



Calbee Group Financial Results

Third quarter of fiscal year ending March 31, 2014

April 1, 2013 — December 31, 2013

CALBEE, Inc. January 30, 2014



Calbee

Harvest the Power of Nature.

Third Quarter Results for the fiscal year ending March 31, 2014

Koichi Kikuchi

Chief Financial Officer

FY2014 Q3 (Three months) : Results highlights

	Q3 year ended 3/2013	Q3 year ending 3/2014	Change in %	Comparison with plan
	Million yen	Million yen	%	%
Net sales	47,684	53,256	+11.7	110.0
Gross profit	21,848	24,151	+10.5	109.4
SG&A expenses	16,020	17,396	+ 8.6	106.3
Selling	6,631	7,744	+16.8	111.0
Distribution	3,266	3,319	+ 1.6	106.9
Labor	4,116	4,356	+ 5.8	104.9
Other	2,006	1,976	- 1.5	92.5
Operating income	5,828	6,755	+15.9	118.6
Ordinary income	6,682	7,303	+ 9.3	138.0
Extraordinary income/loss	- 668	- 95	—	—
Net income	3,601	4,502	+25.0	159.6

Achieved sales and profit plans

Net sales

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

Gross profit

Although raw material costs increased, gross margin rose 0.1 percentage points due to increased profitability from higher revenues and cost reductions

SG&A

Selling expenses increased overseas (China)

* Adjusted for gross-up: 398 million yen
Unpaid selling expenses: 298 million yen

Non-operating income

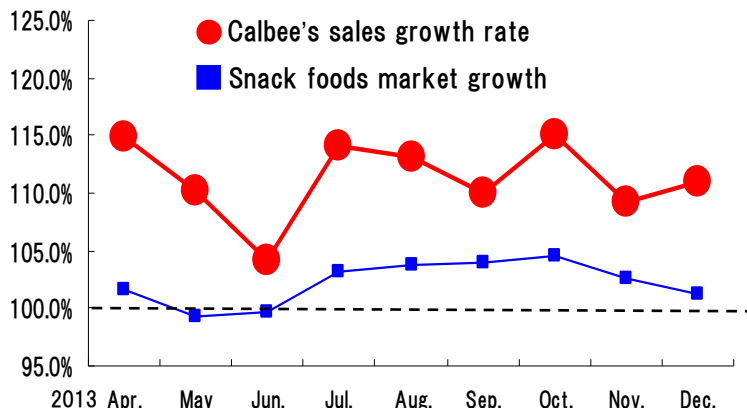
Foreign exchange gains: 484 million yen

Extraordinary loss

Product recall-related costs: 64 million yen

FY2014 Q3 (Three months): 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	+	5,571
Domestic	+	3,612
Potato-based snacks	+	2,509
Corn-based snacks	+	328
Cereals	+	768
Others	+	5
Overseas	+	1,959
North America	+	853
China	+	677
Adjusted for gross up*	(+)	396

Potato-based snacks

Potato Chips

Growth in regular products through increased volume campaign, etc.

