

Structural Reforms of Blommer

March 22, 2024

Current Awareness

- Acquired Blommer in January 2019. Planned for FY2023 EBITDA of US\$ 80m.
- COVID-19 impact delayed the investment in old production facilities. In addition, the profitability of Blommer deteriorated significantly due to changes in the U.S. labor market, a sharp rise in interest rates, and a sharp increase in manufacturing costs caused by skyrocketing cocoa prices.
- Recorded extraordinary losses of 10.1 billion yen (additional amortization cost of goodwill and impairment loss on tangible assets) for Q3/FY2023.

Structural Reforms

- Implement three structural reform measures to achieve EBITDA of US\$ 80m by FY2028.
 - STEP.1 Closure of Chicago Plant
 - STEP.2 Optimization of Cocoa Processing Business
 - STEP.3 Promotion of Differentiation Strategy
- No change in the brand strength and broad customer network Blommer has established in the U.S. Blommer reformation through structural reforms will improve profitability. We aim to be a company that contributes to our stakeholders.

1. Current Awareness
2. Structural Reforms and Goals
3. Reference Materials

1

Current Awareness

Background of Acquisition

Acquired Blommer based on business evaluation and assumption of improvement through capital investments

Awareness of Blommer prior to Acquisition

Evaluation

- Brand strength on US industrial chocolate market
- Customer network, sales network
- Innovative cocoa beans procurement initiatives
- Pioneer in distinctive products like low-sugar chocolate

Issues

- Plant productivity
- Old production facilities
- Earnings volatility due to impact of cocoa market prices

Acquisition

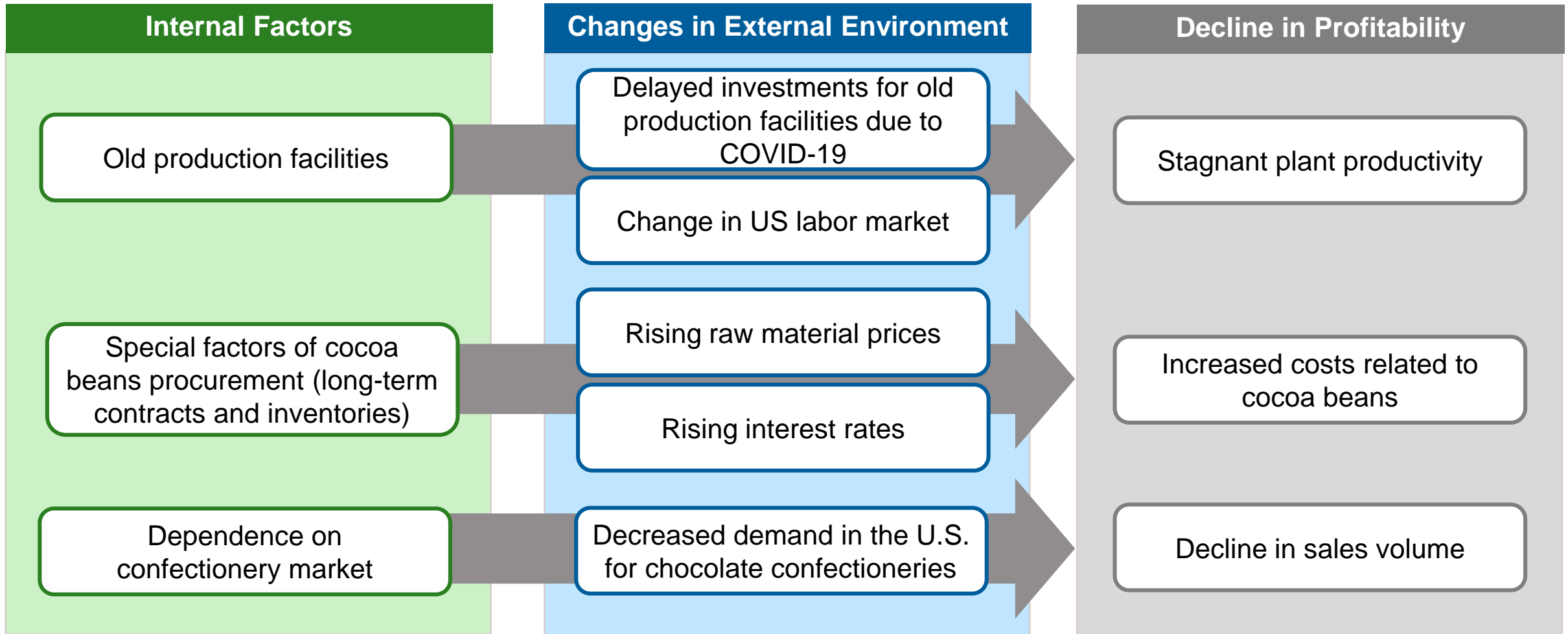
- Despite issues with old production facilities in some plant, we judged that plant productivities could be improved with the implementation of early renewal investments.

Acquired in January 2019 with assumed corporate value of 84.8 billion yen. *calculated as US\$1 = ¥113

- Planned on EBITDA of US\$ 80m in FY2023 based on the plant productivity improvements, the expansion of high value-added products such as low-sugar chocolate which Blommer developed and the adoption of compound chocolate using oils and fats technology, which was Fuji Oil's strength.
- Maintained existing management team to promote stable business succession.

