

Identification of Important Management-Related Matters and Our Management Execution Structure

In pursuit of both sustainable growth for the Fuji Oil Group and a sustainable society, we identified the significant Groupwide risks and ESG materiality that are critical to our promotion of ESG management and are proceeding with measures under the direction of the chief officers.

Important Matters Deemed to Have a High Probability of Occurrence and Able to Be Quantitatively Analyzed from a Financial Impact Point of View

Significant Groupwide Risks

The Fuji Oil Group's Significant Risks → P37

Seeking to resolve the issues of society through plant-based food ingredients, the Fuji Oil Group aims to achieve sustainable growth while managing its business with the goal of helping to realize a sustainable society.

The Fuji Oil Group is expanding its business in the four segments of Vegetable Oils and Fats, Industrial Chocolate, Emulsified and Fermented Ingredients, and Soy-Based Ingredients across the globe, including in Japan, the Americas and Europe, Southeast Asia, and China. We have also honed our R&D capabilities to unlock the full potential of plant-based ingredients and cultivated our production technology over the last 70 years. By merging these strengths with our product lineup to enhance added value, we have continued to expand our business. Social issues, the changing economic environment, and other factors are having a direct influence on our value chain. While we are well aware of the variety of risks inherent in our value chain, in fiscal 2021 we have identified 12 major risks from those that may have a significant impact on our business and are working to mitigate business risks through our risk management activities.

- | Risk Item | 1 Risks related to fluctuations in raw material prices | 2 Financial and tax risk | 3 Legal and compliance risk | 4 Management risk of Group companies | 5 Risks related to food safety | 6 Supply chain-related risk | 7 Risks related to disasters, accidents, and infectious diseases | 8 Information system/security-related risk | 9 Risks related to human resource hiring and development | 10 Business transformation/reform-related risk | 11 Environmental and human rights risks | 12 Country risk of regions comprising the Group's global network |
|-----------|--|--------------------------|-----------------------------|--------------------------------------|--------------------------------|-----------------------------|--|--|--|--|---|--|
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Example of Our Financial Value Measurement

Task Force on Climate-related Financial Disclosures

In Support of TCFD Recommendations → P40

In May 2019, the Fuji Oil Group announced its support of the Task Force on Climate-related Financial Disclosures (TCFD).

Through our support of the TCFD, we will quantitatively analyze and measure the financial value of the impact of our business on the global environment and reflect this in our business strategies.

Important Matters with a High Degree of Impact on Society and the Global Environment

ESG Materiality

Material ESG issues for FY2021 → P39

The Fuji Oil Group analyzes the significance of social issues from the perspectives of stakeholder expectations and impact on the Group's business, and determines matters of the highest priority as material ESG issues. As material ESG issues are a range of important matters that are likely to have a considerable impact on society and the environment, they also consist of matters for which it is difficult to measure financial impact. Meanwhile, at the present time, significant Groupwide risks are regarded as matters material to our business that are deemed to have a high probability of occurrence and are able to be quantitatively analyzed from a financial impact point of view.

While they may overlap to a certain degree, the Group manages both ESG materiality and significant Groupwide risks.

- | ESG Materiality | 1 Creative food solutions | 2 Sustainable procurement | 3 Assurance of product quality and safety | 4 Occupational health and safety | 5 Climate change mitigation and adaptation | 6 Conservation of water resources | 7 Resource circularity | 8 Environmentally conscious manufacturing | 9 DE&I ^{*1} | 10 GRC ^{*2} |
|-----------------|---------------------------|---------------------------|---|----------------------------------|--|-----------------------------------|------------------------|---|----------------------|----------------------|
|-----------------|---------------------------|---------------------------|---|----------------------------------|--|-----------------------------------|------------------------|---|----------------------|----------------------|

