



FY2019 1H Earnings Conference

2019/11/7

 **FUJI OIL HOLDINGS INC.**

Agenda

- | | | |
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| 1 | CEO Hiroshi Shimizu
Summary | P 3 |
| 2 | CFO Tomoki Matsumoto
FY2019 1H Earnings Results &
FY2019 Forecast | P 8 |
| 3 | Blommer Chocolate Company
Chairman Mikio Sakai
Blommer Progress and Issues | P 24 |



Harald in Brazil got a prize "Great Place to Work"

Summary

CEO Hiroshi Shimizu

FY2019 1H Earnings Results

Results

1H	Revenue	191.6 bn yen (YoY +30.2%)
	Operating profit	9.1 bn yen (YoY -4.5%)
	Ordinary profit	8.3 bn yen (YoY -13.5%)
	Net income	6.0 bn yen (YoY +36.3%)

Key Points

● Q2 (3 months), strong performance in all segments and record-high operating profit (51 billion yen) achieved

● Decrease factors in the Industrial Chocolate business

-Blommer

: Although there was a special factor (impact of future valuation losses), it was solid as of the 1H

-Harald

: Operating profit decreased due to lower profitability because of the Brazilian real depreciation, etc.

● Net income increased

: Reversal of YoY extraordinary losses and transitional factors (sale of Sakai Plant land)

FY2019 full-year earnings forecast

Revised forecast		Key Points
Full-year	Revenue	430.0 bn yen
	Operating profit	25.5 bn yen
	Ordinary profit	24.0 bn yen
	Net income	17.0 bn yen
		<ul style="list-style-type: none"> ● Transitioned to uniform accounting periods Changed the accounting period of overseas group companies from December to March (Excluding Blommer / IFS *in Australia)
		<ul style="list-style-type: none"> - Strengthen group governance : Timely & appropriate decision-making and management resource allocation
		<ul style="list-style-type: none"> ● Revise performance forecast : Overseas group companies implemented 15 months : Downward revision to operating profit of 23.0 billion yen on a 12-month basis
		<ul style="list-style-type: none"> - Blommer: Decrease in 2H production volume - Harald: Declining profitability
		<ul style="list-style-type: none"> ● Response to matter concerning problem awareness : Both Blommer and Harald are making improvements

Sense of danger and management reform

Forecasting

Reinforcement of core competence

Focus on Industrial Chocolate business

● Blommer

- Utilize cocoa procurement function and sustainability program in the Fuji Group
- Efficient management and development technology / customer management technology through production technology / production management that we have built in the oil and fat industry can improve the execution of reforms

● Harald

- Under leadership of new president, the company is conducting a thorough review of problem points and creating a new medium-term plan

Back casting

Leading with Sustainable Foods

- Earn cash flow in the Industrial Chocolate business, and in the meantime, we are working on the pillars of the next earnings (Solution products by combining our oil and fats, emulsion fermentation, and protein technology)
- Contributing to SDGs by solving the social problems of the main raw materials palm, cacao, and soybean, creating a structure that can only be purchased from Fuji Oil

Back casting experiment & market creation



UPGRADE Plant based kitchen

Opened in September 2019 at Daimaru Shinsaibashi in Osaka



Meeting at US Blommer with on-site staff

FY2019 1H Earnings Results & FY2019 Forecast

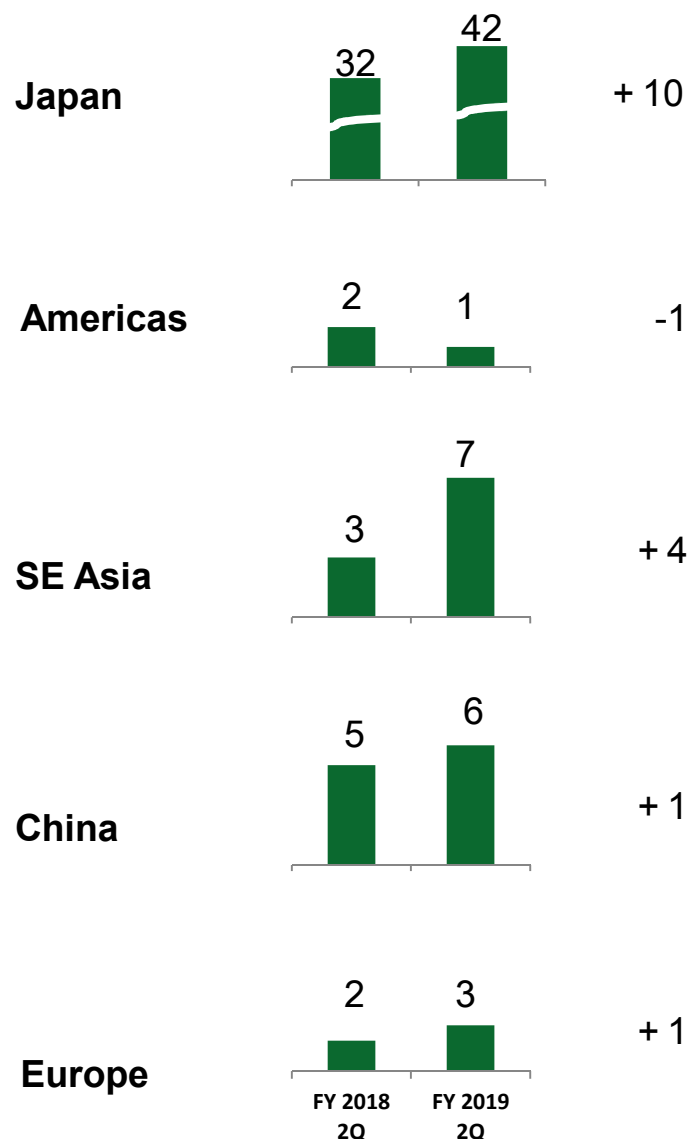
CFO Tomoki Matsumoto

In 2Q (3 months), profits increased in all segments, especially in Japan

(Unit : JPY 100 million)

	FY2018 Q2	FY2019 Q2	vs. Previous Year
Revenue	707	967	+259
Vegetable oils and fats	258	240	-18
Industrial chocolate	147	436	+ 289
Emulsified and fermented ingredients	210	201	-9
Soy-based ingredients	92	90	-2
Operating profit	37	51	+ 14
Vegetable oils and fats	19	25	+ 6
Industrial chocolate	12	14	+ 2
Emulsified and fermented ingredients	5	11	+ 6
Soy-based ingredients	8	11	+ 2
Group administrative expenses	-7	-10	-2
Operating margin (%)	5.2%	5.2%	+ 0.1%
Operating profit	38	48	+ 10
Net income attributable to owners of parent	9	28	+ 19

Japan led in operating profit by area in Q2



(Reference) Quarterly trend

(Unit : JPY 100 million)

	FY2018			FY2019			YoY change		
	1Q	2Q	1H	1Q	2Q	1H	1Q	2Q	1H
Revenue	764	707	1,471	949	967	1,916	+185	+259	+444
Vegetable oils and fats	271	258	529	246	240	486	-25	-18	-43
Industrial chocolate	195	147	342	408	436	844	+213	+289	+502
Emulsified and fermented ingredients	210	210	420	206	201	407	-3	-9	-13
Soy-based ingredients	89	92	181	89	90	179	-0	-2	-2
Operating profit	58	37	95	40	51	91	-18	-14	-4
							-31.7%	+38.7%	-4.5%
Vegetable oils and fats	16	19	35	19	25	44	+3	+6	+10
Industrial chocolate	32	12	44	10	14	24	-22	+2	-20
Emulsified and fermented ingredients	10	5	15	9	11	19	-1	+6	+5
Soy-based ingredients	9	8	17	10	11	21	+1	+2	+4
Group administrative expenses	-8	-7	-16	-8	-10	-18	-0	-2	-2
Operating margin (%)	7.6%	5.2%	6.4%	4.2%	5.2%	4.7%	-3.4pt	+0.1pt	-1.7pt
Operating profit	57	38	95	35	48	83	-23	+10	-13
Net income attributable to owners of parent	35	9	44	32	28	60	-3	+19	+16

1H results summary

Impact of cacao futures valuation losses were significant, resulting in profits below previous year's performance

(Unit : JPY 100 million)

	FY2018 1H	FY2019 1H	vs. Previous Year
Revenue	1,471	1,916	+444
Vegetable oils and fats	529	486	-43
Industrial chocolate	342	844	+502
Emulsified and fermented ingredients	420	407	-13
Soy-based ingredients	181	179	-2
Operating profit	95	91	-4
Vegetable oils and fats	35	44	+10
Industrial chocolate	44	24	-20
Emulsified and fermented ingredients	15	19	+5
Soy-based ingredients	17	21	+4
Group administrative expenses	-16	-18	-2
Operating margin (%)	6.4%	4.7%	-1.7pt
Operating profit	95	83	-13
Net income attributable to owners of parent	44	60	+16
EBITDA	147	171	+24
ROE	5.6%	7.6%	+2.1pt
CCC	104 days	116 days	+12 days

