

Soy

Business Strategy



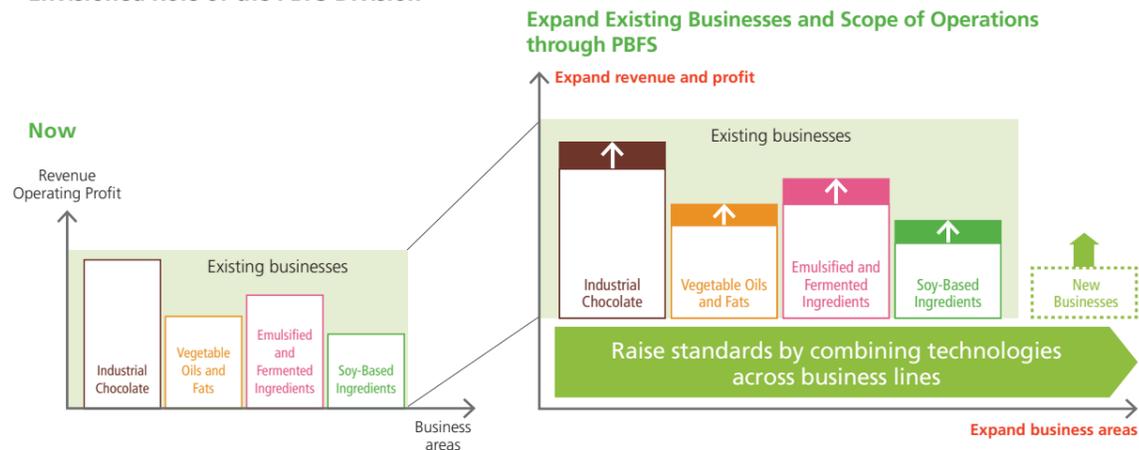
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The future direction of the soy business is now clear thanks to the structural reforms based on the principles of selection and concentration of the current mid-term management plan. Going forward, we will continue to promote selection and concentration and allocate resources to businesses that contribute to resolving social issues in areas such as deliciousness, health and nutrition through plant proteins, functional materials and other products from a PBFS perspective.

In recent years, interest in the sustainable procurement of soy has been growing and has reached the level of palm oil and cacao. Non-genetically modified soybeans from the United States, China, and parts of Canada are used in Fuji Oil Group products in the soy business. Sustainable procurement of soy is one of the ESG management priority themes in fiscal 2019. We will promote the procurement of soy that is produced in a sustainable manner. We also established the PBFS (Plant-Based Food Solutions) Division. The PBFS Division backcasts from 2050 in order to develop and promote a strategy from a PBFS perspective while considering ways the Group can contribute to society through plant-based ingredients. It takes a different perspective from existing businesses.

The Fuji Oil Group has cultivated technologies for oils and fats, emulsification, fermentation and soy over many years. We will continue to create products (solutions) by grasping market needs, setting targets, and combining new and existing technologies. We will also consider our role in creating a future in 2050 where people around the world can enjoy delicious and healthy meals. Specifically, we want to create plant-based alternatives for dairy ingredients used in chocolate, as well as products such as soy meat with the juiciness of real meat.

Envisioned Role of the PBFS Division



Soy-Based Ingredients Business

- Low-fat soy milk
- Soy protein ingredients
- Soy milk cream
- Soy protein foods
- Separated soy protein
- Water-soluble soy polysaccharides

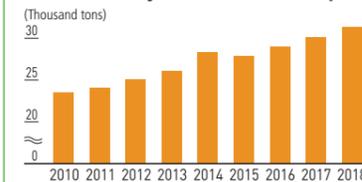
Business Environment

- Chinese companies securing market share in fields involving a low degree of processing
- Reorganization among global food companies is progressing in the plant protein market

Market Trends

- Significant worldwide increase in demand for plant-based foods
- Renewed recognition of the value of soy in Europe*
- Increase in appeal of products with plant proteins due to demand for healthy foods in Japan

Growth of Soy Meat Market in Japan



Source: Japan Vegetable Protein Food Association "Domestic Production Volume for Soy Protein," "Vegetable Protein Production and Shipping Statistics"

* Protein Challenge 2040: An initiative in which the government, corporations, and related organizations share common goals and cooperate to realize sustainable protein production and consumption.

SWOT

Strengths	<ul style="list-style-type: none"> • Broad knowledge and technologies related to soybeans • Production technology and guarantee of quality • Ability to utilize broad customer base and technology developed in other businesses • Ability to respond to customer needs
Weaknesses	<ul style="list-style-type: none"> • Cost competitiveness in commodities • Do not own a source of the main raw materials
Opportunities	<ul style="list-style-type: none"> • Growing recognition of value of alternative foods and plant proteins • Growing number of flexitarians • Aging societies and health issues, centered on Japan and China
Threats	<ul style="list-style-type: none"> • Environmental issues related to soybeans • Market competition with other fields, such as cultured meat

Strategic Directions

Promote Portfolio Change through Selection and Concentration and Combining Technologies

We are focusing on improving asset efficiency with selection and concentration and are allocating resources to products with growth potential that connect directly to the solution of social issues, such as the aging population and health issues. For existing products, we will differentiate our product line and grow

them into profitable businesses by combining products. We will accomplish this by utilizing the know-how and technology regarding deliciousness cultivated in the Vegetable Oils and Fats Business and the Emulsified and Fermented Ingredients Business.

FY 2018 Results

- Completed transfer of an unprofitable base in China
- Implemented measures to increase production of functional high-value-added products
- Decided to increase production capacity for soy protein materials, where sales are strong

We prepared to expand our mainstay products through the implementation of specific selection and concentration measures. On the other hand, the elimination of products with low profit margins in Japan and the delay in expanding sales of soy protein foods due to renovations at factories became issues.

Priorities in FY 2019

- Expand sales of functional high-value-added products in Japan and overseas
- Differentiation of existing products with a view toward the future
- Continue to eliminate unprofitable businesses
- Steady implementation of predetermined investment and promotion of business

We are promoting portfolio change with the goal of expanding sales of highly profitable products. In addition, we are enhancing our system for overseas sales of functional high-value-added products, mainly in China and Europe.

Highlight

Creating Markets in Japan

Demand for soy meat (granular soy protein) is increasing in Japan, and its uses have expanded from conventional frozen food to nutrition bars, cereals, confectioneries and appetizers in response to the growing interest in healthy food. The Fuji Oil Group is actively expanding into new markets and is building a new factory (scheduled to begin operations in the second half of fiscal 2020) to boost production capacity to respond to strong sales.

