Risks

<table>
<tr><th colspan="2" rowspan="3">Item</th><th rowspan="3">Details</th><th rowspan="3">Financial impact</th><th colspan="6">Assessment of financial impact around 2050</th></tr>
<tr><th colspan="3">1.5°C scenario</th><th colspan="3">4°C scenario</th></tr>
<tr><th colspan="3">Details</th><th colspan="3">Details</th></tr>
<tr><td rowspan="8">Transition risks</td><td rowspan="4">Policy & regulations</td><td rowspan="4">Risk of increased cost of complying with environmental regulations</td><td rowspan="3">Increased cost due to adoption of carbon taxes</td><td colspan="3">Environmental regulations around the world are tightened to address climate change, and costs increase due to the following factors.
・Introduction of carbon taxes, carbon border adjustment mechanisms (CBAM), emissions trading systems (ETS) and other schemes in countries where Group companies are located.
・Capital investment and depreciation of existing assets for reducing greenhouse gas emissions, including replacing gasoline, diesel, and other fossil fuels used in logistics vehicles and fossil fuels used for electricity and for boiler operation in certain production processes with renewable energy sources.</td><td colspan="3">Compared to the 1.5°C scenario, environmental regulations for addressing climate change are not tightened as much and carbon taxes are smaller. However, carbon taxes may be levied in countries where Group companies are located, resulting in increased costs.</td></tr>
<tr><td>Time of onset</td><td>Duration of impacts</td><td>Impact level</td><td>Time of onset</td><td>Duration of impacts</td><td>Impact level</td></tr>
<tr><td>Within 5 years</td><td>Longer than 10 years</td><td>5.8 billion yen*1</td><td>Within 10 years</td><td>Longer than 10 years</td><td>0.9 billion yen*2</td></tr>
<tr><td colspan="7">Response approach
● Comply with CO_2 emissions reduction targets by promoting Environmental Vision 2030
・For CO_2 emissions reduction, we have set a 40% reduction of Scopes 1*3 and 2*4 emissions and an 18% reduction of Scope 3*5 (Category 1*6) emissions as FY2030 targets (base year: FY2016).
・To achieve our Environmental Vision 2030, we will actively work on energy conservation initiatives, adopt new facilities that use less energy, and use renewable energy at production sites. We will also improve the accuracy of our Scope 3 emissions data, devise ways to reduce the large volume of Category 1 emissions, and conduct briefings and information campaigns within the Group to achieve our SBTi-approved targets, in order to promote further reduction of CO_2 emissions throughout the Group.
● Introduce internal carbon pricing*7 to all Group companies
・We carried out the pilot introduction in FY2022 at Fuji Oil Co., Ltd. Going forward, we plan to introduce internal carbon pricing to all Group companies for use in developing investment plans, as an incentive for energy-saving initiatives, and as guidelines for investment decision-making.</td></tr>
<tr><td rowspan="4">Reputation</td><td rowspan="4">Risks associated with deforestation and parkland/peatland loss in our supply chain</td><td rowspan="3">Increased cost associated with supplier engagement and lost sales due to suspended transactions from major customers</td><td colspan="3">Costs will increase and sales will decline due to the following risks associated with deforestation and loss of parkland/peatland in the supply chain of the Group' s major raw materials (e.g., palm oil, cocoa, soybeans, shea kernels).
・Increased cost associated with strengthening engagement with suppliers to ensure that deforestation and parkland loss, which increase atmospheric CO_2 concentrations and exacerbate climate change, do not occur.
・As more and more people place greater priority on environmental problems, stricter environmental regulations are introduced and public awareness of the need for action to conserve the environment grows. The Group faces criticism and damage to its reputation when deforestation and parkland loss occur in its supply chain. Moreover, if such actions by suppliers are prohibited in a contract between the Group and its customer, the Group may be liable for damages and its business dealings may be terminated due to a breach of contract with the customer.
・Under the EUDR, violations on products traded within the EU are subject to penalties such as fines and confiscation of income and products. Moreover, if a contract with a customer requires compliance with the EUDR, the Group may be liable for damages, including the penalties imposed on the customer, and its business dealings may be terminated due to a breach of contract.</td><td colspan="3">Compared to the 1.5°C scenario, increased cost associated with strengthening supplier engagement is limited. While the Group makes advances as necessary in purchasing raw materials from suppliers that are implementing appropriate environmental conservation based on the Group' s sustainable sourcing policies, society makes little progress in sustainability awareness and has a high tolerance of climate change, reducing the Group' s need to strengthen supplier engagement on its own.</td></tr>
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<tr><td>Within 5 years</td><td>Longer than 10 years</td><td>Medium</td><td>At least 11 years from now</td><td>Longer than 10 years</td><td>Small</td></tr>
<tr><td colspan="7">Response approach
● Strengthen efforts to prevent or mitigate environmental risks in the supply chain based on the Group' s sourcing policies
・For palm oil, we will improve traceability with the aim of achieving 100% traceability to palm oil mills and 100% traceability to plantations, as well as promote efforts that improve the supply chain with the aim of solving environmental problems at palm oil production sites (plantations), based on our medium- to long-term goals for sustainable procurement of palm oil. Our aim is to achieve No Deforestation, No Peatland Development, and No Exploitation (NDPE) as stated in the Group' s Responsible Palm Oil Sourcing Policy.
