



FY2017

First Half Earnings Conference

November 10, 2017

 **FUJI OIL HOLDINGS INC.**

Agenda

- CEO Hiroshi Shimizu

1 Summary P 3
- CFO Tomoki Matsumoto

2 1H/FY2017 Earnings Results & Full-Year Forecast P 8
- CSO Mikio Sakai

3 Social Issue Resolution We Strive For P 23



1. Summary

CEO

Hiroshi Shimizu

General Matters

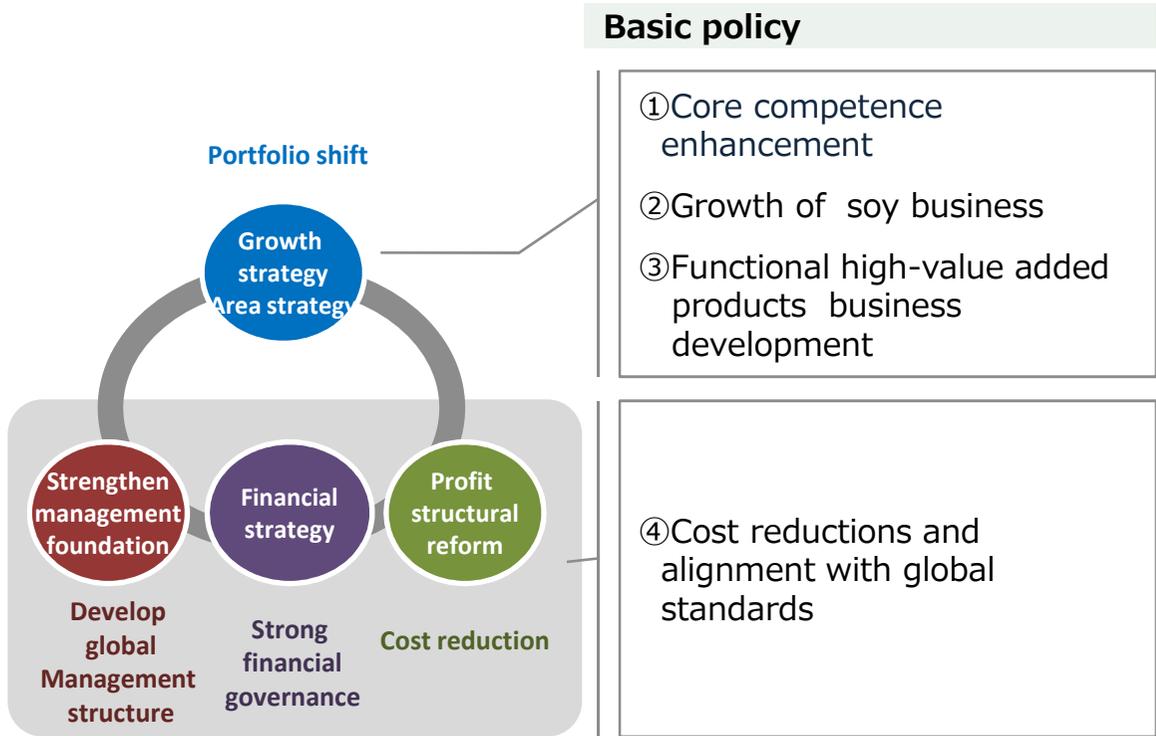
	Revenue	Operating Profit	Net Profit
Actual (JPY 1 billion)	149.6	9.4	5.8
YoY	+5.9%	+2.2%	-5.7%

↓

	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

Basic Strategy



Management Objective(FY2020)

ROE	10%
EPS	CAGR 8%\leq
Operating profit Growth rate	CAGR 6%\leq
Shareholder returns	Payout ratio 30-40%

Cash flow index

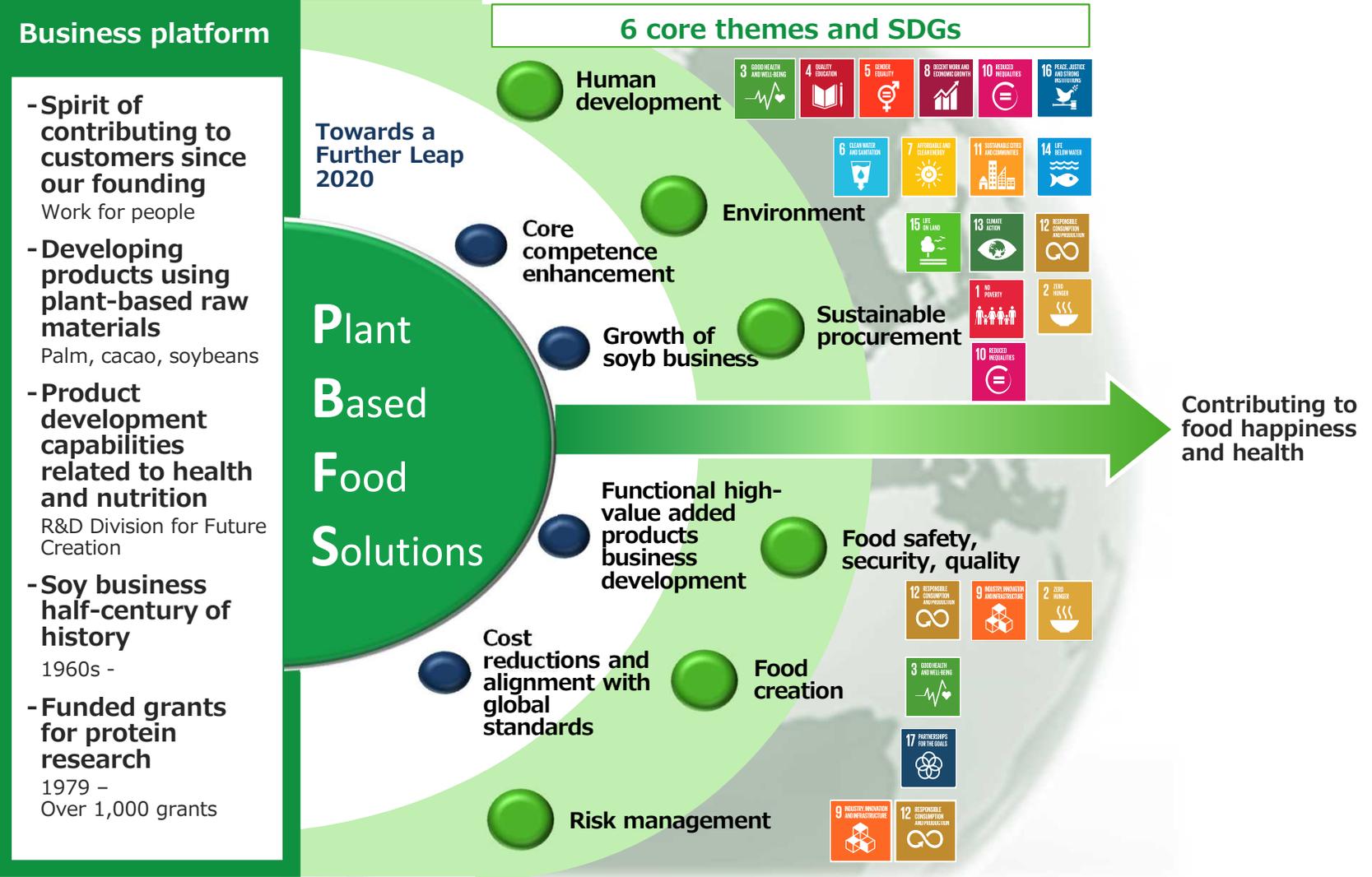
CF	4-year operating cumulative CF :100 billion yen
CCC	10 day contraction
Facilities investments	4-year total of about 60-70 billion yen
M&A	Assurance of 50 Billion yen in funding

