



J-OIL MILLS REPORT

2022

Integrated Report

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We contribute to people, society, and
the environment by delivering good taste, health,
and low burden to achieve our vision of
“Joy for Life®: Bringing Joy to the Future by Food.”

Tatsuya Sato

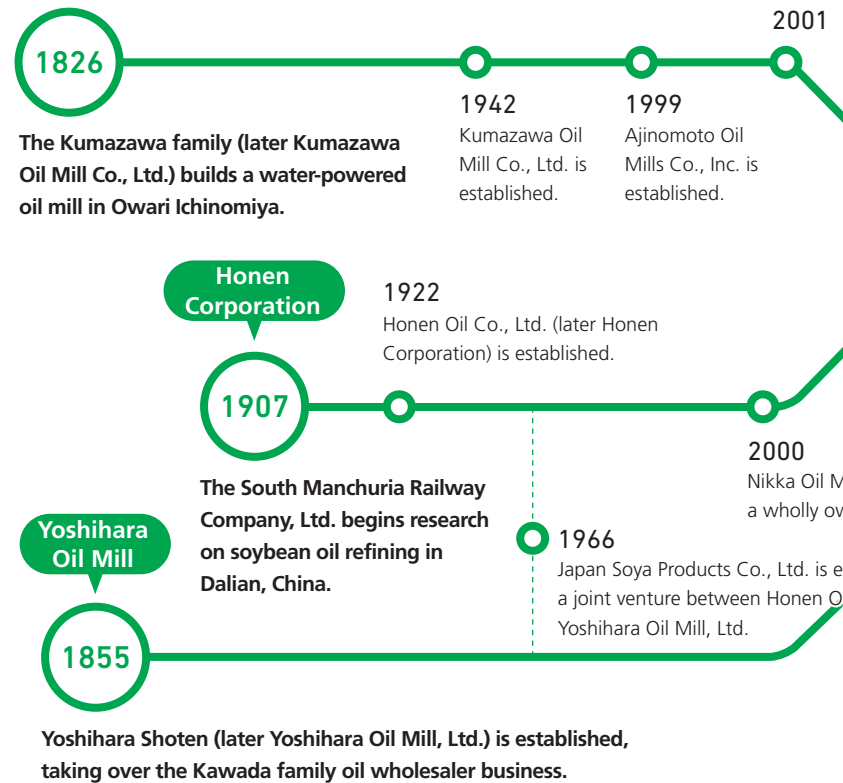
Representative Director, President and CEO

COVER STORY

J-Oil Mills was established in 2002 and became fully integrated with Honen Corporation, Ajinomoto Oil Mills Co., Inc., and Yoshihara Oil Mill, Ltd. and their subsidiaries in 2004. These companies have long histories dating back to the 1820s. Over more than 190 years, we have delivered value to society in various ways through our products and services, generating synergies by combining the expertise and strengths of each company. We are leveraging the technical capabilities and experience we cultivated in Japan by moving forward and expanding our horizons overseas.

196 Years, Driven by Good Taste

Ajinomoto Oil Mills



Three leading companies in the edible oil industry merge.



Ajinomoto Oil Mills

Creativity

- Researching the taste of oils and fats
- High recognition in the household-use market



Honen Corporation

Challenging spirit

- Efforts to make full use of raw materials
- Strong sales base in the business-use market



Yoshihara Oil Mill

Curiosity

- Handling various types of oils
- Solving customer issues by measuring oil oxidation



2004

J-OIL MILLS, INC. is founded following the full consolidation of all subsidiaries.

2007
Acquired Honen Lever Co., Ltd. from Nippon Lever Co., Ltd. and entered the margarine business.

2014
Established joint venture J-OIL MILLS (THAILAND) Co., Ltd. in Thailand.

2019
Malaysia-based processed oil and fat products company Premium Fats Sdn Bhd becomes a consolidated subsidiary.

2011
Entered the powdered oils and fats business.

2018
Opened Oishisa Design Studio, an integrated presentation facility.



2021

Launched brand for communication.
JOYL



Possibilities of Food Created by J-Oil Mills

J-Oil Mills creates value by providing better taste and health, as well as reducing environmental and social impact, by leveraging plant-based oils, starches, and proteins.



Low burden

We are in the business of harnessing nature's blessings, such as for soybeans and rapeseeds. To provide safe and secure products to everyone into the future, we strive to protect the environment, society, and people.

For example, the long-lasting oil developed using our proprietary SUSTEC® technology helps reduce CO₂ emissions throughout the supply chain and lower customer workload.

We are working toward creating a sustainable society.



Good Taste

We enhance the taste of many food products in our daily lives by multiplying our strengths in ingredients with our proprietary technologies.

For example, our starch absorbs and retains both water and oil, which makes dishes such as hamburgers and fried foods juicier and keeps them fresh and tasty.

We cultivate good tastes in a variety of culinary environments.



Health

In addition to fats, which is one of the three macronutrients, we provide ingredients and products that are essential for maintaining good health, such as vitamin K₂.

We are working to deliver a healthy future through our proprietary technologies and R&D to have more people readily enjoy healthy products.



Corporate Philosophy

Each of our employees will contribute to creating a better society by consciously thinking about and internalizing our vision, mission, values, and purpose, which are set forth in our corporate philosophy.

Our Vision

We specialize in plant-based oil, starch, and protein—the three essential sources of life. Our aim is to contribute to good taste “*Oishisa*”, people’s health, reducing environmental load and creating a brighter tomorrow through our products. We believe this aim in aspiring for a future defined by “Joy for Life.”

Our Mission

People naturally want to enjoy delicious food free of concerns about health or the environment, yearn to cook special dishes that bring happiness to their loved ones and guests. To fulfill such wishes, we utilize our unique strength of “*Oishisa Design*” to create the joys of eating and producing through food cultivation and cooking. We share an equal commitment to building a better society through sincere efforts in health, the environment, food resources and other key nutrition-related issues.

Our Values and Purpose

To exceed people’s expectations and create new value, we unite in rising to high targets by overcoming barriers of conventional knowledge, and reaching beyond our own limits by working together any and all situations. As the foundation of this value and initiative, we never waver from our purpose of reaping nature’s potential, and sincerely supporting and contributing to people with our origins as a supplier of oils essential in our lives, and continuing to support our diet.



J-Oil Mills by the Numbers

Company features

Consolidated net sales

FY2021 results

¥201.6 billion
(+22.3% YoY)

Employee count in Japan and overseas

As of end-March 2022

1,361
(of whom 22 are overseas employees)



Number of consolidated subsidiaries

As of end-March 2022

4
• 2 in Japan
• 2 overseas
(1 in Thailand, 1 in Malaysia)



Production bases

As of end-March 2022

8
• 7 bases in Japan
• 1 base overseas
(in Malaysia)



Business features and strengths

Annual raw material consumption of soybeans, rapeseeds, etc.

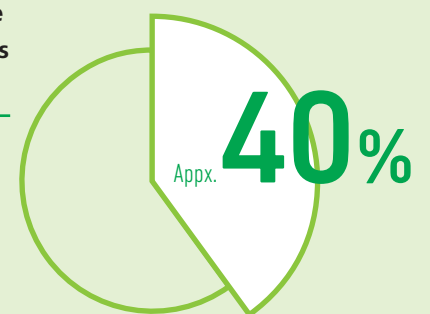
FY2021 results

1.65 million tons



Market share of business-use edible oil in Japan by sales volume

The company's estimate (FY2021)



Market presence in household-use edible oil

Over 70 years



Olive Oil Sensory Analysis Panel recognition from The American Oil Chemists' Society

As of September 2022



To Our Stakeholders



Profile

April 1983	Joined Ajinomoto Co., Inc.
July 2016	President, Ajinomoto North America, Inc.
June 2017	Corporate Fellow, Ajinomoto Co., Inc.
July 2018	General Manager, North America Division, Ajinomoto Co., Inc.
July 2018	President, Ajinomoto Health and Nutrition North America, Inc.
June. 2019	Corporate Vice President, Ajinomoto Co., Inc.
April 2021	Senior Managing Executive Officer in charge of Corporate Administration of J-Oil Mills, INC.
June 2021	Director, J-Oil Mills, INC.
April 2022	Representative Director, President and CEO, J-Oil Mills, INC. (to present)

Taking on the challenge of creating new value to achieve our vision

My name is Tatsuya Sato, and I assumed the post of representative director, president and CEO on April 1, 2022.

I have spent most of my professional life overseas, in such countries as in the United States and Germany. In this sense, my experience is unique in J-Oil Mills. With this unique experience, one thing I have always kept in mind is to be prepared to fulfill my responsibilities in any circumstances.

No one can choose the environment they are in. It is important to think hard about how to do our best to deliver results in whatever environment we are placed in. Of course, this does not necessarily mean that we will always get positive results. Regardless of the situation, we need to accept results for what they are, learn from them, and apply them toward the future.

There are two sides to every situation. We can create value by believing in the good aspects and fearlessly taking on challenges, instead of being afraid of the bad aspects and not taking on challenges. Having the courage to step forward and do something that we have never tackled will benefit our company. I recognize that my role is to encourage change in the organization, and that this is what is expected of me by stakeholders and employees alike.

Fats are essential to our daily lives. Taking this at as our starting point, we have defined our value and purpose as being to harness nature’s blessings and draw out its potential to contribute to people’s lives, centered on providing fats essential to our daily lives. We will transcend all boundaries, norms, and limits to come together with our partners and always take on challenges. We will continue to strive to create value for society into the future to achieve our vision as stated in our corporate philosophy, “Joy for Life®: Bringing Joy to the Future by Food.”

Tatsuya Sato

Representative Director, President and CEO

Message from the President



Although we are facing a historically challenging business environment, we have no plans to make any major changes to our vision or direction, which is the basis of our Sixth Medium-Term Business Plan.

Toward achieving our corporate philosophy

In April 2021, we established our corporate philosophy, “Joy for Life®: Bringing Joy to the Future by Food,” which expresses our vision, mission, values, and purpose. In addition to the fundamental values that food companies provide, such as good taste and better health, we also take on challenges faced by our customers, society, and the environment from the perspective of reducing impact, with the aim of creating a better society and bringing more joy into the future. However, our corporate philosophy will not spread within the company simply because we established it. We regularly carry out communication activities based on our corporate philosophy, and monitor how much it has permeated among our employees through a quarterly pulse survey. It has been one year since we established our corporate philosophy, and the results show that understanding of our corporate philosophy is spreading among our employees. However, we also found that there are still issues in incorporating our corporate philosophy into business operations, which showed us that our employees are still in the process of internalizing the corporate philosophy.

Our employees need to be on the same page and work together toward the same goal. What can I do to help employees work toward the same goal? Furthermore, what can I do to encourage them to work together? One of the answers I came to based on my experience to date is to engage in “dialogue.” Upon assuming the position of

President in April 2022, I decided that my first order of business would be to visit all of our departments and bases. In addition to the head office, I visited as many of our branch offices, sales offices, and factories as I could, and engaged in over 100 different rounds of dialogue.

Through our dialogue, I was reminded that we have a very good long-standing company that has firmly inherited the various innovations produced by our predecessors. We have many excellent employees who are kind, diligent, and hardworking, and each employee has developed their own expertise. On the other hand, I also felt that many employees are reserved and quiet, and do not actively speak up. This is why, as part of our dialogue, I’ve repeatedly told employees that there is no need to be shy, and that we should proactively take on challenges. I’ve also told them that I want them to speak their mind. I find it amazing when we try something new by making a change, and when that change turns out to be positive and starts producing results. My role is to encourage change.

There should be no end to this “dialogue.” This is not something we can stop because we carried out however many dialogue sessions, and it is essential that we continuously communicate. Although our performance in FY2021 was extremely disappointing, I view this difficult time as an opportunity for us to work together toward the same goal, and that all employees must internalize the vision, mission,

values, and purpose set forth in our corporate philosophy and work together each day to achieve our goals.

Revised Medium-Term Business Plan

In May 2022, we announced a revision to our Sixth Medium-Term Business Plan. The business environment has changed significantly since we formulated the plan, and we decided that we needed to revise the plan accordingly. One of the major reasons for the revision is the surge in raw material prices. As well as the growing global demand for vegetable oil for biofuels and the supply-demand crunch caused by a combination of factors, including weather and labor shortages stemming from the COVID-19 pandemic, the invasion of Ukraine by Russia in February 2021 led to a sharp rise in prices for various raw materials, including soybeans, rapeseeds, corn and wheat, which reached all-time highs in March. Furthermore, the Japanese yen has continued to depreciate against the US dollar from around 108 yen per US dollar in April 2021 reflecting rising stock prices and US interest rates due to expectations of a post-pandemic recovery in the US economy and signs of normalization in US monetary policy. The sharp rise in raw material prices and the depreciation of the yen have had a substantial impact, and we expect the outlook to remain uncertain for the foreseeable future.

Many people have asked us about our approach to our Sixth Medium-Term Business Plan, as we are facing a historically challenging business environment, but we have no plans to make any major changes to our vision or direction, which is the basis of our medium-term business plan. On the other hand, we must examine what we worked on in FY2021 under this medium-term business plan to go over what went well and what did not, as well as the underlying reasons for the outcomes. Some of our businesses generate a lot of profit, while others do not. As the business environment becomes more challenging, we need to closely review our portfolio, including how to position each of these businesses, with the limited time we have available.

Initiatives for FY2022

Securing stable earnings from the oils and fats business is a high priority in our efforts to improve profitability. The soaring raw material prices driven by the weather and rising global demand are a problem, but the protracted problem between Russia and Ukraine has also highlighted the geopolitical risk of food, and there is already growing

concern about supply shortages in Europe, Africa, the Middle East, and other regions. In other words, soaring raw material prices driven by climate change, energy price surge, logistics, and other issues, coupled with the recent global situation, have resulted in a supply-demand crunch for cooking oil itself as well as its raw materials, and this has affected the industry in many different ways.

Our company is no exception and has also been affected by this, and we need to mitigate the negative impact as much as we can. In terms of solidifying our earnings base, our response to soaring raw material prices is first and foremost to reduce costs and revise prices, rather than to take unconventional measures. Since the oils and fats business by far accounts for the highest percentage of raw materials in our cost of goods sold, we have no choice but to appropriately reflect raw material price increases in our selling prices. We have asked our customers to accept price revision frequently as the price of raw materials has continued to rise since 2021. So far, we had asked for price revision after raw material prices already rose, which means that we were unable to absorb the cost increase, and we missed our profit targets as a result. In light of this experience, we plan to gradually revise prices to appropriate levels in FY2022 by introducing a pricing formula that shortens the delay between increases in raw material prices and product price revision. Amid the tight supply-demand balance of raw materials and soaring raw material prices, we are fully deliberating and working to fulfill our extremely important social responsibility of ensuring a stable supply of quality products. We are also serious about reducing costs. We are reviewing every department in the company, as well as our production and logistics processes, to ensure that there is no waste or losses. This review has changed the mindset of our employees regarding costs, and through continued efforts we will steadily reduce costs. Moreover, we are also working on digital transformation (DX) initiatives across the company to improve corporate value by focusing on our business, people, and infrastructure.

Meanwhile, we have been stepping up sales of high-value-added products since the previous medium-term management plan with the aim of boosting stable earnings. In addition to the sharp rise in raw material prices, the spread of COVID-19 has dramatically changed our lives, and the restaurant industry, which is our professional customer base and accounts for a large proportion of our sales, has been particularly affected by the state of emergency declarations and measures to prevent

the spread of COVID-19. Under these difficult conditions for our professional customers, we are stepping up proposal efforts for our Cho Toku® series of long-lasting oils to help address their challenges. The Cho Toku® series is positioned as our high-value-added product line, and offers substantial practical benefits by reducing costs and the need to change oil in the kitchen, since it deteriorates less than conventional oil.

The ability to use oil longer contributes to our major goal of creating a sustainable society by reducing the use of raw materials and reducing the environmental impact of the entire supply chain, including transportation, thereby reducing CO₂ emissions. Another recent trend in household cooking oils is the narrowing price difference between commodity oils such as canola oil and salad oil and high-value-added products such as olive oil and rice oil. This is partly the result of soaring prices of soybeans and rapeseeds, the raw materials used to make commodity oils, and consumers are becoming more interested in trying out the slightly more premium oil with the smaller price difference. We have seen a similar pattern as well, with sales volume of rice oil increasing. In this way, the impact of the external environment is not unidirectional. While the negative impact of raw material price hikes is certainly substantial for our company, we are also seeing some positive developments in the form of expanded business opportunities. By changing our perspective and shifting our thinking, we should be able to see the challenging environment as our opportunity. We aim to further expand our high-value-added products by accurately capturing customer demand and proactively proposing solutions.

Sustainability initiatives

Today, companies are expected to create social and environmental value on top of economic value. There are a wide range of issues that we need to address, and we are strengthening our business platform while simultaneously focusing on social and environmental value from the perspective of sustainability as part of our growth strategy. We have positioned addressing climate change throughout our supply chain as a top priority, and in February 2022, we merged the Environmental Subcommittee and the Sustainable Procurement Subcommittee, both of which were under the Sustainability Committee, to form the Sustainable Procurement and Environment Subcommittee, thereby strengthening our organization in line with our business model. Furthermore, since November 2020, we have endorsed

the Task Force on Climate-related Financial Disclosures' (TCFD's) recommendations and have begun to disclose information in line with the TCFD's recommendations, while also participating in the TCFD consortium. With the aim of preserving the global environment and creating a sustainable society, we plan to reduce plastic waste to zero by 2030, reduce CO₂ emissions (Scope 1 and 2) by 50% compared to FY2013, and achieve carbon neutrality by FY2050. In terms of sustainable procurement, we are working to build an environmentally friendly supply chain that respects human rights and ensures quality and safety. In 2020, we established the Human Rights Policy and Palm Oil Procurement Policy and revised our Sustainable Procurement Policy and Standards. Furthermore, in addition to the Roundtable on Sustainable Palm Oil (RSPO), which we have been a member of since 2011, we established our Soybean Procurement Policy in August 2022 to ensure sustainable procurement of soybeans, one of our key raw materials, in an environmentally and human rights-conscious manner, and joined the Round Table on Responsible Soy Association (RTRS).

In our business as well, we are strengthening our efforts to create a sustainable society through products that specifically reduce environmental impact. For example, our Smart Green Pack® series of household-use oil products, which use paper cartons, uses more than 60% less plastic than our previous containers, and we expect this to cut CO₂ emissions by about over 26%, thereby reducing our environmental impact. More stores are carrying this series of products, partly because customers are becoming increasingly environmentally conscious. Plant-based cheese, Violife, is made from coconut oil and other plant-based ingredients and is free of 28 allergens, making it a safe product for vegans, vegetarians, and those with milk allergies to enjoy eating. In terms of environmental friendliness, CO₂ emissions during the life cycle of the plant-based cheese, from production to disposal, are less than 30% compared to dairy cheese sold in Japan, and the land area required is less than 25%. The household plant-based cheese market gained steam after we introduced Violife, growing substantially by approximately 2.3 times, and we expect to see results both in terms of sustainability as well as business. As the need for a sustainable society grows, fulfilling our corporate social responsibility through our business will grow ever more important.

As long as we work together as a group without fearing change and steadily work through what we need to do now, the results will surely follow.



Business alliance with Nisshin OilliO Group, Ltd.

Looking at global trends, we see that a food supply crunch is emerging, with rapidly growing demand for food driven by global population growth and the rising crop supply risk stemming from climate change. Moving forward, we can expect to see developments in trade agreements such as the Trans-Pacific Partnership (TPP) and intensifying international competition in securing food resources. However, if we narrow our focus to Japan, the situation is different with demand for food falling in line with a declining population and an aging society with few children. In other words, we are facing opposing situations globally and domestically, and this dichotomy is a challenge not just for us, but for the Japanese food industry as a whole. Under these circumstances, we began exploring ways to ensure a stable supply of oils, fats, and oilseed meal for the future with Nisshin OilliO Group, Ltd. Both companies share the view that we should aggressively promote efforts to achieve the Japanese government's goal of creating a decarbonized society by 2050, in addition to strengthening our international competitiveness.

Based on this common view, we agreed to form a business alliance in the oil extraction process (crude oil and oilseed meal production), and in May 2021, we began discussions aimed at integrating our domestic oil extraction functions nationwide to build a stable supply system for oil extraction over the long term. In western Japan, we have

already begun detailed discussions on establishing an oil extraction company as a joint venture by incorporating oil mills of both companies located in Kurashiki, Okayama Prefecture. We aim to create a next-generation oil extraction plant by consolidating the oil extraction lines of both companies into a single manufacturing company to streamline production, create a system that ensures a stable supply on a sustainable basis, work toward a decarbonized society through innovations in manufacturing technologies, and create a smart factory by leveraging AI and IoT, while consulting with the relevant authorities. The initiatives in this business alliance offer great value from a medium- to long-term perspective, and for this reason we will quickly proceed with our discussions to include other bases going forward.

Looking ahead

The business environment in FY2021 was extremely challenging, and our results were disappointing. However, this difficult business environment has provided us with an opportunity to uncover our shortcomings and weaknesses. We are now being tested on how quickly and appropriately we can work on our business to boost our corporate value. We will use this opportunity as a springboard for future growth. As long as we work together as a group without fearing change and steadily work through what we need to do now, the results will surely follow. I would like to ask our stakeholders to look forward to the future of our group.

Dialogue¹

Recognizing Issues and Reconfirming objectives to Shift the agenda toward Growth trajectory

We discussed the reasons behind the revision of the medium-term business plan, reflected on FY2021, and looked at the challenges we face as well as the future direction of our company.



Venue of the Dialogue: Oishisa Design Studio

In 2018, we opened the Oishisa Design Studio, an integrated presentation facility, as a base for activities to realize Oishisa Design. The Oishisa Design Studio features a test kitchen, where we work with our customers to create optimal solutions using our applications in response to changing consumption trends and lifestyles.

Yugo Ishida
Outside Director
(Independent Officer)

Tsuyoshi Kameoka
Outside Director
(Independent Officer)

Tatsuya Sato
Representative Director,
President and CEO

Takeshi Kamigochi
Director, Senior Managing
Executive Officer, General
Manager, Oils and Fats
Business Unit

Note: The dialogue session took place in August 2022.

Please describe the reasons behind the revision to the medium-term business plan announced in May 2022.

► **Sato** The factors that led to the revision of the medium-term business plan were changes in the external business environment over a short term, such as soaring raw material prices, rising energy and logistics costs, and the rapid yen depreciation. For example, to address the sharp rise in procurement costs, we adjusted our prices five times in FY2021. As a result, the sales targets we set in our Sixth Medium-Term Business Plan, which ends in FY2024, as well as the targets we set in our FY2030 vision, drifted away from reality. We missed our profit target set at the beginning of the fiscal year, and recorded an operating loss of ¥21 million as raw material prices continued to rise in FY2021 without ever dipping down, and we were late in adjusting the market prices of our products. We therefore decided to revise our plan to adjust our targets to reflect reality.

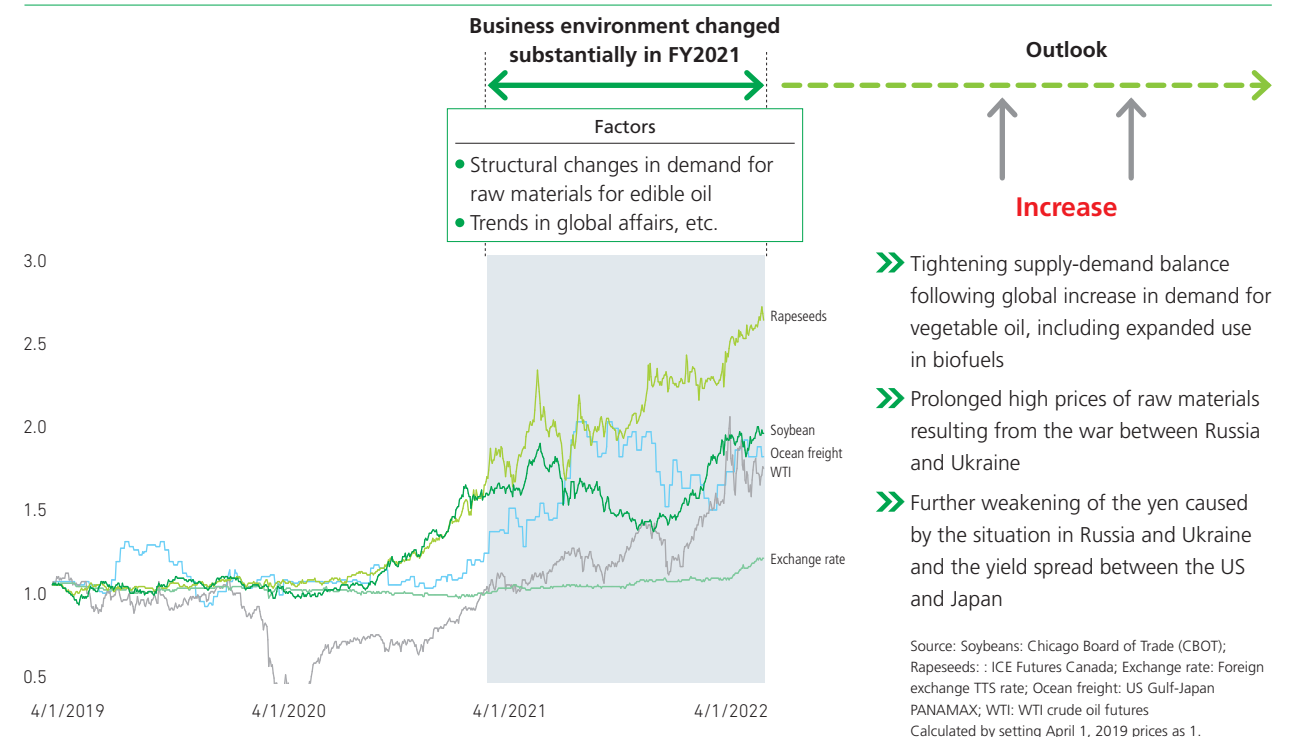
► **Kamigochi** Looking at the reasons behind the revision, the Oils and Fats Business reported in FY2020 net sales of ¥138.9 billion and segment profit of ¥6.2 billion. In FY2021, however, net sales amounted to ¥178.4 billion and segment profit to ¥325 million in FY2021, while procurement-related costs climbed approximately ¥43 billion in one year, which had a major impact to the business considering its scale. Although we were able to offset about ¥38 billion of this by adjusting market prices, selling oilseed meals and high-value-added products, it was not enough to absorb all of the rise in procurement costs.

In terms of sales, it took some time for customers to accept the price increase of household-use commodity edible oil products that reflected the higher procurement costs amid a challenging deflationary environment, due partly the pricing strategies of our competitors as well as some efforts made by retailers to keep prices lower and fixed, mainly for private brands. As for B to B products, although the restaurant industry stagnated for a period of time due to COVID-19 restrictions, we were able to expand the business as sales volume recovered in the second half of FY2021.

What are your observations and concerns when you look back on FY2021?

