



Calbee Group Financial Results

First quarter of fiscal year ending March 31, 2015

April 1, 2014 — June 30, 2014

CALBEE, Inc. August 4, 2014



Calbee
Harvest the Power of Nature.

First Quarter Results for the fiscal year ending March 31, 2015

Koichi Kikuchi

**Senior Executive Officer
Chief Financial Officer**

Outcomes

■ Domestic, North American business drove achievement of sales, profit targets

- Net Sales: (growth rate) + 9.9% (comparison with plan) 104.2%
- Operating Income: (growth rate) + 28.4% (comparison with plan) 126.6%
- Operating Income ratio: (target) 9.2% → (actual) **11.2%**

■ Expanded overseas strategy

- Expansion of North American business
- Established Philippine JV with URC in April

■ Snack food share declined from April, but heading for recovery since May; cereal share growing

- Snack food market share: (March 2014) 53.9% → (June 2014) **52.9%**
- Potato chips market share: (March 2014) 69.4% → (June 2014) **66.9%**
- Cereal market share: (March 2014) 30.9% → (June 2014) **33.0%**

■ Reduced costs

- COGS (target) 57.1% → (actual) **55.8%**

Source: INTAGE SRI; based on sales (nationwidem, all retail formats)

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

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

March 2014: Total of April 2013 - March 2014 June 2014: Total of April - June 2014

FY2015 Q1: Results highlights

	FY2014 Q1	FY2015 Q1	Change In %	Comparison with plan
	Million yen	Million yen	%	%
Net Sales	47,551	52,269	+ 9.9	104.2
Gross Profit	20,871	23,094	+ 10.6	107.2
SG&A	16,302	17,226	+ 5.7	101.9
Selling	6,889	7,361	+6.8	99.5
Distribution	3,241	3,365	+3.8	108.2
Labor	4,040	4,192	+3.8	100.0
Others	2,129	2,306	+8.3	104.9
Operating income	4,569	5,867	+28.4	126.6
Ordinary income	5,019	5,891	+17.4	127.1
Extraordinary income/loss	346	- 34	—	—
Net Profit	3,213	3,378	+5.1	125.0

Achieved sales and profit goals

Net sales

- Limited impact of consumption tax increase
- Growth in sales of potato-based snacks, corn-based snacks, *Fruits Granola*, and overseas business

Gross profit

Gross margin improved by 0.8 percentage points on effects of cost reductions in domestic business and sales growth in high margin North American business

Since Q2 of last year distribution business costs have been transferred from distribution in SG&A to Cost of sales. 222 million yen in distribution business costs was recorded under distribution in SG&A in Q1 of last year.

SG&A expenses

Domestically, selling expenses were invested efficiently, but expenses increased overseas in North America and China

Non-operating expenses

Foreign exchange losses: 125 million yen

Extraordinary loss

Loss on retirement of non-current assets : 43 million yen

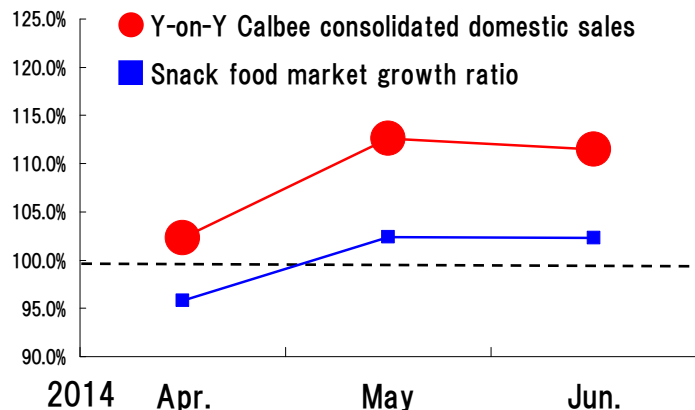
FY2015 Q1: Factors increasing sales

■ Y-on-Y comparison of sales by product

Million yen

Sales	+ 4,717
Domestic	+ 3,742
Potato-based snacks	+ 1,546
Corn-based snacks	+ 632
Cereals	+ 1,313
Others	+ 250
Overseas	+ 974
North America	+ 1,063
Others	- 88

■ Y-on-Y change in consolidated domestic sales



Source: INTAGE SRI; based on sales (nationwidem, all retail formats) April - June 2014

■ Potato-based snacks

Potato Chips

- Strong sales of *Kata-Age Potato* core products
- Strong sales of soccer World Cup-related products

