



NISSIN FOOD PRODUCTS CO., LTD.

NO BORDER

2004

ANNUAL REPORT



Nissin Foods' Slogan in 2004 is "NO BORDER"

## Preface

According to the International Ramen Manufacturers Association (IRMA), **annual worldwide demand for instant noodles has reached 65.3 billion servings** in calendar 2003 and continues to expand. The following chart shows that Asia accounts for 87% of the total. The primary target of Nissin Food Products Co., Ltd., is no less than the **No. 1 global share**. As a result, the Company, the pioneer of instant noodles, is expanding sales and marketing activities around the globe, not just in Asia.

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### Forward-Looking Statements

This report contains forward-looking statements regarding the Company's plans, outlook, strategies and results for the future that are based on management's estimates, assumptions and projections at the time of publication. Certain risks and uncertainties could cause the Company's actual results to differ materially from any projections presented in this report. These risks and uncertainties include, but are not limited to, the domestic and international economic circumstances surrounding the Company's businesses, competitive activity, related laws and regulations, product development programs and changes in exchange rates.

## Basic Data

### 2003 Instant Noodle Markets and Nissin Foods Group's Share

(Year ended December 31, 2003)

Segment / Unit	Annual demand for instant noodles		Nissin Foods
	Total <sup>(1)</sup> (Millions of servings)	Units per capita (Servings)	Group's share <sup>(2)</sup> (Volume basis) (%)
<b>Asia</b>	<b>56,630</b>	<b>15.0</b>	<b>14.7</b>
North America	3,930	7.9	30.8
Latin America	1,880	5.3	34.6
Europe <sup>(3)</sup>	730	1.3	6.8
Others	2,080	--	--
<b>Total</b>	<b>65,250</b>	<b>--</b>	<b>15.7%</b>

Notes:

1. Source: International Ramen Manufacturers Association
2. Including Hebei Hualong F&N Industry Group Co., Ltd.
3. Excluding Russia.

### Nissin Foods' Consolidated Sales by Category

(Years ended March 31)

Category / Fiscal year	(Millions of yen)		
	2004	2003	2002
Instant Noodles			
Pillow-Type Noodles	<b>¥ 45,511</b>	¥ 43,263	¥ 43,686
Cup-Type Noodles	<b>203,338</b>	202,612	201,137
Chilled and Frozen Foods	<b>39,701</b>	39,081	37,028
Others	<b>31,483</b>	30,323	26,612
<b>Total</b>	<b>¥320,033</b>	¥315,279	¥308,463

### Nissin Foods' Consolidated Sales by Region (excluding intersegment transaction)

(Years ended March 31)

Region / Fiscal year	(Millions of yen)		
	2004	2003	2002
Japan	<b>¥276,398</b>	¥268,944	¥259,494
North America	<b>23,943</b>	26,373	28,277
Others	<b>19,692</b>	19,962	20,692
<b>Total</b>	<b>¥320,033</b>	¥315,279	¥308,463

Nissin Foods has always been the market pioneer.



1958 –  
*Chicken Ramen*



1971 –  
*Cup Noodle*



1971 –  
*Top Ramen*



1992 –  
*Nissin Rao*



2002 –  
*Nissin GooTa*

## *Chicken Ramen* launched the world's instant noodle market.

Nissin Foods created the instant noodle market with its development of ***Chicken Ramen, the world's first instant noodle product***, in 1958. The characteristics of instant noodles — taste, easy preparation, reasonable price, safety and hygiene, and long shelf life — make them far superior to other processed foods. In 1971, the Company established a new food market with the debut of ***Cup Noodle, the world's first cup-type instant noodle product*** that combined storage, preparation and serving dishes into one container. By 2003, *Cup Noodle* had grown into the biggest instant noodle brand in the world, with aggregate sales in major markets surpassing 20 billion servings.

## The top position in Japan

The domestic instant noodle business is where Nissin Foods holds the greatest power. The Company has captured **a share exceeding 40%**. This dominant position mirrors the numerous strengths — solid brand power; innovative and unique technology and product development capabilities; safe, reliable and high-quality products; and close contact to consumers and business partners around the world — that foster new markets in the food industry, exemplified by the development of ***Nissin Rao*** in 1992 and high-value-added product ***Nissin GooTa*** in 2002.

*\*Demand for instant noodles in Japan in calendar 2003 reached 5.4 billion servings, for a market value of ¥511.5 billion.*

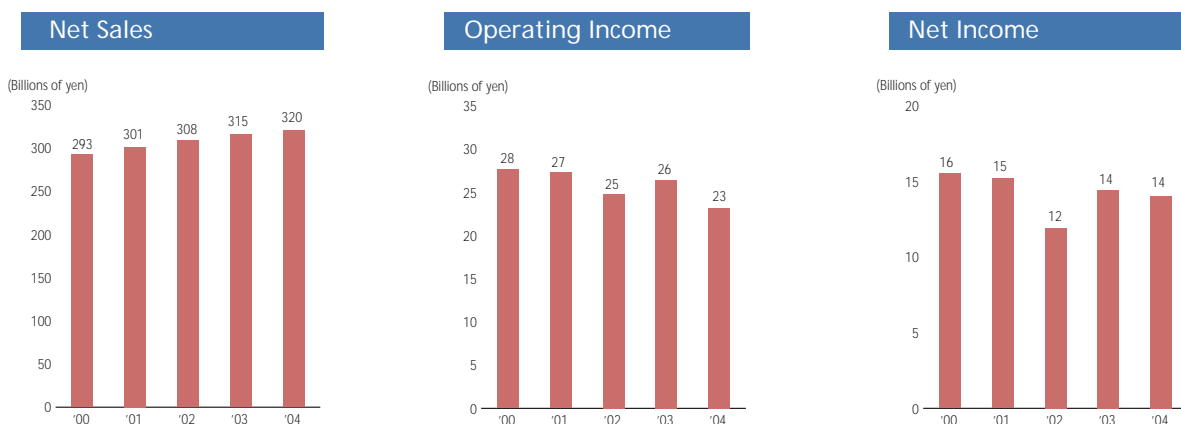
## A growing global presence

Nissin Foods established its first overseas base in the United States in 1970, and began sales of ***Top Ramen*** in 1971. Today the Company boasts a production network comprising **25 factories in eight countries**. In addition, through a capital alliance with Hebei Hualong F&N Industry Group Co., Ltd., in the People's Republic of China (PRC), the world's largest consumer of instant noodles, the Nissin Foods Group has the status of **No.1 global share** in servings sold within its sights.

## Financial Highlights

	Millions of yen		Thousands of U.S. dollars	Percent change (%)
	2004	2003	2004	
<b>For the years ended March 31:</b>				
Net sales	¥ 320,033	¥ 315,279	\$3,028,035	1.5
Operating income	23,203	26,400	219,538	-12.1
Net income	14,051	14,422	132,945	-2.6
<b>As of March 31:</b>				
Total assets	¥ 343,645	¥ 331,994	\$3,251,443	3.5
Shareholders' equity	244,439	233,708	2,312,792	4.6
<b>Per share (yen, U.S. dollars):</b>				
Net income	¥ 113.61	¥ 115.65	\$ 1.07	-1.8
Cash dividends applicable to earnings of the year	30.00	30.00	0.28	—
Shareholders' equity	1,980.14	1,892.89	18.74	4.6
	2004	2003	2002	
<b>Value &amp; performance indicators:</b>				
Operating margin (%)	7.3	8.4	8.0	
Return on assets (%)	4.2	4.4	3.7	
Return on equity (%)	5.9	6.2	5.2	
Inventory turnover (times)	13.6	13.6	14.1	

- Notes: 1. U.S. dollar amounts represent translations of yen, for convenience only, at US\$1=¥105.69, the approximate rate prevailing on March 31, 2004.  
2. Inventory turnover = Cost of sales/Average total inventory



# To Our Shareholders

**For fiscal 2004, ended March 31, 2004, Nissin Foods posted a 1.5% increase in consolidated net sales, to a record high ¥320,033 million (\$3,028 million). Operating income and net income slipped marginally, to ¥23,203 million (\$220 million) and ¥14,051 million (\$133 million), respectively, owing to one-time processing of employees' retirement benefit costs incurred in fiscal 2003.**

## Global Strategy

### First place in the PRC means the lead in Asia and No. 1 in the world

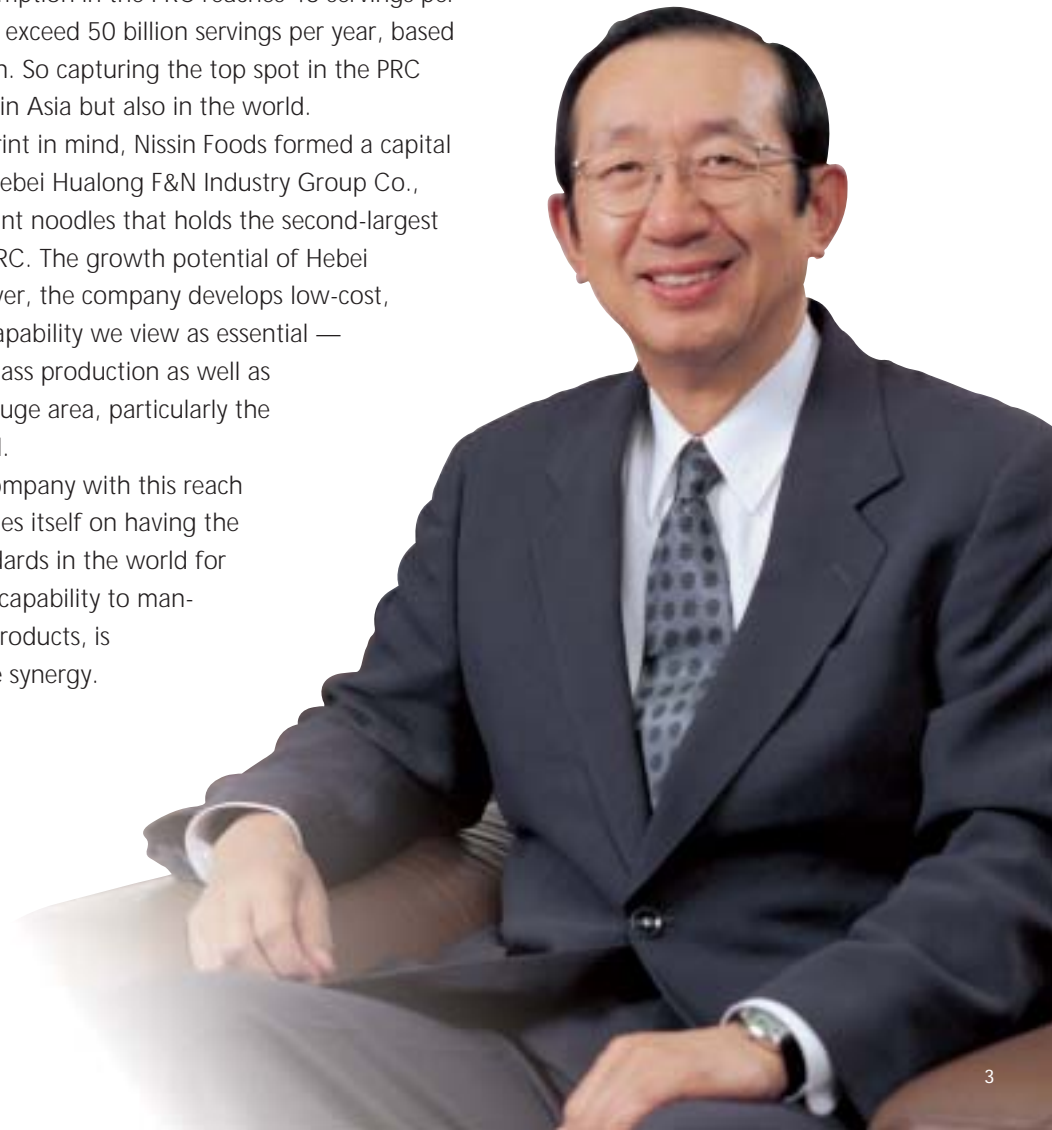
An overview of the instant noodle market in calendar 2003 shows worldwide demand of 65.3 billion servings and that the PRC accounted for 27.7 billion servings of the total. The PRC is by far the world's biggest consumer of instant noodles. If, as in Japan, annual consumption in the PRC reaches 43 servings per person, demand there could exceed 50 billion servings per year, based on a population of 1.3 billion. So capturing the top spot in the PRC means being No. 1 not only in Asia but also in the world.

With this strategic blueprint in mind, Nissin Foods formed a capital alliance in April 2004 with Hebei Hualong F&N Industry Group Co., Ltd., a manufacturer of instant noodles that holds the second-largest share of the market in the PRC. The growth potential of Hebei Hualong is fabulous. Moreover, the company develops low-cost, high-quality products — a capability we view as essential — and it has the capacity for mass production as well as a sales network covering a huge area, particularly the far-flung rural regions inland.

An alliance between a company with this reach and Nissin Foods, which prides itself on having the strictest quality control standards in the world for instant noodles and has the capability to manufacture high-value-added products, is sure to generate an effective synergy.

With the signing of this agreement, Hebei Hualong agreed to change its name to Nissin

**Koki Ando**  
President





The signing of an agreement with Hebei Hualong F&N Industry Group Co., Ltd., in Beijing in April 2004 gave Nissin Foods an equity stake of 33.4% in the company.

Hualong Foods Co., Ltd., and together Nissin Foods and Nissin Hualong Foods will become a mighty force to contend with in the local instant noodle market.

Currently, pillow-type noodles account for about 90% of the instant noodle market in the PRC. But as purchasing power among consumers improves nationwide and demand shifts toward higher-value-added cup-type noodles, Nissin Foods will be able to demonstrate its core competence more fully.

## Applying the PRC business model to other regions

Nissin Food's business model for capital alliances with leading local companies affords the Company a high degree of influence on operations and can be applied to emerging growth markets, such as Eastern Europe and Russia, but especially to other parts of Asia.

So far, we have derived maximum value from our overseas operations by forming partnerships with successful entrepreneurs who know their country or region well. We can then plant the seeds of knowledge that the Group has acquired through years in the instant noodle business and select the best methods from among those characteristic of that area for actual production and sales activities.

The advantage of instant noodles is flexibility: the ability to rearrange the typical components of the product — toppings, soup and noodles — to match prevailing national or regional preferences. *Cup Noodle* — known as *Cup Noodles* overseas — is a prime example. It is a Nissin Foods Group global brand but it has many varieties, all tailored to local tastes.

Nissin Foods came to maturity in Japan, one of the world's most fastidious countries when it comes to food, so the Company is confident in its ability to suggest specifications for instant noodle products in any country with success.

## Improving profitability in North America

The North American market is characterized by strong price competitiveness, rather than a focus on quality. This is a situation that restricts profits and it did so again in fiscal 2004. While sales in this region grew on a local currency basis, the impact of yen appreciation, soaring raw materials costs and rising sales promotion expenses, stemming from such factors as intense competition in Mexico, caused decreases not only in yen-translated net sales but also in net income.

However, we are heading toward steady improvement in profits through the introduction of high-speed production lines that lower production costs, through reduced distribution and packaging costs, through the restructuring of sales channels utilizing exclusive agreements with supermarkets and through various measures for *Chow Mein*, a new fried-noodle product.



Chow Mein

## Domestic Strategy

### An ever-changing presentation is indispensable to corporate growth

Nissin Foods is currently tackling four goals to spur growth in Japan: to market a higher brand value; to pursue greater safety and reliability; to provide products that suit specific consumer groups; and to maximize the potential of target marketing and the Frequent Shoppers Program.

In Japan, products that Nissin Foods has sold for many, many years are highly regarded by consumers as safe and reliable brands. In fiscal 2004, this perception underscored record-high sales — 5.9 million cases — of *Chicken Ramen* and a higher sales volume for the *Cup Noodle* series, reflecting the market's favorable response to a new variety, *Cup Noodle Sio*, featuring a salt-based soup.

We also seek to develop new products and turn them into mainstay brands as well. On this note, *Nissin GooTa*, a relatively new, high-value-added product, earned about ¥13 billion, on a retail price basis, in sales in fiscal 2004 and typifies efforts to establish new brands with staying power.

I believe that an indispensable ingredient in the corporate recipe for success is to present consumers with something new all the time. Developing products that provide certain health benefits or target certain consumer groups is part of this effort. The *Nissin Psyllium* series, which keeps the intestines in good shape, and *Collagen 1000mg Iri Soup Noodle*, which is directed at women interested in adding more collagen to their diet, are two examples of healthy and nutritionally balanced products that expand the range of instant noodles.

