

# Annual Review 2016



NISSHIN  
**Oillio**

"The Natural Power of Plants"



The Nisshin Oillio Group, Ltd.

## President's Message



***Armed with strong brand power and original technology, we aim to become a corporate group conducting the oil and fat and related businesses on a global scale.***

### **To our shareholders and investors**

The Nisshin OilliO Group is facing increasingly harsh conditions in the business environment in which it operates due to factors such as continuing high prices in grain markets and drawn-out deflation in Japan.

Amid this backdrop, we are implementing a three-year medium-term management plan for the period fiscal 2014–fiscal 2016. Armed with strong brand power and original technology, we aim to become a corporate group conducting the oil and fat and related businesses on a global scale. The Nisshin OilliO Group is involved in the Oil and Meal Business, Processed Oil and Fat Business, the Fine Chemical Business, and the Healthy Food Business.

In the domestic Oil and Fat Business, we plan to post steady earnings by expanding sales volume through ongoing product development and the assumption that we can achieve the appropriate selling price. In the Processed Oil and Fat Business, we aim to increase earnings, mainly through the promotion of our Asia strategy, and nurture this business into a key pillar in our business portfolio, alongside the domestic Oil and Fat Business.

We plan to utilize proprietary group technologies and strengths to expand the Fine Chemical Business, the Healthy Food Business, and the Medium-Chain Triglyceride (MCT) Business. The MCT Business is currently undergoing consolidation to integrate resources spread through the company. Consequently,

our ultimate goal is to build a sturdy, resilient earnings base for the Nisshin OilliO Group.

Furthermore, we aim to reduce costs by promoting the optimization of our production and distribution systems, which will allow us to flexibly respond to changes in the business environment.

We also plan to deploy a corporate brand strategy to maximize our corporate value and forge ahead with the fortification of our corporate governance, including the reinforcement of our compliance system and the creation and operation of an internal control system.

The Nisshin OilliO Group also aims to improve its corporate value by continuing to carry out key CSR initiatives, including the consistent delivery of safe and sound products and services, engagement in environmental preservation, and proper information disclosure.

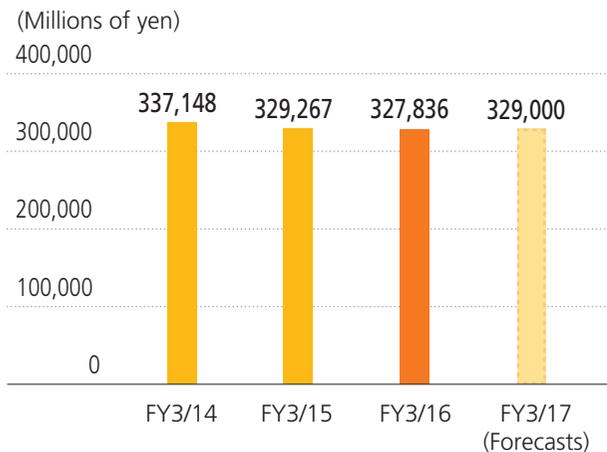
We will continue to work together as a company as a whole to answer the expectations of our stakeholders and ask for the continued support of our shareholders and investors.

July 2016

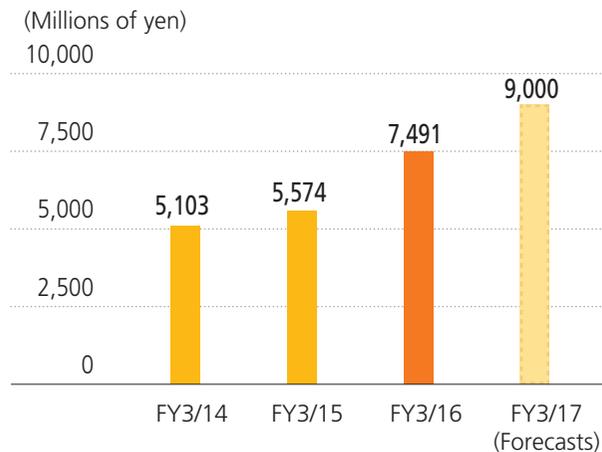
**Takao Imamura**  
President and Representative Director

