



Towards a Further Leap 2020

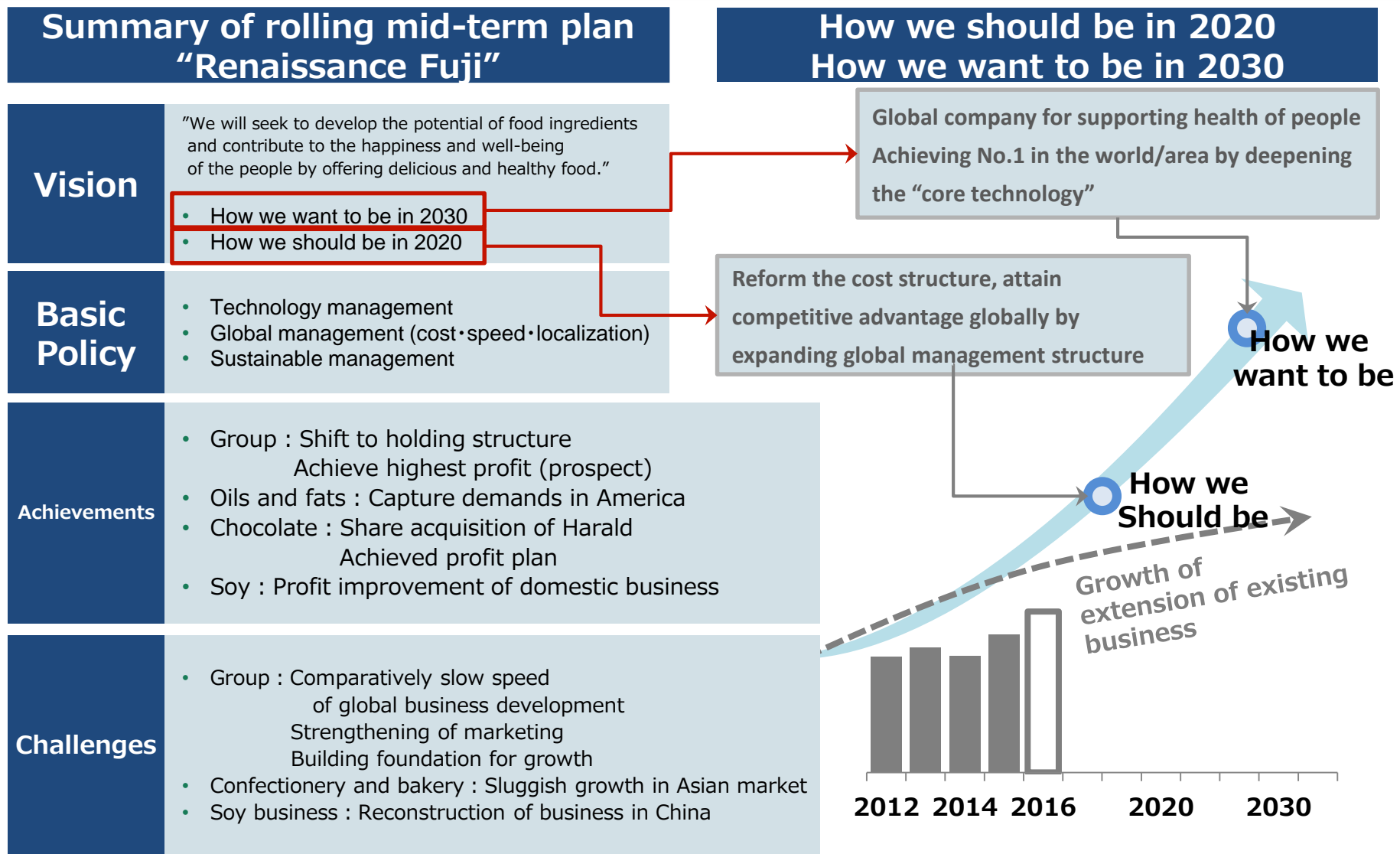
President and CEO Hiroshi Shimizu

Agenda

- **Background of the New Mid-Term Management Plan Formulation**
- **Basic Policy**
- **Basic Strategy & Management Objective**
- **Strengthen Management Foundation**
- **Technology Management**

Background of the New Mid-Term Management Plan Formulation

Review of “Renaissance Fuji”



Background of the New Mid-Term Management Plan Formulation

Demand for Innovation

Current situation

External
Environment

Paradigm shift

When common sense will
not be common

- AI/IoT/Home delivery
- World affairs
- CSR, resources / environment
- Change in food culture

Challenges

- Comparatively slow speed of global business development
- Strengthening of marketing
- Building foundation for growth

Demand
for
innovati
on

New Mid-Term management plan

Towards a Further Leap 2020

- Not modifying our mid-term management plan until 2020 to clarify the goal

“Complete our innovation”

Strengthening global foundation

Complete our mission to become a globally competitive company

Soy business

and high value-added products

Be a main business of next generation

Basic Policy

New Mid-Term Management plan

「Towards a Further Leap 2020」

Basic Policy

- ① Reinforcement of core competence
- ② Growth of soy business
- ③ Development of high value-added products
- ④ Cost reduction and unification with the global standard

Basic Strategy & Management Objective

New Mid-Term Management plan

「Towards a Further Leap 2020」

Basic Strategy

Portfolio shift

Basic policy

- ① Reinforcement of core competence
- ② Growth of soy business
- ③ Development of high value-added products

- ④ Cost reduction and unification with the global standards



Basic idea

Deliciousness
and health

Value Making

Self-reform

Management Objective (FY2020)

ROE 10%

EPS CAGR 8% ≤

Operating profit growth CAGR 6% ≤

Shareholder return Payout ratio 30-40%

Strengthen Management Foundation 1/4

Strengthen group governance



Pervading the “Group Management Philosophy” to entire group

• Group Management Philosophy is premise of business

• Reinforce the implementation by each area



[Fuji Oil Group Management Philosophy]

Strengthen Management Foundation 2/4

Development of human resources



Implement working-style reforms centered around promoting diversity

Promote diversity

- Aggressive recruitment regardless of gender, nationality, and age
- Renovate the mindset, to a sustainable growth

Establish the global management structure which can respond fast and flexibly to an environment change

Develop global human resources

- Talent recruiting • establish development system and structure

Visualization of global human resources

Improve labor productivity

High evaluation to person who challenges, demand high labor productivity

Strengthen Management Foundation 3 / 4

Promoting health management



To be a company which can continuously contribute to the society by deliciousness and health

Fuji Oil Group Health Management Declaration

- Established

“Fuji Oil Group Health Management Declaration”(1/1/2017)

- To realize the Vision “We seek to contribute to the society by creating the future of delicious and healthy foods,” every employee of Fuji Oil Group needs to be healthy.