・For cocoa, we will plant one million trees on cocoa-growing regions by 2030 to promote efforts that reduce the negative impact on forests, based on our medium- to long-term goals for sustainable procurement of cocoa. Our aim is to achieve sustainable cocoa procurement as stated in the Group' s Responsible Cocoa Beans Sourcing Policy.
・For soybeans, we are working to achieve traceability to the community level, No Deforestation and No Exploitation, and 100% procurement of RTRS (Round Table on Responsible Soy Association)-certified products or products certified to equivalent standards.
・For shea kernels, we are working to plant 6,000 trees per year and achieve 75% traceability to the regional level, with the goals of conserving forests and supporting women' s empowerment.
● Fully disseminate the Supplier Code of Conduct
・We developed a Supplier Code of Conduct in 2021 to serve as a high-level policy to existing guidelines and policies for communicating the Group' s overall approach to procurement to all suppliers. The code urges suppliers to comply with a list of basic principles (e.g., environmental conservation) and to devise preventive and remedial measures for identifying code violations and making improvements.</td></tr>
<tr><td rowspan="8">Physical risks</td><td rowspan="4">Acute risks</td><td rowspan="4">Risk of more severe natural disasters due to extreme weather</td><td rowspan="3">Losses incurred by Group companies from storms and floods</td><td colspan="3">More frequent and intense storms and floods cause damage and suspend operations at Group companies, such as Fuji Oil Co., Ltd. in Japan, which is prone to typhoon damage, and Fuji Vegetable Oil, with plants in Savannah, Georgia, U.S., which are prone to hurricane damage.</td><td colspan="3">Storms and floods of even greater frequency and intensity than in the 1.5°C scenario cause greater devastation and suspend operations at Group companies, such as Fuji Oil Co., Ltd. in Japan, which is prone to typhoon damage, and Fuji Vegetable Oil, with plants in Savannah, Georgia, U.S., which are prone to hurricane damage.</td></tr>
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<tr><td>At least 11 years from now</td><td>Longer than 10 years</td><td>Medium</td><td>Within 10 years</td><td>Longer than 10 years</td><td>Large</td></tr>
<tr><td colspan="7">Response approach
● Formulate a BCP incorporating a framework that leverages complementary strengths throughout the Group, prepare a response manual in the event of a crisis, and encourage risk transfer through the use of insurance</td></tr>
<tr><td rowspan="4">Chronic risks</td><td rowspan="4">Risk of global shortages of major raw materials and soaring prices</td><td rowspan="3">Sales decline due to decrease in procurable volume of major raw materials</td><td colspan="3">The following factors cause a decline in yields and supply shortages of major raw materials procured by the Group (e.g., palm oil, cocoa, soybeans, shea kernels), making it impossible to procure some of the raw materials needed, disrupting the manufacture of Group products, and causing a decline in sales.
・Impacts from extreme weather events (e.g., heat waves, droughts, increased annual precipitation, rainstorms) and natural disasters
・Increased demand caused by global population growth
・With more people in society placing greater priority on environmental problems, greater restrictions on forest development and new agricultural methods such as regenerative agriculture are introduced, limiting the amount of farmland to a level that cannot meet the needs of a larger global population.</td><td colspan="3">The following factors cause a major decline in yields and major supply shortages of major raw materials procured by the Group (e.g., palm oil, cocoa, soybeans, shea kernels), making it impossible to procure most of the raw materials needed, significantly disrupting the manufacture of Group products, and causing a dramatic decline in sales.
・Impacts from extreme weather events (e.g., heat waves, droughts, increased annual precipitation, rainstorms) and natural disasters exceeding those in the 1.5°C scenario
・The rise in the average global temperature shifts the location of arable lands and reduces the amount of land suitable for cultivating the Group' s major raw materials.
・Increased demand caused by global population growth</td></tr>
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<tr><td>Within 10 years</td><td>Longer than 10 years</td><td>Small</td><td>At least 11 years from now</td><td>Longer than 10 years</td><td>Medium</td></tr>
<tr><td colspan="7">Response approach
● Improve sustainability of raw material procurement and strengthen supply sources
・Carry out our Group programs, including supplier engagement, agricultural support for farmers to improve farm yields and increase productivity, and farming guidance
・Diversify our raw materials
・Encourage boosting productivity through breeding research, in collaboration with academic institutions, governments, and industries</td></tr>
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*1 Based on carbon tax data for each country in 2030 taken from the Global Energy and Climate Model Documentation 2023 by the International Energy Agency (IEA) (developed countries: USD 140/tonne, emerging countries: USD 90/tonne)
*2 Based on carbon tax data for each country in 2030 taken from the IEA' s World Energy Outlook 2020 (OECD member countries: USD 34/tonne, other countries: not adopted)
*3 Scope 1: Direct emissions of greenhouse gases from our own operations
*4 Scope 2: Indirect emissions of greenhouse gases from the use of electricity, heat and steam supplied by third parties
*5 Scope 3: Emissions from the activities of non-Group companies in our value chain (Categories 1 to 15)
*6 Category 1: Purchased goods and services
*7 An internal scheme for promoting low-carbon investment and initiatives by placing a price on carbon based on estimates conducted within the organization.