



Calbee Group Financial Results

Third quarter of fiscal year ending March 31, 2015

April 1, 2014 — December 31, 2014

CALBEE, Inc. February 2, 2015



Calbee
Harvest the Power of Nature.

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

Koichi Kikuchi

**Senior Executive Officer
Chief Financial Officer**

Outcomes

■ Domestic and North American business drove achievement of higher sales and profits

- Net Sales: (growth rate) + 9.6% (comparison with plan) 105.0%
- Operating Income: (growth rate) + 16.1% (comparison with plan) 112.6%
- Operating Income ratio: (FY2014 Q3) 12.7% → (FY2015 Q3) 13.4%

■ Expanded overseas strategy

- Expansion of North American business

■ Maintained high share in snacks and potato chips; cereal share growing

- Snack food market share: (FY2014) 53.3% → (FY2015 Q3) 53.8%
- Potato chips market share: (FY2014) 69.4% → (FY2015 Q3) 69.3%
- Cereal market share: (FY2014) 30.9% → (FY2015 Q3) 32.8%

■ Reduced costs

- COGS (FY2014 Q3) 54.7% → (FY2015 Q3) 55.1%

Source for market share data: Intage SRI; based on sales (nationwide, 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
FY2014: Total of April 2013-March 2014 FY2015 Q3: Total of October-December 2014

FY2015 Q3 (Three months) : Results highlights

	Q3 year ended 3/2014	Q3 year ending 3/2015	Change in %	Comparison with plan
	Million yen	Million yen	%	%
Net sales	53,256	58,369	+ 9.6	105.0
Gross profit	24,151	26,182	+ 8.4	102.7
SG&A	17,396	18,338	+ 5.4	99.0
Selling	7,744	7,857	+ 1.5	94.6
Distribution	3,319	3,868	+16.5	108.6
Labor	4,356	4,531	+ 4.0	100.4
Other	1,976	2,080	+ 5.3	97.4
Operating income	6,755	7,844	+16.1	112.6
Ordinary income	7,303	8,718	+19.4	136.8
Extraordinary income/loss	- 95	- 964	—	—
Net income	4,502	4,723	+ 4.9	121.8

Achieved plans for sales and profit

Net sales

Growth in potato and corn-based snacks, *Furugura* (*Fruits Granola*) and overseas business

Gross profit

Gross profit ratio declined 0.5 percentage points.

Domestic: Cost reductions covered the increase in raw material prices on the weaker yen

Overseas: Although sales expanded in high profit margin North American business, they worsened overall due to the deterioration of cost of sales in Taiwan and recording of a loss on valuation of inventories in China

SG&A

Selling expenses

Increased with sales growth both domestically and in North America

***Last year the following adjustments were made in China:**

Adjusted for gross-up: 398 million yen

Unpaid selling expenses: 298 million yen

Extraordinary loss

Impairment loss: 720 million yen

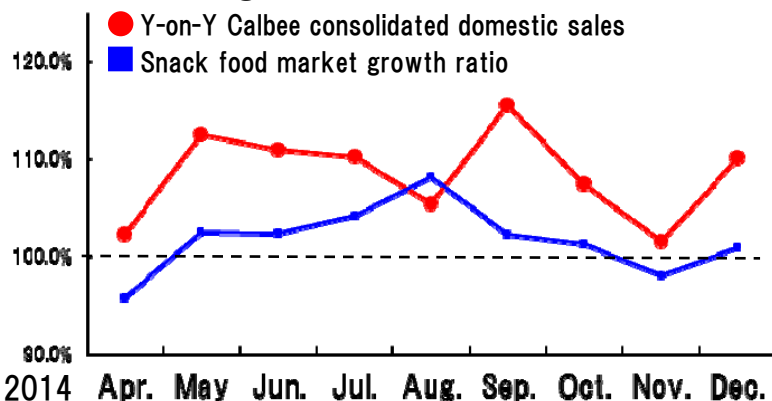
Calbee (Hangzhou) fixed assets impairment loss: 696 million yen

■ Y-on-Y comparison of sales by product

Million yen

Sales	+ 5,113
Domestic	+ 3,186
Potato-based snacks	+ 1,075
Corn-based snacks	+ 977
Cereals	+ 1,248
Others	- 114
Overseas	+ 1,927
North America	+ 1,395
South Korea	+ 621
China	- 360
Others	+ 269

