



# Sustainability Report

# 2017



Mission (Our reason for being)

The Fuji Oil Group seeks to develop the potential of food ingredients. We will contribute to the happiness and well-being of the people by offering delicious and healthy food.

Since our founding, we have opened new doors for the deliciousness and enjoyment of food with new ideas and original technology development.

Today, our planet faces many problems in areas such as the environment, food resources and health.

We want to support people's health and happiness using the power of our innovation that has created delicious and healthy foods in the oils and fats and soy businesses.

The Fuji Oil Group makes full use of its business foundation in development, manufacturing and sales with the aim of contributing to society by creating the future of delicious and healthy foods.

**Fuji Oil Group Management Philosophy**

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

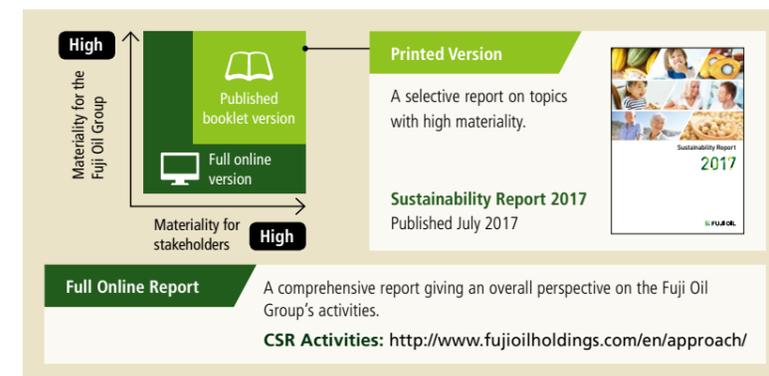
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Editorial Policy

With this report, we aim for further progress by giving our stakeholders an understanding of the Fuji Oil Group's efforts to contribute to society with delicious and healthy food, and by receiving their frank opinions.

The printed version of this report presents activities that have a particularly high degree of materiality, whereas the online version more comprehensively fulfills our accountability to a broad range of stakeholders.



- **Scope of Coverage**  
Activities of the Fuji Oil Group
- **Company Names**  
Company names are presented as follows:  
Fuji Oil Holdings: Fuji Oil Holdings Inc. (holding company)  
Fuji Oil Co., Ltd.: Regional headquarters in Japan  
The Fuji Oil Group/the Group: All group companies in Japan and overseas, including Fuji Oil Holdings Inc.
- **Period Covered**  
FY 2016 results for Fuji Oil Holdings Inc. and group companies in Japan (April 1, 2016 - March 31, 2017) and for group companies outside Japan (January 1, 2016 - December 31, 2016). Details of some prior and more recent activities and initiatives are also included.
- **Date of Publication**  
July 2017 (Japanese version),  
September 2017 (English and Chinese versions)
- **Reference Guidelines**  
Ministry of the Environment, "Environmental Reporting Guidelines 2012"  
GRI (Global Reporting Initiative),  
"G4 Sustainability Reporting Guidelines"

**Disclaimer regarding Forward-Looking Statements**

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



## Overview of the Fuji Oil Group

The Fuji Oil Group leverages its technological, production and sales capabilities in the three business areas of oils and fats, confectionery and bakery ingredients, and soy protein. We listen to the opinions of our customers as we create new value in the world of food. We will continue to meet the demands of individuals and society through ceaseless innovation to contribute to the future of delicious and healthy foods.

### The Fuji Oil Group in FY 2016

Years in business	<b>67</b> (founded in 1950)
Consolidated revenue	<b>¥292.5</b> billion
Group companies <sup>1</sup>	<b>32</b>
Number of employees (consolidated) <sup>2</sup>	<b>5,056</b>
Number of patents <sup>3</sup>	<b>2,573</b>

1. Fuji Oil Holdings Inc., 30 subsidiaries and 1 affiliate  
 2. As of March 31, 2017 for group companies in Japan, and as of December 31, 2016 for group companies outside Japan  
 3. Total for Fuji Oil Holdings Inc. and Fuji Oil Co., Ltd. for 1950 to March 2016

### “How we should be in 2020”

**Mid-Term Management Plan  
Towards a Further Leap 2020**

Carry out reform of the cost structure to attain competitive advantage globally

Expand global management structure

See page 12.

### “How we want to be in 2030”

Global company that supports people’s health

Become No. 1 in the world/each region by advancing the core technologies we have cultivated

**A company that contributes to society by creating the future of delicious and healthy food**

### Business Process

#### Procurement of raw materials

(Main raw materials)



Cacao



Palm oil



Soybeans

#### Oils and fats

Based on the know-how we have been cultivating since our foundation, we have developed a variety of oils and fats for chocolate, frying and other applications. We give shape to our customers’ wishes through ingredients that contribute to the enjoyment of food in a wide range of situations.

- Hard butters for chocolate
- Confectionery oils and fats
- Frying and spraying oils
- Fats for frozen confectionery and others

Hard butters for chocolate (CBE)<sup>5</sup>

In the top three in global share<sup>4</sup>

#### Confectionery and bakery ingredients

We use our know-how in oils and fats to develop chocolate, whipping cream, margarine and other products that combine functionality and deliciousness. We meet the needs of various industries with confectionery and bakery ingredients and cooking ingredients that help people enjoy delicious moments.

- Coating chocolate/glazed chocolate
- Chocolate for ice cream coating
- Whipping cream
- Margarine/shortening
- Fillings (custard cream, chocolate, etc.)
- Frozen pie dough/béchamel sauce and others

Industrial use chocolate

No. 1 share in Japan<sup>4</sup>

No. 4 share globally<sup>4</sup>

#### Soy protein

The Fuji Oil Group believes that soybeans will contribute to a sustainable society and has been pursuing their potential as a food ingredient for more than half a century. We have developed products that contribute to people’s health, such as textured soy protein with a mouthfeel like meat and premium soy milk products that make the most of the inherent deliciousness of soybeans.

- Soy protein isolate
- Textured soy protein
- Soluble soy polysaccharides
- Soy protein food products
- Premium soy milk products and others

Soy protein ingredients

No. 1 share in Japan<sup>4</sup>

Soluble soy polysaccharides

No. 1 share globally<sup>4</sup>

#### Customers

Food manufacturers

Retail and convenience stores

Food service and home replacement meal industry

Confectionery shops and bakeries

Beverage manufacturers

and others

4. Fuji Oil Group survey (March 2017) 5. CBE: Cocoa butter equivalent

# Becoming an Indispensable Presence Worldwide with Delicious and Healthy Food

## Management for People – Conscientious Management

### Looking ahead to the coming era of disruption, we have begun major reforms with a firm resolve to raise our growth trajectory

Looking around, it would seem that the world has changed dramatically overnight. With the prospect of global population growth, there is a rush to solve problems in areas such as the environment and food. At the same time, society and industry are facing an unprecedented paradigm shift as Industry 4.0 (the fourth industrial revolution) becomes a reality, as exemplified by artificial intelligence (AI) and the Internet of Things (IoT). This is the advent of an era of disruption typified by discontinuous change. What was once common sense no longer applies.

To accelerate our growth strategy with an accurate understanding of these drastic changes, we formulated “Towards a Further Leap 2020,” our new Mid-Term Management Plan. Prior to that, we set forth our Vision to contribute to society by creating the future of delicious and healthy foods in the Fuji Oil Group Management Philosophy, which was established concurrently with our shift to a holding company structure in October 2015. A company is a member of society and must continue to create value for society. Through our Group Management Philosophy, we expressed to society our clear and steadfast intention to be of service to people at all times and to be a company with a global presence. Moreover, to ensure we grow steadily as we respond to the major changes of the era of disruption, I am deeply convinced of the need for decisive reforms unlike any we have undertaken before.

Although we set a new record high for profit in FY 2016, we started the new Mid-Term Management Plan with the recognition that we can no longer postpone reforms. From its founding to the present, the Fuji Oil Group has consistently been a trailblazer owing to its innovative ideas and technologies. With this DNA and a historical perspective that looks ahead to the next generation, I am determined to lay the foundation for a new Fuji Oil Group that can envision a path through the next 50 years.

### We are vigorously strengthening our global foundation and promoting growth strategies toward “How we want to be in 2030”

“Renaissance Fuji 2016,” our previous Mid-Term Management Plan, set forth “How we want to be in 2030” and “How we should be in 2020.” “How we want to be” entails growing into a global enterprise that supports consumers’ health and uses its core technologies to become number one worldwide and in each region. Furthermore, “How we should be” in order to become “How we want to be” involves gaining a competitive advantage globally by reforming our cost structure and expanding our global management structure.

However, we realize that we cannot reach “How we want to be in 2030” by simply continuing to grow our existing business at its current rate. The basic policy of the new Mid-Term Management Plan “Towards a Further Leap 2020” is to establish the foundation and create the new businesses necessary to bridge the gap that separates us from our 2030 goal by 2020.

First, without delay we will strengthen our global foundation, which is a prerequisite for being a company that competes throughout the world. Because cost efficiency, speed and localization are crucial for global management, we plan to make management information visible on a worldwide basis, and to vigorously promote enhanced governance and delegation of authority to local operations. Lately, the age when a product’s functions alone gave it value has ended, and the question has become how that product benefits society. Therefore, we will create value together with society through our pursuit of delicious and healthy food using “Kachizukuri” (creating value) that adds the consumer-oriented marketing approach of “Kotozukuri” (creating movements) to “Monozukuri” (creating products), which is the source of our competitive advantage. For our growth strategy, we will continue to advance toward “How we want to be” through reinforcement of our core competence, growth of our soy business and development of business in functional high-value-added products.

### Promotion of CSR and discontinuous innovation to become a company that creates the future of foods and contributes to society over the next 50 years and beyond

We believe that creating a culture of change is essential for achieving sustainable growth to become “How we want to be in 2030.” The key to doing so is CSR and diversity.

We have adopted “Work for people” as a value that guides our actions in the Fuji Oil Group Management Philosophy and believe that the essence of CSR is responding to the demands of society and people through our core business. Increasing attention is being paid not only to food safety and security, but also to the potential of ingredients in areas such as additive-free and low-allergen foods, nutritional foods for the elderly and medical foods. We will contribute to our customers and to society by providing new value through delicious and healthy food.

As society aims for sustainability, ESG has also become an important management requirement. In particular, we recognize that shaping a corporate culture that makes the most of diversity in areas such as gender, nationality, culture and values leads to multifaceted value creation and helps to make a company more competitive. I am convinced that advancing diversity by promoting the development of a workplace environment that is welcoming to women, seniors, young people and non-Japanese people ultimately leads to work style reform.

In addition, looking beyond “How we want to be in 2030,” we established the R&D Division for Future Creation with a belief in the importance of accelerating the development capabilities that are in our group’s DNA. The division will resolutely take on challenging research themes that are not simply an extension of our past endeavors, thus spurring discontinuous innovation that creates new added value. The Fuji Oil Group will press forward with the aim of being a company that creates the future of food – a company that can continue to contribute to society through delicious and healthy food over the next 50 years and beyond.

*H. Shimizu*

Hiroshi Shimizu  
President and CEO  
Fuji Oil Holdings Inc.



# Pioneering the Future of Food: The Wellspring of the Fuji Oil Group



## Bringing Out the Potential of Ingredients through Technological Innovation

### Our Founding Spirit Created a Technology-Oriented Fuji Oil

In 1950, Fuji Oil was founded with full investment by ITOCHU Corporation. The 67 years since then have been a history of continuous technological innovation.

Our initial focus was on solid fats from tropical regions. At the time, established edible oil manufacturers in Japan dominated the supply of liquid oils from sources such as soybeans and rape seeds, and there was no room in the market for latecomers such as us. Nevertheless, based on our founding belief that "possessing the originality to explore new areas of business rather than following other companies would lead to our continuous development", we were the first in Japan to successfully extract coconut oil using expeller pressing. Fuji Oil took its first step as a unique manufacturer of edible oils and fats.

Unlike liquid oils, solid fats are solid at ambient temperature, but liquefy when heated. Our engineers who took note of this change in properties due to temperature had the idea of using different melting points to separate oils and fats with different physical properties. We then succeeded in establishing a production system using solvent fractionation technology for oils and fats, which is our core technology. Thus, we laid the foundation for highly original raw materials, technologies and products.

This separation technique is closer to the essence of our materials and is a starting point that could be called our "technological philosophy." Using technologies developed

from this concept, we not only obtained completely new oil and fat materials, but also created a number of innovative new products. We were first in the world to succeed in commercial production of hard butter similar to cacao butter using sunflowers as a raw material by combining interesterification technology that recombines oils and fats at the molecular level using enzymes and fractionation technology. This sent major shock waves through the chocolate industry. For soybeans, we developed a manufacturing method to separate and extract high-purity soy protein from defatted soybeans using our original technology, and obtained patents for the manufacturing method in 10 countries. We have developed a series of technologies that were the first in Japan or first in the world, such as the 1993 efficient extraction of soluble soy polysaccharides from soybean curd residue using our proprietary high-temperature pressurized extraction method.

Just like our commitment to originality, our ambition to contribute to society by offering healthy and delicious food has remained unchanged since our founding. Since 1950, Fuji Oil has obtained 2,573 patents (as of March 2016; total for Fuji Oil Co., Ltd. and Fuji Oil Holdings). Premium soymilk made with the world's first ultra soy separation (USS) manufacturing method has a delicious taste and functions that are unattainable with regular soymilk, and it is attracting attention as a groundbreaking new ingredient that expands the potential of soybeans. In addition, our newly developed stabilized DHA and EPA successfully suppress the odor of fish at its source, opening a new door for their use in various food products.

### Creating Value for People

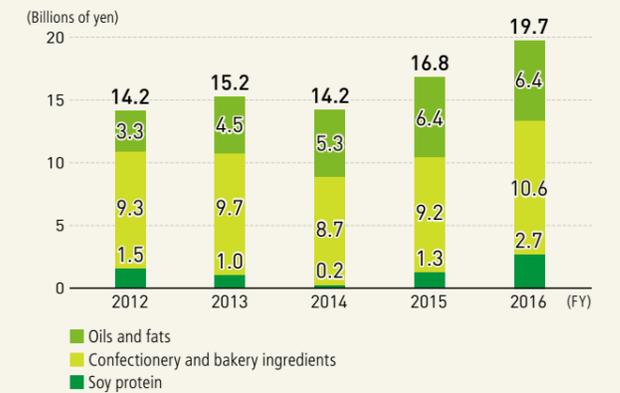
The global population is projected to increase to 9.5 billion by 2050, and potential solutions to the urgent issues of resource depletion and food problems are being expedited. In the food industry, in addition to demands for safe, secure and healthy products, such as foods that are additive-free or low in allergens, global attention is focused on ingredients that are environmentally friendly, suitable for the elderly, nutritionally enhanced, or address other concerns. Under these circumstances, management that can adapt to "value" that changes with the times is crucial for Fuji Oil to grow into a truly global leader. Moreover, we recognize that value constantly changes with both time and place, and that responding to change by ascertaining the trends of the times creates value, a process we call "Kachizukuri." Specifically, we will make a major shift in the orientation of our management, away from products toward solutions. In addition, we believe that adopting a strict policy of putting customers first, and finding and providing value that they are not yet even aware of, will lead to contributions to people's health and to society.

Furthermore, to continue creating the future of food, we established the Fuji Oil Group Management Philosophy to make clear the values and principles to be shared by our employees worldwide.