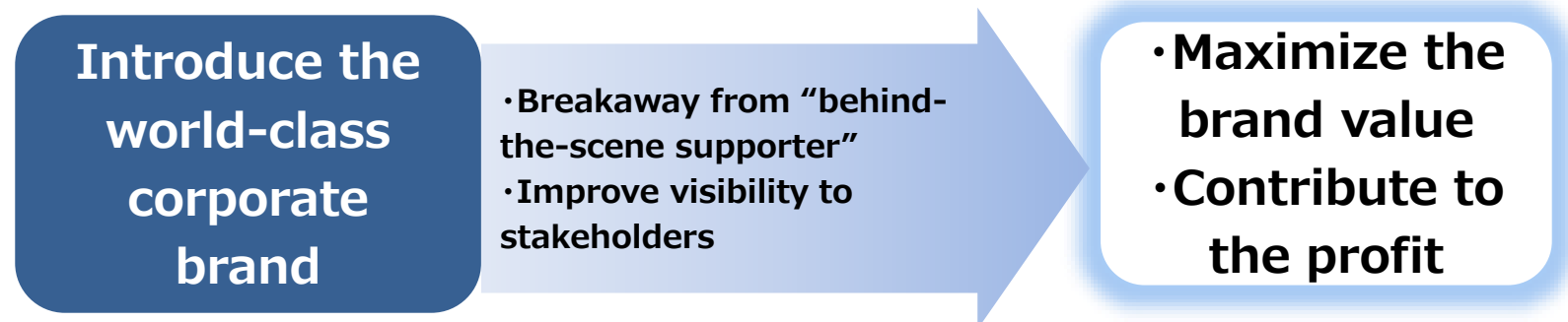
Strengthen Management Foundation 4 / 4

Shifting to global standards



Pursuit global management efficiency and promote visualization of global management information

- **Unification of global core system**
- **Unification of accounting period**
- **Re-examination of operating process**
- **Improvement of management efficiency (CCC※・fund management)**
- **Reconstruction of corporate brand**



Technology Management

Strive to pursuit deliciousness and health

- **Deliciousness : Reinforcement of core competence**

Chocolate : Material research of cocoa ingredients, improving taste and quality

- **Health : Research and development on brain function**

Prevent and resolve the cognitive function

Establishment of global structure :

Strengthen collaboration with overseas groups and external institutions

- Establish global R&D structure
utilizing Fuji Science & Innovation Center as a hub place
- Collaborate with research institutions and universities
- Promote and draft strategy for intellectual properties



Fuji Science & Innovation Center

Toward a Further Leap

- Contribute to the society
 - "Work for people"
- Find market needs and resolve customer's problems

Offering Value

Product-out
management

Solution-oriented
management

Spirit of
Foundation

Innovation

Holding structure,
group management
philosophy

Change in society · Change in value



Towards a Further Leap 2020

Basic Policy & Growth Strategy

Mikio Sakai CSO

Agenda – CSO Part

- **Basic Policy**
- **Growth Strategy**
- **Area Policy / Developing new area**
- **Intensive cost reduction**

Basic Policy

Establish a foundation for high growth to realize “how we want to be”

	Basic Policy	Basic Strategy
① Reinforcement of core competence	<ul style="list-style-type: none"> • Develop and expand chocolate and hard butters for chocolate, and overall confectionery and bakery ingredients • Expand group revenue, stable growth 	<div>Growth Strategy</div> <div>Area Strategy</div>
② Growth of soy business	<ul style="list-style-type: none"> • Pursuit the health of people and the earth • Provide products that fits the demand of the time (flexitarian) 	
③ Development of Business in function Enhanced, high value-added products	<ul style="list-style-type: none"> • Develop business in polysaccharide and stabilized DHA and EPA • Expand business in nutrition and health field • Stabilize the group revenue 	
④ Cost reduction and unification with the global standards	<ul style="list-style-type: none"> • Make organization which can improve the production efficiency of the whole group • Increase the competitive power • Global unification of core system, unification of accounting period 	<div>Strengthen management base</div> <div>Financial Strategy</div> <div>Earnings structural reform</div>

Growth Strategy Area Strategy



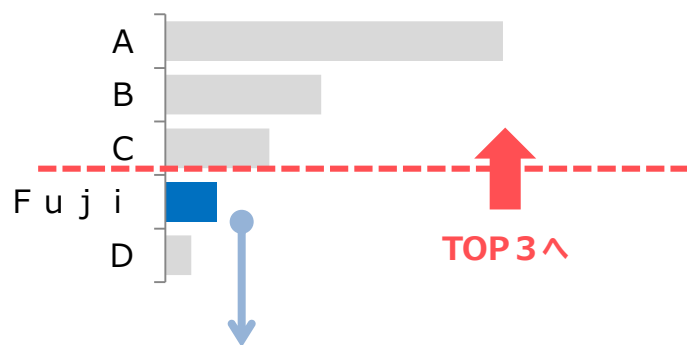
		Expanding the existing business	Business for further advancement	
		① Reinforcement of Core competence	② Growth of soy business	③ Development of business in function enhanced, high value-added products
		Expand the market and product lineup in the strong field	The final stage of the structural reform Expanding USS(※1) products	Develop business in polysaccharide and stabilized DHA and EPA Expand business in nutrition and health foods
Japan	→	Renewal of facilities, search new base for chocolate	Expand USS products, increase profitability of protein materials	Expand business in polysaccharides and FST (※2)
China	→	Construct second factory	Entering health field	Expand business in nutrition and health foods
Asia	→	Dismiss decrepit facilities		
North America	→	New production base	Consider USS business	Global development of FST
South America	→	Strengthen synergy of oils & fats and chocolates		
Europe	→	Strengthen chocolate business		Global development of polysaccharides
IMEA	(New)	Search of new area for expanding sales channels		
M&A (50 billion yen funding preparation)				

