COMPANY RESEARCH AND ANALYSIS REPORT

J-OIL MILLS, Inc.

2613

Tokyo Stock Exchange Prime Market

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Contents

Summary

The revised Medium-Term Business Plan is progressing smoothly, with record-high profits achieved in FY3/25

1. J-OIL MILLS, Inc., a major edible oils and fats manufacturer providing added value under the theme of "Good Taste, Health, and Low Burden"

J-OIL MILLS, Inc. <2613> (hereafter, also "the Company") is a major oils and fats manufacturer established through the merger of Honen Corporation, Ajinomoto Oil Mills Co., Inc., and Yoshihara Oil Mill, Ltd. In the oils and fats business, the Company mainly manufactures, processes, and sells household and business use oils and fats, as well as oilseed meal. In the specialty food business, its dairy-based plant base food segment produces, processes, and sells business use margarine, while its food material segment manufactures starch products, soybean functional ingredients such as tocopherol, and soybean sheets. By applying proprietary processing and application technologies to plant-based raw materials such as oils, starches, and proteins, the Company provides added value by incorporating "Low Burden" into its traditional theme of "Good Taste + Health," aiming to contribute to solving social issues. Because the Company relies on imports for raw materials, its revenue structure is vulnerable to overseas market fluctuations. Still, it seeks to enhance profitability and growth by leveraging the know-how and technologies of the three companies, along with strengths unique to their integration.

2. Evolving from the three founding companies' distinct strengths into advantages in materials, technology, and customer contact

The source of the Company's strengths lies in the strengths of the three merged companies and the synergies created among them. Originally, Ajinomoto Oil Mills excelled in research on the taste of oils and fats, Honen Corporation in the efficient use of raw materials, and Yoshihara Oil Mill in the diversity of oil types. By combining these three distinct strengths, the Company has fostered its unique ability to establish a wide range of product categories. In recent years, the three companies have advanced from integration to fusion. They now demonstrate strengths in various ingredients such as starch, which are essential for designing taste; in technical capabilities that combine these ingredients with elemental technologies to address customer needs such as long-lasting functionality; and in broad customer contact points, ranging from business use oils and fats used in convenience stores and restaurant chains to general eateries across Japan.

3. The revised Sixth Medium-Term Business Plan is progressing smoothly

The Company was implementing its Sixth Medium-Term Business Plan, ending in FY3/25, aiming to achieve sustainable growth by FY2030 through establishing a growth foundation and accelerating growth. However, the business environment changed dramatically, with further sudden and prolonged increases in raw material prices due to the worsening situation in Ukraine, a decline in demand for eating out caused by COVID-19, and a rapid depreciation of the yen, resulting in a significant drop in profit levels from FY3/22 to FY3/23. For this reason, the Company has extended its Sixth Medium-Term Business Plan by two years and revised it, and is promoting growth-oriented strategies such as structural reform, revenue base reinforcement, and aggressive investment. The Company has also revised some of its targets, aiming for operating income of ¥11.0bn in FY3/27. After the revision, the Company achieved record-high profits in FY3/25, and has made steady progress, including selling at appropriate prices reflecting the external environment and expanding the sales volume of business use oils and fats.

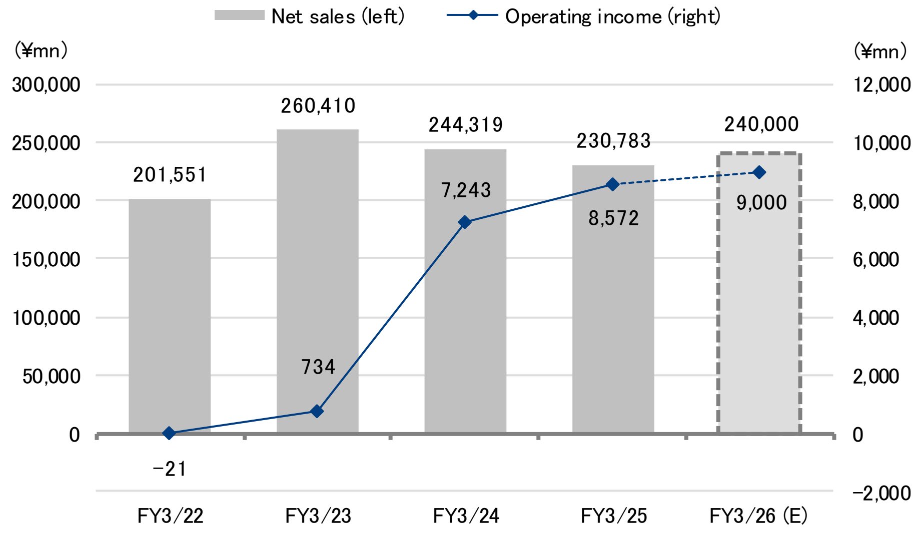
4. Price optimization through spread control delivered record-high profits in FY3/25

For FY3/25, the Company marked the highest profit since the merger: sales of ¥230,783mn (down 5.5% from FY3/24) and operating income of ¥8,572mn (up 18.3%). The main factors behind the improved profits were the optimization of prices for general-purpose oils and fats through spread control, the solid performance of “Low Burden” long-lasting oils, and the “TXdeSIGN®” series, which addresses industry-specific issues. Asset efficiency also improved as inventory control progressed. For FY3/26, the Company expects to achieve record highs with sales of ¥240,000mn (up 4.0% from FY3/25) and operating income of ¥9,000mn (up 5.0%). The Company is accelerating its growth strategy based on “Good Taste + Health + Low Burden.” In 1Q FY3/26, the Company reported sales of ¥56,290mn (down 3.8% YoY) and operating income of ¥1,003mn (down 56.8%).

Key Points

- A major oils and fats manufacturer providing added value under the theme of “Good Taste, Health, and Low Burden”
- Currently promoting the Sixth Medium-Term Business Plan by leveraging the Company’s strengths in materials, technology, and customer contact points
- Achieved record-high profits in FY3/25, and expects to update the record in FY3/26 through improved profitability

Results trends



Source: Prepared by FISCO from the Company’s financial results

Company profile

As an “oil” professional, the Company realizes “Oishisa Design®”

1. Company profile

The Company is a major oils and fats manufacturer established through the merger of Honen Corporation, Ajinomoto Oil Mills, and Yoshihara Oil Mill. Based on its oils and fats business (oils and oilseed meal), the Company operates a specialty food business that handles dairy-based PBF (plant-based foods) such as margarine and powdered oils and fats, as well as food material segment such as starch and fine material segment. As an “oil” professional, the Company is working to realize “Oishisa Design®*,” placing safety and reliability at the core, and offering a broad range of products—from general-purpose items used in a wide variety of applications to high value-added products with unique oil-related functions in cooking, seasoning, and health. The Company, as a member of the Ajinomoto <2802> Group, has strengths in the know-how and technologies backed by the long histories of the three companies from different origins. With these strengths as a backdrop, the Company aims to realize its vision of “Joy for Life®—Bringing Joy to the Future through Food®” by engaging in dialogue with all stakeholders, achieving long-term business growth, and contributing not only to delicious food but also to customers and to a sustainable society.

* Expanding the value and possibilities of “oil” based on the knowledge and know-how the Company has cultivated, and designing various added-value functions such as fried food value, cooking value, health value, and seasoning value. Furthermore, combining products and ingredients such as oils, starches, margarine, and powdered oils and fats to create new tastes.

