



FY2016 Earnings Conference

May 11, 2017

 **FUJI OIL HOLDINGS INC.**

Agenda

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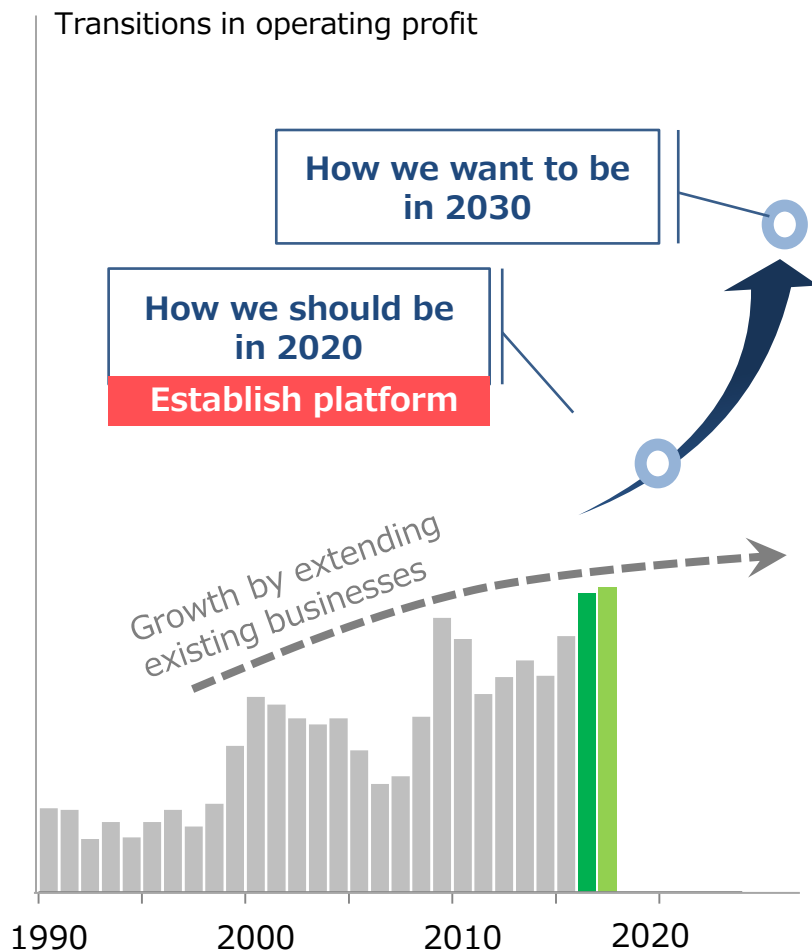
1. Summary

CEO

Hiroshi Shimizu

General Matters

Execute company reform to achieve “How we should be” and “How we want to be”



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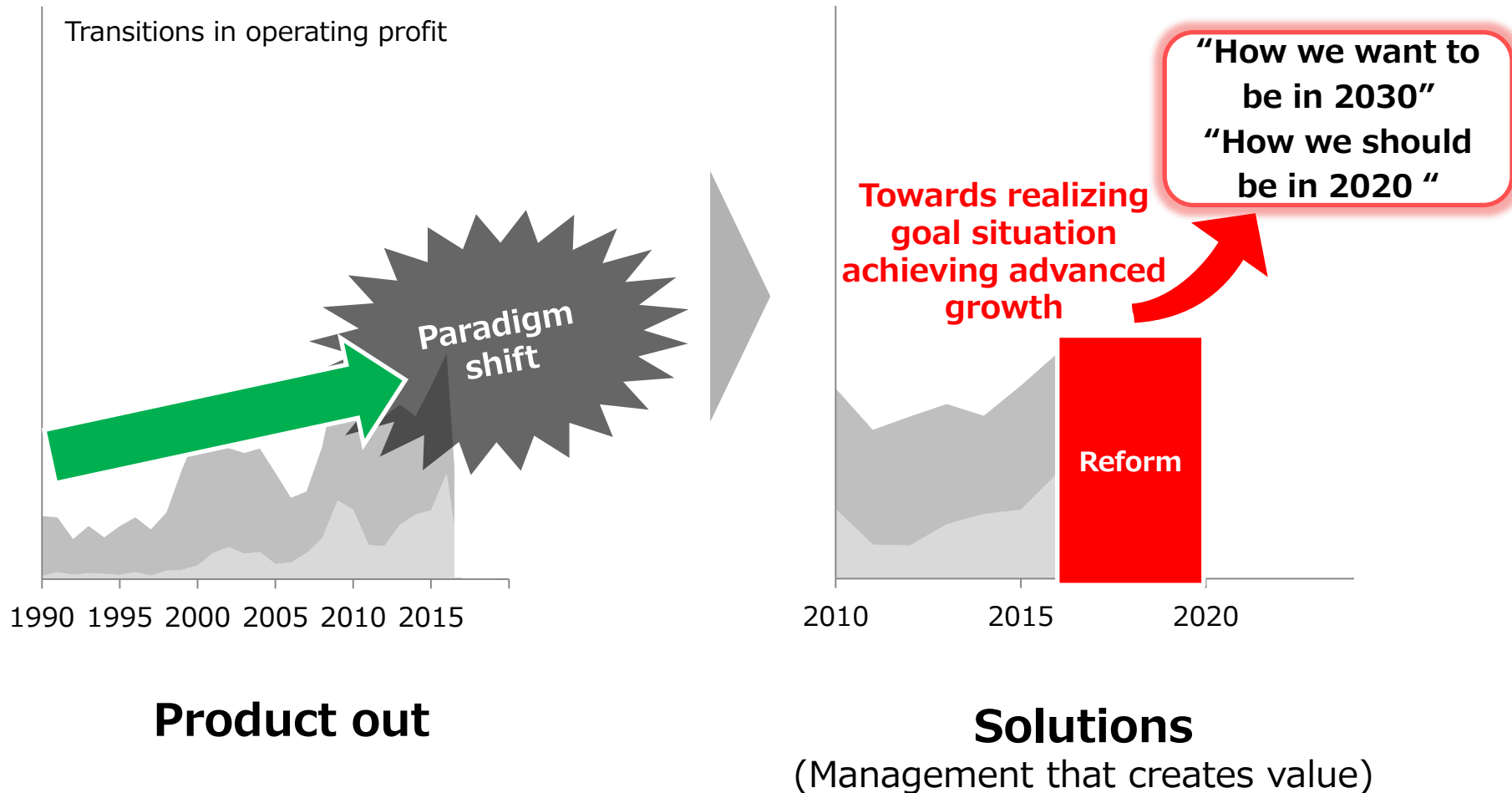
Year for outlining direction through 2020

