

# Sustainability Report 2014

# Simply Unique

Fuji Oil operates its business in a spirit of innovation, never imitation, while we work closely with our customers to develop products that utilize our oils and fats, ingredients for confectionery and bakery, and soy protein products.

Our "simply unique" technologies, experiences and ideas lead to "simply unique" products and recommendations, which bring satisfaction and peace of mind to our customers.

We are determined to create something "Simply Unique" through the "Simply Unique" relationships with our business partners so as to contribute to healthier and happier living through the creation of contemporary eating habits as well as fine foods.

## FUJI WAY

### Corporate Philosophy

Contributing to healthier and happier living through the creation of contemporary eating habits as well as fine foods.

### Management Philosophy

To place top priority on safety, quality, and environmental integrity.

### Basic Management Principles

- To achieve ceaseless growth by accomplishing customer satisfaction.
- To challenge innovation continuously with a spirit of creativity.
- To enrich individual character through vigorous self-enlightenment.

### Corporate Message

"Simply Unique" Fuji Oil

### Photograph: Palm oil

Palm oil is a tropical oil that, along with coconut oil, has opened up the door for Fuji Oil to pursue its own unique way. At present, palm oil has the world's largest production quantity among various vegetable oils. Fuji Oil develops oil and fat products with various melting points and properties by using fractionation and other technologies and provides them around the world.

## Summary of the Fuji Oil Group

Using mainly vegetable-based raw materials, the Fuji Oil Group develops, produces and markets food ingredients that deliver good health and good taste. With a primary focus on "oils & fats," "ingredients for confectionery and bakery," and "soy protein products," the Fuji Oil Group also works to expand its business into global, niche, and specialty markets so as to meet diverse markets needs.

## Company profile

Company name: Fuji Oil Co., Ltd.  
 Location of Head Office: 1 Sumiyoshio-cho, Izumisano-shi, Osaka  
 Established: October 9, 1950  
 Capitalization: 13,208 million yen (as of the end of March 2014)  
 Chairman: Yoshitaka Ebihara  
 President and CEO: Hiroshi Shimizu  
 No. of employees: 1,117 (non-consolidated), 4,408 (consolidated) (as of the end of March 2014)  
 Subsidiaries/Associated companies: 27 consolidated subsidiaries, 4 associated companies accounted for under the equity method (as of the end of March 2014)

## Business areas and raw materials

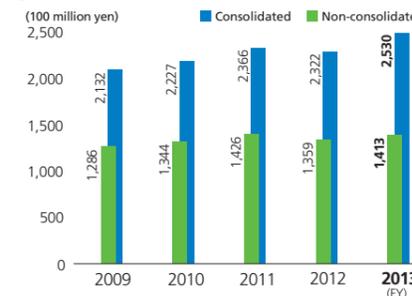
Fuji Oil Group contributes to society in three business areas by using vegetable-based raw materials.

- Oils and fats business
- Ingredients for confectionery and bakery business
- Soy protein business

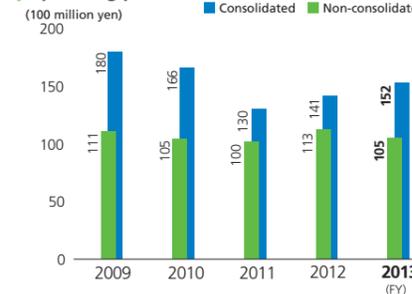


## Major management indices

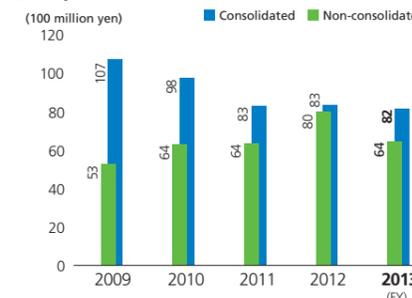
### Sales



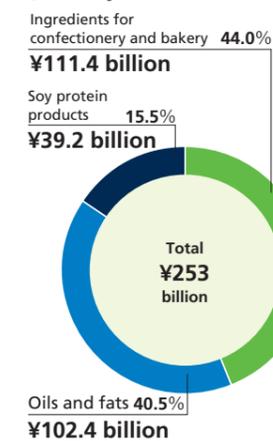
### Operating profits



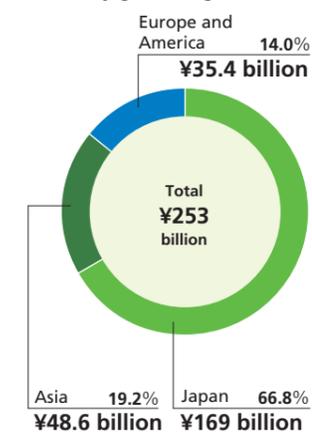
### Net profits



### Sales by business unit



### Sales by global region



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# “Renaissance Fuji 2016” and Sustainable Management To Achieve “How We Want to Be in 2030”

The new Mid-Term Management Plan “Renaissance Fuji 2016” has started since this fiscal year of 2014. Fuji Oil aims for change itself as if it were to become a new company. For that purpose, the “Renaissance Fuji 2016” envisions “How We Want to Be” and, based upon it, presents effective activities to be implemented. President Hiroshi Shimizu will discuss the Sustainable Management of the Fuji Oil Group in line with the new Plan.

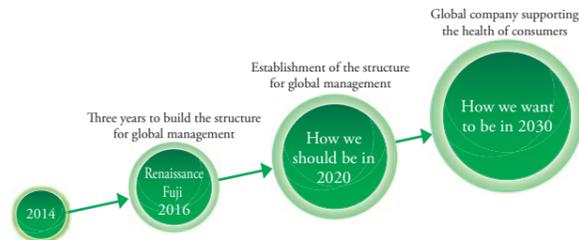
## Envisioning “How We Want to Be” and pursuing through specific measures

### How do you assess our performance under the previous Mid-Term Management Plan “Global & Quality 2013”?

While the previous Mid-Term Management Plan had three prongs of basic policy, I do not think it was fully achieved as projected. I now do not believe that the policy was fully understood by all our colleagues. I think that we should have shown clear growth model by identifying how we want to be and how we should be for that.

### What expectations do you place on the new Mid-Term Management Plan “Renaissance Fuji 2016”?

The three prongs of policy in the previous Plan will continue to be incorporated into the new Plan, but the methodologies of the new Plan will differ significantly from those of the previous one. We first envisioned “how we want to be in 2030” and “how we should be in 2020.” Our goal is to become a global company that supports the health of consumers. To support people’s health, we need to take into account the environment where people live, including the environment of various countries where raw materials are produced. Unless the earth is healthy, people cannot be healthy. To think about people’s health, we need to think about the global environment,



about raw materials, and about animals and plants.

### What are we expected to do?

“Renaissance Fuji 2016” presents what we would like to achieve in the next three years based on our prediction as to what Japan and the world will be in the future. Accordingly, we see a huge gap between the current situation and the situation which the “Renaissance Fuji 2016” aims at. I believe that the gap can be filled through “innovation.” We must seek innovation not only in the technology area but also in the areas of raw material procurement, production, marketing and human resources, i.e., innovations in five areas altogether. There should be two prongs of innovations. One is innovation to seek the reduction of the costs of existing products through operational and business reforms. And the other is innovation that a totally new idea would give rise to.

## Contributing to society through popularizing soybeans

### Role of CSR, to pursue “how we want to be” status?

In pursuing “how we want to be” status, CSR is important. A company is a social existence and, unless it is meaningful in society, it cannot survive. We have to constantly create our social values towards “how we want to be in 2030.” The specific goal is, as above mentioned, to become a global company that supports the health of consumers. “Health” is one of the most important common issues in the world and we will continue our efforts to achieve our goal.

### The soy protein business is particularly important, isn’t it?

Soy protein is one of our core products. The soybean has more potential benefits than any other food. It is highly nutritious and contains the eight amino acids essential for human body in sufficient amounts, which cannot be synthesized within the human body. Accordingly, soybeans are good for people both with over-nutrition and under-nutrition. Moreover, soybean production is highly resource-efficient. The world population at present is about seven billion and expected to increase to nine billion in 2050. As population increases, it may become difficult to secure farmland. Therefore the resource-efficiency of soybeans

should attract people’s attention. From this perspective, soybeans can also contribute significantly to addressing food issues.

### Popularization of soybeans would significantly contribute to society.

I believe that we have a mission to popularize foods made from soybeans. Soybeans have long been used for food products such as tofu, natto and soy sauce. Soymilk has become popular in recent years, but its taste and flavor have not been much improved. Unless people consume a lot, we cannot fulfill our mission. To solve this problem, we focused on the separation technologies that we have developed. With the technologies, we successfully developed the USS manufacturing method to bring out the intrinsic good flavors of soybean. This method allows us to manufacture soymilk cream and low-fat soymilk, expanding the use of soybeans. We also participate in a project to grow soybeans in Africa to address the increasing food demand in the world.

### Concerns over GMO soybeans.

We use no GMO\* soybeans. As a food ingredient producer, we should not use any raw materials that may cause concerns among consumers to our ingredients or products. However, 90% of soybeans produced in the United States are GMOs. We will continue to study the trends in GMO soybeans because the time may come when GMO soybeans may be considered as an



清水洋史

Hiroshi Shimizu  
President and CEO  
Fuji Oil Co., Ltd.

acceptable solution to cope with food shortages in the world.

\* Standard of determination: relevant Japanese standard

## Sustainable procurement is essential for a company to survive.

### As a manufacturer of food ingredients, sustainable procurement is also an important issue.

We deal with vegetable oils and fats, such as palm oil and coconut oil. The production and distribution situations of these oils and fats vary and often change, and these must be addressed appropriately. It is important to have wide range of suppliers and to build trust relationships with local producers and trading companies who have

sustainable management practice.

### Efforts for environmental management

Our environmental activities are based on the “Fuji Group Environmental Vision 2020” developed in June 2011 (See Page 19). Some of the targets set in the Environmental Vision 2020 are challenging. To overcome it, it is important to make innovation, as opposed to an improvement of existing ideas, as I mentioned in relation to the New Mid-Term Management Plan. While we have only five to six years left to the deadline of the “Environmental Vision 2020,” we will make innovations and achieve the targets.

## Pursuing technological management with emphasis on consumer viewpoints

### How will technological management be developed?

Our customers have chosen us mainly because of our technology. Accordingly we will continue placing emphasis on our technology. But it is also essential to understand consumer viewpoints. Unless we understand the needs of consumers who actually purchase products, we cannot make persuasive proposals in B-to-B sales activities. For this reason, I constantly remind employees of the importance of being B-to-B-for-C-oriented business activities with emphasis on consumers (C).

Our technological management involves wide variety of technologies. Technologies provided by the research department certainly are one of them. Production technologies are another type. Technologies relating to sales, including proposals of solutions to customer, also are relevant here. What is particularly important is to develop technology that can differentiate us from others and technology that takes into account customers’ perspectives.

### You emphasize “hitozukuri”(fostering people) in the “Renaissance Fuji 2016.”

Without human resources, no targets can be achieved. People are

developed by their surrounding people and environment. The relationship between people can be built from the step to think about what one can do for the other. A manager should place the highest priority on caring for his/her subordinates and making the work environment lively.

I would like to revisit the former version of the Basic Management Principles that were published in 1960. The Principles encouraged us to resolutely and persistently pursue an innovation. The current Basic Management Principles, published in 1980, encourages us to challenge innovation continuously with a spirit of creativity. These two versions of Principles have been appreciated by us over many years and rooted into our organization as its DNA. By making effective use of this DNA, we will develop personnel who are willing to keep tackling challenges. Such our personnel have great potentials and I count on them.

### Projection for the sustainable management?

We will continue our efforts to ensure the implementation of the three prongs of policy of the previous Mid-Term Management Plan “Global & Quality 2013.” Because our business relates to sustainability issues in many aspects, all personnel should pay more attentions to the sustainability issues and take relevant actions respectively, so that Fuji Oil should obtain higher trust and confidence in society.

To be a global company supporting the health of consumers

Fuji Oil Group New Mid-Term Management Plan

The new Mid-Term Management Plan "Renaissance Fuji 2016" has the role as our action plan to achieve "how we want to be in 2030" and "how we should be in 2020."

The slogan of "Renaissance Fuji 2016" was adopted to convey our determination to revive, restore and further develop the intrinsic values of the Fuji Oil Group.

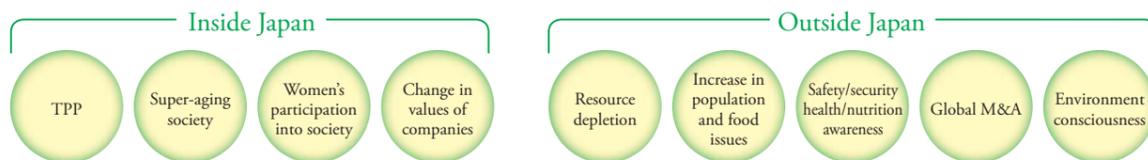
Slogan for New Mid-Term Management Plan  
**Renaissance Fuji 2016**

- The spirit of foundation of business
- Pioneer spirit
- Customer-oriented/Contribution to society
- Resolutely and persistently pursue innovation

Basic concept behind the new Mid-Term Management Plan

Change in the business environment

Social, economic and market environments are significantly changing. Under such a situations, large attentions will be paid as to companies' missions, values and standard of conducts, as well as the business fields and areas that the companies invest their resources.



Expectations from stakeholders

We are aware that technological innovation to create social values (health/nutrition, deliciousness, trust in foods, environment) while allowing economic growth is expected of us.



