Healthy Choices for a Changing World

OilliO

Nisshin OilliO Group

The Nisshin OilliO Group, Ltd.

Annual Report 2003

For the year ended March 31, 2003

Contents

New Choices, Important Changes

On October 1, 2002, the Nisshin OilliO Group embarked on its journey as a new corporate entity. Headed by The Nisshin OilliO Group, Ltd., a pure holding company, the Group optimizes and harnesses the distinctive strengths of its three main group companies—The Nisshin OilliO, Ltd., Rinoru Oil Mills Co., Ltd., and Nikko Oil Mills Co., Ltd., —to enhance the Group's presence as a valued leader in the oils and meals industry.

Message From the Management

FISCAL 2003 RESULTS

In the fiscal year ended March 31, 2003, net sales for The Nisshin OilliO Group, Ltd. surged 44% higher than in the previous year to ¥200,908 million (US$1,674 million). This increase was largely due to higher sales at The Nisshin Oil Mills, Ltd. and, following the adoption of a holding company structure, The Nisshin OilliO, Ltd., as well as the consolidation of both Rinoru Oil Mills Co., Ltd. and Nikko Oil Mills Co., Ltd. On the earnings front, meanwhile, we

FINANCIAL HIGHLIGHTS

The Nisshin OilliO Group, Ltd. and Consolidated Subsidiaries
Year Ended March 31, 2003

	Millions of Yen	Thousands of U.S. Dollars
	2003	**2003**
FOR THE YEAR:		
Net sales	**¥200,908**	**$1,674,233**
Net loss	**(1,423)**	**(11,858)**
AT YEAR-END:		
Total assets	**¥183,643**	**$1,530,358**
Shareholders' equity	**89,187**	**743,225**
	Yen	U.S. Dollars
	2003	**2003**
PER SHARE DATA:		
Net loss	**¥ (8.22)**	**$ (0.07)**
Cash dividends, applicable to the year	**7.00**	**0.06**

Notes: 1. U.S. dollar amounts represent translations of Japanese yen amounts, for convenience only, at the rate of ¥120 to U.S.$1, the approximate rate of exchange at March 31, 2003.
2. Net loss per share is computed based on the weighted-average number of outstanding shares of common stock.

"The Nisshin OilliO Group, Ltd. leverages the management acumen and expertise of three distinct companies to achieve a stronger Group management structure. Poised for a new stage of growth, the Nisshin OilliO Group is developing and providing products that contribute to healthy, pleasant lifestyles and the well-being of its customers."

recorded an operating loss of ¥3,975 million (US$33 million). This performance was attributable to three major factors. First was our inability to keep product prices in line with a sharp rise in the cost of raw materials. This was followed by higher advertising costs for new products and one-off expenses related to the recent integration. These combined factors drove up costs and prevented the growth in sales from producing earnings. This resulted in a net loss of ¥1,423 million (US$12 million).

THE SHIFT TO A HOLDING COMPANY STRUCTURE

In April 2002, Nisshin Oil Mills, Rinoru Oil Mills and Nikko Oil Mills were integrated in an effort to ensure their mutual ability to thrive amid intense global competition in the oils and meals industry. To further maximize integration benefits, Nisshin Oil Mills adopted a holding company structure in October 2002. Nisshin OilliO Group, Ltd. was established as a pure holding company, with Nisshin OilliO, Rinoru Oil Mills and Nikko Oil Mills as its main group companies.

NEW WIN2005 MEDIUM-TERM MANAGEMENT PLAN

Accompanying our shift to a holding company structure, in April 2003 we launched *New WIN2005*, our latest 3-year medium-term management plan. In addition to allowing the quick realization and maximization of integration benefits, this plan will help us to formulate an earnings base befitting a leading company in the oils and meals industry through measures intended to completely reform and revolutionize our business and earnings structure.

One of our target integration benefits is the formation of a corporate structure that will yield ¥5.0 billion in cost reductions by March 31, 2005. As we consolidate production bases, improve distribution efficiency through shared logistics, utilize common purchasing channels for raw materials and resources, and eliminate overlapping functions at the three main group companies, we are gaining an accurate assessment of personnel and other factors needed to reach our ambitious cost-cutting objective. Further, as the integration of functions for our three group companies enhances operational effectiveness, our capacities

Jokei Akitani President

across the broad span of home, commercial and industrial-use products and services continue to mature.

In the core business of Oils and Meals Business, the goal is to increase earnings through cost-competitiveness on a global scale and extension of our business domain. At the same time, we intend to bolster our presence in East Asian markets by delivering value-added products while grooming the Fine Chemicals and Health Linkage businesses as new core operations. We expect these actions will give us a more solid earnings base.

ENHANCING GROUP MANAGEMENT SYSTEMS

We are taking many actions to conduct the comprehensive management required to support Group-wide business development. One element is the corporate brand strategy, which was initiated last year to boost our brand value. Other steps include enhancing our group management system and fostering a dynamic corporate culture. By eliminating overlapping functions and units, making full use of IT systems, standardizing internal systems, outsourcing the routine business and taking other measures, we are aiming to heighten the Group's functions, flexibility and overall efficiency.

WELL-ESTABLISHED CORPORATE GOVERNANCE

The management of Nisshin OilliO Group regards corporate governance as an issue of the utmost importance. To this end, we have enacted various initiatives to reinforce corporate governance functions. The creation of the holding company system itself is an example of such actions. Following the shift to a holding company system in October 2002, we moved swiftly to integrate the management structures of our three main group companies, vesting decision-making authority for the creation of business guidelines and Group management in the holding company. Each group company then carries out its duties in line with these directives.

"As a corporate group valued by customers, shareholders, and employees, we consider it our mission to satisfy the needs of all people while contributing to social development and economic growth."

In terms of compliance, we continue to work on the formulation of specific ethical guidelines for directors and an expansive code of conduct for all employees in an effort to develop a system of corporate ethics encompassing the entire Group. At the same time, through our Internal Audit Office, we are devising an internal system for generating feedback by regularly inspecting and evaluating the efficacy of our business management and operations.

ATTAINING GREATER CORPORATE VALUE

Ultimately, enacting the strategies and measures I have just outlined, and fulfilling our mission as a leading company in the industry, will maximize corporate value. I remain confident that these actions, in turn, will eventually pave the way to greater shareholder value.

To all of our stakeholders, I respectfully request your continued support and encouragement as we leverage the new business structure at our command to bring greater corporate value to Nisshin OilliO Group.

September 2003

J. Akitani

Jokei Akitani
President

"Based on the concepts of "taste, health and beauty," we will employ our proven know-how in vegetable oils and other fields to remain a corporate group capable of generating new value, tirelessly working for the enrichment and evolution of society."

Swift Realization and Maximization of

SWIFT REALIZATION AND MAXIMIZATION OF INTEGRATION BENEFITS

Profitability took a turn for the worse in the company's mainstay Oils and Meals Business, hindered by rising prices for grain and lower market prices for finished products stemming from lingering deflation. Lower duties in Japan on imported vegetable oils are likely to intensify competition from overseas rivals. Global competitiveness is thus the most pressing issue facing oils and meals manufacturers in Japan. Against this backdrop, Nisshin OilliO Group is strengthening its business foundations by implementing measures designed to swiftly realize and maximize the benefits of its recent integration.

OPTIMAL PRODUCTION BASES

To bring integration benefits to the fore, Nisshin OilliO Group is enacting a process of consolidation and elimination at its production bases in Japan. To optimize crushing, refining and packing functions, the company closed one packing line respectively at its plants in Chiba and Fukuoka prefectures, shifting these functions to different locations. The decision was also made to close a crushing line at the company's Yokohama Isogo Plant.

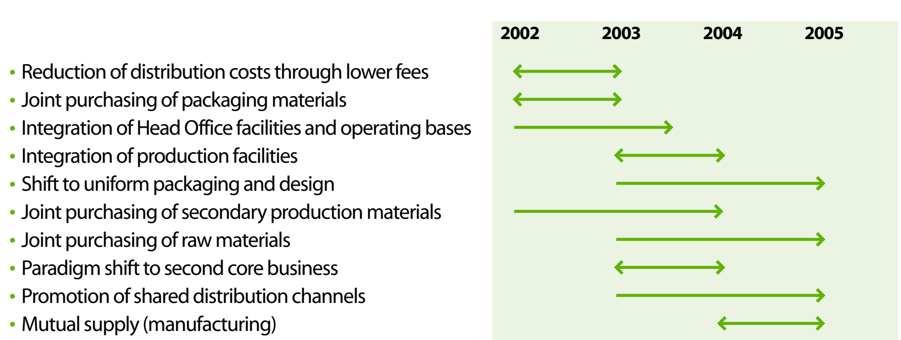
Overseas, Nisshin OilliO Group accelerated the pace of business expansion in East Asia. In September 2002, the company established a selection plant in Dalian, China for locally produced food soybeans. A decision was also reached to build a 2,000t/day crushing facility at Dalian Nisshin Oil Mills, Ltd., another of the company's local business bases. Moreover, the Group has decided to set up a holding company in Shanghai in October 2003 to underpin further forays into the Chinese market. As Nisshin OilliO Group enacts comprehensive investment strategies in China, the company will beef up its system for local raw materials procurement and sales to achieve healthy growth in the region.

In Japan and overseas, the Group effectively allocates resources among its three main group companies, and has a system in place attuned to prominent features of the business landscape, such as the raw materials market and production conditions. Through this system, Nisshin OilliO Group ensures that it has sites that are optimal for production both in Japan and overseas.

BUILDING A SHARED DISTRIBUTION NETWORK

The Group is reevaluating the distribution functions of its three main group companies to realize integration benefits in this area. Currently, the Group is focused on heightening the efficiency of group companies tasked with distribution and raising the utilization rates of existing distribution facilities. The goal is

STEPS FOR ACHIEVING INTEGRATION BENEFITS



Integration Benefits

to develop a network of highly efficient routes covering every stage in the distribution process, from initial product shipment to delivery to end-users. The Group will continue to promote the shift to this shared distribution scheme, which is already in use by two of its food manufacturing subsidiaries, for Rinoru Oil Mills and Nikko Oil Mills as well. Confidence is high that integrating distribution for these and other Group companies will help shave costs by nearly ¥800 million.

