NISSHIN OilliO

"The Natural Power of Plants"

The Nisshin OilliO Group, Ltd.

ANNUAL REPORT 2010

For the year ended March 31, 2010

New Growth Driven

The Nisshin OilliO Group's Business Domains

Oils and Meal Business

Nisshin OilliO fully harnesses "the natural power of plants" inherent in edible oils, oil meal and other raw materials to improve daily diets, and to offer foods for specified health uses (FOSHU) and other high-value-added products. This business includes China and other parts of Asia as well as Japan.

● Main Products
- Edible oils for household and food services, and for processed food manufacturers
- Oil meal and grains
- Industrial-use oils, fatty acids, others

Processed Oils and Fats Business

Oils and fats derived from palm oil, along with other edible oils and fats are being continually developed to meet a wide range of processing applications. This global business includes a facility in Malaysia along with operations in Japan.

● Main Products
- Margarine
- Shortening
- Oils and fats for chocolate

Healthy Foods Business

To meet the needs of increasingly health-conscious consumers, our lineup of healthy food products includes dressings made with healthy oils, and foods for specified health uses (FOSHU) that help prevent lifestyle-related diseases.

● Main Products
- Salad dressings and mayonnaise-type dressing
- Foods for the elderly and nursing care
- Foods for preventing lifestyle-related diseases
- Foods for renal disease patients
- Nutritional foods

Fine Chemicals Business

The fine chemicals business develops functional materials that meet exacting needs in a wide range of fields, including cosmetics, food, pharmaceuticals and industrial products. This global business also includes overseas production facilities and sales offices.

● Main Products
- Raw materials for cosmetics
- Food and drug additives
- Medium-chain triglycerides
- Chemical products

Soy Protein Business

Soy protein provides good health functionality, along with excellent water retention and elasticity, and is used in ground marine products, hamburgers and a wide variety of other products. The Nisshin OilliO Group continues to develop new foods using soy protein.

● Main Products
- Soy protein foods
- Soy foods
- Tofu and tofu-based products

Environmental Business

The environmental business focuses on developing environmentally friendly, high-value-added products, and establishing new business models in a wide range of business areas, including non-food fields.

● Main Products
- Asphalt anti-adhesion oils
- Concrete mold release oils
- New material: Carbon powder made from soy hull

Contents

Note: Unless otherwise indicated, all figures are for fiscal years that end on March 31 of the year indicated.

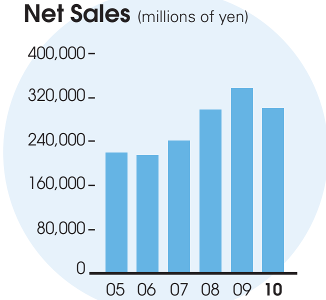
Financial Highlights

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

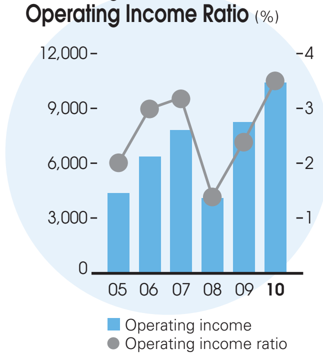
	Millions of Yen*1						Thousands of U.S. Dollars*2
	2010	2009	2008	2007	2006	2005	**2010**
For the Year:							
Net sales	**¥301,299**	¥337,925	¥298,196	¥241,668	¥215,479	¥220,204	**$3,239,774**
Oils and Meal	**276,079**	312,610	272,648	216,334	188,979	192,787	**2,968,591**
Healthy Foods and Soy Protein	**9,686**	8,696	8,616	8,571	6,500	5,814	**104,151**
Fine Chemicals	**5,742**	5,254	5,405	4,878	4,483	4,077	**61,742**
Operating income	**10,435**	8,272	4,114	7,835	6,386	4,376	**112,204**
Net income	**5,104**	3,066	1,876	6,202	7,138	3,202	**54,882**
Cash Flows:							
Net cash provided by (used in) operating activities	**¥ 11,458**	¥26,690	¥(16,849)	¥ 6,890	¥ 8,928	¥ 9,415	**$ 123,204**
Net cash used in investing activities	**(12,194)**	(5,856)	(3,854)	(6,968)	(6,726)	(7,428)	**(131,118)**
Net cash provided by (used in) financing activities	**(3,135)**	22	16,345	(2,186)	1,273	(2,551)	**(33,709)**
Cash and cash equivalents at the end of the year	**22,665**	26,475	6,166	10,354	12,401	8,469	**243,710**
At Year-End:							
Total assets	**¥222,358**	¥217,488	¥205,824	¥196,008	¥190,829	¥180,866	**$2,390,946**
Equity	**114,816**	107,498	109,406	112,282	103,785	94,282	**1,234,581**
Per Share Data (Yen and U.S. dollars)**:**							
Net income	**¥29.62**	¥17.79	¥10.87	¥35.91	¥41.00	¥18.20	**$0.32**
Cash dividends applicable to the year	**10.00**	10.00	10.00	10.00	7.50	7.00	**0.11**
Financial Ratios (%)**:**							
ROE (Net income base)	**4.7**	2.9	1.8	5.7	6.9	3.4	
ROA (Ordinary income base)	**4.6**	3.7	2.2	5.2	4.7	3.4	
Equity ratio	**48.3**	46.6	50.7	55.0	54.4	52.1	
Operating income ratio	**3.5**	2.4	1.4	3.2	3.0	2.0	

Notes: 1. U.S. dollar amounts represent translations of Japanese yen amounts, for convenience only, at the rate of ¥93 to U.S.$1, the approximate rate of exchange at March 31, 2010.
2. Net income 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 2010, 2009, 2008, 2007, 2006, and 2005 because it was anti-dilutive.

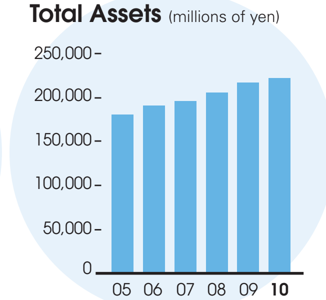
Net Sales (millions of yen)



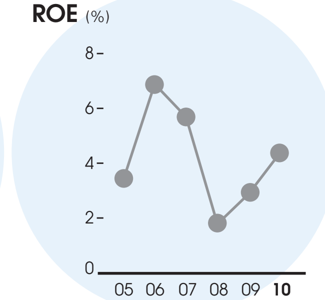
Operating Income (millions of yen)
Operating Income Ratio (%)



Total Assets (millions of yen)



ROE (%)



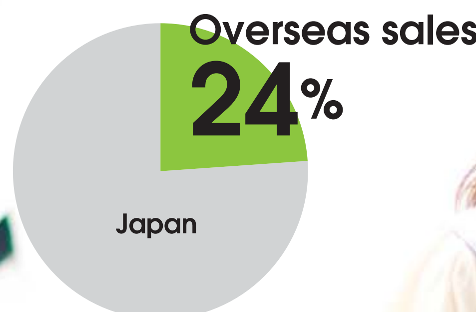
Operating Environment and Nisshin OilliO's Response

The Nisshin OilliO Group's business is founded on using optimal technologies to harness "the natural power of plants." The Group's business operations are centered on the oils and meal business, but also extend across a wide range of fields, including health function foods and raw materials for cosmetics.

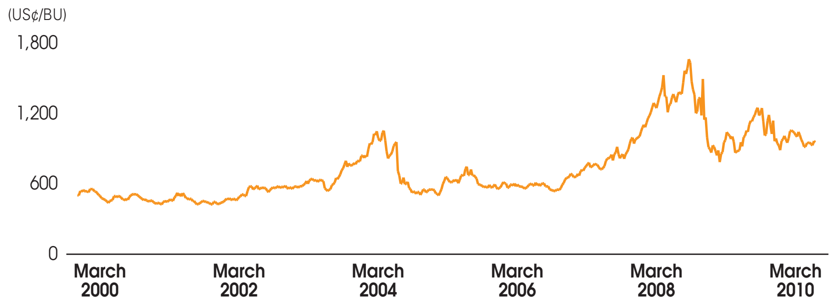
Nisshin OilliO is also developing its business overseas, particularly in Asia. In addition to operations in China, we began full-scale business development in Malaysia in 2005.

Sales by Business Segment

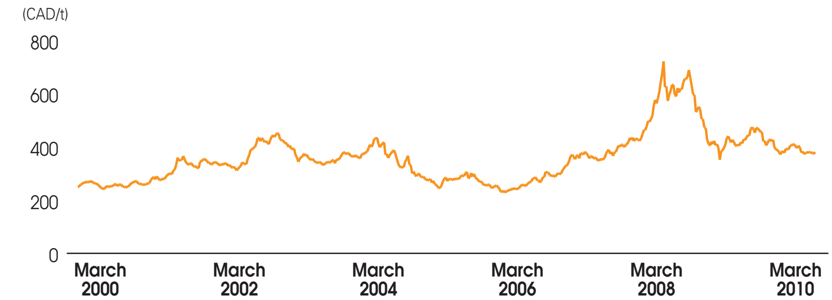
Ratio of Overseas Sales



Soybean Market Price



Rapeseed Market Price



Prices for our mainstay raw materials of soybeans (Chicago) and rapeseed (Winnipeg) declined year on year in 2009, but remained at historically high levels.

Feature: New Growth Driven

1 Product Development Capabilities Based on Technology to Maximize the Potential of Plant Resources

The Nisshin OilliO Group develops products by utilizing optimal technologies to harness the flavor enhancing, health boosting, and beautifying power of plants. The product that best represents this corporate ideal is *Healthy Resetta*, a food for specified health uses (FOSHU) that helps prevent fat from accumulating in the body. High-value-added products such as this account for an increasingly large proportion of the home-use market.

Healthy Resetta has been recognized as providing a definite health benefit, and as safe. We have acquired official approval of *Healthy Resetta* as a certified health food in Taiwan, China and South Korea, and launched sales in those markets. *Healthy Resetta* has also obtained GRAS (Generally Recognized as Safe) status in the United States.

Nisshin OilliO hopes to contribute to better health for people in Japan and around the world.

2 A Leader in Developing Growth Markets

The Nisshin OilliO Group is a leader in market development. In 1988 we established Dalian Nisshin Oil Mills, Ltd., and after getting a start by extracting soybean oil, expanded operations to include facilities for packaging vegetable oil, manufacturing processed oils and fats, and sorting soybeans for consumption. We have also invested in Intercontinental Specialty Fats Sdn. Bhd. (ISF) in Malaysia to strengthen the palm oil business. Going forward, we plan to enhance development of oils and fats for chocolate in anticipation of growth in newly emerging countries. We believe strongly in opening markets in emerging nations, and are focusing our efforts particularly on developing business in East Asia.

Market Development

Growth of the Oils and Fats Business in China

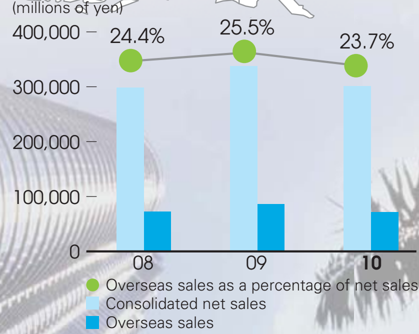
1. Restructuring of production facilities
2. Awareness of corporate and product brands raised through proactive advertising
3. Expansion of sales offices (area-based development)
4. Creation of new product categories centered on the Chinese version of *Healthy Resetta* and our healthy oils series

Enhancing Profitability in Malaysia

ISF posted record earnings in fiscal 2009, and made investments for further business growth. We are expanding production capacity for cocoa butter equivalents (CBEs), fats used in chocolate offering particularly high value added among specialty fats. We are also strengthening sales to Europe, as well as to Japan, Russia and other markets.

Overseas Sales

(millions of yen)



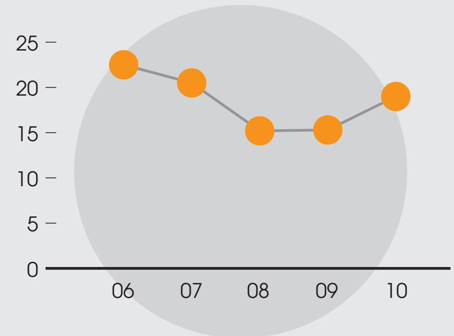
Technology is the key to processed oils and fats, the second pillar of business

Nisshin OilliO is pursuing technological capabilities in the processed oils and fats business, the second pillar of its business alongside the oils and meal business. We are also focusing on the manufacturing of oils and fats for chocolate. Along with Nisshin OilliO's processing technologies, in 2005 we incorporated as a subsidiary Intercontinental Specialty Fats Sdn. Bhd. (ISF), a company with advanced processing technologies for palm oil, and in 2009 Daito Cacao Co., Ltd. These efforts have allowed us to produce and sell better-quality, highly functional products.

3 Strengthening Competitiveness in the Oils and Meal Business

The oils and meal business is highly susceptible to fluctuations in the price of soybeans, rapeseed and other raw materials. The sharp rise in prices in fiscal 2007 in particular had a significant impact on earnings, as producers were unable to revise selling prices in line with the rapid appreciation of the raw material market. It is essential for Nisshin OilliO to strengthen its competitiveness while anticipating that prices of oil materials will remain high. We will accomplish this by revising our production and distribution centers, and pursuing business optimization and cost reductions. One such measure is an operational tie-up with Showa Sangyo Co., Ltd., which we anticipate will cut costs by a total of ¥2.0 billion by fiscal 2010, compared to fiscal 2008.

Gross Profit Ratio (%)



Operational Tie-up with Showa Sangyo Co., Ltd.

- **Reciprocal supply of oil and meal through effective utilization of production facilities**
- **Joint utilization of each company's logistics centers**
- **Efficient procurement of common raw materials**

Showa Sangyo's business operations include flour milling, oil production and the cornstarch and corn sweeteners business. The operational tie-up covers areas where we anticipate greater competitiveness in the oils and meal business for both companies, and is intended to ensure safe and reliable products, along with steady service. The principal aim of the alliance is the cost reductions described previously, but we also hope to expand sales through mutual utilization of marketing know-how, and effective utilization of management resources.