Strong sales of *Kata Age* and *Thick-sliced*

Jagarico

Strong sales from both regular and limited-edition products

Corn-based snacks

Strong sales from *Garrett* popcorn shops, a venerable brand from Chicago

Cereals

Insufficient supply of *Fruits Granola* limited sales to regular products

New line scheduled to open in early February



Overseas

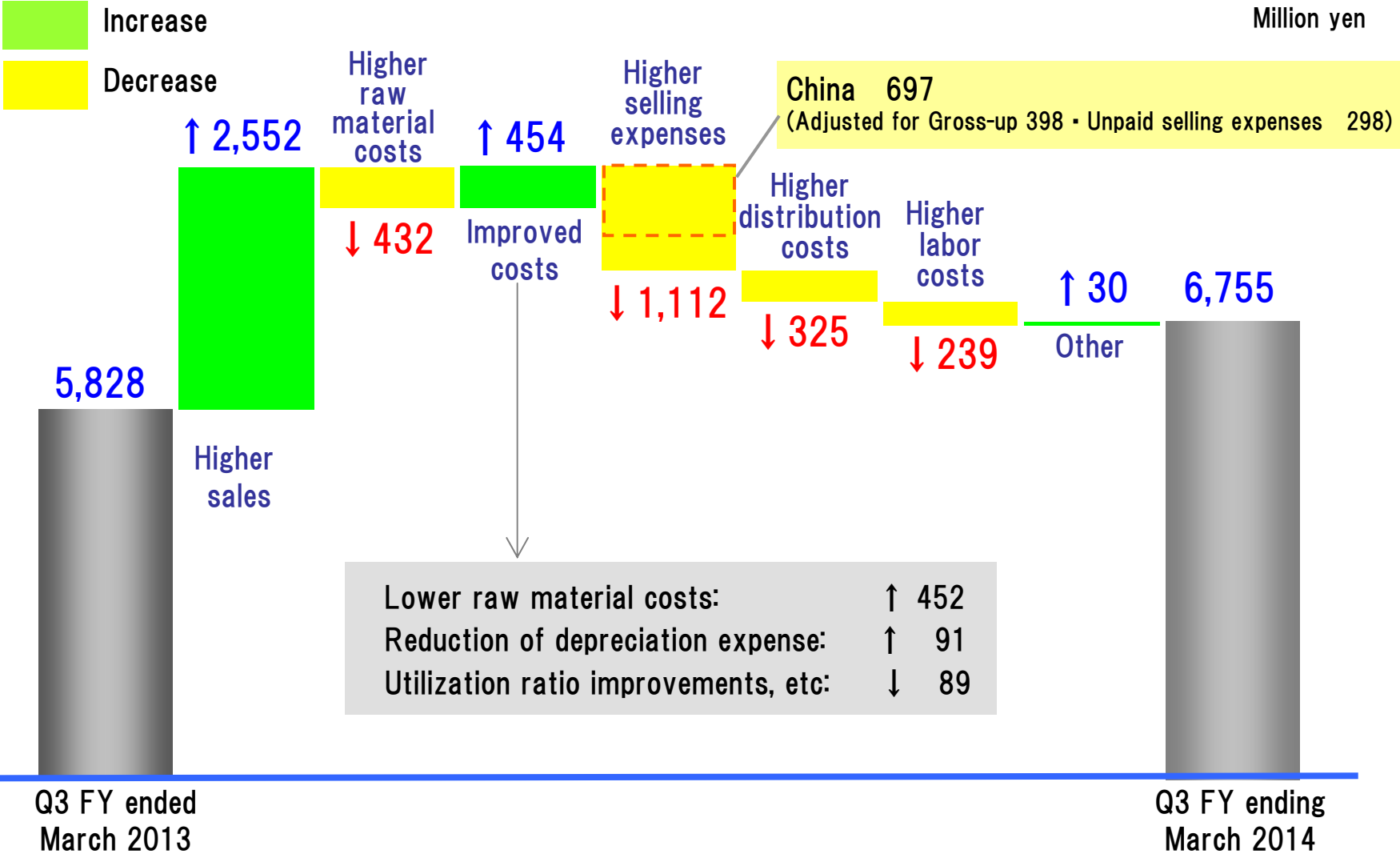
Strong growth in North America and China

Thailand and South Korea declined

year-on-year on a local currency basis

* Regarding China net sales, until Q2 certain selling expenses had been deducted from sales, but all selling expenses have been recorded from Q3.

FY2014 Q3 (Three months): Factors increasing operating income



Note: Calculations for the above year-on-year comparisons include amounts for cost equivalency from the distribution business (272 million yen) as distribution costs under SG&A.