Medium-Term Management Plan Progress

Basic policy	Progress of initiatives	
Core competence enhancement	<ul style="list-style-type: none"> •Chocolate business 	<ul style="list-style-type: none"> -Expand sales in Asia by utilizing new Malaysia site
Growth of soy business	<ul style="list-style-type: none"> •Expand sales in Asia 	<ul style="list-style-type: none"> -Preparations for establishing new production site in China
Functional high-value added products Business development	<ul style="list-style-type: none"> •Structural reforms Final stage •Plant protein market 	<ul style="list-style-type: none"> -Transfer of Ishikawa Plant -Expand use of USS product lineup
Cost reductions and alignment with global standards	<ul style="list-style-type: none"> •stabilization DHA/EPA business •Polysaccharide business 	<ul style="list-style-type: none"> -Initiatives to acquire Food with Function Claims for DHA -Make decision on building structure for enhanced production
	<ul style="list-style-type: none"> •Strengthen Management foundation •Financial strategy •Profit structural Reform 	<ul style="list-style-type: none"> -Prioritize development of global platform *Refer to CFO part for details

ESG Management

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





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

CFO

Tomoki Matsumoto

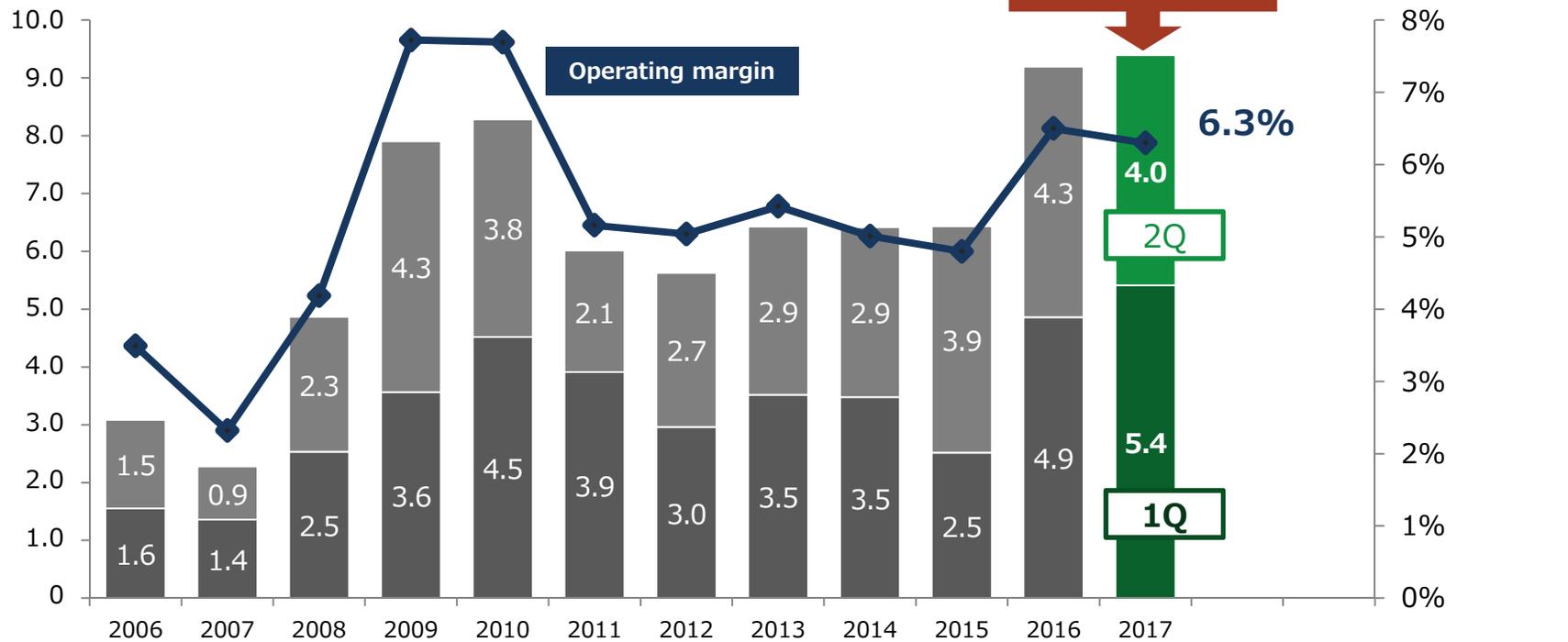
<1H> Operating Profit

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

(JPY 1 billion) **1H transitions in operating margin**

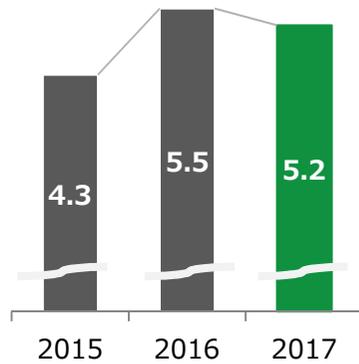


<1H> Operating Profit by Area

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

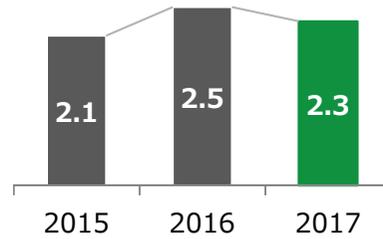
Operating profit 1H results

Japan



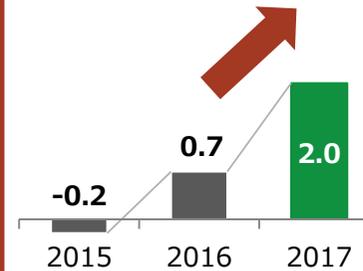
- Growth in soybean high added value product sales
- Chocolate sales were firm
- Oils and fats raw material prices higher
- Profitability for cream decreased

Asia



- Chocolate sales in Malaysia favorable
- Margarine filling sales grew but raw material prices also rose
- Oils and fats high added value product sales declined

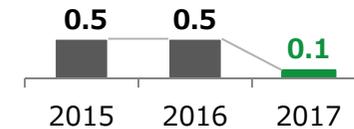
Americas



- US non-trans acid oils and fats sales were firm, profitability increased
- Brazil profitability increased

Strategic areas

Europe

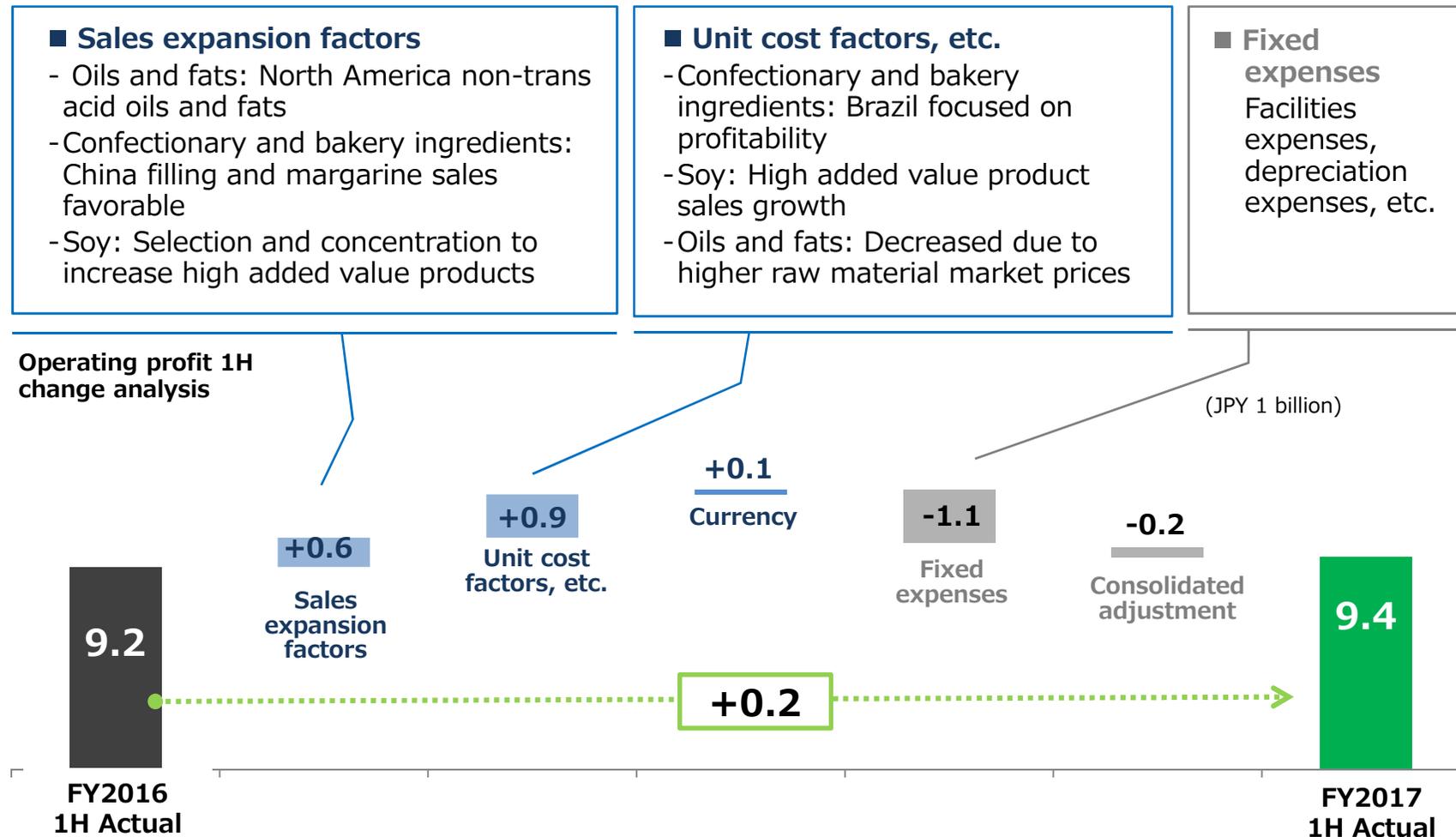


- Oils and fats sales grew but profitability decreased due to higher raw material costs