*1 Diversity, equity and inclusion
*2 Governance, risk, compliance

	Mission	Important Management Matters
 <p>Tomoki Matsumoto Director and Senior Executive Officer Chief Financial Officer (CFO)</p>	<ul style="list-style-type: none"> Strengthen financial management capacity and manage corporate activities by formulating and executing financial and accounting strategies Provide accurate and highly transparent investor relations (IR) information on our corporate activities to stakeholders in an appropriate manner Direct the planning and execution of ICT strategies and make adjustments toward Companywide optimization 	<p>2 8 10</p> <p>10</p> <p>CFO SECTION → P42</p>
 <p>Hitoshi Shindachi Senior Executive Officer Chief Strategy Officer (CSO)</p>	<ul style="list-style-type: none"> Conduct planning of Group vision, medium- to long-term management strategies, and global business strategies and promote collaborations and strategies across the Group Support the CEO in drawing up and executing strategies and make adjustments toward Groupwide optimization Collaborate with the CFO to establish a basic policy for mergers and partnering strategies Take charge of managing Group company businesses 	<p>1 4 6 10</p> <p>1 2 10</p> <p>CSO SECTION → P52</p>
 <p>Haruyasu Kida Senior Executive Officer Chief Technology Officer (CTO)</p>	<ul style="list-style-type: none"> Create new business themes that will form the backbone of future technology-driven businesses and establish new businesses toward the Group's ongoing growth Plan R&D measures and strategies throughout the Group in line with the development of existing businesses and the introduction of new businesses Assemble a global research structure centered on plant-based food solutions and develop an innovation-driven, solution-oriented business 	<p>6 10 11</p> <p>1 7 8</p> <p>CTO SECTION → P72</p>
 <p>Takashi Kadota Director and Senior Executive Officer Chief "ESG" Officer (C"ESG"O)</p>	<ul style="list-style-type: none"> Strengthen ESG management with an emphasis on the environment (E) and society (S), while enhancing sustainable corporate value and realizing the sustainable growth of society through a joint effort with the Board of Directors, thereby contributing to stakeholders 	<p>5 7 11 12</p> <p>3 4 5 6</p> <p>7 10</p> <p>C"ESG"O SECTION → P76</p>
 <p>Takeshi Takasugi Director and Senior Executive Officer Chief Administrative Officer (CAO)</p>	<ul style="list-style-type: none"> Assemble the other chief officers and the Group's departments and divisions together to guide all members toward realizing the Group's goals Provide accurate and highly transparent information on our corporate activities to stakeholders in a timely manner Enhance corporate governance in an effort to earn the trust of stakeholders Plan and implement global management frameworks, personnel, and human resource strategies 	<p>3 9 12</p> <p>9 10</p> <p>CAO SECTION → P80</p>

Significant Groupwide Risks

The Fuji Oil Group's Risk Management Structure

As the Fuji Oil Group operates its business throughout the globe, a variety of risks are inherent in the scope of its operations. With the objective of managing such risks, we have developed the following risk management structure.

1 Risk Identification

At each Group company, we create a risk map and identify operational risks while determining strategic and financial risks through the Management Committee Meeting. After comprehensively identifying risks through such measures, we determine risks that are of particular significance through the Board of Directors.



2 Risk Response and Monitoring

The Management Committee Meeting serves as an organization for managing all risks pertaining to the Fuji Oil Group. Risks that are deemed significant by the Board of Directors are addressed through the selection of a chief officer for each risk and the determination of response measures. Each chief officer reports on the progress of response measures and reviews and selects risks with significance to the entire Group. These activities are managed by the C"ESG"O, who is the chief officer in charge of risk management, and reported to the Board of Directors on a regular basis.

As a monitoring body, the Board of Directors confirms and oversees the information reported by the Management Committee Meeting. For risks or potential risks that may have implications for the entire Group, meetings are held by the Board of Directors to determine response measures to such risks, and guidelines for such measures are disclosed to the Management Committee Meeting.



3 Monitoring Results for Fiscal 2020

For the 11 significant risks selected in fiscal 2020, response measures were established and the progress and issues concerning each risk were reported by the chief officers to the Board of Directors as necessary, while working to mitigate such risks. With regard to fiscal 2020, the progress of response measures and any course of action to address the situation were reported by the chief officers for each risk to the Board of Directors, and the causes of the manifested risks and the appropriateness and timeliness of response measures were confirmed.

