



# FY2018 First Half Earnings Conference

November 15, 2018

 **FUJI OIL HOLDINGS INC.**

# Agenda

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- 1 CEO Hiroshi Shimizu  
Summary P 3
- 2 CFO Tomoki Matsumoto  
**1H/FY2018 Earnings Results &  
Full-Year Forecast** P 6
- 3 **Progress of Mid-Term Management Plan** P 21



# 1. Summary

CEO Hiroshi Shimizu

Discussion on instilling the Fuji Oil Group  
Constitution and ESG management in US site

# Plant-Based Food Solutions

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, inventing answers that anticipate tomorrow's problems. We will help provide sustenance for growing populations, support our aging societies, and meet global demands for better health.

Business based on vegetable raw materials



ESG Committee

## SUSTAINABLE DEVELOPMENT GOALS 17 GOALS TO TRANSFORM OUR WORLD



## 1H FY2018 Results

**We secured profit despite a harsh business climate inundated with a series of austere events, including natural disasters and intense heat**

- Japan oils and fats: Profits were driven by an ongoing sales strategy that focused on profitability
- Japan chocolate: Secured profit in high-value added products despite a decrease in volume in the frozen confectionery market due to intense heat
- Functional high-value added products: Sales trended briskly owing to production capacity increase

## Full-Year Forecast

**Achieve profit plans, mainly in core competence businesses**

- Asia confectionery and bakery ingredients: Aim to capture demand in growth markets owing to the launch of operations at a new plant in China
- Japan: Continue to expand sales in peak season, including for confectionery and bakery ingredients and soy protein food products

## Medium-Term Management Plan

**Attain management objectives by improving the global competitiveness in each business despite the delayed launch of new businesses**

- Establish position in the bakery market in China
- Secure share in the US market owing to expansion of low trans fat acid oil and fat sales at a new US plant
- Fortify earnings strength and expand the scale of the chocolate business globally
- Achieve deployment of functional high-value added products, including stabilized DHA/EPA



## 2. 1H/FY2018 Earnings Results & Full-Year Forecast

CFO Tomoki Matsumoto

China Confectionery and Bakery Ingredients New production base

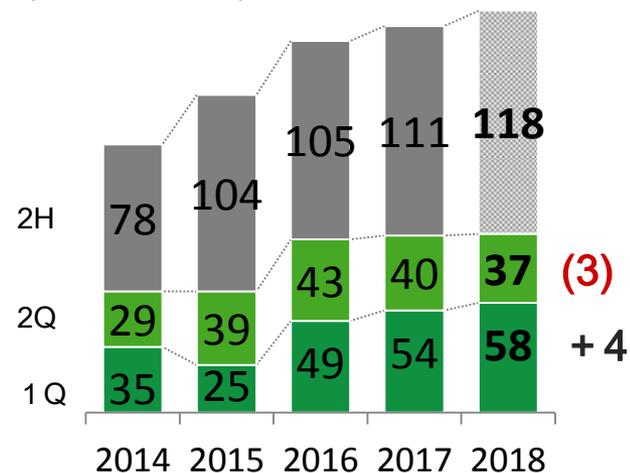
# 1H Financial Earnings

	FY2017 1H	FY2018 1H	VS. Previous Year	%
Revenue	1,496	1,471	(25)	(1.7%)
<b>Operating profit</b>	94	95	<b>+1</b>	0.9%
Operating margin	6.3%	6.4%	+0.2pt	—
Ordinary profit	92	95	+3	3.6%
<b>Net income</b>	58	44	<b>(-14)</b>	(24.4%)
EBITDA	139	123	(16)	(11.6%)
ROE ※Annualized value	7.6%	5.6%	(2.0pt)	—
Cash flows from operating activities	141	120	(21)	(14.8%)
Cash flows from investing activities	(64)	(115)	(51)	(79.2%)
Free cash flow	76	5	(72)	(93.8%)
CCC	106 days	104 days	(2) days	—

## Operating profit

In 1H, profit up year-on-year but  
down in 2Q

(JPY 100 million)

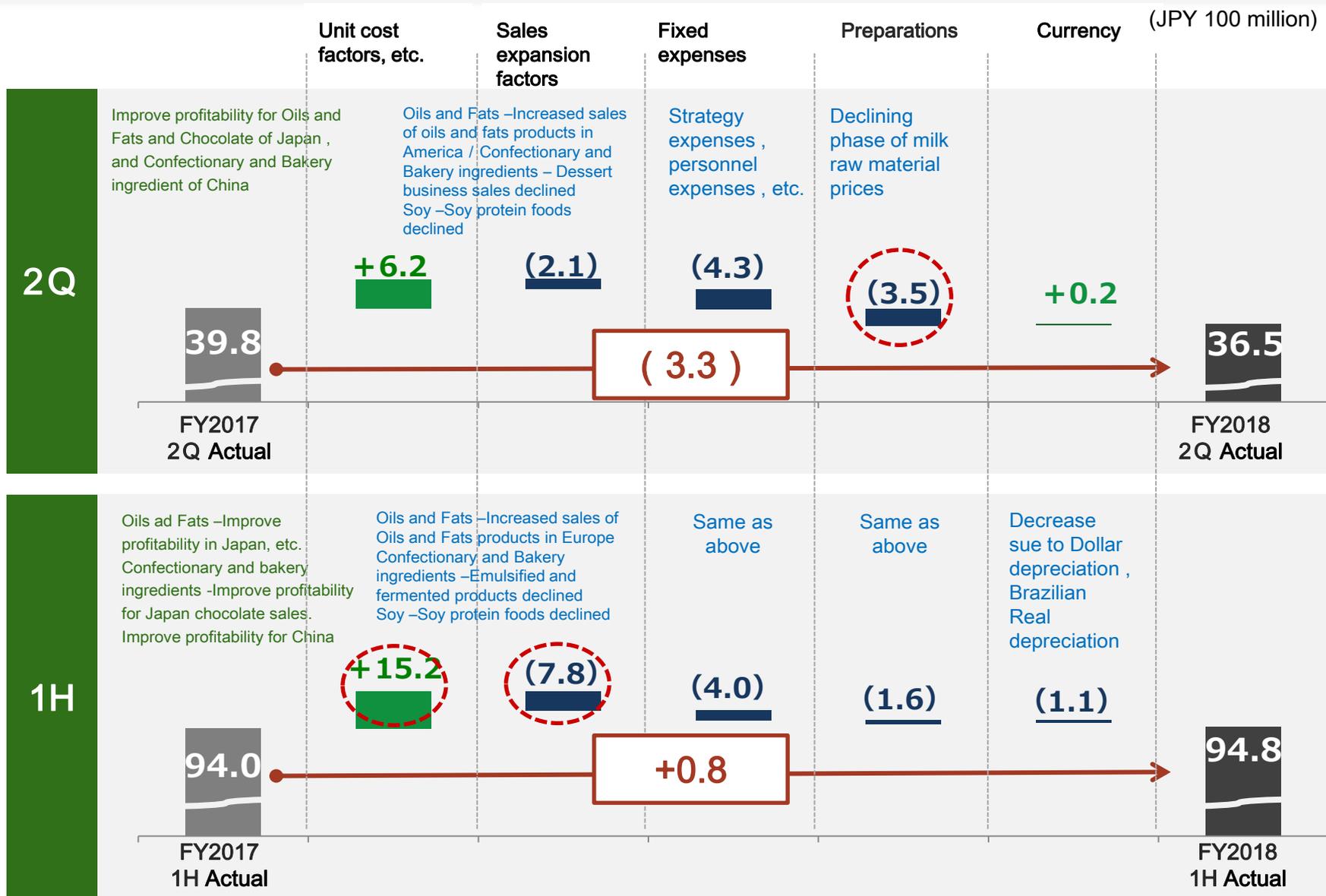


## Net income

2.5 billion yen in extraordinary losses

- Impairment losses about(18)
- disaster related losses about(5)

