



FY2020 1H Earnings Conference

November 10, 2020

 **FUJI OIL HOLDINGS INC.**

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Donation of chocolates to health care workers confronting COVID-19 (Blommer)

Summary of First Half Results

CEO Hiroshi Shimizu

FY2020 First Half Earnings

■ FY2020 1H Consolidated Results

(Unit: billion yen)

	*FY2019 1H Reference	FY2020 1H	YOY	FY2020 1H Forecast	VS forecast
Revenue	188.5	172.6	-15.9	155.0	+17.6
Operating Profit	9.4	7.3	-2.0	5.5	+1.8
Ordinary Profit	8.4	6.8	-1.6	4.9	+1.9
Net income attributable to owners of parent	6.0	4.3	-1.7	2.7	+1.6

*Amounts indicated reflect the accounting period for the 19 overseas subsidiaries subject to an accounting period change for the fiscal year ended March 2020 adjusted to the six-month period of April 1, 2019 to September 30, 2019.

■ 1H Operating Profit by Area

(Unit: billion yen)

	*FY2019 1H Reference	FY2020 1H	FY2020 1H forecast
Japan	8.0	6.3	6.1
Americas	-0.3	1.5	-0.3
SE Asia	1.3	0.5	0.7
China	1.1	0.7	0.8
Europe	0.9	0.2	0.4
Group administrative expenses	1.8	-1.8	-2.2
Total	9.4	7.3	5.5

■ Key performance points for 1H (operating profit)

- ✓ **Operating profit is up 1.8 billion yen from the plan.**
 - Mainly due to +1.3 billion yen as the impact of Blommer's futures valuations not reflected in the initial plan.
 - +0.4bn yen as decreased impact of losses from Harald absorption due to accelerating yen appreciation against the Brazilian real.
 - Impact of COVID-19 largely according to plans (operating losses of 3.9bn yen).
- ✓ **Significant impact mainly in Americas and Europe**
 - Decrease in profit in Japan was limited to -20%, but overseas decreased significantly.
 - USA, Brazil, and Europe impacted significantly by the COVID-19 pandemic.

FY2020 Full-Year Earnings Forecast

■ FY2020 Consolidated Earnings Forecast

(Unit: billion yen)

	*FY2019 Reference	FY2020 Revised Forecast	YOY	FY2020 Initial forecast (May 12, 2020)	Amended amount
Revenue	383.7	360.0	-23.7	370.0	-10.0
Operating Profit	21.5	16.5	-5.0	19.3	-2.8
Ordinary Profit	20.3	15.3	-5.0	17.8	-2.5
Net income attributable to owners of parent	14.7	10.0	-4.7	11.5	-1.5

*Amounts adjusted to reflect the 12-month period of April 1, 2019 to March 31, 2020 as the accounting period for the 19 overseas consolidated subsidiaries subject to accounting period change in FY2019.

■ Key Points of Full-Year Earnings Forecast (operating profit)

✓ Downward revision of operating profit to 16.5bn yen to reflect impact of COVID-19

Initial forecast

: Created without assumption of COVID-19 impact on second half

Revised forecast

: Reflected impact of COVID-19 on second half.

Downward revision of operating profit by 2.8 billion yen, net income by 1.5 billion compared to initial forecast.

Interim/Full-Year Dividend Forecast Revision

- ✓ Lowered dividend to 52 yen to reflect revisions to earnings targets (1H 26 yen·2H 26 yen)
- ✓ Dividend payout ratio : 44.8%

FY	1H	2H	Annual total	Dividend payout ratio
FY2019 results	27 yen	29 yen	56 yen	29.4%
FY2020 initial dividend forecast	29 yen	29 yen	58 yen	43.4%
FY2020 revised dividend forecast	26 yen	26 yen	52 yen	44.8%

Ref.) Dividend policy

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

Regarding the dividend for this fiscal year

- The impact of the pandemic in the next fiscal year is unclear, and we will lower our dividend in line with the revised earnings forecast.
- However, no changes will be made to the dividend payout ratio from the initial forecast as we believe that the impact of the pandemic will be temporary and that the economy will return to a growth path once it recovers.