Integration of three edible oil manufacturers

2. History

In 1922, Honen Oil Co., Ltd. was established from the Suzuki Shoten’s Oil Department. In 1934, an individually owned store was reorganized and Yoshihara Sadajiro Shoten Co., Ltd., was established. In 1999, centering on Ajinomoto’s Yokohama Plant, Ajinomoto Oil Mills was established. In 2002, Honen Corporation and Ajinomoto Oil Mills integrated their management to form the holding company Honen Ajinomoto Oil Mills, Inc. In 2003, Yoshihara Oil Mill joined, leading to the adoption of the current corporate name. Furthermore, in 2004, the three business companies—Honen Corporation, Ajinomoto Oil Mills, and Yoshihara Oil Mill—were integrated with Japan Soybean Oil Co., Ltd., and the corporate structure transitioned to the current form. The 1990s to 2000s were a period when retailers and trading companies expanded in scale, and in response, The Nissin OilliO Group <2602> was also established in 2002 through the integration of three companies: Nisshin Oil Mills, Ltd., Rinoru Oil Mills Co., Ltd. and Nikko Oil Mills Co., Ltd. With the management integration of the two companies, the edible oil industry entered an era of the “big three,” including Fuji Oil <2607>, which has strengths in chocolate oils and fats.

After the integration, as part of its growth strategy, the Company made Honen Lever Co., Ltd. a wholly owned subsidiary in 2007 to strengthen confectionery and bakery ingredients such as margarine. It also entered into a business partnership with Fuji Oil in raw material procurement, and in 2023, entered into a business partnership with The Nisshin OilliO Group toward establishing a joint oil manufacturing company. The Company also accelerated its previously delayed overseas expansion. In 2014, it established a joint venture in Thailand—J-OILMILLS (THAILAND) Co., Ltd.—together with Toyota Tsusho <8015>, Toyota Tsusho (Thailand) Co., Ltd., and MHCB Consulting (Thailand) Co., Ltd. In 2019, the Company made the Malaysian processed oils and fats company Premium Fats Sdn Bhd a consolidated subsidiary, further accelerating its overseas expansion. Currently, with the integration of the three former operating companies having advanced, the Company is promoting the Sixth Medium-Term Business Plan, backed by strengths in materials, technology, and customer contact points that can only be realized through integration.

History

Year/month	History
April 1922	Honen Oil Co., Ltd. (the predecessor of Honen Corporation) was established, inheriting the management rights of four plants of Suzuki Shoten's Oil Department
December 1934	An individually owned store was reorganized and Yoshihara Sadajiro Shoten Co., Ltd. was established for the purpose of manufacturing, processing and selling oils, fertilizer, feed, and cosmetics (the predecessor of Yoshihara Oil Mill, Ltd.)
February 1968	Toyo Oil Co., Ltd. was established (the predecessor of Ajinomoto Oil Mills Co., Inc.)
April 1999	Ajinomoto Co., Inc.'s Yokohama Plant was integrated and the corporate name was changed to Ajinomoto Oil Mills Co., Inc.
March 2002	Honen Corporation and Ajinomoto Oil Mills Co., Inc. were listed on the First Sections of the Tokyo and Osaka Stock Exchanges
April 2002	Honen Ajinomoto Oil Mills, Inc. was established through the joint transfer of shares by Honen Corporation and Ajinomoto Oil Mills Co., Inc. Consolidated subsidiary Honen Corporation additionally acquired shares of Honen Lever Co., Ltd., an affiliate of the Company, and made it a subsidiary with 75% of its voting rights
April 2003	Yoshihara Oil Mill, Ltd. was made a wholly-owned subsidiary through an exchange of shares, and the corporation name was changed to J-OIL MILLS, Inc.
July 2004	Consolidated subsidiary Honen Corporation carried out a company split of its chemical products business and established J-CHEMICAL Co., Ltd. Consolidated subsidiaries Honen Corporation, Ajinomoto Oil Mills Co., Inc., Yoshihara Oil Mill, Ltd., and Japan Soybean Oil Co., Ltd. were absorbed through merger
December 2004	The management of the horticultural fertilizer business was transferred to affiliate Ota Oil Co., Ltd. (in October of the same year, JOY Agris Co., Ltd. was established as the sales company)
September 2005	Consolidated subsidiary J-Business Service Co., Ltd. sold all of the shares in RAKU-YOU, INC., the Company's wholly-owned subsidiary
March 2007	Acquired additional shares of consolidated subsidiary Honen Lever Co., Ltd., making it a wholly-owned subsidiary
July 2007	Acquired a home-use margarine business (all products including the Rama brand) from Unilever Japan K.K.
September 2007	Concluded a basic agreement for a business alliance and mutual share ownership with Fuji Oil Co., Ltd.
March 2008	Acquired the business of business use processed oils and fats, and confectionery and baking ingredients from consolidated subsidiary Honen Lever Co., Ltd.
June 2008	Dissolved consolidated subsidiary Honen Lever Co., Ltd.
February 2012	Dissolved the subsidiary Hoshin Services Co., Ltd.
March 2012	Acquired a protein products sales business from consolidated subsidiary Nikka Oil Mills Co., Ltd.
April 2012	Merged with and absorbed consolidated subsidiary J-Business Service Co., Ltd.
May 2014	In Thailand, established J-OILMILLS (THAILAND) Co., Ltd. as a joint venture with Toyota Tsusho (Thailand) Co., Ltd. and MHCB Consulting (Thailand) Co., Ltd.
July 2018	Changed the organization from a functional axis-based six-headquarters system to a three-business-headquarters system and introduced a business segment structure
April 2019	Yokohama Pack Co., Ltd., J-Service Co., Ltd., and Golden Service Co., Ltd., were integrated through an absorption-type merger with Yokohama Pack as the surviving company to form J-Pack Co., Ltd.
December 2019	The Company made Premium Fats Sdn Bhd, a Malaysian processed oil and fat company, a consolidated subsidiary. Sold all shares of its subsidiary Sakaide Yutaka Service Co., Ltd.
October 2020	Consolidated subsidiary J-With, Inc. absorbed consolidated subsidiary NIKKA Oil & Fats Co., Ltd. through a merger and changed its name to J-NIKKA Partners Co., Ltd.
April 2021	Introduced the communication brand "JOYL" (J-Oil)
May 2021	Sold all shares of consolidated subsidiary J-Chemical Co., Ltd.
April 2022	Moved from the First Section to the Prime Market due to the Tokyo Stock Exchange's market restructuring
October 2023	Transferred the oil extraction process at the Kurashiki Plant to Seiyu Partners Japan Co., Ltd., a joint venture established with The Nisshin OilliO Group, Ltd. <2602>
March 2024	Ended the household margarine business

Source: Prepared by FISCO from the Company's securities report and other materials

Business overview

Providing value based on the theme of “Good Taste, Health, and Low Burden”

1. Business description

The Company, together with its six subsidiaries and six affiliates, operates multiple businesses in Japan and overseas, with a focus on the oils and fats business. In the oils and fats business, the Company mainly manufactures, processes, and sells household and business use oils and fats, as well as oilseed meal. In the specialty food business, its dairy-based plant base food segment produces business use margarine, while its food material segment manufactures starch products, soybean functional ingredients such as tocopherol, and soybean sheets. In its other businesses, the Company mainly engages in real estate leasing. The demand for general-purpose oils and fats is stable but not growing significantly, and since the Company depends on imports for raw materials, its earnings structure is easily affected by fluctuations in overseas markets such as soybean and rapeseed prices and foreign exchange rates. In this business environment and revenue structure, the Company is working to improve profitability and growth by expanding the value and possibilities of “oil” based on its strengths, such as the know-how and technology it has cultivated over the years, and by thoroughly pursuing high value-added products by utilizing various functions such as cooking, health, and seasoning. Looking at the situation of high value-added products in FY3/25, net sales increased 3.9% YoY to ¥70.32bn, gross profit rose 14.9% to ¥13.49bn, and the gross profit margin improved 1.8 percentage points (pp) to 19.2%, showing strong performance. In addition, the ratio of sales of high value-added products to total sales exceeded 30% in FY3/25, reaching 30.5% (up 2.8pp from FY3/24).

