The Nisshin Oil Mills, Ltd.

New Directions

Annual Report 2000

For the year ended March 31, 2000

Contents

The Nisshin Oil Mills, Ltd. ***was established in 1907 to operate primarily in the field of edible oils. Expertise also includes the manufacture and sale of processed foods such as dressings, processed fats such as margarine and shortening, industrial-use oils, and meal for use in animal feed and organic fertilizer applications. The first Japanese company to manufacture salad oil, Nisshin Oil produced 400,000 tons in 1999, maintaining its position as the leader in the Japanese edible oils market. The Company has a particularly large share of the home-use market, some 39%. Nisshin Oil is also expanding into fine chemicals, pharmaceuticals and horticultural products, on the foundation provided by the technology gained through long experience in edible oils and related areas.***

Guided by the spirit of always seeking out new challenges, Nisshin Oil will go on creating and delivering products that excel in terms of healthiness, flavor and beauty-enhancing characteristics. Offering new culinary options and new ways of living–this is what Nisshin Oil is all about.

Message from the Management

In the fiscal year ended March 31, 2000, Nisshin Oil made a return to profitability after two consecutive years of net losses, despite a fall in net sales. The year was one of great significance, as our efforts in the areas of structural reform, corporate system revision, marketing reinforcement and product development paid dividends.

In the year under review, the domestic market for meals suffered from falling international prices and the continuing strength of the yen. Net sales decreased 3.6% as a result, coming to ¥135,516 million. However, international raw material costs also fell, and the strong yen showed its positive side by keeping costs down. These factors took operating income up by ¥5,088 million to ¥3,624 million. However, results were affected by significant expenses relating to structural reforms in personnel systems, including those relating to early retirement, and loss on the disposal of equipment at our Kobe Plant. As such, net income totaled ¥781 million.

The Japanese oils and meals industry is entirely dependent on imports for its basic ingredients, and is therefore vulnerable to both foreign exchange movements and fluctuations in grain prices. The advance of deregulation is making itself felt too; import tariffs on both raw materials and oil are declining steadily. Japan's economy is making steady progress on the road to recovery. Nevertheless, falls in income and doubts concerning employment have so far prevented a rebound in consumer spending.

Five-Year Summary

The Nisshin Oil Mills, Ltd. and Consolidated Subsidiaries
Five Years Ended March 31, 2000

	Millions of Yen Except per Share Data					Thousands of U.S. Dollars Except per Share Data
	2000	1999	1998	1997	1996	**2000**
FOR THE YEAR:						
Net sales	**¥135,516**	¥140,638	¥152,350	¥142,264	¥127,689	**$1,278,453**
Net income (loss)	**781**	(1,897)	(926)	431	1,801	**7,368**
Per share data (in yen):						
Net income (loss)	**¥ 5.32**	¥ (12.91)	¥ (6.33)	¥ 2.93	¥ 12.25	**$ 0.05**
Diluted net income	**5.27**				11.20	**0.05**
Cash dividends, applicable to the year	**7.00**	7.00	8.00	8.00	8.50	**0.07**
AT YEAR END:						
Total assets	**¥152,886**	¥152,224	¥156,944	¥157,647	¥171,771	**$1,442,321**
Shareholders' equity	**80,370**	81,241	82,592	84,748	85,631	**758,208**

Notes: 1. U.S. dollar amounts represent translations of Japanese yen amounts, for convenience only, at the rate of ¥106 to U.S.$1, the rate in effect at March 31, 2000.
2. Net income (loss) per share is computed based on the weighted average number of outstanding shares of common stock.
3. Diluted net income per share data is not disclosed in 1999 and 1998 because of the Company's net loss position and in 1997 because the effect was anti-dilutive.

Nisshin Oil launched a long-term management plan called 3D21 in 1991 that is due to end in March 2001. It was conceived of to create a financial structure that will not easily be affected by market conditions and prices. Other aims were the bolstering of core businesses and creating a stable operating base geared toward high profitability. The plan played host to a variety of structural reforms, which bore fruit in the year under review.

Building on the success of 3D21, we have devised a medium-term management plan for the first five years of the 21st century, "START21 Project." This project aims to support the growth and expansion of the entire group by building a corporate structure able to provide a steady stream of profits. True to its history as a maker of flavorful, healthy, beauty-enhancing products, Nisshin Oil will focus resources in new ways to fulfill this role. At the same time, we will strengthen core businesses, nurture new activities with growth potential, slash costs and boost profitability.

Core Businesses—New Strength in Marketing and Product Development

Rising interest in oils that are healthy and perform specific functions will soon raise annual sales of healthy oils in Japan to the ¥10 billion mark. The home-use market share of premium oils, a category that includes healthy oils, is also increasing, currently coming to more than 50% in terms of monetary sales. The health-oriented *Balance Oil* series, on sale since last year, is selling well due to its combination of taste and specialized characteristics. A number of our competitors have started introducing their own healthy oils. But Nisshin Oil continues to maintain its excellence as a pioneer in this field. Functional edible oils, of which healthy oils are just one example, are another area in which Nisshin Oil intends to maintain its number-one position.

In the delicatessen and foodservice industries, product lines which placed emphasis on functionality were very well received. In the foodservice sector, sales of value-added products showed significant increases. These oils result in fried foods which retain both their flavor and a "just-fried" feel for a longer period after cooking than other oils. They also produce fewer unpleasant odors during use, another example of the quality underlying their success.

Edible oils and related products are the foundation of Nisshin Oil's business. And Nisshin Oil will continue to lead the way in edible oils, creating new value and new products which measure up to the standards we have set ourselves in the past. We will not limit our efforts to supplying a rich variety of oils possessing intriguing flavor combinations. Rather, we will concentrate more than ever on utilizing our unmatched technological prowess to create the value-added products required to become still more competitive.

Strategic Businesses—Nurturing the Seeds of Future Results

Nisshin Oil has a dual strategy for achieving new growth and dynamism throughout the group. Working for the reinforcement of our established oil businesses, where we have a competitive edge, is one aspect of this strategy. The other calls for pushing forward with strategic businesses exhibiting high growth potential. To accomplish this, Nisshin Oil will make optimal use of the expertise gained to date in the oil, meal, fat and food businesses. Particular progress is foreseen in strategic growth businesses in the fields of fine chemicals, health- and lifestyle- related fields such as health foods, medical foods and horticulture, distribution, aquaculture and pharmaceuticals.

In fine chemicals, Nisshin Oil is concentrating on raw materials for cosmetics. Food additives and compounds for use in IT-related areas are other focuses. Domestic sales and exports are both benefiting from this strategy. Nisshin Oil's fine chemical operations have long been noted for the technological prowess they display; our August 1999 attainment of ISO9001 certification is further proof of our excellence in this regard. Our sophisticated quality assurance system has also helped to make us a trusted source of fine chemical products among our customers.

The graying of Japan's population and the accompanying changes in the healthcare system are bringing about a shift in emphasis from "after care" to "before care." Nisshin Oil has long been at the forefront of this movement. By developing health and medical foods, we have assembled product lines that set us apart from our competitors. The "Tree of Health" brand is an important concept for Nisshin Oil in this regard. It has provided a focus for efforts to increase the number of health foods on offer, introduce new services and expand on current sales routes. In horticultural and fitness businesses, a number of new proposals are going forward, aiming to help customers enjoy lifestyles that are healthy in all respects. More personnel and expertise will be committed to these businesses throughout the current fiscal year.

In pharmaceuticals, the Nisshin Oil Group operates through Nomko Medical Co., Ltd., a subsidiary dealing with development, and Kobayashi Pharmaceutical Industrial Co., Ltd., an affiliate dealing with manufacturing and marketing. We plan to further concentrate resources in this field to boost profitability. Nisshin Oil's first entirely new pharmaceutical product, Miotecter, a cardioplegic solution, went on sale in December 1999. It makes certain troublesome procedures on the part of medical institutions redundant. This product has already developed a solid reputation on the strength of its labor-saving and safety merits. Nisshin Oil plans to pursue similar research into highly functional pharmaceuticals.

An Oil and Meal Industry Fully-Prepared for a New Era of Imports

In the current world economy, major grain companies have consolidated their grip on the market. This is leading to the emergence of oil manufacturers able to offer low prices because of huge economies of scale. Competition is continuously heating up as a result. To meet this challenge, Nisshin Oil has invested ¥9.2 billion in the development of a flexible structure consisting of integrated crushing and refining operations centering on the Isogo plant and a specialized refining system based in Sakai. This represents the establishment of operations that can respond to fluctuations in foreign exchange rates and raw material prices and shifts in supply and demand. With this system, and the ability to combine crushing and refining operations, Nisshin Oil will be able to ride out the storm of competition that will undoubtedly accompany the globalization of its businesses. Strengthening the cooperative structure with group companies Settsu Oil Mills Co., Ltd., Rinoru Oil Mills Co., Ltd. and Nikko Oil Mills Co., Ltd., Nisshin Oil will also integrate East Asian production bases into its operating network, creating a new way of doing business in the oils and meals industry.

Jokei Akitani, *President*

Aiming to Maximize Corporate Value

The new initiatives discussed above position Nisshin Oil to attain new growth on a foundation capable of producing consistent profits. The Nisshin Oil Group is committing itself to full-scale consolidated management practices on a group-wide basis to enhance this management plan. Expanding cash flows, we will work to maximize corporate value. Striving to become a highly valued company, fully in step with the demands of the 21st century, we will position competitiveness as the top priority throughout the entire Nisshin Oil Group. Reinforcement of our financial structure will be another central objective, and one to be achieved through new efficiency in management practices. I would like to ask all our shareholders for their understanding and support in helping us attain our goals, and through them, higher levels of earnings.

September 30, 2000

J. Akitani

Jokei Akitani

President

Reinforcing Core Businesses

Nisshin Oil produces and sells a wide range of edible oils for both home and commercial use, including salad oil, olive oil, sesame oil and various flavored oils. It holds the No.1 spot in the domestic market for edible oils. In particular, *Nisshin Salad Oil*, its flagship product, has earned great trust from customers since it first went on sale in 1924, and accounts for approximately 40% of the home-use edible oils market. Edible oils and dressings are Nisshin Oil's core businesses. But these products are by no means limited to standard salad oils and the like. This area plays host to the development of value-added products designed to boost profitability by catering to the diversification of customer needs, a trend that includes health issues and more personal tastes.

