FUJI OIL

Integrated Report 2019

Times change, and the world changes.

In spite of that, we have been looking at the world within existing frameworks.
To establish a true solution-oriented business globally, we need to change our thinking, our management, and our business.
As a leader in plant-based food ingredients, we will help build a sustainable society.
We believe that is the key to our future.

Plant-Based Food Solutions

Plant-Based Food Solutions (PBFS)

We believe that plants possess an infinite power for good. By harnessing that power, we will create food ingredients that are delicious, improve people's wellbeing, and protect the planet. Through our plant-based food solutions, we will stay ahead of our time, inventing answers that anticipate tomorrow's problems. We will help provide sustenance for growing populations, support our aging societies, and meet global demands for better health.

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'etre. 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

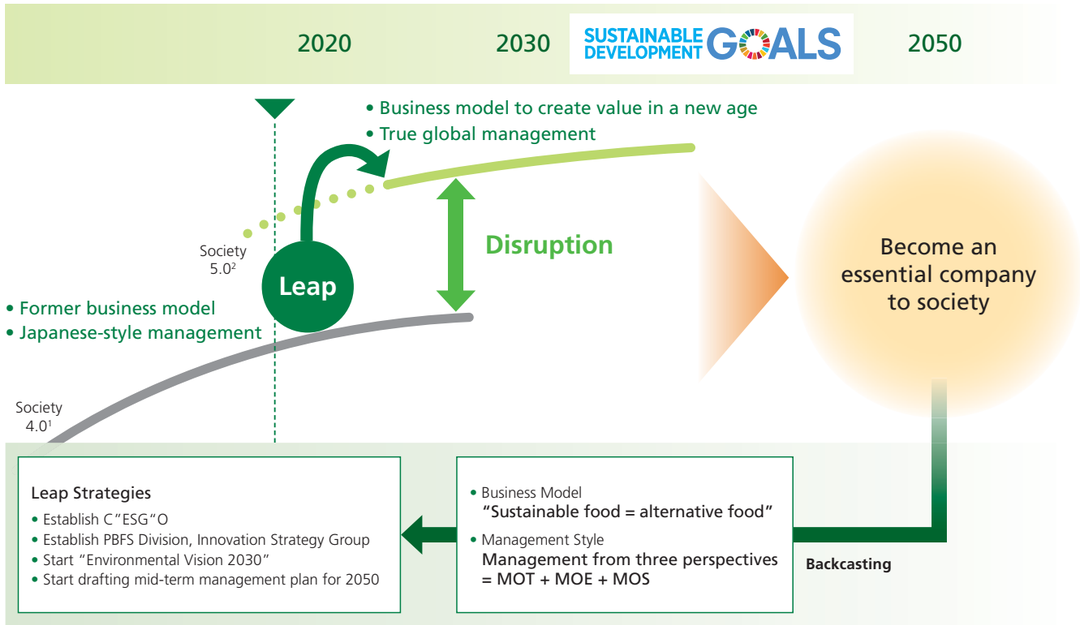
My mission is to ensure the continued success of the Fuji Oil Group. In the past, it was considered irresponsible for managers to talk about long-term business ideas that they themselves would not be part of. But things are different now. Now we need to create the blueprint for the future with a sense 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

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Editorial Policy

With this report, we have implemented integrated reporting to communicate the long-term corporate value of the Fuji Oil Group. Our aim is to gain the understanding of our stakeholders and make further progress by receiving their frank opinions. The Sustainability Report, available on our website, is issued to comprehensively report our views on our impact on society and our initiatives for sustainability to a broad range of stakeholders.

- **Scope of Coverage**
  Activities of the Fuji Oil Group
- **Company Names**
  Company names are presented as follows: Fuji Oil Holdings: Fuji Oil Holdings Inc. (holding company), Fuji Oil Co., Ltd.: Regional headquarters in Japan, The Fuji Oil Group/the Group: All Group companies in Japan and overseas, including Fuji Oil Holdings Inc.
- **Period Covered**
  FY 2018 results for Fuji Oil Holdings Inc. and Group companies in Japan (April 1, 2018 – March 31, 2019) and mainly 2018 results for Group companies outside Japan (January 1, 2018 - December 31, 2018). Details of some prior and more recent activities and initiatives are also included.

Disclaimer regarding Forward-Looking Statements
Forward-looking statements such as earnings forecasts of the Fuji Oil Group and other projections contained in this report reflect the Group's current analysis based on information available at the time of publication. Please be aware that actual results may differ from these forward-looking statements due to various factors such as economic trends and the Group's operating environment.

About the Fuji Oil Group

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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.

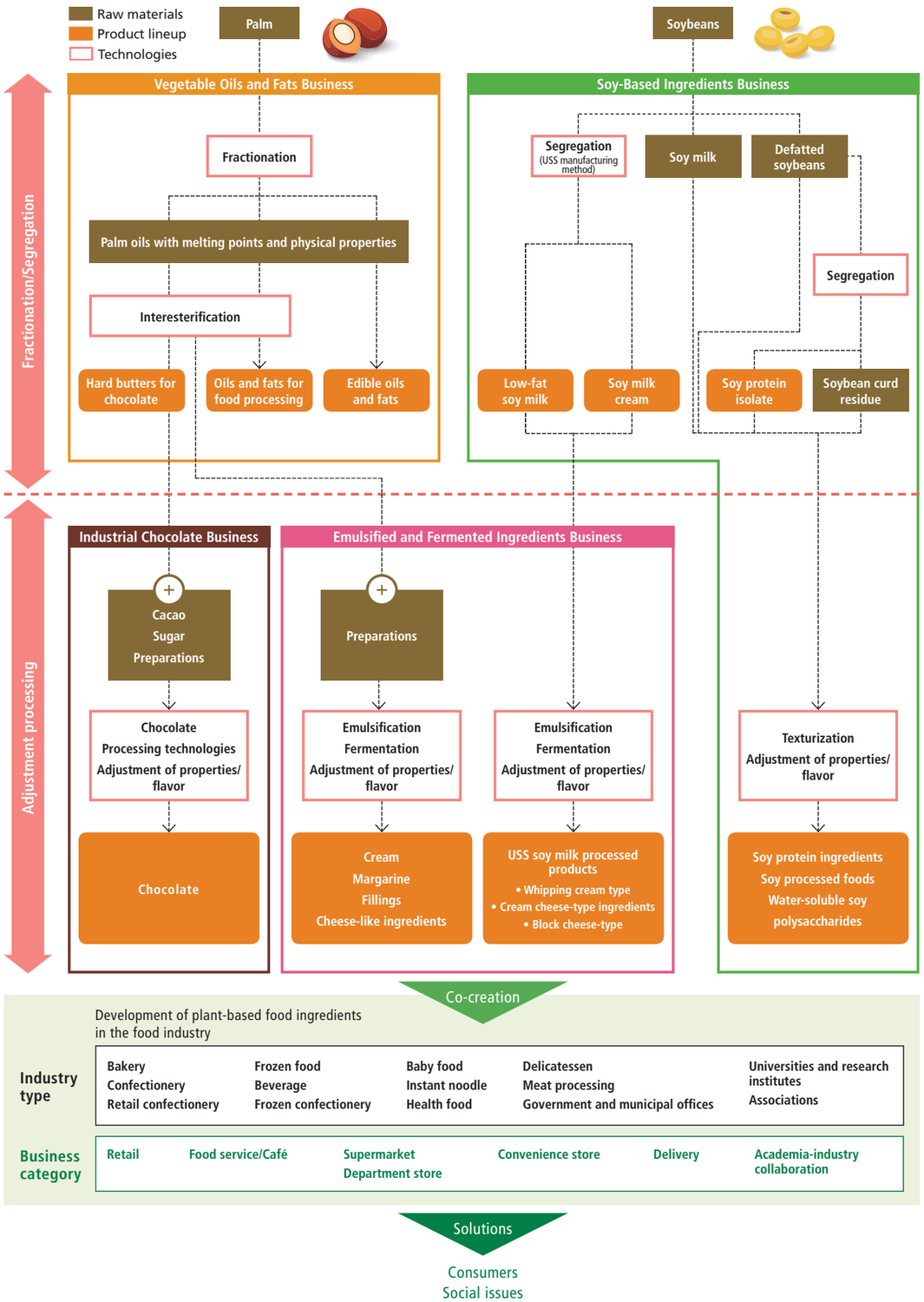
Vision
We seek to contribute to society by creating the future of delicious and healthy foods using our core technologies in oils & fats and soy.

Values (The values that inform our actions)
- Safety, quality and the environment
- Work for people
- Challenge and innovation
- Speed and timing

Our Principles

In October 2015, we established the Fuji Oil Group Management Philosophy to preserve, further evolve and pass on the DNA that has been crucial to our Group since its founding. To grow sustainably while fulfilling our social responsibilities, the Management Philosophy sets forth our Mission (Our reason for being), Vision, Values (The values that inform our actions) and Our Principles.

Portfolio



Core Technologies

The Fuji Oil Group's origins lie in the oil mill of Fuji Sanshi Co., Ltd., its predecessor company. When we were unable to receive allocations of oil and fat raw materials during postwar food rationing, we decided to focus on oils and fats from tropical regions such as coconut and palm, which were outside the mainstream at the time. We began on our path of innovation and challenge by developing distinctive products.

Separation Technologies (Fractionation/Segregation)

Natural oils and fats such as palm oil are mixtures of multiple substances. Technology for separating components with similar melting points from oils and fats that have solid and liquid components mixed in is called fractionation technology. This technology makes it possible to obtain new oil and fat ingredients with different functions that have different melting points and physical properties. Fuji Oil was the first in Japan to successfully industrialize and commercialize oil and fat fractionation technology. Today, it is still a core technology that we use to create many products.

We have also conducted extensive research and development related to soybeans. Through advanced utilization of soy protein isolate and water-soluble soy polysaccharides produced from soybeans, we have created a variety of soybean-derived products. In recent years, we have been creating new food ingredients from soy milk using the USS manufacturing method, a new separation technology.

Adjustment Processing Technologies

Separation technologies enable countless ingredients and functions to be obtained from a raw material. By blending these myriad parts with other ingredients and applying our expertise to adjust their physical properties and flavor and process them, we are able to provide new ingredients that meet the various needs of society and customers. Fractionation/segregation and adjustment processing are the fundamental technologies underlying our manufacturing and solutions, and add significant value to our products. Plant design by engineers in the Engineering Development Department, production operations that leverage the knowledge and expertise of the production departments, and a management system for ensuring safety and reliability by the Quality Assurance Department – these functions support reproduction of the quality established by the R&D Department and commercialization. We are able to provide innovative, high-value-added food ingredients that are safe and delicious.

Business Portfolio

Soy-Based Ingredients Business

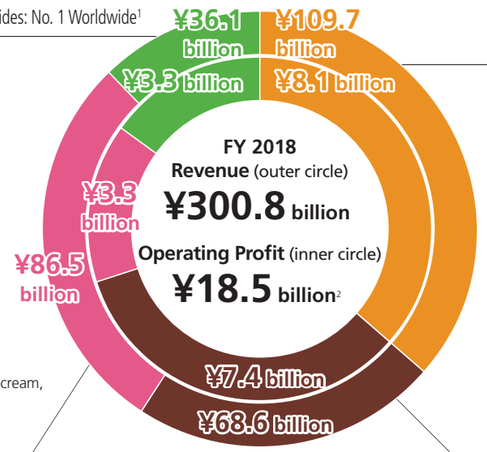
We draw out the possibilities of soybeans in the aspects of nutrition, health, delicious flavor, and functionality, and apply them in developing everything from ingredients to foods.

Share
- Soy protein ingredients: No. 1 in Japan[1]
- Water-soluble soy polysaccharides: No. 1 Worldwide[1]

Vegetable Oils and Fats Business

We develop and manufacture a wide range of oil and fat products, including function-enhancing oils and fats for chocolate, and oils and fats that improve flavor and texture.

Share
- One of the world's top three manufacturers of hard butters for chocolate[1]



Emulsified and Fermented Ingredients Business

We propose ingredients that combine functionality with delicious flavor, such as cream, margarine and cheese flavor ingredients.

Share
- Fillings: No. 1 in China[1]

Industrial Chocolate Business

We provide delicious, melt-in-your-mouth products that include highly flavored couverture and chocolate for specific applications such as bread and ice cream.

Share
- Industrial chocolate: No. 3 Worldwide,[1] No. 1 in Japan[1]

1. According to our research (As of March 2019)
2. Composition of operating profit includes consolidation adjustments and expenses including Group administrative expenses

Fuji Oil Group History

Foundation

- Pursuit of originality
- Challenge and innovation

Dawn of an Era of Original Technologies

- Japan's era of high economic growth
- Support for changing dietary cultures

Overseas Expansion

- Expansion into regions around the world

Transformation

- From Japan-oriented business to local production for local consumption
- From product-out to solution-oriented management

1950
Establishment of Fuji Oil

1951
First successful industrial-scale copra crushing in Japan

1955
Start of Japan's first hard butter production at a solvent fractionation plant for oils and fats

1961
Start of use of defatted soy protein

1969
Hannan Business Operations Complex begins operation

1976
Development of fractionation technology by alcohol-hexane method

1980
Development of enzymatic interesterification technologyj[1]

1981
Establishment of Fuji Oil (Singapore) Pte. Ltd.

1987
Establishment of Fuji Vegetable Oil, Inc. in the U.S.

1992
Establishment of Vamo-Fuji Specialties N.V. in Belgium (now Fuji Oil Europe)

1993
Development of water-soluble soy polysaccharide production technology

1995
Establishment of Fuji Oil (Zhang Jia Gang) Co., Ltd. in China

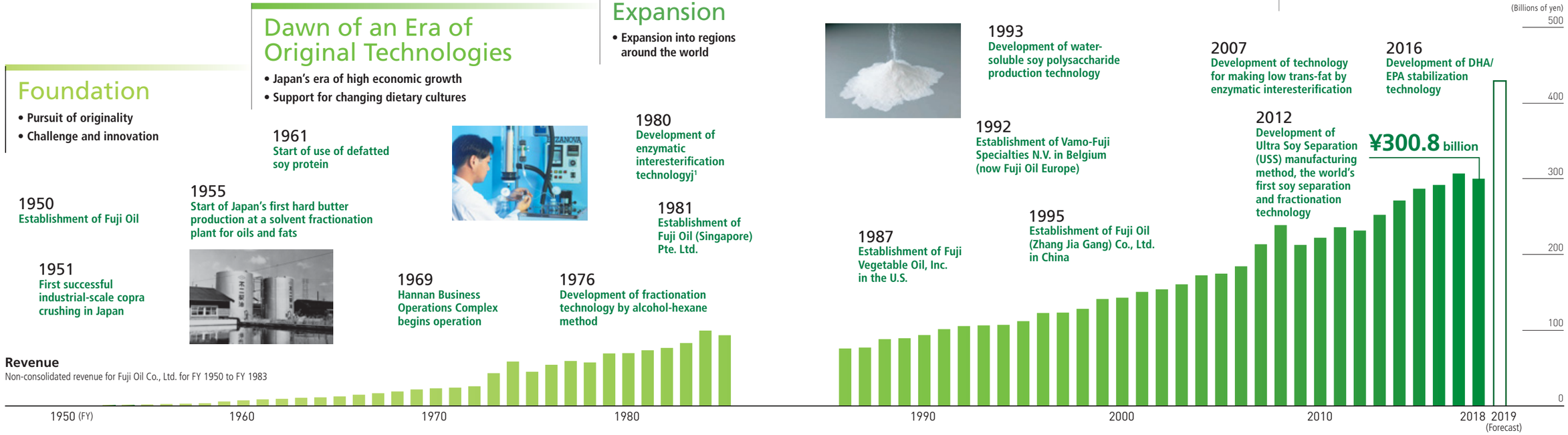
2007
Development of technology for making low trans-fat by enzymatic interesterification

2012
Development of Ultra Soy Separation (USS) manufacturing method, the world's first soy separation and fractionation technology

2016
Development of DHA/EPA stabilization technology

¥300.8 billion

Revenue
Non-consolidated revenue for Fuji Oil Co., Ltd. for FY 1950 to FY 1983



History of Sustainable Foods

1955
Cocoa butter equivalent
Hard butters for chocolate

Cocoa butter was an expensive ingredient with limited supply, even as demand was growing. Fuji Oil responded by developing "Melano Butter," an ingredient derived from palm kernel oil, as a cocoa butter equivalent. With a melting point that could be adjusted according to the season, and a low, stable price, it was widely used and helped to foster Japan's vibrant chocolate culture.

1967
Animal protein alternatives
Soy protein ingredients

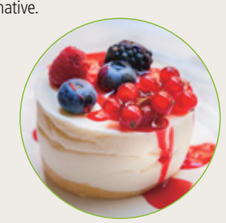
Focusing on protein as a future food resource, Fuji Oil promoted the advanced use of defatted soybeans. The Company established a gel formation method for soy protein isolate, and obtained patents in 10 countries. This was used to improve and stabilize the quality of processed meat products such as sausage, and processed marine products such as fish paste, and opened up the market for soy protein isolate.

1968
Fresh cream alternatives
Partial dairy whipping cream

Fuji Oil became the first in the world to succeed in direct heat sterilization of high-fat whipping cream. This sterilization method and sterile filling production made it possible to extend the shelf life of cream, and the quality assurance period also became dramatically longer. As distribution of the product widened, consumers were able to enjoy its delicious flavor everywhere in Japan.

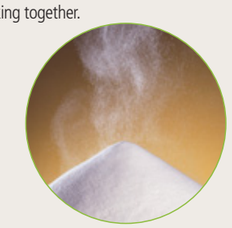
1980
Dairy alternatives
Plant-based cheese alternatives[2]

Pastry shops often had difficulty obtaining cheese for cake due to production volume and transport issues. To solve this problem, Fuji Oil accelerated the development of cheese-flavored ingredients it had been researching. By adding technologies for emulsified and fermented ingredients and other products to its existing research, we completed development of Quvearl, Japan's first plant-based cheese alternative.



1993
Utilization of soybean curd residue
Water-soluble soy polysaccharides

Using soybean curd residue as the raw ingredient, Fuji Oil successfully developed the world's first water-soluble soy polysaccharides, a water-soluble form of dietary fiber. These products are now used worldwide as natural food ingredients. Applications include preventing precipitation of milk components in acidic milk drinks by stabilizing dispersion of proteins, and preventing foods such as processed noodles and cooked rice from sticking together.



2012
Dairy alternatives
USS soy milk products

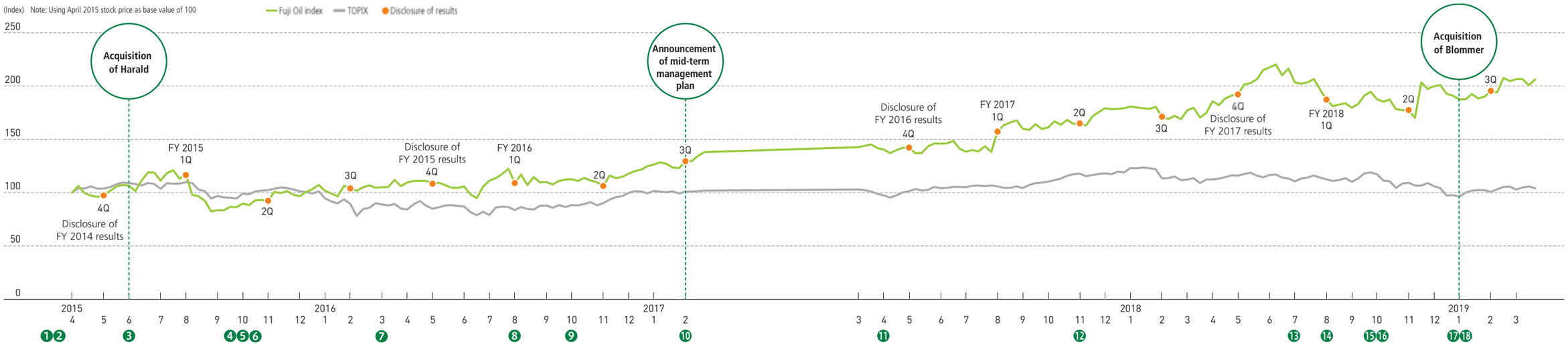
Fuji Oil developed and patented its Ultra Soy Separation (USS) manufacturing method for separating soy into soy milk cream and low-fat soy milk, much like the method used to separate milk. We have developed applications of plant-based products including cheese type ingredients and whipping cream type ingredients derived from soybeans, and offer an extensive array of processed products similar to dairy products.

1. A technology that recombines oils and fats at the molecular level, using enzymes as catalysts. It can be used to obtain hard butters with qualities similar to cocoa butter used in chocolate from general purpose oils such as sunflower oil.

2. Fermented filled cheese that uses non-fat milk solids while replacing milk fat with vegetable oil

Management History since Shifting to a Holding Company System

Stock Price



❶ 2015
Establishment of Fuji Oil (China) Investment as a Regional Headquarters in China

We established Fuji Oil (China) Investment Co., Ltd. to speed up decision-making in response to diversifying customer needs and market changes, while handling responsibilities such as strengthening our business foundation in China, supporting Group companies and maximizing synergy, and generating new businesses.

❷ 2015
Establishment of Asia R&D Center, Our First R&D Center outside Japan

We opened the Asia R&D Center in Singapore as our first R&D center overseas. Focusing on regional market needs, it has built an organizational structure for pursuing consumer-oriented solutions.

❸ 2015
Acquisition of Shares of Harald, a Leading Industrial Chocolate Manufacturer in Brazil

Fuji Oil acquired the shares of Harald Indústria e Comércio de Alimentos S.A., a leader in industrial chocolate in Brazil. This was a major step forward in the global expansion of our chocolate business. Through cooperation with Harald, we are supporting the spread of a new culture of chocolate in South America and developing high-quality, sophisticated chocolate products.

❹ 2015
Shift to a Holding Company System

We shifted to a holding company system for the following reasons: to strengthen Group strategic functions, demonstrate value creation capabilities corresponding to each region, establish a global governance system, and hire and develop management personnel. We then began to build the management infrastructure to continuously grow alongside other top players in the industry and continue to contribute to society.

➡ P. 23

❺ 2015
Establishment of Fuji Oil Group Management Philosophy

The Fuji Oil Group Management Philosophy clearly states our Mission, Vision, Values and Principles. It also passes on the spirit that Fuji Oil has cherished since it was established. With all our employees worldwide focused in the same direction, we are working to resolve social issues.

➡ P. 7

❻ 2015
Establishment of ESG Committee

We established the ESG Committee as an advisory body to the Board of Directors to expedite and promote ESG-related activities. The Committee is making comprehensive efforts to facilitate ESG-minded management by submitting reports and recommendations to the Board of Directors on key issues related to priority themes.

➡ P. 26

❼ 2016
Formulation of Responsible Palm Oil Sourcing Policy

In the Responsible Palm Oil Sourcing Policy, we pledge our commitment to the "No Deforestation, No Peatland Development, No Exploitation" (NDPE) standards. We source responsibly produced palm oil from suppliers that respect people and the environment.

➡ P. 49

❽ 2016
Acquisition of Shares of GCB Specialty Chocolates, an Industrial Chocolate Manufacturer in Malaysia

We have positioned the Asian market, where sustained growth is projected, as our priority region, and acquired shares of GCB Specialty Chocolates Sdn. Bhd. to take advantage of its expected synergy in the expansion of our Industrial Chocolate Business.

❾ 2016
Establishment of Fuji Science & Innovation Center

This facility was established as the headquarters of our global network for research and technology development. The facility is located inside of Fuji Oil's Hannan Business Operations Complex. Working closely with the Tsukuba Research and Development Center and the Asia R&D Center, it seeks to create the future of delicious and healthy foods by assessing market needs globally and creating plant-based solutions.

❿ 2017
Announcement of Mid-Term Management Plan, "Towards a Further Leap 2020"

We announced a four-year, fixed mid-term management plan that marked a change from our previous rolling plan. We positioned this as a period for building the foundation for a significant leap towards sustainable growth in a rapidly changing market environment.

➡ P. 44

⓫ 2017
Formulation of the Fuji Oil Group Human Rights Policy

Based on the "Work for people" value expressed in the Group Management Philosophy, we established the Fuji Oil Group Human Rights Policy. We strive for sustainable growth in harmony with society, and contribute to society through our core business while maintaining two-way communication with stakeholders.

➡ P. 26

⓬ 2017
Establishment of Unifuji in Malaysia

To source responsibly produced palm oil from suppliers that respect people and the environment, we established Unifuji Sdn. Bhd., a joint venture in Malaysia that produces and sells high-value-added palm oil products made from sustainable palm oil.

➡ P. 50

⓭ 2018
Acquisition of Shares of Industrial Food Services, an Industrial Chocolate Manufacturer in Australia

Fuji Oil acquired the shares of Industrial Food Services Pty. Ltd. in Australia, a country with high chocolate consumption. In Australia, it is now legally required to indicate the percentage of domestically produced raw materials on the label of most manufactured products, so the ability to produce and supply Australian-made chocolate in Australia will be a significant advantage.

⓮ 2018
Formulation of Responsible Cacao Sourcing Policy

We clarified our policy on sourcing of cacao, a key raw material for the Fuji Oil Group. In line with the Responsible Cacao Sourcing Policy, we are committed to sourcing sustainably grown cacao in cooperation with the various stakeholders in the cacao supply chain.

➡ P. 54

⓯ 2018
Establishment of Fuji Europe Africa[1]

Fuji Oil is seeking to strengthen its Vegetable Oils and Fats and Industrial Chocolate businesses in Europe. Fuji Europe Africa B.V.[1] was established in the Netherlands as the regional headquarters for Europe and Africa with the aim of optimizing Group synergies through strategic initiatives, creation of new businesses, and research and development. We will also promote business expansion.

⓰ 2018
Membership in Foodvalley NL

Fuji Oil joined Foodvalley NL, a foundation located in the city of Wageningen, the Netherlands. The region is a hub of knowledge for the agriculture and food sectors. As a member of the Food Valley Foundation, we are expanding our global research and development network as well as promoting open innovation.

➡ P. 31

⓱ 2019
Acquisition of Shares of Blommer, a Leading Industrial Chocolate Manufacturer in the U.S.

Fuji Oil acquired the shares of Blommer, which is the world's third-largest industrial chocolate manufacturer and operates mainly in North America. Through further expansion of its chocolate business, we will strive to establish our presence globally. We can also expect synergy in the area of sustainability, as Blommer is a leader in supporting sustainable cocoa farming.

➡ P. 47

⓲ 2019
Selection to CDP Forest A List

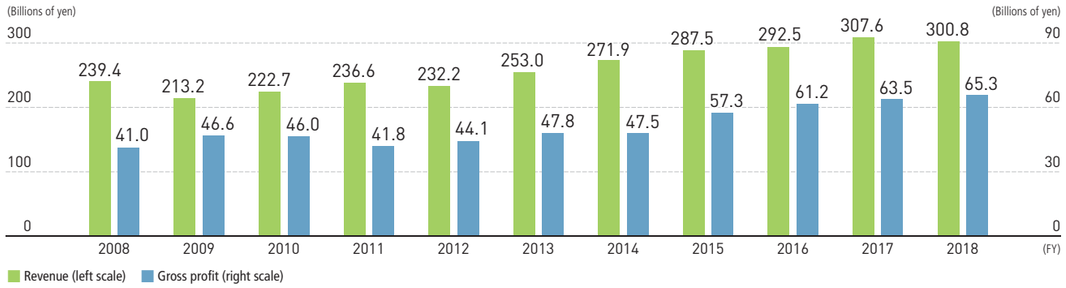
Fuji Oil was named to the CDP Forest A List, the highest level, by international environmental nonprofit CDP in recognition of its activities to prevent deforestation. In May 2019, Fuji Oil announced its support of the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)[2] as part of its effort to promote ESG-minded management.

➡ P. 27

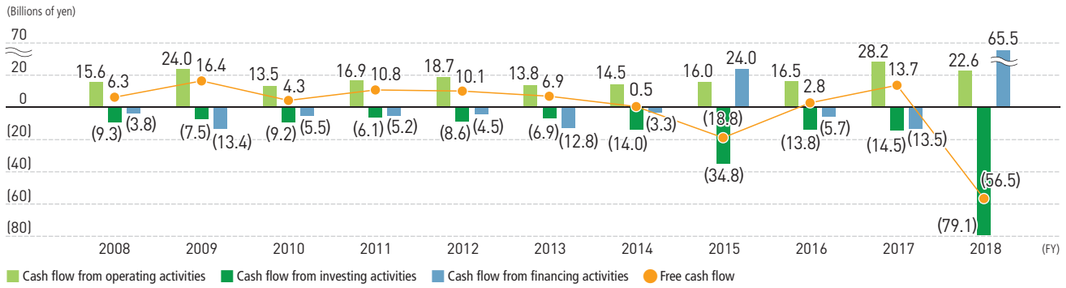
1. Non-consolidated subsidiary
2. A task force that was instituted by the Financial Stability Board (FSB) in response to inclinations expressed by G20 financial ministers and central bank governors.

