

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)					
	2007	2006	2005	2004	2003	2002
For the year						
Net sales	¥ 358,238	¥ 321,700	¥ 316,973	¥ 320,033	¥ 315,279	¥ 308,463
Cost of sales	175,296	158,209	156,877	161,979	160,258	157,663
Gross profit	182,942	163,491	160,096	158,054	155,021	150,800
Selling, general and administrative expenses	149,207	131,512	131,133	134,851	128,621	125,984
Operating income	33,735	31,979	28,963	23,203	26,400	24,816
Other income (expenses)	(157)	(2,167)	(1,891)	1,502	(880)	(4,741)
Income before income taxes and minority interests	33,578	29,812	27,072	24,705	25,520	20,075
Income taxes	14,547	14,469	10,244	10,437	10,901	7,613
Minority interests in earnings of consolidated subsidiaries	62	(46)	216	217	197	526
Net income	18,969	15,389	16,612	14,051	14,422	11,936
Per share						
Net income	¥ 156.12	¥ 125.09	¥ 134.36	¥ 113.61	¥ 115.65	¥ 93.91
Cash dividends	50.00	30.00	30.00	30.00	30.00	30.00
Net assets *1	2,304.40	2,167.81	2,091.16	1,980.14	1,892.89	1,835.03
At year-end						
Working capital *2	¥ 63,703	¥ 82,404	¥ 56,332	¥ 62,017	¥ 60,044	¥ 71,086
Property, plant and equipment, net	93,634	69,019	75,332	81,243	87,537	82,444
Total assets	410,407	366,801	361,105	343,645	331,994	326,913
Long-term liabilities	26,094	18,975	19,414	16,175	11,739	11,118
Net assets *3	288,476	263,199	258,139	244,439	233,708	230,582
R&D expenses	¥ 3,164	¥ 2,727	¥ 2,697	¥ 2,762	¥ 2,757	¥ 2,579
Capital expenditures	6,152	3,517	3,251	6,766	6,965	6,312
Value & performance indicators						
Operating margin (%) *4	9.4	9.9	9.1	7.3	8.4	8.0
Return on assets (%) *5	4.9	4.2	4.7	4.2	4.4	3.7
Return on equity (%) *6	7.0	5.9	6.6	5.9	6.2	5.2
Inventory turnover (times) *7	12.9	12.6	12.9	13.6	13.6	14.1

Notes: 1. Net assets per share = (Net assets - minority interests) / number of shares outstanding as of the year end (excluding treasury stocks)

2. Working capital = Total current assets - Total current liabilities

3. Net assets: In compliance with the Corporate Law, from fiscal 2007, the amount of net assets includes the amount of minority interests (¥6,725 million). For year prior to 2007, minority interests are not included in net assets.

4. Operating margin = Operating income / Net sales

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

6. Return on equity = Net income / Average total net assets

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

FINANCIAL REVIEW

The scope of consolidation for this review of fiscal 2007, ended March 31, 2007, covers Nissin Food Products Co., Ltd. (the “Company”), 33 consolidated subsidiaries-18 in Japan and 15 overseas and two affiliate companies accounted for by the equity method (together, the “Group”).

INCOME ANALYSIS

Net Income

Consolidated net sales of the Group for fiscal 2007 grew by 11.4% from ¥321,700 million in the previous fiscal year to ¥358,238 million (US\$3,035 million) in the year under review. The biggest contribution to this increase was made by the newly consolidated subsidiary MYOJO FOODS CO., LTD. (“MYOJO FOODS”).

Net sales in Japan, excluding intersegment sales, increased by 12.6% from ¥269,765 million in the previous fiscal year to ¥303,718 million (US\$2,573 million). The contribution from Japan to total consolidated net sales rose by 0.9 percentage point to 84.8%.

The domestic instant noodle industry was faced with changing customer demographics, such as the decrease in the number of young consumers as the birth rate declines and the population ages. It also faced loss leader discounting by large retailers and a severe competition from neighboring business sectors. Each instant noodle manufacturer tried hard to stay ahead by raising its market share through efforts to develop and launch new products that better meet customer needs.

In the face of this business environment, the Company rededicated itself to its fundamental business policy of supplying safe and reliable products that earn the trust of consumers. The Company went all out to ensure the safety of raw materials through its own inspection systems capable of detecting residual pesticides and chemicals contained in animal products. During the current fiscal year, to better meet diversifying customer needs, the Company acquired MYOJO FOODS and included it among its consolidated subsidiaries, thereby becoming better able to supply attractive products to satisfy broader customer needs, both in Japan and overseas. On top of this, the Company launched an environment-

friendly refill product dubbed *Cup Noodle Refill*, introducing a new style and food scene.

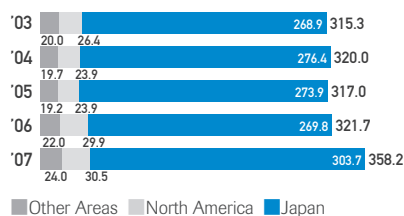
On the sales front, the Company focused on its mainstay products, such as *Cup Noodle*, which marked its 35th anniversary, and *Nissin-no-Donbei* and *Nissin Yakisoba U.F.O.*, both marking their 30th anniversaries. There was some downward sales pressure from factors that included a warm winter and a sales strategy to maintain and enhance the Nissin brand value. Despite this, the Company saw increased domestic sales of both pillow-type instant noodles and cup-type instant noodles, contributed by the inclusion of MYOJO FOODS in consolidation.

In chilled and frozen foods, the Company grew its sales in chilled noodle products *Nissin Yakiudon*, easy-to-prepare, microwave-and-serve frozen products *Reito Nissin Spa O*, and premium-grade ingredient frozen products *Reito Nissin GooTa*. The Company registered increased sales in chilled and frozen foods, driven in part by the sales of products of MYOJO FOODS, which joined the Company as a consolidated subsidiary starting from the current fiscal year.

Looking at the global market for instant noodles, we anticipate continuous growth in the aggregate demand. According to the International Ramen Manufacturers Association (IRMA) (recently renamed the World Instant Noodle Association (WINA)), the average annual growth rate of product consumption has been 13% since 2000, and the aggregate demand for instant noodles, which was 85.7 billion servings in calendar year 2005, is expected to reach 100 billion servings in 2009. The overseas businesses of the Company continued to focus on market development in the major markets, particularly in North America and in the People’s Republic of China (PRC). In the North America market, reflecting stable growth in the aggregate con-

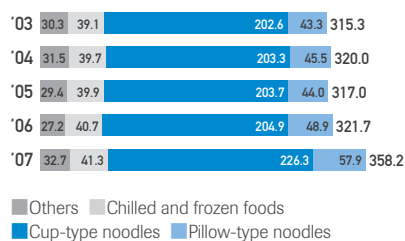
SALES BY GEOGRAPHIC AREA

(excluding intersegment sales)
(Billions of yen)



NET SALES BY CATEGORY

(Billions of yen)



sumption of instant noodles, as well as customers' strong support throughout the year for premium-priced lines, like *CHOW MEIN* and the *Souper Meal* series, the number of servings sold during calendar year 2006 surged ahead. In the PRC market, the Hong Kong area, in particular, showed strong growth. It recorded a 1% year-on-year increase in the aggregate number of servings of pillow-type and cup-type instant noodles sold, as well as a 4% increase in the sales amount. As a result, total sales in North America and other areas, excluding intersegment sales, increased by 5.0% from the previous year to ¥54,520 million (US\$462 million). The breakdown shows the sales in North America as ¥30,505 million (US\$258 million), a 2.0% year-on-year increase, and the sales in other areas as ¥24,015 million (US\$203 million), a 9.0% year-on-year increase.

Analysis of net sales by business segment show that the Company's mainstay business, comprising instant noodles and associated business, (pillow-type instant noodles, cup-type instant noodles and chilled and frozen foods) excluding intersegment sales, amounted to ¥325,468 million (US\$2,757 million) and accounted for 90.9% of total net sales.

Net sales of the Other Business segment, on the other hand, was ¥32,770 million (US\$278 million), which was 9.1% of the total net sales.

Breaking down the results for instant noodles and associated business, pillow-type instant noodles experienced a decrease in sales of mainstay products such as *Chicken Ramen* and *Nissin-no-Ramenyasan* in comparison with the previous year's performance. However, the Japanese domestic market registered an increase in net sales that was largely attributable to new contributions from MYOJO FOODS' products. Sales of existing cup-type instant noodle mainstay products, were negatively influenced by a warm winter in Japan and by the Company's decision to pursue a sales strategy that maintains and enhances brand value. On the other hand, sales of *Nissin Menshokunin* non-fried noodles, which captured consumer attention, and *Nissin Deka-O*, which features a larger serving of noodles, continued to be strong throughout the year. Also, *Nissin Yasai Soup Noodle*, a low-calorie product launched during the year under

review, received strong support from health- and diet-conscious consumers, and sales remained consistently high. The addition of MYOJO FOODS' product lines also contributed to the sales increase in the domestic market.

