



PRESIDENT'S
MESSAGE

TO BE NUMBER
ONE

President
Koki Ando

NISSIN FOODS HOLDINGS was first out of the gate with the world's original instant noodles in 1958. Fifty years later, the industry we launched is still opening up new markets around the world. To win hearts in each of those markets, we strive to out-distance the competition not only through innovation, but also through our commitment to deliver the ultimate in food safety and customer enjoyment.

PRESIDENT'S MESSAGE

On October 1, 2008, our 50th anniversary, NISSIN FOODS HOLDINGS CO., LTD. (“the Company”) implemented a transformation to a holding company structure. We are embarked on a new course, suited to the times and in pursuit of the unlimited potential of food.

Review of Business Performance

In the year ended March 31, 2009, the Company posted consolidated net sales of ¥362,057 million (U.S.\$3,686 million), a 6.1% decrease from the previous year. Numerous factors contributed to the sales decline, including a drop off in selling power resulting from the first price increase in 17 years, sharp yen appreciation, a change in the sales mix caused by factors such as open pricing*, a sales decline caused by a transferred odor problem and a global recession triggered by the economic crisis in the U.S.

Operating income fell by 14.9% year on year to ¥23,552 million (U.S.\$240 million). The decrease is attributable to factors including higher expenses related to retirement benefits, higher manufacturing costs due to soaring prices of flour and other raw materials, the sales decline and advertising costs to publicize a product recall and correct product storage methods.

* Open pricing is a method of pricing by which the manufacturer does not include advertising and promotion costs in shipping prices and does not decide suggested retail prices. Ordinarily, open pricing leads to selling at low prices.

In the Food Industry, Economic Recession is an Opportunity for Growth

The year under review brought an unprecedented business environment in which we had to cope with both inflation and deflation in a single fiscal year. The first half began with sharp inflation in the prices of oil and flour and other raw materials, and in the second half, Japan’s economy saw deflationary trends in prices of consumer goods.

To cover the higher prices for raw materials, in January we felt it was unavoidable that we raise prices for instant noodles in Japan, the Company’s mainstay products—the first increase in 17 years. To accomplish this, we implemented a sales policy for these products that enabled retailers to sell them at appropriate prices with the aim of bringing market prices, which had fallen too far, in line with brand value. We simultaneously expanded the range of products sold under an open price system, to satisfy the needs of those retailers and consumers who demand everyday-low-pricing or uniform ¥100 pricing.

These measures to support the market price of flagship products, while also allowing open pricing on other products proved successful. We were able to secure an increase in operating profit, excluding retirement benefits expenses, amid sharp increases in raw materials costs.

Product Quality Enhancements Necessary to Protect Brands

Amid what has been called a “once in a hundred year recession,” we undertook quality improvements appropriate to the times for products for which we implemented price increases, even as we offered other items intended to sell at low prices. The low-priced products are open price products and products developed jointly with retailers or private brands.

An example of a quality improvement is the switch from styrofoam to the paper ECO cup as the packaging material for *Cup Noodle*, our mainstay product. Paper-based packaging materials make it possible to reduce flavor loss by better sealing out moisture, and they reduce CO₂ emissions. With regard

to *Donbei* Japanese-style noodles, we perfected a “straight noodle technology” that made it possible to convert wavy noodles to completely straight ones 32 years after the product’s introduction.

Also, as an experiment, we introduced *Cup Noodle Light*, a new product having only 198 calories that offers the same flavor as regular *Cup Noodle*, which has 364 calories. The introduction enables us to recommend *Cup Noodle Light* to customers who watch their calories.