■ Y-on-Y change in consolidated domestic sales



Source: Intage SRI; based on sales (nationwide, all retail formats) April - December 2014

■ Potato-based snacks

Potato Chips

- Sales growth for *Kata-Age Potato* and PB
- Strong sales of products that contain 'Youkai Watch' (a popular animated TV show) stickers



Jagarico

Strong sales of core products

■ Corn-based snacks

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

■ Cereals

Continued strong sales of *Furugura (Fruits Granola)*

■ Overseas

- Large increase in North American sales
- New *Potato Chips* flavor was big hit in South Korea
- Decreased sales at Calbee (Hangzhou) in China



- Effects of weaker yen: 671 million yen

FY2015 Q3 (Three months): Overseas business

Net sales by country

Yen base

		FY2014 Q3 (three months)	FY2015 Q3 (three months)	Change in %
North America	Million yen	1,249	2,645	+111.7%
China	Million yen	610	530	-13.1%
		891		-40.4%
South Korea	Million yen	579	1,201	+107.3%
Thailand	Million yen	606	825	+36.1%
Hong Kong	Million yen	628	747	+19.0%
Taiwan	Million yen	143	74	-47.8%

*China: FY2014 Q3 actual amount does not include Q1, Q2 adjustments for gross-up

Local currency base

		FY2014 Q3 (three months)	FY2015 Q3 (three months)	Change in %
North America	Thousand dollars	12,203	22,803	+86.9%
China	Thousand renminbi	36,434	28,385	-22.1%
		53,932		-47.4%
South Korea	Million won	6,000	11,201	+86.7%
Thailand	Thousand baht	190,192	233,353	+22.7%
Hong Kong	Thousand HK dollars	47,738	49,849	+4.4%
Taiwan	Thousand NT dollars	41,479	19,821	-52.2%

*China: FY2014 Q3 actual amount does not include Q1, Q2 adjustments for gross-up

Operating income by country

Yen base

		FY2014 Q3 (three months)	FY2015 Q3 (three months)	Y-on-Y
North America	Million yen	279	755	+475
China	Million yen	-412	-32	+380
Others	Million yen	26	56	+30

*FY2014 Q3 includes 298 million yen in unpaid selling expenses in China

Update by country

North America

- Greatly increased sales and profit in North America overall on strong sales of high profit margin *Harvest Snaps*
- Large decline in sales of *Ruffles® Crispy Fries*

China

- Decreased sales at Calbee (Hangzhou); losses continue
- CFSS sales and profit grew on strong sales of flour-based snacks

South Korea

Increased sales and profit on strong sales of new *Potato Chips* flavor (*Honey Butter Chip*)

Thailand

Increased sales and profit, strong sales of *Jaxx* and *BunBun* (pea snacks)

Hong Kong

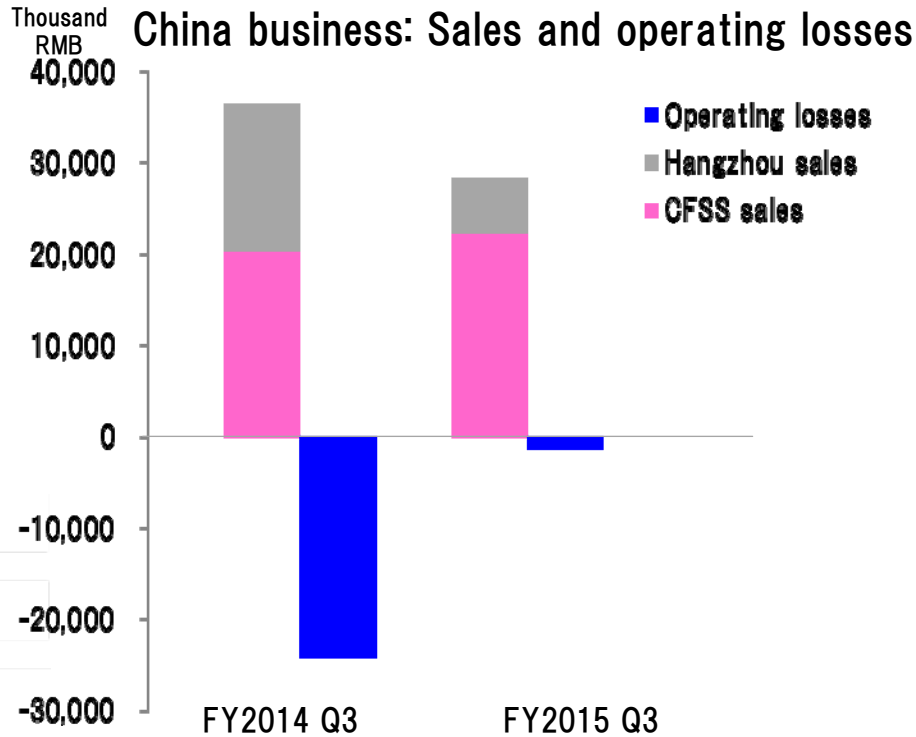
Increased sales on strong sales of *Potato Chips*

