The Nisshin Oil Mills, Ltd.

Annual Report 2001

For the year ended March 31, 2001

OUR COMMITMENT TO SUCCESS

Nisshin Oil Mills, Ltd. was established in 1907 as the first Japanese company to make edible oils. Today, production centers on edible oils and includes processed foods such as dressings, and processed oils and fats like margarine and shortening. Sales are also derived from a diverse range of products that includes industrial oils and meals for feed and fertilizers. In fiscal 2000, Nisshin Oil retained its clear leadership of Japan's edible oils market.

We are taking the steps required to assure that Nisshin Oil remains a winner in the 21st century through WIN2005, our medium-term management plan. In the edible oils business we will transform our earnings structure to one based on product groups that win customer recognition as high value-added products. We will also promote our fine chemicals business as a second pillar of earnings through the development of new business lines and products. We will also expand our health-related business, which extends across all other product lines.

Contents

A RECIPE FOR SUCCESS — CORPORATE PRECEPTS

- Contribute to social and economic development by maximizing corporate value
- Build an innovative growth business dedicated to the pursuit of "Taste, Health and Beauty"
- Behave as a responsible corporate member of society

As a company highly valued by its customers, shareholders and employees, the Nisshin Oil Group considers contributing to the enhanced happiness of consumers and to social and economic development to be its continuing mission. As it continues to pursue excellence in food products that nourish the body and contribute to well-being, Nisshin Oil Group will also grow and further evolve by creating new value and by contributing to society. As a responsible member of modern society, the Nisshin Oil Group is committed to promoting serious work on environmental issues and fully respect social ethics.

Message from the Management

Long-term management plan, 3D21, reached fruition in March 2001. Looking back over the past decade I am proud to say that we have made considerable progress in all areas. I am convinced that during the period, we have created a corporate culture and put in place systems that will assure the continued growth of the Nisshin Oil Group.

The year under review saw operating income rise 21.9% to 4,417 million, on a sales decline of 0.7% to ¥134,516 million. Sales were affected by demand for edible oils. Expanding sales of value-added products and maintaining prices at reasonable levels combined with rigorous cost-cutting boosted operating income. Net income increased 110.1% to ¥1,641million.

Five-Year Summary

The Nisshin Oil Mills, Ltd. and Consolidated Subsidiaries
Five Years Ended March 31, 2001

	Millions of Yen Except per Share Data					Thousands of U.S. Dollars Except per Share Data
	2001	2000	1999	1998	1997	2001
FOR THE YEAR:						
Net sales	¥134,516	¥135,516	¥140,638	¥152,350	¥142,264	$1,084,806
Net income (loss)	1,641	781	(1,897)	(926)	431	13,234
Per share data (in yen):						
Net income (loss)	¥ 11.30	¥ 5.32	¥ (12.91)	¥ (6.33)	¥ 2.93	$ 0.09
Diluted net income		5.27				
Cash dividends, applicable to the year	7.00	7.00	7.00	8.00	8.00	0.06
AT YEAR END:						
Total assets	¥153,983	¥152,835	¥152,224	¥156,944	¥157,647	$1,241,798
Shareholders' equity	82,804	80,319	81,241	82,592	84,748	667,774

Notes: 1. U.S. dollar amounts represent translations of Japanese yen amounts, for convenience only, at the rate of ¥124 to U.S.$1, the approximate rate of exchange at March 30, 2001.
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 2001 because of the Company's redemption of convertible bonds, in 1999 and 1998 because of the Company's net loss position and in 1997 because the effect was anti-dilutive.
4. Effective from April 1, 2000, a revised accounting standard for currency transactions was applied. Accordingly, foreign currency translation adjustment account, which was recorded in the assets section in prior periods, is shown in the shareholders' equity section from the year ended March 31, 2001. Prior period balance sheets have been restated to conform to current term presentations.

Japan's oils and meals industry is facing strong head winds. Demand for edible oils is weak, price competition is intensifying, and edible oils imports are rising as the import tariff is slashed. On top of this, domestic demand for animal feed has turned down with the decline of the livestock industry, and foreign companies are vying for the market. In this situation, the immediate issue is to strengthen our international competitiveness. What we need to do is step up efforts to enhance our cost competitiveness, dramatically accelerate technological development and build a new business model. In September 1998, we launched the first set of corporate reforms. I am pleased to report that concerted efforts to achieve reform by everyone in the company have allowed us to solve a host of problems. Having said that, I am still not confident that our structural reforms have completely changed the character of the company and believe it would be premature to declare that Nisshin Oil has won a distinct competitive advantage. True structural reforms and bolstering of our corporate culture need to be addressed further. To build on the success of 3D21, we have devised a medium-term management plan, WIN2005, which will be launched in the current fiscal year. This second set of corporate reforms is designed to fundamentally reform our business portfolio and earnings structure.

MEDIUM-TERM MANAGEMENT PLAN WIN2005

A new action plan was drawn up, based on the new medium-term management plan, developed in a top-down fashion. The company-wide action plan for the current fiscal year was developed on this assumption. This plan reflects the collective will of the entire Nisshin Oil Group and our commitment to achieve the objectives we have set for ourselves. Nisshin Oil Group's three main objectives for the next five years are as shown below. We have also defined numeric goals, the business structure that we want to put in place, and ways to achieve the goals we have set for ourselves.

1. A dynamic corporate group with a clear competitive advantage
2. A value-creating corporate group that is highly respected
3. An innovative, vibrant and future-oriented company

ADOPTION OF MANAGEMENT INDICATORS TO MAXIMIZE CORPORATE VALUE

Three important targets are: an ROA* of 6% or higher; an ROE** of 5% or higher; and an interest-bearing debt to operating cash flow ratio of less than 1.5. By focusing on cash flow, efficiency of asset utilization, and optimizing management resource allocation, these targets allow us to aim for maximized corporate value, and to an upgrading of our credit rating, on the basis of the success of our operations, that will, in turn, raise our market capitalization. We expect net income to rise to ¥6 billion on consolidated sales of ¥187 billion in fiscal 2005, the target year of the plan.

* ROA: ordinary income basis ** ROE: net income basis

BUSINESS PORTFOLIO TO BE PUT IN PLACE BY FISCAL 2005

The Nisshin Oil Group has identified three business lines—oils and meals, fine chemicals and health-related products—as core businesses. Our primary focus will be on adding value in three areas: taste, health and beauty. In our group management, we shall strive to promote cooperation and shared values among group firms. On the basis of these principals, we will strive to build an oils and meals business befitting the 21st century, to expand our fine chemicals business and to lay firm foundations for a health-related business. Reorganizing the roles that individual firms play in the group is also an important goal. We have divided subsidiary businesses into two types: businesses that complement our core businesses and businesses that need to become completely independent.

STAGES 1 AND 2

Stage 1 will continue through the second year of the plan. The remaining three years will represent Stage 2. The plan period has been split into two parts in order to avoid unwanted rigidity. A continually changing business environment demands a flexible approach, and our two-stage approach will also allow us to set vectors for group firms and position them as required within the group. In Stage 1, our focus will be on achieving concrete solutions to immediate issues and delivering results. This period will also be a time of preparation for the launch of Stage 2. In this second phase, we will fine-tune final targets and implement

Jokei Akitani President

strategies toward fulfillment of the goals defined in the plan. I will not go into the details of the concrete initiatives in each of our core business lines since they are described in full elsewhere in the annual report.

CONSOLIDATED BUSINESS MANAGEMENT LEVERAGED BY OUR COLLECTIVE STRENGTH

Efficient consolidated business management is essential. In this connection, we will first identify the functions and roles of each group company and redefine them in terms of cost centers and profit centers. Of course, each group company operates as an independent entity, and their winning of recognition for their corporate and social value will be the prerequisite.

TO WIN CONSISTENTLY IN THE 21ST CENTURY

The next five years will be much more difficult than anything we have experienced so far, and greater speed and proactive responsiveness are essential if we are to achieve the objectives set forth in WIN2005. I have no doubt we will see difficult battles. We cannot, however, refrain from meeting the challenge if we want to be a consistent winner in the 21st century. We are committed to redoubling our efforts to assure that the plan succeeds.

I would like to ask all our shareholders for their understanding and support as we strive to move forward.

September 2001

J. Akitani

Jokei Akitani
President

Commitment No. 1

Building an Oils and Meals Business Appropriate for the 21st Century

STRENGTHENING OUR INTERNATIONAL COMPETITIVE POSITION

The oils and meals business is witnessing structural changes as competition intensifies on a global scale. The oils and meals business is destined to be vulnerable to market fluctuations, but cost reductions and development of value-added products will allow Nisshin Oil to become relatively immune to market volatility. We are committed to achieving the cost competitiveness and earnings structure necessary to take on domestic and international competition, even after the abolition of import tariffs, by fiscal 2005. Worldwide we are strengthening and expanding a two-pillared operating structure consisting of crushing and refining systems. As part of this, we will implement a scrap and build program for our facilities in Western Japan; a move allowing us to tap economies of scale. We shall pursue the efficiencies and economies of scale offered by winning a clear and dominant share of the home-use market for standard edible oils and by

raising our presence in the commercial-use market. These measures will strengthen our competitive position.

