CFO Message

Financial Capital

Improving Capital Efficiency and Increasing Financial Soundness to Enhance our Corporate Value

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Legal / Information Disclosure

Enhancing corporate value is a key priority for the Fuji Oil Group. Since 2021, price-to-book ratio (PBR) has trended around roughly 1.0x. To increase our valuation in the eyes of capital markets, it is essential that we improve our capital efficiency and establish a consistent track record. PBR is influenced by return on equity (ROE) and price-earnings ratio (PER). It is clear that one factor that drives down PBR is a decline in ROE. As CFO, I will work to increase our capital efficiency and promote financial stability.

In the new Mid-Term Management Plan for FY2025 to FY2027, we outline financial targets as business profit of 45.0 billion yen, an ROE of 10.0% or higher, and a FUJI ROIC of 6.0% or higher. This represents a significant gap compared to our results for FY2024 (IFRS-based), an ROE of 1.8% and a FUJI ROIC of 2.1%. However, I believe that through a cycle of business profit growth and the cash generated from that growth, we are more than capable of achieving these targets during the three-year period of the new Mid-Term Management Plan.

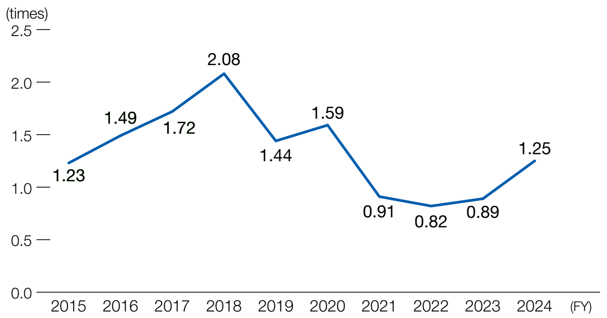
Positioning improvements to capital efficiency as one of our highest priority issues, during the new Mid-Term Management Plan we will promote the following three core policies. (1) Reevaluate our product portfolio and improve our inventory turnover rate to reduce working capital and improve cash flow. (2) Increase capital efficiency by strengthening efforts aimed at improving the FUJI ROIC for each business headquarters and Group company. Through these initiatives, we will aim to reduce CCC, which was 123 days (IFRS-based) at the end of FY2024, to 95 days or shorter by FY2027. (3) Use the investment management review system, which we restructured in FY2025 in response to the launch of the new corporate structure, to reinforce the approach of investment and withdrawal decisions based on capital costs and achieve the early discovery and resolution of problems.

I am certain that a critical initiative for FY2027, the final year of the Mid-Term Management Plan, will be to improve our currently high financial leverage to appropriate levels and establish a foundation for making sustainable enhancements to our corporate value.

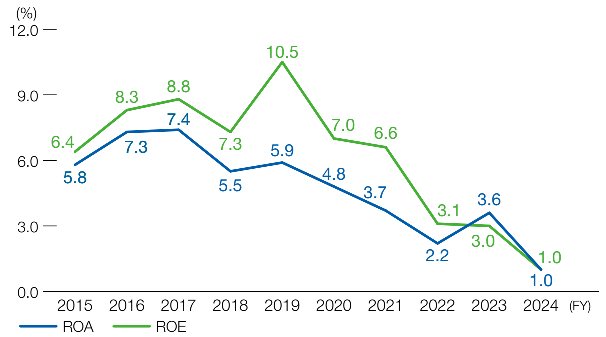
Also, increasing PER will be essential to improving PBR. We will achieve this by diligently communicating with capital markets to foster understanding of and expectations for our growth strategy. We will enhance our information disclosure related to matters such as growth strategy, intangible assets, and sustainability. At the same time, we will improve the reliability of our business management and enhance our governance system. Through these efforts, we will reduce business and financial risks while improving our growth prospects.

I recognize that enhancing corporate value is achieved by not only improving financial metrics, but also by building a foundation of trust and confidence in our business. I will contribute to enhancing our corporate value by ensuring that the Fuji Oil Group's financial strategy and growth potential are conveyed to capital markets.