Key Points of FY2019 1H Results

Volume : Existing businesses - 2%
Blommer + 2%

Revenue :
Sales of existing businesses excluding Blommer -4%
-Decrease in raw material prices such as palm
- Reduction of contracted quantity for Emulsified and Fermented Ingredient
- Strategic execution offending sales of unprofitable products

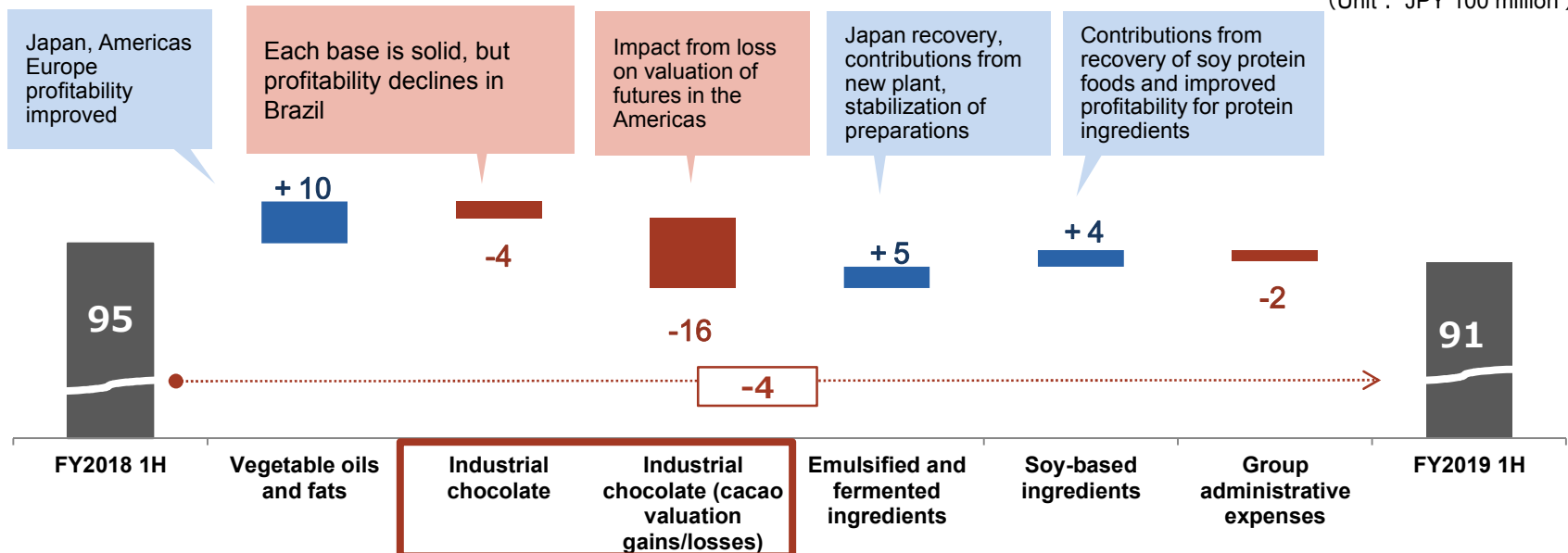
Operating profit :
Existing business
- Eliminate special factors (natural disasters, factory troubles, dairy market prices, etc.)
-Stable raw material price transition
-Quantitative recovery of CBE / chocolate that was weak in 1Q in 2Q
Blommer
-Orders were strong and high value-added products also grew, but there was an impact on futures valuation gains and losses .

Net income :
-1H of the previous fiscal year
: Jilin plant impairment / disaster loss
-1H of the fiscal year
: Recorded gain on sale of land at former Sakai Plant

- Increased on the new consolidation of Blommer
(Existing business: 105 days)

Operating profit analysis (1H/FY2019)

(Unit : JPY 100 million)



Operating profit Top row: 1H/FY2019 Bottom row: 1H/FY2018	Japan	Americas	Southeast Asia	China	Europe	Consolidated adjustment / group administrative expenses	Consolidated total
Vegetable oils and fats	20 17	12 9	6 5	1 2	6 2	0 1	44 34
Industrial chocolate	29 28	Includes impact of cacao valuation -16 -13 10	5 4	1 0	2 1	0 -0	24 44
Emulsified and fermented ingredients	10 6	- -	3 -0	5 5	- -	0 4	19 15
Soy-based ingredients	19 15	- -	- -	2 1	-0 -	0 1	21 17
Consolidated adjustment / group administrative expenses	1 1	0 0	-0 0	0 -0	- -	-19 -16	-18 -16
Consolidated total	80 67	-1 19	13 9	10 9	8 3	-18 -12	91 95

Revised accounting period of overseas group companies and revised 12- month forecast

(Unit : JPY 100 million)

	FY2018 Results (12 months)	FY2019 Initial forecast (12 months)	FY2019 Revised forecast (12 months) *	FY2019 Overseas group company 3 months *	FY2019 Revised forecast (15 months for overseas subsidiaries)
Revenue	3,008	4,300	3,985	315	4,300
Vegetable oils and fats	1,097	1,139	983	156	1,139
Industrial chocolate	686	1,874	1,783	91	1,874
Emulsified and fermented ingredients	865	915	854	61	915
Soy-based ingredients	361	372	365	7	372
Operating profit	185	240	230	25	255
Vegetable oils and fats	81	91	90	10	100
Industrial chocolate	74	103	95	9	103
Emulsified and fermented ingredients	33	4.3	45	4	50
Soy-based ingredients	33	41	40	1	41
Group administrative expenses	-37	-38	-39	-	-39
Operating margin (%)	6.2%	5.6%	5.8%	-	5.9%
Operating profit	182	220	217	23	240
Net income attributable to owners of parent	116	152	152	18	170
EBITDA	300	392	-	-	-
ROE	7.3%	9.4%	-	-	10.7%
CCC	105 days*	105 days	-	-	106 days

*Excluding impact of Blommer

Key Points

Revenue :

- The effect of 3 months is 31.5 billion yen
- Although the price of raw materials such as palm fell, and the contracted quantity of emulsified and fermented materials decreased, the overseas subsidiaries changed their fiscal year end * to achieve the same level as the initial plan.

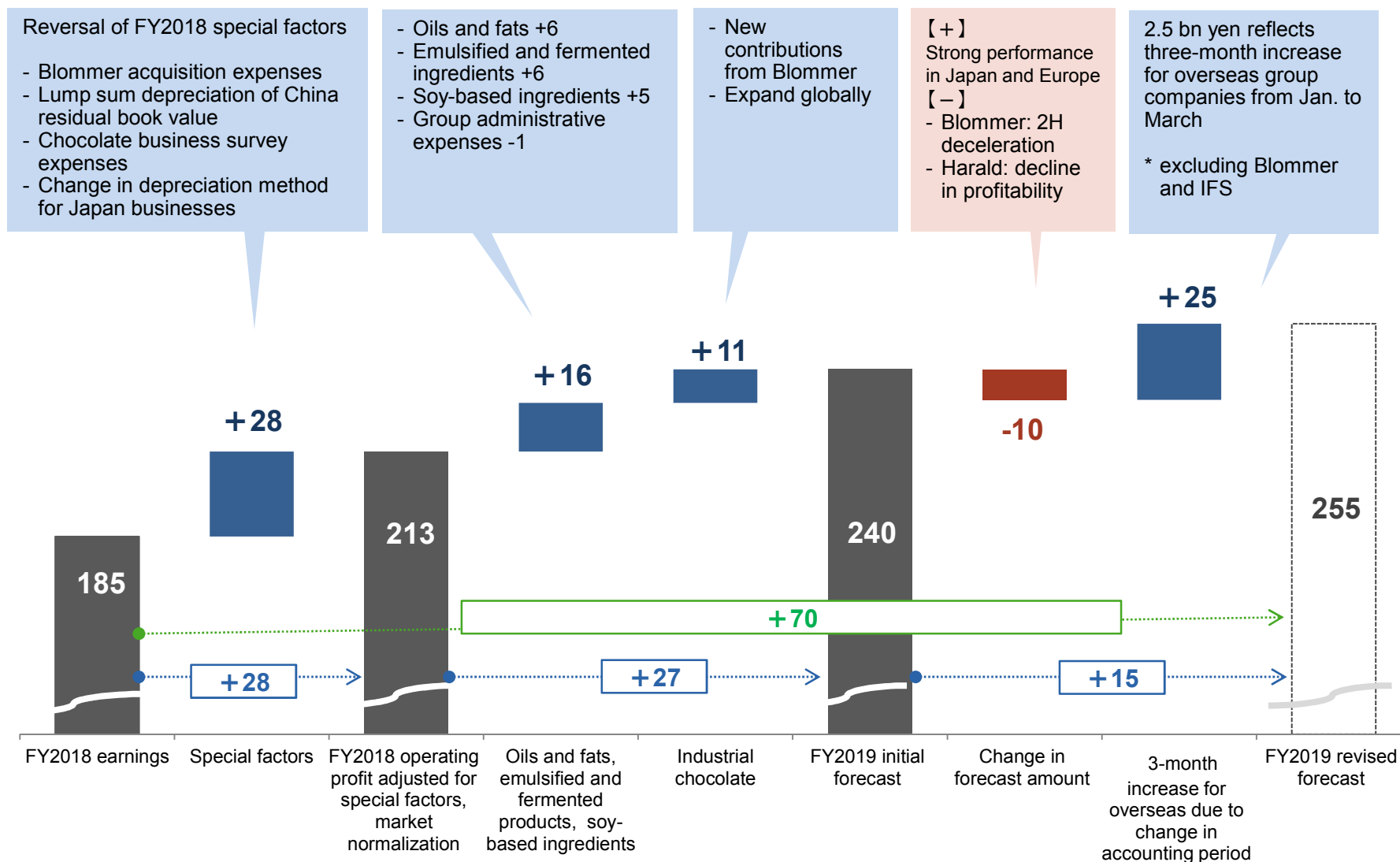
Operating profit :