Health as a Theme for Catering to Customer Needs

In recent years, consumer awareness of the active ingredients of edible oils has been steadily heightening. This has resulted in premium oils such as *Nisshin Canola Oil*, *Nisshin Balance Oil* and *Bosco Olive Oil* accounting for a greater share of sales of late. Nisshin Oil is active in the development of a wide range of functional edible oils, from *Canola Oil*, ideally suited to lightly-fried cuisine, to *Nisshin Light Oil*, specially designed to minimize unpleasant odors given off during cooking.

The *Nisshin Balance Oil Series* is also of note here. *Vitamin E Up* contains a careful balance of active ingredients that prevent oxidation; *Shibousan Balance* is perfect for helping to maintain the body's balance of fatty acids. In September 1999, *Diet* was added to the *Nisshin Balance Oil* lineup. Designed in such a way as to allow fatty substances to be used directly as energy, it was well received by health-conscious consumers, and was joined in the spring of 2000 by *Diet Dressing*. Moreover, Nisshin Oil does more than pursue functionality in its fats and oils; it also insists on maintaining high standards in flavor, as befits a manufacturer of food products.

Marketing Expansion in Oils for Commercial Use

Oils for commercial use are another area in which sales of value-added products are growing rapidly. Consumers are becoming more and more discerning with regards to taste. Nisshin Oil is making efforts to distinguish its products from those of its competitors in both the delicatessen and foodservice industries. In addition to having developed *Royal Dish*, an oil using ester-interchange technology and delivering a "just-fried" feel to food prepared in advance, Nisshin Oil has created the new *Nisshin Sunflower Oil*. Taking as its main ingredient a new type of sunflower, this oil cuts down on unpleasant odors caused during cooking and discoloration.

Another area of expertise is the development of oils for applications where foods are frozen immediately after frying. This project was conducted in cooperation with certain large-scale end users of Nisshin Oil's products. The adoption of easy-to-carry packages and products allowing gains in efficiency have also been successful among commercial users. Nisshin Oil is bolstering those sales systems relating to commercial-use products, while developing a range of new products catering to both home and commercial applications.

1 ***Mayodore*, an egg-free mayonnaise-type dressing with zero cholesterol.**

2 **The *Nisshin Balance Oil* series: *Shibousan Balance*, *Vitamin E Up* and *Diet*.**

3 ***Toscano Extra Virgin Olive Oil*, a new product in the *Bosco Olive Oil* lineup.**

4 ***Nisshin Canola Oil*, a light frying oil with many applications.**


日清
卵を使わずにつくりました
日清
マヨドレ

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健康対策
日清バランスオイル
ビタミンEアップ
天然ビタミンE
健康対策
日清バランスオイル
ダイエット

2


BOSCO
EXTRA VIRGIN OLIVE OIL
TOSCANO
BOSCO
EXTRA VIRGIN OLIVE OIL
TOSCANO

3


油っこくない
日清サラダ油
日清
キャノーラ油
日清キャノ

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Nurturing Strategic Businesses

Nisshin Oil has always endeavored to make optimal use of its experience in the oils and meals industry, simultaneously working to maximize returns on its resources. These efforts have been instrumental in the development of activities peripheral to Nisshin Oil's core businesses. The fine chemical business holds out prospects of particular growth. Health-related businesses centered on health foods, medical foods and horticultural businesses are another key area here. Finally, distribution, aquaculture and pharmaceuticals have also been positioned as strategic businesses.

Fine Chemicals

The fine chemical business will witness a fusion of two technologies honed over long years in the oils and meals industry; advanced synthesis technology and refining technology. Development of this business will involve three distinct areas; cosmetics, chemicals and food additives. Nisshin Oil is making considerable efforts to boost profitability here through technological innovation. Products for use in cosmetics account for 60% of sales in this business, and have made a favorable impact on major cosmetics makers both domestically and overseas. In addition to providing ingredients for cosmetics and toiletries, Nisshin Oil produces and sells products as an OEM supplier.

Chemicals have been the subject of development carried out in conjunction with IT equipment manufacturers. Compound lubricants and waxes so developed have already gone on sale for IT-related applications. Two examples are photographic films and photocopying. Materials for pharmaceuticals and fragrances, and food additives such as middle chain fatty acid ODO, tocopherol and lecithin are already on sale. Nisshin Oil foods have been showcased in exhibitions around the world as part of promotional efforts highlighting the advances made in both materials and technology in this area. Finding new applications for existing products and new sales routes are other focuses here.

Health-Related Products

Nisshin Oil's mission is to create flavorful, healthy food products. From this starting point, it has long been involved in the creation of a range of foods beneficial in both the prevention and treatment of illness. Nisshin Oil leads its competitors in every way, be it in medical foods for kidney disease or people having difficulty swallowing, health-oriented products such as nutritional supplements, or more general functional foods. These products hold promise on the sales front too; investigations are being carried out into the feasibility of selling them through drug stores, hospitals, over the Internet and through other means.

The "Tree of Health" brand was founded to support all-round health from the perspective of food. Sales channels in this area are the subject of notable developments.

The horticultural business is one in which Nisshin Oil has been involved since 1966, and is positioned as a business contributing to psychological wellbeing. Selling organic fertilizer and soil, the company is also bringing a focus to bear on sales of seedlings, centering around herbs popular among home gardeners.

1 A variety of foods beneficial in both the prevention and treatment of illness.

2 Nisshin Oil's technology is also applied in pharmaceuticals.

3 Over 100 horticultural items, including herb seedlings, are on sale.

4 Nisshin Oil's cosmetics materials are well received worldwide.

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In Step with Globalization

The next stage of WTO agricultural negotiations look set to bring down import tariffs on oils and fats. Accordingly, the industry must globalize speedily. Nisshin Oil is introducing a raft of domestic measures to deal with these changes. These include optimizing its brands, developing distinctive products and creating a low cost operating structure. In addition to these domestic moves, Nisshin Oil is expanding its East Asian production facilities across the board. This will allow it to flourish in the oncoming global competition.

Full-Scale Operations at Sakai Plant

Nisshin Oil has in place a production system which fully integrates both crushing and refining operations. This in itself will no longer suffice however—reform is needed to produce a completely integrated system guaranteeing high quality products, including those made from imported oil.

For many years, Nisshin Oil has provided edible oils to the domestic market through means of an integrated production system, combining the import of raw materials with crushing, refining and product development. In order to keep up with global competition however, Nisshin Oil can no longer rely solely on domestically crushed oil. That means refining facilities must deal with oil crushed overseas. This is why Nisshin Oil set up a new refining and distribution plant in Sakai in the Osaka area, Japan's second largest economic center. Great care was taken during planning and construction to ensure low cost operations. The plant has already assumed a central role in Nisshin Oil's refining operations, benefiting in particular from having its own facilities to unload ships.

East Asian Business Expansion

Nisshin Oil has a two-pillared operating structure, consisting of crushing and refining systems based around the Isogo Plant, and the Sakai Plant's refining capability. Making full use of the joint production system shared by group companies Settsu Oil Mills Co., Ltd., Rinoru Oil Mills Co., Ltd. and Nikko Oil Mills Co., Ltd., Nisshin Oil is aiming to lead the way once more in the oils and fats industry in reinforcing all aspects of its operations.

Refusing to limit itself to the domestic market, Nisshin Oil is determined to carve itself a solid position in the East Asian market as well. To this end, it has established production bases in China, Taiwan and Malaysia. In particular, Dalian Nisshin Oil Mills, Ltd. has been the recipient of Nisshin Oil's sophisticated crushing technology, making notable contributions to the diet of the Chinese people. China and Taiwan also play host to salad oil bottling plants, sesame oil production plants and oil processing plants, and a palm oil processed goods plant has been set up in Malaysia. These overseas developments in both production and marketing are playing an important role in Nisshin Oil's current expansion. The future will see these bases broadening their roles significantly, joining together to form a plane rather than remaining unconnected points. This will allow them not only to expand Nisshin Oil's business in East Asia, but contribute to the construction of a multi-faceted production system. Ultimately, these actions will link all aspects of the Nisshin Oil Group, both in Japan and out.

1 The Sakai Plant is an important pillar of Nisshin Oil's refining operations.

2 Proprietary bottling technology is in use at the fully automated Isogo Plant.

3 The automated warehouse is fully computerized, from crate handling to delivery.

4 Vessels of 60,000 tons or less can unload directly at the Isogo quay.

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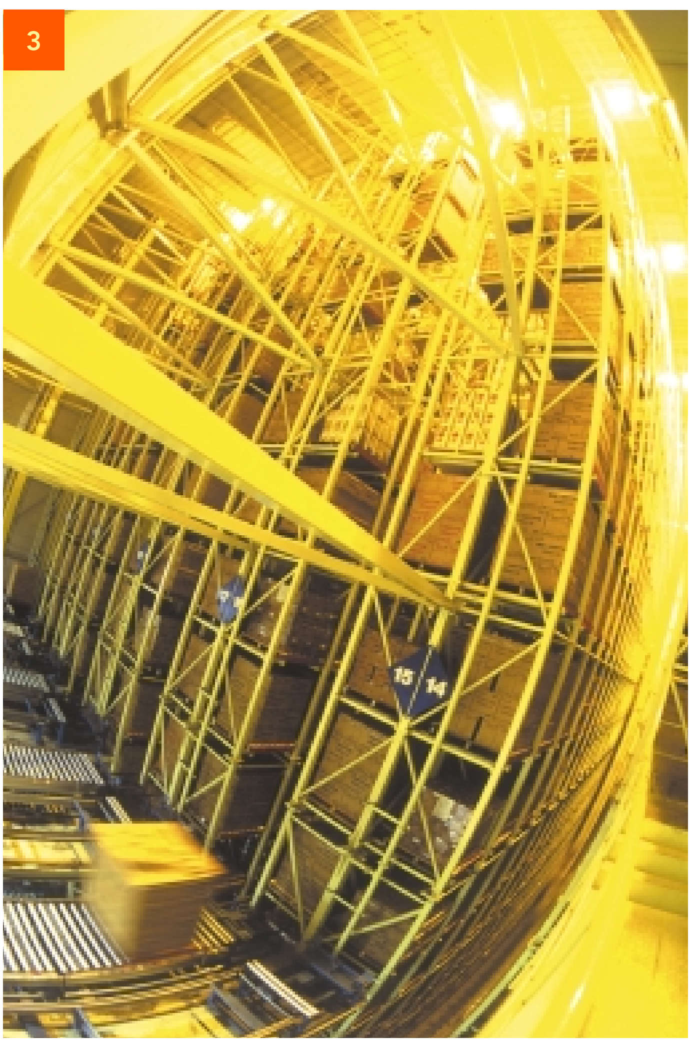