# Consolidated Financial Highlights

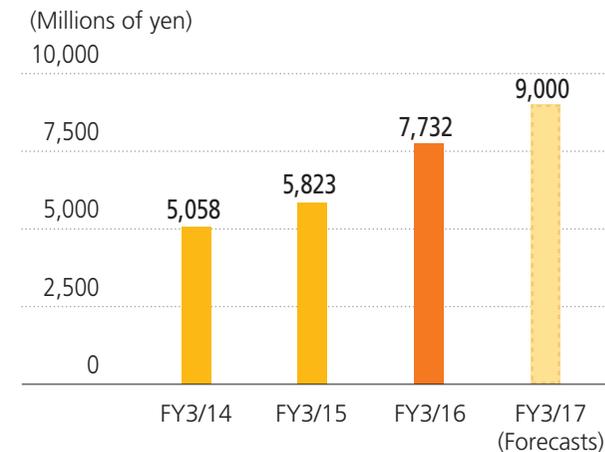
### Net sales



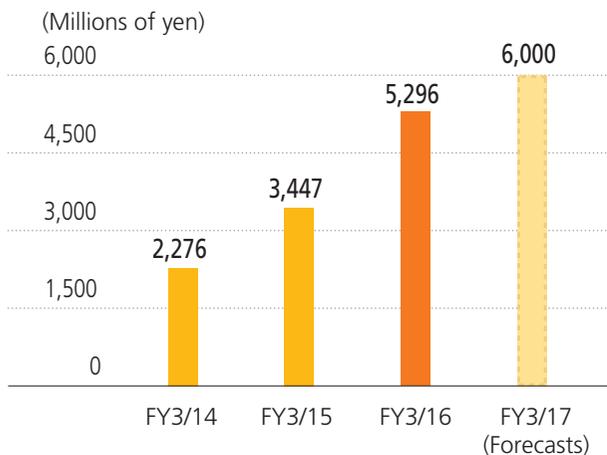
### Operating income



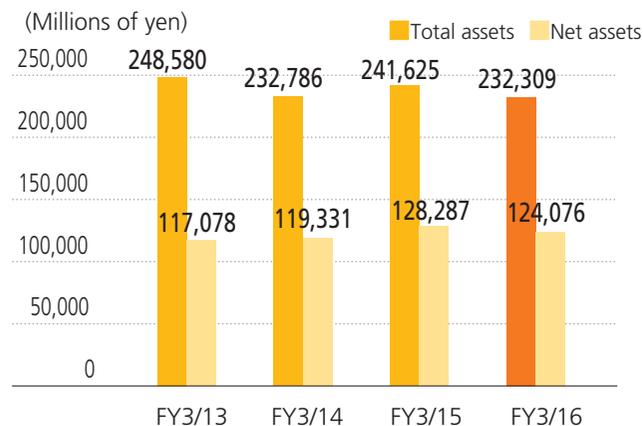
### Ordinary income



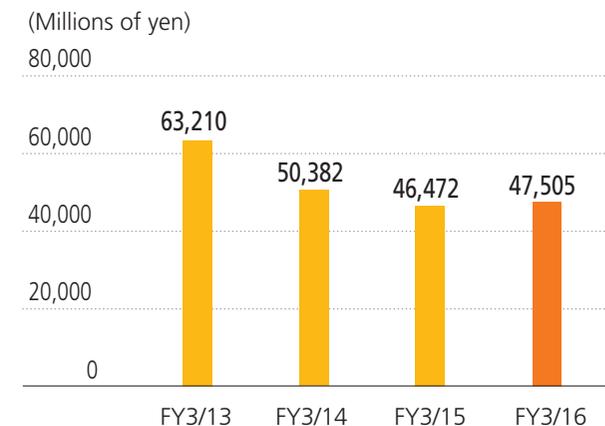
### Net income attributable to the parent's shareholders



### Total assets/Net assets



### Interest-bearing debt



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

## Financial Results Summary

### Fiscal 2015 Earnings Results Overview

Japan's economic growth came to a standstill in the fiscal year ended March 31, 2016 (fiscal 2015). Globally, the economic outlook remained murky due in part to overseas economic concerns, mainly stagnating economic growth in emerging countries and China.

In the edible oil industry, market prices for core raw materials soybeans and rapeseed were volatile due in part to crop forecasts in producing areas. In addition, conditions for procuring core raw materials remained poor, exacerbated by the yen's weakness against major currencies, given impact from negative factors such as the U.S. interest rate hike.

Amid this economic and market environment, in accordance with the three-year Medium-Term Management Plan the Nisshin Oillio Group launched in the fiscal 2014 (April 1, 2014 – March 31, 2015), it is the basic policy of the group to build a solid earnings base for the future which centers on the improvement of earnings in the group's core oil and fat business.

In the fiscal year under review, net sales were on a par with the previous year. Although sales in the Processed Oil and Fat Business declined in tandem with sluggish demand for palm oil in Malaysia, this was offset by performance elsewhere. In the Domestic Oil and Fat Business, the company actively launched new edible oils for household use, including "Nisshin Healthy-Off," and sales were brisk for "Nisshin Flaxseed Oil" and value-added products for commercial-use.