Consolidated net sales and gross profit of high value-added products

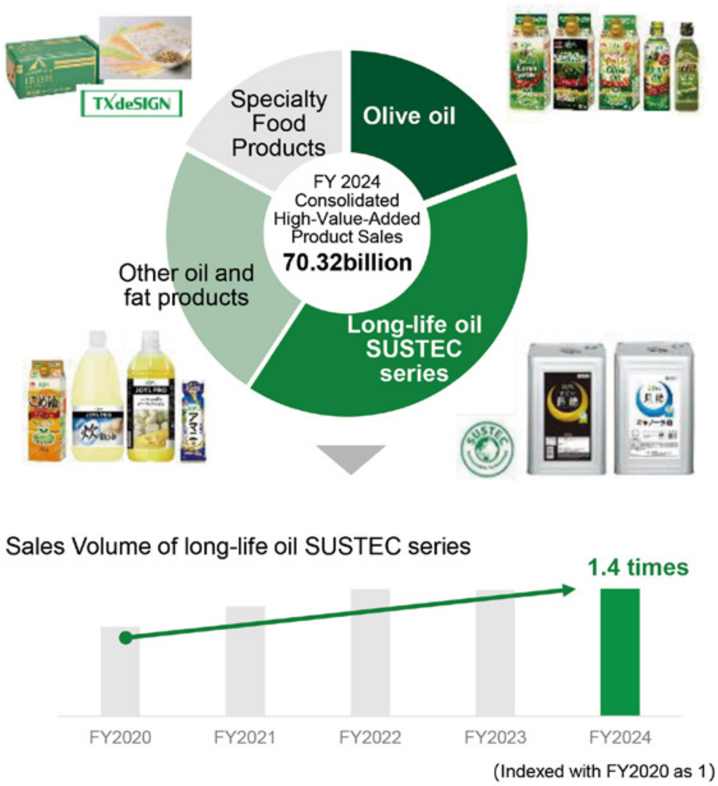
(¥bn)

Net sales	FY3/24	FY3/25	YoY change
Oils and fats business	56.12	58.23	3.8%
(Household)	15.49	18.64	20.3%
(Business use)	40.62	39.59	-2.5%
Specialty food business	11.55	12.09	4.6%
Total	67.67	70.32	3.9%
Gross profit	11.74	13.49	14.9%
Gross profit margin	17.4%	19.2%	1.8pp

Source: Prepared by FISCO from the Company’s results briefing materials (FY3/25)

The “specialty” in the specialty food business reflects the Company’s desire to provide high-value-added products that are unique to the Company. By using its own processing and application technologies for plant-based ingredients such as oil, starch, and protein, the Company provides added value by adding “Low Burden” to the traditional theme of “Good Taste + Health,” and also aims to contribute to solving social issues related to the environment, labor, and other areas. The sales composition by segment for FY3/25 was 90.7% for the oils and fats business, 8.9% for the specialty food business, and 0.4% for others, while the profit composition was 96.2%, 1.6%, and 2.2%, respectively.

Sales composition ratio of major high-value-added products



Source: The Company's results briefing materials (FY3/25)

A lineup of high-value-added products for both home and business use

2. Oils and fats business

In the oils and fats business, the Company offers a wide range of products, from basic oils such as salad oil and canola oil to high-value-added oils that can be used in a variety of areas, such as cooking, seasoning, and health. Household oils and fats are sold under the well-established "AJINOMOTO®" brand for home use. The Company offers a variety of products that help consumers prepare delicious meals and stay healthy, including JOYL "AJINOMOTO® Olive Oil" (a leading brand in the domestic olive oil market) and the basic oil JOYL "AJINOMOTO® Sarasara® Canola Oil," as well as JOYL "AJINOMOTO® Perilla Oil," which allows consumers to easily consume omega-3 (n-3 fatty acids) using the power of perilla, JOYL "AJINOMOTO® Healthy Sarara®" (food for specified health uses), and JOYL "AJINOMOTO® Double Half," which halves both the amount of oil used and splattering.

For business use oils and fats, the Company offers a lineup of products ranging from general-purpose to high-value-added products under the “JOYL®” brand, including “JOYL Salad Oil,” which can be used for a wide range of purposes, from eating raw to stir-frying and deep-frying; “JOYL Canola Oil,” which has a light and smooth flavor; the “JOYL Chotoku®” series, which reduces the amount of oil used due to its long-lasting properties, thereby reducing the burden on the environment and labor; and the “JOYL PRO®” series, which is designed for professionals to provide a variety of “good taste” experiences, such as taste, aroma, texture, and a fresh-cooked feel. In the oilseed business, the meal from soybeans and rapeseed, which are rich in high-quality protein, is utilized as an ingredient in compound feed. Furthermore, the fact that business use oils and fats account for more than 50% of the Company’s sales in the oils and fats business shows that the Company is strong in business use.

Proposing solutions that utilize the functionality of ingredients

3. Specialty food business

In the specialty food business, the dairy-based plant base food segment and the food material segment provide various products that utilize the functionality of ingredients as solutions to customers’ food-related challenges. In the dairy-based plant base food segment, the Company offers the Grandmaster® series, general margarine, shortening, processed oils and fats for business use in confectionery and bread making, and powdered oils and fats made from vegetable oils. The food material segment manufactures and sells the “TXdeSIGN®” series, soy functional ingredients (fine material segment), and soy sheets. The “TXdeSIGN®” series is a new brand of business use starch that creates new texture*—such as mouthfeel, smoothness, and chewiness—through the power of starch. It is utilized in a variety of cooking and food processing situations, such as maintaining viscosity and texture during retort and thawing, improving the crispness and melt-in-the-mouth quality of bread, and enhancing the texture and juiciness of processed meat products. In the fine material segment, the Company also handles vitamin K2 derived from natto bacteria, which is highly absorbable and helps strengthen bones, and soy sheets, such as “Mamenorisan®,” a sheet-type soy food made from soy protein for overseas markets.

* Visual and tactile characteristics that capture the overall look and feel of the surface of a material. In food, it refers to texture.

