



Calbee Group Financial Results

For the fiscal year ended March 31, 2014
April 1, 2013 — March 31, 2014

CALBEE, Inc. May 13, 2014



Calbee

Harvest the Power of Nature.

Calbee Group's Growth Strategies

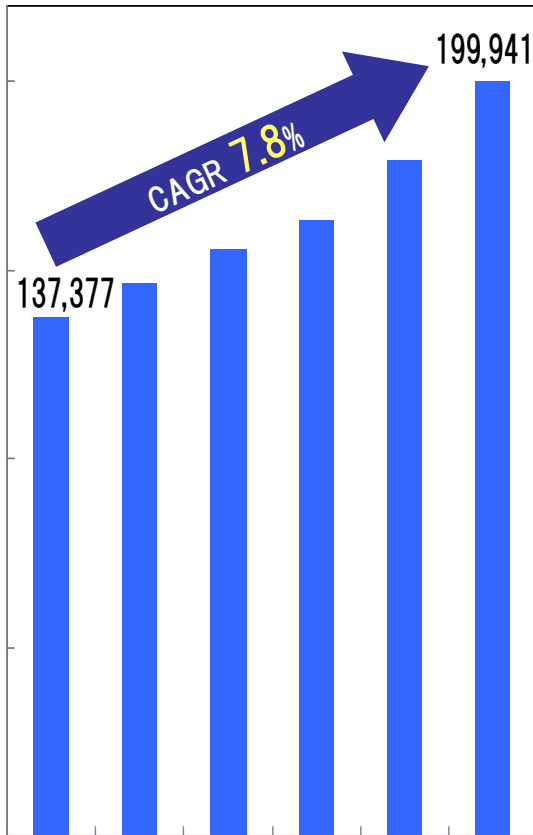
Akira Matsumoto
Chairman of the Board & CEO

Performance highlights

Growth

Net Sales

(Millions of yen)



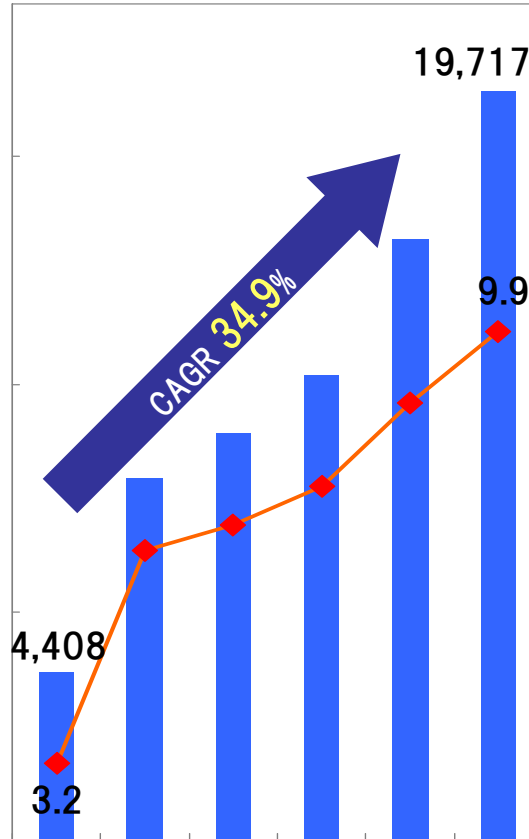
FY2009 FY2010 FY2011 FY2012 FY2013 FY2014

Margin

Operating Income

(Millions of yen)

Operating margin (%)

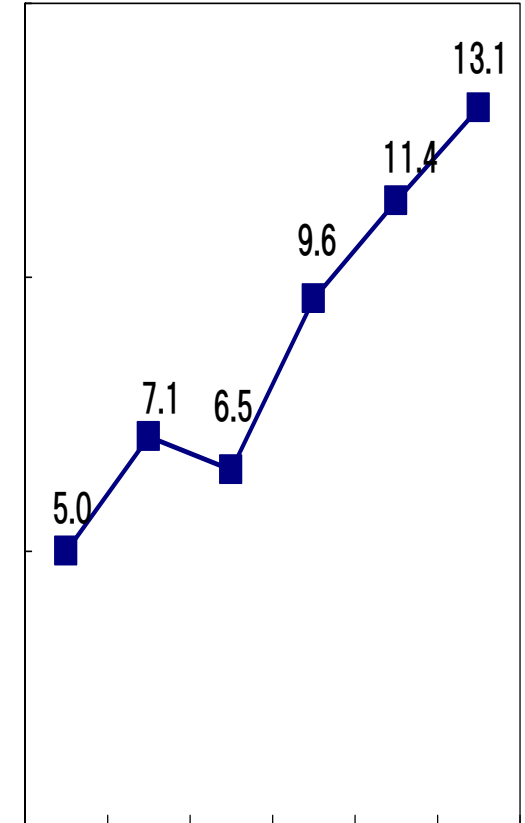


FY2009 FY2010 FY2011 FY2012 FY2013 FY2014

Return

ROE

(%)



FY2009 FY2010 FY2011 FY2012 FY2013 FY2014

No Trouble Makes No Business



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 fiscal year ended March 2014
Management Policy for fiscal year ending March 2015**

**Shuji Ito
President & COO**

Outcomes

Expanded overseas strategy

- Began next-stage of development in North America, China
- Established Indonesian JV, UK subsidiary

Expanded domestic market share

- Grew share of potato chips and snack foods markets
- Grew share of *Fruits Granola*

Future initiatives

Expand overseas strategy

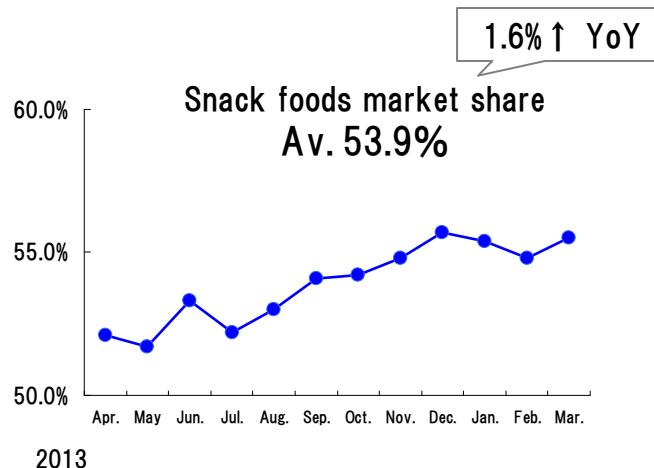
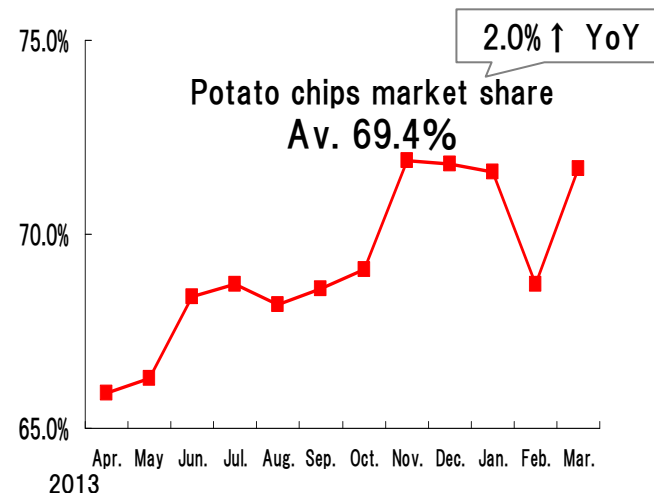
New product development, promotion

Grow existing products

(*Fruits granola, Jagarico, Kata-Age Potato*, etc.)