► **Kamigochi** One thing I noticed in the Oils and Fats Business amid the challenging business environment is the competitive advantage we have in the market with our proprietary technology that not only reduces the amount of oil used, but also makes our customers' operating costs and workloads more efficient. In fact, despite the headwinds brought about by soaring raw material prices, rising procurement costs, and the sharp yen depreciation, what drove our business expansion were products that leveraged our proprietary SUSTEC® technology. SUSTEC® is a patented technology at the core of Cho Toku® and Sugoi Cho Toku®, designed to extend its useful frying time by 1.3 to 1.4 times longer compared to ordinary oil. The Cho Toku® series has also obtained the Carbon Footprint of Products (CFP) mark, and by promoting the benefits of creating a sustainable

Changes in the external environment





What we need to work on now is to change our corporate culture and employee mindset through dialogue.

Tatsuya Sato

Representative Director, President and CEO

society, this series of products has gained a solid position in the market among major B to B customers. In FY2022, we intend to building further sales by taking advantage of this strength and position.

► **Sato** While these proprietary technologies drove our business, we also found some challenges as we look back on FY2021.

One such challenge is that we relied mostly upon market price adjustments in FY2021 to address the rapidly rising procurement costs. Market price is of course a very important factor, but as a manufacturer with production and logistics functions, we should have had more discussions on how to comprehensively deal with the challenging external environment on a company-wide basis, rather than just focusing on just selling products. We are currently reviewing our plan. While adjusting prices to reflect rising procurement costs, we need to proactively look into optimizing our production, logistics, and corporate divisions.

What is your opinion as an outside director regarding the company's performance and initiatives for FY2021?

► **Ishida** The business environment in FY2021 was unprecedented. However, this was not something specific to J-Oil Mills, and it equally affected other companies. Under these circumstances, the company's stock price fell by approximately 20% between the beginning and the end of FY2021. This price decline of J-Oil Mills shares was greater compared to the market average, because TOPIX was almost flat during the same period. Subsequently, as of June 2022, the stock price had fallen even further, and to put it simply, the company was not able to reward its shareholders in terms of its stock price.

I assume that in FY2021, the company was too slow to introduce structural reforms, such as transforming its product mix strategy and cost structure. The company was also sluggish about strengthening its sales force. These issues have long been recognized as a fundamental medium-term

challenge. Earlier, both Mr. Sato and Mr. Kamigochi mentioned that the price adjustments were not enough, and this is related to the fact that the company did not adequately address those medium-term issues.

► **Kameoka** One characteristic of the products that J-Oil Mills handles is that they are commodities, so it is very difficult to raise prices. Another characteristic is that there is no choice but to raise prices for commodity products when raw material prices rise, as they are the materials closest to sourcing. Because this is a problem facing any company dealing with commodities, it is extremely important to build relationships with customers through day-to-day selling activities with this fact in mind.

The risk of volatility in raw material procurement should also be prerequisite as long as the company operates under its existing business model. The important thing is to create an operational structure that can endure these issues when materialize, and I would like to deepen our discussions on this going forward.

► **Kamigochi** What Mr. Kameoka pointed out is certainly important. I think one of our regrets in terms of strengthening our sales force is that we did not have the courage to take bolder actions that have not been taken in the industry and by our competitors. We also had some easy assumptions based on our past experience that raw material prices would drop someday soon, even while they soared. To overcome this unprecedented situation, we need to drastically change of our company's culture and mindset.

There was some mention of the need to make bold changes amid the challenging business environment, but can you tell us about the fundamental objective and direction for revising the plan?

► **Sato** We plan to announce the details of the revised medium-term business plan by November 2022. With respect to the assumptions on the environment surrounding our

company we make as we revise the plan, we do not expect raw material prices to fall significantly from the current levels. Increasing the use of vegetable oils as biofuels has resulted in a worldwide supply crunch for vegetable oil materials, and the price of oil is rising. Furthermore, the demand for vegetable oil has increased around the world resulting from the conflict between Ukraine and Russia, which disrupted the stable supply of raw materials, and the raw material prices have been rising across the board to all-time highs. Our ending inventory level of raw materials for vegetable oil is also at a five-year low, and we do not expect the supply-demand balance to improve in the foreseeable future.

Under these circumstances, I would like to talk about three key points regarding the direction of revising our plan.

The first is to make the margarine business profitable, which is an urgent issue. We are taking the fact very seriously that it has been in the red for three consecutive periods very seriously. The structural reform project launched in June last year included drastic and substantial SKUs reductions, ranging from upstream processes such as reducing oil types to downstream sales strategies, manufacturing cost reductions through factory operational reforms, and efforts to improve profitability by implementing new sales strategies and focusing resources on key actions. We have begun manufacturing and exporting some products to Japan using the production facilities of Premium Fats Sdn Bhd, a group company in Malaysia, and we plan to improve profitability throughout FY2024 as we strategically optimize our production bases to enhance our price-point competitiveness. We also need to determine whether the factors that lead to losses are just one-off or structurally oriented.

The second point is our growth strategy of high-value-



We have a great opportunity to achieve substantial growth by incorporating measures that address the fundamental problems we face in the medium-term business plan that we are currently revising.

Yugo Ishida

Outside Director (Independent Officer)

added products. With the rising cost of raw materials, customers are increasingly in need of products that help them reduce their operating costs. Our SUSTEC® technology, which Mr. Kamigochi touched on earlier, has been attracting attention from a sustainability perspective as well, as it slows down oil deterioration and lasts longer than conventional products. We are also seeing steady growth in other products such as fish surimi and dairy substitutes that reduce costs while maintaining the flavor, texture, and other attributes of food products themselves. Although a sharp rise in raw material prices is unfavorable from a cost perspective, it can also provide new business opportunities. Although the business environment is extremely challenging, we hope to grow by capturing those new demands.

The third point is that we will prioritize and steadily proceed with growth investments in transforming for growth while keeping our cash position in mind. We ended up chasing the steadily rising raw material prices with price adjustments in FY2021, which increased our working capital and had a major impact on our cash position. We need to examine the scale and timing of our investments and strike a good balance between both growth investment and financial soundness.

► **Kamigochi** A top priority is to improve the profitability of the Oils and Fats Business, which was a major theme in the Sixth Medium-Term Business Plan. We also need to develop systems and mechanisms to speed up research and product development to innovate faster. To ensure that our development is truly connected to the business, it is important that we understand our role and purpose, and that our people, working, and objectives are closely connected to one another. To deliver this, we want to make sure that each of our more than 120 R&D colleagues feel a sense of ownership following this revision.

There is probably a lot of information that cannot be disclosed at this time since the revised plan has not been announced yet. Under these circumstances, what sort of revisions do you expect as an outside director?

► **Kameoka** This has been pointed out numerous times earlier, but as an industry with high price volatility in raw materials, maintaining a healthy balance sheet is a key prerequisite for ensuring a stable supply of products to customers. The company must manage its balance sheet well to meet the expectations of its customers. Furthermore, the only way to keep the balance sheet healthy is to boost earnings. As I mentioned earlier, it will be a challenge to rely solely on making commodity products, which are closest to sourcing the materials, so it will be critical for the company to figure out how to leverage its technological capabilities to create unique products. Since J-Oil Mills is a manufacturer, it needs to strengthen its technological capabilities, but it must also verify whether it is fully leveraging the technological capabilities that it already has.

► **Ishida** Speaking from my perspective as an outside director, it seems to me that the medium-term business plan should be on a rolling basis. We are in an environment where market volatility rises immediately when various risks emerge around the world. The company must create its medium-term business plan while always keeping contingencies for unforeseen events in mind and preparing backup plans. There is no point in having a plan built on unfounded optimism.

As an outside director, I have often been involved in debates on what a company should look like when creating a plan or corporate philosophy, but these discussions tend to produce textbook answers. Instead, it would not only be more fun, but also more motivating for people to consider

what sort of company they want to become. I believe that having front-line employees figure out what they want to become will form the basis of initiatives in the plan. For example, amid a drastically changing business environment, having employees think about the supply chain and innovation, job-based employment and compensation systems to support the sort of company they want to create, and M&A to substantially change the business structure, will lead to structural reforms, higher sales, and the development of the industry as a whole. This sort of perspective is necessary.

► **Kameoka** One structural challenge is the high dependence on the Oils and Fats Business. To address this, the company needs to review its business portfolio once again and withdraw from unprofitable businesses and pursue M&A opportunities. On the other hand, one of J-Oil Mills' strengths is that it has already achieved diversity by bringing together Ajinomoto Oil Mills, Yoshihara Oil Mill, and Honen Corporation, each of which have their own long history. Furthermore, the current management team also comes from a variety of companies and industries. However, even though the company has succeeded in promoting diversity, it has not yet reached out to inclusion, and this is a challenge. I think that an organization could be more efficient, have fewer conflicts, and communicate more smoothly if it were a non-diverse group of employees with similar attributes. Progress in diversity would have the opposite effect, but it is the organizations that deliver breakthrough environments, where inclusion is significantly. This is the key point. I would like to visit various sites and engage in discussions with employees in various departments to see for myself and raise issues.

More than anything, what the company needs right now



Looking at it objectively from my own experience, I have a huge expectation and a sense of commitment that our corporate culture will also change dramatically if we can successfully change our mindset.

Takeshi Kamigochi
Director, Senior Managing Executive Officer,
General Manager, Oils and Fats Business Unit



Dialogue¹

The number-two player must embrace a strategy tailored to them as a number-two player. It is important to have an organization and corporate culture that delivers outstanding and innovative products and services.

Tsuyoshi Kameoka
Outside Director (Independent Officer)

is a challenger's spirit. Of course, if you take on many challenges, you will fail at some, but the important thing is to set a boundary for failure from the start so that the cost of failure can be minimized. Finally, I hope the company can create a culture of learning from its failures.

► **Ishida** The medium-term business plan that we are currently revising includes measures to address the fundamental problems that J-Oil Mills is facing, and that should lead to substantial growth for the company. Since the frontline is working desperately to adjust prices, improve sales, and develop products, the time has come for the management team to make a major decision.

Outside directors Ishida and Kameoka raised various points, but what are your thoughts on these?

► **Sato** We are always very grateful for their valuable comments and advice. Now, we need to change our corporate culture and the mindset of our employees. In fact, we arrange opportunities to talk with each department, including sales and production. Because our company was formed through the consolidation of three companies, we have more factories and more production capacity than our competitors. We can turn this into an even greater strength than it is now. It will take time, but I am sure that our performance will improve. Seeing how much we can change our mindset and take action will be a challenge for J-Oil Mills, as well as a personal challenge for me.

► **Kamigochi** What I feel is that despite being a company formed through the consolidation of three aggressive companies, we have a mild corporate culture. We really should have a wider variety of personalities, but our mild culture turned out to be a weakness in the face of unprecedented business conditions. I am not a lifelong

employee of the company, and I have great expectations and a sense of commitment that if we can successfully change our mindset, our corporate culture will also change dramatically if we can successfully change our mindset. If we can speed up this process, it will be a major benefit to our company. We gained insights from the opinions of outside directors Ishida and Kameoka, and they gave us the push we needed.

► **Kameoka** Although J-Oil Mills is the second largest player in the industry, I get the impression that it competes like it is the leading company. The industry is structured in such a way that the company with the leading market share is the sole winner in a low-profitability business environment like the one we have seen recently, but the number two player can never compete if it behaves the same way. The number two player must have a strategy designed for the number two player. It is important to have an organization and corporate culture that delivers outstanding and innovative products and services. On the other hand, the management team needs to go through the process of repeatedly engaging in discussions with each department and building on these discussions as they revise the medium-term business plan, so that employees have a sense of understanding and ownership that they formulated the plan by themselves. It is important that every employee is able to describe the medium-term business strategy, or at least explain their own department's business strategy and goals.

► **Sato** Although the operating loss in FY2021 was disappointing, now is the right time to change our mindset within the company. If we don't do this now, we probably will never be able to. I would like to continue talking with our employees so that they truly believe that things will surely get better.

Oils and Fats Business



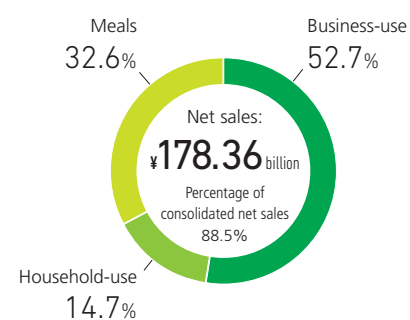
We are professionals specializing in oil, and we are fully committed to realizing the unique taste of oil and solving the problems that our customers and society face.

Takeshi Kamigochi

Director, Senior Managing Executive Officer, General Manager,
Oils and Fats Business Unit

Sales composition ratio in the Oils and Fats Business

FY2021



In our mainstay Oils and Fats Business, we process grain (most of which is imported) into oils and fats or oilseed meals for sale.

For business-use oils and fats, in addition to the long-lasting Cho Toku® series of oils and Sugoi Cho Toku® oils that incorporate our proprietary technologies, we manufacture and sell products that help solve customer issues, such as JOYL PRO Series - Seasoning oil for professionals.

We produce and sell delicious and healthy household-use oils and fats, ranging from cooking oils such as canola oil and rice bran oil to olive oil as well as products featuring omega-3 nutrients such as flaxseed oil and perilla oil.

Our meals are widely used as valuable raw materials, with the soybean meals being used as a high-quality protein source for mixed feeds and soy sauce brewing, and the rapeseed meals being used for organic fertilizers and mixed feed ingredients, among other things.

Oils and Fats Business**Business-use****Main products****Household-use****Main products****Meals****Main products****Key achievements in FY2021**

- ↑ Sales rose owing to price revisions associated with sharp rises in raw material prices, such as for soybeans and rapeseeds
- ↓ Profits fell as price revisions and cost reductions were not enough to offset the sharp rise in raw material prices

Sales volumes for business-use oils and fats grew YoY despite the challenging market environment centered on the restaurant industry, thanks to a rebound from the severe impact of the COVID-19 pandemic in FY2021 and expanded sales of the long-lasting Cho Toku® series of oils that leverages our proprietary SUSTEC® technology.

As for household-use oils and fats, sales volume fell YoY despite the launch of products using the environmentally friendly and easy-to-use paper carton Smart Green Pack® and

efforts to sell a wide range of products from commodity oil products to high-value-added products, as the stay-at-home demand from FY2021 tapered off and consumers became more budget-conscious following repeated price hikes.

Sales volumes of soybean meals and rapeseed meals rose YoY, reflecting higher extraction volumes, and selling prices of soybean meals and rapeseed meals increased in line with the substantial rise in soybean prices on the Chicago market.

FY2022 Outlook and Priority Initiatives**Outlook****Priority Initiatives**

- Higher sales driven by enhanced sales centered on high-value-added products and price revisions
- Increase in profits with price revisions and growth in sales of high-value-added products outweighing cost increases stemming from soaring raw material prices and the weaker yen
- Sell products at prices that reflect their value
- Promote R&D and sales of high-value-added products that deliver good taste, health, and lower burden
- Improve production efficiency through structural reforms

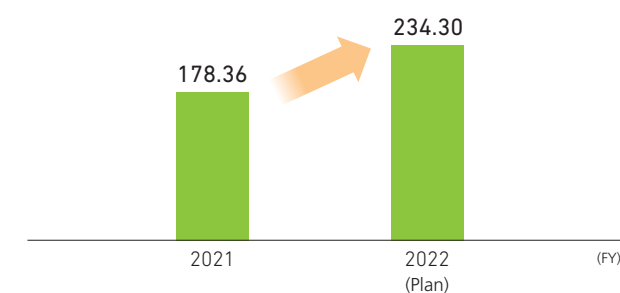
Prices for raw materials such as soybeans, rapeseeds, and palm oil, the main raw materials for oil and fat products, continue to rise at unprecedented and substantial rates.

The recent depreciation of the yen against other currencies has made the business environment even more

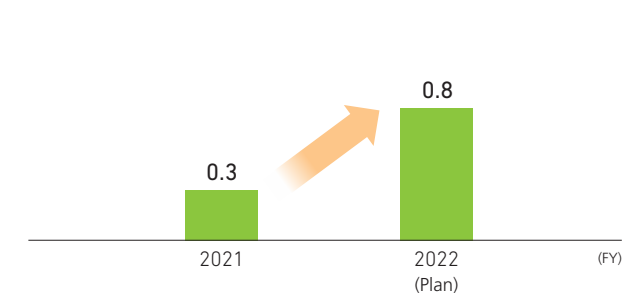
challenging. However, we will strive to improve profitability by adjusting prices, strengthening sales of high-value-added products, promoting new product development, and improving production efficiency through quick and effective structural reforms.

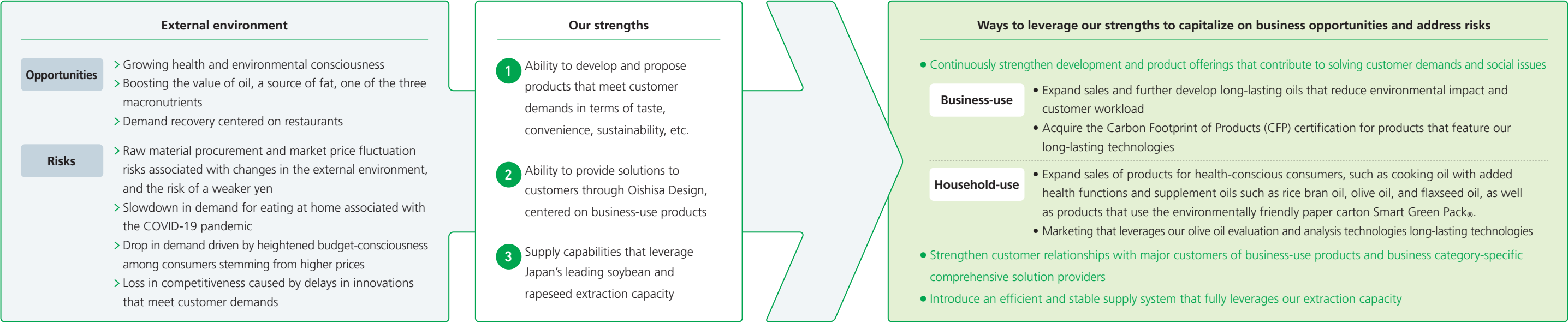
Net sales

(billions of yen)

**Operating profit**

(billions of yen)





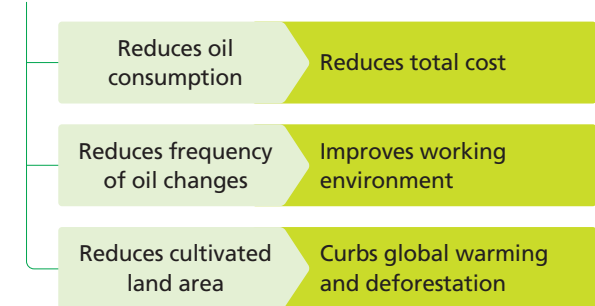
Growth initiatives

Business-use

Gaining competitive advantage with our SUSTEC® technology

The strength of our business-use products lies in the technological and product capabilities we have developed and refined together with our customers, who are professionals in the restaurant and ready-made meal industries. In particular, sales of our long-lasting Cho Toku® series of oils, which incorporates our proprietary SUSTEC® technology, has steadily grown as it has helped solve customer issues even under severe business conditions such as the activity restrictions stemming from the COVID-19 pandemic.

Value provided by long-lasting oil using SUSTEC® technology



Household-use

Products using Smart Green Pack®, an environmentally friendly paper carton package

In August 2021, we launched the Smart Green Pack®, a paper carton packaging material. Customers have praised the material not only for its environmental friendliness but also for its usability, which has led to more stores carrying products using this packaging material, as well as higher sales. We

launched new products in August 2022, steadily expanding the line of products using this material to a total of seven products. We will grow our company by solving various issues such as global warming and environmental pollution through developing and selling environmentally friendly products, while also satisfying the demands of consumers.

Initiatives to bolster our business foundation

Promoting structural reforms across the value chain

As part of our initiatives to strengthen our profitability, we made some changes to the production system at the Wakamatsu Plant to optimize our production functions. In addition, we are working to lower logistics costs by reducing

inventories and streamlining logistics operations, while improving productivity and reducing fixed costs by implementing automated and flexible production lines for the filling and packaging process.



Promoting the acquisition of the CFP certification

In June 2022, our long-lasting Cho Toku® series of oils received the Carbon Footprint of Products (CFP) certification, which conforms to international carbon footprint standards, after its CO₂ reduction benefits were verified by calculating CO₂ emissions throughout its entire life cycle, from raw material procurement to disposal.

The acquisition of this certification has been well received by many of our customers. Currently, we are working to acquire the CFP certification for Sugoi Cho Toku®.

Value provided by the Cho Toku® series of products

CFP Certified Cho Toku® series



Our business-use Cho Toku® series of oils acquires the CFP certification (in Japanese only)
https://www.j-oil.com/press/article/220613_003302.html

CO₂ visualization: carbon footprint
<https://ecoleaf-label.jp/english/>



Specialty Food Products Business



We create and provide value tailored to customer demands by employing our proprietary processing and application technologies to plant-based ingredients such as “oil”, “starch”, and “protein”.

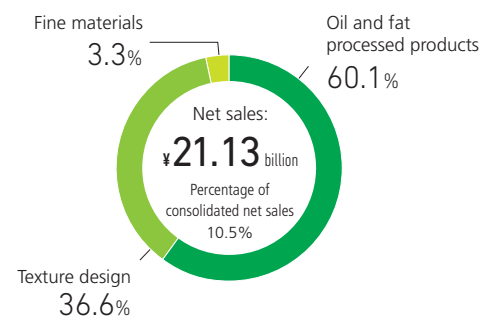
Hiroshi Ohtaka

Senior Managing Executive Officer

General Manager, Specialty Food Products Business Unit

Sales composition ratio in the Specialty Food Products Business

FY2021



The Specialty Food Products Business provides products that incorporate our proprietary technologies as well as a diverse range of ingredients.

Our oil and fat processed products include solid oil and fat products such as margarine and shortening, as well as powdered and liquid oils and fats, plant-based cheeses, and many other product lines that we develop and market.

Texture design products consist of corn, tapioca, and other ingredients processed using our proprietary technology and marketed as starch products with improved texture and other features. We also manufacture and sell MAMENORI SAN®, an edible soybean sheet that has been well received mainly overseas as a seaweed substitute, and plant-based meat ingredients such as vegetable meat, which is deliciously processed from plant-based protein, oil, and starch using our proprietary technologies.

As for fine materials, we manufacture and sell vitamin K₂ derived from bacillus natto and trace ingredients such as tocopherols and isoflavones, while also selling vegetable oils for use as ingredients in cosmetic products.

Specialty Food Products Business**Oil and fat processed products****Main products**

Rama



Violife

GRANMASTER®
Irish series**Texture design****Main products**

NEOTRUST

ACTBODY®
(Processed starch for noodles)MAMENORI SAN®
edible soybean sheets**Fine materials****Main products**menatto™, vitamin K₂

Tocopherols

Note: In April 2022, the oil and fat processed products business was renamed the dairy-based Plant Base Food business, and texture design and fine materials were integrated to form the food materials business.

Key achievements in FY2021

- ↑ Sales grew thanks to price revisions in response to soaring raw material prices, and strengthened sales efforts for high-value-added starch, vitamin K₂, and MAMENORI SAN® edible soybean sheets
- ↓ Profits fell as price revisions and cost reductions were not enough to offset soaring raw material prices, mainly for oil and fat processed products

For oil and fat processed products, sales volume of margarines fell YoY owing to a market decline. On the other hand, we entered the plant-based food (PBF) market in September 2021 through a partnership with Upfield, one of the world's leading PBF companies, and are working to develop products that will drive future growth, including by launching the Violife brand of plant-based cheeses.

Sales of texture design expanded, centering on MAMENORI SAN®, an edible soybean sheet product featuring high-value-added starch and soy protein, which improves texture.

As for fine materials, sales grew steadily both in Japan and overseas driven by enhanced branding and new adoptions of our vitamin K₂ products.

FY2022 outlook and priority initiatives**Outlook****Priority Initiatives**

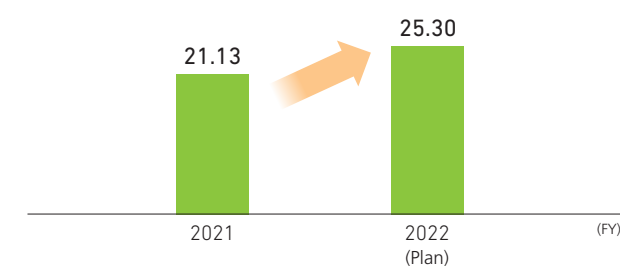
- Higher sales driven by enhanced sales centered on high-value-added products and price revisions
- Increase in profits with price revisions, growth in sales of high-value-added products, and cost reductions from structural reforms outweighing cost increases stemming from soaring raw material prices and the weaker yen
- Expand business by offering solutions that combine our proprietary technologies and collaborating with partner companies
- Move forward with building a foundation for growth by aggressively investing in ASEAN and other overseas growth markets
- Structural reforms to make the margarine business profitable

We expect to face a challenging business environment with rising raw material costs, a weakening yen, as well as rising energy costs stemming from higher crude oil prices. However, we will continue to reinforce our solution offerings that combine our proprietary technologies and

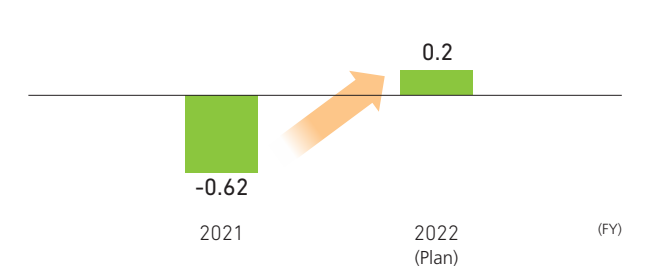
materials, expand our business by collaborating with partner companies, and create a foundation for growth by aggressively investing overseas, while improving profitability through structural reforms.

Net sales

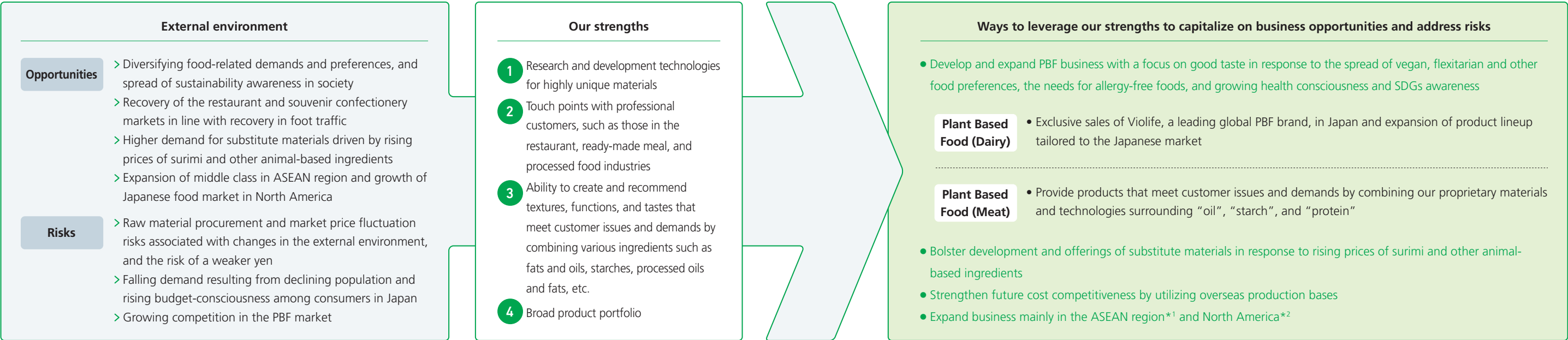
(billions of yen)

**Operating profit**

(billions of yen)



Specialty Food Products Business



*1 We develop and market functional fats and oils and functional starch products for Thailand and ASEAN countries through J-OIL MILLS (Thailand) Co., Ltd. In addition, we have formed a business and capital alliance with PNPL, a manufacturer of processed oils and fats in Malaysia, and provide ingredients for confectionery and baking together with our subsidiaries Premium Fats Sdn Bhd and Premium Vegetable Oils Sdn.