# Operating profit Analysis ( 2Q · 1H )



# Full-year Revision Forecast (Revenue · Operating profit )

## We revised our full-year forecast given recent trends

Reduced sales forecast by 100 million yen

but reiterating operating profit forecast (revised breakdown by segment)

(JPY 100 million)

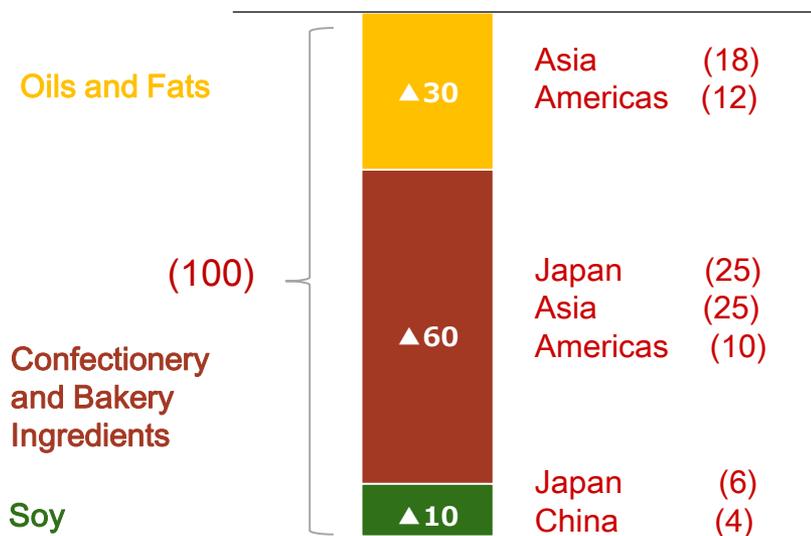
		FY2017	FY2018					YoY comparison	
		Full-year	1H Actual	2H Forecast	Revision forecast	Former forecast	Amendment amount	Increase	Rate of change
Revenue	Oils and Fats	1,132	545	596	1,141	1,171	(30)	+9	+0.8%
	Confectionery and Bakery Ingredients	1,564	745	863	1,608	1,668	(60)	+44	+2.8%
	Soy	380	181	190	371	381	(10)	(9)	(2.4%)
	<b>Total</b>	<b>3,076</b>	<b>1,471</b>	<b>1,649</b>	<b>3,120</b>	<b>3,220</b>	<b>(100)</b>	<b>+44</b>	<b>+1.4%</b>
Operating profit	Oils and Fats	73	36	44	79	73	6	+6	+8.1%
	Confectionery and Bakery Ingredients	129	58	75	132	137	(4)	+3	+2.2%
	Soy	35	17	19	36	41	(5)	+1	+2.2%
	Group administrative expenses	(33)	(16)	(19)	(34)	(37)	+3	(1)	(4.0%)
	<b>Total</b>	<b>205</b>	<b>95</b>	<b>118</b>	<b>213</b>	<b>213</b>	<b>0</b>	<b>+8</b>	<b>+4.0%</b>
	Operating margin	6.7%	6.4%	<b>7.2%</b>	<b>6.8%</b>	<b>6.6%</b>	<b>+0.2pt</b>	<b>0.1pt</b>	—
Ordinary profit		200	95	<b>112</b>	<b>207</b>	<b>207</b>	<b>0</b>	<b>+7</b>	<b>+3.6%</b>
<b>Net income</b>		<b>137</b>	<b>44</b>	<b>96</b>	<b>140</b>	<b>140</b>	<b>0</b>	<b>+3</b>	<b>+1.9%</b>

(Reference)

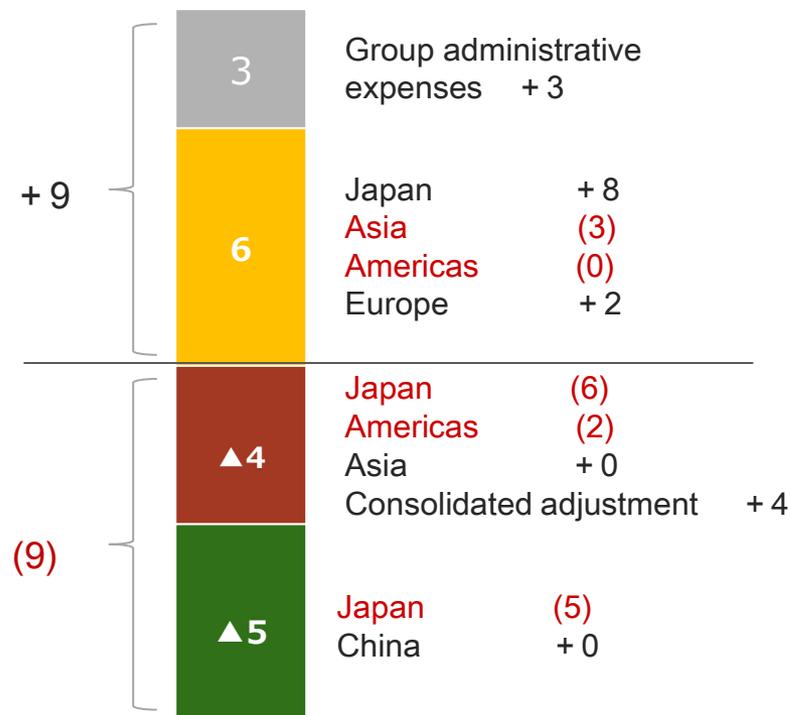
# Full-year Revision Forecast Amendment amount breakdown

(JPY 100 million)

Revenue : (100)



Operating profit : ±0



# FY2018 Full-year key points (1)Japan

## Segment 1H

### Confectionery

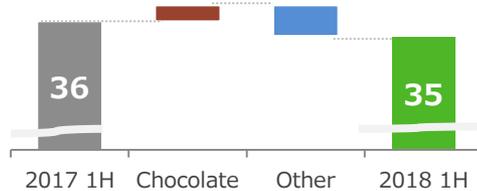
#### Chocolate

- Sales volume down due to extreme heat
- Aim to secure profit by locking in on profitability

#### Other

- Sales down, mainly in desserts

Change in operating profit



- Delays in tackling measures due in part to having to respond to natural disasters

## 2H

Improve profitability with price strategy

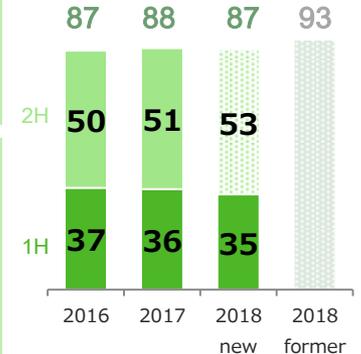
**Chocolate**  
Key sales expansion in peak season

**Margarine, etc.**  
Resume implementing measures

**Dessert**  
Execute sales expansion

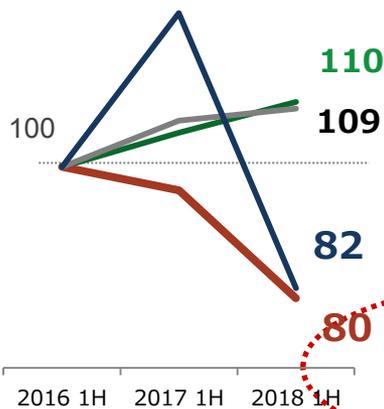
## Full-year Forecast (JPY 100 million)

Japan : Confectionery and Bakery Ingredients Operating profit



### Soy

Sales volume for major products in soy business in 1H



#### Food function-enhancing ingredients

Sales strong for water soluble soybean polysaccharide

#### Soy protein ingredients

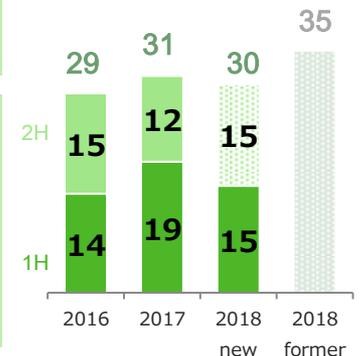
USS  
Volume down due to change in sales channels

