

Implementing Our Strategies

To achieve the next stage of growth envisioned under *Value UpX*, we will build a strong and resilient human resources base and strengthen the four functions that underpin our strategies (R&D, digital and IT, supply chain, and sustainability).

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Human Resource Management

Accelerating our institutionalization of innovation by evolving into an energetic, outstanding group



Takashi Segawa
Executive Officer
General Manager of HR;
General Manager of Health and
Productivity Management;
Responsible for HR Strategy

To achieve our vision under *Value UpX*, we must undertake further efforts to foster an organizational culture that creates innovation. This is a key issue in human resource management. In the current business environment replete with both opportunities and risks, value is created when employees with diverse experiences, capabilities, and sensitivities engage in free, broad-minded discussion and lift each other up. Accordingly, we will create growth opportunities for everyone to enhance and demonstrate their expertise, and expect members in the managerial position to further demonstrate their management skills to capitalize on the diversity of Group employees.

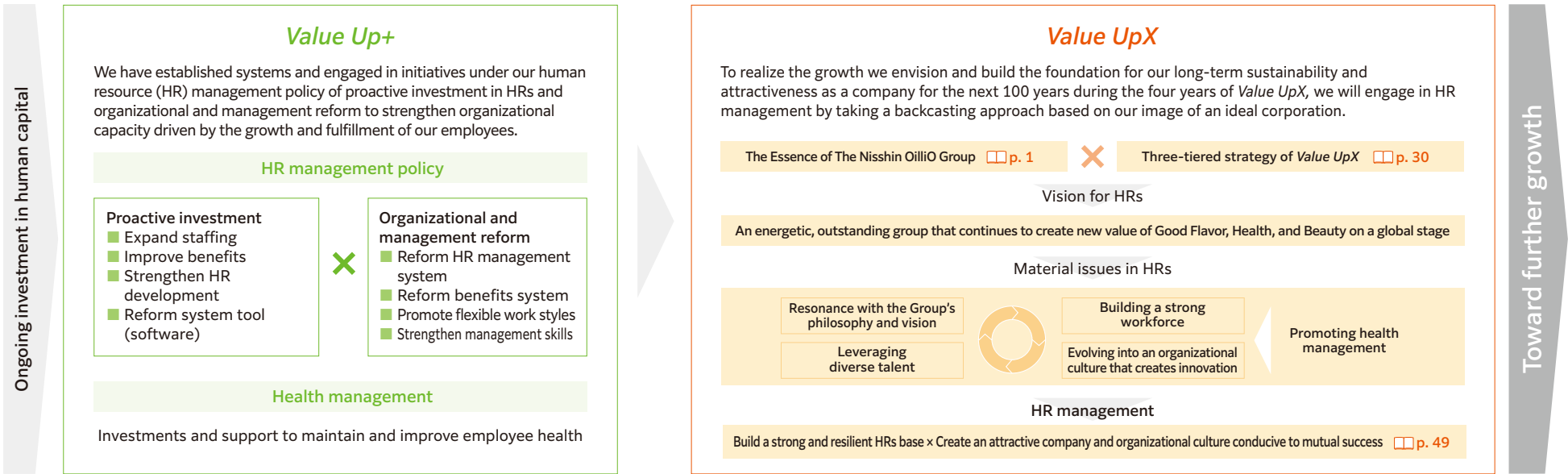
For the Group to continue to be an attractive place to work, we must be a company conducive to mutual success. We can accomplish this if all employees take ownership of the Group's philosophy and vision, and enhance their value with professionalism and pride. The key is to implement measures that will enable everyone to discover their desire to grow and realize what the Company expects of them.

We have created environments where highly motivated employees can step forward to take on challenges and demonstrate their initiative and proactivity. We will implement new measures to further foster a transformation-oriented mindset, including instituting programs for proposing new businesses and taking on more challenging positions, supporting activities to reform operations, and taking action to spread our philosophy and vision.

We must also pursue both creativity and efficiency in employees' work styles in an effort to further improve return on capital. Accordingly, we will take steps to realize and institutionalize smarter work styles by using AI and other digital tools to increase productivity and expand time dedicated to more creative work.

This kind of human resource management underpins the sustainable growth of the Group, and we will continue to invest proactively in human resources to form an energetic, outstanding group.

Managing the Group's human capital to achieve Vision 2030



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Human Resource Management

Human resource management policy under Value UpX

A strong, resilient human resources base is the driving force behind the strategies of the new medium-term business plan Value UpX. Amid constantly changing customer expectations and needs and an increasingly challenging business environment, the organizational culture must support strategies as much as the human resources base, the main driver of strategy execution. We are striving to strengthen our human capital under a human resource management policy of building a strong and resilient human resources base, and creating an attractive company and organizational culture conducive to mutual success.

1 Building a strong and resilient human resources base

We are taking steps to build a stronger, more resilient human resources base as we strive to become a global top provider of oils & fats solutions. A strong human resources base is one that ensures the quality and quantity of human resources capable of driving growth and core strategies even in a rapidly changing business environment, and establishes a system that maximizes capabilities by having the optimum person in the optimum position. To achieve a strong human resources base, we are taking steps to strengthen our recruiting of highly specialized and experienced people, diversify their experience through selective and open training and job rotation, and more. We are also striving to maximize organizational capacity to support core strategies and conducting engagement surveys to visualize and improve on organizational issues. A resilient human resources base refers to the strength that enables both the organization and its people to adapt flexibly and achieve sustainable growth even in uncertain and complex environments. We aim to build such a base by undertaking initiatives such as restructuring our evaluation system to encourage challenges, revising our career design system, and strengthening the management capabilities of supervisors.

