Message from the CFO

Financial Capital

Continuous Striving to Strengthen our Financial Platform and Improve Capital Efficiency

Sunao Maeda
Senior Executive Officer and Chief Financial Officer (CFO)
Legal/ Information Disclosure

Results from FY2023 and Problem Recognition

When I assumed the position of CFO in July of last year, I made the promise that I would to contribute to improving corporate value, and that I would fulfill this promise by focusing on capital efficiency to improve our financial position and strengthen the management foundation of the Fuji Oil Group.

FY2023 saw significant fluctuations in foreign currency markets, interest rates, and the price of raw materials such as cacao. Responding to this business environment was no easy task. However, amid such an environment, we achieved operating cash flow of 48.2 billion yen (initial target for FY2023 was 40 billion yen), a net D/E ratio of 0.54 (initial target: 0.56), and a FUJI ROIC of 3.5% (initial target: 3.2%). While still not satisfied with our progress, I do view these results as representing a certain level of success.

The selling off of fixed assets for the US oils and fats business announced in May of last year represented a measure aimed at strengthening our business foundation, one of the basic policies of the Mid-Term Management Plan, Reborn 2024. In addition to strengthening our response to a change in our business environment, we also achieved improvements in our financial position, contributing greatly to improvements in free cash flows (FY2022: -8.9 billion yen; FY2023: 57.0 billion yen). On the other hand, incorporating the abovementioned sale of fixed assets into initial plans for FY2023, we set a target ROE of 7.6%. However, with an actual FY2023 ROE of 3.0%, we fell well short of this target. This was due to multiple factors, including extraordinary losses (10.1 billion yen in total (additional goodwill expenses of 6.4 billion yen and impairment losses on fixed assets of 3.7 billion yen)) recorded for Blommer as announced in January of this year.

Business financial metrics improved in FY2023 thanks to significant improvements in operating cash flow, which was the result of balance management efforts throughout the entire Group. At the same time, we will further enhance efforts to improve capital efficiency as we look to improve profitability, enhance our management foundation, and reevaluate our business portfolio.

FY2024 Financial Management Policy

Under the policies of the Mid-Term Management Plan, Reborn 2024, we are aggressively working to improve our financial position, increase capital efficiency, and strengthen financial monitoring in an effort to strengthen our management foundation by shoring up finances.

In FY2024, we will diligently conduct a cause analysis for the results and issues from the previous fiscal year. We will further strengthen policies that contributed to results and implement more effective measures to address issues. We are positioning FY2024 as a year to get arrange priorities and prepare ourselves for the upcoming Mid-Term Management Plan.

We recognized that our highest priority issue is to first strengthen the Group's financial base, and then ensure the steady implementation of structural reforms at Blommer. As such, we will execute the various financial policies needed to support those structural reforms. During the first quarter of FY2024, we were able to maintain financial soundness by continuing to engage in capital procurement based on equity assessments. As a redemption method for the 35 billion yen in subordinated bonds we issued in 2019, we secured 25 billion yen in subordinated bonds and 10 billion yen in subordinated loans. Executing this type of capital procurement method to earn the trust of the markets is incredibly important to building a financial base. We also view this type of long-term capital procurement that addresses future trends in Japanese interest rates as an effective way to build the Group's debt portfolio. We will now unite as a Group towards building the financial capital and financial infrastructure necessary to implement Blommer structural reforms.

As the final fiscal year of the Mid-Term Management Plan, we are focused on improving the FUJI ROIC. When we originally formulated the Mid-Term Management Plan, we set a target of 5% for FY2024. However, the target we set for FY2024 at the beginning of the fiscal year was 3.7%. The decision to set a target below the target value outlined in the Mid-Term Management Plan is mainly the result of three factors: 1) the working capital increase for Blommer attributable to rising raw material prices, 2) the first year of structural reforms at Blommer would have limited benefit towards improving operating cash flow, and 3) the increase in operating cash flow due to yen depreciation. On the other hand, each Group company and business has room to further improve FUJI ROIC structural factors (FUJI ROIC Tree). From FY2023, the Management Committee began conducting regular reviews and providing feedback on their results. Through that feedback, we will work to edge closer to the target figure of 5%.