**Soy protein foods**  
Delayed sales launch after renovation construction work

**Soy protein ingredients**  
Steady demand from health and nutrition markets

**Soy protein foods**  
Peak season in 2H  
Execute sales expansion

Japan : Soy Operating profit



# FY2018 Full-year key points (2)Asia

## Segment 1H

### Oils and Fats

- Brisk demand for hard butters for chocolate
- Commodity products  
Profitability on sales deteriorated due to fall in oil and fat prices

## 2H

Continue to push forward with sales expansion, mainly for hard butters for chocolate

Revise full-year forecast

## Full-year Forecast (JPY 100 million)

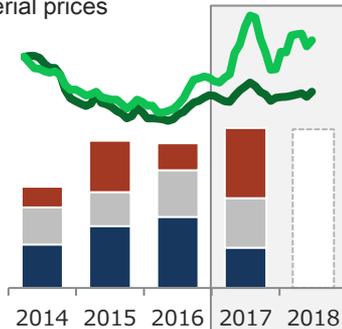


### Confectionery and Bakery Ingredients

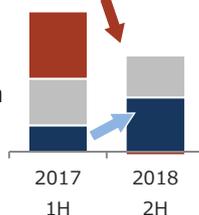
Asia Confectionery and Bakery Ingredients Operating profit & milk raw material prices

EU butter  
EU flour

Preparations  
SE Asia  
China



1H Comparison



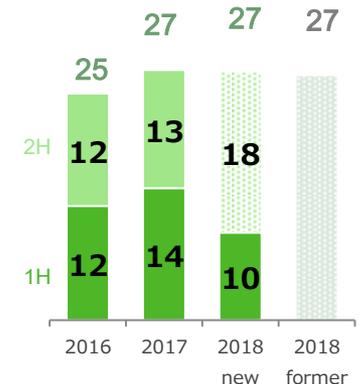
**Preparations**  
Profit drop widens during periods of decline in dairy raw ingredient market prices

**China**  
Production at 1<sup>st</sup> Plant remains brisk

Impact winds down from decline in dairy raw ingredient market prices

Operations at new plant in China to contribute to earnings in FY2018

Asia : Confectionery and Bakery Ingredients Operating profit



# FY2018 Full-year key points (3)Americas

(JPY 100 million)

Segment 1H

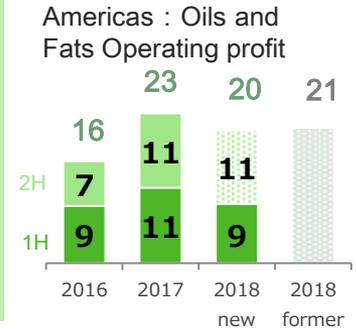
Oils and Fats

- Recent performance in line with plans despite impact from operations shutdown in 1Q due to blizzard

2H

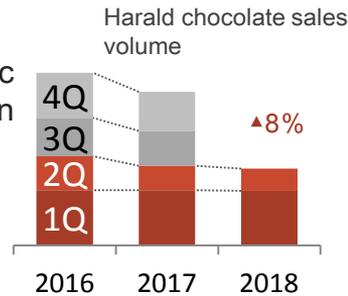
- Brisk demand for hard butters for chocolate and low trans fat acid oils and fats

Full-year Forecast



Confectionery and Bakery Ingredients

- Sales volume down due to harsh economic trends and competition



- Secured profit thanks to pricing strategies that factor in market environment

Growth in operating profit prior to depreciation and consolidated adjustments and on a local currency basis

125%

- Recent reversal in forex



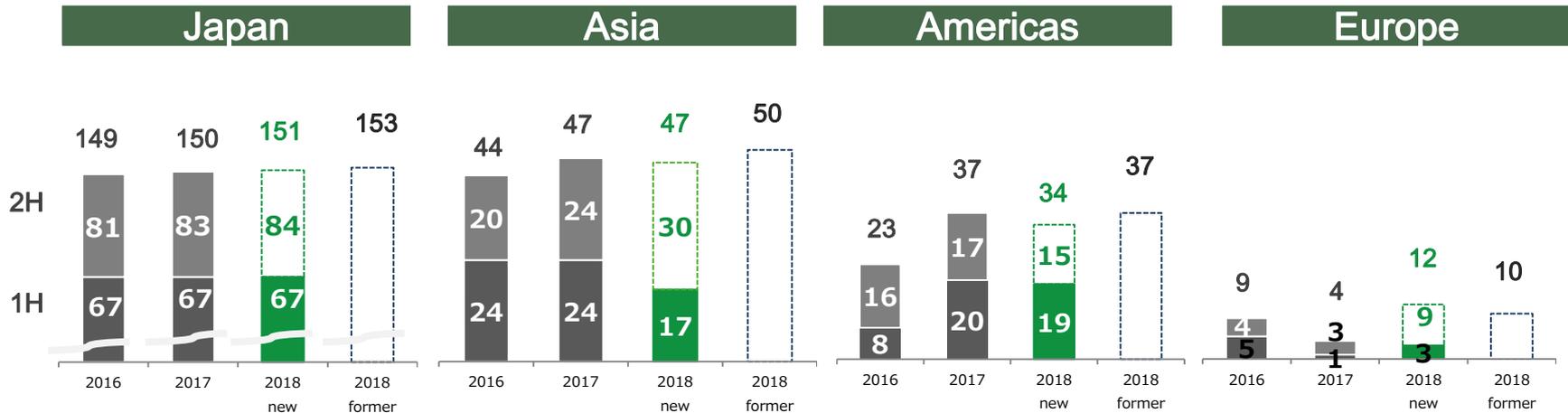
- Sales expansion during year-end demand period ahead of next Easter, a competitive season
- Continue to implement flexible pricing strategy

Americas : Confectionery and Bakery Ingredients Operating profit



# Operating profit by Area ( 1H Actual · Full-year Revision Forecast )

(JPY 100 million)