In addition to the product strategies outlined above, we continue to use the Frequent Shoppers Program, which encourages consumers to purchase our products again. We expect this program to underpin progress on our medium-term goal — a 50% share of sales in the domestic instant noodle market, where our core operations are centered — which will be a solid indication of corporate growth.



*Nissin Psyllium Men*



*Collagen 1000mg  
Iri Soup Noodle*

### The highest standard of safety attainable with current science and technology

Our Food Safety Research Institute was established to ensure that our products are safe and free from unwanted substances, such as residual pesticides and nonapproved food additives. We plan to set up a parallel food safety institute in the PRC.

We also conduct regular inspections of all food products manufactured at our own four facilities and at the plants of the companies with which we partner on production activities. Of note, our equipment can scan for 300 types of pesticide in four hours.

Another noteworthy achievement is that our products are already close to meeting the proposed standards of the CODEX Alimentarius Commission for instant noodles, which will not be enforced in a few years.

In Japan, all our facilities, including the Food Safety Research Institute, as well as our Tokyo and Osaka head offices, have obtained ISO 9001 status for quality management systems, and overseas plants apply quality control systems based on ISO 9001.

What level of food safety is actually safe? That is an incredibly difficult question to answer. But we evaluate our operations according to the highest standard of safety attainable with currently available science and technology. And we strive to achieve and maintain this level.

## Seeking to maintain a responsive venture business atmosphere



Since 1998, Nissin Foods has adhered to the Strategic Business Unit system to raise sales and income without much change in personnel numbers. Under this system, we divided operations into 191 units, each comprising a team of three-to-seven people, and reward teams at the end of the fiscal year for successful contributions to overall corporate results.

To boost management efficiency in fiscal 2005, we introduced an annual salary system for managers, effective from April 2004. This system, which features 12 job levels, will shift the seniority-based salary system to one that compensates personnel according to job responsibility and fiscal results.

Also in April 2004, we implemented the Nissin Free Agency system. This system sets out five courses for employees who hold managerial positions and are over a certain age, and offers eligible employees, including those transferred to Group companies, the opportunity to design work around their own lifestyles.

The purpose of these systems is to prevent Nissin Foods from succumbing to the ills that plague oversized corporations and to help the Company maintain the jump-to-it spirit that energizes a venture business.

## A word to stakeholders, including shareholders

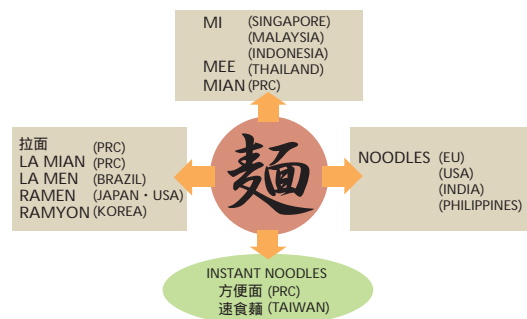
Nissin Foods' key management priorities are expanding shareholder value, reinforcing profitability, and maintaining a stable dividend for shareholders with a target payout ratio of 30% on a nonconsolidated basis. Over the medium to long term, we aim to raise value for stakeholders, including shareholders, still higher.

The instant noodle industry appeared only 46 years ago, but demand is growing worldwide because the products are safe, tasty, storable, convenient and reasonably priced, and moreover they have the potential to lessen the extent of food crises or famine. Some products support healthy diets. These features will surely lead to enhanced demand around the globe.

From its vanguard position in the instant noodle industry, Nissin Foods will contribute to further development of the world's eating habits while realizing its corporate mission and achieving management objectives.

On behalf of the Board, I would like to thank shareholders, investors and business partners for their support to date and ask for everyone's continued encouragement of our efforts.

*Koki Ando*  
Koki Ando President



### Instant Noodles in the World Diet

The character for noodles — representing a category of food well loved around the world — means “stretched out wheat.”

Source: IRMA (International Ramen Manufacturers Association)

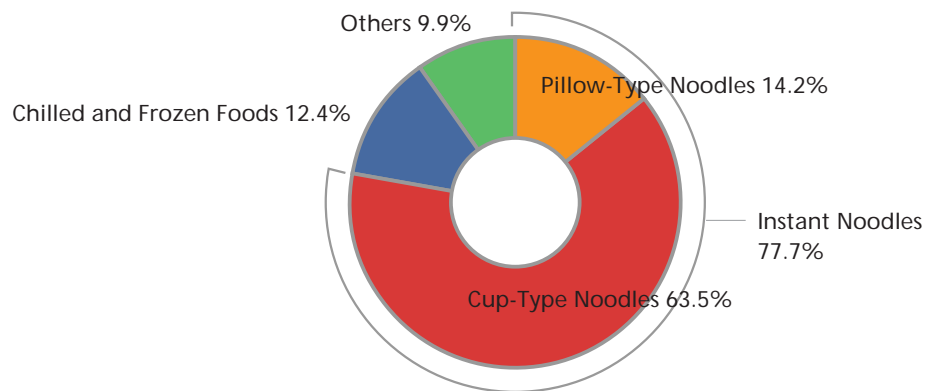
August 1, 2004



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## Review of Operations



### Consolidated Net Sales by Category

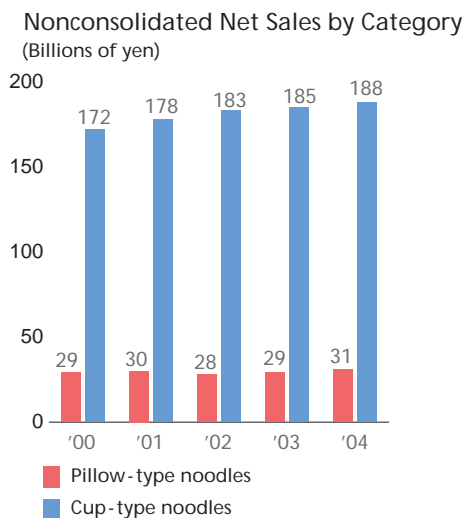
(Year ended March 31, 2004)

Total ¥320,033 million

## Instant Noodles



Nissin Foods' product line



### Fiscal 2004 Environment

The domestic instant noodle market, from which Nissin Foods draws about 83% of total net sales, generated brisk demand in fiscal 2004. Aggregate sales of pillow-type and cup-type instant noodles in fiscal 2004 reached ¥218,747 million, on a nonconsolidated basis, up 2.3% from a year earlier.

Various factors contributed to this result, primarily an increase in the volume of transactions handled by late-night supermarkets, drugstores and discount stores, such as ¥100 shops, that made up for streamlined growth in sales at convenience stores. Sales also benefited from a cool summer, which buoyed demand in a season that usually sees a decline. Resourceful introductions of new products throughout the year also had a positive effect on sales.

Price competition in the domestic instant noodle market remained intense. But based on a considered assessment of consumer mentality — that consumers are willing to pay higher prices for the goods they really want — Nissin Foods expanded the channel it carved out in the market for high-value-added products, such as *Nissin GooTa*.

Consumers' trust in food safety was severely tested by such concerns as bovine spongiform encephalopathy and avian flu. Given consumers' uneasiness, favorable sales of *Chicken Ramen*, *Cup Noodle* and other products under the Nissin brand are a powerful testament to the confidence that consumers place in our products.

### **Chicken Ramen: record sales to mark 45 years on the market**

Nissin Foods fostered new interest for *Chicken Ramen*, particularly from young people, with the "egg pocket," a depression in the noodle block that creates a fun serving idea.

During the original development of *Chicken Ramen*, Momofuku Ando, Chairman of Nissin Foods, hit upon the idea of dehydrating noodles through flash-frying. He got a hint from the flash-frying method used to make tempura. Moisture in the noodles escapes during frying, leaving countless holes. When boiling water is poured over the noodles, it seeps into these holes, instantly returning the noodles to their just-boiled condition. A patent on this process was later acquired, which today still serves as the basis of instant noodle manufacturing.



Chicken ramen is now available with an ingenious egg pocket that suspends the egg yolk in the center of the bowl

## Pillow-Type Noodles

*Chicken Ramen*, a well-established product for Nissin Foods, was revamped in 2003 to celebrate the product's 45th anniversary. Sales in fiscal 2004 grew significantly, reaching an all-time high of 5.9 million cases.

## Cup-Type Noodles

Complementing the solid contribution to higher net sales in Japan by our mainstay *Cup Noodle* series were several target-specific products, which match a particular feature to a certain consumer group. Some of the more popular ones were *Nissin GooTa*, developed to appeal to existing high-end consumers; *Premiere Nissin Rao*, for people who really love noodles; *Nissin Shantanmen*, for middle-aged consumers; the *Nissin Psyllium* series, for seriously health-conscious consumers; and *Collagen 1000mg Iri Soup Noodle*, aimed at women.



*Premiere Nissin Rao*

**Cup Noodle Series** *Cup Noodle Sio*, a new flavor added to the regular *Cup Noodle*, *Cup Noodle Seafood* and *Cup Noodle Curry* selection, in May 2003 turned into a hit for the Company, boosting sales of the series and firmly entrenching brand loyalty.



*Cup Noodle Sio*

**Nissin GooTa** Despite a deflationary environment in which low-price strategies are prevalent, *Nissin GooTa* was developed from a completely different perspective: high-value-added and with a commensurately high price. Nissin Foods has introduced a steady stream of new variations nearly every month, constantly driving sales higher since the series debuted in the autumn of 2002. The brand is well positioned at convenience stores and volume retailers.

### **Nissin Shantanmen**

Anticipating wider demand from middle-aged and older consumers, particularly those between 45 and 59, Nissin Foods launched *Nissin Shantanmen* in October 2003.



*Nissin Shantanmen*

**Jointly developed products** Nissin Foods has worked to introduce new products and expand its marketing channels since the joint effort with convenience stores in 2000 that led to the debut of the *Nissin Meiten Jikomi* series, a selection of cup-type noodle products reproducing the distinctive flavors of famous ramen shops in Japan. As changes in the social environment cause marketing channels to diversify, the Company has responded with a fine-tuned approach to resourceful distribution through team marketing, an effort that hinges on the activities of the respective sales divisions for each product.

**Foods for specified health use** We have carved out new marketing channels, including drugstores, for products that have been approved by the Ministry of Health, Labor and Welfare for specified health use. The *Nissin Psyllium* series is of particular interest, combining flavor and performance, namely the natural dietary fiber psyllium. We expect sales of these special-use products to grow, paralleling a heightened trend among consumers toward health-conscious eating habits.



*Nissin Psyllium Men*

## Product Development under the Brand Manager System

The direction that product development takes at Nissin Foods is determined through companywide strategy meetings, and then, under the Brand Manager System, brand managers for each product take over all aspects of the process, from the obvious tasks of product concept and development through to production, sales and promotional activities. In May 2001, we added the Brand Fight System, enabling brand managers to lend and borrow respective brands among themselves. Developing products through in-house competition will revitalize the market and further strengthen product groups under the authority of each brand manager.

## Frequent Shoppers Program Underpins Effective Marketing

The Frequent Shoppers Program (FSP), a preferential scheme that promotes sales while rewarding repeat customers has become one of our core marketing strategies. The program is designed to enhance brand value through efficient sales activities and more effective application of promotional expenses.

We also launched a point card campaign at about 1,700 stores under the banners of 38 allied chains nationwide, whereby consumers get points for the Nissin-brand products they purchase. We implemented another marketing strategy at about 1,110 stores under the banners of nine allied chains, whereby coupons for Nissin-brand products are given to the consumer at the cash register when the cashier scans products through. Through these FSP methods, we will encourage consumers to try Nissin-brand products, if they have not already, and raise the number of repeat consumers.

We also plan to test a version of FSP using mobile phones, whereby registered consumers can access news and coupons.

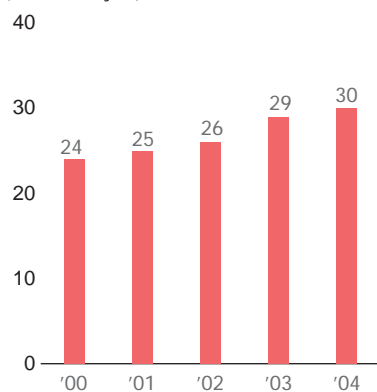
## Fiscal 2005 Topics

In fiscal 2005 we will continue to aggressively expand sales through such efforts as joint product development in a business environment that reinforces and diversifies brand value, particularly that of *Chicken Ramen* and *Cup Noodle*. We will reinforce each product category according to precise consumer segmentation.

### Review of Domestic Operations (Nonconsolidated)

## Chilled and Frozen Foods

Nonconsolidated Net Sales by Category  
(Billions of yen)



## Fiscal 2004 Environment

Nonconsolidated sales of chilled and frozen foods edged up 2.8%, to ¥29,804 million.

The effects of a cold summer caused demand for chilled foods to fall throughout the industry in fiscal 2004, in terms of servings as well as value. However, Nissin Foods was able to maintain sales at the previous year's level, thanks to favorable demand for *Nissin Yakisoba* pan-fried noodles, which outweighed a considerable drop in sales of *Hiyashi Chuka*, Chinese-style noodles with toppings in a cold dressing.

In the frozen food category, demand for yakisoba declined. Sales of ramen and udon noodles with soup only also decreased, but sales of both noodle types with all the necessary components for making a meal were well up over fiscal 2003. Sales of spaghetti products more than doubled, as improved distribution over the Tokyo metropolitan area and the Kinki district, centering on Osaka, delivered brisk sales of *Spa-O*, the frozen version



Nissin Foods' product line

of the fresh noodle product *Spa-O*, a spaghetti with a long shelf life. As a result, aggregate sales, excluding commercial sales, increased over the previous fiscal year.

## Chilled Foods

We strive to extend our brands by taking advantage of chilled food qualities to develop new value-added products. The chilled foods category includes mainstay series *Nissin Yakisoba* and *Donbei Tama Udon*, which come with soup; *Gyoretsu-no-Dekiru Mise no Ramen*, which has earned a solid reputation in the market because our pursuit of authentic ramen taste inspired a delicious soup; and the *Nissin no Ramenyan* series, which expanded into the instant noodle category through noodle-making



Frozen Spa-O



Nissin Yakisoba



Nissin no Ramenyan

expertise representative of our forefront position in the industry.

Japanese demographics are currently characterized by a low birthrate and a growing number of seniors, with

a consequent trend toward quick and easy meal preparation. Chilled and frozen meals that contain all the necessary components, not only the noodles, fits this bill precisely. In response, we felt a chilled version of the high-value-added *Nissin GooTa*, so chock full of ingredients that it is a complete meal in itself, would be an indispensable meal option. We appear to have been right, as sales are firm. Other items developed with prevailing demographic conditions in mind include a chilled version of *UFO*, a well-established instant noodle product, and *Japaghetti*, a new spaghetti brand with a Japanese-style taste. In our ramen shop series, we introduced *Menya Musashi* and *Nantsuttei*. Sales of the series have been good.

*Kurogo no Zarusoba*, featuring black beans, debuted in spring 2004 as a product matched to the increasingly health-conscious attitudes of consumers. Sales of this product, too, have been favorable.

## Frozen Foods

Through brand serialization, fueled by the brand power of its instant noodle varieties, Nissin Foods is working to derive synergy between frozen foods and other products, namely instant noodles and chilled foods, while nurturing the development of core products in the frozen food category to complement other categories.

Amid a prolonged deflationary atmosphere and maturation of the market itself, the domestic frozen food market has become polarized, with inexpensive soup and noodles at one end and high-priced complete meals for one at the other.

Against this backdrop, Nissin Foods offered the *Ramenyan* and *Donbei* series, inexpensive frozen noodles with soup. In fiscal 2004, the Company debuted a frozen version of *Nissin GooTa*, based on the instant noodle product that boasts a host of ingredients.

Frozen noodles are typically purchased by people in their 40s and 50s, but we expect enhanced product development and marketing efforts to spur interest from a wider range of age groups as has been the case with instant noodles.