Our motto

We promote B-to-B-for-C-oriented efforts, or efforts with emphasis on end-consumers beyond our customer companies. We combine "monozukuri" (creating products) and "kotozukuri" (creating movements) to create values for customers in order to connect our technology to customer needs. Our focus is also on developing human resources to facilitate these efforts.

- "Monozukuri" (creating products) + "Kotozukuri" (creating movements) = Creating values
- B-to-B-for-C (Business focusing on end-consumers beyond customer companies)
- "Hitozukuri" (fostering people)

Our ambition

- Eternal missions**
  - Contribute to customers
  - Safety, security and quality of food
  - Environmentally responsible
- Pursuing unlimited potential**
  - Technology innovation
  - Expand our core business around the world
  - Work actively

The new Mid-Term Management Plan "Renaissance Fuji 2016"

This page shows "how we want to be in 2030" and "how we should be in 2020," taking into account "change in the business environment," "expectations from stakeholders," "our motto" and "our ambition." The Plan will serve as the action plan for that.

As to the "how we want to be in 2030" status, we defined it as a global company supporting the health of consumers. By taking advantage of our core technology that has been developed over many years, we aim to achieve the sales of 500 billion yen and the operating profit margin of 10% as a company with a global presence and with the core business ranked the first in the world as well as in relevant areas.

For the better reactions to a significant environmental change, we have adopted the rolling method to review and modify the plan annually and to constantly verify and plan for the next three years. The new Mid-Term Management Plan starting from 2014 covers the three years to build the global management structure.

The goal we should aim for

Aiming to increase the scale by double in the next 15 years by accelerating global management, technological management and sustainable management.

The position we would like to be in by 2030

A global company supporting the health of consumers

- To become a company with high social value and a leading company of global market
- Sales: ¥500 billion
- Operating profit: 10%

How we should be by 2020

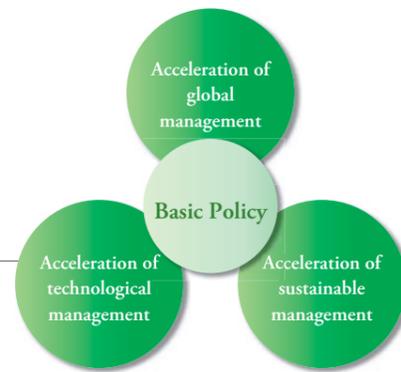
Achievement of the competitive advantage on a global scale  
Establishment of the global management structure

- Sales: ¥350 billion
- Operating profits: 8%

The new Mid-Term Management Plan of Renaissance Fuji 2016 (2014-2016)

Three years to build the global management structure  
Resolutely and persistently pursue an innovation ⇒  
Refocusing on the spirit of foundation of business and the original point of us, and reinforcement of the core business and creating new business

# Basic policy of the New Mid-Term Management Plan "Renaissance Fuji 2016"



## Three years to build the global management structure

The Basic Policy of the previous Mid-Term Management Plan will continue to be implemented and will be accelerated further. Specific measures will be built and implemented to promote the Plan.

### Acceleration of global management

**Japan:** Efforts will be made to maintain and improve profits, as a key market. In particular, focus will be on expanding business into the ready-made meal market where significant growth is expected.  
**Outside Japan:** Efforts will be made to accelerate business development in growing countries and markets. Growth strategies such as M&A and alliances will be actively executed.

**Establishment of the global management structure**  
 Promotion of group management, creation of group synergy

**Strengthening of area management and transfer of authority**  
 Transfer of authority to area headquarters and area representative companies to speed up their decision making

**Development of global human resources**  
 Development of human resources with global competitiveness

### Acceleration of technological management

Innovation will be accomplished and competitive advantage in business will be created.

**Strengthening core technology**  
 Strengthening our core technology, such as fractionation technology  
 Establishing production technology with cost competitiveness

**Creating new business**  
 Establishing and globalizing USS business  
 Promoting new business by using new ingredients

**Strengthening the strategy of intellectual property**  
 Maintaining the top class position with the largest number of patent applications  
 Implementing license business

**Activating research organization**  
 Establishing research centers inside and outside Japan/establishing an Asian R&D center  
 Strengthening open innovation/strengthening research process management  
 Promoting selection and rotation of R&D personnel/adopting discretionary working-hour system

### Acceleration of sustainable management

We will contribute to addressing social issues to respond to expectations of stakeholders.

**Creating social values**  
 Developing new products in consideration of health/nutrition issues and depleting food resources

**Environment**  
 Promoting Environmental Vision 2020, effective use of energy, reduction of waste

**Sustainable procurement**  
 Sustainable procurement of palm and cacao

**"Hitozukuri" (fostering people)**  
 Human resource development, promoting workforce diversity, creating vibrant corporate culture

## Financial strategy

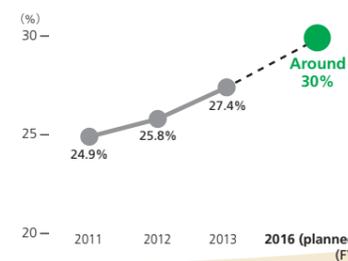
**Operating cash flow** Gaining over ¥50 billion in the three years through steady growth

**Investment for growth** Capital investment: Investing ¥48 billion for three years (¥24 billion each for inside and outside Japan). Business investment for M&A and others: to be considered strategically and separately from capital investment.

**Financing arrangements** D/E ratio: within 50%  
 Allowed over 50% for a strategic investment

**Shareholder return** Payout ratio: Aiming to around 30% in FY2016, based upon stable return practices in consideration about consolidated basis performance.

Change in payout ratios



## Basic strategies

The basic strategies for "Renaissance Fuji 2016" consist of business growth strategy, reformation of profit structure and strengthening of management structure.

### Business growth strategy

Management resources are intensively used in business areas where the relevant markets are growing, and where our marketing efforts can be effective, and we have competitive advantages. In addition to the growth on our own, M&A and alliances will be actively implemented.

### Business growth strategy by segment

#### [Oils and fats business]

- Sales expansion of hard butters for chocolate**  
 Chocolate markets in emerging countries (Latin Americas, Russia) / Diversifying procurement of raw materials and strengthening cooperation among group companies/expanding sales of shea in Europe, Russia and South America
- Strengthening the competitiveness of palm oil**  
 Strengthening cost competitiveness/strengthening relationships with farms/restructuring the production system
- Meeting the needs from market by our core technology**  
 Developing non-trans-fatty acid products in the US/Oil with an enhanced taste component and other technologies to supports health

#### [Ingredients for confectionery and bakery]

- Inside Japan**  
 Expanding sales of food materials for ready-made meals and food service industry/developing convenience stores and other wide-area retail markets such as convenience store chains/establishing a one-stop sales system/expanding sales in new markets such as markets for gifts
- Outside Japan**  
 Expanding sales of ingredients for confectionery and bakery (margarine, chocolate, cream) in markets of emerging countries (China, Malaysia, Thailand, India) and the US, which are expanding

#### [Soy protein business]

- Sales expansion of strategic products**  
 Reinforcing the marketing of USS products (soymilk cream, low-fat soymilk) and establishing businesses inside/outside Japan/expanding business by increasing the sales of key products (soy protein isolate, frozen tofufu)
- Reforming business structure**  
 Outside Japan: Restructuring the soybean supply chain in China  
 Inside Japan: Restructuring soy processed foods business/alliance strategy

### Business growth strategies outside Japan

In emerging countries mainly in Asia, active business investments will be made in markets for the ingredients for confectionery and bakery (margarine, chocolate, cream) to expand the sale thereof. In emerging countries where the chocolate market is growing, we will seize the growing opportunities for the sale of hard butters for chocolate and, in Latin Americas and Russia, the sales promotion will be accelerated. In China, efforts will be made to restructure the soybean supply chain

### Reformation of profit structure

- Reforms of business procedures and business structure will be strongly promoted.
- In all business procedures, thorough efforts will be made to eliminate waste and to improve productivity and effectiveness.
  - The selection and concentration of businesses will be strongly pursued. Production bases will be reorganized and supply chains will be reconstructed.

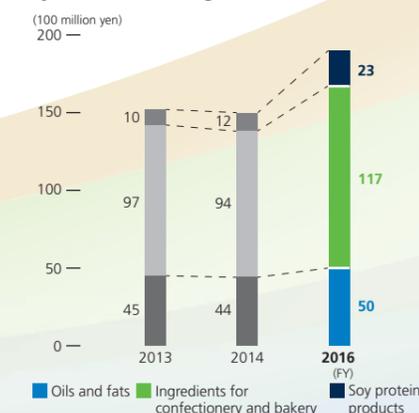
### Strengthening management structure

- Organizational strategies, human resource development and CSR strategies will be promoted.
- Aiming to become a truly global company, we will strengthen our management structures/management foundation.
  - CSR management will be promoted globally to further spread CSR practices.

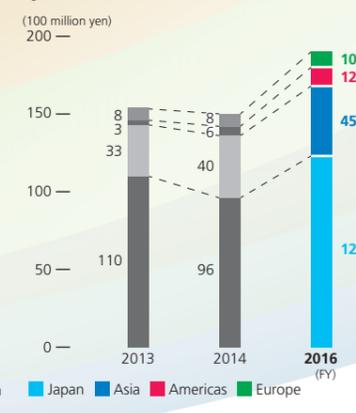
### Target values of management indices

	FY2013	FY2014	FY2016
Sales (100 million yen)	2,530	2,827	3,000
Operating profits (100 million yen)	152	150	190
Operating profit margin (%)	6.0	5.3	6.3
Overseas profit ratio (%)	29	36	35
ROE (%)	6.7	7.2	8.0
<b>Operating profits by segment (100 million yen)</b>			
Oils and fats	45	44	50
Ingredients for confectionery and bakery	97	94	117
Soy protein products	10	12	23
<b>Operating profits by area (100 million yen)</b>			
Japan	110	96	123
Asia	33	40	45
Americas	3	6	12
Europe	8	8	10

Operating profits plan by consolidated segment



Operating profits plan by consolidated area



## Creating new values to contribute to society

### Promotion of sustainable management

In the significantly changing social environment, we will identify and address the social issues that the Fuji Oil Group should contribute to. We are determined to promote sustainable management pursuant to the "Renaissance Fuji 2016."

#### Social issues

As population is increasing, food-related issues have become serious problems. At the same time, issues related to health and nutrition have been widely known. We recognize that it is important to seriously address such issues as aging society, women's participation into society, human rights, labor environment and global environment issues.



- Growing population of elderly on worldwide basis
- Growing populations of under-nutrition and over-nutrition
- Lost confidence in safety and security of foods



- Tight supply and demand for food due to increase in the world population
- Long term increase of market prices of raw materials



- Exacerbation of global warming
- Exacerbation of water and energy shortage
- Increase in energy costs



- Insecurity about raw material supply on a worldwide basis
- Emerging issues on environment and human rights related to palm and cacao



- Necessity of globally competitive human resources
- Increase in job opportunities for elderly people
- Expansion of women's participation into society

### Promotion of sustainable management

The Fuji Oil Group focuses its efforts on the following five key issues in order to continuously meet stakeholders' expectations with social issues taken into account:

Please see pages P13 to P16 for details.

#### Health/nutrition

Growing populations of elderly in Japan and many other countries in the world render lifestyle-related diseases to a major issue, both in developed and emerging countries. We are addressing health and nutrition issues with our unique technology and products.



Please see pages P17 to P18 for details.

#### Food resources

Contrary to the situation in Japan where the population is decreasing, depletion and shortages of food resources associated with population growth around the world have become serious. We are engaged in research and development so that we can contribute to the world as a manufacturer of food materials.



Please see pages P19 to P22 for details.

#### Environment

The Fuji Oil Group promotes environmental protection activities based on the Fuji Group Environmental Vision 2020, a long-term vision that defines prioritized activities to protect environment and the goal of such activities.



Please see pages P23 to P26 for details.

#### Sustainable procurement

We are working on to achieve sustainable procurement of palm and cacao, the major raw materials of our products. We recognize that as very important because we are a manufacturer of ingredients so that we can deliver our products to customers on a stable manner.



Please see pages P27 to P28 for details.

#### Hitozukuri (fostering people)

We promote the employment/education/promotion of employees who can support the concept of "monozukuri (creating products) and kotozukuri (creating movements) = kachizukuri (creating values)" from consumer viewpoints. In "Renaissance Fuji 2016," particular focus will be given to promote diversity and we will make concerted efforts among our Group to develop human resources on a global basis.



# CSR Management

Fuji Oil Group recognizes that its CSR is to materialize its corporate philosophy and contribute to the solution of social issues through its business activities. Based on our belief that “CSR is, after all, management itself,” we aim to contribute to sustainable growth of both our company and society. To this end, we will consistently provide new value by responding to society’s expectations and demands in our business activities.

