

FY2019/3 Q3 Results Presentation Q&A February 5, 2019

Q1 Please discuss your thoughts on measures for pricing amid rising costs for distribution, raw materials, etc. Also, how much do you expect costs will rise next year?

We are considering measures such as automation of production processes and review of product specs as responses, and as part of this we are continuously considering measures for pricing. Costs were over 1.5 billion yen higher than we had planned for at the beginning of the year, and we see a risk that they could rise higher next year due to distribution costs as main factor.

Q2 Is the decrease in *Potato Chips* sales in Q3(3 months) caused by an issue with production capacity? Do you have any plans to reduce production as an effect of measures for pricing?"

The factory utilization ratio for *Potato Chips* continues to be near full capacity. This year's potato yields were better than last year's, which contributed to production volume, and we recorded a high level of sales. As we also source potatoes from contract farmers under contracts to buy their entire crops, we have no plans to decrease production.

Q3 What are the trends in snacks other than domestic *Potato Chips*?

Strong sales of *Potato Chips* had the effect of reducing demand for other snacks. However, overall sales of domestic snacks rose, and we are aiming to increase sales of snacks overall from next year.

Q4 What is the trend for domestic *Frugra*?

We see domestic sales of *Frugra* as having bottomed out in Q3(3 months), and although Calbee's granola share is recovering, the market itself is sluggish. We are working to expand sales not just through the present expansion of flavors and sizes, but also by expanding categories with new forms of products such as bars, etc.

Q5 How do you see sales trends in North America? If you can increase North American sales will profit grow too?

In North America, organic *Harvest Snaps* distribution to division of the specific retailer is currently at about 80 percent of the full-year target and we aim to achieve a sales recovery by advancing this distribution. With regard to profit, the cost structure improvements were progressed and if we can achieve a sales recovery and raise the utilization ratio from its present rate of around 50 percent, it will lead to profit growth.

Q6 How are trends in China? Is the downward revision in your China sales target due to snacks?

There is strong demand for *Frugra* in China, and there is no change from our initial forecast. Because of the risk of a deceleration in the Chinese economy, at present we are looking cautiously at whether strong growth will continue through next year. The revision in our China sales target for this year is due to lower snacks sales.

Q7 Lately I get the impression that retail prices of *Potato Chips* and *Frugra* are declining; how do you plan to control selling expenses?

With regard to *Frugra*, although we need to effectively invest in selling expenses while observing trends in demand, we plan to control selling expenses that would significantly impact profit. For domestic snacks, although the selling expenses ratio is up in comparison with the previous year when there was very strong demand due to the resumption of sales of suspended items, we are well controlling it within our initial forecasts.

Q8 You are forecasting lower sales and profit in Q4; please discuss the reasons for this reduction in profit. Are there any causes that will significantly worsen from Q3 in Q4?

From Q3 there are factors including rising domestic raw material and power costs, the effects of which we are taking into account for Q4.