# FY2023/3 Results Presentation Q&A
# May 9, 2023

**Q1: Looking at domestic snack sales in the plan for FY2024/3, momentum appears to be weak. What is your outlook for the effect of price and content revisions and volume growth?**
We expect the impact on operating profit from price and content revisions to be plus 9.4 billion yen and the impact from volume to be minus 0.4 billion yen. With previous revisions, although there was some variation from shop to shop, retail price increases have generally remained in the double digits. However we are looking at volume conservatively; a higher number of shops are expected to achieve triple digit retail price increases due to the June revisions. Production capacity for *Potato Chips* has reached its limit, and it will be difficult to achieve large volume growth like before. We intend to solve this by increasing production capacity through capital investment in the new Hiroshima plant and other facilities.

**Q2: Please provide a breakdown of the sharp rise in raw material and energy costs in the FY2024/3 plan.**
Compared to the previous year, we expect costs to increase by 1.6 billion yen for packaging materials, 0.6 billion yen for cooking oil, 0.4 billion yen for domestic potatoes and 0.8 billion yen for energy costs. We do not expect exchange rates and freight rates to change significantly from recent figures. We expect cost increases to be larger in the first half than in the second half of FY2024/3. Although we have not yet finalized all pricing for the full year, we will proceed with negotiations to keep prices within the amount of this impact.

**Q3: Is the profit plan for FY2024/3 a target that must be achieved? Is there room for further profit upside?**
We believe that the consolidated operating profit target of 24 billion yen is a must-achieve target. We think it is possible that profits will be higher due to sales growth, but we would like to invest some of the higher profits in growth areas.

**Q4: What were the sales of gift snack items for FY2023/3 and what is the plan for FY2024/3? How much inbound demand are you anticipating?**
There were sales of approximately 10 billion yen in FY2023/3, and we forecast 11 billion yen (+10%) in FY2024/3. Although inbound demand is returning, a percentage of inbound sales in total sales of gift snack items is still small compared to its pre-COVID heyday, so we see room for it to increase.

**Q5: What are your assumptions for future costs and growth investment in the domestic business? And what do you see as the return on such investment?**
We expect the domestic business to generate more profit through efficiency improvements, and envision investing about half of such profit in growth areas. Investments will be in areas including human resources, marketing, and augmentation of facilities such as the new Hiroshima plant. We will closely monitor returns on investment in human resources, marketing, and other areas.

**Q6: What advantages over competitors or gains in market share do you envision with your aim of improving brand value?**

We do not intend to further expand our already large market share, but rather to raise sales by maintaining our market share, creating products that customers will find valuable, and raising prices commensurately with that added value. We are not so much conscious of our competitors as we are conscious of our customers. We want to increase the added value unique to Calbee, i.e., taste, fun and health, to gain the support of customers. At the same time, we will also need to cut costs and achieve prices that are acceptable to a wide range of customers.

**Q7: How is the optimization of sales, operation, and supply reflected in the FY2024/3 plan? How will the reduction of SKUs be done?**

The reduction in SKUs may free up production capacity from the second half of FY2024/3, but it is not expected to make a significant contribution to profits until the next financial year onwards. Of the 1,300 SKUs currently in use, about half of them account for approximately 90% of sales, so we moving to reduce the number of SKUs by about 300. Currently, an excess of SKUs is lowering production efficiency, and we are unable to respond to customer requests while production capacity is at its upper limit. In addition to future capital investment, we will increase production capacity by improving production efficiency through SKU reduction, which we believe will result in higher sales.

**Q8: How much will production capacity increase due to the operation of the new Hiroshima plant? Will there be any problems with procuring a sufficient quantity of potatoes?**

There will be an approximately 10 billion yen increase in production capacity. We are on track to procure the corresponding quantity of potatoes.

**Q9: Please explain how Calbee will change over the next three years.**

In the past, Calbee has steadily increased sales and profits, but were not able to make large investments, including capital investment. This has led to the present production capacity limitations. Based on this realization, we believe that continuous investment is essential for growth over the medium- to long-term. We will continue to enhance our strong domestic brand and expand our brand strength overseas to achieve profit growth, and will allocate a portion of the cash earned to investments, which will connect to sustainable growth.

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