

FUJI OIL HOLDINGS INC. FY2022Q3 Earnings Conference: Major Q&A

•Date/time	Feb 8, 2023 (Wed.) 15:30 - 16:30(JST)		
•Speaker	President and CEO (Chief Executive Officer)	Mikio Sakai	
	CFO (Chief Financial Officer)	Tomoki Matsumoto	

Q. What factors caused decreased profit in 3Q for the North American Vegetable Oils and Fats business?

Also, what is your forecast for 4Q?

A. During 3Q, net sales worsened for Fuji Vegetable Oils (our existing plant in Savannah, Georgia, USA, below referred to as the “existing plant”) due to delays in sales resulting from customer inventory adjustments and a decline in profitability due to high-priced raw material inventories. Also, our new plant Fuji Oil New Orleans (below referred to as the “new plant”) was unable to increase sales volume due to delays in infrastructure facility construction and logistics disruptions.

During 4Q, we forecast improvements in profitability for the existing plant on the normalization of the inventory adjustment cycle and sales progress. Also, at the new plant, construction of infrastructure facilities was completed in 3Q, and we are planning to gradually increase sales volume heading towards the end of March. As such, we expect performance to improve.

Q. It took Blommer time to recover from problems but is there any need for more fundamental reform measures?

A. Blommer has four plants. East Greenville in Philadelphia and Campbellford in Canada are advancing measures to improve and stabilize productivity. However, there are issues with the plants in Chicago and Union City in San Francisco. Regarding these issues, we have been engaged in discussions concerning more fundamental reform measures since last year, and will continue to discuss this matter, including the need for fundamental reforms. We intend to disclose the specifics of our reforms in FY23.

Q. During 3Q, profits in Japan improved but will this trend continue?

A. During 3Q, we advanced efforts to revise prices to reflect higher raw material price. Looking ahead, we expect to see continued increases in energy, personnel, and logistics costs, so we will think we will have to continue implementing price revisions moving forward. As for sales volume, we expect to be able to capture inbound demand and we have expectations for a recovery in ice cream market. Looking at the Emulsified and Fermented Ingredients business, we developed hit products for custard cream that enabled us to increase sales volume for the fiscal year, with particularly strong sales in 3Q. We will continue working to increase sales volume by advancing the development of high-quality products that contribute to resolving the problems of our customers.

Q. There were reports concerning the possibility that market prices for palm oil could increase moving forward.

A. There have been reports indicating concerns over the impact of Indonesia's biofuel policies. While we do think these factors have been incorporated into market prices, we cannot exclude the possibility of price increases driven by future policies. To lower future risks, we will continue to engage in the strict management of raw material market prices and our inventory position. We believe it is critical that we respond in a timely manner to reflecting raw material price increases in our sales prices, and we have strengthened our business management.

Q. What are the key points of organizational restructuring to be implemented from next fiscal year and what will be your highest priority initiative?

A. Ensuring future growth for the Fuji Oil Group will require that we expand global sales of distinctive products rather than commodities. For example, with oils and fats, this means focusing on increasing the number of certified oils we offer and stabilizing supply by strengthening supply chain. With chocolate, we already sell products incorporating Fuji Oil's technology in Brazil and Europe, and moving forward we will need to increase these types of distinctive products. Furthermore, an issue facing our entire Group is how we can reduce and control volatility. We will begin operations with a strengthened business axis organization to resolve these issues and maximize the current potential of our Group.

Our top priorities are Vegetable Oils and Fats business and Industrial Chocolate business by business segment, and the Chinese market by area.

For Vegetable Oils and Fats, we will work to rebuild business in USA and strengthen our supply chain to restructure into a business focused on sales of high-value-added products such as certified oils. For Industrial Chocolate, we are positioning the rebuilding of operations at Blommer as our highest priority issue. In China, we will launch operations at a new plant for whipping cream by the middle of next fiscal year to add to existing production of margarine, filling, and chocolate. We will build a sales structure that is designed to resolve issues and working to recover our profitability.