Mid-Term Management Plan Reborn 2024 Strategy and Targets	FY2023 Results	FY2024 Plan
Operating Cash Flow: Approx. ¥85.0 billion (3-year cumulative total)	Operating Cash Flow: ¥48.2 billion	Operating Cash Flow: ¥31.0 billion
Improve financial position • Reduce interest-bearing debt • Ensure redemption of subordinated bonds	• Interest-bearing debt decreased by 38.1 billion yen due to a decrease in working capital attributable to stable raw material prices and the sale of fixed assets of the North American oils and fats business.	• Refinance subordinated bonds reaching first call • Manage interest-bearing debt to address rising interest rates
Improve capital efficiency • Set and promote adoption of FUJI ROIC • Ensure strict selection of investments and reduce cross-shareholdings • Improve working capital and shorten and optimize CCC (reduce from 115 days to 103 days)	• Each company established FUJI ROIC improvement measures and monitoring progress • Management Committee conducting regular reviews of FUJI ROIC • Sold stock of three companies held as cross-shareholdings • Reduced CCC by 2 days YoY (to 102 days)	• Create a framework for improving Group capital efficiency through the FUJI ROIC measures of each company • Review of investment management rules for business portfolio management • Continue to reduce cross-shareholdings • Reduce CCC by 5 days YoY (to 97 days)
Strengthen financial monitoring • Strengthen profit management • Implement risk mitigation, internal controls, and implement financial risk mitigation policies • Publish and start implementing tax policy	• Strengthened profit management Consolidated the accounting period of Blommer • Published tax policy and started implementation	• Strengthen profit management
Allocation		
Capital expenditures: Approx. ¥60.0 billion (3-year cumulative total) • Growth investments focused on Industrial Chocolate Business in Americas • Rationalization investment, including reduction of environmental impact	• Capital expenditures: ¥15.1 billion Blommer: ¥3.7 billion Harald (No. 2 Plant): ¥1.4 billion	• Capital investments: Strict Selection
Reduction of interest-bearing debt • Improvement of D/E ratio	• Net D/E ratio: 0.54	• Net D/E ratio of 0.65
Shareholder returns • Stable dividends, targeting dividend payout ratio of 30%–40%	• Year-end dividend: ¥52 Dividend payout ratio: 68.5%	• Forecast year-end dividend: ¥52 Forecast dividend payout ratio: 44.7%

