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## **Internet Disclosure Items for Notice of the 69th Ordinary General Meeting of Shareholders**

The Company provides this document to shareholders by means of disclosure through the Company's website (<http://nissin.com/>) in accordance with the laws and regulations and Article 17 of the Company's Articles of Incorporation.

**NISSIN FOODS HOLDINGS CO., LTD.**

<Contents>

(From April 1, 2016 to March 31, 2017)

1.	Items Regarding Stock Acquisition Rights of the Company .....	1
2.	Systems and Policy of the Company.....	3
3.	Basic Policy on Control of the Company.....	10
4.	Notes to Consolidated Financial Statements.....	13
5.	Notes to Non-consolidated Financial Statements .....	23

## 1. Items Regarding Stock Acquisition Rights of the Company

### (1) Status of stock acquisition rights as of the end of the fiscal year under review

Name	Exercise period	Number of stock acquisition rights	Class and number of shares	Amount paid per share (Yen)	Exercise price per share (Yen)
2nd series stock acquisition rights	From June 27, 2009 to June 26, 2049	428	Common share 42,800	2,325	1
3rd series stock acquisition rights	From June 27, 2009 to June 26, 2049	1,403	Common share 1,403	2,677	1
4th series stock acquisition rights	From June 27, 2009 to June 26, 2049	5,355	Common share 5,355	2,677	1
6th series stock acquisition rights	From June 30, 2010 to June 29, 2050	433	Common share 43,300	2,616	1
7th series stock acquisition rights	From June 30, 2010 to June 29, 2050	2,776	Common share 2,776	3,003	1
8th series stock acquisition rights	From June 30, 2010 to June 29, 2050	12,303	Common share 12,303	3,003	1
9th series stock acquisition rights	From June 30, 2011 to June 29, 2051	486	Common share 48,600	2,141	1
10th series stock acquisition rights	From June 30, 2011 to June 29, 2051	3,802	Common share 3,802	2,614	1
11th series stock acquisition rights	From June 30, 2011 to June 29, 2051	16,207	Common share 16,207	2,614	1
13th series stock acquisition rights	From June 29, 2012 to June 28, 2052	562	Common share 56,200	2,244	1
14th series stock acquisition rights	From June 29, 2012 to June 28, 2052	3,226	Common share 3,226	2,709	1
15th series stock acquisition rights	From June 29, 2012 to June 28, 2052	20,580	Common share 20,580	2,709	1
17th series stock acquisition rights	From June 27, 2013 to June 26, 2053	542	Common share 54,200	3,003	1
18th series stock acquisition rights	From June 27, 2013 to June 26, 2053	3,754	Common share 3,754	3,461	1
19th series stock acquisition rights	From June 27, 2013 to June 26, 2053	22,254	Common share 22,254	3,461	1
21st series stock acquisition rights	From June 27, 2014 to June 26, 2054	384	Common share 38,400	4,323	1
22nd series stock acquisition rights	From June 27, 2014 to June 26, 2054	4,420	Common share 4,420	4,805	1
23rd series stock acquisition rights	From June 27, 2014 to June 26, 2054	17,850	Common share 17,850	4,805	1
24th series stock acquisition rights	From June 26, 2015 to June 25, 2055	338	Common share 33,800	4,692	1
25th series stock acquisition rights	From June 26, 2015 to June 25, 2055	5,518	Common share 5,518	5,162	1
26th series stock acquisition rights	From June 26, 2015 to June 25, 2055	16,120	Common share 16,120	5,162	1
28th series stock acquisition rights	From June 29, 2016 to June, 28, 2056	270	Common share 27,000	4,830	1
29th series stock acquisition rights	From June 29, 2016 to June, 28, 2056	4,249	Common share 4,249	5,322	1
30th series stock acquisition rights	From June 29, 2016 to June, 28, 2056	9,627	Common share 9,627	5,322	1
31st series stock acquisition rights	From March 31, 2017 to March, 30, 2057	294	Common share 294	6,302	1
32nd series stock acquisition rights	From March 31, 2017 to March, 30, 2057	227	Common share 227	6,308	1

**(2) Status of stock acquisition rights held by the officers of the Company as of the end of the fiscal year under review**

	Name	Number of stock acquisition rights	Number of holders
Director (excluding Outside Director)	2nd series stock acquisition rights	428	2
	3rd series stock acquisition rights	435	1
	6th series stock acquisition rights	433	2
	7th series stock acquisition rights	755	1
	9th series stock acquisition rights	486	3
	13th series stock acquisition rights	562	3
	17th series stock acquisition rights	542	3
	21st series stock acquisition rights	384	3
	24th series stock acquisition rights	338	3
	28th series stock acquisition rights	270	3

**(3) Status of stock acquisition rights issued during the fiscal year under review**

Name	Exercise period	Number of stock acquisition rights	Class and number of shares	Amount paid per share (Yen)	Exercise price per share (Yen)
28th series stock acquisition rights	From June 29, 2016 to June, 28, 2056	395	Common share 39,500	4,830	1
29th series stock acquisition rights	From June 29, 2016 to June, 28, 2056	4,249	Common share 4,249	5,322	1
30th series stock acquisition rights	From June 29, 2016 to June, 28, 2056	9,627	Common share 9,627	5,322	1
31st series stock acquisition rights	From March 31, 2017 to March, 30, 2057	294	Common share 294	6,302	1
32nd series stock acquisition rights	From March 31, 2017 to March, 30, 2057	227	Common share 227	6,308	1

**(4) Breakdown of stock acquisition rights issued to employees of the Company and officers and employees of subsidiaries of the Company during the fiscal year under review**

	Name	Number	Number of individuals to whom stock acquisition rights have been issued
Employees of the Company	29th series stock acquisition rights	4,249	12
	31st series stock acquisition rights	294	1
Directors of the subsidiaries of the Company	30th series stock acquisition rights	9,627	17
	32nd series stock acquisition rights	227	1

## **2. Systems and Policy of the Company**

NISSIN FOODS HOLDINGS CO., LTD. (hereafter referred to as the “Company”) develops systems to ensure that the Directors’ performance of their duties is complied with applicable laws and regulations and the Articles of Incorporation of the Company, and other systems necessary to ensure the appropriateness of operations (Basic Policy on Construction of Internal Control Systems) as follows.

The Board of Directors of the Company is making effort to develop more appropriate and efficient systems by conducting reviews, as appropriate, of, and making continuous improvements to, the “Basic Policy on Construction of Internal Control Systems.”

### **(1) Basic policy of business operation**

Officers and employees of the Company and its subsidiaries (hereafter collectively referred to as the “NISSIN FOODS Group”) shall make efforts to be deeply aware of corporate social responsibility, to comply with the relevant laws and regulations, and to commit acting conforming with social ethics when executing their daily duties pursuant to the “NISSIN FOODS Group Ethics Regulations” and “NISSIN FOODS Group Compliance Regulations.”

#### **(Basic Philosophy)**

- i) Objective of our work is to place customer satisfaction first and to provide products and services which bring happiness to people’s lives.
- ii) We shall make efforts to be aware of corporate social responsibility, comply with laws and regulations and fair business practice, and enhance business activities with transparency.
- iii) We shall be aware that we are corporate citizens, fostering high ethical standards and following common sense.

#### **(Code of Conduct)**

- i) Fair, just, and transparent relationships with all stakeholders including shareholders, customers, and business partners shall be maintained.
- ii) Basic human rights of all people shall be respected, and engagement in any acts that impair individual dignity shall not be made. Furthermore, discrimination of people on the basis of nationality, ethnicity, religion, sex, age, social status, and disability shall not be performed.
- iii) Efforts shall be made to create and develop products and services which prioritize health and safety of the public.
- iv) Products and services should not in any way harm the bodies and properties of consumers. Issues caused by such quality problems shall be addressed and solved promptly with good faith.
- v) Judgments and actions which are far apart from common sense due to excessive pursuit of profit in business should not be taken.
- vi) Any relationships with antisocial forces and organizations that threaten the order and security of civil society shall be severed.
- vii) Efforts shall be made to disclose corporate information. Furthermore, pursuant to the “NISSIN FOODS Group Insider Trading Management Regulations,” insider trading as well as provision of benefits and convenience to third parties using undisclosed information shall not be performed.
- viii) Information associated with trade secrets shall be strictly managed and shall not be disclosed or leaked outside the Company whether during the term or after employment.
- ix) Efforts shall be made to maintain and secure intellectual property rights, and respect the said rights of others at the same time. In addition, efforts shall be made not to infringe the said rights of others due to inattention, and it goes without saying that intentional infringement or illegal use shall not occur.
- x) Undue losses shall not be imposed on business partners from using advantageous position in business.