FY2014 Q3 (Nine months): Results highlights

	Q3 year ended 3/2013	Q3 year ending 3/2014	Change in %	Comparison with plan
	Million yen	Million yen	%	%
Net sales	133,759	148,924	+11.3	103.3
Gross profit	58,846	65,361	+11.1	103.3
SG&A expenses	46,310	49,742	+ 7.4	102.1
Selling	18,736	21,436	+14.4	103.7
Distribution	9,186	9,462	+ 3.0	102.3
Labor	11,899	12,632	+ 6.2	101.6
Other	6,488	6,210	- 4.3	97.5
Operating income	12,536	15,618	+24.6	107.3
Ordinary income	13,163	16,649	+26.5	113.7
Extraordinary income /loss	- 705	229	—	—
Net income	7,384	10,336	+40.0	119.4

On track to achieve plans

Satoshi Eguchi

**Executive Officer
General Manager of Strategic Planning Group**

Outcomes

- Implemented of overseas strategy
 - Decided to establish JV with URC in the Philippines
- Expanded domestic share
 - Potato chips share (FY2013) 67.4% → (Q3) 71.0%
 - Snack foods market share (FY2013) 52.3% → (Q3) 54.9%
- Reduced costs
 - COGS (target) 54.4% → (actual) 54.7% Good domestically, overseas an issue

Future initiatives

- Overseas expansion strategy
- Product development (*Vegips*, our next blockbuster, etc)
- Growth of existing products (*Fruits Granola*, *Jagarico*, *Kata Age Potato*, etc)
- Achieve further cost reductions

Net sales by country

Yen base

		FY2013 Q3 (three months)	FY2014 Q3 (three months)	Change in %
North America	Million yen	395	1,249	+215.6%
China	Million yen	213	891	+316.6%
			610	+185.5%
South Korea	Million yen	479	579	+20.8%
Thailand	Million yen	518	606	+17.0%
Hong Kong	Million yen	492	628	+27.5%
Taiwan	Million yen	38	143	+276.2%

*Excludes Q1 and Q2 adjustment for gross-up

Local currency base

		FY2013 Q3 (three months)	FY2014 Q3 (three months)	Change in %
North America	Thousand dollars	4,788	12,203	+154.8%
China	Thousand renminbi	15,987	53,932	+237.3%
			36,434	+127.9%
South Korea	Million won	6,273	6,000	-4.4%
Thailand	Thousand baht	192,178	190,192	-1.0%
Hong Kong	Thousand HK dollars	45,980	47,738	+3.8%
Taiwan	Thousand NT dollars	12,794	41,479	+224.2%

*Excludes Q1 and Q2 adjustment for gross-up

Update by country

North America

Strong sales of Harvest Snaps

Ruffles® Crispy Fries began showing a recovery trend from mid-November

China

Calbee (HangZhou) did not achieve plans

South Korea

Strong sales of Potato-based snacks
Flour-based snacks were weak



Thailand

Poor regional sales due to political instability

Hong Kong

Strong sales of *Jagabee*



Taiwan

Strong sales of *Jagabee*

North America

■ Harvest Snaps

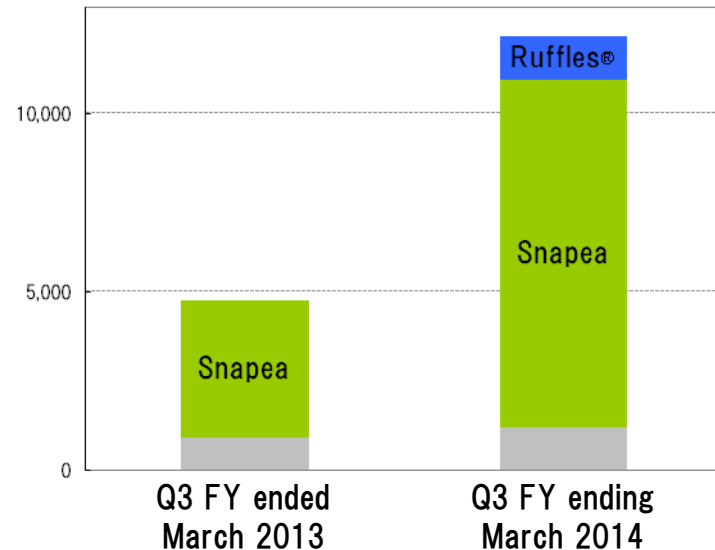
Significant growth due to expanded product line up and expanded sales channels

