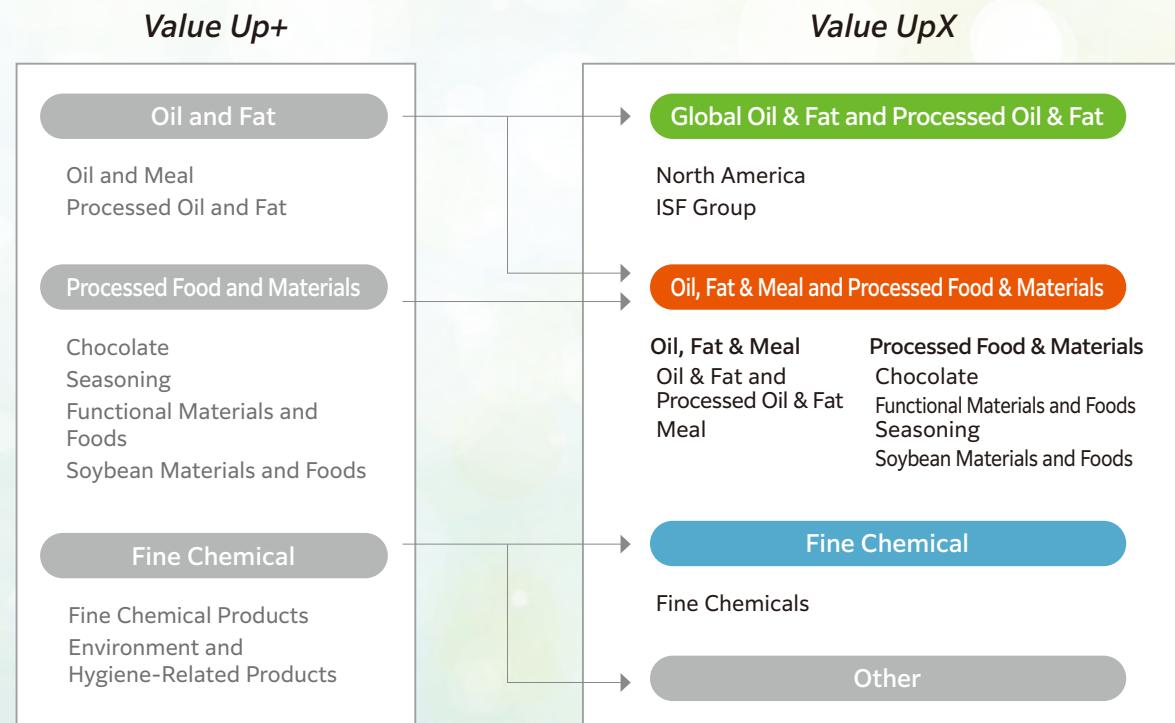


Business Strategies

To coincide with the launch of *Value UpX*, we reclassified our business segments to Global Oil & Fat and Processed Oil & Fat, Oil, Fat & Meal and Processed Food & Materials, and Fine Chemical.

In each of these segments, we will invest in sustainable growth and implement measures to improve return on capital to achieve a virtuous cycle toward growth.



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Global Oil & Fat and Processed Oil & Fat

Expanding our value chains by leveraging our knowledge and technology of oils and fats and ability to propose solutions



Business characteristics

- Palm-based business operated primarily by the ISF Group. ISF's global market share for CBEs*, one of our strategic confectionery fat products, is 6% (Company estimate).
- ISF Group operates in Malaysia, Europe, and China. ISF established a new joint venture sales company in Thailand to increase presence in the Southeast Asian market.
- North American business for oils and fats for processing and commercial use is operated primarily by NOA. Proceeding to the business building stage based on market research and marketing conducted to date. NOA plans to develop oils and fats for the confectionery and food service industries.

* CBE: Cocoa butter equivalent. CBE is hard butter with a composition similar to cocoa butter and can be blended with cocoa butter in any mix proportion. The mix proportion of oils and fats can be used to alter its physical properties.

Market environment, opportunities and risks

Market environment

- Surging cocoa bean market prices in 2024 accelerated the expansion of the confectionery fats market. To meet growing demand in this market, we must enhance and strengthen functions at key locations for global sales expansion.
- The North American market is increasingly natural-oriented. Demand for sustainable raw materials—mainly from processed food manufacturers—has increased the need to rebuild supply chains, creating opportunities for market entry.

