



“The Natural Power of Plants”

Annual Review 2017

The Nisshin Oillio Group, Ltd.

President's Message

The Nisshin Oillio Group, Ltd. Annual Review 2017 ①



I'm Takahisa Kuno, the newly appointed President and Representative Director of The Nisshin Oillio Group, Ltd.

In April 2017, the Nisshin Oillio Group launched Oillio Value Up 2020, a four-year medium-term management plan running from fiscal 2017 to fiscal 2020. Guided by this plan, we will shift our focus to a growth trajectory for the future in conjunction with carrying on the business structure reforms undertaken through fiscal 2016. By doing so, we are targeting operating income of ¥13.0 billion-plus and an ROE of 7%-plus in fiscal 2020.

The Nisshin Oillio Group aims to produce new value and create markets by utilizing the outstanding technologies related to oils and fats developed over its 110-year history since its founding to address the needs of customers and to solve the issues they face. At the same time, the group will strive to maximize its corporate value by proposing good diets and contributing to good health.

Moreover, we are determined to undertake management focused on ESG, including engagement in environmental preservation, the consistent delivery of safe and sound products and services, and proactive health management initiatives. ESG management will also encompass strengthening corporate governance, including enhancing the compliance structure and developing and operating an internal control system.

We will continue to make a concerted effort as a company to meet the expectations of all our stakeholders. We ask for your continued support and understanding as we endeavor to achieve our goals.

Sept. 2017

Takahisa Kuno

President and Representative Director

Corporate Vision & Basic Policies

oillio Value Up! 2020

Corporate Vision

- ✓ The Nisshin Oillio Group looks to produce new value and create markets by utilizing the premium technologies it has forged over its 110-year history to address the needs of our customers and to find solutions for the issues they face.
- ✓ The Nisshin Oillio Group maximizes corporate value through contributions to good dietary environment and good health.

Globalization

Technological Innovation

Strategic Marketing

Basic Policies

- ✓ Carry on business structure reforms while shifting focus to growth trajectory

Growth strategies

Globally expand the Health Science Business, which contribute to society through “the power of health and energy”

Increase investment to accelerate globalization and strengthen cooperation between sites

Deploy strategies that rally the group’s comprehensive competencies in the edible oils for commercial-use and edible oils for food processing domains

Strengthen the Oillio brand and create a new market in the household-use domain

Strengthen our marketing capability to create new additional value

Reinforcement

Structure reforms for oil milling and fortification of production platforms

ESG management



* Health Science Business: This business contributes to society by providing consumers with “the power of health and energy” that are essential at each stage of life through wellness recommendations developed using proprietary technologies

Targets

Aiming for future growth, we target operating income of ¥13.0 billion-plus and an ROE of 7%-plus in fiscal 2020

Operating income: **¥10.2 billion**
ROE : **6.3%**

2016

oillio
Value Up! 2020

Operating income : **¥13.0 billion-plus**
ROE : **7%-plus**
EPS growth : **8%** (annual average)
Operating cash flow : **¥50.0 billion** (cumulative)

2020

2019

2018

2017

KPIs for growth strategy ▶▶▶

Crossing over from structure reforms to growth trajectory

Vision for the future

ROE: **10%-plus**

- Create new value for Oil and Fat Business and expand business domains
- Enhance presence as a global company

- **Expand Health Science Business:** sales growth rate
- **Acceleration of globalization:** overseas sales growth rate
- **Accelerate growth in the edible oils for commercial-use and edible oils for food processing domains:** Gross profit growth in the edible oils for commercial-use and edible oils for food processing domains
- **Enhance profit margins on the household-use products:** profit growth rate in household-use products
- **Improve value of MCT:** Recognition rate of MCT

Acquire new business domains that produce synergies with the Oil and Fat Business

