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Launching our new medium-term business plan, *Value UpX*, to strive to become a global top provider of oils & fats solutions

T. Kuno

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Message from the President



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Value UpX, the new four-year medium-term business plan, launched this fiscal year is the second medium-term business plan, created to align with the strategies of Vision 2030, the long-term vision we formulated in 2021. Building upon the foundation of growth we have established thus far, we will further develop our distinctive “winning formula” with *Value UpX*, evolve into an organization capable of generating innovation, and achieve accelerated growth. We are determined to become a global top provider of oils & fats solutions, to deliver Energy for Living for everyone.

Accelerating growth under *Value UpX*

By delving into the essence of CSV management as envisioned in Vision 2030 and integrating CSV with our business strategy, we will weave diverse value creation stories in our pursuit of operating profit of ¥28 billion (operating profit margin of 5% or more), ROE of 8% or more, and ROIC of 6% or more by fiscal 2028, the final year of the plan.

□□ p. 29 Performance Targets

- To accelerate growth, *Value UpX* employs four core aspirations represented by the “X” in its name:
1. Exponential growth
 2. Converting challenges into opportunities
 3. Institutionalizing innovation
 4. Transforming to improve return on capital.
- Together as a Group, we will carry out the

strategies and initiatives tied to these four aspirations—the four Xs—to achieve accelerated growth.

First X

Exponential growth

Under the previous medium-term management plan, *Value Up+*, we overcame market fluctuations caused by the COVID-19 pandemic and surging raw material prices, achieving record profits in all business segments. We were able to build solid relationships with customers and expand high value-added and functional products. Looking at the average annual growth rate of consolidated operating profit during recent medium-term management plans, we achieved steady growth: 4% and 9% under *Value Up* (FY2017–FY2020) and *Value Up+* (FY2021–FY2024), respectively.

We have also established an essential foundation for future growth by opening Incubation Square as an R&D facility that serves as a venue for co-creation, and making major global investments. In my view, the greatest achievements under *Value Up+* were our steady profit growth and the establishment of solid foundation for the next phase of growth. We will maximize these results, focus intently on growth rates and profit margins, and achieve exponential growth.

Specifically, we will accurately identify opportunities and achieve steady growth, having positioned four areas as core strategies to drive

growth under *Value UpX*: 1. Confectionery fats, 2. Cosmetic oils, 3. Functional oils & fats and functional oil-based materials, and 4. Market creation based on our knowledge of lipid nutrition.

1. Confectionery fats

Our focus to date has been on strengthening our supply capabilities through capital investment centered on ISF (Malaysia) and enhancing our skills in controlling and managing three types of quality: functional quality of physical properties and nutrition; safety and security quality as food products; and quality of social responsibility,



such as protecting human rights, maintaining biodiversity, and reducing CO₂ emissions in the supply chain. We will effectively use this capacity to expand sales of confectionery fats made from palm oil and other raw materials in markets experiencing substantial change (e.g., declining cacao yields) and achieve a global share of at least 15% (volume-based) of cocoa butter equivalent (CBE) by fiscal 2028 (compared to our estimate of 6% in fiscal 2024).

2. Cosmetic oils

In our Fine Chemical business, we have established a “scenario” for success in China by broadly promoting our products to customers at local exhibitions and expanding our business by using our technical support locations to provide customers with timely solutions that meet their

specific needs. We will apply this scenario as a springboard to expand sales of specialty oils in the ever-expanding Southeast Asian market and the rest of the global market to achieve a global share of at least 10% (value-based) of cosmetic oils by fiscal 2028 (compared to our estimate of 6% in fiscal 2024).

3. Functional oils & fats and functional oil-based materials

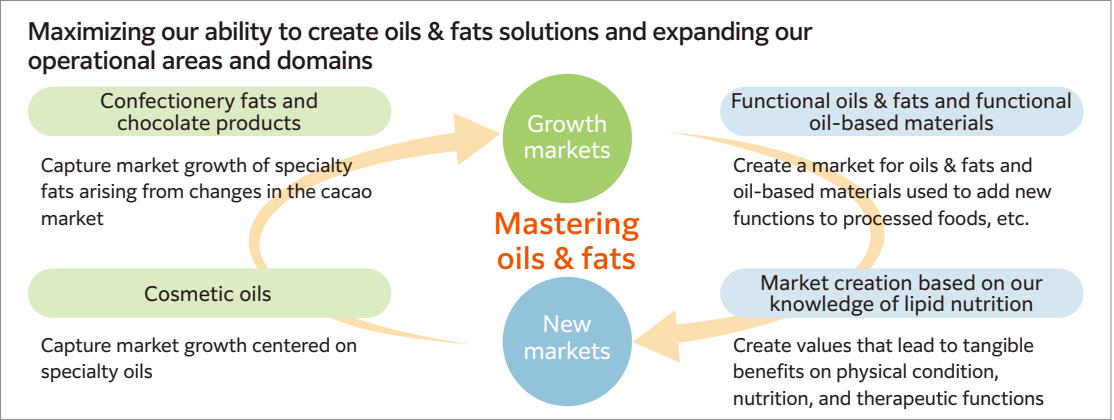
Labor shortages in commercial kitchens and food loss prevention measures among other changes are proceeding apace in the area of oils and fats for commercial use and for food processing in Japan, and we believe that the key to success lies in developing solutions for these issues. For example, extreme heat in recent years has resulted in inconsistent quality and higher prices