## CSR vision

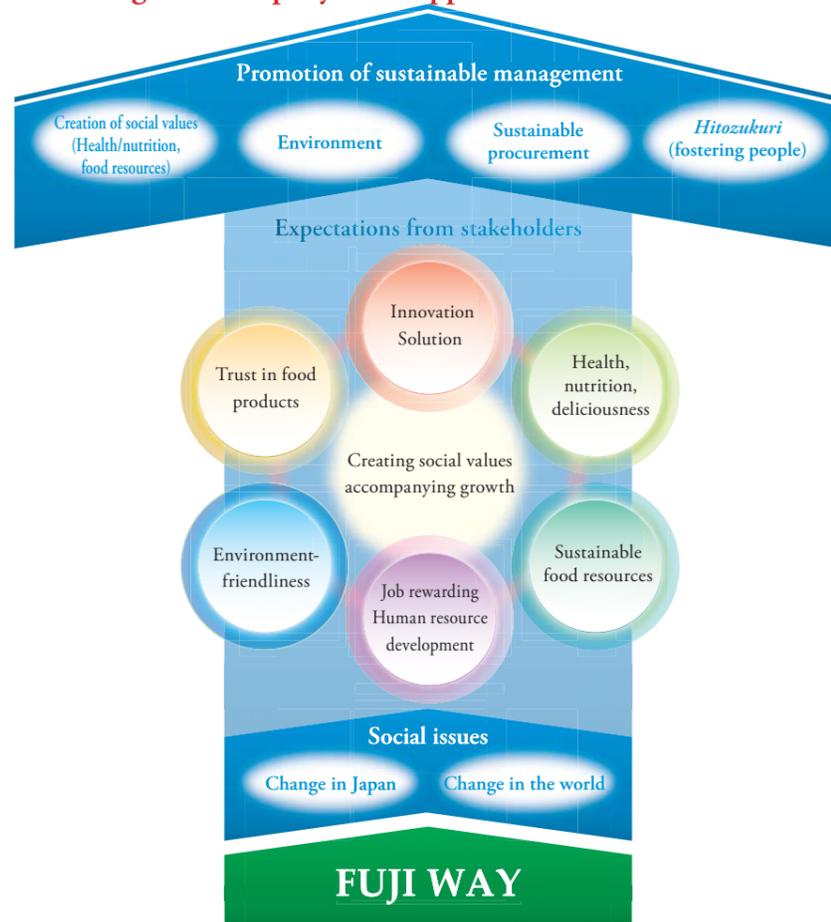
The CSR vision of Fuji Oil Group is to fulfill its corporate philosophy: “Contributing to healthier and happier living through the creation of contemporary eating habits as well as fine foods.” In the spirit of innovation, “never wanting to imitate,” our efforts are focused on offering valued products and services so as to build public trust and become “Simply Unique” Fuji Oil for which people hold high regard.

## Concept

Our efforts are ongoing to “accelerate sustainable management,” under the basic policy of the new Mid-Term Management Plan. To be a global company that supports the health of consumers, we will strive to meet expectations from stakeholders in particular in the following four issues: creation of social values, global environment, sustainable procurement, and hitozukuri (fostering people). In this fiscal year, we will reorganize the system of the CSR Execution Committee comprised of department general manager class personnel, so that it can contribute to achieve sustainable management in cooperation with managers relevant to the aforementioned four issues.

## Concept for our promotion of sustainable management

To be a global company that supports the health of consumers



## CSR Action Policy

### I Efforts to “create contemporary eating habits as well as fine foods”

1. Creation of new values
2. Security, safety and quality of foods
3. Sustainable procurement

\* For details, please visit our website.  
[http://www.fujioil.co.jp/fujioil\\_e/approach/csr.html](http://www.fujioil.co.jp/fujioil_e/approach/csr.html)

### II Efforts regarding “human rights and resources”

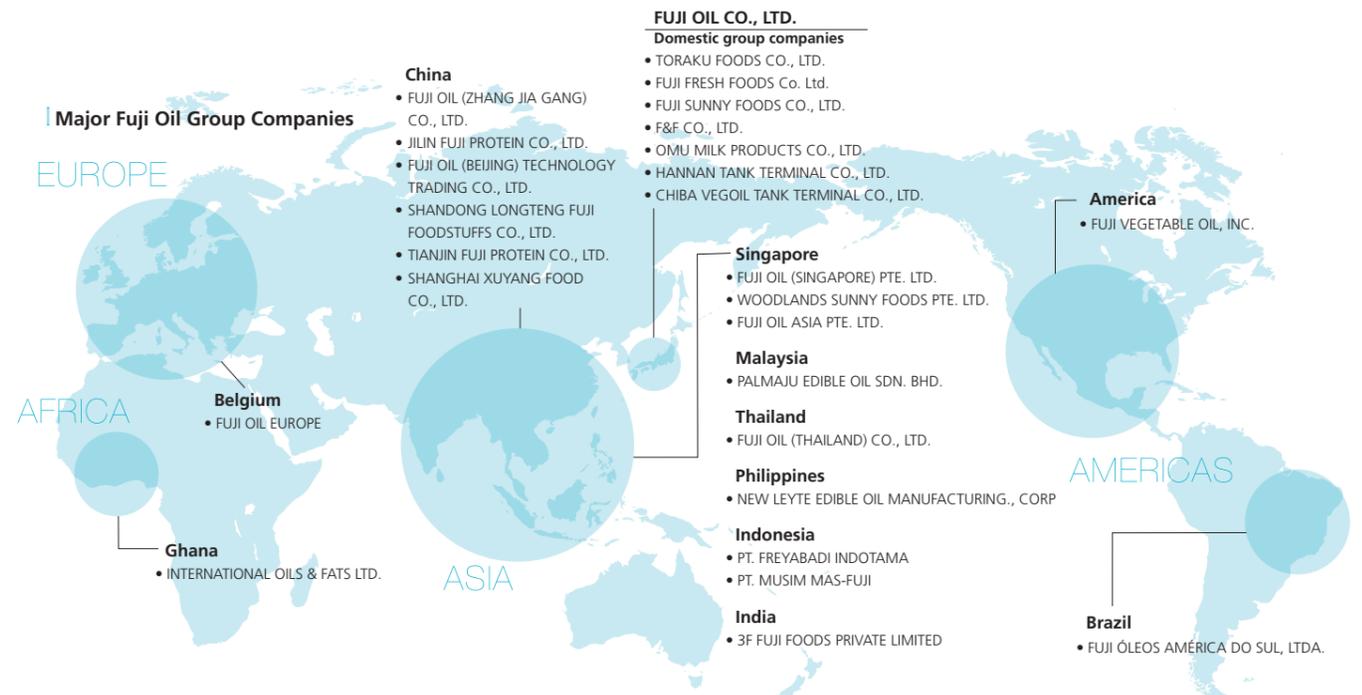
1. Human rights
2. Human resources

### III Efforts regarding “the environment”

### IV Efforts regarding “communities and society”

### V Efforts regarding CSR

1. Corporate philosophy and group CSR management
2. Compliance and risk management
3. Communication with stakeholders
4. CSR supply chain management



## Global development of CSR

Our Group consists of seven companies in Japan and 19 outside Japan, China, Asia, Europe, Americas and Africa. All group companies share the concepts of the CSR Vision, sustainable management and promote CSR activities with due respects to each country’s laws and regulations and culture.

## Participation in the United Nations Global Compact

Fuji Oil Group signed the United Nations Global Compact in January 2013. We will contribute to improve the sustainability not only of our group but also of the



entire society by practicing the ten principles in the four areas of human rights, labor standard, environment and anti-corruption.

## Establishment of the Global CSR Leaders Network

A CSR leader is appointed at every group company inside and outside Japan with

the aim of spreading and promoting CSR practices in all group companies, and the global CSR network has been built. Information in this Report was collected from various group companies via this network. The entire Fuji Oil Group will further focus its efforts on promoting CSR activities, such as the spreading of sustainable management and sharing of information between group companies.

## Comment from Global CSR Leader

As a member of company and community, we have a responsibility to contribute to our earth and society. We realize that customers need sustainable products, then our task from now on is to ensure the sustainability of our raw material resources. The traceability system is crucial in ensuring product sustainability. It also requires the collaboration of the business partners within the supply chain. Moreover, it needs passion to improve the working style from all Freyabadi members. Keep the spirit!



Natalia Kristiani  
 Compliance and Audit  
 Manager  
 PT. FREYABADI INDOTAMA

Creation of social values

# Health and Nutrition

Such changes in the world as increasing population, aging, and under- and over-nutrition are also significantly changing people's expectations for "eating".

In response, Fuji Oil Group, related to "eating" as a food ingredient manufacturer, creates new values that contribute to society from various perspectives.

## Assistance to elderly people

### Social issues (Japan)

Living environment and lifestyles in Japan in 2030 will be significantly different from today.

### Super-aging society (Japan)

- Elderly people will account for about one-third of the population.
- Those who were born in baby-boom era will reach over 75 years old, which will account for one in five of the population.
- The number of children under 14 years old will decrease to the two-thirds of that of today.

### Increase in social security costs

- Shift in the focus of health issue: from treatment to prevention
- "Challenge:" to decrease the ratio of those who need care
- Medical and caring costs: 41 trillion yen in 2008, 90 trillion yen in 2025

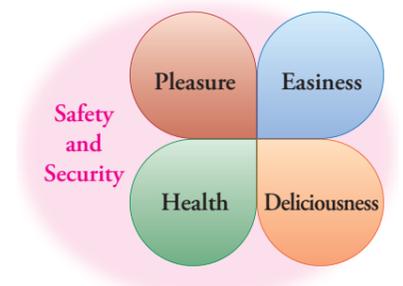
### Seminar Regarding Meals for Seniors with participation by about 100 companies

There are about 30 million elderly people in Japan, accounting for 25% of the population. It is socially meaningful to think about the health and nutrition of elderly people. We therefore held a "Seminar Regarding Meals for Seniors" in November 2013, with participation by about 100 food-related companies.

In the seminar, we set five key words, which are shown in the figure on the right, and set up booths for display and food tasting under the following themes: daily dishes, seasonings, chilled desserts and bread, mass-produced snacks, and

supplements. We showed our product lines from which elderly people can effectively obtain necessary amounts of nutrients.

### Five Key Words for Health and Nutrition



### Proposal of "high-protein and high fat foods" to avoid new-type undernourishment\*

Increasing attentions have been paid to the foods that assist elderly people to maintain their health. We believe, with our abundant experience and expertise in the development of applications of oils and fats and soy protein, it is our mission to respond proactively to social needs for such foods. In this Seminar, we focused on the new-type undernourishment that some active elderly people have suffered. We proposed a

high-protein and high-fat (high-energy) foods to help them stay active so as to enjoy their daily lives. We also will strive to provide relevant information more widely to change consumer awareness.

The higher the health consciousness, the stronger the aversion to metabolic syndrome. In particular, many health-conscious, elderly people still believe that plain food is good for the body. For awareness-raising purposes, we became a sponsor of Active Senior Food & Nutrition Club, a workshop as to foods and nutrition for active elderly people.

\* A concept developed by Prof. Shu Kumagai at University of Human Arts and Sciences and his group to describe aging-related under-nutrition, for which the serum albumin level is used as an index.

### Promotion of salt reduction and further efforts into the future

Salt not only adds tastiness to food but also plays important roles in maintaining the body, such as adjustment of cellular osmotic pressure, digestion and absorption, and neural signal transduction. However, if consumed excessively, salt can constrict blood vessels and thereby increase blood pressure, which may induce arteriosclerosis and cerebrovascular disorders.

While the target salt intake for men is less than 8.0 g per day and women is less than 7.0 g per day (according to the "Dietary reference intakes for Japanese 2015" prepared by the Ministry of Health, Labour and Welfare), men's average salt intake is 11.3 g/day and women's is 9.6 g/day, both of which are significantly higher than the recommended levels (Summary of results from the national health and nutrition survey in Japan 2012 by the Ministry of Health, Labour and Welfare).

A major reason for this excessive consumption of salt lies in the difficulty

in popularizing low-salt foods because people tend to think that low-salt foods are weak in flavor and tasteless. We therefore have developed oils with an enhanced taste component, which enhance the taste and flavor, particularly saltiness, pungency and sourness, of foods with less salt and less seasoning. These "oils with an enhanced taste component" have been supplied to customers around the world and well recognized as food materials that help people reduce salt without sacrificing flavor.

Our next focus will be on anti-oxidation: We will develop functional oil and fat products with improved oxidation stability so that we can contribute to improving the quality of life of consumers.



Mabo dofu made with oils with an enhanced taste component

## Supporting working women

### New products and new projects from mothers' point of view

In Japan, as a growing number of women are participating in society, it is expected that the working mothers' market will continue to grow. In response to this trend, we have formed a team of working mothers since January 2014 in order to develop new markets.

The mission of the team is to "propose superior nutritious foods that help working mothers prepare daily meals and also help improve communication with their children while cooking." Under this mission, team members are engaged in creating new products and new projects from mothers' point of view.



Working mothers' team members sharing their ideas on developing new products

## Promoting the use of oils and fats with low trans fatty acids

### Increasing demand in many countries

Saturated fatty acids and trans fatty acids have been used to adjust the hardness and melting points of oils and fats to improve their functionality. In recent years, however, the U.S. Food and Drug Administration (FDA) has strengthened the regulations on the use of trans fatty acids. Change in consumer needs in this line has been found around the world.

Fuji Oil Group develops and markets products with low saturated fatty acids and low trans fatty acids in order to meet the changing needs of customers.

Particularly in China, many bread and snack products have labels showing the trans-fatty acids content. This is because many consumers recognize the health benefits of low or non-trans fatty acids.

FUJI OIL (ZHANG JIA GANG) CO., LTD. provides low-trans fatty acid versions of margarine, custard and other products so as to meet customers' demands.

## TOPICS

### Contribution to the health of elderly people, as a member of the Active Senior Food & Nutrition Club

Our population is becoming super-aged. The number of elderly people who have severe difficulty in their daily life due to weakened muscle, bone and joints is increasing every year. In the worst case, they end up needing caregiver's help or being bed-ridden. The Active Senior Food & Nutrition Club was established in March 2013 with the aim of providing information useful for preventing and coping with physical frailty, locomotive syndrome, sarcopenia and other age-related conditions from the perspective of food and

nutrition. We, as a cosponsor of the Club, actively provide information about nutritious and healthy food ingredients, such as oil with an enhanced taste component, soymilk cream and low-fat soymilk and soy peptides so as to help elderly people live healthy and fulfilling lives as much as possible.



