



NISSIN FOOD PRODUCTS CO., LTD.



NO BORDER

ANNUAL REPORT 2006

Year ended March 31, 2006





THE WORLD HAS NO BORDERS TO THE ENJOYMENT OF A GOOD MEAL

— PHILOSOPHY

THIS YEAR'S THEME "NO BORDER" REFLECTS NISSIN FOODS' PHILOSOPHY THAT, JUST AS THERE ARE NO BORDERS TO THE ENJOYMENT OF DELICIOUS FOOD, THERE SHOULD BE NO BORDERS IN HUMAN HEARTS. NISSIN FOODS WAS FOUNDED IN PART ON THE PRINCIPLE THAT WORLD PEACE WILL COME MORE EASILY WHEN EVERY PERSON HAS ENOUGH TO EAT. WE HOPE THAT PEOPLE EVERYWHERE ARE REMINDED OF THIS WHENEVER THEY EAT *CUP NOODLE*. THAT WISH IS EXPRESSED IN THE WORDS "NO BORDER." AS A LEADING JAPANESE FOOD MANUFACTURER ACTIVE IN 11 COUNTRIES AROUND THE WORLD, NISSIN FOODS HAS SOLD CUMULATIVELY MORE THAN 25 BILLION OF ITS FAMOUS *CUP NOODLE* BRAND PRODUCTS.

- ▶ The instant noodle industry Nissin Foods pioneered in 1958 produced around the world 85.66 billion meals in 2005.
- ▶ Nissin foods' market share is over 40% in Japan, where over 5.4 billion servings of instant noodles are consumed annually (42.7 servings per capital).
- ▶ Nissin Foods seeks to improve its business structure and maximize corporate value by building a stronger, globally competitive brand.



FIRST ON EARTH, FIRST IN SPACE AND FIRST ON THE TABLE

—FROM A COMPANY THAT MAKES FOOD SAFETY
ITS NUMBER-ONE PRIORITY

HISTORY

LIMITLESS INNOVATION HAS MADE NISSIN FOODS THE LEADING MANUFACTURER OF INSTANT NOODLES AROUND THE WORLD—AND IN SPACE. TO BRIGHTEN THE LIVES OF PEOPLE EVERYWHERE WITH MEALS THAT ARE QUICKLY PREPARED, NISSIN FOODS IS DEVELOPING NEW FOOD PRODUCTS AND PROMOTING GOOD HEALTH THROUGH THE HIGHEST DEDICATION TO TECHNICAL INNOVATION, PRODUCT QUALITY AND SAFETY.

- ▶ 1958: *Chicken Ramen*, the world's first instant noodle product
- ▶ 1971: *Cup Noodle*, the world's first instant noodles packaged in a cup
- ▶ 1971: *Top Ramen* heads overseas, starting with the U.S.A.
- ▶ 1992: *Nissin Rao*, a fresh-noodle product suitable for long-term storage at room temperatures
- ▶ 2002: *Nissin GooTa*, with premium noodles and toppings
- ▶ 2005: *Space Ram*, the first ramen consumed in space, developed on earth for use on the space shuttle *Discovery*

Operational Highlights

Instant Noodle Markets and Nissin Foods Group's Share

(Calendar year 2005)

	Annual demand for instant noodles total *1 (Millions of servings)	Servings per capita	Nissin Foods Group's share *2 (Volume basis %)
Asia	75,150	24.0	13.4%
North America	4,080	10.3	34.6%
Latin America	2,280	11.1	32.9%
Europe*3	730	2.3	14.0%
Others	3,420	—	—
Total	85,660	—	14.4%

Notes:

1. Source: International Ramen Manufacturers Association (<http://www.instantramen.or.jp/IRMA/>)
2. Including Hebei F&N Industry Group Co., Ltd.
3. Excluding Russia

Nissin Foods Consolidated Sales by Category

(Years ended March 31)

(Millions of yen)	2006	2005	2004
Instant Noodles			
Pillow-type Instant Noodles	48,919	44,023	45,511
Cup-type Instant Noodles	204,864	203,689	203,338
Chilled and Frozen Foods	40,727	39,859	39,701
Other Business	27,190	29,402	31,483
Total	321,700	316,973	320,033

Nissin Foods Consolidated Sales by Geographic Area (Excluding Intersegment Sales)

(Years ended March 31)

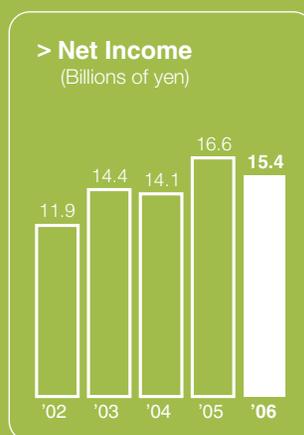
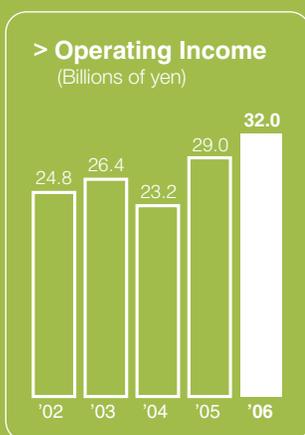
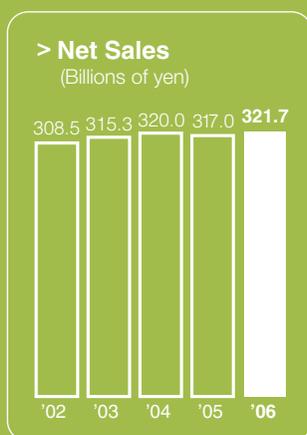
(Millions of yen)	2006	2005	2004
Japan	269,765	273,936	276,398
North America	29,903	23,911	23,943
Others	22,032	19,126	19,692
Total	321,700	316,973	320,033

Financial Highlights

(Years ended March 31)	Millions of yen			Thousands of *1 U.S. dollars	Percent change
	2006	2005	2004	2006	(%)
For the year					
Net sales	¥ 321,700	¥ 316,973	¥ 320,033	\$ 2,738,571	1.5
Operating income	31,979	28,963	23,203	272,231	10.4
Net income	15,389	16,612	14,051	131,004	△7.4
At year-end					
Total assets	¥ 366,801	¥ 361,105	¥ 343,645	\$ 3,122,508	1.6
Shareholders' equity	263,199	258,139	244,439	2,240,564	2.0
Per share					
	Yen			U.S. dollars	Percent change
Net income	¥ 125.09	¥ 134.36	¥ 113.61	\$ 1.06	△6.9
Cash dividends applicable to earnings of the year	30.00	30.00	30.00	0.26	—
Shareholders' equity	2,167.81	2,091.16	1,980.14	18.45	3.7
Value & performance indicators					
Operating margin (%) *2	9.9	9.1	7.3		
Return on assets (%) *3	4.2	4.7	4.2		
Return on equity (%) *4	5.9	6.6	5.9		
Inventory turnover (Times) *5	12.6	12.9	13.6		

Notes:

1. U.S. dollar amounts represent translations of yen, for convenience only, at US\$1 = ¥117.47, the approximate rate prevailing on March 31, 2006.
2. Operating margin = Operating income / Net sales
3. Return on assets = Net income / Average total assets
4. Return on equity = Net income / Average total shareholders' equity
5. Inventory turnover = Cost of sales / Average total inventory



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 fluctuations.

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PRESIDENT
Koki Ando

President's Letter

To Our Shareholders

In the year ended March 31, 2006 (fiscal 2006), slower sales of high-priced products were offset by positive factors, including the effect of a weaker yen on overseas sales. Nissin Foods recorded consolidated net sales of ¥321,700 million (\$2,739 million), a year-on-year increase of 1.5%. Consolidated operating income was 10.4% higher year on year at ¥31,979 million (\$272 million). Factors contributing to this growth included a reduction in the cost of retirement benefit payments, and higher sales. However, there was an extraordinary loss resulting from adoption of a new accounting standard for the impairment of fixed assets in fiscal 2006, and consolidated net income was 7.4% lower year on year at ¥15,389 million (\$131 million).

Instant Noodles as "Glocal" Products

According to data published by the International

Ramen Manufacturers Association (IRMA), total world demand for instant noodles stood at 85.7 billion servings in 2005. A feature of instant noodle products is their simplicity. Pillow-type instant noodles consist of noodles, soup and the packet, while cup-type instant noodles consist of noodles, soup, topping ingredients and the cup. This simplicity and the ease with which products can be arranged to reflect local tastes and dietary customs are key reasons for the emergence of instant noodles as a global dish. Instant noodles are both global and local foods. For example, in Thailand noodles are flavored with traditional *tom yam kung* soup, while in Indonesia products are arranged to suit *mi goreng*, a local form of fried noodles. In America, instant noodles are eaten in chicken soup, and in Brazil tomato or cheese flavored noodles are preferred. Because noodles combine both global and local characteristics, we call them "glocal" products.



Chicken Ramen

Due to consistently high ingredient quality and constant product improvements, the world's first instant noodles will soon celebrate its 50th anniversary.

Basis of the Brand— Food Safety

Food safety is the foundation of our reputation and takes priority over all else, including flavor. In Japan, the Food Safety Research Institute, an organization specializing in food safety and environmental measures, conducts stringent and detailed analyses of our quality management systems. In preparation for the introduction of the Positive List* system in May 2006, the Institute developed a unique inspection system for raw materials used by Nissin Foods. We are fully equipped to detect residues from hundreds of agricultural chemicals in general agricultural products, cereals, livestock products and marine products.

We plan to establish a Food Safety Research Institute in Shanghai in the fall of 2006 to carry out pre-export checks of the growing quantities of raw materials that we source from China. Our policy calls for further reinforcement of our safety measures through the creation of a system under which we will restrict our imports to products that have passed rigorous pre-export inspections.

*The Positive List is a list of approved agricultural chemicals and pharmaceutical products, together with standards for these substances.

Brand Assets and Our Responsibilities as a Manufacturer

Our basic management strategy in managing the brand is to emphasize brand development and the maximization of brand value. We believe that the strength of a brand consists of consumer support and a long-established reputation for reliability. Nissin Foods has a number of brands that have remained popular for decades. *Chicken Ramen* has been on sale for 48 years, and *Cup Noodle* for 35 years, while *Nissin no Donbei* and *Nissin Yakisoba U.F.O.* have both

been on the market for 30 years. We attribute the prolonged popularity of these products to our efforts to develop our brands as assets.

In recent years, there has been growing public interest in the concept of corporate social responsibility (CSR). We interpret this term as meaning that we should develop and protect our brands as a manufacturer that takes full responsibility for its products from the time of sale to the disposal of packaging. We are responsible for the impact of our activities on the global environment at all stages from the manufacturing process through to the disposal of containers by the consumers who buy our products.

Developing New Demand— From Instant Noodles to Soups

In May 2006, we launched a new vegetable-flavored product line in Japan, *Yasai Soup Noodle*. As consumers become more health-conscious, we anticipate sustained growth in the market for cup-type instant noodle and cup soup products that satisfy hunger without providing excessive calories. The new products are filled with delicious vegetables prepared using our exclusive compression and air drying technology. The result is crispier vegetables with an enhanced sense of volume. All products have 140 kcal or less, making them ideal as a meal accompaniment for male consumers and as a meal for female consumers.

This new soup category represents a significant departure from our traditional noodle products. However, product categories and dietary customs are determined by consumers. For example, rice balls have traditionally been eaten with *miso* (bean paste) soup in Japan, but today's young people are also consuming rice with *Mini-Cup Noodle*. We need to adapt to these changes and these new preferences.



Cup Noodle

Cup Noodle has been the largest instant noodle brand in the world. In 2006, aggregate sales in major markets surpassed 25 billion servings.



Nissin no Donbei

Nissin no Donbei Japanese-style cup-type instant noodles have evolved since 1976, through cooking improvements, addition of *tempura*, and later, use of 100% soybeans. Over 7.7 billion servings have been sold.



Nissin Yakisoba U.F.O.

Nissin Yakisoba U.F.O. (pan-fried noodles) delivers authentic *yakisoba* taste. They are cooked in their own bowl and are drained through a built-in strainer.



Yasai Soup Noodle

The many vegetables get their crunchiness from Nissin Foods' original technology for compressing and heat drying to significantly improve texture and volume.



CHOW MEIN

A Chinese-style pan-fried noodle product with noodles that fully absorb the liquid, providing a hearty and zesty alternative to pillow-type or cup-type instant noodles.



Souper Meal

Our increasingly popular *Souper Meal* range, launched in the U.S. market in 2004 by Nissin Foods (U.S.A.), offers large portions in a variety of flavors.

North America

In the North American market, purchasing behavior is increasingly influenced by product characteristics and quality rather than the traditional influence of price. This trend has been reflected in consistently strong sales of *CHOW MEIN*, an instant fried noodle product that can be prepared in a microwave oven, ever since its market launch in 2004. In the past, we only offered regular-size products, but recently we have achieved sales growth with the *Souper Meal* range of large-serve products in various types of containers, including bowls and dishes.

Another factor that has brought growth in sales volumes was the restructuring of our sales channels, which now include leading mass retailers and club stores. We have reduced production costs by installing the world's fastest instant noodle production line, and we are also working to reduce distribution costs. These efforts have brought a steady improvement in earnings.

China

China is one of the fastest growing markets in the world. Total demand in 2005 was estimated at 44.3 billion servings, which, on the basis of China's population of 1.3 billion, is simply calculated as equivalent to 34 servings per person per year. Previously we sold our products mainly in Chinese cities, but we are now distributing several Nissin Foods brands, including *Cup Noodles*, *Nissin Yakisoba U.F.O.* and *Chao Mian Da Wang*, throughout China through the sales channels of Nissin Hualong Foods Co., Ltd., which we established in partnership with a major Chinese noodle manufacturer. There are plans for closer collaboration with Nissin Hualong Foods Co., Ltd., including support for product development and technology development.

Maximizing Shareholder Value by Considering All Stakeholders

Our key management priorities are to supply products that are safe and will continue to attract consumer support, to protect the environment, to contribute to society, and to maximize shareholder value.

We currently aim to maintain a non-consolidated dividend payout ratio of 30%. In fiscal 2007, we plan to pay a ¥20 commemorative dividend to mark the 35th anniversary of the launch of *Cup Noodle*. This will be in addition to the ordinary interim dividend of ¥15 per share. In the previous year we also returned profits to shareholders by buying back shares worth ¥6,922 million (US\$59 million), or 1.59% of all shares. We will continue our efforts to raise the medium-term and long-term value of Nissin Foods for our shareholders and all stakeholders.

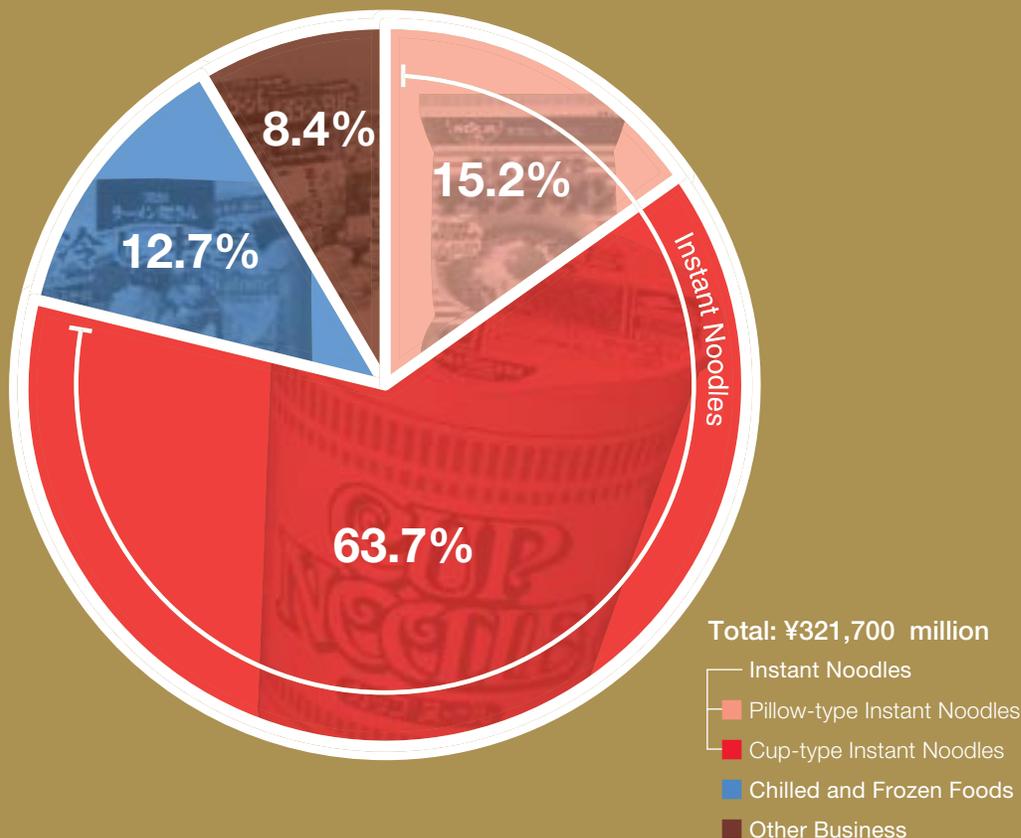
Instant noodles offer many advantages, including good taste, food safety, convenience, reasonable price and long-term storage. As a world food, instant noodles also have an important role to play in relation to health, food crises and famines. We are confident that demand will continue to expand in the world market. As the leader in the instant noodles industry, Nissin Foods is determined to implement its corporate philosophy and reach its management targets, while helping to enhance food lifestyles throughout the world.

