



# FY2017 First Half Earnings Conference

November 10, 2017

 **FUJI OIL HOLDINGS INC.**

# Agenda

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- |   |  |      |
|---|--|------|
| 1 | CEO Hiroshi Shimizu<br><b>Summary</b>  | P 3  |
| 2 | CFO Tomoki Matsumoto<br><b>1H/FY2017 Earnings Results &amp;<br/>Full-Year Forecast</b> | P 8  |
| 3 | CSO Mikio Sakai<br><b>Social Issue Resolution We Strive For</b>                        | P 23 |



## 1. Summary

CEO

**Hiroshi Shimizu**

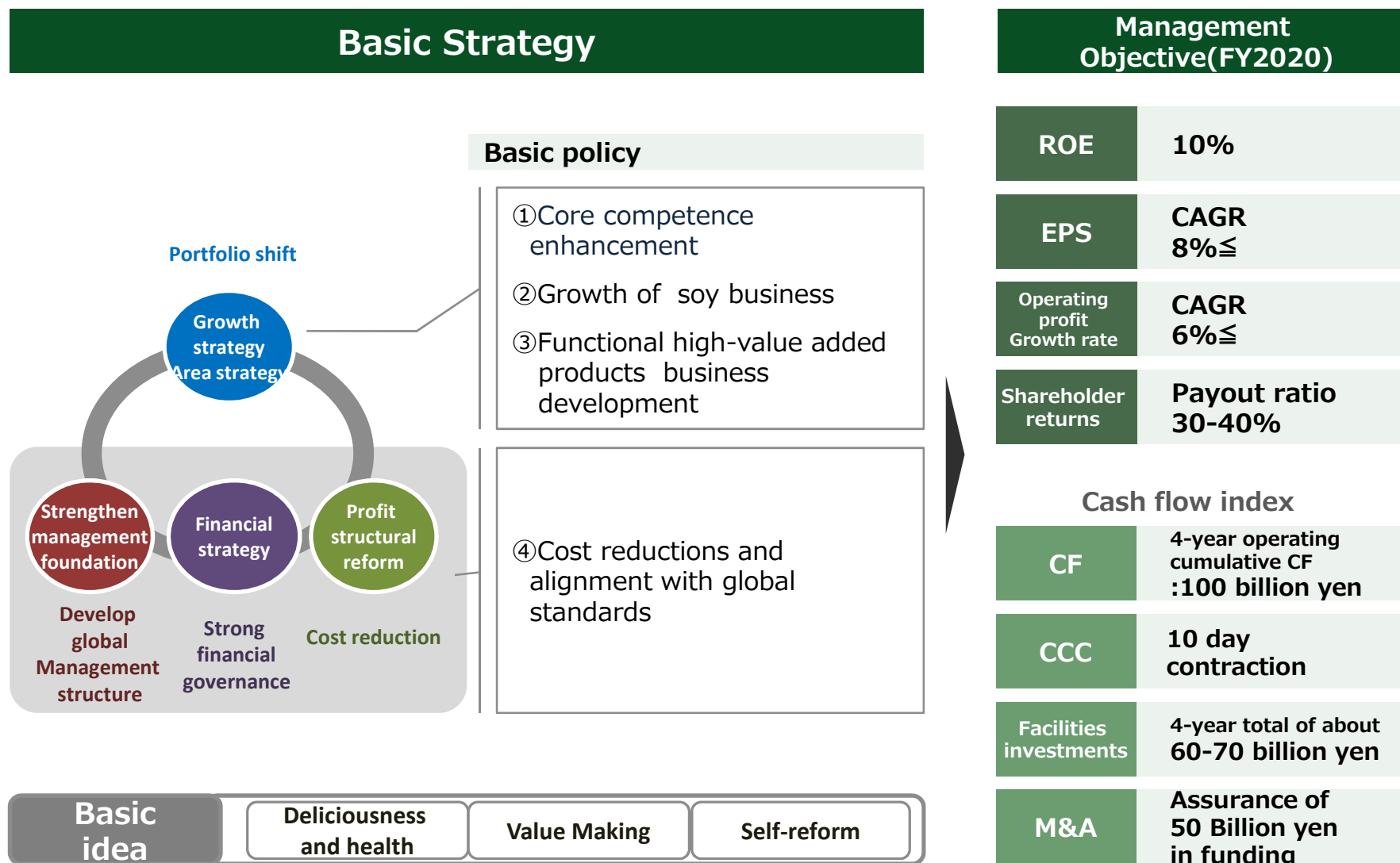
# General Matters

	Revenue	Operating Profit	Net Profit
Actual (JPY 1 billion)	149.6	9.4	5.8
YoY	+5.9%	+2.2%	-5.7%

↓

	Oils and fats	Confectionary and bakery ingredients	Soy
Actual (JPY 1 billion)	2.9	4.9	1.6
YoY	-17.0%	+13.0%	+16.9%