The Nisshin Oillio Group posted its third consecutive year of profit growth. In the Domestic Oil and Fat Business, the company actively sold value-added products and achieved a cost reduction via cost structure reforms. In the Processed Oil and Fat Business, there was profit contribution from an expansion in sales of value-added products and owing to the development of new customers.

In the fiscal year under review, the company posted consolidated net sales of ¥327,836 million, which was on a par with the previous fiscal year (down 0.4%), operating income of ¥7,491 million, a rise of 34.4%, ordinary income of ¥7,732 million, a growth of 32.8%, and net income attributable to the parent's shareholders of ¥5,296 million, an increase of 53.6%.

In the fiscal 2016 (year ending March 31, 2017), we forecast consolidated net sales of ¥329,000 million, a rise of 0.4% year-on-year, operating income of ¥9,000 million, an increase of 20.1%, ordinary income of ¥9,000 million, a growth of 16.4%, and net income attributable to the parent's shareholders of ¥6,000 million, an expansion of 13.3%.

Earnings improvement in the Domestic Oil and Fat Business is essential for us to achieve our goal of building a solid earnings base for the future, which is the vision in its Medium-Term Management Plan. The company plans to boost its profit margin by actively expanding sales of BOSCO Olive Oil, which is celebrating its 20th year on market, value-added products for commercial use, sesame oil, and "Nisshin Flaxseed Oil," which contains omega-3 fatty acids, a health nutrient that is

currently a key topic. In addition, in the standard oil business, the company plans to improve its earnings structure, in part by increasing sales ratio of "Nisshin Healthy-Off" products, which are popular among consumers concerned about excess calories from fried foods.

Profits are steadily growing at the Processed Oil and Fat Business. The company aims to convert this into a base for group earnings by further strengthening collaborations between production, sales, and research to expand this business. Also, in the Fine Chemical Business, earnings trended smoothly, reflecting brisk sales of raw materials for cosmetics and other products. However, the group aims to further expand this business by enhancing its global operations.

The Nisshin Oillio Group is looking to development the Medium-Chain Triglyceride (MCT) business, where it is undertaking measures to transform this business into a growth pillar further out. The company aims to turn this into a new business domain by promoting the functions of MCT to develop the market and by implementing collaborations with overseas companies. We plan to boost the recognition of MCT by actively advertising the potential benefits of MCT to support people's health through various life stages (Super energy).

The group completed a cost-reduction system for production and distribution in the fiscal year under review. Nonetheless, the company aims to push forward with another round of reform initiatives that will contribute to additional cost savings.

Net Sales

**-0.4%**

Operating Income

**+34.4%**

Ordinary Income

**+32.8%**

Net income attributable to  
the parent's shareholders

**+53.6%**

# Medium-Term Management Plan

The Nisshin Oillio Group has launched a medium-term management plan covering the three years from fiscal 2014 to fiscal 2016.

## Our Desired Vision and Direction

**Armed with strong brand power and original technology, we aim to become a corporate group conducting the oil and fat and related businesses on a global scale.**

## Basic Policy

**Centered on the improvement of earnings in our core oil and fat business, we will build a solid earnings base for the future.**

### Domestic oil and fat business —Achievement of stable earnings—

We will seek to achieve an ordinary income of ¥6 billion (including cost reductions) through continuous product development and the ensuring of a sales volume of 630,000 tons to expand gross profits and maintain stable earnings.

### Processed oil and fat business —Steady expansion of earnings as second pillar after the domestic oil and fat business—

We will seek to achieve an ordinary income of ¥3 billion through expansion of the domestic processed oil and fat business, increase of the earnings of Intercontinental Specialty Fats Sdn. Bhd., and promotion of our Asian strategy.

### Fine chemical business, healthy food business, medium-chain triglyceride business —Business expansion and growth—

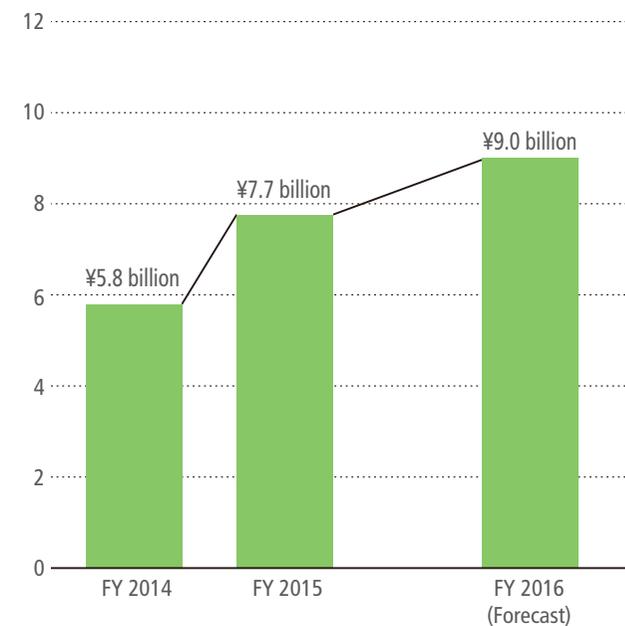
We will seek to expand and grow these businesses to solidify the Group's income base through business development utilizing our original technologies and strengths.

