



# Calbee Group Financial Results

For the fiscal year ended March 31, 2015

April 1, 2014 — March 31, 2015

**CALBEE, Inc.** May 12, 2015



**Calbee**  
Harvest the Power of Nature.

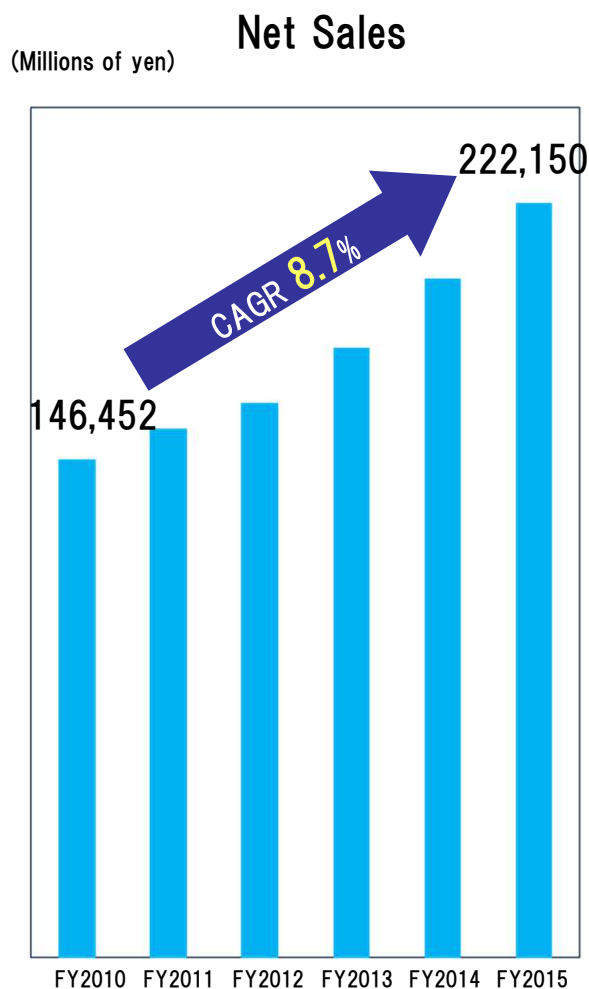
# Calbee Group's Growth Strategies

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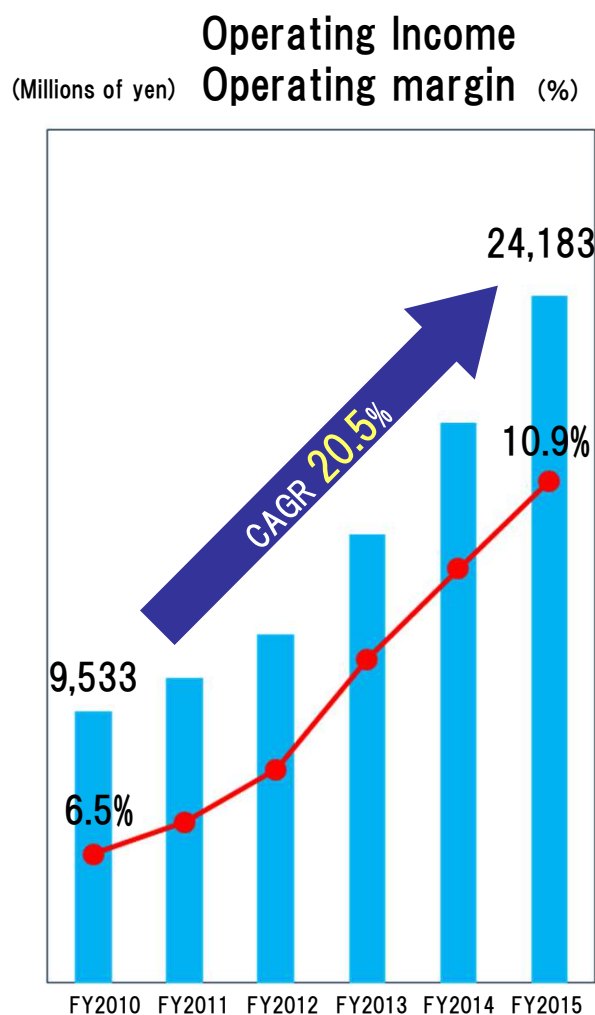
**Akira Matsumoto**  
**Chairman of the Board & CEO**

