



Calbee Group Financial Results

First half of fiscal year ending March 31, 2015
April 1, 2014 — September 30, 2014

CALBEE, Inc. October 30, 2014



Calbee
Harvest the Power of Nature.

Dreams Come True

Akira Matsumoto
Chairman of the Board & CEO

10 / 20



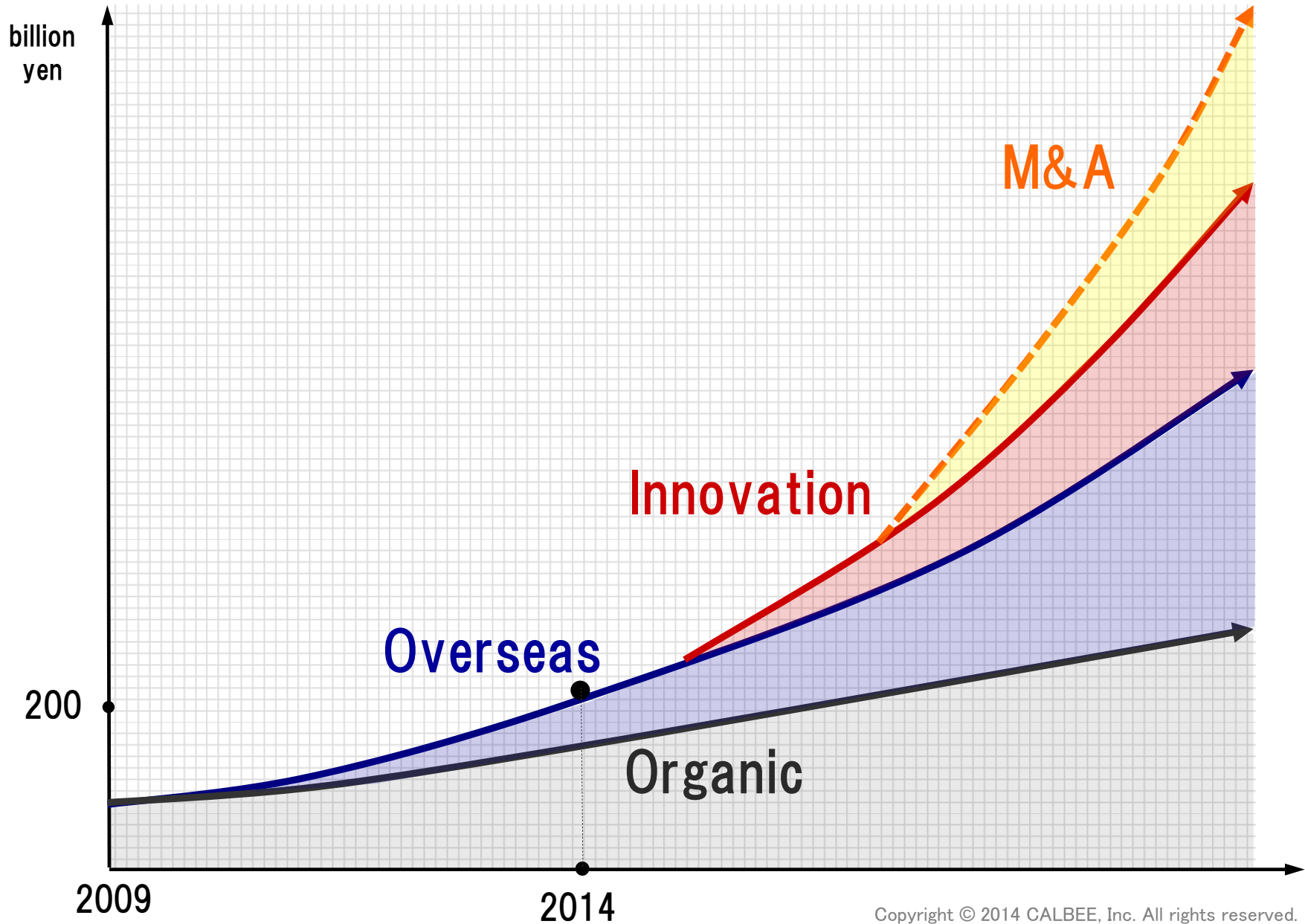
Growth vs. Enlargement

Growth: Profit increase $>$ Sales increase

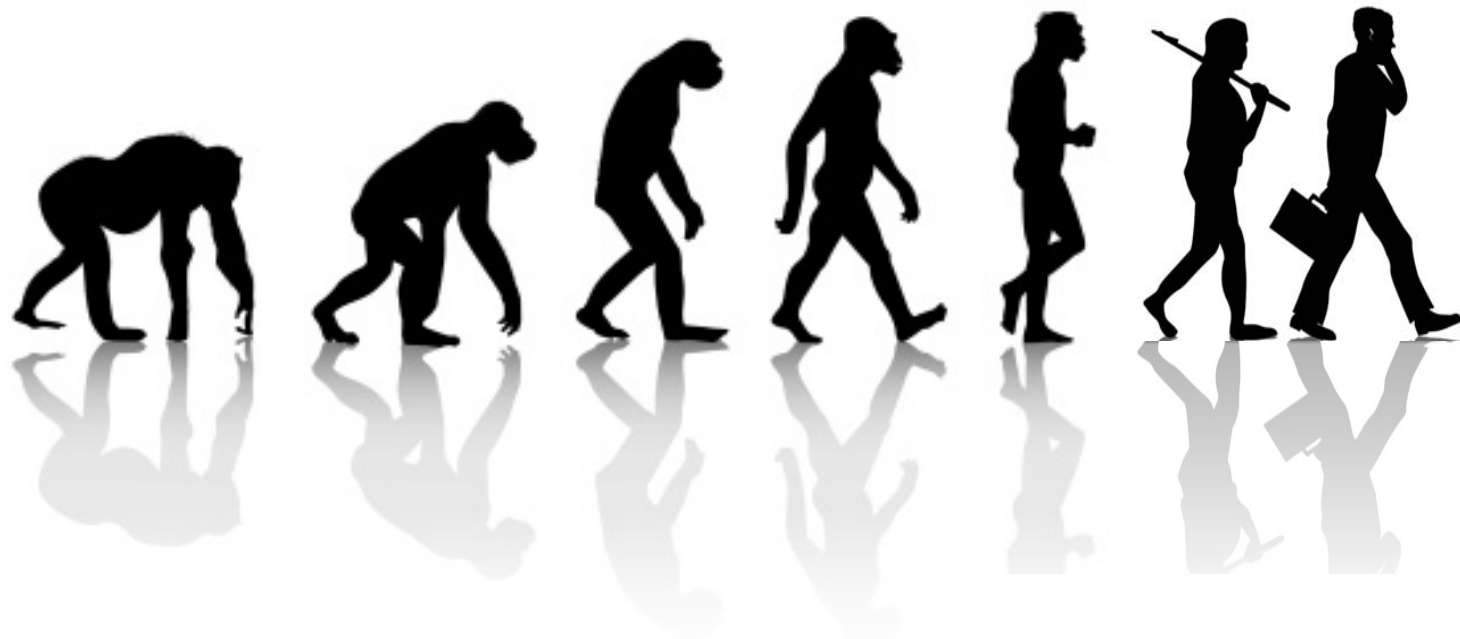
Enlargement: Profit increase $<$ Sales increase



