

Message from the CEO

Plant-Based Food Solutions: We Contribute to Global Sustainability through Our Business Model of “Sustainable Food = Alternative Food.”

Becoming an Essential Company (Sustainable Company) to Society

The world is transitioning to a new era as it works toward the UN's Sustainable Development Goals (SDGs).

The recent series of natural disasters around the world demonstrates the seriousness of environmental issues. And everyone understands that human rights issues are a problem that countries must solve together. Moreover, the world faces a looming food crisis with the global population predicted to reach nearly 10 billion by 2050. We can no longer afford to ignore sustainability.

Failure to recognize that circumstances and values are shifting dramatically will be fatal to businesses, and only companies that adapt to change will survive. If we resist change, we will be unable to carry on. A corporation exists as a social institution, and contributing to a sustainable society as one of its members is the Fuji Oil Group's *raison d'être*. This idea has been part of the “work for people” value in the Fuji Oil Group Management Philosophy since we were established.

In 2017, we defined “Plant-Based Food Solutions” (PBFS) as our core concept, expressing our commitment to solving the issues facing society with plant-based food ingredients.

We arrived at this concept after extensive discussion about what differentiates our Group and what will make us an essential company (sustainable company) to society – one that can survive through 2050 and beyond.

During our approximately 70-year history, we have handled a variety of emulsified and fermented ingredients such as plant-based cream, cheese and margarine, which are dairy alternatives, and soy protein ingredients that replace meat, fish and other animal protein, using vegetable raw materials such as palm oil and soybeans. Hard butters for chocolate, a mainstay product, are equivalent fats for cocoa butter, which is made from cacao beans, a limited resource.

Food resources may become depleted worldwide. In this regard, technology to provide alternative food for limited resources and technology for sustainability are one and the same. Therefore, the Fuji Oil Group already has the foundation for contributing to global sustainability through its business model of “sustainable food = alternative food.”

We are keenly aware of our position. By practicing ESG management based on PBFS, we will contribute to the creation of a sustainable society, while simultaneously achieving the sustainable growth of the Fuji Oil Group.



H. Shimizu

Hiroshi Shimizu
President and CEO
Fuji Oil Holdings Inc.



Implementing Our Mid-Term Management Plan, "Towards a Further Leap 2020"

The so-called Fourth Industrial Revolution driven by artificial intelligence (AI) and the Internet of Things (IoT) is overturning conventional thinking. We are entering an era that has been dubbed "Society 5.0" in Japan. Discontinuous changes in the structure of the world are already beginning, and today's societal values are not the same as those of the past. Disruption on an unprecedented scale lies ahead.

In Japan, where most of our business is conducted, the population has been in decline since around 2006, and the country is losing its global competitiveness. The Fuji Oil Group took advantage of Japan's rapid postwar economic growth, and has prospered over the past 70 years through technology management, while also learning from the failures of other companies. However, it will be difficult for us to survive by simply building on the previous business model.

Therefore, for the period 2017-2020 we drew up the Mid-Term Management Plan, "Towards a Further Leap 2020," with a strong sense of crisis about the impending era of disruption, and are now making a major transformation to leap over that disruption.

Fiscal 2018 (the fiscal year ended March 31, 2019) was the "progress" year in the "launch – progress – change – results" structure of the four-year mid-term management plan. It was a critical year as progress involves devising measures to link "change" and "results." It was in this context that we decided to acquire Blommer Chocolate Company, an industrial chocolate manufacturer in the United States.

How does the acquisition of Blommer link to "change?" It's because the addition of Blommer will enable us to advance our efforts in (1) the growth of our core business, (2) our transformation to make a leap forward and (3) the creation of our future business portfolio.

First, regarding the growth of our core business, we judged that the Industrial Chocolate Business is where we can best utilize our competitive advantages in our existing businesses. Accordingly, we have been focusing resources on reinforcement of our core competence, one of the basic policies of the mid-term management plan.

Blommer has deep roots in the United States and is a leading chocolate supplier and manufacturer. It has built close customer relationships by aligning itself with all facets of its customers' business, and has been a pioneer in the chocolate industry in advancing cacao sustainability. It is a good fit for the "working for people" value of the Fuji Oil

Group Management Philosophy, and I am confident that this partnership will benefit both companies in developing a sustainable Industrial Chocolate Business going forward.

With the addition of Blommer, the Fuji Oil Group is now the world's third-largest company in terms of sales volume of industrial chocolate.

We are now ready to take on the challenge of entering a new stage in the global industrial chocolate business. We will take advantage of our diverse business portfolio, which is a competitive advantage, as well as our close relationships with customers to achieve solid growth.

Next, is our transformation to make a leap forward. There was a great deal of debate within the company when deciding on this acquisition, particularly as the cost greatly exceeded the amount allocated for M&A in the mid-term management plan. There was also uncertainty about whether the acquisition might pose risks in terms of governance. However, the decisive argument was that even if it was a risk to acquire Blommer, we were ready to shift to global management.

The truth is this: The more we pursue global growth opportunities and develop our business, the more conscious we become of the inadequacies of our group management and global governance. Taking that awareness a step further, we will position Blommer as the catalyst for rapidly advancing our creation of a global governance system, and it will be a touchstone for transforming ourselves from a Japanese company with international business into a truly global company.

