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**Mid-Term Management Plan Reborn 2024 -
Successes and Issues We Face in Achieving
Our Targets**

In April 2023, I traveled to Brazil to participate in a ceremony at Harald to mark the completion of construction of its No. 2 Plant. Harald, which joined the Fuji Oil Group in 2015, has greatly improved productivity levels through the concerted efforts of local staff and staff assigned from Japan. Chocolate filling utilizing Fuji Oil's oils and fats technology has become a local hit and is recording significant sales. We are also beginning to see the benefits of ongoing initiatives to strengthen Harald's business platform, including collaborative efforts with the holding company to support raw material position management and responses to currency market fluctuations. In fiscal 2022, the company recorded its highest-ever sales volume and achieved profitability. The faces of the Harald employees were filled with confidence and, with the launch of operations at the No. 2 Plant, I believe the company has entered a new growth phase.

Fiscal 2022 saw significant changes in our external environment, including soaring prices for palm oil and other raw materials, prolonged supply chain disruptions, inflation, and interest rate hikes. These changes combined to make a difficult operating environment for the Fuji Oil Group. Amid such conditions, Vegetable Oils and Fats Businesses in Southeast Asia recorded favorable sales in response to recent increases in demand for certified palm oil and PALMAJU EDIBLE OIL SDN. BHD in Malaysia achieved record-high profit. Also, FUJI OIL EUROPE in Belgium recorded favorable sales of chocolate filling, a highly functional product that combines multiple oils and fats. Overall, fiscal 2022 performance of FUJI OIL EUROPE exceeded initial targets, thanks to the differentiation strategies we have been implementing. In Japan, performance began to recover from the second half of fiscal 2022 as we responded to soaring raw material prices. A common theme among these Group companies is that they have promoted business transformation and established business platforms that reflect changes in their operating environments.

On the other hand, I am painfully aware that the companies failing to achieve fiscal 2022 targets had faced issues such as implementing productivity improvements and sales price revisions to reflect higher raw material prices. I also recognize that the policy of strengthening our business foundation outlined in the mid-term management plan Reborn 2024 represents the first step toward resolving such issues. In fiscal 2023, we are advancing efforts to strengthen our business foundation in order to restore core profitability. We are also working to apply a sense of urgency to implementing our growth strategy.

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**Promotion of a Shift to a Portfolio Based on
High-Value-Added Business**

One of the three basic policies outlined in Reborn 2024 is to strengthen our business foundation. To achieve this policy, in addition to restoring the core profitability of existing businesses, we will actively raise awareness of capital efficiency. We will shift to a business portfolio focused on high-value-added products and concentrate management resources on core businesses and growth domains.

CEO Message

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In particular, we recognize that Blommer Chocolate Company is our highest-priority issue, and we are focusing on restoring its profitability. In 2023, we have aggressively advanced a production structure improvement project at Blommer's Chicago plant. At the same time, we have dispatched additional senior management level personnel from the holding company to strengthen the company's management structure and accelerate decision-making.

In April 2023, we decided to transfer the fixed assets of Fuji Oil New Orleans, LLC, a Group production site for oils and fats in the Americas. This site began operations in 2021 in the Southern United States, where markets are expected to see increased demand for palm oil, and it was positioned as a part of our growth strategy. As a manufacturing business, the decision to transfer the fixed assets of a production site was a truly difficult one. However, after careful evaluation of multiple factors, including the changing macroeconomic environment giving rise to higher capital costs and interest rates in North America, the impact on our balance sheet and cash flow, and future earnings, we came to this decision based on our commitment to the goal outlined in our mid-term management plan of realizing the shift to a business portfolio centered on high-value-added products amid ongoing stakeholder diversity. Moving forward, I will work to reposition our business portfolio to focus on high-value-added products; however, as a food manufacturer, we must first and foremost contribute to our customers. Each business must approach this portfolio shift by formulating a growth strategy and determining and evaluating future synergies, growth, and potential. As we intensify our efforts to focus on high-value-added products, I believe FUJI VEGETABLE OIL, INC., our remaining oils and fats production site in the Americas, will become increasingly important.

Global Approach to Strengthening Business Management

Since assuming the role of CEO in 2021, I have advanced initiatives to strengthen function-axis organizations within the holding company and promote business-axis management and operations. We are beginning to see the benefits of efforts to strengthen global management, one of the three basic policies of our mid-term management plan. In fiscal 2022, we introduced raw material position management, productivity indexes management, and FUJI ROIC, all initiatives led directly by the holding company. Through these initiatives, we work to quantify businesses, visualize issues, and take a business-axis approach to management and operations.