MAXIMIZING ECONOMIES OF SCALE IN SHARED PURCHASING

Greater cost-competitiveness is a priority issue for the Oils and Meals Business. By making the most of economies of scale gained in the integration, the Group seeks to pare down costs even further, and to standardize specifications for resources group-wide to attain a common purchasing infrastructure, one that will also cover the purchase of raw materials. Shared purchasing is expected to yield cost reductions of approximately ¥1.4 billion.

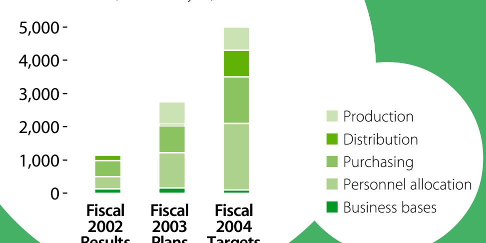
To better align production with sales activities, Nisshin OilliO Group established a Logistics Management Department on April 1, 2003 and took other actions to bring greater focus to supply and demand management functions throughout the Group. In the same vein, the Group is striving for substantial improvements in the efficiency of its raw materials procurement and distribution networks.

THREE-PART ALLIANCE FOR IMPROVED BUSINESS STRENGTH

By concentrating headquarters functions in a single location and conducting the consolidation and elimination of indirect business divisions, Nisshin OilliO Group is improving business efficiency and gaining an accurate assessment of its human resource requirements. Furthermore, during April 2003, the Group trimmed geographic overlap at its three main companies, effectively reducing the number of sales bases by two-thirds. Concentrating bases in this way has improved overall business strength, while mutual use of sales routes and other resources allows each group company to further expound on its own unique area of expertise. By leveraging these improvements in efficiency and business strength, Nisshin OilliO Group hopes to spur sales growth across the broad expanse of home, commercial, and industrial-use products and services.

PROGRESS IN ACHIEVING INTEGRATION BENEFITS

(millions of yen)



High Earnings Structure Backed by Technological

BROADER SALES FOR *HEALTHY RESETTA* AND OTHER VALUE-ADDED PRODUCTS

Consumer spending has slowed to a standstill in light of protracted economic adversity. While spending on items of untested value is virtually nonexistent amid these conditions, consumers still show a willingness to buy products with proven track records. This mindset has given rise to lifestyles dominated by well-established brands. Due to this situation, the edible oils market has undergone a sharp division into two sectors: standard oils and premium oils, which are formulated for specific purposes or functions. Attuned to these changes in its mainstay Oils and Meals Business, Nisshin OilliO Group will pursue a low-cost structure vital to maintaining a competitive edge as it increases emphasis on the development of high-value-added products.

In January 2003, the Group began sales of *Healthy Resetta*, approved by Japan's Ministry of Health, Labour and Welfare as an authorized health food product for specified uses. Made using proprietary ester-transfer technology, *Healthy Resetta* was specifically created for the needs of health-conscious consumers. This product is expected to play a crucial role in boosting the Group's brand power in the area of health foods. It also represents the kind of product that is possible when "taste, health and beauty," one of Nisshin OilliO Group's core corporate philosophies, becomes the driving force in the search for creative businesses with strong growth potential.

Healthy Resetta is the cornerstone of a growing line of high-value-added products, and is also a watershed in terms of the Group's technological, developmental and proposal capabilities. For this reason, Nisshin OilliO Group has devised a total marketing strategy to provide *Healthy Resetta* with the support required to achieve sales objectives set for this product in its first year on the market. This support includes strategic investments for strengthening ties among Group companies involved in this project and the creation of effective advertising campaigns. The Group will then apply the best practices derived from this process to refine its other businesses and develop additional product lines.

PROPOSAL OF VALUE-ADDED PRODUCTS FOR THE COMMERCIAL SECTOR

A vital part of improving the Group's earnings structure will be the active proposal of high-performance oils to restaurateurs, makers of prepared meals, processed food manufacturers and other areas of the commercial-use market. To this end, the Group is developing proposal-based sales initiatives targeting

Expertise

end-users for each of its main group companies. In the commercial market, demand is rising for products that are both distinctive and easier to use. These include edible oils that are healthier, lighter when used for frying, and that generate less odor. As the Group uncovers the full extent of unanswered demand and strives to meet the exacting needs of its customers in the commercial market, joint development projects with end-users and other cooperative ventures between sales and R&D personnel have become an increasingly common occurrence at Nisshin OilliO Group.

ENHANCING R&D CAPABILITIES

As the shift towards a high-earnings structure resistant to adverse market conditions moves forward at pace, the capacity to consistently market a stream of high-value-added products becomes a more urgent issue. For this reason, Nisshin OilliO Group devotes substantial resources and personnel to R&D activities.

The development of highly functional oils; the use of medium-chain fatty acids, vegetable sterols and similarly beneficial ingredients; greater technological capabilities in enzyme and ester transfer technology; and the active use of newly concocted oils and fats, all act to further deepen the quality of the Group's existing technology. At the same time, efforts are directed towards the discovery of new, highly distinctive technology. In particular, the Group is working to develop technology for objectively evaluating characteristics such as the odor, crispiness, and taste of its food products and the nutritional value of the oils it produces. The Group continues to make strides in this research, the results of which are announced at academic conferences in Japan and elsewhere. Looking ahead, "eco-compatibility" will be the keyword as the Group devotes its energies to the development of new products, in a shared awareness of "the power of nature" in its business activities.

In addition to enhancing its internal R&D system, Nisshin OilliO Group is engaged in joint research projects with universities and research institutes, joint product development projects with end-users and other initiatives to quicken the pace of product development.

Nisshin OilliO Group has devised a comprehensive R&D system encompassing everything from the discovery of promising new materials for 5 to 10 years ahead, to the nurturing of the necessary human resources. The Group is also working on a product development system that will allow for the effective and ongoing evaluation of individual research threads.

Healthy Resetta

Healthy Resetta contains medium-chain fatty acids, noted for the ease with which they can be converted into energy.

Broadening the Scale of Secondary Core

FOSTERING IMMEDIATE GROWTH OF NEW CORE BUSINESSES

To generate earnings befitting its position as a leading company in the oils and meals industry, Nisshin OilliO Group is instituting sweeping reforms of its business and earnings structures. In addition to ramping up the competitiveness of the Oils and Meals Business, attaining the goal of higher earnings will require the Group to forge its Fine Chemicals and Health Linkage businesses into profitable, secondary core businesses.

FINE CHEMICALS BUSINESS

Positioned alongside Health Linkage as a secondary core business, the Fine Chemicals Business has a sales target of ¥10.0 billion for the year ending in March 2006. The diverse operational domain of Fine Chemicals covers cosmetics, food products, pharmaceuticals, and chemical products, all derived from the Group's distinctive synthesis and refining technology. To achieve this sales objective, the Yokohama Isogo Plant has become the integrated center of R&D, manufacturing and sales functions for this business. Beyond strengthening organizational integrity, this move allows the Group to mount a more effective response to the polarization of the oils market by trimming costs further for standard products, hence enhancing their cost-competitiveness. At the same time, the Group can promote the development of highly functional products.

In the area of cosmetics, from February 2002, the Group outsourced production of its low-viscosity esters and sunscreen agents to Taiwan, securing in the process a system for creating products superior in terms of quality and cost competitiveness. Meanwhile, the Group's highly functional raw materials for cosmetics, developed jointly with cosmetics manufacturers and research institutes, are gaining greater market attention.

In food additives, the Group is boosting production of medium-chain fatty acids in response to the growing market for healthier oils. The Group is leveraging its technological capabilities to create vegetable sterols and new applications for oil micro components to aggressively develop new products with added functionality. Separately, the Group is poised to enter the environment-related business field, and is busy exploring promising applications for fatty acids and oils.

By maximizing the power of nature, we develop a diverse range of products that help people lead healthier lives.

Pucera gelatin drinks

Nisshin OilliO supplies ingredients for a variety of cosmetics.

Businesses

HEALTH LINKAGE BUSINESS

First launched in December 1998, the mission of the Health Linkage Business is to provide people with health foods and related services that bridge the gap between food and medicine. The business has now expanded beyond nutritional supplements. The Group is introducing a steady stream of foods that keep people healthy, and products aimed at improving the quality of life of people living with debilitating ailments and conditions. Four areas have been established as focal points of future business expansion: lifestyle-related problems such as obesity, medical and nursing care, women's health, and elderly care. By March 2006, the aim is to achieve business in health and therapeutic foods on the scale of ¥15.0 billion. Nisshin OilliO Group plans to market a host of new products during the upcoming fiscal year and establish a comprehensive product lineup.

In the area of therapeutic foods, *Toromi Up-V*, a specially designed food for use by patients with difficulty swallowing, is now commercially available and selling extremely well. In health foods, sales are steadily rising for *Mealtime Digestive Aid*, a fiber-enriched green tea marketed by the Group in February 2001. Sales growth remains steady for *Pucera*, a series of foods for alleviating the symptoms of pre-menstrual syndrome (PMS). The *Pucera* product lineup has now expanded to include drinks, cookies and jellies alongside its existing line of supplements.

Xylisugart, a new line of artificial sweeteners, was launched in March 2003. *Xylisugart* is made from xylitol, a substance well known for helping to prevent tooth decay. The defining characteristic of this new sweetener is its superior resistance to heat compared with existing products. The new product is now being stocked by many large-scale retailers and drugstores.

In April 2003, sales began for *Kaitsu Aojiru*, the first juice produced from kale to be recognized as an authorized food product for specific health uses by the Ministry of Health, Labour and Welfare. In the coming years, Nisshin OilliO Group plans to continue introducing a range of new products in the four main areas of the Health Linkage Business.

Mealtime Digestive Aid— fiber-enriched green tea

We will keep our sights on the frontiers of food science and health to develop products with enhanced nutritional content, delivering good taste and health to homes everywhere for years to come.

