

Annual Review 2013

NISSHIN
Oillio

"The Natural Power of Plants"

Toward the Completion of Business
Structural Reform and Formulation of
a New Medium-Term Management Plan

NISSHIN
Oillio

日清オイリオグループ株式会社
The Nisshin Oillio Group, Ltd.

President's Message



Final Year of GROWTH 10 Phase II:

Toward the Completion of Business Structural Reform and Formulation of a New Medium-Term Management Plan

Summary of fiscal 2012 earnings results

In the recent economy in Japan, there is increasing anticipation of economic recovery owing to a continued depreciation of the yen and rising stock prices, which reflect the market's expectations in the policies implemented by the Abe administration, which took office in December 2012. Meanwhile, the oils and meals industry is operating in a still weak market environment, after the soybean market reached an unprecedented high price level in September 2012 (\$17.94/Bu), and has remained high thereafter reflecting impact from the major drought in North America.

Amid this market backdrop, our non-consolidated net sales in fiscal 2012 outperformed versus the previous fiscal year but consolidated net sales dipped 0.8%, due to a year-on-year decline in sales in the overseas Processed Oils and Fats Business. In the profit front, we booked a profit decline in the domestic Oils and Meals Business, as the rise in raw materials costs largely offset the benefit from appropriate selling prices and reduced costs. Profit also fell at Intercontinental Specialty Fats Sdn. Bhd. (ISF) in Malaysia, which is the main entity in the overseas Processed Oils and Fats Business, due to impact from the sluggish economy in Europe, the enhanced competitive strength of palm oil produced in Indonesia, falling palm oil market prices, and a listless specialty fats market. In addition, there was substantial negative impact to profit from new goodwill charges incurred in conjunction

with the formation of a wholly-owned subsidiary in March 2012.

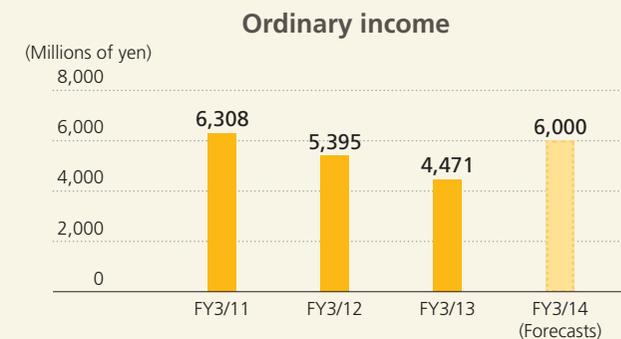
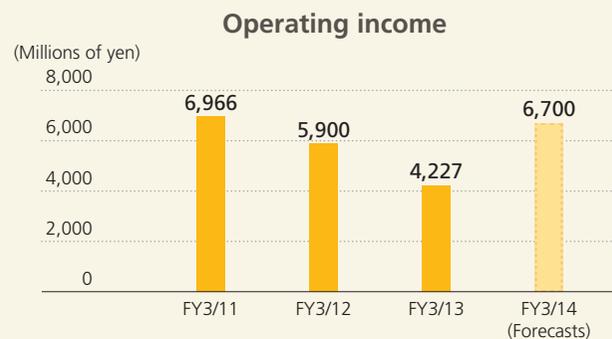
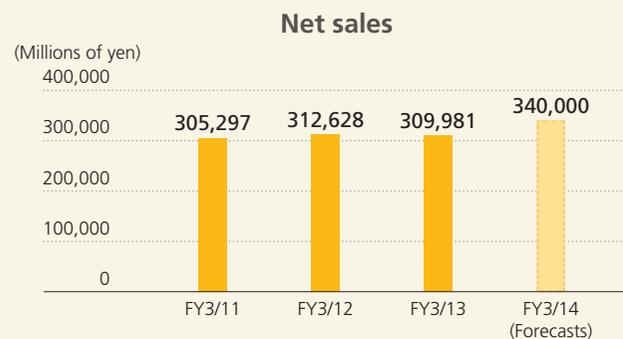
In fiscal 2012, we booked consolidated net sales of ¥309,981 million, a decline of 0.8% YoY, operating income of ¥4,227 million, a fall of 28.4%, ordinary income of ¥4,471 million, a drop of 17.1%, and net income of ¥1,508 million, a decrease of 60.7%.