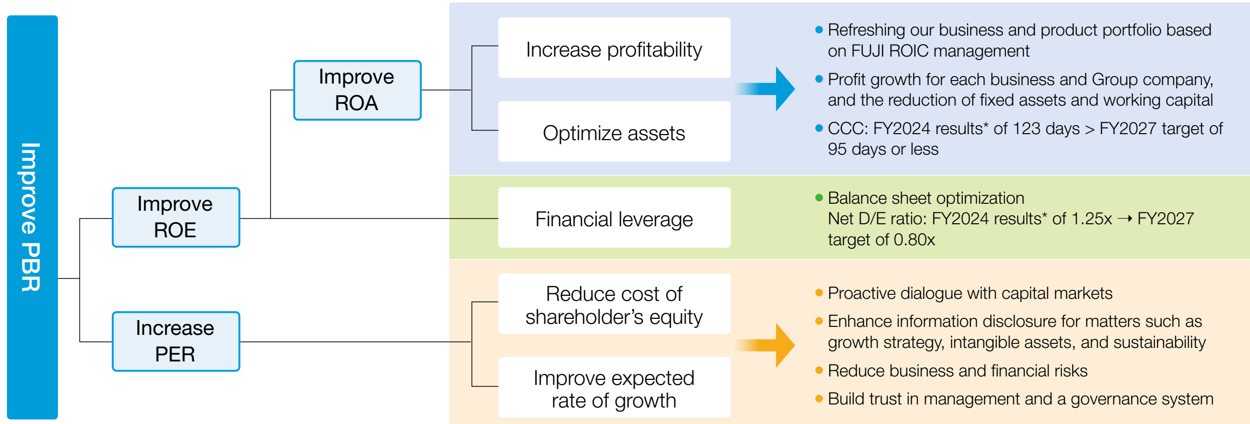
PBR



ROE / ROA



* J-GAAP



* FY2024 results figures based on IFRS.

Financial Strategy

Approach to Cash Allocation

In the new Mid-Term Management Plan for FY2025 to FY2027, the Fuji Oil Group is working to generate a cumulative 130.0 billion yen in cash flows from operating activities over the three-year period by accumulating profits, particularly from our Vegetable Oils and Fats and Industrial Chocolate businesses.

Of that amount, we will allocate roughly 80.0 billion yen to investments. We will focus these investments in oils and fats production sites to strengthen our supply chain for vegetable fats for chocolate (CBE) and capital expenditures to expand production capacity for Industrial Chocolate.

Feature: Growth Strategy Driven by Building a Supply Chain P44
Industrial Chocolate Business P46

We view investments in new business fields as a critical opportunity to foster future growth seeds. We will carefully evaluate the balance between growth and risks as we conduct investments that will lead to the creation of new business pillars for the Fuji Oil Group.

To ensure financial soundness, we will engage in the planned reduction of interest-bearing debt, which increased due to soaring raw material prices. We will aim for an optimal balance sheet by optimizing our financial leverage and controlling capital costs.

As for shareholder returns, our basic policy is for a dividend payout ratio of 30% to 40%. In our recent financial accounting, we maintained a high dividend payout ratio amid declining performance because we prioritized stable dividends. During the period of the current Mid-Term Management Plan, we anticipate being able to issue dividends that are aligned with our basic policy on the dividend payout ratio.

