FY2022Q4 Earnings Conference: Major Q&A

・Date/time	May 11, 2023 (Thu.) 10:00 - 11:00(JST)	
・Speaker	President and CEO (Chief Executive Officer)	Mikio Sakai
	CFO (Chief Financial Officer)	Tomoki Matsumoto
	President of FUJI OIL Co., Ltd.	Tatsuji Omori
	CSO (Chief Strategy Officer)	Hiroyuki Tanaka

Q. Regarding the Americas Vegetable Oils and Fats Business, what is your view of the business environment in the USA and what is the background of your FY2023 plan for higher profits?

A. Demand for southeastern oils and fats for food purposes is increasing steadily due to the Green New Deal policy in the USA, which led to increased applications for soybean oil as biodiesel. However, at present, we are seeing weak consumption on factors such as advancing inflation and rising interest rates.

Our FY2023 plan for increased profits is based on the favorable impact from the transfer of fixed assets of Fuji Oil New Orleans, which recorded a loss in FY2022. Additionally, plans for increased profit also reflect improvements in profitability at our existing plant Fuji Vegetable Oil.

Q. What initiatives are you implementing to make improvements at Blommer?

A. In FY2022, we launched a plant-specific management structure for the four Blommer plants, and we are seeing the benefits of that change. Performance is recovering at the East Greenville Plant in Philadelphia and the Campbellford Plant in Canada, and the Union City Plant in San Francisco is working to stabilize production. For the Chicago Plant, which has been an issue, we have dispatched senior engineering staff from the Group oils and fats company in the Americas as well as management personnel from Fuji Oil Holdings. We have dispatched several Japanese staff and have established a taskforce that is prioritizing measures to improve productivity. FY2022 performance was disappointing but we do recognize that this was largely due to transitional factors such as problems with cocoa processing equipment.

Q. What is behind the plans for lower profit in FY2023 from Japanese businesses?

A. In FY2022, we worked to permeate price revisions in order to address soaring raw material prices and yen depreciation. However, our sales volume decreased due to volume reductions for consumer products and the impact of consumer thriftiness. In FY2023, we project that yen depreciation and cost increases for logistics and other expenses will continue but currently inbound demand is recovering, so we want to improve performance by capturing demand.

Q. What will be your medium and long-term driver of profit growth?

A. This fiscal year, we expect to reap the benefits of growth investments, including plans to launch operations at the Harald No. 2 plant and a cream plant in China. We will also apply our oils and fats technology and fermentation technology towards shifting to high-value-added products for filling in China and chocolate in Europe. Additionally, we are beginning to see results from initiatives related to expanding sales of plant-based foods. In our next medium-term plan, we want to focus on cultivating this business into a growth pillar.

Q. What is your view on the risk of higher interest payments due to interest rate hikes and the risk that interest-bearing debt poses to your balance sheet?

A. As of the end of FY2022, interest-bearing debt was roughly 170 billion yen but the majority is loans generated in Japan. As for overseas loans, we forecast that FY2023 interest paid will be largely unchanged from FY2022 as we will apply capital gained from the transfer of fixed assets for Fuji Oil New Orleans towards the repayment of short-term interest-bearing debt. Also, we are planning for improvements to our net D/E ratio in FY2023 on improvements to operating capital and lower interest-bearing debt. As such, we view our balance sheet risks as being low.