Looking at overseas markets, existing products recorded buoyant sales, especially in the United States. In particular, sales of premium-priced products developed for sale in the United States grew remarkably. (Please refer to Review of Operation on P. 15-19 for details of performance by product category.)

Cost of Sales and Selling, General and Administrative Expenses

Although cost of sales increased by 10.8% year on year to ¥175,296 million (US\$1,485 million), paralleling the growth in net sales, the cost of sales ratio slightly improved from 49.2% in the previous fiscal year to 48.9%, mainly due to a decline in expenses relating to retirement benefits.

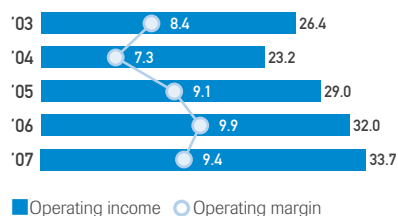
Selling, general and administrative expenses amounted to ¥149,207 million (US\$1,264 million), resulting in a 13.5% increase from the previous fiscal year's ¥131,512 million. The ratio of SG&A expenses to net sales also rose by 0.8 percentage point to 41.7%. These increases are attributable to the growth in variable expenses such as promotional and distribution expenses. Among SG&A items, promotional expenses increased by 16.6% compared with the previous fiscal year to ¥87,209 million, and the ratio to net sales rose by 1.1 percentage point to 24.3%. Distribution expenses, as well, grew by 16.6% year on year to ¥20,305 million, with a 0.3 percentage point rise in the ratio to net sales. On the other hand, while advertising expenses (fixed expenses) edged up by 0.8% from the previous fiscal year to ¥12,423 million, their ratio to net sales dropped by 0.3 percentage point.

Operating Income, Other Income (Expenses) and Net Income

The increase in net sales and the improvement in the cost of sales ratio largely absorbed the negative effect brought by the rise in SG&A expenses (which increased in both amount and in the ratio to net sales). As a result, consolidated operating income for fiscal 2007 grew to ¥33,735 million (US\$286 million), a 5.5% increase on the previous

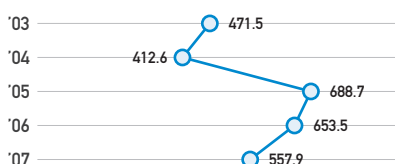
OPERATING INCOME AND OPERATING MARGIN

(Billions of yen)



INTEREST COVERAGE RATIO

(Times)



*Interest coverage ratio = operating cash flow/interest payments

Costs and Expenses, and Net Sales Ratio

Year ended March 31, 2007 and 2006	Millions of yen			
	2007		2006	
		Net Sales Ratio		Net Sales Ratio
Cost of sales	¥175,296	48.9%	¥158,209	49.2%
SG&A expenses	149,207	41.7	131,512	40.9
Promotional expenses	87,209	24.3	74,781	23.2
Advertising expenses	12,423	3.5	12,328	3.8
Distribution expenses	20,305	5.7	17,418	5.4
Other expenses	29,270	8.2	26,985	8.5

fiscal year's ¥31,979 million. However, due to a rise in the ratio of SG&A expenses to net sales, the operating margin declined by 0.5 percentage point to 9.4%.

Net other expenses showed a sizable decrease of ¥2,010 million, from ¥2,167 million in the previous fiscal year to ¥157 million (US\$1 million). Among other income items, gain on sales of marketable securities decreased by ¥2,969 million to ¥104 million (US\$1 million). However, this decrease in income was offset by decreases in expenses. One such expense was loss on impairment of fixed assets, which was initially posted in the previous year in accordance with newly adopted accounting standards, and decreased by ¥4,503 million to

¥1,129 million (US\$10 million). Another large decrease was in loss on revaluation of investments in companies in the PRC, which decreased by ¥1,178 million to ¥1,379 million (US\$12 million).

As a result, income before income taxes and minority interests amounted to ¥33,578 million (US\$284 million), a 12.6% increase from ¥29,812 million in the previous fiscal year.

Net income was ¥18,969 million (US\$161 million), marking a 23.3% increase from the previous fiscal year's ¥15,389 million. The ratio of net income to net sales rose by 0.5 percentage point year on year from 4.8% to 5.3%. Net income per share rose by ¥31.03, from ¥125.09 in the previous fiscal year to ¥156.12 (US\$1.32).

LIQUIDITY AND CAPITAL RESOURCES

Cash Flows

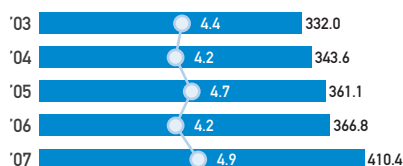
Cash and cash equivalents as of March 31, 2007 stood at ¥76,695 million (US\$650 million), an increase of ¥15,125 million from the ¥61,570 million recorded in the previous fiscal year.

Net cash provided by operating activities increased by ¥338 million to ¥26,974 million (US\$228 million) from the previous year's ¥26,636 million. Major cash in-flow items included a ¥3,766 million

increase in income before income taxes and minority interests and a ¥2,760 million decrease in gain on sales of marketable securities and investments in securities and others. Another item affecting cash in-flow was a ¥464 million (US\$4 million) increase from accrued retirement benefits to directors and statutory auditors, reversing a decrease of ¥3,718 million in the previous fiscal year. On the other hand, major cash out-flows included a ¥4,503 million decrease in loss on impair-

TOTAL ASSETS AND ROA

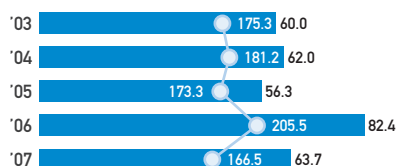
(Billions of yen) / (%)



■ Total assets ○ ROA

WORKING CAPITAL AND CURRENT RATIO

(Billions of yen) / (%)

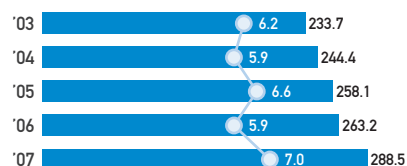


■ Working capital ○ Current ratio

Working capital = Total current assets - Total current liabilities
Current ratio = Total current assets / Total current liabilities

SHAREHOLDERS' EQUITY AND ROE

(Billions of yen) / (%)



■ Shareholders' equity ○ ROE

ment of fixed assets, a ¥1,944 million decrease in loss on valuation of marketable securities and investments in securities and others, a ¥3,390 million decrease in decrease in accrued retirement benefits to employees and trade notes and accounts receivable—which moved from a decrease of ¥2,052 million to an increase of ¥1,746 million (US\$15 million) in the year under review.

Net cash used in investing activities decreased by ¥15,297 million year on year, from ¥20,068 million to ¥4,771 million (US\$40 million). This decrease was mainly due to sales of securities and decreased purchases of securities in order to secure financing for a takeover bid for shares of MYOJO FOODS. As a result of the takeover bid, ¥23,763 million (US\$201 million) was recorded as payment for purchases of additional shares of consolidated subsidiaries and others. On the

other hand, proceeds from sales and redemption of marketable securities increased by ¥31,355 million and payment for purchases of marketable securities decreased by ¥26,073 million.

Other major in-flow factors included a ¥18,688 million decrease in payment for purchases of investments in securities, and an additional major out-flow factor was a ¥37,780 million decrease in proceeds from sales and redemption of investments in securities.

Net cash used in financing activities dropped by ¥5,519 million year on year from ¥12,940 million to ¥7,421 million (US\$63 million). This large decrease was mainly due to repurchase of treasury stocks, which amounted to ¥205 million (US\$2 million) in net proceeds in the year under review, compared with a ¥6,925 million net payment in the previous fiscal year.

Cash Flow Highlights

Year ended March 31	Millions of yen		
	2007	2006	2005
Net cash provided by operating activities	¥26,974	¥26,636	¥30,259
Net cash used in investing activities	(4,771)	(20,068)	(30,348)
Net cash used in financing activities	(7,421)	(12,940)	(5,709)
Cash and cash equivalents at end of the year	¥76,695	¥61,570	¥66,326

Assets, Liabilities and Net Assets

Total assets as of March 31, 2007 amounted to ¥410,407 million (US\$3,477 million), a 11.9% rise from ¥366,801 million in the previous fiscal year. Return on assets (ROA) also rose by 0.7 percentage point to 4.9% from 4.2% in the previous fiscal year, reflecting the fact that net income grew faster than total assets.

