

Calbee

Harvest the Power of Nature.



Calbee Group Financial Results

For the fiscal year ended March 31, 2013

April 1, 2012 — March 31, 2013

CALBEE, Inc.

May 10, 2013

Calbee Group's Growth Strategies

Akira Matsumoto
Chairman of the Board & CEO

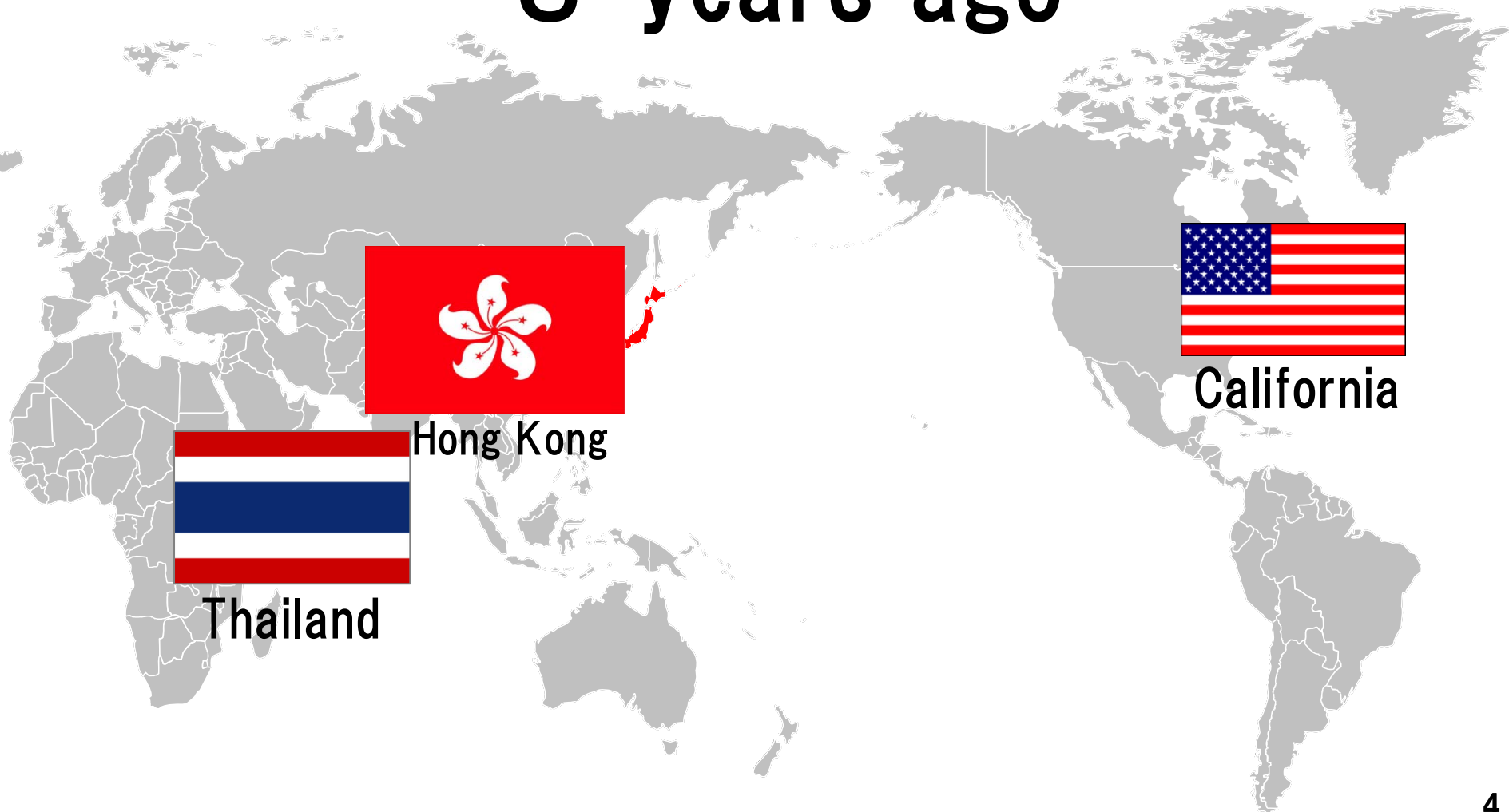
1. **Expand overseas business**
2. Develop new products
3. Expand domestic market share
4. Strengthen alliance with PepsiCo.
5. Pursue licensing and acquisition
6. Develop new businesses

