

1Q/FY2020 Teleconference Major Q&A

Date/time: August 5, 2020 (Wed.); 3:30pm – 4:30pm

Speaker : Tomoki Matsumoto, Member of the Board ,Executive Officer, CFO

<About thoughts on overall earnings>

Q. Momentum from 2Q onward

A. Looking at the Soy-based ingredients business, we think earnings will continue to be firm but the souvenir market, which relies on inbound traffic, and the F&B market are likely to remain stagnant. On the other hand, with the easing of movement restrictions and stay-at-home orders in various countries, demand on other markets is on a recovery trend. Recovery on some markets will be delayed due to second and third waves of the pandemic but we will work to cover declining sales by reducing operating expenses while focusing on the promising health and nutrition market.

Q. What is your forecast on changes in market and competition environments caused by stagnant demand?

A. With the acceleration of trends towards consumer thriftiness, in the Industrial Chocolate business we think we can take advantage of our expertise in compound chocolate, which offers price competitiveness compared to pure chocolate. In the Vegetable Oils and Fats business, we anticipate increased demand for CBE, which offers cost benefits compared to cocoa butter.

Q. What are your thoughts on next fiscal year and beyond?

A. It is true some markets will take time to recover. We will continue to withdraw from non-core and unprofitable businesses while simultaneously increasing profitability at newly acquired overseas locations as we work to create plant-based food markets for existing locations.

<About the Industrial Chocolate business in the Americas>

Q. What are your thoughts on Blommer's momentum moving forward and what is the progress of initiatives specifically related to Blommer such as productivity improvements?

A. Blommer's 3Q (August to October) is a time when sales volume increases ahead of major events such as Halloween and Christmas. We are monitoring trends. The issue of hiring, which became apparent last fiscal year, has been resolved. To address the issues of nonconforming product rates and product improvements, Blommer is engaged in initiatives based on established KPI and is making improvements. We are planning on continuous capital expenditures aimed at improving operations.

Q. What about Harald momentum from 2Q onward?

A. Although results will not reach last year's levels, commercial supermarkets, Harald's major customers, are beginning to resume operations as the market shifts towards a recovery trend. We will monitor trends during the peak season in 3Q and 4Q.

<About status of other areas>

Q. Status of China area

A. The Industrial Chocolate business started a partnership with Blommer China. On the other hand, profitability is down due to delays in demand recovery on the bread market, a trend towards consumer thriftiness, and pricing competition from market competitors. To address these issues, we will focus on reducing operating expenses to secure profits.