Calbee
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FY2018 Q2 Results Presentation Q&A
October 30, 2017

Q1 What was the main reason for revising operating income forecast downward?

The slump in the North American business resulted in a decrease in operating income forecast this fiscal year by 2.5 billion yen. Domestically, potato chips are strong, however this will not be unable to cover the decrease in the North American business.

Q2 Why has the dividends forecast been revised? Did you not have the option of keeping the forecast steady even if the dividend payout ratio rose above the previous forecast?

Following discussions at the Board of Directors Meeting, we resolved to reduce the dividend forecast this fiscal year in accordance with the downward revision in consolidated forecasts. The dividend payout ratio is one of the important performance indicators and our objective is to continue to raise it by 2% per year.

Q3 What are your thoughts on the North American business' plans?

The basic policy of localization has not changed. The main problem in the past one to two years has been in the sales force. The products themselves have a strong reputation, but in order to have them placed on the shelves, maintaining good relationships with major customers is the most important issue. As a result, we have reinforced sales personnel. There are also still issues in production, SCM, and product development and we are cooperating fully from Japan with regards to requests for support from the new local structure.

Q4 Can you tell us about the development of the *Frugra* business in China?

We do not think that everything can be sold through cross border e-commerce, following the commencement of operations of the Kyoto factory in the summer of 2018. In terms of real channels, our plan is to begin work from December. For the time being, we aim to secure a 10% profit margin by combining our cross-border e-commerce and real channels. Since there are differences in terms of tax, profit ratio is better for cross-border e-commerce. However, with only one sales channel, there are high risks, and since the real channel market remains significant we will plan to focus on both areas.

Q5 Will you continue to improve selling costs going forward and can this contribute to improving profitability?

In the first half of the fiscal year we were able to control discounts due to a shortage in potato chips across the market as a whole. Results currently show that there are advantages in negotiating with customers separately. In the domestic business, profit margin increased to 13%. We believe that we can improve profitability further by promoting direct transactions and controlling selling costs going forward.