Global expansion



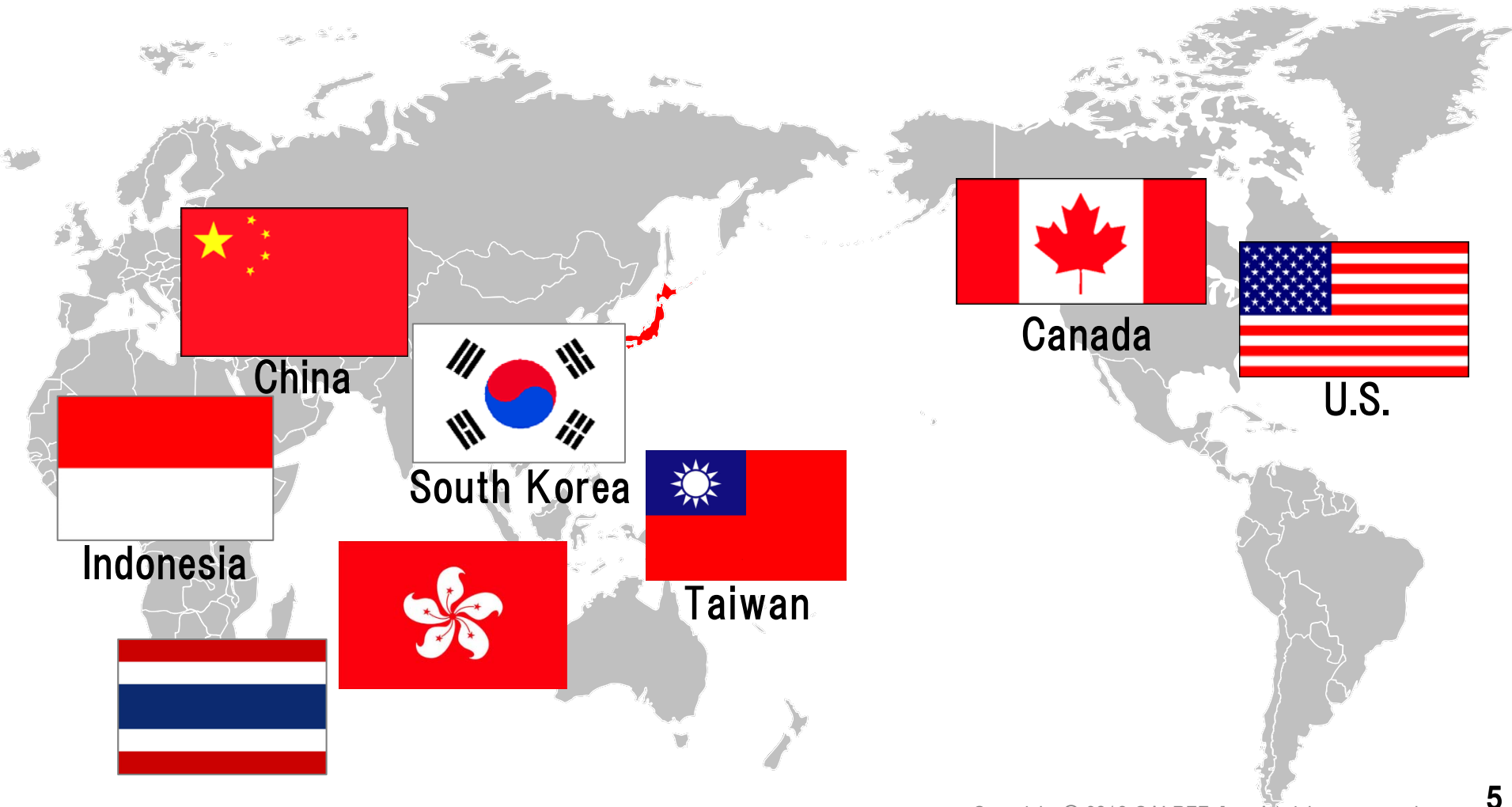
Global expansion

3 years ago



Global expansion

Now



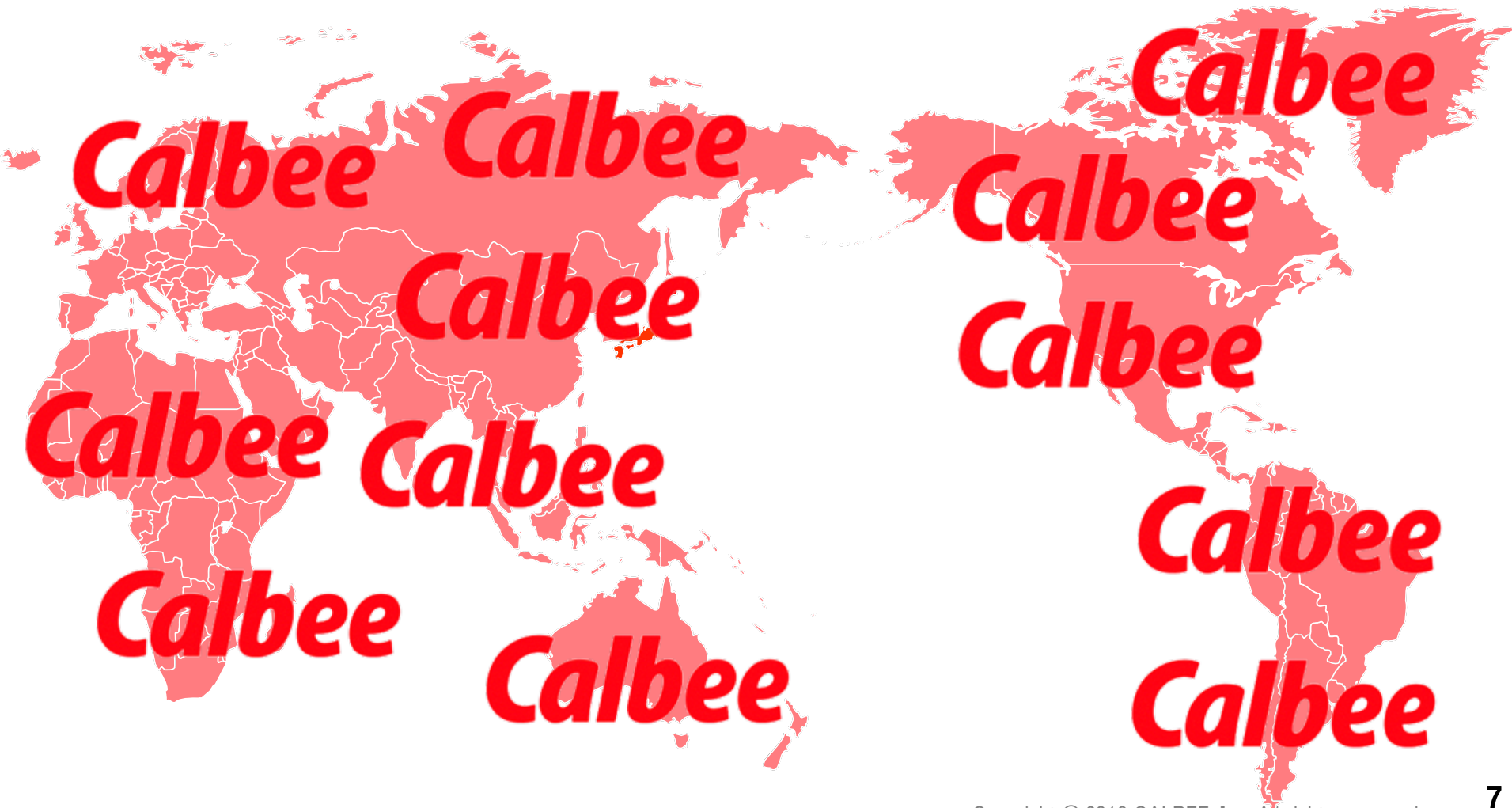
Global expansion

Tomorrow



Global expansion

Near future



Business development in North America

Calbee
North America

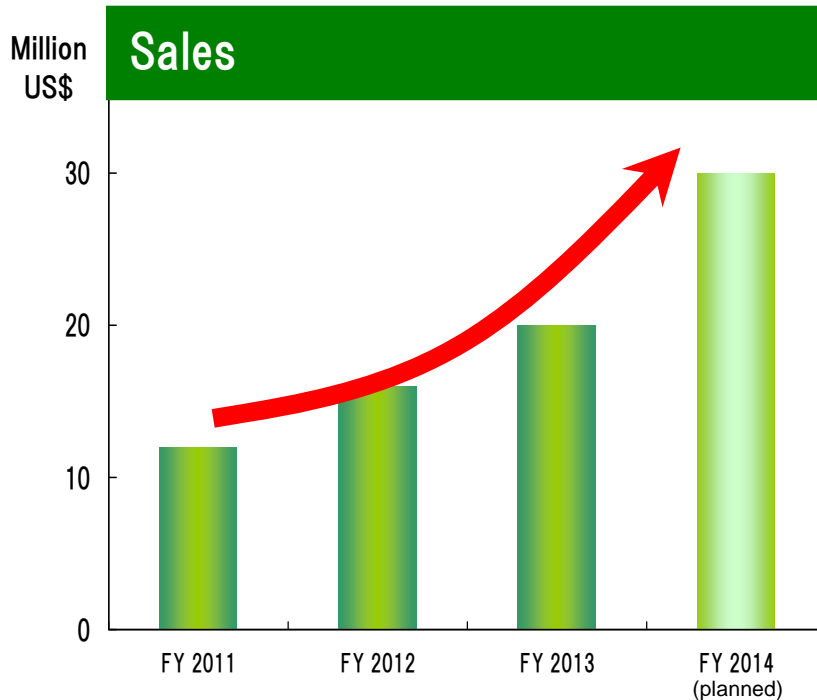
Manufacture and sale of *Snapea Crisps* and *Kappa Ebisen* (shrimp crackers)

Production of *Ruffles® Crispy Fries* (*Jagabee*) for the North American market

Production of *Jagabee* potato dough and export to Japan and Asia



Harvest Snaps



Growth strategy

Strengthen product line up

Green peas: 2 products

Green peas (4 products) + Red beans (2 products)

Expand sales channels

Expand existing channels

Costco, Wal-Mart, JFC

Cultivate new channels (CVS, etc.)



