FUJI OIL

Integrated Report 2018

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.

Our shift to tropical oils, our pursuit of soy protein material… The growth of the Fuji Oil Group has contributed greatly to the pursuit of possibilities for food ingredients. Amid global population growth, it is clear that the world will face a shortage of animal protein. It would be impossible for the Fuji Oil Group alone to proposer in an impoverished world. We cannot further explore plant oils and soy protein materials, or discover new ingredients to succeed these materials, without the efforts of employees and without creativity, mental fortitude, and perseverance, as well as the will to be conscientious and energetic. We will take up the challenge of transformation so that the Fuji Oil Group can continue to be needed by society, 50 and even 100 years into the future. We believe that our mission – that of pursuing, realizing, and deepening the possibilities for food ingredients in order to contribute to the joy of food and health – will itself lead to contribution to society and to the world.

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.

Message from the CEO

H. Shimizu

Hiroshi Shimizu
President and CEO
Fuji Oil Holdings Inc.

Plant-Based Food Solutions — We will lead the way to the future with solutions to global issues using delicious and healthy food.

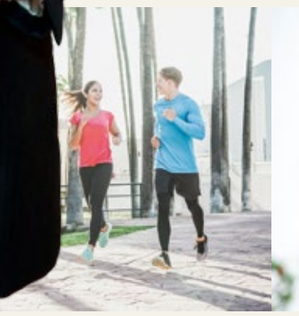
Our Reason for Being

When asked where the value of a corporation lies, I answer "in contributing to society by resolving the issues people face." Since corporations have a presence in society, you could say that it is only natural that they should contribute to society. Continuing to make a profit is necessary to carry on and to make a social contribution. That profit is the payment for making a meaningful contribution to society, and a corporation's value is the sum total of its social contributions. Put another way, it is difficult for a corporation to even survive if it does not generate profit from ongoing contributions to society.

The Fuji Oil Group's reason for being is to contribute to a sustainable society as one of its members, by using plant-based food ingredients to create solutions to the issue of the health of the Earth and its people.

Since our founding in 1950, we have been keenly aware of the looming issue of shortages in food resources and health issues, and as a result we believe strongly that our business development should focus on high-quality protein. Since then, as many other companies have given up on businesses that utilize soy protein, we have continued research and development and created numerous soy-derived products using our pioneering technologies, strongly convinced that soy protein will become an important solution to food-related issues.

Back then, the term "Corporate Social Responsibility (CSR)" was not common, but the pioneers who were enthusiastic about the soy business considered their contribution to a sustainable society to be of primary importance. We have inherited their ambition along with the spirit of challenge and innovation that has driven Fuji Oil since its founding and become deeply imprinted in our DNA. Today, we conduct ESG management under the concept of "Conscientious Management." We take pride that we are at the forefront of ESG and we will promote greater awareness of that status within the Company along with the spread of ESG management.



Solutions with Value: Plant-Based Food Solutions

The Fuji Oil Group aims to create Plant-Based Food Solutions that use plant-based food ingredients to help resolve global social issues. We have traditionally used technology to pursue more advanced and higher-quality products. Now, the times demand that we offer not only the value of the products themselves, but also solutions to the issues faced by society at large. That is why we are pursuing solutions to social issues through the business of plant-based food ingredients, primarily those that use palm oil, cacao and soybean plants as their main raw material.

What, then, is our overriding solution to social issues? In the final analysis, I believe it entails people all over the world living in good health. We consider health from the following two perspectives.

(1) Health of the Earth and Its People

The first perspective is the health of the Earth and its people. Currently, population growth, rapid urbanization, climate change and shortages of resources are among the major factors affecting the future of food. According to a United Nations report issued on June 21, 2017, Earth's population is forecast to rapidly increase to 9.8 billion by 2050, resulting in serious shortages of water and animal resources. In addition, as the water and air become polluted by indiscriminate development and the planet becomes unhealthy, there is no way for human beings alone to remain healthy. Realizing anew that the health of the Earth and of its people are one and the same, we are working to provide our own unique solutions to this urgent issue. For example, it has been found that producing one kilogram of animal protein in the form of beef requires eight to ten kilograms of soybeans or other grains, in addition to a large amount of water and energy resources. In contrast, soybeans have virtually the same nutritional value as meat, and the entire amount harvested can be used as food as it is. Consequently, the environmental impact of soybeans is much less than that of meat, allowing efficient production of proteins. The Fuji Oil Group will use such plant-based food ingredients to help resolve the issue of the Earth's food resources.

(2) Deliciousness and Health

The second perspective is deliciousness and health. We believe "deliciousness" and "health" are synonymous. That is because no matter how healthy food is, people will not continue to eat it unless it is delicious, and if people are not healthy they are unable to find food delicious. In other words, deliciousness and health are two sides of the same coin. However, what people consider delicious changes with the times. For example, although soy latte has been popular in recent years, it was formerly not listed on café menus. It became accepted as a regular menu item not simply because of the healthy and non-allergenic properties of soy, but also because of an increase in the number of people who chose it based on taste. Particularly among millennials, the generation born between 1980 and the early 2000s, consciousness of health and the environment is high, and with the increase in the United States and Europe of flexitarians,[1] who eat vegetarian meals once or twice a week, the trend toward a preference for vegetarian dishes continues to grow.

Now, the times demand that we offer not only the value of the products themselves, but also solutions to the issues faced by society at large.

We intend to create value and resolve issues while addressing the changing times by providing delicious and healthy food as a solution.

I express this process as an equation: "Monozukuri" (creating products) + "Kotozukuri" (creating movements) = "Kachizukuri" (creating value).

The Earth's increasing population is becoming a problem. On the other hand, the population of Japan is projected to decrease from the current 120 million to about 90 million by 2050. With a decrease in the volume of food consumed as the country's population ages and a wide range of choices for satisfying one's hunger, the era when a company could succeed in Japan by creating delicious products alone is at an end. The age of "Marketing 4.0,"[2] in which consumers emphasize self-fulfillment, is at hand. For Fuji Oil, which supplies intermediate materials for food products, it will be essential to draw closer to consumers as a "B-to-B-for-C" (Business to Business for Customer) business. As such, telling customers imaginative "stories" of the joys of eating will become extremely important, and our products must convey their "stories" to consumers. Under these circumstances, the Fuji Oil Group aims to practice solution-oriented technology management that creates value "Kachizukuri" with a "story" through synergy between "Monozukuri" (creating products) differentiated by our technologies and "Kotozukuri" (creating movements) derived from marketing that closely reflects consumer needs.

We believe that plants possess an infinite power for good. By harnessing that power, we will create food ingredients that are delicious to taste, improve people's wellbeing, and protect the planet.

Through our plant-based solutions, we will stay ahead of our time, coming up with solutions that anticipate tomorrow's problems. We will help provide sustenance for the growing global population and Japan's declining population, support our aging societies, and meet global demands for better health.

1. A coined word combining "flexible" and "vegetarian," referring to those who still eat meat and fish, but essentially lead a vegetarian lifestyle

2. A doctrine of marketing for consumer self-actualization advanced by management expert Philip Kotler of the United States

Future Management Themes and Policies

As we respond to the major changes of the era of disruption, drastic reforms unlike any we have conducted before will be indispensable to achieve steady growth.

Society and industry are facing an unprecedented paradigm shift with the realization of Industry 4.0 (the fourth industrial revolution), as exemplified by artificial intelligence (AI) and the Internet of Things (IoT). This is the advent of an era of disruption typified by discontinuity. What was once common sense no longer applies. As we respond to the major changes of the era of disruption, drastic reforms unlike any we have conducted before will be indispensable to achieve steady growth.

Our Mid-Term Management Plan "Towards a Further Leap 2020" is an important time for building the springboard for a leap forward to achieve sustainable growth in this environment. The plan's first fiscal year, FY 2017, was the beginning of something new, representing the "introduction" of its narrative structure. In FY 2018, the year of "development," we recognize the importance of devising a method to lead us to the "turning point" and "conclusion" of the third and fourth years.

To achieve the results that will lead to the "conclusion," we plan to promote further transformation in our employees' thinking so that all are aware that solutions are what we provide and to enable them to focus on co-creation activities through "Kotozukuri" (creating movements). Through open innovation, we will pursue solutions through flexible co-creation with external partners without being tied down to Fuji Oil's unique technologies.

I believe that CSR and "Hitozukuri" (fostering people) are important tasks for management. For "Hitozukuri," diversity and work style reform are key points. Since tastes and preferences differ substantially by region, we must hire and promote human resources who will enable development with a full understanding of regional characteristics. Moreover, active participation by diverse human resources, without regard to gender or nationality, is essential for versatile and flexible thinking. We will also take further steps to promote substantive discussions on evaluating work, such as whether the work done has created value, rather than viewing work as simply the accumulated time spent on a job.

In the mid-term management plan, we formulated a strategy for "How we should be in 2020" and "How we want to be in 2030." But now, I am looking ahead to 2050 and the megatrends that will lead us there. People are likely to think of 2050 as a long time off, but it is not so far in the future. Someone who joins the Company in 2018 as a university graduate will be only 54 years old then. In 2050, will Fuji Oil have survived and grown into a leading company that resolves social issues globally? Will we have responded to possible paradigm shifts and resolved social issues with Plant-Based Food Solutions? In answering these questions, I believe that maximizing sustainability in a company's operations is a core responsibility of management. You can look forward to great things from the Fuji Oil Group.

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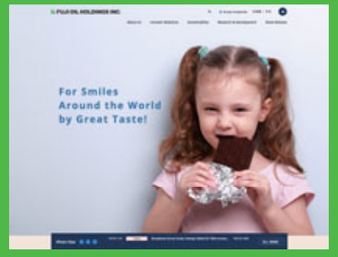
Fuji Oil Holdings Inc. Website

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



Sustainability Report 2018*

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

* The English language report will be published in September 2018

Main Contents

- CSR Management
- Solutions through the Creation of Foods
- Safety, Security and Quality of Food
- Environment
- Health Management
- "Hitozukuri" (Fostering People)
- Sustainable Procurement
- Risk Management

Editorial Policy

With this report, we have implemented integrated reporting to communicate the long-term corporate value of the Fuji Oil Group. Our aim is to gain the understanding of our stakeholders and make further progress by receiving their frank opinions. To fulfill our accountability to a broad range of stakeholders, our initiatives for contributing to society though our business are presented more comprehensively under priority themes in the "Sustainability" section of the Company's website.

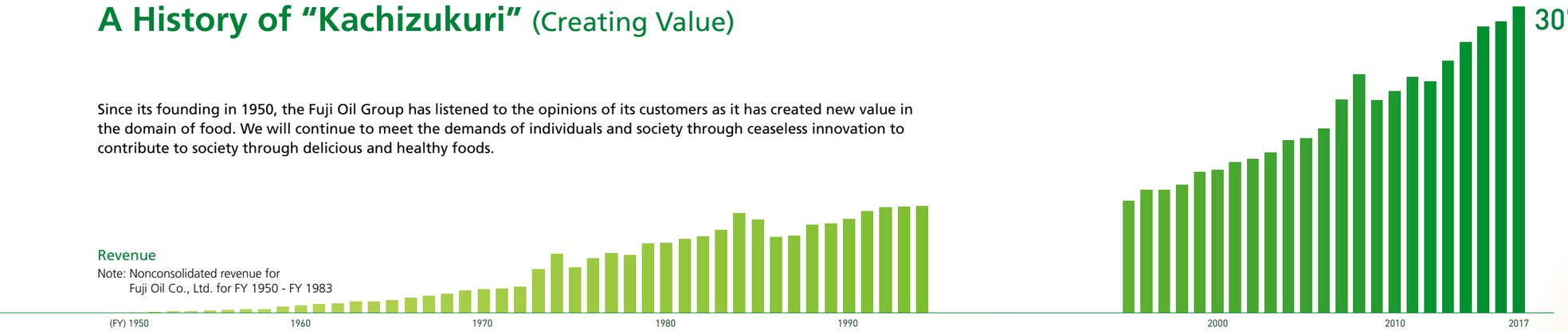
- Scope of Coverage
  Activities of the Fuji Oil Group
- Company Names
  Company names are presented as follows: Fuji Oil Holdings: FUJI OIL HOLDINGS INC. (holding company), Fuji Oil Co., Ltd.: Regional headquarters in Japan, The Fuji Oil Group/the Group: All Group companies in Japan and overseas, including Fuji Oil Holdings Inc.
- Period Covered
  FY 2017 results for FUJI OIL HOLDINGS INC. and Group companies in Japan (April 1, 2017 - March 31, 2018) and for Group companies outside Japan (January 1, 2017 - December 31, 2017). Details of some prior and more recent activities and initiatives are also included.

Disclaimer regarding Forward-Looking Statements

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

A History of "Kachizukuri" (Creating Value)

Since its founding in 1950, the Fuji Oil Group has listened to the opinions of its customers as it has created new value in the domain of food. We will continue to meet the demands of individuals and society through ceaseless innovation to contribute to society through delicious and healthy foods.



Foundation

- **Pursuit of originality**
- **Challenge and innovation**

1950

Establishment of Fuji Oil
Amid postwar reconstruction, the Company was founded as an edible oil manufacturer utilizing its experience in silkworm pupae oil. Finding it difficult to receive its allocation of oil and fat raw materials such as soybeans and rapeseed, the Company focused on solid fats from tropical regions. Based on our founding belief that imitating the successful ideas of others is no path to the future, we became the first company in Japan to successfully extract coconut oil using expeller pressing, establishing a foundation with originality in raw materials and technology.

1955

Start of Japan's First Hard Butter Production
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. As a new chocolate ingredient that is not simply a substitute for cacao butter, it helped to substantially broaden the potential of Japanese chocolate.

Dawn of an Era of Original Technologies

- **Japan's era of high economic growth**
- **Support for a changing dietary culture**

1961

Start of Use of Defatted Soy Protein
The Fuji Oil Group, which had been engaged in research and development of defatted soybeans since its foundation, launched "Fuji Takaramame," a soy protein from defatted soybeans. It is used as an ingredient in fermentation of miso as well as in tofu and deep-fried tofu, where it helps to improve the functionality and quality of the final product.

1963

Successful Development of Japan's First Coating Chocolate
We started manufacturing coating chocolate made from our original cacao bean extract for confectioneries and frozen confectioneries. This provided the opportunity to make the move from a manufacturer of chocolate ingredients into chocolate product manufacturing.

1968

World's First Sterile Filling Production for High-Fat Cream
In tandem with Japan's switch to Western lifestyles, demand for fresh cream led to the development of vegetable oil-based cream. The shelf life was much longer, providing the opportunity to popularize fresh cream nationwide.

1980

Establishment of Enzymatic Interesterification Technology
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 achieved the world's first commercial production of cocoa butter equivalent (CBE) using this technology.

Start of Sales of Japan's First Plant-Based Cheese Alternative
We were the first in Japan to successfully develop plant-based cheese, which we had been working on for many years, and launched it under the product name "Quvearl." It caught on nationwide as an ingredient suitable not just for confectioneries and bread, but also for desserts and frozen confectioneries.

1993

Development of Water Soluble Soy Polysaccharide Production Technology
Taking a closer look at the soluble fibers contained in soybean curd residue, we developed water soluble soy polysaccharide production technology using high-temperature pressurized extraction. The technology can be used in various applications for functional food ingredients.

Establishment of Overseas Bases

- **Expansion into regions around the world**

1981

Establishment of Fuji Oil (Singapore) Pte. Ltd.
We established this company as an export base for oil and fat products, mainly hard butters for chocolate.

1987

Establishment of Fuji Vegetable Oil, Inc. in the United States
With a plant for producing oils and fats, this company has earned a good reputation among major multinational food companies for its technical and proposal capabilities.

1992

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., this company has expanded sales to Western and Eastern Europe and Russia.

1994

Establishment of Jilin Fuji Protein Co., Ltd. in Jilin Province, China
This company started full-scale production and sales of soy protein isolate in anticipation of the prospects and growth potential of the Chinese market.

Rollout of a Global Solution-Oriented Business

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

2012

Development of USS, the World's First Soy Separation and Fractionation Technology
We developed and obtained a patent for the USS[1] manufacturing method, which separates soybeans into soymilk cream and low-fat soymilk in a manner similar to the separation method for raw milk. With development of soybean-derived processed products such as a cream cheese-like ingredient and whipped cream, USS is expanding the potential of soybeans.

1. USS: Ultra Soy Separation

2015

Establishment of Asia R&D Center
We opened our first overseas research and development facility in Singapore, strengthening our framework for pursuing solutions in close touch with the region and its consumers.

Addition to the Group of Harald Indústria e Comércio de Alimentos S.A. of Brazil
We acquired equity in Harald, Brazil's largest manufacturer of industrial-use chocolate. We will develop our strategy for Central and South America by leveraging Harald's brand power and sales network.

Shift to a Holding Company Structure
We shifted to a holding company structure under a pure holding company system to separate management from execution. We established the Fuji Oil Group Management Philosophy and made a major shift toward global management.

2016

Development of Stabilized DHA and EPA
We succeeded in developing and commercializing stabilized DHA and EPA with a reduced fishy odor by using our proprietary dispersion technology, and we are using it in our efforts to help resolve the issue of healthy life expectancy for the elderly.

Opening of the Fuji Science & Innovation Center
As the Group's research and technology development headquarters, this facility aims to make us a company that contributes to society by creating the future of delicious and healthy foods, based on an understanding of global market needs.

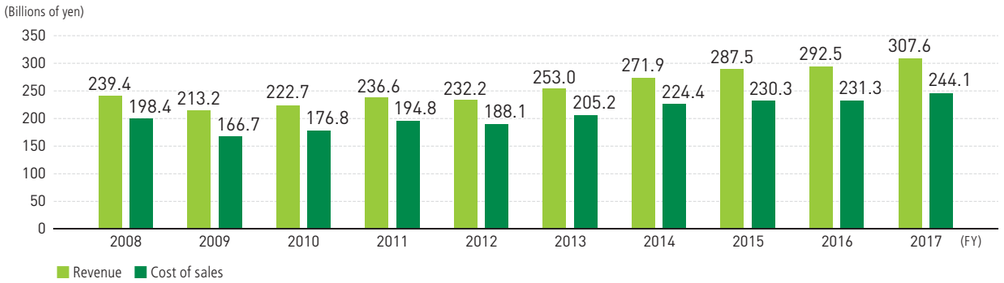
2017~

Announcement of Mid-Term Management Plan "Towards a Further Leap 2020"
We are building the springboard for a further leap to achieve sustainable growth.

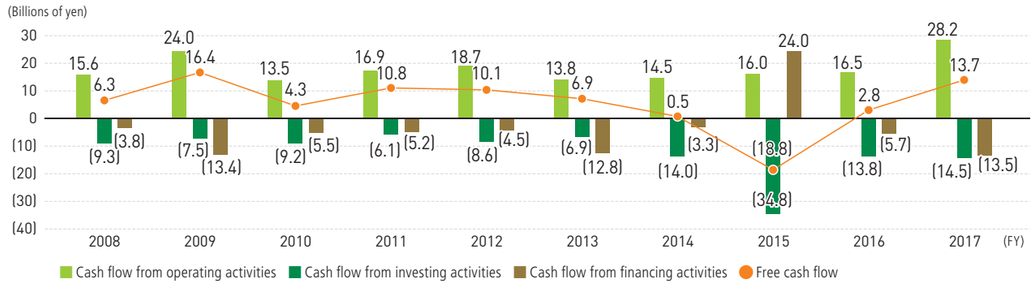
2. Fermented filled cheese that uses non-fat milk solids while replacing milk fat with vegetable oil.
3. DTR: Production method using a flavor-enhancing oil that brings out saltiness, sourness and piquancy with just a small amount of seasoning.

The Fuji Oil Group by the Numbers

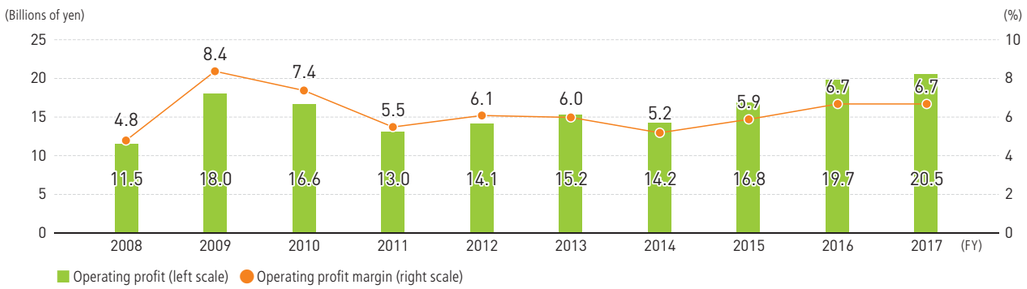
Revenue/Cost of Sales



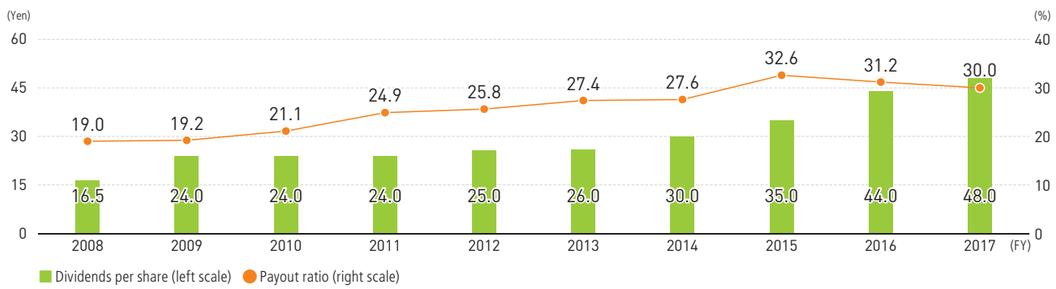
Cash Flows



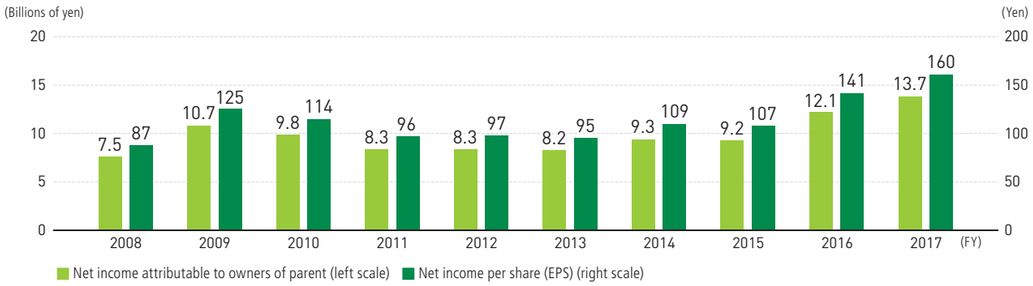
Operating Profit/Operating Profit Margin



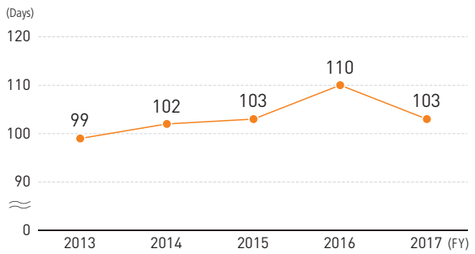
Dividends per Share/Payout Ratio



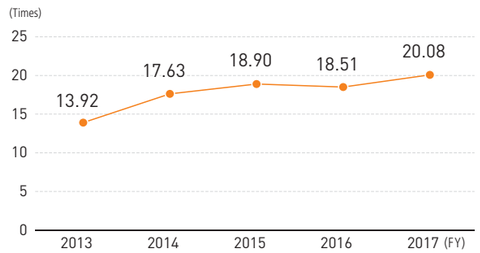
Net Income Attributable to Owners of Parent/Net Income per Share (EPS)



