

## Message from the CEO



*H. Shimizu*

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## Plant-Based Food Solutions — We will lead the way to the future with solutions to global issues using delicious and healthy food.

### Our Reason for Being

When asked where the value of a corporation lies, I answer “in contributing to society by resolving the issues people face.” Since corporations have a presence in society, you could say that it is only natural that they should contribute to society. Continuing to make a profit is necessary to carry on and to make a social contribution. That profit is the payment for making a meaningful contribution to society, and a corporation’s value is the sum total of its social contributions. Put another way, it is difficult for a corporation to even survive if it does not generate profit from ongoing contributions to society.

The Fuji Oil Group’s reason for being is to contribute to a sustainable society as one of its members, by using plant-based food ingredients to create solutions to the issue of the health of the Earth and its people.

Since our founding in 1950, we have been keenly aware of the looming issue of shortages in food resources and health issues, and as a result we believe strongly that our business development should focus on high-quality protein. Since then, as many other companies have given up on businesses that utilize soy protein, we have continued research and development and created numerous soy-derived products using our pioneering technologies, strongly convinced that soy protein will become an important solution to food-related issues.

Back then, the term “Corporate Social Responsibility (CSR)” was not common, but the pioneers who were enthusiastic about the soy business considered their contribution to a sustainable society to be of primary importance. We have inherited their ambition along with the spirit of challenge and innovation that has driven Fuji Oil since its founding and become deeply imprinted in our DNA. Today, we conduct ESG management under the concept of “Conscientious Management.” We take pride that we are at the forefront of ESG and we will promote greater awareness of that status within the Company along with the spread of ESG management.



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### Solutions with Value: Plant-Based Food Solutions

The Fuji Oil Group aims to create Plant-Based Food Solutions that use plant-based food ingredients to help resolve global social issues. We have traditionally used technology to pursue more advanced and higher-quality products. Now, the times demand that we offer not only the value of the products themselves, but also solutions to the issues faced by society at large. That is why we are pursuing solutions to social issues through the business of plant-based food ingredients, primarily those that use palm oil, cacao and soybean plants as their main raw material.

What, then, is our overriding solution to social issues? In the final analysis, I believe it entails people all over the world living in good health. We consider health from the following two perspectives.

#### (1) Health of the Earth and Its People

The first perspective is the health of the Earth and its people. Currently, population growth, rapid urbanization, climate change and shortages of resources are among the major factors affecting the future of food. According to a United Nations report issued on June 21, 2017, Earth's population is forecast to rapidly increase to 9.8 billion by 2050, resulting in serious shortages of water and animal resources. In addition, as the water and air become polluted by indiscriminate development and the planet becomes unhealthy, there is no way for human beings alone to remain healthy. Realizing anew that the health of the Earth and of its people are one and the same, we are working to provide our own unique solutions to this urgent issue. For example, it has been found that producing one kilogram of animal protein in the form of beef requires eight to ten kilograms of soybeans or other grains, in addition to a large amount of water and energy resources. In contrast, soybeans have virtually the same nutritional value as meat, and the entire amount harvested can be used as food as it is. Consequently, the environmental impact of soybeans is much less than that of meat, allowing efficient production of proteins. The Fuji Oil Group will use such plant-based food ingredients to help resolve the issue of the Earth's food resources.

#### (2) Deliciousness and Health

The second perspective is deliciousness and health. We believe "deliciousness" and "health" are synonymous. That is because no matter how healthy food is, people will not continue to eat it unless it is delicious, and if people are not healthy they are unable to find food delicious. In other words, deliciousness and health are two sides of the same coin. However, what people consider delicious changes with the times. For example, although

soy latte has been popular in recent years, it was formerly not listed on café menus. It became accepted as a regular menu item not simply because of the healthy and non-allergenic properties of soy, but also because of an increase in the number of people who chose it based on taste. Particularly among millennials, the generation born between 1980 and the early 2000s, consciousness of health and the environment is high, and with the increase in the United States and Europe of flexitarians,<sup>1</sup> who eat vegetarian meals once or twice a week, the trend toward a preference for vegetarian dishes continues to grow.