PepsiCo has exclusive sales rights for *Jagabee* in North America



Launch: May 20 (CVS)
Shipping: April 19
Retail price: \$1.09 (1.4 oz)
Sales target(FY2014): US\$12 million

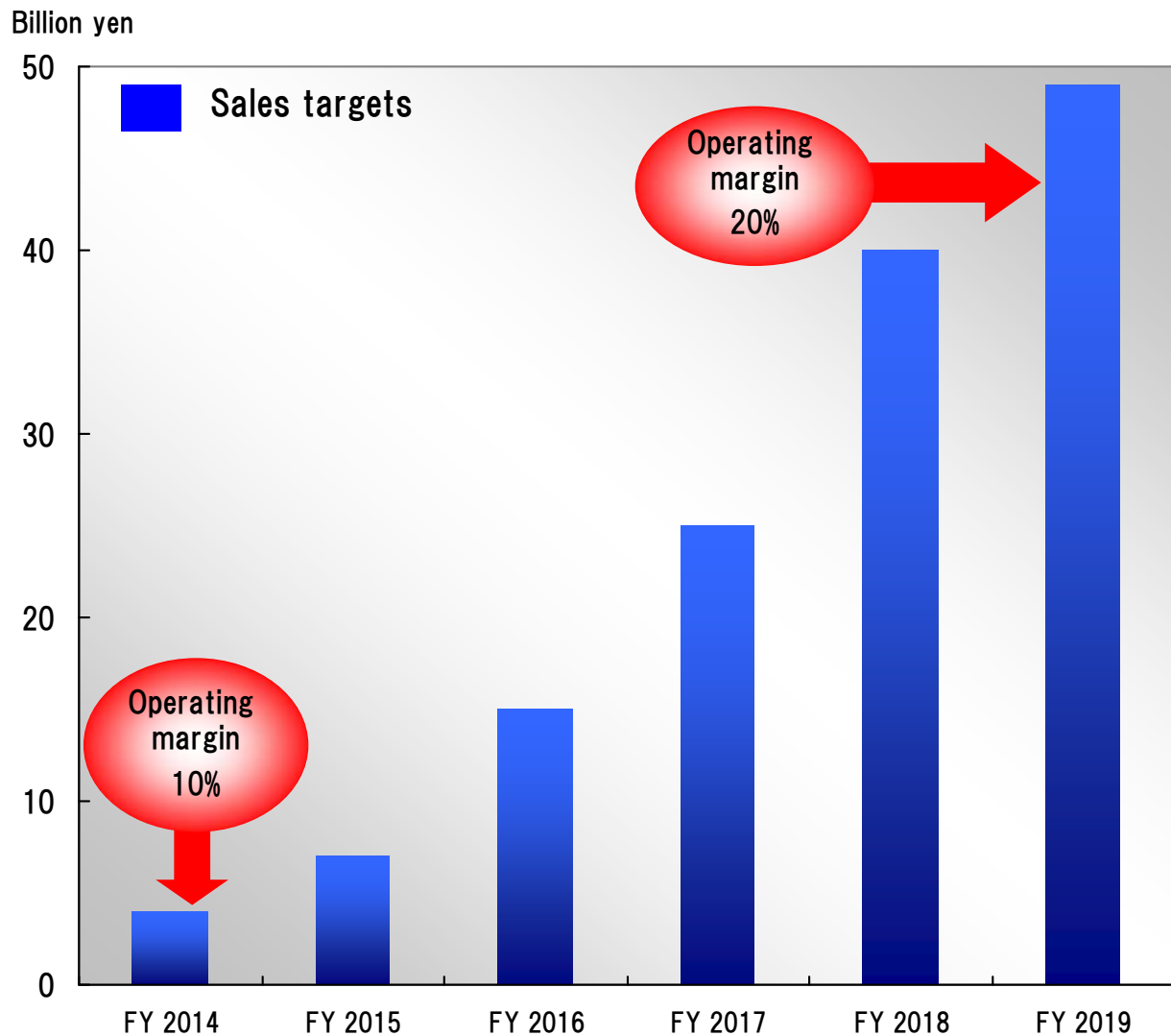
Capital expenditure: 1.6 billion yen

Production capacity: US \$24 million (Calbee shipping basis) , 60 million packs annually

Plans to expand from 1 to 3 lines based on sales trends

Necessary capex for additional lines: US \$10 million per line

North America: Sales / Profits targets

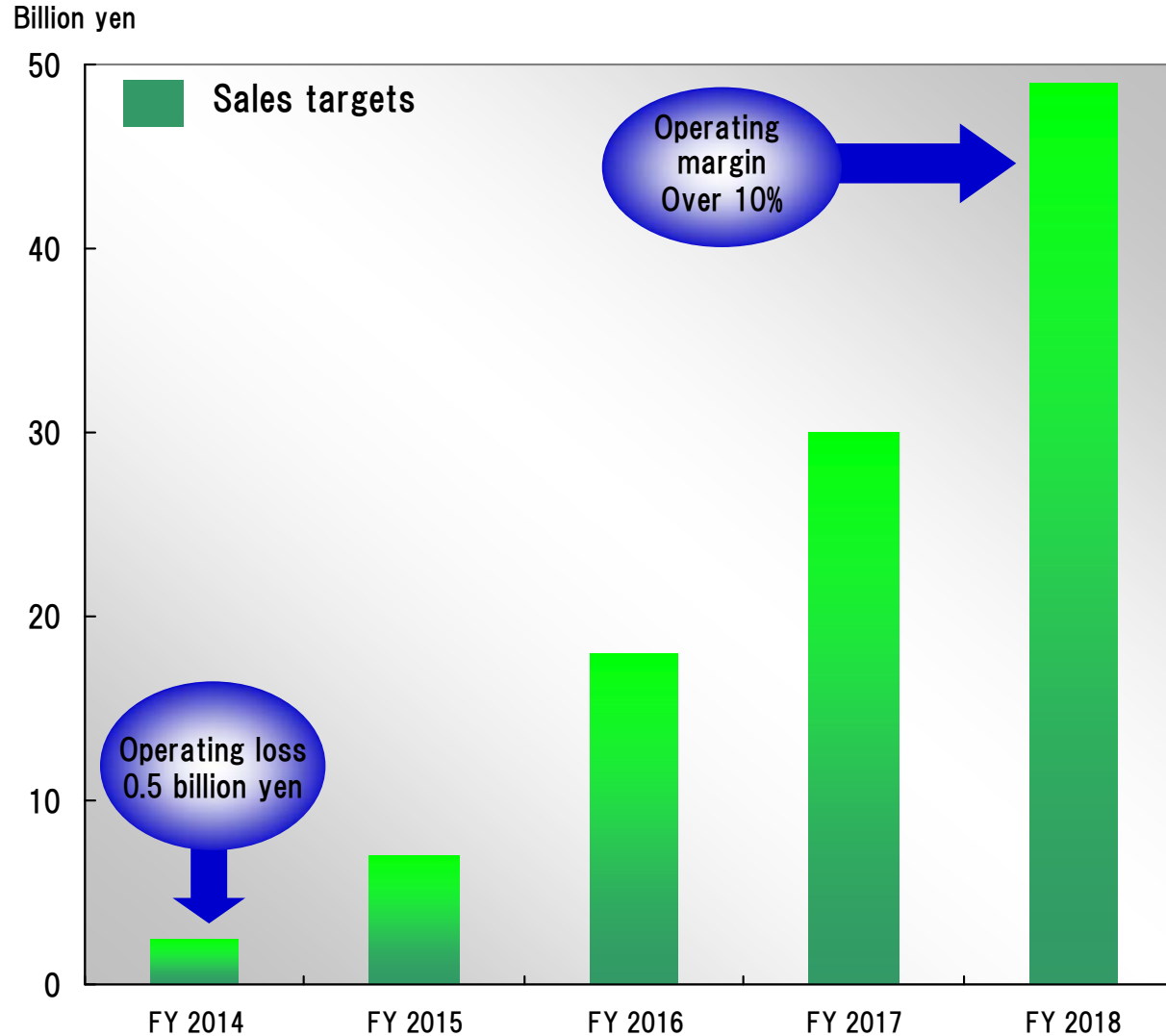


Joint venture company with Master Kong/Itochu Corporation Launched operations in HangZhou April 2013

- ✓ April 10 Begin shipping
- ✓ Start with 3 *Jagabee* products and 4 flour-based products
- ✓ Sales through modern and traditional sales channels in Shanghai area



