

FY2024Q2 Earnings Conference: Major Q&A

•Date/time	Nov 12, 2024 (Tue.) 10:00 - 11:00 (JST)		
•Speaker	President	CEO (Chief Executive Officer)	Mikio Sakai
	Director and Senior Executive Officer	CSO (Chief Strategy Officer)	Hiroyuki Tanaka
	Director and Senior Executive Officer	CFO (Chief Financial Officer)	Sunao Maeda
	Senior Executive Officer	President of FUJI OIL Co., Ltd.	Tatsuji Omori

Q. What is the probability of Blommer achieving profitability in the second half? Also, what are conceivable risks and what countermeasures are you considering?

A. For Blommer, we are projecting improved performance in the second half. We expect contributions from cost reductions achieved with the closure of the Chicago Plant, improved operating rates for the existing three plants following the transfer of production from the Chicago Plant, and sales price revisions to reflect higher cocoa costs. Two potential risks are sales fluctuations in North America and fluctuations in cocoa market prices. In response to sales fluctuations, we have been revising prices since the first half to reflect cost increases. However, economic trends have triggered a downturn in sales, meaning that delays in contract fulfillment could delay the effects of price revisions. As for cocoa market fluctuations, we anticipate that prices will settle down with expectations towards the new harvest (cocoa produced in 2024). However, prices are impacted by the inventory status of each nation and the demand-supply balance. If cocoa prices remain high and there is no contraction in the futures spread, then the elimination of special factors impacting Blommer cocoa could be delayed. To mitigate against such risks, we will further accelerate the reduction of cocoa inventory volume through cocoa business optimization as outlined in structural reforms.

Q. Industrial Chocolate performance excluding Blommer was firm during the first half. What about sales trends for the second half and beyond?

A. During the first half, performance was firm thanks to price revisions ahead of cost increases due to soaring cocoa market prices and growth in sales volume. During the second half, there is the risk of a decline in sales volume due to higher retail prices for chocolate confectioneries and a reduction in product volume in customers. However, we anticipate sales growth on the permeation of revised sale prices and continued global demand for compound chocolate.

Q. Sales volume for Vegetable fats for chocolate (CBE) was favorable but do you anticipate any changes in volume or prices during the second half?

A. First half sales volume of Vegetable fats for chocolate (CBE) increased 29% YoY on favorable sales in Japan, Southeast Asia, and Europe. In particular, Southeast Asia saw a significant increase in sales volume on new customer growth. Looking at the second half sales volume, while there are concerns about economic trends in North America, we anticipate the first half sales trends to continue. We also expect to see unit price contributions from the fourth quarter onward thanks to the start of new contracts.

Q. What are your projections for the CBE market from the next fiscal year onward? Is further improvement in supply volume possible?

A. In the future, we anticipate that cocoa prices will revert to typical prices as production volume recovers at production sites but we anticipate CBE will remain favorable next fiscal year and beyond. In terms of production

capacity, we expect full production to continue next year but we still want to review production processes to pursue further optimization. We will work to increase demand and improve profitability for CBE by promoting the functionality of CBE and helping customers with potential uses.

Q. What is the status of plans to establish a joint venture towards strengthening procurement for CBE raw materials?

A. There is increasing demand, particularly in Europe, for sustainability, including enhanced traceability and reduced process contaminants. We established JPG FUJI SDN. BHD. to address those needs. As originally planned, we are looking to begin operations in 2026.