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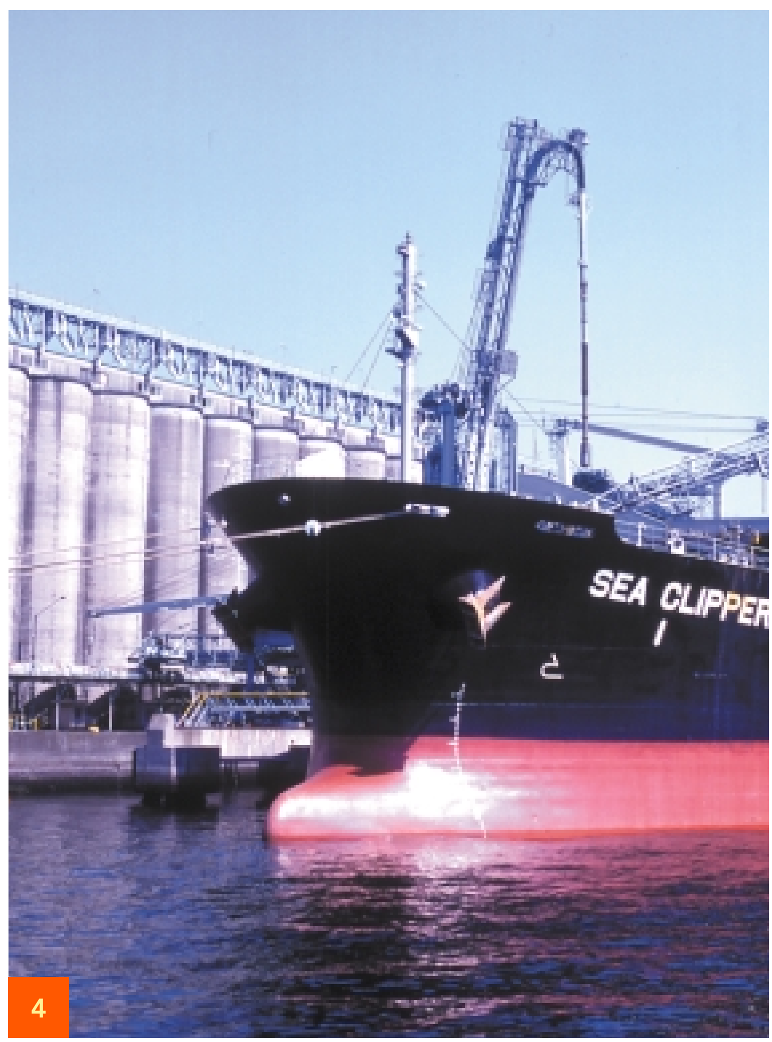
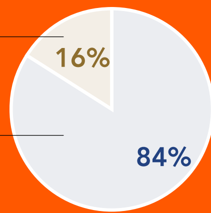


Operational Review



Food and Related Businesses

Results & Outlook

Home-use salad oils witnessed sales growth at a rate just above that of the gradually recovering market, and improving over last year's sales figure. Value-added products made a particularly significant contribution in this respect. Sales rose on the back of the introduction of the health-oriented *Nisshin Balance Oil* line and *Nisshin Canola Oil*, ideally suited to light frying applications. In value-added commercial-use products, a number of new functional products came to market, centering on supermarket delicatessen items and the restaurant industry. Favorably received, these products made a contribution to net sales. Gift products suffered from the general decline in gift demand however, and though efforts were made to open up new markets, sales failed to reach previous year levels. Olive oil sales suffered from a downturn in demand following a period of rising popularity. Standard commercial-use oils struggled as customers switched to premium oils and the restaurant industry experienced weak demand.

In processed oils and fats, sales volumes rose due to the strong performance of the baking, dressing and mayonnaise industries. Unit prices fell though, reflecting international commodity price movements, bringing total sales down with them. Industrial oils and food proteins also failed to reach previous-year sales levels.

Soybean meal sales were buoyed by the highest ever soybean content level livestock feed and strong demand for domestic meal. Here too, sales volume increased, but falling international soybean prices pulled down meal prices. Combined with the appreciation of the yen and the fall in domestic prices, this resulted in a sharp decline in sales. In rapeseed meal, Nisshin Oil's sales volume increased as imports decreased. However, the domestic market weakened due to the falling price of soybean meal, and sales again fell below previous year levels. Soybeans for use in processed foods declined due to opposition to genetic engineering and lower international prices. Overseas oil and meal businesses achieved sales growth in local currencies, but unfavorable foreign exchange movements saw these sales shrink when translated into yen.

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As a result of the foregoing factors, total sales for the segment fell ¥10,255 million to ¥113,855 million. However, falling prices of raw materials on global commodity markets combined with the contribution of the yen's appreciation to raise operating income by ¥5,210 million to ¥3,213 million.

<Edible Oils and Other Food Products for Home-Use>

Major Products

Salad Oil 1 , *Nisshin Balance Oil* 2 , *Light Oil* 3 , *Canola Oil*, *Grapeseed Oil*, *Junsei Sesame Oil*, *Bosco Olive Oil* 4 , *Bosco Herb Oil*, *Honkaku Gara Soup* (Chinese-style chicken buillon), *Honkaku Chuka Dashi* (Chinese seasoning) 5 , *Bosco Olive Dressing* 6 , *Dressing Diet* 7 , *Mayodore* 8

Topics

In the health-oriented *Nisshin Balance Oil* line, featuring such quality fat products as *Vitamin E Up* and *Shibousan Balance*, *Diet* was released in September 1999. Emphasis on design here has resulted in an oil that reduces fat accumulation through directly using fat as energy.

Two new products in the *Nisshin Dressing Diet* line, which is based on the *Diet* line, went on sale in February 2000. Another new development was *Nisshin Junsei Goma-Abura Hoko Goma Shibori* 9 , a sesame oil containing abundant active ingredients that prevent oxidation.

In medical foods, Nisshin Oil commenced sales of *Tofile* 10, a food product for the elderly made from soya milk. *Tofile* is ideal for ensuring a proper supply of protein and energy. Another new development was a green tea containing edible fibers. Aiding the absorption of sugar, and therefore well suited to those with high blood sugar levels, it has been recognized by the Ministry of Health and Welfare as a superlative health food.

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<Commercial-Use Food Products, Oils and Fats>
Major Products

Salad Oil 11 , *Canola Oil,* Soybean Oil, Rapeseed Oil, Sesame Oil, Cottonseed Oil, Safflower Oil, Flax Oil 12 , Palm oil, processed fats (including *Bonland* margarine and shortening, *Royal Dish*, *Fry Ace* premium frying oil, filling) 13 , frozen processed products, fatty acids, food proteins

Topics

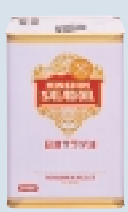
Bonland margarine and shortening went on sale in 1981, filling out Nisshin Oil's lineup of high-added-value products made from pure vegetable oil. In February 2000, Nisshin Oil also commenced sales of a health-oriented *Nisshin Canola Oil Margarine*, and a *Royal Dish Donut* oil boasting remarkable "non-stick" properties due to the use of ester-interchange oil technology.

<Meal and Grain>
Major Products and Services

Meal for use in fertilizer and livestock feed, nonfat soybeans for use in brewing 14 , soybeans and other grains 15 , gardening-use fertilizers 16 , gardening-use soil, seedlings

Topics

Nisshin Oil entered the home gardening market in 1966. Sales of shoots and seedlings commenced in 1993, and more than 100 varieties are now available. In September 1999, Nisshin Oil's lavender was registered as the first lavender to have been bred in Japan. Known as *Super Sebirian Blue* 17 , it grows and blossoms comfortably even in Japan's warm and humid climate, and has been noted both for its robustness and its large size.



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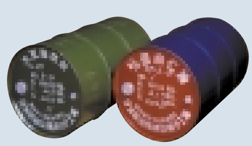

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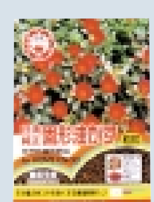

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Other Businesses

Results & Outlook

The fine chemical, personnel dispatching, fitness and leasing businesses all performed strongly, extending sales. Moreover, sales in the recently consolidated pharmaceuticals business added their weight to the growth in segment results. Fine chemicals, chemicals, fitness, distribution and beverages made strong contributions to operating income, but the slump in the pharmaceuticals business brought operating income down overall.

Major Products and Services

Cosmetic ingredients 18 , food additives (tocopherol, lecithin), IT-related materials (ester for industrial applications) 19 , detergents, pharmaceuticals (antiarrhythmic drugs, viral chemical treatments, cardioplegic drugs) 20 , real estate leasing, management and mediation services, packaging services, customs-related business, warehousing, restaurant management, sports facility management, sales promotions, leasing, engineering, accident and liability insurance, computing-related services.

Topics

Fine chemical businesses obtained ISO9001 certification in August 2000. Nisshin Oil was certified in chemical reactions such as the ester-interchange reaction and hydrogen addition, the extraction and refining of materials from plant matter and the use of these materials in product design, development and manufacture. Sales also commenced of *Catechin Oil*, a natural food additive which contains green tea catechins. This new product boasts a wide variety of culinary applications.