"Country risk of regions comprising the Group's global network" was newly added as a significant risk in fiscal 2021, and the chief officers have been instructed to take the necessary measures in response to this risk.

The Fuji Oil Group's Significant Risks (for Fiscal 2021)

We have selected the following 12 items as significant risks to be monitored by the Fuji Oil Group, and have designated a chief officer and formulated a risk response plan for each risk. In addition, the status of responses is reported to the Board of Directors, and we have put in place a framework for monitoring these risks. Moreover, with regard to forward-looking statements, the Fuji Oil Group has determined them to be appropriate based on information currently available as of March 31, 2021.

Risk Item	Significant Groupwide Risks	Risk Response Measures	Chief Officer in Charge				
			CFO	CSO	CTO	C"ESG"O	CAO
1	Risks related to fluctuations in raw material prices Fluctuations in prices of main raw materials	<ul style="list-style-type: none"> Establish a framework to manage the balance of raw materials throughout the Group, including the leveraging of mutually complementary strengths between business sites Appropriately manage hedge transactions in accordance with Group policies concerning raw material procurement and hedge transactions 		●			
2	Financial and tax risk Fluctuations in currencies and interest rates; imposition of taxes overseas	<ul style="list-style-type: none"> Hedge fluctuation risk through the use of derivatives and reduce liquidity risk through global cash management Establish a framework to avoid risks related to international taxation and appropriately manage tax payments 	●				
3	Legal and compliance risk Non-compliance with countries' laws and regulations	<ul style="list-style-type: none"> Reinforce global management structure of legal affairs department Implement rigorous compliance management throughout the Group 					●
4	Management risk of Group companies Impairment of goodwill and fixed assets due to delay in progress of business plan and impact of changes to various rules and regulations on business	<ul style="list-style-type: none"> Strengthen management and promote business through Groupwide support structure Recruit and cultivate human resources who can manage overseas companies Enhance asset efficiency and examine asset investment opportunities according to investment hurdle rates and exit guidelines Identify and respond in a timely manner to developments in rule and regulation changes in the areas of operation of Group companies 		●			
5	Risks related to food safety Incurrence of substantial costs and loss of customer trust due to significant safety- and quality-related issues	<ul style="list-style-type: none"> Introduce global quality control standards and formulate safety standards Establish a framework capable of providing technological support for rapid globalization Develop a global support structure and standardize procedures for initial response in the case of a violation; mitigate risk through the use of insurance 					●
6-1	Supply chain-related risk Inability to acquire main raw materials (palm, cocoa, soybean, etc.); emergence of environmental and human rights issues along supply chain Restrictions to existing raw materials and manufacturing methods due to changes in countries' regulations and social trends	<ul style="list-style-type: none"> Maintain cooperative relations with suppliers, competitors, and NGOs and promote our program to strengthen supply sources Prevent and reduce environmental and human rights risks along the supply chain by instituting sourcing policies 		●			
6-2			<ul style="list-style-type: none"> Disperse risks through diversification of oil and fat raw materials Develop oil and fat and protein processing technology that does not use chemical catalysts or solvent processing 			●	