Financial Highlights

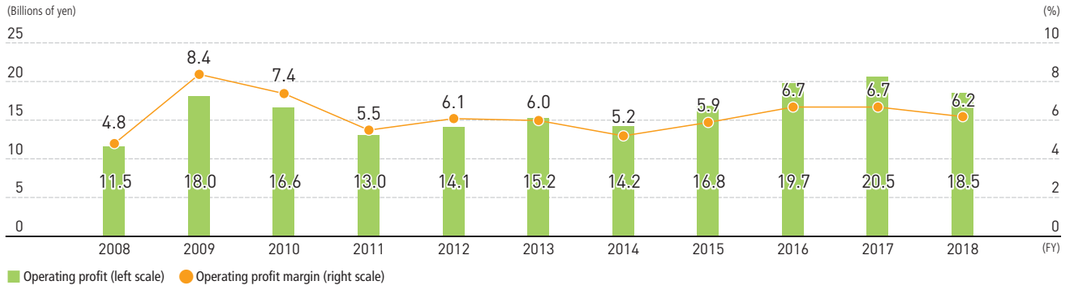
Revenue/Gross Profit



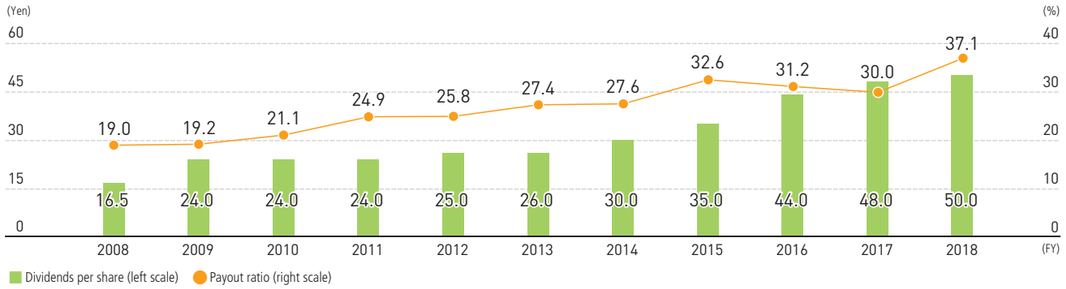
Cash Flows



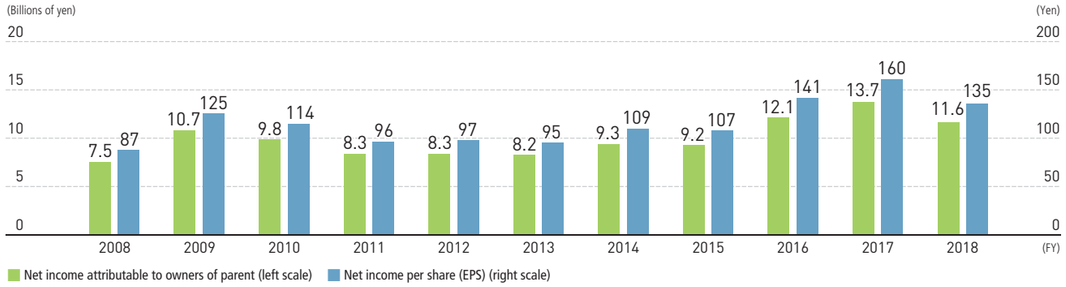
Operating Profit/Operating Profit Margin



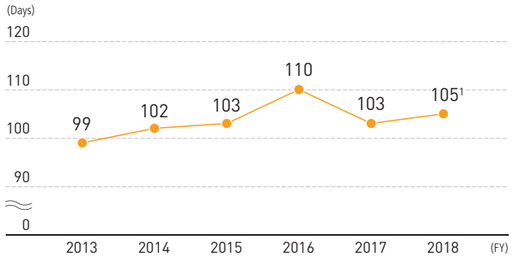
Dividends per Share/Payout Ratio



Net Income Attributable to Owners of Parent/Net Income per Share (EPS)

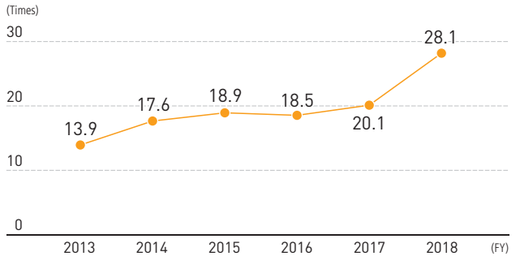


Cash Conversion Cycle

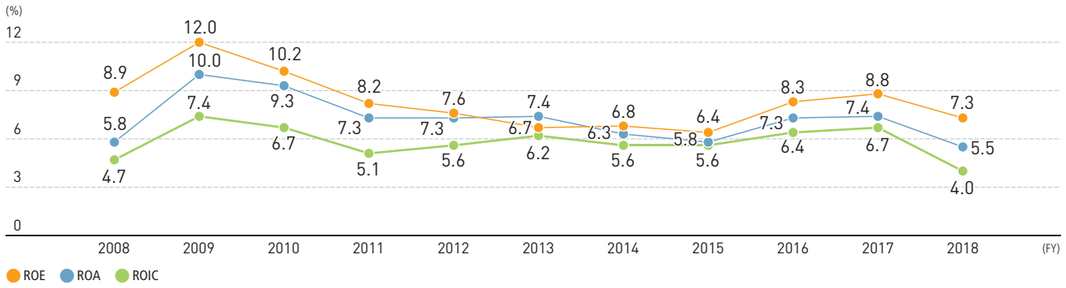


1. Excluding impact of consolidation of Blommer on the balance sheet

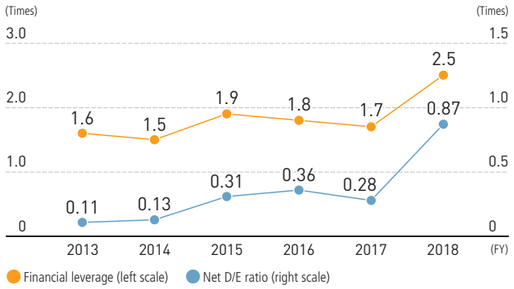
PER



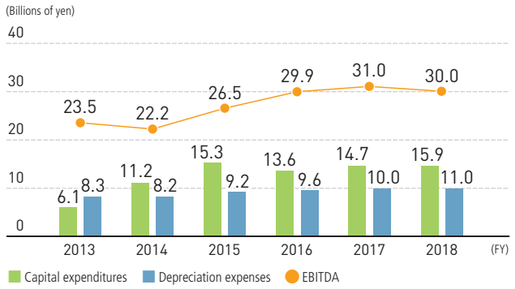
ROE/ROA/ROIC



Financial Leverage/Net D/E Ratio



Capital Expenditures/Depreciation Expenses/EBITDA[2]



2. Operating profit + Depreciation expenses

Group Management

18 **Feature: Group Governance Issues and the Future of the Fuji Oil Group**

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28 "Hitozukuri" (Fostering People) Strategy
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Overview of the Fuji Oil Group's Management

The Fuji Oil Group strives for the realization of a sustainable society by pursuing Plant-Based Food Solutions to the problems facing society. Through these efforts, we aim for sustainable growth for the Fuji Oil Group and, as a member of society, to contribute to sustainability.

Feature: Group Governance Issues and the Future of the Fuji Oil Group

As concern about the future grew, new challenges began to emerge. The Fuji Oil Group will need to evolve further and take a more global perspective. One of the keys to this is group governance. Backcasting from its vision for 2050, the Fuji Oil Group will continue to make appropriate reforms.

In October 2015, Fuji Oil shifted to a holding company system that delegates authority to each of its regional headquarters. Under the banner of Plant-Based Food Solutions (PBFS), the Fuji Oil Group is now implementing reforms for the future. Keys to those reforms are "governance," "global" and "group." In this feature, CEO Hiroshi Shimizu and Outside Director Kazuhiro Mishina discuss topics such as the current state of management and areas that still need improvement.

Mishina **Since you became president, Fuji Oil has launched a number of reforms. I think the reforms to the management structure can be likened to changing from a one-story management structure to a two-story structure with regional execution functions.**

I was appointed as an outside director in 2013, when you were named President, but actually I served as an advisor to Fuji Oil's management during the term of Yoshitaka Ebihara, your predecessor. My impression was that Mr. Ebihara, who stepped aside as CEO to become chairman, felt he had done all he could as an researcher. He seemed to think that in order for Fuji Oil to grow further, he should turn its management over to someone with different ideas. You are the first president at Fuji Oil to come from the sales field.

I think Mr. Ebihara believed that you were the one who could change the Company's management structure. I understand my nomination as an outside director was made with the idea of having me serve in a supervisory role in this new management structure.

The management structure you have created came about because you took on the mission of decisively changing Fuji Oil – you have implemented a series of major reforms, including establishment of the Group Management Philosophy and introducing governance reforms. What changed was that Fuji Oil was previously a "one-story house," so to speak. The three rooms of that one-story house were occupied by the oils and fats business, the confectionery and bakery ingredients business, and the soy business. Even in overseas expansion, Fuji Oil's style was simply to deploy the technology, market development expertise and sales techniques it had developed in Japan. I guess a sense of crisis that this approach was no longer working was the impetus for the change in president.

The holding company system that you adopted was akin to a major expansion of the one-story house into a two-story building. Regional headquarters around the world were set up on the second floor, with the previous Fuji Oil serving as the foundation. In other words, the new structure was a clear shift to a region-based perspective rather than management by business line, which had previously been the approach.

Shimizu **With the rapid pace of change today, I feel a sense of crisis every time I think about global management. Our moves to strengthen global management and group governance have only just begun.**

As you said, we have switched to a two-story structure, but especially recently, I have become more aware that Japan is unique.

Previously, Fuji Oil's approach of viewing the world from Japan was the right approach in some respects. For example, we entered Southeast Asia early on, and achieved success with a Japanese-style business model. When I became president, about 40 percent of our sales came from overseas markets, so I thought our globalization was progressing well. But I came to realize that in fact, we were not a global company, but merely a Japanese company with international business.

What we need to do is think of Japan as just one of our business regions, and conduct governance that is suitable for each region. Don't get me wrong, I'm not saying that Japan is no longer important. The technologies we have cultivated here are important assets that we can use in our overseas operations. But that does not mean that we can simply export our technologies and business model as they are. We need to be aware that the Japanese market has special characteristics, such as consumers who drive demand for high-value-added products, a declining population and a shrinking economy.

In other words, even though the Japanese-style business model and governance are effective in Japan, it is important not to try to force this model on the rest of the world. Nor should we unilaterally try to adopt global practices in the Japanese model. Rather, it is important to optimize our approach to the characteristics of each region.

Also, even though the accelerating pace of change today involves inherent risks, it also presents opportunities to take on new challenges. Rapidly changing social issues and needs in each region have to be identified by businesses located in those regions, and then aggregated and managed by the holding company.

From these standpoints, there are still issues to be addressed in Fuji Oil's current global management and group governance.

Mishina **A region-based strategy is critical to be globally competitive in the food industry, where dietary cultures and preferences differ from region to region.**

Taking a global view, each region of the world has its own unique dietary culture and history, and the ways people view food ingredients may differ considerably. In Japan, soybeans are a very familiar ingredient, and soy milk and soy vegetable protein as a meat alternative are readily accepted. In Western countries, though, the choice of ingredients may be completely different – soybeans are strongly associated with livestock feed, almond milk is preferred over soy milk, and wheat and legumes other than soy are the main types of vegetable protein. For functional foods, soybeans are processed in Japan, but in the West, peas are commonly used as the raw ingredient. Oils and fats are another example. China has a culture of cooking at high temperatures, so peanut oil tends to be preferred because of its high smoke point. Even within Europe or the United States, histories and dietary cultures vary according to the country or region, and market needs are distinctly different. This means that Fuji Oil must conduct its business in

each region with a solid grasp of these regional characteristics. In addition, as we implement our Plant-Based Food Solutions, the approach of thinking of the ingredient first – in other words, asking "how can we use soybeans?" – will not necessarily work globally.

Various global management systems exist, and there is no single right one. So for Fuji Oil, whose business is food, I think it's important to operate with a regional perspective. Currently, substantial authority has been transferred to Fuji Oil's regional headquarters. Even though our business operations in Japan, which were formerly centered on the parent company, generate the majority of our profit, that cash is being allocated to other regions. Without this management system, growth of other regions could not be expected. It is important to understand that this is a transition period to lay the groundwork for Fuji Oil's significant growth.

Shimizu I think we need to always implement both management from a regional perspective and management based on business lines in a matrix-like structure, because if we can't demonstrate our competitiveness as a Group, we won't be able to compete against rival companies worldwide. In the Industrial Chocolate Business, for example, we compete with the same companies in every region, but at the same time, we also supply industrial chocolate to multinational companies that operate globally. We need to improve the competitiveness and credibility of the Group based on the business-line strategy.

Balanced management presents difficulties, such as conflicts of interest between regions, but I want to conduct group management based on this matrix style.

Shimizu **Since becoming CEO in 2015, I have carried out reforms toward achieving new growth and tried to show the direction we want to take. However, I recognize the need for discussions of specific practical measures.**

Since 2015, we have conducted "two-story" group management, as you mentioned, but we recognized that this was not functioning as well as we had hoped. This prompted us to devise the Mid-Term Management Plan "Towards a Further Leap 2020."

One focus of this plan is "reinforcement of core competence." Through business operations and small-scale M&As in different countries, we have tried to build global businesses that will be strong enough to compete successfully in the future. As such, we ascertained that the Group's core competence is hard butters for chocolate and the chocolate business itself. This is what led to the acquisition of Blommer in fiscal 2018. Effectively managing Blommer from fiscal 2019 is the minimum requirement for us to transform into a global company.

However, even as we carry out the mid-term management plan, I strongly feel that there are other issues to be dealt with. We are changing in line with development of our core competence, completing structural reforms, and building a robust structure as a global company. These ideas are not wrong. But on the whole, I don't think the Company has changed as much as it needs to. The speed of change is also insufficient. Although our views about change are correct, conventional thinking has impeded implementation. In retrospect, I believe one of the reasons for this is that the specifics of how to go about implementing changes were never fully discussed. We are now beginning discussions with a view to the next management plan. By backcasting from 2050, we will clarify our goals. I want to draw up detailed roadmaps to 2030 and 2050 that incorporate the business portfolio that results from taking MOS and the timeline into consideration in MOT and MOE.

Mishina **In globalization, the Company's growth engine, there are still a lot of issues to be resolved in each region, and new effective tactics are needed to expand the soy business.**

As you said, of the three pillars of the mid-term management plan, "reinforcement of core competence" was dramatically advanced by the acquisition of Blommer.

However, regarding "growth of soy business" and other plant-based foods (PBFs), the market is booming, particularly overseas, but the fact is that we still need new effective tactics.

By region, business in the U.S. will become as strong as in Japan. In China, we have established a new factory in Guangzhou, and have made significant progress in liquidating struggling businesses. On the other hand, in Europe, the Company hasn't broken out of the "factory" mindset, as it did in the United States. Despite efforts such as making a subsidiary of GCB Specialty Chocolates, which is an industrial chocolate manufacturer in Malaysia, there is no denying that we got off to a relatively slow start in Asia. I think we need to have extensive discussions during future Board of Directors meetings about the businesses and areas where there are still issue to be addressed.

Shimizu **We have a long history of pursuing alternative foods. Now we need to continue to innovate with our sights set on 2050.**

Some people tend to equate PBFS with soybeans, but since 2018, I have been stressing that it is not just about soybeans. Even chocolate is a PBF made from cacao. Also, as you pointed out, there are large regional differences in attitudes about PBFS, so we will not be able to keep up if we only look at ingredients first. We have to think about needs and then come up with an alternative product to meet those needs.

During Fuji Oil's approximately 70-year history, it has researched sustainable foods (alternative oils and fats and alternative proteins) and contributed to society with product innovation. On the other hand, looking ahead to the future, the global population is predicted to increase to nearly 10 billion by 2050. In the near future, our current new employees will be in their fifties and will have become core personnel, but if things remain as they are now, the supply of protein will have stagnated. In raising children, for example, infant formula made from milk alone will not be enough to meet demand. Fuji Oil can protect the health of that future society with plant-based alternative products. That is one of the objectives of the SDGs. Thinking about conditions in 2050 and backcasting from there, our establishment of the R&D Division for Future Creation, the Innovation Strategy Group and the PBFS Division all seem like logical steps. In 2019, we established the new position of C"ESG"O as the executive responsible for promoting ESG initiatives. Since promotion of PBFS is also essentially our sustainability strategy, we need to focus more on that.

Mishina **The Board of Directors engages in free and vigorous discussion in an open atmosphere. I want to further strengthen governance to build a global management structure.**

Since we're here for this discussion, I'd like to talk about the Board of Directors reforms. In general, at Japanese companies, the president is the leader of the company, and as such, assumes full authority and in many cases takes control of running board meetings. But you have mastered the art of moderating board meetings. Your role is to encourage open and active discussion by coordinating the flow of discussion. As a result, free and vigorous debate takes place, and I don't think such a democratic board of directors exists at any other Japanese company. At quite a few Japanese companies, board meetings start at 10:00 in the morning and end at noon, but Fuji Oil's board has no scheduled ending time. It's sensitive because a lot of confidential information is discussed, but I always want to let stakeholders see what goes on in board meetings.

The makeup of internal directors has also changed. Previously, the board consisted of representatives from the oils and fats, confectionery and bakery ingredients, and soy businesses, but now board members are appointed based on their strength in particular functions, such as production, R&D, marketing and sales. This enables the board to thoroughly consider proposals from various angles.

As one of its governance reforms, the Company is also considering changing its compensation system. Evaluation criteria and evaluation methods have to evolve to support global management that contributes to a sustainable society. This reform is crucial in order to obtain and keep people who have the requisite knowledge and abilities.

Shimizu **I have been focusing on diversity and the succession plan since April, and want to evolve Fuji Oil into a company with creativity.**

You mentioned that our board meetings have no scheduled ending time, but I think the important point is for directors to give opinions from different perspectives and confirm all of the risks and merits of proposals. The fact that we incorporate this step of thoroughly examining proposals from various angles is what led to our acquisition of Blommer, which entailed a higher level of capital investment than we planned for in the mid-term management plan.

Nevertheless, there are still some issues with the composition of the board. Although bringing together the top people in each function has invigorated discussion, it is not always easy to balance the views of everyone. Fuji Oil has revamped the structure of the board, but I think further improvement is needed in terms of separating management supervision and execution. If this aspect of Japanese-style governance remains, it could be a significant problem in alliances and M&A with overseas companies.

With that awareness, I have been devoting more attention to this issue since April 2019. In particular, I am focusing on promoting diversity.

As we approach the "super-smart society," which is called "Society 5.0" in Japan, nothing will be more important than creativity. And I believe that how well we are able to exercise creativity will depend on diversity. I will work to promote diversity in the Company while strongly encouraging the participation of women, which is a particular issue in Japan. Second, I fully realize the importance of cultivating the next generation of management talent. I will concentrate on a succession plan with the aim of developing management candidates who can think creatively.

Mishina **As the Company's first outside director, I also have a role to play in designing the system for participation of outside directors so the next generation of outside directors can contribute to effective governance.**

I have been involved in the field of talent development for many years, and from that point of view, I would not give Fuji Oil's succession planning passing marks. Efforts are being made in that area under your leadership, but there is something I would like to propose from the standpoint of diversity. Diversity isn't reflected much in the ratio of women in managerial positions, but in fact, many talented women have been promoted to key posts at Fuji Oil Holdings, and I feel that the participation of women is more advanced than it appears. In contrast, at operating companies, there are few women in managerial positions. I think it's important to actively promote women in order to take on new challenges such as PBFS.

Finally, I want to mention outside directors as part of governance reforms. I had been saying that two outside directors is not enough, but in fiscal 2019 that number was increased to three. I think three outside directors is the minimum necessary for vigorous debate.

More outside directors will need to be added in the future, but there are various thoughts on the ideal number of outside directors or by how much to reduce the number of internal directors.

I have served as an outside director for a number of years. So, based on my experience, I think that increasing the number of outside directors will lead to more vigorous debate. As Fuji Oil's first outside director, I intend to design a system in which outside directors will not assume office as "individuals," but instead will function as a single "body." I would like to pass on a framework for effective governance to the next generation of outside directors.

Strengthening Group Governance

Global Management Structure

Roles of the Holding Company

In October 2015, the Fuji Oil Group shifted to a holding company system.

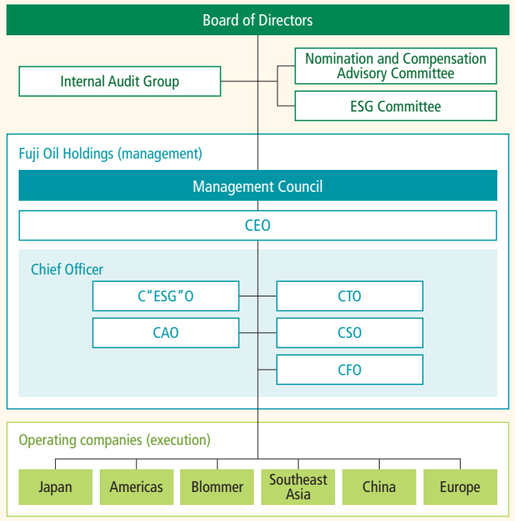
The holding company works to achieve sustainable growth and enhance corporate value for the Fuji Oil Group. It is responsible for the strategic functions of building an appropriate business portfolio and optimizing the allocation of resources, creating a management structure suitable for the Group as a whole, establishing various systems and evaluation indicators as frameworks, and hiring and developing management personnel.

Group Governance

Based on the current mid-term management plan, which began in fiscal 2017, we are expanding operations globally, including an aggressive M&A strategy. Strengthening group governance is becoming an urgent issue. We are developing a global management structure with Chief Officers at the center, and are strengthening its functions.

In April 2019, we established the C"ESG"O and CAO positions. We will promote management from three perspectives (MOT + MOE + MOS) in order to continue contributing to a sustainable society. In addition, as we continue to expand globally, we will accelerate the establishment of Group infrastructure.

Strengthen Group strategic functions	• Focus on Group strategy • Strengthen planning functions for management strategy including new business and M&A • Optimize the allocation of management resources within the Group to lead to the next stage of growth
Demonstrate value creation capabilities corresponding to each region	• Establish regional headquarters and delegate authority to them • Accelerate management in each region
Establish a global governance system	• Create a management system that is transparent and fair • Clarify the roles and responsibilities of the holding company and regional headquarters • Separate management supervision from execution
Hiring and developing management personnel	• Hire and develop the next generation of managers • Optimally allocate personnel throughout the entire Group



Chief ESG Officer (C"ESG"O)

In strengthening ESG management, 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 together with the Board of Directors.

Takashi Kadota
Director and Senior Executive Officer
Chief "ESG" Officer (C"ESG"O)

The Fuji Oil Group supports the pursuit of the SDGs and will meet the expectations of its stakeholders by promoting management from three perspectives. These perspectives incorporate sustainability in addition to technology and economic value.

Chief Administrative Officer (CAO)

The CAO is responsible for building a common global framework for personnel management, administration, and legal matters to address diversity issues in Japan and overseas, and for providing accurate and transparent information regarding corporate activities to stakeholders.

Takehiko Sumiya
Director and Senior Executive Officer
Chief Administrative Officer (CAO)

We are aware that we have been unable to free ourselves from a Japan-centric mindset even though more than 70% of our employees are non-Japanese. We will work to strengthen global management infrastructure by including diversity in management and by developing a succession plan to develop creative management personnel.

Sustainability Strategy

ESG Management Priority Themes for Contributing to Society through Our Businesses

To realize contributions to the sustainable development of society as well as its own sustainable growth and the creation of value for society through its business activities, the Fuji Oil Group has identified ESG management priority themes.

FY 2019 ESG Management Priority Themes

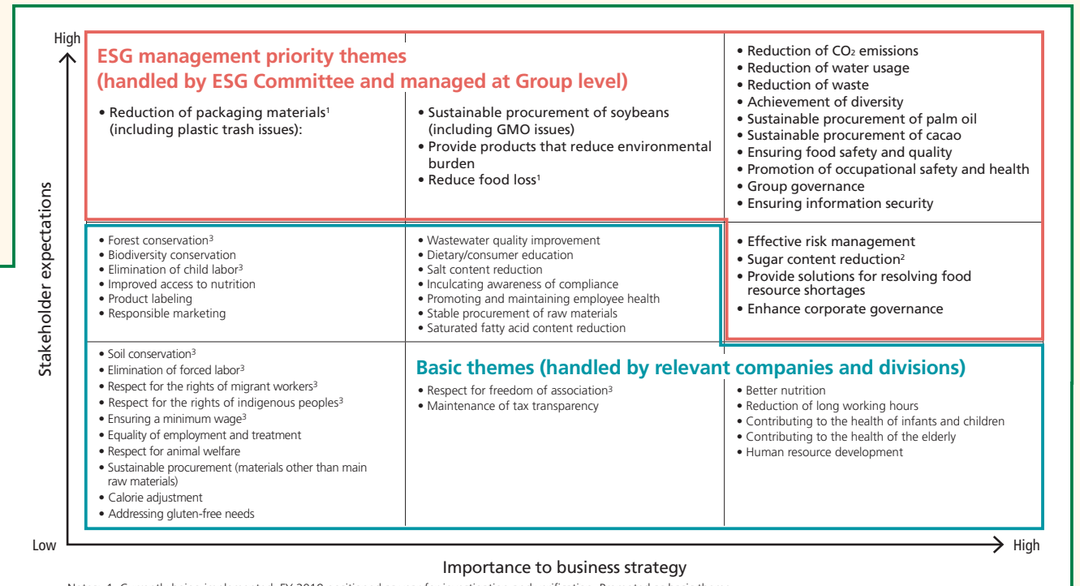
In June 2019, we identified new social issues and other priority themes to address in fiscal 2019, reflecting comments and advice from stakeholders.

Examples of Stakeholder Advice

- Fuji Oil Group should use a materiality map to evaluate "social issues it can help resolve through its products"
- Consider sustainable procurement of soybeans

FY 2019 Priority Theme Identification Flow Chart

STEP 1 List new social issues to be added to the materiality map → **STEP 2** Evaluate using the materiality map → **STEP 3** Discussion by the ESG Committee → **STEP 4** Approval from the Board of Directors



Notes: 1. Currently being implemented. FY 2019 positioned as year for investigation and verification. Promoted as basic theme.
2. Understanding of and ways to address issue are currently being considered.
3. Social issues in the supply chain are included in sustainable procurement (palm oil/cacao/soybeans/materials other than main raw materials).

Category	Priority Area	FY 2019 ESG Management Priority Themes	Targets		SDGs of Particular Focus for Achievement	FY 2019 Measures	Responsible Chief Officer	Relevant page
Social issues we can help resolve through our products	**Solutions through the creation of foods**	Provide solutions for resolving food resource shortages	• Replace animal resources such as meat and milk with plant-based food ingredients in anticipation of future food resource shortages. Establish and disseminate plant-based substitutes and alternative technologies.			• Commercialize and sell plant-based food ingredients as alternatives to dairy and animal protein products	CTO	P. 29
		Provide products that reduce environmental burden	• Establish processing technology that does not use chemical processing and solvent processing, which carry a significant environmental burden			• Develop oil and protein processing technology that does not use chemical catalysts or solvent processing		P. 56
Social issues we can help resolve through our business processes	**Safety, security and quality of foods**	Ensuring food safety and quality	• Establish basic approaches and information management system related to quality assurance • Enhance collaboration among quality assurance personnel • Ensure that all products Fuji Oil Group manufactures are never cause for complaints			• Update quality audit items to improve the level of quality assurance overseas • Strengthen networks among quality assurance personnel • Update and inculcate Quality Assurance Regulations	C"ESG"O	P. 27
	Sustainable procurement	Palm oil	• Promote "No Deforestation, No Peatland Development, No Exploitation" (NDPE) development throughout the supply chain			• Improve traceability to oil mills (100% by 2020) • Palmaju Edible Oil Sdn. Bhd. supply chain improvement activities • Address supply chain issues (grievances)	CSO	P. 49
		Cacao	• Promote Responsible Cacao Sourcing Policy			• Help the Ecuadorian cacao farmers we support increase yield per unit area		P. 54
		Soybeans (including GMO issues)	• Prevent soybean procurement from deforested areas			• Identify social trends and formulate approaches		P. 56
	Environment	Reduction of CO_2 emissions	Environmental Vision 2030	• 24% reduction in CO_2 emissions by 2030 (compared with base year of 2016)		• Set revised goals aligned with new requirements for SBT[2] certification • Establish optimal methods for collecting and analyzing CO_2 emissions data. Promote CO_2 emissions reduction and accurate information disclosure	C"ESG"O	P. 27
		Reduction of water usage		• 20% reduction in water usage per unit of production by 2030 (compared with base year of 2016)		• Establish optimal methods for collecting and analyzing water usage data. Promote water usage reduction and accurate information disclosure		
		Reduction of waste		• 10% reduction in waste per unit of production by 2030 (compared with base year of 2016)		• Establish optimal methods for collecting and analyzing waste data. Promote waste reduction and accurate information disclosure		
	Diversity	Achievement of diversity	• Implement diversity management that empowers diverse human resources including women, non-Japanese, people with disabilities, and people who identify as LGBT to make the most of their abilities and participate in value creation			• Formulate diversity management vision, roadmap and goals	CAO	P. 28
	Occupational safety and health	Promotion of occupational safety and health	• Place top priority on safety and respect for humanity. Keep all Group companies accident free by creating safe and comfortable workplaces			• Institutionalize risk prediction activities (meetings) before work starts at all Group companies • Further enhance safety management activities at Group companies with high risk of accidents	C"ESG"O	P. 27
	Governance	Group governance	• Structure an effective group governance system			• Improve the effectiveness of decision-making and business execution within geographic areas	CSO	P. 23
		Enhance corporate governance	• Ensure directors fulfill their responsibilities[1] appropriately to improve Fuji Oil Group's corporate value			• Formulate and implement an action plan based on the results of the assessment of board effectiveness	CAO	P. 32
	Risk Management	Information security management	• Implement effective information security governance that prevents the occurrence of situations that could damage corporate value due to fraud, scandals or cyberattacks • Zero serious accidents			• COBIT[3] Level 3 information security management maturity model	CFO	P. 38
		Effective risk management	• Promote risk management PDCA cycles at each Group company. Earn the trust of society by demonstrating high reliability and risk management capability.			• Mitigate risk with better alerts about specific risks at Group companies • Reformulate business continuity plan (BCP) for Fuji Oil Co., Ltd. Formulate BCPs for main Group companies overseas. • Introduce the Fuji Oil Group's risk management system to Blommer	C"ESG"O	

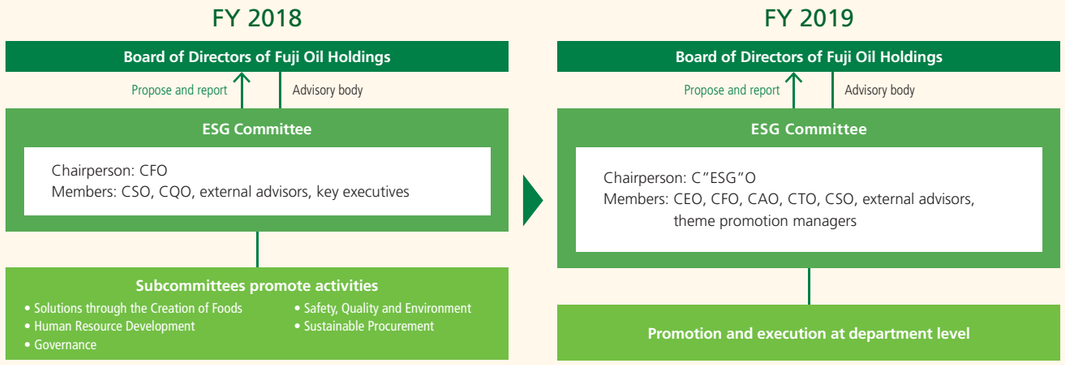
1. Decisions about important management issues and supervision of management
2. Science Based Targets (SBT). An approach designed to hold the increase in global average temperature to less than 2°C above the pre-industrial level.
3. A framework for measuring the maturity of IT governance, which is evaluated on a scale of 0 to 5. Currently level 1-2.

ESG Management and the ESG Committee

We have established the ESG Committee as an advisory body to the Board of Directors of Fuji Oil Holdings to strengthen ESG management.

The ESG Committee meets twice a year or more to discuss issues and strategies for the Fuji Oil Group to continue fulfilling its corporate social responsibilities, and to review the progress of ESG management and priority themes. The committee engages outside experts as advisors and incorporates social perspectives, and presents outcomes from all of its meetings to the Board of Directors for review. The Chief ESG Officer (C"ESG"O) has chaired the committee since April 2019.

In fiscal 2018, the ESG Committee identified priority themes after deliberation, and established five ancillary subcommittees to promote understanding of the themes. However, accelerating application at Group companies and energizing discussions that incorporate stakeholder perspectives remained on the agenda. The committee will address issues from fiscal 2018 by reviewing the management system described below and accelerating initiatives in fiscal 2019.



System for promoting priority themes

- The ESG Committee has established ancillary subcommittees to promote priority themes
- The responsible Chief Officer and promotion managers are assigned based on the theme. For promotion and execution at department level.

ESG Committee positioning

- Comprehensive view of ESG activities
- Comprehensive view of ESG activities
- A venue for tripartite discussion and deliberation

Highlight

Business and Human Rights

We announced the Fuji Oil Group Human Rights Policy in April 2017. It is based on "Work for people" as defined in the Fuji Oil Group Management Philosophy.

We carry out human rights due diligence as a way to fulfill our responsibility to respect human rights. As a result, we identify important risks that should be addressed first, and implement human rights education, promote sustainable procurement, and implement grievance mechanisms while consulting with and obtaining evaluation from experts. In June 2019, we invited Mr. Dante Pesce of the United Nations Working Group on Business and Human Rights (while he was visiting Japan) and Mr. Hidemi Tomita of Lloyd's Register Japan to provide advice to senior managers and others on human rights, grievance mechanisms and other procedures.

Highlight

Support for the Recommendations of the TCFD

TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

We have agreed with the recommendations of the TCFD, and also decided to participate in the TCFD Consortium.* We analyze the risks and opportunities that climate change poses to our businesses, and promote information disclosure through communication with our stakeholders.

* In Japan, the TCFD is a framework for companies and financial institutions that agree with TCFD proposals to jointly discuss effective corporate disclosure of information and efforts to connect the disclosed information to appropriate investment decisions among financial institutions and other organizations.

Safety, Quality and the Environment

The Fuji Oil Group Management Philosophy states the values that inform our actions and our commitment to safety, quality and the environment. The ESG Committee offers opinions and presents information about ESG-related issues and provides policy advice to the Board of Directors. In addition, the position of C"ESG"O was established in fiscal 2019. This office is responsible for promoting the provision of safe and quality products, as well as for efforts to protect the environment throughout the Group.