In the past, we have created new foods through technologies that no one can imitate, ideas that no one else thought of, and proposals that resonate with everyone. As for the Values

that support us in this regard (The values that inform our actions), we put "Safety, quality and the environment" first and foremost. We also added "Work for people" and continue to espouse "Challenge and innovation" while remaining mindful of "Speed and timing." We will deliver value to people worldwide with our unique approach, through deliciousness and health. To achieve this, we will generate new value in response to social issues, a process we call "Kotozukuri" (creating movements), in combination with "Monozukuri" (creating products) as our employees join together to take on the challenge of "Kachizukuri" (creating value) that changes with the times.

### Operating profit by segment



### History of Technological Innovation

1955

#### Start of Japan's first hard butter production at a solvent fractionation plant

We completed the first solvent fractionation plant for oils and fats in Japan and began producing hard butter (similar to cacao butter) from palm kernel oil.



#### Establishment of enzymatic interesterification technology

We began full-scale biotechnology research in the 1970s. From our research into lipid production using yeast, we established an enzymatic interesterification technology that recombines oils and fats at the molecular level. In the mid-1980s, we successfully conducted the world's first commercial production of cocoa butter equivalent (CBE) using this technology.



1967

#### Start of production of soy protein isolate at the Osaka Plant

As our competitors abandoned advanced research on applications of defatted soybeans, we continued to apply trial and error and succeeded in using isoelectric point precipitation to separate and extract soybean protein while retaining its ability to form a gel. Employing this innovative manufacturing method, for which we obtained patents in 10 countries, we started production of highly pure soy protein isolate at the Osaka Plant.

1980

#### Development of low-trans fatty acid technology using interesterification

There are strong demands worldwide for reduction of trans fatty acids due to their impact on health. We applied conventional enzymatic interesterification technology to develop a technology for reducing trans fatty acid that realizes ideal functions and stability. We are making a major contribution to people's health through oil and fat products with low-trans fatty acid content.

1993

#### Development of soluble soy polysaccharide production technology

We took a closer look at the soluble fibers contained in soybean curd residue. As a result of extensive research into their use as a food ingredient, we developed soluble soy polysaccharide production technology using high-temperature pressurized extraction. As a functional food ingredient, this product can be used in various applications, including for stabilizing acidic milk drinks and preventing cooked rice and noodles from becoming sticky.



2005

2012

#### Developed USS, the world's first soy separation and fractionation technology

We developed and obtained a patent for the USS\* manufacturing method, which separates soybeans into soymilk cream and low-fat soymilk in a manner similar to the separation method for raw milk. It is attracting attention for breakthrough new ingredients that retain the components and savory taste of soybeans, and has begun to be used in foods in a wide range of cuisine including Japanese and Italian. Based on this technology, we also succeeded in developing a cheese-like ingredient from soybeans, further expanding the potential of soybeans as food ingredients.  
\* USS: Ultra Soy Separation



2016

#### Development of stabilized DHA and EPA

DHA and EPA are attracting attention for their function in enhancing cognitive ability. We succeeded in developing and commercializing stabilized DHA and EPA with a reduced fishy odor by using a proprietary new technology that disperses slightly soluble antioxidant ingredients in oil. It has received good reviews as a way to ingest DHA and EPA without affecting flavor when added to foods and beverages.

**Pioneering the Future of Food:  
The Wellspring of the Fuji Oil Group**

**Deliciousness and Health for the World**



**Overseas Expansion from an Early Stage with a Trading Company Approach**

Although Fuji Oil is a manufacturer, it has the DNA of a trading company, and therefore it entered overseas markets from its earliest days. In 1953, when the scars of war were still fresh, we started looking into new raw materials in Southeast Asia, together with the Oils and Fats Section of ITOCHU Corporation. At that time, our focus on palm kernels, which had never been used for oil extraction in Japan, led to the manufacture and sale of hard butter, the starting point of our originality. Japan was entering a period of high economic growth, and many Japanese manufacturers were engaged in overseas production for import and sale back in Japan. Our management at the time believed that true internationalization meant creating markets overseas and establishing production bases there for business development. In the 1970s, we built a series of bases in Malaysia and the Philippines. However, we were forced to withdraw temporarily due to differences of opinion with the national governments and local partners. Nevertheless, we focused on developing overseas markets, driven by our conviction that expansion into local markets is the only way to grow as a global company. As a pioneer in the era, we developed into a corporate group with an overseas network that spans from raw material procurement to production and sales in the Asian region.

Fuji Oil's overseas development has been characterized by local production and local consumption around the world, with expansion into Southeast Asia, the United States, Europe and

China since the 1980s. Currently, 27 companies, including regional headquarters, in 10 countries are engaged in local production and sales activities. Our strengths overseas include hard butters for chocolate, oils and fats for infant powdered formula, functional oils and fats, industrial use chocolate, and confectionery and baking ingredients such as vegetable whipping cream. In the United States, we expect growth in soybean-related products in addition to oils and fats and chocolate due to increased health consciousness, with regulations on the intake of trans fatty acids out of concerns over their impact on health, and the rise of flexitarians (people whose diets are oriented toward vegetables but who occasionally eat meat or fish). In China, the Westernization of diets is accelerating, with notable growth in the confectionery and bakery market.

Fuji Oil wants to help resolve food issues on a global scale and to be the best partner for creating new food value with its customers. We established FUJISUNNY PLAZA as a base for creating new products and new menus through communication with customers. To address the diverse needs of each country or region, there are eight plazas, located in Japan, China and elsewhere in Asia. In addition, we opened the Asia R&D Center in Singapore in 2015 as our research base in Asia. We are conducting unique research and development that applies the wide range of knowledge we have accumulated to the distinctive needs of the Asian market. For sustainable growth, we opened the Fuji Science & Innovation Center in 2016 as the headquarters of the Group's global research and technology development network. We are accelerating the creation of the future of food globally.

**Shift to a Holding Company Structure to Accelerate Global Management**

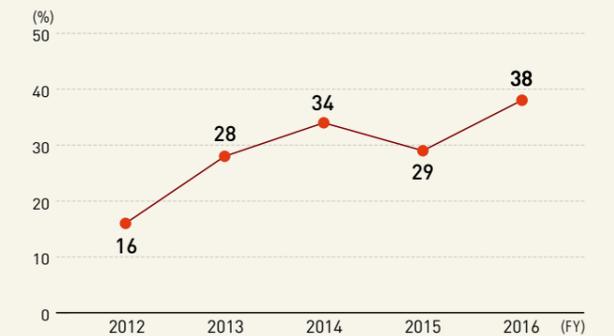
We have set forth "a global company for supporting the health of people" as "How we want to be in 2030." To achieve this, we consider it important to expand our global management structure and attain a competitive advantage globally as "How we should be in 2020." Therefore, in October 2015 we shifted to a pure holding company system, and established regional headquarters in Asia, China and the Americas and a representative company in Europe to manage group companies in each area. We aim to create products and services rooted in local markets by ascertaining our customers' issues from the perspectives of deliciousness and health, and also minimize exchange rate risk by conducting development, production and sales all within each region.

In addition, to develop businesses that take advantage of distinctive regional characteristics, we are strongly promoting delegation of authority to each area while focusing on strengthening our governance structure, promoting diversity and cultivating global human resources. To increase management speed, we are upgrading our global management structure and reinforcing our management foundation. Specifically, we are laying the foundation for the adoption of global standards, including alignment of fiscal periods, global unification of core systems and the consequent visualization of management information. We will also steadily respond to the demands of growth markets by displaying group synergies in areas such

as global enhancement of the supply chain for oils and fats and chocolate.

Good health is a value that all people of the world share. For Fuji Oil, which has a vision of contributing to the happiness and well-being of the people by offering delicious and healthy food, contributing to health is an important objective that must be met. Due to the aging population and concerns about food safety and security, demand from the field of medical foods, including health foods and liquid diets, is also rising globally. Fuji Oil will contribute to delicious and healthy food with a proactive global rollout of its soy protein business and its functional high-value-added products business, including stabilized DHA and EPA, and polysaccharides.

**Percentage of operating profit from overseas business**



**History of Opening Markets Overseas**

1981

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

Established as a core base for our overseas strategy. Manufactures specialty fats, mainly hard butters for chocolate. Began actively exporting to regions other than Japan soon after the start of operation, with exports to more than 50 countries.

1987

**Establishment of Vamo-Fuji Specialties N.V. in Belgium (currently Fuji Oil Europe)**

Established as a joint venture with Belgium's long-established oils and fats manufacturer Vandemoortele N.V. as part of our plans to enter Europe. Expanding sales to the United Kingdom, Western and Eastern Europe and Russia, driven by technological support from applications and ideas developed in the Japanese market.

**Establishment of Fuji Vegetable Oil, Inc. in the United States**

Established with a view toward full-scale business development in the United States, the world's largest consumer market. A plant in Georgia that produces specialty fats has also been constructed and is operating. Has earned a good reputation among major multinational food companies for its technical and proposal capabilities.



**Establishment of Asia R&D Center and Shift to a Holding Company Structure under a Pure Holding Company System**

Opened our first overseas research and development facility in Singapore to consolidate our development functions in Asia and conduct research and development tailored to Asian needs. Also in 2015, we shifted to a holding company structure under a pure holding company system to conduct global management.

**Establishment of Fuji Science & Innovation Center**

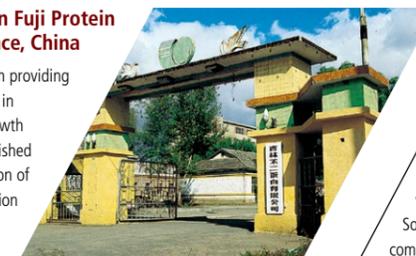
Brings together knowledge and technology from inside and outside the Group as the research and development headquarters of the Fuji Oil Group. With the Asia R&D Center and Tsukuba R&D Center, it completes the tripolar global research and development system we have built to create food ingredients with value.



1994

**Establishment of Jilin Fuji Protein Co., Ltd. in Jilin Province, China**

Since the 1980s, Fuji Oil has been providing technical guidance in Jilin Province in anticipation of the prospects and growth potential of the Chinese market. Established the company amid expanding consumption of ham and sausage. Began full-scale production and sales of soy protein isolate as a raw material.



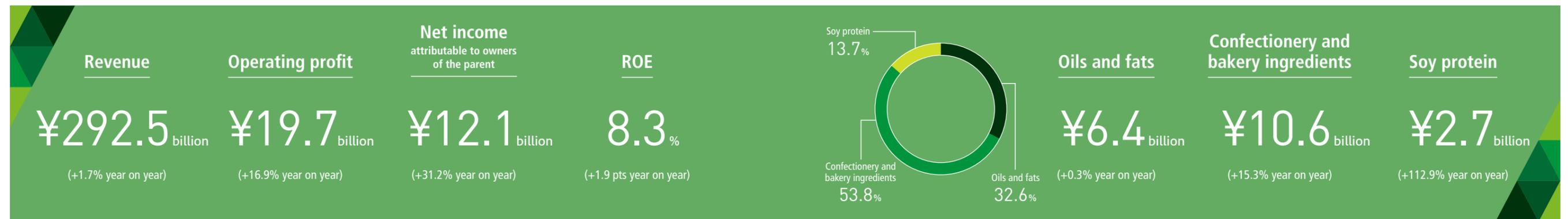
2015

2015

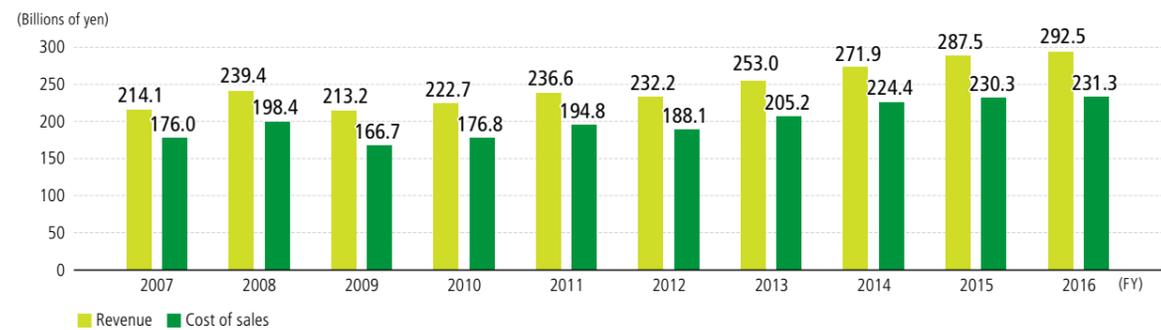
**Addition to the Group of Harald Indústria e Comércio de Alimentos S.A., Brazil's Largest Manufacturer of Industrial Use Chocolate**

Harald is a widely recognized and trusted company in Brazil with approximately 70,000 Brazilian bakeries as customers and a large share of domestic sales. We will build and develop our strategy for Central and South America here, leveraging the strength of the company's brands and sales network.

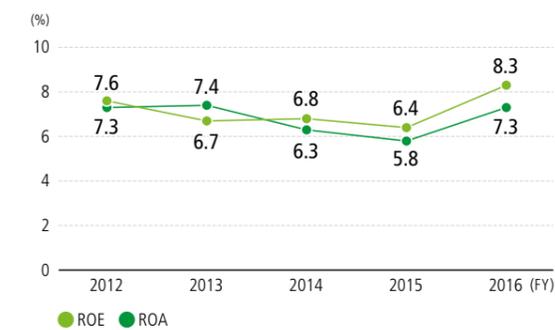
2016



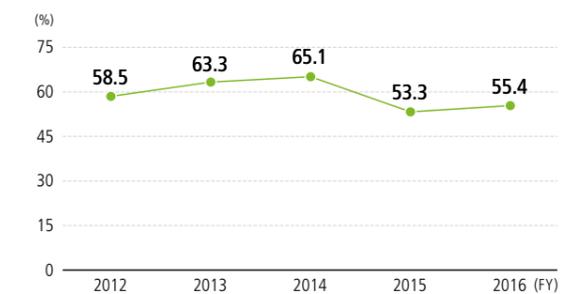
Revenue/Cost of sales



ROE/ROA



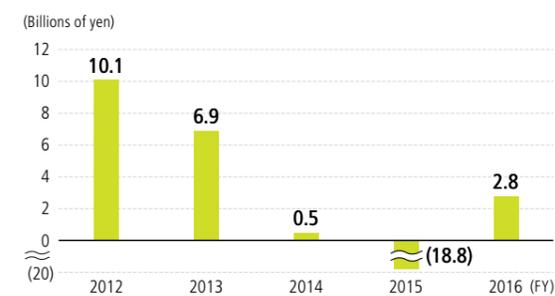
Equity ratio



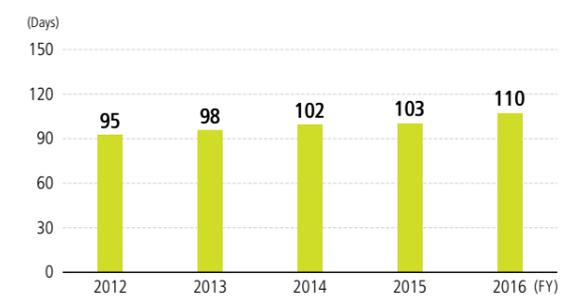
Operating profit/Operating profit margin