Fiscal 2013 earnings forecasts

Fiscal 2013 is both the final year of Phase II of the GROWTH 10 management vision and a critical juncture for the Nisshin Oillio Group, Ltd. and its domestic and overseas consolidated subsidiaries ("the Group"). However, we are facing a number of obstacles. The business environment in which we operate remains weak. Raw material costs are substantially increasing, owing to ongoing high price levels in the grain market and negative impact from a depreciation in the yen's value against major currencies from the end of 2012. To overcome these challenges in a market that remains in a deflationary state, it is vital that we pour energies into passing on, to the fullest, the rise in raw material costs to our selling prices, expanding sales of high-value-added products, and further curtailing costs.

In fiscal 2013, we forecast consolidated net sales of ¥340,000 million, a growth of 9.7% versus fiscal 2012, operating income of ¥6,700 million, an increase of 58.5%, ordinary income of ¥6,000 million, a rise of 34.2%, and net income of ¥2,700 million, an upshot of 79.0%.

Consolidated Financial Highlights



(Note) The monetary figures in this report have been rounded down to the nearest million.

President's Message

Final year of Phase II in the GROWTH 10 management vision

—Toward the Completion of Business Structural Reform and Formulation of a New Medium-Term Management Plan—

There are two significant implications of the business structural reforms, which the Group is currently aiming to achieve. First is to transform the Oils and Meals Business into an organization that generates consistent and high earnings. Second is to develop the second and third earnings pillars, to revamp our profit structure, which is at present highly reliant on the Oils and Meals Business. Thus it is essential that we equally promote growth strategies and structural reform strategies.

Innovation is a key concept of our growth strategies. We plan to identify growth factors from various viewpoints, as it is crucial to develop a growth model for the future. We plan to reassess the technologies held by us and create new value and services from the view of the customer.

Under our structural reform strategies, we will carefully review our business and cost structures, develop a profit structure that generates consistent earnings in any market environment, and fortify our competitive strength. To wrap up our structural reforms, we plan to embark on the following nine key measures in fiscal 2013.

1. Bolster earnings of Oils and Meals Business
2. Business structure reform of ISF
3. Business structure reform of business in China
4. Business structure reform of Healthy Foods Business
5. Continuous growth of Fine Chemicals Business
6. Optimize overall production / distribution and transform into a thoroughgoing low cost structure
7. Restructure the operations, costs, personnel / organization structure into structures appropriate to the business environment
8. Bolster financial strength / balance sheet compression
9. Abolish / merge / reorganize Group companies

We plan to develop concrete policies and an implementation structure, formulate a schedule, intensively carry out these measures and produce results. Of these nine measures, I would like to explain the four actions which we believe to be of particular importance.

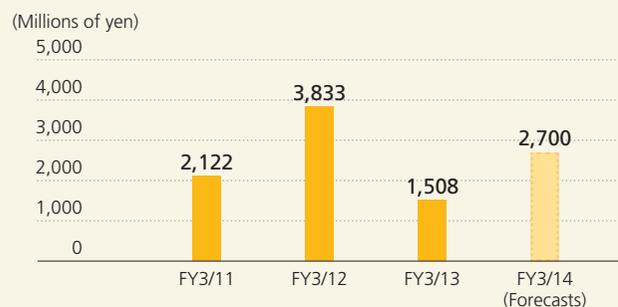
● Bolster earnings of Oils and Meals Business

The most important focus in the Group is the enhancement of earnings strength in the Oils and Meals Business. The improvement of profit margins on core products—regular (a mixture of soybean



oil and canola oil) and canola oils—is an issue we have to embark on immediately. In addition to the continuous work to achieve reasonable selling price levels, we plan to move forward with a review of our cost structure. Also, in the category for products with a high profit margin and for which demand is currently brisk, mainly premium oils, olive oil, and sesame oil, we plan to expand sales and boost earnings, mainly by launching new products, offering innovative recipes using our products, and by promoting collaborations with other companies.