Calbee Growth Strategy



Change, or Die !



Review of First Half Results Management Policy for Second Half

Shuji Ito
President & COO

1H review; management policy

Outcomes

■ Domestic, North American business drove achieved higher sales and profits

- Operating income ratio: (target) 9.8% → (actual) **10.8%**

■ Expanded overseas strategy

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

■ Grew domestic share

- Snacks share declined in April but has recovered since May
- Grew share of cereal market

■ Reduced costs

- COGS: (target) 56.6% → (actual) **56.0%**

Future initiatives

■ Promote overseas strategy

■ Expand domestic market share

- Further expand growth products (*Furugura (Fruits Granola)*, *Jagarico*, etc.)

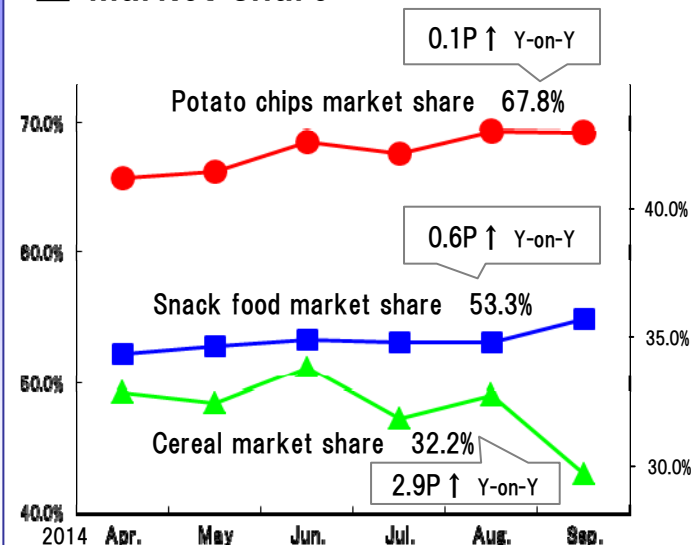
■ Achieve further cost reductions

Source for market share data: Intage SRI based on sales Apr.-Sep. 2014 (nationwide, all retail formats) compared to same period last year

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

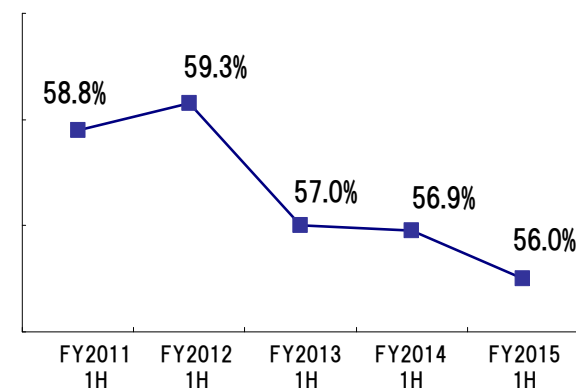
Potato chips market share: Total of potato chips (thick- and thin-sliced), shoestring and kettle types

■ Market share



*Market share numbers are for Apr.-Sep. 2014

■ Cost to sales ratio



FY2015 1H: Results highlights

| | FY2014 1H | FY2015 1H | Change in % | Compared to plan |
|------------------------------|-------------|-------------|-------------|------------------|
| | Million yen | Million yen | % | % |
| Net Sales | 95,668 | 106,270 | + 11.1 | 102.7 |
| Gross Profit | 41,209 | 46,770 | + 13.5 | 104.3 |
| SG&A | 32,345 | 35,303 | + 9.1 | 101.7 |
| Selling | 13,692 | 15,314 | +11.9 | 100.0 |
| Distribution | 6,142 | 6,835 | +11.3 | 106.6 |
| Labor | 8,276 | 8,680 | +4.9 | 101.1 |
| Others | 4,234 | 4,472 | +5.6 | 101.7 |
| Operating income | 8,863 | 11,467 | +29.4 | 113.1 |
| Ordinary income | 9,345 | 12,218 | +30.7 | 120.5 |
| Extraordinary income/loss | 324 | -98 | — | — |
| Minority interests in income | 135 | 596 | +340.8 | 191.2 |
| Net income | 5,834 | 7,064 | +21.1 | 119.2 |

Achieved sales and profit goals

Net sales

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

Gross profit

Gross margin improved by 0.9 percentage points due to cost reductions in domestic business and expanded sales in high profit margin North American business

SG&A expenses

Selling expenses

Domestic: Used efficiently
Overseas: Increased in North America

Non-operating profit

Foreign exchange gains: 506 million yen

Minority interests in income

Increase from overseas JV business growth: 596 million yen

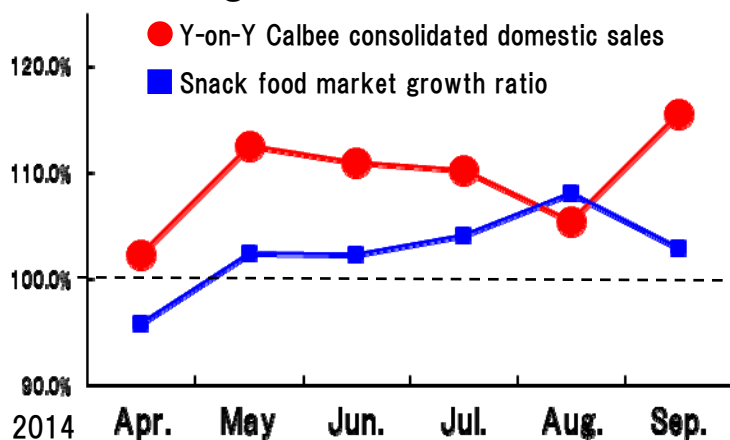
FY2015 1H: Factors increasing sales

■ Y-on-Y comparison of sales by product

Million yen

| Sales | + | 10,601 |
|---------------------|---|--------|
| Domestic | + | 8,234 |
| Potato-based snacks | + | 3,787 |
| Corn-based snacks | + | 1,627 |
| Cereals | + | 2,639 |
| Others | + | 179 |
| Overseas | + | 2,367 |
| North America | + | 2,300 |
| Others | + | 67 |