Summary of *GROWTH 10*

The goal of the Nisshin OilliO's 10-year basic management plan *Growth 10* is to create "an international corporate group that continually generates new value through the power of plants." We will steadily develop growth businesses through our capabilities in product development tailored to the needs of the age, as well as through global business expansion.

Nisshin OilliO believes that in order to achieve the goal of *Growth 10* and join the ranks of international corporate groups, it is essential to not only secure stable earnings in its domestic Oils and Meal Business segment, but also for all of the corporate group's businesses to adopt a global perspective, focus on growth markets, and expand in scale.

New Growth Driven

Create New Value through "The Natural Power of Plants"

Message from the Management

Summary

Fiscal 2010 is the final year for Phase I of *Growth 10*, Nisshin OilliO's 10-year basic management plan through fiscal 2016. The first stage is the turning point during which we establish a new business structure to support the implementation of Phase II. In an interview, President Kazuo Ogome discusses the progress and status of Phase I, and future strategies.

Review of Fiscal 2009: Market Environment and Operating Results

Business conditions remained difficult during fiscal 2009. Prices for grain, our main raw material, continued to hover at record-high levels despite a decline from the previous fiscal year. Under these conditions, Nisshin OilliO made efforts to develop new products, and expand sales of high-value-added products. We also worked to reduce costs, and set appropriate selling prices in line with costs.

As a result, net sales declined 10.8% from the previous fiscal year to ¥301,299 million. In terms of earnings, however, operating income rose 26.1% to ¥10,435 million, due mainly to strong performance in exports by Intercontinental Specialty Fats Sdn. Bhd., and the inclusion of earnings from Daito Cacao Co., Ltd., and T&C Manufacturing Co., Pte. Ltd., which were added as subsidiaries at the end of the previous fiscal year. Net income also increased, up 66.5% from the previous fiscal year to ¥5,104 million.

Establishing a Solid Business Foundation: The Central Focus of Phase I

The Nisshin OilliO Group has launched *Growth 10*, our 10-year basic management vision through fiscal 2016. The first four years were designated as Phase I, during which we are implementing a medium-term business plan for this stage.

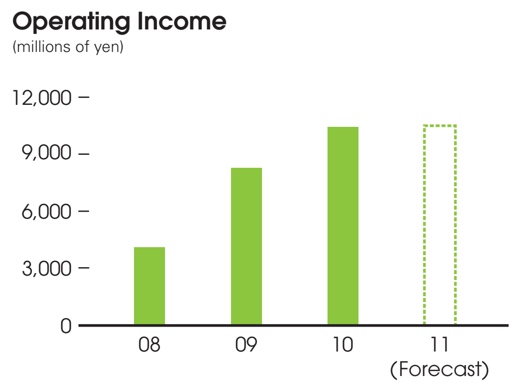
The goal of *Growth 10* is for Nisshin OilliO to join the ranks of international corporate groups. To achieve this, each business division must focus on growth markets with a global perspective, and expand in scale. Fiscal 2010 is the final year for Phase I of the vision, during which we will establish the business foundation. We will prioritize measures to improve revenues, and consider means to establish a new business structure to support the implementation of Phase II.

Share of Home-use Cooking Oil in Japan

The Nisshin OilliO Group holds the top market share in Japan

Net Sales (millions of yen)	
2010	**301,299**
2011 Forecast	**311,000**

Operating Income (millions of yen)	
2010	**10,435**
2011 Forecast	**10,500**



The oils and meal business is the key component in Nisshin OilliO's revenue structure. To prevail over the competition in a global marketplace, we need to establish a stronger foundation for this business that is better able to generate earnings. To accomplish this, we intend to continually bring to market high-value-added products, and pursue lower-cost operations. In terms of overseas development, expansion of the oils and fats business in China is an important growth strategy. We plan to establish sales channels and production facilities in the Chinese market in order to increase sales of *Healthy Resetta* and other premium oils. We will also employ advertising to raise awareness of our corporate and product brands.

In the processed oils and fats business, we are steadily putting in place a foundation for business expansion, with measures that include expansion of our production structure through proactive investment at Intercontinental Specialty Fats Sdn. Bhd., fostering a cooperative relationship with Daito Cacao Co., Ltd., and concluding business tie-ups with Yamazaki Baking Co., Ltd., and Miyoshi Oil & Fat Co., Ltd. We will also continue to develop technology-based, high-value-added products, focusing on the maximum utilization of palm oil, and to implement measures for the effective realization of synergies. In addition to Japan, we intend to accelerate overseas development in China, Europe, North America and other areas, and enhance our presence in global markets. In Phase II of the plan we will establish the processed oils and fats business as the second pillar of earnings alongside the oils and meal business.

Nisshin OilliO also plans to expand its other business operations by developing products that draw on the technical capabilities of our corporate group, and by enhancing our competitiveness in global markets.

Our Mission and Social Responsibility as a Food Company

Nisshin OilliO considers its primary duty as a foods manufacturer to stably provide products and services that customers can trust as safe and reliable. Our first principle is ensuring the safety and reliability of food at all stages of production, from procurement of raw materials to manufacture and distribution. Alongside quality control, we are working to develop environmentally conscious products, and lessen the environmental load in the production process. We will also put into practice the specific measures outlined in the Nisshin OilliO Group's "Environmental Principles" and "Environmental Policies" formulated in 2009, and pursue a CSR program appropriate to a global corporation.

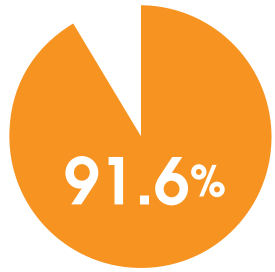
September 2010

Kazuo Ogome
President

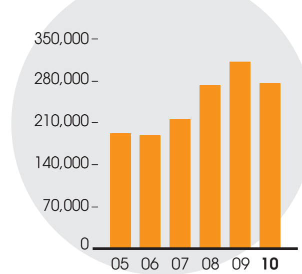
Oils and Meal Business

Nisshin OilliO began selling Japan's first salad oil, *Nisshin Salad Oil*, in 1924. As a leading company in the edible oils market, we have consistently offered a wide variety of products that utilize our technological capabilities. The Nisshin OilliO Group employs a full-line production strategy to develop products tailored to the varied needs of customers, delivering good taste and health.

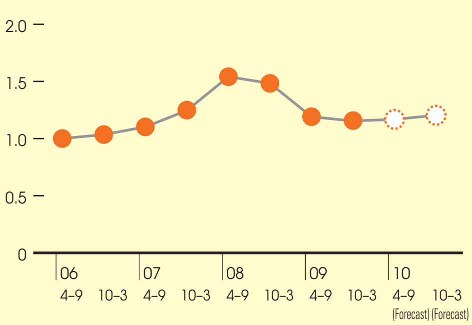
Composition of Net Sales



Net Sales (millions of yen)



Changes in Our Selling Unit Prices for Principal Oil Products



Note: April – September 2006 = 1

Fiscal 2009 Operating Environment and Results

Domestic Oils and Meal Business

The business climate in Japan for oils and meal was challenging during fiscal 2009, marked by persistently high prices for raw materials, declining domestic production volume, and trends in WTO tariffs. Nisshin OilliO pursued technology development strategies based on market preferences, and marketed products that a greater number of customers would recognize as offering value. We also worked to sell products at appropriate prices in line with raw material costs, while seeking sufficient understanding from business partners and customers regarding the value of Nisshin OilliO's safe and reliable products.

Overseas Oils and Meal Business

Sales prices held steady during the first half of fiscal 2009 as a result of the tight supply and demand situation for oil meal in China. During the second half the supply-demand balance for products collapsed in the Dalian region, but we were able to secure profits, due mainly to

Nisshin Canola Oil 1000g
We use only carefully selected, high-quality ripe canola, processed with our patented "light and clear" production method that lessens oxidation.

Nisshin VegeFruit Oil 1000g
This new oil is a delicious blend of palm fruit, canola and corn.

Nisshin Canola Oil Healthy Light 1000g
Healthy Light contains around 70% oxidation-resistant oleate, better to maintain health.

Nisshin Canola Oil Eco-UP 600g
Eco-UP oil allows for delicious deep-frying and stir-frying with less oil.

expanding sales of products for Japan. In September 2009, we received certification in South Korea for *Healthy Resetta* as a "functional health food," and launched a version for the Korean market, adding to those in Taiwan and China.

Processed Oils and Fats Business

Sales unit volume rose from the previous fiscal year due mainly to strong exports by our Malaysian subsidiary Intercontinental Specialty Fats Sdn. Bhd., though sales declined by value due to the impact from fluctuations in the palm oil market. Profitability improved, however, and earnings increased from a year earlier.

As a result, sales in the Oils and Meal Business segment declined 11.7% from the previous fiscal year to ¥276,079 million, while operating income rose 17.3% to ¥9,144 million.

Fiscal 2010 Business Strategies and Outlook

Domestic Oils and Meal Business

In home-use edible oils, Nisshin OilliO will focus on value-added products such as *Healthy Resetta*, along with olive oil and sesame oil, and employ full-line production strategies to strengthen sales of products offering added value. In edible oils for food services, we will seek understanding from business partners for the situation regarding raw materials and the value of Nisshin OilliO's safe and reliable products, and work to secure sales at appropriate prices.

Overseas Oils and Meal Business

In the Chinese market, which is expected to expand going forward, we plan to take steps to establish sales channels and production facilities in the Chinese market in order to increase sales of *Healthy Resetta* and other premium oils, and to raise awareness of our corporate and product brands.

Processed Oils and Fats Business

Nisshin OilliO will steadily develop its foundation for business expansion by incorporating the palm oil separation technologies of Intercontinental Specialty Fats Sdn. Bhd., and the chocolate production technologies of Daito Cacao Co., Ltd. We will continue to develop technology-based, high-value-added products centered on the maximum utilization of palm oil and fats, allowing us to meet demand in Europe, Japan and South Korea, as well as the rapidly growing markets of Russia and China.

>> See Page 5

As a result, for the Oils and Meal Business segment we forecast sales of ¥289,000 million (including intersegment sales) in fiscal 2010, an increase of 4.2% year on year.

Healthy Resetta 600g
A healthy oil that takes advantage of the function of medium-chain fatty acids to help prevent the adherence of fats in the body. Certified as a food for specified health uses (FOSHU).

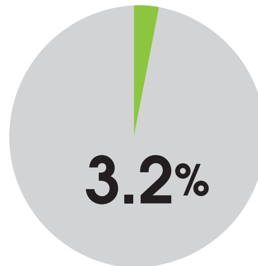
Healthy Choleste 600g
A healthy oil that takes advantage of the function of phytosterol to lower cholesterol. Certified as a food for specified health uses (FOSHU).

BOSCO Extra Virgin Olive Oil 500ml
A first press, fruity olive oil extracted from fresh olives nurtured in the Italian sun and soil.

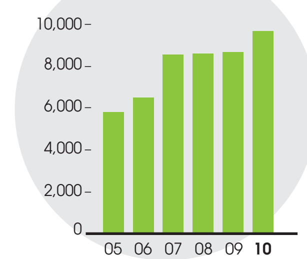
Healthy Foods and Soy Protein Business

Nisshin OilliO offers new styles of food that make use of the health benefits of soy protein to create "joyful eating" that boosts the health of all people.

Composition of Net Sales



Net Sales (millions of yen)



Fiscal 2009 Operating Environment and Results

Nisshin OilliO merged with its subsidiary Nisshin Science Co., Ltd. in April 2009, strengthening its sales of foods for the elderly, as well as nursing care and therapeutic foods. Sales in this field rose steadily, centered on large-quantity types of the *Toromi Up* range of foods for nursing care patients who have difficulty in swallowing.

In foods for preventing lifestyle-related diseases, we recorded strong sales of foods for specified health uses (FOSHU), such as *Fiber-Enriched Green Tea* and *Marine Peptides*. In dressings and mayonnaise, we successfully expanded sales of *Healthy Resetta Dressing Sauces* and other products that cater to the health-conscious market, such as *Nisshin Dressing: Diet* and *Mayodore*.

In soy protein products, both sales volume and net sales increased year on year as a result of efforts to form appropriate selling prices in line with raw material costs and other expenses, along with proactive measures to attract new users.

As a result, net sales in the Healthy Foods and Soy Protein Business segment increased 11.4% from the previous fiscal year to ¥9,686 million, while the segment operating loss improved to ¥541 million, up ¥509 million from the previous fiscal year.

Fiscal 2010 Business Strategies and Outlook

Nisshin OilliO will bring together the collective capabilities of PIETRO Co., Ltd., Wakou Shokuhin Co., Ltd., Mogi Tofu Co., Ltd. and other companies in its corporate group to pursue product development that utilizes the group's technologies to their fullest extent, focusing on good taste, health and functionality.

As a result, for the Healthy Foods and Soy Protein Business segment we forecast sales of ¥10,000 million (including intersegment sales) in fiscal 2010, an increase of 2.4% from the previous fiscal year.

Healthy Resetta Dressing Sauce (Caesar)
A specialty dressing made with healthy oil containing medium-chain fatty acids.

Mayodore
A mayonnaise-type dressing made with carefully selected vegetable material instead of egg for a no-cholesterol, low-calorie dressing.

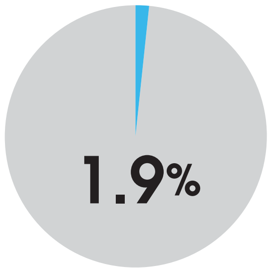
Toromi Perfect
A food for elderly and nursing care patients, *Toromi Perfect* thickens foods and drinks with just a small amount of colorless, odorless powder.

Arabino Sugar
A sugar for people concerned about their blood sugar, *Arabino Sugar* contains L-arabinose to ease digestion and absorption.

