3Q/FY2020 Teleconference Major Q&A

Date/time: Feb 8, 2022 (Tue.) 4:30 – 5:30(JST) Speaker : Tomoki Matsumoto, Member of the Board ,Executive Officer, CFO

<About thoughts on overall earnings>

Q. This year you conducted a downward revision and profit decreased year on year. Of the factors that contributed to decreased profits, which would you consider transitional factors?

A. Factors that we consider to be transitional include up-front expenses recorded by the US oils and fats business due to delays in the launch of operations at the new plant in New Orleans and a decline in the profitability of certain contracts at our existing plant in Georgia due to a need to fulfill contracts in an environment seeing high raw material prices. However, we expect improvement in the majority of these issues for New Orleans with next fiscal year's vertical launch of operations. Also, the majority of low profitability contracts for existing plants were recognized in 3Q.

It would be difficult to categorize logistics disruption in the US and rising logistics and labor expenses as transitional factors. However, price negotiations for contracts for next fiscal year will reflect these cost increases, which will alleviate the impact felt in the upcoming fiscal year.

Among soy-based ingredients and emulsified & fermented ingredients, raw material prices for commodity products continue to rise. As such, we have continued to reevaluate prices since the beginning of the year. We will work to improve conditions by engaging in strict management and by implementing multi-phase process of gradual price revisions.

Q. Although you are able to revise prices for products with a competitive advantage, it appears that the competitiveness of commodity products is a major issue. Do you feel that this has hurt your business model?

A. We do not think our business model has suffered any significant damage. We have several businesses that are maintaining or expanding market share. At the same time, factors such as the impact of COVID-19 and changes in how people view work-life balance, growing consumer health consciousness, and the trend towards ESG are driving major changes in society. We do feel it will be difficult to sufficiently adapt to these new changes in our operating environment based solely on our existing business model.

As such, we will create a profitable, efficient business model by establishing a new supply chain, restructuring our portfolio, and promoting sales of standout products.

Q. The trend of high raw material prices appears that it will continue during the next fiscal year. What is your image of profit levels for the next fiscal year?

A. Global inflation and high raw material prices will continue but we will cover those changes with price revisions and sales expansion. We view this fiscal year as the lower end of profit declines, and plan to improve profits by making significant improvements at the new plant in New Orleans and Blommer, which were major factors behind decreased profits.

Q. Business management is a critical part of global expansion. What issues have you identified and how are you responding to those issues?

A. We are in an operating environment of intense change and a lack of transparency with issues such as COVID-19, high raw material prices, global inflation, and logistics disruption. We want to strengthen our business management in order to shift from a reactionary stance to implementing proactive measures.

From next fiscal year, we will strengthen management by shifting from area-based management to a structure through which business areas collaborate with the head office to implement global business management. We will improve management conditions by focusing on issues that became apparent with the decline in our operating environment. These issues include increasing competitiveness for each product line and further enhancing the management capabilities of each Group company.

<About thoughts on earnings in the Americas>

Q. When do you think the new plant in New Orleans will get on trajectory?

A. Sales are delayed due to the impact of COVID-19 and a hurricane preventing inspectors from being able to enter plants to conduct product certification inspections. Also, the pipeline connecting the port to our in-house plant is not yet complete, which is causing significant cost increases because we currently have to ship products from the port to the plant over land.

The buyers of products from the new plant in New Orleans will be customers of the existing plant, so there are no concerns about matters such as adjustments to quality. As such, we project being able to eliminate the majority of losses over the course of the full year by increasing sales from 1Q after obtaining certification and gradually reducing costs as we complete our pipeline during the first half of next fiscal year.

Q. What is your earnings forecast for Blommer next year?

A. This fiscal year, product decreased as the US market faced difficult conditions due to a labor shortage, which drove up personnel expenses. At the same time, repair expenses increased on delays in investments in deteriorating facilities and sales volume for cacao products declined.

Next fiscal year, we will be operating under contracts based on prices that reflect cost increases. We are also drafting a sales plan to further improve our product mix. As for business management, under a new COO we will reevaluate the current centralized management structure of our four plants and shift to a structure that strengthens management at each plant. Under newly appointed plant management and profitability officers, we will further optimize operations and increase production volume by adopting more refined and dynamic operations, including conducting hiring and facility management for each plant to reduce losses.

While we expect the environment of rising personnel expenses and logistics disruption will continue, we plan to recover the losses from this fiscal year by successfully implementing these policies.

<About China and Asia>

Q. This fiscal year, the emulsified & fermented products business struggled due to delays in revising prices for commodity products. How will you achieve improvements moving forward?

A. In China, there are the issues of our pricing strategy and cost management capabilities. Filling products continue to capture a strong share of the market and have earned the trust of our customers. We will make improvements to margarine business, which continues to struggle with profitability, while taking advantage of our product development and proposal capabilities to concentrate on highly profitable products.

As for Asia, the profitability of emulsified and fermented ingredients is declining, particularly among products for the Asia region produced in Singapore. The issue of how we strengthen business and respond to declining profitability amid rising fixed costs in Singapore is an issue that we plan to explain during the next Medium-Term Management Plan.

<Others>

Q. What about the future impact of high raw material prices?

A. This fiscal year, we were able to cover roughly 90% of rising raw material costs through price revisions. However, the timing lag between raw material procurement and use resulted in 3Q being impacted by a sudden increase in raw material prices. With the steady rise in raw material prices, it will be difficult to completely cover those increases with price revisions but we will continue responding by expanding sales and strengthening business management to help alleviate the impact of these factors.