Products with low trans fatty acids sold in China



Executive Message

The market environment is changing significantly. We provide delicious, healthy and environment-friendly cooking ingredients widely to the ready-made meal market, which is expanding due to women's integration into society and increase in elderly population. Our aim is to achieve the highest customer satisfaction through proposal-oriented marketing that helps customers solve their problems with Fuji Oil products.

Masashi Ikeda, Director, Executive Officer, Sales

### Efforts to address food allergy issues

#### Efforts made by FUJI OIL EUROPE

The oils and fats production plant of FUJI OIL EUROPE has replaced soybean-derived lecithin with sunflower-derived lecithin to make the plant allergen-free.

Its plant for cocoa fillings and compounds at Flanders Fillings & Compounds (FFC) mainly produces products containing soybean lecithin. Recently, in response to requests from customers, products using sunflower lecithin are increasing.

In April 2014, the use of sunflower lecithin was also approved in Japan.

FFC also produces products containing less than 1,000 ppm lactose. They have established a method to prevent lactose from being mixed in and, under this method, they strictly control the production.



Allergen-free plant

### Contributing to society through high value-added soybean products

#### Social issues

Tight supply and demand for meat due to increase in the world population; Lifestyle related diseases

#### Soybean highly efficient in terms of water resources

- Soybeans can cover the shortage of meat resources because soybeans can be cultivated in a wide range of areas, from cold areas located higher than lat. 50°N to tropical areas near the equator.
- The amount of water used for producing soybean is 10% of that for beef.\*1
- The energy efficiency is 415%.\*2

#### Health benefits of soy protein

- Soybeans decrease bad cholesterol and increase beneficial cholesterol.
- Soybeans decrease blood triglyceride levels.

\* 1 Source: Oki Laboratory, Institute of Industrial Science, the University of Tokyo  
\* 2 Source: Earth Interactions Vol. 10 (2006)

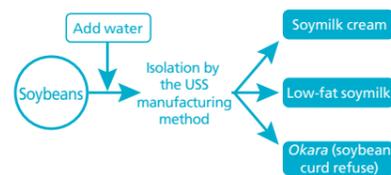
#### Development of the USS

#### Manufacturing Method that brings out the intrinsic deliciousness of soybeans

The USS (Ultra Soy Separation) manufacturing method developed in 2012 has been well recognized in various industries because of its ability to bring out the intrinsic deliciousness of soybeans.

The USS manufacturing method was inspired from the centrifugation of raw

#### How the USS manufacturing method works to produce Premium Soymilk



From left, soymilk cream, soymilk processed food, low-fat soymilk

milk. The manufacturing method produces two new ingredients from water-added soybean by isolating the healthy storage protein fraction of soymilk (low-fat soymilk) and the lipoprotein fraction that is condensed with the deliciousness of soybean (soymilk cream). Those two are collectively referred to as Premium Soymilk.

We are undertaking various activities to promote Premium Soymilk not only as a food to maintain health in elderly people and prevent lifestyle-related diseases, but also as a food contributing to a healthy eating habits for all generations.

#### Limited-time event "Mame Plus Café"

As part of a promotional campaign, we organized an event called "Mame Plus Café" to give consumers an opportunity to experience the deliciousness of soybeans. The event was held for about three weeks from April 18, 2014 in collaboration with Royal Garden Café, a popular cafe in Aoyama, Tokyo.

The event was designed in such a way that consumers could experience the deliciousness and various applications for soybeans



Sandwich with avocado and tuna-like soy meat



Pork shabu-shabu salad with sesame soymilk sauce

through menus using Premium Soymilk and soy meat, a soy protein ingredient that has the texture of meat or tuna. During the event period, about 12,900 meals were provided to about 31,000 visitors. It was an event where consumers shared the concept of the Soy Renaissance. This event also served as a "kotozukuri" (creating movements) and was covered by magazines and other media. The event helped widely distribute information on the new value of soybean products.

#### From the food service industry to consumers Promotion to outside Japan along with Japanese cuisine culture

Soymilk cream and low-fat soymilk were developed using the USS manufacturing



Chef Murata, the third-generation owner of Kikunoi, who helps popularize Japanese cuisine

method. Since the launch of soymilk cream under the brand name of *Ko-cream* and low-fat soymilk under the brand name of *Bimi-tonyu*, these products have been widely used in Japanese, Western and Chinese foods, regardless of cuisine genres, creating new values in the food service industry.

Chef Yoshihiro Murata, the third generation owner of *Kikunoi*, a renowned restaurant in Kyoto, played a leading role in adding *washoku*, traditional Japanese cuisine, to UNESCO's Intangible Cultural Heritage List. The Japanese Culinary Academy, in which he serves as Chairman, participated in the banquet held to celebrate the registration in the World Heritage List in Paris in February, 2014. At the banquet, desserts using soymilk cream were served and got good reactions. As *washoku* has become globalized, foods using soybeans are being introduced in various occasions around the world.

#### Contest for New Recipes using Premium Soymilk in collaboration with universities

We also promote collaboration with young generations. In November and December



A new recipe presented at the contest held at Kio University

2013, the New Recipes Contests using Premium Soymilk to find new values of Premium Soymilk took place at Kio University, Kyushu Women's University and Tokyo Kasei University.

Thanks to students' fertile imagination, many wonderful recipes were developed, including soft, safe and tasty meals for people who need extra care and desserts containing none of the seven major allergens. Our efforts in cooperation with universities will be continued to create specific products that effectively use Premium Soymilk and soy meat so as to contribute to society in terms of food supplies.

#### Establishment of the "Mame Plus Promotion Committee" on the occasion of the launch of Premium Soymilk

The "Mame Plus Promotion Committee" has been set up as a body to promote activities to help people enjoy rich, delicious and healthy eating life by adding beans or "mame": "Mame Plus Lifestyle."

Along with companies and organizations\* that share the views above, we provide consumers with delicious and healthy products using Premium Soymilk and other healthy ingredients. On our website, we provide basic knowledge and health benefits of beans and the latest news related to Premium Soymilk so as to help people address their issues related to health, nutrition and food resources as well as to create new markets.

\* Kikunoi, Wakiya, Sagamiya Foods Co., Ltd., OAKSHEART Co., Ltd., LB Co., Ltd., Mizkan Co., Ltd., Kanetetsu Delica Foods Inc., ITOCHU Corporation, Kio University, Tokyo Kasei University, Kyushu Women's University (as of April 2014)

Creating social values

# Food resources

As the world population is increasing, the depletion of food resources has become a serious challenge. To help address food-related issues, Fuji Oil Group focuses its efforts on developing and supplying relevant products by making effective use of its proprietary technologies developed over years.

## Participation in the "demonstration project of a mass production system for glass eels" contracted out by the Fisheries Agency

Techniques for eel cultivation were developed in early 1900s, and since then eel farmers have been engaged in artificial rearing from natural glass eels (juvenile eels) to adult eels. Natural glass eels are caught either along the Japanese coasts or near estuaries or in rivers. The catch of glass eels in 1960 was more than 100 tons but had decreased to about 10 tons in 2011. The catch this year was larger than last year, but severe fluctuations in the prices of glass eels hinder the eel farming industry.

In recent years, *kabayaki* or grilled eel, using domestically cultivated eel cannot be eaten so often. To maintain the culture of eating eel, it has become an urgent issue to secure the sustainable use of eel resources. We have provided the Fisheries Research Agency (FRA) with soy peptide as an ingredient for feed for cultivation. In 2003, FRA succeeded in artificial propagation from



Artificial rearing of glass eels

eggs to glass eels and, in 2010, succeeded in the complete farm-raising of eels for the first time in the world.

Since FY2014, we have been participating in a project committed by the Fisheries Agency and led by the Marino-Forum 21 jointly with FRA and other companies with the aim of establishing a mass production system for glass eels.

## Soy protein with shrimp-like texture

Due to the recent spread of infection among shrimp in Southeast Asia, production was severely decreased, resulting in extremely high prices. In response to customers' request for an ingredient to take the place of shrimp, we started a study. After a process of trial and error to obtain texture and color that were as similar as possible to those of shrimp, we successfully produced an ingredient that substitutes for shrimp by applying our technique to combine soy protein and food colors. We will continue to support the stable use of shrimp resources through our products.



Soy protein isolate with shrimp-like texture

## Efforts to reduce the loss resulting from food waste by extending best-before dates

We place very high importance on the reduction of food waste, which is one of the responsibilities of food manufacturing companies. While it is important to manufacture products in such a way as to prevent them from being out-of-stock based on the customers' purchasing trends, it is also very important to keep production in balance with demand so as not to generate wastes due to expiration of best-before dates as a result of excessive inventory.

In particular, we need to pay particularly careful attention to the balance management of products with a short best-before life.

At the same time, in Japan, we reviewed the appropriateness of best-before dates and, based upon the review, we have extended the same as to some products. We will continue our efforts to set proper best-before dates.

## Significant reduction in the food waste at FUJI OIL EUROPE

The reduction in the food waste is also an important issue in Europe. Various efforts to address this issue are being made at both EU and individual country level. There is a possibility that new laws regarding best-before dates and standards for food products will be established.

In these circumstances, FUJI OIL EUROPE recognizes that the reduction in the food waste is an important issue and is implementing proactive measures.

The oils and fats production plant



Executive Message

With the advent of an aging population, the R&D Headquarters develops ingredients that help prevent locomotive syndrome and dementia by using the approach of improving health and nutrition so that elderly people can enjoy a healthy life. With regard to the depletion of food resources, one of the important issues that we should address, we are involved in a joint research project on renewable raw materials with research institutions in Japan and abroad in order to contribute to addressing food issues in the future.

Hirokazu Maeda, Director, Managing Executive Officer, Research and Development

successfully reduced the loss of products to 0.6% in FY2013, which are used to produce green energy. The loss of products at Flanders Fillings & Compounds in FY2013 was 1.1%, which are used for livestock feed.

Our efforts in reducing the food waste will be further promoted.



Oils and fats production plant of FUJI OIL EUROPE

## Research aiming to produce high-quality and highly functional oils and fats from residues from local food and brewing industries

As a research project under the "Scientific Research Promotional Project in the Agriculture, Forestry and Fisheries Industry and the Food Industry: Seed Creating Stage for 2013" of the Ministry of Agriculture, Forestry and Fisheries (MAFF), we started a three-year research project jointly with five institutions, including the School of Applied Life Sciences of Niigata University of Pharmacy and Applied Sciences. The objective of the project is to conduct research that aims to produce high-quality and highly functional oils and fats using unused residues from local food and brewing industries and eventually establish locally-based industries in Japan.

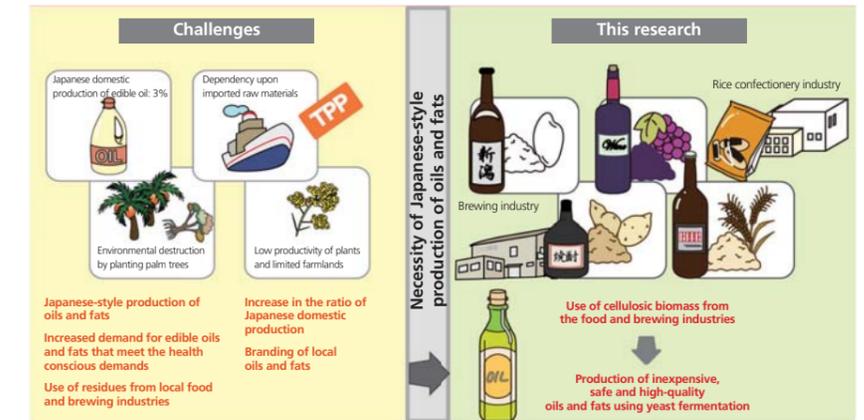
In the project, highly efficient technology to produce oils and fats using two kinds of

yeast will be established. We are working on to develop the processes to collect oils and fats produced from the yeasts, and to evaluate of the quality and value as food.

By using residues from local food and brewing industries, we can expect an increase in value added to agricultural products, the

branding of local products, and economic benefits through increased production of high-quality oils and fats. It is also expected that produced oils and fats will be globally marketed as Japanese brand products and this business model can also be used as a model of biomass use.

## Research aiming to produce high-quality and highly functional oils and fats from residues from local food and brewing industries



## Contributions to local communities

### Science education at elementary schools in Sakai City, Osaka, Japan

To ensure our sustainable growth, we put an emphasis on contributions to local communities. As part of this effort, we provide science education. In FY2013, we participated in the "Educational Project for Creative Children who Love Science" hosted by an NPO (Techno Mate Coop). Our R&D members gave 30 science experiment classes at 10 elementary schools in Sakai City. The classes were designed for students to find how interesting and important scientific technology is and to learn that scientific technology is used for manufacturing familiar food products, such as cream and mayonnaise. In the class, an experiment with the emulsification technology was conducted to show that even water and oil can be mixed together, with ingenuity.

This project was a good opportunity for us to provide participants with information that we are closely related to not only local communities but also all over the world via our products using the emulsification technology and oils and fats. We will continue our participation in this project in FY2014 to maintain good relations with local communities.



A class provided by our R&D member

# Environment

The management philosophy of Fuji Oil Group, a corporate group dealing with food products, is to "place top priority on safety, quality, and environmental integrity." We pursue our business based upon the philosophy and its associated policy.

## Environmental management

### Environmental Vision

In 2010, Fuji Oil Group set forth the Fuji Group Environmental Vision 2020, in which the following targets are specified: 20% reduction of CO<sub>2</sub> emissions and the amounts of water supply and discharge by 2020 in comparison with the reference year (the mean value of the period from 2003 to 2005). Our environmental protection efforts are promoted to achieve these targets. In the fiscal year of 2013 in Japan, we reduced CO<sub>2</sub> emissions by 9.8%, the amount of water supply by 20.7% and the amount of water discharge by 21.5% from the reference year, showing a successful achievement of the targets of the Environmental Vision.