The Company's strengths are ingredients, technical capabilities, and customer contact

4. The Company's strengths

The source of the Company's strength lies in the strengths and synergies that each of the three merged companies possessed. Originally, Ajinomoto Oil Mills' strengths were its research into the deliciousness of oils and its high recognition in the household market through the "AJINOMOTO®" brand. Honen Corporation's strengths were its efforts to use up raw materials and its strong sales base in the commercial market. Yoshihara Oil Mill's strengths were its variety of oil types and its ability to solve problems for customers. By combining the three companies' distinct strengths, the Fifth Medium-Term Business Plan established product categories covering a wide range of areas by integrating their sales channels, while also leveraging the Ajinomoto Group's sales capabilities, expanding commercial product deployment, transferring commercial know-how to household products, and maintaining flexibility in using other companies' ingredients and products, thereby creating synergies and leading to the development and sale of high-value-added products. Furthermore, in the Sixth Medium-Term Business Plan, the three companies moved from integration to fusion, and as a single company, the Company is now able to maximize the value it provides by demonstrating its strengths in human resources and solutions that can respond to the diverse cooking needs of a wide range of customers—from convenience stores and restaurants to general dining establishments across Japan. Specifically, by combining various ingredients such as oils and starch with elemental technologies, the Company is developing applications that improve the texture of fried foods, maintain and enhance freshly cooked flavor, and extend shelf life. Furthermore, in order to directly propose these applications to customers, the Company works with customers to create optimal solutions to various needs arising from changes in consumption trends and lifestyles at the test kitchen of the "Oishisa Design Kobo®," a multi-functional presentation facility that serves as a base for realizing "Oishisa Design®."

Maximizing the value of what the Company provides as an "Oishisa Design®" company

Source: The Company's 2Q FY3/25 results briefing materials

Medium-Term Business Plan

The Medium-Term Business Plan was postponed by two years to respond to changes in the external environment

1. Review of the Sixth Medium-Term Business Plan

The Company is currently implementing its Sixth Medium-Term Business Plan (FY3/22 to FY3/27) to achieve its goal of sustainable growth by FY2030 through the establishment of a growth foundation and the acceleration of growth. The initial planning period was from FY3/22 to FY3/25, and the plan was to strengthen growth investment for the future, such as addressing aging facilities, completing the reconstruction of bases, and expanding investment in new fields, as well as to proceed with structural reforms and strengthen the management base in preparation for a decline in domestic demand. Specifically, in order to enhance brand value, the Company planned a growth strategy to expand high-value-added products, improve the profitability of general-purpose oils and fats, and strengthen its overseas and specialty food businesses. In addition, the plan included reforms to the value chain and business processes, structural reforms to improve asset efficiency, and strengthening of the management base to promote diversity, inclusion, and equity, risk response capabilities, and group governance. As a result, when announcing the Sixth Medium-Term Business Plan, the Company aimed for sales of ¥220.0bn, operating income of ¥11.0bn, an operating income margin of 5.0%, and ROE of 8.0% in FY3/25, and sales of ¥250.0bn, operating income of ¥24.0bn, an operating income margin of 9.0%, and ROE of 12.0% in FY3/31.

However, the timing was unfortunate as demand for dining out declined due to the COVID-19 pandemic, and the worsening situation in Ukraine caused a shortage of sunflower oil. As a result, demand for soybean oil and rapeseed oil as substitutes surged, and structural changes in demand for edible oils emerged. Furthermore, the Company's external environment changed significantly due to the rapid depreciation of the yen and rising energy costs. In addition, internal factors such as delays in price revisions to absorb changes in raw material prices, a deterioration in profitability in the margarine business, and an imbalance in the business portfolio combined, resulting in a significant decline in profit levels for FY3/22 to FY3/23.

Given this situation, the Company revised its Sixth Medium-Term Business Plan during FY3/23. Among these, the Company recognized "opportunities" such as the diversification of food needs, including growing health consciousness, the social spread of sustainability awareness, the expansion of the middle class in the ASEAN region, market expansion in North America and other regions, and trade liberalization, as well as "risks" such as increased instability in the procurement of raw materials and energy and rising procurement costs due to changes in the external environment, a decrease in domestic demand due to population decline, and a decline in competitiveness due to a lack of human resources and delays in innovation. As a result, the period of the Medium-Term Business Plan has been extended by two years, and the Company will continue to solidify its foundation. At the same time, the Company is reviewing its strategies to make use of its strengths in materials, technological capabilities, and customer contact points. The Company is also promoting a growth strategy that aims to strengthen its revenue base through structural reforms such as SCM reform and optimization of production bases, develop products that will become growth drivers and expand sales with keywords such as "Low Burden," and an aggressive investment strategy to expand into overseas and new business areas.

Specifically, in order to respond flexibly to changes in the business environment, such as the prolonged impact of the situation in Ukraine, the recovery of the restaurant market due to the return of foot traffic following the recovery in demand from the COVID-19 pandemic, the recovery in demand for souvenir sweets due to the increase in overseas travelers, and the resulting rise in prices, the Company aims to quickly recover to operating income levels prior to FY3/21 by controlling margins to set prices commensurate with value, improving the product mix to increase the proportion of high value-added products in sales, and monetizing unprofitable businesses such as the margarine business through structural reforms. At the same time, the quantitative targets of the Sixth Medium-Term Business Plan have also been partially revised, with the targets of sales (initial target of ¥220.0bn) and operating income margin (5.0%) abandoned, and instead the Company is focusing on capital efficiency, with targets of operating income of ¥11.0bn (previously ¥11.0bn), ROE of 8.0% (previously 8.0%), ROIC of 5.0% (previously 5.5%), and EPS of ¥260 (previously ¥260) for FY3/27.

In order to realize management that takes into account capital costs and stock prices, the Company also aims to improve its PBR, which is currently around 0.6 to 0.7 times. Specifically, the Company will strengthen its efforts to achieve an ROE level that exceeds the cost of shareholders' equity and to implement growth strategies (details to be provided later). Improving ROE requires increasing asset efficiency, and while the Company has been reducing inventory through past efforts such as withdrawing from unprofitable businesses, it will also flexibly work to improve fixed asset turnover and the cash conversion cycle. The Company also needs to improve its net profit margin, and is considering various approaches to achieve this. However, it will first focus on expanding sales of high-value-added products and providing solutions. Furthermore, the Company plans to improve the chances of success for new businesses by strengthening its financial structure. In addition, through its growth strategy, the Company set a target ROE of 8% under the Sixth Medium-Term Business Plan, exceeding its current estimated cost of shareholders' equity of 6–7%.

Reviewing the business portfolio and promoting growth strategies through active investment in new business areas

2. Revised Sixth Medium-Term Business Plan

In the revised Sixth Medium-Term Business Plan, the Company aims to carry out structural reforms to strengthen its revenue base, expand its oils and fats products with a focus on "Low Burden," and further increase its market share in the commercial market in the remaining two years. Due to changes in the execution structure, the Company intends to implement a more growth-oriented strategy, such as transforming its business portfolio—which has been dependent on oils and fats that are highly exposed to volatility from raw material prices and exchange rate fluctuations—into a business portfolio with higher added value, and is actively investing in new business areas, including overseas.