- Drafted Fuji Oil Group Management Philosophy
- Transitioned to holding company structure
- Management that creates value
- Area focus
- M&A (acquired Harald)
- Released new medium-term business plan

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Year of decisive action

Age of Disruption



Work for people

– CON/SCIENTIOUS MANAGEMENT –

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Delicious and healthy foods

- Health of people and community
- Health management
- Soybean business
- Functional high-value added products

Reform

All policy will lead to reform

- Holding company structure
- Fuji Oil Group Management Philosophy
- M&A
- Management that creates value
- Business selection and concentration
- Workstyle/HR system reform
- Brand reconstruction – B to B for C –

FY2017 Year of decisive action

Problems

- Intensification of global competition
- Lack of production capacity
- Reconstructing soybean business
- Sustainable procurement
- Improving ROE
- Human resource development
- Promotion of diversity

Policies

- Management platform structure
- Establish/improve capabilities of new offices
- Office consolidation and elimination
- Establish SCM team
- CCC contraction, cost reductions
- Workstyle reform
- Brand reform



Employees of Harald, Brazil

2. FY2016 Earnings Results, FY2017 Earnings Forecast

CFO

Tomoki Matsumoto

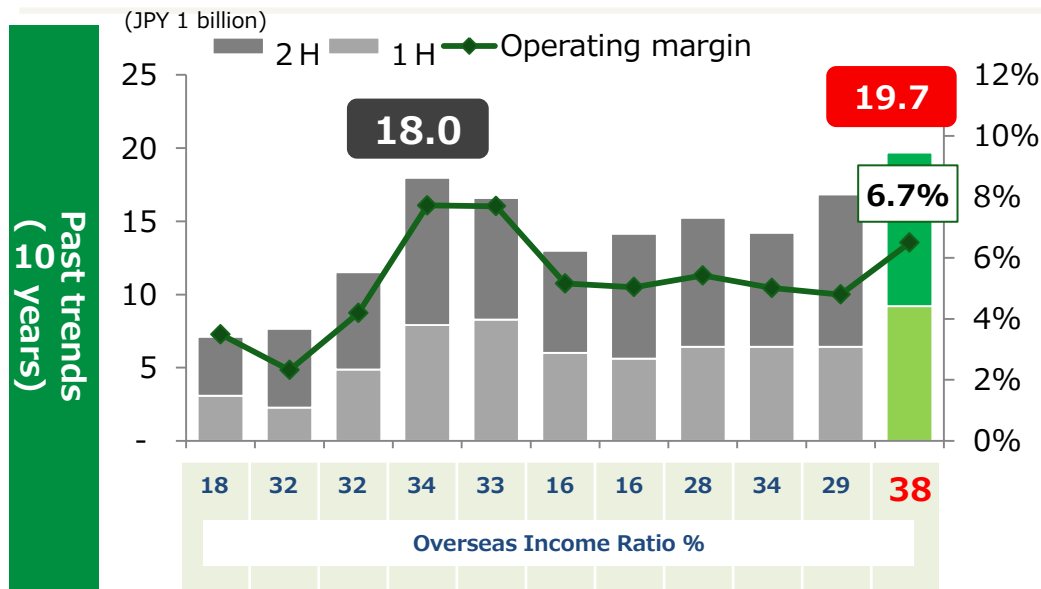
FY2016 Earnings Results

	Revenue	Operating Profit	Net Profit
Actual (JPY 1 billion)	292.5	19.7	12.1
vs. Previous Year	+1.7%	+16.9%	+31.2%

FY2016 Operating Profit

Achieved record high operating profit for first time in 7 years

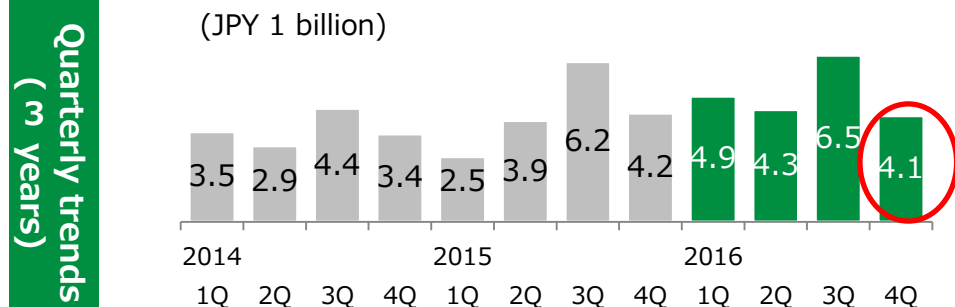
Transitions in operating profit and margin



FY2016

- Increase in main office operating expenses Increase in depreciation and amortization
- + Expanded sales in Japan, USA, China Pricing strategy External environment (costs, currency)

Achieved record high profit



4Q YoY change

- Oils and fats -0.9
(cost increases: Japan, Europe, etc.)
- Confectionary and bakery ingredients +0.3
- Soy protein +0.4