China: Sales / Profits targets



Review of fiscal year ended March 2013

Management Policy for fiscal year ending March 2014

Shuji Ito
President & COO

FY 2013: Overview and future plans

Outcomes

■ Expanded domestic market share

- Grew share of potato chips market
- Grew share of snack foods market

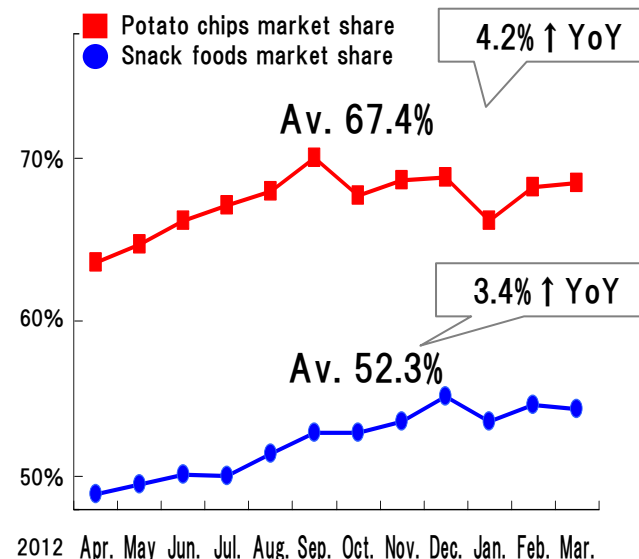
■ Cost reductions

COGS (target) 57.2% → (actual) **56.2%**

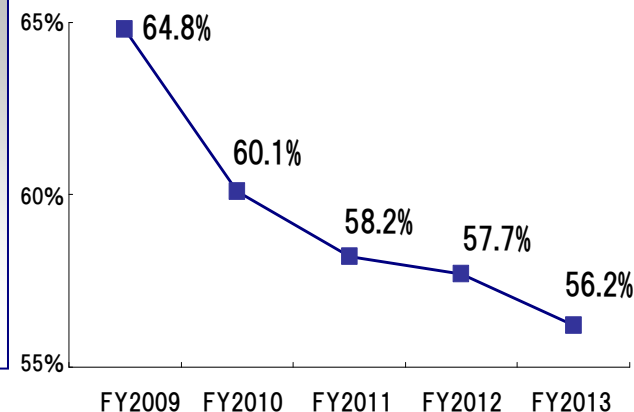
Future initiatives

- Expand overseas strategy
- Further expand domestic market share
- Grow sales of *Fruits Granola* and new products (*Vegips*, etc.)
- Achieve further cost reductions

Market share



Cost to sales ratio



Source: Intage SRI: nationwide retail sales
Confectionary market share: Total of Calbee and Japan Frito-Lay
Potato chips market: Total of potato chips (thick- and thin-sliced)m, shoestring and kettle types

FY2013: Financial highlights

	FY2012	FY2013	Change in %	Compared with revised plan
	Million yen	Million yen	%	%
Net sales	163,268	179,411	+ 9.9	102.3
Gross profit	69,081	78,522	+ 13.7	101.8
SG&A	56,833	62,731	+ 10.4	102.3
Selling	21,590	25,791	+19.5	101.9
Distribution	12,171	12,238	+ 0.6	100.9
Labor	15,183	16,007	+ 5.4	103.3
Other	7,888	8,694	+10.2	103.5
Operating income	12,247	15,790	+ 28.9	99.9
Ordinary income	12,486	17,127	+ 37.2	104.4
Extraordinary income (loss)	448	(1,148)	—	—
Net income	7,096	9,440	+ 33.0	108.5

Renewed records in sales and income

Net sales

Driven by potato-based snacks, *Fruits Granola*, new products (*Vegips*) and overseas sales

Gross margin

Rose to 43.8% on increased sales and capacity utilization, a 1.5 percentage point increase YoY

SG&A

Active investment in sales expense aiming to expand market share

Non-operating income

Foreign exchange gains: 1,115 million yen

Operating ratio

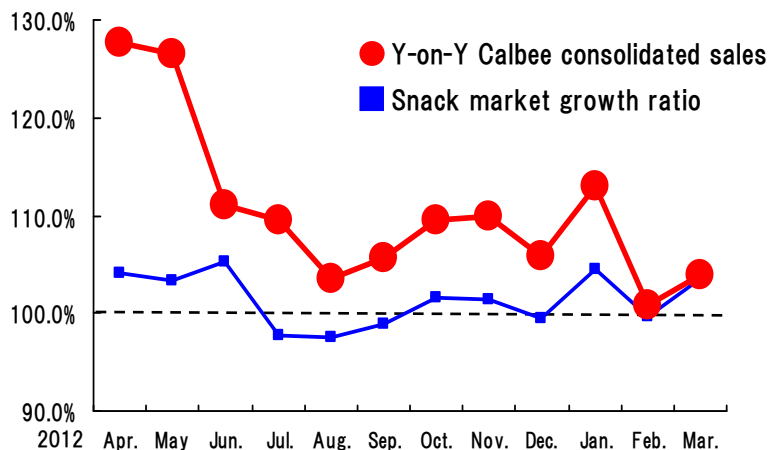
8.8% (up 1.3 percentage points YoY)

Extraordinary income (loss)

Product recall related costs: 370 million yen
 Loss on revision of outsourcing agreement: 322 million yen
 Cereals production facility disposal/impairment: 278 million yen

FY2013: Factors increasing sales

Y-on-Y change in consolidated sales



Y-on-Y comparison of sales by product

Million yen

Sales	+	16,142
Potato Chips	+	4,149
Jagarico	+	2,263
Potato-based snacks	+	8,018
New products (Vegips, etc.)	+	2,844
Overseas	+	2,067
Cereals	+	2,322
Other	+	890

Potato-based snacks

Potato Chips

Core products ▶ Growth through volume-up campaign

Kata-Age Potato ▶ Robust sales due to revised product line-up

Jagarico

Strong sales of core flavors due to launch L-size
Contributions from limited edition products

New products

Vegips began nationwide sales in Oct. following start of new production line



Cereals

Fruits Granola has grown to be the overwhelming No. 1 cereal brand with a market share in excess of 20%