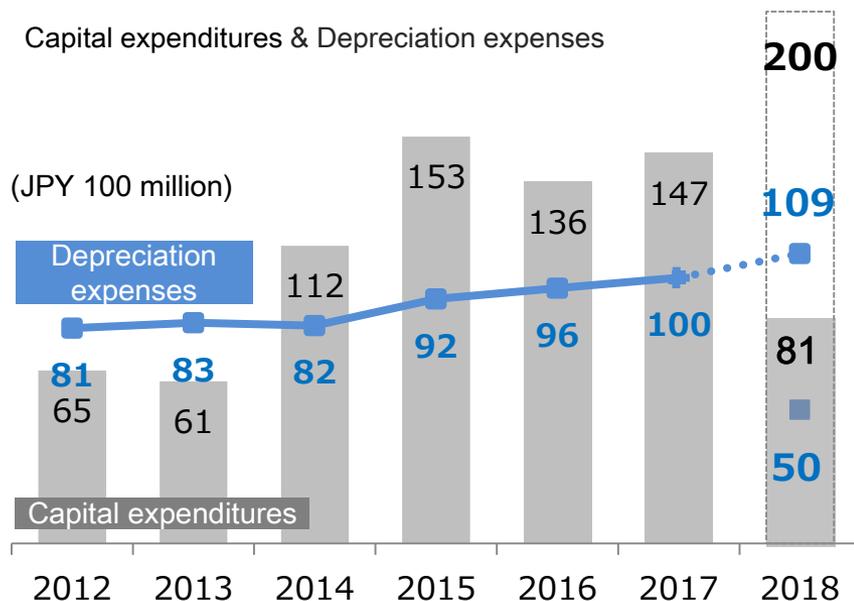


Period	Japan	Asia	Americas	Europe
1H	<p><b>【Oils and Fats】</b> Income up on profitable sales <b>【Confectionery and Bakery Ingredients】</b> Profitability secured on chocolate sales but down for desserts and emulsified &amp; fermented ingredients <b>【Soy】</b> Decline in soy protein food products</p>	<p><b>【SE Asia】</b> Strong demand for hard butters for chocolate Impact from commodity product market <b>【China】</b> Brisk sales to bakery market</p>	<p><b>【USA】</b> Recent progress in line with plans despite profit drop due to blizzard in 1Q <b>【Brazil】</b> Despite devaluation of the real, secured profit thanks to pricing strategies</p>	<p><b>【Europe】</b> Profitability on raw ingredients improved</p>
Full-year	<p><b>【Oils and Fats】</b> Profitable sales to continue <b>【Confectionery and Bakery Ingredients】</b> Sales to decline for desserts and emulsified &amp; fermented ingredients <b>【Soy】</b> Impact from decline in soy protein food product sales in 1H</p>	<p><b>【SE Asia】</b> Lingering impact from commodity market <b>【China】</b> Offset new plant costs with sales increase</p>	<p><b>【USA】</b> Steady demand for low trans fat acid oils and fats and hard butters for chocolate <b>【Brazil】</b> Forex trends to improve and continue to implement flexible pricing strategy</p>	<p><b>【Europe】</b> Forecast profit growth owing to improved profitability for raw ingredients and steady sales</p>

# Capital expenditures

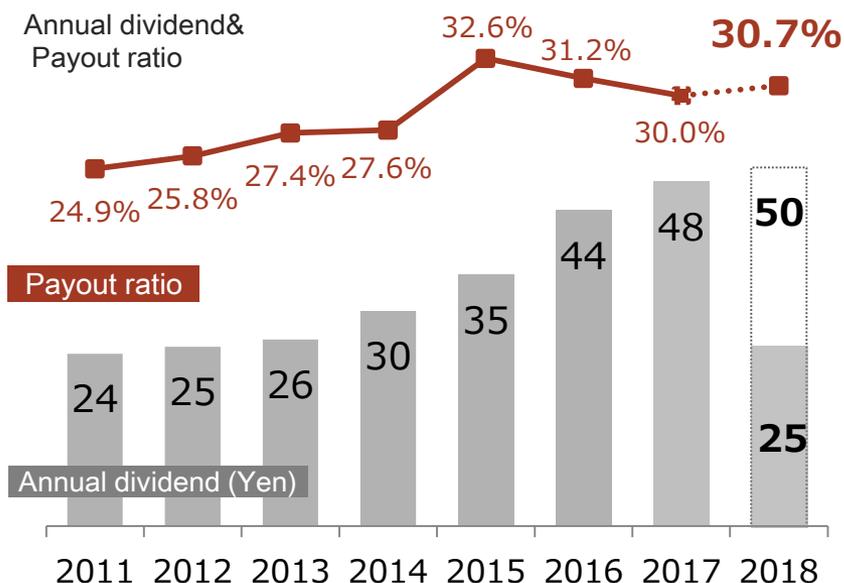
## Capital expenditures

: Investments in growth markets



## Shareholder Returns

: Promote income returns based on dividend policy



**FY2018 planned**

1H 25yen + 2H 25yen=50yen

1H Major Capital expenditures & Depreciation expenses	1H Actual	Full year plan
<b>Capital expenditures</b>	<b>81</b>	<b>200</b>
•New production plant for Filling and Margarine	15	37
•USA New production plant for Oils and Fats	6	32
<b>Depreciation expenses</b>	<b>50</b>	<b>109</b>

# Medium-Term Financial Strategy Progress

Financial management Policy				FY2018 1H progress	
1	Sustainable profit growth	<ul style="list-style-type: none"> <li>Consolidated operating profit CAGR6%≦</li> <li>EPS growth rate CAGR8%≦</li> <li>CCC 10 days shorter</li> </ul>	Create and distribute cash flow Create total operating CF of 1,000 million yen in 4 years	Operating CF	Cumulative 2Q 120 million yen (-21 million yen YoY)
				CCC	Improvement owing in part to an 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	Reduce interest-bearing liabilities	Interest-bearing loans 645 million yen (+34 million yen YoY)
				Improve D/E ratio	0.42 ( +0.07pt YoY )
				Equity ratio	58.1% ( -0.9 p t YoY )
3	Improve capital efficiency	Match level of competing global companies and elevate ourselves to level necessary for sustainable growth	Improve ROE to 10%	Improve total asset turnover	109.4% ( -1.4pt YoY )
				Unprofitable business asset	Continue consideration in part through sales
				Capital investment	Launch new standards within 2018
4	Enhance financial governance	Promote standardization, financial risk reduction, business optimization Enable global comparative validation	Group financial benchmarks and standards	Global CMS(※1)	Start operations
				Unification of core system	Introduce new plant in USA and China / Start plant construction in Japan
				Unification of accounting period and early settlement of accounts	Early transition to trial phase

# (Reference) 1H B/S· CF

(JPY 100 million)

## Balance sheets

	FY2017 Year-end	FY2018 2Q	vs. End of previous FY	Major factors of change
Current assets	1,308	1,268	(40)	Decrease in accounts receivable
Fixed assets	1,399	1,392	(7)	Decrease in goodwill
Total assets	2,707	2,660	(47)	
interest-bearing loans	566	645	+79	Increase in short term debt, increase in CP
Other liabilities	492	443	(49)	Decrease in trade payables,
Total liabilities	1,058	1,088	+30	
Total net assets	1,649	1,573	(76)	Decrease in capital surplus, decrease in currency conversion adjustment accounts

## Cash flow

	FY2017 2Q	FY2018 2Q	YOY	Major factors of change
Income before income taxes	88	70	(18)	
Depreciation and amortization	53	55	+2	
other changes	0	(5)	(5)	
Cash frows from operating activities	141	120	(21)	
Cash frows from investing activities	(64)	(115)	(51)	
Free cash flow	76	5	(72)	
Loan procurements/ repayments	(42)	85	+127	
Dividend payments, acquisition of treasury stock, etc.	(20)	(76)	(56)	
Cash frows from financing activities	(62)	8	+71	
Cash and cash equivalents from newly consolidated subsidiaries at beginning of period	2	-	(2)	
Net increase in cash and cash equivalents	11	6	(5)	
Cash and cash equivalents at end of period	139	136	(4)	

(Note) Depreciation expenses includes depreciation expenses for both tangible fixed assets and intangible fixed assets.

# (Reference) 1H Financial Earnings ( Operating profit by Quarter )

(JPY 100 million)

		1 Q		2 Q		1H Actual		
		Actual	VS. Previous Year	Actual	VS. Previous Year	Actual	VS. Previous Year	
Japan	Oils and Fats	7	4	9	2	17	6	Continued to implement profitable sales
	Confectionery and Bakery Ingredients	19	( 1 )	16	( 1 )	35	( 2 )	Decline in demand for desserts and emulsified & fermented ingredients
	Soy	8	( 2 )	7	( 1 )	15	( 4 )	Decline in sales of soy protein food products
	Consolidated adjustment	1	( 0 )	( 0 )	( 1 )	1	( 1 )	
	<b>Total</b>	<b>35</b>	<b>1</b>	<b>32</b>	<b>( 0 )</b>	<b>67</b>	<b>0</b>	
Asia	Oils and Fats	4	( 2 )	3	( 0 )	7	( 2 )	Sales sluggish due to decline in raw material market
	Confectionery and Bakery Ingredients	5	( 3 )	4	( 2 )	10	( 5 )	Profit down for food preparations, despite brisk demand in China
	Soy	0	0	1	( 0 )	1	0	
	Consolidated adjustment	0	0	( 0 )	0	( 0 )	0	
	<b>Total</b>	<b>9</b>	<b>( 4 )</b>	<b>8</b>	<b>( 2 )</b>	<b>17</b>	<b>( 6 )</b>	
Americas	Oils and Fats	3	( 2 )	6	( 0 )	9	( 3 )	Performance in line with plans aside from plant shut-down impact
	Confectionery and Bakery Ingredients	14	3	( 4 )	( 1 )	10	2	Peak season shifts from 2Q
	Consolidated adjustment	0	0	( 0 )	( 0 )	0	0	
	<b>Total</b>	<b>18</b>	<b>1</b>	<b>2</b>	<b>( 1 )</b>	<b>19</b>	<b>( 1 )</b>	
Europe	Oils and Fats	1	0	2	1	3	1	Sales strong in addition to improve profitability
	Consolidated adjustment	0	0	0	0	0	0	
	<b>Total</b>	<b>1</b>	<b>0</b>	<b>2</b>	<b>1</b>	<b>3</b>	<b>1</b>	
Consolidated adjustment		4	7	( 0 )	( 1 )	4	6	Profit lower as unable to achieve inventory goal (food preparations)
Group administrative expenses		( 8 )	( 0 )	( 7 )	0	( 16 )	0	
<b>Total</b>		<b>58</b>	<b>4</b>	<b>37</b>	<b>( 3 )</b>	<b>95</b>	<b>1</b>	

