

FINANCIAL REVIEW

OVERVIEW OF THE NISSHIN OILLIO GROUP

As of March 31, 2009, the Nisshin OilliO Group comprised the parent company, 20 consolidated subsidiaries, 10 unconsolidated subsidiaries, and 12 affiliates, including seven equity-method affiliates. The Group's main businesses are Oils and Meal, Healthy Foods & Soy Protein, and Fine Chemicals, as well as related services and other operations.

CONSOLIDATED RESULTS

OPERATING ENVIRONMENT AND INITIATIVES

During the fiscal year under review, the Japanese economy entered a deep recession as exports and production greatly decreased on the heels of global economic deterioration that began in the latter half of the fiscal year. This led to rapidly decreasing corporate earnings and aggravated hiring conditions, as well as a cool-down in personal consumption.

In the oils and meal industry, grain prices had been increasing on an upward trend due to factors such as the rise in global food demand. From the second quarter of the year they took a downward turn, but because prices remained high the cost burden for major raw materials such as soybean, rapeseed, and palm oil rose compared to the previous fiscal year. This was compounded by an increased crude oil related cost burden, which includes fuel, transportation and materials. Consequently, the Group's operating environment remained challenging.

In this environment, the Nisshin OilliO Group worked to build a stable earnings structure by focusing on the formation of appropriate selling prices in line with costs and reinforcing our cost competitiveness in addition to promoting new product development grounded on technology and expanding sales of high-value-added products. These efforts comprised the second year of the medium-term management plan "Growth 10 Phase I," part of the basic management vision "GROWTH 10—Generating new value by harnessing the natural power of plants."

NET SALES

Net sales rose 13.3% to ¥337,925 million (US\$3,448 million) thanks to favorable performance overall on the part of subsidiaries, especially those overseas, and a recovery on a non-consolidated basis from the drop witnessed in the previous fiscal year.

COST OF SALES AND GROSS PROFIT

Owing to the impact of rising raw materials prices and other factors, the cost of sales increased 13.2% year on year to ¥286,361 million (US\$2,922 million). Nevertheless, the cost of sales ratio improved by 0.1 percentage points, from 84.8% to 84.7%. Gross profit rose 13.8% to ¥51,564 million (US\$526 million).

OPERATING INCOME

Selling, general and administrative (SG&A) expenses rose 5.0% to ¥43,292 million (US\$442 million) due to higher advertising expenses, product freight rates, transportation expenses and warehouse charges. The SG&A ratio improved, however, by 1.0 percentage points to 12.8%. Operating income rose 101.1% year on year to ¥8,272 million (US\$84 million).

NET INCOME

Net income increased by 63.4% compared to the previous fiscal year to ¥3,066 million (US\$31 million) despite the recognition of extraordinary losses, including an impairment loss and a loss on valuation of investment securities.

SEGMENT INFORMATION

SALES AND OPERATING INCOME (LOSS) BY SEGMENT

(¥ million)

	FY2009	FY2008	Change (%)
Oils and Meal	312,610 7,793	272,648 3,523	14.7 121.2
Healthy Foods & Soy Protein	8,696 (1,050)	8,616 (779)	0.9 —
Fine Chemicals	5,254 (142)	5,405 426	-2.8 —
Other	11,365 1,643	11,527 952	-1.4 72.8

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

OILS AND MEAL BUSINESS

The Oils and Meal Business is the core business of the Nisshin OilliO Group, accounting for 92.5% of sales.

Japan

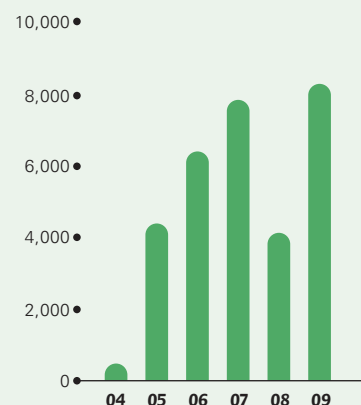
In the domestic market for home-use edible oils, the Group strived to expand sales of high-value-added products, including *Nisshin Canola Oil*, *Nisshin Healthy Resetta* and *Nisshin Vegetable Oil*, in addition to continuing efforts to adjust selling prices to be commensurate with higher costs. As a result, selling prices increased from the previous fiscal year despite a slightly lower sales volume.