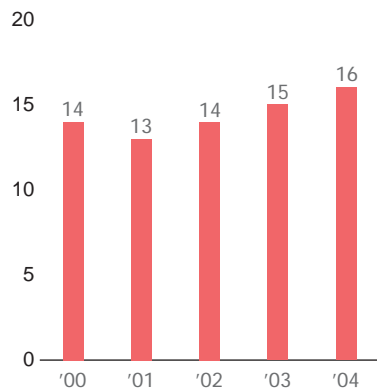


Frozen version of *Nissin GooTa*

## Review of Domestic Operations (Nonconsolidated).

### Other Foods

Nonconsolidated Net Sales by Category  
(Billions of yen)



In the cereal segment, *Ciscorn Big* showed a huge increase in sales, thanks to an effective strategy that highlighted greater volume at the same price. Sales were also enhanced by contributions from the biscuit category, especially sales of *Coconut Sable*, as well as chocolate snacks, such as *Crisp Choco*. In the beverage category,



Nissin Foods' product line

*Tokachi Nomu Yogurt* posted stable sales, and so did *Pilkul*, which is approved by Japan's Ministry of Health, Labor and Welfare to label the beverage as a Food for Specified Health Use.

As a result, nonconsolidated sales from other foods grew 9.9%, to ¥16,319 million.

## The Americas



Nissin Foods' product line

### Overview

Nissin Foods' first step into overseas operation was taken with the establishment of Nissin Foods (U.S.A.) Co., Inc., in 1970. Today, this subsidiary operates a plant in California and another in Pennsylvania, in the United States, and promotes instant noodle businesses locally. To enhance manufacturing and marketing activities in the Americas, the parent company operates a joint venture with Ajinomoto Co., Inc., in Brazil.

### USA

In the United States, major retailers are eagerly fortifying their positions through mergers and strategic alliances with manufacturers, leaving small retailers and wholesalers to struggle for survival.



Nissin Foods' products fill the shelves at a major supermarket.

Against this backdrop, Nissin Foods worked to trim costs in fiscal 2004 by installing high-speed production lines and reorganizing its distribution system to enhance efficiency. The subsidiary ascertains business merits in the local distribution industry and implements marketing activities fine-tuned to each partner.

In February 2004, Nissin Foods began efforts to develop new access routes to local consumers with sales of two new, shrink-wrapped, fried noodle varieties of *Chow Mein* through the outlets of Wal-Mart and several major super-market chains.

### Mexico

The instant noodle market in Mexico affords great growth potential, as it carries considerable latent demand. This market is characterized by the large share of sales captured by small-scale retailers. The Nissin Foods Group strives to reinforce ties with wholesalers, as part of its strategy to nurture a market structure more advantageous to manufacturers and distributors. In addition, energetic efforts are directed toward product promotions, including advertising in different media.

In fiscal 2004, aggressive investment in TV commercials and other means of market development expanded relatively new marketing channels, boosting overall demand for Nissin-brand products. The result was an increase of about 20% in sales, which exceeded total annual demand in the Mexican market.



Cup Noodles

### Brazil

Overall demand for instant noodles in Brazil fell for the first time in 11 years. The drop reflected sluggish consumer spending, caused by lackluster economic conditions, and



Cup Noodles

higher prices of products, set to compensate for the effect of a higher dollar on raw material costs.

Although sales volume did not reach the level recorded in fiscal 2003, Nissin-Ajinomoto Alimentos Ltda., our joint venture with Ajinomoto, was able to post higher sales revenues, because of two price increases implemented during the term.

#### Review of Overseas Operations

## People's Republic of China



Nissin Foods' product line

### Overview

Intense competition among the 300 or so instant noodle makers in the PRC has forced companies to consolidate their operations or be eliminated. This situation has in turn concentrated market share among the top companies. To survive amid such heightened rivalry, market participants must act immediately to achieve higher quality, lower costs and broader marketing networks.

For its part, Nissin Foods formed an agreement with Hebei Hualong F&N Industry Group Co., Ltd., in April 2004 to establish a joint venture called Nissin Hualong Foods Co., Ltd., in Hebei Province. We expect that the new company will capture the top share of the instant noodle market in the PRC within the next few years. (Nissin Foods' PRC-directed strategies are detailed on page 3, in the president's message.)

### Hong Kong

Fiscal 2004 was an unsettled year for the business community in Hong Kong, as negative factors, particularly high



Cup Noodles series

The company maintained its high share of the market for pillow-type noodles, which comprise the largest portion of the instant noodle market in Brazil. Another goal was to reshape the market structure by resourcefully promoting high-value-added cup-style noodles and thereby raise profitability.

unemployment, prevented the economy from turning around. The gloomy situation was compounded by concerns over Severe Acute Respiratory Syndrome, commonly referred to as SARS. Nevertheless, Hong Kong retained the highest gross domestic product of any area in the PRC, and in this environment, Nissin Foods Co., Ltd., and Winner Food Products Ltd., together captured around 70% of the region's instant noodle market.

Nissin Foods posted steady sales of well-established brands, such as *Demae Itcho* and *Cup Noodles*. The company extended the *Demae Itcho* series with new introductions, such as *Demae Straight Ramen* and a version with retort-packaged roast pork and other ingredients. Other new products included new flavors in the *Cup Noodles* series.

Meanwhile, Winner Food Products held on to its second-place share of the instant noodle market, right behind No. 1 Nissin Foods with favorable sales of revamped versions of the fried noodles *Chao Mian Wang* and *Chao Mi Fen*. This company also maintains the top share of the frozen foods sector.

### Other Parts of the PRC

Guangdong Shunde Nissin Foods Co., Ltd., in the south, reinforced its sales power with the establishment of additional sales offices and an increase in the number of staff involved in marketing activities. The company will now focus on boosting demand for mainstay brands *Demae Itcho* and *Cup Noodles* as well as pan-fried noodles *UFO* and *Chao Mian Da Wang*.



UFO



Chao Mian Da Wang

Shanghai Nissin Foods Co., Ltd., revamped cup-type noodles, such as *UFO* and *Chao Mian Da Wang*, introduced cup-type noodle *Nissin San Wei*, and enhanced other products to spur demand in fiscal 2004. The company was rewarded with a 27.3% share of the cup-type noodle market in Shanghai, according to data compiled by ACNielsen.

Nissin Foods (Huabei) Co., Ltd., focused on sales of mainstay cup-type noodles, such as Cup Noodles and *UFO*. The opening of the first 7-11 convenience store in Beijing marked the start of full-scale investment in convenience

stores in the capital, a development that will require all instant noodle manufacturers, including Beijing Nissin, to concentrate on value-added products that distinguish them from the others as well as on marketing schemes to promote these products.

Zhuhai Golden Coast Winner Food Products Ltd. turned in stable profits, as effective marketing campaigns prompted favorable sales of *Doll Bowl Noodles* and mini-cup noodles. The company will now strive to create new mainstay products to complement *Doll Bag Noodles*, *Doll Bowl Noodles* and mini-cup noodles.

## Review of Overseas Operations

### Elsewhere in Asia

#### India

Through resourceful advertising campaigns and free gift promotions, Indo Nissin Foods Ltd. saw sales volume soar 42% over fiscal 2003. Of particular note, sales of *Cup Noodles* skyrocketed 121%, to an all-time high, spurred in part by the May 2003 introduction of *Mast Masala*, featuring this warming Indian curry spice.



An exhibition in India



*Mast Masala*

Sales benefited from the company's television commercials. The scene of young people at an information technology company enjoying a snack of Nissin-brand noodles obviously caught the interest of consumers in that age range, and demand for the product was up from this segment of the population.

#### Indonesia

PT. Nissinmas specializes in pillow-type noodles, particularly low-priced varieties. In fiscal 2004, the company concentrated on traditional markets in rural areas to boost sales of *Top Ramen*, which contributes 90% to overall sales, and targeted supermarkets in urban areas for cup-type noodles, such as *Cup Noodles* and fried noodles

*Newdles*. To make *Cup Noodles* more convenient, the company implemented a design change so the package now includes a fork.



Nissin Foods' product line in Indonesia

#### The Philippines

The climate in this island nation is hot, which favors demand for pillow-type and cup-type fried noodles.



*Cup Noodles*

In addition, the people prefer to eat in small amounts many times during the day, which favors demand for mini-cup noodles. Nissin-Universal Robina Corporation took advantage of this situation to introduce several new products and revamp old favorites *Yakisoba* and *Mini Cup Noodles*. The reward was high sales volume.



## Thailand

Demand for cup-type noodles is growing in Thailand. In addition, the low-cost but high-quality characteristics of Thai-made cup-type instant noodles has generated thriving demand from Europe and the United States and has turned the nation into a key base for our export and out-sourcing operations. Nissin Foods (Thailand) Co., Ltd.,

### Review of Overseas Operations

## Europe



Nissin Foods' product line

## Overview

Europe is a region that requires a diverse range of products to match differences in language, culture and culinary habits. A particularly noticeable trend has evolved here, wherein major distributors in western Europe invest substantially in the east.

In the processed food market, for example, price wars — initiated by discounters — have intensified, and more businesses established by large distributors feature ethnic food corners with a rich selection of Japanese, Thai, Mexican and other non-European foods. This trend is widespread in western Europe and is gaining prevalence in the east, as well.

## Fiscal 2004 Review

The Nissin Foods relies on two subsidiaries — Nissin Foods B.V. and Nissin Foods GmbH — which function as bases in Europe. Nissin Foods B.V., headquartered in the Netherlands, runs a production facility, which has

encountered severe competition in fiscal 2004, as players in the instant noodle market waged large-scale promotion wars. But solid demand for cup-type noodles and strong export activity buoyed the company's performance overall.



Cup Noodles

acquired ISO 9002 and Hazard Analysis and Critical Control Point certification, as well as accreditation from the European Food Safety Inspection Service. The company also oversees affiliate NITEC (Europe) B.V., which undertakes food research and development. Nissin Foods GmbH is a sales and marketing subsidiary in Germany. Close ties between the two subsidiaries reinforce operations throughout the region.

In fiscal 2004, the business spotlight was on two targets: to strengthen existing products in western Europe, particularly in the United Kingdom, Germany and France, with a spectrum of new products, from high priced to low priced, all matching the diversity of the region; and to carve out new marketing channels in eastern Europe. Among new products for Western Europe were two national brands for Germany — *Süss-Sauer* and *Thai-Style Tom Yum*. Concerted efforts were also applied to promote private brands.

In fiscal 2005, activities will hinge on market development in eastern Europe, where growing membership in the European Union will facilitate wider access to the local consumer base. Nissin Foods subsidiaries in Europe are especially keen to capitalize on latent demand in Russia and the Commonwealth of Independent States.

The biggest goals are to cut production costs and raise profitability through restructuring and resourceful new product development.



Cup Nudeln : Thai-Style Tom Yum and Süss-Sauer in Germany

## Research and Development

As the innovator of instant noodles, Nissin Foods has pursued the endless possibilities afforded by this food product. Research and development activities at Nissin Foods are divided among the Central Research Institute, which undertakes R&D on instant noodles, fresh noodles, soups, performance health foods, and new products; the Cryogenic Development Division, which is responsible for chilled and frozen foods, particularly noodles and dim sum snacks; and the Technology Development Division, which focuses on production technologies.

### Central Research Institute

The key concepts underpinning development activities at Nissin Foods are authenticity, creativity and innovation. The Institute utilizes Nissin Foods' global procurement system to ensure low-cost, safe and stable purchasing of the wheat noodles, seasonings, topping ingredients and packaging necessary for product development. In addition, the Institute strives to respond to diversifying consumer preferences by energizing existing demand and nurturing new demand with innovative ideas in all instant noodle categories.

### Reinforcing Mainstay Brands

Nissin Foods utilizes the Brand Manager System, which assigns someone to each brand, to continuously raise the quality of its products and extend the range of selections in each brand.

In 2003, which marked the 45th anniversary of *Chicken Ramen*, a novel idea — the egg pocket — successfully reawakened demand for this product among older consumers who had not tried the instant noodles for a while and also spurred demand from young people. As a result, sales reached their highest level in the 45 years *Chicken Ramen* has been on the market. We also strengthened the mainstay *Cup Noodle* brand in Japan with the debut of *Cup Noodle Sio*, reflecting the advances in special seasonings and flavor characteristics.



### Creativity and Innovation

Consumers are increasingly interested in food products with higher quality and safety, greater natural ingredient content and authenticity in taste and appearance. In response, Nissin Foods developed and launched *Nissin Shantanmen*, featuring noodles that have undergone rapid freezing and are then left to dry slowly in a low-temperature environment, realized through the pursuit of the highest quality noodles; *Shantan* soup, boasting the most flavorful batch of chicken stock; and high-quality toppings. This product joins *Nissin GooTa*, itself developed on the concept of satisfying ingredients, as appealing noodle dishes well-deserving of stellar marks from the market for product originality and innovation.

### Functional Health Foods and New Markets

In recent years, consumers have become more interested in improving their health by more careful selection of what they eat. Responding to this demand, Nissin Foods selected psyllium, a natural dietary fiber, as a healthy ingredient and applied it to the development of cup-type noodles, cereals, beverages and gelatin snacks. To expand this sector of operations, the Company inaugurated a strategic business unit for health foods and is actively promoting research into functional ingredients and commercialization of such ingredients in new products.



Shizuoka Plant

# Food Safety and Environmental Protection

## Ensuring Food Safety

Nissin Foods is a manufacturer of food products that have an impact on consumers' health and therefore the Company places paramount importance on food safety. We strive to reinforce quality control, a position substantiated by the fact 35 plants — all of our own plants, at home and abroad, as well as those of our domestic affiliate and even the companies we do business with — boast ISO 9001 status.

Our Food Safety Research Institute not only requires proof from the companies that make and supply the raw materials used in Nissin-brand products but also conducts its own scientific analysis and inspection of ingredients and uses the results to ensure food safety. For example, the Institute employs NASRAC-300, short for Nissin Analytical Systems for Residual Agricultural Chemicals, to check simultaneously for 300 types of residual chemicals to make sure that Nissin-brand products are free of these substances.

Nissin Foods is also responding with proprietary systems to catch residual antibiotics, causes of food poisoning, genetically modified organisms and substances that cause food allergies.

In fiscal 2004, we instituted the Nissin Inspection Standards for Food Safety to quantitatively show the results of inspections at plants and to objectively evaluate the overall effectiveness of our food safety program.

## Protecting the Environment

Based on an environmental charter set down in 1999, Nissin Foods strives to protect the environment by developing products with reduced environmental impact and by contributing to the realization of a sustainable, recycling-oriented society. The Company's response has been quite extensive, including efforts to limit the use of containers and packaging, curb energy consumption, and cut waste, typified by a zero-emission campaign. All manufacturing facilities in Japan have acquired ISO 14001 certification for environmental management systems. In addition, the Tokyo and Osaka head offices also received accreditation, in May and March 2003, respectively, while Nissin-Ajinomoto Alimentos was certified in October 2003.



Nissin Foods publishes an annual Japanese-language environmental report, which is also available on the Company's web site.

# Chairman Momofuku Ando: Father of an Industry



## Innovative Pioneer

The instant noodle market, now a worldwide industry with demand reaching 65.3 billion servings in 2003, was launched by the 1958 invention of *Chicken Ramen* by Momofuku Ando, the founder and current chairman of Nissin Foods. In 1971, he developed *Cup Noodle*, the world's first cup-type instant noodle product. It was a completely new food product that could be eaten anytime, anywhere just by adding boiling water. This innovation not only established a new market, it also revolutionized eating habits around the globe.

In developing *Chicken Ramen*, Mr. Ando also determined the five basic criteria that still underpin every Nissin-brand product: good taste, convenience, potential for long-term storage, reasonable price and safety.

In addition, the flash-frying method (described on page 8) — a result achieved through trial and error — has become the most prevalent technique for manufacturing instant noodles.

Mr. Ando put forward three principles, loosely translated as "Peace will come to the world when its people have enough to eat," "Eating wisely will enhance beauty and health" and "The creation of food will serve society." These principles, which form the Company's corporate philosophy, and Mr. Ando's innovative spirit laid the foundation for the business activities and product development that Nissin Foods undertakes even today.

## Instant Ramen Museum

Wishing to instill in the younger generation, which carries the torch for the next generation, that superior research and innovation can be achieved even without magnificent facilities, Mr. Ando opened the Instant Ramen Museum in Ikeda, near Osaka, in November 1999. The displays show that the important thing is that people have clear objectives, originality and an indomitable spirit.

The museum, the world's first to spotlight the story of instant noodles, tells visitors how *Chicken Ramen* and *Cup Noodle* came to be and includes a replica of the workshop where *Chicken Ramen* materialized. One of the most popular sections of the museum is the hands-on corner where visitors get the opportunity to make instant noodles from scratch. This experience allows people to grasp the significant impact that instant noodles had on food culture of the 20th century.