① Reinforcement of core competence

Aiming to be one of the world's top 3 company in sales amount of industrial chocolate

Competitiveness is needed in the time when oligopolistic control proceeds by major companies. Aim to increase sales amount

Industrial chocolate manufacturers in the world (sales amount)



Connecting strength to growth (SWOT analysis)

S	<ul style="list-style-type: none"> • Group synergy of oils and fats • Compound chocolate 	W	<ul style="list-style-type: none"> • Lack of cost competitiveness in the volume zone
O	<ul style="list-style-type: none"> • Compound chocolate market is the mainstream in developing countries 	T	<ul style="list-style-type: none"> • Movements of competing companies in Asian and Japanese market

To fill the gap between 3rd place...

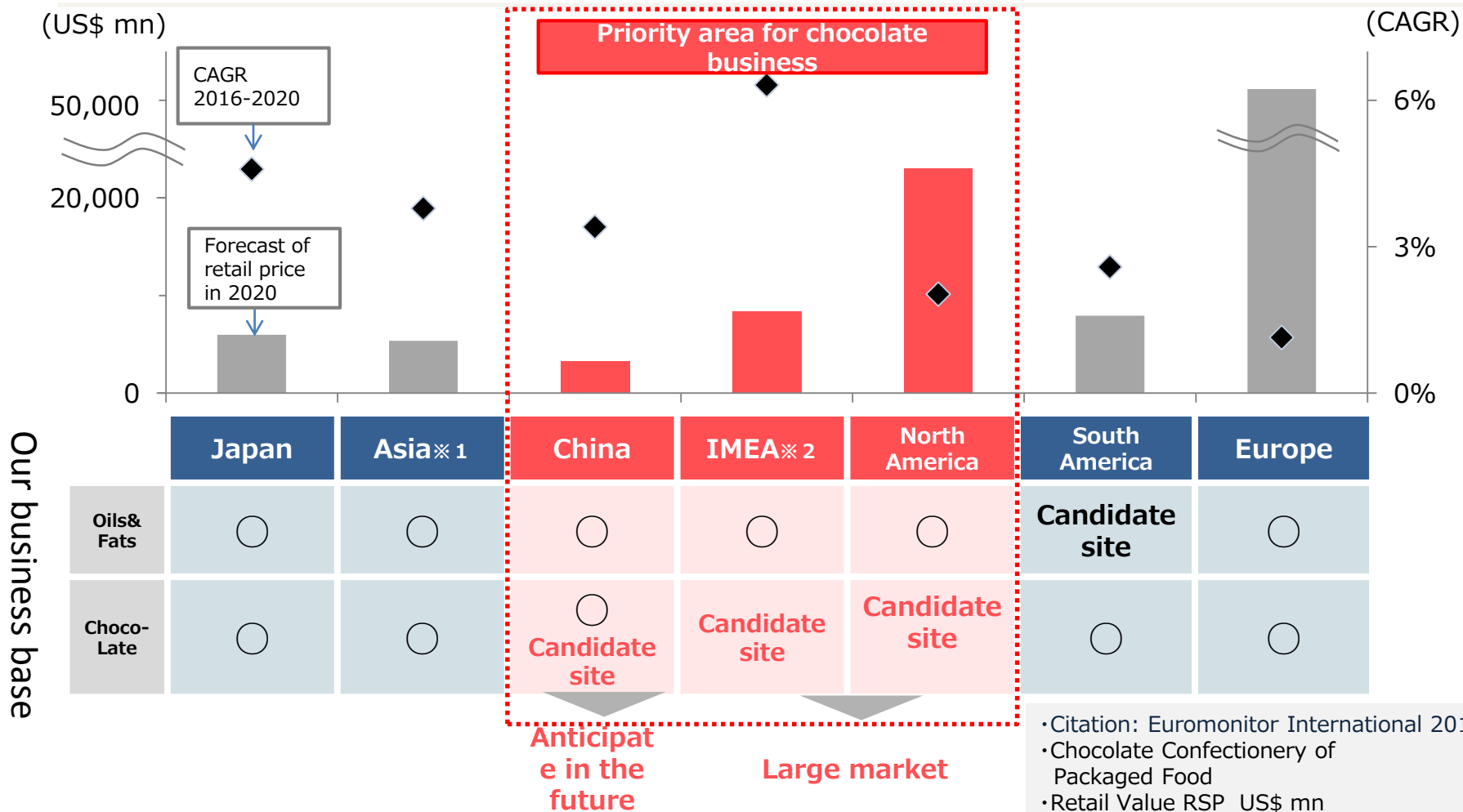
1	Expansion of existing base	<ul style="list-style-type: none"> • Increase the production capacity • Strengthen cost competitiveness • Funnel resources (selection and concentration of portfolio)
2	New sites/ Expansion to each area	Expanding scale to win the volume zone (Americas, China, Middle east)
3	M&A	

Growth Strategy

① Reinforcement of core competence Forecast of market growth toward 2020



Forecast of chocolate confectionery market in 2020 (retail price)