Structure reforms for oil milling and fortification of production platforms

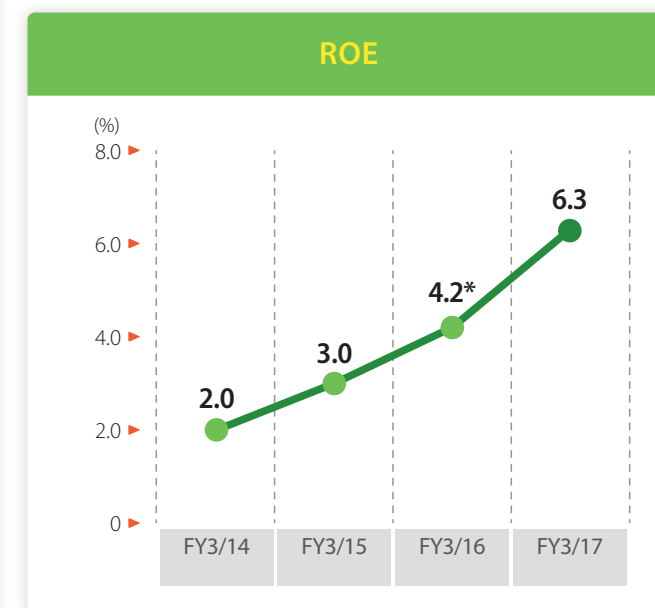
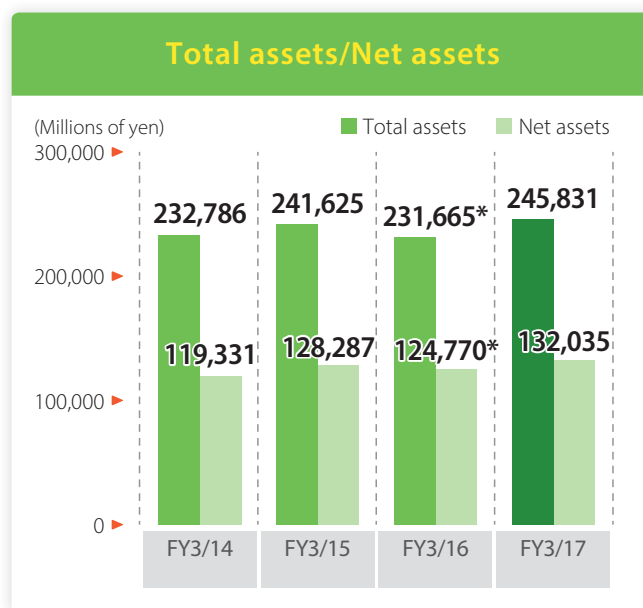