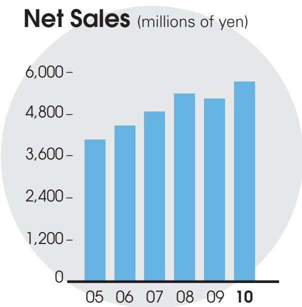
Fine Chemicals Business

Nisshin OilliO is strengthening its business in such fields as cosmetics that draw on the "natural power of plants," developing new products and expanding its product lineup. Overseas we are broadening sales channels and working to establish a foundation for earnings.

Composition of Net Sales



Net Sales (millions of yen)



Fiscal 2009 Operating Environment and Results

In the mainstay field of raw materials for cosmetics, sales increased on both a volume and value basis on increased exports to Europe and the United States amid sentiment that the economy had begun to recover, along with solid sales to major users in Japan. In chemical products, both sales volume and net sales recovered during the second half of fiscal 2009 as the global downturn eased. However, this was not enough to offset the slump in demand during the first half, and the business faced difficult conditions overall. In medium-chain triglycerides, both sales volume and sales were down slightly from the previous fiscal year due to a decline in exports to China.

As a result, sales in the Fine Chemicals Business segment increased 9.3% from the previous fiscal year to ¥5,742 million, with operating income of ¥166 million, an improvement of ¥308 million from the operating loss in the previous fiscal year.

Fiscal 2010 Business Strategies and Outlook

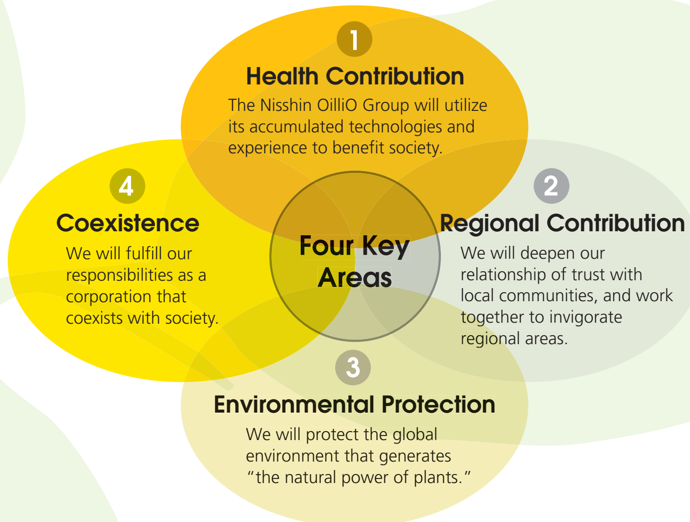
Nisshin OilliO will take steps to quickly rebuild its earnings bases, enhance competitiveness in global markets, and expand its business scale. For the Fine Chemicals Business segment we forecast a year-on-year increase in sales of 3.6% in fiscal 2010.

The Nisshin OilliO Group supplies ingredients for a variety of cosmetics

Nisshin OilliO utilizes plant-derived product design to provide mainly highly valued raw materials for cosmetics, as well as functional materials for the information-related industry, and the food and medical fields.

CSR at the Nisshin OilliO Group

The Nisshin OilliO Group aims to contribute to a healthy and fulfilling society based on "the natural power of plants," and as a good corporate citizen engages in ongoing social contribution activities to this end. We believe that Corporate Social Responsibility (CSR) means responding positively to the expectations and trust of stakeholders including society and environment through the realization of our corporate principles.



The Nisshin OilliO Group's Social Contribution Policy

Communication with Society

Nisshin OilliO hosts the annual Isogo Spring Festival when the factory is opened to the public, and makes additional efforts to create opportunities for communication with the local community. We sponsor "food education" events to raise food awareness, such as chances for children and families to experience harvesting crops on a farm, and cooking classes. Nisshin OilliO also actively supports World Food Programme (WFP), the world's largest humanitarian agency fighting hunger worldwide through collaborating with Japan Association for the WFP.


Food Education Event


Charity Walk for WFP

Sports Promotion

Nisshin OilliO provides meal and nutritional support for table tennis player Ai Fukuhara and other top-level athletes, while also actively helping to nurture future athletes with activities that include sponsoring youth soccer tournaments, and convening seminars on nutrition.


Youth soccer tournament

Conservation and Other Environmental Measures

Fuel Conversion to Help Counter Global Warming

Nisshin OilliO is working to reduce the CO_2 emissions in its corporate activities in order to ensure a global environment that supports plants for the next generation. The Nisshin OilliO Group was one of the first companies in the industry to introduce cutting-edge equipment as a means of reducing its environmental load. In January 2010, we installed a new once-through boiler at the Mizushima Plant, reducing CO_2 emissions by 12.7%. A once-through boiler can be operated flexibly in response to the demand for steam, eliminating wasted steam (fuel). Further, converting the fuel source from fuel oil to liquefied natural gas (LNG) improved the consumption efficiency for both steam and fuel.

CO_2 Reduction Benefit
(Mizushima Plant Total)

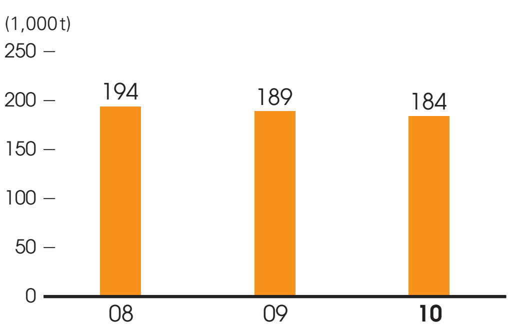
- Amount of CO_2 reduction
  5,800 tonnes annually
- Rate of CO_2 reduction
  12.7%

Nisshin OilliO's CO_2 Emissions and Industrial Waste Processing

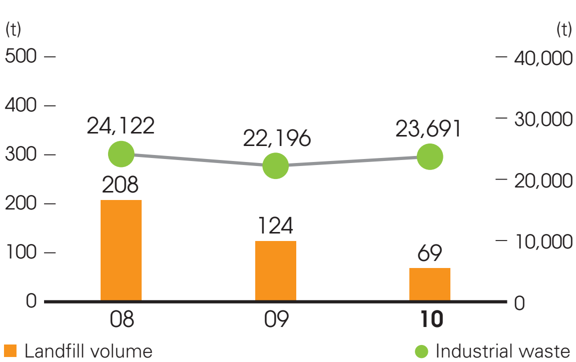
During fiscal 2009, the Nisshin OilliO Group reduced CO_2 emissions by 5,000 tonnes, equivalent to a 2.6% reduction year on year.

Industrial waste volume in fiscal 2009 amounted to 23,691 tonnes, an increase of 6.7%, or 1,495 tonnes year on year. However, with recycling measures we managed to reduce the volume of final landfill disposal by half from the previous fiscal year to just 69 tonnes, and nearly achieved zero emissions in the manufacturing process with a 99.7% recycling rate.

CO_2 Emissions



Volume of Industrial Waste and Landfill Volume



Environmentally Friendly Container Created in Collaboration with Customers

The Nisshin OilliO Group has since its founding worked to lighten the weight of home-use oil bottles, helping to conserve container material and effectively utilize natural resources. In February 2010, we adopted a new type of PET bottle that is both environmentally friendly and easier to use, reflecting the opinions and requests of customers. Nisshin OilliO will continue to develop and provide environmentally conscious products and services to help realize the creation of a resource-conserving society.

1 Easy-to-remove label

Wider perforated area makes the label easier to remove and trash easier to separate.

A transparent slit in the back of the label makes it possible to easily see the amount remaining.

2 Bottle can be compacted to one-third its volume

The new bottle is 20% lighter than previous bottles. Indentations along the bottle make it easier to crush, allowing it to be compacted to one-third of its volume.

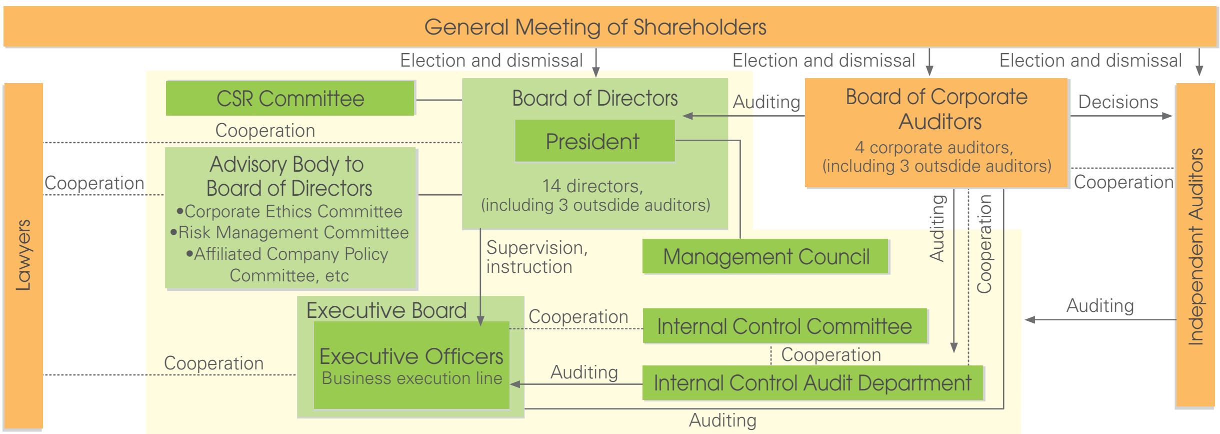
3 Easy-to-hold-and-pour grooved bottle

Three indented areas make the bottle easier to hold, and easier to pour when the volume is low. The unique shape of the cap allows for easier adjustment of the flow, and prevents dripping.

Corporate Governance

Nisshin OilliO intends to remain a corporate group trusted by markets and customers for placing the highest priority on food safety. Our basic policy regarding corporate governance is to establish the operational structures and to implement the measures necessary to realize this principle.

Corporate Governance System of the Nissin OilliO Group (as of March 31, 2010)



Governance Structure

Nisshin OilliO's Board of Directors comprises 14 directors (three of whom are outside directors). The Board deliberates and makes decisions on matters prescribed by laws and regulations, as well as important management matters. Nisshin OilliO aspires to swift management oriented toward individual business sites, and as such management oversight and business execution are not completely separated. Directors of course have responsibility for management oversight, but are also in charge of executing business operations for their respective areas of responsibility.

Nisshin OilliO has adopted the Executive Officer System. Executive officers are given authority to execute business operations by directors, and on the basis of the policies set by the Board of Directors, execute business operations with the consent of the director in charge.

Nisshin OilliO has concluded that it is able to maintain soundness and accountability in its management and business execution through the proper functioning of the Board of Directors, Board of Corporate Auditors, and the Internal Control Audit Department. The Board of Corporate Auditors comprises four auditors (three of whom are outside auditors). Corporate auditors, in accordance with the auditing policies, audit plan and division of responsibilities established by the Board of Corporate Auditors, and audit the business execution of directors and executive officers through such means as attending meetings of the Board of Directors and other important meetings, and reviewing the status of business operations and finances.

Corporate auditors work in close cooperation with the accounting auditor and the Internal Control Audit Department. They exchange opinions and information to provide for effective and efficient auditing.

Staff members are assigned to auditors in order to enhance and strengthen the auditing function, and to assist in the performance of auditing by the corporate auditors.

Nisshin OilliO has also established a Corporate Governance Council, which regularly exchanges information with full-time corporate auditors and the Corporate Staff Division.

Support Structure for Outside Directors

For outside directors, Nisshin OilliO has a structure to facilitate communication and the relaying of information as needed through the Corporate Planning Office, as well as the Human Resources and General Affairs departments. For outside corporate auditors, we have a structure to facilitate communication and the relaying of information as needed through the full-time corporate auditors, supported by staff members assigned to corporate auditors.

Compliance Structure

For its compliance structure Nisshin OilliO has established various committees, including the Corporate Ethics Committee that acts as an advisory body to the Board of Directors. We also work in alliance with attorneys and other counsel as necessary, and have established rules of ethics for the Board of Directors that serve as the basis for compliance to be observed by directors, and stipulate penalties and other measures in case of violation. Nisshin OilliO has also formulated the Nisshin OilliO Group Code of Conduct based on its management principles and core promise, and has disseminated this to all employees, including those at subsidiaries. A corporate ethics hotline has also been established to receive reports of violations, with information received reviewed by the Corporate Ethics Committee, and measures taken to prevent a reoccurrence. Further, a compliance program is formulated each fiscal year, and employee education and supervision are conducted by managing departments based on the program agenda.

Financial Section

Contents

Status of Subsidiaries and Affiliates

The Nisshin OilliO Group has 28 subsidiaries, 19 of which are included in the scope of consolidation. The principal consolidated subsidiaries are Settsu Oil Mills Co., Ltd., Nisshin Shoji Co., Ltd., Daito Cacao Co., Ltd., and Intercontinental Specialty Fats Sdn. Bhd.

The corporate group also includes nine unconsolidated subsidiaries and 13 affiliates, seven of which are equity-method affiliates. The principal equity-method affiliates are PIETRO Co., Ltd. and Wakou Shokuhin Co., Ltd.

Business Results for Fiscal 2009

Operating Environment

The Japanese economy showed signs of a gradual economic recovery during fiscal 2009, including an increase in exports mainly to Asia and benefits from government economic measures, but difficult circumstances continued amid a mild deflationary trend.

In the oils and meal industry, grain prices reversed their downward trend of the previous fiscal year, rising as a result of tight supply and demand, and the inflow of speculative money. In the second quarter, soybean prices in Chicago rose to levels last recorded prior to the Lehman collapse, and grain prices remained high amid robust demand for foodstuffs worldwide. Although the costs of Nisshin OilliO's main raw materials, such as soybeans, rapeseed and palm oil, were lower compared with the previous fiscal year, the operating environment remained challenging.

