

## FY2021/3 Results Presentation Q&A May 13, 2021

**Q1 Please explain why there is a large increase in sales and profit in the FY2022/3 forecast for China. Also, what is the impact of changes to commercial distribution? Please also elaborate on the competitive environment.**

The breakdown of the ¥4.8 billion increase in sales in China is ¥3 billion for cereals and ¥1.8 billion for snacks. Of the ¥3 billion in cereal sales, ¥2.1 billion is due to its transfer from domestic sales. The remaining ¥900 million includes the incorporation of margins from changes in commercial distribution. The breakdown of the ¥1.1 billion increase in profit includes ¥200-300 million from increased snack sales and ¥300 million from the transfer of cereal sales from domestic sales. The remaining ¥500 million corresponds to the ¥900 million increase in cereal sales for which the marginal profit ratio is high due to the incorporation of margins from changes in commercial distribution.

While the cereals market in China is expanding, local manufacturers are on the offensive and competition is fierce. Our current market share is 7-8%, ranking fourth, but we believe we need to invest more in marketing to maintain this share. We will strengthen our real store sales where there is room for growth while maintaining our market share in the highly competitive e-commerce market.

**Q2 Please explain why a decrease in profit is forecast for North America in FY2022/3.**

In North America, we will stop relying solely on *Harvest Snaps* and will expand our product portfolio by utilizing Warnock's production capacity. We will actively invest in marketing to promote new products and increase brand awareness. Although profits will decline in the current fiscal year, we believe that this is a strategic investment necessary for medium- to long-term growth.

**Q3 Please discuss how much of a recovery you expect in FY2022/3 from the impact of the decline in domestic gift snack items.**

Net sales for FY2021/3 decreased by ¥7.1 billion to ¥4.5 billion. Although the future remains uncertain, we expect sales to recover by ¥1.6 billion. Marginal profit is about 50% of sales.

**Q4 Please explain the reason for the decline in domestic market share.**

In FY2021/3, we lost market share twice, each time for different reasons, but both drops were temporary. In the first half of the year, there was a sharp increase in demand due to nesting demand, especially for large-volume packages, but we were unable to respond with sufficient supply and lost market share due to having suspended product lines. The decline in market share in March was due to the changeover between potatoes produced in Hokkaido and those produced in Honshu and a conscious decision to step down sales promotion activities because of the risk of a shortage. Last year's harvest from Hokkaido was thought to be sufficient, but sales continued to be stronger than supply allowed for. Now that the harvest in Kyushu has begun and the risk has been eliminated, we believe that we can recover our market share by resuming sales promotions.

**Q5 I can't see a medium- to long-term growth axis. How can we put profits onto an upward trend? Are you making progress as planned in improving the profitability of existing businesses in Japan?**

We had envisioned that we would improve profitability by increasing the ratio of high-value-added gift snack items, but this has been delayed due to the expansion of COVID-19 pandemic. Rather than waiting for inbound tourists to start coming back to Japan, we would like to make up for the delay by developing new channels. On the other hand, we are making steady progress in improving the efficiency of our sales, production, and logistics systems, and we strongly believe that we will be able to improve the profitability of existing businesses. We are also investing in new businesses and initiatives to achieve medium- and long-term growth.

**Q6 Please discuss the competitive environment in Indonesia. How will it be affected by the withdrawal of the competitor?**

The snack market as a whole is in a difficult position because of lockdowns but we see the withdrawal of our competitor as a great opportunity to increase our market share which is currently 15-16%. Our competitor leaving the market have a share of 20%. It is likely that we will have to compete with the leading company, but we will employ our marketing budget to increase market share.

The new products we launched in March 2021 have been well received by the market and are highly profitable. We will work to expand our market share with our mainstay potato chips products while increasing profits with new products.

**Q7 How do you plan to strengthen exports from overseas bases?**

We are planning to strengthen exports from Thailand, Indonesia, and South Korea. Thailand exports to Australia, Singapore, and North America, and sales are growing steadily in each country. In Indonesia, we started exporting to Australia this year. South Korea is exporting *Honey Butter Chip*, which are a big hit there, to Japan and China. Our Thai base has an R&D function and excellent staff, and we aim to further strengthen it as an Asian export base.