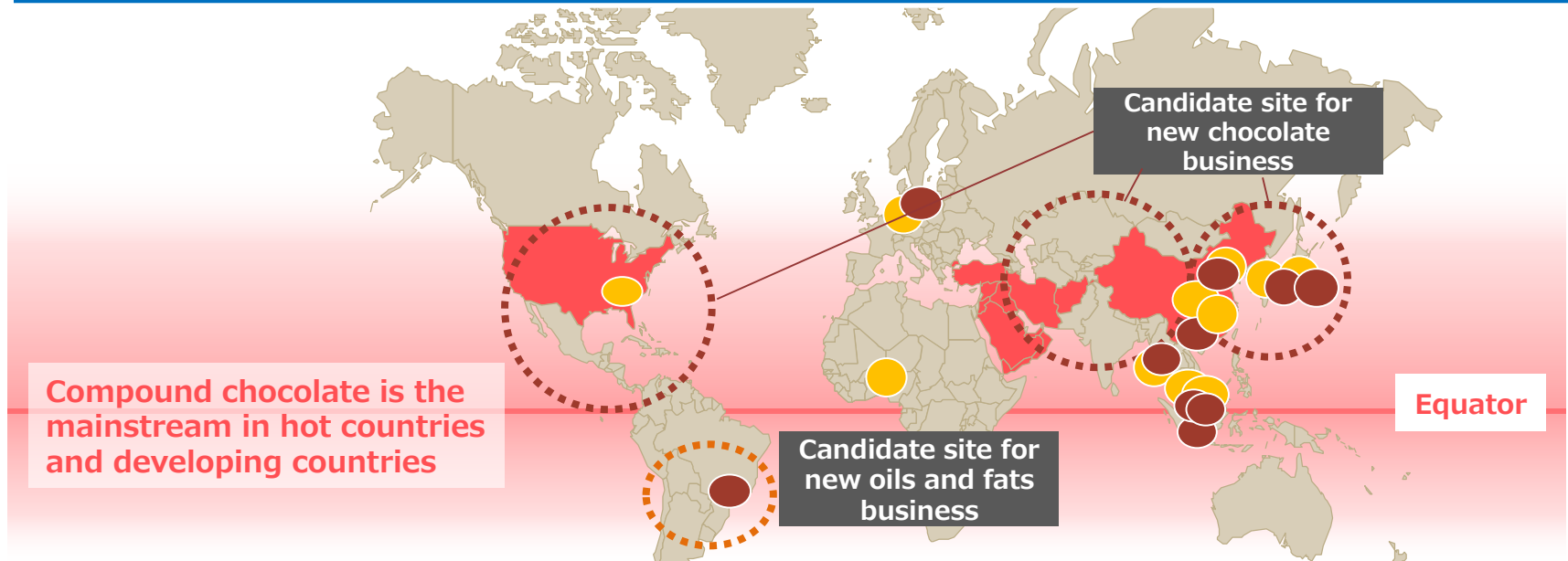


Growth Strategy

① Reinforcement of core competence Attain the needs of growing market



Produce group synergy and capture the needs of growing market



North America	South America	Europe	Middle East	Asia	China	Japan
Strengthen supply chain for oils & fats and chocolate	Renewal of facilities in Harald, improve revenue	Increase production capacity, produce synergy with oils & fats business	Investigate for potential market	Make use of Guan Chong Expand business	Expand business including emulsified and fermented ingredients to chocolates	Increase the capacity by renewal of facilities Expand the market share

Re-acknowledge the value by returning to the essence of soy, creating value by making movements

Complete reformation

- Selection and concentration of business
- Improve profitability
- Bring together the production site of soy protein ingredients
- Specialize in high value-added products
- Cost reduction on commodity products
- Cost reduction on USS

Expansion to plant protein market

Answer the growing needs of “delicious and healthiness” from market and customers

USS

- Produce synergy with emulsified and fermented business

Aim to capture the food service market

Flexitarian (new vegetarian)

- Develop market in developed countries



Tira ti su



Impossible burger

Flexitarian is...

- Short term for “Flexible Vegetarian”
- Definition: person who is basically on plant-based food diet with occasional intake of meat and fish

- Making the smart choice to enjoy healthy diet
- The diet is centered around unprocessed and nutritious food such as vegetables, fruits, whole-grains, legumes, seeds, nuts, and dairy (clean eating)
- Not strict as vegetarian, and every flexitarian can make their own decision on the level of restriction, therefore it is realistic and becomes a habit
- There are many potential flexitarian present who is on flexitarian diet but doesn't recognize themselves as flexitarian

Main target : Millenials
Born in mid 1990 to 2000
High on social awareness, civil minded,
and environmentally conscious

Deliciousness
and health

Health of the
earth

Compatible

Introduction of “Meatless Monday”



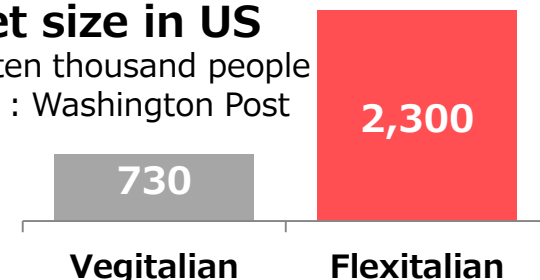
2003



2009

Market size in US

- Units : ten thousand people
- Citation : Washington Post



※They don't overlap

Growth Strategy ③ Development of business in function enhanced, high value-added products



New business to answer delicious and health

Establishing high profit business

Stabilized DHA and EPA business

Environment Needs	<ul style="list-style-type: none">• Growing population of elderly people and rise in health consciousness• Improvements in cognitive function and reduced risk of the occurrence of dementia can be expected
Market size	<ul style="list-style-type: none">• World needs in 2020 1,500t
Global development	<ul style="list-style-type: none">• Scheduled to go on sale in 2017• Two production sites in 2018, be available worldwide

Expand the application of FST (※)

Polysaccharides business

Environment Needs	<ul style="list-style-type: none">• Needs are expanding on a global scale
Global development	<ul style="list-style-type: none">• Research on polysaccharides other than soy bean, expanding to the world

Expansion starting from Japan and China, and to the rest of the world

Growth Strategy

Strengthen SCM (supply chain management)



Strengthen SCM and improve the global competitiveness

Main raw materials



Improve the global competitiveness

- Palm
- Other oils & fats raw materials
- Cacao
- Others

- Improve the traceability score
- Basic research for improving quality
- Re-examination of production process
- Formulation of Responsible Palm Oil Sourcing Policy

- Trust from customers
- Increase contracts globally
- Increase the number of stable customers
- Stable procurement

Area Policy



Japan

- Promote one-stop sales system
- Expand sales of stabilized DHA and EPA
- New chocolate factory
- Improve profitability of USS
- Growth of soy business



Fuji Oil Japan

Tatsuji Omori

China

- Construct South China factory
- Promote 3 production base scheme
- Develop healthy food business coping with the change in society
- Restructuring soy protein business for Japanese market