In this environment, the Nisshin OilliO Group worked to establish a stable earnings structure during this third year of its medium-term management plan "*GROWTH 10* Phase I," the first stage of "*GROWTH 10*—Generating new value by harnessing the natural power of plants." Measures included technology-based new product development and the expansion of sales of high-value-added products, along with efforts for cost reduction and the formation of appropriate selling prices in line with costs.

Net Sales

Net sales declined 10.8% from the previous fiscal year to ¥301,299 million. This was due mainly to a decrease in the selling price of mainstay oils and meal products during the subject fiscal year following a drop in the price of raw materials compared to a year earlier, which offset an increase in the sales volume for such products.

Cost of Sales and Gross Profit

The cost of sales decreased 14.8% from the previous fiscal year to ¥244,044 million, due mainly to the declines in net sales and raw material prices. In line with this decrease, the gross profit margin improved by 3.7 percentage points, from 15.3% to 19.0%.

As a result, gross profit increased 11.0% from a year earlier to ¥57,255 million.

Operating Income

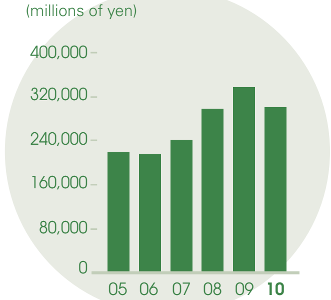
Selling, general and administrative (SG&A) expenses rose 8.1% from the previous fiscal year to ¥46,820 million, due mainly to increases in advertising costs and employee retirement benefits, which offset a decline in depreciation. However, as a result of the significant increase in gross profit, operating income rose 26.1% from a year earlier to ¥10,435 million.

Operating income was also boosted overall by steadily rising earnings at consolidated subsidiaries, particularly overseas subsidiaries.

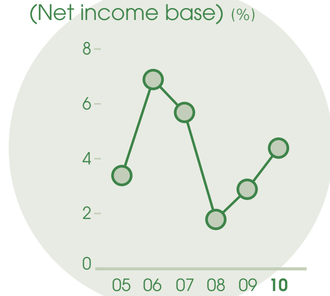
Net Income

Net income increased considerably from the previous fiscal year, rising 66.5% to ¥5,104 million. The main reason that net income increased to a much greater degree than operating income was the absence of an impairment loss recorded in the previous fiscal year. Net income per share increased to ¥29.62, up ¥11.83 from a year earlier. Return on equity (ROE) improved 1.8 percentage points to 4.7%.

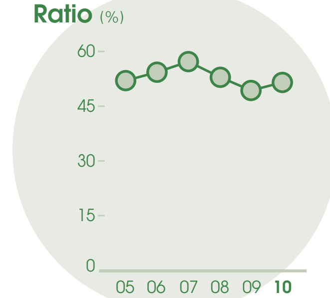
Net Sales
(millions of yen)



Return on Equity
(Net income base) (%)



Shareholders' Equity Ratio (%)



Business Segment Overview

Net Sales and Operating Income (Loss) by Segment

(millions of yen)

	FY3/10	FY3/09	Change (%)
Oils and Meal	276,079	312,610	–11.7%
	9,144	7,793	17.3%
Healthy Foods & Soy Protein	9,686	8,696	11.4%
	(541)	(1,050)	48.5%
Fine Chemicals	5,742	5,254	9.3%
	166	(142)	216.9%
Other	9,792	11,365	–13.8%
	1,684	1,643	2.5%

Note: Top figures are sales to external customers and bottom figures show operating income (loss).

Oils and Meal Business

■ Japan

In home-use edible oils, the Nisshin OilliO Group continued with efforts to expand sales of high-value-added products such as *Healthy Resetta* and *Healthy Choleste*, along with the formation of appropriate selling prices. Although selling prices were lower than the previous fiscal year due to the impact of fluctuations in raw material costs, sales volume increased.

In gift package sets, business conditions remained tight as the overall gift market contracted as a result of the economic slowdown and the prolonged slump in consumer spending. Sales volume rose year on year on the back of customer preferences for healthy oils, though net sales remained on a par with the previous fiscal year.

In edible oils for food services, the sales volumes increased, centered on premium oil and palm oil blends. However, selling prices were down from the previous fiscal year, as fluctuations in the price of raw materials had a more far-reaching impact than for home-use edible oils.

In edible oils for processed food manufacturers, sales volumes decreased year on year as a result of sluggish recovery in demand for oils and fats due to the prolonged weak economy. Selling prices were also down from the previous fiscal year due to the impact of the change in raw material prices.

In processed oils and fats, sales volumes grew steadily, though selling prices declined from the previous fiscal year.

■ Overseas

Dalian Nisshin Oil Mills, Ltd. managed firm selling prices as a result of the tight supply and demand for meal and oils in China's domestic market in the first half of the subject fiscal year. In the second half, however, there was a massive collapse in product supply and demand in the area surrounding Dalian, and the business environment deteriorated. Nevertheless, profit was secured by expanding sales to Japan.

Intercontinental Specialty Fats Sdn. Bhd. managed to increase its sales volume year on year due to strong exports, but net sales were lower than the previous fiscal year due to the impact of changes in the prices of palm oil. Profit was higher compared with the previous fiscal year due to improved profitability.

Daito Cacao Co., Ltd. and T. & C. Manufacturing Co. Pte. Ltd. became newly consolidated subsidiaries at the end of the previous fiscal year, and their earnings contributed to consolidated results during the subject fiscal year.

As a result, net sales in the Oils and Meal Business segment declined 11.7% from the previous fiscal year to ¥276,079 million, while operating income rose 17.3% to ¥9,144 million.

Healthy Foods and Soy Protein Business

In foods for preventing lifestyle-related diseases, retail sales were strong for foods for specified health uses (FOSHU), such as *Fiber-Enriched Green Tea* and *Marine Peptides*.

In nursing care foods, sales were strong for the *Toromi Up* and *Toromi Perfect* range for people with difficulty in swallowing, particularly the large-quantity types. Sales also increased for the nutrient fortified *Procure* range for the elderly.

In dressings and mayonnaise-type dressing, both sales volume and net sales increased year on year as a result of the continued sales expansion of *Healthy Resetta Dressing Sauces*, as well as other products for the health-conscious market, such as *Nisshin Dressing: Diet* and *Mayodore*.

In soy protein products, both sales volume and net sales increased year on year as a result of efforts to form appropriate selling prices in line with raw material costs and other expenses, along with proactive measures to attract new users.

As a result, net sales in the Healthy Foods and Soy Protein Business segment increased 11.4% from the previous fiscal year to ¥9,686 million, while the segment operating loss improved to ¥541 million, up ¥509 million from the previous fiscal year.

Fine Chemicals Business

In raw materials for cosmetics, both sales volume and net sales increased on a rise in exports to Europe and the United States amid sentiment that the economy had begun to recover, along with solid sales to major users in Japan.

In chemical products, both sales volume and net sales recovered during the second half of the subject fiscal year as the global downturn eased. However, this was not enough to offset the slump in demand during the first half, and the business faced difficult conditions overall.

In medium-chain triglycerides, despite efforts to form appropriate selling prices, both sales volume and net sales were down slightly from the previous fiscal year due to a decline in exports to China.

As a result, net sales in the Fine Chemicals Business segment increased 9.3% from the previous fiscal year to ¥5,742 million, with operating income of ¥166 million, an improvement of ¥308 million from the operating loss in the previous fiscal year.

Other Businesses

The logistics business and engineering business achieved a year-on-year increase in net sales, but revenue in the information systems business fell below that of the previous fiscal year as a result of slack demand for system development stemming from the economic slowdown.

As a result, net sales in this segment decreased 13.8% year on year to ¥9,792 million, though operating income rose 2.5% to ¥1,684 million.

Geographic Segment Overview

As a result of the factors outlined above in the Oils and Meal Business segment, net sales in Japan declined 10.6% from the previous fiscal year to ¥227,723 million, while operating income rose 5.9% to ¥7,420 million. Net sales in China, Malaysia and other areas of Asia declined 11.5% to ¥73,576 million due to price movements in the grain market, though operating income rose 138.3% from a year earlier to ¥3,019 million.

Financial Position

Total assets at the end of the subject fiscal year (March 31, 2010) amounted to ¥222,358 million, an increase of ¥4,870 million compared to the end of the previous fiscal year (March 31, 2009). Current assets decreased ¥1,400 million, due mainly to a ¥3,810 million decrease in cash and cash equivalents, offsetting a ¥1,447 million increase in inventories stemming from a rise in raw material prices and other factors. Noncurrent assets increased ¥6,270 million, due mainly to a ¥3,029 million increase in net property, plant and equipment stemming from capital expenditures and investments, and in investments and other assets, a ¥3,241 million increase resulting mainly from the purchase of investment securities, and the market value of securities.

Total liabilities amounted to ¥107,542 million, a decrease of ¥2,448 million from the end of the previous fiscal year. This was due mainly to declines in interest-bearing debt and income taxes payable, offsetting an increase in notes and accounts payable-trade due to rising prices for raw materials.

Net assets amounted to ¥114,816 million, an increase of ¥7,318 million from the end of the previous fiscal year. This was due mainly to the recording of net income, and an increase in valuation difference on available-for-sale securities.

Cash Flows

Cash provided by operating activities during the subject fiscal year amounted to ¥11,458 million, while cash used in investing and financing activities totaled ¥12,194 million and ¥3,135 million, respectively. As a result, cash and cash equivalents at the end of the subject fiscal year (March 31, 2010) amounted to ¥22,665 million, a decrease of ¥3,810 million from the end of the previous fiscal year.

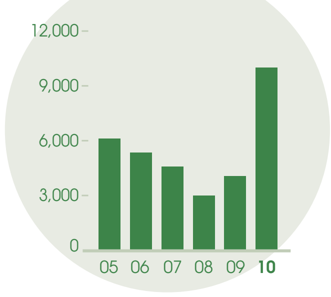
■ Cash flow from operating activities

Cash provided by operating activities amounted to ¥11,458 million during the subject fiscal year. This was due mainly to ¥9,879 million in income before income taxes and minority interests; ¥6,658 million in depreciation and amortization; and ¥895 million from an increase in notes and accounts payable-trade; against ¥1,269 million for an increase in inventories; and ¥4,918 million for income taxes paid.

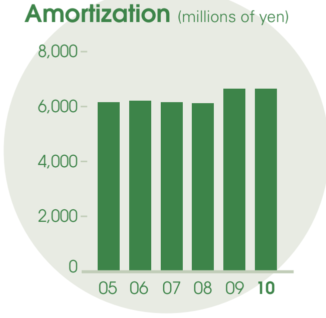
■ Cash flow from investing activities

Cash used in investing activities amounted to ¥12,194 million during the subject fiscal year. This was due mainly to ¥2,572 million in purchase of investment securities; and ¥9,391 million in purchase of property, plant and equipment stemming from capital expenditures.

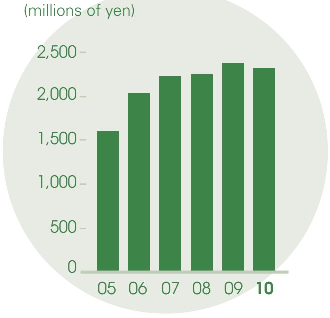
Capital Expenditures (millions of yen)



Depreciation and Amortization (millions of yen)



R&D Expenses (millions of yen)



■ Cash flow from financing activities

Cash used in financing activities amounted to ¥3,135 million during the subject fiscal year. This was due mainly to ¥1,724 million used for cash dividends paid; and a net ¥768 million decline in cash flows relating to interest-bearing debt items such as loans payable.

Outlook for Fiscal 2010

For fiscal 2010, the business environment for the Nisshin OilliO Group is expected to remain difficult. There is a risk that the domestic economy will be hampered by uneasiness about sluggishness in the global economy and the impact from deflation, along with concerns about rising costs due to higher grain prices and depreciation of the yen. In consideration of this business environment, for fiscal 2010 Nisshin OilliO is forecasting net sales of ¥314,000 million, with operating income of ¥14,100 million,and net income of ¥7,400 million.

Business Risks

The operating results, share price and financial position of the Nisshin OilliO Group may be impacted by the risks outlined below. Forward-looking statements in this section are based on management's judgment as of March 31, 2010.

■ Exchange Rates

In the Oils and Meal Business segment, the Nisshin OilliO Group imports all of the soybean, rapeseed and other raw materials it uses from overseas. The Group also conducts business overseas, including in China and other parts of East Asia. Consequently, the Nisshin OilliO Group is exposed to exchange rate risks associated with raw material costs and debt denominated in foreign currencies. As such, any fluctuation in exchange rates could impact the operating results and financial position of the Group. In response, the Nisshin OilliO Group uses risk hedge instruments such as forward exchange contracts as necessary to mitigate exchange rate risks.

■ International Prices for Raw Materials

In addition to exchange rate risks, the purchase of soybean, rapeseed and other raw materials is subject to the risk of fluctuation in international prices for raw materials. This includes fluctuations in transportation costs due to rising prices for crude oil and other raw materials. Because prices for raw materials constitute a significant portion of the Group's costs, any fluctuation in prices could have an impact on the Group's operating results. The Nisshin OilliO Group seeks to hedge this risk by purchasing a portion of its raw materials on the futures market.

■ Domestic and International Product Markets

The sales climate for the Oils and Meal Business segment is affected by changes in domestic and international product markets. On the whole, domestic selling prices for meal and oils for food manufacturers are linked to prices in the international market. In addition, trends in imports from overseas could have an impact on domestic selling prices. These and other changes in domestic and international product markets could affect the Group's operating results.

■ Business Operations

In addition to Japan, the Nisshin OilliO Group conducts its operations in other countries and regions such as East Asia. Group companies are subject to the following risks, with overseas operations particularly exposed to these so-called country risks.

