

Start of Basic Management Vision, Growth 10, the Phase II Three-Year Plan

Business Environment

Appreciation in the grain market, sluggish consumption, long-term deflation and other changes in the business environment are structural problems.

The business climate for the Group has changed radically since the start of Phase I of the management vision four years ago. Japan continues to face an aging population and falling birthrate, and there has been an increase in demand for food as a result of global population growth and economic development in the BRICs countries, an influx of speculative capital in the market, and greater demand for vegetable oil as a biofuel.

During Phase I of the vision the demand structure for grain shifted, and grain prices rose in tandem with surplus funds resulting from low-interest rate policies around the world. The Japanese market, meanwhile, moved in the opposite direction from the overheating global market, as a decline in consumption due to the low birthrate and aging society, along with consumer preference for low-priced products in the sluggish economy, pushed down product prices.

These changes in the business environment for the oils and meal business, which has been the earnings foundation for the Group, are not the typical transient shifts that have occurred previously. We recognize that they are structural problems.