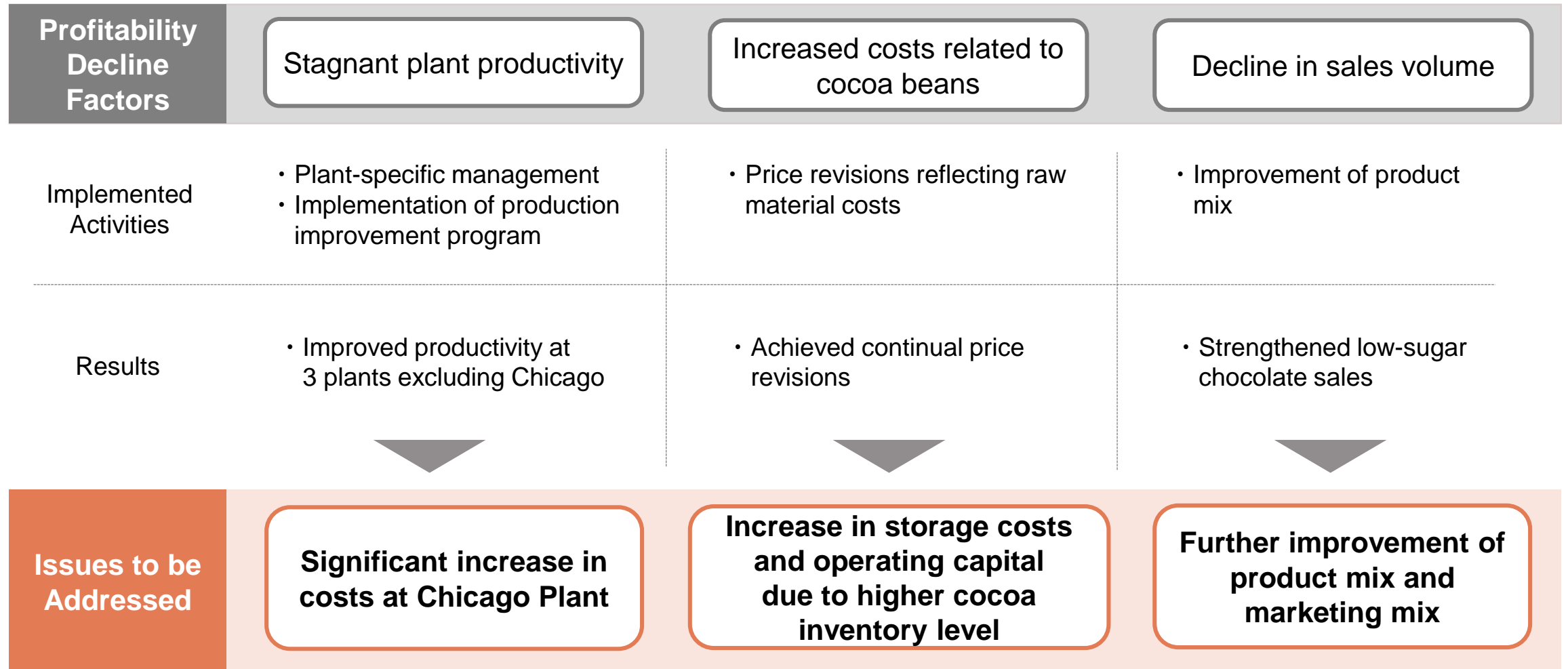
Awareness of Issues Following Acquisition

Addressed internal factors following acquisition but profitability decreased due to major changes in external environment



Improvement Activities

Saw results from activities but recognized need for structural reforms

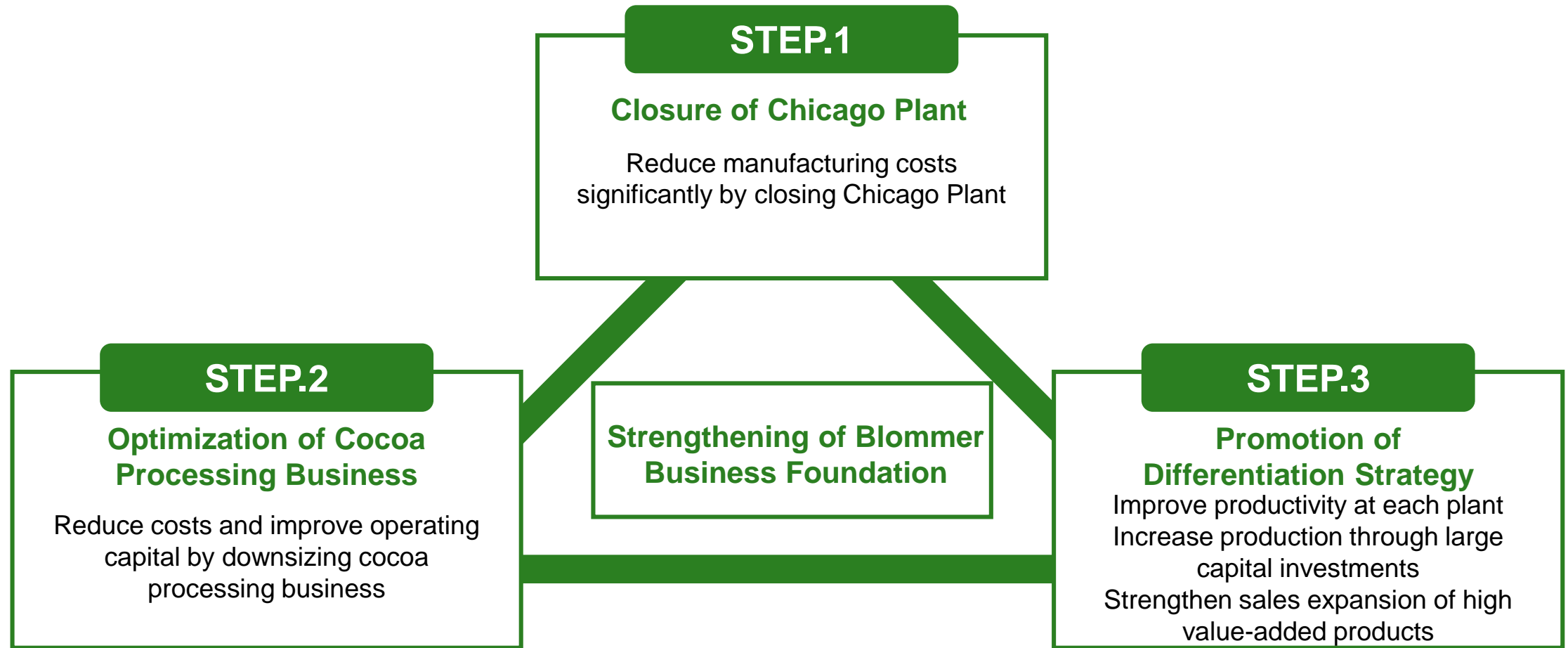


2

Structural Reforms and Goals

Key Points of Structural Reforms

Blommer strengths have remained intact, but will implement structural reforms to restore profitability