Approximately 120,000 people come to the museum each year. In June 2004, the museum welcomed its 500,000th visitor.



Visitors can experience making *Chicken Ramen* from scratch at the Instant Ramen Museum.

## A Vision for the Instant Noodle Industry and the Human Race

To help the instant noodle industry evolve, Mr. Ando founded the Instant Food Industry Association (IFIA) and implemented guidelines for fair competition and product quality, including the early establishment of Japan Agricultural Standard qualifications and introduction of production dates on packaging.



Mr. Ando at the fourth World Ramen Summit in March 2004

In 1994, he took advantage of the 30th anniversary of IFIA to endow a fund, and applying that fund, he set up an organization called the Shokusokai within the IFIA in 1996. The Shokusokai, literally “food innovation society,” presents an annual award named after Mr. Ando to recognize R&D activities that contribute to better food culture through the development of unique and innovative food products.

Seeking a forum for enhancing the quality of instant noodles, IFIA formed the International Ramen Manufacturers Association (IRMA) in 1997 with Mr. Ando as chairman and participation from leading companies in Japan and instant noodle manufacturers from around the world. Currently, IRMA comprises 10 instant noodle makers and one industry organization representing 10 countries or regions.

IRMA hosted the fourth World Ramen Summit in March 2004 in Shanghai where the primary topics of discussion were CODEX standards concerning food safety and product quality.

## Promoting Sports and Culture

Momofuku Ando personally provided the funds to establish the Ando Foundation (formerly, the Nissin Sports Promotion Foundation) in 1983. Nissin Foods arranges a variety of food- and sports-related activities through the Foundation to encourage the healthy development of young people, with whom the future rests.

One of the Foundation’s main efforts is sponsorship of the Tom Sawyer School, which gives children from all over Japan the chance to go camping and experience the great outdoors. The Foundation also holds track and field competitions, which serve to foster physical strength as well as kindle a determination to succeed through the most basic of sports — running toward a goal.

The Foundation also operates the Shokusokai, the food innovation society.

With revision of the Fundamental Law of Education in fiscal 2003, educational facilities are obliged to help children experience nature. In line with this direction, Nissin Foods implemented the second annual Tom Sawyer School Contest in support of outdoor events. Children submit ideas and the three best ones receive prizes.

At this year’s Tom Sawyer School, dubbed Chicken Camp 2003, prominent athletes from various sports were invited to give talks in the sports classroom. About 500 elementary school children participated in the event.



Sports, nature and outdoor activities are key themes at the Nissin Foods-sponsored Tom Sawyer School, where children from all over Japan visit for fun and personal growth.



The Ando Foundation holds track and field events to help young people develop strength and determination.

## Board of Directors (As of June 29, 2004)



Front row from left: Momofuku Ando and Koki Ando; back row from left: Ken Sasahara, Tokio Sekine, Yukitaka Tsutsui, Susumu Nakagawa, Shoichi Nakayama, Akihide Matsuo, Taiji Matsumura, and Yasuhiro Matsuyama. (Inset from left: Hayato Togami, Seiji Toda, and Takayuki Naruto)

### Chairman & Representative Director

Momofuku Ando

### President & Representative Director

Koki Ando

### Managing Director & Representative Director

Hayato Togami

### Managing Director

Susumu Nakagawa

In charge of Corporate Planning and Auditing

Shoichi Nakayama

General Manager of Sales Division

Yukitaka Tsutsui

In charge of Legal and Corporate Communications

### Directors

Akihide Matsuo

General Manager of Corporate Production Planning Division

Tokio Sekine

General Manager of General Affairs

Taiji Matsumura

General Manager of Central Research Institute

Ken Sasahara

General Manager of International Division

Yasuhiro Matsuyama

General Manager of Tokyo Sales Division

Seiji Toda

Chairman of Nissin Foods (China) Holding Co., Ltd.

Takayuki Naruto

President of Nissin Foods (U.S.A.) Co., Inc.

Mikio Sasaki\*

President & CEO, Mitsubishi Corp.

Uichiro Niwa\*

President & CEO, ITOCHU Corp.

\*Non-executive director

### Standing Corporate Auditors

Yuichi Terada

Masaru Chiba

### Corporate Auditors

Toru Horinouchi

Hiroshi Takano

### CORPORATE EXECUTIVE OFFICERS

Nobuyuki Akamatsu

Deputy General Manager of Central Research Institute

Kenkichi Morishita

General Manager of Technical Engineering Division

Toshio Shigeta

Vice President of Nissin Foods (U.S.A.) Co., Inc.

Masahiro Sasaki

General Manager of Personnel Division

Masami Nishio

General Manager of Corporate Planning Division

Takahisa Yanagida

General Manager of Financial Division

Toshihiro Yamada

General Manager of Food Safety Research Institute

Takashi Takahashi

General Manager of Shizuoka Plant

Ryoichi Kojima

General Manager of Chilled and Frozen Foods Division

Osamu Tetsubayashi

General Manager of Marketing Division

Takashi Yokogoshi

General Manager of Shiga Plant

## Consolidated Six-Year Summary of Selected Financial Data

Years ended March 31	Millions of yen (except per share information)					
	2004	2003	2002	2001	2000	1999
<b>For the year</b>						
Net sales .....	¥320,033	¥ 315,279	¥ 308,463	¥ 301,082	¥ 292,541	¥ 290,878
Cost of sales .....	161,979	160,258	157,663	152,652	150,055	157,871
Gross profit .....	158,054	155,021	150,800	148,430	142,486	133,007
Selling, general and administrative expenses .....	134,851	128,621	125,984	121,146	114,854	108,332
Operating income .....	23,203	26,400	24,816	27,284	27,632	24,675
Other income (expenses) .....	1,502	(880)	(4,741)	(2,388)	21	(5,607)
Income before income taxes and minority interests .....	24,705	25,520	20,075	24,896	27,653	19,068
Income taxes .....	10,437	10,901	7,613	9,810	12,094	2,468
Minority interests in earnings of consolidated subsidiaries .....	217	197	526	(117)	40	(271)
Net income .....	14,051	14,422	11,936	15,203	15,519	16,871
<b>Per share</b>						
Net income .....	¥ 113.61	¥ 115.65	¥ 93.91	¥ 119.32	¥ 120.39	¥ 129.90
Cash dividends applicable to earnings of the year .....	30.00	30.00	30.00	24.00	27.00	24.00
Shareholders' equity .....	1,980.14	1,892.89	1,835.03	1,812.45	1,710.88	1,587.33
<b>At year-end</b>						
Working capital .....	¥ 62,017	¥ 60,044	¥ 71,086	¥ 45,175	¥ 74,109	¥ 90,976
Property, plant and equipment—net .....	81,243	87,537	82,444	94,568	96,931	97,093
Total assets .....	343,645	331,994	326,913	326,196	312,076	288,850
Total long-term liabilities .....	16,175	11,739	11,118	9,464	2,885	3,786
Total shareholders' equity .....	244,439	233,708	230,582	230,930	217,992	205,896
R&D expenses .....	¥ 2,762	¥ 2,757	¥ 2,579	¥ 2,541	¥ 2,515	¥ 2,283
Capital expenditures .....	6,766	6,965	6,312	4,891	4,763	10,251
<b>Value &amp; performance indicators</b>						
Operating margin (%) .....	7.3	8.4	8.0	9.1	9.4	8.5
Return on assets (%) .....	4.2	4.4	3.7	4.8	5.2	5.8
Return on equity (%) .....	5.9	6.2	5.2	6.8	7.3	8.4
Inventory turnover (times)* .....	13.6	13.6	14.1	14.9	15.3	14.6

\* Inventory turnover = Cost of sales/Average total inventory

# Financial Review

## INCOME ANALYSIS

The scope of consolidation for this review of fiscal 2004, ended March 31, 2004, covers Nissin Food Products Co., Ltd. (the "Company"), 23 consolidated subsidiaries — 10 in Japan and 13 overseas — and one company accounted for by the equity method (together, the "Group").

### Net Sales

The Group achieved consolidated net sales of ¥320,033 million (\$3,028 million) in fiscal 2004, up 1.5% over the previous fiscal year, thanks to better performances in all business categories. This marked an all-time high.

#### Consolidated and Nonconsolidated Net Sales by Category

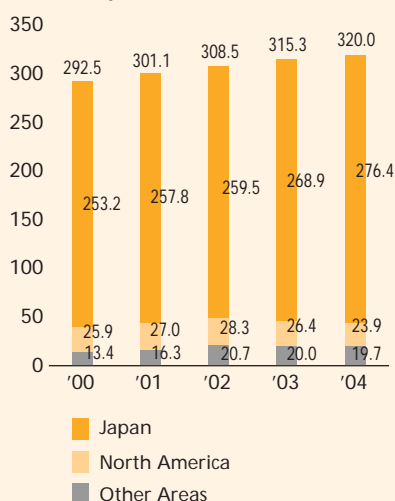
Year ended March 31, 2004	Millions of yen			
	Consolidated Net Sales		Nonconsolidated Net Sales	
		Percent change		Percent change
Pillow-type noodles .....	¥ 45,511	5.2%	¥ 31,079	8.1%
Cup-type noodles .....	203,338	0.4	187,667	1.4
Chilled and Frozen Foods .....	39,701	1.6	29,804	2.8
Others .....	31,483	3.8	16,319	9.9
<b>Total .....</b>	<b>¥320,033</b>	<b>1.5%</b>	<b>¥264,869</b>	<b>2.8%</b>

Net sales in Japan, excluding intersegment sales, reached ¥276,398 million (\$2,615 million), up 2.8%, and accounted for 86.4% of the consolidated total.

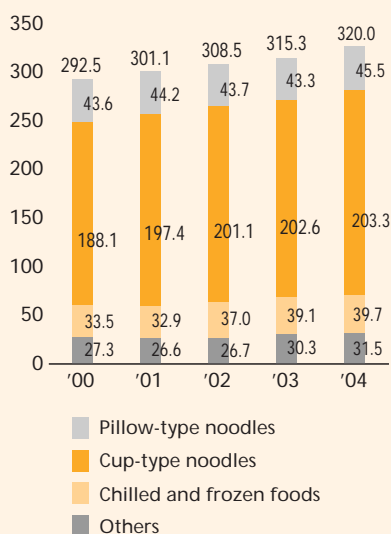
A cool summer in 2003 spurred domestic demand for instant noodles during fiscal 2004. For the Company, a marketing campaign launched in 2003 to celebrate the debut of the Company's mainstay brand, *Chicken Ramen*, 45 years earlier, contributed to record-high annual sales of this brand: 5.9 million cases. In the cup-type noodles category, the Company complemented favorable sales of regular products in the *Cup Noodle* line with a new product called *Cup Noodle Sio* that became a hit with consumers. Sales in this category also benefited from the solid popularity of *Nissin GooTa*, a higher-priced cup-type instant noodle product that appeared on store shelves in autumn 2002.

In overseas markets, the Company marked a solid performance in the People's Republic of China (PRC), where sales of pillow-type noodles soared and sales of cup-type noodles, such as *UFO*, also showed steady growth. In North America, aggressive marketing strategies, particularly for pillow-type noodles, led to higher sales on a local-currency basis, but exchange rates caused sales to decrease on a yen basis. As a result, sales from overseas operations contributed ¥43,635 million (\$413 million) to consolidated net sales, down 5.8%.

Sales by Region  
(excluding intersegment sales)  
(Billions of yen)



Net Sales by Category  
(Billions of yen)





### Cost of Sales, and Selling, General and Administrative Expenses

Cost of sales grew 1.1%, to ¥161,979 million (\$1,533 million), but the cost of sales ratio edged down 0.2 percentage point, to 50.6%, primarily because of lower ratios by domestic subsidiaries.

Selling, general and administrative (SGA) expenses rose 4.8%, to ¥134,851 million (\$1,276 million). Of this amount, promotional and distribution expenses grew, to ¥1,351 million (\$13 million) and ¥227 million (\$2 million), respectively, due mainly to the increase in net sales. Thus, percentages of net sales were on a par with those recorded in fiscal 2003. Advertising expenses, which are fixed expenses, came to ¥14,161 million (\$134 million), and as a percentage of net were more or less the same as in fiscal 2003. General and administrative expenses, chiefly outlays related to retirement benefit expenses, increased ¥4,517 million (\$43 million), to ¥30,192 million (\$286 million).

### Costs and Expenses, and Net Sales Ratio

Years ended March 31	Millions of yen			
	2004		2003	
	Net Sales Ratio	Net Sales Ratio	Net Sales Ratio	Net Sales Ratio
Cost of sales.....	¥161,979	50.6%	¥160,258	50.8%
SG&A expenses .....	134,851	42.1	128,621	40.8
Promotional expenses.....	73,291	22.9	71,940	22.8
Advertising expenses .....	14,161	4.4	14,026	4.4
Distribution expenses .....	17,207	5.4	16,980	5.4
Personnel expenses .....	18,190	5.7	14,867	4.7
Other expenses .....	12,002	3.7	10,808	3.5

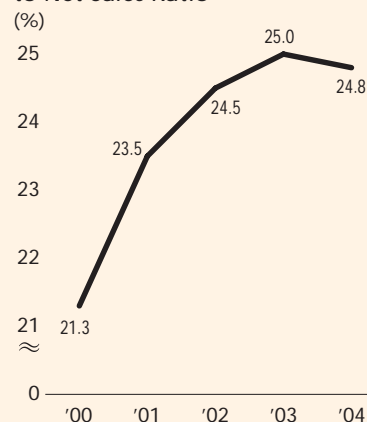
### Operating Income, Other Income (Expenses) and Net Income

Despite the boost to earnings from higher net sales, operating income fell 12.1%, to ¥23,203 million (\$220 million), because of an increase in costs associated with retirement benefits that are processed as a lump-sum in the fiscal year following the one in which the expenses appeared. As a result, the operating margin slipped 1.1 percentage points, to 7.3%.

Other income, net, was ¥1,502 million (\$14 million), compared with other expenses, net, of ¥880 million in fiscal 2003. The year-on-year reversal stems from the fact that gain on sales of investment securities more than doubled, to ¥980 million (\$9 million) and interest and dividend income grew 9.6%, to ¥1,846 million (\$17 million), while the loss from devaluation of investment securities shrank to ¥14 million from ¥2,649 million in fiscal 2003.

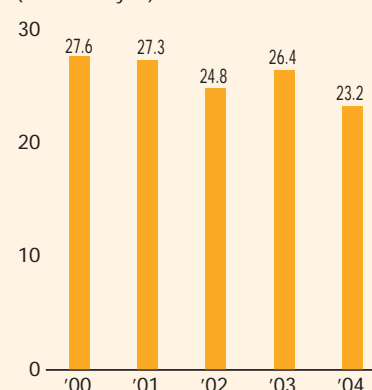
These changes held the drop in income before income taxes and minority interests, at ¥24,705 million (\$234 million), to 3.2%. Net income edged down 2.6%, to ¥14,051 million (\$133 million). Return on income slipped 0.2 percentage point, to 4.4%.

### Nonconsolidated Promotional Expenses to Net Sales Ratio

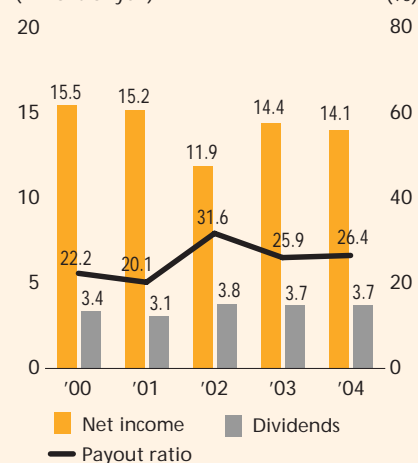


Though other companies in the food manufacturing sector increased promotional expenses to counter the effects of a deflationary economy, the Company was able to decrease its nonconsolidated promotional expenses to sales ratio due to sales strategies, such as the Frequent Shopper Program, and to precisely targeted marketing activities.

### Operating Income



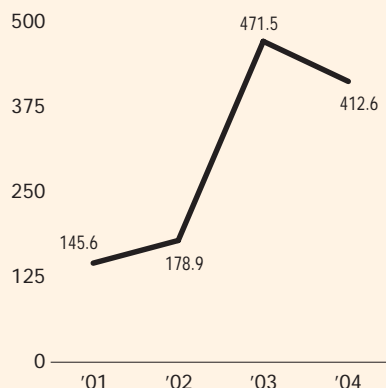
### Net Income, Dividends and Payout Ratio



## LIQUIDITY AND CAPITAL RESOURCES

### Cash Flows

Interest Coverage Ratio  
(Times)



\*Interest coverage ratio =  
operating cash flow / interest payments

Cash and cash equivalents stood at ¥72,140 million (\$683 million) at March 31, 2004, primarily because the purchase of bonds caused net cash used in investing activities to rise. This rise largely cancelled out income before income taxes and minority interests of ¥24,705 million, which was the major contribution to net cash provided by operating activities.