CHANGING THE FOCUS OF THE EARNINGS STRUCTURE TOWARD HIGH VALUE-ADDED PRODUCTS

Nisshin's healthy oils, including the *Balance Oil Series*, and oils with a high degree of functionality, hold excellent growth potential in consumer and commercial-use markets. Consumers are showing greater awareness of the functionality and ingredients of edible oils, and we intend to respond by shifting focus from a basic industry-type profit structure centered on soybeans and rapeseed to a concept that focuses on taste, health and beauty. This strategy entails the development and supply of value-added products that match evolving needs, with the goal of creating a group of products recognized by consumers for the new value they offer. Building a powerful R&D organization, an efficient raw materials procurement system and effective production and marketing systems will allow us to achieve this. We also expect these initiatives to make us No. 1 in the industry and to position us to form alliances with leading global firms to expand into food products processed to a higher level.

MARKETING PROGRAM BASED ON DIFFERENTIATION AND COMPETITIVE STRENGTHS

Amid major changes in the distribution system and the appearance of new distribution channels, the edible oils market is positively and rapidly splitting into two sectors: a low-end market and a value-added market. To win in this changing environment and maintain our position as the leading manufacturer of edible oils, Nisshin Oil is charting a new policy based on differentiation and comparative advantage. The goal is to transform Nisshin Oil Group into a fighting force through a marketing program underpinned by comparative advantage and the ability to create value and combine it with strategic initiatives and actions that will allow us to eclipse the competition.

SALES OF ¥7 BILLION IN EXISTING PRODUCT LINES

The three main lines in our fine chemicals business are cosmetic ingredients, chemical products, and food seasonings and additives. Here we will be focusing on applied technology businesses that allow us to effectively leverage the refining and synthesizing know-how we have developed in our oils and meals business. Our plan envisions sales of functional and high value-added cosmetic ingredients to Japanese and overseas cosmetics manufacturers and manufacturing cosmetics under OEM contracts. In Japan and overseas we also actively market oils with superior functionalities, such as middle chain fatty acid oils, food additives, including natural vitamin E and lecithin, and chemical raw materials such as functional waxes used in IT devices. Sales in this area should top ¥7 billion in fiscal 2005. We do not see ourselves simply as a supplier of general-purpose materials but as a group driven by natural and synthetic products and mixing

Commitment No. 2

Substantially Expanding the Fine Chemicals Business

technologies for cosmetics. In this area, the market-in principle will be the driving force, and we will work with our customers from the R&D stage on, as their partner in product development. The focus will be on strengthening our presence as a cosmetics OEM supplier and expanding sales of functional raw materials, waxes, compound pharmaceuticals, and active ingredients of seeds.

NEW BUSINESSES AND PRODUCTS TO CONTRIBUTE ¥3 BILLION TO SALES

In new business and product development, we have clearly defined action plans for Stage 1 and Stage 2. Stage 1 will be the preparatory period during which we will focus on marketing programs designed to measure our resources against market needs. This will allow us to identify growth areas and focus on marketing backed by technology surveys. Once this is done, development themes will be selected and projects to promote product and customer development will commence in fiscal 2002 and run through fiscal 2003. Marketing will start in fiscal 2004 and we expect sales to reach ¥3 billion in fiscal 2005.

ESTABLISHING AN INTEGRATED R&D, PRODUCTION AND MARKETING SYSTEM

If fine chemicals are to grow to become our second core business, we have to develop a system capable of continuous new product launches. An action plan based on our medium- to long-term R&D program will be drawn up against the backdrop of the value we see in the technologies and products on which we intend to focus. In order to build an in-house venture type of organization we will consolidate development, production and marketing functions into a flexible and responsive integrated system at our Yokohama Isogo plant by the end of fiscal 2001.

Commitment No. 3

Establishing and Nurturing the Health-Related Business

AN ACROSS THE BOARD CONCEPT THAT APPLIES TO ALL OUR BUSINESSES

We have remained true to our goal of developing flavorful and healthy food products. We were also early in recognizing the therapeutic and before-care aspects of food product development. Therapeutic foods include *Renacare Series* for patients suffering from kidney ailments and *Toromi Up A* for patients who have difficulty in swallowing. We also market nutrition supplements and liquid foods, and offer about 100 items in this category. In December 2000, we launched a green tea containing vegetable fiber (*Shokujino Otomoni Shokumotsu Seni Iri Ryokucha*), the first of the group's products to win authorization as food for specified health uses. The medium-term management plan, WIN2005 aims at dismantling the present vertically compartmentalized product development system into an across-the-board system. We plan to integrate the Group's R&D know-how, marketing capabilities in foods, oils and fats and medical tech-

nologies, in order to pursue taste, health and beauty through the products we offer. Our business plans envision health-related business sales of ¥15 billion in fiscal 2005.

IDENTIFICATION OF AREAS WHERE WE NEED TO STRENGTHEN OUR PRESENCE AND OF NEW BUSINESS AREAS

Here we will focus on food items for preventing lifestyle-related ailments such as obesity and high hyperlipemia (triglyceride and cholesterol-related diseases). We are also exploring the possibility of entering new markets such as those for diabetes and hypertension. These markets are not only large but also pack excellent growth potential. On the marketing front, we will diversify marketing channels from the present hospital channels to conventional marketing channels, such as mail order, mass-marketing and drug stores.

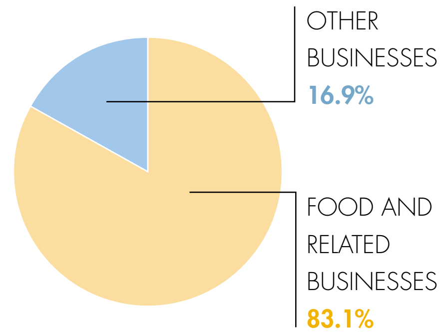
TOWARD ESTABLISHMENT OF STRATEGIC BUSINESSES

We view Stage 1, through fiscal 2002, as a period of launching and fostering new products. We plan to launch and foster products that control blood sugar levels and products based on middle chain fatty acids. In July 2001 we will launch food products to minimize the problems women face with pre-menstrual stress, and launch and promote food products for patients suffering from certain allergies. During this period, we will also develop new marketing channels and step up publicity to win social recognition for Nisshin Oil Group's deep commitment to our strategic focus.

Stage 2 is our growth stage, the time when we will concentrate on expanding our total business by launching major new products that will win recognition and become new pillars of profit in the markets we have created. At this stage we will be recovering investment made during the incubation and growth phases and moving toward our sales targets.

Operational Review

NET SALES



FOOD AND RELATED BUSINESSES

RESULTS AND OUTLOOK

We added *Nisshin Balance Oil Choleste*, a new brand of healthy oil for people concerned with high levels of cholesterol in food, to our range of three healthy oils in the *Nisshin Balance Oil Series*. Sales of the *Balance Oil Series* experienced robust growth and those of *Nisshin Canola Oil* and *Bosco Olive Oil* were also good. As a result, aggregate sales of high value-added oils grew favorably. Demand for gift packages of assorted items was affected as the gift market as a whole shrank. However, sales of our gift packages were relatively less affected as we introduced *Nisshin Balance Oil Set* and other items in a bid to stimulate new demand. We launched three new dressings, including *Nisshin Dressing Diet* made from *Balance Oil Diet*. Sales grew faster than expected. On the other hand sales of standard edible oils, affected by declining prices and volumes, were lower.

Tie-ups with mass-merchandisers and proposal-type marketing in the food service sector boosted sales of commercial-use oils, particularly of functional oils like *Nisshin Canola Oil* and *Royal Dish*. Shipments of processed oils and fats for use in margarine were lower as demand from the food sector cooled down. Shipments of industrial oils fell due mainly to a drop in demand for flaxseed oil used in inks and paints. Prices were affected by lower international prices and a preference for low-priced oils.

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Demand for domestic soybean meal was strong as the price differential with imported soybean meal narrowed. This helped us to increase shipments. Aggregate sales also increased as domestic prices went up in tandem with international prices. Although shipments of rapeseed meal declined, prices rose, along with prices of soybean meal, which offset the shortfall. As a result, sales revenues were higher. Affected by quality problems with the 1999 crop in the U.S. and imports of cheap soybeans, shipments and sales of soybeans for processed foods were lower. Overseas food and related businesses were favorable as they moved into the black. Operating income rose ¥737 million to ¥3,949 million although segment sales declined ¥2,123 million to ¥111,732 million.

