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Growth Strategies of Oils and Fats Business in the U.S.

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1. The U.S. Market and the Oils and Fats Business

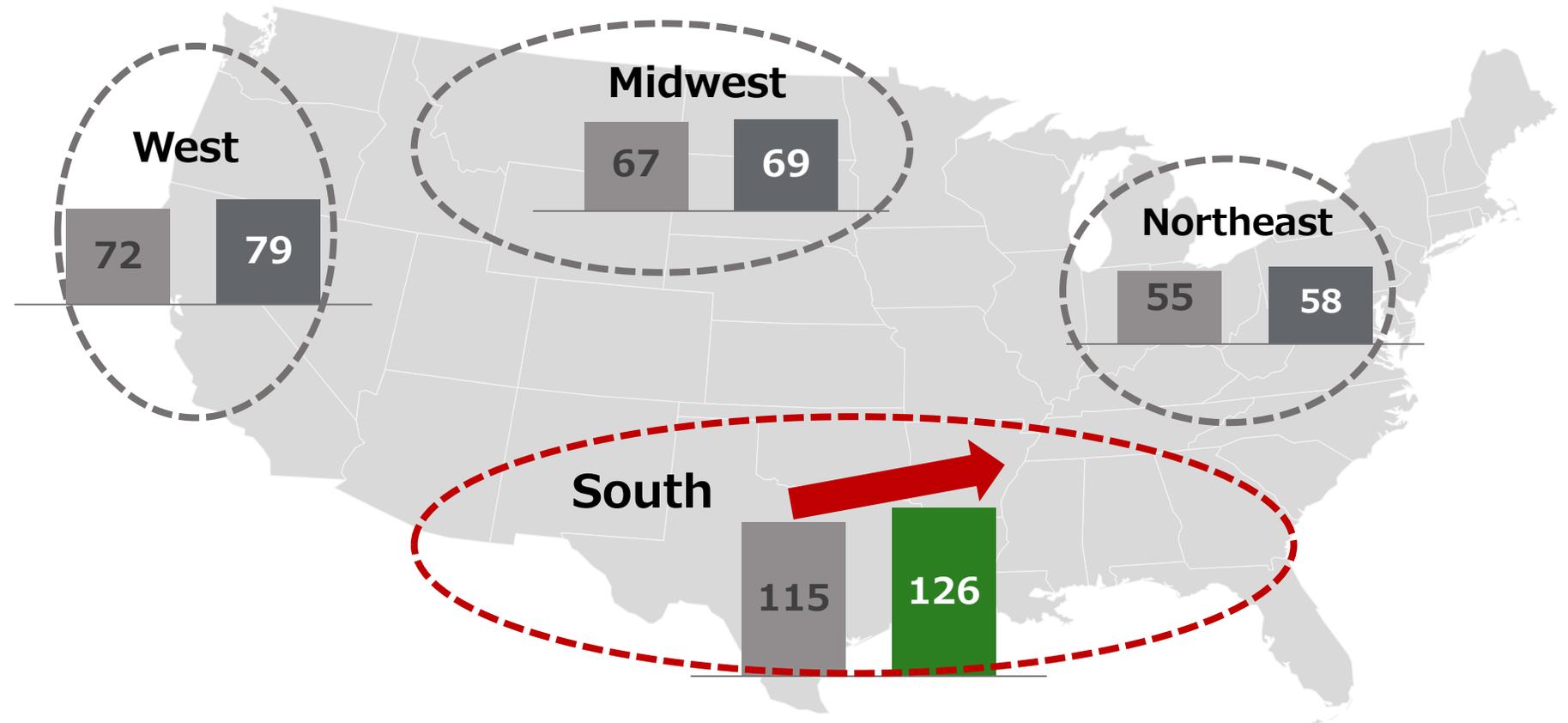
Macro Environment (1) Demographics by area in the U.S.

The South has the highest population growth and is expected to continue.

Population Change by U.S. Area (2010→2020)

Unit: millions of people

Quote : US Census Bureau



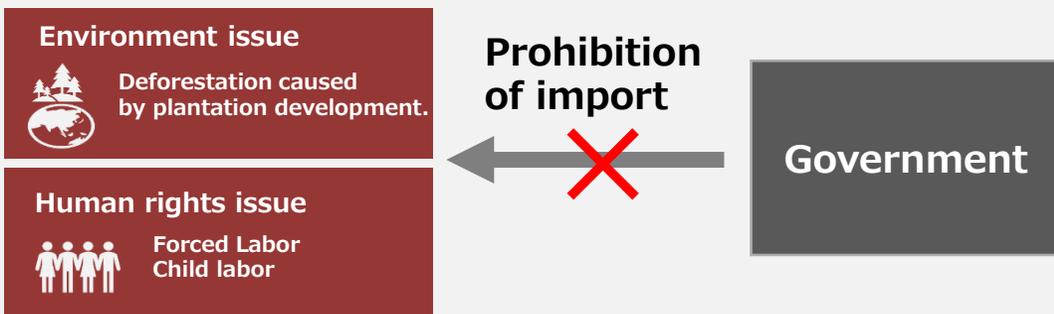
Macro Environment (2) Trends in Sustainability

Companies are accelerating their efforts to **build highly transparent supply chains and reduce risks.**

- The U.S. Customs and Border Protection agency suspended the importation of a major garment company's products due to allegations of forced labor in the raw material supply chain.
- In the case of palm oil, a major Malaysian palm oil company pointed out a forced labor problem at its plantation. The U.S. Customs and Border Protection imposed an embargo on the products of the company and its group companies.