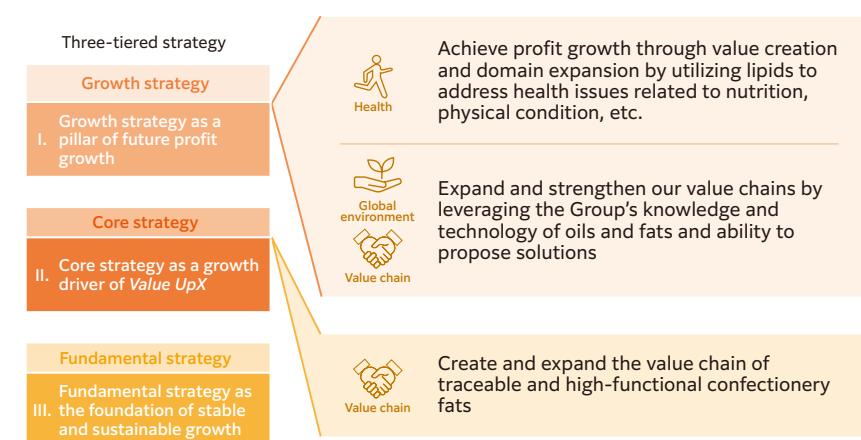
Opportunities

- Increased demand for confectionery fats in response to surging market prices due to reduced production of cocoa beans
- Opportunities for market entry arising from the growing need to rebuild supply chains in response to tighter sustainability-related regulations
- Increasingly natural-oriented demand in North America

Risks

- Changes in supply-demand balance due to intensified climate change and increased global demand for oils and fats
- Increasing instability and cost of raw material procurement and logistics due to intensification of geopolitical factors
- Higher initial investment and operating costs due to inflation, higher labor costs, etc.

Relationship between *Value UpX* strategy development and Vision 2030 priorities



□ p. 30 Three-tiered Strategy

Global expansion of the ISF Group enters a new stage

Since its establishment in 1980, the ISF Group has been a pioneer in specialty fats and has continued to refine its technology. In recent years, we have actively promoted investments focused on enhancing productivity. To better meet customer and market needs, we continue our efforts to improve quality (particularly food safety and security), advance sustainable initiatives, and strengthen our supply chain resilience. We are already seeing some results of these efforts in the sale of confectionery fats, and under *Value UpX*, we will reap the benefits of these investments at an accelerated pace while also making further investments with our sights set on our next stage of growth.

In 2025, we strengthened the business of existing group companies and also established a new joint venture sales company with PCE* in Thailand. PCE is a company that has a robust supply chain in the region. With PCE, we will take bold steps to increase our presence in the Asian market, enhancing sales capabilities in Thailand and neighboring countries. We will also continue to develop our business in the European and North American markets.

* Petchsrivichai Enterprise Public Company Ltd.



Toshio Fujimori
CEO, Intercontinental Specialty Fats Sdn. Bhd.



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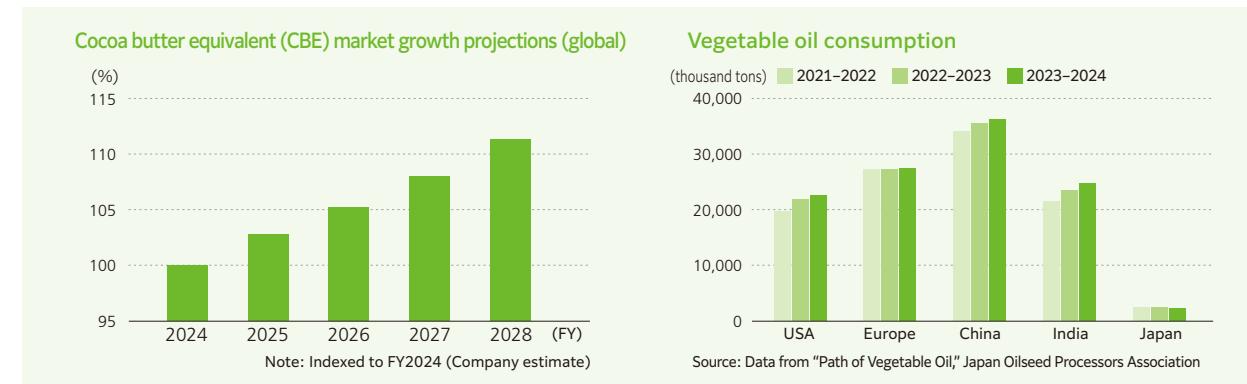
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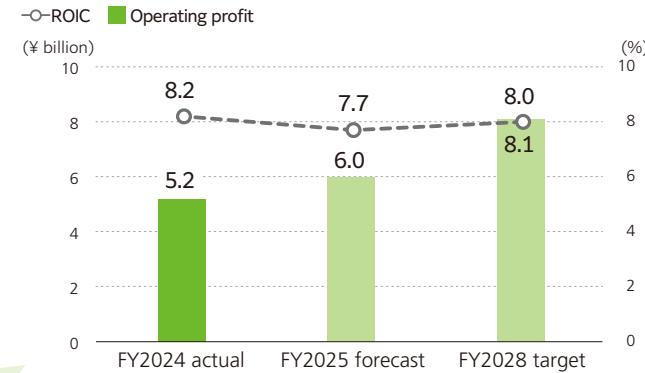
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Market trends



Performance and targets (as of May 2025)



To achieve a virtuous cycle toward growth

To scale up profits and improve profitability, we will further expand global sales of highly profitable confectionery fats and firmly establish a business foundation in North America

Invest for sustainable growth

- Invest to strengthen production capacity of confectionery fats, focused on CBEs (Europe, Asia, North America)
- Build a business model in the North American market that leverages the Group's technological strengths in multiple areas
- Strengthen and build a supply chain that contributes to sustainability and quality (for which there is mounting social demand) and the future scalability of the business

