

Message from the President



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Delivering “energy for living” to everyone.

Creating social and economic value by helping customers solve issues to become a global top provider of oils and fats solutions

Demonstrating our strong ability to respond to historically high costs

Based on the Group’s long-term vision “The Nisshin OilliO Group Vision 2030” (hereinafter Vision 2030), our aim is to leverage “The Natural Power of Plants” and our in-depth expertise in the oils and fats business to deliver “energy for living” to everyone. We have established the goal of creating social and economic value by helping customers solve issues as we seek to become a global top provider of oils and fats solutions. To this end, in fiscal 2021, we launched Vision 2030 alongside our medium-term management plan Value Up+. During the first two years of Value Up+, we experienced an extremely uphill management environment wrought by a variety of factors including the prolonged COVID-19 pandemic, soaring raw material prices, and the trend toward a weakening of the yen against other major currencies.

Among these factors, the Russian invasion of Ukraine, one of the world’s largest producers of grain, in February 2022 played a significant role in generating uncertainty. Concerns over supply spread to soybeans, rapeseed, and palm oil, resulting in historically high prices. In addition, the impact of climate change induced drought on the supply of raw materials, and the global trend toward the use of vegetable oils for biofuel as part of global efforts toward decarbonization are also factors contributing to soaring prices. Furthermore, rising energy costs added severity to this already difficult situation.

In response, we have taken measures to reduce costs in all areas, including procurement, production, logistics and sales. Based on the relationship of trust we have cultivated with our customers over the years, we have carefully explained the current situation to them to set appropriate sales prices. We have also been steadily building up profit in our high value-added businesses, such as processed oils

and fats and fine chemical, demonstrating our resilience against market fluctuations at home and abroad.

Promoting business based on a long-term vision, even during times of unexpected market changes

In formulating Vision 2030, we have established specific priorities (materialities) in anticipation of the various risks and opportunities. Although the business environment has changed more than anticipated since its formulation, Vision 2030, which aims to deliver growth through the creation of value that is shared with society, still serves as a reliable guideline, even under such difficult circumstances. The question is, how do we best achieve value creation; the key theme of Vision 2030 and Value Up+. As we confront new and potential challenges brought about by changes in the environment and social landscape, Vision 2030 sets our basic policy of aiming to “be closer than ever to our customers,” as the cornerstone of all our activities. During the first two years of Value Up+, I believe we have been successful in driving forward our business with urgency, with our response to the recent cost increases and our initiatives aimed toward value creation.

Reasons behind the revisions to the 2030 performance targets and the path toward achieving them

Pursuing asset efficiency to achieve performance targets adapted for the current business environment

Due to major changes in our business environment over the past two years, we have had to make revisions to our performance targets for fiscal 2030. As a consequence of our efforts to formulate sales prices commensurate with recent soaring costs, we have been able to expand sales and, as of fiscal 2022, we have exceeded the ¥500 billion in net sales level that we had set as the target for our business for fiscal 2030. However, we anticipate that the business environment will undergo further major changes, making it difficult to predict levels for net sales and operating profit margin.

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In light of the problem with the P/B ratio remaining below 1x, we have been engaged in on-going discussions since July 2022 to revise our performance targets in line with our intention to focus more than ever before on the Group's asset efficiency and profitability.

In accordance with this, we have set two performance targets for 2030 in terms of ROE and ROIC, and lifted our ROE target from 8% or more to 10%. Also, as part of efforts to promote initiatives across various business domains for achieving a ROE of 10%, we have set a ROIC target of 7%. However, we have not changed the core philosophy of Vision 2030, which is to raise the Group's top line results through the creation of new value to

generate profits. Regarding growth potential, we have also maintained the target of ¥30 billion in operating profit set in our initial plan.

Three initiatives aimed at achieving performance targets for fiscal 2030

In order to achieve a ROIC of 7%, we are engaged in the following three initiatives: "Achieving steady growth and improved profitability in the domestic oils and fats business," "Expanding our global market presence in the processed oils and fats business and fine chemical business," and "Developing new markets in North America."

With our efforts to expand in the North American market in particular, where emphasis is placed upon "naturalness" (plant-based preferences and attention to environment) and traceability, we will leverage our strengths in bringing together our capabilities in production, development and sales, all the while increasing our points of contact with customers.