Total current assets declined moderately by 0.6% from ¥160,496 million in the previous year to ¥159,540 million (US\$1,351 million). Mainly due to the acquisition of MYOJO FOODS, both cash and deposits and the trade account increased by ¥16,573 million and ¥15,703 million, respectively. However, marketable securities decreased by ¥35,377 million as the company sold off holdings in

order to secure financing for the purchase of MYOJO FOODS shares.

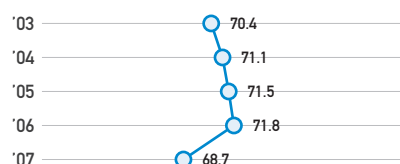
Net property, plant and equipment jumped from ¥69,019 million to ¥93,634 million (US\$793 million), a 35.7% year-on-year increase that was mainly due to acquisition of MYOJO FOODS.

Investments and other assets increased by 11.2% from ¥136,841 million in the previous fiscal year to ¥152,210 million (US\$1,289 million). This increase was caused mainly by a ¥16,649 million increase in investments in securities. Intangible fixed assets increased to ¥5,023 million (US\$43 million), mainly due to ¥4,352 million (US\$37 million) in goodwill.

Total liabilities recorded a sizable increase of 25.6% year on year, from ¥97,067 million to ¥121,931 million (US\$1,033 million). Among

EQUITY RATIO

(%)



NET ASSETS PER SHARE

(Yen)



liabilities, total current liabilities increased by 22.7% to ¥95,837 million (US\$812 million), mainly due to acquisition of MYOJO FOODS, which brought a ¥8,658 million increase in the trade account and a ¥ 8,602 million increase in other payables. As a result of the increase in total current liabilities exceeding the increase in current assets, working capital declined by 22.7% to ¥63,703 million (US\$540 million) from ¥82,404 million in the previous fiscal year. The current ratio, as well, dropped from 205.5% to 166.5%.

Total net assets amounted to ¥288,476 million (US\$2,444 million). This amount now includes minority interests (a separate item in the consolidated balance sheet in the previous year) in accordance with

“Accounting Standard for Presentation of Net Assets in the Balance Sheet,” which was newly adopted from fiscal 2007. Therefore, the amount for fiscal 2007 corresponding to the previous year’s total shareholders’ equity of ¥263,199 million, was ¥281,751 million, an increase of 7.0% year on year. This increase was mainly contributed by a ¥12,756 million increase in retained earnings due to posting of net income.

As a result of the increase in total net assets (less minority interests), net assets per share increased by 6.3% from ¥2,167.81 in the previous year to ¥2,304.40. Return on equity (ROE) rose by 1.1 percentage points from 5.9% to 7.0%, reflecting a large increase in net income.

ADDITIONAL INFORMATION

Significant Business Agreements

(1) With regard to the Company’s capital participation in Hebei Hualong F&N Industry Group Co., Ltd., a major manufacturer of instant noodles and flour in the PRC (hereafter “Hebei Hualong”), 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. (now renamed Jinmailang Foods Co., Ltd.), and Hebei Nissin Hualong Paper Products Co., Ltd. (now renamed Hebei Jinmailang Paper Products Co., Ltd.) Through capital increases subscribed by its Hong Kong-based subsidiary, Nissin Foods Co., Ltd., the Company had acquired 14.9% of registered equity in each newly established company as of March 31, 2005.

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

(2) On November 15, 2006, the board of directors of the Company resolved to make a takeover bid for the shares of MYOJO FOODS and to form a capital and business alliance with MYOJO FOODS. In accordance with this resolution, the Company signed on the same day a memorandum, which provides the said takeover bid and alliance.

On February 6, 2007, the board of directors of the Company resolved to acquire the shares of MYOJO FOODS by way of share exchange to make MYOJO FOODS a wholly owned subsidiary of the Company. In accordance with this resolution, the Company concluded the share exchange contract.

Details of the takeover bid and the share exchange are described in Note 21 (Business Combination and Other) of the consolidated financial statements.

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 at the time of publication. The Company acknowledges the possibility that these risks can arise and will make every effort to prevent such risks from appearing and will address resulting situations if such risks do appear.

(1) 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 bovine spongiform encephalopathy, the problem of residual pesticides in foods and avian influenza, 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.

(2) 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 activities. 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.

(3) 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.

(4) 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 wrappers. 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.

(5) Risk of Natural Disasters

The Company has manufacturing facilities both in Japan and overseas. 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) 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.

(7) 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 per-

formance 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.

(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 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 a substantial decline in their fair value and/or the future cash flows they were to generate, and thus would have the 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 its fiscal performance.

(11) Reliance on Certain Business Clients

Mitsubishi Corporation and ITOCHU Corporation are the primary buyers of the Company's products. Reliance on 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.

Nissin Food Products Co., Ltd.
Consolidated Balance Sheets
As of March 31, 2007 and 2006

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2007	2006	2007
ASSETS			
Current assets:			
Cash and deposits (Notes 4 and 19)	¥ 61,689	¥ 45,116	\$ 522,567
Marketable securities (Note 7)	21,618	56,995	183,126
Receivables:			
Trade	53,358	37,655	451,995
Other	1,828	1,356	15,485
Less: Allowance for doubtful receivables	(259)	(259)	(2,194)
Inventories (Note 8)	14,489	12,709	122,736
Deferred income taxes (Note 12)	6,128	6,390	51,910
Other current assets	689	534	5,836
Total current assets	159,540	160,496	1,351,461
Property, plant and equipment:			
Land (Note 9)	43,835	25,882	371,326
Buildings and structures	80,097	65,622	678,501
Machinery, equipment and vehicles	88,896	81,705	753,037
Construction in progress	1,837	720	15,561
Other	617	585	5,226
	215,282	174,514	1,823,651
Less: Accumulated depreciation	(121,648)	(105,495)	(1,030,479)
Property, plant and equipment, net	93,634	69,019	793,172
Intangible fixed assets:			
Goodwill	4,352	—	36,866
Other	671	445	5,684
Total intangible fixed assets	5,023	445	42,550
Investments and other assets:			
Investments in securities (Note 7)	137,143	120,494	1,161,737
Other investments	8,507	10,043	72,063
Long-term loans	488	181	4,133
Deferred income taxes (Note 12)	271	275	2,296
Other assets	5,849	6,017	49,547
Less: Allowance for doubtful receivables	(48)	(169)	(407)
Total investments and other assets	152,210	136,841	1,289,369
Total assets	¥ 410,407	¥ 366,801	\$ 3,476,552

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2007	2006	2007
LIABILITIES AND NET ASSETS			
Current liabilities:			
Short-term borrowings (Note 10)	¥ 3,791	¥ 2,854	\$ 32,113
Payables:			
Trade	43,325	34,667	367,006
Other	28,709	20,107	243,194
Accrued income taxes (Note 12)	7,890	8,186	66,836
Other current liabilities	12,122	12,278	102,685
Total current liabilities	95,837	78,092	811,834
Long-term liabilities:			
Deferred income taxes on land revaluation (Note 9)	3,511	3,511	29,742
Accrued retirement benefits to employees (Note 11)	8,946	11,660	75,781
Accrued retirement benefits to directors and statutory auditors	2,264	1,800	19,178
Deferred income taxes (Note 12)	10,561	1,871	89,462
Other long-term liabilities	812	133	6,879
Total long-term liabilities	26,094	18,975	221,042
Net assets:			
I Shareholders' equity (Note 13)			
Common stock:			
Authorized—500,000,000 shares;			
Issued—127,463,685 shares at March 31, 2007 and 2006	25,123	25,123	212,817
Capital surplus	49,754	48,385	421,465
Retained earnings (Note 22)	216,553	203,797	1,834,418
Less: Treasury stock, at cost—5,197,203 shares at March 31, 2007 and 6,061,522 shares at March 31, 2006	(14,319)	(16,679)	(121,296)
II Valuation, translation adjustments and other:			
Net unrealized holding gain on securities (Note 7)	10,921	9,899	92,511
Land revaluation reserve (Note 9)	(7,533)	(7,568)	(63,812)
Translation adjustments	1,252	242	10,606
III Minority interests			
Total net assets	288,476	269,734	2,443,676
Contingent liability (Note 19)			
Total liabilities and net assets	¥ 410,407	¥ 366,801	\$ 3,476,552

See accompanying notes to consolidated financial statements.