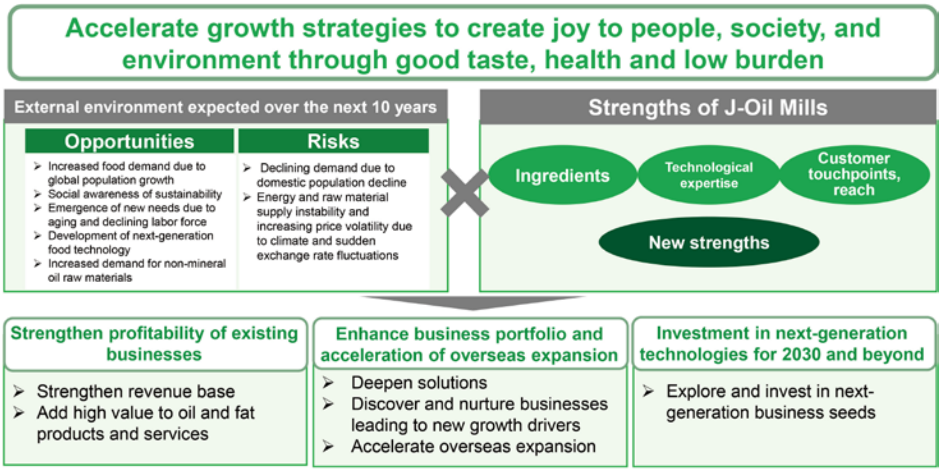
The structural reforms include the flexible withdrawal of unprofitable businesses and the strengthening of profit management for each customer and product, as well as enhancing the revenue base by promoting cost reductions and the optimization of production bases through SCM reforms. As part of the SCM reform, the Company is promoting "improving the efficiency of manufacturing and logistics processes," "investing in labor-saving and automation," and "optimizing the number of SKUs and inventory levels," while as part of the production base reform, it is implementing "maximizing the operating rate of oil and fat production processes," "restructuring domestic production bases," and "utilizing overseas production bases."

In product development with "Low Burden" as the keyword, in addition to the traditional theme of "Good Taste and Health," the Company will develop products that incorporate the themes of "Low Burden" in kitchens such as labor, the environment, and cost efficiency and use them as growth drivers. For example, to address labor load, the Company aims to reduce the number of times oil is changed; to address environmental load, it aims to reduce plastic usage, CO_2 emissions, and cultivated land by reducing oil usage; and to address economic load, it aims to reduce usage by making oil last longer. As a result, the Company will not only expand its share of commercial-use oils and fats, but also strengthen the profitability of existing products by growing its household market through paper-packaged cooking oil "Smart Green Pack®" and other "Low Burden" oils and fats. In terms of R&D strategy, the Company will continue to create unique added value through "Oishisa Design®," backed by application and evaluation technologies such as taste, function, and industrialization processes; ingredient and structure control technologies such as lipids, flavor, and texture; and production and manufacturing technologies such as oil extraction, refining, filling, and packaging. This will enable the Company to provide solutions that combine taste and functionality—such as products that last longer and are more resistant to deterioration over time—and to contribute to a diet that is kind to both people and the environment by addressing customers' challenges.

Regarding investments in new business areas, where the Company has fallen behind its competitors overseas, it will strengthen its overseas business promotion framework and human resources, and deploy management resources to the growth markets of North America and ASEAN. The Company will also expand its business areas by leveraging its unique technologies and strengths. Specifically, in the texture design business, the Company will strengthen the use of its "Oishisa Design®" proposals, which utilize oils and starches developed in Japan, at its overseas bases. For fine materials and soy sheets, the Company will promote brand development and sales channel expansion in line with health trends using vitamin K2, and will also aim to expand the regions and applications of soy sheets. As a result, the Company will proceed with reforming its business portfolio, including moving away from a business model that relies on the domestic oils and fats business, and will aim to increase the proportion of overseas sales to 7% in FY3/27 and over 15% in FY3/31, the proportion of specialty foods in sales to 23% and 36%, respectively, and the proportion of gross profit from high-value-added domestic and overseas products to 57% and 71%, respectively.

In order to actively invest in growth opportunities, the Company is planning capital allocation for the five years from FY3/23 to FY3/27. On the funding side, it plans ¥18.0bn from operating cash flow, ¥5.0bn from asset reduction, and ¥24.0bn–¥47.0bn from external financing (targeting a D/E ratio of 0.5–0.7 times), for a total of ¥47.0bn–¥70.0bn. On the operation side, the Company plans to spend ¥22.0bn on capital investments such as smart factories, productivity improvement, environmental initiatives, and maintenance and renewal, ¥14.0bn–¥37.0bn on business investments such as the continuous development and market launch of high-value-added products, growth strategies in North America and ASEAN, next-generation technologies, and new business development, and ¥11.0bn on stable dividend returns with a target dividend payout ratio of 40%.

Growth strategy direction



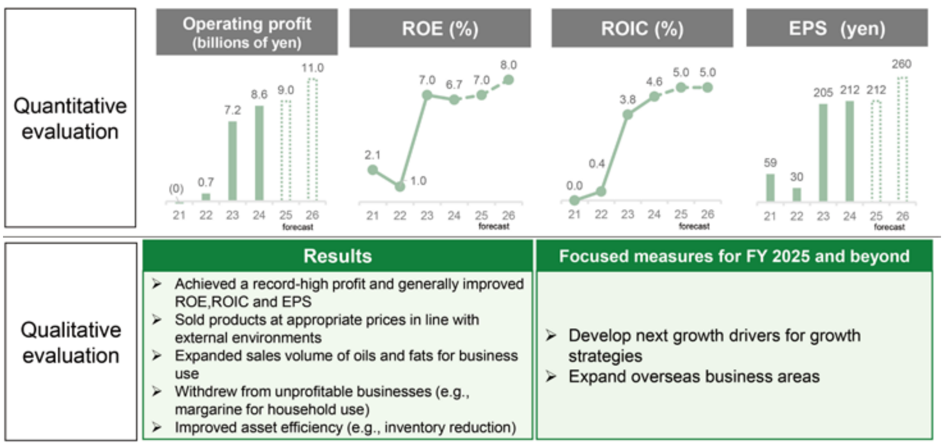
Source: The Company's results briefing materials (FY3/25)

The revised Medium-Term Business Plan is progressing smoothly

3. Progress of the Medium-Term Business Plan

Regarding progress in the revised Sixth Medium-Term Business Plan, following a rapid recovery in business performance in FY3/24, the Company achieved all-time high profits in FY3/25. In addition, it can be said that the Company is making steady progress in its growth strategy, structural reforms, and strengthening of its management base, with improvements in ROE, ROIC, and EPS, sales at appropriate prices, expansion of sales volume of business use oils and fats, withdrawal from unprofitable businesses, and enhancement of asset efficiency through inventory reduction. In particular, in terms of profits, the Company achieved sales at appropriate prices in response to changes in the external environment and expanded its market share in household oils and fats by broadening its product portfolio. In terms of finances, the equity ratio rose due to improved asset efficiency through measures such as reviewing unprofitable businesses, reducing product inventory, and selling cross-shareholdings. In terms of both profits and finances, the withdrawal from unprofitable businesses proved effective.