We intend to create value and resolve issues while addressing the changing times by providing delicious and healthy food as a solution.

I express this process as an equation: "Monozukuri" (creating products) + "Kotozukuri" (creating movements) = "Kachizukuri" (creating value).

The Earth's increasing population is becoming a problem. On the other hand, the population of Japan is projected to decrease from the current 120 million to about 90 million by 2050. With a decrease in the volume of food consumed as the country's population ages and a wide range of choices for satisfying one's hunger, the era when a company could succeed in Japan by creating delicious products alone is at an end. The age of "Marketing 4.0,"<sup>2</sup> in which consumers emphasize self-fulfillment, is at hand. For Fuji Oil, which supplies intermediate materials for food products, it will be essential to draw closer to consumers as a "B-to-B-for-C" (Business to Business for Customer) business. As such, telling customers imaginative "stories" of the joys of eating will become extremely important, and our products must convey their "stories" to consumers. Under these circumstances, the Fuji Oil Group aims to practice solution-oriented technology management that creates value "Kachizukuri" with a "story" through synergy between "Monozukuri" (creating products) differentiated by our technologies and "Kotozukuri" (creating movements) derived from marketing that closely reflects consumer needs.

We believe that plants possess an infinite power for good. By harnessing that power, we will create food ingredients that are delicious to taste, improve people's wellbeing, and protect the planet.

Through our plant-based solutions, we will stay ahead of our time, coming up with solutions that anticipate tomorrow's problems. We will help provide sustenance for the growing global population and Japan's declining population, support our aging societies, and meet global demands for better health.

*Now, the times demand that we offer not only the value of the products themselves, but also solutions to the issues faced by society at large.*

1. A coined word combining "flexible" and "vegetarian," referring to those who still eat meat and fish, but essentially lead a vegetarian lifestyle

2. A doctrine of marketing for consumer self-actualization advanced by management expert Philip Kotler of the United States



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### Future Management Themes and Policies

Society and industry are facing an unprecedented paradigm shift with the realization of Industry 4.0 (the fourth industrial revolution), as exemplified by artificial intelligence (AI) and the Internet of Things (IoT). This is the advent of an era of disruption typified by discontinuity. What was once common sense no longer applies. As we respond to the major changes of the era of disruption, drastic reforms unlike any we have conducted before will be indispensable to achieve steady growth.

Our Mid-Term Management Plan “Towards a Further Leap 2020” is an important time for building the springboard for a leap forward to achieve sustainable growth in this environment. The plan’s first fiscal year, FY 2017, was the beginning of something new, representing the “introduction” of its narrative structure. In FY 2018, the year of “development,” we recognize the importance of devising a method to lead us to the “turning point” and “conclusion” of the third and fourth years.

To achieve the results that will lead to the “conclusion,” we plan to promote further transformation in our employees’ thinking so that all are aware that solutions are what we provide and to enable them to focus on co-creation activities through “Kotozukuri” (creating movements). Through open innovation, we will pursue solutions through flexible co-creation with external partners without being tied down to Fuji Oil’s unique technologies.

I believe that CSR and “Hitozukuri” (fostering people) are important tasks for management. For “Hitozukuri,” diversity and work style reform are key points. Since tastes and preferences differ substantially by region, we must hire and promote human resources who will enable development with a full understanding of regional characteristics. Moreover, active participation by diverse human resources, without regard to gender or nationality, is essential for versatile and flexible thinking. We will also take further steps to promote substantive discussions on evaluating work, such as whether the work done has created value, rather than viewing work as simply the accumulated time spent on a job.

In the mid-term management plan, we formulated a strategy for “How we should be in 2020” and “How we want to be in 2030.” But now, I am looking ahead to 2050 and the megatrends that will lead us there. People are likely to think of 2050 as a long time off, but it is not so far in the future. Someone who joins the Company in 2018 as a university graduate will be only 54 years old then. In 2050, will Fuji Oil have survived and grown into a leading company that resolves social issues globally? Will we have responded to possible paradigm shifts and resolved social issues with Plant-Based Food Solutions? In answering these questions, I believe that maximizing sustainability in a company’s operations is a core responsibility of management. You can look forward to great things from the Fuji Oil Group.

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