### Production and distribution cost reforms —Cost reductions through implementation of production and distribution optimization plan—

We will seek to build a structure that reduces costs by ¥3 billion in fiscal 2015 compared with fiscal 2012 through enforcement of the production and distribution optimization plan for flexible response to the environment.

## Numerical targets

(¥ billion)



# Operations Review (April 2015–March 2016)

## Oil and Meal Business



Net sales  
**¥217,920 million**  
(2.4% YoY $\uparrow$ )

Operating income  
**¥3,116 million**  
(7.0% YoY $\uparrow$ )

### Business segment profile

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



### Key points

- Prices for core raw materials were unstable. Soybean prices were down compared with the previous year but rapeseed prices were highly volatile. Also, the yen trended weakly in value against major currencies creating a poor environment for raw materials procurement.
- Sales of domestic oil and fat products rose year-on-year. This reflected the launch of new products, including “Nisshin Healthy-Off” in the market for household-use products, a rise in sales of high added-value products, including “Nisshin Flaxseed Oil,” and brisk sales of premium oil products in the commercial-use market.
- Oil meal sales outperformed the previous year, both in value and volume, owing to aggressive sales expansion, and despite a decline in selling prices in tandem with the fall in international market prices.
- Soy protein sales were also up in contrast with the previous year, also both in value and volume, as we poured energies into sales activities that focused on profit margins and expanded sales to major customers.

## Processed Oil and Fat Business



Net sales  
**¥83,270 million**  
(8.7% YoY $\uparrow$ )

Operating income  
**¥3,334 million**  
(49.2% YoY $\uparrow$ )

### Business segment profile

- Processed oil and fat products
- Specialty fats
- Margarines
- Shortenings, etc.

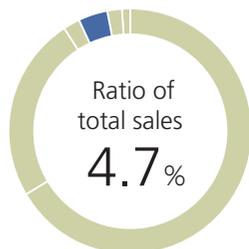


### Key points

- In Japan, sales for products such as shortenings and specialty fats were down marginally compared with a year earlier but sales remained on a par with the previous year thanks to a positive correction in selling prices at Daito Cacao Co., Ltd. and an expansion in margarine sales. Meanwhile, operating income outperformed the previous year reflecting aggressive cost reductions.
- Intercontinental Specialty Fats (ISF) (Malaysia) posted a year-on-year decline in net sales, due in part to sluggish demand in Malaysia, but operating income was flat owing to solid sales trends for added-value products in Europe. Note that we are not posting goodwill amortization for ISF beginning fiscal 2015 owing to the adoption of the Accounting Standard for Business Combinations.

# Operations Review (April 2015–March 2016)

## Fine Chemical Business



Net sales  
**¥15,571 million**  
(6.6% YoY↑)

Operating income  
**¥1,111 million**  
(102.7% YoY↑)

### Business segment profile

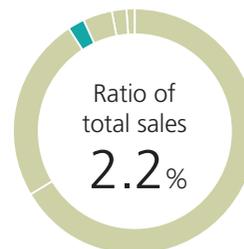
- Raw materials for cosmetics
- Medium-Chain Triglyceride (MCT)
- Food ingredients
- Chemical products, etc.



### Key points

- Sales and sales volume for raw materials for cosmetics increased year-on-year. In Japan, sales were favorable, boosted by demand from inbound tourists, and overseas sales to the U.S., Europe, and China rose.
- MCT sales and sales volume rose year-on-year reflecting an aggressive sales expansion and selling price revisions amid intense price competition in the domestic market.
- Industrial Química Lasem, S.A.U. (IQL) recorded an increase in operating income year-on-year, owing to brisk net sales, mainly in Spain.

## Healthy Food Business



Net sales  
**¥7,244 million**  
(2.9% YoY↑)

Operating loss  
**¥20 million**  
(an improvement of  
¥33 million YoY)

### Business segment profile

- Dressings and mayonnaise-type dressings
- Foods for preventing lifestyle-related diseases
- Foods for the elderly and for those in nursing care
- Foods for people receiving medical treatment, etc.