The Nisshin OilliO Group Businesses

OILS AND MEALS BUSINESS

In 1924, The Nisshin Oil Mills, Ltd. (now The Nisshin OilliO, Ltd.) marketed *Nisshin Salad Oil*, the first product of its kind in Japan. As a leading company in the oils and meals industry, the company has sold a diverse array of salad, canola, olive, and sesame oils for commercial and home use, meeting needs in line with the changing times. In January 2003, Nisshin OilliO began sales of *Healthy Resetta*, a new health food product authorized for specified health uses by Japan's Ministry of Health, Labour and Welfare. Within a few short months, sales climbed steadily, with this product stocked in over 90% of retail stores selling this type of product. Rinoru Oil Mills, Ltd. actually led the group-wide shift to healthier products with its line of vitamin E-enriched cholesterol-free oils first marketed in November 2002. In the years ahead, the Nisshin OilliO Group will devote greater attention to the development of a wider range of highly functional oils conducive to good health.

In addition to oils and meals, the Group produces a variety of processed food products, including dressings and seasoning oils. For commercial use, there is the *Nisshin Bonland* brand of margarines and shortenings, alongside an assortment of frying oils. These fine quality products are custom-developed for specific commercial applications, a feature that earns high marks from confectioners, bakers, and the master chefs of five-star restaurants and hotels.

Next to edible oils, soybean and rapeseed meal, food soybeans, and industrial-use oils and fatty acids comprise another major area of the Oils and Meals Business primed for future expansion. Soybean and rapeseed meals are used primarily as raw materials for livestock feed and fertilizers, while food soybeans are the basic ingredients in foods traditionally eaten in Japan such as *miso*, *natto* (fermented soybeans) and soy sauce. Applications for industrial-use oils and fatty acids, meanwhile, have spread to diverse areas of everyday life, including their use as raw materials for certain plastics and paints.

Nisshin OilliO Group continues to expand its interests in the Oils and Meals Business globally, and currently has seven business bases across the rest of East Asia (five in China, and one each in Taiwan and Malaysia).

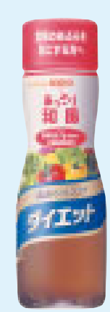
OILS AND MEALS BUSINESS Major Products

Nisshin Canola Oil Healthy Light

Bosco Extra Virgin Olive Oil

Nisshin Salad Oil

Nisshin Pure Sesame Oil



Nisshin Dressing—Diet

FINE CHEMICALS BUSINESS

Nisshin OilliO Group leverages its unique fine chemicals technology to develop raw materials for cosmetic, chemical, food, and pharmaceutical products. Synthesis technology, designed to take optimal advantage of plant-based resources, and biotechnology are among the disciplines comprising fine chemicals technology. In the area of cosmetics, accounting for 60% of sales in fine chemicals, particular emphasis is being given to R&D for functional materials and the OEM production of cosmetics, and the development of novel cosmetic materials and applications.

Covering every area from skincare to make-up, the Group is busy introducing hydrocarbons produced by Finland-based FORTUM and an assortment of other raw materials for cosmetics alongside its range of synthetic esters.

Nisshin OilliO Group is promoting the use of its highly functional fatty acid esters as emulsifiers for cleansing oils, and is developing new materials designed with superior absorbency and elasticity for original applications in the field of cosmetics. Research has also been conducted over the past several years on the molecular components of sesame, in search of an antioxidant that will prevent the formation of skin blemishes and wrinkles. Antioxidants and the Group's wealth of other raw materials in the field of cosmetics continue to receive glowing praise not only from cosmetic and toiletry manufacturers in Japan, but from those in the U.S., Europe and the rest of Asia.

Aside from its use in *Healthy Resetta*, the Nisshin OilliO Group's new oil conducive to good health, the Group is finding applications in the areas of food, food additives and pharmaceuticals for MCT oil, a product made from dietary medium-chain triacylglycerols, which suppress the accumulation of body fat. The Group also produces tocopherol (vitamin E) and lecithin, indispensable ingredients in a variety of margarines, noodles and nutritional supplements.

The fine chemicals business is synonymous with advanced technology, which is why the Nisshin OilliO Group is hard at work maximizing its technological capabilities in this area.

FINE CHEMICALS BUSINESS Major Products

Mayodore (egg-free mayonnaise-type dressing)

Nisshin Canola Margarine

OilSaver Fryer (produces less waste oil)

Landmark soybeans

Specialized oils and food additives (including esters, tocopherol, and lecithin)

HEALTH LINKAGE BUSINESS

The Health Linkage Business is the natural outgrowth of Nisshin OilliO Group utilizing its diverse resources and know-how to maximum effect in the creation of therapeutic foods, authorized food products for specified health uses, and other foods conducive to good health. Since 1988, when Nisshin Science Co., Ltd. first sold its *Silky 80* line of foods for people suffering from kidney disorders, the Group has worked to develop a lineup of seasonings, drinks, snacks and other prepared foods that improve quality of life while giving patients the nutrition they need. A number of products, including foods for elderly patients and food supplements for patients with difficulty swallowing, are now standard at many hospitals. Moreover, the Group's vitamin E, vitamin C and iron supplements, and a host of nutrient-enriched foods for alleviating various ailments, are now available at most drug stores or by mail order.

In April 2002, we took steps to strengthen the organizational structure of the Health Linkage Business. In addition to our line of therapeutic and liquid foods, we introduced new food products and supplements targeting women and people with lifestyle diseases. Among the wide range of products we introduced were *Shokujino Otomoni Shokumotsu Seni Iri Ryokucha*, a green tea that helps suppress a rise in blood sugar levels following meals. The *Pucera* line of products for combating PMS, *Xylisugart*, a sugar-free sweetener made from xylitol, and *Kaitsu Aojiru,* a fiber-rich green juice made from kale that improves regularity. We plan to use such new products to continue bridging the gap between food and medicine in the years ahead and contribute in a variety of ways to good health and good living.

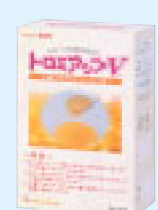
HEALTH LINKAGE BUSINESS Major Products

Pucera supplements

Pucera cookies

Xylisugart sugar-free sweetener

BodyFit green juice



Toromi Up-V (thickens liquids for people with difficulty swallowing)

Environmental Preservation

Accompanying the establishment of Nisshin OilliO Group as a holding company, we are promoting the integration of environmental management and activities to meet the Nisshin OilliO Group's environmental targets for the year ending March 31, 2005, guided by the Environmental Charter drafted by Nisshin Oil Mills (now The Nisshin OilliO, Ltd.) in 1993. Furthermore, to reinforce capabilities at the management level and achieve greater responsiveness to environmental changes, we are progressively putting in place a Group management system based on ISO standards to develop an integrated quality assurance system encompassing environmental and other concerns.

In April 2003, the Sakai Plant gained ISO 14001 certification, the international standard for environmental management systems, following the Yokohama Isogo Plant's certification in 2001. Moreover, since 2000, we have published a yearly environmental report in line with our commitment to continuous disclosure.

NISSHIN OILLIO ENVIRONMENTAL TARGETS

Nisshin OilliO's environmental targets, formulated in the fiscal year ended March 2002, are as follows:

1. Achieve a 6% reduction in energy consumption in terms of CO_2 equivalent (compared to 1990), by the fiscal year ending March 2006.
   (Reduction of 4.5% achieved in the year ended March 2003)
2. Eliminate all industrial waste generated by plants that is sent to landfill for disposal by the fiscal year ending March 2011.
   (Current efforts to eliminate such waste are on track to reach this goal)

ENVIRONMENTAL EXPENDITURES

Since the 1990s, environmental policy at the Nisshin OilliO Group has shifted from pollution prevention to measures focused on curbing greenhouse gas emissions and the reduction and elimination of industrial waste. During that time, we have made active capital expenditures in line with our environmental policies. Cumulative capital expenditures of this kind by Nisshin OilliO since 1979 total approximately ¥6 billion.

ENVIRONMENTAL ACCOUNTING

We place considerable importance on disclosing information to shareholders and other stakeholders about environmental investments and costs, and the benefits of these activities, as well as on measuring the benefits of our various environmental initiatives. This recognition was behind the adoption of environmental accounting. Environmental preservation costs for the Nisshin OilliO Group totaled ¥1,192 million (US$ 10 million) in the year ended March 2003.

Going forward, we intend to keep a close watch on prevailing environmental standards in society as a whole, adjusting our own standards accordingly. The goal is to achieve an optimal balance between actual environmental costs and benefits, allowing us to implement the most effective environmental measures possible.

ENVIRONMENTAL PRESERVATION MEASURES BY DIVISION

Production Division

- Promote energy conservation through introduction of a cogeneration system
- Encourage the reduction and reuse of industrial waste
- Reduce emissions of CO_2 and atmospheric pollutants by switching from fuel oil to city gas for boilers
- Reuse wastewater and use sludge as fertilizer

Distribution Division

- Implement joint distribution and a modal shift to reduce greenhouse gases
- Deliver in bulk
- Employ reusable containers for delivery

Management Division

- Prepare IT infrastructure and energy-conservation measures
- Encourage staff to make copies using both sides of the paper, and to use copy paper and name cards made from recycled paper

Materials and Products Division

- Reduce size and weight of packaging
- Develop eco-friendly electric fryers
- Develop anti-adhesives containing vegetable-based asphalt

Financial Review

The Nisshin OilliO Group consists of The Nisshin OilliO Group, Ltd., 26 consolidated subsidiaries, 9 non-consolidated subsidiaries, and 11 affiliates. The equity method applies to none of the non-consolidated subsidiaries, but is used for five of the affiliates. Following the shift to a holding company structure in October 2002, the Group was re-launched as a pure holding company (The Nisshin OilliO Group, Ltd.), and three main group companies (The Nisshin OilliO, Ltd., Rinoru Oil Mills Co., Ltd., and Nikko Oil Mills Co., Ltd.). Group operations are divided into four business segments: the Oils and Meals Business, the Fine Chemicals Business, the Health Linkage Business and Other Businesses, the latter comprises services relating to the other three business segments.