Overseas operating profit ratio
44%

<1H> Operating Profit Analysis

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



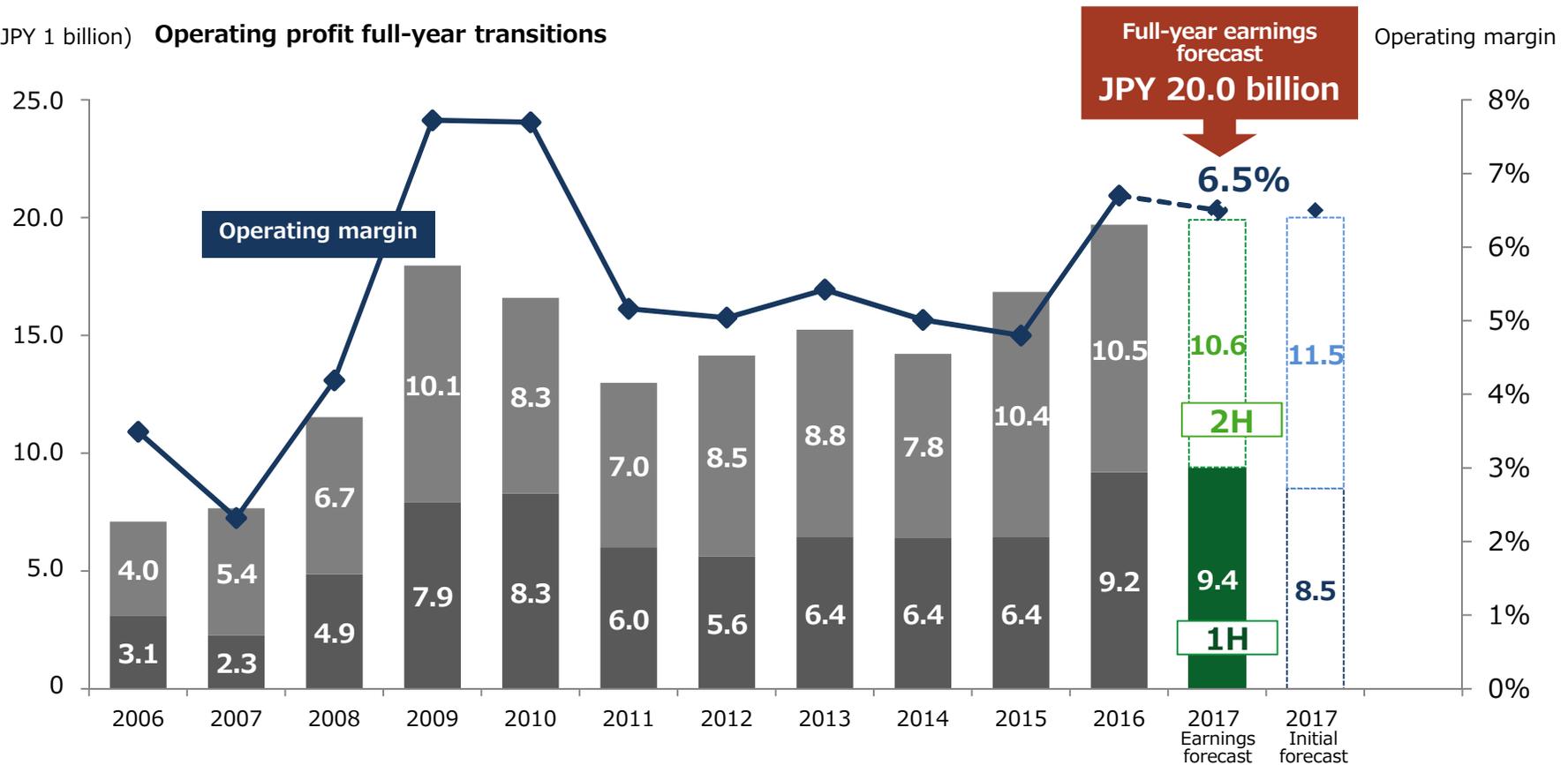
<Full-year> Operating Profit Forecast

Forecast record high profit for full-year

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

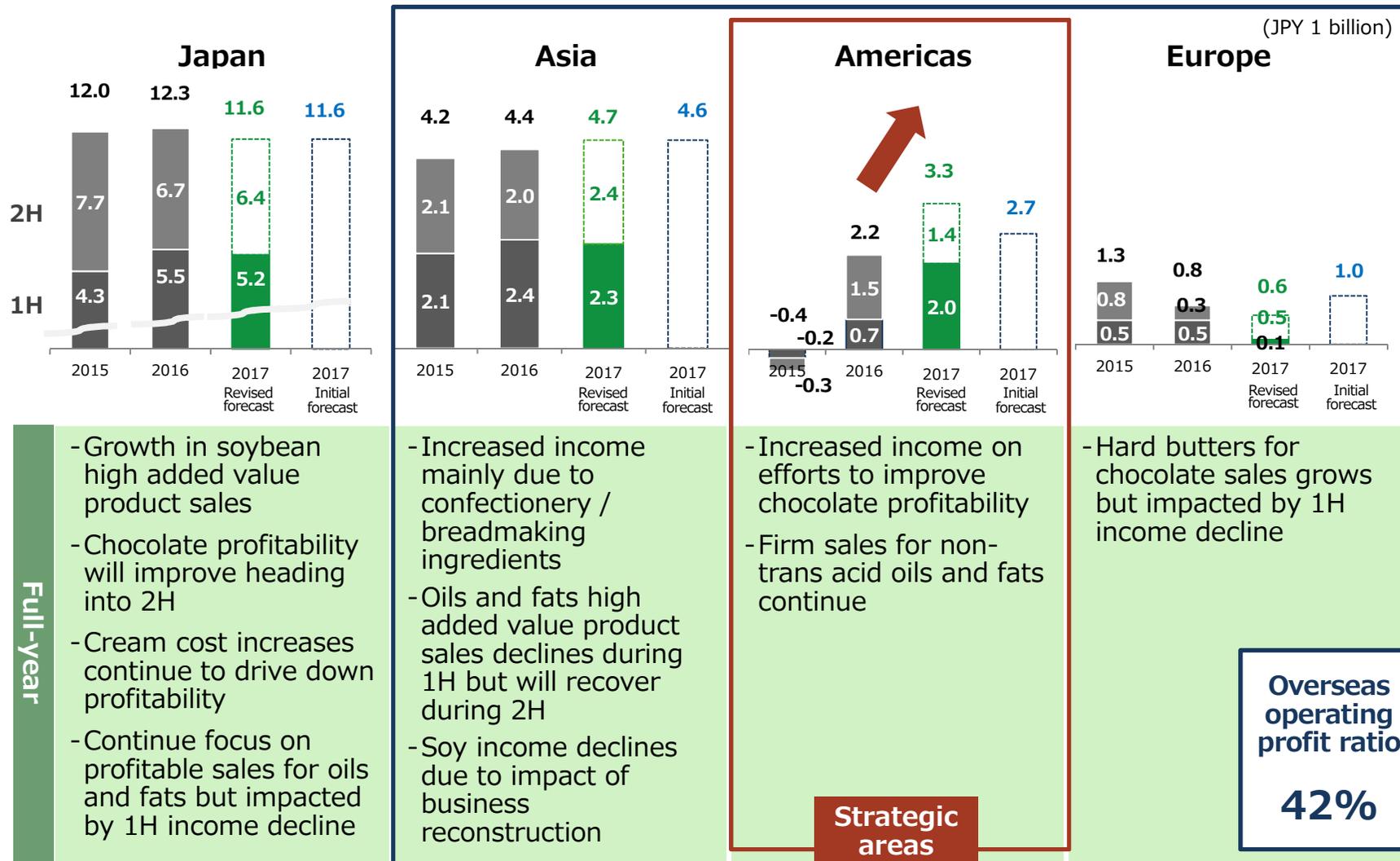
- Project securing income during 2H that is largely unchanged YoY
- Expanding sales of core competence product lineup, shifting to high added value products, maintaining and improving profitability