FY2020 Second Half Forecast

■ FY2020 2H Consolidated Earnings Forecast

(Unit: billion yen)

	*FY2019 2H Reference	FY2020 2H Revised forecast	YOY	FY2020 2H Initial forecast	VS Initial forecast
Revenue	195.2	187.4	-7.8	215.0	-27.6
Operating Profit	12.1	9.2	-2.9	13.8	-4.6
Ordinary Profit	11.9	8.5	-3.4	12.9	-4.4
Net income attributable to owners of parent	8.7	5.7	-3.0	8.8	-3.1

*Amounts adjusted to reflect the 12-month period of October 1, 2019 to March 31, 2020 as the accounting period for the 19 overseas consolidated subsidiaries subject to accounting period change in FY2019.

■ 2H Operating Profit by Area

(Unit: billion yen)

	*FY2019 2H Reference	FY2020 2H Revised forecast	FY2020 2H Initial forecast
Japan	9.5	7.6	8.8
Americas	2.3	1.9	3.7
SE Asia	1.2	1.1	1.9
China	0.7	0.6	1.1
Europe	0.6	0.2	0.6
Group administrative expenses	-2.1	-2.2	-2.3
Total	12.1	9.2	13.8

■ Key Points of 2H Forecast (operating profit)

✓ Reflecting impact of COVID-19 on 2H, revised 2H operating profit forecast to 9.2bn yen

- Impact of COVID-19 projected at -2.3bn yen (Japan: -1.2bn, US: -0.4bn, Europe: -0.4bn, Brazil: -0.3bn)
- SE Asia , China : Revised the growth plan in 2H, revising it to the same level as previous year -1.2bn yen.
- USA (Blommer) : -0.6bn yen treated as production cost increase due to COVID-19 restrictions
- Brazil (Harald) : 0.3bn yen decrease in income due to yen appreciation against the Brazilian real

1H Status, 2H Plans

■ The measures to be taken in COVID-19 related confusion

• Preventing the spread of COVID-19

: No clusters in our plants in each country. Minimize loss of opportunities caused by in-house factors.

• Implementation of measures in response to market changes

: Increase in sales of chocolate filling at Harald, successful sales of new products through web-based training sessions in China, and expansion of sales of soy protein ingredients to suit health needs in Japan.

• Cost reduction : -2.5bn yen in the first half and -1.5bn yen in the second half compared to the initial plan.

■ Japan

<Market environment>

• 1H profit down on low dining and tourism demand but markets seeing mild recovery trend in sales volume.

• 2H projected to see YoY decline in dining and tourism demand and correction from previous FY 4Q demand driven by stay-at-home measures.

<Firm sales of soy protein ingredients>

• Increased demand for health and nutrition driving increased sales volume for soy protein ingredients (powdered, textured).

• New textured soy protein plant operating since July, increasing production to 150% previous capacity. Actively promoting the product.

■ Overseas

<Americas>

• Blommer : Focus on expanding sales of high value-added products and compounded chocolate.

• Harald : Expanding sales of chocolate fillings, which perform well in the foodservice market.

Considering No. 2 plant to achieve medium- to long-term business expansion.

<Southeast Asia>

Despite a delay in the improvement of business confidence in emerging markets, expand sales of oils and fats and chocolates.

<China>

Focusing on the cooperation with Blommer Shanghai and expanding sales of quality differentiated baking ingredients

<Europe>

Chocolate sales to SME manufacturers strong. Will continue developing new customers.

Transformation to build a strong management system

- ✓ **Rapid global changes after COVID-19**
Rapid shift to direction projected via ESG management backcasting

Global changes

- **Increased need for health and nutrition**
- **Increased awareness of sustainability**
- **Change in communication methods**

Fuji Oil Response to Change (examples)

Japan	Increased demand for plant-based protein. Use new factories to respond to demand.
South east Asia	Value placed on responsible palm oil procurement, accelerated talks for long-term contracts with major customers.
China	Create hit products by streaming web seminars.