Improve return on capital

- Increase profits and improve profit margins by entering markets where our value is recognized and expanding sales to customers
- Improve profit margins by leveraging technology and supply chain strengths to differentiate and increase added value
- Reduce and optimize costs by utilizing IT and automation to streamline operations and reduce utility consumption

Spotlight**Leveraging technology developed in Japan to expand market share in North America**

Our North American business is one of the core strategies that will serve as a growth driver in our medium-term business plan *Value UpX*. With technology at the core, we will promote a "mosaic" strategy under which we seek to capture domestic demand by simultaneously developing multiple markets and products, all with the aim of improving ROIC through efficient capital investment and a highly profitable business structure.

For the confectionery industry, we will strive to swiftly diversify our customer base by expanding high value-added oils and fats such as confectionery fats, backed by our technology, starting from ISF's existing business areas. For the food service industry, we will take steps to capture more health-conscious demand by increasing production capacity of non-GMO canola oil by Montana Specialty Mills.

We will also use our ability to propose oils & fats solutions and applications—which we developed in Japan—to meet the needs of the growing market for home meal replacements, and optimize our products complying with local regulations and meeting local preferences. In the seasonings domain, we will collaborate with WAKOU USA, a subsidiary of the Group affiliate Wakou Shokuhin, to promote our business around the expanding market for Japanese food. We will organically expand other businesses with the aim of achieving net sales of ¥50 billion or more by fiscal 2030.

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Oil, Fat & Meal and Processed Food & Materials

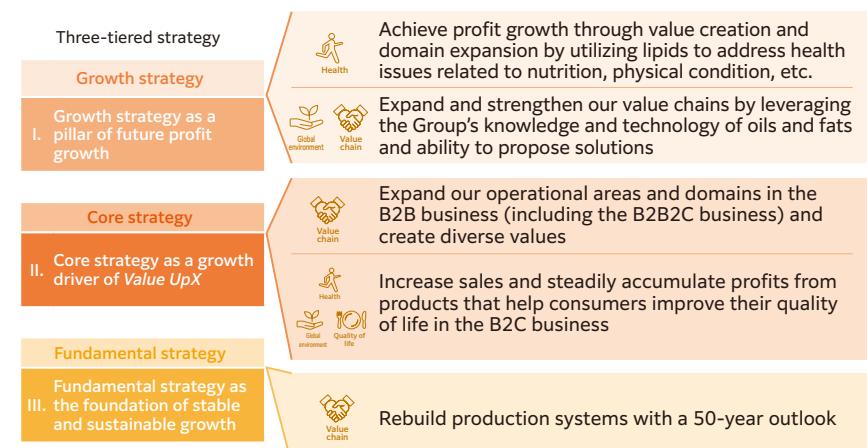
Creating diverse value through co-creation with customers



Business characteristics

- In the Oil, Fat & Meal business, we sell edible oils made from rapeseed, soybean, palm, olive, sesame, flaxseed, and a diverse range of other plant resources to a broad variety of customers for household use, commercial use, and processing. Thanks to the high level of trust we have earned, we have the top share by sales volume in Japan. As a leading manufacturer of edible oils in Japan, we offer products that help uncover potential customer needs and resolve social issues through the technology we have developed for producing and processing oils and fats, and through co-creation with our customers. We sell the meal remaining after soybean and rapeseed processing mainly as feed for the livestock industry.
- In the Processed Food & Materials business, we use the Group's materials in our operations in the areas of Chocolate, Functional Materials and Foods, and Seasoning, Soybean Materials and Foods. In the Chocolate segment, Daito Cacao leads our promotion of global business development while leveraging its strengths in flavor creation. In the Functional Materials and Foods segment, we are expanding the market for MCTs by continuing to approach processed food manufacturers and distributors.

Relationship between *Value UpX* strategy development and Vision 2030 priorities



□ p. 30 Three-tiered Strategy

Market environment, opportunities and risks

Market environment

- In the Oil, Fat and Meal business, while global demand for oils and fats is rising and the costs are increasing, the household edible oils market is declining due to heightened cost-consciousness and changes in consumer cooking habits. In contrast, the market for edible oils for commercial use is recovering due to stronger inbound demand and the return of domestic consumer activity. So the overall domestic edible oil market has held steady. We must improve the value of edible oils by accurately ascertaining consumer needs and social issues.
- In the Chocolate segment of the Processed Food & Materials business, the price of cocoa beans has surged due to extreme weather events in production areas and cacao tree diseases; we must ensure stable procurement and high quality of cocoa beans.