CONSOLIDATED RESULTS

Operating Environment

During the year under review, steady growth in exports led to a brief rally in manufacturing output in Japan. This improvement was cut short, however, by stalled private-sector investments and protracted weakness in consumer spending stemming from the prolonged severity of employment and personal income conditions in Japan. For the oils and meals industry, which is heavily reliant on rapeseed and soybeans as raw materials, the sharp rise in rapeseed prices due to historically low production in Canada, and its subsequent effects on soybean demand, resulted in an intensely challenging business environment.

Net Sales

Higher sales at The Nisshin Oil Mills Co., Ltd. in the fiscal year's first half and at The Nisshin OilliO, Ltd. in the second half, along with sales from the April 2002 consolidation of Rinoru Oil Mills and Nikko Oil Mills, lifted net sales 44.0% to ¥200,908 million (US$1,674 million).

Cost of Sales and Gross Profit

Reflecting higher prices for raw materials, the cost of sales jumped 56.7% to ¥161,556 million (US$1,346 million). The result was gross profit of ¥39,352 million (US$328 million), or 8.0% higher than in the previous year.

Operating Income (Loss)

Advertising expenses from the launch of *Healthy Resetta* and one-off expenses stemming from the October 2002 integration drove selling, general and administrative (SG&A) expenses 28.3% higher to ¥43,327 (US$361 million). Concerted efforts to pare back other expenses, however, pulled the ratio of SG&A expenses to net sales down from 24.2% to 21.6%. Moreover, the rise in value of devalued assets held by newly consolidated Rinoru Oil Mills following the application of the purchase method raised consolidated depreciation expenses by ¥2,085 million. The end result of these factors was an operating loss of ¥3,975 million (US$33 million).

Net Income (Loss)

In terms of non-operating income, higher valuation of the devalued assets resulted in the amortization of negative goodwill of ¥2,056 million, while gain on exemption from future pension obligation of the governmental program resulted in non-operating income of ¥681 million. Despite this gain, non-operating losses such as a foreign exchange loss recorded by Dalian Nisshin Oil Mills, Ltd. and devaluation losses on stocks due to falling market prices resulted in a net loss of ¥1,423 million (US$12 million).

SEGMENT INFORMATION

Oils and Meals Business

Edible oils for home and commercial use, other oil products, meals and grain are the main products in this segment, which comprised 87.6% of aggregate net sales.

In home-use edible oils, the Nisshin OilliO Group worked to broaden the sales scope of *Healthy Resetta*, the first oil product from the Nisshin OilliO Group to be authorized as a food product for specified health uses, and other high-added-value products resistant to adverse market conditions. Separately, while the integration with Rinoru Oil Mills and Nikko Oil Mills yielded higher sales volumes, diverging opinions during negotiations over pricing and other matters ultimately resulted in a decline in sales.

In terms of sales volume, despite substantial growth in canola oil led by the *Nisshin Canola Oil Healthy Light* brand, overall sales for existing products were lower. In gift package sets, attempts to expand sales of *Nisshin Bottle Can Healthy Gift Sets* through a renewed focus on sets featuring *Nisshin Healthy Oils* proved unable to impede the sharp contraction of the gift market, in freefall from the collapse in corporate demand. The end result was slightly lower sales of gift package sets compared with the previous year.

In commercial-use products, the increase in total product volume from the consolidation of Rinoru Oil Mills and Nikko Oil Mills combined with higher premium oil sales, on the back of proposal-based initiatives targeting large-scale food retailers, resulting in higher sales volumes. Growth in both the processed oils and fats and mayonnaise industries also helped buoy sales volumes for edible processed oil.

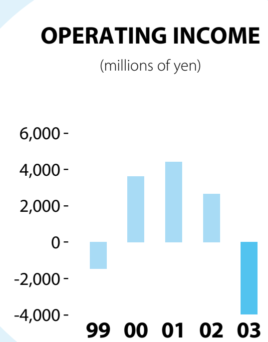
Japan's recent BSE scare fueled a rise in the percentage of soybean meal used in livestock feed, prompting higher demand and steady growth in sales volumes. Similar growth in sales volumes and unit sales prices occurred for other grain meals.

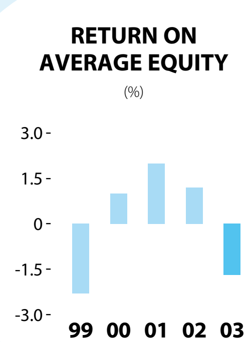
Overseas, while net sales rose marginally year on year at Dalian Nisshin Oil Mills, Ltd., sharply higher domestic prices for raw materials, accompanying a shift away from imports in accordance with legislation in China governing the import of genetically modified organisms (GMO), combined with foreign exchange losses to drag ordinary income substantially lower.

The above factors, including increased sales from the recent integration, resulted in segment sales of ¥176,081 million (US$1,467 million), 49.4% higher than the previous year. The Oils and Meals Business posted an operating loss of ¥3,612 million.

Fine Chemicals Business

Raw materials for cosmetics and toiletries, chemical products, medium-chain fatty acids, lecithin, and tocopherol (vitamin E) comprise the main products of this segment, which represented 1.6% of aggregate net sales.





Although raw materials for cosmetics recorded steady growth in sales volume both in Japan and elsewhere, a higher percentage of sales consisted of lower-priced items, leading to lower year-on-year monetary sales. Chemical products, meanwhile, recorded a steady recovery in sales on the back of increased domestic and overseas demand from an upturn in IT-related industries. These factors lifted segment sales 1.5% higher to ¥3,251 million (US$26 million). Operating income fell 19.3% to ¥460 million.

Health Linkage Business

The major products of this segment include therapeutic foods, liquid foods, and health foods. This segment comprised 1.0% of aggregate net sales.

Therapeutic foods saw the introduction of several new products targeting patients suffering from kidney and urinary disorders, as the solid performance of existing products led to sales growth. In health foods, an area primed for new business development, expanded sales channels and enhanced product lineups, particularly for authorized food products for specified health uses such as *Shokujino Otomoni Shokumotsu Seni Iri Ryokucha*-brand green tea and the *Pucera* line of products for combating PMS, led to higher segment sales. Sales in this segment rose 11.8% to ¥1,977 million (US$16 million), with an operating loss posted of ¥279 million.

Other Businesses

The main business concerns of this segment are real estate leasing, property management, pharmaceuticals, packaging services, customs-related services, warehousing, restaurant management, sports facilities management, marine products, sales promotion, engineering, property and casualty insurance, and computing-related services. This segment comprised 9.8% of aggregate net sales.

Sales were negatively affected by the withdrawal from leasing businesses and a weak performance by pharmaceuticals and marine products, which are in the midst of business restructuring. By contrast, the performance of Nikko Express Co., Ltd. and Yoko Engineering Co., Ltd., two subsidiaries of recently consolidated Nikko Oil Mills, Ltd., contributed substantially to segment sales. The result was sales of ¥19,599 million (US$163 million), 17.1% higher than in the previous year. The segment posted an operating loss of ¥519 million.

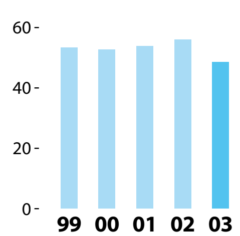
FINANCIAL POSITION

Total Assets

Total assets surged 25.7% to ¥183,643 million (US$1,530 million). The increase is largely attributable to the inclusion of Rinoru Oil Mills Co., Ltd., Nikko Oil Mills Co., Ltd., Nikko Express Co., Ltd. and Yoko Engineering Co., Ltd. within the scope of consolidation, following an exchange of shares in April 2002.

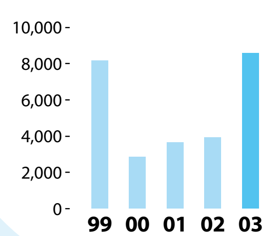
SHAREHOLDERS' EQUITY RATIO

(%)



CAPITAL EXPENDITURES

(millions of yen)



Current Liabilities

An increase in trade notes and accounts payable drove current liabilities up 34.0% year on year to ¥57,138 million (US$476 million).

Long-term Liabilities

Higher deferred tax liabilities and an increase in negative goodwill due to the consolidation of Rinoru Oil Mills Co., Ltd., Nikko Oil Mills Co., Ltd., Nikko Express Co., Ltd. and Yoko Engineering Co., Ltd. caused long-term liabilities to jump 80.7% to ¥35,157 million (US$293 million).

Shareholders' Equity

Shareholders' equity rose 9.0% to ¥89,187 million (US$743 million), in spite of a fall in retained earnings due to the posting of a net loss during the year, because of the integration. As a result, the shareholders' equity ratio declined 7.4 percentage points to 48.6%.

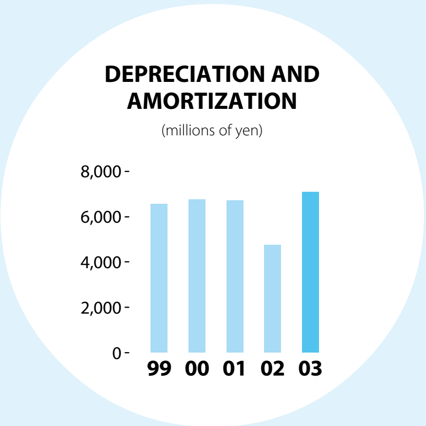
Cash Flows

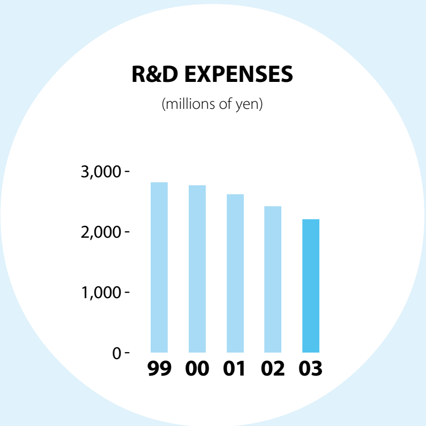
Net cash used in operating activities was ¥3,297 million (US$27 million), owing to a decline in income before income taxes of ¥5,145 million and increased inventories due to higher raw materials prices. Depreciation and amortization, meanwhile, rose ¥2,331 million, attributed to the increased value of deferred tax assets held by recently consolidated Rinoru Oil Mills.