Strong human resources base Developing global human resources

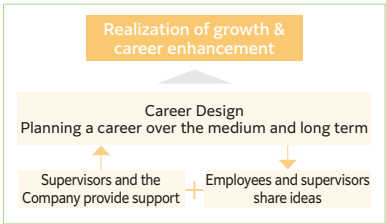
We offer priority placement in global operations (both domestic and international) and targeted educational programs to employees who submit applications to our open calls. We are also proactively training employees to develop their capabilities as global human resources, for example by providing study-tour training overseas and subsidizing language study expenses.



Study-tour training at ISF

Resilient human resources base Career design system

We revised and upgraded our existing system in fiscal 2024 to make it easier for employees to plan their careers over the medium and long term and to provide stronger support from their supervisors and the Company. Specifically, we enhanced career interviews, and established a system that allows employees to proactively advance their abilities and demonstrate their diverse personalities. Also, the new system allows supervisors to better understand employees' career aspirations.



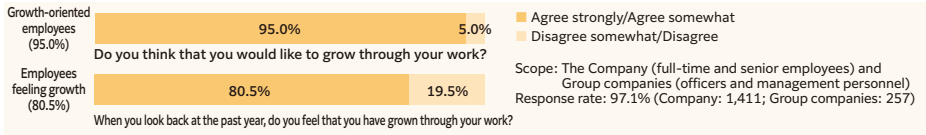
Career design system overview

2 Creating an attractive company and organizational culture conducive to mutual success

Our goal is to foster a healthy, forward-thinking organizational culture where employees take pride in their company and work; to cultivate a mindset that embraces change, challenges employees to create new value, and allows each individual to leverage their strengths and work with enthusiasm. A company "conductive to mutual success" refers to a state in which the company and its employees build a relationship of mutual growth under healthy tension. We are creating an environment that supports continuous growth by investing in education and training while providing opportunities for growth and challenge so that talent responsible for value creation can thrive in the long term. Furthermore, an "attractive organizational culture" is one in which each employee experiences personal growth and can collaborate positively to realize our Group's vision. Through the career-oriented internal recruitment system and opportunities for dialogue with the management, we will enhance the vitality of the entire organization and build a foundation that supports sustainable growth.

Creating an attractive company and organizational culture Group awareness surveys

In fiscal 2024, we began conducting an annual survey on understanding and resonance with our Corporate Philosophy and Vision, growth orientation and sense of growth through work, and values and feelings regarding fulfillment at work. Issues and hypotheses revealed by the survey results are reflected in human resource measures, leading to value creation and innovation throughout the Group.



The 2024 survey indicated that both employees' desire to grow and sense of growth through work are at high levels. However, the slight difference between the two could be an issue. To further facilitate employees' high willingness to pursue growth, we will also enhance opportunities for pioneering and learning and develop measures that better help them see how they have grown.

Note: Engagement surveys conducted by the Company alone since fiscal 2019

Efforts for health management

We view initiatives for employee health as the foundation for corporate development, and actively provide support for maintaining and improving employee health and productivity so that everyone can work at full energy and lead a healthy, fulfilling life.

Efforts for health management
https://www.nisshin-oillio.com/english/sustainability/health_management/

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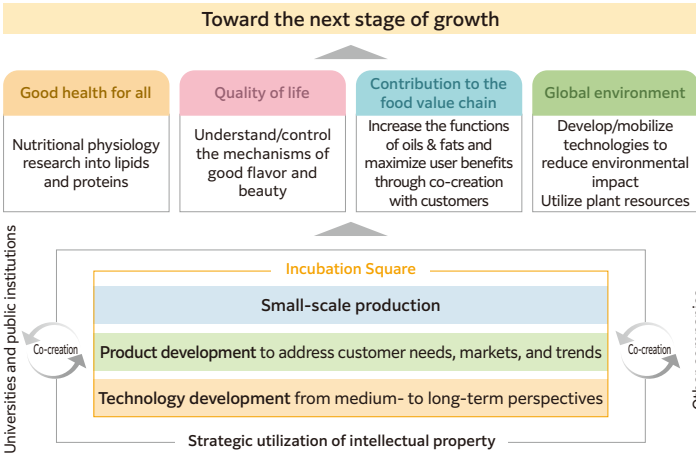
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R&D and Intellectual Property

Overview of R&D

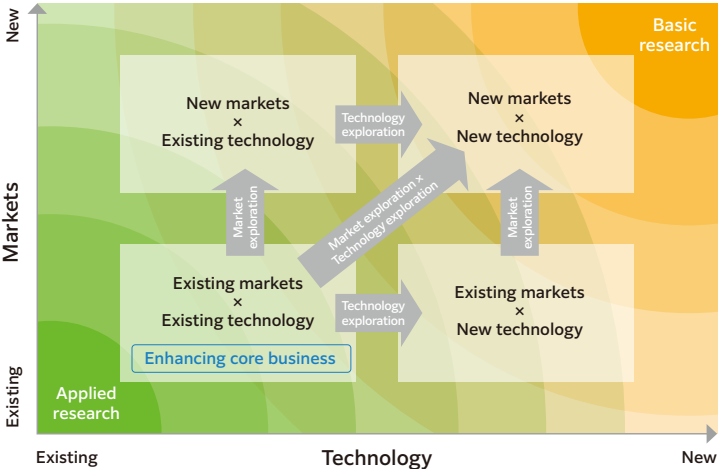
The Group responds to the diverse needs of its customers and to the issues facing society in terms of health, good flavor, convenience, reducing environmental impact, and other aims, by leveraging its capabilities in technology and development based on its stockpile of expertise in the context of its research into vegetable oils and fats. With Incubation Square (opened in fiscal 2024) as the core, we are refining our technologies for oils and fats and related fields to strengthen our R&D capabilities. We will also use Incubation Square as a place to exchange technology and information with customers from Japan and overseas to incorporate diverse perspectives and ideas and thereby provide cutting-edge solutions.