■ Ruffles®

Recovery since mid-November is ongoing, plan to strengthen relationship with Frito-Lay

North American business net sales

Thousand USD



China

■ Products

Flour-based snacks (*Kappa Ebisen, Sapporo Potato*) performed poorly

Q4 onwards, focus on *Jagabee*

■ Sales strategy

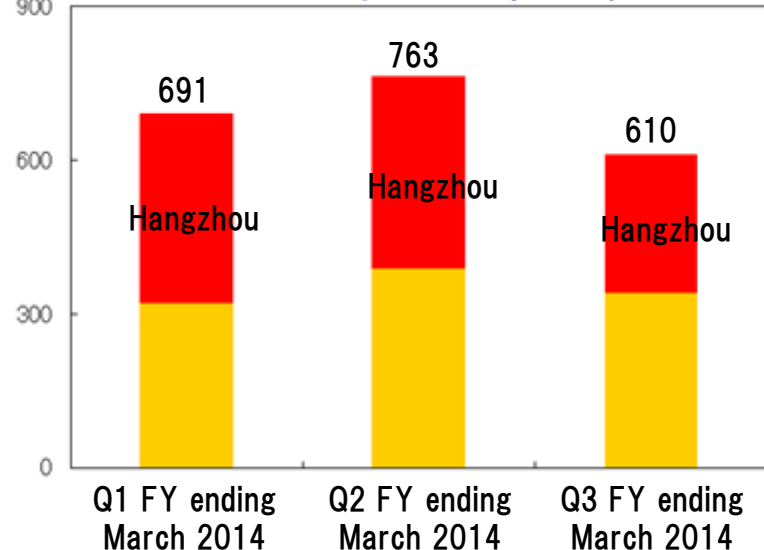
Q4 onwards, focus on Shanghai, Beijing area

Collaboration with MasterKong, plans to rebuild sales structure

China business sales

Million yen

Adjusted for gross-up



Actively developing new flavors



Launched
January 13



Launched
January 27



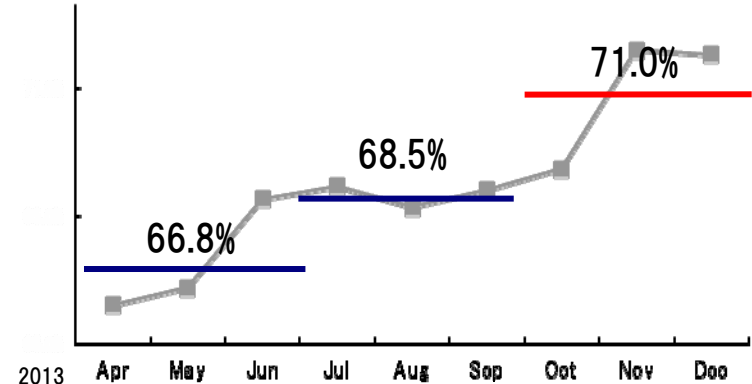
Launched
January 20

Growing sales of *Fruits Granola*

- New production line in Kiyohara factory
Investment: 1.4 bn yen
Planned start: Early Feb. 2014
Production capacity: 12 bn yen annually
(Increase of 1.5 times over pre-investment)
- Aiming to grow product line up and further expand sales and market share after expanding production capacity

