



"The Natural Power of Plants"

# Annual Review 2018



## Corporate Vision & Basic Policies

Oillio  
**Value Up! 2020**

**G**lobalization

**T**echnological Innovation

**S**trategic Marketing

### 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.**

### Basic Policies

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



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



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

**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)

## 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

## 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.

### Crossing over from structure reforms to growth trajectory

#### KPIs for growth strategy

- **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

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

2016

2017

2018

2019

2020

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

## Strengthen the Oillio Brand and Create a New Market in the Household-Use Domain

Recently, people have been increasingly using edible oils in new ways, specifically by pouring the oils directly onto food or dressing foods with the oils, in addition to deep-frying or stir-frying food in the oils as before. The market for “oil for topping,” which refer to edible oils poured directly onto food, has grown by 11% per annum since fiscal 2013. This market has grown to account for more than 20% of the market for edible oils for household use, which is worth approximately ¥140.0 billion. In order to stimulate further demand and energize the market for household use, the company will expand sales by undertaking communication initiatives such as proposing menu ideas via its website and social media, as well as launch new products.



Salsa Pasta with fresh tomato with BOSCO Extra Virgin olive oil

### Launch of Macadamia Nut Oil

The company has launched macadamia nut oil as the latest addition to olive oil, sesame oil and flaxseed oil in the Fresh-keep oil series, a lineup of products designed to stimulate demand for “oil for topping.”



#### Fresh-keep oil series

The adoption of a Fresh-keep bottle that uses a double layered structure that allows users to pour out only as much oil as they need, while protecting the oil from oxidation even after the bottle is opened.



### Developed and Launched Dressings Using Flaxseed Oil

Sales of flaxseed oil have been growing atop increasing consumer recognition of the health benefits of alpha-linolenic acid (omega-3). In response to customers seeking to consume flaxseed oil more easily as part of their daily diet, the company has developed new flaxseed oil dressings featuring carefully selected ingredients and enhanced flavors.



Nisshin Flaxseed Oil Dressings for the food- and health-conscious



## Expand the Health Science Business, which Contributes to Society Through “the Power of Health and Energy”

The company has continuously conducted research into Medium-Chain Triglyceride (MCT) for over 40 years. Initially, MCT oil was used mainly in healthcare applications as an energy supplement for patients after surgery and for premature babies. In the past few years, MCT oil has been attracting attention as a useful ingredient for nutritional supplements for beauty care and during sports. Mindful of these opportunities, the company is pushing ahead with initiatives to nurture MCT oil with a view to expanding sales.

### Expand Areas for Development of MCT

- Efforts are being made to expand the product lineup in the B2C area and increase recognition of MCTs through advertising.



- MCTs are tasteless, odorless, and have high thermal stability. They are amenable for food processing and commercial-use applications and are well accepted as raw materials. Based on these properties, the company is advancing joint development and collaboration with users.

**In the Health Science business, the company will contribute to the health of people in their various life stages by fulfilling their needs for nutrition and energy.**

# President's Message



**We will strive to nurture high value-added businesses to achieve the goals of the medium-term management plan.**

## Overview of the First Year of the Medium-Term Management Plan

In fiscal 2017 (the fiscal year ended March 31, 2018), the Nisshin OilliO Group posted lower earnings on higher net sales. Consolidated net sales amounted to ¥337,998 million (up 4.0% year on year), while operating income was ¥9,102 million (down 11.1%) and ordinary income was ¥9,276 million (down 10.2%). Net income attributable to the parent's shareholders was ¥6,930 million (down 8.5%).

Fiscal 2017 was the first year of OilliO Value Up 2020, our medium-term management plan launched in April 2017. The environment for the procurement of raw materials remained under pressure, as highlighted by the high prices of rapeseed, a key raw material. Looking at consolidated business results, the company posted lower earnings on higher sales. However, our initiatives to develop high value-added businesses have steadily led to results, including steady progress on the expansion of sales of high value-added products.