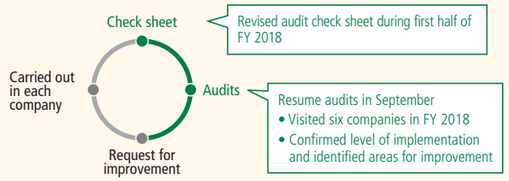
The following is an excerpt from the Group Management Philosophy:

"Safety, quality, and the environment"
The most important value that a food company must fulfill is food product safety. Assurance of quality is vital in maintaining safety, yet its prioritization must not exert negative impacts on the environment. Safety, quality, and the environment have always been, and must continue as, the highest-priority foundations of our management.

Promotion Activities

The Production Productivity Management Group is a strategic planning and promotion organization with experts in safety, quality and the environment. It sets KPIs for Group companies, conducts internal audits and prepares education and learning activities.

PDCA cycle suited to each Group company



FY 2018 Results

Item	Goal	FY 2018 Results
Occupational safety	Activities aimed at zero serious labor accidents[1]	• Zero serious labor accidents • Number of accidents resulting in lost work time (four or more days): Down YoY (3.9 → 3.3 per 1,000 employees)
Safety, security and quality of foods	Establish an overseas quality assurance system	• Established Quality Assurance Regulations and Bylaws
	Acquire FSSC 22000/ISO 22000[2]	• Certification of 10 more factories in Japan (68% of factories in Japan)
Environment	New Environmental Vision 2030	• Established and promoted awareness of new Environmental Vision in each Group company
	CDP[3]	• Forests Questionnaire 2018: Score "A" (first Japanese company to receive "A" score) • Climate Change 2018 Questionnaire: Score "B"

1. Fatal accidents, accidents resulting in permanent damage to extremities, etc., accidents requiring long-term hospitalization
2. International standards for food safety management systems
3. An international non-governmental organization that deals with environmental data.

Highlight

Formulation of New Environmental Vision 2030

In recent years, the Paris Agreement relating to the issue of climate change and global warming, and the systematic framework represented by the SDGs, have been formulated. Our environmental protection initiatives and activities in the international community are gaining momentum, and as a member of society, the Group wants to contribute to the shared realization of the Paris Agreement. Therefore, in fiscal 2018, we formulated a new vision, Environmental Vision 2030, and set targets for 2030, based on a review of the progress of Environmental Vision 2020 and the propriety targets set in 2010. We will promote environmental preservation activities to achieve the targets of Environmental Vision 2030 and aim to make even more significant contributions to the environment than we did during the period of Environmental Vision 2020.

Item	Targets	FY 2018 Results	Achievement
Reduction of CO_2 emissions (entire Group)	24% reduction in total volume by 2030 (compared with base year*)	14.1% reduction	59%
Reduction of water usage (entire Group)	20% reduction in water usage per unit of production by 2030 (compared with base year*)	14.1% reduction	71%
Reduction of waste (entire Group)	10% reduction in waste per unit of production by 2030 (compared with base year*)	1% increase	0%
Recycling of resources (Japan)	Maintain a 99.8% recycling rate through 2030	99.33%	Not achieved

* Base year: 2016

"Hitozukuri" (Fostering People) Strategy

To continue contributing to society, the Fuji Oil Group believes in the importance of building organizations and fostering people that are capable of responding flexibly to various changes in the operating environment. We also focus on promoting diversity. We believe a culture that promotes creativity, including diverse human resources who have respect for different values and individuality, and who are committed to enhancing their abilities, provides value by contributing to resolving social issues.

Promoting a Global Talent Strategy

The 2015 Harald (Brazil) acquisition and the shift to the holding company system progressed our strategy of building a global structure. However, we recognized that changing the existing personnel system was an issue that needed to be addressed. The new mid-term management plan aims to develop systems and mechanisms for the hiring and development of talent capable of performing on the global stage. To achieve this, we will promote regional collaboration and establish a global structure that enables us to respond flexibly and swiftly to changes in the operating environment.

Basic Policies of the Mid-Term Management Plan

- Develop systems and mechanisms for the hiring and development of talent capable of performing on the global stage
- Build a global personnel system through regional collaboration
- Build a global structure that can respond flexibly and swiftly to changes in the operating environment through the promotion of diversity.

FY 2018

Period of Preparation for Policies and System Design

Create guidelines for overseas (on-site) management candidates, reinforcement of collaboration with overseas headhunters, etc., to grasp the current situation at each Group company and build the structure for collaboration.

Matters to Be Achieved/Resolved by FY 2020

Globalization, Diversification and Localization of Fuji Oil Group Human Resources and the Improvement of Organizational Productivity

1. Enhance personnel efficiency (revenue/profit per employee) by managing the number of employees and costs
2. Expand the scope of talent capable of performing on the global stage and enhance the their skills (Guidelines for global management candidates, with ratio of women of 30% or more)
3. Develop foundation for the hiring and development of human resources based on global standards (Clarify duties and evaluation and remuneration systems for management personnel)

Promotion of Diversity in Japan

Extending the active careers of women, expanding their areas of activity, and supporting their promotion in management roles are important issues for Fuji Oil and Japanese society overall. To this end, Fuji Oil is building the foundations for utilizing diversity with the aim of implementing diversity management that empowers diverse human resources including women, non-Japanese, people with disabilities, and people who identify as LGBT to make the most of their abilities and participate in value creation. In fiscal 2018, we established systems to promote diverse workstyles and studied personnel systems that enable diverse human resources to excel and be evaluated fairly regarding their capabilities and performance.

Highlight

Work-Style Reforms to Promote Diversity in Working Styles

The "Creative Work Project," a cross-departmental organization, is implementing four reforms: raising awareness, operational reforms, system reforms and workplace creation. The goal of these reforms is to reduce total working hours and improve work-life balance by raising productivity.

We introduced a flextime system and a work-from-home system in fiscal 2017, and a telework system mainly for sales departments in fiscal 2018. We are expanding the departments eligible for these systems. We have adopted digital technology to reduce our use of paper and change the way meetings are conducted, and in fiscal 2019 we are introducing Office 365 at all companies to make communication and information-sharing more efficient. These reforms are aimed at enabling ways of working that are free from the constraints of time and location.

Solutions through the Creation of Foods (Innovation Strategy)

Message from the CTO

Haruyasu Kida
Director and Senior Executive Officer
Chief Technology Officer (CTO)

The Fuji Oil Group has often been called a "technology development company." In the next 20 or 30 years, we envision innovation that is not just an extension of existing technology, but innovation that contributes to true globalization. To this end, we are moving forward aggressively with specific measures that will prevent us from losing ground to the speed that the world is changing, but instead remain in the lead.

In fiscal 2018, we made two submissions to the Consumer Affairs Agency for Foods with Function Claims related to aging and health issues. Both of these submissions were accepted. We also succeeded in identifying several components in our analysis of factors that contribute to the deliciousness of food, and made progress in promoting healthy life expectancy. This year, through the Cross-Appointment System, on which we concluded an agreement with Ibaraki University, we will invigorate our research culture, and enhance research efficiency and the speed of developing new materials by adding the expert knowledge of the university. Moreover, as the result of our membership in Foodvalley NL led by Wageningen University & Research (Netherlands), we were able to use joint research to accelerate the generation of innovation on a global scale.

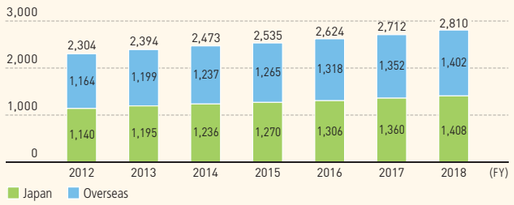
Blommer joined the Group in 2019. This marked the start of our transformation into a truly global company. We will be even more active in promoting our research and development network and open innovation, with an emphasis on strengthening our global research and development system and generating new businesses. To strengthen our global research and development system, we will actively dispatch researchers to our overseas bases and universities worldwide and promote joint research to undertake the development of human resources capable of performing on the global stage, while also reforming our research culture. The Research Institute for Creating the Future and the Innovation Strategy Group, which was newly established under the CTO, will be the two drivers in accelerating the generation of new businesses with a focus on Plant-Based Food Solutions (PBFS). We will also work toward the creation of a culture and human resources that generate innovation through the Intrapreneur System* that we launched in fiscal 2018, and through other means.

*** Intrapreneur System**

- Program for creating new businesses
- Conditions: Complies with the Group Management Philosophy; Commercialization possible in fiscal 2020
- Final presentation: Eight cases by 10 individuals, of which three cases will continue to be implemented

Index and Evaluations of R&D

Cumulative Number of Patents Received



Recent years have seen a shift to an open versus closed patent strategy, meaning the decision to take specific know-how and apply for patents (open) or manage it confidentially (closed) is made strategically. Competition to see who can file the most patents is a thing of the past. However, we will file patent applications as necessary according to our business strategy. We will continue to monitor the number of registered patents, as we believe the patent process itself leads to the generation of know-how.

Third-party Evaluations of R&D Activities (FY 2018)

Scope of coverage: Fuji Oil Co., Ltd.

- The Japanese Society of Applied Glycoscience, Technology Development Award
- Osaka Industrial Research Association, Industrial Technology Award
- Osaka Prefecture Health Creation Award, Osaka Governor Award
- Other awards

Creating New Markets with Solution-Oriented Business

The Fuji Oil Group aims to create Plant-Based Food Solutions (PBFS) that use plant-based food ingredients to help resolve global social issues. We practice solution-oriented technology management for "Kachizukuri" (creating value) through synergy between"Monozukuri" (creating products) differentiated by our technologies and "Kotozukuri" (creating movements) derived from marketing that closely reflects changing consumer needs.

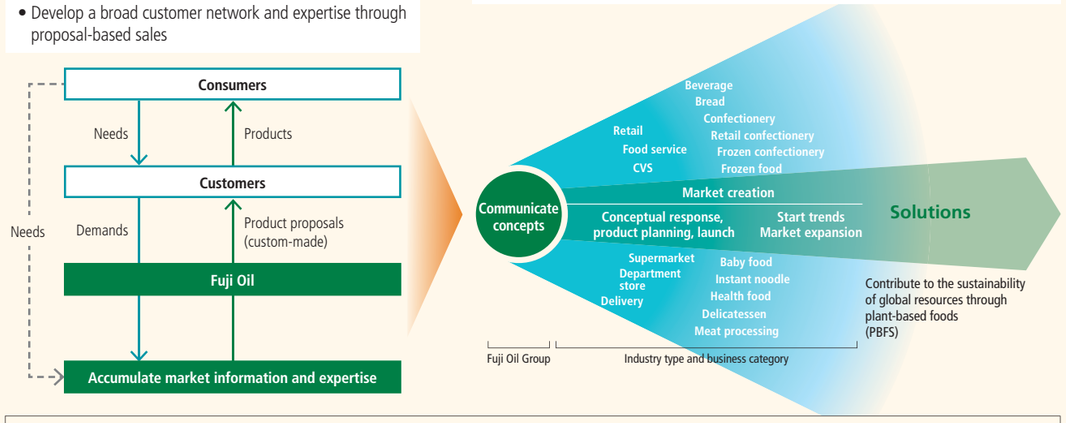
From Customer-Specific Proposal-Based Sales to Creating Markets with Solution-Oriented Business

Customer-specific proposal-based sales

- Uncompromising commitment to contributing to customers
- Customer-specific proposal-based sales that leverage core technologies and a diverse product portfolio to meet customer needs
- Develop a broad customer network and expertise through proposal-based sales

Solution-oriented business

- Keep solutions for social issues in mind
- Collaborate with customers to drive market creation by identifying social issues from emerging trends and communicating Fuji Oil Group concepts to the industry as a whole

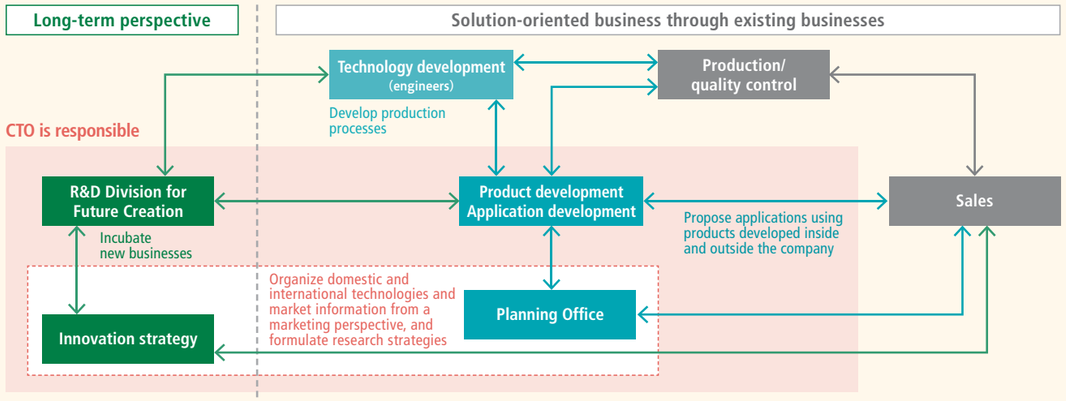


Concept-based proposal case study: Lotteria's Soy Veggie Burger

Fuji Oil and Lotteria, a Japanese fast food restaurant, co-developed the patty for the Soy Veggie Burger. We launched the product in response to the concept of contributing to people's health with plant-based ingredients. Textured soy protein material can produce a patty that is healthy and has a similar texture to beef.

Internal Promotion System

We are promoting solution-oriented business through the establishment and close coordination of systems that incorporate diverse perspectives.



Open Innovation for Solutions Attuned to Contemporary Change

We promote open innovation (co-creation) internally and externally and strategically apply the technology and knowledge we acquire in the R&D process. This enables us to quickly implement R&D with a competitive advantage and to provide solutions for diversifying social issues unique to each country.

Stronger Group Collaboration

The research and development of measures to solve social issues being conducted at Group companies in Japan is not necessarily more advanced. We are strengthening cooperation by building a close-knit network of R&D bases around the world, and are promoting R&D that makes use of the information and expertise of the entire Group.

Accelerating issue resolution by leveraging intragroup global networks

Information sharing	Global Council	Working teams
• Initiated operation of high-security information sharing system • Sharing information on initiatives in each area	• One or more meetings annually among development personnel in the same business, regularly scheduled video conferences	• Established working teams to deepen research and accelerate work on common global issues that are difficult to solve by a single group

Promoting Open Innovation

We are accelerating the creation of solutions suited to particular areas through joint research with universities that are making progress in investigating social issues. We also conduct collaborative research with research institutions that have technology we do not possess to further our efforts to address global and area-specific social issues.

The concept of what is an acceptable solution for the same social issues is area specific.

(Example) Use plant-based foods as an alternative to counter depletion of animal resources Europe: partial substitution Americas: 100% substitution	Must consider solutions for each area

Human Resource Development and Acquisition of Specific Technologies through Study Abroad

Aiming to acquire specific technologies the Group does not possess and learning different ways of thinking, we are dispatching R&D personnel to study abroad. We dispatched people to Copenhagen University (Denmark) in 2018 and to Wageningen University & Research (Netherlands) in 2019.

Corporate Governance

Basic Approach

Through the realization of effective corporate governance, we aim to prevent situations that might harm corporate value, such as violation of laws and regulations, fraud or misconduct, and to strive for sustainable growth and improvement of corporate value over the medium to long term. In addition, we have positioned corporate governance as an important mechanism for decision-making that is transparent, fair, prompt and resolute in order to meet the expectations of stakeholders such as shareholders, customers, other business partners, our officers and employees, and society.

WEB Fuji Oil Holdings Corporate Governance Guidelines
See our website for more information about our basic approach to corporate governance.
(https://www.fujioilholdings.com/en/ir/policies_and_systems/governance/)

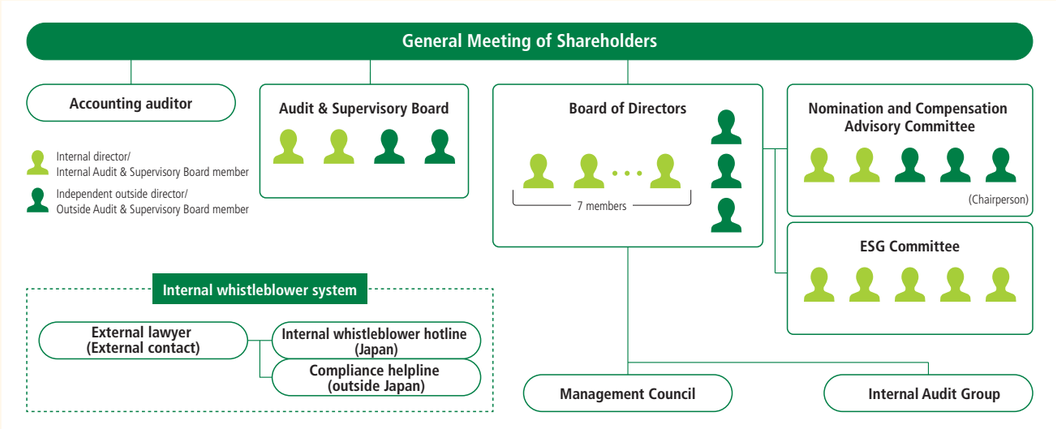
Status of Corporate Governance (As of June 20, 2019)

Company name	Fuji Oil Holdings Inc.
Institutional design	Company with an Audit & Supervisory Board
Organizational system	Pure holding company
Number of outside directors	3 (including one female)

	Chairperson	Composition: Total	Internal directors	Independent outside directors	Audit and Supervisory Board members	Reference: Meetings during FY 2018[1]
Members of the Board	President (Hiroshi Shimizu)	14	7	3	4 (including 2 outside members)	20
Management Council	President (Hiroshi Shimizu)	10[2]	7	0	Observer	16
Nomination and Compensation Advisory Committee	Independent outside director (Kazuhiro Mishina)	5	2	3	Observer	11
ESG Committee	Internal director (Takashi Kadota, C"ESG"O)	5	5	—	—	2
Audit & Supervisory Board	Standing Audit & Supervisory Board member (Makoto Shibuya)	4	0	0	4 (including 2 outside members)	13

Notes: 1. April 2018 to March 2019
2. Includes three executive officers appointed by the president

Corporate Governance Structure (As of June 20, 2019)



Approach to Overall Balance, Diversity and Scale of the Board of Directors
(Corporate Governance Code, Supplementary Principle 4.11.1)

Fuji Oil Holdings has established a system in which the Board of Directors engages in energetic, substantive discussion while maintaining the appropriate number of members necessary to make prompt decisions. There are currently 10 directors. We select candidates from inside and outside the Company who have excellent character and knowledge. In particular, we select outside directors who have excellent knowledge in specialized fields including corporate management and business strategy. The board aims to help increase corporate value by participating in the formulation of management strategies and supervision of business execution from various points of view.

The Company believes that the diversity of the Board of Directors (including gender, nationality, and expertise) is important, and has appointed three outside directors (one of whom is female). The Company has also provided notification that it has five independent directors/ independent Audit & Supervisory Board members (including two outside Audit & Supervisory Board members) who fulfill the standards related to independence set by the Tokyo Stock Exchange. We strive to ensure the objectivity and transparency of the candidate selection process based on the reports of the Nomination and Compensation Advisory Committee, which is chaired by an outside director.

At present, the Board of Directors is considering the issue of the most suitable structure for the board. From fiscal 2019, the Company has added one outside director to strengthen management oversight, thus increasing the ratio of outside directors to 30%. However, the ratio of outside directors has not reached one-third, so we will consider how to address this issue in the future.

Assessment of Board Effectiveness

We assess the effectiveness of the Board of Directors in a manner that ensures objectivity and transparency, and use the assessment to improve our corporate governance.

In fiscal 2018, we focused on confirming progress on issues presented in the previous year's assessment.

Issues for improvement identified in the FY 2017 assessment	1. Strengthen the supervisory function of the Board of Directors of the holding company 2. Clarify the role of the Nomination and Compensation Advisory Committee and further improve its functions 3. Enhance the diversity of the Board of Directors
Third-party interviews and analysis of results based on anonymity	• Officers assessed: 5 directors and 2 Audit & Supervisory Board members (confirmation of progress on issues: President and CEO, outside directors, 2 standing Audit & Supervisory Board members; General questions to new directors: 3 new directors (including 1 outside director))
Results of the FY 2018 assessment	**Improvements** Organizational reform (review of Corporate Officer system) enhanced the diversity and clarified the roles of the Board of Directors by increasing the number of outside directors by one. **Future Initiatives** Enhance group governance in line with large-scale acquisition **Points for Improvement and Enhancement of Functions** 1. Appropriate supervision to enhance discussions and execution of medium- and long-term strategy 2. Clarify the roles and functions of the Nomination and Compensation Advisory Committee

Future Policies

The Board of Directors discussed and studied the assessment based on reports from third-party organizations. As a result, the board decided to start formulating an action plan for the issues listed in the assessment.

Address Corporate Governance Code (CGC)

C Comply
E Explain

Items	Before the CGC was revised (announced July 2018)	After the CGC was revised (announced December 2018)	Updated CGC (announced July 2019)
Principle 1.4 Cross-Shareholdings	E Update Status of and criteria for holding	C Revision Status of holding and approach to cost of capital	C Update Status of holding and approach to cost of capital
Principle 2.6: Roles of Corporate Pension Funds as Asset Owners	—	E New Status of planned human resource assignment/ deployment initiatives	E Same as at left
Supplementary Principle 4.11.1 Board of Directors	C	E Revision Approach to changing the ratio of outside directors	E Update Approach to changing the ratio of outside directors
Supplementary Principle 4.11.3 Assessment of Board Effectiveness	C FY 2017 assessment	C Same as at left	C Update FY 2018 assessment

Highlight

Principle 1.4: Cross-Shareholdings

- Current holding status of cross-shareholdings: 26 cross-held stocks (54.9% reduction on a total acquisition price basis compared with March 31, 2016)
- We will carefully review whether the benefits and risks associated with holdings match the cost of capital calculated using CAPM, and will continue to verify propriety and reduce holdings.
- Approach to cost of capital: Cost of Equity = Risk-free rate* + β value × Risk premium
- Approach to exercising voting rights for specific holdings: Aligned with the Company's holding policy and improves the corporate value of the issuing company

* Uses weighted average risk-free rate taking into account the ratio of shares held by domestic and foreign institutional investors

Compensation System

The calculation method and actual compensation for fiscal 2018 are as follows. We have completely revised the compensation system, and will employ the new system after the required approval procedures.

Item	System used in FY 2018	
	Board of Directors	Audit & Supervisory Board members
Decision procedure	Within the total amount resolved at the General Meeting of Shareholders • Annual compensation for directors of up to ¥600 million (Of which annual compensation for an outside director is up to ¥30 million, including bonuses, excluding the portion of employee compensation for directors who concurrently serve as employees)	Within the total amount resolved at the General Meeting of Shareholders • Annual compensation for Audit & Supervisory Board members of up to ¥100 million
	Remuneration is decided by resolution of the Board of Directors based on the report of the Nomination and Compensation Advisory Committee, with final approval by the President and CEO	Discussion among Audit & Supervisory Board members
Remuneration	Fixed compensation (monthly compensation[1]) + short-term variable remuneration (bonus linked to individual and company performance[2]) Notes: 1. Annual compensation according to job title and job responsibilities, with reference to survey data from external specialized agencies 2. Takes into account factors such as short-term results, business environment, stock price and dividend trends * Outside directors only receive fixed compensation.	Fixed compensation (monthly compensation[3]) 3. Appropriate level for roles and duties using survey data from external specialized agencies. In consideration of independence, fixed compensation according to responsibilities and full-time and part-time duties.

Total Remuneration by Position, Total Remuneration by Type and Number of Eligible Recipients (FY 2018 Actual)

Position	Total remuneration (millions of yen)	Total remuneration by type (millions of yen)				Number of eligible recipients (persons)
		Basic compensation	Stock options	Bonuses	Retirement benefits and provision for retirement benefits	
Directors (excluding outside directors)	298	205	—	92	—	8
Audit & Supervisory Board members (excluding outside Audit & Supervisory Board members)	52	52	—	—	—	2
Outside directors/outside Audit & Supervisory Board members	43	43	—	—	—	5

Notes: 1. The above includes compensation for one director who retired at the conclusion of the 90th Ordinary General Meeting of Shareholders.
2. The above includes compensation for one outside Audit & Supervisory Board member who retired at the conclusion of the 90th Ordinary General Meeting of Shareholders.
3. The above includes bonuses for directors for fiscal 2018.
4. The above total remuneration of directors does not include employee compensation for directors who concurrently serve as employees.

Outside Directors and Outside Audit & Supervisory Board Members

The Company has three outside directors and two outside Audit & Supervisory Board members.

The Company selects outside director and Audit & Supervisory Board member candidates after carefully considering their ability to objectively and appropriately fulfill their functions and roles in supervising or auditing based on experience and expert knowledge, and making sure there is no risk of conflict of interest with general shareholders. The Fuji Oil Group corporate governance guidelines define selection criteria. We meet the requirements for independence stipulated by the stock exchange on which the Company is listed with respect to independence for appointing outside directors and outside Audit & Supervisory Board members.

Outside directors supervise management from the perspective of shareholders by attending meetings and expressing their opinions from an objective point of view. Outside directors also serve on the Nomination and Compensation Advisory Committee, which is an advisory body chaired by an outside director, and deliberate and advise on the nomination and compensation of outside directors and outside Audit & Supervisory Board members.

Outside Audit & Supervisory Board members regularly exchange opinions at Audit & Supervisory Board meetings, and strive for mutual cooperation by sharing information and exchanging opinions with internal audit personnel and the accounting auditor. One Outside Audit & Supervisory Board member also serves on the Nomination and Compensation Advisory Committee as an observer.

Name	Concurrent Post	Reasons for Appointment
Outside Director Kazuhiro Mishina	University Professor	Mr. Mishina has been active for many years at the forefront of research in corporate economics, including management strategy and managerial theory. We believe that we can maintain objective, impartial and fair supervision of our business execution by having him attend board meetings to monitor and supervise management from an independent, objective viewpoint using his highly specialized learning and extensive experience.
Outside Director Yuko Ueno	Manager	Ms. Ueno has many years of experience working as a marketing consultant for numerous companies, local governments, etc. She also operates her own business as a manager, works as an outside director for listed companies, and has a wealth of experience combined with good judgment. We believe we can maintain objective, impartial and fair supervision of our business execution by having her attend board meetings to monitor and supervise management from an independent, objective viewpoint using her highly specialized learning and extensive experience. We believe she is capable of independent and objective supervision of management and business execution.
Outside Director Hidenori Nishi Newly appointed	Manager	Mr. Nishi has deep knowledge of marketing and is expected to draw on many years of management experience to provide useful advice to management from a fresh perspective. We believe he is capable of independent and objective supervision of management and business execution.
Outside Audit & Supervisory Board Member Kouichi Kusao	Attorney	Mr. Kusao is an expert in corporate law with specialized knowledge as an attorney at law. He is an outside audit & supervisory board member at multiple companies and has extensive experience and a high level of insight, and the Company believes that it can maintain an objective, impartial and fair auditing system by having him monitor and supervise the Company's management as an outside Audit & Supervisory Board member.
Outside Audit & Supervisory Board Member Ryuta Uozumi Newly appointed	Certified Public Accountant	Mr. Uozumi is a Certified Public Accountant with many years of experience and a track record of accounting audits at an audit firm. He also has extensive knowledge in and experience with sustainability issues, including environmental accounting, and experience as an outside corporate auditor at other companies. We believe that he can develop and strengthen our corporate auditor functions.

Messages from Outside Directors

Kazuhiro Mishina
Professor at Graduate School of Business Administration, Kobe University

Corporate Governance Progress Report

One of the key points of governance is the design of compensation systems. We wanted to further enhance incentives after eliminating arbitrary, self-serving decisions and any chance of damaging the trust we have earned from our stakeholders. Even when we had agreed on the big picture, detailed debate on this topic required significant time. However, we finally found an approach that incorporated our objectives.

The next challenge is to formulate criteria for selecting and dismissing the CEO and to create a succession plan. This also involves creating a system to prevent the risk of confusion in the distant future, rather than solving specific problems. We do not simply follow the lead of other companies. We focus on themes that require wisdom and knowledge. Outside directors will consider systems suitable for the Fuji Oil Group from the perspective of shareholders, customers, employees and stakeholders outside Japan.

→Please also refer to the comments from Outside Director Kazuhiro Mishina in the Feature on pages 18 to 22.

Yuko Ueno
President and CEO
Ueno Distribution Strategy Laboratory Co., Ltd.

ESG Management and Expectations for Global Marketing That Help Women Excel

I am impressed by the Fuji Oil Group's commitment to ESG management, and by its attractiveness as a company. Fuji Oil can be proud it promotes management that emphasizes the balance between the social and economic aspects of its business, with the aim of achieving growth over the medium and long term. We now need to keep our sights set on RE100.*

The investment to acquire Blommer significantly exceeded the capital investment planned for in the mid-term management plan, and I hope that it will accelerate the process of establishing group management and global governance.

Promoting diversity and creating a succession plan are important issues for Fuji Oil, and I believe that a personnel strategy is essential to those goals. The Fuji Oil Group has an urgent need to establish a global personnel system to promote global strategies. Above all, I think utilizing women is a key theme.

The food business model varies according to country and region, so Fuji Oil needs to develop optimal regional marketing that is tailored to local tastes. This involves understanding local lifestyles, values and food needs and connecting them to market creation, which would benefit greatly from the sensibilities and capabilities of women.

In recent years, companies from multiple industries have entered and are now competing in the plant-based food market worldwide. However, I expect the Fuji Oil Group to build on its leadership in this field with its concept of revolutionary ingredients that are both delicious and responsibly sourced. This is the energetic Fuji Oil Group that requires my fresh external perspective.

*Renewable Energy 100%: A global business initiative committed to 100% renewable power.

Hidenori Nishi
Former Representative Director and Chairman, Kagome Co., Ltd.
Outside Director, NAGASE & CO., LTD.

Sustainable Growth through Governance Unique to the Fuji Oil Group

Having worked in the food industry for many years, I strongly feel that the Fuji Oil Group continues to create unique value that other companies do not offer.

The Fuji Oil Group is currently implementing Towards a Further Leap 2020, its mid-term management plan for fiscal 2017 through fiscal 2020, while holding true to the corporate DNA it has had since its establishment, which is the foundation of its business.

The mid-term management plan envisions global business growth with a solution-oriented business model, and Fuji Oil has made progress during the first two years with specific initiatives in fiscal 2017 and 2018, including M&A. In addition, Fuji Oil is promoting activities to strengthen management fundamentals such as finance, procurement and ESG.

Particularly, corporate contribution to society involves more than non-business activities such as donations. It requires evolving to integrate CSR into business processes, and incorporating more sophisticated CSV* into corporate value creation.

Corporate governance will evolve from passive to active, by which I mean it will not simply satisfy general social needs and standards, but instead will require building "Fuji Governance" with tenets unique to the Group based on the Fuji Oil Group Management Philosophy. This is a necessary step in providing leadership for its Group companies in generating sustainable growth while resolving social issues.

As an outside director, I would like to help make more diverse corporate value creation a reality for the Fuji Oil Group by engaging in management from a stakeholder perspective, that is, a perspective different from that of the Company.

* Creating Shared Value

Audit & Supervisory Board

In response to recent corporate governance reforms, standing Audit & Supervisory Board members and outside Audit & Supervisory Board members collaborate on audits according to their attributes and expertise in order to fulfill the roles and responsibilities required of corporate auditors, and oversee the execution of duties of directors. In addition, in order to enhance the effectiveness of audits, they work closely with the accounting auditor and the Internal Audit Group.

Audit & Supervisory Board Activities in FY 2018

Audit & Supervisory Board members considered risks and issues in the following areas, established an annual action plan, conducted audits, and provided advice and recommendations to directors and executives.