(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

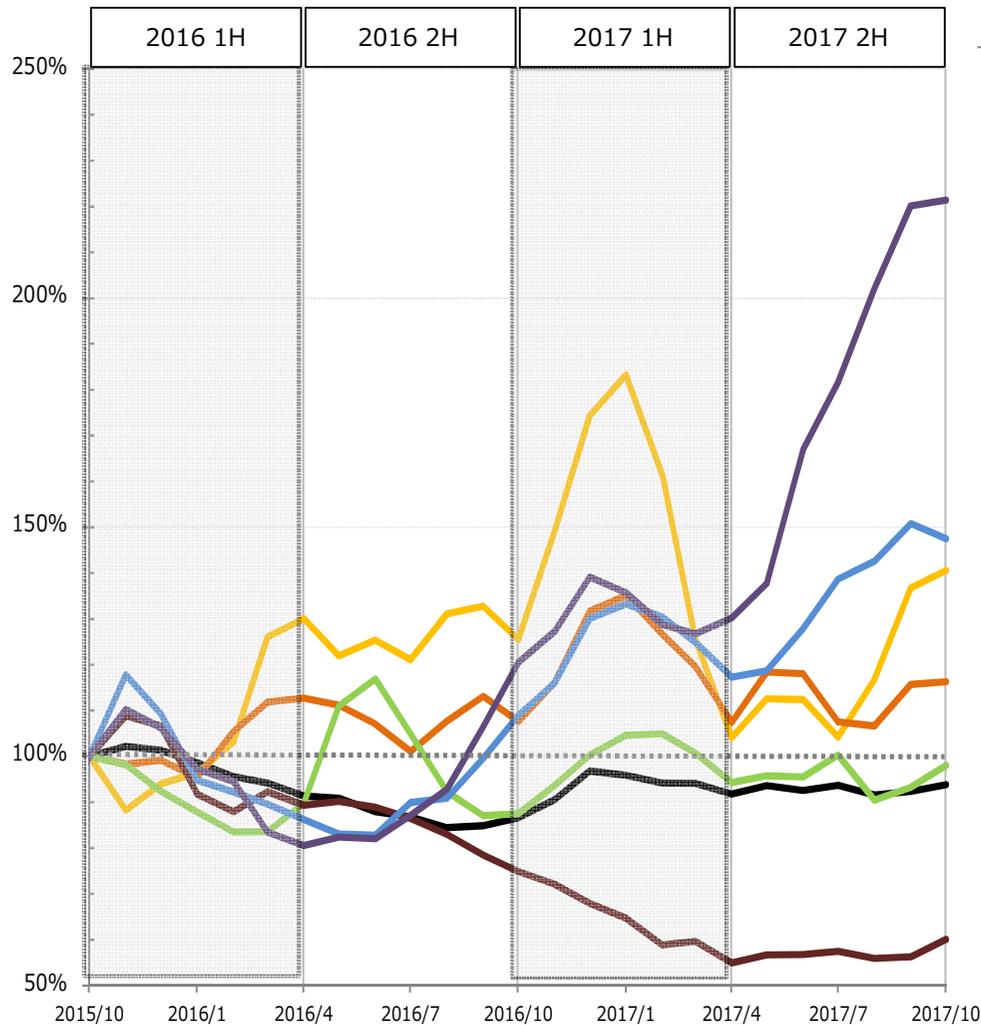


Results by Segment and Region

(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
	Total	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
	Total	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
	Total	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
	Total	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
Total		149.6	9.4	309.0	20.0	+16.5	+0.3	309.0	20.0

Transitions in Major International Market Prices



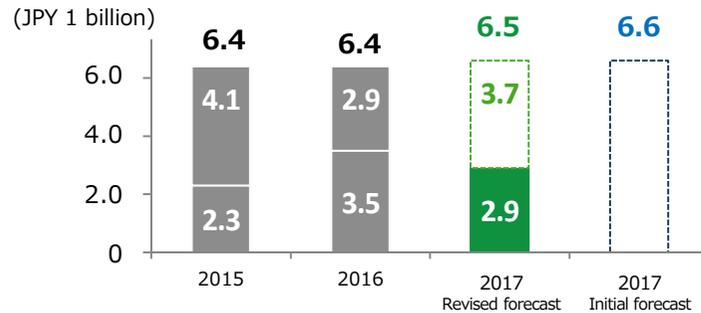
vs. YoY trends

	1H	2H
EU butter (USDA release)	↗	↗
EU Whole milk powder (USDA release)	↗	↗
Raw palm kernel oil (CIF Rotterdam ¥/Kg)	↗	↗
Raw palm oil (CIF Rotterdam ¥/Kg)	↗	↗
Soy meal (Chicago regular)	↗	↗
Currency (¥/\$)	↗	↗
Cacao beans (London regular)	↘	↘