Cash in	Cash out	Details
Operating CF 130.0 billion yen over the three-year cumulative period	Investment CF 80.0 billion yen over the three-year cumulative period	• Conduct investments to strengthen our supply chain for Vegetable Oils and Fats and expand production capacity for Industrial Chocolate
	Reduce interest bearing debt 80.0 billion yen (compared to end of FY2024)	• Reduce interest-bearing debt to address the risk of rising interest rates and strengthen our financial position • Optimize net D/E ratio: 1.25x (end of FY2024) → 0.80x (FY2027 target)
Utilization of cash and deposits on hand	Shareholder returns dividend payout ratio of 30% to 40%	

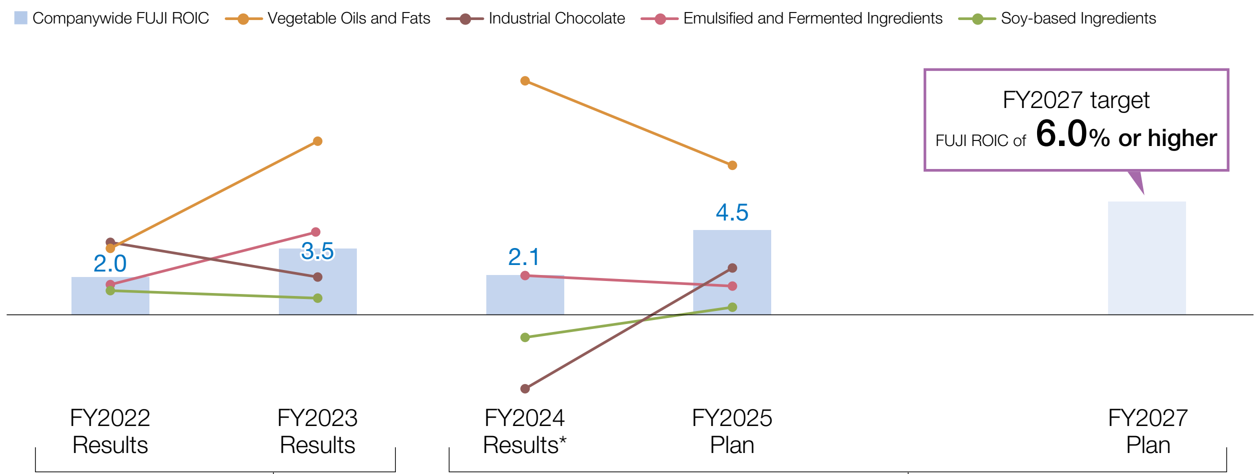
Promoting the FUJI ROIC to Enhance Capital Efficiency

Since FY2022, the Fuji Oil Group has adopted the FUJI ROIC as a proprietary metric for appropriately assessing and managing capital efficiency. By setting working capital and fixed assets as the denominator of invested capital, we aim to make it easier to implement specific measures on a business- or department-specific basis to improve the operational capabilities of each location. With the voluntary adoption of IFRS, from FY2025 we changed the numerator to business profit after tax, and the denominator to working capital, fixed assets, and equity method investments. FUJI ROIC figures for each business and Group company are reported regularly at Management Committee meetings and to the Board of Directors. Those results are then used to review performance and consider future management policies.

Looking at business-specific FUJI ROIC in FY2024, Vegetable Oils and Fats business recorded a significant improvement in the FUJI ROIC thanks to sales growth for vegetable fats for chocolate (CBE), which contributed to record operating profit. On the other hand, despite strong sales of compound chocolate in Japan and Asia, Industrial Chocolate business saw capital efficiency deteriorate significantly due to a sharp increase in cocoa raw material costs at Blommer. Looking at Emulsified and Fermented Ingredients business, profits decreased mainly due to sluggish sales in China. For Soy-based Ingredients business, we advanced business restructuring, including the transfer of a soy protein food product plant in 2024, but the FUJI ROIC declined due to lower profits in Japan.

During the new Mid-Term Management Plan, we will aim for a FUJI ROIC of 6.0% or higher in FY2027. We will aim to improve capital efficiency by growing profits, improving CCC, and reducing working capital in each business, with a particular focus on Industrial Chocolate. Regarding fixed assets, we are facing problems such as high construction costs and prolonged construction periods, which will require careful decisions regarding capital expenditures. On the subject of unprofitable businesses, we must make decisions, including whether to restructure or withdraw. We are establishing a system that will enable more accurate decision-making by revising our investment management rules.