- ✓ **Create strong management structure to link change to new business**

Reduce fixed expenses

Blommer
: Steady labor-saving investments

Careful investment decisions

Harald
: Consider No. 2 plant to increase capacity in growth markets

Renew non-core business portfolio

India cream business
: Exit by 1H/FY2020



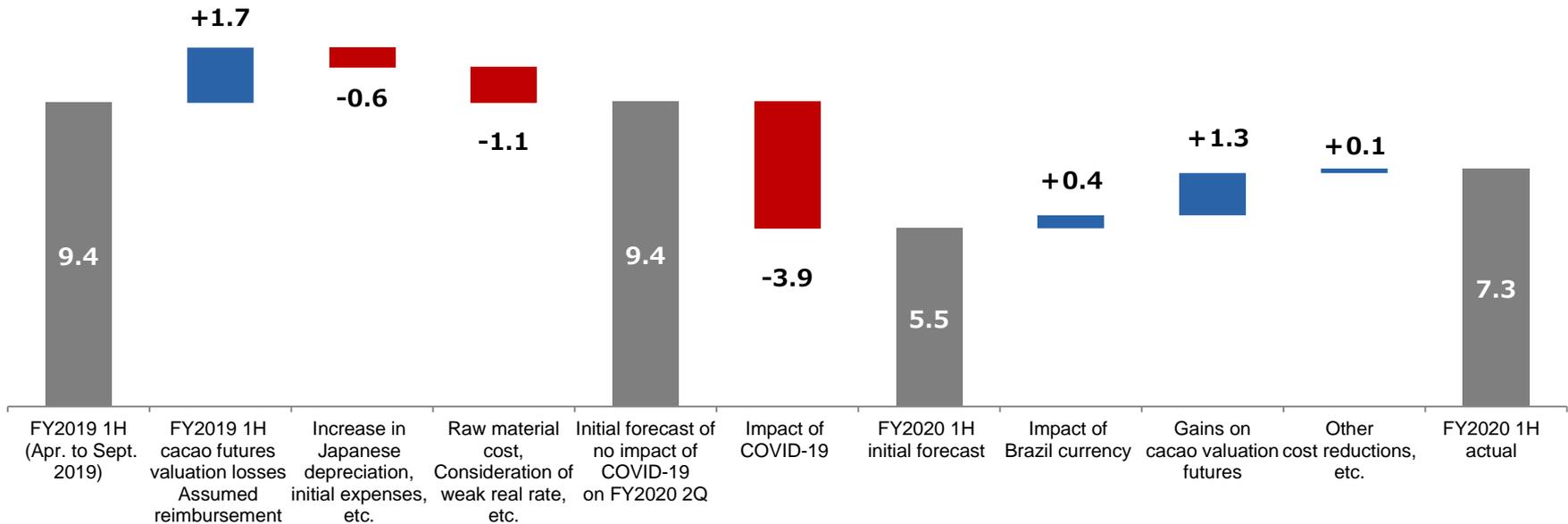
Donation of chocolates to health care workers confronting COVID-19 (Harald)

2. Supplemental materials

Operating Profit Change Analysis (1H Earnings)