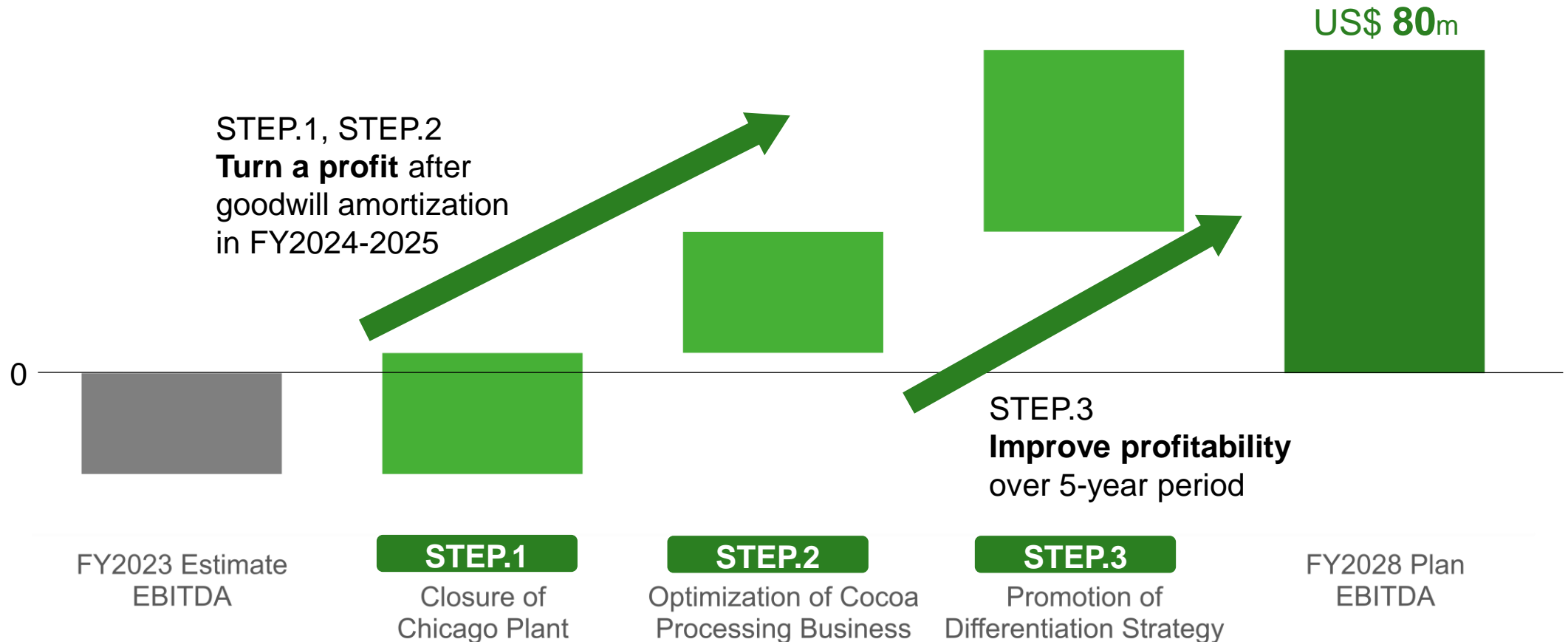


Steadily promoting structural reforms and strengthening of business foundation with the aim of profitability improvement

Effects of Structural Reform

Aim to achieve EBITDA of US\$ 80m in FY2028

Blommer 5-year EBITDA Image



Projecting that closure of Chicago Plant will lead to significant fixed cost reduction

Chicago Plant Overview / Issues

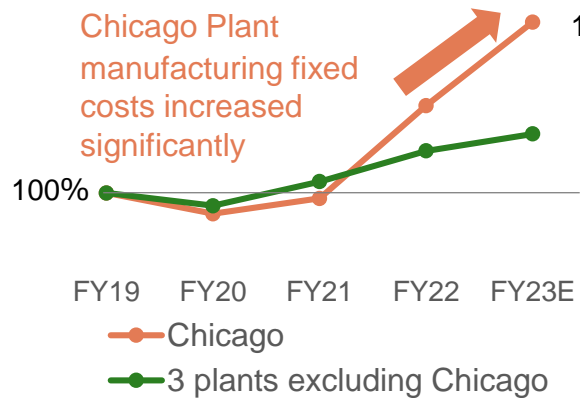
Overview

- Birthplace of Blommer
- Retaining strong customer network
- Producing chocolate products and processed cocoa products
- Plant located in downtown Chicago

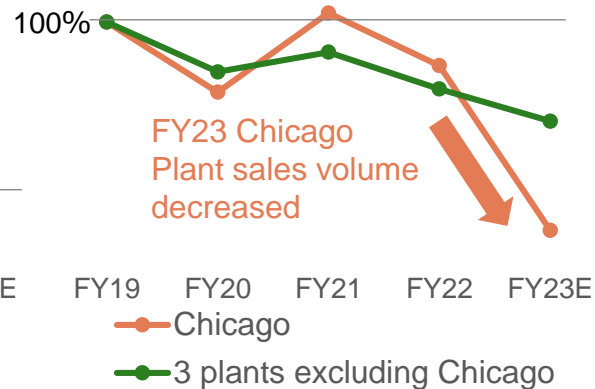
Issues

- Securing human resources and rising personnel costs
- Increasing repair costs due to old production facilities
- Continual production trouble
- Decline in sales volume

Manufacturing Fixed Cost Trends
(FY2019=100%)



Sales Volume of Chocolate Products Trends
(FY2019=100%)



Closure of Chicago Plant and Effects

Decided closure of Chicago Plant in March 2024 after consideration of significant increases in repair costs for old production facilities and personnel costs, as well as declining sales volume.