TOPICS

(1) We are conscientious about the fatty acid balance in our *Balance Oil Series*, where the quality and quantity of fats is an important consideration. We developed oils that are fortified with vitamin E and rich in middle chain fatty acids that can be easily converted into energy. In March 2001, we launched *Choleste*, based on phytosterols, designed to help control cholesterol intake in the diet. The consumer market for healthy oils had grown into a ¥10 billion market by 2000.
(2) In the commercial-use edible oils markets, demand for healthy oils continues to be strong. *Nisshin Balance Oil* is in demand at confectionery manufacturers and as portion-type

EDIBLE OILS AND OTHER FOOD PRODUCTS FOR HOME-USE

MAJOR PRODUCTS

1 *Salad Oil*
2 *Nisshin Balance Oil Choleste*
3 *Nisshin Light Oil*
4 *Bosco Olive Oil*
5 *Nisshin Junsei Goma-Abura (sesame oil)*
6 *Bosco Olive Dressing*
7 *Nisshin Dressing Diet*
8 *Nisshin Mayodore (mayonaise-type seasoning)*
9 *Nisshin Honkaku Gara Soup (Chinese-style chicken buillon)*
10 *Shokujino Otomoni Shokumotsu Seni Iri Ryokucha (green tea containing vegetable fiber)*

COMMERCIAL-USE FOOD PRODUCTS, AND OTHERS

MAJOR PRODUCTS

11 *Nisshin Canola Oil*
12 *Nisshin Pro Light Oil*
13 *Nisshin Canola Margarine*
14 Flaxseed Oil
15 Soybeans
16 *Super Sebirian Blue*
17 Food additives (tocopherol, lecithin), IT-related materials (ester for industrial applications)
18 Gardening-use fertilizers
19 Pharmaceuticals (antiarrhythmic drugs, viral chemical treatments, cardioplegic drugs)

dressings for salads. Sales of the *Nisshin Balance Oil Series* are growing steadily in commercial-use markets. In addition, there is a strong need for functional oils, such as those that assure crispy fries and are nearly odor free. We are also introducing new designs of easy-to-handle containers. Nisshin Oil plans to introduce functional oils for a broader range of applications. Sales of *Royal Dish*, which assures tasty fries and confectioneries, *Nisshin Pro Light Oil*, made from selected ingredients to assure nearly odor-free frying, and of *Nisshin Sunflower Oil* were all higher.

(3) Nisshin Science Co., Ltd. manufactures and markets medical foods and nutritional supplements. In the fiscal year under review, the company launched green tea containing vegetable fiber that slows down the absorption of sugar found in foods. The tea has been approved by the Ministry of Health, Labor and Welfare as a designated health food and is sold through direct mail, drug stores and mass-merchandisers. Plans call for launching in fiscal 2001 new food items designed specifically for pre-menstrual stress.


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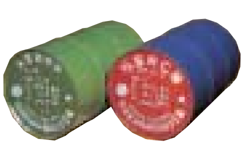
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OTHER BUSINESSES

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RESULTS AND OUTLOOK

Fine chemicals results were favorable, led by brisk exports of bulk cosmetics to the U.S. and Europe and strong domestic demand. Sales surpassed those of the previous year. Earnings showed steady growth in distribution, software development and fitness clubs. We took a series of initiatives to put our leasing business on a sound footing. These included a switch to the straight-line method of depreciation over the period of leases and removal of certain lease assets. As a result, earnings in the lease business suffered serious temporary setbacks. Our pharmaceuticals business is in the midst of restructuring, with the first phase now completed, and business results were sluggish. Horticultural business sales declined as the gardening boom passed and overall personal consumption slowed down. We closed down our restaurants operations, dissolving Eat Joy, Inc., our restaurants subsidiary. As a result, segment sales rose ¥1,123 million to ¥22,784 million. Operating income rose ¥5 million from the previous fiscal year to ¥499 million, due in part to the cost measures we implemented to restore our leasing business to a sound footing.

TOPICS

In fine chemicals, we manufacture and market raw materials for cosmetics, industrial products, pharmaceuticals, and foods. Our functional raw materials are marketed not only in Japan but also exported to cosmetics and toiletries manufacturers in the U.S., Europe and Asia. In the year under review, domestic demand was strong and exports to the U. S. and European cosmetics manufacturers rose. Sales of middle chain fatty acid oils for use in liquid foods and pharmaceuticals were higher. Sales of chemical materials to IT-related industries also rose.

Environmental Preservation

Nisshin Oil has taken several major initiatives toward achieving the ideal set forth in our 1993 Environmental Charter. We are making concerted efforts throughout the company to reduce environmental loads. The September 2000 success of our Yokohama Isogo Plant in achieving ISO14001 certification, the international standard for environmental management systems, is testimony to the success of our initiatives on the environmental front. In line with our commitment to continuing disclosure, we released our "Environmental Report 2001" this year.

ENVIRONMENTAL PRESERVATION MEASURES BY DIVISION

PRODUCTION DIVISION

- Energy efficiency (change the fuel used in large-scale boilers, introduction of a gas cogeneration system and fuel cells)
- Reductions in environmentally hazardous chemicals (SOx, NOx, phosphorous)
- Recycling of waste water and sludge as compost

DISTRIBUTION DIVISION

- Promote joint transportation
- Promote a modal shift

MATERIALS AND PRODUCT DEVELOPMENT DIVISION

- Reduce the weight and size of packaging material
- Commence sales of recyclable gardening soil

MANAGEMENT DIVISION

- Collection of paper by type, pursuit of paperless operations

NISSHIN GROUP'S ENVIRONMENTAL TARGETS

The Nisshin Group has set itself the following environmental targets for fiscal 2001:

1. Reduce energy consumption (CO_2 equivalent) by 6% by 2005, against 1990 levels.
2. Reduce to zero the production waste that is disposed of in landfills by 2010.

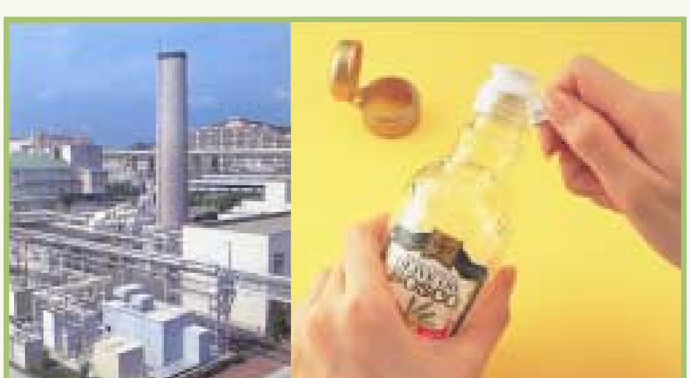
ENVIRONMENTAL PRESERVATION-RELATED INVESTMENTS

In the early nineties, Nisshin Oil stepped up investment in environmental preservation, as we shifted the focus of attention of our environmental preservation activities from preventing pollution to preventing global warming. Aggregate investment in environmental preservation since 1979 totals approximately ¥6 billion.

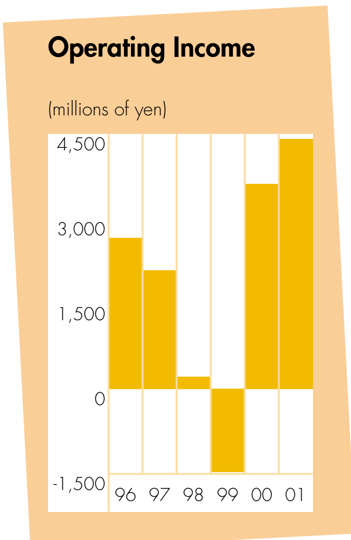
ENVIRONMENTAL ACCOUNTING

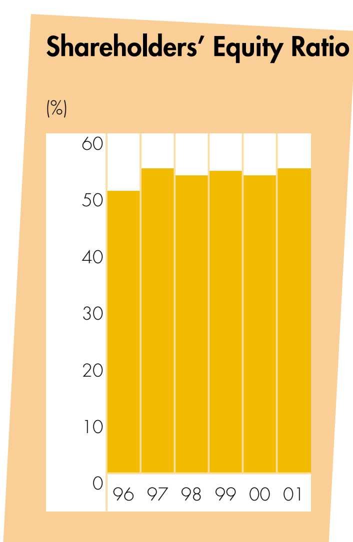
Management introduced environmental accounting, since it recognizes the value of quantitative measurement of the results of environmental preservation measures. Environmental preservation costs at Nisshin Oil totaled ¥1,200 million (US$10 million)

Nisshin Oil Group, building on experience gained so far, will continue to take environmental preservation initiatives in all corporate activities, including product development.



Financial Review





FINANCIAL REVIEW

The Nisshin Oil Mills, Ltd. group consists of Nisshin Oil and 19 consolidated subsidiaries, 3 non-consolidated subsidiaries and 11 affiliates. While none of the non-consolidated subsidiaries are accounted for by the equity method, it is applied to 8 of the affiliates. The group's business results are divided into two segments: Food and Related Businesses and Other Businesses.