Taiwan

Decreased sales and quarterly loss due to raw materials scandal at partner

Chinese business

- Discussions continue with partners regarding the right direction of Calbee (Hangzhou) as poor performance continues
- Assets that we do not expect to recover our investments have had their book value assessed as impairment losses



Million yen

Impairment breakdown		Total: 769
Inventories	72	Cost of sales
Fixed assets (machinery, equipment, etc.)	696	Extraordinary loss

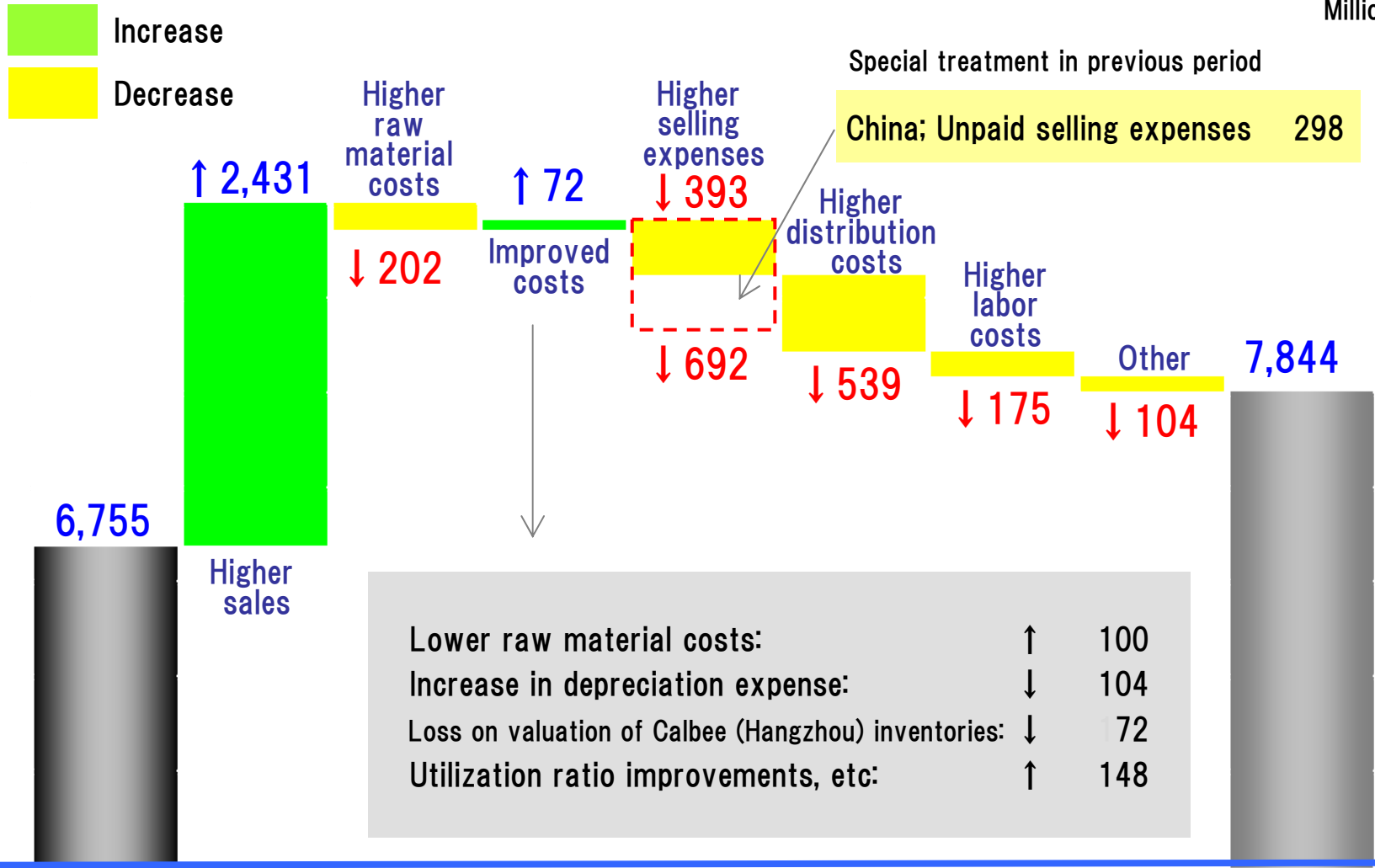
*Calbee (Hangzhou)'s FY2014 Q3 actual amount does not include Q1, Q2 adjustments for gross-up