■ Y-on-Y change in consolidated domestic sales



Source for snack market growth data: Intage SRI; based on sales (nationwide, all retail formats) Apr.-Sep. 2014

■ Potato-based snacks

Potato Chips

Strong sales of *Kata-Age Potato* and PB



Jagarico

- Strong sales of limited-time products
- Also grew sales of new series



■ Corn-based snacks

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

■ Cereals

Furugura (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 Taiwan and China
- Effect of weak yen: 514 million yen

FY2015 1H: Overseas business

■ Net sales by country

Yen base

| | | FY2014 1H | FY2015 1H | Change in % |
|---------------|-------------|-----------|-----------|-------------|
| North America | Million yen | 1,944 | 4,244 | +118.3% |
| China | Million yen | 1,455 | 1,128 | -22.4% |
| | | 1,174 | | -3.9% |
| South Korea | Million yen | 1,347 | 1,369 | +1.7% |
| Thailand | Million yen | 1,289 | 1,348 | +4.6% |
| Hong Kong | Million yen | 1,272 | 1,420 | +11.6% |
| Taiwan | Million yen | 474 | 359 | -24.4% |

*China: Includes FY2014 1H adjustment for gross-up

Local currency base

| | | FY2014 1H | FY2015 1H | Change in % |
|---------------|---------------------|-----------|-----------|-------------|
| North America | Thousand dollars | 19,703 | 40,935 | +107.8% |
| China | Thousand renminbi | 90,510 | 66,932 | -26.1% |
| | | 73,013 | | -8.3% |
| South Korea | Million won | 15,166 | 13,517 | -10.9% |
| Thailand | Thousand baht | 404,801 | 420,375 | +3.8% |
| Hong Kong | Thousand HK dollars | 100,017 | 106,342 | +6.3% |
| Taiwan | Thousand NT dollars | 143,726 | 104,860 | -27.0% |

*China: Includes FY2014 1H adjustment for gross-up

■ Operating income by country

Yen base

| | | FY2014 1H | FY2015 1H | Y-on-Y |
|---------------|-------------|-----------|-----------|--------|
| North America | Million yen | 404 | 1,240 | +836 |
| China | Million yen | -163 | -221 | - 58 |
| Others | Million yen | 204 | 165 | - 39 |

Update by country

■ North America

- North America overall had large increase in sales and profit on strong sales of high profit margin *Harvest Snaps*
- Lower sales of *Ruffles® Crispy Fries*

