

# CORPORATE GOVERNANCE AND COMPLIANCE

**Strong corporate governance is one of our most important management priorities, along with the provision of safe, high-quality food and the conduct of business that maximizes the interests of all stakeholders, including shareholders, consumers, employees and host communities. At the same time, we observe the letter and spirit of the law, in Japan and abroad, and strive for objective, highly transparent management through group-wide compliance based on clearly defined guidelines.**

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## **BASIC POLICY ON CORPORATE GOVERNANCE**

In corporate governance, Nissin Foods strives to achieve highly objective and transparent management. To that end, for many years we have sought management vitalization and transparency by appointing multiple outside directors and outside corporate auditors and actively reflecting the opinions of outside authorities in management. In June 1998, we introduced an executive officer system to promote rapid decision-making and to separate management and business execution.

The Board of Directors consists of 15 members: 11 directors, including two outside directors, and four corporate auditors, including two outside corporate auditors. The Board meets monthly and convenes extraordinary meetings as necessary. The Board decides important matters concerning business execution, including basic management policies and strategy, and supervises the execution of duties by the directors.

The Company maintains two consultative bodies to the Board of Directors. The Management Committee, consisting of full-time directors and standing corporate auditors, meets twice monthly to discuss matters to be decided by the Board and to discuss and decide matters delegated to it by the Board. The Investment and Loan Strategy Committee, consisting of full-time directors, standing corporate auditors, corporate executive officers and department managers, meets monthly to conduct preliminary assessments of and discuss important investment projects. The Executive Committee, consisting of full-time directors, standing corporate auditors and corporate executive officers, meets monthly in order for the representative director (president) to supervise business execution by the corporate executive officers. At the meetings, the president conveys management policies and the corporate executive officers report to the president.