Net cash used in investing activities was ¥6,394 million (US$53 million), due to an increase of ¥3,294 million for purchases of property, plant and equipment, and a decline of ¥3,198 million in proceeds from the sale of property, plant and equipment.

Net cash used in financing activities was ¥1,875 million (US$16 million). This was attributable to a year-on-year increase of ¥9,390 million (US$78 million) in short-term bank loans-net due to newly consolidated subsidiaries. Repayments of long-term debt declined by ¥1,627 million (US$14 million).

The abovementioned factors resulted in cash and cash equivalents at the end of the year of ¥8,909 million (US$74 million), a decline of 47.8%.





Consolidated Balance Sheets

The Nisshin OilliO Group, Ltd. (Formerly The Nisshin Oil Mills, Ltd.) and Consolidated Subsidiaries
March 31, 2003 and 2002

	Millions of Yen		Thousands of U.S. Dollars (Note 1.a)
ASSETS	2003	2002	2003
CURRENT ASSETS:			
Cash and cash equivalents	¥ 8,909	¥ 17,054	$ 74,242
Time deposits	736	468	6,133
Marketable securities (Note 2)	3,841	4,822	32,008
Receivables:			
Trade notes (Note 3)	2,833	2,926	23,609
Trade accounts (Note 6)	32,394	24,112	269,950
Allowance for doubtful receivables	(165)	(323)	(1,375)
Inventories:			
Finished goods	13,474	9,217	112,283
Raw materials	13,488	7,270	112,400
Deferred tax assets (Note 5)	2,059	962	17,159
Prepaid expenses and other	4,507	2,847	37,558
Total current assets	82,076	69,355	683,967
PROPERTY, PLANT AND EQUIPMENT (Note 4):			
Land	27,366	18,610	228,050
Buildings and structures	63,324	48,672	527,700
Machinery and equipment	75,359	46,473	627,992
Construction in progress	2,403	861	20,025
Total	168,452	114,616	1,403,767
Accumulated depreciation	(85,679)	(58,691)	(713,992)
Net property, plant and equipment	82,773	55,925	689,775
INVESTMENTS AND OTHER ASSETS:			
Investments in securities (Note 2)	9,825	8,671	81,875
Investments in and advances to unconsolidated subsidiaries and associated companies	2,236	7,688	18,633
Goodwill	180	145	1,500
Other assets (Note 5)	6,553	4,263	54,608
Total investments and other assets	18,794	20,767	156,616
TOTAL	¥183,643	¥146,047	$1,530,358

See notes to consolidated financial statements.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of Yen 2003	Millions of Yen 2002	Thousands of U.S. Dollars (Note 1.a) 2003
CURRENT LIABILITIES:			
Short-term bank loans (Note 4)	¥ 13,042	¥ 6,948	$ 108,683
Current portion of long-term debt (Note 4)	2,420	4,286	20,167
Payables:			
Trade notes (Note 3)	1,448	1,570	12,067
Trade accounts (Note 6)	24,717	17,583	205,975
Income taxes payable	451	493	3,758
Accrued expenses	9,147	9,600	76,225
Other	5,913	2,146	49,275
Total current liabilities	57,138	42,626	476,150
LONG-TERM LIABILITIES:			
Long-term debt (Note 4)	13,877	15,262	115,642
Liability for retirement benefits (Note 9)	4,894	2,527	40,783
Deferred tax liabilities (Note 5)	7,588	863	63,233
Negative goodwill	8,146		67,884
Other	652	800	5,433
Total long-term liabilities	35,157	19,452	292,975
MINORITY INTERESTS	2,161	2,154	18,008
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 11, 12 and 13)			
SHAREHOLDERS' EQUITY (Note 10):			
Common stock—authorized, 388,350,000 shares; issued and outstanding, 173,339,287 shares in 2003 and 145,334,287 shares in 2002	16,332	16,332	136,100
Capital surplus	26,052	14,906	217,100
Retained earnings	47,148	49,752	392,900
Net unrealized gain (loss) on available-for-sale securities	(217)	756	(1,808)
Foreign currency translation adjustments	14	136	116
Total	89,329	81,882	744,408
Treasury stock—at cost, 515,331 shares in 2003 and 136,809 shares in 2002	(142)	(67)	(1,183)
Total shareholders' equity	89,187	81,815	743,225
TOTAL	¥183,643	¥146,047	$1,530,358

Consolidated Statements of Operations

The Nisshin OilliO Group, Ltd. (Formerly The Nisshin Oil Mills, Ltd.) and Consolidated Subsidiaries
Years Ended March 31, 2003 and 2002

	Millions of Yen		Thousands of U.S. Dollars (Note 1.a)
	2003	2002	**2003**
NET SALES (Note 6)	**¥200,908**	¥139,554	**$1,674,233**
COST OF SALES (Note 6)	**161,556**	103,103	**1,346,300**
Gross profit	**39,352**	36,451	**327,933**
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 7)	**43,327**	33,780	**361,058**
Operating (loss) income	**(3,975)**	2,671	**(33,125)**
OTHER INCOME (EXPENSES):			
Interest and dividend income	**208**	176	**1,733**
Interest expense	**(533)**	(631)	**(4,441)**
Gain on sales of property, plant and equipment	**817**	22	**6,812**
Loss on devaluation of investment securities	**(305)**		**(2,541)**
Loss on disposition of property, plant and equipment	**(348)**	(258)	**(2,900)**
Loss on reduction of cost of land on condemnation	**(775)**		**(6,455)**
Amortization of negative goodwill	**2,056**		**17,133**
Gain on exemption from future pension obligation of the governmental program (Note 9)	**681**		**5,675**
Other—net	**(644)**	347	**(5,374)**
Other income (expenses)—net	**1,157**	(344)	**9,642**
(LOSS) INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	**(2,818)**	2,327	**(23,483)**
INCOME TAXES (Note 5):			
Current	**929**	1,048	**7,742**
Deferred	**(2,382)**	316	**(19,850)**
Total	**(1,453)**	1,364	**(12,108)**
MINORITY INTERESTS IN NET INCOME (LOSS)	**58**	(64)	**483**
NET (LOSS) INCOME	**¥ (1,423)**	¥ 1,027	**$ (11,858)**

	Yen		U.S. Dollars
	2003	2002	**2003**
PER SHARE OF COMMON STOCK (Note 1.o):			
Net (loss) income	**¥(8.22)**	¥7.07	**$(0.07)**
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 OilliO Group, Ltd. (Formerly The Nisshin Oil Mills, Ltd.) and Consolidated Subsidiaries
Years Ended March 31, 2003 and 2002

	Thousands	Millions of Yen					
	Outstanding Number of Shares of Common Stock	Common Stock	Capital Surplus	Retained Earnings	Net Unrealized Gain (Loss) on Available-for-sale Securities	Foreign Currency Translation Adjustments	Treasury Stock
BALANCE, APRIL 1, 2001	145,334	¥ 16,332	¥ 14,906	¥ 49,789	¥1,811	¥ 26	¥ (60)
Net income				1,027			
Cash dividends, ¥7.00 per share				(1,017)			
Bonuses to directors				(35)			
Adjustment of retained earnings for merger of consolidated subsidiary				(12)			
Net decrease in unrealized gain on available-for-sale securities					(1,055)		
Foreign currency translation adjustments						110	
Treasury stock acquired—net							(7)
BALANCE, MARCH 31, 2002	145,334	16,332	14,906	49,752	756	136	(67)
Net loss				(1,423)			
Cash dividends, ¥7.00 per share				(1,115)			
Bonuses to directors				(66)			
Stock-for-stock exchange (Note 10)	28,005		11,146				
Net decrease in unrealized gain on available-for-sale securities					(973)		
Foreign currency translation adjustments						(122)	
Treasury stock acquired—net							(75)
BALANCE, MARCH 31, 2003	**173,339**	**¥16,332**	**¥26,052**	**¥47,148**	**¥ (217)**	**¥ 14**	**¥(142)**

	Thousands of U.S. Dollars (Note 1.a)					
	Common Stock	Capital Surplus	Retained Earnings	Net Unrealized Gain (Loss) on Available-for-sale Securities	Foreign Currency Translation Adjustments	Treasury Stock
BALANCE, MARCH 31, 2002	$ 136,100	$ 124,217	$ 414,600	$ 6,300	$ 1,133	$ (558)
Net loss			(11,858)			
Cash dividends, $0.05 per share			(9,292)			
Bonuses to directors			(550)			
Stock-for-stock exchange (Note 10)		92,883				
Net decrease in unrealized gain on available-for-sale securities				(8,108)		
Foreign currency translation adjustments					(1,017)	
Treasury stock acquired—net						(625)
BALANCE, MARCH 31, 2003	**$136,100**	**$217,100**	**$392,900**	**$(1,808)**	**$ 116**	**$(1,183)**

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

The Nisshin OilliO Group, Ltd. (Formerly The Nisshin Oil Mills, Ltd.) and Consolidated Subsidiaries
Years Ended March 31, 2003 and 2002