■ China

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

■ South Korea

Strong sales of *Jagabee*, but flour-based snacks declined year-on-year

■ Thailand

Strong sales of *JAXX* and *BunBun (pea snacks)*

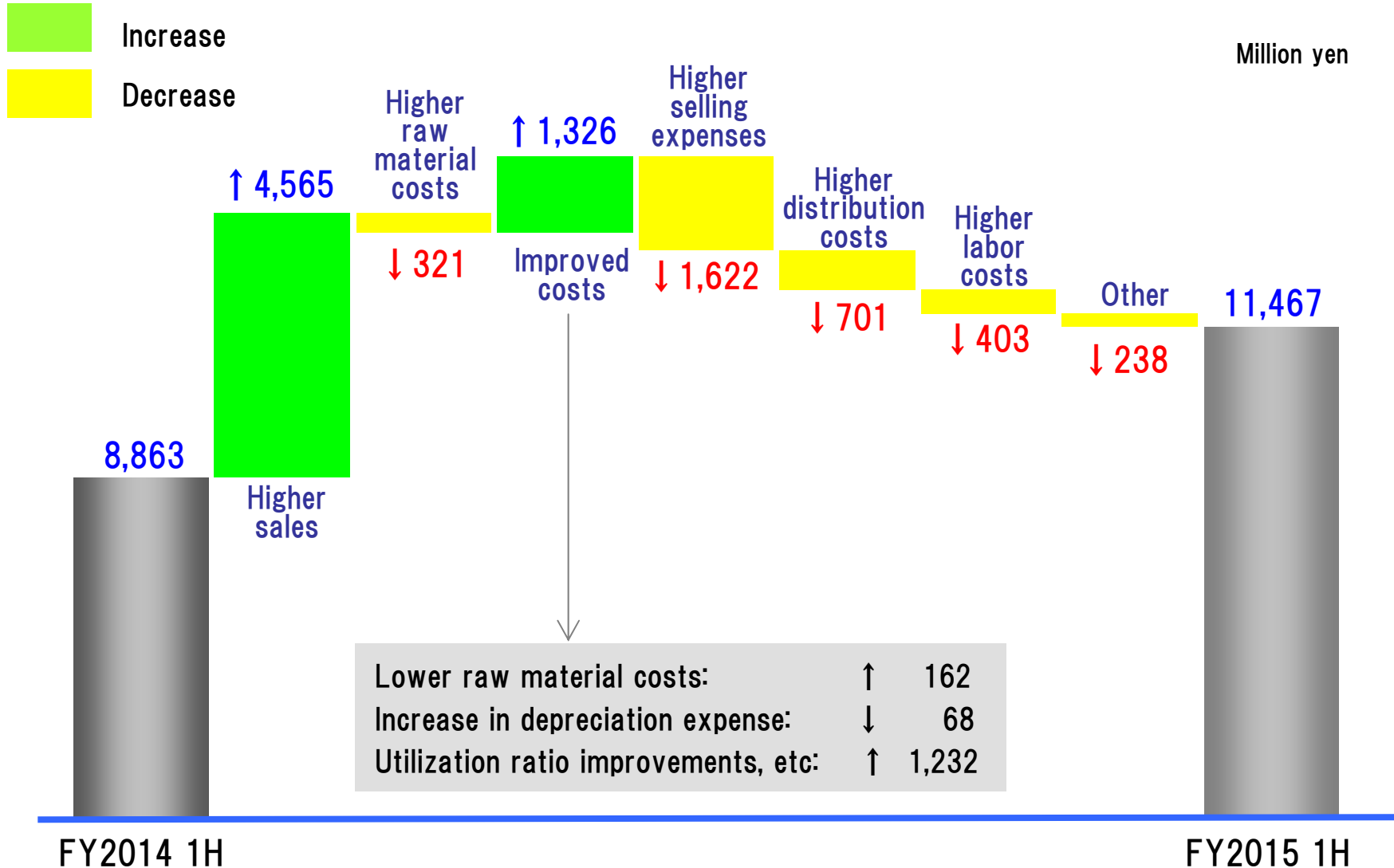
■ Hong Kong

Strong sales of *Jagabee*

■ Taiwan

Share and sales decreased due to arrival of competing products

FY2015 1H: Factors increasing operating income



FY2015: Full year forecasts

| | FY2014 results | FY2015 (initial forecast) | 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 |



| | FY2015 (revised forecast) | Change in % |
|---------------------------|---------------------------------|----------------|
| | Million yen | % |
| Net sales | 213,000 | + 6.5 |
| Gross profit | 94,800 | + 8.7 |
| SG&A | 72,300 | + 7.1 |
| Selling | 32,139 | +8.8 |
| Distribution | 13,666 | +8.1 |
| Labor | 17,538 | +3.9 |
| Other | 8,955 | +6.2 |
| Operating income | 22,500 | +14.1 |
| Ordinary income | 22,500 | + 8.3 |
| Extraordinary income/loss | -300 | — |
| Net income | 13,300 | +10.0 |

FY2015: Forecasts highlights

| | FY2014 results | FY2015 forecasts | Change in % |
|---------------------------|-------------------|---------------------|----------------|
| | Million yen | Million yen | % |
| Net sales | 199,941 | 213,000 | + 6.5 |
| Gross profit | 87,209 | 94,800 | + 8.7 |
| SG&A | 67,492 | 72,300 | + 7.1 |
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| 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, *Furugura (Fruits Granola)* and overseas business

Gross profit

Expect increase in price of raw materials due to weaker yen, but plan to improve by 0.9 percentage points through higher domestic income driven by higher sales, growth in high profit margin North America, and cost reduction benefits

SG&A expenses

Selling expenses

Actively invest in Japan and overseas to grow sales

Operating income ratio

10.6% (0.7 percentage point increase Y-on-Y)

FY2015: Factors increasing sales

■ Y-on-Y comparison of sales by product

Million yen

| Sales | + | 13,058 |
|---------------------|---|--------|
| Domestic | + | 8,700 |
| <i>Potato Chips</i> | + | 2,262 |
| <i>Jagarico</i> | + | 1,754 |
| Corn-based snacks | + | 2,012 |
| Cereals | + | 3,464 |
| Overseas | + | 4,358 |
| North America | + | 4,460 |
| China | — | 215 |

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

■ Potato-based snacks

Continue to strengthen good performers *Potato Chips*, *Kata-Age Potato* and *Jagarico*



■ Corn-based snacks

Continue to strengthen, particularly popcorn (NB and PB)



■ *Furugura* (*Fruits Granola*)

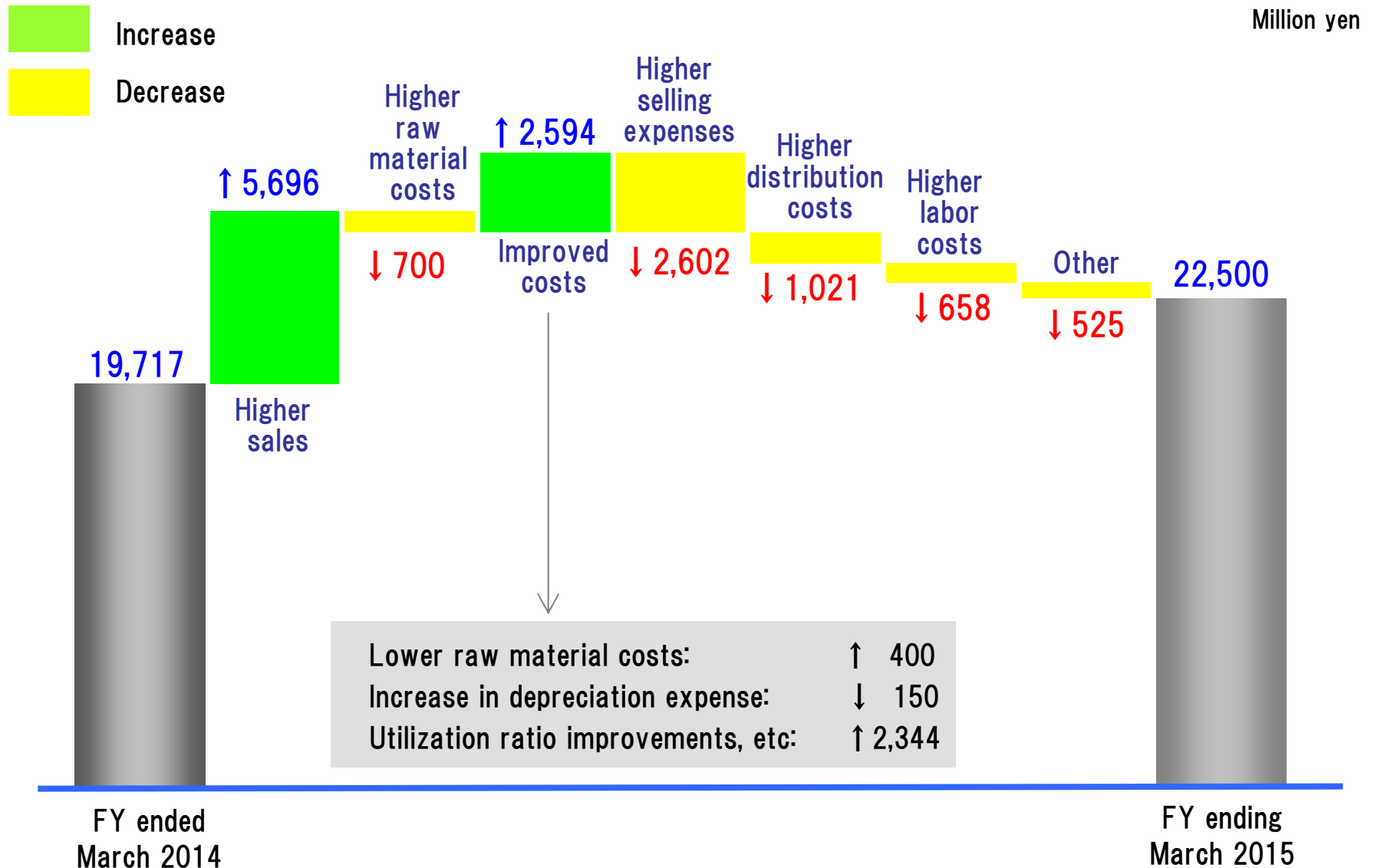
Respond to high demand by expanding production capacity through expansion of production facilities in the first half of next fiscal year