The gift market overall faced a tough business environment. Despite the worsening economy, which resulted in an unfavorable year-end gift season, the summer gift season remained on a par with the previous year, while sales of healthy oil gifts and variety gifts based on combinations of oils were strong. As a result, sales volume increased and net sales were higher compared to the previous fiscal year thanks to the effects of appropriate pricing.

In edible oils for food services and processed oils and fats, falling demand due to the worsening economy led to a lower sales volume compared to the previous fiscal year. As a result of continued efforts to establish appropriate selling prices, however, selling prices increased year on year.

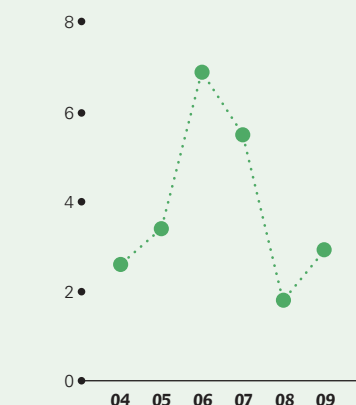
OPERATING INCOME

(millions of yen)



RETURN ON EQUITY

(%)



Processed Oils and Fats achieved not only a steady sales volume increase but also higher selling prices year on year.

Soybean meal saw a year-on-year decline in sales volume as production volume fell, however, selling prices exceeded those of the previous fiscal year. Conversely, although rapeseed meal had a higher production volume and a sales volume surpassing that of the previous fiscal year, selling prices were at a slightly lower level year on year.

Overseas

Dalian Nisshin Oil Mills, Ltd. recorded higher sales as well as improved profits compared to the previous fiscal year as a result of profitability management and cost reduction efforts despite operating in a stringent business environment, as in Japan, with increases in the raw material cost burden.

Intercontinental Specialty Fats Sdn. Bhd. recorded significant year-on-year increases in both sales volume and net sales reflecting, in the area of sales, favorable exports to Europe and other regions and a brisk performance at home in Malaysia as well. Profitability was also maintained at roughly the same level as that of the previous fiscal year, however, appreciation of the yen resulted in lower year-on-year contributions to consolidated results.

The above factors resulted in Oils and Meal Business sales of ¥312,610 million (US\$3,190 million), up 14.7% from the previous fiscal year, with a higher year-on-year operating income of ¥7,793 million (US\$80 million).

HEALTHY FOODS & SOY PROTEIN BUSINESS

The Healthy Foods & Soy Protein Business accounts for 2.6% of overall sales.

Sales of foods for coping with lifestyle-related diseases increased year on year in both volume and monetary terms on growth in proposal-based sales for authorized foods for specified health use centered on fiber-enriched green tea and marine peptides. This growth is attributable to higher public awareness concerning metabolic syndrome.

In nursing care foods, brisk sales were sustained in the *Toromi Up* range for people with difficulty swallowing, thanks in part to product updates. Growth was centered on large-quantity packages.

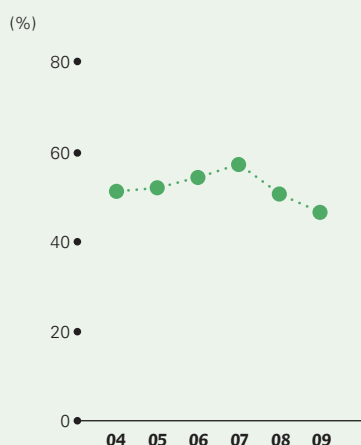
Dressings and mayonnaise recorded a year-on-year sales increase in both volume and monetary terms as a result of product updates and strengthened sales to cater to health-related needs.

In soy protein products, efforts to expand applications and sales areas led to higher sales volume. In combination with selling-price adjustments to address soaring raw material costs, this resulted in higher sales year on year.

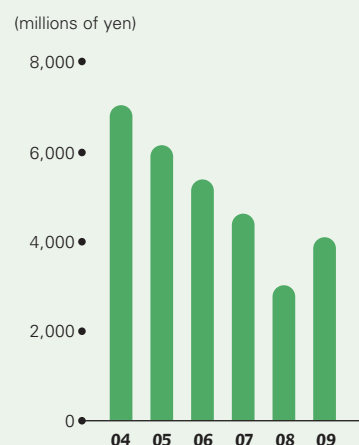
In processed soybean products, selling price adjustments for tofu products led to slightly higher sales, despite a lower year-on-year sales volume.

