The Nisshin OilliO Group, Ltd.

ANNUAL REPORT 2004

For the year ended March 31, 2004

NISSHIN OilliO

AMBITIOUS STEPS AHEAD TO A DELICIOUS WORLD

AMBITIOUS

The Nisshin OilliO Group, Ltd. has taken progressive steps to organically consolidate and utilize management resources and expertise once separately held by each of its three former operating companies. The motivation has been to prepare for the coming era of full-scale global competition, one expected to intensify because of lower tariffs on oils. The recent merger has cemented the Company's already dominant presence in Japan's oil and meals industry, and established The Nisshin OilliO Group as one of the most prominent names in the industry in East Asia. The Company is currently engaged in a concerted effort on all fronts to maintain its standing as a leading company in the 21st century.

THE NISSHIN OilliO GROUP, LTD.
Pure holding company

100%	100%	100%
THE NISSHIN OilliO, LTD.	**RINORU OIL MILLS CO., LTD.**	**NIKKO OIL MILLS CO., LTD.**
Oils and Meals Fine Chemicals Health Linkage Others	Oils and Meals Others	Oils and Meals Others

10. 1, 2002 →

The Nisshin OilliO Group, Ltd. was established as a holding company following a corporate separation that established The Nisshin OilliO, Ltd., Rinoru Oil Mills Co., Ltd. and Nikko Oil Mills Co., Ltd. as operating companies.

THE NISSHIN OilliO GROUP, LTD.
Oils and Meals
Fine Chemicals
Healthy Foods
Others

NISSHIN OilliO

7. 1, 2004 →

The Nisshin OilliO Group, Ltd. absorbed The Nisshin OilliO, Ltd., Rinoru Oil Mills Co., Ltd. and Nikko Oil Mills Co., Ltd. via merger.

Contents

Cautionary Statement

Statements in this annual report regarding the future business performance of The Nisshin OilliO Group Ltd. constitute forward-looking statements and are based on information currently available to management. These forward-looking statements are subject to risks and uncertainties which include, but are not limited to, fluctuations in general economic conditions, intensified industry competition, market trends and fluctuations in exchange rates. Readers are cautioned that these and other factors outside the control of The Nisshin OilliO Group may cause actual results to differ materially from forecasts.

Message From the Management

FISCAL 2003 RESULTS

During fiscal 2003, ended March 31, 2004, net sales for The Nisshin OilliO Group increased 5.9% to ¥212,820 million (US$2,008 million). Among the factors boosting operating results were higher revenues at the former operating companies: The Nisshin OilliO, Ltd., Rinoru Oil Mills Co., Ltd. and Nikko Oil Mills Co., Ltd. Earnings improved by a wide margin, with operating income and net income improving to ¥458 million (US$4 million) and ¥2,374 million (US$22 million), respectively. This result was largely attributable to the swift realization of merger benefits and lower selling, general and administrative expenses, thanks to the success of initiatives aimed at paring down costs. These outweighed the Company's inability to keep pace with the rise in costs for raw materials in terms of product pricing.

A NEW STRUCTURE EMERGES

The oils and meals industry in Japan is facing a business environment of extreme severity. Higher prices for chief raw materials and freight are being exacerbated by rapid changes in both the global procurement of raw materials and the supply and demand picture. China is a prime example of such changes, where strong economic growth has proven a major factor driving raw materials prices higher.

FINANCIAL HIGHLIGHTS

The Nisshin OilliO Group, Ltd.
Year Ended March 31, 2004

	Millions of Yen	Thousands of U.S. Dollars
	2004	**2004**
FOR THE YEAR:		
Net sales	**¥212,820**	**$2,007,736**
Net income	**2,374**	**22,396**
AT YEAR-END:		
Total assets	**¥179,752**	**$1,695,774**
Shareholders' equity	**92,149**	**869,330**
	Yen	U.S. Dollars
	2004	**2004**
PER SHARE DATA:		
Net income	**¥13.66**	**$0.13**
Cash dividends applicable to the year	**7.00**	**0.07**

Notes: 1. U.S. dollar amounts represent translations of Japanese yen amounts, for convenience only, at the rate of ¥106 to U.S.$1, the approximate rate of exchange at March 31, 2004.
2. Net income per share is computed based on the weighted-average number of outstanding shares of common stock.

Meanwhile, commercial boundaries between nations continue to evaporate in the wake of ongoing agricultural negotiations by the World Trade Organization and the spread of Free Trade Agreements. This trend is forecast not only to fuel competition on the domestic level, but also to intensify competition from multinational corporations.

In this environment, The Nisshin OilliO Group has strived to formulate a vision for firmly maintaining its position as a leader in the oils and meals industry, and raising corporate value. On July 1, 2004, these efforts culminated in a merger whereby the Company absorbed The Nisshin OilliO, Ltd., Rinoru Oil Mills Co., Ltd. and Nikko Oil Mills Co., Ltd., marking its emergence under a redefined corporate structure. This new structure provides a more functional and speedy management system, and will enable further gains from efficiency and cost reductions, empowering the Group to win out against full-scale global competition.

AHEAD: THE NEW MANAGEMENT PLAN

Complementing this new structure, we drafted a new medium-term management plan for the three-year period from fiscal 2004 to fiscal 2006. Called *AHEAD*, the intent of this plan is to lay out a definitive course for the Company, and to explore structural options for generating maximum results. The first "A" in *AHEAD* stands for an *ambitious* corporate stance. The remaining letters indicate key

Goals of the AHEAD Management Plan for Fiscal 2006

Net Sales	→¥275.0 billion or more
Ordinary Income	→¥10.0 billion or more
ROA (ordinary income base)	→5.5% or higher
ROE (net income base)	→6.0% or higher
Interest-bearing Debt to Operating Cash Flows	→1.7 or lower

concepts to bolster going forward. "H" is for *health*, "E" for the pursuit of improved *efficiency*, the second "A" for *Asia*, a priority region for expanding our operations, while "D" is for the commitment to product *development*. As the name of the Company's latest three-year plan, this five-letter word encapsulates the desire to be a corporate group consistently at the forefront of its industry.

One thrust of the *AHEAD* plan will be to promote new business models in more traditional sectors of the Oils and Meals Business, while creating high-added-value markets in tech-heavy sectors. To this end, we have established a new business, Healthy Foods. The Company can thus focus on growth markets springing from notable trends in Japanese society such as growing health consciousness, a declining birthrate and an aging populace. In parallel, the Company is leveraging distinctive technology that utilizes the power of nature as part of steps to expand the Fine Chemicals Business.

As a company committed to proposing and creating healthy, pleasant lifestyles for the well-being of its customers, based on a consummate pursuit of the concepts of "taste, health and beauty," we will fulfill our role as a responsible corporate citizen, forging boldly ahead as a Group always ready to take on new challenges. I invite you to expect great things from The Nisshin OilliO Group, Ltd. in the coming years.

September 2004

J. Akitani

Jokei Akitani

President

Business Domains of The Nisshin OilliO Group, Ltd.

OILS AND MEALS

- Home-use edible oils
- Commercial-use edible oils
- Edible processed oils
- Margarines and shortenings
- Processed oils and fats
- Meals and grains
- Industrial-use oils and fatty acids
- Soy protein foods, others

The Oils and Meals Business maximizes the power of nature found in raw materials for oils and fats to support the dietary demands of everyday life. By applying distinctive and creative technology, this business consistently proposes products with exceptional added value.

HEALTHY FOODS

- Foods for coping with lifestyle diseases
- Foods for women
- Foods for the elderly
- Therapeutic foods, foods for specific dietary needs
- Liquefied foods, others

Health is the keyword behind the Healthy Foods Business, leveraging the diverse resources and expertise of The Nisshin OilliO Group, Ltd. to generate new value. After all, proposing upbeat, healthy lifestyles is what The Nisshin OilliO Group is all about.

FINE CHEMICALS

- Raw materials for cosmetics
- Additives for foods and pharmaceuticals
- Medium-chain fatty acids
- Chemical products, others

Uncovering plant-based oils suitable for cosmetics, pharmaceuticals and even industrial goods is a prime example of these operations.

With sights set on the global market, The Nisshin OilliO Group, Ltd.'s distinctive fine chemicals technology is useful to many familiar areas of daily life.

GROUP BUSINESS

- Distribution
- Information technology
- Pharmaceuticals
- Restaurants
- Marine products
- Sales promotion
- Engineering
- Insurance and real estate management

AHEAD

New Three-year Management Plan

The merger of its four former companies afforded The Nisshin OilliO Group, Ltd. a perfect opportunity to formulate a new three-year management plan. The Company launched this plan, called AHEAD, in fiscal 2004. The plan, an acronym formed from the keywords "Ambitious," "Health," "Efficiency," "Asia" and "Development," embodies five conceptual areas where the Company is striving to consistently lead the industry.