Until present, we have built our relationships of trust with our customers by "mastering oils and fats." In particular, our ability to offer our customers a combination of "physical (functional) quality" for controlling the physical properties and tastes of foodstuffs through oils and fats, "consistent quality" by ensuring the safety and security of oils and fats, and "social qualities" such as the sustainable procurement of raw materials, gives us our competitive edge as a Group. For example, at ISF in Malaysia, we have enhanced physical (functional) quality of products by making improvements to our production technology, ensured safety and security through the use of trace-elements control technology, and delivered social quality through the procurement of palm oil from sources compliant with efforts to respect the environment and

human rights, traceability in our supply chain, and the pursuit of reductions in our CO₂ emissions (Scope 3). As part of our efforts to expand in the North American market, we are looking at applying these strengths to build businesses across multiple fields in ways that leverage the Group's oils and fats processing technology and insight. By combining a variety of our businesses, including in food service (oils and fats for restaurants and ready-to-eat meals), oils and fats for chocolate, hardstocks (solid oils and fats used as raw materials for processed oils and fats and processed food), and cosmetic raw materials, we hope to make gradual progress into the market as we test out various ideas with regard to what is of value to customers.

To expand the Group's business domains, we will continue to take on the challenge of expanding into the global markets represented by Asia (including Japan), Europe, and North America. In Asia and Europe, we will expand by adding to our current footholds and further strengthening our relationships with our customers. We will seek to identify the unique characteristics of the North American market and consider collaborating with local partners who can share our values.

Demonstrating strengths

Leveraging the breadth and depth of our customer contact points to help provide timely solutions that enable us to "be closer than ever to our customers"

While our strengths as a Group consist in "mastering oils and fats," I believe our greatest advantage is the diverse customer relationships we have built up over the years, including those catering to household use, commercial use, and for processing. By providing solutions to our customers, we generate new value and further improve the relationships of mutual understanding and trust we have cultivated with them thus far. Based on the trusting relationships with customers, we take the knowledge we have gained through these opportunities and apply it to other businesses. While we continue to make steady and unfaltering progress along this path, I can't help but feel that the difficulties of the issues customers face are gradually increasing. We strive to resolve customer issues, both apparent and potential, by focusing on processes leading to value creation.

We have been swift as a company to see changes in lifestyles and society and to quickly make proposals reflecting these changes. For example, labor shortages and high costs are some of the issues faced by commercial-use customers of oils and fats in Japan. In response to increased demand for ready-to-eat meals in place of demand for eating at restaurants following the spread of COVID-19, we have unearthed new issues that need to be addressed in terms

of oils and fats and are providing solutions in response to these. Furthermore, as the lifestyles of household-use product users diversify, it seems like what customers demand of edible oils is also becoming more diverse. Looking at cooking oils, for example, we saw strong levels of public support and a rapid expansion of sales for *Nisshin Healthy-Off*, which curtails the absorption of oil when foods are deep-fried. At the same time, we are expanding our lineup of products to meet a variety of customer demands, including the launch of *Nisshin Canola Oil Half-use*, a product which allows consumers to cook with only half the amount of oil they normally would use.

I believe our Product Application Development Center plays a massive role in allowing us to promptly respond to customer issues. The Center began operations in 2014 and has nurtured customer contact points by building a foundation as a partner with food services, businesses handling ready-to-eat meals, and processed foods manufacturers.

The Center's main customers are Japan-based food services, ready-to-eat meal businesses, and manufacturers of processed foods, with whom we have collaborated on occasion to unearth specific needs and to further expand our foothold in the domestic market. Similar functions are also performed by ISF in Malaysia. Our Fine Chemicals team provides technical support to customers, too. Furthermore, our Central Research Laboratory also provides technical solutions directly to customers.

Strengthening customer contact points across the entire value chain and creating new value together, utilizing digital technologies

