

3Q/FY2017 Teleconference Main Q&A

Date/time: February 7, 2018 (Wed.); 2:30pm – 3:30pm

Speaker: Tomoki Matsumoto, Director and Managing Executive Officer, CFO

<About status of current fiscal year>

Q. What is your evaluation of the oils and fats and confectionary and bakery ingredients businesses for the Japan area during 3Q?

A. Income declined for the oils and fats. Despite relief from rising raw material prices, business was impacted by rising energy costs, higher operating expenses, and stagnant sales of hard butters for chocolate. However, there is no change from our initial earnings forecast for the full year and we will make up those declines during 4Q.

Sales of chocolate for the confectionary and bakery ingredients business saw a decline in the cake chocolate market but sales of molded products were favorable. We have been evaluating the rebuilding of the emulsified and fermented foods business, which includes cream, and are gradually shifting towards implementation.

Q. What is the status of China in regards to the confectionary and bakery ingredients in Asia?

A. During the three months of 3Q, operating income declined in China but overall increased in Asia. Sales in China are growing and we expect the reduction of outsourcing expenses resulting from the launch of operations at our No. 2 plant will lead to improved profitability next fiscal year and beyond.

Q. What is your view of the current market environment in Brazil?

A. This fiscal year, expanding share in markets where Harald can apply its strengths enabled us to secure profits despite reducing shipments to low-profit markets. Competition from other companies is intensifying but we are successfully utilizing the strengths of our technology and brand to distinguish ourselves from the competition. Next fiscal year, we will incorporate Fuji fats and oils technology to launch new products and increase sales volume.

<About growth next FY and beyond>

Q. When do you expect to see the benefits of structural reform for emulsified and fermented foods in the domestic confectionary and bakery ingredients?

A. Amid market contraction, how we proceed with new market development will prove vital. We will enhance our proposal-based sales and launch new products to develop new markets, positioning our current status as a bottom line from which we achieve growth.

Q. How will the launch of UNIFUJI announced in November of last year contribute to earnings?

A. Since UNIFUJI is a merger based on a 50:50 capitalization with the venture partner, the venture will not link directly to operating income. However, amid growing demand for certified sustainable oil, we believe this will be a stable source of income.

Q. Heading into next fiscal year, what factors are you viewing as negative or as risks?

A. The market environment is severe and we are not taking an optimistic view. Our strategy will be on reinforcing cost reductions and improving profitability to enhance our internal ability to increase profit. From there, we will strengthen client relations.