- xi) We shall not take advantage of our functional status in order to receive personal benefits or convenience from business partners.
- xii) Utmost attentions shall be given so that business activities will not have adverse impacts on the global environment.
- xiii) Active engagements in regional contributions shall be made through close coordination and collaborations with local societies.
- xiv) In case issues not presented here arise, all shall be judged and taken action pursuant to the basic philosophy under the “NISSIN FOODS Group Ethics Regulations.”

**(2) System ensuring the execution of duties of Directors and employees comply with the laws and regulations and the Articles of Incorporation / System ensuring the reliability of financial reporting**

- i) For the purpose of compliance with the laws and regulations and the Articles of Incorporation and the like, the Company shall develop “NISSIN FOODS Group Ethics Regulations” and “NISSIN FOODS Group Compliance Regulations” and shall ensure that officers and employees of NISSIN FOODS Group understand.
- ii) “Compliance Committee” shall be set up with Executive Vice President & Representative Director, COO serving as chairman to make efforts to have officers and employees comply with the laws and regulations, “Articles of Incorporation,” and various regulations alike. Furthermore, “Compliance Group” shall be established within the Legal Division to strengthen measures.
- iii) Each division of NISSIN FOODS Group shall consult with outside specialists including lawyers as necessary upon carrying out its duties for the purpose of avoiding risks of non-compliance with the laws and regulations, “Articles of Incorporation,” and various regulations alike.
- iv) Internal Auditing Office which is under direct control of President & Representative Director, CEO shall audit major business offices of NISSIN FOODS Group on a regular basis and confirm if the laws and regulations, “Articles of Incorporation,” and various regulations alike are being complied.
- v) The Company shall establish “NISSIN FOODS Group Internal Reporting Regulations” as a reporting system when violation of laws and regulations, “Articles of Incorporation,” and various regulations alike occur, or is about to occur, and shall ensure that officers and employees of NISSIN FOODS Group thoroughly understand. NISSIN FOODS Group shall not dismiss or treat disadvantageously the person who has made the reporting in question.
- vi) Audit & Supervisory Board Members shall audit the appropriateness of the execution of duties of Directors pursuant to “Audit & Supervisory Board Regulations,” “Audit Standards of Audit & Supervisory Board Members,” and the like.
- vii) Human resources shall be appropriately placed to develop and promote the construction and administration of internal control systems for the purpose of ensuring the reliability of financial reporting.

**(3) System relating to storage and management of information in regard to the execution of duties of Directors**

The Company shall record legal documents including minutes of General Meeting of Shareholders and Meeting of the Board of Directors and the like, in addition to important information in regard to the execution of duties of Directors such as written approvals, to paper documents or electromagnetic media. It shall appropriately store and manage the information pursuant to the laws and regulations and the “Document Management Regulations,” shall, to the extent necessary, verify the status of storage and management, respond to the request of inspection given by the Directors and Audit & Supervisory Board Members, and review the regulations as appropriate.

**(4) Regulations and other systems relating to risk management of losses**

- i) The Company shall set up a “Risk Management Committee” with Executive Vice President & Representative Director, COO serving as chairman to prevent, identify, manage, and address against various risks in regard to NISSIN FOODS Group.
- ii) NISSIN FOODS Group shall set up “Audit Standards of Food Safety” and develop a system primarily conducted by NISSIN Global Food Safety Institute to investigate and verify the safety of food products ranging from raw materials to products, based on its awareness that the most important issue is to constantly ensure safe and worry-free food products.
- iii) NISSIN FOODS Group shall set up “Accident Countermeasure Committees” within the Group’s respective major subsidiaries pursuant to the “NISSIN FOODS Group Important Products Accident Countermeasure Regulations,” and by taking prompt and accurate measures in regard to product related risks, keep damages to a minimum and prevent their recurrences.
- iv) The Company shall set up an “Environmental Committee” as an organization to address environmental and safety risks. In the event a material accident occurs in environmental aspects, pursuant to the manual, it shall be immediately responded, stabilized, and resolved.
- v) The “Environmental Committee” shall review various manuals including “Industrial Waste Treatment Manual” as necessary and shall confirm the status of the operation on a regular basis.

**(5) System ensuring the efficiency of execution of duties of Directors / System ensuring the execution of duties of employees comply with the laws and regulations and the Articles of Incorporation**

- i) The Company shall hold “regular meetings of the Board of Directors” on a regular basis and “extraordinary meetings of the Board of Directors” as appropriate when necessary. The meetings shall consist of Directors and Audit & Supervisory Board Members who shall discuss and decide on important matters pursuant to the laws and regulations, “Articles of Incorporation,” and “Board of Directors Regulations.” Furthermore, the members of the meetings shall receive reports in regard to the execution of duties of Directors, and conduct supervision and the like. Among the eight (8) Directors, five (5) are Outside Directors, and among the three (3) Audit & Supervisory Board Members, two (2) are Outside Audit & Supervisory Board Members. Due to this, the execution of duties of Directors is supervised effectively.
- ii) The Company shall hold a meeting of the “Management Committee” twice every month to improve management efficiency. The Committee consists of Directors (excluding Outside Directors), Responsible Executive Officers and Audit & Supervisory Board Members (Full-time) The Committee shall discuss matters which are to be resolved by the “Board of Directors,” and shall discuss and decide matters which authorities are delegated to the Committee by the Board of Directors pursuant to the “Approval Regulations,” as well as execute business operations.
- iii) The Company shall hold a “Group Company Strategic Presentation” every month in principle. Reports, proposals, and confirmations in regard to strategies (products, finance, human resource and the like) shall be made by the presidents of the major subsidiaries and overseas regional Chief Representatives, and status of execution of duties of subsidiaries shall be supervised.
- iv) The Company shall hold a “GPS Presentation (Global Platform System Presentation)” every month in principle, and the Presentation shall consist of chief officers. Strategies shall be proposed by the chief officers, and status of execution of platform duties shall be supervised.
- v) As a preliminary discussion body of the “Board of Directors” and “Management Committee,” the Company shall hold a meeting of the “Investment and Finance Committee” every month in principle. The Committee shall consist of members summoned in principle from each platform. The Committee shall perform screenings and reviews of important investment and financing and the like in advance.
- vi) As an advisory body to the “Board of Directors” and “Management Committee,” the Company shall hold a meeting of the “Personnel Committee” every month and the Committee shall consist of chief officers and the like. Human resource strategy of the Group shall be reviewed.

- vii) The Company shall establish the “Management Advisory Committee,” an advisory body to the Board of Directors, composed of the majority of which are Independent Directors/Audit & Supervisory Board Members, to meet three times a year, in order to ensure transparency and fairness in nomination, remuneration, and governance.
- viii) The Company shall establish a “Liaison Committee of Independent Outside Directors and Audit & Supervisory Board Members” comprising Independent Outside Directors and Audit & Supervisory Board Members. The Liaison Group shall meet twice a year, and the Audit & Supervisory Board Members shall ensure fulsome information sharing with Outside Directors.
- ix) The Company shall establish regulations such as “Administrative Authorities Regulations” and “Division of Responsibilities Regulations” to ensure that appropriate and efficient duties of Directors and employees are executed in order that the authority and responsibility of each officer shall be made clear.
- x) The term of office of Directors shall be one (1) year, for the purpose of clarifying their management responsibility, and allowing quick actions to be taken in response to the changes in management environment.

**(6) System ensuring the appropriateness of operations of the corporate group consisting of the Company and its subsidiaries**

- i) “NISSIN FOODS Group Ethics Regulations” and “NISSIN FOODS Group Compliance Regulations” shall be the ethical and operational guideline for business operations in the NISSIN FOODS Group.
- ii) The department in charge in the Company shall be the contact department and shall receive reports on a regular basis in regard to business performance of the NISSIN FOODS Groups. Furthermore, important matters shall be approved by the in-house approving authorities or by the subsidiaries pursuant to the “Approval Regulations.” If matters exceed the scope of such authority, it shall be approved by the Board of Directors and the like of the Company.
- iii) Audit & Supervisory Board Members and the Internal Auditing Office shall conduct audits including periodical visiting audits to confirm if operations of NISSIN FOODS Group are complying with the laws and regulations, “Articles of Incorporation” and various regulations alike.