# Performance highlights

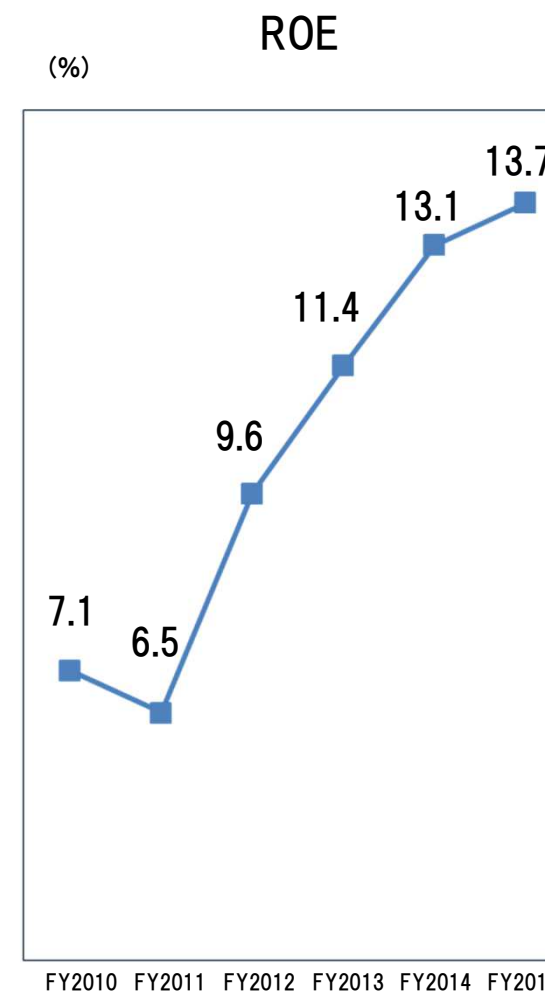
## Growth



## Margin



## Return

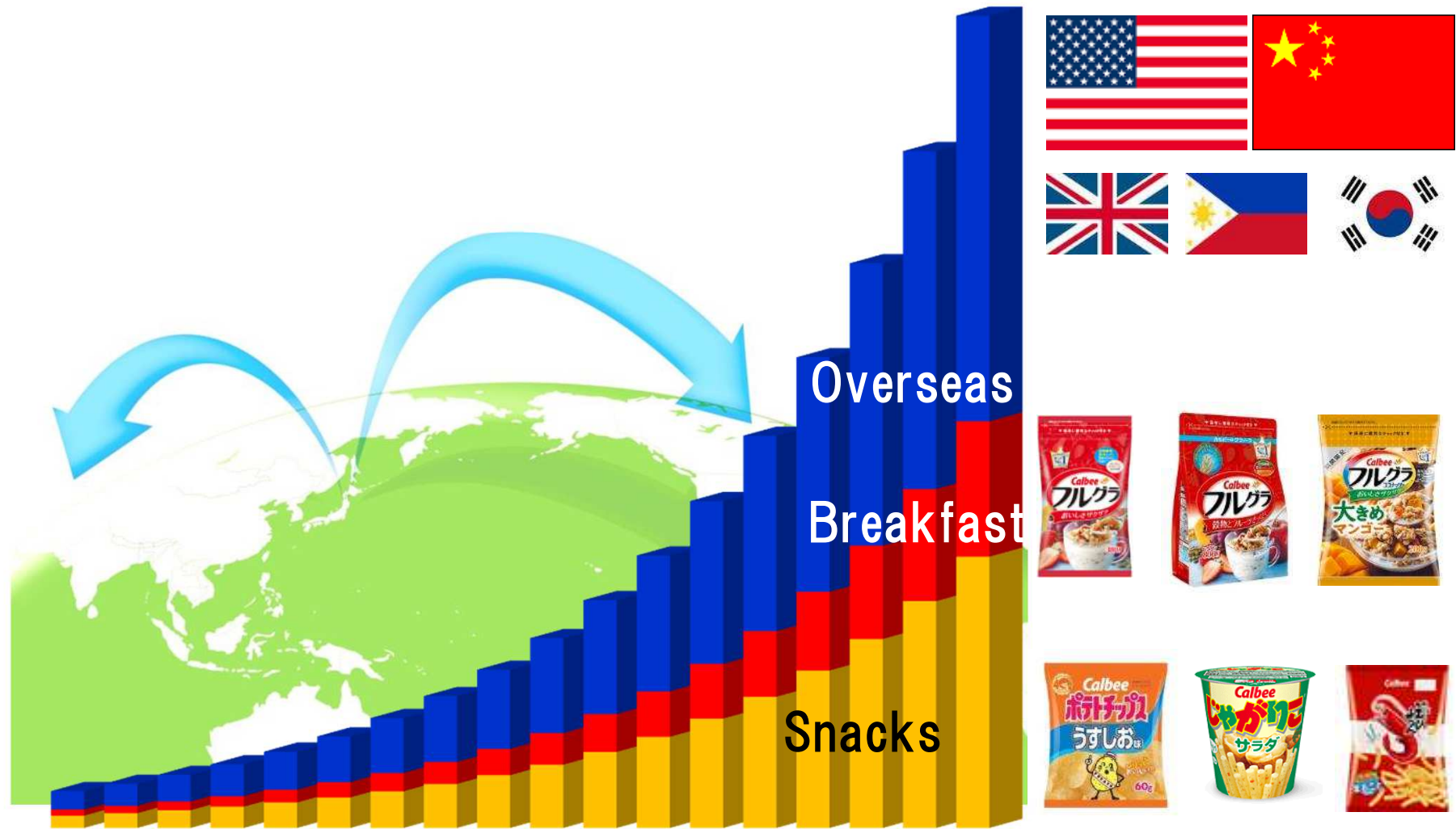


FY2015

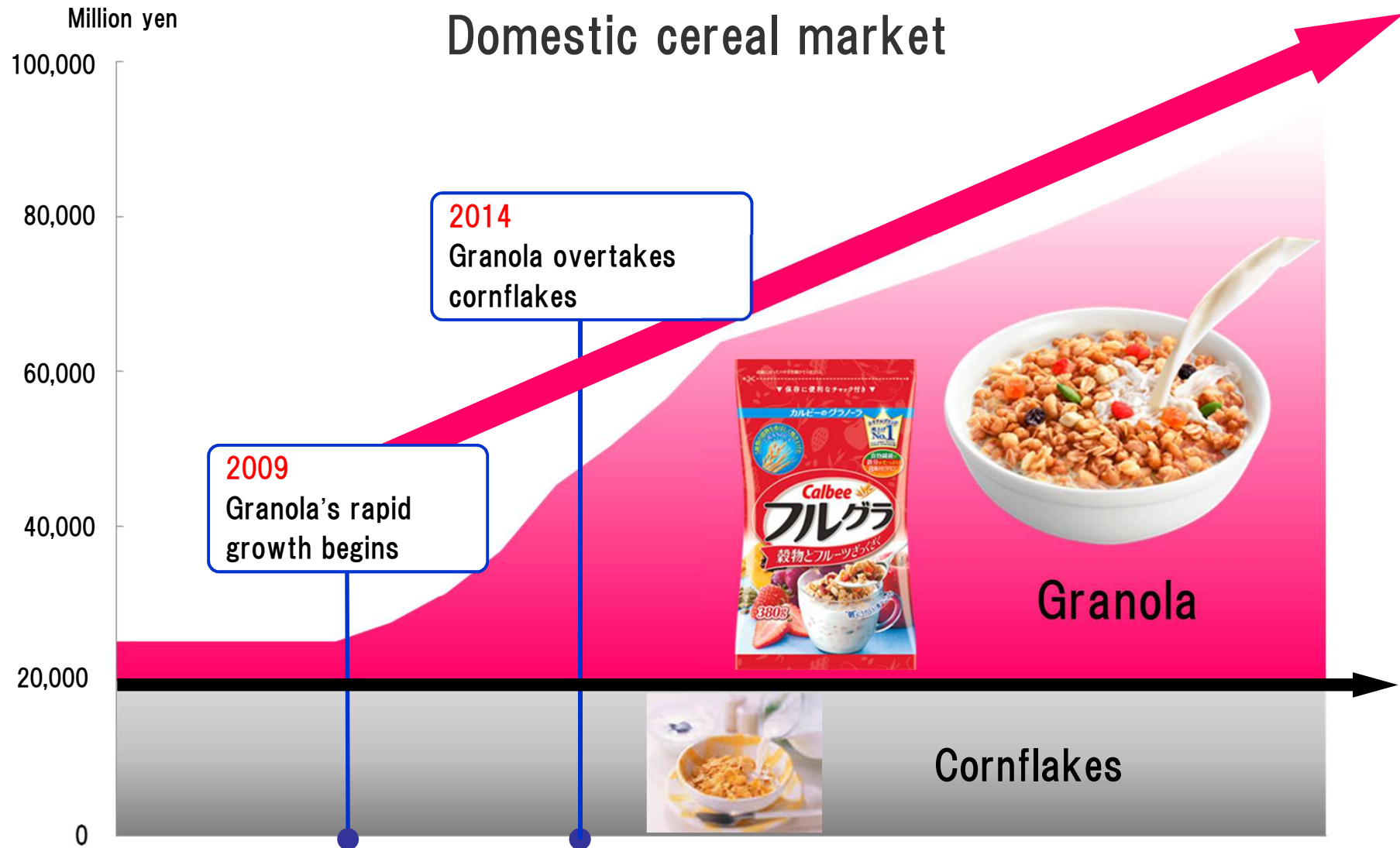
**10 wins**

**5 losses**

# Calbee's vision

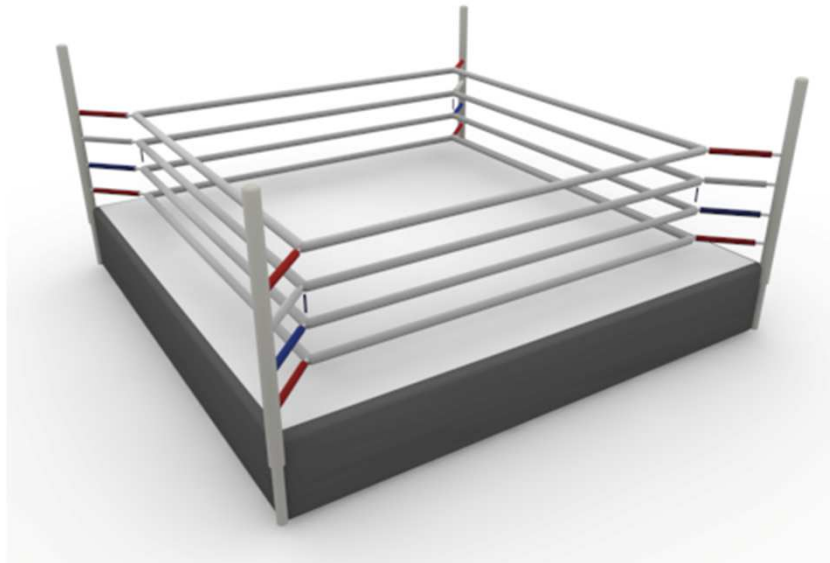


# Calbee is changing Japan's **breakfast**





# From a good company to a **strong** one



# **Review of fiscal year ended March 2015**

## **Management Policy for fiscal year ending March 2016**

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**Shuji Ito**  
**President & COO**



# FY2015: Overview and future plans

## Outcomes

- Domestic and North American business drove highest ever profit ratio
  - Operating income ratio: (FY2014) 9.9% → (FY2015) 10.9%
- Expanded overseas strategy
  - Expanded North American business, started Philippine JV with URC
- Expanded domestic market share
  - Grew share of potato chips and snack foods markets
  - Grew share of *Furugura*