## Staying on Track to Achieving the Goals of the Medium-Term Management Plan —Focusing on Measures in Fiscal 2018—

Under OilliO Value Up 2020, our medium-term management plan running to fiscal 2020, 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. In fiscal 2018, the plan's second year, we forecast consolidated net sales of ¥357,000 million and record-high earnings, specifically operating income of ¥10,800 million, ordinary income of ¥11,400 million and net income attributable to the parent's shareholders of ¥8,000 million.

To achieve those forecasts, we have adopted the following management policies for fiscal 2018:

- Pursue globalization and a business model that adds diverse value
- Implement measures for acquiring stable profits from the Domestic Oil and Fat Business and further streamlining

We believe that nurturing high value-added businesses is a crucial priority for these policies. In each of the Group's business domains, we will implement measures with a view to making proactive investments.

## Oil, Meal, and Processed Food Business

### Stimulate the market for household-use products by expanding sales of oil for topping

In this business, we will work to expand sales by offering products with added value, such as "oil for topping", which refers to edible oils poured directly onto food. In parallel, we will conduct sales at appropriate selling prices commensurate with costs, in order to generate stable earnings.

## Processed Oil and Fat Business

### Capture the benefits of Investment and strengthen the supply chain

In the high value-added businesses in the Processed Oil and Fat Business, it will be crucial to capture the benefits of increasing production and streamlining operations

by steadily completing capital investments aimed at expanding earnings. These include investments in ramping up the production capacity of chocolate for commercial use in Japan, construction of a factory for chocolate for commercial use in Indonesia and reinforcing refining capacity in Malaysia.

## Fine Chemical Business

### Respond to expanding demand for raw materials for cosmetics in Japan and overseas

The cosmetics market has continued to grow globally, driven by factors including an increase in demand from inbound tourists visiting Japan and the expansion of the Chinese market. In this environment, we have recently decided to invest in ramping up the production capacity of the fine chemical plant within the Yokohama Isogo Plant. We will increase the production capacity of high-quality raw materials for cosmetics and medium-chain triglycerides (MCT) by approximately 1.5 times, with the aim of expanding sales in the growing global market.

## Health Science Business —Driving Expansion in the Fields of Application for MCT—

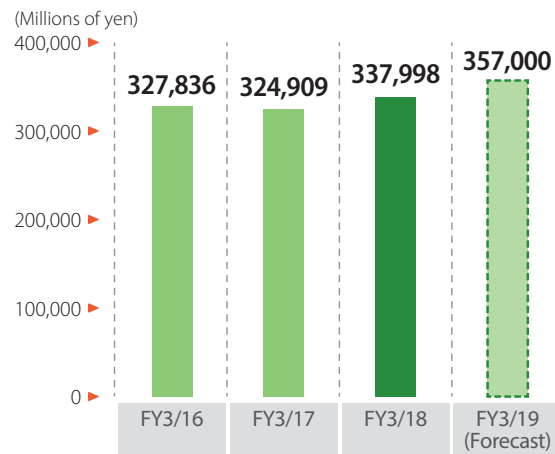
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## A Note to Shareholders

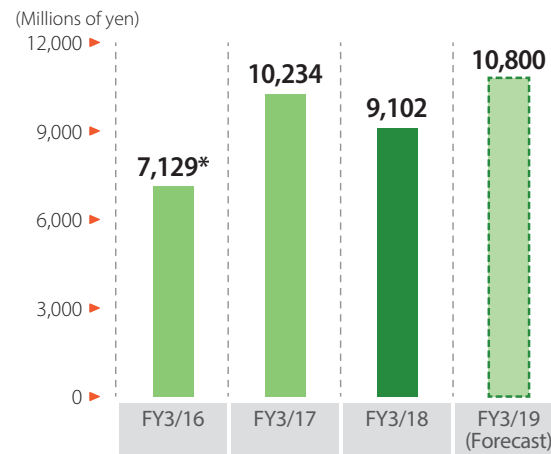
We will continue to work together as a company as a whole to answer the expectations of our stakeholders and ask for the continued support of our shareholders and investors.