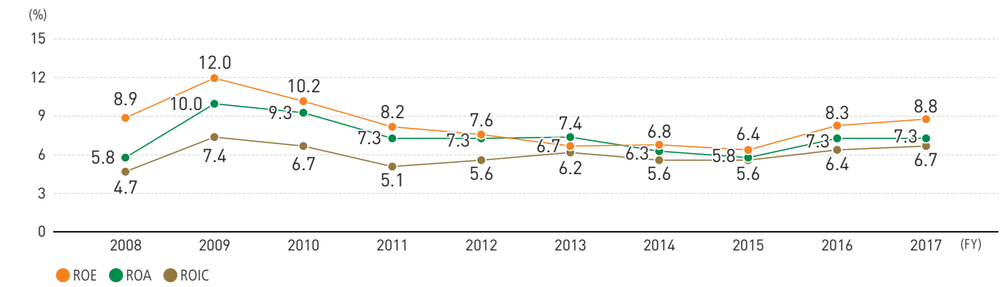
Cash Conversion Cycle



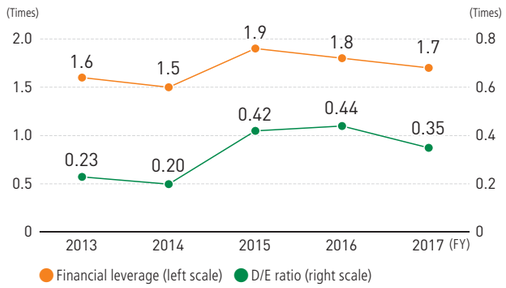
PER



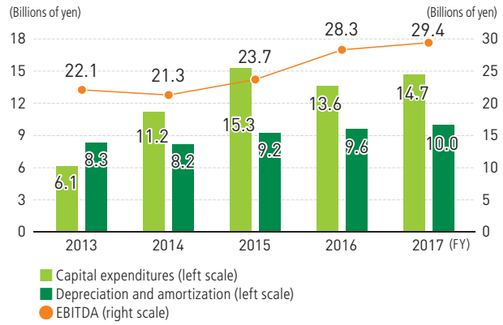
ROE/ROA/ROIC



Financial Leverage/D/E Ratio

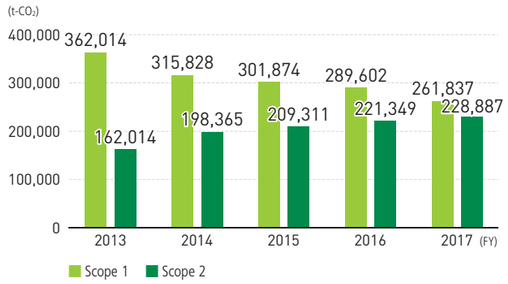


Capital Expenditures/Depreciation/EBITDA

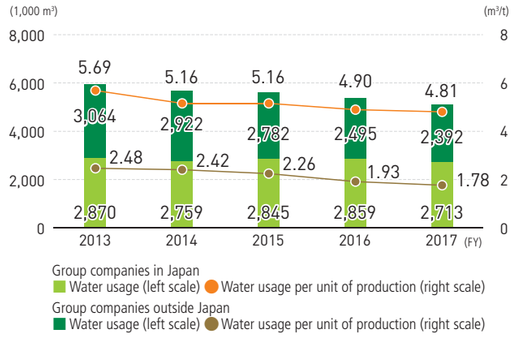


The Fuji Oil Group by the Numbers

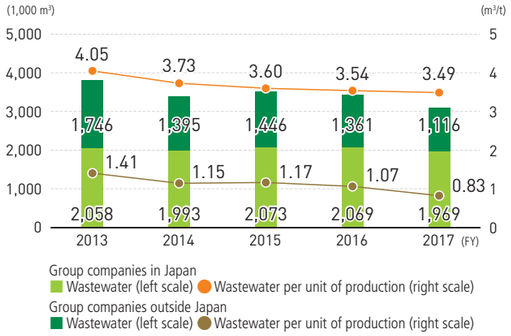
Fuji Oil Group Scope 1 and Scope 2 Greenhouse Gas Emissions



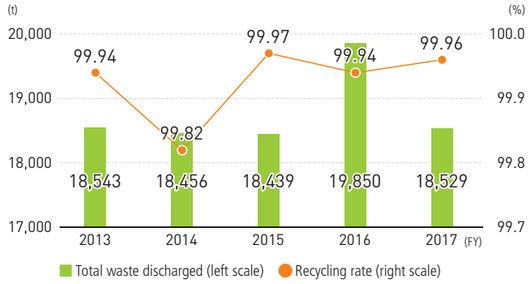
Annual Water Usage and Water Usage per Unit of Production



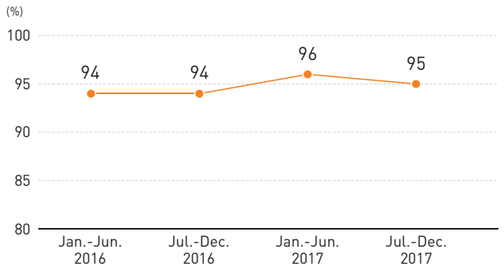
Annual Wastewater and Wastewater per Unit of Production



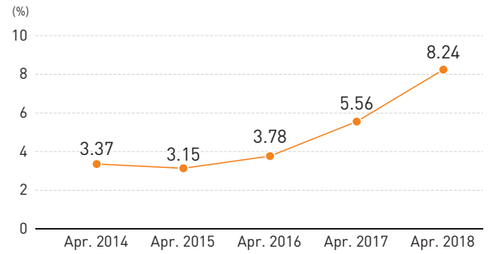
Fuji Oil Group in Japan Total Waste Discharged and Recycling Rate



Traceability Score to the Oil Mill

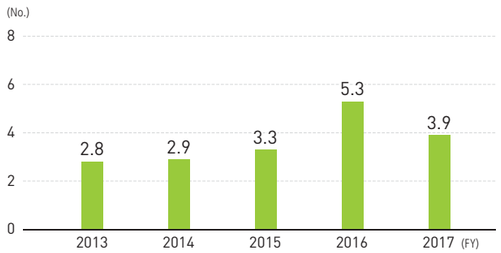


Ratio of Women in Managerial Positions (Japan)

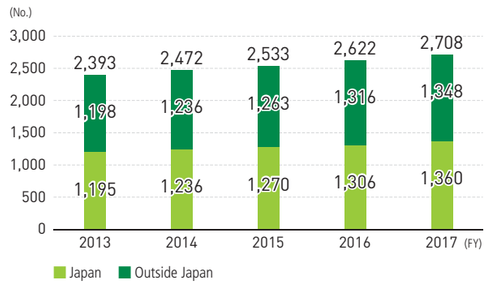


Note: Figures for FY 2017 and previous years are totals for Fuji Oil Holdings Inc. and Fuji Oil Co., Ltd. Figure for FY 2018 is the total for the Fuji Oil Group and Fuji Oil Co., Ltd. excluding employees posted outside Japan.

Number of Lost-Time Injuries per Thousand Employees (4 days or more)



Cumulative Total of Patents Acquired



Resolving Social Issues for a Sustainable Society and the Growth of the Fuji Oil Group

14 Becoming a Leading Company in Resolving Social Issues

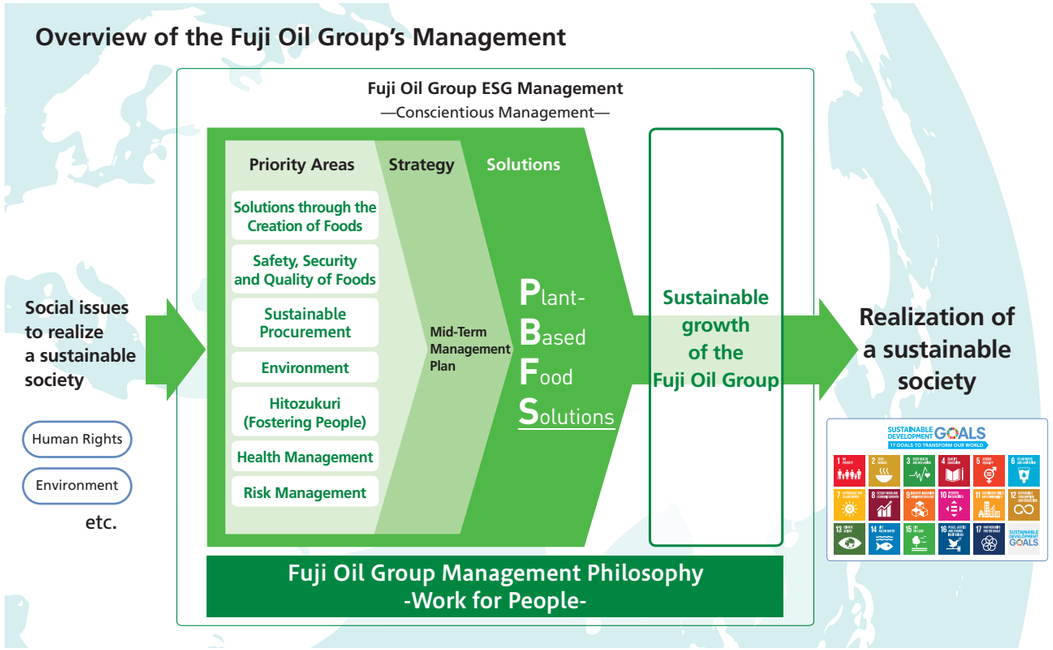
15 Building a Global Management Structure

16 CSR Priority Themes for Contributing to Society through Our Business

Becoming a Leading Company in Resolving Social Issues

The Fuji Oil Group strives for the realization of a sustainable society by pursuing plant-based food solutions to the problems facing society. Through these efforts, we aim for sustainable growth for the Fuji Oil Group and, as a member of society, to contribute to sustainability.

Overview of the Fuji Oil Group's Management



Leading Plant-Based Food Solutions

Since our founding, the highest priority for our business has been to contribute to society by providing ingredients made from plant-based foods such as palm oil and soybeans.

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

Priority Areas and Mid-Term Management Plan

As seen with the permeation of the sustainable development goals (SGDs) outlined by the United Nations, we live in an age facing numerous hurdles to achieving a sustainable society and demand for companies to contribute as corporate citizens is greater than ever.

To contribute to the realization of a sustainable society, the Group has designated priority areas (materiality) in which we will respond through our corporate activities. We classified fifteen CSR priority themes into seven priority areas. Activities related to these topics are overseen by the ESG Committee (see pages 16-19).

Through our current Mid-Term Management Plan "Towards a Further Leap 2020," which we have designated as a period for solidifying the platform that will enable us to leap forward toward "how we want to be," we are advancing business on a global level based on basic policies that focus on creating solutions for social issues (see pages 27-43).

Group Management Philosophy (Work for People)

The foundation of our ESG management is the Fuji Oil Group Management Philosophy (see page 15).

Embracing the belief that "work for people" is a value (The values that inform our actions), we unite as a Group towards the pursuit of our mission and vision. We strive to contribute to a sustainable society by achieving sustainable growth for the Fuji Oil Group.

Building a Global Management Structure

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

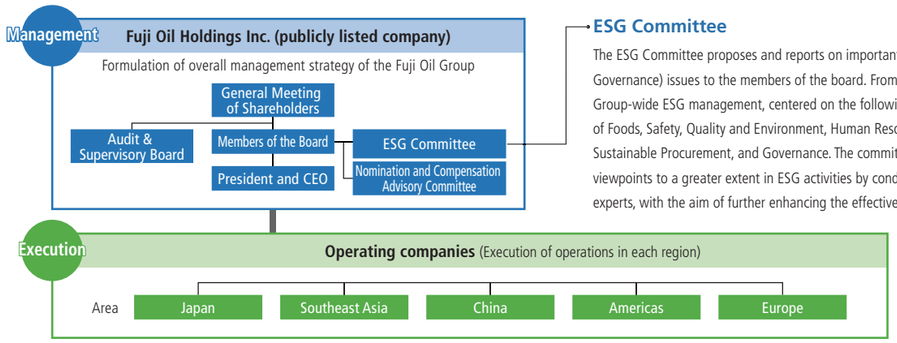
Based on a sense of crisis that we will not survive by simply continuing as we always have in an age when the business environment is undergoing drastic changes, we aim to promote innovation to compete globally and achieve sustainable growth.

In addition to delegating authority to each of our regional headquarters, we will strengthen governance with the Fuji Oil Group Management Philosophy at its core to promote global management.

Purposes of the Holding Company Structure

Strengthen Group strategic functions	Focus on Group strategy, strengthen planning functions for management strategy including new business and M&A, and optimize the allocation of management resources within the Group to lead to the next stage of growth.
Demonstrate value creation capabilities corresponding to each region	Establish companies to oversee other Group companies within their regions and delegate authority to them for regional business direction, decision-making and other matters to accelerate management in each region.
Establish a global governance system	Clarify the roles and responsibilities of the holding company and each operating company and separate management supervision from execution in order to create a management system that is transparent and fair to stakeholders and to realize growth that will lead to the future.
Secure and train management personnel	Optimally allocate the management asset of our human resources throughout the entire Group by securing and training the next generation of managers who will be responsible for the growth of the Group.

The Fuji Oil Group



ESG Committee

The ESG Committee proposes and reports on important ESG (Environment, Social, Governance) issues to the members of the board. From FY 2018, it is promoting Group-wide ESG management, centered on the following subcommittees: Creation of Foods, Safety, Quality and Environment, Human Resources Development, Sustainable Procurement, and Governance. The committee plans to reflect external viewpoints to a greater extent in ESG activities by conducting dialogue with outside experts, with the aim of further enhancing the effectiveness of its initiatives.

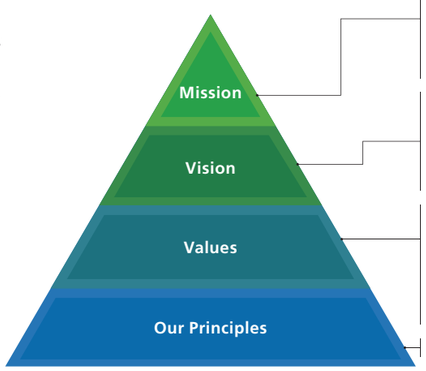
(See list of operating companies on page 40.)

Group Management Philosophy

In shifting to a holding company system to promote global management, we established the Group Management Philosophy to be the keystone for all Group officers and employees to share our values, regardless of nationality or age, and for setting priorities for judgment and action as the basis of Group governance.

As we pass along the founding spirit of pioneering, unceasing innovation and the heritage of contributing to customers and self-development that have been handed down to us over nearly 70 years, this Management Philosophy clearly states our commitment to adhering to our Mission (Our reason for being), Vision, Values (The values that inform our actions) and our Principles as the foundation for the Group's sustainable growth by fulfilling its social responsibility in the coming era.

Fuji Oil Group Management Philosophy



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

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

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

Our Principles

CSR Priority Themes for Contributing to Society through Our Business

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

Specification Process

In light of society's increasing expectations toward companies, we reviewed our CSR priority themes between December 2017 and March 2018.

Steps	Activities
1 Listing of social issues	Receive advice from experts and list social issues based on the SDGs and other international CSR guidelines and benchmarks.
2 Classification of social issues	Classification of social issues into two types

A. Social issues we can help resolve through our products

Review and specify social issues to which the Fuji Oil Group can contribute by demonstrating its strengths (technological capabilities, business locations, etc.)

Priority themes A

- Provision of solutions to food resource shortages through effective, advanced use of plant-based food ingredients
- Contribution to healthy life expectancy with delicious food ingredients

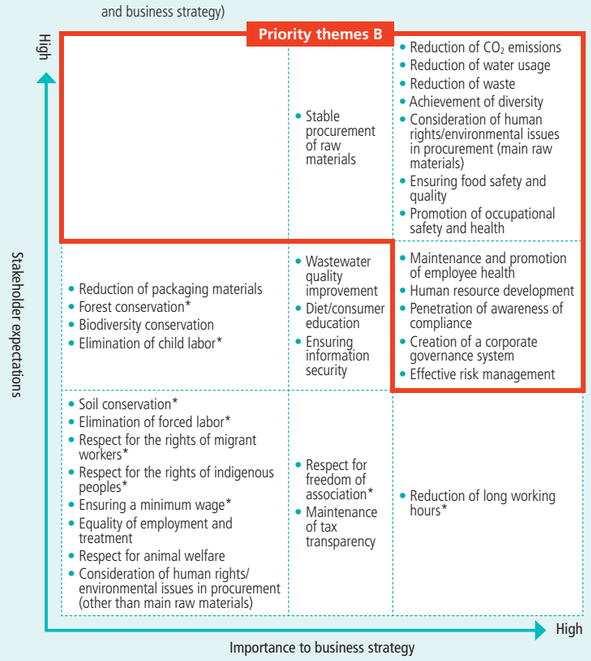
B. Social issues we can help resolve through our business processes

Create a materiality map (see below) and comparatively evaluate social issues.

Materiality map

Vertical axis: Stakeholder expectations (set based on advice from experts with reference to international guidelines, benchmarks, etc.)

Horizontal axis: Importance to business strategy (set from the perspective of management approach and business strategy)



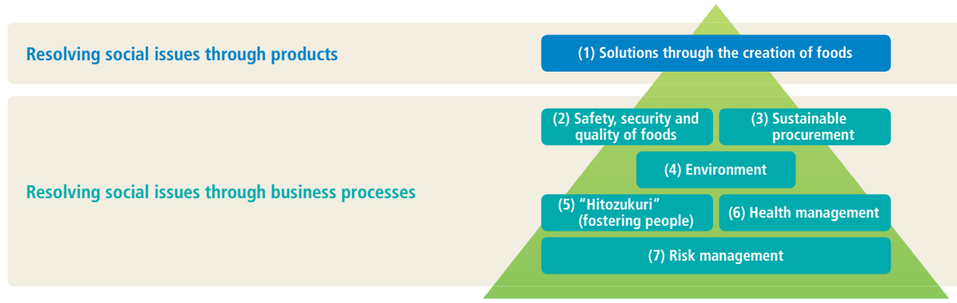
* Social issues considered to occur in Fuji Oil. Social issues in the supply chain are included in Consideration of human rights/environmental issues (other than main raw materials)

Steps	Activities
3 Evaluation	Priority themes A and B were examined and revised by the ESG Committee, which includes one outside expert, to ensure that there were no omissions or redundancies.
4 Approval	Submitted by the ESG Committee to the members of the board of Fuji Oil Holdings, which gave final approval.

15 Specified Priority Themes Classified into 7 Priority Areas

The CSR Priority Areas

Contribute to the health of the Earth and its people



CSR Priority Themes

WEB For details on the Fuji Oil Group's CSR priority areas, see our Sustainability Report 2018. https://www.fujioilholdings.com/en/csr/

Priority Area	Priority Theme Selected Based on Expectations of Society	Targets for 2020	SDGs of Particular Focus for Achievement
(1) Solutions through the Creation of Foods	• Provision of solutions to food resource shortages through effective, advanced use of plant-based food ingredients • Contribution to healthy life expectancy with delicious food ingredients	• Based on the mid-term management plan, help to resolve the issue of food shortages using plant protein, which has a low environmental impact From the perspective of "Monozukuri" (creating products), develop products that offer deliciousness, which is a problem in popularizing plant protein sources From the perspective of "Kotozukuri" (creating movements), create ways to help consumers understand the significance of choosing plant protein sources • Based on the mid-term management plan, contribute to extending healthy life expectancy by developing healthy oils and fats (stabilized DHA and EPA) and soy peptides for use in a wide range of foods and popularize them in consumers' diets	1, 2, 3, 9
(2) Safety, Security and Quality of Foods	• Ensure thorough food safety and quality	• Establish a quality assurance system for the entire Group • Promote acquisition of FSSC 22000/ISO 22000 by all factories of Fuji Oil Co., Ltd. by the end of FY 2019 (March 2020)	12
(3) Sustainable Procurement	• Consideration of human rights/environment in raw material procurement • Stable procurement of raw materials	• Achieve no deforestation, no peatland development* and no exploitation in the Fuji Oil Group's palm oil supply chain • 100% traceability to mills * Land surface that fixes a large amount of carbon in the ground. Development on peat releases a large volume of greenhouse gas into the atmosphere.	12, 14, 15
(4) Environment	• Reduction of CO_2 emissions • Reduction of water usage • Reduction of waste	• Achieve Fuji Oil Group Environmental Vision 2020 (See page 18)	6, 11, 12, 13
(5) Hitozukuri (Fostering People)	• Achievement of diversity • Human resource development • Penetration of awareness of compliance	• 20% ratio of women in managerial positions (Japan) and establishment of a workplace environment where the aging population and people with disabilities work with enthusiasm (Japan) • Build foundation for global system for human resources, and conduct ongoing identification and training of human resources with the potential to be active globally and in each area • Group-wide penetration of the Values and Principles of the Fuji Oil Group Management Philosophy	5, 8, 10
(6) Health Management	• Promotion of occupational safety and health • Maintain and improve the health of employees	• Maintain a record of zero serious labor accidents at all Group companies • Improve health awareness among employees and actively conduct health promotion measures • Establish a system to enable visualization of employee health condition • Decrease the anomaly observation rate for lifestyle-related diseases and the number of employees with mental health issues • Roll out measures to Group companies in and outside Japan	3
(7) Risk Management	• Creation of a corporate governance system • Effective risk management	• Each Group company should independently and autonomously go through the PDCA* cycle for risk management and each function of Fuji Oil Holdings should provide comprehensive support for optimal response to risks faced by each Group company, based on the holding company structure • Main Group companies should complete formulation of business continuity plan (BCP) *PDCA: Plan-Do-Check-Act	12

Focus

Environment — Environmental Vision

Environmental Vision 2020

In FY 2010, the Fuji Oil Group set forth Fuji Group Environmental Vision 2020, which includes targets for reducing CO_2 emissions and the amounts of water usage and discharge by 20%, respectively, from base year levels by the year 2020, and has been conducting environmental protection activities.

WEB See the "Environment" section of our Sustainability Report 2018 for details on the progress of Environmental Vision 2020.
https://www.fujioilholdings.com/en/csr/environment/

Fuji Oil Group Environmental Vision 2020

In Japan	
Global warming prevention	20% reduction in CO_2 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_2 emissions by 2020 (compared to base year*)

*Base year: 2006

Formulation of New Environmental Vision 2030

The Fuji Oil Group will formulate a new Environmental Vision 2030 with a target year of 2030. It will set forth three items: (1) reduction of CO_2 emissions, (2) reduction of water usage, and (3) reduction of waste, and apply them in all Group companies. In FY 2017, we examined and formulated (1) reduction of CO_2 emissions.

Reduction of CO_2 Emissions

Since the Paris Agreement, efforts to prevent global warming and climate change have been gaining momentum. The Fuji Oil Group will also promote more aggressive measures to contribute to the prevention of global warming. The Group considered the formulation of the new Environmental Vision 2030 in line with the approach of Science Based Targets (SBT), which aims to hold the increase in global average temperature to less than 2°C above the pre-industrial level. As a result, in Environmental Vision 2030 we set a CO_2 emissions target of a 24% reduction by 2030, compared to the base year of 2016. In June 2018, we sent a call to action commitment letter to SBT. Our aim is to acquire SBT certification within two years.

Reduction of Water Usage and Waste

In FY 2018 we will continue to follow Environmental Vision 2020. We are planning to ascertain the current status of all Group companies during FY 2018 and formulate new targets for Environmental Vision 2030.

Hitozukuri (Fostering People) — Human Resource Development

Introduction of a Global Human Resources Framework

To continue to contribute to society, the Fuji Oil Group will draw up a framework for evaluating the implementation of the Group Management Philosophy, which contains the principles for action shared by its employees. We plan to apply the Management Philosophy to content tailored to the culture and customs of each region or country while reflecting our core values.

Moreover, with the growing importance of utilizing and cultivating human resources throughout the entire Group, we intend to build a global personnel system for identification, selection, training and dispatch of executives and capable talent.