Jagarico

Launch of new series as well as strong sales of limited-time products



■ Corn-based snacks

Strong sales of popcorn (NB, PB, Garret popcorn shops)

■ Cereals

Fruits Granola production capacity expanded 1.5 times in February, but utilization ratio continues to be in excess of 100%



■ Overseas

- Large increase in North American sales
- Decreased sales in South Korea, Taiwan, and China
- Effect of weak yen : 107 million yen

Net sales by country

Yen base

		FY2014 Q1	FY2015 Q1	Change in %
North America	Million yen	933	1,996	+113.9%
China	Million yen	691	489	-29.2%
		577		-15.3%
South Korea	Million yen	667	545	-18.3%
Thailand	Million yen	615	640	+4.1%
Hong Kong	Million yen	613	744	+21.4%
Taiwan	Million yen	237	203	-14.4%

*China: Includes FY2014 Q1 adjustment for gross-up

Local currency base

		FY2014 Q1	FY2015 Q1	Change in %
North America	Thousand dollars	9,395	19,599	+108.6%
China	Thousand renminbi	42,770	29,942	-30.0%
		35,701		-16.1%
South Korea	Million won	7,549	5,451	-27.8%
Thailand	Thousand baht	186,973	204,215	+9.2%
Hong Kong	Thousand HK dollars	47,890	56,690	+18.4%
Taiwan	Thousand NT dollars	71,374	60,012	-15.9%

*China: Includes FY2014 Q1 adjustment for gross-up

Update by country

North America

- North America overall had large increase due to strong sales of *Snapea Crisps*
- Lower sales of *Ruffles® Crispy Fries*

China

- Calbee Hangzhou sales decreased as *Jagabee* and *Ebisen* declined year-on-year and *Sapporo BQ* was discontinued
- CFSS sales grew on strong sales of flour-based snacks