*2 We sell MAMENORI SAN® edible soybean sheets and menatto™, vitamin K₂.

Growth initiatives

Plant Based Food (Dairy)

Violife leads the plant-based cheese market

The plant-based dairy market is rapidly expanding worldwide on the back of social trends such as growing health consciousness and environmental concerns. In May 2021, we concluded an agreement with Upfield GEC Limited for the exclusive import and sale of Violife products in Japan. In September 2021, we began selling household-use plant-based cheese first in the Kanto area, then expanded our sales

area nationwide in March 2022.

Since the launch of Violife, the household-use plant-based cheese market has grown by approximately 2.3 times, with Violife driving growth in this market with a market share of approximately 30%.

We also began sales of business-use products in late October 2021, and sales has grown with major café chains using our products.

Food material

Turning soaring raw material prices into a business opportunity

With raw material prices soaring, there is a growing need for substitute materials for animal-based ingredients, such as fish surimi and dairy ingredients, that can help customers reduce

their costs. Our starch products, which are made using our proprietary technology, have helped our customers reduce costs while maintaining the delicious taste of the ingredients, and sales are steadily increasing.

Note: In April 2022, the oil and fat processed products business was renamed the Plant Based Food (Dairy) business, and texture design and fine materials were integrated to form the food materials business.

Initiatives to bolster our business foundation

Working together to make the margarine business profitable

We are undertaking initiatives to improve profitability by substantially reducing SKUs, including upstream processes such as reducing oil types, reducing manufacturing costs through factory operation reforms, and consolidating resources and

implementing new sales strategies designed to boost profitability. In addition, we are also working to strategically optimize our production bases to enhance our price competitiveness by, for example, using the production facilities of our Malaysia-based group company Premium Fats Sdn Bhd to begin manufacturing and exporting some products to Japan.



Accelerate growth by delivering new value

Expanding the Violife series of products

On September 1, 2022, we introduced two new household-use plant-based cheese products, bringing the total number of products to six. In addition, we shifted part of the manufacturing process in-house and updated the product to a size that is more convenient for Japanese customers to purchase, thereby providing products that better meet consumer needs. Bringing the manufacturing process in-house has also lowered costs.

Violife products lineup (plant-based cheese)

Note: Not dairy-based cheese or butter



J-Oil Mills' Value Creation Model

To achieve our vision of "Joy for Life® - Bringing Joy to the Future by Food," we will contribute to solving social issues by bringing joy to people, society, and the environment through our business by leveraging our strength in Oishisa Design.



ESG Management to Achieve Our Vision

As the impact of corporate activities on society expands, there is a growing demand for corporate management that takes environmental, social, and governance (ESG) into consideration. We believe that ESG initiatives are the foundation of our business activities, and we will do our utmost to solve social issues on a global scale. Our aim is to become a

sustainable value-creating company by achieving our corporate vision of Joy for Life®. We have organized our major initiatives to date by plotting our value chain on the horizontal axis and materiality on the vertical axis.

□ Please refer to pages 32–33 for details of our goals and quantitative targets for FY2030 based on our materiality.





































	Value Chain of J-Oil Mills			
	Raw material procurement	Oilseed extraction Material procurement	Logistics	Sales (reflecting customer feedback)
External environment				
Key risks and opportunities	<div><div>Risks</div><div>• Impact of weather/climate change on production and crop yields</div><div>Risks</div><div>• Impact of fluctuations in exchange rates and ocean freight costs on procurement costs</div><div>Risks</div><div>• Impact of geopolitical risk on procurement ability and costs</div><div>Risks</div><div>• Decrease in corporate value resulting from lack of respect for human rights and the environment</div><div>Opportunities</div><div>• Increase in corporate value as a result of procurement activities that take human rights and the environment into consideration</div></div>	<div><div>Risks</div><div>• Suspension of operations resulting from natural disasters</div><div>Risks</div><div>• Decrease in demand driven by a shrinking domestic market stemming from the declining birthrate and aging population</div><div>Risks</div><div>• Inflow of inexpensive livestock products as a result of reduced tariffs</div><div>Risks</div><div>• Higher demand for oilseed meals as feed ingredients due to rising demand for meat in emerging countries</div><div>Opportunities</div><div>• Reinforcement of business continuity plan</div><div>Opportunities</div><div>• Cost reductions from initiatives to reduce environmental impact</div></div>	<div><div>Risks</div><div>• Labor shortage in the logistics industry</div><div>Risks</div><div>• Rising logistics costs</div><div>Risks</div><div>• Environmental regulations</div><div>Opportunities</div><div>• Lower logistics costs and improved working environment as a result of streamlined delivery driven by a modal shift* and new technologies</div></div>	<div><div>Risks</div><div>• Loss of reputation from failure to respond to the needs of sustainability-focused consumers</div><div>Risks</div><div>• Elimination of non-environmentally friendly products</div><div>Risks</div><div>• Risk of not being able to reflect cost increases in selling prices</div><div>Opportunities</div><div>• Rise in environmental awareness and ethical consumption (response to food crisis)</div><div>Opportunities</div><div>• Improved customer trust and corporate value through timely and appropriate information disclosure</div></div>
Materiality				
Reducing environmental burden				
□ Please see page 60				
Ensuring sustainability of resources and arable land				
Contributing to the reduction of customer work and workloads				
Mitigation of and adaptation to climate change				
Maintaining food resources				
□ Please see page 64				
Addressing the protein crisis				
Food loss reduction and stable supply				
Preserving meat and fishery resources				
Food safety and peace of mind				
Contributing to health through food				
□ Please see page 66				
Contributing to health maintenance				
Responding to an aging society				
Diversification of lifestyles				
Contributing to nutrition intake/ management				
Business continuity foundation				
Strengthening of Corporate Governance □ P42				
Strengthening of Risk Management □ P50				
Promoting Compliance □ P50				
Supply Chain Management □ P52				
Diversity and Inclusion □ P54				
Work Style Reform and Engagement □ P54				
Reforming our Corporate Culture and Mindset □ P54				
Contribution to and Collaboration with Local Communities □ P57				
Timely and Appropriate Information Disclosure □ P57				
Applicable SDGs				

*Modal shift refers to the substitution of truck transportation for rail, sea, and other modes of mass transportation.

Materiality

Materiality are matters that represent risks or opportunities for our business, and will address them over the medium to long term to achieve our FY2030 vision. We will continue to periodically review the materiality identified in light of social trends and changes in challenges and demands.

 Materiality of J-Oil Mills (in Japanese only)
<https://www.j-oil.com/sustainability/materiality/>

Theme	Materiality	FY2024 Goals📈/Quantitative Targets📊	FY2030 Goals📈/Quantitative Targets📊	Related SDGs
Reducing environmental burden  P60	Ensuring sustainability of resources and arable land	📈Continue to survey supply chain to ensure human rights and environmentally friendly procurement of soybeans, and organize issues 📊Maintain 100% traceability to the mill (palm)	📈Make progress on human rights and environmental initiatives, such as encouraging stakeholders in the soybean supply chain to respect human rights and the environment 📊Achieve 100% traceability to farm (palm)	      
	Contributing to the reduction of customer work and workloads			
	Mitigation of and adaptation to climate change	📈Help create a decarbonized society and a recycling-oriented society 📊Promote CO ₂ reduction and work toward FY2030 targets 📈Acquire Science Based Targets Certification and set higher targets such as expanding the ratio of internally generated power 📊Reduce municipal and industrial water use by 5% compared to FY2019 📈Maintain zero waste emissions	📈Contribute to solving climate change-related social issues and achieve sustainable growth 📊Reduce CO ₂ emissions by 50% compared to FY2013 📈Reduce municipal and industrial water use by 10% compared to FY2019 📊Maintain zero waste emissions 📈Achieve zero plastic waste	
Maintaining food resources  P64	Addressing the protein crisis	📈Expand the variety of protein foods by providing ingredients and applications that deliver the taste, function, health, and nutritional benefits of animal-based ingredients by using plant-based ingredients	📈Expand the variety of protein foods by providing ingredients and applications that deliver the taste, function, health, and nutritional benefits of animal-based ingredients by using plant-based ingredients	     
	Food loss reduction and stable supply	📈Promote initiatives to lower environmental impact by reducing food loss and improving work efficiency from the perspective of achieving long-lasting “Oishisa” (deliciousness)	📈Achieve reduction in environmental impact by reducing food loss and improving work efficiency from the perspective of achieving long-lasting “Oishisa” (deliciousness)	
	Preserving meat and fishery resources	📈Provide materials that deliver the taste and functionality of animal-based ingredient by using vegetable-based ingredients	📈Provide the taste and functionality unique to plant-based ingredients	
	Food safety and peace of mind	📈Promote development and sales of sustainable products and products that reflect customer feedback 📊Achieve a 30% development ratio for sustainable products or products that reflect customer feedback	📈Expand development and sales of sustainable products and products that reflect customer feedback 📊Achieve a 70% development ratio for sustainable products or products that reflect customer feedback	
Contributing to health through food  P66	Contributing to health maintenance	📈Discover the potential of fats, oils, and components contained in fats and oils to help maintain and improve basic physical fitness with the aim of improving people’s immune systems and preventing health issues	📈Establish marketable technologies that can promote fats, oils, and components contained in fats and oils to help maintain and improve basic physical fitness with the aim of improving people’s immune systems and preventing health issues	 
	Responding to an aging society	📈Implement a health improvement approach using functional nutritional ingredients for frailty and other health issues that the elderly face	📈Provide health improvements using functional nutritional ingredients for frailty and other health issues that the elderly face (by providing the best possible measures according to the person’s condition)	
	Diversification of lifestyles	📈Develop healthy foods and ingredients with a focus on good taste that take advantage of the benefits of plant-based ingredients and address diverse lifestyles	📈Provide delicious healthy foods and ingredients that take advantage of the benefits of plant-based ingredients and address diverse lifestyles	
	Contributing to nutrition intake /management	📈Offer functional ingredients and food products to solve lifestyle-related diseases and other health-related issues	📈Offer functional ingredients and food products to solve lifestyle-related diseases and other health-related issues, and continuously improve customer benefits by incorporating feedback into the evaluation and development of these products	
Business Continuity Foundation	Strengthening of Corporate Governance  P42	📈Strengthen the structure of the Board of Directors and the business execution foundation 📈Strengthen the effectiveness of the group governance system 📈Enhance monitoring of financial and non-financial information	📈Achieve corporate governance that enhances corporate value 📈Ensure board diversity 📈Improve stakeholder engagement	        
	Strengthening of Risk Management  P50	📈Strengthen the effectiveness of the Risk Management Committee	📈Enhance corporate value by strengthening our management foundation and reforming organizational culture	
	Promoting Compliance  P50	📈Strengthen the effectiveness of the Risk Management Committee	📈Enhance corporate value by strengthening our management foundations and reforming organizational culture	
	Supply Chain Management  P52	📈Build an ESG management system 📈Optimize supply chain by promoting logistics digital transformation and standardization 📊Achieve zero standby time for loading vehicles at company-owned plants 📊Reduce engine idle time while on standby 📊Reduce CO ₂ emissions by maintaining a high modal shift rate in trunk line transportation (Oils and Fats Business/sections over 500 km) 📊Extend delivery lead times	📈Enhance sustainable procurement 📈Rebuild logistics system (FY2025) *Planning to connect to the logistics platform under consideration by the Strategic Innovation Program (SIP) of the Cabinet Office in FY2025	
	Diversity and Inclusion  P54	📈Actively employ diverse human resources regardless of age, gender, or nationality (e.g., women, persons with disabilities, re-employment of retirees, etc.) 📊Ratio of female managers: at least 12% 📊Employment rate of persons with disabilities: at least 2.3%	📈Achieve diversity of human resources, ensure success of personnel with rich experience, knowledge, and enhanced expertise, and foster innovation in the organization 📊Ratio of female managers: at least 30% 📊Employment rate of persons with disabilities: at least 4%	
	Work Style Reform and Engagement  P54	📈Design systems and foster an organizational culture that enables diverse work styles 📈Develop and strengthen specialized systems to promote health management 📊Increase investment in training by 1.5 times compared to FY2019	📈Further improve work-life balance 📈Foster an organizational culture that is full of vitality and focused on growth and new challenges	
	Reforming Our Corporate Culture and Mindset  P54	📈Increase number of employees responding favorably to engagement indicators		
	Contribution to and Collaboration with Local Communities  P57	📈Carry out activities in line with global perspectives and stakeholder characteristics 📈Conduct advocacy activities 📈Strengthen dialogue with NPOs and NGOs 📊Strengthen social contribution activities and budget (0.8% of ordinary profit)	📈Expand activities globally 📈Expand from communication to advocacy activities 📊Strengthen social contribution activities and budget (1% of ordinary profit)	
	Timely and Appropriate Information Disclosure  P57	📈Optimize shareholder composition 📈Disseminate value-creating information 📊Increase the ratio of individual shareholders and institutional investors by 8% compared to FY2020 📊Increase media exposure (equivalent to ¥500 million in advertising): Already achieved, planning to set a new target	📈Strengthen functionality of sustainability, investor relations, and public relations, and establish organizational independence in line with business expansion and company growth 📈Disseminate information at overseas bases and appoint personnel in charge 📊Increase the ratio of individual shareholders and institutional investors by 15% compared to FY2020 📊Increase media exposure (equivalent to ¥1.5 billion in advertising): Already achieved, planning to set a new target	

**Tatsuya Sato**Representative Director,
President and CEO**Hiroko Koide**Outside Director
(Independent Director)**Eizo Matsumoto**Director, Managing Executive
Officer, in charge of Production
and Technology

Dialogue² Promoting ESG Management as the Platform for Business Activities

First, please tell us about the basic approach and policy of J-Oil Mills with regard to sustainability.

► **Sato** All of our business activities at J-Oil Mills are based on fat, carbohydrates, and protein, which are all derived from plants and essential to human life. We believe it is important to focus on our initiatives aimed at reducing our impact on the global environment and creating a sustainable, recycling-oriented society, and have established a Sustainability Committee to promote sustainability throughout the company. To bring our vision of “Joy for Life® -Bringing Joy to the Future by Food” to fruition, we will explore what we, as a group of food experts, can do to help create an abundant and sustainable society and lifestyle.

► **Matsumoto** The Sustainability Committee has three subcommittees for discussing social issues across the company: the Sustainable Procurement and Environment Subcommittee, the Human Rights Subcommittee, and the Sustainable Product Development Subcommittee. In addition, matters discussed and examined by the subcommittees are reported in the Management Committee. Furthermore, we ensure that the Board of Directors is involved by having the Sustainability Committee report to the Board of Directors on a quarterly basis.

► **Sato** From FY2022, we revised our executive remuneration system to incorporate ESG indicators into the individual

performance targets of our executives. We plan to promote ESG management by introducing incentives that tie executive remuneration to ESG indicators, for example, by setting climate change countermeasures such as reducing CO₂ emissions as one of the ESG indicators and raising awareness among executives of the need to address climate change.

As an outside director, how do you evaluate the company's sustainability initiatives?

► **Koide** Over the past two to three years, as part of our efforts to strengthen corporate governance, we enhanced the structure of the Board of Directors by making five of the eight directors outside directors, of which three are independent outside directors. The Nominating Committee and the Remuneration Committee are also set up as advisory committees, and hold meetings on a monthly basis. I consider the presence of a highly effective advisory committee to be a major step forward. At the same time, companies must continue to evolve, so I think it is necessary to review the system each year, but the fact that a new system has been created and is being steadily operated is praiseworthy.

In addition, the company established a new corporate philosophy in April 2021. At the time, we created and published the Joy for Life® Map, which illustrates our corporate

philosophy and vision. The Joy for Life® Map shows how J-Oil Mills plans to address the SDGs through its business activities under the guiding words of “good taste,” “health,” and “low burden,” by fulfilling its corporate philosophy and resolving its Materiality issues of reducing environmental burden, maintaining food resources, and contributing to health through food, as well as its business continuity foundation, which will serve as a foundation for the Materiality.

► **Sato** With regard to our corporate philosophy, we created opportunities for discussion with all employees as part of our dissemination activities in FY2021, and we are continuously monitoring the progress of dissemination through pulse surveys. Despite the challenging business performance, we are beginning to see our corporate philosophy put into practice. For example, when looking at “venture with sincerity,” discussions on packaging material development became more active in production-related departments, and pulse survey scores rose.

► **Koide** Also, when talking about the Joy for Life® Map, for example, we were able to reduce CO₂ emissions and the amount of plastic used compared to previous containers for our environmentally friendly and easy to use Smart Green Pack® edible oil, which adds to the existing value of good taste that we have been providing. After customers are done using the product, they can fold it down compactly for disposal, which helps reduce the volume of waste. We believe that we are making progress in our sustainability efforts, as we are seeing positive results in developing products that help solve social issues.

► **Matsumoto** We have been working to reduce CO₂ emissions and energy consumption as part of our responsibility as a food company, and I believe that the progress we have made in reducing the environmental impact of our products

Hiroko KoideOutside Director
(Independent Director)

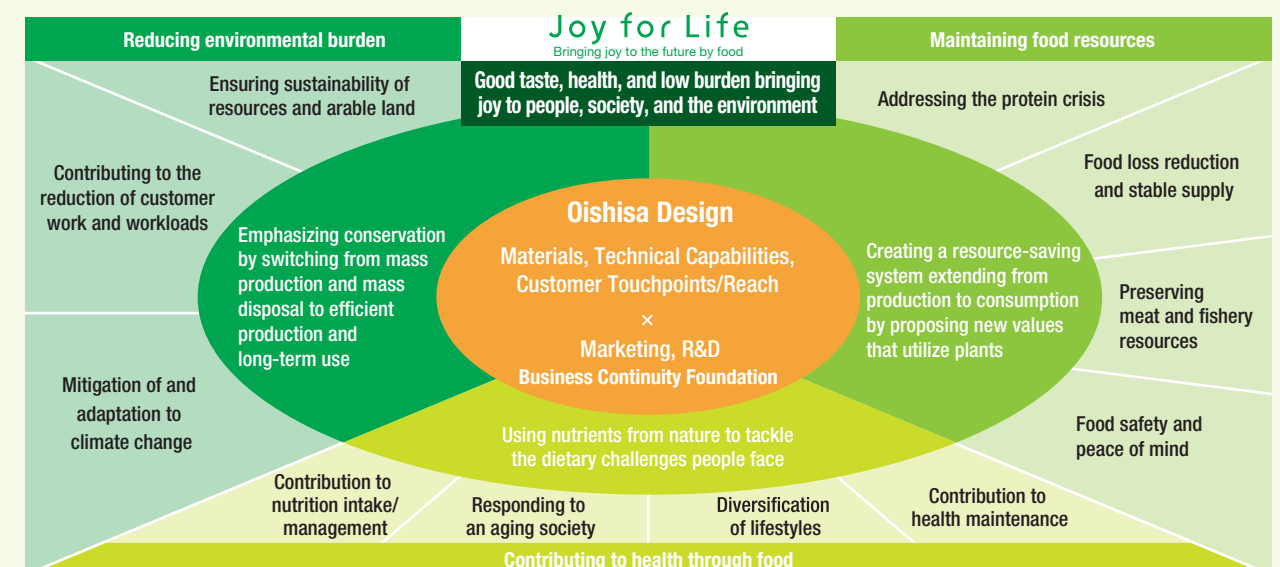
is an achievement in itself. In addition to Smart Green Pack®, we also offer our long-lasting Cho Toku® oil and starch products that extend the time that food remains delicious, and I believe we are truly contributing to the achievement of the SDGs by encouraging our customers to choose and use our products, which in turn reduces our environmental impact.

What challenges do you see going forward with regard to the sustainability initiatives at J-Oil Mills?

► **Sato** Among our sustainability initiatives, I believe that we still have much work to do in Diversity, Equity and Inclusion (DE&I).

► **Koide** I feel that awareness toward DE&I within the company is growing and a system is being established. On the other hand, the scope of our initiatives is very broad and includes everything from attracting and developing human resources to career development, work style reforms, and evaluation systems, and I agree with Mr. Sato that there is still much work to be done in terms of DE&I. For diversity in particular, we need to consider not only gender, but also nationality, age, and experience outside of our company. In recent years, we have seen an increase in the number of

Joy for Life® Map



mid-career hires with outside experience. Mid-career hiring should be a part of our comprehensive DE&I initiative, but we have not been able to incorporate this into our human resources strategy yet.

► **Sato** I worked in the US until March 2021, and over 40% of the senior management positions in the corporate group I worked for in the US were held by women. This was a result of equal opportunities being given and the most talented people with the best results being placed in the appropriate positions, rather than women being hired with KPIs in mind. I believe this is really what we should be aiming for. It is very important that opportunities are given equally and evaluated fairly. Equal opportunity and fair evaluation must be ensured without discrimination based on age, nationality, race, or religion, as well as gender. I understand from my own experience that DE&I initiatives, although very sensitive in some aspects, are initiatives that can enhance corporate value and ensure superiority. Accordingly, I would like to work on this as quickly and as efficiently as possible.

► **Koide** We established a KPI target of having 30% of managerial positions held by women by 2030, but this figure is currently only 6%. While it is important to set ambitious targets, I believe we also need to set KPI targets every year, monitor them closely to see how far we have progressed each year, and if progress is lacking, then figure out what the contributing factors are and what actions we can take to rectify the situation.

► **Matsumoto** As a food company, I believe it is essential for us to address product development and marketing, quality control, and safety and security from a woman's perspective. However, even if we look at just the percentage of female managers, which Ms. Koide pointed out as an issue, we cannot say that our initiatives to date have been enough to achieve our targets. There are many cases where female factory managers are taking a leadership role in production activities, and this is already the norm in other companies, especially in foreign companies. On the other hand, at our company, although we are continuing to work on the



Eizo Matsumoto

Director, Managing Executive Officer, in charge of Production and Technology

Cassiopeia W Project and conducting training for all employees and by job level, a survey of all employees showed that only about 20% of all female employees want to be in management positions, which shows that we have not been able to resolve issues such as by providing work-life balance and addressing the lack of experience needed for leadership roles. In addition, we have had comments saying that “many male employees are still in management positions, and it is difficult to imagine women playing an active role in management.” Going forward, I believe we need to further expand opportunities for women to play an active role and work to develop human resources that enable them to pursue a variety of career paths.

► **Sato** We need to step up our efforts as a company to provide more opportunities for women to play an active role. It would be ideal if the percentage of female managers rises producing results and in turn boosts our corporate value as a result of these initiatives. Looking at our workforce composition, at this point in time, there are many women in the corporate division and very few in the production and sales divisions. For example, we need to quickly figure out how we can create opportunities for more female employees in production, while at the same time exploring what we can do to entice female employees to want to work there. In conversations with employees, I sometimes hear comments such as, “There are more and more female employees active in departments that previously had few women, such as the sales department and the production floor, and this has given us a clearer picture of how women can play an active role.” I want to empower our female employees by creating opportunities.

► **Koide** Human resources are an essential capital that forms the foundation of everything we do. It goes without saying that, from the perspective of business strategy, we need to acquire the talent we need and improve the skills of our employees to achieve our targets. However, I think it is also important for us to take the approach of nurturing employees who share our unique corporate culture and values, to “work together to achieve high targets and exceed expectations,” so that we can move ahead together to achieve our vision. Another point I would like to emphasize is appointing young people. I believe there is still a strong seniority-based culture not only in our company but also in Japanese society, and this needs to change. Of course, I am not talking about appointing young people just because they are young, but because diversity in age is important. I believe we should be bold and appoint young and talented people to appropriate positions, and provide a path for them to become next-generation leaders responsible for the future management of our company by giving them tough assignments.

► **Matsumoto** Regarding human resources, in addition to the low percentage of female managers, I believe another issue is the high average age of our managerial personnel.

In addition to expanding the number of female managers, it is important to lower the average age of our supervisory personnel. In the medium-term business plan currently under review, we are in the process of preparing a message to our employees with respect to human resource development to convey that we plan to develop the next generation of leaders, with high hopes not only for women but also for younger employees. In addition, as a concrete measure, we are working on two main initiatives from FY2021 to FY2022 to further accelerate our efforts to promote talented employees with potential. The first initiative is to revise our managerial promotion process. Our current process involves a one- to two-year pre-management period prior to promoting an employee, but we will change the process so that employees who are deemed to be well-qualified can be promoted without going through that period. In addition, we started working on succession planning to develop the next generation of leaders. Although we do not expect to see the benefits until FY2023 or later, we plan to take things even further to continue enhancing our human resource development efforts.

What sustainability-related initiatives has J-Oil Mills pursued recently?

► **Koide** Human rights are one of the major themes in sustainability. The company's human rights initiatives include the diversity and inclusion, work style reforms, and awareness reforms that we were talking about earlier with regard to employees. However, human rights go beyond what happens within a company. This is something that ties into the supply chain and should be tracked globally. In the case of oil, we need to ensure that human rights are truly protected all the way down to the overseas farms where the raw materials come from. I think the fact that J-Oil Mills is beginning to address this issue is a very important step forward. The company has announced its basic policy of respecting human rights to suppliers as well. However, I think efforts to go beyond the suppliers and ensure that human rights are respected in overseas farms fall under upcoming initiatives.

► **Sato** That is correct. Procurement serves as a critical juncture in respecting human rights. For example, in palm oil procurement, we are a member of the Roundtable on Sustainable Palm Oil (RSPO) and have established a “Palm Oil Procurement Policy” so that we can track whether there is any forced labor, including child labor, and whether fair wages are being paid. There are still many issues we need to address, but we are sharing them with our business partners and steadily advancing our initiatives to ensure that human rights are respected throughout the entire supply chain.

► **Matsumoto** In palm oil procurement, we have achieved 100% traceability for mills and refineries, and our purchase volume and ratio of RSPO-certified oil is increasing. On the



Tatsuya Sato

Representative Director, President and CEO

other hand, with regard to soybeans, some source countries and suppliers have not yet taken much action, and there are limits to how far we can go on our own in investigating the human rights practices of our suppliers, and whether we can procure materials that are free of human rights issues. However, to overcome the challenges one by one and fulfill our social responsibility as a company, we formulated our Soybean Procurement Policy in August of this year and joined the Roundtable on Responsible Soy (RTRS). I believe it is important to start where we can and take these initiatives one step at a time even if it is challenging. The more we continue, the closer we will get to our goal, so I hope we can continue our activities appropriately and contribute to building the future of our society.

