FY2019 1H Earnings Conference: Major Q&A

-Date/time : Nov 7, 2019 (Thus.) 10:00am -11:30am

-Location: : Daiwa Securities Sky Hall

-Attendees:

President and CEO (Chief Executive Officer)	Hiroshi Shimizu
CFO (Chief Financial Officer)	Tomoki Matsumoto
Blommer Chocolate Company Chairman	Mikio Sakai
President of FUJI OIL Co., Ltd.	Tatsuji Omori
CSO (Chief Strategy Officer)	Yasuhiro Maruhashi

<About Blommer>

Q: What is the timing for improving labor shortages and production efficiency, issues expected to be bottlenecks for Blommer in the second half?

A: Regarding improving retention rates due to labor shortages, we are beginning to see the benefits of measures related to wage improvements and changes in hiring methods. We also are seeing the benefits of improvements to production efficiency. Taking a conservative approach, we expect the impact of decreased production volume due to supplier liability issues to end by the first half of next year. However, with increased demand for sugar-free products and looking at the supply status for competitors, the temporary decline in volume is not expected to have a future impact on Blommer sales.

Q: Is there any change is the trajectory for Blommer growth plans?

A: There is no change in plans of $80 million (EBITDA-based) in 2023. We will increase profits by promoting optimization for capital expenditures and expenses.

Q: When do you expect you can apply Blommer's experience and industry position towards creating Group synergy?

A: We are promoting business groupwide partnerships that take advantage of Blommer's client network. One of our Group strengths is our supply structures in Japan, China, and Asia, all areas targeted by major chocolate manufacturers. We are also advancing the development of our Group partnership structure. In China, we are engaged in detailed initiatives including OEM partnerships for the Blommer plant.

Q: Are there any issues with the management of companies acquired by Fuji Oil?

A: Since the acquisition, we have been aware of issues related to understanding local business customs, marketing capabilities, and global governance. The acquisition further increased our problem awareness and we are working to rapidly address these issues.

At the same time, we have been able to confirm the superior nature of the production planning knowhow and efficient management of our Japanese business. We will continue to respond to issues with a sense of urgency.

<Other issues>

Q: What caused the Harald in Brazil Q1 decline in sales volume? Was this due to factors such as declining relations with customers?

A: The main factor behind the decline in Harald profitability is due to depreciation of the Brazilian real and market competition. Sales volume decreased in Q1 but Q2 outperformed the previous year. The production structure is returning to normal and there has been no impact on relations with customers.

Q: What can we expect in terms of profit margin for the Vegetable Oils and Fats business?

A: We are increasing contracts for our mainstay product hard butters for chocolate. Looking at unit price trends, we are expecting firm sales next fiscal year.