7	Risks related to disasters, accidents, and infectious diseases Discontinuance of operations/deliveries and supply chain disruptions including personal and physical damage, etc., due to natural disasters, workplace accidents, and infectious diseases	<ul style="list-style-type: none"> Formulate BCPs incorporating framework for leveraging mutually complementary strengths throughout the Group in preparation for the occurrence of natural disasters Transfer risk through the use of insurance and prepare a response manual in the case of a crisis Institute risk prediction activities throughout the Group and further reinforce safety management activities at Group companies with a high risk of accidents Establish BCPs in preparation for the outbreak of infectious diseases to ensure the safety of employees, continuance of business activities, and stable operation of supply chain 					●
8	Information system/security-related risk Leakage and/or loss of information due to inadequate IT governance/security	<ul style="list-style-type: none"> Strengthen information security measures by utilizing an outside expert Implement educational and awareness-raising activities to enhance understanding of information management 	●				
9	Risks related to human resource hiring and development Lack of human resources to facilitate global management structure and to create innovation tailored to diverse values as well as inability to secure the personnel necessary for the operation of factories	<ul style="list-style-type: none"> Establish a global human resource development and participation program Promote diversity and embrace the engagement of senior employees Create an environment tailored to securing human resources at Group factories 					●
10-1	Business transformation/reform-related risk Inability to expand and/or transform businesses according to changes in market environment Delays in development of new businesses and competitive products and technology in response to market needs Inability to make appropriate management decisions due to insufficient data sharing worldwide as a result of delays in digitization	<ul style="list-style-type: none"> Develop a framework capable of promoting product development and business strategies that accurately reflect market trends Revise business portfolio and optimize the Group's production bases to facilitate anticipated changes to the operating environment in the future Establish an organizational framework capable of developing products that address global and local needs and select and concentrate on research themes for utilizing limited human resources Introduce ERP software packages to realize global production management, inventory management, and production requests 		●			
10-2						●	
10-3			●				
11-1	Environmental and human rights risks Restrictions to business activities triggered by delayed and inadequate response to environmental issues Limitations to business activities stemming from delayed and inadequate response to human rights issues	<ul style="list-style-type: none"> Formulate and adhere to our numerical environmental targets (Environmental Vision 2030) Promote measures against climate change and disclose such information by conducting scenario analysis in line with the recommendations of the TCFD Promote food loss reduction and other resource-recycling efforts Promote respect for human rights in accordance with the Fuji Oil Group Human Rights Policy, formulated in 2017 in compliance with the UN's Guiding Principles on Business and Human Rights Conduct human rights due diligence and, based on the findings, strengthen measures to resolve human rights issues and appropriately disclose such information 					●
11-2							●
12-1	Country risk of regions comprising the Group's global network Restrictions to business activities, temporary halt to operations, and supply chain disruption arising from political, economic, and social conflicts Occupational fatality resulting from warfare, terrorist attacks, riots, kidnapping, or strikes	<ul style="list-style-type: none"> Revise business portfolio through the efforts of Group headquarters Implement PDCA activities to manage risks at Group companies Compile information on the areas of operation of Group companies, appoint external consultants, and enhance safety training programs for employees overseas 					●
12-2							●