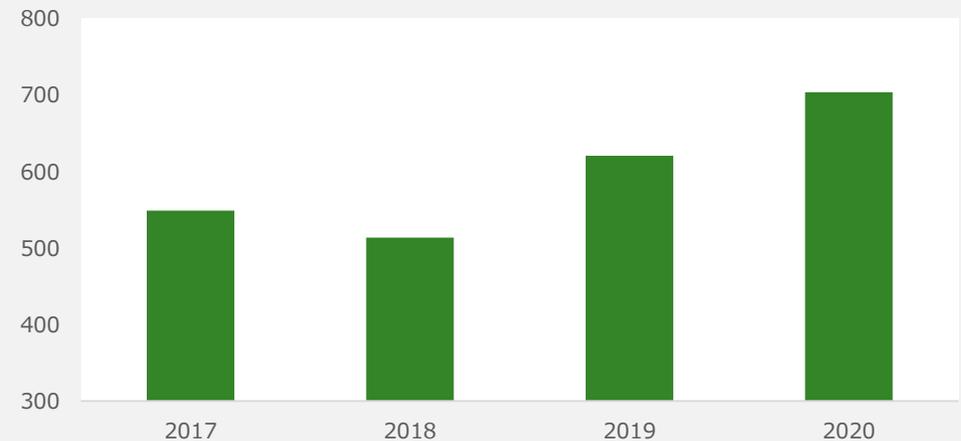
In the case of palm oil

- Many companies, including us, are aware of the risks in the supply chain.
- Inquiries for certified palm oil are increasing from customers.



Unit:
thousand tons

Import volume of certified palm oil and palm kernel oil in the U.S. increased



Quote : US Import Customs Clearance Data

What is the “Oils and Fats Business” ?

Various physical properties and quality can be designed by blending and processing each type of oil.

Our business is to provide oils and fats that are suitable for the end products and applications demanded by our customers.

Combining and processing the characteristics of each type of oil and fats(+adjustment of manufacturing conditions) to achieve a variety of physical properties and quality.

Required physical properties and quality by application (example)

Various physical properties and qualities

Main vegetable oils and fats (Ex.)

Main processing

- A
- B
- C
- D

=



Palm



Soybean



Rapeseed



Sunflower

×

- Separate hardness
- Adjust hardness, stabilize quality
- Degradation inhibition
- Blending

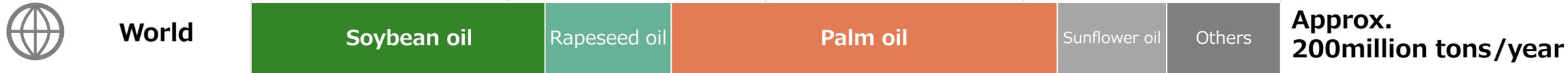


| End products | | Specially required properties |
|--|--|---|
| Snack foods Potato chips Instant Noodles | | -Good taste and resistance to oxidative deterioration |
| Prepared food, Fried food | | -Good workability in stores =Liquid at room temperature, etc. |
| Nutrition (Baby formula, Liquid food) | | -Baby formula → fatty acid composition equivalent to breast milk -Liquid food →Fatty acid composition with good digestion and absorption |
| Margarine Shortening | | -Ease of application to bread -Mold retention |
| Chocolate | | -Mouthfeel equivalent to cocoa butter (CBE) -Balance of mouthfeel with combination materials (confectionery and ice cream) |
| Ice cream | | -Rapid dissolution in a specific temperature range |

World Production and U.S. Consumption of Vegetable Oils and Fats

Production of vegetable oils and fats (*Including non-food applications)

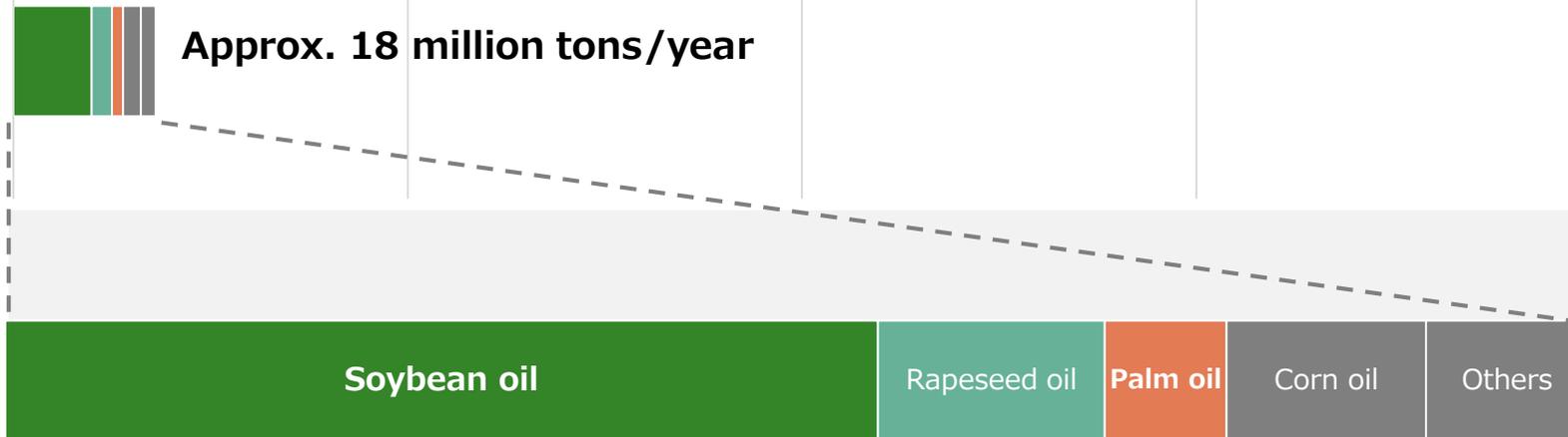
0 50 100 150 200 (Unit : million tons)



- The most produced vegetable oil and fats in the world is palm oil.
- Compared to other vegetable oils and fats, palm oil is low in price (high yield and planned production possible). It is possible to meet the demand for high oxidative stability and the ability to retain shape by utilizing the characteristics of solid fats.