### Key points

- Sales and sales volume of dressings and mayonnaise-type dressings were slightly down versus the previous year, despite aggressive sales expansion, mainly for mainstay products.
- Amid rising interest in MCT, sales of foods for people receiving medical treatment, foods for the elderly and for those in nursing care were up on the previous year, and MCT-related products trended briskly.

The others segment accounts for 1.2% of total sales.

## Topics

We are developing products that address the voice of customers and take into account usability.

Employ a “Fresh keep bottle” that lets the user pour only the amount they need and prevents the oil from oxidizing after opening the bottle.

More customers are consuming oils that are rich in health supplements raw without heating it. We released products that address this demand. It is the right size for setting it out on the table.



Nisshin Flaxseed Oil 145g  
Fresh keep bottle



One teaspoon provides  
a recommended daily  
intake of Omega-3

## Ample, easy-to-use 600g PET (eco-bottle) extra virgin olive oil

This easy-to-use eco-bottle is being employed for the first time in the BOSCO olive oil series. The eco-bottle’s design ensures a secure hold and effortless pour. The light-weight bottle, 20% lighter than conventional bottles, can be crushed down to 1/3 its original size for trouble-free disposal. We employ a unique manufacturing method that creates bottles that will block oxidation and preserve the oil’s fresh bouquet.

### Product memo

#### Manufacturing method that blocks oxidation

Nisshin Oillio’s proprietary patented manufacturing method prevents oxidation, the worst enemy of oil, and preserves freshness, as if it is just off the production line.

Fresh, deliciousness of olive oil



Made from  
young green olives  
Rich, fresh flavor  
and bouquet



BOSCO Extra Virgin Olive Oil  
145g  
Fresh keep bottle



Made from  
young green olives  
Rich, fresh flavor  
and bouquet



BOSCO Extra Virgin Olive Oil  
600g PET bottle

# Medium-Chain Triglyceride (MCT) R&D

## Medium-Chain Triglyceride (MCT) is a natural fatty acid found in sources such as palm fruits and human breast milk



MCT is a natural substance contained in the seeds of palm vegetation, including palm fruits and coconuts. Other sources include cow's milk and human breast milk. We consume MCT regularly.

The Nisshin Oillio Group focused on the functions of MCT early on and has been conducted R&D for more than 40 years. To date, we have discovered various functions and developed products.

## What is MCT?

The properties of oils differ depending on the type and alignment of fatty acids, the main substance in oils. There are various types of fatty acids. Fatty acid molecules are connected in the form of a chain. They are categorized depending on the length of the chain. In ordinary oils, the molecular chains are long, hence the term long-chain fatty acids. The molecular chains for MCT are about half the length. The difference in the length of the molecular chain is where the name "medium-chain" originates.

MCT diagram (8-carbon chain caprylic acid)



Long-chain fatty acid diagram (16 carbon chain palmitic acid)

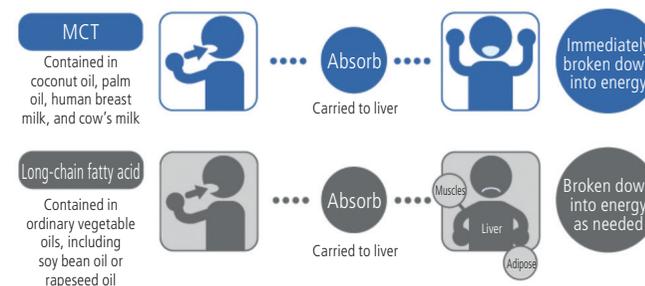


## The energy conversion of MCT is 5-times faster than normal oils

One property of MCT is that it is relatively soluble in water in comparison with long-chain fatty acids. As with sugar or other substances that easily dissolve in water, MCT passes through the small intestine and portal vein, and directly enters the liver, where it is broken down and converted into energy.

In contrast, long-chain fatty acids are digested and absorbed in the small intestine after which they pass through the lymph duct and veins to the adipose tissue, muscles, and liver. They are broken down and stored when necessary.