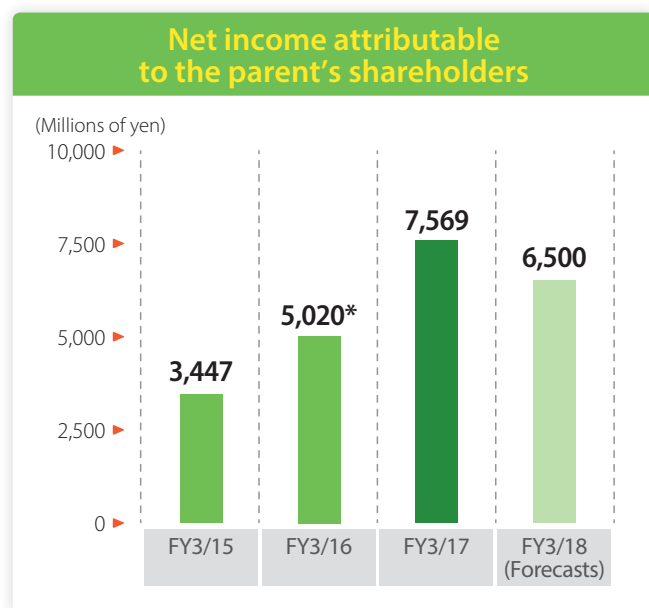
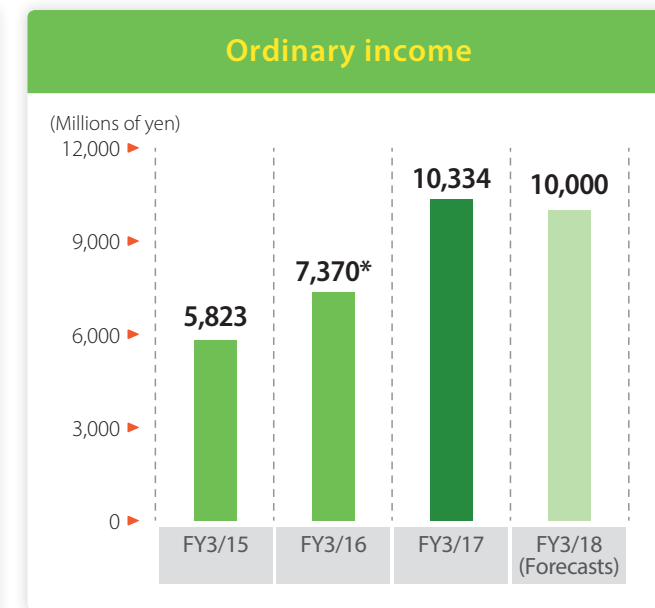
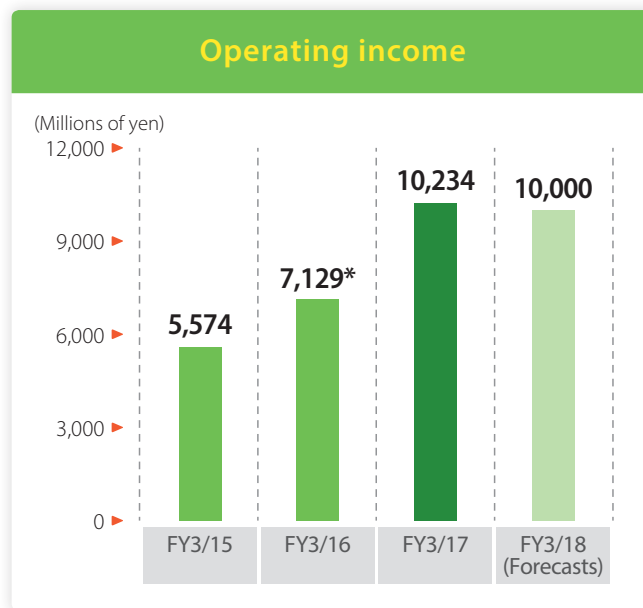
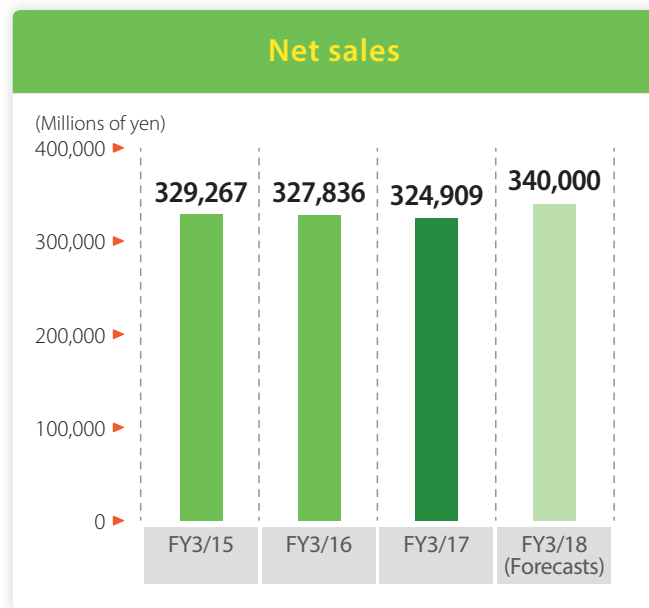
ESG management