► **Koide** Rather than simply thinking about returning profits to society, I think it is important to think about how we can create value and boost our competitiveness through sustainability initiatives by solving social issues and contributing to the future of our society. It makes no sense if sustainability itself becomes the objective and we end up talking about whether or not we achieve our KPI targets. As a company involved in food, I believe there is still much that J-Oil Mills can do to help solve social issues such as bringing joy to people, promoting health, and protecting the environment. I would like to continue to further deepen discussions regarding the company's sustainability activities from the perspective of exploring ways to enhance corporate value and strengthen competitiveness.

► **Sato** Figuring out how to create value and build our competitiveness by taking the appropriate steps and even thinking about ways to solve social issues and help shape the future of our society is a never ending journey. If we let loose, we will come to a stop, and I would like all of us to keep working toward even greater heights.

Promoting Sustainability

The environment surrounding the food industry involves a very broad and diverse range of challenges, including climate change, resource depletion, food loss, health issues, and human rights issues in the supply chain. The J-Oil Mills Group has set its vision of “Joy for Life® - Bringing Joy to the Future by Food” and strives to bring joy to people, society and the environment through good taste, health, and low burden. We strive to solve social issues and create a sustainable society by providing new value that harnesses the blessings of plants.

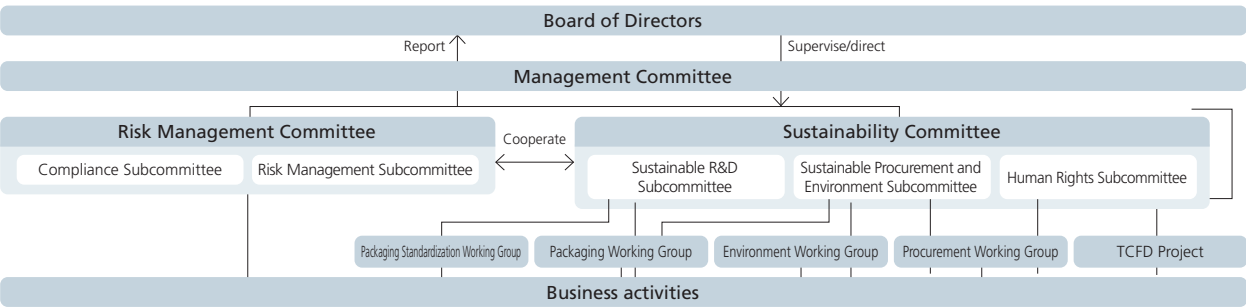
Reinforcing the Sustainability Promotion System

We view ESG (Environmental, Social and Governance) as an indicator for evaluating corporate value and actively promote ESG management and sustainability initiatives that are aligned with our long-term corporate strategy and growth investments.

In FY2020, we established the Sustainability Committee, chaired by a director, to promote sustainability across the company. The committee consists of three subcommittees: the Sustainable Procurement and Environment Subcommittee, the Human Rights Subcommittee, and the Sustainable R&D Subcommittee, each of which is organized by representatives from related divisions. In addition, the Procurement Working Group, the Environment Working Group, the Packaging Working Group, and the Packaging Standardization Working Group have been established under the respective subcommittees. Each subcommittee and working group sets its own activity themes to solve social issues such as reducing

environmental impact, promoting sustainable procurement that respects human rights and the environment, developing products and packaging materials, strengthening supply chain management, and addressing human rights issues. This committee organically ties the activities of each subcommittee and working group together, manages their progress, and reports quarterly to the Management Committee and the Board of Directors. In addition, we broadened the layer of each subcommittee's chairperson to include executive officers and division heads as well as managers to expand the number of active members from January 2022 to enhance the executorial capabilities of each subcommittee. Through internal and external communication of our sustainability initiatives and by engaging with our stakeholders, we strive to solve social issues and boost our corporate value.

Sustainability Promotion System (as of September 2022)



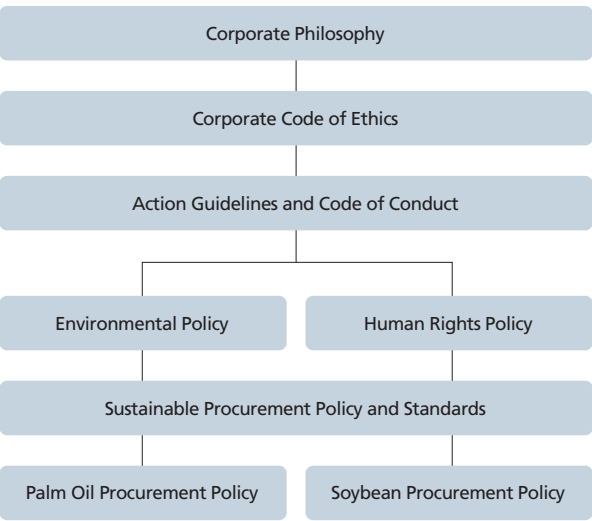
Sustainability System and Roles

System	Key Activities and Achievements in FY2021	Members
Board of Directors	Received quarterly reports from the Sustainability Committee on sustainability issues, including climate change, and provided direction and supervision for initiatives	Directors, Auditors
Management Committee	Received quarterly reports from the Sustainability Committee on sustainability issues, including climate change, and provided direction and supervision for initiatives	Director and Executive Officer, Management Committee Head, and other officers appointed by the President and Chief Executive Officer
Sustainability Committee	Addressed sustainability issues, including climate change, and reported to the Management Committee and the Board of Directors on a quarterly basis	Committee Chair: Director (in charge of Production and Technology) Vice Chair: Head of Oils and Fats Business Unit, Head of Specialty Food Products Business Unit Members: Representatives of business units related to each theme

Established Sustainability-related Policies

We have established various sustainability-related policies based on relevant laws, regulations, and international norms as guidelines for promoting sustainability. The contents of the policy are reviewed as necessary according to social trends and other factors.

- Environmental Policy (in Japanese only)
http://www.j-oil.com/sustainability/materials/policy_environment_3.pdf
- Human Rights Policy (in Japanese only)
http://www.j-oil.com/sustainability/materials/policy_human_rights.pdf
- Sustainable Procurement Policy and Standards (in Japanese only)
http://www.j-oil.com/sustainability/materials/policy_csr_procurement_rev.pdf
- Palm Oil Procurement Policy (in Japanese only)
http://www.j-oil.com/sustainability/materials/policy_palm_oil_rev.pdf
- Soybean Procurement Policy (in Japanese only)
http://www.j-oil.com/sustainability/materials/policy_soy_rev.pdf



Sustainability Committee Initiatives

The Sustainability Committee aims to improve corporate value by incorporating sustainability into specific business activities, as well as organically tying the outputs of these activities together and disseminating them internally and externally. Since its establishment in July 2020, the committee has been engaged in company-wide activities to ensure human rights and environmentally sustainable raw material procurement and product development, as well as implementing product strategies aimed at solving social issues. In FY2021, the Environmental Subcommittee, Sustainable Procurement Subcommittee, Sustainable R&D Subcommittee, and Human

Rights Subcommittee worked under the Sustainability Committee to achieve their respective targets. Starting in February 2022, we have positioned Scope 3 CO₂ emissions reduction as our top priority. Accordingly, we combined the Sustainable Procurement Subcommittee and the Environmental Subcommittee into the Sustainable Procurement and Environmental Subcommittee to strengthen its structure, and to accelerate our initiatives, we reorganized and clarified the activities of the TCFD Project and the Sustainable Procurement and Environmental Subcommittee.

	Key Activities and Achievements in FY2021	Key Activities in FY2022
Environment	<ul style="list-style-type: none">Established medium- to long-term environmental targets<ul style="list-style-type: none">Reduce CO₂ emissions by 50% by FY2030 compared to FY2013Achieve carbon neutrality by 2050Reduce plastic use to zero by 2030Employee trainingProvided e-learning program on proper disposal of industrial wasteHeld environmental seminars	<ul style="list-style-type: none">Reduced CO₂ emissionsSet Scope 3 emission reduction targetsEmployee training<ul style="list-style-type: none">Held an environmental seminar covering plastic issues
TCFD	<ul style="list-style-type: none">Identified risks and opportunities and disclosed informationPerformed scenario analysis and financial impact assessment	<ul style="list-style-type: none">Disclosed results for FY2021 initiatives and financial impact assessmentExpanded scope and depth of financial impact assessment and examined countermeasures
Procurement	<ul style="list-style-type: none">Established a Supplier ESG Management SystemCarried out a soybean traceability survey and collected information on soybeansPrepared and implemented contracts that include sustainability clauses	<ul style="list-style-type: none">Continued to implement contracts that include sustainability clausesConducted supplier information sessions/SAQsEstablished Soybean Procurement Policy
Product development	<ul style="list-style-type: none">Disclosed information on initiatives to reduce trans fatty acidsEstablished environmental guidelines for product developmentCreated the Packaging Standardization Working Group	<ul style="list-style-type: none">Established a system for tracking the progress of sustainable product development themes and communicated this to external partiesDisseminated environmental guidelines both internally and externallyCreated and implemented exterior packaging guideline
Human rights	<ul style="list-style-type: none">Improved effectiveness of the Internal whistleblowing system (Helpline)<ul style="list-style-type: none">Conducted harassment training, added harassment section to employee awareness surveyPromoted Diversity, Equity and Inclusion<ul style="list-style-type: none">Conducted DE&I training	<ul style="list-style-type: none">Promoted better understanding of the Human Rights Policy<ul style="list-style-type: none">Carried out human rights trainingGained comprehensive understanding of the labor situation and human resource systems of group companiesPromoted Diversity, Equity and Inclusion<ul style="list-style-type: none">Conducted women's management classes and deployed measures such as Unconscious Bias training

Respecting Human Rights

While globalization has led to economic growth, there are deep-rooted human rights issues stemming from discrimination born from socially and culturally engrained attitudes, in addition to war and conflict, poverty, inequality, and lack of educational opportunities. Companies are addressing human rights issues as required by international frameworks, but there are still many issues such as harassment, long working hours, gender disparity, protection of personal information, and human rights issues in the supply chain. Respecting human rights is a responsibility that society demands of companies, and it also helps with addressing business risks. To create a sustainable society where no one is left behind, companies need to understand the overall scope of human rights risks in their business activities and promote business activities that respects human rights. We will fulfill our corporate responsibility to respect human rights in accordance with the J-Oil Mills Group Human Rights Policy, which is based on international standards such as the United Nations Universal Declaration of Human Rights and the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work, while also adhering to the laws and regulations of the countries in which we operate.

Promotion System

We promote human rights initiatives through our Human Rights Subcommittee operating under the Sustainability Committee and our Compliance Subcommittee operating under the Risk Management Committee. The Sustainability Committee and the Risk Management Committee regularly report their activities to the Management Committee and the Board of Directors, which supervises and directs their activities. We have considered human rights issues as one of our risks

related to social issues and have promoted human rights initiatives. However, given the growing social demand for companies to respect human rights, the importance of human rights risks to the group, and the degree of impact such risks would have if they emerged, we identified human rights risks as a management risk in FY2022, and are intensively monitoring them through our Risk Management Committee.
☐ Please refer to page 38 for more information on our sustainability promotion system

Establishment of Human Rights Policy

Respecting human rights is a precondition for all our business activities. We stipulate that we must respect human rights as part of the J-Oil Mills Action Guidelines and Code of Conduct, which serves as the foundation for our actions aimed at embodying our corporate philosophy. Furthermore, we established the J-Oil Mills Group Human Rights Policy in 2020 based on the United Nations Guiding Principles on Business and Human Rights. The policy applies to all directors, officers, employees, and business partners including suppliers of our

group. Going forward, we will carry out human rights training to ensure that our human rights policy is well understood, and will promote human rights initiatives across the entire group. In addition, we have formulated our Sustainable Procurement Policy and Standards for respecting human rights in the supply chain, and are promoting it as a guideline for our suppliers to follow together with our group companies.
☐ Please refer to page 38 for our sustainability-related policies.

Endorsement of the UN Global Compact

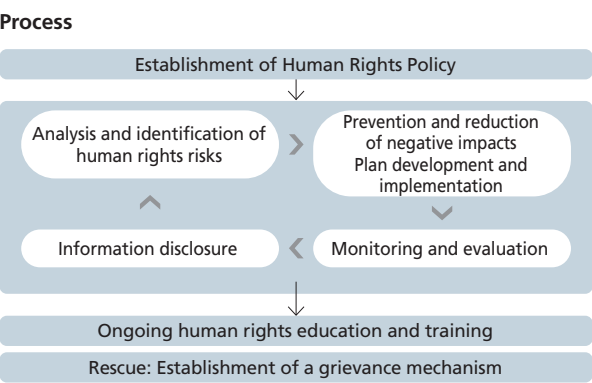
In 2021, we expressed our support for the United Nations Global Compact (UNGC) by signing a statement of endorsement, and registered as a participating company. The UNGC is an initiative for each company and organization to act as good members of society and achieve sustainable growth through responsible and creative leadership. Companies and organizations that are signatories to the UNGC are required to adhere to and practice 10 principles in the four areas of human rights protection, elimination of unfair labor practices, environmental responsibility, and anti-corruption. Reflecting

international trends, we will promote ESG initiatives, including resolving human rights issues, through our business to fulfill our corporate philosophy and solve social issues, thereby contributing to the creation of a sustainable society.



Human Rights Due Diligence

To systematically identify potential human rights issues in our supply chain and in our group, we conducted a human rights due diligence in 2020 with the help of external experts. Based on the results of our human rights risk analysis, we identified human rights risks for our supply chain and employees, prioritized the identified risks according to urgency and severity, and are working to address the risks that require action. As a rescue channel, we established an Internal whistleblowing system (Helpline) for internal use. Going forward, we will discuss creation of an external grievance mechanism.



Initiatives to Prevent Human Rights Violations

Review of basic business contracts

After reviewing supplier contracts as part of our human rights due diligence, we found that we had continued to use past contracts that did not include any reference to sustainability, such as respect for human rights and environmental responsibility. Accordingly, we are asking our business partners to cooperate and comply with our sustainability-related policies, and in FY2021, we added a sustainability clause to our basic business contract template and have been working to update our supplier contracts.

Established a Compliance Month

Since FY2022, we have designated October as our Compliance Month in line with the Japan Business Federation's Corporate Ethics Month. As a part of this, we send out CEO messages regarding compliance, including for human rights, and carry out compliance awareness activities for all directors and employees.

Initiatives to raise employee awareness

In FY2021, we conducted sustainability and compliance training to ensure that all group employees understand social trends and act with sustainability and compliance in mind. During the training, we explain the significance of corporate initiatives on human rights issues, raise awareness about human rights, and work toward creating a corporate culture that respects human rights.

Key training topics

- 1 Introduction of ESG-related questionnaire case studies from business partners and research institutions
- 2 Examples of our human rights and environmental initiatives and their impact on business
- 3 Harassment cases based on judicial precedents
- 4 Internal whistleblowing system (Helpline)

Please refer to the following pages for our other human rights initiatives.

Employee Initiatives

- ☐ Diversity and Inclusion
 - Workstyle Reform and Engagement
 - Reforming Our Corporate Culture and Mindset (page 54–56)
- ☐ Expansion of internal whistleblowing system (Helpline)(page 50)

Supply Chain Initiatives

- ☐ Sustainable Palm Oil Procurement (page 53)
- ☐ Establishment of Soybean Procurement Policy (page 53)
- ☐ Building a Sustainable Supply Chain (page 53)

Strengthening Corporate Governance

Corporate Governance System

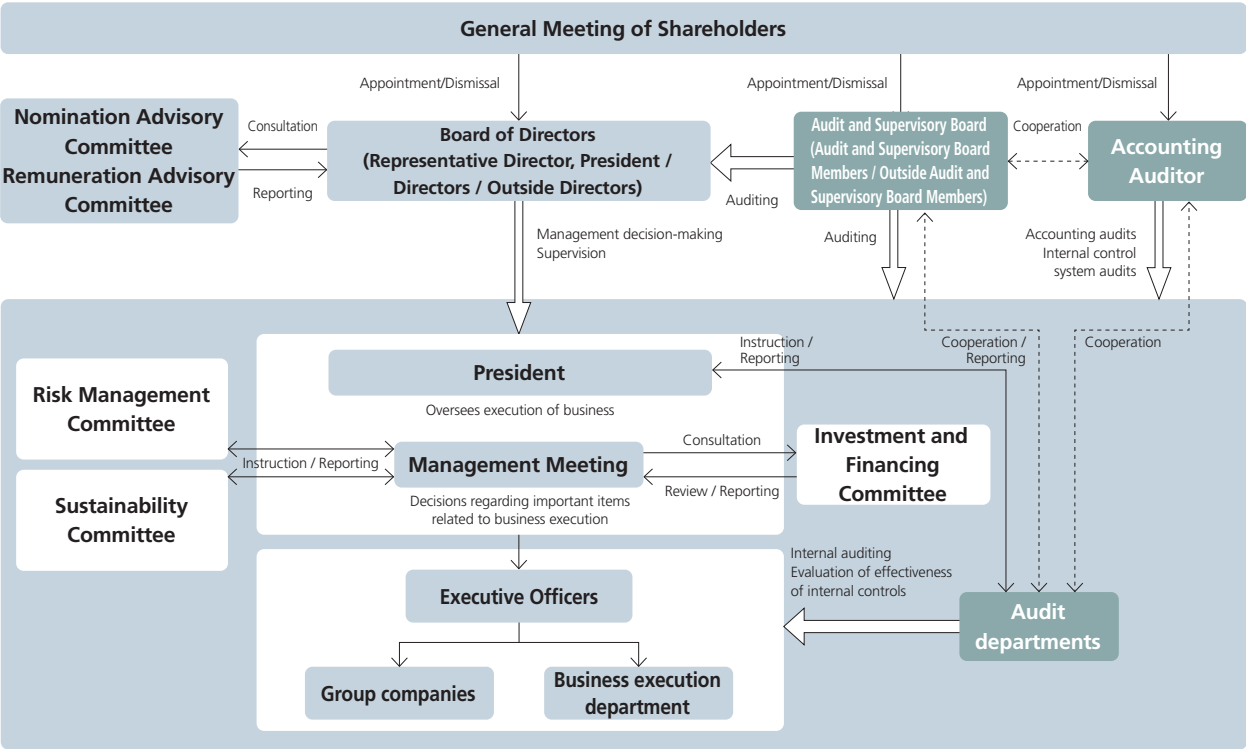
Basic approach to corporate governance

We meet societal expectations by providing economic and environmental value, and have established a business execution system and a monitoring and supervisory system in accordance with the Companies Act to fulfill our responsibility to society. In addition, we are enhancing our internal control system to strengthen our corporate governance and improve its viability to ensure that we achieve honest and highly transparent management that inspires trust from our stakeholders.

Overview of corporate governance

Organizational form	Company with Board of Corporate Auditors
Chairman of the Board of Directors	Tatsuya Sato (Representative Director, President and CEO)
Number of directors	8 (5 outside directors, of whom 3 are independent officers)
Director term of office	1 year
Number of auditors	4 (2 outside auditors, of whom 2 are independent officers)
Executive Officer System	Implemented
Status of Board of Directors meetings (FY2021 Results)	Number of meetings held → 17 Attendance → Directors: 100%, Auditors: 100%
Status of Board of Auditors meetings (FY2021 Results)	Number of meetings held → 22 Attendance → 100%
Voluntary committees equivalent to the Nomination Committee and Remuneration Committee	<ul style="list-style-type: none">• The Nomination Advisory Committee, in consultation with the Board of Directors, deliberates and reports to the Board of Directors on proposals for the appointment and dismissal of directors and executive officers. The committee is composed of three independent outside directors and one internal director.• The Remuneration Advisory Committee, in consultation with the Board of Directors, discusses and reports to the Board of Directors on proposed remuneration for directors and executive officers. The committee is composed of three independent outside directors, one internal director, and one internal auditor.

Corporate governance system (As of July 1, 2022)



Strengthening the corporate governance system

	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022
I Board of Directors and Board of Auditors	Began evaluating effectiveness of the Board of Directors						
	Appointment of outside directors (independent officers) (Number of outside directors: 3)			Appointment of outside directors, including women (Number of outside directors: 5) (At least 1/3 of the total number of independent outside directors)			
	Number of directors	10	9	9	9	9	8
	Number of outside directors	3	3	4	5	5	5
II Advisory bodies to the Board of Directors	Establishment of Remuneration Advisory Committee						
	Establishment of Nomination Advisory Committee						
	Establishment of Branding Committee and Information Disclosure Committee						
	Establishment of Investment and Financing Committee						
III Other systems, initiatives, etc.	Discontinued the retirement benefit system						
	Introduced a new remuneration system for directors (excluding outside directors) and executive officers with a higher percentage of remuneration linked to performance						
	Began providing training for directors and executive management candidates						
	Formulated and executed a plan to reduce cross-shareholdings						

Nomination of director candidates

We require that director candidates be capable of enhancing corporate value by fulfilling our corporate philosophy and management strategies. In addition, we appoint director candidates from various fields inside and outside the company by evaluating their business performance at Board of Directors meetings, etc. and by screening and supporting their growth through executive training and in-house executive candidate training. The Nomination Advisory Committee provides advice and recommendations to the Board of Directors after deliberating director candidates through reports from the President and CEO regarding candidate development and dialogue with the candidates, and the Board of Directors resolves to nominate director candidates.

Nomination of auditor candidates

Based on our basic policy of ensuring sound and sustainable growth of the company and a high-quality corporate governance system, the Board of Auditors nominates candidates from within and outside the company who have practical experience and professional knowledge and experience in accounting, law, and other fields. The Board of Directors resolves to nominate the auditor candidates recommended by the Board of Auditors, after reviewing the candidates' backgrounds and other relevant factors.

Appointment and dismissal of CEO

The Board of Directors resolves to appoint the president and CEO and adopt a CEO succession plan after deliberation by the Nomination Advisory Committee. In addition, the Board of Directors resolves the dismissal of the president and CEO after the Nomination Advisory Committee evaluates and determines that the president and CEO is not fully fulfilling their functions, based on an appropriate evaluation of the company's performance and other relevant factors.

In both cases, the Board of Directors consults a voluntary Nomination Advisory Committee chaired by an independent outside director to ensure objective, timely, and transparent procedures.

Succession plan

The Board of Directors and the Nomination Advisory Committee, which is chaired by an independent outside director, are proactively involved in the formulation and operation of the Next Generation Executive Development Program, which aims to identify and develop management executives, including the president and CEO, as part of succession planning for the president and CEO and other executive officers. In addition, we appropriately supervise the program, including its content and the training of program participants by assigning and promoting them, based on our management philosophy and management strategy.

Strengthening Corporate Governance

Directors and Executive Members (As of July 1, 2022)

Board of Directors



Tatsuya Sato
Representative Director, President and CEO



Takeshi Kamigochi
Director, Senior Managing Executive Officer, General Manager, Oils and Fats Business Unit



Eizo Matsumoto
Director, Managing Executive Officer, in charge of Production and Technology



Tatsuya Sasaki
Outside Director
Significant concurrent positions
Member of the Board, Executive Officer & Senior Vice President
General Manager, Global Corporate Division and Corporate Service Division, Ajinomoto Co., Inc.



Yoichiro Endo
Outside Director
Significant concurrent positions
Managing Officer, Chief Operating Officer of Food Business Unit, MITSUI & CO., LTD.



Yugo Ishida
Outside Director (Independent Officer)
Significant concurrent positions
Representative Director and President, LAZARD JAPAN ASSET MANAGEMENT K.K.



Hiroko Koide
Outside Director (Independent Officer)
Significant concurrent positions
Outside Director, Mitsubishi Electric Corporation
Outside Director, J. FRONT RETAILING Co., Ltd.



Tsuyoshi Kameoka
Outside Director (Independent Officer)
Significant concurrent positions
Outside Director, Kawasaki Kisen Kaisha, Ltd.

Audit and Supervisory Board



Shunichi Komatsu
Standing Auditor



Akira Nozaki
Auditor
Significant concurrent positions
Representative, Nozaki Law Office (lawyer)
Outside Director, ICHIKAWA CO., LTD.



Akira Muto
Outside Auditor (Independent Officer)
Significant concurrent positions
Outside Auditor, Ghelia Inc.



Eiji Mizutani
Outside Auditor (Independent Officer)
Significant concurrent positions
Representative of Eiji Mizutani CPA Office
Outside Auditor and Supervisory Board Member, OBAYASHI CORPORATION



Please visit our website for the background of the officers and the reasons for their appointment.
<https://www.j-oil.com/en/company/officers.html>

Executive Officers

- Hiroshi Ohtaka**
Senior Managing Executive Officer
General Manager, Specialty Food Products Business Unit
- Ryo Tomizawa**
Managing Executive Officer in charge of Sales, Deputy General Manager, Oils and Fats Business Unit
- Akio Ohishi**
Managing Executive Officer in charge of Food Design Center, Quality Assurance Dept., Intellectual Property Strategy Dept.
- Shigeru Ono**
Executive Officer in charge of Sales, Deputy General Manager, Specialty Food Products Business Unit
- Koyu Furukawa**
Executive Officer
General Manager, Oils and Fats Business Management, Oils and Fats Business Unit
- Takeshi Ashida**
Executive Officer
General Manager, Sales Management Dept., Oils and Fats Business Unit
- Masata Mitsui**
Executive Officer
Deputy General Manager, Oils and Fats Business Unit
General Manager, Business Unit Management
- Kazunobu Tanaka**
Executive Officer
General Manager, Production Management, Oils and Fats Business Unit
- Koji Yamaguchi**
Executive Officer
General Manager, Shizuoka Plant
- Kazumi Hataya**
Executive Officer
General Manager, Supply Chain Management, Oils and Fats Business Unit

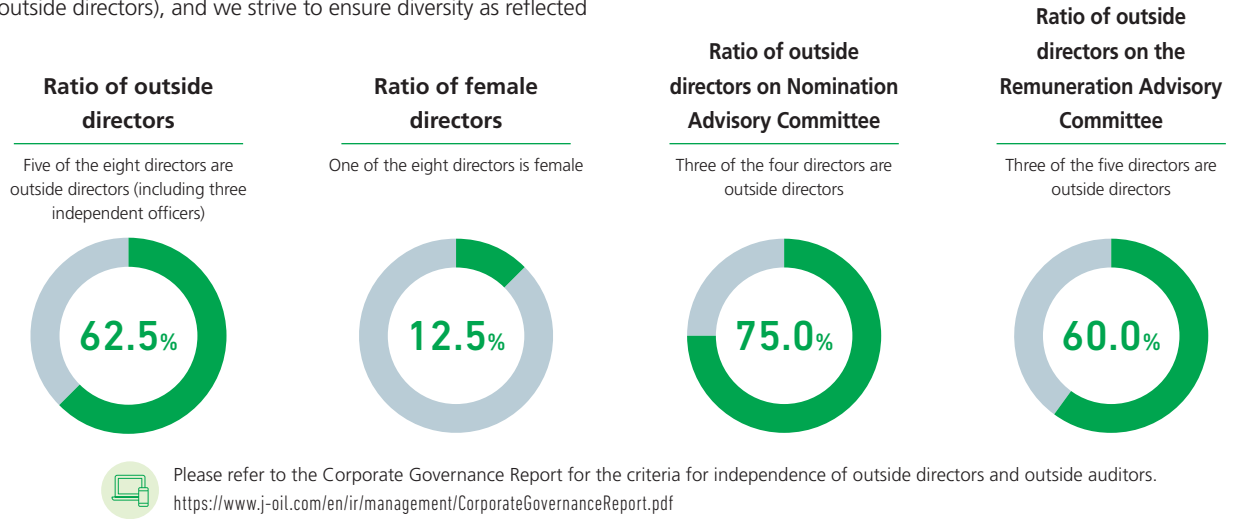
Strengthening Corporate Governance

Board of Directors

We believe that the Board of Directors must be composed of highly skilled members with diverse knowledge and experience to supervise business execution and make important decisions. Accordingly, we appoint directors after carefully deliberating on the appropriate balance of knowledge, experience, and skills, diversity, and the appropriate number of directors. The Board of Directors consists of eight directors, including five outside directors with expertise (three of whom are independent outside directors), and we strive to ensure diversity as reflected

in the appointment of one female independent outside director at the 2019 Annual General Meeting of Shareholders. In addition, the four auditors consist of one standing auditor, two outside auditors with extensive expertise in accounting, and one auditor with extensive expertise in law.