Fuji Oil (Shanghai) Management

Masataka Minemura

Other Asian countries

- Earn revenue from new production base of confectionery and bakery ingredients
- Realization of optimum factory placement



Fuji Oil Asia

Yasuhiro Maruhashi

America

- New refinement base, Respond to non trans fat related needs
- Establish production system for stabilized DHA and EPA
- Expand sales from placing oils & fats production base in Brazil
- Maximize synergy with chocolate business



Fuji Vegetable Oil

Andrew Bunger

Brazil

- Expand high value-added products
- Improve yieldability
- Timely augmentation of production capacity
- Sustaining and expanding top share
- Appropriate pricing strategy as a price leader



Harald

Ernesto Neugebauer

Europe

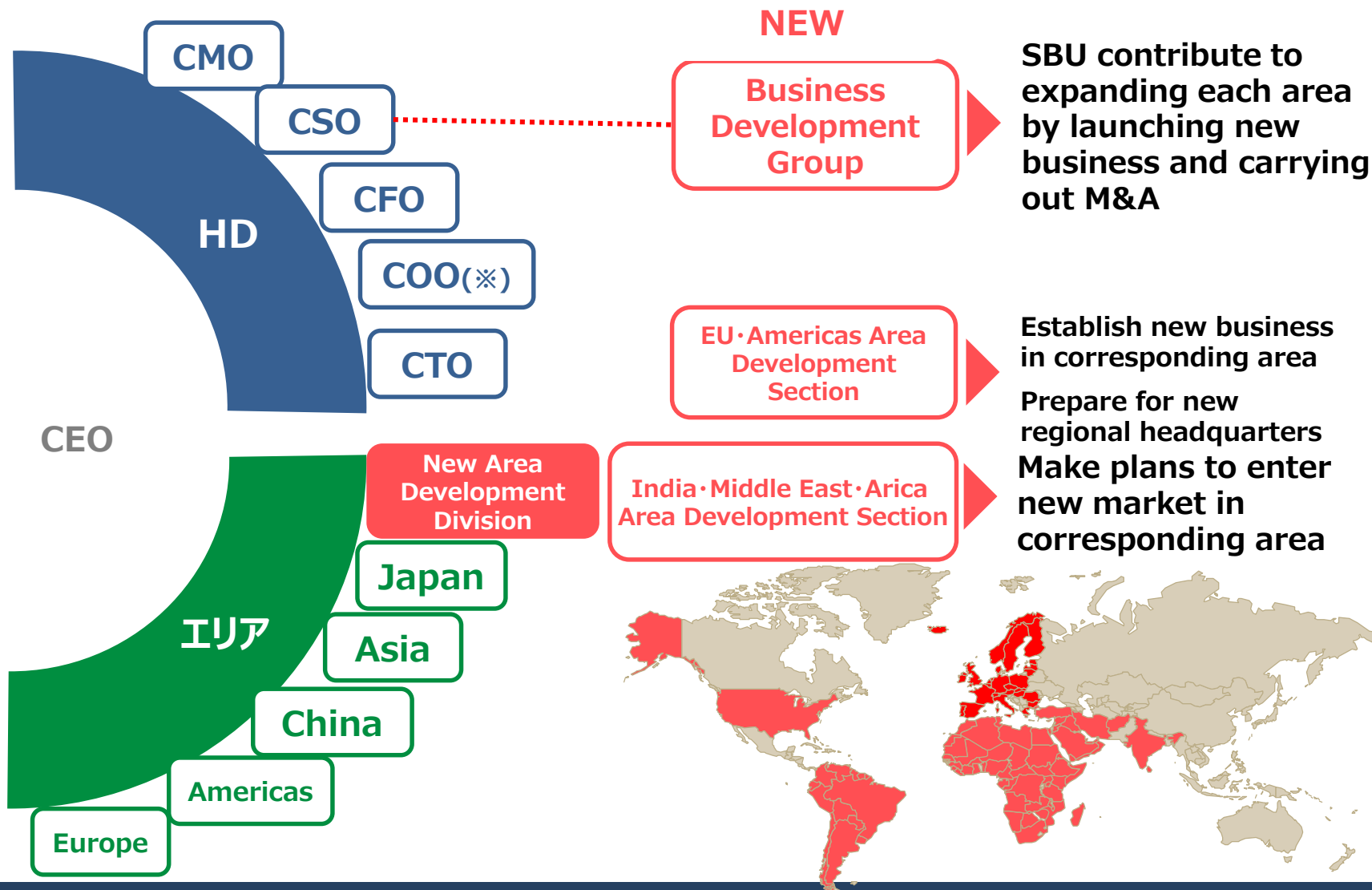
- Increase production on production base in Ghana
- Expand hard butters for chocolate
- Augmentation on chocolate production capacity



Fuji Oil Europe

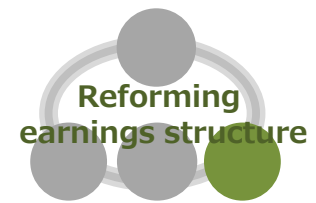
Bernard Cleenewerck

Developing new area



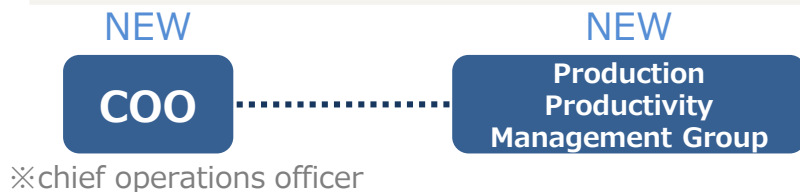
Basic strategy/Reforming earnings structure

Intensive cost reduction



Promote productivity improvement and cost reduction of each area

Newly formed production productivity management group



① Raise the level of safety, quality and environment of the whole group

- Increase credibility (brand power)
- Contribute to local society, people and the earth