Shifting our portfolio to high-value-added products will be essential to supporting the Group's medium- and long-term growth. As we seek to expand our new business fields, we are creating a system to support our efforts by taking the development stage of each growth business into account and evaluating businesses based on rate of growth as an important standard in addition to capital efficiency.



FUJI ROIC formula

Until FY2024 (J-GAAP)	From FY2025 (IFRS)
FUJI ROIC = Operating profit after tax / (Working capital + Fixed assets)	FUJI ROIC = Business profit after tax / (Working capital + Fixed assets + Equity method investments)

* FY2024 results are recalculated based on IFRS.

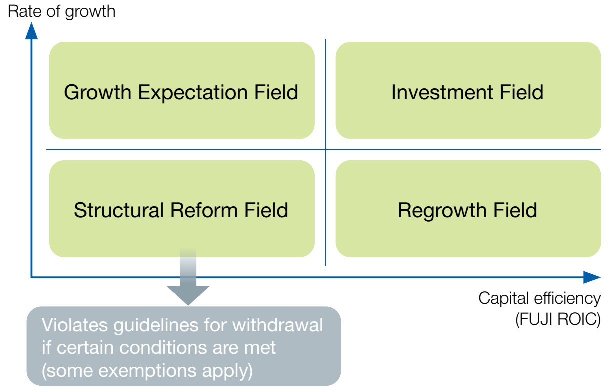
Revisions to investment management rules

With the launch of the new corporate structure in FY2025, we revised our investment management rules and restructured our investment management review system. In response to changes in our operating environment, we will aim to maximize investment returns and enhance corporate value by making investment and withdrawal decisions based on capital costs, and by enabling the rapid discovery and solving of problems.

In our business investment reviews, we will adopt dual-axis portfolio evaluations based on capital efficiency and growth rate measured using the FUJI ROIC. We will conduct business-specific analysis that is aligned with the actual state of the business and our supply chain. Through this analysis, we will determine the position and future trajectory of each business, and apply guidelines for withdrawal. Furthermore, by re-establishing the FUJI ROIC, our Group's KPI, as the evaluation standard for business investment reviews, we will align the standards applied to management, business headquarters, and local sites to achieve management focused on capital efficiency.

Through our capital expenditure reviews, not only will we measure the effectiveness of capital expenditures for manufacturing, which are easy to assess quantitatively, we will also use KPI to measure the efficacy of investment projects such as IT investments, for which it can be difficult to measure cash flow. We aim to maximize the effectiveness of investments by conducting reviews early and continuously to determine whether the expected investment results are being realized. Through the efficient implementation of this investment review system under the business headquarters system, we will strengthen the roles and responsibilities of each headquarters and establish a management system that is focused on capital costs.

Portfolio assessment in our business investment review (concept)



FUJI ROIC management and improvement overcome through HARALD-wide and all employees efforts (HARALD/ Brazil)

At HARALD, we have positioned FUJI ROIC as a key indicator in our efforts to promote asset-efficient management and have incorporated it into our daily operations. In early 2024, cocoa price the main raw material was surged and requiring immediate action. To secure of profits (numerator of FUJI ROIC), we reflected increase of raw material cost in sales prices and implemented price revisions at an early stage. It was very difficult and sensitive action because of we were necessary to take care about competitors' movement and price due to avoid decreasing of our market share. But HARALD got success and made surplus volume in both low/high season. And working capital (denominator of FUJI ROIC), we accelerated the collection of accounts receivable by the shorten receivables terms, as well sales campaign in advance with the tough negotiation between our customers, appropriate raw material management and purchase, and maintained inventory at appropriate levels without excess or shortage. As a result, we were able to keep working capital at the same level as the previous year despite the surge in raw material prices. In addition, the "Mundo plant (2nd factory)" began operations in April 2023, resulting in an increase in fixed assets, but we have been able to effectively translate this expansion in production capacity into growth in sales volume. HARALD will continue to focus on FUJI ROIC and pursue management that balances profits and assets.