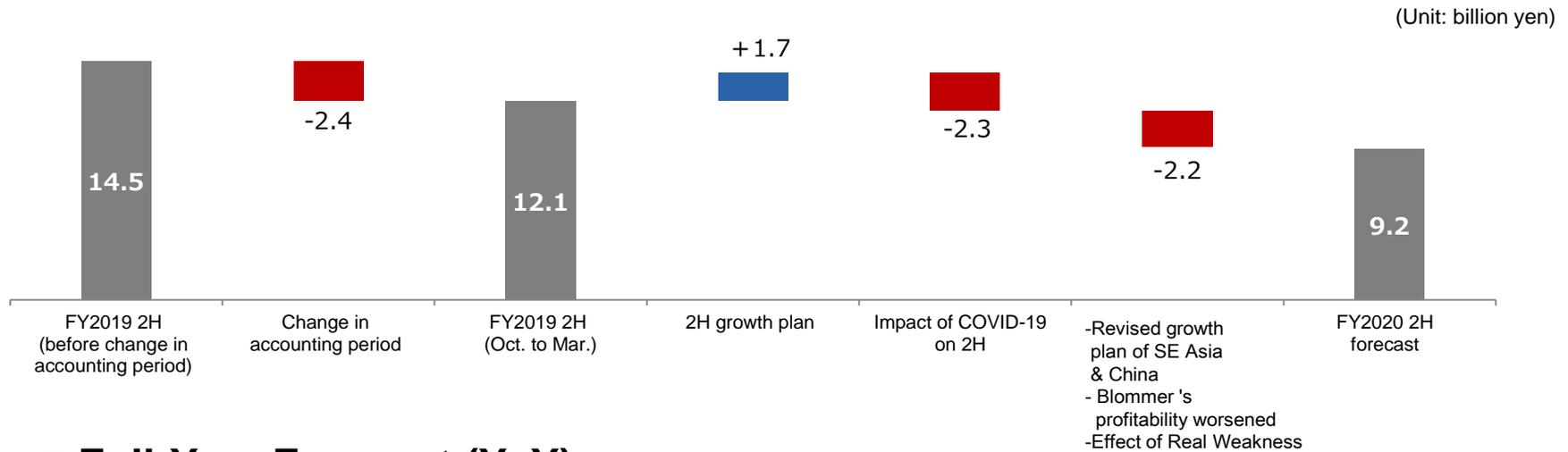
■ 1H Earnings (vs. YoY & initial forecasts)

(Unit: billion yen)

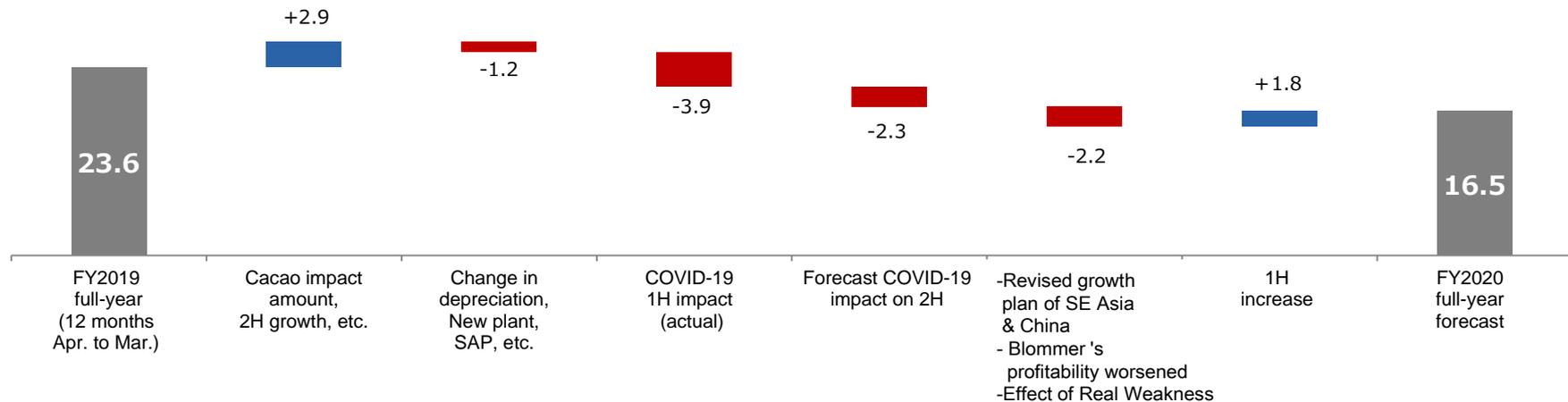


Operating Profit Change Analysis (Earnings Forecast, 2H & Full-Year)

■ 2H Forecast (YoY)



■ Full-Year Forecast (YoY)



1H Status

Decrease in souvenir demand

- Sales volume decreased for Chocolate, Emulsified and Fermented Ingredients.
- Chocolate for souvenir on recovery trend (see chart)

Decrease in dining (café) sales

- Volume for Emulsified and Fermented Ingredients in particular decreased but mild recovery in 2Q.