Financial Earnings

FY2016 Earnings Results, FY2017 Earnings Forecast

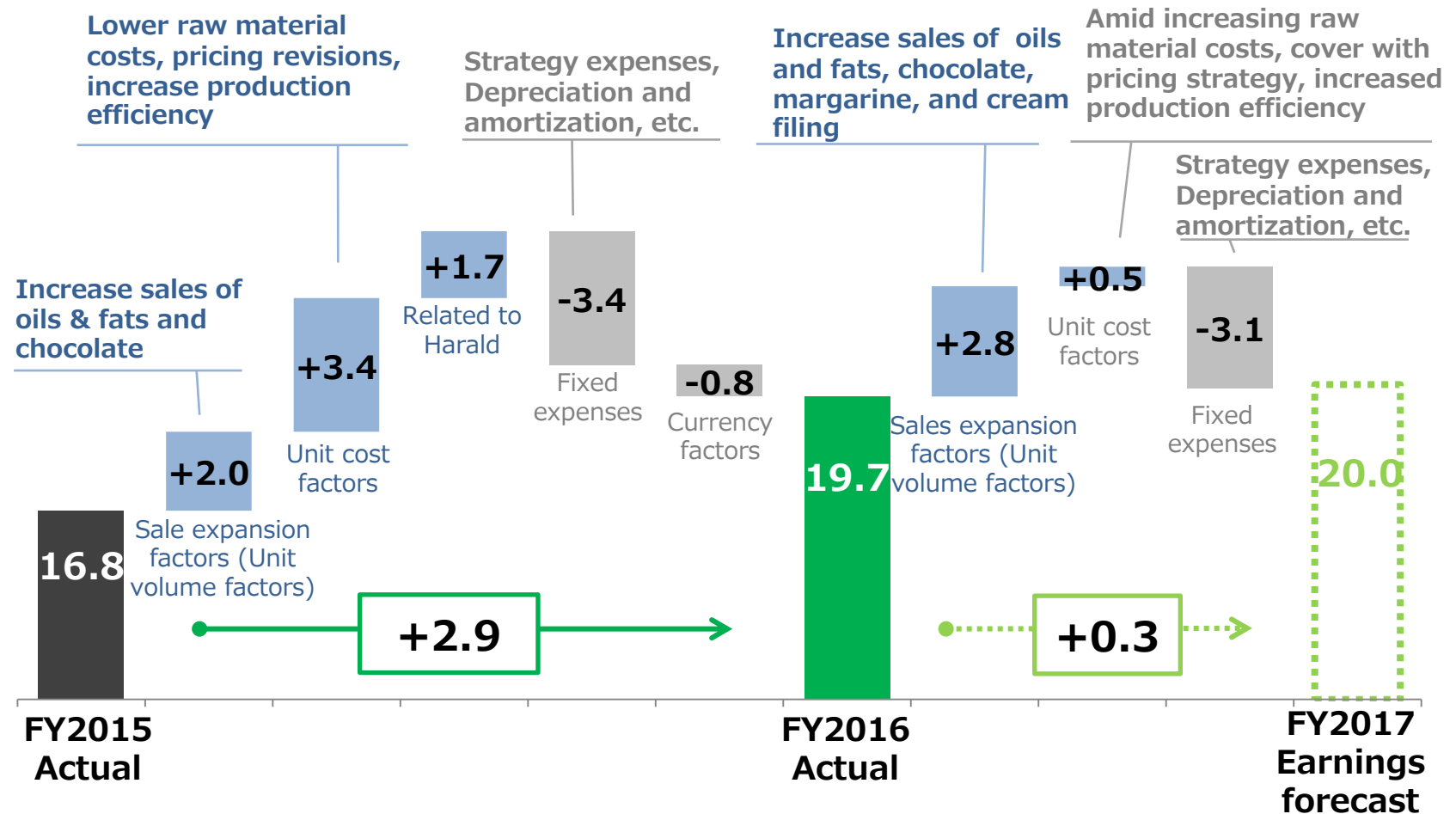
(JPY 1 billion)

	FY2015 Actual	FY2016 Actual	vs. Previous Year	FY2017 Forecast	vs. Previous Year
Revenue	287.5	292.5	+1.7%	309.0	+5.6%
Operating profit	16.8	19.7	+16.9%	20.0	+1.6%
Net income	9.2	12.1	+31.2%	12.5	+3.3%
EBITDA	26.0	29.3	+12.7%	30.2	+3.1%
Cash flows from operating activities	16.0	16.5	+3.1%	24.9	+50.9%
Cash flows from investing activities	-34.8	-13.8	-60.5%	-16.6	+20.3%
Free cash flow	-18.8	2.8	— %	8.4	+200.0%
Net interest-bearing loans	43.2	52.9	+22.5%	49.1	-7.2%
Net operating capital	64.4	62.9	-2.3%	61.0	-3.0%
CCC (Cash conversion cycle)	103 days	110 days	+7 days	105 days	-5 days
Net interest-bearing loans/EBITDA	1.7(x)	1.8(x)	+0.1(x)	1.6(x)	-0.2(x)

Operating Profit Analysis

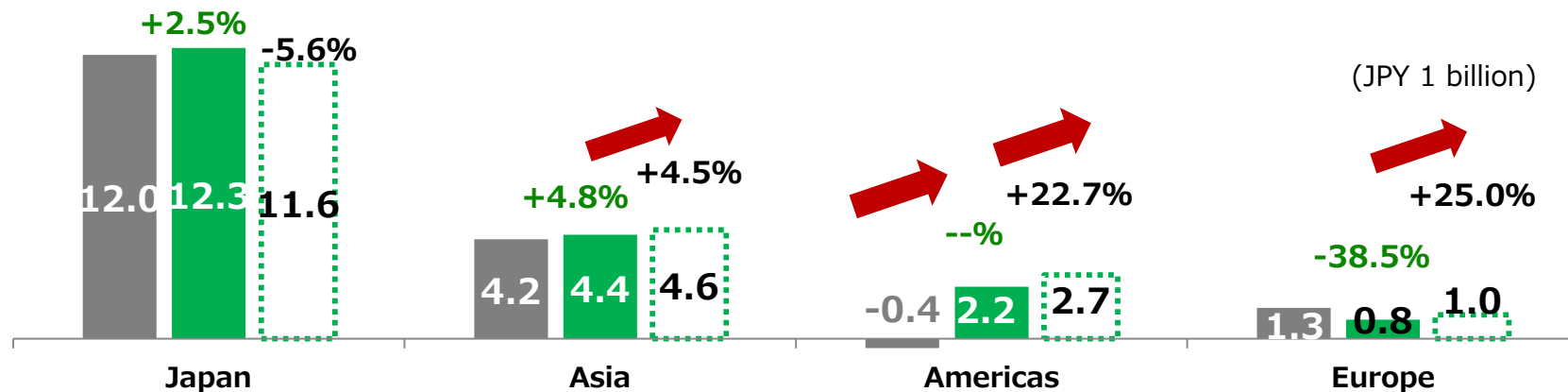
FY2016 Earnings Results, FY2017 Earnings Forecast

