

FY2024/3 H1 Results Presentation Q&A October 31, 2023

Q1 You are forecasting a full year operating profit of JPY26bn (+17% YoY); what are your thoughts on operating profit growth from next fiscal year onwards?

Based on our growth strategy guidelines, we want to achieve operating profit growth ratio of over 8% for the three-year period. We will continue to invest in growth beyond FY2026/3 and steadily generate profit by strengthening our domestic core business.

Q2 What are your thoughts on further cost increases and pricing strategy?

We believe that costs will rise in the next fiscal year too, but we will pass these costs on in our prices. On the other hand, in view of current consumption trends, we think it will be difficult to pass on costs uniformly across our product range. We will aim to achieve profit growth by aiming for appropriate prices for products that customers recognize as having value, and through flexible pricing with an eye on consumption trends.

Q3 What is the progress of and response to S&OP efforts?

We are aiming to reduce SKUs by 300 by FY2026/3 with the goal of optimizing sales, operations, and supply. Preparations are well underway. We are building a system for this optimization and a mechanism for visualizing profit and loss for each SKU.

Q4 What are the details of the investments you expect to make in the revised full-year plan?

Making use of sales promotion costs that were restrained in H1, we will invest in marketing to strengthen brands in our domestic core business, in new areas such as food & health, and in strengthening our base, such as building a S&OP system. This will allow us to work towards growth next year and beyond. We will also step up investment in human resources to contribute to the “active participation of all employees” set out in Change 2025.

Q5 What is the outlook for *Potato Chips* volume in the second half?

Demand remained extremely high after our price hike in September last year. Demand has remained strong since the price hike in June and we expect a high sales level on par with last year's.

Q6 What is your outlook for the North American business?

Sales of brands of Japanese origin, including *Harvest Snaps*, are strong and localization of production is underway to increase their sales ratio. PB and OEM continue to struggle, but costs are being improved by reorganizing production lines. We expect to capture new customers from Q4 onwards.

Q7 What is the situation regarding your Chinese business and the surrounding business environment?

Given the market size and our level of recognition, it remains an important market in the long term. At present we have been unable to implement sales promotions using KOLs and e-commerce sales are falling. Preparations are underway to expand supply from production sites outside Japan, but it is difficult to make a forecast for the next fiscal year.

Q8 Do you expect your strong performance in the UK and Indonesia to continue?

Our UK business is growing steadily and we expect it to continue to do so. Indonesia has seen a significant impact from the quality and cost improvements in potatoes used in H1, but we are progressing with other cost reductions too.