**(7) Matters relating to employees assisting Audit & Supervisory Board Members in the event the Audit & Supervisory Board Members request the placement of employees to assist their duties**

The Company set up an Audit & Supervisory Board Office directly under the “Audit & Supervisory Board” and placed several dedicated employees as ones to assist the duties of the Audit & Supervisory Board Members. The “Audit & Supervisory Board” has expressed its opinion that presently, assistance is sufficient.

**(8) Matters regarding independence of employees assisting the duties of Audit & Supervisory Board Members from Directors, and the procurement of effectiveness of such instruction**

- i) Matters regarding personnel such as appointment and transfers of employees assisting the duties of the Audit & Supervisory Board Members shall be decided conditional on consent from the Audit & Supervisory Board Members (Full-time) in advance. The performance management shall be conducted by the Audit & Supervisory Board Members (Full-time).
- ii) For the purpose of ensuring the effectiveness of instructions given by the Audit & Supervisory Board Members, employees assisting the duties of the Audit & Supervisory Board Members shall not additionally hold duties relating to the business execution of the Company, and shall carry out the duties under the directions of the Audit & Supervisory Board Members.

**(9) Reporting system by Directors and employees to Audit & Supervisory Board Members, and other reporting systems to Audit & Supervisory Board Members**

- i) In the event facts that may cause significant damages to the NISSIN FOODS Group are discovered, Directors of the NISSIN FOODS Group shall immediately report the facts concerned to the “Audit & Supervisory Board” of the Company.
- ii) Pursuant to the “Audit Standards of Audit & Supervisory Board Members,” in addition to matters provided under the laws and regulations, facts that may cause material impact in finance and operations of NISSIN FOODS Group, the decisions and the like shall be immediately reported by Directors and employees of NISSIN FOODS Group to the Company’s Audit & Supervisory Board Members.
- iii) In the event facts that may cause significant damages to the NISSIN FOODS Group are discovered, employees of NISSIN FOODS Group shall report the facts concerned to the Audit & Supervisory Board Members.
- iv) NISSIN FOODS Group shall not treat ones who have reported the aforementioned three items disadvantageously on the grounds that such reporting was made.
- v) If expenses necessary to request advice from lawyers, certified public accountants, and other outside specialists, to outsource investigation, analysis and other administrations for the purpose of conducting audit are requested by the Audit & Supervisory Board Members or the Audit & Supervisory Board, Directors, Executive Officers, and employees shall not refuse such requests, except in cases where the expenses under such requests are determined to be unnecessary in the execution of duties of the Audit & Supervisory Board Members.

**(10) Other systems ensuring the effectiveness of audits conducted by the Audit & Supervisory Board Members**

- i) “Regular meetings of the Audit & Supervisory Board” in which all Audit & Supervisory Board Members attend shall be held on the date of the meeting of the Board of Directors or the day before the meeting in principle, and “extraordinary meetings of the Audit & Supervisory Board” shall be held as necessary. Ideas shall be exchanged in regard to Audit & Supervisory Board Members’ opinions and important issues upon auditing between the Audit & Supervisory Board Members and the results shall be reported on a regular basis to the “Board of Directors” as an Audit & Supervisory Board Report.
- ii) Directors and employees shall report monthly performance and financial situations on a regular basis to the “Board of Directors” and the “Management Committee” and the like. Various minutes, written approvals and other important documents relating to business operations shall be circulated to, and be read through by, the Audit & Supervisory Board Members (Full-time). Furthermore, if requested by the Audit & Supervisory Board Members, sufficient explanations shall be provided.
- iii) Audit & Supervisory Board Members, while closely working with Internal Auditing Office and Financial Auditor on a steady basis, shall hold regular meetings with them once every two (2) months in principle to exchange information, establishing a system where audits are carried out effectively by the Audit & Supervisory Board Members.

**(11) Basic concept toward elimination of antisocial forces and the status toward such elimination**

The Basic policy of NISSIN FOODS Group upon conducting corporate activities is based on the idea that “Any relationships with antisocial forces and organizations that threaten the order and security of civil society shall be severed.” The policy is stated clearly in the Code of Conduct under the “NISSIN FOODS Group Ethics Regulations” and the Company ensures that it is thoroughly understood.

The Company places General Affairs Division as its supervisory department to handle antisocial forces. The General Affairs Division plays a key role in continuously gathering information from government bodies and outside specialized organizations, developing a system which will be able to address unexpected situations with prompt cooperation.

## **(12) Report on the operational status of the systems ensuring the appropriateness of operations**

The outline of the operational status of systems ensuring the execution of duties of Directors comply with the laws and regulations and the Articles of Incorporation, and other systems ensuring the appropriateness of operations is as follows:

### **i) Overall Internal Control Systems**

In addition to audits conducted by the Audit & Supervisory Board Members and Financial Auditor of the Company, Internal Auditing Office, which is under the direct control of President & Representative Director, CEO, is engaged in internal audits and regularly conducted audits including on-site inspections in order to confirm that Nissin Foods Group is performing its business in compliance with laws and regulations, “Articles of Incorporation” and other rules and regulations.

In addition, with the aim of enhancing audit efficiency, three parties, Internal Auditing Office, the Audit & Supervisory Board Members and Financial Auditor held regular meetings six times, and exchanged opinions regarding findings of the audit and other relevant information.

### **ii) Compliance**

Compliance Committee held two meetings during the fiscal year under review and worked to strengthen the compliance framework of the Group. The Committee identified and evaluated compliance risks at business offices of the Company and the Group companies, provided instructions for improvement as well as education and training to facilitate the sense of compliance taking root.

In addition, the Committee made reports on the status relating reporting of compliance-related violations and on other matters to the Board of Directors.

### **iii) Risk Management**

Through the “Risk Management Office” established in the General Affairs Division as an office for “Risk Management Committee,” we have identified and evaluated risks, developed countermeasures, and checked the status of the measures taken, in order to get visibility of risks of the entire Group and manage them.

### **iv) Management of business of subsidiaries**

The Company has obtained an approval of the Company for important matters of its subsidiaries in compliance with the “Approval Regulations.” With regard to each subsidiary’s business strategy, business conditions, financial conditions and the like, the Company has regularly received reports from respective subsidiaries as necessary at the “Board of Directors” and the “Group Company Strategic Presentation.”

### **v) Execution of duties by Directors**

- The Company held the “Regular Meetings of the Board of Directors” ten times during the fiscal year under review to determine important business matters defined in the laws and regulations, the “Articles of Incorporation” and the “Board of Directors Regulations,” and supervised execution of the duties.

- In principle, the Company held meetings of the “Management Committee” twice a month to deliberate beforehand matters to be resolved by the “Board of Directors” and other important business matters and to report on important progress of the business operations.

- The Company held meetings of the “Management Advisory Committee,” the majority of which are Independent Directors/Audit & Supervisory Board Members, three times a year, and discussed the nomination, remuneration, and governance. The committee ensures transparency and fairness in nomination, remuneration, and governance.

- The Company held meetings of the “Liaison Committee of Independent Outside Directors and Audit & Supervisory Board Members” comprising Independent Outside Directors and Audit &

Supervisory Board Members, twice a year, and the Audit & Supervisory Board Members ensured fulsome information sharing with Outside Directors.

- The Company held a “Group Company Strategic Presentation” every month in principle. Reports, proposals, and confirmations in regard to strategies (products, finance, human resource and the like) were made by the presidents of the major subsidiaries and overseas regional Chief Representatives, and status of execution of duties of subsidiaries was supervised.

- The Company held a “GPS Presentation (Global Platform System Presentation)” comprising chief officers every month in principle. Strategies were proposed by the chief officers, and status of execution of platform duties was supervised.

- As a preliminary discussion body of the “Board of Directors” and “Management Committee,” the Company held a meeting of the “Investment and Finance Committee” every month in principle. The committee consists of members summoned in principle from each platform. The Committee performed screenings and reviews of important investment and financing and the like in advance.

- As an advisory body to the “Board of Directors” and “Management Committee,” the Company held a meeting of the “Personnel Committee” every month. The Committee consists of chief officers and the like. Human resource strategy of the Group was reviewed.

vi) Execution of duties of the Audit & Supervisory Board Members

- The meetings of the “Audit & Supervisory Board” were held twelve times during the fiscal year under review to audit duties executed by Directors.