- Unforeseen enactment, revision to, or abolishment of laws and other regulations
- Unexpected political or economic factors
- Social instability arising from terrorist incidents, conflict, natural disasters, the spread of infectious disease or other factors
- Issues related to the digitization of information such as computer viruses and the leak of confidential data

■ Natural Disasters Such as Earthquakes and Typhoons, and Epidemics of Infectious Disease

In the event of a major earthquake, typhoon or other natural disaster, or the outbreak of a new infectious disease in the vicinity of the Group's manufacturing and logistics sites in Japan, there is the possibility of an impact on the Group's operating results and financial position.

■ Laws and Other Regulations

The Nisshin OilliO Group is subject to a range of laws and regulations, including the Food Sanitation Act, the Japan Agricultural Standards (JAS) Law, Pharmaceutical Affairs Act, environmental and recycling regulations, and customs and import/export rules, as well as the Foreign Exchange Control Act and the Personal Information Protection Act. Should unforeseen new laws be established in the future, this could have an impact on the Group's operating results.

■ Food Safety

Public interest in food quality and safety has risen in recent years, prompting calls for a more stringent quality control structure. The Nisshin OilliO Group will continue to further enhance its quality assurance system. However, the occurrence of any quality issues that exceed the scope of these initiatives could have an impact on the Group's operating results.

Consolidated Balance Sheets

March 31, 2010 and 2009

	Millions of Yen		Thousands of U.S. Dollars (Note 1. a)
ASSETS	**2010**	2009	**2010**
CURRENT ASSETS:			
Cash and cash equivalents *(Note 11)*	**¥ 22,665**	¥ 26,475	**$ 243,710**
Time deposits	**371**	335	**3,989**
Marketable securities *(Notes 2 and 11)*	**3,919**	4,222	**42,140**
Receivables *(Note 11)*:			
Trade notes	**910**	1,420	**9,785**
Trade accounts *(Notes 8 and 10)*	**44,869**	44,340	**482,462**
Allowance for doubtful receivables	**(20)**	(36)	**(215)**
Inventories:			
Finished goods	**20,959**	23,022	**225,366**
Raw materials	**20,774**	17,264	**223,376**
Deferred tax assets *(Note 7)*	**1,574**	2,333	**16,925**
Prepaid expenses and other	**6,592**	4,638	**70,881**
Total current assets	**122,613**	124,013	**1,318,419**
PROPERTY, PLANT AND EQUIPMENT:			
Land *(Note 3)*	**27,767**	26,959	**298,570**
Buildings and structures *(Note 3)*	**71,563**	70,540	**769,495**
Machinery and equipment *(Note 3)*	**90,804**	86,961	**976,387**
Construction in progress	**2,969**	1,012	**31,925**
Lease assets *(Note 9)*	**1,340**	1,357	**14,408**
Total	**194,443**	186,829	**2,090,785**
Accumulated depreciation	**(118,914)**	(114,329)	**(1,278,645)**
Net property, plant and equipment	**75,529**	72,500	**812,140**
INVESTMENTS AND OTHER ASSETS:			
Investment securities *(Notes 2 and 11)*	**13,332**	9,581	**143,355**
Investments in and advances to unconsolidated subsidiaries and affiliated companies	**4,127**	4,109	**44,376**
Goodwill	**1,196**	2,143	**12,860**
Software	**1,067**	709	**11,473**
Other *(Notes 4 and 8)*	**4,494**	4,433	**48,323**
Total investments and other assets	**24,216**	20,975	**260,387**
TOTAL	**¥222,358**	¥217,488	**$2,390,946**

See notes to consolidated financial statements.

LIABILITIES AND EQUITY	Millions of Yen 2010	2009	Thousands of U.S. Dollars *(Note 1. a)* 2010
CURRENT LIABILITIES:			
Short-term bank loans *(Notes 3 and 11)*	¥ 8,632	¥ 11,752	$ 92,817
Current portion of long-term debt *(Notes 3 and 11)*	7,851	2,445	84,419
Payables *(Note 11)*:			
Trade notes	246	141	2,645
Trade accounts *(Notes 2 and 8)*	36,815	34,604	395,860
Income taxes payable	1,700	2,910	18,279
Accrued expenses	4,077	5,057	43,840
Other	5,042	7,490	54,215
Total current liabilities	64,363	64,399	692,075
LONG-TERM LIABILITIES:			
Long-term debt *(Notes 3 and 11)*	35,360	38,440	380,215
Liability for retirement benefits *(Note 4)*	2,168	2,305	23,312
Deferred tax liabilities *(Note 7)*	5,025	4,227	54,032
Negative goodwill	31	44	333
Other	595	575	6,398
Total long-term liabilities	43,179	45,591	464,290
COMMITMENTS AND CONTINGENT LIABILITIES *(Notes 10 and 12)*			
EQUITY *(Notes 6 and 13)*:			
Common stock—authorized, 388,350,000 shares; issued, 173,339,287 shares in 2010 and 2009	16,332	16,332	175,613
Capital surplus	26,072	26,072	280,344
Retained earnings	65,830	62,450	707,849
Net unrealized gain (loss) on available-for-sale securities	305	(571)	3,280
Deferred gain (loss) on derivatives under hedge accounting	385	(1,159)	4,140
Foreign currency translation adjustments	(1,100)	(1,344)	(11,828)
Treasury stock—at cost, 1,075,971 shares in 2010 and 1,008,804 shares in 2009	(487)	(456)	(5,236)
Total	107,337	101,324	1,154,162
Minority interests	7,479	6,174	80,419
Total equity	114,816	107,498	1,234,581
TOTAL	¥222,358	¥217,488	$2,390,946

The Nisshin OilliO Group, Ltd. and Consolidated Subsidiaries

Consolidated Statements of Income

Years Ended March 31, 2010 and 2009

	Millions of Yen		Thousands of U.S. Dollars (Note 1. a)
	2010	2009	2010
NET SALES *(Note 8)*	¥301,299	¥337,925	$3,239,774
COST OF SALES *(Note 8)*	244,044	286,361	2,624,129
Gross profit	57,255	51,564	615,645
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES *(Note 5)*	46,820	43,292	503,441
Operating income	10,435	8,272	112,204
OTHER INCOME (EXPENSES):			
Interest and dividend income	346	521	3,720
Interest expense	(1,030)	(862)	(11,075)
Gain on sale of investment securities	5	11	54
Gain on liquidation of a subsidiary	4		43
Loss on sale of securities of a subsidiary		(7)	
Loss on write-down of investment securities	(11)	(271)	(118)
Loss on write-down of an investment of a subsidiary	(80)		(860)
Loss on write-down of securities of a subsidiary	(2)		(22)
Loss on disposition of property, plant and equipment	(320)	(187)	(3,441)
Amortization of negative goodwill	22	12	237
Impairment loss on fixed assets		(1,089)	
Other—net *(Note 8)*	510	(221)	5,484
Other expenses—net	(556)	(2,093)	(5,978)
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	9,879	6,179	106,226
INCOME TAXES *(Note 7)*:			
Current	3,603	4,234	38,742
Deferred	137	(1,586)	1,473
Total	3,740	2,648	40,215
MINORITY INTERESTS IN NET INCOME	1,035	465	11,129
NET INCOME	¥ 5,104	¥ 3,066	$ 54,882

	Yen		U.S. Dollars
PER SHARE OF COMMON STOCK *(Note 1. s)*:			
Net income	¥29.62	¥17.79	$0.32
Cash dividends applicable to the year	10.00	10.00	0.11

See notes to consolidated financial statements.

Consolidated Statements of Changes in Equity

Years Ended March 31, 2010 and 2009

	Thousands	Millions of Yen									
	Outstanding Number of Shares of Common Stock	Common Stock	Capital Surplus	Retained Earnings	Net Unrealized Gain (Loss) on Available-for-Sale Securities	Deferred Gain (Loss) on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Treasury Stock	Total	Minority Interests	Total Equity
Balance, April 1, 2008	172,363	¥16,332	¥26,072	¥61,126	¥1,237	¥(524)	¥633	¥(439)	¥104,437	¥4,969	¥109,406
Net income				3,066					3,066		3,066
Cash dividends, ¥10.00 per share				(1,724)					(1,724)		(1,724)
Adjustment to retained earnings for change in the number of equity method affiliates				(18)					(18)		(18)
Purchase of treasury stock	(33)							(24)	(24)		(24)
Disposal of treasury stock								7	7		7
Net change in the year					(1,808)	(635)	(1,977)		(4,420)	1,205	(3,215)
Balance, March 31, 2009	172,330	16,332	26,072	62,450	(571)	(1,159)	(1,344)	(456)	101,324	6,174	107,498
Net income				**5,104**					**5,104**		**5,104**
Cash dividends, ¥10.00 per share				**(1,724)**					**(1,724)**		**(1,724)**
Purchase of treasury stock	**(67)**							**(33)**	**(33)**		**(33)**
Disposal of treasury stock								**2**	**2**		**2**
Net change in the year					**876**	**1,544**	**244**		**2,664**	**1,305**	**3,969**
Balance, March 31, 2010	**172,263**	**¥16,332**	**¥26,072**	**¥65,830**	**¥305**	**¥385**	**¥(1,100)**	**¥(487)**	**¥107,337**	**¥7,479**	**¥114,816**

	Thousands of U.S. Dollars *(Note 1. a)*									
	Common Stock	Capital Surplus	Retained Earnings	Net Unrealized Gain (Loss) on Available-for-Sale Securities	Deferred Gain (Loss) on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Treasury Stock	Total	Minority Interests	Total Equity
Balance, March 31, 2009	$175,613	$280,344	$671,505	$(6,139)	$(12,462)	$(14,452)	$(4,903)	$1,089,506	$66,387	$1,155,893
Net income			**54,882**					**54,882**		**54,882**
Cash dividends, $0.1 per share			**(18,538)**					**(18,538)**		**(18,538)**
Purchase of treasury stock							**(355)**	**(355)**		**(355)**
Disposal of treasury stock							**22**	**22**		**22**
Net change in the year				**9,419**	**16,602**	**2,624**		**28,645**	**14,032**	**42,677**
Balance, March 31, 2010	**$175,613**	**$280,344**	**$707,849**	**$3,280**	**$4,140**	**$(11,828)**	**$(5,236)**	**$1,154,162**	**$80,419**	**$1,234,581**

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Years Ended March 31, 2010 and 2009

	Millions of Yen		Thousands of U.S. Dollars (Note 1. a)
	2010	2009	**2010**
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	**¥ 9,879**	¥ 6,179	**$ 106,226**
Adjustments for:			
Income taxes—paid	**(4,918)**	(1,986)	**(52,882)**
Depreciation and amortization	**6,658**	6,656	**71,591**
Impairment loss on fixed assets		1,089	
Equity in earnings (loss) of associated companies	**(152)**	124	**(1,635)**
Amortization of goodwill—net	**925**	894	**9,946**
Gain on sale of investment securities	**(5)**	(11)	**(54)**
Loss on sale of securities of a subsidiary		7	
Loss on sale and disposition of property, plant and equipment	**320**	187	**3,441**
Loss on write-down of investment securities	**11**	271	**118**
Loss on write-down of securities of a subsidiary	**2**		**22**
Loss on write-down of an investment of a subsidiary	**80**		**860**
Decrease in trade receivables	**111**	4,616	**1,194**
Decrease (increase) in inventories	**(1,269)**	7,280	**(13,645)**
Increase (decrease) in trade payables	**895**	(2,101)	**9,624**
Increase (decrease) in liability for retirement benefits	**(56)**	145	**(602)**
Other—net	**(1,023)**	3,340	**(11,000)**
Total adjustments	**1,579**	20,511	**16,978**
Net cash provided by operating activities	**11,458**	26,690	**123,204**
INVESTING ACTIVITIES:			
Proceeds from sale of investment securities	**20**	664	**215**
Purchases of investment securities	**(2,572)**	(373)	**(27,656)**
Proceeds from sale of property, plant and equipment	**21**		**226**
Purchases of property, plant and equipment	**(9,391)**	(2,779)	**(100,978)**
Increase in marketable securities—net	**(7)**	(768)	**(75)**
Proceeds from sale of securities of a subsidiary		9	
Payment for acquisition of consolidated subsidiaries, net of cash acquired		(346)	
Payment for acquisition of newly-consolidated subsidiary, net of cash acquired		(1,890)	
Proceeds from redemption of bonds	**500**	273	**5,376**
Other—net	**(765)**	(646)	**(8,226)**
Net cash used in investing activities	**(12,194)**	(5,856)	**(131,118)**
FINANCING ACTIVITIES:			
Increase (decrease) in short-term bank loans—net	**(3,303)**	3,800	**(35,516)**
Repayments of long-term debt	**(1,954)**	(3,350)	**(21,011)**
Proceeds from long-term debt	**4,509**	3,401	**48,484**
Repayments of commercial paper		(11,500)	
Proceeds from bond issuance		9,927	
Redemption of bonds	**(20)**		**(215)**
Dividends paid	**(1,724)**	(1,724)	**(18,538)**
Dividends paid for minority interests	**(114)**	(83)	**(1,226)**
Purchases of treasury stock—net	**(31)**	(17)	**(333)**
Repayments of lease obligations	**(498)**	(432)	**(5,354)**
Net cash provided by (used in) financing activities	**(3,135)**	22	**(33,709)**
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	**61**	(547)	**656**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(3,810)**	20,309	**(40,967)**
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**26,475**	6,166	**284,677**
CASH AND CASH EQUIVALENTS, END OF YEAR	**¥ 22,665**	¥ 26,475	**$ 243,710**
NON-CASH INVESTING AND FINANCING ACTIVITIES:			
Assets increased by finance leases	**¥789**	¥1,020	**$8,484**
Liabilities increased by finance leases	**829**	1,083	**8,914**

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

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 Consolidated Financial Statements—The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements from 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 2009 consolidated financial statements to conform to the classifications used in 2010.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥93 to $1, the approximate rate of exchange at March 31, 2010. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

b. Principles of Consolidation—The consolidated financial statements as of March 31, 2010 include the accounts of the Company and its 19 (20 in 2009) significant subsidiaries (collectively, 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 7 (7 in 2009) associated companies are accounted for by the equity method. Investments in the remaining 9 unconsolidated subsidiaries and 6 associated companies (10 subsidiaries and 5 associated companies in 2009) 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 is reported in the consolidated balance sheet as other assets and/or long-term liabilities and is amortized using the straight-line method over five years.