A — Ambitious

The powerful drive to overcome unprecedented pitfalls in a difficult business environment.

H — Health

Proposing and creating healthy, pleasant lifestyles for the well-being of customers.

E — Efficiency

Rigorous pursuit of better efficiency in every corner of corporate operations, centered on the traditional oils and meals business.

A — Asia

In addition to staking out new markets in Asia, engage in full-scale business development to hone a globally competitive edge.

D — Development

Enhance product and technology development capabilities and establish businesses founded on regular development activities, as well as tech-heavy businesses driven by a development-oriented mindset.

The four concepts of "Health," "Efficiency," "Asia" and "Development" will run horizontally across the breadth of the Company's businesses. Together with the core Oils and Meals, Healthy Foods and Fine Chemicals businesses, acting as vertical struts lending greater support to the business base, these themes will form a matrix in which to take action, while working to clarify specific lines of responsibility for each concept.

OILS AND MEALS

OILS AND MEALS

In Oils and Meals, the *AHEAD* plan is targeting net sales of ¥243.3 billion for fiscal 2006, including inter-segment sales, an increase of 28% compared to fiscal 2003 results.

In the area of "Health," the Company has two core objectives: uphold its position as the leading brand in the market for healthy oils, and promote strategies for achieving a full lineup in the market for home-use edible oils. In the latter, the Company is proposing a complete product lineup in healthy oils, highly functional premium oils, and widely used regular oils. The strategy will be to enhance earnings in each of these product zones. In healthy oils, an area attracting growing interest, the Company is promoting medium-chain fatty acids and plant sterols, and expanding the market for these products. In the sizeable premium products market, the policy will be to win greater support by leveraging one-of-a-kind product and technological capabilities to market appealing products. The Company is also giving customers more options and expanding sales by packaging high-value-added products as edible oil gift sets for Japan's traditional gift-giving seasons. In the commercial and industrial-use sectors, the Company is bolstering proposals to users that dovetail with its activities in healthy oils and highly functional products and technologies. Product development through collaborations with retail and delicatessen food producers and processed food manufacturers is already under way, combining technologies in an effort to boost product value.

Isogo Plant

Nagoya Plant

From left: **Healthy Choleste**
Healthy Resetta

DOMESTIC PRODUCTION FRAMEWORK

The Nisshin OilliO Group, Ltd. has four production bases in Japan. The Isogo Plant in Yokohama, the Nagoya Plant and the Mizushima Plant each has docks capable of accepting large freight vessels, providing an integrated operational flow from offloading of raw materials to pressing, refining and filling. The fourth base, the Sakai Plant, specializes in refining and filling. Production Group-wide is designed to take full advantage of the functions and location offered by each site. During the three-year duration of the *AHEAD* management plan, the Company is eyeing greater efficiency at its domestic production bases and an improved cost structure. Another objective will be to expand business throughout China and the rest of East Asia.

Sakai Plant

GROWTH IN EAST ASIA

The Company currently has six production bases in East Asia, with four in China, and one in Taiwan and Malaysia, respectively. In China, a holding company, The Nisshin OilliO (China) Investment Co., Ltd., was established in October 2003 to consolidate businesses under a single banner once conducted by independent operating companies, while providing a framework for furthering the Company's target business vision. This framework allows investment strategies to be formulated that rapidly respond to market trends, facilitates raw material procurement for operating companies, provides an efficient sales infrastructure for the domestic Chinese market, and initiates other actions for driving growth in the Oils and Meals Business in East Asia. In 2003, the Company raised refining capacity at Zhang Jia Gang President Nisshin Food Corp. The next step is to achieve notable improvement in pressing capacity by completing the No. 2 Plant in the Beiliang Port District at Dalian Nisshin Oil Mills, Ltd., where construction should conclude in fall 2004. As the production infrastructure falls into place, plans call for strengthening business development in East Asia through ongoing marketing activities. On the production side, this will allow the Company to enhance sales to local companies and Japanese companies extending business into China, as well as broaden the sales scope for functional oils.

Mizushima Plant

HEALTHY FOODS

Since its establishment in December 1998, Healthy Foods has provided food products that bridge the gap between food and medicine. In accordance with the three-year *AHEAD* management plan, plans call for leveraging distinctive development capabilities and an extensive product line in this business segment to grow sales through proposals of real value. The Company is targeting net sales of ¥8.7 billion, including inter-segment sales, in this business for the fiscal year ending March 31, 2007.

Determined to enhance its proposal capabilities for the therapeutic foods market and increase market share, the Company is making the most of the power of nature to deliver medium-chain fatty acid oils, soy milk, soy protein and other health-conscious products, as well as those particularly targeting female consumers.

In Japan, anxiety is mounting over chronic lifestyle diseases as society continues to age rapidly. And in authorized food products for specific health uses, officially recognized by Japan's Ministry of Health, Labor and Welfare, and one of the Company's strong suits, The Nisshin OilliO Group, Ltd. is leveraging a full lineup of products for tackling body fat, blood pressure and blood sugar problems, and a host of lifestyle diseases. As one might expect with such products, selecting the best sales channels, developing specific business targets, building a sales network, communicating with users and other in-depth strategic planning activities are likely to have a profound effect on sales. In the therapeutic foods business, chiefly therapeutic foods and nutritional supplements, Group company Nisshin Science Co., Ltd. aims to expand growth by taking maximum advantage of its hospital, pharmacy and drugstore channels accumulated over the years, as well as expertise in mail-order and online sales.

From top:* Pucera *gelatin drinks
Mealtime Digestive Aid *fiber-enriched green tea*

Where development is concerned, the Company is promoting businesses built on its technological strengths, using its unique perspective to develop products like soymilk, marine peptides and green juice, alongside dressings and mayonnaise-type seasonings created with both good taste and health in mind. The overarching goal is to expand the sales scope of operations.

FINE
CHEMICALS

FINE CHEMICALS

In Fine Chemicals, the *AHEAD* plan calls for developing this business with the aim of achieving sales of ¥7.8 billion, including inter-segment sales, by the fiscal year ending March 31, 2007. In cosmetics, which accounts for approximately 60% of sales in this segment, priority issues are to grow sales of high-added-value products and cost-competitive general-purpose products. The guiding policy will be to lift the ratio of sales from raw materials for cosmetics overseas by implementing concrete measures for establishing business bases in Europe, the United States and China. In addition, the creation of a speedy development framework capable of maintaining the Company's ability to develop and deliver a steady stream of new products will be a priority management issue going forward. Another focus of attention will be joint research with cosmetics manufacturers and research institutes, as The Nisshin OilliO Group, Ltd. strives to provide highly functional products with greater added value.

Meanwhile, the Company will continue to sustain its system for outsourcing production to a Taiwan-based firm. And by maintaining production bases geographically closer to consumers, the Company is seeking to expand sales of high-quality, cost-competitive, general-purpose products overseas. As part of these efforts, production sites emerging from overseas operations currently under development in China were aligned to form a structure for selling raw materials for cosmetics with enhanced cost competitiveness to local manufacturers.

The Nisshin OilliO Group supplies ingredients for a variety of cosmetics.

The Nisshin OilliO Group Businesses

OILS AND MEALS BUSINESS

In 1924, The Nisshin Oil Mills, 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 since sold a diverse array of salad, canola, olive, and sesame oils for commercial and home use, meeting needs in line with the changing times. The recent merger with The Nisshin OilliO, Ltd. (formerly The Nisshin Oil Mills), Rinoru Oil Mills Co., Ltd. and Nikko Oil Mills Co., Ltd. will provide chances to promote the brands that each company has developed in this preferred field.

From this viewpoint, "Nisshin OilliO" will become the unified brand in the area of home-use products. In the commercial and industrial-use fields, the Company is deliberating which line will be the best brand for accessing the powerful network of preferred customers that was a defining strength of the Nisshin OilliO, Rinoru Oil and Nikko Oil brands.

From left:
Healthy Resetta
Healthy Choleste

Edible Oils for Home Use

In edible oils for home use, Healthy Resetta, a health food product authorized for specified health uses by Japan's Ministry of Health, Labor and Welfare, was launched in January 2003. Sales for Healthy Resetta, which inhibits fat uptake in the body, have climbed steadily since its debut.

This was followed in February 2004 by the launch of another authorized food, *Healthy Choleste*, a product recognized for its ability to lower cholesterol. As consumers become increasingly health conscious, The Nisshin OilliO Group, Ltd. will respond to this need by developing highly functional oils conducive to good health. Annual sales are also growing steadily for *Nisshin Canola Oil* and *Nisshin Canola Oil Healthy Light*, two oils with a light taste that accentuates the delicious flavor of the quality ingredients used. The Company has a full and assorted lineup of other products on hand, among them *Bosco Olive Oil*, its leading brand of olive oil, and *Nisshin Pure Sesame Oil*, an indispensable name in Chinese and Japanese cuisine.