U.S. Consumption



- Soybean oil accounts for about 55% of total U.S. consumption of vegetable oils and fats

2. Fuji Vegetable Oil & Fuji Oil New Orleans

Oils and Fats Business in the U.S. Overview (1)



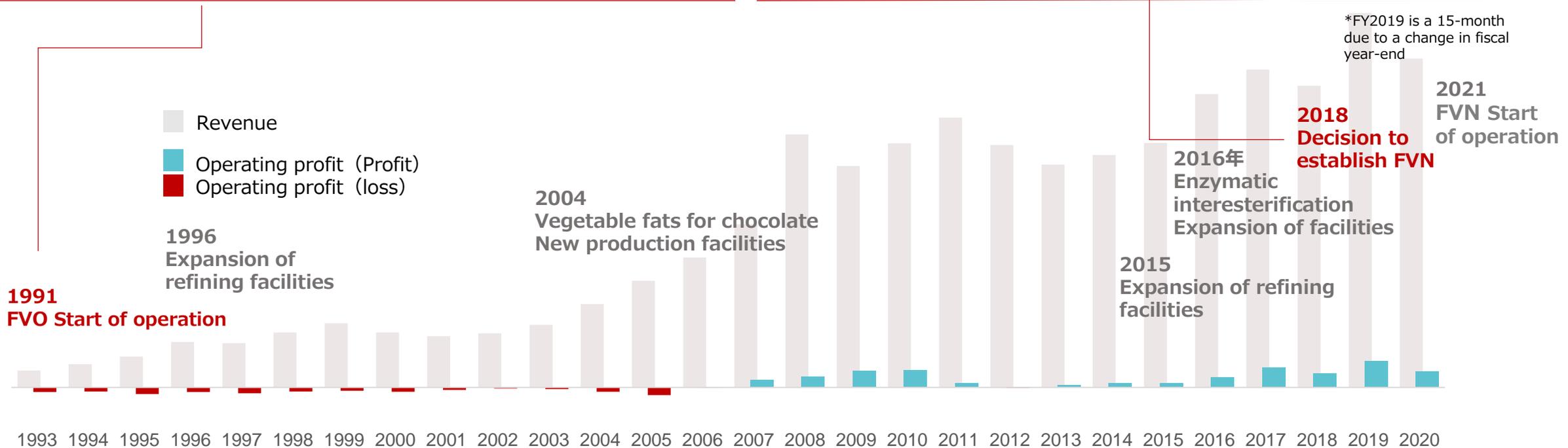
Fuji Vegetable Oil, INC. (hereinafter called FVO)

- Location: Savannah, Georgia
- Site area: approx.58,000 m²
- Number of employees : 139
- Functions: Production, Development, Quality control, Sales



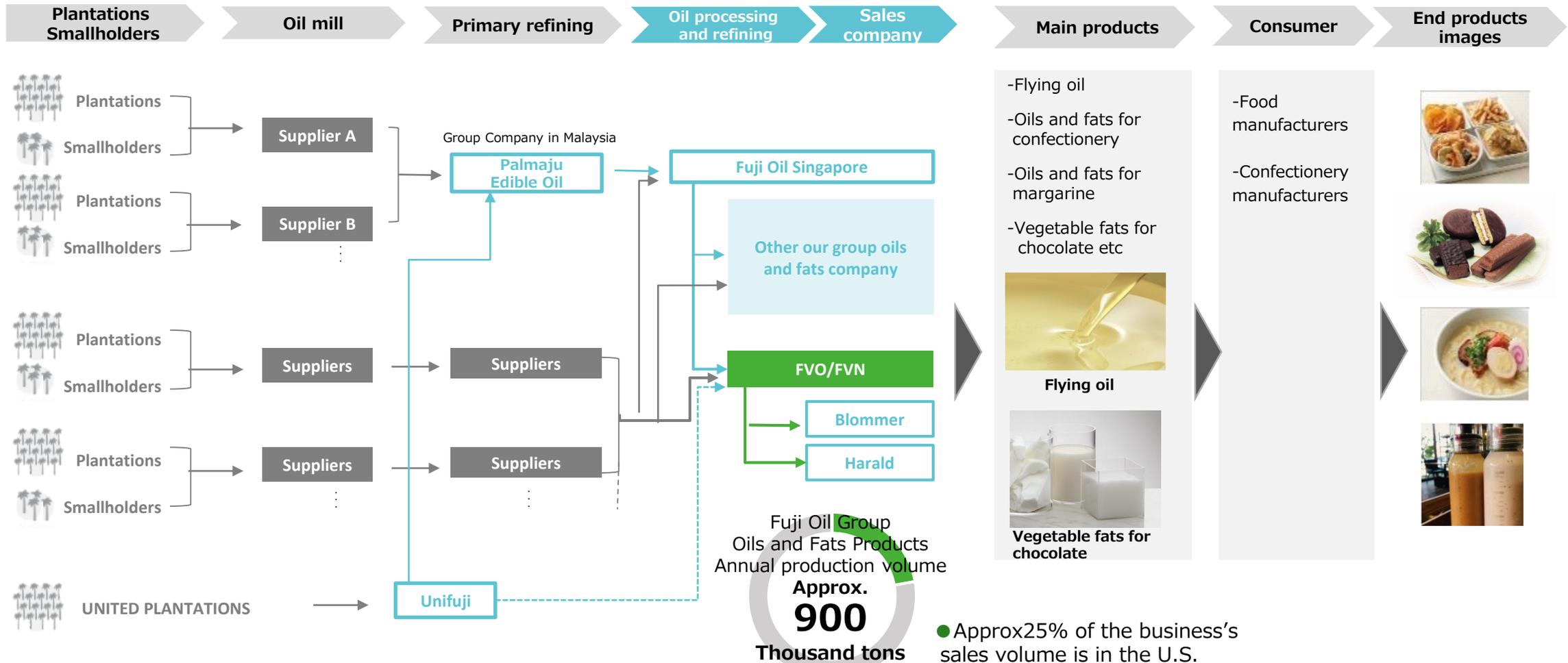
Fuji Oil New Orleans, LLC. (hereinafter called FVN) ※100% Subsidiary of FVO

