



Calbee Group Financial Results

First half of fiscal year ending March 31, 2014

April 1, 2013 — September 30, 2013

CALBEE, Inc. November 5, 2013



Calbee
Harvest the Power of Nature.

8 challenges for growth

Akira Matsumoto
Chairman of the Board & CEO

8 challenges for growth:

1. Accelerating new product development
2. Curbing SG&A
3. Ruffles® Crispy Fries business in North America
4. Business in China
5. Achieving a manufacturing cost ratio of 50%
6. Japan's consumption tax hike
7. Promoting *Vegips* and *Jagabee*
8. Optimizing factory numbers



Review of First Half Results

Management policy for Second Half

Shuji Ito
President & COO

Outcomes

■ Implemented overseas strategy

- Began next-stage of development in North America and China
- Established Indonesian JV company

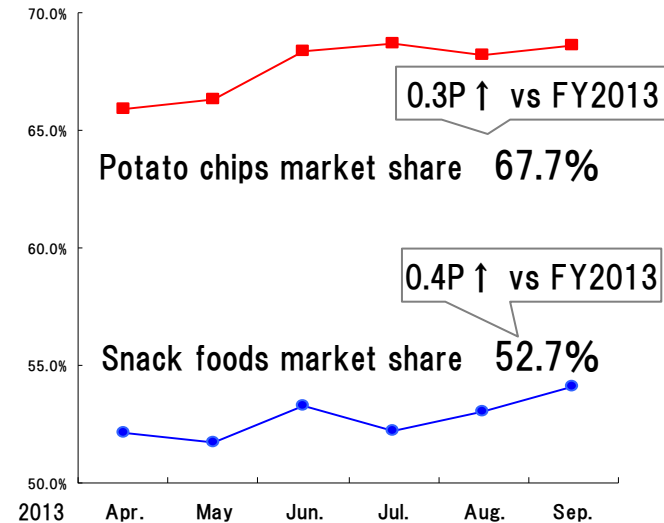
■ Grew domestic market share

- Potato Chips market share increased
- Snack foods market share increased

■ Cost reductions

- COGS (target) 57.3% → (actual) **56.9%**

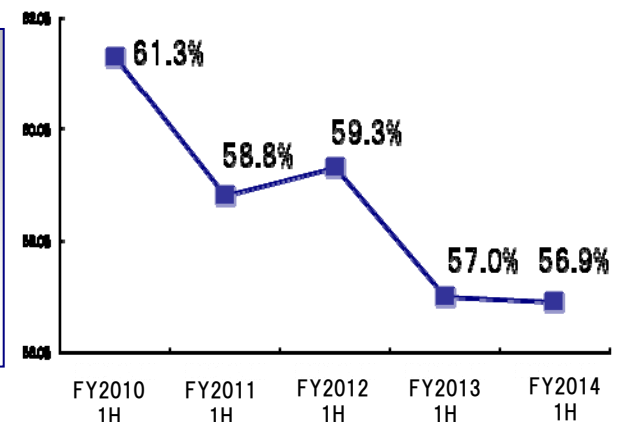
Domestic market share



Future initiatives

- Expand overseas strategy
- Develop products (*Vegips*, next blockbuster, etc)
- Grow existing new products (*Fruits Granola*, *Jagarico*, *Kata Age Potato*, etc)
- Achieve further cost reductions

Cost to sales ratio



Data: Intage SRI; based on sales

Snack foods market share: Total of Calbee and Japan Frito-Lay

Potato chips market: Total of potato chips (thick- and thin-sliced), shoestring and kettle types

FY2014 1H: Results highlights

	1H year ended 3/2013	1H year ending 3/2014	Change in %	Compared to plan
	Million yen	Million yen	%	%
Net sales	86,075	95,668	+ 11.1	102.9
Gross profit	36,997	41,209	+ 11.4	103.8
SG&A	30,290	32,345	+ 6.8	101.1
Selling	12,104	13,692	+13.1	103.8
Distribution	5,919	6,142	+ 3.8	104.0
Labor	7,783	8,276	+ 6.3	100.9
Other	4,482	4,234	- 5.5	89.9
Operating income	6,707	8,863	+ 32.1	115.1
Ordinary income	6,481	9,345	+ 44.2	121.4
Extraordinary income (loss)	- 36	324	--	--
Net income	3,782	5,834	+ 54.2	130.8