Key auditing issues in FY 2018	1. Validity of the decision-making process 2. Management and administration at Group companies 3. Post-M&A business management 4. Status of corporate governance	
Key auditing actions in FY 2018	1. Attended the meetings of board members and the Audit & Supervisory Board	• Participated in other important meetings
	2. Interviewed board members, executives and employees	
	3. Visited Group companies (5 locations in Japan, 16 locations in 7 overseas countries)	
	4. Collaborated with accounting auditor and the Internal Audit Group (three-way audit)	• Domestic Group Corporate Auditors Liaison Committee
	5. Audited business reports and financial statements	• Assessed the appropriateness of accounting auditor

Auditing Issues for FY 2019

Each Audit & Supervisory Board member and the Audit & Supervisory Board reviewed audit results and discussed issues that will require careful attention in fiscal 2019. The Audit & Supervisory Board identified the following auditing issues, and will conduct relevant auditing activities in fiscal 2019. These issues were the effectiveness of group governance by Fuji Oil Holdings (internal control for the corporate organization); the structure of internal control at each Group company; and post-merger integration (PMI) at companies added through M&A.

Internal Control System

We view internal control as a risk management framework for ensuring the effectiveness and efficiency of operations and for the achievement of business targets. In particular, we are working to identity and improve issues related to the Group's internal control system. We are implementing improvement activities at each Group company and the holding company provides guidance based on each situation. In addition, we conduct comprehensive monitoring and make suggestions for improvement through internal audits. We will continue these activities.

Internal Control Achievements during FY 2018

Fuji Oil Group Operating Audits	Total of 15 companies and divisions (Affiliates: 8 overseas and 4 in Japan; 3 audit divisions in Japan)	
Audit of Fuji Oil Group's internal controls	1. SOX assessment	• Assessment of Groupwide control and accounting control. Total of 15 companies: Fuji Oil Holdings, 10 companies overseas and 4 in Japan • Assessment of business process control: 5 businesses, 10 processes
	2. Assessment of governance at affiliates	• Total of 20 companies: 19 companies overseas and 1 in Japan * Identified key issues in strengthening group governance. Collaborated with each division for which Fuji Oil Holdings is responsible. Made recommendations based on results and implemented activity support.
Provided reports to the Board of Directors and other key bodies	Fuji Oil Holdings	9 discussions at and reports to the Board of Directors; 4 reports to the Management Council
	Fuji Oil Co., Ltd.	4 reports to the Board of Directors
Three-way audit * Enhanced cooperation between the Audit & Supervisory Board and the accounting auditor. Improved efficiency and effectiveness of audits.	1. Three-way audit liaison meetings	1 per year
	2. Collaboration with the Audit & Supervisory Board	• Regular briefing sessions: 1 every 2 months • Integrated operating audit (standing corporate auditor): 5 overseas companies • Attended Domestic Group Corporate Auditors Liaison Committee meetings
	3. Collaboration with accounting auditor	• Followed up to improve the issues pointed out by the auditors • As a result of internal audits, we will promptly report improvement progress to enhance our understanding and assessment of these departments, and we will increase our reliance on internal audits.

Business and Other Risks

Of the matters related to business conditions and the status of accounting, etc., matters with the potential to have a serious impact on investor decisions include the following. Please note that this does not represent a comprehensive assessment of all risks related to the Group and that risks other than those indicated below may exist.

Risk Item	Assumption	Possible Risk	Measures by the Fuji Oil Group
1 **Fluctuations in raw material prices**	• Main raw materials include palm oil, coconut oil, cacao beans, milk raw ingredients, soybeans and soy meal	• Market price fluctuations	• Conduct hedge transactions, futures contracts, etc. • Reflect cost increases in sales prices and other measures • Promote strategy to raise proportion of specialty products that are resistant to market fluctuations
	• Blommer operates in the cocoa bean processing business	• Market price valuations at the end of the consolidated accounting year due to hedge accounting issues	• Conduct hedge transactions • Reduce fluctuation risks through cacao bean procurement scheme with ITOCHU Corporation
2 **Fluctuations in currency market**	• Business on a global scale • Overseas sales accounted for 43% of revenue during FY 2018	• Fluctuations in currency markets • It would take time to adjust product prices due to the particularly volatile nature of the Brazilian real	• Implement forward exchange contracts and other risk hedges • Promote financial risk reduction measures through global cash management
3 **Risks inherent to engaging in overseas markets**	• Conduct business operations through bases established in 20 countries to promote global growth	• Protective measures (restrictions) unique to specific countries, unanticipated legal or regulatory changes, the introduction of unfavorable tax regimes for the Group due to complex international tax administration or tax system revisions, or political or social risks	• Build a network with experts (legal, tax, labor, etc.) in each country and promote measures to prevent or reduce the emergence of risks through early detection (see list on left) and collaboration
4 **Capital expenditure recovery risks**	• Capital expenditures of ¥60-¥70 billion over the four years of the mid-term management plan • Continue corporate buyouts to ensure a global competitive advantage in core business	• Goodwill as of the end of FY 2018 is ¥60.5 billion • Impairment losses on fixed assets due to changes in the business environment, etc.	• Introduce and adhere to investment withdrawal standards that reflect capital costs • Strengthen management structure to achieve growth strategies and utilize Group synergies
5 **Food safety**	• Conduct global operations, centered on food	• In the event of a serious quality problem that exceeds expectations, there is a risk that the Group could incur massive costs as well as serious damage to the reputation of all the Group's products	• Continue thorough implementation of the Group Management Philosophy and quality control measures • Begin introduction of global quality control standards, promote measures to ensure compliance by Group companies • Begin regular audits by the Production Productivity Management Group, support for Group companies through the holding company
6 **Supply chain environmental and social risks**	• Main raw materials are agricultural products such as palm oil, cacao beans, and soybeans	• Issues during business operations or along the supply chain such as environmental issues or human rights issues such as child labor or forced labor	• Establish the Responsible Palm Oil Sourcing Policy and Responsible Cacao Sourcing Policy to prevent or reduce environmental and human rights risks in the supply chain
7 **Risks related to disasters and accidents**	• Bases with assets and employees worldwide	• Major earthquake or other natural disaster, power outage, fire or explosion, infectious disease epidemic, or conflicts in any of the regions in which our production facilities are located • Terrorism or violent demonstrations	• Risk management in each Group company during normal times through global risk management system, implementation of PDCA cycle, and swift and appropriate responses during emergencies • Creation of business continuity plans (BCP) by main Group companies
8 **Risks related to information systems and information security**	• Manage and operate various systems in the Group	• The risk of damage to our information systems due to a power outage, disaster, unexpected cyberattack, unauthorized access, computer virus infection, etc., or a leak of internal information, etc.	• Build an appropriate system management structure, implement appropriate security measures and expand coverage • Enter consulting contracts with IT firms for risk assessments of Group companies
9 **Risks related to human resource hiring and development**	• Hiring and development of employees capable of preforming on the global stage is vital	• Inability to conduct hiring and development of elite human resources in accordance with plans	• Promote diversity and build environment that enables hiring and development of human resources capable of taking on challenges in global markets • Plan to implement global talent management strategy

Directors, Audit & Supervisory Board Members, and Executive Officers

(As of June 20, 2019)

Directors

Hiroshi Shimizu
President
Chief Executive Officer (CEO)

Born July 1, 1953

Apr.	1977	Joined the Company
Apr.	2013	President and Chief Executive Officer (CEO) (to present)
Oct.	2015	Chief Executive Officer (CEO) (to present)

Mr. Hiroshi Shimizu was appointed as a director in June 2004 and has acted as President and CEO since April 2013. During the transition to a pure holding company in October 2015, he directed the reform of the management system and constructed the foundation for realizing the improvement of corporate value by sustainable growth of the Group, through transferring authority to regional headquarters and strengthening overall governance functions in the Group.

Mikio Sakai
Director
Senior Executive Officer
Chairman of Blommer Chocolate Company

Born October 6, 1959

Apr.	1983	Joined the Company
Jun.	2015	Director (to present)
Apr.	2019	Senior Executive Officer, Chairman of Blommer Chocolate Company (to present)

Mr. Mikio Sakai has experience as president of important subsidiaries of the Group in regions such as China and America and was appointed as a director in June 2015. He served as Chief Strategy Officer from April 2016. Since April 2019, he has taken the lead in the international business by making full use of his business execution and management capabilities as Chairman of Blommer Chocolate Company, which is the core chocolate business in North America.

Tomoki Matsumoto
Director
Senior Executive Officer,
Chief Financial Officer (CFO)

Born December 20, 1960

Apr.	1985	Joined the Company
Jun.	2015	Director (to present)
Oct.	2015	Chief Financial Officer (CFO) (to present)
Apr.	2019	Senior Executive Officer (to present)

Mr. Tomoki Matsumoto has a wealth of business experience mainly in finance, accounting and corporate planning and he was appointed as a director in June 2015. He has worked as Chief Financial Officer since October 2015 when the Company made the transition to a pure holding company structure and has been contributing to the proactive disclosure of Company information.

Tatsuji Omori
Director
Senior Executive Officer
President of Fuji Oil Co., Ltd.

Born April 28, 1960

Apr.	1983	Joined the Company
Apr.	2017	President of Fuji Oil Co., Ltd. (to present)
Jun.	2017	Director (to present)
Apr.	2019	Senior Executive Officer (to present)

Following many years of experience working in the Sales Department, Mr. Tatsuji Omori served as president of a Group subsidiary in China and General Manager. Since April 2017, he has taken the lead in domestic business by making full use of his business execution and management capabilities as President of Fuji Oil Co., Ltd., which is the core of the Group companies.

Takehiko Sumiya
Director
Senior Executive Officer,
Chief Administrative Officer (CAO)
President of Toraku Foods Co., Ltd.

Born July 16, 1958

Apr.	1983	Joined the Company
Jun.	2017	Director (to present)
Apr.	2019	Chief Administrative Officer (CAO) (to present)
		Senior Executive Officer (to present)
		President of Toraku Foods Co., Ltd. (to present)

Following his experience working in sales planning and at the Sales Department, etc., Mr. Takehiko Sumiya served as president of a domestic Group company over many years. Since April 2017, he has been in charge of marketing strategy for the Group as Chief Marketing Officer of the Company. Since 2019, he has held the position of Chief Administrative Officer.

Takashi Kadota
Director
Senior Executive Officer,
Chief "ESG" Officer (C"ESG"O)

Born April 2, 1959

Apr.	1985	Joined the Company
Jun.	2018	Director (to present)
Apr.	2019	Chief "ESG" Officer (C"ESG"O) (to present)
		Senior Executive Officer (to present)

Mr. Takashi Kadota has worked in the engineering development department for a long period of time, has been responsible for overseeing safety, quality, and production, and has spent time living in the United States and China. Since April 2018, he has been in charge of safety, quality, and environmental strategies for the Group as Chief Quality Officer of the Company. Since April 2019, he is responsible for promoting ESG management as Chief "ESG" Officer.

Haruyasu Kida
Director
Senior Executive Officer,
Chief Technology Officer (CTO)

Born April 17, 1960

Apr.	1985	Joined the Company
Apr.	2018	Chief Technology Officer (CTO) (to present)
Jun.	2018	Director (to present)
Apr.	2019	Senior Executive Officer (to present)

Following his extensive experience working in research and development, Mr. Haruyasu Kida served as General Manager of the Oils and Fats Division, and he has managed the operations of the oils and fats business globally. Since April 2018, he has been in charge of promoting research and development strategy and technology management for the Group as Chief Technology Officer of the Company.

Kazuhiro Mishina
Director[1]
Independent Director[3]

Born September 23, 1959

Oct.	2004	Professor at Graduate School of Business Administration, Kobe University (to present)
Jun.	2012	Independent Director of Nichirei Corporation
Jun.	2013	Outside Director (to present)
Jun.	2016	Independent Director of Nippon Paint Holdings Co., Ltd.

Mr. Kazuhiro Mishina is an academic who has years of experience in the forefront of corporate economic research such as corporate strategies and theory of corporate managers. He has not directly engaged in corporate management, but he works as an outside director at multiple companies and has highly specialized knowledge along with a wealth of experience.

Yuko Ueno
Director[1]
Independent Director[3]

Born July 7, 1954

May	1981	Established World Design Corporation
Sep.	2010	President and CEO of Ueno Distribution Strategy Laboratory Co., Ltd. (to present)
Jun.	2016	Councilor of Incorporated Educational Institution Kobe Shoin Women's University
Jun.	2018	Outside Director (to present)

Ms. Yuko Ueno has worked as a marketing consultant for many years, and has provided consultation to many companies and local government agencies, etc. In addition, she is involved in corporate management as a manager, works as an outside director for a listed company, and has a wealth of experience as well as an advanced level of insight.

Hidenori Nishi
Director[1]
Independent Director[3]

Born January 6, 1951

Apr.	1975	Joined Kagome Co., Ltd.
Apr.	2009	President & Representative Director, Kagome Co., Ltd.
Jun.	2014	Outside Director , NAGASE & CO., LTD. (to present)
Mar.	2016	Representative Director and Chairman, Kagome Co., Ltd.
Jun.	2019	Outside Director (to present)

Mr. Hidenori Nishi has worked for many years in a global food products business and has abundant experience as a corporate manager, a deep knowledge of marketing, and a high level of insight into the food industry, the Company's core business area. The Company believes that he will be able to use his experience to strengthen the oversight of the Company's business operations and improve the effectiveness of the board.

Audit & Supervisory Board Members

Hiroshi Kumabe
Standing Audit & Supervisory Board Member

Born October 23, 1956

Makoto Shibuya
Standing Audit & Supervisory Board Member

Born October 25, 1959

Kouichi Kusao
Outside Audit & Supervisory Board Member[2]
Independent Audit & Supervisory Board Member[3]

Born March 7, 1960

Ryuta Uozumi
Outside Audit & Supervisory Board Member[2]
Independent Audit & Supervisory Board Member[3]

Born February 24, 1948

Executive Officers

Takeshi Takasugi	Senior Executive Officer	President of Fuji Specialties, Inc.
Yasuhiro Maruhashi	Senior Executive Officer	Chief Strategy Officer (CSO) Member of the Board of Fuji Oil Co., Ltd.
Masataka Minemura	Executive Officer	President of Fuji Oil (China) Investment Co., Ltd.
Hiroshi Shinano	Executive Officer	Oils & Fats and Chocolate Division
Kazunobu Tsumura	Executive Officer	R&D Division for Future Creation
Toshifumi Asada	Executive Officer	HR/Legal/General Affairs Division; Director of Fuji Oil Co., Ltd.
Hiroyuki Sano	Executive Officer	Director of Fuji Oil Co., Ltd.
Tatsuaki Hirosawa	Executive Officer	Director of Fuji Oil Co., Ltd.
Hitoshi Shindachi	Executive Officer	Managing Director of Fuji Oil Asia Pte. Ltd.
Naohiro Rokukawa	Executive Officer	Managing Director of Fuji Europe Africa B.V.
Kiyohito Suzuki	Executive Officer	PBFS (Plant-Based Food Solutions) Division

1. Directors Kazuhiro Mishina, Yuko Ueno and Hidenori Nishi are outside directors pursuant to article 2 (3) (v) of the Ordinance for Enforcement of the Companies Act.
2. Outside Audit & Supervisory Board members Kouichi Kusao and Ryuta Uozumi are outside Audit & Supervisory Board members pursuant to article 2 (3) (v) of the Ordinance for Enforcement of the Companies Act.
3. Kazuhiro Mishina, Yuko Ueno, Hidenori Nishi, Kouichi Kusao and Ryuta Uozumi fulfill the standards related to independence set by the Tokyo Stock Exchange.

The Fuji Oil Group's Growth Strategy

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51 Vegetable Oils and Fats Business
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53 Industrial Chocolate Business

56 Soy
57 Soy-Based Ingredients Business
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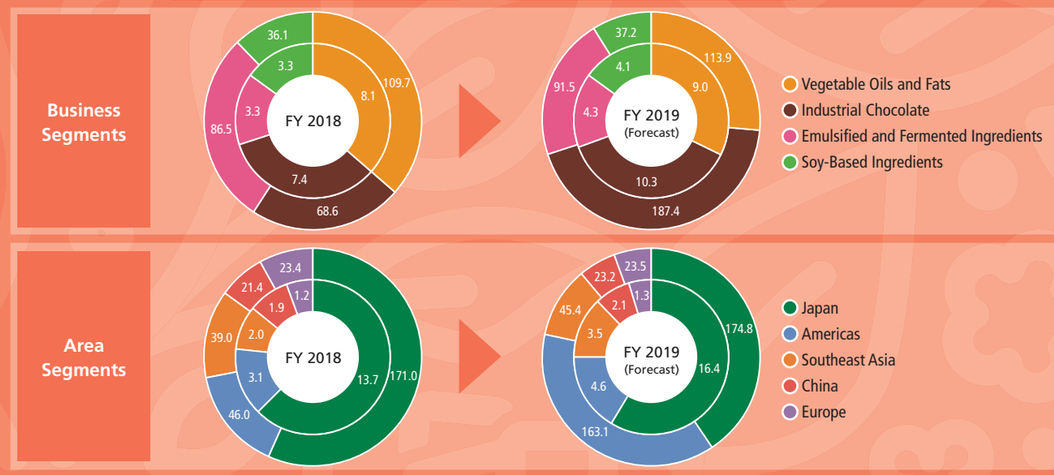
Business Results

See Fact Book 2019 for more detailed financial data.

	FY 2018 Results	FY 2019 Forecast
Revenue (outer circle)	¥300.8 billion	¥430.0 billion
Operating Profit (inner circle)	¥18.5 billion	¥24.0 billion



Notes: 1. Business segment classifications and names have been changed due to expansion of the chocolate business, mainly as a result of the acquisition of Blommer. In addition, area segment classifications have been changed due to expansion of business in China.
2. The above results for fiscal 2018 reflect these new classifications for fiscal 2019.
3. Composition of operating profit in the pie charts excludes Group administrative expenses and consolidation adjustments.

Mid-Term Management Plan

Towards a Further Leap 2020 (2017–2020)

Four years in which we will complete the foundation for our leap forward

External Environment

Paradigm shift

An era in which what was common sense no longer applies

- AI, IoT, logistics
- World affairs
- CSR in resources, the environment, human rights
- Changes in dietary cultures

Our Challenges

- Speeding up the pace of global business development
- Strengthening of marketing
- Building the foundation for growth

Basic Strategy

Portfolio Shift

Basic policies

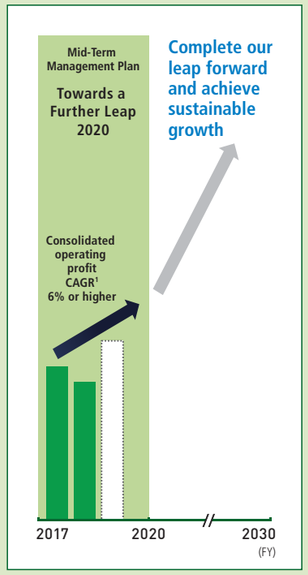
(1) Reinforcement of core competence
(2) Growth of soy business
(3) Development of functional high-value-added products business

(4) Cost reduction and unification with global standards

Growth strategy
Regional strategy
Reinforcement of the management foundation
Financial strategy
Profit structure reform

Global management structure | Strong financial structure | Cost reduction

Basic concepts: Deliciousness and health | "Kachizukuri" (creating value) | Self-reform



	FY 2017 Results	FY 2018 Results	FY 2019 Forecast	FY 2020 Target		FY 2017 Results	FY 2018 Results	FY 2019 Forecast	FY 2020 Target
ROE	8.8%	7.3%	9.4%	10.0%	Cash flow from operating activities	¥28.2 billion	¥22.6 billion	¥32.0 billion	Four-year total ¥100 billion
EPS[1]	+13.5% (YoY)	-15.7% (YoY)	+31.2% (YoY)	CAGR[2] 8% or higher	CCC[1, 3]	103 days (7-day reduction)	105 days[4] (5-day reduction)	105 days (5-day reduction)	10-day reduction
Operating profit growth[1]	+4.0% (YoY)	-9.5% (YoY)	+29.5% (YoY)	CAGR[2] 6% or higher	Capital investment	¥14.7 billion	¥15.9 billion	¥22.0 billion	Four-year total ¥60-¥70 billion
Shareholder returns (Dividend payout ratio)	30.0%	37.1%	30.5%	30-40%	M&A	—	Blommer Industrial Food Services	—	¥50 billion in secured funds

1. Base year: FY 2016 2. Compound annual growth rate 3. Cash conversion cycle 4. Existing businesses excluding Blommer

The Conceptual Foundation and Background of Our Strategy

Yasuhiro Maruhashi
Senior Executive Officer
Chief Strategy Officer (CSO) and Director, Fuji Oil Co., Ltd.

We will strengthen our group management structure to become a truly global company.

Background of Mid-Term Management Plan

The four years of the new mid-term management plan is a period for creating the foundation for a leap towards how we want to be in the future. We felt a very strong sense of crisis first of all about the drastic structural changes facing society, and also the fact that we, as a company, still continued to manage operations centered in Japan and had not established world-class businesses. We wanted to break away from our volatile earnings structure and build a business portfolio that could support global expansion and continue to grow while contributing to social issues and a sustainable society. We decided to focus on "reinforcement of core competence," "growth of soy business" and "development of functional high-value-added products business." We will also work to strengthen our management foundation through "cost reduction and unification with global standards" to become a truly global company.

Progress of Basic Policies

In "reinforcement of core competence," we made significant progress in entering new regions and expanded our business scale by acquiring industrial chocolate manufacturers in Malaysia, Australia and the United States. In the core oils and fats business, we made significant progress in our sustainability efforts, including the establishment of Unifuji (Malaysia) and improvements in supply chain management. On the other hand, in "growth of soy business," although structural reforms have produced some positive results, we were slow to achieve results in new market creation. And in "development of functional high-value-added products business," we overcame technical hurdles in the stabilized DHA/EPA business, but construction of equipment was slower than planned.

Regarding creating a management structure that meets global standards, we think the post-merger integration with Blommer will be a test case.

Key Points in FY 2019

Integration with Blommer will be a top priority in fiscal 2019. The addition of Blommer, a leading industrial chocolate manufacturer, to our Group is highly significant. We will focus on expanding the chocolate business by leveraging our worldwide branding and Group capabilities. Strengthening group management is another priority. After shifting to the holding company structure, operations have mainly been conducted by regional headquarters, but to succeed globally, we also need to raise the effectiveness of the matrix-like management structure by strengthening management based on business lines. In cooperation with the CAO, I want to work on designing systems to create an organizational structure that motivates Group employees and enhances management capabilities.

Achieving the goals of the mid-term management plan will be a milestone on our way to realizing truly global management and achieving sustainable growth. With the addition of Blommer, we are now beginning to see signs of significant change. We will continue to tackle major reforms, keeping in mind our ambition to be an essential company to society.

Reinforcement of Core Competence

• Steadily expanding markets and products in which we are strong

Item	Area	FY 2018 Results	FY 2019 Measures
Expansion of the oils and fats business	U.S.	• Started construction of a new factory • Established area management company	• Continue construction of new factory
	Southeast Asia	• Start of operations at Unifuji	• Promote sales growth for sustainable palm oil led by Unifuji
Expansion of the chocolate business	Japan	• Promoted shift to high-value-added products	• Continue expanding sales of high-value-added products and increase production of colored chocolate
	North America	• Acquired shares of Blommer, started B/S consolidation	• Blommer PMI, start P/L consolidation Highlight
	Brazil	• Used pricing strategies to maintain productivity, reviewed product portfolio	• Formulate growth strategy to create business model for high-value-added products
	Southeast Asia	• Acquired shares of Industrial Food Services (Australia)	• Expand sales area utilizing regional network
	China	• In addition to expanding sales in the bread market, chocolate sales were also favorable	• Generate synergy between the two bases in China
	Europe	• Chocolate sales were favorable	• Focus on maximizing use of existing facilities and on high-value-added products
	M&A, etc.	• Acquired shares of Blommer and Industrial Food Services	• Continue growth investments that outperform capital costs
Expansion of sales in Asia	Southeast Asia	• Resolved bottleneck and promoted whipping cream sales growth	• Conduct sales promotion activities in line with market strategies in each country
	China	• Established FUJISUNNY PLAZA Jinan • Started operations of new factory in July	• Evaluate creation of sales promotion structure to support the next growth strategy for confectionery and bakery ingredients markets

Growth of Soy Business

• Contribute to the health of the Earth and its people
• Develop products that meet the demands of the times

Item	FY 2018 Results	FY 2019 Measures
Final stage of structural reforms	• Transferred equity in Jilin Fuji Protein • Made plans for restructuring soy protein foods business	• Promote business portfolio transformation • Continue Japan market development • Promote profit-focused sales
Expansion into the plant protein market	• Decided to increase capacity for textured soy protein • Started evaluation of overseas business development • Established U.S. regional headquarters, conducted sampling of plant-based cheese alternative	• Study creation of sales structure for plant-based cheese alternative in the Americas

Development of Functional High-Value-Added Products Business

• Deploy polysaccharides and stabilized DHA/EPA businesses
• Enter nutrition and health markets
• Stabilize Group earnings

Item	FY 2018 Results	FY 2019 Measures
Stabilized DHA/EPA business	• Prepared for full-scale sales from second half of FY 2019	• Begin activities for full-scale sales from second half
Polysaccharides business	• Enhanced production of water-soluble soy polysaccharides • Established regional headquarters in Europe	• Continue evaluating regional expansion for polysaccharides business

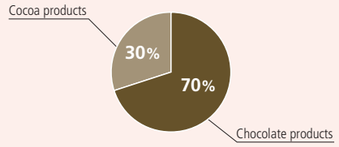
Highlight

Reinforcement of Core Competence: Acquisition of Blommer Chocolate Company

Blommer Chocolate Company

Representative	Peter W. Blommer
Established	1939
Business description	Development, manufacturing and sales of industrial chocolate and processing of cacao beans
Employees	Approx. 950
Position	The largest cacao processor and ingredient chocolate supplier in North America

Products (Share of Revenue)



Advantages

1. Customers
• Customer base of more than 800 companies throughout North America
• Intimate relationships

2. R&D
• Consistent R&D capability from beans to final product

3. Initiatives for sustainability
• Pioneer of sustainable procurement of cacao

Significance of the Acquisition

(1) Increased presence in Pacific Rim markets

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 also now rank second in the Pacific Rim. We will expand business by leveraging the standing of Blommer, a leading industrial chocolate manufacturer, and the Fuji Oil Group, a leading manufacturer of hard butters for chocolate.

(2) Presence in the U.S. market

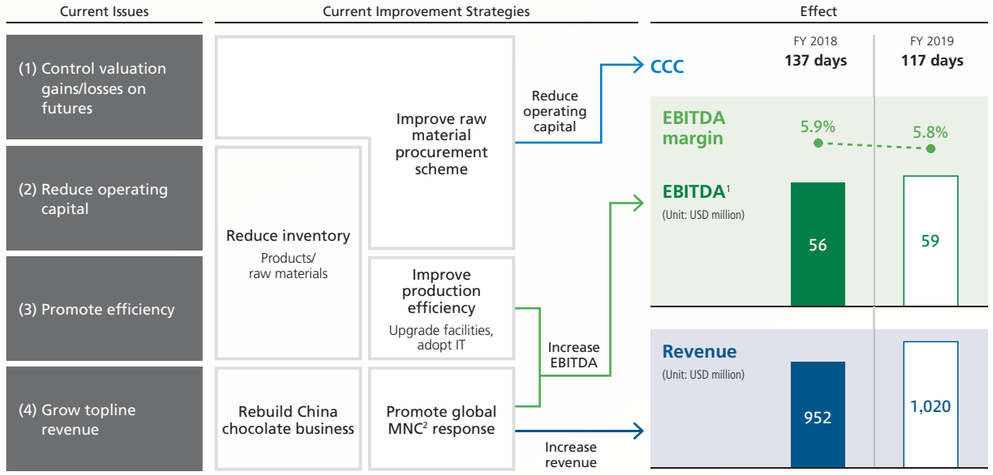
The U.S. is the world's largest market for industrial chocolate, making up 20% of the total global market. A presence here is essential for expanding the scale of our industrial chocolate business. We will meet growing demand for high-value-added products through the strengths of our Group's businesses, products and technologies, and promote differentiation.

(3) Mutually complementary strengths

This is a union in which the two companies' strengths and knowledge complement each other perfectly, including business areas, business regions, customer networks and sustainability of main raw materials. Our mutually complementary strengths will drive business growth across the Group.

FY 2019 Measures

Actively promote improvement of management efficiency and contribute to Group earnings in fiscal 2019, the first year of PMI.



1. FY 2018 EBITDA is adjusted for one-time expenses incurred during management of Blommer, etc. FY 2019 EBITDA is unadjusted. (YoY comparison figures are calculated based on the same period as the consolidated fiscal year (Feb. 2018 to Jan. 2019)
2. Multinational company

Oils and Fats and Chocolate

(Vegetable Oils and Fats, Industrial Chocolate, and Emulsified and Fermented Ingredients businesses)

Business Strategy

Hiroshi Shinano
Executive Officer
Oils & Fats and Chocolate Division

The Vegetable Oils and Fats, Industrial Chocolate, and Emulsified and Fermented Ingredients businesses were established as a way to enhance the added value of palm oil, our main raw material. The Vegetable Oils and Fats Business supports the entire Group through its role in the Group network as a core business, while the Industrial Chocolate Business is a mainstay business of the Group. Supply chain management of palm oil and cacao beans is an important strategy that supports the foundations of the Fuji Oil Group. For palm oil, we will utilize Unifuji, which will go into full-scale operation in fiscal 2019. For cacao beans, we will take advantage of the expertise of Blommer, a leader in the field. Under these two initiatives, we will promote the further development and commercialization of products that contribute to a sustainable world and that are safe and healthy.

We are also making steady progress with measures to expand the Vegetable Oils and Fats Business, such as enhancing competitiveness in the procurement of raw materials and the construction of a new base in the U.S. We will optimize the allocation of oil and fats, where costs are low and we have a technological advantage, to enhance the competitiveness of the Industrial Chocolate and Emulsified and Fermented Ingredients businesses.

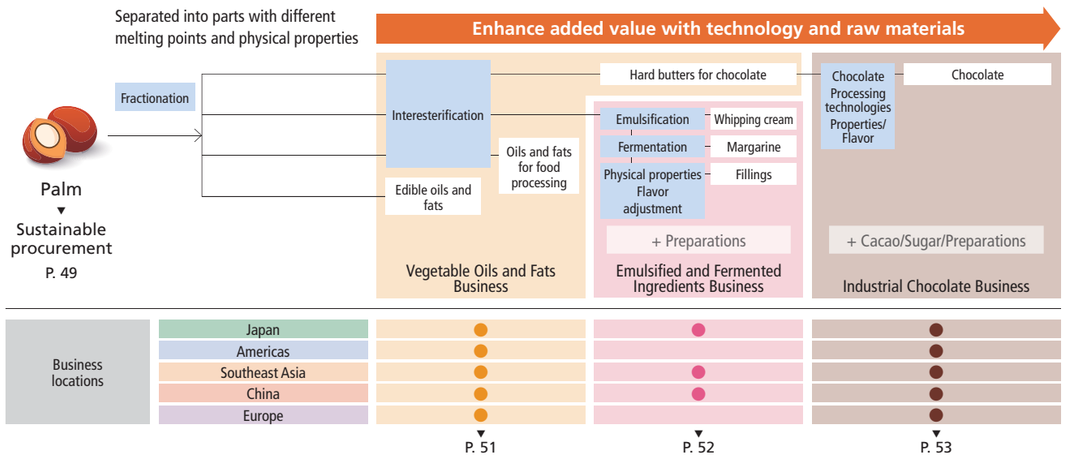
The Industrial Chocolate Business has entered a new stage of competition with our acquisition of shares of Blommer. We will enhance the competitiveness of the business by generating synergy with our basic oils and fats technologies and by strengthening collaboration within the Group to drive growth.

In light of the looming issue of shortages in food resources, we will contribute to the resolution of issues facing the world by providing delicious and sustainable alternatives, while achieving sustainable business growth that contributes to ESG management.

Create a Business Portfolio with Palm at the Core

The Fuji Oil Group has enhanced the added value it provides by utilizing its business foundation, including oils and fats processing technologies, its Group and customer networks, fractionation of palm oil, and processing technologies. The confectionery and bakery ingredients business was changed to the Emulsified and Fermented Ingredients Business and Industrial Chocolate Business in an effort to enhance profitability and contribute to our customers.