- Location: Louisiana New Orleans
- Site area: approx.50,000 m²
- Number of employees : 42
- Functions: Production, Sales



Oils and Fats Business in the U.S. Overview (2)

Oils and Fats Business in the U.S. Supply chain



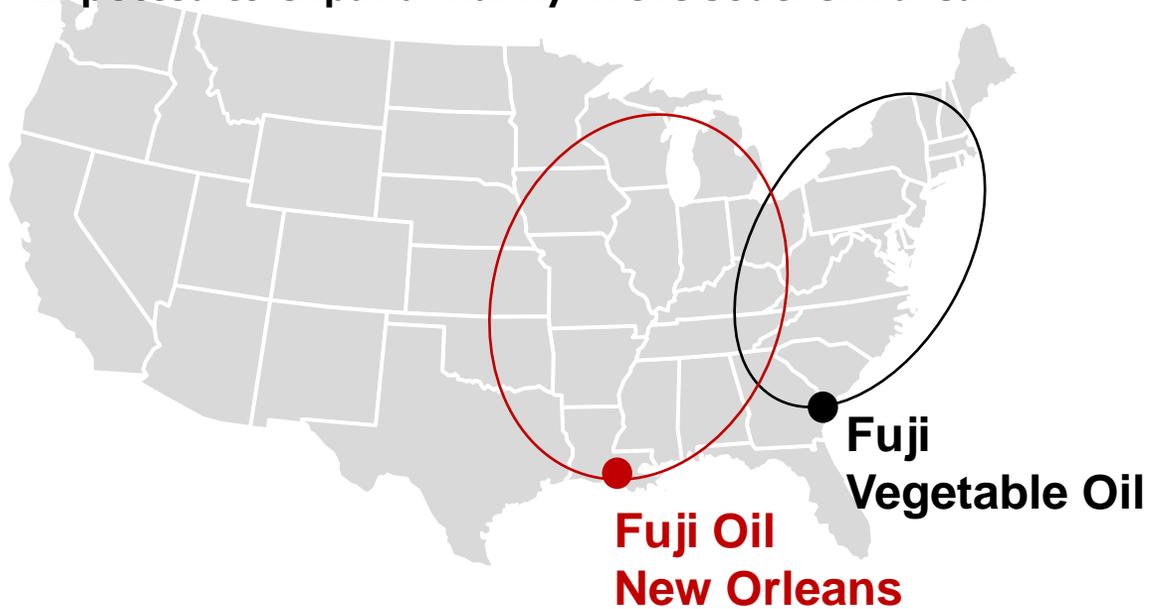
Fuji Oil New Orleans (FVN) Significance of Establishment

Start for Second Oils and Fats plant in the U.S. operations in 2021

Established with the aim of expanding the sales area

- Gaining demand from the growing population in the southern part of the country and expanding the sales area.
- Demonstrate competitive advantage through low-trans oils and fats.
- Respond to BCP (hurricane-prone areas).

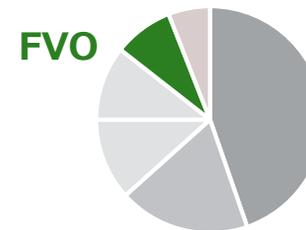
Expansion of deployment area due to FVN operation.
Expected to expand mainly in the southern area.



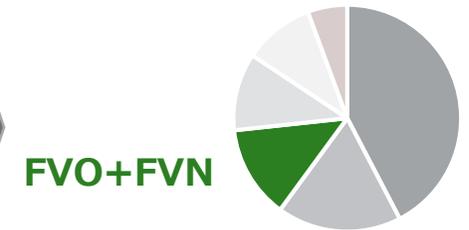
Increase refining capacity and establish a system to expand sales

Refining capacity of the U.S. companies for southern oils and fats (palm, palm kernel and coconut)

Before (Only FVO)



Current (FVO+FVN)



Capacity increased to about **1.6 times** the previous level

Developments under the Biden Administration

U.S. Clean Energy Policy

【What is clean energy?】

Energy that emits no or few greenhouse gases when it is generated. **Its use is expected to increase as we move toward decarbonization.**