	Millions of Yen		Thousands of U.S. Dollars (Note 1.a)
	2003	2002	2003
OPERATING ACTIVITIES:			
(Loss) income before income taxes and minority interests	¥ (2,818)	¥ 2,327	$ (23,483)
Adjustments for:			
Income taxes—paid	(1,820)	(1,476)	(15,167)
Depreciation and amortization	7,082	4,751	59,017
Earnings of associated companies	(91)	(341)	(758)
Amortization of negative goodwill	(2,056)		(17,133)
(Gain) loss on sales and disposition of property, plant and equipment	(417)	90	(3,475)
Loss on reduction of cost of land on condemnation	775		6,458
Loss on devaluation of investment securities	305		2,541
Gain on exemption from future pension obligation of the governmental program	(681)		(5,675)
Decrease in trade receivables	1,529	1,083	12,742
Increase in inventories	(4,991)	(807)	(41,592)
Increase (decrease) in trade payables	208	(956)	1,733
Decrease in liability for retirement benefits	(104)	(9)	(867)
Other—net	(218)	27	(1,816)
Total adjustments	(479)	2,362	(3,992)
Net cash (used in) provided by operating activities	(3,297)	4,689	(27,475)
INVESTING ACTIVITIES:			
Proceeds from sale of investment securities	280	2,440	2,334
Purchases of investment securities	(1,841)	(2,023)	(15,342)
Proceeds from sale of property, plant and equipment	899	4,097	7,492
Purchases of property, plant and equipment	(6,959)	(3,665)	(57,992)
Decrease (increase) in marketable securities—net	1,062	(1,176)	8,850
Other—net	165	(994)	1,375
Net cash used in investing activities	(6,394)	(1,321)	(53,283)
	(9,691)	3,368	(80,758)
FINANCING ACTIVITIES:			
Increase (decrease) in short-term bank loans—net	3,910	(5,480)	32,583
Proceeds from long-term debt	571	598	4,758
Repayments of long-term debt	(4,955)	(6,583)	(41,291)
Dividends paid	(1,115)	(1,017)	(9,292)
Dividends paid for minority interests	(177)	(30)	(1,475)
Proceeds from issuance of common stock to minority shareholder		19	
Purchases of treasury stock	(109)		(908)
Net cash used in financing activities	(1,875)	(12,493)	(15,625)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	(89)	64	(742)
CASH AND CASH EQUIVALENTS INCREASED BY MERGER OF CONSOLIDATED SUBSIDIARY		783	
NET DECREASE IN CASH AND CASH EQUIVALENTS	(11,655)	(8,278)	(97,125)
CASH AND CASH EQUIVALENTS OF NEWLY CONSOLIDATED SUBSIDIARIES, BEGINNING OF YEAR	3,510		29,250
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	17,054	25,332	142,117
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 8,909	¥ 17,054	$ 74,242

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

The Nisshin OilliO Group, Ltd. and Consolidated Subsidiaries
Years Ended March 31, 2003 and 2002

1. SIGNIFICANT ACCOUNTING AND REPORTING POLICIES

The following is a summary of the significant accounting and reporting policies adopted by The Nisshin OilliO Group, 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 Financial Reporting 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.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2002 financial statements to conform to the classifications used in 2003.

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 ¥120 to $1, the approximate rate of exchange at March 31, 2003. 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 as of March 31, 2003 include the accounts of the Company and its 26 (20 in 2002) significant subsidiaries (together, the "Group").

Under the control or influence concept, those companies in which the Company, 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.

Investments in five (eight in 2002) associated companies are accounted for by the equity method. Investments in the remaining nine unconsolidated subsidiaries and six 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 (less) 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 occurring on or after April 1, 1999 is reported in the balance sheet as other assets and/or long-term liabilities and is amortized using the straight-line method over five 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 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.

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.

Differences arising from such translation are shown as "Foreign currency translation adjustments" in a separate component of shareholders' equity. 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, certificate 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—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.

g. Allowance for Doubtful Receivables—The allowance for doubtful receivables is stated in amounts considered to be appropriate based on the Company's past credit loss experience and an evaluation of potential losses in the receivables outstanding.

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

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

Depreciation of plant and equipment of the Company and its consolidated domestic subsidiaries is computed by the declining-balance method over the estimated useful lives of the assets, while the straight-line method is applied to the plant and equipment of consolidated foreign subsidiaries.

The straight-line method is applied to buildings. Equipment held for lease is depreciated by the straight-line method over the lease periods.

The range of useful lives is from 5 to 50 years for buildings and structures and from 4 to 16 years for machinery and equipment.

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 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.

k. Income Taxes—The provision for income taxes is computed based on the pretax income included in the consolidated statements of operations. 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 the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

l. Retirement and Pension Plans—The Company and its domestic consolidated subsidiaries have an unfunded retirement benefit plan for all eligible employees. The amounts of the retirement benefits are, in general, determined on the basis of length of service and conditions under which the termination occurs. In addition to the unfunded plan, the Company has a contributory funded pension plan and one consolidated subsidiary has a non-contributory pension plan.

The liability for retirement benefits is based on the projected benefit obligations and plan assets at the balance sheet date. The net periodic benefit costs, based on an actuarial computation of current and future employee benefits, are charged to income.

The transitional obligation determined as of April 1, 2000 amounted to ¥3,621 million. The full amount of the transitional obligation except for that of one domestic subsidiary, amounted to ¥3,423 million and was charged to income and presented as other expense in the consolidated statements of operations for the year ended March 31, 2001. The transitional obligation of one domestic subsidiary of ¥198 million is being amortized over ten years using the straight-line method and annual amortization is presented as other expense in the consolidated statements of operations.

Retirement allowances for directors and corporate auditors are recorded to state the liability for retirement benefits at the amount that would be required if all directors and corporate auditors retired at each balance sheet date.

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, commodity futures and interest rate swaps as a means of hedging exposure to foreign currency, price and interest rate risks. The Group does not enter into derivatives for trading or speculative purposes.

All derivatives are recognized as either assets or liabilities and measured at fair value, and gains or losses on derivatives transactions are recognized in the consolidated statements of operations.

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 importation of raw materials from overseas suppliers. 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 liability or asset.

Interest rate swaps are utilized to hedge interest rate exposures of long-term debt. These swaps, 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 liability or asset.

o. Per Share Data—Effective April 1, 2002, the Company adopted a new accounting standard for earnings per share of common stock issued by the Accounting Standards Board of Japan. Under the new standard, basic net income per share is computed by dividing net income available to common shareholders, which is more precisely computed than under previous practices, by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock splits.

Basic net income per share for the year ended March 31, 2003 is computed in accordance with the new standard. If basic net income per share for the year ended March 31, 2002 is computed under the new standard, it is ¥6.72.

Diluted net income per share is not disclosed because the Company does not issue dilutive securities.

Cash dividends per share shown in the 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.

p. Appropriations of Retained Earnings—Appropriations of retained earnings are reflected in the financial statements for the following year on shareholders' approval.

2. MARKETABLE SECURITIES AND INVESTMENTS IN SECURITIES

Marketable securities and investments in securities as of March 31, 2003 and 2002 were comprised of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Current:			
Government and corporate bond	¥3,841	¥4,797	$32,008
Other		25	
Total	¥3,841	¥4,822	$32,008
Non-current:			
Marketable equity securities	¥7,035	¥6,326	$58,625
Government and corporate bond	1,046	410	8,717
Trust fund investments and other	1,744	1,935	14,533
Total	¥9,825	¥8,671	$81,875

The carrying amounts and aggregate fair values of marketable and investment securities at March 31, 2003 and 2002 were as follows:

	Millions of Yen			
	2003			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as available-for-sale:				
Equity securities	¥5,984	¥2,249	¥1,768	¥6,465
Debt securities	5,049	9	171	4,887
Other	1,018	2	123	897

	Millions of Yen			
	2002			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as available-for-sale:				
Equity securities	¥5,439	¥1,604	¥717	¥6,326
Debt securities	5,182	41	16	5,207
Others	1,001	3	66	938

	Thousands of U.S. Dollars			
	2003			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as available-for-sale:				
Equity securities	$49,866	$18,742	$14,733	$53,875
Debt securities	42,075	75	1,425	40,725
Others	8,483	17	1,025	7,475

Available-for-sale securities whose fair value is not readily determinable as of March 31, 2003 and 2002 were as follows:

	Carrying Amount		
	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Available-for-sale:			
Equity securities	¥ 869	¥ 467	$ 7,241
Other	548	555	4,167
Total	¥1,417	¥1,022	$11,408

Proceeds from sales of available-for-sale securities for the years ended March 31, 2003 and 2002 were ¥16,072 million ($133,933 thousand) and ¥7,172 million, respectively. Gross realized gains and losses on these sales, computed on the moving-average cost basis, were ¥46 million ($383 thousand) and ¥9 million ($75 thousand), respectively, for the year ended March 31, 2003 and ¥75 million and ¥128 million, respectively, for the year ended March 31, 2002.

The carrying values of debt securities by contractual maturities for securities classified as available-for-sale at March 31, 2003 are as follows:

	Millions of Yen	Thousands of U.S. Dollars
Due in one year or less	¥4,017	$33,475
Due after one year through five years	1,057	8,808
Total	¥5,074	$42,283

3. EFFECT ON FINANCIAL STATEMENTS OF YEAR-END DATE

The year-end date for the financial year 2002, March 31, 2002 was Sunday. As a result, notes receivable, payable and discounted on that date were settled on April 1, 2002, the immediately following business day, as is customary in Japan. Notes outstanding as at March 31, 2002, whose settlement was postponed were as follows:

	Millions of Yen
	2002
Trade notes receivables	¥221
Trade notes payable	420
Trade notes discounted	144

4. SHORT-TERM BANK LOANS AND LONG-TERM DEBT

Short-term bank loans at March 31, 2003 and 2002 consisted of bank overdrafts, loans on deed and notes to banks. The average interest rates applicable to the short-term bank loans as of March 31, 2003 and 2002 were 1.6% and 2.5%, respectively.

Long-term debt as of March 31, 2003 and 2002 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
2.5% secured bonds due 2004	¥ 400	¥ 400	$ 3,333
1.7% unsecured bonds due 2005	5,000	5,000	41,667
2.1% unsecured bonds due 2007	5,000	5,000	41,667
Loans from banks, due through 2016 with interest rates ranging from 0.8% to 3.5% (2003) and from 0.8% to 3.5% (2002):			
Collateralized	1,187	2,080	9,892
Unsecured	4,710	7,068	39,250
Total	16,297	19,548	135,809
Less current portion	(2,420)	(4,286)	(20,167)
Long-term debt, less current portion	¥13,877	¥15,262	$115,642

The aggregate annual maturities of long-term debt as of March 31, 2003 were as follows:

Years Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2004	¥ 2,420	$ 20,167
2005	5,629	46,908
2006	396	3,300
2007	5,223	43,525
2008	159	1,325
2009 and thereafter	2,470	20,584
Total	¥16,297	$135,809

As of March 31, 2003, the following assets were pledged as collateral to secure short-term bank loans of ¥5,243 million ($43,692 thousand), 2.5% bonds due 2004 of ¥400 million ($3,333 thousand) and long-term debt of ¥1,187 million ($9,892 thousand):

	Millions of Yen	Thousands of U.S. Dollars
	2003	**2003**
Land	**¥ 9,752**	**$ 81,266**
Building and structures—net of accumulated depreciation	**3,396**	**28,300**
Machinery and equipment—net of accumulated depreciation	**2,525**	**21,042**
Total	**¥15,673**	**$130,608**

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 41.8% for the years ended March 31, 2003 and 2002.