CONSOLIDATED RESULTS

Operating Environment

The Japanese economy in the year under review appeared to be moving toward a gradual recovery, led by increased capital investment and improved corporate earnings. However, the economy started to show signs of peaking, especially in the export sector, as signs of a slow-down started to appear in the U.S. economy, the global economic driver. As a consequence, there was a pronounced deterioration of business confidence. Coupled with continued weakness in consumer spending and deflationary pressure that shows no signs of easing, this caused growing uncertainty over the economy.

Net Sales

Affected by the severe business environment, consolidated sales fell ¥1,000 million, or 0.7% from the previous fiscal year, to ¥134,516 million (US$1,085 million).

Cost of Sales and Gross Profit

The cost of sales declined ¥2,589 million, or 2.6% from the previous fiscal year, to ¥96,629 million (US$779 million). The decline is mainly attributed to lower international prices for raw materials. As a result, gross profit on sales increased ¥1,589 million, or 4.4%, to ¥37,887 million (US$306 million).

Operating Income

Operating income rose ¥793 million, or 21.9% from the previous fiscal year's ¥3,624 million, to ¥4,417 million (US$36 million).

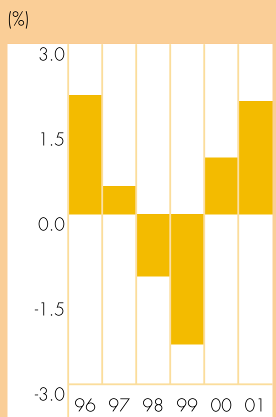
Other Income (Expense)

Interest and dividend income declined 3.8% to ¥397 million (US$3 million). Interest expenses rose 3.7% to ¥708 million (US$6 million).

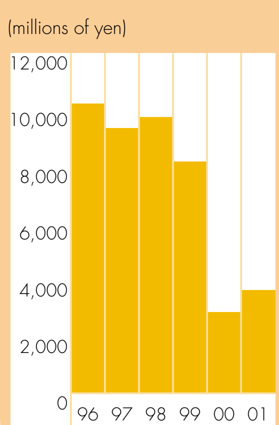
Net Income

Effective from the current term, we have initiated several changes in accounting practices. First, impairment accounting was applied to value investment securities. Second, we introduced an employee retirement benefit accounting system. The differences arising from the application of these new accounting standards were amortized as a lump sum in the period under review. Net income increased 110.1% from the previous fiscal year to ¥1,641 million (US$13 million), due in part to gains on establishment of a retirement benefit trust. As a result, net income per common share rose from ¥5.32 to ¥11.30 (US$0.09).

Return on Average Equity



Capital Expenditure



SEGMENT INFORMATION

Food and Related Businesses

The main products are edible oils, seasonings, fat and processed products, meal, grain and other food products. Together they represent 83.1% of total sales.

In edible oils, sales of healthy oils including Nisshin Balance Oil were favorable while sales of high value-added premium oils, including canola oil and olive oil, increased. Weak markets brought down sales of standard edible oils. However, sales of dressings were up, helped in part by new product introductions. In commercial-use edible oils, sales of value-added products rose but sales of processed oils and fats and industrial-use fats were lower.

Domestic demand for soybean meal was strong. Helped also by rising international prices, both the volume and value of soybean meal sales rose in the period under review. Rapeseed meal sales were also higher, despite lower shipments, as higher prices offset a volume decline. Sales of soybeans for consumption were lower.

Segment sales fell 1.9% to ¥111,732 million (US$901 million). Operating income rose 22.9% to ¥3,949 million (US$32 million)

Other Businesses

Other businesses largely consists of cosmetics, chemical products, and toiletries-related products, real estate leasing, management and mediation services, pharmaceuticals, packaging services, customs-related business, warehousing, restaurant management, sports facility management, sales promotions, leasing, engineering, accident and liability insurance and computing-related services. Other businesses accounted for 16.9% of total sales.

Sales from fine chemicals, logistics, software development and fitness clubs were higher. On the other hand, the leasing business suffered a marked setback in profit due to a loss on the removal of certain leased assets. Pharmaceutical and horticultural business related sales were also lower. The subsidiary managing restaurants was liquidated.

Segment sales rose 5.2% from the previous fiscal year to ¥22,784 million (US$184 million). However, operating income rose only 1.0% from the previous fiscal year to ¥499 million (US$4 million), in part due to the cost of measures to restore the leasing business to a sound footing.

FINANCIAL POSITION

Total Assets

Total assets as of March 31, 2001 were ¥153,983 million (US$1,242 million), an increase of 0.8% from the previous fiscal year end.

Current Assets

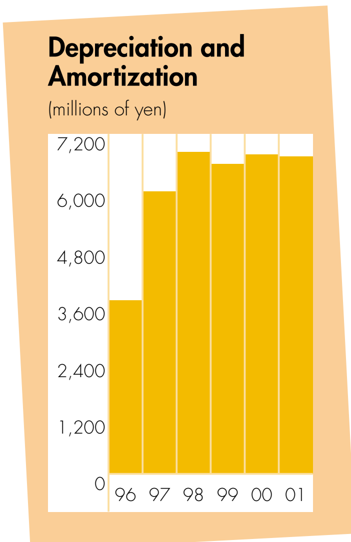
Effective from the current fiscal year we applied revised accounting standards for financial products, which required a review of our current securities holdings. As a result, we reclassified securities with maturities of longer than a year from the securities to the investment securities accounts, and as a consequence securities declined 55.7% to ¥2,370 million (US$19 million). Notes and accounts receivable-trade rose 10.2% from the previous fiscal year to ¥26,024 (US$210 million), mainly because the balance sheet date was a bank holiday. As a result, current assets declined 2.2% from the previous fiscal year to ¥72,719 million (US$586 million).

Property, Plant and Equipment

Machinery and equipment and autos and trucks declined 12.1% from the previous fiscal year to ¥15,135 million (US$122 million), due mainly to depreciation. As a result, tangible fixed assets fell 2.0% from the previous fiscal year to ¥56,833 million (US$458 million).

Current Liabilities

Current liabilities fell 18.9% to ¥43,905 (US$354 million), due mainly to conversion of convertible bonds. As a result, convertible bonds due within one year (¥15,987 million in the previous term) were removed from the balance sheet.



Long-term Liabilities

Long-term debt rose to ¥21,571 million (US$174 million), in consequence of a ¥10 billion straight bond issue. Long-term liabilities rose 57.9% to ¥25,095 million (US$202 million).

Shareholders' Equity

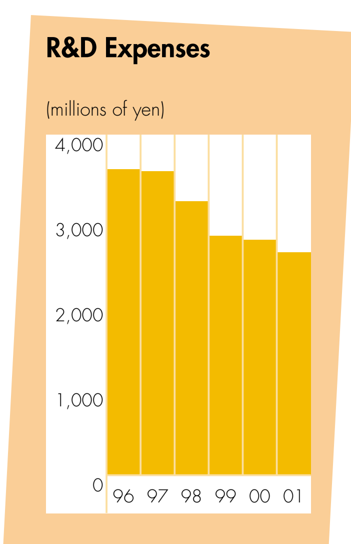
Shareholders' equity rose 3.1% to ¥82,804 million (US$668 million), primarily as a result of capitalization of ¥1,811 million (US$15 million) in unrealized gains on available-for-sale securities. This saw the shareholders' equity ratio increase by 1.2 percentage points to 53.8%. Shareholders' equity per share increased ¥22.67, or 4.1%, from the previous term, to ¥570.21 (US$4.60).

Capital Expenditure

Total capital expenditure increased 27.3% from the previous fiscal year to ¥3,640 million (US$29 million). The main items were acquisition of tangible fixed assets, including investments to streamline production and distribution facilities at the Yokohama Isogo plant.

Cash Flows

Cash and cash equivalents at fiscal year end declined ¥386 million (US$3 million) from the previous fiscal year. Cash flow from operating activities was ¥14,340 million (US$116 million). On the other hand net cash used in investment activities totaled ¥5,781 million (US$47 million). The principal use of cash in financing activities was the ¥9,069 million (US$73 million) redemption of our 3rd unsecured convertible bond issue.



Cash Flow from Operating Activities

The principal sources of cash from operating activities were ¥3,163 million (US$26 million) in net income before income taxes, up ¥974 million from the previous fiscal year, and ¥6,720 million (US$54 million) in depreciation. The main use of cash in operating activities was a ¥3,395 (US$27 million) increase in accounts payable-trade. As a result net cash from operating activities increased ¥4,407 million to ¥14,340 million (US$116 million).

Cash Flow from Investment Activities

Net cash used in investment activities increased ¥1,497 million to ¥5,781 million (US$47 million). The principal use of cash in investment activities was ¥4,706 million (US$38 million) largely directed to the acquisition of tangible fixed assets, including investments for streamlining and rationalization of production and distribution facilities.