- The impact of 3 months is 2.5 billion yen
- The 12-month plan is planned to be 23.0 billion yen, mainly because the Industrial Chocolate business is down from the initial plan by Blommer (-0.7 billion yen) and Harald (-0.5billion yen)

FY2019 Revised forecast Operating income analysis

Revised accounting period of overseas group companies and revised 12- month forecast

(Unit : JPY 100 million)



(Reference) FY2019 revised forecast Revenue

(Unit : JPY 100 million)

	FY	Japan		Americas		Southeast Asia		China		Europe		Consolidated Total	
			VS. Previous Year		VS. Previous Year		VS. Previous Year		VS. Previous Year		VS. Previous Year		VS. Previous Year
Vegetable Oils and Fats	2019 Rev(15 months)	35,400	-1,382	34,200	5,417	21,200	3,406	3,300	407	19,800	-3,622	113,900	4,225
	2019 former	36,900	118	29,700	918	20,400	2,607	3,400	507	23,500	78	113,900	4,225
	2018	36,782		28,782		17,793		2,893		23,422		109,675	
Industrial Chocolate	2019 Rev(15 months)	38,800	240	127,600	110,353	13,000	3,138	3,300	404	4,700	4,700	187,400	118,834
	2019 former	39,400	840	133,400	116,153	11,600	1,738	3,000	104			187,400	118,834
	2018	38,560		17,247		9,862		2,896				68,566	
Emulsified and Fermented Ingredients	2019 Rev(15 months)	62,500	13			14,100	2,734	14,900	2,261			91,500	5,008
	2019 former	64,000	1,513			13,400	2,034	14,100	1,461			91,500	5,008
	2018	62,487				11,366		12,639				86,492	
Soy-based Ingredients	2019 Rev(15 months)	33,900	771					3,300	319			37,200	1,090
	2019 former	34,500	1,371					2,700	-281			37,200	1,090
	2018	33,129						2,981				36,110	
Revenue total	2019 Rev(15 months)	170,600	-359	161,800	115,770	48,300	9,278	24,800	3,390	24,500	1,078	430,000	129,156
	2019 former	174,800	3,841	163,100	117,070	45,400	6,378	23,200	1,790	23,500	78	430,000	129,156
	2018	170,959		46,030		39,022		21,410		23,422		300,844	

(Note) The above revenue are revenue to outside customers (revenue after eliminating inside sales).

*Revised forecasts for FY2019 reflect the change in the accounting period (12 months > 15 months) for overseas businesses (excluding Blommer and IFS). YoY comparison is a comparison with previous fiscal year figures (12 months).

(Reference) FY2019 revised forecast Operating Profit

(Unit : JPY 100 million)

	FY	Japan		Americas		Southeast Asia		China		Europe		Consolidated adjustment		Group administrative expenses		Consolidated Total	
			VS. Previous Year		VS. Previous Year		VS. Previous Year		VS. Previous Year		VS. Previous Year		VS. Previous Year		VS. Previous Year		VS. Previous Year
Vegetable Oils and Fats	2019 Rev(15 months)	4,065	81	2,676	923	1,578	649	149	-157	1,574	409	-40	-49			10,004	1,854
	2019 former	3,662	-322	2,210	457	1,498	569	419	113	1,294	129	1	-8			9,084	936
	2018	3,984		1,753		929		306		1,165		9				8,148	
Industrial Chocolate	2019 Rev(15 months)	6,897	451	1,345	-15	1,305	344	247	275	497	497	39	1,345			10,330	2,898
	2019 former	6,687	241	2,351	991	1,141	180	74	102			43	1,349			10,296	2,864
	2018	6,446		1,360		961		-28				-1,306				7,432	
Emulsified and Fermented Ingredients	2019 Rev(15 months)	2,770	940			822	624	1,404	413			-45	-345			4,952	1,632
	2019 former	2,363	533			868	670	1,117	126			-49	-349			4,300	980
	2018	1,830				198		991				300				3,320	
Soy-based Ingredients	2019 Rev(15 months)	3,316	668					683	99			131	75			4,130	841
	2019 former	3,433	785					559	-25			138	82			4,130	841
	2018	2,648						584				56				3,289	
Consolidated adjustment	2019 Rev(15 months)	164	1,352	-86	-77	3	48	37	37	20	20	-138	-1,381				
	2019 former	232	1,420	0	9	15	60	-29	-29			-218	-1,461				
	2018	-1,188		-9		-45						1,243					
Group administrative expenses	2019 Rev(15 months)													-3,916	-251	-3,916	-251
	2019 former													-3,809	-144	-3,809	-144
	2018													-3,665		-3,665	
Operating profit total	2019 Rev(15 months)	17,212	3,490	3,935	832	3,709	1,665	2,522	669	2,091	926	-53	-354	-3,916	-251	25,500	6,975
	2019 former	16,377	2,655	4,561	1,458	3,523	1,479	2,140	287	1,294	129	-85	-386	-3,809	-144	24,000	5,475
	2018	13,722		3,103		2,044		1,853		1,165		301		-3,665		18,525	

*Revised forecasts for FY2019 reflect the change in the accounting period (12 months > 15 months) for overseas businesses (excluding Blommer and IFS). YoY comparison is a comparison with previous fiscal year figures (12 months).

(Unit : JPY 100 million)

	FY2018		FY2019		
	1H	Full-year	1H	Initial Forecast	Revised Forecast
EBITDA	147	300	171	392	-
ROE	5.6%	7.3%	7.6%	9.4%	10.7%
ROA	7.1%	5.5%	4.4%	5.7%	6.2%
Operating CF	120	226	142	320	-
Investment CF	-115	-791	-100	-219	-
FCF	5	-565	42	101	-
Capital expenditures	81	159	63	220	-
Depreciation and amortization	50	110	60	107	-
Interest-bearing debt	645	1,605	1,555	1,535	1,555
Net interest-bearing debt	509	1,392	1,380	1,366	1,355
Net operating capital	567	171	730	745	-
D/E ratio	0.42	1.03	0.99	0.91	0.97
Net D/E ratio	0.33	0.87	0.84	0.80	0.79

(Reference) Major capital expenditures - Progress



New colored chocolate line in Kanto Plant

**Japan
Colored chocolate
Production
expansion**- FY2019
Planned for launch
in 2H

New plant construction scene inside Chiba Plant

**Japan
Soy protein
materials
New plant**- FY2020
Planned for launch
in 2H

New Orleans construction site

**Americas
Oils and Fats
New plant**- FY2020
Planned for launch
in 2H

Germany new plant completion drawing (concept)

**Europe
Polysaccharide
business
Production sites**- FY2021
Planned for launch
in 1H

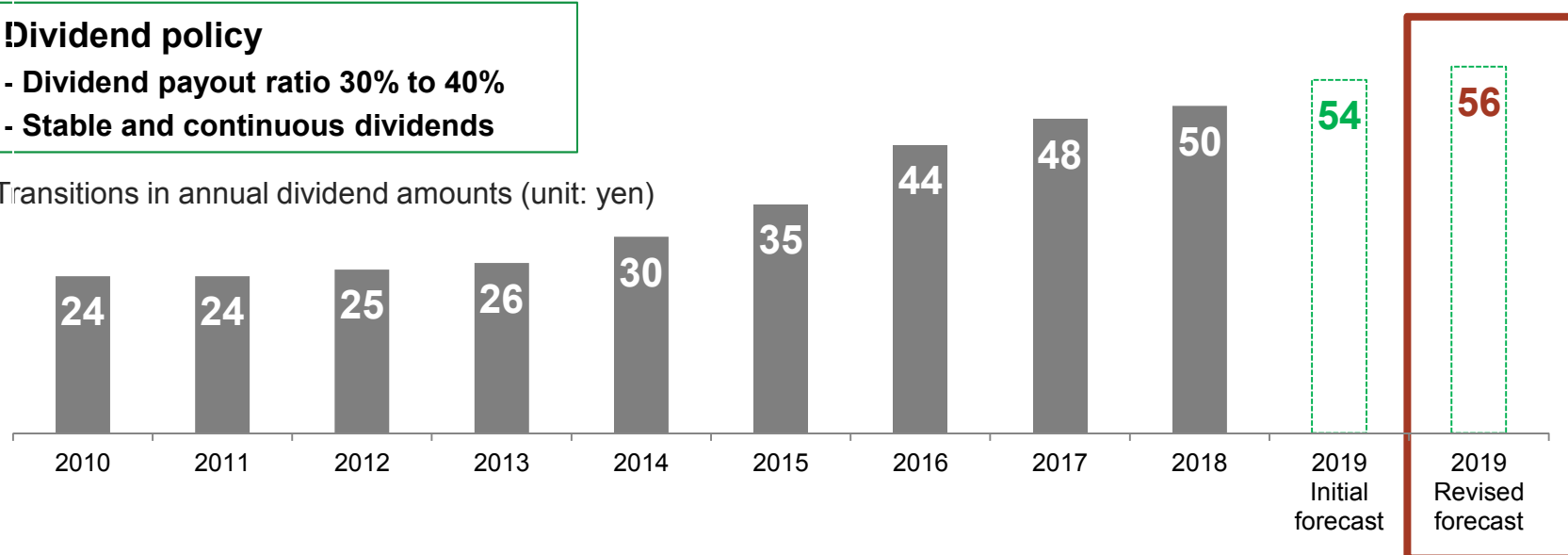
Partial return of profits on a 15- month basis due to a change in the accounting period