# (Reference) Towards a Further Leap 2020

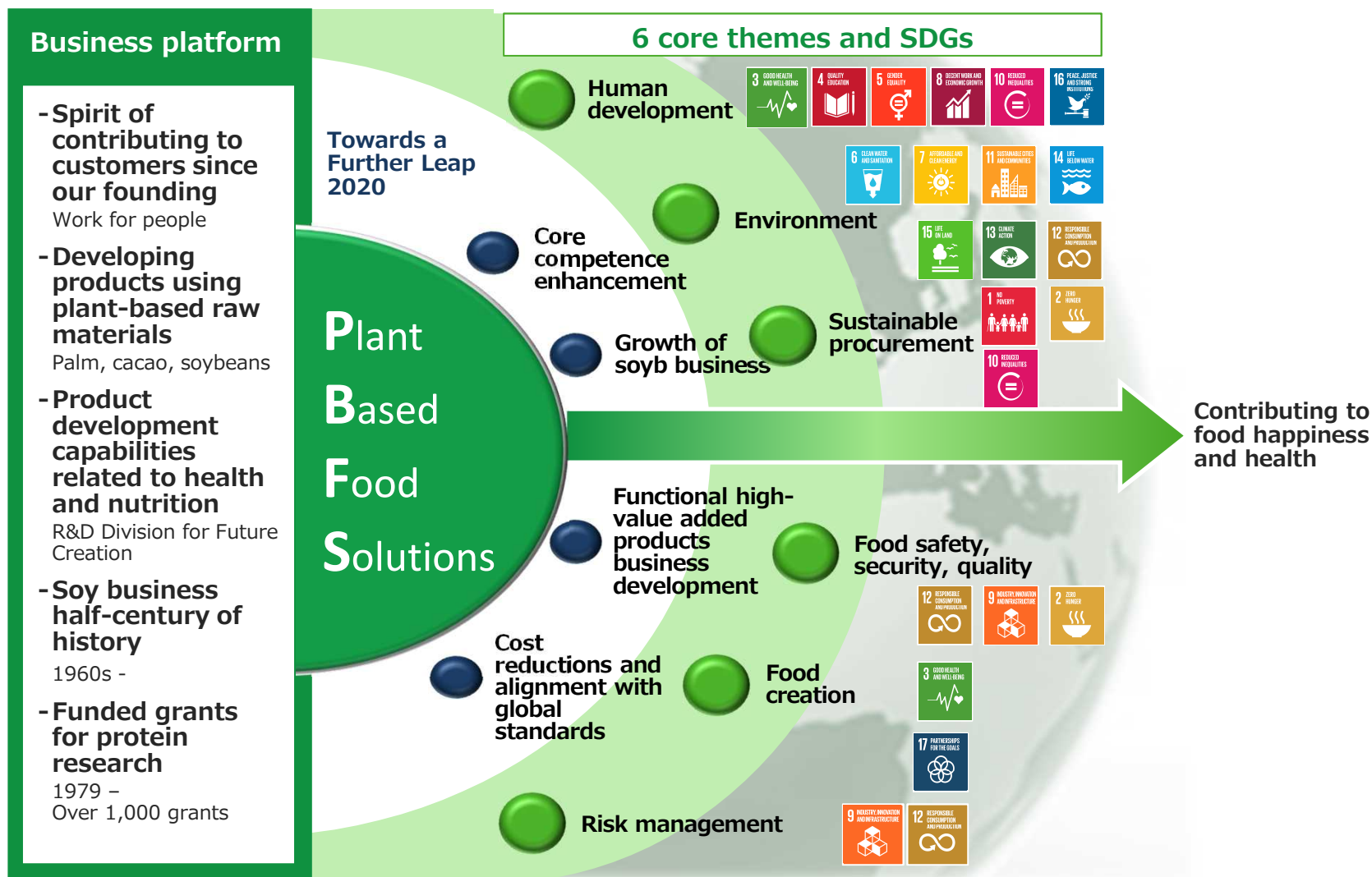


# Medium-Term Management Plan Progress

Basic policy	Progress of initiatives	
Core competence enhancement	•Chocolate business	-Expand sales in Asia by utilizing new Malaysia site
	•Expand sales in Asia	-Preparations for establishing new production site in China
Growth of soy business	•Structural reforms Final stage	-Transfer of Ishikawa Plant
	•Plant protein market	-Expand use of USS product lineup
Functional high-value added products Business development	•stabilization DHA/EPA business	-Initiatives to acquire Food with Function Claims for DHA
	•Polysaccharide business	-Make decision on building structure for enhanced production
Cost reductions and alignment with global standards	•Strengthen Management foundation	-Prioritize development of global platform
	•Financial strategy •Profit structural Reform	*Refer to CFO part for details

# ESG Management

Becoming a leading company that resolves the world's food and health issues







Fuji Vegetable Oil (America) employees

## 2. 1H/FY2017 Earnings Results & Full-Year Forecast

CFO

**Tomoki Matsumoto**

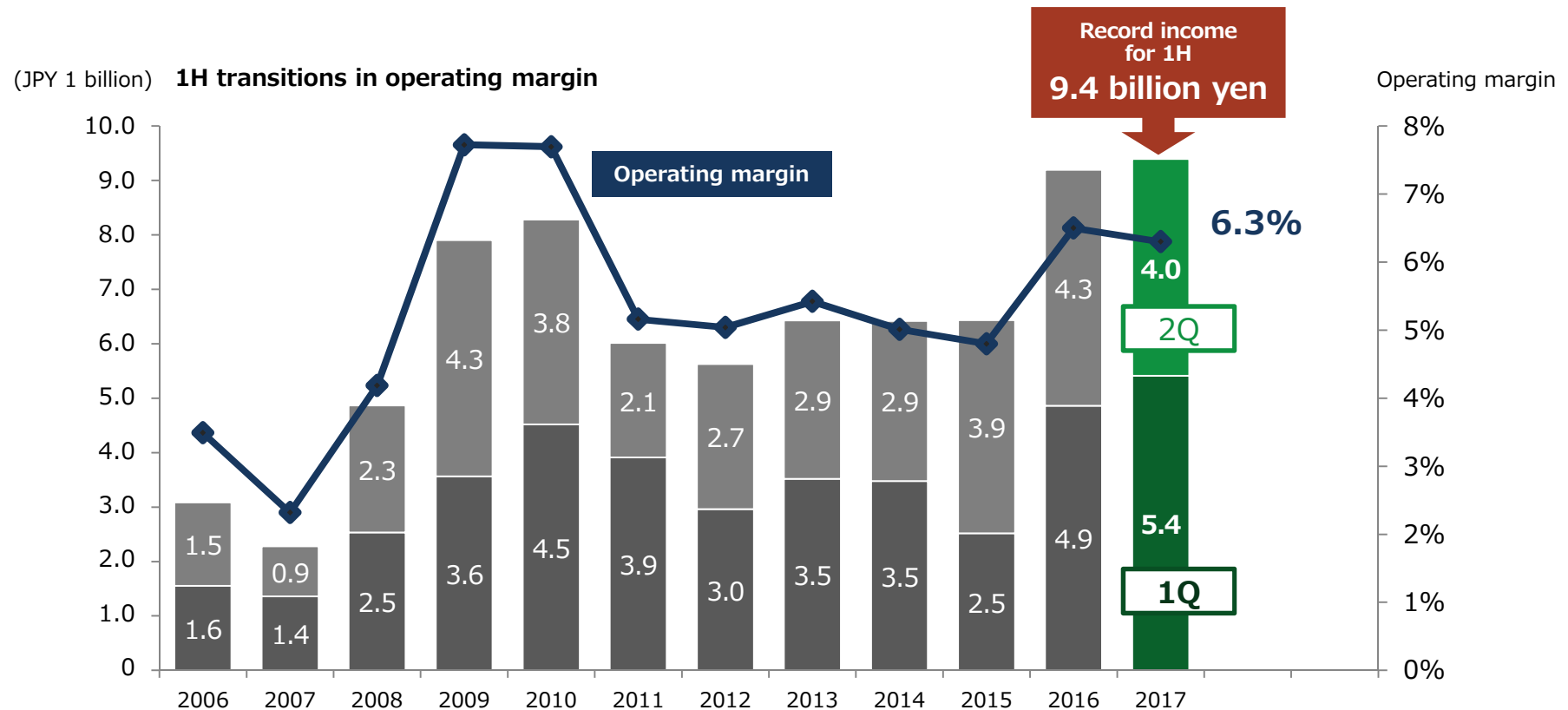


# <1H> Operating Profit

## Achieved record high profit

**Income from oils and fats decreased due to rising raw materials costs but income from confectionary and bakery ingredients and soy grew.**

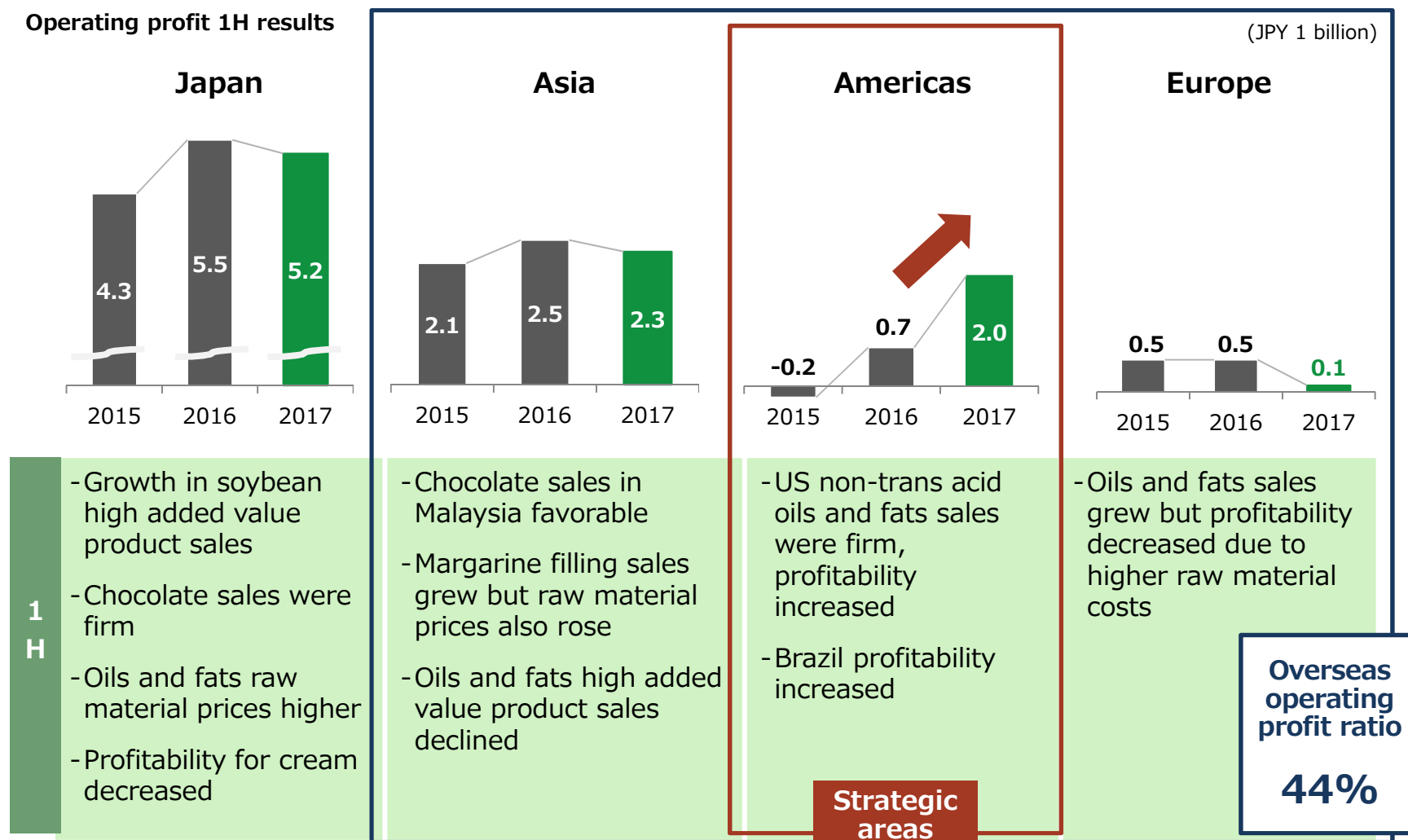
- Confectionary and bakery ingredients: Income increased due to improved profitability, mainly in South America
- Soybeans: Sales growth for high added value products (protein ingredients & Water soluble soybean polysaccharide) contributed to increased income