Achieved sales and profit plans

Net sales

Growth in sales of potato-based snacks, *Vegips*, *Fruits Granola* and overseas business

Gross profit

Gross margin up 0.5 percentage points due to increased profitability from higher revenues and cost reductions

As of the current fiscal period, cost equivalency amounts from the distribution business have been transferred from distribution under SG&A to cost of goods sold. Amount: 413 million yen

SG&A

Proactive investment in domestic, overseas selling expenses

Non-operating income

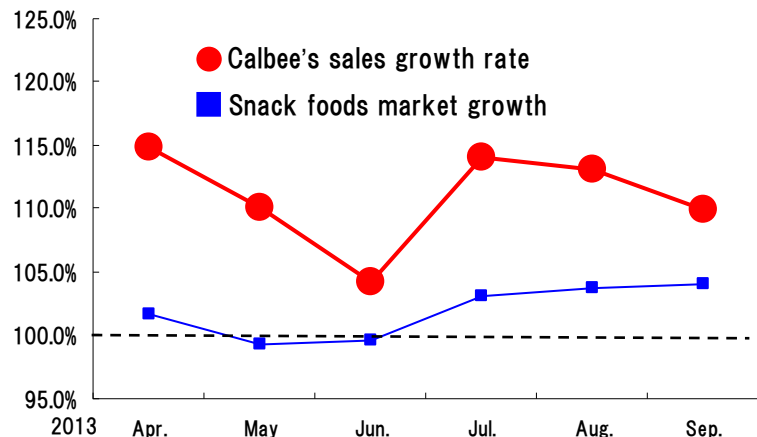
Foreign exchange gains: 316 million yen

Extraordinary income

Gain on sales of investment securities: 375 million yen

FY2014 1H: Factors increasing sales

Y-on-Y change in consolidated sales



Data: Intage SRI; based on sales

Y-on-Y comparison of sales by product

Million yen

Net sales	+	9,593
Domestic	+	6,459
Potato-based snacks	+	3,348
New products (<i>Vegips</i> , etc.)	+	1,205
Cereals	+	1,172
Others	+	732
Overseas	+	3,134
North America	+	934
China	+	609

Potato-based snacks

Potato Chips

Strong sales in L size (135g) and *Kata Age Potato*



Jagarico

Strong sales of L size (72g)



New products (*Vegips*, etc)

Nationwide sales from Oct. 2012
New products from Jun. 2013



Cereals

Only selling 380g and 800g for regular distribution due to insufficient production of *Fruits Granola*.