In presenting this report, I would like to express our gratitude to our shareholders, investors and suppliers for their ongoing patronage. We look forward to your continuing support and guidance in the future.

PRESIDENT Koki Ando

Review of Operations

Nissin Foods' Consolidated Sales by Category
(Year ended March 31, 2006)



THE GROUP'S INSTANT NOODLE CATEGORY, COMPRISING PILLOW-TYPE AND CUP-TYPE PRODUCTS, BRINGS IN 78.9% OF NET SALES. SALES IN JAPAN ACCOUNT FOR 83.9% OF THIS SEGMENT. WHILE STRENGTHENING ITS OTHER LINES, NISSIN FOODS IS MOVING AGGRESSIVELY TO INCREASE INSTANT NOODLE SALES OVERSEAS, WHICH IS SEEN AS THE NEXT ARENA FOR GROWTH.

In Japan: We successfully developed a new, health-conscious all-vegetable line showcasing a new food preparation technology. These products are a strong response to shifting consumer needs.

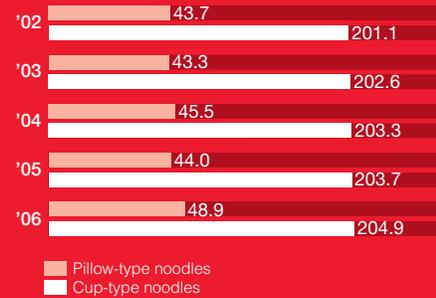
Expanding Overseas: Marketing innovations to promote premium-quality products in North America and production and distribution expansion in the fast-growing China market helped boost overseas sales by 20.7% year on year to ¥51,935 million (US\$442 million).

Instant Noodles



Instant noodles in pillow-type or cup-type packaging are the core products for Nissin Foods. Domestic and overseas sales of these products account for around 80% of consolidated net sales.

> Consolidated Instant Noodle Sales
(Billions of yen)



> Review of Performance

In the year ended March 31, 2006, the Japanese instant noodle industry continued to face challenging business conditions. On the demand side, the consumer base continued to shrink because of Japan's falling birthrate and expanding aged population. Selling prices also remained under pressure, reflecting the fact that cut-price selling has become standard practice in the retail distribution sector. At the industry level, sales were slightly below the previous year's level.

Nissin Foods continued to take full advantage of the potential of its long-selling brands, including *Chicken Ramen* and *Cup Noodle*. In addition to aggressive marketing activities, we introduced Italian-style and Mediterranean-style products to coincide with the Winter Olympic Games in February 2006. By responding to consumer needs, we were able to record strong sales. Sales of high-added-value products, such as *Nissin Rao* and *Nissin GooTa*, declined, reflecting a falling trend in this entire segment.

Trends in overseas markets were encouraging. Our flagship products, such as *Cup Noodles* and *Top Ramen*, sold well in the North American market, and we also succeeded in expanding the in-store presence of new-category products, including *CHOW MEIN*. In the Hong Kong market, there was a substantial increase in sales of the *Demae Itcho* series and other prod-

ucts. The contribution of overseas sales to total revenues was further enhanced by the weak yen against other currencies.

As a result of these trends, consolidated sales of instant noodles, including both pillow-type and cup-type products, increased by 2.5% year on year to ¥253,783 million (US\$2,160 million). Sales of instant noodles accounted for 78.9% of total consolidated net sales.

Detailed information on the performance of instant noodles in overseas markets is provided in Overseas Operations (Page 14).

Pillow-type Instant Noodles

After remaining static for several years, the domestic market for pillow-type noodles began to contract in the year ended March 31, 2006. However, we were able to maintain steady growth in sales of our flagship *Chicken Ramen* series by generating market interest with special products. These included a limited-edition set combining a mini-size *Chicken Ramen* with a lidded mug bearing a picture of Hiyoko-chan, a cartoon chick character used in Nissin Foods promotional materials. In the year ended March 31, 2006, non-consolidated sales of pillow-type noodles increased by 4.8% year on year to ¥31,069 million (US\$264 million).

Cup-type Instant Noodles

Consumer preferences in this segment were characterized by a return to the basics. We



Italian Seafood Noodle



Top Ramen



Nissin Rao



Nissin GooTa

were able to maintain strong sales of our long-selling flagship products, such as *Cup Noodle*, Japanese-style products, such as *Nissin no Donbei*, and fried-noodle products, including *Nissin Yakisoba U.F.O.*

However, high-added-value products, such as *Nissin Rao* and *Nissin GooTa* were affected by a general slowdown in demand for high-end products, and sales were lower than in the previous year. We aggressively introduced new types of products, including *Nissin Kentaro* for health-conscious consumers, and non-wheat *Nissin Pho* (Vietnamese-style rice noodles) and *Nissin Harusame* (bean-starch vermicelli). Despite these efforts, total sales of cup-type instant noodles declined by 1.3% year on year to ¥184,282 million (US\$1,569 million).

> Future Direction

Strengthening and Expanding Brand Assets

We continue to record steady sales of our flagship *Chicken Ramen* brand. Sales of this series set a new record in fiscal 2004, 45 years after the launch of the first product. In 2008, we will celebrate the 50th anniversary of this series, and in 2006 we mark the 35th anniversary of the launch of *Cup Noodle* and the 30th anniversary of *Nissin no Donbei* and *Nissin Yakisoba U.F.O.* These long-selling brands are growing steadily.

Our most important priority is to develop these long-selling brands and maximize their value. We believe that a brand can only be strong if it has a long-established reputation and is supported by consumers. The maintenance of appropriate prices is an important aspect of brand strength. We have carefully studied the characteristics and functions of diversified retailing formats, including the “everyday low price” (EDLP) system, and retailing systems based on

selling at extremely low prices. Based on our understanding of these methods, we believe that the best way to protect the value of our brands, including their prices, is to use marketing expenditure appropriately and strategically in coordination with special sales limited to specific periods and volumes.

Developing New Demand with New Products

In May 2006, we launched a new series, *Yasai Soup Noodle*. Consumers have become more health-conscious in recent years, and there has also been considerable diversification in the ways in which people take meals. These changes have been reflected in rapid growth in the market of low-calorie products, such as non-wheat noodles (*harusame* and *pho*) and cup soups that satisfy hunger while helping to control the calorie intake. The *Yasai Soup Noodle* products contain approximately 100g of fresh vegetables, which are compressed and air dried using exclusive Nissin Foods’ technology. Vegetables processed in this way maintain their crispness and provide a greater sense of volume than was previously possible in products of this type. These healthy products contain 140 kcal or less. There are three types: *Suanlatang*, *Jitang* and *Minestrone*. All are expected to attract wide consumer support, especially among women and health-conscious people.

Nissin Foods will continue to explore challenges in new food categories in 2006.



Demae Itcho



Chicken Ramen with a lidded mug



Nissin Kentaro



Nissin Pho and Nissin Harusame

Chilled and Frozen Foods



As an integrated noodle manufacturer, Nissin Foods supplies not only room-temperature products, such as instant noodles, but also chilled and frozen products. Under our brand extension strategy, these products are sold under the same brand as instant noodle products.

> Consolidated Chilled and Frozen Foods Sales (Billions of yen)



> Review of Performance

In the year ended March 2006, consolidated sales of chilled and frozen foods increased by 2.2% year on year to ¥40,727 million (US\$347 million).

Our flagship *Nissin Yakisoba* line continued to sell well, but sales of summer products, such as *Hiyashi Chuka*, were slow. As a result, sales of chilled foods declined by 7.1% year on year to ¥13,805 million (US\$118 million).

Domestic sales of frozen foods were 7.7% higher at ¥26,922 million (US\$229 million), reflecting strong domestic sales of the frozen versions of *Nissin Spa-O* and *Nissin GooTa*. Growth of frozen foods contributed to the overall increase in sales of chilled and frozen foods. Sales of chilled and frozen foods accounted for 12.7% of total consolidated net sales.



Nissin Yakisoba



Gyoretsu-no-Dekiru-Mise-no-Ramen



Frozen version of *Nissin GooTa*

We will continue to supply a wide variety of products to meet the increasingly diverse preferences of consumers.

> Future Direction

Chilled Foods

Our main focus in the year ending March 31, 2007 will be the revitalization of our high-added value brand that recreates ramen from a gourmet ramen restaurant, the *Gyoretsu-no-Dekiru-Mise-no-Ramen* series. It was launched 10 years ago and is our flagship product in the chilled food segment. We will give new impact to this range by launching an exciting new chicken-flavored product in two styles that are popular in restaurants, soy sauce and salty broth. We will also update key products in the series.

Frozen Foods

In the year ending March 31, 2007 we will further refine our highly successful spaghetti and noodles-with-toppings lines, which have seen significantly expanded sales. Our aim is to develop these items into products that combine the convenience of frozen foods with authentic taste. We will also target further sales growth by launching new products based on innovative concepts that have the potential to stimulate new demand. Another focus will be the supply of high-added-value products, including noodle-related items, *takoyaki* and *okonomiyaki*. At the same time, we will work to maximize profits through cost-cutting measures, including the centralization of production operations, and the rationalization of logistics.

Other Business

> Consolidated Other Business Sales (Billions of yen)



Through its group companies, Nissin Foods manufactures and sells cereal foods, confectionery and dairy products. Peripheral business areas include logistics and the manufacture and sale of containers.



> Review of Performance

Food products in this segment include cereal foods, confectionery, such as biscuits, cookies and chocolate, and dairy products, such as lactobacillus beverages, jellies and yogurt.

Our cereal products, including *Ciscorn Big*, from Nissin Cisco Co. Ltd, which makes and markets confectionery, and the dairy product *Pilkul*, a lactobacillus beverage approved as a Food for Specified Health Use* and manufactured by Nissin York Co., Ltd., continued to enjoy strong consumer support, and sales were encouraging. However, there was a decline in sales in peripheral business areas, such as the manufacture and sale of containers. As a result, total sales in this segment in the year ended March 31, 2006 were 7.5% lower year on year at ¥27,190 million (US\$232 million). This segment contributed 8.4% of total consolidated net sales.

*A "Food for Specified Health Use" has been designated by Japan's Ministry of Health, Labor and Welfare as being useful in prevention of lifestyle-related diseases and has passed strict examinations of its effects in addition to its safety.

> Future Direction

Nissin Cisco launched new cereal products for seniors and women, *Kurogo Cereal* and *Rye Flakes*, made from healthy ingredients. In biscuit products, it developed *Hotcake Fumi no Biscuit* and *Cocoa Fumi no Biscuit* as products to enjoy at teatime. Nissin York also launched *Choshoku Style Cheese Yogurt*, a novel thickened yogurt product suggested for spreading on bread at breakfast or serving on crackers. These new product developments in emerging areas of consumer demand will contribute to sales growth and maintenance of healthy profit margins.

We will work to strengthen group companies involved in these other activities.



Ciscorn Big



Choshoku Style Cheese Yogurt



Pilkul



Hotcake Fumi no Biscuit

Overseas Operations

Nissin Foods has steadily expanded its international presence, starting with the establishment of Nissin Foods (U.S.A.) Co., Inc. in 1970. Today its global network encompasses 29 companies in 11 countries. The priority overseas markets are North America, which is our main overseas market, and China, where demand is expanding dramatically. We are also building global market share by aggressively expanding our activities in other consumer markets where growth is predicted, including Brazil and Russia.



U.S.
Cup Noodles



Mexican
Cup Noodles



Brazilian
Cup Noodles



European
Cup Noodles

Total world demand for instant noodles has continued to grow, from 53.3 billion servings in 2001, to 85.7 billion in 2005.

In the year ended March 31, 2006, our overseas sales increased by 20.7% year on year to ¥51,935 million (US\$442 million), excluding intersegment sales. By geographic area, factors contributing to growth include an increase in sales volumes in North America, the expansion of sales in Hong Kong, and a weak yen.

> The Americas

U.S.A.

In addition to strong sales of our flagship *Top Ramen* and *Cup Noodles* series, there was also a contribution from two new categories of microwavable products, the *CHOW MEIN* and *Souper Meal* series, which were launched in 2004. In volume terms, sales increased by 12% year on year. There was also sustained profit improvement, thanks to higher production efficiency following the installation of a large-scale production line in 2003. We also improved sales efficiency following a review of our sales systems.

Mexico

The Mexico Branch of Nissin Food Products Co., Ltd. was restructured as a local subsidiary, Nissin Foods de Mexico S.A. de C.V. We also commenced production at a local plant. This will significantly reduce logistics

costs. We are also working to improve our income structure in Mexico by using local procurement to avoid foreign exchange risk, and by normalizing sales prices.

Brazil

Activities in Brazil are handled by Nissin-Ajinomoto Alimentos Ltda., a joint venture between Nissin Foods and Ajinomoto Co., Inc. This company has an approximately 60% share of the Brazilian market, in which there is demand for 1.3 billion servings. We are actively developing new product categories in Brazil. In March 2005, we launched the *Yakissoba* series, consisting of four pillow-type instant noodle products.

> Europe

In Europe, interest in Asian food has intensified in recent years. In April 2004, we established Nissin Foods Kft. in Hungary in preparation for the future expansion of our activities in Europe. This low-cost production base is now fully operational. We are also focusing on Russia as a new market for our products, and we are currently developing a marketing strategy designed to establish a market position.

> People's Republic of China

The Chinese market for instant noodles has

continued to expand rapidly, increasing from 21.2 billion servings in 2001 to 44.3 billion in 2005. In 2004, Nissin Foods acquired a capital interest in Hebei Hualong F&N Industry Group Co., Ltd., a major Chinese noodle manufacturer, and established a local subsidiary, Nissin Hualong Foods Co., Ltd. In 2005, Nissin Hualong Foods sold 7 billion servings. Its main sales areas are northern and northeastern China.

Nissin Foods also has local subsidiaries in Shanghai and Guangdong and is building a network capable of covering major markets in China. We see China as our most important market, and we will continue to expand our operations there. In Hong Kong, the Nissin Foods Group and Winner Group control around 75% of the market for instant noodles and continue to achieve success in terms of both sales and profit.

> Elsewhere in Asia

In Asia, Nissin Foods has established local subsidiaries in India, Indonesia, Thailand and the Philippines. These companies manufacture and sell products designed to match local dietary preferences and customs.

India

India is seen as an important market for instant noodles, like other BRIC countries (Brazil, Russia, and China). Although noodles have not been so popular, with its population of 1.1 billion, India has major potential for future market growth. Indo Nissin Foods Ltd. is working to expand its market by focusing its marketing efforts on low-priced products costing 5 rupees (¥12–13) for a 50g serving. In the previous fiscal year, this strategy was reflected in a massive 160% year-on-year increase in sales.

Indonesia

Indonesia is a large market with demand for around 12.4 billion servings. However, competition is fierce. PT. NISSINMAS has been able to expand its sales through a differentiation strategy based on cost minimization and marketing efforts focused on low-priced products. NISSINMAS manufactures *halal* products, and in addition to sales within Indonesia, it is also working to expand exports, especially of the *Top Ramen* series, to other countries with large Islamic populations.

Thailand

Nissin Foods (Thailand) Co., Ltd. has taken advantage of a Japanese food boom in Thailand to introduce differentiated products. These include the *Cup Noodles Japan Cup* series, which are available in spicy pork and tempura soy sauce flavors, and the *Yakisoba Cup* series. This product features a high-speed strainer in the lid and is available in Japanese sauce and Thai curry flavors. The *Yakisoba Cup* series with the high-speed strainer lid has been especially popular, and the concept won a technology award in Thailand.

The Philippines

The original flavors of the *Cup Noodles* series have been very popular in the Philippines, and products featuring seafood flavors created in Japan account for over 30% of the sales of Nissin-Universal Robina Corporation. In the year ended March 31, 2006, we launched cup-type and pillow-type versions of *harusame* (bean-starch vermicelli) products, which were marketed as the *Sotanghon* series. These products were introduced in response to the increasing health-consciousness of consumers. They were extremely successful and made a major contribution to the expansion of our market share in the Philippines.