In order to strengthen the pharmaceuticals business, pharmaceutical operations were spun off in April 2000. Nomko Medical Co., Ltd. assumed responsibility for development functions and Kobayashi Pharmaceutical Industrial Co., Ltd. took charge of manufacturing and marketing. This move has resulted in new levels of focus and efficiency in the pharmaceutical operations of the Nisshin Group.


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Environmental Preservation

In addition to offering food products intimately connected to healthy lifestyles, Nisshin Oil intends to play a role in the creation of a sustainable recycling society. It is also putting its best foot forward in the field of environmental preservation. In June 2000, Nisshin Oil published its “Environmental Report 2000,” a document outlining the company’s activities in this area throughout the 1990s.

Investments in environmental preservation-related areas during the period 1979–1999, the majority of which centered on the production division, reached a total value of approximately ¥6,000 million. CO_2 emissions in 1999 were 8% less than they were in 1990, putting Nisshin Oil well ahead of the 6% minimum reduction set for 2010 by COP3. In 1998, over ¥700 million was invested in a comprehensive water treatment facility, which has resulted in a 98% reduction in phosphorous levels in water used in production processes since 1990. On the strength of this success, it is fair to say that future tightening of the regulations concerning waste water concentrations of this substance should present Nisshin Oil with few problems.

Measures have already started to deal with the transition to environmental accounting. In line with Environment Agency guidelines, environment-related capital investments and total expenses have been collated and made public. In fiscal 1999, they totaled ¥161 million and ¥1,023 million, respectively.

Using the experience it has gained to date, the Nisshin Oil Group will continue to weave environmental considerations throughout its business activities and products.

Production Division

- Energy efficiency (changes in fuel used in large-scale boilers, introduction of a gas cogeneration system and fuel cells) 1
- Recycling and reduction of volume of industrial waste 2
- Reductions in environmentally hazardous chemicals (SOx, NOx, phosphorous)
- Recycling of waste heat
- Recycling of waste water and sludge as compost

Distribution Division

- Reduction in greenhouse gas emissions through joint delivery operations
- Bulk distribution and distribution using recyclable containers

Materials and Product Development Division

- Reductions in packaging materials
- Adoption of packaging materials with minimal environmental impact
- Use of easily recyclable materials for containers
- Labels to identify materials used in containers for easy recycling 3

Management Division

- Collection of paper by type, pursuit of paperless operations
- Greater energy efficiency through use of night-time electricity

Product Development

- Commencement of sales of recyclable gardening soil
- Development and sales of boilers using waste oil as fuel

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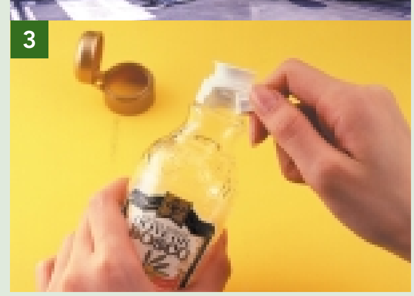

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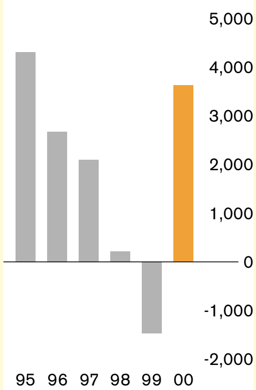
Financial Review

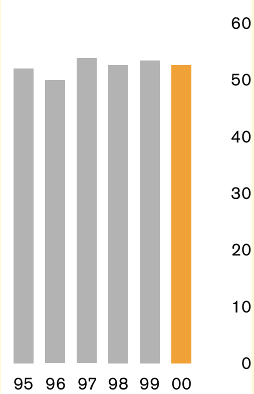
The Nisshin Oil Mills, Ltd. and Consolidated Subsidiaries
March 31, 2000 and 1999

Operating Income

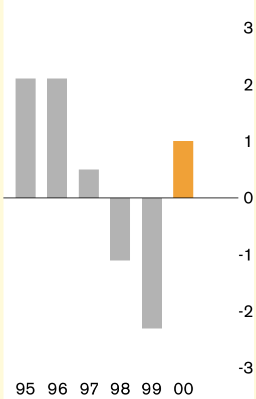
(millions of yen)



Shareholders' Equity Ratio
(%)



Return on Average Equity
(%)



FINANCIAL REVIEW

The Nisshin Oil Mills, Ltd. group consists of Nisshin Oil, 18 consolidated subsidiaries, 4 non-consolidated subsidiaries and 12 affiliates. The equity method is not applied to any of the non-consolidated subsidiaries, but is applied to 8 affiliates. Group operations are split into two segments: Food and Related Businesses and Other Businesses.

CONSOLIDATED RESULTS

Operating Environment

During the year under review, the Japanese economy was supported by the effects of the government's economic stimulus measures, progress made in reducing inventory levels and a recovery in exports, especially to Asian countries. However, public-works expenditure declined and private-sector capital investments dropped sharply, although they started to level out toward the end of the year. Household incomes also decreased, conspiring with doubts concerning employment to hold back consumer spending. As such, though the recession appears over, a real sense of recovery has yet to be felt, and economic progress lacked a true driving force.

Net Sales and Operating Income

Amid this operating environment, the domestic oil and meal markets suffered as international prices plummeted and the yen continued to appreciate. Consolidated net sales declined 3.6%, or ¥5,121 million, to ¥135,516 million (US$1,278 million).

Cost of Sales and Gross Profit

Falling international prices of raw materials and the strong yen made possible significant cost reductions. Cost of sales decreased 9.2%, or ¥10,067 million, to ¥99,218 million (US$936 million). This helped to drive a 15.8%, or ¥4,946 million, increase in gross profit to ¥36,298 million (US$342 million).

Operating Income

The previous year's operating loss of ¥1,464 million was reversed, with operating income improving ¥5,088 million to ¥3,624 million (US$34 million).

Net Income

At the parent company, ¥509 million (US$5 million) was recorded as a special retirement expense. Net income was held to ¥781 million (US$7 million) as a result. Net income per share was ¥5.32 (US$0.05), compared to a net loss per share of ¥12.91 a year earlier.

SEGMENT INFORMATION

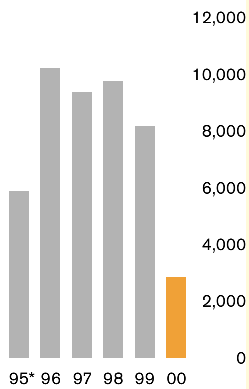
Food and Related Businesses

Main products in this segment, which accounted for 84.0% of net sales, are oil and fat products and processed products, meal and grain, beverages, and other food products.

Though sales in home-use salad oil and high-added-value commercial-use products increased, sales of gift products, olive oil, and general commercial-use food oils all decreased markedly over the previous year. Furthermore, sales of processed products fell due to a drop in international prices and industrial-use oils and food proteins also failed to perform to the previous year's standards. In addition, soybean meal and rapeseed meal joined the list of products performing weakly in the year under review. The former struggled due to declining international raw material prices and the strong yen, while the latter suffered under the generally poor domestic climate this brought on.

Capital Expenditure

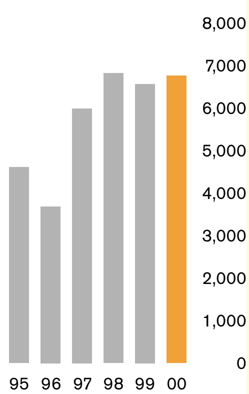
(millions of yen)



* Figures for 1995 are non-consolidated.

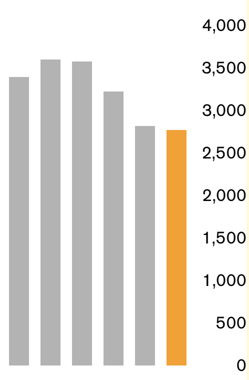
Depreciation and Amortization

(millions of yen)



R&D Expenses

(millions of yen)



As a result of these factors, total sales for the segment fell 8.3% to ¥113,855 million (US$1,074 million). The cost savings made possible by falling international raw materials prices and the strong yen saw operating income gain ground however, reaching ¥3,213 million (US$30 million).

Note: Segment operating income refers to operating income before the deduction of corporate expenses.

Other Businesses

Main products and services in this segment are cosmetic ingredients, chemical products, detergents, pharmaceuticals, real estate leasing and management, packaging services, customs-related business, warehousing, management of restaurants and sports facilities, sales promotions, leasing, engineering, accident and liability insurance and computing-related services. This segment accounted for 16.0% of net sales.

Segment sales rose 31.1% to ¥21,661 million (US$204 million). Growth in sales of chemicals, including fine chemicals, and recruitment, leasing and fitness businesses was one factor, with consolidation of the pharmaceutical business being another. Operating income declined 12.0% to ¥494 million (US$5 million), however, due to a poor performance by the pharmaceutical business.

FINANCIAL POSITION

Total assets as of March 31, 2000 stood at ¥152,886 million (US$1,442 million), 0.4% higher than a year ago.

CURRENT LIABILITIES

Current liabilities climbed 39.2% to ¥54,166 million (US$511 million) due to the recording of unsecured convertible bonds due within one year.

SHAREHOLDERS' EQUITY

Shareholders' equity declined 1.1% to ¥80,370 million (US$758 million). This took the equity ratio down 0.8 of a percentage point to 52.6%. Shareholders' equity per share fell 0.9%, or ¥5.2 (US$0.05), to ¥547.5 (US$5.17).

CASH FLOWS

Net cash provided by operating activities benefited significantly from the sharp improvement in profits and a decrease in accounts receivable. Net cash used in investing activities was kept to within the limits of depreciation during the year as the company largely completed its program of major capital expenditures. Major capital expenditures during the year included the construction of a new facility at the parent company's Sakai Plant, and at the Isogo Plant in Yokohama, the addition of energy saving facilities and battery-based back-up power facilities. Certain assets were also acquired to be used in leasing operations. With regards to net cash provided by financing activities, the company repurchased and retired 1,650,000 shares of treasury stock, of a total value of ¥481 million (US$5 million), as a way of returning profits to shareholders. Total cash and cash equivalents at the end of the year were ¥25,624 million (US$242 million).