Launched limited online sales

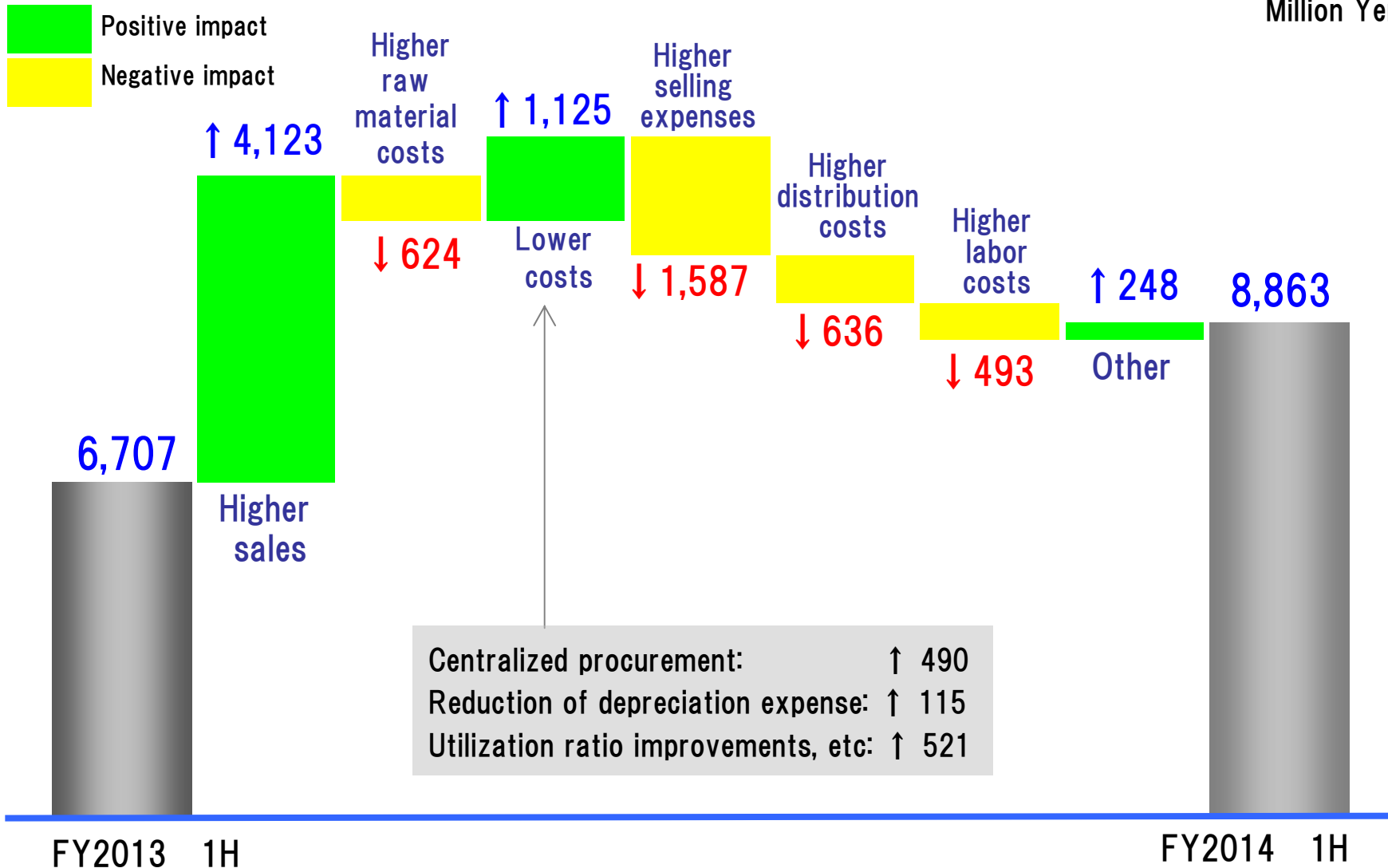


Overseas

Increased sales in all countries

FY2014 1H: Factors increasing operating income

Million Yen



Note: Calculations for the above year-on-year comparisons include amounts for cost equivalency from the distribution business (413 million yen) as distribution costs under SG&A.

FY2014: Full year forecasts

	FY2013 results	FY2014 (initial forecast)	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



	FY2014 (revised forecast)	Change in %
	Million yen	%
Net sales	190,000	+ 5.9
Gross profit	83,280	+ 6.1
SG&A	65,280	+ 4.1
Selling	27,800	+7.8
Distribution	12,180	- 0.5
Labor	16,580	+3.6
Other	8,720	+0.3
Operating income	18,000	+14.0
Ordinary income	18,000	+ 5.1
Extraordinary income (loss)	—	—
Net income	10,400	+10.2

*Cost equivalency amounts (821 million yen) of the distribution business have been transferred from SG&A distribution to costs of goods sold.

FY2014: Forecasts highlights

	FY2013 results	FY2014 forecasts	Change in %
	Million yen	Million yen	%
Net sales	179,411	190,000	+ 5.9
Gross profit	78,522	83,280	+ 6.1
SG&A	62,731	65,280	+ 4.1
Selling	25,791	27,800	+7.8
Distribution	12,238	12,180	- 0.5
Labor	16,007	16,580	+3.6
Other	8,694	8,720	+0.3
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 to renew sales and profitability records

Net sales

Strengthen potato-based snacks, *Vegips*, *Fruits Granola* and overseas business

Gross profit

Aim to improve gross margin by 0.4 percentage points benefiting from cost reductions and an increase in profits from higher revenues despite higher raw material prices from a weaker yen

As of the current fiscal period, cost equivalency amounts from the distribution business have been transferred from distribution under SG&A to cost of goods sold.
Amount: 821 million yen