South Korea

Strong sales of *Jagabee*, but *Potato Chips* declined year-on-year

Thailand

Strong sales of *JAXX*

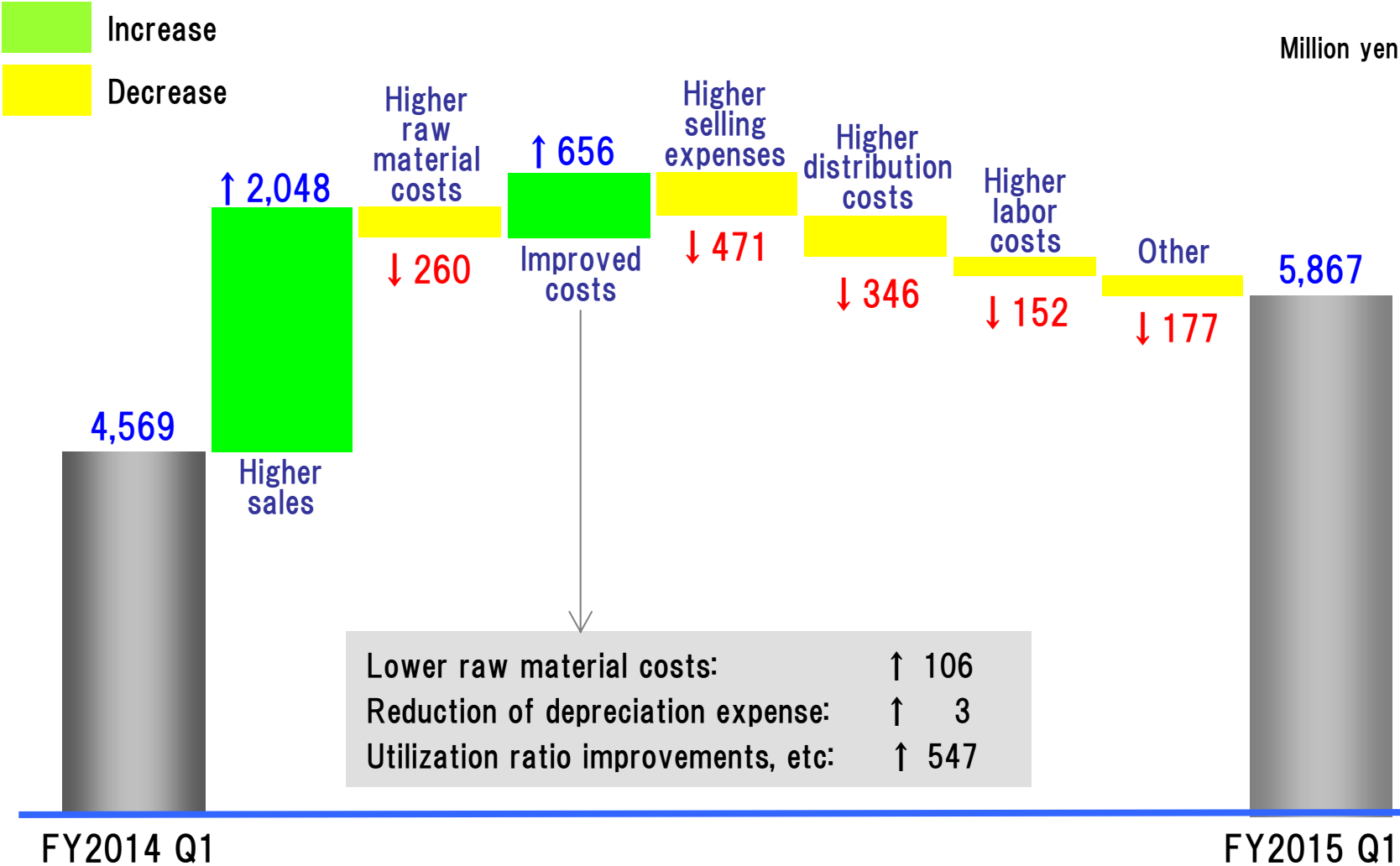
Hong Kong

Strong sales of *Jagabee* and *Potato Chips*

Taiwan

Share and sales decreased due to arrival of competing products

FY2015 Q1: Factors increasing operating income



Note: Calculations for the above year-on-year comparisons include cost of sales under Cost of sales amounts in the distribution business (222 million yen) as distribution costs.

Management Policy in FY2015 Q2

Chisa Hayakawa

Executive Officer

General Manager of IR and Strategic Planning Group

Future initiatives

- Aim to achieve full-year plan by strengthening domestic business and expanding overseas business
- Expand overseas business
 - Expand North American business
 - Strategic rebuilding of Chinese business
- Expand domestic market share
 - Further expand growth products (*Fruits Granola, Jagarico, Kata-Age Potato, etc.*)
 - Recover and expand *Jagabee* and *Vegips* sales
- Achieve further cost reductions

Q1

Strong sales of *Snapea Crisps* greatly increased overall North American sales and profit to achieve plan

Snapea Crisps >> Strong sales, performing well at Costco, Trader Joe's
Ruffles® Crispy Fries >> Sales decrease year-on-year

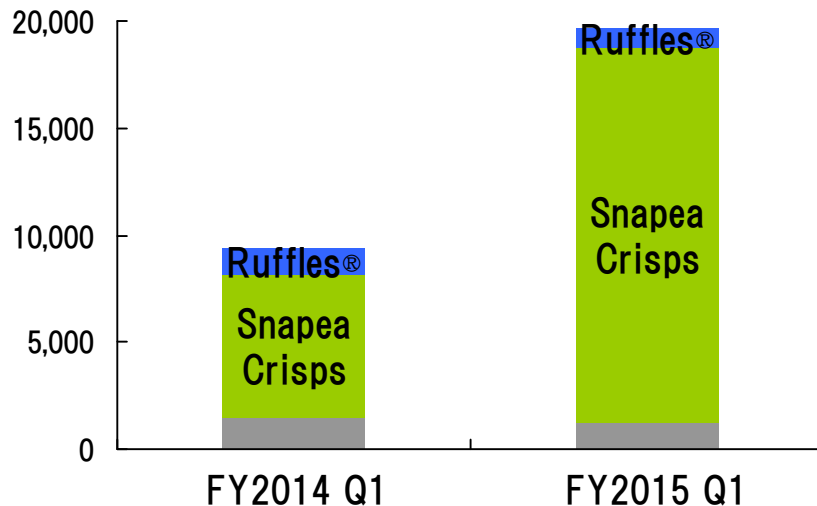
Q2

Snapea Crisps >> Expanding production line towards further growth; to begin operation in August

Ruffles® Crispy Fries >> Will begin selling under Calbee brand from August

Sales in North America

(Thousand US dollars)