Accelerating increase in health demand

- Soy-based ingredients (powdered, textured) sales firm.
- Resolved capacity shortage problems with the startup of new textured soy protein plant in July.

2H Forecast Highlights

Increased sales of textured soy protein

- New plant operations started in July
 Creating structure for aggressive sales expansion.

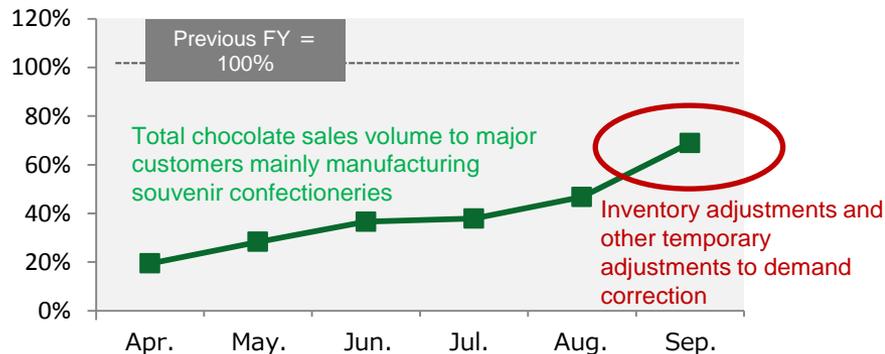


Approach to health and sustainability

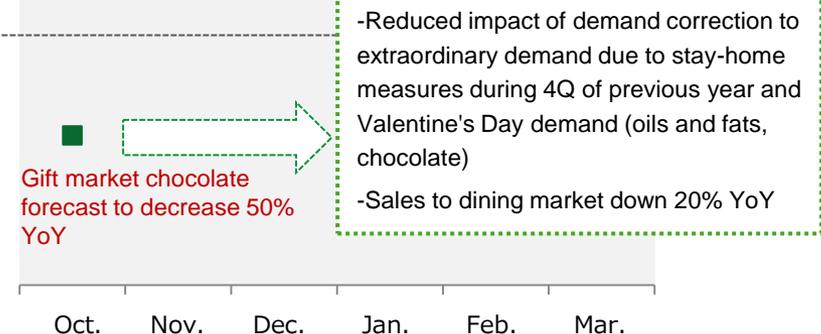
- Aggressive proposals for health-conscious chocolate (high soy protein content, etc.).
- Focus on drug stores and other formats with room for sales growth.
- Capture more customers through distinctive products incorporating plant-based ingredients.



Monthly transitions in sales volume (YoY)



[Other 2H assumptions]



1H Status

Focused on infection prevention

- Maintained stable operations to fulfill supply responsibilities to customers.

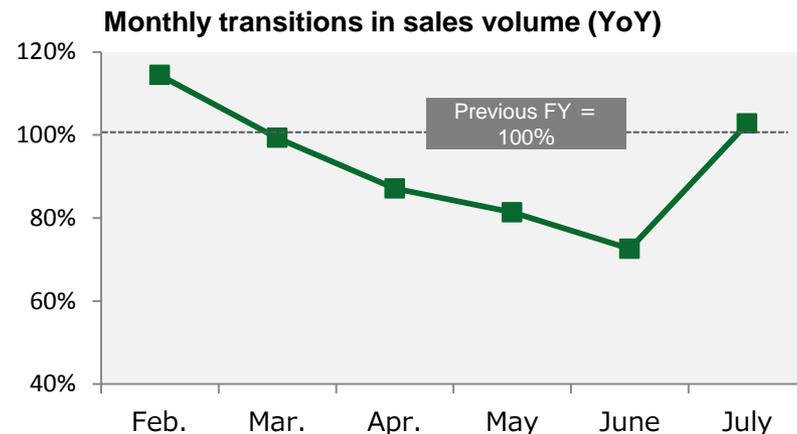


The Impact of COVID-19

- 1Q sales volume unchanged YoY but impact widened in 2Q.
- July volume recovered to previous FY levels, increased YoY from August onward.