FY2017 will focus on strategy, calculated stability



Operating Profit Earnings Results and Earnings Forecast (by region)

FY2016 saw significant increase in Americas. In FY2017, will cover domestic decline in income with overseas sales



	Japan	Asia	Americas	Europe
FY2016	<ul style="list-style-type: none"> + Increase chocolate volume + Improve profitability of soy protein - Oils and fats: Increase in raw material costs 	<ul style="list-style-type: none"> + Increase income by expanding sales of oils and fats + China margarine filing: Capture bread demand + Capture soy protein demand - Increased expenses for strengthening Asia structure 	<ul style="list-style-type: none"> + US: Improve production efficiency; capture non-trans acid demand + Brazil: Focus on markets that enable us to utilize strengths; improve profitability; net decrease for Harald acquisition expenses 	<ul style="list-style-type: none"> - Intensifying competition leading to decline in profit margin
FY2017	<ul style="list-style-type: none"> - Oils and fats: Increase in raw material costs - Soy protein: Selection and concentration; strategically reduce SKU - Increase in implementation expenses for policies led by main office 	<ul style="list-style-type: none"> + Improve profitability for oils and fats + Confectionary and bakery ingredients: Increase performance; strengthen structure to expand sales - Soy protein selection and concentration: Strategically reduce volume 	<ul style="list-style-type: none"> + US: Maintain oils and fats income + Brazil: Focus on market that enables us to utilize strengths 	<ul style="list-style-type: none"> + Cost reductions to improve profitability

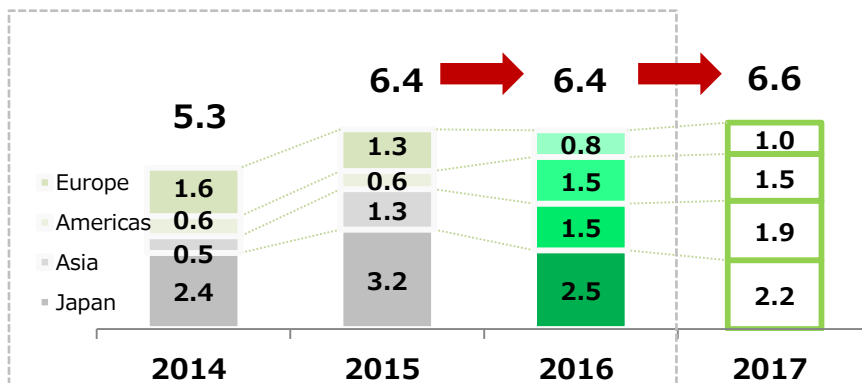
Overseas sales ratio 37.5%

42.5%

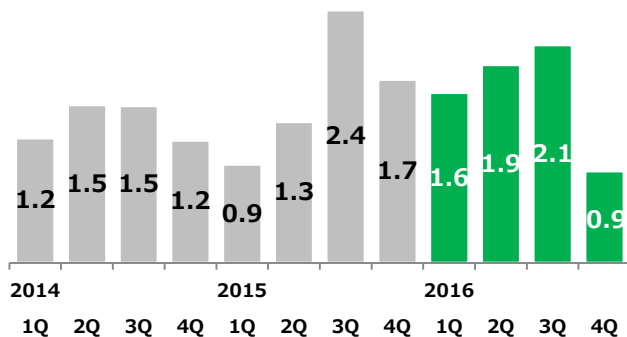
Strategic areas

Continuously secure profit in growth markets

Operating profit earnings results and forecasts



<Transitions in quarterly earnings>



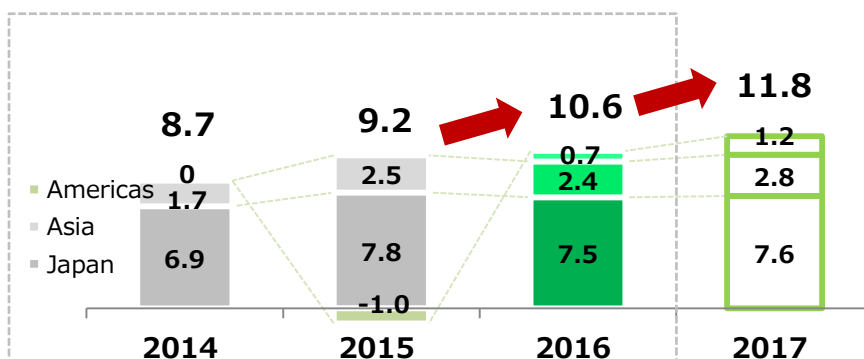
- FY 2016**
- Benefitting from strategic sales expansion
 - Increase share through strategic expansion in Japan Capture non-trans acid demand in the Americas
 - Improve profitability
 - Reduce costs / improve production efficiency

- FY 2017**
- Continue strategic sales expansion
 - Pricing strategy
 - Maintain profitability
 - NEW** Stabilized DHA/EPA sales

Confectionary and Bakery Ingredients

Continue expanding profit by applying strengths and focusing on growth markets

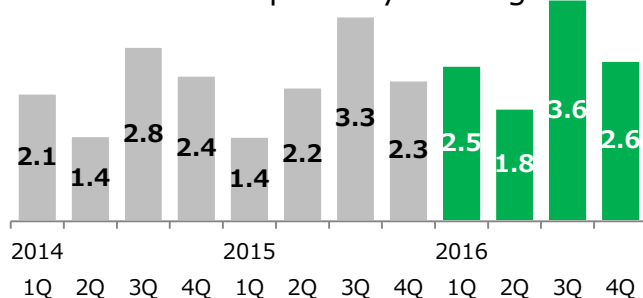
Operating profit earnings results and forecasts