## Future initiatives

- Promote overseas strategy
- Expand domestic market share
  - Expand sales of growth products (*Furugura*, *Jagarico*, *Kata-Age Potato*, etc.)
  - Entry into the fabricated potato chips market
- Achieve further cost reductions

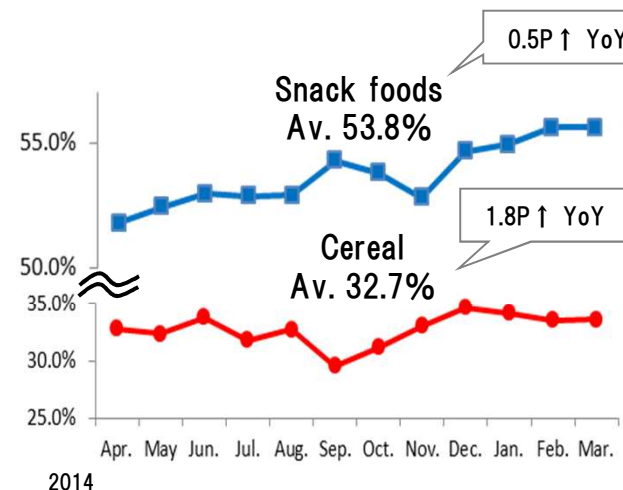
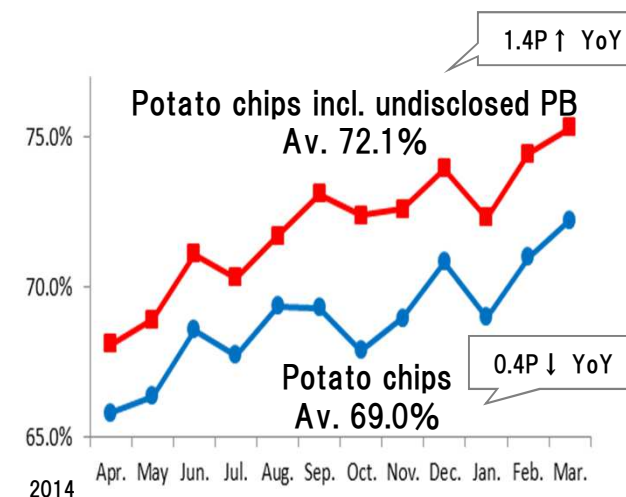
Source for share in each market: Intage SRI base on sales (nationwide, all retail formats) April 2014 – March 2015

Comparison period: Total of April 2013 – March 2014

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



# FY2015: Financial highlights

|                           | FY2014      | FY2015      | Change<br>in % | Compared<br>with<br>revised plan |
|---------------------------|-------------|-------------|----------------|----------------------------------|
|                           | Million yen | Million yen | %              | %                                |
| Net sales                 | 199,941     | 222,150     | + 11.1         | 104.3                            |
| Gross profit              | 87,209      | 97,561      | + 11.9         | 102.9                            |
| SG&A                      | 67,492      | 73,378      | + 8.7          | 101.5                            |
| Selling                   | 29,536      | 32,266      | + 9.2          | 100.4                            |
| Distribution              | 12,644      | 14,425      | + 14.1         | 105.6                            |
| Labor                     | 16,880      | 17,872      | + 5.9          | 101.9                            |
| Other                     | 8,430       | 8,813       | + 4.5          | 98.4                             |
| Operating income          | 19,717      | 24,183      | + 22.6         | 107.5                            |
| Ordinary income           | 20,782      | 25,615      | + 23.3         | 113.8                            |
| Extraordinary income/loss | - 246       | - 1,397     | —              | —                                |
| Net income                | 12,086      | 14,114      | + 16.8         | 106.1                            |

## Set new records in sales and income

### Net sales

Growth in potato and corn-based snacks, *Furugura* and overseas business

### Gross profit

Gross margin up 0.3 percentage points.

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

Overseas: Sales expanded in high profit margin North America

### SG&A

Sales growth led to 0.7 point improvement in SG&A expenses ratio

Selling expenses

Domestic: Allocated efficiently

Overseas: Proactive investment in North America, etc.

### Non-operating income

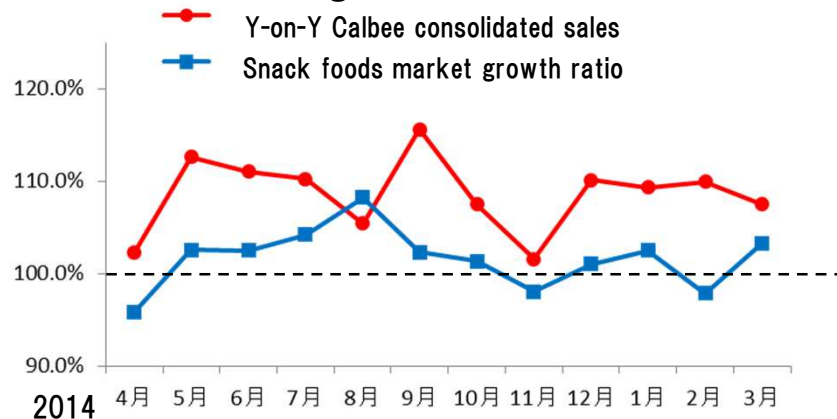
Foreign exchange gains: 1,318 million yen

### Extraordinary loss

Impairment loss: 836 million yen

# FY2015: Factors increasing sales

## ■ Y-on-Y change in consolidated sales



Source: Intage SRI (nationwide retail sales) Basis: Sales  
April 2014 to March 2015

## ■ Y-on-Y comparison of sales by product

Million yen

| Sales               | + | 22,209 |
|---------------------|---|--------|
| Domestic            | + | 15,560 |
| Potato-based snacks | + | 7,564  |
| Corn-based snacks   | + | 3,181  |
| Cereals             | + | 4,754  |
| Others              | + | 60     |
| Overseas            | + | 6,648  |
| North America       | + | 4,662  |
| South Korea         | + | 1,650  |

## ■ Potato-based snacks

### Potato Chips

- *Kata-Age Potato* sales grew on development of limited-time flavors and expansion of *Otona Rich* sales channels
- *Calbee Light!* also contributed to growth



### Jagarico

- Strong sales of core products
- Strong sales of Tarako Butter flavor L-size and limited-time products

## ■ Corn-based snacks

Strong sales of popcorn  
(NB, PB, Garrett Popcorn Shops)

## ■ Cereals

Continued strong sales of *Furugura*  
Utilization ratio continues to exceed 100%