Resolved labor shortage

- Continued facilities investments to improve productivity.



2H Forecast Highlights

Continue productivity improvements

- Start adopting labor-saving equipment, reduce repair and other operating expenses.

Increased production costs

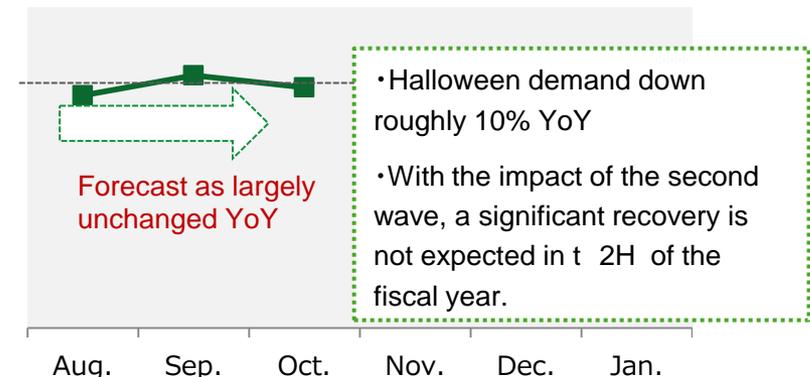
- Production cost increase due to COVID-19 restrictions

Focus on sales promotions to capture demand

- Focus on expanding sales of compound chocolate in addition to high-value added product lines such as sugarless chocolate.

Impact of cacao futures valuation on operating profit

- 3Q: -0.2bn yen; 4Q: Not included
- Reduced impact thanks to cacao procurement scheme with Itochu Trading*1.



1H Status

Major impact of 1Q movement restrictions

- Food services and confectionery specialty shops in particular decreased significantly.
- Recovery from 2Q onward (see chart).

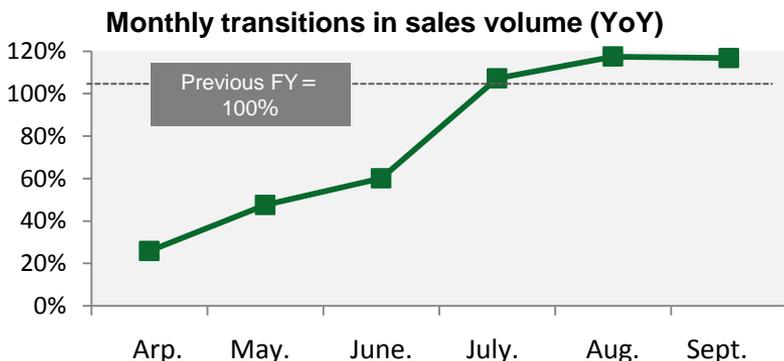
Market creation

- Chocolate filling for dining market favorable.



Profitability declined

- Advanced cost reductions but purchasing costs increased due to yen appreciation against the Brazilian real.