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

c. Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements—In May 2006, the Accounting Standards Board of Japan (the "ASBJ") issued ASBJ Practical Issues Task Force ("PITF") No. 18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements." PITF No. 18 prescribes (1) the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should, in principle, be unified for the preparation of the consolidated financial statements, (2) financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards or generally accepted accounting principles in the United States of America tentatively may be used for the consolidation process, (3) however, the following items should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP unless they are not material: (a) amortization of goodwill; (b) scheduled amortization of actuarial gain or loss of pensions that has been directly recorded in equity; (c) expensing capitalized development costs of R&D; (d) cancellation of the fair value model of accounting for property, plant and equipment and investment properties and incorporation of the cost model of accounting; (e) recording the prior years' effects of changes in accounting policies in the income statement where retrospective adjustments to financial statements have been incorporated; and (f) exclusion of minority interests from net income, if included. PITF No. 18 was effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted.

The Company applied this accounting standard effective April 1, 2008. The effect of this change was not material.

d. Translation of Foreign Currency Accounts—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.

e. 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 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 equity. Revenue and expense accounts of consolidated foreign subsidiaries are translated into yen at the average exchange rate.

Prior to April 1, 2010, revenue and expense accounts of consolidated foreign subsidiaries were translated into Japanese yen at the current exchange rate as of the balance sheet date.

Effective April 1, 2010, revenue and expense accounts of consolidated foreign subsidiaries are translated into Japanese yen at the average exchange rate.

The effect of this change was to decrease sales by ¥62 million ($667 thousand), to decrease operating income by ¥30 million ($323 thousand), to decrease ordinary income by ¥26 million ($280 thousand), and to decrease income before income taxes and minority interests by ¥26 million ($280 thousand) for the year ended March 31, 2010.

f. Cash Equivalents—Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value. Cash equivalents include time deposits, certificates of deposit, commercial paper, assets purchased under agreement to resell and bond funds, all of which mature or become due within three months of the date of acquisition.

g. 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 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.

h. 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.

i. Inventories—Inventories are stated at the lower of cost, determined by the average method for finished products, and by the first-in, first-out method for raw materials, or net selling value.

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

Depreciation of property, plant and equipment, except for building and lease assets, 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 buildings and lease assets of those companies and to the property, plant and equipment of consolidated foreign subsidiaries.

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. The useful lives for lease assets are the terms of the respective leases.

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

k. Long-Lived Assets—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.

l. Leases—In March 2007, the ASBJ issued ASBJ Statement No. 13, "Accounting Standard for Lease Transactions," which revised the previous accounting standard for lease transactions issued in June 1993. The revised accounting standard for lease transactions is effective for fiscal years beginning on or after April 1, 2008, with early adoption permitted for fiscal years beginning on or after April 1, 2007.

Under the previous accounting standard, finance leases that were deemed to transfer ownership of the leased property to the lessee were to be capitalized. However, other finance leases were permitted to be accounted for as operating lease transactions if certain "as if capitalized" information was disclosed in the notes to the lessee's financial statements. The revised accounting standard requires that all finance lease transactions be capitalized to recognize lease assets and lease obligations in the balance sheet. In addition, the revised accounting standard permits leases which existed at the transition date and do not transfer ownership of the leased property to the lessee to be measured at the obligations under finance leases less interest expense at the transition date and recorded as acquisition cost of lease assets.

The Company applied the revised accounting standard effective April 1, 2008. In addition, the Company accounted for leases which existed at the transition date and which do not transfer ownership of the leased property to the lessee as acquisition cost of lease assets measured at the obligations under finance leases less interest expense at the transition date.

All other leases are accounted for as operating leases.

m. Bonuses to Directors and Corporate Auditors—Bonuses to directors and corporate auditors are accrued at the year end to which such bonuses are attributable.

n. Construction Contracts—In December 2007, the ASBJ issued ASBJ Statement No. 15, "Accounting Standard for Construction Contracts," and ASBJ Guidance No. 18, "Guidance on Accounting Standard for Construction Contracts." Under the previous Japanese GAAP, either the completed-contract method or the percentage-of-completion method was permitted to account for construction contracts. Under this new accounting standard, construction revenue and construction costs should be recognized by the percentage-of-completion method, if the outcome of a construction contract can be estimated reliably. When total construction revenue, total construction costs, and the stage of completion of the contract at the balance sheet date can be reliably measured, the outcome of a construction contract can be estimated reliably. If the outcome of a construction contract cannot be reliably estimated, the completed-contract method should be applied. When it is probable that the total construction costs will exceed total construction revenue, an estimated loss on the contract should be immediately recognized by providing for a loss on construction contracts. This standard is applicable to construction contracts and software development contracts and effective for fiscal years beginning on or after April 1, 2009. The Company applied the new accounting standard effective April 1, 2009. The effect of this change was not material.

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

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

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.

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

r. 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, with gains or losses recognized in the consolidated statements of income.

If derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on the derivatives are deferred until maturity of the hedged transactions.

Foreign currency forward contracts are utilized to hedge foreign currency exposures in the 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 equity.

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 equity.

s. 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 income have been presented on an accrual basis and include, in each fiscal year ended March 31, dividends approved or to be approved after March 31, but applicable to the year then ended.

t. Appropriations of Retained Earnings—Appropriations of retained earnings are reflected in the consolidated financial statements for the following year on shareholders' approval.

u. New Accounting Pronouncements

Business Combinations—In December 2008, the ASBJ issued a revised accounting standard for business combinations, ASBJ Statement No. 21, "Accounting Standard for Business Combinations." Major accounting changes under the revised accounting standard are as follows:

(1) The current accounting standard for business combinations allows companies to apply the pooling of interests method of accounting when certain specific criteria are met such that the business combination is essentially regarded as a uniting-of-interests. The revised standard requires accounting for such business combinations by the purchase method, and the pooling of interests method of accounting is no longer allowed.

(2) The current accounting standard accounts for research and development costs to be charged to income as incurred. Under the revised standard, in-process research and development (IPR&D) costs acquired in a business combination are capitalized as an intangible asset.

(3) The current accounting standard accounts for a bargain purchase gain (negative goodwill) to be systematically amortized within 20 years. Under the revised standard, the acquirer recognizes a bargain purchase gain in profit or loss on the acquisition date after reassessing whether it has correctly identified all of the assets acquired and all of the liabilities assumed with a review of such procedures used.

This standard is applicable to business combinations undertaken on or after April 1, 2010, with early adoption permitted for fiscal years beginning on or after April 1, 2009.

Unification of Accounting Policies Applied to Foreign Associated Companies for the Equity Method—The current accounting standard requires unifying accounting policies within the consolidation group. However, the current guidance allows for the application of the equity method for the financial statements of its foreign associated companies which have been prepared in accordance with generally accepted accounting principles in their respective jurisdictions without unification of accounting policies.

In March 2008, the ASBJ issued ASBJ Statement No. 16, "Accounting Standard for Equity Method of Accounting for Investments." The new standard requires adjustments to be made to conform the associate's accounting policies for similar transactions and events under similar circumstances to those of the parent company when the associate's financial statements are used in applying the equity method unless it is impracticable to determine adjustments. In addition, financial statements prepared by foreign associated companies in accordance with either International Financial Reporting Standards or generally accepted accounting principles in the United States of America tentatively may be used in applying the equity method if the following items are adjusted so that net income is accounted for in accordance with Japanese GAAP unless they are not material: (1) amortization of goodwill; (2) scheduled amortization of actuarial gain or loss of pensions that has been directly recorded in equity; (3) expensing capitalized development costs of R&D; (4) cancellation of the fair value of model accounting for property, plant and equipment and investment properties and incorporation of the cost model accounting; (5) recording the prior years' effects of changes in accounting policies in the income statement where retrospective adjustments to the financial statements have been incorporated; and (6) exclusion of minority interests from net income, if included.

This standard is applicable to the equity method of accounting for fiscal years beginning on or after April 1, 2010, with early adoption permitted for fiscal years beginning on or after April 1, 2009.

Asset Retirement Obligations—In March 2008, the ASBJ published a new accounting standard for asset retirement obligations, ASBJ Statement No. 18, "Accounting Standard for Asset Retirement Obligations," and ASBJ Guidance No. 21, "Guidance on Accounting Standard for Asset Retirement Obligations." Under this accounting standard, an asset retirement obligation is defined as a legal obligation imposed either by law or contract that results from the acquisition, construction, development and the normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset.

The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of the asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an increase or a decrease in the carrying amount of the liability and the capitalized amount of the related asset retirement cost. This standard is effective for fiscal years beginning on or after April 1, 2010, with early adoption permitted for fiscal years beginning on or before March 31, 2010.

Accounting Changes and Error Corrections—In December 2009, the ASBJ issued ASBJ Statement No. 24, "Accounting Standard for Accounting Changes and Error Corrections," and ASBJ Guidance No. 24, "Guidance on Accounting Standard for Accounting Changes and Error Corrections." Accounting treatments under this standard and guidance are as follows:

(1) Changes in accounting policies

When a new accounting policy is applied with revision of accounting standards, a new policy is applied retrospectively unless the revised accounting standards include specific transitional provisions. When the revised accounting standards include specific transitional provisions, an entity shall comply with the specific transitional provisions.

(2) Changes in presentation

When the presentation of financial statements is changed, prior period financial statements are reclassified in accordance with the new presentation.

(3) Changes in accounting estimates

A change in an accounting estimate is accounted for in the period of the change if the change affects that period only, and is accounted for prospectively if the change affects both the period of the change and future periods.

(4) Corrections of prior period errors

When an error in prior period financial statements is discovered, those statements are restated.

This accounting standard and the guidance will be applicable to accounting changes and corrections of prior period errors which are made from the beginning of the fiscal year that begins on or after April 1, 2011.

Segment Information Disclosures—In March 2008, the ASBJ revised ASBJ Statement No. 17, "Accounting Standard for Segment Information Disclosures," and issued ASBJ Guidance No. 20, "Guidance on Accounting Standard for Segment Information Disclosures." Under the standard and guidance, an entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available and such information is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments. This accounting standard and guidance will be applicable to segment information disclosures for the fiscal years beginning on or after April 1, 2010.

2. MARKETABLE AND INVESTMENT SECURITIES

Marketable and investment securities as of March 31, 2010 and 2009 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	**2010**
Current:			
Government and corporate bonds	**¥ 3,919**	¥3,632	**$ 42,140**
Trust fund investments and other		590	
Total	**¥ 3,919**	¥4,222	**$ 42,140**
Non-current:			
Marketable equity securities	**¥11,595**	¥8,198	**$124,677**
Government and corporate bonds	**1,679**	1,327	**18,054**
Trust fund investments and other	**58**	56	**624**
Total	**¥13,332**	¥9,581	**$143,355**

The costs and aggregate fair values of marketable and investment securities at March 31, 2010 and 2009 were as follows:

	Millions of Yen			
	2010			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as available-for-sale:				
Equity securities	**¥8,063**	**¥3,553**	**¥1,512**	**¥10,104**
Debt securities	**6,745**	**11**	**1,158**	**5,598**
Other	**51**			**51**

	Millions of Yen			
	2009			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as available-for-sale:				
Equity securities	¥6,419	¥2,193	¥1,826	¥6,786
Debt securities	5,803	3	847	4,959
Other	680		41	639

	Thousands of U.S. Dollars			
	2010			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as available-for-sale:				
Equity securities	**$86,699**	**$38,204**	**$16,258**	**$108,645**
Debt securities	**72,527**	**118**	**12,451**	**60,194**
Other	**548**			**548**

Available-for-sale securities whose fair value is not readily determinable as of March 31, 2009 were as follows. The similar information for 2010 is disclosed in Note 11.

March 31, 2009	Carrying Amount Millions of Yen
Available-for-sale:	
Equity securities	¥1,411
Other	3,000
Total	¥4,411

Proceeds from sales of available-for-sale securities for the year ended March 31, 2009 were ¥438 million. Gross realized gains on these sales, computed on the moving-average cost basis, were ¥11 million for the year ended March 31, 2009.

The information of available-for-sale securities which were sold during the year ended March 31, 2010 was as follows:

	Millions of Yen		
March 31, 2010	Proceeds	Realized Gains	Realized Losses
Available-for-sale equity securities	**¥20**	**¥4**	
Total	**¥20**	**¥4**	

	Thousands of U.S. Dollars		
March 31, 2010	Proceeds	Realized Gains	Realized Losses
Available-for-sale equity securities	**$215**	**$43**	
Total	**$215**	**$43**	

The impairment losses on available-for-sale equity securities for the years ended March 31, 2010 and 2009 were ¥21 million ($226 thousand) and ¥80 million, respectively.

As of March 31, 2010, the following assets were pledged as collateral to secure trade accounts payables of ¥16 million ($172 thousand):

	Millions of Yen	Thousands of U.S. Dollars
Equity securities	**¥163**	**$1,753**

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

Short-term bank loans at March 31, 2010 and 2009 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, 2010 and 2009 were 2.4% and 3.1%, respectively.