- The Audit & Supervisory Board Members have conducted audit by attending the meetings of the “Board of Directors” and other important meetings, interviewing Directors and employees and other means including on-site inspection concerning matters to be resolved by “the Management Committee” and other important matters for corporate management.

- The Audit & Supervisory Board members, who work closely with Internal Auditing Office and Financial Auditor on a steady basis, held regular meetings with them six times to exchange information, and secured effective audits by the Audit & Supervisory Board members.

### **3. Basic Policy on Control of the Company**

#### **(1) Basic policy**

Recognizing four phrases of the founder - “Peace will come to the world when there is enough food,” “Create foods to serve society,” “Eat wisely for beauty and health,” and “Food related jobs are sacred profession” - as enduring founding values, and guided by our Group philosophy, as signified by “EARTH FOOD CREATOR,” to contribute to society and the earth by gratifying people everywhere with the pleasures and delights food can provide, the Company will strive to embody them.

Under the previous “Medium-Term Management Plan 2016,” the Company, with the theme of “Pursue global status,” made aggressive overseas investments emphasizing “expansion” in growth markets and emerging markets in particular.

As a result, while achieving substantial growth in overseas business and the targets for net sales (including those overseas) and net income, the Company did not achieve the targets for operating income and ordinary income (including profit margin), due mainly to upfront investments for expanding group functions, such as system investments, and delays in achieving profitability in regions newly entered and where businesses have been expanded (Asia and EMEA).

The Company will shift to a strategy focusing on profitability, intensively developing businesses through patterns of the Group that were successful in Japan and China particularly in those markets where we can expect to increase profits.

The Company will implement the “Medium-Term Management Plan 2021” (hereinafter referred to as the “Medium-Term Plan”) over the five years starting in the fiscal year under review. Within the Medium-Term Plan, we have put an emphasis on “earning power through operations” and “value in capital markets,” with setting “recognition as a global company” as a theme, we will intend to implement the following five strategies in order to ensure profitability.

#### **i) Promoting global branding**

We intend to improve profitability by accelerating overseas expansion of CUP NOODLES, as a high value-added product that makes the most of our strengths as a company, and by increasing the number of units sold overseas by 50%. We intend to pinpoint the right approach for design, flavor and promotion, based on a clearly defined target market (young people with a certain standard of living), in order to penetrate the market more efficiently and effectively.

#### **ii) Focusing on priority overseas locations**

We have earmarked BRICs (Brazil, Russia, India, China) as priority locations from the two key perspectives, based on market appeal (scale of instant noodle market and its growth potential) and opportunities for the Company (strength of business foundations and scope to expand market for cup-type and other value-added products over the short to medium term). We are determined to secure profit growth in these areas.

In China, we are planning to further expand our growing sales area for high-margin CUP NOODLES products. In India, we are focusing on growth in bag-type instant noodle products in urban areas and on stepping up CUP NOODLES sales to the country’s rapidly-growing population of middle-income earners. In Brazil and Russia, we are aiming to build on solid foundations as market leader to expand the market for value-added cup-type instant noodle products, so that we can secure an even larger market share and increase profits.

#### **iii) Laying stronger foundations for our domestic profit base**

In order to establish a business model that will be less susceptible to declining population numbers and other changes in population or consumer composition, we intend to focus more closely on the domestic market, with an emphasis on marketing, and we are also planning to invest in upgrading plants in order to save labor and improve food safety. By conducting these initiatives, we will lay stronger foundations for our instant noodle profit base in Japan, with the aim of becoming a “century brand company.”

iv) Establishing a second pillar that generates revenue and profit

We are stepping up initiatives aimed at developing our confectionary and cereal business into a second primary revenue and profit source, both in Japan and overseas. We intend to grow individual brands even further, strengthen cooperation based on technical synergy between the confectionery and cereal companies, expand overseas operations and make use of M&A to increase sales to around ¥100 billion, including equity method companies. In terms of chilled and frozen foods, and beverages, we are aiming to increase profit growth domestically, based on our efforts to establish brands throughout the previous medium-term period.

v) Developing and strengthening human resources for global management

Thanks to active investment in strengthening platforms, we have been able to establish a framework to support growth. Looking ahead to the future, we intend to step up human resource development measures within the Group, including running a selection-based in-house university program, promoting diversity, and reinforcing overseas trainee systems. In addition, we are planning to recruit from outside the Group. By combining human resource development measures within the Group and recruitment from outside the Group, we will increase management human resources in an effort to accelerate global management.

In addition to implementing strategies to achieve medium-term targets, we will take the “cereal foods” that are the starting point of every meal, enhance them with the technical and marketing prowess that we have cultivated through our instant noodle business, and pursue wider possibilities in food.

We strive to be creative and unique in our daily work, and to stand as an “EARTH FOOD CREATOR,” bringing happiness to people across the world through “food” in global areas. This passion imbues us with confidence that the Company will further increase corporate value and common interests of the shareholders.

(2) Initiatives to prevent control that is detrimental to shareholders’ interest

The Company believes that, in the event a Large-Scale Acquisition is conducted by a Large-Scale Acquirer, the final decision on whether or not to accept the Large-Scale Acquisition should be left to the discretion of shareholders.

However, a Large-Scale Acquisition, if it is implemented, could immediately have a material impact on the business and management policies of the Company and involves the possibility of causing significant damage to the Company’s corporate value and common interests of the shareholders. Given the recent capital market conditions and legal systems in Japan, we cannot deny the possibility of a Large-Scale Acquisition of shares in the Company that would threaten to undermine the Company’s corporate value referred to in (1), and cause obvious damage to the Company’s corporate value and common interests of shareholders.

Accordingly, the Company considers that it is its responsibility to shareholders that when the Company receives a proposal for a Large-scale Acquisition, the Company shall ensure the following processes are carried out: 1) that the Company requests the Large-Scale Acquirer to provide necessary and sufficient information to appropriately assess the effects of the Large-Scale Acquisition on the Company’s corporate value and common interests of shareholders; 2) that the Board of Directors of the Company examines and evaluates the effects of the business and management policies, etc. proposed by the Large-Scale Acquirer on the Company’s corporate value and common interests of shareholders and provides results of such examination and evaluation to shareholders to provide a reference for assessment; 3) in some cases, that the Board of Directors of the Company holds negotiations or discussions with the Large-Scale Acquirer on the Large-Scale Acquisition or the Company’s business and management policies, etc., or proposes an alternative proposal regarding the Company’s business and management policies, etc. to shareholders. In addition, the Company also considers that it is its responsibility to shareholders to prepare countermeasures to the Large-Scale Acquisition to prevent obvious damage to the Company’s corporate value and common interests of shareholders.

For embodying such views, the resolution to introduce the “Countermeasures to the Large-Scale Acquisition of the Company’s Shares (Takeover Defense Measures)” (hereinafter referred to as the “Measures”) was adopted in the 59th Ordinary General Meeting of Shareholders of the Company held on June 28, 2007. (At the 68th Ordinary General Meeting of Shareholders held on June 28, 2016, revisions were approved including extending the above-mentioned countermeasures to the conclusion of the 71st Ordinary General Meeting of Shareholders of the Company, scheduled to be held in late June, 2019). The Company also set rules providing for (hereinafter referred to as the “Large-Scale Acquisition Rules”) 1) procedures for certain information provision, etc. which the Large-Scale Acquirer should comply with and 2) the requirements and procedures for implementing the countermeasures which the Company may take in the event the Large-Scale Acquirer does not comply with such procedures above (1) or if the Large-Scale Acquisition will cause damage to the Company’s corporate value and common interests of shareholders.

- (3) The decision of the Board of Directors in regard to initiatives to prevent control that is detrimental to shareholders’ interest

The purpose of the Measures is to ensure and enhance the Company’s corporate value and common interests of shareholders by setting preliminary rules with which the Large-Scale Acquirer should comply and requirements and contents of countermeasures that the Company may implement, which enables shareholders to make an appropriate decision on whether to accept the Large-Scale Acquisition and prevents obvious damage to the Company’s corporate value and common interests of shareholders.

The contents of the Large-Scale Acquisition Rules and the contents and requirements for implementation of the countermeasures are deemed to be reasonable in the context of the purpose of ensuring and enhancing the Company’s corporate value and common interests of shareholders and do not unduly restrict the Large-Scale Acquisition that would contribute to ensuring and enhancement of the Company’s corporate value and common interests of shareholders.