YEAR 2000 COMPLIANCE

Nisshin Oil positioned the Y2K Problem as a key issue from the perspective of ensuring the smooth continuation of operations and meeting customers' expectations. Accordingly, a Y2K Committee was formed with the objective of ensuring that all relevant systems were fully Y2K compliant. Also established was a contingency system that would guarantee a quick and accurate response to any problems that might arise. These efforts resulted in trigger dates passing without the occurrence of any problems that adversely affected business operations. Nisshin Oil's precautions and responses in this area will continue to be of the highest caliber.

Consolidated Statements of Operations

The Nisshin Oil Mills, Ltd. and Consolidated Subsidiaries
Years Ended March 31, 2000 and 1999

	Millions of Yen		Thousands of U.S. Dollars (Note 1.a)
	2000	1999	2000
NET SALES (Note 5)	**¥135,516**	¥140,638	**$1,278,453**
COST OF SALES (Note 5)	**99,218**	109,286	**936,019**
Gross profit	**36,298**	31,352	**342,434**
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 6)	**32,674**	32,816	**308,245**
Operating income (loss)	**3,624**	(1,464)	**34,189**
OTHER INCOME (EXPENSES):			
Interest and dividends income	**413**	550	**3,896**
Interest expense	**(683)**	(760)	**(6,443)**
Gain on sales of marketable securities—net	**89**	221	**840**
Loss on devaluation of marketable securities	**(180)**	(243)	**(1,698)**
Loss on disposition of property, plant and equipment	**(702)**	(1,145)	**(6,623)**
Foreign exchange loss	**(312)**	(348)	**(2,943)**
Special retirement expense	**(509)**		**(4,803)**
Gain on subsidiary stock issuance	**359**	250	**3,387**
Equity in earnings of associated companies	**531**	11	**5,009**
Other—net	**(441)**	(198)	**(4,160)**
Other expenses—net	**(1,435)**	(1,662)	**(13,538)**
INCOME (LOSS) BEFORE INCOME TAXES AND MINORITY INTERESTS	**2,189**	(3,126)	**20,651**
INCOME TAXES (Note 4):			
Current	**320**	429	**3,019**
Deferred	**1,205**	(1,696)	**11,368**
Total	**1,525**	(1,267)	**14,387**
MINORITY INTERESTS IN NET INCOME (LOSS)	**(117)**	(38)	**(1,104)**
NET INCOME (LOSS)	**¥ 781**	¥ (1,897)	**$ 7,368**

	Yen		U.S. Dollars
PER SHARE OF COMMON STOCK (Note 1.m):			
Net income (loss)	**¥5.32**	¥(12.91)	**$0.05**
Diluted net income	**5.27**		**0.05**
Cash dividends applicable to the year	**7.00**	7.00	**0.07**

See notes to consolidated financial statements.

Consolidated Balance Sheets

The Nisshin Oil Mills, Ltd. and Consolidated Subsidiaries
March 31, 2000 and 1999

ASSETS	Millions of Yen 2000	Millions of Yen 1999	Thousands of U.S. Dollars (Note 1.a) 2000
CURRENT ASSETS:			
Cash and cash equivalents	**¥ 25,624**	¥ 19,422	**$ 241,736**
Time deposits	**328**		**3,094**
Marketable securities (Note 2)	**5,352**	5,482	**50,490**
Receivables:			
Trade notes	**2,875**	2,218	**27,123**
Trade accounts (Note 5)	**20,750**	23,062	**195,755**
Allowance for doubtful receivables	**(289)**	(263)	**(2,726)**
Inventories:			
Finished goods	**9,851**	9,370	**92,934**
Raw materials	**6,511**	7,443	**61,424**
Deferred tax assets (Note 4)	**1,137**	1,276	**10,726**
Prepaid expenses and other	**2,216**	1,691	**20,906**
Total current assets	**74,355**	69,701	**701,462**
PROPERTY, PLANT AND EQUIPMENT (Note 3):			
Land	**15,921**	15,369	**150,198**
Buildings and structures	**43,822**	44,105	**413,415**
Machinery and equipment	**53,498**	50,273	**504,698**
Construction in progress	**110**	1,573	**1,038**
Total	**113,351**	111,320	**1,069,349**
Accumulated depreciation	**(55,349)**	(51,764)	**(522,160)**
Net property, plant and equipment	**58,002**	59,556	**547,189**
INVESTMENTS AND OTHER ASSETS:			
Investments in securities (Note 2)	**7,738**	8,175	**73,000**
Investments in and advances to unconsolidated subsidiaries and associated companies	**7,070**	7,181	**66,698**
Goodwill	**314**	432	**2,962**
Deferred tax assets (Note 4)	**1,012**	2,053	**9,547**
Foreign currency translation adjustment	**51**	81	**481**
Other assets	**4,344**	5,045	**40,982**
Total investments and other assets	**20,529**	22,967	**193,670**
TOTAL	**¥152,886**	¥152,224	**$1,442,321**

See notes to consolidated financial statements.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of Yen 2000	Millions of Yen 1999	Thousands of U.S. Dollars (Note 1.a) 2000
CURRENT LIABILITIES:			
Short-term bank loans (Note 3)	**¥ 13,572**	¥ 13,442	**$ 128,038**
Current portion of long-term debt (Note 3)	**16,718**	1,020	**157,717**
Payables:			
Trade notes	**1,205**	652	**11,368**
Trade accounts (Note 5)	**16,713**	19,055	**157,670**
Income taxes payable	**114**	141	**1,075**
Accrued expenses	**2,419**	3,763	**22,821**
Other	**3,425**	833	**32,311**
Total current liabilities	**54,166**	38,906	**511,000**
LONG-TERM LIABILITIES:			
Long-term debt (Note 3)	**11,173**	24,981	**105,406**
Liability for retirement benefits (Note 1.k)	**4,266**	4,847	**40,245**
Customers' deposits		369	
Other	**450**	83	**4,245**
Total long-term liabilities	**15,889**	30,280	**149,896**
MINORITY INTERESTS	**2,461**	1,797	**23,217**
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 9, 10 and 11)			
SHAREHOLDERS' EQUITY (Note 8):			
Common stock, ¥50 par value—authorized, 390,000,000 shares; issued and outstanding, 145,334,287 shares in 2000 and 146,984,287 shares in 1999	**16,332**	16,332	**154,075**
Additional paid-in capital	**14,906**	14,906	**140,623**
Retained earnings	**49,193**	50,003	**464,085**
Total	**80,431**	81,241	**758,783**
Treasury stock—at cost	**(61)**	(0)	**(575)**
Total shareholders' equity	**80,370**	81,241	**758,208**
TOTAL	**¥152,886**	¥152,224	**$1,442,321**

Consolidated Statements of Shareholders' Equity

The Nisshin Oil Mills, Ltd. and Consolidated Subsidiaries
Years Ended March 31, 2000 and 1999

	Thousands	Millions of Yen			
	Outstanding Number of Shares of Common Stock	Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Stock
BALANCE, APRIL 1, 1998	146,984	¥16,332	¥14,906	¥51,354	¥ (0)
Net loss				(1,897)	
Cash dividends, ¥7.50 per share				(1,102)	
Bonuses to directors and corporate auditors				(30)	
Adjustment of retained earnings for adoption of deferred tax accounting method				1,742	
Adjustment of retained earnings for newly consolidated subsidiaries				(43)	
Adjustment of retained earnings for application of equity method				(21)	
Treasury stock acquired–net					(0)
BALANCE, MARCH 31, 1999	146,984	16,332	14,906	50,003	(0)
Net income				781	
Cash dividends, ¥7.00 per share				(1,029)	
Cancellation of treasury stock	(1,650)			(482)	
Adjustment of retained earnings for additional application of equity method				(80)	
Treasury stock acquired–net					(61)
BALANCE, MARCH 31, 2000	**145,334**	**¥16,332**	**¥14,906**	**¥49,193**	**¥(61)**

	Thousands of U.S. Dollars (Note 1.a)			
	Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Stock
BALANCE, MARCH 31, 1999	$154,075	$140,623	$471,726	$ (0)
Net income			7,368	
Cash dividends, $0.07 per share			(9,707)	
Cancellation of treasury stock			(4,547)	
Adjustment of retained earnings for additional application of equity method			(755)	
Treasury stock acquired–net				(575)
BALANCE, MARCH 31, 2000	**$154,075**	**$140,623**	**$464,085**	**$(575)**

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

The Nisshin Oil Mills, Ltd. and Consolidated Subsidiaries
Years Ended March 31, 2000 and 1999