SG&A

Actively invest in SG&A domestically and overseas

Operating ratio

9.5% (Improve 0.7% over previous comparable period)

FY2014: Factors increasing sales

■ Y-on-Y comparison of sales by product

Million yen

Net sales	+	10,588
Domestic	+	5,049
Potato-based snacks	+	2,015
New products (<i>Vegips</i> , etc.)	+	983
Corn-based snacks	+	922
Cereals	+	1,249
Other	—	120
Overseas	+	5,538
North America	+	2,051
China	+	1,499
South Korea	+	635
Taiwan	+	487
Other	+	863

■ Potato-based snacks

Strengthened sales of *Potato Chips*,
Jagarico, *Jagabee*



■ Corn-based snacks

Developing *Garrett* popcorn shops,
a venerable brand from Chicago



■ Fruits Granola

Production capacity expanded 1.5 times
during the year
Investment amount: 1.2 billion yen

■ Overseas

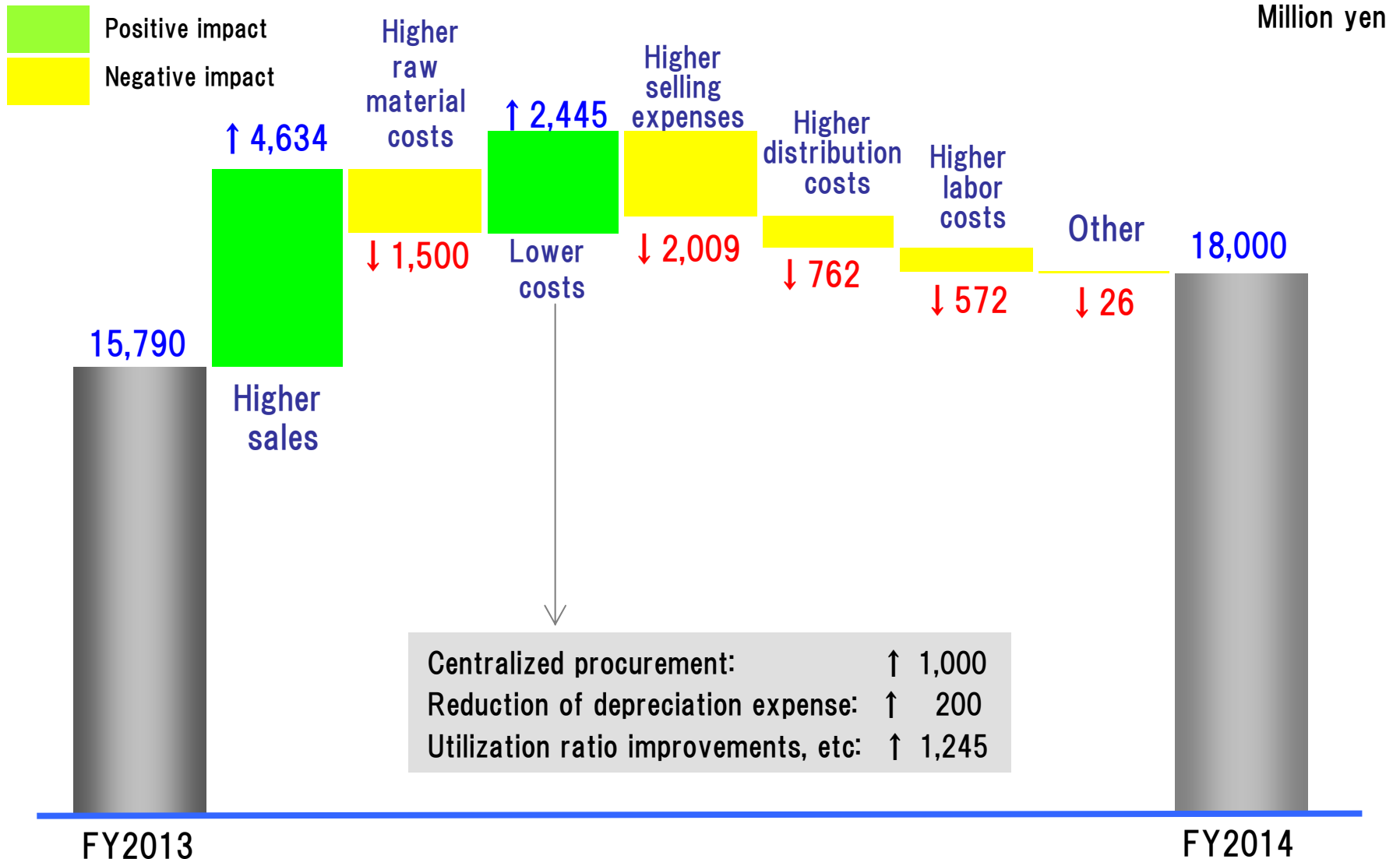
South Korea: Sales of *Jagabee* continued to be
strong