Nissin Food Products Co., Ltd.
Consolidated Statements of Income
For the years ended March 31, 2007, 2006 and 2005

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2007	2006	2005	2007
Net sales	¥ 358,238	¥ 321,700	¥ 316,973	\$ 3,034,629
Cost of sales (Note 14)	175,296	158,209	156,877	1,484,930
Gross profit	182,942	163,491	160,096	1,549,699
Selling, general and administrative expenses (Note 14)	149,207	131,512	131,133	1,263,930
Operating income	33,735	31,979	28,963	285,769
Other income (expenses) (Note 15):				
Interest and dividend income	3,112	3,065	2,538	26,362
Interest expense	(48)	(41)	(44)	(407)
Equity in earnings of affiliates	476	485	427	4,032
Loss on impairment of fixed assets (Notes 3 and 15(a))	(1,129)	(5,632)	—	(9,564)
Loss on devaluation of investments in securities	(8)	(425)	(112)	(68)
Loss on revaluation of investments (Note 15(b))	(1,379)	(2,557)	—	(11,681)
Provision for accrued retirement benefits to directors and statutory auditors (Note 15(c))	—	—	(3,569)	—
Gain on sales of marketable securities	104	3,073	375	881
Gain on sales of investments in securities	573	194	—	4,854
Other, net	(1,858)	(329)	(1,506)	(15,739)
Income before income taxes and minority interests	33,578	29,812	27,072	284,439
Income taxes (Note 12):				
Current	11,018	11,569	11,629	93,334
Deferred	3,529	2,900	(1,385)	29,894
	14,547	14,469	10,244	123,228
Income before minority interests	19,031	15,343	16,828	161,211
Minority interests in earnings (loss) of consolidated subsidiaries	62	(46)	216	525
Net income	¥ 18,969	¥ 15,389	¥ 16,612	\$ 160,686

See accompanying notes to consolidated financial statements.

Nissin Food Products Co., Ltd.
Consolidated Statements of Changes in Net Assets

For the years ended March 31, 2007, 2006 and 2005

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2007	2006	2005	2007
Common stock:				
Balance at beginning and end of the year	¥ 25,123	¥ 25,123	¥ 25,123	\$ 212,817
Capital surplus:				
Balance at beginning of the year	¥ 48,385	¥ 48,370	¥ 48,370	\$ 409,869
Add:				
Merger reserve	1,369	15	—	11,596
Balance at end of the year	¥ 49,754	¥ 48,385	¥ 48,370	421,465
Retained earnings:				
Balance at beginning of the year	¥ 203,797	¥ 193,927	¥ 180,877	\$ 1,726,362
Add:				
Net income	18,969	15,389	16,612	160,686
Reversal of land revaluation reserve due to adjustment to deferred tax assets	—	61	167	—
Other	88	—	—	745
Deduct:				
Cash dividends paid	(6,071)	(5,553)	(3,702)	(51,427)
Bonuses to directors	(22)	(27)	(27)	(186)
Other	(208)	—	—	(1,762)
Balance at end of the year	¥ 216,553	¥ 203,797	¥ 193,927	\$ 1,834,418
Treasury stock, at cost:				
Balance at beginning of the year	¥ (16,679)	¥ (9,754)	¥ (9,747)	\$ (141,288)
Net change during the year	2,360	(6,925)	(7)	19,992
Balance at end of the year	¥ (14,319)	¥ (16,679)	¥ (9,754)	\$ (121,296)
Net unrealized holding gain on securities:				
Balance at beginning of the year	¥ 9,899	¥ 6,114	¥ 4,631	\$ 83,854
Net change during the year	1,022	3,785	1,483	8,657
Balance at end of the year	¥ 10,921	¥ 9,899	¥ 6,114	\$ 92,511
Land revaluation reserve (Note 9):				
Balance at beginning of the year	¥ (7,568)	¥ (2,359)	¥ (2,192)	\$ (64,108)
Net change during the year	35	(5,209)	(167)	296
Balance at end of the year	¥ (7,533)	¥ (7,568)	¥ (2,359)	\$ (63,812)
Translation adjustments:				
Balance at beginning of the year	¥ 242	¥ (3,282)	¥ (2,623)	\$ 2,050
Net change during the year	1,010	3,524	(659)	8,556
Balance at end of the year	¥ 1,252	¥ 242	¥ (3,282)	\$ 10,606
Minority interests:				
Balance at beginning of the year	¥ 6,535	¥ 6,736	¥ 6,680	\$ 55,358
Net change during the year	190	(201)	(56)	1,609
Balance at end of the year	¥ 6,725	¥ 6,535	¥ 6,736	\$ 56,967
Total net assets	¥ 288,476	¥ 269,734	¥ 264,875	\$ 2,443,676

See accompanying notes to consolidated financial statements.

Nissin Food Products Co., Ltd.
Consolidated Statements of Cash Flows
For the years ended March 31, 2007, 2006 and 2005

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2007	2006	2005	2007
Cash flows from operating activities:				
Income before income taxes and minority interests	¥ 33,578	¥ 29,812	¥ 27,072	\$ 284,439
Depreciation and amortization	6,188	5,977	6,675	52,418
Loss on impairment of fixed assets	1,129	5,632	—	9,564
(Decrease) increase in allowance for doubtful receivables	(174)	(93)	122	(1,474)
(Decrease) in accrued retirement benefits to employees	(5,534)	(2,144)	(644)	(46,878)
Increase (decrease) in accrued retirement benefits to directors and statutory auditors	464	(3,718)	3,877	3,930
Interest and dividend income	(3,112)	(3,065)	(2,538)	(26,362)
Interest expense	48	41	44	407
Foreign currency exchange (gain) loss	(84)	(103)	1	(712)
Equity in earnings of affiliates	(476)	(485)	(427)	(4,032)
Loss on disposal and sales of property, plant and equipment	358	280	238	3,032
Gain on sales of marketable securities and investments in securities and other	(319)	(3,079)	(349)	(2,702)
Loss on valuation of marketable securities and investments in securities and other	1,847	3,791	1,192	15,646
(Increase) decrease in trade notes and accounts receivable	(1,746)	2,052	560	(14,790)
(Increase) decrease in inventories	(223)	322	(502)	(1,889)
(Decrease) increase in trade notes and accounts payable	(39)	233	(497)	(330)
Increase in other payables	1,981	—	—	16,781
(Decrease) increase in accrued consumption taxes	(183)	156	(424)	(1,550)
Bonuses to directors	(22)	(27)	(27)	(186)
Other, net	1,372	(644)	704	11,622
Subtotal	35,053	34,938	35,077	296,934
Interest and dividends received	3,170	2,740	2,683	26,853
Interest paid	(44)	(41)	(44)	(373)
Collection of receivables written-off	—	—	1	—
Income taxes paid	(11,205)	(11,001)	(7,458)	(94,918)
Net cash provided by operating activities	26,974	26,636	30,259	228,496
Cash flows from investing activities:				
Decrease (increase) in time deposits	738	(2,615)	(1,646)	6,252
Payments for purchases of marketable securities	(4,991)	(31,064)	(1,000)	(42,279)
Proceeds from sales and redemption of marketable securities	43,808	12,453	3,790	371,097
Payments for purchases of property, plant and equipment and other	(5,539)	(3,125)	(3,062)	(46,921)
Proceeds from sales of property, plant and equipment and other	16	50	1,502	136
Payments for purchases of investments in securities	(27,146)	(45,834)	(38,006)	(229,954)
Proceeds from sales and redemption of investments in securities	12,253	50,033	8,308	103,795
Payments for purchases of additional shares of consolidated subsidiaries and others	(23,763)	—	(265)	(201,296)
(Increase) decrease in loans receivable	(147)	34	31	(1,245)
Net cash used in investing activities	(4,771)	(20,068)	(30,348)	(40,415)
Cash flows from financing activities:				
Proceeds from short-term borrowings	434	839	—	3,676
Repayment of short-term borrowings	(990)	(1,204)	(2,071)	(8,386)
Proceeds from issuance of long-term debt	—	—	87	—
Repayment of long-term debt	(306)	(84)	—	(2,592)
Net decrease (increase) in treasury stocks	205	(6,925)	(9)	1,737
Cash dividends paid	(6,070)	(5,553)	(3,702)	(51,419)
Cash dividends paid to minority shareholders	(694)	(13)	(14)	(5,879)
Net cash used in financing activities	(7,421)	(12,940)	(5,709)	(62,863)
Effect of exchange rate changes on cash and cash equivalents	91	1,500	(16)	771
Net increase (decrease) in cash and cash equivalents	14,873	(4,872)	(5,814)	125,989
Cash and cash equivalents at beginning of the year	61,570	66,326	72,140	521,559
Increase in cash and cash equivalents arising from initial consolidation of subsidiaries	252	110	—	2,134
Increase in cash and cash equivalents resulting from merger of a consolidated subsidiary with an unconsolidated subsidiary	—	6	—	—
Cash and cash equivalents at end of the year (Note 4)	¥ 76,695	¥ 61,570	¥ 66,326	\$ 649,682

See accompanying 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 ¥118.05 = U.S.\$1.00, the exchange rate prevailing on March 31, 2007. 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.