Commercial and Processed Oils

The Company is pushing its home-use brands in the commercial and processed fields. Department stores and supermarkets, for example, are reporting brisk sales of foods fried in two healthy oils, *Healthy Resetta* and *Nisshin Canola Oil*. Elsewhere, the Company is proposing highly functional oils to users and aggressively backing other proposal-based sales activities. These include promoting sales of salad dressings at convenience stores, as well as sales of snack foods cooked using *Bosco Olive Oil*.

Another action by the Group has been to advance frying oils and *Nisshin Bonland* as part of its line of margarines

From left:
Nisshin Canola Oil *for commercial use*
Nisshin Canola Margarine
OilSaver Fryer *(produces less waste oil)*

and shortenings made from pure vegetable oil for commercial use. Functionality matched to specific applications, and an unbeatable level of quality, has earned these oils high marks from target users. Looking ahead, the Company will remain committed to utilizing ester-transfer technology to create high-added-value oils and fats, as a means of consistently enhancing its product development capabilities.

Meals and Grains

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, sold under the Landmark brand, are the basic ingredients in foods traditionally eaten in Japan such as tofu, miso, fried bean curd and soy sauce.

Landmark *soybeans*

Industrial-use Oils and Fats

From left:
Soybean fatty acid, flaxseed oil and
EcoMate AR-1 *anti-adhesive for asphalt*

In industrial-use oils and fatty acids, The Nisshin OilliO Group, Ltd. enjoys the leading share of flaxseed oil in Japan, while applications for products in this category have spread to diverse areas of everyday life, including their use as raw materials for certain plastics and paints. The Company is also supporting the use of environmentally friendly products for roadwork and other construction sites by proposing vegetable-based EcoMate AR-1 as an alternative to mineral oil for use as an anti-adhesive in asphalt production.

Overseas Operations

The Nisshin OilliO Group, Ltd. was quick to respond to globalization in the oils and meals industry, and has aggressively developed overseas operations. The Company promptly extended its reach particularly in East Asia, culminating in the establishment of Dalian Nisshin Oil Mills, Ltd. in 1988. Five more companies followed soon after: Dalian Shuang Ri Foods Co., Ltd., responsible for selecting food soybeans; vegetable oil manufacturing and sales company Shanghai Nisshin Oil & Fats, Ltd.; Zhang Jia Gang President Nisshin Food Corp. and President Nisshin Corp., manufacturers and sellers of margarine, shortenings and other processed oils and fats; and Southern Nisshin Bio-Tech Sdn. Bhd., which manufactures fats primarily from palm oil. And in October 2003, the Company established The Nisshin OilliO (China) Investment Co., Ltd. as an investment company uniting the operations of companies in East Asia under a common banner.

HEALTHY FOODS BUSINESS

The Nisshin OilliO Group, Ltd.'s commitment to health was the starting point for this business segment. Healthy Foods links together the diverse resources and expertise that the Company has cultivated in this area over the years. Taking full advantage of these assets, this business provides therapeutic foods, authorized foods for specified health uses, and other health foods in support of people's good health, as well as dressings made from healthy oils.

Authorized Foods for Specified Health Uses

From left:
Mayodore
(egg-free mayonnaise-type dressing)
Marine Peptide

One of the Company's strong points in this business is an ability to respond to most chronic lifestyle diseases with a full lineup of authorized foods for specified health uses. These include *Healthy Resetta*, made from medium-chain fatty acids that help prevent fat uptake in the body; *Healthy Choleste* for combating cholesterol; Kale green juice, a product that eases upset stomachs and is fortified with dietary fiber to improve regularity; *Marine Peptide*, launched in January 2004 for people with borderline high-blood pressure; and a special green tea product that calms the sharp rise in blood sugar after meals. Alongside *Xylisugart*, a sugar-free sweetener made from xylitol, soymilk and soy protein are other products in this segment for proposing healthy and delicious lifestyles to consumers.

Therapeutic Foods

In foods for the elderly and therapeutic foods, the Group is supporting improved food choices for patients. Offerings include *Toromi Up-V*, a food specially designed for people with difficulty swallowing, as well as a range of foods, from deli items to desserts, beverages and candies, for sufferers of kidney disorders on restricted diets.

From left:
Xylisugart *sugar-free sweetener*
Kale green juice
Toromi Up-V *(thickens liquids for people with difficulty swallowing)*

In addition to supermarkets and other conventional retail food sales channels, the Group is marketing products from the Healthy Foods segment via channels such as drugstores, pharmacies and hospitals, as well as mail order and online sales, stressing the importance of conversations with users while conducting sales in each of these routes.

FINE CHEMICALS BUSINESS

The Nisshin OilliO Group, Ltd. draws on the power of nature for distinctive fine chemicals technology. This technology enables it to provide specialized raw materials to a wide range of fields where chemical products are used, including cosmetics, food, pharmaceuticals and IT. Cosmetics accounts for 60% of fine chemicals sales, with plans to raise this percentage further by promoting sales in China, Europe and the U.S. through operations built on an integrated production and sales structure. As a result, the Company is determined to eventually boost the percentage of overseas sales in the cosmetics field to 50%, up from the current level of around 25%.

From skincare to makeup, The Nisshin OilliO Group is providing the market with a wide range of raw materials for cosmetics. These raw materials derive from R&D into performance materials created from the Company's unique synthesis and refining technologies, and from its work on the development of related applications. Specific examples include the introduction of hydrocarbons produced by Finland-based FORTUM, and proposals for polyglycerin fatty acid esters and highly useful UV blockers, as well as the development of cosmetics applications for new materials designed with superior absorbency and elasticity. The noted antioxidant properties of sesame also resulted in the adoption of sesame sprout essence for use in premium cosmetics in 2003. The Company soon hopes to develop applications for this essence in the area of food.

The Nisshin OilliO Group has a proven track record in the manufacture and sale of MCT oil. Made from dietary medium-chain triacylglycerols, demand is growing in the areas of food, food additives and pharmaceuticals. While preparing its development and production systems to cope with this change in the business environment, the Company is using MCT oil as an ingredient in its own *Healthy Resetta* brand edible oil. In food and food additives, The Nisshin OilliO Group produces tocopherol (vitamin E) and lecithin, indispensable ingredients in a variety of margarines, noodles and nutritional supplements.

The Company is delivering specialty esters and other functional materials for industrial-use products in fields related to IT and other industries. Environmentally friendly products are another new field in which the Company is providing technology and proposing basic materials.

In a concerted effort to expand business growth, The Nisshin OilliO Group will work to speed up development of its core businesses.

Specialized oils and food additives (including esters and tocopherol)

Addressing the Natural Environment

The Nisshin OilliO Group, Ltd. is in consummate pursuit of new possibilities offered by the bounty and power of nature. Extracting the nutritional and highly functional ingredients latent in plant-based resources is thus a normal aspect of its business operations. Put another way, the Company could not function without this dynamic link to nature. This awareness is the reason measures for dealing with environmental problems have become the responsibility of all Group companies and employees, and why fulfilling this task is considered an integral part of the Company's management philosophy.

Notable strides have been made to date Group-wide in promoting a common awareness of measures for tackling environmental concerns. The recent merger, moreover, has provided a prime opportunity to curtail CO_2-emission levels at bases producing oils and meals, achieve zero emissions status, and target lower energy consumption at all Group business sites, including the head office and business branches. To this end, the Company has formulated and is striving to complete the environmental objectives detailed in the chart below. At the same time, The Nisshin OilliO Group is seeking to reduce its environmental impact and lower costs through greater efficiency—to be accomplished by integrating and consolidating production and logistics, as well as products and materials.

To promote environmental management—a key element in achieving environmental objectives and ensuring full legal compliance—the Company has already completed ISO 14001 certification for all of its domestic oils and meals production sites.