Financial Strategy

The Nisshin Oillio Group will pursue the enhancement of corporate value while maintaining an optimal balance between capital efficiency with an emphasis on ROE and financial soundness.

- We will generate operating cash flow of ¥50.0 billion over four years and will allocate the funds to investments in growth (capital expenditure and business investments, including M&As).
- Our basic policy is to maintain a payout ratio of 30% while continuing stable dividend payments.
- Focusing on the total return ratio and improvement in capital efficiency, we plan to flexibly buy back our own shares, taking into account market factors, including the stock price level.

Consolidated Financial Highlights



* Figures for FY3/16 have been retrospectively adjusted to reflect changes in accounting policies from FY3/17.

In the fiscal year ended March 31, 2017 (fiscal 2016), Japan's economy showed some signs of an upturn in consumer spending in line with an increase in the number of employed persons. Meanwhile, overseas economies saw concerns about political risks emerge in the U.S. and Europe, in addition to slowing growth in China and a slowdown in emerging markets. As a result, the global economic outlook remained uncertain.

In the edible oil industry, conditions for the procurement of the core raw materials soybeans and rapeseed were affected by volatile price movements throughout the year, partly due to the yen's sharp depreciation from November 2016 onward.

In this environment, the group advanced various measures in line with the basic policy of building a solid earnings base for the future, which centers on the improvement of earnings in the group's core oil and fat business. This basic policy was laid out in accordance with the Nisshin Oillio Group's three-year Medium-Term

Management Plan launched in fiscal 2014 (April 1, 2014 – March 31, 2015).

In the Domestic Oil and Fat Business, the company worked to strengthen sales of sesame oil and olive oil, which marked the 20th anniversary of the launch of BOSCO Olive Oil, posting solid sales. In parallel, the company worked to expand sales of highly functional oil and fat products beginning with "Nisshin Healthy-Off." In addition, the company pushed ahead with optimization of production and logistics, as well as cost structure reforms, which contributed to cost reductions. Moreover, in the Processed Oil and Fat Business, sales were strong for high value-added products for Europe.

As a result, in the fiscal year under review, the company posted consolidated net sales of ¥324,909 million (down 0.9% year on year), operating income of ¥10,234 million (up 43.6%), and record-high ordinary income of ¥10,334 million (up 40.2%). Net income attributable to the parent's shareholders also reached an

all-time high of ¥7,569 million (up 50.8%).

To advance to the next stage of growth, in April 2017, the company launched Oillio Value Up 2020, a new four-year medium-term management plan running from fiscal 2017 to fiscal 2020. Under this plan, we have adopted a basic policy of shifting our focus more towards a growth trajectory for the future, in conjunction with carrying on the business structure reforms undertaken to date. Concurrently, we will work to achieve specific targets for future growth.

Against this backdrop, in fiscal 2017 (the fiscal year ending March 31, 2018), we forecast consolidated net sales of ¥340,000 million, operating income of ¥10,000 million, ordinary income of ¥10,000 million and net income attributable to the parent's shareholders of ¥6,500 million.

* For details on the medium-term management plan, please see pages 2 and 3.

Net Sales

-0.9%

Operating Income

+43.6%

Ordinary Income

+40.2%

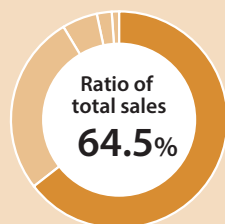
Net Income Attributable to the Parent's Shareholders

+50.8%

Oil and Meal Business

Business segment profile

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



Net sales
¥209,477 million
(📈 Up 3.9% YoY)

Operating income
¥5,149 million
(📈 Up 65.2% YoY)

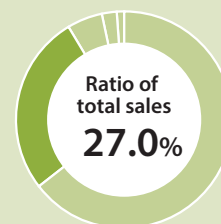
Key points

- The environment for procurement of core raw materials (soybeans and rapeseed) saw volatile price movements throughout the year, mainly due to the yen's sharp depreciation from November 2016.
- Domestic oil and fat products performed favorably, mainly due to a stronger profit structure bolstered by expanded sales of high value-added products, such as olive oil and sesame oil, in the market for household-use edible oil products, along with the acquisition of new customers in the ready-made meal and restaurant sectors of the market for edible oils for commercial use.
- Oil meal sales decreased from the previous year, mainly due to a decline in selling prices in tandem with the fall in international market prices.

Processed Oil and Fat Business

Business segment profile

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



Net sales
¥87,678 million
(📈 Up 5.3% YoY)

Operating income
¥4,199 million
(📈 Up 41.3% YoY)

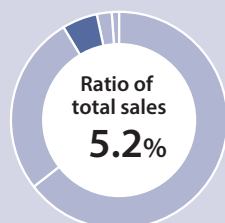
Key points

- In Japan, sales and sales volume rose year on year, mainly due to expanded sales of margarines and acquisition of new customers in specialty fats.
- Intercontinental Specialty Fats (ISF) (Malaysia) posted higher sales and sales volume year on year, mainly due to solid sales of high value-added products primarily in Europe, despite the impact of sluggish demand in Malaysia.
- T. & C. Manufacturing Co., Pte. Ltd. posted a year-on-year decline in net sales, mainly due to intensified competition and lackluster supply-demand conditions for premix products for Japan, although sales volume increased year on year due to the acquisition of new customers.