Net cash provided by operating activities was ¥22,213 million (\$210 million), because inflows—from income before income taxes and minority interests and depreciation and amortization of ¥7,079 million (\$67 million)—were partially offset by of ¥11,904 million (\$113 million) in cash paid for income taxes and an increase in notes and accounts receivable and others.

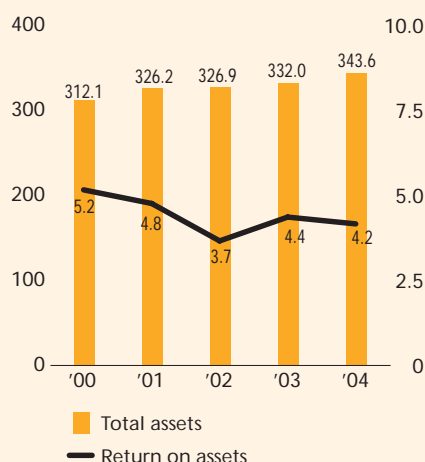
Net cash used in investing activities was at ¥20,453 million (\$194 million). The Company maintained its shift in the application of funds away from liquid deposits in favor of investment securities to enhance fund efficiency. The Company also used funds for acquisition of fixed assets and marketable and investment securities.

Net cash used in financing activities came to ¥3,813 million (\$36 million). The primary application of funds was ¥3,702 million (\$35 million) to pay cash dividends.

### Cash Flow Highlights

Years ended March 31	Millions of yen		
	2004	2003	2002
Net cash provided by operating activities.....	¥ 22,213	¥ 23,028	¥22,810
Net cash provided by (used in) investing activities...	(20,453)	(29,031)	5,434
Net cash used in financing activities .....	(3,813)	(10,375)	(7,400)
Cash and cash equivalents at the end of the year ....	¥ 72,140	¥ 73,882	¥91,122

Total Assets and Return on Assets  
(Billions of yen)



### Assets, Liabilities and Shareholders' Equity

Total assets stood at ¥343,645 million (\$3,251 million) at March 31, 2004, up 3.5% year-on-year. Return on average assets (ROA) slipped 0.2 percentage point, to 4.2%.

Total current assets edged down 1.0%, to ¥138,368 million (\$1,309 million), primarily owing to a 68.6% decrease in marketable securities.

Net property, plant and equipment declined 7.2%, to ¥81,243 million (\$769 million), as liquidation of land and buildings at the Tokyo head office caused land, and buildings and structures to shrink 5.8% and 6.2%, respectively.

Total investments and other assets climbed 18.4%, to ¥124,034 million (\$1,174 million), because a 35.3% jump in investment securities, paralleling the purchase of bonds to raise cash-management efficiency, offset a 51.1%

decline in deferred tax assets and deferred tax assets related to revaluation of land.

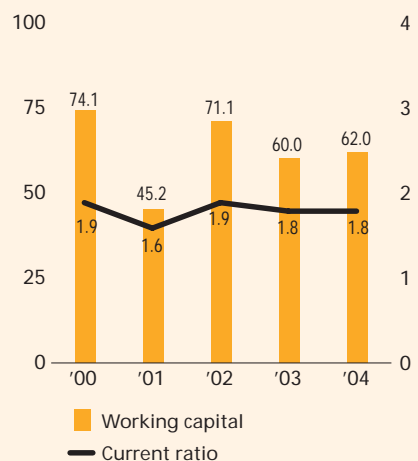
Total liabilities inched up 1.2%, to ¥92,526 million (\$875 million). Of this amount, total current liabilities accounted for ¥76,351 million (\$722 million), down 4.2%. Working capital expanded 3.3%, to ¥62,017 million (\$587 million).

The current ratio moved from 175% to 181%, for a 6-percentage-point improvement.

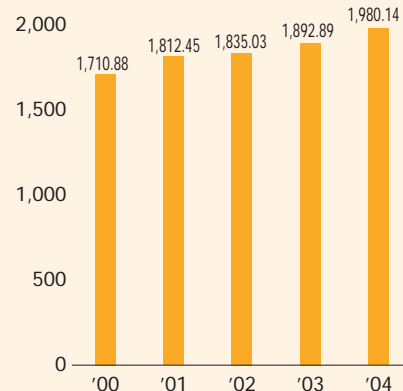
Total shareholders' equity reached ¥244,439 million (\$2,313 million), up 4.6%. The increase reflects a 3.1% gain in retained earnings, to ¥180,877 million (\$1,711 million), a 67.3% drop in adjustment due to revaluation of land, to ¥2,192 million (\$21 million), following liquidation of land at the Tokyo head office during fiscal 2004, and a more than threefold surge in unrealized gain on securities, to ¥4,631 million (\$44 million).

At March 31, 2004, the shareholders' equity ratio had increased 0.7 percentage point, to 71.1%, holding at a higher level than that of other domestic companies. Shareholders' equity per share was ¥1,980.14, up 4.6%. Return on equity (ROE) settled at 5.9%, down 0.3 percentage point year-on-year.

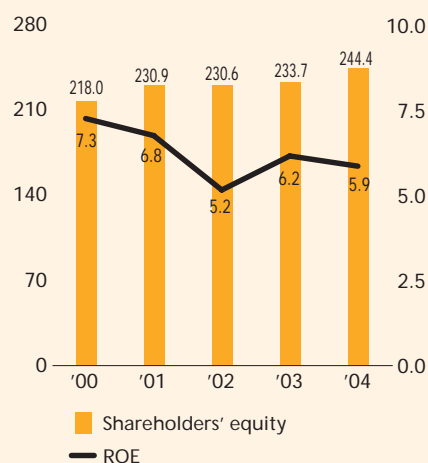
Working Capital and Current Ratio  
(Billions of yen) (Times)



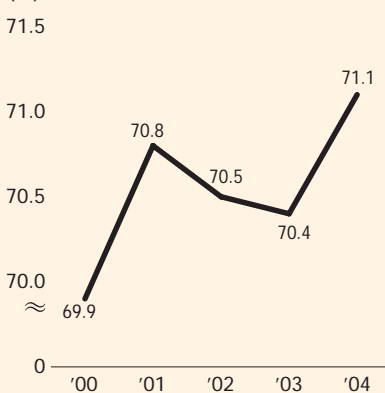
Shareholders' Equity per Share  
(Yen)



Shareholders' Equity and ROE  
(Billions of yen)



Shareholders' Equity Ratio  
(%)



**Consolidated Balance Sheets**

As of March 31, 2004 and 2003

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2004	2003	2004
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash and deposits .....	¥ 72,024	¥ 64,264	\$ 681,465
Marketable securities (Note 4) .....	6,496	20,697	61,463
Receivables:			
Trade notes .....	206	231	1,949
Trade accounts .....	39,569	36,978	374,387
Other .....	2,084	1,735	19,718
Less: Allowance for doubtful receivables .....	(379)	(339)	(3,586)
Inventories (Note 5) .....	11,922	11,896	112,802
Deferred tax assets (Note 8) .....	5,764	3,428	54,537
Other current assets .....	682	843	6,452
<b>Total current assets</b> .....	<b>138,368</b>	<b>139,733</b>	<b>1,309,187</b>
<b>Property, plant and equipment:</b>			
Land (Note 3) .....	29,010	30,784	274,482
Buildings and structures .....	65,826	70,177	622,821
Machinery and equipment .....	81,730	81,099	773,299
Construction in progress .....	378	928	3,576
Other .....	1,994	1,992	18,868
	<b>178,938</b>	<b>184,980</b>	<b>1,693,046</b>
Less: Accumulated depreciation .....	(97,695)	(97,443)	(924,355)
<b>Property, plant and equipment—net</b> .....	<b>81,243</b>	<b>87,537</b>	<b>768,691</b>
<b>Investments and other assets:</b>			
Investment securities (Note 4) .....	109,375	80,850	1,034,866
Investments in unconsolidated subsidiaries and affiliates .....	6,647	8,552	62,891
Long-term loans to unconsolidated subsidiaries and affiliates .....	225	250	2,129
Long-term loans .....	21	21	199
Less: Allowance for doubtful receivables .....	(2)	(21)	(19)
Deferred tax assets (Note 8) .....	4,316	7,333	40,836
Deferred tax assets related to revaluation of land (Note 3) .....	1,482	4,517	14,022
Other assets .....	1,970	3,222	18,641
<b>Total investments and other assets</b> .....	<b>124,034</b>	<b>104,724</b>	<b>1,173,565</b>
<b>Total assets</b> .....	<b>¥343,645</b>	<b>¥331,994</b>	<b>\$3,251,443</b>

The accompanying notes to the consolidated financial statements are an integral part of these balance sheets.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2004	2003	2004
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current liabilities:</b>			
Short-term borrowings (Note 6) .....	¥ 5,118	¥ 5,246	\$ 48,425
Payables:			
Trade notes .....	1,196	1,472	11,316
Trade accounts .....	33,103	34,092	313,208
Other .....	21,723	21,832	205,535
Accrued expenses .....	6,762	5,937	63,980
Accrued income taxes .....	3,398	6,476	32,151
Other current liabilities .....	5,051	4,634	47,790
<b>Total current liabilities</b> .....	<b>76,351</b>	<b>79,689</b>	<b>722,405</b>
<b>Long-term liabilities:</b>			
Guarantee deposits received .....	140	147	1,325
Reserve for employees' retirement benefits (Note 7) .....	14,224	9,769	134,582
Reserve for directors' retirement benefits .....	1,640	1,603	15,517
Other long-term liabilities .....	171	220	1,618
<b>Total long-term liabilities</b> .....	<b>16,175</b>	<b>11,739</b>	<b>153,042</b>
<b>Minority interests</b> .....	<b>6,680</b>	<b>6,858</b>	<b>63,204</b>
<b>Shareholders' equity:</b>			
Common stock			
Authorized—394,301,700 shares;			
Issued:			
March 31, 2004—127,463,685 shares			
March 31, 2003—127,463,685 shares .....	25,123	25,123	237,705
Additional paid-in capital .....	48,370	48,370	457,659
Retained earnings .....	180,877	175,366	1,711,392
Adjustment due to revaluation of land (Note 3) .....	(2,192)	(6,700)	(20,740)
Unrealized gain on securities .....	4,631	1,407	43,817
Translation adjustment account .....	(2,623)	(115)	(24,818)
Treasury stock, at cost—March 31, 2004—4,031,646 shares			
March 31, 2003—4,029,817 shares .....	(9,747)	(9,743)	(92,223)
<b>Total shareholders' equity</b> .....	<b>244,439</b>	<b>233,708</b>	<b>2,312,792</b>
<b>Contingent liabilities (Note 9)</b>			
<b>Total liabilities and shareholders' equity</b> .....	<b>¥343,645</b>	<b>¥331,994</b>	<b>\$3,251,443</b>

**Consolidated Statements of Income**

For the years ended March 31, 2004, 2003 and 2002

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2004	2003	2002	2004
<b>Net sales</b> .....	<b>¥320,033</b>	¥315,279	¥308,463	<b>\$3,028,035</b>
<b>Cost of sales (Note 10)</b> .....	<b>161,979</b>	160,258	157,663	<b>1,532,586</b>
Gross profit .....	<b>158,054</b>	155,021	150,800	<b>1,495,449</b>
<b>Selling, general and administrative expenses (Note 10)</b> .....	<b>134,851</b>	128,621	125,984	<b>1,275,911</b>
Operating income .....	<b>23,203</b>	26,400	24,816	<b>219,538</b>
<b>Other income (expenses):</b>				
Interest and dividend income .....	<b>1,846</b>	1,684	2,479	<b>17,466</b>
Interest expenses .....	<b>(54)</b>	(49)	(127)	<b>(511)</b>
Equity in earnings of affiliates .....	<b>318</b>	291	526	<b>3,009</b>
Loss from devaluation of investment securities .....	<b>(14)</b>	(2,649)	(8,108)	<b>(132)</b>
Loss from devaluation of land .....	<b>—</b>	—	(1,086)	<b>—</b>
Gain on sales of investment securities .....	<b>980</b>	394	1,229	<b>9,272</b>
Other, net (Note 11) .....	<b>(1,574)</b>	(551)	346	<b>(14,892)</b>
<b>Income before income taxes and minority interests</b> .....	<b>24,705</b>	25,520	20,075	<b>233,750</b>
<b>Income taxes:</b>				
Current .....	<b>8,901</b>	10,930	12,147	<b>84,218</b>
Deferred .....	<b>1,536</b>	(29)	(4,534)	<b>14,533</b>
	<b>10,437</b>	10,901	7,613	<b>98,751</b>
Income before minority interests .....	<b>14,268</b>	14,619	12,462	<b>134,999</b>
<b>Minority interests in earnings of consolidated subsidiaries</b> ...	<b>217</b>	197	526	<b>2,054</b>
Net income .....	<b>¥ 14,051</b>	¥ 14,422	¥ 11,936	<b>\$ 132,945</b>
		Yen		U.S. dollars (Note 1)
	<b>2004</b>	2003	2002	<b>2004</b>
<b>Per share of common stock:</b>				
Net income .....	<b>¥113.61</b>	¥115.65	¥93.91	<b>\$1.07</b>
Cash dividends applicable to earnings of the year .....	<b>30.00</b>	30.00	30.00	<b>0.28</b>

The accompanying notes to the consolidated financial statements are an integral part of these statements of income.

# Consolidated Statements of Shareholders' Equity

For the years ended March 31, 2004, 2003 and 2002

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2004	2003	2002	2004
<b>Common stock:</b>				
Opening and closing balance .....	¥ 25,123	¥ 25,123	¥ 25,123	\$ 237,705
<b>Additional paid-in capital:</b>				
Opening and closing balance .....	¥ 48,370	¥ 48,370	¥ 48,370	\$ 457,659
<b>Retained earnings:</b>				
Opening balance .....	¥175,366	¥164,452	¥155,636	\$1,659,249
Add:				
Net income.....	14,051	14,422	11,936	132,945
Retained earnings from consolidation of subsidiaries at the beginning of the year .....	—	339	—	—
Deduct:				
Cash dividends paid.....	(3,702)	(3,770)	(3,058)	(35,027)
Bonuses to directors .....	(61)	(62)	(62)	(577)
Deduction caused by increase in number of consolidated subsidiaries.....	(272)	—	—	(2,573)
Reversal of adjustment due to revaluation of land .....	(4,505)	(15)	—	(42,625)
Closing balance .....	¥180,877	¥175,366	¥164,452	\$1,711,392
<b>Adjustment due to revaluation of land (Note 3):</b>				
Opening balance .....	¥ (6,700)	¥ (6,559)	¥ —	\$ (63,393)
Add .....	4,508	—	—	42,653
Deduct .....	—	(141)	(6,559)	—
Closing balance.....	¥ (2,192)	¥ (6,700)	¥ (6,559)	\$ (20,740)
<b>Unrealized gain on securities:</b>				
Opening balance.....	¥ 1,407	¥ 1,543	¥ 2,604	\$ 13,313
Add .....	3,224	—	—	30,504
Deduct .....	—	(136)	(1,061)	—
Closing balance .....	¥ 4,631	¥ 1,407	¥ 1,543	\$ 43,817
<b>Translation adjustment account:</b>				
Opening balance.....	¥ (115)	¥ 2,049	¥ (704)	\$ (1,088)
Add .....	—	—	2,753	—
Deduct .....	(2,508)	(2,164)	—	(23,730)
Closing balance.....	¥ (2,623)	¥ (115)	¥ 2,049	\$ (24,818)
<b>Treasury stock, at cost—March 31, 2004—4,031,646 shares:</b>				
Opening balance .....	¥ (9,743)	¥ (4,396)	¥ (99)	\$ (92,185)
Add .....	—	—	—	—
Deduct .....	¥ (4)	¥ (5,347)	¥ (4,297)	\$ (38)
Closing balance.....	¥ (9,747)	¥ (9,743)	¥ (4,396)	\$ (92,223)
Total shareholders' equity .....	¥244,439	¥233,708	¥230,582	\$2,312,792
<b>Number of shares of common stock issued (thousands):</b>				
Opening and closing balance .....	127,464	127,464	127,464	

The accompanying notes to the consolidated financial statements are an integral part of these statements of shareholders' equity.