Opportunities

- Increased opportunities to address challenges involving food loss, labor shortages in food preparation, and other changes in the environment surrounding food
- New ability to accurately ascertain consumer needs by using big data
- Expansion of the market for home meal replacements and ready-to-eat meals to accommodate the diversification of eating habits, increasing consumer demand for value added
- Increased awareness of caregiving and frailty & pre-frailty prevention for a super-aged society
- Increase in global demand for chocolate

Risks

- Increasing demand for oils and fats associated with global biofuel policies
- Increasing instability and cost of raw material procurement and logistics due to intensification of climate change and geopolitical factors
- Further heightened awareness among consumers to protect their livelihoods as inflation causes real wages to decline
- Decreasing domestic demand for oils and fats due to population decline, decreasing demand for feed due to increase in meat imports and decrease in number of workers

Combining quantity and price with high-quality solutions to increase business value

Under the previous medium-term management plan *Value Up+*, we made efforts to create value and expand our business through oils and fats, and steadily increased our earning capacity. In the commercial-use area, we pursued collaborative-sales-to-identify-needs marketing and promoted market revitalization by solving issues in technical terms through close collaboration with customers and providing continuous solutions. In the household-use area, we endeavored to form new markets through such efforts as structural reforms of cooking oil and establishing a market for "pour-and-enjoy" fresh edible oil.

That said, our performance in fiscal 2024 was challenging in part due to failure to respond quickly enough to changes in the market environment. To overcome these challenges and convert them into results, we will combine high-quality solutions to customers' problems with the conventional concept of business scale based on multiplying volume and price in an effort to raise the quality of our business.

Specifically, we will strive to stabilize our earnings base by proactively promoting value proposals that help solve customers' problems, and by identifying and implementing factors that mitigate surging raw material prices and other risks. This multifaceted approach should enable us to sustainably increase our business value.



Masato Saegusa
Director and Senior Managing Officer
General Manager of Food Product
Division; Responsible for Branch
Operations



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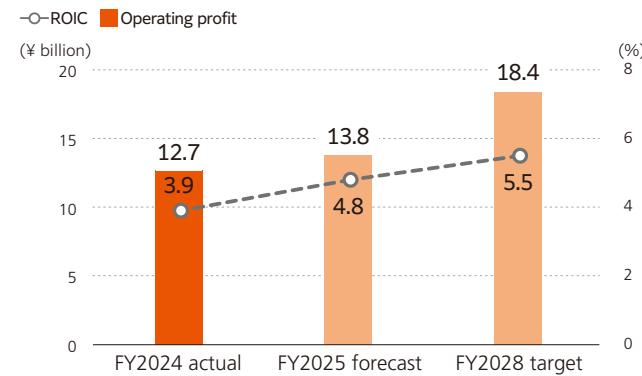
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To achieve a virtuous cycle toward growth

- We must ensure proper margins on general-purpose oil through appropriate sales price formation along with reforming to a more profitable product portfolio, all to achieve stable profit growth and improve profit margins.
- We will enhance efficiency through the transformation of our sales and marketing approach and production and logistics processes.



Performance and targets (as of May 2025)



Invest for sustainable growth

- Build and strengthen the supply chain to reform to a profitable product portfolio
- Research, investigate, and develop markets for therapeutic functions with MCTs in food for the elderly and "body-fat-burning" product markets
- Enhance customer touchpoints to strengthen inbound sales and solution creation
- Invest in digitalization and sustainability improvement to increase the efficiency and sustainability of production and logistics processes and strengthen the supply chain
- Rebuild production systems for oils, fats, and meal with a 50-year outlook

Improve return on capital

- Expand our domains in the B2B business (including the B2B2C business) and create diverse value to increase profits and improve profit margins
- Improve profit margins by steadily accumulating profits from products that help consumers improve their quality of life in the B2C business
- Form a fair market value for oil and fat products commensurate with costs and value
- Improve efficiency and reduce and optimize costs through smart factory conversions, sustainability, etc.
- Improve inventory turnover by optimizing product items, advancing supply-demand management, increasing spontaneous agility in production, etc.
- Optimize production capacity utilization