With regard to raw material position management, the holding company has taken a central role in establishing guidelines for risk mitigation related to raw material price volatility and supported risk mitigation responses by monitoring the raw material positions of each Group company. In the past, each company promoted improvements based on individual productivity indexes. However, to promote Groupwide productivity improvements, we adopted universal productivity indexes for the entire Group. By factoring in these productivity metrics, companies will be able to identify bottlenecks and quantify their individual strengths and weaknesses. The holding company will determine resource allocation based on these metrics, which will lead to efficiency improvement initiatives. At Blommer as well, such improvement initiatives conducted in collaboration with the holding company are beginning to produce a certain level of results. As for ROIC, we adopted FUJI ROIC, which replaces invested capital with working capital and fixed assets as the denominator of the calculation formula, thereby simplifying the process of identifying coefficients for each business segment and enabling the identification of structural elements that contribute to profitability. Through an ROIC tree, we are analyzing business activities and addressing issues by setting KPIs and managing targets for each worksite. By using the ROIC tree to visualize improvement points and set KPIs, we have worked to build a highly profitable business portfolio and improved corporate value as we approach 2030.

CxOs*1 and the dedicated functions of the holding company will play a critical role in efforts to enhance business management. We are strengthening our recruitment of human resources with expertise and experience in areas such as finance and accounting, investment management, risk

management, and digital transformation (DX). We will seek to further enhance the functions of the holding company and strengthen collaboration and share each experience with Group companies.

Sustainability and Human Resource Strategies for Improving Corporate Value

To enhance sustainability, we have promoted a sustainability strategy and a human resource strategy unique to the Fuji Oil Group. Fuji Oil Group business relies on raw materials such as palm oil, cocoa, and soybeans, which are made possible because of our co-existence with nature and healthy ecosystems as well as our broad range of stakeholders. Activities that are conscious of the environment and human rights are a prerequisite to the continuity of our business and I am confident that initiatives to differentiate ourselves will lead to value for our customers and consumers.

The trend toward sustainability initiatives, which had been centered in Europe, is now spreading to the United States and Japan as well. Today, sustainability is not merely a form of risk avoidance; it is expected to lead to enhanced long-term corporate value. In fact, the sustainable procurement initiatives conducted by the Fuji Oil Group for raw materials such as palm oil are beginning to gain recognition in line with growing awareness of sustainability among consumers and customers. In fiscal 2017, RSPO certified oil represented nearly 17% of palm oil procured by Fuji Oil. This figure increased to nearly 58% in fiscal 2022 and demand continues to grow steadily. Our mid-term management plan includes non-financial targets and groupwide activities to achieve those targets are producing results. In fiscal 2022, we reduced Scope 1 and Scope 2 CO₂ emissions by a total of 26%*2 (FY2024 target: 23% reduction*2). For sustainable procurement, we achieved a TTP*3 ratio of 93% (FY2024 target: 85%). We have already surpassed the non-financial targets set for the final fiscal year of the mid-term management plan.

Through our human resource strategy, I believe it is important to foster human resources who will support sustainable growth of the Fuji Oil Group. We have some 6,000 consolidated employees, of whom nearly 70% are employees in areas outside of Japan. By implementing a human resource strategy that is linked with the Group's business strategy, we are able to apply the strengths of each Group company in the development of diverse personnel while continuing to take on challenges and achieve innovation. I believe the human resource strategy enables further growth for the overall Group. For example, by applying the knowledge and experience we have accumulated in Japan, including world-class production efficiency, product safety and reliability, and quality management, at Group companies outside of Japan, we can elevate the level of the entire Group. At the same time, diverse employees from each company are motivated in their activities to support the sustainable growth of the Fuji Oil Group.

The resolution of the increasingly complex issues of societies around the world requires constant innovation. In turn, the achievement of such innovation requires human resources of diverse capabilities and backgrounds exerting imagination and collaborating with colleagues on a scale not seen before. The key to developing such human resources is diversity, equity, and inclusion (DE&I).

The Fuji Oil Group's ratio of female managers is roughly 30% for all Group companies outside of Japan. In Japan, this ratio remains at about 10% and we are advancing initiatives to develop workplace environments. In addition to expanding systems that support the workstyles of employees through various life events, we are addressing the fact that we have an overall low ratio of female employees, in both management and other positions, by implementing recruiting processes to raise the number of female employees who will become future leaders in management.

To foster the development of the next generation of management personnel, we are evaluating training for candidates from across the entire Group, regardless of nationality, gender, or age. We will evaluate our vision of management personnel, conduct assessments with the participation of industry experts, and analyze the characteristics of human resources to ensure fair personnel evaluations. Through this process, we will engage in systematic human



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resource development, including clarifying the strengths and weaknesses of each individual and providing opportunities to gain experience.

*1 CxOs: Chief x Officers
 *2 Base year: 2016, all consolidated subsidiaries
 *3 TTP: Traceability to Plantation

Further Strengthening of the Corporate Governance Structure

To raise the effectiveness of the Board of Directors, in fiscal 2022 we decided to shift to institutional design and transitioned to a company with an Audit and Supervisory Committee. Through this structure, three parties with differing roles—internal directors, outside directors, and directors serving as Audit and Supervisory Committee members—work to strengthen management supervisory functions. The Board of Directors receives various ideas from outside directors, such as incorporating quantitative data analyses into monitoring and requesting separate deliberations for each core theme. And, of course, it is not uncommon for directors to express a difference of opinions during these deliberations. Amid such interactions, comments from Audit and Supervisory Committee members based on their expertise can lead to new realizations that further stimulate discussions. With the establishment of an environment in which directors provide opinions from different perspectives and create a system of mutual checks and balances, I believe we have come closer to our ideal corporate governance structure. However, there is no end to governance reform and I want to continue to advance the evolution of our governance so that it is aligned with the times.