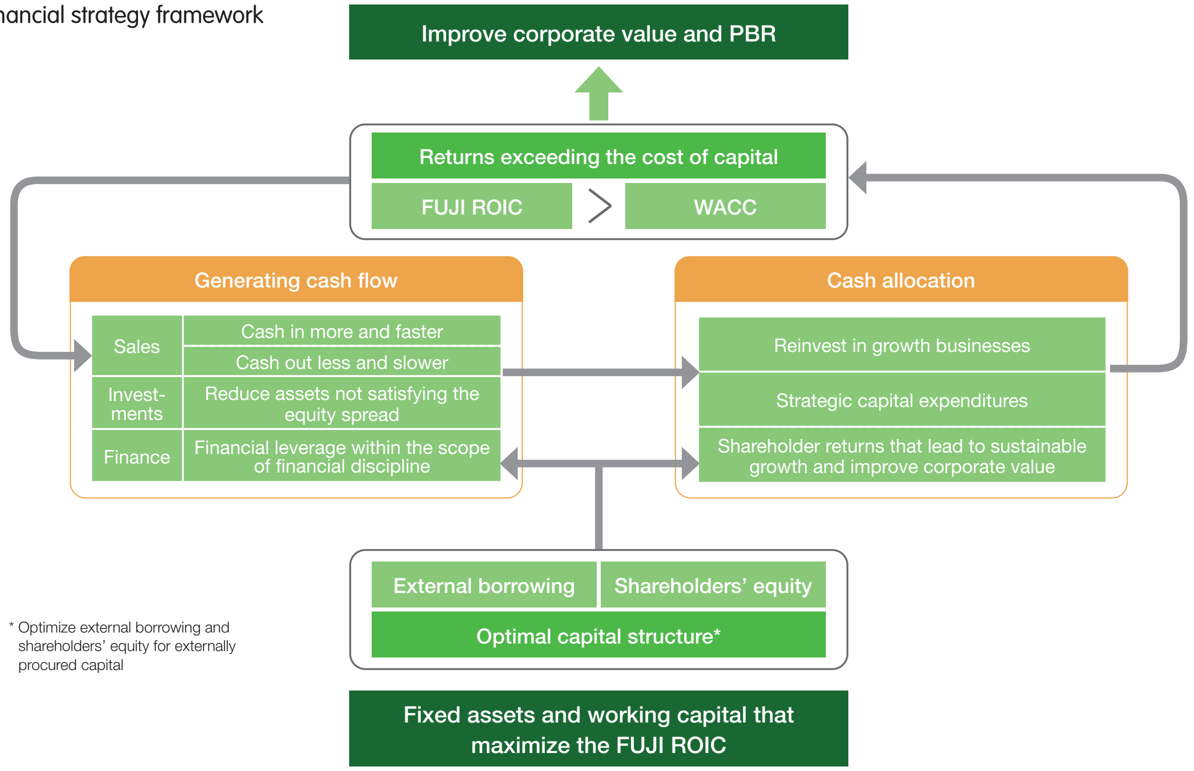
Message from the CFO

Medium- to Long-Term Financial Strategy

Through the Mid-term Management Plan, Reborn 2024, we are implementing various measures based on three basic policies. In particular, our decisions on the allocation of management resources such as financial and manufacturing capital will be key to our success in implementing policies such as rehabilitating Blommer, building endurance against market conditions for raw materials such as palm and cacao, injecting management resources in growth and strategic fields, and shifting to a high-value-added product portfolio. The FUJI ROIC serves as the criteria for making those decisions.

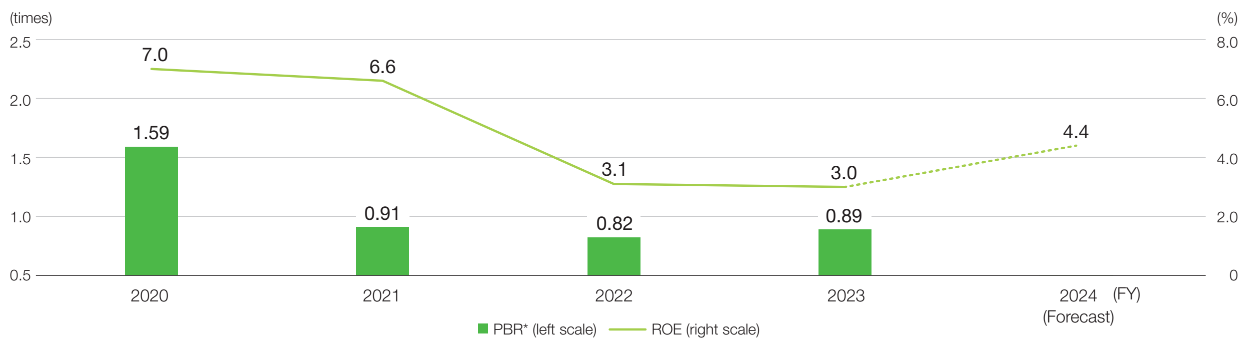
There is no change in policies such as injecting financial capital in strategic fields and using the FUJI ROIC to strengthen business management. Amid dramatic fluctuations in domestic and international interest rates and foreign currency markets, we will reevaluate the balance of our long and short-term borrowings and further promote cash management to build an optimal capital structure. We will then strengthen our ability to generate cash flow and make cash allocation decisions based on the FUJI ROIC to generate returns that exceed capital costs. Through the repetition of this cycle, we will improve our corporate value and PBR, and set ourselves on a trajectory to achieve our 2030 targets (ROI: 10%, FUJI ROIC: 8%).

Financial strategy framework



* Optimize external borrowing and shareholders' equity for externally procured capital

Annual trends in PBR and ROE



* Calculated based on the share price at the end of the period

Promoting the FUJI ROIC to increase capital efficiency

Our Group has adopted the FUJI ROIC, which sets working capital and fixed assets, our main uses for capital, as the denominator. Using the FUJI ROIC, we set evaluation units and measure, analyze, and evaluate capital efficiency.