Achieve further cost reductions

Market share



Source: Intage SRI based on sales Apr. 2013-Mar. 2014

Confectionary 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: Financial highlights

	FY2013	FY2014	Change in %	Compared with revised plan
	Million yen	Million yen	%	%
Net sales	179,411	199,941	+ 11.4	105.2
Gross profit	78,522	87,209	+ 11.1	104.7
SG&A	62,731	67,492	+ 7.6	103.4
Selling	25,791	29,536	+ 14.5	106.2
Distribution	12,238	12,644	+ 3.3	103.8
Labor	16,007	16,880	+ 5.5	101.8
Other	8,694	8,430	- 3.0	96.7
Operating income	15,790	19,717	+ 24.9	109.5
Ordinary income	17,127	20,782	+ 21.3	115.5
Extraordinary income (loss)	- 1,148	- 246	—	—
Net income	9,440	12,086	+ 28.0	116.2

Renewed records in sales and income

Net sales

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

Gross profit

Gross margin up 0.3 percentage points due to increased profitability from higher revenues and cost reductions

From this year distribution business costs have been transferred from distribution in SG&A to Cost of sales
Amount: 941 million yen

SG&A

Proactively invested in selling expenses domestically and overseas

Non-operating income

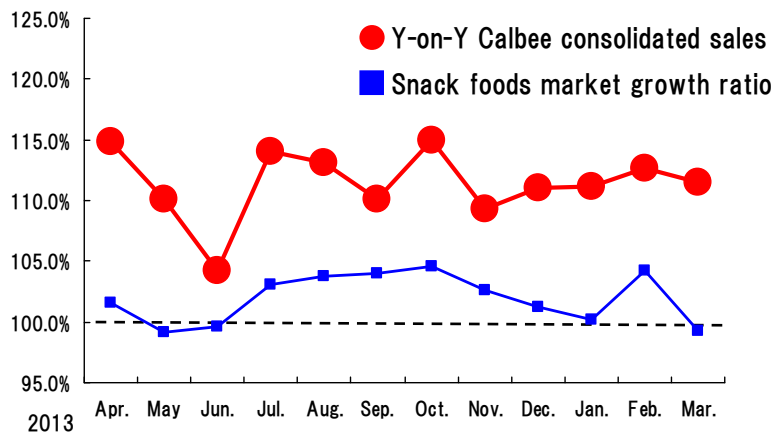
Foreign exchange gains: 772 million yen

Extraordinary income (loss)

Gain on sales of investment securities 375 million yen
Loss on cancellation of business outsourcing contracts 252 million yen
Impairment loss 185 million yen

FY2014: Factors increasing sales

Y-on-Y change in consolidated sales



Y-on-Y comparison of sales by product

Million yen

Sales	+	20,529
Domestic	+	13,959
Potato-based snacks	+	8,114
Corn-based snacks	+	1,333
New products (<i>Vegips</i> , etc.)	+	872
Cereals	+	3,122
Overseas	+	6,570
North America	+	2,976
China	+	1,477

Potato-based snacks

Potato Chips

Growth in core through volume campaign, etc.

Strong sales of *Kata-Age Potato*

Jagarico

Strong sales of L-size (72g)



Corn-based snacks

Strong sales from Garrett popcorn shops, a famous brand from Chicago



Cereals

- Sold only core products for regular distribution due to insufficient production of *Fruits Granola*
- New line started in February.

- Launched sales of mail-order-limited products



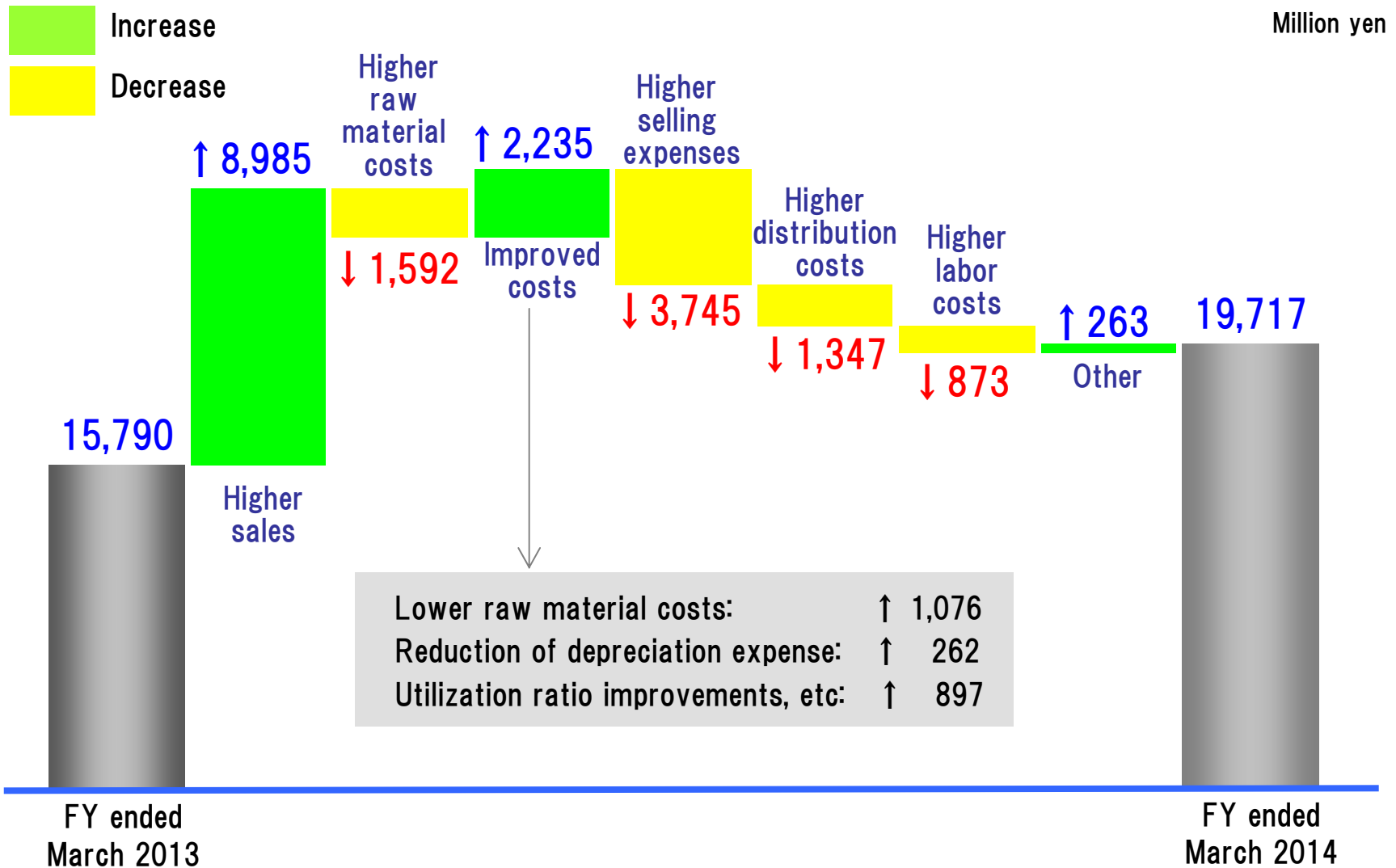
Overseas

Increased sales in all countries

Effect of weak yen: +2,661 million yen

Source: Intage SRI (nationwide retail sales) Basis: Sales April 2013 to March 2014

FY2014: Factors increasing operating income



Note: Calculations for the above year-on-year comparisons include amounts for cost equivalency from the distribution business (941 million yen) as distribution costs under SG&A.