Under the Measures, the Company shall establish an Independent Committee to act as an advisory body with a view to eliminate arbitrary judgment by Directors and make objective and appropriate judgments from the viewpoint of ensuring and enhancing the Company’s corporate value and common interests of shareholders upon implementation of the countermeasures. Prior to making a decision to implement the countermeasures or other decisions, the Board of Directors of the Company shall be required to obtain a recommendation of the Independent Committee and place the highest value on such recommendation of the Independent Committee, thereby eliminating arbitrary decision-making by the Board of Directors of the Company.

## 4. Notes to Consolidated Financial Statements

### Notes to Significant Matters Related to the Basis of Preparation of the Consolidated Financial Statements

#### 1. Scope of consolidation

##### (1) Consolidated subsidiaries (56 companies)

Names of major consolidated subsidiaries

NISSIN FOOD PRODUCTS CO., LTD., MYOJO FOODS CO., LTD., NISSIN CHILLED FOODS CO., LTD., NISSIN FROZEN FOODS CO., LTD., NISSIN CISCO CO., LTD., NISSIN YORK CO., LTD., NISSIN FOODS (U.S.A.) CO., INC., NISSIN FOODS CO., LTD., NISSIN FOODS (ASIA) PTE. LTD., Nissin Foods GmbH, NISSIN YILDIZ GIDA SANAYI VE TICARET A.S. and others

From the fiscal year under review, MC Marketing & Sales (Hong Kong) Limited is included within the scope of consolidation, having become a subsidiary due to the acquisition of shares. In addition, PT. NISSIN FOODS INDONESIA is included within the scope of consolidation because of increases in the significance.

##### (2) Names of major non-consolidated subsidiaries

Nissin (Shanghai) Food Safety Research & Development Co., Ltd.

(Reason for exclusion from scope of consolidation)

The non-consolidated subsidiary is small in scale and its aggregate amount of total assets, net sales, net income or loss (for the Company's equity interest), retained earnings (for the Company's equity interest) and others do not have a material effect on the Company's consolidated financial statements.

#### 2. Application of the equity method

##### (1) Non-consolidated subsidiaries and associates accounted for by the equity method (4 associates)

Thai President Foods Public Company Limited, Mareven Food Holdings Limited, KOIKE-YA Inc. (formerly Frente Co., Ltd.), and Nissin-Universal Robina Corp.

From the fiscal year under review, Nissin-Universal Robina Corp. is included within the scope of equity method because of increases in the significance.

##### (2) Non-consolidated subsidiaries (Nissin (Shanghai) Food Safety Research & Development Co., Ltd. and others) and associates (Accelerated Freeze Drying Co., Ltd. and others) not accounted for by the equity method are excluded from the scope of application of the equity method because each of them has a minimal effect on the Company's net income or loss (for the Company's equity interest), retained earnings (for the Company's equity interest) and others and they are not collectively material.

#### 3. Fiscal year-end dates of consolidated subsidiaries and related matters

Of consolidated subsidiaries, NISSIN FOODS CO., LTD., NISSIN FOODS (ASIA) PTE. LTD., and other 23 companies close their fiscal year on December 31. In preparing the consolidated financial statements, NISSIN FOODS CO., LTD., WINNER FOOD PRODUCTS LTD., NISSIN FOODS DE MEXICO S.A. DE C.V. prepared provisional financial results mainly as of March 31. In the other companies, the financial statements as of the fiscal year-end of each company are used, and necessary adjustments are made for major transactions that occurred between the date and March 31.

#### 4. Accounting policies

##### (1) Valuation basis and method for significant assets

###### a) Marketable securities

###### Available-for-sale securities

###### Securities with available fair values

Stated at fair value based on the market price or the like on the fiscal year-end (unrealized gains and losses are included in a separate component of net assets, and cost of sales is determined by the moving-average method).

###### Securities without available fair values

Stated at cost using the moving-average method.

###### b) Derivatives

Stated at fair value.

###### c) Inventories

###### Merchandise and finished goods

Mainly stated at cost using the gross average method (balance sheet amounts are determined by the method of writing down book value in accordance with decreased profitability).

###### Raw materials and supplies

Mainly stated at cost using the gross average method (balance sheet amounts are determined by the method of writing down book value in accordance with decreased profitability).

##### (2) Method of depreciation of significant depreciable assets

###### a) Property, plant and equipment (excluding leased assets)

Amortized using the straight line method.

The main useful lives are as follows.

Buildings	15 to 50 years
Machinery and equipment	10 years

###### b) Intangible fixed assets (excluding leased assets)

Amortized using the straight-line method.

Purchased software is amortized by the straight-line method over the expected useful life for internal use (5 years).

###### c) Leased assets

Leased assets in finance lease transactions that do not transfer ownership are depreciated using the straight-line method assuming that lease periods are useful lives and salvage values are zero.

##### (3) Accounting policy for significant provisions

###### Allowance for doubtful receivables

To prepare for possible losses on uncollectable receivables, mainly for general receivables, an amount is provided based on the allowance rate of grades specified by reference to the historical percentage of uncollectable and for specific receivables for which there is some concern regarding collectability, an estimated amount is recorded by investigating the possibility of collection for each individual account.

(4) Method of significant hedge accounting

a) Method of hedge accounting

Accounted for with deferred hedge accounting. However, certain payables denominated in foreign currencies with forward foreign exchange contracts are subject to appropriation if they satisfy the requirements of appropriation treatment. Certain borrowings with interest rate swaps are subject to special treatment if they satisfy the requirements of special treatment.

b) Hedging instruments and hedged items

Hedging instruments.....	Forward foreign exchange contracts and interest rate swaps
Hedged items.....	Payables and forecast transactions denominated in foreign currencies and borrowings

c) Hedging policy

Finance and Accounting Division manages and performs hedging transactions in accordance with the basic policy approved by the Company's Management Committee. The hedging instruments are used for the purpose of hedging foreign exchange fluctuation risk and interest rate fluctuation risk of hedged items.

d) Method of assessing hedge effectiveness

Hedge effectiveness is deemed to be high as critical terms are the same for the hedging instruments and hedged items, and changes in the cash flow and changes in market values are expected to be completely offset from the start of hedging activities onward.

(5) Amortization of goodwill

Goodwill is amortized on a straight-line basis over a reasonable number of years, not exceeding 20 years, which will be determined for each investment deal. However, in the case where the amount is immaterial, the whole amount may be charged to expenses when they occur.

(6) Other significant matters for preparation of the consolidated financial statements

a) Recognition of liability for retirement benefits

To prepare for retirement benefits to employees, liability for retirement benefits is provided as the difference between retirement benefit obligations and plan assets based on estimated amounts at the end of the fiscal year under review. In the calculation of retirement benefit obligations, the method used to attribute expected retirement benefits to periods up to the fiscal year under review is benefit formula basis. Actuarial gains and losses are recorded as expenses in one lump-sum in the fiscal year following the fiscal year in which the actuarial gains and losses incur.

Unrecognized actuarial gains and losses are recorded in the defined retirement benefit plans in the accumulated other comprehensive income of the equity section after adjusting for tax effects.

b) Accounting policy for consumption taxes

Consumption taxes and local consumption taxes are accounted for based on the tax exclusion method.

## **Changes in Accounting Policies that are Difficult to Distinguish from Changes in Accounting Estimates**

(Changes in method for the depreciation of property, plant and equipment)

Previously, the Company and its consolidated subsidiaries in Japan had mainly adopted the declining-balance method for the depreciation of property, plant and equipment (excluding leased assets). However, they have adopted the straight-line method of depreciation from the fiscal year under review.

The Company examined the operation of the property, plant and equipment of the Company and its consolidated domestic subsidiaries in the development of the Medium-term Business Plan and the implementation of “investing in sophisticating plants” as the theme of the strategy, and found that the stable operation of equipment was maintained and the risk of technical obsolescence was low. The Company therefore decided that it would be more appropriate to distribute the depreciation expenses equally over the useful life of assets, and so it changed the method of depreciation to the straight-line method.

As a result, for the fiscal year under review, depreciation expenses decreased by ¥3,712 million, operating income, ordinary income, and income before income taxes each increased by ¥3,493 million, compared with their respective figures calculated using the former depreciation method.

## **Additional Information**

(Application of ASBJ Guidance on Recoverability of Deferred Tax Assets)

Effective from the fiscal year under review, the Company has applied the Guidance on Recoverability of Deferred Tax Assets (ASBJ Guidance No. 26, March 28, 2016).

