such as *CUP NOODLES STIR FRY* and *TOP RAMEN BOWL* has also grown significantly. We hope you can see the results of our premium strategy.

Our goal is to increase the percentage of premium products to 50% within a few years, and the percentage has been steadily increasing from April-June period to July-September period.

4. Forecasts for FY 3/2022 and the next Medium-Term Business Plan

Q. Both the April-June period and July-September period of FY 3/2021 have been very strong, so the bar is quite high for the first half of FY 3/2022, but how do you plan to make the figures for the first half of FY 3/2022? If the impact of COVID-19 is only a temporary increase in demand, I suspect that you will not be able to avoid a decrease in revenue and operating profit. On the other hand, CEO Ando told us that the instant noodles business is very resilient, so what measures will you take if you aim to increase sales and profits?

A. Early in FY 3/2022, I would like to announce our next business plan. In this plan, we will focus on the growth potential of our core business and draw a picture of steady growth. It is true that the demand for instant noodles has increased due to the spread of COVID-19, but we believe it is

important to respond properly to such an emergency and to link it to revenue and profits, so we are always preparing for such things as BCP and SCM.

In ordinary times, we think it is important to have marketing and innovation. Steady growth in ordinary times will be an important foundation in case of an emergency. We will look back on this medium-term business plan and announce our future business plans in FY 3/2022.

Q. In the Medium-Term Business Plan 2021, the company achieved its initial target of 1 trillion yen in market capitalization, which was a very significant achievement. So, what is the outline of your next medium-term business plan? For example, you mentioned sustainability activities in your presentation today. I believe that the next medium-term business plan will also include targets such as how much your company's business contributes to greenhouse gas reduction and how it can contribute to society. How do you plan to incorporate these goals into the next medium-term business plan?

A. We have established greenhouse gas emission reduction targets by 2030 in line with the Science Based Targets (SBT) in our environmental strategy "EARTH FOOD CHALLENGE 2030," and we are actively working to set clear targets for how much CO2 we can reduce by 2030.

Foods with large CO2 emissions certainly taste good, but I believe there will be an awareness of the need to be a little more conservative and a shift in the choice of plant-based diets with low CO2 emissions. If that trend continues, "*CUP NOODLES*" will be the most honored meal of all. And we are developing with the expectation that everything will be replaced by plant-based products. We believe that our efforts in this way will have great benefits for the environment.