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## Plant-Based Food Solutions

### Becoming a Company That Contributes to a Sustainable Society through Food

#### Innovation toward Further Growth

The world continues to change as we speak.

Global environmental issues and digital transformation, such as AI and the IoT, have gained prominence in recent years while the spread of COVID-19 has had a massive impact worldwide in 2020.

The Fuji Oil Group has been severely impacted by COVID-19 as well, with employees in the United States and Brazil contracting the virus, which in some cases has tragically resulted in death. However, our employees have banded together as one to keep our factories running, and despite a temporary stoppage in our operations, we have been able to continue to deliver our products to customers across the globe. Having said that, the impact on economic activities from lockdowns around the world is believed to continue for a while, and the future still remains unclear.

In light of all this, Fuji Oil celebrated the 70th anniversary of its founding this year.

We were the last company to enter the industry for edible oils and fats in Japan. When the Company was established, we were lacking in brands, raw materials, sales capabilities, and corporate strength, and we therefore overcame these deficiencies by engaging in the business of using palm oils as raw materials, which was unprecedented for this industry at the time. Despite such challenges, we have evolved to where we are now through our engagement in the development and proposal of ingredients that help resolve the concerns of customers. Regardless, when I look ahead to the next 30 years, I cannot say with certainty that we will continue to grow at this rate.

We are currently in the middle of a disruptive situation that cannot be overcome through our existing measures. In order to remain a company that is unrattled even by such a pandemic and what may follow, I will enforce change within the Company with a strong sense of urgency.

Amid expectations of a global food shortage as a result of an increase in the global population to 9.7 billion by 2050, the concept of the Sustainable Development Goals (SDGs) created by the United Nations is being widely adopted. In other words, there is no better opportunity for resolving “customer issues” through our technological capabilities. By backcasting from the ideal company we envision, we are pressing forward with Plant-Based Food Solutions (PBFS) as a way to resolve existing social issues through plant-based materials. Over the years, we have pursued the development of products by drawing on

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our technologies to attain higher levels of sophistication and quality. However, in this day and age, it is not only about the value of the product itself; it is also about finding resolutions to the social issues surrounding that product. Addressing the concerns of society and contributing to the realization of a sustainable society through our “work for people” Management Philosophy is, I believe, the *raison d’être* of the Fuji Oil Group.

**Fuji Oil Group Management Philosophy**

**Mission**  
(Our reason for being)

The Fuji Oil Group seeks to develop the potential of food ingredients. We will contribute to the happiness and well-being of the people by offering delicious and healthy food.

**Vision**

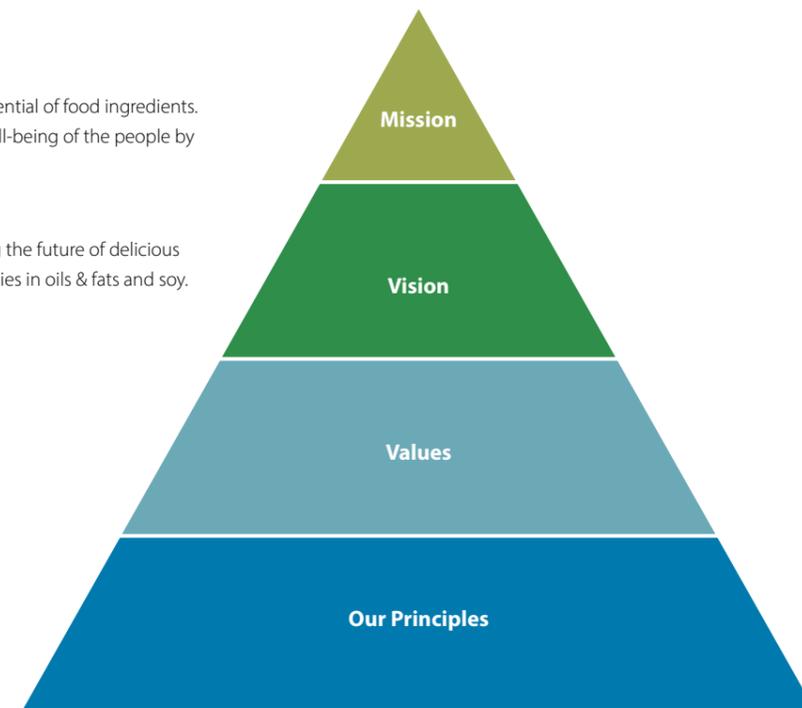
We seek to contribute to society by creating the future of delicious and healthy foods using our core technologies in oils & fats and soy.