Certain amounts in the consolidated balance sheet as of March 31, 2006 have been reclassified to conform to the 2007 presentation. These reclassifications had no effect on consolidated net income.

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 fiscal years of MYOJO FOODS CO., LTD. and eight other subsidiaries end on September 30. For these subsidiaries, the *pro-forma* financial statements prepared as of March 31 are used in preparation of the consolidated financial statements.

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. 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, 2007, 2006 and 2005 are as follows:

	2007	2006	2005
Consolidated subsidiaries	33	23	22
Affiliates accounted for by the equity method	2	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 net assets. Cost of securities sold is determined by the moving 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 the 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 to 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 to buildings (except for the attachments to the buildings) acquired on or after April 1, 1998.

(g) Impairment of fixed assets

Effective the year ended March 31, 2006, the Group adopted an accounting standard for the impairment of fixed assets that 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, or (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. The future cash flows have been discounted by 3%. Fixed assets are to be grouped at the lowest levels for which there are identifiable cash flows that are independent of the cash flows from other groups of assets.

As a result of the adoption of this accounting standard loss on impairment of fixed assets in the amount of ¥1,129 million (US\$9,564 thousand) for the year ended March 31, 2007 and ¥5,632 million for the year ended March 31, 2006 was recognized. Income before income taxes and minority interests was also decreased by the same amount from the amount that would have been recorded under the previous method.

(h) Intangible assets

Intangible assets are amortized by the straight-line method. Purchased software is amortized by the straight-line method over a five-year period, the estimated useful life used by the Group.

(i) 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 years ended March 31, 2007 and 2006 were not material.

(j) 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.

(k) Allowance for doubtful receivables

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

(l) Income taxes

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

(m) Amortization of goodwill and negative goodwill

Goodwill and negative goodwill are amortized by the straight-line method over a certain period reasonably determined for each investment on a case-by-case basis, but no longer than 20 years, or charged to income as incurred if the amount is deemed to be immaterial.

(n) Leases

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

(o) Appropriation of retained earnings

Under the Corporation Law 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. Changes in Method of Accounting

(a) Accounting standard for presentation of net assets in the balance sheet

Effective the year ended March 31, 2007, “Accounting Standard for Presentation of Net Assets in the Balance Sheet” and “Guidance on Accounting Standard for Presentation of Net

Assets in the Balance Sheet” have been adopted. The amount corresponding to total shareholders’ equity at March 31, 2007 under the previous method of presentation is ¥281,751 million (US\$2,836,709 thousand). In addition, effective the year ended March 31, 2007, the Company has been required to prepare con-

solidated statements of changes in net assets. In this connection, the previously reported consolidated balance sheet as of March 31, 2006 and consolidated statements of shareholders' equity for the years ended March 31, 2006 and 2005 have been restated to conform to the presentation and disclosure of the consolidated financial statements for the year ended March 31, 2007.

Through March 31, 2006, the Company voluntarily prepared the consolidated statements of shareholders' equity for the convenience of readers outside Japan.

- (b) Accounting standards for business combinations and business divestitures Effective the year ended March 31, 2007, "Accounting Standard for Business Combinations," "Accounting Standard for Business Divestitures," and "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures"

have been adopted.

- (c) Since "Deferred income taxes," which had been included in "Other long-term liabilities" until the year ended March 31, 2006, exceeded 1/100 of total liabilities and net assets, it has been shown as a separate component of "Long-term liabilities" effective the year ended March 31, 2007. "Deferred income taxes" included in "Other long-term liabilities" at March 31, 2006 amounted to ¥1,871 million.
- (d) Since "Goodwill," which had been included in "Intangible fixed assets" until the year ended March 31, 2006, exceeded 1/100 of total assets, it has been shown as a separate component of "Intangible fixed assets" effective the fiscal year ended March 31, 2007. "Goodwill" included in "Intangible fixed assets" at March 31, 2006 amounted to ¥142 million.

4. Cash and Cash Equivalents

A reconciliation of cash and deposits in the consolidated balance sheets and cash and cash equivalents in the consolidated statements of cash flows at March 31, 2007 and 2006 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Cash and deposits	¥ 61,689	¥ 45,116	\$ 522,567
Time deposits with maturities exceeding three months	(3,580)	(2,645)	(30,326)
Marketable securities redeemable within three months	18,586	19,099	157,441
Cash and cash equivalents	¥ 76,695	¥ 61,570	\$ 649,682

5. Acquisitions of Newly Consolidated Subsidiaries

During the year ended March 31, 2007, the Company acquired MYOJO FOODS CO., LTD. whose assets and liabilities, cost of shares acquired and payments for the acquisition of shares are summarized as follows:

MYOJO FOODS CO., LTD.
And its 8 subsidiaries

	Millions of yen	Thousands of U.S. dollars
Current assets	¥ 26,279	\$ 222,609
Fixed assets	33,928	287,404
Goodwill	3,693	31,283
Current liabilities	(17,206)	(145,752)
Non-current liabilities	(9,752)	(82,609)
Minority interests	(4,256)	(36,052)
Cost of acquired shares	32,686	276,883
Cash and cash equivalents	(9,428)	(79,865)
Payments for acquisition of shares	¥ 23,258	\$ 197,018

6. Significant Non-cash Transaction

Allotment of treasury stock related to a share exchange

	Millions of yen	Thousands of U.S. dollars
Decrease in treasury stock	¥2,310	\$ 19,568
Gain on allotment of treasury stock	1,338	11,334
	3,648	30,902

In addition to the above acquisition cost of the shares, costs related to the acquisition of shares incurred amounted to ¥104 million (US\$881 thousand).

7. Securities

(a) Information regarding marketable securities classified as other securities at March 31, 2007 and 2006 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, 2007						
Securities whose carrying value exceeds their acquisition costs:						
I. Equity securities	¥ 32,221	¥ 54,771	¥ 22,550	\$ 272,944	\$ 463,964	\$ 191,020
II. Bonds						
National government	397	398	1	3,363	3,371	8
Corporate	6,783	6,811	28	57,459	57,697	238
Other	2,819	2,844	25	23,879	24,091	212
III. Other	992	1,013	21	8,403	8,581	178
Subtotal	¥ 43,212	¥ 65,837	¥ 22,625	\$ 366,048	\$ 557,704	\$ 191,656
Securities whose carrying value does not exceed their acquisition costs:						
I. Equity securities	¥ 7,605	¥ 7,233	¥ (372)	\$ 64,422	\$ 61,271	\$ (3,151)
II. Bonds						
National government	11,893	11,884	(9)	100,746	100,669	(77)
Corporate	47,828	46,895	(933)	405,150	397,247	(7,903)
Other	102	98	(4)	864	830	(34)
III. Other	—	—	—	—	—	—
Subtotal	¥ 67,428	¥ 66,110	¥ (1,318)	\$ 571,182	\$ 560,017	\$ (11,165)
Total	¥ 110,640	¥ 131,947	¥ 21,307	\$ 937,230	\$ 1,117,721	\$ 180,491

March 31, 2006	Millions of yen		
	Acquisition costs	Carrying value	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition costs:			
I. Equity securities	¥ 26,550	¥ 45,548	¥ 18,998
II. Bonds			
National government	—	—	—
Corporate	7,602	7,620	18
Other	—	—	—
III. Other	113	130	17
Subtotal	¥ 34,265	¥ 53,298	¥ 19,033
Securities whose carrying value does not exceed their acquisition costs:			
I. Equity securities	¥ 9,396	¥ 8,734	¥ (662)
II. Bonds			
National government	21,077	21,051	(26)
Corporate	58,002	56,361	(1,641)
Other	102	96	(6)
III. Other	880	879	(1)
Subtotal	¥ 89,457	¥ 87,121	¥ (2,336)
Total	¥ 123,722	¥ 140,419	¥ 16,697

(b) Sales of investments in securities classified as other securities for the years ended March 31, 2007, 2006 and 2005 are summarized as follows:

March 31.	Millions of yen			Thousands of U.S. dollars
	2007	2006	2005	2007
Proceeds from sales	¥ 26,802	¥ 43,206	¥ 8,179	\$ 227,039
Aggregate gain	615	3,267	375	5,210
Aggregate loss	39	188	25	330

(c) The carrying value of principal non-marketable other securities at March 31, 2007 and 2006 is summarized as follows:

March 31.	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Other securities			
Unlisted equity securities	¥ 3,585	¥ 3,486	\$ 30,368
Beneficial interests in trade receivable trust	1,000	6,499	8,471
Jointly-operated designated money trust	3,000	7,000	25,413
Commercial paper	3,995	6,241	33,842
Preferred equity securities	11,000	11,000	93,181
Other	483	510	4,091

