

FY2019 Earnings Conference call: Major Q&A

-Date/time : May 14, 2020 (Thu.) 10:00am -11:00am

-Attendees:

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

<About Industrial Chocolate business>**Q. How is the market for the Industrial Chocolate business changing due to COVID-19?**

A. We forecast increased consumer interest in healthy and ethical products, as well as changes in purchasing behavior with a shift towards EC. As such, we are engaging in product development and initiatives to adapt to these changes. Chocolate is an essential consumable in the west. And due to low-cost availability in Asia, we do not forecast any decrease in consumption due to budget consciousness.

Q. What is your chocolate strategy going forward?

A. Global demand is growing and we view chocolate as a key domain. In this segment, we want to achieve operating profit of 10.0 billion yen or greater. Japan is at full capacity, so we will pursue high value-added products such as colored chocolate as well as focusing on molded chocolate to overcome labor shortages. Overseas, we will promote optimization at each company and focus on the injection of management resources and a Group-wide support effort. As our global strategy, we will promote the following:

1. Promote globally universal strategic products,
2. Build structure for supplementing production capacity between Group companies,
3. Use Blommer brand effectively,
4. Strengthen purchasing and ability to procure sustainable cacao beans.

About Blommer**Q. What are your assumptions and level of certainty regarding the FY2020 plan for increased income (excluding impact of COVID-19)?**

A. We are planning on increased profit through initiatives to control cacao bean futures valuation losses, cost reductions achieved through productivity improvements, and higher operating profit on increased sales. In FY2019, we used PMI and the injection of human and management resources from various Group companies to resolve production stability issues and nonconforming product rates. These were problems the company faced but we are seeing the benefits of improvement initiatives. We will cover worsening market conditions for the cacao business by expanding sales of high

value-added products.

About Harald

Q. What are your assumptions regarding the plan for recovery from 2H/FY2020?

A. The main markets for Harald are the confectionary shop and food service markets. We forecast these markets will be impacted by COVID-19. However, in addition to the benefits of cost reductions achieved through productivity improvement initiatives, we are strengthening our sales strategy to expand sales channels and developing new products that will appeal to customers. We also have established a foreign currency allowance to hedge against depreciation of the Brazilian real and we are conducting exports.

<Others>

Q. About CF: How will you achieve the 9-day CCC reduction (YoY) outlined in your FY2020 earnings forecast? Also, what monetary benefit will this have?

A. In addition to optimizing inventory at each company, we forecast that completing the integration of the Blommer purchasing scheme will significantly reduce cacao bean inventory. We are planning on sales of 370 billion yen. We forecast a one-day CCC reduction as equating to approximately in 1.0 billion yen in cash generated. Furthermore, we did not achieve the 10-day reduction goal (compared to FY2016) outlined in our Mid-Term Management Plan and we view cacao business long-term inventory held as an issue requiring further consideration, particularly for Blommer.

Q. About the Mid-Term Management Plan: How do you evaluate your business portfolio organization and management?

A. While there are issues with Industrial Chocolate business earnings, we have identified issues with each company and are advancing measures to address each issue. Furthermore, although we are focusing investments on the Industrial Chocolate business, we have also reaffirmed the importance in maintaining the Vegetable Oils and Fats business as a mainstay business due to the fact that we have established a strong core product line in the form of sustainable palm oil and vegetable fats for chocolate.