

Main Q&A at The Nisshin OilliO Group's
Financial Results Briefing for the First Quarter of FY2024

Date and time: Friday, August 9, 2024; 16:00–17:00

Format: Teleconference

Attendees from The Nisshin OilliO Group:

Takahisa Kuno, Representative Director and President

Hiroshi Hasegawa, General Manager, Sustainable Business Management

Koji Miki, General Manager, Financial Department

Q: Could you provide information on the performance for the first quarter and the outlook for the upcoming quarters?

A: In the first quarter, operating profit increased in the overseas processed oil and fat business of the Oil and Fat segment, the Processed Food and Materials segment, and the Fine Chemical segment. On the other hand, the domestic oil and fat business of the Oil and Fat segment posted an operating profit decrease due to a drop in sales volume for household-use products caused by weak consumption and deteriorating profitability due to an increase in olive oil cost, despite solid sales for commercial-use products. We expect the processed oil and fat business and Fine Chemical segment to remain strong in the second quarter and beyond. In the domestic oil and fat business, we plan to capture the recovery in demand for household-use products, which has recently bottomed out, and to promote measures to stimulate demand while simultaneously restoring the profitability of olive oil. In July, we announced price revisions for cooking oil, which will be implemented in October. Under the circumstances of soaring distribution costs, rising utility costs, and the continued historic depreciation of the yen (although the yen is currently appreciating), we seek our customers' understanding of this situation and implement this price revision to restore profit margin to the appropriate level.

Q: Could you explain the reasons behind the strong performance of the overseas processed oil and fat business and Fine Chemical segment and whether this positive trend is expected to continue?

A: Amid solid demand for oils and fats for chocolate driven by the expansion of the chocolate market, the overseas processed oil and fat business enjoyed a strong performance as our efforts to expand sales channels over the past several years, mainly in Asia, bore fruit. Also, sales to existing customers were strong. The overseas processed oil and fat business expects continued robust performance due to a gradual increase of production capacity for oils and fats for chocolate thanks to capital investment, which has been underway since the beginning of the current medium-term management plan, and efforts to expand sales in response to solid demand. In addition, the effect of higher unit sales prices of cocoa butter equivalents associated with soaring cacao prices may emerge from the later part of the second half of the current fiscal year.

In the Fine Chemical segment, sales of cosmetic ingredients, the mainstay of the segment, were robust in China. Marketing efforts leveraging the technical support center in Shanghai, which commenced operations in the previous fiscal year, proved successful. Not only cosmetic oils, a traditional strength, but also skin care oils and oil cleansing

products sold well. Besides robust domestic sales, overseas sales have been the driving force, and this trend is expected to continue in the foreseeable future.

Q: There is growing interest in the new medium-term management plan that will begin in the next fiscal year. Investors expect a new growth story in the plan. What is the current outlook?

A: We have six months before the next medium-term management plan begins. During this time, for domestic businesses, in order to increase the ratio of value-added products, such as olive oil, functional products, and marketing-driven products, we must evaluate how much those products would potentially grow and what costs and measures would be necessary. For the global businesses, we will examine trends in demand for oils and fats for chocolate, which are subjective to the cacao market, and the prospects for increased demand for ester oils in the Fine Chemical segment, for which we have been developing new applications. We will identify where global demands for those products exist and determine how we can take the initiative to capture them.