Cash Flow from Financing Activities

The principal use of cash in financing activities was the ¥15,987 million (US$129 million) redemption of our 3rd unsecured convertible bond. The principal activity contributing to cash flow from financing activities was ¥9,927 million (US$80 million) from the 1st and 2nd unsecured straight bond issues in July to finance redemption of the 3rd unsecured convertible bond. Together with other items, cash flow from financing activities declined ¥8,930 million from the previous fiscal year to ¥9,069 million (US$73 million).

Consolidated Balance Sheets

The Nisshin Oil Mills, Ltd. and Consolidated Subsidiaries
March 31, 2001 and 2000

	Millions of Yen		Thousands of U.S. Dollars (Note 1.a)
ASSETS	**2001**	2000	**2001**
CURRENT ASSETS:			
Cash and cash equivalents	**¥ 25,332**	¥ 25,624	**$ 204,290**
Time deposits	**258**	328	**2,081**
Marketable securities (Note 2)	**2,370**	5,352	**19,113**
Receivables:			
Trade notes (Note 3)	**2,762**	2,875	**22,274**
Trade accounts (Note 6)	**23,262**	20,750	**187,597**
Allowance for doubtful receivables	**(311)**	(289)	**(2,508)**
Inventories:			
Finished goods	**7,369**	9,851	**59,427**
Raw materials	**7,837**	6,511	**63,201**
Deferred tax assets (Note 5)	**946**	1,137	**7,629**
Prepaid expenses and other	**2,894**	2,216	**23,339**
Total current assets	**72,719**	74,355	**586,443**
PROPERTY, PLANT AND EQUIPMENT (Note 4):			
Land	**16,666**	15,921	**134,403**
Buildings and structures	**45,785**	43,822	**369,234**
Machinery and equipment	**53,049**	53,498	**427,815**
Construction in progress	**517**	110	**4,169**
Total	**116,017**	113,351	**935,621**
Accumulated depreciation	**(59,184)**	(55,349)	**(477,290)**
Net property, plant and equipment	**56,833**	58,002	**458,331**
INVESTMENTS AND OTHER ASSETS:			
Investments in securities (Note 2)	**12,481**	7,738	**100,653**
Investments in and advances to unconsolidated subsidiaries and associated companies	**7,444**	7,070	**60,032**
Goodwill	**278**	314	**2,242**
Other assets	**4,228**	5,356	**34,097**
Total investments and other assets	**24,431**	20,478	**197,024**
TOTAL	**¥153,983**	¥152,835	**$1,241,798**

See notes to consolidated financial statements.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of Yen 2001	Millions of Yen 2000	Thousands of U.S. Dollars (Note 1.a) 2001
CURRENT LIABILITIES:			
Short-term bank loans (Note 4)	¥ 10,860	¥ 13,572	$ 87,581
Current portion of long-term debt (Note 4)	1,932	16,718	15,581
Payables:			
Trade notes (Note 3)	1,628	1,205	13,129
Trade accounts (Note 6)	20,427	15,223	164,734
Income taxes payable	935	114	7,540
Accrued expenses	5,623	3,909	45,347
Other	2,500	3,425	20,161
Total current liabilities	43,905	54,166	354,073
LONG-TERM LIABILITIES:			
Long-term debt (Note 4)	21,571	11,173	173,960
Liability for retirement benefits (Note 9)	2,449	4,266	19,750
Other	1,075	450	8,669
Total long-term liabilities	25,095	15,889	202,379
MINORITY INTERESTS	2,179	2,461	17,572
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 11, 12 and 13)			
SHAREHOLDERS' EQUITY (Note 10):			
Common stock, ¥50 par value—authorized, 388,350,000 shares; issued and outstanding, 145,334,287 shares in 2001 and 145,334,287 shares in 2000	16,332	16,332	131,710
Additional paid-in capital	14,906	14,906	120,210
Retained earnings	49,789	49,193	401,524
Unrealized gains on available-for-sale securities	1,811		14,605
Translation adjustment	26	(51)	209
Total	82,864	80,380	668,258
Treasury stock—at cost		(1)	
Parent company's stocks owned by its subsidiary—at cost	(60)	(60)	(484)
Total shareholders' equity	82,804	80,319	667,774
TOTAL	¥153,983	¥152,835	$1,241,798

Consolidated Statements of Operations

The Nisshin Oil Mills, Ltd. and Consolidated Subsidiaries
Years Ended March 31, 2001 and 2000

	Millions of Yen		Thousands of U.S. Dollars (Note 1.a)
	2001	2000	**2001**
NET SALES (Note 6)	**¥134,516**	¥135,516	**$1,084,806**
COST OF SALES (Note 6)	**96,629**	99,218	**779,266**
Gross profit	**37,887**	36,298	**305,540**
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 7)	**33,470**	32,674	**269,919**
Operating income	**4,417**	3,624	**35,621**
OTHER INCOME (EXPENSES):			
Interest and dividends income	**397**	413	**3,202**
Interest expense	**(708)**	(683)	**(5,710)**
Gain on sales of marketable securities—net		89	
Loss on devaluation of marketable securities		(180)	
Loss on devaluation of investment securities	**(356)**		**(2,871)**
Gain on securities transferred to the retirement benefit trust fund	**3,262**		**26,306**
Loss on disposition of property, plant and equipment	**(636)**	(702)	**(5,129)**
Foreign exchange gain (loss)	**303**	(312)	**2,443**
Charge for full amount of transitional obligations for retirement benefits	**(3,423)**		**(27,605)**
Loss on devaluation of club membership	**(113)**		**(911)**
Special retirement expense		(509)	
Gain on subsidiary stock issuance		359	
Equity in earnings of associated companies	**340**	531	**2,742**
Other—net	**(320)**	(441)	**(2,580)**
Other expenses—net	**(1,254)**	(1,435)	**(10,113)**
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	**3,163**	2,189	**25,508**
INCOME TAXES (Note 5):			
Current	**1,426**	320	**11,500**
Deferred	**436**	1,205	**3,516**
Total	**1,862**	1,525	**15,016**
MINORITY INTERESTS IN NET LOSS	**(340)**	(117)	**(2,742)**
NET INCOME	**¥ 1,641**	¥ 781	**$ 13,234**

	Yen		U.S. Dollars
PER SHARE OF COMMON STOCK (Note 1.o):			
Net income	**¥11.30**	¥5.32	**$0.09**
Diluted net income		5.27	
Cash dividends applicable to the year	**7.00**	7.00	**0.06**

See notes to consolidated financial statements.

Consolidated Statements of Shareholders' Equity

The Nisshin Oil Mills, Ltd. and Consolidated Subsidiaries
Years Ended March 31, 2001 and 2000

	Thousands	Millions of Yen					
	Outstanding Number of Shares of Common Stock	Common Stock	Additional Paid-in Capital	Retained Earnings	Unrealized Gain on Available-for-sale Securities	Foreign Currency Translation Adjustments	Treasury Stock
BALANCE, APRIL 1, 1999	146,984	¥16,332	¥14,906	¥50,003		¥(81)	
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)			
Foreign currency translation adjustments						30	
Treasury stock acquired—net							¥ (1)
Parent company's stocks owned by newly consolidated subsidiaries							(60)
BALANCE, MARCH 31, 2000	145,334	16,332	14,906	49,193		(51)	(61)
Adjustment of retained earnings for newly consolidated subsidiaries				4			
Net income				1,641			
Cash dividends, ¥7.00 per share				(1,017)			
Bonuses to directors				(32)			
Unrealized gain on available-for-sale securities—net					¥1,811		
Foreign currency translation adjustments						77	
Treasury stock acquired—net							1
BALANCE, MARCH 31, 2001	**145,334**	**¥ 16,332**	**¥ 14,906**	**¥ 49,789**	**¥ 1,811**	**¥ 26**	**¥(60)**

	Thousands of U.S. Dollars (Note 1.a)					
	Common Stock	Additional Paid-in Capital	Retained Earnings	Unrealized Gain on Available-for-sale Securities	Foreign Currency Translation Adjustments	Treasury Stock
BALANCE, MARCH 31, 2000	$131,710	$120,210	$396,718		$(411)	$(492)
Adjustment of retained earnings for newly consolidated subsidiaries			32			
Net income			13,234			
Cash dividends, $0.06 per share			(8,202)			
Bonuses to directors			(258)			
Unrealized gain on available-for-sale securities—net				$14,605		
Foreign currency translation adjustments					620	
Treasury stock acquired—net						8
BALANCE, MARCH 31, 2001	**$ 131,710**	**$ 120,210**	**$ 401,524**	**$ 14,605**	**$ 209**	**$ (484)**

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

The Nisshin Oil Mills, Ltd. and Consolidated Subsidiaries
Years Ended March 31, 2001 and 2000