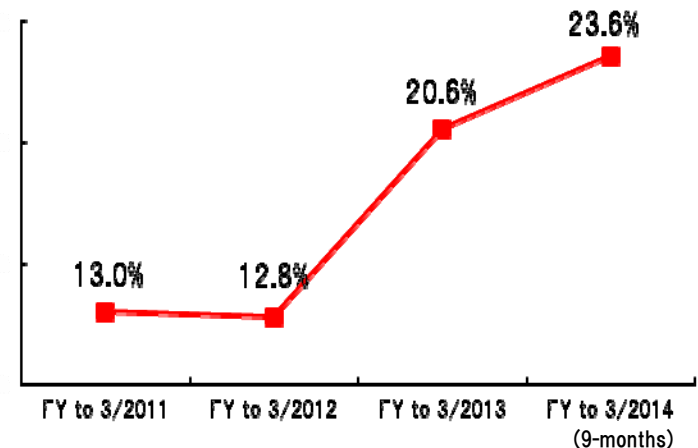


Potato Chips market share



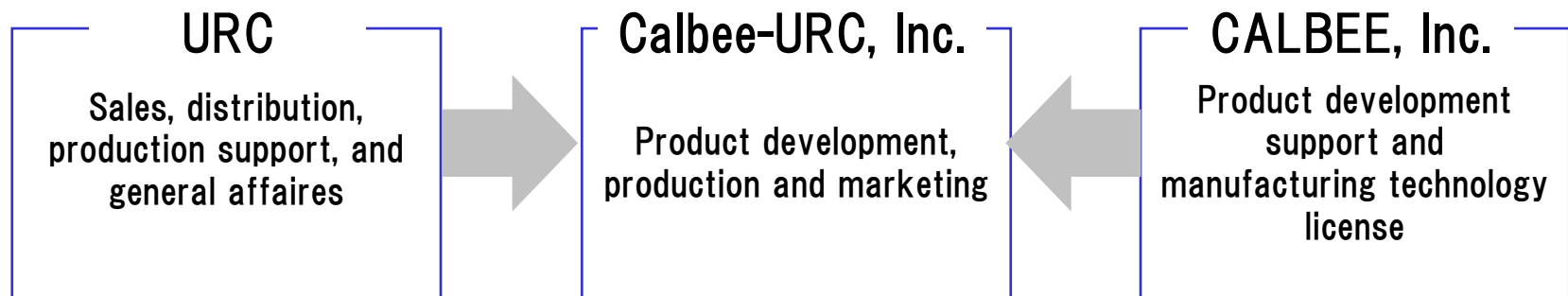
Data : Intage SRI / Potato chips (thick- and thin-sliced), shoestring and kettle types. Japan wide, all business basis: market share figures for sales amount are based on 3-month intervals of April to June, July to September, October to December

Fruits Granola market share



Establishing JV with URC in the Philippines

Name	Calbee-URC, Inc.	
Capital	PHP 600 million (JPY 1.44 billion) (plan)	
Ownership ratio	CALBEE, Inc.	50%
	Universal Robina Corporation	50%
Location	Pasig City, Philippines	
Representative Director	To be confirmed	
Date established	April, 2014 (plan)	
Brand names	Dual brands (Calbee and Jack 'n Jill)	
Sales and profit target	FY March/2020 Sales of JPY 4 billion and operating margin of 10%	



Overview of Universal Robina Corporation

- Year established : 1954
- Sales : JPY 194 billion (FY2013)
- Operating profit : JPY 25 billion (FY2013)
- Main business : Production and sale of foods and beverages
- Market positioning : Leading company in snack foods market with 43% share
- Overseas business : Thailand, Vietnam, Indonesia, Malaysia, Singapore, China, Hong Kong
- Parent company : JG Summit Holdings.
- Stock listing : Philippine Stock Exchange