In recent years, we have been allocating resources to hard butters for chocolate and industrial chocolate to develop them into strategic products. The Industrial Chocolate Business has become our mainstay business, accounting for about 40% of Group sales.



Sustainable Palm Oil Procurement

WEB See Sustainability Report 2019 for more information about our sustainable procurement activities.
https://www.fujioilholdings.com/en/csr/

The Fuji Oil Group has pioneered a new food culture by continuously pursuing palm oil's potential as a key raw material. We consider aiming for sustainable procurement of palm oil to be our responsibility to society, and are promoting procurement according to our Responsible Palm Oil Sourcing Policy.

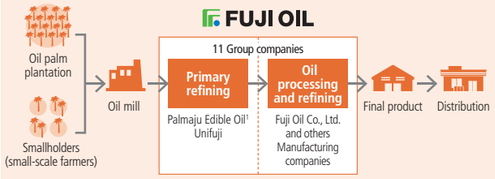
Social Issues Related to Palm

- Environmental issues caused by plantation development
- Human rights issues such as child labor and forced labor

What is palm oil?

- Oil that is extracted from the fruit of the oil palm, which grows in tropical regions such as Southeast Asia.
- Palm oil is easier to process and cheaper than other vegetable oils. For this reason, palm oil is used in a wide range of applications from foods to chemical products.
- Production volume of palm oil is the world's largest among vegetable oil materials.

The Palm Oil Supply Chain and the Fuji Oil Group



The Philosophy of the Fuji Oil Group

Responsible Palm Oil Sourcing Policy
(https://www.fujioilholdings.com/en/csr/sustainable/)

In March 2016, we formulated and announced the Responsible Palm Oil Sourcing Policy for the Fuji Oil Group. In this Policy, we commit ourselves to procuring palm oil produced in a responsible manner from suppliers who respect people and the global environment. We strive to conduct procurement in line with this Policy, in cooperation with our stakeholders.

Key Commitments

- No deforestation of High Conservation Value (HCV) or High Carbon Stock (HCS) areas
- No new peatland development
- No exploitation of indigenous peoples, communities or workers

- KPI: 100% traceability to oil mills by 2020

STEP 1 Understand the supply chain

Main initiatives	Goal	Results
Improve traceability	Understanding the supply chain	• July to December 2018: 99% traceability to oil mills • Published list of oil mills in supply chain to enhance traceability (June 2018)

STEP 2 Improve the supply chain through engagement with suppliers and reduce risks

(1) Supply chain improvement activities at Palmaju	Reduce risks in supply chain	• Worked with suppliers to return passports to over 200 migrant workers at raw material suppliers in the supply chain (December 2017) • Conduct seminars and provide information about making improvements through self-assessments to direct suppliers (oil mills) (From 2017)
(1) Engagement with suppliers		• Engage with all direct suppliers (oil mills) through self-assessments (From 2018) • Help small farmers in Sabah, Malaysia acquire RSPO[2] certification (191 to date) (From 2016)
(2) Grievance mechanism	Receive complaints and improve supply chain	• Set up grievance mechanism (From May 2018) • Publish grievances (From May 2018) Highlight

STEP 3 Sustainable palm oil production and market expansion

Unifuji	Strengthen supply system of sustainable palm oil products	• Start production (From 2018) Highlight
Supply RSPO-certified oil	Address oil certification process	• RSPO-certified oil accounts for 17% of the total palm oil handled by the Group (FY 2018)
Cooperation with academic institutions and others in the industry	Accelerate efforts through cooperation	• Participate in joint research aimed at enhancing productivity and improving the quality of palm oil conducted by an Indonesian research institution (Agency for the Assessment and Application of Technology) (From 2011) • Membership in The Consumer Goods Forum[3] (Japan) • Provide information concerning sustainable palm oil to domestic customers and others

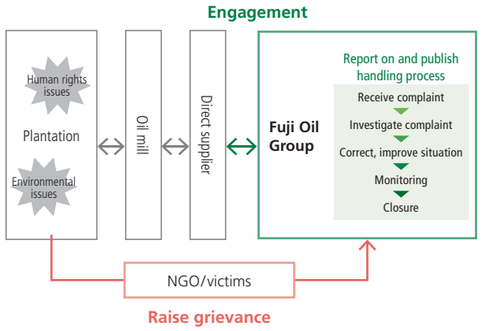
Notes: 1. The Group's primary refining company (Malaysia)
2. Roundtable on Sustainable Palm Oil
3. A global network for the consumer goods retailing and manufacturing industries

Highlight

Operation of Grievance Mechanism

In May 2018, we established and announced a grievance mechanism in accordance with our Responsible Palm Oil Sourcing Policy. It is a mechanism for addressing problems and making improvements to environmental and human rights issues in the supply chain raised with the Fuji Oil Group by stakeholders based on the Responsible Palm Oil Sourcing Policy. For transparency in dealing with grievances, we have set up the Fuji Oil Group grievance mechanism on the Group website. We work to disclose information to stakeholders, and the progress of initiatives is updated at least once every three months.
(https://www.fujioilholdings.com/en/csr/grievance_mechanism/)

Grievance Mechanism



Results

Of the 23 cases investigated since May 2018, six have been closed (as of May 31, 2019). Efforts to resolve the remaining grievances are underway in cooperation with suppliers.

See the latest Grievance List on the website for details.

Example of Response

Grievance	Response from Company
Demand for response to deforestation and human rights issues in "company A"	We confirmed the existence of an indirect connection in the supply chain. Since "company A" showed no sign of improvement, we requested the supplier to stop transactions with them. Transactions were stopped as of September 2018.

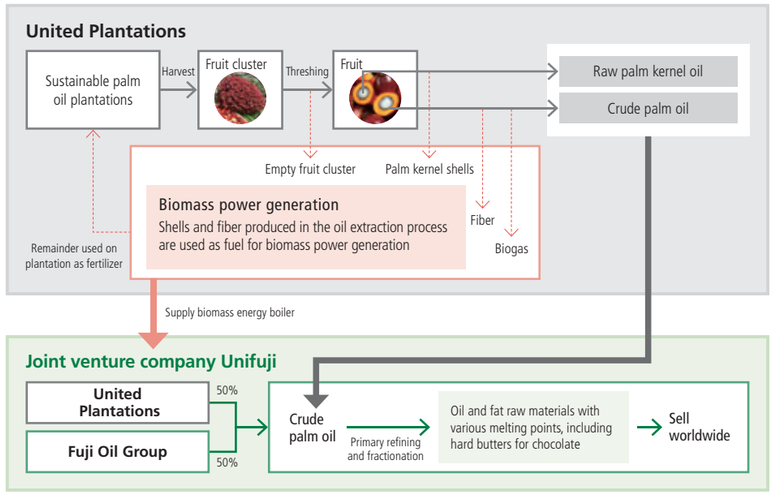
Unifuji Begins Operations

Unifuji Sdn. Bhd. is a joint venture with United Plantations Bhd., which shares our mission to ensure sustainable procurement of palm oil. Unifuji secures high-quality and sustainably produced palm oil as a raw material from United Plantations farms and produces high-value-added palm oil products for sale, based on our fractionation technology, which is one of our strengths. Unifuji began operations in 2018. It will support business growth for the entire Group by making major contributions to the promotion of sustainable procurement of palm oil and the responsible supply of products to customers, which is positioned as a crucial component of the Group's business strategy.

Unifuji is located on United Plantation's vast oil palm farm.

The plantation has a school and a hospital on premises.

A railway network on the plantation ensures quality and traceability.



Vegetable Oils and Fats Business

- Edible oils and fats
- Oils and fats for food processing
- Hard butters for chocolate

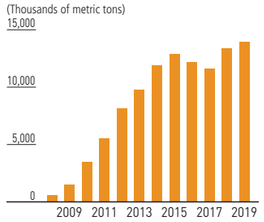
Business Environment

- Multiple global players
- Expansion of scope of upstream businesses of plantation owners
- Competitors are expanding their scope of business through M&A

Market Trends

- Growing demand for sustainable palm oil
- Rising awareness of safety, security and health issues (trans-fatty acids and process contaminants, etc.)

RSPO-Certified Oil Production



Source: Roundtable on Sustainable Palm Oil. Annual production volume of Certified Sustainable Palm Oil (CSPO).

SWOT Analysis

Strengths	• Enzymatic interesterification technology • Product quality, stable supply • Expand portfolio (healthy oils and fats, etc.) • Utilize Group network and inter-business synergy
Weaknesses	• Price competitiveness in commodities
Opportunities	• Sustainable procurement • Rising demand due to global population increase • Rising health consciousness
Threats	• Regulatory changes in various countries

Strategic Directions

Strengthening the Competitiveness of Global Business and Contributing to Health

We are strengthening our competitiveness in the oils and fats business based on supplying low-cost, technically superior oils and fats that support our product lineup in the Industrial Chocolate and Emulsified and Fermented Ingredients businesses, which we aim to expand globally. Focusing on the provision of solutions to burgeoning health problems and rising awareness of sustainability, safety and security around the world, we are concentrating on expanding our range of oils and fats that take into account or contribute to health.

FY 2018 Results

- Progress in sales expansion strategy for hard butters for chocolate
- Profitability rose in Japan as a result of sales strategy focused on profitability
- Reduced operating rate in the Americas due to cold fronts and hurricanes
- Unifuji began operations

Profitability was impacted by temporary factors such as the market price for raw materials and the weather. We made steady progress in strengthening global competitiveness through the start of operations at Unifuji, utilizing virtual global procurement and the construction of a new base in the United States. For the stabilized DHA/EPA business, which we hope to establish as a new business, although the commercial launch in Japan has been delayed, we achieved "generally recognized as safe" (GRAS) self-affirmation in overseas markets and began efforts aimed at commercialization.

Priorities in FY 2019

- Continue sales expansion strategy for hard butters for chocolate
- Expand use of fractionated palm oil
- Expand sales of sustainable oils and fats, centered on Unifuji
- Commercialize stabilized DHA/EPA in Japan and overseas

We will continue to focus on expanding sales of hard butters for chocolate in response to the growing global market for chocolate. We will also respond to the increasing demand for sustainable palm oil and generate Group synergies, including in the Emulsified and Fermented Ingredients and Industrial Chocolate businesses.

For the stabilized DHA/EPA business, we will move forward with specific measures for commercialization in Japan and overseas.

Highlight

Construction of a New Base in the United States

Demand for palm oil that is low in trans-fatty acids is growing in the United States in the wake of a U.S. FDA Circular.* We began construction of a new base in New Orleans, which is scheduled to begin operations in 2020, to complement Fuji Vegetable Oil. We will expand our business by meeting needs for a healthy society and by collaborating with Blommer on hard butters for chocolate.

* Released by the U.S. Food and Drug Administration (FDA) in June 2015, it mandates that from June 2018 oils containing trans-fatty acids, which are said to increase the risk of heart disease, are not to be used for food applications.

Emulsified and Fermented Ingredients Business

- Whipping cream
- Plant-based cheese alternatives
- Margarine
- USS processed soy products
- Fillings

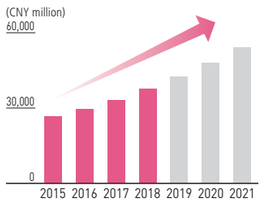
Business Environment

- Intense competition with many players
- Competitors are expanding their portfolios and geographical coverage

Market Trends

- Growth markets, centered on Asia
- Popularity of bread as a staple food continues to rise in China
- Growth of the Japanese market is slowing down

Growth of Bread Market in China



Source: Euromonitor International 2019, "Sales of Bread in China" (Retail Value RSP)

SWOT Analysis

Strengths	• Deliciousness and functionality through oils and fats and adjustment processing technologies • Power of Japanese brand • Experience with plant-based ingredients
Weaknesses	• Price competitiveness in commodities
Opportunities	• Growing demand for products using sustainable palm • Enhanced value of plant-based foods • Expanding Chinese market
Threats	• Regulatory changes in various countries • Entry of competitor in growth markets

Strategic Directions

Differentiate through Plant-Based Food Solutions and Capture Markets

In Japan, a mature market, we will work to enhance profitability and establish competitive superiority by pursuing solutions to social issues such as labor shortages, and by differentiating ourselves through plant-based foods. In China and other parts of Asia, where markets are growing, we will capture new markets and achieve business growth by establishing a firm grip on growing demand in the initial stages of market growth.

FY 2018 Results

- Began operations at a new factory in China, maintained strong sales
- Demand softened in Japan due to disasters and weather-related issues, struggled to expand sales
- Made progress in new product development that demonstrates the appeal of plant-based foods in Japan
- In Asia, the sales volume of compound butter recovered, and a new cream product performed well

In Southeast Asia, although profitability decreased in the preparations business for auxiliary materials due to instability in the dairy ingredient market, sales of whipping cream increased. In China, where bread consumption is growing dramatically, sales continued to grow led by fillings and margarine. The start of operations at the new factory in July also proceeded smoothly. In Japan, sales of confectioneries and sweet baked goods were weak due to extreme heat and other factors. We are currently working to improve profitability.

Priorities in FY 2019

- Continue to expand sales in China
- Progress in expanding sales with differentiated products and measures to enhance profitability in Japan
- Mitigate opportunity loss through intra-Group supply
- Continue to expand sales of whipping cream and margarine in Asia

In China, demand for bread is growing not just in coastal areas, but also in the interior. We will continue to expand our businesses at a pace that exceeds the market while focusing on enhancing efficiency and operating rates at the new factory. In Japan, we will enhance profitability by improving production efficiency through consolidation of product lines. We will also expand sales of products that address labor shortage issues and differentiated products based on the concept of PBFS.

Highlight

Strengthening Proposals and the Supply System for Bakery Ingredients

Our custard cream for bakery products and other filling ingredients maintain a high market share and are selected for their safety, security, flavor and quality.

The start of operations at the new factory and utilization of the six FUJISUNNY PLAZAs will further drive growth in the bakery products market.

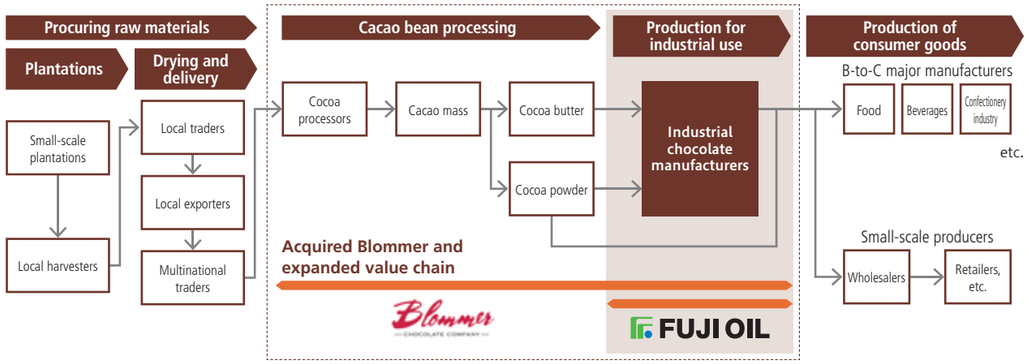
Industrial Chocolate Business

- 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

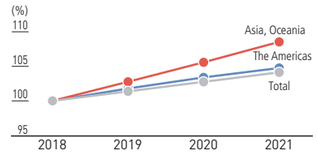
The Chocolate Value Chain



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?

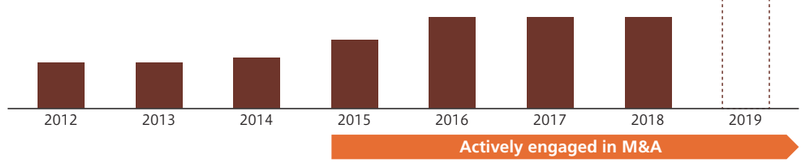
The main ingredients of chocolate are cacao, milk, sugar, oils and fats. Pure chocolate is made from cocoa butter extracted from cacao, while chocolate made using a blend of vegetable oils and fats (hard butters) is called compound coating. Compound coating imparts functions such as quick-drying and 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	• Chocolate bars • Praline chocolates • Confectioneries made mainly of chocolate, etc.
Compound coating	Cacao + Milk + Sugar + Cocoa butter, Hard butters for chocolate	• Cakes • Ice cream • Bread • Coated cookies, etc.

The Fuji Oil Group's Business Development

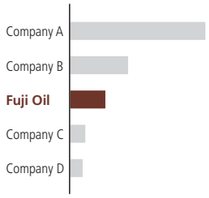
We supply industrial chocolate from 16 bases in 10 countries, mainly in the Pacific Rim.

Sales Volume of Industrial Chocolate

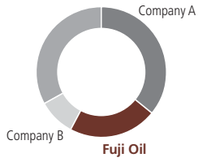


Position
(Sales volume of industrial chocolate)

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	• Improve productivity • Improve cacao bean quality • Improve QOL for farmers and communities	• 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	• Sustainable development in the cacao industry	• Maintained membership status (since 2012)
Use certified cacao raw materials	• Promote cacao beans produced using sustainable methods	• Maintained International Fairtrade certification,[1] UTZ certification[2]

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

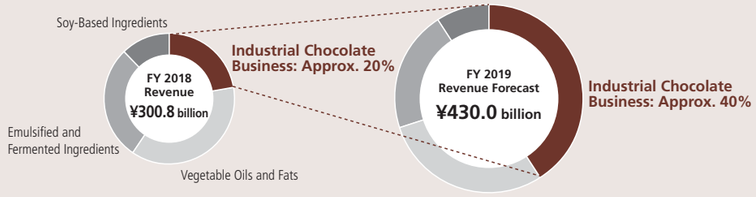
1. Certification that each step of the process, from raw material production to final product, has met international fair trade standards. Products that meet these standards receive the International Fairtrade Certification Mark.
2. International certification program for sustainable farming, mainly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

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.

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

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	• 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	• Stable and competitive procurement of cacao as a raw material • Delay in implementing global management structure
Opportunities	• Growing demand for compound coating • Expand relationships with multinational companies • Demand for diversification of value • Sustainable procurement of cacao	Threats	• 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
(1) Create a response system for dealing with multinational companies
(2) Create sustainability program
(3) Optimize operations through partnerships for procurement of raw materials

Soy

Business Strategy

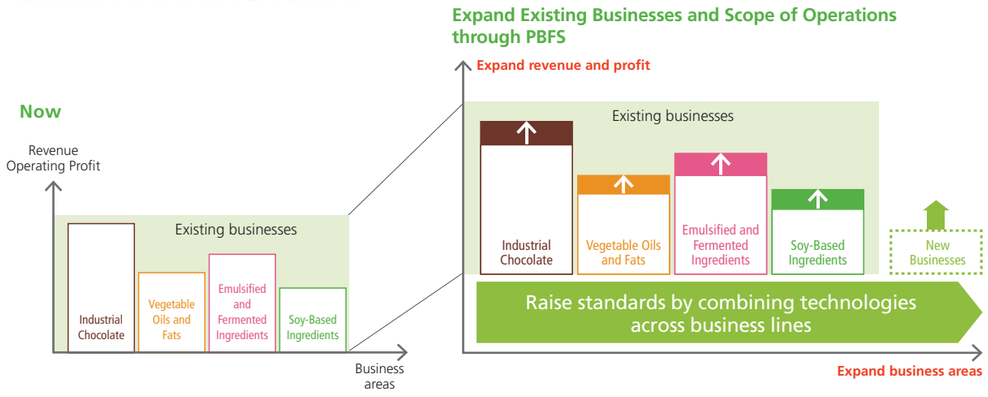
Kiyohito Suzuki
Executive Officer
PBFS (Plant-Based Food Solutions) Division

The future direction of the soy business is now clear thanks to the structural reforms based on the principles of selection and concentration of the current mid-term management plan. Going forward, we will continue to promote selection and concentration and allocate resources to businesses that contribute to resolving social issues in areas such as deliciousness, health and nutrition through plant proteins, functional materials and other products from a PBFS perspective.

In recent years, interest in the sustainable procurement of soy has been growing and has reached the level of palm oil and cacao. Non-genetically modified soybeans from the United States, China, and parts of Canada are used in Fuji Oil Group products in the soy business. Sustainable procurement of soy is one of the ESG management priority themes in fiscal 2019. We will promote the procurement of soy that is produced in a sustainable manner. We also established the PBFS (Plant-Based Food Solutions) Division. The PBFS Division backcasts from 2050 in order to develop and promote a strategy from a PBFS perspective while considering ways the Group can contribute to society through plant-based ingredients. It takes a different perspective from existing businesses.

The Fuji Oil Group has cultivated technologies for oils and fats, emulsification, fermentation and soy over many years. We will continue to create products (solutions) by grasping market needs, setting targets, and combining new and existing technologies. We will also consider our role in creating a future in 2050 where people around the world can enjoy delicious and healthy meals. Specifically, we want to create plant-based alternatives for dairy ingredients used in chocolate, as well as products such as soy meat with the juiciness of real meat.

Envisioned Role of the PBFS Division



Soy-Based Ingredients Business

- Low-fat soy milk
- Soy protein ingredients
- Soy milk cream
- Soy protein foods
- Separated soy protein
- Water-soluble soy polysaccharides

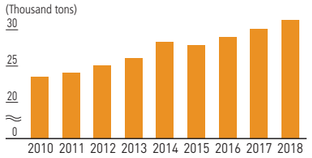
Business Environment

- Chinese companies securing market share in fields involving a low degree of processing
- Reorganization among global food companies is progressing in the plant protein market

Market Trends

- Significant worldwide increase in demand for plant-based foods
- Renewed recognition of the value of soy in Europe*
- Increase in appeal of products with plant proteins due to demand for healthy foods in Japan

Growth of Soy Meat Market in Japan



Source: Japan Vegetable Protein Food Association "Domestic Production Volume for Soy Protein," Vegetable Protein Production and Shipping Statistics

SWOT

Strengths	• Broad knowledge and technologies related to soybeans • Production technology and guarantee of quality • Ability to utilize broad customer base and technology developed in other businesses • Ability to respond to customer needs
Weaknesses	• Cost competitiveness in commodities • Do not own a source of the main raw materials
Opportunities	• Growing recognition of value of alternative foods and plant proteins • Growing number of flexitarians • Aging societies and health issues, centered on Japan and China
Threats	• Environmental issues related to soybeans • Market competition with other fields, such as cultured meat

* Protein Challenge 2040: An initiative in which the government, corporations, and related organizations share common goals and cooperate to realize sustainable protein production and consumption.

Strategic Directions

Promote Portfolio Change through Selection and Concentration and Combining Technologies

We are focusing on improving asset efficiency with selection and concentration and are allocating resources to products with growth potential that connect directly to the solution of social issues, such as the aging population and health issues. For existing products, we will differentiate our product line and grow them into profitable businesses by combining products. We will accomplish this by utilizing the know-how and technology regarding deliciousness cultivated in the Vegetable Oils and Fats Business and the Emulsified and Fermented Ingredients Business.

FY 2018 Results

- Completed transfer of an unprofitable base in China
- Implemented measures to increase production of functional high-value-added products
- Decided to increase production capacity for soy protein materials, where sales are strong

We prepared to expand our mainstay products through the implementation of specific selection and concentration measures. On the other hand, the elimination of products with low profit margins in Japan and the delay in expanding sales of soy protein foods due to renovations at factories became issues.

Priorities in FY 2019

- Expand sales of functional high-value-added products in Japan and overseas
- Differentiation of existing products with a view toward the future
- Continue to eliminate unprofitable businesses
- Steady implementation of predetermined investment and promotion of business

We are promoting portfolio change with the goal of expanding sales of highly profitable products. In addition, we are enhancing our system for overseas sales of functional high-value-added products, mainly in China and Europe.

Highlight

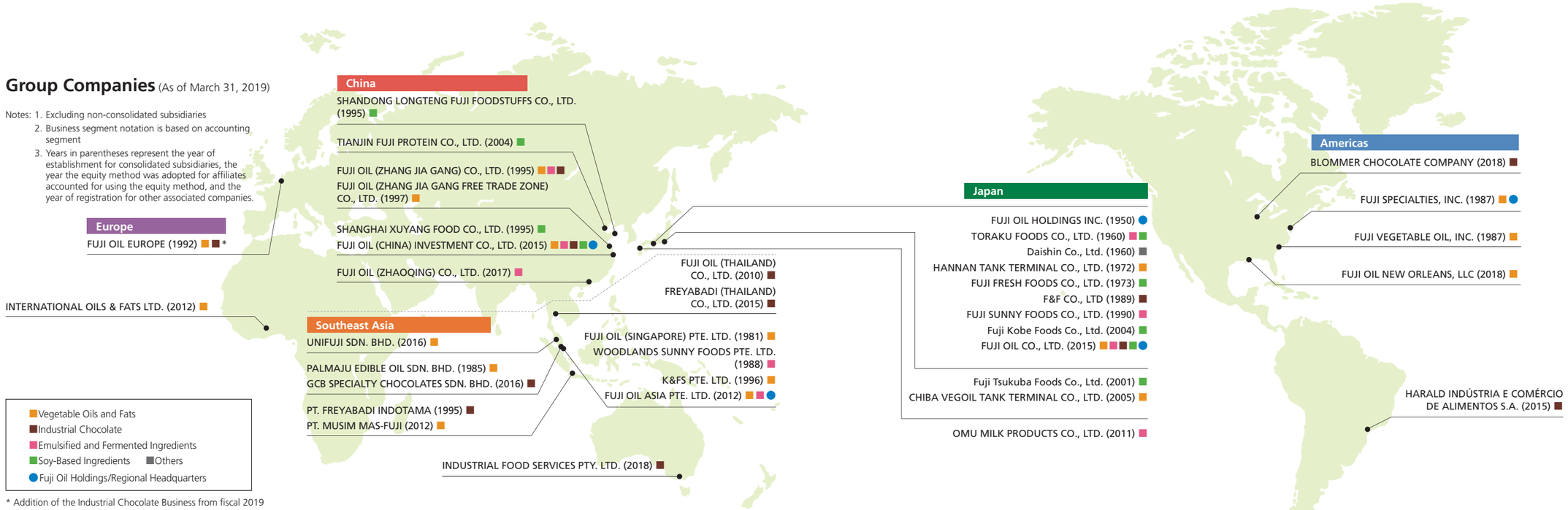
Creating Markets in Japan

Demand for soy meat (granular soy protein) is increasing in Japan, and its uses have expanded from conventional frozen food to nutrition bars, cereals, confectioneries and appetizers in response to the growing interest in healthy food. The Fuji Oil Group is actively expanding into new markets and is building a new factory (scheduled to begin operations in the second half of fiscal 2020) to boost production capacity to respond to strong sales.

Review by Area

Group Companies (As of March 31, 2019)

Notes: 1. Excluding non-consolidated subsidiaries
2. Business segment notation is based on accounting segment
3. Years in parentheses represent the year of establishment for consolidated subsidiaries, the year the equity method was adopted for affiliates accounted for using the equity method, and the year of registration for other associated companies.



* Addition of the Industrial Chocolate Business from fiscal 2019

Japan (Tatsuji Omori: President, Fuji Oil Co., Ltd.)

Solving Social Issues with PBFS

We are accelerating ESG management so that we can contribute to the SDGs through our core business, while focusing on products that respond to pressing issues in Japan, such as the aging society and labor shortage. We will continue to expand our stabilized DHA/EPA business, which contributes to extending healthy life expectancy, our soy protein ingredients business in which needs are growing, our molded chocolate business that helps customers save time and labor, and the coordination business* to promote food innovation with the added value of delicious and healthy food.

* By utilizing the Group's ingredient technologies and our broad customer networks, we aim to promote "Monozukuri" (creating products) and "Kotozukuri" (creating movements) to solve social issues through co-creation with our customers to meet social needs.

Americas (Takeshi Takasugi: President, Fuji Specialties, Inc.)

Taking on the Challenge of Growth

The Americas are full of challenges. The Industrial Chocolate Business has become the Group's largest business, and we have begun taking on the challenge of expanding it in the Americas using the synergies of Blommer, Harald and Fuji Vegetable Oil. In our Vegetable Oils and Fats Business, we are making a concerted effort to respond to expanding demand for healthy products, including the opening of a new factory. In addition, in order to capture rapidly growing demand for plant-based food ingredients, we will develop and market alternative milk products and aim to expand our product lineup and strengthen sales.

Blommer Chocolate Company (Peter W. Blommer: President and Chief Executive Officer)

Enabling Further Global Expansion by Sharing Synergistic Strengths

Fuji Oil and Blommer make a perfect combination given our similar values and complementary businesses, capabilities and combined geographic reach. We make each other stronger and together we will capitalize on exciting global growth opportunities. Our near-term focus is to leverage our global plant network to benefit our multinational customers; utilize our combined technical capabilities to introduce innovative new products; increase operational efficiencies to support growth; and implement financial reporting and controls consistent with Fuji Oil Group best practices.

Southeast Asia (Hitoshi Shindachi: Managing Director, Fuji Oil Asia Pte. Ltd.)

Increasing Corporate Value by Addressing Diverse Customer Needs and Procuring Sustainable Raw Materials

Fuji Oil Asia's vast market includes countries in east, west and south Asia (including ASEAN), as well as Oceania and South Africa. The food culture of our customers is diverse, but we have earned customer trust through the quality of our products and services.

We will strengthen our Vegetable Oils and Fats Business and our Emulsified and Fermented Ingredients Business, and aim for full-scale operation of factories in four countries in the Industrial Chocolate Business. The growing need for sustainable, safe and healthy food is an opportunity for the Group. We will stay one step ahead of the market by focusing on new product development centered on the Asia R&D Center.

China (Masataka Minemura: President, Fuji Oil (China) Investment Co., Ltd.)

Sustainable Growth Driven by Plant-Based Food Ingredients in a Changing Chinese Society

Market needs and the social environment are changing rapidly in China. In 2018, in order to meet expanding demand for bread and confectioneries due to the diversification of food culture (Westernization), we opened a new factory for margarine and fillings in Guangdong Province and a FUJISUNNY PLAZA in Shandong Province, our sixth in China. In addition, we doubled the capacity of our Tianjin factory to handle increases in the elderly population and lifestyle-related diseases and heightened health-consciousness. We will continue to contribute to Chinese society through our plant-based food ingredients and aim for business growth.

Europe (Naohiro Rokukawa: Managing Director, Fuji Europe Africa B.V.)

Business Development by Addressing the Changing Structure of Society

Europe sets the global standards for food and sustainability, and Millennials are expected to account for 50% of the population by 2030, becoming a driving force for social structural change. Responding to this strong ethical awareness in the market, we will reinvent and expand our Vegetable Oils and Fats and Industrial Chocolate businesses, which have supply chains across both Europe and Africa. The new polysaccharide business is our first PBFS business targeting these Millennials, who spread their values through diverse networks.

Group Financial Strategy

Message from the CFO

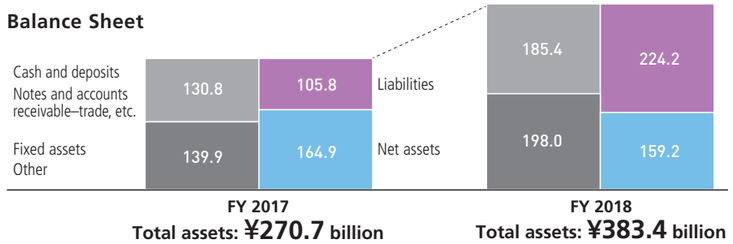
Tomoki Matsumoto
Director
Senior Executive Officer,
Chief Financial Officer (CFO)

Improving Our Financial Structure after the Acquisition of Blommer

The financial management policy of our mid-term management plan (Towards a Further Leap 2020) has four core strategies: (1) sustainable profit growth through the generation and allocation of cash flow (increasing earnings) and improvement in the cash conversion cycle (CCC); (2) maintain financial soundness based on balance sheet management commensurate with risks and returns; (3) improve capital efficiency by repositioning the business portfolio; and (4) enhance financial governance by standardizing business processes and increasing operating efficiency. In fiscal 2018, interest-bearing debt increased by ¥103.9 billion and total assets increased by ¥112.7 billion mainly due to the large-scale acquisition (share purchase) of Blommer, a leading industrial chocolate manufacturer in the United States.

