

Summary of Consolidated Financial Statements for the Nine Months Ended December 31, 2015

[Prepared under Japanese GAAP, UNAUDITED]

NISSIN FOODS HOLDINGS CO., LTD.

Stock code: 2897

Stock exchange listing: Tokyo

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Scheduled date of dividend payment: -

Preparation of supplementary documents: Yes

Holding of financial results meeting: Yes (Conference call for institutional investors and analysts) (Japanese only)

(All amounts are rounded down to the nearest million yen)

1. Consolidated Financial Results for the Nine Months of the Fiscal 2016 (April 1, 2015–December 31, 2015)

(1) Operating Results

(% figures represent year-on-year changes)

Nine Months of	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent	
	(¥ million)	(%)	(¥ million)	(%)	(¥ million)	(%)	(¥ million)	(%)
Fiscal 2016	347,536	7.3	22,267	10.4	27,596	0.2	23,021	21.0
Fiscal 2015	323,949	3.9	20,164	(7.3)	27,536	(2.4)	19,025	2.2

Note: Comprehensive income: Nine months of Fiscal 2016: ¥27,129 million (up 1.6%) Nine months of Fiscal 2015: ¥26,709 million (down 21.9%)

Nine Months of	Net income attributable to owners of parent per share (basic)	Net income attributable to owners of parent per share (diluted)
	(¥)	(¥)
Fiscal 2016	209.31	208.21
Fiscal 2015	172.60	171.80

(2) Financial Position

As of	Total assets	Total equity	Ratio of equity attributable to owners of parent to total assets
	(¥ million)	(¥ million)	(%)
Dec. 31, 2015	575,303	376,256	63.9
Mar. 31, 2015	512,743	369,852	70.6

Reference: Equity attributable to owners of parent as of Dec. 31, 2015: ¥367,854 million, as of Mar. 31, 2015: ¥361,783million

2. Details of Dividends

	Cash dividend per share				
	End of the First Quarter	End of the Second Quarter	End of the Third Quarter	Year-end	Total
	(¥)	(¥)	(¥)	(¥)	(¥)
Fiscal 2015	—	40.00	—	35.00	75.00
Fiscal 2016	—	40.00	—		
Fiscal 2016 (Fct.)				40.00	80.00

Note: Modifications to the dividend forecast published most recently: None

3. Forecasts of Consolidated Results for the Fiscal 2016 (April 1, 2015–March 31, 2016)

(% figures represent changes from the previous fiscal year)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent		Net income attributable to owners of parent per share
	(¥ million)	(%)	(¥ million)	(%)	(¥ million)	(%)	(¥ million)	(%)	(¥)
Fiscal 2016	468,000	8.4	26,000	7.0	31,500	(4.5)	25,000	35.1	226.79

Note: Modifications to the forecast published most recently: No

Notes

- (1) Changes in principal subsidiaries during the nine months of Fiscal 2016 (changes in specified subsidiaries that resulted in changes in scope of consolidation): Yes
-Newly consolidated: Zhejiang Nissin Foods Co., Ltd. and Nissin Technology Alimentos do Brasil Ltda.
Note: Refer to “Changes in principal subsidiaries during the nine months of Fiscal 2016” on page 5 of this material for further information.
-Excluded from consolidation: None
- (2) Application of special accounting methods for quarterly consolidated financial statements: Yes
Note: Refer to “Application of special accounting methods for quarterly consolidated financial statements” on page 5 of this material for further information.
- (3) Changes in significant accounting policy, procedure and presentation methods for consolidated financial statements:
- 1) Changes due to revisions of accounting standards: Yes
 - 2) Changes other than 1): Yes
 - 3) Changes in accounting estimates: None
 - 4) Retrospective restatement: None
- (4) Number of shares outstanding (common stock)
- 1) Number of shares outstanding (including treasury stock) as of the end of:

Nine months of Fiscal 2016	117,463,685 shares
Fiscal 2015	117,463,685 shares
 - 2) Number of shares of treasury stock outstanding as of the end of:

Nine months of Fiscal 2016	9,438,008 shares
Fiscal 2015	7,231,787 shares
 - 3) Average number of shares outstanding during the period:

Nine months of Fiscal 2016	109,991,726 shares
Nine months of Fiscal 2015	110,228,737 shares

*Notes for the implementation status of audit process

This Summary of Consolidated Financial Statements is not subject to the audit process under the Financial Instruments and Exchange Act. As of the day of the disclosure of this release, the audit procedures under the Financial Instruments and Exchange Act had not been completed.