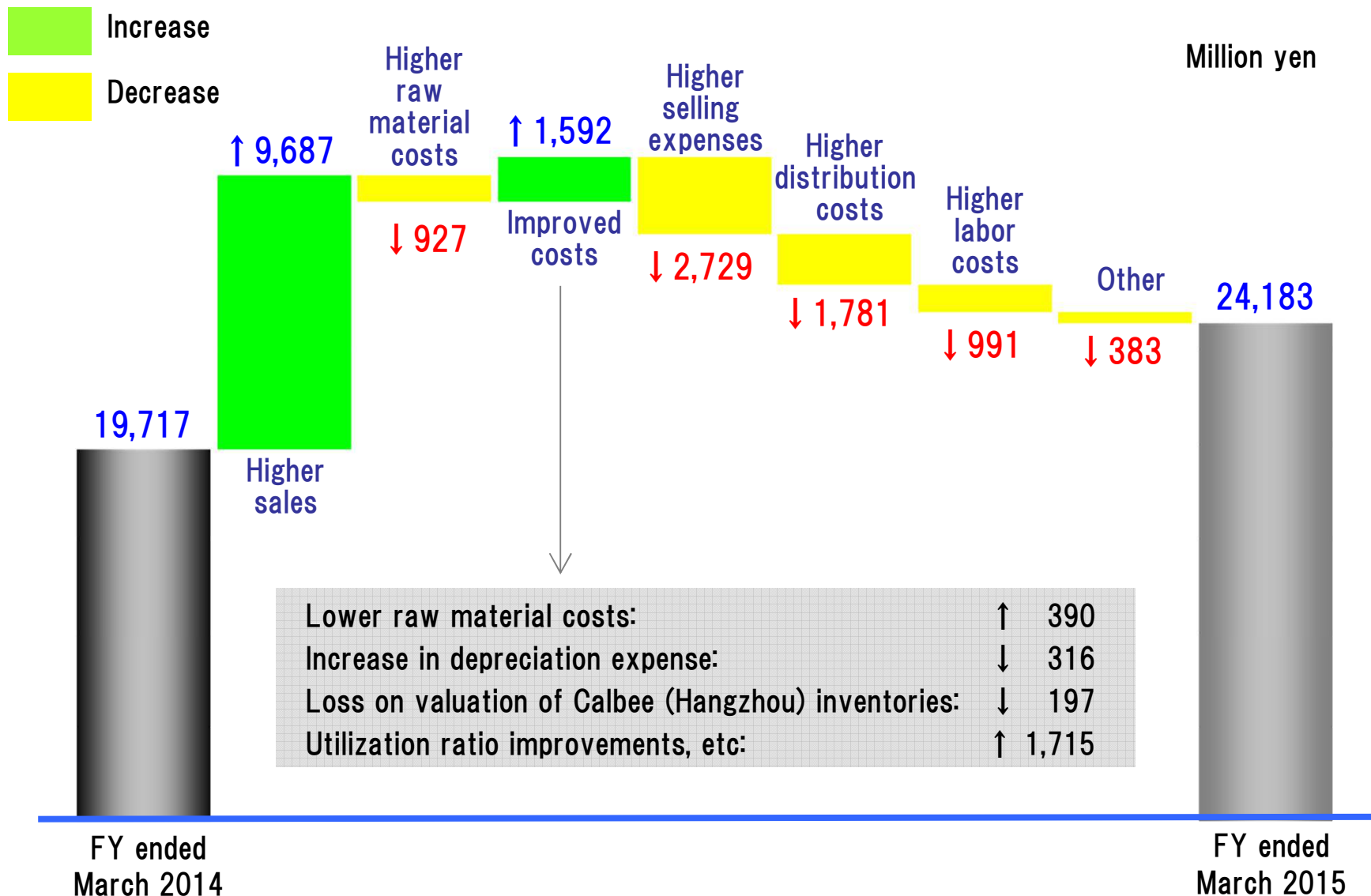
## ■ Overseas

Large increase in sales as *Harvest Snaps* sold well in North America  
*Honey Butter Chip* was big hit in South Korea

Effect of weak yen: +2,077 million yen



# FY2015: Factors increasing operating income



# FY2016: Full year forecasts

|                                 | FY2015<br>results | FY2016<br>forecasts | Change<br>in % |
|---------------------------------|-------------------|---------------------|----------------|
|                                 | Million yen       | Million yen         | %              |
| Net sales                       | 222,150           | 240,000             | + 8.0          |
| Gross profit                    | 97,561            | 105,600             | + 8.2          |
| SG&A                            | 73,378            | 76,800              | + 4.7          |
| Selling                         | 32,266            | 34,200              | + 6.0          |
| Distribution                    | 14,425            | 15,400              | + 6.8          |
| Labor                           | 17,872            | 18,200              | + 1.8          |
| Other                           | 8,813             | 9,000               | + 2.1          |
| Operating income                | 24,183            | 28,800              | + 19.1         |
| Non-operating income / expenses | 1,432             | - 800               | —              |
| Ordinary income                 | 25,615            | 28,000              | + 9.3          |
| Extraordinary income/loss       | - 1,397           | - 1,000             | —              |
| Net income*                     | 14,114            | 15,800              | + 11.9         |

## Aiming for double-digit growth in profits

### Net sales

Strengthen potato-based snacks and *Furugura*  
Entry into the fabricated potato chips market  
Overseas, growth expected in North America and South Korea

### Gross profit

Expect increase in price of raw materials due to weaker yen, but plan to maintain YoY gross margin through higher sales and cost reduction efforts

### SG&A

Plan to increase efficiency of domestic selling expenses, proactively invest in overseas selling expenses  
Aim to improve SG&A expenses ratio by 1.0 percentage points by controlling increases in fixed costs

### Operating income ratio

12.0% (1.1 percentage point increase YoY)

### Non-operating loss

Expenses related to business commencement in countries where we are developing new businesses: 800 million yen

\* Net income for FY 2016 represents profit attributable to owners of parent.

# FY2016: Factors increasing sales

## ■ Y-on-Y comparison of sales by product

| Sales   |   | Million yen |
|---|---|-------------|
|   | + | 17,849      |
| <b>Domestic</b>                               | + | 11,286      |
| Potato-based snacks                           | + | 2,185       |
| New products<br>incl. fabricated potato chips | + | 2,843       |
| Cereals                                       | + | 4,082       |
| <b>Overseas</b>                               | + | 6,563       |
| North America                                 | + | 3,349       |
| South Korea                                   | + | 819         |
| Philippines                                   | + | 384         |
| UK  | + | 322         |

\*Exchange rate used:  
 USD 1 = 120 yen  
 KRW 1 = 0.1098 yen  
 PHP 1 = 2.72 yen  
 GBP 1 = 187.03 yen

### ■ Jagarico

- Launching new series and strengthening of core products
- Expect increased sales through increased factory production efficiency



### ■ New snacks

Begin selling fabricated potato chips in autumn

### ■ Furugura

- Increase production capacity 1.5 times in FY2016 1H
- Enhance product line-up



### ■ Overseas

**North America:** Expand *Harvest Snaps* production capacity by 60% from FY2016 Q1

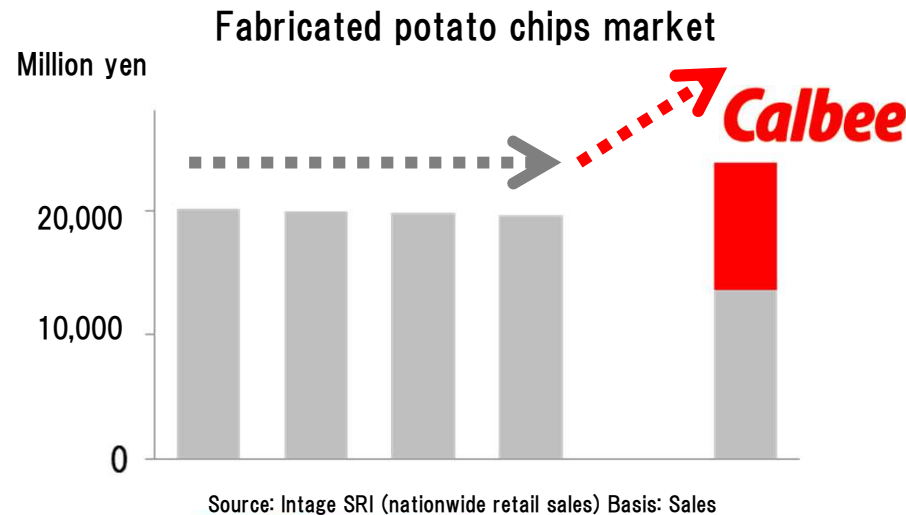
**South Korea:** Enhance development of new flavors

**Philippines:** Expand sales in of high value-added Potato Chips

**UK:** Begin production of *Harvest Snaps* in June 2015



# Entry into the fabricated potato chips market



- 20 billion yen market  
No market growth in the past few years

- Calbee's entry will energize the market
- Aiming to be No. 1 in the fabricated potato chips market

Investment amount: 3,500 million yen  
 Of which: Buildings 700 million yen  
 Machinery and equipment 2,800 million yen  
 Production start: Second half of FY2016  
 Production capacity: 6,000 million yen/year  
 First year sales target: 2,200 million yen