ESG Materiality

Identification of ESG Materiality

The Fuji Oil Group established material ESG issues to contribute, through its business activities, to the sustainable development of society, its own sustainable growth, and the creation of value for society. Material ESG issues contributes to two of the four activity areas for promoting ESG management*: "Creation of positive impact" and "Reduction of negative impact." We perform a materiality assessment once a year based on the input received through our dialogue with stakeholders, including suggestions on new social issues.

*1. Creation of positive impact, 2. Reduction of negative impact, 3. Social contribution activities, and 4. Communication with stakeholders

FY2021 Identification and Selection Process of Material ESG Issues



* By taking into account the list of Global Reporting Initiative (GRI) and Sustainability Accounting Standards Board (SASB) disclosures, World Benchmarking Alliance (WBA) standards, the SDGs, ESG themes promoted by industry organizations, and the advice of external experts

The framework for "packaging materials reduction," which was designated as an element of material ESG issues in fiscal 2020, was changed from one in which the issue is addressed by the Group as a whole to one in which the issue is addressed on a Group company basis. In addition, "provision of healthy food" and "compliance" were added to the list of material ESG issues.

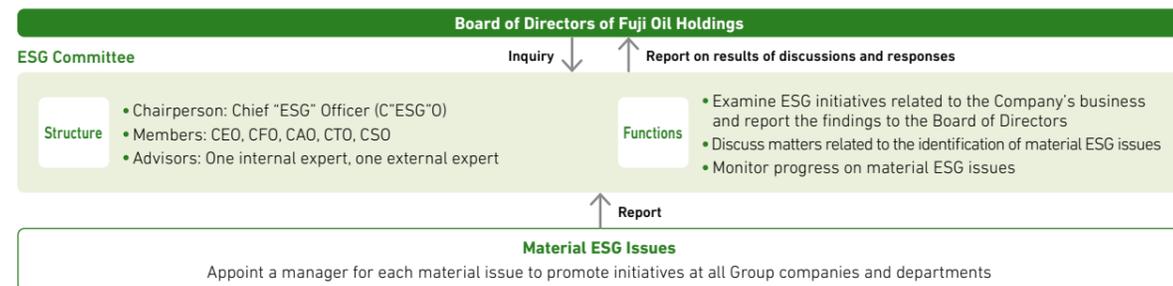
FY2021 ESG Materiality Map

Stakeholder interest	Highest	Higher	High	Impact on the Fuji Oil Group's business		
				High	Higher	Highest
	• Plastic use reduction	• GRC*1 • Conservation of water resources • Resource circularity • Environmentally conscious manufacturing	• Creative food solutions • Sustainable procurement*2 • DE&I*3 • Climate change mitigation and adaptation			
	• Animal welfare		• Assurance of product quality and safety • Occupational health and safety			
	• Partnership with communities		• Human resource development			

*1 Governance, risk, compliance. The perspectives for corporate governance (enhancement of effectiveness of the Board of Directors, etc.) and internal control (Group governance, risk management, etc.) are included in the GRC; however, the ESG Committee will monitor the items pertaining to internal control. Meanwhile, corporate governance will be monitored by the Board of Directors.
*2 Respect for human rights, biodiversity conservation, and forest conservation are also included in the important perspectives regarding sustainable procurement.
*3 Diversity, equity and inclusion

ESG Committee

With the purpose of strengthening ESG management to meet the expectations of stakeholders, in 2015 the ESG Committee was established as an advisory body to the Board of Directors of Fuji Oil Holdings Inc. The ESG Committee convenes at least twice a year to identify and monitor the progress of the Group's material ESG issues, in addition to discussing issues, targets, and strategies related to other ESG activities. We invite experts as advisors to the ESG Committee to adopt a social perspective. After each meeting, the ESG Committee submits the results of the discussion to the Board of Directors for review.



Please refer to *Sustainability Report 2021* (scheduled to be issued in October 2021) for details on our initiatives regarding ESG Materiality.
→ <https://www.fujioilholdings.com/en/sustainability/materiality/>

Material ESG Issues for Fiscal 2021

ESG Materiality		Our Vision	SDGs We Aim to Support	CxO in Charge	Relevant Pages	
Priority Area	Priority Theme					
1	Creative food solutions	Solutions to food insecurity	• Establish alternative technologies and disseminate environment-friendly plant-based food ingredients—a substitute for animal protein and dairy products—to address the concerning issue of food resource shortages in the future	2	CTO	Pages 30–33, 67–71
		Provision of healthy food	• Contribute to wellbeing among seniors by addressing health issues and removing lifestyle limitations	3		
		Reduction of sugars intake	• Provide nutritionally balanced food products that help prevent lifestyle-related diseases by replacing certain sugars with plant-based protein ingredients	3	CTO	Pages 62–65, 69
		Reduction of trans fatty acid contents	• Reduce the amount of trans-fatty acids contained in products in compliance with the WHO's recommendations and the laws and regulations of each country	3		
2	Sustainable procurement	Sustainable procurement of palm oil	• Achieve "No Deforestation, No Peatland Development, No Exploitation (NDPE)" throughout the supply chain • Achieve 100% traceability to plantation (TTP) by 2030 • Implement the Labour Transformation Programme (LTP) at all suppliers of Palmaju Edible Oil Sdn. Bhd. by 2025	8, 12, 13, 15, 16	CSO	Pages 20–25
		Sustainable procurement of cocoa	• Promote Responsible Cocoa Beans Sourcing Policy • Plant one million trees on cocoa-growing regions by 2030 • End the "worst forms of child labour" defined by ILO Convention by 2025	8, 13, 15, 16		
		Sustainable procurement of soybeans (including GMO issues)	• Promote sustainable procurement of soybeans and soy protein raw materials	12, 13, 15, 16		