These individuals leverage their knowledge, experience, and skills to make multifaceted decisions and supervise business execution.



Expertise and experience of directors and auditors

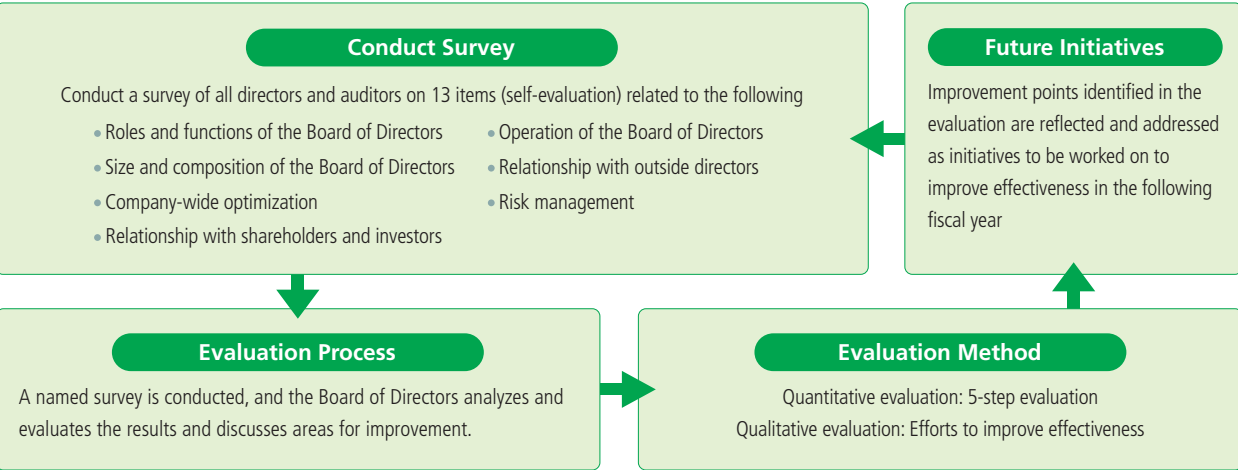
Expertise and experience of directors and auditors										★ Chairperson	■ Member
		Independence	Corporate Management	Financial Accounting/ Finance	Sales/ Marketing	R&D/ Production/ Environment	Global	Legal/ Compliance	Nomination Advisory Committee	Remuneration Advisory Committee	
Directors											
Tatsuya Sato	Representative Director		●		●		●		■	■	
Takeshi Kamigochi	Director, Senior Managing Executive Officer		●	●			●				
Eizo Matsumoto	Director, Managing Executive Officer					●	●				
Tatsuya Sasaki	Outside Director		●		●		●				
Yoichiro Endo	Outside Director		●	●			●				
Yugo Ishida	Outside Director	●	●	●			●		■	★	
Hiroko Koide	Outside Director	●	●		●		●		■	■	
Tsuyoshi Kameoka	Outside Director	●	●		●			●	★	■	
Auditor											
Shunichi Komatsu	Standing Auditor		●		●		●			■	
Akira Nozaki	Auditor							●			
Akira Muto	Outside Auditor	●	●	●				●			
Eiji Mizutani	Outside Auditor	●		●			●				

Note: The above table indicates areas in which each person can demonstrate enhanced expertise based on their experience, etc., and does not represent all their expertise.

Evaluating the Effectiveness of the Board of Directors

Overview of the evaluation of the effectiveness of the Board of Directors

We evaluate the effectiveness of the Board of Directors with the aim of further enhancing the effectiveness of the Board of Directors. In FY2021, we focused our efforts on issues we identified in the previous year's evaluation. Going forward, we will work to further improve the effectiveness of the Board of Directors, focusing on the points identified as issues requiring attention in FY2022.



Initiatives for FY2021

We worked on the following initiatives in FY2021 based on the issues identified in the FY2020 effectiveness evaluation.

1	Enhancement of discussions (e.g., business portfolio review) to achieve the Sixth Medium-Term Business Plan targets	With a view to achieving the medium-term business plan targets, we had a thorough discussion on the Oils and Fats Business portfolio and the growth strategy of the Specialty Food Products Business, as well as on how to address the impact of rising raw material prices and the invasion of Ukraine.
2	Worked on reporting to the Board of Directors regarding management personnel development and the Nomination Advisory Committee's review process	The Board of Directors held discussions based on the reporting from the Nomination Advisory Committee, and we restructured the organization and reshuffled the management team.
3	Instilled company-wide optimization mindset among internal directors	Internal directors worked to serve the interests of the overall company, rather than just the departments they oversee, and this improved the company-wide optimization mindset.
4	Improved content of Board of Directors meeting materials	We standardized and enhanced the content of materials to help stimulate discussion and ensure appropriate decision-making at the Board of Directors meetings.

FY2021 Board of Directors effectiveness evaluation results

The FY2021 evaluation results showed that the effectiveness of the Board of Directors was generally consistent, with improvement in several areas from the previous year. On the other hand, there were some areas requiring improvement, which we identified and will work on to improve effectiveness in FY2022.

FY2022 initiatives: Key improvement points for future effectiveness evaluations

1	Agenda setting	Review reporting and resolution matters and narrow down agenda items
2	Make efforts to enrich discussions	Facilitate rational and logical discussions based on diverse perspectives and facts
3	Discuss composition of the Board of Directors	Director skills (e.g., digital transformation expertise) and composition of independent outside directors, diversity promotion, and internal director (management personnel) development

Note: Excerpted from the Corporate Governance Report issued July 1, 2022.

Strengthening Corporate Governance

Executive Remuneration

Basic policy of the executive remuneration system and our initiatives

Our executive remuneration system clearly defines responsibilities for improving performance and corporate value, and is designed to motivate and encourage executives. The Board of Directors determines the amount of remuneration following deliberations by the Remuneration Advisory Committee to ensure the independence, objectivity, and accountability of the functions of the Board of Directors.

In FY2021, we revised this system to further clarify the relationship between the remuneration of directors and our business performance and stock value. We reinforced our

directors’ mindset to contribute to improving medium- and long-term business performance and raising corporate value by sharing both the benefits of rising stock prices as well as the risks of falling stock prices with our shareholders.

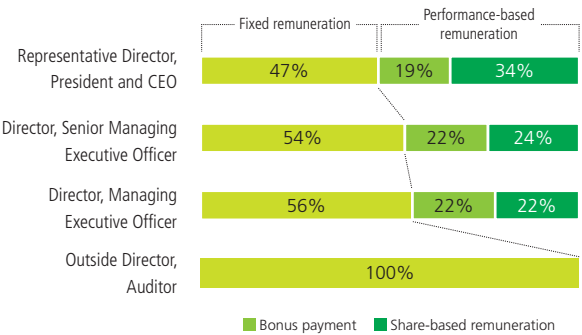
In FY2022, we incorporated ESG indicators into the individual targets of our executives to enhance corporate value through non-financial information. The ESG indicators are based on mandatory employee engagement survey scores, and issues such as climate change, sustainable procurement, sustainable product development, and diversity, equity, and inclusion are set based on the characteristics of each division.

Overview of executive remuneration system

	Fixed remuneration	Performance-based remuneration	
		Bonus payment (short-term incentive)	Share-based remuneration (long-term incentive)
Linkage to business performance	Fixed	Linked to short-term performance	Linked to medium- to long-term performance
Performance evaluation period	—	One year	Four years
Calculation method	Set for each position	Short-term incentive fund by position*1 X individual target achievement rate*2	Base points granted by position X rate of increase/decrease in final achievement of each indicator*3
Annual evaluation indicators	—	Fiscal year performance target achievement rate	• Consolidated operating profit • Net sales of high-value-added products • ROE • EPS
Performance-linked range	—	0 to 200% *4	0 to 150% *5
Timing of payment	Monthly	Once a year	At retirement
Payment method	Cash	Cash	70% stock, 30% cash Subject to malus and clawback clauses

*1 Base remuneration amount by position x annual evaluation indicators *2 ESG indicators incorporated from FY2022
*3 Refer to annual evaluation indicators *4 10% granted as incentive when annual performance targets are achieved
*5 10% reduction if the total value of the final achievement of each indicator is less than 100%

Composition of executive remuneration



Note: The composition of performance-based remuneration for directors (excluding outside directors) ranges from 0 to 65%.

FY2021 Total amount of remuneration by director and officer category, total amount by type, and number of directors and officers covered

Director and officer category	Total remuneration (millions of yen)	Total by type of remuneration (millions of yen)			Number of directors and officers (persons)
		Fixed remuneration	Performance-based remuneration		
			Bonus payment	Share-based remuneration	
Directors (excluding outside directors)	153	126	—	26	5
Auditors (excluding outside auditors)	31	31	—	—	2
Outside directors	55	55	—	—	6

Note 1: Fixed remuneration and the number of officers covered include one director and one outside auditor who stepped down at the conclusion of the 19th Annual General Meeting of Shareholders held on June 24, 2021.
Note 2: The amount of stock-based compensation is based on the stock points granted during the fiscal year (each point is converted into one share of common stock).
Note 3: Two outside directors are not included as they do not receive any remuneration

Message from an Outside Director



Tsuyoshi Kameoka

Outside Director (Independent Director)

Profile	
April 1979	Joined Shell Sekiyu K.K.
March 2006	Executive Officer and Kinki Area Manager, Showa Shell Sekiyu K.K.
November 2008	Executive Officer and General Manager, Head Office Sales Division, Showa Shell Sekiyu K.K.
March 2009	Corporate Executive Officer, Showa Shell Sekiyu K.K.
March 2013	Executive Officer Vice President, Oil Business COO, Showa Shell Sekiyu K.K.
March 2015	President & Representative Director, Group CEO, Showa Shell Sekiyu K.K.
April 2019	Vice Chairman and Representative Director, and Vice Chairman and Executive Officer, Idemitsu Kosan Co., Ltd. (retired in June 2020)
June 2020	Special Advisor, Idemitsu Kosan Co., Ltd.
June 2021	Outside Director, Kawasaki Kisen Kaisha, Ltd. (to present)

Having been appointed as an outside director in June 2022, what are your thoughts on your role and mission as an outside director?

Outside directors are not in a position to engage in business operations. Our mission is to supervise to ensure that everyone involved in execution is working to plan and implement ways to boost corporate value. Even in this revision of the medium-term business plan, I believe that outside directors have an important role to play in supervising the execution of the plan.

When I was serving as a president myself, I felt the loneliness that comes with being a top executive. This is why I was very grateful to receive candid opinions from outside directors. The internal directors of J-Oil Mills also serve as executive officers. As such, I would like to offer advice from the unique perspective of an outside director so that they can maintain a balance between the two roles.

As chair of the Nomination Advisory Committee, what is the theme or mission for your initiatives?

The primary role of the Nomination Advisory Committee is to establish and operate a succession plan to ensure that the president’s successor is not appointed at the president’s discretion. Several successor candidates are presented by the president to the Nomination Advisory Committee. We are expected to follow the appointment process and discuss all of these candidates after taking the time to thoroughly observe them, and then make a recommendation to the

Board of Directors as to who we believe would be the best successor candidate. In addition, the composition of the Board of Directors is also reviewed by the Nomination Advisory Committee according to a skill matrix to ensure that it is comprised of a diverse group of people.

What are your views on J-Oil Mills’ governance and the challenges it faces?

The Board of Directors of J-Oil Mills has a culture of seeking and listening to the opinions of outside directors, and I believe that the governance system is effective. On the other hand, the important part of governance is governance as a corporate entity. We need to check whether governance is effective throughout the company, including manufacturing, sales, and research divisions, whether there is a monitoring system in place, and whether there is a functioning system for receiving employee feedback. Governance is important so that employees can engage in friendly competition and take on challenges, and I would like to help make this a reality.

Finally, what are your expectations for J-Oil Mills?

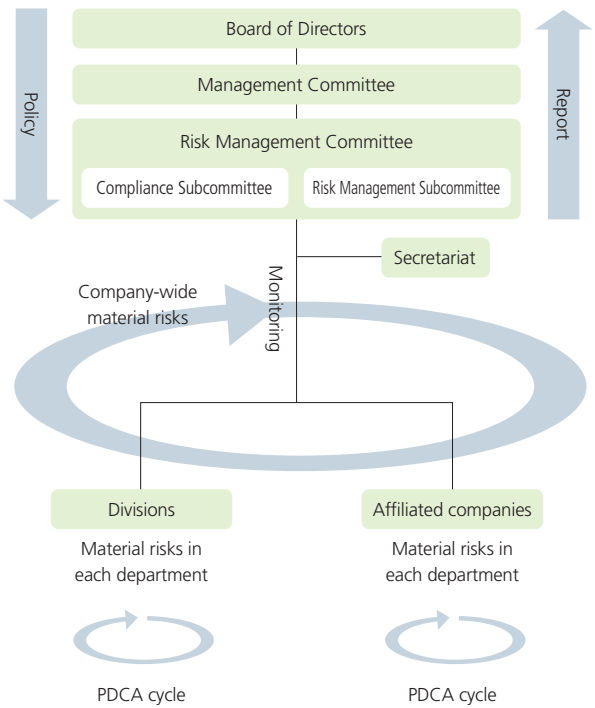
Being a food manufacturer, I would like to see each and every employee feel confident and love their own products. Since employees are also consumers, we must all act from the perspective of a consumer. As a result of this, I believe we can create products that are unique to J-Oil Mills.

Strengthening Risk Management and Promoting Compliance

Risk Management

We focus on risk management by accurately identifying, assessing, and managing risks, and ensure thorough compliance. As part of risk management, we have established basic policies and management systems under our Risk Management Committee Regulations, and manage, prevent, and avoid risks appropriately under the direction and supervision of the Risk Management Committee, which is chaired by the President and CEO. In addition, we established the Compliance Subcommittee, which is tasked with raising employee awareness and addressing compliance violations, and the Risk Management Subcommittee, which is tasked with anticipating and preventing risks and responding to contingencies, under our Risk Management Committee. For risks related to business activities, each executive officer identifies, analyzes, assesses, responds to, and monitors risks based on their respective responsibilities, and the Risk Management Committee, as well as the underlying Risk Management Subcommittee and Compliance Subcommittee, provide support. For crises, or risks that manifest during the fiscal year, we have a system in place that enables the Risk Management Committee to consolidate information, take prompt action, and develop corrective measures to prevent recurrence throughout the company.

Risk management system (as of April 1, 2022)



Thorough Compliance

For our group, compliance not only means observing laws and regulations but also abiding by corporate ethics and social norms as a member of society, and we strive to ensure that all employees are fully aware of this so that we can always earn the trust of society.

In 2020, we renamed our Business Conduct Committee, which is chaired by a director appointed by the president, to the Risk Management Committee. The Compliance Subcommittee, which is under the Risk Management Committee, checks whether our corporate behavior is in line with the J-Oil Mills Code of Conduct and the J-Oil Mills Action Guidelines. The Compliance Subcommittee includes the heads of each department and representatives of the labor union, and helps to strengthen compliance by sharing, improving, and reviewing departmental issues that our group faces.

In 2022, we updated our internal regulations and compliance consultation system in line with the revision of the Whistleblower Protection Act. Consultations are handled by in-house and outside attorneys.

Expansion of Internal Wistleblowing System (Helpline)

We have established internal and external helplines to prevent and correct violations of social norms and corporate ethics. The helplines accept anonymous reports to protect the whistleblower. In FY2021, there were two cases reported by internal and external parties, including one related to harassment.

Number of internal whistleblowing incidents/consultations				
FY2017	FY2018	FY2019	FY2020	FY2021
8	8	4	3	2

Key Risks and Responses

Key risks that may have a significant impact on our group's strategy, business, etc. are listed on page 51.

The group had previously recognized human rights issues and harassment as a management risk and disclosed them as risks related to social issues. However, because in light of the degree of impact and importance to the group when they materialize, we decided to clearly define them as a management risk by establishing a new category called risks related to human rights in FY2022.

Key risks and responses

Items	Risks	Risk awareness	Our Responses to Risks
Strategic risks	Risk of drop in demand for oils, fats, and meal products	<ul style="list-style-type: none">Inflow of inexpensive products from overseas due to tariff reductionsDecrease in demand for products due to market contraction caused by continued decline in birthrate and aging populationDrop in demand due to higher prices for oils, fats, and meal products	<ul style="list-style-type: none">Develop high-value-added products such as long-lasting oils and functional oils for seasoning and cooking for ready-made meal manufacturers and convenience storesAccelerate our original proposals such as texture improvement that combines starch, margarine, powdered oils and fats, etc.Ensure international competitiveness through business alliances
	Risks associated with overseas expansion	<ul style="list-style-type: none">Potential unexpected changes in laws, regulations, and taxation systems inherent in overseas expansionPolitical and social risks such as unforeseen conflicts and terrorism	<ul style="list-style-type: none">Take prompt action by acquiring information on overseas risks from external consultants, external information, and group companies operating overseas
Financial risks	Risks related to raw material procurement, exchange rates, etc.	<ul style="list-style-type: none">Increase in procurement costs due to changes in quality and market prices of key raw materialsIncrease in procurement costs due to market fluctuations in exchange rates, ocean freight costs, etc.Risk of not being able to procure materials due to geopolitical risks (e.g., the situation in Ukraine), and higher procurement costsIncrease in procurement costs due to higher demand for biofuelsIncrease in procurement costs due to risk of policy change (ban on palm oil exports by Indonesia)Risk that the above increases in procurement costs cannot be reflected in sales prices	<ul style="list-style-type: none">Engage in competitively advantageous transactions within the scope of raw material procurement regulations and forward foreign exchange contract operation regulations.Carry out hedging transactions through futures pricing and forward exchange contractsSearch for new raw material sourcing areasNegotiate appropriate prices through sales activitiesPromote sustainable procurement activities throughout the supply chain
	Risks related to impairment losses on goodwill and fixed assets	<ul style="list-style-type: none">Failure of subsidiaries that we acquired or took a stake in to achieve their business plansDecline in fair valueSharp rise in interest rates	<ul style="list-style-type: none">Investment and Financing Committee and Management Committee deliberate on the appropriateness of the acquisition price and follow up on progress toward achieving post-acquisition synergiesRegular monitoring of the macroeconomic environmentEstimate future cash flows based on business plan
Hazard risks	Risk of spread of infectious diseases	<ul style="list-style-type: none">Suspension of operations due to the spread of infectious diseases such as COVID-19Supply chain stagnationDrop in demand due to people refraining from going out and requests to restaurants to shorten business hours	<ul style="list-style-type: none">Prevent spread of infection within the company by promptly establishing an Infectious Disease Control Headquarters to ensure safety, thoroughly managing hygiene, and implementing efficient business operations such as staggered work hours and telecommutingMinimize the frequency of contact among employees, such as by adopting a team systemEstablish a production system with multiple channels by securing contractors and partners to ensure a stable supply
	Risks related to natural disasters	<ul style="list-style-type: none">Suspension of operations due to major earthquakes, typhoons, torrential rains, etc.Supply chain stagnation	<ul style="list-style-type: none">Review business continuity plans (BCPs) to prepare for various types of disastersEnsure stable supply through business alliancesSecure multiple raw material suppliers and establish a backup system for production basesDevelop a system for quick employee safety confirmationPromote ESG management that integrates business operationsConserve resources and energy, reduce CO₂ emissions, eliminate plastics, and make effective use of water resourcesMaximize resource use efficiency by applying AI in the value chain
Operational risks	Risks related to the environment	<ul style="list-style-type: none">Decrease in corporate value due to insufficient environmental measuresIncrease in production costs due to stricter CO₂ emission regulations	<ul style="list-style-type: none">Make effective use of external programs to identify supply chain sustainability issues and implement improvementsEnsure traceability in raw material procurement
	Risks related to human rights	<ul style="list-style-type: none">Decrease in corporate value due to insufficient human rights measures in the supply chainHuman rights violations such as harassment	
	Risks related to sustainability issues	<ul style="list-style-type: none">Elimination of products that are not environmentally friendlyChange in sustainability-conscious consumer needs and product demandDecrease in corporate value due to insufficient sustainability measures	<ul style="list-style-type: none">Develop sustainable products that address social issues such as food loss and the use of finite resources
	Risks related to information leakage and cyber security	<ul style="list-style-type: none">Information leaks resulting from unauthorized access, computer virus, etc.Inadequate response to incidents	<ul style="list-style-type: none">Implement robust security measuresPeriodically monitor the management status of confidential documents within the companyRegularly conduct information management training for employees through e-learningEnhance monitoring of cyber-attacks from external sourcesPrepare and thoroughly implement incident response procedures
	Risks related to food safety	<ul style="list-style-type: none">Food recalls and recalls due to health hazards to customers or violations of laws and regulations such as labelingFood fraud and data tampering incidents	<ul style="list-style-type: none">Operate a quality management system based on ISO 9001 (reduce quality risks by conducting quality assessments at the product development stage and strengthening the system)Proper operation and confirmation through ISO 22000 certification and quality auditsContinued employee trainingProduct development and R&D that reflects customer feedback
	Risks related to securing and developing human capital	<ul style="list-style-type: none">Insufficient recruitment of human resources with the high level of expertise needed in each fieldInsufficient systematic promotion of securing, training, and deploying human resources that will lead the next generationDecline in corporate competitiveness due to lack of progress in diversity and inclusion initiatives	<ul style="list-style-type: none">Enhance corporate value through ESG management and promotion of the SDGsDevelop highly specialized human resources and next-generation management personnel by maintaining and improving a comfortable work environment, establishing fair personnel and remuneration systems, and ensuring that these systems are properly implementedPromote diversity by providing opportunities for women to excel and offering extended post-retirement employment programsFurther promote work-life balance by reviewing work stylesPromote efficiency using AI
	Risks related to compliance	<ul style="list-style-type: none">Violation of laws and regulations or social norms, or incidents of fraud, harassment, etc.Business constraints due to changes or additions to laws and regulations	<ul style="list-style-type: none">Formulated the J-Oil Mills Code of Conduct to ensure compliance with laws, regulations, and social norms, and disseminated it through in-house training programsEarly detection and correction of misconduct and harassment through the establishment of internal and external whistleblowing helplinesKeep a close watch on information on changes in laws and regulations to ensure compliance with the changes

(Note) Forward-looking statements are based on the group's assumptions and beliefs made using information available as of March 31, 2022.

Supply Chain Management



Masata Mitsuiki
General Manager of Oils and
Fats Business Management,
Deputy Head of Oils and Fats
Business Unit
Executive Officer

Management Message

Our group aims to create a sustainable and better society by bringing joy to people, society, and the environment by good taste, health, and low burden while engaging with many stakeholders in each part of our supply chain both in Japan and overseas. Ensuring respect for the environment and human rights, as well as quality and safety throughout the supply chain, is a natural corporate responsibility, and improving traceability is also becoming increasingly important. We are working to address social and environmental issues by developing various policies as indicators for our initiatives and by establishing a system to ensure appropriate management of our supply chain.

❏ Please refer to page 38 for our sustainability Promotion system.

Sustainable raw material procurement

We create products by harnessing nature's blessings and provides customers with valuable products, sustainable procurement of grains. For that reason, the raw material used to make our products, is one of the most important issues we must address. There are many social issues surrounding raw material procurement, including climate change, biodiversity, water resources, human rights, and occupational health and safety. In particular, the frequent occurrence of droughts associated with climate change in recent years and the resulting changes in grain and oilseed yields, as well as Russia's invasion of Ukraine and the resulting stagnation of agricultural production and port closures that disrupted logistics, have strained the supply of grains and vegetable oils, and ensuring a stable supply of food has become a social issue. These global conditions have also had a substantial impact on raw material prices, forcing us to make difficult decisions not only

Palm oil supplier traceability survey

FY2020 results

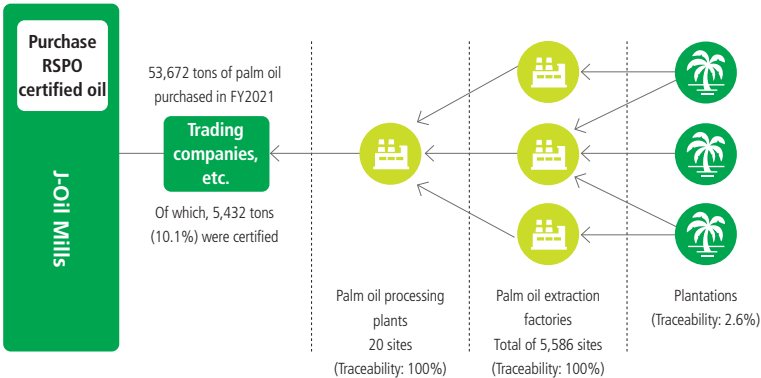
- Traceability to palm oil extraction factories: 99.7%
- Traceability to palm oil refining factories: 100%

FY2021 results

- Traceability to palm oil extraction factories: 100%
- Traceability to palm oil refining factories: 100%

FY2022 target

- Traceability to farm: 10%



in terms of supply, but also in terms of prices. It is our responsibility to provide a stable supply of oil, which is indispensable to our daily lives. In addition to ensuring the safety and quality of products, it is important to work with stakeholders steadily and continuously throughout the supply chain to ensure that we respect the environment and human rights as part of our procurement process. We will continue to help people enjoy food by harnessing nature's blessings to its full potential.

Sustainable procurement of palm oil

Palm oil, which is extracted from oil palm, is widely used in our daily lives. In recent years, multiple issues have been pointed out in the production process, including deforestation, the resulting loss of biodiversity, and human rights issues for workers. In 2011, we joined the Roundtable on Sustainable Palm Oil (RSPO) to ensure responsible procurement of palm oil, which is closely related to these social issues. To meet the ever-increasing customer demand for RSPO-certified palm oil, we are adding and expanding our individual supply chain certifications as needed. In 2020, we established our Palm Oil Procurement Policy, which defines our approach to respecting the environment and human rights as part of our palm oil procurement process, and are working to solve social and environmental issues through sustainable palm oil procurement.