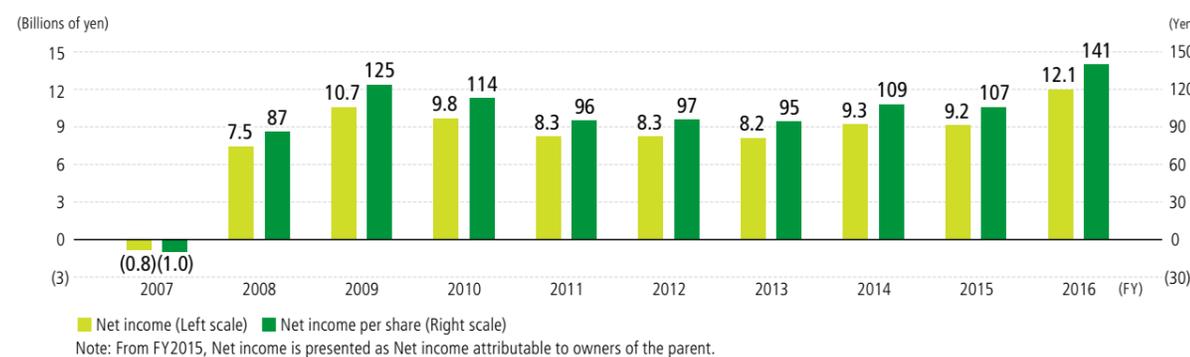
Free cash flow



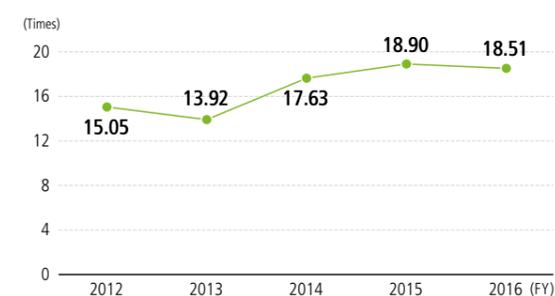
Cash conversion cycle



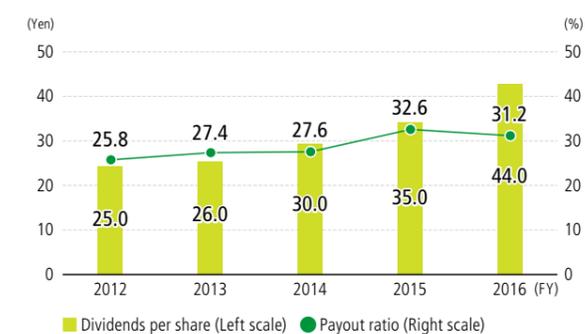
Net income/Net income per share



PER



Dividends per share/Payout ratio



# Towards a Further Leap 2020

We aim to become a company that contributes to customers and society with delicious and healthy foods by transitioning from a conventional product-out to a solution-oriented business.

## Background to the Formulation of the New Mid-Term Management Plan

The new Mid-Term Management Plan "Towards a Further Leap 2020" looks toward "How we want to be in 2030" and "How we should be in 2020" to lay the groundwork for getting there, based on our vision of seeking to contribute to society by creating the future of delicious and healthy foods. Looking back, the Fuji Oil Group has grown from its founding to where it is now as a B-to-B food ingredient manufacturer by using its technology as the source for responding to the wishes of its customers. However, we feel a sense of crisis about whether we can realize "How we want to be in 2030" on our current growth vector. Eliminating this sense of crisis is the fundamental principle of "Towards a Further Leap 2020."

accelerating our global business development are measures to bridge the gap that separates our current state from "How we want to be in 2030." That means that the Fuji Oil Group needs to take a step up from the B-to-B food ingredient manufacturer with its origin in Japan that it has been until now to become a global enterprise that supports the health of consumers.

In the new Mid-Term Management Plan, there are three basic concepts that form the basis for approaching this new stage. First, "Deliciousness and health" is the Fuji Oil Group's core principle for contributing to society. Next, "Kachizukuri" (creating value) means the creation of high added value from synergy between "Monozukuri" (creating products) through technological differentiation and "Kotozukuri" (creating movements) derived from marketing that addresses customers' apparent and latent needs. We will meet the needs of the times by providing solutions to issues. The third basic concept, "Self-reform," entails the major reforms to our awareness that will be necessary to move up to a new stage. We must stop dwelling on the successes we experienced backed by Japan's former high economic growth.

In Japan, the food market as a whole is shrinking in proportion to the decline in the population. Moreover, generating hit products is difficult in a time when consumer confidence is low. Consequently, we must consider seriously what our customers really want, and on top of a solution-oriented business model that actively weaves together story propositions, a competitive advantage will be essential to succeed globally. In other words, strengthening marketing and

## Basic Policies of the New Mid-Term Management Plan

The new Mid-Term Management Plan lays the foundation for rapid progress toward "How we want to be in 2030," and sets forth the following four basic policies as concrete measures to bridge the gap separating us from this ideal.

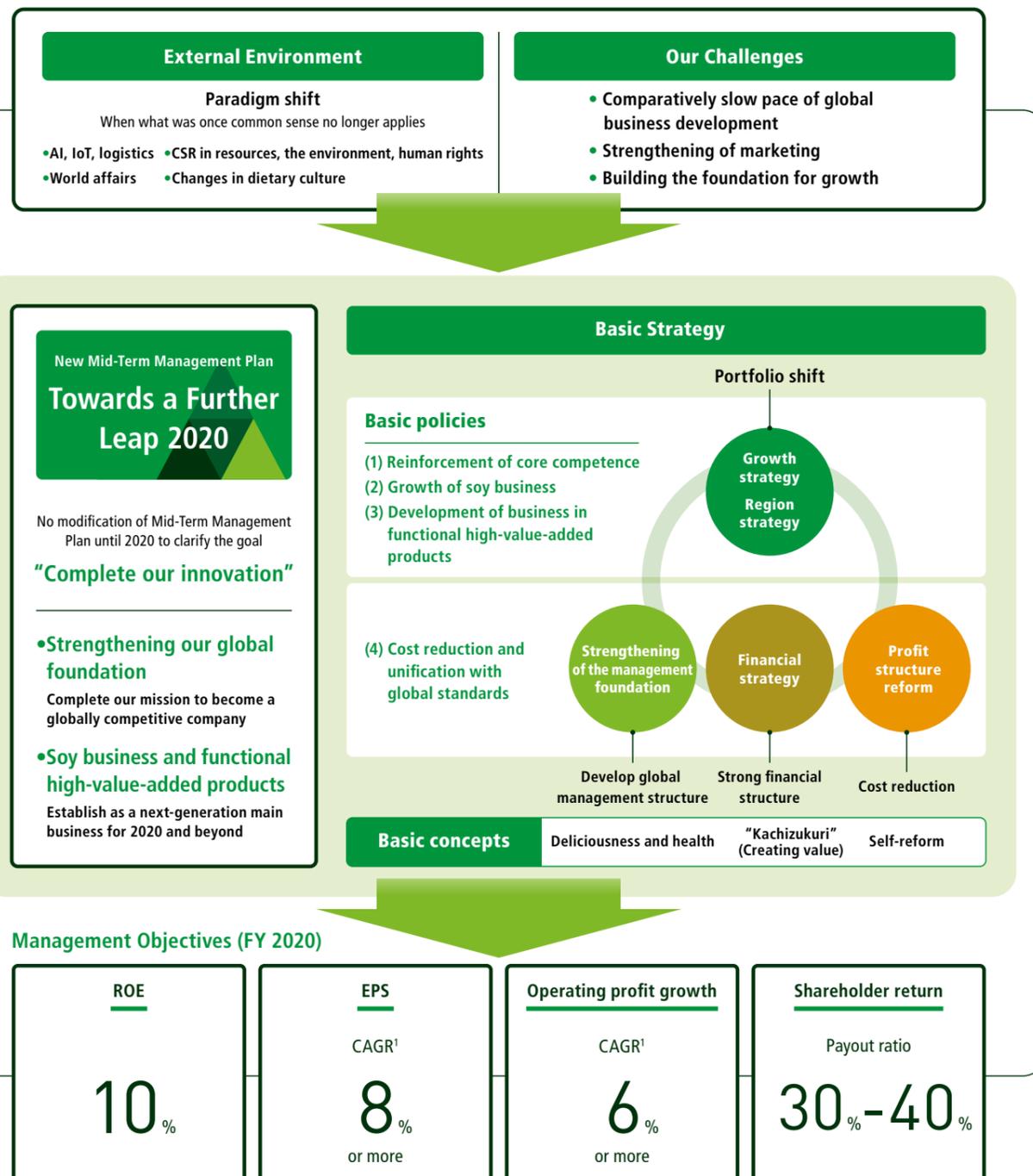
(3) Development of business in functional high-value-added products: We will leverage the unique technologies of the Fuji Oil Group to vigorously advance into the field of nutrition and health foods. Our originality in areas such as the polysaccharide business and commercialization of stabilized DHA and EPA has already attracted a great deal of attention. We plan to stabilize group earnings by actively developing business in functional high-value-added products.

To reliably promote these three basic policies, it is important to improve the productivity of the entire Group and to reorganize for their execution. Hence, our fourth basic policy,

(1) Reinforcement of core competence: We will strive for stable growth mainly by expanding our business in hard butters for chocolate and chocolate products, areas in which the Fuji Oil Group has market-beating technologies and a global presence. Starting from these competitive strengths, we aim to be one of the world's top three companies in terms of sales volume of industrial use chocolate.

(2) Growth of soy business: We will take a fresh look at the soy business we have been engaged in since our foundation and grow it into a major pillar of earnings by developing products and new menu offerings that help to resolve issues for the health of people and the earth.

(4) Cost reduction and unification with global standards: This policy focuses on improving productivity through cost reductions and building a strong financial structure. In addition, as part of our management foundation, we plan to rebuild the Fuji Oil Group's corporate brand and raise our visibility among all our stakeholders.



1. Compound annual growth rate

## Growth Strategy: (1) Reinforcement of Core Competence

Our core competence consists of chocolate, hard butters for chocolate, and confectionery and bakery ingredients. In the chocolate industry, competitiveness is essential due to the trend toward increasing oligopolistic control by major global companies, and the Fuji Oil Group has the substantial advantage of being the only company in the world that

produces both chocolate and hard butters for chocolate. We will position hard butters for chocolate and chocolate as a strategic business unit to concentrate resources through selection and concentration of our portfolio. At the same time, we will use Asia as a foothold for future regional expansion into China, India, the Middle East, North Africa and North America.

### Key Points

#### China

In addition to existing demand for chocolate and hard butters for chocolate, sales of fillings such as custard cream, as well as margarine and other products, are growing substantially due to growth of China's bakery market. We will establish a new base in Guangzhou to meet demand in the South China region.

#### North America

Demand is extremely high in North America for low- and non-trans fatty acid products as well as for hard butters for chocolate. In addition to establishing a new production base, we will strengthen the supply chain to generate synergy between oils and fats and chocolate.

#### South America

Harald Indústria e Comércio de Alimentos S.A. of Brazil, which became a group company in 2015, handles mainly compound chocolate using hard butters for chocolate. We will strive to develop new hard butter products for chocolate, which are a specialty of the Fuji Oil Group, and strengthen group synergies and supply chains using our original technologies.

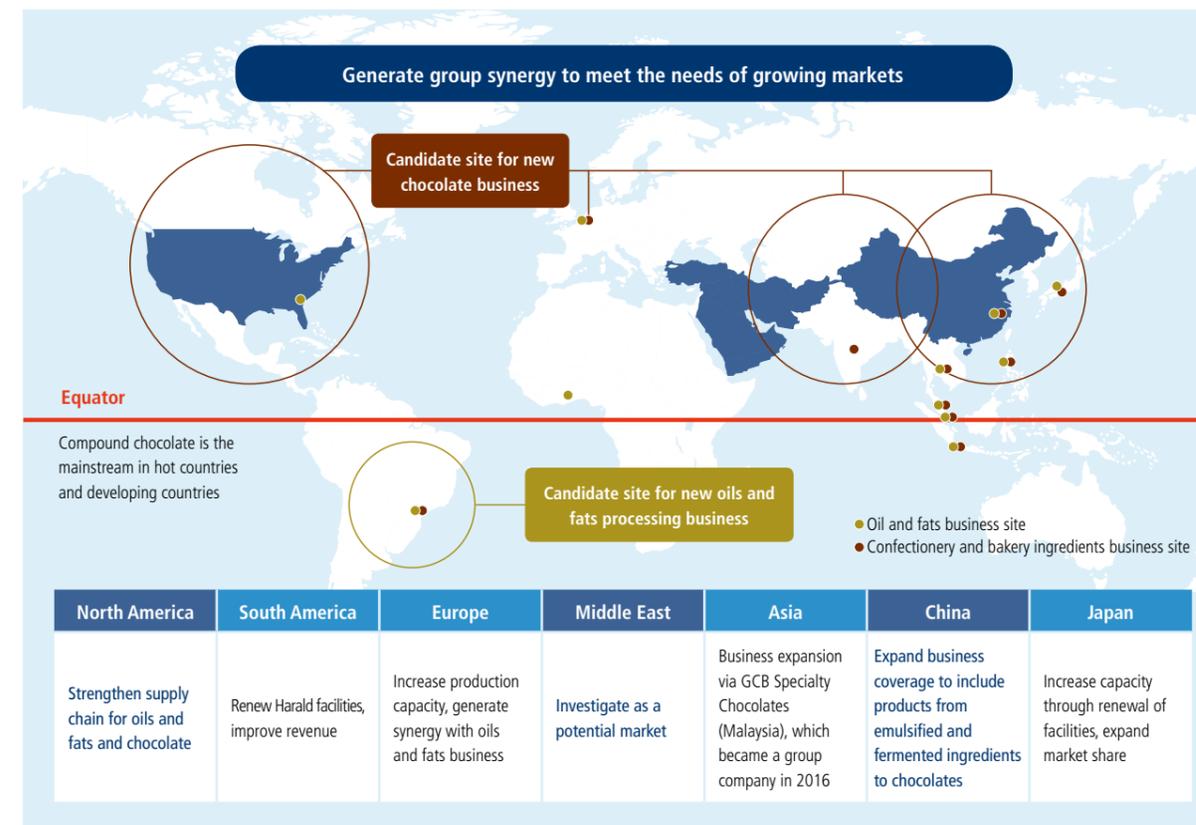
#### Europe

The Fuji Oil Group has a subsidiary in Ghana as a raw material procurement base. We will use this supply chain to expand sales throughout Europe and take on the challenge of capturing the mass-market segment.

### Basic Policies and Measures of "Towards a Further Leap 2020"

		Expand existing businesses	Businesses for further advancement	
		(1) Reinforcement of core competence	(2) Growth of soy business	(3) Development of business in functional high-value-added products
		<ul style="list-style-type: none"> <li>Steadily expand markets and product lineups in strong fields</li> </ul>	<ul style="list-style-type: none"> <li>Final stage of structural reform</li> <li>Expanding USS<sup>2</sup> products</li> </ul>	<ul style="list-style-type: none"> <li>Develop business in polysaccharides and stabilized DHA and EPA</li> <li>Expand business in nutrition and health foods</li> </ul>
High growth expected	Japan	Renew facilities, consider a new base for chocolate	Expand USS products, increase profitability of protein ingredients	Expand business in polysaccharides and FST <sup>3</sup>
	China	Construct second factory	Enter the health field	Expand business in nutrition and health foods
	Asia	Divest aging facilities		
	North America	Establish new production base	Consider how to develop the USS business	Global development of FST
	South America	Strengthen synergy between oils and fats and chocolate		
	Europe	Strengthen chocolate business		Global development of polysaccharides
	IMEA <sup>1</sup>	Search for new regions through which to expand sales channels		
M&A (prepare ¥50 billion in funding)				

1. India, Middle East and North Africa 2. Ultra Soy Separation 3. Fuji Stabilization Technology



## Growth Strategy: (2) Growth of Soy Business

Due to demand for health foods and nutritional foods backed by the aging of society and other factors, soy protein ingredients that are easy to process and eat have huge potential. We will re-affirm the value of soy by returning to its essence and expedite selection and concentration within the soy business.