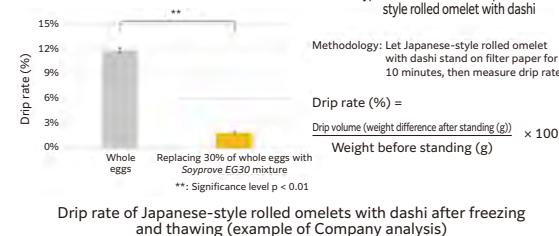
Spotlight

Releasing soybean powder formulation Soyprove EG30

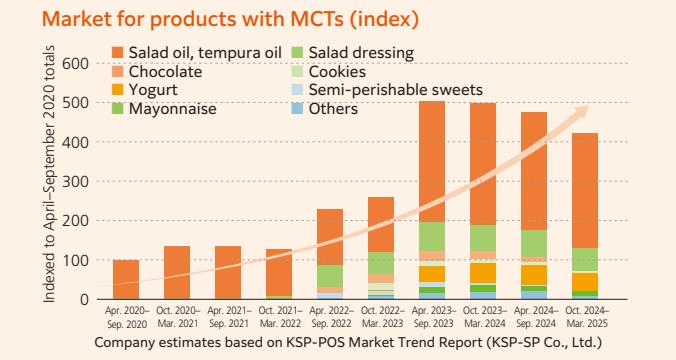
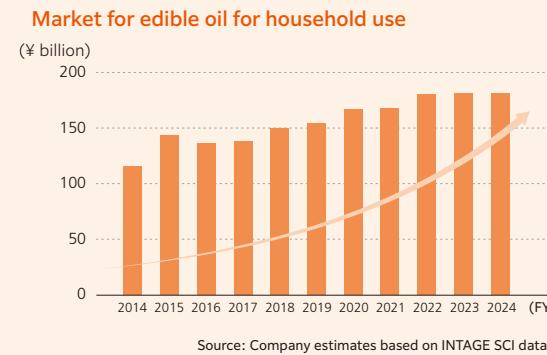
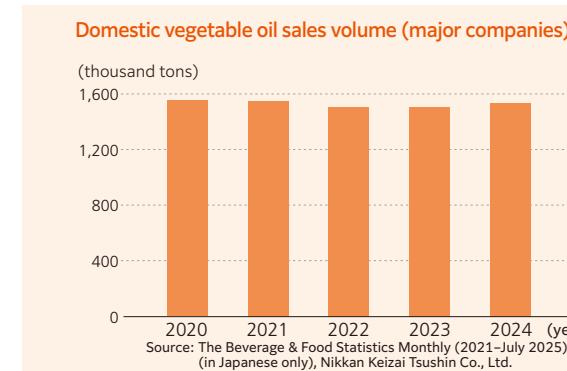
In January 2025, we released Soyprove EG30, a soybean powder formulation used to make processed egg products juicier and improve their texture. The defining characteristic of the product is that it maintains the texture of processed egg products by preventing them from hardening when refrigerated or frozen and then thawed. It also helps maintain the tastiness of Japanese-style rolled omelets with dashi by reducing the dripping that often occurs when they are thawed.

With eggs—a major ingredient in a wide range of products—the risk of an epidemic is always a concern, as evidenced by the significant impact of the avian influenza outbreak in 2022. Accordingly, we have developed a soybean powder formulation specifically for processed egg products. Processed food manufacturers now turn to it for Japanese-style rolled omelet dishes as well as confectionery, baking, and other areas where eggs are used.

We intend to continue developing materials with functions that help resolve issues surrounding food.



Market trends



Spotlight Providing solutions with functional oils & fats and functional oil-based materials developed under a team collaboration

Functional oils & fats and functional oil-based materials are value-added products that accommodate diversifying customer needs by maximizing all kinds of functional materials. Through "scrum" development—cross-departmental collaboration that integrates development, production, and sales—we aim to realize continuous solutions by establishing a short development cycle and a system that expedites delivery to the market.



Left: **Tetsuya Nishida**
Manager, Food Service Products Group, Commercial-Use Business Strategy
Right: **Nobutaka Kondo**
Manager, Planning & Development, Processed Foods Development

To provide solutions, we must be professionals in oil and all other components of the food industry. We will use functional oils & fats and functional oil-based materials to create solutions to various issues surrounding food, such as maintaining quality, improving taste and health value, and preventing food loss and labor shortages. By co-creating with customers to resolve the issues and build partnerships, and with the infinite possibilities of our oils & fats and materials, we will play a key role in the core strategies of *Value UpX*.

Spotlight Evidence-based marketing of MCT

We have used our findings from many years of research into medium-chain triglycerides (MCTs) to meet our customers' needs regarding body fat. We have also demonstrated how, when paired with exercise, MCTs help middle-aged and elderly people maintain leg muscle strength and reduce daily fatigue. We will also develop new foods with functional claims to meet lifestyle improvement needs in those age groups. Our new functional claim for MCTs—"enhances the metabolism (breakdown) of consumed fats in people with high BMI"—should further enhance the value of MCTs in food products and help expand their adoption in the B2B2C market. As a measure to prevent frailty and undernutrition in elderly people, we will devote more energy to developing products for hospitals and elderly care facilities that take advantage of how easily MCTs are converted to energy.

We will further promote evidence-based marketing of functional materials as a core strategy of *Value UpX*.



Yumiko Moriya
Manager, Wellness Foods Group, Wellness Foods Business Strategy

Spotlight "Flavorful Daito Cacao": Strengths over a century and future strategies

In December 2024, Daito Cacao celebrated its 100th anniversary as a manufacturer of chocolate for commercial use, with a motto of "from cocoa beans to chocolate," producing completely in-house. We are thoroughly committed to taste and flavor, and have earned our reputation as the place to go for great-tasting chocolate. Our strength lies in our ability to develop products with flavors that balance the taste of chocolate and other ingredients, thanks to our proprietary evaluation techniques.

Looking ahead to the next 100 years, we will expand our presence in the commercial-use market by developing products that meet customer needs through further improvement of the functionality and quality of chocolate with the tastes we have continued to refine and Nissin Oillio's oils and fats technology. We will also take steps to create more sustainable chocolate by diversifying suppliers and reducing environmental impact.

As the only manufacturer in Japan specializing in chocolate ingredients, we will continue to grow by boldly tackling challenges, leveraging our sustainable, dependable supply system and high-quality products.