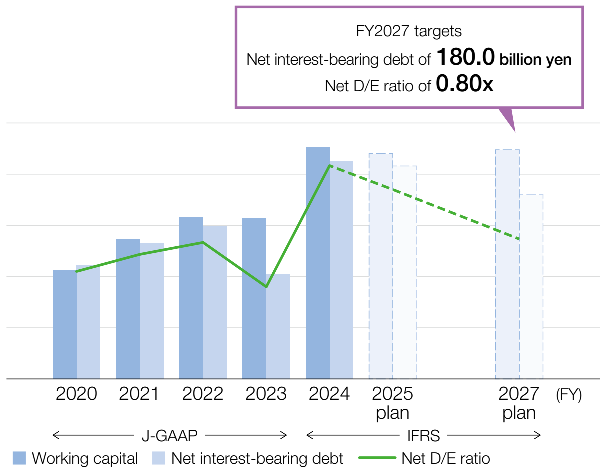
HARALD INDÚSTRIA E COMÉRCIO DE ALIMENTOS LTDA (Brazil)
Top row from left: Chief Financial Officer Valmir Rogério Trovo, Chief Supply Chain Officer Oscar Devotto Silveira
Bottom row from left: Industrial Director Ricardo Fernandez Santos, Chief Commercial Officer Mauro Rodrigo Degraf

Building a sound financial base

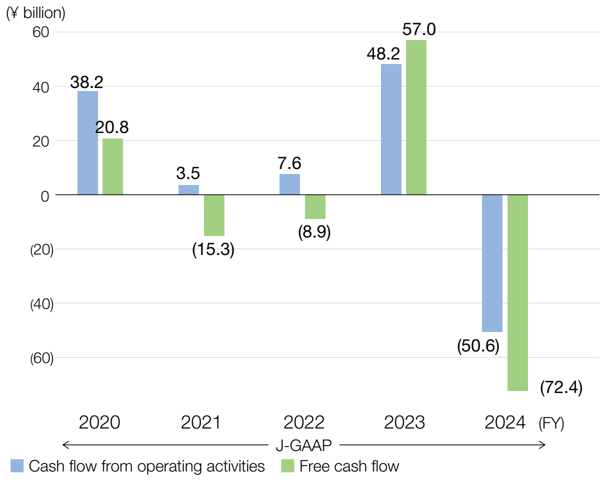
Interest-bearing debt increased and we experienced a temporary decline in cash flow at the end of FY2024 due to an increase in working capital, particularly at Blommer, that was attributable to soaring cocoa prices. Currently, Blommer is working to adjust selling prices and reducing long-term inventory holdings by diversifying our cocoa bean procurement sources.

Additionally, we will utilize the cash generated during the period of the new Mid-Term Management Plan to steadily reduce interest-bearing debt. We are working to further strengthen our financial base and have set a target net D/E ratio of 0.80x for FY2027, which is one step toward improving our financial soundness.

Working capital, net interest-bearing debt, net D/E ratio



Cash flows

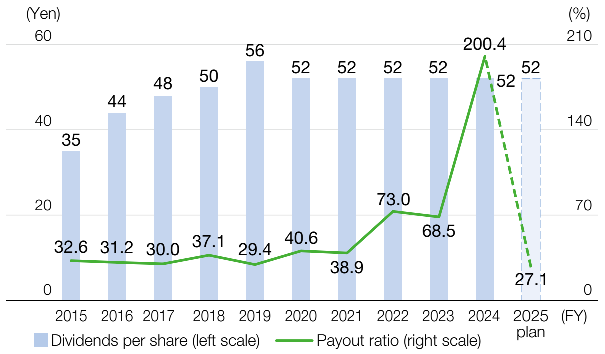


Policy on shareholder returns

The basic policy of our Group is to aim for a dividend payout ratio of 30% to 40% to prioritize stable and continuous shareholder returns. In FY2024 financial accounting, a reduction in net profit resulting in a dividend payout ratio of 200.4%, which greatly outperformed our policy, but we maintained an annual dividend of 52 yen to ensure stable shareholder returns.