Through these activities, we aim to promote the diversity of the Group.

Harald's Human Resource Development Program (Brazil)

Harald Indústria e Comércio de Alimentos S.A. of Brazil, which joined the Fuji Oil Group in 2015, emphasized programs during FY 2017 to develop its human resources and promote their understanding of the Group's values. The aim of this training was not only to help participants achieve better results at work but also to build character. The president, executive officers, managers, and coordinators shared their expertise in human resources management to achieve better results in their respective organizations.

To understand and practice the values of the Fuji Oil Group, Harald set aside various weeks for raising awareness. All employees participated in an in-house awareness raising week on the environment and occupational safety and health, taking action to prevent accidents both inside and outside the company. During product quality week, employees gained a deeper understanding of quality management certifications such as GMP, HACCP, and FSSC 22000 in order to improve product quality. The company also conducted technical and operational training to help employees use methodologies and analysis to quickly resolve problems in the course of their work.

These human resource development programs are helping Harald improve employee knowledge to promote new initiatives.

Harald employees

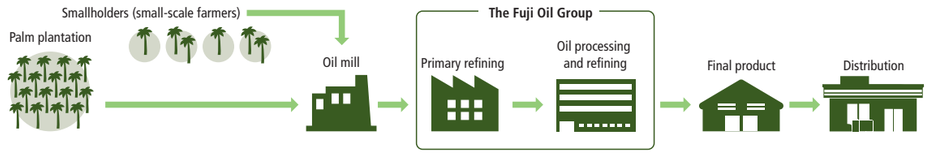
Sustainable Procurement — Considering Human Rights and the Environment in Raw Material Procurement: Palm Oil

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. Production volume of palm oil is the world's largest among vegetable oil materials. 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.

The Fuji Oil Group has pioneered a new food culture by continuously pursuing palm oil's potential as a key raw material. We consider aiming for sustainable procurement of palm oil to be our responsibility to society.

The Palm Oil Supply Chain and the Position of the Fuji Oil Group



Approach	Fuji Oil Group Management Philosophy • Safety, quality and the environment • Work for people								
	Fuji Oil Group Human Rights Policy Fuji Oil Group Basic Policy of Safety, Quality and Environment								
	Responsible Palm Oil Sourcing Policy NDPE (No Deforestation, No Peatland Development, No Exploitation								
Main Initiatives	(1) Supply chain improvement			(2) Membership in the Roundtable on Sustainable Palm Oil (RSPO)	(3) Support for smallholders	(4) Establishment of Unifuji (For details, see page 33.)	(5) Establishment of a grievance mechanism	(6) Research into breeding to improve productivity	(7) Collaborative business with the industry
	1. Improve traceability*	2. Activities to improve the supply chain of Palmaju Edible Oil Sdn Bhd (Malaysia)	3. Engagement with suppliers						

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

Highlight

In October 2016, we started supply chain improvement activities at Group company Palmaju Edible Oil (Malaysia).

① Sharing Group's policies with Palmaju's suppliers (oil mills)

▼

② Field inspection of the supply chain (plantation, etc.) of one supplier (oil mill)

▼

③ • Support for improvement of issues at suppliers subject to inspection
• Provision of information to suppliers not subject to inspection (ongoing)

Progress

- As of December 31, 2017, returned passports to more than 200 migrant workers who work at raw material suppliers of Palmaju Edible Oil
- Held two seminars for suppliers (oil mills)

Highlight

In May 2018, we established and announced a grievance mechanism for processing complaints. It is a mechanism for addressing any problems raised with the Fuji Oil Group by stakeholders in accordance with our Responsible Palm Oil Sourcing Policy. For transparency in handling grievances, we have set up the Fuji Oil Group Grievance Mechanism web page on the Group website.

Solutions through the Creation of Foods

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27 Management Strategy: Message from the CSO

30 Mid-Term Management Plan

32 Segment Strategies

Oils and Fats Business

Confectionery and Bakery Ingredients Business

1 Emulsified and Fermented Food Business

2 Chocolate Business

Soy Business

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45 Financial Strategy: Message from the CFO

Research and Development Strategy: Message from the CTO

We pursue the potential of food ingredients to provide valuable solutions to society.

Haruyasu Kida
Executive Director,
Member of the Board,
Executive officer,
Chief Technology Officer (CTO)

The Source of the Value We Create Is Our Original Fractionation/Segregation and Adjustment Processing Technologies

Fuji Oil's core technologies are fractionation/segregation technologies and adjustment processing technologies. Fuji Oil has not followed in other companies' footsteps, but has intently pursued its own identity, believing that its path to development lies in opening up new fields. This includes our successful industrialization of oil and fat fractionation technology, a separation method that is the essence of our technology philosophy, which in turn become the backbone of our research and development. Using our original separation technologies not only for oil and fat products, but also for soybeans, we are developing new food ingredients.

Moreover, Fuji Oil has refined its technologies to enable the further processing and adjustment of ingredients with different functions obtained through separation.

In our B-to-B business, our vegetable oils have provided food product manufacturers with improved quality while lowering costs. For example, we can solve problems by making chocolate that does not melt even in the summer by combining vegetable oils to adjust the physical properties. Oils and fats have a negative image for health, but in recent years the ingestion of omega-3 fatty acids and other oils and fats as nutrients has been recommended for promoting health. At Fuji Oil, we started research and development of DHA and EPA, which are typical omega-3 fatty acids, when I was working in the basic research laboratory (now the R&D Division for Future Creation). It took us five years, but we succeeded in establishing a technology that significantly suppresses their oxidative deterioration.* Although many companies had abandoned their efforts to stabilize the oxidation of DHA and EPA, Fuji Oil succeeded because of its heritage of continuously taking on challenges. Constantly overcoming high hurdles is our reason for being, and going forward we will make a major shift to value creation as our new response to social issues by working to create foods that are both delicious and healthy.

From a Company That Creates Products to a Company That Provides Food Solutions

We want to deliver delicious and healthy food with new ingredients using technologies that no one else can imitate, ideas that no one else has thought of, and proposals that resonate with everyone. We have moved away from our former product-out approach and redefined ourselves as a provider of Plant-Based Food Solutions. This expresses our strong determination to use plant-derived ingredients to resolve food issues on a global scale.

Fuji Oil will continue to increase added value by utilizing its core fractionation and adjustment processing technologies to develop ingredients that meet customer needs. Going forward, we will change this conventional arrangement to one that starts with solutions. Specifically, we intend to take a further step forward from the proposal-based sales style we have been using to achieve co-creation that provides value that our customers are not yet conscious of and gives rise to totally new markets while maintaining win-win relationships.

For example, food manufacturers specialize in certain products or fields, but they tend to have few opportunities to come in contact with information on genres in other industries and business categories. We, on the other hand, have accumulated wide-ranging information and knowledge from our experience developing ingredients in cooperation with various customers. Therefore, through co-creation, we will mutually share information at the planning and development stages, generating new value by combining ingredients in addition to developing the ingredients themselves, thus providing solutions to issues.

Furthermore, at the global level, many food-related social issues will become more serious over the next twenty years, including an increase in obesity and diabetes due to unbalanced diets and, at the same time, food and water shortages due to population growth and climate change.

The R&D Division for Future Creation focuses on such social issues and proactively conducts basic research that will develop into new businesses, taking a broad perspective with the aim of resolving food-related social issues with technological innovations that are key to delicious and healthy food.

Strengthening Internal and External Cooperation to Accelerate Co-creation Globally

The co-creation that we are aiming for also means making a break from the principle of self-sufficiency. In an era when creating superior products ensured sales, self-sufficiency functioned effectively for both technology and market development. However, as the structure of our society undergoes drastic changes, wide-ranging co-creation is essential for resolving food issues globally. Therefore, in addition to strengthening open innovation through cooperation with external parties, we will accelerate diverse forms of co-creation on a global basis within the Fuji Oil Group to give rise to new businesses and new markets.

In addition, based on our sense that Fuji Oil's tradition of freely and easily taking on challenges has faded due to generational factors, we are accelerating "Hitozukuri" (fostering people) and reform of our corporate culture. At the Fuji Science & Innovation Center, which we established in 2016, rooms have been consolidated into open-plan floors so that researchers can interact without barriers between departments. Meaningful discussions have already begun yielding breakthroughs. You can look forward to great things from the Fuji Oil Group's research and development.

Fuji Science & Innovation Center, established in 2016

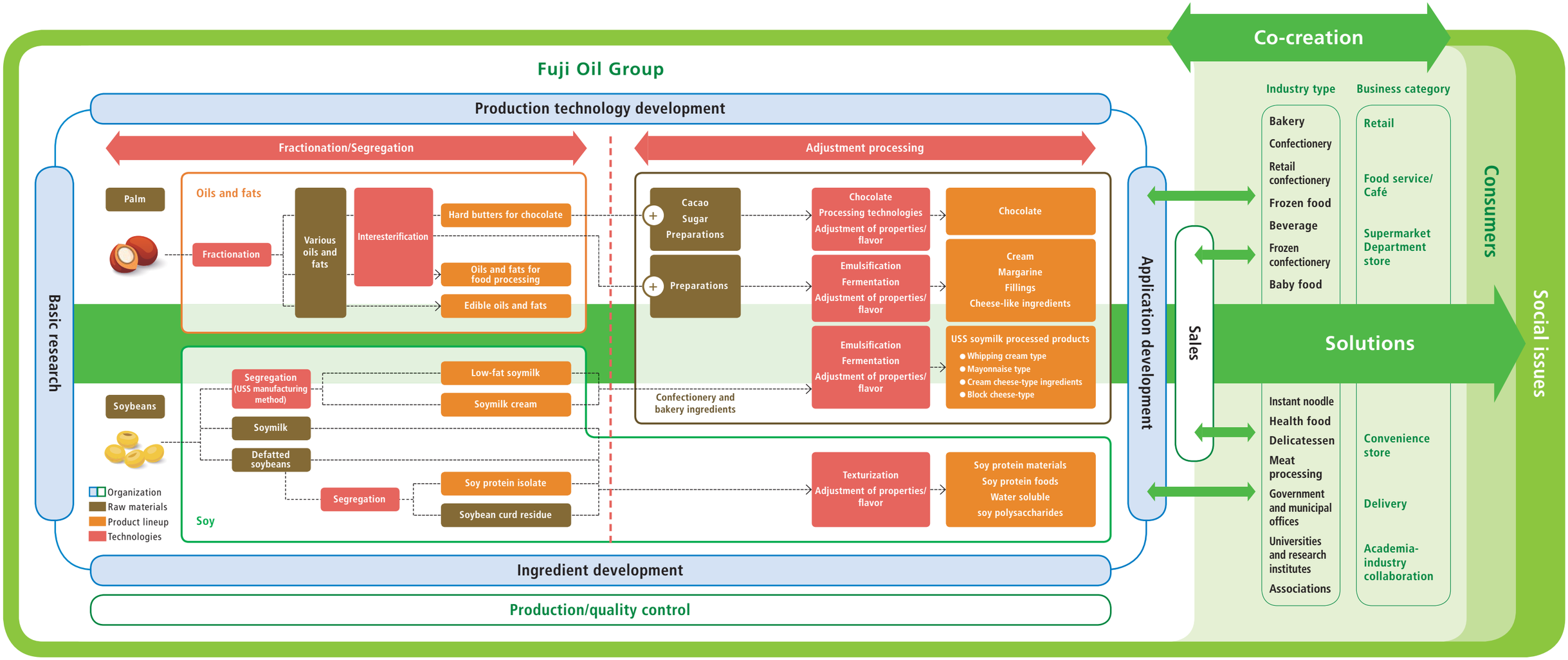
Multipurpose communication space

Work space consolidated into open-plan floor

* DHA and EPA are believed to improve cognitive functions and help to reduce dementia risk. However, earlier forms of DHA and EPA deteriorated markedly through oxidation and the accompanying fishy odor made them difficult to use in processed foods.

The Fuji Oil Group was first in the world to successfully develop 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. We aim to help resolve the issues of aging populations in Japan and around the world by developing brands and products based on the ideal of "delicious food that is easy to eat."

The Fuji Oil Group's Solution-Oriented Business



Separation (Fractionation/Segregation) and Adjustment Processing Technologies: Core Technologies Create a Strong Product Portfolio

Background of Core Technologies

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

Separation Technologies (Fractionation/Segregation)

Natural oils and fats are a mixture of multiple substances. For example, palm oil is usually solid like lard, but solid and liquid oil and fat components are intermingled in it. Fractionation technology enables the separation of components of mixed oils and fats whose melting points are close, which has made it possible to acquire new oil and fat ingredients with completely different melting points and physical properties. Fuji Oil was the first in Japan to successfully industrialize and commercialize oil and fat fractionation technology. Today, fractionation is a basic technology of our Company, and it generates many products. Using the tropical oils and fats we successfully fractionated for the first time in Japan, we created hard butters for chocolate that offer various functions. In addition, to provide advanced solutions that address customer needs, we have expanded into the Confectionery and Bakery Ingredients Business, which includes the chocolate business as well as cream and margarine.

We have also been conducting research and development of original separation technologies for soybeans, based on the vision we have had since our founding of making advanced use of the abundant, high-quality protein they contain. Our results have included soy protein isolate and water soluble soy polysaccharides produced from soybeans, and by seeking out advanced uses for each we have successively created a wide range of soybean-derived products. In recent years, we have been creating new food ingredients from soy milk using the USS manufacturing method, a new separation technology.

Adjustment Processing Technologies

Separation technologies enable us to obtain countless ingredients from a single raw material, but how to assemble these ingredients into foods becomes a key issue. Therefore, when manufacturing chocolate, plant-based cream or foods that use soy protein, we blend the separated ingredients with other ingredients, not simply processing them further but also utilizing our expertise in adjusting flavor and physical properties. With these adjustment processing technologies, which combine various ingredients and processes in a precise, well-balanced way, the Fuji Oil Group uses its dominant technological capabilities and knowledge to add substantial value to its products.

In addition, as we create and use complex adjustment processing technologies to make products, we take advantage of the accumulated know-how of our Engineering Development Department and Production Departments. In the Fuji Oil Group, commercialization is supported by a group of engineers in the Engineering Development Department, which designs and manages the construction of production plants. The Production Departments then use the knowledge and know-how gained from execution in production operations and, by faithfully reproducing the quality established by our R&D Department, provide innovative, high-value-added foods and ingredients that are safe and delicious.

"Kotozukuri" (creating movements) through Co-creation Generates Greater Added Value

The diversity of its product portfolio is a strength of the Fuji Oil Group. It gives us a worldwide advantage as a company that conducts both an oils and fats and a soy business. This strength means that we have a wide range of customers. By using the responsiveness cultivated from our thorough customer orientation and extensive knowledge, we have built a framework for providing solutions through value creation that addresses the issues faced not only by customers but by the industry as a whole. In addition to "Monozukuri" (creating products) that uses core technologies to achieve a higher level of processing and greater added value, we will realize solutions by promoting "Kotozukuri" (creating movements) that gives shape to that value for consumers through co-creation inside and outside the Fuji Oil Group. Moreover, by accelerating academia-industry collaboration as well as collaboration with our customers, we are proactively taking on the challenge of creating new markets though co-creation.

Initiative	Previous Approach	Current Approach
Style	Proposal-based sales	Co-creation activities
Perspective	Customers' perspective	Society's and consumers' perspective
Approach	Development for individual customer companies	Development for industries and business categories (Collaborative approach with manufacturers and communication of information to create value chains)
Business style	Product-out	Solution-oriented through "Monozukuri" (creating products) + "Kotozukuri" (creating movements) = "Kachizukuri" (creating value)

Development of a Research and Development Structure for Creating Future Technologies

Resolving global food issues such as population growth and food supply requires basic research to open up new possibilities for food. In April 2015, the Fuji Oil Group changed the name of its basic research laboratory to the R&D Division for Future Creation. We have set forth a new mission for this professional R&D institution to contribute to the future of people's health and the global environment.

Moreover, a major feature of our research and development structure is that we have placed the highest priority on organic cooperation by building a close-knit network of R&D bases around the world rather than a huge, multifunctional research center. With a global research and development structure, we create an environment where experts from various fields can focus on innovation.

We continue to take on the challenge of creating new technologies and using them for commercial applications by pursuing the potential of plant-derived food ingredients as we aim for solutions to food-related social issues.

Research Fields for the Future

Research Field	Research Theme	Targeted New Business Area
Sustainability	Measures to reduce environmental burden, replacement of animal resources with plant-based resources, low-energy food processing technologies	Providing solutions for shortages of food resources and other issues through effective/higher-level use of plant-based food ingredients
High performance/ High added value	Product development that enhances the inherent functionality of ingredients and uses that functionality for other applications	
Deliciousness	Analysis of the components of deliciousness and clarification of action mechanisms to develop new ingredients with superior taste and texture	Business that contributes to healthy life expectancy through delicious food ingredients
Health and wellness	Research of physiological functions and development of ingredients to maintain long-term health and vigor	

Global Development of Technology Management

The Fuji Oil Group set forth technology management as an important part of its management foundation. Technology management is an approach of contributing to society through the development of innovative products and technologies, based on a philosophy of not imitating others that we have embraced since our founding. Improving our technologies by conducting research and development from a variety of perspectives, including basic research, ingredient and application development, and production technologies, is another unique aspect of the Fuji Oil Group.

Currently, we have established a tripolar global R&D organization comprising the Fuji Science & Innovation Center, which functions as the core for fusing knowledge from inside and outside the Fuji Oil Group, as well as the Tsukuba R&D Center and the Asia R&D Center. We also promote co-creation through the use of FUJISUNNY PLAZAs operating at eight locations worldwide to accelerate the creation of the future of food with the aim of providing solutions for the issues of people around the world.

From an international Japanese company to a truly global company, we will promote change and growth in a single stroke.

Mikio Sakai
Member of the Board
Chief Strategy Officer (CSO)

Fuji Oil Group's Business Model

Become a Plant-Based Food Solutions Company That Operates Globally

The Fuji Oil Group is becoming a truly global company that contributes to society through deliciousness and health. Our transition is well underway. In October 2015, we announced the transition of our management strategy internally and externally, steering decisively toward global management with our shift to a holding company structure.

In 2015, among other key events, we applied the Corporate Governance Code, the Government Pension Investment Fund (GPIF) signed the Principles for Responsible Investment (PRI) supported by the United Nations, which also adopted the SDGs, and COP 21* was adopted under the Paris Agreement. It was a year of major turning points globally, even in the corporate business environment. Bearing in mind these global changes, looking to the future it will be essential to unify our management foundation to align with global standards and rebuild as a world-class corporate brand to compete globally. Furthermore, having comprehensively examined megatrends in areas such as demographic dynamics, resources and the environment, as well as our corporate scale, we have reaffirmed that rather than seeking to achieve the scale of a global major, we should aim to become a company that can grow sustainably by focusing on business fields in which we can differentiate ourselves based on our technological capabilities.

In addition, the Fuji Oil Group believes that plants represent a way to resolve population, resource, environmental and other issues facing society. Accordingly, we have redefined ourselves as a provider of Plant-Based Food Solutions. We have dealt in palm, cocoa, and soybeans since our founding, and intend to demonstrate the value of our existence as a global company that continues to provide solutions to social issues through plant-based food products made using plant-based raw materials. To that end, ESG will be the foundation of our management and we will continue to work on a business strategy that will contribute to achieving the sustainable development objectives (SDGs) adopted by the United Nations.

* Conference of the Parties. It refers to the United Nations Framework Convention on Climate Change at the 21st Conference of Parties.

■ **Progress of the Mid-Term Management Plan**

Core Competencies Drive Results but Establishing New Businesses and Quickly Improving Infrastructure are Issues to Be Addressed.

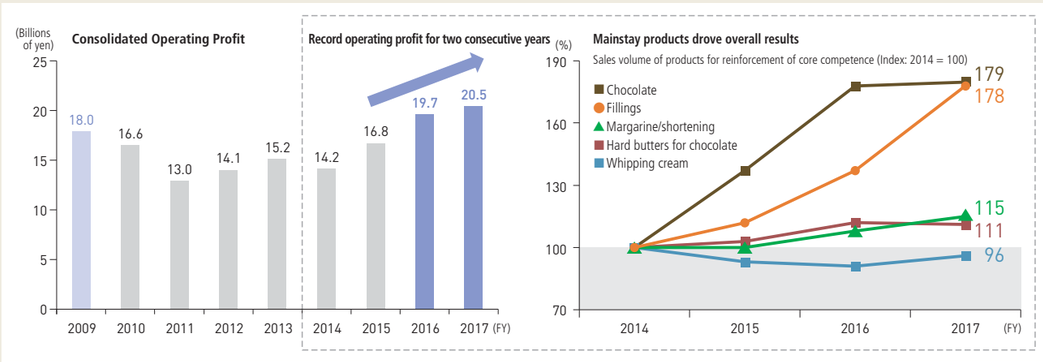
The Mid-Term Management Plan "Towards a Further Leap 2020" covers the period in which we will establish the foundations to achieve the great leap to become the organization we want to be. The change from the previous rolling method to the four-year mid-term management plan was undertaken mainly to carry out medium-to-long-term investment in facilities and make improvements to the overseas area structure. It is also important to set the direction for our value creation in order to resolve social issues and formulate basic strategies to achieve sustainable corporate growth and contribute to a sustainable society.

During the four years of the mid-term management plan, there are many issues to be addressed, such as R&D and production base improvements, our governance structure, the soundness of our financial structure and the unification of information and communications technology (ICT) and purchasing systems. Among them, we believe that the most important issue is reinforcing our human resources. Human resources capable of understanding and shaping consumer needs while maintaining our base in technology will be indispensable for creating and providing value in the form of solutions that correspond with each region. In the Fuji Oil Group Management Philosophy, we have set forth "Work for people" as one of its Values (The values that inform our actions), and have emphasized to all employees that their job is to continuously create value for people, and that such value is value for our Company as well. We are concentrating not only on creating technically superior products but also aiming to make providing solutions to issues part of our DNA. Also, in deepening our global business, it is important to know the cultures and business customs of the regions in which we do business in order to form connections. For this reason, we are accelerating mid-career recruitment over the four years of the current mid-term plan.

In FY 2017, we achieved record high operating profit for the second consecutive term.

Among the basic policies of the mid-term management plan are measures for "reinforcement of core competence" aimed at expanding the scale and profitability of existing businesses. These measures achieved the best results and drove overall performance.

Results of Measures for Reinforcement of Core Competence



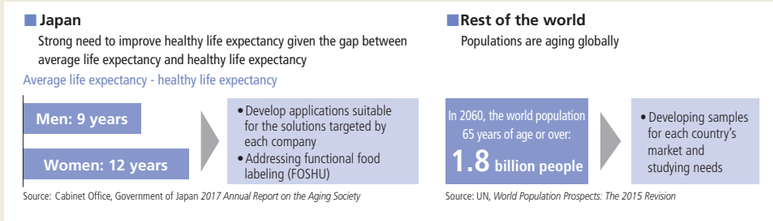
With regard to "growth of soy business," we are using selection and concentration to promote the restructuring of businesses that are commoditizing, with the intention of transforming them into higher-value-added businesses.

In "development of functional high-value-added products business," the stabilized DHA and EPA business has not progressed as quickly as initially planned, so we are aiming for early commercialization.

Improving our global brand power and procuring sustainable raw materials, which we are addressing through cost reduction and unification with global standards, are also significant issues. For this reason, we newly established the joint venture Unifuji Sdn. Bhd. with United Plantations Bhd., a Malaysian palm plantation company, for the purpose of manufacturing and selling palm oil products. Unifuji began fractionating and selling sustainable palm oil in July 2018. In addition, as a response to global standards, we are conducting initiatives such as unification of core ICT systems and restructuring legal affairs, personnel affairs, governance, and organizational structures in each area, but we recognize that there are still issues regarding the speed at which these infrastructure improvements are progressing.