# (Reference) Full-year revision forecast : Revenue ( by region, division )

(JPY 100 million)

	FY	Japan		Asia		Americas		Europe		Consolidated Total	
		Actual	VS. Previous Year比	Actual	VS. Previous Year	Actual	VS. Previous Year	Actual	VS. Previous Year	Actual	VS. Previous Year
Oils and Fats	2018 new	366	( 7 )	232	24	313	1	230	( 10 )	1,141	9
	2018 former	366	( 7 )	250	42	325	13	230	( 10 )	1,171	39
	2017	373	( 14 )	208	15	312	39	240	31	1,132	71
Confectionary and Bakery Ingredients	2018 new	1,057	22	341	8	210	14			1,608	44
	2018 former	1,082	47	366	33	220	24			1,668	104
	2017	1,035	9	333	63	196	21			1,564	92
Soy	2018 new	341	( 9 )	30	( 0 )					371	( 9 )
	2018 former	347	( 3 )	34	4					381	1
	2017	350	( 11 )	30	( 1 )					380	( 12 )
Total	2018 new	1,764	6	603	32	523	15	230	( 10 )	3,120	44
	2018 former	1,795	37	650	79	545	37	230	( 10 )	3,220	144
	2017	1,758	( 16 )	571	76	508	60	240	31	3,076	151

# (Reference) Full-year Revision Forecast : Operating profit ( by region, division )

(JPY 100 million)

	FY	Japan		Asia		Americas		Europe		Consolidated Adjustment		Group administrative expenses		Consolidated Total	
		Actual	VS. Previous Year	Actual	VS. Previous Year	Actual	VS. Previous Year	Actual	VS. Previous Year	Actual	VS. Previous Year	Actual	VS. Previous Year	Actual	VS. Previous Year
Oils and Fats	2018(new)	31	3	15	( 2 )	20	( 3 )	12	8	1	( 0 )			79	6
	2018(former)	23	( 5 )	19	2	21	( 2 )	10	5	1	0			73	( 0 )
	2017	28	( 2 )	17	3	23	7	4	( 4 )	1	0			73	4
Confectionery and Bakery Ingredients	2018(new)	87	( 0 )	27	( 0 )	14	( 0 )			4	4			132	3
	2018(former)	93	5	27	( 1 )	16	2			1	( 0 )			137	7
	2017	88	1	27	3	14	7			1	1			129	11
Soy	2018(new)	30	( 1 )	5	2					1	0			36	1
	2018(former)	35	4	4	1					1	0			41	5
	2017	31	3	3	( 2 )					1	( 1 )			35	( 1 )
Consolidated adjustment	2018(new)	2	0							( 2 )	( 0 )			0	0
	2018(former)	2	( 0 )							( 2 )	0			0	0
	2017	2	( 1 )							( 2 )	1			0	0
Group administrative expenses	2018(new)											( 34 )	( 1 )	( 34 )	( 1 )
	2018(former)											( 37 )	( 4 )	( 37 )	( 4 )
	2017											( 33 )	( 7 )	( 33 )	( 7 )
Operating profit total	2018(new)	151	1	47	( 0 )	34	( 3 )	12	8	3	4	( 34 )	( 1 )	213	8
	2018(former)	153	3	50	3	37	0	10	5	1	1	( 37 )	( 4 )	213	8
	2017	150	1	47	3	37	14	4	( 4 )	( 0 )	1	( 33 )	( 7 )	205	8



### 3 . Progress of Mid-Term Management Plan

# Towards a Further Leap 2020 ( 2017-2020 ) Roadmap

## Basic Strategy



## Management Objective (FY2020 )

ROE	10 %
EPS	CAGR 8% ≤
Operating profit growth	CAGR 6% ≤
Shareholder return	Payout ratio 30-40%

## Cash flow Benchmarks

Operating Cash flow	4 year cumulative CF 100 billion yen
CCC	10 day contraction
Capital Expenditure	4 year total of about 60-70 billion yen
M&A	Assurances of 50 billion yen in funding

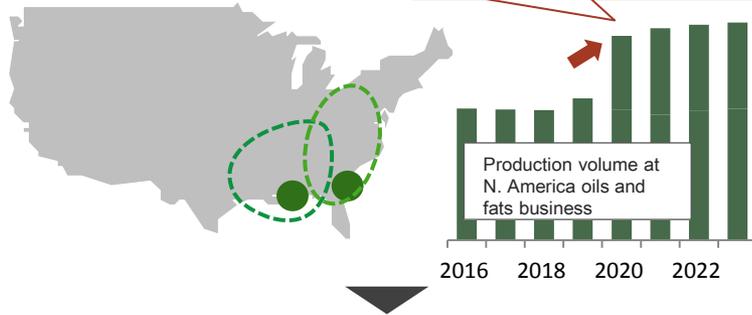
Basic policy	2016	2017	2018	2019	2020
Reinforcement of core competence	New Malaysian office	Construct 2nd Chinese plant Capture demand in US Better profitability in Brazil	Start of operation		
Growth of soy business	[Selection] Decision to close Sakai plant [Concentration]	Selloff of Ishikawa plant Expand sales of high-value added products	Restructure Japanese and Chinese businesses	USS to start contributing revenue	
Development of functional high-value-added products business		Boost production of soluble soy polysaccharides	Equipment enhancement completed		
Cost reduction and unification with global standards		UNIFUJI	Start of operation		
				Develop global CMS*Progressively introduce core system Standardize accounting period	
					Rebuild corporate brand

## 1H / FY2018 progress

### Start construction of new plant in US

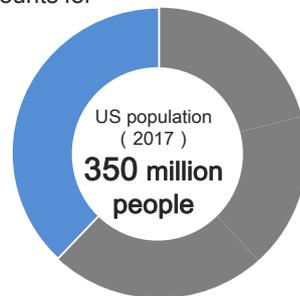
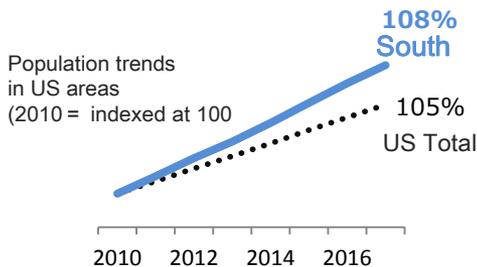
- Expand sales area to boost sales volume roughly 1.5x

Fire up operations in 2H 2020  
Estimate earlier-than-planned launch



### Aim to secure roughly 40% of market share for southeastern oils and fats in 7 southern states and Texas

Population increase in south states, which accounts for about 40% of overall population, is driving US population growth