■ Overseas

North America: Continue to strengthen good performer *Harvest Snaps*

FY2015: Factors increasing operating income



Calbee
Harvest the Power of Nature

Investment to increase *Furugura* (*Fruits Granola*) production

Factory location: Extension of Kiyohara factory at Utsunomiya City, Tochigi Prefecture

Investment amount: 3,700 million yen

Of which: Buildings

1,190 million yen

Machinery and equipment

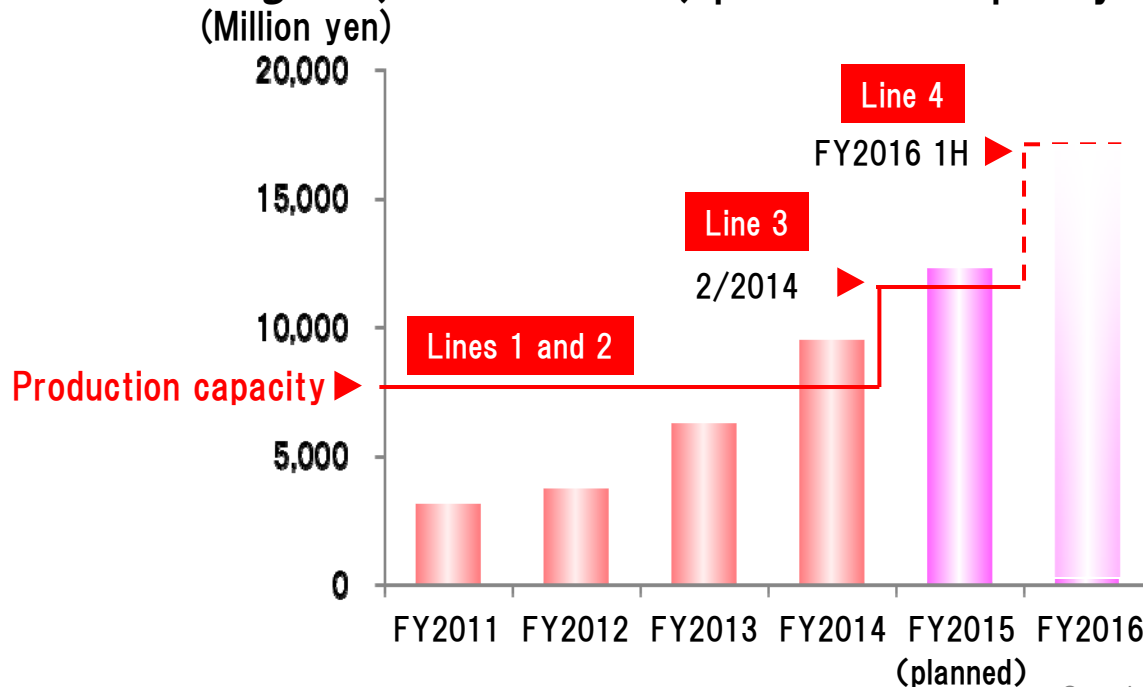
2,510 million yen

Planned to start operation: FY2016 1H

Production capacity: Increase of 6,500 million yen/year (together with existing production facilities, 18,500 million yen)



Furugura (*Fruits Granola*) production capacity and sales



U.S. business: Investment to increase *Harvest Snaps* production

Factory location: Senatobia, Mississippi, U.S.

Investment amount: US\$28.7m

Of which: Land, buildings

US\$14.5m

Machinery and equipment

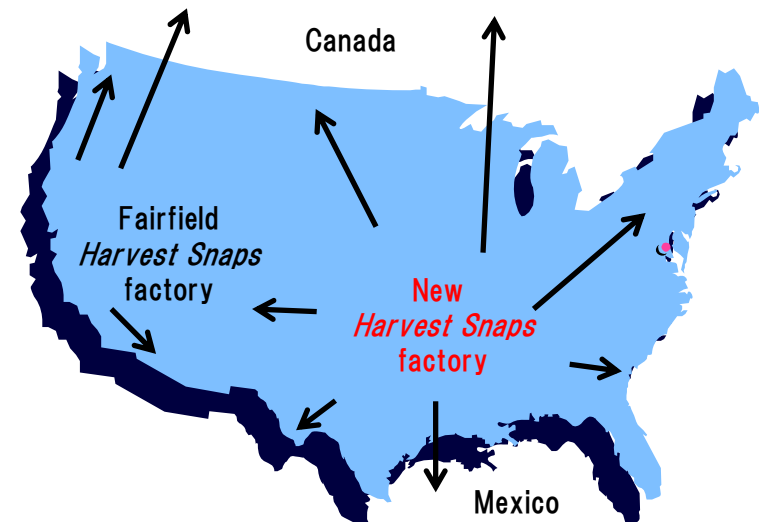
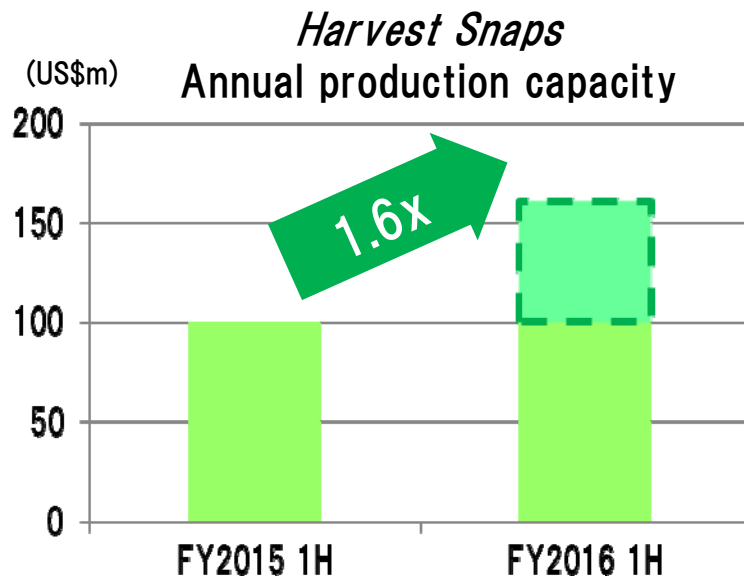
US\$14.2m