Business foundation areas

3	Assurance of product quality and safety	Ensuring food safety and quality	• Ensure that the Fuji Oil Group is never a cause for complaints for any of the products it manufactures	12	C'ESG'O	Pages 76–79
4	Occupational health and safety	Promoting occupational health and safety	• Place top priority on safety and respect for humanity. Keep all Group companies accident free by creating safe and comfortable workplaces	1, 8, 13, 16		
5	Climate change mitigation and adaptation	CO ₂ emissions reduction	• Reduce Scope 1 and 2 CO ₂ emissions (total volume) by 40% and Scope 3 (Category 1) emissions by 18% compared with 2016 (base year) by 2030 Note: Approved by the Science Based Targets initiative (SBTi)	7, 13, 15		
6	Conservation of water resources	Water use reduction	• 20% reduction in water intensity by 2030 (base year: 2016)	6, 13, 15		
7	Resource circularity	Waste reduction	• 10% reduction in waste intensity by 2030 (base year: 2016)	12	CTO	—
		Food loss and waste reduction	• Contribute to reducing food loss and waste throughout the value chain through technology innovation	12		
8	Environmentally conscious manufacturing	Reduction of the environmental impact of products and raw materials	• Advance Environmental Vision 2030 by finding and using alternative raw materials and developing new technologies that reduce environmental impact	6, 12, 13		
9	DE&I*1	Diversity management	• Provision of fulfilling workplaces free of discrimination and harassment and where the basic human rights, diversity, character, and individuality of every associate is respected	5, 8, 13, 16	CAO	Pages 80–83
10	GRC*2	Risk management system	• Earn the trust of society by demonstrating high reliability and risk management capability	12, 13, 15	C'ESG'O	Page 36
		Information security management	• Reform processes through the use of information and communications technology (ICT) and create corporate value • Facilitate the achievement of Group governance through the use of safe and secure ICT	12		
		Compliance	• Earn the trust of all stakeholders by conducting business fairly, transparently, and with integrity	15		
		Group governance	• Enhance corporate value through the establishment of an effective Group governance system	12		
		Corporate governance	• Improve corporate value through appropriate functioning of the Board of Directors	12		

*1 Diversity, equity and inclusion
*2 Governance, risk, compliance

In Support of TCFD Recommendations

In May 2019, the Fuji Oil Group announced its support of the Task Force on Climate-related Financial Disclosures (TCFD). We will work to actively disclose information in accordance with the TCFD's four recommendation areas of governance, strategy, risk management, and metrics and targets.

Information Disclosure on Four Areas of Recommendation by the TCFD

Governance	<ul style="list-style-type: none"> Under the management of the C"ESG"O, we oversee risks and opportunities associated with climate change through our Groupwide risk management system, conduct scenario analysis based on the recommendations of the TCFD, and report the details of this analysis at least once a year to the Management Committee Meeting and the Board of Directors for confirmation. As an advisory body to the Board of Directors, we have established an ESG Committee, which is chaired by the C"ESG"O and presents the details of its activities to the Board of Directors. The committee identifies material ESG issues, reviews the status of measures to address such issues, and examines and discusses sustainability strategies. Mitigation of and adaptation to climate change has also been identified as a material ESG issue, and we are proceeding ahead with such efforts in line with Environmental Vision 2030.
Strategy	<ul style="list-style-type: none"> Our domestic and major overseas Group companies have undergone scenario analysis based on the recommendations of the TCFD, through which they have identified risks and opportunities associated with climate change and assessed their financial impact. (Please refer to "Assessing the Financial Impact of Risks and Opportunities Associated with Climate Change" on page 41.) The outcomes of this assessment will be utilized to further advance our energy conservation, renewable energy, and other efforts to reduce CO₂ emissions toward the realization of a decarbonized society, thereby having a positive influence on the Group, society, and the environment. Based on its concept of Plant-Based Food Solutions (PBFS), the Group is committed to resolving the issues of society through the supply of plant-based materials. We are also ramping up our business to accommodate the possible expansion of the meat analogue and other plant-based food markets sparked by concerns over the adverse impacts of the fattening of livestock on climate change.
Risk Management	<ul style="list-style-type: none"> A Groupwide risk management system has been put in place to identify risks of significance to the entire Group and manage these risks using a PDCA cycle. (Please refer to "Significant Groupwide Risks" on page 36.) Climate change risk has also been deemed a significant Groupwide risk and will be managed through our Groupwide risk management system, while details on our risk response measures will be reported at least once a year to the Board of Directors.
Metrics and Targets	<ul style="list-style-type: none"> Environmental Vision 2030 stipulates our goal of reducing total Scope 1 and Scope 2 CO₂ emissions by 40% and total Scope 3 (Category 1) emissions by 18% in fiscal 2030 compared with fiscal 2016 standards.* With our sights set on realizing the Environmental 2030 targets, we will introduce new energy-saving measures and equipment at production sites, actively engage in the use of renewable energy, enhance the precision of Scope 3 emissions data, explore methods to reduce the high level of Category 1 emissions, and conduct Groupwide seminars and awareness-raising activities toward the acquisition of Science Based Targets (SBT) certification.