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Fine Chemical

Pursuing cutting-edge technology and services while advancing globalization to become a leader in cosmetic oils



Business characteristics

- We aim to expand our global presence by providing plant-derived and high-functioning raw materials to companies in cosmetics, foods, pharmaceuticals, industrial goods, and a broad range of other fields.
- We support various industries, meeting user needs by drawing out the functions of cosmetic oils through our design, synthesis, and refining technology.
- Our initiatives such as technical support functions to strengthen our solution proposals have earned us the trust of our customers in many countries. We will continue to provide support in collaboration with distributors to build trust and encourage more adoption.
- We invested in Indonesian trading company Takaha in December 2024 and opened our Bangkok Representative Office in April 2025 to promote market development and strategic planning in Southeast Asia.
- We will strengthen R&D capabilities, production capacity, and technical support functions to further develop the Chinese and Southeast Asian markets and promote globalization. We will leverage digital innovation to accelerate business expansion.

Market environment, opportunities and risks

Market environment

- Domestic market is expected to return to pre-pandemic scale in the next few years as inbound consumption and demand for makeup recover.
- Emerging startups in many countries are enjoying success with social media marketing (influencers, advertising, etc.), which is particularly effective for cosmetics.
- US market is strong, but concerns remain about the impact of tariffs. European market is still recovering. Chinese market tends to prefer local products. Growth is expected to continue in the "Big 5" ASEAN markets.
- Cosmetics OEM and ODM companies are expanding globally due to increasing demand from fabless companies and expanding exports.
- Pro-nature and pro-animal welfare sentiment is on the rise, especially in Europe; Regulation on Deforestation-free Products (EUDR) and the like require stronger traceability (including in supply chains).

Opportunities

- Promote new products to capitalize on the recovery of global demand for makeup
- Capture demand from fabless companies through technical support and sales promotion in collaboration with distributors
- Expand sales of plant-derived products and products with natural origin index and sustainability promoted
- Accelerate development of Southeast Asian markets and increase presence with Bangkok Representative Office and Takaha

Risks

- Failure to respond quickly enough to tighter regulations (Act on the Regulation of Manufacture and Evaluation of Chemical Substances; Halal; REACH; EUDR; etc.)
- Failure to respond quickly enough to requirements in different markets (emphasizing sustainability and environmental considerations in the EU, Halal certification in Southeast Asia, etc.)
- Decrease in consignments from the U.S. due to its high tariff policy

Relationship between *Value UpX* strategy development and Vision 2030 priorities



Global expansion and market development of cosmetic oils

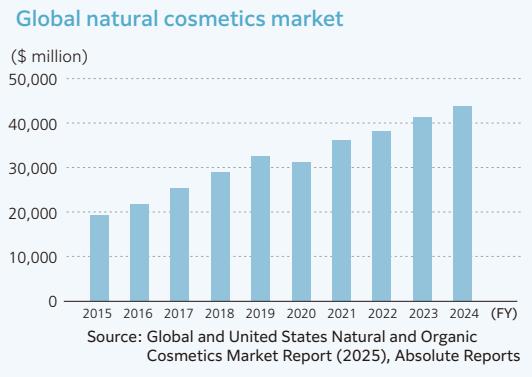
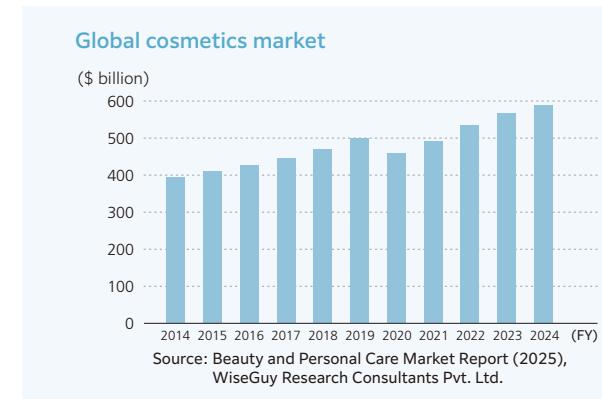
Under *Value Up+*, the average annual growth rate of net sales and operating profit for the Fine Chemical business increased to roughly 12% and 14%, respectively¹. Cosmetic oils enjoyed particularly high growth in China and elsewhere, driven by skin care, cleansing, and indie-brand makeup products, and buoyed in part by the post-pandemic economic recovery. In December 2024, we invested in Indonesian trading company Takaha to formulate strategies for market development, for example, strengthening our Halal response².

Our goal under *Value UpX* is to achieve a global market share of 10% or more for cosmetic oils, and we are strengthening our ability to accommodate the needs of each country and region in terms of regulations, plant-based/environmental considerations and more. In April 2025, we opened our Bangkok Representative Office to serve as our sales and marketing base for the Southeast Asian market. We will increase the Group's presence by expanding specialty oil sales at a level above market growth—particularly in the growth market of Asia—establishing bases for global sales expansion, strengthening relationships with local partners, and expanding our technical support system. We will also create environments where all business department employees can demonstrate their creativity and initiative, use AI and digital technology to advance R&D capabilities and strengthen our market development capabilities, and realize customer-focused development, sales, and marketing with the aim of establishing ourselves as a global top provider of oils & fats solutions.