Our ongoing efforts to reduce environmental impact include the adoption of energy-saving facilities on the occasion of the renewal of production facilities, the implementation of daily energy-saving activities, and reduction in the amounts of water supply and discharge.

### Fuji Group Environmental Vision 2020

Domestic Group	<b>Global warming prevention</b> CO <sub>2</sub> emissions: 20% reduction by 2020 (in comparison with the reference year*)	<b>Resource recycling</b> Achievement of a recycling rate of ≥ 99.8% by 2020
	<b>Water resources conservation</b> Amounts of water supply and discharge: 20% reduction by 2020 (in comparison with the reference year*)	<b>Active engagement in global greening and biodiversity conservation</b>
Overseas Group	CO <sub>2</sub> emissions: 20% reduction by 2020 (in comparison with 2006)	

\*Reference year: Mean value of the period from '03 to '05 (Tokyo method)

In our sites outside Japan, the CO<sub>2</sub> emissions in fiscal year of 2013 decreased by 27% from the reference year, indicating that the target of the Environmental Vision was successfully achieved. We will newly set the target for each group company outside Japan in order to further reduce CO<sub>2</sub> emissions.

### Activities in group companies outside Japan

#### Safety, Quality and Environment meetings for group companies outside Japan

We organized a Safety, Quality and Environment Meeting for group companies in the China region in December 2013 and

another Meeting for group companies in the region of Southeast Asia, Europe and the Americas in April 2014. Safety, quality and environment are the fundamental concepts of our company's Management philosophy and these Meetings were organized with the aim

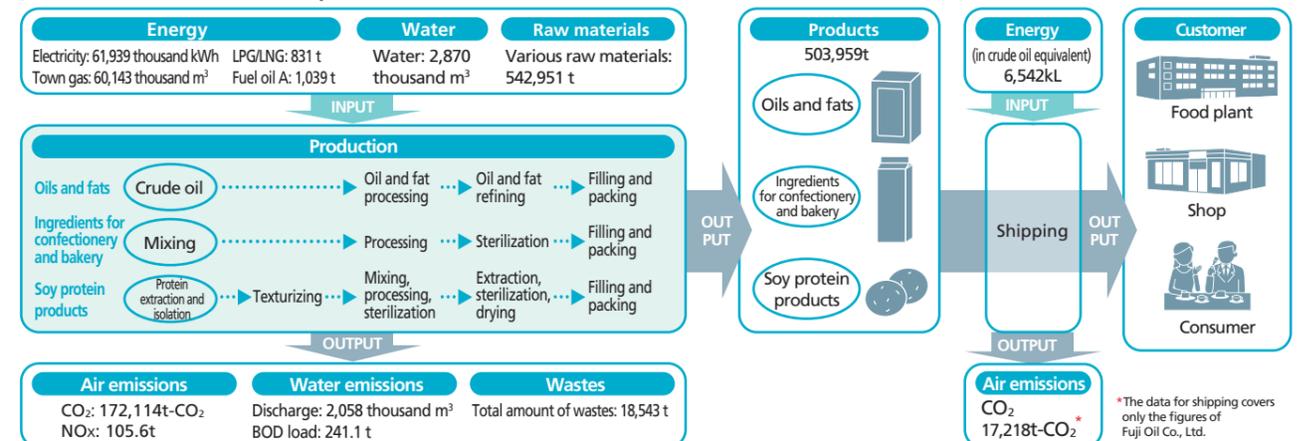


The 1st Safety, Quality and Environment Meeting for Overseas Group

### Environmental activity targets and achievements (FY2013)

Target	Details	Achievements in FY2013	Progress of the implementation of the Environmental Vision	Assessment
1	Promotion of energy saving (In Japan)	Reduction in CO <sub>2</sub> emissions 5.3% reduction from the previous year	9.8% reduction	○
2	Reduction in the amounts of water supply and discharge (In Japan)	Reduction in the amount of water supply 4.2% reduction from the previous year	20.7% reduction	○
		Reduction in the amount of water discharge 3.8% reduction from the previous year	21.5% reduction (In Japan)	○
3	Reduction in wastes (In Japan)	Reduction in wastes Recycling rate of 99.94%	Recycling rate of 99.94%	○
4	Promotion of energy saving (Overseas Group)	Reduction in CO <sub>2</sub> emissions 0.6% increase from the previous year	27.0% reduction	○

### Overview of environmental impact



of improving the awareness of each company through education, information sharing and opinion exchange. In the Meetings, presentations on "circumstances in each country," "situation of each company" and "efforts and challenges of each company" were made and participants were engaged in lively discussions. Those presentations included some experiences of group companies that the other group companies can take into account. Some of them were creative and can be adopted by other companies. In these two regions, the Meeting will be held next year and annually onwards.

We will develop a new safety, quality and environmental policy that covers group companies inside/outside Japan, so that our philosophy can be shared on global basis.

### Participation in PIC\* activities by group companies outside Japan

The aim of PIC activities is to improve workplaces with a bottom-up approach. Through PIC activities, employees are supposed to solve their daily problems through their own will. The concept behind the activity is that, if employees make

consistent efforts to identify the cause of a problem and find out the solutions for it, they can apply the methodology to another problem at their workplace as well and thereby improve productivity.

At group companies outside Japan, Japanese expatriate personnel are mainly responsible for implementing PIC activities. Taking into account of regional characteristics, they strive to have close communication with local personnel to promote activities effectively.

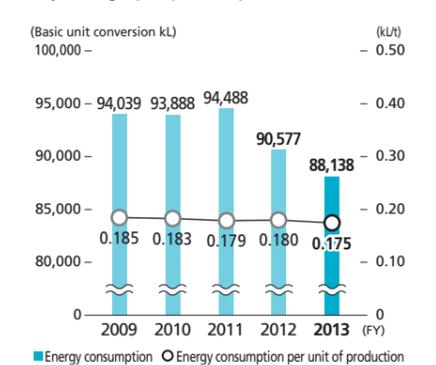
\* Productivity Improvement & Challenge: A scheme to strengthen activities to improve manufacturing departments and revitalize workplaces

### Global warming prevention

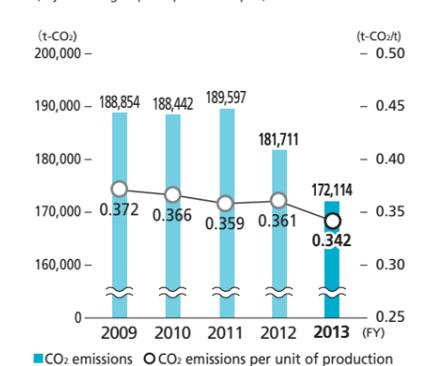
#### Reduction of CO<sub>2</sub> emissions from production activities

CO<sub>2</sub> emissions from group companies inside Japan in FY2013 were about 172,114t-CO<sub>2</sub>, a 5.3% reduction from the previous year. With the production volume remaining almost the same, the emissions also were reduced by 5.4% per basic unit. We have steadily been making progress

### Energy consumption and the same per unit



### CO<sub>2</sub> emissions and the same per unit





Executive Message

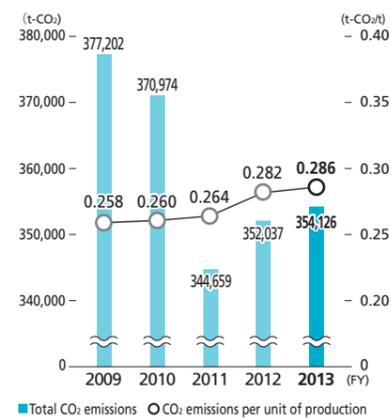
Our Environmental Vision 2020 aims to achieve 20% reduction in environmental indicators (from the mean value of the period from 2003 to 2005). The amounts of water supply and discharge have already been reduced to the target level and we are considering setting new targets. With regard to CO<sub>2</sub> emissions, we have achieved a 5.3% reduction from the previous year (9.8% reduction in comparison with the reference year) and are in line with the target. We will try to achieve the figures that exceed our targets so as to be recognized a company that is friendly to the global environment.

Tetsuya Uchiyama, Director, Managing Executive Officer, Production Control

towards achieving the targets of Fuji Group Environmental Vision by adopting energy-saving facilities and promoting energy-saving activities.

CO<sub>2</sub> emissions from group companies outside Japan were 354,126t-CO<sub>2</sub>, a slight increase by 0.6% from the previous year. Their efforts to reduce CO<sub>2</sub> emissions include installation of fuel switchovers and cogeneration facilities.

Environment data for outside Japan



Reduction in CO<sub>2</sub> emissions by developing production technologies

Fuji Oil Group has long been engaged in research focused on oil and fat fractionation and inter-esterification technologies, which are essential for the production of oils

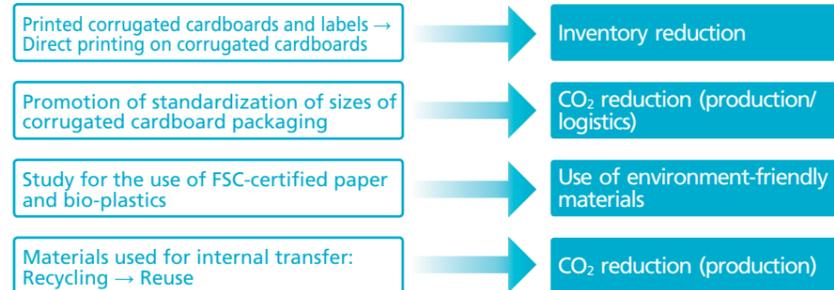
and fats for confectionery and chocolate. These technologies have been constantly improving.

In palm oil fractionation, we have successfully saved energy and also reduced solvent use. Our dedicated efforts are also focused on developing dry fractionation technology in order to improve the quality of palm oil mainly in Malaysia. In refining oils and fats, we decided to adopt an ice condenser-type vacuum generating apparatus earlier than other companies to replace the conventional vacuum generating apparatus, which consumes large amounts of energy. The replacement has so far been completed in plants in Malaysia, the United States, Belgium and Japan. In 2014, an ice condenser-type vacuum generating apparatus will commence operation also in Singapore. We are planning to roll out various measures on group wide basis to reduce CO<sub>2</sub> emissions and water discharge and reduce



Ice condenser-type vacuum generating apparatus

Reduction in environmental impact by reviewing the standards for packaging materials



odors drifting to neighboring areas.

Reduction in CO<sub>2</sub> emissions by changing packaging materials

We have worked on to reduce the environmental impacts as to packaging materials since 2009. We first developed standards for packaging materials and have ceased using custom materials that had been selected according to the specifications set by each plant. We had mainly used OEM corrugated cardboard materials but all of them had been completely replaced by standard ones by FY2013, excluding those that cannot be replaced, which accounted for about 15% of all. This helped reduce 364 tons of CO<sub>2</sub> emissions and, by using thinner packaging materials, the logistical efficiency has improved by more than 25%. Films and 18-liter cans have also been replaced by thinner alternatives, so long as possible.

We have developed standards for packaging materials according to temperature zones, weights and product varieties. These standards will also be applied to group companies and outsourcing companies in Japan to promote centralized, group purchasing and to reduce environmental impact. We are planning to apply these standards also to group companies outside Japan as guidelines for purchasing packaging materials.

We are studying the following new measures: direct printing on corrugated cardboards, standardization for frozen foods, switch to procurement of raw materials from sustainably-managed forests, reuse of containers for internal transfer, recycling of such raw materials as paper and corrugated cardboard, and use of films made from bio-plastic materials.

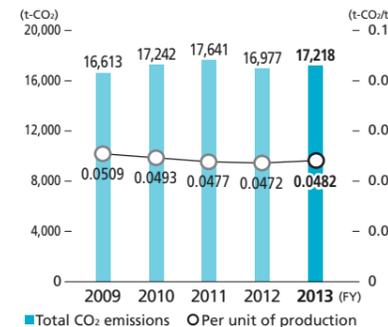
Reduction in CO<sub>2</sub> emitted by transportation

We have been increasing the use of rail transportation with the aim of reducing CO<sub>2</sub> emissions. The CO<sub>2</sub> emitted by transportation and per unit CO<sub>2</sub> emissions in FY2013 slightly increased from the previous year due to increased traffic volume. The railway freight volume in FY2013 was 23,085 tons, an increase of 1,228 tons from FY2012.

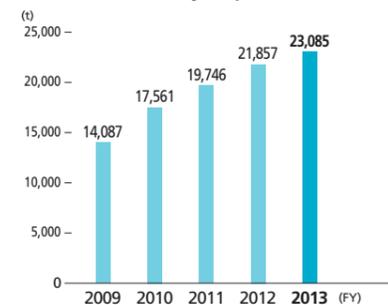
In September 2013, we were certified as an "Eco Rail Mark" company. The Eco Rail Mark system is promoted by the Ministry of Land, Infrastructure, Transport and Tourism and the Railway Freight Association. The



CO<sub>2</sub> emissions from transportation



Volume of railway shipments



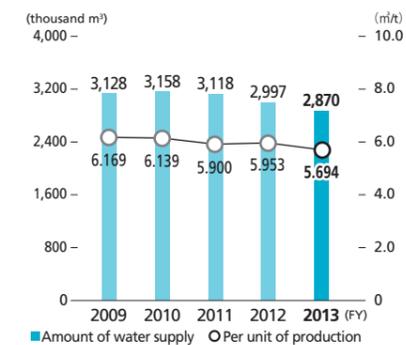
Eco Rail Mark is awarded to companies that use rail transportation, which is environmentally friendly, above a certain volume. The mark helps consumers choose an environment-friendly company. Despite various restrictions that railway transportation bears, we will try to maintain the current volume.