In recent years, "flexitarians" have emerged among millennials in Europe, the United States and elsewhere. Flexitarians, a term coined by combining "flexible" with "vegetarian," are people who are oriented toward vegetarianism but also consume meat and fish depending on the circumstances. Their diets are characterized by a focus on highly nutritious vegetables, fruits, unprocessed grains, legumes and other foods in consideration of healthy eating habits and the global environment. In the United States and Europe "veggie burgers" made with vegetable protein have proved very popular, and in this and other ways a market has formed for plant protein, centered on developed countries.

Using its patented Ultra Soy Separation (USS) manufacturing method, the Fuji Oil Group succeeded in making soymilk cream and low-fat soymilk from soybeans in a manner similar to producing cream and skim milk from raw milk. We also

fermented these products to make a breakthrough ingredient similar to cheese. We will energetically promote their rollout in the growing plant protein market to create new value with "Kotozukuri" (creating movements) centered on premium soymilk products and soy meat made using the USS manufacturing method.

In our existing soy protein business, we will expedite consolidation and reorganization from the viewpoint of increasing the efficiency of management resources and work to reduce the cost of products that are already being commoditized. We intend to complete structural reforms to improve profitability and prioritize investment in high-value-added businesses such as soy polysaccharides.



Cheese-like soymilk ingredients

Mabodofu made with soy meat

## Growth Strategy: (3) Development of Business in Functional High-Value-Added Products

The close relationship between food and health continues to deepen with rising health consciousness worldwide, including progress in China toward creating a law for foods for special medical purposes.

DHA and EPA are attracting attention as ingredients that can be expected to improve cognitive function and decrease dementia risk, and the Ministry of Health, Labour and Welfare's Dietary Reference Intakes for Japanese (2010 edition) recommends a combined daily intake of one gram or more. However, conventional forms of DHA and EPA easily deteriorate with oxidation and their characteristic fishy odor poses an obstacle to their use in processed food. Using a new technology, the Fuji Oil Group developed stabilized DHA and EPA with a suppressed fishy odor. This makes it possible to use DHA and EPA in various types of food processing. We plan a launch in 2017, and are anticipating worldwide demand of 1,500 tons in 2020. We will rapidly establish production bases and set up a system for global supply.

Furthermore, due to rising health consciousness, demand in the polysaccharides business is also growing worldwide. The Fuji Oil Group developed proprietary technology to extract soluble fibers contained in soybean curd residue and successfully commercialized soluble soy polysaccharides. Adding a small amount of this product to foods can substantially change their physical properties – for example, it increases the dispersion stability of milk protein in acidic milk drinks. It is

widely used in processed rice and noodle foods, frozen bread and other foods, and its use in lactobacillus beverages is expected to accelerate due to its ability to suppress coagulation and precipitation of protein. With the growing trend of drinking lactobacillus beverages in Europe and China, we are actively promoting a global rollout and have also started developing polysaccharides from materials other than soybeans.



"Vege-blend" mixed vegetable and fruit beverage containing stabilized DHA and EPA

## Strengthening of the Management Foundation

### Hitozukuri (Fostering People)

To be in demand around the world as a company that supports consumers' health, it is important to promote and cultivate talented human resources who can act globally. By promoting reform of working style centered on diversity, we will create an environment that fosters people who can proactively take on challenges worldwide. We will also spread the values of the Fuji Oil Group globally to contribute to society with delicious and healthy foods.

### Technology Management

Since its foundation, the Fuji Oil Group has earned a strong reputation worldwide for its superior technological capabilities. To further accelerate the evolution of our technologies, we opened the Fuji Science & Innovation Center in 2016. As a source of creation for the future, the center will develop new products that contribute in the areas of deliciousness and health as it develops innovative production technologies to further raise our advantage in technology management.

### Corporate Brand

Until now, the Fuji Oil Group has had a behind-the-scenes presence as a B-to-B food ingredient manufacturer. However, to take our place as a global company that contributes to resolving issues of deliciousness and health, we decided to rebuild our corporate brand from the perspective of global branding. Targeting our 70th anniversary in 2020, we will inaugurate a new Fuji Oil Group with the aims of increasing awareness among all stakeholders and maximizing brand value.

## Financial Strategy

**Aim to transform ourselves to achieve a strong global financial structure by creating cash flows from sustained profit growth, improving capital efficiency and strengthening financial governance**



The Fuji Oil Group's current competitors are global food companies. To succeed in global competition, creating cash flow from sustained profit growth is key. Therefore, we have made the cash conversion cycle (CCC) a core financial indicator. We have set an FY 2020 target of shortening the CCC by 10 days through measures such as a more sophisticated balance between appropriate inventory and production and sales based on supply and demand forecasts, and optimization of the turnover period for accounts receivable and trade payables.

In addition, as we work to secure global sources of profit by reinforcing our core competence and creating new businesses, we will strengthen financial governance to become a truly global integrated enterprise with a shift from what is best on an individual company level to what is best for the Group overall. While proactively investing in regions and businesses where

growth is expected, we will establish a solid global financial structure to ensure stable business continuity. Moreover, growth at the same rate as our global competitors will require an improvement in capital efficiency to an equivalent level. By expanding group synergies from Japan to the global level, we will capture demand in growth markets while achieving cost reductions through profit structure reform, with a target ROE of 10%.

The Fuji Oil Group considers the return of profits to its shareholders to be one of its most important management tasks. Our basic policy is to distribute profits appropriately from a long-term perspective while maintaining internal reserves necessary for strengthening the management foundation and for our growth strategy. We have set a payout ratio of 30% to 40% as a target for FY 2020 and intend to maintain stable dividends.

## Basic Approach

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

To ensure the confidence of shareholders, we consider it important to conduct flexible and rational decision-making and business execution and to enhance the functions for monitoring

and supervising management. To this end, we appoint multiple outside directors and outside Audit and Supervisory Board members, and take care to ensure the independence of the Audit and Supervisory Board and the effectiveness of audits by the members.

To expedite decision-making, the Fuji Oil Group shifted its management structure to a pure holding company structure through an incorporation-type company split, and separates management from execution, thereby promoting delegation of authority to its regional headquarters, which are operating companies. Meanwhile, as the global headquarters, Fuji Oil Holdings is engaged in formulating strategies for group management and for managing group subsidiaries.

## Corporate Governance Structure

### Board of Directors

As stipulated in the rules of the Board of Directors, meetings of the Board of Directors are held once a month in principle, and extraordinary meetings are held from time to time as necessary. Matters stipulated by laws and regulations and other important matters are deliberated and resolved, and the status of the directors' execution of duties is reported.

### Management Council

Important matters relating to management are fully deliberated and overseen by the Management Council, an advisory body to the representative directors. The main members are the president and director and managing executive officers, and meetings are held once a month in principle. This has established and enhances a system that enables compliance with laws and regulations and the efficient execution of duties by contributing to the decision-making of the president and the Board of Directors.

### Nomination and Compensation Advisory Committee

In October 2015, we established the Nomination and Compensation Advisory Committee as an advisory body to the Board of Directors for transparency in the processes of officer

appointments and executive compensation decisions. The committee is composed of three members: outside director Kazuhiro Mishina, who is the current chairperson; outside director Noriko Taji; and the president. Meetings were held a total of 10 times during the 89th term (April 1, 2016 - March 31, 2017).

### ESG Committee

The ESG Committee proposes and reports on important ESG (Environment, Social, Governance) issues to the Board of Directors, and has subcommittees for Safety, Quality and Environment, Human Resources Development, Sustainable Procurement, and Risk Management and Compliance.

From FY 2017 onward, the committee plans to reflect external viewpoints to a greater extent in our ESG activities by conducting dialogue with outside experts, held with the aim of further enhancing the effectiveness of our initiatives.

### Audit and Supervisory Board

The Audit and Supervisory Board, which held 12 meetings during the 89th term, discusses and decides on audit policies and audit plans, and reports, resolves and decides on other important matters relating to auditing.

## Corporate Governance Structure (As of June 22, 2017)



## Committee Composition and Chairpersons (As of June 22, 2017)

	Total number of members	Internal directors	Independent outside directors	Audit and Supervisory Board members	Chairperson
Board of Directors	12	6	2	4 (including 2 outside members)	President
Nomination and Compensation Advisory Committee	3	1	2	—	Independent outside director
ESG Committee	3	3	—	Observer	Internal director (in charge of Corporate Governance)

## Outside Directors and Outside Audit and Supervisory Board Members

We have two outside directors and two outside Audit and Supervisory Board members.

Other than meeting the requirements for independence stipulated by the financial instruments exchange on which our company is listed, we have no special provisions regarding independence for appointing outside directors and outside Audit and Supervisory Board members. However, our basic consideration in making appointments is that there be no concerns of conflict of interest with general shareholders in fulfilling the functions and roles of objective and appropriate

supervision and auditing based on experience and expert knowledge.

Outside directors and outside Audit and Supervisory Board members make suggestions and proposals to ensure the adequacy and appropriateness of the Board of Directors' decision-making and the status of the directors' execution of duties. They attend meetings of the Board of Directors and state their opinions on deliberations and decisions on agenda items.

Outside Audit and Supervisory Board members exchange opinions at Audit and Supervisory Board meetings, and strive for mutual cooperation through methods including regular liaison meetings with internal audit personnel and accounting auditors, exchanging information and receiving reports, and sharing issues.

## Response to the Corporate Governance Code

The Fuji Oil Group's basic policy for corporate governance is to ensure highly transparent and sound management and to continue to increase shareholder value.

The Corporate Governance Code was put into effect by the Tokyo Stock Exchange on June 1, 2015. In response, we checked how we were implementing corporate governance in light of the Corporate Governance Code, and identified issues to be addressed. The Board of Directors then resolved to approve the Fuji Oil Holdings Corporate Governance Guidelines, and submitted a Corporate Governance Report in November the same year. Of the 11 items in the report submitted at that time, eight items were disclosed in compliance with the Corporate Governance Code, and the remaining three items were not disclosed, with only explanations being provided. However, during FY 2016 we were able to comply with "Principle 3.1 (v): Explanation with respect to individual appointments and nominations of director and *kansayaku* candidates" and "Supplementary Principle 4.11.3: Analysis and evaluation of the effectiveness of the board of directors as a whole." As a result, as of March 31, 2017, the remaining item for which only an explanation was provided is "Principle 1.4: Cross-Shareholdings." We explained that we are sequentially eliminating our cross-shareholdings.

As of March 31, 2017, the number of cross-held stock issues is 28, of which 14 are not mutual shareholdings but are held by our company alone. After submitting a Corporate Governance Report on November 6, 2015, we examined the rationality of the purposes in cross-shareholdings for reasons other than investment in line with the intent of the Corporate Governance Code and the Fuji Oil Holdings Corporate Governance Guidelines, giving consideration to specific business benefits such as maintaining and strengthening business partnerships and transactions and share stability, and are sequentially selling the stock issues we are able to sell. At the end of the fiscal year, the Board of Directors also reported on the stocks sold within that fiscal year and reviewed the status of cross-shareholdings, and concurrently formulated criteria for judging the rationality of continued holding. The three criteria are transaction value, dividends and net unrealized gains.

We plan to continue eliminating cross-shareholdings while judging whether to continue ownership by comprehensively taking into account specific business benefits, based on these three criteria.

We have not established a uniform standard for exercise of voting rights of cross-shareholdings, but comprehensively consider factors including whether or not a proposal can be expected to facilitate the efficient and sound management of the issuing company and improve its corporate value, in addition to whether or not the proposal conforms to our own shareholding policy.

In FY 2016, we sold our cross-shareholdings in four stocks. In the future, we plan to continue eliminating cross-shareholdings after further examination of the possibility of doing so.

For details of the Fuji Oil Holdings Corporate Governance Guidelines please visit our website.  
[http://www.fujioilholdings.com/en/ir/governance\\_pdf/governance.pdf](http://www.fujioilholdings.com/en/ir/governance_pdf/governance.pdf)

## Reasons for Non-Compliance with the Principles of the Corporate Governance Code

### Principle 1.4 Cross-Shareholdings

Our company currently holds listed shares as cross-shareholdings.

## Officer Compensation

For officers of our company, remuneration of directors is decided by resolution of the Board of Directors based on the report of the Nomination and Compensation Advisory Committee, and remuneration of Audit and Supervisory Board members is decided by discussion among the members, within the total amount of remuneration previously resolved at the General Meeting of Shareholders.

Remuneration of directors consists of fixed monthly compensation and bonuses linked to individual and corporate performance. In October 2015, we established the Nomination and Compensation Advisory Committee, consisting of the three members Kazuhiro Mishina, an outside director, as chairperson, Noriko Taji, an outside director, and the president. The committee proactively exchanges opinions with the Board of

Directors following repeated discussions of officer compensation. In setting standards for each item, annual salaries are stipulated according to position and responsibilities using survey data from external specialist organizations, and increases or decreases in bonuses are determined using business performance indicators such as consolidated ordinary profit.

Remuneration of Audit and Supervisory Board members is fixed monthly compensation only, decided by discussion among the members using survey data from external specialist organizations so that the level is commensurate to the position and responsibilities.

Outside directors and outside Audit and Supervisory Board members receive fixed compensation only.

### Total Remuneration by Officer Classification, Total Remuneration by Type and Number of Eligible Officers

Officer classification	Total remuneration (millions of yen)	Total remuneration by type (millions of yen)				Number of eligible officers (persons)
		Basic compensation	Stock options	Bonuses	Retirement bonus and amount of retirement bonus allowance carried over	
Directors (excluding outside directors)	297	260	—	37	—	8
Audit and Supervisory Board members (excluding outside Audit and Supervisory Board members)	39	39	—	—	—	3
Outside officers	35	35	—	—	—	5

Notes: 1. The above includes compensation for two directors who retired at the conclusion of the 88th Ordinary General Meeting of Shareholders.

2. The above does not include officer bonuses based on the resolution of the 88th Ordinary General Meeting of Shareholders.

3. The above includes officer bonuses for FY 2016.

4. The above total remuneration of directors does not include the portion of salary received as an employee of our company.

5. Director compensation as of the end of FY 2016 has been set at no more than a total of ¥600 million for the year by resolution of the Ordinary General Meeting of Shareholders held on June 26, 2012 (of which, outside directors shall receive no more than a total of ¥30 million for the year; including directors' bonuses but not including the portion of salary received as an employee of our company).

6. The amount of compensation for Audit and Supervisory Board members has been set at no more than a total of ¥100 million for the year by resolution of the 89th Ordinary General Meeting of Shareholders held on June 22, 2017.