Hong Kong
Cup Noodles



Indonesian
Cup Noodles and
Top Ramen



Thai
Cup Noodles and
Yakisoba



Indian
Cup Noodles and
Top Ramen



Philippine
Cup Noodles and
Pancit Canton

Quality and Safety



> *Quality and Safety*

As the owner of its brands, Nissin Foods is determined to earn the confidence of consumers by consistently supplying safe and delicious products. As a food manufacturer, we believe that we have a mission to comply with all laws and regulations, and to provide consumers with safe products. We established a specialist quality control organization, the Food Safety Research Institute, to carry out stringent food safety checks.

We are continually working to strengthen our quality-control systems, and we have gained certification under the ISO 9000 series of international quality-control and quality assurance standards established by the International Organization for Standardization (ISO). Certification has been achieved at not only all of our plants and group companies in Japan and our overseas plants, but also at 35 sites operated by our suppliers.

> *The Food Safety Research Institute*

We established the Food Safety Research Institute in June 2002. Its mission is to ensure the quality and safety of products supplied to consumers through quality assurance based on scientific methods. This food safety role involves a wide range of tasks, including raw material quality checks, inspections of suppliers' facilities, the management of quality assurance systems in the Nissin Foods Group's manufacturing plants, the development of new inspection and analysis methods, and safety checks relating to new product development. To ensure that the results of this work, including analyses, inspections and development activities, can immediately be reflected in management decisions, the Food Safety Research

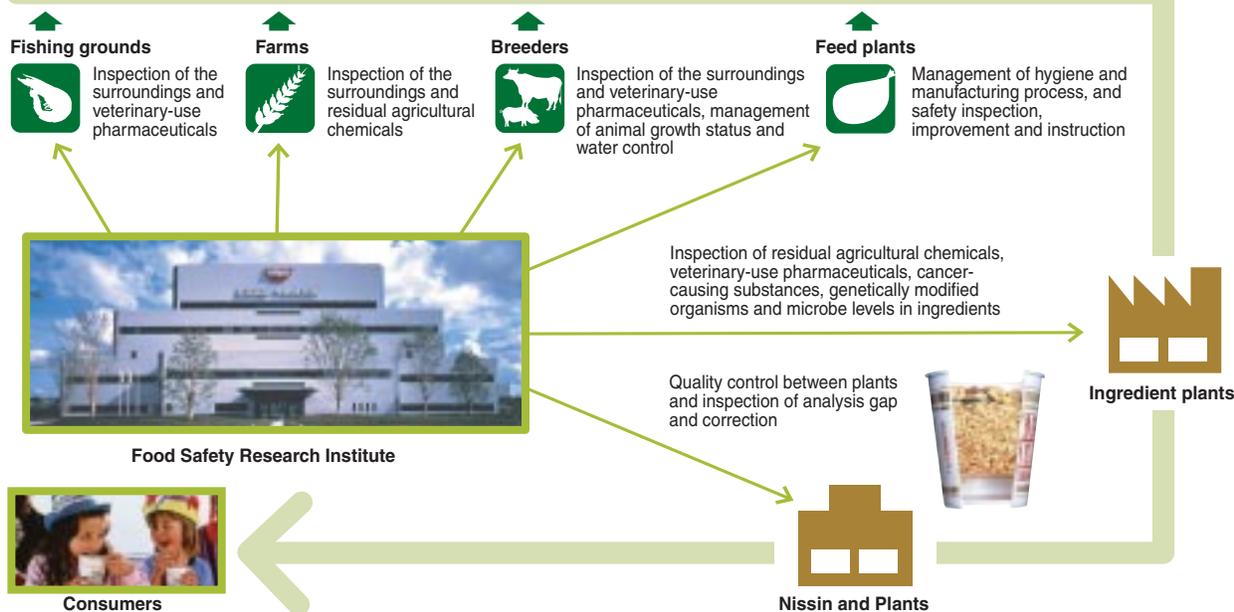
Institute operates independently of other organizational units and reports directly to the President.

> *Effective Checks for Residual Agricultural Chemicals*

Nissin Foods uses a wide range of raw materials in its products, including vegetables, cereals, livestock products and marine products. We have developed our own analysis systems to ensure the safety of these ingredients. A particular priority has been the development of effective methods for the detection of residual agricultural chemicals and veterinary pharmaceuticals. The Food Safety Research Institute is using our vast resource of accumulated analysis data to enhance the analysis systems that we have developed. In March 2006, we introduced NASRAD-550, a new inspection system designed to accommodate requirements under the "Positive List" system that took effect in May 2006 under an amendment to Article 11 of the Food Sanitation Law.

NASRAD-550 consists of three high-speed analysis systems capable of detecting a wide range of agricultural chemicals. NASRAC-450 can analyze approximately 450 chemicals in all types of agricultural products, while NASRAC-G250 can detect around 250 chemicals in cereals. NASVED-100 covers approximately 100 different veterinary pharmaceuticals in livestock products and marine products.





> Policy on Genetically Modified Crops

In September 1999, Nissin Foods announced that it would not use genetically modified (GM) crops in its products and completed the transition in February 2000. We took this step to respect the wishes of those consumers who are concerned about GM crops. Specifically, we switched to non-GM soybeans used to make the fried tofu for *Nissin no Donbei Kitsune* and the *miso* (bean paste) for *Nissin no Ramen-ya-san Sapporo Miso Fumi*. We also switched to non-GM potatoes and corn for use as topping ingredients.

> Allergy Labeling

In April 2001, Japan introduced an allergy labeling system covering 24 ingredients (the number has since been increased to 25 ingredients). Eggs, milk, buckwheat, wheat and peanuts are classed as a “specified ingredients” for which allergy labeling is compulsory. Allergy labeling is recommended for the other 20 ingredients.

Labels on the packaging of Nissin Foods products list not only the five specified ingredients, but also any of the other 20 ingredients for which labeling is recommended, if these are used in its products.

Food Safety Research Institute to be Established in Shanghai

Nissin Foods plans to open a Food Safety Research Institute in Shanghai in the fall of 2006. In recent years we have imported increasing volumes of Chinese raw materials into Japan, and we have therefore decided to create a new system under which these materials will be checked by the Food Safety Research Institute before they are exported. Only products that pass these checks will be imported into Japan.

All imported raw materials are subject to stringent safety measures. In addition to quality assurance systems in the plants of our suppliers, materials also undergo a range of inspections and analyses conducted by the Food Safety Research Institute. The establishment of the Nissin Shanghai Food Safety Research Institute will allow us to carry out safety inspections more efficiently and at an earlier stage. We will also be able to monitor detailed information concerning the use of chemicals in China and the traceability of livestock products. The Nissin Shanghai Food Safety Research Institute will also help to raise the quality of raw materials by providing process management and technical guidance to the plants of suppliers in China.

Environmental Activities



> Harmonious Coexistence

In March 1999, Nissin Foods adopted an Environmental Charter in which it defined its policies with regard to initiatives to reduce global environmental loads and promote recycling. This document was a public statement of our corporate stance on environmental matters. We have also worked, as an environmentally concerned company, to achieve certification under the ISO 14001 standard established by the International Organization for Standardization for environmental management and auditing systems. Through this process, we have continued to design environment-friendly products, reduce resource losses and waste and conserve resources and energy. As of June 30, 2006, we had completed certification for all four plants directly operated by Nissin Food Products Co., Ltd., for our headquarters in Osaka and Tokyo, ten group companies in Japan and two overseas companies.

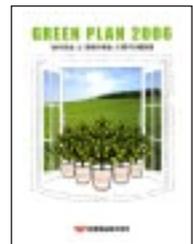
> Considering the Environment in All Processes

Global warming is a serious problem. It is caused by human activities that lead to greenhouse-gas emissions.

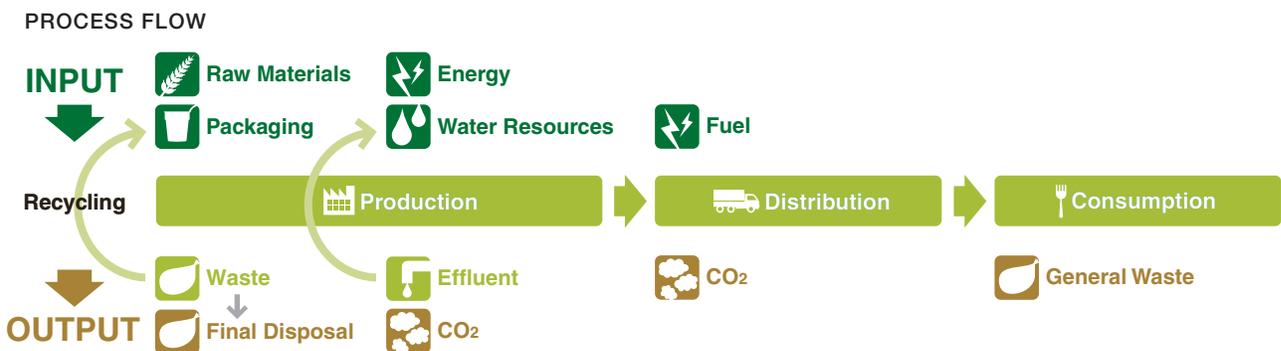
Environmental protection is a top priority for Nissin Foods, and we have implemented various initiatives to prevent global warming. For the boilers used to manufacture noodles, we plan to switch fuels from heavy oil to natural gas, which emits less CO₂. In each manufacturing facility, we are making detailed efforts relating to each item we manufacture, such as revising the steaming machines and drying process, introducing an automatic control system for ventilators and conveyors and other measures.

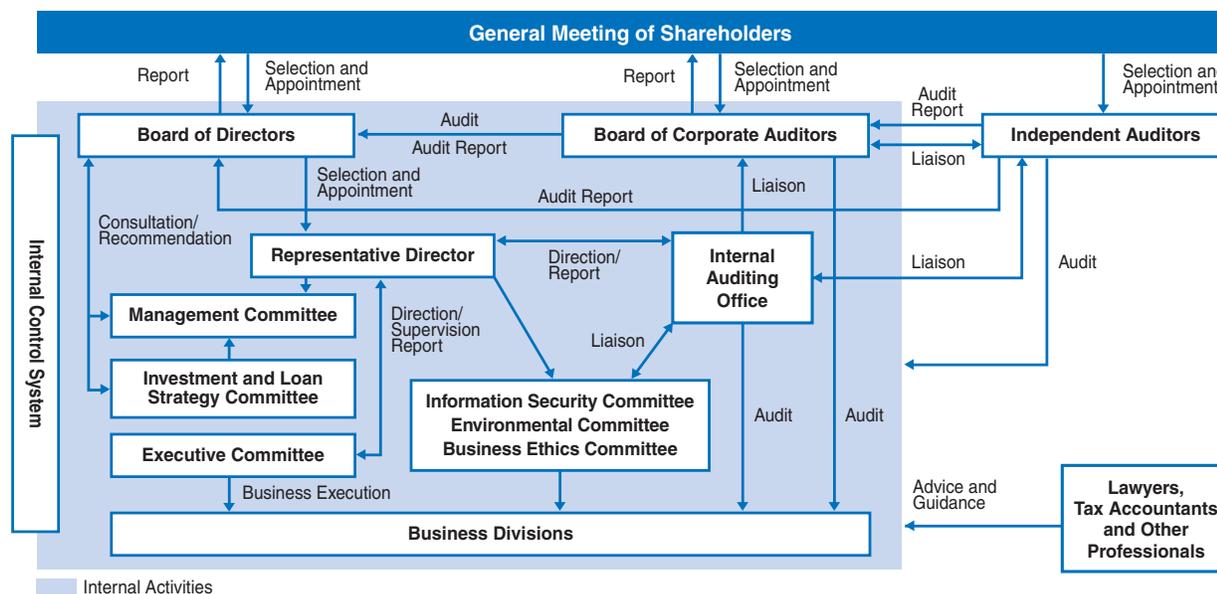
As part of our efforts to maintain the global environment, we are also reviewing our product designs and production processes throughout our facilities to ensure that finite resources are used effectively. For example, we have reduced water use through water recycling. We have also reduced the amount of material used to manufacture containers by reducing the unit weight of cups and the weight of recycled PET trays. Furthermore, we aim to achieve zero-emission status by recycling all waste products, including incinerator ash and waste plastic.

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



<http://www.nissinfoods.co.jp/com/torikumi/greenplan/>





> Basic Stance on Governance

The greatest priorities for Nissin Foods are to supply safe products and to maximize the benefits to all stakeholders, including shareholders, consumers, employees and local communities. The improvement and reinforcement of corporate governance is another key priority, and we are constantly working to maintain high standards of objectivity and transparency in our management activities.

For many years, we have appointed outside directors and auditors to energize management and ensure transparency by positively reflecting the views of non-employee experts in management. In June 1998, we also introduced an executive officer system to speed up decision making and separate management from business operations.

> Setting Clear Corporate Functions

Nissin Foods has 11 directors, including two outside directors. The Board of Directors meets monthly and convenes special meetings as necessary. The role of the Board of Directors is to deliberate on matters required by laws, regulations and the company articles. The directors also monitor business operations and supervise each other.

Directors also participate in decision making and supervise operations at regular meetings of the Management Committee, which consists of full-time directors and standing

auditors, and the Executive Committee, which is made up of full-time directors, standing auditors and executive officers.

There are four corporate auditors, including two outside auditors, who audit operations in accordance with standards established by the Board of Corporate Auditors, the audit policy for each accounting period, and the audit plan. They attend important meetings, including meetings of the Board of Directors, and interview directors and other officers concerning the state of operations.

The Board of Directors nominates candidates for directorships, and sets levels of remuneration.

> Status of Internal Control Systems

The development, maintenance and appropriate operation of internal controls is a critical management task involving the entire corporate organization. Individual organizational units have established internal checks and balances covering day-to-day operations, including procurement, production, logistics, sales and administration. We are also setting up checks and balances between organizational units.

The Internal Auditing Office and the corporate auditors check internal control system effectiveness through operational audits of each unit and order remedial action if called for. Corporate auditors also audit internal control systems relating to management in general.



Founder Momofuku Ando: Father of an Industry

Innovative Pioneer

The instant noodle market was launched in Japan by the 1958 invention of *Chicken Ramen* by Momofuku Ando, the founder of Nissin Foods. In 1971, he successfully brought to market *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 inspired a new market, now a worldwide industry with demand hovering at 85.7 billion servings in 2005, and revolutionized eating habits around the globe.

Criteria and Principles Behind Product Development

Mr. Ando's concept for *Chicken Ramen* was underpinned by five basic criteria—good taste, food safety, convenience, reasonable price and long-term storage—and this concept still forms the basis of product development at Nissin Foods today.

He also put forward three principles, loosely translated as "Peace will come to the world when the people have enough to eat," "Eating smart will enhance beauty and health" and "The creation of food will serve society." These principles, reinforced by an innovative spirit, laid the foundation for the business activities and product development that Nissin Foods currently pursues.

Pursuing a Vision for the Industry

To promote instant noodle industry development, Mr. Ando founded the Japan Convenience Food Industry Association (JCFIA) in 1964 and set guidelines for fair competition and product quality, including early establish-

ment of Japan Agricultural Standard qualifications and introduction of production dates on packaging.

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

IRMA hosted the fifth World Ramen Summit in April 2006 in Seoul where the primary topics of discussion were CODEX standards concerning food safety and quality control.



Mr. Momofuku Ando, showing *Space Ram*

Space Ram

In July 2005, Nissin Foods marked a world first with its *Space Ram* (space ramen), which was jointly developed with the Japan Aerospace Exploration Agency (JAXA) to meet NASA's strict quality and safety standards. *Space Ram* is unique, and not only because it was adopted for Japanese astronaut Soichi Noguchi's voyage in the space shuttle *Discovery*. For example, the dry noodles reconstitute with water heated to 70°C (rather than 100°C), since that is what is available on the space shuttle. In addition, the soup's viscosity was increased to better keep the soup and



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



Tasting corner at the Instant Ramen Museum



noodles together in zero gravity and so as not to spatter. The flash-frying that was invented for *Chicken Ramen* by Mr. Ando was approved for use in *Space Ram*, further validating the method. We can now say that Nissin Foods' instant noodles are the most widely used not only in the world, but also in the universe.

Mr. Ando's ideals have been realized in various ways beyond the realm of Company activities, the most important among which are presented below.

Instant Ramen Museum

The Momofuku Ando Instant Ramen Museum opened in Ikeda, near Osaka, in November 1999, as a symbol of Mr. Ando's desire to emphasize the importance of invention and discovery as well as the fun side of challenge.