Easy to  
hold  
package

Original  
flavor

Pleasant,  
crispy  
Unique  
texture

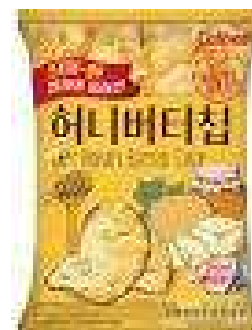
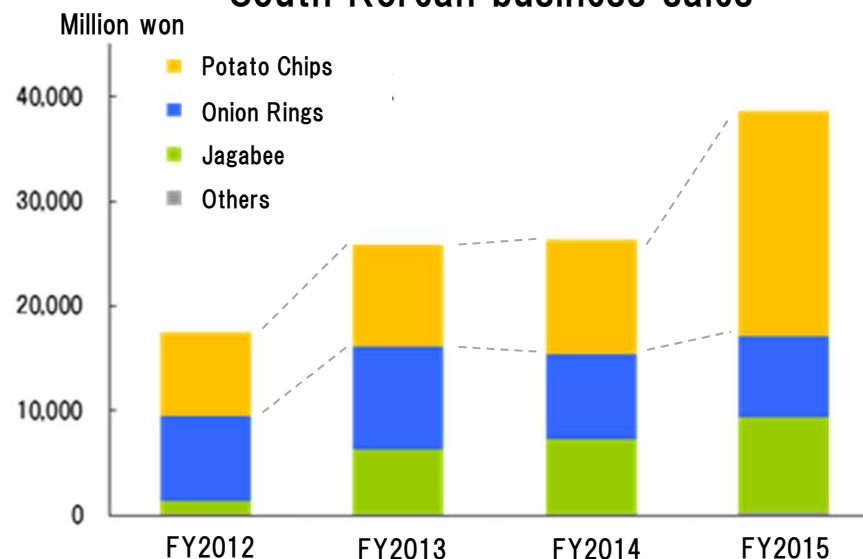


# South Korean business

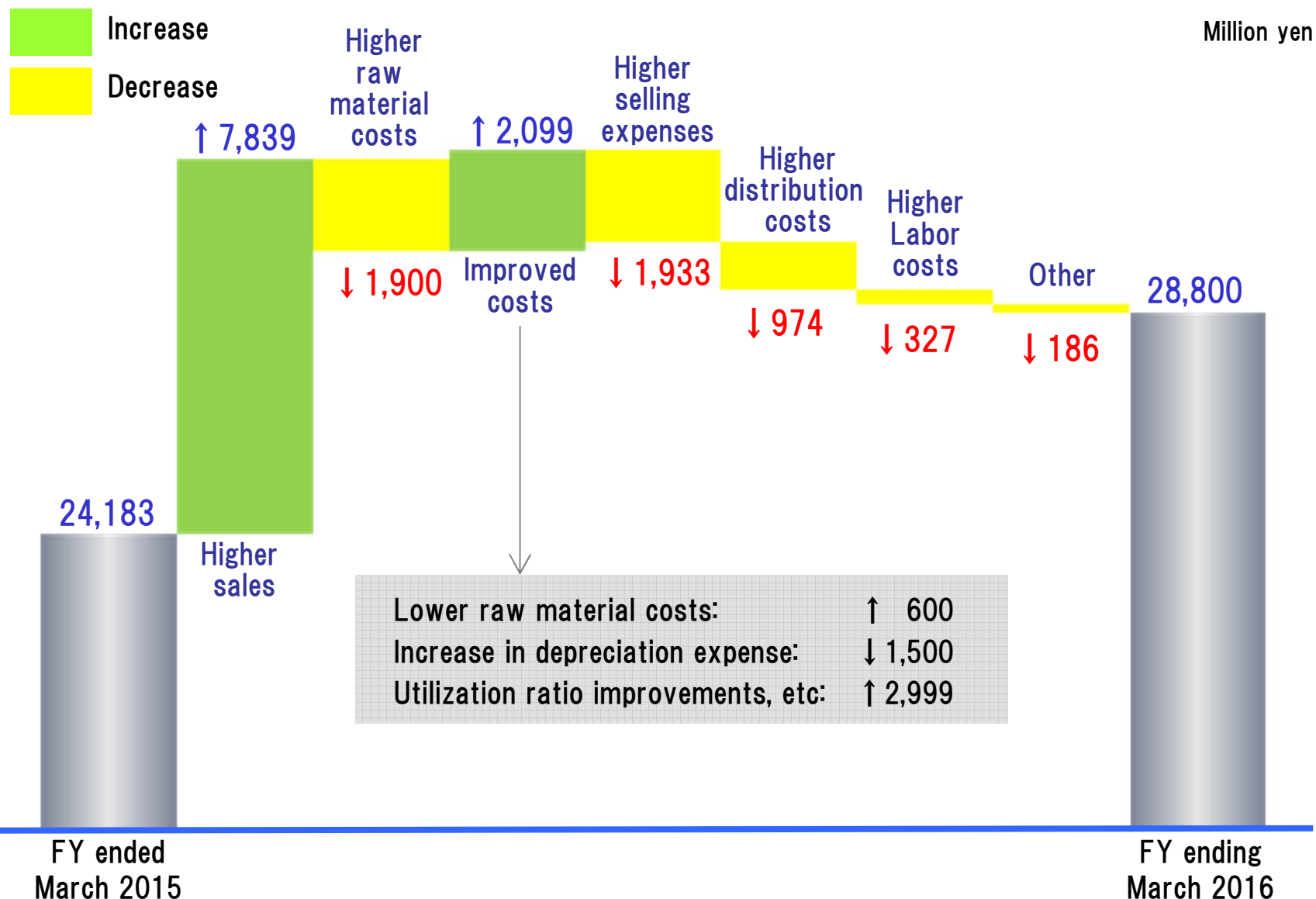
- July 2011 Changed licensing agreement with Haitai Confectionaries to JV agreement
- Production by Calbee, marketing by Haitai
- Sept. 2014 released *Honey Butter* flavor *Potato Chips*  
Big break after trending on social media
- Because production can't keep up with demand, will establish new factory to expand production capacity

Investment amount: 3,700 million yen  
Production start: First half of FY 2017  
Production capacity:  
increase of 6,000 million yen/year  
(together with existing production facilities,  
12,000 million yen)

## South Korean business sales



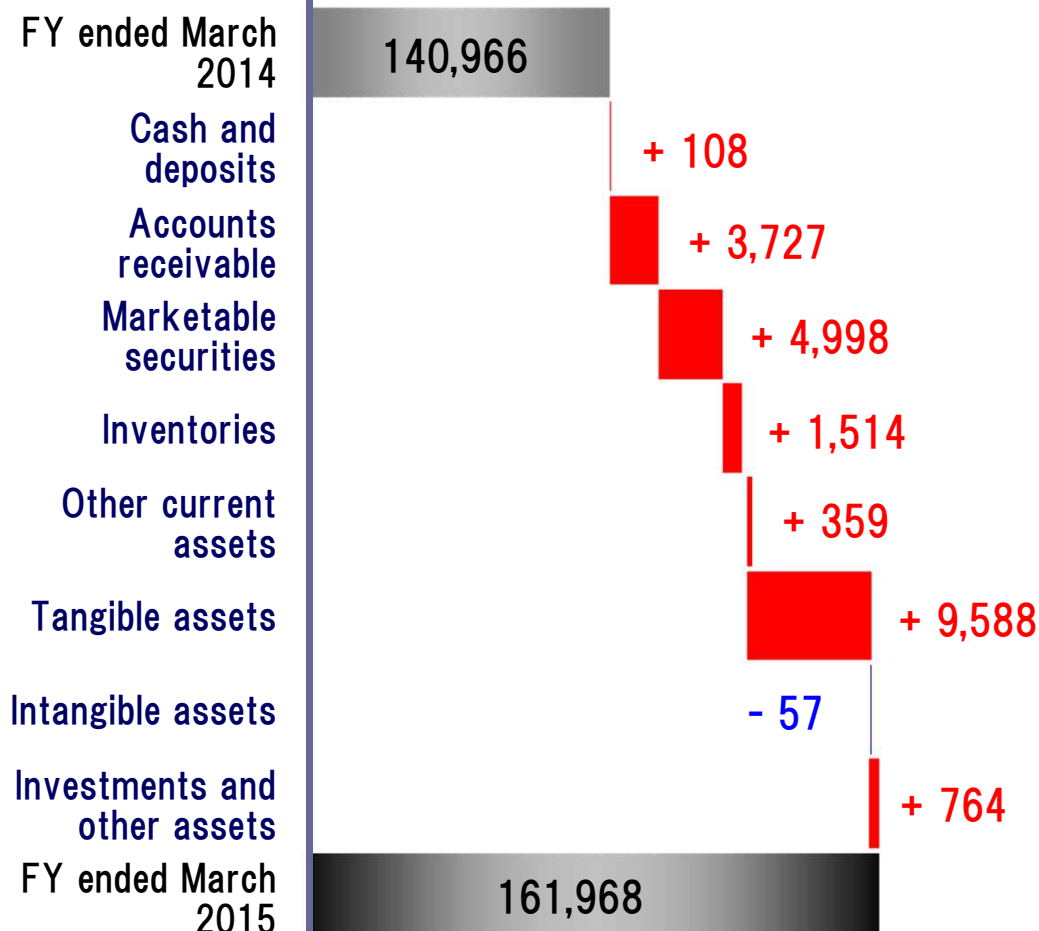
# FY2016: Factors increasing operating income