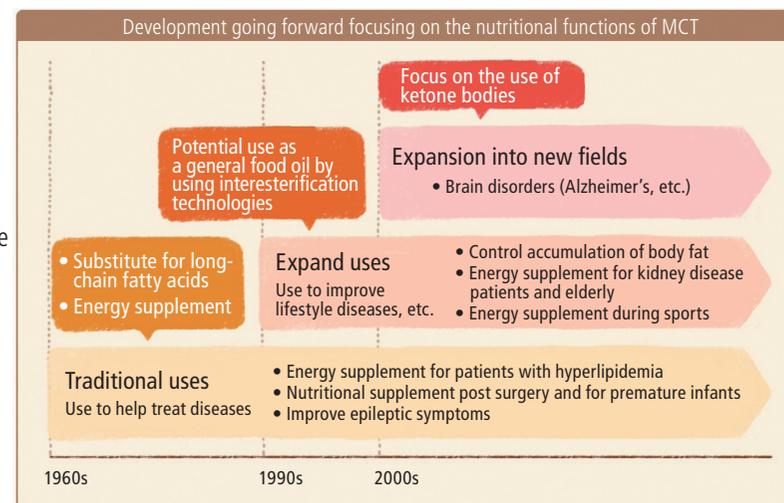
MCT is converted into energy 5-times faster than long-chain fatty acids that are found in ordinary oils given that they take different routes after being digested and absorbed in small intestine. This is the main feature of MCT.



## MCT utilized in a wide range of areas

For more than 40 years, MCT has been used as an energy supplement post surgery or for premature infants. Uses for MCT include preventing lifestyle diseases, reducing body fat, and improving low nutrition. Furthermore, the use of MCT is expanding into fields such as sports. Recently, other new functions have been discovered, including its use as an energy supplement for the brain. MCT boasts a many uses in various fields.

We are positioning the MCT business as a growth business. We are producing numerous results, including aggressively carrying out R&D, commercialization, and presenting our research results. We are pioneering development of the MCT business and aim to make the Nisshin Oillio name synonymous with MCT. Backed by comprehensive actions, extending from R&D to production, which can only be undertaken by the Nisshin Oillio Group, it is our goal to become a leading global company in MCT.



## Corporate Data (As of March 31, 2016)

### ● 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     | 2,692 (Consolidated)                           |

### ● Major Business Sites

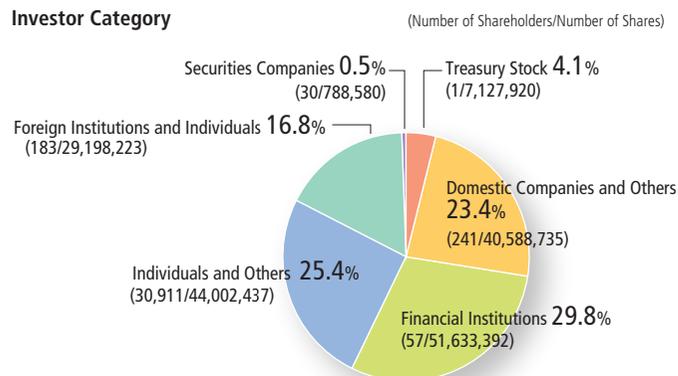
Sapporo Office, Sendai Office, Kanto Shin-etsu Office, Tokyo Office, Nagoya Office, Osaka Office, Hiroshima Office, Fukuoka Office, Yokosuka Administration Dept. (Central Research Laboratory), Yokohama Isogo Plant, Nagoya Plant, Sakai Plant and Mizushima Plant



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           | 31,423  |



### ● Consolidated Subsidiaries

#### Japanese Subsidiaries (11 companies)

Settsu Oil Mill, Inc.  
Nisshin Shoji 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 (5 companies)

Shanghai Nisshin Oil & Fats, Ltd.  
The Nisshin Oillio (China) Investment Co., Ltd.  
The Nisshin Oillio (Shanghai) International Trading 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 (%) |
|---|---------------------------|---------------------------------------|
| Marubeni Corporation  | 26,001                    | 15.00                                 |
| Japan Trustee Services Bank, Ltd. (Trust Account)                               | 6,289                     | 3.63                                  |
| The Master Trust Bank of Japan, Ltd. (Trust Account)                            | 5,721                     | 3.30                                  |
| Sompo Japan Nipponkoa Insurance Inc.  | 5,400                     | 3.12                                  |
| Aioi Nissay Dowa Insurance Co., Ltd.  | 4,783                     | 2.76                                  |
| The Bank of Tokyo-Mitsubishi UFJ, Ltd.  | 3,397                     | 1.96                                  |
| CBNY DFA INTL SMALL CAP VALUE PORTFOLIO (Citibank Japan Ltd. as standing proxy) | 3,112                     | 1.80                                  |
| STATE STREET BANK AND TRUST COMPANY 505223                                      | 3,103                     | 1.79                                  |
| Trust & Custody Services Bank, Ltd.   | 2,502                     | 1.44                                  |
| Kikkoman Corporation  | 2,351                     | 1.36                                  |