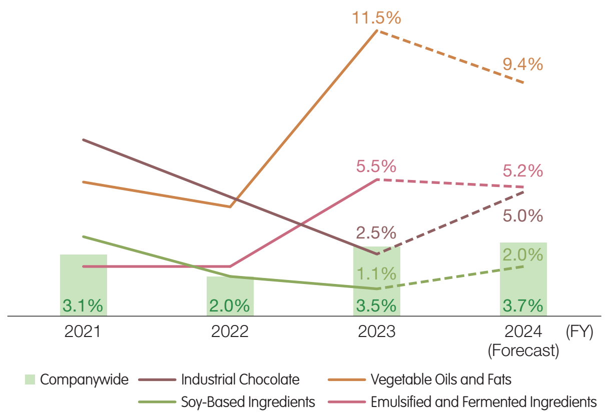
Looking at business-specific FUJI ROIC, the Vegetable Oils and Fats business achieved dramatic improvement in FY2023 due to selling off the fixed assets of the US oils and fats business and achieving record high operating profit. The Emulsified and Fermented Ingredients business also recorded growth on improved revenues in Japan and Southeast Asia. On the other hand, FUJI ROIC for Industrial Chocolate and Soy-based Ingredients was stagnant. However, the Industrial Chocolate business is implementing structural reforms at Blommer and the Soy-based Ingredients business is reevaluating its portfolio, including restructuring its soy protein foods plants, towards rapid improvement.

Additionally, each company conducts a tree analysis for each FUJI ROIC component to formulate KPIs and implement measures towards effectively improving capital efficiency. The Group as a whole is steadily producing results.

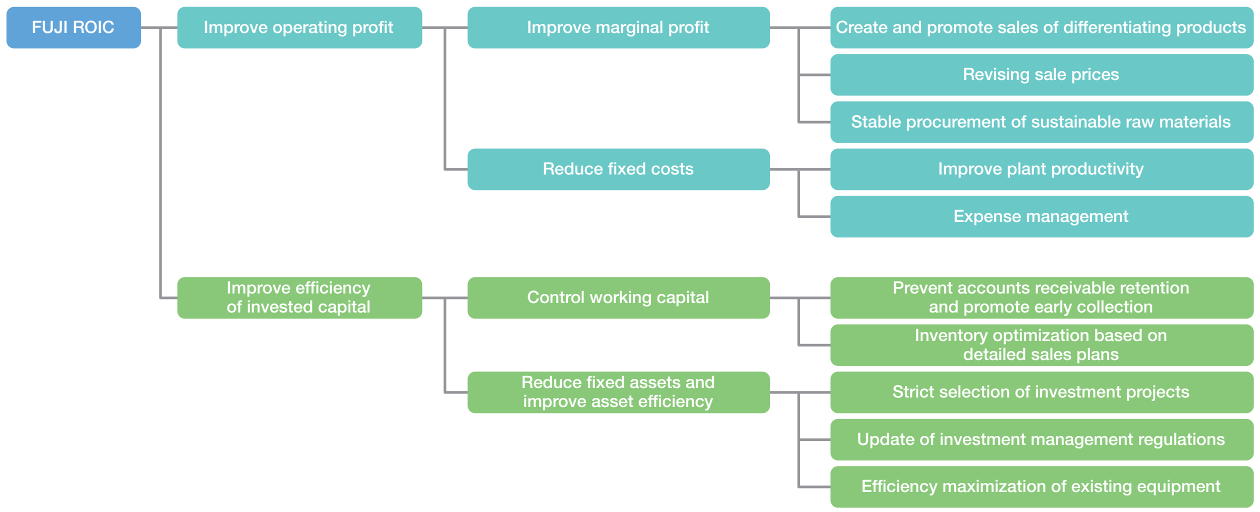
FUJI ROIC

$$\text{FUJI ROIC} = \frac{\text{Operating profit after tax}}{\text{Working capital + Fixed assets}}$$

Companywide and Business-Specific FUJI ROIC



KPI Setting and Target Management Using FUJI ROIC Tree



Akihiro Kitani
FUJI OIL HOLDINGS INC.
Team Leader
Planning & Control Team
Consolidation Accounting Group

Based on the cooperation of each company, we are creating a framework for the FUJI ROIC to continue serving as a tool for improving capital efficiency.