## Compliance

### Group Management Philosophy and Compliance

The Fuji Oil Group complies with laws and regulations, as well as internal policies and rules, as a matter of course, and views acting with a strong sense of ethics in daily business operations as crucial to meeting the expectations and needs of society (i.e. stakeholders). This basic concept of compliance is included in

the Fuji Oil Group Management Philosophy, which was formulated when the Group shifted to a holding company structure in October 2015.

 For details of the Fuji Oil Group Management Philosophy, please visit our website.  
<http://www.fujioilholdings.com/en/constitution/index.html>

### Communication with Shareholders and Investors

We actively promote information disclosure to shareholders and investors to maintain management transparency and accountability.

To facilitate direct communication between shareholders and top-level management, we held an informal gathering of shareholders after the General Meeting of Shareholders in June 2016. We are also trying to disclose information to shareholders who cannot participate in the General Meeting of Shareholders or events in a timely and fair manner. Specifically, we are working to improve the way we outline our business activities on our website or in notices of the General Meeting of Shareholders and handouts. We disclose notices of the General Meetings of Shareholders on the Timely Disclosure network (TDnet) and our website before dispatching them. An English version of each notice is also made available on our website.

Regarding voting rights, we have adopted an electronic voting rights exercise system.

For institutional investors, we hold briefing sessions on the second-quarter and year-end settlements of accounts and conference calls on the days of the first-quarter and third-quarter earnings announcements, and the management team also proactively engages in dialogue through interviews after earnings announcements. We are also exchanging views with investors by holding small meetings under themes of high relevance to investors, such as the Mid-Term Management Plan and domestic business, with the participation of top-level management. Since 2016, we have been conducting overseas IR activities, and we are thus promoting IR both inside and outside Japan.

## Messages from Outside Directors

### I will emphasize building a foundation to accomplish the new Mid-Term Management Plan.



Kazuhiro Mishina

Professor, Graduate School of Business Administration, Kobe University

The basic route for Fuji Oil was determined from the time it shifted to a holding company structure in October 2015. However, it still lacks the strong physique necessary to realize the ideal it envisioned in this transition. The new Mid-Term Management Plan looks head-on at this inadequacy and emphasizes building a foundation to rectify it.

I endeavored to correct biases in the process of formulating the plan. At points when people in the company were apt to look inward and give precedence to an internal line of reasoning, I took the liberty of interjecting my thoughts to influence them to look to regions other than Japan. It was worthwhile, as we are finally seeing a path to raising the status of operations in the United States from a manufacturing base to a business base.

The crucial point in accomplishing the new Mid-Term Management Plan will be the extent to which we can draw forth the energy and ingenuity of our key

personnel. Toward that end, in FY 2016 I focused my efforts on the Nomination and Compensation Advisory Committee and worked out a new compensation system for internal directors and executive officers. More work remains to check conformity with the Companies Act and tax laws, so unfortunately implementation will be delayed to FY 2018, but I expect the new compensation system to support globalization within the company.

In FY 2017, we must make sure of our planning to inculcate the approach of the new compensation system among the employee organization. Also, we must take an in-depth look at the other half of the responsibilities of the Nomination and Compensation Advisory Committee, namely nominations. Even with the advent of the Trump administration, the trend toward globalization will not cease. I believe that Fuji Oil has no time for slacking off toward its immediate goal of securing its place within the global village.

### We will promote various reforms while making efforts to promote diversity.



Noriko Taji

Professor, Faculty of Business Administration and Graduate School of Business Administration, Hosei University

In FY 2016, we announced major reforms to overhaul the nomination and compensation system for management. It is natural for shareholders and other stakeholders to focus on these reforms, but we are also accelerating middle management and workplace reforms. The Fuji Oil Group is a food products enterprise that handles both B-to-B and B-to-C operations. Unless we increase diversity, we will not be able to create products that resonate with consumers mentally and physically. Diversity management deals not only with engaging women, disabled people and non-Japanese, but also with work-life balance for enjoying both work and personal life. Fuji Oil's Excellence Award from the mayor of the City of Osaka as a leading company in promoting women's empowerment was gratifying, and I have also been able to hear workplace opinions. I was surprised at the many times I was told that employees rarely quit in mid-career. In contrast to companies with dubious human resource

practices, Fuji Oil shines out brightly. The number of female employees who are raising children is on the rise, and many men also attend open-participation study meetings for women. When I saw this forum where female employees working on the front lines of development, marketing and sales spoke emphatically about where they see their careers a decade from now, I was reminded of university management. Just as universities that attract female students are the ones that will survive in a society with a declining birthrate, businesses also need appealing features that attract women as new graduates and mid-career hires. The logic that leads male university students who are looking for jobs to assume "a company that is good for women will also be good for men" holds water in business. We will also work to support middle management to spur this kind of positive feedback.

Management Team (As of June 22, 2017)

Directors



**Hiroshi Shimizu**  
President and CEO  
CEO (Chief Executive Officer)



**Hirokazu Maeda**  
Director and Managing Executive Officer  
CTO (Chief Technology Officer)  
Delicious and Healthy Foods Creation  
Corporate Governance



**Mikio Sakai**  
Director and Managing Executive Officer  
CSO (Chief Strategy Officer)  
Director of Fuji Oil Co., Ltd.



**Tomoki Matsumoto**  
Director and Managing Executive Officer  
CFO (Chief Financial Officer)  
Information Disclosure  
Risk and Compliance  
Director of Fuji Oil Co., Ltd.



**Tatsuji Omori**  
Director and Executive Officer  
COO (Chief Operations Officer)  
President of Fuji Oil Co., Ltd.



**Takehiko Sumiya**  
Director and Executive Officer  
CMO (Chief Marketing Officer)  
Head of Tokyo Branch of Fuji Oil Co., Ltd.



**Kazuhiro Mishina<sup>1</sup>**  
Outside Director  
Professor at Graduate School of Business  
Administration, Kobe University  
Independent Director of the Board of  
Nippon Paint Holdings Co., Ltd.



**Noriko Taji<sup>1</sup>**  
Outside Director  
Professor at Faculty of Business  
Administration and Graduate School of  
Business Administration, Hosei University

Audit and Supervisory Board Members



**Hiroshi Kumabe**  
Standing Audit and Supervisory Board  
Member



**Makoto Shibuya**  
Standing Audit and Supervisory Board  
Member  
Audit and Supervisory Board Member of  
Fuji Oil Co., Ltd.



**Minoru Matsumoto<sup>1</sup>**  
Outside Audit and Supervisory Board  
Member  
Head of Minoru Matsumoto CPA Office



**Kouichi Kusao<sup>1</sup>**  
Outside Audit and Supervisory Board  
Member  
Head of Kusao Law Office  
Audit & Supervisory Committee Member  
of Keihan Holdings Co., Ltd.  
Outside Audit & Supervisory Board  
Member of Daito Chemix Corporation

1. Independent Officer provided in Rule 436-2 of the Tokyo Stock Exchange Securities Listing Regulations

Executive Officers

**Takeshi Takasugi**  
Managing Executive Officer  
Business Development

**Yasuhiro Maruhashi**  
Executive Officer  
Managing Director of Fuji Oil Asia Pte. Ltd.

**Taisuke Kanemori**  
Executive Officer  
Internal Audit

**Haruyasu Kida**  
Executive Officer  
Director of Fuji Oil Co., Ltd.

**Masataka Minemura**  
Executive Officer  
Chief Executive for China  
President of Fuji Oil (China)  
Investment Co., Ltd.<sup>2</sup>

**Hiroshi Shinano**  
Executive Officer  
New Area Development

**Toshifumi Asada**  
Executive Officer  
Human Resources, Legal and General Affairs

**Hiroyuki Sano**  
Executive Officer  
Director of Fuji Oil Co., Ltd.

**Kazunobu Tsumura**  
Executive Officer  
R&D Division for Future Creation

**Takashi Kadota**  
Executive Officer  
Production Productivity Management

2. Renamed Fuji Oil (China) Investment Co., Ltd. on July 1, 2017

CSR of the Fuji Oil Group

Basic concept of CSR

The Fuji Oil Group's CSR is to continue to fulfill the mission of the Group Management Philosophy: "The Fuji Oil Group seeks to develop the potential of food ingredients. We will contribute to the happiness and well-being of the people by offering

delicious and healthy food." Recognizing that a company is a social entity, we believe that CSR entails contributing to society through our business activities and use the following three points as guidelines for our activities to promote CSR.

Three guidelines for CSR promotion

<b>1. Strategic activities</b>	Contribute to resolving social issues through businesses and products.
<b>2. Basic activities</b>	Reduce and rectify the adverse impacts on society of doing business.
<b>3. Communication with society</b>	Communicate in good faith with stakeholders.

The Fuji Oil Group has agreed to and signed the UN Global Compact.

The Fuji Oil Group signed the United Nations Global Compact in January 2013. We are contributing to improving 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 standards, the environment, and anti-corruption.



Our Commitment to Respecting Human Rights

The Fuji Oil Group has expressed the core value of "Work for people" in its Group Management Philosophy. This means that thinking from the position of people who could be affected as we conduct our business is the very spirit of respecting human rights. Our participation in the 2016 United Nations Forum on Business and Human Rights and dialogue with our stakeholders gave us the opportunity to reformulate our way of thinking about human rights, and in April 2017 we announced the Fuji Oil Group Human Rights Policy.

involved with our business activities and to identify key issues for priority handling. In the process of implementing the assessment, we gained insight not only from the involvement of related internal departments but also from Verisk Maplecroft and Caux Round Table Japan as external experts. As a result, we identified salient human rights issues that are human rights at risk of the most severe negative impact therefore to be addressed as high priority. Based on the findings, we will carry out education on human rights, promote sustainable procurement, and establish a grievance mechanism and other measures while consulting with and receiving evaluation from experts.

Human rights due diligence

The Fuji Oil Group has started to conduct human rights due diligence as a way of fulfilling its human rights responsibilities. In FY 2016, we conducted a human rights impact assessment to identify and evaluate the adverse impacts on human rights

Visit our website for more information on the Fuji Oil Group Human Rights Policy and human rights due diligence.  
[http://www.fujioilholdings.com/en/human\\_rights/index.html](http://www.fujioilholdings.com/en/human_rights/index.html)

Announcement of the Fuji Oil Group Health Management Declaration

In the Fuji Oil Group Management Philosophy, we set forth our Vision of contributing to society by offering delicious and healthy foods. Employees are the source of value creation for the Fuji Oil Group, and we believe that this Vision can be realized only if each and every employee is healthy. In January 2017, we announced the Fuji Oil Group Health Management Declaration, which states that we will proactively engage ourselves in health management. Based on this declaration, we will take actions to support our employees in sustaining and improving their health in such areas as prevention of lifestyle-related illness and mental health problems.

## Stakeholder Engagement

In promoting CSR, the Fuji Oil Group emphasizes interactive communication with stakeholders.

### Dialogue with Experts for CSR Promotion



material, are an important issue for the industry, and the experts emphasized the importance of listening to the opinions of plantation laborers for activities rooted in the locale (plantation) in our promotion of sustainable procurement. This opinion coincides with the core value of “Work for people” in the Management Philosophy, and we stated that we will work to realize co-creation of value locally.

#### Action following the dialogue with experts

To use the advice received through this dialogue in CSR promotion, since October 2016 we have incorporated social trends regarding business and human rights into our activities. Specifically, we have established the Fuji Oil Group Human Rights Policy (April 2017) and started human rights due diligence.

We will continue striving to live up to society's expectations and demands in order to realize locally (plantation)-based sustainable procurement in line with our core value of “Work for people.”



In September 2016, we engaged in a dialogue with experts to receive advice on our future CSR activities. Puvan J. Selvanathan, CEO of Bluenumber Foundation, and Thomas Thomas, CEO of ASEAN CSR Network, participated as experts in the field of sustainability with regard to conditions in the palm oil industry and Southeast Asia, where most palm oil is produced. We exchanged opinions on our CSR activities, particularly on sustainable procurement initiatives.

#### Advice on business and human rights

The experts praised our sincere stance on sustainability and provided advice on “Locally (plantation)-based sustainable procurement.” Human rights problems at plantations for palm oil, which we handle as a core raw

#### Dialogue participants

##### • Experts



**Puvan J. Selvanathan**  
CEO, Bluenumber Foundation



**Thomas Thomas**  
CEO, ASEAN CSR Network

##### • Fuji Oil Holdings Inc.

**Hiroshi Shimizu**, President and CEO  
**Tomoki Matsumoto**, Director and Managing Executive Officer, CFO  
**Hiroshi Shinano**, Executive Officer  
**Toshio Shikata**, Senior Manager, CSR and Risk Management Group  
**Haruka Yamada**, CSR and Risk Management Group

##### • Moderators: Caux Round Table Japan

**Hiroshi Ishida**, Executive Director  
**Sayaho Noda**, Director

## Global Issues and Six Priority Themes

### Global issues seen from the perspective of the Sustainable Development Goals

In September 2015, the Sustainable Development Goals (SDGs) were unanimously adopted by the 193 member states of the United Nations at the Sustainable Development Summit held at the UN Headquarters. The SDGs comprise 17 goals with 169 targets to be achieved on a global scale by 2030.

The 17 goals, which have been chosen by more than seven million representatives from a wide range of sectors constituting society, can be seen as a microcosm of global issues. To achieve the SDGs for the sake of everyone on the planet by 2030, every sector around the world must take action.

### The 17 SDGs



### Six priority themes to contribute to society through business activities

The Fuji Oil Group aims to contribute to society through business activities. After closely examining and classifying what we can do through our business activities to help achieve the SDGs, which are a microcosm of global issues, we have decided to focus on the following six priority themes. In this way, we seek to contribute to society and the resolution of global-scale issues.

#### Six priority themes

Relevant SDGs	Value that we can provide to society	Detailed information
2, 3, 9, 12, 17	<b>Creation of Foods</b> We will produce solutions to food-related issues such as a shortage of food resources and undernutrition through our business activities, using our technological capabilities for a sustainable society.	P. 26
2, 9, 12	<b>Safety, Security and Quality of Foods</b> Incidents of false labeling and food contamination threaten the security of food, which is the basis of life. We will thoroughly reinforce our systems and quality management to continue offering food products that customers and consumers can use with peace of mind.	P. 29
1, 2, 10, 12, 13, 15	<b>Sustainable Procurement</b> As a manufacturer that uses agricultural products as raw materials, we aim to procure sustainably produced raw materials in a stable, fair and equitable manner.	P. 30
6, 7, 11, 12, 13, 14, 15	<b>Environment</b> We will strive to reduce the burden on the global environment through our business activities, with our shared value of “Safety, quality, and the environment.”	P. 32
3, 4, 5, 8, 10, 16	<b>Hitozukuri (Fostering People)</b> Human resources are the source of the value we provide to a diversifying society. We promote diversity and develop the leaders of the next generation who can play an active role globally.	P. 34
9, 12, 17	<b>Risk Management</b> By building and continuously operating a global risk management system, we establish a framework that enables us to contribute to society sustainably through our business activities.	P. 35

**Basic Concept**

We look at food ingredients from their very essence. The technologies and passion that the Fuji Oil Group has cultivated since its foundation are an innovative force for trailblazing the potential of food. We wish strongly to use this force to resolve issues facing the world such as food shortages, undernutrition and the dietary lifestyle of seniors. Our mission is to continue to support consumers globally through the creation of delicious and healthy foods.