The Hands-on Workshop is the only place in the world where visitors make their own *Chicken Ramen*, experiencing the whole process, from kneading to steaming—infusing a flavor, of course—and flash-frying to dry the noodles.

MY CUP NOODLE FACTORY lets visitors design a cup and fill it with ingredients of their choice for a *Cup Noodle* product like no other. The Instant Ramen Museum provides

a history of postwar food culture in Japan and it has earned high marks as an extracurricular nutritional education experience for elementary school children. As of summer 2006, the museum had welcomed more than 1,000,000 people.

Helping Youth with the Ando Foundation

Mr. Ando personally provided the funds to establish the Ando Foundation, which supports sports, such as track and field for elementary school pupils, and other outdoor events for children throughout Japan. The foundation's activities are based on the principle that food and sports are the two most important factors in leading a healthy life.

Mr. Ando also led the establishment of the Shokusokai, "Food Innovation Society," within the Ando Foundation to contribute to the improvement and development of world food culture. It presents an annual award named after Mr. Ando honoring innovative researchers who contribute to the creation and development of new food products.

By working together with the Ando foundation to help it realize its principles through these various projects, Nissin Foods contributes to society by promoting healthy development in young people, with whom the future rests.



MY CUP NOODLE FACTORY at the Instant Ramen Museum



Shokusokai award ceremony

Board of Directors (As of June 29, 2006)



From left: Takahisa Yanagida, Ken Sasahara, Takayuki Naruto, Susumu Nakagawa, Momofuku Ando, Koki Ando, Akihide Matsuo, Taiji Matsumura, Yasuhiro Matsuyama and Osamu Tetsubayashi

Founder

Momofuku Ando

President & Representative Director

Koki Ando

Managing Director & Representative Director

Susumu Nakagawa

In charge of Sales

Managing Directors

Akihide Matsuo

General Manager of Corporate Production Planning Division and in charge of Corporate Planning

Takayuki Naruto

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

Directors

Taiji Matsumura

General Manager of Central Research Institute

Ken Sasahara

General Manager of International Division

Yasuhiro Matsuyama

General Manager of Sales Division

Takahisa Yanagida

General Manager of Financial Division

Osamu Tetsubayashi

General Manager of Marketing Division

Yorihiko Kojima*

President & CEO, Mitsubishi Corp.

Eizo Kobayashi*

President & CEO, ITOCHU Corp.

*Non-executive director

Standing Corporate Auditors

Hayato Togami

Yuichi Terada

Corporate Auditors

Toru Horinouchi

Hiroshi Takano

Corporate Executive Officers

Nobuyuki Akamatsu

Deputy General Manager of Central Research Institute

Masami Nishio

General Manager of Corporate Planning Division

Toshihiro Yamada

General Manager of Food Safety Research Institute

Takashi Takahashi

General Manager of Shizuoka Plant

Takashi Yokogoshi

General Manager of Shiga Plant

Kazumasa Santo

General Manager of Osaka Sales Division

Hideki Hattori

General Manager of Personnel Division

Yoshinori Miura

General Manager of Tokyo Sales Division

Masafumi Miyata

General Manager of CVS Sales Division

Katsumi Tomomasa

General Manager of Sales Planning & Control Division

Financial Section

Nissin Food Products Co., Ltd.

Consolidated Six-Year Summary of Selected Financial Data

Years ended March 31	Millions of yen (except per share information)					
	2006	2005	2004	2003	2002	2001
For the year						
Net sales	¥ 321,700	¥ 316,973	¥ 320,033	¥ 315,279	¥ 308,463	¥ 301,082
Cost of sales	158,209	156,877	161,979	160,258	157,663	152,652
Gross profit	163,491	160,096	158,054	155,021	150,800	148,430
Selling, general and administrative expenses	131,512	131,133	134,851	128,621	125,984	121,146
Operating income	31,979	28,963	23,203	26,400	24,816	27,284
Other income (expenses)	(2,167)	(1,891)	1,502	(880)	(4,741)	(2,388)
Income before income taxes and minority interests	29,812	27,072	24,705	25,520	20,075	24,896
Income taxes	14,469	10,244	10,437	10,901	7,613	9,810
Minority interests in earnings of consolidated subsidiaries	(46)	216	217	197	526	(117)
Net income	15,389	16,612	14,051	14,422	11,936	15,203
Per share						
Net income	¥ 125.09	¥ 134.36	¥ 113.61	¥ 115.65	¥ 93.91	¥ 119.32
Cash dividends	30.00	30.00	30.00	30.00	30.00	24.00
Shareholders' equity	2,167.81	2,091.16	1,980.14	1,892.89	1,835.03	1,812.45
At year-end						
Working capital *1	¥ 82,404	¥ 56,332	¥ 62,017	¥ 60,044	¥ 71,086	¥ 45,175
Property, plant and equipment—net	69,019	75,332	81,243	87,537	82,444	94,568
Total assets	366,801	361,105	343,645	331,994	326,913	326,196
Long-term liabilities	18,975	19,414	16,175	11,739	11,118	9,464
Shareholders' equity	263,199	258,139	244,439	233,708	230,582	230,930
R&D expenses	¥ 2,727	¥ 2,697	¥ 2,762	¥ 2,757	¥ 2,579	¥ 2,541
Capital expenditures	3,517	3,251	6,766	6,965	6,312	4,891
Value & performance indicators						
Operating margin (%) *2	9.9	9.1	7.3	8.4	8.0	9.1
Return on assets (%) *3	4.2	4.7	4.2	4.4	3.7	4.8
Return on equity (%) *4	5.9	6.6	5.9	6.2	5.2	6.8
Inventory turnover (times) *5	12.6	12.9	13.6	13.6	14.1	14.9

Notes: 1. Working capital = Total current assets – Total current liabilities

2. Operating margin = Operating income / Net sales

3. Return on assets = Net income / Average total assets

4. Return on equity = Net income / Average total shareholders' equity

5. Inventory turnover = Cost of sales / Average total inventory

Financial Review

The scope of consolidation for this review of fiscal 2006, ended March 31, 2006, covers Nissin Food Products Co., Ltd. (the “Company”), 23 consolidated subsidiaries—10 in Japan and 13 overseas—and one affiliate company accounted for by the equity method (together, the “Group”).

► Sales by Geographic Area (excluding intersegment sales)

(Billions of yen)



► Net Sales by Category

(Billions of yen)



INCOME ANALYSIS

Net Sales

The consolidated net sales of the Group for fiscal 2006 rose by 1.5% from ¥316,973 million in the previous fiscal year to ¥321,700 million (US\$2,739 million), which was the record-high performance. This achievement was partially due to the positive effect of a weak yen on overseas sales, despite the challenged performance of high-priced products in the domestic market.

Net sales in Japan, excluding intersegment sales, decreased 1.5% to ¥269,765 million (US\$2,296 million). Their contribution to the total consolidated net sales dropped as well, by 2.5 percentage points to 83.9%.

The business environment surrounding the domestic instant noodle market remains intense and places an even greater drag on sales growth. The shrinking consumer population due to the aging society and declining birth rate is pushing down demand for the products. Turning to the aspect of product pricing, retail prices of instant noodle products are consistently low because of discounting by retailers and severe price competition in the retail trade industry. In order to break through these difficulties, domestic instant noodle manufacturers proactively introduced new products to the market to fulfill new consumer needs. From December onward, the severe winter weather throughout much of Japan supported steady demand, in contrast to the warm winters in previous years. Still, the aggregate sales of the instant noodle industry did not reach to and, in fact, were slightly lower than in the previous fiscal year.

Amid these circumstances, the Company implemented marketing approaches and sales promotions, which constructively reflected consumers' needs. These include the introduction of *Cup Noodle Seafood Italian* and other new products in connection with the Turin Winter Olympic Games in February, which successfully won public favor. Among existing products, *Cup Noodle*, the Company's mainstay cup-type noodle brand, was firmly supported by consumers to record brisk sales under sales promotion with the catchphrase “NO BORDER,” and so as *Chicken Ramen*, the Company's well-established pillow-type noodles. Sales of *Nissin no Donbei* also increased, owing to consumers' growing fondness for traditional Japanese flavors. On the contrary however, products in the high price range, such as *Nissin GooTa* and *Nissin Rao*, slowed down, their sales affected by the sluggish performance of their product category as a whole.

Looking at the performance of chilled and frozen foods, the mainstay product of the Company's chilled food line *Nissin Yakisoba* recorded strong sales. Similarly, the aggregate sales of frozen foods sharply increased from the previous fiscal year, mainly by contributions from easily microwavable *Nissin Spa-O* and *Nissin GooTa* with satisfying volume and high quality ingredients.

On the other hand, global demand for instant noodles has continued to grow. According to the International Ramen Manufacturers Association (IRMA), the aggregate global demand for instant noodles for calendar 2005 was estimated at 85.7 billion servings, an increase of 6 billion servings from 2004. In particular, the market in the People's Republic of China (PRC) is rapidly expanding, and this created additional demand of 5.3 billion servings in 2005, which is almost equal to the total annual demand in Japan. In such a business environment, the Company continued the promotion of its overseas business in North America, the PRC and other major markets including Asia and European countries. Performance in overseas markets during fiscal 2006 shows that *Top Ramen* in North America and *Demae Itcho* in Hong Kong, among pillow-type instant noodles, recorded strong sales, while aggregate sales of cup-type instant noodles also showed strong growth, particularly in the North American markets where fine marketing efforts for *CHOW MEIN* and other new category products were rewarded with increased exposure in retail stores. Moreover, sales overseas (please refer to p. 44, “Information by geographic area”) were favorably affected by a weak yen, and these factors lifted the total overseas net sales, excluding intersegment sales, by 20.7% to ¥51,935 million (US\$442 million) compared to the previous fiscal year. A breakdown by geographic area shows net sales in North America of ¥29,903 million (US\$255 million), a 25.1% increase from the previous year. In other areas that figure was ¥22,032 million (US\$187 million), a 15.2% increase.

Net sales by business segment are being disclosed from this fiscal year. Net sales of the Company's

mainstay business Instant Noodle and Associated Business, excluding intersegment sales, amounted to ¥294,510 million (US\$2,507 million) and accounted for 91.5% of total net sales. Net sales of Other Business was ¥27,190 million (US\$231 million), 8.5% of the total net sales. Detailed review of the performance of Instant Noodle and Associated Business shows that instant noodles, the leading product line, recorded sound growth in its domestic sales, especially of top-brand products such as *Chicken Ramen* and *Cup Noodle*. Sales of instant noodles also increased steadily in overseas markets, and the instant noodle category as a whole is showing continuously steady performance as the foundation of the Company's businesses. (Please refer to Review of Operations on P.9-13 for details of performance by product category.)

Cost of Sales and Selling, General and Administrative Expenses

Cost of sales increased along with the increase of net sales, by 0.8% on the previous fiscal year to ¥158,209 million (US\$1,347 million). However, the cost of sales ratio slightly improved from 49.5% in the previous year to 49.2%.

Selling, general and administrative (SG&A) expenses amounted to ¥131,512 million (US\$1,120 million). The amount resulted in a small increase of 0.3% on the previous year's ¥131,133 million, while the ratio of SG&A expenses to net sales dropped 0.5% year-on-year to 40.9%. Among SG&A items, promotional expenses (variable expenses) amounted to ¥74,781 million, a year-on-year increase by 2.8%, and its ratio to net sales also rose by 0.2 points to 23.2%. On the other hand, distribution expenses (variable expenses) and advertising expenses (fixed expenses) decreased in respects of both amount and ratio to net sales; distribution expenses edged down by 0.5% year on year to ¥17,418 million, and advertising expenses dropped to by 5.9% to ¥12,328 million.

Costs and Expenses, and Net Sales Ratio

Year ended March 31, 2006 and 2005	Millions of yen			
	2006		2005	
	Net Sales Ratio		Net Sales Ratio	
Cost of sales	¥158,209	49.2%	¥156,877	49.5%
SG&A expenses	131,512	40.9	131,133	41.4
Promotional expenses	74,781	23.2	72,778	23.0
Advertising expenses	12,328	3.8	13,098	4.1
Distribution expenses	17,418	5.4	17,509	5.5
Other expenses	26,985	8.5	27,748	8.8

Operating Income, Other Income (Expenses) and Net Income

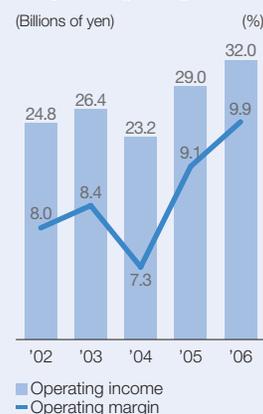
As a result of higher net sales, lower cost of sales ratio and a drop in the ratio of SG&A expenses to net sales, consolidated operating income for fiscal 2006 rose to ¥31,979 million (US\$272 million), a 10.4% rise over the previous year's figure. The operating margin also edged up by 0.8 percentage point to 9.9%.

Other expenses, net, were ¥2,167 million (US\$18 million), a ¥276 million increase over that for the previous year. Major income factors include the absence of a ¥3,569 million provision for accrued retirement benefits to directors and statutory auditors posted in the previous fiscal year following revision of the regulations for retirement benefits to directors and statutory auditors and an increase in gain on sales of marketable securities from ¥375 million to ¥3,073 million (US\$26 million). On the other hand, newly posted expenses and losses outweighed the above income factors. Such expenses and losses include a ¥5,632 million (US\$48 million) loss on impairment of fixed assets recorded due to adoption of new accounting standards (please refer to Note 3 to the consolidated financial statements), and a ¥2,557 million (US\$22 million) loss on revaluation of investments in two companies in the PRC.

As a result, income before income taxes and minority interests climbed 10.1% year on year to ¥29,812 million (US\$254 million).

Income taxes for fiscal 2006 amounted to ¥14,469 million (US\$123 million), mainly due to loss on

Operating Income and Operating Margin



Interest Coverage Ratio

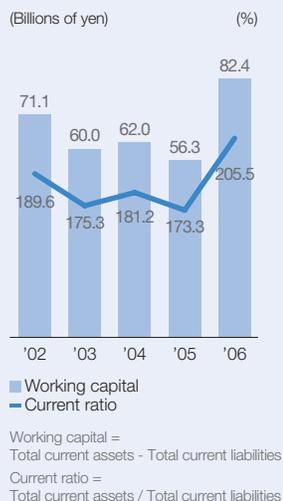


*Interest coverage ratio = operating cash flow / interest payments

▶ Total Assets and ROA



▶ Working Capital and Current Ratio



▶ Shareholders' Equity and ROE



impairment of fixed assets for business operations and loss on revaluation of investments, for which tax effects were not allowed to be recognized. Therefore, the adjustments to income taxes increased. And the effective income tax rate rose to 48.53%.

Net income for fiscal 2006 was ¥15,389 million (US\$131 million), a year-on-year decrease by 7.4%. The ratio of net income to net sales also dropped by 0.4 percentage point, from 5.2% to 4.8%. Net income per share decreased as well to ¥125.09 (US\$1.06), ¥9.27 down from ¥134.36 in the previous fiscal year.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flows

Cash and cash equivalents as of March 31, 2006 amounted to ¥61,570 million (US\$524 million), ¥4,756 million lower than the previous year's ¥66,326 million.

Net cash provided by operating activities was ¥26,636 million (US\$227 million), a year-on-year decrease of ¥3,623 million from the ¥30,259 million of the previous year. Major factors of this drop include ¥3,718 million (US\$32 million) paid as provision for accrued retirement benefits to directors and statutory auditors from the sum of ¥3,877 million, posted in the previous fiscal year following the revision of the regulations regarding retirement benefits to directors and statutory auditors. Another factor of the decrease was that, although the amount of income tax paid in the previous year was lower because of a tax deduction on losses that was not tax-deductible previously, there was no such special factor this fiscal year and so the amount of income tax paid increased from ¥7,458 million in the previous year to ¥11,001 million (US\$94 million) this year.

Net cash used in investing activities was ¥20,068 million (US\$171 million) for fiscal 2006, a ¥10,280 million drop from the figure for the previous fiscal year. Major in-flow factors include proceeds from sales and redemption of investments in securities and marketable securities, amounting to ¥50,033 million (US\$426 million) and ¥12,453 million (US\$106 million), respectively. On the other hand, major out-flows were payments for purchases of investments in securities and marketable securities, ¥45,834 million (US\$390 million) and ¥31,064 million (US\$264 million), respectively.

Net cash used in financing activities jumped to ¥12,940 million (US\$110 million), a ¥7,231 million increase from that of the previous year. This increase was largely due to ¥6,925 million (US\$59 million) repurchase of treasury stocks less sales, as well as ¥5,553 million (US\$47 million) cash dividends paid.