Specifically, we are engaged in discussions with major companies regarding working capital, an important element of FUJI ROIC, and we regularly conduct reviews at Management Committee meetings. Throughout the year, we monitor the improvement measures designed by each company at the budget review stage.

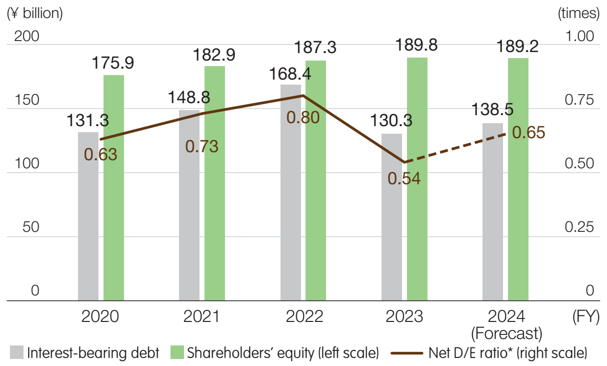
As we carry out these activities, I feel that Group companies are proactively evaluating their own balance sheets and capital efficiency, and that their understanding and awareness are have changed significantly. We will continue to work with each company to contribute to improving the capital efficiency of the entire Group.

Message from the CFO

Building a Sound Financial Base

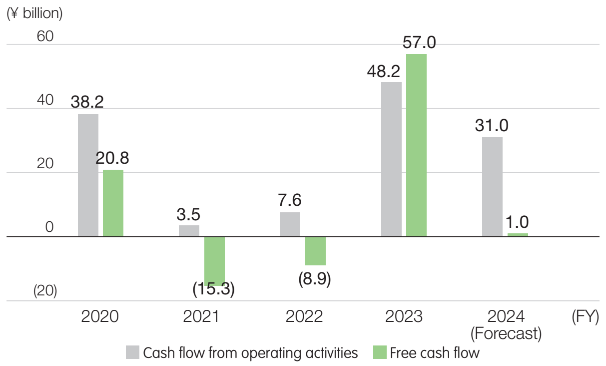
Our Mid-term Management Plan, Reborn 2024, outlines a three-year cumulative operating cash flow target of 85 billion yen. As indicated earlier, we improved our financial position in FY2023. We are moving into a period of rising interest rates not only overseas but also in Japan. As such, we believe that controlling financing costs is a critical issue. To further improve capital efficiency, we will enhance our cash management and utilize Group financing. We will continue to focus on building a sound financial base through steady profit growth and cash flow management.

Net D/E Ratio*



* Net D/E ratio = Net interest-bearing debt ÷ Shareholders' equity

Cash Flow



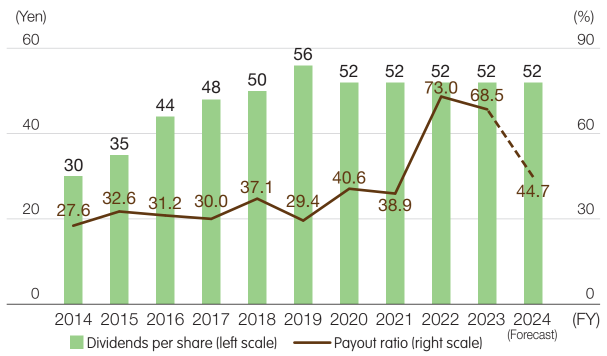
Steadily provide shareholder returns and conduct growth investments

Since our founding, we have deepened proprietary technology and provided new value to solve customer problems. To maximize our technological strengths and achieve sustainable growth, we must continue investing financial capital into growth businesses. It is my responsibility to plan, implement, monitor, and evaluate the various financial strategies necessary to make such investments. My commitment is to improving the corporate value as the outcome of fulfilling those responsibilities.