Fine Chemical Business

Business segment profile

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



Net sales
¥16,879 million
(📈 Up 8.4% YoY)

Operating income
¥1,281 million
(📈 Up 15.4% YoY)

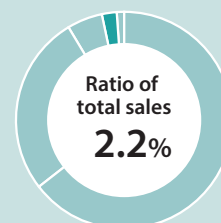
Key points

- Sales of raw materials for cosmetics increased year on year. In Japan, existing transactions were firm despite a weakening in demand from inbound tourists. Overseas, export transactions to Asia and Europe remained solid.
- MCT sales and sales volume rose year on year, reflecting a positive contribution from the acquisition of new customers, as well as robust sales to major customers.
- Industrial Química Lasem, S.A.U. (IQL) posted a year-on-year increase in sales due to sales generated mainly in Spain, although the sales environment remained under pressure primarily due to the impacts of surging raw material prices and an uncertain outlook for the European economy.

Healthy Food Business

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.



Net sales
¥7,275 million
(📈 Up 0.4% YoY)

Operating income
¥-331 million
(📉 Down ¥351 million YoY)

Key points

- Sales and sales volume of dressings and mayonnaise-type dressings both increased slightly year on year, mainly due to a positive contribution from the launch of BOSCO Olive Mayodoree, despite a year-on-year decline in sales of major dressing products.
- Sales and sales volume of foods for people receiving medical treatment and foods for the elderly were both up on the previous year, as sales of MCT-related products continued to trend firmly.
- On the earnings front, profit decreased due to the impact of making upfront investments related to mail-order sales.

In addition to the above, the Others segment accounted for 1.1% of total sales.

Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2016	As of March 31, 2017
Assets		
Current assets	124,033	137,328
Noncurrent assets	107,575	108,462
Property, plant and equipment	77,804	77,596
Intangible assets	2,234	1,927
Total investments and other assets	27,536	28,937
Deferred assets	55	40
Total assets	231,665	245,831
Liabilities		
Current liabilities	74,548	66,331
Non current liabilities	32,345	47,464
Total liabilities	106,894	113,795
Net assets		
Shareholders' equity	112,543	118,428
Capital stock	16,332	16,332
Capital surplus	22,393	22,374
Retained earnings	76,616	82,524
Treasury stock	(2,798)	(2,802)
Accumulated other comprehensive income	4,095	4,776
Valuation difference on available-for-sale securities	6,262	7,149
Deferred gains or losses on hedges	(691)	32
Foreign currency translation adjustment	772	(787)
Remeasurements of defined benefit plans	(2,247)	(1,617)
Non-controlling interests	8,132	8,830
Total net assets	124,770	132,035
Total liabilities and net assets	231,665	245,831

Consolidated Statements of Income

(Millions of yen)

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Net sales	327,836	324,909
Cost of sales	278,591	271,036
Gross profit	49,244	53,873
Selling, general and administrative expenses	42,115	43,639
Operating income	7,129	10,234
Non-operating income	1,443	1,131
Non-operating expenses	1,202	1,032
Ordinary income	7,370	10,334
Extraordinary income	672	1,313
Extraordinary loss	876	572
Income before income taxes and non-controlling interests	7,166	11,075
Total income taxes	1,720	3,005
Net income	5,445	8,070
Net income attributable to non-controlling interests	425	500
Net income attributable to the parent's shareholders	5,020	7,569

► Financial Position as of March 31, 2017

Total assets were ¥245,831 million as of March 31, 2017, up ¥14,166 million from the previous fiscal year-end. The main reasons for this increase were increases of ¥6,359 million in cash and deposits and ¥4,279 million in notes and accounts receivable – trade.

Total liabilities were ¥113,795 million, up ¥6,901 million from the previous fiscal year-end. The main reason for this increase was an increase of ¥4,566 million in notes and accounts payable – trade.

Net assets were ¥132,035 million, up ¥7,264 million from the previous fiscal year-end. The main reason for this increase was an increase of ¥5,907 million in retained earnings.