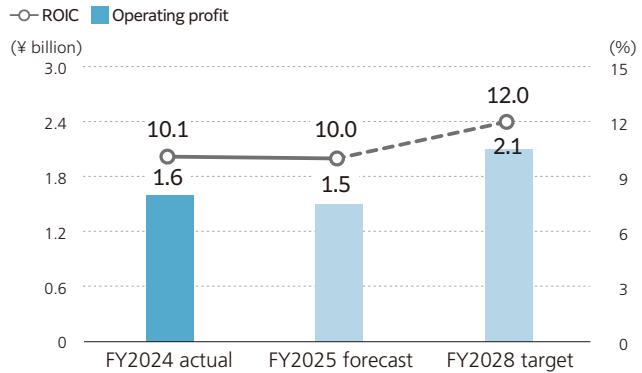


Yoshiharu Okano
Managing Officer
Responsible for Fine Chemical business

Market trends



Performance and targets (as of May 2025)



To achieve a virtuous cycle toward growth

We will achieve growth at a level above market growth—particularly in the growth market of Asia—and further increase profits and profitability with highly profitable specialty oils at the core

- Invest for sustainable growth**
- Strengthen supply capacity and develop locations and organizational structure to expand global sales of specialty oils
 - Build a supply system for Halal cosmetics, which are expected to grow globally
 - Further expand technical support system
 - Strengthen relationships with partners in areas of operation

- Improve return on capital**
- Expand sales of highly profitable specialty oils and other products at levels above market growth
 - Accelerate development work and develop products using digital technology
 - Improve inventory turnover by establishing an efficient production system and proper inventory control

Spotlight

Strengthening collaboration between sales and technology to realize swift, high-quality solution proposals in China

NOST disseminates information at major seminars to which it invites many of its customers—cosmetics manufacturers—and holds individual workshops for certain customers in an effort to build better relationships. In China, the diversification of consumer values has prompted our customers to demand more original technical proposals. Sales activities in collaboration with the Shanghai Technical Support Center (STS), which opened in March 2024, have enabled us to provide the same level of technical support here as in Japan, helping us earn our customers' trust and produce results in sales.

We will continue to move ahead with efforts to establish a system in which sales and technical support work as one to facilitate swift, high-quality solution proposals that are more aligned with our customers.



Dora Wang
Manager of Sales Department
The Nissin Oillio (Shanghai)
International Trading Co., Ltd.

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Feature: Improving Return on Capital

Improving return on capital by integrating sales, production, and logistics to shift from conventional thinking and transform processes



Masayuki Sato

Director and Managing Officer
General Manager of Production Division

Koyo Nonaka

Managing Officer
Deputy General Manager of Food Product Division

Osamu Kawabe

Executive Officer
Responsible for Logistics

Under *Value UpX*, we will implement interlinked transformation of sales, production, and logistics to improve return on capital. The officers in charge of sales, production, and logistics were invited to discuss specific strategies for this transformation.

 p. 10 Fourth X: Transforming to improve return on capital

Q: What did the Company achieve under the previous medium-term management plan, *Value Up+*? What were some of the challenges?

Nonaka: Looking back on *Value Up+* and previous efforts from my position in charge of sales, marketing, and other elements of the food business, we have taken the initiative in edible oils for household and commercial use, wellness foods, and other areas to bring about substantial changes in the market structure of edible oils. For household-use, we promoted new ways to use oil, changed to new containers, and made other efforts that led to the creation of a new market for "pour-and-enjoy" fresh edible oil, in addition to traditional uses such as frying and stir-frying. In the market for edible oils for commercial use, more restaurant and food service operators are opting for compact-sized plastic-bag packaging instead of the conventional square cans to improve work environments and otherwise capitalize on how much easier they are to use. In the wellness area, we have built the MCT oil market for consumers from the ground up, achieving a market scale of roughly ¥3 billion and an MCT awareness rate of around 60%. Our efforts to identify customer needs and take proactive steps to create new value

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propositions and markets have also contributed to improving profitability.

However, given the surge in olive oil prices in fiscal 2024, it is more important than ever to manage risks associated with inconsistent raw material procurement and prices, and we must also rebuild our product portfolio to stabilize our profit structure.

Sato: In my area, production, our new R&D facility—Incubation Square—has enabled us to swiftly and flexibly provide customers with the samples they need, and to produce small batches until new businesses or products are on track. We also invested aggressively in physical assets for the oilseed processing and refining processes. We made these capital investments in part to counter obsolescence, but it should also help us establish a production system with a 50-year outlook, further enhance product quality, increase spontaneous agility, and reduce environmental impact.

That said, we consider the discrepancy between the capacity of some production processes associated with the diversification of product items to be an issue. The production side alone cannot solve this problem, so we must take a comprehensive view of the product

mix and logistics and production efficiency to achieve overall optimization.