The tax effects of significant temporary differences and tax loss carryforwards, which resulted in deferred tax assets and liabilities at March 31, 2003 and 2002 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	**2003**
Deferred tax assets:			
Liability for retirement benefits	**¥ 2,855**	¥2,241	**$ 23,792**
Tax loss carryforwards	**2,076**	476	**17,300**
Accrued expenses	**951**	767	**7,925**
Unrealized loss on available-for-sale securities	**635**		**5,292**
Inventories	**59**	32	**492**
Other	**407**	570	**3,391**
Total	**6,983**	4,086	**58,192**
Deferred tax liabilities:			
Gain on securities transferred of the retirement benefit trust fund	**1,321**	1,364	**11,008**
Property, plant and equipment	**7,553**	1,230	**62,942**
Unrealized gain on available-for-sale securities	**716**	358	**5,967**
Other	**1,412**	864	**11,767**
Total	**11,002**	3,816	**91,684**
Net deferred tax (liabilities) assets	**¥ (4,019)**	¥ 270	**$(33,492)**

A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statements of operations for the years ended March 31, 2003 and 2002 is as follows:

	2003	2002
Normal effective statutory tax rate	41.8%	41.8%
Increase (decrease) in tax rate resulting from:		
Expenses not deductible for income tax purposes	(2.9)	5.8
Per capita levy of corporate tax	(2.8)	2.6
Elimination of intercompany dividends	(6.2)	5.0
Amortization of consolidation goodwill	29.6	2.6
Difference from effective statutory tax rate of consolidated subsidiaries	(18.5)	9.5
Equity in earnings of associated companies	1.4	(6.1)
Effect of tax rate reduction	7.4	
Other—net	1.8	(2.6)
Actual effective tax rate	51.6%	58.6%

On March 31, 2003, a local tax reform law was enacted in Japan which charged the normal effective statutory tax rate from approximately 41.8% to 40.5%, effective for years beginning April 1, 2004. The effect of this change results in decreases of deferred tax assets and deferred tax liabilities of ¥101 million ($842 thousand) and ¥312 million ($2,600 thousand), respectively, and an increase of unrealized gain on available-for-sale securities of ¥3 million ($25 thousand) in the consolidated balance sheets for the year ended March 31, 2003. This also results in an increase of deferred income tax (negative) of ¥207 million ($1,725 thousand) in the consolidated statements of operations for the year ended March 31, 2003.

6. RELATED PARTY TRANSACTIONS

Transactions with and balances due from or to non-consolidated subsidiaries and associated companies for the years ended March 31, 2003 and 2002 were principally as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Transactions:			
Sales	¥ 36	¥375	$ 300
Purchases	163	629	1,358
Balances at year end:			
Trade accounts receivable	6	34	50
Trade accounts payable	20	123	167

7. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥2,206 million ($18,383 thousand) and ¥2,421 million for the years ended March 31, 2003 and 2002, respectively.

8. SEGMENT INFORMATION

The Company operates in the following segments:

Oils and meals consist of home-use food products, commercial-use food products, fats and oils and meals.

Fine chemicals consist of cosmetics and toiletries, chemical products, middle chain fatty acid, lecithin and tocopherol (Vitamin E).

Health linkage consists of therapeutic foods, health foods and foods taken in liquid form.

Other consists of real estate leasing, management and mediation services, pharmaceuticals, packaging services, customs-related business, warehousing, restaurant management, sports facility management, marine products, sales promotions, engineering, accident and liability insurance, computing-related services and garden supplies.

Information about industry segments of the Group for the years ended March 31, 2003 and 2002 is as follows:

a. Sales and Operating Income

	Millions of Yen					
	2003					
	Oils and Meals	Fine Chemicals	Health Linkage	Other	Eliminations	Consolidated
Sales to customers	¥176,081	¥3,251	¥1,977	¥19,599		¥200,908
Intersegment sales	967	571	180	17,327	¥(19,045)	
Total sales	177,048	3,822	2,157	36,926	(19,045)	200,908
Operating expenses	180,660	3,362	2,436	37,445	(19,020)	204,883
Operating income (losses)	¥ (3,612)	¥ 460	¥ (279)	¥ (519)	¥ (25)	¥ (3,975)

b. Total Assets, Depreciation and Capital Expenditures

	Millions of Yen					
	2003					
	Oils and Meals	Fine Chemicals	Health Linkage	Other	Corporate Eliminations	Consolidated
Total assets	¥134,628	¥3,168	¥294	¥25,262	¥20,291	¥183,643
Depreciation and amortization	6,048	108	16	910		7,082
Capital expenditures	5,273	99	8	3,198		8,578

a. Sales and Operating Income

	Thousands of U.S. Dollars					
	2003					
	Oils and Meals	Fine Chemicals	Health Linkage	Other	Eliminations	Consolidated
Sales to customers	$1,467,342	$27,092	$16,475	$163,324		$1,674,233
Intersegment sales	8,058	4,758	1,500	144,392	$(158,708)	
Total sales	1,475,400	31,850	17,975	307,716	(158,708)	1,674,233
Operating expenses	1,505,500	28,017	20,300	312,041	(158,500)	1,707,358
Operating income (losses)	$ (30,100)	$ 3,833	$ (2,325)	$ (4,325)	$ (208)	$ (33,125)

b. Total Assets, Depreciation and Capital Expenditures

	Thousands of U.S. Dollars					
	2003					
	Oils and Meals	Fine Chemicals	Health Linkage	Other	Corporate Eliminations	Consolidated
Total assets	$1,121,900	$26,400	$2,450	$210,517	$169,091	$1,530,358
Depreciation and amortization	50,400	900	133	7,584		59,017
Capital expenditures	43,942	825	67	26,649		71,483

a. Sales and Operating Income

	Millions of Yen					
	2002					
	Oils and Meals	Fine Chemicals	Health Linkage	Other	Eliminations	Consolidated
Sales to customers	¥117,843	¥3,202	¥1,768	¥16,741		¥139,554
Intersegment sales	913	554	80	14,112	¥(15,659)	
Total sales	118,756	3,756	1,848	30,853	(15,659)	139,554
Operating expenses	116,829	3,186	2,045	30,525	(15,702)	136,883
Operating income (losses)	¥ 1,927	¥ 570	¥ (197)	¥ 328	¥ 43	¥ 2,671

b. Total Assets, Depreciation and Capital Expenditures

	Millions of Yen					
	2002					
	Oils and Meals	Fine Chemicals	Health Linkage	Other	Corporate Eliminations	Consolidated
Total assets	¥102,010	¥3,440	¥177	¥22,922	¥17,498	¥146,047
Depreciation and amortization	3,339	114	13	1,285		4,751
Capital expenditures	2,502	104	2	1,329		3,937

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

9. RETIREMENT AND PENSION PLANS

The Company and its domestic consolidated subsidiaries have severance payment plans for employees, directors and corporate auditors. The contributory funded defined benefit plan, which is established under the Japanese Welfare Pension Insurance Law, covers a substitutional portion of the governmental pension program managed by the Company on behalf of the government and a corporate portion established at the discretion of the company. According to the enactment of the Defined Benefit Pension Plan Law in April 2002, the Company applied for an exemption from obligation to pay benefits for future employee services related to the substitutional portion which would result in the transfer of pension obligations and related assets to the government by another subsequent application. The Company obtained an approval of exemption from future obligation by the Ministry of Health, Labour and Welfare on August 13, 2002.

As a result of this exemption, the Company and certain subsidiaries recognized a gain on exemption from future pension obligation of the governmental program in the amount of ¥681 million ($5,675 thousand) in accordance with a transitional measurement of the accounting standard for employees' retirement benefits for the year ended March 31, 2003.

The substitutional portion of the plan assets which will be transferred to the government in the subsequent year is measured to be approximately ¥3,492 million ($29,100 thousand) as of March 31, 2003.

The liability (assets) for employees' retirement benefits at March 31, 2003 and 2002 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	**2003**
Projected benefit obligation	**¥17,668**	¥ 21,096	**$147,233**
Fair value of plan assets	**(8,784)**	(14,468)	**(73,200)**
Unrecognized prior service cost	**511**	806	**4,258**
Unrecognized actuarial loss	**(6,175)**	(5,838)	**(51,458)**
Unrecognized transitional obligation	**(139)**	(158)	**(1,158)**
Prepaid pension expense	**960**	179	**8,000**
Net liability	**¥ 4,041**	¥ 1,617	**$ 33,675**

The components of net periodic benefit costs for the years ended March 31, 2003 and 2002 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	**2003**
Service cost	**¥1,223**	¥ 855	**$10,192**
Interest cost	**432**	585	**3,600**
Expected return on plan assets	**(379)**	(505)	**(3,158)**
Amortization of prior service cost	**(56)**	(57)	**(467)**
Recognized actuarial loss	**310**	95	**2,583**
Amortization of transitional obligation	**20**	20	**167**
Gain on exemption from future pension obligation of the governmental program	**(681)**		**(5,675)**
Net periodic benefit costs	**¥ 869**	¥ 993	**$ 7,242**

Assumptions used for the years ended March 31, 2003 and 2002 are set forth as follows:

	2003	2002
Discount rate	2.8%	2.8%
Expected rate of return on plan assets	3.4%	4.2%
Amortization period of prior service cost	15–17years	15–17years
Recognition period of actuarial gain	15–17years	15–17years
Amortization period of transitional obligation:		
The Company and the other subsidiaries	1year	1year
One subsidiary (Settsu Oil Mills Co., Ltd.)	10years	10years

Retirement allowances for directors and corporate auditors are paid subject to approval of the shareholders in accordance with the Japanese Commercial Code (the "Code").