In FY 2018, we will push forward with our management plan, centering on the promotion of our Soy Business as the flagship of our Plant-Based Food Solutions, and on our efforts to foster global human resources that take on challenges around the world to achieve our Vision.

Stabilized DHA and EPA Business



■ **Future Strategy**

Taking a Further Leap Forward, Looking Forward to Change Rather Than Fearing It

We believe that delegation of authority will be key in strengthening our global management foundation. For that reason, we will further advance the localization of our operations to become a company that can compete globally. Acceptance of diversity and finding points of commonality are the challenges Japanese companies must address in order to grow globally. Japanese companies and Japanese people in general have so far tended to seek out differences between individuals. On the other hand, differences are a given in multiracial, multi-ethnic societies, where the starting point is to search for things that people have in common. We need to start by finding things in common. In other words, we believe that by looking for unifying points, while remaining respectful of differences, we can create shared values. Based on the Fuji Oil Group Management Philosophy, we plan to establish an evaluation system promoting delegation of authority, centered on our Values (the values that inform our actions). If we can share these Values widely, we believe it will be possible to delegate responsibility for management to each local area.

The current mid-term management plan lays out a transformational and growth strategy from "how we should be" in 2020 to "how we want to be" in 2030. In order to achieve this leap to how we want to be, and to push forward in creating a foundation for competing globally, it is essential that we look forward to change rather than fearing it. I constantly communicate to our employees that they should embrace – not fear – constant change, because without constant change, we cannot survive. With our milestone of how we should be in 2030, we will continue to change as we anticipate the future.

Mid-Term Management Plan

Towards a Further Leap 2020 (2017-2020)

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

External Environment

Paradigm shift

An era in which what was common sense no longer applies

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

Our Challenges

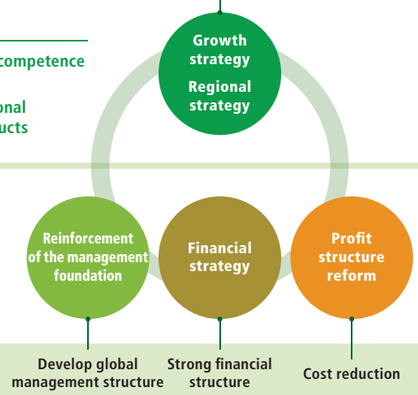
- Comparatively slow pace of global business development
- Strengthening of marketing
- Building the foundation for growth

Basic Strategy

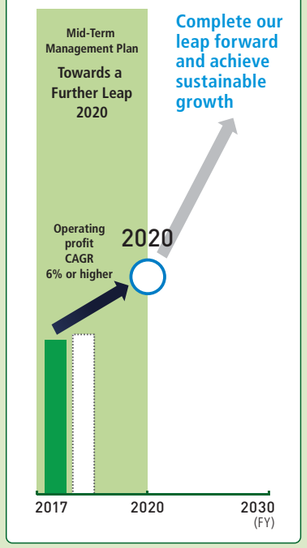
Basic policies

(1) Reinforcement of core competence
(2) Growth of soy business
(3) Development of functional high-value-added products business
(4) Cost reduction and unification with global standards

Portfolio Shift



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



	FY 2017 results	FY 2018 forecast	FY 2020 target		FY 2017 results	FY 2018 forecast	FY 2020 target
ROE	8.8%	8.8%	10.0%	Cash flow from operating activities	¥28.2 billion	¥30.2 billion	Four-year total ¥100 billion
EPS	¥160	¥163	CAGR[1] 8% or higher	CCC[2]	103 days (7-day reduction)	100 days (3-day reduction)	10-day reduction
Operating profit growth	+4.0%	+4.0%	CAGR[1] 6% or higher	Capital investment	¥14.7 billion	¥20 billion	Four-year total ¥60-¥70 billion
Shareholder returns (Dividend payout ratio)	30.0%	30.7%	30-40%	M&A	—	—	¥50 billion in secured funds

1. Compound annual growth rate 2. Cash conversion cycle

Reinforcement of core competence

- Steadily expanding markets and products in which we are strong

Item	Area	FY 2017 results	FY 2018 policies
Expanding the chocolate business	Japan Southeast Asia China Brazil	• Expanded sales of high-value-added products • Continued sales expansion utilizing new base in Malaysia • Established a new chocolate team • Specialized in specific markets to secure earnings	• Promoting a shift to high-value-added products • Expanding sales over a wide area, including the Middle East and Oceania • Maintaining and improving profitability, restoring sales volume by introducing new products
	Europe	• Increased chocolate sales volume	• Expanding sales of products that use sustainable raw materials
	M&A	• Continued exploration	• Continuous exploration
Sales expansion in Asia	Southeast Asia	• Increased production capacity to expand cream sales	• Expanding sales of four confectionery products through country-specific targeting
	China	• Expanded sales of margarine and fillings for the bakery products market	• New factory scheduled to start operations in the second half of 2018 Investment amount: Roughly CNY400 million (about ¥5 billion)
Expansion of the Oils and Fats Business	Americas	• Decided to establish new manufacturing and sales bases	• Proceed toward start of operations in 2020

Growth of Soy Business

- In pursuit of health for the Earth and its people
- Provide products that meet the demands of the times (flexitarian)

Item	FY 2017 results	FY 2018 policies
Final stage of structural reforms	• Sakai Factory (soy protein ingredients) closed • Ishikawa Factory (protein) divested	• Restructure the China business • Restructure the soy protein food products business
Expand into the plant protein market	• Increase sales of high-value-added products Expanded sales of soy protein ingredients for the health and nutrition market Created a soybean market • Expanded sales of soy meat	• Soy protein ingredients Enhance production efficiency and step up expansion into the health and nutrition market • Expand into the flexitarian market Roll out soy meat and soy cheese in Japan and overseas • USS earnings contribution

Development of functional high-value-added products business

- Develop the stabilized DHA and EPA and polysaccharides businesses
- Enter the field of nutrition and health
- Work to stabilize Group earnings

Item	FY 2017 results	FY 2018 policies
Stabilized DHA and EPA business	• Acquired FOSHU designation (triglycerides) • Sold products containing DHA and EPA (mail order)	• Acquire evidence related to brain function • Develop samples for overseas expansion
Polysaccharides business	• Soluble soy polysaccharides Maintained the strong performance of the previous year	• Soluble soy polysaccharides Increase production capacity, expand sales in Japan and China • Further work on new polysaccharides

Cost reduction and unification with global standards

- Reconfigure the organizational structure to improve the production efficiency of the entire Group
- Improve competitiveness
- Global unification of core systems, unification of accounting period

Item		FY 2017 results		FY 2018 policies
Strengthening of the management foundation	Sustainable procurement	• Establishment of Unifuji announced • Supply chain management team commenced operations	Sustainable procurement	• Start of operations of Unifuji • Introduce grievance mechanisms
	Corporate brand	• Determined brand promises, established a full-time team • Commenced consideration of concrete policies		• Start cacao program Complete formulation of Environmental Vision 2030
	ESG Committee	• Redefined CSR priority areas	ESG Committee	• Promotion of priority themes, centered on the ESG Committee
Financial strategy	CCC	• Set targets for each company, and formulated and implemented policies	CCC	• Ensure penetration of policies, advance the policies of each division
	Global CMS[1]	• Completed the construction of foundations, introduced sequentially	Global CMS	• Commence operations in China and the United States
	Unification of core systems	• Started introduction in overseas areas	Unification of core systems	• Commence operations in China and the United States
	Earlier settlement of accounts	• Started preparations	Global capital management	• Restructure the Group financial system in each area
Profit structure reform	Production Productivity Management Group	• Auditing conducted by each company	VGP[2] utilization	

1. Cash management system 2. Virtual global procurement

Segment Strategies

Oils and Fats Business — Delivering the Building Blocks of Delicious, Healthy Food to the World's Dining Tables

Geographical Areas of Business	Japan, Asia (Southeast Asia, China), Americas (United States) and Europe	Basic Policies of the Mid-Term Management Plan	Reinforcement of core competence (hard butters for chocolate) Development of functional high-value added products business (stabilized DHA and EPA)

As well as containing one of the three most important nutrients, oils and fats provide the basis for deliciousness and flavor. By using raw materials from tropical regions that are solid at room temperature, such as palm and coconut oil, we develop safe, secure and healthy oils and fats, as well as a variety of oils and fats that contribute to health. In this way, we support delicious foods around the world.

Main Products and Solutions

Oils for food processing	Ingredients key to making food delicious, such as confectionery oils and fats that are ideal for making pleasant-tasting confectioneries, emulsified oils and fats that enhance the mouthfeel of foods and powdered oils and fats that make it easier to disentangle noodles.
Flavor-enhancing oils	Oils that bring out saltiness, sourness, and piquancy with even a small amount of seasoning, helping to reduce sodium in processed foods, which is desirable from the viewpoint of preventing lifestyle-related diseases. In addition, cooking oils effective for reducing sodium that show promise for food service applications in hospitals and facilities for the elderly.
Oils and fats for powdered infant formula	High-quality oils and fats manufactured using technologies and methods in compliance with strict safety standards to help supplement the nutrition of infants around the world.
Hard butters for chocolate	Created from vegetable oils such as palm oil, hard butters for chocolate are used in the manufacture of chocolate to impart various functions and other qualities. When hard butters are mixed with chocolate, these functions – including preventing the chocolate from melting in warm climates, or causing it to solidify and dry quickly when applied to biscuits – expand the variety and flavor of confectioneries and bakery products containing chocolate. Hard butters for chocolate

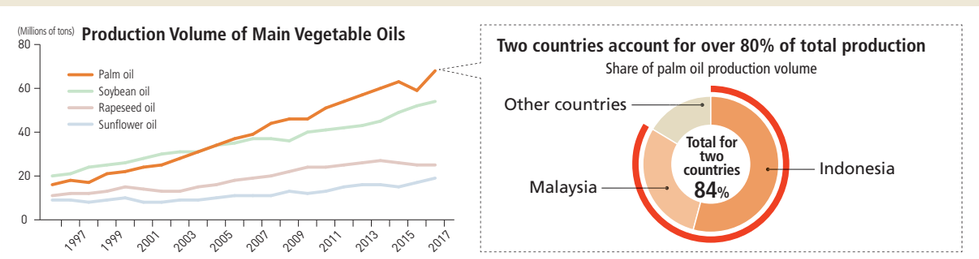
Business Positioning

Technical Foundation and Core Businesses That Support the Entire Group

Since our founding, we have worked to deepen our separation and adjustment processing technologies for oils and fats to create original ingredients and distinctive products. The Oils and Fats Business began manufacturing Japan's first hard butters for chocolate in 1955, and after that began producing chocolate itself, among other products. This became the foundation for technologies in the present day chocolate and Confectionery and Bakery Ingredients businesses. The Oils and Fats Business expanded outside Japan early on, in 1973, establishing a global sales network, customer relationships and a network of Group companies that have become the foundation for the Fuji Oil Group's business.

Business Characteristics

Palm oil comes from the oil palm, which grows in tropical regions such as Southeast Asia. It is easier to process and less expensive than other plant-based oils and fats, and for these reasons, is used in a wide range of applications from foods to chemicals. Palm oil has the highest production volume of any oil raw material in the world, and demand is anticipated to continue to grow, given global concerns about population growth. Indonesia and Malaysia account for more than 80% of total palm oil production, and because palm oil from these countries is widely used around the world, global supply chain management affects competitiveness. The business is also characterized by transactions conducted based on globally uniform prices and product quality standards. In addition, the oils and fats business is a process industry, where economies of scale and cost-cutting are essential for price competitiveness.



Source: *Oil World 2018*

Business Environment

- Multiple global players
- Expansion of scope of upstream businesses of plantation owners

SWOT Analysis

S • Enzymatic interesterification technology* • Product quality, stable supply • Ability to innovate: healthy oils and fats, etc.	**W** • Price competitiveness in commodities
O • Sustainable procurement • Increasing demand	**T** • Rising health consciousness • Regulatory changes in various countries

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

Strategic Directions

Contributing to Health

Focusing on the provision of solutions to burgeoning health problems and rising awareness of safety and security around the world, we are concentrating on expanding our range of oil and fat products that are made with health in mind and contribute to health.

In recent years, we have decided to establish a new base in New Orleans (United States), capable of responding to expanding demand for palm oil that is low in trans-fatty acids, in accordance with the relevant U.S. FDA Circular.[1]

Furthermore, we have made our stabilized DHA and EPA[2] business one of the pillars of our mid-term management plan, and will contribute to extending healthy life expectancy given the progression of aging worldwide.

1. Released by the U.S. Food and Drug Administration (FDA) in June 2015, it mandates that from June 2018 oils containing trans-fatty acids, which are said to increase the risk of heart disease, are not to be used for food applications.
2. Our proprietary core technology that enables stable admixture of anti-oxidant ingredients not readily soluble in oils and fats, thus suppressing the fishy odor caused by oxidation and making dietary intake of DHA and EPA from various foods possible.

Strengthening the Competitiveness of Global Business

We are strengthening our competitiveness in the Oils and Fats Business based on supplying low-cost, technically superior fats and oils that support our product lineup in the confectionery and bakery ingredients business, which we aim to expand globally.

In addition to expanding overall sales volume across the Group, under the leadership of Fuji Oil Holdings we aim to improve our competitiveness by strengthening supply chain management, reducing procurement costs through virtual global procurement (VGP) activities, and implementing Group-wide efficiency improvements.

Highlight

Establishment of Unifuji

Promoting sustainable procurement of palm oil and responsible supply of products to consumers and customers is positioned as a crucial component of the Group's business strategy. Unifuji Sdn. Bhd. is a joint venture with United Plantations Bhd., which shares our mission to ensure sustainable procurement of palm oil. Unifuji is scheduled to begin operations in the second half of 2018. United Plantations operates farms that recognize the importance of both the environment and the rights of laborers in ensuring sustainable production. Unifuji secures high-quality and sustainably produced palm oil as a raw material from United Plantations farms and produces high-value-added palm oil products for sale, based on our fractionation technology, which is one of our strengths. Unifuji's factories will be located on United Plantations farms and use energy generated from biomass and wastewater.

The Unifuji building

Rail lines in farms deliver palm fruit clusters to oil mills, maintaining high quality and traceability.

Segment Strategies

Confectionery and Bakery Ingredients Business — Enriching the Quality of Life with Deliciousness and Health

The main use for these products is in discretionary items such as confectionery and bakery products, which enrich the quality of life. While always keeping health in mind, we aim to contribute significantly to satisfying people's desire for delightful food, in accordance with the culture and level of development of their respective countries. We develop a wide range of ingredients necessary for baked goods and confectioneries, such as chocolate, cream, margarine and fillings.

At the same time, we take our responsibilities to society seriously in all the regions where we do business by improving the lives of everyone involved in the supply chain.

Business Positioning

In Pursuit of Deliciousness and Solutions, with Basic Oil and Fat Technologies as Our Foundation

We began developing chocolate products in 1963 to meet the needs of customers using hard butters for chocolate production. From this point, we grew in response to requests from local bakeries and confectioners, expanding into other product lines. Supported by a foundation of oil and fat technologies responsible for melt-in-your-mouth texture and outstanding flavor, we have pursued higher added value for finished products in our confectionery and bakery ingredients business, which we now operate in nine countries. It is our core business, representing about 60% of our revenue, and we are strengthening it in accordance with "Reinforcement of core competence," one of the basic policies of our mid-term management plan.

Business Characteristics

Unlike the Oils and Fats Business, which does business in a uniform fashion internationally, the Confectionery and Bakery Ingredients Business must be firmly rooted in each region and developed in a way that is appropriate for that region. Tastes and trends in discretionary items such as confectionery and bakery products can differ depending on the local culture. There is also tremendous diversity in how products are sold at stores in these markets and in the distribution channels through which these products find their way to consumers. For these reasons, we aim to expand this business by contributing to solving the unique challenges of each country, based upon deep roots in each local region, achieved through close relationships cultivated with local customers and country-specific marketing.

Confectionery and Bakery Ingredients Business ❶ — Emulsified and Fermented Food Business

Geographical Areas of Business	Japan and Asia (Southeast Asia and China)	Basic Policies of the Mid-Term Management Plan	Reinforcement of core competence

With basic oils and fats technologies as our foundation, we have been pursuing deliciousness and solutions to address the diverse needs of customers and consumers through the development of products that combine adjustment processing technologies such as emulsification and fermentation. Our lineup of easy-to-use products that maintain their deliciousness is used by diverse businesses around the world, including confectionery manufacturers and convenience stores.

Main Products and Solutions

Cream	Highly workable, great-tasting whipping cream that leverages our sophisticated emulsification and sterilization technologies. We bring out the inherent deliciousness of the ingredients and provide lasting flavor.
Margarine	Our margarine has superior workability and is manufactured from a foundation of plant-based oils and fats rich in flavor akin to milk and brown butter. It helps add variety to confectionery products.
Fillings	Custard ingredients with melt-in-your-mouth homemade deliciousness, cheese flavor ingredients that stay soft even when cool, and other ingredients. Our diverse lineup offers opportunities to encounter new experiences in deliciousness.
USS processed soy products	Cream cheese-type ingredients and whipping cream that use low-fat soymilk and soymilk cream made using the USS manufacturing method as main raw materials. As well as bringing out the inherent flavor of the ingredients, this opens the door to new tastes in diverse menus by adding full-bodied richness to the deliciousness of soybeans.

Business Environment

- Growth markets, centered on Asia
- Intense competition with many players

SWOT Analysis

S • Deliciousness and functionality through oils and fats and adjustment processing technologies • Ability to respond to customer needs • Safety and security • Ability to procure auxiliary materials through the preparations business*	**W** • Price competitiveness in commodities
O • Sustainable procurement	**T** • Rising health consciousness • Regulatory changes in various countries

* In Singapore, we procure, prepare, and process a rich variety of dairy ingredients and plant-based oils and fats for use by the Fuji Oil Group or for sale as confectionery products and cooking ingredients.

Strategic Directions

Expanding Business and Getting a Good Understanding of the Market

In Japan, our previous aim was to replace fresh cream, butter and other dairy products, as well as to strengthen their functionality; however, we now plan to set ourselves apart by launching new products using the value of plant-derived ingredients and raw materials themselves.

In Asia, we will pursue cost competitiveness by strengthening cooperation between local and Japanese technicians, and making full use of the Asia R&D Center. In addition, we aim to expand existing business by leverage our strengths in deliciousness and a total lineup of solutions that includes chocolate.

In growth markets, we will focus on securing future demand by promoting sales of Fuji Oil Group products to broaden awareness of the deliciousness that the Group can offer. Through this awareness, we will grow together with these markets, securing market share and establishing a firm grip on future demand.

Highlight

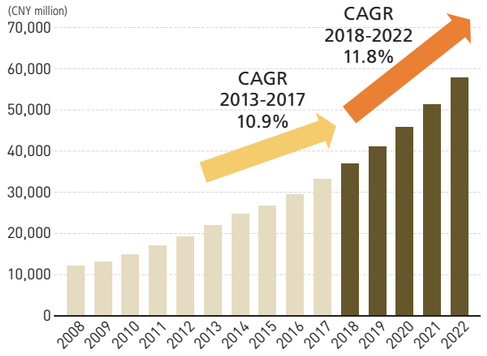
Start of Operations at Fuji Oil (Zhaoqing) Co., Ltd., Our Second Facility in China

In China, eating habits are changing rapidly and coffee shop chains are likewise expanding, mainly in major cities. Chinese people are developing a taste for baked goods, not just in coastal areas, but also in the interior.

Our custard cream for bakery products and other filling ingredients are selected for their quality and flavor as well as for their safety and security as a Japanese brand. These products are driving the bakery products market. Until now we have expanded sales throughout mainland China from our first factory in Zhangjiagang, but because total sales volume for our fillings has been strong, increasing 160% year on year, production at this factory has reached capacity. Therefore, from the second half of 2018 we will start operations at a second factory in China. Furthermore, we are reinforcing our policy of building close relationships with our customers by expanding and enhancing our sales offices and FUJISUNNY PLAZAs. Through these initiatives, we aim to deliver safe, secure and delicious food products to dining tables throughout China.

Second factory in China

Retail Sales of Bakery Products in China



Source: Euromonitor International 2018

Segment Strategies

Confectionery and Bakery Ingredients Business ❷ Chocolate Business

Geographical Areas of Business	Japan, Asia (Southeast Asia, China), Americas (Brazil) and Europe	Basic Policies of the Mid-Term Management Plan	Reinforcement of core competence

Using the hard butters for chocolate from our underlying basic oil and fat technologies, and the processing technologies we have cultivated over many years in Japan, we develop industrial use chocolate for various applications.

We specialize in making compound chocolates for combining with other food ingredients, including ice cream, confectioneries and bakery products, as well as sugarless chocolate that requires advanced manufacturing technologies. Above all, we are strong in processing technologies that yield deliciousness. In Japan, we maintain top market share in industrial use chocolate in terms of total sales volume, and as chocolate is a major business driving profit growth for the entire Fuji Oil Group, we have also prioritized global expansion.

What is compound chocolate?

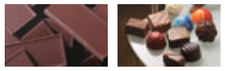
Chocolate whose main ingredients include hard butters for chocolate (see page 32) as the fat and oil component, together with cacao, milk and sugar. Using hard butters for chocolate imparts functions such as quick-drying and heat resistance, enabling the chocolate to be used for a wide range of applications such as bakery products and confectioneries.

Broadly speaking, there are two types of hard butters for chocolate: tempering and non-tempering. By matching the type to the intended application we achieve deliciousness and diversity for foods that use chocolate.

Many chocolate confectioneries and bakery products use compound chocolate

Pure chocolate

Cacao + Milk + Sugar + Cocoa butter



Compound chocolate

Cacao + Milk + Sugar +

Hard butters for chocolate

CBE[1] — **Tempering hard butters for chocolate**
Possess qualities very similar to cocoa butter, easily melting with cocoa butter, but they require tempering when solidifying. Excellent bloom resistance and oxidation stability.

CBS[2], CBR[3], etc. — **Non-tempering hard butters for chocolate**
Tempering is not necessary. They further improve the workability and enhance the shelf life of the chocolate products they are used in.

1.Cocoa butter equivalent
2.Cocoa butter substitute
3.Cocoa butter replacement

Business Positioning

Core Business for Demonstrating Our Strengths and Working toward Global Growth

We have supported the market for chocolate products by working closely with customers and seeking solutions that meet their needs as Japan's eating habits change.

Going forward, we will consider hard butters for chocolate as part of our chocolate business in working to expand the business worldwide.

The Group's chocolate business is highly profitable because it pursues solutions in terms of both flavor and technology. It is positioned as a core business of the Company because of the technologies we possess in hard butters for chocolate and the strength we demonstrate in development. Under the basic policy "reinforcement of core competence" set forth in the mid-term management plan, we are implementing strategies aimed at global growth and promoting intensive resource allocation.

Business Environment

- Growth markets, centered on Asia
- Competition is intense due to presence of large players

SWOT Analysis

S • Advanced chocolate processing and manufacturing technologies • Basic technologies for oils and fats that provide the foundation for melt-in-your-mouth deliciousness • Ability to respond to customer needs • On-site ability to achieve solutions that meet customer needs	**W** • Supplying products that balance quality and cost appropriately for each region • Stable and competitive procurement of cacao as a raw material
O • Increased demand due to changing eating habits in emerging countries	**T** • Sustainable procurement of cacao beans • Entry of competitors, intensifying competition

Strategic Directions

Expanding Scale of Global Business

After acquiring Brazil-based Harald Indústria e Comércio de Alimentos S.A. in 2015, we became number four in the world in terms of sales volume of industrial use chocolate, earning a solid position amid the global competition. We seek to expand the scale of our business to compete globally, principally by leveraging our strengths in compound chocolate.