ENVIRONMENTAL PRESERVATION MEASURES BY DIVISION

Production
- Reduce CO_2, SO_x and NO_x
- Reduce waste
- Optimal production framework

Development
- Development of environmentally sound products
- Promotion of environmentally sound businesses

Effective use of natural resources and energy

Lower the environmental impact of products

Communication with customers

Strengthen compliance

Logistics
- Integrate logistics sites
- Modal shifts and joint transport
- Optimize inventories

Management
- Reduce energy use at offices
- Green procurement
- Environmental education and training

Materials
- Reduce packaging material volume and quantity
- Expand the use of soy ink in packaging materials
- Universal Design

Financial Section

Five-year Summary

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

	Millions of Yen Except Per Share Data					Thousands of U.S. Dollars Except Per Share Data
	2004	2003	2002	2001	2000	**2004**
FOR THE YEAR:						
Net sales	**¥212,820**	¥200,908	¥139,554	¥134,516	¥135,516	**$2,007,736**
Net income (loss)	**2,374**	(1,423)	1,027	1,641	781	**22,396**
Per share data (in yen):						
Net income (loss)	**¥ 13.66**	¥ (8.22)	¥ 7.07	¥ 11.30	¥ 5.32	**$ 0.13**
Diluted net income					5.27	
Cash dividends applicable to the year	**7.00**	7.00	7.00	7.00	7.00	**0.07**
AT YEAR-END:						
Total assets	**¥179,752**	¥183,643	¥146,047	¥153,983	¥152,885	**$1,695,774**
Shareholders' equity	**92,149**	89,187	81,815	82,804	80,370	**869,330**

Notes: 1. U.S. dollar amounts represent translations of Japanese yen amounts, for convenience only, at the rate of ¥106 to U.S.$1, the approximate rate of exchange at March 31, 2004.

2. Net income (loss) per share is computed based on the weighted-average number of outstanding shares of common stock.

3. Diluted net income per share data is not disclosed in 2004, 2003 and 2002 because it was anti-dilutive and in 2001 because of the Company's redemption of the convertible bonds.

Contents

Financial Review

As of March 31, 2004, The Nisshin OilliO Group, Ltd. counted 34 subsidiaries, 10 unconsolidated subsidiaries, and 2 affiliates. There are 5 equity-method affiliates. The equity method is not applied to any of the unconsolidated subsidiaries.

On July 1, 2004, a newly formed The Nisshin OilliO Group, Ltd. was launched following the merger of the former pure holding company, The Nisshin OilliO, Ltd., Rinoru Oil Mills Co., Ltd. and Nikko Oil Mills Co., Ltd. The Company's main businesses are Oils and Meals, Healthy Foods, and Fine Chemicals, as well as related services and other operations.

CONSOLIDATED RESULTS

Operating Environment

The Japanese economy began showing signs of a recovery during the year under review. The corporate sector, encouraged by a spike in growth in exports and capital expenditures, was the main driver of this economic rebound. Slow improvement on the employment and income fronts, however, continued to put strain on household budgets, and consumer spending remained in the doldrums.

In the oils and meals industry, prices for grains used as raw materials were sharply higher. Tight supply and demand provided the backdrop for this rise, due to a decline in production volume for U.S.-raised soybeans, a major source of raw materials, growing demand from China and other concerns. These conditions briefly drove prices for soybeans on the Chicago Board of Trade to their highest levels since 1988. Rapeseed prices, tracking that of soybeans, were generally higher as well. The industry was also hit by a sharp increase in seagoing freight costs, sparked by growth in import volumes in China for iron ore, grains and other products. The end result was an intensely severe operating environment for The Nisshin OilliO Group, Ltd.

Faced with these conditions, the Company worked to achieve even lower cost operations, expanding sales of newly developed and high-value-added products, and revising sales prices.

Net Sales

In this business climate, sales rose year on year at the former The Nisshin OilliO, Ltd., Rinoru Oil Mills Co., Ltd. and Nikko Oil Mills Co., Ltd., lifting net sales 5.9% higher to ¥212,820 million (US$2,008 million).

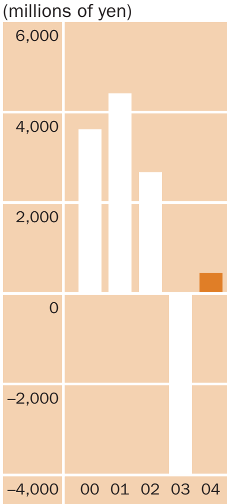
Cost of Sales and Gross Profit

Cost of sales increased 6.7% to ¥172,410 million (US$1,627 million), reflecting the higher prices for raw materials discussed earlier. As a result, gross profit edged up 2.7% to ¥40,410 million (US$381 million).

Operating Income

Operating income rose sharply to ¥458 million (US$4 million). This result was largely due to the swift realization of merger benefits and lower selling, general and administrative expenses, thanks to the success of measures for paring down costs. These outweighed the Company's inability to keep pace with the rise in costs for raw materials in setting product prices.

OPERATING INCOME (LOSS)
(millions of yen)



Net Income

Net income was ¥2,374 million (US$22 million) as the Company enacted restructuring measures, including the early application of impairment accounting for the write-down of property, plant and equipment, with the aim of achieving a more sound financial footing. This resulted in the posting of a gain on sales of property, plant and equipment, an impairment loss on long-lived assets and a loss on disposition of property, plant and equipment as extraordinary gains and losses.

SEGMENT INFORMATION

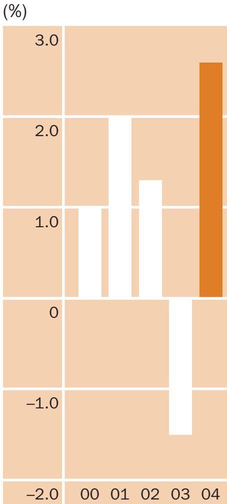
Oils and Meals Business

Edible oils for home and commercial use, other oil products, meals and grains are the main products in this segment, which comprised 88.8% of aggregate net sales.

In home-use edible oils, the Company launched *Healthy Choleste*, its second authorized food product for specified health uses following *Healthy Resetta*, in a bid to expand sales of high-value-added products better able to withstand market changes. Canola oil saw substantial growth, led by the *Nisshin Canola Oil Healthy Light* brand, helping to boost segment sales higher for the year. The Company also remained focused on revising prices for regular products. But while these price hikes began to make inroads, they were unable to completely keep pace with rising costs. In gift package sets, performance came in below the previous year. This despite efforts to boost sales of *Nisshin Healthy Oils* gift sets by introducing new sets featuring *Healthy Resetta*. The gift market as a whole, meanwhile, continued to contract due to a collapse in demand from corporations and individual customers.

In commercial-use products, proposal-based marketing initiatives targeting delis and restaurants led to growth in sales volumes and prices for premium oil products. In regular products, efforts to force through price revisions lifted sales up on the year, despite lower sales volumes. Although sales volumes for edible processed oil were virtually unchanged year on year, ongoing price negotiations steadily drove up unit sales prices, resulting in higher sales. Oils for the industrial sector also saw sales volumes and prices improve on the year.

RETURN ON EQUITY
(%)



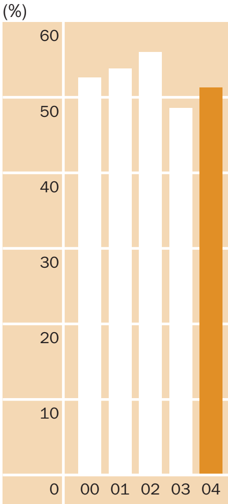
Sales volumes for soybean meal were lower for the year. Nevertheless, a year-on-year increase in unit sales prices, fueled by conditions on the international market, lifted sales higher. Rapeseed meal, too, saw an increase in sales volumes and prices on the year.

Overseas, sales were up year on year notwithstanding the impact of SARS and avian flu in China on Dalian Nisshin Oil Mills, Ltd. In a step to expand business in the East Asian market, The Nisshin OilliO Group, Ltd. established an investment company, The Nisshin OilliO (China) Investment Co., Ltd., and broke ground on its second plant at Dalian Nisshin Oil Mills, located in the Beiliang Port District.

The above factors resulted in segment sales of ¥188,941 million (US$1,782 million), 7.3% higher than the previous year. The Oils and Meals Business posted an operating loss of ¥134 million (US$1 million).

SHAREHOLDERS' EQUITY RATIO

(%)



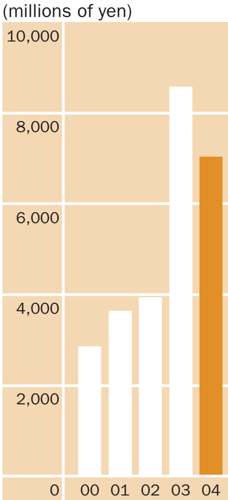
Health Linkage Business

The major products of this segment include therapeutic foods, foods for patients with specific dietary needs, liquefied foods, and health foods. This segment comprised 1.0% of aggregate net sales.

In health foods, the Company worked to enhance its product lineup and expand sales channels, particularly for authorized food products for specified health uses such as kale green juice, gelatin drinks in the *Pucera* line of products for combating PMS, and a new homogenized soymilk product made from soybeans. Sales in therapeutic foods remained stable, thanks to the introduction of several new products targeting patients suffering from kidney failure. As a result, sales in this segment rose 8.5% to ¥2,146 million (US$20 million), with an operating loss posted of ¥304 million (US$3 million).