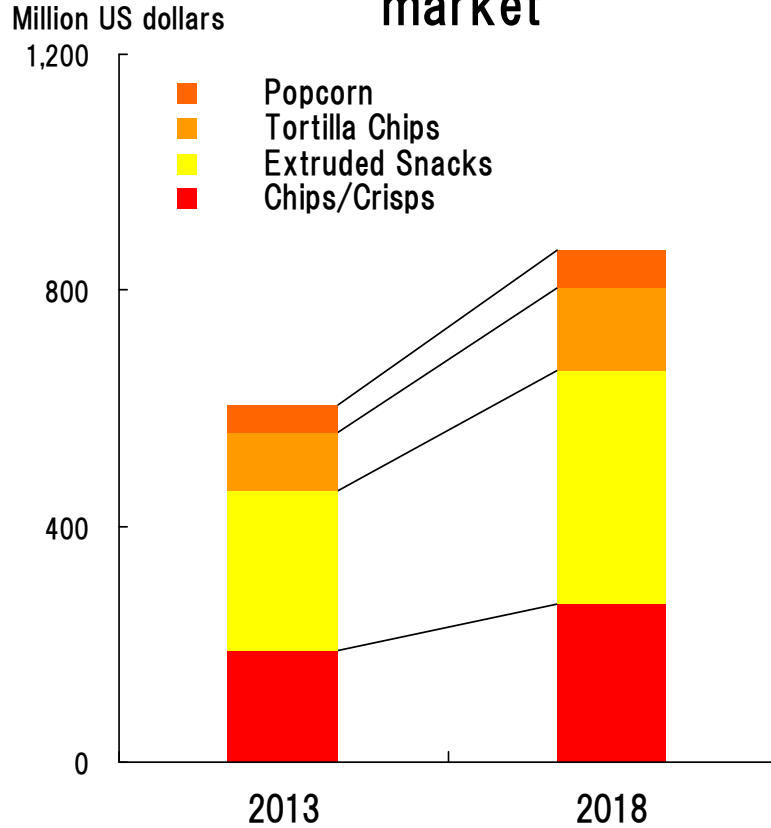
Reference material

Sales by product

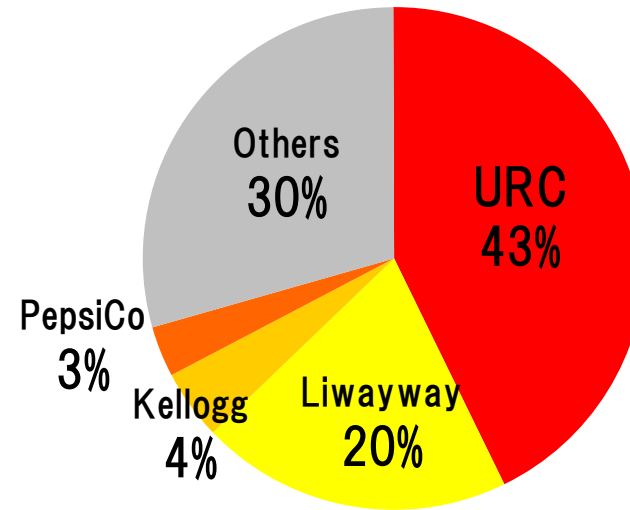
Million yen

	FY2013 Q3 (three months)			FY2014 Q3 (three months)		
	Amount	Composition	Change in %	Amount	Composition	Change in %
Potato-based snacks	28,082	58.9%	+7.3%	30,592	57.4%	+8.9%
<i>Potato chips</i>	17,433	36.6%	+7.5%	19,288	36.2%	+10.6%
<i>Jagarico</i>	7,427	15.6%	+6.4%	8,167	15.3%	+10.0%
<i>Jagabee</i>	2,532	5.3%	+6.3%	2,333	4.4%	-7.9%
Flour-based snacks	5,728	12.0%	-1.7%	5,678	10.7%	-0.9%
Corn-based snacks	3,614	7.6%	+3.5%	3,943	7.4%	+9.1%
<i>Vegips</i> , other new snacks	1,623	3.4%	+152.3%	1,487	2.8%	-8.3%
Overseas	2,139	4.5%	+20.8%	4,098	7.7%	+91.6%
Others	909	1.9%	+26.5%	1,041	2.0%	+14.5%
Snacks	42,098	88.3%	+9.0%	46,842	88.0%	+11.3%
Bread	3,151	6.6%	-7.1%	3,096	5.8%	-1.7%
Cereals	1,855	3.9%	+34.7%	2,624	4.9%	+41.4%
Other foods	5,007	10.5%	+4.9%	5,720	10.7%	+14.2%
Services	578	1.2%	-8.0%	692	1.3%	+19.8%
Total Sales	47,684	100.0%	+8.3%	53,256	100.0%	+11.7%

Snack foods market



Market share



Source: Euromonitor