Production start: FY2016 Q1

Production capacity: Increase of US\$60m/year
(together with existing production facilities, US\$160m)

Products produced: *Harvest Snaps*

Distribution area: 2 factories to supply U.S. and Canada, later Mexico too



Reference material

Sales by product

(Million yen)

| | FY2014 1H | | | FY2015 1H | | |
|----------------------------------|-----------|-------------|-------------|-----------|-------------|-------------|
| | Amount | Composition | Change in % | Amount | Composition | Change in % |
| Potato-based snacks | 52,814 | 55.2% | +6.8% | 56,602 | 53.3% | +7.2% |
| <i>Potato Chips</i> | 30,942 | 32.3% | +4.7% | 33,393 | 31.4% | +7.9% |
| <i>Jagarico</i> | 15,685 | 16.4% | +14.2% | 16,978 | 16.0% | +8.2% |
| <i>Jagabee</i> | 4,615 | 4.8% | -3.0% | 4,454 | 4.2% | -3.5% |
| Flour-based snacks | 10,539 | 11.0% | +2.9% | 10,695 | 10.1% | +1.5% |
| Corn-based snacks | 7,233 | 7.6% | +10.5% | 8,861 | 8.3% | +22.5% |
| <i>Vegips</i> , other new snacks | 3,021 | 3.2% | +66.4% | 2,958 | 2.8% | -2.1% |
| Domestic others | 1,299 | 1.4% | -2.5% | 1,411 | 1.3% | +8.6% |
| Overseas | 7,503 | 7.8% | +71.7% | 9,870 | 9.3% | +31.5% |
| Snacks | 82,411 | 86.1% | +11.7% | 90,399 | 85.1% | +9.7% |
| Bread | 6,078 | 6.4% | -8.5% | 5,960 | 5.6% | -1.9% |
| Cereals | 5,634 | 5.9% | +26.3% | 8,273 | 7.8% | +46.8% |
| Other foods | 11,712 | 12.2% | +5.5% | 14,234 | 13.4% | +21.5% |
| Services | 1,544 | 1.6% | +28.4% | 1,636 | 1.5% | +5.9% |
| Total Sales | 95,668 | 100.0% | +11.1% | 106,270 | 100.0% | +11.1% |

North American business

1H

Harvest Snaps performing well, large sales and income growth in North America as a whole, achieving plans

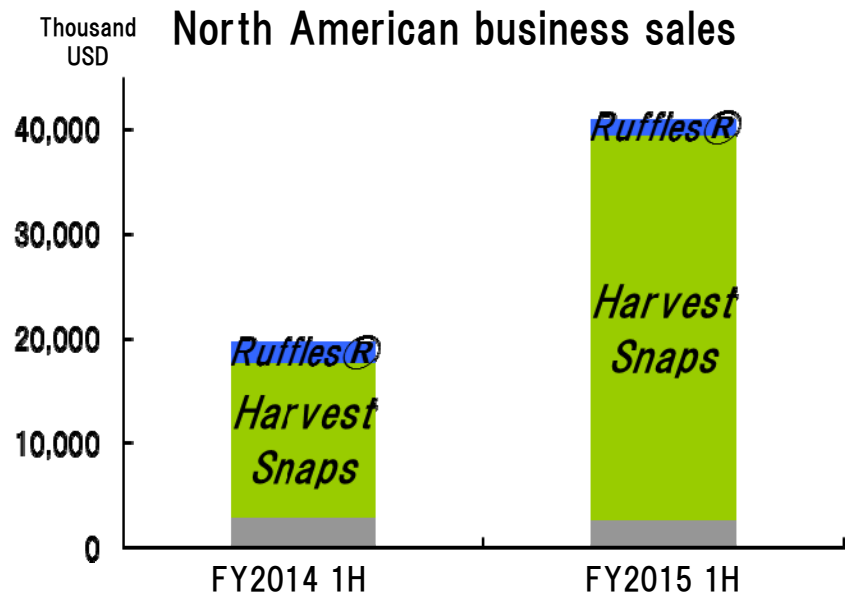
Harvest Snaps >> Strong performance at Costco, Walmart, large growth in sales
Expanded production capacity in August (US\$75m→US\$100m/year)

Ruffles® Crispy Fries >> Sales continuing lower than last year and plan

2H

Harvest Snaps >> Continue to strengthen marketing at existing retailers while advancing development of new retailers

Ruffles® Crispy Fries >> Began sales of Calbee brand *Jagabee* at Asian grocery stores in August



**Harvest Snaps* is a general term for *Snapea Crisps* and *Lentil Snaps*

* *Ruffles®* for FY2015 1H includes sales of Calbee brand *Jagabee*

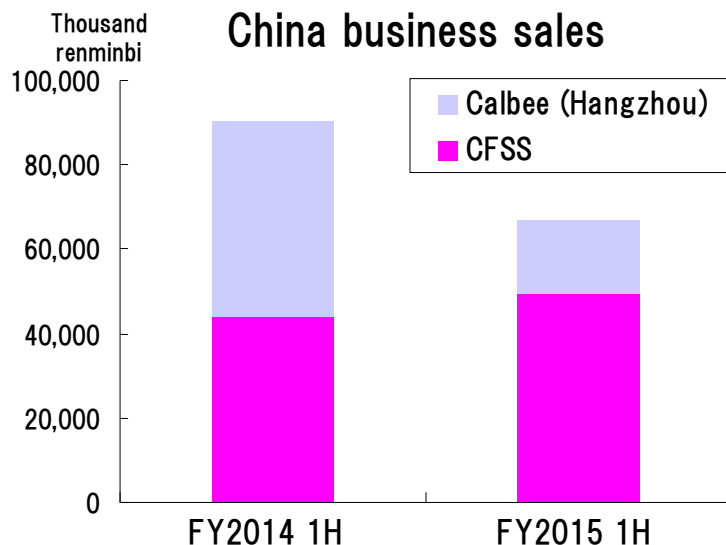
1H

Calbee (Hangzhou) disappointing, losses growing

Calbee (Hangzhou) >> Despite reconfiguring marketing structure (area concentrations, creation of specialized snack marketing task force) unable to brake declining sales and growing losses
CFSS >> Increased sales and profit on strong sales of core products (flour-based snacks and *Potato Chips*)