FY2015: Full year forecasts

	FY2014 results	FY2015 forecasts	Change in %
	Million yen	Million yen	%
Net sales	199,941	213,000	+ 6.5
Gross profit	87,209	93,600	+ 7.3
SG&A	67,492	71,100	+ 5.3
Selling	29,536	31,900	+8.0
Distribution	12,644	13,200	+4.4
Labor	16,880	17,300	+2.5
Other	8,430	8,700	+3.2
Operating income	19,717	22,500	+14.1
Ordinary income	20,782	22,500	+ 8.3
Extraordinary income (loss)	- 246	- 300	—
Net income	12,086	13,300	+10.0

Aiming for double-digit growth in profits

Net sales

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

Gross profit

Expect increase in price of raw materials due to weaker yen, but plan to improve by 0.3 percentage points through higher sales and cost reduction effects

SG&A

Selling expenses

Overseas: Actively invest

Domestic: Efficiently use resources

Operating income ratio

10.6% (0.7 percentage point increase YoY)

■ Y-on-Y comparison of sales by product

Million yen

Sales	+	13,058
Domestic	+	8,700
<i>Potato Chips</i>	+	2,580
<i>Jagarico</i>	+	1,583
Corn-based snacks	+	1,099
Cereals	+	3,007
Overseas	+	4,358
North America	+	1,493
China	+	664

*Exchange rate used: 1 USD: 105 yen; 1 renminbi: 17.4 yen

■ Potato-based snacks

Potato Chips, Kata-Age Potato and *Jagarico* performed well and continue to strengthen