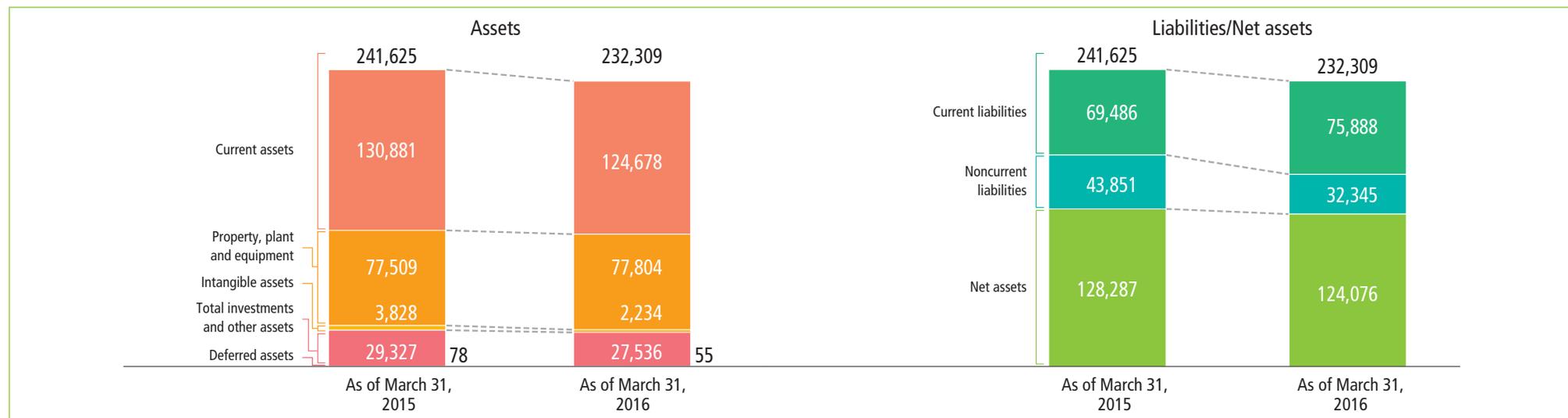
Note 1. In addition to the above, the Company has 7,127,920 shares of treasury stock.  
2. The percentage of total shares issued is the ratio of total shares outstanding, including treasury stock.

# Consolidated Financial Data at a Glance

## Consolidated Financial Statements

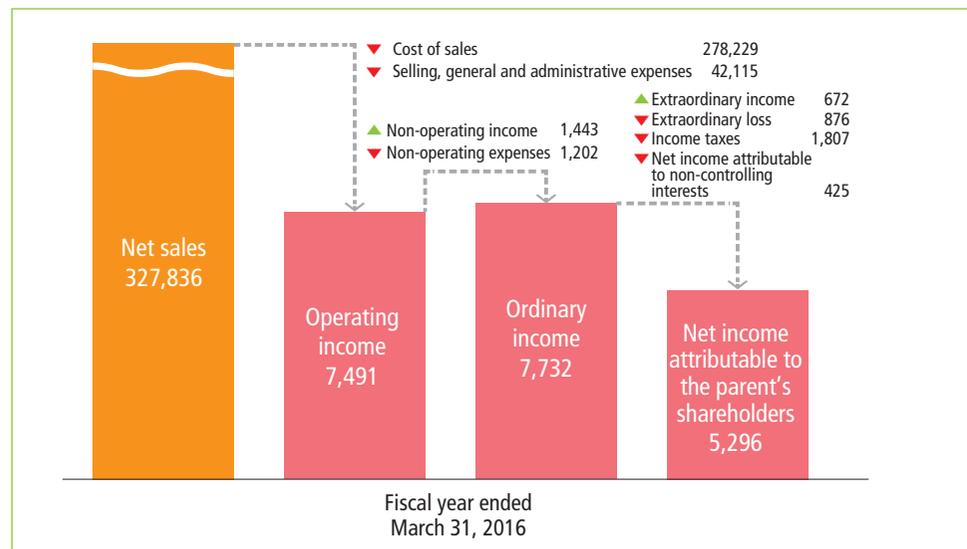
### Consolidated balance sheets

(Millions of yen)



### Consolidated statements of income

(Millions of yen)



### Consolidated statements of cash flows

(Millions of yen)