*Calbee (Hangzhou)'s FY2014 Q3 operating losses include unpaid selling expenses of 298 million yen

FY2015 Q3 (Three months): Factors increasing operating income



Million yen



Q3 FY ended
March 2014

Q3 FY ending
March 2015

*Comparisons for this period are calculated excluding the amount of gross-up treatment in China in the previous period (280 million yen for Q1 and Q2)

FY2015 Q3 (Nine months): Results highlights

	Q3 year ended 3/2014	Q3 year ending 3/2015	Change in %	Comparison with plan
	Million yen	Million yen	%	%
Net sales	148,924	164,639	+10.6	101.7
Gross profit	65,361	72,952	+11.6	101.0
SG&A	49,742	53,641	+ 7.8	99.7
Selling	21,436	23,172	+ 8.1	98.1
Distribution	9,462	10,703	+13.1	103.0
Labor	12,632	13,211	+ 4.6	100.1
Other	6,210	6,553	+ 5.5	99.1
Operating income	15,618	19,311	+23.6	104.8
Ordinary income	16,649	20,936	+25.8	112.6
Extraordinary income/loss	229	-1,062	—	—
Net income	10,336	11,788	+14.0	107.7

Management Policy in FY2015 Q4

Chisa Hayakawa

Executive Officer

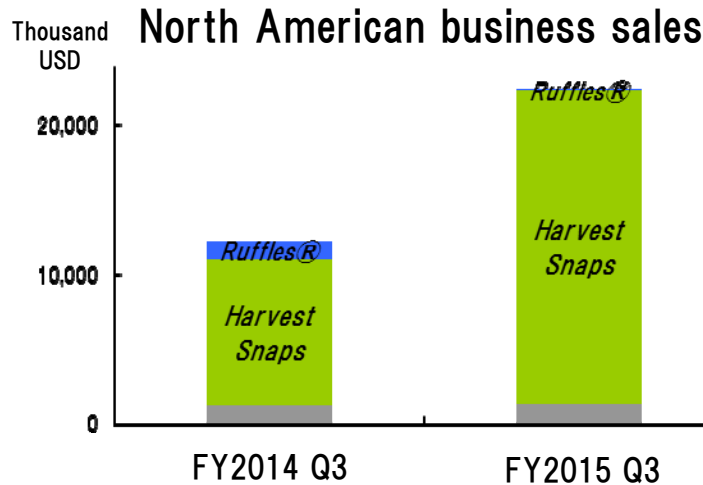
General Manager of IR and Strategic Planning Group

Future initiatives

- Aim to achieve full-year plan by strengthening domestic business and expanding overseas business
- Expand overseas business
 - Expand North American business
 - Begin operations at Philippines factory
 - Make Singapore sales agent a subsidiary
 - Establish subsidiary in Spain
- Expand domestic market share
 - Further expand growth products (*Furugura (Fruits Granola)*, *Jagarico*, *Kata-Age Potato*, etc.)
 - Recover and expand *Vegips* sales
- Achieve further cost reductions