Demand for chocolate products is expected to grow in emerging countries, and these countries often have warm climates. In warm areas, we expect that demand for confectionery and bakery products that include chocolate will expand, rather than demand for chocolate itself. As a result, we plan to expand chocolate products making full use of our strengths in compound chocolate. By also building close relationships with our local customers, we will grow alongside them and expand the scale of our business.

Meanwhile, in Japan, the Americas and Europe, where consumption is already high, we aim to improve our presence by contributing to resolving social issues such as health awareness and the decreasing labor force. We will concentrate our resources on growth, including consideration of aggressive M&A, and develop into a powerful business capable of competing globally for the long term.

Strategy for Each Geographical Area

Japan	Asia	Americas	Europe	Other areas
To address labor shortages, we will focus on products that require a high degree of processing such as molded chocolate.	Utilizing our new bases in Australia and Malaysia, we will expand sales of strong products tailored to regions beyond Southeast Asia.	We will increase the quantity of new products that leverage our oil and fat technologies, and improve production efficiency by alleviating seasonal fluctuations.	We will leverage synergies with the Oils and Fats Business, aiming to expand our business using special chocolates incorporating our advanced technological capabilities as our strength.	We will continue seeking ways to expand our business into growth markets and markets where consumption is high.

Highlight

Responsible Cacao Sourcing Policy

The procurement of cacao, which is an important raw material for the chocolate business, faces complex and interconnected challenges. With demand growing, there may be shortages in the supply of cacao in the future resulting from the aging of farming communities and/or their abandonment of cacao farming; the aging of cacao trees; climate change; and low productivity due to limitations of cultivation materials and knowledge of cultivation techniques. There are also complex human rights and environmental issues in the cacao supply chain, including poverty among farmers, child labor, deforestation and soil pollution.

The Fuji Oil Group made key commitments (listed below) in order to bring continuous happiness to the world with its cacao-based products, and to contribute to the UN SDGs.

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

Key Commitments

1.	Improving the livelihood of cacao farmers	We will improve the livelihood and productivity of cacao farmers through the provision of comprehensive support, including training (for example, on farming methods, soil management and appropriate use of fertilizers and pesticides) and interest-free or low interest micro finance.
2.	Eliminating child labor from our supply chain	We will seek to eliminate child labor from our supply chain through monitoring and the provision of remedies; raising awareness in cacao farming communities; creating an environment that ensures access to education; and other measures that may be appropriate.
3.	Preventing deforestation and protecting forest	We will seek to prevent deforestation in our supply chain and to protect forest through monitoring and the provision of remedies; providing appropriate education and support to farmers; and other measures that may be appropriate.

We will develop an implementation plan for the above commitments, monitor implementation of the plan, and report on our progress.

Segment Strategies

Soy Business — Creating a New Future

Geographical Areas of Business	Japan and Asia (China)	Basic Policies of the Mid-Term Management Plan	Growth of soy business, development of functional high-value-added products business (polysaccharides business)

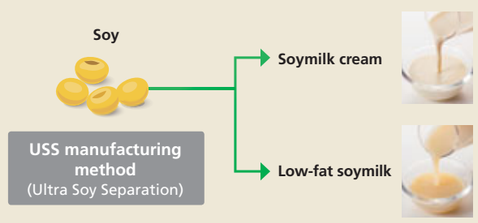
The Fuji Oil Group is the only comprehensive manufacturer of soy food products in the world, and has worked on soybean research for the more than half a century since its founding.

Through technologies developed based on accumulated research, we have opened up a whole new world of soybean products by providing high-performance food ingredients such as soy protein ingredients, soy peptides, water soluble soy polysaccharides and soy protein food products, as well as maximizing use of premium soymilk products created by the world's first USS manufacturing method for processed food. We will continue to contribute to human nutrition and health through soy and to develop products that showcase the inherent deliciousness of soybeans.

Main Products and Solutions

Soy protein ingredients	Powdered and granular food ingredients with high protein content that not only contribute to enhancing and stabilizing the quality of processed meat and fish products, but are also used as a protein replacement and as a meat substitute.
Functional agents	Soluble soy polysaccharides that are excellent for preventing the precipitation of milk components in acidic milk drinks, and soy peptides that are excellent for digestion and absorption as well as effective for muscle strengthening and recovery from fatigue. Utilizing these functions helps add variety to beverages and processed rice products.
USS soymilk products	The world's first patented manufacturing method for separating soymilk into low-fat soymilk and soymilk cream, leaving the inherent deliciousness of soybeans. It has led to an expanding range of processed products with diverse functionality and deliciousness not found in conventional soymilk products. Not only does this enable the use of soybeans to manufacture foods traditionally derived from eggs and milk, such as mayonnaise and cheese, but its range of applications is broadening to encompass various menus and food products due to the deliciousness it delivers.

New Soymilk Ingredients Created by the USS Manufacturing Method



Examples from the range of dishes made using the USS manufacturing method

Business Positioning

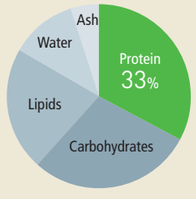
Making Our Determination to Contribute to Society the Pillar of Next-Generation Businesses

Masataro Nishimura, the key founding figure of the Company, predicted the depletion of food resources and nutritional health issues throughout the world, and was determined that the soy business would contribute to society. In 1961, we started the advanced use of the protein from defatted soybeans. Subsequently, we pursued unsurpassed technologies to fully utilize the power of soybeans and have grown into the world's only comprehensive processor and manufacturer of soy food products, cultivating both knowledge and technologies. Recently, the transition to a plant-based diet has progressed worldwide and flexitarian lifestyles are increasing, mainly among millennials in the United States and Europe. The plant protein market is also expected to expand due to future global population growth coupled with the depletion of protein resources.

The Fuji Oil Group will promote development in emerging countries and work to contribute to the health of the Earth and its people mainly with products showcasing the inherent deliciousness of soybean products created using the USS manufacturing method, including soy meat products with the same texture as meat.

Composition of U.S.A. Dried Soybeans

Soybeans contain a good balance of amino acids and are rich in beneficial protein



Source: Subdivision on Resources, the Council for Science and Technology, Ministry of Education, Culture, Sports, Science and Technology, *Standard Tables Of Food Composition In Japan, Fifth Revised and Enlarged Edition*

Business Environment

- Chinese companies are on the rise in fields involving a low degree of processing
- The market for plant-based protein shows signs of growth amid ongoing major restructuring among food companies worldwide.

SWOT Analysis

S • Broad knowledge and technologies relating to soybeans • Broad customer base and know-how regarding deliciousness cultivated in the Oils and Fats Business and the Confectionery and Bakery Ingredients business • Ability to respond to customer needs	**W** • Cost competitiveness in commodities • Do not own a source of the main raw materials
O • Global trend toward a plant-based diet • Aging societies and health issues centered on Japan and China	**T** • Sustainable procurement of soybeans

Strategic Directions

Implementing Selection and Concentration in Pursuit of Solutions to Grow the Branches and Leaves of the Soy Tree

We are revising our traditional business structure and pushing ahead with structural reforms based on the principles of selection and concentration.

In "selection," we are divesting and downsizing unprofitable business and bases. In FY 2017, we revised our supply chain for soy protein ingredients, and transferred some production bases for soy protein food products. We are continuing to reconfigure our business structure in FY 2018.

In "concentration," we have focused our efforts on creating a market targeting the shift to solution-oriented product portfolios. The market has begun to recognize the value of soybeans, as seen in the expansion of applications for soy protein ingredients and the increasing attention that soybean meat has been attracting. Aiming for further solutions as we move forward, we will gradually develop the Soy Tree and improve our global competitiveness by increasing the level of our materials processing through full use of our oil and fat technologies and our emulsification and fermentation technologies.

In addition, we will work to expand our lineup of functional high-value-added businesses centered on the strong polysaccharides business, which is expected to grow further. We aim to develop these products to help support a highly profitable business capable of providing next-generation solutions.

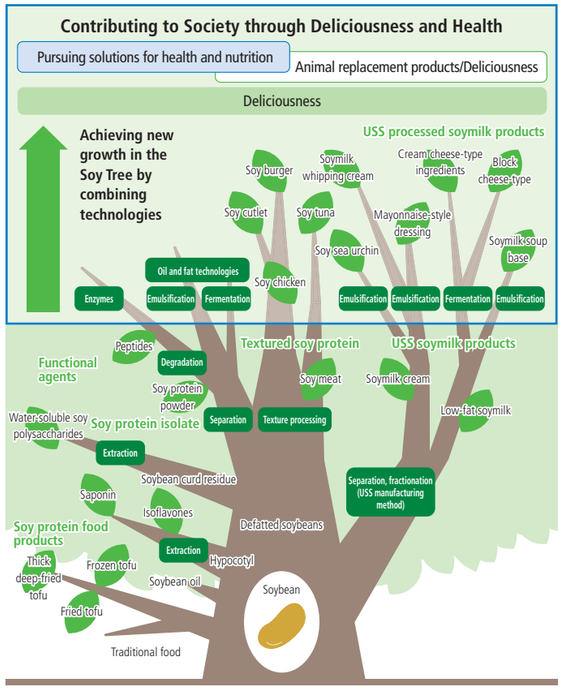
Highlight

Growing the Soy Tree

Raw milk is transformed through various processes, including separation, fermentation and emulsification, into foodstuffs such as fresh cream, cheese and yogurt, bringing various types of deliciousness to the dining table. This spread of products is called the "Milk Tree."

We intend to help the "Soybean Tree" grow even larger. With the establishment of the USS manufacturing method, we have opened up a path to expanding processed products that take full advantage of the inherent deliciousness of soybeans. The range of items such as whipping cream, cheese-type ingredients and mayonnaise-style dressings is growing, just like the Milk Tree. Soy protein ingredients have long functioned in roles supporting animal proteins, such as improving the texture and maintaining the quality of ham and sausages, but in recent years new products and technologies have successively emerged that feature soybeans in leading roles.

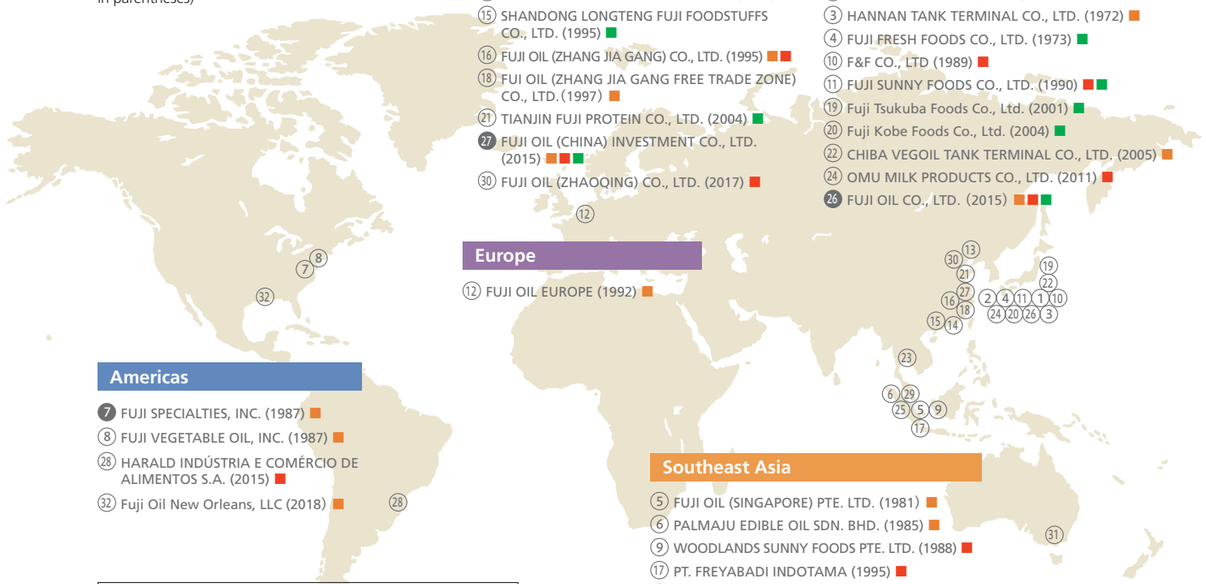
Going forward, not only will we make use of the value of the soybean in and of itself, but we will also utilize the technologies and the expertise in deliciousness that we have cultivated in the Oils and Fats Business and the Confectionery and Bakery Ingredients Business, as well as our customer networks, to solve social problems through deliciousness and health. In this way, we intend to grow the Soy Tree even larger by extending its branches and leaves.



Geographical Area Strategies

Consolidated subsidiaries

(As of July 31, 2018; listed in order of year of establishment or year of consolidation, in parentheses)



Asia (China)

- ⑬ JILIN FUJI PROTEIN CO., LTD. (1994)
- ⑭ SHANGHAI XUYANG FOOD CO., LTD. (1995)
- ⑮ SHANDONG LONGTENG FUJI FOODSTUFFS CO., LTD. (1995)
- ⑯ FUJI OIL (ZHANG JIA GANG) CO., LTD. (1995)
- ⑱ FUI OIL (ZHANG JIA GANG FREE TRADE ZONE) CO., LTD.(1997)
- ㉑ TIANJIN FUJI PROTEIN CO., LTD. (2004)
- ㉗ FUJI OIL (CHINA) INVESTMENT CO., LTD. (2015)
- ㉚ FUJI OIL (ZHAOQING) CO., LTD. (2017)

Japan

- ❶ FUJI OIL HOLDINGS INC. (1950)
- ② TORAKU FOODS CO., LTD. (1960)
- ③ HANNAN TANK TERMINAL CO., LTD. (1972)
- ④ FUJI FRESH FOODS CO., LTD. (1973)
- ⑩ F&F CO., LTD (1989)
- ⑪ FUJI SUNNY FOODS CO., LTD. (1990)
- ⑲ Fuji Tsukuba Foods Co., Ltd. (2001)
- ⑳ Fuji Kobe Foods Co., Ltd. (2004)
- ㉒ CHIBA VEGOIL TANK TERMINAL CO., LTD. (2005)
- ㉔ OMU MILK PRODUCTS CO., LTD. (2011)
- ㉖ FUJI OIL CO., LTD. (2015)

Europe

- ⑫ FUJI OIL EUROPE (1992)

Americas

- ❼ FUJI SPECIALTIES, INC. (1987)
- ⑧ FUJI VEGETABLE OIL, INC. (1987)
- ㉘ HARALD INDÚSTRIA E COMÉRCIO DE ALIMENTOS S.A. (2015)
- ㉜ Fuji Oil New Orleans, LLC (2018)

Southeast Asia

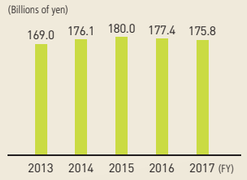
- ⑤ FUJI OIL (SINGAPORE) PTE. LTD. (1981)
- ⑥ PALMAJU EDIBLE OIL SDN. BHD. (1985)
- ⑨ WOODLANDS SUNNY FOODS PTE. LTD. (1988)
- ⑰ PT. FREYABADI INDOTAMA (1995)
- ㉓ FUJI OIL (THAILAND) CO., LTD. (2010)
- ㉕ FUJI OIL ASIA PTE. LTD. (2012)
- ㉙ GCB SPECIALTY CHOCOLATES SDN. BHD. (2016)
- ㉛ INDUSTRIAL FOOD SERVICES PTY. LTD. (2018)

■ Oils and fats ■ Confectionery and bakery ingredients ■ Soy
● Fuji Oil Holdings/Regional Headquarters

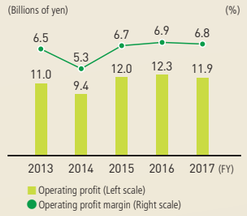
Japan

Work sites: 11

Revenue

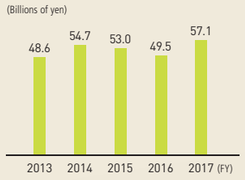


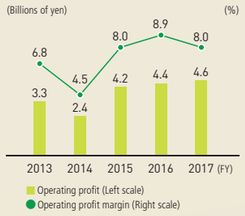
Operating profit / Operating profit margin



Asia

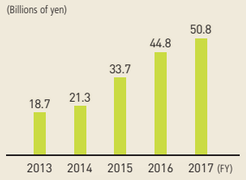
Work sites: 16

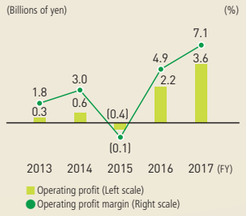




Americas

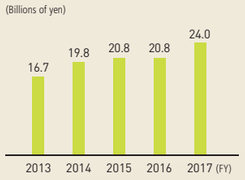
Work sites: 4

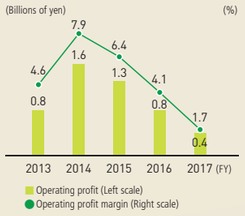




Europe

Work sites: 1





Japan

Oils and Fats | Confectionery and Bakery Ingredients | Soy

Main Products
Oils and Fats: Oils and fats for food processing / Hard butters for chocolate
Confectionery and Bakery Ingredients: Chocolate / Cream / Margarine / Fillings / USS processed soymilk products
Soy: Soy protein ingredients / Soy protein food products / Functional agents / USS soymilk products

Main Customers
Major food manufacturers / Confectionery manufacturers / Beverage manufacturers / Bakeries and confectioners / Convenience stores / Restaurants / Food service

Social Issues	• Declining birthrate and aging society • Shortages in the labor market
Opportunities and Risks	• Responding to demand for sustainable raw materials • Market price/exchange rate fluctuations • Increases in visitors to Japan (inbound demand)
Strengths	• Safe, secure and high-quality products • Technological capabilities • Broad customer base
Issues	• Insufficient production capacity for main products • Aging facilities at the Hannan Business Operations Complex plants • Declining profitability of emulsified and fermented product business such as cream and margarine

Strategy Resolve social issues by providing plant-based food ingredients to contribute to the health of the Earth and its people

• Focus on resolving social issues to achieve sustainable growth

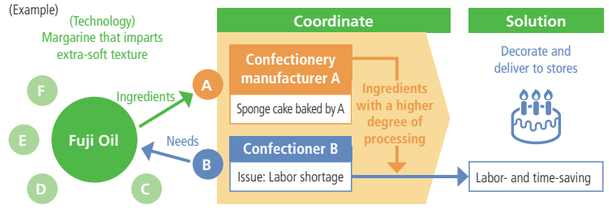
Due to Japan's declining birthrate and aging society, it faces difficult social challenges such as narrowing the gap between average life expectancy and healthy life expectancy and shortages in the labor market. We are working toward the development of plant-based food ingredients from various angles, and making progress through solution-oriented management that resolves these social issues by providing deliciousness and health. Our aim is to achieve sustainable growth in the shrinking Japanese market.

Aging society Proposal of food ingredients, such as stabilized DHA and EPA and soy meat, that promote longer life expectancy and health

Labor shortage Proposal of food ingredients that are labor-saving for our customers
Menu proposals through coordinated business

What is co-creation?

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



• Capturing inbound demand

Although Japan's population is aging, the number of visitors to Japan is expected to reach 40 million per year by 2020 and to continue growing. We will capture inbound demand by strengthening initiatives in the restaurant and souvenir markets.

Undaunted by Change, We Take on Challenges to Enhance Our Corporate Value

"Aging" and "labor shortage" have become keywords for the future of Japanese business. In order to achieve sustainable growth despite the shrinking market and rapidly changing business environment, it is essential that we pursue solutions to these social issues through plant-based food ingredients.

In the chocolate business, we will promote labor saving to address shortages in the labor market by reinforcing our production of highly processed molded chocolate. In our emulsified and fermented food business, we aim to differentiate ourselves through plant-based food ingredients and pursue solutions to our customers' labor shortages by bringing stakeholders together. In the Oils and Fats Business, we will accelerate the commercialization of stabilized DHA and EPA, with the aim of narrowing the gap between average life expectancy and healthy life expectancy in an aging society. With regard to the organizational structure of our research and sales divisions, we are moving forward with reforms that will emphasize achieving solutions to social challenges. In addition to generating cash to drive growth across the entire Group, an important mission of the Japan business is to create technologies and develop human resources that will serve as a foundation for value creation. By leveraging IT and revising and expanding our systems, we are promoting health management and work style reform. Change requires considerable energy, but we are committed to taking on the challenge together and achieving growth as we work to realize our mission "to contribute to society by creating the future of delicious and healthy food," as outlined in the Fuji Oil Group Management Philosophy.

Tatsuji Omori
Member of the Board
Executive Officer, Fuji Oil Holdings Inc.
President, Fuji Oil Co., Ltd.

Geographical Area Strategies

Southeast Asia

Oils and Fats | Confectionery and Bakery Ingredients

Main Products | Oils and Fats: Hard butters for chocolate / Oils and fats for powdered infant formula
Confectionery and Bakery Ingredients: Chocolate / Margarine / Fillings

Main Customers | Major food manufacturers / Confectionery manufacturers / Confectioners and bakeries / Restaurant chains / Convenience stores

Social Issues	• Increase in lifestyle-related diseases accompanying economic growth • Sustainable palm oil production
Opportunities and Risks	• Economic growth and changes in the dietary culture of each country • Intensifying competition
Strengths	• Safety, secure and high-quality products
Issues	• Total balance of management at each base • Country-specific marketing

Strategy | Pursue solutions to social problems at both the global and local levels

• Delivering sustainable palm oil to the world through our Group companies
We have many production bases in Indonesia and Malaysia, the largest producers of palm oil, which is a main raw material of the Group. These bases serve as a business foundation for the entire Group. In addition to making full use of the operations of the newly established Unifuji, we aim to streamline existing sites and promote supply chain management to strengthen the competitiveness and increase the corporate value of the entire Group.

• Confectionery and bakery ingredients: Country-specific marketing
It is vital to take an individualized approach for each country, taking into account factors such as the religious beliefs, ethnicity, and preferences of the culture, as well as the stage of development and inherent social issues. In addition to promoting the utilization of technology developed in Japan and the Asia R&D Center, we will concentrate on management of Southeast Asian companies through regional headquarters and country-specific marketing in order to secure a share of each country's growth.

Responding to social issues in intensely competitive environments

Southeast Asia is a fiercely competitive market where companies from all over the world vie for share with each other and with local companies that have long histories in their regions. In order to overcome the competition and contribute to society through deliciousness and health, it is essential that each Group company moves ahead with individual strategies tailored to the characteristics of its business and the circumstances of each country while remaining true to the spirit of the Fuji Oil Group Management Philosophy. In addition, we intend to use Fuji Oil's plant-based food ingredients to help resolve health issues that tend to increase with economic development, such as obesity and diabetes.

We will deal with management challenges and work passionately, yet rationally, to further contribute to our customers.

Yasuhiro Maruhashi
Executive Officer, Fuji Oil Holdings Inc.
Managing Director, Fuji Oil Asia Pte. Ltd.

China

Oils and Fats | Confectionery and Bakery Ingredients | Soy

Main Products | Oils and Fats: Oils for food processing / Hard butters for chocolate
Confectionery and Bakery Ingredients: Margarine / Fillings / Chocolate / Cream
Soy: Soy protein / Functional agents / Soy food products

Main Customers | Food, beverage, health food, confectionery manufacturers / Bakeries and confectioners / Convenience stores and other retailers

Social Issues	• Rapidly aging society, increase in lifestyle-related diseases
Opportunities and Risks	• Changes in eating habits and social environment • Intensifying competition
Strengths	• Ingredients development and application capabilities • Safe, secure and high-quality products
Issues	• Selection and concentration for effective use of capital

Strategy | Make sustainable contributions to Chinese society through deliciousness and health

• Develop products in line with social changes and expand sales
We are responding to the rapid diversification in eating habits. With regard to the increased consumption of baked goods, we will strengthen our production, sales, and development bases for confectionery and bakery ingredients and sell these products across a wider area. We are also working on product development to respond to growing health awareness, and aim to expand sales of such products in the future.