	Millions of Yen		Thousands of U.S. Dollars (Note 1.a)
	2001	2000	**2001**
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	**¥ 3,163**	¥ 2,189	**$ 25,508**
Adjustments for:			
Income taxes—paid	**(424)**	(557)	**(3,419)**
Depreciation and amortization	**6,720**	6,763	**54,193**
Earnings of associated companies	**(340)**	(531)	**(2,742)**
Gain on subsidiaries stock issuance		(359)	
Loss on devaluation of marketable securities		180	
Gain on sales of marketable securities—net		(89)	
Loss on disposition of property, plant and equipment	**611**	702	**4,927**
Gain on securities transferred to the retirement benefit trust fund	**(3,262)**		**(26,306)**
Provision for severance payments	**4,878**		**39,339**
Changes in assets and liabilities, net of effects of newly consolidated subsidiaries:			
(Increase) decrease in trade receivables	**(2,389)**	3,973	**(19,266)**
Decrease in inventories	**1,267**	817	**10,218**
Increase (decrease) in trade payables	**3,395**	(2,176)	**27,379**
Decrease in liability for severance payment	**(1,658)**		**(13,371)**
Other—net	**2,379**	(979)	**19,185**
Total adjustments	**11,177**	7,744	**90,137**
Net cash provided by operating activities	**14,340**	9,933	**115,645**
INVESTING ACTIVITIES:			
Proceeds from sale of investment securities	**1,130**	91	**9,113**
Purchases of investments securities	**(2,211)**	(198)	**(17,830)**
Proceeds from sale of property, plant and equipment	**189**	428	**1,524**
Purchases of property, plant and equipment	**(4,706)**	(4,196)	**(37,952)**
Proceeds from sales of marketable securities—net	**254**	52	**2,048**
Payment for purchase of consolidated subsidiaries, net of cash acquired	**(154)**		**(1,242)**
Increase in other assets	**(283)**	(462)	**(2,282)**
Net cash used in investing activities	**(5,781)**	(4,285)	**(46,621)**
	¥ 8,559	¥ 5,648	**$ 69,024**
FINANCING ACTIVITIES:			
(Decrease) increase in short-term bank loans—net	**(3,515)**	581	**(28,347)**
Proceeds from long-term debt	**2,880**	3,250	**23,226**
Repayments of long-term debt	**(1,331)**	(2,709)	**(10,734)**
Acquisition and cancellation of treasury stock		(483)	
Dividends paid	**(1,017)**	(1,029)	**(8,202)**
Proceeds from subsidiaries issuance of its stock		277	
Dividends paid for minority interests	**(26)**	(26)	**(209)**
Proceeds from bond issue	**9,927**		**80,056**
Redemption of convertible bonds	**(15,987)**		**(128,927)**
Net cash used in financing activities	**(9,069)**	(139)	**(73,137)**
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	**124**	(98)	**1,000**
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(386)**	5,411	**(3,113)**
CASH AND CASH EQUIVALENTS OF NEWLY CONSOLIDATED SUBSIDIARIES, BEGINNING OF YEAR	**94**	791	**758**
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**25,624**	19,422	**206,645**
CASH AND CASH EQUIVALENTS, END OF YEAR	**¥ 25,332**	¥25,624	**$ 204,290**

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

The Nisshin Oil Mills, Ltd. and Consolidated Subsidiaries
Years Ended March 31, 2001 and 2000

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 in accordance with the provisions set forth in the Japanese Securities and Exchange Law and its related accounting regulations, and 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 in the 2000 financial statements to conform to the 2001 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 ¥124 to $1, the approximate rate of exchange at March 30, 2001. 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 19 significant (18 in 2000) subsidiaries (together, the "Group"). Investments in 8 (8 in 2000) associated companies are accounted for by the equity method. Investments in the remaining 3 unconsolidated subsidiaries and 3 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.

Prior to April 1, 2000, the current and non-current balances denominated in foreign currencies, excluding those under forward exchange contracts, are translated at the applicable historical rates in effect at the dates of transactions.

Effective April 1, 2000, the Group adopted a revised accounting standard for foreign currency transactions. In accordance with the revised standard, assets and/or liabilities which are converted at foreign exchange rates are translated using the exchange rate set forth in the applicable exchange contract. Gains or losses from foreign currency transactions are included in net income.

d. Foreign Currency Financial Statements—The balance sheet accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the balance sheet date except for shareholders' equity, which is translated at the historical rate.

Prior to April 1, 2000, differences arising from such translation were shown as "Foreign currency translation adjustments" as either asset or liability in the balance sheet. Effective April 1, 2000, such differences are shown as "Foreign currency translation adjustments" in a separate component of shareholders' equity in accordance with the revised accounting standard for foreign currency transactions. Revenue and expense accounts of consolidated foreign subsidiaries are translated into yen at the average exchange rate.

e. 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, certificates of deposits, commercial paper and bond funds, all of which mature or become due within three months of the date of acquisition.

f. Marketable Securities and Investments in Securities—Prior to April 1, 2000, current and non-current marketable securities (primarily marketable equity securities) were 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.

Effective April 1, 2000, the Group adopted a new accounting standard for financial instruments. Under this standard, all securities are classified as available-for-sale securities and are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of shareholders' equity. The cost of securities sold is determined based on the moving-average method. Non-marketable available-for-sale securities are stated at cost determined by the moving-average method. For other than temporary declines in fair value, non-marketable available-for-sale securities are reduced to net realizable value by a charge to income.

The effect of adoption of the new standard was to decrease income before income taxes and minority interests by ¥104 million ($839 thousand).

Marketable securities classified as current assets decreased by ¥3,790 million ($30,565 thousand) and investment securities increased by the same amount as of April 1, 2000.

g. Allowance for Doubtful Receivables—Prior to April 1, 2000, the Company and consolidated subsidiaries provided 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.

Effective April 1, 2000, the allowance for doubtful accounts is stated in amounts considered to be appropriate based on the companies' past credit loss experience and an evaluation of potential losses in the receivables outstanding.

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

i. 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 5 to 50 years for buildings and structures and 4 to 16 years for machinery and equipment.

Prior to March 31, 2000, a certain consolidated subsidiary (Nisshin Finance Co., Ltd.) adopted the declining-balance method over the estimated useful lives provided in accordance with the Corporate Income Tax Law for equipment held for lease.

Effective April 1, 2000, the subsidiary changed its method to the straight-line method over the lease term. The effect of this change was to decrease income before income taxes and minority interests for the year ended March 31, 2001, by ¥171 million ($1,379 thousand).

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

j. Leases—All leases are accounted for as operating leases. Under Japanese accounting standards for leases, finance leases that are deemed 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.

k. Income Taxes—The provision for income taxes is computed based on the pretax income included in the consolidated statements of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

l. 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 at the time of retirement. 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 who have reached retirement age and have 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.

Prior to April 1, 2000, the Company and its domestic consolidated subsidiaries accrued liabilities for the above retirement benefits equal to 40% of the amount payable if all employees voluntarily terminated their employment at the end of each fiscal year. And the amounts contributed to the funds, including past service costs amortized over 20 years, were charged to income.

Effective April 1, 2000, the Company and its domestic consolidated subsidiaries adopted a new accounting standard for employees' retirement benefits and accounted for the liability for retirement benefits based on projected benefit obligations and plan assets and at balance sheet date.

The full amount of the transitional obligation at the beginning of year was ¥3,621 million ($29,202 thousand). The amount of ¥3,423 million ($27,605 thousand) presented in other expense as "Charge for full amount of transitional obligations for retirement benefits" in the consolidated statements of operations and the amount of ¥198 million ($1,597 thousand) is being amortized over 10 years.

As a result, net periodic benefit costs as compared with the prior method, increased by ¥404 million ($3,258 thousand) and income before income taxes and minority interests decreased by ¥564 million ($4,548 thousand).

The liability for retirement benefits also includes benefit liabilities for directors and corporate auditors of ¥852 million ($6,871 thousand) and ¥1,011 million for the years ended March 31, 2001 and 2000, respectively. Retirement allowances for directors and corporate auditors are recorded to state the liability at the amount that would be required if all directors and corporate auditors retired at each balance sheet date. The payments of retirement benefits for directors and corporate auditors are subject to approval at the shareholders meeting.

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

n. Derivatives and Hedging Activities—The Group uses a variety of derivative financial instruments, including foreign currency forward contracts and commodity futures as a means of hedging exposure to foreign currency and price risks. The Group does not enter into derivatives for trading or speculative purposes.

Effective April 1, 2000, the Group adopted a new accounting standard for derivative financial instruments and a revised accounting standard for foreign currency transactions. These standards require that: (a) all derivatives be recognized as either assets or liabilities and measured at fair value, and gains or losses on derivatives transactions be recognized in the consolidated statements of income and (b) for derivatives used for hedging purposes, if derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.

The foreign currency forward contracts are utilized to hedge foreign currency exposures in procurement of raw materials from overseas supplies. Trade payables denominated in foreign currencies are translated at the contracted rates if the forward contracts qualify for hedge accounting.