- Although the revised forecast on a 12-month basis has declined, net income remains at the initial plan, and a partial reduction of the 15-month income has been implemented
- In the next term, the annual plan will be examined and decided

Dividend policy

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

Transitions in annual dividend amounts (unit: yen)



FY	1H	2H	Annual total	Dividend payout ratio
FY2018 results	25 yen	25 yen	50 yen	37.1%
FY2019 initial dividend forecast	27 yen	27 yen	54 yen	30.5%
FY2019 revised dividend forecast	27 yen	29 yen	56 yen	28.3%

(Reference) Segment specific summary

Maintain high profitability and expand profits

Key points of 1H/FY2019

<North America> Sales favorable, operating rates recovered and profitability increased

- Sales of hard butters for chocolate favorable
Operating rates recovered from impact of cold weather last fiscal year

Operating
margin
8.3 (%)

<Europe> IOF* new consolidation and profitability improved for hard butters for chocolate

- Profitability improved thanks to IOF stable operations and improved shea supply chain

* IOF: International Oils & Fats Ltd: Shea raw materials processing and Group supply plant

<Southeast Asia> Full start of UNIFUJI certified oil sales

Key points of FY2019 2H & full-year

<North America> Remain firm despite impact of hurricane

- Temporary stop in production due to hurricane (September) but limited impact to maintain firm sales of Low trans fatty acid oil

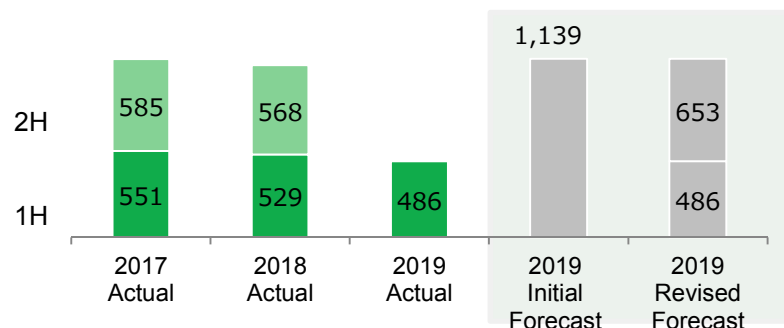
<Europe> Maintain and improve profitability

- Sales are expected to decline due to low raw materials, but profitability of Hard butters for chocolate will be maintained, and profitability will be maintained and improved.

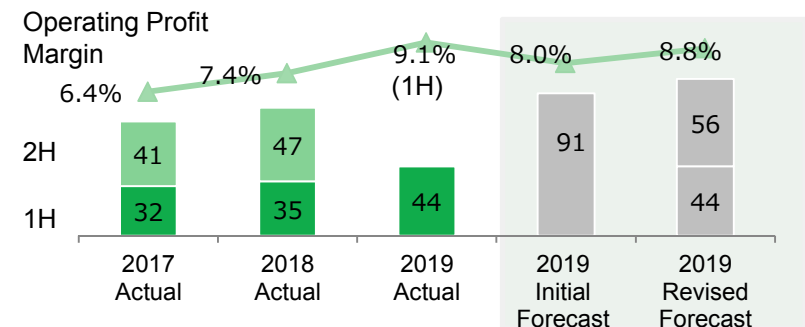
<Japan> Continued steady toward the end of the fiscal year

- Secured profits thanks to continued focus on profitability
- Sales of hard butters for chocolate are expected to remain firm

Revenue (100 million yen)



Operating profit (100 million yen) · margin



Continue to expand sales and continue to grow

Key points of 1H/FY2019

<North America> **Advanced Blommer management reform, strategic product sales favorable**
Earnings impacted by reversal of cacao futures valuation

<Brazil> **Decrease in profitability due to a severe business environment such as the Brazilian real depreciation**

- Sales volume decreased in 1Q during peak demand period
Sales volume recovered in 2Q, but sales volume in 1H fell below the previous year

Sales volume
vs. Previous
Year
96%

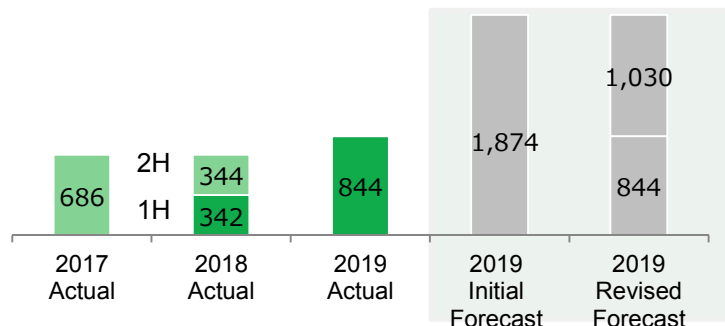
- Profitability declined due to the Brazilian real depreciation, etc.

<Japan> **Chocolate for ice cream sales down due to cool summer**

- Shipments of chocolate for ice cream decreased on product price hike at end of March 2019 and impact of cool summer.
- Firm sales of commercial confectionaries

Sales volume
vs. Previous
Year
98%

Revenue (100 million yen)



Key points of FY2019 2H & full-year

P25~ Reference

<North America>

Forecasting unexpected downturn due to bottleneck
Futures valuation gain / loss expected to be significantly reduced

< Brazil> **Ensuring quantity through aggressive sales promotion measures**

- The business environment continues to be harsh, such as high raw materials due to lower real prices, sluggish business confidence, price competition with competitors, and rising fixed costs due to inflation
- Strive to secure sales volume during demand periods through sales promotion measures such as incentive policies and various campaigns
- Working with new president to draft long-term strategy

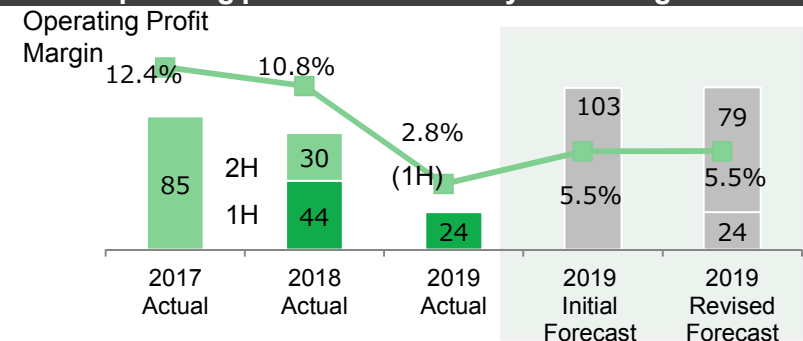


New President Sergio Tango

<Japan> **Secured profits particularly from high value-added products**

- Expanded facilities for colored chocolate, started operations in late 2H
- Establishing sales marketing structure to aggressively promote sales

Operating profit (100 million yen) · margin



Promote differentiation strategy

Key points of 1H/FY2019

<Japan> Business reforms advancing

- Sales for convenience store desserts favorable. Also improving product mix and improving profitability
- Product consolidation to rebuild product portfolio advancing favorably

YoY operating profit
105%

SKU Completed
approx. **15%**
reduction

<China> Sales partnership with new plant smooth, securing profits

- Created supply & sales partnership structure amid changing market environment

<Southeast Asia> Improve profitability for preparations business

- Improve profitability by increasing dairy product prices
- Asia market sales growing

Key points of FY2019 2H & full-year

<Japan> Product differentiation to respond to market changes

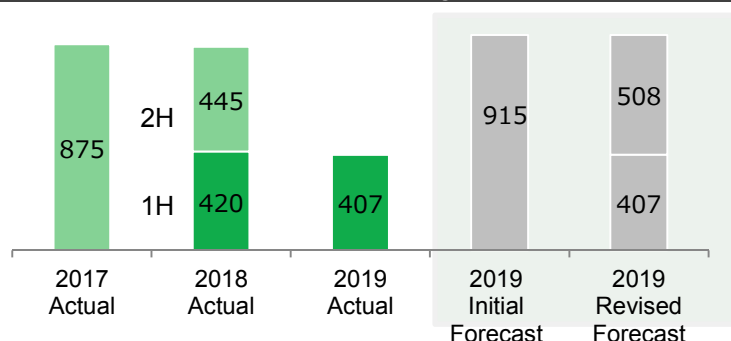
- Continue firm sales
- Continue with product consolidation
- Promote products that respond to market changes, including diversifying taste preferences, health-consciousness, and preferences for plant-based products