Advancing and exploring technology

To become a global top provider of oils & fats solutions, we must strengthen our R&D and create value by advancing and exploring technology. Accordingly, we promote (1) applied research in which we aim to create market value through practical application and commercialization by further enhancing existing technology, and (2) basic research in which we aim to create value over the medium and long term by amassing scientific knowledge and looking to the future.

We also aim to develop new markets and create social value by flexibly integrating and coordinating the knowledge and technology of all departments involved in the Group's R&D and by accurately ascertaining customer needs.



Information on R&D and intellectual property

R&D expenses (consolidated)	Number of patents held (including domestic and overseas subsidiaries)
¥2,702 million (FY2021)	Approx. 1,190 (FY2021)
¥4,079 million (FY2024)	Approx. 1,320 (FY2024)



Hidetaka Uehara
Executive Officer
General Manager of Applied Research Laboratory; Responsible for Household-Use & Wellness Foods Business Strategy Center

Advancing core technologies and blending them with external technology to promote the growth

The key to realizing the growth strategy set out in *Value UpX* is to further promote value co-creation by mastering the Group's core technologies of oils and fats in three areas: production, usage, and visualization of value. In the area of existing markets and existing technology, we will combine elements from our stockpile of technology and knowledge to make technological proposals, thereby increasing customer benefits and enhancing our core business. We will then combine the new technological experience and knowledge gained by enhancing our core business and basic research with technology from customers, manufacturers, and other external entities. This is how we acquire new technology and develop new markets.

Incubation Square is our venue for co-creation with customers, and 161 companies have visited it since its opening last year (as of March 2025). With interest from food and cosmetics companies and other customers as well as manufacturers, universities, and other research institutions, we are continuing

to expand our co-creation efforts. To develop new markets and fields, we must understand how our customers use oils and fats. At Incubation Square, we can roll up our sleeves and work together to make prototypes and more, so the venue is being used effectively toward developing that understanding. We also strengthened our small-scale production functions and manufactured 10 products in fiscal 2024. These results give us the necessary tools to respond swiftly to new needs.

Opening Incubation Square has provided us with more opportunities for cross-departmental action in the context of co-creating with customers, and also further strengthened information sharing within the Company. Through this fusion of different types of knowledge, we will amass intangible assets that give the Group competitive advantages and work from a technological perspective toward becoming a global top provider of oils & fats solutions.

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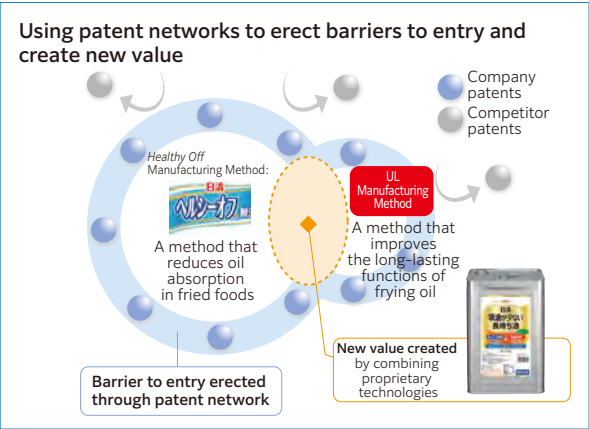
R&D and Intellectual Property

Target initiatives under Value UpX

1 Ensuring competitive advantages with strategic use of intellectual property

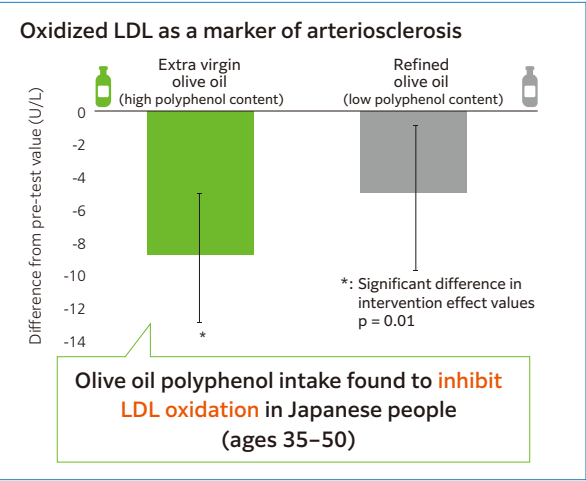
We use the Group's expertise, knowledge, and other intangible assets accumulated through technological development in a wide range of product development. Our intellectual property strategy revolves around erecting high barriers to entry and protecting technologies and products by creating a patent network for key technologies and markets. We also combine patent networks in an effort to create new value. For example, with our *Healthy Off* Manufacturing Method for reducing oil absorption in fried foods, we have erected a high barrier to entry by building patent networks in both the household-use and commercial-use markets. The method created a new market for limiting oil absorption in fried foods, and also protects our technology and products. We have combined it with our Ultra-Long (UL) Manufacturing Method that makes frying oil last longer to develop commercial-use products that support new value propositions.

Intellectual property, including trademarks and other assets as well as patents, is a valuable intangible asset that gives the Group competitive advantages. By accumulating intangible assets in the form of new knowledge generated through research and development, we will create a cycle of generating new knowledge and contribute to the institutionalization of innovation.