*Notes for proper use of forecasts and other remarks

Forecasts contain forward-looking statements based on estimates made as of the day of release of these materials. Actual results may differ materially depending on a number of factors including but not limited to potential risks and uncertainties. Refer to “Explanation Concerning Consolidated Forecasts” on page 4 of this material for further information.

Qualitative Information Concerning Nine Months Results

(1) Qualitative Information Concerning Consolidated Business Results

During the nine months under review, the Japanese economy continued to stage a gradual recovery, with employment and income generally improving and consumer spending showing a steady rebound. The prospects of this recovery remain uncertain, however, with a growing risk of downward pressure on the Japanese economy caused by a downturn in the economies of China and other emerging Asian countries.

In regards to food safety, the Nissin Foods Group (“the Group”) positions it as its most important management issue, and is thoroughly checking the safety of its products and raw materials, while at the same time working to strengthen its quality control system.

The Group also pursues a global strategy that focuses on emerging countries with high potential for growth, and works to build a robust corporate base to enable an immediate response to changes in the management environment, with the overall aim being to maximize its group-wide synergy.

The following is an overview of consolidated results:

Consolidated results (¥ million)

	Nine Months of Fiscal 2015	Nine Months of Fiscal 2016	Year on year	
			Amount	%
Net sales	323,949	347,536	+23,586	+7.3
Operating income	20,164	22,267	+2,103	+10.4
Ordinary income	27,536	27,596	+59	+0.2
Net income attributable to owners of parent	19,025	23,021	+3,996	+21.0

The following is an overview of performance by reportable segment:

Net sales by reportable segment (¥ million)

	Net sales		Year on year	
	Nine Months of Fiscal 2015	Nine Months of Fiscal 2016	Amount	%
Nissin Food Products	162,904	167,581	+4,677	+2.9
Myojo Foods	29,104	31,439	+2,335	+8.0
Chilled and frozen foods	42,975	45,176	+2,201	+5.1
The Americas	25,852	33,019	+7,166	+27.7
China	25,617	30,175	+4,558	+17.8
Other* ¹	37,495	40,142	+2,646	+7.1
Total	323,949	347,536	+23,586	+7.3

Segment operating income by reportable segment (¥ million)

	Segment operating income or loss		Year on year	
	Nine Months of Fiscal 2015	Nine Months of Fiscal 2016	Amount	%
Nissin Food Products	18,922	19,947	+1,025	+5.4
Myojo Foods	1,277	1,618	+340	+26.6
Chilled and frozen foods	142	678	+535	+375.6
The Americas	503	252	-250	-49.8
China	2,601	2,635	+33	+1.3
Other* ¹	(323)	(489)	-166	—
Total	23,123	24,642	+1,518	+6.6
Reconciliations	(2,958)	(2,374)	+584	—
Consolidated	20,164	22,267	+2,103	+10.4

*1: “Other” includes business segments not included in reportable segments such as domestic confectionary, beverages, Europe and Asia.

(i) Nissin Food Products

The sales of Nissin Food Products increased year on year due to the continued rise in the sales of cup-type instant noodles.

In cup-type instant noodles, the *Cup Noodle* series, which were renewed in April based on the concept of “Plentiful ingredients!”, were sold favorably and the newly released *Cup Noodle Light Plus*, which is filling but low in calories, contributed to the increased sales. The *Nissin-no-Donbei* series, for which a new series of TV commercials began being broadcast in October 2015, also sold well, particularly *Nissin-no-Donbei Kakiage Tempura Udon*, whose *Kakiage* (fried thick tempura batter mixed with chopped vegetables and seafood) has changed to the more filling “*Oni-Kakiage*.” In bag-type instant noodle products, the long-selling product *Demae Iccho*, which was renewed by adding toasted sesame seeds to sesame chili oil, increased its sales.

(ii) Myojo Foods

Looking at sales of Myojo Foods, in bag-type noodles, sales of the *Myojo Charumera* series grew continuously. In cup-type noodles, sales of the *Myojo Ippichan Yomise No Yakisoba*, which celebrated its 20th anniversary in February 2015, kept growing favorably. Operating income grew year on year due to factors such as increased sales, an improved cost of goods sold ratio, and an improved efficiency in production enabled by a new factory.