Taiwan: December 2013

Aiming to double *Jagabee* production lines
Investment amount: 0.5 billion yen



FY2014: Factors increasing operating income



Note: Calculations for the above year-on-year comparisons include amounts for cost equivalency from the distribution business (821 million yen) as distribution costs under SG&A.

Reference material

Sales by product

Millions of yen

	FY2013 1H			FY2014 1H		
	Amount	Composition	Change in %	Amount	Composition	Change in %
Potato-based snacks	49,466	57.5%	+12.5%	52,814	55.2%	+6.8%
<i>Potato chips</i>	29,540	34.3%	+9.8%	30,942	32.3%	+4.7%
<i>Jagarico</i>	13,733	16.0%	+14.2%	15,685	16.4%	+14.2%
<i>Jagabee</i>	4,760	5.5%	+22.8%	4,615	4.8%	-3.0%
Flour-based snacks	10,237	11.9%	+18.0%	10,539	11.0%	+2.9%
Corn-based snacks	6,543	7.6%	-3.3%	7,233	7.6%	+10.5%
<i>Vegips</i> , other new snacks	1,815	2.1%	+104.1%	3,021	3.2%	+66.4%
Overseas	4,368	5.1%	+31.7%	7,503	7.8%	+71.7%
Others	1,333	1.5%	-0.4%	1,299	1.4%	-2.5%
Snacks	73,765	85.7%	+13.6%	82,411	86.1%	+11.7%
Bread	6,644	7.7%	-1.3%	6,078	6.4%	-8.5%
Cereals	4,462	5.2%	+41.8%	5,634	5.9%	+26.3%
Other foods	11,106	12.9%	+12.5%	11,712	12.2%	+5.5%
Services	1,203	1.4%	+4.5%	1,544	1.6%	+28.4%
Total Sales	86,075	100.0%	+13.3%	95,668	100.0%	+11.1%

Net sales by country

Yen base

		FY2013 1H	FY2014 1H	Change in %
North America	Million yen	1,009	1,944	+92.6%
China	Million yen	564	1,174	+108.0%
South Korea	Million yen	923	1,347	+45.9%
Thailand	Million yen	932	1,289	+38.3%
Hong Kong	Million yen	939	1,272	+35.5%
Taiwan	Million yen	-	474	-

Local currency base

		FY2013 1H	FY2014 1H	Change in %
North America	Thousand dollars	12,756	19,703	+54.5%
China	Thousand renminbi	45,319	73,013	+61.1%
South Korea	Million won	13,317	15,166	+13.9%
Thailand	Thousand baht	369,962	404,801	+9.4%
Hong Kong	Thousand HK dollars	92,290	100,017	+8.4%
Taiwan	Thousand NT dollars	-	143,726	-

Update by country

North America

Strong sales of *Snappea Crisps*
Sales of *Ruffles® Crispy Fries* lower than planned