Established Soybean Procurement Policy

Soybeans are one of the key raw materials that support our business activities. In addition to making cooking oil and various processed soybean foods, soybeans are also widely used for non-food applications such as biodiesel fuel and livestock feed, and the international demand for soybeans continues to grow. On the other hand, there are concerns that soybean production activities may cause environmental issues such as deforestation, as well as social issues such as human rights violations against indigenous peoples and workers. To reflect these social and environmental issues, and to ensure that the environment and human rights are respected as part of our procurement process as we work to create a sustainable society, we established a Soybean Procurement Policy in August 2022 with a commitment to resolving deforestation, biodiversity, climate change, respect for human rights, and legal compliance, and joined the Roundtable on Responsible Soy (RTRS*). Because we help people enjoy food, we endeavor to improve traceability to fulfill our social responsibility, and will strive to procure soybeans in a transparent and responsible manner.

*The Round Table on Responsible Soy Association is a non-profit organization founded in Zurich, Switzerland in 2006 to promote responsible soybean production, trade, and use.

Building a sustainable supply chain

Announced the Partnership Development Declaration

The Partnership Development Declaration is a program whereby a company representative declares that the company will build new partnerships by promoting cooperation, co-existence, and co-prosperity with each business partner in the supply chain and with businesses that create value. In our Partnership Development Declaration, we clearly stated the specific items listed below. We will continue to strengthen partnerships with our business partners to add value to the entire supply chain.

- We will create a Logistics Handbook for employees to promote understanding of the logistics crisis among employees and to thoroughly enforce internal rules for ordering and delivery. At the same time, we will visualize supply and demand management, strengthen cooperation between logistics and sales divisions, and streamline operations.
- We will standardize exterior labeling of products to improve driver and warehouse worker efficiency when sorting and inspecting products.



Palm Oil Procurement Policy
(in Japanese only)
https://www.j-oil.com/sustainability/materials/policy_palm_oil_rev.pdf



Soybean Procurement Policy
(in Japanese only)
https://www.j-oil.com/sustainability/materials/policy_soy_rev.pdf



Partnership Development Declaration
(in Japanese only)
<https://www.biz-partnership.jp/declaration/13894-05-01-tokyo.pdf>

Diversity and Inclusion
Work Style Reform and Engagement
Reforming Our Corporate Culture and Mindset



Yasuhisa Ebuchi
Head of Legal and General Affairs
and General Manager of Human
Resources Division

Management Message

We believe that the starting point for a company's growth is the growth of each employee. To fulfill our corporate philosophy, we will accelerate our initiatives to prepare for structural changes in the market and to transform into a company that grows through value creation. In addition, we must focus more on human capital to build an organization where each person can maximize their unique strengths, while simultaneously consolidating, enhancing, and integrating these strengths. Furthermore, we will create an environment where individuals can demonstrate their abilities to the fullest without being bound by existing rules, precedents, or customs, and will support them in taking on new initiatives. Finally, we aim to create greater "joy" by connecting with society and environment and growing together, building relationships of equals where employees and J-Oil Mills mutually choose to work together to overcome challenges and exceed expectations.

Materiality and vision

Contribute to business by fully leveraging human capital	Materiality Medium- to long-term vision	Diversity and Inclusion	<ul style="list-style-type: none">• Create an organizational culture that encourages diverse human resources to co-create• Implement diverse work styles• Career development
		Work Style Reform and Engagement	<ul style="list-style-type: none">• Enhance job satisfaction and fulfillment• Organizational culture reform using employee engagement surveys• Enhancing health and productivity management
		Reforming our corporate culture and mindset	<ul style="list-style-type: none">• Strengthen dialogue between top management and employees

Diversity and Inclusion
Create an organizational culture that encourages diverse human resources to co-create

As the world becomes increasingly globalized and the need to respect diverse values grows, the concept of and commitment to diversity, equity, and inclusion (DE&I) has become a management theme of increasing importance. With the pressing need to accelerate our activities, we launched The Cassiopeia W Project in 2018. By FY2021, members of various occupations, ages, and positions participated in the project, which included unconscious bias training for managers, roundtable discussions for female managers, and activities to support fathers' participation in childcare. In April 2022, we established a dedicated DE&I Promotion Office, and in FY2022, we are promoting initiatives for self-directed growth, such as by offering the Cassiopeia Management School to train candidates for female management positions. Going forward, we will continue to promote DE&I by building on our progress to date, while further promoting new senior activities, employment of people with disabilities, and activities for intrapersonal diversity.

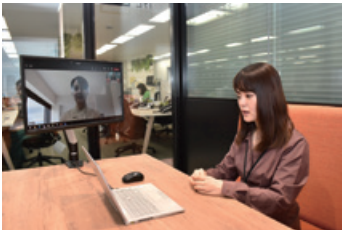
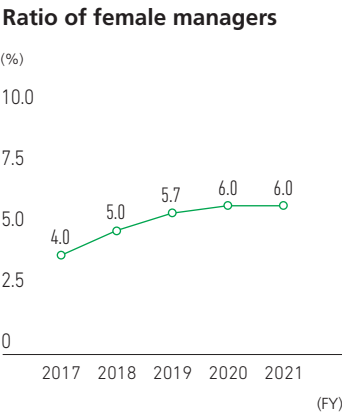
Implement diverse work styles
Based on the philosophy of individual-oriented career formation, we respect every employee and promote a variety of initiatives aimed at enabling individuals to envision and achieve their own career goals. In career development, we introduced a system in April 2022 that enables each employee to choose their work area according to their own values, in light of diversifying individual careers and lifestyles. We will continue to improve the work environment to enable individuals to work enthusiastically and to promote mutual growth for both our employees and the company, while also striving to boost employee motivation and productivity by enriching our employees' work and personal lives.

Career development
To support self-directed growth of each employee, we provide employees with opportunities to think about their career development and enhance their strengths. We have made this our self-directed career development support system, and encourage each employee to take on challenges and grow by operating this system that enables them to make open and challenging choices. In particular, the Career Development Program (CDP), a system where we help employees fulfill the career plan they create independently, is at the core of our self-directed career development support system. Through career development training and one-on-one meetings with supervisors, employees can take stock of their strengths and weaknesses, expertise, aspirations, values, etc., and then create a vision of where they want to be and clarify their medium- to long-term career plans. The program encourages each employee to independently act by clarifying their own issues to become the person they want to be. We are already seeing the benefits of the program, such as increased use of elective training programs at the request of employees themselves. We also aim to improve engagement by helping employees become who they want to be.

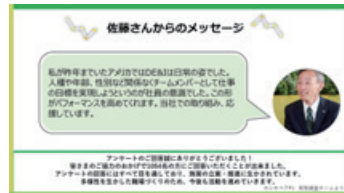
Work Style Reform and Engagement
Enhance job satisfaction and fulfillment
We are working to reform our organizational culture by using employee engagement surveys to improve job satisfaction and fulfillment.



Cassiopeia W Project Members



One-on-one meeting (online)



Message from President Sato



In April 2022, we introduced the health management app Calomama Plus to help improve employee health. In addition to providing exercise content, meal recipes, and health articles, the app aggregates health-related activity data for use in internal health management promotion initiatives.



Dialogue at Shizuoka Plant

In terms of engagement, our goal is to achieve a state where employees empathize with our policies and strategies and are proudly and enthusiastically engaged in their work. Improving engagement is essential for revitalizing our organization and boosting productivity for sustainable growth. We will replace the existing employee satisfaction survey with an employee engagement survey starting in 2022. By conducting engagement surveys, we will be able to better visualize the current state of the organization, as well as satisfaction levels, and boost engagement in an effective and efficient manner.

In addition, through individual targets for executives, we will work to improve employee engagement as a shared goal for both top management and employees by making it mandatory to set an engagement score target for the employee engagement survey starting in FY2022.

Enhancing health and productivity management

We believe our employees are the driving force behind our growth. To enhance health and productivity management, our president and CEO is spearheading an initiative to ensure that our employees continue to work in good physical and mental health. In addition to focusing on promoting work-life balance and health management measures such as reducing excessive work, we are working to create an environment where employees can work in good health by introducing the “Flexible Office” (telecommuting) and a full-flex system that enables employees to work freely, subsidizing the use of sports facilities for health support, and introducing a health management app Calomama Plus for all employees. Furthermore, we are working to enhance industrial physician services to provide support for both mental and physical health. In March 2022, we were recognized as one of the “Health and Productivity Management Outstanding Organizations (Large Enterprise Category),” a program jointly organized by the Ministry of Economy, Trade and Industry (METI) and the Japan Health Council, for the second consecutive year.

Reforming our corporate culture and mindset

Strengthen dialogue between top management and employees

We believe in the importance of the connection between management and the frontline. Between October 2021 and March 2022, we provided a total of 43 opportunities for management team members and employees to engage in dialogue. By sharing current issues with each other, we help unify the organization to achieve our management strategy.

Contribute to business by fully leveraging human capital

Developing human resources is a top priority for J-Oil Mills. We aim to maximize the strength of individuals by systematically providing opportunities for self-directed human resources interested in their own growth through the Career Development Program (CDP) and other programs. For employees who have acquired skills as a result of the program, we will introduce a system designed to place them in management positions in a timely manner and develop them as candidates to take over executive positions as part of succession plans, thereby maximizing our human capital and achieving business growth.

Contributing to and Collaboration with Local Communities / Timely and Appropriate Information Disclosure



Aiko Nishiyama

General Manager of Corporate Communications

Management Message

We serve society by continuously engaging in dialogue with our stakeholders to understand the needs of society and create a sustainable society. Mindful of the diverse demands of society, we openly disclose information about our corporate philosophy, business strategies, and business activities in a timely and appropriate manner, both internally and externally. We also work with local residents to contribute to society and ensure the sustainable development of local communities. We endeavor to “bring joy to the future with food,” centered on good taste, health, and low burden. We will continue to create value by engaging in dialogue with our stakeholders.



Activities to support olive cultivation in Izu and Kobe

As befits our position as a leader in the household-use olive oil market, we support activities that contribute to local food and agriculture. Since 2019, we have been participating in the Izu Olive Mirai Project on the Izu Peninsula through a business partnership with Tokyu Corporation and Izukyu Holdings Co. Ltd. We aim to collaborate with the local community to brand Izu olives by leveraging our strengths including our olive oil evaluation, storage, and filling technologies, as well as our effective use of oil meal generated in the production process and extensive sales network. In February 2021, this project received the highest award in the Abandoned Land Restoration Category in the Shizuoka Prefecture Awards Program for Activities to Promote the Optimization of Agricultural Land Use. The Shizuoka Prefecture Awards Program for Activities to Promote the Optimization of Agricultural Land Use is a program in which Shizuoka Prefecture awards organizations and individuals who are involved in activities to restore abandoned farmland or facilitate farmland consolidation and concentration as a model for other regions to promote the optimization of agricultural land use, with the hope that these activities will spread to other regions. The Abandoned Land

TOPICS

Selling pure domestic craft olive oil “JOYL Hitosaji no Shun CREA FARM” through the official online store

We formed a business alliance with CREA FARM Co., Ltd. to develop and market products using olives harvested at CREA FARM's olive farms, launching the first product, “JOYL Hitosaji no Shun CREA FARM,” a pure domestic craft olive oil* using Arbequina and Koroneiki olives, exclusively through the official online store (<https://shop.j-oil.com/>). (in Japanese only) This is the first time for us to sell domestically produced olive oil, and we plan to continue contributing to the development of domestic olives going forward.

*Craft olive oil is defined as olive oil with a flavor that reflects the sensitivity and individuality of the farm and the craftsmanship of the artisans who carefully select the appropriate type of olive seedlings for the farm's soil and climate, cultivate them with great care, and harvest and press the olives by hand to avoid damaging the fruit.



Olive tree at Minatogawa Shrine

Restoration Category and Agricultural Land Consolidation and Concentration Category were open to applicants, and we received the Grand Prize following a screening process that included the status of activities, results of activities, contribution to regional revitalization and management, societal interest, and the continuity and development of activities. We executed the project along with our two partner companies with the aim of revitalizing the Izu region, and received high praise for our efforts to commercialize olives and make them available to primary, secondary, and tertiary industries.

In addition, we support the Kobe Olive Garden Revival Project in Kobe, Hyogo Prefecture, as well as activities to preserve Japan's oldest olive trees at the Minatogawa Shrine, also in Kobe. Using these olive trees as a springboard, we are working with NPOs, production farmers, and agricultural consultants to cultivate olives on a trial basis.

Local community involvement

Contributing to Okayama's "Creating a Place for Children" Project

In August 2020, we partnered with Iceline Inc. to launch the Land of Sunshine Refined Soybean Oil, a private label business-use oil product line for Iceline. Subsequently, we established a framework whereby Iceline Inc., our company, and restaurants donate an equal amount for each can of product sold to the "Create a Place for Children" project in Okayama for children who are suffering from poverty, abuse, isolation, withdrawal, and other difficulties. As a result of these activities over the past two years through July 2022, support for the program has steadily expanded to approximately 200 cooperating restaurants, and we have distributed donations to organizations that operate the places for children established as a part of the project. We have made our second donation since last May for a total of ¥2 million. We will continue to carry out support activities going forward.



Land of Sunshine Refined Soybean Oil

Initiatives at production sites

The J-Oil Mills Group has production sites throughout Japan, and we value our relationships with the people of each local community. Each production site has been working to improve its business activities from various angles by listening to the opinions and requests of local residents through daily interactions. Each of our production sites, including the Shizuoka Plant and Factory, as well as the Yokohama, Kobe, and Kurashiki Factory, has long been involved in cleanup activities aimed at contributing to the local community and environment, beautifying the surrounding areas, raising employee awareness of the environment, and strengthening cooperation between labor and



Kobe Plant, J-Pack Labor Management Cleanup Activities

VOICE

Yousuke Takami
Kobe Factory
Operations Division



Kobe Factory and J-Pack labor-management conducted cleanup activities

We are working to promote communication with neighboring companies and local residents through our cleanup activities. Many people participated this year, and we were able to organize two groups to clean up a wider area than last year. There were many empty cans, plastic bottles, cigarette butts, masks, and other litter, which made me think about many things. As a member of the local community, we will continue to think about what we can do to help beautify the local environment, and to engage in activities that will help preserve the environment.

management. Going forward, we will continue to engage in dialogue with local residents to resolve issues in each community, contribute to beautifying and preserving the local environment, and operate plants that are loved by the local community.

Enhancement of communication with stakeholders

We actively promote dialogue with stakeholders to enhance credibility and improve corporate value.

For equity investors, we disseminate information in a timely and appropriate manner by holding quarterly financial results briefings, small meetings, overseas roadshows, and individual interviews on an ongoing basis. In terms of public relations, we stepped up our efforts to disseminate information on new products to the media, such as the Smart Green Pack® series and Violife®, which embody our commitment to good taste, health, and low burden.

Since FY2021, we have asked our customers about price revisions in response to soaring raw material prices, and are making efforts to carefully explain the background and circumstances that led to the revisions through press releases and other means. We are continuously strengthening our communication activities, such as by promoting awareness and understanding of our new brand for communication, JOYL, launched in April 2021, and by holding lectures and discussions on palm oil, climate change, and building sustainable value chains by NGO representatives. In addition, we have worked on understanding the demands of society in Japan and overseas by joining RTRS and the Human Capital Management Consortium in August 2022, and will proactively rollout the knowledge we have accumulated both internally and externally. As public interest in corporate initiatives to resolve issues with the aim of creating a sustainable society grows, we will continue to engage in dialogue with our various stakeholders, including shareholders, investors, business partners, local communities, NPOs and NGOs, and employees, and promote solutions to social and environmental issues as a company that serves society.



FY2021 earnings results briefing



Ajinomoto Group Autumn 2022 New Product Briefing

Number of key dialogues and information disclosures in FY2021

Small meetings	2
Earnings results briefings/ earnings conference calls	4
Overseas IR activities	1
ESG-related communication with business partners	25
Number of press releases	69

*Conducted via web conference

TOPICS

Selected as a constituent of the ESG investment index FTSE Blossom Japan Sector Relative Index for the first time

In 2022, we were included in the FTSE Blossom Japan Sector Relative Index for the first time. The FTSE Blossom Japan Sector Relative Index reflects the relative performance of Japanese companies that excel in environmental, social and governance (ESG) performance in their respective sectors. In addition, we have been selected as a constituent of the FTSE Blossom Japan Index for two consecutive years. As social issues become increasingly complex, we will strive to resolve these issues by staying current with global trends, addressing environmental, social, and governance (ESG) issues, and fulfilling our corporate philosophy.



FTSE Blossom Japan Index: <https://www.ftserussell.com/products/indices/blossom-japan>

FTSE Russell (a registered trademark of FTSE International Limited and Frank Russell Company) hereby certifies that J-Oil Mills, Inc. has met the requirements for inclusion in the FTSE Blossom Japan Index as a result of an independent investigation and is now a constituent of the Index. The FTSE Blossom Japan Index, created by global index provider FTSE Russell, is designed to measure the performance of Japanese companies that are demonstrating outstanding environmental, social and governance (ESG) performance. The FTSE Blossom Japan Index is widely used to create and evaluate sustainable investment funds and other financial products.

Reducing Environmental Impact



Eizo Matsumoto
Director, Managing Executive
Officer, in charge of
Production and Technology

Management Message

The global environment is facing a crisis. Our vision is to operate businesses that make the most of nature’s blessings and bring good taste, health, and low burden to people, society, and the environment. With this in mind, we see lowering our environmental impact as an important management issue to address the urgent problem of climate change. We will continue our efforts to cut greenhouse gas (GHG) emissions, reduce and recycle waste, and curtail plastic use to reduce the global environmental burden throughout our value chain and help create a recycling-oriented society.

Sustainable recourse use

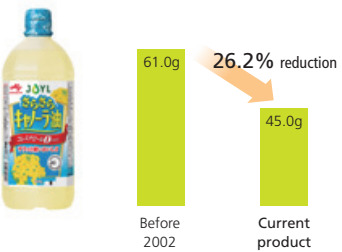
Plastic reduction initiatives

We have been actively working to reduce the amount and weight of plastics used in our main packaging and containers for some time. Working with container and material manufacturers, we have reduced the weight of the eco-friendly bottles (polyethylene bottles) used as containers for our mainstay household-use oils and fats products by 26.2% compared to pre-2002 levels. In addition, we were able to reduce the weight of UD eco-friendly plastic bottles (PET bottles), another container used for our mainstay products, by 20.0% compared to pre-2007 levels.

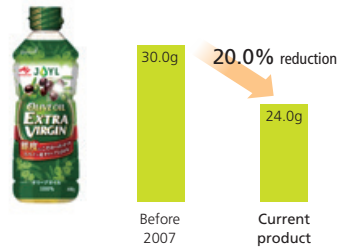
In August 2021, we introduced the Smart Green Pack®, an environmentally friendly paper carton packaging material, for our canola oil and sesame oil products. We expect the Smart Green Pack® to use about 60% less plastic compared to containers with the same capacity, and reduce CO₂ emissions by about 26% based on our calculations. Moreover, customers can fold the packaging up into a smaller size after they are done using the product before disposing it, which helps reduce waste volume. In March 2022, we began using this material for our extra virgin olive oil, rice oil, and soybean oil products, and further for roasted sesame oil products in August 2022, expanding the lineup to a total of five oils and seven varieties. Going forward, we will consider switching from conventional plastic and bottle containers to the Smart Green Pack® series for packaging to ensure the sustainable use of resources.

In May 2022, we set up a target of achieving zero plastic waste by FY2030. In 2021, we set a target of reducing plastic waste by 25% compared to FY2000 by 2030, and have been implementing various initiatives to achieve this target. However, with the enactment of the Law Concerning the Promotion of Resource Recycling of Plastics in April 2022, we revised our target upward under the belief that we need to make even greater efforts to reduce plastic waste, which contributes to marine environmental pollution and climate change.

Initiatives to reduce plastic weight
1,000g Eco Bottle: Changes in bottle weight



600g UD eco-friendly plastic bottles :
Changes in bottle weight



To achieve our targets, we will work to develop and market environmentally friendly products by expanding our Smart Green Pack® series, adopting biomass resins, reusing waste plastics, and using recycled resins, and promoting the development of recycling technologies through inter-company collaboration. We will continue to work on lowering our environmental impact by gradually reducing the amount of plastic we use and discard.



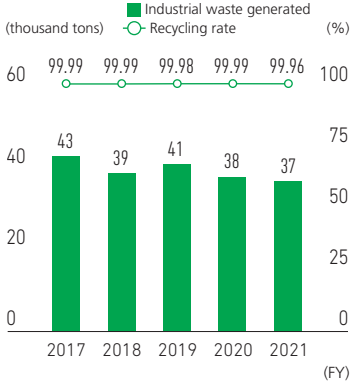
Smart Green Pack® series

Maximize resource use efficiency (zero emissions)

We strive to reduce and recycle waste and achieve zero emissions* every year at our production sites. In FY2021, we continued to convert waste into valuable resources, maintaining and sustaining a recycling rate of 99.9% or higher at our production division. We will continue our efforts to reduce the amount of energy, raw materials, water, materials, and other inputs we use, while also lowering emissions of pollutants and waste, and working to recycle resources. In addition, we will strive to reduce our use of plastics derived from fossil fuels, and will also conduct e-learning and environmental seminars on waste materials outside of our production division to maximize resource use efficiency throughout our entire company.

*We define zero emissions as the absence of simple incineration or landfill disposal of industrial waste generated from factories and business sites (recycling rate of 99.9% or more).

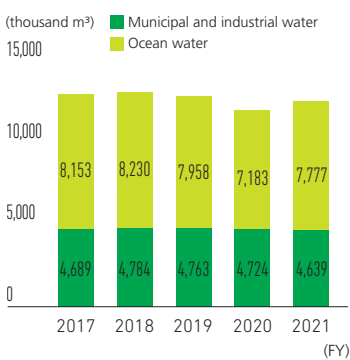
Recycling rate in production division



Understanding and addressing water risks

Water is used in every aspect of the supply chain, from the cultivation of raw ingredients to the manufacturing process, and is an essential resource for our business activities. Our plants use a lot of water for steam and as a coolant. We have set targets to reduce our municipal and industrial water consumption by 5% in FY2024 and 10% in FY2030 compared to FY2019, and are working to reduce water intake by promoting efficient use and reuse of water. In FY2021, water consumption at all our domestic plants reached 4.63 million tons, approximately 130,000 tons less than what we used in FY2019. In addition, in FY2021, the Sustainable Procurement and Environment Subcommittee, which is under the Sustainability Committee, began examining and analyzing water risks at our domestic sites. Going forward, we will continue to assess water risks that are important to food companies, work to eliminate these risks, and further promote water conservation initiatives to protect the environment and ensure business continuity.

Total water intake



TOPICS

Received the 8th Yokohama Global Warming Prevention Award

In June 2022, the Yokohama Plant, which is one of our main production bases, received the 8th Yokohama Global Warming Prevention Award from the City of Yokohama in recognition of its efforts to reduce CO₂ emissions. This is the second time we received this award, following our first in 2018. At the Yokohama Plant, which refines, processes, fills, and packages cooking oil, we replaced three old boilers with two new high-efficiency boilers in FY2020, and changed our production plans to be more efficient by reviewing our refining and filling/packaging processes. Furthermore, the plant's efforts to improve energy efficiency, including the use of LED lighting and the replacement of air conditioning units, which reduced CO₂ emissions by a total of 736 tons, received high praise.



Key initiatives in FY2020*	CO ₂ emissions
Upgraded to two new high-efficiency boilers	413 tons
Reviewed production plan for efficiency	296 tons
Converted lighting equipment to LED	26 tons
Renewed air conditioning units	1 tons

*The evaluation covers initiatives in FY2020, as the award covers businesses that submitted their reports in FY2021.

Response to the Task Force on Climate-related Financial Disclosures (TCFD)

In November 2020, we expressed our support for the Task Force on Climate-related Financial Disclosures’ (TCFD’s) recommendations and joined the TCFD consortium. We established a cross-company project team to promote information disclosure in line with the disclosure items proposed by the TCFD’s recommendations.

Governance

The Sustainability Committee works on reducing environmental impacts and addressing sustainability issues, including making efforts to achieve decarbonization. It has launched a cross-company TCFD project with a director as the project owner, and is promoting information disclosure based on the TCFD’s recommendations. Under the aforementioned sustainability promotion system, we are working on specific initiatives to reduce our environmental impact across the entire company, from procurement to production, logistics, and sales, mainly through the Sustainable Procurement and Environment Subcommittee, which is under the Sustainability Committee.

Sustainability Promotion System



Risk management

We have established a Management Risk Committee, chaired by the president and CEO, which reports to the Board of Directors and the Management Committee twice a year. The Management Risk Committee manages key company-wide risks, including climate change, from a short- to medium-term perspective, and works to prevent and mitigate them.

The risks and opportunities that our business is exposed to due to climate change are managed by the Sustainability Committee and the TCFD project team from a medium- to long-term perspective as part of our Sustainability Promotion System. In FY2021, we conducted a scenario analysis using

existing documents and other publicly available information as information sources, conducted a financial impact assessment of the identified risks and opportunities, and examined measures to address these challenges. The TCFD Project team provides a quarterly report of the discussions to the Board of Directors and the Management Committee. The Board of Directors provides instructions or advice as needed and monitors any developments.

Going forward, we will continue to expand and deepen the scope of our analysis to minimize risks and maximize opportunities to bolster our resilience.

In addition to climate change, we also see the increasing severity of typhoon damage resulting from global warming as a risk factor.