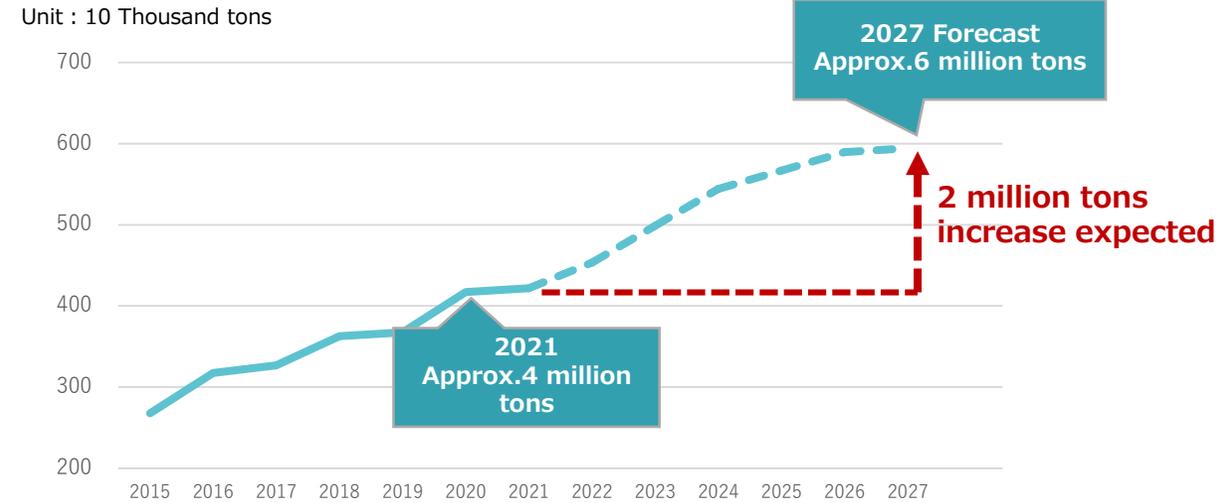
【Policy Overview】

Among the Biden administration's economic policies, the "U.S. Jobs Plan" (infrastructure investment, etc.) has secured about \$1.7 trillion in financial resources. This includes the extension of tax credits (for 10 years) for the promotion of "clean energy policies," which was a campaign promise, and **some of the tax credits are provided as subsidies.**

【Future trends and measures of each company】

- Biodiesel fuel will account for about 17% of clean energy in 2020, and demand for U.S. **soybean oil for biodiesel use is expected to increase.**
- With the expectation of improved margins by securing subsidies, grain majors are shifting to a strategy of expanding their supply chains for biodiesel.

U.S. Soybean oil demand for biodiesel applications expected to increase



Source: Partially adjusted based on StoneX analysis data

- Demand for soybean oil for biodiesel is expected to increase by **2 million tons** by 2027.
- Although refiners will respond by increasing soybean oil production, they will not be able to cover the entire volume.

Our Opportunities

Previous SWOT for FVO and FVN

| | |
|---|--|
| S | <ul style="list-style-type: none"> -Quality and processing technology -Stable supply -In-house source of raw materials for CBE |
| W | <ul style="list-style-type: none"> -Customers are heavily weighted toward manufacturers -Low value-added portfolio -Low presence in Central and Western |
| O | <ul style="list-style-type: none"> -Expanding demand due to population growth -Diversification of food in the southern region |
| T | <ul style="list-style-type: none"> -Human rights and environmental risks -Intensified competition due to increased demand for palm |

Changes in the business environment

+ **Changes in the supply-demand structure due to clean energy policies**

+ **Further increase in awareness of sustainability issues**

Newly identified opportunities and risks

Opportunities

Insufficient supply of edible soybean oil

→Diversification of raw materials in addition to demand for substitution with other oil types (mainly in the food service market)

Risks

Increasing business risk of palm oil

→Diversification of raw materials in addition to sustainable procurement

→To a new strategy

3. Introduction of “Oilseeds” and the Purpose of Establishing the Newcompany

December 9, 2021 Release Overview

-Establishment of joint venture, Fuji Oil International Inc.