Moving forward, in accordance with our new Mid-Term Management Plan, we will further promote initiatives that are aligned with our policy on shareholder returns by striving for steady profit growth.

Dividends per Share / Payout ratio



Voluntary adoption of international financial reporting standards (IFRS)

The Fuji Oil Group adopted IFRS from the first quarter of FY2025 to increase the international comparability of financial information within and outside the Group, and to establish a system for more effective business evaluations. We set business profit as a performance management metric. This is calculated by adding operating profit as defined in Japanese GAAP to adjustment for differences in accounting standards, other non-operating income and expenses, exchange gains and losses, and share of profit of entities accounted for using the equity method.

Operating profit (J-GAAP)
+ Adjustment for differences in accounting standards
+ Other non-operating income and expenses, exchange gains and losses
+ Share of profit of entities accounted for using the equity method
Business profit (IFRS)

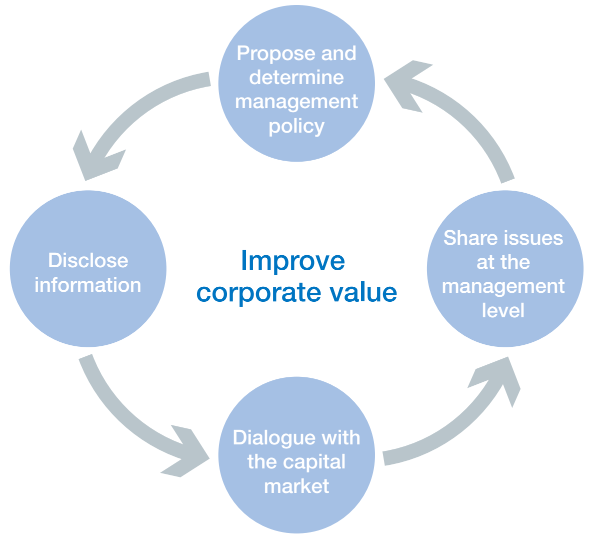
Enhancing Corporate Value through Dialogue With Capital Markets

We strive to disclose information in a highly comprehensible and transparent manner so that shareholders and investors can accurately understand our Group's business activities and financial position. We view dialogue with capital markets as an important activity that contributes to enhancing our corporate value. Our CEO and CFO, as well as our outside directors and executive officers, actively participate in such dialogue. The opinions we receive are reported to the Board of Directors on a quarterly basis and used to improve management.

As part of our IR activities outside Japan, in FY2024 we visited the US, UK, Switzerland, Singapore, and Hong Kong to conduct in-person meetings with local institutional investors.

In FY2024, soaring cocoa prices caused increased volatility in our performance, so we enhanced the content of our financial results briefing materials to clearly explain the impact of soaring cocoa prices on business performance. We also incorporated new methods of information provision, including holding small meetings. As we have received various questions and opinions from investors regarding the status of Blommer, the status of sales for CBE, and our IR activities, we will continue working to improve the quality of our information disclosure.

Cycle of increasing corporate value through dialogue with the market




An IR meeting overseas

Response that reflects investor opinions

Main opinions	Responses
Not aware of the status of improvements at Blommer or its cocoa special factors	• We held small meetings about Blommer and plant tours for analysts • We disclosed a breakdown of cocoa special factors in the financial results briefing materials
The impact of soaring cocoa prices is unclear	• Explanation at CEO small meetings • We enhanced information in the financial results briefing materials from the first quarter of FY2024 onwards
Understanding vegetable fats for chocolate is of interest	• We held small meetings specifically focusing on vegetable fats for chocolate • We will expand the information in the Integrated Report 2024/2025.

IR Activity Results

Events for IR	FY2023	FY2024
Financial briefings for analysts and institutional investors	4	4
Briefings on each business, facility tours, briefings by outside directors	6	10
Interviews		
Number of interviews	187	313
Of which were led by officers	66	79