# Consolidated Statements of Cash Flows

For the years ended March 31, 2004, 2003 and 2002

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2004	2003	2002	2004
<b>Cash flows from operating activities:</b>				
Income before income taxes and minority interests .....	¥ 24,705	¥ 25,520	¥ 20,075	\$ 233,750
Depreciation and amortization .....	7,079	7,459	7,224	66,979
Amortization of goodwill .....	—	(154)	577	—
Increase in reserve for doubtful accounts .....	37	92	25	350
Increase in reserve for employees' retirement benefits .....	4,455	641	1,526	42,152
Interest and dividend income .....	(1,846)	(1,684)	(2,479)	(17,466)
Gain from collection of written-off receivables .....	(123)	—	—	(1,164)
Interest expenses .....	54	49	127	511
Equity in earnings of affiliates .....	(318)	(291)	(526)	(3,009)
Loss on disposal and sales of property, plant and equipment .....	608	129	242	5,753
Gain on sales of marketable and investment securities and others ...	(1,087)	(204)	(1,224)	(10,285)
Foreign currency exchange (gain) loss .....	157	264	(470)	1,485
Devaluation of land .....	—	—	1,086	—
Devaluation of marketable and investment securities and others ...	48	2,868	8,535	454
(Increase) decrease in notes and accounts receivable .....	(2,982)	(208)	542	(28,215)
Increase in inventories .....	(367)	(723)	(458)	(3,472)
Increase (decrease) in notes and accounts payable .....	(995)	1,090	(3,170)	(9,414)
Increase (decrease) in accrued consumption tax .....	478	81	(168)	4,523
Bonuses to directors .....	(61)	(62)	(62)	(577)
Others .....	2,237	(2,371)	1,815	21,165
Subtotal .....	32,079	32,496	33,217	303,520
Cash received from interest and dividend income .....	2,092	1,920	2,517	19,794
Cash paid for interest expenses .....	(54)	(49)	(127)	(511)
Cash paid for income taxes .....	(11,904)	(11,339)	(12,797)	(112,632)
<b>Net cash provided by operating activities .....</b>	<b>22,213</b>	<b>23,028</b>	<b>22,810</b>	<b>210,171</b>
<b>Cash flows from investing activities:</b>				
Payment of funds into time deposits .....	(2,499)	(61)	(694)	(23,645)
Proceeds from redemption of time deposits .....	190	475	660	1,798
Payment for purchases of marketable securities .....	(6,001)	(7,001)	(4,999)	(56,779)
Proceeds from sales of marketable securities .....	16,804	8,469	7,915	158,993
Payment for purchases of property, plant and equipment and others .....	(7,364)	(6,832)	(6,303)	(69,675)
Proceeds from sales of property, plant and equipment and others .....	4,190	332	154	39,644
Payment for purchases of investment securities .....	(57,345)	(38,313)	(17,964)	(542,577)
Proceeds from sales of investment securities .....	31,547	13,866	27,206	298,486
Payment for purchases of additional shares of consolidated subsidiaries and others .....	—	(16)	(577)	—
Others .....	25	50	36	236
<b>Net cash provided by (used in) investing activities .....</b>	<b>(20,453)</b>	<b>(29,031)</b>	<b>5,434</b>	<b>(193,519)</b>
<b>Cash flows from financing activities:</b>				
Proceeds from short-term borrowings .....	434	328	119	4,106
Repayment of short-term borrowings .....	(534)	(2,011)	(733)	(5,053)
Proceeds from issuance of long-term debt .....	10	—	—	95
Proceeds from minority shareholdings .....	—	497	583	—
Repurchase of common stocks .....	(7)	(5,404)	(4,297)	(66)
Cash dividends paid .....	(3,702)	(3,770)	(3,058)	(35,027)
Others .....	(14)	(15)	(14)	(132)
<b>Net cash used in financing activities .....</b>	<b>(3,813)</b>	<b>(10,375)</b>	<b>(7,400)</b>	<b>(36,077)</b>
<b>Effect of exchange rate changes on cash and cash equivalents .....</b>	<b>(1,375)</b>	<b>(1,075)</b>	<b>1,511</b>	<b>(13,009)</b>
<b>Increase (decrease) in cash and cash equivalents .....</b>	<b>(3,428)</b>	<b>(17,453)</b>	<b>22,355</b>	<b>(32,434)</b>
<b>Increase in cash and cash equivalents due to consolidation of additional subsidiaries .....</b>	<b>1,686</b>	<b>213</b>	<b>—</b>	<b>15,952</b>
<b>Cash and cash equivalents at the beginning of the year .....</b>	<b>73,882</b>	<b>91,122</b>	<b>68,767</b>	<b>699,044</b>
<b>Cash and cash equivalents at the end of the year .....</b>	<b>¥ 72,140</b>	<b>¥ 73,882</b>	<b>¥ 91,122</b>	<b>\$ 682,562</b>

The accompanying notes to the consolidated financial statements are an integral part of these statements of cash flows.



# Notes to Consolidated Financial Statements

## 1. Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements of Nissin Food Products Co., Ltd. (the "Company") and its consolidated subsidiaries are an English version of those which have been filed with the Director of the Kanto Local Finance Bureau, as required by the Japanese Securities and Exchange Law, which may differ in some material respects from accounting principles and practices generally accepted in countries and jurisdictions other than Japan. In addition, the Notes to Consolidated Financial Statements include information that is not required under accounting principles generally accepted in Japan but is presented herein as additional information.

Accounting policies used for the original statements remain unchanged in this English version. The information disclosed and

the manner of disclosure, however, have been modified, and the consolidated statements of shareholders' equity have been added for the purpose of this annual report.

In addition to the presentation of Japanese yen figures, which are identical with those in the original statements in Japanese, the financial statements present monetary information in U.S. dollars, which has been translated at the rate of ¥105.69=US\$1, the approximate rate prevailing on March 31, 2004. It should be noted, however, that this translation is not intended to imply that the amounts shown have been or could have been converted into U.S. dollars at that rate. For comparative purposes only, the above rate has been used throughout the U.S. dollar financial statements.

## 2. Summary of Significant Accounting Policies

### (a) Principles of consolidation and accounting for investments in unconsolidated subsidiaries and affiliates

The consolidated financial statements include the accounts of the Company and its significant subsidiaries, defined as companies over which it is deemed to exercise substantial control (together, the "Group"). All significant intercompany balances and transactions have been eliminated on consolidation.

In the elimination of investments in subsidiaries, the assets and liabilities of the subsidiaries, including the portion attributable to the minority shareholders, are evaluated using the fair value at the time the Company acquired control of the respective subsidiaries.

Investments in a certain affiliate (a company that is able to exert a significant influence on financial and operating policy decisions) are stated at their underlying net equity value (using the equity method), after elimination of unrealized intercompany profits.

Differences between the cost and underlying net equity of investments in consolidated subsidiaries and a company accounted for using the equity method are charged or credited to income as they occur.

Investments in unconsolidated subsidiaries and other affiliates are carried at cost, and the Company writes down investments of which the value has been permanently impaired.

The number of consolidated subsidiaries and affiliates accounted for using the equity method, for the years ended March 31, 2004, 2003 and 2002, are as follows:

	2004	2003	2002
Consolidated subsidiaries.....	23	24	22
Affiliate accounted for using the equity method.....	1	1	1

Thirteen overseas subsidiaries and one overseas affiliate use December 31 as the closing date for their financial statements. Necessary adjustments were made on significant intercompany transactions that occurred from January 1, to the closing date of the consolidated financial statements. (Please refer to page 39 for company names of consolidated subsidiaries and an affiliate accounted for using the equity method.)

Nissin Foods (China) Holding Co., Ltd., is included in the scope of consolidation beginning from the fiscal year ended March 31, 2004, owing to its increased significance. Wing On Foods Co., Ltd.,

and Wintai Food Manufactures Ltd., both consolidated subsidiaries in the previous fiscal year, are excluded from the scope of consolidation in the fiscal year ended March 31, 2004, following the conclusion of liquidation procedures in line with the transfer of operations to other consolidated subsidiaries.

### (b) Consolidated statements of cash flows

For the purposes of cash flow statements, cash and cash equivalents comprise cash in hand, deposits held at call with banks and all highly liquid investments with insignificant risk of changes in value and with maturities of three months or less.

Cash and cash equivalents as of the balance sheet dates consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Cash and deposits.....	¥72,024	¥ 64,264	\$681,465
Time deposits with maturities exceeding three months.....	(2,394)	(91)	(22,651)
Marketable securities redeemable within three months.....	2,510	9,709	23,748
Cash and cash equivalents.....	¥72,140	¥ 73,882	\$682,562

### (c) Securities

Of marketable and investment securities, listed securities are stated at market value, based on the fair market value at the end of the period. Unrealized gain (net) is included in shareholders' equity, while any cost of sales is calculated based on the moving-average cost method.

Non-marketable securities are stated at cost or amortized cost using the moving-average cost method.

### (d) Inventories

Finished goods and purchased goods are principally valued at cost using the periodic average method. Raw materials and supplies are principally valued at cost using the recent-purchase method.

### (e) Derivative financial instruments

Derivative transactions undertaken by the Group are interest rate swaps to avert the risk of fluctuating interest rates on investment

securities, and exchange contract transactions to avert the risk of fluctuating exchange rates on foreign currency debt. The Group does not engage in any short-term trading to gain profits or in any speculative transactions.

Derivative transactions employ hedge accounting. The method to effectively evaluate hedging calls for identification of significant conditions for hedging method and respective target, thereby totally averting the risk of losses from fluctuation of cash flows during hedging terms.

The Company forms contract agreements with highly credit-worthy financial institutions only, to avert credit risk due to nonfulfillment of a contract by a trading party.

Derivative transactions are managed and executed by the Finance Division in accordance with the risk management policies approved by the Executive Committee, which comprises executive directors of the Company.

#### **(f) Property, plant and equipment**

Property, plant and equipment are principally depreciated using the declining-balance method over the useful lives of the assets, in conformity with the Corporation Tax Law. However, certain consolidated subsidiaries use the straight-line method. The straight-line method is also used for the head offices of the Company (Osaka and Tokyo) and the buildings and structures of the Central Research Institute. In addition, the straight-line method is used for buildings (excluding attached facilities) acquired on or after April 1, 1998.

Repair and maintenance expenditures are charged to income as incurred, although major improvements are capitalized. When properties are retired or otherwise disposed of, any resulting gain or loss is credited or charged to income.

#### **(g) Pension plan**

The Company and its domestic consolidated subsidiaries have two types of employee benefit plan. One is a defined benefit pension plan, i.e. a contributory pension plan and a qualified pension plan. The other is a lump-sum retirement payment. The Company changed from a qualified pension plan to a contributory pension plan in 1989.

The Company's pensions are paid from age 60 for people with at least 20 years of service. Employees terminated with less than 20 years of service receive lump-sum payments, paid as fixed amounts that reflect final base compensation, length of service and conditions of termination.

The pension payment amounts are guaranteed for 15 years from age 60. Pension payments will continue thereafter for the remainder of the recipient's life, at a rate of 60 percent of the original payment amount after age 75.

#### **(h) Reserve for employees' retirement benefits**

The Company and its domestic consolidated subsidiaries provide for employees' retirement benefits based on the projected benefit

obligation and the amount of pension plan assets at the end of the fiscal year.

Actuarial differences, or unexpected gain or loss are charged to income on a lump-sum basis in the fiscal year after they occur.

#### **(i) Reserve for directors' retirement benefits**

In accordance with its bylaws, the Company maintains a reserve for retirement bonuses to directors under which it appropriates funding equal to the entire amount to be paid, at the end of the fiscal year.

#### **(j) Allowance for doubtful receivables**

The Group provides for losses on ordinary receivables based on historical loss ratios and for losses on doubtful receivables in the estimated uncollectable amount after examining each doubtful receivable to gauge the likelihood of recovery.

#### **(k) Income taxes**

Income taxes of the Company and its domestic consolidated subsidiaries are estimated based on taxable income. Income taxes of foreign consolidated subsidiaries are based generally on the tax rates applicable in their country of incorporation.

#### **(l) Leases**

In Japan, finance leases other than those that are deemed to transfer the ownership of the leased assets to the lessee are accounted for by a method similar to that applicable to ordinary operating leases.

#### **(m) Consumption tax accounting method**

The Japanese consumption tax withheld and consumption tax paid, at a rate of 5%, are not included in any accounts in the consolidated statements of income.

#### **(n) Treasury stock**

The cost of treasury stock held by the Company is presented as a reduction of shareholders' equity in the consolidated balance sheets.

"Accounting Standard for Treasury Stock and Reversal of Legal Reserves" (Accounting Standards Board of Japan Statement 1, issued on February 21, 2002) has been applied beginning in the fiscal year ended March 31, 2003. The adoption of this accounting change did not have a material effect on income for the fiscal year.

#### **(o) Appropriation of retained earnings**

Cash dividends and bonuses to directors are recorded in the financial year that a proposed appropriation is approved by the general meeting of shareholders.

#### **(p) Net income per share**

The computation of net income per share is based on the weighted-average number of shares of common stock outstanding during the relevant fiscal year.

Cash dividends per common share presented in the accompanying consolidated statements of income are dividends applicable to the respective years, including dividends to be paid after the end of the year.

### **3. Revaluation of Land**

Based on the Law Concerning Revaluation of Land and the Law Amending Parts of the Law Concerning Revaluation of Land, the Company revalued the land it holds for use in the course of ongoing operations. The resulting land revaluation difference represents

an unrealized devaluation of land and is debited directly, as net of income taxes, under "Adjustment due to revaluation of land" in shareholders' equity. There is no effect on the statement of income. Land for own-use was revalued in accordance with the law on

March 31, 2002. The book value of land was ¥34,130 million before revaluation and ¥22,887 million after revaluation.

The market value of such land, as of March 31, 2004, declined ¥5,685 million (US\$53,789 thousand) from the book value of land revalued as of March 31, 2002.)

## 4. Securities

The carrying amounts and aggregate fair values of investment securities with market value at March 31, 2004 and 2003, were as follows.

March 31, 2004	Millions of yen			Thousands of U.S. dollars		
	Acquisition cost	Balance sheet amount	Unrealized gain (loss)	Acquisition cost	Balance sheet amount	Unrealized gain (loss)
Where balance-sheet amounts exceed acquisition costs						
(1) Stocks .....	¥20,319	¥28,969	¥ 8,650	\$192,251	\$274,094	\$ 81,843
(2) Bonds						
National government bonds .....	—	—	—	—	—	—
Corporate bonds .....	12,288	12,427	139	116,265	117,580	1,315
Other bonds.....	—	—	—	—	—	—
(3) Others.....	3,746	4,871	1,125	35,443	46,088	10,645
Subtotal .....	¥36,353	¥46,267	¥ 9,914	\$343,959	\$437,762	\$ 93,803
Where balance-sheet amounts do not exceed acquisition costs						
(1) Stocks .....	¥ 2,897	¥ 2,740	¥ (157)	\$ 27,410	\$ 25,925	\$ (1,485)
(2) Bonds						
National government bonds .....	4,258	4,164	(94)	40,288	39,398	(890)
Corporate bonds .....	29,750	29,082	(668)	281,484	275,163	(6,321)
Other bonds.....	16,524	15,387	(1,137)	156,344	145,586	(10,758)
(3) Others.....	—	—	—	—	—	—
Subtotal .....	¥53,429	¥51,373	¥(2,056)	\$505,526	\$486,072	\$(19,454)
Total .....	¥89,782	¥97,640	¥ 7,858	\$849,485	\$923,834	\$ 74,349

March 31, 2003	Millions of yen		
	Acquisition cost	Balance sheet amount	Unrealized gain (loss)
Where balance-sheet amounts exceed acquisition costs			
(1) Stocks .....	¥ 7,043	¥10,669	¥3,626
(2) Bonds			
Corporate bonds .....	15,107	15,334	227
Other bonds.....	8,332	8,598	266
(3) Others.....	—	—	—
Subtotal .....	¥30,482	¥34,601	¥4,119
Where balance-sheet amounts do not exceed acquisition costs			
(1) Stocks .....	¥ 7,566	¥ 6,815	¥ (751)
(2) Bonds			
Corporate bonds .....	31,895	31,458	(437)
Other bonds.....	125	122	(3)
(3) Others.....	3,787	3,272	(515)
Subtotal .....	¥43,373	¥41,667	¥(1,706)
Total .....	¥73,855	¥76,268	¥ 2,413

## 5. Inventories

Inventories as of March 31, 2004 and 2003 are summarized below.