Lowered price of *Jagabee* Box-type



■ Corn-based snacks

Garrett popcorn shops, opened 3rd Tokyo Station store in April

■ Fruits Granola

Increased production capacity 1.5 times in Feb. 2014

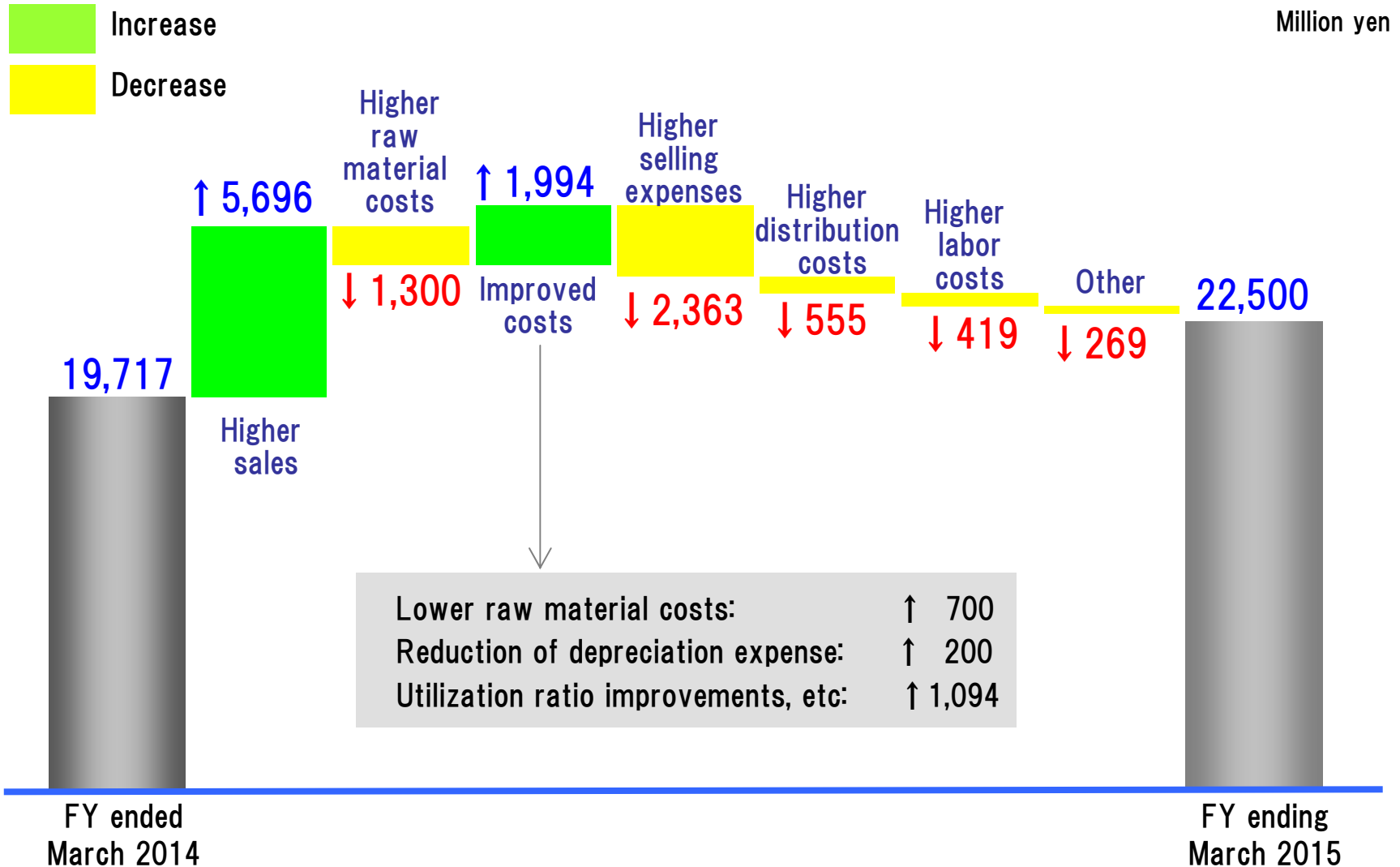


■ Overseas

North America: Anticipate higher sales of *Snapea Crisps, Ruffles*®

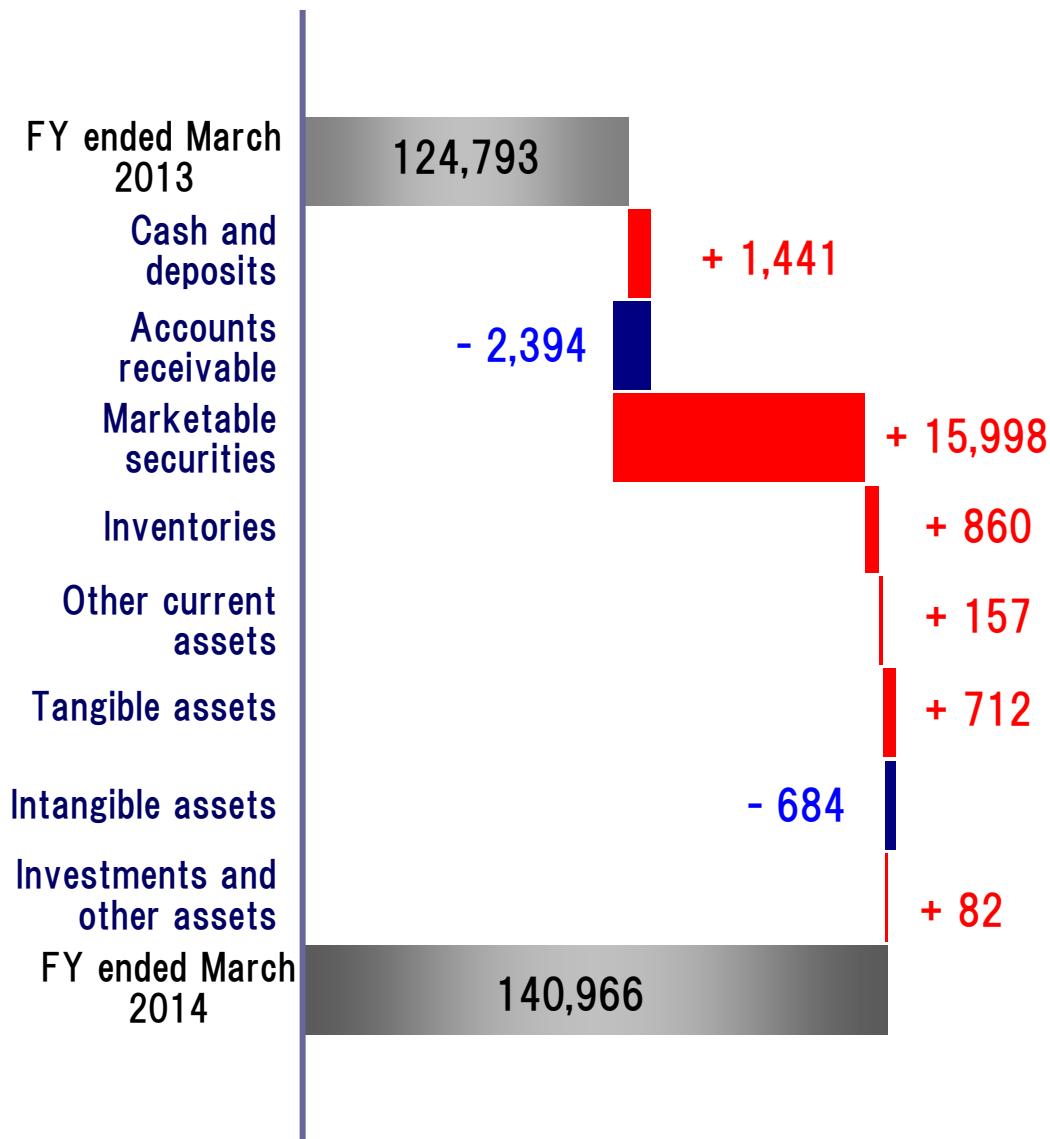
China: Accelerated development and launch of products adapted for the Chinese market

FY2015: Factors increasing operating income



FY2014 Consolidated balance sheet: Assets

Million yen



■ Current assets +16,063

Accounts receivable - 2,394

End of FY2013 was a bank holiday
→ collected at beginning of next FY

End of FY2014 was a working day
→ collected at end of FY

Marketable securities +15,998

Acquisition of funds in trust, CP
for short-term management

■ Non-current assets +110

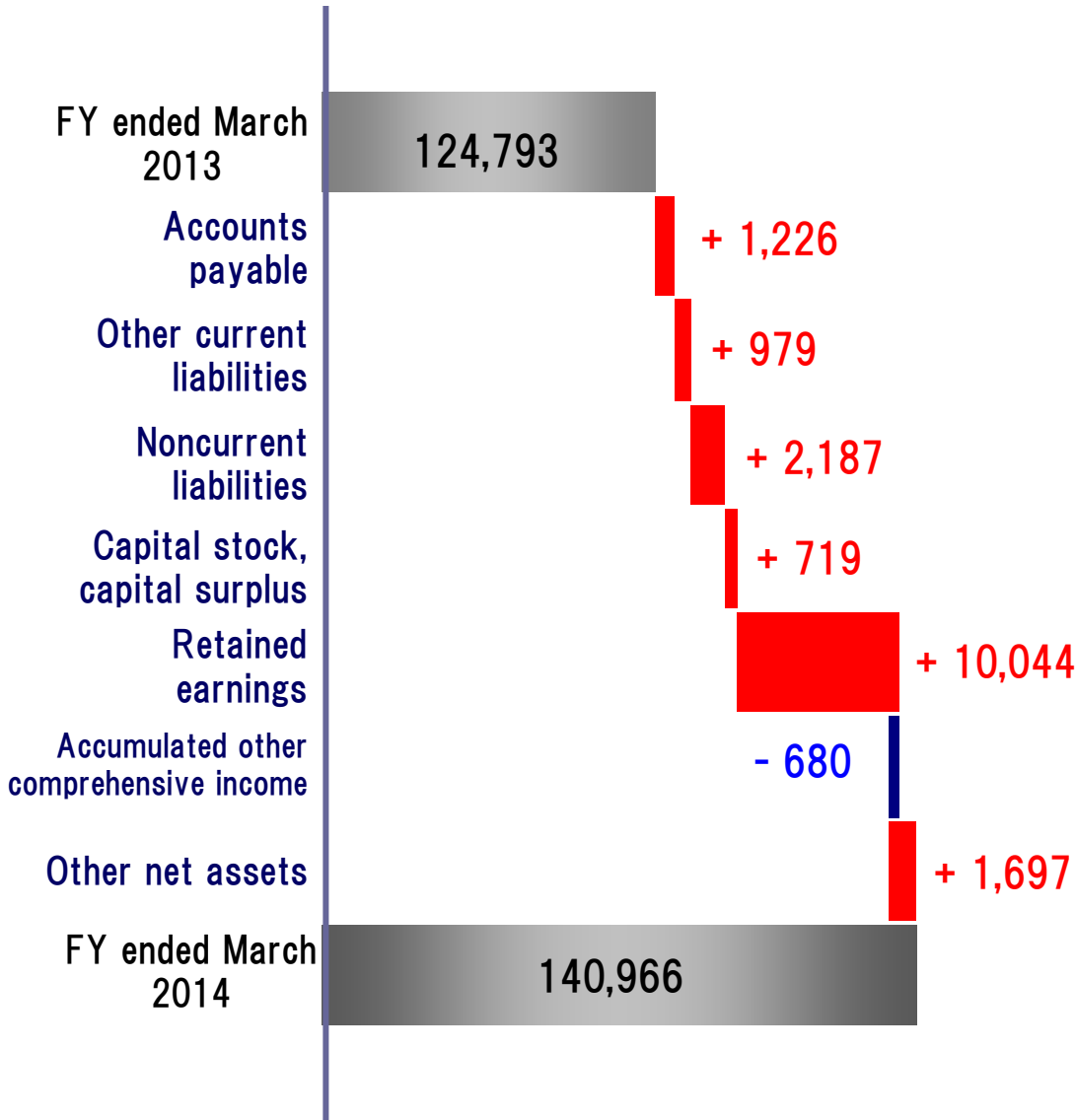
Tangible assets +712

Expanded of *Fruits Granola*
production line

Acquired plant facilities in
Taiwan, etc.