North America

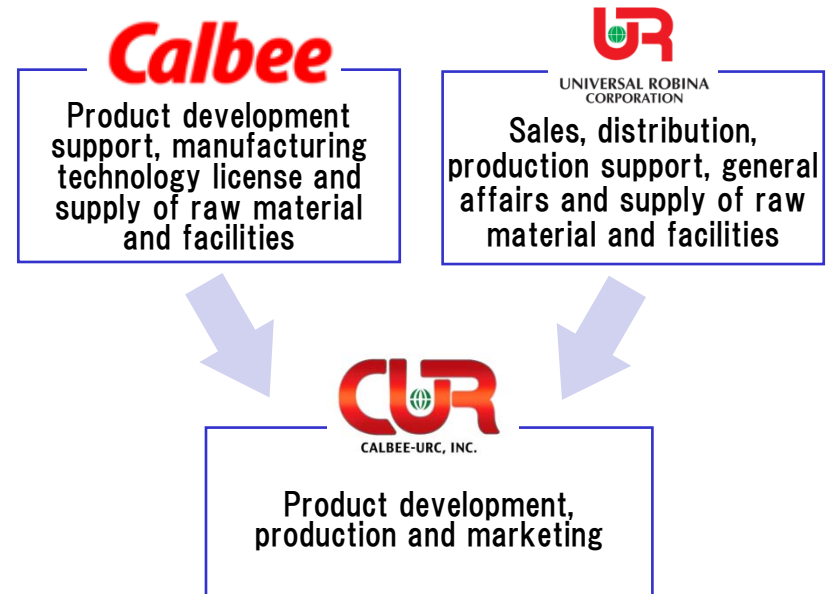
- Increase sales to existing clients
- Advance preparations for new factory (Mississippi: planned start of production in FY2016 Q1)
- Launched new *Jagabee* flavor (*Butter Soy Potato Crisps*) in January



*Ruffles® sales for FY2015 Q3 includes sales of Calbee branded *Jagabee*

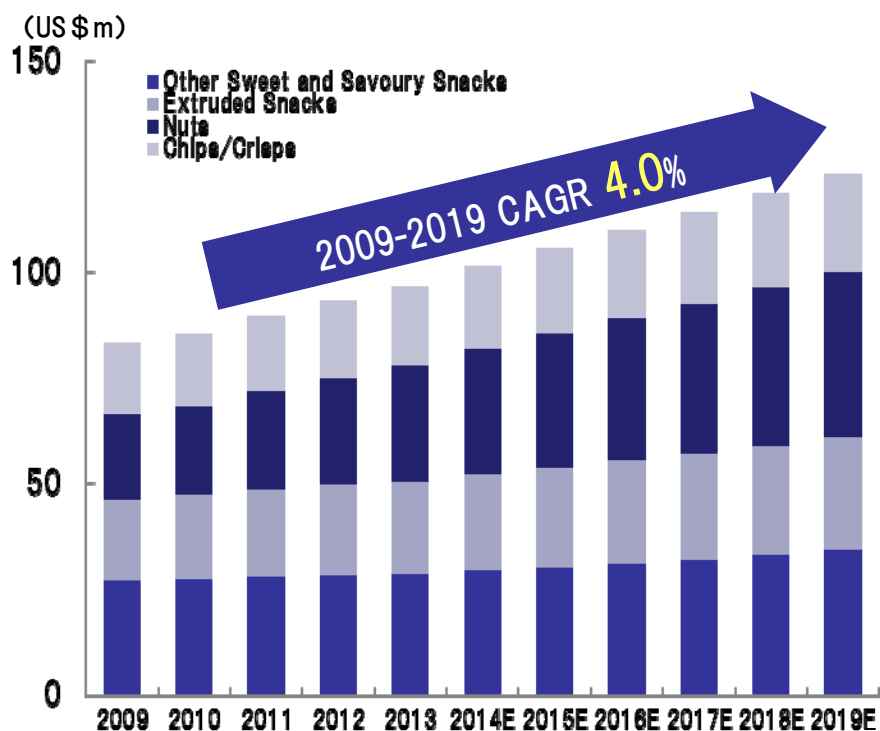
Philippines

- Establish production line in partner Universal Robina Corporation's factory
- Launch *Potato Chips* in market in FY2015 Q4 as a Calbee and Jack'n Jill dual brand