	Millions of Yen		Thousands of U.S. Dollars (Note 1.a)
	2000	1999	**2000**
OPERATING ACTIVITIES:			
Income (loss) before income taxes and minority interests	**¥ 2,189**	¥ (3,203)	**$ 20,651**
Adjustments for:			
Income taxes–paid	**(557)**	(572)	**(5,255)**
Depreciation and amortization	**6,763**	6,567	**63,802**
Earnings of associated companies	**(531)**	(11)	**(5,009)**
Gain on subsidiaries stock issuance	**(359)**	(250)	**(3,387)**
Loss on devaluation of marketable securities	**180**	243	**1,698**
Gain on sales of marketable securities–net	**(89)**	(221)	**(840)**
Loss on disposition of property, plant and equipment	**702**	1,145	**6,623**
Changes in assets and liabilities, net of effects of newly consolidated subsidiaries:			
Decrease in trade receivables	**3,973**	693	**37,481**
Decrease in inventories	**817**	3,639	**7,708**
Decrease in trade payables	**(2,176)**	(2,711)	**(20,528)**
Other–net	**(979)**	(1,036)	**(9,236)**
Total adjustments	**7,744**	7,486	**73,057**
Net cash provided by operating activities	**9,933**	4,283	**93,708**
INVESTING ACTIVITIES:			
Proceeds from sale of property, plant and equipment	**428**	88	**4,038**
Purchases of property, plant and equipment	**(4,196)**	(9,390)	**(39,585)**
Proceeds from sales of marketable securities–net	**52**	5,075	**490**
(Increase) decrease in other assets	**(569)**	364	**(5,368)**
Net cash used in investing activities	**(4,285)**	(3,863)	**(40,425)**
FINANCING ACTIVITIES:			
Increase (decrease) in short-term bank loans–net	**581**	(242)	**5,481**
Proceeds from long-term debt	**3,250**	1,031	**30,660**
Repayments of long-term debt	**(2,709)**	(1,416)	**(25,556)**
Acquisition and cancellation of treasury stock	**(483)**		**(4,556)**
Dividends paid	**(1,029)**	(1,102)	**(9,708)**
Proceeds from subsidiaries issuance of its stock	**277**	311	**2,613**
Dividends paid for minority interests	**(26)**	(26)	**(245)**
Net cash used in financing activities	**(139)**	(1,444)	**(1,311)**
FORWARD	**¥ 5,509**	¥ (1,024)	**$ 51,972**
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	**(98)**	(352)	**(925)**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**5,411**	(1,376)	**51,047**
CASH AND CASH EQUIVALENTS OF NEWLY CONSOLIDATED SUBSIDIARIES, BEGINNING OF YEAR	**791**		**7,462**
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**19,422**	20,798	**183,227**
CASH AND CASH EQUIVALENTS, END OF YEAR	**¥25,624**	¥19,422	**$241,736**

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

The Nisshin Oil Mills, Ltd. and Consolidated Subsidiaries
Years Ended March 31, 2000 and 1999

1. Significant Accounting and Reporting Policies

The following is a summary of the significant accounting and reporting policies adopted by The Nisshin Oil Mills, Ltd. (the "Company") and consolidated subsidiaries in the preparation of its consolidated financial statements.

a. Basis of Presenting Financial Statements—The accompanying consolidated financial statements have been prepared from the consolidated financial statements filed with the Ministry of Finance as required by the Securities and Exchange Law of Japan, which are in conformity with accounting principles and practices generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Accounting Standards. The consolidated financial statements are not intended to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan. Certain reclassifications have been made to present the accompanying consolidated financial statements in a format which is familiar to readers outside Japan.

Effective April 1, 1999, consolidated statements of cash flows are required to be prepared under Japanese accounting standards, and those for the years ended March 31, 2000 and 1999 are presented herein.

Certain reclassifications have been made in the 1999 financial statements to conform to the 2000 presentation.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥106 to $1, the approximate rate of exchange at March 31, 2000. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

b. Principles of Consolidation—The consolidated financial statements include the accounts of the Company and its 22 significant (21 in 1999) subsidiaries (together, the "Group"). Effective April 1, 1999, the Group changed its consolidation scope of subsidiaries and associated companies from the application of the ownership concept to the control or influence concept in accordance with the new accounting standard for consolidation. Under the control or influence concept, those companies in which the parent, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Group has the ability to exercise significant influence are accounted for by the equity method. One subsidiary previously accounted for by the equity method has been consolidated in the consolidated financial statements. One associated company previously accounted for at cost has been accounted for by the equity method.

The consolidated financial statements for the year ended March 31, 1999 are not retroactively adjusted. The change of retained earnings arising from the change in the consolidation scope is recognized as "Adjustment of retained earnings for newly consolidated subsidiaries" in the consolidated statements of shareholders' equity for the year ended March 31, 1999.

Investments in 8 (9 in 1999) associated companies are accounted for by the equity method. Investments in the remaining 4 unconsolidated subsidiaries and 4 associated companies are stated at cost. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiary/associated company at the date of acquisition. Goodwill on acquisition of subsidiaries occurring on or after April 1, 1999 is reported in the balance sheet as other assets and is amortized using the straight-line method over 5 years.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is eliminated.

c. Translation of Foreign Currency Accounts—Foreign currency transactions relate principally to the importation of raw materials through Japanese trading companies, contracted for in U.S. dollars, for which the Company is obliged to bear any exchange rate risks involved in such transactions. Foreign currency transactions are translated into Japanese yen using the exchange rate in effect at the date of each transaction or at the applicable exchange rates under forward exchange contracts.

The current and non-current account balances denominated in foreign currencies, excluding those under forward exchange contracts, are translated at the applicable historical rates in effect at the dates of the transactions. Gains or losses from foreign currency transactions are recognized in the fiscal period in which they occur.

d. Cash Equivalents—Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value. Cash equivalents include time deposits, certificate of deposits, commercial paper and mutual funds investing in bonds that represent short-term investments, all of which mature or become due within three months of the date of acquisition. The scope of cash and cash equivalents in 1999 was changed from ¥3,582 million to ¥19,422 million to conform with the presentation in 2000.

e. Marketable Securities and Investments in Securities—All current and non-current marketable securities (primarily marketable equity securities) are stated at the lower of moving-average cost or market, as determined on an individual security basis. Unquoted securities are stated at moving-average cost.

f. Allowance for Doubtful Receivables—The Company and consolidated subsidiaries provide an allowance for doubtful receivables on the basis of the maximum amount deductible under Japanese income tax laws plus an amount required for known uncollectible receivables.

g. Inventories—Finished goods are stated at average cost. Raw materials are stated at the lower of first-in, first-out cost or market.

h. Property, Plant and Equipment—Property, plant and equipment are stated at cost less accumulated depreciation.

Depreciation of plant and equipment is computed using the declining-balance method over the estimated useful lives of the assets, while the straight-line method is applied to buildings.

The rates of depreciation referred to above are based on useful lives of 3 to 50 years for buildings and structures, 4 to 16 years for machinery and equipment and 2 to 20 years for furniture and fixtures.

Ordinary maintenance and repairs are charged to income as incurred. Major replacements and improvements are capitalized.

i. Leases—All leases are accounted for as operating leases. Under Japanese accounting standards for leases, finance leases that deem to transfer ownership of the leased property to the lessee are to be capitalized, while other finance leases are permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the notes to the lessee's consolidated financial statements.

j. Income Taxes—The Group adopted accounting for allocation of income taxes based on the asset and liability method.

Deferred income taxes are recorded to reflect the impact of temporary differences between assets and liabilities recognized for financial reporting purposes and such amounts recognized for tax purposes. These deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

k. Liability for Retirement Benefits—The Group has unfunded retirement plans for all eligible employees. The amounts of the retirement benefits are, in general, determined on the basis of length of service and the basic salary at the time of retirement. The Company and its domestic consolidated subsidiaries accrue liabilities for such retirement benefits equal to 40% of the amount payable if all employees voluntarily terminated their employment at the end of each fiscal year.

The Company and one of the consolidated subsidiaries have funded non-contributory pension plans in addition to the above unfunded plans. Under the funded pension plans, employees retiring at the mandatory retirement age and having at least 20 years of service with the Company or the subsidiary, are entitled either to a lump-sum payment or to pension payments over 10 years.

Under the funded pension plans, it is the Company's and consolidated subsidiary's policy to charge to income the annual pension payments, including the amortization of past service cost over approximately 20 years.

As of March 31, 1999, the date of the most recent available information, the present value of vested and non-vested accumulated plan benefits, which are not separated in the plans' financial statements, and the net assets of the plans available for benefits were ¥15,079 million and ¥10,712 million, respectively.

The liability for retirement benefits also includes benefit liabilities for directors and corporate auditors of ¥1,011 million ($9,538 thousand) and ¥1,241 million for the years ended March 31, 2000 and 1999, respectively. The amounts required under the plan have been fully accrued.

The payments of retirement benefits for directors and corporate auditors are subject to approval at the shareholders meeting.

The total amounts charged to income under the unfunded retirement plans and non-contributory pension plans were ¥2,565 million ($24,198 thousand) and ¥1,220 million for the years ended March 31, 2000 and 1999, respectively. The amounts for 2000 and 1999 included ¥214 million ($2,019 thousand) and ¥294 million, respectively, of provision for retirement benefits for directors and corporate auditors.

l. Research and Development—Costs relating to research and development activities are charged to income as incurred.

m. Per Share Data—The computation of net income per common share is based on the weighted average number of shares of common stock outstanding during each year. The average number of common shares used in the computation was 146,785 thousand and 146,984 thousand for the years ended March 31, 2000 and 1999, respectively.

The diluted net income per share of common stock assumes full conversion of outstanding convertible bonds at the beginning of the year or at the date of issuance with an applicable adjustment for related (net of tax) interest expense. Diluted net income per share is not disclosed for the year ended March 31, 1999, because of the Company's net loss position.

Dividends per share shown in the accompanying consolidated statements of operations have been presented on an accrual basis and include, in each fiscal year ended March 31, dividends approved or to be approved after March 31, but applicable to the year then ended.

2. Marketable Securities and Investments in Securities

Marketable securities and investments in securities as of March 31, 2000 and 1999, were comprised of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2000	1999	**2000**
Marketable securities:			
Interest-bearing bonds	**¥4,372**	¥4,007	**$41,245**
Marketable equity securities	**339**	237	**3,198**
Other—stated at cost	**641**	1,238	**6,047**
Total	**¥5,352**	¥5,482	**$50,490**
Investments in securities:			
Interest-bearing bonds	**¥ 45**	¥ 12	**$ 425**
Marketable equity securities	**7,183**	7,584	**67,764**
Other—stated at cost	**510**	579	**4,811**
Total	**¥7,738**	¥8,175	**$73,000**

The unrealized gains applicable to the current and non-current marketable equity securities were ¥6,478 million ($61,113 thousand) and ¥7,190 million as of March 31, 2000 and 1999, respectively.

The market values of marketable securities and investments in securities other than marketable equity securities approximate their book values as of March 31, 2000 and 1999.

3. Short-Term Bank Loans and Long-Term Debt

Bank borrowings represent mainly 180-day notes payable to banks which are renewable, as required. The average interest rates on these borrowings as of March 31, 2000 and 1999, were 2.10% and 2.5%, respectively.

