

## FY2023 Revision of Full-Year Earnings Forecast: Major Q&A

•Date/time	Jan 23, 2024 (Tue.) 17:00 - 18:00 (JST)		
•Speaker	President	CEO (Chief Executive Officer)	Mikio Sakai
	Director and Senior Executive Officer	CSO (Chief Strategy Officer)	Hiroyuki Tanaka
	Senior Executive Officer	CFO (Chief Financial Officer)	Sunao Maeda

### Q. Why is it taking time to present a structural reform plan for Blommer?

A. We are formulating a plan with a high degree of feasibility. We are making final adjustments to increase efficacy.

### Q. Goodwill impairment was only partial but are there additional impairment risks?

A. Since acquiring Blommer in 2019, we have implemented initiatives to improve productivity and address other issues. However, in part due to the impact of factors such as recent inflation in the U.S., we made the judgment that it would be difficult to achieve the original revenue assumptions made at the time of acquisition. As such, we recorded impairment losses. While we were able to treat a certain amount as an operational burden, moving forward we will steadily implement structural reforms and work to improve profitability.

### Q. It appears that the direction of structural reforms reflects issues indicated in the past but have there been any changes? Also, what do you view as the highest priority issue?

A. The direction of structural reforms has not changed significantly from the direction we envisioned at the time of acquisition. Fuji Oil's strengths are our high productivity, our management accounting to reinforce profit management, and our distinctive product development. We regret not adopting a sense of urgency in ensuring the application of these three strengths. Our highest priority initiative is productivity improvement. Through analysis conducted thus far, we have identified the issues that require resolution and are considering a highly appropriate and effective structural reform plan for addressing those issues in a short period of time.

At the same time, there is also the impact of changes in the external environment such as recent interest rate hikes in the U.S. and soaring raw material prices. As such, we are also examining if there are any issues that require a higher priority. With the cocoa processing business in particular, we must achieve a balance between sustainability contributions and increased exposure. Thus, we will outline an appropriate direction and respond accordingly. We will implement structural reforms rapidly and aim to establish a business that achieves high capital efficiency.

### Q. Because a structural reform plan has not been announced, it appears as though this recording of impairment is a reactive measure. Moving forward, is there a possibility of additional losses due to the implementation of structural reforms?

A. The earnings forecast announced today incorporates the impact deemed foreseeable based on the current status of revenues.

**Q. While the external environment has been a difficult one, are there any internal factors that differed from initial assumptions? Also, what types of improvements are you considering to address those issues?**

A. At acquisition, we took over the business from the founder and continued to employ the management team in place at the time of acquisition to promote the smooth succession of business. As a result, in the environment caused by COVID-19 and the situation in Ukraine, risk projections and responses were delayed, triggering a decline in revenues. We are now appropriately bringing in new management personnel and increasing the number of dispatched Japanese employees. Currently, we have established a structure with Japanese personnel overseeing each line while working in collaboration with local staff. Furthermore, the adoption of ERP for the purpose of strengthening business management was delayed in part due to plant process differences. This resulted in a situation that made it difficult to ascertain figures and caused a delay in the adoption of management accounting. As a secondary impact, the cocoa bean management and the management of the balance between production and sales fell behind. Currently, we identified products and markets that are highly profitable for each plant. We believe Blommer will be able to advance various efforts, including increasing high value-added products while reducing products with poor profitability.

**Q. Moving forward, what areas of the management structure do you think need to be strengthened?**

A. The main area we need to strengthen is improvements to productivity. We need to inject more personnel to make improvements. Over the medium and long-term, we need to strengthen compound chocolate. We want to establish a highly profitable business by enhancing collaborations between sales, development, and production.