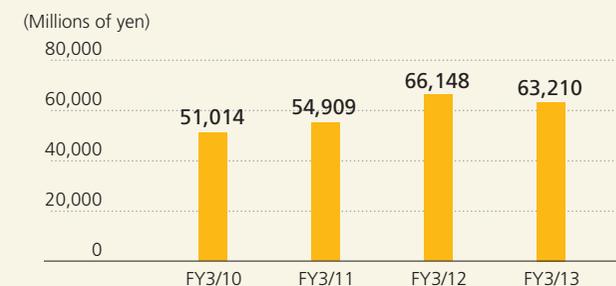
Net income



Total assets/Net assets



Interest-bearing debt



President's Message

● Business structure reform of ISF

At ISF, earnings in recent years turned sluggish due to various factors and have remained weak. However, unless we deal with these issues, we cannot stabilize earnings at ISF, and we cannot expect to stabilize earnings in the Processed Oils and Fats Business. In April 2013, we established a global R&D center in Malaysia as our central R&D site in Asia, including ISF in Malaysia and T. & C. Manufacturing Co. Pte. Ltd. in Singapore. The center is in close proximity to production and consumption sites and is responsible for technological development that facilitates the efficient development of products. Going forward, we plan to carry out quick business development that integrates production, sales, and development. Based on a structure backed by technical expertise and quality, we aim to realize a stable earnings structure via the diversification of specialty fat sales in markets in Asia and through the expansion of our customer base.

● Business structure reform of business in China

Our business operations in China are also in need of a radical review and rebuilding. Thus far, we carried out business expansion in China independently. However, we plan to open up proprietary oil and fat technologies, and partner up to actively embark on measures to transform our technologies into businesses. One measure in this direction is the start of talks to form an affiliation with China Agri-Industries Holdings Ltd., a group company of the state-owned COFCO Group. We believe entering into this affiliation will pave the way for making rapid progress to becoming an international corporate group.

We plan to execute our structural reforms by tackling these key measures as a group as a whole.

● Optimize overall production / distribution and transform into a thoroughgoing low cost structure

Another major issue is to secure cost competitive strength by rebuilding our production and supply structure. It is urgent that we establish a supply structure that includes imported oils to deal with the changing market environment for oil extract, such as the zero tariffs on oils and fats via TPPs and FTAs. At our Yokohama Isogo Plant, we

have already started to fortify operations to deal with imported oils. We have completed the construction of an extraction line that can handle both soybeans and rapeseed. Another line that will handle both soybean and rapeseed oil extraction is to be completed in September at the Mizushima Plant. Moreover, we began investing to rebuild the Yokohama Isogo Complex, with the aim of achieving an optimal and flexible supply structure and minimizing distribution and inventory costs. We plan to vigorously promote the implementation of these measures, create a low-cost structure, and transform our core businesses into strong players.

Developing a new medium-term management plan for fiscal 2014 onward

In fiscal 2013, we are entering the seventh year of the GROWTH 10, which is the 10-year basic management vision launched in fiscal 2007, and the final year of Phase II.

The vision depicted at the time GROWTH 10 was launched called for achieving growth by injecting earnings from the domestic Oils and Meals Business into businesses and areas that are expected to grow further out and nurturing those businesses that will be the cornerstones for further growth. However, at present, prices in the soybean market have more than doubled since the start of the plan while domestic volume of pressed soybean oil has dropped to 60%. The market environment surrounding the edible oil industry has changed drastically and is reducing the earnings strength of the Oils and Meals Business. Also, for growth businesses, we have been pursuing the development of a new business model that is suitable for the forthcoming era but have not yet established one.

In our overseas operations, we are coming to the point where it is necessary to review each of our overseas companies. In light of these conditions, we have decided to once more review the market environment in which our Group operates, make detailed forecasts going forward, rethink our direction, and envision an ideal structure. Accordingly, we plan to terminate our GROWTH 10 management vision in conjunction with the completion of Phase II and launch a new medium-term management plan starting from fiscal 2014.

In fiscal 2013, we plan to develop plans for a newly targeted structure by completing our structural reforms and devising a new medium-term management plan. In other words, review our GROWTH 10 vision, monitor and analyze our current situation, create forecasts, and redefine growth for the Group. As the structural change of the market environment surrounding the edible oil industry progresses at a rapid pace, we believe it will bring about a major turning point for the Group.

The need for drastic reforms will be unavoidable as we once again head vigorously toward the next phase of growth. With strong determination, the Group will work as one to forge ahead toward the realization of an ideal structure.

Basic policy on profit distribution and fiscal 2012 & 2013 cash dividends

The Nisshin Oillio Group, Ltd. ("Nisshin Oillio") regards returning profits to shareholders as one of its most important management priorities.

In distributing profits, Nisshin Oillio's basic policy is to pay a continuous, stable dividend, taking into consideration the status of the medium-term management plan, consolidated business results, and the dividend payout ratio.

In using retained earnings, Nisshin Oillio will strive to meet the expectations of its shareholders from a long-term perspective by targeting investments that enhance corporate value and by setting aside amounts for necessary profit distribution.