Effects

- (1) **Reduce** manufacturing fixed costs by **approx. US\$ 50m*** in FY2024.
- (2) **Reduce** Blommer staff by **approx. 20%**.
- (3) **Increase** production volume of the other 3 plants by **approx. 22%.***

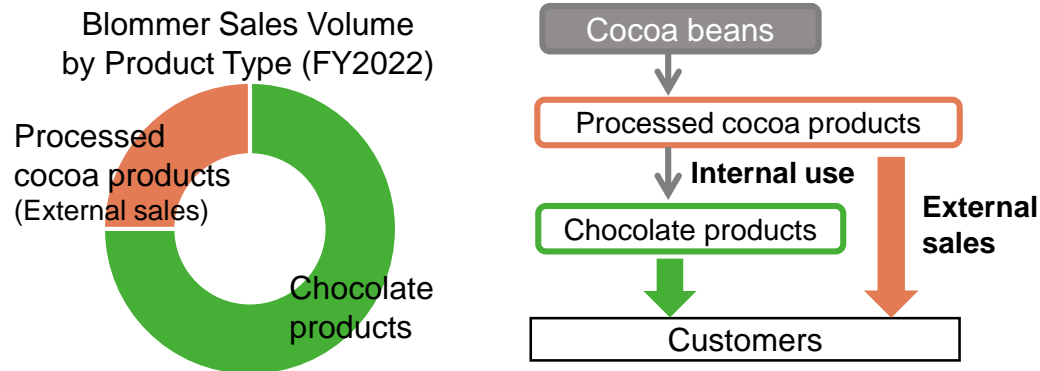
Improvement effect of approx. US\$ 30m* will appear in FY2024.

*vs. FY2023 estimate

Promote reduction of exposure and management costs related to cocoa beans

Blommer Products and Strengths and Issues of Cocoa Processing Business

- Blommer manufactures/sells chocolate products and processed cocoa products.
- Processed cocoa products are sold to external customers and used as raw materials for internal manufacturing.



Cocoa Processing Business Strengths and Issues

Strengths

- The largest processor in the U.S.
- Stable supply to customers
- Cocoa beans procurement and sustainability initiatives

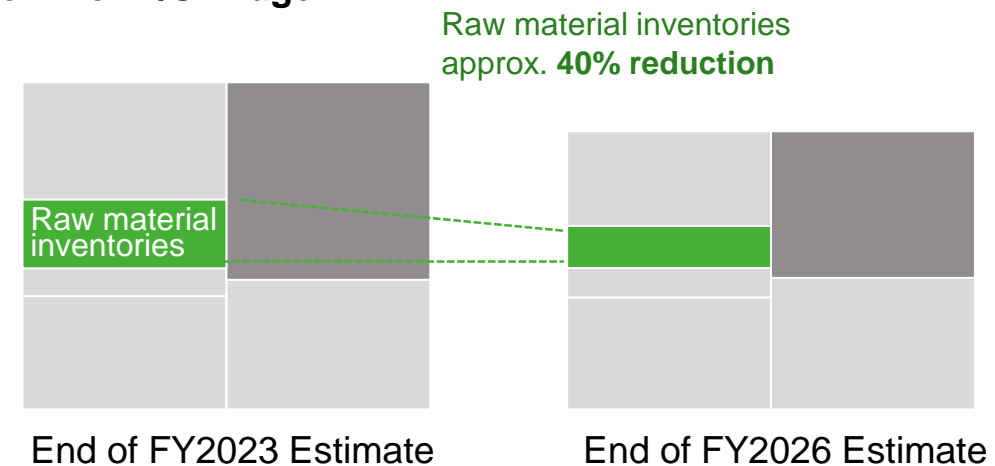
Issues

- Long-term contracts and inventories in cocoa beans procurement
- Profit volatility
- Trend towards commoditization

Cocoa Beans Exposure Reduction

Cocoa beans inventories will be reduced by **closure of Chicago Plant and switch to focus on mainly internal use as raw materials.**

Blommer B/S Image



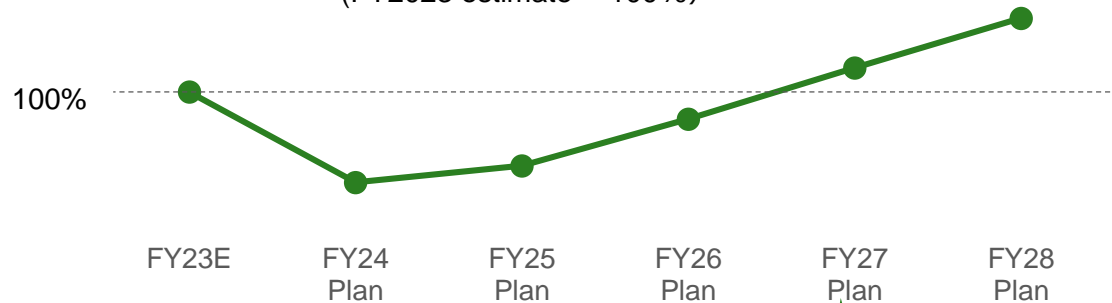
Reduce raw material inventories by **approx. 40% in FY2026** and **reduce management costs.** (vs. the end of FY2023 estimate)

Corporate reformation from volume to quality through differentiation strategy

Establishment of Increased Production System

Establish increased production system and **aim to increase sales volume by FY2028 to exceed the level before the closing of Chicago Plant.**

Sales Volume Image of Chocolate Products
(FY2023 estimate = 100%)



FY2024-2025

Establishment of increased production system at 3 plants

Implement productivity improvement at each plant to accommodate the transfer of production of some products from Chicago Plant.

