

FY2022/3 Q3 Results Presentation Q&A February 1, 2022

[Addressing higher costs]

Q1: Costs have increased more than anticipated. Will the price/content revisions in January of this year be able to cover cost increases next year and onward?

Costs are increasing rapidly, so we are forecasting that raw material costs are also likely to be higher next year than this year. As for the price/content revisions we implemented in January, the increase in prices is a level that can cover these rising costs if sales volumes return to normal, but actions will be needed to address next year's rising costs. We have begun considering what actions we should take, including the possibility of additional price increases.

Q2: How much were you impacted by cost increases this year, in terms of monetary value?

Cost increases were 3.5 billion yen domestically (2 billion yen for cooking oil, 700 million yen for imported potatoes, 600 million yen for energy prices), and 1.5 billion yen overseas. For imported potatoes, transport costs increased in addition to depreciation of the yen.

[FY2022/3 forecasts]

Q3: Your reductions to selling expenses in the third quarter seem to have been insufficient. What is your outlook on that from next year onward?

Our products sold even without sales promotions last year due to nesting demand, but in the market environment this year we cannot sustain momentum without sales promotions. Next year we must push forward with reductions to cover the rising costs of raw materials, but since there is little room for these reductions, we plan to keep watch over the market environment and exercise control according to the circumstances.

Q4: Why will domestic profit be decreasing in the fourth quarter year-on-year?

The steep rise in raw materials costs had an impact of 1.6 billion yen, and we believe shortages of potatoes will slow down sales.

[Overseas business]

Q5: What is the status of price revisions overseas?

The markets in the US and Europe are more accepting of price revisions, so we have been implementing these starting in January 2022. Asia is highly price-sensitive like Japan, so we are proceeding more cautiously there than we are in the US and Europe and opening up negotiations. Our position is to cover the increases of raw materials prices with price/content revisions in every region.

Q6: Your overseas sales have been good, but can that be sustained?

This is the result of fortunate external factors such as the withdrawal of a competitor in Indonesia and another competitor in the UK running into problems, in addition to depreciation of the yen. Therefore, we do not expect that we can maintain the current growth rate, but we believe demand will remain strong.

Q7: Is your strong performance in Indonesia really due to the withdrawal of a competitor?

Price wars with competitors have largely abated and the market environment there has

improved. In order to capture market share, we had previously been offering products that would sell but have a high cost. Now we are more profit conscious and have a high-profitability product lineup. Capacity utilization has also increased, and cost reduction activities have produced some effects, so it appears that we are on the path to improvement albeit gradually.

[Performance forecasts for next year and onward]

Q8: What are your expectations and forecasts for profits next year and two to three years from now?

We will need to determine whether the current rapid increase in raw materials costs is attributable to the COVID-19 pandemic, or to structural changes in the balances of supply and demand. We cannot currently forecast how raw material prices will change when the pandemic begins to subside. Our planning must be based on raw material price levels that we see at the time.

In addition to passing along raw material costs in the form of higher prices, we are also looking to maximize profit by expanding sales of high added-value products and reducing costs (saving labor, automation, and similar measures at production sites). Our biggest profit driver next year will be higher sales.

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