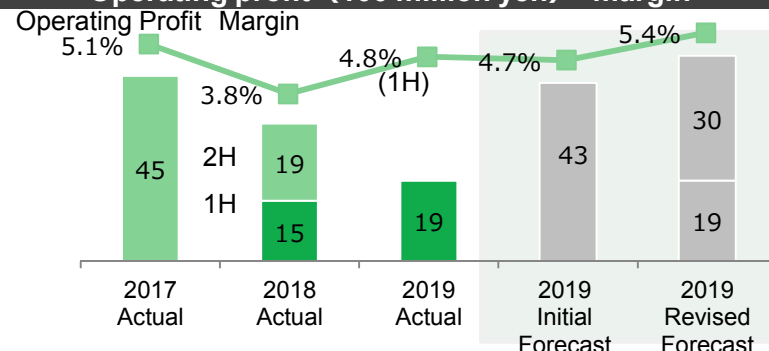
<China> Policies for improving proposal capabilities

- Expand sales channels and promote sales of new products
- No. 2 plant Phase 2 construction (cream) determined promote differentiation through established full lineup system
FY2021 2H - Operations started

Revenue (100 million yen)



Operating profit (100 million yen) · margin



Key points of 1H/FY2019

<Japan> Business progress in soy protein ingredients and soy protein foods is firm

- Strong demand for soy protein materials remains firm and sales continue to be strong
Increase added value of products and improve profitability
- Soy protein foods continued to increase year on year
- Functional agents decreased from the same period of the previous year due to a cold summer and sales timing shifts

<China> Solid sales of soy protein foods

- Sales of functional agents declined, but we were able to cover this with the growth of soy protein foods

<Europe> Announcement of the establishment of a polysaccharide base in Germany

Key points of FY2019 2H & full-year

<Japan> Focus on expanding sales of strategic products

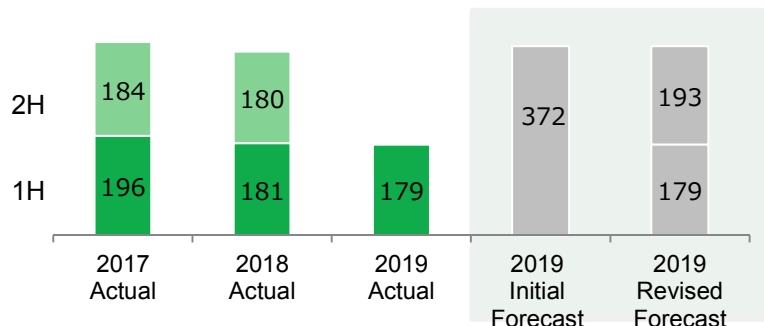
- Continuous sales of soy protein ingredient
- Demand for water-soluble soy polysaccharides is firm
Expected to improve with stable shipments
- Accelerate the development of differentiated products by combining technologies

<China> Promote sales of functional agents in China

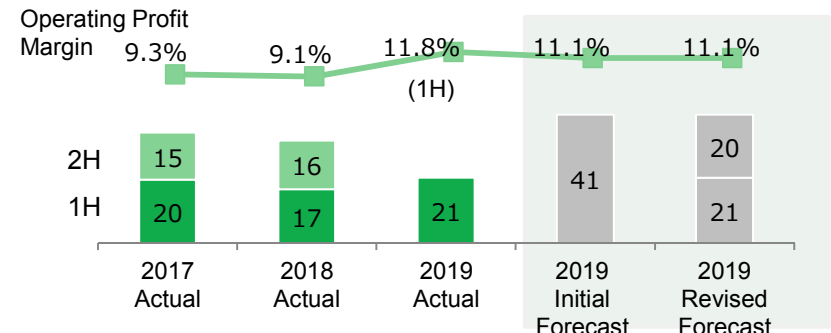
- FY2018 capital investment will establish a functional agent production system for China and promote sales expansion

<Europe> Construction of a polysaccharide base in Germany

Revenue (100 million yen)



Operating profit (100 million yen) · margin





Blommer chocolate production site

Blommer Progress and Issues

Blommer Chocolate Company Chairman
Mikio Sakai

Growth for strategic products in 1H but forecasting decrease in 2H due to bottleneck

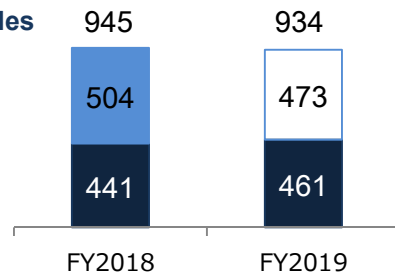
1H/FY2019 Results/Forecast

Volume
(YoY%)

1H
Sales volume **102%**

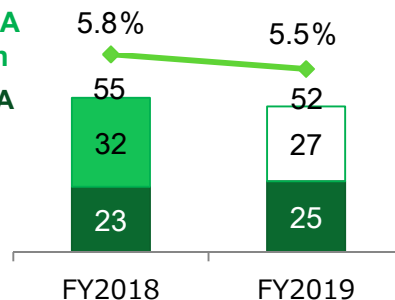
Full-year
Sales volume
forecast **98%**

Net Sales
(USD mil)



EBITDA
margin

EBITDA
(USD mil)



ccc
End of FY18 **137** days
FY2019 1H **149** days

[1H]

- Favorable orders received
- Sales volume, revenue, and EBITDA all outperformed previous year
- Sales of value-added products particularly favorable, profitability improved

[2H]

- Maintain favorable orders received
- Unexpected slowdown in sales due to supply-side bottleneck
Sales volume forecast to underperform previous year

[Full-year]

- Due to impact of 2H sales slowdown, sales volume, revenue, and EBITADA forecast to underperform previous fiscal year

- Improve by the Itochu purchasing scheme

Measures / Ongoing issues

■ Implemented policies

- (1) Change operating structure at China plant
- (2) Complete creating of purchasing scheme with Itochu
- (3) Start adoption of productivity improvement program

■ Ongoing issues

- (1) Mainstay product growth
- (2) Improve profitability
 - Improve quality
 - Secure human resources
 - Resolve production bottlenecks
- (3) Sustainable / sales

Responding smoothly to respond to issues, advanced management reforms

Implemented policies

(1) Change operating structure at China plant

<Existing issues>

- Blommer China business struggling to expand sales
- Fuji China business at full production for chocolate

(2) Create purchasing scheme with Itochu

<Existing issues>

- Impact on earnings from futures valuation losses
- 1H/FY2019 impacted by futures valuation losses, consolidated operating income also down
- Massive capital required to retain inventory

(3) Adopt productivity improvement program

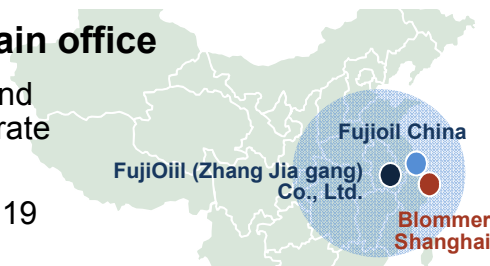
<Existing issues>

- Problems with production efficiency at each plant

Measures

- Directly link to Group main office

- Start optimization of sales and production in China to generate synergy
- OEM started in the 2H of 2019



- November 2019 - Launch operation of new scheme

This fiscal year, avoid impact of futures valuation gains/losses to enable stable operations

- Futures and inventory retained by Itochu, Blommer operating capital forecast to be restrained to approx. 10.0 billion yen



- Incorporate IoT, start operation

Of the 4 plants in the Americas, confirmed management system integration and impact of productivity improvements at 2 plants

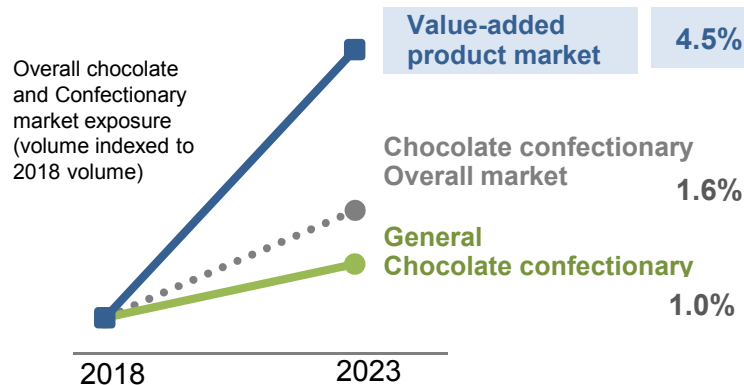


(1) Positioning mainstay products as growth drivers

Diversification of chocolate market in the Americas continuing

- Value-added product market growth
- Supplies tight for all companies

5 years
CAGR



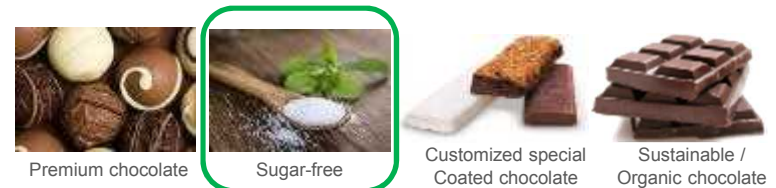
- In the Americas, chocolate = health food
- Sugar-free chocolate market growing