(iii) Chilled and frozen foods

Sales of Nissin Chilled Foods increased year on year, with steady sales growth of ramen series led by its core brand, *Gyoretsu-no-Dekiru-Mise-no-Ramen* and *Futomen Yakisoba*, which features hearty thick noodles and high-quality liquid sauce, together with healthy sales of the *Hiyashi Chuka* series (cold noodles) as a regularly consumed summer food product.

Nissin Frozen Foods saw increased sales mainly led by pasta products and ramen products, both of which are packed with precooked ingredients. In the pasta products, the *Reito NISSIN Mochitto Nama Pasta* series, whose sticky texture has been well received, showed healthy sales, and in ramen products, the *Reito NISSIN GooTa* series centered on the *Lajao Tan Tan Men* sold well. In yakisoba products, the *Reito NISSIN Chuka Shanghai Yakisoba* exhibited increased sales.

(iv) The Americas

In the Americas, the Group aimed to become less susceptible to the effects of price competition. In the U.S., it is working to introduce products that meet market demand and to ensure the sales and operating income of existing brands. In Mexico, while the previous fiscal year saw sales volume decline due to the impact of higher retail prices as a result of the enforcement of the Special Tax on Production and Services (IEPS), sales recovered this fiscal year to increase year on year. In addition, Nissin Foods do Brasil Ltda. (formerly “Nissin-Ajinomoto Alimentos Ltda.”), which has become a consolidated subsidiary from this third quarter, contributed to its sales increase. The overall segment sales increased and its operating income decreased.

(v) China

In China, the Group is working to expand its sales area in mainland China (north, northeast, and southwest areas) as well as strengthen its *Cup Noodles* brand. The newly introduced *Big Cup Noodles* and *Made-in-Hong Kong Demae Iccho* showed healthy sales, and segment sales increased year on year helped in part by exchange rates. Although the fiscal year-end was changed from this consolidated fiscal year, making the nine months of the previous fiscal year to be compared different from the nine months under review, segment operating income increased year on year due partly to the effect of foreign exchange.

(2) Analysis of Financial Position

Note: Refer to pages from 7 to 8 for further information.

(3) Explanation Concerning Consolidated Forecasts

The full-year consolidated forecasts for Fiscal 2016 (April 1, 2015, – March 31, 2016) announced on November 12, 2015 have remained unchanged

Details of Notes

- (1) Changes in principal subsidiaries during the nine months of Fiscal 2016 (changes in specified subsidiaries that resulted in changes in scope of consolidation)

From the first quarter of this fiscal year, the newly established Zhejiang Nissin Foods Co., Ltd. has been included in our consolidated basis, and Nissin-Universal Robina Corporation has been included in our equity method affiliates on account of its increased importance to our group.

From the third quarter of this fiscal year, the newly established Nissin Foods (H.K.) Co., Ltd. and Nissin Foods Singapore Pte. Ltd. have been included in our consolidated basis, and Nissin Technology Alimentos do Brasil Ltda. has been included in our consolidated basis on account of its increased importance to our group. Nissin Foods do Brasil Ltda. (former Nissin-Ajinomoto Alimentos Ltda.) has become a consolidated subsidiary following the Company's acquisition of an additional equity interest, and has been excluded from the equity method affiliates. Nissin Business Support Co., Ltd. was merged with the Company on October 1, 2015, and has been excluded from the scope of consolidation.

- (2) Application of special accounting methods for quarterly consolidated financial statements:

Nissin Foods Holdings Co., Ltd. ("the Company") calculates tax expenses by reasonably assuming an effective tax rate after the application of tax effect accounting for net income before income taxes of the consolidated fiscal year, including the net income before taxes of the nine months under review, and then multiplying the income before income taxes by the said estimated effective tax rate.

- (3) Changes in significant accounting policy, procedure and presentation methods for consolidated financial statements:

(Change in inventory valuation method)

The Company and certain consolidated subsidiaries in Japan previously used the last purchase price method as the primary method for evaluating the raw materials and supplies in its inventory. However, this has been changed to the gross average method from the first quarter under review. The purpose of this change in inventory evaluation method is to realize a more appropriate calculation of periodic income and loss upon the restructuring of the Company's enterprise system.

