

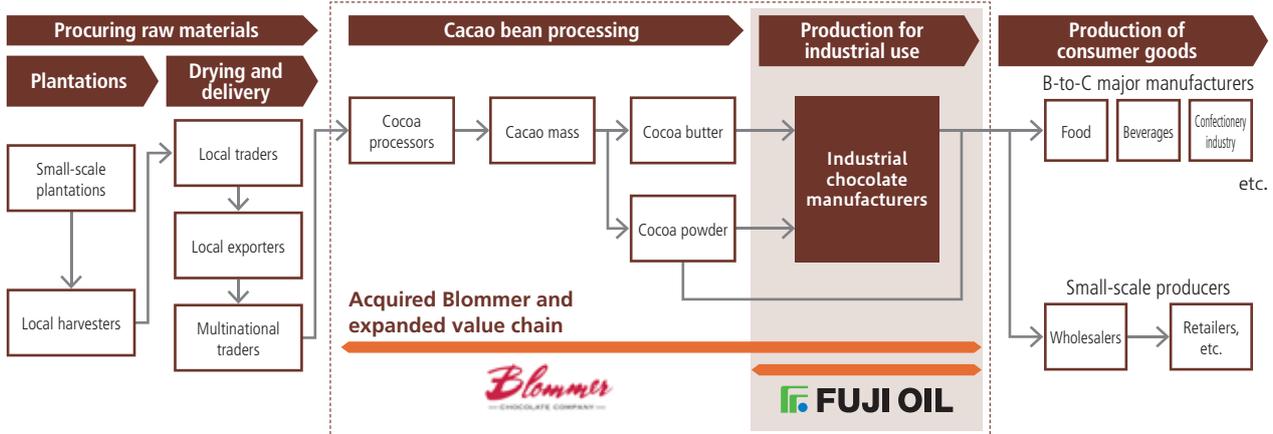
Industrial Chocolate Business

- Couverture chocolate
- Non-tempering chocolate
- Tempering chocolate
- Molded chocolate
- Chocolate for ice cream coating
- Ganache, chocolate for cooking, etc.

Business Environment

- Competition is intense due to presence of large players
- Acceleration of consolidation along the value chain, and collaboration among players

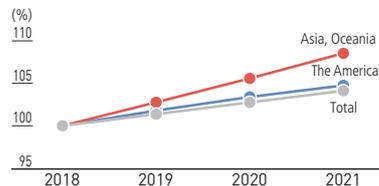
The Chocolate Value Chain



Market Trends

- Markets are expanding in regions around the world
- Outsourcing is progressing worldwide, and the industrial chocolate market is growing
- Growing awareness of cacao sustainability
- Growth markets, centered on Asia
- Product diversification in various countries

Global Expansion of Chocolate Confectioneries



Source: Euromonitor International 2019, "Chocolate Confectionery of Packaged Food" (Total estimates for 55 countries)

- Demand is growing for compound coating, which is versatile to different temperatures and can be used in a variety of applications.
- The Fuji Oil Group is one of the top three companies in the world in terms of market share and knowledge of hard butters for chocolate (Vegetable Oils and Fats Business), which gives us a competitive edge in compound coating.

What Is Compound Coating?

The main ingredients of chocolate are cacao, milk, sugar, oils and fats. Pure chocolate is made from cocoa butter extracted from cacao, while chocolate made using a blend of vegetable oils and fats (hard butters) is called compound coating. Compound coating imparts functions such as quick-drying and heat resistance, enabling the chocolate to be used for a wide range of applications such as bakery products and confectioneries. We are able to achieve deliciousness and diversity for foods that use chocolate.

Category	Main ingredients	Main uses
Pure chocolate	Cacao + Milk + Sugar + Cocoa butter	<ul style="list-style-type: none"> • Chocolate bars • Praline chocolates • Confectioneries made mainly of chocolate, etc.
Compound coating	Cacao + Milk + Sugar + Cocoa butter + Hard butters for chocolate	<ul style="list-style-type: none"> • Cakes • Ice cream • Bread • Coated cookies, etc.

The Fuji Oil Group's Business Development

We supply industrial chocolate from 16 bases in 10 countries, mainly in the Pacific Rim.

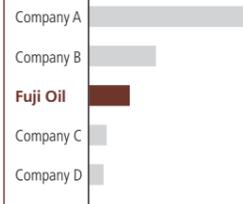


Sales Volume of Industrial Chocolate

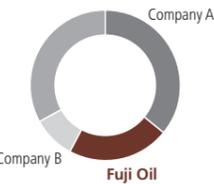


Position
(Sales volume of industrial chocolate)

3rd in the World



2nd in the Pacific Rim



Highlight

Sustainable Procurement of Cacao

We announced our Responsible Cacao Sourcing Policy in August 2018. We cooperate with a wide range of stakeholders in the cacao supply chain to accomplish the procurement of sustainably grown cacao throughout our business.

In 2019, Blommer was added to our Group, and we are now considering implementation of a Groupwide program that incorporates the sustainable cacao initiatives of Blommer.