Cash Flow Highlights

Year ended March 31	Millions of yen		
	2006	2005	2004
Net cash provided by operating activities	¥26,636	¥30,259	¥22,213
Net cash used in investing activities	(20,068)	(30,348)	(20,453)
Net cash used in financing activities	(12,940)	(5,709)	(3,813)
Cash and cash equivalents at the end of the year	¥61,570	¥66,326	¥72,140

Assets, Liabilities and Shareholders' Equity

Total assets as of March 31, 2006 stood at ¥366,801 million (US\$3,123 million), a 1.6% increase compared with the previous year's ¥361,105 million. Return on assets (ROA), on the other hand, dropped by 0.5 percentage point from 4.7% to 4.2%, reflecting the decrease in net income.

Total current assets amounted to ¥160,496 million (US\$1,366 million), a substantial increase by 20.5% from the previous year. Although cash and deposits decreased by ¥15,841 million year on year, marketable securities grew by ¥43,867 million.

Net property, plant and equipment decreased by 8.4% to ¥69,019 million (US\$588 million), mainly due to depreciation, as well as ¥5,632 million (US\$48 million) impairment loss recorded in accordance with

adoption of accounting for impairment of fixed assets.

Among investments and other assets, investments in securities decreased ¥9,467 million. Deferred income taxes on land revaluation as well, which amounted to ¥1,594 million in the previous fiscal year, was restated as zero as a result of review of recoverability as of March 31, 2006. Other deferred income taxes also decreased by ¥3,964 million following review of its valuation allowance. As a result, total investments and other assets declined by 10.1% to ¥137,286 million (US\$1,169 million) from ¥152,625 million in the previous year.

Total liabilities amounted to ¥97,067 million (US\$826 million), with an increase by 0.9% on the previous year's ¥96,230 million. Of this amount, total current liabilities was ¥78,092 million (US\$665 million), a year-on-year increase of 1.7%. Working capital showed a substantial increase of 46.3% from the previous fiscal year's figure, due to the increase of current assets, which outweighed the increase of current liabilities. The current ratio as well marked a large improvement to 205.5% from 173.3%.

Total shareholders' equity amounted to ¥263,199 million (US\$2,241 million), a 2.0% up on ¥258,139 million in the previous fiscal year. Major increases were a ¥9,870 million rise in retained earnings mainly due to net income posted, a ¥3,785 million increase in net unrealized holding gain on securities, and a ¥3,524 million change in translation adjustments, from the minus of ¥3,282 million in the previous year to the plus of ¥242 million in fiscal 2006. Major decreases, on the other hand, included a ¥5,209 million land revaluation reserve as a result of review of recoverability of related deferred tax assets. Treasury stock also rose by ¥6,925 million, largely due to purchase in the stock markets.

As a result of the increase in total shareholders' equity, shareholders' equity per share also rose by 3.7% to ¥2,167.81 (US\$18.45) from the previous year's ¥2,091.16. However, return on equity (ROE) dropped by 0.7 percentage point to 5.9%, compared with the previous year's 6.6%.

ADDITIONAL INFORMATION

Significant Business Agreements

With regard to the Company's capital participation in Hebei Hualong F&N Industry Group Co., Ltd., (hereafter, "Hebei Hualong"), a major manufacturer of instant noodles and flour in the PRC, which was undertaken to expand and thereby reinforce the Company's instant noodle operations in the PRC, the Company concluded on May 12, 2004, a joint-venture agreement with Hebei Jinmailang Mianye Co., Ltd., the parent company of Hebei Hualong.

Hebei Jinmailang Mianye split Hebei Hualong into two new companies—Nissin Hualong Foods Co., Ltd., and Hebei Nissin Hualong Paper Products Co., Ltd.—and through capital increases subscribed to by its Hong Kong-based subsidiary Nissin Foods Co., Ltd., the Company had as of March 31, 2005, acquired 14.9% registered equity in each newly established company.

The Company plans to eventually acquire an equity stake equivalent to 33.4% of registered equity. The investment is expected to reach about ¥20 billion.

Risk Information

Conditions that have the potential to significantly influence the decisions of investors are presented below. Any conditions with reference to the future are based on information available as of June 29, 2006. The Company acknowledges the possibility that these risks can arise and will make every effort to prevent such risks from appearing and address resulting situations if such risks do appear.

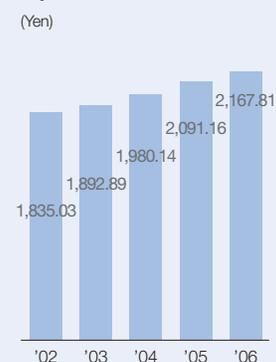
(1) Reliance on Certain Business Clients

Mitsubishi Corporation, ITOCHU Corporation, MITSUI & CO., LTD., and Toshoku Ltd. are the primary buyers of the Company's products and together account for 77.5% of the Company's sales. Reliance on

Shareholders' Equity Ratio



Shareholders' Equity per Share



these specific business clients concentrates transactions among highly creditworthy companies and thereby reduces the effort expended on credit control and minimizes credit risk. However, the Company's own financial position could be negatively affected if the business activities of these sales agents failed, because the Company would have difficulty collecting accounts receivable.

(2) Increases in Prices of Raw Materials

The primary raw materials used for the Company's products are agricultural commodities such as flour and palm oil, and petroleum-based items for packaging and wraps. The Company's fiscal performance could be adversely impacted if political unrest or international disputes occur in the countries that produce these raw materials, or if the price of raw materials skyrockets because of crop failures caused by abnormal weather and other reasons.

(3) Reduced Brand Value

The Company's mainstay products, particularly *Chicken Ramen* and the *Cup Noodle* series, have become household items to most consumers, thanks to years of accumulated technical expertise and product development capabilities. The Company emphasizes the establishment and protection of its brands. However, new products flood the instant noodle market every year and the relative brand value of the Company's products could decline if another company were to achieve a revolutionary breakthrough in instant noodle development.

(4) Food Safety Issues

The Company's basic philosophy is to provide safe foods that consumers can enjoy without worry. In recent years, a high incidence of disquieting developments, such as avian influenza, bovine spongiform encephalopathy and the problem of residual pesticides in foods, have threatened to undermine food safety. The needs of consumers in regard to food safety have become more sophisticated. To enhance its ability to meet this need, the Company established the Food Safety Research Institute and continues to strengthen its quality control system. However, the Company's financial position and fiscal performance could be unfavorably influenced if unusual health-related situations arise in the future that are beyond the Company's conjecture, or if rumors mar the image of the Company's products, even though such rumors were based on incidents not directly affecting the Company's products.

(5) Risk of Natural Disasters

The Company has manufacturing facilities in Ibaraki, Shizuoka, Shiga and Yamaguchi prefectures. If a natural disaster, such as a large-scale earthquake or flooding from a typhoon, were to occur and manufacturing facilities incurred damage, the Company's production structure as well as its financial position and fiscal performance could suffer because, for example, an interruption in operations would reduce output and repairs to facilities and equipment would raise expenses.

(6) Risk of Product Liability

As a food maker, the Company believes its mission is to provide safe, worry-free products to consumers and therefore applies strict quality control standards to its manufacturing activities. In addition, the Food Safety Research Institute studies ways to ensure the safety of raw materials and strives to reinforce quality control systems at each manufacturing facility. The Company also endeavors to lessen the potential of product liability claims to affect its financial position, and therefore is insured against product liability. However, if an accident occurs through product liability and a situation arises wherein the Company must recall certain products, the insurance carried by the Company may not be sufficient to cover all claims. A tarnished reputation in society and a weakened corporate image could erode consumers' willingness to buy the Company's products. This situation could hurt the Company's financial position and its fiscal performance.

(7) Subsidiary and Affiliate Risks

The Company's overseas operations comprise local production and local marketing companies, which produce food products including instant noodles, and are run by subsidiaries and affiliates. If political unrest or international disputes arise in the regions where the Company's subsidiaries and affiliates operate, or if issues threaten to undermine food safety, or if legal controls in certain countries create a situation that hinders production activities, then the financial position and fiscal performance of the Company could suffer.

(8) Risk Related to Retirement Benefits Accounting

Costs and obligations pertaining to retirement benefits are determined based on discount rates and other predetermined criteria used in actuarial calculations, and expected rate of return on pension assets. If actual results differ from predetermined criteria, or if predetermined criteria are amended, the actuarial difference is charged to the income of the fiscal year following the one in which the difference occurred. Although the actual return on pension assets has shown its trend of recovery, if a decline in discount rates and/or returns on the pension assets persists, the Company will have to carry a higher burden of pension-related costs, and this could hurt the Company's financial position and its fiscal performance.

(9) Risk of Declining Market Values on Marketable Securities

The Company invests in marketable securities to ensure efficient application of funds and thereby maintain the integrity of principal. However, the Company's financial position and fiscal performance could be adversely affected if worsening market conditions cause market values to decline or sluggish performances by equity investments force the Company to apply the accounting for impairment.

(10) Risk Related to Information Systems

The Company uses computers to process and store information on production, sales and administration. The Company adopted all possible measures to safeguard these information systems from computer virus-induced crashes, damage by hackers, and the risk of a breach in information security. However, the Company's financial position and fiscal performance could be adversely affected if the Company's systems were damaged and/or if data were leaked outside the organization, due to illegal access to the systems by unauthorized individuals through technologies that the Company has not envisioned, or unknown computer virus getting through established safeguards.

(11) Risk Related to Accounting for Impairment of Fixed Assets

The Company owns various tangible fixed assets for the purpose of its businesses. These fixed assets could face in the future the substantial decline in their fair values and/or future cash flows they were to generate, and thus would have possibility of impairment loss recognition in conformity with accounting for impairment of fixed assets. Such circumstances could negatively affect the Company's financial position and fiscal performance.

Consolidated Balance Sheets

As of March 31, 2006 and 2005

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2006	2005	2006
ASSETS			
Current assets:			
Cash and deposits (Note 4)	¥ 45,116	¥ 60,957	\$ 384,064
Marketable securities (Note 5)	56,995	13,128	485,188
Receivables:			
Trade notes	95	148	809
Trade accounts	37,560	38,743	319,741
Other	1,356	1,409	11,543
Less: Allowance for doubtful receivables	(259)	(338)	(2,205)
Inventories (Note 6)	12,709	12,355	108,189
Deferred income taxes (Note 10)	6,390	6,100	54,397
Other current assets	534	646	4,546
Total current assets	160,496	133,148	1,366,272
Property, plant and equipment:			
Land (Note 7)	25,882	28,546	220,329
Buildings and structures	65,622	64,612	558,628
Machinery, equipment and vehicles	81,705	78,579	695,539
Construction in progress	720	350	6,129
Other	585	1,995	4,980
	174,514	174,082	1,485,605
Less: Accumulated depreciation	(105,495)	(98,750)	(898,059)
Property, plant and equipment, net	69,019	75,332	587,546
Investments and other assets:			
Investments in securities (Note 5)	120,494	129,961	1,025,743
Other investments	10,043	12,611	85,494
Long-term loans to an affiliate	175	200	1,490
Long-term loans	6	15	51
Deferred income taxes (Note 10)	275	4,239	2,341
Deferred income taxes on land revaluation (Note 7)	—	1,594	—
Other assets	6,462	4,168	55,010
Less: Allowance for doubtful receivables	(169)	(163)	(1,439)
Total investments and other assets	137,286	152,625	1,168,690
Total assets	¥ 366,801	¥ 361,105	\$3,122,508

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2006	2005	2006
LIABILITIES, MINORITY INTERESTS AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Short-term borrowings (Note 8)	¥ 2,854	¥ 3,038	\$ 24,295
Payables:			
Trade notes	756	837	6,436
Trade accounts	33,911	32,846	288,678
Other	20,107	20,557	171,167
Accrued expenses	7,460	7,325	63,506
Accrued income taxes (Note 10)	8,186	7,565	69,686
Other current liabilities (Note 10)	4,818	4,648	41,014
Total current liabilities	78,092	76,816	664,782
Long-term liabilities:			
Deferred income taxes on land revaluation (Note 7)	3,511	—	29,889
Accrued retirement benefits to employees (Note 9)	11,660	13,580	99,259
Accrued retirement benefits to directors and statutory auditors	1,800	5,517	15,323
Other long-term liabilities (Note 10)	2,004	317	17,060
Total long-term liabilities	18,975	19,414	161,531
Minority interests	6,535	6,736	55,631
Contingent liability (Note 17)			
Shareholders' equity (Note 11):			
Common stock			
Authorized—500,000,000 shares;			
Issued—127,463,685 shares at March 31, 2006 and 2005	25,123	25,123	213,867
Capital surplus	48,385	48,370	411,893
Retained earnings (Note 19)	203,797	193,927	1,734,886
Land revaluation reserve (Note 7)	(7,568)	(2,359)	(64,425)
Net unrealized holding gain on securities	9,899	6,114	84,268
Translation adjustments	242	(3,282)	2,060
Less: Treasury stock, at cost—6,061,522 shares at March 31, 2006 4,033,982 shares at March 31, 2005	(16,679)	(9,754)	(141,985)
Total shareholders' equity	263,199	258,139	2,240,564
Total liabilities, minority interests and shareholders' equity	¥ 366,801	¥ 361,105	\$ 3,122,508

See accompanying notes to consolidated financial statements.

Consolidated Statements of Income

For the years ended March 31, 2006, 2005 and 2004

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2006	2005	2004	2006
Net sales	¥ 321,700	¥ 316,973	¥ 320,033	\$ 2,738,571
Cost of sales (Note 12)	158,209	156,877	161,979	1,346,803
Gross profit	163,491	160,096	158,054	1,391,768
Selling, general and administrative expenses (Note 12)	131,512	131,133	134,851	1,119,537
Operating income	31,979	28,963	23,203	272,231
Other income (expenses) (Note 13):				
Interest and dividend income	3,065	2,538	1,846	26,092
Interest expenses	(41)	(44)	(54)	(349)
Equity in earnings of affiliates	485	427	318	4,129
Loss on impairment of fixed assets (Notes 3 and 13 (a))	(5,632)	—	—	(47,944)
Loss on devaluation of investments in securities	(425)	(112)	(14)	(3,618)
Loss on revaluation of investments (Note 13 (b))	(2,557)	—	—	(21,767)
Provision for accrued retirement benefits to directors and statutory auditors (Note 13 (c))	—	(3,569)	—	—
Gain on sales of marketable securities	3,073	375	980	26,160
Gain on sales of investments in securities	194	—	—	1,651
Other, net	(329)	(1,506)	(1,574)	(2,801)
Income before income taxes and minority interests	29,812	27,072	24,705	253,784
Income taxes (Note 10):				
Current	11,569	11,629	8,901	98,485
Deferred	2,900	(1,385)	1,536	24,687
	14,469	10,244	10,437	123,172
Income before minority interests	15,343	16,828	14,268	130,612
Minority interests in (loss) earnings of consolidated subsidiaries	(46)	216	217	(392)
Net income	¥ 15,389	¥ 16,612	¥ 14,051	\$ 131,004

See accompanying notes to consolidated financial statements.