(d) The redemption schedule for securities with maturity dates classified as other securities as of March 31, 2007 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	¥ 11,090	¥ 1,193	¥ —	¥ —
Corporate	1,501	29,275	11,379	10,465
Other	—	2,942	—	—
II. Other	9,027	437	—	—
Total	¥ 21,618	¥ 33,847	¥ 11,379	¥ 10,465

	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	\$ 93,943	\$ 10,106	\$ —	\$ —
Corporate	12,715	247,988	96,391	88,649
Other	—	24,922	—	—
II. Other	76,468	3,701	—	—
Total	\$ 183,126	\$ 286,717	\$ 96,391	\$ 88,649

8. Inventories

Inventories as of March 31, 2007 and 2006 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Finished goods and merchandise	¥ 8,447	¥ 7,500	\$ 71,554
Raw materials and supplies	6,042	5,209	51,182
Total	¥ 14,489	¥ 12,709	\$ 122,736

9. 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 at March 31, 2002. The resulting land revaluation difference represents an unrealized devaluation of land and has been debited directly, net of income taxes, under "Land revaluation reserve" in net assets. There was no effect on the statement of income. Deferred income taxes on land revaluation were shown in the accounts up to the year ended March 31, 2005.

Analysis indicated that there was an opportunity to recover these deferred tax assets in the years ended March 31, 2006 and there after, and the amount was not therefore liquidated and shown in the accounts as Land revaluation reserve.

The market value of the land as of March 31, 2007 and 2006 declined by ¥6,922 million (US\$58,636 thousand) and ¥6,522 million respectively compared with the carrying value of the land revalued as of March 31, 2002.

10. Short-term Borrowings

Short-term borrowings, which amounted to ¥3,791 million (US\$32,113 thousand) and ¥2,854 million as of March 31, 2007 and 2006, respectively, generally represent notes payable to banks.

The average interest rates on these borrowings were 1.31% and 0.955% at March 31, 2007 and 2006, respectively.

11. 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 converted its 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, 2007 and 2006 for the Company's and the consolidated subsidiaries' defined benefit plans:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
(a) Retirement benefit obligation (Note 2)	¥ (42,359)	¥ (38,481)	\$ (358,822)
(b) Plan assets at fair value	34,696	31,682	293,909
(c) Unfunded retirement benefit obligation (a+b)	(7,663)	(6,799)	(64,913)
(d) Unrecognized actuarial gain	(1,016)	(4,637)	(8,607)
(e) Accrued retirement benefits to employees, net (c+d)	(8,679)	(11,436)	(73,520)
(f) Prepaid pension cost	267	224	2,261
(g) Accrued retirement benefits for employees (e-f)	(8,946)	(11,660)	(75,781)

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

2. Domestic consolidated subsidiaries apply a simplified method to calculate retirement benefit obligation.

The components of retirement benefit costs for the years ended March 31, 2007, 2006 and 2005 were as follows:

	Millions of yen			Thousands of U.S. dollars
	2007	2006	2005	2007
(a) Service cost (Notes 1 and 2)	¥ 1,566	¥ 1,201	¥ 1,760	\$ 13,266
(b) Interest cost	913	841	801	7,734
(c) Expected return on pension assets	(727)	(540)	(454)	(6,159)
(d) Amortization of actuarial (gain) loss	(4,641)	(668)	584	(39,314)
Total net periodic pension cost	(2,889)	834	2,691	(24,473)

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 that was principally 2.5% and an expected rate of return on plan assets of 2.5% for the years ended March 31, 2007, 2006 and 2005.

12. Income Taxes

Income taxes applicable to the Company and its domestic subsidiaries comprise corporate taxes, inhabitants' taxes and enterprise tax which, in the aggregate, resulted in a statutory tax rate of 40.33% for the years ended March 31, 2007 and 2006. Overseas subsidiaries are subject to

the income taxes of the respective countries in which they operate.

The effective tax rates for the years ended March 31, 2007 and 2006 differ from the Company's statutory tax rate for the following reasons:

	2007	2006
Statutory tax rate	40.33%	40.33%
Corporate tax credit	(1.10)	(1.48)
Equity in earnings of an affiliate	(0.57)	(0.66)
Loss on revaluation of investments in affiliates	—	6.28
Tax loss carryforward recorded by consolidated subsidiaries	4.19	—
Loss on impairment of fixed assets	—	5.93
Difference in consolidated subsidiaries' applicable tax rate	0.12	(1.76)
Other	0.35	(0.11)
Effective tax rates	43.32	48.53

Reconciliation of the statutory tax rate to the effective tax rate for the year ended March 31, 2005, has not been 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 and liabilities at March 31, 2007 and 2006 are presented below:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Deferred tax assets:			
Unrealized losses on securities	¥ 7,261	¥ 6,084	\$ 61,508
Accrued retirement benefits to employees	3,733	4,701	31,622
Accounts payable	3,943	3,263	33,401
Loss on impairment of fixed assets	1,534	1,208	12,994
Accrued retirement benefits to directors and statutory auditors	825	726	6,989
Accrued bonuses	1,165	1,134	9,869
Allowance for doubtful receivables	—	1,062	—
Depreciation and amortization	1,052	627	8,911
Tax loss carryforwards of consolidated subsidiaries	7,751	6,080	65,659
Other	1,738	1,318	14,723
Gross deferred tax assets	29,002	26,203	245,676
Less: valuation allowance	(16,177)	(12,196)	(137,035)
Total deferred tax assets	12,825	14,007	108,641
Deferred tax liabilities:			
Deferred capital gain on properties	(2,287)	(1,984)	(19,373)
Unrealized holding gain on securities	(7,657)	(6,746)	(64,862)
Revaluation gain recognized upon consolidation	(5,852)	—	(49,573)
Other	(1,191)	(483)	(10,089)
Total deferred tax liabilities	(16,987)	(9,213)	(143,897)
Net deferred tax (liabilities) assets	¥ (4,162)	¥ 4,794	\$ (35,256)

13. Shareholders' Equity

The new Corporation Law of Japan (the "Law"), which superseded most of the provisions of the Commercial Code of Japan, went into effect on May 1, 2006. The Law provides that an amount equal to 10% of the amount to be disbursed as distributions of capital surplus (other than the capital reserve) and retained earnings (other than the legal reserve) be transferred to the capital reserve and the legal reserve, respectively, until the sum of the capital reserve and the legal reserve equals 25% of the capital stock account. Such distributions can be made at any time by resolution of the shareholders, or by the Board of Directors if certain conditions are met.

The Company's legal reserve included in retained earnings at March 31, 2007 and 2006 amounted to ¥6,280 million (US\$53,198 thousand).

Under the Law, upon the issuance and sale of new shares of capital stock, the entire amount of the proceeds is required to be accounted for as capital stock, although a company may, by resolution of the Board of Directors, account for an amount not exceeding one-half of the proceeds of the sale of new shares as additional paid-in capital included in capital surplus.

Movements in issued common stock and treasury stock for the year ended March 31, 2007 are summarized as follows:

	Number of shares			March 31, 2007
	March 31, 2006	Increase	Decrease	
2007				
Common stock and treasury stock:				
Common stock	127,463,685	—	—	127,463,685
Treasury stock	60,615	9	8,652	51,922

14. 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 ¥3,164 million (US\$26,802 thousand), ¥2,727 million and ¥2,697 million for the years ended March 31, 2007, 2006 and 2005, respectively.

15. 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, 2007 as follows:

Location	Usage	Asset type
Hanyu City, Saitama Prefecture	Business assets	Buildings, machinery and equipment
Toride City, Ibaraki Prefecture and two other locations	Idle assets	Buildings, machinery and equipment
MYOJO FOODSERVICE CO., LTD. and three other companies	Business assets	Buildings, machinery and equipment

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 carrying value of operating fixed assets whose profitability declined and idle fixed assets whose fair value declined values to their respective net recoverable value or reminder price and the Group recorded loss on impairment of fixed assets of ¥1,129 million (US\$9,564 thousand) in the consolidated statement of income for the year ended March 31, 2007. This impairment loss consisted of losses on buildings and structures of ¥504 million (US\$4,269 thousand), machinery, equipment and vehicles of ¥555 million (US\$4,702 thousand), tools and fixtures of ¥6 million (US\$51 thousand), land of ¥43 million (US\$364 thousand) and intangible fixed assets of ¥21 million (US\$178 thousand).