We are now faced with the challenge of improving our financial structure through financial discipline that supports growth.

Balance Sheet



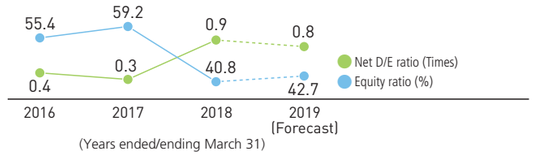
Mid-Term Management Plan: Financial Management Policy				FY 2018	Future
Sustainable profit growth	• **Consolidated operating profit CAGR: 6% or higher** • **EPS growth rate CAGR: 8% or higher** • **CCC: 10-day reduction**	• Generate and allocate cash flow • Generate total operating cash flow of ¥100.0 billion over 4 years	**Operating cash flow**	¥22.6 billion (-¥5.6 billion YoY)	Enhance ability to generate free cash flow
			CCC	• Consolidation only includes Blommer's balance sheet, so overall Group comparison is not possible • 105 days of results only for existing businesses (+2 days YoY)	Reduce CCC Japan: Reduce inventory Overseas: Shorten collection periods Blommer: Optimize inventory
Maintain financial soundness	• **Maintain sound finances by evaluating business characteristics and risks**	• Manage balance sheet in line with risks and return	**Interest-bearing debt**	Interest-bearing debt: ¥160.5 billion (+¥103.9 billion YoY)	Carefully select growth investments and maintain sound finances
			Net D/E ratio	0.9 times (+0.6 YoY)	Goal is 0.5 times or lower
			Equity ratio	40.8% (-18.4 points YoY)	Enhance equity by increasing retained earnings
Improve capital efficiency	• **Match level of global competitors and reach the level necessary for sustainable growth**	• Improve ROE to 10%	**Total asset turnover**	0.92 times (-0.21 times YoY)	Promote rapid improvements at Blommer, etc.
			Unprofitable business assets	Continue evaluating sales of assets	Continue evaluating sales of assets
			Capital expenditures	Start operating under new standards	Avoid low-return capital expenditures
Enhance financial governance	• **Promote standardization, financial risk reduction, and business optimization** • **Introduce global benchmarking**	• Group financial benchmarks and standards	**Global cash management**	Initiate CMS* in each area	Create global capital procurement structure
			Unify core systems	Adopt at factories in U.S. and new factory in China. Start building in Japan.	Continue implementation
			Truncated fiscal period to unify accounting period	Standardize fiscal year as soon as possible	Create roadmap for incorporating a truncated Blommer fiscal period

*CMS: Cash management system. Refers to an IT system for managing Group capital.

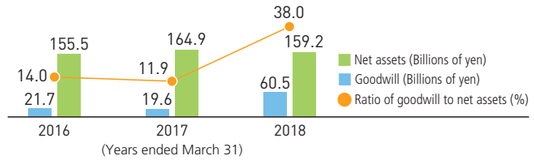
Work toward Mid-Term Target for Net D/E Ratio

Acquiring shares of Blommer for ¥64.6 billion increased interest-bearing debt to ¥160.5 billion as of March 31, 2019, and increased the net D/E ratio to 0.9 times from 0.3 times. In addition, the equity ratio decreased to 40.8% from 59.2%, and the ratio of goodwill to net assets rose to 38%. Under these circumstances, we financed a portion of the acquisition by issuing ¥35 billion in subordinated bonds on June 13, 2019 to ensure sound finances and maintain and improve capital efficiency. Over the next five years, we intend to generate cash flow and maximize capital efficiency to achieve our mid-term target for the net D/E ratio of 0.5 times or lower.

Net D/E Ratio and Equity Ratio



Ratio of Goodwill to Net Assets

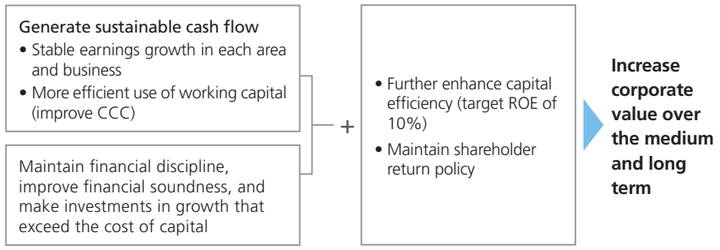


Target: Return to pre-acquisition levels as soon as possible

Capital Policy Improve Capital Efficiency to Increase Corporate Value over the Medium and Long Term

The Fuji Oil Group's basic capital policy is to generate sustainable cash flow by maintaining financial discipline and improving financial soundness while making investments in growth that exceed the cost of capital. We are targeting ROE of 10% in 2020 while maintaining our shareholder return policy of a payout ratio at 30% to 40%, with the goal of increasing corporate value over the medium and long term by further enhancing capital efficiency.

Basic Capital Policy

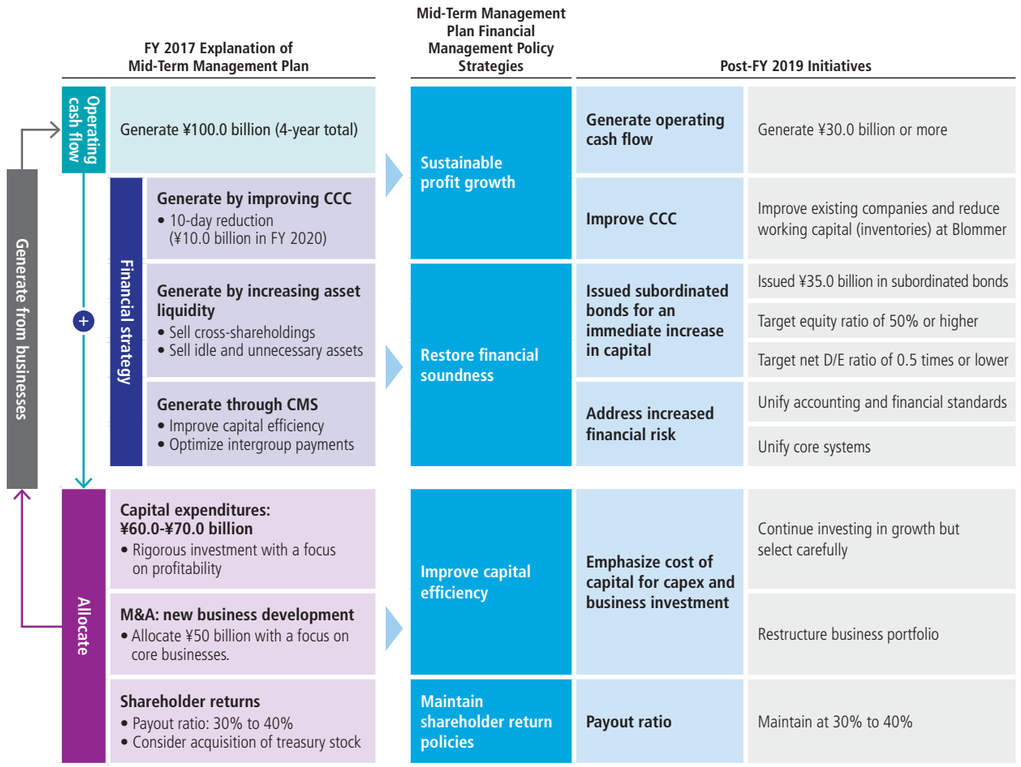


Financial Priorities Emphasize Free Cash Flow

The financial strategy of the mid-term management plan includes generating operating cash flow of ¥100 billion over four years by increasing earnings and improving CCC, and maintaining financial discipline in appropriately allocating cash flow to capital investment and M&A. The acquisition of shares of Blommer significantly increased our net D/E ratio, so we need to enhance cash flow management.

We need to reduce interest-bearing debt to maintain and improve financial discipline. Reducing the net D/E ratio to the 0.5 times level over the next five years will require us to generate free cash flow of ¥10.0 billion annually over the next five years.

We introduced investment standards that emphasize the cost of capital in fiscal 2018, and in fiscal 2019 we have begun to review our operations based on new standards for withdrawing from businesses. Capital investment and business investment are essential for Group growth, but we will make investment decisions after carefully selecting and clarifying priorities.



Shareholder Returns Shareholder Returns Are a Management Priority

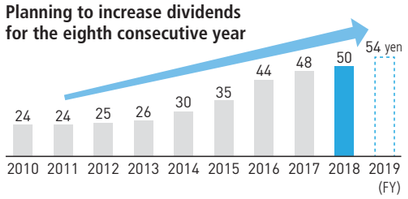
Shareholder returns and our dividend policy are management priorities. In keeping with our mid-term management plan target of a payout ratio of 30% to 40%, and we are delivering stable, consistent dividends.

We paid annual dividends of ¥50 per share for fiscal 2018, and plan to increase the total dividend for the eighth consecutive year to ¥54 per share for fiscal 2019.

Dividend Policy

- Payout ratio: 30% to 40%
- Stable, consistent dividends

Planning to increase dividends for the eighth consecutive year



	FY 2018 results	FY 2019 planned dividends
1H	¥25	¥27
2H	¥25	¥27
Annual	¥50	¥54
Payout ratio	37.1%	30.5%

Aiming to Improve Corporate Value through Dialogue

I have been energetically promoting IR activities since becoming CFO in 2015. We have enhanced our earnings conferences and small meetings through the participation of top management. We are also enhancing English language disclosure and have created opportunities for dialogue with overseas investors through international IR presentations and conferences. I also participate in individual interviews at which I have received many suggestions.

In particular, these initiatives have deepened our awareness of the importance of cash flow management, the factors that have driven our growth beyond organic growth, and Group management and governance mechanisms as we expand our businesses internationally. We will maintain our dialogue with investors and other stakeholders and reflect their opinions in management with the goal of improving it.

Fiscal 2018 results were unsatisfactory even considering non-recurring issues such as the expenses associated with the acquisition of shares of Blommer. In fiscal 2019, the third year of our mid-term management plan, we intend to increase corporate value by improving capital efficiency, generating cash flow by consolidating Blommer, and growing existing businesses. We will achieve sustainable growth for the Fuji Oil Group by steadily making improvements, and by meeting the expectations of stakeholders and fulfilling our responsibilities without slowing reform.

11-Year Financial Highlights

Fuji Oil Holdings Inc. and Consolidated Subsidiaries
For the fiscal years ended March 31, 2009 to March 31, 2019

(Millions of yen)

	FY 2018	FY 2017*	FY 2016	FY 2015	FY 2014	FY 2013	FY 2012	FY 2011	FY 2010	FY 2009	FY 2008
Results											
Revenue	**300,844**	307,645	292,547	287,537	271,903	253,004	232,161	236,594	222,714	231,229	239,369
Operating profit	**18,525**	20,481	19,694	16,840	14,211	15,241	14,147	12,983	16,590	17,960	11,528
Ordinary profit	**18,177**	19,983	19,712	14,121	13,405	14,798	13,847	13,017	16,243	17,363	10,306
Income before income taxes	**16,538**	18,833	18,103	14,492	13,282	13,880	13,416	12,869	14,648	16,507	9,715
Net income attributable to owners of parent	**11,532**	13,742	12,105	9,227	93,330	8,164	8,336	8,290	9,783	10,726	7,485
EBITDA	**30,514**	31,381	30,125	26,743	22,847	24,021	22,651	21,895	25,843	27,933	21,310
R&D expenses	**4,758**	4,613	4,459	4,017	3,944	3,930	3,666	3,723	3,622	3,489	3,402
Capital expenditures	**15,943**	14,689	13,611	15,347	11,156	6,128	6,500	6,185	7,599	7,793	9,370
Depreciation expenses	**10,992**	9,995	9,593	9,206	8,232	8,319	8,058	8,432	8,799	9,239	9,397
Total assets	**383,389**	270,731	272,109	266,877	233,625	202,206	197,142	183,862	174,435	174,275	172,087
Merchandise and finished goods	**85,211**	48,341	52,398	49,962	45,158	41,396	36,641	34,829	34,580	30,759	32,590
Current assets	**185,410**	130,805	132,455	130,869	118,556	109,476	106,819	97,913	86,166	81,307	78,555
Fixed assets	**197,979**	139,925	139,653	136,007	105,069	92,729	90,322	85,948	86,265	92,956	93,512
Current liabilities	**168,333**	67,460	69,576	66,482	57,902	51,694	57,656	51,099	48,119	55,261	52,093
Fixed liabilities	**55,828**	38,372	47,051	51,607	14,909	15,387	17,950	23,299	23,095	20,345	32,193
Interest-bearing loans	**160,454**	56,612	65,667	60,000	29,657	28,939	37,039	37,719	39,720	44,572	55,840
Total net assets	**159,227**	164,897	155,480	148,787	150,813	135,124	121,534	109,464	103,220	98,668	87,801
Cash flows from operating activities	**22,637**	28,206	16,521	16,027	14,496	13,781	18,713	16,853	13,536	23,984	15,573
Cash flows from investing activities	**(79,104)**	(14,510)	(13,760)	(34,824)	(13,957)	(6,916)	(8,605)	(6,080)	(9,214)	(7,546)	(9,263)
Free cash flow	**(56,467)**	13,695	2,761	(18,797)	539	6,865	10,108	10,773	4,322	16,438	6,310
Cash flows from financing activities	**65,487**	(13,452)	(5,662)	24,040	(3,294)	(12,773)	(4,472)	(5,224)	(5,500)	(13,370)	(3,783)
Per share data (Yen)											
EPS	**134.75**	159.87	140.83	107.35	108.55	94.98	96.98	96.44	113.81	124.78	87.07
BPS	**1,819.74**	1,863.83	1,753.54	1,655.70	1,693.76	1,490.00	1,342.25	1,205.49	1,143.82	1,095.58	978.67
Dividend	**50.0**	48.0	44.0	35.0	30.0	26.0	25.0	24.0	24.0	24.0	16.5
Payout ratio (%)	**37.1**	30.0	31.2	32.6	27.6	27.4	25.8	24.9	21.1	19.2	19.0
Financial indicators											
Overseas sales ratio (%)	**43.2**	42.9	39.4	37.4	35.2	33.2	29.9	30.3	29.9	28.6	34.1
Operating profit margin (%)	**6.2**	6.7	6.7	5.9	5.2	6.0	6.1	5.5	7.4	8.4	4.8
ROE (%)	**7.3**	8.8	8.3	6.4	6.8	6.7	7.6	8.2	10.2	12.0	8.9
ROA (%)	**5.5**	7.4	7.3	5.8	6.3	7.4	7.3	7.3	9.3	10.0	5.8
ROIC (%)	**4.0**	6.7	6.4	5.6	5.6	6.2	5.6	5.1	6.7	7.4	4.7
Current ratio (%)	**110.1**	196.3	190.4	196.8	204.8	211.8	185.3	191.6	179.1	147.1	150.8
Net D/E ratio (times)	**0.9**	0.3	0.4	0.3	0.1	0.1	0.2	0.2	0.3	0.4	0.6
Financial leverage (times)	**2.5**	1.7	1.8	1.9	1.5	1.6	1.7	1.6	1.6	1.8	1.9
Equity ratio (%)	**40.8**	59.2	55.4	53.3	65.1	63.3	58.5	56.4	56.4	54.0	48.9
Other											
Employees	**5,963**	5,092	5,056	5,141	4,367	4,408	4,034	3,882	3,574	3,524	3,598

* From fiscal 2018, the Company has reclassified deferred tax assets under investments and other assets, and deferred tax liabilities under fixed liabilities based on Accounting Standards Board of Japan Statement No. 28 "Partial Amendments to Accounting Standard for Tax Effect Accounting." Results for fiscal 2017 have been retroactively adjusted to reflect the change.

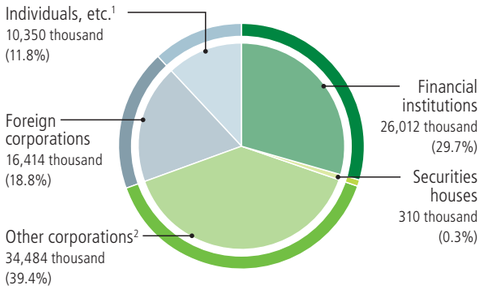
See page 20 of Fact Book 2019 and our Sustainability Report 2019 for non-financial information.
https://www.fujioilholdings.com/en/csr/

Stock Information (As of March 31, 2019)

Share Data

Total shares authorized: 357,324,000
Number of shares outstanding: 87,569,383
Number of shareholders: 15,993

Composition of Shareholders



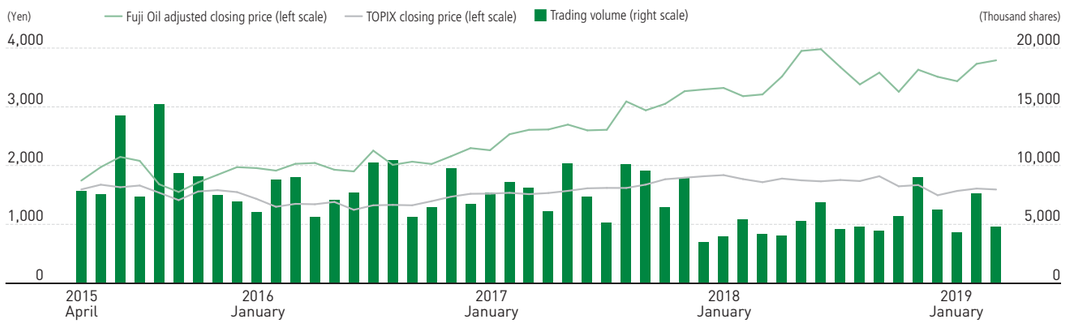
Notes: 1. Includes 1,611,645 shares of treasury stock and 31,683 shares of less than one unit.
2. Includes 2 share units in the name of Securities Depository Corporation.
* Number of shares is rounded down to the nearest thousand shares.

Major Shareholders (Top 10)

Shareholder name	Number of shares held (Thousands)	Ratio of shareholding[3] (%)
ITOCHU Food Investment, LLC	28,119	32.71
The Master Trust Bank of Japan, Ltd. (Trust account)	5,214	6.07
Japan Trustee Services Bank, Ltd. (Trust account)	5,055	5.88
National Mutual Insurance Federation of Agricultural Cooperatives	2,639	3.07
Fuji Oil Customer Shareholding Association	1,345	1.57
Japan Trustee Services Bank, Ltd. (Trust account 9)	1,335	1.55
ITOCHU Sugar Co., Ltd.	1,130	1.31
Nippon Life Insurance Company	1,100	1.28
Sumitomo Mitsui Banking Corporation	1,078	1.25
Tokio Marine & Nichido Fire Insurance Co., Ltd.	1,058	1.23

3. The shareholding ratio is calculated excluding treasury shares (1,612 thousand shares).

Stock Price and Trading Volume



Evaluation from Society

ESG-Related

Selected as a constituent stock in the MSCI Japan ESG Select Leaders Index and in the MSCI Japan Empowering Women Index (WIN)

MSCI Japan Empowering Women Index (WIN)

MSCI Japan ESG Select Leaders Index

"A" score in CDP Forests Questionnaire 2018 (the first among Japanese companies) and "B" score in CDP Climate Change 2018 Questionnaire

Inclusion in S&P/JPX Carbon Efficient Index

Certified as an Excellent Enterprise of Health and Productivity Management 2019 (White 500) by the Ministry of Economy, Trade and Industry

Received the Platinum "Kurumin" certification from the Ministry of Health, Labor and Welfare

IR-Related

- Recognition from *Institutional Investor* magazine in the All-Japan Executive Team 2019 Rankings (Beverages, Food & Tobacco Sector)

  Best CEO: Buy-side 2nd
  Best CFO: Buy-side 1st
  IR Program: Combined 3rd
  Honored Company: Combined 2nd

- Received the Japan Investor Relations Association "Best IR Award"
- Selected by the Securities Analysts Association of Japan to the list of Companies Making Notable Improvements in Disclosure 2018
- Received the Award of Excellence in Nikkei Annual Report Awards 2018
- Selected for "most improved integrated report" by Government Pension Investment Fund's asset managers

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Corporate Profile (As of March 31, 2019)

Company name
FUJI OIL HOLDINGS INC.

Headquarters
Daibiru Honkan Building, 3-6-32 Nakanoshima,
Kita-ku, Osaka 530-0005, Japan
Registered location of headquarters: 1 Sumiyoshi-cho, Izumisano-shi, Osaka

Established
October 9, 1950

Capitalization
13,208 million yen

Representative
President and CEO Hiroshi Shimizu

Number of employees (consolidated)
5,963
(As of March 31, 2019 for domestic Group companies)
(As of December 31, 2018 for overseas Group companies)

Subsidiaries and affiliates
39 consolidated subsidiaries
16 non-consolidated subsidiaries and affiliates

Integrated Report and Sustainability Report

Integrated Report 2019

The report provides a general overview of our Group and outlines our medium-to-long term corporate value. By communicating this information, we hope to encourage our stakeholders to engage with us and offer suggestions for how we can further improve our business.

Sustainability Report 2019

https://www.fujioilholdings.com/en/csr/

The report is issued to comprehensively report our views on our impact on society and our initiatives for sustainability to a broad range of stakeholders.

ESG Management	Message from the C"ESG"O
	ESG Management and CSR
Activities in Fiscal 2018	CSR Management
	Solutions through Creation of Foods
	Safety, Security and Quality of Foods
	Sustainable Procurement
	Environment
	"Hitozukuri" (Fostering People)
	Health Management
	Risk Management
Priority Topics in Fiscal 2019	

The English version will be available in September 2019.

FUJI OIL

Contact Information

IR Team, Finance and Accounting Division
FUJI OIL HOLDINGS INC.

West Tower, Sumitomo Fudosan Mita Twin Building
3-5-27 Mita, Minato-ku, Tokyo 108-6323 Japan
Phone: +81-3-5418-1044 FAX: +81-3-5418-1045
https://www.fujioilholdings.com/en/

VEGETABLE OIL INK

VOC FREE T&K

FUJI OIL

Fuji Oil Group Integrated Report

Supplement

Fact Book 2019

Financial Analysis

FY 2018 Results

Consolidated Results

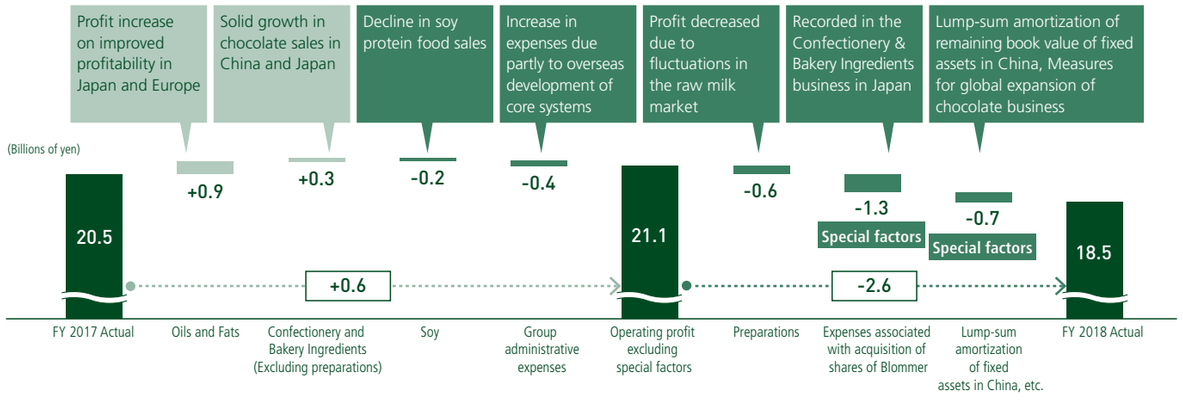
(Billions of yen)

		FY 2017	FY 2018	YoY Change	YoY Percentage change
Revenue	Oils and Fats	113.6	**109.7**	-3.9	-3.4%
	Confectionery and Bakery Ingredients	156.1	**155.1**	-1.0	-0.6%
	Soy	38.0	**36.1**	-1.9	-5.0%
	Total	307.6	**300.8**	-6.8	-2.2%
Operating profit	Oils and Fats	7.3	**8.1**	+0.9	+11.8%
	Confectionery and Bakery Ingredients	13.0	**10.8**	-2.2	-17.0%
	Soy	3.5	**3.3**	-0.3	-7.3%
	Consolidated adjustment/ group administrative expenses	(3.3)	**(3.7)**	-0.4	-10.8%
	Total	20.5	**18.5**	-2.0	-9.5%
Operating profit margin		6.7%	**6.2%**	-0.5 pts.	—
Ordinary profit		20.0	**18.2**	-1.8	-9.0%
Net income attributable to owners of parent		13.7	**11.6**	-2.2	-15.7%

- Revenue declined in every business.
- Operating profit increased in the Oils and Fats Business, but decreased in the Confectionery and Bakery Ingredients Business and the Soy Business. In addition, expenses of approximately ¥1.3 billion associated with the acquisition of shares of Blommer Chocolate Company were recorded in the Confectionery and Bakery Ingredients Business, resulting in an overall decrease in operating profit.
- In addition to the decrease in operating profit, net income attributable to owners of parent decreased due to the increase in extraordinary loss associated with the transfer of Jilin Fuji Protein Co., Ltd.

FY 2018 Operating Profit Analysis

In FY 2018, despite an increase in the Oils and Fats Business, operating profit decreased due to factors including expenses associated with the acquisition of shares of Blommer.



Consolidated Balance Sheets

(Billions of yen)

	FY 2018	YoY change
Total assets	**383.4**	+112.7
Total liabilities	**224.2**	+118.3
Total net assets	**159.2**	-5.7

- In assets, inventories included in current assets and tangible fixed assets and goodwill included in fixed assets increased due to the acquisition of shares of Blommer. Total assets at the end of FY 2018 increased substantially.
- In liabilities, short-term borrowings increased ¥94.5 billion and long-term borrowings increased ¥14.3 billion compared with the end of FY 2017 due to the acquisition of shares of Blommer. Total liabilities at the end of FY 2018 increased substantially.
- In net assets, shareholders' equity increased due to an increase in retained earnings, but total accumulated other comprehensive income decreased due to a decrease in foreign currency translation adjustment. Total net assets at the end of FY 2018 decreased.

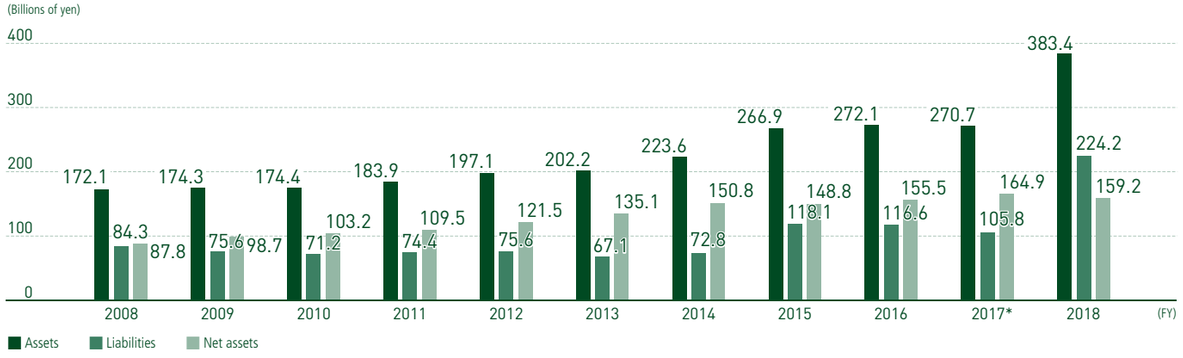
Consolidated Cash Flow

(Billions of yen)

	FY 2018	YoY change
Cash flows from operating activities	**22.6**	-5.6
Cash flows from investing activities	**(79.1)**	-64.6
Free cash flow	**(56.5)**	-70.2
Cash flows from financing activities	**65.5**	+78.9
Cash and cash equivalents at end of period	**21.2**	+8.2

- Cash flows from operating activities decreased due to a decrease in notes and accounts receivable – trade and other factors, as well as a decrease in income before income taxes, although depreciation and amortization increased.
- Cash flows from investing activities decreased because of a significant increase in payments for purchase of shares of subsidiaries in connection with the acquisition of shares of Blommer.
- Cash flows from financing activities increased because of an increase in borrowings associated with the acquisition of shares of Blommer.

Assets/Liabilities/Net Assets



* From fiscal 2018, the Company has reclassified deferred tax assets under investments and other assets, and deferred tax liabilities under fixed liabilities based on Accounting Standards Board of Japan Statement No. 28 "Partial Amendments to Accounting Standard for Tax Effect Accounting." Results for fiscal 2017 have been retroactively adjusted to reflect the change.

FY 2019 Forecast

Forecast of Consolidated Results

(Billions of yen)

		FY 2018	FY 2019 Forecast	YoY Change	YoY Percentage change
Revenue	Vegetable Oils and Fats	109.7	**113.9**	+4.2	+3.9%
	Industrial Chocolate	68.6	**187.4**	+118.8	+173.3%
	Emulsified and Fermented Ingredients	86.5	**91.5**	+5.0	+5.8%
	Soy-Based Ingredients	36.1	**37.2**	+1.1	+3.0%
	Total	300.8	**430.0**	+129.2	+42.9%
Operating profit	Vegetable Oils and Fats	8.1	**9.1**	+0.9	+11.5%
	Industrial Chocolate	7.4	**10.3**	+2.9	+38.5%
	Emulsified and Fermented Ingredients	3.3	**4.3**	+1.0	+29.5%
	Soy-Based Ingredients	3.3	**4.1**	+0.8	+25.6%
	Consolidated adjustment/ group administrative expenses	(3.7)	**(3.8)**	-0.1	-3.9%
	Total	18.5	**24.0**	+5.5	+29.5%
Operating profit margin		6.2%	**5.6%**	-0.6 pts.	—
Ordinary profit		18.2	**22.0**	+3.8	+21.0%
Net income attributable to owners of parent		11.6	**15.2**	+3.6	+31.2%

- Business segments and names changed to reflect the expansion of the Industrial Chocolate Business due to the acquisition of shares of Blommer in 2019. The "Confectionery and Bakery Ingredients Business" was changed to the "Industrial Chocolate Business" and the "Emulsified and Fermented Ingredients Business." In addition, the "Oils and Fats Business" was changed to the "Vegetable Oils and Fats Business" and the "Soy Business" was changed to the "Soy-Based Ingredients" Business.
- Revenue is forecast to grow strongly because sales in the Industrial Chocolate Business are projected to increase substantially with the consolidation of Blommer, and results in the Vegetable Oils and Fats Business and Emulsified and Fermented Ingredients Business are forecast to increase.
- Operating profit is forecast to increase because of projected increases in each business, in addition to the absence of expenses for the acquisition of shares of Blommer recorded in the previous fiscal year.
- Net income attributable to owners of parent is forecast to increase substantially because we do not expect to record extraordinary loss, although interest payments are expected to increase due to the increase in borrowings.

Dividends

Based on our dividend policy, we pay stable and continuous dividends.

(Yen)

	1H	2H	Total	Payout ratio
FY 2018 Actual	25	25	50	37.1%
FY 2019 Forecast	**27**	**27**	**54**	**30.5%**

Capital Expenditures and Depreciation Expenses

Based on our investment standards, we will continue to make carefully planned capital expenditures that outperform capital costs and investments in future growth.

(Billions of yen)

	Capital expenditures	Depreciation expenses	Reference
FY 2018 Actual	15.9	11.0	Capital expenditures increased due to investment in a new base in China, investment in a new plant for oils and fats in North America, etc.
FY 2019 Forecast	**22.0**	**10.7**	We project an increase in capital expenditures due to investment in a new plant for oils and fats in North America, capital investments of Blommer, and other investments, but project a decrease in depreciation expenses due to a change in the method of depreciation in Japan (from the declining balance method to the straight line method).

