

FY2019/3 Q1 Results Presentation Q&A July 27, 2018

Q1 It appears that although sales in the domestic business are growing, profit growth is not much with sales growth. What is the cause of this?

Regarding gross profit, higher raw material costs on having conducted an increased volume campaign for *Potato Chips* and strong demand for *Potato Chips* had a negative effect on utilization for other snacks. Also, *Frugra* sales were less than planned, which reduced profit and increased costs due to lower utilization.

Q2 Your full year forecast is for a stable year on year profit in your domestic business, but that implies that you forecast lower profit after Q2. Please explain the reason for this.

Based on extremely strong demand for *Potato Chips* since sales resumed in Q2 of the previous fiscal year, for H2 we forecast lower sales and profit year on year in the domestic business. However, fluctuations are possible based on this year's potato harvest and demand for *Potato Chips*.

Q3 In the plan for the full year almost all of the profit growth is attributable to the overseas business; how is progress and what is your outlook?

In Q1, we underestimated the projection in the overseas business by approx. 100 million yen, and although the 100 million yen loss in Taiwan was unexpected, we are not significantly far off from the plan. From Q2 we plan to further increase profit.

Q4 In the plan for the full year North America sales are to rise by approx. 20%, but sales did not increase in Q1. What is your outlook for this?

Sales in Q1 only rose slightly year on year, but cost controls are succeeding and we were able to realize a profit. Going forward, we will aim to raise full year sales by restructuring the balance of our customer make-up and advancing initiatives such as organic *Harvest Snaps* and launch the new product *Popper Duos*.

We will develop *Popper Duos* in the snack section as a snack that is fun to eat, in contrast to *Harvest Snaps* as a healthy snack category. Although competition in the savory snack section is intense, we think it is necessary to engage in diversifying sales areas for the sake of future growth in North America.

Q5 Please discuss domestic *Frugra* sales trends in detail.

Regarding breaking out from our main customer segment of women in their 30s to 50s, that we have not been able to capture new, larger customer segments is the cause of decreased sales. Our analysis is that needs for time saving have grown, with a portion of customers going towards easy to eat snack breads or rice balls. We need to develop products that working women won't grow tired of and that meet their needs for time saving, and to continue to pursue health for the additional new target segment of seniors.

Q6 What do you think of the performance of *Frugra* in China? What are your thoughts on future expansion of sales channels and this year's profit forecast?

Within the Hokkaido factory's current capacity of 300-400 million yen per month, sales are trending well. However, as regards the capacity of the Kyoto factory, which begins operation from August, at present we are taking measures in each sales channel, and there is not yet sufficient cause to increase production.

We have just entered the market this year, and although our plan is for a low-single digit profit ratio, first we will focus on expanding sales and will flexibly invest costs.

We will decide the balance between e-commerce and retail stores by channel, by adapting to current circumstances while observing demand. For retail stores, we will focus on raising the sales volume at stores with good results, rather than just increasing the number of stores we deliver to.

Q7 What do you think of the competitive environment in the Indonesian market and sales expansion there?

At present, *Potato Chips* production is near full capacity, and we plan to increase capacity this year. The competitive environment continues to be tough, but we will focus on initiatives to expand sales while investing in the necessary costs.

Q8 Last year's disposal losses in Taiwan are continuing to happen this year; might similar ones occur in the future too?

We have nearly completed all necessary disposals in Q1, and don't expect further occurrences.

Q9 Amid strong demand for *Potato Chips* are you not considering raising their price?

We are not considering raising the price of regular products. However, for products with added value such as new ingredients or functions we think that corresponding prices would be acceptable.