Chocolate profit margin



<Transitions in quarterly earnings>



F Y 2016 -Sales strategy that takes advantage of strengths

Domestic and international chocolate, China filing and margarine

-Improve profitability

Brazil cost reductions, pricing revisions

-Reduce expenses

Net reduction in expenses related to acquisition of Harald

F Y 2017 -Japan

Expand sales of chocolate, etc. to absorb increased fixed costs

-Americas

Conduct sales targeting on strength markets and improve profitability by reducing costs

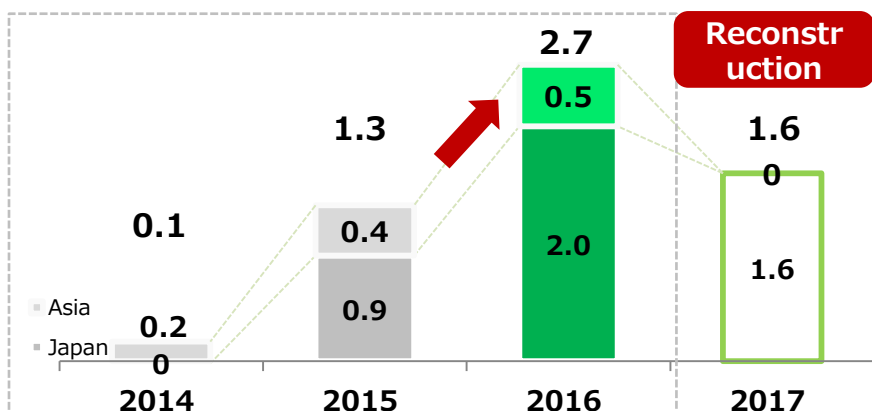
-Asia

Partnerships between development and sales to strengthen proposal-based sales.
Increase margarine, cream, filing sales volume

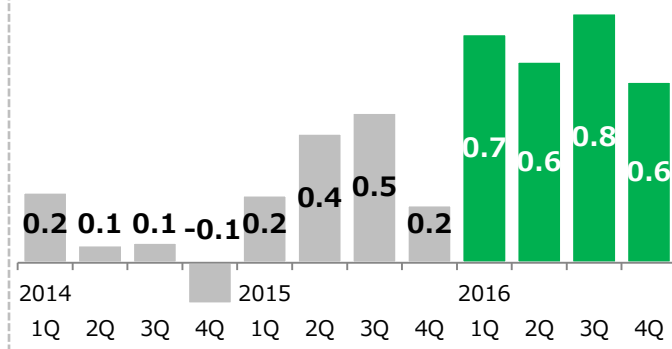
Soy Protein

Focus on business model conversion

Operating profit earnings results and forecasts



<Transitions in quarterly earnings>



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-Focus sales on high added value products

Soy polysaccharides, protein ingredients

-improve profitability

Cost reductions, pricing revisions

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-Further expand sales of high added value products

Soy polysaccharides, protein ingredients

-Promote and advance selection and concentration

Eliminate sales of certain products based on medium- to long-term perspective

Close Sakai Plant, consolidate with Hannan Plant to improve efficiency

(Reference) Earnings Results by Segment and Region

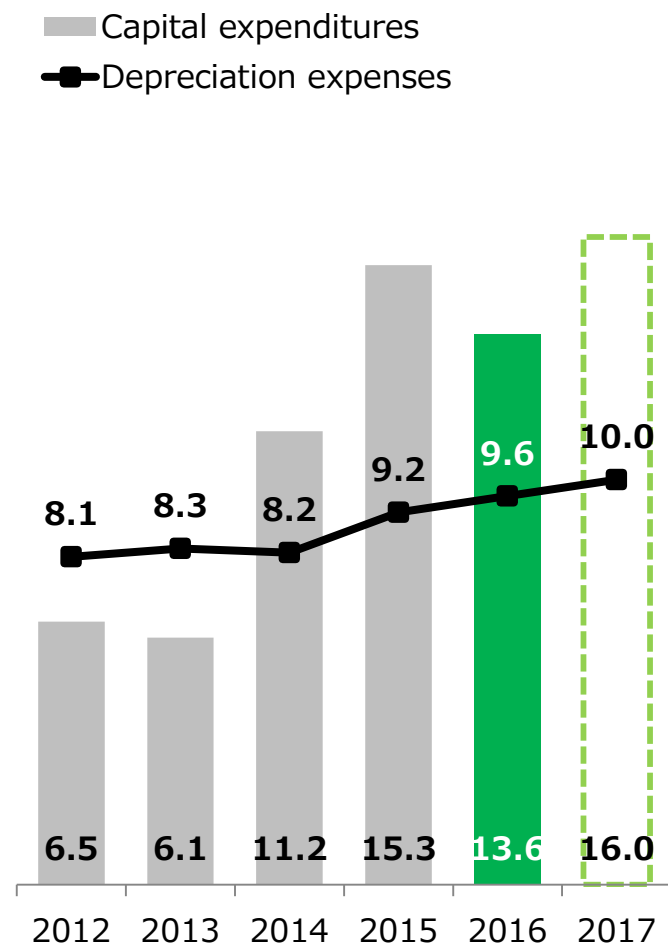
(JPY 1 billion)

Consolidated		FY2016		FY2017		YoY	
		Revenue	Operating profit	Revenue	Operating profit	Revenue	Operating profit
Japan	Oils and fats	38.7	2.5	39.0	2.2	+0.4	-0.3
	Confectionary and bakery ingredients	102.6	7.5	108.8	7.6	+6.1	+0.1
	Soy protein	36.1	2.0	33.5	1.6	-2.6	-0.4
	計	177.4	12.3	181.3	11.6	+3.8	-0.7
Asia	Oils and fats	22.6	1.5	25.8	1.9	+3.2	+0.4
	Confectionary and bakery ingredients	23.8	2.4	28.6	2.8	+4.8	+0.4
	Soy protein	3.1	0.5	2.8	0.0	-0.3	-0.5
	Total	49.5	4.4	57.2	4.6	+7.7	+0.2
Americas	Oils and fats	27.3	1.5	29.2	1.5	+1.9	-0.0
	Confectionary and bakery ingredients	17.6	0.7	22.7	1.2	+5.1	+0.5
	Total	44.8	2.2	51.9	2.7	+7.1	+0.5
Europe	Oils and fats	20.8	0.8	18.7	1.0	-2.2	+0.1
	Total	20.8	0.8	18.7	1.0	-2.2	+0.1
Consolidated adjustment		—	-0.1	—	0.0	—	+0.1
Total		292.5	19.7	309.0	20.0	+16.5	+0.3