# <1H> Operating Profit by Area

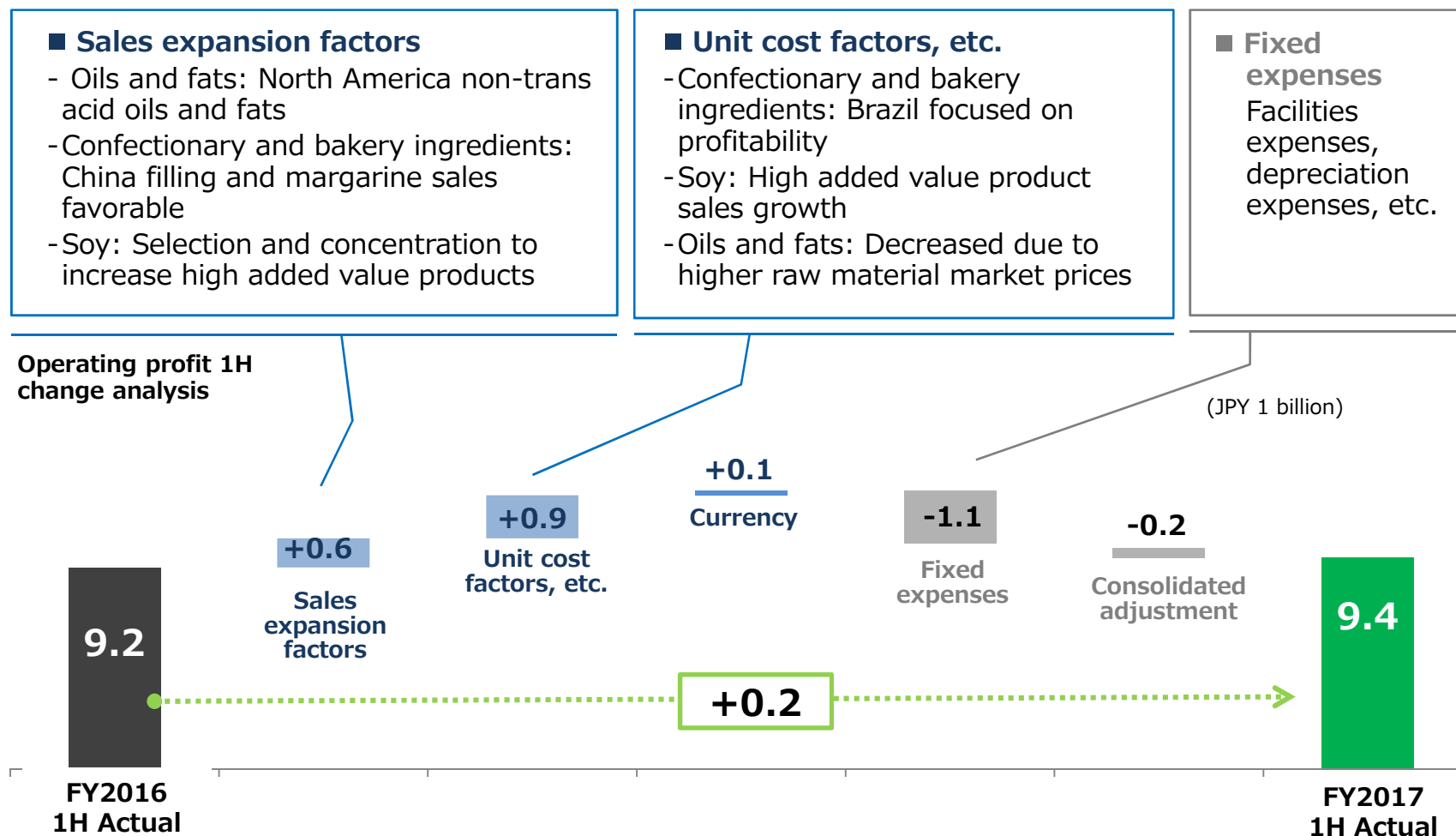
**Growth in the Americas - a strategic area - contributed to overall increased income**