② Plan strategy for productivity improvement of the whole group

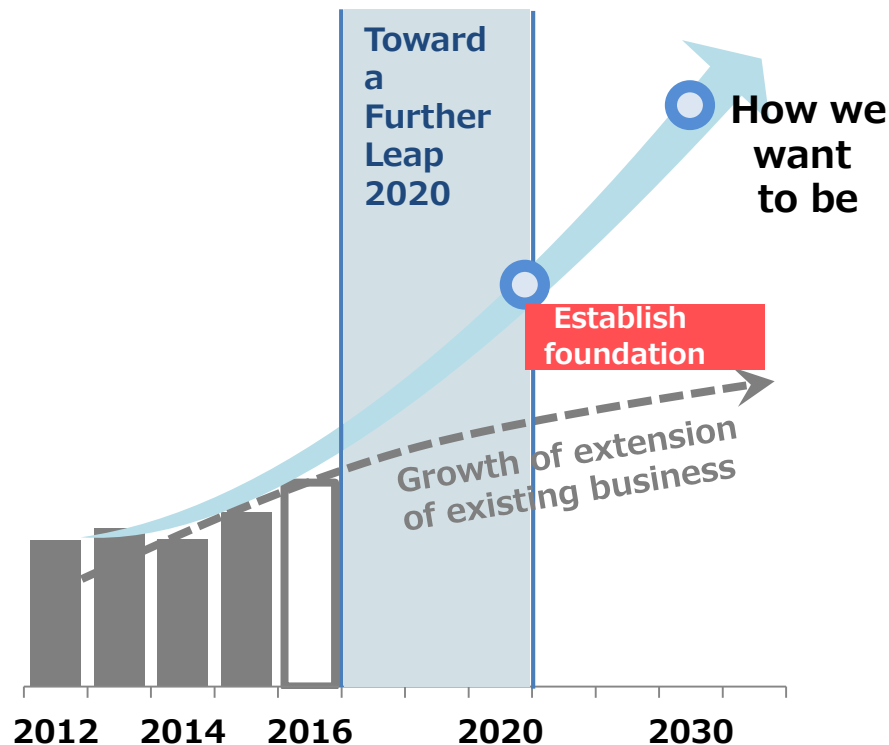
- By improving productivity, it increases competitiveness and contribute to customers

• Raise the level of each area up to the level of Japan

• Pursuit raising level of each area

Towards a Further Leap

Striving toward 2020 and further, realize high growth to achieve “how we want to be” and establish foundation for competing in the world



Measures to achieve “how we want to be”

- New business
- New area
- Health and nutrition, resources business
- Cost reduction
- Strengthen SCM (establish traceability, secure raw materials)
- M&A
- Develop infrastructure
- Brand building



Towards a Further Leap 2020

Financial Strategy

CFO Tomoki Matsumoto

Financial Targets (FY2020)

ROE

10%

**Operational
profit
CAGR**

6% ≤

CCC

※Cash Conversion Cycle

**10 days
shorter**

Financial Management Policy

Financial strategy



Aim to transform ourselves to a strong global financial structure through creating cash flows out of sustained profit growth, improving capital efficiency and strengthening financial governance

Strengthen financial function with 4 pillars

Establish a strong global financial structure

1

**Sustained
profit growth**

**Consolidated
operating profit
CAGR6% \leq
EPS growth rate
CAGR8% \leq**

**Creating and
allocation of cash
flow**

2

**Maintaining
financial
soundness**

**Maintain stabilized
financial structure
based on business
characteristics and
risks**

**Appropriate BS
management in line
with risk and return**

3

**Improving
capital
efficiency**

**Improve capital efficiency
to the level necessary for
sustained growth and
catch up with the world
level to compete global
companies**