Commodity futures are utilized to hedge transactions in inventories and trading commitment. These futures, which qualify for hedge accounting are measured at market value at the balance sheet date and the unrealized gains or losses are deferred until maturity as other liabilities or assets.

o. 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 weighted average number of common shares used in the computation was 145,215 thousand and 146,666 thousand for the years ended March 31, 2001 and 2000, 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, 2001, because the convertible bonds had been redeemed in March 30, 2001.

Cash dividends per share shown in the accompanying consolidated statements of income 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, 2001 and 2000, were comprised of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2001	2000	**2001**
Current:			
Marketable equity securities		¥ 339	
Government and corporate bonds	**¥ 2,240**	4,372	**$ 18,065**
Other—stated at cost	**130**	641	**1,048**
Total	**¥ 2,370**	¥5,352	**$ 19,113**
Non-current:			
Marketable equity securities	**¥ 8,416**	¥7,183	**$ 67,871**
Government and corporate bonds	**2,854**	45	**23,016**
Trust fund investments and other	**1,211**	510	**9,766**
Total	**¥12,481**	¥7,738	**$100,653**

The carrying amounts and aggregate fair values of marketable and investment securities at March 31, 2001, were as follows:

2001	Millions of Yen Cost	Unrealized Gains	Unrealized Losses	Fair Value	Thousands of U.S. Dollars Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as—								
Available-for-sale:								
Equity securities	¥5,571	¥2,971	¥126	¥8,416	$44,927	$23,960	$1,016	$67,871
Debt securities	5,011	137	54	5,094	40,411	1,105	435	41,081
Others	977		207	770	7,879		1,669	6,210

Available-for-sale securities whose fair value is not readily determinable as of March 31, 2001, were as follows:

	Carrying Amount: Millions of Yen	Thousands of U.S. Dollars
Available-for-sale—Unlisted stocks	¥363	$2,927

Proceeds from sales of available-for-sale securities for the year ended March 31, 2001, were ¥93,573 million ($754,621 thousand). Gross realized gains and losses on these sales, computed on the moving-average cost basis, were ¥124 million ($1,000 thousand) and ¥1 million ($8 thousand), respectively.

The carrying values of debt securities by contractual maturities for securities classified as available-for-sale at March 31, 2001, are as follows:

	Millions of Yen	Thousands of U.S. Dollars
Due in one year or less	¥2,292	$18,484
Due after one year through five years	1,846	14,887
Due after five years through ten years	59	476
Due after ten years	1,000	8,064
Total	¥5,197	$41,911

As of March 31, 2000, the unrealized gains applicable to the current and non-current marketable equity securities were ¥6,478 million. The market values of marketable securities and investments in securities other than marketable equity securities approximated their book values.

3. Effect on Financial Statements of Year-end Date

The year-end date for the financial year 2001, March 31, 2001 was Saturday. Because of this, notes receivable, payable and discounted on that date were settled on April 2, 2001, the immediately following business day, as is customary in Japan. Notes outstanding as at March 31, 2001, whose settlement was postponed were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Trade notes receivables	¥245	$1,976
Trade notes payable	467	3,766
Trade notes discounted	161	1,298

4. 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, 2001 and 2000, were 2.0% and 2.1%, respectively.

As is the customary practice in Japan, the Company and consolidated subsidiaries have substantial time deposits with banks from which it has short-term borrowings; however, there are no formal compensating balance agreements with any banks. The weighted average annual interest rates on these deposits were 0.17% and 0.11% as of March 31, 2001 and 2000, respectively.

Long-term debt as of March 31, 2001 and 2000, was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2001	2000	**2001**
1.0% unsecured convertible bonds due 2001		¥ 15,987	
2.5% bonds due 2004	**¥ 400**	400	**$ 3,226**
1.6% unsecured bonds due 2005	**5,000**		**40,323**
2.1% unsecured bonds due 2007	**5,000**		**40,323**
Long-term debt from banks, due through 2016—interest ranging from 1.5% to 3.68% in 2001 and 2000	**13,103**	11,504	**105,669**
Total	**23,503**	27,891	**189,541**
Less current portion	**(1,932)**	(16,718)	**(15,581)**
Long-term debt, less current portion	**¥21,571**	¥ 11,173	**$173,960**

The aggregate annual maturities of long-term debt as of March 31, 2001, were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2002	¥ 1,932	$ 15,581
2003	7,340	59,194
2004	2,517	20,298
2005	1,010	8,145
2006	136	1,097
2007 and thereafter	10,568	85,226
Total	¥23,503	$189,541

As of March 31, 2001, the following assets are pledged as collateral to secure short-term bank loans of ¥1,681 million ($13,556 thousand), 2.5% bonds due 2004 of ¥400 million ($3,226 thousand) and long-term debt of ¥4,510 million ($36,371 thousand):

2001	Millions of Yen	Thousands of U.S. Dollars
Property, plant and equipment:		
Land	¥3,756	$30,290
Building and structures—net of accumulated depreciation	1,449	11,685
Machinery and equipment—net of accumulated depreciation	349	2,815
Total	¥5,554	$44,790

5. Income Taxes

The Company and its domestic consolidated subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 42% for the years ended March 31, 2001 and 2000.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2001 and 2000, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2001	2000	**2001**
Deferred tax assets:			
Liability for retirement benefits	**¥2,255**	¥1,042	**$18,185**
Tax loss carryforwards	**920**	1,557	**7,419**
Accrued expenses	**677**	426	**5,460**
Income taxes payable	**105**		**847**
Inventories	**56**	122	**452**
Other	**388**	385	**3,129**
Total	**4,401**	3,532	**35,492**
Deferred tax liabilities:			
Gain on securities transferred of the retirement benefit trust fund	**1,364**		**11,000**
Property, plant and equipment	**1,245**	1,367	**10,040**
Unrealized gains on securities	**1,164**		**9,387**
Other	**78**	15	**629**
Total	**3,851**	1,382	**31,056**
Net deferred tax assets	**¥ 550**	¥2,150	**$ 4,436**

A reconciliation between the normal effective statutory tax rate for the years ended March 31, 2001 and 2000 and the actual effective tax rates reflected in the accompanying consolidated statements of income is as follows:

Year Ended March 31	2001	2000
Normal effective statutory tax rate	**42 %**	42 %
Increase (decrease) in tax rate resulting from:		
Expenses not deductible for income tax purposes	**3.2**	4.5
Per capita levy of corporate tax	**1.7**	2.6
Elimination of intercompany dividend	**4.0**	3.7
Amortization of consolidation goodwill	**1.8**	3.8
Difference from effective statutory tax rate of consolidated subsidiaries	**18.6**	28.8
Equity in earnings associated companies	**(4.5)**	(10.1)
Loss on devaluation of advances to associated companies	**(6.3)**	
Gain on a subsidiary stock issuance		(6.9)
Other—net	**(1.5)**	1.6
Actual effective tax rate	**59.0%**	70.0%

6. Related Party Transactions

Transactions with and balances due from or to non-consolidated subsidiaries and associated companies for the years ended March 31, 2001 and 2000, were principally as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2001	2000	2001
Transactions:			
Sales	**¥ 567**	¥1,013	**$ 4,572**
Purchases	**2,061**	2,529	**16,621**
Balances at year end:			
Trade accounts receivable	**44**	205	**355**
Trade accounts payable	**246**	88	**1,984**

7. Research and Development Costs

Research and development costs charged to income were ¥2,619 million ($21,121 thousand) and ¥2,764 million for the years ended March 31, 2001 and 2000, respectively.

8. Segment Information

Information about operations in different industry segments of the Group for the years ended March 31, 2001 and 2000, was as follows:

	Millions of Yen			
2001	Food and Related Businesses	Other	Eliminations	Consolidated
Sales and operating income:				
Sales to customers	**¥111,732**	**¥22,784**		**¥134,516**
Intersegment sales	**818**	**11,579**	**¥(12,397)**	
Total sales	**112,550**	**34,363**	**(12,397)**	**134,516**
Operating expenses	**108,601**	**33,864**	**(12,366)**	**130,099**
Operating income (losses)	**¥ 3,949**	**¥ 499**	**¥ (31)**	**¥ 4,417**

	Millions of Yen			
2001	Food and Related Businesses	Other	Corporate and Eliminations	Consolidated
Assets, depreciation and capital expenditures:				
Assets	**¥105,246**	**¥26,751**	**¥21,986**	**¥153,983**
Depreciation	**3,702**	**2,953**		**6,655**
Capital expenditures	**1,806**	**1,834**		**3,640**

2001	Food and Related Businesses	Other	Eliminations	Consolidated
	Thousands of U.S. Dollars			
Sales and operating income:				
Sales to customers	**$901,064**	**$183,742**		**$1,084,806**
Intersegment sales	**6,597**	**93,379**	**$(99,976)**	
Total sales	**907,661**	**277,121**	**(99,976)**	**1,084,806**
Operating expenses	**875,814**	**273,097**	**(99,726)**	**1,049,185**
Operating income (losses)	**$ 31,847**	**$ 4,024**	**$ (250)**	**$ 35,621**

2001	Food and Related Businesses	Other	Corporate and Eliminations	Consolidated
	Thousands of U.S. Dollars			
Assets, depreciation and capital expenditures:				
Assets	**$848,758**	**$215,734**	**$177,306**	**$1,241,798**
Depreciation	**29,855**	**23,814**		**53,669**
Capital expenditures	**14,565**	**14,790**		**29,355**

2000	Food and Related Businesses	Other	Eliminations	Consolidated
	Millions of Yen			
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

2000	Food and Related Businesses	Other	Corporate and Eliminations	Consolidated
	Millions of Yen			
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

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

Effective April 1, 2000, a certain subsidiary changed its method of depreciation for lease equipment to the straight-line method over the lease term. As a result of this change, operating exchanges of other for the year ended March 31, 2001, increased ¥171 million ($1,379 thousand). Also, operating income for the year ended March 31, 2000, decreased by the same account.