CAPITAL EXPENDITURES

(millions of yen)



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 1.8% of aggregate net sales.

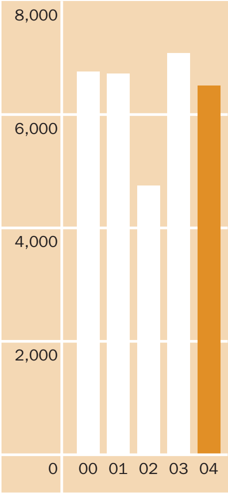
Raw materials for cosmetics recorded steady growth in sales volumes both in Japan and elsewhere, resulting in higher sales. Chemical products saw sales substantially higher, reflecting brisk sales in IT-related industries. These factors lifted segment sales 16.6% higher to ¥3,791 million (US$36 million), with operating income of ¥347 million (US$3 million).

Other Businesses

Although the pharmaceuticals and marine products businesses, both currently under restructuring, showed signs of improvement, performance continued to slump in this segment. Combined with a contraction in the number of sports facilities under operation and the liquidation of a subsidiary in the restaurant business, segment sales declined 8.5% to ¥17,942 million (US$169 million). The segment posted operating income of ¥684 million (US$6 million).

FINANCIAL POSITION

DEPRECIATION AND AMORTIZATION
(millions of yen)



Total Assets

Total assets declined 2.1% from the previous fiscal year-end, to ¥179,752 million (US$1,696 million). This result came from a decline in property, plant and equipment due to the sale, write-down and disposition of assets in line with restructuring to improve the financial soundness of Group companies.

Current Liabilities

Current liabilities fell 11.9% year on year to ¥50,356 million (US$475 million), due to the repayment of short-term bank loans and other factors.

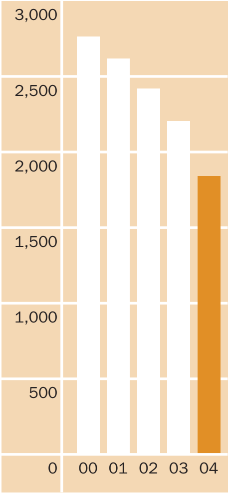
Long-term Liabilities

Long-term liabilities edged down 0.8% to ¥34,870 million (US$329 million), as declines in deferred tax liabilities and the allowance for losses on debt guarantees helped offset an increase in long-term debt.

Shareholders' Equity

Shareholders' equity was ¥92,149 million (US$869 million), up 3.3% higher year on year, mainly due to retained earnings, stemming from net income posted for the year, and other factors.

R&D EXPENSES
(millions of yen)



Cash Flows

Net cash provided by operating activities was ¥5,616 million (US$53 million). Cash flows initially declined by ¥4,079 million, as an increase in trade receivables offset income before income taxes, which increased ¥4,525 million year on year. Outweighing this was a net cash inflow of ¥8,524 million, as an increase in trade payables outweighed an increase in inventories against the backdrop of sharply higher prices for raw materials in the Oils and Meals Business.

Net cash provided by investing activities was ¥2,341 million (US$22 million). This was attributable to the proceeds from sale of property, plant and equipment conducted in line with restructuring measures aimed at improving the financial soundness of Group companies. The Company also took steps to sell off marketable securities, with the goal of eliminating interest-bearing debt and unraveling cross-shareholdings in financial institutions.

Net cash used in financing activities was ¥7,554 million (US$71 million), as proceeds from long-term debt of ¥3,000 million were offset by a decline in interest-bearing debt of ¥7,439 million. Among other factors, this was due to progress made on the repayment of bank loans as a growing number of affiliates and subsidiaries adopted cash management systems (CMS).

Consolidated Balance Sheets

The Nisshin OilliO Group, Ltd. and Consolidated Subsidiaries
March 31, 2004 and 2003

ASSETS	Millions of Yen 2004	Millions of Yen 2003	Thousands of U.S. Dollars (Note 1.a) 2004
CURRENT ASSETS:			
Cash and cash equivalents	¥ 9,150	¥ 8,909	$ 86,321
Time deposits	533	736	5,028
Marketable securities (Note 2)	3,188	3,841	30,075
Receivables:			
Trade notes	2,451	2,833	23,123
Trade accounts	35,148	32,394	331,585
Allowance for doubtful receivables	(162)	(165)	(1,528)
Inventories:			
Finished goods	11,739	13,474	110,745
Raw materials	16,983	13,488	160,217
Deferred tax assets (Note 5)	2,094	2,059	19,755
Prepaid expenses and other	2,998	4,507	28,283
Total current assets	84,122	82,076	793,604
PROPERTY, PLANT AND EQUIPMENT (Notes 3 and 4):			
Land	26,717	27,366	252,047
Buildings and structures	63,479	63,324	598,859
Machinery and equipment	73,399	75,359	692,443
Construction in progress	1,045	2,403	9,859
Total	164,640	168,452	1,553,208
Accumulated depreciation	(88,378)	(85,679)	(833,755)
Net property, plant and equipment	76,262	82,773	719,453
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Note 2)	10,956	9,825	103,358
Investments in and advances to unconsolidated subsidiaries and associated companies	2,423	2,236	22,859
Goodwill	255	180	2,406
Other (Note 5)	5,734	6,553	54,094
Total investments and other assets	19,368	18,794	182,717
TOTAL	¥179,752	¥183,643	$1,695,774

See notes to consolidated financial statements.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of Yen 2004	Millions of Yen 2003	Thousands of U.S. Dollars (Note 1.a) 2004
CURRENT LIABILITIES:			
Short-term bank loans (Note 4)	¥ 4,842	¥ 13,042	$ 45,679
Current portion of long-term debt (Note 4)	622	2,420	5,868
Payables:			
Trade notes	914	1,448	8,623
Trade accounts	30,393	24,717	286,726
Income taxes payable (Note 5)	746	451	7,038
Accrued expenses	8,881	9,147	83,783
Other	3,958	5,913	37,340
Total current liabilities	50,356	57,138	475,057
LONG-TERM LIABILITIES:			
Long-term debt (Note 4)	16,435	13,877	155,047
Liability for retirement benefits (Note 7)	4,665	4,894	44,009
Deferred tax liabilities (Note 5)	7,046	7,588	66,472
Negative goodwill	6,090	8,146	57,453
Other	634	652	5,981
Total long-term liabilities	34,870	35,157	328,962
MINORITY INTERESTS	2,377	2,161	22,425
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 9, 10 and 11)			
SHAREHOLDERS' EQUITY (Note 8):			
Common stock—authorized, 388,350,000 shares; issued, 173,339,287 shares in 2004 and 2003	16,332	16,332	154,075
Capital surplus	26,052	26,052	245,774
Retained earnings	48,515	47,148	457,689
Unrealized gain (loss) on available-for-sale securities	1,660	(217)	15,660
Foreign currency translation adjustments	(248)	14	(2,340)
Treasury stock—at cost, 519,137 shares in 2004 and 447,719 shares in 2003	(162)	(142)	(1,528)
Total shareholders' equity	92,149	89,187	869,330
TOTAL	¥179,752	¥183,643	$1,695,774

Consolidated Statements of Operations

The Nisshin OilliO Group, Ltd. and Consolidated Subsidiaries
Years Ended March 31, 2004 and 2003

	Millions of Yen		Thousands of U.S. Dollars (Note 1.a)
	2004	2003	**2004**
NET SALES	**¥212,820**	¥200,908	**$2,007,736**
COST OF SALES	**172,410**	161,556	**1,626,509**
Gross profit	**40,410**	39,352	**381,227**
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 6)	**39,952**	43,327	**376,906**
Operating income (loss)	**458**	(3,975)	**4,321**
OTHER INCOME (EXPENSES):			
Interest and dividend income	**208**	208	**1,962**
Interest expense	**(403)**	(533)	**(3,802)**
Gain on sales of property, plant and equipment	**3,436**	817	**32,415**
Gain on sales of investment securities	**369**	46	**3,481**
Loss on write-down of investment securities	**(22)**	(305)	**(208)**
Loss on disposition of property, plant and equipment	**(1,716)**	(348)	**(16,189)**
Foreign exchange loss	**(256)**	(225)	**(2,415)**
Amortization of negative goodwill	**2,056**	2,056	**19,396**
Impairment loss on long-lived assets (Note 3)	**(1,590)**		**(15,000)**
Gain on exemption from future pension obligation of the governmental program (Note 7)		681	
Loss on disaffiliation from the employees pension fund	**(704)**		**(6,641)**
Other—net	**(129)**	(1,240)	**(1,216)**
Other income—net	**1,249**	1,157	**11,783**
INCOME (LOSS) BEFORE INCOME TAXES AND MINORITY INTERESTS	**1,707**	(2,818)	**16,104**
INCOME TAXES (Note 5):			
Current	**992**	929	**9,359**
Deferred	**(1,146)**	(2,382)	**(10,811)**
Total	**(154)**	(1,453)	**(1,452)**
MINORITY INTERESTS IN NET (LOSS) INCOME	**(513)**	58	**(4,840)**
NET INCOME (LOSS)	**¥ 2,374**	¥ (1,423)	**$ 22,396**

	Yen		U.S. Dollars
	2004	2003	**2004**
PER SHARE OF COMMON STOCK (Note 1.p):			
Net income (loss)	**¥13.66**	¥(8.22)	**$0.13**
Cash dividends applicable to the year	**7.00**	7.00	**0.07**

See notes to consolidated financial statements.