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, 2007 represented revaluation losses on investments in Jinmailang Foods Co., Ltd. (previously Nissin Hualong Foods Co., Ltd.) and Hebei Jinmailang Paper Products Co., Ltd. (previously Heibai Nissin Hualong Paper Products Co., Ltd.)

(c) Provision for accrued retirement benefits to directors and statutory auditors

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

16. Leases

The following *pro-forma* amounts represent the acquisition cost, accumulated depreciation and net book value of the property leased to the Group at March 31, 2007 and 2006, 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
2007						
Machinery and vehicles	¥ 1,327	¥ 660	¥ 667	\$ 11,241	\$ 5,591	\$ 5,650
Equipment	620	384	236	5,252	3,253	1,999
Intangible fixed assets and other	102	22	80	864	186	678
Total	¥ 2,049	¥ 1,066	¥ 983	\$ 17,357	\$ 9,030	\$ 8,327

	Millions of yen		
	Acquisition cost	Accumulated depreciation	Net book value
2006			
Machinery	¥ 1,259	¥ 662	¥ 597
Equipment	448	265	183
Total	¥ 1,707	¥ 927	¥ 780

Future minimum lease payments subsequent to March 31, 2007 for finance leases accounted for as operating leases are summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2008	¥ 355	\$ 3,007
2009 and thereafter	628	5,320
Total	¥ 983	\$ 8,327

Note: The acquisition cost 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 ¥367 million (US\$3,109 thousand), ¥338 million and ¥346 million, which were approximately equal to the depreciation of

the leased assets computed by the straight-line method over the respective lease terms assuming nil residual value for the years ended March 31, 2007, 2006 and 2005, respectively.

17. Derivative Financial Instruments

The Group utilizes forward foreign exchange contracts to manage risk arising from adverse fluctuations in foreign currency exchange rates. The Group does not enter into derivatives contracts for speculative or short-term trading purposes.

The Group has established policies which were approved at a management meeting of the Company. In accordance with these policies, the Financial Division controls and executes the forward foreign exchange contracts. An evaluation of hedge effectiveness has been omitted since the significant conditions of the hedging instruments

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

The Group enters into forward foreign exchange contracts with financial institutions with high credit ratings to reduce 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, 2007 and 2006.

18. Amounts per Share

Amounts per share at March 31, 2007, 2006 and 2005 and for the years then ended were as follows:

	Yen			U.S. dollars
	2007	2006	2005	2007
Net assets	¥2,304.40	¥2,167.81	¥2,091.16	\$19.52
Net income				
Basic	156.12	125.09	134.36	1.32
Cash dividends applicable to the year	50.00	30.00	30.00	0.42

The amounts per share of net assets have 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 outstand-

ing during the year. Diluted net income per share has not been presented because there were no potentially dilutive shares at March 31, 2007, 2006 and 2005.

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.

19. Contingent Liability

In the year ended March 31, 2007, for workers' compensation of Camino Real Foods, Inc., which was formerly a consolidated subsidiary, a debt guarantee with a maximum obligation of US\$762,900

(¥90 million) has been arranged with a financial institution. Also, a total of ¥90 million of cash in hand and on deposit was pledged as collateral for the said workers' compensation as of March 31, 2007.

20. Segment Information

The Group classifies its business into two segments principally based on 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 confectionary, beverages and food service business.

The following tables present the business and geographic segment information and the overseas sales of the Group for the years ended March 31, 2007, 2006 and 2005:

(a) Information by business segment

Year ended March 31, 2007	Millions of yen			
	Instant noodle and associated business	Other business	Eliminations	Consolidated
I. Sales and operating income				
Sales to third parties	¥ 325,468	¥ 32,770	¥ —	¥ 358,238
Intersegment sales	—	6,091	(6,091)	—
Total	325,468	38,861	(6,091)	358,238
Operating expenses	293,115	36,609	(5,221)	324,503
Operating income	¥ 32,353	¥ 2,252	¥ (870)	¥ 33,735
II. Assets, depreciation and amortization, loss on impairment of fixed assets and capital investment				
Assets	¥ 375,446	¥ 31,824	¥ 3,137	¥ 410,407
Depreciation and amortization	5,338	850	—	6,188
Loss on impairment of fixed assets	973	156	—	1,129
Capital investment	5,051	1,096	—	6,147

Year ended March 31, 2007	Thousands of U.S. dollars			
	Instant noodle and associated business	Other business	Eliminations	Consolidated
I. Sales and operating income				
Sales to third parties	\$ 2,757,035	\$ 277,594	\$ —	\$ 3,034,629
Intersegment sales	—	51,597	(51,597)	—
Total	2,757,035	329,191	(51,597)	3,034,629
Operating expenses	2,482,973	310,114	(44,227)	2,748,860
Operating income	\$ 274,062	\$ 19,077	\$ (7,370)	\$ 285,769
II. Assets, depreciation and amortization, loss on impairment of fixed assets and capital investment				
Assets	\$ 3,180,398	\$ 269,581	\$ 26,573	\$ 3,476,552
Depreciation and amortization	45,218	7,200	—	52,418
Loss on impairment of fixed assets	8,242	1,322	—	9,564
Capital investment	42,787	9,284	—	52,071

Year ended March 31, 2006	Millions of yen			
	Instant noodle and associated business	Other business	Eliminations	Consolidated
I. Sales and operating income				
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

Note: Business segment information for the year ended March 31, 2005 has not been shown since instant noodle and associated business accounted for more than 90% of consolidated net sales, consolidated operating income and consolidated total assets.

(b) Information by geographic area

	Millions of yen				
	Japan	North America	Other areas	Eliminations	Consolidated
Year ended March 31, 2007					
I. Sales and operating income (loss)					
Sales to third parties	¥ 303,718	¥ 30,505	¥ 24,015	¥ —	¥ 358,238
Intersegment sales	1,277	—	656	(1,933)	—
Total	304,995	30,505	24,671	(1,933)	358,238
Operating expenses	270,749	32,770	22,434	(1,450)	324,503
Operating income (loss)	¥ 34,246	¥ (2,265)	¥ 2,237	¥ (483)	¥ 33,735
II. Assets	¥ 382,317	¥ 16,805	¥ 31,499	¥ (20,214)	¥ 410,407

	Thousands of U.S. dollars				
	Japan	North America	Other areas	Eliminations	Consolidated
Year ended March 31, 2007					
I. Sales and operating income (loss)					
Sales to third parties	\$ 2,572,791	\$ 258,407	\$ 203,431	\$ —	\$ 3,034,629
Intersegment sales	10,817	—	5,557	(16,374)	—
Total	2,583,608	258,407	208,988	(16,374)	3,034,629
Operating expenses	2,293,511	277,594	190,038	(12,282)	2,748,860
Operating income (loss)	\$ 290,097	\$ (19,187)	\$ 18,950	\$ (4,092)	\$ 285,769
II. Assets	\$ 3,238,602	\$ 142,355	\$ 266,828	\$ (171,233)	\$ 3,476,552

	Millions of yen				
	Japan	North America	Other areas	Eliminations	Consolidated
Year ended March 31, 2006					
I. Sales and operating income (loss)					
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

	Millions of yen				
	Japan	North America	Other areas	Eliminations	Consolidated
Year ended March 31, 2005					
I. Sales and operating income (loss)					
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

(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, 2007, 2006 and 2005 are summarized as follows:

Year ended March 31, 2007	Millions of yen			Thousands of U.S. dollars		
	North America	Other areas	Total	North America	Other areas	Total
Overseas sales	¥ 30,831	¥ 25,075	¥ 55,906	\$ 261,169	\$ 212,410	\$ 473,579
Consolidated sales	—	—	358,238			3,034,629
Overseas sales as a percentage of consolidated sales	8.6%	7.0%	15.6%			

Year ended March 31, 2006	Millions of yen		
	North America	Other areas	Total
Overseas sales	¥ 30,226	¥ 22,471	¥ 52,697
Consolidated sales	—	—	321,700
Overseas sales as a percentage of 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
Overseas sales as a percentage of consolidated sales	7.6%	6.2%	13.8%

- Notes: 1. Classification of the above countries or regions is based on geographical proximity.
2. Principal countries classified in the above regions
North America: U.S.A. and Mexico
Other areas: China and Germany
3. Overseas sales represent the sum total of sales to the overseas market outside Japan by the Company and its consolidated subsidiaries.
(Sales between consolidated subsidiaries are not included.)