* Reduce Scope 1 and Scope 2 CO₂ emissions (total volume) by 40% and Scope 3 (Category 1) emissions by 18% compared with 2016 (base year) by 2030
 Notes: 1. Base year: Fiscal 2016
 2. Scope 1: Direct GHG emissions generated from Fuji Oil's business activities
 Scope 2: Indirect GHG emissions generated from the use of electricity and heat purchased from other companies
 Scope 3: GHG emissions of other companies generated from Fuji Oil's business activities (categories 1-15)
 3. Category 1: Raw materials
 4. Please refer to Environmental Vision 2030 on page 79 for more details.

The results of our scenario analysis are provided on the following page. The Group is taking the following measures to address its four identified risks.

1. Increased cost of complying with environmental regulations	Set up a team of experts on the environment and energy conservation within the Engineering Development Department and propose and develop production facilities that minimize environmental impact at Group companies ⇒ (For related content, please refer to the C"ESG"O Section on page 76.)
2. Impact of deforestation linked to suppliers	Establish a Global Sustainable Sourcing Committee and adopt a framework for managing Groupwide risks ⇒ (For related content, please refer to "Sustainable Procurement of Key Raw Materials" on page 20.)
3. Intensifying natural disasters due to extreme weather	Devise a BCP to ensure continuance of operations in the event of a natural disaster ⇒ (For related content, please refer to "Pursuit of Leading Market Share for Tropical Oils and Fats in the Southern Region of the U.S." on page 61.)
4. Concerns over shortage and rising cost of key raw materials worldwide	Establish a Global Sustainable Sourcing Committee and adopt a framework for managing Groupwide risks ⇒ (For related content, please refer to "Sustainable Procurement of Key Raw Materials" on page 20.)

Assessing the Financial Impact of Risks and Opportunities Associated with Climate Change