Sugar free chocolate product example

Implemented policies

- Focus on Blommer value-added products
- Particularly rapid growth for sales of sugar-free chocolate



- Increase profitability of value-added products and position as driver of sales volume growth

(1) Utilize powerful sales force

- Sales received favorable
- Strength is in sales force
- Adopt IT system to promote optimization of sales division



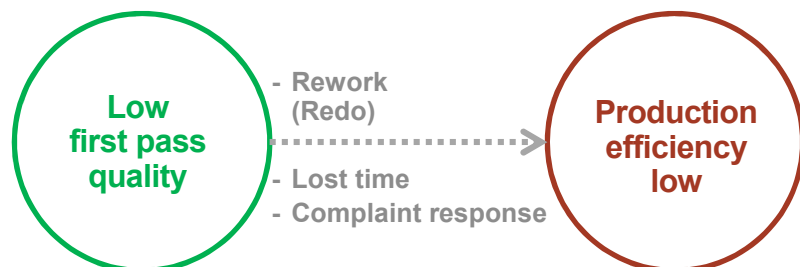
(2) Expand production capacity

- Decision made for capital expenditures to double production capacity for sugar free products (Planned for launch around FY2020)

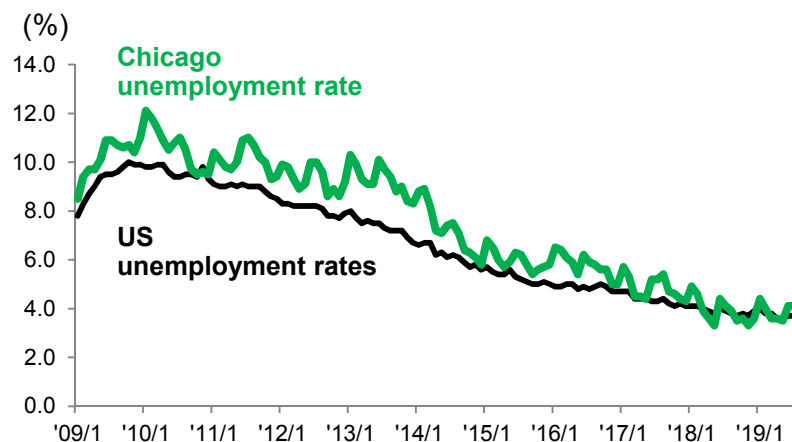
(2) Rapidly improve productivity to achieve topline growth

Topline growth, production improvement bottleneck

- One cause is decline in production efficiency is the low standard for first pass quality



- Historically low unemployment rate in the USA
Human resource movement increasing in urban areas



Implemented policies

(1) Begin adopting Programs for productivity improvements in all plants to achieve rapid improvements

- Workplace education, improvement activities
- PDCA based on KPI goals for each line

(2) First Pass Quality improvement project

- Dispatched Fuji Oil Group specialists to three plants to begin detailed improvement plans



Confirmed and pointed out improvements on site by dispatched specialists

(3) Human resource initiatives

- Improve benefits, expand HR hiring division
Continue dynamic personnel hiring

(4) Adopt production automation to reduce labor

(3) Establishing sustainable global supply for chocolate products

Global food manufacturers anticipating the fusion of the Fuji Oil Group and Blommer

- Highly praised for securing sustainable palm oil and promoting initiatives for cacao sustainability
- Mutual use of Group relationships with customers, plant layout, capacity

FUJI OIL



Blommer
— CHOCOLATE COMPANY —



World Cocoa
Foundation



Blommer
— CHOCOLATE COMPANY —
SUSTAINABLE-ORIGINS

Cocoa
Action

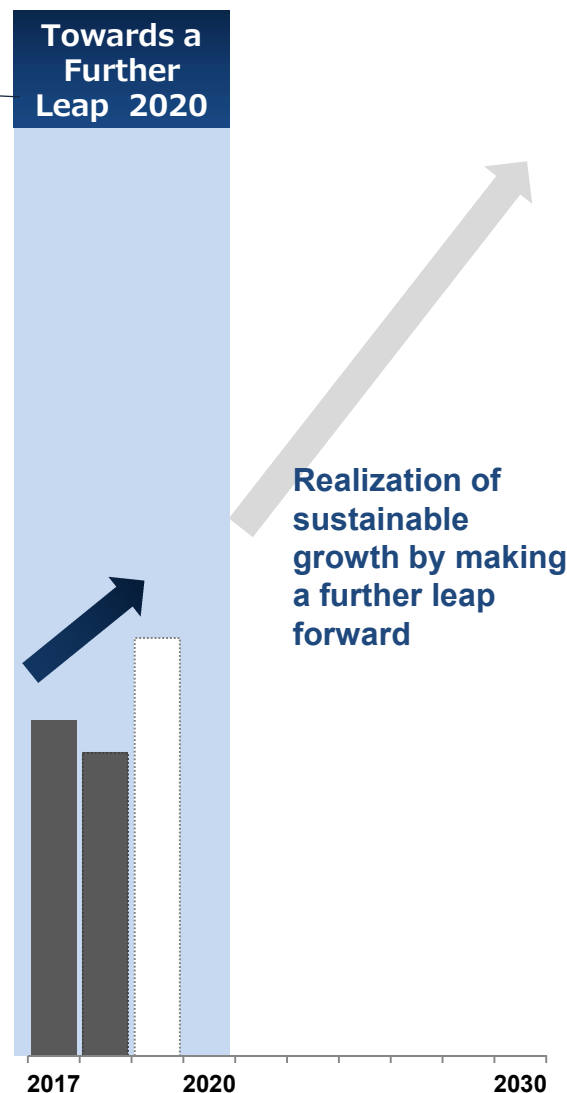
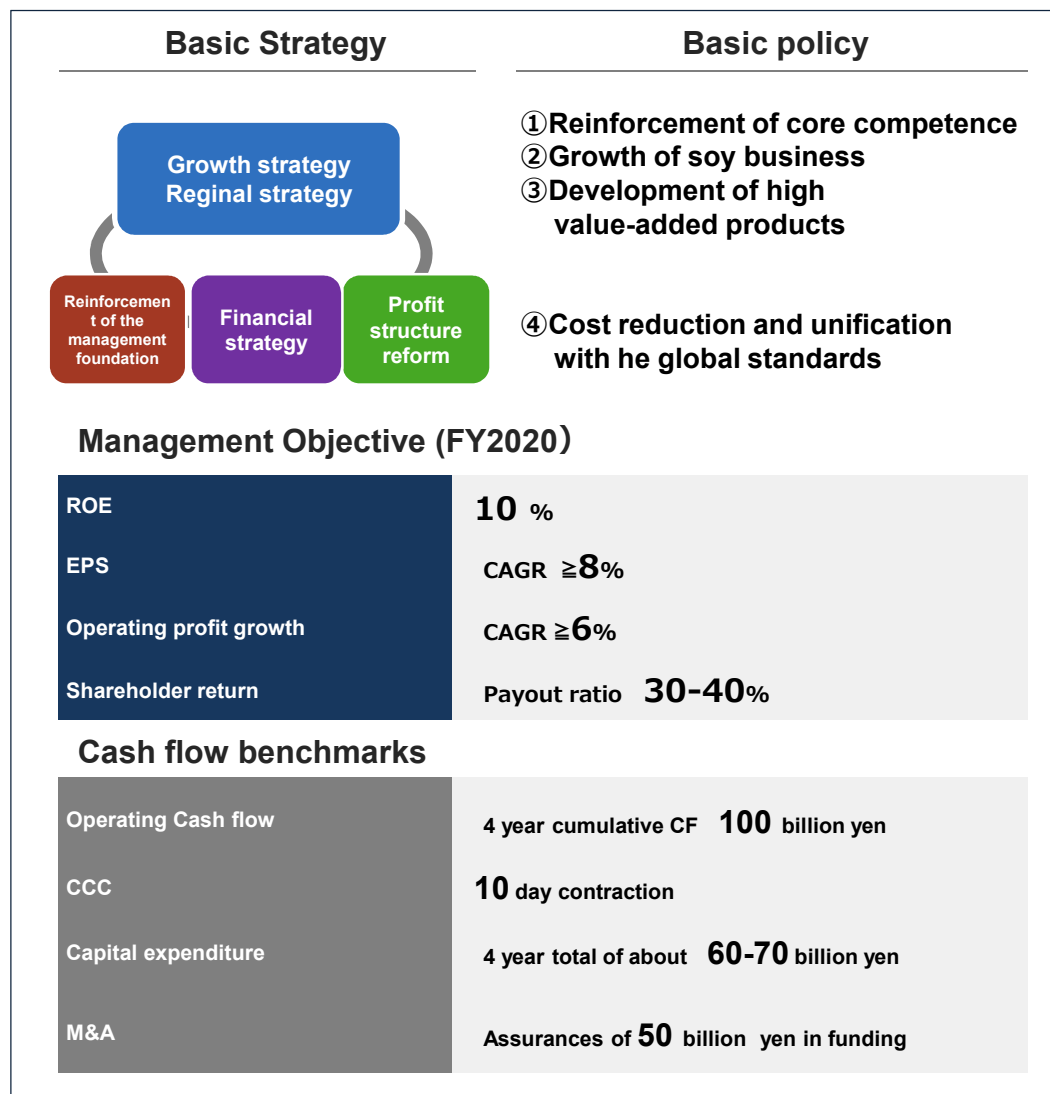


