

FY2020/3 Q1 Results Presentation Q&A July 30, 2019

Q1 Has the price of Potato Chips at the retail store risen after the price hike? What is the status of sales volume?

The price hike was implemented of *Kata-age Potato Chips* in late May, of regular Potato Chips such as *Usu-Shio* from early June, and the prices at retail stores have risen relatively soon after the implementation. As a result, in June(monthly) sales volume for the products subject to price hike declined by just under 20% compared to the plan. However, the sales volume of products subject not to price hike is positive, so we think that the sales in Q1 was within the range initially forecasted. Since late June, we have been increasing the product content subject to price hike in order to stimulate consumer demand. While it is necessary to keep a close watch on the situation going forward in anticipation of the consumption tax hike, we forecast 5% decline year on year in the volume of products subject to price hike for the full fiscal year as planned.

Q2 The raw material costs made a positive contribution in Q1 compared to the full fiscal year forecast. Is there any change in your forecast that the cost will be worsened by ¥2.1 billion year on year for the full fiscal year?

Packaging costs were worsened as planned, while the prices for main raw materials and fruit for *Frugra* did not deteriorate as much as Q1 planned. As a result, total raw material costs were ¥220 million improvement than planned. However, we do not expect this trend to continue in the future, as the lower raw material cost for *Frugra* partially due to the impact of inventories before the price increase in the previous fiscal year. Raw material costs are expected to deteriorate from Q2 onwards.

Q3 Is there any factor other than raw material costs that exceeded the plan?

Operating profit was ¥800 million higher than planned, ¥700 million out of those exceeded forecasts in the domestic business. In addition to raw material costs improvement, cost reductions in the domestic business due to productivity improvements contributed. In the same period of the previous fiscal year, a worsening cost of sales due to the imbalance in the factory operation of the domestic snack caused by the increased volume campaign of Potato Chips occurred. It improved more than planned in this period.

Q4 Operating profit in the overseas business was ¥100 million higher than planned. Was there a region that covered the shortfall in profit due to the slump in sales in North America?

Operating profit in North America was ¥100 million lower than planned, while operating profit in Indonesia was positive. In Indonesia, we conducted a increased volume campaign to combat competition until the previous fiscal year. However, the campaign was controlled in this period, the cost of sales ratio improved more than planned.

Q5 Regarding sales in North America, please tell us about the situation by product and the background to the decline in sales.

Of the ¥500 million decline in sales in North America year on year, most of the decline was due to *Harvest Snaps*, bean-based snacks. Sales of *Harvest Snaps* which uses organic beans in Costco did not grow as with of existing *Harvest Snaps*. Sales of potato-based snacks *Whole Cuts* declined, and sales of *Popper Duos*, which was launched in the previous fiscal year, were weak due to delay of introduction in retail stores. On the other hand, sales of snacks and other items in ethnic shelf grew.

Q6 Please tell us the measures and outlook for the recovery of sales in North America?

We are planning promotions at some major customers and aim to recover sales. In addition, new products, *Salad Toppers*, a bean-based kurton, has already been adopted by several major customers. Overall, however, the business situation in North America is severe, and it may be difficult to cover all the delays in Q1.

Q7 It is said that *Harvest Snaps* could move from the produce section to snack shelves at some North American customers, did this have an impact on sales declines?

We continues to sell *Harvest Snaps* in the produce section, and the impact of this is not includes at present.

Q8 What was the situation in Greater China?

In the Greater China, although sales were slightly below the forecast, operating profit remained almost as planned.

Q9 Sales at E-commerce is growing in Greater China. Is general E-commerce driving growth?

Sales at general e-commerce, which started in Q1 of the previous fiscal year after cross-border e-commerce, increased significantly year on year after the Kyoto Factory began operation in Q2 of the previous fiscal year.

Q10 Domestic cereal sales are expected to increase 4% year on year, but Q1 results are lagging. What measures are you taking to recover?

Despite strong sales of new products, sales of existing *Furugra* remained sluggish. Going forward, we will strengthen marketing and launch more new products. In addition to focusing on expanding the number of distribution stores, the company aims to improve the turnover ratio at stores.

Q11 The forecast of consolidated operating profit for the full year was almost flat year on year, but Q1 was higher than Q1 planned. Is operating profit expected to decline from Q2 onwards?

We do not expect operationg profit to continue to decline from Q2 onward. Operating profit in Q1 exceeded the forecast by ¥800 million, but of this, ¥400 million was temporary, and the impact of price hike goning forward and North American business are uncertain, so the full-year forecast remains unchanged.