## Notes to Consolidated Balance Sheet

### 1. Assets pledged as collateral and liabilities secured

#### (1) Assets pledged as collateral

		(Millions of yen)
Land	1,903	(312)
Buildings and structures	1,425	(656)
Machinery, equipment and vehicles	332	(332)
Total	3,661	(1,301)

#### (2) Liabilities secured

		(Millions of yen)
Short-term borrowings	1,200	(-)
Other current liabilities (Current portion of long-term debt)	1,132	(469)
Long-term debt	8,779	(6,130)
Total	11,112	(6,600)

Figures in parentheses above indicate mortgages of the foundation and its liabilities, which are breakdowns included in the total.

### 2. Accumulated depreciation of property, plant and equipment

¥195,000 million

### 3. Accumulated reduced-value entry of property, plant and equipment

State subsidy	¥687 million
Gain on insurance adjustment	¥306 million
Compensation for expropriation, etc.	¥537 million

### 4. The land for business use owned by the Company was revaluated under the “Act on Revaluation of Land” and the “Act for Partial Revision of the Act on Revaluation of Land,” and unrealized losses resulting from the revaluation were posted as “land revaluation reserve” in the equity section, after deducting the deferred tax liabilities on land revaluation.

#### Revaluation method

The value is calculated based on road rate as prescribed in Article 2, Item 4 of “Order for Enforcement of the Act on Revaluation of Land,” with reasonable adjustments being made.

#### Date of revaluation

March 31, 2002

The difference between the fair value of land at the end of fiscal year under review and its book value after revaluation

¥5,804 million

### 5. Financial covenants

Our consolidated subsidiary, NICKY FOODS CO., LTD. has entered into a syndicated loan agreement with a commitment line for co-financing from a total of three companies with Mizuho Bank, Ltd. as arranger (balance of the borrowings: ¥3,400 million). In these contracts the following financial covenants (on a non-consolidated basis) are applied and if violating any of these covenants, NICKY FOODS CO., LTD. shall be obliged to lose the benefit of time for all the loans under the contracts upon notification from the agent based on the claim by the multiple lenders, and to immediately pay the amount.

- (1) The Company shall maintain the amount of equity on the balance sheet of each fiscal year at 75% or above of the larger of the amount of equity at the end of fiscal year ended March 31, 2013 or the said amount at the end of the immediately preceding fiscal year.
- (2) The Company shall not post operating profit and loss in the statement of income for each fiscal year for two consecutive periods.

## Notes to Consolidated Statement of Changes in Equity

### 1. Class and number of shares issued and class and number of shares of treasury stock

	Class of shares	Number of shares at beginning of fiscal year under review	Number of shares increased in fiscal year under review	Number of shares decreased in fiscal year under review	Number of shares at end of fiscal year under review
Shares issued	Common shares	117,463,685 shares	–	–	117,463,685 shares
Treasury stock	Common shares	9,438,151 shares	4,088,919 shares	153,835 shares	13,373,235 shares

- (Notes)
- Increase in the number of shares of common shares in treasury stock is due to market purchases of 4,088,300 shares, and the purchase of 619 shares less than one unit.
  - Decrease in the number of common shares in treasury stock is due to exercise of stock options by officers and employees of the Company and officers of the Company's subsidiaries of 153,748 shares, and the sales of 87 shares less than one unit.

### 2. Dividends

#### (1) Amount of dividend payments

Resolution	Class of shares	Total amount of dividend (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders held on June 28, 2016	Common shares	4,321	40	March 31, 2016	June 29, 2016
Board of Directors meeting held on November 10, 2016	Common shares	4,327	40	September 30, 2016	November 29, 2016

- (2) Of dividends whose record date belongs to the fiscal year under review, dividends that take effect in the next fiscal year

The cash dividends are planned to be proposed for resolution as follows.

Proposal for resolution	Class of shares	Total amount of dividend (Millions of yen)	Source of dividend	Dividend per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders to be held on June 28, 2017	Common shares	4,684	Retained earnings	45	March 31, 2017	June 29, 2017

### 3. Stock acquisition rights

Class and number of the shares subject to stock acquisition rights issued by the Company at the end of the fiscal year under review

Common shares                      494,265 shares

## Notes on Financial Instruments

### 1. Status of financial instruments

#### (1) Policy for financial instruments

The Group invests in safer financial assets in management of its funds, and fund procurement is mainly treated by bank loans. Derivative transactions are used to hedge the various risks as described in detail below, and the Group shall adhere to the policy of never conducting transactions for gaining quick profits from sales of financial instruments or for speculative purposes.

#### (2) Content and risks of financial instruments and risk management system therefor

Notes and accounts receivable-trade, which are operating receivables, are exposed to credit risks of customers. The Company follows internal policies that regulate authorization over transactions to reduce such risks. Marketable securities and investments in securities are primarily shares and bonds, and their fair values are calculated every quarter.

Notes and accounts payable-trade that are operating payables have payment dates due within one year. Some of those denominated in foreign currencies are exposed to foreign currency risk, but such risk is hedged by using forward foreign exchange contracts. Borrowings are mainly for financing related to capital investment and business investment. Interest rate swaps are used to control interest rate fluctuation risk for some of the borrowings.

In derivative transactions, forward foreign exchange contracts are used to hedge foreign exchange fluctuation risk of payables and forecast transactions denominated in foreign currencies, and interest rate swaps are used to hedge interest rate fluctuation risk of borrowings. The hedge accounting is used for forward foreign exchange contracts and interest rate swaps. For details such as the hedging instruments, hedge items, hedging policy, and the method of assessing hedge effectiveness, refer to “4. Accounting policies (4) Method of significant hedge accounting” in the Notes to Significant Matters Related to the Basis of Preparation of the Consolidated Financial Statements above.

Derivative transactions entered into by the Group have been made in accordance with internal policies that regulate the authorization. The counterparties to the Group’s derivative contracts are limited to financial institutions having a high credit rating to reduce credit risk. Operating payables and borrowings are exposed to liquidity risk. However, the Group manages the risk in accordance with internal policies that regulate the authorization over transactions through, for example, preparation of a funding plan.

#### (3) Supplementary remarks on fair value, etc. of financial instruments

The fair value of financial instruments is based on market prices or reasonably calculated value if there is no market price available. Because these calculations are based on certain assumptions, applying different assumptions may result in different fair values.

## 2. Fair value, etc. of financial instruments

Consolidated balance sheet amount, fair value, and the difference between the two values as of March 31, 2017 (the consolidated closing date for the fiscal year under review), are as shown below. Financial instruments whose fair values are deemed to be extremely difficult to determine are not included in this table (refer to Note 2).

	Consolidated balance sheet amount (Millions of yen)	Fair value (Millions of yen)	Difference (Millions of yen)
(1) Cash and deposits	70,919	70,919	–
(2) Notes and accounts receivable-trade	65,290	65,290	–
(3) Marketable securities and investments in securities	103,788	125,356	21,567
Total assets	239,998	261,566	21,567
(1) Notes and accounts payable-trade	51,705	51,705	–
(2) Short-term borrowings	18,450	18,450	–
(3) Accrued payables	32,961	32,961	–
(4) Accrued income taxes	7,926	7,926	–
(5) Long-term debt	18,412	18,472	60
Total liabilities	129,455	129,516	60

### (Notes) 1. Method for calculating the fair value of financial instruments

#### Assets

#### (1) Cash and deposits and (2) notes and accounts receivable-trade

The book values are used for deposits with maturities because their fair values approximate book values.

The book values are used for deposits with maturities and notes and accounts receivable-trade because these are settled in a short period of time and their fair values approximate book values.

#### (3) Marketable securities and investments in securities

Regarding shares, fair value is stated at the quoted market price of the stock exchange and, for bonds, fair value is stated at the quoted market price of the stock exchange or the price obtained from the financial institutions.

#### Liabilities

#### (1) Notes and accounts payable-trade, (2) short-term borrowings, (3) accrued payables, and (4) accrued income taxes

The book values are used because these are settled in a short period of time and their fair values approximate book values.

#### (5) Long-term debt

Some of long-term debt with floating interest rate is subject to the special treatment of interest rate swaps and the fair value is determined by discounting the principal amounts with interest of such interest rate swaps related to the loans by the reasonably estimated interest rate for similar borrowings. The Company determines the fair values of long-term debt by discounting the total amount of the principal and interest of the relevant long-term debt by the interest rates considered to be applicable to similar new loans.