Consolidated Statements of Shareholders' Equity

For the years ended March 31, 2006, 2005 and 2004

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2006	2005	2004	2006
Common stock:				
Balance at beginning and end of the year	¥ 25,123	¥ 25,123	¥ 25,123	\$ 213,867
Capital surplus:				
Balance at beginning of the year	¥ 48,370	¥ 48,370	¥ 48,370	\$ 411,765
Add:				
Merger reserve	15	—	—	128
Balance at end of the year	¥ 48,385	¥ 48,370	¥ 48,370	\$ 411,893
Retained earnings:				
Balance at beginning of the year	¥ 193,927	¥ 180,877	¥ 175,366	\$ 1,650,864
Add:				
Net income	15,389	16,612	14,051	131,004
Reversal of land revaluation reserve due to the adjustment to deferred tax assets	61	167	—	520
Deduct:				
Cash dividends paid	(5,553)	(3,702)	(3,702)	(47,272)
Bonuses to directors	(27)	(27)	(61)	(230)
Decrease resulting from initial consolidation of a subsidiary	—	—	(272)	—
Transfer to land revaluation reserve	—	—	(4,505)	—
Balance at end of the year	¥ 203,797	¥ 193,927	¥ 180,877	\$ 1,734,886
Land revaluation reserve (Note 7):				
Balance at beginning of the year	¥ (2,359)	¥ (2,192)	¥ (6,700)	\$ (20,082)
Transfer from retained earnings	—	—	4,508	—
Decrease resulting from adjustments to deferred tax assets on land revaluation reserve	(5,209)	(167)	—	(44,343)
Balance at end of the year	¥ (7,568)	¥ (2,359)	¥ (2,192)	\$ (64,425)
Net unrealized holding gain on securities:				
Balance at beginning of the year	¥ 6,114	¥ 4,631	¥ 1,407	\$ 52,047
Net change during the year	3,785	1,483	3,224	32,221
Balance at end of the year	¥ 9,899	¥ 6,114	¥ 4,631	\$ 84,268
Translation adjustments:				
Balance at beginning of the year	¥ (3,282)	¥ (2,623)	¥ (115)	\$ (27,939)
Net change during the year	3,524	(659)	(2,508)	29,999
Balance at end of the year	¥ 242	¥ (3,282)	¥ (2,623)	\$ 2,060
Treasury stock, at cost:				
Balance at beginning of the year	¥ (9,754)	¥ (9,747)	¥ (9,743)	\$ (83,034)
Net change during the year	¥ (6,925)	¥ (7)	¥ (4)	\$ (58,951)
Balance at end of the year	¥ (16,679)	¥ (9,754)	¥ (9,747)	\$ (141,985)
Total shareholders' equity	¥ 263,199	¥ 258,139	¥ 244,439	\$ 2,240,564

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

For the years ended March 31, 2006, 2005 and 2004

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2006	2005	2004	2006
Cash flows from operating activities:				
Income before income taxes and minority interests	¥ 29,812	¥ 27,072	¥ 24,705	\$ 253,784
Depreciation and amortization	5,977	6,675	7,079	50,881
Loss on impairment of fixed assets	5,632	—	—	47,944
(Decrease) increase in allowance for doubtful receivables	(93)	122	37	(792)
(Decrease) increase in accrued retirement benefits to employees	(2,144)	(644)	4,455	(18,251)
(Decrease) increase in accrued retirement benefits to directors and statutory auditors	(3,718)	3,877	—	(31,650)
Interest and dividend income	(3,065)	(2,538)	(1,846)	(26,092)
Interest expenses	41	44	54	349
Foreign currency exchange (gain) loss	(103)	1	157	(877)
Equity in earnings of affiliates	(485)	(427)	(318)	(4,129)
Loss on disposal and sales of property, plant and equipment	280	238	608	2,384
Gain on sales of marketable securities and investments in securities and others	(3,079)	(349)	(1,087)	(26,211)
Loss on valuation of marketable securities and investments in securities and others	3,791	1,192	48	32,272
Decrease (increase) in trade notes and accounts receivable	2,052	560	(2,982)	17,468
Decrease (increase) in inventories	322	(502)	(367)	2,741
Increase (decrease) in trade notes and accounts payable	233	(497)	(995)	1,983
Increase (decrease) in accrued consumption tax	156	(424)	478	1,328
Bonuses to directors	(27)	(27)	(61)	(230)
Other, net	(644)	704	2,114	(5,482)
Subtotal	34,938	35,077	32,079	297,420
Interest and dividends received	2,740	2,683	2,092	23,325
Interest paid	(41)	(44)	(54)	(349)
Collection of receivables written-off	—	1	—	—
Income taxes paid	(11,001)	(7,458)	(11,904)	(93,649)
Net cash provided by operating activities	26,636	30,259	22,213	226,747
Cash flows from investing activities:				
Increase in time deposits	(2,615)	(1,646)	(2,309)	(22,261)
Payment for purchases of marketable securities	(31,064)	(1,000)	(6,001)	(264,442)
Proceeds from sales and redemption of marketable securities	12,453	3,790	16,804	106,010
Payment for purchases of property, plant and equipment and others	(3,125)	(3,062)	(7,364)	(26,603)
Proceeds from sales of property, plant and equipment and others	50	1,502	4,190	426
Payment for purchases of investments in securities	(45,834)	(38,006)	(57,345)	(390,176)
Proceeds from sales and redemption of investments in securities	50,033	8,308	31,547	425,922
Payment for purchases of additional shares of consolidated subsidiaries and others	—	(265)	—	—
Decrease in loans receivable	34	31	25	289
Net cash used in investing activities	(20,068)	(30,348)	(20,453)	(170,835)
Cash flows from financing activities:				
Proceeds from short-term borrowings	839	—	434	7,142
Repayment of short-term borrowings	(1,204)	(2,071)	(534)	(10,249)
Proceeds from issuance of long-term debt	—	87	10	—
Repayment of long-term debt	(84)	—	—	(715)
Repurchase of treasury stocks less sales	(6,925)	(9)	(7)	(58,951)
Cash dividends paid	(5,553)	(3,702)	(3,702)	(47,272)
Cash dividends paid to minority shareholders	(13)	(14)	(14)	(111)
Net cash used in financing activities	(12,940)	(5,709)	(3,813)	(110,156)
Effect of exchange rate changes on cash and cash equivalents	1,500	(16)	(1,375)	12,769
Net decrease in cash and cash equivalents	(4,872)	(5,814)	(3,428)	(41,475)
Cash and cash equivalents at beginning of the year	66,326	72,140	73,882	564,621
Increase in cash and cash equivalents arising from initial consolidation of subsidiaries	110	—	1,686	937
Increase in cash and cash equivalents resulting from merger of a consolidated subsidiary with an unconsolidated subsidiary	6	—	—	51
Cash and cash equivalents at end of the year (Note 4)	¥ 61,570	¥ 66,326	¥ 72,140	\$ 524,134

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

1. Basis of Preparation

The accompanying consolidated financial statements of Nissin Food Products Co., Ltd. (the "Company") and consolidated subsidiaries (collectively, the "Group") are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Securities and

Exchange Law of Japan.

The translation of yen amounts into U.S. dollars is included solely for the convenience of readers outside Japan and has been made at ¥117.47=U.S.\$1.00, the exchange rate prevailing on March 31, 2006. This translation should not be construed as a representation that yen can be converted into U.S. dollars at the above or any other rate.

2. Summary of Significant Accounting Policies

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

The accompanying consolidated financial statements include the accounts of the Company and the significant companies which it controls directly or indirectly. Companies over which the Company exercises significant influence in terms of their operating and financial policies have been included in the consolidated financial statements on an equity basis. The assets and liabilities of the newly consolidated subsidiaries are stated at fair value as of their respective dates of acquisition.

The balance sheet date of overseas subsidiaries is December 31. Any significant differences in intercompany accounts and transactions arising from intervening intercompany transactions during the period from January 1 through March 31 have been adjusted, if necessary.

The differences between the cost and the underlying net equity in the net assets at the dates of acquisition of the consolidated subsidiaries and companies accounted for by the equity method have been amortized by the straight-line method over periods not exceeding 20 years. The minor differences have been charged to and credited to income as incurred.

The number of consolidated subsidiaries and affiliates accounted for by the equity method, for the years ended March 31, 2006, 2005 and 2004, are as follows:

	2006	2005	2004
Consolidated subsidiaries	23	22	23
Affiliate accounted for by the equity method	1	1	1

(b) Cash and cash equivalents

For the purposes of the consolidated statements of cash flows, cash and cash equivalents comprise cash on 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.

(c) Securities

The accounting standard for financial instruments requires that securities be classified into three categories: trading, held-to-maturity or other securities. Trading securities are carried at fair value and held-to-maturity debt securities are carried at amortized cost. Marketable securities classified as other securities are carried at fair value with any changes in unrealized holding gain or loss, net of the applicable income taxes, included directly in shareholders' equity. Cost of securities sold is determined by the mov-

ing average method. Non-marketable securities classified as other securities are carried at cost based on the moving average method.

(d) Inventories

Finished goods and merchandise are principally stated at cost by the periodic average method. Raw materials and supplies are principally stated at cost by the last purchase price method.

(e) Hedging activities

Receivables and payables hedged by forward foreign exchange contracts which meet certain conditions are translated at the corresponding foreign exchange contract rates.

(f) Property, plant and equipment

Depreciation is computed principally by the declining-balance method over the useful lives of respective assets in conformity with the Corporation Tax Law of Japan. Certain consolidated subsidiaries apply the straight-line method. The straight-line method is also applied for the head office building of the Company (Osaka) and the buildings and structures of the Central Research Institute. In addition, the straight-line method is applied for buildings (except for the attachments to the buildings) acquired on or after April 1, 1998.

(g) Intangible assets

Intangible assets are included in "other assets" in "investments and other assets" presented in the accompanying consolidated balance sheets and depreciated by the straight-line method. Purchased software is depreciated by the straight-line method over the five-year period, the estimated useful life in the Groups.

(h) Accrued retirement benefits to employees

Accrued retirement benefits to employees have been provided principally at an amount calculated based on the retirement benefit obligation and the fair value of the pension plan assets, as adjusted for net unrecognized actuarial gain or loss and unrecognized prior service cost. The estimated benefit is attributed to each period by the straight-line method over the estimated years of service of the eligible employees.

Net unrecognized actuarial gain or loss is charged or credited to income in the year following the year in which the gain or loss was incurred.

Effective April 1, 2005, the Company adopted "Partial Amendments

to the Accounting Standard for Retirement Benefits” (Financial Accounting Standard No.3 of March 16, 2005) and “Application Guidelines for Partial Amendment to Accounting Standard for Retirement Benefits” (Application Guidelines for Financial Accounting Standard No.7 of March 16, 2005). The effects of the adoption of these standards on operating income and income before income taxes and minority interests for the year ended March 31, 2006 were not material.

(i) Accrued retirement benefits to directors and statutory auditors

Subject to approval at a shareholders’ meeting, directors and statutory auditors of the Company were entitled to lump-sum payments under unfunded retirement benefit plans. The provision for retirement benefits for directors and statutory auditors has been made at an estimated amount based on the Company’s internal rules.

(j) Allowance for doubtful receivables

The allowance for doubtful receivables is calculated based on the historical experience with bad debt and an estimate of certain uncollectible amounts determined after an analysis of specific individual doubtful receivables.

(k) Income taxes

Deferred income taxes are provided for temporary differences between the balances of assets and liabilities reported for financial purposes and the corresponding balances for tax reporting purposes.

(l) Business scale taxation

In accordance with the law on amendment of local tax laws and so forth, effective April 1, 2004, business scale taxation went into effect. A domestic corporation with capital in excess of ¥100 million is subject to business scale taxation on the basis of the total amount of value added, the size of its capital and its taxable income. Based on the new accounting standard on the business scale taxation, the Company and certain domestic consolidated subsidiaries had accounted for business scale taxation with respect to the value added and capital as a component of selling, general and administrative expenses. Consequently, selling, general and administrative expenses for the year ended March 31, 2005 increased by ¥387 million and operating income and income before income taxes and minority interests for the year ended March 31, 2005 decreased by the same amount.

(m) Leases

Finance leases other than those which transfer the ownership of the leased property to the lessee are accounted for as operating leases.

(n) Appropriation of retained earnings

Under the Commercial Code of Japan, the appropriation of retained earnings with respect to a given financial period is made by resolution of the shareholders at a general meeting held subsequent to the close of the financial period. The accounts for that period, therefore, do not reflect such appropriations.

3. Change in Method of Accounting

Effective the year ended March 31, 2006, the Group has adopted a new accounting standard for the impairment of fixed assets which requires that tangible and intangible fixed assets be carried at cost less depreciation, and be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The Group is required to recognize an impairment loss in its statement of income if certain indicators of asset impairment exist and if the book value of an asset exceeds the undiscounted sum of its future cash flows. The standard states that impairment losses are to be measured as the excess of the book value over the higher of (1) the fair market value of the asset, net of disposition costs, and (2) the present value of future cash flows arising from ongoing utilization of the asset and from its

disposal after use. The standard covers land, factories, buildings and other forms of property, plant and equipment as well as intangible assets. Fixed assets are to be grouped at the lowest level for which there are identifiable cash flows which are independent of the cash flows from other groups of assets.

As a result of the adoption of this new accounting standard, a loss on impairment of fixed assets in the amount of ¥5,632 million (US\$47,944 thousand) was recognized and income before income taxes and minority interests decreased by the same amount for the year ended March 31, 2006 from the corresponding amount which would have been recorded under the previous method.

4. Cash and Cash Equivalents

A reconciliation of cash and cash deposits in the consolidated balance sheets and cash and cash equivalents in the consolidated statements of cash flows at March 31, 2006 and 2005 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2006	2005	2006
Cash and deposits	¥ 45,116	¥ 60,957	\$ 384,064
Time deposits with maturities exceeding three months	(2,645)	(2,030)	(22,516)
Marketable securities redeemable within three months	19,099	7,399	162,586
Cash and cash equivalents	¥ 61,570	¥ 66,326	\$ 524,134

5. Securities

(a) Information regarding marketable securities classified as other securities at March 31, 2006 and 2005 is summarized as follows:

	Millions of yen			Thousands of U.S. dollars		
	Acquisition costs	Carrying value	Unrealized gain (loss)	Acquisition costs	Carrying value	Unrealized gain (loss)
March 31, 2006						
Securities whose carrying value exceeds their acquisition costs:						
I. Equity securities	¥ 26,550	¥ 45,548	¥ 18,998	\$ 226,015	\$ 387,742	\$ 161,727
II. Bonds						
National government	—	—	—	—	—	—
Corporate	7,602	7,620	18	64,714	64,868	154
Other	—	—	—	—	—	—
III. Other	113	130	17	962	1,106	144
Subtotal	¥ 34,265	¥ 53,298	¥ 19,033	\$ 291,691	\$ 453,716	\$ 162,025
Securities whose carrying value does not exceed their acquisition costs:						
I. Equity securities	¥ 9,396	¥ 8,734	¥ (662)	\$ 79,986	\$ 74,351	\$ (5,635)
II. Bonds						
National government	21,077	21,051	(26)	179,425	179,203	(222)
Corporate	58,002	56,361	(1,641)	493,760	479,791	(13,969)
Other	102	96	(6)	868	817	(51)
III. Other	880	879	(1)	7,492	7,483	(9)
Subtotal	¥ 89,457	¥ 87,121	¥ (2,336)	\$ 761,531	\$ 741,645	\$ (19,886)
Total	¥ 123,722	¥ 140,419	¥ 16,697	\$ 1,053,222	\$ 1,195,361	\$ 142,139

	Millions of yen		
	Acquisition costs	Carrying value	Unrealized gain (loss)
March 31, 2005			
Securities whose carrying value exceeds their acquisition costs:			
I. Equity securities	¥ 27,559	¥ 38,550	¥ 10,991
II. Bonds			
National government	300	301	1
Corporate	27,253	27,416	163
Other	5,759	5,859	100
III. Other	3,843	5,060	1,217
Subtotal	¥ 64,714	¥ 77,186	¥ 12,472
Securities whose carrying value does not exceed their acquisition costs:			
I. Equity securities	¥ 1,103	¥ 1,028	¥ (75)
II. Bonds			
National government	—	—	—
Corporate	20,449	20,067	(382)
Other	22,471	20,824	(1,647)
III. Other	—	—	—
Subtotal	¥ 44,023	¥ 41,919	¥ (2,104)
Total	¥ 108,737	¥ 119,105	¥ 10,368

(b) Sales of investments in securities classified as other securities for the years ended March 31, 2006, 2005 and 2004 are summarized as follows:

March 31,	Millions of yen			Thousands of U.S. dollars
	2006	2005	2004	2006
Proceeds from sales	¥ 43,206	¥ 8,179	¥ 30,571	\$ 367,805
Aggregate gains	3,267	375	980	27,811
Aggregate losses	188	25	5	1,600

(c) The carrying value of principal non-marketable other securities at March 31, 2006 and 2005 is summarized as follows:

March 31,	Millions of yen		Thousands of U.S. dollars
	2006	2005	2006
Other securities			
Unlisted equity securities	¥ 3,486	¥ 3,993	\$ 29,676
Beneficial interests in trade receivable trust	6,499	2,999	55,325
Jointly operated designated money trust	7,000	2,000	59,590
Commercial paper	6,241	2,400	53,128
Preferred equity securities	11,000	11,000	93,641
Other	510	555	4,342

(d) The redemption schedule for securities with maturity dates classified as other securities as of March 31, 2006 is summarized as follows:

	Millions of yen			
	Due within one year	Due after one year through five years	Due after five years through ten years	Due after ten years
I. Bonds				
National government	¥ 19,966	¥ 1,085	¥ —	¥ —
Corporate	17,138	25,259	14,115	6,388
Other	—	96	—	—
II. Other	19,891	1,340	—	—
Total	¥ 56,995	¥ 27,780	¥ 14,115	¥ 6,388

	Thousands of U.S. dollars			
	Due within one year	Due after one year through five years	Due after five years through ten years	Due after ten years
I. Bonds				
National government	\$ 169,967	\$ 9,237	\$ —	\$ —
Corporate	145,893	215,025	120,158	54,380
Other	—	817	—	—
II. Other	169,328	11,407	—	—
Total	\$ 485,188	\$ 236,486	\$ 120,158	\$ 54,380

6. Inventories

Inventories as of March 31, 2006 and 2005 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2006	2005	2006
Finished goods and merchandise	¥ 7,500	¥ 7,767	\$ 63,846
Raw materials and supplies	5,209	4,588	44,343
Total	¥12,709	¥12,355	\$108,189

7. Land Revaluation Reserve

Based on the Land Revaluation Law and the Amended Land Revaluation Law, 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 land revaluation" 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. Deferred income taxes on land revaluation were shown in the accounts for the year ended

March 2005. Analysis indicated that there was an opportunity to recover these deferred tax assets in the year ended March 2006, and the amount was not therefore liquidated and shown in the accounts as Adjustment due to land revaluation.

