

FY2017 Q3 Results Presentation Q&A February 1, 2017

Q1 What is the current situation of your management structure in North America and what are your plans going forward?

At present, we have temporarily dispatched 3 executives, including the President, from Japan and are working to restructure the organization. In the near future, we will hire a top management executive familiar with the snack business and from the next fiscal year will implement a new management structure.

Q2 What is your policy for expanding sales in North America?

Since last Autumn, we have pursued sales with major customers who we have business connections with, and negotiations are proceeding. We expect a certain amount of sales growth in the fourth quarter. At present, our objective is for net sales of 10 million dollars per month and an operating margin of 15%.

Q3 Do you forecast an increase in profits in overseas business in the next fiscal year?

We expect to be able to increase in profits in overseas business in the next fiscal year. Improving profitability in North America is a top priority. We are also focusing on increasing profit and reducing losses in South Korea, Indonesia and other regions. In South Korea, we are expecting to expand sales and improve profit by establishing a structure for participating in Japanese product development and by forming an agreement on partner and marketing and sales policies. In Indonesia, sales are growing as planned. Next fiscal year we will work on improving cost of sales ratio.

Q4 The growth rate for *Frugra* slowed in Q3- what is the current status and outlook for it?

Although the growth rate for *Frugra* slowed in Q3, we expanded our production capacity in April 2016 and expect to be able to achieve our full year sales target of 30 billion yen. The domestic granola market is currently around 50 billion yen, but by raising recognition of granola and growing around 20% annually, we think it will expand to around 80 billion yen. In August our Hokkaido plant will begin production, and we will expand sales channels targeting overseas demand as well. Our policy will be to control selling expenses for *Frugra* and maintain a regular rate of growth.

Q5 Please discuss the causes for the increase in domestic selling expenses and your outlook for them.

Selling expenses rose in this fiscal year due to changes in product policies related potato shortage and stemming from the focus on sales promotion for *Frugra*. From April, we will work locally to control selling expenses under a unified groupwide policy.

Q6 What impact will concerns of a potato shortage have on next year's sales?

Although effects from last year's potatoes will continue until we use them up in June, other products will compensate for sales growth. Although weather is a factor, from summer the potato harvest will begin in earnest, and we do not expect there to be a major impact.