Livelihood
Infrastructure
Food
Technology

Appendix

Towards a Further Leap 2020 (2017-2020)

Building a foundation for future growth



Basic policy

Reinforcement of core competence

Steadily expanding markets and products in which we are strong

Item	Area	FY2019 Policies	FY2019 1H Progresses
Growth of Oils and Fats business	US	-Continue construction of new plant	-In August , ground preparation and pile driving started Scheduled to start operations in the 2H of FY2020
	SE Asia	-Promote sales growth for sustainable palm led by UNIFUJI	-Started full-scale sales of sustainable palm to food manufacturers around the world
Growth of chocolate business	Japan	-Continue expanding sales of high value added products and increase colored chocolate	-Continued expanding sales of high value-added products -The production facility for color chocolate production will start operation in the 2H
	US	-Blommer PMI start P/L consolidation	-Changed operating structure in China -Completed purchasing scheme construction with ITOCHU -Introduced productivity improvement program
	Brazil	-Reform structure to create business model for high value added sales	-Stabilized production operations -Started formulation of long-term strategy
	SE Asia	-Broad area sales utilizing regional site network	-Implemented integration with new consolidated companies
	China	-Consolidate with Blommer China plant -Next growth strategy for confectionery and bakery ingredients market	-Proceeded with rationalization with the China base of Blommer
	Europe	-Focus on maximizing use of existing facilities and on high value added products	-Continued sales steadily and built up production system
	M&A etc.	-Continue growth investments that outperform capital costs	-Continued investment for growth exceeding capital cost
Expand sales in Asia	SE Asia	-Conduct sales promote activities in line with strategies for markets in each country	-Expanded into the Asian confectionery and bakery market -Continued to develop new markets
	China	-Evaluate creating sales promotion structure to support the next growth strategy for confectionery and bakery ingredients markets	-Started actions for new products and investments

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	FY2019 Policies	FY2019 1H Progresses
Structural reforms Final stage	-Promote business portfolio change -Continue Japan market development -Promote profit-focused sales	-Japan's business portfolio shifted to high value-added type and UPGRADE Plant based kitchen opened as a market creation base in Japan
Expansion to plant protein market	-Evaluate building plant-based cheese sales structure in the Americas	-Developed differentiated products by combining technologies -In the Americas, efforts made to commercialize vegetable cheese for pizza cheese, which is in high demand

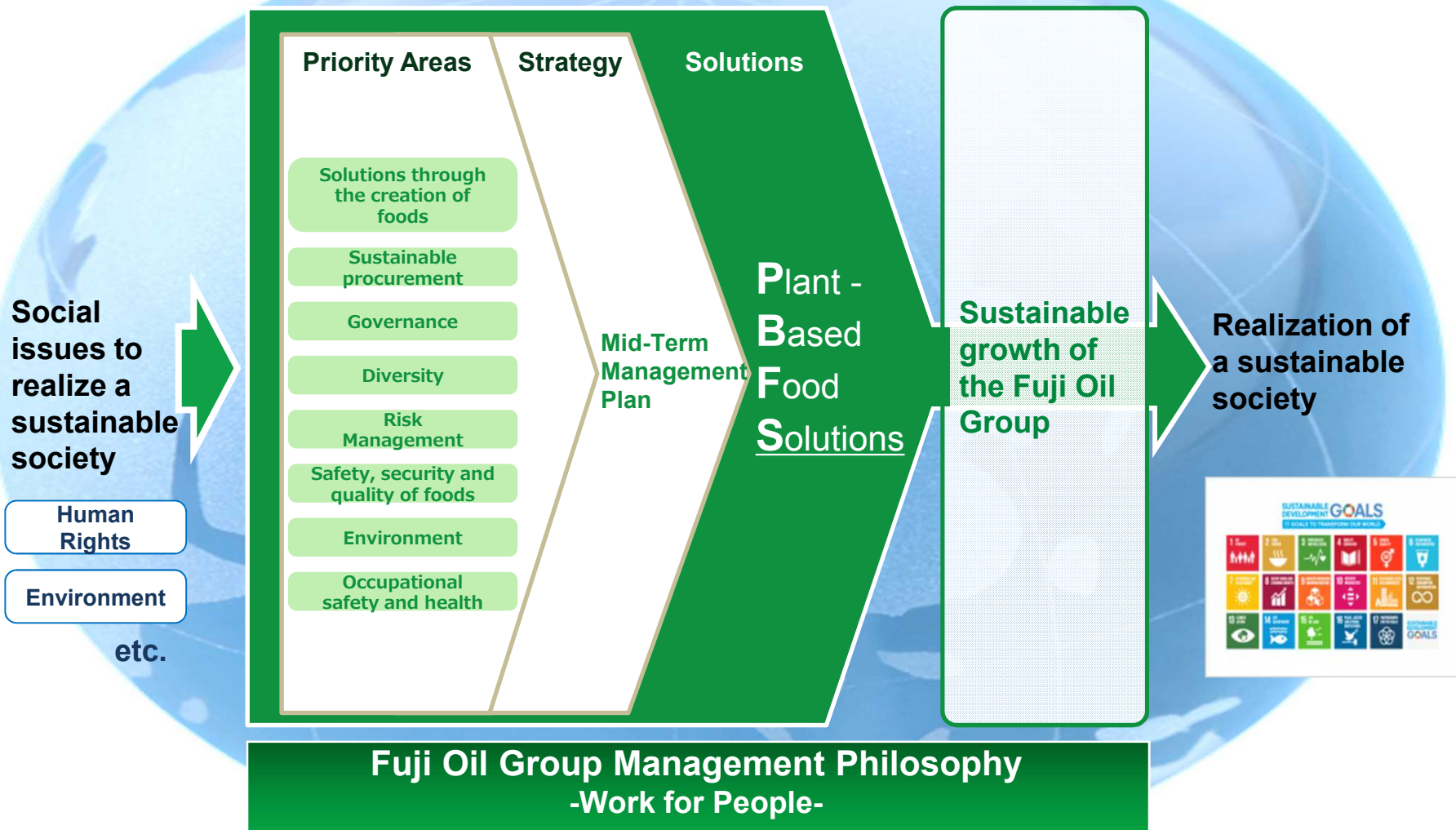
Basic policy

Development of high value-added products

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


































Item	FY2019 Policies	FY2019 1H Progresses
Stabilization DHA/EPA business development	-Begin activities towards full-scale sales from 2H	-Quality for overseas sales confirmed -Started introducing to major overseas companies -Decided to install equipment at Singapore base
Polysaccharide business	-Continue evaluating expanding area for polysaccharide business	-Started construction of polysaccharide business in Germany -Resumed sales of water-soluble soy polysaccharides for the Chinese market

Fuji Oil Group ESG Management



FY 2019 ESG Management Priority Themes

See the Sustainability Report (<https://www.fujioilholdings.com/en/csr/>) for progress on key themes in FY2018, and specific measures for key themes in FY2019. Please check the integrated report P25