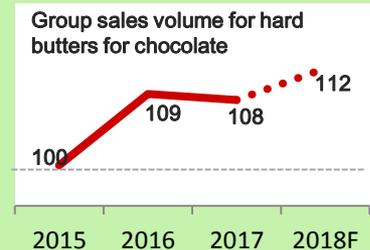
Source: U.S. Census Bureau

## Issue awareness and status of measures

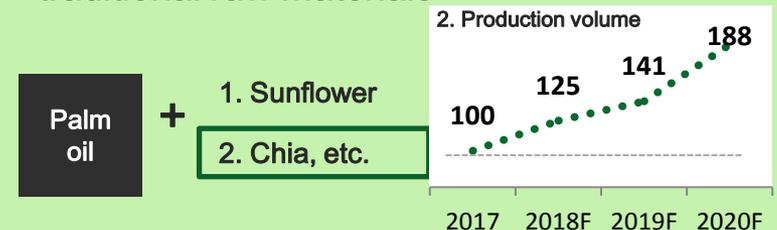
### Improve global competitiveness in Oils and Fats

#### (1) Expand sales of hard butters for chocolate

- Brisk sales in each area, mainly Asia and the Americas



- Smooth progress despite diversification of traditional raw materials



#### (2) Acquire sustainable raw materials

- Start up UNIFUJI  
Progress in contract negotiations with customers



## : Propel Group Growth with Volume Expansion and Profitability Improvement

1H / FY2018 progress

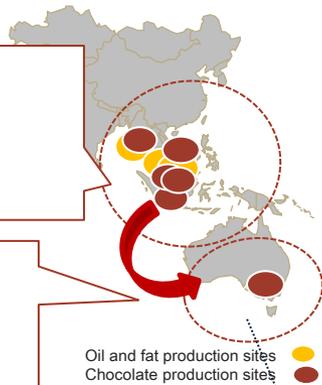
### Acquired 100% ownership in IFS\*1 (Australia)



- Employees: 43 people
- Develops, produces and sells industrial supply chocolate
- Include in consolidated income statement in Oct.

- Sustainable palm oil synergies
- Expand export area for other product groups

- Introduce oil and fat technologies to improve chocolate functions



**Australia market**

- Developed country in health and eco-consciousness (Difficult to acquired sustainable certification)
- Ranks 4th in Asia-Oceania industrial supply chocolate market
- Enact mandatory laws to set the ratio of raw materials produced in own country

Issue awareness and status of measures

### Improve profitability, expand business scale within group

#### Japan: Business strategy that pursued profit over volume

- Poured energies into high added-value products that are our forte



#### Brazil: Improve product portfolio

- Improve product portfolio in part by rolling out new products that leverage our strengths
- Considering constructing a new plant

#### Asia: Leverage area synergies

Production sites	SE Asia/Oceania	China
Oils and fats	6	1
Chocolate	4	1

Share capacity and product varieties within group

Oil and fat technologies, and sustainable oil and fat synergies

# Cream, Margarine, Filling : Establish Position in China Market

1H / FY2018 progress

**Growth outperforms market growth in China, share expansion**

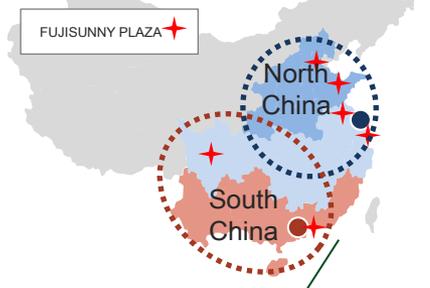


Market share in China

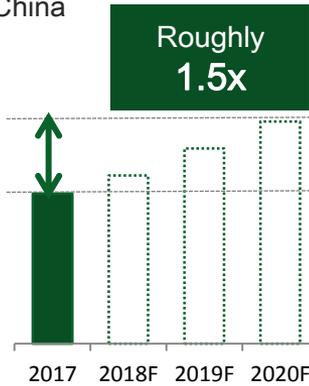
**Filling : No. 1**

**Margarine : No. 2**

**New plant: operations launched in July**  
**Made progress in building of nationwide sales network in China**



Profit plan for confectionary and bakery business in China



- Product margarine/custard
- Achieve monthly profit within 2018
- Investment: about CNY300 million
- Depreciation: about CNY20 million/year

Issue awareness and status of measures

**Japan: Currently rebuilding business**

- Reforms to sales structure
- Coordinate businesses
- Differentiating product groups by using vegetable-based materials, as well as use of the USS production method

**SE Asia:**  
**Improve earnings by expanding regional sales**  
 In the food preparation business, our strength is in the confectionary and bakery business

< World >

Direct procurement from dairy raw material origin

< Japan >

High tariffs

< Singapore >

Procure wide range of dairy raw ingredients. Mixture

Low tariffs

**Contribute to competitiveness**

- Procurement cost
- New product development
- Quality
- Variety of deliciousness

**Aim to build a product portfolio with stable profitability and pouring energies into cream sales to third country**

- Brisk sales trends having alleviated a bottleneck after commencing operations at expanded warehouse in 2017

# Soy: Implement Global Business by Leveraging Value of Vegetable Protein

Growth of soy business

Development of functional high-value-added products business

## 1H / FY2018 progress

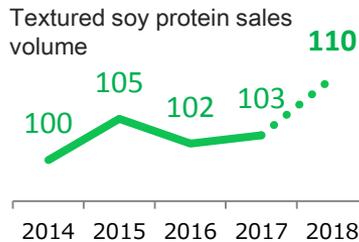
### Improve market value of soy and vegetable proteins

#### Brisk demand for soy protein ingredients

- Expand uses for protein drinks and confectionary
- Consider expanding production capacity for textured soy protein



Image



### Water soluble soybean polysaccharide

- Complete production capacity expansion in Japan and China
- Begin re-expansion of sales in Japan Maintain brisk performance

1H /FY2018  
sales volume growth YoY  
**113%**

## Issue awareness and status of measures

### Japan and China: Continue selection and concentration

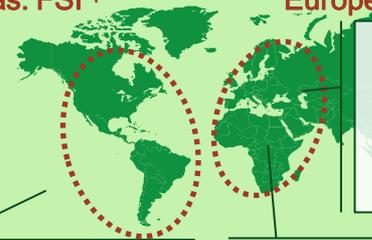
#### Continue rebuilding

- Raw soy milk
- Rebuild soy protein food products
- Restructure soy business sites in China

### Americas and Europe: Grant area management functions

Americas: FSI<sup>\*1</sup>

Europe: FEA<sup>\*2</sup>



Pursue potential of polysaccharide business, launch other new businesses

Begin test sales of vegetable-based cheese



Conduct research for further business in Africa

JICA  
Selected for survey of problem-solving businesses (SDGs businesses) in developing countries

# Appendix

# Fuji Oil Group ESG Management

## Fuji Oil Group ESG management -Conscientious Management-

Social issues  
to realize  
a sustainable  
society

Human Rights

Environment

etc.

Priority Areas

Strategy

Solutions

Solutions through  
Creation of Foods

Safety, Security  
and  
Quality of Foods

Sustainable  
Procurement

Environment

Hitozukuri  
(Fostering People)