FY2026-2028

New facilities operation of Campbellford Plant (Canada)

The new facilities are scheduled to start operation in FY2026 with large capital investments of approx. US\$ 60m. The plant's production capacity will be expanded to approx. 1.5 times that of the previous facilities.

Differentiation Strategy

Change focus from volume to quality.

Reduce sales of low-profit products and focus on markets and products with growth potential.

- **Reorganized R&D and sales into market-specific organizations**
Strengthening proposals and marketing for priority markets.
- **Opening of a new R&D center**
Expanding existing lab functions, a new R&D center in Chicago is scheduled to open in the fall of 2024. To support customers and develop new products in the mid- to long-term.
- **Expansion of production capacity for high value-added products**
New facilities at Campbellford Plant will produce high value-added products such as compound chocolate.

Accelerate sales expansion of high value-added products through development and proposal activities for problem solution.

Strengthening of Business Foundation to Achieve Structural Reforms

To achieve structural reforms, execute sweeping measures that consider risks

Cooperation between Manufacturing, Sales and R&D

- Smooth shift to a 3-plant structure and improve productivity
 - Strengthen marketing for priority market
 - Establishment of production system for high value-added products
- ➔ **Shift in mindset from volume to quality**

Strengthen Management Structure

- Procurement: Inventory management for volatility reduction
 - Manufacturing: Analysis and measures using the Fuji productivity index
 - Human resources: Revision of personnel evaluation system, use of engagement survey
- ➔ **Strengthen monitoring of KPIs by division**

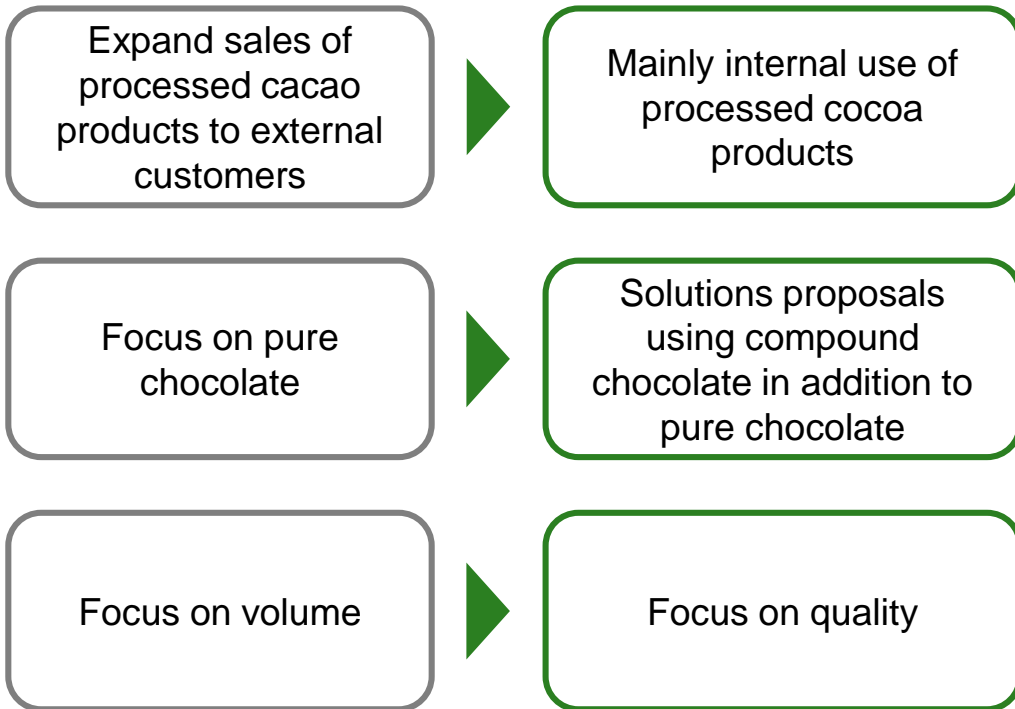
Groupwide Support for Blommer

- Strengthen dispatch of chocolate development experts and plant manufacturing engineers
 - Further promotion of hands-on management system
 - Strengthen business management by introducing a globally integrated ERP system
- ➔ **Deployment of know-how from group-wide**

Achieve Blommer Reformation

**No change in the brand strength and broad customer network Blommer has established in the U.S.
Improve profitability through structural reforms**

Blommer Reformation



Grand Design

A company that contributes to stakeholders with a strong business foundation and profitability through Blommer's brand, Fuji Oil technology and production.



