

Structural Reforms of Blommer: Major Q&A

•Date/time	Mar. 25, 2024 (Mon.) 10:00 - 11:00 (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. Compared to at the time of acquisition, how have the US chocolate market environment and competition changed? Also, what is your outlook on the market environment going forward?

A. Demand is currently declining temporarily due in part to rising interest rates. Since acquiring the company in 2019, however, the US chocolate market has grown in line with projections. As a long-term outlook, our view is that that factors such as economic growth and population growth in the US indicate continued growth potential for the chocolate market. In particular, there are even greater expectations for demand growth for health-oriented products such as low-sugar chocolate and high-protein chocolate.

As for the competitive environment for processed cocoa products, while we are seeing an increased processing in cocoa bean producer nations, that has been no significant change in the competitive environment for chocolate products.

Q. With the closure of the Chicago Plant, will you incur one-time gains or losses in FY2024?

A. We are planning to close the Chicago Plant in May 2024. The impairment on tangible fixed assets announced on January 23, 2024 reflected a portion of these structural reforms, and we do not expect to record any significant gains or losses incidental to the closure of the Chicago Plant.

Q. When do you anticipate to see the benefits of structural reforms, the closure of the Chicago Plant and the optimization of the cocoa processing business?

A. With the closure of the Chicago Plant, we expect to see improved earnings from a significant reduction in fixed costs during FY2024. With the optimization of the cocoa processing business, we expect to see improved earnings between FY2024 and FY2025 with the optimization of cocoa inventory.

Q. Will the ratio of outside sales for the cocoa processing business fall to zero in the future?

A. The business will continue to conduct outside sales. However, with the shift to a policy of using the majority of processed cocoa products as raw materials for in-house manufacturing, we will increase the ratio of internal use.

Q. Why did you make a large-scale investment in the Campbellford Plant?

A. We decided on a large-scale investment in the Campbellford Plant based on consideration of plant productivity and employee retention.

On the subject of plant productivity, the Campbellford Plant has maintained a high level of productivity, outperforming averages for the Fuji Oil Group when compared using our plant productivity index. As for

employee retention, the Campbellford Plant has a low rate of employee turnover. This means that employees have advanced skills and produce a high yield rate of the products. As a result, the plant has low per-capita manufacturing costs. The decision to make this large-scale investment reflects our belief that the plant is capable of achieving stable production into the future.

Q. What is your view of the future growth potential for the Industrial Chocolate Business and what do you envision as Blommer's position moving forward?

A. The Industrial Chocolate Business started operations at a new plant in Brazil in FY2023 and is expanding production capacity in Europe and Australia. Also, sales are strong. While currently there are concerns about soaring cocoa prices, as a medium to long-term outlook, chocolate consumption is projected to rise on global population growth and economic growth. As such, we view our Industrial Chocolate Business as capable of achieving continued growth.

The strengths of the Fuji Oil Group include compound chocolate that utilizes our oils and fats technology, and our high productivity. We will inject this know-how into Blommer to achieve structural reforms and grow Blommer into a company that is centered on the Industrial Chocolate Business.