21. Business Combination and Other

(Application of purchase method and transactions under common control)

1. Summary of business combination

- (1) Name of acquired entity.....MYOJO FOODS CO., LTD.
- (2) Major businesses of the acquired entity.....Instant noodle business and food service business
- (3) Major reasons for business combination
 1. To provide maximum support to MYOJO FOODS CO., LTD. so that it is able to maintain and develop its management policy from medium- and long-term viewpoints.
 2. To realize enhancement of corporate values of both the Company and MYOJO FOODS CO., LTD. by creating synergy through the business alliance, such as supplying attractive products that meet the needs of a broader range of consumers, including those overseas.
- (4) Business combination date.....December 22, 2006
- (5) Legal form of business combination
Establishment of a wholly-owned subsidiary through a takeover bid for shares and a share exchange
- (6) Name of the entity after business combination.....Nissin Food Products Co., Ltd.
- (7) Percentage of voting rights acquired.....100%

2. Period for which the operating results of the acquired entity were included in the consolidated financial statements

From October 1, 2006 to March 31, 2007

3. Details of acquisition cost of the acquired entity

(1) Takeover bid for shares

1. Details of acquisition cost

Acquisition cost of shares: ¥31,985 million (US\$270,945 thousand)

Total acquisition cost: ¥32,686 million (US\$276,883 thousand)

(2) Share exchange

1. Summary of accounting treatment applied

Upon the said share exchange, the Company allotted 838,623 shares of common stock held in treasury on March 31, 2007.

Accordingly, capital surplus increased by ¥1,338 million (US\$11,334 thousand).

2. Acquisition cost

¥3,752 million (US\$31,783 thousand) (including ¥104 million (US\$881 thousand) of direct expenses for the share exchange)

3. Share exchange ratio

0.195 shares of the Company allotted to one share of MYOJO FOODS CO., LTD.

4. Method of calculation

In order to calculate the fair value of shares of the Company and of MYOJO FOODS CO., LTD., the Company adopted several methods, including the market share price averaging method, which is considered highly objective as a share value calculation method for listed companies, and the DCF (discounted cash flow) method, which is generally adopted, while referring to the takeover bid price. MYOJO FOODS CO., LTD. adopted the market share price averaging method and the DCF method. After discussions based on the results of application of these methods of calculation, as well as referring to the takeover bid price, the Company and MYOJO FOODS CO., LTD. agreed on the share exchange ratio stated in 3, above.

5. Number of shares issued

838,623 shares

6. Valuation amount

¥4,350 per share (US\$36.8) (same as to the closing price on the Tokyo Stock Exchange of the day prior to the day when the share exchange contract was concluded)

4. Amount of goodwill incurred, causes of goodwill method of amortization and period

(1) Amount of goodwill incurred

Incurred from takeover bid: ¥3,693 million (US\$31,283 thousand)

Incurred from share exchange: ¥ 286 million (US\$ 2,423 thousand)

(2) Causes of goodwill

Goodwill incurred in relation to the future profitability of MYOJO FOODS CO., LTD. expected as a result of its business development.

(3) Amortization method and period

Goodwill is amortized by the straight-line method over 10 years.

5. Amounts and details of assets acquired and liabilities assumed on the business combination date

Assets: ¥60,207 million (US\$510,013 thousand) (current assets ¥26,279 million (US\$222,609 thousand), fixed assets ¥33,928 million (US\$287,404 thousand))

Liabilities: ¥26,958 million (US\$228,361 thousand) (current liabilities ¥17,206 million (US\$145,752 thousand), long-term liabilities ¥9,752 million (US\$82,609 thousand))

* Other than the above, ¥4,256 million of minority interests were also acquired on the business combination date.

6. Estimated impact on the consolidated statement of income for the current fiscal year if the business combination was assumed to have been completed at the beginning of the current fiscal year

Net sales: ¥397.2 billion (US\$3,365 million)

Operating income: ¥34.7 billion (US\$ 294 million)

Net income: ¥19.2 billion (US\$ 163 million)

Net income per share: ¥158.23 (US\$1.34)

*The above estimated amounts, after adjustments for amortization of goodwill and other, are calculated based on the assumption that the takeover bid and the share exchange had been conducted and that MYOJO FOODS CO., LTD. had become a wholly-owned subsidiary at the beginning of the current fiscal year (April 1, 2006). Note that these four estimates have not been certified by auditors.

22. Subsequent Event

The following appropriation of retained earnings of the Company, which has not been reflected in the accompanying consolidated financial statements for the year ended March 31, 2007, was approved at a meeting of the shareholders of the Company held on June 28, 2007:

	Millions of yen	Thousands of U.S. dollars
Cash dividends (¥15 = US\$0.13 per share)	¥ 1,834	\$ 15,536



■ Certified Public Accountants
Osaka Kokusai Bldg., 29th Floor
3-13, Azuchi-machi, 2-chome
Chuo-ku, Osaka, Japan 541-0052

■ Tel: 06 4964 6669
Fax: 06 6263 5170

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, 2007 and 2006, and the related consolidated statements of income, changes in net assets, and cash flows for each of the three years in the period ended March 31, 2007, 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, 2007 and 2006, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 2007 in conformity with accounting principles generally accepted in Japan.

Supplemental Information

As described in Note 2 (g), effective the year ended March 31, 2006, the Company and consolidated subsidiaries adopted an 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, 2007 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 28, 2007

Business Areas of Consolidated Subsidiaries and Affiliates

(As of March 31, 2007)

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 (20.0)
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	100.0 (100.0)
Fine Foods Corporation	¥100 million	Cup-type noodle topping manufacturing and marketing	100.0 (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⁾	¥2,600 million	Confectionery manufacturing and marketing	80.0
Uji Kaihatsu Development Co., Ltd.	¥850 million	Golf course management	70.7 (5.7)
Ajinihon Co., Ltd. ⁽¹⁾	¥95 million	Soup manufacturing and marketing	46.4
MYOJO FOODS CO., LTD. ⁽²⁾	¥3,143 million	Cup- and pillow- type noodle manufacturing and marketing	100.0
MYOJO FOODSERVICE CO., LTD.	¥365 million	Food service	74.0 (74.0)
NISHINIHON MYOJO CO., LTD.	¥90 million	Cup- and pillow- type noodle manufacturing and marketing	100.0 (100.0)
UNI-STAR CO., LTD.	¥150 million	Soup manufacturing and marketing	100.0 (100.0)
MYOJO FRESH CO., LTD.	¥400 million	Chilled food manufacturing and marketing	100.0 (100.0)
MYOJO SUPPLY SERVICE. CO., LTD.	¥90 million	Contracted manufacturing	100.0 (100.0)
GENBU CO., LTD.	¥10 million	Food service	100.0 (100.0)
Nissin Foods (U.S.A.) Co., Inc. ⁽²⁾	US\$83,500 thousand	Cup- and pillow-type noodle manufacturing and marketing	90.0
Nissin Foods de Mexico S.A. de C.V.	MXN 143,731 thousand	Cup-type noodle manufacturing and marketing	100.0
Nissin Foods Kft.	HUF 1,000,000 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 (99.0)
Nissin Foods Co., Ltd. ⁽²⁾	HK\$671,600 thousand	Cup- and pillow-type noodle manufacturing and marketing	100.0
Miracle Foods Co., Ltd.	HK\$21,000 thousand	Container manufacturing and marketing	100.0 (100.0)
Guangdong Shunde Nissin Foods Co., Ltd.	HK\$130,000 thousand	Cup- and pillow-type noodle manufacturing and marketing	100.0 (100.0)
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 (70.5)
Guangyongnan Food Products (Shenzhen) Co., Ltd.	HK\$11,000 thousand	Frozen food manufacturing and marketing	100.0 (100.0)
Shanghai Nissin Foods Co., Ltd. ⁽²⁾	US\$25,000 thousand	Cup- and pillow-type noodle manufacturing and marketing	100.0 (100.0)
Nissin Foods (China) Holding Co., Ltd. ⁽²⁾	US\$40,500 thousand	Invests in businesses in the PRC	100.0 (100.0)
Indo Nissin Foods Ltd.	INR 697,500 thousand	Cup- and pillow-type noodle manufacturing and marketing	74.8
MYOJO U.S.A., INC.	US\$5,000 thousand	Chilled food manufacturing and marketing	96.0 (96.0)
MYOJO FOODS CO. (S) PTE. LTD.	SG\$1,000 thousand	Cup- and pillow- type noodle manufacturing and marketing	100.0 (100.0)
Affiliates Accounted for by the Equity Method			
Nissin-Ajinomoto Alimentos Ltda.	BRL 12,688 thousand	Cup- and pillow-type noodle manufacturing and marketing	50.0
THAI PRESIDENT FOODS PUBLIC COMPANY LIMITED	THB 180,000 thousand	Cup- and pillow- type noodle manufacturing and marketing	20.1

Notes: 1. While the equity ownership is less than 50%, Nissin Foods substantially controls the company as a consolidated subsidiary.

2. Special subsidiaries

3. The figures in () of equity ownership show percentage of indirect ownership.