Oils and Fats

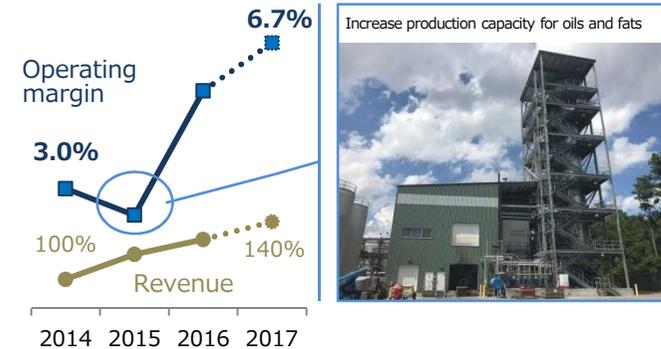
Costs increased but secured income through sales expansion and cost reductions

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)

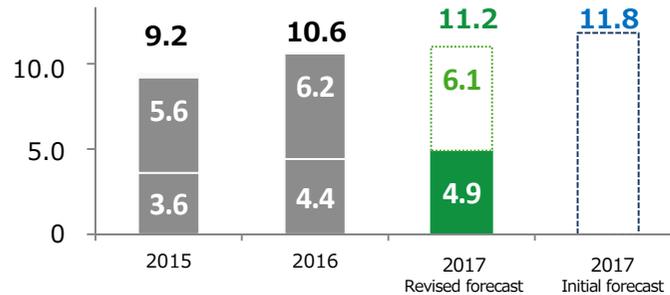
2017	1H Actual	YoY	Full-year Forecast	YoY	1H/Full-Year Overview
Japan	0.8	-34%	2.1	-17%	Income down on rising raw material costs, continue focus on profitable sales
Asia	0.9	-12%	1.8	+22%	Sales of high added value products declined during 1H, to recover during 2H
Americas	1.1	+38%	2.0	+36%	Non-trans 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%	

Confectionery and Bakery Ingredients

Expans sales, maintain/improve profitability

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

(JPY 1 billion)

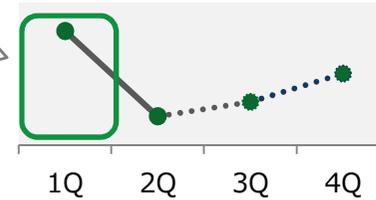


Margin	Full-year	6.6%	7.4%	7.1%	7.4%
	1H	5.8%	6.3%	6.7%	-

■ [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

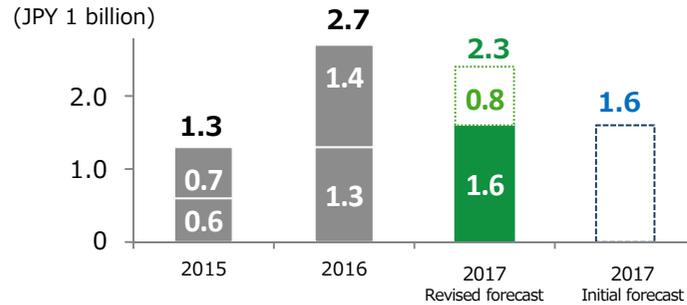
(JPY 1 billion)

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

Expand high-value added products business

- Reevaluate protein ingredient production centers
- Transfer of Ishikawa Plant

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

(JPY 1 billion)

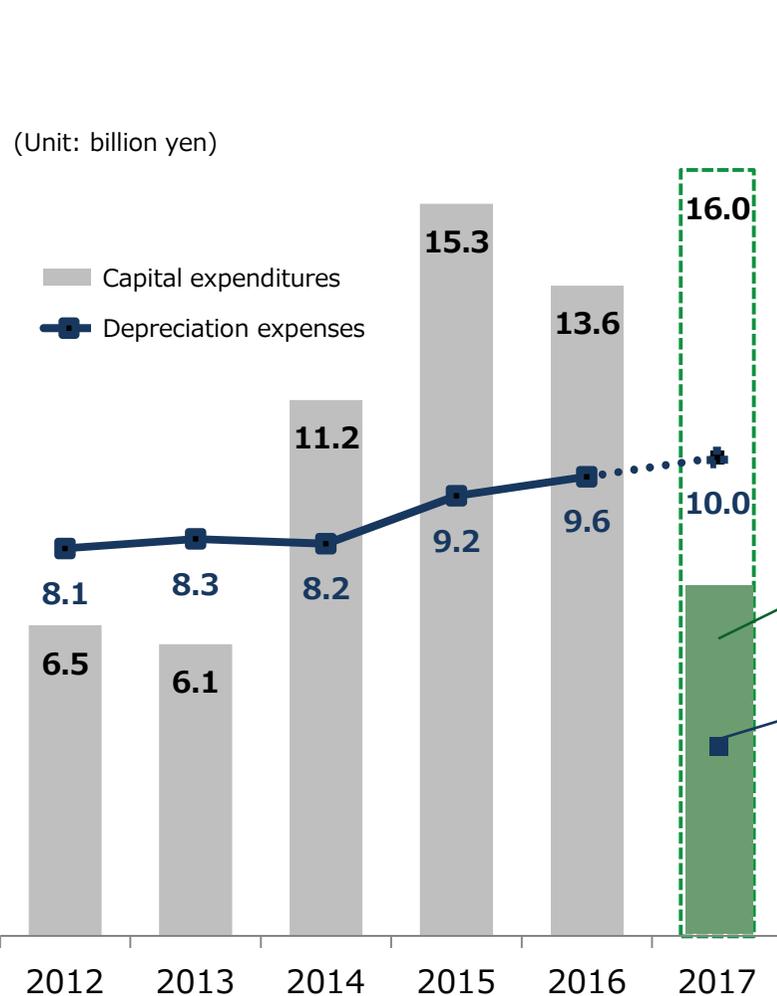
2017	1H Actual	YoY	Full-year Forecast	YoY	1H/Full-Year Overview
Japan	1.5	+40%	2.2	+10%	High added value product (protein ingredients, Soy polysaccharides) sales grew
Asia	0.1	-66%	0.1	-83%	Impact of business reconstruction caused temporary decline in income
Consolidated adjustment	0.0	-30%	0.0	-18%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



