



Takahisa Kuno

Representative Director and President
The Nisshin Oillio Group, Ltd.



Turning change into opportunity to set a foundation for further growth, and delivering “energy for living” to everyone

Response to the rapidly changing management environment

Overview of FY2023

In fiscal 2021, the Group launched its long-term vision, The Nisshin Oillio Group Vision 2030 (Vision 2030), and began shifting toward CSV (creating shared value) management. At the same time, we launched Value Up+, our specific medium-term management plan for the first four years of efforts toward achieving Vision 2030, and we are now in the final fiscal year of the plan. Although the environment surrounding our business has seen many transitions in the past three years, I feel we have been heading in the right direction to bring Vision 2030 into focus.

Consumption was on a recovery trend in fiscal 2023, particularly in restaurant dining and travel. However, the business environment was intensely volatile due to the prolonged situation in Ukraine and the rising cost of living due to soaring prices of raw materials and energy, among other factors. Despite these challenging circumstances, in fiscal 2023 we achieved consolidated net sales of ¥513.5 billion and a consolidated operating profit of ¥20.8 billion, meeting our Value Up+ performance targets for operating profit, ROIC, and ROE ahead of schedule. In the domestic oil and fat business, raw material prices began to decline after temporarily peaking, and we worked to set and maintain appropriate sales prices. We also began to see the results of various efforts, including expanding sales of value-added products such as confectionery fats, the creation of new markets for MCT and other items, and a strengthening of our ability to propose solutions.

This year also saw the effects of climate change become abundantly clear, including soaring raw material prices due to extreme heat and drought. Although the prices of our major raw materials—soybean, rapeseed, and palm oil—were relatively stable, prices of olive oil rose due to a decrease in crop yields as a result of drought in production areas. The same situation affected cacao, with a decline in crop yields causing prices to skyrocket, leading to concerns of a prolonged impact. Water shortages also led to

restrictions on access to the Panama Canal, a transit route for grain from North America, which greatly impacted logistics. As a business that handles plant resources, we have developed the capability to respond to these transient changes. However, recent events have far surpassed our previous experiences, and this past year brought an acute awareness of the need to face these issues resolutely on our path to sustainable growth.

Outlook for FY2024

In fiscal 2023, raw material prices began to decline from their peak, and we worked to set and maintain unit sales prices, which had a positive effect on our business performance. This effect has begun to dwindle in the current fiscal year, and we are also dealing with exchange rate fluctuations and various cost increases such as the soaring prices of olive oil and cacao. As such, we must move ahead with initiatives to respond to these factors and further increase profitability.

For example, in the domain of domestic oil product for household use, we must have an accurate grasp on the purchasing behavior of consumers, unearth and understand the insights of consumers who are becoming increasingly health conscious and seeking food with good flavor, and use this information to make new proposals to raise the value of oils and fats. In the commercial-use domain, the COVID-19 pandemic and labor shortages have led to major changes in onsite needs in food services for efficient food preparation. We will closely follow these market trends and expand sales opportunities through “collaborative-sales-to-identify-needs” marketing that develops solutions together with customers, all while steadily implementing measures such as marketing and expansion of sales of functional products.

In the overseas processed oil and fat domain, we will advance the global expansion of specialty fats such as confectionery fats, and move ahead with further sales expansion by improving quality and strengthening supply systems.

Message from the President

A year of laying the foundation for the next medium-term management plan

In the next medium-term management plan that will begin in fiscal 2025, we will need to define a clearer path to achieving an ROIC of 7% and illustrate a story that is easy to understand both within and outside the Company.

In fiscal 2023, we set an ROE of 10% and an ROIC of 7% as performance targets of Vision 2030. We have shared an awareness throughout the Company, including Outside Directors, of the ongoing issue of the P/B ratio being below 1x. Over these past two years, we have discussed this issue in depth, given it concrete consideration, and moved forward with various initiatives from the perspectives of reducing invested capital and improving investment efficiency, developing mechanisms for business growth, and implementing structural transformation of our business.