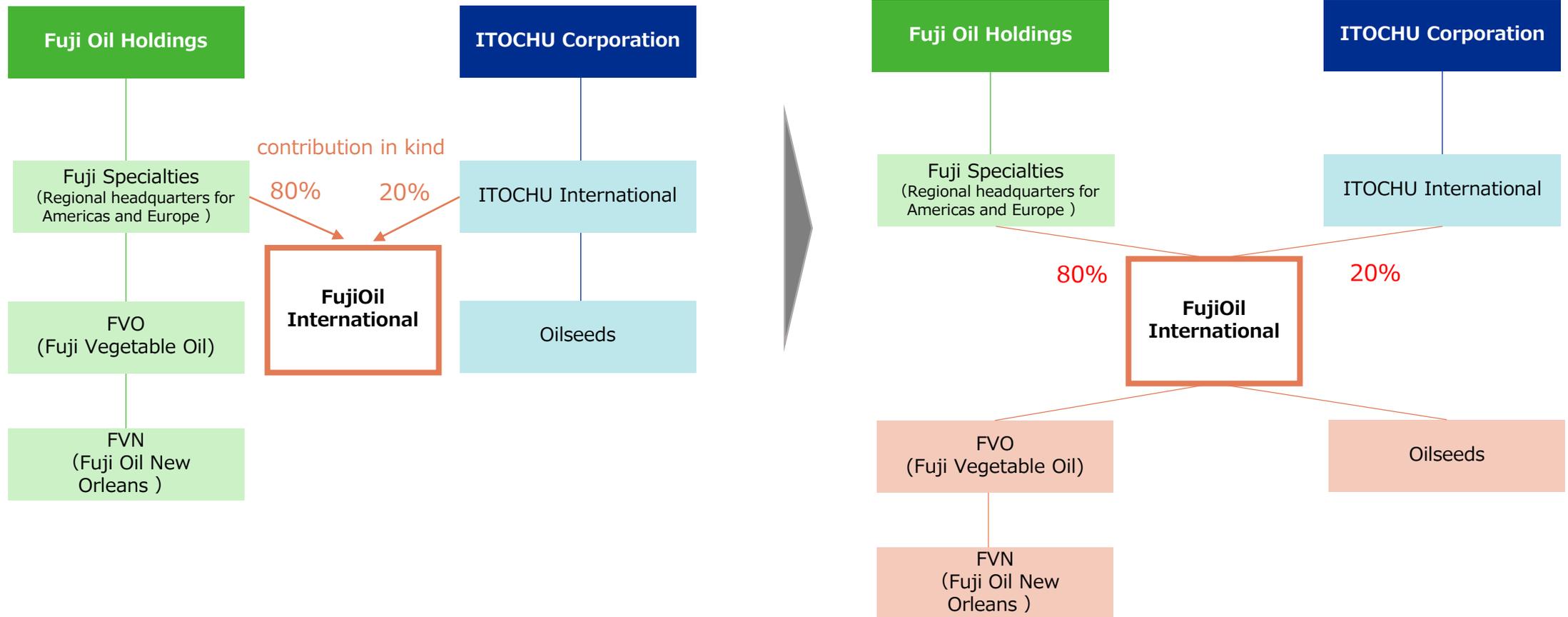
Fuji Specialties, Inc. (Regional headquarters for Americas and Europe) and ITOCHU International Inc. established a joint venture in the U.S.

-Objectives

Expansion of the market for oils and fats in the U.S. due to the growing demand for renewable energy, expansion of the product portfolio by incorporating premium vegetable oils (sunflower oil, rice oil, etc.), and expansion of profits by increasing sales of value-added products.

| | | |
|---|---|----------------|
| Company name | Fuji Oil Internatiolal Inc. (temporary name) | |
| Location | 1209 Orange Street, County of New Castle, Wilmington,DE, 19801,U.S.A. | |
| Representative | Naohiro Rokukawa (Fuji Specialties,Inc. President) | |
| Business Description | Controlling company for oils and fats business in U.S. | |
| Capital stock | USD 317million | |
| Date of establishment(schedule) | Scheduled for March 2022 | |
| Major shareholders and shareholding ratio | Fuji Specialties,Inc. 80% ITOCHU International Inc. 20% | |
| Relationship between the listed company and this company | Capital ties | Not applicable |
| | Personal relations | Not applicable |
| | Business Relationship | Not applicable |

Scheme of Investment



Overview

Oilseeds International, Ltd.

-Location

: San Francisco

-Number of employees

: Approx.20 people

-Oil types sold

: High oleic sunflower oil, rice oil, safflower oil, rapeseed oil, etc.

-Functions / Features

: Contract manufacturing and sales of oils and fats.
As an equity method affiliate, we own a rice oil procurement and manufacturing company.

Features of main products and business scheme

Rice Oil

■ **Characteristics**

Excellent in heating stability and widely consumed mainly as frying oil

■ **Purpose**

For frying, stir-frying

■ **Features of Oilseeds**

Possesses a procurement network for high-quality U.S.-produced "rice oil raw materials".
Top share of rice oil in the U.S.

High oleic sunflower oil/Safflower oil

■ **Characteristics**

Oils that contain high amounts of oleic acid, which is effective in lowering cholesterol levels.

■ **Purpose**

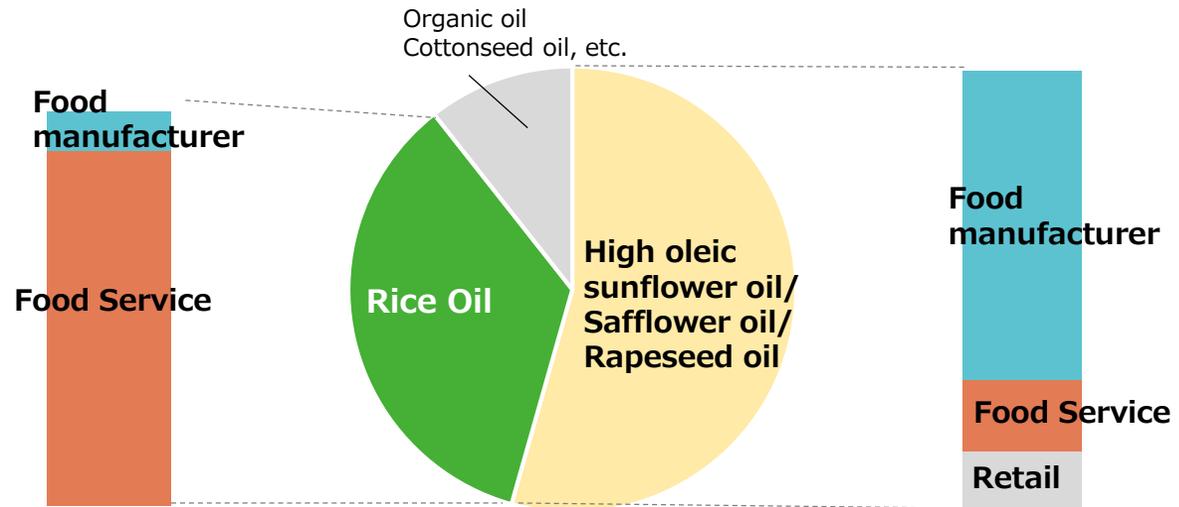
For frying, infant formula

■ **Features of Oilseeds**

Procurement of high olein sunflower seeds and safflower oil seeds.
Contract manufacturing and sales.