Capital Expenditures

Gradual distribution to growth areas while continuing with maintenance and renewal investments

Major capital expenditures (1 billion yen)



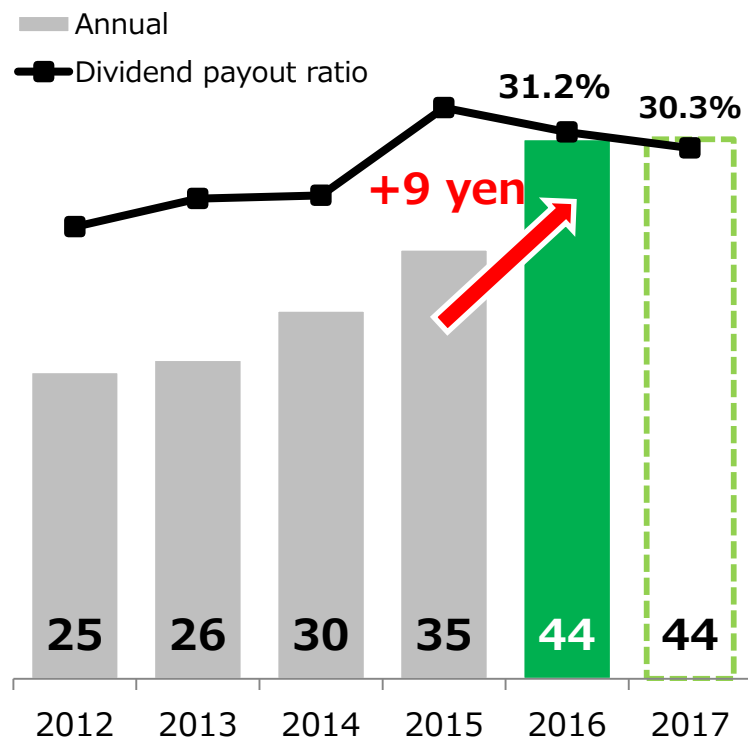
F	Fuji Science & Innovation Center	1.7
Y	Increase production capacity in Southeast Asia	0.7
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1	Increase production capacity for Chinese margarine	0.4
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F	Increase production capacity for Chinese filing	1.4
Y	Increase USA storage capacity (Respond to increased demand)	1.0
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1	Increase storage capacity in Southeast Asia (Respond to increased production capacity)	0.7
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Shareholder Returns

**Will increase dividends by 9 yen in FY2016
and maintain the same level of FY2017**

We will evaluate consolidated earnings and future cash flow from business investments, and make a decision based on our medium-term business plan



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22 yen + 22 yen = 44 yen

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22 yen + 22 yen = 44 yen

Management Goals

		FY2016 Actual	FY2017 Forecast	vs. Previous Year Change %	FY2020 Targets
Management goals	ROE	8.3%	8.1%	-0.2pt	10%
	EPS	141 yen	145 yen	+2.8%	CAGR 8% or higher
	Operating profit Growth rate	16.9%	1.5%	—	CAGR 6% or higher
	Shareholder returns	Dividend payout ratio 31.2%	Dividend payout ratio 30.3%	—	Dividend payout ratio 30-40%
Reference	Revenue	JPY 292.5 billion	JPY 309.0 billion	+5.6%	
	Operating profit	JPY 19.7 billion	JPY 20.0 billion	+1.6%	
	Net profit	JPY 12.1 billion	JPY 12.5 billion	+3.3%	

Financial Strategy

		FY2016 Actual	FY2017 Forecast	vs. Previous Year Change %	FY2020 Targets
Financial goals	ROE	8.3%	8.1%	-0.2pt	10%
	-Net sales margin ratio -Total return on assets -Financial leverage	Approx. 4.1% Approx. 1.08 times Approx. 1.8x	Approx. 4.0% Approx. 1.12 times Approx. 1.7x	-0.1% +0.04 times -0.1x	Approx. 5.0% Approx. 1.15 times Approx. 1.8x
	Operating profit CAGR	(Reference FY) JPY 19.7 billion	1.5%	—	6% or higher
	CCC *Cash Conversion Cycle	110 days	105 days	-5 days	10 day contraction

CCC full-scale contraction
will be implemented from
FY2017 > Progress with
inventory reduction

	Cycle number of days			(No. of days)	
	End of FY2015	End of FY2016	End of FY2017	End of FY2015 vs End of FY2016	End of FY2016 vs End of FY2017
Accounts receivable	71	74	73	+2	-1
Wholesale assets	63	65	62	+2	-3
Trade payables	32	29	30	-3	+1
CCC	103	110	105	+7	-5



Fuji Science & Innovation Center

3. FY2017 Initiatives

CSO

Mikio Sakai

Medium-Term Business Plan Basic Policies and Strategies

(reproduced from 2/23 materials)

		Expand scope of existing business	Businesses as STEP UP platform		Enhancing corporate infrastructure
		(1) Core competence enhancement	(2) Growth of soybean business	(3) Functional high-value added products business development	(4) Cost reductions and alignment with global standards
		-Grow markets and products that enable us to utilize strengths	-Structural reforms Final stage -USS (*2) product enhancement	-Polysaccharide business / stabilization DHA/EPA business development -Nutrition and health food business development	-Improve productivity in each area and promote cost reductions -Establish firm financial structure on global level
Expect advanced growth	Japan	Facility renovations, Evaluate new chocolate plant	Enhance USS Increase profitability of soy protein	Expand polysaccharide business Develop FST (*3)	Cost reductions Productivity improvement Procurement function enhancement Alignment with global standards Incorporate backbone system Brand reconstruction Uniform accounting periods Global CMS (*4)
	China	No. 2 Plant construction	Engagement in health segment	Nutrition and health food business development	
	Asia	Renovate aging facilities			
	North America	New production plant	Evaluate USS business development	FST global expansion	
	South America	Strengthen chocolate/oils & fats synergy			
	Europe	Strengthening chocolate business		Polysaccharide business global expansion	
	IMEA (*1)	Sales route expansion through area development			
M&A (secure JPY 50 billion in capital)					