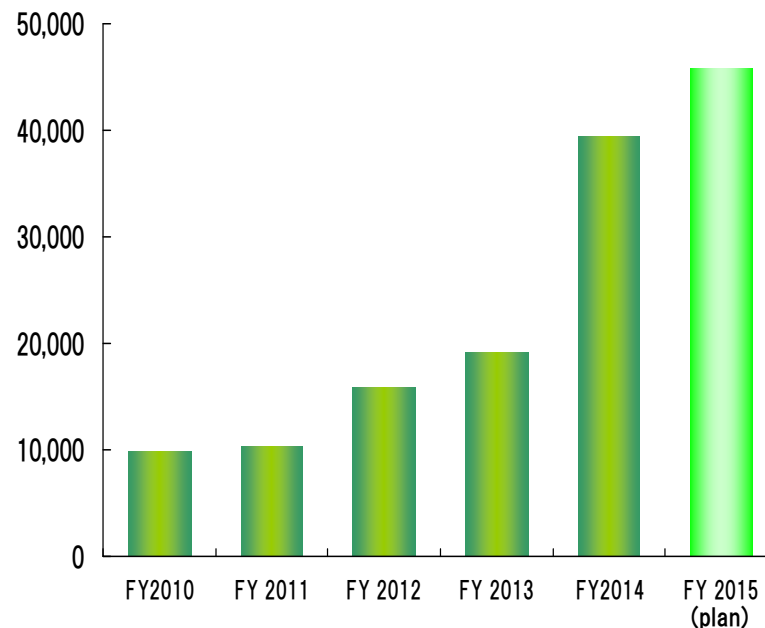


North American business: Snapea Crisps

Snapea Crisps summary

- **1999**
Launched
- **2011**
 - Launched sales at Costco, Wal-Mart
- **2012**
 - Transferred North American snack production and sales business to Calbee North America, LLC
 - Hired staff experienced in local marketing and familiar with North America's market
- **2013**
 - Expanded and launched product lineup to 6 varieties (from 2 to 4 of green peas, 2 of lentils)
 - Renewed of packaging
 - Launched sales of a PB product at Trader Joe's
 - Launched sales at 7-Eleven

(Thousand US dollars) **Snapea Sales**



Q1

Calbee (Hangzhou) in a slump with losses mounting

Product >> Discontinued *Sapporo BQ*, now a 2 product structure (*Jagabee*, *Ebisen*)

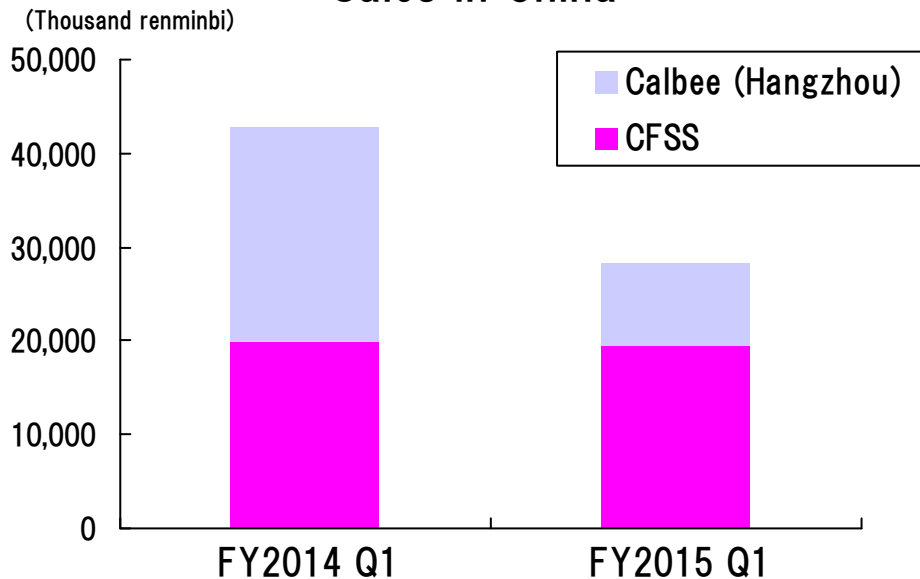
Q2

Fast-tracking strategic planning for recovery and long-term growth

Product >> Considering which products to introduce next

Distribution strategy >> Starting a dedicated sales team structure for snacks from July

Sales in China



Expanding domestic market share

Growth of snack food market share

- Running *Calbee Harvest Festival 2014* (Sep.-Dec.)
- Strengthen *Thick-Sliced* and *Kata-Age Potato*, and *Jagarico*



Fruits Granola

- Raise production capacity to the maximum extent possible, respond to demand
- Launch bite-size *Fruits Granola Bits* in early November