Progress of the Sixth Medium-Term Business Plan



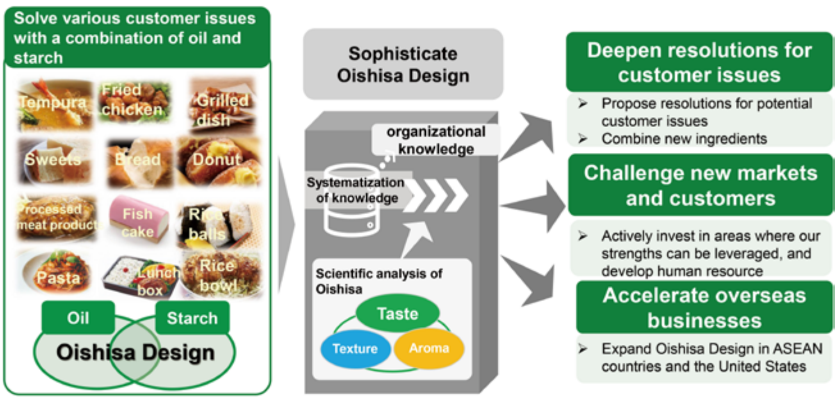
Source: The Company's results briefing materials (FY3/25)

In terms of high value-added initiatives, the Company has expanded its oils and fats products that have the advantage of being "Low Burden." In the household oils and fats category, it has also strengthened its lineup of the "Smart Green Pack®" series of paper-packaged cooking oils, which were launched in 2021 and feature reduced environmental impact and ease of use for customers. In the business use oils and fats category, the Company has renewed its long-lasting oil "Chotoku®," improving its ability to inhibit acid value increases from the previous 10% to 30%, thereby contributing to cost and environmental impact reductions through lower waste oil volume. In addition, the Company has strengthened its "JOYL PRO®" series to address labor shortages, including seasoning oils that can easily recreate freshly cooked flavors and rice-cooking oils that enhance flavor and help reduce costs.

With regard to price control, the Company proved effective in speeding up spread control thanks to an upgrade of its information system. This enables the Company to grasp the progress of weight and sales amount for each customer and product on a daily basis, and enables it to check the spread (difference between sales price and raw material price) more quickly and in more detail. As a result, for example, by identifying issues with products that do not generate sufficient spread during the month and incorporating them into sales action plans, the Company has been able to ensure appropriate prices and profit levels through thorough management control. Spread control is still evolving and is expected to become even more effective for the Company.

Regarding R&D strategies, the Company has refined its unique "Oishisa Design®" using oil and starch, systematizing it as knowledge and advancing the scientific interpretation of deliciousness, which led to improved service levels such as resolving potential customer issues by proposing new combinations of ingredients. In addition, the Company is also making progress in actively investing in new markets and customers where its strengths can be demonstrated, as well as in developing human resources. The Company will also expand "Oishisa Design®" to the ASEAN and North American markets. In addition, the Company is promoting long-term initiatives to realize a decarbonized society using next-generation technologies, such as conducting a demonstration flight using SAF (sustainable aviation fuel) made from 100% biomass-based non-edible plant seeds. In this way, attention should be given to the Company's efforts to enhance its business portfolio, including "deepening solutions to customer issues," "taking on new markets and customers," and "accelerating overseas expansion," as well as to future progress in its initiatives utilizing next-generation technologies.

Enhancement of business portfolio



Source: The Company's results briefing materials (FY3/25)

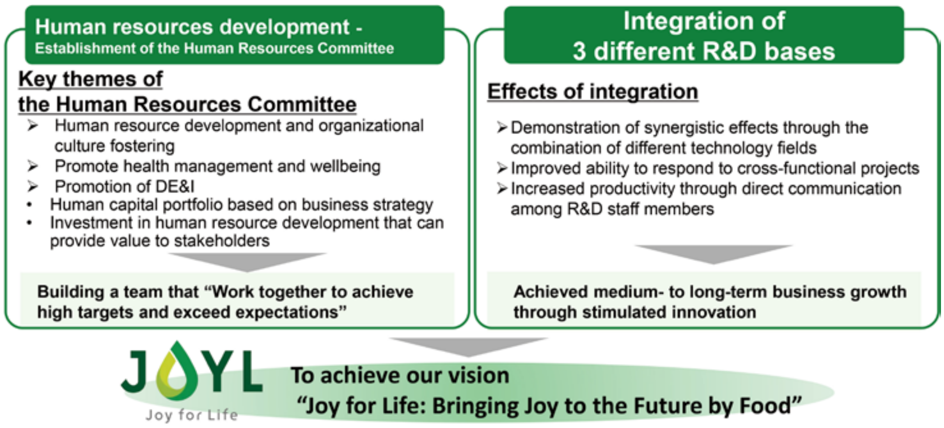
Initiatives to realize a decarbonized society using next-generation technologies

Source: The Company's results briefing materials (FY3/25)

In terms of finances, inventory levels have been optimized and the situation has improved. Regarding inventory, since it is difficult to control with raw materials, the Company took the opportunity of upgrading its information system to thoroughly control semi-finished and finished products. By reviewing plans for semi-finished products eight to nine times a year, the Company kept them within a certain range, and by detecting and taking action before products became long-term stagnant or dead stock, it improved the accuracy of inventory management. The Company will continue to improve inventory efficiency, including changes to mechanisms such as reviewing contracts and transportation frequency. Regarding DX, the Company established a DX promotion system in FY3/25 and identified four key initiatives to reform its operations: "human resource development/cultural reform," "business reform," "SCM/logistics reform," and "sales/marketing reform." In the future, the Company aims not only to transform its operations, but also to transform business operations, create new businesses, and ultimately bring about social change through changes in internal and external collaboration.

In addition, in order to further improve its corporate value, the Company is promoting the strengthening of human resource development and the integration of research and development centers to reinforce its management foundation. In terms of human resource development, the Company has established a Human Resources Committee and is working to build a team that "overcomes barriers, takes on challenges together, and exceeds expectations," with key themes being fostering organizational culture, promoting health management and well-being, and advancing DE&I. In order to stimulate innovation and achieve medium- to long-term business growth, the Company will integrate its three domestic research and development centers into Kawasaki in 2027, which is expected to generate benefits such as synergy from combining different technical fields, improved ability to handle cross-departmental projects, and enhanced productivity through direct communication among research and development personnel.

Initiatives to enhance corporate value through strengthening the management foundation



Source: The Company's results briefing materials (FY3/25)

Results trends

In FY3/25, spread control and other measures proved effective, resulting in double-digit operating income growth

1. Results trends for FY3/25

The Company's performance for FY3/25 was net sales of ¥230,783mn (down 5.5% YoY), operating income of ¥8,572mn (up 18.3%), ordinary income of ¥10,031mn (up 10.9%), and profit attributable to owners of the parent of ¥6,996mn (up 3.0%), marking the highest profits since the merger. Compared to the initial plan, net sales fell short by ¥14,217mn, but operating income exceeded the target by ¥1,572mn, ordinary income by ¥2,531mn, and profit attributable to owners of the parent by ¥1,996mn.

Consolidated results for FY3/25

(¥mn)

	FY3/24		FY3/25		
	Results	% of net sales	Results	% of net sales	YoY change
Net sales	244,319	100.0%	230,783	100.0%	-5.5%
Gross profit	35,318	14.5%	38,034	16.5%	7.7%
SG&A expenses	28,074	11.5%	29,462	12.8%	4.9%
Operating income	7,243	3.0%	8,572	3.7%	18.3%
Ordinary income	9,043	3.7%	10,031	4.3%	10.9%
Profit attributable to owners of the parent company	6,792	2.8%	6,996	3.0%	3.0%

Source: Prepared by FISCO from the Company's financial results

Although the Japanese economy showed some regional differences, it recovered gradually on the back of factors such as an expansion in inbound demand and a recovery in personal consumption due to improvements in the employment and income environment. However, the situation remained uncertain due to factors such as an unstable international situation, persistently high energy costs, and rising prices due to the prolonged depreciation of the yen. Prices for the main raw materials, soybeans and rapeseed, have been trending back down in the medium term from the high prices caused by the situation in Ukraine, etc., as concerns about the weather and growing conditions have been factored in and global supplies from producing regions have eased. The supply and demand for oilseed meal eased as the amount of oil extracted from both soybeans and rapeseed increased, but olive prices remained high due to the impact of poor harvests in Spain. Under these circumstances, the Company promoted efforts to improve profitability and expand sales of high value-added products in line with its Sixth Medium-Term Business Plan.