FY2014 Consolidated balance sheet: Liabilities and Net assets

Million yen



■ Liabilities +4,392

Accounts payable +1,226

Increased buying due to growth in domestic sales

Net defined benefit liability +6,134

Due to change in accounting standards

■ Net assets +11,781

Capital stock, capital surplus +719

Stock options exercised

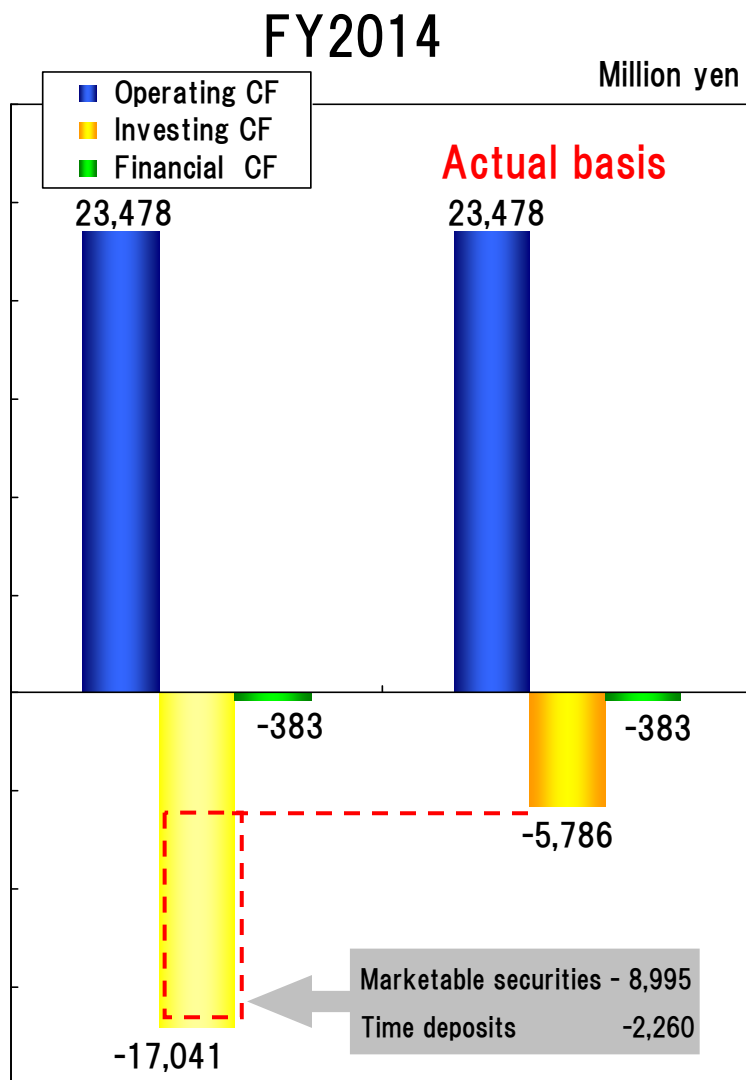
Accumulated other comprehensive income -680

Remeasurements of defined benefit plans -1,266

Other net assets +1,697

Increase in minority interests

FY2014 Consolidated cash flows



**Cash and cash equivalents increased
by 17,516 million yen**

*Actual basis including assets managed in trust, etc.

Million yen

Net cash provided by (used in) operating activities + 23,478

Income before income taxes and minority interests	+ 20,536
Depreciation and amortization	+ 5,960
Decrease in notes and accounts receivable-trade	+ 2,606
Income taxes paid	- 8,352

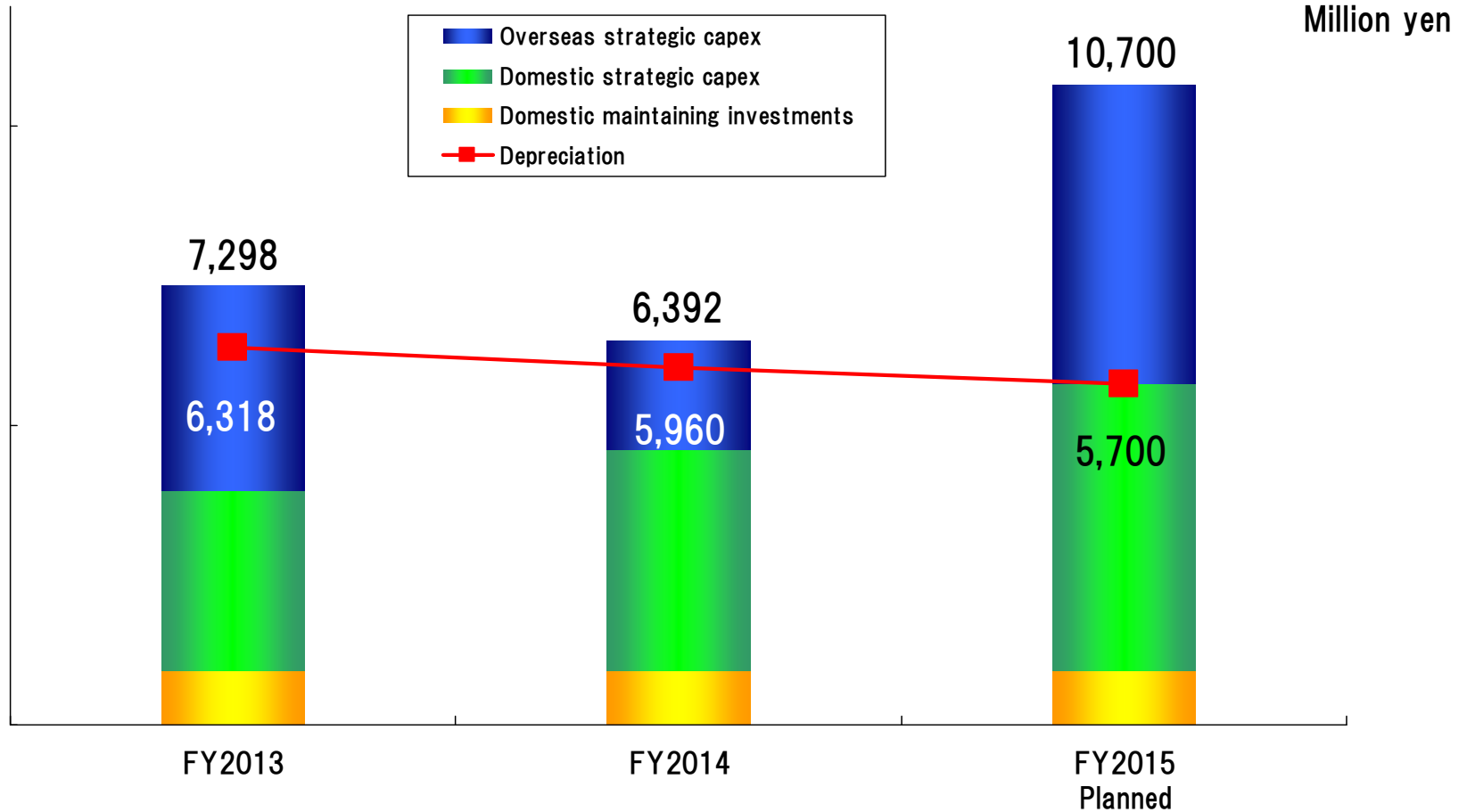
Net cash provided by (used in) investing activities - 5,786