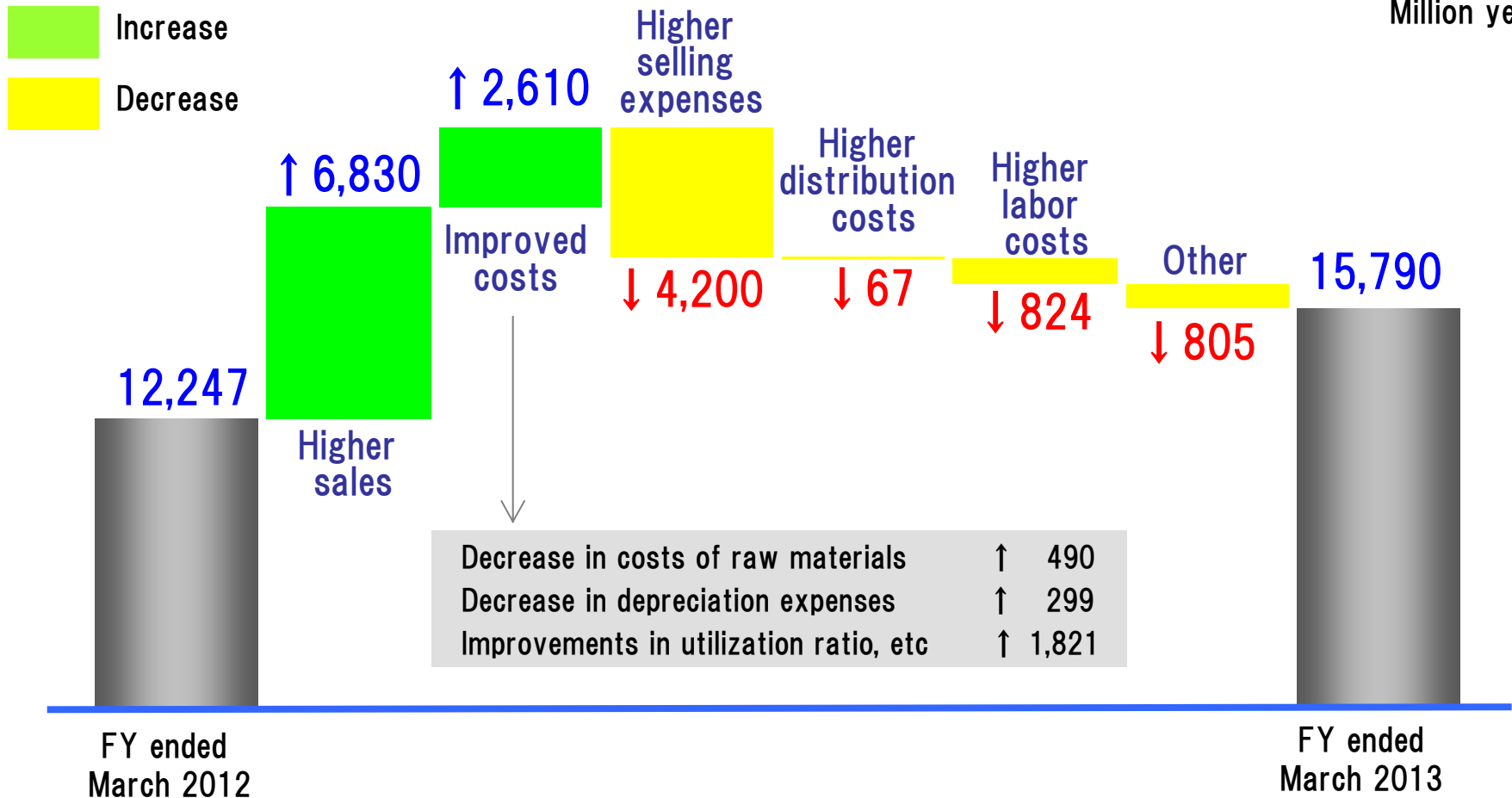
Overseas

Increased sales in all countries

Source: Intage SRI (nationwide retail sales) Basis: Sales April 2012 to March 2013

FY2013: Factors increasing operating income

Million yen



FY ended
March 2012

FY ended
March 2013

Q4

Operating income YoY -323

Increase in gross profit from higher sales +1,030

Up-front investments (higher advertising expenses, etc)
Increase in cost of sales promotions -593, Employee returns -760

FY2014: Full year forecasts

	FY2013 results	FY2014 forecasts	Change in %
	Million yen	Million yen	%
Net sales	179,411	190,000	+ 5.9
Gross profit	78,522	83,770	+ 6.7
SG&A	62,731	65,770	+ 4.8
Selling	25,791	27,300	+5.9
Distribution	12,238	12,870	+5.2
Labor	16,007	16,500	+3.1
Other	8,694	9,100	+4.7
Operating income	15,790	18,000	+14.0
Ordinary income	17,127	18,000	+ 5.1
Extraordinary income (loss)	(1,148)	—	—
Net income	9,440	10,400	+10.2

Aiming for double digit growth in profits

Net sales

Strengthen overseas development of new products (*Vegips*) and *Fruits Granola*

Gross margin

Expect increase in price of raw materials, food oils, etc. due to weaker yen

By driving cost reduction aim for 44.1% (0.3 percentage point increase YoY)

Selling expenses

Overseas: Actively investing
Domestically: Using efficiently

Operating income ratio

9.5% (0.7 percentage point increase YoY)

FY2014: Factors increasing sales

■ Y-on-Y comparison of sales by product

Million yen

Net sales	+	10,588
Domestic	+	5,576
Potato-based snacks	+	2,721
New products (<i>Vegips</i> , etc.)	+	1,125
Cereals	+	903
Other	+	826
Overseas	+	5,011
North America	+	1,983
China	+	1,564
South Korea	+	592
Other	+	871

■ Potato-based snacks

Strengthen *Potato Chips* promotion

Launch *Jagabee* new flavor (*Vegetable Consomme*)