Water resources conservation

The total amount of water supply at Fuji Oil Co. Ltd. and its domestic group companies for FY2013 was about 2,870 thousand m<sup>3</sup>, a 4.2% reduction from the FY2012, and a 4.4% reduction per unit of production. As for water discharge, the total amount

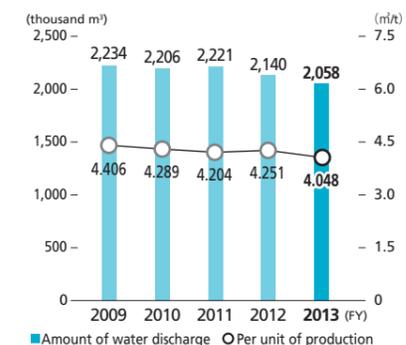
Annual water supply

(Fuji Oil Co. Ltd. and its group companies in Japan)



Annual water discharge

(Fuji Oil Co. Ltd. and its group companies in Japan)



was reduced by 3.8% in comparison with FY2012 and also reduced by 4.8% per unit of production. Thanks to consistent efforts by each plant, we successfully reduced the amounts of water supply and discharge.

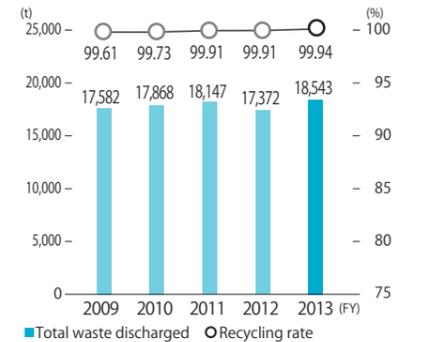
Reduction in wastes

Reduction in containers and wastes by using one-ton boxes and small lot tanks

We are replacing an 18-liter can (the content of 15 to 16 kg) or a corrugated cardboard (the content of 15 to 25 kg) with a special container of one ton capacity so as to help customers reduce packaging waste. We have used steel drums to store a small amount of oil because we deal with a wide variety of products in small lot sizes. To reduce steel drums, we are installing specially-designed small capacity tanks.

Total waste discharged and recycling rate

(Fuji Oil Co. Ltd. and its group companies in Japan)



# Sustainable procurement

We plan, develop and produce sustainable products by using sustainably produced raw materials, and communicate values of these products to customers and consumers. To develop our global business in this way, we are working on cooperative efforts with various stakeholders.

## To pursue sustainable procurement

Sustainable procurement is very important for us to fulfill our responsibility to ensure supply to customers. We have developed the CSR Procurement Guidelines for our business partners and conduct questionnaire to them for fair business transactions. Believing that it is our important responsibility to give consideration by tracing back to farms regarding production, labor environment, human rights and global environment, Fuji Oil, in cooperation with its group companies, focuses its efforts on securing long-term procurement through such ways as procuring RSPO-certified<sup>1</sup> materials and obtaining UTZ certification<sup>2</sup>.

<sup>1</sup>RSPO: The Roundtable on Sustainable Palm Oil  
<sup>2</sup>UTZ: An international certification program to support sustainable agriculture that should stand now and in the future.

## Basic concept

In raw materials procurement, we conduct studies so as to locate high quality and cost competitive raw materials. We also visit production areas and plants to confirm compliance with standards to ensure safety and strengthen relationships with suppliers.

Partly due to a concern about the shortage of food resources due to global population growth, it is important to improve productivity. With regard to cacao beans, which are specialty raw materials, we purchase traceable cacao beans that are produced in specific areas and farms. Part of the profit from these cacao beans is used to improve infrastructure and education in producing areas. Increasing efforts are being made to establish systems to support local production activities. We are

gradually increasing the purchase of traceable cacao beans and palm oil.

### UTZ Certification

FUJI OIL EUROPE has relevant certification to produce some UTZ certified products and actually started the production thereof. There remain some challenges such as higher prices of the products. But we are frequently receiving an inquiry in this regard.



### RSPO Certification

Fuji Oil Group joined the RSPO in 2004 in line with our efforts to become more conscious about the global environment and to continue using palm oil over many years to come.

In response to customers' increasing demands for RSPO certified products, FUJI OIL EUROPE improved its facilities in FY2013 so that entire palm oil fractionation processes can be used to produce SG<sup>1</sup> products. In Japan, the Oils and Fats Division (tank yards, oil and fat plants) obtained SG and MB<sup>2</sup> certifications in August 2014.

FUJI VEGETABLE OIL has added a new RSPO certified supplier as an additional source of palm oil since this fiscal 2014.



<sup>1</sup>SG (Segregation): In the Segregation model, palm oil from certified plantations must be segregated from palm oil from non-certified sources at every stage of the supply chain.  
<sup>2</sup>MB (Mass Balance): In the Mass Balance model, palm oil from certified plantations can be mixed with palm oil from non-certified sources in the managed supply chain processes.

### Membership of Global Shea Alliance

FUJI OIL EUROPE joined Global Shea Alliance

(GSA) from 2014 as it entered into shea business through making some capital investment to INTERNATIONAL OILS & FATS LIMITED (IOF) in Ghana in 2013. In 2014, the company joined the IOF plans to join GSA next year as well.

GSA is an alliance that consists of a wide range of stakeholders in the value chain of shea fats, which are vegetable fats produced in western African region. It has missions not only to promote shea business, but also to improve the livelihoods of women and communities in the rural area of Africa. Fuji Oil Group will support the activities led by GSA which aim for the sustainability of shea.



### Procurement of non-GMO soybeans

Fuji Oil Group use no\* genetically modified (GMO) soybeans at all.

In China, it is basically prohibited to grow genetically modified (GMO) soybeans. Highly reliable non-GMO soybeans in China are produced in the Heilongjiang Province. Taking advantage of its location close to the non-GMO soybean growing area, JILIN FUJI PROTEIN CO., LTD. ensures stable procurement of safe soybeans.

\* Standard of determination: relevant Japanese standard



Soybean farm

## Dialogue with experts

On June 23, 2014, we held a stakeholder dialogue, inviting Chief Researcher Kawaguchi from Daiwa Institute of Research Ltd. and Managing Director Shiroki from Action against Child Exploitation. Participants from Fuji Oil included the Executive Officer in charge of Oils and Fats and the Executive Officer in charge of Chocolate.

### Efforts to pursue sustainable procurement

Straight discussions took place as to the significance of RSPO, fair trade and certifications and their contribution to society based on actual situations. They all agreed that it is necessary to promote certifications and use of certified products. To ensure stable procurement of raw materials in the future, however, more serious efforts beyond merely being certified in terms of sustainability are needed. They presented specific options and challenges to be addressed to achieve these options. They also discussed explanations for customers and consumers as to the options and challenges.

### Honest communications with consumers

Participants shared examples showing that an increasing number of people, mainly young



From right, Mariko Kawaguchi and Tomoko Shiroki  
 From left, Hirosawa, Sano, Shindachi, Yatsui and Goto (from Fuji Oil)

people, have understanding of and interest in ethical consumption\*. Experts here commented that we are now in a time when consumers are expected to make careful decisions because "their selection serves as the first step toward achieving sustainable society" and that this approach will be increasingly adopted in the future.

Following the comment, participants shared their opinions about how manufacturers, distributors, NPOs and NGOs should communicate with consumers and cooperate with them, from various viewpoints and with specific examples.

\* Consumption behavior in choosing socially significant products, such as fair trade products

### Efforts beyond the corporate framework

Participants discussed the necessities and benefits of the coordinated efforts beyond the corporate framework so as to achieve a sustainable society, such as coordination between companies and NPO/NGO, coordination within the industry, and coordination between manufacturers and distributors. They also exchanged their opinions on challenges that should be addressed to achieve a sustainable society.

A participant from us explained that, because it is still a transitional period, there are no clear perspectives on how to address various issues but we will continue our efforts to achieve the goal. The experts expressed their willingness to cooperate.

### Experts



#### Mariko Kawaguchi

Chief Researcher, Research Division of Daiwa Institute of Research Ltd. In 2013, she had a dialogue with President Shimizu, which was published in the FUJI OIL CSR Report 2013; and provided a lecture on ethical consumption and other issues at a CSR Promotion Committee meeting.



#### Tomoko Shiroki

Managing Director of Action against Child Exploitation (ACE). She is in charge of Cacao-related activities in ACE, which works on child labor issues in agricultural sector, and, in cooperation with a confectionery company, has successfully launched fair trade chocolate in Japanese market.

### Participants from Fuji Oil

**Tatsuaki Hirosawa**  
 Executive Officer, Oils and Fats, Business Operation

**Hiroyuki Sano**  
 Executive Officer, Chocolate, Business Operation

**Hitoshi Shindachi**  
 General Manager, Raw Materials Procurement Department, Business Operation

**Toshio Yatsui, Ai Goto**  
 CSR Section, Corporate Planning Department (Secretariat)



Executive Message

The basic aim of our business is to provide products that satisfy customers' needs. To manufacture products that satisfy customers' needs, it is essential for us to constantly use stable high-quality raw materials. Fuji Oil Group, in cooperation with reliable suppliers, focuses its efforts to ensure the sustainable, stable procurement of raw materials. In particular, recognizing that palm, cacao and soybean, our major raw materials are limited and important food resources, we pay due attentions to human rights and environmental conservation in our global procurement efforts.

Minoru Kimoto, Director, Managing Executive Officer, Business Operation

### Fuji Oil Group's CSR activities in the supply chain

Recognizing sustainable procurement as an important theme, Fuji Oil strives to well administrate its entire supply chain and to reform its structure from procurement, production, logistics and proposal-oriented marketing.



### Ten principles of the United Nations Global Compact

### Dialogue with stakeholders

#### Prioritized themes of CSR efforts (Efforts made in FY2013)

#### Basic research and product development that can contribute to the solutions of such issues as health and nutrition, food resources, and environment

- Products to support health of elderly people
- Development of the USS manufacturing method and commercialization of products manufactured using the method
- Food products to support working women
- Food products for people with food allergies
- Oils and fats with low trans fatty acids
- Feed for complete farm-raising of eels
- Soy protein with shrimp-like texture
- Study to extend best-before dates to reduce the loss resulting from food waste



Soy milk cream developed using the USS manufacturing method



Artificial rearing of glass eels

#### Procurement of raw materials that is conscious of environment and human rights to pursue sustainable procurement

- Supply chain management based upon the CSR Procurement Guidelines
- Promote efforts to obtain relevant certifications
- Dialogues with farms and suppliers
- Dialogues with experts
- Stable procurement of palm, cacao, soybean and other raw materials
- Promotion of the use of traceable cacao

#### TOPICS

#### Collaboration with cacao suppliers

To claim its product as a sustainable product, PT. FREYABADI INDOTAMA (FAI) in Indonesia implements a sustainable sourcing. This makes FAI purchase from suppliers who not only have good quality products, but also run the business with ethics. Therefore, the FAI audit team routinely performs an audit to material suppliers that include the aspects of Food Safety, Quality, Health & Safety, Environment, and Business ethics. FAI prefers to have a business with suppliers that already have a sustainability program or certification. Some of our suppliers who are big players in the cocoa industry, already implemented a partnership program in Africa and Indonesia for helping farmers and their families to improve the quality and productivity along with good farming and environmental practices. For long-term plan, FAI is studying the form of participation to the supplier sustainability program.

#### Efforts to achieve challenging targets according to Fuji Group Environmental Vision 2020

- Implementation of Safety, Quality and Environment Meetings that cover group companies outside Japan
- Energy saving by improving production technologies
- Promotion of use of ecologically conscious containers and packaging materials
- Reduction of wastes
- Reduction in CO<sub>2</sub> emitted by transportation



The 1st Safety, Quality and Environment Meeting that covers group companies outside Japan



Ice condenser-type vacuum generating apparatus

#### Promotional activities related to health and nutrition particularly for elderly people and women

- Seminar on healthy foods for elderly people
- Formation of a working mothers' team to develop new markets to support working women
- Proposal-oriented, solution-minded marketing of products that contribute to addressing issues on health and nutrition and food resources
- Spread of the use of soybeans, a limited-time event "Mame Plus Café" as a promotional activity



Seminar Regarding Meals for Seniors



Mame Plus Café

# Hitozukuri (Fostering People)

We recognize that human resource development is the most important theme to achieve “how we want to be.” Our efforts to enhance the global competence of our employees who are willing to take on any challenging roles include systematic education and training, creation of more opportunities for competent employees to be promoted and empowered, promotion of workplace diversity, and development of globally competent employees.

## Diversity

### Empowering women through promotion to managers, expansion of job responsibilities, etc.

Fuji Oil Group places emphasis on women's empowerment in line with our efforts to utilize diversified attributes, values and ideas in order to quickly and flexibly address change in the external environment. The number of female managers in FY2013 was seven, which steadily increased to 10 in FY2014, accounting for 3.4% of all managers. In FY2014, a manager started working at a group company outside Japan as the first female expatriate manager. As such, opportunities for women are increasing. As part of our efforts to expand job responsibilities of women, we, for the first time, assigned newly employed female staff to manufacturing worksites in FY2014. FUJI VEGETABLE OIL, INC. focuses its efforts on promoting competent female employees to higher positions and creating a workplace where they can work comfortably and play a key role. As of the end of FY2013, women account for more than 20% of all the managers (five out of 23 managers).

At FUJI OIL (ZHANG JIA GANG) CO., LTD. in China, 12 of 62 employees (including expatriate personnel) in a position higher than Assistant Manager are female, including multiple working mothers.



Meeting of an R&D team consisting of female personnel

### Comeback Entry Program and other support programs for employees with children

Efforts have been made to improve the working environment to help employees achieve a better work-life balance, particularly to encourage them to balance childcare or family care and work and provide a variety of work options. In FY2013, 11 employees took childcare leave (increase by two from the previous year, including three male employees).