Strictly speaking, I believe the role of the Board of Directors is to supervise management, ascertain Groupwide risks and opportunities, and reevaluate the Company's business portfolio. Diversity in our Board of Directors is critical to ensuring our ability to deliberate issues from a broad perspective. I believe this means not only that we have diversity in terms of gender, nationality, and age, but also that our entire Board of Directors represents a diverse range of the skills required to promote Group growth. Regarding members of the Sustainability Committee, which serves as an advisory body to the Board of Directors, in addition to participation by CxOs with board voting rights, we added area representatives in fiscal 2022 and expanded participation to include business division general managers in fiscal 2023. By broadening participation, we will enhance our ability to link activities to business strategy. In addition to members with advanced knowledge of businesses and areas, the committee's various experts provide perspectives that will enable us to deliberate on risks and engage in swift decision-making.

In the past year, we have enhanced efforts to increase the efficacy of internal audits. We established an integrated audit structure to conduct systematic audits through collaboration between the Audit and Supervisory Committee and the Internal Audit Group, and promoted stronger communication between outside directors (non-Audit and Supervisory Committee Members) and the audit organization. Furthermore, we are expanding the scope of audits conducted by the Internal Audit Group to include not only accounting audits and data analysis audits mandated by law but also administrative audits. In fiscal 2023, we have taken steps to identify and provide support for processes related to production efficiency and loss reduction, cost optimization, and human resource allocation that require improvements.

Communication with employees, investors, and other stakeholders is also a critical part of corporate governance. Thus far, we have held earnings briefings for employees and engaged in dialogue with investors in Japan and overseas. I intend to continue these communication efforts with a view to improving corporate value.

Governance

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The Fuji Oil Group's Value Creation

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Technology Crossover and New Value Creation through Co-Creation with Stakeholders

In April 2023, based on the spirit of the Fuji Oil Group Management Philosophy, we revised our Vision: "Together with our stakeholders, we will co-create a sustainable future for food, based on plant-based ingredients that are both delicious and healthy." Amid the heightened uncertainty influencing our operating environment, we reevaluated how we should contribute to stakeholders, including society, customers, and shareholders, to ensure the Fuji Oil Group can help to resolve issues and achieve sustainable growth. Our renewed vision embodies that strong commitment. Across the world, food cultures continue to diversify, accompanying growing awareness and understanding of such considerations as religious and cultural beliefs and practices, food allergies and intolerance, and environmental impact. These various elements are driving an increasing demand for plant-based foods. One of the social contributions we must strive to make is to provide diverse menu options based on delicious and healthy plant-based foods to expand the food options of our consumers.

Since its founding, the Fuji Oil Group has focused on plant-based ingredients, particularly palm oil and soybeans, and achieved growth by continuing to create products that contribute to resolving the world's social issues. Today, plant-based foods is seen as a novel concept, but this concept is nothing new to the Group. Research into plant-based ingredients based on innovation aimed at resolving social issues is a part of the Fuji Oil Group's DNA.

The Group's four businesses center on: Vegetable Oils and Fats, Industrial Chocolate, Emulsified and Fermented Ingredients, and Soy-Based Ingredients. However, crossovers incorporating the technology of each business is the key to future R&D. Products representing optimal examples of such technology crossover are MIRACORE® and Prime Soy Meat. Moving forward, we will continue to combine oils and fats with protein to create satisfying and delicious plant-based ingredients.

In the previous fiscal year, we launched GOODNOON, our flagship initiative to realize our Vision. Through GOODNOON, we will promote the creation of new markets by engaging in initiatives that transcend conventional thinking to incorporate new technologies, sales methods, product formats, and information transmission. However, this initiative is not one that we can undertake on our own. We are a B2B company. As such, we will advance this initiative based on partner cooperation, particularly as we target downstream players in our value chain. In May 2023, we collaborated with cotta Co., Ltd. to launch a new e-commerce site focused on healthy foods for the body. This new site makes it easy to purchase confections and food ingredients, with a particular focus on plant-based foods. We will continue to step up initiatives for co-creation with partners as we work to achieve our Vision.

The current mid-term management plan represents Phase I of initiatives through to 2030. In Phase I, we will strengthen our business foundation. To promote our growth strategy from Phase II onward, we will focus on strengthening our business portfolio and expanding food options with plant-based ingredients. Since its founding, the Fuji Oil Group has embraced the spirit of not imitating others. At the same time, we must be careful to avoid adopting an attitude of self-righteousness. There is a limit to what we can accomplish alone. To be able to survive and thrive in the coming age, we must cooperate with stakeholders in resolving social issues, share our respective knowledge, and encourage engagement. I am confident that this type of co-creation will lead to new value creation.

"Where there's a will, there's a way."

Through co-creation with our stakeholders, we will continue to embrace the challenge of being a company that creates value for society.

September 2023

Mikio Sakai
 President
 Chief Executive Officer
 FUJI OIL HOLDINGS INC.

New Business Field

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