Operating profit 1H results



# <1H> Operating Profit Analysis

**Growth in high added value products caused unit cost factors to increase. Continued to expand sales.**



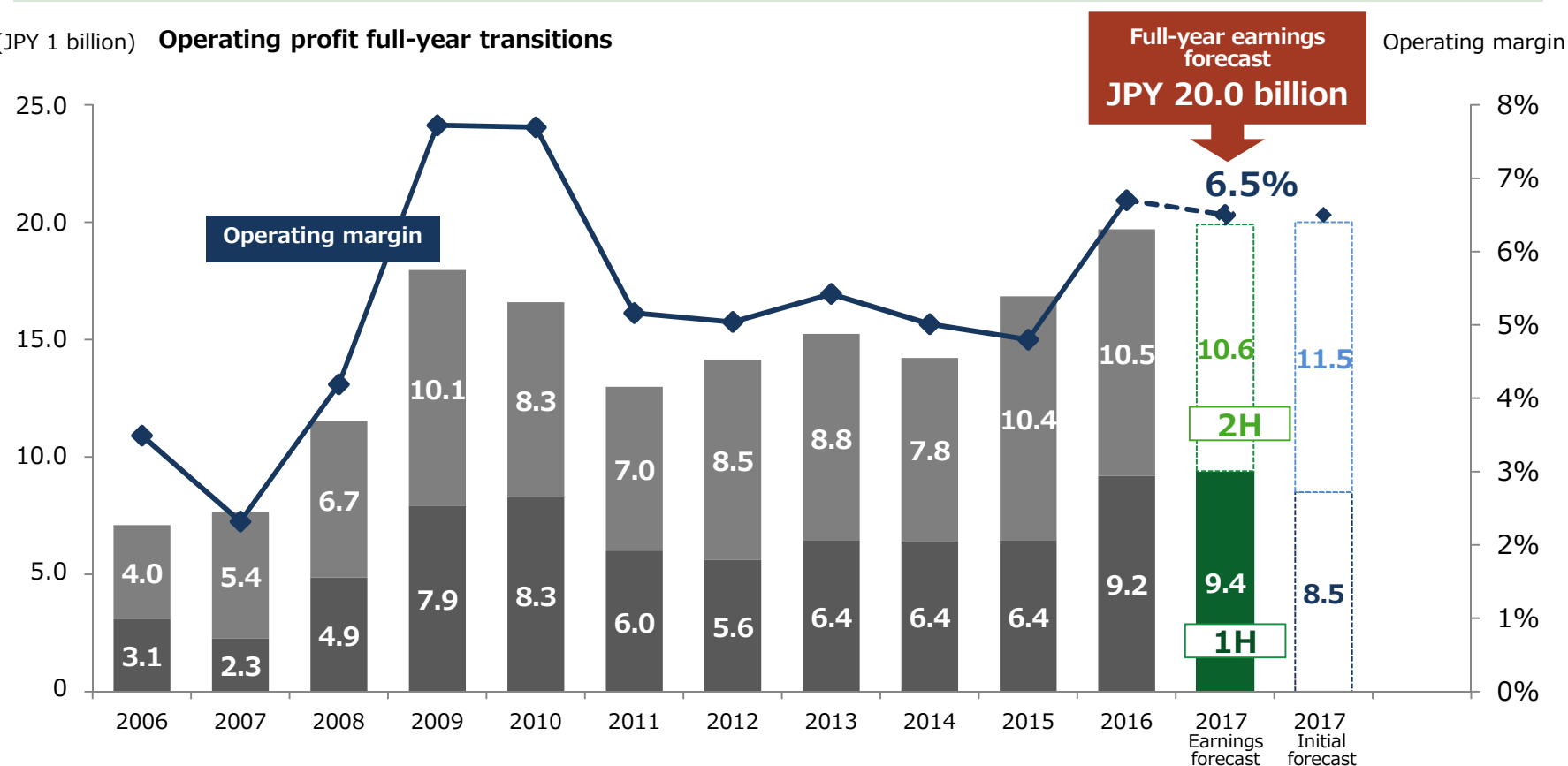
# <Full-year> Operating Profit Forecast

## Forecast record high profit for full-year

### Operating profit forecast of 20.0 billion yen (released 5/9) remains unchanged

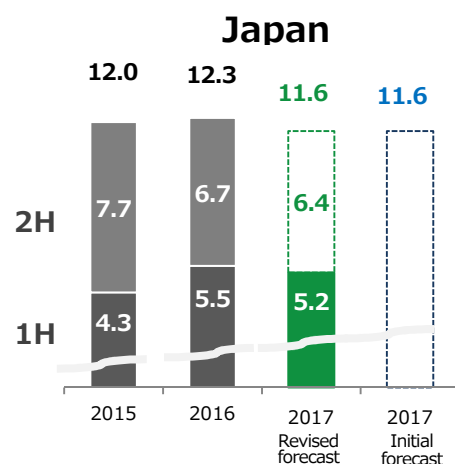
- Project securing income during 2H that is largely unchanged YoY
- Expanding sales of core competence product lineup, shifting to high added value products, maintaining and improving profitability

(JPY 1 billion) Operating profit full-year transitions



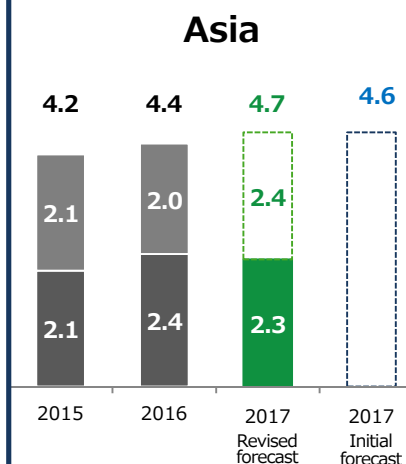
# <Full-year> Operating Profit Forecast by Area

**Americas 1H increased income will contribute to overall income growth**

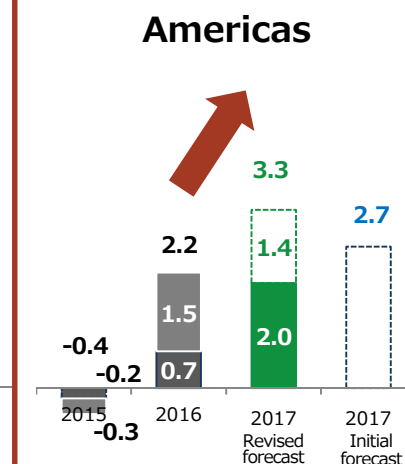


Full-year

- Growth in soybean high added value product sales
- Chocolate profitability will improve heading into 2H
- Cream cost increases continue to drive down profitability
- Continue focus on profitable sales for oils and fats but impacted by 1H income decline

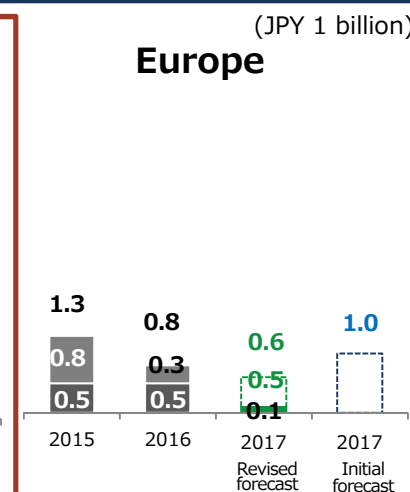


- Increased income mainly due to confectionery / breadmaking ingredients
- Oils and fats high added value product sales declines during 1H but will recover during 2H
- Soy income declines due to impact of business reconstruction



- Increased income on efforts to improve chocolate profitability
- Firm sales for non-trans acid oils and fats continue

**Strategic areas**



- Hard butters for chocolate sales grows but impacted by 1H income decline

**Overseas operating profit ratio**  
**42%**

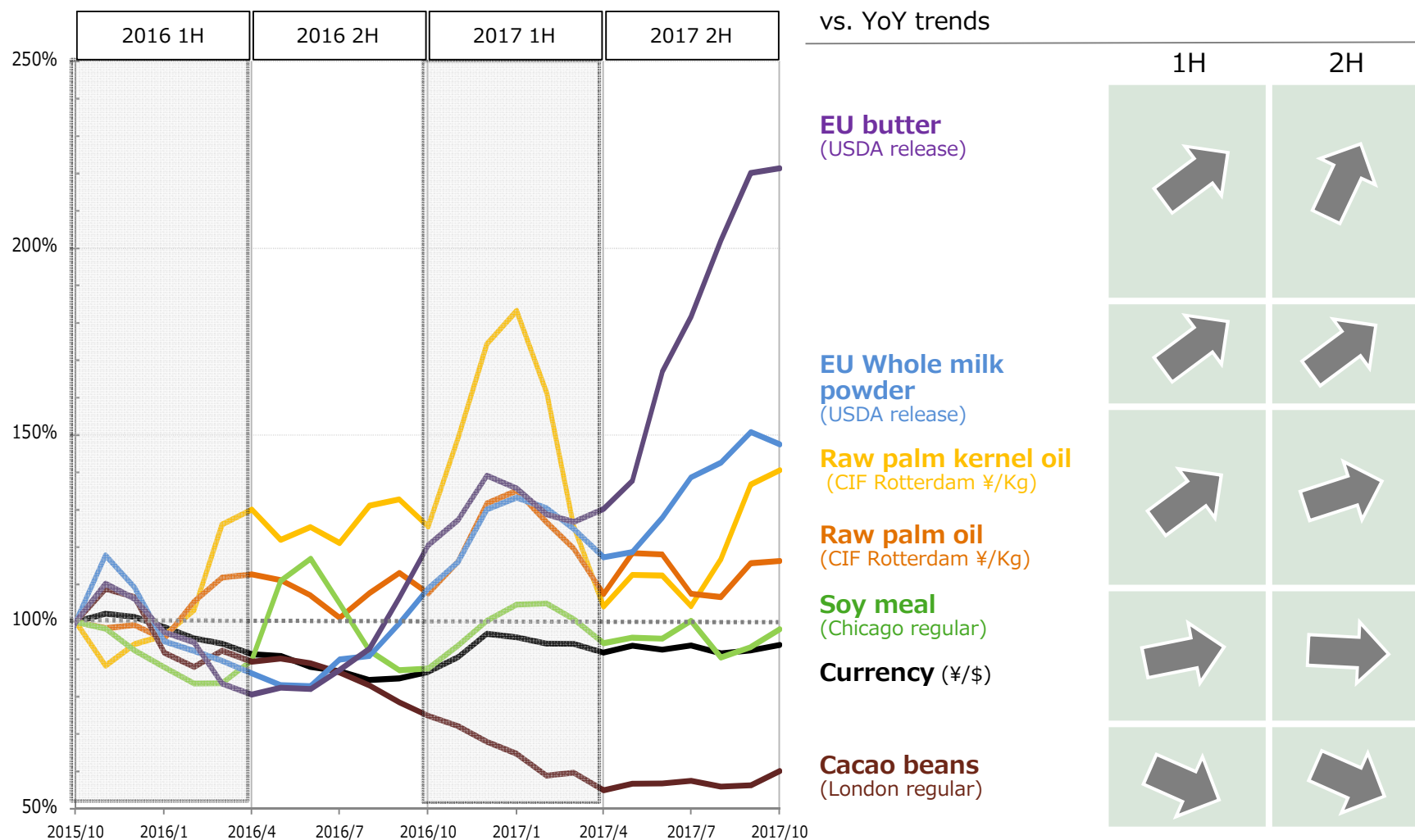
# Results by Segment and Region

(JPY 1 billion)