The new system was launched at the start of the first quarter under review, and for this reason some of the inventory receipt and delivery records from previous consolidated fiscal years were inaccessible, making it impossible to calculate the cumulative impact of retrospectively applying the gross average method. Thus, the book value of raw materials and supplies for the previous consolidated fiscal year have been used as the beginning balance of the current fiscal year, and the gross average method is applied from the first quarter under review and onwards.

The impact of this change was insubstantial.

(Application of the Accounting Standard for Business Combination, etc.)

The Accounting Standard for Business Combination (ASBJ Statement No.21 of September 13, 2013), the Accounting Standard for Consolidated Financial Statements (ASBJ Statement No.22 of September 13, 2013), the Accounting Standard for Business Divestitures (ASBJ Statement No. 7 of September 13, 2013), and others have been applied from the first quarter under review. The difference due to the change in equity interest in subsidiaries that continued to be controlled was recorded as capital surplus. Also, the costs related to acquisition were recorded as expenses for the consolidated fiscal year in which they were incurred. In addition, for business combinations implemented after the beginning of the first quarter under review, the review of the appropriation of the acquisition cost upon settlement of temporary account processing is reflected in the consolidated quarterly financial statements for the consolidated fiscal quarter period during which business combinations were implemented. Furthermore, the net income and other statements have been changed accordingly, and minority interest has been changed to non-controlling interests. To reflect these changes, the Company has revised the financial statements for the nine months of the previous consolidated fiscal year and the previous consolidated fiscal year.

The Accounting Standard for Business Combinations etc. are applied from the beginning of the first quarter under review in line with the transitional treatment provided for in Paragraph 58-2 (4) of the Accounting Standard for Business Combinations, Paragraph 44-5 (4) of the Accounting Standard for Consolidated Financial Statements, and Paragraph 57-4 (4) of the Accounting Standard for Business Divestitures.

The impact on the financial statements for the nine months under review was insubstantial.

- (4) Additional Information

(Changes in matters related to the fiscal periods of consolidated subsidiaries, etc.)

To increase the appropriateness of consolidated accounting information, the provisional results as of March 31, the consolidated account closing date, of eleven subsidiaries whose account closing date is December 31, including Nissin Foods Co., Ltd. and Winner Food Products Ltd. in China, are consolidated from the first quarter of the fiscal year under review

The effect of this change in the fiscal period on the profits and losses of the above consolidated subsidiaries between January 1, 2015 and March 31, 2015 were adjusted as an increase/decrease in retained earnings.

Consolidated Financial Statements

1. Consolidated Balance Sheets

(¥ million)

	As of March 31, 2015	As of December 31, 2015
Assets		
Current assets		
Cash and deposits	94,365	89,064
Notes and accounts receivable-trade	54,491	68,398
Marketable securities	19,153	3,535
Merchandise and finished goods	12,015	13,226
Raw materials and supplies	11,053	14,110
Others	10,852	20,871
Less: Allowance for doubtful receivables	(422)	(347)
Total current assets	201,507	208,859
Fixed assets		
Tangible fixed assets		
Land	51,097	50,079
Others, net	96,151	112,543
Total tangible fixed assets	147,249	162,622
Intangible fixed assets		
Goodwill	701	34,624
Others	7,511	7,302
Total intangible fixed assets	8,212	41,927
Investments and other assets		
Investments in securities	135,441	155,602
Net defined benefit asset	268	268
Others	20,385	6,169
Less: Allowance for doubtful accounts	(322)	(145)
Total investments and other assets	155,773	161,894
Total fixed assets	311,236	366,444
Total assets	512,743	575,303

(¥ million)