• Provide solutions to dramatic increases in the elderly population and lifestyle-related diseases
Leveraging our technological capabilities, knowledge, and application capabilities for soybean ingredients, we will promote product development that utilizes diverse plant-based food ingredients. With products close to the end market, we will seek to provide solutions to health issues associated with aging and social development.

Becoming a business entity that develops steadily, making a sustainable contribution to Chinese society through deliciousness and health

In China, there are major opportunities for social contribution because the social environment and market needs are changing quickly. The ideals and technologies of the Fuji Oil Group are exactly what China currently needs. We believe that social challenges such as diversification of eating habits and the increase in the elderly population and lifestyle-related diseases can be resolved by applying the ideals and technologies of the Fuji Oil Group. We aim to become a business entity that can make a sustainable contribution to Chinese society by moving in harmony with social and market trends, and by using plant-based food ingredients, especially those that demonstrate our strengths in the field of health and nutrition.

Masataka Minemura
Executive Officer, Fuji Oil Holdings Inc.
President, Fuji Oil (China) Investment Co., Ltd.

Americas

Oils and Fats

Main Products | Oils and Fats: Edible oils / Oils for food processing / Hard butters for chocolate

Main Customers | Major food manufacturers / Restaurants

Social Issues	• Health (obesity) problems
Opportunities and Risks	• Changes in food-related laws and regulations
Strengths	• Low trans-fatty acid palm oil, stable supply capability
Issues	• Early expansion of production capacity

Strategy | Pursue what is best for each area and strengthen country-specific sales strategies

In the wake of the release of a U.S. FDA Circular, demand for palm oil with a low trans-fatty acid content is increasing in the United States. In March 2018, we decided to establish a new production base. We are preparing for an early start of operations with the aim of expanding our supply area and establishing a global position as a manufacturer of oil and fat ingredients.

Brazil

Confectionery and Bakery Ingredients

Main Products | Confectionery and Bakery Ingredients: Chocolate

Main Customers | Major confectionery manufacturers / Bakeries, confectioners / Restaurants / Confectionery ingredient wholesalers

Social Issues	• Economic downturn, high unemployment rate
Opportunities and Risks	• GDP growth, risk of exchange rate fluctuations
Strengths	• Branding, sales channels
Issues	• Fluctuations caused by seasonal factors, production capacity

Strategy | Use oil and fat technologies to bring new food delight to the Brazilian market

Possessing unique sales channels and strong brand power, Harald Indústria e Comércio de Alimentos S.A. joined the Fuji Oil Group in 2015, and has been strengthening its management foundation. In the future, we aim to grow by surprising and delighting the Brazilian market with novel chocolate products that make full use of our expertise in oil and fat technologies.

Aiming to contribute to our huge market in its entirety through deliciousness and health

The Fuji Oil Group's investments in the Oils and Fats Business in the United States and the chocolate business in Brazil have grown into businesses capable of achieving solid results in those regions. In the future, we will further expand our Oils and Fats Business and chocolate business in the huge market of the Americas, which has one billion people and a combined GDP of U.S.$27 trillion, accounting for one-third of the world's GDP. In the United States, the market for plant-based foods is rapidly expanding due to heightened awareness of health and the environment. First, we will respond to the health and environmental needs of the United States by providing our USS processed soymilk products. In the future, we will strive to expand our business by providing plant-based food ingredients that contribute to deliciousness and health throughout the Americas.

Takeshi Takasugi
Executive Officer, Fuji Oil Holdings Inc.
President, Fuji Specialties, Inc.

Europe

Oils and fats | Confectionery and bakery ingredients

Main Products | Oils and fats: Oils for food processing / Hard butters for chocolate
Confectionery and bakery ingredients: Chocolate
Note: Accounting segment is oils and fats only

Main Customers | Major food manufacturers

Social issues	• Ethical consumption*
Opportunities and Risks	• Rise in demand for sustainable raw materials
Strengths	• Direct procurement of sustainable raw materials (palm oil, shea butter, etc.)
Issues	• Sustainable growth under intense competition

Strategy | Expand the range of high-performance, high-quality oil and fat products using sustainable raw materials

We are focusing on healthy oils and fats, high-performance specialty fats for confectioneries, and niche high-performance chocolate. In the near future, we will start handling sustainable palm oil from Unifuji, which is scheduled to begin operations in 2018, and accelerate product rollouts in response to social needs.

* Consumption involving the selection of environmentally and socially conscious products and services in order to realize a better society

Understanding the age we live in and creating the future of food

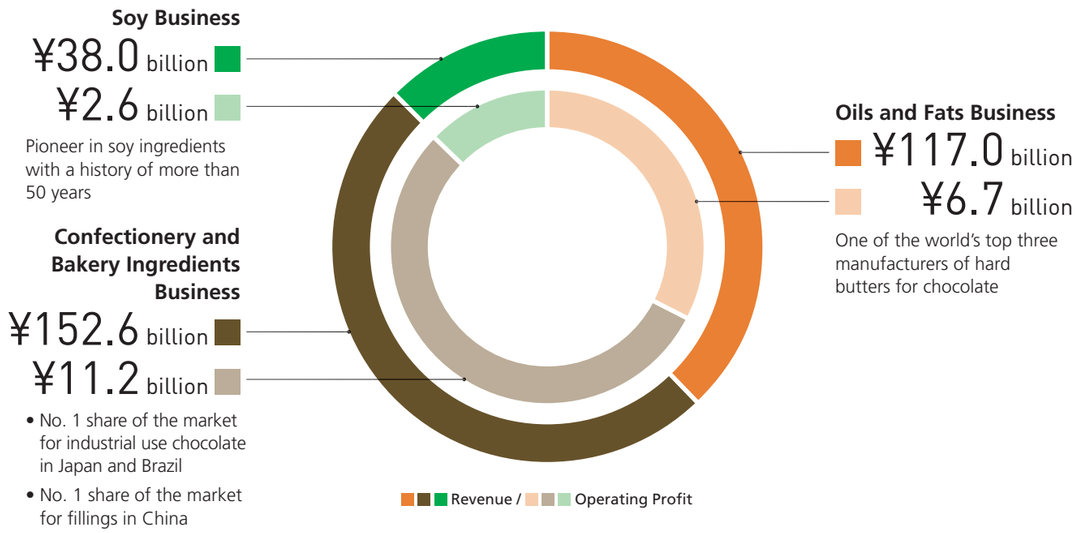
It is not easy to survive in the European market, which is saturated and crowded with major global players, but we will continue to strive for success. Europe is a source of global food trends. Expansion of ethical consumption and trends that emphasize the value of quality and functionality also offers great opportunities. In our sales strategy and product development, we will focus on improving efficiency, flexibility and creativity, as well as strengthening our provision of solutions to social issues by promoting sustainable procurement and open innovation. In these ways, we will create the future of food.

Bernard Cleenewerck
President, Fuji Oil Europe

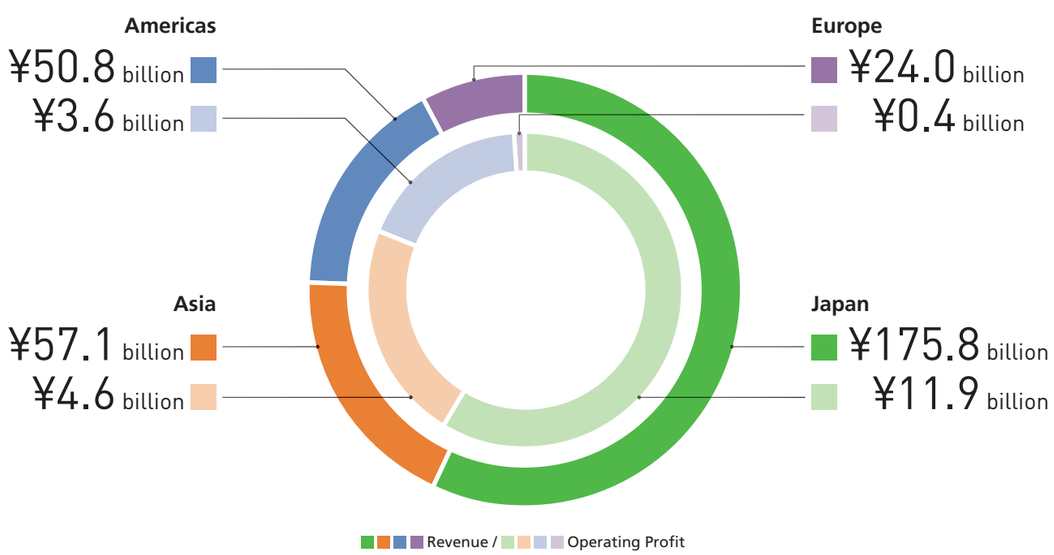
FY 2017 Business Overview

Revenue (outer circle) ¥307.6 billion / Operating Profit (inner circle) ¥20.5 billion

Revenue and Operating Profit by Segment



Revenue and Operating Profit by Geographical Area



Financial Strategy: Message from the CFO

We are undertaking an aggressive financial strategy to realize sustainable, global growth

Tomoki Matsumoto
Member of the Board
Executive Officer
Chief Financial Officer (CFO)

Financial Strategy for Increasing Corporate Value

Towards a level of management capable of competing globally

The shift to a holding company structure in October 2015 was a major turning point for the Fuji Oil Group in its progress toward sustainable, global growth. In our Mid-Term Management Plan "Towards a Further Leap 2020," we plan to build a Group management structure by 2020, strengthen financial governance to enable our financial strategy to take on global competition, generate cash flow and maximize capital efficiency.

Corporate value is not only evaluated quantitatively, such as through profits and cash flow but also through qualitative aspects such as ESG. By explaining how our efforts in both the financial and non-financial spheres are closely related in improving our corporate value, we believe we can earn the trust of our stakeholders.

In addition, to further enhance our corporate value, increasing capital efficiency is important and improving ROE is crucial. We plan to create free cash flow by improving profitability, shortening our cash conversion cycle (CCC), and establishing stricter standards for investment.

Overview of Financial Strategy

A significant shift towards cash flow management

We recognize that shifting to cash flow management is essential in order to take on strong competitors globally. For this reason, by generating cash flow through sustained profit growth, improving capital efficiency and strengthening financial governance, we hope to contribute to improving the corporate value of the entire group from a financial point of view. Therefore, through sweeping initiatives, including financial governance, we are promoting a shift in our mindset from what is best for each Group company to what is best for the Group as a whole. Since numbers are a globally shared language of comparison, we are considering unification of our account settlement periods and our accounting standards.

There are four main points to our financial strategy.

The first point is the generation and effective utilization of cash flow. Looking ahead, cash flow will be the most important element for implementing new strategic investment, including M&A. In addition to pushing forward with the improvement of CCC, we will maximize our cash flow, improve capital efficiency and carry out fund procurement by

making maximum use of cash on hand through means such as in-Group financing and cash pooling.

The second point is cost reduction and improving profitability. We will promote the reduction of administrative costs by standardizing work practices and accumulate the know-how from that process. Currently, our operating profit margin is in the range of 6%, but through cost reductions and the expansion of high-value-added businesses through new investment, we can raise it to 8%, thereby boosting ROE. From a financial point of view, we have made improving profitability through a better operating profit margin a key pillar of our strategy.

Mid-Term Financial Strategy Progress

	Financial Management Policy			FY 2017 Progress	
1	Sustainable profit growth	• Consolidated operating profit CAGR: 6% or higher • EPS growth rate CAGR: 8% or higher • CCC 10 days shorter	Create and distribute cash flow Generate ¥100 billion in cash flow from operating activities over four years	(1) Operating cash flow	FY 2017 28.2 billion (+11.7 billion YoY)
				(2) CCC	FY 2017 103 days (-7 days YoY)
2	Maintain healthy financial status	• Evaluate business characteristics and risks to maintain a stable financial structure	Balance sheet management in line with risks and return	(1) Reduce interest-bearing liabilities	Interest-bearing loans ¥56.6 billion (-¥9.0 billion YoY)
				(2) Improve D/E ratio	0.35 times (-0.08 YoY)
				(3) Equity ratio	58.9% (+3.5 pts. YoY)
3	Improve capital efficiency	• Match level of competing global companies and elevate ourselves to level necessary for sustainable growth	Improve ROE to 10%	(1) Improve total asset turnover	113.1% (+5.6 pts. YoY)
				(2) Unprofitable business assets	Decreased due to sale of assets
				(3) Capital investment	Carefully inspected capital expenditures
4	Enhance financial governance	• Promote standardization, financial risk reduction, business optimization • Enable global comparative validation	Group financial benchmarks and standards	(1) Global CMS*	Started implementation
				(2) Unification of core system	Started development at U.S. companies/kickoff at Chinese companies
				(3) Unification of accounting period and early settlement of accounts	Hired consultant and strengthened partnerships with each company

* Cash management system

The third point is financial standardization and optimization. We will vigorously promote the unification of financial management so that we can easily compare various financial indicators globally. To cultivate an environment enabling us to instantly grasp the financial situation across the entire Group, we will unify account settlement periods and accounting standards, renovate our core systems, and build a global cash management system.

The fourth point is risk management and the strengthening of governance. When shifting our focus to global competition, financial risk naturally increases and its influence on management cannot be ignored. Therefore, effective financial governance is important. In addition to taking measures against foreign exchange risks, interest rate risks, and liquidity risks, the holding company will provide steady leadership and management through measures such as introducing Group policies and strengthening monitoring.

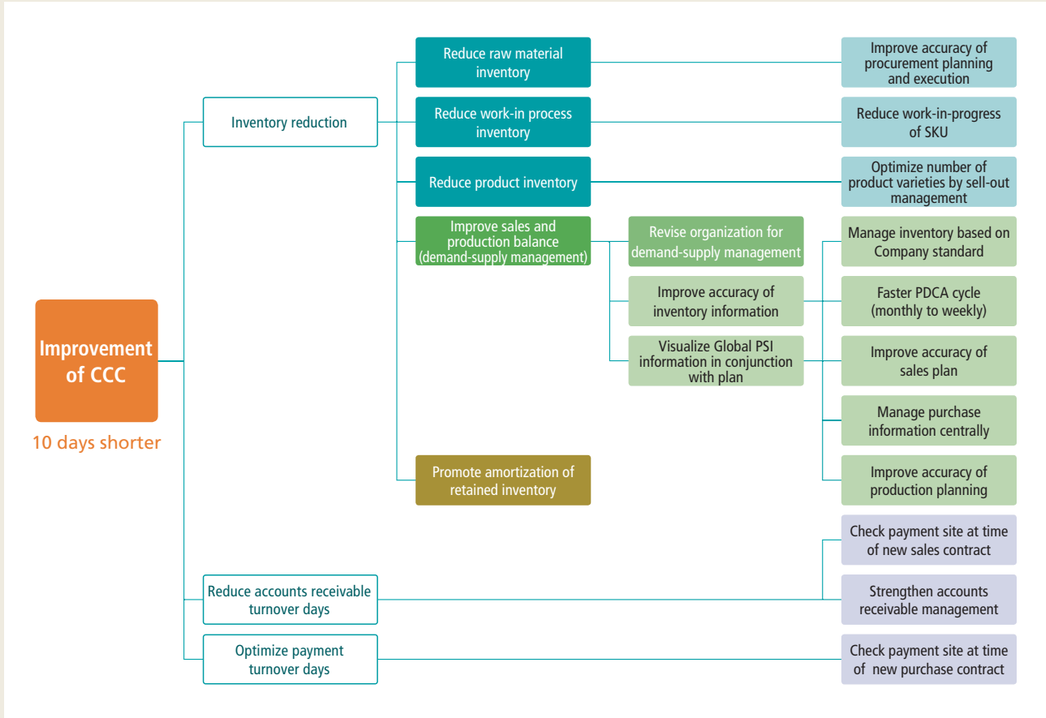
Specific Measures for Raising Corporate Value

Improving CCC by furthering inventory optimization

In fiscal 2017, the first year of the mid-term management plan, we began various measures to achieve sustained profit growth. To improve CCC, we broke down management indicators and set up KPIs that are easier for each workplace to concentrate on. We are working to reduce our inventories of raw materials, work in progress and finished products, and are progressing toward achieving the CCC and operating cash flow targets of the plan.

Improvement of CCC is a matter of rigorously collecting accounts receivable and optimizing inventories. Strategic responses at the workplace level are crucial, such as setting

Improvement of CCC



standards for optimum turnover rate and inventory levels, taking into consideration not only product characteristics but also the characteristics of customers and their businesses. The Group is promoting efforts to visualize KPI trees at each layer of management from chief officers on down by introducing core systems to unify data. In this way, we can fully verify our inventory status, since we will be able to set indicators to measure every detail on a monthly basis, including the rate of defective products. We believe that by unifying the core system, we can compare the indices of each company and each business side-by-side, which we expect to have a considerable positive effect on our CCC.

Our Future Capital Policy

Further accelerating strategic investment such as M&A

We recognize that the business environment will become increasingly globalized and competition will intensify. In addition, overseas enterprises are gradually advancing into Japan, which was previously an isolated and uncharted market for them. Even in the food industry in Japan, restructuring will be ongoing for a considerable time to come, and Company strengths and weaknesses will become clear. Global competition seems set to create a situation in which only companies capable of differentiating themselves by leveraging their strengths and securing market share will survive.

In this environment of intensified competition, we need to focus on our areas of strength. In addition to ensuring we capture organic growth in each region, we believe that M&A will become an even greater part of our permanent growth strategy. The Group has also set aside ¥50 billion for investment in M&A as part of our mid-term management plan, and is strategically considering options.

The Group is in the process of introducing global investment standards and withdrawal standards in order to accurately evaluate the profitability of investment, but going forward it will be crucial to recognize the importance of conducting management with an awareness of the need to set capital cost country-by-country. Also, by introducing withdrawal criteria, existing businesses will be required to annually verify their ability to continue as going concerns.

Shareholder returns that consider investment in strategies for future growth

We consciously position our shareholder returns and dividend policy as one of the most important issues for management. In the mid-term management plan, we set a dividend policy of a payout ratio of 30% to 40%, stable and continuous dividends, and dynamic evaluation of treasury share acquisition. Furthermore, we made raising the payout ratio a management objective. We have established a range for the dividend payout ratio based on consideration of investment in future growth, with an appropriate return ratio of 30% to 40%. We intend to determine dividends based on consolidated business performance, business cash flow and other factors and in accordance with our dividend policy.

We will utilize retained earnings to invest in growth strategies such as investment in production facilities, new businesses and R&D in order to improve our corporate value.

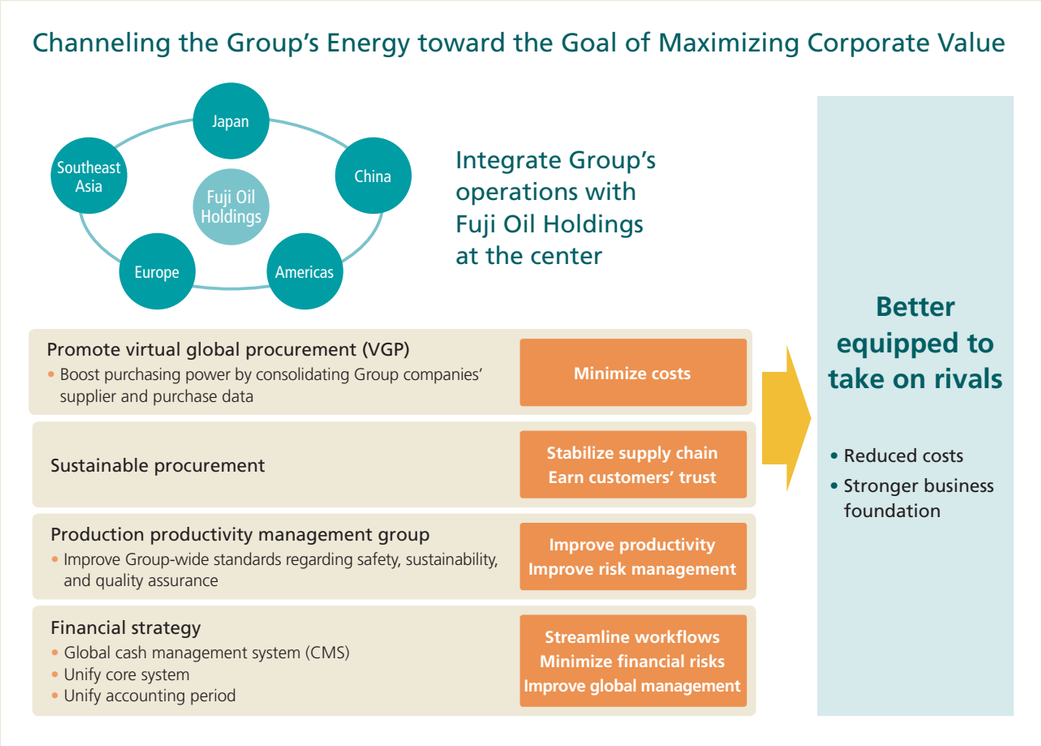
Initiatives for the Future

Promoting global integration and the fostering of global human resources

Until now, the Group has been growing in an optimal fashion, but since it is crucial to shift to overall optimization and standardize business processes in order to compete globally, we are vigorously promoting global integration centered on the holding company. Currently, we are in the process of shifting our mindset toward global integration, but one significant issue is balancing the decision-making authority of the holding company based on the Group governance policy with the delegation of authority to various local areas. Therefore, an urgent task is training global human resources capable of understanding management policy and acting professionally with a broad view of what is optimal overall. Therefore, we will adopt a medium-to-long-term perspective and dynamically develop key individuals capable of building bridges between local areas and the holding company. We will introduce a scheduled rotation program in Japan and overseas, and a learning program that includes consideration of career paths.

Finally, I would like to emphasize our dialogue with investors and analysts. This dialogue offers valuable external perspectives, rich with suggestions for the Group's management. Instead of unilaterally speaking from a single point of view, we intend to build layers of engagement through dialogue, and in order to gain a reasonable evaluation of our stock price, far from mere modesty or lip service, we intend to engage fully in dialogue concerning the strengths and weaknesses of the Fuji Oil Group. Although we have completed the first year of the mid-term management plan, in order to become a truly global company we are determined to accomplish global integration and complete our holding company system. The systems and foundations we establish leading up to 2020 will surely produce rewards from 2021 onward. In order to make those results a reality, we will continue to push ahead with our reforms.

Global Integration



Corporate Governance

Basic Approach

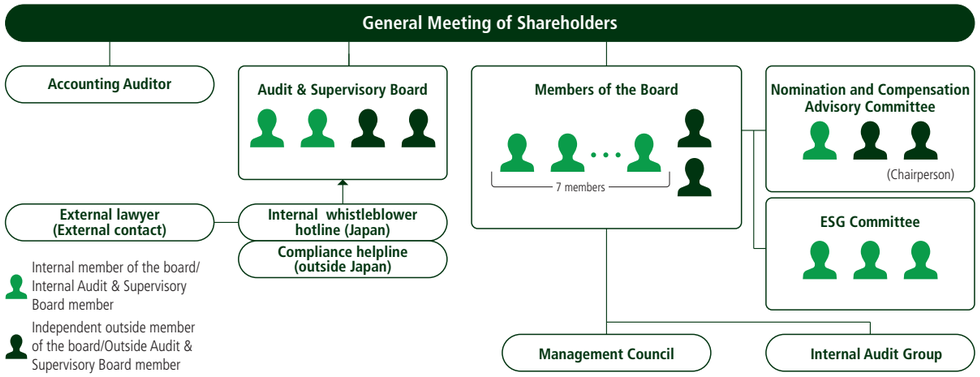
Through the realization of effective corporate governance, we aim to prevent situations that would harm corporate value, such as violation of laws and regulations, fraud or misconduct, and to strive for sustainable growth and improvement of corporate value over the medium to long term. In addition, we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

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 members of the board and outside Audit & Supervisory Board members, and take care to ensure the independence of the Audit & 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 supervision 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

Corporate Governance Structure (As of June 21, 2018)



Committee Composition and Chairpersons (As of June 21, 2018)

	Total	Internal members of the board	Independent outside members of the board	Audit and Supervisory Board members	Chairperson
Members of the Board	13	7	2	4 (including 2 outside members)	President
Nomination and Compensation Advisory Committee	3	1	2	Observers	Independent outside member of the board
ESG Committee	3	3	—	—	Internal member of the board (in charge of governance)

Members of the Board

As stipulated in the rules of the members of the board, meetings of board members 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 board members' execution of duties is reported.