■ Vegips

Strengthen TV ads and promotions

Begin selling new product in Jun. 2013



■ Cereals

Implement a Fall campaign for *Fruits Granola*

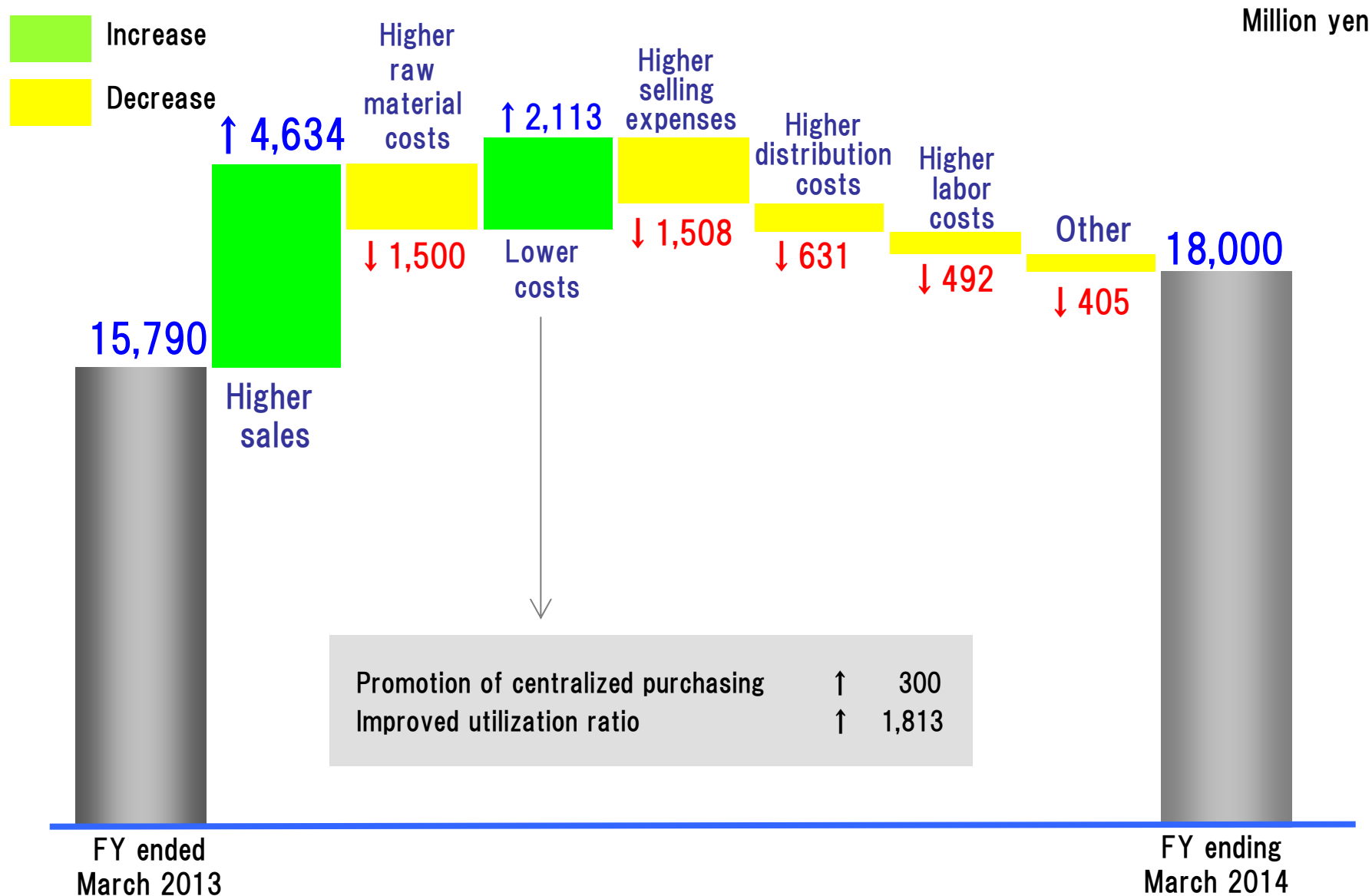
■ Overseas

North America Launch *Ruffles® Crispy Fries*

Renewal of *Snapea Crisps*

China Launch *Jagabee* and flour-based snacks

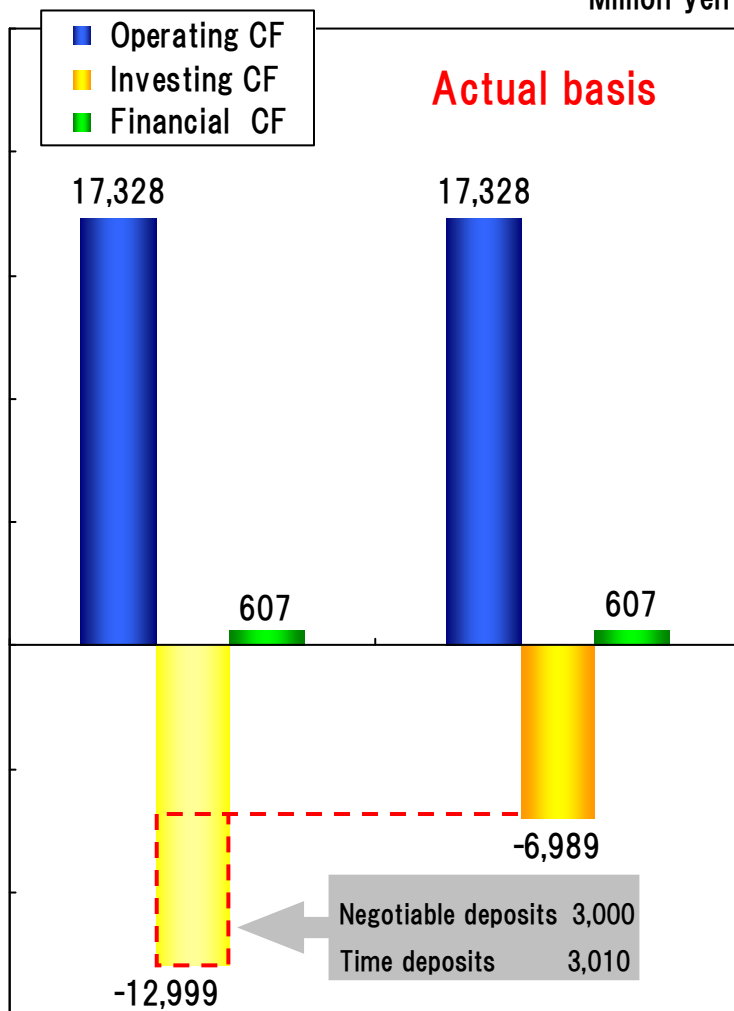
FY2014: Factors increasing operating income



Cash flows

FY2013

Million yen



Cash and cash equivalents increased by 11,893 million yen

*Actual basis over three months including time deposits, etc

Million yen

Net cash provided by (used in) operating activities +17,328

Income before income taxes and minority interests	+ 15,979
Depreciation and amortization	+ 6,318
Income taxes paid	— 6,148

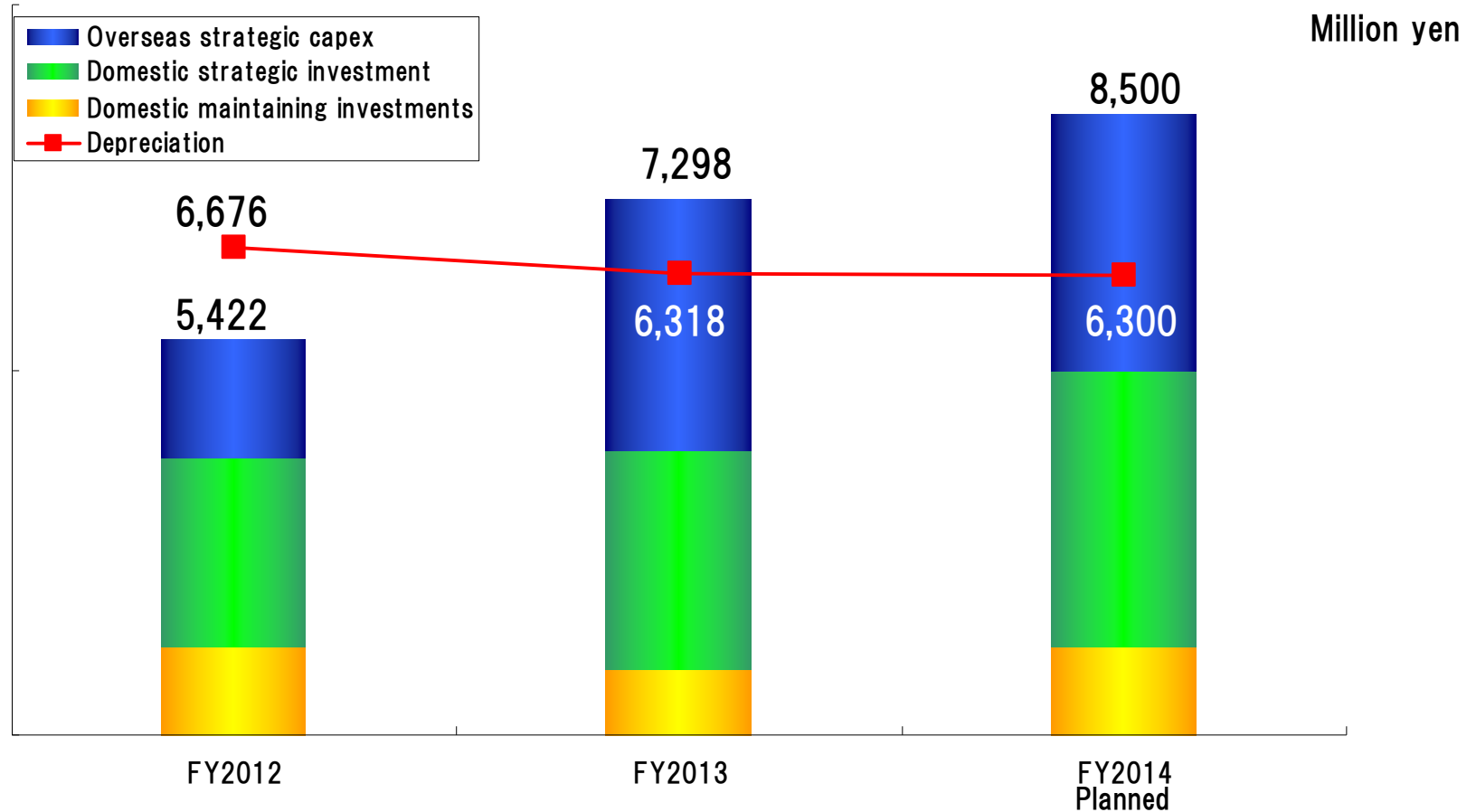
Net cash provided by (used in) investing activities — 6,989

Payment for acquisition of fixed asset	— 7,298
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Net cash provided by (used in) financing activities + 607

Proceeds from exercise of stock option	+ 634
Cash dividends paid	— 1,523
Proceeds from stock issuance to minority shareholders	+ 1,614

Capex and depreciation



Main investments
in FY 2013

Domestic: *Vegips* production facilities 1,104

Overseas: North America 2,216、Taiwan 454、China 380





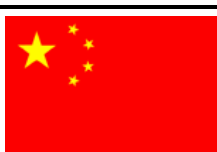

Reference material

Sales by product

(Million of yen)

