

FY2023Q2 Earnings Conference: Major Q&A

•Date/time	Nov 9, 2023 (Thu.) 10:00 - 11:00 (JST)		
•Speaker	President	CEO (Chief Executive Officer)	Mikio Sakai
	Director and Senior Executive Officer	CSO (Chief Strategy Officer)	Hiroyuki Tanaka
	Senior Executive Officer	President of FUJI OIL Co., Ltd.	Tatsuji Omori
	Senior Executive Officer	CFO (Chief Financial Officer)	Sunao Maeda

Q. In initial plans for Blommer (Industrial Chocolate Business, Americas), you forecasted improvement on improved economic in the US from the second half onward and the normalization of intermediate distribution inventories but in light of recent changes in economic conditions, how are you reflecting performance in revised plans?

A. Initially, we forecast Blommer would improve in the second half but a difficult market environment has continued due to factors such as ongoing high interest rates, declining economic conditions, and a decline in chocolate consumption in the US. We have reflected these market changes and a certain level of assumed risks in second half plans for Blommer. We will work to achieve plans by reviewing our production structure to reflect changes in demand and by implementing cost controls.

Q. What effects have you seen at Blommer since former CFO Matsumoto assumed his position in the company? Also, will you be outlining medium and long-term reforms?

A. Since Matsumoto assumed the position of chairman and CEO of Blommer in July 2023, we are using the alliance between Fuji Oil Holdings and Blommer to strengthen control of operations and accelerate management decisions. As for medium and long-term reforms for Blommer, we are advancing discussions while examining changes in the external environment. We are working to present details as soon as possible.

Q. Performance in the Japan has improved during the first half of this fiscal year but can we assume this trend will continue into the second half and beyond?

A. Performance during the first half this fiscal year was due to stable prices of raw materials such as palm oil, our main raw material, and increased sales to the souvenir market, which benefitted from a recovery in consumer behavior. However, sales volume decreased due to a reduction in products for confectionery distribution. During the second half, we are anticipating numerous factors, including yen depreciation, rising energy costs, and higher prices for cacao and sugar, in addition to the impact of the reduction in products for confectionery distribution. However, we have created our second half plans to reflect these risks, so we believe the risk of a decline in performance to be extremely low. We want to exceed plans by working towards a recovery in volume.

Q. Please indicate your progress for and the benefits of your efforts to strengthen raw material position management.

A. At present, we are building a system that enables the management of raw material positions for each company. Of course, it is impossible to completely eliminate the impact of fluctuations in raw material markets but we are seeing the benefits of these efforts. For example, we have been able to more quickly identify the impact of raw material market fluctuations and implement measures such as revisions to pricing strategies.

Q. One of the factors of performance improvements for the Vegetable Oils and Fats Business appears to have been the transfer of fixed assets and portfolio reevaluation for Fuji Oil New Orleans (Vegetable Oils and Fats Business, Americas). Moving forward can we expect that you will continue to reevaluate your business portfolio?

A. Since FY2022, we have worked to strengthen segment-specific management. As part of that initiative, we have been reevaluating business and product portfolios and working to strengthen each business. In the Vegetable Oils and Fats Business, RSPO certified oil now exceeds 50% of our palm oil procurement as sustainability initiatives are leading to results. Looking at the Industrial Chocolate Business, in Brazil and Europe we are applying oil and fat technologies to launch differentiating products, which has led to increased sales volume and improved profitability. In the Emulsified and Fermented Ingredients Business, cream and other products are highly popular. In the Soy-based Ingredients Business, we want to further strengthen highly competitive products such as soy protein ingredients and functional ingredients. We will use a product and market matrix to analyze each business in order to focus on segments where we can apply our strengths.