Meetings held in FY 2017
16

Management Council

Important matters relating to management are fully deliberated and overseen by the Management Council, an advisory body to the president. The main members are the president, board members, and managing executive officers, and meetings are held once a month in principle. The system established under the council is constantly enhanced to ensure compliance with laws and regulations and the efficient execution of duties by contributing to the decision-making of the president and the members of the board.

Nomination and Compensation Advisory Committee

In October 2015, we established the Nomination and Compensation Advisory Committee as an advisory body to the members of the board for transparency in the processes of officer appointments and executive compensation decisions. As of June 21, 2018, the committee is composed of three members: outside member of the board Kazuhiro Mishina, who is the current chairperson; outside member of the board Yuko Ueno; and the president. Meetings were held a total of seven times during the 90th term.

Meetings held in FY 2017
7

ESG Committee

This committee carries out comprehensive initiatives related to ESG (Environment, Social, Governance) within the Fuji Oil Group. It does this by making proposals and offering opinions to the members of the board regarding important themes such as safety, quality, and the environment; human resource development; sustainable procurement; governance; and solutions through the creation of foods.

Meetings held in FY 2017
5

Audit & Supervisory Board

The Audit & Supervisory Board, which held 12 meetings during the 90th term, discusses and decides on audit policies and audit plans, and reports, resolves and decides on other important matters relating to auditing.

Meetings held in FY 2017
12

Outline of Results of Assessment Concerning Effectiveness of the Members of the Board

For assessments of the effectiveness of the members of the board listed in the Corporate Governance Code, we newly adopted an assessment method incorporating interviews by third-party organizations, and recently conducted these interviews. This was done with the goals of further enhancing the objectivity of the effectiveness assessments of the members of the board carried out in FY 2017 in striving to further improve governance. An overview of the assessments, the assessment results, and future initiatives are listed below.

1. Overview of the assessments (targets, assessment process, questions)

Targets: All members of the board and Audit & Supervisory Board members (12 people total, 4 of which are outside officers)
Assessment process: Interviews by third-party organizations and analysis of the results in a manner that ensures anonymity

2. Questions

I . Organization and structure of the members of the board
II . Operation and practical work of the members of the board
III . Deliberations of the members of the board
IV. Supervisory functions of the members of the board
V . Supervisory functions of the Audit & Supervisory Board members regarding the members of the board
VI. Involvement status at the meetings of the members of the board
VII. Respecting the views of shareholders

3. Assessment results

Through the recent assessments of the members of the board carried out with the involvement of third-party organizations, confirmation was made of the following: (a) Proactive initiatives to improve governance, (b) The revitalization of the members of the board through the president's leadership and the wisdom of outside members of the board, and (c) The fact that there is a culture of respecting outside officers and free and uninhibited discussions are being carried out at meetings of the members of the board. Conversely, a number of points were confirmed for which improvements or functional enhancements can be made in the future. These are: (a) Enhancing the board members' supervisory functions in their role as the members of the board of a holding company, (b) Clarifying the roles of the Nomination and Compensation Advisory Committee and further enhancing its functionality, and (c) Enhancing the diversity of the members of the board.

As for future policies, the conclusion we arrived at was that we would set about formulating action plans for the challenges raised in the FY 2018 assessment results for the members of the board based on the reports from third-party organizations concerning the recent assessments of the effectiveness of the members of the board. What is more, the decision was made to continue holding discussions among the members of the board regarding medium to long-term challenges. Our members of the board also plan to continue undergoing assessments of their effectiveness in an ongoing manner in aiming to further enhance their functionality.

Outside Members of the Board and Outside Audit & Supervisory Board Members

We have two outside members of the board and two outside Audit & Supervisory Board members. We meet the requirements for independence stipulated by the stock exchange on which our Company is listed with respect to independence for appointing outside members of the board and outside Audit & 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 independent and appropriate supervision and auditing based on experience and expert knowledge.

Outside Audit & Supervisory Board members exchange opinions at Audit & 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.

Name	Reasons for Appointment
Outside Member of the Board Kazuhiro Mishina	Mr. Mishina has been active for many years at the forefront of research in corporate economics, including management strategy and managerial theory. Our Company believes that we can maintain objective, impartial and fair supervision of our business execution by having him attend Board of Directors meetings to monitor and supervise management from an independent, objective viewpoint using his highly specialized learning and extensive experience.
Outside Member of the Board Yuko Ueno	Ms. Ueno has many years of experience working as a marketing consultant for numerous companies, local governments, etc. She also operates her own business as a manager, works as an outside member of the board for listed companies, and has a wealth of experience combined with good judgment. We believe we can maintain objective, impartial and fair supervision of our business execution by having her attend meetings of the members of the board to monitor and supervise management from an independent, objective viewpoint using her highly specialized learning and extensive experience.
Outside Audit & Supervisory Board Member Minoru Matsumoto	Mr. Matsumoto has knowledge of finance and accounting as a certified public accountant, and the Company believes that it can maintain an objective, impartial and fair auditing system by having him monitor and supervise the Company's management as an outside Audit & Supervisory Board member.
Outside Audit & Supervisory Board Member Kouichi Kusao	Mr. Kusao is an expert in corporate law with specialized knowledge as an attorney at law. He is an outside audit and supervisory board member at multiple companies and has extensive experience and a high level of insight, and the Company believes that it can maintain an objective, impartial and fair auditing system by having him monitor and supervise the Company's management as an outside Audit & Supervisory Board member.

Status of Retired Presidents and Others Serving as Counselors and Advisors

A resolution of the Ordinary Meeting of the members of the board held in May 2016 abolished our former system of allowing former members of the board or Audit & Supervisory Board members to assume positions as counselors or advisors (both of which are compensated positions) following their retirement, regardless of whether or not they have specific duties or there is work that should be handled by them. At the same time, for retiring members of the board and Audit & Supervisory Board members, professional duties as advisors or the like can be entrusted or consigned to them after their retirement only so long as there are specific duties and work that should be entrusted or consigned to them post-retirement and entrusting or consigning these duties and work to them has been deemed to be reasonable and appropriate. In connection with this, a resolution was passed at this same meeting abolishing the system whereby presidents could assume the office of chairman after their retirement.

WEB See our website regarding the Fuji Oil Holdings Corporate Governance Guidelines.
https://www.fujioilholdings.com/en/ir/policies_and_systems/governance/

Response to the Corporate Governance Code

As of the end of FY 2017, we have only provided explanations for "Principle 1.4 Cross-Shareholdings" when it comes to the principles found in our Corporate Governance Code. We are making progress on sequentially liquidating the cross-shareholdings that have been explained.

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

Principle 1.4 Cross-Shareholdings

The Company currently holds listed shares as cross-shareholdings. As of March 31, 2018, the number of cross-held stock issues is 28, of which 16 are not mutual shareholdings but are held by the 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 members of the board 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.

Further progress was made in FY 2017 on selling off cross-shareholdings, whereby we completely sold off two cross-shareholding stocks and partially sold off one other stock.

Moving forward, we plan to continue promoting the liquidation of cross-shareholdings pursuant to the policy set forth in the Fuji Oil Holdings Corporate Governance Guidelines.

Officer Compensation

For officers of the Company, remuneration of members of the board is decided by resolution of the members of the board based on the report of the Nomination and Compensation Advisory Committee, and remuneration of Audit & 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 members of the board consists of fixed monthly compensation and bonuses linked to individual and corporate performance. In October 2015, we established the Nomination and Compensation Advisory Committee as a voluntary advisory body to the members of the board for transparency in the processes of executive compensation decisions, consisting of the three members Kazuhiro Mishina, an outside member of the board, as chairperson, Yuko Ueno, an outside member of the board, and the president. The committee proactively exchanges opinions with the members of the board 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 & 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 members of the board and outside Audit & 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	Bonuses	
Members of the board (excluding outside members)	274	215	59	10
Audit & Supervisory Board members (excluding outside Audit & Supervisory Board members)	44	44	—	3
Outside officers	41	41	—	4

Notes: 1. The above includes compensation for four members of the board who retired at the conclusion of the 89th Ordinary General Meeting of Shareholders.
2. The above includes compensation for a member of Audit & Supervisory Board who retired at the conclusion of the 89th Ordinary General Meeting of Shareholders.
3. The above includes officer bonuses for FY 2018.
4. The above total remuneration of members of the board does not include the portion of salary received as an employee of the Company.
5. Member of the board compensation as of the end of FY 2018 has been set at no more than a total of ¥600 million for the year by resolution of the 84th Ordinary General Meeting of Shareholders held on June 26, 2012 (of which, outside members of the board shall receive no more than a total of ¥30 million for the year; including bonuses to members of the board but not including the portion of salary received as an employee of the Company).
6. The amount of compensation for Audit & 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.

Basic Thinking behind Our Internal Control System and Its Establishment Status

The Fuji Oil Group has established and set in place an internal control system and processes in order to thoroughly ensure work effectiveness and efficiency, the reliability of financial reports, compliance with the relevant laws and regulations, the preservation of assets, and risk management.

1	We have established "principles for conduct" within the Fuji Oil Group Constitution, and work to ensure our employees thoroughly comply with these.
2	When it comes to compliance, we have established subcommittees pertaining to compliance under the ESG Committee to safeguard against situations that would violate our principles for conduct or corporate ethics. In addition, we strive to thoroughly raise awareness through compliance education and training to ensure that our principles for conduct become entrenched in the form of our corporate culture. Moreover, in cases where there has been conduct that runs counter to compliance and corrective actions via our office organization have not taken effect, then employees are to provide notifications via our internal whistleblower system. In addition, we have established internal whistleblowing regulations and established whistleblowing contact points at outside law offices in aiming to ensure the effectiveness of this system in an operational sense.
3	When it comes to information management, we have established Basic Regulations on Information Management and other internal regulations, through which we carry out the proper storage and management of information.
4	For risk management, we have established Risk Management Regulations and our Governance Subcommittee, which is a subordinate organization under the ESG Committee, to perform risk management within our office organization, while also establishing and operating risk management structures by appointing managers for each important risk classification cutting across the Group.

5	Based on internal regulations for matters like the division of duties and regulations on decision-making authority, this body clarifies decision-making processes.
6	We also establish internal regulations; clarify professional authority and the responsibility for this; and assess, manage, and keep in check the missions and work processes of each organization. In addition, we perform ongoing supervision of the effectiveness of our internal control system via our monitoring functions.
7	A Human Resources Development Subcommittee has been established within the ESG Committee. This subcommittee carries out activities conducive to establishing a foundation for a control environment regarding our internal controls by fostering and promoting a positive corporate culture.
8	We have established standards related to decision-making within the Group as well as standards for each organization and ensure that each Group company has established structures in compliance with this through the Fuji Management Regulations and other such regulations to serve as structures for ensuring that our corporate group (comprised of Fuji Oil and our subsidiaries) engages in appropriate operations. Regarding the important matters stipulated in our Group Policy (Operating Regulations concerning Decision-making Authority), we have mandated that Group companies receive our approval and provide reports. In order to manage risks and compliance across our Group companies as a whole, we have established appropriate risk management structures and compliance structures suited to our corporate scale and organizational structure. In addition, we offer advice and guidance to ensure that the Principals for conduct found in the Fuji Oil Group Management Philosophy are instituted properly. In addition, our audit group and Audit & Supervisory Board members work together to audit the propriety of the work performed by Group companies, and offer advice and counsel when corrective action is required. In addition, we have established a structure whereby the results of audits are reported to representatives of the Group companies in question and to our members of the board.
9	We will continue to perform ongoing assessments of whether our internal control system is functioning properly and work to improve it. This is designed to accomplish our objectives of ensuring the appropriateness of our financial reports and submitting effective and appropriate internal control reports as stipulated in the Financial Instruments and Exchange Act.

Dialogue with Shareholders and Investors

Our entire management team is strongly aware of the importance of dialogue with capital markets and aims to maintain management transparency, fulfill its accountability and improve corporate value by actively engaging in dialogue with shareholders and investors and disclosure of information.

As a forum for direct dialogue between shareholders and management, we hold an informal gathering for shareholders after the General Meeting of Shareholders. In addition, on the Company's website, we strive for timely and impartial disclosure by enhancing the content of various materials, disclosing the convocation notice of the General Meeting of Shareholders before it is sent, and publishing English versions of the convocation notice and our Corporate Governance Report. In addition, we have adopted an electronic system for exercise of voting rights.

90th Ordinary General Meeting of Shareholders (June 21, 2018)

Informal gathering for shareholders after the General Meeting of Shareholders

For institutional investors, we hold earnings conferences for the second quarter and the fiscal year-end, and telephone conferences on the day of the announcement of results for the first and third quarters. In one-on-one meetings, the management team, centered on the CFO, also actively engages in dialogue and focuses on straightforwardly communicating the progress of our business results and our recognition of issues from the perspective of management. This approach has been positively evaluated by investors inside and outside Japan. In its ranking of Japan's best CFOs by business, leading global financial magazine *Institutional Investor* of the United States has selected Fuji Oil Holdings CFO Tomoki Matsumoto for second place in the food and beverage sector for two consecutive years.

We are also focusing on exchanging opinions with investors through small meetings on topics of high interest to investors and tours of our facilities. Depending on the topic, presidents of operating companies and persons in charge prepare for these events while communicating closely with the IR Section, which not only enhances the content of their presentations, but also deepens the understanding of IR by the person in charge, helping to reflect it in management. By conducing IR in Europe and North America, participating in conferences in Japan and other measures, we are strengthening our IR activities both inside and outside Japan.

FY 2017 Small Meetings

Held 5 times

Topics:
Meetings of outside members of the board
Presentation on chocolate strategy
Presentation on business in Japan
Presentation on business in Brazil
Financial strategy presentation

FY 2017 Facility Tours

Held 4 times

Total of 12 facilities visited

In FY 2017, Fuji Oil Holdings Inc. received an IR Special Award at the 2017 IR Awards sponsored by the Japan Investor Relations Association. Receiving this award as an evaluation of our progress in IR activities in recent years provided an opportunity to raise recognition of Fuji Oil Group outside the Group and to improve understanding of management and IR within the Group. We will continue to conduct activities to further integrate management and IR.

Messages from Outside Members of the Board

How to Bolster Positive Changes and Ensure Their Firm Establishment

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

Two years after Mr. Hiroshi Shimizu was appointed as president and I was appointed as an outside member of the board, Fuji Oil switched from a business-based growth strategy to an area-based growth strategy. Three years have passed since then, but our food business has now gained a foothold in the Americas, where we only used to have a business in oils and fats. We have made steady progress in preparations since then, and our subsidiaries there should undergo dramatic changes over the next 10 years. We have also finally managed to begin realignment of our business portfolio in China. In other parts of Asia too, where we have acquired a chocolate factory and a traceable source of palm oil, we are beginning to see signs of strategy changes. Europe is our final frontier, but there too, we have made steady progress in laying down the groundwork for our businesses. In Japan, our main market, we have been driving advances in our Soy Business. In the pipeline at our research institute are promising post-soybean products, which we can look forward to over the next 10 years and beyond.

The speed of innovation has reached a point where it almost seems too fast for our employees to keep up. I cannot help but have the greatest respect for our executives for being the driving force behind these changes, despite the delays in remuneration reforms. This is all thanks to the huge effort made by everyone including our CEO, CSO, and CFO.

But what brings me even greater joy is seeing the efforts made by our young employees. In particular, our female employees at our Group Headquarters, and our male employees transferred to overseas regional headquarters have been doing conspicuously well. Human resources play a crucial role in the overseas expansion of the Company, and the changes that I have witnessed over the last few years have amazed me. The problem is how to bolster positive changes and ensure their firm establishment. To achieve this, I believe the time has now come for us to devote ourselves wholeheartedly to ER (employee relations) in addition to IR, which we have so far invested a lot of effort into.

Becoming a Company That Creates and Offers the World the Long-Awaited "Food for the Next Generation" (Food of the Future)

Yuko Ueno
Representative Director, Ueno Distribution Strategy Laboratory Co., Ltd.

The Fuji Oil Group was founded 68 years ago. The Company has achieved spectacular growth, and it continues to take on new challenges in the global market. It was one of the main companies propping up the institutional market that was a foundation at a time when the food industry was aiming to establish rich, new eating habits in Japan after the war. This was achieved through steady efforts in B-to-B marketing and great hardship in technological development. However, the Fuji Oil Group feels that it is now, more than ever, that we must become a company that creates and offers the world the long-awaited "food for the next generation" (food for the future). Based on B-to-B marketing that has been one of the Group's strengths, we believe we must become more creative in our products and services to generate demand among C (consumers) that lie beyond our B-to-B market.

I believe there is a need to change our perspectives on switching from selling "manufactured goods" to selling "commodities" through product planning to turn our strengths in technological development into high-value-added products. Moreover, for the Fuji Oil Group to win the support of consumers and create demand among them, we must clarify our future goals in terms of what kind of company we aim to be through our "brand strategy as a company," and "the development of market-creating products and associated powerful brand strategies" with great potential unique to the Fuji Oil Group. The secret to success in the future lies in our global brand value.

As an outside member of the board, I hope to support the creation of demand in the global market for the Fuji Oil Group, which stands at a major corporate marketing turning point.

Members of the Board, Audit & Supervisory Board Members, and Executive Officers (As of June 21, 2018)

Directors

Hiroshi Shimizu

President
Executive Officer, Chief Executive Officer (CEO)

Born July 1, 1953

- Apr. 1977 Joined the Company
- Oct. 1994 Head of Development Office, Retail Business Department, Soy Protein Sales Division
- Oct. 1999 General Manager of New Ingredients Business Department and General Manager of New Ingredients Sales Department
- Jul. 2001 General Manager of Specialty & Functional Food Ingredients Business Department
- Jun. 2004 Director
- Apr. 2006 Chairman & President of Fuji Oil (Zhang Jia Gang) Co., Ltd. Chairman & President of Fuji Oil (Zhang Jia Gang Free Trade Zone) Co., Ltd.
- Dec. 2007 Vice Chairman & President of Fuji Oil (Beijing) Technology Trading Co., Ltd.
- Apr. 2009 Managing Director of the Company
- Apr. 2012 Senior Managing Director
- Apr. 2013 President and Chief Executive Officer (CEO) (to present)
- Oct. 2015 Chief Executive Officer (CEO) (to present)

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

Mikio Sakai

Member of the Board
Executive Officer, Chief Strategy Officer (CSO)

Born October 6, 1959

- Apr. 1983 Joined the Company
- Apr. 2001 Head of Management Office, Soya Farm Division
- Apr. 2002 General Manager of Soya Farm Sales Department, Soya Farm Division
- Oct. 2004 General Manager of Specialty & Functional Food Ingredients Sales Department, Specialty & Functional Food Ingredients Business Division
- Apr. 2009 Chairman & President of Fuji Oil (Beijing) Technology Trading Co., Ltd.
- Apr. 2010 Chairman & President of Fuji Oil (Zhang Jia Gang) Co., Ltd. Chairman & President of Fuji Oil (Zhang Jia Gang Free Trade Zone) Co., Ltd.
- Jun. 2012 President of Fuji Vegetable Oil Inc.
- Apr. 2013 Executive Officer of the Company
- Jun. 2015 Director (to present; title name changed to Member of the Board)
- Apr. 2016 Managing Executive Officer
  Chief Strategy Officer (CSO) (to present)

Mr. Mikio Sakai has experience as president of important subsidiaries of the Group in regions such as China and America and was appointed as a Director in June 2015. He has worked as Chief Strategy Officer since April 2016.

Haruyasu Kida

Member of the Board
Executive Officer, Chief Technology Officer (CTO)

Born April 17, 1960

- Apr. 1985 Joined the Company
- Apr. 2005 General Manager of Oils and Fats Development Department, R&D Institute, Research & Development Headquarters
- Apr. 2012 Head of Food Science Research Institute, Research and Development Division
- Apr. 2013 Executive Officer
- Apr. 2015 General Manager of Oils and Fats Division, Operation Division
- Apr. 2016 Executive Officer, General Manager of R&D Division of Fuji Oil Co., Ltd.
- Apr. 2017 Executive Officer of the Company (to present)
- Apr. 2018 Chief Technology Officer (CTO) (to present)
- Jun. 2018 Member of the Board (to present)

Following his extensive experience working in research and development, Mr. Haruyasu Kida served as General Manager of the Oils and Fats Division. Since April 2018, he has been in charge of research and development strategy for the Group as Chief Technology Officer (CTO) of the Company.

Tomoki Matsumoto

Member of the Board
Executive Officer, Chief Financial Officer (CFO)

Born December 20, 1960

- Apr. 1985 Joined the Company
- Apr. 2008 Head of Planning Office, Corporate Planning Department
- Oct. 2010 General Manager of Corporate Planning Department, Corporate Planning Division
- Apr. 2013 Executive Officer
- Jun. 2015 Director (to present; title name changed to Member of the Board)
- Oct. 2015 Chief Financial Officer (CFO) (to present)
- Apr. 2016 Managing Executive Officer

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

Tatsuji Omori

Member of the Board
Executive Officer
President and CEO of FUJI OIL CO., LTD.

Born April 28, 1960

- Apr. 1983 Joined the Company
- Apr. 2004 President of Shandong Longteng Fuji Foodstuffs Co., Ltd.
- Apr. 2008 General Manager of Soy Protein Foods Marketing Department III, Soy Protein Foods Division, Soy Protein, Processed Foods Company of the Company
- Apr. 2013 Head of Office I, Marketing & Sales Division I, Sales Division
- Apr. 2014 Executive Officer
  General Manager of Marketing & Sales Division II, Sales Division
- Apr. 2015 General Manager of Emulsification & Fermented Food Division, Operation Division
- Apr. 2017 Executive Officer, Chief Operations Officer (COO)
  President and CEO of Fuji Oil Co., Ltd. (to present)
- Jun. 2017 Director (to present; title name changed to Member of the Board)

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

Kazuhiro Mishina

Member of the Board

Born September 23, 1959

- Sep. 1989 Assistant Professor at Harvard Business School
- Oct. 1995 Assistant Professor at Center for Investigation of Advanced Science and Technology, Japan Advanced Institute of Science and Technology
- Apr. 1997 Assistant Professor at School of Knowledge Science, Japan Advanced Institute of Science and Technology
- Oct. 2002 Assistant Professor at Graduate School of Business Administration, Kobe University
- Oct. 2004 Professor at Graduate School of Business Administration, Kobe University (to present)
- Jun. 2012 Independent Director of Nichirei Corporation
- Jun. 2013 Outside Director of the Company (to present; title name changed to Member of the Board)
- Jun. 2016 Independent Director of the Board of Nippon Paint Holdings Co., Ltd.