In accordance with this policy, for the year-end dividend for the fiscal year ended March 31, 2013, Nisshin Oillio paid ¥5 per share, as initially planned.

Consequently, the Company paid an annual dividend of ¥10 per share, including the interim dividend.

For the fiscal year ending March 31, 2014, Nisshin Oillio plans to pay an annual dividend of ¥10 per share.



Takao Imamura

President and Representative Director

Consolidated Financial Statements

● Consolidated Balance Sheet

(Millions of yen)

	As of March 31, 2012	As of March 31, 2013
Assets		
Current assets	135,109	141,960
Noncurrent assets	101,964	106,574
Property, plant and equipment	73,962	77,068
Intangible assets	6,365	5,766
Investments and other assets	21,636	23,739
Deferred assets	58	45
Total assets	237,132	248,580
Liabilities		
Current liabilities	73,359	87,759
Noncurrent liabilities	50,506	43,742
Total liabilities	123,866	131,502
Net assets		
Shareholders' equity	107,907	107,751
Capital stock	16,332	16,332
Capital surplus	26,072	26,072
Retained earnings	68,284	68,130
Treasury stock	-2,781	-2,783
Accumulated other comprehensive income	-814	2,659
Valuation difference on available-for-sale securities	1,083	2,941
Deferred gains or losses on hedges	99	-381
Foreign currency translation adjustment	-1,998	99
Minority interests	6,173	6,667
Total net assets	113,266	117,078
Total liabilities and net assets	237,132	248,580

Total assets grew ¥11,447 million, mainly reflecting increase in accounts receivables, inventory assets, and property, plant and equipment.

Despite a decline in interest-bearing debt, total liabilities rose ¥7,635 million, mainly reflecting an increase in accounts payable.

● Consolidated Statements of Income

(Millions of yen)

	Fiscal year ended March 31, 2012	Fiscal year ended March 31, 2013
Net sales	312,628	309,981
Cost of sales	262,825	260,643
Gross profit	49,802	49,337
Selling, general and administrative expenses	43,902	45,110
Operating income	5,900	4,227
Non-operating income	1,239	1,791
Non-operating expenses	1,744	1,546
Ordinary income	5,395	4,471
Extraordinary income	126	246
Extraordinary loss	2,431	197
Income before income taxes and minority interests	3,090	4,520
Total income taxes	-998	2,419
Income before minority interests	4,088	2,101
Minority interests in income	255	593
Net income	3,833	1,508

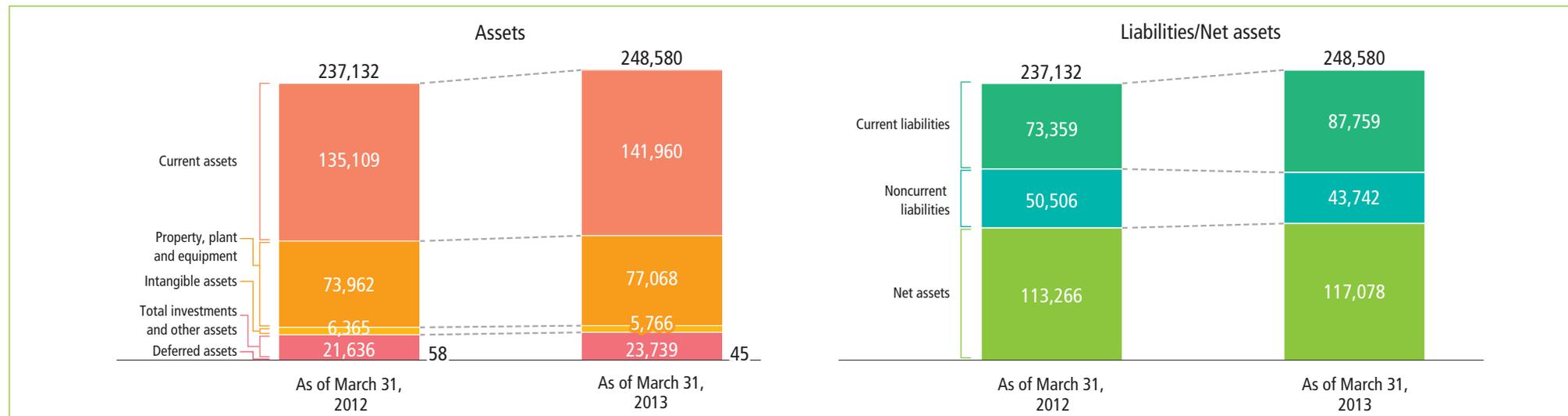
In contrast with the previous fiscal year, sales dipped 0.8% and ordinary income dropped 17.1%.

