

## **FY2018 1 H Earnings Conference: Major Q&A**

-Date/time: Nov 15, 2018 (Thurs.) 13:00pm -14:30pm

-Location: GRANTOKYO NORTH TOWER

-Attendees:

President and CEO (Chief Executive Officer)	Hiroshi Shimizu
CFO (Chief Financial Officer)	Tomoki Matsumoto
President of FUJI OIL Co., Ltd.	Tatsuji Omori

### **<About Japan>**

#### **Q. What was the cause for stagnant chocolate sales in 1H and what is your future outlook?**

A. 1Q sales were favorable but demand declined due to excessive heat during 2Q and due to a decline in inbound demand attributable to damage caused by natural disasters, particularly in Kansai and Hokkaido. Current demand has not yet recovered completely but, based on customer sales projections and a continued consumer trend towards health consciousness, we expect sales to rebound in 2H.

#### **Q. What is the progress of structural reforms for cream and emulsified & fermented food ingredients?**

A. (1) We are promoting a coordination business to contribute to resolving issues such as labor shortages facing bakeries and confectionery shops. Next fiscal year, we will work to develop this business into a core pillar. (2) In addition to raw materials using the USS manufacturing method, we are developing new genres that utilize other plant-based ingredients.

#### **Q. What is the goal of selection and concentration efforts for the soy business?**

A. We are in an age when consumers are receptive to the value of soybeans. We will concentrate on value added segments such as the health and nutrition market and functional ingredients.

### **<About Asia>**

#### **Q. Growth in Southeast Asia is weak but what do you view as the problem?**

A. In Southeast Asia, individual markets are small and demand varies with each market. We are conducting country-specific targeting led by each regional headquarters and establishing a development and sales structure to respond to demand in each country. The R&D Center will serve as lead on unified three-way response by management, development, and sales.

#### **Q. What is the background behind the China No. 2 plant providing revenue contributions that exceeded expectations?**

A. Normally, a single plant has been insufficient for maintaining supply in line with firm demand. Also, amid rapid increase in demand for custard bread and other confectionery breads, there has been strong demand for our filling products for their quality and taste. These factors lead to a favorable start to operations.

<Other>

**Q. Amid engagement by other companies in the hard butters for chocolate business, what provides the Fuji Oil Group a competitive advantage?**

A. One of our competitive advantages is that we source oil and fat raw materials such as palm and shea butter are locally. We also have established a supply chain centered on UNIFUJI Corporation that enables sustainable palm oil procurement. Furthermore, we are expanding our chocolate plants around the world, including Brazil and Australia, and we have the ability to ascertain market needs through our chocolate business.

**Q. Current conditions are favorable and conditions appear ripe for growth but what is your risk awareness?**

A. We are near completion of production capacity enhancements to address products for which we lacked capacity and we expect our top-line to grow moving forward. However, we anticipate increases in fixed costs for personnel expenses so we will continue optimization to maintain balance. Risks include changes in competitive relationships and market engagement by other businesses.