for rice. Our *Nisshin Cooked-Rice-Solutions Oil* helps people enjoy rice by preserving its freshly cooked flavor, contributing to resolve issues that are increasingly impacting broad swathes of society. We will capture customer needs and benefits, expand sales of functional oils & fats and functional oil-based materials, and aim for sales of ¥7 billion or more by fiscal 2028 (compared to ¥4.3 billion in fiscal 2024) for those oils & fats and materials.

4. Market creation based on our knowledge of lipid nutrition

Under *Value Up+*, we made progress with marketing medium-chain triglycerides (MCTs) as functional materials, and they now have a recognition rate of over 60%, indicating that they have penetrated the domestic market. We will contribute to improving consumers’ quality of life through products that create health and vitality in various life stages—including applying our time-tested knowledge of lipid nutrition to promote value involving physical condition—and translate those results into growth for the Group.

Second X
Converting challenges into opportunities
Our second X is the unknown factor for resolving present and future issues. It is the variable we



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must determine to achieve sustainable growth for the Group in this challenging business environment.

Reflecting on the way circumstances changed during the previous medium-term management plan, *Value Up+*, we can no longer assume that raw material procurement and product manufacturing and supply will be stable. There are many factors at play, including inconsistent yields of raw material crops and logistical impacts—particularly lower water levels in the Panama Canal—associated with climate change, as well as

increasingly severe labor shortages and tighter legal regulations on logistics in Japan.

Profit growth in household-use value-added products came to a standstill under *Value Up+*, in part because of a drought-driven, historically poor olive crop and the resulting surge in raw material prices, as well as supply chain disruptions stemming from geopolitical causes. Additionally, the U.S. government’s recent announcement of a plan to increase the blend ratio of biofuels has raised the global price of soybean oil, which has impacted the Company as a factor leading to increased costs of general-purpose oils. The entire edible oils market is being rocked by substantial changes, so we must act with alacrity to identify consumer needs and social issues to improve the value of edible oils and achieve sales at appropriate prices commensurate with costs.

Changing circumstances have also brought a variety of issues to the forefront that must be resolved if we are to achieve sustainable growth.

We will find values for *X* that solve all the essential problems in our value chain and fully commit to turning them into opportunities.

Third X

Institutionalizing innovation

Our third *X* is the multiplicative power of co-creation, fusion, and investment to create a “winning formula.”

To attain the Group’s vision of becoming a global top provider of oils & fats solutions, we must improve our corporate structure to better generate innovation.

The Group draws its strength and competitive edge from the intangible assets it has cultivated and amassed over many years: customer connection, expertise, and intellectual property. To further enhance our competitive strength, we need to embrace co-creation initiatives that blend internal and external knowledge and experience. For example, our sincere commitment with customers in sales and marketing have earned us high levels of trust. We provide information online, promote inbound marketing to create opportunities for customer contact. Since the previous medium-term management plan, we successfully created touchpoints with customers who had been out of reach. Initiatives to upgrade customer touchpoints are underway to enhance co-creation and help maximize customer benefits by leveraging these relationships we have built.

Strategic efforts in implementing technological innovation, traceable supply chains, and digital innovation will also enhance the Group’s strengths and create a virtuous cycle of increased knowledge-based co-creation within and outside the Group.

To expedite this process, we will invest in strengthening R&D, our supply chain, digital and IT, sustainability, human resources, and more to

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advance our corporate structure and generate innovation through the cyclical creation of intangible assets. This is the “winning formula” for the Group to become a global top provider of oils & fats solutions.