Consolidated Financial Data at a Glance

Consolidated Financial Statements

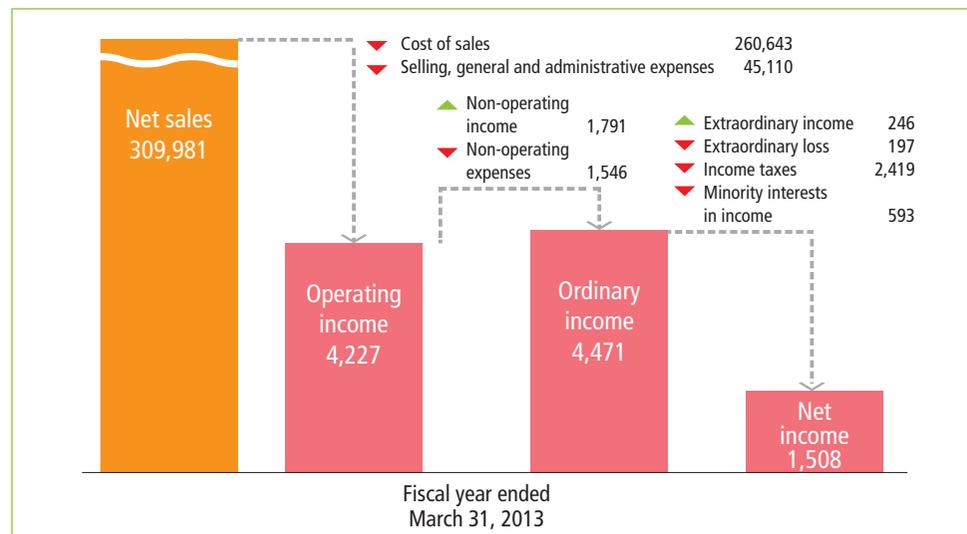
Consolidated balance sheets

(Millions of yen)



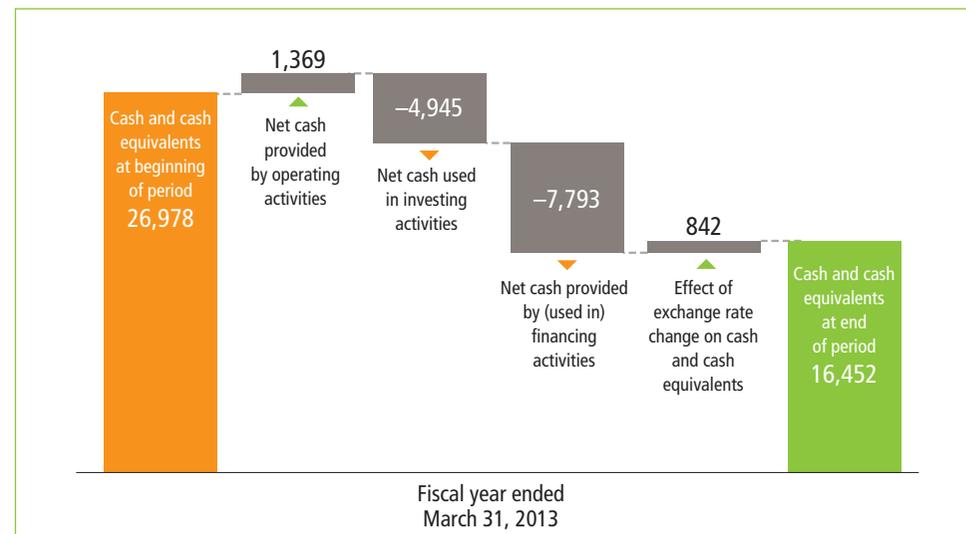
Consolidated statements of income

(Millions of yen)



Consolidated statements of cash flows

(Millions of yen)



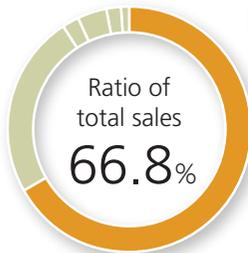
Operations Review

Summary of Business Operations (April 2012–March 2013)

Oils and Meals Business



Nisshin "Healthy Sesame Fragrant Oil" received the Nihon Shokuryo Shimbun 2012 Award for Excellent Hit Product



Net sales
¥206,942 million
(3.2% YoY↑)

Operating income
¥3,436 million
(5.8% YoY↓)

Key points

In the domestic Oils and Fats Business, although we expanded sales of high-value-added products, sales declined as we did not achieve the appropriate selling price levels that we had expected. However, overall segment sales rose thanks to a growth in meals sales—although volume was down, selling prices were higher. Dalian Nisshin Oil Mills posted an improvement in sales versus a year earlier but the business environment in which it operates is still weak.