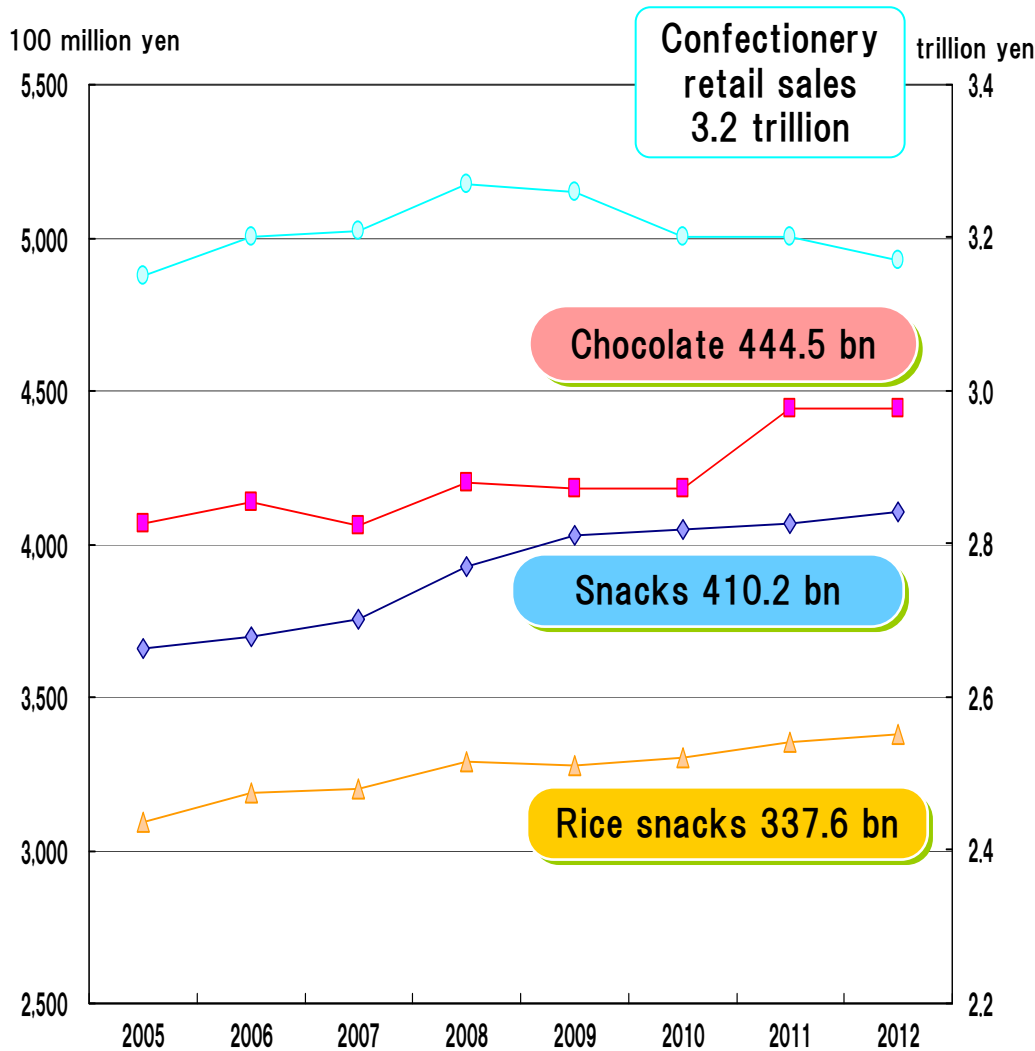
	FY2012			FY2013		
	Amount	Composition	Change in %	Amount	Composition	Change in %
Potato-based snacks	95,755	58.6%	+1.7%	103,774	57.8%	+8.4%
<i>Potato chips</i>	58,750	36.0%	-0.4%	62,900	35.1%	+7.1%
<i>Jagarico</i>	26,314	16.1%	+6.3%	28,577	15.9%	+8.6%
<i>Jagabee</i>	8,394	5.1%	+4.2%	9,537	5.3%	+13.6%
Flour-based snacks	20,092	12.3%	+2.5%	21,457	12.0%	+6.8%
Corn-based snacks	13,262	8.1%	+3.8%	13,286	7.4%	+0.2%
<i>Vegips</i> , other new snacks	2,285	1.4%	+105.9%	5,129	2.9%	+124.4%
Overseas	7,155	4.4%	+41.0%	9,222	5.1%	+28.9%
Others	2,697	1.7%	+9.9%	2,789	1.6%	+3.4%
Snacks	141,248	86.5%	+4.5%	155,659	86.8%	+10.2%
Bread	13,375	8.2%	+2.8%	12,863	7.2%	-3.8%
Cereals	6,147	3.8%	+15.3%	8,470	4.7%	+37.8%
Other foods	19,523	12.0%	+6.4%	21,334	11.9%	+9.3%
Services	2,495	1.5%	+23.4%	2,417	1.3%	-3.1%
Total Sales	163,268	100.0%	+5.0%	179,411	100.0%	+9.9%

Overseas business: Sales by country

			FY2012	FY2013	Change in %
North America		Million yen	1,650	2,029	+23.0%
		Thousand dollars	20,877	24,288	+16.3%
Hong Kong		Million yen	1,661	1,949	+17.4%
		Thousand HK dollars	163,568	181,662	+11.1%
Thailand		Million yen	1,826	2,025	+10.9%
		Thousand baht	708,896	746,258	+5.3%
South Korea		Million yen	1,225	1,929	+57.4%
		Million won	17,450	25,807	+47.9%
China		Million yen	791	1,041	+31.6%
		Thousand yuan	64,050	78,886	+23.2%
Taiwan		Million yen	—	246	—
		Thousand NT dollars	—	79,504	—