# FY2015 Consolidated balance sheet: Assets



Million yen



## ■ Current assets +10,707

Accounts receivable +3,727  
Increase on sales growth

Marketable securities +4,998  
CP and bonds for short-term management

## ■ Non-current assets + 10,294

- Tangible assets +9,588
- Expanded *Furugura* production line
  - Establishment of production line for fabricated potato chips
  - Acquired plant facilities in North America, Indonesia, Philippines, etc.

# FY2015 Consolidated balance sheet: Liabilities and Net assets



Million yen

|  |          |
|--|----------|
| FY ended March 2014                    | 140,966  |
| Accounts payable                       | + 1,489  |
| Other current liabilities              | + 4,064  |
| Non-current liabilities                | + 1,113  |
| Capital stock, capital surplus         | + 57     |
| Retained earnings                      | + 10,696 |
| Accumulated other comprehensive income | + 1,959  |
| Other net assets                       | + 1,620  |
| FY ended March 2015                    | 161,968  |

## ■ Liabilities + 6,667

Accounts payable +1,489

Increase on sales growth

Other current liabilities +4,064

Consumption tax payable +1,589

Payables related to capex, etc +1,425

## ■ Net assets +14,334

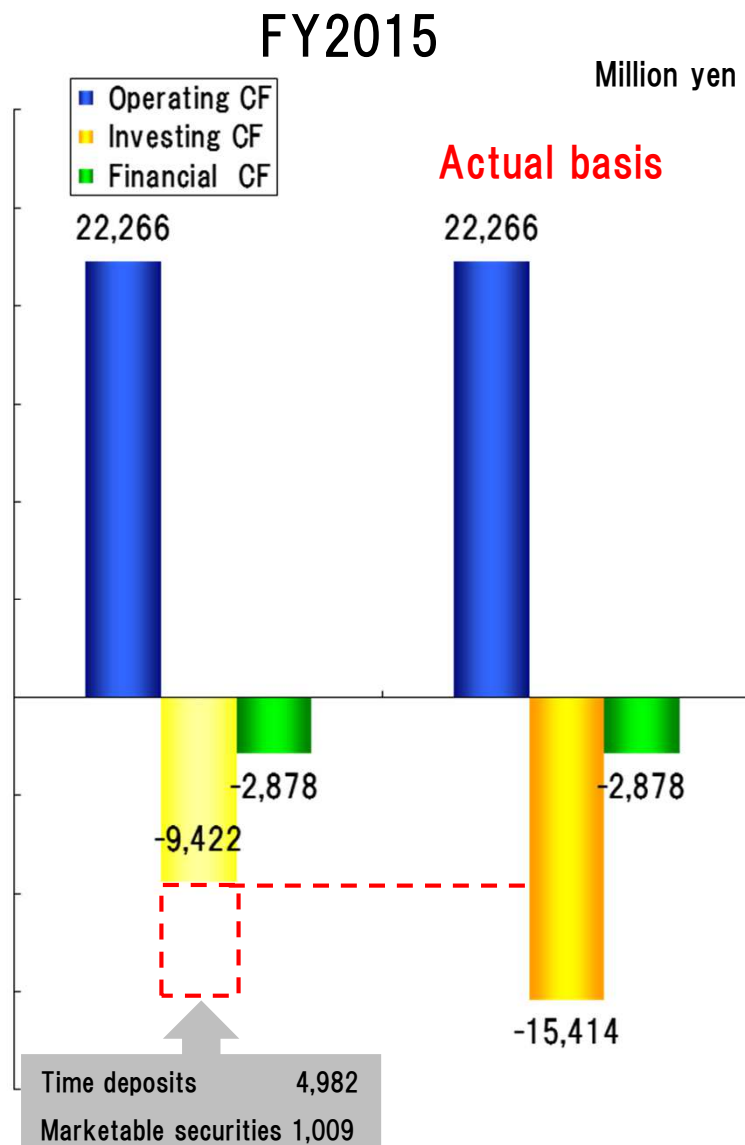
Accumulated other comprehensive income +1,959