Through our IR activities, we have created more opportunities for dialogue with shareholders and investors so that they can better understand our strategies and initiatives for future growth. I also feel that in-house discussions are shifting due to an awareness of ROIC. For example, in some sales departments, employees are setting individual goals linked to ROIC, and in the production departments, investment decisions are being made from an ROIC perspective as well. This awareness of ROIC is changing our mindset towards capital efficiency.

Looking at the Group overall, these initiatives are still in their early stages. Awareness of capital efficiency can only generate results when it leads to concrete actions. We will strive to define the path to boosting capital efficiency at each level—from company-wide down to each business department and branch—and ensure this path is well understood throughout the Group.

Expanding our global market presence

As a growth strategy in Vision 2030, we are moving forward with initiatives to expand our global market presence in Asia (including Japan), Europe, and North America.

The market in North America, which is expected to grow even further, continues to change considerably. The Group will expend greater effort to cultivate business in this region, as there are definitely more opportunities in rapidly changing markets. In 2023, we established Nisshin Oillio America Inc., a business management company in North America. Our aim is to not only cultivate a specific market but also build a new proposal-type business model that can grasp the characteristics of local markets to meet their specific needs while working toward a goal of growing net sales to ¥50 billion by 2030. We will also keep a close eye on the exchange rate while continuing to build our business by combining multiple small beginnings in domains that leverage the Group's technology and knowledge, including food services (oils and fats for restaurants and ready-to-eat meals), confectionery fats, hardstocks (solid oils and fats used as raw materials for processed oils and fats and processed food), and cosmetic raw materials.

At ISF in Malaysia, we have strengthened production systems for confectionery fats that use palm oil as a raw material. In addition to expanding and enhancing facilities, we are gradually building a stronger supply chain to support our procurement and sales capabilities.

Cacao prices are currently soaring due to climate change and other factors, but this situation is also linked to an expansion in sales opportunities of confectionery fats. To capitalize on this, we will scale up and accelerate our efforts, which will hopefully produce positive results.

Major trends in cosmetic raw materials are plant-based preferences and attention to environment. While making the most of the Group's experiences and achievements, we will strive to increase the ratio of plant-derived materials used to meet market needs. Moreover, we will be providing technical support to better meet customers' needs and actively expand our global share.

biodiversity, and reducing CO₂ emissions in the supply chain. Our plant resources are the heart of the Group's business base, so to make CSV a growth driver to sustain our business, we must build a traceable and sustainable supply chain. Although we face many risk factors such as climate change and geopolitical crises, we will strengthen our supply chain all the way from raw materials production to delivery to customers, and remake it into a competitive edge for the Group.

As part of our approach to the priority of the "Global environment," we are steadily moving forward with a variety of initiatives such as reducing CO₂ emissions. Many consumers want to do their part to protect the environment in their daily lives. Efforts toward protecting the environment, including creating products that use less plastic and products and services that reduce food loss, will have a strong appeal and earn us a competitive advantage.