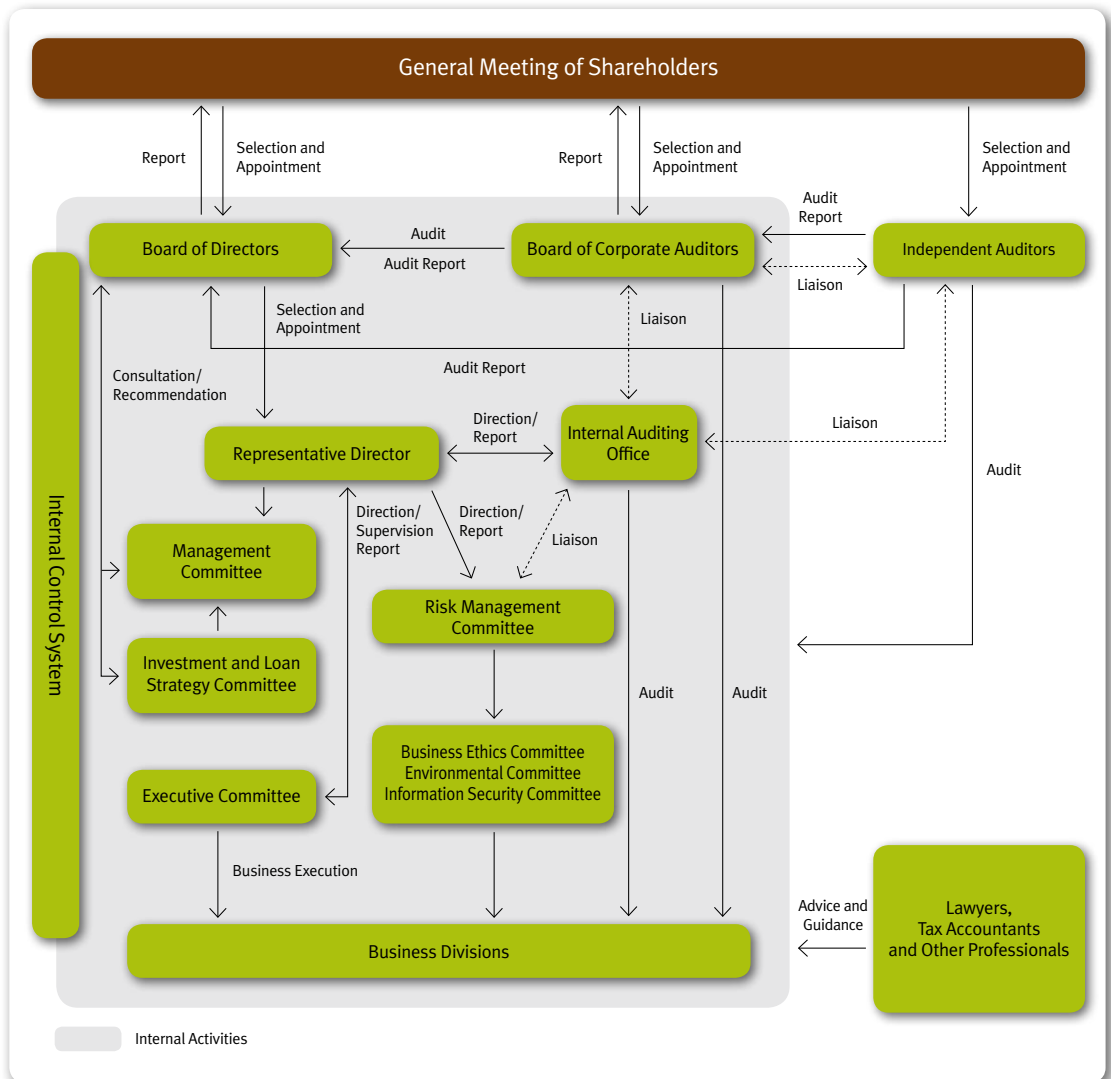
Nissin Foods has adopted the statutory auditor system. The Board of Corporate Auditors consisting of four corporate auditors, including two outside corporate auditors, is an organization that establishes audit policies and audit plans, serves as a mechanism for mutual reporting among the corporate auditors on important matters concerning audits and engages in necessary discussion and decision-making. The Board meets on alternate months and holds extraordinary meetings as necessary. Since 2006, an alternate corporate auditor (two-year term) has been elected to step in should a vacancy occur in an outside statutory auditor position.

## **STATE OF DEVELOPMENT OF INTERNAL CONTROL SYSTEMS**

Nissin Foods regards the development, construction and appropriate operation of internal control systems as one of its most important management priorities. In May 2006, the Board of Directors decided the basic policy on the construction of internal control systems, and a group-wide initiative has been launched in response. The Company aims for continuous improvement through reviews of internal control systems at appropriate intervals and strives to construct more appropriate and efficient systems.

The corporate auditors audit the effectiveness of internal control systems in all aspects of management. The corporate auditors and the Internal Auditing Office audit and verify the effectiveness of internal controls in operational audits of individual business departments, pointing out areas for improvement and providing guidance and instructions as necessary.

The Company is also developing internal control systems related to financial reporting in response to enactment of the Financial Instruments and Exchange Law. We aim to develop and implement systems that provide checks and balances at the departmental



level in day-to-day operations such as purchasing, production, distribution, sales and administration as well as systems that provide checks and balances between departments.

### DEVELOPMENT OF THE COMPLIANCE STRUCTURE

Toward the development of internal control systems to strengthen the Group's compliance structure, Nissin Foods has established and revised the following: Nissin Foods Code of Ethics, Nissin Foods Code of Compliance, Nissin Foods Code of Environment, Nissin Foods Code of Risk

Management, and others. Nissin Foods will continue to establish and revise its compliance structure as necessary.

We have also established a Risk Management Committee, headed by the Representative Director, which is responsible for prevention, detection and management of any risks on the Group activities. Through these measures, all Group companies and individuals will work to build and maintain solid corporate value.