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March 22, 2024

To whom it may concern:

Company Name	FUJI OIL HOLDINGS INC.
Representative	Mikio Sakai, President & CEO
	(Code:2607 TSE Prime Market)
Contact Us	Yoshiharu Okamoto, General Manager,
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Notice Regarding Structural Reforms at Consolidated Subsidiary

FUJI OIL HOLDINGS INC. announces that the Company decided to proceed with structural reforms of Blommer Chocolate Company (U.S.) (hereinafter “Blommer”) to restructure the business foundation and profitability. The outline of the structural reforms is as below;

1. Background and Objectives of Structural Reforms

Blommer became our consolidated subsidiary in January 2019, but Blommer’s profitability has declined due to the impact of the COVID-19 pandemic, rising raw material prices and interest rates, increased fixed costs resulting from inflation, and other such factors, and we recorded extraordinary losses in the third quarter of the fiscal year ending March 31, 2024. However, Blommer has the appeal of a brand 80 years in the making in the American market, has business relationships with leading companies in various food product markets, and boasts a healthy competitiveness based on its wide-ranging sales network, and given that growth in the U.S. industrial chocolate market (the world’s largest industrial chocolate market) is expected to continue with anticipated population growth, FUJI OIL HOLDINGS INC. has determined that Blommer’s profitability can be swiftly restored through the implementation of structural reforms. Blommer is a growth driver for the Fuji Oil Group’s Industrial Chocolate Business, and we firmly believe that restoring the profitability of the Blommer will contribute significantly to the long-term growth of the Group. Through the structural reforms outlined below, we shall create further synergy within the Fuji Oil Group and make Blommer a core company for value creation in the Group.

2. Outline of Structural Reforms

(1) Closure of Chicago Plant

The profitability of Blommer’s Chicago plant has declined due to structural factors that include decreased production efficiency and increasing repair costs resulting from old facilities, difficulties securing human resources caused by the location of the plant, and rising labor costs. In order to optimize the allocation of management resources, we will cease production at the Chicago plant and close it. It is expected to improve operating profit by US$30 million per year through reducing fixed costs at this plant and improving profitability due to shifting of production of high value-added chocolate products to other plants. After production has been shifted, we will aim to achieve sales quantities that exceed the level of the Chicago plant prior to its closure by FY2028 through productivity improvements at each plant and enhancements to the system for production of high value-added products.

(2) Optimization of Cocoa Processing Business

Blommer's cocoa processing business is an upstream process in the Industrial Chocolate Business, and has contributed to stability in the supply of processed cocoa products to customers as well as to supply it's chocolate products through in-house use as a raw material for chocolate products. However, Blommer was faced with the issue of declining profitability caused by increasing costs associated with holding an inventory of cocoa beans as a result of recent interest rate increases and inflation. We will rethink the scale of the business in reflection upon changes in the environment and aim to reduce the cost of inventory holding by switching to an approach with a main focus on use of processed cocoa products as raw materials for chocolate products.

(3) Promotion of Differentiation Strategy

With the aim of enhancing the system for production of high value-added products, we will expand production lines to the Campbellford plant (Canada). As a result of this expansion, we will aim to meet the demand for low-sugar chocolate, high-protein chocolate, and a range of other such high value-added products that has come about from a growing market in the U.S. resulting from population growth, an increase in the volume of chocolate consumed, and a heightened awareness of health, and to contribute to customers and consumers by meeting the needs of customers and markets in an even more timely fashion through the restructuring of research and development and sales organizations.

3. Effect on Business Performance

There are no changes to the earnings forecasts for the fiscal year ending March 31, 2024. An announcement will be made promptly in case a revision of the business forecast becomes necessary.

4. Voluntary Return of Chief Executive Officer Compensation

In consideration of extraordinary losses in Blommer, the Company's president & CEO has made an offer for a voluntary return of compensation. The details of this voluntary return are as described below.

Compensation to be returned

President & CEO: 30% of basic monthly compensation

Period

Six months starting April 2024

(Note) The forward-looking statements included in this document are based on the information available at the time of this announcement. The actual results may differ from the forecasts in this report due to various factors.

End