2H

Calbee (Hangzhou) >> Pursue strategy to achieve medium-term growth
CFSS >> Continue to strengthen marketing in Shanghai and Guangdong

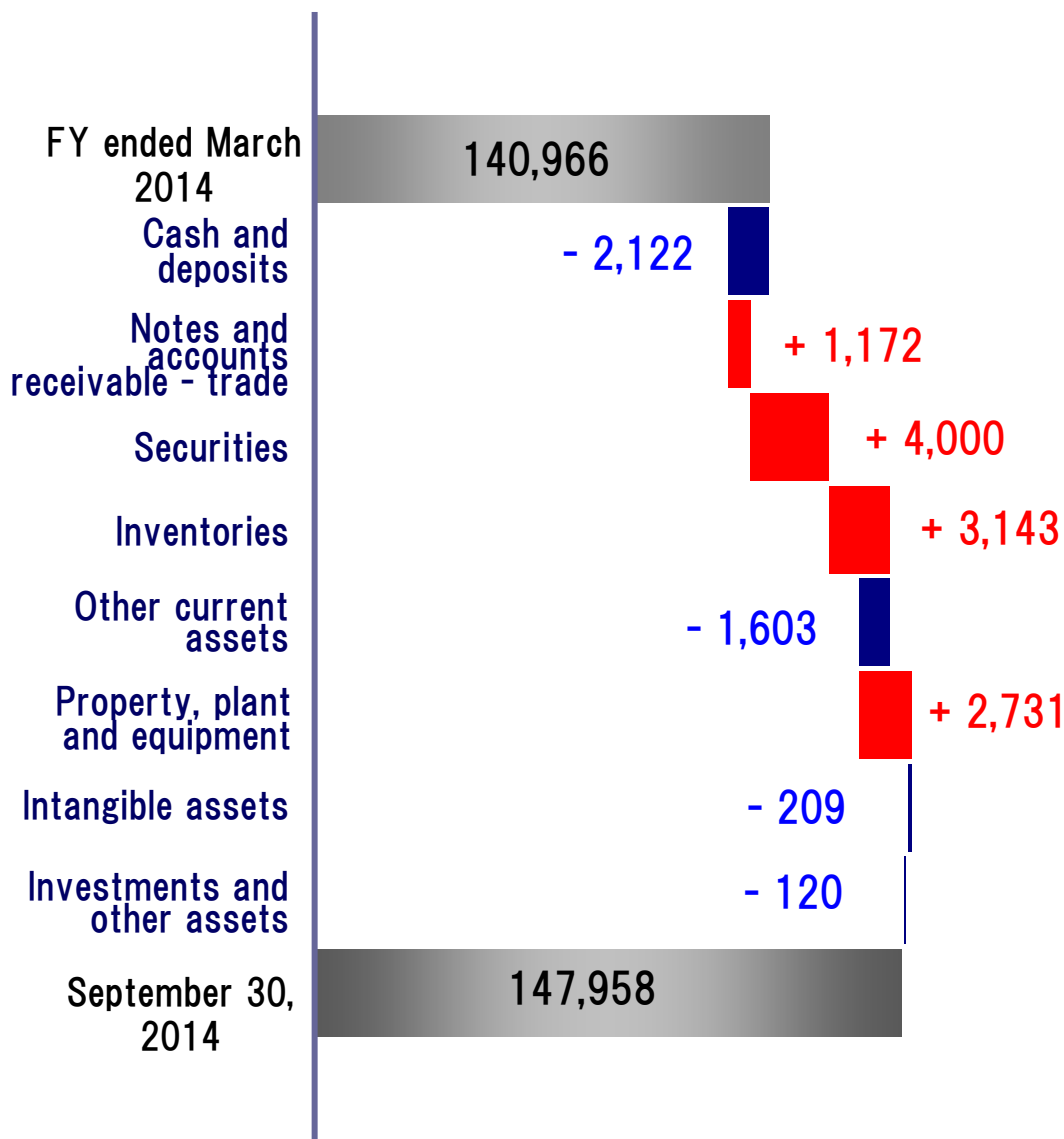


* Calbee (Hangzhou) amount for FY2014 1H includes gross-up



FY2015 1H Consolidated balance sheet: Assets

Million yen



■ Current assets + 4,589

Securities + 4,000

Acquisition of yen-denominated bonds for short-term management

Inventories + 3,143

Increase in raw materials in Hokkaido, our largest raw potato production area, due to harvest season