**Takahisa Kuno**  
President and  
Representative Director

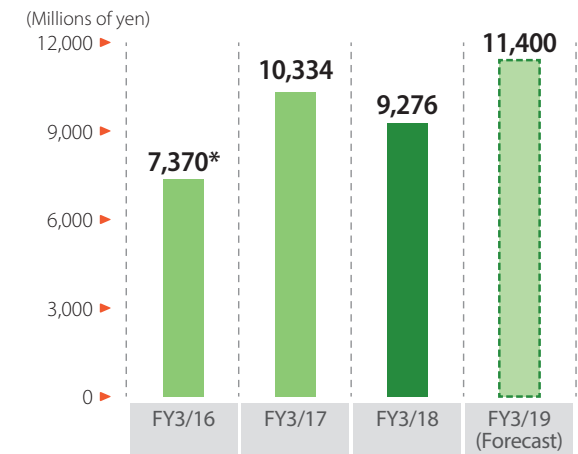
## Net sales



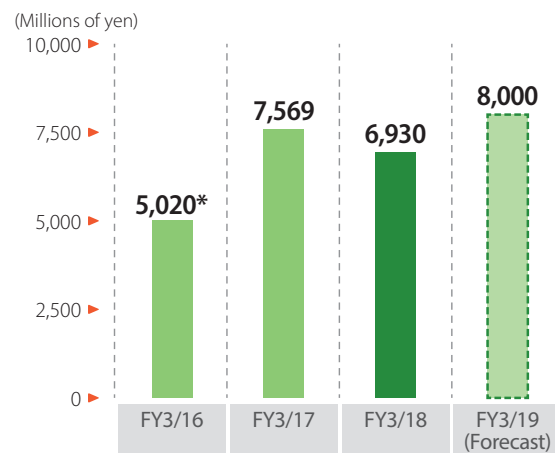
## Operating income



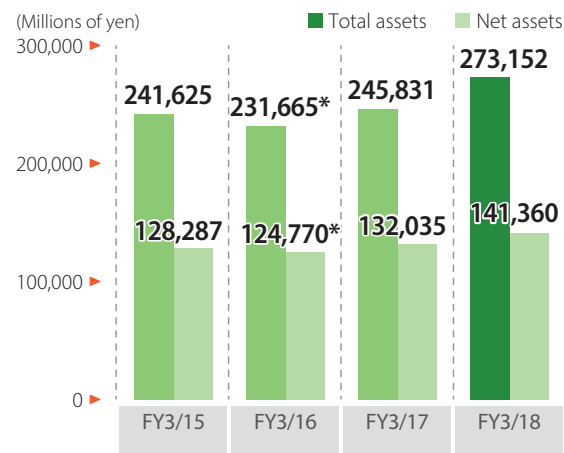
## Ordinary income



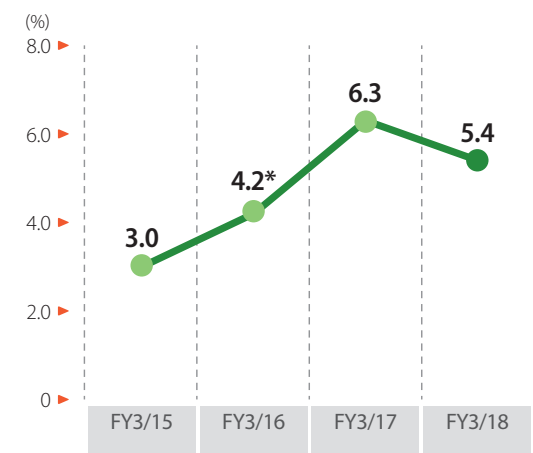
## Net income attributable to the parent's shareholders



## Total assets/Net assets

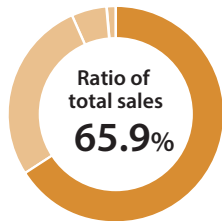


## ROE



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

## Oil, Meal, and Processed Food Business



Net sales  
**¥222,742 million**  
(▲ Up 2.8% YoY)

Operating income  
**¥3,186 million**  
(▼ Down 33.9% YoY)

### Business segment profile

- Household use products (edible oils, dressings)
  - Edible oils for commercial use
  - Edible oils for food processing
  - Oil meals
  - Wellness foods (foods for the elderly and nursing care foods, foods for those receiving medical treatment)
  - Soy foods
  - Tofu
- etc.