Low-sugar Chocolate



Filling



Molded Chocolate



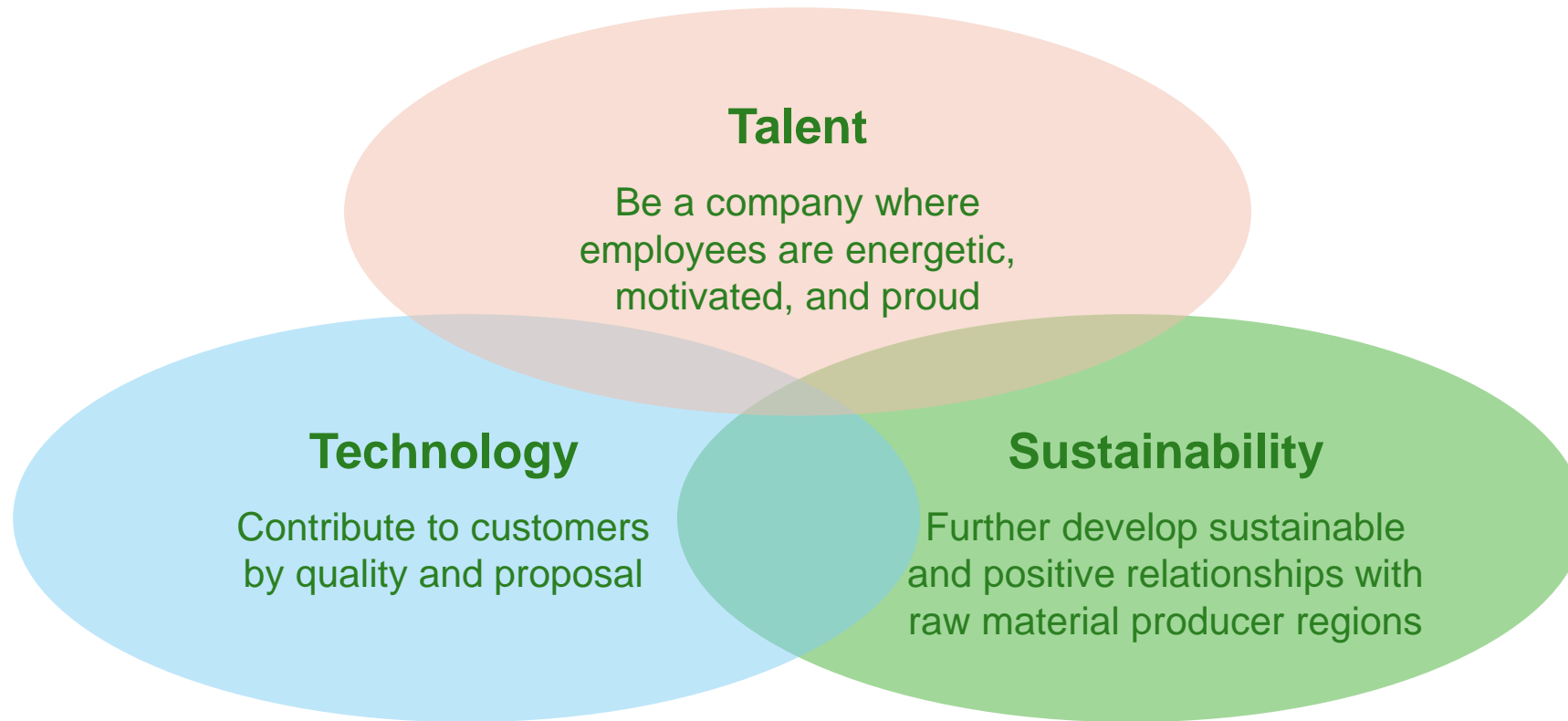
Ice Cream Coating



Coating for Bakery and Confectionery

Aim to achieve EBITDA of US\$ 80m by FY2028

New Blommer after Reforms



Achieve Blommer reformation and grow into a core company in Industrial Chocolate Business

3

Reference Materials

FUJI OIL HOLDINGS/ Industrial Chocolate Business

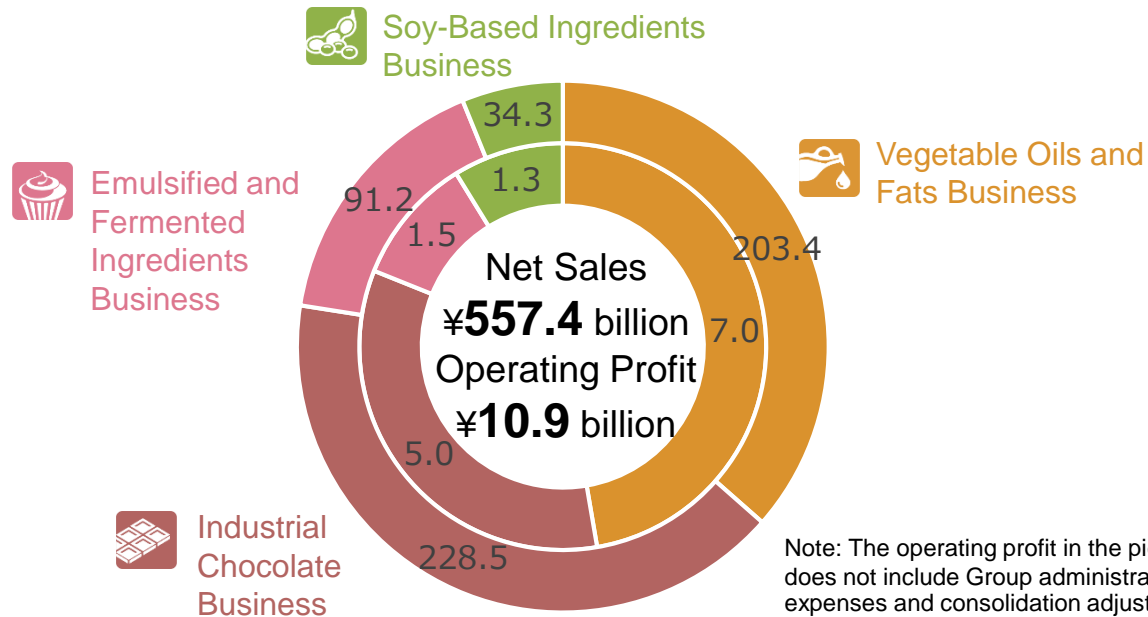
FUJI OIL HOLDINGS

Established	1950
Number of Employees (consolidated)*	5,799
Consolidated Subsidiaries*	39

FY2022 Results by Businesses

Net Sales (outer circle), Operating Profit (inner circle)

Unit: billion yen



Note: The operating profit in the pie chart does not include Group administrative expenses and consolidation adjustments.