2 Acquiring evidence for lipid nutrition and contributing to vibrant, healthy lifestyles

In pursuit of good health for all—one of our six priorities—we are applying our knowledge of lipid nutrition to address health issues at different stages of life in an effort to create new value. Much research has been conducted on the health benefits of olive oil, especially in Europe, and researchers have found that the polyphenols in olive oil inhibit the oxidation of LDL, which is involved in the progression of arteriosclerosis. The effects of olive oil polyphenols on Japanese people were unclear because no major clinical studies had been conducted on Japanese subjects. To address this, we conducted a clinical study and found that olive oil polyphenols also inhibit LDL oxidation in Japanese people. Our findings indicate that including olive oil in the Japanese diet may help prevent arteriosclerosis. We will continue to acquire new evidence for lipid nutrition and contribute to healthy lifestyles that last for people's entire lives.



3 Developing ester oils for cosmetics to meet global market needs

Ester oils for cosmetics—cosmetic oils, the mainstay of the cosmetic ingredients segment of our Fine Chemical business—are high value-added products that rely on our core technology of ester synthesis to provide moisturizing, texture, coloring, gloss, and other key cosmetic functions.

Given the mounting global demand for plant-based, environmentally conscious cosmetic ingredients in the past several years, we are promoting the development of innovative plant-derived products. We have developed many new emollients and multifunctional esters that improve functionality and quality in skin care, cleansing, sun care, and makeup applications, and we presented them at the largest cosmetics industry technology exhibition in Japan this year to great acclaim from many manufacturers of cosmetics.

We are also active in the solution business, exploring new possibilities for the application and functionality of existing products. We are establishing evidence through joint research with universities and other entities, and finding and proposing new applications for our products to support our customers' product development. Additionally, at Incubation Square, we use our multifaceted analysis and evaluation facilities to provide objective, reliable evaluation methods that match our customers' needs. We also provide technical reviews to exchange opinions directly with customers in Japan and around the world, providing information to understand our strengths and develop their cosmetics products.



Discussion with customers visiting us from overseas

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Promoting digital innovation to achieve dramatic growth



Kazuhiro Sekiguchi
Executive Officer
General Manager of Digital Innovation
Department

Amid the dizzying progress of AI and other digital technologies, we recognize that the most digitally prepared companies will win the race. To achieve the dramatic growth we envision, we must use the digital technology in our value chain to drastically improve productivity and generate creative value. Accordingly, we will continue to create value by improving productivity through automation and other forms of streamlining, digitizing the expertise cultivated within our group, and leveraging it as intangible asset through dedicated systems.

To advance our corporate structure to generate innovation, we will combine digital innovation with upgraded customer touchpoints, implementation of technological innovation, and traceable supply chains to serve as a source of competitive strength.

For example, upgraded customer touchpoints will satisfy potential

customer needs through management of data obtained in both outbound and inbound sales processes. As for implementation of technological innovation, we will build digital infrastructure for R&D and use data-enabled forecasting and simulation technology to shorten development time and create innovation. With traceable supply chains, we are looking into introducing digital authentication technology to ensure reliable traceability.

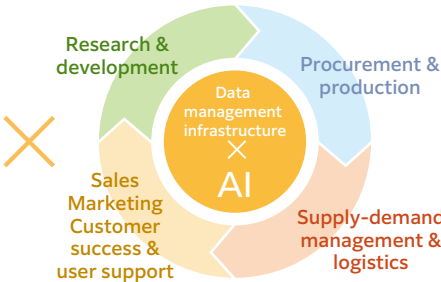
To become a global top provider of oils & fats solutions, we will continue to explore new markets and products and tackle challenges beyond existing frameworks. We will accelerate the strategies set out in *Value UpX* by aggressively investing capital in digital and IT, establishing digital innovation as part of our corporate culture, and continuing to rise to the challenge of exploring the “unrealized” domain.

Digital infrastructure for 2030

- To transform into a resilient and robust corporate structure, we will leverage the Group's extensive knowledge, data, and digital technology to strengthen our value chain.
- We aim to foster a corporate climate and culture where utilizing AI (machine learning, generative AI, autonomous AI agents) is a given, so that we can drastically improve productivity and accelerate innovation.

Three-tiered strategy of *Value UpX*

- I. Growth strategy as a pillar of future profit growth
- II. Core strategy as a growth driver of *Value UpX*
- III. Fundamental strategy as the foundation of stable and sustainable growth

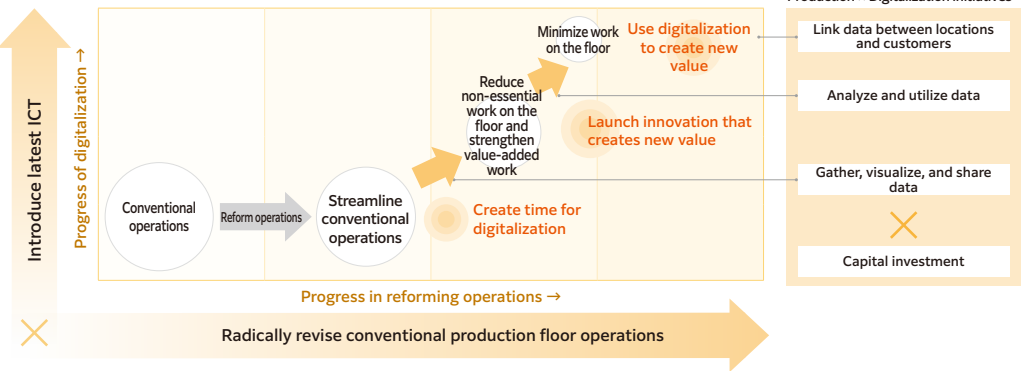


Transforming production structure × Promoting digital strategy

Our production departments are proceeding with efforts to create “smart factories.*” At our Nagoya Plant—a model “smart factory”—close communication between management and front-line employees is used to identify issues. Using digital technology to fundamentally reform operations helps create innovation.