Breakdown of oil types and deployment markets



Own supply chain and sales network for premium liquid oil

- Ownership of raw material sources for rice oil and high oleic sunflower.
Established a consignment oil pressing and refining system in domestic and overseas.
- Timely supply of raw materials to the entire U.S. based on the consignment refining scheme in the West Coast and other areas.

Deployment of organic oils

By outsourcing manufacturing, it is possible to supply raw materials to customers throughout the United States in a timely manner.

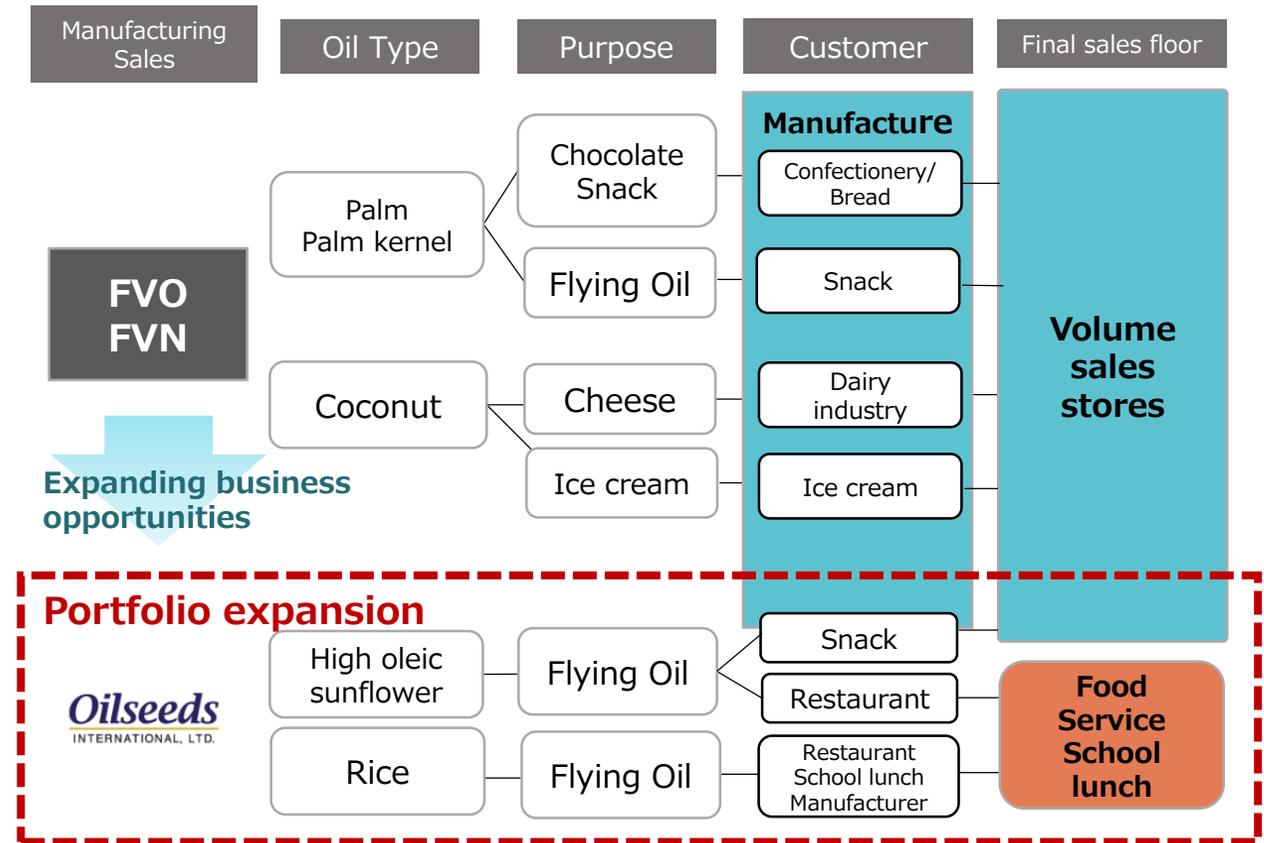
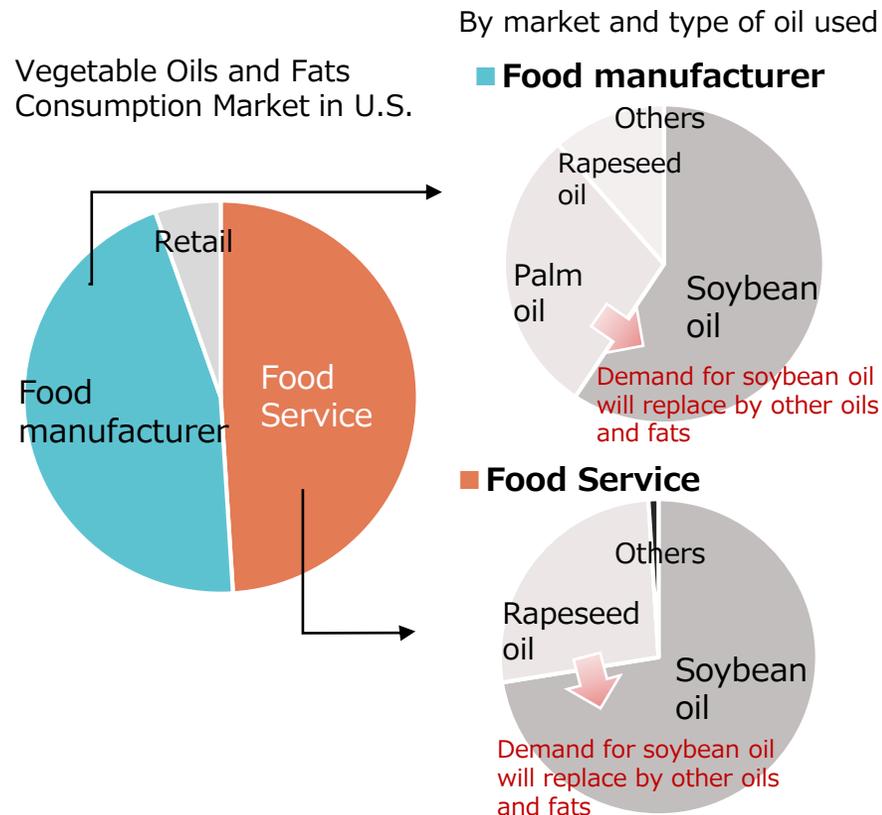
Strengths in the food service market