**Research Structure to Create the Future of Food**

The Fuji Oil Group's research and development themes are diverse, ranging from basic research to development of ingredients, applications and engineering. Through relentless research and development, we believe we can continuously develop new technologies and innovative new ingredients that solve various dietary challenges to create the future of food. We established the Fuji Science & Innovation Center in the summer of 2016 as a venue for generating innovations by fusing knowledge and technology from inside and outside the Fuji Oil Group. Together with the Tsukuba Research & Development Center and the Asia R&D Center, we have built a tripolar global research and development structure to accelerate the fusion of knowledge and technology.

The mission of our research and development is to use

technological innovation to create the next-generation businesses that will become the pillars of our operations, with the aim of sustainable growth. As we conduct R&D initiatives and draw up strategies to deepen and develop existing businesses and commercialize new businesses, we are also investigating research fields for the future and building a joint research framework for open innovation.

In April 2015 we changed the name of our basic research laboratory to the R&D Division for Future Creation and newly established a basic technology team in charge of innovation of production technology in the laboratory to promote technological innovation and the creation of new businesses and new markets.

**Global Research Facilities and FUJISUNNY PLAZA Locations**

(As of June 2017)



Facility	Functions
Fuji Science & Innovation Center	Undertakes the development of food ingredients in response to customer wants and needs as the focal point for fusing knowledge from inside and outside the Fuji Oil Group.
Tsukuba Research & Development Center	Conducts application development that matches customer wants and needs, and basic research that leads to enhancement of technologies and to delicious, health foods.
Asia R&D Center	Drawing on our store of know-how in ingredient development in Japan, the Asia R&D Center in Singapore pursues the development of food ingredients to meet the wants and needs of markets in Asia.
FUJISUNNY PLAZAs	Conduct joint trial manufacturing and joint development at eight locations worldwide, including Tokyo, to serve as venues for co-creation with our customers.

**TOPIC**

**The Fuji Science & Innovation Center: Integrating various measures to create research synergies at every turn**

The newly established Fuji Science & Innovation Center plays an important role as the research and development headquarters for the Fuji Oil Group.

The facility integrates various measures to serve as the focal point for fusing knowledge from inside and outside the Fuji Oil Group. For example, research space has been consolidated on a single floor so that researchers can interact. With this new approach, barriers between departments have been removed, enabling free and frank communication. Innovations from new combinations have arisen from these discussions among researchers, such as oils and fats related technology that has led to a breakthrough on a certain soybean protein issue. The facility is also accelerating the fusion of knowledge and technology in ways such as establishing a collaboration laboratory for joint R&D with researchers from overseas group companies in a co-creation space. We are also vigorously promoting co-creation with customers through such measures as virtual factory tours that provide a conceptual image of product processing and an exhibition room that helps them understand the Fuji Oil Group's businesses at a glance.



**The Creation of Food to Resolve Social Issues**

Food that is both delicious and healthy is a critical challenge in society's aim for sustainability and the Fuji Oil Group's most important initiative. As basic principles of the new Mid-Term Management Plan, our group is striving for development of business in functional high-value-added products and the growth of the soy business. These objectives are based on the

urgent health and nutrition issues facing society, and we are making efforts for the creation of food to resolve social issues.

Themes	
	Food that is both delicious and healthy
	Helping to combat shortages of food resources

**Healthy Oils and Fats**

There is demand for food ingredients that take health into account in areas such as improvement of physical functions and reduced allergens. The Fuji Oil Group creates a variety of healthy oils and fats in its pursuit of food that is both delicious and healthy for people worldwide.

**Stabilized DHA and EPA**



DHA and EPA, high quantities of which are present in fish and shellfish, are unsaturated fatty acids that are expected to have a wide range of health benefits including helping to reduce dementia risk. The Ministry of Health, Labour and Welfare's "Dietary Reference Intakes for Japanese" recommends daily intake of DHA and EPA. However, previously available DHA and EPA were markedly deteriorated by oxidation and the accompanying fishy odor made them difficult to ingest other than in capsule form. The Fuji Oil Group succeeded in developing stabilized DHA and EPA, suppressing oxidation and fishy odor using a new technology for stable admixture of anti-oxidant ingredients that were not readily soluble in oils and fats. The main raw material of our group's stabilized DHA and EPA is derived from algae, enabling stable and sustainable supply.

oil that brings out saltiness, sourness and piquancy with just a small amount of seasoning. The oil helps to reduce sodium in processed foods, for which low sodium is desirable from the viewpoint of preventing lifestyle-related diseases, and expectations are high for food service applications in hospitals and facilities for the elderly as a cooking oil for sodium reduction.

**Products with low trans or non-trans fatty acid content**



Excessive intake of trans fatty acids is said to increase the risk of heart disease. In June 2015, the Food and Drug Administration (FDA) of the United States announced its decision to prohibit the use of partially hydrogenated oils, which contain a large quantity of trans fatty acids, in three years' time, and there have been moves by food manufacturers worldwide to reevaluate trans fatty acids. The Fuji Oil Group uses proprietary technologies such as interesterification that do not generate trans fatty acids during manufacturing and has commercialized low trans and non-trans fatty acid products for chocolate and margarine to provide delicious and healthy ingredients.

**Flavor-enhancing oil**



Using our Dispersion Technology of Refractory (DTR) manufacturing method, we developed a flavor-enhancing

### Soy Renaissance\*

Due to the rising global population, a shortage of animal protein sources is expected within decades. The Fuji Oil Group considers soybeans to be a major protein source for the health of people and the planet, and has been pursuing their potential for 60 years. As part of the medium-to-long-term strategy, our group also advocates a Soy Renaissance to take a fresh look at the intrinsic value of soybeans and offer it to society.

#### Soy milk cream and low-fat soymilk products

Using the Ultra Soy Separation (USS) manufacturing method, the world's first soybean separation and fractionation technology, we succeeded in separating soybeans into soymilk cream and low-fat soymilk in a manner similar to the separation method for raw milk. Soymilk cream has a full-bodied richness similar to fresh cream that is ideal for prepared and processed products, and is characterized by a refreshing aftertaste. Because it brings out the flavor of other ingredients and soup stock, it is suitable for use in Japanese cuisine. Low-fat soymilk contains many free amino acids that are components of umami, and we offer a lineup with a wide range of derivative products that include whipping cream and dressings. With these products, we are expanding the potential of soybeans as a food ingredient.



Tiramisu (a tofu-based dessert similar to tiramisu that uses a cheese-like soymilk ingredient)

#### Soy meat (textured soy protein)

"Soy meat" is a product made by applying heat and pressure to induce the creation of fiber in defatted soybeans, with a texture similar to meat. By leveraging our proprietary technologies, we can produce soy meat with textures like those of chicken or beef to suit the application. Applications, which have mainly been for hamburgers and seafood-paste products, are diversifying and demand is increasing with the positive response to soy meat's advanced functional characteristics, including its ability to remain juicy without hardening even when chilled. We plan to provide soy meat extensively worldwide, including for dietary demographics such as vegetarians, as a food ingredient that offers both deliciousness and functionality not available from meat.

#### Cheese-like soymilk ingredients

In response to a trend toward vegetarianism and health-consciousness, we created soybean ingredients with a cheese-like flavor (fermented soymilk foods). Adding

\* **Soy Renaissance** Expanding the potential of soybeans in a range of dietary contexts by looking at them from all angles to provide delicious soy ingredients and foods. The name "Renaissance" means going back to the origins of soybeans to create new value from them.

lactobacillus we developed jointly with a European lactobacillus manufacturer to low-fat soymilk made with the USS manufacturing method resulted in a robust, rich flavor. In addition to cream cheese-type "Mame-mage," in FY 2016 we launched mascarpone cheese-type "Mame-mage mou" and semi-hard-type "Mame-mage Block." "Mame-mage mou" is used for soy tiramisu desserts. "Mame-mage Block" has been covered on television, and has gained a solid reputation at restaurants and other customers as a breakthrough new ingredient that can be cut and shredded.

#### Nutrition education project

Since FY 2014, the Fuji Oil Group has been conducting a nutrition education project in cooperation with the NPO After School, to convey the importance of food and the power of soybeans to children, who will lead the next generation. In FY 2016, we provided a total of 22 classes to teach 655 elementary school students about the power of soybeans to improve people's health and save the world from food resource shortages, with two types of programs: soybean snacks (soymilk pudding) and a soybean workshop.

#### The Fuji Foundation for Protein Research

In 1979, we inaugurated the Research Committee of Soy Protein Nutrition to support the promotion of academic studies on soybean protein. Based on its activities over 18 years, we established the Fuji Foundation for Protein Research, operating under the jurisdiction of the former Ministry of Education, Science and Culture, in 1997. In 2012, it transitioned to being a public-interest foundation under the jurisdiction of the Cabinet Office, and has been carrying on and expanding operations. Aiming to stimulate wider academic research as well as popularization and use of soy protein, the foundation provides grants for a wide range of public research on topics including clinical research, nutrition, metabolism, food science, breeding and food culture, and announces the results in addition to holding public lectures and other events. The cumulative number of grants has exceeded 1,000 over the past 38 years. Soy protein food tasting meetings held in tandem with lectures for the general public have also been well received.

### Basic Concept

The Fuji Oil Group works to create products that customers and consumers can use with peace of mind, based on the four provisions of its Basic Policy of Quality: (1) We work in full compliance with laws & regulations and the spirit thereof, and strive to enhance product safety and reliability; (2) We develop creative products, and propose them to customers in a timely manner; (3) We strive to enhance customer satisfaction; and (4) We communicate precisely and cordially, and strive to solve problems.

### Quality Management System and Intra-Group Cooperation

#### Quality management system

We have applied the Fuji Oil Group Basic Policy of Safety, Quality and Environment to our business activities by using it as the basis for formulating the Quality Policy within the scope of ISO 9001 and the Quality Guidelines, which should be followed in implementing the Quality Policy. In addition, we have established the Fuji Oil Group Production Management Regulations and based on these regulations we have begun monitoring the management status of each group company (safety, quality and environmental audits). We also assemble the persons in charge from each group company to hold a Meeting of Safety, Quality & Environment in each region to share initiatives.

 Visit our website for information on safety, quality and environmental audits and the Meeting of Safety, Quality & Environment.  
<http://www.fujioilholdings.com/en/approach/environment.html>

#### Employee education

The Fuji Oil Group provides education to employees to raise their awareness of quality. Fuji Oil Co., Ltd. supports activities at each plant conducted in accordance with action guidelines and holds lectures on hygiene and other matters. A total of 120 people attended these lectures in FY 2016. In addition, every November we participate in Quality Month, which is organized by the Quality Month Committee. During Quality Month, based on a defined theme we conduct various activities to raise awareness of quality among our employees.

We also provide overseas group companies with ongoing technical guidance on newly introduced analytical equipment to improve the overall quality management level of our group. We will continue to promote technological exchange among group companies to spread Japan's analytical techniques overseas, in order to provide safer and more reliable products to customers around the world.

### Acquisition of International Quality Management Certifications

The Fuji Oil Group has been actively promoting the acquisition of international quality management certifications to meet our customers' demands. In recent years there has been a growing awareness of the need for prevention of foreign matter contamination. Accordingly, to improve our food safety level,

since FY 2012 we have checked the quality inspections of each group company – both in and outside Japan – to confirm the degree to which they meet the Global Food Safety Initiative (GFSI)\* recognized standards.

#### Acquisition status of major quality management certifications

Major certifications	Progress made during FY 2016	Acquisition status as of the end of FY 2016
HACCP or ISO 22000 certification	<ul style="list-style-type: none"> <li>Protein Foods Tsukuba Plant of Fuji Oil Co., Ltd. newly obtained ISO 22000 certification.</li> <li>Acquired GCB Specialty Chocolates Sdn. Bhd. (Malaysia), which has obtained ISO 22000 certification, as a subsidiary.</li> </ul>	Outside Japan: 15 group companies In Japan: 3 plants of Fuji Oil Co., Ltd. Omu Milk Products Co., Ltd. (The Ministry of Health, Labour and Welfare version)
ISO 9001 certification	<ul style="list-style-type: none"> <li>Acquired GCB Specialty Chocolates Sdn. Bhd. (Malaysia), which has obtained ISO 9001 certification, as a subsidiary.</li> </ul>	Outside Japan: 12 group companies In Japan: 5 group companies
GFSI-recognized certification (FSSC)	<ul style="list-style-type: none"> <li>Protein Foods Tsukuba Plant of Fuji Oil Co., Ltd. newly obtained FSSC 22000 certification.</li> <li>Harald Indústria e Comércio de Alimentos S.A. (Brazil) newly obtained FSSC 22000 certification.</li> <li>Freyabadi (Thailand) Co., Ltd. newly obtained FSSC 22000 certification.</li> </ul>	Outside Japan: 8 group companies In Japan: 3 plants of Fuji Oil Co., Ltd.

\* **GFSI** A nonprofit organization established in 2000. In order to ensure and improve food safety worldwide, GFSI harmonizes international food safety standards by establishing and publishing a set of criteria and recognizing prominent food safety management system standards around the world that fulfill these criteria.

### Conformity to Religious Dietary Rules: Acquisition of Halal and Kosher Certifications

The Fuji Oil Group creates value that embraces regional dietary cultures. We promote the acquisition of halal and kosher certifications that verify the conformity of our use of raw materials and production processes to Islamic and Jewish dietary rules, respectively. These certifications are now supported not only by believers in Islam and Judaism, but also by health- and

food safety-conscious consumers, as the healthy, reliable and safe images of halal- and kosher-certified foods have taken root around the world. We will continue our efforts to establish systems that enable us to provide safe, healthy and delicious food products to people of all cultures and values.

## Basic Concept

To fulfill our responsibilities in supplying products, we believe it is important to procure high-quality and safe raw materials in a stable and sustainable manner. In addition, social issues related to the environment and human rights may arise at production sites for crops such as palm oil and cacao, which are key raw materials for the Fuji Oil Group. We promote environmentally, socially and economically sustainable procurement as we continue to develop sustainably together with society.

## Palm Oil

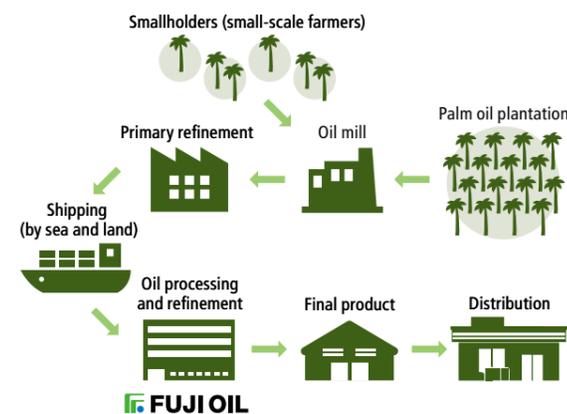
### Our stance: The Responsible Palm Oil Sourcing Policy

#### Palm oil and the Fuji Oil Group

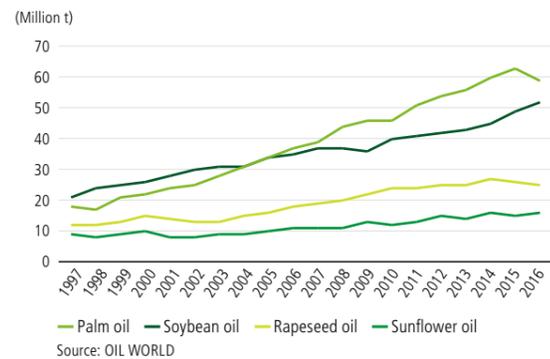
Palm oil is oil extracted from the fruit of the oil palm, which grows in tropical regions such as Southeast Asia. Palm oil is easier to process and cheaper than other vegetable oils. For this reason, palm oil is used in a wide range of applications from foods to chemical products. Palm oil has the largest production volume among oil materials in the world. However, as the scale of the market continues to expand, there are concerns about environmental problems caused by plantation development and human rights issues such as child labor and forced labor in areas where palm oil plantations are located.