Health  
Management

Risk management

Mid-Term  
Management  
Plan

Plant -  
Based  
Food  
Solutions

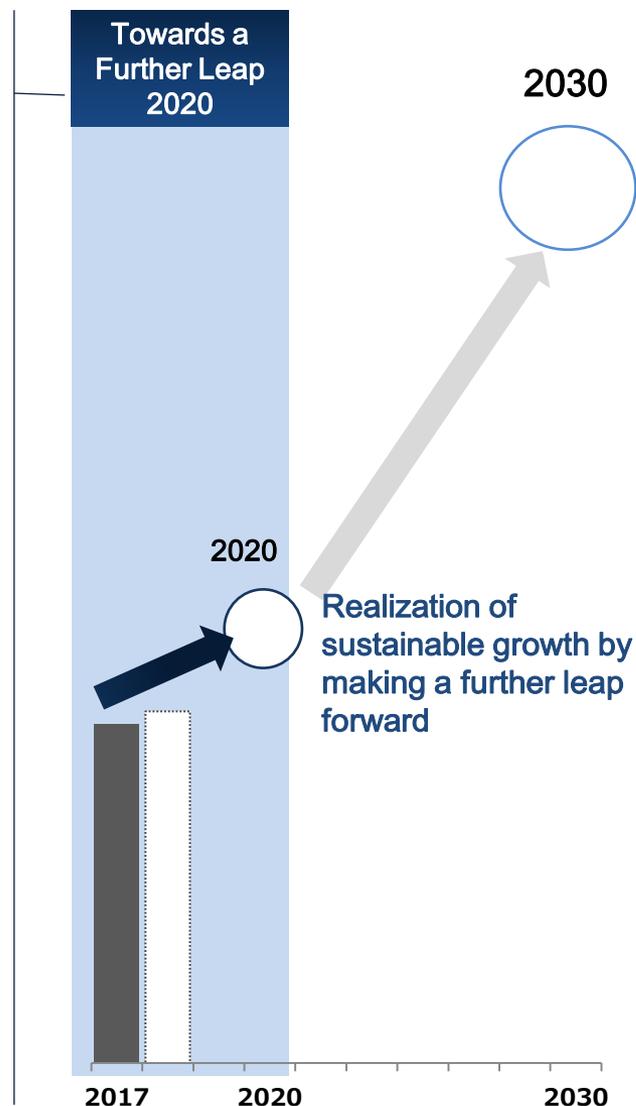
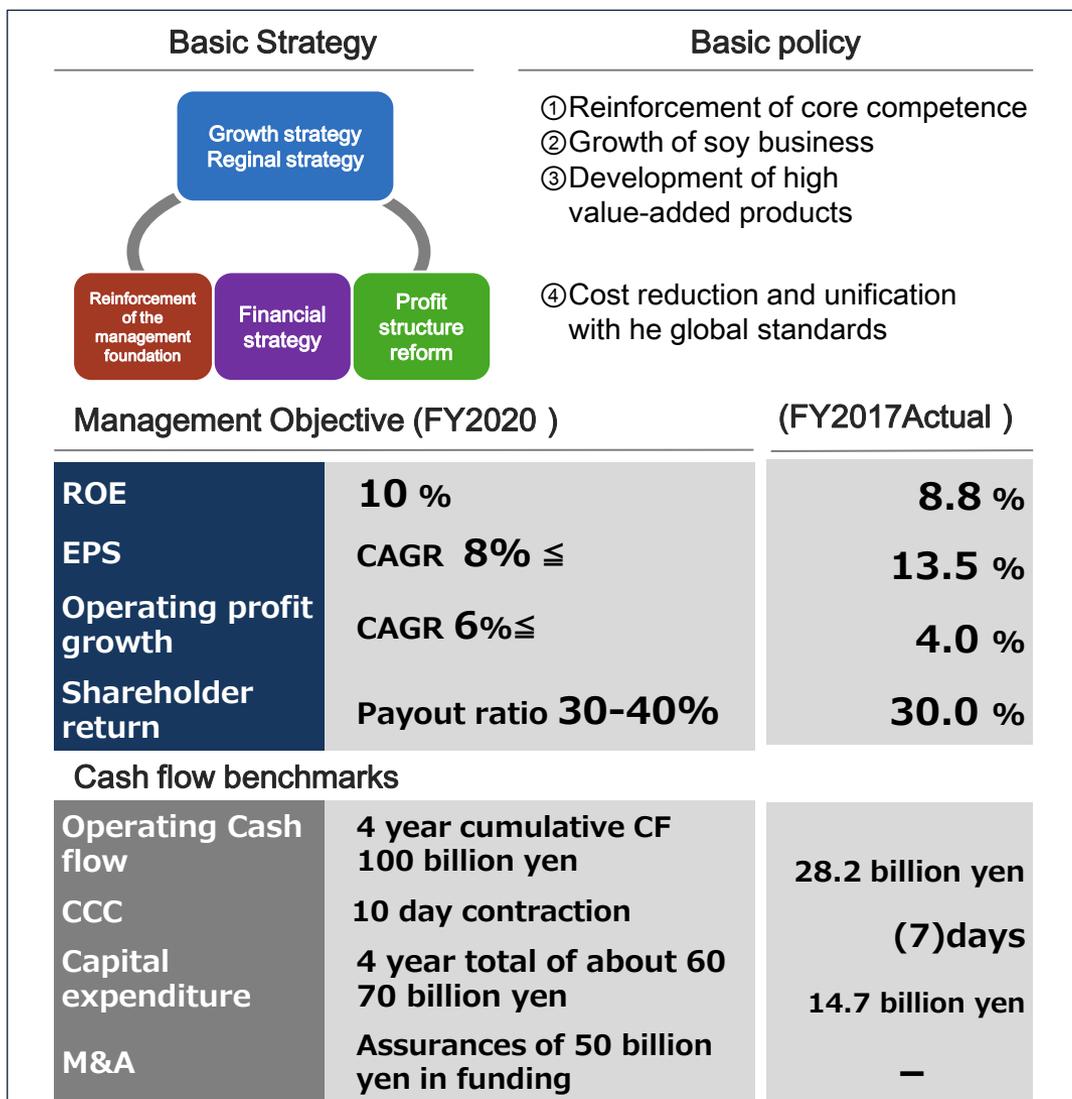
Sustainable  
growth  
of the  
Fuji Oil Group

Realization of  
a sustainable  
society

Fuji Oil Group Management Philosophy  
-Work for People-



## Building a foundation for future growth



# Towards a Further Leap 2020 ( 2017-2020 ) progress

## Basic policy

### Reinforcement of core competence

Steadily expanding markets and products in which we are strong

Item	Area	FY2018 Policies	1H/FY2018 Progresses
Growth of Oils and Fats business	US	<ul style="list-style-type: none"> <li>Proceed toward start of operations in 2020</li> </ul>	<ul style="list-style-type: none"> <li>Launched construction of new site</li> <li>Established regional management company</li> </ul>
Growth of chocolate business	Japan	<ul style="list-style-type: none"> <li>Shift toward high-value added products</li> </ul>	<ul style="list-style-type: none"> <li>Implemented shift to high-value added products</li> </ul>
	SE Asia	<ul style="list-style-type: none"> <li>Expand sales across wider area, including Middle East and Oceania</li> </ul>	<ul style="list-style-type: none"> <li>Acquired IFS (Australia)</li> <li>UNIFUJI in operation</li> </ul>
	China	<ul style="list-style-type: none"> <li>Sales expansion for bread market</li> </ul>	<ul style="list-style-type: none"> <li>Brisk chocolate sales</li> </ul>
	Brazil	<ul style="list-style-type: none"> <li>Maintain profitability, invest in new products to recover volumes</li> </ul>	<ul style="list-style-type: none"> <li>Maintained profitability with pricing policy</li> <li>Reviewed product portfolio</li> </ul>
	Europe	<ul style="list-style-type: none"> <li>Expand sales with sustainably sourced products</li> </ul>	<ul style="list-style-type: none"> <li>Converted into wholly-owned subsidiary</li> <li>Brisk chocolate sales</li> </ul>
	M&A	<ul style="list-style-type: none"> <li>Continue to explore M&amp;A opportunities</li> </ul>	<ul style="list-style-type: none"> <li>Continue to pursue deals</li> </ul>
Expand sales in Asia	SE Asia	<ul style="list-style-type: none"> <li>Expand sales of four products with country-specific targeting</li> </ul>	<ul style="list-style-type: none"> <li>Expanded cream sales in countries in SE Asia by unwinding bottleneck</li> </ul>
	China	<ul style="list-style-type: none"> <li>New plant to begin operations in 2nd half of 2018</li> <li>Amount invested: Approx. 400 million CNY (5 billion JPY)</li> </ul>	<ul style="list-style-type: none"> <li>Established FUJISUNNY PLAZA Jinan</li> <li>New plant fired up in July</li> </ul>