As of March 31, 2015

As of December 31, 2015

	As of March 31, 2015	As of December 31, 2015
Liabilities		
Current liabilities		
Notes and accounts payable-trade	44,896	57,153
Short-term borrowings	3,870	33,393
Accrued payables	27,085	31,916
Accrued income taxes	5,163	7,370
Others	22,010	21,286
Total current liabilities	103,027	151,120
Long-term liabilities		
Long-term debt	9,461	12,880
Net defined benefit liability	3,394	2,795
Others	27,008	32,251
Total long-term liabilities	39,863	47,926
Total liabilities	142,891	199,047
Equity		
Shareholders' equity		
Common stock	25,122	25,122
Capital surplus	48,417	48,422
Retained earnings	273,319	289,940
Less: Treasury stock, at cost	(21,684)	(35,835)
Total shareholders' equity	325,175	327,649
Accumulated other comprehensive income		
Unrealized gain on available-for-sale securities	35,102	47,129
Deferred gain (loss) on derivatives under hedge accounting	57	(7)
Land revaluation reserve	(5,739)	(6,421)
Foreign currency translation adjustments	6,016	(771)
Remeasurements of defined benefit plans	1,169	277
Total accumulated other comprehensive income	36,608	40,204
Stock acquisition rights	1,518	1,856
Non-controlling interests	6,551	6,545
Total equity	369,852	376,256
Total liabilities and equity	512,743	575,303

2. Consolidated Statements of Income and Comprehensive Income (Consolidated Statements of Income)

(¥ million)

	Nine months ended December 31, 2014	Nine months ended December 31, 2015
Net sales	323,949	347,536
Cost of sales	181,775	192,252
Gross profit	142,173	155,283
Selling, general and administrative expenses	122,009	133,015
Operating income	20,164	22,267
Non-operating income		
Interest income	634	619
Dividend income	1,543	1,350
Gain on sales of marketable securities	-	802
Equity in earnings of associates	2,307	2,246
Foreign exchange gain	2,537	-
Other non-operating income	648	775
Total non-operating income	7,672	5,794
Non-operating expenses		
Interest expense	177	237
Foreign exchange loss	-	44
Other non-operating expenses	123	184
Total non-operating expenses	300	466
Ordinary income	27,536	27,596
Extraordinary gains		
Gain on sales of fixed assets	64	268
Gain on sales of investments in securities	2,501	912
Margin associated with the acquisition in stages	-	6,640
Other extraordinary gains	3	-
Total extraordinary gains	2,569	7,821
Extraordinary losses		
Loss on disposal of fixed assets	237	230
Impairment losses	1,170	-
Loss on sales of investments in capital	-	1,334
Loss on valuation of investments in capital of subsidiaries and affiliates	-	628
Bad debt expenses	-	508
Other extraordinary losses	510	344
Total extraordinary losses	1,918	3,045
Income before income taxes	28,187	32,372
Income taxes	9,017	9,252
Net income	19,169	23,119
Net income attributable to non-controlling interests	144	98
Net income attributable to owners of parent	19,025	23,021

(Consolidated Statements of Comprehensive Income)

(¥ million)

	Nine months ended December 31, 2014	Nine months ended December 31, 2015
Net income	19,169	23,119
Other comprehensive income		
Unrealized gain on available-for-sale securities	7,244	12,093
Deferred gain (loss) on derivatives under hedge accounting	(6)	(65)
Foreign currency translation adjustments	3,230	(3,234)
Defined retirement benefit plans	(306)	(885)
Share of other comprehensive income in associates	(2,621)	(3,899)
Total other comprehensive income	7,539	4,009
Comprehensive income	26,709	27,129
(Breakdown)		
Comprehensive income attributable to owners of parent	26,712	27,301
Comprehensive income attributable to non-controlling interests	(2)	(172)

3. Segment Information

1. Net sales and income or loss by reportable segment:

Nine months ended December 31, 2014

(¥ million)

	Nissin Food Products	Myojo Foods	Chilled and frozen foods	The Americas	China	Subtotal	Others *1	Total	Reconciliations *2	Consolidated *3
Net sales										
Sales to third party	162,904	29,104	42,975	25,852	25,617	286,453	37,495	323,949	—	323,949
Intersegment sales	2,342	3,530	1,108	0	85	7,068	15,086	22,154	(22,154)	—
Total	165,247	32,635	44,083	25,853	25,702	293,522	52,582	346,104	(22,154)	323,949
Segment income (loss)	18,922	1,277	142	503	2,601	23,447	(323)	23,123	(2,958)	20,164

(Notes)

- *1. “Others” consists of the operating segments not included in reportable segments. It includes domestic confectionary and beverages business, and overseas businesses in Europe and Asia.
- *2. Operating loss under “Reconciliations” amounted to minus ¥2,958 million, consisting of ¥544 million from retirement benefit expenses, minus ¥517 million from the amortization of goodwill, minus ¥60 million from elimination of intersegment transactions and minus ¥2,925 million from group expenses.
- *3. Segment income is reconciled to operating income in the quarterly consolidated statement of income.