Indicators

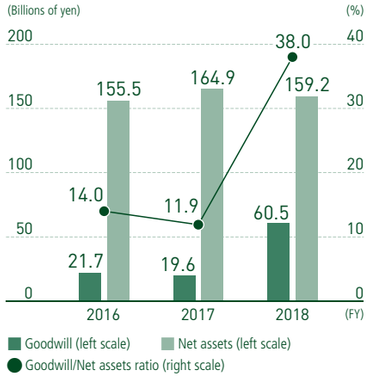
(Billions of yen)

	FY 2016	FY 2017	FY 2018	FY 2019 Forecast
EBITDA	29.9	31.0	30.0	**39.2**
Capital expenditures	13.6	14.7	15.9	**22.0**
Depreciation expenses[1]	9.6	10.0	11.0	**10.7**
Interest-bearing debt	65.7	56.6	160.5	**153.5**
Net interest-bearing debt	52.9	43.6	139.2	**136.6**
Net operating capital	62.9	63.3	17.1	**74.5**
Net interest-bearing debt/EBITDA (Times)	1.8	1.4	4.6	**3.5**
Net assets per share[2] (Yen)	1,754	1,864	1,820	**1,954**
Equity ratio (%)	55.4	59.2	40.8	**42.7**
D/E ratio[3] (Times)	0.44	0.35	1.03	**0.91**
Net D/E ratio[4] (Times)	0.36	0.28	0.87	**0.80**
Cash flows from operating activities	16.5	28.2	22.6	**32.0**
Free cash flow	2.8	13.7	(56.5)	**10.1**
ROE[5] (%)	8.3	8.8	7.3	**9.4**
ROA[6] (%)	7.3	7.4	5.5	**5.7**
Operating profit margin (%)	6.7	6.7	6.2	**5.6**
CCC (Days)	110	103	105[7]	**105**

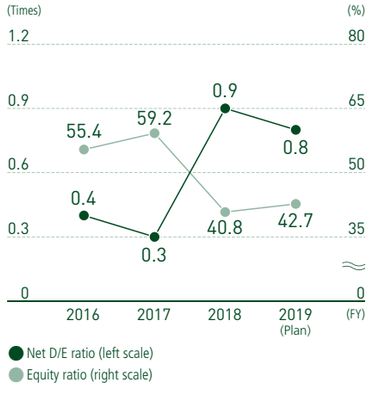
Notes: 1. Depreciation expenses indicates depreciation of tangible fixed assets.
2. Net assets indicates net assets related to common stock excluding holdings by non-controlling interests
3. D/E ratio = Interest-bearing debt / Equity
4. Net D/E ratio = Net interest-bearing debt (Interest-bearing debt – Cash and deposits) / Shareholders' equity
5. ROE = Net income* / Average equity at beginning and end of period
6. ROA = Ordinary profit / Average total assets at beginning and end of period
7. Blommer is not included.

* Net income = Net income attributable to owners of parent

Goodwill & Net Assets Ratio



Net D/E Ratio & Equity Ratio



Data by Business Segment

Vegetable Oils and Fats Business

Consolidated Results

(Billions of yen)

	FY 2018	YoY percentage change	Factors	FY 2019 forecast	YoY percentage change	Factors
Revenue	**109.7**	-3.4%	Despite the impact of a cold spell in the U.S., profit increased mainly due to our focus on profitable sales in Japan and improvements in the profit margin.	113.9	+3.9%	A downturn is expected in Japan in comparison with the high level of profitability in FY 2018, but we project revenue and profit growth due to improvement in the Americas and SE Asia.
Operating profit	**8.1**	+11.8%		9.1	+11.5%	

Regional Analysis

(Billions of yen)

Japan	FY 2018	YoY percentage change	Factors	FY 2019 forecast	YoY percentage change	Factors
Revenue	**36.8**	-1.3%	Decreased due in part to effect of lower raw material prices.	36.9	+0.3%	A decline in profit is expected from the forecast end of a cycle of improved profitability due to lower raw material prices.
Operating profit	**4.0**	+43.1%	Increased due to focus on profitable sales.	3.7	-8.1%	

(Billions of yen)

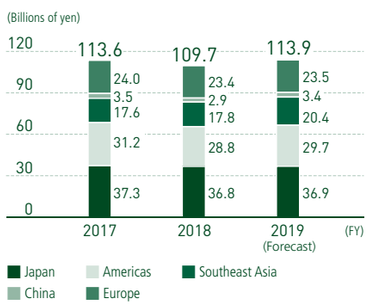
Americas	FY 2018	YoY percentage change	Factors	FY 2019 forecast	YoY percentage change	Factors
Revenue	**28.8**	-7.7%	Decreased because factory utilization rate fell due to impact of a cold spell in January and hurricanes in September and October.	29.7	+3.2%	We expect increases in revenue and profit driven by growth in sales of hard butters for chocolate, in addition to the rebound from the effects of the cold spell and hurricanes.
Operating profit	**1.8**	-23.7%		2.2	+26.1%	

(Billions of yen)

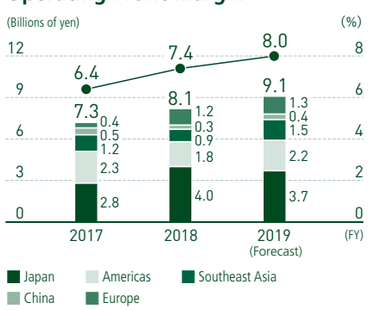
Southeast Asia	FY 2018	YoY percentage change	Factors	FY 2019 forecast	YoY percentage change	Factors
Revenue	**17.8**	+1.1%	Profit decreased due in part to lower raw material prices associated with a slump in profit of oils and fats, which involve a low degree of processing, and lower sales volume of hard butters for chocolate.	20.4	+14.7%	We expect increases in revenue and profit with growth in hard butters for chocolate, and leveling off of the decline in raw material prices.
Operating profit	**0.9**	-23.4%		1.5	+61.2%	

Sales volume as percentage of previous year	FY 2018	Factors	FY 2019 forecast	Factors
Hard butters for chocolate	**97%**	Decreased in Japan and SE Asia.	105%	We anticipate a recovery in sales in the Americas, SE Asia and other regions.

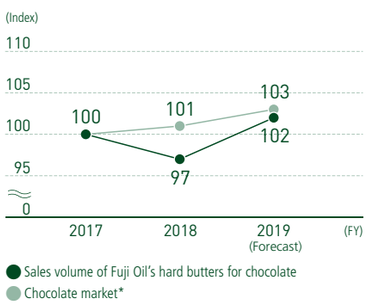
Revenue



Operating Profit/ Operating Profit Margin



Hard Butters for Chocolate Sales Volume Index



* Source: Euromonitor International 2019 Chocolate Confectionery of Packaged Food (Total estimates for 60 countries)

Industrial Chocolate Business

Consolidated Results

(Billions of yen)

	FY 2018	YoY percentage change	Factors	FY 2019 forecast	YoY percentage change	Factors
Revenue	**68.6**	+0.0%	Decrease in profit mainly due to Blommer acquisition expenses of ¥1.3 billion.	187.4	+173.3%	We anticipate increases in revenue and profit with consolidation of Blommer and absence of Blommer acquisition expenses.
Operating profit	**7.4**	-12.4%		10.3	+38.5%	

Regional Analysis

(Billions of yen)

Japan	FY 2018	YoY percentage change	Factors	FY 2019 forecast	YoY percentage change	Factors
Revenue	**38.6**	+2.9%	Profit increased on strong sales of highly processed products and colored chocolate, despite negative impacts of the hot summer and earthquakes.	39.4	+2.2%	Plants are continuing production at full capacity, and we expect increases in revenue and profit with the expansion of a colored chocolate facility and our continued focus on profitable sales.
Operating profit	**6.4**	+4.9%		6.7	+3.7%	

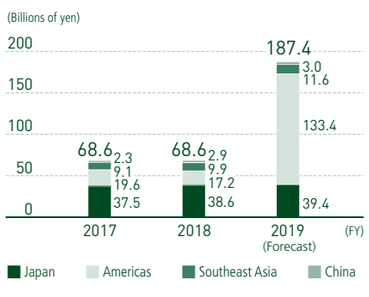
(Billions of yen)

Americas	FY 2018	YoY percentage change	Factors	FY 2019 forecast	YoY percentage change	Factors
Revenue	**17.2**	-12.1%	Despite our strategy of focusing on profitable sales, revenue and profit declined, mainly due to weakening of the Brazilian Real.	133.4	+673.5%	We expect a strong increase in revenue and an increase in profit with the contribution from Blommer.
Operating profit	**1.4**	-3.1%		2.4	+72.9%	

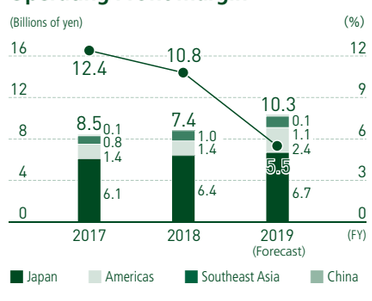
Sales volume as percentage of previous year	FY 2018	Factors	FY 2019 forecast	Factors
Chocolate	**103%**	In addition to the acquisition of Industrial Food Services Pty. Ltd. (IFS), brisk production continued in China, Europe and elsewhere, resulting in an increase in sales.	110%*	In addition to the full-year contribution of IFS, we will work to expand sales at bases globally.

* Excluding Blommer

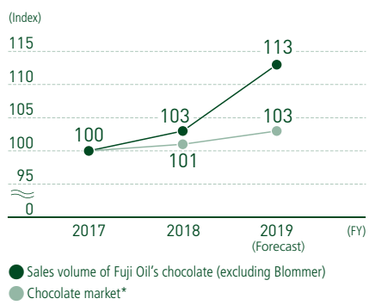
Revenue



Operating Profit/ Operating Profit Margin



Chocolate Sales Volume Index



* Source: Euromonitor International 2019 Chocolate Confectionery of Packaged Food (Total estimates for 60 countries)

Emulsified and Fermented Ingredients Business

Consolidated Results

(Billions of yen)

	FY 2018	YoY percentage change	Factors	FY 2019 forecast	YoY percentage change	Factors
Revenue	**86.5**	-1.2%	Revenue and profit decreased due to lower profit in Japan and SE Asia, despite the contribution of a new plant in China.	91.5	+5.8%	We anticipate revenue and profit due to sales expansion in Japan, improvement in the preparations business in SE Asia, and the full-year contribution of the new plant in China.
Operating profit	**3.3**	-25.8%		4.3	+29.5%	

Regional Analysis

(Billions of yen)

Japan	FY 2018	YoY percentage change	Factors	FY 2019 forecast	YoY percentage change	Factors
Revenue	**62.5**	-5.4%	Key factors in the revenue and profit decline were the slumping bread market, a delay in implementing strategic measures (partly because of the hot summer and earthquakes) and a sluggish dessert market.	64.0	+2.4%	We anticipate increases in revenue and profit, backed by the launch of products that appeal to consumers, expansion of sales markets, and consolidation of items, among other factors.
Operating profit	**1.8**	-30.2%		2.4	+29.1%	

(Billions of yen)

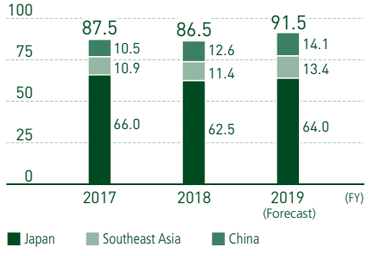
Southeast Asia	FY 2018	YoY percentage change	Factors	FY 2019 forecast	YoY percentage change	Factors
Revenue	**11.4**	+3.8%	In the preparations business, profitability of dairy product inventories worsened, resulting in the large drop in profit.	13.4	+17.9%	We anticipate increases in revenue and profit with expected improvement in profitability of dairy product inventories in the preparations business.
Operating profit	**0.2**	-84.2%		0.9	+338.4%	

(Billions of yen)

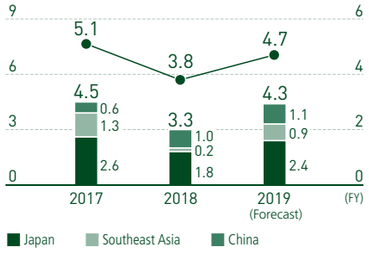
China	FY 2018	YoY percentage change	Factors	FY 2019 forecast	YoY percentage change	Factors
Revenue	**12.6**	+20.1%	Revenue and profit increases were driven by growth of the bread market in China and the contribution from the new plant.	14.1	+11.6%	We anticipate increases in revenue and profit with full-year contribution of new plant as well as expansion in sales of margarine and fillings.
Operating profit	**1.0**	+70.0%		1.1	+12.7%	

Sales volume as percentage of previous year	FY 2018	Factors	FY 2019 forecast	Factors
Fillings (China)	**142%**	Profit increase due to strong sales of fillings and contribution from the new plant.	116%	We anticipate increases in sales with full-year contribution of the new plant.

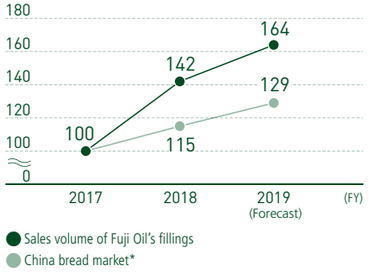
Revenue



Operating Profit/ Operating Profit Margin



China Filling Sales Volume Index



* Source: Euromonitor International 2019 Sales of Bread in China Retail Value RSP - CNY million

Soy-Based Ingredients Business

Consolidated Results

(Billions of yen)

	FY 2018	YoY percentage change	Factors	FY 2019 forecast	YoY percentage change	Factors
Revenue	**36.1**	-5.0%	Revenue and profit decreased due to slump in soy protein foods in Japan.	37.2	+3.0%	Despite a projected decline in China, we expect increases in revenue and profit, mainly driven by recovery of soy protein foods in Japan.
Operating profit	**3.3**	-7.3%		4.1	+25.6%	

Regional Analysis

(Billions of yen)

Japan	FY 2018	YoY percentage change	Factors	FY 2019 forecast	YoY percentage change	Factors
Revenue	**33.1**	-5.3%	While soy protein ingredients showed solid growth, revenue and profit declined, mainly because a plant that manufactures frozen tofu, a soy protein food, stopped production for repairs, and sales were weak after the repairs.	34.5	+4.1%	We anticipate increases in revenue and profit due to factors including a recovery in sales of soy protein foods and growth in sales of water-soluble soy polysaccharides, a functional agent.
Operating profit	**2.6**	-16.5%		3.4	+29.6%	

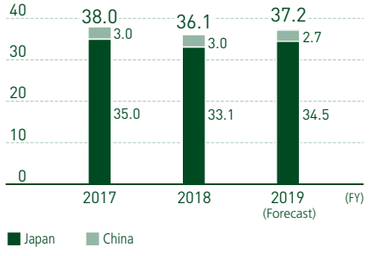
(Billions of yen)

China	FY 2018	YoY percentage change	Factors	FY 2019 forecast	YoY percentage change	Factors
Revenue	**3.0**	-1.1%	Revenue decreased partly due to the transfer of the Jilin plant, but profit increased overall, mainly reflecting reduction of fixed costs.	2.7	-9.4%	Revenue is expected to decline due to the transfer of the Jilin plant, but we will work to improve profitability by expanding sales of functional agents.
Operating profit	**0.6**	+91.5%		0.6	-4.3%	

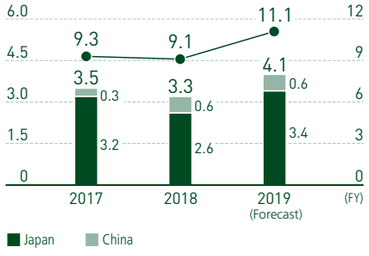
Sales volume as percentage of previous year	FY 2018	Factors	FY 2019 forecast	Factors
Functional agents*	**101%**	Sales volume was flat because of carry-over of sales to the next period as well as manufacturing problems.	113%	Sales volume is expected to increase with continuation of stable manufacturing in addition to a production line expansion in 2018.

*Water-soluble soy polysaccharides & peptides

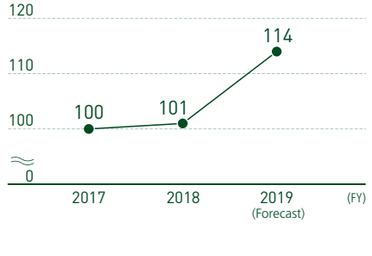
Revenue



Operating Profit/ Operating Profit Margin



Japan Functional Agents Sales Volume Index



Consolidated Financial Statements (Japanese GAAP)

Consolidated Balance Sheets

Fuji Oil Holdings Inc. and Consolidated Subsidiaries
As of March 31, 2015 to 2019

(Millions of yen)

	FY 2014	FY 2015	FY 2016	FY 2017	**FY 2018**
Assets					
Current assets					
Cash and deposits	12,789	16,771	12,762	13,009	**21,217**
Notes and accounts receivable–trade	54,565	56,149	59,045	64,031	**71,192**
Merchandise and finished goods	21,868	22,766	24,740	23,866	**31,315**
Raw materials and supplies	23,290	27,196	27,657	24,474	**53,895**
Deferred income tax assets	1,186	2,334	1,435	—	**—**
Other current assets	4,948	5,818	7,022	5,841	**8,042**
Allowance for bad debt	(92)	(166)	(209)	(419)	**(254)**
Total current assets	**118,556**	**130,869**	**132,455**	**130,805**	**185,410**
Fixed assets					
Tangible fixed assets					
Buildings and structures, net	28,820	31,366	34,047	35,279	**38,574**
Machinery and vehicles, net	30,284	35,106	35,832	35,856	**49,671**
Land	15,987	16,129	15,093	14,734	**14,759**
Construction in progress	5,350	5,031	4,059	6,638	**7,580**
Other, net	1,402	1,857	2,370	2,374	**2,461**
Total tangible fixed assets	**81,845**	**89,491**	**91,402**	**94,883**	**113,046**
Intangible fixed assets					
Goodwill	—	13,133	12,898	11,647	**54,086**
Other	1,311	9,395	10,312	10,430	**10,225**
Total intangible fixed assets	**1,311**	**22,528**	**23,210**	**22,077**	**64,311**
Investments and other assets					
Investment securities	17,283	16,324	16,103	16,484	**12,388**
Net defined benefit asset	1,074	656	1,023	2,076	**2,707**
Deferred tax assets	414	373	312	642	**1,178**
Other fixed assets	3,333	7,479	7,846	3,915	**4,468**
Allowance for bad debt	(193)	(847)	(245)	(154)	**(123)**
Total investments and other assets	**21,912**	**23,987**	**25,040**	**22,964**	**20,620**
Total fixed assets	**105,069**	**136,007**	**139,653**	**139,925**	**197,979**
Total assets	**223,625**	**266,877**	**272,109**	**270,731**	**383,389**

(Millions of yen)

	FY 2014	FY 2015	FY 2016	FY 2017	**FY 2018**
Liabilities					
Current liabilities					
Notes and accounts payable–trade	23,914	25,017	23,212	25,210	**31,723**
Short-term borrowings	14,712	21,361	29,789	19,747	**114,249**
Commercial paper	2,000	—	—	5,000	**—**
Current portion of bonds	5,000	—	—	—	**—**
Accrued income taxes	1,469	3,795	2,511	2,263	**1,531**
Accrued bonuses for employees	2,009	2,194	2,320	2,415	**2,533**
Accrued bonuses for directors	58	50	64	86	**106**
Other current liabilities	8,738	14,063	11,679	12,738	**18,188**
Total current liabilities	**57,902**	**66,482**	**69,576**	**67,460**	**168,333**
Fixed liabilities					
Bonds	—	10,000	10,000	10,000	**10,000**
Long-term borrowings	7,855	28,639	25,878	21,865	**36,205**
Deferred tax liabilities	4,767	7,089	4,587	3,221	**5,653**
Liability for retirement benefit	32	35	—	—	**—**
Net defined benefit liability	1,668	1,820	1,867	2,088	**1,992**
Other fixed liabilities	585	4,022	4,718	1,196	**1,976**
Total fixed liabilities	**14,909**	**51,607**	**47,051**	**38,372**	**55,828**
Total liabilities	**72,812**	**118,089**	**116,628**	**105,833**	**224,162**
Net assets					
Shareholders' equity					
Common stock	13,208	13,208	13,208	13,208	**13,208**
Capital surplus	18,324	18,302	15,609	15,609	**12,478**
Retained earnings	103,467	109,761	119,251	129,031	**136,315**
Treasury stock	(1,747)	(1,748)	(1,749)	(1,750)	**(1,752)**
Total shareholders' equity	**133,253**	**139,524**	**146,320**	**156,098**	**160,249**
Accumulated other comprehensive income					
Unrealized holding gain/(loss) on securities	6,728	5,390	5,484	5,543	**4,176**
Unrealized gain/(loss) on hedging instruments	479	(980)	41	(329)	**(9)**
Foreign currency translation adjustments	5,716	(422)	29	(592)	**(7,487)**
Remeasurements of defined benefit plans	(583)	(1,189)	(1,144)	(509)	**(507)**
Total accumulated other comprehensive income	**12,341**	**2,798**	**4,410**	**4,112**	**(3,829)**
Non-controlling interests	5,218	6,464	4,749	4,686	**2,806**
Total net assets	**150,813**	**148,787**	**155,480**	**164,897**	**159,227**
Total liabilities and net assets	**223,625**	**266,877**	**272,109**	**270,731**	**383,389**

Consolidated Income Statements

Fuji Oil Holdings Inc. and Consolidated Subsidiaries
For the fiscal years ended March 31, 2015 to March 31, 2019

(Millions of yen)

	FY 2014	FY 2015	FY 2016	FY 2017	**FY 2018**
Revenue	271,903	287,537	292,547	307,645	**300,844**
Cost of sales	224,434	230,275	231,334	244,145	**235,593**
Gross profit	**47,469**	**57,261**	**61,213**	**63,500**	**65,250**
Selling, general and administrative expenses	33,258	40,420	41,518	43,018	**46,725**
Operating profit	**14,211**	**16,840**	**19,694**	**20,481**	**18,525**
Non-operating income					
Interest income	94	115	898	434	**305**
Dividend income	205	231	200	183	**144**
Gain on valuation of derivatives	—	—	398	—	**—**
Share of profit in investments accounted for using equity method	—	—	66	147	**84**
Other non-operating income	404	277	729	514	**490**
Total non-operating income	**704**	**624**	**2,294**	**1,279**	**1,025**
Non-operating expenses					
Interest expense	343	814	1,218	716	**510**
Foreign exchange losses	19	962	298	230	**—**
Provision of allowance for doubtful accounts	741	—	—	298	**—**
Loss from equity method	406	739	—	—	**—**
Other non-operating expenses	—	827	758	531	**863**
Total non-operating expenses	**1,511**	**3,343**	**2,275**	**1,776**	**1,374**
Ordinary profit	**13,405**	**14,121**	**19,712**	**19,983**	**18,176**
Extraordinary gain					
Gain on sales of investment securities	—	936	1,360	802	**2,182**
Gain on sales of fixed assets	—	—	—	—	**19**
Return of profit gained through short-term trading	—	—	—	348	**—**
Gain on sales of land	—	203	—	—	**—**
Gain on transfer of business	—	170	—	—	**—**
Insurance income	240	—	—	—	**—**
Gain on sales of investments in capital of subsidiaries and affiliates	33	—	—	—	**—**
Gain on sales of stock of subsidiaries and affiliates	—	—	533	—	**—**
Total extraordinary gain	**274**	**1,310**	**1,894**	**1,151**	**2,202**
Extraordinary loss					
Loss on disposal of fixed assets	224	488	314	440	**665**
Cost related to shift to holding company structure	—	279	—	—	**—**
Impairment loss	—	88	2,322	836	**2,039**
Loss on disaster	—	—	—	—	**505**
Loss on valuation of shares of subsidiaries and affiliates	—	—	—	34	**428**
Business restructuring expenses of subsidiaries and affiliates	—	53	—	767	**200**
Office transfer expenses	62	28	—	—	**—**
Special investigation expenses	109	—	—	—	**—**
Loss on valuation of investments in capital of subsidiaries and affiliates	—	—	—	221	**—**
Loss on cancellation of contracts	—	—	757	—	**—**
Subsidiary liquidation loss	—	—	109	—	**—**
Total extraordinary loss	**396**	**939**	**3,504**	**2,301**	**3,840**
Income before income taxes	**13,282**	**14,492**	**18,103**	**18,833**	**16,538**
Income taxes	3,413	5,096	5,003	5,165	**3,974**
Income taxes adjustment	163	(270)	398	(606)	**562**
Total income taxes	**3,577**	**4,826**	**5,402**	**4,558**	**4,536**
Net income	**9,705**	**9,665**	**12,700**	**14,274**	**12,002**
Net income attributable to non-controlling interests	374	438	594	532	**420**
Net income attributable to owners of parent	**9,330**	**9,227**	**12,105**	**13,742**	**11,582**

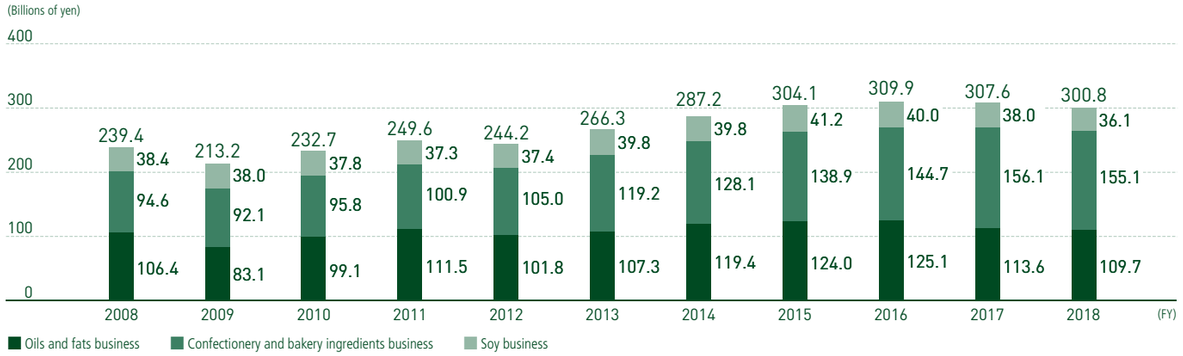
Consolidated Statements of Comprehensive Income

Fuji Oil Holdings Inc. and Consolidated Subsidiaries
For the fiscal years ended March 31, 2015 to March 31, 2019

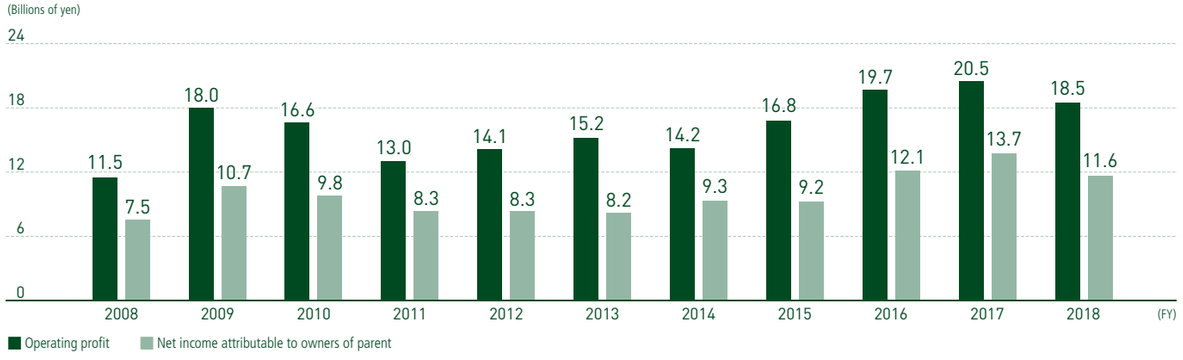
(Millions of yen)

	FY 2014	FY 2015	FY 2016	FY 2017	**FY 2018**
Net income	9,705	9,665	12,700	14,274	**12,002**
Other comprehensive income					
Unrealized holding gain/(loss) on securities	3,143	(1,338)	93	59	**(1,367)**
Deferred gain/(loss) on hedging instruments	399	(1,459)	1,016	(331)	**279**
Foreign currency translation adjustments	6,022	(6,535)	419	(791)	**(7,590)**
Remeasurements of defined benefit plans	2	(606)	45	635	**1**
Share of other comprehensive income of affiliates accounted for using equity method	52	(70)	78	(23)	**(98)**
Total comprehensive income	**9,620**	**(10,010)**	**1,653**	**(451)**	**(8,775)**
Comprehensive income	**19,325**	**(344)**	**14,354**	**13,823**	**3,226**
(Comprehensive income attributable to)					
Comprehensive income attributable to owners of the parent	18,215	(316)	13,893	13,444	**3,640**
Comprehensive income attributable to non-controlling interests	1,110	(27)	460	378	**(413)**

Revenue by Business



Operating Profit/Net Income Attributable to Owners of Parent



Consolidated Cash Flow Statements

Fuji Oil Holdings Inc. and Consolidated Subsidiaries
For the fiscal years ended March 31, 2015 to March 31, 2019

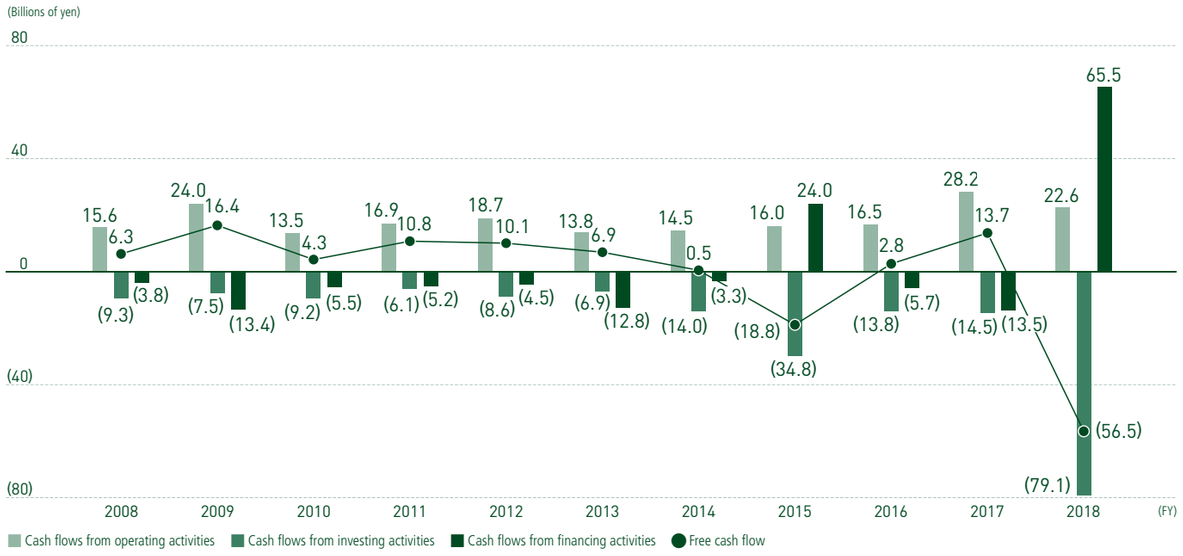
(Millions of yen)

