Calbee
Harvest the Power of Nature.

FY2019/3 H1 Results Presentation Q&A
October 29, 2018

Q1 It appears that overseas *Frugra* sales growth is weak; is there any change in demand?
In e-commerce, after launching a new production line at the Kyoto factory in August, we signed a joint business partnership with Alibaba and others for general (domestic china) e-commerce, and the sales momentum has been increasing recently due to the marketing effect. From the perspective of market scale, we see big opportunities in general e-commerce, and going forward will focus on expanding sales. Sales to retail shops have been stable.

Q2 What is your outlook for overseas *Frugra* by sales channel in H2?
Full year targets for overseas *Frugra* overall are sales of 7.8 billion yen and an operating margin of approx. 5%. Both sales and profit were in-line with plan for H1. In H2 we expect e-commerce sales to be approx. 1.5 times those of H1 and sales to retail shops approx. double those of H1.

Q3 Won't it be difficult to generate profit from overseas *Frugra* e-commerce?
Although selling expenses will rise due to doing proactive marketing, we think lower manufacturing costs due to higher factory utilization will generate profits.

Q4 The content of the H2 measures for domestic *Frugra* don't appear any different; can growth resume?
We think the current products and marketing measures are not enough to lead to significant growth. We will advance new initiatives towards the next fiscal year, including R&D of products that will appeal to males, a segment that we have not yet captured, and of new products with different forms, and adjust production lines towards expanding our product lineup.

Q5 Can domestic snacks profit continue to increase beyond next fiscal year as a business offering stable profit?
Over the medium-term, in the domestic business we will strive to increase profit while maintaining stable sales. Measures will include raising the sales ratio of individual portion snacks, etc., as well as considering the number of sales items and price variation. Additionally, we will aim to reduce costs by raising the ratio of domestic potatoes used.

Q6 Q2 (three month) domestic snack sales only increased slightly; is this in-line with the plan?
Yes, just as planned. This is because limited-time product *A la Potato* and the first round of *Love Japan*, which launched in Q2 of the prior fiscal year, will be launched in Q3 this year.

Q7 You say new organic *Harvest Snaps* products are delayed in the North America business; what is your outlook for a recovery in sales?
North America continued to be profitable this quarter due to cost structure reforms, but in sales we are experiencing a moderate amount of difficulty. Although we have introduced new organic *Harvest Snaps* products at Costco only about half of the eight regions have completed the changeover, and we are advancing negotiations to introduce them by the end of the year. From October we launched *Popper Duos* on snack shelves, but as we do not yet expect significant sales we will increase deliveries of two new flavors and new organic *Harvest Snaps* products. In addition, we will aim for a sales recovery by advancing proactive marketing activities including the Shippers Program.

Q8 What is the cause of the manufacturing cost ratio having worsened in Q2 in the North America business?
The utilization ratio worsened due to sales decreasing compared with Q1. No significant costs are being generated from wastage, etc.

Q9 Please discuss how you will advance your alliance with PepsiCo.
We will consider business alliance leveraging each other's strengths in each region under both companies' new management.