

FY2020 Earnings Conference: Major Q&A

Date/time	May.13.2021 10:00am – 11:00am	
Attendees	President and CEO	Mikio Sakai
	CFO (Chief Financial Officer)	Tomoki Matsumoto
	President of FUJI OIL Co., Ltd.	Tatsuji Omori
	CSO (Chief Strategy Officer)	Hitoshi Shindachi

<About Blommer>

Q. Fuji Oil Group took a major step toward globalization in the previous medium-term management plan by increasing its share of the global market for industrial chocolate. What kind of deviation is there from the original plan?

A. The main deviation from our assumptions regarding globalization is the improvement in productivity at Blommer.

In terms of facilities, it is difficult to make capital investments in FY2020 due to COVID-19, and progress is only about half of what is planned. In terms of operations, the company has not been able to achieve the expected level of improvement.

Since Blommer has strong relationships with customers and a strong sales force, we will continue to focus on improving production efficiency to achieve the expected improvement in profitability as soon as possible.

Q. What are Blommer's strengths and weaknesses from the perspective of President Sakai, who served as Chairman of the Board at Blommer?

A. Blommer has a long history, and its strength lies in its strong relationships with customers and industries, as well as its strength in sales.

On the other hand, Blommer has weaknesses in operations, and we have been implementing and continuing efforts to improve operations by reinforcing the workforce and changing the organizational authority after the acquisition.

Q. What is the progress of measures aimed at achieving synergies between Blommer and the Fuji Oil Group?

A. In FY2020, we have not been able to launch any new products due to the lack of proposals to customers under COVID-19, but discussions are progressing through intra-group communication using the web. The group has also started to collaborate with the vegetable oils and fats business and other chocolate manufacturing bases. In addition, a base for application development has been established in Chicago to strengthen communication with customers.

Our relationship with MNCs is deepening through Blommer, and we are beginning to see increased communication and new business in China and Asia.

Q. What is Blommer's profit plan for FY2021?

A. The following three points are the main reasons for the decrease in profit.

- (1) Reversal of gains on cocoa futures
- (2) Decline in profit margin of cocoa products
- (3) Increase in labor costs to secure personnel

We aim to secure the same level of profit as the previous year by covering these factors of decrease in profit through the following efforts.

- (1) Recovery of volume and growth of focused high value-added products
- (2) Improve production efficiency
- (3) Procurement of competitive raw materials
- (4) Cost reduction

In terms of capturing the market recovery in the U.S., it will still take a few more years to achieve an overall increase in volume through capital investment and productivity improvements, but in fiscal 2021, we will focus particularly on high value-added products such as sugarless and protein-rich products to boost profits.

<About other plans for FY2021>

Q. What is the impact of the soaring market prices of palm and other raw materials?

A. There is a strong view that the prices of oils and fats will remain high at the current level, which is higher than initially expected. Therefore, we consider it necessary to take a step further in price revision than initially expected.

Q. About Harald's profit plan

A. As the impact of the prolonged depreciation of the Brazilian real is significant, we will implement price revisions and reduce purchasing costs.

<About management policy>

Q. What issues are you aware of regarding globalization and the new plant-based food ingredients business for the next medium-term plan?

A. We regard globalization as a fundamental issue in that we have not sufficiently established a system to promote business-specific strategies on a global scale and have not sufficiently penetrated and implemented such strategies in all Group companies.

In the area of plant-based food ingredients, the company has been promoting the brand promise of Plant-Based Food Solutions, but the track record of product launches and profit contributions has been insufficient. I think this is because we have not been able to sufficiently narrow down our target products and markets. Our priority will be to concentrate on Japan, where we have our manufacturing bases, and develop our business.

We would like to present specific plans for these issues in the next medium-term management plan.

Q. What exactly is the "commitment to profit" mentioned in the presentation?

A. Our intention is to achieve both stable profit growth and to improve the certainty of executing the planned figures.

In order to provide stable returns to our shareholders, we will clearly indicate specific measures such as building a management foundation and business strategies and ensure that the figures we have committed to will be achieved.

Q. What are your thoughts on measures to fulfill your commitment to profits and global human resource exchange?

A. First, we would like to resume our efforts to exchange human resources to share know-how on safety and quality and the philosophy of the Constitution. We have also resumed the overseas trainee system. By engaging in this program at major group companies, we will promote understanding of the differences in thinking between countries and the good and bad aspects of work procedures, as well as human resource exchange.

In addition, I would like to improve the CXO's ability to execute by clarifying the mission of the CXO at the Group headquarters and identifying priorities, and I would like to increase communication with the headquarters by assigning a person in charge of each job in each area and individual company.

In addition, I (Sakai) would like to promote dialogue with the top management of each group company. By doing so, he will be able to ascertain whether profits are progressing and whether issues are being addressed. In addition, I would like to understand each individual's way of thinking and point out areas that need to be corrected so that the entire group can move in the same direction.