* Factories (plants) that undertake sustainable, progressive production activities by fundamentally reforming existing operations to improve productivity, reform work styles, and create places to acquire and pass down technological capabilities with an outlook for future collaboration between plants.

Creating innovation by promoting “smart factories”



Target initiatives under Value UpX

1 Using data and AI technology to strengthen the value chain

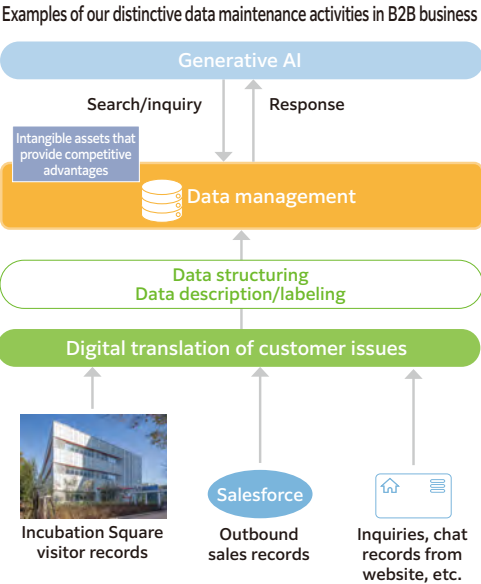
To improve productivity and generate creative value, we are accelerating our development of data management infrastructure and use of AI in R&D and sales.

In R&D, we are in the process of digitizing laboratory notebooks to make tacit knowledge explicit, using AI analysis of our stockpile of knowledge, papers, and market trend data to verify the effectiveness of our innovative idea creation. This will help us shift from a conventional development process that relies on empirical rules to more efficient, data-driven R&D. In sales, we are striving to improve our ability to propose solutions by gathering and using AI to analyze data on business discussions with customers. We will also use the AI analysis to generate optimized proposals for individual customers and automate the sales process in an effort to improve productivity.

Efforts to use generative AI to propose oils & fats solutions

Our Product Application Development Center provides manufacturers of confectionery, bakery, and processed food products, convenience stores, mass retailers, and other customers with solutions that capitalize on the functions of oils, fats, and soybean materials. The center is building a generative AI-based product development support system to mass-produce highly distinctive product development ideas. The system will generate issue analysis and improvement proposals when the user enters the name of the food product, and is expected to expedite and improve accuracy in the development of functional oils & fats, functional oil-based materials, and other products. Using AI in this system will strengthen our ability to provide value to our customers, leading to sustainable business growth.

Support for creating new products and technology ideas by pairing our stockpile of technical knowledge with market trends



2 Using digital technology in supply chain management

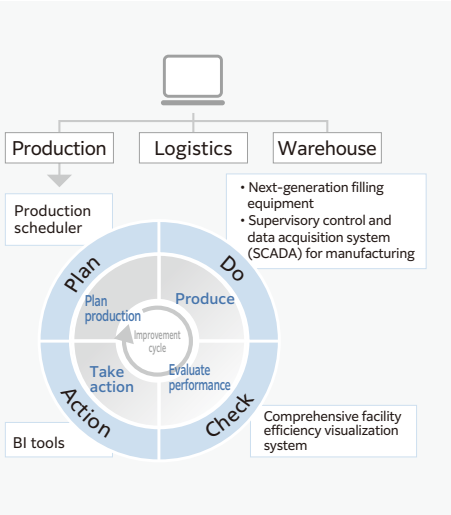
The Group promotes the use of digital technology to improve return on capital and strengthen the supply chain. We are taking steps to establish a system that enables us to respond more swiftly and flexibly to fluctuations in supply and demand throughout the value chain—from raw material procurement to production, distribution, and sales—as well as to increasing demand for quality and traceability and the impact of geopolitical risks, climate change, and other factors on raw material procurement.

Specifically, we are promoting multistage initiatives focusing on advancing supply-demand coordination, traceability, and risk management as core elements of supply chain strengthening.

For advancing supply-demand coordination, we have begun using a tool that can simulate the ideal layout of production facilities tied to forecasts of future demand. We are also in the process of verifying the utility of AI and other digital technology in improving the accuracy of demand forecasting. As for traceability, we aim to contribute to further improvement of product safety and reliability, for example by adding certification information and quality records from raw material procurement to production. For risk management, we are considering efforts to improve supply chain transparency and availability by centrally managing supplier data that will facilitate regular risk assessments and swift formulation of recovery plans when incidents occur.

Introducing and digitizing next-generation filling equipment to realize the smart factory concept

At our Nagoya Plant, we established a PDCA mechanism to centrally manage the edible oil filling line and create a continuous improvement cycle through centralized operations using next-generation filling equipment and control systems, system installation and network linkage for each process from production planning to evaluation of results. Looking ahead, we aim to establish a sustainable, competitive smart factory by incorporating AI technology into each system to achieve a completely automated filling process.



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Improving social quality as the first step to increasing competitiveness



Hiroshi Hasegawa
General Manager of Corporate Sustainability Strategy

The Group promotes sustainability activities with the aim of achieving sustainable growth and a sustainable society by leveraging The Natural Power of Plants and the strengths obtained from mastering oils & fats. We implement our sustainability activities around the six priorities set out in Vision 2030 and ensure that they are closely connected to our new medium-term business plan *Value UpX*.

Specifically, given that the Group's business is based on plant resources, the core of our strategy is a two-pronged approach to achieving sustainable growth and enhancing our corporate value, namely (1) conserving and restoring the global environment and (2) establishing a supply chain connected by trust.