Currency transitions (Brazilian real / Yen)

* Consolidated financial statements Average rate for the total period

FY2019 1Q :	29.23	2Q :	28.64	3Q :	28.12	4Q :	27.07
FY2020 1Q :	20.00	2Q :	19.87	3Q :		4Q :	(Assumption) 19.93

2H Forecast Highlights

Sales volume to grow off 2Q momentum and remain firm

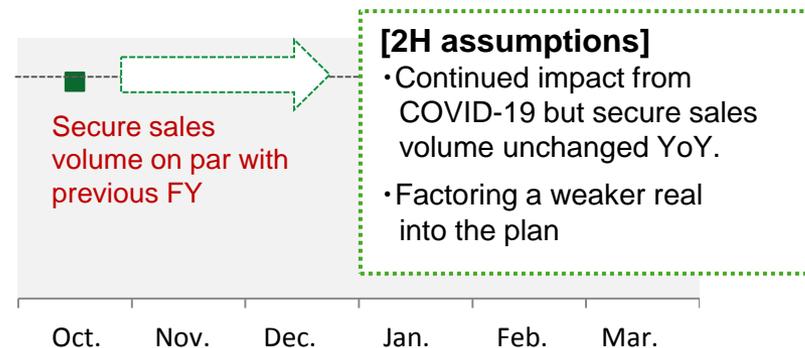
Develop new sales channels

- Line of small-volume products.



Continue market creation

- Expand sales of new ice cream ingredients.
- Expand sales of chocolate filling.



1H Status

Decreased volume due to COVID-19

Industrial chocolate

- Decrease due to stay-at-home measures. In Indonesia, one of our major markets, consumers tend to purchase ice cream and confectionery breads while out, meaning decreased demand will impact sales.

Emulsified and Fermented Ingredients

- Decreased demand in Japanese gift and dining markets reduced sales volume of preparations for Japan.
- Closure of shopping malls, etc. led to decreased dessert demand, resulting in lower whipping cream sales volume.

2H Forecast Highlights

Industrial Chocolate

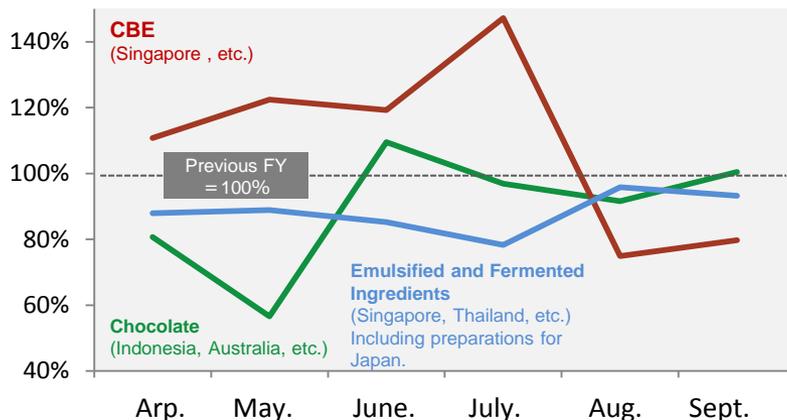
- Project dining in Indonesia will struggle but will promote small-volume products targeting homemade confectionery market and planning to expand sales of general confectioneries.
- In Australia, the influence of COVID-19 will be limited due to a low percentage of sales to the food service market, continue sales promotion during 2H.



Emulsified and Fermented Ingredients

- Will target new markets and plan sales promotions for new products but unable to achieve targets due to restricted sales activities.
- Continue reducing operating expenses and cost reduction measures

Monthly transitions in sales volume (YoY)



[2H assumptions]

-Indonesia

: Dining to decline YoY but see gradual recovery. Home-use demand increasing.

-Malaysia

: Dining, tourism demand down YoY.

-Australia

: Despite sluggish demand for food service, demand for domestic food was strong.

Oct. Nov. Dec. Jan. Feb. Mar.

1H Status

Emulsified and Fermented Ingredients

- Consumption stagnant, 1Q bread market demand also down.
- Recovery in 2Q. Impact of increased domestic demand during National Day.
- Used seminar streaming to create hit products, increased bakery products through brand value improvement strategies



Industrial Chocolate

- Created structure for sales promotion through collaboration with Blommer China business

2H Forecast Highlights

Emulsified and Fermented Ingredients

- Develop, promote added-value products for margarine and filling
- Diversify market promotion methods to develop new sales routes.

