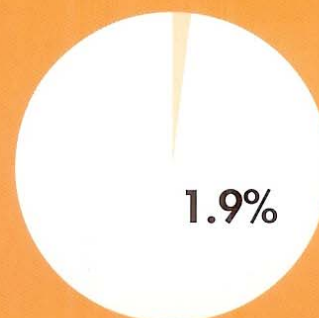


FINE CHEMICALS BUSINESS

Since 1973, when the Nisshin OilliO Group entered the fine chemicals field, we have used our distinctive fine chemicals technology to provide a wide range of specialized raw materials and additives for the cosmetics, chemicals, food, pharmaceutical and other industrial sectors, including the IT field.



Percentage of Net Sales

Profile

The main products in this segment are raw materials for cosmetics and toiletries, chemicals, medium-chain fatty acids, lecithin, tocopherol (vitamin E), and lubricants for the IT industry. Raw materials for cosmetics account for more than half of segment sales. Activities in this product line include research and development in functional raw materials, OEM manufacturing for cosmetics products and the development of pharmaceuticals and their applications. In addition to specialty esters, the Group provides raw materials for a range of cosmetics, from skincare to makeup. These include thickening agents made from natural substances, and hydrocarbon-based oils.

The segment has concentrated all its fine chemicals operations, from research and development to manufacturing and marketing, at the Yokohama Isogo Plant to speed up business development. The segment also focuses on research in promising areas with Japanese and foreign companies, academia and public research institutes, as Nisshin OilliO strives to stay ahead in this area of fast technological change. Despite the radical pace of change in product lifecycles in this field, making rapid operational responses vital, we have positioned Fine Chemicals as one of our core businesses due to the significant potential in the market.

Operating Environment and Fiscal 2004 Review

The cosmetics market is expanding overseas, although growth has become sluggish in Japan. We are expanding sales by responding to the changing needs of cosmetic manufacturers as they become more global. Consequently, exports are rising.

In mainstay raw materials for cosmetics, the major markets are the U.S., Europe and Asia, centered on

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





Specialized oils and food additives (including esters and tocopherol)

China. Our guiding policy is to develop distinctive functional products and unique products in-house to win recognition for our brand from the world's leading cosmetics manufacturers. China's market for cosmetic raw materials is estimated at ¥500 billion and is expected to grow at an estimated average annual rate of 15% until 2008, the year of the Beijing Olympic Games. We have been successfully expanding our customer base in China and now are at stage where we can refocus our efforts on creating systems that provide product development support to our clients and devise even more competitive products. Meanwhile, production facilities in Taiwan will be aligned with the distribution center we completed last year in Shanghai, assuring timely delivery of raw materials for cosmetics.

In the chemicals field, demand for materials for use in rapidly expanding fields related to digital electronics and lubricants for manufacturing equipment is strong. In the foods field, we are developing new applications for medium-chain fatty acids, working on expanding sales of lecithin and tocopherol and developing functional health food materials.

Strategies

The *AHEAD* plan sets out a number of goals for the Fine Chemicals Business: diversification into new businesses, establishing more efficient production, sales and R&D networks, and growing existing businesses through overseas expansion. We will also accelerate and enhance our development activities by stepping up exchanges and closer collaboration with third parties. Supplementing exports from Japan, we will set up production bases in Europe, and through tie-ups with specialized local traders in Italy, France and other European countries we will leverage the full potential of our local manufacturing bases. Meanwhile, we plan to use Nisshin OilliO (China) Investment Co., Ltd. to expand our cosmetics business in the promising Asian market. Our focus in China will not solely be on the cosmetics field. We will also diversify into the food sector, with a focus on raw materials, particularly medium-chain fatty acids.

As a result of the above and other factors, we are projecting segment sales in the fiscal year ending March 2007 of ¥6,000 million, up 30% from the year under review.