**Values**

(The values that inform our actions)

- Safety, quality, and the environment
- Work for people
- Challenge and innovation
- Speed and timing

**Our Principles**



**Progress of Medium-Term Management Plan**

When the Fuji Oil Group’s medium-term management plan—Towards a Further Leap 2020—was launched in fiscal 2016, we set out to achieve its four basic policies of (1) reinforcement of core competence, (2) growth of soy business, (3) development of functional high-value-added products business, and (4) cost reduction and unification with the global standard.

**Underachievement of Results in Fiscal 2019**

Fiscal 2019 was the third year of our medium-term management plan. We implemented reforms toward the final year of the plan and set out to achieve steady growth for both the newly acquired Blommer and all of our existing businesses.

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Facilitated by a robust business foundation, our domestic business in Japan reported record operating income. We also saw brisk results in the Vegetable Oils and Fats, Emulsified and Fermented Ingredients, and Soy-Based Ingredients businesses. However, the Industrial Chocolate Business fell significantly below its targets in fiscal 2019 due to the inability to meet its expected production volume, rising costs, loss of futures transactions from not being able to apply mark-to-market accounting, and other factors at Blommer. As a result, the Group’s operating results fell short of their targets under the medium-term management plan for the second year in a row.

In regard to our basic policy of “reinforcement of core competence,” we acquired Harald (Brazil, in 2015), Fuji Global Chocolate (M) (Malaysia, in 2016), Industrial Food Services (Australia, in 2018), and Blommer Chocolate Company (United States, in 2019) and concentrated resources into the expansion of our Industrial Chocolate Business. However, it goes without saying that we still have issues to address. I am strongly aware that we must proceed with a sense of urgency to generate a greater amount of cash flow from this business. We will bolster our concentration of management resources in the Industrial Chocolate Business in our quest to improve earnings as early as possible.

In terms of the “growth of soy business,” in fiscal 2020, we commenced operations of our new plant in Chiba Prefecture for production of soy meat (textured soy protein) to meet new demands within the plant-based food market in Japan.

As for the “development of functional high-value-added products business,” we broke ground on the construction of our new polysaccharide plant in Germany. We are proceeding with measures to establish this new plant as a foothold for the expansion of our business in the European market.

We will continue to move forward with the initiatives we have been promoting over the medium to long term in our pursuit of establishing a high-value-added business that can contribute to the resolution of social issues.

**Culminating Our Efforts “Toward a Further Leap” in Fiscal 2020**

The challenging climate surrounding the Fuji Oil Group’s business is expected to continue in fiscal 2020. While we have already announced our performance forecasts, which reflect a certain level of impact of COVID-19, it is unclear how long the impact on society and the economy will continue. However, I believe that such times of crisis present opportunities to unite as a group and evolve together. In May 2020, we announced the sale of a domestic Group company involved in the emulsified and fermented ingredients business, and we will actively proceed with efforts to depart from our non-core businesses. Moreover, we will take a top-down approach to curb capital and business expenditures and reduce costs.

Under its current medium-term management plan, which kicked off in fiscal 2017, the Group has worked to further its globalization, step up its governance practices, and direct its attention to ESG management.

As the final year of our current plan, fiscal 2020 will be a culmination of our efforts “toward a further leap.” With that said, from a profitability standpoint, we unfortunately do not expect to reach the targets laid out in the plan due to the impact of COVID-19.

We are currently mapping out our new medium-term management plan toward its launch in fiscal 2021, and are fully considering the impact of this situation in the process. In order to paint an image of our growth under the new plan, in fiscal 2020 we will be fully committed to expanding the earnings of our overseas chocolate business and strengthening sustainable procurement, and cap off our efforts toward innovation, which we have been advancing during the period of our current plan.



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**Advancing to the Next Stage**  
**of Our Chocolate Business**  
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**Sustainable Procurement**  
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**Expansion of Earnings in Overseas Chocolate Business**

The expansion of earnings in the overseas chocolate business is of utmost priority to the Fuji Oil Group. While we have formed a foundation for this business through the acquisitions of Harald and Blommer, we have not been able to achieve sufficient results in terms of profitability. Our reorganization this year involved the delegation of management responsibilities for these two companies to the regional representative of the U.S. As a result, we will move forward with relentless determination to strengthen our overseas chocolate business.

Five years have passed since the acquisition of Harald, and the business has shown improvements. We have appointed a new president and are on track toward the establishment of a second plant. While the economy in Brazil is currently volatile due to the spread of COVID-19, we will set the stage for our turnaround after the containment of the virus by demonstrating why we have the largest market share in this country.