Strategy

Climate change risks and opportunities identified

We see climate change as a key business risk in terms of business continuity and have analyzed the risks and opportunities for the below 2°C and 4°C scenarios. In

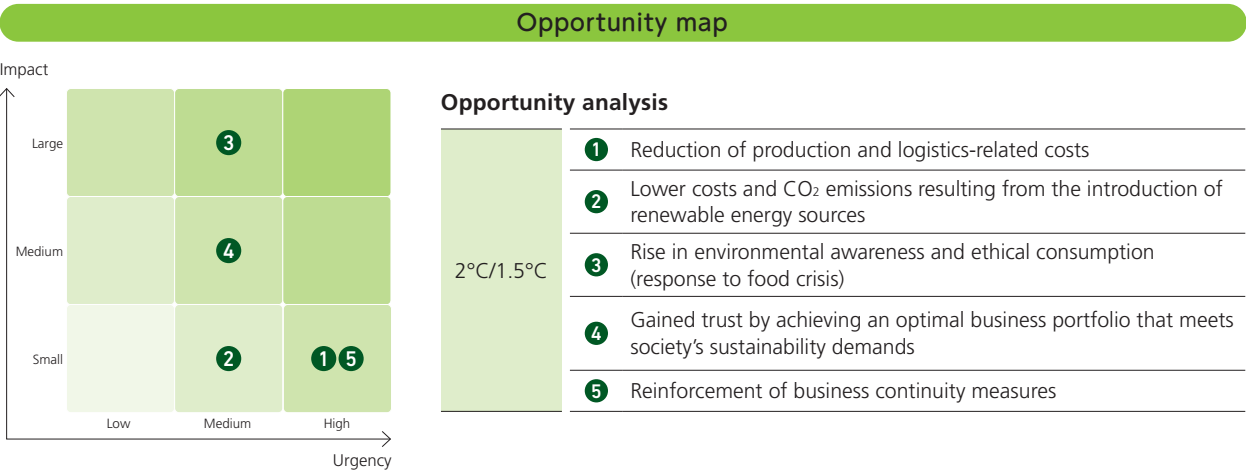
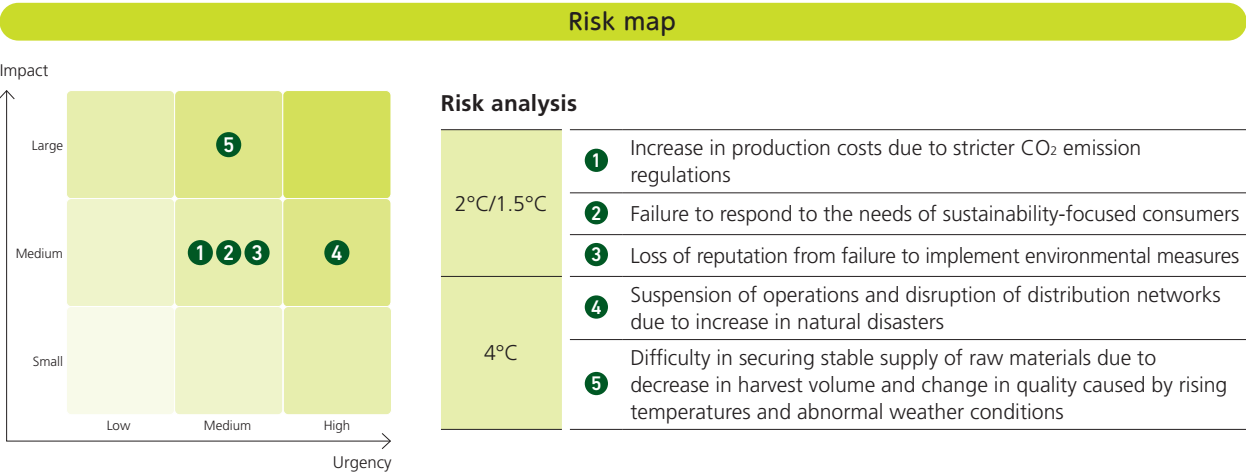
Assumptions

Scenario	The below 2°C and 4°C scenarios are projections of how much average temperatures will increase from before the industrial revolution to the end of the 21st century, according to the Sixth Assessment Report of the Intergovernmental Panel on Climate Change (IPCC), which is influential in international negotiations and provides the scientific basis for global warming response measures. The scenario with the lowest temperature increase (SSP1-1.9 scenario) projects an approximate increase of around 1.4°C, while the scenario with the highest temperature increase (SSP5-8.5 scenario) projects an increase of around 4.4°C.
Applicable period	Present - 2050
Scope of coverage	All J-Oil Mills Group businesses

Scenario analysis results

We assessed the key climate change risks and opportunities along two axes: the impact on business performance and the level of urgency. Looking ahead, we will continue to expand and deepen the financial impact assessment from the highest priority items, and will continue to examine measures to address issues.

Please visit our website to see the results of the scenario analysis and our response measures. (in Japanese only)
https://www.j-oil.com/sustainability/environment/climate_change/tcfd.html



Definition of impact and urgency

Impact: Large: Those that could have a significant impact on business performance (10 billion yen or more)
Medium: Those that could have a significant impact on business performance (between 1 billion yen and 10 billion yen)
Small: Those with small impact on business performance (less than 1 billion yen)
Urgency: High: within 1 year
Medium: within 5 years
Low: Over 5 years

Indicators and Targets

We are targeting a 50% reduction in CO₂ emissions compared to FY2013 by FY2030 (Scope 1 and 2). We also intend to become carbon neutral, eliminating CO₂ emissions by FY2050. In addition, we also aim to reduce CO₂ emissions throughout our supply chain (Scope 3) in cooperation with our suppliers, including CO₂ emissions generated from the raw materials we purchase and the products we manufacture. With respect to Scope 3 emissions, we plan to examine ways to reduce emissions by improving our calculation accuracy for Category 1 and Category 4, which generate the most emissions.

Starting in FY2022, we incorporated ESG indicators into the performance targets for individual directors and officers. One of the ESG indicators we incorporated addresses climate change, such as reducing CO₂ emissions. We aim to promote ESG management by introducing incentives that tie executive compensation to ESG indicators to bolster executive focus toward climate change initiatives.

As for introducing an Internal Carbon Pricing (ICP) program, we are gathering information and exploring ways to promote environmental investment through the ICP program.

Maintaining food resources



Eizo Matsumoto
Director, Managing Executive
Officer, in charge of
Production and Technology

Management Message

To ensure the stable delivery of safe, reliable, and high-quality products and services to our customers, we are continuously improving our quality assurance system by having each employee take a customer-oriented approach in implementing initiatives. In addition to providing new value through plant-based food (PBF), which we have been promoting since 2021 to reduce our environmental impact, we will also contribute to maintaining food resources through our business activities by reducing food loss. For example, we plan to reduce the amount of oil wasted when switching to another oil product to improve yield in the oil extraction process and focus on developing oils that last longer than conventional oil products.

Food safety and peace of mind

Providing a stable supply of safe, reliable, and high-quality products and services is the responsibility of a food company. We have established a Quality Policy to ensure compliance with laws and regulations as well as to promote food safety, and all our production bases have acquired the international certifications ISO 22000 and ISO 9001. Furthermore, we expanded the scope of ISO 9001 certification to include not only the production division but also the business (marketing, etc.), R&D, and corporate division, and all employees are working together to improve and enhance operations in areas ranging from product planning and design to manufacturing processes, quality inspection, inventory control, transportation and delivery, and finance. Moreover, we are continuously working with our partners (contractors) to reduce quality risks.

Information on product quality and price is an important factor when customers decide on a product. To ensure that we provide accurate information, we comply with the Food Labeling Law and other laws and regulations, and strive to appropriately label our products while ensuring our labels are easy to understand by incorporating customer feedback. For household-use products, we disclose information on the origin of raw materials, allergenic substances in products, the manufacturing location, etc. on our website.

Quality control system

To ensure the safety and security of our customers and to deliver reliable products, our quality control rooms at each plant conduct a wide variety of inspections using strict standards, including instrumental analysis and sensory testing, from when we receive raw materials to when the final product is finished.



Quality Policy (in Japanese only)
https://www.j-oil.com/sustainability/materials/policy_quality_management_2.pdf



Disclosure on our website

Our olive oil physics and chemistry analysis team was the first in Japan to receive the Olive Oil Physics and Chemistry Type B Certification from the International Olive Council (IOC). In addition, our olive oil sensory evaluation team has been certified by the American Oil Chemists' Society Olive Oil Sensory Panel for five consecutive years, and in 2022, the team came in first place, achieving the highest score in the test for the second year in a row.*

*The award is given to institutions and organizations that have taken the AOCS Olive Oil Sensory Panel Proficiency Test and have met the criteria for proficiency set by the AOCS. 1st place refers to the highest scorer in the test.



AOCS Olive Oil Sensory Panel Certificate

Initiatives to reduce trans fatty acids

We develop optimal oils and fats by applying various oil and fat processing technologies to use in our products. For both margarines and spreads, we used our proprietary fat blending and emulsification technologies to reduce trans fatty acids while making it delicious and easy to spread. Today, our household-use Rama-branded margarines contain no partially hydrogenated fats, which are the main cause of trans fatty acids.

We are also continuing to develop production technologies to reduce the trans fatty acids contained in our JOYL AJINOMOTO Sarasara Canola Oil and other products. To ensure that our customers can comfortably enjoy our products, we will continue to reduce trans fatty acids and disclose information while improving quality and manufacturing safe and secure products.



Initiatives to reduce trans fatty acids
(in Japanese only)
https://www.j-oil.com/deliciousness_and_health/trans_fat/

Establishment of Environmental Guidelines

We have established our "Environmental Guidelines for Achieving Lower Environmental Impact" with the aim of lowering our impact on society and the environment.

Based on these guidelines, we newly introduced an environmental check sheet in FY2022 to actively incorporate our corporate philosophy of lowering our environmental impact from the design and development stages of our products. As another example, we developed container materials with excellent oxygen barrier and light shielding properties to extend the shelf life of products and improve customer usability. Looking ahead, we will continue our initiatives to create a sustainable society by making sure that we reduce our environmental impact throughout the entire process from raw material procurement to manufacturing, transportation, consumption, and disposal.

Substitution of animal-based resources

The importance of a stable food supply is growing around the world due to climate change, higher food demand stemming from population growth, frequent conflicts, and rising energy costs. In particular, the rising environmental impact of the livestock sector's supply chain and the negative impact on the marine environment caused by greenhouse gas emissions have become problematic. Since 2011, we have been using our proprietary technologies on plant-based materials to create new starch products that cannot be made by using conventional materials. Our high-value-added starch products demonstrate a variety of functions thanks to our proprietary processing technologies. As an example, we created a material that can be used as a substitute for fish paste products without sacrificing texture by using our starch products with our proprietary technologies. Going forward, we will continue to address the scarcity of meat and fish resources and help reduce food loss.



Contributing to Health through Food



Akio Ohishi
Managing Executive Officer
In charge of Food Design
Center, Quality Assurance
Division, Intellectual Property
Strategy Division

Management Message

Under our mission of Oishisa Design, we have contributed to solving customer issues by leveraging our ability to emulate deliciousness (taste, aroma, and texture) and combining our proprietary technologies with a wide variety of ingredients. With the aim of fulfilling our vision of “Joy for Life® - Bringing Joy to the Future by Food,” we will go beyond delivering better taste and focus on providing values that society demands, such as better health and low burden, by addressing the challenges of helping people eat and make better food and demonstrating our Oishisa Design capabilities rooted in oil.

R&D domains and structure

In the J-Oil Mills Group, we conduct research and development with close cooperation between the Food Design Center, which develops fundamental technologies over the medium to long term, the R&D divisions under each business division, which develop products directly related to each business, and the application division department, which develops cross-functional applications that leverage the materials from each business. We are leveraging our various strengths based on our fundamental technologies to create value toward fulfilling our vision of “Joy for Life® - bringing joy to the future by food.”

Intellectual property initiatives

Our R&D organization positions intellectual property activities as an integral part of its business activities, and works closely with the dedicated organization for intellectual property in the Corporate Administration Division to actively secure rights and respond appropriately to infringements of rights by others in accordance with relevant laws and regulations. As a result of strategically protecting and submitting patent applications for our proprietary technologies while ensuring respect for the intellectual property of third parties, our number of patent applications in 2021 more than tripled compared to 2015 figures. In February 2022, we were ranked 9th among food manufacturers in Japio-SDGs Patent Index* developed by Japan Patent Information Organization (Japio).

*Japio-SDGs Patent Index is an index that evaluates SDG-orientation of patent applications by applicant, independent of the number of applications, using AI technology originally developed by the Intellectual Property AI Research Center of Japan Patent Information Organization (Japio).

Number of patent applications



Development and sales of health-oriented products

People expect cooking oil to have a variety of health functions, not only as one of the three macronutrients, but also as a fat-soluble trace nutrient. We are focused on promoting the nutritional value of oil, with a strong emphasis on health through research on olive oil polyphenols and other efforts. In addition, we sell designated health foods that lower LDL cholesterol and nutritional foods that are rich in omega-3 (n-3 fatty acids).



Responding to an aging society

We have been developing low-sodium materials using oils and fats, and researching resistant starch that regulates intestinal bacteria, while bringing to market oils and powders containing vitamin K₂ extracted from the bacillus natto, an important ingredient essential for maintaining healthy bones. With Japan’s growing health consciousness and aging population, the need for these products is on the rise among active seniors and a wide range of other age groups. In recent years, natto-derived products from Japan have been attracting attention overseas as well.



Research and development that contributes to maintaining food resources

Started verification of bio-jet fuel made from vegetable oils and fats

In August 2022, we submitted a proposal to the New Energy and Industrial Technology Development Organization (NEDO) for a publicly solicited project entitled “Demonstration of a bio-jet fuel supply chain model using vegetable oils and fats that do not compete with food,” which was selected as a prospective grant recipient. We will begin verifying the establishment of a supply chain that uses our vegetable cooking oil production technology and facilities, with the aim of making effective use of vegetable oils and fats that do not compete with food and lowering environmental impact.

Diversification of lifestyles

We offer plant-based foods (PBF) to our customers that are focused on good taste and cater to diversifying lifestyles, including for those who are vegan and flexitarians. By combining our starch products, JOYL PRO flavored oil, and plant-based protein ingredients, we can add a juicy, meaty texture and the distinctive flavor of meat not attainable using plant-based protein alone to reproduce flavors that are more natural and suited to each food product. In addition, we also develop and sell our Violife plant-based cheese, as well as other plant-based dairy products.



TOPICS

Expansion of plant-based food market

The global plant-based food market has expanded rapidly on the back of social trends such as increased health consciousness and environmental concerns, reaching approximately 1 trillion yen in FY2019. The plant-based food market in Japan has grown to approximately 25 billion yen in FY2020 as well and is expected to continue growing.

Source: TPC Marketing Research Corp. “Latest Trends and Future Prospects of the Plant-based Dairy Substitute Food Market”

Digital Transformation Initiatives

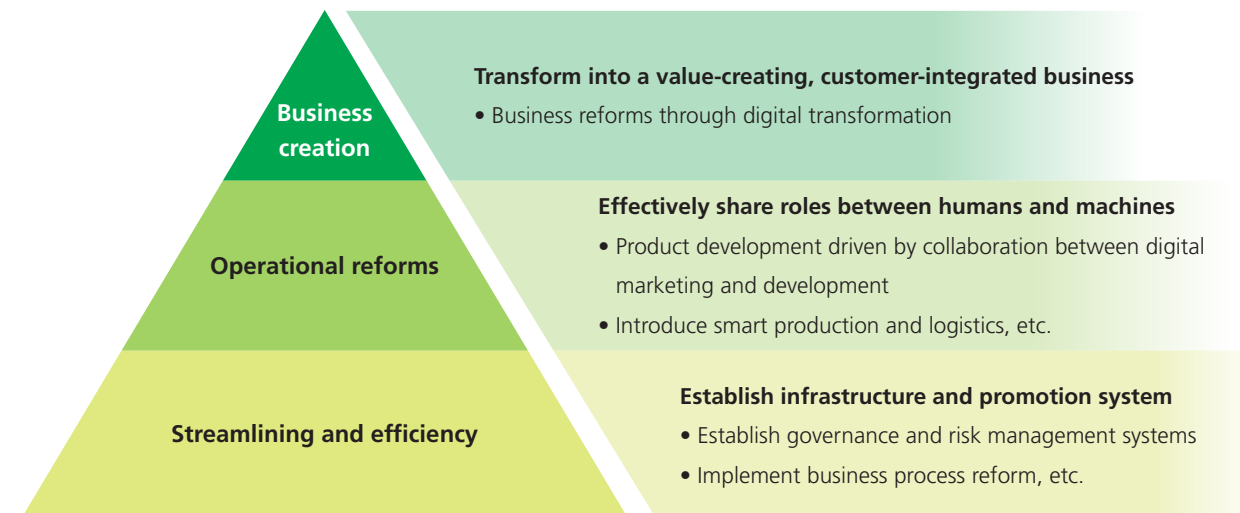
Digital transformation promotion policy

To fulfill our mission of “Through ‘Oishisa Design,’ we aim to enhance society by addressing better eating,” we are working on reforms to enhance our corporate value from the three perspectives of business, people, and infrastructure. Digital transformation is one of the ways we are driving our reforms, and we are identifying tasks and issues to be addressed at each level of our organization, while also examining and promoting initiatives for securing and training human resources.

Currently, in addition to developing the infrastructure and promotion system, including the governance and risk management systems for promoting digital transformation, we are also working on business process reforms to streamline operations, such as digitizing information. Moreover, we began looking into leveraging data and digital technologies to establish a framework for providing products and services based on the needs of customers and society, as well as to optimize production and logistics. Going forward, we aim to address changes in society and transform ourselves into a value-creating business that creates new markets.



J-Oil Mills Group digital transformation strategy



Key financial data

(Millions of yen)

	FY2017	FY2018	FY2019	FY2020	FY2021
Fiscal year:					
Net sales	183,361	186,778	178,196	164,816	201,551
Operating profit / loss	4,005	5,663	6,661	6,687	(21)
Ordinary profit	5,137	6,326	7,302	7,374	596
Profit attributable to owners of parent	4,127	4,749	5,203	5,253	1,953
EBITDA* ¹	8,923	10,639	11,745	11,631	4,792
Depreciation	4,917	4,976	5,084	4,944	4,813
Capital investment	5,444	5,159	4,252	3,892	5,129
R&D expenses	1,325	1,511	1,577	1,518	1,248
Cash flows from operating activities	6,572	13,075	14,647	4,270	(16,807)
Cash flows from investing activities	(3,766)	(2,623)	(4,235)	(2,438)	1,917
Cash flows from financing activities	(5,600)	(11,066)	(4,396)	(2,476)	10,576
Free cash flow	2,806	10,452	10,412	1,832	(14,889)

Fiscal year-end

Total assets	153,642	147,688	147,541	156,509	161,700
Net assets	84,115	86,908	89,683	94,475	94,523

Per share information*² (yen):

Earnings per share (EPS)	124.76	144.28	158.10	159.62	59.24
Book value per share (BVPS)	2,553.81	2,638.37	2,714.49	2,859.34	2,846.30
Dividend per share (DPS)	45.00	45.00	50.00	50.00	50.00

Financial indicators:

Return on equity (ROE) (%)	4.9	5.6	5.9	5.7	2.1
Net profit margin (%)	2.3	2.5	2.9	3.2	1.0
Total asset turnover (times)	1.2	1.3	1.2	1.1	1.2
Financial leverage (times)	1.9	1.8	1.7	1.7	1.7
Return on asset (ROA)* ³ (%)	2.6	3.2	3.5	3.5	1.2
Shareholders' equity ratio (%)	54.7	58.8	60.6	60.1	58.2
Shareholders' equity ratio on a market value basis* ⁴ (%)	38.9	45.9	51.0	42.0	32.9
Ratio of cash flow to interest-bearing liabilities* ^{5,6} (years)	5.4	2.0	1.6	5.2	—
Interest coverage ratio* ⁶ (times)	50.4	127.5	172.7	36.3	—
Dividend payout ratio (%)	36.1	31.2	31.6	31.3	84.4

*1: EBITDA = Operating profit + depreciation

*2: On April 1, 2021, the company conducted a 2-for-1 stock split of common stock. Earnings per share, book value per share, and dividend per share are calculated assuming the stock split occurred at the beginning of FY2017.

*3: Calculated using profit.

*4: Market capitalization is calculated by multiplying the year-end share price by the number of shares issued and outstanding at year-end (after excluding treasury shares).

*5: Interest bearing liabilities includes all liabilities with interest payable recorded in the liabilities section of the consolidated statements of balance sheets. Interest payable refers to interest expenses stated in the consolidated statements of cash flows.

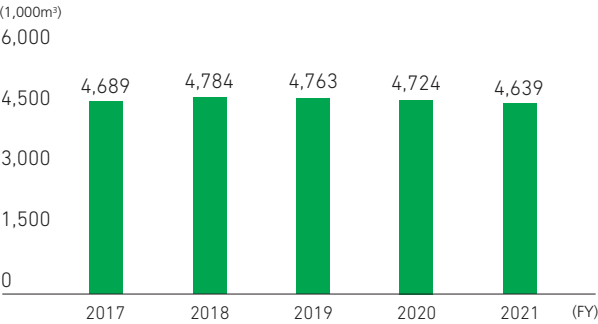
*6: Omitted, since cash flows from operating activities in FY2021 was negative.

Non-financial Data

	Unit	FY2017	FY2018	FY2019	FY2020	FY2021
Environmental impact data*1						
GHG emissions*2						
Scope 1	kt-CO ₂	111	111	117	111	118
Scope 2	kt-CO ₂	50	51	52	36	33
Scope 3*3	kt-CO ₂	—	3,542	3,453	3,301	3,349
CO ₂ emissions intensity	tCO ₂ /Tons of refined oil	0.24	0.25	0.26	0.26	0.26
Purchased electricity (non-renewable)	10,000kWh	6,521	6,406	6,741	6,230	6,004
Water intake	1,000m ³	12,842	13,014	12,721	11,907	12,416
Wastewater volume	1,000m ³	11,279	11,621	11,310	10,698	11,172
Raw material consumption	1,000 tons	1,739	1,680	1,694	1,560	1,649
Pollutant release and transfer	Tons	8	7	9	6	6
Social contribution expenditure*4	Million yen	27	27	31	31	22
Social impact data						
Number of employees*5	Persons	984	1,012	1,039	1,074	1,104
Male	Persons	814	829	844	865	878
Female	Persons	170	183	194	209	226
Non-Japanese employees	Persons	0	0	1	4	5
Age average	Years	43.1	43.5	43.7	43.7	43.4
Male	Years	43.4	43.9	44.2	44.4	44.6
Female	Years	41.4	41.4	41.5	40.9	39.7
Female managers	%	4.0	5.0	5.7	6.0	6.0
Employees with disabilities	%	2.06	2.01	2.18	2.40	2.40
New graduates hired	Persons	35	20	19	24	22
Male	Persons	26	13	12	14	12
Female	Persons	9	7	7	10	10
New graduates' turnover (within three years)*6	%	5.7	5.0	—	—	—
Average length of service	Years	17.0	17.1	17.2	16.8	16.1
Male	Years	17.5	17.8	17.8	17.8	17.6
Female	Years	14.5	14.0	13.6	13.1	12.2
Employee turnover*7	Persons	16	18	17	20	27
Overtime hours (per person average)	Hours/month	16.8	17.5	17.9	16.9	21.5
Parental leave acquisition	Persons	6	14	10	12	12

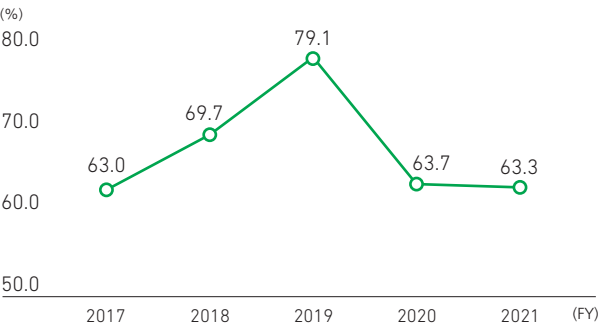
*1: Environmental impact data until FY2018 encompasses all J-Oil Mills' production bases, and from FY2019, all J-Oil Mills' group companies (domestic consolidated subsidiaries).
*2: Partially revised in FY2021.
*3: Only for oils and fats business until FY2019, and for entire J-Oil Mills' group (domestic consolidated subsidiaries) since FY2020.
*4: Based on Keidanren's guideline.
*5: Calculation method is different from the method used for number of employees (parent) stated in securities report.
*6: Turnover rate: Number of employees who resigned within three years after joining the company / the total number of new graduates who joined the company on the first business day of the fiscal year x 100
*7: Does not include retirees.

Clean water and industrial water usage



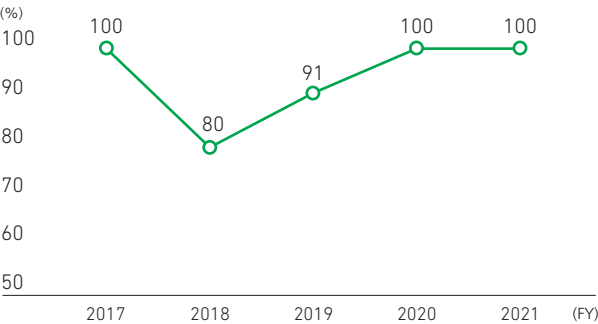
At our factories, we use a lot of industrial water to generate steam and to use as a coolant. Therefore, we set a target for FY2030 to reduce clean water and industrial water usage by 10% compared to FY2019. To this end, we will promote efficient water usage and reuse to reduce water intake.

Average paid leave acquisition



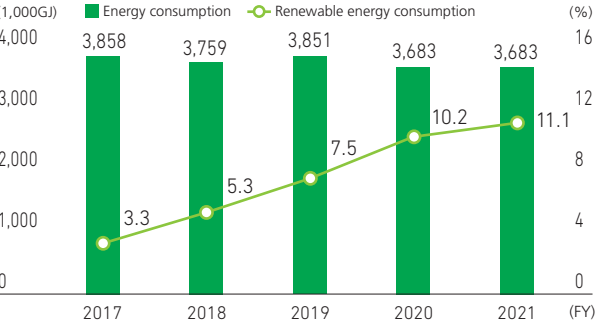
As working from home becomes the norm, and employees are enjoying an improved work life balance and diverse work style, fewer are taking paid leave. However, we will work to maintain an environment in which they would feel comfortable to acquire paid leave.

Reinstatement after parental leave



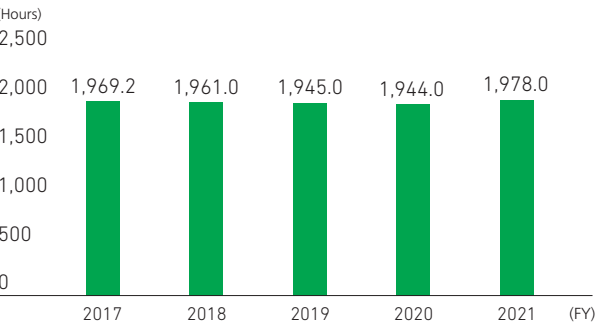
We not only promote usage of parental leave regardless of gender, but are establishing a workplace environment where employees feel comfortable in balancing their private and work life when they return to work.

Energy and renewable energy consumption



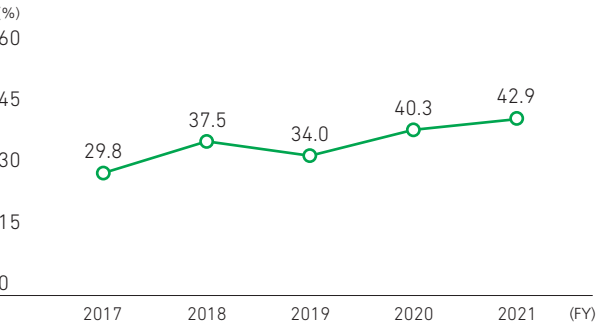
We have onsite power generation and energy saving facilities installed at our production bases. Going forward, we will continue to work to reduce negative impact on the global environment by installing renewable energy facilities, promoting switch to biomass fuel, and securing sources for fuel procurement.

Hours worked per annum



In FY2021, the number of hours worked increased due to price revision and new business/product development. We will continue to work to improve the situation through efforts such as enhancing work efficiency and increasing the percentage of annual paid leave acquisition.

Percentage of women among regular employees*



We are working to increase the percentage of women among regular employees that we are hiring in the future, and in doing so, will consider the strength and uniqueness of the candidates to lead our growth strategy. In addition, we will also establish an environment where diverse talent, regardless of their attributes or values, can use their talent to full extent.