Business segment profile

- Edible oils for household use
- Edible oils for commercial use
- Edible oils for food processing
- Oil meals, etc.

New

Still crisp and delicious after being fried hours earlier. And healthy as well.

Nisshin Healthy Vege-Oil

Nisshin Healthy Vege-Oil, derived from vegetables (rapeseed, palm, corn), are packed full of vitamin E from vegetables.

Moreover, this unique oil is cholesterol-free.



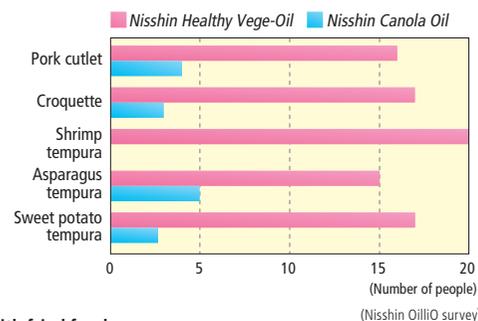
Nisshin Healthy Vege-Oil
1,000 g PET



Bento lunch boxes with fried foods

Nisshin Healthy Vege-Oil draws out the delicious flavors of the ingredients and also keeps fried foods crispy for hours. Fried foods using this oil are perfect for bento lunch boxes.

People who thought foods were crispier cooked in our oils



Eco-friendly

Reduced environmental impact and improved usability!

Environmentally-friendly Bag-in-Box Container

To further reduce our impact on the environment and improve product usability, we revamped the Bag-in-Box, popular eco-friendly container.

Key points

1. The container weight is reduced by roughly 10%.
2. The cap inside the box is easy to pull out.
3. The schematic diagram on how to use the Bag-in-Box is now easier to understand.



Nisshin Salad Oil
8 kg BIB



Nisshin Canola Oil
8 kg BIB



Nisshin Soybean Oil
8 kg BIB

Bag-in-Box:

It's a type of container consisting of a plastic bag with a tap, which is filled with oil, and placed in a cardboard box. In contrast with conventional metal cans that are used as containers for commercial-use edible oils, the merits of the Bag-in-Box are that it has a lower environmental impact and is easy to use.

Operations Review

Processed Oils and Fats Business



Business segment profile

- Margarines ● Shortenings
- Processed oils and fats products ● Specialty fats, etc.



Net sales
¥74,923 million
(12.9% YoY \uparrow)

Operating income
¥809 million
(58.1% YoY \uparrow)

Key points

In Japan, net sales increased on sales volume growth, mainly for shortenings. Daito Cacao Co., Ltd., a subsidiary, posted an increase in sales volume but net sales declined slightly year-on-year. Income increased, owing in part to a decline in raw material costs. Meanwhile, at ISF in Malaysia, sales and income decreased due to changes in Indonesia's export custom tariff system, deterioration in the refining margin due in part to a decline in the palm oil market, and a slump in the market for specialty fats.

[Operating income of the Nisshin Oillio Group was impacted by goodwill amortization, reflecting the conversion of ISF into a wholly-owned subsidiary.]

Healthy Foods Business



Business segment profile

- Dressings
- Healthy food products
- Foods for the elderly and nursing care patients, etc.



Net sales
¥7,081 million
(0.2% YoY \downarrow)

Operating loss
¥273 million
(loss increase of ¥51 million YoY)

Key points

Net sales and sales volume for dressings and mayonnaise-type dressings increased, mainly reflecting aggressive sales activities to promote *Nisshin Dressing Diet* products. Sales were brisk for foods for the elderly and nursing care patients. Sales for other product groups were down year-on-year. Overall, segment net sales were level with net sales in the previous year.

ISF (Malaysia)

Intercontinental Specialty Fats Sdn. Bhd. (ISF)

is an edible fats and oils manufacturer that specializes in producing premium grade specialty fats (CBEs, CBRs, and CBSs, among others) and

oils to cater for the global food industries. Its facilities are the first of its kind in Malaysia since the 80s and one of the only few in the world. In 2012, it became 100%-owned subsidiary of the Nisshin Oillio Group, Ltd. Besides having the edge of being close to the raw material supplies in Malaysia, ISF is backed by the company's years of expertise in satisfying the fats and oils needs of the confectionery and bakery industries.