Purchase of fixed assets - 6,392

Net cash provided by (used in) financing activities - 383

Proceeds from exercise of stock options	+ 703
Cash dividends paid	- 2,314
Proceeds from stock issuance to minority shareholders	+ 1,603

Capex and depreciation



Main capex
in FY 2014

Domestic: *Fruits Granola* 1,024, *Kata-Age Potato* 399

Overseas: Taiwan 474, China 352

Reference material

Sales by product

(Million of yen)

	FY2013			FY2014		
	Amount	Composition	Change in %	Amount	Composition	Change in %
Potato-based snacks	103,774	57.8%	+8.4%	111,888	56.0%	+7.8%
<i>Potato chips</i>	62,900	35.1%	+7.1%	68,219	34.1%	+8.5%
<i>Jagarico</i>	28,577	15.9%	+8.6%	31,716	15.9%	+11.0%
<i>Jagabee</i>	9,537	5.3%	+13.6%	8,933	4.5%	-6.3%
Flour-based snacks	21,457	12.0%	+6.8%	21,856	10.9%	+1.9%
Corn-based snacks	13,286	7.4%	+0.2%	14,620	7.3%	+10.0%
<i>Vegips</i> , other new snacks	5,129	2.9%	+124.4%	6,002	3.0%	+17.0%
Overseas	9,222	5.1%	+28.9%	15,792	7.9%	+71.2%
Others	2,789	1.6%	+3.4%	2,986	1.5%	+7.1%
Snacks	155,659	86.8%	+10.2%	173,145	86.6%	+11.2%
Bread	12,863	7.2%	-3.8%	12,181	6.1%	-5.3%
Cereals	8,470	4.7%	+37.8%	11,592	5.8%	+36.9%
Other foods	21,334	11.9%	+9.3%	23,773	11.9%	+11.4%
Services	2,417	1.3%	-3.1%	3,021	1.5%	+25.0%
Total Sales	179,411	100.0%	+9.9%	199,941	100.0%	+11.4%

■ Net sales by country

Yen base

		FY2013	FY2014	Change in %
North America	Million yen	2,029	5,006	+146.6%
China	Million yen	1,041	2,518	+141.8%
South Korea	Million yen	1,929	2,425	+25.7%
Thailand	Million yen	2,025	2,528	+24.8%
Hong Kong	Million yen	1,949	2,499	+28.2%
Taiwan	Million yen	246	814	+230.8%

Local currency base

		FY2013	FY2014	Change in %
North America	Thousand dollars	24,288	49,568	+104.1%
China	Thousand renminbi	78,886	153,764	+94.9%
South Korea	Million won	25,807	26,362	+2.2%
Thailand	Thousand baht	746,258	796,443	+6.7%
Hong Kong	Thousand HK dollars	181,662	193,024	+6.3%
Taiwan	Thousand NT dollars	79,504	243,332	+206.1%

Update by country

■ North America

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

■ China

JV launched with Master Kong in April
underperforming plans
JV with Four Seas (CFSS) performing well

■ 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*

FY to March 2014

***Snapea Crisps* performing well, North American sales and operating income doubled, achieving plans**

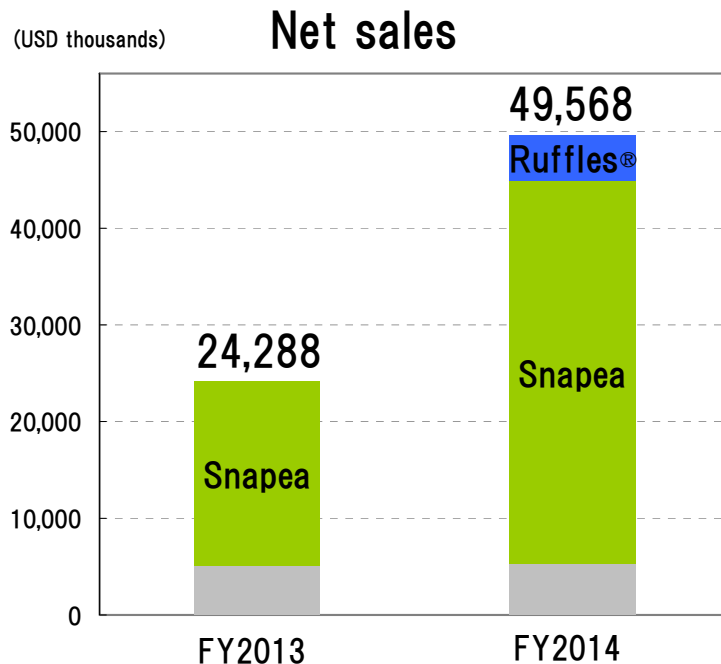
Snapea Crisps >> Large increase in revenues due to expansion of product lineup and sales channels

Ruffles® Crispy Fries >> Sales lower than initial expectations

FY to March 2015

Snapea Crisps* continued to strengthen, aim to grow sales of *Ruffles® Crispy Fries

Implemented market testing for 3rd product



FY to March 2014

Calbee (Hangzhou) sales underperformed plans, revenues worsened

Calbee (Hangzhou) (JV with Master Kong) >> issues with products, costs, quality and distribution

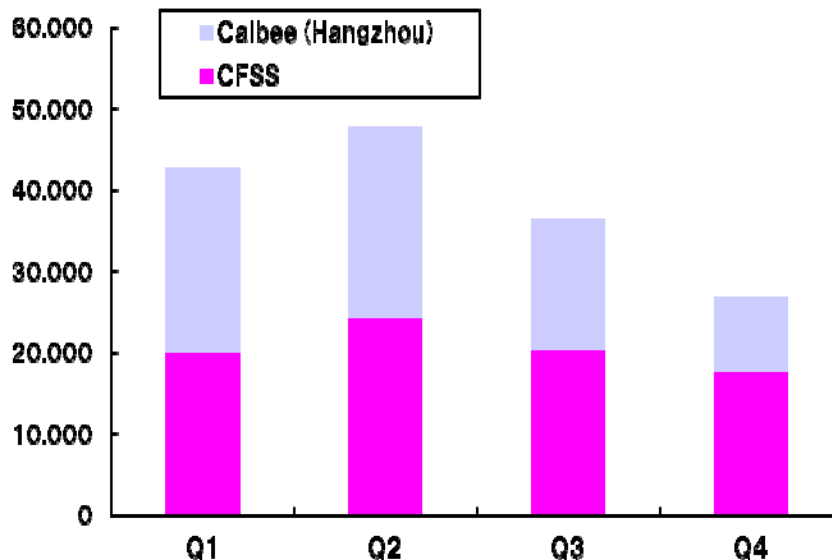
CFSS (JV with Four Seas) >> Flour-based snacks sales strong, increased revenues and sales