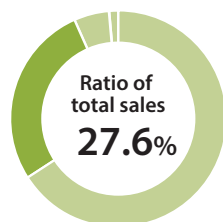
### Key points

- On the earnings front, the company faced a challenging environment due to cost increases primarily reflecting rising rapeseed prices. Despite efforts to sell oils and fats at appropriate selling prices, earnings declined as selling prices fell short of expectations. Meanwhile, the company strove to increase sales of highly functional oil and fat products beginning with *Nisshin Healthy-Off*, in addition to benefiting from favorable sales of high value-added products, such as flaxseed oil and sesame oil.
- Oil meal sales and sales volume increased from the previous year, supported by efforts to expand sales while maintaining appropriate selling prices.
- In soy proteins, sales of new products using proprietary technologies were solid, along with firm sales to existing customers.
- In dressings, sales increased due to the renewal of major products. Sales of mayonnaise-type dressings and a subsidiary's tofu products were also firm.
- In wellness foods, sales remained mostly the same as in the previous year, as efforts to increase sales of MCT-related products mostly offset a drop in sales of Foods for Specified Health Uses (FOSHU).





## Processed Oil and Fat Business



Net sales  
**¥93,233 million**  
(▲ Up 6.3% YoY)

Operating income  
**¥4,589 million**  
(▲ Up 9.3% YoY)

### Business segment profile

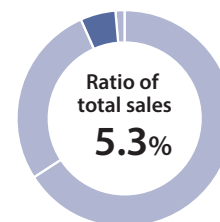
- Processed palm oil products
  - Specialty fats
  - Margarines
  - Shortenings
  - Chocolate-related products
- etc.

### Key points

- In domestic processed oil and fat, although sales of margarine and shortening decreased year on year, sales were favorable mainly for the high cacao products of Daito Cacao Co., Ltd., along with solid sales of confectionery ingredients (premix products) of T. & C. Manufacturing Co. Pte. Ltd., whose sales are centered on products for the Japanese market. For domestic processed oil and fat as a whole, net sales and operating income increased year on year.
- In overseas processed oil and fat, the environment for sales of processed palm oil products at Intercontinental Specialty Fats Sdn. Bhd. (ISF) (Malaysia) was pressured by rising costs in line with the high prices of palm oil, a key raw material. However, net sales and operating income both increased year on year, due in part to increased sales of palm kernel oil products, as well as firm sales of high value-added products primarily in Europe.



## Fine Chemical Business



Net sales  
**¥18,076 million**  
(▲ Up 7.1% YoY)

Operating income  
**¥1,388 million**  
(▲ Up 8.4% YoY)

### Business segment profile

- Raw materials for cosmetics and toiletries
  - Detergents
  - MCT
  - Chemical products
  - Disinfectants
  - Lecithin
  - Surfactants
  - Tocopherol
- etc.

### Key points

- In raw materials for cosmetics, sales were favorable to major customers in Japan, despite a decrease in export sales to South Korea and Europe from the previous fiscal year.  
Net sales and operating income both increased year on year, reflecting favorable sales to the domestic market in China by Chinese sales subsidiaries, as well as efforts to raise the efficiency of the global production system.
- In food and chemicals, and others, net sales rose year on year due to an increase in sales of chemical products from the previous fiscal year, as well as favorable sales of MCT for high priced items. However, operating income remained mostly unchanged from the previous fiscal year due to the impact of costs.