Visit ISF at <http://www.isfsb.com.my/>



Operations Review

New Energy supply for the elderly and nursing care patients

Ene-Pudding

We launched energy-charged *Ene-Pudding* in seven flavors. The product contains six grams of Medium Chain Triglycerides (MCTs), which are easily metabolized into energy after consumption.

Strawberry



Mango



Apple



ユニバーサルデザインコード
区分
区別
舌でわかる
Categorized as "Universal Design Food" Food Texture Category 3 - "Chew with the Tongue"

Pumpkin



Pineapple



Orange



Grape



Product features

Contains six grams of our own proprietary Medium Chain Triglyceride (MCT): "Nisshin MCT C10R."



This logo indicates that the product contains Nisshin Oillio's MCT

We have been researching Medium Chain Triglycerides (MCTs) for many years. This pudding contains our own proprietary MCT, "Nisshin MCT C10R." The intake amount of MCT is six grams per serving.

Zero protein and 110 calories; small, delicious, 40-gram single servings

The oil content in one cup is substantial but MCT is not oily and is pleasant to eat.

Product development

Elderly people are unable to get sufficient nutrients, due to factors such as a poor appetite, and a decline in strength to chew and swallow. In many cases, this can be compensated for by eating foods that are supplemented with sugar and proteins, which boost energy.

However, some people have restrictions on sugar and protein intake and others simply do not like sweet foods. These consumers seek alternative types of foods that will boost their energy level.

To respond to this demand, we developed *Ene-Pudding*, which comes in a delicious, single-serving size, with zero protein and contains six grams of MCTs, which are easily metabolized into energy.

Moreover, Nisshin Oillio confirmed the efficacy of the continued intake of six grams of MCTs per day by people suffering from nutritional deficiency.

Fine Chemicals Business



Net sales
¥12,487 million
(16.3% YoY↑)
Operating income
¥399 million
(37.5% YoY↓)

Business segment profile

- Raw materials for cosmetics
- Food ingredients
- Medium Chain Triglycerides (MCTs)
- Chemical products, etc.

Key points

Net sales of raw materials for cosmetics increased owing to a sharp rise in sales to South Korea. Sales of chemical products, including lubricants, rose on brisk sales of consigned products. Net sales of chemical products, including detergents, dropped. Industrial Química Lasem, S.A.U. (IQL)* in Spain posted weak earnings, hindered by the sluggish economy in Europe.

* This is the first fiscal year in which IQL's full-year earnings are reflected in net sales and operating income. Operating income of the Nisshin Oillio Group was impacted by goodwill amortization owing to the conversion of IQL into a wholly-owned subsidiary.

Soy Foods and Materials Business



Net sales
¥5,285 million
(11.5% YoY↑)
Operating income
¥44 million
(11.8% YoY↑)

Business segment profile

- Soy protein
- Soy foods, etc.

Key points

Net sales and sales volume rose year-on-year reflecting business development, in which production, sales and technical support were integrated, and the development of customers and markets with new products.

Other businesses account for 1.0% of total sales.

CSR



Conveying the importance of a well-balanced diet and exercise to children as well as top athletes

The Nisshin Oillio Group is pouring its energies into sports promotion projects. We aim to support the dietary needs of a wide range of athletes, from those representing Japan in the Olympics to future athletes.

From 2005, we have been supporting the dietary and nutritional needs of Olympic athletes as an official partner of the Japan Olympic Committee (JOC).

In the 2012 London Olympic Summer Games, Ai Fukuhara won a silver medal as a member of the women's team in table tennis and Saori Yoshida won her third consecutive gold in women's 55 kg freestyle wrestling. We provided dietary and nutritional support to both of these athletes.



Nisshin Oillio nutritionist providing dietary and nutritional support to Ai Fukuhara. Detailed advice is given to each individual athlete depending on their condition.



Healthy Resetta and other Nisshin Oillio products are used in the menu items that we recommend to top athletes as a part of our dietary and nutritional support.

Healthy Resetta 600 g

Roundtable on Sustainable Palm Oil (RSPO)



As a global edible oil company, the Nisshin Oillio Group, Ltd. joined the Roundtable on Sustainable Palm Oil (RSPO) in 2012 to contribute to the healthy and sustainable development of the palm oil industry.

Pamphlet explaining the UN Global Compact

Since 2011, the Nisshin Oillio Group participates in the Global Compact, a platform being advocated by the UN.