With this in mind, we will use the FUJI ROIC to practice management that is more conscious of capital costs. By linking business operations and Group financial goals, we will improve our ability to generate cash flow as well as optimize cash flow allocation. This management will lead to sustainable growth for the Fuji Oil Group.

We also recognize that shareholder returns are an important issue to sustainable business growth. The dividend payout ratio for FY2023 was 68.5%, exceeding our dividend policy (payout ratio of 30% to 40% and the issuance of stable and continuous dividends). We will continue to pursue improvements in our stock value over the medium- to long term through business growth and improvements in capital efficiency while also issuing dividends in line with our dividend policy.

Dividends per Share / Payout Ratio



Growth investments	Asset replacement
Established joint venture with JPG/Southeast Asia (Start of operations scheduled for FY2026)	Fuji Oil New Orleans Sale of fixed assets/Americas (US) (FY2023)
Start of operations at Harald No. 2 plant/Americas (Brazil) (FY2023)	Closed Blommer Chicago plant/Americas (US) (FY2024)
Start of operations at Fuji Oil (Zhaoqing) cream plant/China (FY2023)	–
Start of operations at Fuji Brandenburg soluble pea fiber plant/Europe (FY2023)	Sale of soy protein foods plant/Japan (FY2024)

* Johor Plantations Group Berhad

Building Financial Infrastructure

As our company is developing and expanding business globally, we recognize the urgent need to improve the IT environment serving as the foundation of our business management as well as the need to strengthen our IT governance.

We are implementing various measures, including global core system integration, to promote a digital transformation (DX) that will enable us to use our infrastructure as a platform for the aggressive utilization of digital and data towards transforming our business.

This year, we launched operations of a backbone system at Blommer. This will enable timely management decisions based on data and further accelerate the realization of structural reforms at the company.

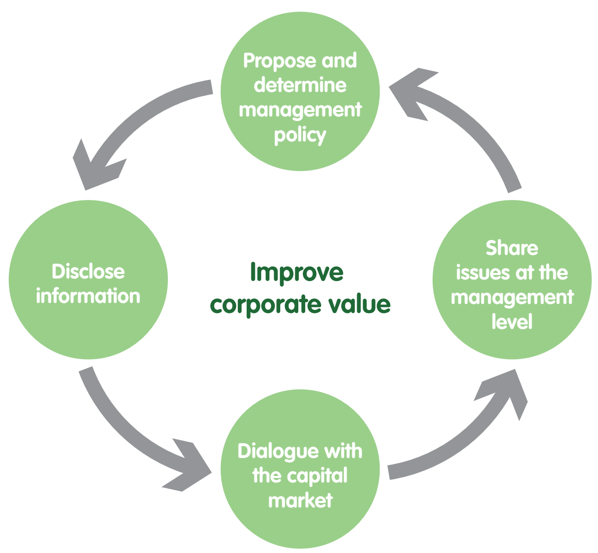
To strengthen governance, we continue to conduct Group-wide activities such as IT security audits and system operation process evaluations as we strive to ensure the protection of Group information assets.

Improving our corporate value through dialogue with the market

We recognize that dialogue with capital markets is an important matter that contributes to increasing corporate value. At Fuji Oil, the CEO, myself as CFO, and other directors and executives, including outside directors, actively participate in dialogue. We listen sincerely to the opinions of investors and analysts, and work to incorporate those voices into improving management. We are also strengthening individual dialogue through our Integrated Report and by focusing on medium- to long-term strategies, including non-financial information. In FY2023, we received many opinions concerning Blommer impairment losses, structural reforms, and the penetration and utilization of the FUJI ROIC. The management team held repeated discussions based on the points of view we received.

We believe that communication with our stakeholders is extremely important. By enhancing the disclosure of both financial and non-financial information, we aim to provide highly transparent information, enhance dialogue with capital markets, improve the quality of management, and increase our corporate value.

Cycle of increasing corporate value through dialogue with the market



IR Activity Results

Event for IR	FY2022	FY2023
Financial briefings for analysts and institutional investors	4	4
Briefings on each business, facility tours, briefings by outside directors	7	6
Interview		
Directors interview	50	66
IR interview	136	121
Of the above, interview on feedback of integrated report (Directors and IR)	18	24