In addition to the above, Other accounted for 1.2% of total sales.

# Consolidated Financial Statements

## Consolidated Balance Sheets

	(Millions of yen)	
	As of March 31, 2017	As of March 31, 2018
<b>Assets</b>		
Current assets	137,328	<b>154,724</b>
Noncurrent assets	108,462	<b>118,301</b>
Property, plant and equipment	77,596	<b>82,299</b>
Intangible assets	1,927	<b>1,566</b>
Total investments and other assets	28,937	<b>34,435</b>
Deferred assets	40	<b>126</b>
Total assets	245,831	<b>273,152</b>
<b>Liabilities</b>		
Current liabilities	66,331	<b>78,977</b>
Non current liabilities	47,464	<b>52,814</b>
Total liabilities	113,795	<b>131,791</b>
<b>Net assets</b>		
Shareholders' equity	118,428	<b>125,580</b>
Capital stock	16,332	<b>16,332</b>
Capital surplus	22,374	<b>22,683</b>
Retained earnings	82,524	<b>87,598</b>
Treasury stock	(2,802)	<b>(1,033)</b>
Accumulated other comprehensive income	4,776	<b>7,650</b>
Valuation difference on available-for-sale securities	7,149	<b>8,408</b>
Deferred gains or losses on hedges	32	<b>(517)</b>
Foreign currency translation adjustment	(787)	<b>604</b>
Remeasurements of retirement benefits	(1,617)	<b>(843)</b>
Non-controlling interests	8,830	<b>8,129</b>
Total net assets	132,035	<b>141,360</b>
Total liabilities and net assets	245,831	<b>273,152</b>

## Consolidated Statements of Income

	(Millions of yen)	
	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Net sales	324,909	<b>337,998</b>
Cost of sales	271,036	<b>285,084</b>
Gross profit	53,873	<b>52,913</b>
Selling, general and administrative expenses	43,639	<b>43,811</b>
Operating income	10,234	<b>9,102</b>
Non-operating income	1,131	<b>1,520</b>
Non-operating expenses	1,032	<b>1,346</b>
Ordinary income	10,334	<b>9,276</b>
Extraordinary income	1,313	<b>1,034</b>
Extraordinary loss	572	<b>185</b>
Income before income taxes and non-controlling interests	11,075	<b>10,125</b>
Total income taxes	3,005	<b>2,735</b>
Net income	8,070	<b>7,390</b>
Net income attributable to non-controlling interests	500	<b>460</b>
Net income attributable to the parent's shareholders	7,569	<b>6,930</b>

### ► Financial Position as of March 31, 2018

Total assets were ¥273,152 million as of March 31, 2018, up ¥27,320 million from the previous fiscal year-end. The main reasons for this increase were increases of ¥3,991 million in cash and deposits, ¥4,198 million in notes and accounts receivable – trade, ¥3,599 million in short-term investment securities, and ¥3,395 million in inventories.

Total liabilities were ¥131,791 million, up ¥17,995 million from the previous fiscal year-end. The main reasons for this increase were increases of ¥2,917 million in notes and accounts payable – trade and ¥15,000 million in bonds payable.

Net assets were ¥141,360 million, up ¥9,324 million from the previous fiscal year-end. The main reason for this increase was an increase of ¥5,074 million in retained earnings.

### ► Cash Flows for Fiscal 2017

Cash and cash equivalents were ¥20,903 million as of March 31, 2018, an increase of ¥6,908 million from the previous fiscal year-end.

**Net cash provided by operating activities:** Net cash provided by operating activities was ¥5,667 million. Factors that increased net cash included income before income taxes and non-controlling interests of ¥10,125 million, and depreciation and amortization of ¥6,385 million. Meanwhile, net cash was reduced primarily by an increase in notes and accounts receivable – trade of ¥3,866 million.

**Net cash used in investing activities:** Net cash used in investing activities was ¥10,795 million. Net cash was reduced primarily by purchase of property, plant and equipment of ¥9,116 million. Net cash was increased primarily by proceeds from sales of investment securities of ¥1,269 million.