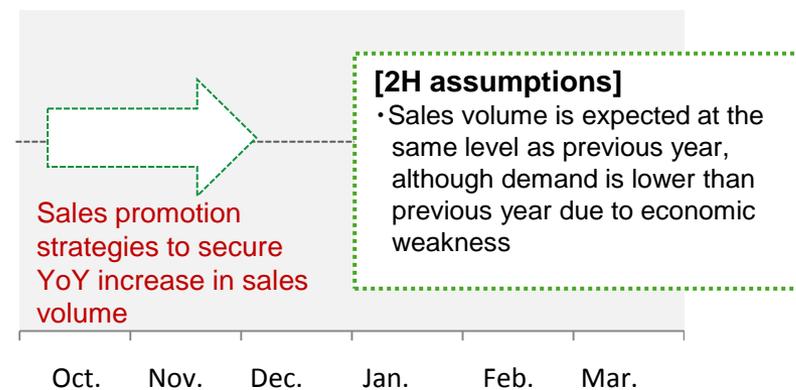
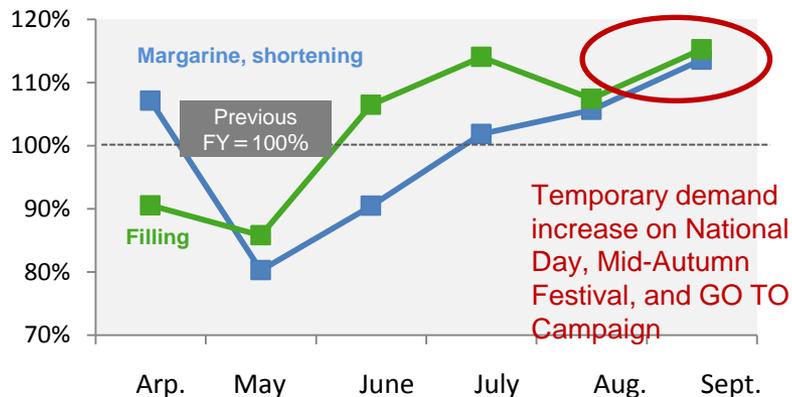


Industrial Chocolate

- Use plants in Zhang Jia Gang and Blommer Shanghai to optimize production and implement dual-brand strategy.



Monthly transitions in sales volume (YoY)



1H Status

Vegetable Oils and Fats

- Decreased sales volume for hard butters for chocolate to major customers due to lockdowns

Industrial Chocolate

- Decreased sales volume of chocolate for luxury gifts and dining industry.

*Fuji Oil Europe market is mainly luxury items for gifts. Significant impact to tourism industry due to COVID-19.



2H Forecast Highlights

Expand chocolate sales

- Focus on expanding sales of chocolate to new customers.



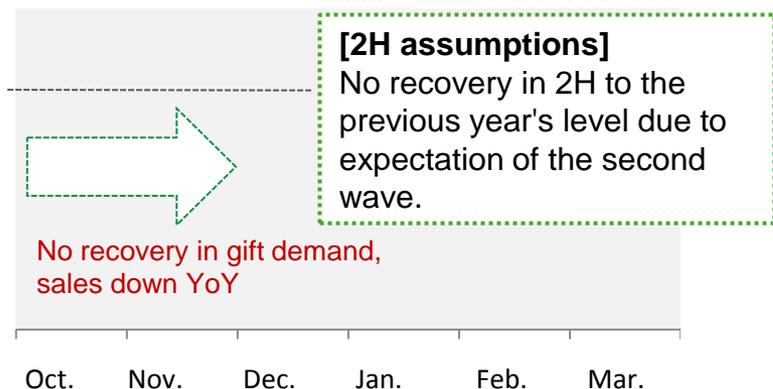
Control cost increases

- Control increases in COVID-19-related expenses that occurred during 1H.



Development of sustainable products

- Continued to work with customers by leveraging our strengths in sustainable raw material procurement.



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FUJI OIL HOLDINGS INC.