Item	No.	Details of Risks and Opportunities	Projected Financial Impact in and around 2050 (↓: negative impact / ↑: positive impact / number of ↓ and ↑ indicates degree of impact)				
			2°C Scenario		4°C Scenario		
			Details	Degree of Impact*	Details	Degree of Impact*	
Transition risk	Policy & regulations	1	Increased cost of complying with environmental regulations	<ul style="list-style-type: none"> Likelihood of increased cost stemming from carbon tax imposed in certain countries to comply with increasingly stringent environmental regulations Increased cost potentially arising from the loss of existing assets and additional capital investment reflecting the need to convert from fossil fuel to renewable energy and to reduce GHG emissions throughout the supply chain, from production processes through to distribution 	↓ ↓	<ul style="list-style-type: none"> Increased cost possibly arising from carbon tax imposed in certain countries on Group companies, despite an insignificant amount of the tax and fewer number of countries imposing the tax compared with the 2°C scenario 	↓
	Reputation	2	Impact of deforestation linked to suppliers	<ul style="list-style-type: none"> Potential impairment to the Group's reputation, loss of business with major customers, and decline in sales stemming from the Group being mistakenly held accountable for indirect involvement in deforestation linked to suppliers of key raw materials, including palm oil, cocoa, and soybeans Prospect of diminished sales provoked by disruptions to the raw material procurement and production activities of Group companies due to embargoes placed by countries in Europe, the United States, and the rest of the world on suppliers linked to deforestation 	↓ ↓	<ul style="list-style-type: none"> Same risks as 2°C scenario 	↓ ↓
Risk	Acute risk	3	Intensifying natural disasters due to extreme weather	<ul style="list-style-type: none"> Possible damage incurred as a result of the increasing number and magnitude of storms and floods and the consequent inability to continue operations at the mills of Group companies, such as Fuji Oil—which operates mills in Japan, a country frequently hit with typhoons—and Fuji Oil New Orleans and Fuji Vegetable Oil—which operate mills in Louisiana and Georgia, respectively—in the U.S., a country regularly hit with hurricanes 	↓ ↓	<ul style="list-style-type: none"> Likelihood of incurring even greater damage from the increasing number and magnitude of storms and floods compared with the 2°C scenario and the consequent inability to continue operations over the long term at the mills of Group companies, such as Fuji Oil and Fuji Vegetable Oil 	↓ ↓ ↓
	Chronic risk	4	Concerns over shortage and rising cost of key raw materials worldwide	<ul style="list-style-type: none"> Possibility of diminished sales stemming from the impact of population growth on rising demand and a consequent shortage in supply, resulting in the inability to procure certain key raw materials, including palm oil, cocoa, and soybeans, and thereby hindering the production of Group products. Meanwhile, the Group's cultivation of key raw materials is expected to remain at its current level due to increasingly stringent restrictions imposed on forest development and the resulting inability to foresee increases in arable land. 	↓ ↓	<ul style="list-style-type: none"> Reduced sales potentially arising from the impact of population growth on rising demand and a consequent substantial shortage in supply, resulting in the inability to procure a large fraction of key raw materials, including palm oil, cocoa, and soybeans, and thereby vastly hindering the production of Group products. Meanwhile, the Group's cultivation of key raw materials is expected to decline due to the transfer of cultivation areas and a decrease in arable land. 	↓ ↓ ↓
Opportunity	Market	5	Expansion of plant-based food (PBF) market	<ul style="list-style-type: none"> Global markets for meat analogues and dairy substitutes are expected to grow dramatically based on the view that the fattening of livestock will have a negative influence on climate change through water shortages and deforestation, leading to the increased consumption of meat analogues and dairy alternative products. Recognizing this as an opportunity for sales growth, the Group will leverage its distinctive and combined technologies and co-creation efforts with customers to create deliciousness, richness, and flavor through plants, thereby bolstering the competitiveness of its products. 	↑ ↑ ↑	<ul style="list-style-type: none"> A global shortage in the supply of livestock meat will emerge as a result of intensifying extreme weather in the form of droughts, floods, and other events linked to climate change and its adverse impact on livestock production, as well as rising demand for livestock meat, primarily in middle- and low-income countries, due to global population and economic growth and changes in people's dietary habits. This is expected to increase the need for meat analogues and expand their market, which will contribute to the Group's sales growth. 	↑ ↑
	Resilience	6	Addressing new health concerns arising from climate change	<ul style="list-style-type: none"> The impact of climate change on global temperatures will bring about infectious diseases of the kind we have yet to see in countries and regions and increase the possibility of developing heat stroke, thereby raising new health concerns. This will likely heighten the needs of consumers for highly nutritional products that improve immunity and are high in protein. The resulting growth in demand and market for such products will be viewed as an opportunity for the Group to increase sales by leveraging its existing technologies as well as new technologies currently in development in the functional high-value-added products business, including the polysaccharide business and the stabilized DHA/EPA business, and chocolate business. 	↑ ↑	<ul style="list-style-type: none"> Same risks as 2°C scenario 	↑ ↑

* Financial impact in and around 2030