China

Sales of *Jagabee* lower than planned
Cost reduction is an issue

South Korea

Strong sales of *Potato Chips* and *Jagabee*

Thailand

Strong sales of core product *Jaxx*



Hong Kong

Strong sales of *Jagabee*



Taiwan

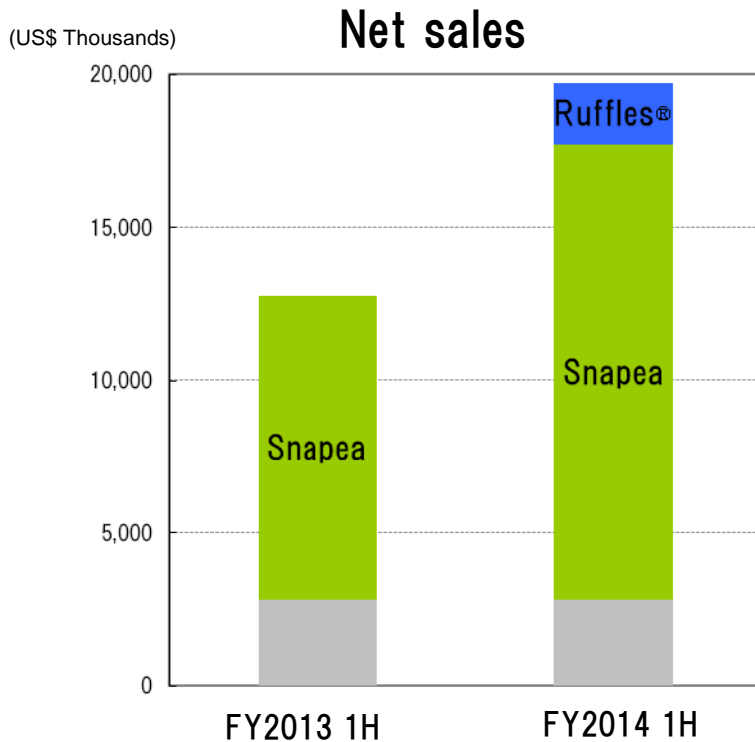
Strong sales of *Jagabee*

Snapea Crisps >> Significantly increased revenues by expanding product line up and sales channels

Ruffles® Crispy Fries >> Greatly underperformed expectations

Snapea Crisps >> Continue to expand sales channels and strengthen brand awareness

Ruffles® Crispy Fries >> Strengthen our alliance with PepsiCo



Jagabee >> Sales were lower than planned due to high retail price, optimum retail price of 5 to 5.5 Yuan

Sales channels>> Expanding sales channels since mid-July

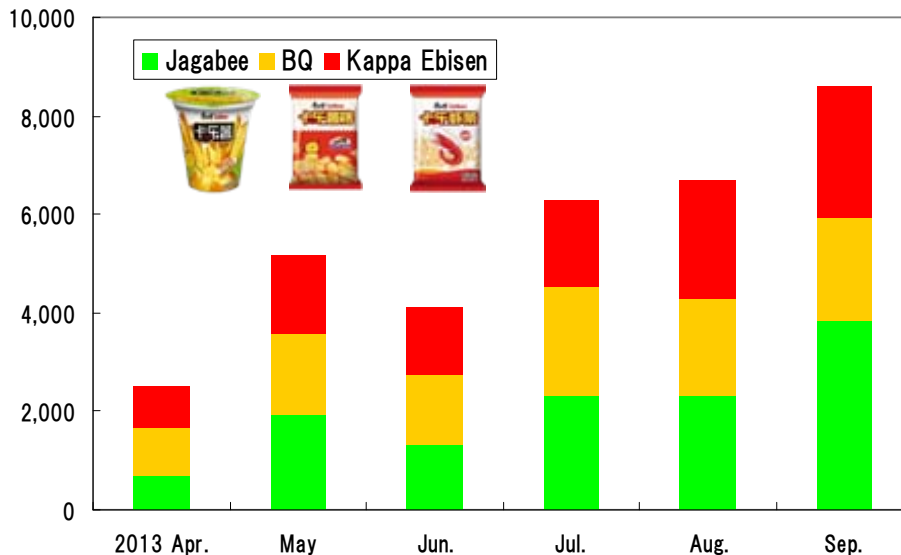
July 15, Carrefour; August 28, Tesco; September 17, RT-Mart; September 30, Wal-Mart

**Jagabee >> Promote cost reductions although profitable at a price between 5 to 5.5 Yuan
Plan to change framework:**

-Dough production: from US to China; Packaging: from Japan to China, etc.

Sales channels >> Continue to expand number of stores carrying out products

Thousand yuan **Calbee (HangZhou) : Sales**



Jagabee : No. of stores carrying our products