Consolidated		1H Results		Full-year forecast (11/7 revision)		YoY		(Reference) 5/9 initial forecast	
		Revenue	Operating profit	Revenue	Operating profit	Revenue	Operating profit	Revenue	Operating profit
Japan	Oils and fats	18.4	0.8	37.6	2.1	-1.1	-0.4	39.0	2.2
	Confectionary and bakery ingredients	49.4	2.9	106.3	7.1	+3.6	-0.3	108.8	7.5
	Soy	18.3	1.5	35.7	2.2	-0.4	+0.2	33.5	1.6
	Consolidated adjustment	-	0.1	-	0.2	-	-0.1	-	0.3
	<b>Total</b>	86.0	5.2	179.6	11.6	+2.2	-0.7	181.3	11.6
Asia	Oils and fats	11.7	0.9	23.3	1.8	+0.7	+0.3	25.8	1.9
	Confectionary and bakery ingredients	13.6	1.4	31.3	2.9	+7.6	+0.5	28.6	2.9
	Soy	1.3	0.1	2.7	0.1	-0.4	-0.4	2.8	0.0
	Consolidated adjustment	-	-0.1	-	-0.1	-	-0.1	-	-0.1
	<b>Total</b>	26.6	2.3	57.4	4.7	+7.9	+0.3	57.2	4.6
Americas	Oils and fats	15.9	1.1	29.8	2.0	+2.5	+0.5	29.2	1.5
	Confectionary and bakery ingredients	10.3	0.9	20.3	1.3	+2.8	+0.6	22.7	1.2
	Consolidated adjustment	-	0.0	-	-0.0	-	-0.0	-	-0.0
	<b>Total</b>	26.1	2.0	50.1	3.3	+5.3	+1.1	51.9	2.7
Europe	Oils and fats	11.0	0.1	22.0	0.6	+1.1	-0.3	18.7	1.0
	Consolidated adjustment	-	0.0	-	-0.0	-	-0.0	-	0.0
	<b>Total</b>	11.0	0.1	22.0	0.6	+1.1	-0.3	18.7	1.0
Consolidated adjustment		-	-0.2	-	-0.2	-	-0.0	-	0.0
<b>Total</b>		149.6	9.4	309.0	20.0	+16.5	+0.3	309.0	20.0



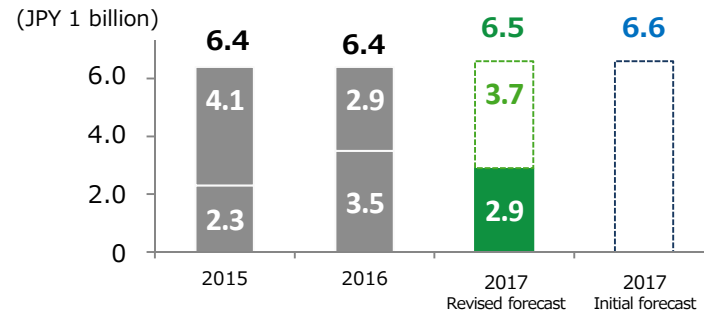
# Transitions in Major International Market Prices



# Oils and Fats

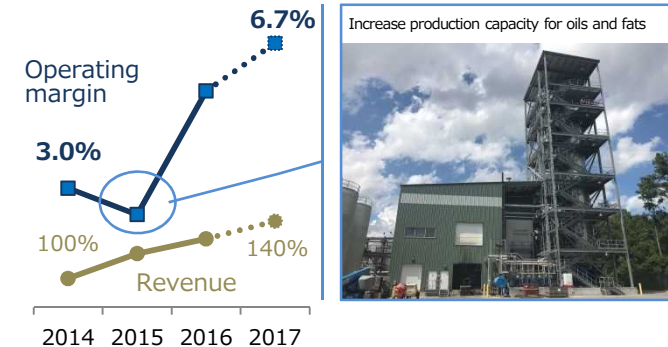
## Costs increased but secured income through sales expansion and cost reductions

Operating profit (3-year transition / 1H / 2H)



Margin	Full-year	5.9%	5.9%	5.8%	5.8%
	1H	4.4%	6.6%	5.1%	—

### ■ [Americas] Profitability improved on sales growth



(JPY 1 billion)

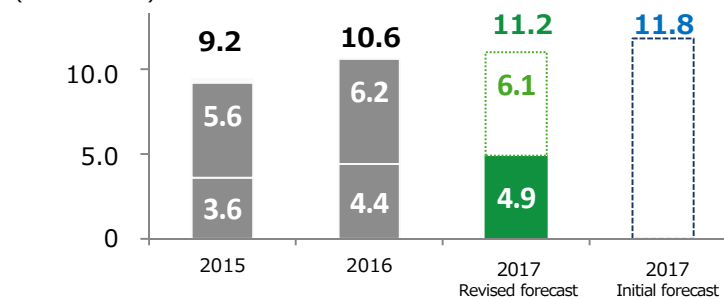
2017	1H Actual	YoY	Full-year Forecast	YoY	1H/Full-Year Overview
Japan	0.8	-34%	2.1	-17%	Income down on rising raw material costs, continue focus on profitable sales
Asia	0.9	-12%	1.8	+22%	Sales of high added value products declined during 1H, to recover during 2H
Americas	1.1	+38%	2.0	+36%	Non-trans acid oil and fat sales remain firm
Europe	0.1	-78%	0.6	-32%	Hard butters for chocolate sales grew but impacted by 1H decline in profitability
Consolidated adjustment	-0.0	-50%	0.0	-72%	
Total	2.9	-17%	6.5	+2%	

# Confectionary and Bakery Ingredients

## Expans sales, maintain/improve profitability

Operating profit (3-year transition / 1H / 2H)

(JPY 1 billion)



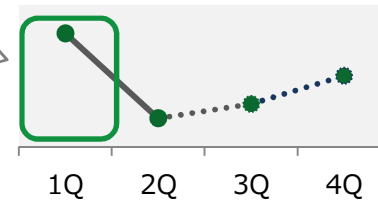
Margin	Full-year	6.6%	7.4%	7.1%	7.4%
	1H	5.8%	6.3%	6.7%	—

### ■ [Brazil] Favorable conditions converge in 1Q, the top season

- Currency stability
- Sales unit price up due to previous year's price increase
- Cost reductions

→ 1Q increased income

Trends in sales volume (image)



#### 1H operating environment

- Delay in demand recovery
- Changes in Easter demand
- Intensifying competition with other companies

#### 2H

- Enhance revenue structure
- Achieve planned income

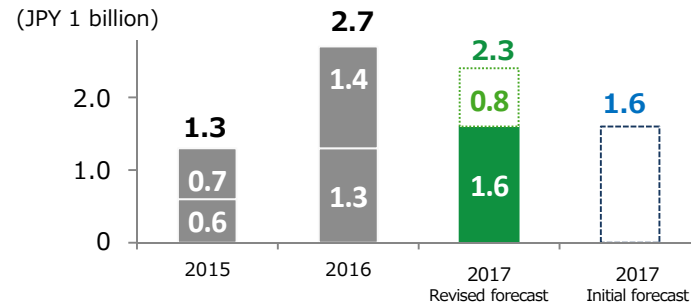
(JPY 1 billion)