**Net cash provided by financing activities:** Net cash provided by financing activities was ¥11,776 million. Net cash was increased primarily by proceeds from the issuance of bonds of ¥14,901 million. Net cash was reduced by cash dividends paid of ¥1,855 million, and a net decrease in short-term loans payable of ¥1,163 million.

# Topics

## Japan's First! Optimization of Energy from Procurement to Supply at All Production Bases Nationwide

**Targeting a 17% Reduction in CO<sub>2</sub> Emissions and Reform of Cost Structure**

The Nisshin Oillio Group, Ltd. (hereinafter, Nisshin Oillio) has reached a basic agreement with JFE Engineering Corporation (hereinafter, JFE Engineering) to implement "Optimization of Energy from Procurement to Supply at All Production Bases of Nisshin Oillio," as part of a fundamental review of the energy system with the aims of securing a stable supply of electric power and reducing loads on the environment at production bases nationwide. This is the first initiative of its kind in Japan, in which an energy service provider will perform optimization of all energy activities from procurement through supply for production bases located throughout the country.

Nisshin Oillio aims to make efforts that stay one step ahead of environmental problems and "create a sustainable society" by continuously implementing various energy measures in the future.



1. Yokohama Isogo Plant



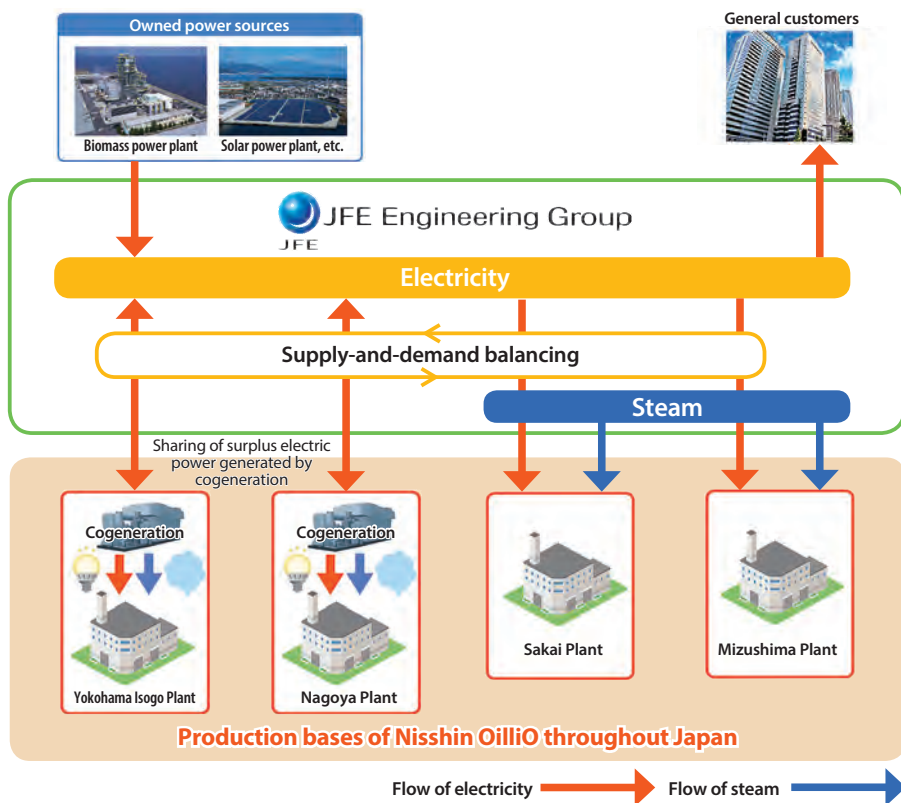
2. Nagoya Plant



3. Sakai Plant



4. Mizushima Plant



### Outline of Measures

1. JFE Engineering will install cogeneration systems\* at Yokohama Isogo Plant and Nagoya Plant, and produce and supply energy such as electric power.
2. JFE Engineering will provide a stable supply and optimal balance of energy to production bases nationwide through such means as electric power sharing for the Sakai Plant and Mizushima Plant utilizing surplus power from the cogeneration systems.