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Finished goods and purchased goods.....	¥7,537	¥7,138	\$71,313
Raw materials and supplies .....	4,385	4,758	41,489

## 6. Short-term Borrowings

Short-term borrowings, which amounted to ¥5,118 million (US\$48,425 thousand) and ¥5,246 million as of March 31, 2004 and 2003, respectively, generally represent notes.

The annual interest rates applicable to the borrowings at March 31, 2004, ranged from 0.49% to 4.536%.

## 7. Reserve for Employees' Retirement Benefits

The following table sets forth the funded and accrued status of retirement benefits, and the accrued amounts in the consolidated balance sheets, as of March 31, 2004 and 2003.

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
(a) Projected benefit obligation .....	¥(34,962)	¥(30,353)	\$(330,798)
(b) Pension assets at fair value.....	20,154	15,785	190,690
(c) Unfunded retirement benefits obligation (a+b).....	(14,808)	(14,568)	(140,108)
(d) Unrealized actuarial differences .....	584	4,799	5,526
(e) Reserve for employees' retirement benefits (c)+(d) .....	¥(14,224)	¥ (9,769)	\$(134,582)

Notes: 1. The above amounts include a substitutional portion of the employees' pension fund.

2. Domestic consolidated subsidiaries apply the simplified method to calculate pension benefits obligation.

The components of retirement benefit costs for the years ended March 31, 2004 and 2003, were as follows.

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
(a) Service cost (Note 1, 2) .....	¥1,259	¥1,573	\$11,912
(b) Interest cost.....	824	832	7,796
(c) Expected return on pension assets.....	(424)	(530)	(4,012)
(d) Amortization for unrealized actuarial difference .....	4,799	482	45,406
Total net periodic pension cost .....	¥6,458	¥2,357	\$61,102

Notes: 1. Employee contributions to the employees' pension fund have been deducted.

2. Expenses for pension benefits of consolidated subsidiaries, which apply the simplified method, are included.

The assumptions used to calculate retirement benefit liabilities were as follows.

(a) Method of allocation of estimated retirement benefits	Straight-line method
(b) Discount rates	2.5% for 2004 and 3.0% for 2003
(c) Expected rate of return on pension assets	2.5% for 2004 and 3.0% for 2003
(d) Amortization period for actuarial difference (Note)	1 year

Note: Actuarial difference is expensed as a lump sum in the following fiscal year.

## 8. Deferred Income Taxes

Composition of assets and liabilities of deferred income taxes for the years ended March 31, 2004 and 2003, were as follows.

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
<b>Deferred tax assets:</b>			
Reserve for employees' retirement benefits .....	¥ 5,719	¥ 3,918	\$ 54,111
Accounts payable .....	3,730	1,756	35,292
Unrealized losses on securities .....	2,622	5,784	24,808
Accrued bonuses to employees.....	1,143	747	10,815
Reserve for directors' retirement benefits .....	662	645	6,264
Depreciation and amortization .....	662	584	6,264
Net loss carry forward of consolidated subsidiaries.....	6,480	6,596	61,311
Other.....	1,749	1,509	16,548
Total deferred tax assets .....	22,767	21,539	215,413
Valuation allowance .....	(6,426)	(6,595)	(60,800)
Net deferred tax assets .....	16,341	14,944	154,613
<b>Deferred tax liabilities:</b>			
Deferred capital gain on properties .....	(1,997)	(1,995)	(18,895)
Unrealized gain on securities.....	(3,175)	(2,133)	(30,041)
Other.....	(1,140)	(124)	(10,786)
Total deferred tax liabilities .....	(6,312)	(4,252)	(59,722)
Net deferred tax assets .....	¥10,029	¥10,692	\$ 94,891

Note: Net deferred tax liabilities (fixed) of ¥50 million (US\$473 thousand) are included in fixed liabilities.

Income taxes of the Company and its domestic consolidated subsidiaries are provided for based on taxable income. Income taxes of foreign consolidated subsidiaries are based generally on the tax rates applicable in the respective country of incorporation.

The statutory tax rate used by the Company to calculate net

deferred taxes was changed from 40.27% to 40.33%, effective April 1, 2004. The effects of this change on deferred tax assets, after deducting deferred tax liabilities as of March 31, 2004, and on provision for deferred income taxes for the year ended March 31, 2004, were insignificant.

## 9. Contingent Liabilities

The Group was contingently liable as a guarantor of loans to an unconsolidated subsidiary in the aggregate amount of ¥394 million

(US\$3,728 thousand) and ¥494 million at March 31, 2004 and 2003, respectively.

## 10. Research and Development Expenses

Expenses relating to research and development activities are charged to income as incurred. R&D expenses, which are included in cost of sales and selling, general and administrative expenses,

totalled ¥2,762 million (US\$26,133 thousand), ¥2,757 million and ¥2,579 million at March 31, 2004, 2003 and 2002, respectively.

## 11. Other, Net

Main items of other net for the years ended March 31, 2004, 2003 and 2002, were as follows.

<b>2004:</b>	Foreign exchange losses .....	¥769 million (US\$7,276)
	Loss on disposal of properties .....	¥424 million (US\$4,012)
	Special retirement benefits to employees .....	¥421 million (US\$3,983)
<b>2003:</b>	Foreign exchange losses .....	¥728 million
<b>2002:</b>	Foreign exchange gains .....	¥701 million
	Loss on devaluation of investments in unconsolidated subsidiaries .....	¥374 million

## 12. Subsequent Events

(1) The following appropriations of retained earnings of the Company were approved at the general meeting of shareholders held on June 29, 2004.

	Millions of yen	Thousands of U.S. dollars
Cash dividends (¥30=US\$0.28 per share) .....	¥3,704	\$35,046
Bonuses to directors .....	25	236
	¥3,729	\$35,282

(2) To expand and thereby reinforce the Company's instant noodle operations in the People's Republic of China (PRC), the Company agreed on April 12, 2004, to a capital alliance with Hebei Hualong F&N Industry Group Co., Ltd., (Hebei Hualong), a major manufacturer of instant noodles and flour in the PRC. On May 12, 2004, a joint venture agreement was formed with Hebei Jinmailang Mianye Co., Ltd., the parent company of Hebei Hualong.

Hebei Jinmailang Mianye Co., Ltd. split Hebei Hualong into two new companies—Nissin Hualong Foods Co., Ltd., and Hebei Hualong Nissin Paper Goods. Nissin Foods will, through a subsidiary, Nissin Foods Co., Ltd., subscribe to planned capital increases by Hebei Hualong F & N Industry Group, giving the Company a stake equivalent to 33.4% of registered equity. The Company expects the investment to amount to about ¥20 billion (US\$189 million).

*\*The name of Hebei Jinmailang Mianye Co., Ltd., the parent company of Hebei Hualong, have been translated into English solely for the purposes of this report.*

### (Overview of Hebei Hualong before split)

Primary business:	Production of food products, with focus on instant noodles and flour.
Date of establishment:	August 1996
Head office:	Longyao, Hebei Province, PRC
President:	Fan Xianguo
Net sales:	About 3,000 million RMB
Number of employees:	About 14,000

### (The Company's Investment)

#### 1. Investment in Nissin Hualong Foods Co., Ltd.

Timing:	Investment to be executed when local legal issues and other conditions set by the PRC have been satisfied.
Equity holding:	33.4%
Invested amount:	About ¥18.0 billion
Fund-procurement method:	Self-funded

#### 2. Investment in Hebei Hualong Nissin Paper Goods

Timing:	Investment to be executed when local legal issues and other conditions set by the PRC have been satisfied.
Equity holding:	33.4%
Invested amount:	About ¥2.0 billion
Fund-procurement method:	Self-funded

## 13. Litigation

The Group is not currently engaged in major litigation.

## 14. Segment Information

### (a) Sales by business segment

The Company and its consolidated subsidiaries are engaged in the manufacturing and marketing of instant noodles and related

business. Because the composition of these activities exceeds 90% of total sales, business segment information has been omitted.

### (b) Sales by area

		Millions of yen				
Year ended March 31, 2004		Japan	North America	Other Areas	Eliminations	Consolidated
I. Sales						
Sales to outside customers .....	¥276,398	¥23,943	¥19,692	¥ —	¥320,033	
Intersegment sales .....	1,373	—	—	(1,373)	—	
Total .....	277,771	23,943	19,692	(1,373)	320,033	
Operating expenses .....	254,114	25,222	18,872	(1,378)	296,830	
Operating income .....	¥ 23,657	¥ (1,279)	¥ 820	¥ 5	¥ 23,203	
II. Assets .....	¥320,187	¥17,234	¥22,213	¥(15,989)	¥343,645	
		Thousands of U.S. dollars				
Year ended March 31, 2004		Japan	North America	Other Areas	Eliminations	Consolidated
I. Sales						
Sales to outside customers .....	\$2,615,176	\$226,540	\$186,319	\$ —	\$3,028,035	
Intersegment sales .....	12,991	—	—	(12,991)	—	
Total .....	2,628,167	226,540	186,319	(12,991)	3,028,035	
Operating expenses .....	2,404,333	238,641	178,560	(13,037)	2,808,497	
Operating income .....	\$ 223,834	\$ (12,101)	\$ 7,759	\$ 46	\$ 219,538	
II. Assets .....	\$3,029,492	\$163,062	\$210,171	\$(151,282)	\$3,251,443	
		Millions of yen				
Year ended March 31, 2003		Japan	North America	Other Areas	Eliminations	Consolidated
I. Sales						
Sales to outside customers .....	¥268,944	¥26,373	¥19,962	¥ —	¥315,279	
Intersegment sales .....	1,322	—	—	(1,322)	—	
Total .....	270,266	26,373	19,962	(1,322)	315,279	
Operating expenses .....	245,165	26,370	18,669	(1,325)	288,879	
Operating income .....	¥ 25,101	¥ 3	¥ 1,293	¥ 3	¥ 26,400	
II. Assets .....	¥307,310	¥18,592	¥23,273	¥(17,181)	¥331,994	
		Millions of yen				
Year ended March 31, 2002		Japan	North America	Other Areas	Eliminations	Consolidated
I. Sales						
Sales to outside customers .....	¥259,494	¥28,277	¥20,692	¥ —	¥308,463	
Intersegment sales .....	1,428	—	—	(1,428)	—	
Total .....	260,922	28,277	20,692	(1,428)	308,463	
Operating expenses .....	237,458	28,252	18,766	(829)	283,647	
Operating income .....	¥ 23,464	¥ 25	¥ 1,926	¥ (599)	¥ 24,816	
II. Assets .....	¥303,593	¥18,175	¥24,640	¥(19,495)	¥326,913	

Notes: 1. Classification of the above countries or regions is based on geographical proximity.

2. Composition of North America: USA and Mexico.

Composition of Other areas: PRC, Germany and the Netherlands.

(c) Overseas sales

	Millions of yen			Thousands of U.S. dollars
	North America	Other Areas	Total	Total
<b>Year ended March 31, 2004</b>				
Overseas sales.....	<b>¥24,774</b>	<b>¥20,902</b>	<b>¥ 45,676</b>	<b>\$ 432,170</b>
Consolidated sales .....	—	—	<b>320,033</b>	<b>3,028,035</b>
Ratio of overseas sales to consolidated sales .....	<b>7.8%</b>	<b>6.5%</b>	<b>14.3%</b>	<b>14.3%</b>

	Millions of yen		
	North America	Other Areas	Total
<b>Year ended March 31, 2003</b>			
Overseas sales.....	¥27,151	¥19,825	¥ 46,976
Consolidated sales .....	—	—	315,279
Ratio of overseas sales to consolidated sales .....	8.6%	6.3%	14.9%

	Millions of yen		
	North America	Other Areas	Total
<b>Year ended March 31, 2002</b>			
Overseas sales.....	¥29,100	¥20,587	¥ 49,687
Consolidated sales .....	—	—	308,463
Ratio of overseas sales to consolidated sales .....	9.4%	6.7%	16.1%

Note: Overseas sales represent the sum total of sales to the overseas market outside Japan by Nissin Food Products Co., Ltd. and its consolidated subsidiaries. (Sales between consolidated subsidiaries are not included.)

(translation)

## Independent Auditors' Report

### The Board of Directors Nissin Food Products Co., Ltd.

We have audited the accompanying consolidated balance sheets of Nissin Food Products Co., Ltd. and consolidated subsidiaries as of March 31, 2004 and 2003, the related consolidated statements of income, shareholders' equity, and cash flows for each of the years in the three-year period ended March 31, 2004, all expressed in Japanese yen. These financial statements are the responsibility of the Company's management. Our responsibility is to independently express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards, procedures and practices generally accepted and applied in Japan. Those standards, procedures and practices require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Nissin Food Products Co., Ltd. and consolidated subsidiaries as of March 31, 2004 and 2003, the consolidated results of their operations and their cash flows for each of the years in the three-year period ended March 31, 2004 in conformity with accounting principles and practices generally accepted in Japan.

### Supplemental Information

As described in Note 12(2), the Company will make equity investment in Hebei Hualong F&N Industry Group Co., Ltd., a major manufacturer of instant noodles and flour in the People's Republic of China under a joint venture agreement on May 12, 2004.

Shin Nihon & Co.  
June 29, 2004

Shin Nihon & Co.

# Worldwide Network

## [Americas]

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### • NITEC (H.K.) Ltd.

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### • Winner Food Products Ltd.

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#### (Wintai Plant)

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### • Miracle Foods Co., Ltd.

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256200, The People's Republic of China  
Telephone: 86-543-430-6600 Fax: 86-543-430-6608

### • Shandong Winner Food Products Co., Ltd.

No. 86, Haiqu Mid Road, Rizhao City,  
Shandong, 276800 The People's Republic of China  
Telephone: 86-633-822-3504 Fax: 86-633-822-3504

### • Zhuhai Golden Coast Winner Food Products Ltd.

#### (Head Office & Plant)

Golden Coast Food Industry City, Zhuhai,  
Guangdong, 519040 The People's Republic of China  
Telephone: 86-756-776-4138 Fax: 86-756-776-4198

#### (Guangzhou Branch)

301, No. 31, Xiao Yan Jie, Jiang Yan Road, Hai Zhu District, Guang Zhou City,  
510260 The People's Republic of China  
Telephone: 86-20-3436-0495 Fax: 86-20-3436-0493

### • Guangyongnan Food Products (Shenzhen) Co., Ltd.

3rd Floor, No. 8, Road 5, Qingshuihe,  
Shenzhen, Guangdong Province, The People's Republic of China  
Telephone: 86-755-244-5649 Fax: 86-755-244-5649

### • Nissin-Universal Robina Corporation

#### (Head Office)

Second Floor, CFC Administration Building,  
E. Rodriguez Jr. Ave., Bagong Ilog, Pasig City, 1600 Philippines  
Telephone: 63-2-671-7176 Fax: 63-2-671-3978

#### (Cavite Plant)

Block 7, Lot 8, First Cavite Industrial Estate,  
Bo. Langkaan, Dasmariñas Cavite, 4140 Philippines  
Telephone: 63-46-402-0662/1241 Fax: 63-46-402-0824

### • Indo Nissin Foods Ltd.

#### (Head Office)

3rd Floor, Centenary Building, 28, M.G. Road, Bangalore 560 001, India  
Telephone: 91-80-2532-7900 Fax: 91-80-2559-9087



**(Bangalore Plant)**  
Plot No. 18-A2, Jigani Industrial Area, Anekal Taluk, Bangalore,  
District-562 106 India  
Telephone: 91-8110-25265 Fax: 91-8110-25279

**(Delhi Plant)**  
91 Kms, Delhi-Jaipur Road, Village Deodhai, Tehsil Bawal,  
District Rewari-123401 Haryana, India  
Telephone: 91-12-8460732 Fax: 91-12-8460733

● **Accelerated Freeze Drying Co., Ltd.**  
**(Head Office)**  
Amalgam House, Bristow Road,  
Willingdon Island, Cochin-682-003, Kerala, India  
Telephone: 91-484-2668680 Fax: 91-484-2668130

**(Cochin Plant)**  
EP/IV/513, Ezhupunna P.O. Alleppey District-688 548, Kerala, India  
Telephone: 91-478-2872012 Fax: 91-478-2873016

**(Bangalore Office)**  
448A 9th Main, HAL Illrd Stage Indira Nagar, Bangalore-560 038, Karnataka, India  
Telephone: 91-80-25274938 Fax: 91-80-25286191