Becoming a global top provider of oils and fats solutions

Strengthening points based on CSV

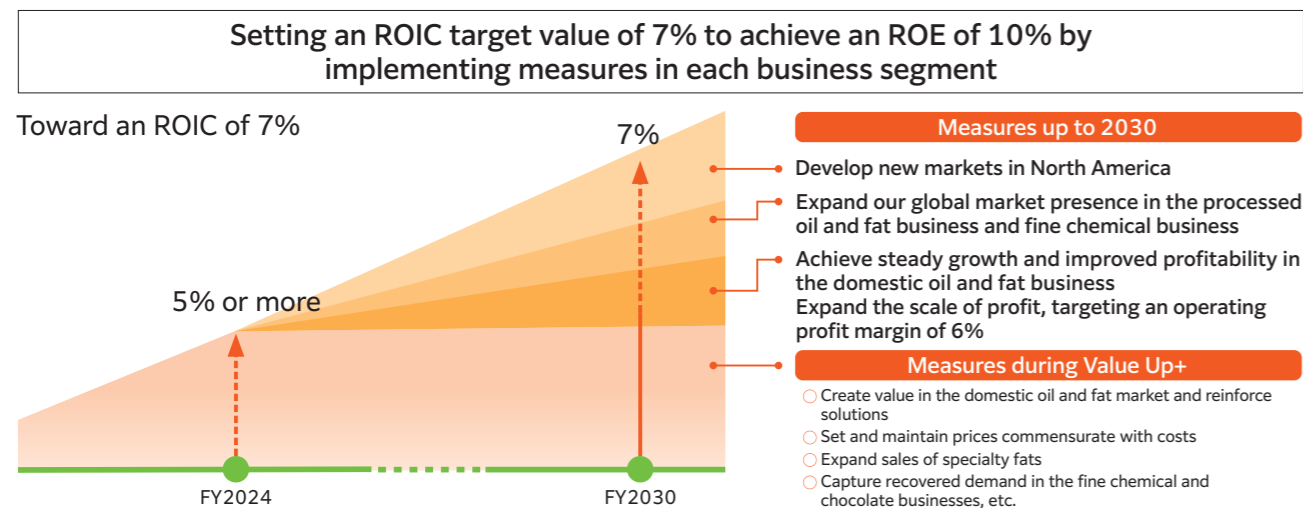
This year marks the 100th anniversary of *Nisshin Salad Oil*. To make the leap to becoming a global top provider of oils and fats solutions, we will need to leverage the strengths obtained from mastering oils and fats that we have cultivated over many years, create both social and economic value, and further reinforce the solidity of our value creation business model. As we head toward the next medium-term management plan, we must return once again to the starting point of CSV management as laid out in Vision 2030 to underpin the value creation and growth story in the six specific priorities (materiality) that will be the foundation of our future business model. Based on an ROIC perspective, we are determining what specific social issues the Group's initiatives will help to solve and how they will lead to growth for the Group, all in pursuit of our priorities: "Good health for all," "Quality of life," and "Contribution to the food value chain."

As an example, to pursue "Good health for all," we provide products and solutions that have a tangible effect on improving the body's constitution and physical condition through food. I believe this contributes to better support for the mental and physical health of people to underpin the era of 100-year lifespans. This, eventually, will lead to the growth of the Group's Oil and Fat and Processed Food and Materials businesses.

Our approach to two of our priorities, the "Supply chain connected by trust" and the "Global environment," has focused on responding to the demands of society up to this point. However, we have reframed our view of these two priorities and consider them to be strategic elements that provide value to customers.

To create a "Supply chain connected by trust," particularly in palm oil, I believe our competitive strength lies in control and management of three types of quality: functional quality of physical properties and nutrition, etc.; safety and security quality as a food product; and social quality, such as protecting human rights, maintaining

Measures to Achieve an ROE of 10% (by fiscal 2030)



Message from the President

Making Vision 2030 a Reality

Strengthening non-financial capital initiatives for sustainable growth

The Group is currently working to link the accumulated results of Value Up+ to the next medium-term management plan. We will also be focusing on strengthening the intellectual capital, manufacturing capital, and human capital that will become the foundation for sustainable growth to achieve Vision 2030.

Opening of Incubation Square (research and development base) —Intellectual capital

In May 2024, we opened Incubation Square, a research and development base located in the Yokohama Isogo Complex, as a center to promote co-creation with customers and to strengthen our research and development system. I have high hopes for this facility as part of our efforts toward contributing to the food value chain, acting as a hub for the co-creation of solutions that meet the needs of customers. At Incubation Square, researchers from around the world can communicate and share technology and information and work together to rapidly provide highly accurate solutions.

This facility will also serve as the Group's co-creation hub of R&D and production. The process of moving from laboratory-scale to actual production on a large scale is vital. By expanding the facilities for pilot-scale activities and continuing to develop and improve manufacturing processes, we will be able to more rapidly and flexibly meet our customers' expectations.

Every day, we receive requests from and hear from many customers, and providing solutions to those customers will allow us to build up our technology and knowledge. These experiences are necessary for us to become a global top provider of oils and fats solutions, and they are also the sparks of innovation that will drive the Group to new



Incubation Square Building B

heights in the future. Responding in detail to each customer request can be seen as slow and time consuming, but it is an important part of the support we provide to users. As values diversify and Japan's population declines, we must be able to continually make proposals that offer improvements in both quantity and value to build relationships of trust with customers. We have set our sights on expanding these mechanisms and ways of thinking to our major overseas locations in the future as well.