As a result of these factors, the Healthy Foods & Soy Protein Business recorded a 0.9% increase in net sales to ¥8,696 million (US\$89 million), however, in terms of profits, an operating loss of ¥1,050 million (US\$11 million) was recorded.

SHAREHOLDERS' EQUITY RATIO



CAPITAL EXPENDITURES



FINE CHEMICALS BUSINESS

The Fine Chemicals Business accounts for 1.6% of total sales.

In raw materials for cosmetics, sales of general purpose products to major cosmetics makers in Japan and exports mostly to China fared well leading to a sales volume surpassing that of the previous fiscal year, even with the cosmetics industry experiencing a slump. In addition, efforts at price revisions resulted in higher sales year on year.

In medium-chain triglycerides, a fall in demand due to lackluster sales on the part of major clients led to a lower sales volume year on year. However, as price revisions took hold they worked to the benefit of net sales, which surpassed those of the previous fiscal year.

In chemical products, the global recession had the effect of bringing down sales volume, thus resulting in net sales lower than those of the previous fiscal year. Further, soaring raw material prices resulted in a lower profit margin compared to the previous fiscal year.

As a result of the above, Fine Chemicals Business sales decreased 2.8% year on year to ¥5,254 million (US\$54 million), with an operating loss of ¥142 million (US\$1 million).

OTHER BUSINESSES

Although sales in the logistics business and engineering business increased modestly year on year, those of the information systems

business and other businesses fell lower than the previous fiscal year resulting in a decrease in net sales in this segment year on year to ¥11,365 million (US\$116 million), with operating income of ¥1,643 million (US\$17 million).

FINANCIAL POSITION

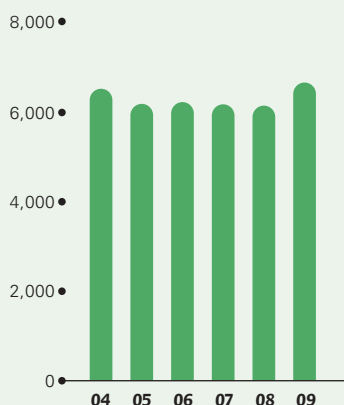
TOTAL ASSETS

As of March 31, 2009, total assets were ¥217,488 million (US\$2,219 million), an increase of ¥11,663 million compared to a year earlier. The main positive factor behind this increase was the consolidation of Daito Cacao Co., Ltd. at the end of the fiscal year. Negative factors affecting total assets included currency translations applied to the financial results of overseas subsidiaries, due to a stronger yen than in the previous fiscal year.

Current assets grew ¥13,483 million, due to increases in cash and cash equivalents, marketable securities, and short-term bank loans, which offset a decrease in trade receivables and inventories. Due to application of lease accounting standards, for the first time this year property, plant and equipment included lease assets. However, the Company recognized an impairment loss on equipment in the soy protein business, so the overall increase in property, plant and equipment amounted to only ¥1,735 million. Investment and other assets fell ¥3,555 million as a result of revaluation of investment securities at market prices.

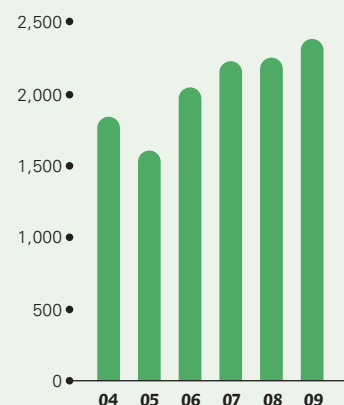
DEPRECIATION AND AMORTIZATION

(millions of yen)



R&D EXPENSES

(millions of yen)



LIABILITIES

Liabilities rose ¥13,571 million year on year to ¥109,989 million (US\$1,122 million). This was primarily attributable to the new consolidation of Daito Cacao Co., Ltd. and the inclusion of lease obligations as a result of application of lease accounting standards.