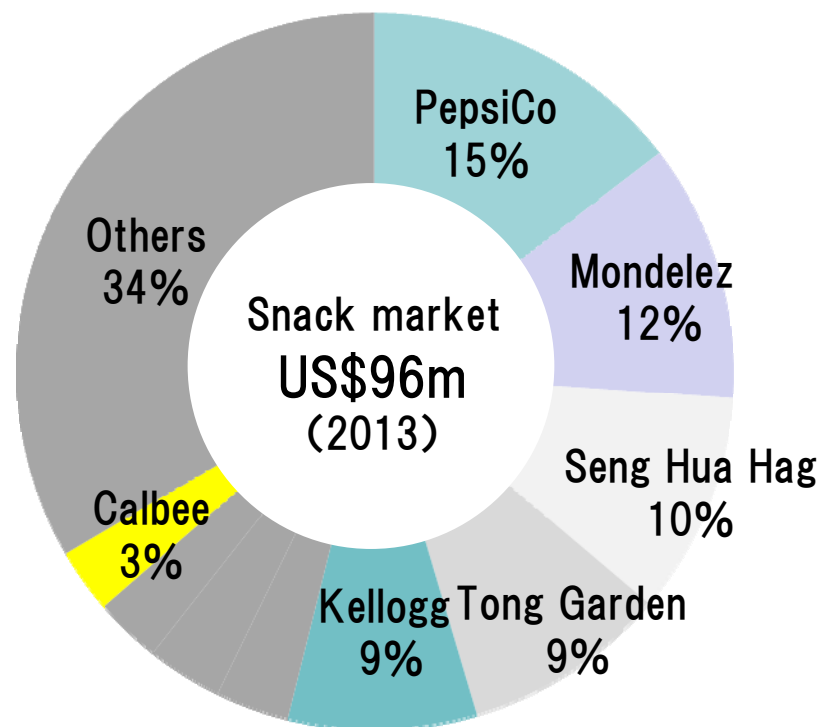
Singapore's snack foods market

Market size



* 2014-2019: Estimate

Share by manufacturer



Source: Euromonitor

Singapore business development

In April 2015 we will acquire a 51% stake in sales agent Moh Seng Marketing with the aim of increasing the share of Calbee brand product sales in the Singapore market

- Moh Seng Marketing is a Singapore-based distributor
- Began importing Calbee products in 1965
- Over 90% of current sales are of Calbee products

- Name change from Moh Seng Marketing Pte. Ltd. to Calbee Moh Seng Pte., Ltd.
- Shareholding ratio: Calbee 51%, founding family 49%
- Management structure to continue as before (run by founding family)
- Will become a consolidated subsidiary from FY2016 Q1 (plan)



*Products currently on sale in Singapore

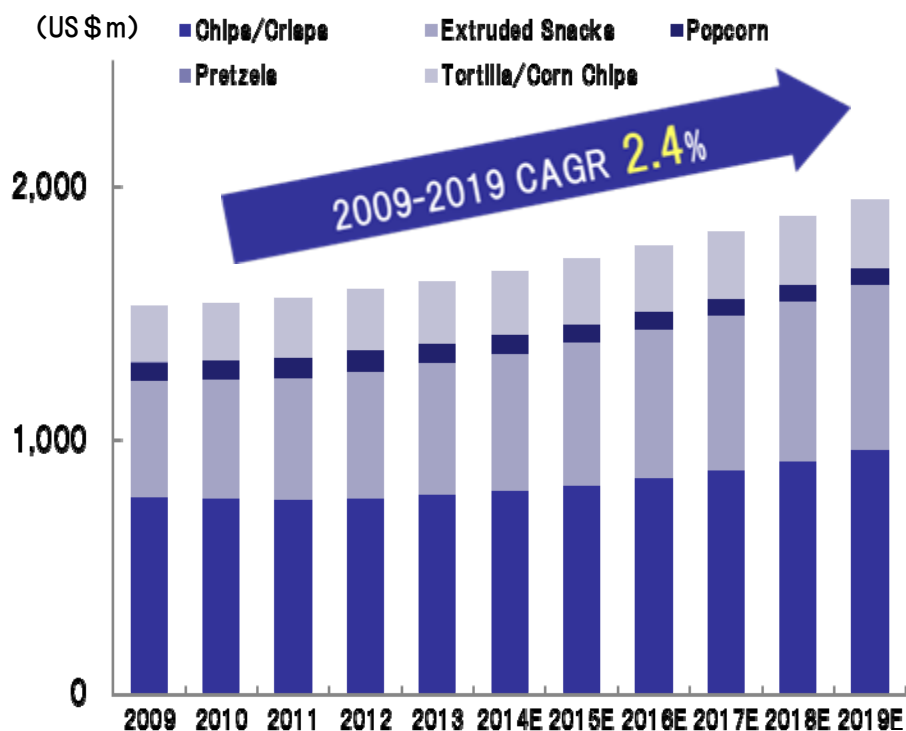
Moh Seng Marketing business results (FY2014)