2017	1H Actual	YoY	Full-year Forecast	YoY	1H/Full-Year Overview
Japan	2.9	-10%	7.1	-5%	Chocolate sales volume firm, profitability to improve in 2H Cream raw material cost increases to drive down profitability
Asia	1.4	+12%	2.9	+19%	Higher income for food ingredients due to rising market prices for dairy products
Americas	0.9	-	1.3	+82%	Brazil consumption recovery is slow but will work to increase profitability
Consolidated adjustment	-0.2	-	-0.2	-	
Total	4.9	+13%	11.2	+6%	

# Soy

## Reorganization to advance business structure reform

Operating profit (3-year transition / 1H / 2H)



Margin	Full-year	3.1%	6.9%	6.1%	4.5%
	1H	3.0%	7.0%	8.0%	—

### ■ [Japan] Starting to achieve target growth

Commodities contracting

- Reevalue protein ingredient production centers
- Transfer of Ishikawa Plant

Expand high-value added products business

- USS product lineup
- Water soluble soybean polysaccharide
- protein ingredients (health applications)

(JPY 1 billion)

2017	1H Actual	YoY	Full-year Forecast	YoY	1H/Full-Year Overview
Japan	1.5	+40%	2.2	+10%	High added value product (protein ingredients, Soy polysaccharides) sales grew
Asia	0.1	-66%	0.1	-83%	Impact of business reconstruction caused temporary decline in income
Consolidated adjustment	0.0	-30%	0.0	-18%	
Total	1.6	+17%	2.3	-14%	

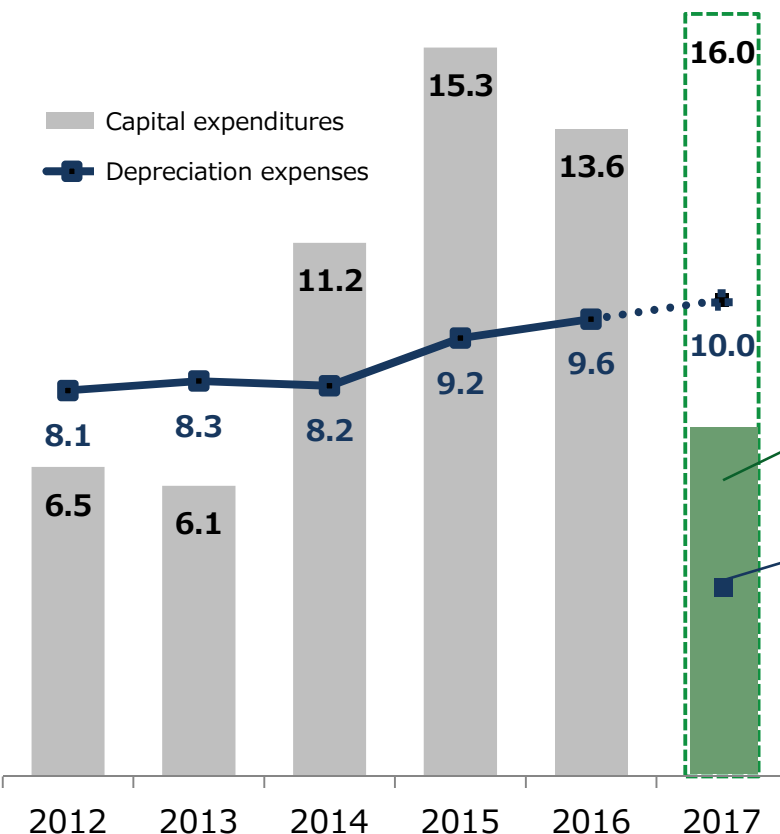
# Capital Expenditures

## Investments in growth markets and continued investments in maintaining/upgrading mainly domestic facilities

Transitions in capital expenditures and depreciation expenses

Major capital expenditures

(Unit: billion yen)



(JPY 1 billion)

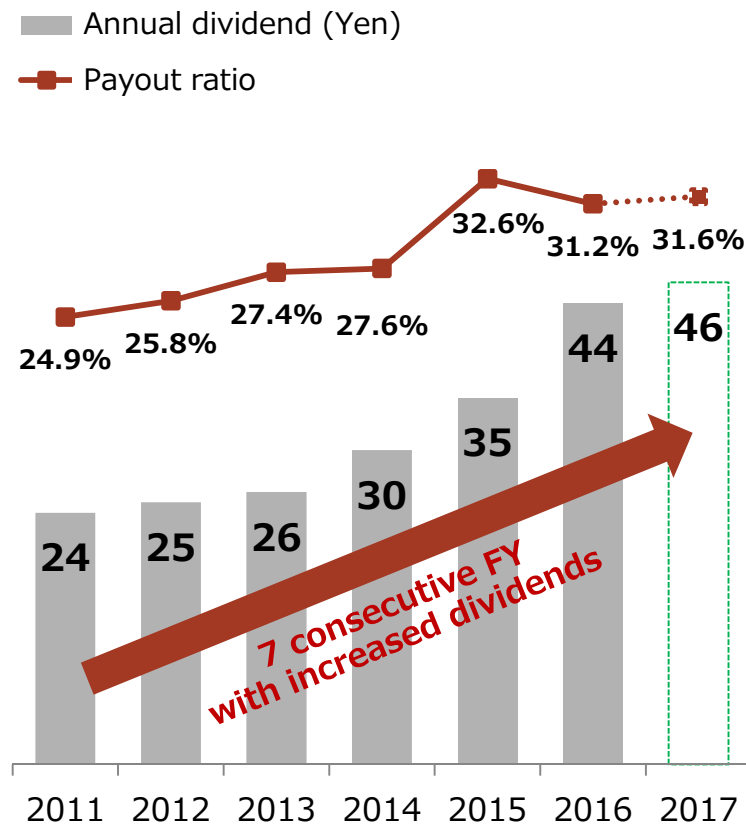
	1H	Full-year
Increase production capacity for Chinese filing	0.4	1.4
Increase production capacity for USA fats and oils	0.3	1.0
Increased production capacity for dairy and yogurt products in Southeast Asia	0.4	0.7

1H Capital expenditures 7.1

1H Depreciation expenses 4.8

# Shareholder Returns

## Promote income returns based on dividend policy



Dividend payout ratio

- Dividend payout ratio 30%~40%
- Stable and continuous dividends

**Planning to increase annual dividend by 2 yen**

FY2016 actual

$$22 \text{ yen} + 22 \text{ yen} = 44 \text{ yen}$$



FY2017 planned

$$23 \text{ yen} + 23 \text{ yen} = 46 \text{ yen}$$



# 1H/FY2017 Earnings Results & Full-Year Earnings Forecast

(JPY 1 billion)

	FY2017 1H Actual	YoY	FY2017 Full-year Forecast	YoY
Revenue	149.6	+5.9%	309.0	+5.6%
Operating profit	9.4	+2.2%	20.0	+1.6%
Net income	5.8	-5.7%	12.5	+3.3%
EBITDA	13.9	+0.9%	30.2	+3.1%
Cash flows from operating activities	14.1	+110.1%	24.9	+50.9%
Cash flows from investing activities	-6.4	-22.5%	-16.6	+20.3%
Free cash flow	7.6	—	8.4	+200.0%
Net interest-bearing loans	47.1	-13.2%	49.1	-7.2%
Net operating capital	62.9	+14.0%	61.0	-3.0%
Net interest-bearing loans/ EBITDA	1.7 (x)	-0.3 (x)	1.6 (x)	-0.2 (x)
CCC (Cash conversion cycle)	106 days	+2 days	105 days	-5 days

# Medium-Term Financial Strategy Progress

## Financial Management Policy

<b>1</b>	<b>Sustainable profit growth</b>	<ul style="list-style-type: none"> <li>• Consolidated operating profit CAGR6%<math>\leq</math></li> <li>• EPS growth rate CAGR8%<math>\leq</math></li> <li>• CCC 10 days shorter</li> </ul>	<b>Create and distribute cash flow</b>
<b>2</b>	<b>Maintain healthy financial status</b>	Evaluate business characteristics and risks to maintain a stable financial structure	<b>B/S management in line with risks and return</b>
<b>3</b>	<b>Improve capital efficiency</b>	Match level of competing global companies and elevate ourselves to level necessary for sustainable growth	<b>Improve ROE to 10%</b>
<b>4</b>	<b>Enhance financial governance</b>	Promote standardization, financial risk reduction, business optimization Enable global comparative validation	<b>Group financial benchmarks and standards</b>