FY to March 2015

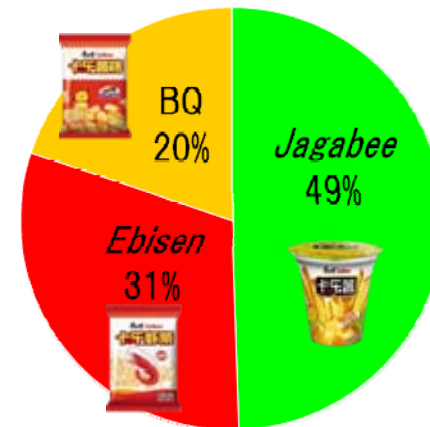
Aimed to put Calbee (Hangzhou) back on track by finding solutions to issues

Net sales FY2014

(Thousand renminbi)

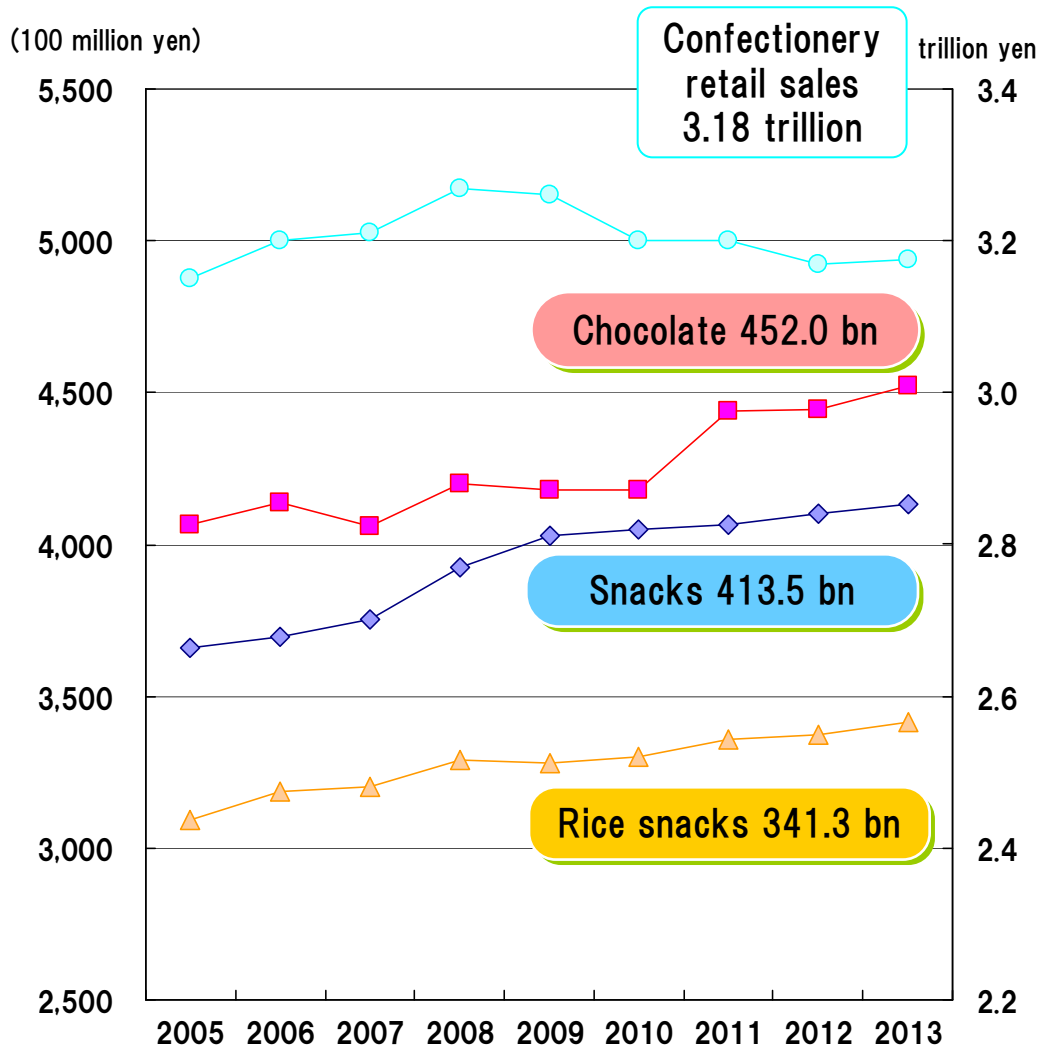


Calbee (Hangzhou): Breakdown of sales FY2014



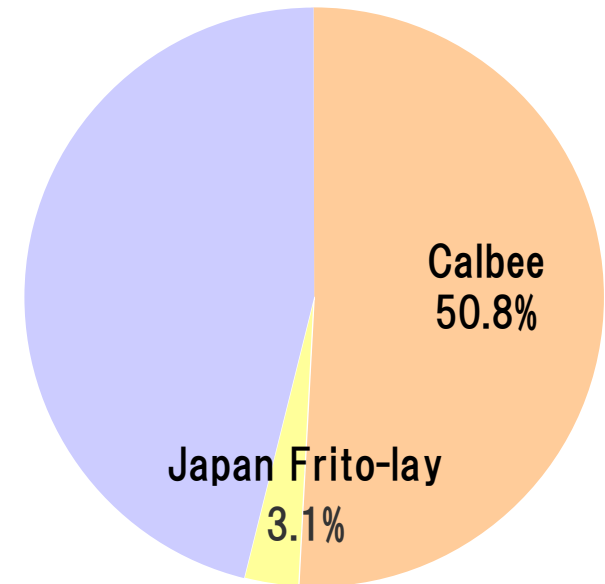
Domestic snack foods market

Domestic confectionery market



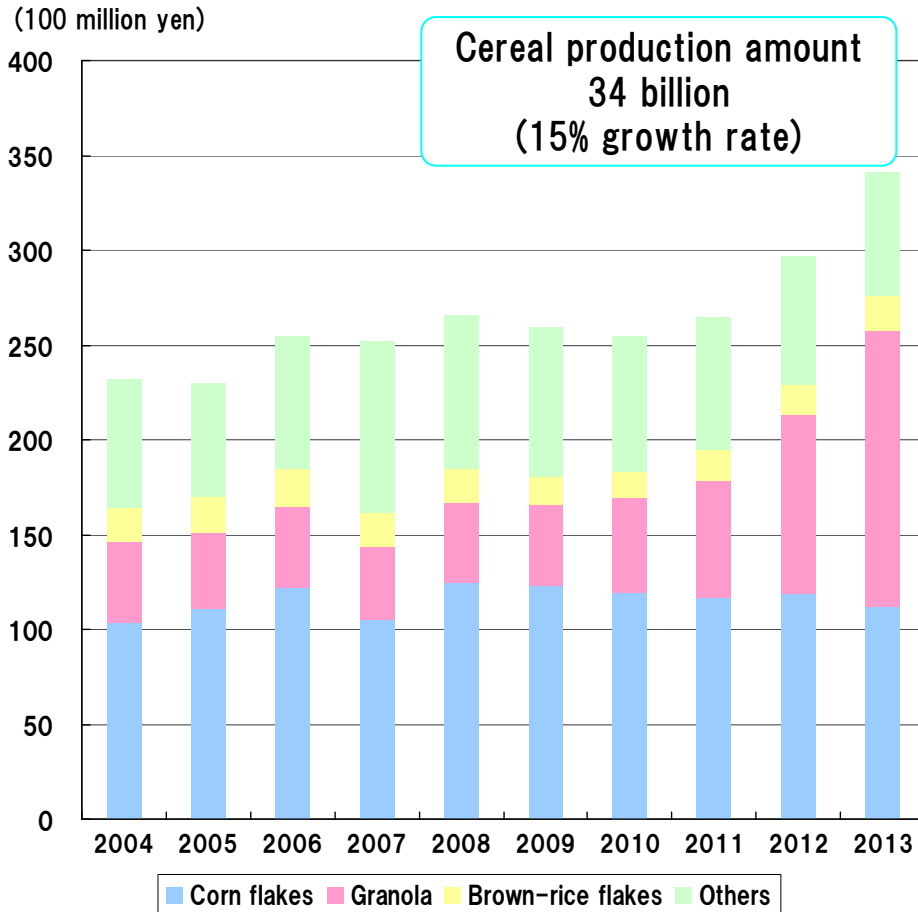
Source: All Nippon Kashi Association

Share of domestic snack foods market



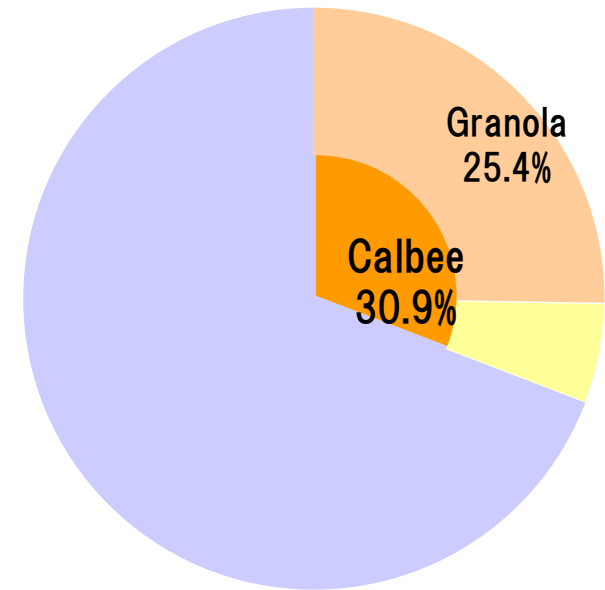
Source: Intage SRI (nationwide retail sales)
Basis: Sales April 2013 to March 2014

Domestic cereal market



Source: Japan Snack Cereal Foods Association

Share of domestic cereal market