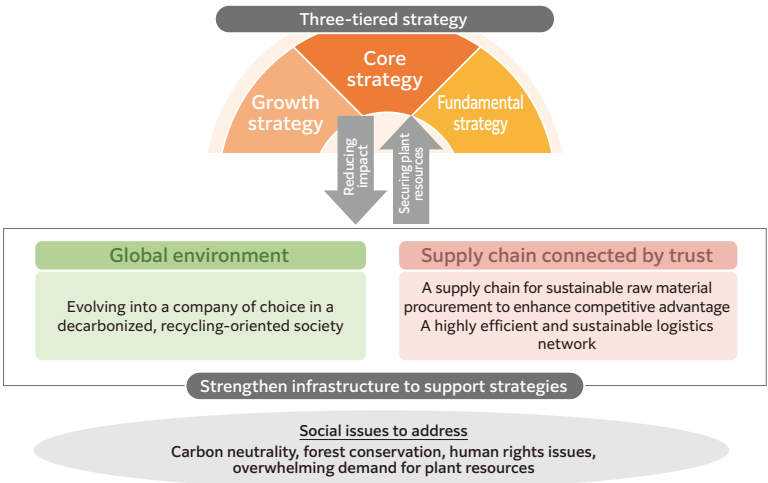
Our decarbonization efforts to conserve and restore the global environment involve furthering energy-saving and increasing the percentage of non-fossil energy in addition to adopting internal carbon pricing, switching to high-efficiency equipment, and introducing hydrogen and other decarbonization technology. In this way we will link environmental investment to our future business activities. Our plastic recycling efforts involve reducing the weight of

plastic containers, introducing recycled and bio materials, and investing in technologies to recycle plastic containers that once contained oil with the aim of creating new value in this area.

We consider the establishment of a supply chain connected by trust to be the foundation of business stability and the driving force for growth, and are taking measures toward that end, including diversifying raw material production areas and suppliers to reduce raw material procurement risks. With palm oil in particular, we aim to make improved social quality a competitive edge in the business, and thus are working to solve issues in production areas once we have ensured traceability to palm plantations, specifically by increasing the percentage of certified oil procurement, supporting smallholders, collaborating with NPOs and NGOs, and respecting human rights in the supply chain.

This positioning of sustainability as a strategic element and further efforts to improve coherence between our economic and sustainability activities should help us strive to become a global top provider of oils & fats solutions.

Initiatives for the global environment and sustainable supply chains to achieve sustainable growth and enhance corporate value



Using an international disclosure framework to improve the level of our environmental and human rights initiatives
The Nisshin OilliO Group on the CDP A List for Climate Change and Water Security

The Group participates in surveys conducted by CDP, an international NPO, to promote the disclosure of environmental information and improve the level of its initiatives. By referring to CDP survey questions, requirements, and evaluations, we can objectively determine the quality of our efforts at the global level and use what we learn to identify and improve specific issues and to communicate with stakeholders. As a result of our scores in 2024, we were named on the top-rated A List in two areas (Climate Change and Water Security) and earned an A- in the third area (Forests). ISF (Malaysia) was also selected as an A-List company in Forests and Water Security.

2024 CDP A List companies <https://www.cdp.net/en/data/scores>



Supply Chain/Sustainability

Moving toward integrated disclosure based on TCFD and TNFD recommendations

Approach to climate change and biodiversity

The Nisshin Oillio Group engages in business based on plant resources; therefore, the very sustainability of our business relies on conserving and restoring the global environment and natural capital. We import our main raw materials—soybean, rapeseed, palm oil, cacao, olive oil, and sesame—from all over the world, and thus depend on certain natural capital and specific production areas. We also recognize that our business activities impact natural capital in the value chain.

We endorsed the TCFD recommendations in 2021 and have disclosed information through analysis of climate change-related risks and opportunities, financial impact simulations, and other aspects. In fiscal 2024, we referenced the LEAP approach advocated by TNFD in our analysis of nature-related risks and opportunities. Given how closely climate change and conserving and restoring natural capital are linked to human rights risks in the procurement of plant resources, we address these issues in an integrated manner.

Governance

Basic policies, strategies, and measures regarding climate change and nature-related issues and other sustainability issues are approved by the Board of Directors after deliberation by the Business Strategy Council, a deliberation body for the execution of business. We have also established the Corporate Sustainability Strategy, the Environmental Solutions, and other specialized departments to strengthen our strategy execution functions.

Key initiatives in FY2024

- Discussion on updating the strategic roadmap to promote decarbonization
- Deliberation on the global trend of mandating sustainability disclosures and issues to be addressed by the Group
- Ongoing deliberation on reassessing priorities and revising CSV goals (including natural capital)

Registering as a TNFD Adopter

We disclosed information based on the TNFD recommendations in September 2024, and registered as a TNFD Adopter in March 2025. Through this registration, we have reiterated our commitment to disclosing information in line with the TNFD recommendations.



Response to TCFD recommendations <https://www.nisshin-oillio.com/english/sustainability/environment/tcfd.html>
Response to TNFD recommendations <https://www.nisshin-oillio.com/english/sustainability/environment/tnfd.html>

Strategy: Address sustainability and the supply chain based on TCFD and TNFD recommendations

1. Analyze risks and opportunities in the value chain Scenario analysis based on TCFD and TNFD

In reference to the LEAP approach advocated by TNFD, we identify and assess nature-related issues (dependencies, impacts, risks, and opportunities) and promote initiatives to address the risks and opportunities we identify. Given the significant impact of climate change on the Company, we also analyze its financial impact based on the TCFD recommendations.