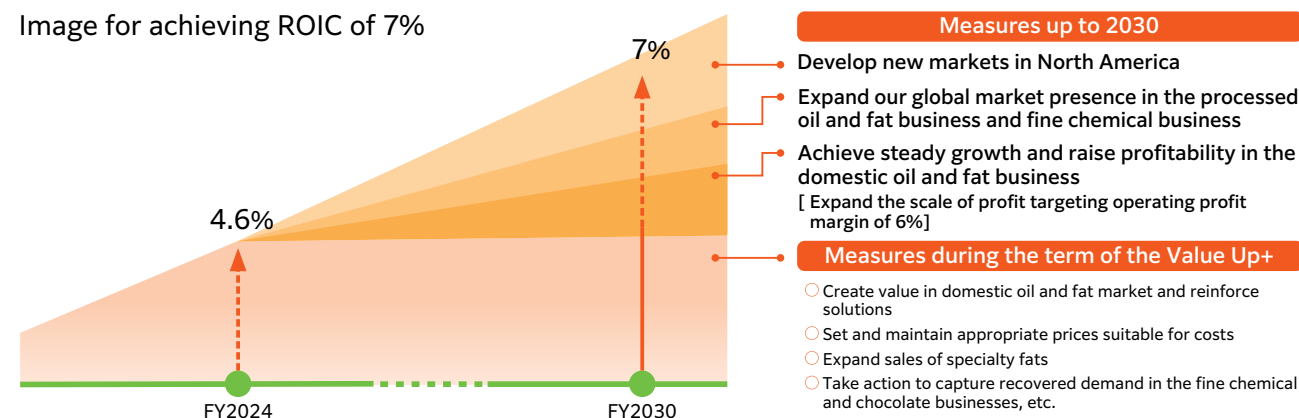
We are taking a more proactive approach to strengthening points of contact with customers throughout the value chain, which we see as a priority issue. As part of this effort, we are currently constructing an "incubation center" (tentative name) at our Yokohama Isogo Complex.

Incubation originally means "hatching," whereas in the business context we use the term to mean activities linking technology acquisition to actual production as part of the process to develop, foster and support new businesses, products and services. In addition to using the center for making value propositions, we also hope to utilize it as a space for co-creation where we work together with our customers on developing new offerings to lead to new ideas for problem solving and value creation. Furthermore, in development, we also recognize the importance of the process from lab-scale to actual production. By expanding facilities for pilot scale activities and continuing with the building and improvement of manufacturing processes, we will be able to meet customer expectations with increased speed and flexibility.

Measures to Achieve ROE of 10% (by 2030)

We set the ROIC target value at 7% to achieve ROE of 10% by implementing measures in each business segment

Image for achieving ROIC of 7%



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We have positioned product application functions to help customers develop solutions for issues during the adoption of new products. In addition to this, we also believe it is even more important to further improve our customer support functions to provide follow-up services after delivery. We will also focus our efforts on building points of contact with “potential customers” who are yet-to-be customers of the Company. One new thing we are trying is the use of a dedicated website to build online points of contact with potential commercial-use business customers. For household-use product users also, we hope to strengthen our contact with each and every customer who is considering a purchase through digital means, for example, at a retail store.

Our aim is to deepen our understanding of our customer’s needs through the use of digital technology, which we hope will lead to further value creation. In order to achieve this, we must engage in the process of digital transformation and transform the way we work and think. We have discussed extensively the necessity of digital transformation, and I now feel that we have arrived at a Companywide consensus on the matter. So that we may strengthen our business through digital transformation, we will promote investment in human capital, such as by acquiring the necessary human resources and by expanding educational activities.

CSV as a driver of growth to create economic and social value

Achieving our vision by meeting our CSV goals

The Group has positioned CSV (creating shared value) as a driver of growth and believes the heart of value creation lies with the creation of social and economic value. Certain social issues that are different from what we had anticipated when formulating the six priorities (materialities) in Vision 2030 have emerged on the back of the prolonged COVID-19 pandemic and soaring prices of raw materials. In light of these emerging social issues, we believe it is necessary for us to review our CSV goals where necessary, and more clearly than ever before, communicate the value that we create for our customers. We have listened to our stakeholders with regard to what they expect from the Group and are now seeing a solid response to the initiatives we implemented in these key priorities. We are proceeding with each initiative with a strong determination to succeed under the belief that accomplishing our CSV goals will allow us to deliver “energy for living” to everyone, as we set out in Vision 2030.

For example, in the “Good health for all” priority, our aim is to use our knowledge of lipid nutrition to help contribute to the healthy lives of all. I feel there is a lot of scope for us

to contribute to solutions regarding people’s health and physical condition through long-term measures, such as those relating to the food people eat day to day. To that end, we also recognize the importance of not only product development, but also of dissemination of information relating to lipid nutrition. Such value creation is something that will be realized through the eating habits and social lives of people. However, we recognize it will be difficult for one company alone to maximize the potential of any such efforts, and that is why we hope to co-create with other companies and engage in industry-academia-government collaborations and other such initiatives.