Long-term debt as of March 31, 2010 and 2009 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	**2010**
1.0% unsecured bonds due 2010	**¥ 5,000**	¥ 5,000	**$ 53,763**
1.4% unsecured bonds due 2012	**5,000**	5,000	**53,763**
1.8% unsecured bonds due 2014	**10,000**	10,000	**107,527**
1.3% unsecured bonds due 2011	**5,000**	5,000	**53,763**
1.5% unsecured bonds due 2013	**5,000**	5,000	**53,763**
1.2% unsecured bonds due 2010	**200**	200	**2,151**
1.5% unsecured bonds due 2011	**30**	50	**323**
Loans from banks, due through 2016 with interest rates ranging from 0.5% to 4.4% (2010) and from 0.5% to 4.7% (2009):			
Collateralized	**2,448**	3,757	**26,323**
Unsecured	**9,705**	5,795	**104,355**
Obligations under finance leases	**828**	1,083	**8,903**
Total	**43,211**	40,885	**464,634**
Less current portion	**(7,851)**	(2,445)	**(84,419)**
Long-term debt, less current portion	**¥35,360**	¥38,440	**$380,215**

The aggregate annual maturities of long-term debt, excluding finance leases (see Note 9), as of March 31, 2010 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
2011	¥ 7,851	$ 84,419
2012	7,779	83,645
2013	7,432	79,914
2014	9,819	105,581
2015	10,318	110,946
2016 and thereafter	12	129
Total	¥43,211	$464,634

The carrying amounts of assets pledged as collateral for short-term bank loans of ¥1,632 million ($17,548 thousand) and the above collateralized long-term debt of ¥2,448 million ($26,323 thousand) at March 31, 2010 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Land	**¥2,185**	**$23,495**
Buildings and structures	**2,022**	**21,742**
Machinery and equipment	**8**	**86**
Total	**¥4,215**	**$45,323**

4. 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, and also applied for transfer of the substitutional portion of past pension obligations to the government and obtained approval by the Ministry of Health, Labour and Welfare.

The Company thereafter transferred the substitutional portion of the pension obligations and related assets to the government on February 6, 2006, and recognized ¥79 million as other income for the difference between the balance of the retirement benefit liabilities brought forward and the amount actually transferred for the year ended March 31, 2006.

The liability (assets) for employees' retirement benefits at March 31, 2010 and 2009 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	**2010**
Projected benefit obligation	**¥18,842**	¥18,411	**$202,602**
Fair value of plan assets	**(12,550)**	(10,742)	**(134,946)**
Unrecognized prior service cost	**1,206**	1,330	**12,968**
Unrecognized actuarial loss	**(7,180)**	(8,493)	**(77,204)**
Unrecognized transitional obligation		(20)	
Prepaid pension expense	**832**	720	**8,946**
Net liability	**¥ 1,150**	¥ 1,206	**$ 12,366**

The components of net periodic benefit costs for the years ended March 31, 2010 and 2009 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	**2010**
Service cost	**¥ 864**	¥660	**$ 9,290**
Interest cost	**358**	360	**3,849**
Expected return on plan assets	**(500)**	(795)	**(5,376)**
Amortization of prior service cost	**(124)**	(124)	**(1,333)**
Recognized actuarial loss	**711**	434	**7,645**
Amortization of transitional obligation	**20**	20	**215**
Net periodic benefit costs	**¥1,329**	¥555	**$14,290**

Assumptions used for the years ended March 31, 2010 and 2009 are set forth as follows:

	2010	2009
Discount rate	**2.2%**	2.2%
Expected rate of return on plan assets	**4.9%**	5.8%
Amortization period of prior service cost	**14–17 years**	14–17 years
Recognition period of actuarial gain	**14–17 years**	14–17 years
Amortization period of transitional obligation— 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.

The Group recorded a liability for its unfunded retirement allowance plan covering all of its directors and corporate auditors for the years ended March 31, 2010 and 2009 of ¥1,018 million ($10,946 thousand) and ¥1,099 million, respectively.

5. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥2,329 million ($25,043 thousand) and ¥2,386 million for the years ended March 31, 2010 and 2009, respectively.

6. EQUITY

Japanese companies are subject to the Companies Act of Japan (the "Companies Act"). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

a. Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders meeting. For companies that meet certain criteria such as; (1) having a Board of Directors, (2) having independent auditors, (3) having a Board of Corporate Auditors, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends-in-kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. The Company meets all the above criteria.

The Companies Act permits companies to distribute dividends-in-kind (non-cash assets) to shareholders subject to a certain limitation and additional requirements.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

b. Increases/Decreases and Transfer of Common Stock, Reserve and Surplus

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total of aggregate amount of legal reserve and additional paid-in capital equals 25% of the amount of common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

c. Treasury Stock and Treasury Stock Acquisition Rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by specific formula. Under the Companies Act, stock acquisition rights are presented as a separate component of equity. The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

7. 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 40.6% for the years ended March 31, 2010 and 2009.

The tax effects of significant temporary differences and tax loss carryforwards, which resulted in deferred tax assets and liabilities at March 31, 2010 and 2009 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	**2010**
Deferred tax assets:			
Liability for retirement benefits	**¥ 2,512**	¥ 2,579	**$ 27,011**
Tax loss carryforwards	**1,760**	2,171	**18,925**
Accrued expenses	**1,390**	1,535	**14,946**
Unrealized profits on sale of fixed assets	**153**	130	**1,645**
Inventories	**77**	133	**827**
Impairment loss on long-lived assets	**648**	740	**6,968**
Other	**1,028**	1,606	**11,054**
Less valuation allowance	**(2,522)**	(2,963)	**(27,118)**
Total	**5,046**	5,931	**54,258**
Deferred tax liabilities:			
Gain on securities transferred of the retirement benefit trust fund	**1,324**	1,325	**14,237**
Property, plant and equipment	**4,132**	4,452	**44,430**
Unrealized gain on available-for-sale securities	**362**	21	**3,892**
Other	**2,064**	1,409	**22,194**
Total	**7,882**	7,207	**84,753**
Net deferred tax liabilities	**¥(2,836)**	¥(1,276)	**$(30,495)**

A reconciliation between the normal effective statutory tax rate and the actual effective tax rates reflected in the accompanying consolidated statements of income for the years ended March 31, 2010 and 2009 is as follows:

	2010	2009
Normal effective statutory tax rate	**40.6%**	40.6%
Expenses not deductible for income tax purposes	**3.1**	2.3
Per capita levy of corporate tax	**0.6**	0.9
Elimination of intercompany dividends	**1.9**	2.4
Amortization of goodwill	**3.8**	5.9
Difference from effective statutory tax rate of consolidated subsidiaries	**(4.1)**	(1.8)
Equity in earnings (loss) of associated companies	**(0.6)**	0.8
Temporary difference due to unrecognized deferred taxes	**1.4**	1.9
Research and development expenses deductible for income taxes	**(1.0)**	(1.7)
Tax reduction from investment in facilities	**(5.0)**	
Effect of tax reforms		(5.0)
Other—net	**(2.8)**	(3.4)
Actual effective tax rate	**37.9%**	42.9%

8. RELATED PARTY DISCLOSURES

Transactions of the Company with affiliated companies for the years ended March 31, 2010 and 2009 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	**2010**
Sales	**¥58,193**	¥69,561	**$625,731**
Purchases	**49,660**	64,212	**533,978**
Rental expense	**107**		**1,151**
Rental income	**16**		**172**

The balances due to or from these affiliated companies at March 31, 2010 and 2009 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	2010
Trade accounts receivable	¥11,626	¥11,030	$125,011
Other asset	224	224	2,409
Trade accounts payable	7,302	7,058	78,516

9. LEASES

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

Total lease payments for the years ended March 31, 2010 and 2009 were ¥310 million ($3,333 thousand) and ¥263 million, respectively.

10. COMMITMENTS AND CONTINGENT LIABILITIES

The Group was contingently liable at March 31, 2010, for guarantees of employee's housing loans, totaling ¥463 million ($4,984 thousand).

The Group executed a ¥36,990 million ($397,742 thousand) committed borrowing facility with a domestic banking group during the fiscal year ended March 31, 2010.

As of March 31, 2010, the Company transferred its trade accounts receivable of ¥7,696 million ($82,753 thousand) to factoring companies.

11. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

On March 10, 2008, the ASBJ revised ASBJ Statement No. 10, "Accounting Standard for Financial Instruments," and issued ASBJ Guidance No. 19, "Guidance on Accounting Standard for Financial Instruments and Related Disclosures." This accounting standard and guidance are applicable to financial instruments and related disclosures at the end of fiscal years ending on or after March 31, 2010, with early adoption permitted from the beginning of the fiscal years ending before March 31, 2010. The Group applied the revised accounting standard and the new guidance effective March 31, 2010.

(1) Group Policy for Financial Instruments

The Group uses financial instruments, mainly long-term debt including bank loans and bonds, based on its capital financing plan. Short-term bank loans are used to fund ongoing operations. Derivatives are used, not for speculative purposes, but to manage exposure to financial risks as described in Note 12.

(2) Nature and Extent of Risks Arising from Financial Instruments

Receivables such as trade notes and trade accounts are exposed to customer credit risk. Marketable and investment securities, mainly equity instruments of customers and suppliers of the Group, are exposed to the risk of market price fluctuations.

Payment terms of payables, such as trade notes and trade accounts, are almost less than one year.

A portion of bank loans, bonds and lease obligations are exposed to market risks from changes in variable interest rates, and those risks are mitigated by using derivatives of interest rate swaps.

Derivatives mainly include forward foreign currency contracts, commodities futures and interest rate swaps, which are used to manage exposure to market risks from changes in foreign currency exchange rates of receivables and payables, and from changes in interest rates of bank loans and bonds. Please see Note 12 for more detail about derivatives.

(3) Risk Management for Financial Instruments

Credit risk management

Credit risk is the risk of economic loss arising from a counterparty's failure to repay or service debt according to the contractual terms. The Group manages its credit risk from receivables on the basis of internal guidelines, which includes monitoring of payment terms and balances of major customers by each business administration department to identify the default risk of customers in the early stages. With respect to held-to-maturity financial investment, the Group manages its exposure to credit risk by limiting its funding to high credit rating bonds in accordance with in its internal guidelines. Please see Note 12 for the detail about derivatives.

The maximum credit risk exposure of financial assets is limited to their carrying amounts as of March 31, 2010.

Market risk management (foreign exchange risk and interest rate risk)

Foreign currency trade receivables and payables are exposed to market risk resulting from fluctuations in foreign currency exchange rates. Such foreign exchange risk is hedged principally by forward foreign currency contracts. In addition, when foreign currency trade receivables and payables are expected from forecasted transactions, forward foreign currency contracts may be used under the limited contract term of half year.

Interest rate swaps are used to manage exposure to market risks from changes in interest rates of loan payables and bond payables.

Marketable and investment securities are managed by monitoring market values and financial position of issuers on a regular basis.

Basic principles of derivative transactions have been approved by management meeting based on internal guidelines which prescribe the authority and the limit for each transaction. Reconciliation of the transaction and balances with customers is made, and the transaction data has been monitored by the internal audit department.

(4) Fair Values of Financial Instruments

Fair values of financial instruments are based on quoted price in active markets. If quoted price is not available, other rational valuation techniques are used instead. Also please see Note 12 for the detail of fair value for derivatives.

(a) Fair value of financial instruments

	Millions of Yen		
March 31, 2010	Carrying Amount	Fair Value	Unrealized Gain/Loss
Cash and cash equivalents	¥22,665	¥22,665	
Receivables	45,779		
Allowance for doubtful receivables	(18)		
Net	45,761	45,761	
Marketable and investment securities	15,752	15,752	
Total	¥84,178	¥84,178	
Short-term bank loans	¥ 8,632	¥ 8,632	
Current portion of long-term debt	7,851	7,863	¥ 12
Payables	37,061	37,061	
Long-term debt	35,361	35,960	599
Total	¥88,905	¥89,516	¥611
Derivatives	¥ 600	¥ 600	

	Thousands of U.S. Dollars		
March 31, 2010	Carrying Amount	Fair Value	Unrealized Gain/Loss
Cash and cash equivalents	$243,710	$243,710	
Receivables	492,247		
Allowance for doubtful receivables	(193)		
Net	492,054	492,054	
Marketable and investment securities	169,376	169,376	
Total	$905,140	$905,140	
Short-term bank loans	$ 92,817	$ 92,817	
Current portion of long-term debt	84,419	84,548	$ 129
Payables	398,506	398,506	
Long-term debt	380,226	386,667	6,441
Total	$955,968	$962,538	$6,570
Derivatives	$ 6,452	$ 6,452	

Cash and Cash Equivalents

The carrying values of cash and cash equivalents approximate fair value because of their short maturities.

Marketable and Investment Securities

The fair values of marketable and investment securities are measured at the quoted market price of the stock exchange for equity instruments, and at the quoted price obtained from the financial institution for certain debt instruments. The information of the fair value for marketable and investment securities by classification is included in Note 2.

Receivables and Payables

The fair values of receivables and payables approximate fair value because of their short maturities.

Short-Term Bank Loans and Long-Term Debt

The fair values of short-term bank loans and long-term debt are determined by discounting the cash flows related to the debt at the Group's assumed corporate borrowing rate.

The fair values of floating rate debt that apply interest rate swaps which qualify for hedge accounting and meet specific matching criteria as means for hedging, are determined by discounting the cash flows related to the debt that include interest rate swaps as a unit at the Group's assumed corporate borrowing rate.

Derivatives

The information of the fair value for derivatives is included in Note 12.

(b) Financial instruments whose fair value cannot be reliably determined

	Carrying Amount	
March 31, 2010	Millions of Yen	Thousands of U.S. Dollars
Investments in equity instruments that do not have a quoted market price in an active market	**¥3,735**	**$40,161**

(5) Maturity Analysis for Financial Assets and Securities with Contractual Maturities

	Millions of Yen			
March 31, 2010	Due in 1 Year or Less	Due after 1 Year through 5 Years	Due after 5 Years through 10 Years	Due after 10 Years
Receivables	**¥45,779**			
Investment securities—				
Available-for-sale securities with contractual maturities	**3,919**	**¥867**	**¥203**	**¥658**
Total	**¥49,698**	**¥867**	**¥203**	**¥658**

	Thousands of U.S. Dollars			
March 31, 2010	Due in 1 Year or Less	Due after 1 Year through 5 Years	Due after 5 Years through 10 Years	Due after 10 Years
Receivables	**$492,247**			
Investment securities—				
Available-for-sale securities with contractual maturities	**42,140**	**$9,323**	**$2,182**	**$7,075**
Total	**$534,387**	**$9,323**	**$2,182**	**$7,075**

Please see Note 3 for annual maturities of long-term debt.