Consolidated Statements of Shareholders' Equity

The Nisshin OilliO Group, Ltd. and Consolidated Subsidiaries
Years Ended March 31, 2004 and 2003

	Thousands	Millions of Yen					
	Outstanding Number of Shares of Common Stock	Common Stock	Capital Surplus	Retained Earnings	Unrealized Gain (Loss) on Available-for-sale Securities	Foreign Currency Translation Adjustments	Treasury Stock
BALANCE, APRIL 1, 2002	145,198	¥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 8)	28,005		11,146				
Net decrease in unrealized gain on available-for-sale securities					(973)		
Net change in foreign currency translation adjustments						(122)	
Treasury stock acquired—net	(379)						(75)
BALANCE, MARCH 31, 2003	172,824	16,332	26,052	47,148	(217)	14	(142)
Net income				2,374			
Cash dividends, ¥7.00 per share				(1,211)			
Bonuses to directors				(7)			
Takeover of retained earnings for merger				15			
Adjustment of retained earnings for associated company newly accounted for by the equity method				196			
Net increase in unrealized gain on available-for-sale securities					1,877		
Net change in foreign currency translation adjustments						(262)	
Treasury stock acquired—net	(31)						(20)
BALANCE, MARCH 31, 2004	**172,793**	**¥16,332**	**¥26,052**	**¥48,515**	**¥1,660**	**¥(248)**	**¥(162)**

	Thousands of U.S. Dollars (Note 1.a)					
	Common Stock	Capital Surplus	Retained Earnings	Unrealized Gain (Loss) on Available-for-sale Securities	Foreign Currency Translation Adjustments	Treasury Stock
BALANCE, MARCH 31, 2003	$154,075	$245,774	$444,793	$ (2,047)	$ 132	$(1,339)
Net income			22,396			
Cash dividends, $0.07 per share			(11,425)			
Bonuses to directors			(66)			
Takeover of retained earnings for merger			142			
Adjustment of retained earnings for associated company newly accounted for by the equity method			1,849			
Net increase in unrealized gain on available-for-sale securities				17,707		
Net change in foreign currency translation adjustments					(2,472)	
Treasury stock acquired—net						(189)
BALANCE, MARCH 31, 2004	**$154,075**	**$245,774**	**$457,689**	**$15,660**	**$(2,340)**	**$(1,528)**

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

The Nisshin OilliO Group, Ltd. and Consolidated Subsidiaries
Years Ended March 31, 2004 and 2003

	Millions of Yen		Thousands of U.S. Dollars (Note 1.a)
	2004	2003	2004
OPERATING ACTIVITIES:			
Income (loss) before income taxes and minority interests	¥ 1,707	¥ (2,818)	$ 16,104
Adjustments for:			
Income taxes—paid	(468)	(1,820)	(4,415)
Depreciation and amortization	6,509	7,082	61,405
Equity in earnings of associated companies	(127)	(91)	(1,198)
Amortization of negative goodwill	(2,056)	(2,056)	(19,396)
Gain on sales and disposition of property, plant and equipment	(1,717)	(417)	(16,198)
Loss on write-down of investment securities	22	305	208
Gain on exemption from future pension obligation of the governmental program		(681)	
(Increase) decrease in trade receivables	(2,551)	1,529	(24,066)
Increase in inventories	(1,952)	(4,991)	(18,415)
Increase in trade payables	5,694	208	53,717
Decrease in liability for retirement benefits	(165)	(104)	(1,556)
Other—net	720	557	6,791
Total adjustments	3,909	(479)	36,877
Net cash provided by (used in) operating activities	5,616	(3,297)	52,981
INVESTING ACTIVITIES:			
Proceeds from sale of investment securities	2,759	280	26,028
Purchases of investment securities	(346)	(1,841)	(3,264)
Proceeds from sale of property, plant and equipment	5,175	899	48,821
Purchases of property, plant and equipment	(6,660)	(6,959)	(62,830)
Decrease in marketable securities—net	610	1,062	5,755
Compensation for condemnation of land	1,585	1,393	14,953
Other—net	(782)	(1,228)	(7,378)
Net cash provided by (used in) investing activities	2,341	(6,394)	22,085
FINANCING ACTIVITIES:			
(Decrease) increase in short-term bank loans—net	(7,846)	3,910	(74,019)
Proceeds from long-term debt	3,810	571	35,943
Repayments of long-term debt	(2,496)	(4,955)	(23,547)
Redemption of bonds	(400)		(3,773)
Dividends paid	(1,210)	(1,115)	(11,415)
Dividends paid for minority interests	(44)	(177)	(415)
Proceeds from issuance of common stock to minority shareholder	641		6,047
Purchases of treasury stock	(9)	(109)	(85)
Net cash used in financing activities	(7,554)	(1,875)	(71,264)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	(183)	(89)	(1,726)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	220	(11,655)	2,076
CASH AND CASH EQUIVALENTS OF NEWLY CONSOLIDATED SUBSIDIARIES, BEGINNING OF YEAR		3,510	
CASH AND CASH EQUIVALENTS INCREASED BY MERGER WITH CONSOLIDATED SUBSIDIARIES	21		198
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	8,909	17,054	84,047
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 9,150	¥ 8,909	$ 86,321

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

The Nisshin OilliO Group, Ltd. and Consolidated Subsidiaries
Years Ended March 31, 2004 and 2003

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 generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

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 2003 financial statements to conform to the classifications used in 2004.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and operates. The translation of Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan and has been made at the rate of ¥106 to $1, the approximate rate of exchange at March 31, 2004. Such translation should not be construed as a representation 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, 2004 include the accounts of the Company and its 24 (26 in 2003) 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 (five in 2003) associated companies are accounted for by the equity method. Investments in the remaining ten (nine in 2003) unconsolidated subsidiaries and five (six in 2003) associated companies are stated at cost. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiary/associated company at the date of acquisition. Goodwill 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 5 years.

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

c. Translation of Foreign Currency Accounts—Foreign currency transactions relate principally to the importation of raw materials through Japanese trading companies, contracted 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.

Gains or losses from foreign currency transactions are included in net income or loss.

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 Investment 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. Long-lived Assets—In August 2002, the Business Accounting Council issued a Statement of Opinion, "Accounting for Impairment of Fixed Assets," and in October 2003 the Accounting Standards Board of Japan ("ASB") issued ASB Guidance No. 6, "Guidance for Accounting Standard for Impairment of Fixed Assets." These new pronouncements are effective for fiscal years beginning on or after April 1, 2005 with early adoption permitted for fiscal years ending on or after March 31, 2004.

The Group adopted the new accounting standard for impairment of fixed assets from the year ended March 31, 2004. The Group reviews its long-lived assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

The effect of adoption of the new accounting standard for impairment of fixed assets was to decrease income before income taxes and minority interests for the year ended March 31, 2004 by ¥1,590 million ($15,000 thousand).

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

l. 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.

m. Retirement and Pension Plans—The Company and its domestic consolidated subsidiaries have unfunded retirement benefit plans 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 10 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.

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

o. 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 commitments. These futures which qualify for hedge accounting are measured at market value at the balance sheet date and the unrealized gains or losses are deferred until maturity as other liabilities or assets.

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 liabilities or assets.

p. Per Share Data—Basic net income per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock splits.

