

## Message from the Management



### Summary

Fiscal 2010 (ended March 2011) was the final year for Phase I of Growth 10, the initial four-year period of The Nisshin Oil Group's 10-year basic management vision. Amid soaring market prices for grain, consolidated earnings for fiscal 2011 were down sharply, though revenue increased. However, we achieved a certain degree of success for each of the vision goals.

Building on this success, we will continue during Phase II — a three-year period of the management vision beginning in April 2011 — to reform our business structure with the goals of establishing a stable earnings structure and realizing secure growth. We will lay the foundation for the Group to become an international corporate group, the principal goal of the Growth 10 vision.

### Review of Fiscal 2010: Market Environment and Operating Results

**"Amid soaring market prices for grain, earnings were down sharply, though revenue increased."**

Grain market prices remained high throughout fiscal 2010 (ended March 2011), and the rise in costs exceeded the appreciation of the yen. The Nisshin Oil Group took steps to set appropriate selling prices in line with costs, but because of the deflationary domestic environment and trends toward lower prices, we were unable to implement revisions to the selling prices of edible oils to the extent we had hoped.

In overseas business, Dalian Nisshin Oil Mills, Ltd., in China secured earnings by expanding sales to Japan, while Intercontinental Specialty Fats Sdn. Bhd. (ISF) in Malaysia recorded a rise in exports of processed oils and fats, such as specialty fats. However, a portion of ISF's earnings was deferred to the next fiscal year due to variations in the palm oil market.

As a result, earnings were down sharply although revenue increased, and the Group recorded extraordinary losses for disaster losses resulting from the Great East Japan Earthquake. Consolidated net sales for fiscal 2010 amounted to ¥305,298 million (up 1.3% year on year), with operating income of ¥6,966 million (down 33.2%), ordinary income of ¥6,308 million (down 38.8%), and net income of ¥2,123 million (down 58.4%).

## Success of Phase I Measures: Strengthening Our Earnings Base

### **"We achieved a certain degree of success for each of the plan goals."**

The Nisshin OilliO Group proactively implemented strategies for future growth, and achieved success in several areas.

In the processed oils and fats business, ISF in Malaysia began operating new production equipment, and expanded sales of specialty fats.

We also entered the chocolate business by making Daito Cacao Co., Ltd., a subsidiary, and strengthened our technology and development capabilities through operational tie-ups with Yamazaki Baking Co., Ltd., and Miyoshi Oil & Fat Co., Ltd. In China, Dalian Nisshin Oil Mills, Ltd., achieved operating profit for three consecutive fiscal periods.

Building on this success, we will continue during Phase II to lay the foundation for the Group to become an international corporate group, the principal goal of the Growth 10 vision.

## Phase II Measures: Establish a Stable Earnings Foundation and Realize Steady Growth

### **"We will reform our business structure during the three years of Phase II."**

Phase II, which began in April 2011, is a three-year period of the management vision extending through March 2014, during which we will reform our business structure with the goals of establishing a stable earnings foundation and establishing growth. As part of our effort we will actively reallocate management resources, focusing on profitability, an emphasis on technology, and developing overseas markets.

The development of overseas markets in particular will be a priority for aggressive investment. We are accelerating our global expansion, centering on our current business locations in China, Malaysia and Singapore, and expanding to areas of Southeast Asia, North America and Europe.

One new development in March 2011 was the decision to make a subsidiary of Spain's Industrial Química Lasem, S.A. (IQL), which produces and sells oils and fats for cosmetics in Europe. Securing a production base allows us to further pursue development of the fine chemicals business in Europe.

During fiscal 2011 (ending March 2012), the first year of Phase II, we are forecasting consolidated net sales of ¥343,000 million (up 12.3% year on year), with operating income of ¥8,000 million (up 14.8%), ordinary income of ¥7,000 million (up 11.0%), and net income of ¥3,400 million (up 60.2%).

## Our Mission and Social Responsibility as a Food Company

### **"Under our new management structure, we will fulfill our role and responsibility to provide a stable supply of safe and reliable food."**

The Nisshin OilliO Group revised its management structure in June 2011 with the aim of strengthening corporate governance.

These reforms further clarified the separation of the management decision-making and the business execution functions.

We also reduced the number of board members to facilitate quicker and more flexible decision-making.

In addition, the Group aims at enhancing the speed of management by handing authority and responsibility to corporate officers.

Under this management structure, the Group will fulfill its role and responsibility to provide a stable supply of safe and reliable food. We will also continue to be a company essential to society, and by making a leap forward to become a global food corporate group, will enhance our future corporate value and social significance.