## 2. Financial instruments whose fair value is deemed to be extremely difficult to determine

	Consolidated balance sheet amount (Millions of yen)
Unlisted stocks	16,830
Other	673
Investments in capital	782

The Company does not include these items in “Assets (3) Marketable securities and investments in securities” because they have no market prices and also the future cash flows cannot be estimated, their fair values are deemed to be extremely difficult to determine.

### 3. Marketable securities

Acquisition cost or amortized cost and balance sheet amounts and their differences by securities type on available-for-sale securities

	Class of shares	Acquisition cost or amortized cost (Millions of yen)	Consolidated balance sheet amount (Millions of yen)	Difference (Millions of yen)
Financial instruments where the consolidated balance sheet amount exceeds the acquisition cost	(1) Shares	30,314	68,608	38,294
	(2) Bonds			
	i) Government bonds	—	—	—
	ii) Corporate bonds	1,752	1,753	1
	iii) Other	—	—	—
	(3) Other	5,407	6,020	612
	Subtotal	37,474	76,383	38,908
Financial instruments where the consolidated balance sheet amount does not exceed the acquisition cost	(1) Shares	16,885	10,162	(6,722)
	(2) Bonds			
	i) Government bonds	—	—	—
	ii) Corporate bonds	2,427	2,412	(15)
	iii) Other	—	—	—
	(3) Other	100	100	(0)
	Subtotal	19,414	12,675	(6,738)
Total		56,888	89,058	32,169

### Notes on Investment and Rental Properties

#### 1. Status of investment and rental properties

The Company and certain consolidated subsidiaries own rental office buildings (including land), etc. in Tokyo and other areas.

#### 2. Fair values of investment and rental properties

Consolidated balance sheet amount (Millions of yen)	Fair Value (Millions of yen)
4,824	9,971

- (Notes) 1. Consolidated balance sheet amount is calculated by deducting accumulated depreciation from acquisition cost.  
2. The fair value as of the end of the fiscal year under review is the amount calculated by the Group primarily based on the Real Estate Appraisal Standards (including those adjusted using relevant indexes).

### Notes on Per Share Information

- |                           |           |
|---------------------------|-----------|
| 1. Total equity per share | ¥3,276.55 |
| 2. Net income per share   | ¥221.33   |

## Notes on Impairment Losses

In the fiscal year under review, the Group booked impairment losses on the following asset groups.

Location	Purpose	Class	Impairment losses (Millions of yen)
Shimonoseki City, Yamaguchi Prefecture and other locations	Idle assets	Buildings	83
		Machinery and equipment	37
China	Idle assets	Machinery and equipment	336
		Other assets	39
Hong Kong	Idle assets	Machinery and equipment	189
Indonesia	—	Goodwill	290

The Group groups its business assets according to each production base or use, and idle assets according to each individual property.

In the fiscal year under review, for above assets deemed difficult to recoup the invested amount due mainly to the decreased profitability of assets, the book values are written down to their recoverable values and these reductions are recorded as impairment losses (¥977 million) under extraordinary losses.

The recoverable value of idle assets is valued at a memorandum value, in consideration of actual disposal value. The unamortized balance of goodwill was fully impaired.

## Notes on Significant Subsequent Events

(Stock listing of consolidated subsidiaries)

### 1. Nature and Purpose

At the meeting of the Board of Directors held on May 12, 2017, the Group decided to make application for new listing of shares of NISSIN FOODS CO., LTD. (hereinafter referred to as “NISSIN HK”), a consolidated subsidiary of the Company, to Hong Kong Exchanges and Clearing Limited in order to transform NISSIN HK into a company that is more closely linked to local markets from a standpoint of pursuing sustained growth in the huge Chinese market and to increase its presence in the Chinese market as a listed company. The application was submitted accordingly on May 12, 2017.

### 2. Overview of NISSIN HK

(1) Name of the company	NISSIN FOODS CO., LTD.
(2) Location	Hong Kong Special Administrative Region of the People's Republic of China
(3) Title and name of representative	Kiyotaka Ando, Executive Director, Chairman of the Board and Chief Executive Officer
(4) Business	Production and sales of instant noodles, and control of the Company's China business
(5) Capital	HK\$2,030 million
(6) Date of establishment	October 19, 1984
(7) Major shareholder and its holding ratio	NISSIN FOODS HOLDINGS CO., LTD. 98.5%

(Note) Amounts presented in this document less than one full unit have been rounded down. However, in respect of net income per share, total equity per share, and percentages, figures have been rounded to the nearest unit.

**5. Notes to Non-consolidated Financial Statements**

**Notes on Significant Accounting Policies**

1. Valuation basis and method for assets

(1) Valuation basis and method for marketable securities

a) Shares of subsidiaries and associates

Stated at cost using the moving-average method.

b) Available-for-sale securities

Securities with available fair values

Stated at fair value based on the market price or the like on the fiscal year-end (unrealized gains and losses are included in a separate component of net assets, and cost of sales is determined by the moving-average method).

Securities without available fair values

Stated at cost using the moving-average method.

(2) Valuation basis and method for derivatives

Derivatives

Stated at fair value.

(3) Valuation basis and method for inventories

Raw materials and supplies

Mainly stated at cost using the gross average method (balance sheet amounts are determined by the method of writing down book value in accordance with decreased profitability).

2. Method of depreciation of fixed assets

(1) Property, plant and equipment (excluding leased assets)

Amortized using the straight-line method.

The main useful lives are as follows.

Buildings	15 to 50 years
Tools and fixtures	4 years

(2) Intangible fixed assets (excluding leased assets)

Amortized using the straight-line method.

Purchased software is amortized by the straight-line method over the expected useful life for internal use (5 years).

(3) Leased assets

Leased assets in finance lease transactions that do not transfer ownership are depreciated using the straight-line method assuming that lease periods are useful lives and salvage values are zero.

3. Accounting policy for provisions

(1) Provision for retirement benefits

To prepare for retirement benefits to employees, provision for retirement benefits is provided based on the estimated amount of retirement benefit obligations and plan assets at the end of the fiscal year under review. In the calculation of retirement benefit obligations, the method used to attribute expected retirement benefits to periods up to the fiscal year under review is benefit formula basis.

Actuarial gains and losses are recorded as expenses in one lump-sum in the fiscal year following the fiscal year in which the actuarial gains and losses incur.

(2) Allowance for doubtful receivables

To prepare for possible losses on uncollectable receivables, for general receivables, an amount is provided based on the allowance rate of grades specified by reference to the historical percentage of uncollectable and for specific receivables for which there is some concern regarding collectability, an estimated amount is recorded by investigating the possibility of collection for each individual account.

4. Major hedge accounting methods

(1) Method of hedge accounting

Accounted for with deferred hedge accounting. However, certain payables denominated in foreign currencies with forward exchange foreign contracts are subject to appropriation if they satisfy the requirements of appropriation treatment.

(2) Hedging instruments and hedged items

Hedging instruments..... Forward foreign exchange contracts

Hedged items ..... Payables and forecast transactions denominated in foreign currencies

(3) Hedging policy

In accordance with the basic policy approved by the Company's Management Committee, Finance and Accounting Division manages and executes transactions, and uses hedging instruments for the purpose of hedging foreign exchange fluctuation risk and interest rate fluctuation risk of hedged items.

(4) Method of assessing hedge effectiveness

Hedge effectiveness is deemed to be high as critical terms are the same for the hedging instruments and hedged items, and changes in the cash flow and changes in market values are expected to be completely offset from the start of hedging activities onward.

5. Other significant matters forming the basis of preparation of the non-consolidated financial statements

(1) Accounting method for retirement benefits

The accounting treatment method for unrecognized actuarial gain or losses related to retirement benefits is different from the treatment for the item in the consolidated financial statements.

(2) Accounting policy for consumption taxes

Consumption taxes and local consumption taxes are accounted for based on the tax exclusion method.

## **Changes in Accounting Policies that are Difficult to Distinguish from Changes in Accounting Estimates**

(Changes in method for the depreciation of property, plant and equipment)

Previously, the Company had mainly adopted the declining-balance method for the depreciation of property, plant and equipment (excluding leased assets). However, it has adopted the straight-line method of depreciation from the fiscal year under review.

The Company examined the operation of the property, plant and equipment of the Company in the development of the Medium-term Business Plan of the Group and the implementation of “investing in sophisticating plants” as the theme of the strategy, and found that the stable operation of equipment was maintained and the risk of technical obsolescence was low. The Company therefore decided that it would be more appropriate to distribute the depreciation expenses equally over the useful life of assets, and so it changed the method of depreciation to the straight-line method.