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

Takehiko Sumiya

Member of the Board
Executive Officer, Chief Marketing Officer (CMO)

Born July 16, 1958

- Apr. 1983 Joined the Company
- Apr. 2007 Head of Marketing Department, Tokyo IV, Marketing Headquarters
- Apr. 2009 Director of Toraku Foods Co., Ltd.
- Apr. 2011 President and CEO of Toraku Foods Co., Ltd.
- Apr. 2014 Executive Officer of the Company
- Apr. 2017 Chief Marketing Officer (CMO) (to present)
- Jun. 2017 Director (to present; title name changed to Member of the Board)

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

Takashi Kadota

Member of the Board
Executive Officer, Chief Quality Officer (CQO)

Born April 2, 1959

- Apr. 1985 Joined the Company
- Apr. 2015 Executive Officer General Manager of Engineering Development Department, Production Control Division
- Apr. 2016 Executive Officer, Division General Manager of Engineering Development Division of Fuji Oil Co., Ltd.
- Apr. 2017 Executive Officer of the Company (to present)
- Apr. 2018 Chief Quality Officer (CQO) (to present)
- Jun. 2018 Member of the Board (to present)

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

Yuko Ueno

Member of the Board

Born July 7, 1954

- May 1981 Established World Design Corporation
- Aug. 1990 President and CEO of Marketing Dynamics Laboratory Co., Ltd.
- Apr. 2004 Auditor of National University Corporation Nara Women's University
- Jun. 2006 Outside Director of Gunze Limited
- Apr. 2009 Visiting Professor of Faculty of Agriculture, Ehime University
- Sep. 2010 President and CEO of Ueno Distribution Strategy Laboratory Co., Ltd. (to present) June 2014 Director of Incorporated Educational Institution Osaka Sangyo University
- Jun. 2016 Councilor of Incorporated Educational Institution Kobe Shoin Women's University
- Jun. 2018 Outside Member of the Board (to present)

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

Audit & Supervisory Board Members

Hiroshi Kumabe

Standing Audit & Supervisory Board Member

Born October 23, 1956

Makoto Shibuya

Standing Audit & Supervisory Board Member

Born October 25, 1959

Minoru Matsumoto

Audit & Supervisory Board Member[2]
Independent Officer

Born September 4, 1941

Kouichi Kusao

Audit & Supervisory Board Member[2]
Independent Officer

Born March 7, 1960

Executive Officers

Takeshi Takasugi	Executive Officer	President of Fuji Specialties, Inc.
Yasuhiro Maruhashi	Executive Officer	Managing Director of Fuji Oil Asia Co., Ltd.
Masataka Minemura	Executive Officer	President of Fuji Oil (China) Investment Co., Ltd.
Hiroshi Shinano	Executive Officer	Business Development Division
Kazunobu Tsumura	Executive Officer	R&D Division for Future Creation
Taisuke Kanemori	Executive Officer	Internal Audit
Toshifumi Asada	Executive Officer	HR/Legal/General Affairs Division; Member of the Board of Fuji Oil Co., Ltd.
Hiroyuki Sano	Executive Officer	Member of the Board of Fuji Oil Co., Ltd. General Manager, Production Division
Tatsuaki Hirosawa	Executive Officer	Member of the Board of Fuji Oil Co., Ltd. General Manager, Sales Division

1. Members of the Board Kazuhiro Mishina and Yuko Ueno are outside officers pursuant to article 2 (3) (v) of the Ordinance for Enforcement of the Companies Act.
2. Audit & Supervisory Board Members Minoru Matsumoto and Kouichi Kusao are outside officers pursuant to article 2 (3) (v) of the Ordinance for Enforcement of the Companies Act.

Financial analysis

Overview of Fiscal 2017

Overview of Operating Results

The Japanese economy in FY 2017 continued its modest recovery due to strong employment and improvements in the income situation, supported by increased exports that have placed the economy on a gradual recovery path. The economy in the United States grew steadily due to improvements in the labor market, strong personal consumption, and higher corporate earnings as a result of solid domestic and foreign demand. The economies of Europe also continued their moderate recovery trend due to the gradual improvement in personal consumption as a result of stronger employment and an increase in exports driven by stronger economies overseas. China's economy continues its high growth on the back of steady domestic and foreign demand. Exports have grown significantly, and private consumption has increased due to the favorable employment and income situation. The economies of emerging countries, as a whole, are improving.

Amid these circumstances, the Fuji Oil Group has continued to pursue its growth strategy under the three basic policies of "reinforcement of core competence," "growth of soy business," and "development of the functional high-value-added products business," as set forth in the Mid-Term Management Plan "Towards a Further Leap 2020" (FY 2017 to FY 2020). The Group is focused on markets undergoing great change and is working to develop markets where it can grow and demonstrate its strengths.

As a result, in FY 2017 consolidated revenue totaled ¥307.6 billion (a 5.2% increase year on year), operating profit totaled ¥20.5 billion (a 4.0% increase), ordinary profit totaled ¥20.0 billion (a 1.4% increase), and net income attributable to owners of parent was ¥13.7 billion (a 13.5% increase).

Overview of Financial Position

Total assets were ¥272.0 billion, a ¥75 million decrease year on year. Main factors included a ¥5.0 billion increase in notes and accounts receivable–trade, a ¥4.1 billion decrease in inventories, a ¥1.2 billion decrease in other current assets, a ¥3.5 billion increase in tangible fixed assets, a ¥1.3 billion decrease in goodwill, a ¥1.1 billion increase in net defined benefit asset, and a ¥3.9 billion decrease in investments and others.

Total liabilities decreased ¥9.5 billion year on year to ¥107.1 billion. Major factors included a ¥9.1 billion decrease in interest-bearing loans, a ¥2.0 billion increase in notes and accounts payable–trade, a ¥1.1 billion increase in other current liabilities, and a ¥3.5 billion decrease in other fixed liabilities.

Net assets increased ¥9.4 billion year on year to ¥164.9 billion. Major factors included a ¥9.8 billion increase in retained earnings, a ¥370 million decrease in deferred hedging instruments, and a ¥621 million decrease in foreign currency translation adjustments.

As a result, net assets per share increased ¥110.29 year on year to ¥1,863.83. The capital adequacy ratio was 58.9%, up from 55.4% at the end of the previous fiscal year.

Overview of Cash Flow

Cash and cash equivalents increased ¥318 million year on year to ¥13.0 billion. Factors contributing to each level of cash flow are as follows.

Cash flows provided by operating activities totaled ¥28.2 billion. Contributing factors included ¥18.8 billion in income before income taxes, depreciation and amortization totaling ¥10.9 billion, decrease in inventories totaling ¥4.4 billion, and increase in trade payables of ¥2.0 billion. Cash outflows included increase in trade receivables of ¥5.0 billion and ¥5.2 billion in income taxes paid.

Net cash used in investing activities totaled ¥14.5 billion. This was mainly due to ¥13.9 billion in capital expenditures of tangible assets, and ¥1.7 billion in proceeds from sales of investment securities.

Net cash used in financing activities totaled ¥13.4 billion. This was mainly attributable to outflows of a ¥9.0 billion net decrease in short-term borrowings, ¥6.4 billion in repayment of long-term borrowings, and ¥3.9 billion in dividends paid. Factors providing cash included ¥5.0 billion in commercial paper and ¥1.2 billion in proceeds from long-term borrowings.

Outlook

The Japanese economy is expected to continue its recovery due to the solid employment and income situation. Economic recovery overseas is expected to continue, supported by factors such as the improvement in personal consumption and corporate earnings.

As such, the Fuji Oil Group is steadily implementing its Mid-Term Management Plan "Towards a Further Leap 2020," to establish a management foundation that can compete on the world stage, and is working to improve its management infrastructure and financial system, and reduce costs while promoting efficiency.

As a result of the above, in FY 2018 we forecast consolidated revenue of ¥322.0 billion (up 4.7%), operating profit of ¥21.3 billion (up 4.0%), ordinary profit of ¥20.7 billion (up 3.6%) and net income attributable to owners of parent of ¥14 billion (up 1.9%).

Basic Policy and Allocation in This Period and Next Period for Profit Dividends

We consider the return of profits to our shareholders to be an important management priority. Our policy is to maintain a dividend payout ratio of 30%-40% and to maintain stable and continuous dividends. We use retained earnings to invest in growth, including for investment in production facilities, new business, and research and development, to improve our corporate value. Dividends are paid after performing a comprehensive evaluation of finances, profit levels, payout ratio, and other elements.

Based on this policy, the year-end dividend is ¥25 per share, which in addition to the interim dividend of ¥23 per share results in total dividends for the year of ¥48. The dividend forecast for FY 2018 is ¥50 yen per share.

Business and Other Risks

1. Fluctuations in raw material prices

The main raw materials we use, including soybeans, palm oil, and cacao beans, are subject to the influence of market price fluctuations due to factors such as production site weather and balance in supply and demand. As such, we implement various measures, including currency futures transactions and reflect cost increases in sales prices, to reduce price fluctuation risks. However, sudden, sharp increases in raw material prices could have a negative impact on Group earnings and financial status.

2. Fluctuations in currency market

Currency market fluctuations can impact the Japanese yen conversion amounts of assets and liabilities generated from the Group's transactions conducted in foreign currencies. There also is the possibility that raw material, product, and service prices as well as net purchases and net sales for transactions conducted in foreign currencies may be impacted. We conduct currency futures transactions and other risk hedging to reduce these risks but sudden fluctuations in currency markets could have a negative impact on Group earnings and financial status.

3. Risks inherent to engaging in overseas markets

One of our core strategies is the expansion of overseas business, and we are engaged in business expansion on the global level. As such, we are faced with various risks including protective restrictions unique to specific countries, unanticipated legal or regulatory changes, the occurrence of unfavorable tax circumstances for our Group due to complex international tax administration or tax system revisions, or of political or social risks. As a result, there is a possibility such circumstances could have a negative impact on Group business, earnings and financial status.

4. Capital expenditure recovery risks

Our Group aggressively conducts forward-looking investments for future growth. During investment activities, we make investment decisions with a focus on future demand projections and our Group's competitive potential. However, changes in economic trends, competitor engagement, or changes in consumer trends can result in the inability to secure originally predicted production volume or net sales. As a result, there is a possibility such circumstances could have a negative impact on Group earnings and financial status.

5. Fixed asset impairment risks

Our Group retains various fixed tangible assets associated with our operations and intangible fixed assets such as goodwill incidental to the acquisition of businesses. Dramatic changes in our operating environment may result in some facilities being idle or in reduced operating rates, resulting in performance at purchased businesses that is below initial targets. This can lead to a reduction in future cash flow projected from retained assets and result in impairment losses due to the application of fixed asset impairment accounting. As a result, there is a risk of an impact on Group earnings and financial status.

6. Food safety

Concern among consumers regarding food safety is growing. In Japan, we receive documentation from raw materials manufacturers to prove they are not in violation of the Food Sanitation Act, the Law Concerning Standardization, etc. of Agricultural and Forestry Products, and other relevant laws. We employ a thorough system that includes conducting quality confirmation and implementing measures to ensure food safety. However, in the event of a serious quality problem that exceeds expectations, there is a risk that the Group could incur massive costs as well as serious damage to the reputation of all the Group's products, which would reduce sales and could have a negative impact on Group earnings and financial status.

7. Supply chain environmental and social risks

Our Group mainly handles agricultural produce. As such, we work with suppliers and other stakeholders to practice procurement activities that respect the environment and human rights. With palm oil in particular, we have drafted our Responsible Palm Oil Sourcing Policy to promote the prevention and reduction of environmental and human rights risks along the supply chain (farms). However, issues during business operations or along the supply chain such as an environmental issue attributable to farm development or human rights issues such as child labor or forced labor could have a negative impact on Group earnings and financial status.

8. Legal regulations

As a food company, our Group is subject to regulations outlined in relevant law, including the "Food Hygiene Law," "Law Concerning Normalization of Agricultural and Forest Products," "Product Liability Law," "Law for Promotion of Sorted Collection and Recycling Concerning Containers and Packaging," and the "Waste Disposal and Public Cleansing Law." We also are subject to the laws and regulations unique to the countries in which we operate. We operate under the assumption of compliance with these laws but if legal or regulatory revisions, strengthening, or additional regulation by new laws leads to cost increases, this could have a negative impact on Group earnings and financial status.

9. Risks related to disasters and accidents

A stoppage of production operations is projected in the event that a major earthquake or other natural disaster, power outage, fire or explosion, infectious disease epidemic, conflicts, terrorism, or violent demonstrations occur in any of the regions in which our production facilities are located. Such conditions could have a negative impact on our Group earnings or financial status.

10. Risks related to information systems and information security

Our Group has established an appropriate system management structure and implements appropriate security measures. However damage to our information systems due to power outage, disaster, unexpected cyberattack, unauthorized access, or computer virus infection, or a leak of internal information could have a negative impact on our Group earnings or financial status.

11. Risks related to company acquisitions

Our Group has outlined growth strategies in Towards a Further Leap 2020, our new Mid-Term Management Plan. We will continue to evaluate business acquisitions for the purpose of securing our global competitive advantage but results that underperform expectations due to various unforeseeable uncertainties could have a negative impact on our Group earnings or financial status.

12. Risks related to human resource hiring and development

Our Group views the hiring and development of human resources capable of performing on the global stage as a vital issue. We promote diversity and are proactively building an environment that enables the hiring and development of personnel capable of taking on challenges in global markets. However, the inability to conduct the hiring and development of elite human resources in accordance with plans could have a negative impact on our Group earnings or financial status.

Consolidated Financial Statements

Fuji Oil Holdings Inc. and Consolidated Subsidiaries
For the fiscal years ended March 31, 2017 and March 31, 2018

Consolidated Balance Sheets

(Millions of yen)

	FY 2016	FY 2017
[Assets]		
Current assets	132,455	**132,406**
Cash and deposits	12,762	**13,009**
Notes and accounts receivable–trade	59,045	**64,031**
Merchandise and finished goods	24,740	**23,866**
Raw materials and supplies	27,657	**24,474**
Deferred income tax assets	1,435	**1,601**
Other current assets	7,022	**5,841**
Allowance for bad debt	(209)	**(419)**
Fixed assets	139,653	**139,627**
Tangible fixed assets	91,402	**94,883**
Buildings and structures	34,047	**35,279**
Machinery and vehicles	35,832	**35,856**
Tools and fixtures	2,370	**2,374**
Land	15,093	**14,734**
Construction in progress	4,059	**6,638**
Intangible fixed assets	23,210	**22,077**
Goodwill	12,898	**11,647**
Other intangible fixed assets	10,312	**10,430**
Investments and others	25,040	**22,666**
Investment securities	16,103	**16,484**
Net defined benefit asset	1,023	**2,076**
Deferred income tax assets	312	**344**
Other fixed assets	7,846	**3,915**
Allowance for bad debt	(245)	**(154)**
Total assets	272,109	**272,034**

	FY 2016	FY 2017
[Liabilities]		
Current liabilities	69,576	**67,465**
Notes and accounts payable–trade	23,212	**25,210**
Short-term borrowings	29,789	**19,747**
Commercial papers	—	**5,000**
Income taxes payable	2,511	**2,263**
Accrued bonuses for employees	2,320	**2,415**
Accrued bonuses for directors	64	**86**
Other current liabilities	11,679	**12,742**
Fixed liabilities	47,051	**39,671**
Bonds	10,000	**10,000**
Long-term borrowings	25,878	**21,865**
Deferred income tax liabilities	4,587	**4,520**
Net defined benefit liability	1,867	**2,088**
Other fixed liabilities	4,718	**1,196**
Total liabilities	116,628	**107,137**
[Shareholder's equity]		
Shareholder's equity	146,320	**156,098**
Stock	13,208	**13,208**
Capital surplus	15,609	**15,609**
Retained earnings	119,251	**129,031**
Treasury stock	(1,749)	**(1,750)**
Accumulated other comprehensive income	4,410	**4,112**
Valuation variance of securities	5,484	**5,543**
Deferred hedging instruments	41	**(329)**
Translation adjustments	29	**(592)**
Remeasurements of defined benefit plans	(1,144)	**(509)**
Non-controlling interests	4,749	**4,686**
Total net assets	155,480	**164,897**
Total liabilities and net assets	272,109	**272,034**

Consolidated Income Statements and Consolidated Statements of Comprehensive Income

Consolidated Income Statements

(Millions of yen)

	FY 2016	FY 2017
Revenue	292,547	**307,645**
Cost of sales	231,334	**244,145**
Gross profit	61,213	**63,500**
Selling, general and administrative expenses	41,518	**43,018**
Operating profit	19,694	**20,481**
Non-operating income		
Interest income	898	**434**
Dividends income	200	**183**
Gain on valuation of derivatives	398	**—**
Profit from equity method	66	**147**
Other non-operating income	729	**514**
Total non-operating income	2,294	**1,279**
Non-operating expenses		
Interest expense	1,218	**716**
Exchange losses	298	**230**
Provision of allowance for doubtful accounts	—	**298**
Other non-operating expenses	758	**531**
Total non-operating expenses	2,275	**1,776**
Ordinary profit	19,712	**19,983**
Extraordinary gain		
Gain on sales of investment securities	1,360	**802**
Return of profit gained through short term trading	—	**348**
Gain on sales of shares of subsidiaries and associates	533	**—**
Extraordinary gain	1,894	**1,151**
Extraordinary loss		
Loss on disposal of fixed assets	314	**440**
Impairment loss	2,322	**836**
Loss on valuation of shares of subsidiaries and associates	—	**34**
Restructuring expenses of subsidiaries and affiliates	—	**767**
Loss on valuation of investments in capital of subsidiaries and associates	—	**221**
Loss on cancellation of contracts	757	**—**
Subsidiary liquidation loss	109	**—**
Extraordinary loss	3,504	**2,301**
Income before income taxes	18,103	**18,833**
Income taxes	5,003	**5,165**
Income taxes adjustment	398	**(606)**
Total income taxes	5,402	**4,558**
Net income	12,700	**14,274**
Net income attributable to non-controlling interests	594	**532**
Net income attributable to owners of parent	12,105	**13,742**

Consolidated Statements of Comprehensive Income

(Millions of yen)

	FY 2016	FY 2017
Net income	12,700	**14,274**
[Other comprehensive income]		
Valuation variance of securities	93	**59**
Deferred gain or loss on hedging instruments	1,016	**(331)**
Translation adjustments	419	**(791)**
Remeasurements of defined benefit plans	45	**635**
Share of other comprehensive income of associates accounted for using equity method	78	**(23)**
Total other comprehensive income	1,653	**(451)**
Comprehensive income	14,354	**13,823**
[Comprehensive income attributable to]		
Comprehensive income attributable to owners of the parent	13,893	**13,444**
Comprehensive income attributable to non-controlling interests	460	**378**
Total comprehensive income	14,354	**13,823**

Consolidated Cash Flow Statements

(Millions of yen)

	FY 2016	FY 2017
I Cash flows from operating activities		
Income before income taxes	18,103	**18,833**
Depreciation and amortization	10,431	**10,900**
(Inc)/dec in net defined benefit asset	(366)	**(1,053)**
Inc/(dec) in net defined benefit liability	150	**1,091**
Interest income and dividend income	(1,099)	**(617)**
Interest expense	1,218	**716**
Loss due to impairment	2,322	**836**
Loss/(gain) on sales of shares of subsidiaries and associates	(533)	**—**
Subsidiary liquidation loss	109	**—**
Investment loss/(profit) on equity method	(66)	**(147)**
Loss/(gain) on sales of investment securities	(1,360)	**(802)**
Loss/(gain) on disposal of fixed assets	350	**440**
Loss on valuation of shares of subsidiaries and associates	—	**34**
Loss on valuation of investments in capital of subsidiaries and affiliates	—	**221**
(Inc)/dec in trade receivables	(2,899)	**(5,006)**
(Inc)/dec in inventories	(3,082)	**4,377**
Inc/(dec) in trade payables	(1,649)	**1,983**
Other cash flows from operating activities	1,509	**1,647**
Sub-total	23,138	**33,457**
Interest income and dividend income received	1,086	**621**
Interest expense paid	(1,235)	**(714)**
Income taxes (paid) refund	(6,468)	**(5,158)**
Cash flows from operating activities	16,521	**28,206**
II Cash flows from investing activities		
Capital expenditures of tangible assets	(15,097)	**(13,919)**
Payments for purchases of investment in securities	(71)	**(12)**
Proceeds from sales of investments in securities	1,863	**1,749**
Proceeds from liquidation of subsidiaries and affiliates	424	**—**
Proceeds from sales of investment securities, etc.	443	**—**
Income by acquisition of subsidiary company stocks with change in consolidation scope	396	**—**
Proceeds from sales of investment in subsidiaries resulting in change in scope of consolidation	—	**32**
Purchase of investments in associated companies	—	**(815)**
Other cash flows from investing activities	(1,720)	**(1,545)**
Cash flows from investing activities	(13,760)	**(14,510)**
Free cash flow	2,760	**13,695**

	FY 2016	FY 2017
III Cash flows from financing activities		
Inc/(dec) in short-term borrowings	7,221	**(8,994)**
Inc/(dec) in commercial paper	—	**5,000**
Proceeds from long-term borrowings	2,406	**1,248**
Repayment of long-term borrowings	(5,877)	**(6,444)**
Dividend paid	(3,438)	**(3,868)**
Dividend paid to non-controlling interests	(312)	**(124)**
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(5,467)	**(125)**
Other cash flows from financing activities	(194)	**(144)**
Cash flows from financing activities	(5,662)	**(13,452)**
IV Exchange rate changes on cash and cash equivalents	(601)	**(122)**
V Net increase in cash and cash equivalents	(3,503)	**120**
VI Cash and cash equivalents at beginning of period	16,698	**12,681**
VII Cash and cash equivalents from newly consolidated subsidiaries at beginning of period	—	**197**
VIII Cash and cash equivalents from exclusion of consolidated subsidiaries at beginning of period	(513)	**—**
VIII Cash and cash equivalents at end of period	12,681	**12,999**

Corporate Profile

(As of March 31, 2018)

Company name
FUJI OIL HOLDINGS INC.

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

Established
October 9, 1950

Capitalization
13,208 million yen

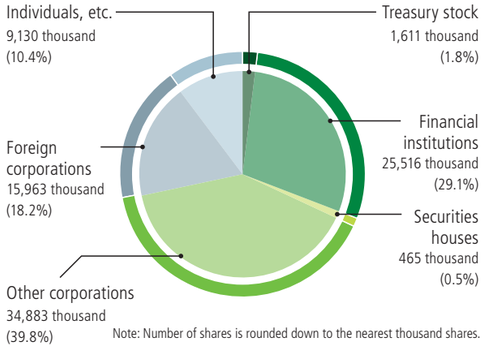
Representative
President and CEO Hiroshi Shimizu

Number of employees (consolidated)
5,092
(As of March 31, 2018 for domestic Group companies)
(As of December 31, 2017 for overseas Group companies)

Subsidiaries and affiliates
30 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: 17,769

Composition of Shareholders by Number of Shares



Note: Number of shares is rounded down to the nearest thousand shares.

Major Shareholders (Top 10)

Shareholder name	Number of shares held (in thousands)	Ratio of shareholding (%)
Itochu Food Investment, LLC	28,119	32.71
Japan Trustee Services Bank, Ltd. (Trust account)	4,830	5.62
The Master Trust Bank of Japan, Ltd. (Trust account)	4,692	5.46
National Mutual Insurance Federation of Agricultural Cooperatives	2,639	3.07
JP MORGAN CHASE BANK 385174	1,475	1.72
Fuji Oil Partner Shareholding Association	1,345	1.56
Japan Trustee Services Bank, Ltd. (Trust account 9)	1,267	1.47
Itochu Sugar Co., Ltd.	1,130	1.31
Nippon Life Insurance Company	1,100	1.28
Sumitomo Mitsui Banking Corporation	1,078	1.25

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

Evaluation from society

Environment
October 2017: CDP Climate Change Questionnaire "B" rating

Overall ESG
July 2017: Selected as a constituent stock in the MSCI Japan ESG Select Leaders Index

MSCI 2017 Constituent MSCI Japan ESG Select Leaders Index

January 2018: Fuji Oil Holdings' Sustainability Report 2017 selected as one of the "most-improved integrated reports" in a report published by the Government Pension Investment Fund

Health Management
February 2018: Certified as an Excellent Enterprise of Health and Productivity Management 2018 (White 500) by the Ministry of Economy, Trade and Industry

Empowerment of Women
August 2017: Received the Platinum "Kurumin" certification from the Ministry of Health, Labor and Welfare

IR
November 2017: Received the IR Special Award from the Japan Investor Relations Association

FUJI OIL

Contact information

IR and Corporate Communication Group
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