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.

q. 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 INVESTMENT SECURITIES

Marketable securities and investment securities as of March 31, 2004 and 2003 comprised the following:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	**2004**
Current—Government and corporate bond	**¥ 3,188**	¥3,841	**$ 30,075**
Total	**¥ 3,188**	¥3,841	**$ 30,075**
Non-current:			
Marketable equity securities	**¥ 9,086**	¥7,035	**$ 85,717**
Government and corporate bonds	**137**	1,046	**1,292**
Trust fund investments and other	**1,733**	1,744	**16,349**
Total	**¥10,956**	¥9,825	**$103,358**

The carrying amounts and aggregate fair values of marketable and investment securities at March 31, 2004 and 2003 were as follows:

	Millions of Yen			
	2004			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as available-for-sale:				
Equity securities	**¥4,910**	**¥4,219**	**¥ 46**	**¥9,083**
Debt securities	**3,886**	**5**	**597**	**3,294**
Other	**495**		**47**	**448**

	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

	Thousands of U.S. Dollars			
	2004			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as available-for-sale:				
Equity securities	**$46,321**	**$39,802**	**$ 434**	**$85,689**
Debt securities	**36,660**	**47**	**5,632**	**31,075**
Other	**4,669**		**443**	**4,226**

Available-for-sale securities whose fair value is not readily determinable as of March 31, 2004 and 2003 were as follows:

	Carrying Amount		
	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	**2004**
Available-for-sale:			
Equity securities	**¥ 778**	¥ 869	**$ 7,340**
Other	**593**	548	**5,594**
Total	**¥1,371**	¥1,417	**$12,934**

Proceeds from sales of available-for-sale securities for the years ended March 31, 2004 and 2003 were ¥3,096 million ($29,208 thousand) and ¥16,072 million, respectively. Gross realized gains and losses on these sales, computed on the moving average cost basis, were ¥369 million ($3,481 thousand) and ¥102 million ($75 thousand), respectively, for the year ended March 31, 2004 and ¥46 million and ¥9 million, respectively, for the year ended March 31, 2003.

The carrying values of debt securities by contractual maturities for securities classified as available-for-sale at March 31, 2004 are as follows:

	Millions of Yen	Thousands of U.S. Dollars
Due in one year or less	**¥ 11**	**$ 104**
Due after one year through five years	**250**	**2,358**
Total	**¥261**	**$2,462**

3. LONG-LIVED ASSETS

The Group reviewed its long-lived assets for impairment as of the year ended March 31, 2004 and, as a result, recognized an impairment loss of ¥1,590 million ($15,000 thousand) on drug facilities and aquaform as other expenses for certain manufacturing facilities of pharmaceuticals and marine products due to a continuous operating loss of that unit, and the carrying amount of the relevant property, plant and equipment was written down to the recoverable amount. The recoverable amount of these facilities was measured at its value in use and the discount rate used for computation of the present value of future cash flows was 3%.

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

Short-term bank loans at March 31, 2004 and 2003 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, 2004 and 2003 were 1.5% and 1.6%, respectively.

Long-term debt as of March 31, 2004 and 2003 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	**2004**
2.5% secured bonds due 2004		¥ 400	
1.7% unsecured bonds due 2005	**¥ 5,000**	5,000	**$ 47,170**
2.1% unsecured bonds due 2007	**5,000**	5,000	**47,170**
Loans from banks, due through 2016 with interest rates ranging from 0.8% to 3.5% (2004) and from 0.8% to 3.5% (2003):			
Collateralized	**555**	1,187	**5,236**
Unsecured	**6,502**	4,710	**61,339**
Total	**17,057**	16,297	**160,915**
Less current portion	**(622)**	(2,420)	**(5,868)**
Long-term debt, less current portion	**¥16,435**	¥13,877	**$155,047**

The aggregate annual maturities of long-term debt as of March 31, 2004 were as follows:

Years Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2005	¥ 622	$ 5,868
2006	5,341	50,387
2007	1,876	17,698
2008	5,231	49,349
2009	3,401	32,085
2010 and thereafter	586	5,528
Total	¥17,057	$160,915

As of March 31, 2004, the following assets were pledged as collateral to secure short-term bank loans of ¥1,080 million ($10,189 thousand) and long-term debt of ¥555 million ($5,236 thousand):

	Millions of Yen	Thousands of U.S. Dollars
	2004	**2004**
Land	**¥1,964**	**$18,528**
Buildings and structures—net of accumulated depreciation	**1,466**	**13,830**
Machinery and equipment—net of accumulated depreciation	**746**	**7,038**
Total	**¥4,176**	**$39,396**

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, 2004 and 2003.

On March 31, 2003, a tax reform law concerning enterprise tax was enacted in Japan which changed the normal effective statutory tax rate from 41.8% to 40.5%, effective for years beginning on or after April 1, 2004. The deferred tax assets and liabilities which will realize on or after April 1, 2004 are measured at the effective tax rate of 40.5% as at March 31, 2004 and 2003.

The tax effects of significant temporary differences and tax loss carryforwards, which resulted in deferred tax assets and liabilities at March 31, 2004 and 2003 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	**2004**
Deferred tax assets:			
Liability for retirement benefits	**¥ 2,992**	¥ 2,855	**$ 28,227**
Tax loss carryforwards	**2,189**	2,076	**20,651**
Accrued expenses	**978**	951	**9,226**
Unrealized profits on sales of fixed assets	**165**	75	**1,557**
Unrealized loss on available-for-sale securities		635	
Inventories	**51**	59	**481**
Other	**441**	332	**4,160**
Total	**6,816**	6,983	**64,302**
Deferred tax liabilities:			
Gain on securities transferred of the retirement benefit trust fund	**1,331**	1,321	**12,557**
Property, plant and equipment	**7,130**	7,553	**67,264**
Unrealized gain on available-for-sale securities	**1,159**	716	**10,934**
Other	**1,432**	1,412	**13,509**
Total	**11,052**	11,002	**104,264**
Net deferred tax liabilities	**¥ (4,236)**	¥ (4,019)	**$ (39,962)**

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, 2004 and 2003 is as follows:

	2004	2003
Normal effective statutory tax rate	41.8%	41.8%
Expenses not deductible for income tax purposes	8.7	(2.9)
Per capita levy of corporate tax	4.3	(2.8)
Elimination of intercompany dividends	6.0	(6.2)
Amortization of consolidation goodwill	(48.6)	29.6
Difference from effective statutory tax rate of consolidated subsidiaries	40.4	(18.5)
Equity in earnings of associated companies	(3.1)	1.4
Effect of tax rate reduction	2.5	7.4
Temporary difference due to not recognized deferred tax	15.5	
Unrealized profits on sales of fixed assets	(78.5)	
Other—net	2.0	1.8
Actual effective tax rate	(9.0)%	51.6%

At March 31, 2004, a subsidiary had tax loss carryforwards aggregating approximately ¥5,354 million ($50,509 thousand) which is available to be offset against taxable income of the subsidiary in future years. This tax loss carryforward, if not utilized, will expire as follows:

Years Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2005	¥1,990	$18,774
2006	2,059	19,424
2007	1,305	12,311
Total	¥5,354	$50,509

6. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥1,841 million ($17,368 thousand) and ¥2,206 million for the years ended March 31, 2004 and 2003, respectively.

7. 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, Labor 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 in accordance with a transitional measurement of the accounting standard for employees' retirement benefits for the year ended March 31, 2003.

Certain domestic consolidated subsidiaries recorded a loss of ¥704 million on disaffiliation from the employees' pension fund.

The liability (assets) for employees' retirement benefits at March 31, 2004 and 2003 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	2004
Projected benefit obligation	¥ 20,722	¥17,668	$ 195,491
Fair value of plan assets	(13,898)	(8,784)	(131,113)
Unrecognized prior service cost	475	511	4,481
Unrecognized actuarial loss	(4,169)	(6,175)	(39,330)
Unrecognized transitional obligation	(119)	(139)	(1,123)
Prepaid pension expense	865	960	8,160
Net liability	¥ 3,876	¥ 4,041	$ 36,566

The components of net periodic benefit costs for the years ended March 31, 2004 and 2003 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	**2004**
Service cost	**¥ 856**	¥1,223	**$ 8,075**
Interest cost	**376**	432	**3,547**
Expected return on plan assets	**(299)**	(379)	**(2,821)**
Amortization of prior service cost	**(37)**	(56)	**(349)**
Recognized actuarial loss	**426**	310	**4,019**
Amortization of transitional obligation	**20**	20	**189**
Special retirement benefits	**5**		**47**
Gain on exemption from future pension obligation of the governmental program		(681)	
Net periodic benefit costs	**¥1,347**	¥ 869	**$12,707**

Assumptions used for the years ended March 31, 2004 and 2003 are set forth as follows:

	2004	2003
Discount rate	**2.2%**	2.8%
Expected rate of return on plan assets	**4.2%**	3.4%
Amortization period of prior service cost	**15–17 years**	15–17 years
Recognition period of actuarial gain	**15–17 years**	15–17 years
Amortization period of transitional obligation:		
The Company and the other subsidiaries	**1 year**	1 year
One subsidiary (Settsu Oil Mills Co., Ltd.)	**10 years**	10 years

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 liabilities for its unfunded retirement allowance plan covering all of its directors and corporate auditors for the years ended March 31, 2004 and 2003 that were ¥789 million ($7,443 thousand) and ¥853 million, respectively.