The market value of the land, as of March 31, 2006 and 2005, declined by ¥6,522 million (US\$55,521 thousand) and ¥6,227 million compared with the carrying value of the land revalued as of March 31, 2002, respectively.

8. Short-term Borrowings

Short-term borrowings, which amounted to ¥2,854 million (US\$24,295 thousand) and ¥3,038 million as of March 31, 2006 and 2005, respectively, generally represent notes payable to banks.

The average interest rates on these borrowings were 0.955% and 0.864% at March 31, 2006 and 2005, respectively.

9. Accrued Retirement Benefits to Employees

The Company and domestic consolidated subsidiaries have defined benefit plans, i.e., welfare pension fund plans, tax qualified pension plans and lump-sum payment plans, covering substantially all employees who are entitled to lump-sum or annuity payments, the amounts of which are determined by reference to their basic rates of pay, length of service, and the conditions under which termination occurs. The Company transformed

tax qualified pension plans to welfare pension fund plans in 1989.

The following table sets forth the funded and accrued status of the plans and the amounts recognized in the consolidated balance sheets at March 31, 2006 and 2005 for the Company's and the consolidated subsidiaries' defined benefit plans:

	Millions of yen		Thousands of U.S. dollars
	2006	2005	2006
(a) Retirement benefit obligation	¥ (38,481)	¥ (36,665)	\$ (327,582)
(b) Plan assets at fair value	31,682	23,753	269,703
(c) Unfunded retirement benefits obligation (a+b)	(6,799)	(12,912)	(57,879)
(d) Unrecognized actuarial gains	(4,637)	(668)	(39,474)
(e) Accrued retirement benefits to employees, net (c+d)	(11,436)	(13,580)	(97,353)
(f) Prepaid pension cost	224	—	1,906
(g) Accrued retirement benefits for employees (e-f)	(11,660)	(13,580)	(99,259)

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, 2006, 2005 and 2004 were as follows:

	Millions of yen			Thousands of U.S. dollars
	2006	2005	2004	2006
(a) Service cost (Notes 1 and 2)	¥ 1,201	¥ 1,760	¥ 1,259	\$ 10,224
(b) Interest cost	841	801	824	7,159
(c) Expected return on pension assets	(540)	(454)	(424)	(4,597)
(d) Amortization of actuarial (gains) losses	(668)	584	4,799	(5,687)
Total net periodic pension cost	834	2,691	6,458	7,099

Notes: 1. Employees' contributions to the welfare pension fund have been excluded.

2. Retirement benefit costs of certain domestic consolidated subsidiaries, which have been calculated by a simplified method are included in service cost in the above table.

The assumptions used in accounting for the above plans were a discount rate of 2.5% and an expected rate of return on plan assets of 2.5% for the years ended March 31, 2006, 2005 and 2004.

10. Income Taxes

Income taxes applicable to the Company and its domestic subsidiaries comprise corporate tax, inhabitants' tax and enterprise tax which, in the aggregate, resulted in statutory tax rates of 40.33% for the years ended March 31, 2006 and 2005 and 40.27% for the year ended March 31,

2004. Overseas subsidiaries are subject to the income taxes of the countries in which they operate.

The effective tax rates for the years ended March 31, 2006 and 2005 differ from the Company's statutory tax rate for the following reasons:

	2006	2005
Statutory tax rate	40.33%	40.33%
Corporate tax credit	(1.48)	—
Permanently non-deductible expenses such as entertainment expenses	—	0.61
Equity in earnings of an affiliate	(0.66)	(0.64)
Loss on revaluation of investments in affiliates	6.28	(5.91)
Loss on impairment of fixed assets	5.93	—
Valuation allowance	—	2.52
Difference in consolidated subsidiaries' applicable tax rate	(1.76)	—
Other	(0.11)	0.93
Effective tax rates	48.53	37.84

Reconciliation of the statutory tax rate to the effective tax rate for the year ended March 31, 2004 was not presented, since the difference was less than five percent of the statutory tax rate.

The tax effects of temporary differences which gave rise to significant portions of the deferred tax assets at March 31, 2006 and 2005 are presented below:

	Millions of yen		Thousands of U.S. dollars
	2006	2005	2006
Deferred tax assets:			
Unrealized losses on securities	¥ 6,084	¥ 4,604	\$ 51,792
Accrued retirement benefits to employees	4,701	5,462	40,019
Accounts payable	3,263	3,119	27,777
Loss on impairment of fixed assets	1,208	—	10,283
Accrued retirement benefits to directors and statutory auditors	726	2,225	6,180
Accrued bonuses	1,134	996	9,654
Allowance for doubtful receivables	1,062	1,038	9,040
Depreciation and amortization	627	608	5,338
Tax loss carry forwards of consolidated subsidiaries	6,080	7,463	51,758
Other	1,318	1,831	11,220
Total gross deferred tax assets	26,203	27,346	223,061
Less: Valuation allowance	(12,196)	(9,581)	(103,822)
Deferred tax assets	14,007	17,765	119,239
Deferred tax liabilities:			
Deferred capital gain on properties	(1,984)	(1,985)	(16,890)
Unrealized holding gain on securities	(6,746)	(4,187)	(57,427)
Other	(483)	(1,307)	(4,112)
Deferred tax liabilities	(9,213)	(7,479)	(78,429)
Net deferred tax assets	¥ 4,794	¥ 10,286	\$ 40,810

Note: Deferred income tax –non-current liabilities of ¥1,871 million (US\$15,927 thousand) and ¥51 million were included in the other long-term liabilities presented in the consolidated balance sheets as of March 31, 2006 and 2005, respectively.

Deferred income tax –current liabilities of ¥2 million was included in the other current liabilities presented in the consolidated balance sheet as of March 31, 2005.

Effective April 1, 2003, the statutory tax rate for the calculation of deferred income taxes had changed from 40.27% to 40.33%. The effect of this

change on the deferred income taxes and income taxes deferred was minor for the year ended March 31, 2004.

11. Shareholders' Equity

The Commercial Code of Japan (the "Code") provides that an amount equivalent to at least 10% of cash dividends paid and bonuses to directors and statutory auditors, and exactly 10% of interim cash dividends paid be appropriated to the legal reserve until the sum of additional paid-in capital and the legal reserve equals 25% of stated capital. The Code also provides that additional paid-in capital and the legal reserve are not available for dividends, but may be used to reduce a capital deficit by resolution of the shareholders or may be capitalized by resolution of the Board of Directors. The Code also stipulates that, to the extent that the sum of the additional paid-in capital account and the legal reserve exceeds 25% of the common stock account, the amount of any such excess is available for appropriation by resolution of the shareholders.

Additional paid-in capital and the legal reserve are included in capital surplus and retained earnings, respectively, in the accompanying consolidated balance sheets and statements of shareholders' equity. The legal reserve of the Company was ¥6,280 million (US\$53,460 thousand) at March 31, 2006, 2005 and 2004.

The new Corporation Law of Japan (the "Law"), which superseded most of the provisions of the Code, went into effect on May 1, 2006. The Law stipulates requirements on distribution of earnings similar to those of the Code. Under the Law, however, such distributions can be made at any time by resolution of the shareholders, or by the Board of Directors if certain conditions are met.

12. Research and Development Expenses

Expenses relating to research and development activities are charged to income as incurred. Research and development expenses included in cost of sales and selling, general and administrative expenses totaled ¥2,727

million (US\$23,214 thousand), ¥2,697 million and ¥2,762 million for the year ended March 31, 2006, 2005 and 2004, respectively.

13. Other Income (Expenses)

(a) Loss on impairment of fixed assets

The Group recognized loss on impairment of fixed assets for the year ended March 31, 2006 as follows:

Location	Usage	Asset type
Uji City, Kyoto Prefecture	Golf course	Buildings, land and other
Natori City, Miyagi Prefecture, and six other locations	Idle land	Land

The Group groups fixed assets by manufacturing unit or usage. The Group also groups idle fixed assets individually.

Consequently, the Group has written down the operating fixed assets whose profitability declined and idle fixed assets whose fair value declined compared with their book values to their net recoverable value and the Group recorded loss on impairment of fixed assets of ¥5,632 million (\$47,944 thousand) in the consolidated statement of income for the year ended March 31, 2006. This impairment loss was consisted of losses on golf course and land not in use which had been included in land of ¥4,872 million (US\$41,474 thousand) and ¥760 million

(US\$6,470 thousand), respectively. The impairment loss on golf course was consisted of loss on buildings and structures of land and others of ¥1,346 million (US\$11,458 thousand), ¥2,058 million (US\$17,519 thousand) and ¥1,468 million (US\$12,497 thousand), respectively.

The recoverable value of the fixed assets presented in the above table has been measured primarily at net realizable value based on appraisals conducted by real estate appraisers for the significant assets and tax assessment value after reasonable adjustments for other assets.

(b) Loss on revaluation of investments

Loss on revaluation of investments recognized in the consolidated statement of income for the year ended March 31, 2006 represented the revaluation losses on investments in Nissin Hualong Foods Co., Ltd. and Hebei Nissin Hualong Paper Products Co., Ltd.

(c) Provision for accrued retirement benefits to directors

Provision for accrued retirement benefits for directors and statutory auditors represented the additional provision due to the revision of the internal rules for the retirement benefits for directors, which was made during the year ended March 31, 2005.

14. Leases

The following pro-forma amounts represent the acquisition costs, accumulated depreciation and net book value of the property leased to the Group at March 31, 2006 and 2005, which would have been reflected in

the consolidated balance sheets if finance leases accounted for as operating leases had been capitalized:

	Millions of yen			Thousands of U.S. dollars		
	Acquisition cost	Accumulated depreciation	Net book value	Acquisition cost	Accumulated depreciation	Net book value
2006						
Machinery	¥ 1,259	¥ 662	¥ 597	\$ 10,717	\$ 5,635	\$ 5,082
Equipment	448	265	183	3,814	2,256	1,558
Total	¥ 1,707	¥ 927	¥ 780	\$ 14,531	\$ 7,891	\$ 6,640
	Millions of yen			Thousands of U.S. dollars		
	Acquisition cost	Accumulated depreciation	Net book value	Acquisition cost	Accumulated depreciation	Net book value
2005						
Buildings and structures	¥ 10	¥ 10	¥ 0			
Machinery	1,292	606	686			
Equipment	472	256	216			
Total	¥ 1,774	¥ 872	¥ 902			

Future minimum payments subsequent to March 31, 2006 for finance leases accounted for as operating leases are summarized as follows:

Years ending March 31	Millions of yen	Thousands of U.S. dollars
2007	¥ 287	\$ 2,443
2008 and thereafter	493	4,197
Total	¥ 780	\$ 6,640

Note: The acquisition costs and future minimum lease payments under finance leases presented in the above tables include the imputed interest expense.

Lease payments relating to finance leases accounted for as operating leases in the accompanying consolidated financial statements amounted to ¥333 million (US\$2,835 thousand), ¥346 million and ¥378 million, which were approximately equal to the depreciation of the leased

assets computed by the straight-line method over the respective lease terms assuming residual value for the years ended March 31, 2006, 2005 and 2004, respectively.

15. Derivative Financial Instruments

The Group utilizes forward foreign exchange contracts to avoid risks of adverse effect of fluctuation foreign currency exchange. The Group does not enter into derivatives contracts for speculative or short-term trading purposes.

The Group has established policies which were approved by the management meeting of the Company. In accordance with these policies, the Financial Division controls and executes the forward foreign exchange contracts. The valuation for the effectiveness of the hedging has been omitted since the significant conditions of the hedging instru-

ments and hedging items were same and the risk of changes in cash flows was completely avoided.

The Group enters into the forward foreign exchange contracts with financial institutions with high credit ratings to avoid the risk of credit loss in the event of non-performance by the counterparties to the contracts.

Disclosure of fair value information on derivatives has been omitted because all open positions qualified for hedge accounting at March 31, 2006 and 2005.

16. Amounts per Share

Amounts per share at March 31, 2006, 2005 and 2004 and for the years then ended were as follows:

	Yen			U.S. dollars
	2006	2005	2004	2006
Net assets	¥2,167.81	2,091.16	1,980.14	\$ 18.45
Net income				
Basic	125.09	134.36	113.61	1.06
Cash dividends applicable to the year	30.00	30.00	30.00	0.26

The amount per share of net assets has been computed based on the net assets available for distribution to shareholders of common stock and the number of shares of common stock outstanding at the year end. Net income per share has been computed based on the net income available for distribution to shareholders of common stock and the weighted-average number of shares of common stock outstanding during the year.

Diluted net income per share has not been presented because there were no potentially dilutive shares at March 31, 2006, 2005 and 2004.

Cash dividends per share represent the cash dividends proposed by the Board of Directors as applicable to the respective years together with the interim cash dividends paid.

17. Contingent Liability

The company has concluded an agreement with a financial institution to guarantee the borrowing of an unconsolidated overseas subsidiary within a

limit of US\$1,600 thousand (¥188 million). The borrowing of this subsidiary amounted to US\$1,300 thousand (¥153 million) as of March 31, 2006.

18. Segment Information

The Group classifies its business into two segments principally based on the product types and characteristics: the instant noodle and associated business and other business. The instant noodle and associated business includes pillow-type instant noodles, cup-type instant noodles, chilled foods and frozen foods. Other business includes confec-

tionary and beverages.

The following tables present the business and geographic segment information and the overseas sales of the Group for the years ended March 31, 2006, 2005 and 2004:

(a) Information by business segment

Year ended March 31, 2006	Millions of yen			
	Instant noodle and associated business	Other business	Eliminations	Consolidated
I. Sales				
Sales to third parties	¥ 294,510	¥ 27,190	¥ —	¥ 321,700
Intersegment sales	7	5,586	(5,593)	—
Total	294,517	32,776	(5,593)	321,700
Operating expenses	264,428	30,886	(5,593)	289,721
Operating income	¥ 30,089	¥ 1,890	¥ —	¥ 31,979
II. Assets, depreciation and amortization, loss on impairment of fixed assets and capital investment				
Assets	¥ 350,864	¥ 17,137	¥ (1,200)	¥ 366,801
Depreciation and amortization	5,476	501	—	5,977
Loss on impairment of fixed assets	760	4,872	—	5,632
Capital investment	3,120	397	—	3,517

Thousands of U.S. dollars

Year ended March 31, 2006	Instant noodle and associated business	Other business	Eliminations	Consolidated
I. Sales				
Sales to third parties	\$ 2,507,108	\$ 231,463	\$ —	\$ 2,738,571
Intersegment sales	60	47,552	(47,612)	—
Total	2,507,168	279,015	(47,612)	2,738,571
Operating expenses	2,251,026	262,926	(47,612)	2,466,340
Operating income	\$ 256,142	\$ 16,089	\$ —	\$ 272,231
II. Assets, depreciation and amortization, loss on impairment of fixed assets and capital investment				
Assets	\$ 2,986,839	\$ 145,884	\$ (10,215)	\$ 3,122,508
Depreciation and amortization	46,616	4,265	—	50,881
Loss on impairment of fixed assets	6,470	41,474	—	47,944
Capital investment	26,560	3,380	—	29,940

As the percentage of the instant noodle and associated business exceeded 90% of total assets, sales and operating income at March 31, 2005

and 2004 and for the years then ended, the disclosure of business segment information for these years has been omitted.