**Improvement to
ROE 10%**

4

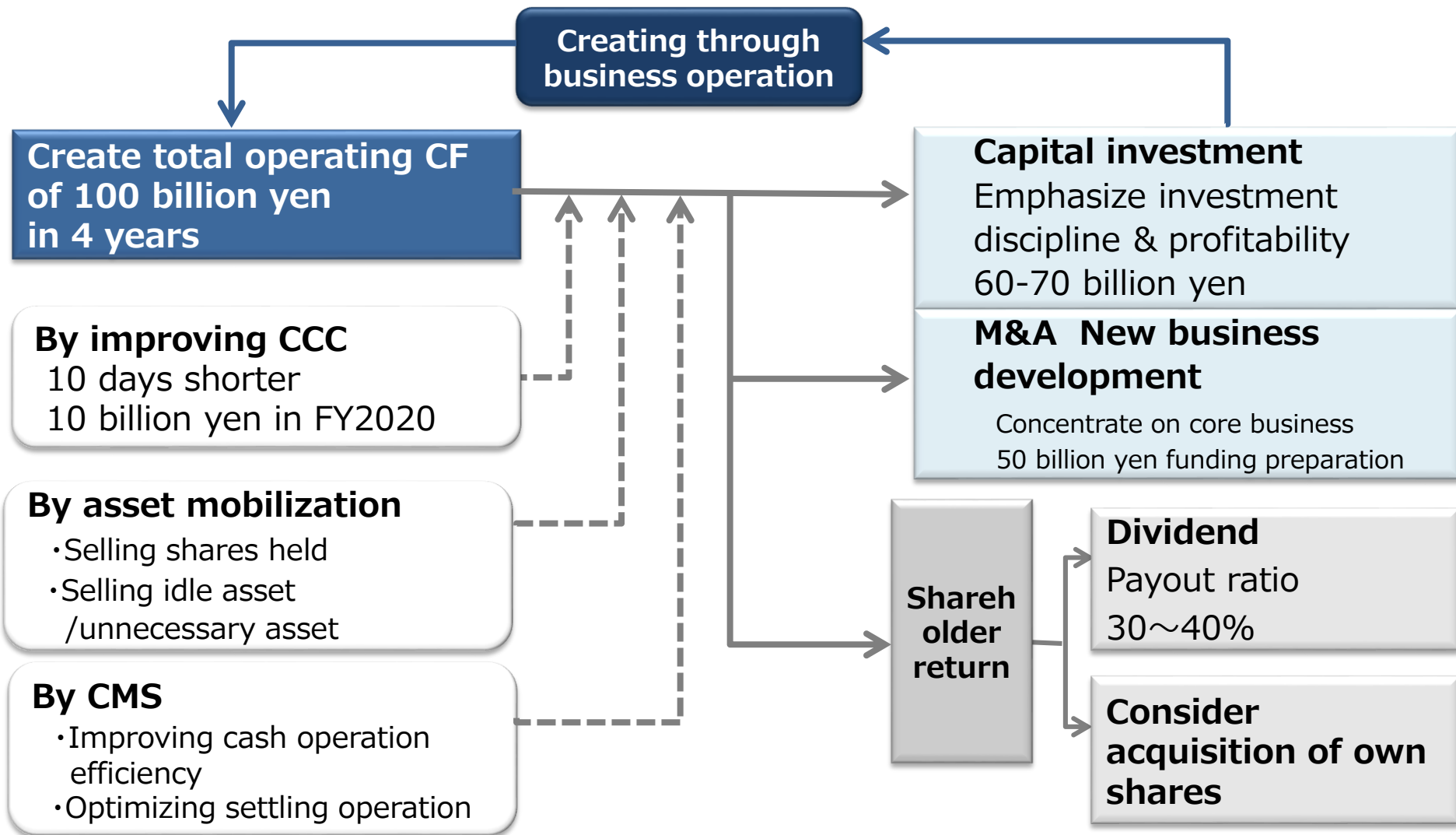
**Strengthening
financial
governance**

**Promote standardization of
financial management
(allowing us to compare
and verify global financial
operation) enabling to
reduce financial risks and
improve operational
efficiency**

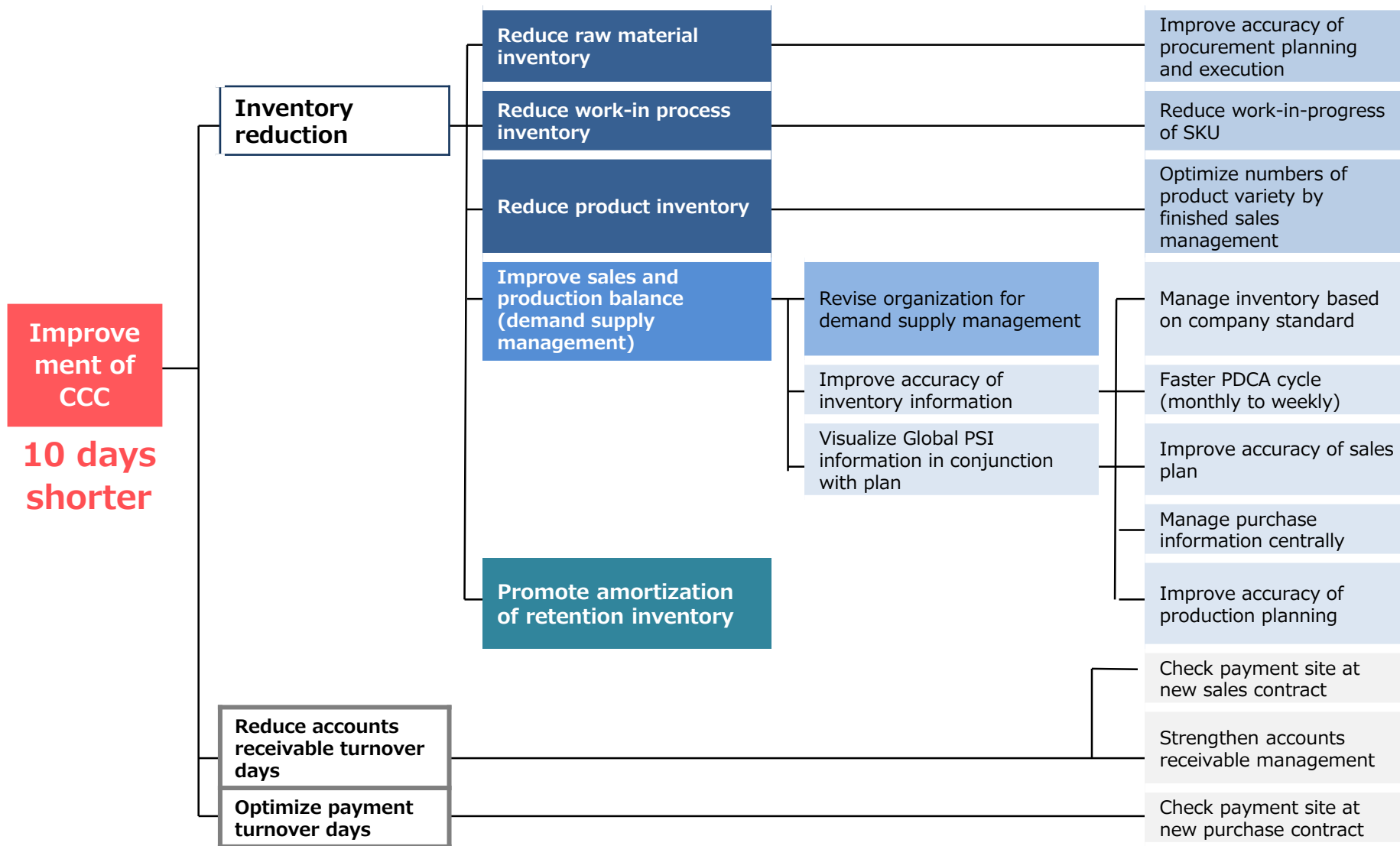
**FUJI group financial
policy & operational
standard**

1. Sustainable profit growth

Creation and allocation of cash flow



1. Sustainable profit growth Improvement of CCC



2. Maintain financial soundness

B/S management commensurate with risk / return

Financial strategy



Maintain stable financial fundamentals based on the business characteristics and risks

Pursuit of adequate financial balance caused by B/S management

Equity ratio

FY2016
55%



FY2020
50% \leq

B/S management balancing soundness, growth investments and returns to shareholders

D / E ratio

FY2016
0.4



FY2020
0.5 upper
limit when
operating

However, the M&A may be permitted even higher than the upper limit on the scanning growth and profitability

3. Improve capital efficiency

ROE 10% improvement



Improve the level required for perpetual growth along with the competing global company