Risks, opportunities, and measures for each (excerpt)

	Upstream	Direct operations	Downstream	
Natural capital	Changes in raw material yields and prices	Shutdowns caused by climate-related disasters	Reduction in transport costs by optimizing logistics	Sustainable raw material procurement
Climate change	Increased costs associated with carbon taxes, ETS, and other regulatory compliance			Reduce GHG emissions
Land use	Tighter regulations on deforestation/ Increased demand for environmentally conscious raw materials			
Pollution & decontamination	Tighter regulations on plastics/Reduction of plastic use to enhance product competitiveness			Reduce plastic containers/ packaging and promote resource recycling

Financial impact of climate change

	Description	Financial impact
Transition risk	Increased costs due to carbon taxes, emissions trading systems (ETS), and the like	2°C scenario: ¥2.0 billion/year (2030) 1.5°C scenario: ¥2.61 billion/year (2030)
	Increased raw soybean prices due to decarbonization in agriculture	1.5°C scenario: ¥16.5 billion (2030) ¥25.9 billion (2050)
Physical risk	Decrease in profits due to shutdowns caused by climate-related disasters	4°C scenario: ¥176 million (2050)

2. Transition plan for recycling plastics

Plastics with oil on them have a reputation for being difficult to recycle. To create a collection system and establish recycling technology for plastic containers that once contained oil, we are collaborating with Kewpie Corporation to pilot collection efforts in stores and prove technology for recycling used PET bottles that once contained oil. We are also promoting awareness of resource recycling by collecting plastic bottles from employees internally and telling them about issues in plastic bottle collection and recycling.



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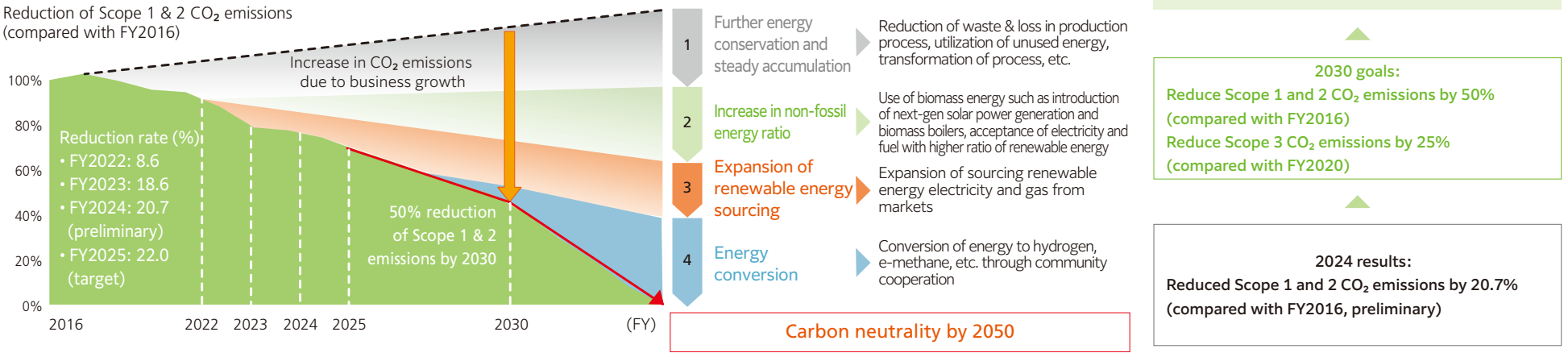
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3. Transition plan for decarbonization

The entire Group is united behind efforts to achieve carbon neutrality by 2050. Accordingly, we are furthering energy conservation in our production processes to reduce CO₂ emissions by 1% each year. Additionally, to tap into cogeneration systems in Japan and overseas, we brought new systems online at the ISF (Malaysia) Dengkil Plant in December 2024 and our Yokohama Isogo Complex in April 2025. We also plan to introduce a system at the ISF Port Klang Plant in fiscal 2026.

Strategic roadmap to promote decarbonization (as of July 2025)



Moving toward hydrogen-ready status

To achieve carbon neutrality by 2050, we are taking steps to become hydrogen-ready—prepared to use hydrogen as soon as supply infrastructure is in place—by 2030 at our Yokohama Isogo Complex.

In April 2025, we launched a new cogeneration system at the complex. The system is compatible with hydrogen co-firing, and will run on city gas until the hydrogen supply is ready, hopefully by 2027.

Additionally, NEDO approved our feasibility study proposal on hydrogen engine conversion for existing heavy-duty vehicles, which includes our plant tour bus. We will conduct the study in collaboration with NPR-RIKEN CORPORATION and Tokyo City University. We also entered a partnership agreement with the City of Yokohama for this initiative in July 2025. We intend to use the results of the study to continue working toward the realization of hydrogen engine conversion projects in fiscal 2026 and beyond.

We will continue to provide our manufacturing locations as venues for tackling the challenge of implementing hydrogen in society in order to realize a stable, sustainable energy supply for the future.



Cogeneration system compatible with hydrogen co-firing launched at our Yokohama Isogo Complex

Accelerating green energy procurement in Japan and overseas

We are actively advancing green energy procurement domestically and internationally; ISF (Malaysia) has an agreement with Gas Malaysia Energy and Services (GMES) to introduce International Sustainability and Carbon Certification (ISCC) PLUS-certified biogas. Under the agreement, ISF (Malaysia) will reduce CO₂ emissions by using methane gas recovered from wastewater in palm processing as an alternative to natural gas. This marks the Group's first initiative to replace natural gas with biogas.