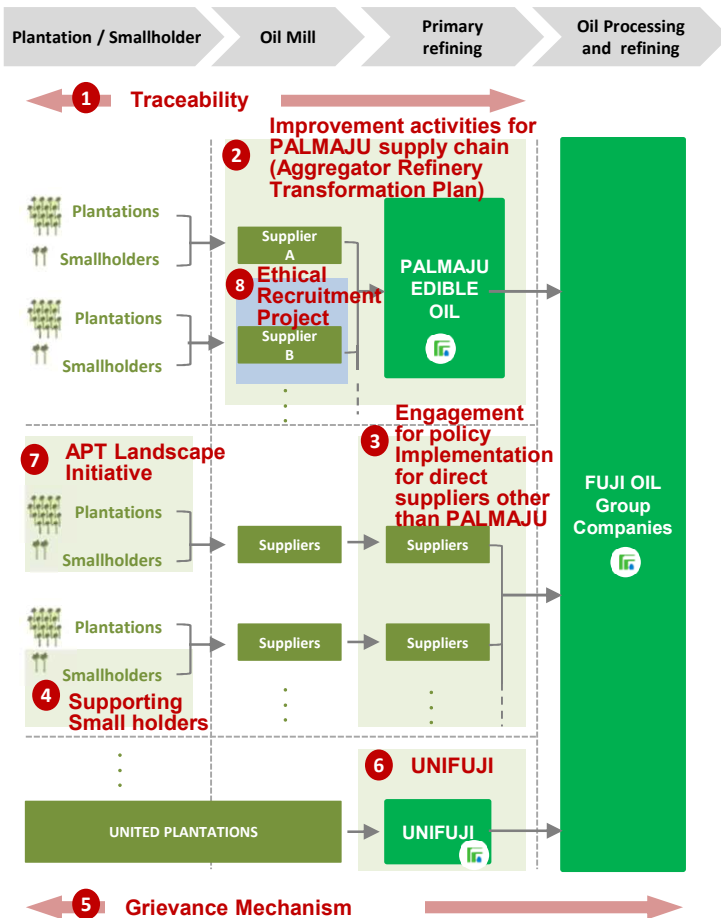
Category	Priority Area	FY 2019 ESG Management Priority Themes	Targets	SDGs of Particular Focus for Achievement	Responsible Chief Officer
Social issues we can help resolve through our products	Solutions through the creation of foods	Provide solutions for resolving food resource shortages	• Replace animal resources such as meat and milk with plant-based food ingredients in anticipation of future food resource shortages. Establish and disseminate plant-based substitutes and alternative technologies.		CTO
		Provide products that reduce environmental burden	• Establish processing technology that does not use chemical processing and solvent processing, which carry a significant environmental burden	 	
Social issues we can help resolve through our business processes	Safety, security and quality of foods	PICK UP Ensuring food safety and quality	<ul style="list-style-type: none"> • Establish basic approaches and information management system related to quality assurance • Enhance collaboration among quality assurance personnel • Ensure that all products Fuji Oil Group manufactures are never cause for complaints 		C"ESG"O
	Sustainable procurement	PICK UP Palm oil	Promote "No Deforestation, No Peatland Development, No Exploitation" (NDPE) development throughout the supply chain	   	CSO
		Cacao	• Promote Responsible Cacao Sourcing Policy	   	
		Soybeans (including GMO issues)	• Prevent soybean procurement from deforested areas	   	
	Environment	PICK UP Reduction of CO2 emissions	24% reduction in CO2 emissions by 2030 (compared with base year of 2016)	 	C"ESG"O
		Reduction of water usage	Environmental Vision 2030 20% reduction in water usage per unit of production by 2030 (compared with base year of 2016)	  	
		Reduction of waste	10% reduction in waste per unit of production by 2030 (compared with base year of 2016)	  	
	Diversity	Achievement of diversity	• Implement diversity management that empowers diverse human resources including women, non-Japanese, people with disabilities, and people who identify as LGBT to make the most of their abilities and participate in value creation	  	CAO
	Occupational safety and health	PICK UP Promotion of occupational safety and health	Place top priority on safety and respect for humanity. Keep all Group companies accident free by creating safe and comfortable workplaces	 	C"ESG"O
	Governance	Group governance	• Structure an effective group governance system		CSO
		Enhance corporate governance	• Ensure directors fulfill their responsibilities* appropriately to improve Fuji Oil Group's corporate value		CAO
	Risk Management	Information security management	• Implement effective information security governance that prevents the occurrence of situations that could damage corporate value due to fraud, scandals or cyberattacks		CFO
		Effective risk management	Promote risk management PDCA cycles at each Group company. Earn the trust of society by demonstrating high reliability and risk management capability.		C"ESG"O

Guidelines on Responsible Palm Oil Sourcing (March 2016)

Target

- Achieve no deforestation, no peatland development* and no exploitation in the Fuji Oil Group's palm oil supply chain
- 100% traceability to mills

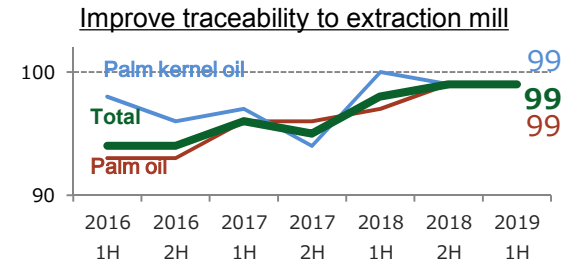
(Reference) Our activities by supply chain



FY2019 1H Progressing PICK UP

1 Traceability

Total 99%



2 Improvement activities for PALMAJU supply chain

Conducted supplier engagement workshop of Tools for Transformation Self-Assessment (Hereinafter referred to as T4T *)

FY2018

All Parma direct suppliers (seven oil mills) answer T4T

FY2019 1H

Conducted supplier engagement workshop

The purpose

- 2018 T4T result confirmation
- T4T sharing and exchange with suppliers
- Started T4T targeting new suppliers

5 Grievance Mechanism

Closed Case is 16 items / 28 cases (9 at end of period)

https://www.fujioilholdings.com/en/csr/grievance_mechanism/

Basic policy	Responsible Cacao Sourcing Policy (August 2018)	Key Commitments	1. Improving the livelihood of cacao farmers
			2. Eliminating child labor from our supply chain
			3. Preventing deforestation and protecting forest

(Reference)Cocoa & Forests Initiative (CFI)

Blommer collaborates with other industry leaders and key partners to help establish CFI



Signed by Côte d'Ivoire Ghana and the world's leading cocoa and chocolate companies in November 2017

33 companies that account for about 85% of the world's cacao consumption participate in the CFI

*Arysta Callivoire, Barry Callebaut, **Blommer Chocolate Company**, Cargill Cocoa and Chocolate, Cémoi, Chocolats Halba, Cocoonect, Cococo Chocolatiers, ECOM Group, Fazer, Ferrero, General Mills Inc., Godiva Chocolatier Inc., Guittard Chocolate Company, The Hershey Company, Indecsa, Lindt & Sprüngli Group, Marks & Spencer Food, Mars Wrigley Confectionery, Meiji Co. Ltd., Mondelēz International, Nestlé, Olam Cocoa, PBC Limited, Sainsbury's, SIAT, Tesco, Toms Group, Touton, Tree Global, Unilever, Valrhona, and J.H. Whittaker & Sons

[The Frameworks]

- (1) forest protection and restoration
- (2) sustainable production and farmers' livelihoods
- (3) community engagement and social inclusion

The priority

- (1) The protection and restoration of forests that have been degraded
- (2) Sustainable agricultural production and increased farmer incomes
- (3) Strong community engagement and social inclusion, with a particular focus on women and youth

FY2019 1H Progressing PICK UP

Announced action plans up to 2022 to be implemented by individual companies to realize the commitments established in the CFI framework

Overview of the Company Action Plan

- | | |
|---|--|
| 1 | <ul style="list-style-type: none"> -Implementation of deforestation risk assessments for all direct supply chains -Implement farm mapping and identify farm boundary data -Prevent cocoa supply from forests, national parks and protected areas by implementing traceability tools and technologies -Protecting and restoring forests in cooperation with cocoa farmers, taking into account livelihood protection -Supporting government management plans for forest areas , participating in the development and operation of land use plans -Enlightenment events and farmer education on the forest law -Distribution of multi-purpose trees and tree planting support |
| 2 | <ul style="list-style-type: none"> -Improvement of cacao, provision of seedlings, support for afforestation -Training of farmers and producer organizations with the latest good practices -Support for the rehabilitation of cocoa farmers -Promoting diversification of cultivated crops -Promoting farmers' savings |
| 3 | <ul style="list-style-type: none"> -Organization of cacao community on implementation of framework and forest protection with consideration of children and gender and recovery and agricultural strong development of the Action Plan |

See the website for the full action plan and specific goals by 2022.

Please refer to <https://www.blommer.com/sustainable-origins-CFI.php>

Environment

Launched Environmental Vision 2030

Environmental Vision 2030

(Targets for 2030 / Base year: 2016)

- Reduction of CO2 emissions(entire Group)
: **24%** reduction in total volume
- Reduction of water usage(entire Group)
: **20%** reduction in water usage per unit of production
- Reduction of waste(entire Group)
: **10%** reduction in waste per unit of production
- Recycling of resources(Japan)
: Maintain a **99.8%** recycling rate through 2030

Production Productivity Management Group under the C “ESG” O held briefing sessions for executives and employees in 10 group companies (Japan, Southeast Asia, China, Brazil)



FUJI GLOBAL CHOCOLATE (M) SDN.BHD. executive briefing in Malaysia

Occupational safety and health

Aiming for zero accidents in all Group companies

-Production productivity Management Group under the C “ESG” O explained the following in 7 group companies (Southeast Asia, China and Brazil)

- (1) Explanation of the goal and the goal
- (2) Importance of Tool Box Meetings *
- (3) Distribution and explanation of materials related to pointing and calling

-Create risk prediction training materials and materials to learn from accidents, and start preparing multilingual versions

Safety, security and quality of foods

Aim to establish an information management system and strengthen cooperation

-Improve the audit sheet with the Production Productivity Management Group under the C “ESG” O

Resuming audits from the 2H using a form that can quantitatively evaluate the achievement level of each company

-Introduced a system for observing global law revisions and quality information, and started testing



 **FUJI OIL HOLDINGS INC.**

