

FY2024Q1 Earnings Conference: Major Q&A

•Date/time	Aug 9, 2024 (Fri.) 17:00 - 18:00 (JST)		
•Speaker	Director and Senior Executive Officer	CFO (Chief Financial Officer)	Sunao Maeda

Q. You are anticipating a gap in the timing of sale price adjustments to reflect procurement costs for Blommer, Industrial Chocolate business. What level of impact do you project this gap will have on the second quarter?

A. The dramatic rise in cocoa prices from the beginning of 2024 resulted in cocoa procurement prices rising faster than sales price revisions for customers in the second quarter. As a result, we are anticipating roughly 3.1 billion yen as the impact from the increase of procurement costs in the second quarter.

However, we view this is a shift in the timing of recording revenues. Price revisions will lead to a correction, and we are projecting an equivalent increase in revenues from the second half onward. For the full-year, we expect that increase to offset the impact of the aforementioned gap.

Q. What is the status of performance for Vegetable fats for chocolate (CBE) in each area?

A. First quarter sales volume for CBE improved year on year in various areas, including Japan, Southeast Asia, and Europe. Demand was strong and, particularly in Southeast Asia, materialized relatively quickly. On the other hand, the US chocolate confectionary market was stagnant and sales volume for Vegetable fats for chocolate excluding CBE decreased year on year.

Q. First quarter substantive operating profit was 5.2 billion yen but how does this compare to company forecasts?

A. Substantive operating profit, which excludes first quarter Blommer futures valuation gains, was 5.2 billion yen, which outperformed corporate forecasts by roughly 1.6 billion yen. On an area-specific basis, Industrial Chocolate sales were favorable in Japan, Vegetable Oils and Fats and Industrial Chocolate in Southeast Asia outperformed forecasts, and sales of Vegetable Oils and Fats grew in Europe. Overall, performance was strong.

Q. Interest paid has increased significantly but do you expect this will continue moving forward?

A. Interest paid increased due to an increase in short-term borrowings, which was attributable to an increase in operating capital in respond to soaring cocoa prices. The majority is attributable to Blommer in the U.S. With signs of cocoa prices settling and improvement in US interest rates, we anticipate that interest paid will gradually settle down.