Foreign currency translation adjustment +1,404

Other net assets +1,620

Minority interests +2,066

# FY2015 Consolidated cash flows

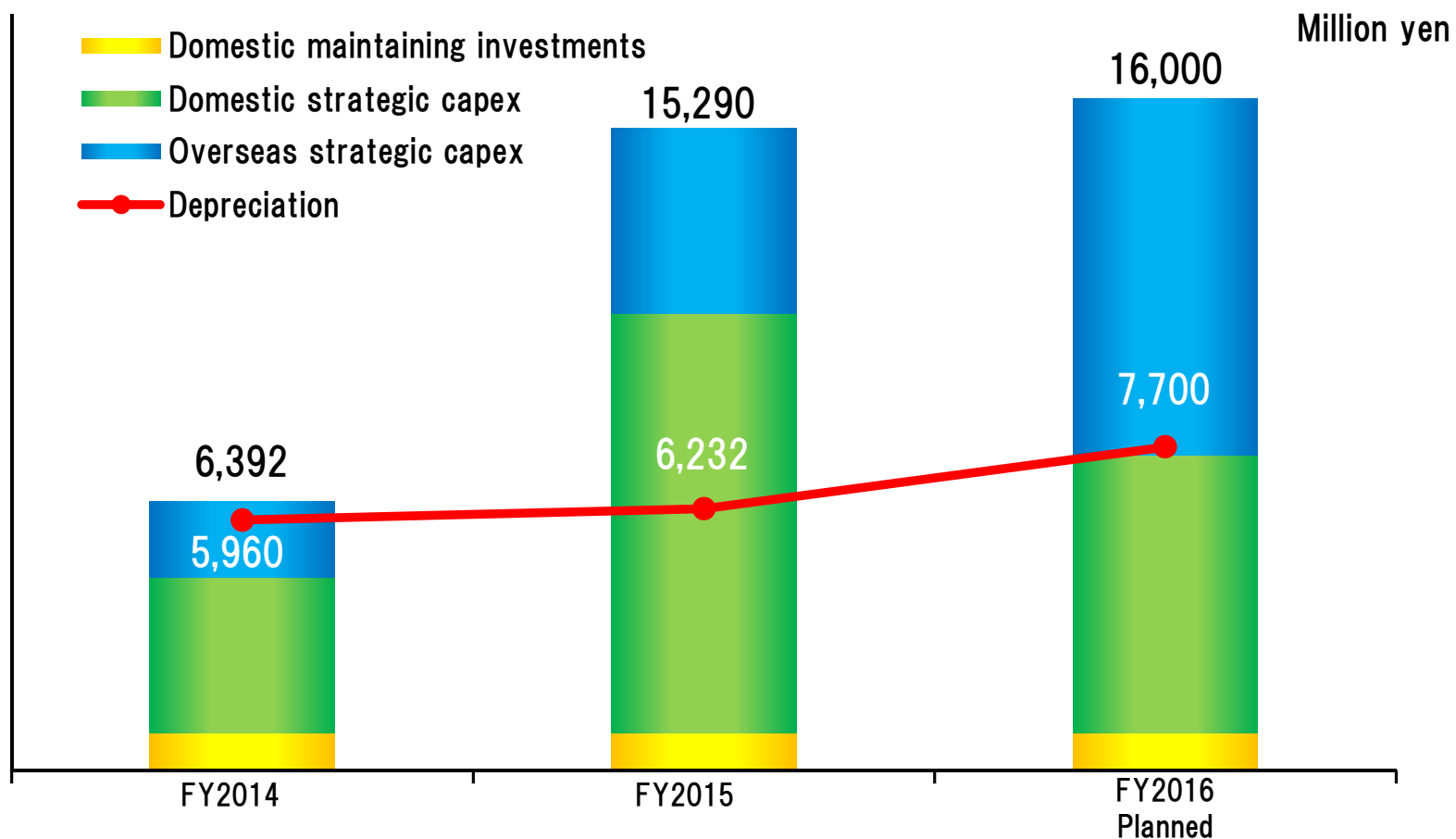


**Cash and cash equivalents increased  
by 4,987 million yen**

\*Actual basis including time deposits and CP, etc.

| Million yen   |          |
|---|----------|
| Net cash provided by (used in) operating activities   | + 22,266 |
| Income before income taxes and minority interests     | + 24,217 |
| Depreciation  | + 6,232  |
| Increase in notes and accounts receivable-trade       | — 3,260  |
| Income taxes paid                                     | — 9,301  |
| Net cash provided by (used in) investing activities   | — 15,414 |
| Purchase of fixed assets                              | — 15,290 |
| Net cash provided by (used in) financing activities   | — 2,878  |
| Cash dividends paid                                   | — 3,536  |
| Proceeds from stock issuance to minority shareholders | + 757    |

# Capex and depreciation



Main capex  
in FY 2015

Domestic: *Furugura* 3,897, Fabricated potato chips 2,112

Overseas: North America 1,805, Indonesia 978,  
UK 496, Philippines 474

# Reference material



# Sales by product

Million yen

|                                  | FY2014  |             |             | FY2015  |             |             |
|----------------------------------|---------|-------------|-------------|---------|-------------|-------------|
|                                  | Amount  | Composition | Change in % | Amount  | Composition | Change in % |
| Potato-based snacks              | 111,888 | 56.0%       | +7.8%       | 119,452 | 53.8%       | +6.8%       |
| <i>Potato Chips</i>              | 68,219  | 34.1%       | +8.5%       | 73,051  | 32.9%       | +7.1%       |
| <i>Jagarico</i>                  | 31,716  | 15.9%       | +11.0%      | 34,223  | 15.4%       | +7.9%       |
| <i>Jagabee</i>                   | 8,933   | 4.5%        | -6.3%       | 8,763   | 3.9%        | -1.9%       |
| Flour-based snacks               | 21,856  | 10.9%       | +1.9%       | 21,972  | 9.9%        | +0.5%       |
| Corn-based snacks                | 14,620  | 7.3%        | +10.0%      | 17,801  | 8.0%        | +21.8%      |
| <i>Vegips</i> , other new snacks | 6,002   | 3.0%        | +17.0%      | 5,675   | 2.6%        | -5.4%       |
| Domestic others                  | 2,986   | 1.5%        | +7.1%       | 2,726   | 1.2%        | -8.7%       |
| Domestic Snacks                  | 157,353 | 78.7%       | +7.5%       | 167,628 | 75.5%       | +6.5%       |
| Overseas                         | 15,792  | 7.9%        | +71.2%      | 22,441  | 10.1%       | +42.1%      |
| Snacks                           | 173,145 | 86.6%       | +11.2%      | 190,069 | 85.6%       | +9.8%       |
| Cereals                          | 11,592  | 5.8%        | +36.9%      | 16,346  | 7.4%        | +41.0%      |
| Bread                            | 12,181  | 6.1%        | -5.3%       | 12,483  | 5.6%        | +2.5%       |
| Other foods                      | 23,773  | 11.9%       | +11.4%      | 28,830  | 13.0%       | +21.3%      |
| Services                         | 3,021   | 1.5%        | +25.0%      | 3,250   | 1.5%        | +7.6%       |
| Total Sales                      | 199,941 | 100.0%      | +11.4%      | 222,150 | 100.0%      | +11.1%      |

# FY2015: Overseas business

## Net sales by country

Yen base

|               |             | FY2014 | FY2015 | Change in % |
|---------------|-------------|--------|--------|-------------|
| North America | Million yen | 5,006  | 9,668  | +93.1%      |
| China         | Million yen | 2,518  | 2,227  | -11.6%      |
| South Korea   | Million yen | 2,425  | 4,075  | +68.1%      |
| Thailand      | Million yen | 2,528  | 2,896  | +14.5%      |
| Hong Kong     | Million yen | 2,499  | 2,930  | +17.3%      |
| Taiwan        | Million yen | 814    | 570    | -30.0%      |
| Philippines   | Million yen | —      | 72     | —           |

Local currency base

|               |                     | FY2014  | FY2015  | Change in % |
|---------------|---------------------|---------|---------|-------------|
| North America | Thousand dollars    | 49,568  | 87,043  | +75.6%      |
| China         | Thousand renminbi   | 153,764 | 124,971 | -18.7%      |
| South Korea   | Million won         | 26,362  | 38,585  | +46.4%      |
| Thailand      | Thousand baht       | 796,443 | 850,691 | +6.8%       |
| Hong Kong     | Thousand HK dollars | 193,024 | 205,789 | +6.6%       |
| Taiwan        | Thousand NT dollars | 243,332 | 160,817 | -33.9%      |
| Philippines   | Thousand peso       | —       | 26,536  | —           |

## Operating income by country

Yen base

|               |             | FY2014 | FY2015 | Y-on-Y |
|---------------|-------------|--------|--------|--------|
| North America | Million yen | 1,244  | 2,831  | +1,586 |
| China         | Million yen | -780   | -739   | +40    |
| South Korea   | Million yen | 6      | 220    | +214   |
| Others        | Million yen | 338    | 60     | - 278  |

## 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*)
- New *Jagabee* flavor going well

### Thailand

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

### Hong Kong

Increased sales and profit on strong sales of *Potato Chips*

### Taiwan

Decreased sales and losses due to raw materials scandal at partner

### Philippines

Began shipping *Potato Chips* and *Jagabee* in Feb 2015

# North American business

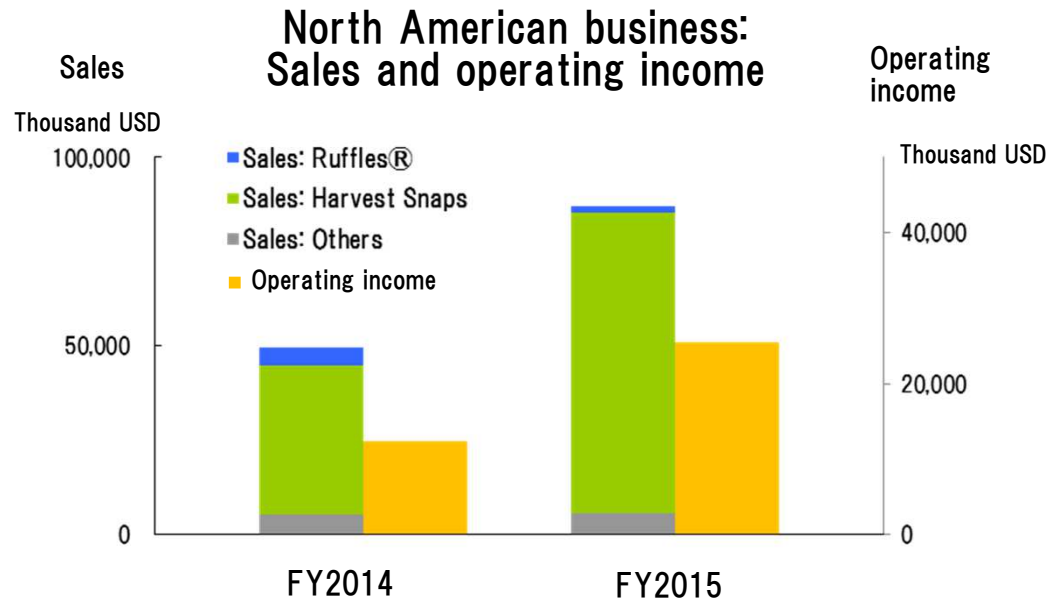
## FY to March 2015

Harvest Snaps performed well, North American sales and profits grew substantially, achieving plans