Palm oil is a key raw material for the Fuji Oil Group, which has historically pioneered a new food culture by pursuing palm oil's potential. We consider aiming for sustainable procurement of palm oil to be our responsibility to society.

#### The palm oil supply chain and the position of the Fuji Oil Group



#### Changes in production volume of major oils



#### Responsible Palm Oil Sourcing Policy

In March 2016, we formulated and announced our Responsible Palm Oil Sourcing Policy as the stance for the entire Group. In this policy, we commit ourselves to procuring palm oil produced in a responsible manner from suppliers who respect people and the global environment. We strive to conduct procurement in line with this policy, in cooperation with our stakeholders. We will continue to promote responsible palm oil procurement to ensure that palm oil is accepted around the world as a sustainable raw material.

Visit our website for information on the Responsible Palm Oil Sourcing Policy.  
<http://www.fujioilholdings.com/en/news/pdf/160310.pdf>

#### Membership in RSPO and use of certified oil

Since 2004, Fuji Oil Group has been a member of RSPO\* and has used RSPO-certified oil.

Demand for RSPO-certified oil is increasing, mainly in Europe and the United States. In 2016, the sales volume of our group's products that use RSPO-certified oil increased to approximately 110,000 tons. To promote the use of RSPO-certified oil, we are proactively implementing various measures including the installation of additional tanks in Europe and supply chain improvements at group companies.

We also participated as a sponsor and executive committee



member of RSPO Japan Day, held in September 2016. At this official RSPO event, representatives of Japanese industries held discussions on social and environmental issues related to palm oil. We announced the issues faced by smallholders (small-scale farmers) and our support activities, widely disseminating information to our Japanese stakeholders.

#### \* RSPO

RSPO stands for Roundtable on Sustainable Palm Oil. RSPO is a non-profit organization that brings together palm oil producers, processors and traders, consumer goods manufacturers, retailers, banks and investors, and environmental, social and developmental non-governmental organizations (NGOs) to develop and implement a global standard for sustainable palm oil.

#### Measures to improve traceability\*

In implementing our Responsible Palm Oil Sourcing Policy, we consider it important to improve the traceability of palm oil purchased and used by the Fuji Oil Group, and to ensure that our suppliers understand the Sourcing Policy. In July 2016, our group became a member of Tropical Forest Trust (TFT), a non-profit organization that provides support in the field of raw material sustainability. We are working with TFT and our suppliers to improve traceability and the supply chain, with an initial target of achieving full traceability from plantation to palm oil mill by 2020.

#### Activities to improve the supply chain

In October 2016, we started supply chain improvement activities at group company Palmaju Edible Oil Sdn. Bhd. (Malaysia). First, we shared our Sourcing Policy with the company's suppliers (oil mills). Next, together with one of the suppliers, we conducted on-site inspections of the dealers and plantations related to its oil mill to assess their compliance with the Sourcing Policy. We will provide feedback on the assessment results to the relevant supplier to improve or correct issues. We will also share the results with suppliers outside the scope of the assessment, using case studies to enable improvements and corrections to their operations.

#### \* Traceability

The act of and framework for making apparent (i.e. traceable) the production history and distribution routes of food products to ensure their safety.

#### Activities to support smallholders in Borneo, Malaysia

Inefficient palm plantation operation by some smallholders has been identified as one of the factors causing environmental and human rights problems. To help these farmers gain expertise in environmentally, socially and economically sustainable plantation management, in January 2016 the Fuji Oil Group participated in the smallholders support project called the Wild Asia Group Scheme (WAGS), which has been implemented by Wild Asia (an NGO) and our supplier. This project has provided educational support for four years with

the aim of improving the productivity and working environment of some smallholders in the supply chain of our group.

In November 2016, our employees visited smallholders that had received our support and confirmed that the support, including RSPO audits, was of value to them. We will continue our support and emphasize on-site dialogue.



With smallholders supported by our group and the supervisor from Wild Asia

A community bulletin board at a supported plantation shares information on support plans and their progress, and on RSPO.

#### VOICE

#### Comments from smallholders supported by our group

"Since joining WAGS, there have been many benefits. I have reduced my use of pesticides and fertilizers. I have had a small increase in profits."

Azmey bin Sakong, farm owner

#### VOICE

#### Comment from Wild Asia

#### Aiming for strong bonds through direct support for smallholders

It is exciting that Fuji Oil Group has been a supporter of this project. Wild Asia has been wanting to create meaningful relationships between smallholders and the users of palm oil, and we see this as a very important step.

Furthermore, this partnership, which links many important partners together in the palm oil supply chain, provides a direct and more targeted approach to support smallholders in palm oil regions. This support has enabled us to provide better education on good farming practices, helped create stronger market links and built a better relationship between the producers and their buyers.

This we feel embodies the spirit of the United Nations Sustainable Development Goal "Partnerships for the Goals."

Dr. Reza Azmi

Executive Director and Founder, Wild Asia

Visit our website for information on sustainable procurement of cacao, soybeans, shea nuts and other raw materials.  
<http://www.fujioilholdings.com/en/approach/sustainable.html>

## Basic Concept

Giving utmost consideration to the global environment not only leads to reduced costs and the creation of economic value, but is also the very essence of our social responsibility to help resolve environmental issues. The Fuji Oil Group has established and carries out four items as its Basic Policy of Environmental Integrity: (1) We strive to continuously improve our environmental protection activities; (2) We work in full compliance with the environmental laws & regulations and spirit thereof; (3) We endeavor to develop environmentally-friendly products and technologies; and (4) We make efforts to well communicate with society.

## Environmental Vision 2020

In FY 2010, the Fuji Oil Group set forth Fuji Group Environmental Vision 2020, which includes targets for reducing CO<sub>2</sub> emissions and the amounts of water usage and discharge by 20% from base year levels by the year 2020. All group companies in and outside Japan are promoting environmental activities to achieve these targets. In FY 2016, group companies in Japan reduced CO<sub>2</sub> emissions by 8.2%, the amount of water usage by 16.4% and the amount of water discharge by 16.3% from the base year. We will continue efforts to promote day-to-day energy-saving activities, and reduce the amounts of water usage and discharge.

Outside Japan, 16 group companies are included in the calculation, and CO<sub>2</sub> emissions in FY 2016 were 99.6% of the previous fiscal year. Moreover, emissions decreased by 29.7% from the base year, significantly surpassing the set target.

### Fuji Group Environmental Vision 2020

#### In Japan

Global warming prevention: 20% reduction in CO<sub>2</sub> emissions by 2020 (compared to base year\*)

Conservation of water resources: 20% reduction in the amount of water usage/discharge by 2020 (compared to base year\*)

Recycling of resources: Recycling rate of at least 99.8% by 2020

Active earth greenery and biodiversity conservation activities

\* Base year: Mean value of the period 2003 - 2005 (Tokyo Cap-and-Trade Program)

#### Outside Japan

Global warming prevention: 20% reduction in CO<sub>2</sub> emissions by 2020 (compared to base year of 2006)

## Efforts to reduce CO<sub>2</sub> emissions

In FY 2016, CO<sub>2</sub> emissions at group companies in Japan were 169,952 t-CO<sub>2</sub>, up 0.77% from the previous fiscal year. Due to a 2.8% increase in the production volume and the effects of energy-saving activities, CO<sub>2</sub> emissions per unit of production<sup>1</sup> decreased by 2.02%. Since CO<sub>2</sub> emissions per unit of production are largely affected by fluctuations in the production volume, we are raising employees' energy-saving and environmental awareness, and conducting activities that lead to improved productivity.

As for group companies outside Japan, we were able to reduce CO<sub>2</sub> emissions by implementing the following measures.

- In March 2015, Woodlands Sunny Foods (Singapore) converted its boilers from diesel to gas, and reduced CO<sub>2</sub> emissions by an absolute amount of approximately 16% (384 t-CO<sub>2</sub>/year).

**1. Unit of production** Amount of production factors such as raw materials, power and labor required to produce a fixed amount of product

- In July 2016, Shandong Longteng Fuji Foodstuffs (China) stopped using its coal boiler and started purchasing steam from outside the company. As a result, coal consumption at the company is now zero.

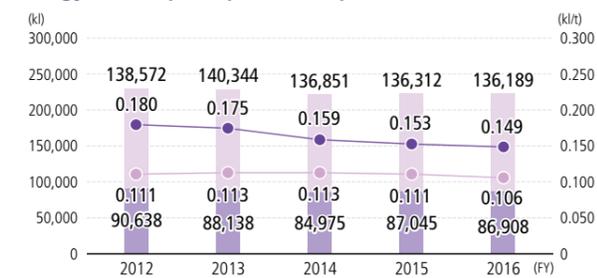
- The plant at 3F Fuji Foods (India), which began operation in July 2015, is working to reduce CO<sub>2</sub> emissions by introducing two woody biomass<sup>2</sup> boilers. Ongoing efforts to reduce CO<sub>2</sub> emissions include fuel conversion and introduction of cogeneration<sup>3</sup> equipment at group companies.



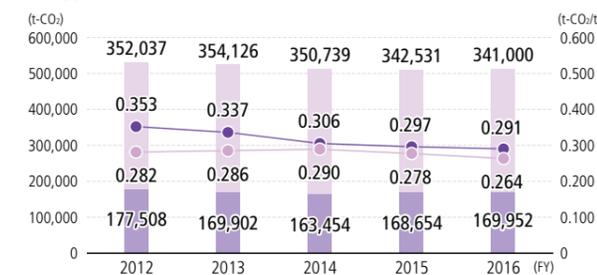
Two woody biomass boilers at 3F Fuji Foods (India)

- 2. Woody biomass** A renewable resource derived from lumber
- 3. Cogeneration** Generating multiple forms of energy, such as heat and electricity, from a single energy source

### Total energy consumption (crude oil equivalent) and energy consumption per unit of production

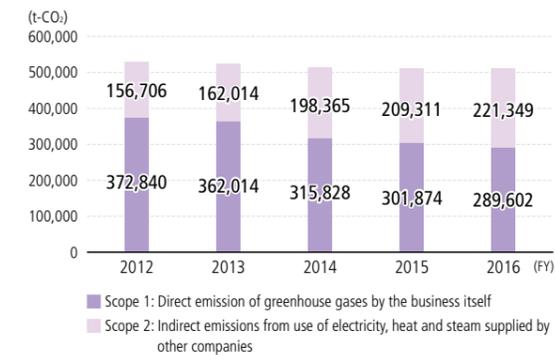


### Total energy consumption (CO<sub>2</sub> emissions equivalent) and energy consumption per unit of production



Group companies in Japan Consumption (left scale) Consumption per unit of production (right scale)  
Group companies outside Japan Consumption (left scale) Consumption per unit of production (right scale)  
Note: Based on a review of data for one site, FY 2012–FY 2015 figures for group companies in Japan have been changed.

## Greenhouse gas emissions by scope



## Energy-saving efforts

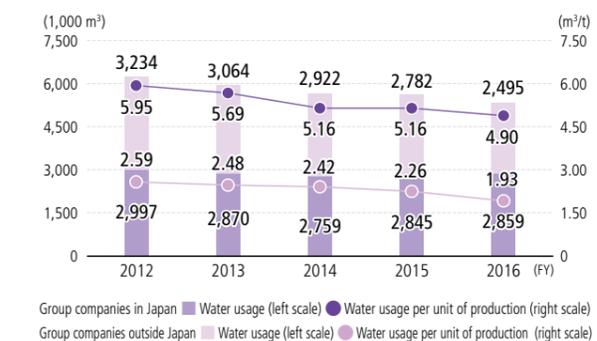
The Fuji Oil Group is working to conserve energy and reduce CO<sub>2</sub> emissions through the design and development of production facilities. Specifically, we are implementing measures to reduce our energy load such as introducing energy-efficient equipment, expanding heat recovery facilities using pinch technology, introducing solar power generation equipment and switching from mercury lamps to LED lighting.

We also strive for further improvements and energy conservation activities, raising environmental awareness among all employees by conducting cross-departmental rollouts of energy conservation case studies at all production bases and educational activities.

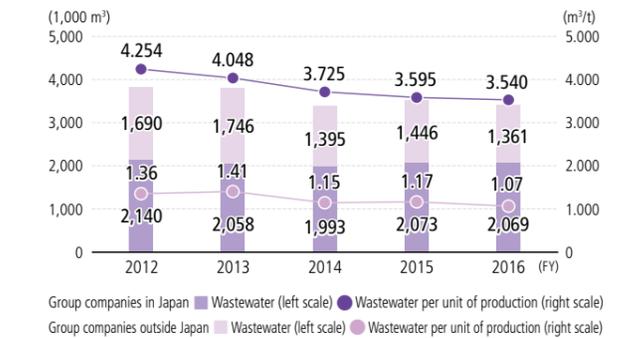
## Reduction of wastewater

Fuji Oil Group companies operating in areas at high risk of water shortage are taking measures to address this problem. The area where Fuji Oil Europe (Belgium) operates is faced with the problem of declining levels of ground water, which is the source of tap water in the area. In FY 2015, the company commenced operation of a water treatment facility for converting canal water to industrial and drinking water in cooperation with neighboring companies and water companies. Since then, the company has used treated canal water for production activities and tap water, accounting for almost 100% of total water use at the company. Fuji Oil Europe plans to improve the function of the water treatment facility in order to produce industrial water for use in wider applications.

## Annual water usage and water usage per unit of production



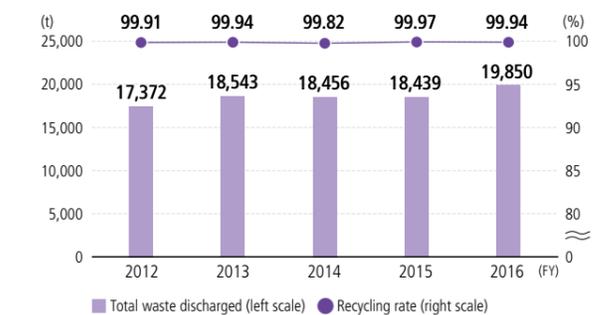
## Annual wastewater and wastewater per unit of production



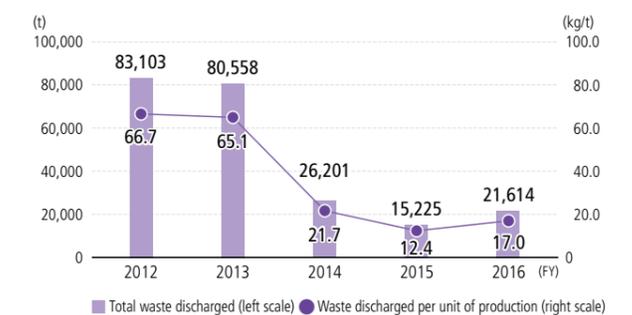
## Waste reduction

In FY 2016, the amount of waste discharged by group companies in Japan was 19,850 tons, an increase of 7.6% from the previous fiscal year. The main factor was an increase in production volume. The recycling rate remained at a high level of 99.94%. At group companies outside Japan, the amount of waste discharged increased 42.0% from the previous fiscal year. This was due to waste discharged at three companies newly added to the scope of calculations.