(JPY 1 billion)

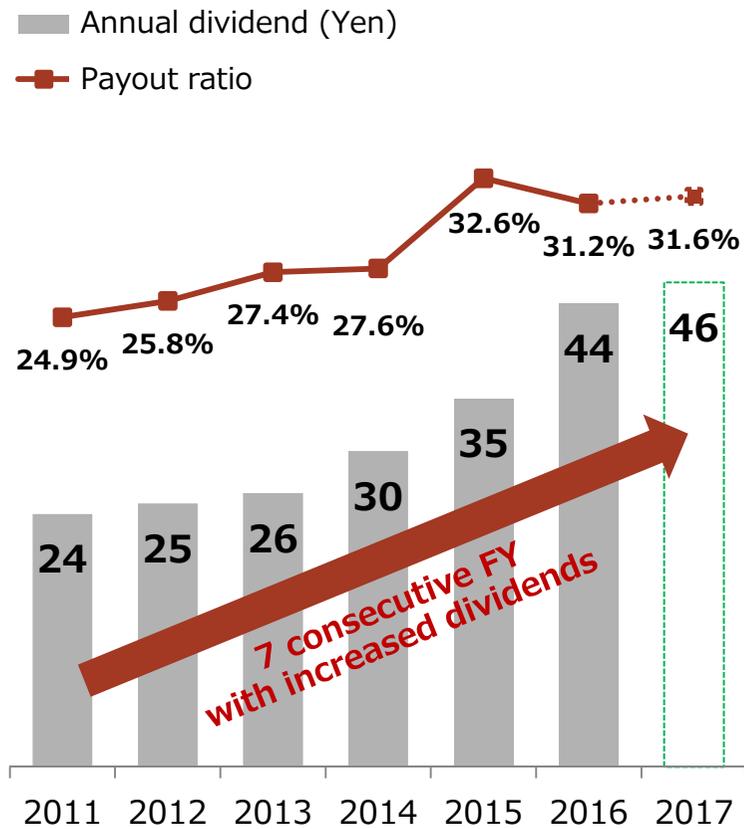
	1H	Full-year
Increase production capacity for Chinese filing	0.4	1.4
Increase production capacity for USA fats and oils	0.3	1.0
Increased production capacity for dairy and yogurt products in Southeast Asia	0.4	0.7

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

FY2017 progress

1	Sustainable profit growth	<ul style="list-style-type: none"> • Consolidated operating profit CAGR6%\leq • EPS growth rate CAGR8%\leq • CCC 10 days shorter 	Create and distribute cash flow	① operating CF	Cumulative 2Q 14.1 billion yen (+7.4 billion yen YoY)
				② CCC	Set goals and draft strategy for each company (Mainly inventory reduction)
2	Maintain healthy financial status	Evaluate business characteristics and risks to maintain a stable financial structure	B/S management in line with risks and return	① Reduce interest-bearing liabilities	Interest-bearing loans 61.1 billion yen (down 4.6 billion yen YoY)
				② Improve D/E ratio	0.40 (-0.04 YoY)
				③ Equity ratio	57.0% (+1.6pt 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	110.6% (+2.8pt YoY)
				② unprofitable business asset	Reduced due to sales, etc.
				③ Capital investment	Careful inspection of 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	Start implementation
				② Unification of Core system	Start development at US companies / kickoff at Chinese companies
				③ Unification of accounting period and early settlement of accounts	Hire consultant and strengthen partnerships with each company