As a result, sales decreased due to market fluctuations, but sales volume of business use oils and fats increased, mainly due to the recovery of inbound tourism. In terms of profits, profitability improved through price optimization of general-purpose oils and fats through spread control and the streamlining of unprofitable businesses such as household margarine, and asset efficiency also improved through progress in inventory reduction. Among the high-profit, high-value-added products, Ajinomoto brand olive oil for household oils and fats performed steadily. For business use oils and fats, “Low Burden” long-lasting oils differentiated by their unique technology that reduces oil waste and the “TXdeSIGN®” series, which leverages unique technologies to solve industry-specific challenges, also performed strongly. As a result, gross profit margins improved significantly, covering increased research expenses and investments for future growth, as well as increases in logistics and labor costs, resulting in double-digit operating income growth. However, due to a decrease in dividends received and gains on changes in equity, profit attributable to owners of the parent only increased by a single digit. In addition, sales fell short of the initial plan because market prices were different from expectations, while profits exceeded the target because spread control was more effective than expected while maintaining sales volume.

Performance by segment for FY3/25

(¥mn)

Net sales	FY3/24		FY3/25		
	Results	% of net sales	Results	% of net sales	YoY change
Oils and fats business	220,000	90.0%	209,231	90.7%	-4.9%
Household oils and fats	29,092	11.9%	30,002	13.0%	3.1%
Business use oils and fats	116,953	47.9%	110,670	48.0%	-5.4%
Oilseed meals	73,954	30.3%	68,558	29.7%	-7.3%
Specialty food business	23,279	9.5%	20,566	8.9%	-11.7%
Dairy-based plant base food	12,953	5.3%	10,965	4.8%	-15.3%
Food material	10,326	4.2%	9,601	4.2%	-7.0%
Other business	1,040	0.4%	985	0.4%	-5.3%

Segment profit	FY3/24		FY3/25		
	Results	Profit rate	Results	Profit rate	YoY change
Oils and fats business	6,952	3.2%	8,243	3.9%	18.6%
Specialty food business	122	0.5%	135	0.7%	10.0%
Dairy-based plant base food		-	-79	-	-
Food material	306	3.0%	214	2.2%	-30.0%
Others	168	16.2%	192	19.5%	14.7%

Source: Prepared by FISCO from the Company’s supplementary materials for full-year financial results

By segment, although sales decreased in each segment, each achieved double-digit increases in profits.

Within the oils and fats business, sales volume for household oils and fats was slightly lower than the previous fiscal year due to factors such as rising prices leading to increased defensive spending and a return to eating out, as well as decreased demand due to continued price increases for olive oil caused by poor harvests. On the other hand, sales slightly exceeded the previous fiscal year due to price revisions for olive oil and continued sales expansion of key products such as “Smart Green Pack®,” which is characterized by its reduced environmental impact and ease of use. However, the increase in olive oil prices appears to have been a factor in the decline in profits. In the business use oils and fats sector, sales volume remained strong as the restaurant market recovered due to increased inbound demand and increased domestic travel, despite a tendency to save due to sluggish real wage growth. On the other hand, sales fell compared to the previous fiscal year due to a decline in sales prices caused by a softening of raw material prices. Under these circumstances, in response to issues such as rising food costs due to rising prices and worsening labor shortages, the Company promoted sales expansion of high-value-added products with enhanced functionality, such as the “SUSTEC®” series, which can be used for a long time while preventing deterioration in quality, and “seasoning oils” and “cooking oils,” which reduce the time and effort required for cooking. In the oilseeds sector, soybean meal sales volume increased slightly due to an increase in crushing volume, but sales prices fell due to a drop in the Chicago soybean meal market price, even though the yen was weak. As the amount of rapeseed meal extracted increased, the sales volume (weight basis) also increased, and the sales price fell significantly due to the decline in soybean meal prices and the easing of supply-demand constraints caused by increased domestic supply. As a result, the oils and fats business saw a decrease in revenue overall, but profits increased significantly due to cost reductions and spread control.

In the dairy-based plant base food segment of the specialty food business, business use processed oils and fats saw continued inbound demand for souvenir sweets and steady demand for bread making. However, both sales volume and sales revenue decreased due to the discontinuation of household margarine (Rama) and a reduction in oils and fats usage by end users due to rising raw material prices. In the powdered oils and fats business, sales volume remained roughly the same as the previous fiscal year, but sales increased due to fluctuations in raw material prices and exchange rates. As a result, sales in the dairy-based plant base food segment decreased, but the loss was significantly reduced due to the effect of discontinuing sales of unprofitable household margarine. In the food material segment , the “TXdeSIGN®” series saw increased adoption as proposals for use in confectionery and bread making, as well as in meat applications, and sales volume remained steady. On the other hand, in collaboration with the oils and fats business, the Company promoted solution proposals using “Oishisa Design®,” but sales decreased slightly due to a drop in the selling price of cornstarch for cardboard boxes caused by a drop in the corn market price. In the fine material segment, sales remained at the same level as the previous fiscal year, despite the new adoption and increased use of vitamin K2, particularly in the domestic market. Mamenorisan®, a sheet-type soy food based on soy protein, saw an increase in both sales volume and sales revenue due to increased shipments to North America, the main sales destination, and efforts to revise prices. As a result, both sales and profits in the food material segment decreased. Although the specialty food business as a whole saw a decrease in revenue, profits increased due to the effect of the discontinuation of sales of household margarine.

Specialty food business sees significant improvement in profitability

2. FY3/26 forecasts

For FY3/26, the Company expects sales to reach ¥240,000mn (up 4.0% from FY3/25), operating income to reach ¥9,000mn (up 5.0%), ordinary income to reach ¥10,000mn (down 0.3%), and profit attributable to owners of the parent to reach ¥7,000mn (up 0.1%), with operating income expected to reach a new record high.

Consolidated earnings forecast for FY3/26

(¥mn)

	FY3/25		FY3/26		
	Results	% of net sales	Forecast	% of net sales	YoY change
Net sales	230,783	100.0%	240,000	100.0%	4.0%
Operating income	8,572	3.7%	9,000	3.8%	5.0%
Ordinary income	10,031	4.3%	10,000	4.2%	-0.3%
Profit attributable to owners of the parent	6,996	3.0%	7,000	2.9%	0.1%

Source: Prepared by FISCO from the Company's financial results

Although the Japanese economy is expected to remain firm, supported by improvements in the employment environment, continued wage growth, and an expansion in inbound demand, concerns remain about sharp exchange rate fluctuations due to US tariff policies and international uncertainties, as well as persistently high raw material and energy prices. As a result, the outlook is still considered uncertain. In this environment, the Company, based on the Sixth Medium-Term Business Plan, is accelerating its growth strategy and structural reforms, while also strengthening its management foundation through initiatives such as human resource development and DX, in order to contribute to people, society, and the environment through "Good Taste, Health, and Low Burden," and steadily promoting improved profitability of existing businesses and enhancement of its business portfolio.