### Total waste discharged and recycling rate (Group companies in Japan)



### Total waste discharged and the amount of waste discharge per unit of production (Group companies outside Japan)



## Hitozukuri (Fostering People)

### Basic Concept

The Fuji Oil Group has established its Human Resources Policy based on the idea that a company and its employees support each other's growth. In line with this policy, we strive to create a workplace that allows highly motivated employees to play an active role in the Fuji Oil Group's global operations and display their abilities to the fullest. This will lead to improvement in the quality of our products and services and the growth of our company. Our aim is to remain a corporate group that is trusted by society.

### Diversity

#### Building a foundation for diversity through the Global Human Resources Meeting

Building a global network of human resource functions is key to reinforcing the foundation of global management and promoting diversity. In 2016, we held our first Global Human Resources Meeting, the objectives of which included the sharing and discussion of our approach to personnel strategy as led by the holding company and local personnel issues, in addition to the understanding and penetration of the Fuji Oil Group Management Philosophy. As a result, participants were able to build networks and deepen their understanding of overall group strategy. These networks and the understanding gained are being put to use in planning and executing human resource development measures at each company.

to stay up to date with social changes, and the sensibilities of women are indispensable for that purpose. We are focusing on supporting the active participation of our female employees so they can fully demonstrate their abilities.

As of April 2017, the ratio of women in managerial positions in Fuji Oil Co., Ltd. is 5.3%, and we are striving to provide and cultivate opportunities with a target of over 20% by FY 2020. Furthermore, Hiroshi Shimizu, President and CEO of Fuji Oil Holdings, endorsed the "Declaration on Action by a Group of Male Leaders Who Will Create a Society in Which Women Shine" (logo shown to right). We will accelerate our activities to encourage active roles for women in the workplace.



**WEB** Visit our website for information on the promotion of non-regular employees to regular employees, support for the active participation of older workers, strategic employment of foreign nationals, support for the active participation of people with disabilities, and reform of ways of working.  
<http://www.fujioilholdings.com/en/approach/human.html>

#### Support for the active participation of women

To continue to contribute to society through business activities as a food manufacturer, it is important for the Fuji Oil Group

### TOPIC

#### Career development support for young female employees

Fuji Oil Co., Ltd. considers career development at an early stage to be crucial for women in planning out their careers. Therefore, we hold seminars for female employees in their twenties, during their second through seventh years with the company, to think about career development. Twenty-one women attended the seminar in FY 2016, which featured as the speaker Noriko Taji, outside director of Fuji Oil Holdings and university professor who lectures on careers. In addition to highlighting important points for career development and case studies from outside our group, she also introduced role models from inside our group.



Career development seminar

### Cultivating the Next Generation of Human Resources

#### Leadership development training

To strengthen the pool of assistant managers and future managers, Fuji Oil Co., Ltd. established leadership development training in FY 2016, and 67 people took the course in its first year. Through this training, attendees came to recognize the approaches a leader should take and to objectively understand their own current situation and issues. Supervisors are closely involved, giving post-training feedback interviews, creating on-the-job training plans and conducting other measures, which leads to steady growth. In addition, the detailed understanding of the potential of our human resources that we gain will be useful in future talent management, such as for dispatching the right person to the right job and long-term career development.

#### Training global human resources

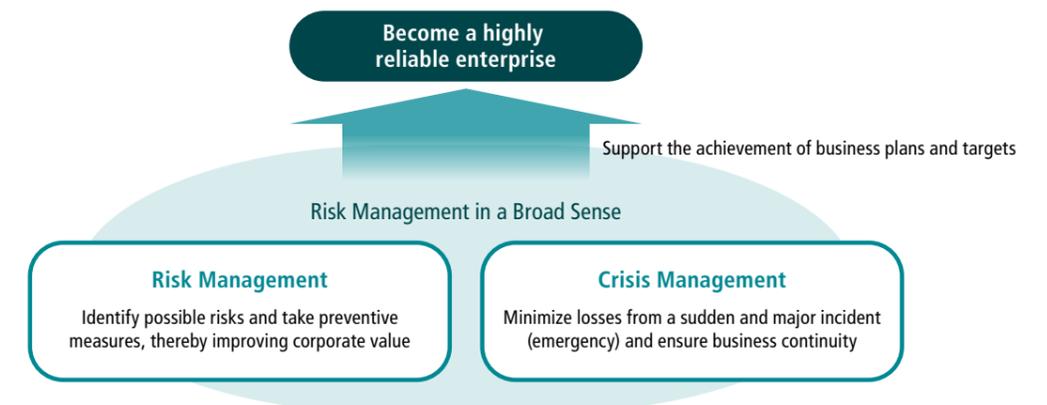
To cultivate global human resources who can perform consistently, whether in Japan or overseas, Fuji Oil Co., Ltd. has been conducting global human resource training as a new initiative since FY 2016. Over a period of about six months, the program provides training in areas including language skills (English), global communication, MBA knowledge and leadership skills, and conducts presentations for executives. Twelve people attended training in FY 2016. Two assumed overseas posts in FY 2017, and they are demonstrating their skills and abilities locally. Linkage with career path training will lead to cultivation of global executives.

## Risk Management

### Basic Concept

The Fuji Oil Group considers risk management to be indispensable for business continuity, conforming to laws and responding to demands from society, including its shareholders and investors. By promoting risk management, we aim to become a highly reliable enterprise that earns the trust of society.

#### Positioning of risk management in the Fuji Oil Group



### The Fuji Oil Group's Risk Management System

Our group has been working to establish a global risk management system appropriate for the holding company structure to which we shifted in October 2015.

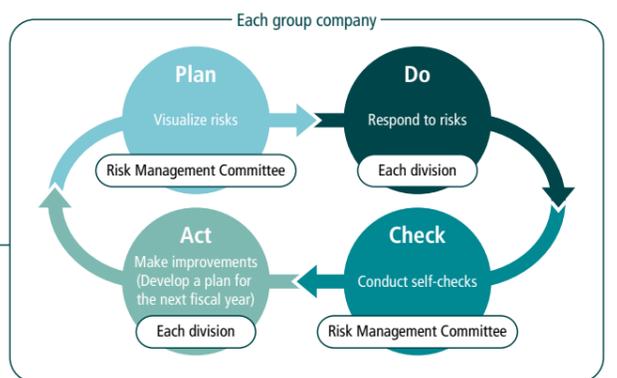
Specifically, we have defined the respective roles of the holding company, regional headquarters/regional representative and each group company, and established a Risk Management Committee at each company. Each Risk Management Committee plays a leading role in implementing the PDCA cycle: Plan (identify all possible risks and select major risks) → Do (implement countermeasures) → Check (conduct checks) → Act (take action for improvement toward the next fiscal year). We are promoting risk management through close collaboration among the holding company, regional headquarters/regional representative and each group company.

In the event of an emergency, an Emergency Headquarters will be established within the Risk Management Committee, which promotes risk management activities in ordinary times, so that the entire Group can respond to an emergency quickly and appropriately.

#### The Fuji Oil Group's risk management



#### PDCA cycle for risk management



#### Risk management

Prevent the occurrence of risks related to corporate management and minimize losses and impact when risks occur, to achieve the business plans and targets.

## Third-Party Opinion

Over the past few years, the adoption of international frameworks and domestic policies to promote sustainable corporate management, the acceleration of investment taking into account environment, social and governance (ESG) criteria, and other trends have occurred at a dizzying rate. Despite concerns about growing unilateralism, exemplified by the United States' withdrawal from the Paris Agreement, the general view remains that the disclosure of non-financial information and sustainable management will continue to increase in importance.

In autumn 2015, Fuji Oil shifted to a holding company structure, and has been working to expand global management in tandem with the enhancement of sustainability management. In 2017, the Group formulated a new Mid-Term Management Plan for the period to 2020 in order to realize "How we want to be in 2030." The Group's transition from its former product-out to a solution-oriented model overlaps with the shift from an "inside-out" to an "outside-in" approach to the Sustainable Development Goals (SDGs) set forth by the United Nations for 2030.

In his message, President and CEO Hiroshi Shimizu states that the key to creating the culture of change essential for achieving sustainable growth is "CSR and diversity." As with making "Work for people" one of the values in the Fuji Oil Group Management Philosophy, the Group communicates a strong commitment to ensuring respect for human rights both inside and outside the Group, and I rate the concrete measures that the Group is taking very highly. Ensuring human rights for all and gender equality are core issues that are intertwined with achieving the SDGs.

For my third-party evaluation, I would like to mention the following three specific points related to initiatives for human rights. First is the establishment of the Fuji Oil Group Human Rights Policy and its announcement in April 2017. I would like to commend the Group for declaring its intention to fulfill its responsibility to respect human rights based on this policy, which further advances its efforts to date. In particular, the policy emphasizes respect for the human rights of people potentially affected by the Group's business activities, and makes it clear that the scope of "people" in the Fuji Oil Group's value of "Work for people" does not stop at employees and immediate business partners, but reaches out to include a wide range of humanity.

Second, I would also like to applaud the Group for conducting human rights due diligence under its Human Rights Policy, based on the Guiding Principles on Business

and Human Rights adopted by the United Nations Human Rights Council in 2011. Human rights due diligence is a linked process of going through the PDCA cycle of (1) identifying, analyzing and assessing negative impacts on human rights, (2) taking corrective actions as appropriate, (3) conducting ongoing follow-ups and evaluations, and (4) sharing information, all based on a corporate human rights policy. Fuji Oil has already conducted the human rights impact assessment of step (1), inviting external experts as well as the related internal departments, and will disclose information on the results on a continuing basis. I believe this open process will serve as a model for other companies. The Government of Japan has announced that it will formulate a national action plan for implementing the Guiding Principles on Business and Human Rights, and I expect Fuji Oil's efforts to offer substantial pointers in drawing up the plan.

The third point is the announcement of the Fuji Oil Group Health Management Declaration. I think this announcement is of great significance because it asserts both internally and externally that the Group can only realize its Vision to contribute to society by creating the future of delicious and healthy foods if each and every employee of the Fuji Oil Group is healthy.

In closing, I would like to briefly mention measures for sustainable palm oil. Fuji Oil prepared its Responsible Palm Oil Sourcing Policy in March 2016 and is at the stage of implementing measures in cooperation with an environmental NGO to achieve 100% traceability to the oil mill by 2020. Concerns about palm oil, which has been called an "invisible oil," are growing in Japan, including among institutional investors. I would like Fuji Oil, as a company that is earnestly working for sustainable palm oil, to be a driving force for other companies and to focus on efforts such as spurring society's interest and influencing consumers.



**Kaori Kuroda**

Executive Director, CSO Network Japan  
Area of expertise: Participation in and development of communities

## Company Profile (As of March 31, 2017)

### Company name

FUJI OIL HOLDINGS INC.

### Headquarters

Daibiru Honkan Building, 3-6-32, Nakanoshima, Kita-ku, Osaka 530-0005, Japan

(Registered location of headquarters: 1 Sumiyoshi-cho, Izumisano-shi, Osaka)

### Established

October 9, 1950

### Capitalization

¥13,208 million

### Representative

President and CEO Hiroshi Shimizu

### Number of employees (consolidated)

5,056

(As of March 31, 2017 for domestic group companies)

(As of December 31, 2016 for overseas group companies)

### Subsidiaries and affiliates

27 consolidated subsidiaries

3 non-consolidated subsidiaries or affiliates accounted for by the equity method

### Share information

Total shares authorized 357,324,000

Number of shares outstanding 87,569,383

Number of shareholders 17,755

### Major Shareholders (Top 10)

Shareholder name	Number of shares held (in thousands)	Ratio of shareholding (%)
Itochu Food Investment, Llc	21,949	25.54
Japan Trustee Services Bank, Ltd. (Trust account)	4,555	5.30
The Master Trust Bank of Japan, Ltd. (Trust account)	4,530	5.27
National Mutual Insurance Federation of Agricultural Cooperatives	2,639	3.07
Sumitomo Mitsui Banking Corporation	1,875	2.18
The Norinchukin Bank	1,825	2.12
Japan Trustee Services Bank, Ltd. (Trust account 9)	1,756	2.04
Japan Trustee Service Bank, Ltd. (Sumitomo Mitsui Trust Bank Retirement benefits account)	1,739	2.02
Nippon Life Insurance Company	1,600	1.86
Fuji Oil Partner Shareholding Association	1,419	1.65

The capital investment ratio is calculated excluding the treasury shares (1,610,000 shares).

### Major Group Companies (As of July 1, 2017)

■ Oils and fats ■ Confectionery and bakery ingredients ■ Soy protein

#### Japan

Fuji Oil Holdings Inc. Management Of Group Strategy And Business Operation

Fuji Oil Co., Ltd. Regional Headquarters/Development/Production/Marketing ■■■

Toraku Foods Co., Ltd. Development/Production/Marketing ■■

Fuji Fresh Foods Co., Ltd. Development/Production/Marketing ■

Fuji Sunny Foods Co., Ltd. Marketing ■■■

Omu Milk Products Co., Ltd. Development/Production/Marketing ■■

Hannan Tank Terminal Co., Ltd. Storage And Delivery ■

Chiba Vegoil Tank Terminal Co., Ltd. Storage And Delivery ■

Daizu The Origin Co., Ltd. Development/Production/Marketing ■

#### China

Fuji Oil (China) Investment Co., Ltd. Regional Headquarters

Fuji Oil (Zhang Jia Gang) Co., Ltd. Development/Production/Marketing ■■

Jilin Fuji Protein Co., Ltd. Production ■

Fuji Oil (Beijing) Technology Trading Co., Ltd. Marketing ■

Shandong Longteng Fuji Foodstuffs Co., Ltd. Development/Production/Marketing ■■

Tianjin Fuji Protein Co., Ltd. Production ■

Shanghai Xuyang Food Co., Ltd. Production/Marketing ■

#### Asia

**Singapore** Fuji Oil Asia Pte. Ltd. Regional Headquarters/Development/Marketing ■■■

Fuji Oil (Singapore) Pte. Ltd. Production ■

Woodlands Sunny Foods Pte. Ltd. Production ■

**Malaysia** Palmaju Edible Oil Sdn. Bhd. Production ■

GCB Specialty Chocolates Sdn. Bhd. Development/Production/Marketing ■■

**Thailand** Fuji Oil (Thailand) Co., Ltd. Development/Production/Marketing ■■

Freyabadi (Thailand) Co., Ltd. Production/Marketing ■

**Philippines** Fuji Oil Philippines, Inc. Marketing ■■

**Indonesia** Pt. Freyabadi Indotama Development/Production/Marketing ■■

Pt. Musim Mas-Fuji Production/Marketing ■■

**India** 3F Fuji Foods Private Limited Development/Production/Marketing ■

#### Europe (& Africa)

**Belgium** Fuji Oil Europe Regional Representative/Development/Production/Marketing ■■

**Ghana** International Oils & Fats Ltd. Production ■

#### Americas

**U.S.A.** Fuji Specialties, Inc. Regional Headquarters

Fuji Vegetable Oil, Inc. Production/Marketing ■

**Brazil** Harald Indústria e Comércio de Alimentos S.A.

Development/Production/Marketing ■■



Contact information

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**Fuji Oil Holdings Inc.**

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