*Percentage of women among regular employees hired means the proportion of women hired among the total of new graduate and mid-career hires.



Please see our website for ESG data. (in Japanese only)
<https://www.j-oil.com/sustainability/esg/esg.html>

Management Discussion and Analysis of Financial Position and Operating Results (MD&A)

Operating Results

Business Overview

In FY2021, we continued to face the same challenging environment brought on by the COVID-19 pandemic as we did in the previous fiscal year. In addition, raw material costs remained elevated due in part to higher prices for soybeans, rapeseeds, palm oil, and other types of oils, which are the main ingredients for our oil and fat products, as well as higher ocean freight costs. Under these circumstances, we worked to strengthen our earnings base by adjusting selling prices to reflect rising raw material costs, expanding sales of high-value-added products that serve as our growth drivers, and continuing to reduce costs.

P&L

• Net sales

In the fiscal year ended March 31, 2022, net sales rose 22.3% YoY to ¥201,551 million on the back of price revisions in response to surging raw material prices and higher meal prices.

• Operating profit

In the fiscal year ended March 31, 2022, operating loss amounted to ¥21 million, compared to an operating profit of ¥6,687 million in the previous fiscal year. Despite ongoing manufacturing cost reductions and SG&A expenses improving to ¥26,212 million (down 4.0% YoY) as a result of efforts to curb various expenses in anticipation of surging raw material prices, this was not enough to offset the sharp rise in cost of sales to ¥175,360 million (up 34.0% YoY).

• Ordinary profit



Ordinary profit amounted to ¥596 million (down 91.9% YoY) thanks to the recording of dividend income and share of profit of entities accounted for using equity method.

• Profit attributable to owners of parent

Profit attributable to owners of parent came to ¥1,953 million (down 62.8% YoY) owing to impairment losses on business assets in the oils and fats processed products business, which was partially offset by a gain on sales of shares of subsidiaries and associates following the sale of shares in J-CHEMICAL, INC.

Operating Results by Business Segment

For operating results by business segment, please refer to the Business Strategy page.

 Oils and Fats Business	P20
 Specialty Food Products Business	P24

Financial Policy

Our Group's policy is to sustainably improve corporate value by strengthening our ability to generate cash flow from operating activities, while considering our credit rating and striking an optimal balance between capital efficiency and financial soundness. This ensures that we have sufficient cash on hand to maintain our business activities, while at the same time providing stable and appropriate profit distributions from a long-term perspective, including stable shareholder returns as well as growth investments aimed at strengthening our corporate structure and aggressively expanding our business. We will incorporate weighted average cost of capital (WACC) and other metrics to boost asset efficiency and improve ROA. In addition, we will review our targets under our financial policy given the impact of the COVID-19 pandemic as well as changes in the business environment stemming from soaring raw material prices and the weakening of the yen.

Assets

Current assets as of the end of the fiscal year under review increased ¥11,510 million YoY to ¥94,196 million. This was driven by a ¥14,958 million increase in inventories, which was partially offset by a ¥4,269 million decrease in cash and deposits. Noncurrent assets fell by ¥6,312 million YoY to ¥67,466 million. The decrease was primarily attributable to a ¥3,869 million decrease in property, plant and equipment and a ¥3,685 million decrease in investment securities, which was partially offset by a ¥1,111 million increase in intangible assets. As a result, total assets rose ¥5,190 million YoY to ¥161,700 million.

Liabilities

Current liabilities at the end of the fiscal year under review increased ¥6,143 million YoY to ¥40,748 million. This was attributable to a ¥12,300 million increase in short-term loans payable, which was partially offset by decreases in notes and accounts payable-trade of ¥1,567 million, income taxes payable of ¥1,762 million, and other current liabilities of ¥1,833 million. Non-current liabilities were down ¥1,000 million YoY to ¥26,427 million. This was mainly attributable to decreases in deferred tax liabilities of ¥348 million, retirement benefit liability of ¥211 million, and other long-term liabilities of ¥458 million, which was partially offset by a ¥160 million increase in long-term loans payable. As a result, total liabilities increased ¥5,142 million YoY to ¥67,176 million.

Net assets

Net assets as of the end of the fiscal year under review increased ¥47 million YoY to ¥94,523 million. This primarily reflected increases in retained earnings of ¥215 million, treasury shares of ¥275 million, and deferred gains on hedges of ¥176 million, which was mostly offset by a ¥870 million decrease in valuation difference on available-for-sale securities.

Cash Flow

In the fiscal year under review, cash and cash equivalents decreased ¥4,273 million YoY to ¥3,505 million.

Net cash used in operating activities totaled ¥16,807 million, falling ¥21,077 million YoY primarily due to an increase in inventories associated with higher raw material costs.

Net cash provided by investing activities rose ¥4,356 million YoY to ¥1,917 million. This was mainly attributed to an increase in proceeds from sale of investment securities and proceeds from sale of shares in subsidiaries, which resulted in a change in the scope of consolidation.

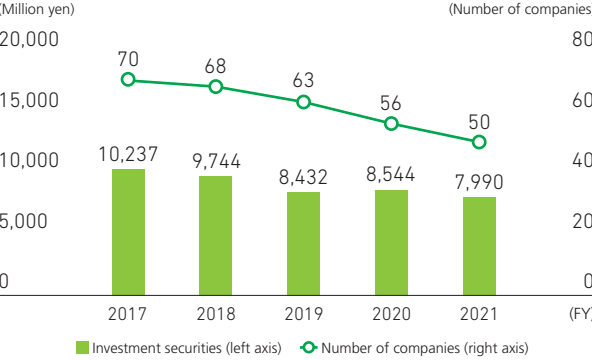
Net cash provided by financing activities increased ¥13,052 million YoY to ¥10,576 million, mainly driven by an increase in short-term loans payable.

Cross-shareholdings

Improving asset efficiency is a key priority for our company, and our policy is to reduce our cross-shareholdings by half by FY2024 and reallocate them to growth investments.

We will keep our cross-shareholdings to the minimum needed to help enhance corporate value. In deciding whether to maintain cross-shareholdings, we individually review the purpose of each shareholding from various perspectives,

Investment securities (Non-consolidated)



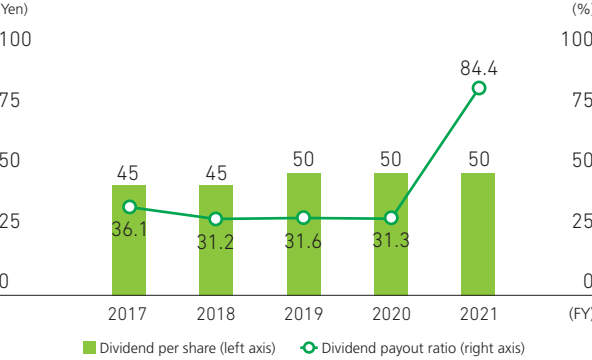
including the economic rationality of holding the shares (whether the benefits and risks are commensurate with the cost of holding the shares) and the probability of whether holding the shares will enhance profitability (benefits of continuing to hold shares and prospects for future transactions). For shares that we determine are worth holding, the Board of Directors regularly reviews the purpose of holding the shares, and for those that we cannot justify holding, we proceed to sell them after gaining sufficient understanding from the relevant partner company. In addition, we may sell shares that we decided were worth holding, in accordance with our basic policy of reducing cross-shareholdings, while taking into consideration the market environment and our management and financial strategies. In FY2021, we sold seven of our cross-shareholdings, which amounted to ¥656 million, and of these, we sold all our holdings for six companies.

Shareholder Returns

The dividend for the fiscal year under review amounted to ¥50.0 per share, including an interim dividend of ¥25.0 per share. We conducted a 2-for-1 stock split on April 1, 2021, and the dividend before taking the stock split into consideration amounts to ¥100.0 per share, with an interim dividend of ¥50.0 per share.

We work to allocate internal reserves efficiently in investments aimed at strengthening our earnings structure and management foundation, enhancing our corporate value.

Dividend per share and payout ratio



*As we conducted a 2-for-1 stock split on April 1, 2021, the dividend per share is calculated as if the stock split took place at the beginning of FY2017.

Consolidated Financial Statements

Consolidated Balance Sheets

(Millions of yen)		
	As of March 31, 2021	As of March 31, 2022
Assets		
Current assets		
Cash and deposits	7,848	3,579
Notes and accounts receivable - trade	35,958	—
Notes and accounts receivable - trade, and contract assets	—	35,126
Merchandise and finished goods	12,610	20,918
Raw materials and supplies	23,328	29,979
Other	2,938	4,592
Total current assets	82,686	94,196
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	13,567	12,193
Machinery, equipment and vehicles, net	18,942	17,117
Land	19,202	18,619
Leased assets, net	1,623	1,465
Construction in progress	1,228	1,294
Other, net	809	811
Total property, plant and equipment	55,372	51,502
Intangible assets	1,556	2,667
Investments and other assets		
Investment securities	15,146	11,461
Retirement benefit asset	927	1,114
Deferred tax assets	177	182
Other	720	658
Allowance for doubtful accounts	(122)	(121)
Total investments and other assets	16,849	13,295
Total non-current assets	73,778	67,466
Deferred assets		
Bond issuance cost	45	37
Total deferred assets	45	37
Total assets	156,509	161,700

(Millions of yen)		
	As of March 31, 2021	As of March 31, 2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	18,625	17,057
Short-term borrowings	—	12,300
Current portion of long-term borrowings	650	490
Income taxes payable	1,972	210
Accrued consumption taxes	299	26
Provision for bonuses	1,234	925
Provision for bonuses for directors and other officers	63	—
Provision for share-based remuneration for directors and other officers	198	11
Other	11,561	9,727
Total current liabilities	34,605	40,748
Non-current liabilities		
Bonds payable	12,000	12,000
Long-term loans payable	5,690	5,850
Lease obligations	1,409	1,256
Deferred tax liabilities	1,949	1,600
Provision for share-based remuneration for directors and other officers	—	38
Provision for environmental measures	72	70
Retirement benefit liability	3,552	3,340
Long-term leasehold and guarantee deposits received	2,153	2,128
Other	601	143
Total non-current liabilities	27,428	26,427
Total liabilities	62,033	67,176
Net assets		
Shareholders' equity		
Share capital	10,000	10,000
Capital surplus	31,633	31,633
Retained earnings	48,921	49,137
Treasury shares	(1,088)	(812)
Total shareholders' equity	89,467	89,958
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,413	3,543
Deferred gains or losses on hedges	192	369
Foreign currency translation adjustment	94	230
Remeasurements of defined benefit plans	△62	31
Total accumulated other comprehensive income	4,638	4,175
Non-controlling interests	370	390
Total net assets	94,475	94,523
Total liabilities and net assets	156,509	161,700

Consolidated Statements of Income

(Millions of yen)		
	For the fiscal year ended March 31, 2021	For the fiscal year ended March 31, 2022
Net sales	164,816	201,551
Cost of sales	130,828	175,360
Gross profit	33,988	26,190
Selling, general and administrative expenses	27,300	26,212
Operating profit / loss	6,687	(21)
Non-operating income		
Interest income	0	0
Dividend income	556	461
Share of profit of entities accounted for using equity method	221	206
Rental income	173	37
Miscellaneous income	130	123
Total non-operating income	1,083	829
Non-operating expenses		
Interest expenses	117	94
Commission expenses	80	38
Depreciation	118	19
Miscellaneous expenses	78	59
Total non-operating expenses	395	211
Ordinary profit	7,374	596
Extraordinary gain		
Gain on sales of non-current assets	46	778
Gain on sales of investment securities	1,001	1,328
Gain on sales of shares of subsidiaries and associates	—	601
Insurance claim income	94	—
Compensation income for damage	221	—
Subsidy income	12	—
Gain on reversal of asset retirement obligations	—	385
Total extraordinary gain	1,376	3,093
Extraordinary losses		
Loss on retirement of non-current assets	396	325
Impairment loss	19	696
Loss on valuation of investment securities	0	—
Loss on cancellation of leases	19	1
Loss on disaster	129	—
Compensation for damage	—	34
Total extraordinary losses	565	1,057
Profit before income taxes	8,186	2,632
Income taxes - current	2,477	747
Income taxes - deferred	458	(59)
Total income taxes	2,935	688
Profit	5,250	1,943
Profit (loss) attributable to non-controlling interests	(3)	(9)
Profit attributable to owners of parent	5,253	1,953

Consolidated Statements of Comprehensive Income

(Millions of yen)		
	For the fiscal year ended March 31, 2021	For the fiscal year ended March 31, 2022
Profit	5,250	1,943
Other comprehensive income		
Valuation difference on available-for-sale securities	625	(842)
Deferred gains or losses on hedges	99	176
Foreign currency translation adjustment	42	74
Remeasurements of defined benefit plans, net of tax	391	93
Share of other comprehensive income of entities accounted for using equity method	40	64
Total other comprehensive income	1,199	(433)
Comprehensive income	6,450	1,510
(Breakdown)		
Comprehensive income attributable to owners of parent	6,433	1,489
Comprehensive income attributable to noncontrolling interests	16	20

Consolidated Financial Statements

Consolidated Statements of Cash Flows

	For the fiscal year ended March 31, 2021	For the fiscal year ended March 31, 2022
(Millions of yen)		
Cash flows from operating activities		
Profit before income taxes	8,186	2,632
Depreciation	4,944	4,813
Impairment loss	19	696
Amortization of goodwill	8	9
Increase (decrease) in allowance for doubtful accounts	(1)	(1)
Increase (decrease) in retirement benefit liability	136	(54)
Decrease (increase) in retirement benefit asset	(36)	(187)
Increase (decrease) in provision for retirement benefits for directors (and other officers)	(17)	—
Increase (decrease) in provision for share-based remuneration for directors (and other officers)	1	(149)
Increase (decrease) in provision for bonuses	(14)	(286)
Increase (decrease) in provision for bonuses for directors (and other officers)	(8)	(63)
Increase (decrease) in provision for environmental measures	(7)	(2)
Interest income and dividend income	(557)	(462)
Interest expenses	117	94
Share of loss (profit) of entities accounted for using equity method	(221)	(206)
Loss (gain) on sales of non-current assets	(46)	(778)
Loss (gain) on sales of investment securities	(1,001)	(1,328)
Loss (gain) on valuation of investment securities	0	—
Loss (gain) on sale of shares of subsidiaries and affiliates	—	(601)
Insurance claim income	(94)	—
Compensation income for damage	(221)	—
Gain on reversal of asset retirement obligations	—	(385)
Subsidy income	(12)	—
Loss on retirement of non-current assets	396	325
Bond issuance cost	7	7
Compensation for damage	—	34
Loss on disaster	129	—
Decrease (increase) in trade receivables	(2,000)	(1,516)
Decrease (increase) in inventories	(7,302)	(14,916)
Increase (decrease) in trade payables	6,179	(12)
Increase (decrease) in accounts payable - other, and accrued expenses	(1,858)	(3,226)
Increase (decrease) in accrued consumption taxes	18	(1,104)
Increase (decrease) in refund liabilities	—	1,749
Other, net	(316)	419
Subtotal	6,427	(14,501)
Interest and dividend income received	583	488
Proceeds from insurance income	94	—
Gain on compensation paid for damage	221	—
Subsidies received	26	13
Interest paid	(117)	(94)
Payments for recall related loss	(0)	—
Payments associated with disaster loss	(62)	—
Compensation paid for damage	—	(34)
Income taxes (paid) refund	(2,902)	(2,678)
Net cash provided by (used in) operating activities	4,270	(16,807)
Cash flows from investing activities		
Purchase of property, plant and equipment	(3,175)	(3,628)
Proceeds from sales of property, plant and equipment	93	1,811
Payments for retirement of property, plant and equipment	(225)	(315)
Purchase of intangible assets	(269)	(1,605)
Purchase of investment securities	(18)	(18)
Proceeds from sales of investment securities	1,193	1,831
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	—	2,195
Proceeds from sales of shares of subsidiaries and associates	—	1,647
Purchase of membership	(1)	(0)
Decrease (increase) in short-term loans receivable	(0)	(0)
Long-term loan advances	(3)	(1)
Collection of long-term loans receivable	2	2
Decrease (increase) in time deposits	(32)	—
Net cash provided by (used in) investing activities	(2,438)	1,917
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	—	12,300
Proceeds from long-term loans payable	—	650
Repayments of long-term borrowings	(600)	(650)
Repayments of lease obligations	(207)	(218)
Net decrease (increase) in treasury shares	(1)	160
Dividends paid	(1,667)	(1,666)
Net cash provided by (used in) financing activities	(2,476)	10,576
Effect of exchange rate change on cash and cash equivalents	26	40
Net increase (decrease) in cash and cash equivalents	(617)	(4,273)
Cash and cash equivalents at beginning of period	8,396	7,778
Cash and cash equivalents at end of period	7,778	3,505

Company Information

(As of March 31, 2022)

Company Overview

Name	J-OIL MILLS, INC.	Business	1. Production, processing, and sales of oils and fats and oilseed meals
Head office	St. Luke's Tower, 8-1 Akashi-cho, Chuo-ku, Tokyo, 104-0044, Japan TEL: +81-3-5148-7100 (Front desk)	(As of June 30, 2022)	2. Production, processing, and sales of starch
Established	July 1, 2004		3. Production, processing, and sales of various foods
Common stock	10 billion yen		4. Production, processing, and sales of feedstuff and fertilizer
Listed stock exchange	Tokyo Stock Exchange, First Section (Prime Market since April 4, 2022)		5. Cultivation, growing, processing, and sales of crops
Securities code number	2613		6. Sales of food-production machinery
			7. Real estate leasing

Network

Head Offices, Branch Offices, and Sales Offices

- 1

Head Office/Tokyo Office
- 2

Osaka Office
- 3

Nagoya Office
- 4

Hokkaido Branch
- 5

Tohoku Branch
- 6

Kanto Shinetsu Branch
- 7

Hokuriku Branch

8

Chushikoku Branch

9

Kyushu Branch

10

Niigata Sales Office

11

Nagano Sales Office

12

Shizuoka Sales Office

13

Shikoku Sales Office

Factories and Plants

- 1

Chiba Factory
- 2

Yokohama Factory
- 3

Shizuoka Plant
- 4

Asaba Factory
- 5

Kobe Factory
- 6

Kurashiki Factory
- 7

Wakamatsu Factory

Research and Development Centers /Application Organizations

- 1

Tokyo, Yokohama, Shizuoka, Kobe

Overseas

J-OIL MILLS (THAILAND) Co., Ltd. (Thailand)
PREMIUM FATS SDN BHD (Malaysia)

Stock Data (As of March 31, 2022)

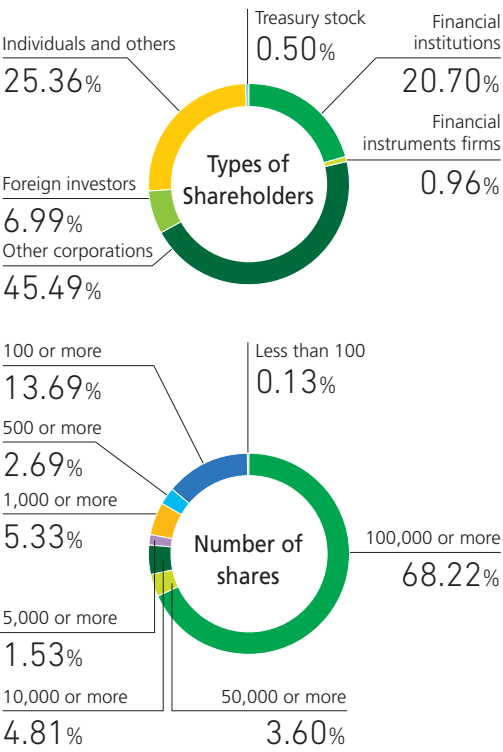
Number of authorized shares	54,000,000
Number of issued shares*	33,508,446
Number of shareholders	27,049

*On April 1, 2021, the company conducted a 2-for-1 stock split of common stock.

Major Shareholders

Name	Number of shares held (Thousand shares)
Ajinomoto Co., Inc.	9,053
MITSUI & CO., LTD.	4,175
The Master Trust Bank of Japan, Ltd. (Trust account)	2,439
Tokio Marine & Nichido Fire Insurance Co., Ltd.	828
Customers Fund for J-Oil Mills Shares	720
Custody Bank of Japan, Ltd. (Trust account)	704
Mizuho Bank, Ltd.	542
The Norinchukin Bank	540
DFA INTL SMALL CAP VALUE PORTFOLIO	492
Mitsui Sumitomo Insurance Company, Limited	401

Breakdown of Shareholders



Notes on Publishing the J-Oil Mills Report 2022

Thank you for reading the J-Oil Mills Report 2022.

To respond to changes in the external environment in FY2021, which include a sharp rise in raw material prices and a deterioration in global affairs, we decided to revise the Sixth Medium-Term Business plan. The J-Oil Mills Report 2022 was prepared to inform our stakeholders of the progress we are making on various initiatives despite these circumstances, as well as the actions we will take in the next fiscal year and beyond to advance our business even further. We are working hard to provide you with a better understanding of our growth strategy as well as our value creation platform for sustainable growth, and hope that this report has helped you deepen your understanding of our company.

Going forward, we will continue to respect the importance of dialogue with our stakeholders while disclosing information in a timely and appropriate manner. We would like to thank you for your continued support of the J-Oil Mills Group.



J-OIL MILLS, INC.
IR and Sustainability Management
Corporate Communications

Editorial Policy

The purpose of this report is to introduce the J-Oil Mills Group’s initiatives to enhance its corporate value over the medium to long term.

In the 2022 edition, we have clarified the role of the Integrated Report to visualize our thought process. The integrated report focuses on our past, current, and future paths toward achieving our targets. As a report that integrates all our activities, it is structured starting with our corporate philosophy, followed by an introduction, value creation stories, and the materiality report that serves as the platform for value creation.

In addition, this report consolidates information that we believe is important to the company and our stakeholders, and we decided to refer to the relevant sections of our website for disclosure of information, including comprehensive data.

Furthermore, with the aim of further advancing our activities and enhancing information disclosure, we have once again received valuable opinions from Mr. Tamio Yamaguchi of the NPO Junkan Workers Club, which are included at the end of this report.

Going forward, we will continue to report on the initiatives of the J-Oil Mills Group with the aim of further promoting communication with all our stakeholders.

Period covered by this report

This report primarily covers the Group’s activities in FY2021 (April 1, 2021 to March 31, 2022). Some initiatives outside of this period are also included.

Scope of this report

Financial data presented in this report are consolidated financial results for J-Oil Mills. Environmental data covers all J-Oil Mills’ production sites in Japan (Chiba Plant, Yokohama Plant, Shizuoka Office, Asaba Plant, Kobe Plant, Kurashiki Plant, and Wakamatsu Plant) until FY2018, and all J-Oil Mills and group company sites from FY2019 onward.

Date of publication

October 2022

Forward-looking projections, forecasts, and plans

The forward-looking statements in this report are based on information available at the time of writing, and results may differ depending on changes in the business environment and other factors.

Referenced guidelines

- Environmental Reporting Guidelines (2018), Ministry of the Environment
- GRI Sustainability Reporting Standards, Global Reporting Initiative
- ISO 26000:2010 Guidance on Social Responsibility, Japanese Standards Association
- International Integrated Reporting Framework, IFRS Foundation
- Guidance for Integrated Corporate Disclosure and Company-Investor Dialogue for Collaborative Value Creation, Ministry of Economy, Trade and Industry
- Task Force on Climate-related Financial Disclosures (TCFD)

Website

This report combines the Business Report previously published for investors and the CSR Report previously published for stakeholders into a single report, providing a comprehensive report on our corporate value.

Detailed data that cannot be included in this report are available on our website. The content of this report prioritizes the information that is most important to many of our stakeholders among all our activities.

Company website



Japanese
<https://www.j-oil.com/>



English
<https://www.j-oil.com/en/>



IR Information
<https://www.j-oil.com/en/ir/index.html>



Sustainability Information
<https://www.j-oil.com/en/company/csr.html>

Third-Party Opinion

This third-party opinion was written after an exchange of opinions based on comments from last year’s integrated report. President Sato and other related parties were present to exchange opinions, and their enthusiasm for information disclosure was evident. In addition, proposed responses to the points raised in the comments were presented and are reflected in the human rights and digital transformation section of this report, as well as in the human capital information on our website. I am confident that our diligent efforts to continuously improve these reports will surely meet the expectations of our readers, and I am reminded of the seriousness of my responsibility.

Last year, I described the report as conveying a strong will for change under volatile, uncertain, complex, and ambiguous (VUCA) conditions. This year, we set forth a roadmap for how we will fulfill our will. According to sociologist Bob Johansen of the Institute for the Future, “A leader is someone who correctly understands the intrinsic value of forecasting and transforms the VUCA of threat into the VUCA of hopeful opportunity (Vision, Understanding, Clarity, Agility) through a loop of Foresight, Insight, and Action”. This positive interpretation of VUCA can be seen throughout the message from the President and in the comments of the directors in the dialogue. I expect that these will be reflected in the revised medium-term business plan.

As symbolized by the title “ESG Management to Achieve Our Vision,” (FY2021: J-Oil Mills’ Businesses and ESG Management), the progress of ESG management was carefully reported with a focus on materiality, and their seriousness about ESG management became even clearer. In addition, much progress has been made on each of the individual ESG issues. Some of the points that stood out to me include the progress in disclosures in response to TCFD’s recommendations and establishment of a zero plastic waste target by 2030 under Environment, formulation of a Soybean Procurement Policy, membership in RTRS, and disclosure in line with ISO 30414 (website) under Social, and incorporation of ESG indicators into individual targets for executives under Governance.

Moreover, the detailed ESG data (website) is also impressive. Looking ahead, I expect that more individual events and data will be disclosed to clarify the progress in depth of ESG management, and I believe there are three points to keep in

mind when providing this information. The first point is to not only follow guidelines, but also to be mindful of disclosing important matters in J-Oil Mills’ business environment in a unique manner. The second point is that the disclosure items should be chosen for their consistency with management strategy and management issues, and how they tie into value creation or impairment. The “connectivity of information” section of the Integrated Reporting Framework’s Guiding Principles states that “an integrated report should show a holistic picture of the combination, interrelatedness and dependencies between the factors that affect the organization’s ability to create value over time.” The third point is to maintain the perspective of converting non-financial information into financial information. In the past few years, companies have started estimating how their ESG initiatives and investments will affect their finances over a certain time horizon.

Finally, as a company that relies heavily on natural capital, I would like J-Oil Mills to take great interest in the Task Force on Nature-Related Financial Disclosures (TNFD), which is currently under development. The final recommendations are scheduled to be published in September 2023, but the beta version (V0.1) has already been published, so I hope that J-Oil Mills can start preparing to comply with the recommendations.

Tamio Yamaguchi

NPO
Workers Club for
Eco-harmonic
Renewable Society
Director



Junkan Workers Club:

The Junkan Workers Club is a community organization dedicated to exploring how society should exist in harmony with natural ecosystems to be passed on to future generations from a global perspective, and conducts research, provides support, and implements initiatives by local residents, businesses, and governments aimed at creating a recycling-oriented society.



Website (in Japanese only)
<http://junkanken.com/>