## FY2017 progress

<b>① operating CF</b>	<b>Cumulative 2Q 14.1 billion yen</b> (+7.4 billion yen YoY)
<b>② CCC</b>	<b>Set goals and draft strategy for each company</b> (Mainly inventory reduction)
<b>① Reduce interest-bearing liabilities</b>	<b>Interest-bearing loans 61.1 billion yen</b> (down 4.6 billion yen YoY)
<b>② Improve D/E ratio</b>	<b>0.40</b> (-0.04 YoY)
<b>③ Equity ratio</b>	<b>57.0%</b> (+1.6pt YoY)
<b>① Improve total asset turnover</b>	<b>110.6%</b> (+2.8pt YoY)
<b>② unprofitable business asset</b>	<b>Reduced due to sales, etc.</b>
<b>③ Capital investment</b>	<b>Careful inspection of capital expenditures</b>
<b>① Global CMS</b>	<b>Start implementation</b>
<b>② Unification of Core system</b>	<b>Start development at US companies / kickoff at Chinese companies</b>
<b>③ Unification of accounting period and early settlement of accounts</b>	<b>Hire consultant and strengthen partnerships with each company</b>



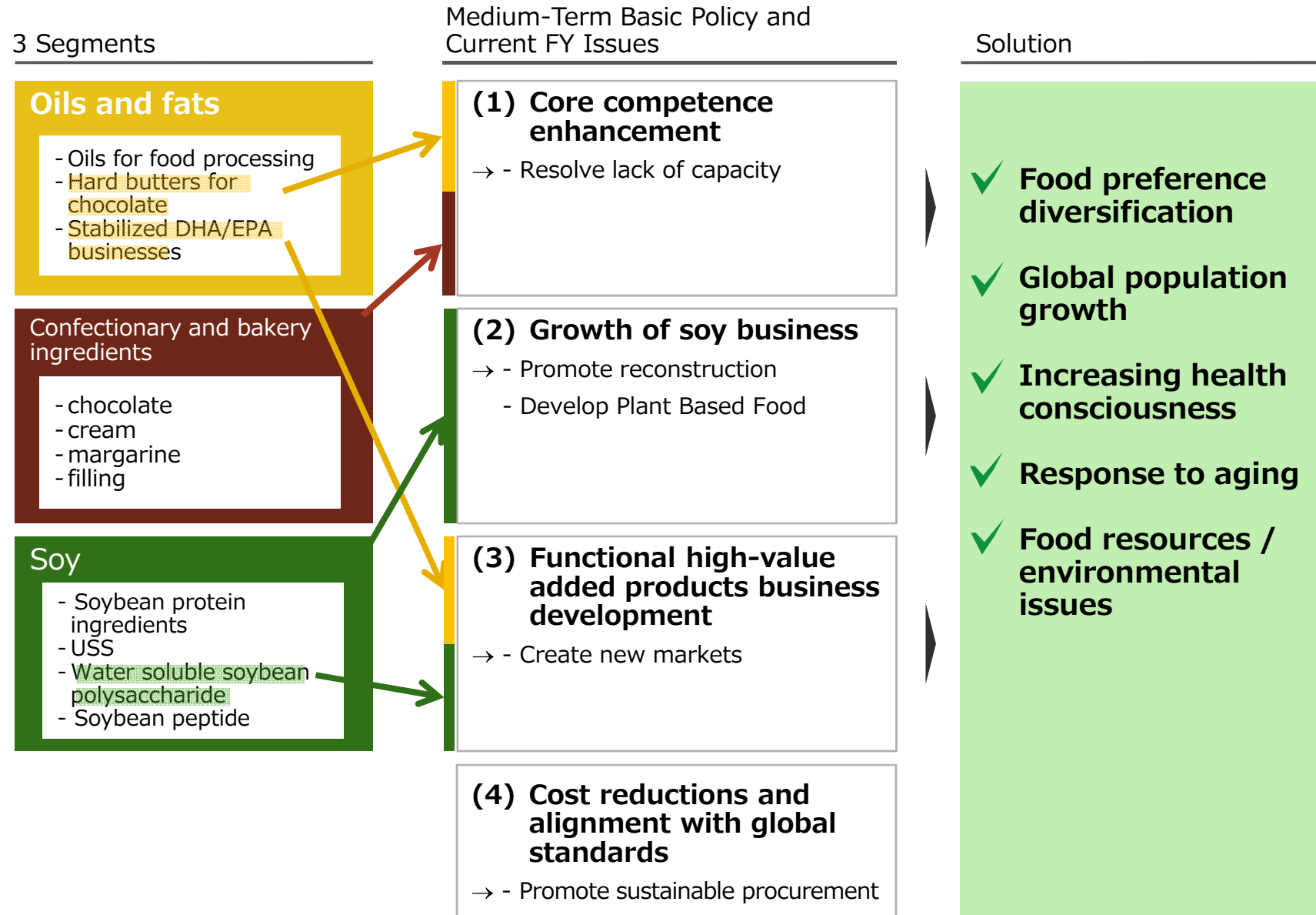
Fuji Oil (Zhangjiagang) Co., Ltd. (China) employees

### 3. Social Issue Resolution We Strive For

CSO

Mikio Sakai

# Create Value by Resolving Social Issues





# China: Confectionary and Bakery Ingredients - Establish New Production Plant

Medium-Term Basic Policy  
(1) Core competence  
enhancement

## Deliver new joy of food to all of China

Establish new production plant

### ● Fuji Oil (Zhangjiagang) Co., Ltd.

- Location: Suzhou, Jiangsu
- Cream, margarine, filling, chocolate

- ★ Fuji Sunny Plaza
- ★ Fuji Sunny Plaza  
(planned new construction)

### Sales already expanding nationwide

- Shanghai area → to Southern region
- Shore area → Inner China
- Plan to double the number of sales offices

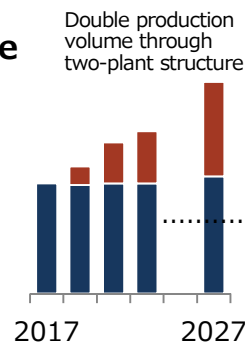


### ● New production plant

Create production center capable of more effectively handling a nationwide sales structure

- Location: Zhaoqing, Guangdong
- Margarine, custard
- Investment amount: approx. 300 million yuan

Planning start production by July 2018



Solution

### Contribute to change in food preferences

- ✓ Contribute to change in food preferences in cities and to social development in Inner China



Delicious taste

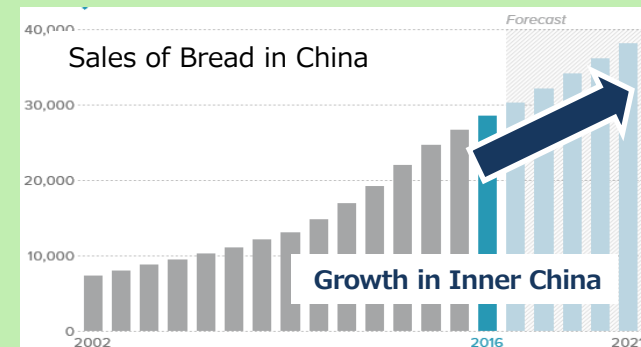
Variety

#### - Combination

chocolate, cream, margarine filling

#### - Customer support

Fuji Sunny Plaza, Asia R&D Center



Retail Value RSP - CNY million

# Southeast Asia: Hard Butters for Chocolate, Chocolate

Medium-Term Basic Policy  
(1) Core competence enhancement

## Provide delicious, functional chocolate across greater Asia

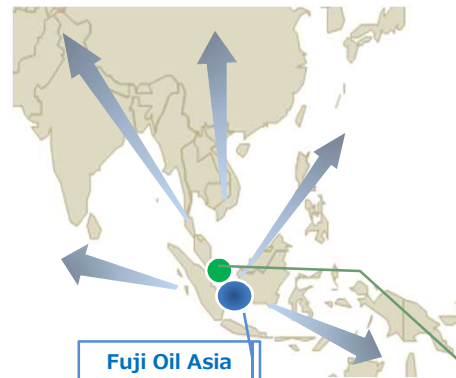
### Use of new Malaysia plant

#### ■ Conventional chocolate plants

- Mainly responding to domestic demand in country of production (China, Thailand, Indonesia)