(b) Information by geographic area

Millions of yen

Year ended March 31, 2006	Japan	North America	Other Areas	Eliminations	Consolidated
I. Sales					
Sales to third parties	¥ 269,765	¥ 29,903	¥ 22,032	¥ —	¥ 321,700
Intersegment sales	1,172	—	394	(1,566)	—
Total	270,937	29,903	22,426	(1,566)	321,700
Operating expenses	240,279	30,367	20,548	(1,473)	289,721
Operating income (loss)	30,658	(464)	1,878	(93)	31,979
II. Assets	¥ 344,531	¥ 16,188	¥ 28,794	¥ (22,712)	¥ 366,801

Thousands of U.S. dollars

Year ended March 31, 2006	Japan	North America	Other Areas	Eliminations	Consolidated
I. Sales					
Sales to third parties	\$ 2,296,459	\$ 254,558	\$ 187,554	\$ —	\$ 2,738,571
Intersegment sales	9,977	—	3,354	(13,331)	—
Total	2,306,436	254,558	190,908	(13,331)	2,738,571
Operating expenses	2,045,450	258,508	174,921	(12,539)	2,466,340
Operating income (loss)	260,986	(3,950)	15,987	(792)	272,231
II. Assets	\$ 2,932,928	\$ 137,805	\$ 245,118	\$ (193,343)	\$ 3,122,508

Millions of yen

Year ended March 31, 2005	Japan	North America	Other Areas	Eliminations	Consolidated
I. Sales					
Sales to third parties	¥ 273,936	¥ 23,911	¥ 19,126	¥ —	¥ 316,973
Intersegment sales	1,109	—	173	(1,282)	—
Total	275,045	23,911	19,299	(1,282)	316,973
Operating expenses	246,629	24,890	18,500	(2,009)	288,010
Operating income (loss)	¥ 28,416	¥ (979)	¥ 799	¥ 727	¥ 28,963
II. Assets	¥ 342,079	¥ 15,356	¥ 25,754	¥ (22,084)	¥ 361,105

Year ended March 31, 2004	Millions of yen				
	Japan	North America	Other Areas	Eliminations	Consolidated
I. Sales					
Sales to third parties	¥ 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 (loss)	¥ 23,657	¥ (1,279)	¥ 820	¥ 5	23,203
II. Assets	¥ 320,187	¥ 17,234	¥ 22,213	¥ (15,989)	¥ 343,645

(c) Overseas sales

Overseas sales, which include export sales of the Company and its domestic subsidiaries and sales (other than exports to Japan) of the overseas consolidated subsidiaries, for the years ended March 31, 2006, 2005 and 2004 are summarized as follows:

Year ended March 31, 2006	Millions of yen			Thousands of U.S. dollars		
	North America	Other Areas	Total	North America	Other Areas	Total
Overseas sales	¥ 30,226	¥ 22,471	¥ 52,697	\$ 257,308	\$ 191,292	\$ 448,600
Consolidated sales	—	—	321,700	—	—	2,738,571
Ratio of overseas sales to consolidated sales	9.4%	7.0%	16.4%	—	—	—

Year ended March 31, 2005	Millions of yen		
	North America	Other Areas	Total
Overseas sales	¥ 24,177	¥ 19,553	¥ 43,730
Consolidated sales	—	—	316,973
Ratio of overseas sales to consolidated sales	7.6%	6.2%	13.8%

Year ended March 31, 2004	Millions of yen		
	North America	Other Areas	Total
Overseas sales	¥ 24,774	¥ 20,902	¥ 45,676
Consolidated sales	—	—	320,033
Ratio of overseas sales to consolidated sales	7.8%	6.5%	14.3%

19. Subsequent Event

The following appropriations of retained earnings of the Company were approved at the general meeting of shareholders held on June 29, 2006.

	Millions of yen	Thousands of U.S. dollars
Cash dividends (¥15=US\$0.13 per share)	¥1,821	\$15,502
Bonuses to directors	20	170
Total	¥1,841	\$15,672

Report of Independent Auditors

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, 2006 and 2005, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended March 31, 2006, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards 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 financial statements referred to above present fairly, in all material respects, the consolidated financial position of Nissin Food Products Co., Ltd. and consolidated subsidiaries at March 31, 2006 and 2005, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 2006 in conformity with accounting principles generally accepted in Japan.

Supplemental Information

As described in Note 3, the Company and consolidated subsidiaries have adopted a new accounting standard for the impairment of fixed assets.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2006 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1.

Ernst & Young Shin Nihon

June 29, 2006

Business Areas of Consolidated Subsidiaries and Affiliate

(As of March 31, 2006)

Company	Capital	Business Area	Equity Ownership
Consolidated Subsidiaries			
Sapporo Nissin Co., Ltd.	¥250 million	Cup- and pillow-type noodle manufacturing and marketing	100.0%
Nissin F.D. Foods Co., Ltd.	¥100 million	Freeze-dried food manufacturing and marketing	100.0 ⁽¹⁾
Nissin Plastics Co., Ltd.	¥450 million	Container manufacturing and marketing	100.0
Nissin Frozen Foods Co., Ltd.	¥98 million	Frozen food manufacturing and marketing	100.0
Gran Foods Co., Ltd.	¥80 million	Frozen food manufacturing and marketing (Wholly-owned subsidiary of Nissin Frozen Foods Co., Ltd.)	100.0
Nissin York Co., Ltd.	¥870 million	Beverage and dairy product manufacturing and marketing	72.8
Nissin Enterprise Corporation	¥300 million	Shipping and warehousing	100.0
Nissin Cisco Co., Ltd.	¥2,600 million	Confectionery manufacturing and marketing	63.8
Uji Kaihatsu Development Co., Ltd.	¥850 million	Golf course management	70.7 ⁽²⁾
Ajinohon Co., Ltd.	¥95 million	Soup manufacturing and marketing	46.4
Nissin Foods (U.S.A.) Co., Inc.	US\$83,500 thousand	Cup- and pillow-type noodle manufacturing and marketing	90.0
Camino Real Foods, Inc.	US\$4,700 thousand	Frozen food manufacturing and marketing	100.0 ⁽³⁾
Nissin Foods Kft.	HUF1,000,000 thousand	Cup- and pillow-type noodle manufacturing and marketing	100.0
Nissin Foods GmbH	EUR 25 thousand	Cup- and pillow-type noodle marketing	100.0 ⁽⁴⁾
Nissin Foods Co., Ltd.	HK\$575,140 thousand	Cup- and pillow-type noodle manufacturing and marketing	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 noodle manufacturing and marketing (Wholly-owned subsidiary of Nissin Foods Co., Ltd.)	100.0 ⁽⁵⁾
Winner Food Products Ltd.	HK\$29,975 thousand	Cup- and pillow-type noodle and frozen food manufacturing and marketing	74.0
Zhuhai Golden Coast Winner Food Products Ltd.	HK\$84,000 thousand	Cup- and pillow-type noodle manufacturing and marketing (70.5%-owned subsidiary of Winner Food Products Ltd.)	70.5
Guangyongnan Food Products (Shenzhen) Co., Ltd.	HK\$11,000 thousand	Frozen food 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 noodle manufacturing and marketing (Wholly-owned subsidiary of Nissin Foods Co., Ltd.)	100.0
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 697,500 thousand	Cup- and pillow-type noodle manufacturing and marketing	74.8
Affiliate Accounted for by the Equity Method			
Nissin-Ajinomoto Alimentos Ltda.	BRL 12,688 thousand	Cup- and pillow-type noodle manufacturing and marketing	50.0

Notes: 1. Indirect equity ownership through Sapporo Nissin Co., Ltd. 20.0%.

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

3. Camino Real Foods, Inc. was excluded from consolidation on June 7, 2006.

4. Indirect equity ownership through Nissin Foods Kft. 99.0%

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

Worldwide Network

[Americas]

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

(Corporate Office & Gardena Plant)

2001 West Rosecrans Avenue, Gardena, CA 90249 U.S.A.
Telephone: 1-323-321-6453 Fax: 1-310-515-3751

(Lancaster Plant)

Masako Place 2901, Hempland Road, Lancaster, PA 17601 U.S.A.
Telephone: 1-717-291-5901 Fax: 1-717-291-9737

Nissin Foods de Mexico S.A. de C.V.

(Corporate Office & Plant)

Av. de las Partidas S/N
Fracc. Industrial Cerrillo II
Lerma, Edo. de Mexico 52000 Mexico
Telephone: 52-728-282-8950 Fax: 52-728-285-0703

(Sales Office)

Georgia 120 Despacho 3A.
Col. Napoles Deleg. Benito Juarez
Mexico D.F., C.P. 03810 Mexico
Telephone: 52-55-5543-2364 Fax: 52-55-5543-8807

Nissin-Ajinomoto Alimentos Ltda.

(Head Office)

Rua Alves Guimaraes, 1297
Jardim America CEP 05410-926
Sao Paulo, SP Capital Brazil
Telephone: 55-11-3094-5900 Fax: 55-11-3094-5901

(Ibiuna Plant)

Rodovia Bunjiro Nakao, Km 57 - Bairro Votorantim,
Caixa Postal No. 57, Ibiúna - SP - Brazil CEP 18 150-000
Telephone: 55-15-3249-1100 Fax: 55-15-3249-1255

[Asia]

Nissin Foods (HK) Management Co., Ltd.

9-13, Dai Cheong Street, Tai Po Industrial Estate,
Tai Po, N.T. Hong Kong
Telephone: 852-3406-6888 Fax: 852-2666-5173

Nissin Foods Co., Ltd.

(Head Office & Main Plant)

21-23, Dai Shing Street, Tai Po Industrial Estate,
Tai Po, N.T. Hong Kong
Telephone: 852-2665-0032 Fax: 852-2664-4189

(Wing On Plant)

9-13, Dai Cheong Street, Tai Po Industrial Estate,
Tai Po, N.T. Hong Kong
Telephone: 852-2664-6818 Fax: 852-2664-2201

(Singapore Branch)

31 Jurong Port Road #02-11M,
Jurong Logistics Hub, Singapore 619115
Telephone: 65-6-2681309 Fax: 65-6-2682758

Winner Food Products Ltd.

(Winner Plant)

11-13, Dai Shun Street, Tai Po Industrial Estate,
Tai Po, N.T. Hong Kong
Telephone: 852-2667-3766 Fax: 852-2666-5173

(Wintai Plant)

20, Dai Kwai Street, Tai Po Industrial Estate,
Tai Po, N.T. Hong Kong
Telephone: 852-2663-3992 Fax: 852-2664-7559

Miracle Foods Co., Ltd.

19, Dai Shing Street, Tai Po Industrial Estate, Tai Po, N.T. Hong Kong
Telephone: 852-2666-0812 Fax: 852-2666-0600

Nissin Foods (China) Holding Co., Ltd.

10F, Dongying Bld. 2570 Xietu Road, Xuhui District,
Shanghai, 200030 The People's Republic of China
Telephone: 86-21-6468-7176 Fax: 86-21-6468-3295

Nissin Hualong Foods Co., Ltd.

(Head Office)

Hualong Food Market of Longyao, Hebei,
055350 The People's Republic of China
Telephone: 86-319-6598866 Fax: 86-319-6591358

(Beijing Office)

17F, Blue Castle International Centre, Xi Dawang Road, Chaoyang
District,
Beijing, 10026 The People's Republic of China
Telephone: 86-10-8599-9898 Fax: 86-10-8599-9898

Shanghai Nissin Foods Co., Ltd.

(Head Office & Plant)

No. 1, Xinqiao Zhen,
Songjiang District, Shanghai, 201612 The People's Republic of China
Telephone: 86-21-5764-4070 Fax: 86-21-5764-4073

(Shanghai Office)

11F, Dongying Bldg., 2570 Xietu Road,
Xuhui District, Shanghai, 200030 The People's Republic of China
Telephone: 86-21-6468-8476 Fax: 86-21-6468-3325

Guangdong Shunde Nissin Foods Co., Ltd.**(Head Office & Plant)**

13, Gang Qian Road, Beijiao Industrial Park, Beijiao County,
Shunde District, Foshan City, Guangdong Province, 528311
The People's Republic of China
Telephone: 86-757-2633-0482 Fax: 86-757-2665-2778

(Guangzhou Office)

7th Floor, Golden Lake Building, No. 2, Dong Hu Road, West,
Guangzhou, 510100 The People's Republic of China
Telephone: 86-20-8384-4362 Fax: 86-20-8385-6181

Nissin Foods (Huabei) Co., Ltd.

Lang Fang Economic & Technical Development Zone, Hebei 065001,
The People's Republic of China
Telephone: 86-316-608-8652/8651/8654/7545 Fax: 86-316-608-7505

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.

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

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)**

2nd 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

(Delhi Plant)

91 Kms, Delhi-Jaipur Road, Village Deodhai, Tehsil Bawal,
District Rewari-123401 Haryana, India
Telephone: 91-1284-264032 Fax: 91-1284-264032

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 Plant)

Plot No. 18-A1, Jigani Industrial Area, Anekal Taluk,
Bangalore-562 106 Karnataka, India
Telephone: 91-8078-25282 Fax: 91-8078-25283

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 Kft.**

H-6000 Kecskemet, Buzakalasz ut20., Hungary
Telephone: 36-76-485-702 Fax: 36-76-485-704

Nissin Foods GmbH

Am Hohenstein 3-5
65779 Kelkheim, Germany
Telephone: 49-6195-6927 Fax: 49-6195-910019

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), Chugoku (Hiroshima),
Shikoku (Takamatsu), Kyushu (Fukuoka)

Local Offices

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

Plants

Kanto, Shizuoka, Shiga, Shimonoseki

Research Institutes

Central Research Institute, Food Safety Research Institute

(As of March 31, 2006)

History

- 1948** Chukososha Co., Ltd., established.
-
- 1958** *Chicken Ramen*, 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.
-
- 1970** Nissin Foods (U.S.A.) Co., Inc., the Company's first overseas operation, established in Gardena, California.
-
- 1971** *Cup Noodle* 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; Central Research Institute began operation.
-
- 1989** Acquired Hong Kong company Winner Food Products Ltd.
-
- 1990** Capital participation in Yoke Co., Ltd. (now Nissin York 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.).
-
- 1992** Long-life fresh noodles developed; *Nissin Rao* introduced; P.T. NISSINMAS established in Indonesia.
-
- 1994** Zhuhai Golden Coast Winner Food Products Ltd., the Company's first production base in China, began operation in Guangdong.
-
- 1995** *Nissin Spa-O* introduced; sales of *Cup Noodle* 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; *Nissin GooTa* series introduced.
-
- 2003** Aggregate sales of *Cup Noodle* 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.
-
- 2005** Nissin Foods marked a world first with its *Space Ram*, developed for the space shuttle *Discovery*.
-
- 2006** Aggregate sales of *Cup Noodle* brand 25 billion servings in the world.

Investor Information (Parent company)

As of March 31, 2006 (US\$1=¥117.47)

Date of Establishment

September 1948

Number of Employees

6,216 (consolidated basis)

1,411 (parent company)

Common Stock

Authorized: 500,000,000 shares

Issued: 127,463,685 shares

Number of Shareholders: 16,397

(Excluding owners of odd-lot shares)

Paid-in Capital

¥25,123 million (\$214 million)

Stock Listings

Tokyo and Osaka stock exchanges

Ticker Code

2897

Independent Auditors

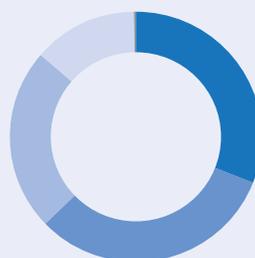
Shin Nihon & Co.

Transfer Agent

Mizuho Trust & Banking Co., Ltd.

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

Distribution of Ownership among Shareholders*



Financial Institutions	30.98%
Other Corporations	31.78%
Foreign Corporations	23.57%
Individuals and Other	13.40%
Securities Companies	0.27%

*Excluding owners of odd-lot shares

Principal Shareholders

Name	Number of Shares Held (Thousands)	Percentage of Total Shares Outstanding
Ando Foundation	7,747	6.08%
Steel Partners Japan Strategic Fund (Offshore), LP	7,400	5.81
Mitsubishi Corp.	6,400	5.02
Ando International Y.K.	4,100	3.22
Morgan Stanley and Company Inc.	4,006	3.14
Mizuho Corporate Bank, Ltd.	4,000	3.14
Japan Trustee Services Bank, Ltd. (trust account)	3,924	3.08
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	3,650	2.86
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
ITOCHU Corporation	2,770	2.17

Note: In addition to the above, the Company holds 6,034,938 shares of treasury stock.

Per Share Data (Years ended March 31)

	2002	2003	2004	2005	2006
EPS (Earnings Per Share) (Yen)	¥ 79.05	¥ 99.67	¥ 101.61	¥ 114.38	¥ 130.23
BPS (Book-value Per Share) (Yen)	¥1,716.82	¥1,770.26	¥1,867.97	¥1,964.30	¥ 2012.48
PER (Price Earnings Ratio)* (Times)	30.4	24.7	26.1	24.5	28.0
PBR (Price Book-value Ratio)* (Times)	1.4	1.4	1.4	1.4	1.8
Dividend (Yen)	30.00	30.00	30.00	30.00	30.00
Payout Ratio (%)	37.5	30.1	29.5	26.2	23.0

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>

Share Price Range and Trading Volume on Tokyo Stock Exchange



NO BORDER

COVER PHOTO: THERE ARE NO BORDERS IN SPACE. AND FROM SPACE, NO BORDERS ARE VISIBLE ON THE JEWEL-LIKE EARTH THAT IS OUR NATURAL ENDOWMENT. THIS IS THE ULTIMATE "NO BORDER" MESSAGE FOR HUMANITY.