8. SHAREHOLDERS' EQUITY

Japanese companies are subject to the Code to which various amendments have become effective since 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 the balance of common stock. The amount of total additional paid-in capital and legal reserve that exceeds 25% of the balance of 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. The repurchased amount of treasury stock cannot exceed the amount available for future dividends plus the 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 ¥42,068 million ($396,868 thousand) as of March 31, 2004, 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.

9. LEASES

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

Total lease payments under finance leases for the years ended March 31, 2004 and 2003 were ¥818 million ($7,717 thousand) and ¥729 million, respectively.

Pro forma information of leased property such as acquisition cost, accumulated depreciation, impairment loss (see Note 3), obligations under finance leases, depreciation expense and interest expense of finance leases that do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis for the years ended March 31, 2004 and 2003 was as follows:

	Millions of Yen		Thousands of U.S. Dollars
Machinery and Equipment	**2004**	2003	**2004**
Acquisition cost	**¥ 4,157**	¥ 4,365	**$ 39,217**
Accumulated depreciation	**(2,243)**	(2,147)	**(21,160)**
Impairment loss	**(340)**		**(3,208)**
Net leased property	**¥ 1,574**	¥ 2,218	**$ 14,849**

Lease payments relating to finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	**2004**
Due within one year	**¥ 618**	¥ 740	**$ 5,830**
Due after one year	**956**	1,478	**9,019**
Total	**¥1,574**	¥2,218	**$14,849**

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 ¥818 million ($7,717 thousand) and ¥729 million for the years ended March 31, 2004 and 2003, respectively.

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

Total lease receipts under finance leases for the years ended March 31, 2004 and 2003 were ¥20 million ($189 thousand) and ¥19 million, respectively.

Total lease receipts include interest revenue of ¥3 million ($28 thousand) and ¥3 million for the years ended March 31, 2004 and 2003, 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, 2004 and 2003 was as follows:

	Millions of Yen		Thousands of U.S. Dollars
Machinery and Equipment	**2004**	2003	**2004**
Acquisition cost	**¥ 91**	¥ 94	**$ 858**
Accumulated depreciation	**(70)**	(55)	**(660)**
Net leased property	**¥ 21**	¥ 39	**$ 198**

Future lease income relating to finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	**2004**
Due within one year	**¥18**	¥21	**$170**
Due after one year	**28**	46	**264**
Total	**¥46**	¥67	**$434**

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

Depreciation expense is ¥17 million ($160 thousand) and ¥26 million for the years ended March 31, 2004 and 2003, respectively.

10. COMMITMENTS AND CONTINGENT LIABILITIES

The Group was contingently liable at March 31, 2004, for guarantees of employees' housing loans, guarantees of assigned lease liabilities and associated companies' bank borrowings, totaling ¥858 million ($8,094 thousand), ¥82 million ($774 thousand) and ¥222 million ($2,094 thousand), respectively.

The Group executed a ¥26,310 million ($248,208 thousand) committed borrowing facility with a domestic banking group during the fiscal year ended March 31, 2004. As of March 31, 2004, the Group drew ¥2,040 million ($19,245 thousand) from this facility.

11. DERIVATIVES

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 volatility in market conditions, including interest and foreign exchange rates. Credit risk is the possibility that a loss may result from a counterparty'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, 2004 and 2003 are excluded from the disclosure of market value information.

12. SEGMENT INFORMATION

The Group operates in the following segments:

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

Fine chemicals consist of cosmetics and toiletries, chemical products, middle-chain fatty acids, 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, 2004 and 2003 is as follows:

a. Sales and Operating Income

	Millions of Yen					
	2004					
	Oils and Meals	Fine Chemicals	Health Linkage	Other	Eliminations	Consolidated
Sales to customers	¥188,941	¥3,791	¥2,146	¥17,942		¥212,820
Intersegment sales	965	461	248	17,941	¥(19,615)	
Total sales	189,906	4,252	2,394	35,883	(19,615)	212,820
Operating expenses	190,040	3,905	2,698	35,199	(19,480)	212,362
Operating (losses) income	¥ (134)	¥ 347	¥ (304)	¥ 684	¥ (135)	¥ 458

b. Total Assets, Depreciation, Impairment Loss and Capital Expenditures

	Millions of Yen					
	2004					
	Oils and Meals	Fine Chemicals	Health Linkage	Other	Corporate Eliminations	Consolidated
Total assets	¥136,751	¥2,969	¥624	¥25,793	¥13,615	¥179,752
Depreciation and amortization	5,463	109	16	921		6,509
Impairment loss on fixed assets				1,590		1,590
Capital expenditures	4,547	123	18	2,350		7,038

a. Sales and Operating Income

	Thousands of U.S. Dollars					
	2004					
	Oils and Meals	Fine Chemicals	Health Linkage	Other	Eliminations	Consolidated
Sales to customers	$1,782,462	$35,765	$20,245	$169,264		$2,007,736
Intersegment sales	9,104	4,349	2,340	169,255	$(185,048)	
Total sales	1,791,566	40,114	22,585	338,519	(185,048)	2,007,736
Operating expenses	1,792,830	36,840	25,453	332,066	(183,774)	2,003,415
Operating (losses) income	$ (1,264)	$ 3,274	$(2,868)	$ 6,453	$ (1,274)	$ 4,321

b. Total Assets, Depreciation, Impairment Loss and Capital Expenditures

	Thousands of U.S. Dollars					
	2004					
	Oils and Meals	Fine Chemicals	Health Linkage	Other	Corporate Eliminations	Consolidated
Total assets	$1,290,104	$28,010	$5,887	$243,330	$128,443	$1,695,774
Depreciation and amortization	51,538	1,028	151	8,689		61,406
Impairment loss on fixed assets				15,000		15,000
Capital expenditures	42,896	1,160	170	22,170		66,396

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 (losses) income	¥ (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

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

13. SUBSEQUENT EVENT

The following appropriation of retained earnings at March 31, 2004 was approved at the Company's general meeting of shareholders held on June 29, 2004:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥3.5 ($0.03) per share	**¥605**	**$5,707**

Deloitte.

Deloitte Touche Tohmatsu
MS Shibaura Building
4-13-23 Shibaura
Minato-ku, Tokyo 108-8530
Japan

Tel: +81 (3) 3457 7321
Fax: +81 (3) 3457 1694
www.deloitte.com/jp

INDEPENDENT AUDITORS' REPORT

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. and consolidated subsidiaries (together, the "Group") as of March 31, 2004 and 2003, 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 generally accepted 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, 2004 and 2003, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

As discussed in Note 1.j to the consolidated financial statements, the Group adopted the new accounting standard for impairment of fixed assets effective April 1, 2003.

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 29, 2004

Member of
Deloitte Touche Tohmatsu

Corporate Data

Board of Directors and Corporate Auditors

President
Jokei Akitani*

Senior Managing Directors
Kazuo Ogome
Shunji Takase
Hirohiko Kubo
Fumio Imokawa
Takao Imamura

Managing Directors
Tadashi Suzuki
Yoshihito Tamura
Kenji Gokyu
Tsutomu Usui
Akira Seto

Directors
Yuzou Higaki
Kenichi Iwasaki
Takashi Fujii
Yoshiharu Ninomiya
Mitsuo Minami
Takeshi Inoue
Tomoyuki Nakayama

Standing Corporate Auditors
Kentarou Kurokawa
Shinji Kajiwara

Corporate Auditors
Kiyoshi Matsuo
Masatoshi Kamijo

*Representative Director

(As of July 1, 2004)

Head Office
23-1, Shinkawa 1-chome,
Chuo-ku, Tokyo 104-8285, Japan
Phone: (03) 3206-5005
Facsimile: (03) 3206-6458
http://www.nisshin-oillio.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
12,662

Consolidated Subsidiaries
Settsu Oil Mills Co., Ltd.
Nisshin Shoji Co., Ltd.
Nisshin Logistics Co., Ltd.
NSP Co., Ltd.
Kobayashi Pharmaceutical Industry Co., Ltd.
Marketing Force Japan, Inc.
Nisshin Plant Engineering Co., Ltd.
The Golf Joy Co., Ltd.
Nisshin Science Co., Ltd.
Nisshin Marine Tech Co., Ltd.
Evagros Co., Ltd.
Nisshin Cosmo Foods Co., Ltd.
Dalian Nisshin Oil Mills, Ltd.
Shanghai Nisshin Oil & Fats, Ltd.
Southern Nisshin Bio-Tech Sdn. Bhd.
The Nisshin OilliO (China) Investment Co., Ltd.
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.
Saiwai Shoji Co., Ltd.
President Nisshin Corp.
Zhang Jia Gang President Nisshin Food Corp.

NISSHIN OilliO

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

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