**(Bangalore Plant)**  
18 A/I, Jigani Industrial Area, Anekal Taluk, Bangalore-562 106 Karnataka, India  
Telephone: 91-80-782-5282 Fax: 91-80-782-5283

● **PT. NISSINMAS**  
Jl. Jababeka Raya Blok, N/1, Cikarang Bekasi, 17530 Indonesia  
Telephone: 62-21-893-4130 Fax: 62-21-893-4129

● **Nissin Foods (Thailand) Co., Ltd.**  
**(Head Office & Plant)**  
631 Moo 11, Sukapiban 8, Sriracha Chonburi 20280, Thailand  
Telephone: 66-38-481-351 Fax: 66-38-481-353

**(Bangkok Office)**  
802 Bangkok Tower, 2170 New Petchburi Road,  
Bangkok 10320, Thailand  
Telephone: 66-2-308-0360 Fax: 66-2-308-0363

**[Europe]**

● **Nissin Foods B.V.**  
Trade Port West, Columbusweg 35,  
5928 LA, Venlo, The Netherlands  
Telephone: 31-77-3235353 Fax: 31-77-3235359

● **NITEC (Europe) B.V.**  
Trade Port West, Columbusweg 35,  
5928 LA, Venlo, The Netherlands  
Telephone: 31-77-3236565 Fax: 31-77-3236569

● **Nissin Foods GmbH**  
Am Hohenstein 3-5  
65779 Kelkheim, Germany  
Telephone: 49-6195-6927 Fax: 49-6195-910019

## Business Areas of Consolidated Subsidiaries and Affiliate

(As of March 31, 2004)

Company	Capital	Business Area	Equity Ownership
<b>Consolidated Subsidiaries</b>			
Sapporo Nissin Co., Ltd.	¥250 million	Cup- and pillow-type noodles manufacturing and marketing	100.0%
Nissin F.D. Foods Co., Ltd.	¥100 million	Freeze-dried foods manufacturing and marketing	100.0 <sup>(2)</sup>
Nissin Plastics Co., Ltd.	¥450 million	Container manufacturing and marketing	100.0
Nissin Frozen Foods Co., Ltd.	¥98 million	Frozen foods and processed meat manufacturing and marketing	100.0
Gran Foods Co., Ltd.	¥80 million	Frozen foods manufacturing and marketing (Wholly-owned subsidiary of Nissin Frozen Foods Co., Ltd.)	100.0
Nissin Yoke Co., Ltd.	¥870 million	Beverages and dairy products manufacturing and marketing	72.8
Nissin Enterprise Corporation	¥300 million	Shipping and warehousing	100.0
Ajinihon Co., Ltd.	¥95 million	Soup manufacturing and marketing	46.3
Uji Kaihatsu Development Co., Ltd.	¥850 million	Golf course management	70.7 <sup>(3)</sup>
Nissin Cisco Co., Ltd.	¥2,600 million	Confectionery manufacturing and marketing	63.8
Nissin Foods (U.S.A.) Co., Inc.	US\$83,500 thousand	Cup- and pillow-type noodles manufacturing and marketing	90.0
Camino Real Foods, Inc.	US\$4,700 thousand	Frozen foods manufacturing and marketing	100.0
Nissin Foods B.V.	EUR 18,151 thousand	Cup- and pillow-type noodles manufacturing and marketing	85.0
Nissin Foods GmbH	EUR 25 thousand	Cup- and pillow-type noodles marketing	100.0
Nissin Foods Co., Ltd.	HK\$61,900 thousand	Cup- and pillow-type noodles manufacturing and marketing, marketing of retort pouch food products	100.0
Miracle Foods Co., Ltd.	HK\$21,000 thousand	Container manufacturing and marketing (70%-owned subsidiary of Nissin Foods Co., Ltd.)	70.0
Guangdong Shunde Nissin Foods Co., Ltd.	HK\$130,000 thousand	Cup- and pillow-type noodles manufacturing and marketing	61.7 <sup>(4)</sup>
Winner Food Products Ltd.	HK\$29,975 thousand	Cup- and pillow-type noodles manufacturing and marketing, frozen foods and beverages marketing	74.0
Zhuhai Golden Coast Winner Food Products Ltd.	HK\$84,000 thousand	Cup- and pillow-type noodles and beverages manufacturing (70.5%-owned subsidiary of Winner Food Products Ltd.)	70.5
Guangyongnan Food Products (Shenzhen) Co., Ltd.	HK\$11,000 thousand	Frozen foods manufacturing and marketing (Wholly-owned subsidiary of Winner Food Products Ltd.)	100.0
Shanghai Nissin Foods Co., Ltd.	US\$25,000 thousand	Cup- and pillow-type noodles manufacturing and marketing	85.0 <sup>(5)</sup>
Nissin Foods (China) Holding Co., Ltd.	US\$40,500 thousand	Invests in businesses in the PRC (Wholly-owned subsidiary of Nissin Foods Co., Ltd.)	100.0
Indo Nissin Foods Ltd.	INR 597,500 thousand	Cup- and pillow-type noodles manufacturing and marketing	64.6
<b>Affiliate Accounted for Using the Equity Method</b>			
Nissin-Ajinomoto Alimentos Ltda.	BRL 12,688 thousand	Cup- and pillow-type noodles manufacturing and marketing	50.0

Notes: 1. Wing On Foods Co., Ltd. and Wintai Food Manufacturers Ltd. are now excluded from the scope of consolidation following the transfer of operations to Nissin Foods Co., Ltd., and Winner Food Products Ltd. and completion of liquidation procedures.

2. Indirect equity ownership through Sapporo Nissin Co., Ltd. 20.0%.

3. Indirect equity ownership through Nissin F.D. Foods Co., Ltd. 5.7%.

4. Indirect equity ownership through Nissin Foods Co., Ltd. 50.0% and Nissin Foods (China) Holding Co., Ltd. 11.7%.

5. Indirect equity ownership through Nissin Foods Co., Ltd. 15.0% and Nissin Foods (China) Holding Co., Ltd. 42.5%.

# Corporate Data

## Nissin Food Products Co., Ltd.

### Head Office

1-1, 4-chome, Nishinakajima, Yodogawa-ku  
Osaka 532-8524, Japan  
Telephone: 81-6-6305-7711  
Fax: 81-6-6304-1288  
Web Site: <http://www.nissinfoods.co.jp>

### Tokyo Head Office

28-1, 6-chome, Shinjuku, Shinjuku-ku  
Tokyo 160-8524, Japan  
Telephone: 81-3-3205-5111  
Fax: 81-3-3205-5059

### Branches

Hokkaido (Sapporo), Tohoku (Sendai),  
Chubu (Nagoya), Chushikoku (Hiroshima),  
Kyushu (Fukuoka), Mexico

### Domestic Offices

Aomori, Morioka, Akita, Koriyama, Kita-kanto, Chiba,  
Yokohama, Niigata, Nagano, Kanazawa, Shizuoka,  
Tsu, Kyoto, Kobe, Osaka-minami, Yonago, Okayama,  
Yamaguchi, Takamatsu, Matsuyama, Kochi,  
Kita-kyushu, Kumamoto, Kagoshima, Okinawa

### Plants

Kanto, Shizuoka, Shiga, Shimonoseki

### Research Institutes

Central Research Institute, Food Safety Research  
Institute

(As of April 1, 2004)

## History

1948	Chukososha Co., Ltd. established.
1958	<i>Chicken Ramen</i> , the world's first instant ramen product, introduced; Company name changed to Nissin Food Products Co., Ltd.
1963	Listed on the Second Section of the Tokyo and Osaka Stock Exchanges.
1968	<i>Demae Itcho</i> (pillow-type noodles) introduced.
1970	Nissin Foods (U.S.A.) Co., Inc., the Company's first overseas operation, established in Gardena, California.
1971	<i>Cup Noodle</i> introduced; Kanto Plant began operation.
1972	Listed on the First Section of the Tokyo, Osaka and Nagoya Stock Exchanges.
1973	Shiga Plant and General Research Center began operation.
1975	Shimonoseki Plant began operation; Nissin-Ajinomoto Alimentos Ltda. established in São Paulo, Brazil.
1977	Construction of new headquarters completed; main office moved to its present location in Yodogawa-ku, Osaka.
1978	Lancaster, Pennsylvania Plant of Nissin Foods (U.S.A.) Co., Inc., began operation.
1984	Nissin Foods Co., Ltd. established in Hong Kong.
1988	Construction of Tokyo Head Office building completed; acquired U.S. company Camino Real Foods, Inc.; Central Research Institute began operation.
1989	Acquired Hong Kong company Winner Food Products Ltd.
1990	Capital participation in Yoke Co., Ltd. (now Nissin Yoke Co., Ltd.).
1991	Capital participation in Pegui Foods Co., Ltd. (now Nissin Frozen Foods Co., Ltd.) and Cisco Co., Ltd. (now Nissin Cisco Co., Ltd.); Nissin Foods B.V. established in the Netherlands.
1992	Long-life fresh noodles developed; <i>Rao</i> introduced; P.T. NISSINMAS established in Indonesia.
1993	<i>Gonbuto</i> udon introduced.
1994	Zhuhai Golden Coast Winner Food Products Ltd., the Company's first production base in China, began operation in Guangdong.
1995	<i>Spa-O</i> introduced; sales of <i>Cup Noodle</i> surpassed 10 billion units.
1996	Shizuoka Plant began operation; Shanghai Nissin Noodles Foods Co., Ltd. (now Shanghai Nissin Foods Co., Ltd.) began operation.
1997	International Ramen Manufacturers Association established in Tokyo, and Momofuku Ando elected chairman.
1998	Nissin Cofco Foods Co., Ltd. began operation in Beijing.
1999	Delhi Plant of Indo Nissin Foods Ltd. began operation; The Momofuku Ando Instant Ramen Museum in Ikeda City, Osaka Prefecture, the world's first instant ramen museum, opened.
2001	Consolidated net sales exceeded ¥300 billion for the first time; contracted as official supplier to the 2002 FIFA World Cup™; Nissin Foods (China) Holding Co., Ltd., established in Shanghai.
2002	Food Safety Research Institute established; <i>Nissin GooTa</i> series introduced.
2003	Aggregate sales of <i>Cup Noodle</i> brand since launch in 1971 top 20 billion servings.
2004	Capital alliance with Hebei Hualong F&N Industry Group Co., Ltd., gives Nissin Food Group the No. 1 global share.

# Investor Information (Parent company)

As of March 31, 2004 (US\$1=¥105.69)

## Date of Establishment

September 1948

## Number of Employees

6,176 (consolidated basis)

1,466 (parent company)

## Common Stock

Authorized: 394,301,700 shares

Issued: 127,463,685 shares

Number of Shareholders: 18,479

(including 273 non-Japanese)

## Paid-in Capital

¥25,123 million (\$237.7 million)

## Stock Listings

Tokyo and Osaka stock exchanges

## Ticker Code

2897

## Independent Auditors

Shin Nihon & Co.

## Transfer Agent

Mizuho Trust & Banking Co., Ltd.

2-1, Yaesu 1-chome, Chuo-ku,

Tokyo, Japan

## Principal Stockholders

Name	Number of Shares Held (Thousands)	Percentage of Total Shares Outstanding
The Chase Manhattan Bank, NA London (Standing proxy: Mizuho Corporate Bank Ltd.)	9,478	7.44%
Mizuho Corporate Bank Ltd.	6,167	4.84
Ando Foundation	5,630	4.42
Japan Trustee Services Bank, Ltd. (trust account)	5,284	4.15
Mitsubishi Corp.	4,900	3.84
Ando International Y.K.	4,100	3.22
The Master Trust Bank of Japan, Ltd. (trust account)	3,875	3.04
Japan Trustee Services Bank, Ltd. (Portion of ITOCHU Corporation Retirement Benefits Trust Account placed in trust by The Sumitomo Trust & Banking Co., Ltd.)	3,630	2.85
The Bank of Tokyo-Mitsubishi, Ltd.	3,085	2.42
The Sumitomo Mitsui Banking Corporation	2,373	1.86

Notes: 1. In addition to the above, the Company holds 4,006 thousand shares (3.14%) of treasury stock.

2. The Company has been sent a Report of Major Stockholder (a copy of a Notification of Change) dated March 29, 2004, from Capital Research and Management Company and four of its affiliated companies, and has received notification that their shareholdings as of March 22, 2004, total 19,190 thousand shares (15.06% of total shares outstanding). However, because the Company is unable to determine the actual number of shares held as of March 31, 2004, they are not included in the list of principal stockholders above.

## Stock Price (Tokyo Stock Exchange; Years ended March 31)

	FY 2000	2001	2002	2003	2004	2004
High	¥3,560	¥3,070	¥3,030	¥2,720	¥2,780	\$26.30
Low	¥2,090	¥2,280	¥2,285	¥2,275	¥2,375	\$22.47
Closing	¥2,315	¥2,820	¥2,405	¥2,460	¥2,655	\$25.12

## Per Share Data (Years ended March 31)

	FY 2000	2001	2002	2003	2004
EPS (Earnings Per Share) (Yen)	¥ 88.25	¥ 74.72	¥ 79.05	¥ 99.67	¥ 101.61
BPS (Book-value Per Share) (Yen)	¥1,664.12	¥1,731.18	¥1,716.82	¥1,770.26	¥1,867.97
PER (Price Earnings Ratio)* (Times)	26.2	37.7	30.4	24.7	26.1
PBR (Price Book-value Ratio)* (Times)	1.4	1.6	1.4	1.4	1.4
Dividend (Yen)	27.00	24.00	30.00	30.00	30.00
Payout Ratio (%)	30.2	32.1	37.5	30.1	29.5

Notes: 1. From the fiscal year ended March 31, 2003, number of issued shares excludes the numbers of treasury stocks at term-end.

2. PER and PBR are calculated based on the stock price at year-end.

## Further Information

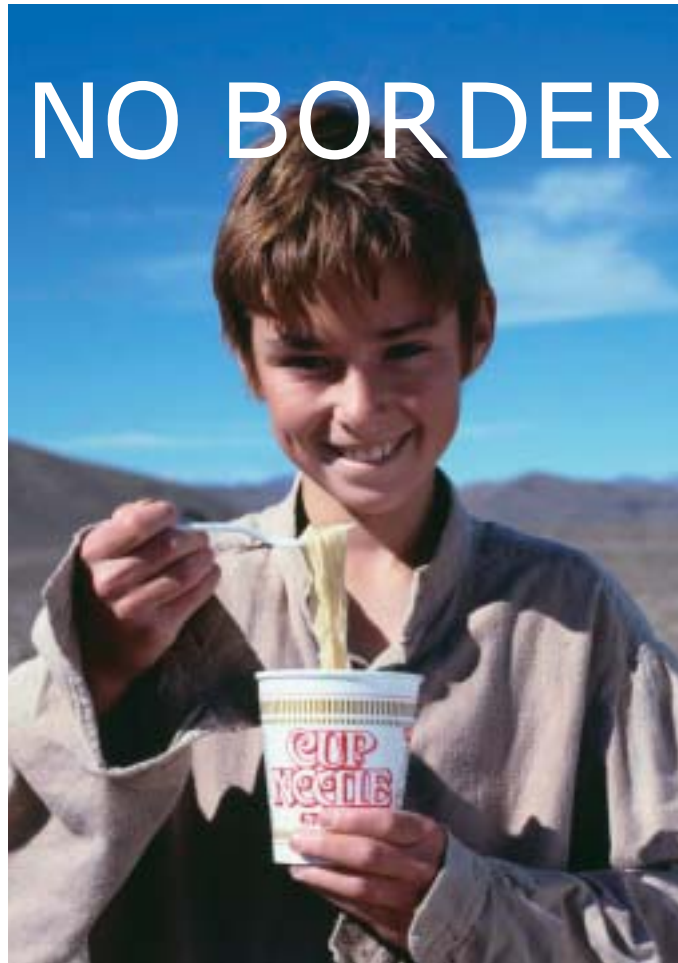
For further information, please contact:

Corporate Communications Division (Tokyo Head Office)

Tel.: 81-3-3205-5252 Fax: 81-3-3205-5259

Regularly updated IR information in English is also available on

Nissin Foods' web site at <http://www.nissinfoods.co.jp>



Nissin Food's slogan "NO BORDER" reflects a philosophy we hold dear: there should be no borders in people's hearts just as there are no borders to the enjoyment of tasty foods.

## ANNUAL REPORT 2004