	FY 2014	FY 2015	FY 2016	FY 2017	**FY 2018**
Cash flows from operating activities					
Income before income taxes	13,282	14,492	18,103	18,833	**16,538**
Depreciation and amortization	8,636	9,903	10,431	10,900	**11,989**
(Inc)/dec in net defined benefit asset	(355)	417	(366)	(1,053)	**(630)**
Inc/(dec) in net defined benefit liability	87	(644)	150	1,091	**(39)**
Interest income and dividend income	(300)	(346)	(1,099)	(617)	**(449)**
Interest expense	343	814	1,218	716	**510**
Impairment loss	—	88	2,322	836	**2,039**
Loss/(gain) on sales of shares of subsidiaries and affiliates	—	—	(533)	—	**—**
Subsidiary and affiliates liquidation loss	—	—	109	—	**—**
Loss on disaster	—	—	—	—	**505**
Share of loss/(profit) in investments accounted for using equity method	741	739	(66)	(147)	**(84)**
Loss/(gain) on sales of investment securities	(0)	(936)	(1,360)	(802)	**(2,182)**
Loss/(gain) on disposal of fixed assets	126	301	350	440	**646**
Loss/(gain) on sales of investments in capital of subsidiaries and affiliates	(33)	—	—	—	**—**
Loss on valuation of shares of subsidiaries and affiliates	—	—	—	34	**428**
Loss on valuation of investments in capital of subsidiaries and affiliates	—	—	—	221	**—**
Loss/(gain) on transfer of business	—	(170)	—	—	**—**
(Inc)/dec in notes and accounts receivable–trade	(4,071)	(422)	(2,899)	(5,006)	**1,062**
(Inc)/dec in inventories	(1,456)	(4,687)	(3,082)	4,377	**(1,298)**
Inc/(dec) in notes and accounts payable–trade	933	(522)	(1,649)	1,983	**(887)**
Other cash flows from operating activities	597	282	1,509	1,647	**127**
Sub-total	**18,531**	**19,309**	**23,138**	**33,457**	**28,275**
Interest income and dividend income received	300	346	1,086	621	**442**
Interest expense paid	(344)	(744)	(1,235)	(714)	**(536)**
Income taxes (paid) refunded	(4,230)	(2,884)	(6,468)	(5,158)	**(5,544)**
Proceeds from insurance income	240	—	—	—	**—**
Cash flows from operating activities	**14,496**	**16,027**	**16,521**	**28,206**	**22,637**
Cash flows from investing activities					
Capital expenditures of tangible fixed assets	(9,300)	(12,855)	(15,097)	(13,919)	**(15,101)**
Proceeds from sales of tangible fixed assets	—	651	—	—	**—**
Payments for purchases of intangible fixed assets	—	—	—	(1,395)	**(1,884)**
Payments for purchases of investment securities	(12)	(1,306)	(71)	(12)	**(13)**
Proceeds from sales of investment securities	0	1,158	1,863	1,749	**4,221**
Payments for purchase of shares in consolidated subsidiaries	(2,524)	—	—	—	**—**
Payments for purchase of shares in nonconsolidated subsidiaries	(388)	—	—	—	**—**
Payments for investments in capital of nonconsolidated subsidiaries	(235)	—	—	—	**—**
Payments for purchase of shares of subsidiaries	—	—	—	—	**(65,262)**
Proceeds from liquidation of subsidiaries and affiliates	—	—	424	—	**—**
Proceeds from sales of shares of subsidiaries and affiliates	—	—	443	—	**—**
Payments for purchase of shares of subsidiaries resulting in change in scope of consolidation	—	(17,168)	—	—	**—**
Income by acquisition of subsidiary company stocks with change in consolidation scope	—	—	396	—	**—**
Proceeds from sales of investment in subsidiaries resulting in change in scope of consolidation	—	—	—	32	**—**
Payments for purchase of investments in affiliated companies	(535)	(35)	—	(815)	**—**
Payments for sales of investments in capital of subsidiaries resulting in change in scope of consolidation	—	—	—	—	**(1,012)**
Payments for sales of investments in capital of subsidiaries and affiliates resulting in change in scope of consolidation	(38)	—	—	—	**—**
Proceeds from transfer of business	—	170	—	—	**—**
Payments into deposits paid	—	(3,995)	—	—	**—**
Other cash flows from investing activities	(922)	(1,443)	(1,720)	(149)	**(53)**
Total cash flows from investing activities	**(13,957)**	**(34,824)**	**(13,760)**	**(14,510)**	**(79,104)**

(Millions of yen)

	FY 2014	FY 2015	FY 2016	FY 2017	**FY 2018**
Cash flows from financing activities					
Inc/(dec) in short-term borrowings	(2,170)	3,280	7,221	(8,994)	**82,914**
Inc/(dec) in commercial paper	2,000	(2,000)	—	5,000	**(5,000)**
Proceeds from long-term borrowings	5,272	25,352	2,406	1,248	**2,764**
Repayment of long-term borrowings	(5,674)	(4,011)	(5,877)	(6,444)	**(5,243)**
Proceeds from issuance of bonds	—	10,000	—	—	**—**
Redemption of bonds	(20)	(5,000)	—	—	**—**
Cash dividends paid	(2,234)	(2,922)	(3,438)	(3,868)	**(4,297)**
Dividend paid to non-controlling interests	(297)	(178)	(312)	(124)	**(126)**
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	—	(221)	(5,467)	(125)	**(4,874)**
Payments from changes in ownership interests in investments in capital of subsidiaries that do not result in change in scope of consolidation	—	—	—	—	**(517)**
Other cash flows from financing activities	(168)	(258)	(194)	(144)	**(131)**
Total cash flows from financing activities	**(3,294)**	**24,040**	**(5,662)**	**(13,452)**	**65,487**
Exchange rate changes on cash and cash equivalents	893	(1,285)	(601)	(122)	**(811)**
Net increase in cash and cash equivalents	**(1,862)**	**3,958**	**(3,503)**	**120**	**8,208**
Cash and cash equivalents at beginning of period	14,578	12,716	16,698	12,681	**12,999**
Cash and cash equivalents from newly consolidated subsidiaries at beginning of period	—	23	—	197	**—**
Cash and cash equivalents from exclusion of consolidated subsidiaries at beginning of period	—	—	(513)	—	**—**
Cash and cash equivalents at end of period	**12,716**	**16,698**	**12,681**	**12,999**	**21,207**

Cash Flows



Notes to the Consolidated Financial Statements (Abbreviated)

Consolidated Balance Sheets

1. Accumulated depreciation of tangible fixed assets

(Millions of yen)

Years ended March 31	2018	2019
Accumulated depreciation of tangible fixed assets	193,729	**210,145**

2. Non-consolidated subsidiaries and affiliates are recognized as follows.

(Millions of yen)

March 31	2018	2019
Investment securities	2,922	**2,829**
Investments and other assets	0	**—**

3. Advanced depreciation

(1) Advanced depreciation due to government subsidies received is deducted from acquisition price as follows.

(Millions of yen)

March 31	2018	2019
Machinery and vehicles	51	**51**

(2) Advanced depreciation due to new business promotion subsidies received from Osaka Prefecture is deducted from acquisition price as follows.

(Millions of yen)

March 31	2018	2019
Machinery and vehicles	64	**64**

(3) Advanced depreciation due to gain on insurance adjustments is deducted from acquisition price as follows.

(Millions of yen)

March 31	2018	2019
Buildings and structures	8	**4**
Machinery and vehicles	933	**915**
Total	941	**919**

4. Guarantee obligations

The Group guarantees borrowings from financial institutions and other obligations for companies other than consolidated companies.

(Millions of yen)

March 31	2018	2019
UNIFUJI SDN. BHD.	—	**2,417**[1]
PT. MUSIM MAS-FUJI	956[2]	**998**[3]
FREYABADI (THAILAND) CO., LTD.	312[4]	**425**[5]
3F FUJI FOODS PRIVATE LIMITED	100	**128**
FUJI OIL (PHILIPPINES), INC.	66	**69**
Total	1,436	**4,041**

Notes: 1. The above includes 693 million yen in counter guarantees for the Company by other companies, and 1,031 million yen in counter guarantees for other companies by the Company.
2. The above includes 487 million yen in counter guarantees for the Company by other companies.
3. The above includes 509 million yen in counter guarantees for the Company by other companies.
4. The above includes 156 million yen in counter guarantees for the Company by other companies.
5. The above includes 212 million yen in counter guarantees for the Company by other companies.

5. Pledged assets and secured liabilities

Assets pledged as collateral and secured liabilities are as follows.

Assets pledged as collateral

(Millions of yen)

March 31	2018	2019
Notes and accounts receivable – trade	—	**7,145**
Merchandise and finished goods	—	**8,417**
Raw materials and supplies	—	**19,206**
Buildings and structures	—	**2,192**
Machinery and vehicles	—	**3,043**
Land	4	**290**
Total	4	**40,296**

Secured liabilities

(Millions of yen)

	2018	2019
Short-term borrowings	70	**13,313**
Long-term borrowings	—	**15,102**
Total	70	**28,415**

6. Notes

Notes maturing on the last day of the fiscal year are accounted for as settled on the clearance date. Accordingly, such notes are included in the following accounts because the last day of the consolidated fiscal year ended March 31, 2019 was a bank holiday.

(Millions of yen)

March 31	2018	2019
Notes receivable	588	**438**
Notes payable	80	**68**

Consolidated Income Statements

1. Selling, general and administrative expenses

(1) Selling, general and administrative expenses are as follows.

(Millions of yen)

Years ended March 31	2018	2019
Shipping expenses	12,614	**13,265**
Provision of allowance for doubtful accounts	39	**113**
Employee salary and benefit expenses	8,511	**8,942**
Provision for bonuses	949	**1,029**
Retirement expenses	664	**384**
Provision for directors' bonuses	86	**106**
Depreciation expenses	1,218	**1,215**
Advertising expenses	737	**613**
Sales commissions	2,354	**2,359**
Research and development expenses	4,613	**4,758**
Amortization of goodwill	716	**709**

(2) Research and development expenses are recognized as follows.

(Millions of yen)

Years ended March 31	2018	2019
General and administrative expenses	4,613	**4,758**

2. Breakdown of loss on disposal of fixed assets is as follows.

(Millions of yen)

Years ended March 31	2018	2019
Buildings and structures	74	**153**
Machinery and vehicles	132	**203**
Demolition expenses	241	**279**
Other	(7)	**29**
Total	440	**665**

3. Impairment loss

Year ended March 31, 2018

(Millions of yen)

Use	Asset type	Location	Impairment loss
Employee housing	Land, buildings, other	Tsukuba Mirai City, Ibaraki Prefecture	333
Soy milk production facility	Buildings, machinery and equipment, other	Izumisano, Osaka Prefecture	329
Sales administration software	Software, other	Toyonaka, Osaka Prefecture	109
Logistics and warehousing facilities	Buildings, machinery and equipment	Izumisano, Osaka Prefecture	36
Soy protein and food production facilities	Buildings, machinery and equipment	Amagasaki, Hyogo Prefecture	27

Year ended March 31, 2019

(Millions of yen)

Use	Asset type	Location	Impairment loss
Soy protein production facilities	Buildings, machinery and equipment, other	Jilin Province, China	1,728
Training center	Land, buildings, other	Sennan, Osaka Prefecture	270
Soy milk production facility	Buildings, machinery and equipment	Higashinada, Kobe	40

4. Loss on disaster

Year ended March 31, 2019

Losses incurred at the consignment warehouse of Fuji Oil Co., Ltd., a consolidated subsidiary of the Company, as a result of the Northern Osaka Earthquake that occurred in June 2018, are recognized as extraordinary losses.

5. Business restructuring expenses of subsidiaries and affiliates

Year ended March 31, 2018

Business restructuring expenses of Soy Business subsidiaries and affiliates in Japan and overseas were 570 million yen and 197 million yen, respectively.

Year ended March 31, 2019

Business restructuring expenses of Soy Business subsidiaries and affiliates overseas were 200 million yen.

Financial Instruments

Fair value of financial instruments

Carrying amount, fair value and unrealized gain or loss for financial instruments as of March 31, 2019 are as follows. Instruments for which fair value is extremely difficult to estimate are not included (refer to Note 2).

(Millions of yen)

	Carrying value	Fair value	Unrealized gain (loss)
(1) Cash and deposits	**21,217**	**21,217**	**—**
(2) Notes and accounts receivable – trade	**71,192**	**71,192**	**—**
(3) Securities and investment securities	**9,059**	**9,059**	**—**
Total assets	**101,470**	**101,470**	**—**
(1) Notes and accounts payable – trade	**31,723**	**31,723**	**—**
(2) Short-term borrowings	**108,642**	**108,642**	**—**
(3) Bonds	**10,000**	**10,107**	**107**
(4) Long-term borrowings[1]	**41,812**	**41,517**	**(294)**
Total liabilities	**192,178**	**191,990**	**(187)**
Derivative instruments[2]			
(1) Hedge accounting not applied	**2,423**	**2,423**	**—**
(2) Hedge accounting applied	**(32)**	**(32)**	**—**
Total derivative instruments	**2,391**	**2,391**	**—**

Notes: 1. Long-term borrowings include current portion.
2. Gains and losses arising from derivatives are offset against each other and stated at net, and net losses are shown in parentheses.

Derivative Instruments

Derivative instruments for which hedge accounting is not applied are classified by hedged item and stated at prices quoted by counterparty financial institutions. The fair value of derivative instruments including interest rate swaps for which exceptional accounting is applied or interest rate and currency swaps for which embedded derivative accounting is applied is included in the fair value of long-term borrowings because they are accounted for as an integral part of the long-term borrowings that are the hedged items.

A. Financial instruments for which fair value is extremely difficult to measure

(Millions of yen)

Instrument	Carrying value
Unlisted shares	500
Shares of subsidiaries and affiliates	2,829

These instruments are not included in "(3) Securities and investment securities" above because they do not have a market value and their fair value is therefore extremely difficult to measure.

B. Scheduled redemption of monetary receivables and securities with maturities after the consolidated fiscal year-end

(Millions of yen)

	Not later than one year	Later than one year and not later than five years	Later than five years and not later than 10 years	Later than 10 years
Cash and deposits	21,217	—	—	—
Notes and accounts receivable – trade	71,192	—	—	—
Securities and investment securities	—	—	—	—
Total	92,410	—	—	—

C. Scheduled repayment of bonds, long-term borrowings, lease obligations and other interest-bearing liabilities

(Millions of yen)

	Not later than one year	Later than one year but not later than two years	Later than two years but not later than three years	Later than three years but not later than four years	Later than four year but not later than five years	Later than five years
Short-term borrowings	108,642	—	—	—	—	—
Bonds	—	—	—	10,000	—	—
Long-term borrowings	5,606	20,444	9,532	3,255	2,453	518
Lease obligations	297	199	14	6	2	2
Total	114,547	20,643	9,547	13,262	2,456	520

Year ended March 31, 2019

1. Derivative instruments for which hedge accounting is not applied

(1) Currency instruments

(Millions of yen)

Category	Type of instrument	Year ended March 31, 2019			
		Contract amount	Settled over one year	Fair value	Unrealized gain (loss)
Off-market transactions	Forward exchange contracts				
	Sell				
	U.S. dollar	**3,412**	**—**	**13**	**13**
	Singapore dollar	**0**	**—**	**0**	**0**
	Buy				
	U.S. dollar	**678**	**—**	**21**	**21**
Total		**4,091**	**—**	**34**	**34**

Note: Fair value is calculated largely based on prices quoted by counterparty financial institutions.

(2) Interest rate instruments

(Millions of yen)

Category	Type of instrument	Year ended March 31, 2019			
		Contract amount	Settled over one year	Fair value	Unrealized gain (loss)
Off-market transactions	Interest rate swaps				
	Receive/floating and pay/fixed	**82**	**—**	**1**	**1**
Total		**82**	**—**	**1**	**1**

Note: Fair value is calculated largely based on prices quoted by counterparty financial institutions.

(3) Commodity instruments

(Millions of yen)

Category	Type of instrument	Year ended March 31, 2019			
		Contract amount	Settled over one year	Fair value	Unrealized gain (loss)
Market transactions	Commodity futures				
	Sell	**63,168**	**1,349**	**63,352**	**184**
	Buy	**59,100**	**1,586**	**61,209**	**2,108**
Off-market transactions	Commodity swaps				
	Receive/floating and pay/fixed	**737**	**—**	**94**	**94**
Total		**123,006**	**2,936**	**124,656**	**2,387**

Note: Fair value is calculated largely based on the closing price of futures.

2. Derivative instruments for which hedge accounting is applied

(1) Currency instruments

(Millions of yen)

Hedge accounting method	Type of instrument	Main items hedged	Year ended March 31, 2019		
			Contract amount	Settled over one year	Fair value
Principle method	Forward exchange contracts				
	Sell				
	U.S. dollar	Accounts receivable – trade	**167**	**—**	**(0)**
	Buy				
	U.S. dollar	Accounts payable – trade	**15,605**	**—**	**0**
	Euro	Accounts payable – trade	**22**	**—**	**(0)**
	British pound	Accounts payable – trade	**2,823**	**—**	**21**
Total			**18,619**	**—**	**20**
Assignment accounting for forward exchange contracts and other instruments	Forward exchange contracts				
	Sell				
	U.S. dollar	Accounts receivable – trade	**141**	**—**	Note 2
	Euro	Accounts receivable – trade	**26**	**—**	Note 2
	Buy				
	U.S. dollar	Accounts payable – trade	**2,542**	**—**	Note 2
	Euro	Accounts payable – trade	**0**	**—**	Note 2
	British pound	Accounts payable – trade	**75**	**—**	Note 2
Total			**2,786**	**—**	Note 2

Notes: 1. Fair value is calculated largely based on prices quoted by counterparty financial institutions.
2. The fair value of derivative instruments including forward exchange contracts for which assignment accounting is applied is included in the fair value of the hedged receivables and payables because they are accounted for as an integral part of the hedged receivables and payables.

(2) Interest rate instruments

(Millions of yen)

Hedge accounting method	Type of instrument	Main items hedged	Year ended March 31, 2019		
			Contract amount	Settled over one year	Fair value
Exceptional accounting for interest rate swaps	Interest rate swaps				
	Receive/floating and pay/fixed	Long-term borrowings	**4,549**	**3,300**	Note

Note: The fair value of interest rate swaps for which exceptional accounting is applied is included in the fair value of the hedged long-term borrowings because they are accounted for as an integral part of the hedged long-term borrowings.

(3) Interest rate and currency instruments

(Millions of yen)

Hedge accounting method	Type of instrument	Main items hedged	Year ended March 31, 2019		
			Contract amount	Settled over one year	Fair value
Principle accounting method	Interest rate and currency swap Pay/fixed and receive/floating; Pay Malaysian ringgit and U.S. dollars	Long-term borrowings	**589**	**374**	**(52)**
Embedded interest rate and currency swap accounting (exceptional accounting and assignment accounting)	Interest rate and currency swap Pay/fixed and receive/floating; Pay yen and receive U.S. dollars	Long-term borrowings	**6,823**	**4,950**	Note
Total			**7,413**	**5,325**	**(52)**

Note: The fair value of interest rate and currency swaps for which exceptional accounting and assignment accounting are applied is included in the fair value of the hedged long-term borrowings because they are accounted for as an integral part of the hedged long-term borrowings.

Retirement Benefits

Year ended March 31, 2019

1. Overview of the retirement benefit system

The Company and its consolidated subsidiaries have funded and unfunded defined benefit plans and defined contribution plans to provide for employee retirement benefits.

The defined benefit corporate pension plan (all funded plans) pay a lump sum or pension based on salary and years of service.

The Company and certain consolidated subsidiaries transitioned some of their defined benefit plans to selective defined contribution plans in July 2018.

The lump sum retirement payment plan pays a lump sum retirement benefit based on salary and years of service.

Certain consolidated subsidiaries calculate retirement benefit liabilities and retirement benefit expenses using the simplified method for their defined benefit corporate pension plans and lump sum retirement plans.

2. Defined benefit plans

(1) Change in retirement benefit obligations

(Millions of yen)

Balance at the beginning of the year	**19,070**
Service cost	**897**
Interest cost	**142**
Actuarial loss (gain)	**(245)**
Benefits paid	**(1,002)**
Increase (decrease) due to foreign currency translation adjustment	**(92)**
Balance at the end of the year	**18,769**

(2) Change in plan assets

(Millions of yen)

Balance at the beginning of the year	**19,058**
Expected return on plan assets	**545**
Actuarial loss (gain)	**(323)**
Employer contributions	**1,019**
Benefits paid	**(776)**
Increase (decrease) due to foreign currency translation adjustment	**(38)**
Balance at the end of the year	**19,484**

(3) Reconciliation of retirement benefit obligations and plan assets to liabilities and assets for retirement benefits recorded on the Consolidated Balance Sheets

(Millions of yen)

Funded retirement benefit obligations	**17,977**
Plan assets	**(19,484)**
	(1,506)
Unfunded retirement benefit obligations	**792**
Total net liability for retirement benefits	**(714)**
Liabilities for retirement benefits	**1,992**
Assets for retirement benefits	**(2,707)**
Total net liability for retirement benefits	**(714)**

(4) Retirement benefit costs

(Millions of yen)

Service cost	**897**
Interest cost	**142**
Expected return on plan assets	**(545)**
Net actuarial gain and loss amortization	**80**
Past service costs amortization	**—**
Total retirement benefit costs	**575**

Note: Consolidated subsidiaries that employ the simplified method recognize retirement benefit costs in "Service cost."

(5) Adjustments for retirement benefits

A breakdown of adjustments (before tax effect deduction) to retirement benefits follows:

(Millions of yen)

Past service costs	**—**
Net actuarial gain and loss	**2**
Total	**2**

(6) Accumulated adjustments to retirement benefits

A breakdown of cumulative adjustments (before tax effect deduction) to retirement benefits follows.

(Millions of yen)

Past service costs that are yet to be recognized	**—**
Actuarial gain and loss that are yet to be recognized	**(731)**
Total	**(731)**

(7) Plan assets

A. Breakdown of main plan assets

Asset types and their percentage of total plan assets are as follows.

Equities	**30%**
Bonds	**30%**
Cash and deposits	**4%**
Life insurance general account	**15%**
Other	**19%**
Total	**100%**

B. Long-term expected rate of return

The expected long-term rate of return on plan assets is determined by considering the current and expected allocation of plan assets and the current and expected long-term rates of return from the various types of plan assets.

(8) Actuarial assumptions

The principal actuarial assumptions (expressed as weighted averages) are as follows:

Discount rate	**0.6%**
Long-term expected rate of return	**3.0%**

3. Defined contribution plans

Contributions to the defined contribution plans of consolidated subsidiaries are 352 million yen for the year ended March 31, 2019.

Tax-effect Accounting

1. Breakdown of major factors that resulted in deferred tax assets and liabilities

(Millions of yen)

March 31	2018	2019
Deferred tax assets:		
Accrued enterprise tax	180	**433**
Accrued bonuses for employees	610	**618**
Deferred gains or losses on hedges	180	**—**
Inventory write-downs	27	**67**
Allowance for doubtful receivables	100	**98**
Accrued bonuses including social insurance premiums	85	**85**
Foreign exchange losses	4	**—**
Unrealized income on inventories	170	**177**
Tax losses carried forward	941	**2,500**
Liability for retirement benefits	877	**846**
Valuation of listed shares	34	**31**
Impairment loss	1,225	**984**
Shares in subsidiary from corporate separation	442	**442**
Other	1,031	**2,335**
Total gross deferred tax assets	5,914	**8,622**
Less: Valuation allowance	(1,765)	**(1,422)**
Total deferred tax assets	4,148	**7,200**
Deferred tax liability offset	(3,505)	**(6,021)**
Net deferred tax assets	642	**1,178**
Deferred tax liabilities		
Deferred gains on hedges	—	**6**
Depreciation at consolidated overseas subsidiaries	1,382	**3,540**
Mark-to-market valuation differences	504	**642**
Retained earnings at overseas subsidiaries	853	**973**
Unrealized gains on securities	2,438	**1,829**
Reserve for property replacement	132	**132**
Retirement benefit assets	864	**1,042**
Inventories	—	**1,985**
Other	550	**1,522**
Total deferred tax liabilities	6,727	**11,675**
Deferred tax asset offset	(3,505)	**(6,021)**
Net deferred tax liability	3,221	**5,653**

2. Reconciliation of significant difference between the statutory effective tax rate and the effective tax rate after application of tax effect accounting

Years ended March 31	2018	2019
Statutory tax rate	30.9%	**30.6%**
Increase (decrease) due to:		
Items such as entertainment expenses that are not temporary differences	(10.8%)	**(14.6%)**
Change in valuation allowance	(3.2%)	**(1.5%)**
Tax deductions such as research expenses	(2.9%)	**(3.6%)**
Differences with tax rates of overseas subsidiaries	(3.3%)	**(2.1%)**
Dividend income eliminated in consolidation	14.3%	**16.0%**
Subsidiary share acquisition-related expenses	—%	**2.5%**
Other	(0.9%)	**0.0%**
Effective tax rate	24.2%	**27.4%**

Main Non-Financial Data

See Sustainability Report 2019 for more information about our sustainability strategy and other non-financial information.
https://www.fujioilholdings.com/en/csr/

Sustainable Procurement (Palm Oil)

	Jul.-Dec. 2018	Jan.-Jun. 2018	Jul.-Dec. 2017	Jan.-Jun. 2017	Jul.-Dec. 2016
Traceability to oil mills (%)					
Palm oil	**99**	97	96	96	93
Palm kernel oil	**99**	100	94	97	96
Average	**99**	98	95	96	94

• Sales volume of Group products that use RSPO-certified oil: 17% (FY 2018 Results)

Environment

	FY 2018	FY 2017	FY 2016	FY 2015	FY 2014
Total energy consumption (CO_2 emissions equivalent) and energy consumption per unit of production					
Emissions in Japan (t-CO_2)	**161,540**	167,584	169,952	168,654	163,454
Emissions outside Japan (t-CO_2)	**277,097**	303,415	341,000	342,531	350,739
Consumption per unit of production in Japan (t-CO_2/t)	**0.282**	0.299	0.291	0.297	0.306
Consumption per unit of production outside Japan (t-CO_2/t)	**0.205**	0.226	0.264	0.278	0.290
Fuji Oil Group Scope-1, 2 energy consumption (CO_2 emissions)[1]					
Scope-1 (t-CO_2)	**215,605**	249,441	289,602	301,874	315,828
Scope-2 (t-CO_2)	**206,832**	221,201	221,349	209,311	198,365
Annual water usage and water usage per unit of production					
Water usage in Japan (1,000 m^3)	**2,555**	2,713	2,859	2,845	2,759
Water usage outside Japan (1,000 m^3)	**2,163**	2,392	2,495	2,782	2,922
Water usage per unit of production in Japan (m^3/t)	**4.48**	4.84	4.90	5.16	5.16
Water usage per unit of production outside Japan (m^3/t)	**1.60**	1.78	1.93	2.26	2.41
Annual wastewater and wastewater per unit of production					
Wastewater in Japan (1,000 m^3)	**1,926**	1,969	2,069	2,073	1,993
Wastewater outside Japan (1,000 m^3)	**1,037**	1,116	1,361	1,446	1,395
Wastewater per unit of production in Japan (m^3/t)	**3.38**	3.49	3.54	3.60	3.73
Wastewater per unit of production outside Japan (m^3/t)	**0.77**	0.83	1.07	1.17	1.15
Recycled water volume (m^3)[2]	**92,262**	100,782	111,708	123,823	104,391
Total waste discharged (food and other wastes)					
Fuji Oil Group in Japan total waste discharged (t)	**19,742**	18,529	19,850	18,439	18,456
Fuji Oil Group in Japan recycling rate (%)	**99.33**	99.96	99.94	99.97	99.82
Total waste discharged by Group companies outside Japan (t)	**23,222**	27,514	21,614	15,225	26,201
Waste discharged per unit of production by Group companies outside Japan (kg/t)	**17.2**	20.5	17.0	12.4	21.7

1. Received third-party evaluations of CO_2 emission. Scope 1 and Scope 2 emissions accounted for over 70% of total emissions.
2. Hannan Business Operations Complex of Fuji Oil Co., Ltd.

Human Resources

	Japan	Europe and the Americas	Asia	Total (Consolidated)
Number of the Fuji Oil Group employees by region				
Male	**1,510**	**1,403**	**1,685**	**4,598**
Female	**373**	**446**	**546**	**1,365**
Total	**1,883**	**1,849**	**2,231**	**5,963**
Number of the Fuji Oil Group managers				
Male	**361**	**161**	**174**	**696**
Female	**37**	**61**	**60**	**158**
Total	**398**	**222**	**234**	**854**

* Domestic Group companies as of March 31, 2019. Overseas Group companies as of December 31, 2018.
* Blommer (U.S.) as of January 31, 2019.

	Regular employees[3]/ temporary employees	Regional limited employees	Contract employees	Average age (of employees)
Fuji Oil Holdings Inc. (Breakdown of employees)				
Male	**101**	**0**	**0**	**47 years, 1 month**
Female	**34**	**1**	**1**	**36 years, 5 months**
Total	**135**	**1**	**1**	**44 years, 4 months**
Fuji Oil Co., Ltd. (Breakdown of employees)				
Male	**950**	**109**	**49**	**43 years, 8 months**
Female	**192**	**53**	**33**	**39 years, 4 months**
Total	**1,142**	**162**	**82**	**43 years, 1 month**

* As of March 31, 2019 3. Includes executive officers

	Apr. 2019	Apr. 2018	Apr. 2017	Apr. 2016	Apr. 2015
Ratio of women in managerial positions (Fuji Oil Co., Ltd.)[4] (%)	**10.53**	8.24	5.56	3.78	3.15

4. Figures prior to fiscal 2017 are for Fuji Oil Holdings Inc. and Fuji Oil Co., Ltd. Figures from fiscal 2018 are calculated as follows: Fuji Oil Holdings Inc. + Fuji Oil Co., Ltd. - Employees dispatched overseas

	FY 2018	FY 2017	FY 2016	FY 2015	FY 2014
Number of new hires					
Male: new graduate	**15**	19	23	24	22
Male: mid-career	**22**	18	13	18	9
Female: new graduate	**13**	12	9	11	6
Female: mid-career	**10**	2	0	2	2
Male: subtotal	**37**	37	36	42	31
Female: subtotal	**23**	14	9	13	8
Total turnover rate for regular employees (%)	**2.43**	1.83	1.36	1.38	1.33
Voluntary turnover rate for regular employees (%)	**1.80**	1.75	0.96	1.22	0.66
Average years of continuous employment					
Male	**19 years, 7 months**	19 years, 2 months	20 years, 0 month	19 years, 5 months	18 years, 11 months
Female	**14 years, 11 months**	15 years, 5 months	15 years, 11 months	14 years, 11 months	15 years, 2 months
Average	**18 years, 8 months**	18 years, 7 months	19 years, 4 months	18 years, 8 months	18 years, 4 months

Scope: Fuji Oil Holdings Inc. and Fuji Oil Co., Ltd.

	Number of employees who took childcare leave (including pre- and post-partum leave)	Number of employees who utilized shortened working hours (for childcare)	Number of employees who took nursing care leave	Three-year retention rate of employees who took childcare leave in FY 2015[5]
Number of program users by gender				
Male	**28**	**0**	**0**	**100.0%**
Female	**17**	**25**	**0**	**88.9%**
Total/Average	**45**	**25**	**0**	**92.6%**

Scope: Fuji Oil Holdings Inc. and Fuji Oil Co., Ltd. (FY 2018) 5. As of fiscal 2018

- **People rehired: 29**
- **Rehiring rate: 96.7%**
- **Disabled people recruited: 35**
- **Recruitment rate for disabled people: 2.2%**
- **Percentage of annual paid vacation days taken: 63.0%**
- **Total training expenses: Approx. ¥25,858 thousand**
- **Training expenses per employee: Approx. ¥20,170**

Scope: Fuji Oil Holdings Inc. and Fuji Oil Co., Ltd. (FY 2018)

	FY 2018	FY 2017	FY 2016	FY 2015	FY 2014
Fuji Oil Group Number of Lost-Time Injuries per Thousand Employees (4 Days or More)	**3.3**	3.9	5.3	3.3	2.9
Fuji Oil Group Frequency Rate of Labor Accidents[6]					
In Japan	**3.72**	4.91	3.39	5.01	5.03
Outside Japan	**5.09**	5.93	8.19	5.96	4.96
Fuji Oil Group Severity Rate of Labor Accidents[7]					
In Japan	**0.02**	0.02	0.01	0.09	0.01
Outside Japan	**0.05**	1.12	0.06	0.03	0.06

6. Number of labor accident victims per 1 million working hours 7. Accident severity expressed as the number of days lost per 1 thousand working hours

- **Working hours per employee: 159.1 hours/month**
- **Average monthly overtime per employee: 17.0 hours/month**
- **Rate of absence due to illness (Includes only employees taking time off or leave for injury or illness): 1.27%**

Scope: Fuji Oil Holdings Inc. and Fuji Oil Co., Ltd. (FY 2018)

FUJI OIL

Contact Information

IR Team, Finance and Accounting Division
FUJI OIL HOLDINGS INC.

West Tower, Sumitomo Fudosan Mita Twin Building
3-5-27 Mita, Minato-ku, Tokyo 108-6323 Japan
Phone: +81-3-5418-1044 FAX: +81-3-5418-1045
https://www.fujioilholdings.com/en/

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