As a result, for the fiscal year under review, depreciation expenses decreased by ¥363 million, operating income, ordinary income, and income before income taxes each increased by ¥361 million, compared with their respective figures calculated using the former depreciation method.

## **Additional Information**

(Application of ASBJ Guidance on Recoverability of Deferred Tax Assets)

Effective from the fiscal year under review, the Company has applied the Guidance on Recoverability of Deferred Tax Assets (ASBJ Guidance No. 26, March 28, 2016).

## Notes to Balance Sheet

1. Accumulated depreciation of property, plant and equipment

¥11,852 million

2. The land for business use owned by the Company was revaluated under the “Act on Revaluation of Land” and the “Act for Partial Revision of the Act on Revaluation of Land,” and unrealized losses resulting from the revaluation were posted as “land revaluation reserve” in the equity section, after deducting the deferred tax liabilities on land revaluation.

### Revaluation method

The value is calculated based on road rate as prescribed in Article 2, Item 4 of “Order for Enforcement of the Act on Revaluation of Land,” with reasonable adjustments being made.

### Date of revaluation

March 31, 2002

The difference between the fair value of land at the end of fiscal year under review and its book value after revaluation

¥174 million

3. Monetary receivables from and payables to subsidiaries and associates

	(Millions of yen)
Short-term monetary receivables	25,099
Long-term monetary receivables	449
Short-term monetary payables	84,513
Long-term monetary payables	1

4. Guarantee obligations, etc.

- (1) Guarantees of borrowings of consolidated subsidiaries from financial institutions

NISSIN FOODS (U.S.A.) CO., INC.	¥1,121 million
NISSIN YILDIZ GIDA SANAYI VE TICARET A.S.	¥715 million
Nissin Foods Kft.	¥3,639 million

- (2) Letter of awareness issued to financial institutions for borrowings of consolidated subsidiaries

NISSIN YORK CO., LTD.	¥6,600 million
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- (3) Lump-sum payment trust concomitant-type debt assumption at subsidiaries and associates

¥3,274 million

- (4) The Company has provided guarantees to the Ministry of Commerce of the People’s Republic of China (formerly known as the Ministry of Foreign Trade and Economic Co-operation) with regard to direct investment carried out within China by NISSIN FOODS (CHINA) HOLDING CO., LTD. and the transfer of technology to the investment recipient party, to the effect that in the event of non-performance the Company shall act as agent.

At the present time at the end of the fiscal year under review, there are no plans for investment or technology transfer such as would raise any concerns with regard to the above-mentioned performance obligation.

## Notes to Statement of Income

### 1. Transactions with subsidiaries and associates

	(Millions of yen)
Net sales	46,550
Purchases	279
Other operating expenses	1,594
Other transactions	42

### 2. Loss on valuation of stocks of subsidiaries and affiliates

“Losses on valuation of stocks of subsidiaries and affiliates” for the fiscal year under review reflects valuation declines in the equity shares of JKUAT NISSIN FOODS LTD and PT. NISSIN FOODS INDONESIA.

## Notes to Statement of Changes in Equity

### Class and total number of treasury stock

Class of shares	Number of shares at beginning of fiscal year under review	Number of shares increased in fiscal year under review	Number of shares decreased in fiscal year under review	Number of shares at end of fiscal year under review
Common shares	9,438,151 shares	4,088,919 shares	153,835 shares	13,373,235 shares

- (Notes)
1. Increase in the number of common shares in treasury stock is due to market purchases of 4,088,300 shares, and the purchase of 619 shares less than one unit.
  2. Decrease in the number of common shares in treasury stock is due to exercise of stock options by officers and employees of the Company and officers of the Company’s subsidiaries of 153,748 shares, and the sales of 87 shares less than one unit.

## Notes on Tax Effect Accounting

### 1. Significant components of deferred tax assets and liabilities

	(Millions of yen)
Deferred tax assets	
Loss on valuation of investments in securities	7,982
Shares of subsidiaries and associates (split company)	4,604
Long-term accrued payable	992
Accrued bonuses	249
Accrued payables	107
Depreciation	34
Impairment losses	22
Other	635
Subtotal deferred tax assets	<u>14,628</u>
Valuation allowance	<u>(9,432)</u>
Total deferred tax assets	<u>5,195</u>
Deferred tax liabilities	
Unrealized gain (loss) on available-for-sale securities	(8,823)
Reserve for reduction entry of land	<u>(1,135)</u>
Total deferred tax liabilities	<u>(9,958)</u>
Net deferred tax liabilities	<u>(4,762)</u>

### 2. Breakdown of major items that cause differences between statutory and effective tax rates and income tax burden after tax effect accounting is applied

Statutory effective tax rate (adjustment)	30.86%
Expenses not deductible permanently such as entertainment expenses	0.66%
Income not taxable permanently such as dividend income	(20.11)%
Change in valuation allowance	0.45%
Other	<u>(0.69)%</u>
Effective tax rate after application of tax effect accounting	<u>12.55%</u>

## Notes on Transactions with Related Parties

### 1. Subsidiaries and associates

Type	Name	Capital or investments in capital	Nature of Business or Occupation	Voting rights holding or held	Nature of relationship		Transactions	Transaction amount (Millions of yen) (Note 1)	Account title	Ending balance (Millions of yen) (Note 1)
					Interlocking of officers, etc.	Business relationship				
Subsidiary	NISSIN FOOD PRODUCTS CO., LTD.	¥5,000 million	Manufacture and sale of instant noodles	100.0% (-)	3 officers	Provision of raw materials, technology support, fund management, etc.	Fund management	(Note 2)	Deposits received	53,291
							Provision of raw materials (Note 3)	85,373	Accounts receivable-trade	15,403
							Management support fee (Note 4)	16,460	-	
Subsidiary	NISSIN CHILLED FOODS CO., LTD.	¥100 million	Manufacture and sale of chilled foods	100.0% (-)	1 officer	Provision of raw materials and fund management, etc.	Fund management	(Note 2)	Deposits received	4,142
							Provision of raw materials (Note 3)	5,651	Accounts receivable-trade	938
Subsidiary	MYOJO FOODS CO., LTD.	¥3,143 million	Manufacture and sale of instant noodles	100.0% (-)	1 officer	Provision of raw materials, technology support, and fund management, etc.	Fund management	(Note 2)	Deposits received	7,647
							Provision of raw materials (Note 3)	7,440	Accounts receivable-trade	1,427
Subsidiary	Nissin Plastics Co., Ltd.	¥450 million	Manufacture and sale of containers	100.0% (-)	-	Outsourcing of processing of containers, etc.	Processing outsourcing fees (Note 3)	3,821	Accounts payable-trade	1,065
Subsidiary	NISSIN YORK CO., LTD.	¥870 million	Manufacture and sale of dairy products, etc.	100.0% (-)	1 officer	Debt guarantees, etc. on loans to Nissin York Co., LTD.	Debt guarantees (Note 5)	6,600	-	

- (Notes)
1. Of the amounts above, the transaction amount does not include consumption taxes, and the end balance includes consumption taxes except deposits received.
  2. The Company has introduced a cash management system by which funds in the group are centrally managed and borrowed and lent among those group companies on a daily basis. Thus the transaction amounts are not recorded.
  3. The interest rates are determined by taking into account market interest rates.
  4. Transaction conditions are determined by referencing general trading conditions.
  5. Management support fee is determined through mutual discussions in consideration of the contents of a business operation.

## 2. Officers and major individual shareholders

Type	Name	Voting rights holding or held	Relation with the party	Transactions	Transaction amount (Millions of yen) (Note 1)	Account title	Ending balance (Millions of yen) (Note 1)
Companies, etc. over which officer and its close family member own the majority of the voting rights	Intec Lease Co., Ltd.	-	Lease of assets, etc.	Payment of lease fees, etc. (Note 2)	94	Lease liabilities within one year	8
						Lease liabilities beyond one year	5

(Notes) 1. Of the amounts above, the transaction amount does not include consumption taxes.

2. The leasing is performed after obtaining price estimates based on general leasing operations and comparing them with those presented by other leasing companies.

### Notes on Per Share Information

1. Total equity per share	¥2,163.22
2. Net income attributable to owners of parent per share	¥204.55

(Note) Amounts presented in this document less than one full unit have been rounded down. However, in respect of net income attributable to owners of parent per share, total equity per share, and percentages, figures have been rounded to the nearest unit.