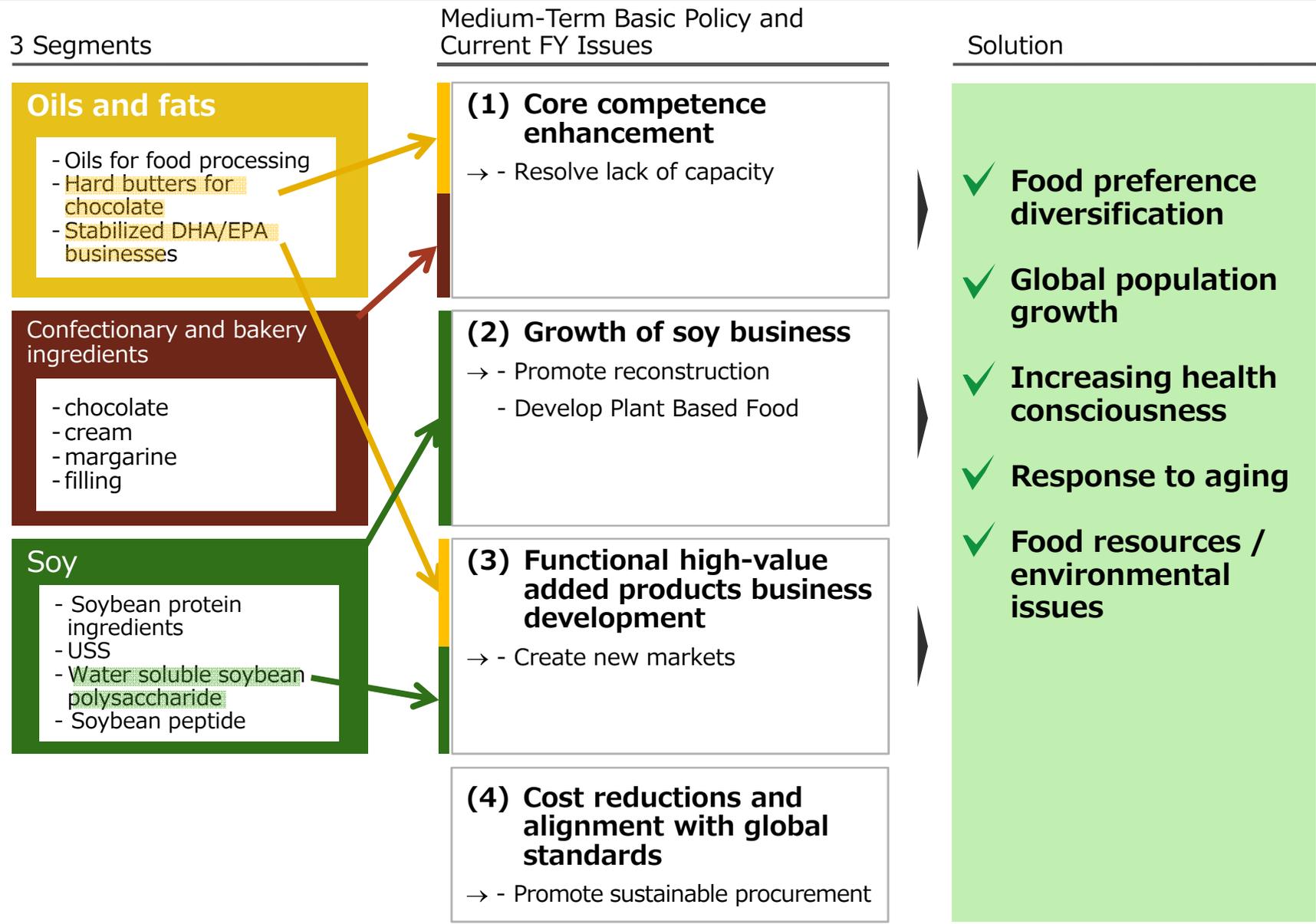


3. Social Issue Resolution We Strive For

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

Double production volume through two-plant structure

Year	Production Volume
2017	~10,000
2018	~12,000
2019	~14,000
2020	~16,000
2021	~18,000
2022	~20,000
2023	~22,000
2024	~24,000
2025	~26,000
2026	~28,000
2027	~30,000

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

Sales of Bread in China

Growth in Inner China

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

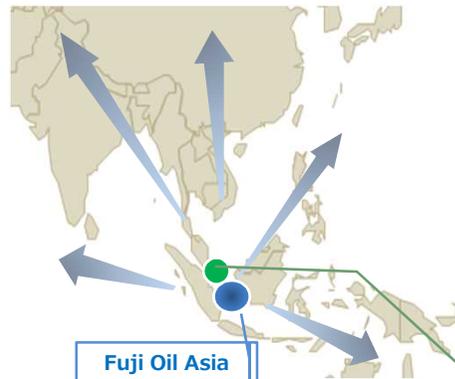
Use of new Malaysia plant

■ 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

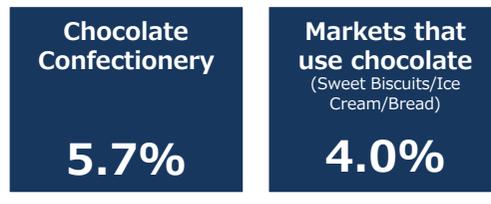
Contribute with compound chocolate

- 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



Retail Value RSP

Brazil: Chocolate Strategy

Medium-Term Basic Policy
(1) Core competence enhancement

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

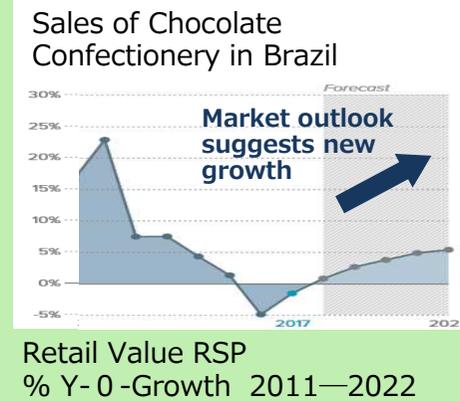
■ Construct solid profit structure

→ 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



Promote Soy Business Reconstruction

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

Reform into highly contributing business

Strengthen high-value added products business

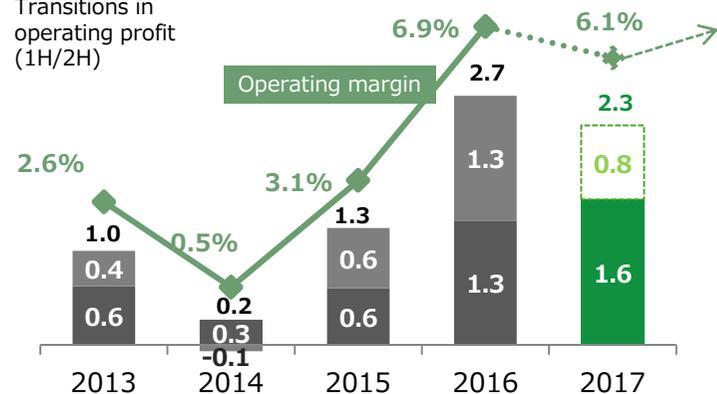
Strengthen product lineup

- **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 non-profitable offices

Transitions in operating profit (1H/2H)



Solution

Contribute to health of people and the earth

✓ Food preference diversification
 ✓ Increasing health consciousness



Soytalian

✓ Population ageing



Mabo dofu with soybean meat

✓ Depletion of food resources
 ✓ Environmental issues

CAGR 2017-2021

Global plant protein market
8.3%

Retail Value

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**

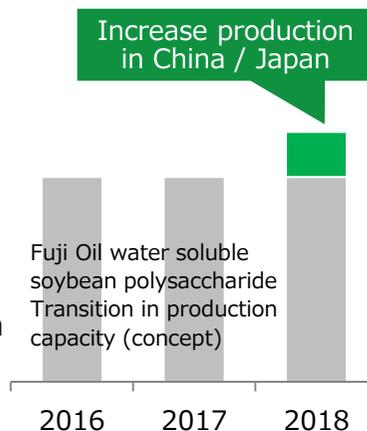
- Application (target selection, structure enhancement)
- Concept permeation (storefront strategy, initiatives to increase exposure)

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



1H Results

Promote supply chain improvement activities

Support for small-scale farmers

→ Achieve new RSPO certification at 55 stores

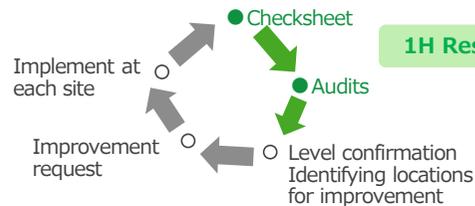
■ Create "Environmental Vision 2030" (Spring 2018)

■ 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.**

