

## FY2018 Q3 Results Presentation Q&A February 1, 2018

**Q1 For potato chips domestically, will you be able to grow sales while controlling selling costs?**

Because demand for potato chips in the third quarter was stronger than expected we were able to continue to control selling costs from the second quarter. Going forward, we will make decisions while observing trends in the market.

**Q2 What trends do you see in domestic demand for *Frugra*?**

Amid a sluggish market overall, we were able to raise third quarter (three months) *Frugra* sales year on year. Although we increased the number of SKUs, we don't yet think our appeals are having a sufficient effect on new customer segments. *Frugra's* brand recognition is only in the 50% range and the purchasing rate is low, so we want to achieve further growth by raising brand recognition and the purchasing rate, and by capturing new customers.

**Q3 You began selling *Frugra* at Chinese retail shops; how is it being received? And what about future expansion?**

We began shipping at the end of November, and began displaying products in Chinese shops from December through January. Towards the commencement of operations at the Kyoto factory in the summer, there is no change in our plan to advance via three channels: Chinese domestic e-commerce, cross-border e-commerce, and retail shops. However, although the Kyoto factory will add 15 billion yen in capacity, we are not assuming that it will be running at full capacity from the next fiscal year. We are currently deciding on specific plans for next year, including on how to develop the three channels. In the future, we will aim for a 10% profit margin for the overseas *Frugra* business as a whole.

**Q4 Are you already selling *Frugra* via Chinese domestic e-commerce?**

At present we are not. We expect to enter this channel during the fourth quarter.

**Q5 Why did profit decrease in Greater China?**

The main reason for the decrease in profit is that losses grew in Taiwan, where we primarily sell imported snacks; however, Hong Kong, where we sell *Frugra* to China through cross-border e-commerce contributed to increased profit there.

**Q6 Please discuss the progress of recovery in your North American business.**

US demand for healthy snacks usually decreases in the third quarter, but as third quarter sales were about the same as second quarter sales, we think we have bottomed out and are picking up momentum.

**Q7 What is your outlook for North America in the next fiscal year?**

In the next fiscal year, we aim to increase sales and profit, but will not plan for a high growth rate like in the past. In operating income, our structure is becoming one that will generate profits as we make progress in improving our production structure such as by reducing labor costs through down-shifting. Operating income ratio will probably be in the single-digit range.

**Q8 How were third quarter results compared to your plan?**

Third quarter (three months) operating income was 1.1 billion yen below our plan overall, 400 million yen below domestically and 700 million yen below overseas.

Domestically, although growth in *Potato Chips* covered sluggish sales of *Frugra*, because of factors such as demand focusing on potato chips, sales of other snacks decreased, and operating income did not meet the planned target. Overseas, we did not meet planned targets in North America, where selling costs rose, or South Korea, Indonesia, etc.

**Q9 You did not meet your operating income targets in the third quarter; will you be able to recover to meet your full year targets?**

Domestically, there is strong demand for potato chips and we do not feel there to be a significant risk of not meeting our targets.

Overseas, we are aiming to achieve profitability in North America in the fourth quarter, but it will be very difficult to make up the entirety of the third quarter's large gap in relation to the plan.