As is the customary practice in Japan, the Company and consolidated subsidiaries have substantial time deposits with banks from which they have short-term borrowings; however, there are no formal compensating balance agreements with any banks. The weighted annual average interest rates on these deposits were 0.11% and 0.37% as of March 31, 2000 and 1999, respectively.

Long-term debt as of March 31, 2000 and 1999, was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2000	1999	**2000**
1.0% unsecured convertible bonds due 2001	**¥ 15,987**	¥15,987	**$ 150,821**
2.5% bonds due 2004	**400**		**3,774**
Long-term debt from banks, due through 2016– interest ranging from 1.31% to 4.4% in 2000 and 1999	**11,504**	10,014	**108,528**
Total	**27,891**	26,001	**263,123**
Less current portion	**(16,718)**	(1,020)	**(157,717)**
Long-term debt, less current portion	**¥ 11,173**	¥24,981	**$ 105,406**

The current conversion price of the convertible bonds and prices at which they are redeemable at the option of the Company at March 31, 2000, are as follows:

	Conversion Price per Share	Redemption Price (Percent of Principal Amount)
1.0% convertible bonds due 2001	¥841	(a)

(a) 102% to 100% commencing on and after April 1, 1998

The conversion prices are subject to adjustments in the event of a stock split and certain other events.

The aggregate annual maturities of long-term debt as of March 31, 2000 were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2001	¥16,718	$157,717
2002	1,907	17,991
2003	6,433	60,689
2004	1,260	11,887
2005	321	3,028
2006 and thereafter	1,252	11,811
Total	¥27,891	$263,123

As of March 31, 2000, the following assets are pledged as collateral to secure short-term bank loans of ¥1,273 million ($12,009 thousand), 2.5% bonds due 2004 of ¥400 million ($3,774 thousand) and long-term debt of ¥3,967 million ($37,425 thousand):

	Millions of Yen	Thousands of U.S. Dollars
	2000	2000
Property, plant and equipment:		
Land	¥3,879	$36,594
Building and structures– net of accumulated depreciation	1,893	17,858
Machinery and equipment– net of accumulated depreciation	456	4,303
Total	¥6,228	$58,755

4. Income Taxes

The Company and its domestic consolidated subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in normal effective statutory tax rates of approximately 42% and 47% for the years ended March 31, 2000 and 1999, respectively.

The tax effects of significant temporary differences and loss carryforwards which result in deferred tax assets and liabilities at March 31, 2000 and 1999, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2000	1999	**2000**
Current:			
Deferred tax assets:			
Inventories	**¥ 122**	¥ 201	**$ 1,151**
Accrued expenses	**426**	407	**4,019**
Tax loss carryforwards	**294**	438	**2,773**
Other	**295**	230	**2,783**
Total	**¥1,137**	¥1,276	**$10,726**
Non-current:			
Deferred tax assets:			
Liability for retirement benefits	**¥1,042**	¥ 737	**$ 9,830**
Tax loss carryforwards	**1,263**	2,615	**11,915**
Other	**89**	161	**840**
Total	**2,394**	3,513	**22,585**
Deferred tax liabilities:			
Property, plant and equipment	**1,367**	1,452	**12,896**
Other	**15**	8	**142**
Total	**1,382**	1,460	**13,038**
Net deferred tax assets	**¥1,012**	¥2,053	**$ 9,547**

A reconciliation between the normal effective statutory tax rate for the years ended March 31, 2000 and 1999, and the actual effective tax rates reflected in the accompanying consolidated statements of operations were as follows:

Year Ended March 31	**2000**	1999
Normal effective statutory tax rate	**42 %**	47 %
Increase (decrease) in tax rate resulting from:		
Effect of change in tax reform law		(5)
Expenses not deductible for income tax purposes	**4.5**	(6.2)
Per capita levy of corporate tax	**2.6**	(2.6)
Nontaxable consolidated adjustment		10.4
Difference from effective statutory tax rate of consolidated subsidiaries	**28.8**	(2.5)
Elimination of intercompany dividend	**3.7**	
Amortization of consolidation goodwill	**3.8**	
Equity in earnings of associated companies	**(10.1)**	
Gain on a subsidiary stock issuance	**(6.9)**	
Other–net	**1.6**	(1.1)
Actual effective tax rate	**70 %**	40 %

On March 31, 1999, a tax reform law was enacted in Japan which changed the normal effective statutory tax rate from approximately 47% to 42%, effective for years beginning April 1, 1999.

The normal effective tax rate reflected in the accompanying consolidated statement of operations for the year ended March 31, 1999, differs from the actual effective tax rate, primarily due to the effect of permanently non-deductible expenses and temporary differences in the recognition of asset and liability items for tax and for financial reporting purposes.

5. Related Party Transactions

Transactions with and balances due from or to non-consolidated subsidiaries and associated companies for the years ended March 31, 2000 and 1999, were principally as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2000	1999	**2000**
Transactions:			
Sales	**¥1,013**	¥20,002	**$ 9,557**
Purchases	**2,529**	2,605	**23,858**
Balances at year end:			
Trade accounts receivable	**205**	3,428	**1,934**
Trade accounts payable	**88**	70	**830**

Transaction of sales with and balance of trade accounts receivable due from non-consolidated and associated companies decreased as compared with the previous fiscal year. The main reason for decreased transaction and balance was that one subsidiary (Nisshin Shoji Co., Ltd.), previously accounted for by the equity method, has been consolidated in the consolidated financial statements.

6. Research and Development Costs

Research and development costs charged to income were ¥2,764 million ($26,075 thousand) and ¥2,813 million for the years ended March 31, 2000 and 1999, respectively.

7. Segment Information

Information about operations in different industry segments of the Group for the years ended March 31, 2000 and 1999, was as follows:

	Millions of Yen			
	2000			
	Food and Related Businesses	Other	Eliminations	Consolidated
Sales and operating income:				
Sales to customers	**¥113,855**	**¥21,661**		**¥135,516**
Intersegment sales	**792**	**10,930**	**¥(11,722)**	
Total sales	**114,647**	**32,591**	**(11,722)**	**135,516**
Operating expenses	**111,434**	**32,097**	**(11,639)**	**131,892**
Operating income (losses)	**¥ 3,213**	**¥ 494**	**¥ (83)**	**¥ 3,624**

	Millions of Yen			
	2000			
	Food and Related Businesses	Other	Corporate and Eliminations	Consolidated
Assets, depreciation and capital expenditures:				
Assets	**¥103,487**	**¥26,592**	**¥22,807**	**¥152,886**
Depreciation	**4,146**	**2,483**		**6,629**
Capital expenditures	**1,871**	**988**		**2,859**

	Thousands of U.S. Dollars			
	2000			
	Food and Related Businesses	Other	Eliminations	Consolidated
Sales and operating income:				
Sales to customers	**$1,074,104**	**$204,349**		**$1,278,453**
Intersegment sales	**7,472**	**103,113**	**$(110,585)**	
Total sales	**1,081,576**	**307,462**	**(110,585)**	**1,278,453**
Operating expenses	**1,051,264**	**302,802**	**(109,802)**	**1,244,264**
Operating income (losses)	**$ 30,312**	**$ 4,660**	**$ (783)**	**$ 34,189**

	Thousands of U.S. Dollars			
	2000			
	Food and Related Businesses	Other	Corporate and Eliminations	Consolidated
Assets, depreciation and capital expenditures:				
Assets	**$976,293**	**$250,868**	**$215,160**	**$1,442,321**
Depreciation	**39,113**	**23,425**		**62,538**
Capital expenditures	**17,651**	**9,321**		**26,972**

	Millions of Yen			
	1999			
	Food and Related Businesses	Other	Eliminations	Consolidated
Sales and operating income:				
Sales to customers	¥124,110	¥16,528		¥140,638
Intersegment sales	94	13,634	¥(13,728)	
Total sales	124,204	30,162	(13,728)	140,638
Operating expenses	126,202	29,600	(13,700)	142,102
Operating income (losses)	¥ (1,998)	¥ 562	¥ (28)	¥ (1,464)

	Millions of Yen			
	1999			
	Food and Related Businesses	Other	Corporate and Eliminations	Consolidated
Assets, depreciation and capital expenditures:				
Assets	¥97,861	¥23,474	¥30,889	¥152,224
Depreciation	3,415	2,224		5,639
Capital expenditures	5,329	2,840		8,169

The Company and consolidated subsidiaries operate mainly in Japan and do not have significant export sales.

8. Shareholders' Equity

Under the Japanese Commercial Code (the "Code"), at least 50% of the issue price of new shares, with a minimum of the par value, is to be designated as common stock. The portion which is designated as common stock is determined by resolution of the Board of Directors. Proceeds in excess of the amounts designated as common stock are credited to additional paid-in capital.

In conformity therewith, the Company has divided the proceeds from issuance of shares for the exercise of warrants and the principal amount of its bonds converted into common stock, in approximate equal amounts, between common stock and additional paid-in capital. The Company may transfer portions of additional paid-in capital to common stock by resolution of the Board of Directors.

Under the Code, the Company must appropriate as a legal reserve portions of retained earnings in an amount equal to at least 10% of cash payments, including cash dividends and bonuses to directors and corporate auditors, appropriated in each financial period until the reserve equals 25% of common stock. This reserve is not available for cash dividends but may be used to reduce a deficit by resolution of the shareholders or may be transferred to stated capital by resolution of the Board of Directors. Legal reserve included in retained earnings, totaled ¥2,901 million ($27,368 thousand) and ¥2,787 million as of March 31, 2000 and 1999, respectively.

The Company may also transfer a portion of unappropriated retained earnings to stated capital by resolution of the shareholders.

Under the Code, the Company may issue new shares of its common stock to the existing shareholders without consideration pursuant to resolution of the Board of Directors. Such an issuance is accounted for as a stock split. The Company may make such a stock split to the extent that the amount calculated by multiplying the number of issued shares after the stock split by par value per share shall not exceed the stated capital and that the amount calculated by dividing the total amount of shareholders' equity by the number of issued shares after the stock split shall not be less than ¥50.