We have implemented the Comeback Entry Program since FY2011, which allows employees who left the company for such reasons as childbirth, childcare and family care to return to the workplace in working conditions decided based upon their desire. In FY2013, two employees registered for this Program.

We are certified with the “Kurumin Mark” for the second time since the first acquisition in FY2010. The



“Kurumin Mark” certifying that a company supports next generation raising

“Kurumin Mark” certifies that the company placed particular emphasis on supporting employees with children.

### System for re-employment of former employees who retired upon reaching the retirement age

In compliance with the revised Act on Stabilization of Employment of Elderly Persons, we have established a re-employment system for former employees up to 65 years old who retired upon reaching the retirement age. Of 11 employees who reached the retirement age in FY2013, 10 employees have stayed employed. We will implement this system by taking into account various aspects to offer a wide range of benefit options based on face-to-face interviews so as to meet individuals' desires.

## Work-life balance

### Company-wide adoption of a flex-time program since FY2014

Promotion of work-life balance is essential to allow further development of Fuji Oil Group.



Executive Message

### Training of employees to become always ready to take on challenging roles

“Hitozukuri” (fostering people) is essential to sustainable business management. As change in the global market will be more and more accelerated, it is increasingly important to develop competent employees who continue to face challenges in this ever-changing environment. The key target of the development of human resources is those in the middle-management positions, such as Managers. It is most important to encourage employees to think on their own and be willing to take on challenges, so as to form groups that are actively engaged in their jobs. It does not matter if they fail. We need to develop competent and innovative employees so that we can be a sustainable corporate group.

Makoto Kobayashi, Director, Managing Executive Officer, HR and Administration

A flexible working hours system is necessary because employees' jobs and their family environments are extensively diversified. The flex-time programs that had been adopted at some offices have been applied, since FY2014, to company-wide employees who have a reason that lasts for a certain period of time, such as the streamlining of job activities, childcare and family care.

### Company-wide recognition and promotion of the Fuji Active Network (FAN)

The aim of the Fuji Active Network, which was established in 1998, is to create a workplace environment in which both men and women are afforded equal opportunities to develop and utilize their abilities. Ongoing efforts include support for balancing childcare and work, change in employees' awareness, and support for balancing work and family care. In FY2013, we held three seminars to provide information on work-life balance and the family care (outline of relevant public programs and use thereof).



A work-life balance seminar by an external lecturer

## Human resource development

### Launch of a training program for candidates for next-generation global business leaders

We are accelerating our efforts to train

candidates for next-generation global leaders capable of creating new business projects and generating innovations by leading relevant sections/departments.” Such leaders are essential to successful global business management. We are considering designing a training program for candidates for management who would be selected from excellent employees mainly in their 30s to 40s. According to our plan, the training program will include intensive sessions on basics of management given by top management. Those who will complete the program will be provided with an opportunity to be an executive of a group company, so that they can improve their management capabilities in a practical setting.

### Establishment of a training system for national staff (local human resources) of group companies outside Japan

To promote group management, it is important to share the Corporate philosophy and Basic management principles with local human resources of group companies outside Japan. To facilitate this, since FY2012, we have held training sessions to some managers of group companies. Two sets of sessions took place separately in English and Chinese. In FY2013, 22 local human resources (11 each in English and Chinese) received the training. After returning to their countries, they are supposed to be engaged in spreading the Corporate



Participants in the training session in Chinese

philosophy and Basic management principles to their respective colleagues.

## Efforts to improve occupational safety and health

### Mental health issues to be addressed by qualified employees

We set up “Mental Health Counseling Room” in cooperation with the industrial physician and nurse to support employees' mental health. The Mental Health Counseling Room is engaged in prevention, early detection and early treatment of mental disorders. We also support those on sick leave for injury or disease both during the leave and after returning to work. In FY2014, we started encouraging staff of the General Affairs Department to obtain relevant certifications in mental health management so that they can acquire expertise and skills useful for daily care services.

The adoption of an Employee Assistance Program (EAP) by Fuji Oil and its group companies inside Japan is considered. The medical examinations and the medical assistance program that have been implemented for those Japanese expatriate personnel who work outside Japan will be improved.

## TOPICS

### Diversity Western Japan Workshop “Seminar on Balancing Child Care and Career”

We joined in 2013 the Diversity Western Japan Workshop consisting of 34 companies located in the Kansai region. The aim of the workshop is to share knowledge and experience and to learn practical skills. We participated in a team supporting employees with children. On May 30, we organized the “Seminar on Balancing Child Care and Career.” The seminar with participation by about 70 people from different companies consisted of a speech by a representative of bosses, a panel discussion by three employees with children, and a group discussion. We received many comments from bosses who participated in the seminar, including “I was able to understand how employees who face these issues feel and how their bosses should respond to their concerns.” We hope this seminar served as a good opportunity for the participants to develop their careers in the future.



Tomoki Matsumoto, Executive Officer Speech by a representative of bosses

# Safety, security and quality of foods

Fuji Oil Group places top priority on the safety, quality and environmental integrity as its Management philosophy. Under this philosophy, we developed the Quality Policy\* in 1996, based on which we have made improvement efforts and obtained various certifications. We also developed relevant guidelines that specify requirements for implementing the Quality Policy. We produce products with safety and security to seek customers' satisfaction according to these guidelines.

\*The policy was revised and incorporated into "Fuji Oil Group Safety, Quality and Environmental Policy" that was set forth on May 1, 2014

## Customer-oriented quality assurance system

Fuji Oil has a Quality Control Section in each Division under Operation Division that ensures that every product and production processes thereof comply with our criteria and standards. In addition, the Quality Assurance Department acts independently to make sure that products comply with relevant laws and regulations and that the products are of high reliability and safety: of high quality from the viewpoints of customers. This Quality Assurance Department oversees all products and processes on whole Fuji Oil basis.

Basically every year, "quality inspections" are conducted at Fuji Oil's own factories and its subcontractors' factories to audit the status of production control. As well, on the monthly basis, Safety, Quality and Environment Council takes place at the presence of all related divisions to share the problems and issues and how to prevent and deal with these on whole Fuji Oil basis.

Fuji Oil overseas group companies are seeking to obtain outside certifications regarding quality, consistent with equivalent efforts in Japan. Quality inspections also take

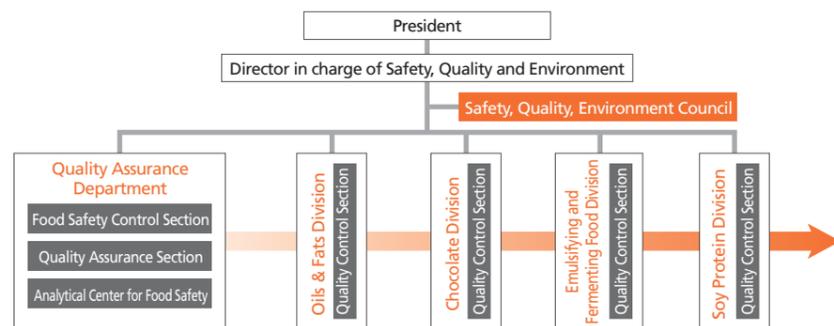
place every two years to ensure their control systems are up to Fuji Oil global standards.



## Quality management certifications

According to its Management philosophy "to place top priority on safety, quality, and environmental integrity," Fuji Oil Group promotes to obtain relevant quality management certifications from external organizations to make our quality management system more reliable and more customer-oriented.

## Quality Assurance System



## Major certifications we have obtained

**HACCP or ISO 22000 certifications**

14 overseas Group companies

**ISO 9000 certifications**

Fuji Oil 13 sites in Japan

3 group companies inside Japan

8 group companies outside Japan

**GFSI recognized schemes**

6 group companies outside Japan

**Companies with product lines under HALAL certifications**

11 group companies outside Japan

**Companies with product lines under Kosher certifications**

9 group companies outside Japan

Note: Please contact the respective group companies, should you need to confirm that a specific product is in the range of Halal/Kosher certification.

## Food defense measures and FSSC 22000 certification

Since the incident of the poisoning of frozen gyoza dumplings in 2008, we have paid keen attentions to food defense issues. At the end of 2013, an incident of intentional poisoning occurred in Japan and the incident has significantly strengthened the awareness of food defense issues. These incidents made us more aware of the necessity of intensified measures to prevent similar incidents. We have installed a security locking system on storage cabinets of lubricants, as we already had done so for pharmaceuticals. We also have significantly upgraded the security locking system for entrances and exits. We also decided to remove pockets from our uniforms and to sew up pockets of existing uniforms. We are considering installing security cameras at important places in production areas.

We have enhanced our HACCP system to prevent tampering and the growth of



Executive Message

We provide customers with products with safety, security and high-quality. Japan has been recognized as a relatively safe country but, recently, incidents that could destroy the recognition have been reported in the country. We firmly believe that our Company and our employees are both satisfied with each other and trust each other. It has however become necessary for us to "visualize" the safety of food in response to social and customer demands. We have therefore decided to adopt the FSSC 22000 (food safety management system) in terms of food defense. Europe and the United States already have some measures against food terrorism and we also will ensure higher safety of food by adopting FSSC 22000.

Tetsuya Uchiyama, Director, Managing Executive Officer, Production Control

microorganisms. As a demonstrable effort to strengthen our food defense, we have started activities to achieve food safety management system: FSSC 22000 certification, one of the certification schemes recognized by GFSI\*. We are planning, first of all, to achieve certification for frozen-food production plants, followed by all the other plants.

\* GFSI, the Global Food Safety Initiative, is a non-profit organization established in 2000 to seek to ensure and improve global food safety; GFSI presents their benchmarked standards as guidelines and approves schemes that comply with their standards by comparing renowned food safety management system standards of different countries around the world.

## Halal and Kosher

We strive to respond to changes in the social environment quickly and accurately to become more competitive and thereby able to expand our global business. There are many people with different races and religions around the world. Accordingly, companies are required to give due consideration to cultures and daily foods of each of these diverse peoples.

Fuji Oil Group promotes obtaining the Halal and Kosher certifications that prove that raw materials and production processes conform to Islamic and Jewish dietary rules respectively. Such promotions took place in various countries, including the United States, China and Indonesia.

We will continue our efforts so that we can provide safe, healthy and delicious food products to people of various religions.

## Efforts in Indonesia

Related to the diversity of cultures and religions, PT. FREYABADI INDOTAMA (FAI) aims to deliver good quality chocolate with respect

to the diversity of religions and beliefs. First of all, FAI considers that good and consistent quality products are not enough for certain community. As majority of Indonesian people are Moslem, FAI's products need to be HALAL certified to fulfill market needs.

With regards to this, all materials which are used or intended to be used must be HALAL approved as well. At the beginning years FAI just need its products to be the HALAL approved, then starting in 2011 it achieved HALAL Assurance System (Sistem Jaminan HALAL or SJH) with grade 'A' for the whole factory. FAI team keeps the implementation of this system in order to maintain the SJH certification next year.

FAI also recognized the needs of chocolate in accordance with the requirements of Jewish community. In addition, FAI intend to enter a broader market, therefore, FAI plans to have a Kosher certification. Starting October 2013, FAI team with support from suppliers is preparing everything in order that all of material is Kosher approved.

## Analysis of residues of agricultural chemicals and heavy metals in cacao and visits to cacao farms

Safety and security are the most important quality factors for food products. To ensure the quality of cacao beans, the main raw material for chocolate, we analyze residues of agricultural chemicals and heavy metals at our Analytical Center for Food Safety. Furthermore, to pursue safety and security, we visit cacao farms to make sure of cacao cultivation methods, soil, and fermentation and drying methods to assess the safety, security and deliciousness of cacao beans, thereby ensuring quality.



Inspection at a cacao farm

## TOPICS

### Rinku Plant Awarded "Osaka Governor's Prize for Excellent Facilities in Food Hygiene"

Fuji Oil Rinku Plant received the Osaka Governor's Prize for Excellent Facilities in Food Hygiene in November 2013 for its outstanding contribution to improving health and hygiene. The Rinku Plant produces many kinds of colored chocolates and it is necessary to switch varieties many times in the production processes and there are many handling steps to organize and change production lines. Because of these features, particularly careful attention is given to hygiene management.

We will continue to manufacture a wide variety of chocolates in small lots in such a way as to gain higher public confidence through the production of products with safety and security.



# Governance, risk management and contributions to local communities

Fuji Oil Group focuses continuous efforts on strengthening corporate governance, which is a fundamental for business activities, to ensure highly transparent and healthy management and to strengthen the foundation of CSR activities. At the same time, to promote sustainable business activities, more efforts will be focused on improving compliance and risk management.

## Governance

### The Fuji Oil Group Basic Anti-Bribery Policy to be implemented from FY2014

In recent years, laws and regulations against bribery and corruption have been strengthened internationally and active enforcements have taken place. Fuji Oil Group ensures that all employees are kept fully informed the Fuji Oil Group Code of Conduct and takes a clear stance against bribery and corruption in order to meet expectations and requests from stakeholders, to comply with laws and regulations, and to practice fair and transparent corporate activities in line with social ethics as a corporate citizen.

In view of globalization of our business activities, we will start implementing the Fuji Oil Group Basic Anti-Bribery Policy during the first half of the fiscal year of 2014.

In the latter half of the fiscal year of 2014, relevant associated rules will be set forth based on the Policy and then developed to entire Group.