The Group aims to help find solutions to social issues through the provision of oils and fats solutions. However, the possibility of a future shortage of edible oils and fats remains, due to an increasing global population, the effects of climate change, and the appropriation of oils and fats into raw materials for biofuel production. And, for this reason, it is important that we are involved in the technical side of sustainable production of raw materials. We are to begin work on developing technologies for acquiring raw materials, going beyond the framework for current meal-based crops, complementing vegetable oils and fats both qualitatively and quantitatively. We believe it is our mission as a leading company in the industry to push forward such technological development in collaboration with academia and government so that it will be possible to ensure a stable supply of oilseed materials into the future.

Under “Global environment,” we are now aiming to achieve carbon neutrality by 2050. The reduction of greenhouse gases is an issue on a global scale and, for a business such as ours that is based on plant resources, it is something directly linked to the sustainability of the Group. We will approach this issue from an even higher perspective and continue to promote reductions in GHG emissions.

Under “Supply chain connected by trust,” the importance of ensuring traceability and building monitoring systems is growing as part of our efforts to ensure the human rights of people involved in the palm oil procurement process and to help us reduce our greenhouse gas emissions (Scope 3). We will build a system that is trusted by external partners and that can be quickly improved when deficiencies appear and is updated on a regular basis. We also plan to make steady improvements Groupwide in terms of information disclosure relating not only to palm oil but also to our procurement of other raw materials and environmental issues.

Promoting diverse/layered human resources and fostering an energetic corporate culture in pursuit of further resolution of issues

We will proactively invest in human capital as we seek to

realize the Group’s vision. The corporate culture of the Company can be best summed up as “dedicated.” To date, we have earned the trust of our customers and created value by thoroughly addressing functional issues such as the physical properties of oils and fats, as well as safety issues, with much dedication. I believe this corporate culture is one of the key assets of the Company and one which must never be lost. It is important for us to continue adopting this dedicated approach to tackling issues, regardless of how many areas need addressing, including implementing more detailed responses to quality-related issues and also in terms of social quality such as ensuring traceability in our supply chain. Furthermore, with the increasing difficulty of our clients’ issues and management challenges, we feel it is necessary to have a diverse and multi-layered workforce to realize innovation.

Thus far, our policy with regard to the development of human resources has been to prioritize education and focus on a small number of elite employees. We will not falter in our commitment to the policy of prioritizing education; however, it is now clear we must become an organization that is more diverse and layered with the focus on many rather than just a select few. To enable the realization of our vision of delivering “energy for living,” which is a core part of Vision 2030, we must not limit ourselves to working with just existing customers and in areas where we are already strong, but stretch ourselves to find potential new customers and explore other areas where we are weak or have not yet set foot in. And we must ensure that this unwavering commitment is instilled throughout the entire organization.

To that end, we have designed a new human resources system. Starting this year, the new system not only promotes diversity and layering of management and specialist staff, but also supports individual employee growth and a willingness to challenge oneself and rewards achievement and hard work. Also, given that whether diverse human resources can fully demonstrate their capabilities depends largely on the ability of management, we will also make improvements to the management capabilities so we can make the most of the individualities of non-management employees and maximize our capacity as an organization.

When it comes to creating value while being “closer than ever to our customers,” communication is of utmost importance and cannot be achieved without an ability to understand and empathize with customers. Our aim is to put an emphasis on diversity in a way that not only improves the talents of individual employees, but also improves the entire team’s ability to understand customers. And this enables us to become a “strong company” that can meet the vision we have set for ourselves.

Building on our core strength of being a company

dedicated to achieving performance targets, it is our belief that making further investments into human capital will lead to creating even more value and innovation into the future. We hope to build and bring to full fruition a resilient organizational structure that will allow us to achieve our goals.

To our stakeholders

Promoting dialogue through four perspectives

With the aim of steadily implementing the initiatives that comprise Vision 2030, we have established a framework for managing KPIs (Achievement Chart) to be used during the implementation period of Value Up+. (Refer to P. 23) We will continue to promote initiatives based on the four perspectives of “growth potential,” “aggressive investment,” “sustainability,” and “efficiency” as part of our efforts to realize Vision 2030. Each of these four perspectives is related to stakeholders; for example, “growth potential” for all stakeholders with a focus on customers, “sustainability” for society, and “efficiency” for shareholders and investors. These four perspectives are all interconnected, and I believe realizing each of them in unison will result in new value creation for the Group.

We would greatly appreciate your continued understanding and support.