# Consolidated Financial Statements

## ● Consolidated Balance Sheet

(Millions of yen)

|   | As of March 31,<br>2015 | As of March 31,<br>2016 |
|---|-------------------------|-------------------------|
| <b>Assets</b>   |                         |                         |
| Current assets  | 130,881                 | 124,678                 |
| Noncurrent assets                                     | 110,665                 | 107,575                 |
| Property, plant and equipment                         | 77,509                  | 77,804                  |
| Intangible assets                                     | 3,828                   | 2,234                   |
| Investments and other assets                          | 29,327                  | 27,536                  |
| Deferred assets                                       | 78                      | 55                      |
| <b>Total assets</b>                                   | <b>241,625</b>          | <b>232,309</b>          |
| <b>Liabilities</b>                                    |                         |                         |
| Current liabilities                                   | 69,486                  | 75,888                  |
| Noncurrent liabilities                                | 43,851                  | 32,345                  |
| <b>Total liabilities</b>                              | <b>113,337</b>          | <b>108,233</b>          |
| <b>Net assets</b>                                     |                         |                         |
| Shareholders' equity                                  | 110,646                 | 112,837                 |
| Capital stock   | 16,332                  | 16,332                  |
| Capital surplus                                       | 26,072                  | 22,393                  |
| Retained earnings                                     | 71,033                  | 76,910                  |
| Treasury stock  | -2,791                  | -2,798                  |
| Accumulated other comprehensive income                | 9,536                   | 3,106                   |
| Valuation difference on available-for-sale securities | 6,781                   | 6,262                   |
| Deferred gains or losses on hedges                    | -853                    | -1,688                  |
| Foreign currency translation adjustment               | 4,880                   | 780                     |
| Remeasurements of defined benefit plans               | -1,272                  | -2,247                  |
| Non-controlling interests                             | 8,105                   | 8,132                   |
| <b>Total net assets</b>                               | <b>128,287</b>          | <b>124,076</b>          |
| <b>Total liabilities and net assets</b>               | <b>241,625</b>          | <b>232,309</b>          |

## ● Consolidated Statements of Income

(Millions of yen)

|  | Fiscal year ended<br>March 31, 2015 | Fiscal year ended<br>March 31, 2016 |
|--|-------------------------------------|-------------------------------------|
| Net sales  | 329,267                             | 327,836                             |
| Cost of sales  | 279,946                             | 278,229                             |
| Gross profit   | 49,320                              | 49,606                              |
| Selling, general and administrative expenses             | 43,746                              | 42,115                              |
| Operating income   | 5,574                               | 7,491                               |
| Non-operating income                                     | 1,386                               | 1,443                               |
| Non-operating expenses                                   | 1,137                               | 1,202                               |
| Ordinary income  | 5,823                               | 7,732                               |
| Extraordinary income                                     | 1,083                               | 672                                 |
| Extraordinary loss                                       | 621                                 | 876                                 |
| Income before income taxes and non-controlling interests | 6,285                               | 7,529                               |
| Total income taxes                                       | 2,310                               | 1,807                               |
| Net income   | 3,975                               | 5,721                               |
| Net income attributable to non-controlling interests     | 527                                 | 425                                 |
| Net income attributable to the parent's shareholders     | 3,447                               | 5,296                               |

### One-point summary

#### Consolidated balance sheet

- Total assets: ¥232,309 million, a decrease of ¥9,315 million compared to the end of fiscal 2014. This mainly reflects decreases in cash and deposits, inventories, goodwill, and investment securities.
- Total liabilities: ¥108,233 million, a decrease of ¥5,104 million from the end of fiscal 2014. This mainly reflects an increase in interest-bearing debt, despite decreases in notes and accounts payable—trade and deferred tax liabilities (fixed liability).

#### Consolidated statements of income

- Net sales totaled ¥327,836 million, on a par with the previous fiscal year. In the profit front, operating income increased 34.4%, ordinary income 32.8%, and net income attributable to the parent's shareholders 53.6%.

#### Consolidated statements of cash flows

- Cash and cash equivalents as of March 31, 2016 totaled ¥6,721 million, a decrease of ¥681 million compared to the end of fiscal 2014.

#### [Net cash provided by operating activities]

- Total net cash provided was ¥6,800 million. The major breakdown is as follows. Factors that contributed to net cash included income before income taxes and non-controlling interests of ¥7,529 million, and depreciation and amortization of ¥6,022 million, and inventories provided ¥2,591 million. Meanwhile, factors that detracted from net cash were equity in earnings of affiliates of ¥716 million, gain on sales of investment securities of ¥656 million, an increase in notes and accounts receivable—trade of ¥895 million, and a decline in notes and accounts payable—trade of ¥3,915 million.

#### [Net cash used in investing activities]

- Total net cash used was ¥7,947 million. The major breakdown includes an outflow used to purchase of property, plant and equipment.

#### [Net cash provided by in financing activities]

- Total net cash provided was ¥1,078 million. Net cash was provided by a net increase in short-term loans payable of ¥4,177 million. Meanwhile net cash used reflects a repayment of long-term loans payable of ¥1,086 million, and cash dividends paid of ¥1,662 million.