Jagabee

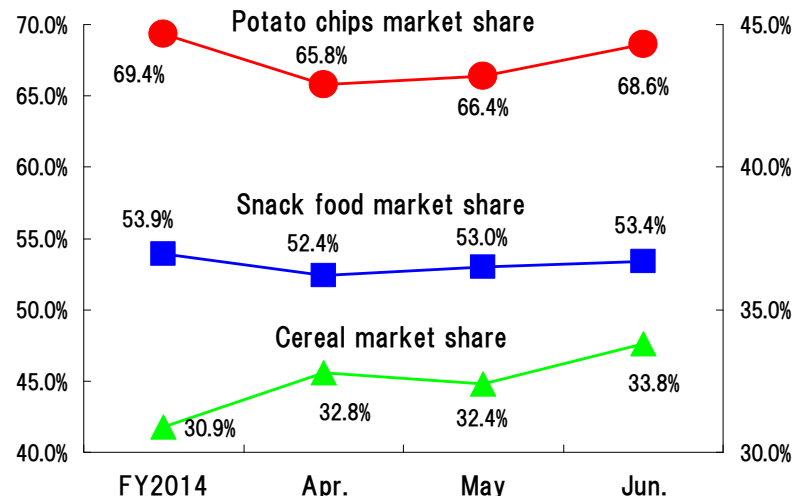
- Lower price of box type in April, aim to increase number of retailers and quantity
- Renew packaging of cup type in late August, retain current price



Vegips

- Extensive renewal of packaging, pricing, etc. in October
- Launch new TV commercial, free sampling

Market share

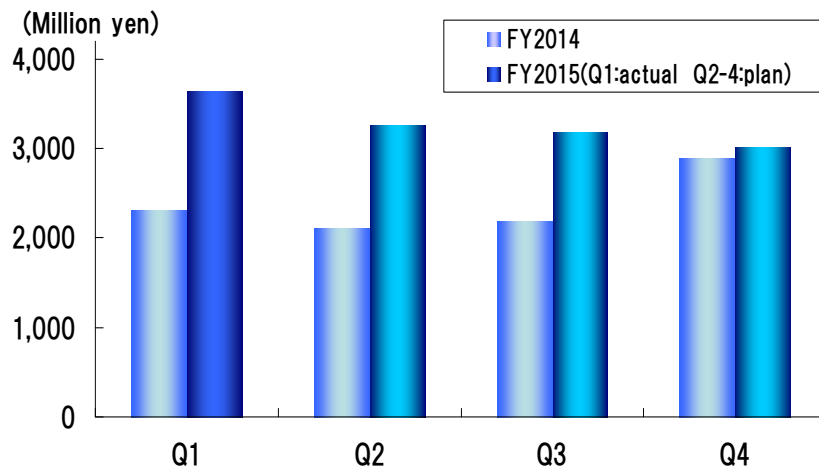


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Trends in sales of Fruits Granola



Reference material

Sales by product

Millions of yen

	FY2014 Q1			FY2015 Q1		
	Amount	Composition	Change in %	Amount	Composition	Change in %
Potato-based snacks	25,804	54.3%	+4.2%	27,350	52.3%	+6.0%
<i>Potato Chips</i>	15,004	31.6%	+0.8%	16,169	30.9%	+7.8%
<i>Jagarico</i>	7,668	16.1%	+10.6%	8,172	15.6%	+6.6%
<i>Jagabee</i>	2,433	5.1%	+5.0%	2,214	4.2%	-9.0%
Flour-based snacks	5,452	11.5%	+7.9%	5,464	10.5%	+0.2%
Corn-based snacks	3,870	8.1%	+11.9%	4,502	8.6%	+16.3%
<i>Vegips</i> , other new snacks	1,506	3.2%	+80.1%	1,442	2.8%	-4.2%
Domestic others	450	0.9%	-15.6%	690	1.3%	+53.3%
Overseas	3,644	7.7%	+65.9%	4,619	8.8%	+26.7%
Snacks	40,728	85.7%	+10.6%	44,070	84.3%	+8.2%
Bread	3,127	6.6%	-10.6%	3,063	5.9%	-2.0%
Cereals	2,904	6.1%	+26.3%	4,217	8.1%	+45.2%
Other foods	6,031	12.7%	+4.1%	7,281	13.9%	+20.7%
Services	791	1.7%	+18.9%	917	1.8%	+15.9%
Total Sales	47,551	100.0%	+9.8%	52,269	100.0%	+9.9%