FY3/26 results outlook by segment

(¥mn)

Net sales	FY3/25		FY3/26		
	Results	% of net sales	Forecast	% of net sales	YoY change
Oils and fats business	209,231	90.7%	219,500	91.5%	4.9%
Specialty food business	20,566	8.9%	19,500	8.1%	-5.2%
Dairy-based plant base food	10,965	4.8%	11,000	4.6%	0.3%
Food material	9,601	4.2%	8,500	3.5%	-11.5%
Others	985	0.4%	1,000	0.4%	1.5%

Segment profit	FY3/25		FY3/26		
	Results	Profit rate	Forecast	% of net sales	YoY change
Oils and fats business	8,243	3.9%	8,300	3.8%	0.7%
Specialty food business	135	0.7%	600	3.1%	343.8%
Dairy-based plant base food		-	200	1.8%	-
Food material	214	2.2%	400	4.7%	86.3%
Other business	192	19.5%	100	10.0%	-48.2%

Source: Prepared by FISCO from the Company's supplementary materials for full-year financial results

By segment, the oils and fats business is expected to record higher sales and slightly higher profits, the specialty food business lower sales and significantly higher profits, and other businesses higher sales and lower profits. Within the oils and fats business, the household oils and fats segment will work to achieve appropriate sales prices, expand sales of olive oil and strengthen profitability, expand deliveries of "Smart Green Pack®" and promote trials, and add rice bran oil to the lineup, leveraging the recent decline in olive costs to improve profitability. For business use oils and fats, the Company will increase sales by achieving appropriate sales prices, expanding high-value-added products such as the "Chotoku®" series and the "JOYL PRO®" series, and strengthening solution proposals, while securing profits through spread control. In the specialty food business, the Company will expand the lineup of its daily-based plant base food segment "Grandmaster®" series and strengthen solution proposals in the confectionery and bakery fields. In the food material segment , the Company will strengthen proposals for the "TXdeSIGN®" series for confectionery, bakery, and meat applications, as well as proposals for overseas markets, primarily to Japanese companies. Although sales in the specialty food business are expected to decrease, profits are expected to increase significantly due to structural reforms such as discontinuing household margarine and plant-based cheese and stopping sales of low-cost starch.

Start to FY3/26 in line with expectations

3. Results trends for 1Q FY3/26

Results for 1Q FY3/26 were net sales of ¥56,290mn (down 3.8% YoY), operating income of ¥1,003mn (down 56.8%), ordinary income of ¥1,192mn (down 51.7%), and profit attributable to owners of the parent of ¥875mn (down 44.8%).

Consolidated results for 1Q FY3/26

(¥mn)

	1Q FY3/25		1Q FY3/26		
	Results	% of net sales	Results	% of net sales	% change
Net sales	58,512	100.0%	56,290	100.0%	-3.8%
Gross profit	9,862	16.9%	8,618	15.3%	-12.6%
SG&A expenses	7,538	12.9%	7,614	13.5%	1.0%
Operating income	2,323	4.0%	1,003	1.8%	-56.8%
Ordinary income	2,470	4.2%	1,192	2.1%	-51.7%
Profit attributable to owners of the parent	1,584	2.7%	875	1.6%	-44.8%

Source: Prepared by FISCO from the Company's financial results

Although the start was slow compared to the full-year forecasts, in terms of sales, progress can be considered almost in line with expectations, as price revisions are underway and sufficient catch-up is possible. In terms of profits, the trend of high raw material prices and a weak yen that continued in the fourth quarter of FY3/25 has persisted, but the Company has taken measures, including those against the highly uncertain Trump tariffs, so the situation can be considered largely within expectations. On the other hand, olive production in Spain is recovering rapidly, and as a result, procurement costs are expected to decline in the second half, leading to improved profitability.

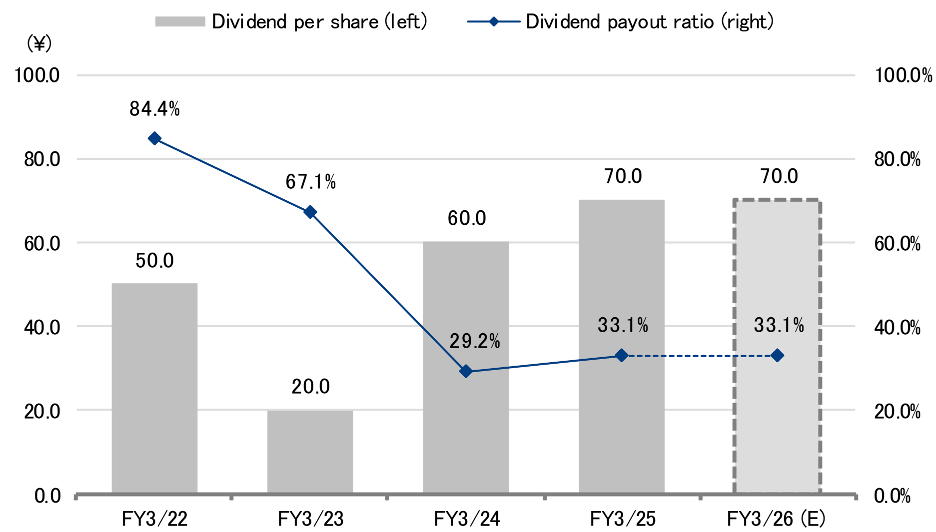
Shareholder returns

The dividend for FY3/26 is scheduled to be ¥70.0 per share. The Company aims for stable dividends with a consolidated dividend payout ratio of around 40%

1. Dividend policy

The Company's basic policy is to strive to maintain stable profit returns to shareholders, while also making stable and appropriate profit distributions with a long-term perspective, including retaining the necessary internal reserves to strengthen its corporate structure and actively expand its business. In the Sixth Medium-Term Business Plan, the Company will allocate cash flow generated through increased profits to investments in growth, and aim to steadily and continuously strengthen returns to shareholders, with a consolidated dividend payout ratio of 40% as its target. With regard to the use of internal reserves, the Company will utilize them effectively as investment funds to strengthen its earnings structure and management foundation, thereby enhancing corporate value. Based on this policy, the dividend per share for FY3/25 was ¥70.0, consisting of an ordinary dividend of ¥60.0 (including an interim dividend of ¥30.0) plus a commemorative dividend of ¥10.0 for the 20th anniversary of the Company's founding. The dividend per share for FY3/26 is scheduled to be ¥70.0, consisting of an ordinary dividend of ¥70.0 (including an interim dividend of ¥35.0).

Dividend per share and dividend payout ratio



Note: The dividend for FY3/25 includes a commemorative dividend of ¥10.0 for the 20th anniversary of the Company's founding.
Source: Prepared by FISCO from the Company's financial results

Choice of Company products, online shop coupons, or donations

2. Shareholder benefits

The Company has adopted a shareholder benefit program to make ownership of its shares more attractive. Under this program, depending on the number of shares held, shareholders can choose to receive Company products, coupons for the official online shop, or make a donation. The shareholder benefits are available to shareholders who own 200 or more shares as recorded in the shareholder register as of March 31 of each year. Shareholders with 200 to less than 600 shares will receive Company products worth ¥3,000; shareholders with 600 to less than 1,000 shares will receive either official online shop coupons worth ¥5,000 or Company products worth ¥5,000; and shareholders with 1,000 shares or more will receive either official online shop coupons worth ¥8,000 or Company products worth ¥5,000 plus official online shop coupons worth ¥3,000. Shareholders with 600 or more shares can choose to make a donation instead of receiving a gift. The gifts are scheduled to be delivered from early October onwards.

FISCO

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