			FY2016	FY2020	
Profitability Asset efficiency Financial leverage	Net income Ratio	$\frac{\text{Net income}}{\text{Net sales}}$	Approx. 4.1%	Approx. 5%	<ul style="list-style-type: none"> ☑ Improve operating margin ☑ Expand value-creating businesses ☑ Improve or reduce unprofitable business ☑ Continue measures for cost reduction ☑ Trimming financing costs
	Total asset turnover	$\frac{\text{Net sale}}{\text{Total asset}}$	Approx. 1.07	Approx. 1.15	<ul style="list-style-type: none"> ☑ Expand revenue (area/each business) ☑ Plant and equipment investment based on more selective policy ☑ CCC shortened ☑ Sell off unnecessary assets ☑ Reduce interest-bearing liabilities by CMS
		$\frac{\text{Total asset}}{\text{Shareholder's equity}}$	Approx. 1.8	Approx. 1.8	<ul style="list-style-type: none"> ☑ B/S management ☑ Optimize internal reserve and shareholder return

3. Improve capital efficiency

ROE 10% improvement



Profitability : Revenue ratio of net income
FY2016 4.1%→FY2020 5.0%

- Expand operating profit, reduce cost of sales and head office expense
- Improve profitability by non-operating profit and loss control

Ratio to net sales (1pt improvement)

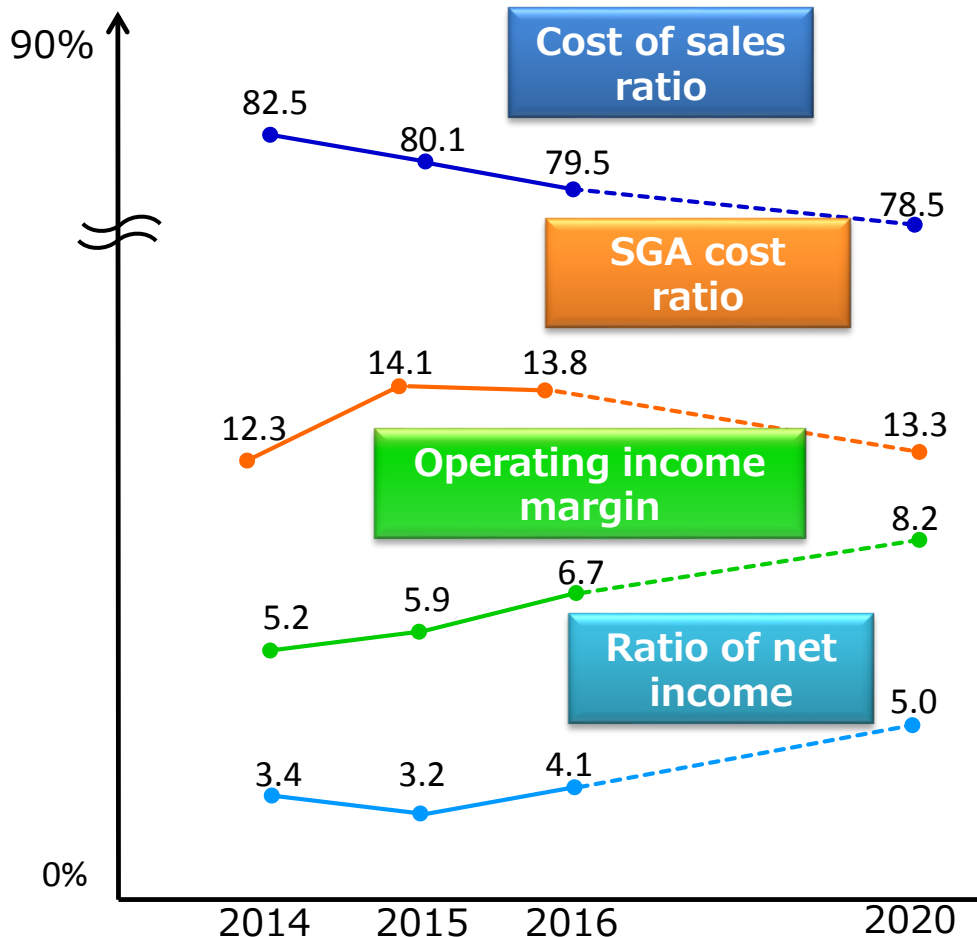
- Promote continued cost reduction
- Strengthen global procurement functions
- Improve productivity by production of promotion group

SGA cost ratio (0.5pt improvement)

- Improve to the level below the current standard by improving work efficiency, along with absorbing global standards, cost increase by integration

Net income (0.9pt improvement)

- Improve funds efficiency based on global money management
- Control the level of interest-bearing debt by strategic methods
- Minimize exchange risk within inter-group transaction



3. Improve capital efficiency

ROE 10% improvement



Asset efficiency:
Total Assets Turnover Rate
FY2016 1.07 \Rightarrow FY2020 1.15

Control total assets, while maintaining growth

Expand sales

**FY2016
(forecast)**

292 billion yen



FY2020

Approx. 20% more

- Area expand of existing business
- Expanding into new area growth market
- Start of new business production

**Improve
efficiency of
total assets**

**FY2016
(forecast)**

272 billion yen



FY2020

**Approx. 14% more
to be controlled with**

- Optimize inventory by CCC improvement
- Rigorous reviews of business investment and facilities / equipment investment standard
- Property sales by asset liquidation
- Reduction of cash and time deposit based on global funds management

4. Strengthen Financial Governance

Group Financial Standards and Policies



Promote to set standard, enabling global financial comparison and verification, to reduce financial risks, and to improve operational efficiency

- From individual / region optimum to overall optimum
- Awareness reform to Global Integration
- Strategic talent allocation & assigning, training & development and acquisition

- | | |
|---|---|
| ✓ Unification of accounting period and early settlement of accounts | ✓ Visualizing fund management through global CMS |
| ✓ Introduction of IFRS | ✓ KPI evaluation system based on financial standards (linked with SAP implementation) |
| ✓ Domestic consolidated tax payment | ✓ Standardization of finance & accounting work process by introducing SAP |
| ✓ BEPS compliant | ✓ Streamlining of financial & accounting operation & services by AI |
| ✓ Investment criteria and exit criteria | |