Under the Code, the amount available for dividends is based on retained earnings as recorded on the Company's books. At March 31, 2000, retained earnings recorded on the Company's books were ¥43,793 million ($413,142 thousand) which is available for future dividends subject to approval of the shareholders and legal reserve requirements.

Semiannual cash dividends are approved by the shareholders after the end of each fiscal year or are declared by the Board of Directors after the end of each first six-month period. Such dividends are payable to shareholders of record at the end of each fiscal or interim six-month period. At the general shareholders meeting held on June 29, 2000, the shareholders approved the following appropriation of retained earnings:

	Millions of Yen	Thousands of U.S. Dollars
Cash dividends of ¥3.50 ($0.03) per share	¥508	$4,792
Transfer to legal reserve	54	509

In accordance with the Code, the appropriations shown above have not been reflected in the consolidated financial statements as of March 31, 2000.

9. Leases

The Company leases certain machinery, computer equipment, office space and other assets.

Total rental expenses under the above leases for the years ended March 31, 2000 and 1999, were ¥361 million ($3,406 thousand) and ¥579 million of lease payments under finance leases, respectively.

Pro forma information of leased property such as obligations under finance leases that do not transfer ownership of leased property to the lessee on an "as if capitalized" basis for the years ended March 31, 2000 and 1999, was as follows:

	Millions of Yen		Thousands of U.S. Dollars
Machinery and Equipment	**2000**	1999	**2000**
Acquisition cost	**¥ 1,957**	¥ 1,812	**$ 18,462**
Accumulated depreciation	**(1,114)**	(1,128)	**(10,509)**
Net leased property	**¥ 843**	¥ 684	**$ 7,953**

Obligations under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2000	1999	**2000**
Due within one year	**¥305**	¥297	**$2,877**
Due after one year	**538**	387	**5,076**
Total	**¥843**	¥684	**$7,953**

The amount of obligations under finance leases includes the imputed interest expense portion.

Depreciation expense, which is not reflected in the accompanying consolidated statement of operations computed by the straight-line method, was ¥361 million ($3,406 thousand) and ¥580 million for the years ended March 31, 2000 and 1999, respectively.

The Company also leases certain machinery, computer equipment, office space and other assets to customers.

Total rental revenue under the above leases for the years ended March 31, 2000 and 1999, was ¥1,593 million ($15,028 thousand) and ¥1,894 million of lease receipts under finance leases, respectively.

Total rental revenue includes interest revenue of ¥210 million ($1,981 thousand) and ¥71 million for the years ended March 31, 2000 and 1999, respectively.

Pro forma information of leased property such as obligations under finance leases that do not transfer ownership of leased property to the lessor on an "as if capitalized" basis for the years ended March 31, 2000 and 1999, was as follows:

	Millions of Yen		Thousands of U.S. Dollars
Machinery and Equipment	**2000**	1999	**2000**
Acquisition cost	**¥ 6,377**	¥ 6,690	**$ 60,160**
Accumulated depreciation	**(3,301)**	(3,421)	**(31,141)**
Net leased property	**¥ 3,076**	¥ 3,269	**$ 29,019**

Obligations under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2000	1999	**2000**
Due within one year	**¥1,240**	¥1,522	**$11,698**
Due after one year	**2,175**	2,547	**20,519**
Total	**¥3,415**	¥4,069	**$32,217**

The imputed interest expense portion which is computed using the interest method is excluded from above obligations under finance leases.

Depreciation expense is ¥1,409 million ($13,292 thousand) and ¥1,274 million for the years ended March 31, 2000 and 1999, respectively.

10. Commitments and Contingent Liabilities

The Company was contingently liable at March 31, 2000, for guarantees of employees' housing loans and associated companies' bank borrowings, totaling ¥948 million ($8,943 thousand) and ¥2,465 million ($23,255 thousand), respectively. The guarantees for the associated companies' bank borrowings include joint guarantees of ¥2,427 million ($22,896 thousand), and the allocation to the Company was ¥613 million ($5,783 thousand).

11. Derivatives

The Company enters into foreign exchange forward contracts to hedge foreign exchange risk associated with certain assets and liabilities denominated in foreign currencies. Forward exchange contracted amounts which are assigned to associated assets and liabilities and are reflected on the balance sheet at year end are not subject to the disclosure of market value information.

The Company enters into currency swap contracts, as a whole, to reduce the purchase price in the foreign currency transactions.

The Company enters into commodity futures to decide the cost corresponding to the selling price which is based on the forward delivery contract.

The Company enters into interest rate swap contracts as a means of managing its interest rate exposure and profit or loss on redemption of bonds.

The Company also enters into agreements for certain derivative financial instruments as a part of their trading activities.

Derivatives are subject to market risk and credit risk. Market risk is the exposure created by potential fluctuations in market conditions, including foreign exchange rate, interest rate, prices of marketable securities and prices of commodities. Because the counterparties to those derivatives are limited to major international financial institutions, the Company does not anticipate any losses arising from credit risk.

Derivative transactions entered into by the Company have been made in accordance with internal policies which regulate limits of positions, and establishment of the opposite position to reduce the risk. Derivative transactions in a loss position that exceeds certain predetermined thresholds will be reversed. The management and execution of these transactions are reviewed by the internal audit department.

The Company had the following derivatives contracts outstanding at March 31, 2000 and 1999:

	Millions of Yen				Thousands of U.S. Dollars	
	2000		1999		**2000**	
	Contract or Notional Amount	Fair Value	Contract or Notional Amount	Fair Value	Contract or Notional Amount	Fair Value
Forward exchange contracts:						
Buying U.S.$	**¥9,201**	**¥9,333**	¥6,977	¥6,982	**$86,802**	**$88,047**
Buying Swiss franc			6	5		
Interest rate swaps:						
Fixed rate receipt floating rate payment			2,000	(141)		
Fixed rate payment floating rate receipt	**500**	**(14)**	2,000	182	**4,717**	**(132)**
Commodity future–						
Buying	**124**	**130**	798	722	**1,170**	**1,226**

The contract or notional amounts of derivatives which are shown in the above table do not represent the amounts exchanged by the parties and do not measure the Company's exposure to credit or market risks.

Deloitte
Touche
Tohmatsu

Tohmatsu & Co.
MS Shibaura Building
13-23, Shibaura 4-chome
Minato-ku, Tokyo 108-8530
Telephone: (03) 3457-7321
Facsimile: (03) 3769-8508

To the Board of Directors and Shareholders of
The Nisshin Oil Mills, Ltd.:

We have examined the consolidated balance sheets of The Nisshin Oil Mills, Ltd. (Nisshin Seiyu Kabushiki Kaisha), a Japanese corporation, and consolidated subsidiaries as of March 31, 2000 and 1999, and the related consolidated statements of operations, shareholders' equity, and cash flows for the years then ended, all expressed in Japanese yen. Our examinations were made in accordance with auditing standards, procedures and practices generally accepted and applied in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements referred to above present fairly the financial position of The Nisshin Oil Mills, Ltd. and consolidated subsidiaries as of March 31, 2000 and 1999, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles and practices generally accepted in Japan applied on a consistent basis.

As described in Note 1, effective April 1, 1999, the consolidated financial statements have been prepared in accordance with new accounting standards for consolidated financial statements.

Our examinations also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 1. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu

June 29, 2000

Corporate Data

Board of Directors and Corporate Auditors

President
Jokei Akitani*

Senior Managing Director
Hiyoshiro Yamada*

Managing Directors
Yoshiyuki Takagi
Minoru Fukuta
Kentaro Kurokawa
Nobutaka Tsuzaki
Kazuo Ogome
Fumio Imokawa

Directors
Toru Yasuda
Tadashi Suzuki
Shigeo Nonoyama
Takao Imamura
Yoshihito Tamura

Corporate Auditors
Yoshinori Horio
Nobuo Kurebayashi
Kazuaki Shimizu
Toshizumi Yoshikawa

* Representative Director
(As of June 29, 2000)

Head Office
23-1, Shinkawa 1-chome,
Chuo-ku, Tokyo 104-8285, Japan
Phone: (03) 3206-5025
Facsimile: (03) 3206-6452
http://www.nisshin-seiyu.co.jp

Branches
Sapporo Branch
Sendai Branch
Kanto-Shinetsu Branch
Tokyo Branch
Nagoya Branch
Osaka Branch
Hiroshima Branch
Fukuoka Branch

Plants
Yokohama Isogo Plant
Sakai Plant

Laboratory
Central Research Laboratory

Date of Establishment
March 7, 1907

Number of Employees
851

Paid-in Capital
¥16,332 million

Number of Shares of Common Stock Authorized
388,350,000 shares

Number of Shares of Common Stock Issued
145,334,287 shares

Number of Shareholders
11,565

Consolidated Subsidiaries
Settsu Oil Mills Co., Ltd.
Nisshin Shoji Co., Ltd.
Nisshin Logistics Co., Ltd.
NSP Co., Ltd.
Kobayashi Pharmaceutical Industrial Co., Ltd.
Marketing Force Japan, Inc.
The Eat-Joy, Inc.
Nisshin Plant Engineering Co., Ltd.
The Golf Joy Co., Ltd.
Nisshin Science Co., Ltd.
Nisshin Business Assist Co., Ltd.
Nisshin Marine Tech Co., Ltd.
Evagros Co., Ltd.
Nisshin Cosmo Foods Co., Ltd.
Fast Cook Co., Ltd.
Dalian Nisshin Oil Mills, Ltd.
Southern Nisshin Bio-Tech Sdn. Bhd.
Nisshin Finance Co., Ltd.

Equity Method Affiliates
Wakou Shokuhin Co., Ltd.
Rinoru Oil Mills Co., Ltd.
Nikko Oil Mills Co., Ltd.
Ten Corporation Co., Ltd.
President Nisshin Corp.
Shanghai Nisshin Oil & Fats, Ltd.
Zhen Jiang Nisshin Seasoning Co., Ltd.
Zhangjiagang President Nisshin Food Corp.

The Nisshin Oil Mills, Ltd.
23-1, Shinkawa 1-chome, Chuo-ku, Tokyo 104-8285, Japan
http://www.nisshin-seiyu.co.jp

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