Source: Intage SRI (nationwide retail sales)
Basis: Sales April 2013 to March 2014

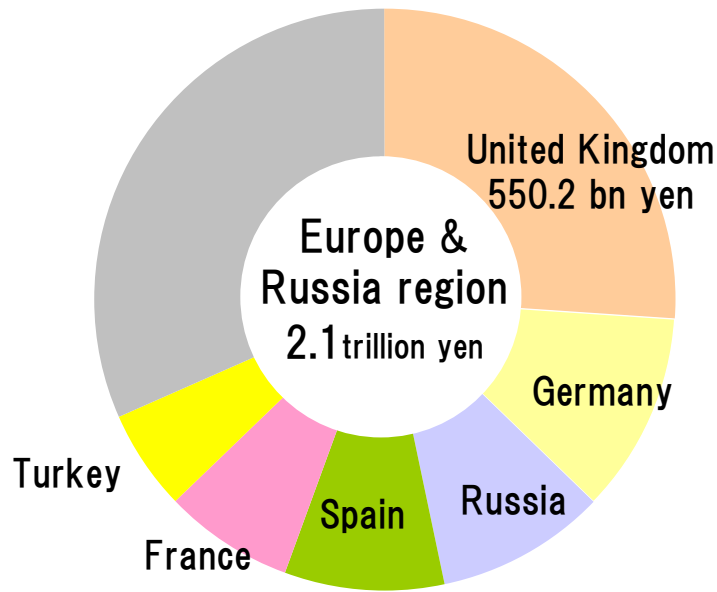
Established a subsidiary in the United Kingdom

Name	Calbee (UK) Ltd
Ownership ratio	CALBEE, Inc. 100%
Location	The United Kingdom
Representative Director	To be confirmed after recruitment British Managing Director (plan)
Date established	March 20, 2014
Main business	Production and sale of snack foods
Business commencement	January, 2015 (plan)
Sales target	FY March/2020 Sales of JPY 10 billion

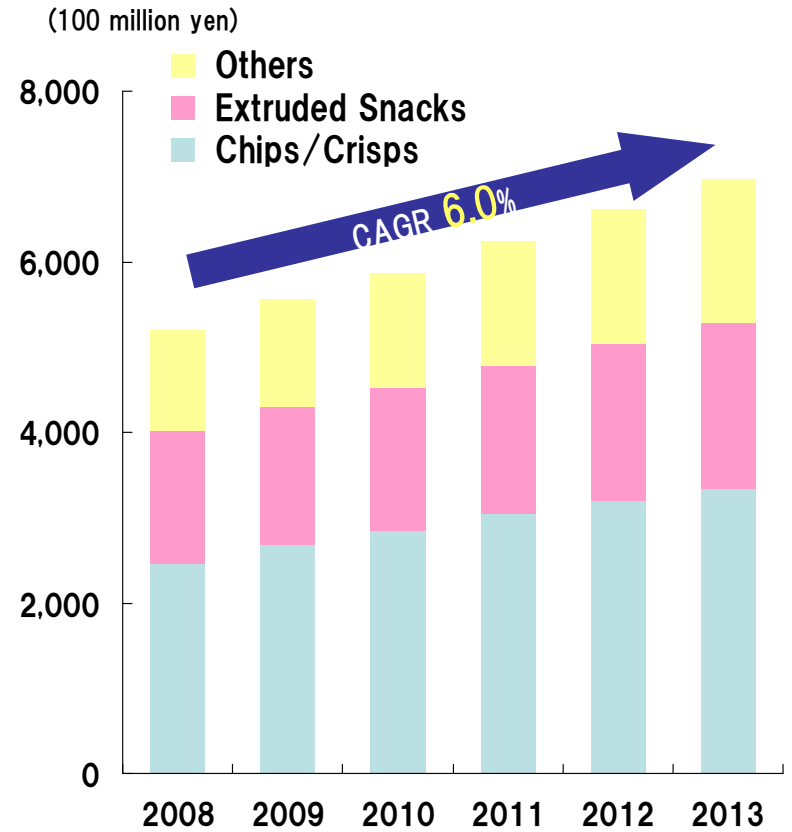
[Reference: Snapea Crisps]



Snack foods market In Europe and Russia region



UK snack foods market



Source: Euromonitor