Net assets	2.320m SGD	(197m yen)
Gross assets	4.324m SGD	(367m yen)
Sales	15.855m SGD	(1,347m yen)
Operating income	0.528m SGD	(44m yen)

(1SGD=85 yen) 13

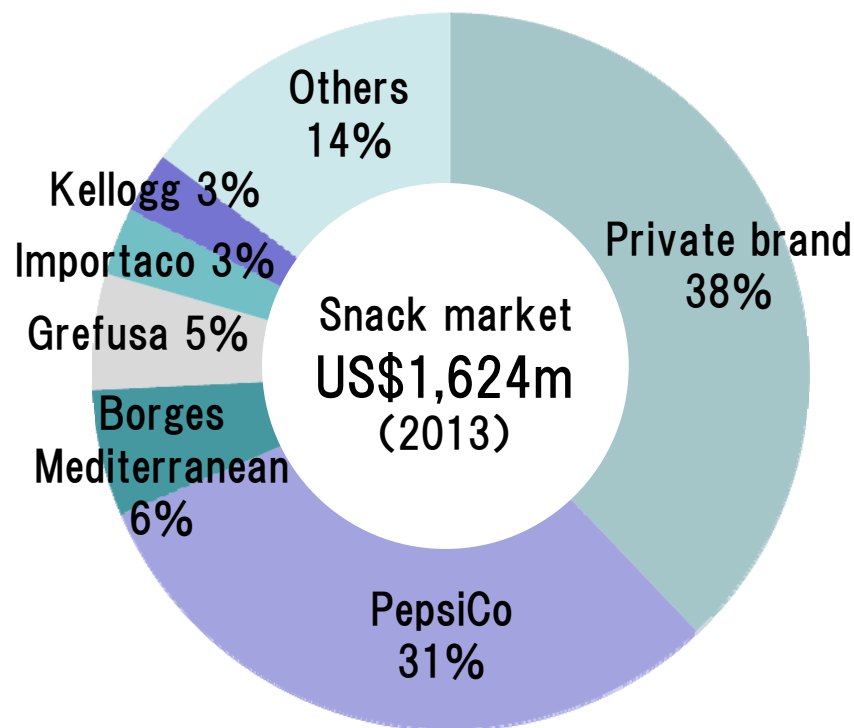
Spain's snack foods market

Market size



* 2014-2019: Estimate

Share by manufacturer



Source: Euromonitor

Establishment of subsidiary in Spain

Name	Calbee España S.L. (plan)
Location	Spain
Representative director	To be confirmed after recruitment local General Manager (plan)
Main business	Production and sale of snack foods
Capital	€12 million (approx. 1,750 million yen)
Date of establishment	April 2015 (plan)
End of fiscal year	December
Ownership ratio	CALBEE, Inc. 100%
Start of operations	Within first half of FY2017
Sales and profit target	(FY2021) Sales of 5 billion yen, operating margin of 10%

*Reference: Products planned for sale in Spain



Expanding domestic market share

Proactively expand new flavors

Introduce regional and limited-time products for strong-sellers *Jagarico* and *Kata-Age Potato*