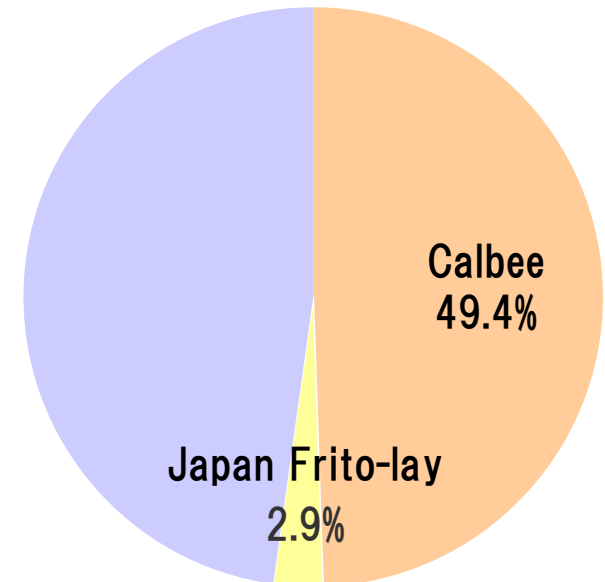
Domestic snack foods market

Domestic confectionery market



Source: All Nippon Kashi Association

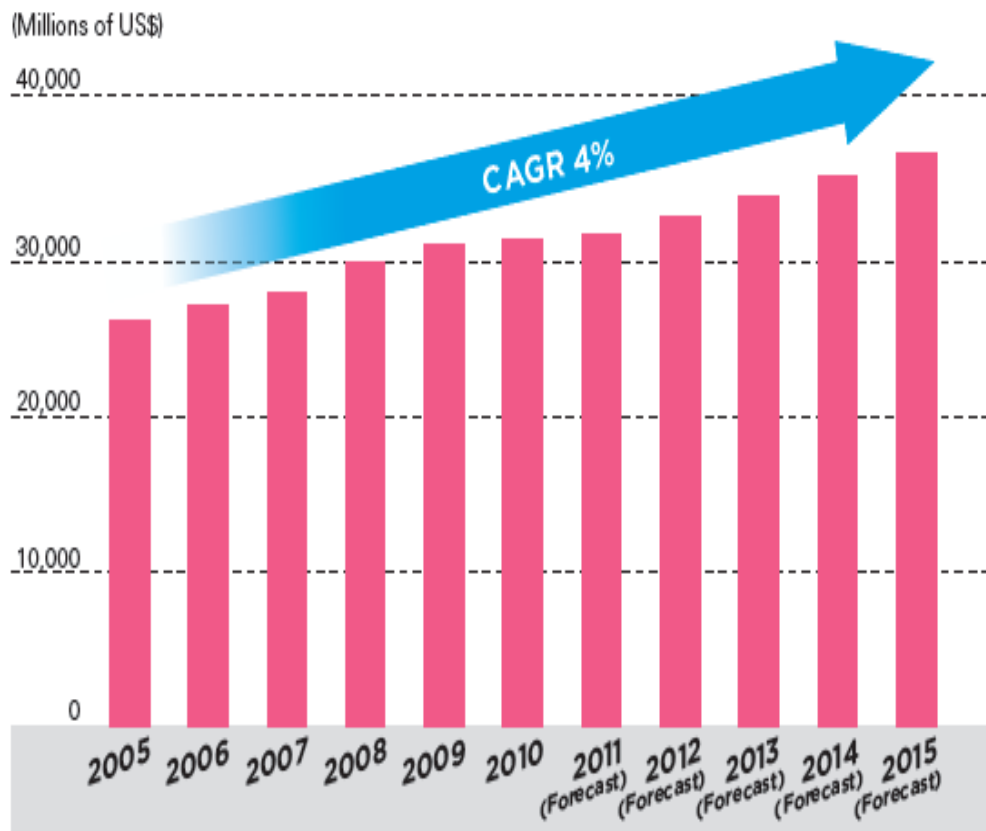
Share of domestic snack foods market



Source: Intage SRI (nationwide retail sales)
Basis: Sales April 2012 to March 2013

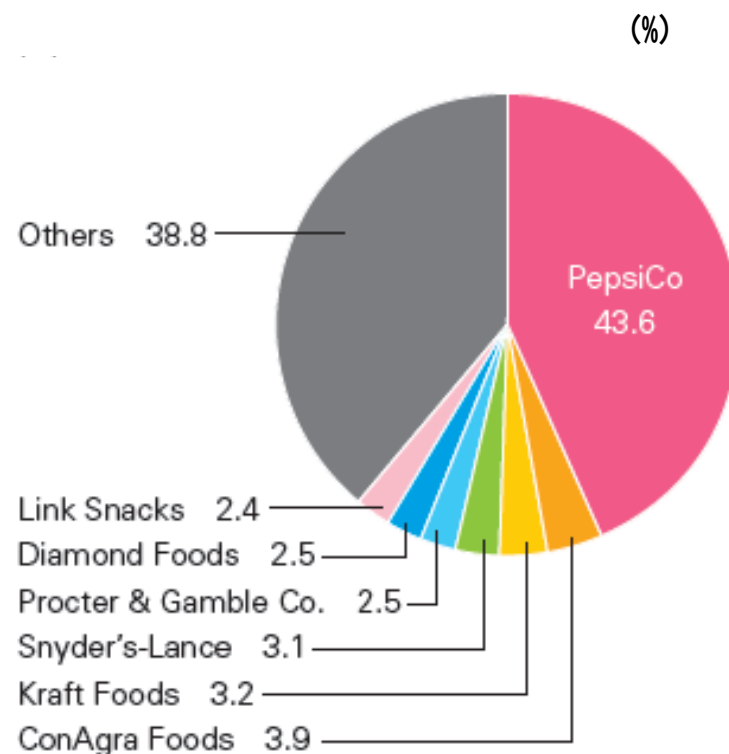
North American snack foods market

North American snack market growth



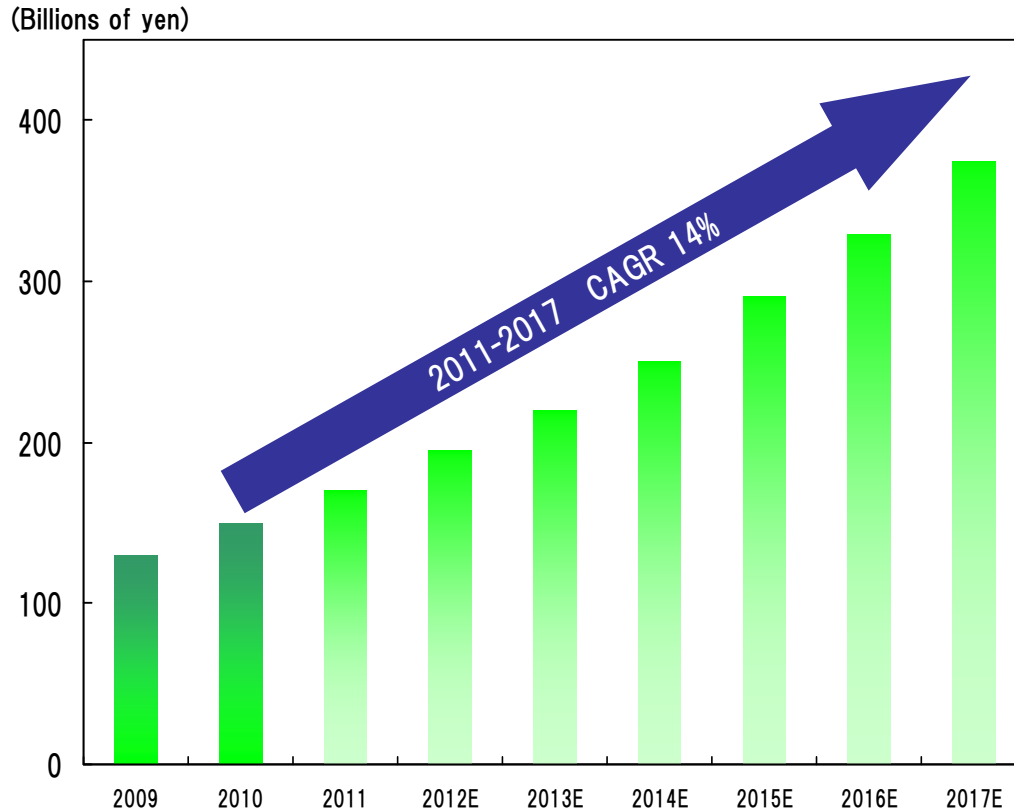
Source: Euromonitor Sweet and Savoury Snacks

Market share

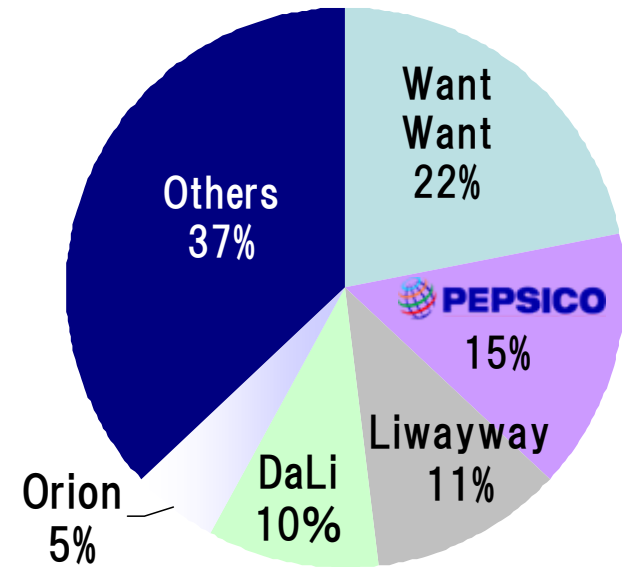


Chinese snack foods market

Chinese snack market growth



Market share



*Source for market scale and market share data: Nielsen