The Group recorded a liability for its unfunded retirement allowance plan covering all of its directors and corporate auditors for the years ended March 31, 2003 and 2002 were ¥853 million ($7,100 thousand) and ¥910 million, respectively.

10. SHAREHOLDERS' EQUITY

Japanese companies are subject to the Code to which certain amendments became effective from October 1, 2001.

The Code was revised whereby common stock par value was eliminated resulting in all shares being recorded with no par value and at least 50% of the issue price of new shares is required to be recorded as common stock and the remaining net proceeds as additional paid-in capital, which is included in capital surplus. The Code permits Japanese companies, upon approval of the Board of Directors, to issue shares to existing shareholders without consideration as a stock split. Such issuance of shares generally does not give rise to changes within the shareholders' accounts.

The revised Code also provides that an amount at least equal to 10% of the aggregate amount of cash dividends and certain other appropriations of retained earnings associated with cash outlays applicable to each period shall be appropriated as a legal reserve (a component of retained earnings) until such reserve and additional paid-in capital equals 25% of common stock. The amount of total additional paid-in capital and legal reserve that exceeds 25% of the common stock may be available for dividends by resolution of the shareholders. In addition, the Code permits the transfer of a portion of additional paid-in capital and legal reserve to the common stock by resolution of the Board of Directors.

The revised Code eliminated restrictions on the repurchase and use of treasury stock allowing Japanese companies to repurchase treasury stock by a resolution of the shareholders at the general shareholders meeting and dispose of such treasury stock by resolution of the Board of Directors beginning April 1, 2002. The repurchased amount of treasury stock cannot exceed the amount available for future dividend plus amount of common stock, additional paid-in capital or legal reserve to be reduced in the case where such reduction was resolved at the general shareholders meeting.

The amount of retained earnings available for dividends under the Code was ¥42,413 million ($353,441 thousand) as of March 31, 2003, based on the amount recorded in the Company's general books of account. In addition to the provision that requires an appropriation for a legal reserve in connection with the cash payment, the Code imposes certain limitations on the amount of retained earnings available for dividends.

Dividends are approved by the shareholders at a meeting held subsequent to the fiscal year to which the dividends are applicable. Semiannual interim dividends may also be paid upon resolution of the Board of Directors, subject to certain limitations imposed by the Code.

The Company acquired 60% of the shares of Rinoru Oil Mills Co., Ltd. ("Rinoru") and 70% of the shares of Nikko Oil Mills Co., Ltd. ("Nikko") through a stock-for-stock exchange on April 1, 2002. The Company issued 28,005,000 shares to the shareholders of Rinoru and Nikko which resulted in an increase in the capital surplus account of the Company by ¥11,146 million ($92,883 thousand).

11. LEASES

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

Total rental expenses for the years ended March 31, 2003 and 2002 were ¥729 million ($6,075 thousand) and ¥731 million of lease payments under finance leases, respectively.

Pro forma information of leased property such as acquisition cost, accumulated depreciation, obligations under finance lease, depreciation expense and interest expense of finance lease that do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis for the years ended March 31, 2003 and 2002 was as follows:

	Millions of Yen		Thousands of U.S. Dollars
Machinery and Equipment	2003	2002	2003
Acquisition cost	¥ 4,365	¥ 4,327	$ 36,375
Accumulated depreciation	(2,147)	(2,083)	(17,892)
Net leased property	¥ 2,218	¥ 2,244	$ 18,483

Lease payments relating to finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Due within one year	¥ 740	¥ 746	$ 6,167
Due after one year	1,478	1,498	12,316
Total	¥2,218	¥2,244	$18,483

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 operations computed by the straight-line method, was ¥729 million ($6,075 thousand) and ¥731 million for the years ended March 31, 2003 and 2002, respectively.

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

Total rental revenue for the years ended March 31, 2003 and 2002 were ¥19 million ($158 thousand) and ¥484 million of lease receipts under finance leases, respectively.

Total rental revenue includes interest revenue of ¥3 million ($25 thousand) and ¥59 million for the years ended March 31, 2003 and 2002, 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, 2003 and 2002 was as follows:

	Millions of Yen		Thousands of U.S. Dollars
Machinery and Equipment	2003	2002	2003
Acquisition cost	¥ 94	¥ 53	$ 783
Accumulated depreciation	(55)	(28)	(458)
Net leased property	¥ 39	¥ 25	$ 325

Future lease income relating to finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Due within one year	¥21	¥11	$175
Due after one year	46	27	383
Total	¥67	¥38	$558

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

Depreciation expense is ¥26 million ($217 thousand) and ¥384 million for the years ended March 31, 2003 and 2002, respectively.

12. COMMITMENTS AND CONTINGENT LIABILITIES

The Group was contingently liable at March 31, 2003, for guarantees of employee's housing loans, guarantees of assigned lease liability and associated companies' bank borrowings, totaling ¥862 million ($7,183 thousand), ¥148 million ($1,233 thousand) and ¥222 million ($1,850 thousand), respectively.

The Group executed a ¥34,995 million ($291,625 thousand) committed borrowing facility with a domestic banking group during the fiscal year ended March 31, 2003. As of March 31, 2003, the Group drew ¥9,522 million ($79,350 thousand) from this facility.

13. DERIVATIVE

The Group 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 Group has purchased currency options, as a whole, to reduce the purchase price associated with foreign currency transactions. The Group enters into commodity futures in the normal course of business to determine the cost corresponding to the selling price, which is based on the forward delivery contract. The Group enters into interest rate swap agreements as a means of managing their interest rate exposure and profit or loss on redemption of bonds.

The Group 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 in market conditions, including interest and foreign exchange rates. Credit risk is the possibility that a loss may result from a counter party's failure to perform according to terms and conditions of the contract.

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

Foreign currency forward contracts which qualify for hedge accounting for the years ended March 31, 2003 and 2002 are excluded from the disclosure of market value information.

14. SUBSEQUENT EVENTS

a. Establishment of a Subsidiary

The Company approved, at the meeting of the Board on May 15, 2003, to establish a subsidiary in Shanghai, China with a fund of The Nisshin OilliO, Ltd. which is a wholly owned subsidiary of the Company.

(1) Object of the establishment

The newly established subsidiary (the "Subsidiary"), as a China holding company of existing subsidiaries in China, intends to make a strategic investment in response to the expanding market in China and extend its oils and fats business with a supply of raw materials to the subsidiaries and sales of products of the Group through its effective sales network.

(2) Summary of the subsidiary

(a) Name:	Undecided
(b) Location:	Shanghai, China
(c) Date of establishment:	October 2003
(d) Business objective:	Management of an investment in China Supply of raw materials Sales of products
(e) Paid-in capital:	$30 million
(f) Contributor:	The Nisshin OilliO, Ltd., 100%

b. Appropriations of Retained Earnings

The following appropriation of retained earnings at March 31, 2003 was approved at the Company's general meeting of shareholders held on June 27, 2003:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥3.5 ($0.03) per share	¥605	$5,042

c. Purchase of Treasury Stock

The Company's general meeting of shareholders also approved the purchase of treasury stock by the Company. The resolution made was as follows:

The limit of purchase of treasury stock:	8,000,000 shares
The limit of accumulated amount of purchase of treasury stock:	¥4,000 million ($33,333 thousand)
The term of validity of the resolution:	Until next general meeting of shareholders of the Company

Independent Auditors' Report

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To the Board of Directors of
The Nisshin OilliO Group, Ltd.:

We have audited the accompanying consolidated balance sheets of The Nisshin OilliO Group, Ltd. (formerly The Nisshin Oil Mills, Ltd.) and consolidated subsidiaries as of March 31, 2003 and 2002, and the related consolidated statements of operations, shareholders' equity, and cash flows for the years then ended, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards, procedures and practices generally accepted and applied in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Nisshin OilliO Group, Ltd. and consolidated subsidiaries as of March 31, 2003 and 2002, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles and practices generally accepted in Japan.

Our audits 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.a. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu

June 27, 2003

Corporate Data

Board of Directors and Corporate Auditors

President
Jokei Akitani*

Senior Managing Directors
Kazuo Ogome*
Hirohiko Kubo

Managing Directors
Takao Imamura
Tsutomu Usui

Directors
Akira Seto
Takashi Fujii
Shunji Takase
Kenji Gokyu

Standing Corporate Auditor
Shinji Kajiwara

Corporate Auditors
Nobuo Kurebayashi
Mitsuo Minami
Kiyoshi Matsuo

*Representative Director
(As of June 27, 2003)

Head Office
23-1, Shinkawa 1-chome,
Chuo-ku, Tokyo 104-8285, Japan
Phone: (03) 3206-5005
Facsimile: (03) 3206-6458
http://www.oilliogroup.com

Date of Establishment
March 7, 1907

Paid-in Capital
¥16,332 million

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

Number of Shares of Common Stock Issued
173,339,287 shares

Number of Shareholders
11,602

Consolidated Subsidiaries
The Nisshin OilliO, Ltd.
Rinoru Oil Mills Co., Ltd.
Nikko Oil Mills Co., Ltd.
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.
Shanghai Nisshin Oil & Fats, Ltd.
Southern Nisshin Bio-Tech Sdn. Bhd.
Nisshin Finance Co., Ltd.
Sakai Tank Terminal Co., Ltd.
Yamakiu Transport Co., Ltd.
Nikko Express Co., Ltd.
Yoko Engineering Co., Ltd.

Equity-Method Affiliates
Wakou Shokuhin Co., Ltd.
Ten Corporation Co., Ltd.
President Nisshin Corp.
Zhen Jiang Nisshin Seasoning Co., Ltd.
Zhangjiagang President Nisshin Food Corp.

Nisshin OilliO Group

The Nisshin OilliO Group, Ltd.
23-1, Shinkawa 1-chome, Chuo-ku, Tokyo 104-8285, Japan
http://www.oilliogroup.com

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