Consumer Safety Increased: the Transferred Odor Problem and an Improved Paper Cup

The food products industry faced another major problem in 2008. A spate of news reports involving tampering with food products and food mislabeling shook consumer confidence in food products, and consumer wariness about food safety and quality increased. The NISSIN FOODS Group (“the Group”) experienced a problem in October when odor from insect repellent was transferred to a subsidiary’s product. It turned out that the problem was caused by the way the customer stored the product and not a problem in the manufacturing, distribution or retailing processes. Nevertheless, we believe that as a manufacturer with a well-known brand, we should take responsibility for our products until the time of consumption. We ran advertising promoting to customers the optimal product storage methods. We also improved the *Cup Noodle* container by changing to a new composition with improved sealing, ensuring that odors will not be transferred under any circumstances. For a brand manufacturer, damage to a brand can be a life-or-death matter. A product that is not safe is not a food product. We check and double check the meat, leeks, eggs, shrimp and flour we use in our products. We are exceptionally careful about our quality control because it benefits no one, not even competitors if defects are found in our products. That’s what brand management is all about. We are very sensitive to this, and it is probably fair to say that no other company in the processed food industry is more sensitive about safety than us.

Overseas Markets—Improved Profitability in North America and Market Expansion in Russia

Although we recorded a loss of ¥1,482 million (U.S.\$15 million) in the full year results for North America, in fact we recorded the first quarterly profit in several years in the fourth quarter. Until recently, selling prices had fallen altogether too low. At a time of soaring prices of crude oil and wheat and other raw materials, we took the opportunity to raise prices. Products with selling prices of about a dollar began to sell well, among them *CHOW MEIN*, *Souper Meal* and *Bowl Noodles* (spicy and sour noodles in lemon and lime flavor containing red pepper). In Japan we offer not only the cup-type products such as *Cup Noodle*, but also a wide variety of products in bowls and fried-type noodles, and similar product range development has finally begun in the U.S.

We have entered into a business alliance in Russia, the only BRICs market that we had not yet entered. Total annual demand for pillow-type instant noodles in Russia has grown to approximately two billion servings, or about 14 servings per person. Russia, together with the Ukraine and other surrounding countries, represents a promising new market with a population of about 300 million. Accordingly, in December 2008 we entered into an agreement for a capital alliance with ANGLESIDE LIMITED (currently, MAREVEN FOOD HOLDINGS LIMITED), parent company of LLC Mareven Food Central, Russia’s largest instant noodle maker. As our equity position is currently 14.9%, the company is not yet an equity method subsidiary. Through this alliance with a leading manufacturer, we anticipate synergy over the medium to long term to increase corporate value for both parties.

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NISSIN FOODS as a Branding Corporation

The Group aims to be a Branding Corporation, which we define as a conglomerate that creates and develops market-leading brands in our chosen food product categories. The Group has many brands in product lines including instant noodles, chilled food products, frozen food products, cereal products, confectionaries, and lactic acid bacterial beverages. We seek to be a Branding Corporation that can create numerous brands loved by customers for years to come.

To realize this vision, in October 2008, we shifted to a holding company structure and launched the Group consisting of seven operating companies in Japan and four overseas business regions. By increasing the number of presidents from one to 11, we aim to establish a business structure that can maximize the Group's overall corporate value through the operating company presidents on the basis of a more flexible, efficient management system. A characteristic of this corporate structure is that the holding company is positioned below the operating companies so as to support the 11 companies that have profit center responsibility.

Growing and Profiting Together with Stakeholders

The Company constantly strives to boost the Group's earning potential. We recognize that the enhancement of corporate value and appropriate shareholder returns are the most important management priorities and have formulated a basic policy of providing continuous and stable shareholder returns. In accordance with this policy, we will continue to aim for a full-year dividend payout ratio of 30%, and we plan to pay an annual dividend of ¥50 (U.S.\$0.51) for the year under review.

The structure of the instant noodles business is such that business performance doesn't deteriorate substantially as a result of economic recession. The food products sector has always been called a defensive sector, and it is a stable business provided major accidents can be avoided. The global economy may be in recession, but we consider this a time of growth.

We will continue to reward the expectations and confidence of our stakeholders by pursuing global business development centered on our brand business. I ask your continued support and encouragement in the years to come.

Koki Ando