Calbee
Harvest the Power of Nature.

FY2023/3 H1 Results Presentation Q&A
November 7, 2022

H1 Results

Q1: What has been the response to the price hikes implemented this fiscal year? Please explain the situation beyond *Potato Chips*, too.

We have been raising delivery prices since September, but only about half of retailers are reflecting the price hikes in the retail price of *Potato Chips*. The potato harvest is going well, and we have been conducting appropriate sales promotion activities, so we have not seen a drop in sales volume. For *Jagarico*, about 80-90% of retailers are reflecting the price hikes, and sales volume is at roughly the same level as before the increase.
For other products as well, price hikes have not been 100% reflected in retail prices, but there has been no extreme drop in sales volume.
We will keep a close eye on consumption trends, considering the possibility that they will be reflected in retail prices in October and November.

Q2: Regarding sales of products with new value/other snacks, please break them down into gift snack items and other products and discuss how they are progressing against the plan.

Q2 (July-September) sales of gift snack items were 2.6 billion yen, about 0.6 billion yen higher than planned. Sales of corn- and bean-based snacks also exceeded the plan.
Aside from products with new value/other snacks, sales of gift snack items include the sales of products like *Jagarico*. Sales of *Jagarico* exceeded the plan, both via conventional distribution channels and for gift snack items.

Q3: What is the status of price/content revisions overseas?

Of the 2.6 billion yen resulting from the revisions during H1, 0.9 billion yen came from North America, 1.1 billion yen came from the UK, and the remainder came from Greater China, Indonesia, Australia, and other regions.
In North America, despite implementing a second price revision in Q2 (July-September), sales continued to be strong from Q1 (April-June), and sales volume grew.

FY2023/3 Forecasts

Q4: Please explain your analysis of the factors behind the revised forecast for 22 billion yen in operating profit.

Sales costs are expected to rise by 3.5 billion yen due to higher raw material and energy prices.
The effect of price/content revisions exceeded the plan by 1.1 billion yen in the first half, but is expected to be in line with the plan during the second half. For the full year, we expect the effect to be 8.3 billion yen.

Q5: Why are costs higher than expected despite currency hedging?

We expect full year sales costs in the domestic business to be 4.3 billion yen higher than was assumed at the beginning of the fiscal year. Half of this will be due to energy costs, and the other half raw material costs.
It was difficult to foresee at the beginning of the fiscal year that energy costs would rise even further. The higher-than-expected rise in raw material costs is due to sharp fluctuations in foreign exchange rates. Ordinary profit is unchanged from the initial plan due to foreign exchange gains, but operating profit will be affected by exchange rate fluctuations, as not all imported raw materials are hedged.

Q6: You have not revised your overseas operating profit forecast. Please discuss the situation in each country/region.

Although we do not expect to achieve our forecast for Greater China, we expect to achieve the overall overseas forecast, with North America and other regions making up for the shortfall.

In North America, we achieved the plan in the first half thanks to strong sales at Calbee North America. However, despite having received new OEM orders, sales at Warnock rose only 1% due to a decline in OEM orders from a large customer. These H1 trends are expected to continue in H2.

In Greater China, progress against the full year forecast of a 1.1-billion-yen increase in profit was not encouraging. Although we are strengthening our e-commerce business, there are reports of COVID cases rising again, complicating the prospect of our achieving the full year plan.

FY2024/3 Forecasts

Q7: Given the changing business environment, how likely is it that you can achieve an operating profit of 30 billion yen next fiscal year?

Will it be possible to further revise prices to the point that 30 billion yen in operating profit will be achievable?

There is no change in our policy of passing on cost increases through prices, and we have begun considering price revisions towards achieving the 30-billion-yen target.

In the overseas business, we have been able to cover cost increases with price revisions, mainly in North America and the UK, and there is no major change in our outlook for the current and next fiscal years.

In the domestic business, on the other hand, consumption is expected to cool down as the prices of various food products rise. Although the sales volume trends immediately following price increases are not bad, we would like to observe progress for at least a few more months before making a decision. Even if we raise prices, we will not be able to achieve the plan if sales volumes decline, so we will carefully determine the timing and scale of any further price hikes. If price revisions in the domestic business are delayed, we may not reach 30 billion yen in operating profit in the next fiscal year, but would like to absorb increased costs over next fiscal year and FY2025/3.

END