In Japan, our Sakai Plant began procuring non-fossil certificates for electricity in fiscal 2024 and successfully made the electricity at the food product filling plant carbon neutral. In fiscal 2025, we plan to procure more non-fossil certificates to cover the increased emissions associated with business growth. Additionally, Daito Cacao and Settsu have begun purchasing green electricity. We intend to continue working together as a Group toward decarbonization.

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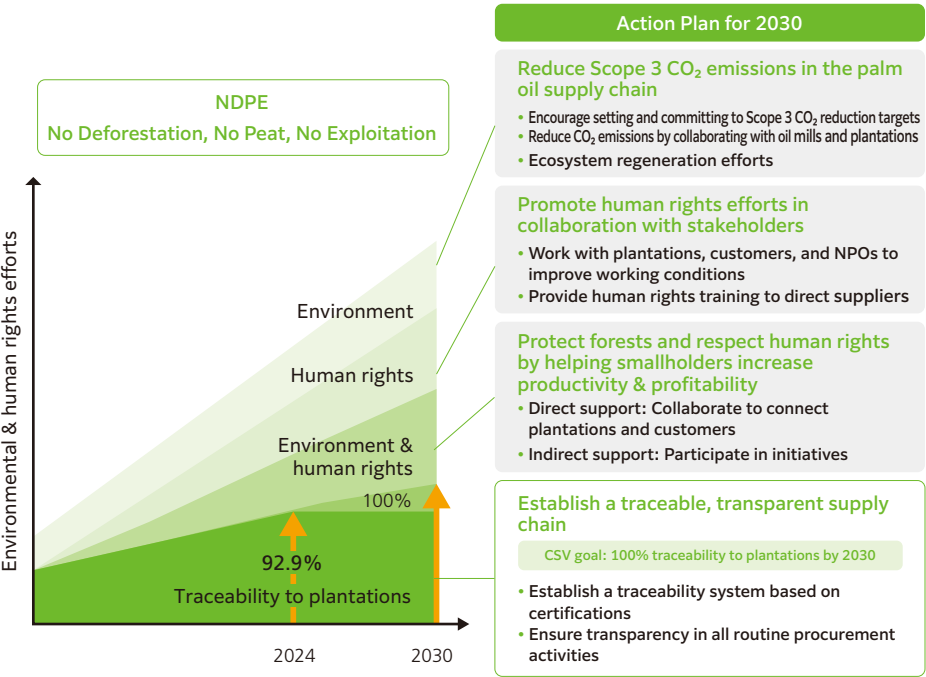
4. Transition plan for sustainable raw material procurement

Initiatives for sustainable palm oil procurement (Palm Oil Action Plan)

We view the resolution of environmental and human rights issues involving palm oil—one of our key raw materials—and the enhancement of its sustainability as initiatives that will directly lead to the sustainable growth of the Group. Toward that end, we must develop a full understanding of our supply chain and then implement the following initiatives in tandem:

- 1 Take steps to resolve environmental and human rights issues upstream at plantations and oil mills
- 2 Share social value created by resolving environmental and human rights issues with downstream processing manufacturers and consumers

Given this, we have positioned ISF (Malaysia), which serves as an important link from plantations to customers, at the core of our efforts to resolve environmental and human rights issues in the palm oil supply chain, and have promoted specific initiatives based on our Action Plan for 2030. We also aim to build a highly transparent supply chain by involving NGOs and other third parties and participating in relevant initiatives.



The Group's efforts to achieve sustainable raw material procurement revolve around ISF, which is located in a major palm oil-production area. Specifically, we are using certified oil to improve traceability to plantations. We are also working to build a highly transparent supply chain by collaborating with European confectionery companies and major sourcing plantations to help smallholders obtain RSPO* certification, and participating in workshops of refiners, oilseed processors, plantations, and other organizations to share and address issues toward realizing NDPE. We are also working with NGOs and local communities on afforestation activities to protect forests.

In the future, ISF will serve as a link between plantations and oilseed processors on the one hand and food and confectionery manufacturers and other palm oil users in Japan and around the world on the other with the aim of establishing a framework for a stable supply of socially responsible and traceable palm oil.

* Roundtable on Sustainable Palm Oil

Initiatives for sustainable cacao procurement (Cacao Action Plan)

Over the past several years, cocoa prices have surged due to unfavorable weather and disease in major production areas, increased global demand, and speculative activity. Daito Cacao, which manufactures and sells chocolate for commercial use, is making efforts to establish procurement routes that ensure traceability for sustainable cacao procurement. For example, the company evaluated the flavor and quality of new cacao and began procuring Nigerian cacao in October 2024. The company has also sold the ANTHEM series of chocolate products for commercial use made from certified cocoa beans since 2023, with the aim of improving the lives of plantation residents and workers and preventing deforestation. Daito Cacao is working to maintain flavor and quality and stabilize yields by participating in efforts to conserve the distinctively flavored Arriba variety, which is endemic to Ecuador, at plantations in the country. The company's plans for fiscal 2025 include a local test harvest.

Progress on the goal to establish a traceable, transparent supply chain

Palm Oil Action Plan

Initiatives	FY2024 results	FY2025 goal	FY2030 goal
Improve traceability to plantations	Palm oil: 92.9% (January–December)	Palm oil: Develop effective initiatives to achieve and maintain 100% traceability	Palm oil: 100%

Cacao Action Plan

Initiatives	FY2024 results	FY2025 goal	FY2028 goal
● Establish procurement routes that ensure traceability	Began procuring Nigerian cocoa beans that are traceable to plantations and are part of environmental and human rights support programs	Publish results of sustainable cocoa bean initiatives	Achieve production on plantations of Arriba cacao, an endemic variety in Ecuador
● Expand certified cocoa products			
● Conduct flavor sustainability activities			



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