► Cash Flows for Fiscal 2016

Cash and cash equivalents were ¥13,995 million as of March 31, 2017, an increase of ¥7,273 million from the previous fiscal year-end.

Net cash provided by operating activities: Net cash provided by operating activities was ¥13,697 million. Factors that contributed to net cash included income before income taxes and non-controlling interests of ¥11,075 million, depreciation and amortization of ¥6,152 million, and an increase in notes and accounts payable – trade of ¥4,843 million. Meanwhile, net cash was reduced primarily by an increase in notes and accounts receivable – trade of ¥4,846 million.

Net cash used in investing activities: Net cash used in investing activities was ¥5,697 million. Net cash was reduced by purchase of property, plant and equipment of ¥7,277 million. Net cash was increased by proceeds from sales of property, plant and equipment of ¥1,711 million.

Net cash used in financing activities: Net cash used in financing activities was ¥405 million. Net cash was reduced by a net decrease in short-term loans payable of ¥3,730 million, redemption of bonds of ¥10,000 million, cash dividends paid of ¥1,662 million and repayment of long-term loans payable of ¥933 million. Net cash was increased by proceeds from long-term loans payable of ¥16,218 million.

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 : 2,731 (Consolidated)

Major Business Sites

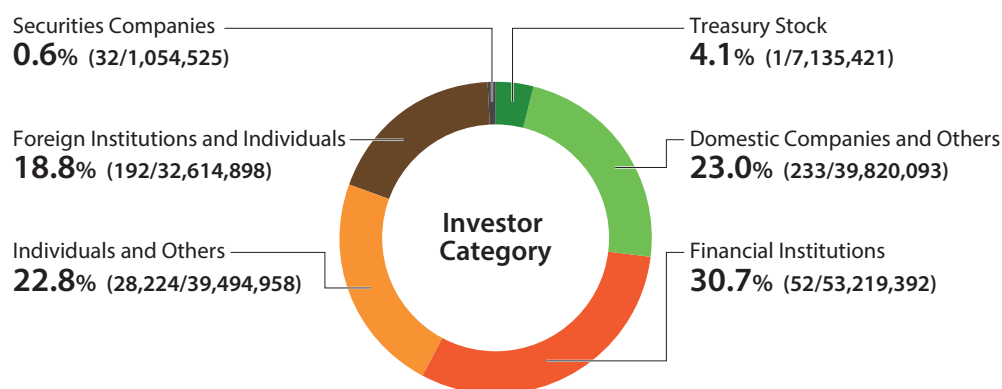
Hokkaido Office, Tohoku Office,
 Kanto Shin-etsu Office, Tokyo Office, Chubu Office,
 Osaka Office, Chugoku Office, Kyushu Office,
 Yokohama Isogo Plant, Nagoya Plant, Sakai Plant,
 Mizushima Plant and Central Research Laboratory



Yokohama Isogo Plant

Breakdown of Shareholders

(Number of Shareholders/Number of Shares)



Stock Information

Number of Shares of Common Stock : Authorized: 388,350,000 shares
 : Issued: 173,339,287 shares (including treasury stock)
 Number of Shareholders : 28,734

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 (7 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.
 PT. Indoagri Daitocacao

Principal Shareholders (As of March 31, 2017)

Shareholders	Shareholdings (thousands)	Percentage of total shares issued (%)
Marubeni Corporation	26,001	15.00
The Master Trust Bank of Japan, Ltd. (Trust Account)	8,427	4.86
Sompo Japan Nipponkoa Insurance Inc.	5,000	2.88
Japan Trustee Services Bank, Ltd. (Trust Account)	4,942	2.85
Aioi Nissay Dowa Insurance Co., Ltd.	4,783	2.76
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	3,397	1.96
DFA International Small Cap Value Portfolio	3,214	1.85
Japan Trustee Services Bank, Ltd. (Trust Account No.9)	2,921	1.69
Japan Trustee Services Bank, Ltd. (Trust Account No.5)	2,379	1.37
Japan Trustee Services Bank, Ltd. (Trust Account No.4)	2,356	1.36

Note 1. In addition to the above, the company has 7,135,421 shares of treasury stock.

2. The percentage of total shares issued is the ratio of total shares outstanding, including treasury stock.