SHAREHOLDERS' EQUITY

Shareholders' equity decreased ¥1,908 million to ¥107,498 million (US\$1,097 million), mainly reflecting a decline in net unrealized gain on available-for-sale securities due to the significant fall in share prices.

CASH FLOWS

Net cash provided by operating activities was up ¥43,540 million (US\$444 million) from the previous fiscal year, mainly due an increase of ¥1,066 million in income before income taxes and minority interests and an increase of ¥30,517 million resulting from decreases in trade receivables and inventories.

Net cash used in investing activities decreased by ¥2,001 million (US\$20 million) compared with the previous fiscal year. This was mainly attributable to a ¥562 million decrease in purchases of property, plant and equipment, an increase of ¥747 million in acquisition of shares in affiliates, and ¥1,148 million due to changes in marketable securities.

Net cash provided by financing activities declined by ¥16,323 million (US\$167 million) from the previous fiscal year, mainly reflecting a ¥16,369 million decrease in net interest-bearing debt due to changes in the issuance of corporate bonds, loans and commercial paper.

As a result of the above, cash and cash equivalents as of March 31, 2009 totaled ¥26,475 million (US\$270 million), an increase of ¥20,309 million compared to the end of the previous fiscal year.

BUSINESS RISKS

The operating results, share price and financial position of the Nisshin OilliO Group may be impacted by the risks explained below. Any forward-looking statements in the following section have been made based on management's judgment as of March 31, 2009.

EXCHANGE RATES

As part of its Oils and Meal Business, the Group imports all its soybean, rapeseed and other raw materials 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 surging 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 some of its raw materials on the futures market.

DOMESTIC AND INTERNATIONAL PRODUCT MARKETS

The sales climate for the Oils and Meal Business is affected by changes in domestic and international product markets. On the whole, domestic sales 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 sales prices. These and other changes in domestic and international product markets could affect the Group's operating results. In response, the Nisshin OilliO Group is working to expand sales of high-value-added products, which are more resilient to changes in market conditions, and maintain appropriate prices for its products that reflect their inherent quality and costs.

BUSINESS OPERATIONS

In addition to Japan, the Group conducts its operations in other countries and regions such as East Asia. Although domestic manufacturing and sales sites are also subject to the risks listed below, overseas operations are particularly exposed to these so-called country risks. The Group's operating results could be affected in the event that any of these risks materialize.

- Unforeseen enactment, revision to, or abolishment of laws and other regulations
- Unexpected political or economic factors
- Social instability arising from terrorist incidents, conflict, natural disaster, 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

In order to minimize the impact of the above risks, the Group works to gather information, which it uses as the basis for responding accurately and rapidly to any situations in its crisis management system.

NATURAL DISASTERS SUCH AS EARTHQUAKES AND TYPHOONS AND THE SPREAD OF INFECTIOUS DISEASE

If a large earthquake, typhoon or other natural disaster were to occur in the vicinity of the Group's locations in Japan, or if a new infectious disease were to spread in these areas, the resultant cessation of business activities or damage to facilities or inventories could have an impact on the Group's operating results and financial position.

In order to prepare for such emergency situations, the Nisshin OilliO Group is promoting creation of business continuity plans and has devised measures for lessening risk. In March 2009, the Group formulated a basic action plan for addressing new forms of influenza.

LAWS AND OTHER REGULATIONS

The Group is subject to a range of laws and regulations, including the Food Sanitation Law, JAS Law, Pharmaceutical Affairs Law, environmental and recycling regulations, customs and import/export rules, the Foreign Exchange Act and the Personal Information Protection Law. Within this context, the Group views efforts to enhance compliance as a matter of priority, and does its utmost to ensure that rights are protected. However, the establishment of any unforeseen new laws in the future could have an impact on the Group's operating results.

FOOD SAFETY

In recent years, companies have been required to adopt increasingly stringent quality control measures against a backdrop of rising public interest in food quality and safety. The Group has established a rigorous quality assurance system, including the adoption of international ISO quality standards. The Nisshin OilliO Group plans to further enhance its quality assurance system going forward to ensure even higher levels of safety. However, the occurrence of any quality issues that exceed the scope of these initiatives could have an impact on the Group's operating results.