In addition, effective April 1, 2000, the Company and its domestic consolidated subsidiaries adopted a new accounting standard for employees' retirement benefits.

As a result of this change, operating income of food and related business and other for the year ended March 31, 2001, were reduced ¥386 million ($3,113 thousand) and ¥18 million ($145 thousand), respectively.

9. Retirement and Pension Plans

The Company and its certain consolidated subsidiaries have severance payment plans for employees, directors and corporate auditors.

The total expense for retirement allowances and pension costs charged to income for the year ended March 31, 2000, was ¥2,565 million. Effective April 1, 2000, the Company and domestic consolidated subsidiaries adopted a new accounting standard for employees' retirement benefits.

The liability for employees' retirement benefits at March 31, 2001, consisted of the following:

	Millions of Yen	Thousands of U.S. Dollars
Projected benefit obligation	¥ 7,163	$ 57,766
Fair value of plan assets	(4,734)	(38,177)
Unrecognized prior service cost	866	6,983
Unrecognized actuarial gain	(1,520)	(12,258)
Unrecognized transitional obligation	(178)	(1,435)
Net liability	¥ 1,597	$ 12,879

As a result of implementation of a new calculation method for funded trusteed annuity plans and retirement benefit plans in the current consolidated year, prior service cost was accrued.

The components of net periodic benefit costs for the year ended March 31, 2001, are as follows:

	Millions of Yen	Thousands of U.S. Dollars
Service cost	¥ 795	$ 6,411
Interest cost	581	4,685
Expected return on plan assets	(550)	(4,435)
Amortization of prior service cost	(43)	(346)
Amortization of transitional obligation	3,443	27,766
Net periodic benefit costs	¥4,226	$34,081

In September 2000, the Company contributed certain available-for-sale securities with a fair value of ¥4,878 million ($39,339 thousand) to the employee retirement benefit trust for the Company's non-contributory pension plans, and recognized a non-cash loss of ¥187 million ($1,508 thousand). The securities held in this trust are qualified as plan assets.

Assumptions used for the year ended March 31, 2001, are set forth as follows:

Discount rate	3.5%
Expected rate of return on plan assets	4.2%
Amortization period of prior service cost	mainly, 16 years
Recognition period actuarial gain	mainly, 16 years
Amortization period of transitional obligation:	
One subsidiary (Settsu Oil Mills Co., Ltd.)	10 years
The Company and the other subsidiaries	1 year

The Group is to recognize actuarial gain for the next fiscal year.

10. 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 ¥2,959 million ($23,863 thousand) and ¥2,901 million as of March 31, 2001 and 2000, 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, 2001, retained earnings recorded on the Company's books were ¥44,322 million ($357,435 thousand) which is available for future dividends subject to approval of the shareholders and legal reserve requirements.

Semi-annual 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 28, 2001, 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	¥509	$4,105
Transfer to legal reserve	54	435

In accordance with the Code, the appropriations shown above have not been reflected in the consolidated financial statements as of March 31, 2001.

The Company is authorized to repurchase, at management's discretion, up to 14 million shares of the Company's stock for the purpose of canceling the shares and charging such amounts to retained earnings.

11. 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, 2001 and 2000, were ¥348 million ($2,806 thousand) and ¥361 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, 2001 and 2000, was as follows:

	Millions of Yen		Thousands of U.S. Dollars
Machinery and Equipment	**2001**	2000	**2001**
Acquisition cost	**¥1,656**	¥ 1,957	**$13,355**
Accumulated depreciation	**(981)**	(1,114)	**(7,911)**
Net leased property	**¥ 675**	¥ 843	**$ 5,444**

Obligations under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2001	2000	**2001**
Due within one year	**¥279**	¥305	**$2,250**
Due after one year	**396**	538	**3,194**
Total	**¥675**	¥843	**$5,444**

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

Depreciation expense, which is not reflected in the accompanying consolidated statements of income computed by the straight-line method, was ¥348 million ($2,806 thousand) and ¥361 million for the years ended March 31, 2001 and 2000, 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, 2001 and 2000, were ¥1,542 million ($12,435 thousand) and ¥1,593 million of lease receipts under finance leases, respectively.

Total rental revenue includes interest revenue ¥203 million ($1,637 thousand) and ¥210 million for the years ended March 31, 2001 and 2000, 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, 2001 and 2000, was as follows:

	Millions of Yen		Thousands of U.S. Dollars
Machinery and Equipment	**2001**	2000	**2001**
Acquisition cost	**¥ 5,530**	¥ 6,377	**$ 44,597**
Accumulated depreciation	**(2,860)**	(3,301)	**(23,065)**
Net leased property	**¥ 2,670**	¥ 3,076	**$ 21,532**

Obligations under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2001	2000	**2001**
Due within one year	**¥1,193**	¥1,240	**$ 9,621**
Due after one year	**1,656**	2,175	**13,355**
Total	**¥2,849**	¥3,415	**$22,976**

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

Depreciation expense is ¥1,357 million ($10,944 thousand) and ¥1,409 million for the years ended March 31, 2001 and 2000, respectively.

12. Commitments and Contingent Liabilities

The Company was contingently liable at March 31, 2001, for guarantees of employee's housing loans and associated companies' bank borrowings, totaling ¥891 million ($7,185 thousand) and ¥210 million ($1,694 thousand), respectively. The guarantee for the associated companies' bank borrowings include joint guarantees of ¥143 million ($1,153 thousand), and the allocation to the Company was ¥35 million ($282 thousand).

13. 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 option contracts, as a whole, to reduce the purchase price in 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 its 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 rates, interest rates, 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, 2001 and 2000:

	Millions of Yen					
	Contract or Notional Amount	Fair Value	Unrealized Gain/Loss	Contract or Notional Amount	Fair Value	Unrealized Gain/Loss
	2001			2000		
Forward exchange contracts—						
Buying U.S.$				¥9,201	¥9,333	¥131
Interest rate swaps:						
Fixed rate receipt fixed rate payment	**¥1,000**	**¥12**	**¥12**			
Fixed rate payment floating rate receipt	**100**	**(2)**	**(2)**	500	(14)	(14)
Commodity futures—Buying				124	130	6

	Thousands of U.S. Dollars		
	Contract or Notional Amount	Fair Value	Unrealized Gain/Loss
	2001		
Forward exchange contracts—			
Buying U.S.$			
Interest rate swaps:			
Fixed rate receipt fixed rate payment	**$8,065**	**$97**	**$97**
Fixed rate payment floating rate receipt	**806**	**(16)**	**(16)**
Commodity futures—Buying			

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.

Foreign currency forward contracts which qualify for hedge accounting for the year ended March 31, 2001 and such amounts which are assigned to the associated assets and liabilities and are recorded on the balance sheet at March 31, 2000, are excluded from disclosure of market value information.

Independent Auditors' Report

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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, 2001 and 2000, and the related consolidated statements of income, 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, 2001 and 2000, 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 discussed in Note 1, effective April 1, 2000, the consolidated financial statements have been prepared in accordance with new accounting standards for employees' retirement benefits and financial instruments and a revised accounting standard for foreign currency transactions.

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 28, 2001

Corporate Data

Board of Directors and Corporate Auditors

President
Jokei Akitani*

Senior Managing Directors
Kentaro Kurokawa*
Nobutaka Tsuzaki

Managing Directors
Yoshiyuki Takagi
Kazuo Ogome
Fumio Imokawa
Toru Yasuda

Directors
Tadashi Suzuki
Shigeo Nonoyama
Takao Imamura
Yoshihito Tamura
Yuuzou Higaki
Akira Seto

Corporate Auditors
Yoshinori Horio
Nobuo Kurebayashi
Toshizumi Yoshikawa
Mitsuo Minami

*Representative Director
(As of June 28, 2001)

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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
814

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
12,090

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.
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.
Nomko Medical 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.
Sakai Tank Terminal 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.

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