Boosting productivity at smart factories —Manufacturing capital

Modifications are underway at the Nagoya Plant to turn it into a model "smart factory." The primary purpose of this initiative is to boost productivity, but the labor savings generated will also be effectively utilized to strengthen our capabilities and pass on technology for future value creation, strengthening the site overall. It has also become clear that cutting-edge technology such as sensing and AI will play a major role in improving the accuracy of quality control beyond what's possible with manual labor.

Converting to a smart factory involves reviewing and changing each work process at the manufacturing site from the ground up. Although we encountered some difficulties during this process, proactive onsite ideas allowed us to overcome any issues. This also energized the employees involved and changed the way they approach their work. The consequences of converting the Nagoya Plant into a smart factory have also rippled out further than I ever expected.

This initiative is not only improving operating rates and reducing fixed costs but also boosting capital efficiency. The next step is to expand this initiative to other manufacturing plants. I would like us to gradually roll out this initiative by sharing the concepts and significance of converting to a smart factory, and harmonizing the process with the unique characteristics of each production plant.



Smart factory in action at the Nagoya Plant

Actively investing in becoming an organization of outstanding human resources —Human capital

The Group's approach to human resources has emphasized a small core of outstanding members. In transitioning from a conventional cost competitiveness-based approach to a value creation-based business model, we must nurture a substantial and extensive human resources base that leverages diversity. I would particularly like to focus on human resources in the fields of strategic marketing, technological innovation, and globalization, which will support our basic policy for growth in Vision 2030, and also human resources for the digital domain.

In addition to the human resources system reforms carried out last October, we revised the CSV goals for "Human resource management," one of the priorities of Vision 2030, earlier this year. We have set four initiatives for human resource-related materiality and corresponding CSV goals: Resonance with the Group philosophy and Vision, Establishing robust human resources, Active participation by diverse human resources, and Evolution into an organizational culture that creates innovation.

It is essential that each employee can resonate with the Group's philosophy and Vision while feeling a sense of engagement and satisfaction every day. To achieve this, we have been implementing various initiatives, including encouraging employees in our sales offices and production plants to jointly read the Integrated Report. We are also providing explanations of ROE and ROIC to create a shared awareness of issues. At some workplaces, we have employees read the Integrated Report from their own perspective and then prepare a commentary report. I feel that these seeds we have sown are slowly but surely starting to sprout.

I also believe that the growth of each employee is linked to the growth of the Group, so we must actively invest in human resources with a focus on continual human resources development and creating an environment in which employees can fully demonstrate their capabilities. These efforts will allow us to continue to be a corporate group that offers value to all stakeholders.

Becoming a corporate group that delivers "energy for living" to everyone

Building a base that will be the foundation for the next stage of growth

I believe that allowing each employee to apply their thoughts and sensitivities and work dynamically is of the utmost importance, and I regularly communicate this in my dialogues with employees. Put simply, we need all members of the workforce to give it their all. This includes having everyone fully use their own unique capabilities to produce results. This is more than just putting your mind and body wholeheartedly into your work. It means making full use of teamwork and value creation networks. If just one of these elements is missing, then things won't go well. If your mind is working but your body isn't, your work won't proceed smoothly. If your heart and mind isn't in your work, you won't be able to resonate and share with others. In an ideal world, each employee would be able to do all of these things, but in reality, team members are key to complementing and balancing each other while tackling tasks. Rather than just thinking only with our heads and letting theory guide us, we must strive to be a flexible and resilient organization that emphasizes diversity while also valuing onsite knowledge and sentiment.

The Nisshin Oillio Group is solidifying the foundation for our next stage of growth so that we can become a corporate group that delivers "energy for living" to everyone. With CSV as a growth driver, the Group will unite and continue to create new value and remain an intrepid corporate group to all stakeholders. I look forward to your continued understanding and support.