# Towards a Further Leap 2020 ( 2017-2020 ) progress

## Basic policy

### 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	FY2018 Policies	1H/FY2018 Progresses
Structural reforms Final stage	<ul style="list-style-type: none"> <li>• Rebuilt Chinese businesses</li> <li>• Rebuild soy protein foods business</li> </ul>	<ul style="list-style-type: none"> <li>• Continued rebuilding China business site</li> <li>• Continued considering rebuilding soy protein food division</li> </ul>
Expansion to plant protein market	<ul style="list-style-type: none"> <li>• Soy protein ingredients Streamline production and step up efforts to penetrate health and nutrition market</li> <li>• Penetrate flexitarian market Develop soy meats and soy cheeses in Japan and overseas</li> <li>• USS to start contributing revenue</li> </ul>	<ul style="list-style-type: none"> <li>• Looked into expansion of production capacity for textured soy protein Started examining business development overseas</li> <li>• Established US regional management company Implemented sample work for vegetable based cheese</li> </ul>

## Basic policy

### Development of high value-added products

- Deploy polysaccharides and stabilized DHA/EPA business
- Enter nutrition and health market
- Stabilize group earnings

Item	FY2018 Policies	1H/FY2018 Progresses
Stabilization DHA/EPA business development	<ul style="list-style-type: none"> <li>• Obtain evidence supporting neurological health benefit claim</li> <li>• Develop samples for overseas market development</li> </ul>	<ul style="list-style-type: none"> <li>• Moved forward toward full-fledged sales in 2H FY2019</li> </ul>
Polysaccharide business	<ul style="list-style-type: none"> <li>• Soluble soy polysaccharides boost production capacity, expand sales in Japan and China</li> <li>• Develop new polysaccharides</li> </ul>	<ul style="list-style-type: none"> <li>• Completed production capacity expansion for water soluble soybean polysaccharide</li> <li>• Established EU regional management company</li> </ul>

# Towards a Further Leap 2020 ( 2017-2020 ) progress

## Basic policy

### Cost reduction and unification with the global standards

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

Item	FY2018 Policies	1H/FY2018 Progresses
Strengthen management foundation	<ul style="list-style-type: none"> <li>• <b>Sustainable procurement</b> UNIFUJI to begin operations (2nd half) Introduce Grievance mechanisms Commence cacao program</li> <li>• <b>Formulate environmental vision for 2030</b></li> <li>• <b>ESG Committee</b> Lead efforts to develop focal theme</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Sustainable procurement</b> UNIFUJI operations Started grievance mechanism Announced policy for responsible cacao bean procurement</li> <li>• <b>Established CQO position</b></li> <li>• <b>Established Environmental Vision 2030</b></li> <li>• <b>Productivity promotion group</b> Resumed audit of group companies</li> </ul>
Financial strategy	<ul style="list-style-type: none"> <li>• <b>CCC(※1)</b> Disseminate guidelines, encourage all divisions to formulate measures</li> <li>• <b>Global CMS(※2)</b> Bring online in China and US</li> <li>• <b>Global funds management</b> Rebuild group funds system in each area</li> <li>• <b>Standardize core system</b> Bring online in China and US</li> </ul>	<ul style="list-style-type: none"> <li>• <b>CCC</b> Implemented improvements, including inventory reduction</li> <li>• <b>Global CMS</b> Started operations in China and US</li> <li>• <b>CAPEX</b> Started implementation of new starts in 2018</li> <li>• <b>Unification of core system</b> Introduced at new plants in US and China and started construction in Japan</li> </ul>
Profit structural reform	<ul style="list-style-type: none"> <li>• <b>Utilized VGP(※3)</b></li> </ul>	<ul style="list-style-type: none"> <li>• <b>Utilized VGP</b></li> </ul>

# : Unification with the Global standards Sustainable procurement



**Palm oil**

Pursuant to our Guidelines on Responsible Palm Oil Sourcing (March 2016), we aim to source palm oil from plantations that are not associated with environmental destruction or human rights abuses.

### supply chain improvement activities

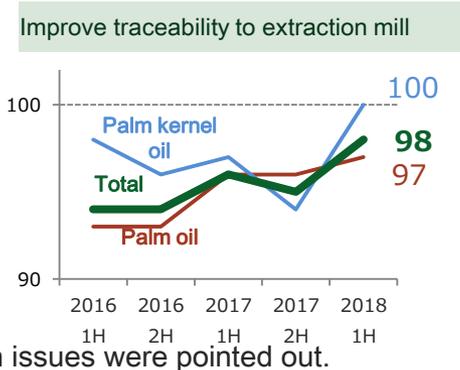
: Aim for 100% traceability to oil mill (Traceable to Mill)

- **Grievance mechanisms (※1) Operation start**

: After development was announced in May, five grievances were filed. Of this, transactions have already been halted with one supplier for which issues were pointed out.

- **Start UNIFUJI operations**

: Announced establishment in November 2017. Launched operations of this joint venture which is a palm oil fractionation business committed to ensuring that the processes from sourcing to production are eco-friendly and worker-friendly.



**Cacao beans**

## Aug,2018 Responsible Cacao Sourcing Policy

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 (on e.g. farming methods, soil management, 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.

- Start support for small-scale farmers in Ecuador
- Embarked on cacao fermentation research with local suppliers putting us one step closer to improving the competitiveness of cacao raw ingredient procurement

(※1) Grievance mechanisms : Mechanism for fulfilling the issue (grievance) proposed by stakeholders based on "Guidelines on Responsible Palm Oil Sourcing ", to improve the transparency of the supply chain and to strengthen the improvement, correction, and response at the time of problem occurrence

# : Unification with the Global standards Sustainable procurement

## Premise

- **Global business expansion**  
Essential to maintain and improve standards for tackling the labor safety, food safety, security and quality, and the environment
- Newly established in CQO (Chief Quality officer) position in April 2018



CQO Takashi Kadota

→Accelerate activities

## Item

## 1H/FY2018 progresses

### Labor safety

#### Activities aimed at “zero” serious disasters(\*1)

Zero serious disasters.

The number of accidents accompanied by lost worktime per 1,000 employees (4 days or more of lost worktime) was flat YoY (1.9 cases/1,000 employees).

### Food safety, security and quality

#### Build an overseas quality assurance system

Establish quality assurance regulations and bylaws

#### Acquire FSSC/ISO22000 (\*2)

Additional acquisition for 4 plants in Japan

Existing plants in Japan achieve **52%**

### Environment

#### Start new Environmental Vision 2030

- Already submitted the SBT certification (\*3) commitment letter (Acquisition target: May 2020)
- Establishing reduction goals for water and waste products

2030 CO2 emissions **24% cut**  
Base year: FY2016

### Promote productivity

#### Implement PDCA in correspondence with the level of each company



\*1: Serious disasters: Accidents resulting in death, accidents with aftereffects, including to limbs, and accidents requiring long-term hospitalization;

\*2: FSSC/ISO22000: International standards for food safety management systems, \*3: SBT : Science Based Targets

# Topics

May 2018

Construction of a grievance mechanism

June 2018

Fuji Oil (Zhang Jia Gang) Establishment of FUJISUNNY PLAZA JINAN

July 2018

Fujitsu and Fuji Oil reach information systems partnership agreement

Ibaraki University and Fuji Oil Holdings Inc. implement cross-appointment system from university to enterprise

Acquisition of Australian Industrial Use Chocolate Manufacturer

Published 2018 Sustainability Report

Changes in investment equity of Harald

Establishment of FUJI EUROPE AFRICA B.V. Regional Headquarters

August 2018

Formulate Responsible Cacao Sourcing Policy

Release of Integrated Report: FUJI OIL Integrated Report 2018

October 2018

Selected by the Securities Analysts Association of Japan to the list of Companies Making Notable Improvements in Disclosure 2018

The Fuji Oil Group joins the Dutch Food Valley community to accelerate R&D and build global collaboration networks



 **FUJI OIL HOLDINGS INC.**