■ Fixed assets + 2,401

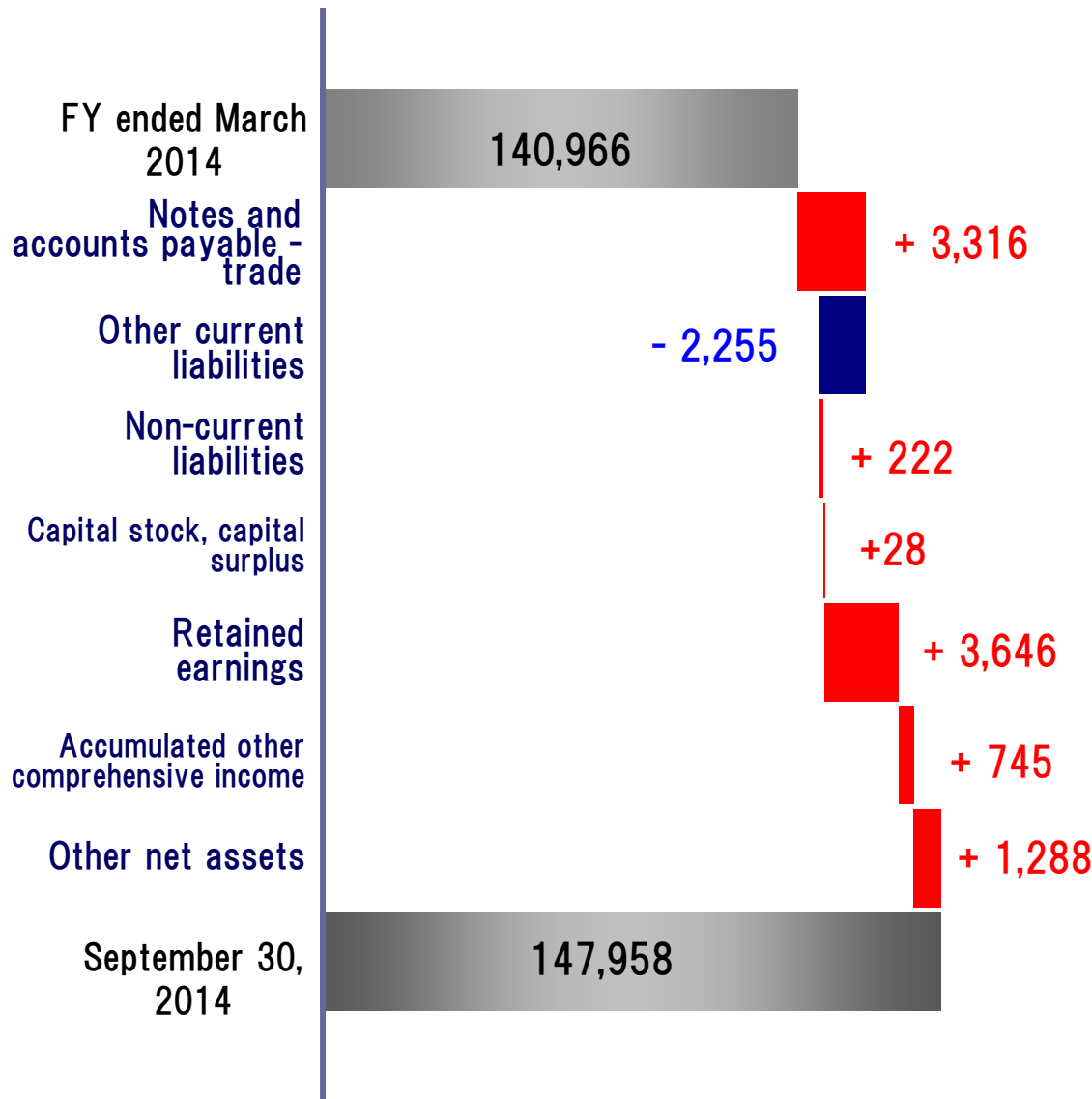
Property, plant and equipment + 2,731

Acquisition of land for Indonesia factory

Increase in construction in progress from ongoing construction of cereal production facilities due to begin operations next year

FY2015 1H Consolidated balance sheet: Liabilities and net assets

Million yen



■ Liabilities + 1,283

Accounts payable + 3,316
Increase due to potato harvest season

■ Net assets + 5,708

Accumulated other comprehensive income + 745
Foreign currency translation adjustment + 586

Other net assets + 1,288

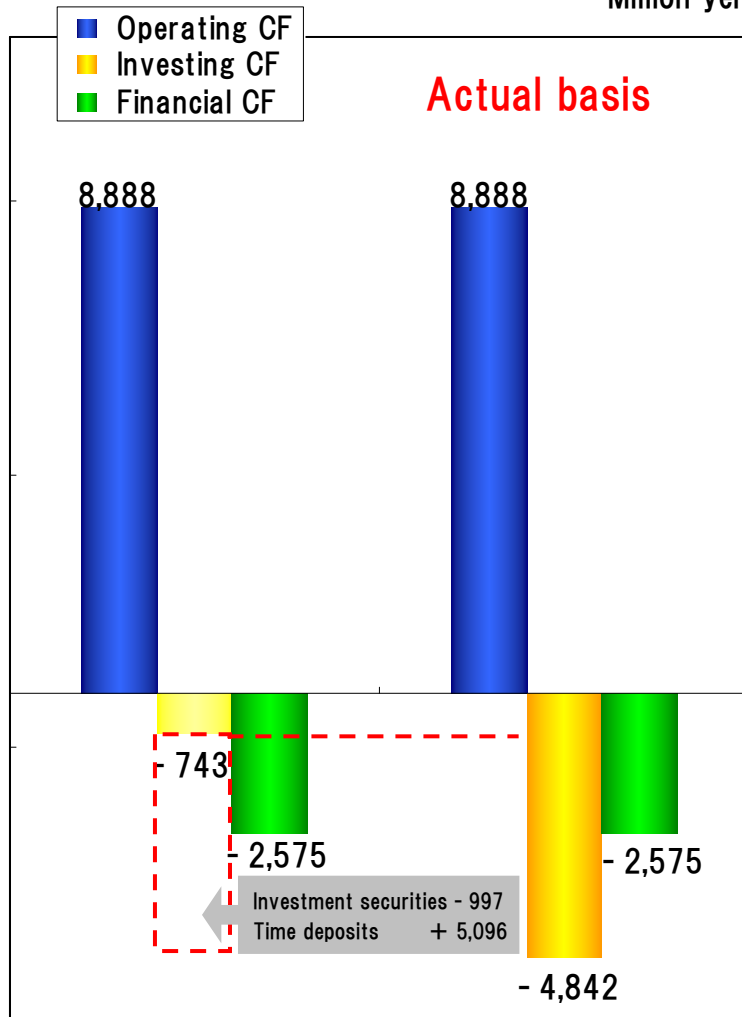
Treasury shares - 437
(BIP trust, etc)

Minority interests +1,729

FY2015 1H Consolidated cash flows

FY2015 1H

Million yen



**Cash and cash equivalents increased
by 1,781 million yen**

*Actual basis including assets managed in yen-denominated bonds, etc.

Million yen

Cash flows from operating activities + 8,888

| | |
|---|---------|
| Income before income taxes and minority interests | +12,120 |
| Decrease (increase) in inventories | - 3,059 |
| Increase (decrease) in notes and accounts payable – trade | +3,236 |
| Income taxes paid | - 5,279 |

Cash flows from investing activities - 4,842

Purchase of fixed assets - 4,923

Cash flows from financing activities - 2,575

| | |
|---|---------|
| Purchase of treasury shares | - 449 |
| Cash dividends paid | - 2,995 |
| Proceeds from stock issuance to minority shareholders | +761 |