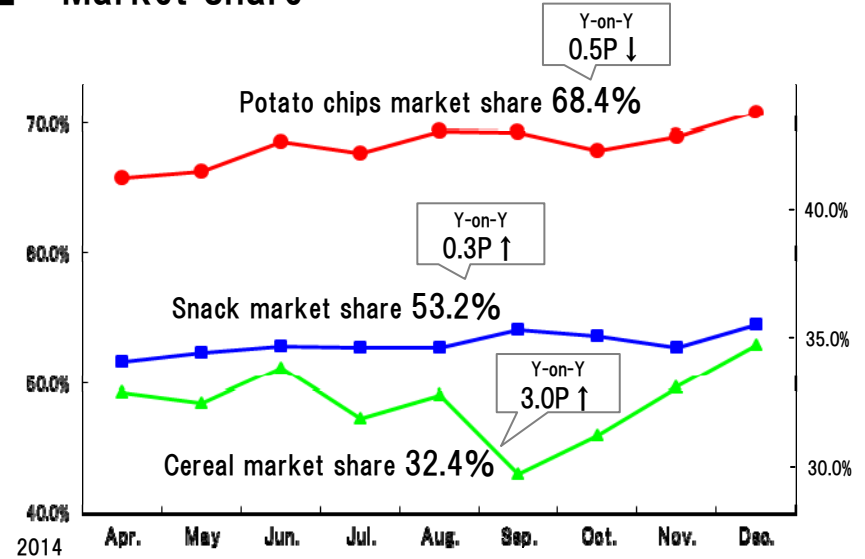
Vegips

Running ‘*Vegips at the Table*’ campaign to give away tableware items to 5,831 winners through lottery (Jan. 12 -Apr. 20)



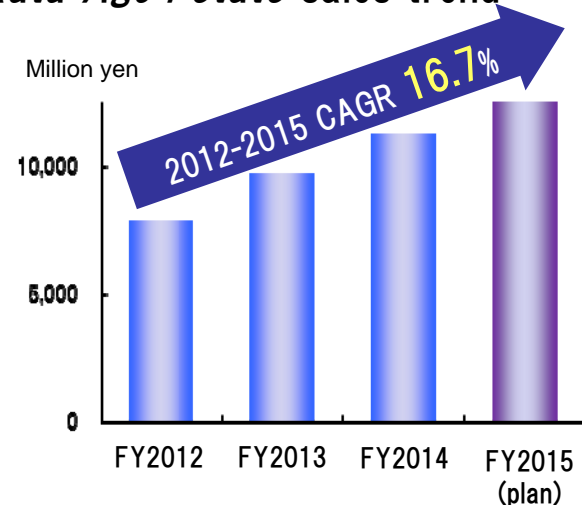
Source for share in each market: Intage SRI base on sales (nationwide, all retail formats) April – December 2014
 Comparison period: Total of April-December 2013
 Snack market share: Total of Calbee and Japan Frito-Lay.
 Potato chips: Total of potato chips (thick- and thin-sliced), shoestring and kettle types.

Market share



*Market share figures are for April-December 2014

Kata-Age Potato sales trend



Reference material

Sales by product

Million yen

	FY2014 Q3 (three months)			FY2015 Q3 (three months)		
	Amount	Composition	Change in %	Amount	Composition	Change in %
Potato-based snacks	30,592	57.4%	+8.9%	31,667	54.3%	+3.5%
<i>Potato Chips</i>	19,288	36.2%	+10.6%	20,184	34.6%	+4.6%
<i>Jagarico</i>	8,167	15.3%	+10.0%	8,459	14.5%	+3.6%
<i>Jagabee</i>	2,333	4.4%	-7.9%	2,139	3.7%	-8.3%
Flour-based snacks	5,678	10.7%	-0.9%	5,810	10.0%	+2.3%
Corn-based snacks	3,943	7.4%	+9.1%	4,921	8.4%	+24.8%
<i>Vegips</i> , other new snacks	1,487	2.8%	-8.3%	1,361	2.3%	-8.5%
Domestic others	1,041	2.0%	+14.5%	870	1.5%	-16.5%
Overseas	4,098	7.7%	+91.6%	6,025	10.3%	+47.0%
Snacks	46,842	88.0%	+11.3%	50,656	86.8%	+8.1%
Bread	3,096	5.8%	-1.7%	3,093	5.3%	-0.1%
Cereals	2,624	4.9%	+41.4%	3,872	6.6%	+47.6%
Other foods	5,720	10.7%	+14.2%	6,965	11.9%	+21.8%
Services	692	1.3%	+19.8%	747	1.3%	+7.9%
Total Sales	53,256	100.0%	+11.7%	58,369	100.0%	+9.6%