#### ■ Malaysia new chocolate plant

- Cost competitiveness (position in free trade zone)
- Sales to all of Asia, other areas (Use sales routes of Asia management company)



#### GCB specialty chocolate



- Johor, Malaysia (free trade zone)
- 120 employees
- Sales in Malaysia and overseas export sales
- Offer chocolate of various tastes

(Ref.) 1H/FY2017 sales volume by sales area (YoY%)

	Japan	Asia	Americas	Europe	Total
Chocolate	100	119	88	109	100
Hard butters for chocolate	97	103	89	102	98

### Solution

#### Growth markets

= Warm climate areas, sudden population growth

#### Contribute with compound chocolate

- Combine with bread and confectioneries to create new functionality
- Stable supply possible

#### Contribute to preferences in various countries

- ✓ Realization of diversity in bread and confectioneries in various countries

CAGR 2017-2021

Chocolate Confectionery

5.7%

Markets that use chocolate  
(Sweet Biscuits/Ice Cream/Bread)

4.0%

Retail Value RSP



## Become chocolate company that leads lifestyle enrichment

### Advance market strategy

#### ■ New food proposals

→ Use market research to strengthen proposal capabilities



Exhibition booth



Confectionery school

#### ■ Differentiate from competitors

→ Select focus marketes, engage in new markets  
Propose new category products  
Use Fuji fats and oils technology to improve chocolate quality

#### ■ Construct solid profit structure

→ Initiatives to improve productivity  
(SKU reduction, line merger and consolidation, plant relocation, etc.)

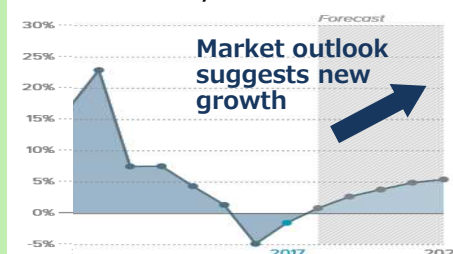
### Solution

#### Contribute to food preference diversification

✓ Contribute to diversification of chocolate consumption methods



#### Sales of Chocolate Confectionery in Brazil



Retail Value RSP  
% Y-0-Growth 2011—2022

# Promote Soy Business Reconstruction

Medium-Term Basic Policy  
(2) Growth of soy business

## Reform into highly contributing business

Strengthen high-value added products business

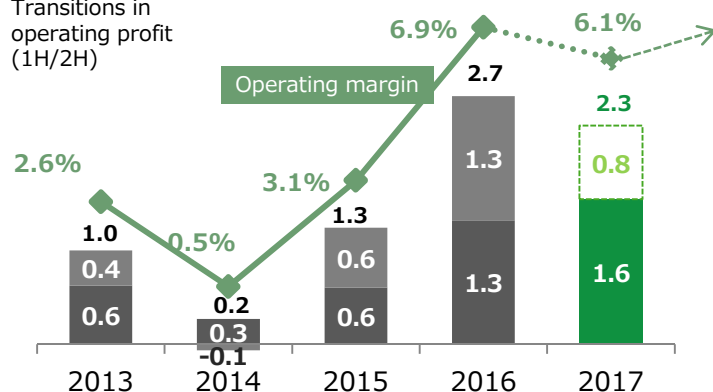
### Strengthen product lineup

- Expand health application  
Protein, cereal, etc.
- Expand polysaccharide business
- Strategy sales expansion of USS product lineup  
New applications in existing markets, new applications in new markets  
Increase No. of large-volume contracts (1H/FY2016 82 contracts → FY2017 130 contracts)

### Structural reform

- Optimization and production site consolidation and elimination  
Soy milk business, close/sell nonprofitable offices

Transitions in operating profit (1H/2H)



Solution

### Contribute to health of people and the earth

- ✓ Food preference diversification  
Increasing health consciousness
- ✓ Population ageing
- ✓ Depletion of food resources  
Environmental issues



Soyitalian



Mabo dofu with soybean meat

CAGR 2017-2021

Global plant protein market  
**8.3%**

Retail Value

# Functional High-Value Added Products Business Development

Medium-Term Basic Policy  
(3) Functional high-value added products business development

## Create new food lifestyle that resolves issues

Initiatives for new business, new markets

### ■ Stabilized DHA/EPA

#### → Permeation of new concepts that respond to social needs

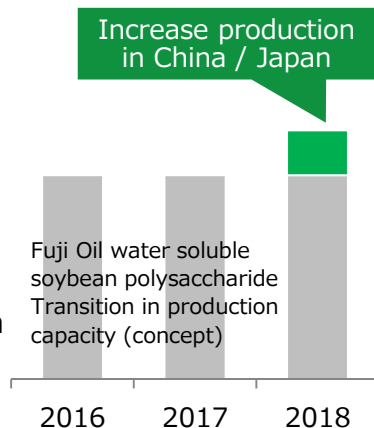
- Application (target selection, structure enhancement)
- Concept permeation (storefront strategy, initiatives to increase exposure)

**Concept** Ideal of consuming various foods in small amounts on daily basis  
**Raw materials** Consider sustainability (algae-based DHA, EPA)

### ■ Polysaccharide

#### → Resolving shortage of water soluble soybean polysaccharide Begin full-scale resumption of sales expansion in 2018

- Japan: Increase production capacity
- China (Tianjin): Build structure for increased production



Solution

#### ✓ Contribute to aging society

- Improve recognition and brain function

2060  
Global elderly population  
**1.8 billion people**



Reference) Cabinet Office

#### ✓ Contribute to health consciousness, diversification of food preferences

- Respond to expanding demand for low sugar acidic milk drinks



# Integrate Global Standard

Medium-Term Basic Policy  
(4) Cost reductions and alignment with global standards

## Build ESG management platform for entire Group

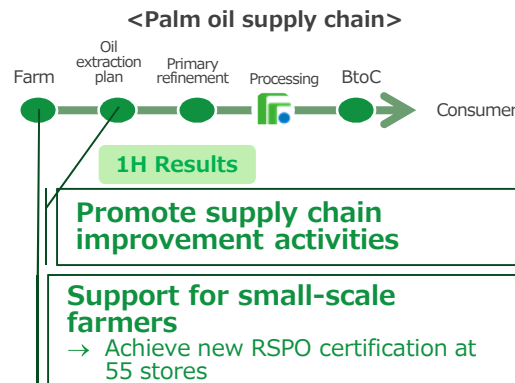
Aim for Group-wide initiatives on par with global standards

### ■ Sustainable procurement

→ Promote palm oil procurement that is free of environmental or human rights issues in accordance with the "Policy for Responsible Palm Oil Procurement"

#### Activity policy (summary)

- RSPO initiatives and improve unique traceability
- Activities to ascertain and improve supply chain
- Build response structure for locations with issues
- Information disclosure to stakeholders



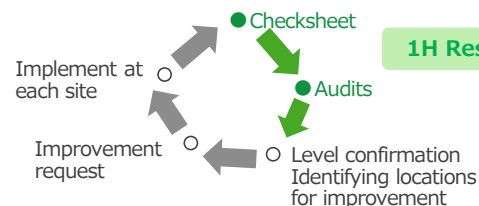
### ■ Create "Environmental Vision 2030" (Spring 2018)

### ■ Initiatives to promote productivity

→ Aim to increase overall Group safety, environment, and quality levels

#### <Productivity Promotion Group Initiatives>

- Promote and support implementation of PDCA for each company level
- Support by Japanese expert engineers



Solution

- ✓ Environmental initiatives
- ✓ Stakeholder civil rights issues
- ✓ Food safety, security, quality





 **FUJI OIL HOLDINGS INC.**