Social Issues Related to Cacao

Supply-side pressure

- Abandoned farms and aging farmers
- Aging cacao trees
- Impact of climate change on production areas
- Low productivity due to lack of knowledge and materials

Human rights and environmental issues

- Poverty among small-scale cacao farmers
- Child labor
- Deforestation
- Soil pollution

Announced the Responsible Cacao Sourcing Policy

Key Commitments

- Improving the livelihood of cacao farmers
- Eliminating child labor from our supply chain
- Preventing deforestation and protecting forests

Initiatives	Goal	FY 2018 Progress
Activities to support communities	<ul style="list-style-type: none"> Improve productivity Improve cacao bean quality Improve QOL for farmers and communities 	<ul style="list-style-type: none"> Cooperation with direct suppliers, support of small-scale cacao farmers in Ecuador (Support program participants: 68 farmers) Continued research on harvest volumes for cacao cultivated under varied conditions at a model plantation Provided education on agricultural methods to producers in surrounding areas
Participation in World Cocoa Foundation	<ul style="list-style-type: none"> Sustainable development in the cacao industry 	<ul style="list-style-type: none"> Maintained membership status (since 2012)
Use certified cacao raw materials	<ul style="list-style-type: none"> Promote cacao beans produced using sustainable methods 	<ul style="list-style-type: none"> Maintained International Fairtrade certification,¹ UTZ certification²



Technical guidance for natural bug repellent spray with low burden on soil and cacao

1. Certification that each step of the process, from raw material production to final product, has met international fair trade standards. Products that meet these standards receive the International Fairtrade Certification Mark.
2. International certification program for sustainable farming, mainly for coffee, cacao and tea.

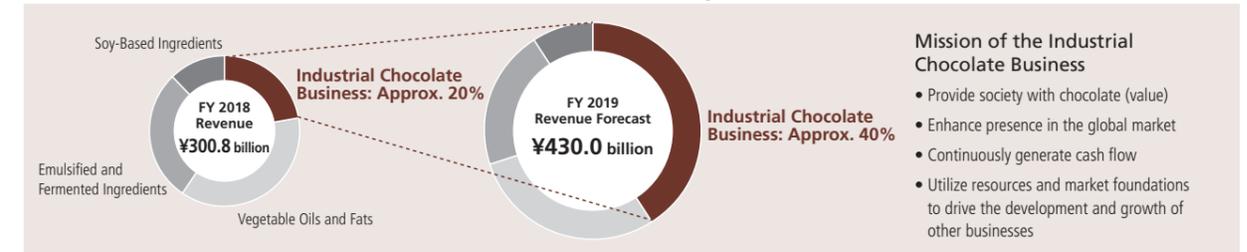
Strategic Directions

Expand Business Scale and Strengthen Competitive Superiority Globally

We are allocating resources to ensure the growth of our core competence and to demonstrate our strengths globally. We are actively conducting M&A, beginning with the acquisition of Harald (Brazil) in 2015 and now with the addition of Blommer to the Group in 2019. We are third in the world in terms of sales

volume of industrial chocolate, and competition on a global scale is set to begin in earnest. We will utilize our business portfolio and promote global Group integration as we grow into a business capable of succeeding on the global stage.

Industrial Chocolate Business as a Pillar of Growth for the Group



Mission of the Industrial Chocolate Business

- Provide society with chocolate (value)
- Enhance presence in the global market
- Continuously generate cash flow
- Utilize resources and market foundations to drive the development and growth of other businesses

FY 2018 Results

- Acquisition of Blommer
- In Japan, demonstrated superiority through the sale of high-value-added products
- In Brazil, maintained profitability by enhancing presence in the region
- In Southeast Asia, acquired Industrial Food Services

Priorities in FY 2019

- Promote PMI of Blommer (see page 47)
- Continue to expand sales of high-value-added products in Japan
- Establish growth strategy to build high-value-added business model
- Expand sales in Southeast Asia utilizing network of bases

Acquired Industrial Food Services and Blommer to expand business areas and scope of business. In existing businesses, we demonstrated superiority in Japan and elsewhere to secure profits.

We will strengthen efforts to promote global integration in addition to regional strategies. For the PMI of Blommer, we will focus on measures to enhance management efficiency. In Japan, we will expand sales of high-value-added products as a system for increased production is put in place.

SWOT Analysis (after Blommer acquisition)

Strengths	<ul style="list-style-type: none"> Ability to respond to customer needs and relationship with customers Unique business portfolio Hard butters for chocolate business High market share in each region 	Weaknesses	<ul style="list-style-type: none"> Stable and competitive procurement of cacao as a raw material Delay in implementing global management structure
Opportunities	<ul style="list-style-type: none"> Growing demand for compound coating Expand relationships with multinational companies Demand for diversification of value Sustainable procurement of cacao 	Threats	<ul style="list-style-type: none"> Greater competition

Highlight

Promote Global Integration: First Chocolate Unit Meeting

Start regular meetings and workgroups with heads of each Group company. Proceed with Groupwide implementation.

Priorities in FY 2019

- Create a response system for dealing with multinational companies
- Create sustainability program
- Optimize operations through partnerships for procurement of raw materials