The third point is the creation of our future portfolio. To achieve continuous Group growth through 2050 and beyond, we need to build a business portfolio capable of generating value in the society that exists after the era of disruption. Growing the Industrial Chocolate Business globally, building our presence in the food industry and creating synergy between businesses will also drive the growth of our other businesses. In this way, we will focus on creating a new portfolio that will shape our future.

In fiscal 2019, which is the "change" year and the third year of the mid-term management plan, we will carry out transformation for realizing change in fiscal 2020, the "results" year. By steadily growing our existing businesses as well as Blommer's business, we will produce solid results and expect to achieve record operating profit of ¥24.0 billion.

Backcasting from 2050

My mission is to ensure the continued success of the Fuji Oil Group. In the past, it was considered irresponsible for managers to talk about long-term business ideas that they themselves would not be part of. But things are different now. Now we need to create the blueprint for the future with a sense of urgency from an ESG perspective. In addition to drawing up measures for the future based on our present situation, we plan to make a leap forward by backcasting from 2050. We have already begun that process.

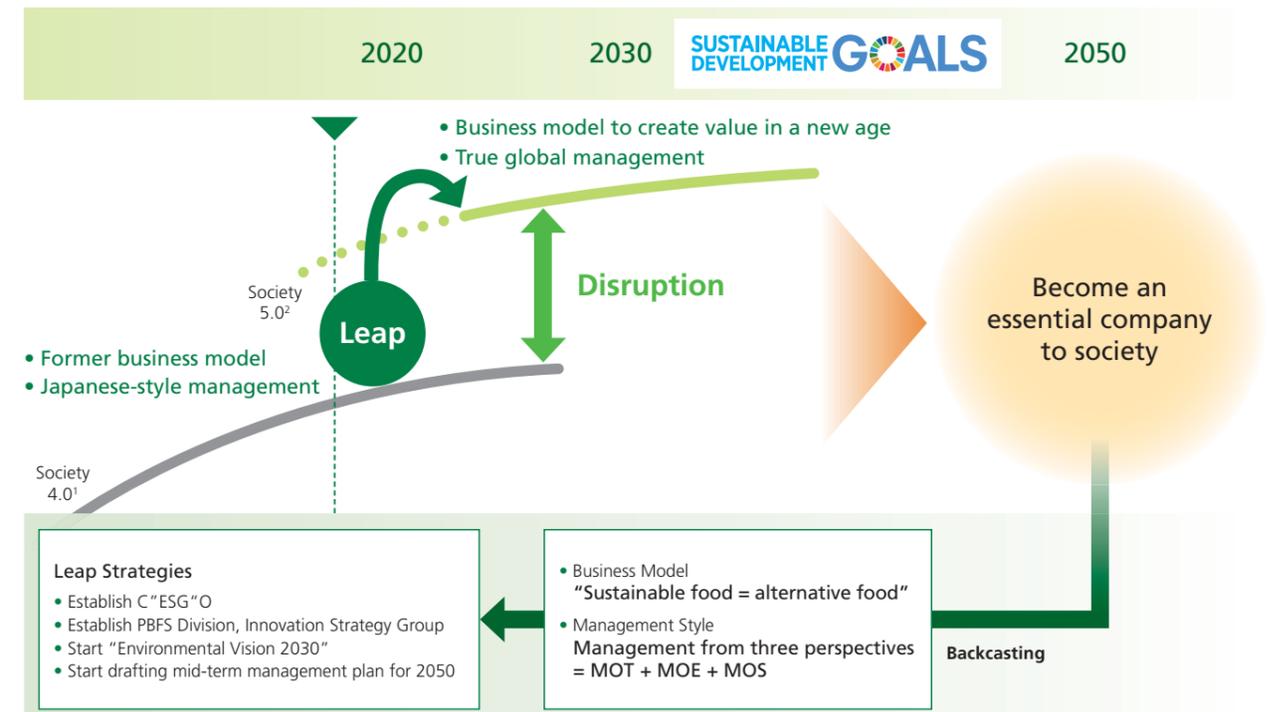
In April 2019, we established the position of Chief ESG Officer (C"ESG"O) to strengthen ESG management. Companies are now expected to create both social value and economic value concurrently, so we need to conduct management from three perspectives – management of technology (MOT), management of economics (MOE) and management of sustainability (MOS) – in order to continue to contribute to a sustainable society. Together with the Board of Directors, the C"ESG"O, with a focus on environmental (E) and social (S) aspects, will work to meet

the expectations of stakeholders through continuous improvement of corporate value and the sustainable development of society.

In addition, we have established the PBFS Division under the control of the Chief Strategy Officer (CSO) and the Innovation Strategy Group, a marketing unit under the Chief Technology Officer (CTO). These units will backcast from the future to determine in which areas and for which social issues we can provide solutions through our business model of "sustainable food = alternative food." The mission of these units will be to draw up a roadmap to 2030 and 2050, position specific products on that roadmap and rearrange our business portfolio to differentiate the Fuji Oil Group from our global competitors.

We will forge ahead with our transformation to become an essential company to society – in other words, a sustainable company. We look forward to your continued support.

Transcending Disruption



1. The information society in which people living in physical space input, search for and utilize information in cyberspace (the Internet, etc.)

2. A new type of society in which various social issues can be resolved by incorporating new innovations and technologies, such as IoT, AI and big data, into every industry and social life