### Steady efforts made by group companies in China: Code of Conduct displayed and awareness-raising at meetings

In China, the government actively takes the lead to prevent corruption and bribery. Companies are always expected to follow fair practices. It is important for individual employees, both Japanese expatriates and local human resources, to be aware of being a member of Fuji Oil Group and to act consistently with the UN Global Compact Principles and alike. Efforts at JILIN FUJI PROTEIN CO., LTD. (Jilin Province) include display of their action guidelines and

presentation of examples of possible risk at daily meetings.

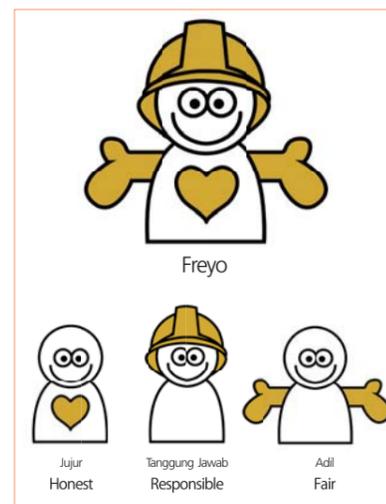
### Utilization of the Code of Conduct at a group company in Indonesia: to its personnel and business partners

#### Keeping employees fully informed about the Code of Conduct

PT. FREYABADI INDOTAMA (FAI) in Indonesia, already shared the code of conduct to all employees since 2011. Then in 2013, FAI issued new FREY Code of conduct with animation icon called 'Freyo.' This new code of conduct is the adoption of the 3 principles of FUJI OIL code of conduct and combination with the existing one. This year, FAI continues to socialize the code of conducts to all employees. The focus is on HONEST behavior that related to anti-corruption, such as rule about gift and entertainment, company confidentiality, and conflict of interest.

#### Sharing the Code of Conduct with all suppliers

FAI intends to promote the fair operating



practices throughout its sphere of influence in supply chain. Therefore, FAI shares its expectations and social concerns with all suppliers, by sending a supplier code of conduct and required the commitment from suppliers' management.

FAI encourages all suppliers to comply with all applicable laws or regulations, especially when related to anti-corruption, anti-collusion & nepotism, and labor standard. In the code of conduct, FAI also requires suppliers to provide workers with safe & healthy work environment, to preserve the environment, and to establish a Business Ethical Policy. For materials and packaging suppliers, FAI also asks suppliers to implement the Food safety standard.

## Risk management

### Global centralization of risks

In FY2013, we worked on to prepare an emergency response system in case of emergency within the Group. In April 2014, relevant internal rules were revised for that purpose.

The system is designed so that the Director in charge of risk management can get relevant information at a timely fashion in case of an emergent, serious situation (natural disaster, labor dispute, etc.). The system also is designed to ensure that an emergency headquarters can be set up where necessary in a timely fashion by appropriate members. The emergency headquarters will be responsible for managing communication routes with onsite personnel in an emergency and will take leadership in planning and developing group-wide countermeasures.

Because quick reporting from relevant departments or group companies is the



Executive Message

One of the most important issues in our business management is to enhance corporate governance. Efforts in FY2013 to accelerate the promotion of our global business included improvements in compliance activities on a global basis, such as development of the Fuji Oil Group Basic Anti-Bribery Policy, and promotion of centralization of risk management. In FY2014, to achieve the goals of "Renaissance Fuji 2016," we will establish a global governance system by reinforcing the management foundation and risk management.

Mitsugu Kuno, Director, Managing Executive Officer, Global Strategies

key, we set up an emergency telephone number and an emergency email address (service available also on holidays and night times), which have been notified to all group companies inside and outside Japan as well.

In FY2014, Fuji Oil Group will further promote the centralization of risk management, establishment of systems, development of rules, and other efforts so as to be recognized by stakeholders as a corporate group that is well-prepared for risks.

## Contributions to local communities

### Assistance to those who affected by Typhoon Haiyan in the Philippines

NEW LEYTE EDIBLE OIL MANUFACTURING., CORP (NLM) in the Philippines was significantly damaged by Typhoon Haiyan

in November 2013. A total of about 10 million yen, consisting of donations from our Company, our employees, and various other sources, were sent to the affected area as part of our contributions to local communities.

After discussion with relevant people there, it was decided to use the donated money to repair and renovate the community hall with an adjacent nursery facility in San Roque in Tanauan, where NLM is located. It is planned that this building will also be used as an evacuation center in an emergency.



Conceptual drawing of the renovated community hall

### Participation in the FESTA2013 hosted by Izumisano Food Complex Association

As part of our efforts to contribute to local communities, we participated in FESTA2013, an event hosted Food Complex Association of Izumisano City where our Head Office is located. We offered a study tour by bus to our plant, displayed raw materials, such as cacao beans and palm oil, and provided explanations of how chocolate is produced. In this event, we were able to help local residents better understand our Company.



FESTA2013

## From Outside Director

It has been one year since I became Outside Director. Since then some changes have been observed in agenda items for Board of Directors meetings. Whereas in previous years most of the meeting time was spent on reporting activities of departments, attendants now have discussions on the theme that have been chosen every month, such as the globalization of Fuji Oil and how to train employees to cope with globalization. Those who formerly only listened to other participants reporting their activities now participate in discussions and present their viewpoints. I can see "silent" reform beginning to occur, which I highly appreciate.

I have been given regular opportunities to talk with the President and the Chairman and outcomes from these informal communications have been reflected on the new Mid-Term Management Plan "Renaissance Fuji 2016." I believe that the wide range of intensive technologies built by Fuji Oil are worthy of higher recognition in the world than it currently receives. To take advantage of the technologies to ensure better results, I think it is necessary to change the approach

to the various markets outside Japan that are highly diversified. The Company should not try to take superficial measures that would not be fruitful. Instead, the Company should be engaged in its internal reformation and should build some system and conditions to explore the markets outside Japan. With regard to this matter, I think a "silent" revolution has also begun.

What I can do as an outsider is very limited. Fortunately, however, Fuji Oil has a superior spirit of foundation of business and competent employees. In my second year with Fuji Oil, I will focus on finding the key to let them highly utilize their own high potentials.



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

## Third-party Opinion

### Management style with thorough considerations and discussions

The CSR Report was replaced by the Sustainability Report this year. In this Sustainability Report, an introduction to the new Mid-Term Management Plan "Renaissance Fuji 2016" immediately follows an interview with the President, showing that the Plan occupies the core content of this Report.

According to President Shimizu, the three prongs of basic policy of the previous Plan—global management, technological management and sustainable management—were not achieved as desired; these three prongs of policy will continue to be applied but the approach to the Plan will be changed significantly; "How we want to be" and "How we should be" will be presented and the Company will identify methods to reach the goals.

In the interview, he says that the popularization of soybean products could significantly contribute to resolve food issues arising from increasing world population. He also tells us that company's separation technology should play an important role in popularizing soybeans. With regard to technological management, he places importance on constant development of differentiated technologies and customer-oriented technologies. I agree that these viewpoints are important. With regard to sustainable management, however, he only mentions that the Company's business contains many sustainable elements. This short comment may be for want of space but disappointed by the insufficiency of this information.

My overall grading of this report after reading it through is, in short, "falling a little short of passing grade."

Firstly, although illustrations were used effectively for explanations of activities by business category in the previous year's Report, which makes the Report reader-friendly, such illustrations are not used in this year's Report, which is disappointing.

Secondly, more detailed explanations should have been provided as to the global management, technological management and sustainable management. Assuming Fuji Oil always considers its business seriously and thoroughly, their such considerations should have been reflected in the Report. According to Prof. Mishina, Outside Director, Directors started to have discussions at every board meeting on some theme that have been selected for each

meeting. When results from this effort are obtained and reflected on a future Report, my dissatisfaction can be resolved.

Thirdly, explanations on sustainable management should be written in a more integrated manner. While explanations on some items are given in detail, overall explanations in this regard give an impression that management efforts here might have achieved partial optimization only. In sections of Executive Messages, while each Director comments on sustainable management, they do so from the view points of their respective responsibilities only. If the company aims to achieve overall optimal management from a coherent perspective, there should be a better way to more clearly explain their efforts towards sustainable management.

The last year's report provided a comparison table that helps readers grasp issues addressed, activities conducted, self-assessment and other data regarding CSR efforts by Fuji Oil at a glance. In this year's report, however, the comparison table is not provided. I made a comment on this table last year and looked forward to seeing what improvement the company would make. My expectation was, however, in vain. As a report of CSR, this is not advancement but regression.

Finally, the Report would be improved if it can provide some data that can clearly tell that Fuji Oil Group actively seeks sustainable management in advance of its industry or practices sustainable management passively because only of the environment.

#### Susumu Ogawa

Professor, Graduate School of Business Administration  
Kobe University

1989: Master of Business Administration, Graduate School of Business Administration, Kobe University  
1998: Ph.D. in Business Administration, Massachusetts Institute of Technology  
2000: Ph.D. in Business Administration, Graduate School of Business Administration, Kobe University  
2003 - : Current position  
Areas of expertise: marketing, innovation management and business system theory.  
Recent work: *User Innovation*, *Toyo Keizai Inc.*



### In response to the Third-party Opinion

We greatly appreciate Prof. Ogawa's providing us with his strong pertinent opinions, consistent with last year's. This year was the first year of the new Mid-Term Management Plan, which defines that acceleration of sustainable management, one prong of our basic policy, is what we should do to promote CSR practices. In this new Plan, we set "creation of social values," "global environment," "sustainable procurement" and "hitozukuri (fostering people)" as the four material issues. This report explains our activities related to these material issues in FY2014. Illustrations used for explanations of activities by business category, comparison table to grasp the status of CSR issues, and other data, which Prof. Ogawa mentioned, will be provided on the web basis report from this year. In this web basis report, we will update the progress of activities mainly related to the aforementioned materiality issues as needed. We sincerely value the comments from Prof. Ogawa and will continue our efforts to improve our activities so as to be in harmony with a sustainable society.

CSR Section, Corporate Planning Department

## Editorial policy

The objectives of this report are to help better understanding of Fuji Oil Group's efforts for a sustainable society and to receive feedbacks from stakeholders in order to further improve our activities.

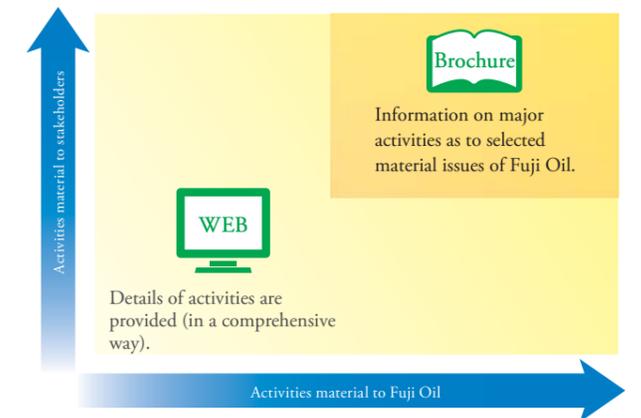
The brochure explains particularly important activities. We made the report easy to read by providing essential summaries that are as concise as possible for each section. On the other hand, the web covers more comprehensive information in order to ensure accountability to a wide range of stakeholders.

## Sustainability Report 2014

- The Sustainability Report 2014 provides a summary of the new Mid-Term Management Plan (2014-2016) starting from FY2014. The three prongs of basic policy thereof consist of acceleration of global management, technological management, and sustainable management. Of these three, acceleration of sustainable management is covered in this report. This policy deals with the following four issues: creation of social values, global environment, sustainable procurement and *hitozukuri* (fostering people).
- This report is entitled "Sustainability Report 2014" due to its content. The Sustainability Report will replace the CSR Report in the future and will be published annually. The 2014 version contains reports of activities in FY2013 and also serves as the first version of reports to be followed annually.
- The number of pages of the 2014 version is less than that of the 2013 version because we provided information limited to particularly material activities with the hope that readers can properly understand the concept behind the sustainable management and the summary of relevant activities.

## Tools for introducing Fuji Oil Group

Major tools to obtain information on Fuji Oil Group are the "Sustainability Report" and "Corporate Profile." While these brochures have an integrated and unified front page design, they can be easily differentiated at a glance.



[CSR Website] [http://www.fujioil.co.jp/fujioil\\_e/approach/Index.html](http://www.fujioil.co.jp/fujioil_e/approach/Index.html)

### Reporting scope, etc.

#### Reporting scope

This report mainly covers non-consolidated activities of Fuji Oil Co., Ltd. As for environmental data, efforts by the following group companies in Japan are included: Toraku Foods Co., Ltd., Fuji Fresh Foods Co., Ltd., F&F Co., Ltd. and Omu Milk Products Co., Ltd. In cases where information on other companies is provided, the scope is described along with the data.

#### Reporting period

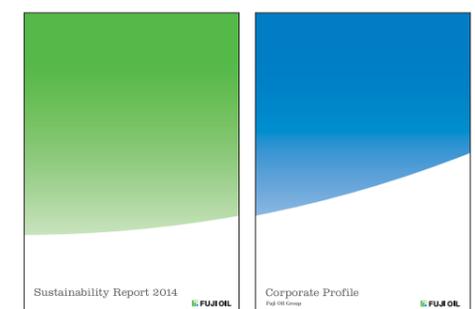
The report mainly consists of achievements in the fiscal year of 2013 (April 1, 2013 to March 31, 2014), but includes some activities and efforts in the past and also most recent ones.

#### Month of issue

Issued in November 2014  
Next report to be issued in November 2015

#### Guidelines for reference

The Japanese Ministry of the Environment's Environmental Reporting Guidelines 2012  
The Global Reporting Initiative (GRI) Sustainability Reporting Guidelines 3.1



Sustainability Report 2014  
Issued in November 2014

Corporate Profile  
Issued in December 2014



#### Contact information

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This brochure uses eco-friendly soy ink and waterless offset printing.