As for Blommer, it has been a year since its acquisition and some issues are starting to emerge. In fiscal 2019, we established a joint procurement scheme with ITOCHU Corporation to introduce a system that can minimize fluctuations in the settlement of futures contracts. We are also making steady progress with upgrades to facilities, which we have not been able to do sufficiently until now. The combination of Blommer's time-tested strengths and Fuji Oil's technologies and know-how is sure to bring about remarkable growth.

Both the United States and Brazil have been severely affected by the spread of COVID-19. It is precisely for this reason, however, that I would like to see us unite as one and press aggressively forward to revamp our management of these companies.

**Strengthening of ESG Management through New Sustainable Procurement Initiatives**

The Fuji Oil Group is reinforcing its ESG management and promoting new initiatives, particularly for its sustainable procurement of core ingredients.

In addition to palm oil, which we have been promoting to date, we announced a long-term policy in June 2020 that includes initiatives on cacao sustainability. For the Fuji Oil Group, which became the world's third-largest manufacturer of industrial chocolates in the wake of the acquisition of Blommer, ensuring cacao sustainability is an important social responsibility. While drawing on the experience and insights of Blommer, we will engage in new initiatives through the united efforts of the entire Group.

**Stepping Up Our Efforts to Establish a Global Management Foundation**

The strengthening of our global management is a lingering issue that needs to be addressed immediately. In spite of our rapid business expansion worldwide over the last few years since our transition to a holding company structure in fiscal 2015, we are only halfway through our goal of establishing a global management foundation.

We are localizing management at our Group companies overseas, which includes the appointment of a member of our local personnel as president at nine of these companies. During the period of our current medium-term management plan, we established a regional headquarters in each region and are steadily advancing toward the development of a global management framework. However, we must formulate and implement an even more localized strategy if we want to compete on a global scale. We will continue to move along on that front by taking full advantage of the Fuji Oil Group's diversity.

In fiscal 2019, we made huge strides with the long-awaited unification of accounting periods at our overseas Group companies. As a result, regardless of the impact of COVID-19, we have made progress with the development of a system for assessing the

circumstances of our Group companies outside of Japan as well as with the reinforcement of our foundation for Groupwide management.

Turning our focus to corporate governance, in fiscal 2020 we revised the composition of the Board of Directors and made amendments to our compensation system.

Governance is not simply about building the framework. We must take into account a number of issues, including the role of the Board of Directors and the Management Committee Meeting and the balance between management and execution, as we move forward. We will continue to examine how we can improve our corporate governance at the Fuji Oil Group as well as the role of our global governance.

**Striving to Become a Staple in the Global Community**

We, at the Fuji Oil Group, are embracing our goal of becoming a staple in the global community through Plant-Based Food Solutions. Over the years, we have contributed to realizing the sustainability of global food cultures through our production of alternative oils and fats and alternative proteins. We have also engaged in the creation of a sustainable supply chain for palm oil, cacao bean, and soybeans, our core ingredients. Going forward, we will continue to address the concerns of society through the eyes of our customers and consumers, and will strive to become a staple in the global community.

In order for the Fuji Oil Group to become a staple in the global community, I believe we must take a different approach. Especially in light of recent global environmental issues and drastic changes taking place in this digital era, we must not limit ourselves to past successes. Resolving global environmental issues is clearly not possible if the business is strictly focused on the Japanese market. Moreover, with the advancement of AI and the IoT, we are entering a new age in which we are expected to conduct direct sales to consumers while continuing to move forward with B2B sales. Amid this global trend, I would like to proceed from the top down in declaring the new vision of the Fuji Oil Group while being open-minded to the use of external resources.

While there are risks like those we did not foresee with COVID-19, such crises may also lead to opportunities. Throughout its history, the Fuji Oil Group has operated its business according to its belief of contributing to a sustainable society through PBFS. The role of society is undergoing significant changes due to the spread of COVID-19. And for that reason, I am convinced that now is the time to turn our long-held belief of PBFS as a sustainable food into actual business opportunities. In fiscal 2020, we will proceed steadily with the expansion of earnings in the overseas chocolate business and the strengthening of sustainable procurement. While doing so, we will remain mindful of the Group's "work for people" Management Philosophy as we backcast from being a staple of the global community, which we envision for the future, to make fiscal 2020 a year in which we take the Fuji Oil Group to new heights.

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*Hiroshi Shimizu*

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 Fuji Oil Holdings Inc.

**Corporate Governance**  
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