### Expected Benefits

17% reduction in CO<sub>2</sub> emissions (versus fiscal 2015) and reduction of energy procurement costs

\* The cogeneration systems to be installed are a type of system that uses natural gas to generate and supply electricity and steam. The system can make use of the heat released when generating electricity. Therefore, energy savings benefits as well as a reduction in CO<sub>2</sub> emissions are expected. The system is abbreviated as "cogeneration" in the chart to the left.

# Corporate Data (As of March 31, 2018)

## 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	: 2,769 (Consolidated)

## Major Business Sites

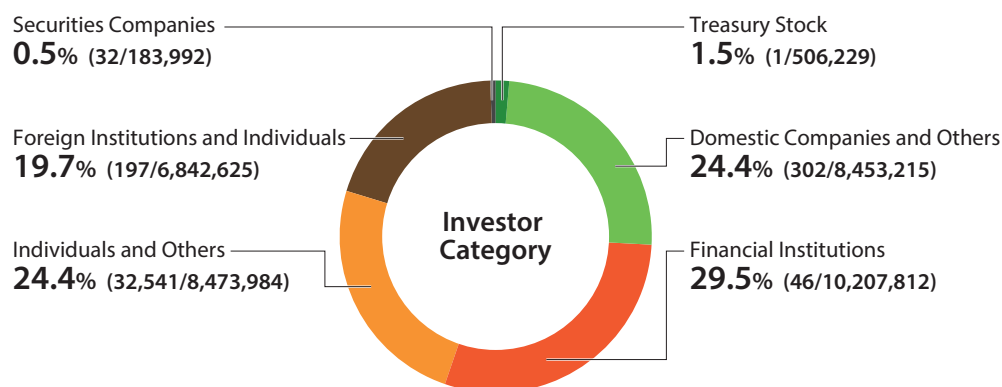
Hokkaido Office, Tohoku Office, Kanto Shin-etsu Office, Tokyo Office, Chubu Office, Osaka Office, Chugoku Office, Kyushu Office, Yokohama Isogo Plant, Nagoya Plant, Sakai Plant, Mizushima Plant and Central Research Laboratory



Yokohama Isogo Plant

## Breakdown of Shareholders

(Number of Shareholders/Number of Shares)



## Stock Information

Number of Shares of Common Stock	: Authorized: 77,670,000 shares
	: Issued: 34,667,857 shares (including treasury stock)
Number of Shareholders	: 33,119

## 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 (9 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  
Intercontinental Specialty Fats (Shanghai) Co., Ltd.  
ATICI S.R.L.

## Principal Shareholders (As of March 31, 2018)

Shareholders	Shareholdings (thousands)	Percentage of total shares issued (%)
Marubeni Corporation	5,200	15.22
The Master Trust Bank of Japan, Ltd. (Trust Account)	1,358	3.98
Sompo Japan Nipponkoa Insurance Inc.	1,004	2.94
Aioi Nissay Dowa Insurance Co., Ltd.	956	2.80
Japan Trustee Services Bank, Ltd. (Trust Account No. 9)	927	2.71
Japan Trustee Services Bank, Ltd. (Trust Account)	918	2.69
DFA International Small Cap Value Portfolio	812	2.38
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	774	2.27
Sumitomo Mitsui Trust Bank, Limited	485	1.42
GOVERNMENT OF NORWAY	483	1.42

Note 1. The Nisshin Oillio Group holds 506,000 shares of treasury stock, but it is not listed among the principal shareholders above.  
2. The percentage of total shares issued is calculated excluding treasury stock.  
3. The Bank of Tokyo-Mitsubishi UFJ, Ltd. has changed its name to MUFG Bank, Ltd., as of April 1, 2018.