Industrial Chocolate Business

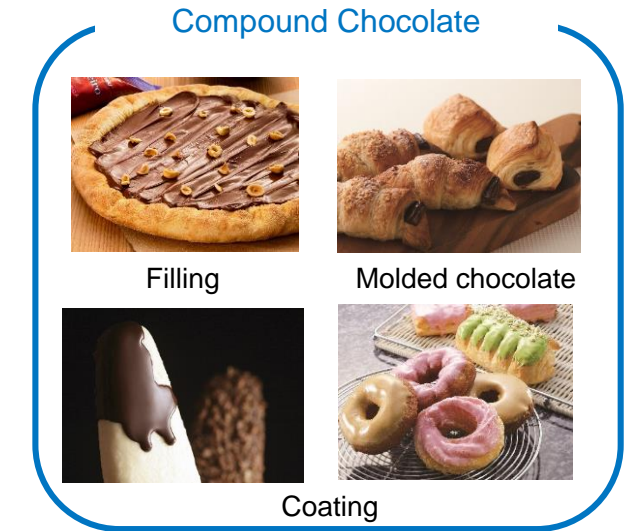
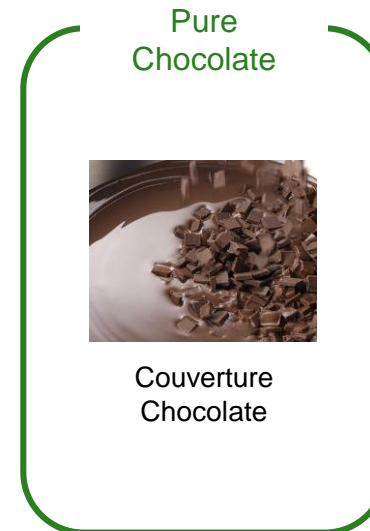
Strength in compound chocolate using vegetable fats for chocolate made by Vegetable Oils and Fats Business

Share

No. 3 worldwide, **No. 1** in Japan
(Company estimates)

Annual Production Volume*
Operating Base*

Approx. **400,000** tons
8 countries, 11 companies
Japan, The U.S., Brazil, Indonesia, Australia, Malaysia, China, Belgium



* As of March 31, 2023

Blommer

Summary

Established 1939

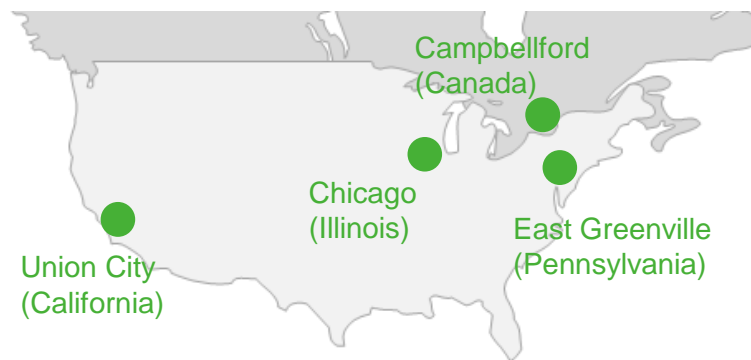
Business Industrial Chocolate Business

Plants* 3 plants in the U.S., 1 plant in Canada, 1 plant in China

Share* The Largest cocoa processor and the 2nd industrial chocolate supplier in the U.S.
The 3rd largest industrial chocolate manufacturer in the world

* As of acquisition

Plants in the U.S. and Canada

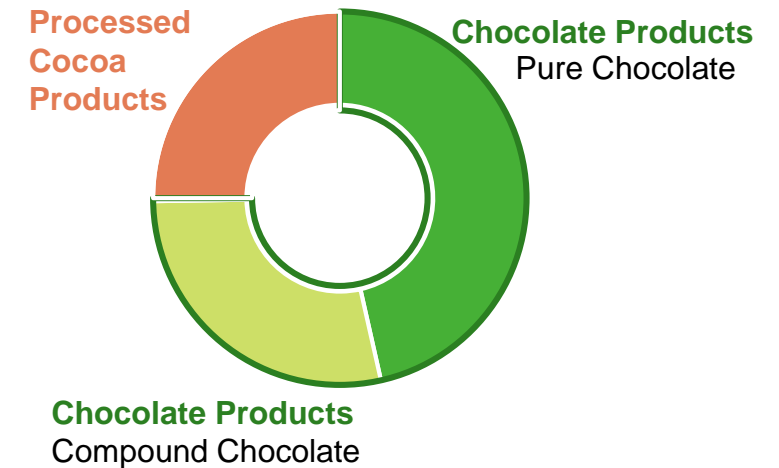


History



Product Composition

Volume Proportion by Products Type (FY2022)



Purpose of Acquisition and Significance

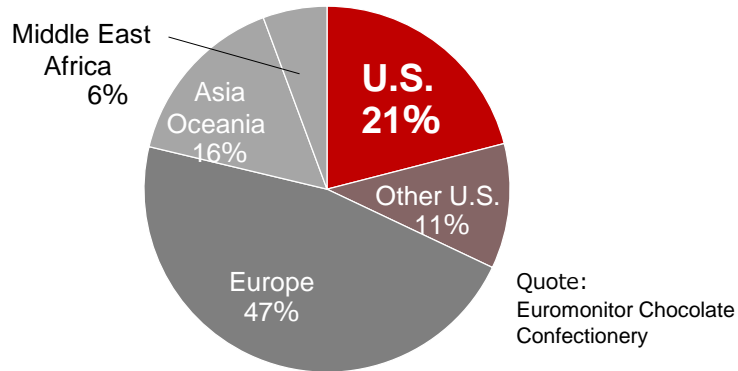
1. Expand the Industrial Chocolate Business
2. Strengthen our cocoa supply chain
3. Generate synergy

