FY2018 Results Presentation Q&A
May 11, 2018

Q1 Your FY2019 forecasts for North America anticipate a significant increase in profit; do you expect a contribution to earnings that does not rely on increased sales alone?
Because we have reviewed our overall operations, even if sales are the same as FY2018 it is possible to make them profitable. Supply and demand was not well planned and in FY2018 there was a cost burden from product wastage. However, these issues have since been improved and we expect disposal costs to be halved in this fiscal year.
In order to deal with frequent losses due to equipment failure, engineers were dispatched from Japan to identify the issues and make improvements–a framework to ensure daily maintenance was also created. In terms of other costs, we have reduced the number of excess personnel at our factories. For sales and administration costs, we have reduced costs for ineffective advertising.

Q2 What is your medium-to long-term strategy for North America? For example, are you considering acquiring any brands?
In terms of snack category, there is no change in our niche product strategy. Our strength lies in our capabilities which range from development and manufacturing to sales and we plan to compete by leveraging our development capabilities for ingredients and texture. We are not planning to acquire any brands at this time.

Q3 What do you think is lacking in your overseas business?
We have been unable to sufficiently cultivate talented personnel. Growth in the domestic market will be limited so it is important to focus on growth in the overseas business. Going forward, the direction of Calbee's growth will be to generate profits in Japan and invest in the overseas business.

Q4 How will you increase sales of *Frugra* in China? Is it possible to implement pricing controls with multiple channels?
For China, ideally, our plan is to quickly bring sales to around 1 billion yen per month with a 50:50 split of online and offline sales following our Kyoto factory beginning operations in autumn. Currently, the offline market has made a good start. In Japan a store might see 1 or 2 sales number per day, but in China there are some good stores of sales that make 20 sales number per day. The key issue is how to increase these kinds of stores. Although we have been able to control prices thus far, going forward, we recognize that this will be a constant challenge.

Q5 In China, it appears that *Frugra* is being consumed as a snack.
Two years ago, 70% of *Frugra* was being consumed as a snack. However, considering it only as a snack creates the possibility that consumers will get tired of it. As a result, we hope to focus on *Frugra* in the breakfast category so that people will consume it on a daily basis.

Q6 The potato chips market in Indonesia is a highly competitive environment. How are you capturing this market?
We are still at the stage where the brand is penetrating the market in Indonesia. We want to raise market share to about 15%, which will entail taking on a certain amount of costs.

Q7 Please provide a breakdown of the increases in domestic and overseas operating profit in FY2019.

Profit increased by 2.6 billion yen, and the breakdown for this is 1.3 billion yen in the North American business and 1.3 billion yen in other overseas businesses. Our plan for the domestic business is for roughly the same level as last year.

Q8 With regards to the analysis of the change in operating profit for FY2019, will the impact of decreased profit due to increased selling expenses in Japan only be around 200 million yen? Also, please explain the negative effect on profit of higher personnel expenses.

Regarding domestic selling expenses, there is no change in our policy to control expenses and prevent unnecessary expenditure. Part of our personnel expenses is linked to business performance. Since we did not achieve the initial plan for FY2018, bonuses and incentives were reduced. The FY2019 plan is based on the idea that we will achieve the plan and includes 100% of bonuses and incentives.