12. 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 consolidated 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 the 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.

As noted in Note 11, the Group applied ASBJ Statement No. 10, "Accounting Standard for Financial Instruments," and ASBJ Guidance No. 19, "Guidance on Accounting Standard for Financial Instruments and Related Disclosures." The accounting standard and guidance are applicable to financial instruments and related disclosures at the end of fiscal years ending on or after March 31, 2010; therefore, the required information is disclosed only for 2010.

Derivative Transactions to Which Hedge Accounting Is Not Applied at March 31, 2010

	Millions of Yen			
March 31, 2010	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain/Loss
Interest rate swap (fixed rate payment, floating rate receipt)	**¥700**	**¥700**	**¥(11)**	**¥(11)**

	Thousands of U.S. Dollars			
March 31, 2010	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain/Loss
Interest rate swap (fixed rate payment, floating rate receipt)	**$7,527**	**$7,527**	**$(118)**	**$(118)**

Derivative Transactions to Which Hedge Accounting Is Applied at March 31, 2010

		Millions of Yen		
March 31, 2010	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Foreign currency forward contracts:				
Selling:				
U.S.$	Payables	**¥ 650**		**¥ 663**
Canada$	Payables	**178**		**183**
Buying:				
U.S.$	Payables	**17,421**	**¥5,889**	**18,265**
Euro	Payables	**1,825**		**1,825**
Canada$	Payables	**188**		**197**
Commodity futures contracts:				
Selling	Payables	**11,553**		**12,524**
Buying	Payables	**9,795**		**10,545**

		Thousands of U.S. Dollars		
March 31, 2010	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Foreign currency forward contracts:				
Selling:				
U.S.$	Payables	**$ 6,989**		**$ 7,129**
Canada$	Payables	**1,914**		**1,968**
Buying:				
U.S.$	Payables	**187,323**	**$63,323**	**196,398**
Euro	Payables	**19,624**		**19,624**
Canada$	Payables	**2,022**		**2,118**
Commodity futures contracts:				
Selling	Payables	**124,226**		**134,667**
Buying	Payables	**105,323**		**113,387**

March 31, 2010	Hedged Item	Millions of Yen Contract Amount	 Contract Amount Due after One Year	 Fair Value
Interest rate swaps (fixed rate payment, floating rate receipt)	Long-term debt	**¥2,085**	**¥1,980**	*1
Interest rate option trading	Long-term debt	**160**	**160**	*1

March 31, 2010	Hedged Item	Thousands of U.S. Dollars Contract Amount	 Contract Amount Due after One Year	 Fair Value
Interest rate swaps (fixed rate payment, floating rate receipt)	Long-term debt	**$22,419**	**$21,290**	*1
Interest rate option trading	Long-term debt	**1,720**	**1,720**	*1

*1 The above interest rate swaps and interest rate option trading which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value, but the differential paid or received under the swap agreements are recognized and included in interest expense or income. In addition, the fair value of such interest rate swaps in Note 11 is included in that of the hedged items (i.e., long-term debt).

March 31, 2010	Hedged Item	Millions of Yenz Contract Amount	 Contract Amount Due after One Year	 Fair Value
Foreign currency forward contracts—Buying—U.S.$	Payables	**¥6,435**		*2

March 31, 2010	Hedged Item	Thousands of U.S. Dollars Contract Amount	 Contract Amount Due after One Year	 Fair Value
Foreign currency forward contracts—Buying—U.S.$	Payables	**$69,194**		*2

*2 The above foreign currency forward contracts which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value, but trade payables denominated in a foreign currency are translated at the contracted rates. In addition, the fair value of such foreign currency forward contracts in Note 11 is included in that of the hedged items (i.e., payables).

The following is the fair value information for foreign currency forward contracts to which hedge accounting is not applied at March 31, 2009. Foreign currency forward contracts which qualify for hedge accounting are excluded from the information below.

March 31, 2009	Millions of Yen Contract Amount	 Fair Value	 Unrealized Gain/Loss
Interest rate swap (fixed rate payment, floating rate receipt)	¥700	¥(24)	¥(24)

The fair value of derivative transactions is measured at the quoted price obtained from the financial institution.

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

13. SUBSEQUENT EVENT

The following appropriation of retained earnings at March 31, 2010 was approved at the Company's shareholders meeting held on June 25, 2010:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥5.00 ($0.05) per share	¥861	$9,258

14. SEGMENT INFORMATION

The Group operates in the following segments:

Oils and meal consist of food products for home and food service use, as well as edible oils and fats for processed food manufacturers.

Healthy foods and soy protein consist of therapeutic foods, health foods, and foods taken in liquid form.

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

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

Information about industry segments, geographical segments and sales to foreign customers of the Group for the years ended March 31, 2010 and 2009 is as follows:

(1) Industry Segments

a. Sales and Operating Income (Loss)

	Millions of Yen					
	2010					
	Oils and Meal	Healthy Foods and Soy Protein	Fine Chemicals	Other	Eliminations/ Corporate	Consolidated
Sales to customers	¥276,079	¥ 9,686	¥5,742	¥ 9,792		¥301,299
Intersegment sales	1,229	77	51	15,225	¥(16,582)	
Total sales	277,308	9,763	5,793	25,017	(16,582)	301,299
Operating expenses	268,164	10,304	5,627	23,333	(16,564)	290,864
Operating income (loss)	¥ 9,144	¥ (541)	¥ 166	¥ 1,684	¥ (18)	¥ 10,435

b. Total Assets, Depreciation and Capital Expenditures

	Millions of Yen					
	2010					
	Oils and Meal	Healthy Foods and Soy Protein	Fine Chemicals	Other	Eliminations/ Corporate	Consolidated
Total assets	¥177,994	¥6,761	¥5,312	¥11,991	¥20,300	¥222,358
Depreciation and amortization	5,827	197	158	476		6,658
Capital expenditures	9,370	310	70	281		10,031

a. Sales and Operating Income (Loss)

	Millions of Yen					
	2009					
	Oils and Meal	Healthy Foods and Soy Protein	Fine Chemicals	Other	Eliminations/ Corporate	Consolidated
Sales to customers	¥312,610	¥ 8,696	¥5,254	¥11,365		¥337,925
Intersegment sales	1,605	1,037	730	14,284	¥(17,656)	
Total sales	314,215	9,733	5,984	25,649	(17,656)	337,925
Operating expenses	306,422	10,783	6,126	24,006	(17,684)	329,653
Operating income (loss)	¥ 7,793	¥(1,050)	¥ (142)	¥ 1,643	¥ 28	¥ 8,272

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

	Millions of Yen					
	2009					
	Oils and Meal	Healthy Foods and Soy Protein	Fine Chemicals	Other	Eliminations/ Corporate	Consolidated
Total assets	¥170,656	¥5,404	¥5,433	¥12,428	¥23,567	¥217,488
Depreciation and amortization	5,671	229	181	575		6,656
Impairment loss on fixed assets		1,089				1,089
Capital expenditures	3,387	289	44	365		4,085

a. Sales and Operating Income (Loss)

	Thousands of U.S. Dollars					
	2010					
	Oils and Meal	Healthy Foods and Soy Protein	Fine Chemicals	Other	Eliminations/ Corporate	Consolidated
Sales to customers	**$2,968,591**	**$104,151**	**$61,742**	**$105,290**		**$3,239,774**
Intersegment sales	**13,215**	**828**	**548**	**163,710**	**$(178,301)**	
Total sales	**2,981,806**	**104,979**	**62,290**	**269,000**	**(178,301)**	**3,239,774**
Operating expenses	**2,883,484**	**110,796**	**60,505**	**250,892**	**(178,107)**	**3,127,570**
Operating income (loss)	**$ 98,322**	**$ (5,817)**	**$ 1,785**	**$ 18,108**	**$ (194)**	**$ 112,204**

b. Total Assets, Depreciation and Capital Expenditures

	Thousands of U.S. Dollars					
	2010					
	Oils and Meal	Healthy Foods and Soy Protein	Fine Chemicals	Other	Eliminations/ Corporate	Consolidated
Total assets	**$1,913,914**	**$72,699**	**$57,118**	**$128,935**	**$218,280**	**$2,390,946**
Depreciation and amortization	**62,656**	**2,118**	**1,699**	**5,118**		**71,591**
Capital expenditures	**100,753**	**3,333**	**753**	**3,021**		**107,860**

(2) Geographical Segments

The geographical segments of the Company and its subsidiaries for the years ended March 31, 2010 and 2009 are summarized as follows:

	Millions of Yen			
	2010			
	Japan	Asia	Eliminations/ Corporate	Consolidated
Sales to customers	**¥227,723**	**¥73,576**		**¥301,299**
Interarea transfer	**402**	**4,635**	**¥(5,037)**	
Total sales	**228,125**	**78,211**	**(5,037)**	**301,299**
Operating expenses	**220,705**	**75,192**	**(5,033)**	**290,864**
Operating income	**¥ 7,420**	**¥ 3,019**	**¥ (4)**	**¥ 10,435**
Total assets	**¥185,262**	**¥37,381**	**¥ (285)**	**¥222,358**

	Millions of Yen			
	2009			
	Japan	Asia	Eliminations/ Corporate	Consolidated
Sales to customers	¥254,785	¥83,140		¥337,925
Interarea transfer	242	4,821	¥(5,063)	
Total sales	255,027	87,961	(5,063)	337,925
Operating expenses	248,021	86,694	(5,062)	329,653
Operating income	¥ 7,006	¥ 1,267	¥ (1)	¥ 8,272
Total assets	¥189,830	¥29,400	¥(1,742)	¥217,488

	Thousands of U.S. Dollars			
	2010			
	Japan	Asia	Eliminations/ Corporate	Consolidated
Sales to customers	**$2,448,634**	**$791,140**		**$3,239,774**
Interarea transfer	**4,323**	**49,838**	**$(54,161)**	
Total sales	**2,452,957**	**840,978**	**(54,161)**	**3,239,774**
Operating expenses	**2,373,172**	**808,516**	**(54,118)**	**3,127,570**
Operating income	**$ 79,785**	**$ 32,462**	**$(43)**	**$ 112,204**
Total assets	**$1,992,065**	**$401,946**	**$ (3,065)**	**$2,390,946**

(3) Sales to Foreign Customers

Sales to foreign customers for the years ended March 31, 2010 and 2009 amounted to ¥71,276 million ($766,409 thousand) and ¥86,174 million, respectively.

Deloitte.

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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. (the "Company") and consolidated subsidiaries as of March 31, 2010 and 2009, and the related consolidated statements of income, changes in 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, 2010 and 2009, 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.

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 LLC

June 25, 2010

Member of
Deloitte Touche Tohmatsu

Corporate Data (As of March 31, 2010)

The Nisshin OilliO Group, Ltd.

Directors and Corporate Auditors (As of June 25, 2010)

President:	Kazuo Ogome*
Senior Managing Directors:	Fumio Imokawa*
	Takao Imamura*
	Toru Morino*
	Susumu Watanabe*
	Yoshihito Tamura
Managing Director:	Akira Seto
Directors:	Takashi Fujii
	Hidetoshi Ogami
	Sadayuki Yoshida
	Shoji Kayanoma
	Mitsuo Minami
	Takehiko Kakiuchi
	Daisuke Okada
Standing Corporate Auditors:	Shigeru Nakadai
	Yoshifumi Shukuya
Corporate Auditors:	Kiyoshi Matsuo
	Shuichiro Sekine

*Representative Director

Head Office:	1-23-1, Shinkawa, Chuo-ku, Tokyo 104-8285, Japan
Tel:	+81 (3) 3206 5005
Fax:	+81 (3) 3206 6458
URL:	http://www.nisshin-oillio.com
Established:	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:	18,282

Major Shareholders (As of March 31, 2010)

	Number of shares held (thousands)	Percentage of shares held (%)
Mitsubishi Corporation	28,829	16.63
Marubeni Corporation	26,001	15.00
Sompo Japan Insurance Inc.	7,360	4.25
The Master Trust Bank of Japan, Ltd.	6,706	3.87
Japan Trustee Services Bank, Ltd.	6,326	3.65
Aioi Insurance Co., Ltd.	5,978	3.45
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	5,168	2.98
Kikkoman Corporation	2,351	1.36
Taisei Corporation	2,310	1.33
The Chuo Mitsui Trust and Banking Company, Limited	2,287	1.32

Company Network

Domestic (13 consolidated subsidiaries):	Settsu Oil Mill, Inc.
	Nisshin Shoji Co., Ltd.
	Nisshin Logistics Co., Ltd.
	NSP Co., Ltd.
	Daito Cacao Co., Ltd.
	Marketing Force Japan, Inc.
	Nisshin Plant Engineering Co., Ltd.
	Yoko Engineering Co., Ltd.
	Nisshin Finance Co., Ltd.
	The Golf Joy Co., Ltd.
	Nisshin Marine Tech Co., Ltd.
	Mogi Tofu Co., Ltd.
	Yamakiu Transport Co., Ltd.
Overseas (6 consolidated subsidiaries):	Dalian Nisshin Oil Mills, Ltd.
	Shanghai Nisshin Oil & Fats, Ltd.
	Southern Nisshin Bio-Tech Sdn. Bhd.
	The Nisshin OilliO (China) Investment Co., Ltd.
	Intercontinental Specialty Fats Sdn. Bhd.
	T. & C. Manufacturing Co. Pte. Ltd.
Equity-Method Affiliates:	PIETRO Co., Ltd.
	Wakou Shokuhin Co., Ltd.
	Ten Corporation Co., Ltd.
	Saiwai Shoji Co., Ltd.
	Nisshin Shokai Co., Ltd.
	President Nisshin Corp.
	Zhang Jia Gang President Nisshin Food Corp.

The Nisshin OilliO Group, Ltd.

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