 p. 17 Distinctive Winning Formula of The Nisshin OilliO Group

Fourth X

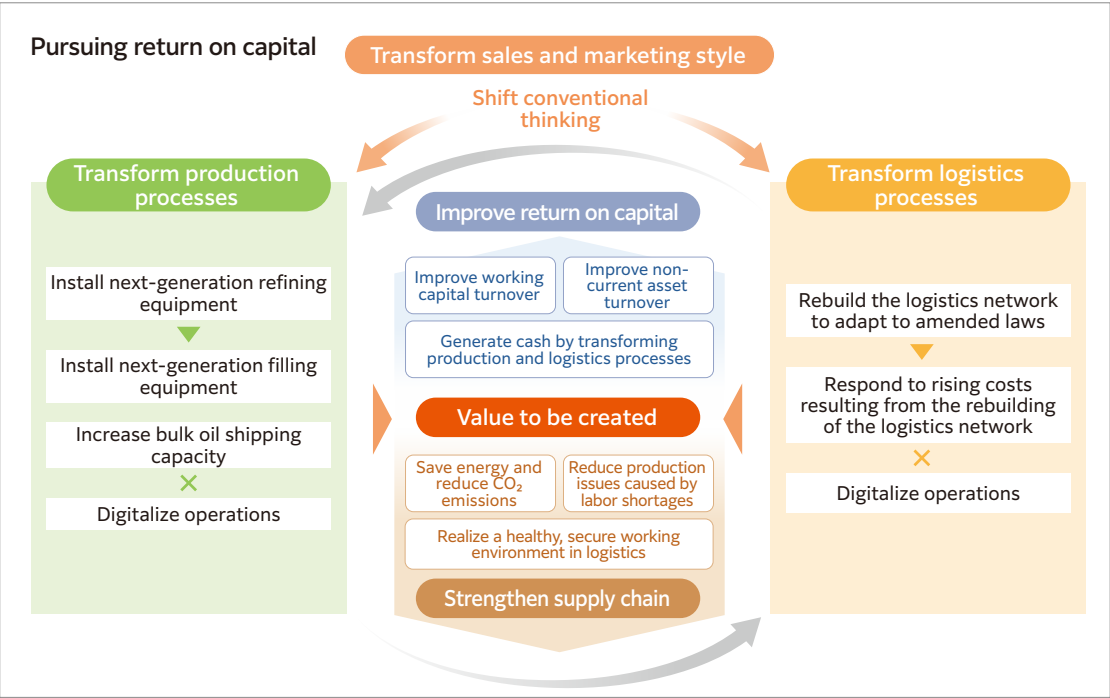
Transforming to improve return on capital

Our fourth X represents a transformation that not only enhances return on capital but also strengthens supply chain resilience. We will advance this transformation while making the

necessary investments.

Under *Value UpX*, we must renew our focus on return on capital to achieve a virtuous cycle toward growth through ROIC management. During the previous medium-term management plan, inventory balance was disrupted in part by the COVID-19 pandemic, market fluctuations associated with surging raw material prices for soybeans and rapeseed, and inconsistent procurement due to a historically poor olive crop.

Also, the new limit on overtime hours in logistics increased the number of days the products spent in inventory. To achieve structural solutions to these problems, we need to pursue interlinked transformation of sales, production, and logistics. In sales and marketing, we are promoting a major shift from conventional thinking on sales promotion methods and product portfolios to draw an ideal blueprint and promote transformation in a more agile manner.



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In production, it is time to replace aging equipment with next-generation models. We will systematically upgrade equipment while taking steps to implement DX throughout production processes. Given the nature of our industry, the majority of the production process is automated by large-scale equipment and machinery, requiring substantial capital investment. We must, however, move beyond the long-cherished concept of “capacity utilization” and aim for a production system with the agility to supply the necessary volume when needed. We will also continue to optimize inventory control and improve logistics efficiency while promoting digitization in logistics.

□□ p. 44 Feature: Improving Return on Capital

Human resources to support future growth

With *Value UpX*, we have clearly stated the roles of the six priorities set out in Vision 2030, classifying some as areas that drive growth and others as areas that support our business foundation.

□□ p. 30 Strategy Overview

Among those priorities, human resource management is the driving force for the Group’s sustainability and growth. As I see it, the key to institutionalizing innovation—our distinctive “winning formula”—is how we use the information we gain from each customer touchpoint as an intangible asset for the Group.

We will actively invest in human resource development based on the belief that it is people who create new value using information obtained from the front lines that support the growth of the organization. Our employees’ resonance with the Group’s vision and a sense of fulfillment in their daily duties are force multipliers in our pursuit of a more innovative organizational culture. Amid labor shortages, shifting views on employment among young people, and many other social issues, building a strong, resilient human resources base will sustain the growth of the Group.

Providing a path to growth and enhancing corporate value

Under *Value UpX*, we will execute a growth strategy designed to achieve accelerated growth through fiscal 2028 and beyond. To achieve our lofty goals, we will invest ¥90 billion in the four areas targeted to achieve exponential growth in the first X—including building a global supply chain and making it more resilient, R&D to underpin our core strategies, digital and IT, and strengthening sustainability—and we will also conduct the M&As necessary to execute our strategy. To implement such investments and M&As, we will bolster our earning capacity and generate operating cash flow.

□□ p. 33 Message from the Director in Charge of Finance

The Group was able to grow to its current state

by seizing the opportunities presented by changes in society and lifestyles to create new value and markets. With unshakeable confidence based on our past growth, we will accurately ascertain the trajectory of the diversifying market environment and social issues, and promote the institutionalization of innovation to provide new value to our customers and society as we strive to become a global top provider of oils & fats solutions. I sincerely look forward to the continued understanding and support of our stakeholders.