In fiscal 2012, we created pamphlets explaining the 10 principles of the UN Global Compact, with the goal of instilling these values in our group. The pamphlets were distributed to the directors and employees of our group.



WFP Walk the World charity event

Since 2007, we have been a cosponsor in the World Food Programme's Walk the World charity event, which is held in 70 nations around the world with the objective of wiping out child hunger. In fiscal 2012, we held our own independently planned event, authorized by WFP and operated by volunteers from the Nisshin Oillio Group in Sakai City, Osaka. It was held at the same time and on the same day as the WFP event in Minatomirai, Yokohama.



The participation fee for this event, excluding various costs, is used to help the United Nations World Food Programme's school meal program.

Corporate Data (As of March 31, 2013)

● Corporate Data

Company Name	The Nisshin Oillio Group, Ltd.
Head Office	1-23-1 Shinkawa, Chuo-ku Tokyo 104-8285, Japan
Telephone Number (Main)	+81-3-3206-5005
Date of Establishment	March 7, 1907
Paid-in Capital	¥16,332,128,633
Number of Employees	2,867 (Consolidated)

● Major Business Sites

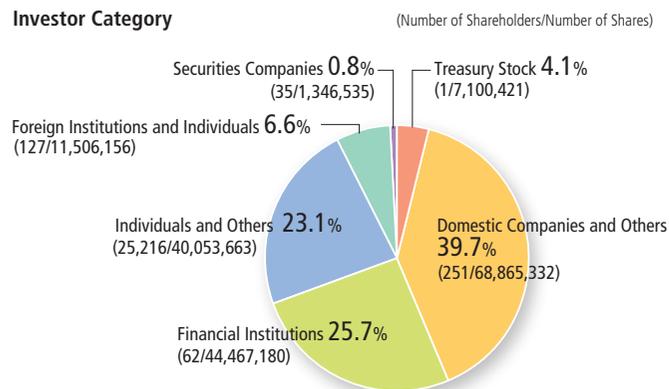
Sapporo Office, Sendai Office, Kanto Shin-etsu Office, Tokyo Office, Nagoya Office, Osaka Office, Hiroshima Office, Fukuoka Office, Yokosuka Administration Dept. (Central Research Laboratory), Yokohama Isogo Plant, Nagoya Plant, Sakai Plant and Mizushima Plant



Yokohama Isogo Plant

● Breakdown of Shareholders

Investor Category



● Stock Information

Number of Shares of Common Stock	Authorized: 388,350,000 shares Issued: 173,339,287 shares (including treasury stock)
Number of Shareholders	25,692

● Consolidated Subsidiaries

Japanese Subsidiaries (11 companies)

Settsu Oil Mill, Inc.
Nisshin Trading Co., Ltd.
Nisshin Logistics Co., Ltd.
NSP Co., Ltd.
Daito Cacao Co., Ltd.
Nisshin Shokai Co., Ltd.
Marketing Force Japan Inc.
Nisshin Finance Co., Ltd.
The Golf Joy Co., Ltd.
Mogi Tofu Co., Ltd.
Yamakiu Transport Co., Ltd.

Overseas Subsidiaries (6 companies)

Dalian Nisshin Oil Mills, Ltd.
Shanghai Nisshin Oil & Fats, Ltd.
The Nisshin Oillio (China) Investment Co., Ltd.
Intercontinental Specialty Fats Sdn. Bhd.
Industrial Química Lasem, S.A.U.
T.&C. Manufacturing Co., Pte. Ltd.

● Principal Shareholders

Shareholders	Shareholdings (thousands)	Percentage of total shares issued (%)
Mitsubishi Corporation	28,829	16.63
Marubeni Corporation	26,001	15.00
Sompo Japan Insurance Inc.	6,036	3.48
Aioi Nissay Dowa Insurance Co., Ltd.	5,978	3.45
Japan Trustee Services Bank, Ltd. (Trust Account)	3,852	2.22
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	3,397	1.96
The Master Trust Bank of Japan, Ltd. (Trust Account)	3,387	1.95
Japan Trustee Services Bank, Ltd. (Trust Account No.4)	2,736	1.58
Kikkoman Corporation	2,351	1.36
Taisei Corporation	2,310	1.33

Note 1. In addition to the above, the Company has 7,100,000 shares of treasury stock.
2. The percentage of total shares issued is the ratio of total shares outstanding, including treasury stock.



"The Natural Power of Plants"

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