Kawabe: Looking back on the four years of *Value Up+* as the person in charge of logistics, one major initiative was reorganizing the logistics network in the Kanto region by consolidating inventory locations scattered around the Yokohama Isogo Plant and establishing a new base for deliveries. We also extended the lead time from order receipt to delivery of packaged products, reducing the average time truck drivers spend at plants for product shipments to 59 minutes per truck at all locations (down 30 minutes from the previous year), an achievement we believe will help solve social logistics problems.

However, driver shortages and other logistics issues are expected to become even more serious. If logistics vulnerabilities prevent us from making timely deliveries to customers, we will lose credibility as a supplier. So, taking this into consideration, we need to place greater importance on our efforts to strengthen logistics.

Q: What kinds of process transformations are you promoting in your departments to improve return on capital?

Nonaka: As the business environment and needs change, we must shift our strategies to ensure stable, sustainable growth. The established wisdom is that you earn revenue by multiplying volume and price, but we believe you need another factor—an X—for sustainable growth. This is one of the ideas behind the "X" in *Value UpX*. We are persistently searching throughout the entire value chain for ways to improve

the value of edible oils, and thereby our profitability, by multiplying these X factors in our own way.

Additionally, to instill the concept of ROIC in sales and marketing staff, we now interpret invested capital in a way that directly includes these staff members. Suppose ROIC = Operating profit / Sales and marketing staff. We can break that down into ROIC = Operating profit / Net sales × Net sales / Sales and marketing staff. In other words, to improve ROIC, we must improve the product of operating profit margin and sales and marketing productivity, and to improve that product, we must transform our sales and marketing style to shift the thinking and behavior of our sales and marketing staff. If we can enhance organizational and individual capabilities by systematically introducing inbound marketing, transferring and modeling sales expertise, using data with greater sophistication, and using generative AI and other technology, then sales and marketing efficiency will increase and we will capture apparent demand and discover latent demand. This new value creation will help improve our operating profit margin, thereby contributing to our growth. This



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is the virtuous cycle of growth we should create. **Sato:** We define smart factory conversion as "efforts to improve productivity, reform work styles, and create places to acquire and pass down our technologies by radically reforming operations and introducing ICT," and we are engaging in activities accordingly. At the Nagoya Plant—our model plant—we are overhauling operations with participation by all employees in an effort to shift from conventional thinking, and, using the time created by introducing systems and automation, we are furthering our growth initiatives and passing down technology. We are also introducing next-generation refining and filling equipment to improve quality to meet customer needs, strengthen compliance with laws and regulations and environmental response, and increase spontaneous agility in production to further reduce inventory and losses from changeover. We will leverage digital technology and focus on the responsibilities and actions of all employees in promoting our distinctive, creative smart factory conversions to streamline and improve the competitiveness of our workplaces.

Kawabe: In logistics, we are working on radically reforming logistics processes for overall supply chain optimization, focusing primarily on ensuring sustainability and stability. We intend to further reduce the time truck drivers spend at plants by consolidating loading warehouses at each location, promoting palletization, and switching to a relay system for long-distance transport, while simultaneously promoting automated transport as part of a next-generation logistics system.

Meanwhile, logistics costs have been increasing significantly due to logistics restructuring to ensure

sustainability in addition to calls from logistics operators to raise freight rates amid logistics challenges, and we expect them to continue to rise. To control costs, we must manage supply and demand consistently from production to sales. Days in inventory has been set as a KPI, so the production, logistics, and sales departments will work together to optimize this metric. We are promoting the use of AI and other digital technology to share and visualize supply chain information on production, inventory, and sales in real time and predict demand fluctuations.

Q: What role will each department play in implementing the interlinked transformation of sales, production, and logistics to improve return on capital and strengthen the supply chain?

Sato: We will transform production processes by amassing production technology and idea-rich expertise. Our aim is to improve return on capital by enhancing the capabilities of our employees, specifically their ability to adapt to new technologies and business methods. However, there are limits to what we in production can accomplish on our own. To maintain proper inventory, we must produce goods with a correct understanding of sales plans and logistical circumstances. We should also identify bottlenecks on the front lines of logistics and work together to devise reality-based improvement measures to streamline production activities. I want each department to understand the others' issues and roles and lead with empathy as we work on them so that we all feel like we are changing and improving.

Kawabe: I agree completely. Logistics functions as a



control tower for the entire supply chain, so we intend to work more closely with the other departments to propose and implement many potential reforms. Given that inventory is a component of the cost of capital, production efficiency and its other components should be optimized. Additionally, to control logistics costs, as I mentioned earlier, we must review past business practices and systems in terms of what we know today, and take comprehensive and radical efforts in all areas, including production and sales.

Nonaka: Sales and marketing involve manufacturing and selling products with the market's perspective in mind, but sales and marketing staff must engage in their duties with a firm awareness of production and logistics aspects as well, for example, the product mix and design, and demand forecasting when considering overall optimization. Shifting to such an awareness should eventually make the entire company more efficient and sustainable. To make this possible, we intend to provide leadership toward overall optimization by ensuring that everyone in our organization is acutely aware of the connection between sustainable growth and improved return on capital.

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