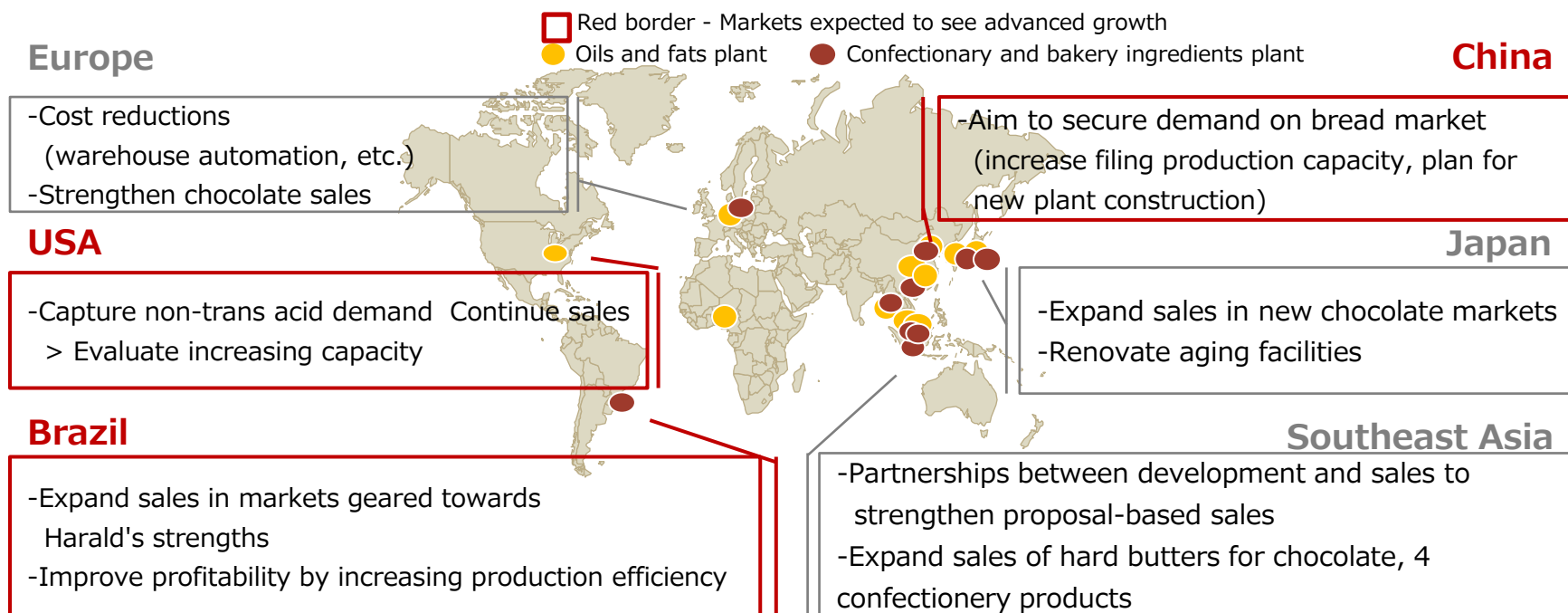
*1: India, Middle East, North Africa *2:Ultra Soy Separation *3:Fuji Stabilization Technology *4 Cash Management System

Year of decisive action

- ▶ **Solid business development and income in growth markets**
- ▶ **Soybean business selection and concentration**
Convert to new business model aimed at FY2020
- ▶ **Launch full-scale initiatives for new businesses**
- ▶ **Full-scale initiatives to develop global infrastructure**

(1) Strengthen Core Competence

Solid business development and income in growth markets



Reference) Sales volume of hard butters for chocolate and chocolate (FY2016 actual, FY2017 forecast, with FY2015 set as 100)

	Total		Japan		Asia (including China)		Americas (including Brazil)		Europe	
	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017
Hard butters for chocolate	109	108	109	110	113	129	107	87	102	97
Chocolate	106	113	104	105	113	135	102	107	113	121

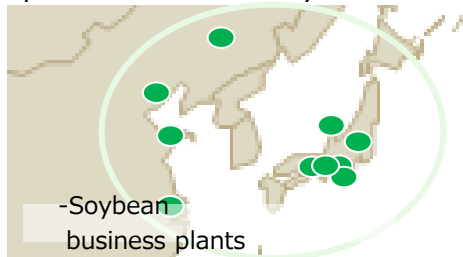
(2) Grow Soybean Business

Convert to new business model aimed at FY2020

Soy protein ingredients, protein foods

Promote and advance further business reconstruction

- Eliminate sales of certain products based on medium- to long-term perspective
- Protein ingredient plant: Close Sakai Plant (Osaka)
- > Consolidate with Hannan Plant to increase production efficiency



- Prioritize consolidation and elimination
- Synergy creation

Plant protein (vegetable-based protein)