Nine months ended December 31, 2015

(¥ million)

	Nissin Food Products	Myojo Foods	Chilled and frozen foods	The Americas	China	Subtotal	Others *1	Total	Reconciliations *2	Consolidated *3
Net sales										
Sales to third party	167,581	31,439	45,176	33,019	30,175	307,393	40,142	347,536	—	347,536
Intersegment sales	1,741	4,727	1,194	2	91	7,756	19,807	27,564	(27,564)	—
Total	169,323	36,167	46,371	33,021	30,266	315,150	59,950	375,100	(27,564)	347,536
Segment income (loss)	19,947	1,618	678	252	2,635	25,132	(489)	24,642	(2,374)	22,267

(Notes)

- *1. “Others” consists of the operating segments not included in reportable segments. It includes domestic confectionary and beverages business, and overseas businesses in Europe and Asia.
- *2. Operating loss under “Reconciliations” amounted to minus ¥2,374 million, consisting of ¥1,402 million from retirement benefit expenses, minus ¥776 million from the amortization of goodwill, minus ¥77 million from elimination of intersegment transactions and minus ¥3,077 million from group expenses.
- *3. Segment income is reconciled to operating income in the quarterly consolidated statement of income.

2. Assets by reportable segment

The amount of assets in “The Americas” business segment increased 12,807 million yen compared to the end of the previous fiscal year due to making Nissin Technology Alimentos do Brasil Ltda. and Nissin Foods do Brasil Ltda. consolidated subsidiaries in the third quarter of the current fiscal year and other factors.

3. Impairment loss of fixed assets and goodwill by reportable segment (Material change in goodwill amount)

The amount of goodwill in “The Americas” business segment increased 35,171 million yen compared to the end of the previous fiscal year due to making Nissin Technology Alimentos do Brasil Ltda. and Nissin Foods do Brasil Ltda. consolidated subsidiaries in the third quarter of the current fiscal year.

(Business combination)

(Business combination by acquisition)

(1) Outline of the business combination

(i) Outline of the acquired company

Name: Nissin-Ajinomoto Alimentos Ltda.

Business: Manufacture and sales of instant noodles

(ii) Main reasons for the business combination

Promote growth in the business in Brazil in South America and strengthen the operating base in Brazil

(iii) Date of the business combination: October 30, 2015

(iv) Legal form of the business combination: Acquisition of its equity for cash

(v) Name after the business combination: Nissin Foods do Brasil Ltda.

(vi) Change in the ratio of voting rights after the acquisition

Ratio of voting rights held immediately before the business combination: 50%

Ratio of additional voting rights acquired on the date of the business combination: 50%

Ratio of voting rights after the acquisition: 100%

(vii) Reason for deciding on company from which to acquire its equity: A subsidiary of the Company has acquired its equity for cash.

(2) Period when the consolidated statements of income include the results of the acquired company in the nine months under review

From October 1, 2015 to December 31, 2015

From April 1 to September 30, 2015, the results of the acquired company as an equity method affiliate were included in the consolidated statements of income.

(3) Cost of acquisition of the acquired company and a breakdown of the consideration

The market value of the equity held immediately before the business combination at the date of the business combination	10,532 million yen
Cash paid for the acquisition of additional shares	32,500 million yen
Cost of acquisition	43,032 million yen

(4) Difference between the cost of acquisition of the acquired company and the sum of acquisition costs for transactions that have led to the acquisition of the company

Margin associated with the acquisition in stages: 6,640 million yen

(5) Goodwill that has occurred, reasons for the goodwill, the method for amortizing goodwill, and the period for the amortization of goodwill

(i) Amount of goodwill

1,122 million Brazilian reals (35,171 million yen)

At the end of the nine months under review, the allocation of the cost of acquisition had not been completed. The amount of goodwill is a provisional amount.

(ii) Reason for the goodwill

Goodwill has occurred in association with expected excess earnings power after the business combination

(iii) Method and period for the amortization of goodwill

Straight-line method over 20 years