Growth Potential of the U.S. Chocolate Market

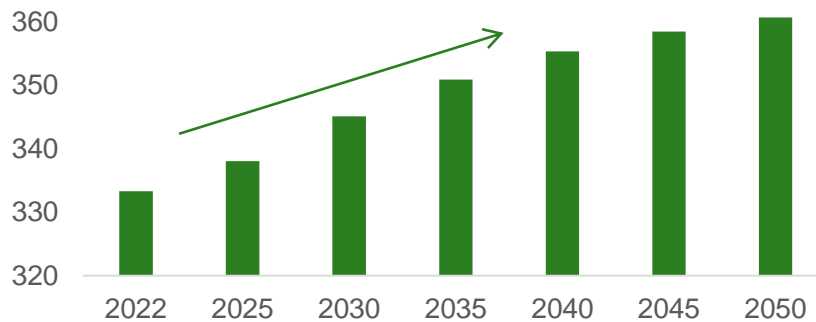
U.S. Market

In chocolate, the U.S. is the largest single nation market in the world, and the prospects for growth are good.

Chocolate Confectionery Market Size by Region



Unit: million
Population Projections in the U.S.

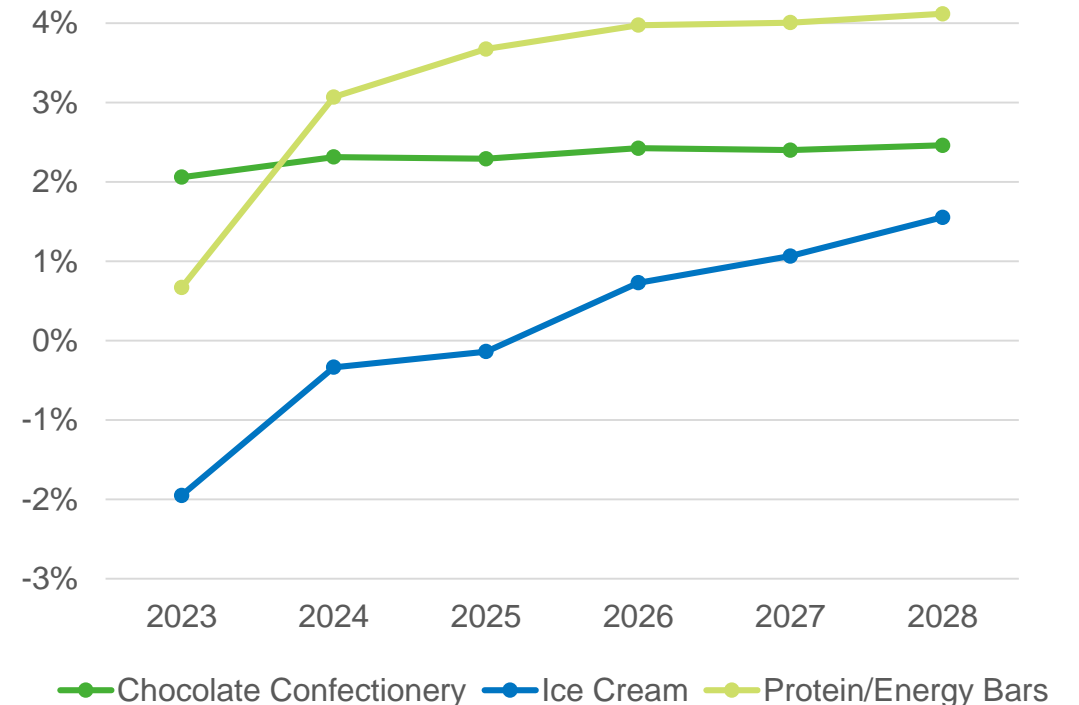


Quote: 2023 National Population Projections data, the U.S. Census Bureau

Expansion of the Chocolate Market

In addition to continued growth in the Chocolate Confectionery market, the related Protein Bar, Ice Cream, and other markets are also expected to expand.

North American Market Growth by Category



Quote: Euromonitor Geography North America
Category Chocolate Confectionery, Ice Cream, Protein/Energy Bars

Sustainability

Sustainable cocoa beans procurement to accelerate, Blommer's program has a ripple effect on the Group

Responsible Cocoa Beans Sourcing Policy (2018)

Improve living conditions of farmers

Elimination of child labor in the supply chain

Deforestation prevention and forest conservation

Medium- to Long-Term Goals	Elimination of Child Labor	Reforestation
FY2022 Results	<ul style="list-style-type: none"> CLMRS* operational in 100% of farmer groups from which the Fuji Oil Group directly procures cocoa beans 89% of farm plots mapped within direct supply chain 	60,000 trees planted
2025 KPIs	No worst forms of child labor	500,000 trees planted
2030 KPIs	Elimination of child labor	1 million trees planted

Major Activities

- Mapping with GPS
- Introduction of CLMRS* and provision of education opportunities to children
- Support for cocoa farmers
- Community development and women's empowerment initiatives
- Conservation and restoration of forests



Ivory Coast Representative Office Blommer

FUJI OIL CO., LTD.

Provides financial support by purchasing cocoa beans through Sustainable Origins, a sustainability support program conducted in collaboration with Blommer. Sells chocolate incorporating the program.



CACAO QUALY chocolate based on Sustainable Origins program

* CLMRS: Child Labor Monitoring & Remediation System

 **FUJI OIL HOLDINGS INC.**

This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

The forward-looking statements, including earnings forecasts, contained in this document are based on management's assumptions and beliefs in light of information currently available and involve risks and uncertainties, and are subject to change without notice. Actual results may differ materially due to a variety of factors.