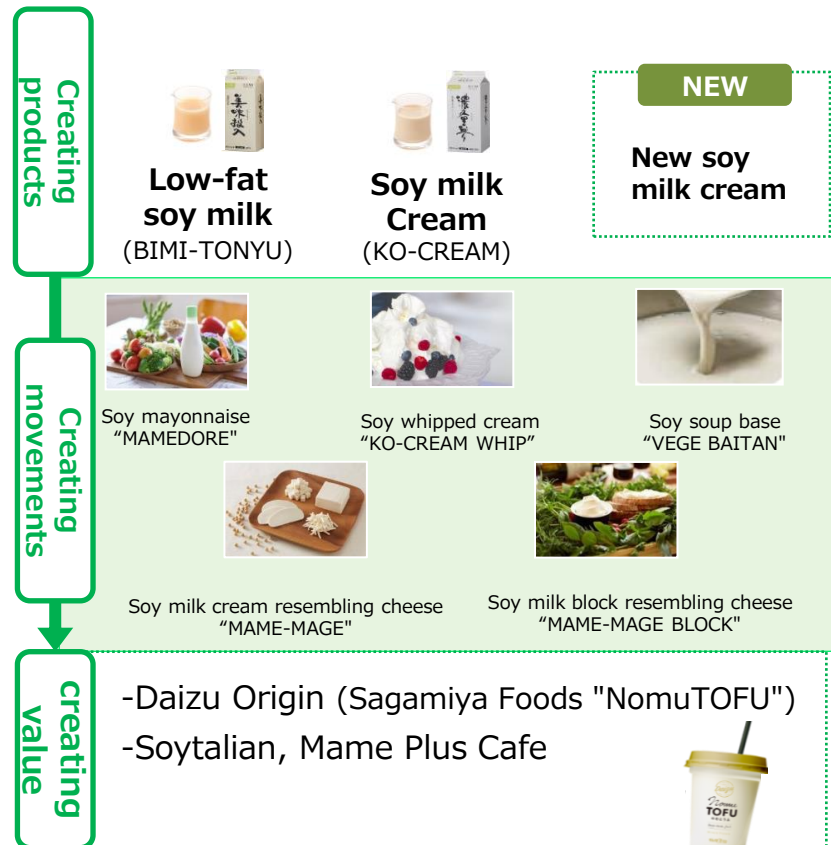
Aim for market development in Japan

- Soy Style (Family Mart)



Enhance USS products

Continue to propose new eating styles



(3) Develop Functional High-Value Added Products Business

Launch full-scale initiatives for new businesses

Stabilized DHA/EPA(*) business

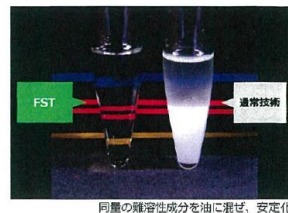
FY2017: Start sales

Develop brand and products centered on ideal of
"Easy to eat and tastes delicious"

- Begin sales from SOYAFARM Club
- Working on establishing with B to C manufacturer

(*) About Stabilized DHA/EPA

Base technology:
FST (Fuji Stabilization Technology: Proprietary technology that combines fats and oils with a slightly soluble ingredient to reduce "fishy smell" caused by oxidation to promote DHA/EPA consumption in daily meals.

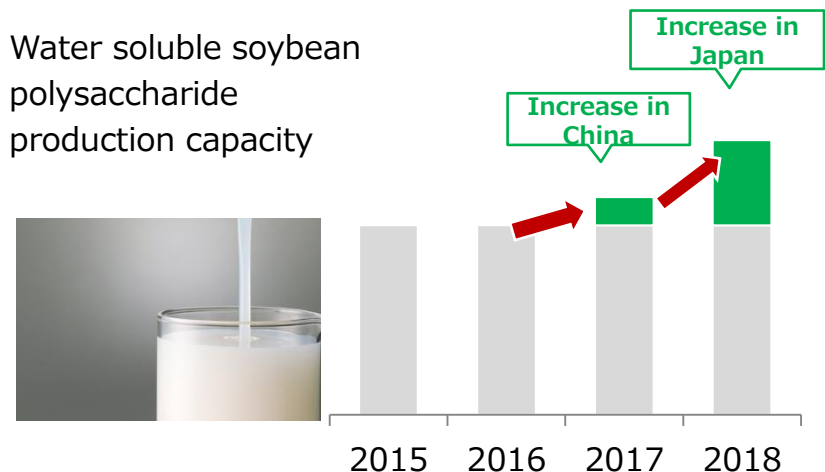


Polysaccharide business

Increase performance, resolve supply shortage

- Continued strong demand for acidic milk drinks
- Implement gradual production capacity increases
 - > 2017: China
 - > 2018: Japan

Water soluble soybean polysaccharide production capacity



(4) Cost Reductions and Alignment with Global Standards

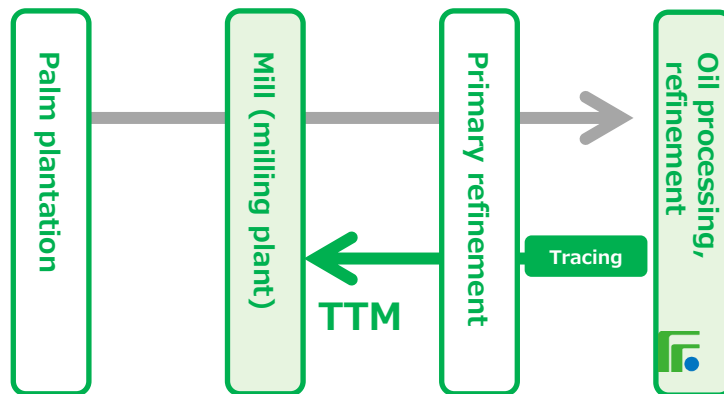
Full-scale initiatives to develop global infrastructure

Sustainable procurement

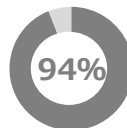
Launch SCM team in Singapore

- Promote sustainable procurement of palm, cacao, etc.
- Palm TTM (*): 100% by FY2020

(*) TTM = Traceability to Mill



- "Policy for Responsible Palm Oil Procurement" (released in March 2016)
- Traceability score from January to June 2016 (Palm oil, Palm kernel oil meter)



Launch productivity promotion group

Promote support of each Group company

- Define and utilize evaluation standards related to productivity
- Improve safety, quality, and environmental levels
- Incorporate IoT technology, promote AI technology research

Integrated backbone system

Work standardization

- Enable global comparison and validation
- Planning gradual integration in each area

Corporate brand reconstruction

Increase corporate recognition for Fuji Group

- Launch dedicated team



 **FUJI OIL HOLDINGS INC.**