Holds accounts with 6 of the top 10 distributors operating in North American foodservice.
Established a sales network for foodservice. (FVO/FVN does not have accounts with food service distributors.)

Aim of Establishing a Joint Venture

(1): Expansion of Business Portfolio into the Food Service Market

Expansion of portfolio to foodservice market by securing premium oil.
Creation of business opportunities for Oilseeds customers.
 (including substitution of soybean oil for biodiesel through increased use)



Aim of Establishing a Joint Venture

(2) Addressing Business Risks due to Diversification of Raw Material Sources

- In some cases, imports of raw materials from palm plantations with environmental or human rights issues are suspended by the government.
- Respond to business risks in the supply chain due **to diversification of raw materials** in addition to efforts to resolve issues at the plantations.

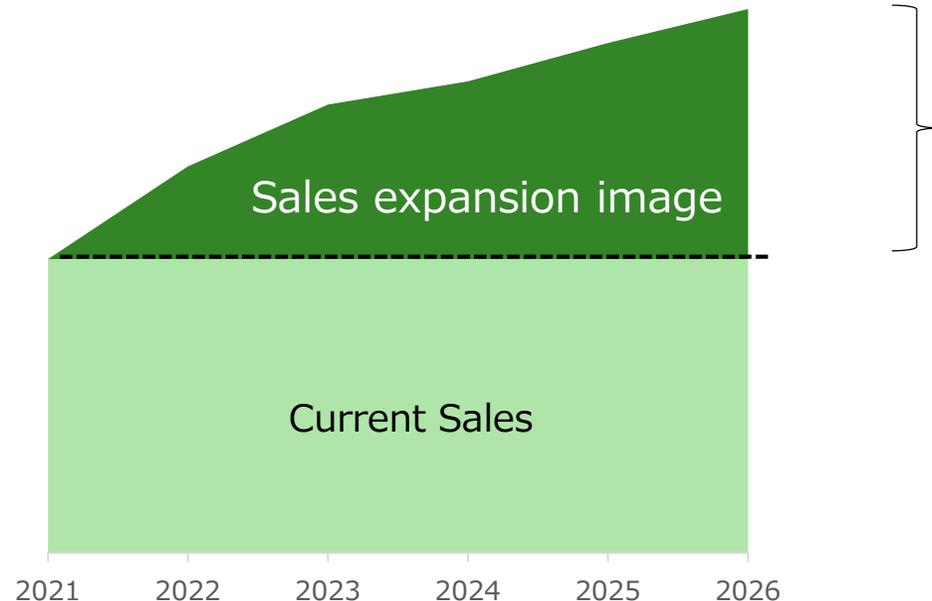
Oil types handled by major oil companies in the U.S.

| Major companies | Oil types | | | | | | | | | |
|--|-----------|----------|------|-----------|-------------|----------------------|---------------------|----------------------|------|--------------------------|
| | Soybean | Rapeseed | Corn | Sunflower | Cotton seed | High oleic sunflower | High oleic rapeseed | High oleic safflower | Rice | Palm Palm kernel Coconut |
| A | ○ | ○ | | ○ | | | | | | ○ |
| B | ○ | ○ | ○ | ○ | ○ | | | | | ○ |
| C | ○ | ○ | ○ | | | ○ | ○ | | | ○ |
|  FVO/FVN | | | | | | ○ | | | | ○ |
|  Oilseeds INTERNATIONAL LTD. Oilseeds | | | | | ○ | ○ | ○ | ○ | ○ | |

Medium- to Long-Term Growth Image

Aiming to increase profits by expanding the foodservice market and product portfolio in the U.S. oils and fats market, which is undergoing major changes

Sales transition image (~FY2026)



Growth of Oils and Fats Business in the U.S.

Growth drivers

- Operation of FVN and expansion of sales channels.
- Gaining demand for switching to soybean oil due to clean energy policy.
- Expand sales channels and develop new customers by leveraging the strengths of both FVO/FVN and Oilseeds

Functional enhancement

The middle and back office functions of FVO/FVN were strengthened with the human resources and functional support of ITOCHU Corporation.