- Harvest Snaps* >> Continued high utilization ratio after August production line expansion (3 lines→ 4 lines)
- Ruffles® Crispy Fries* >> Declined year on year and fell short of plan

## FY to March 2016

- Harvest Snaps* >> Begin operations at new factory (Mississippi) in Q1, aim to expand sales channels, area
- Jagabee* >> Advance marketing preparations for Calbee-branded products



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



# Chinese business

## FY to March 2015

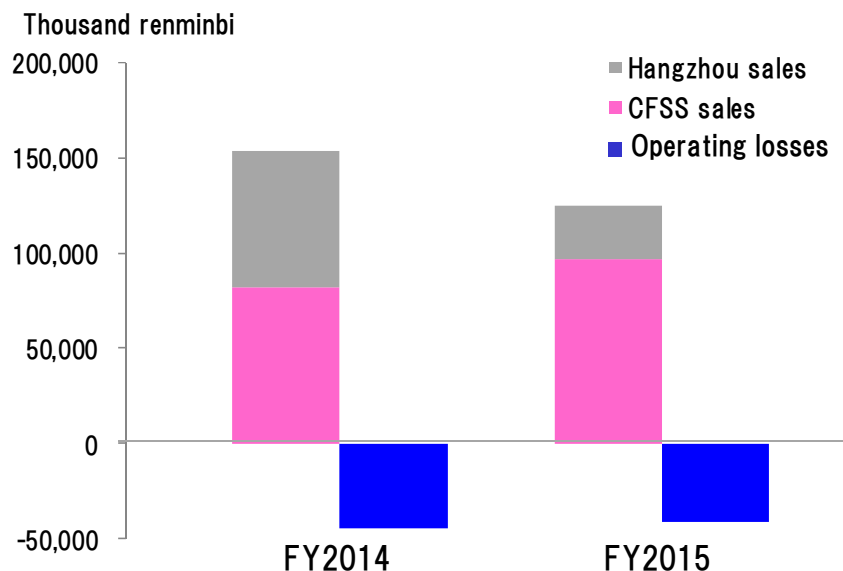
### Performance slump at Calbee (Hangzhou) continues

- Calbee (Hangzhou) >> Sales decreased and continued to record net loss. Recorded losses on write-down of inventory and impairment losses on non-current assets
- CFSS (JV with Four Seas) >> Flour-based snacks strong, achieving higher sales and profit

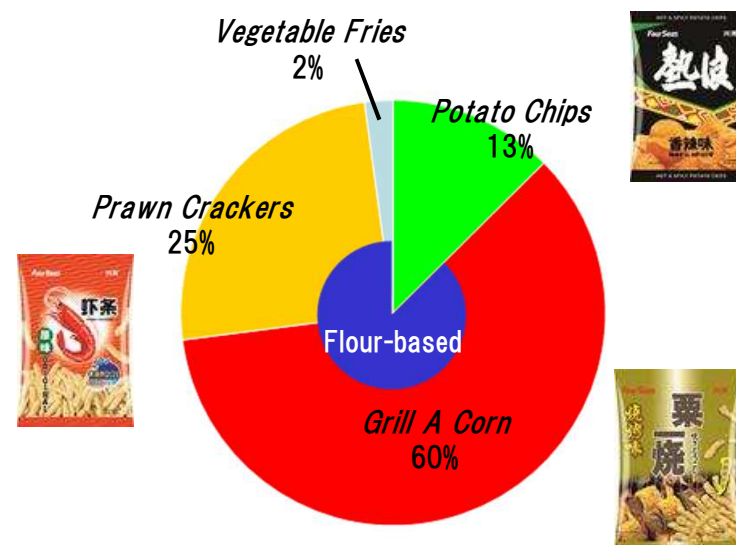
## FY to March 2016

Continue discussions on direction of Calbee (Hangzhou) with partners

Chinese business:  
Sales and operating losses

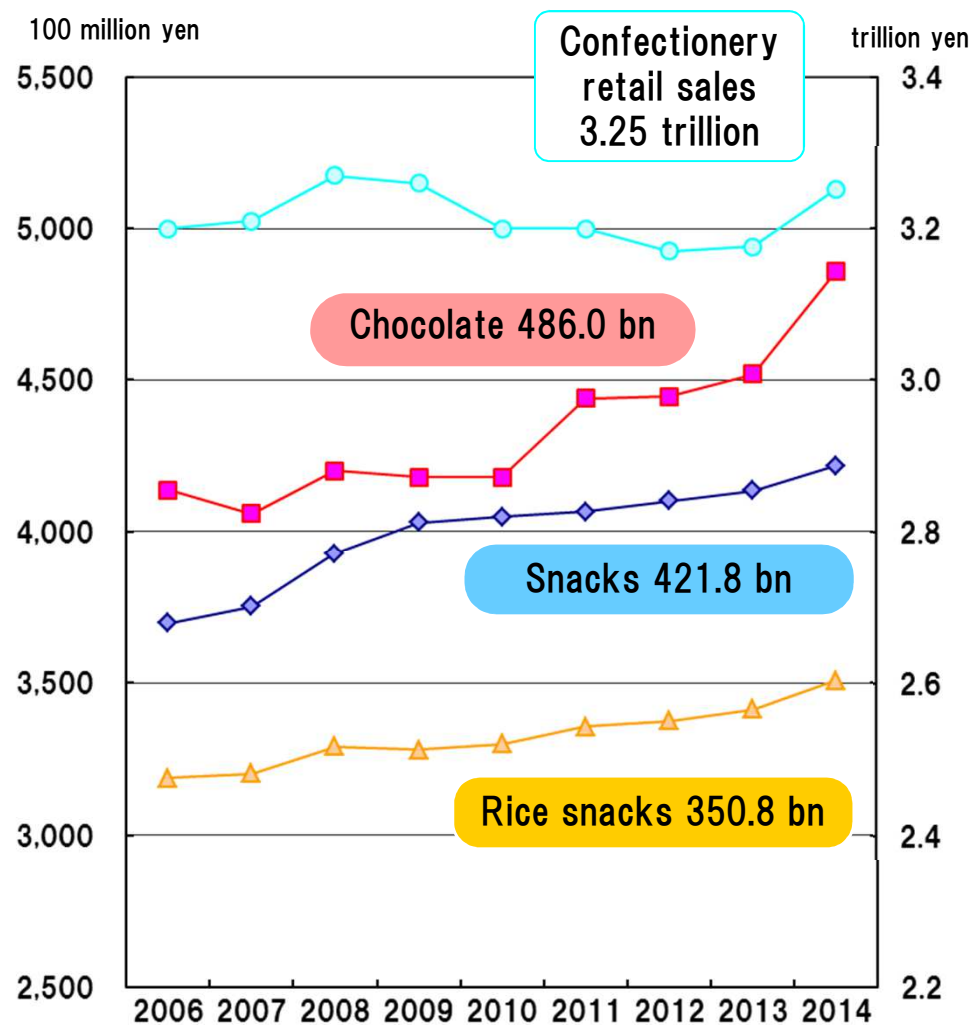


CFSS:  
Breakdown of sales FY2015



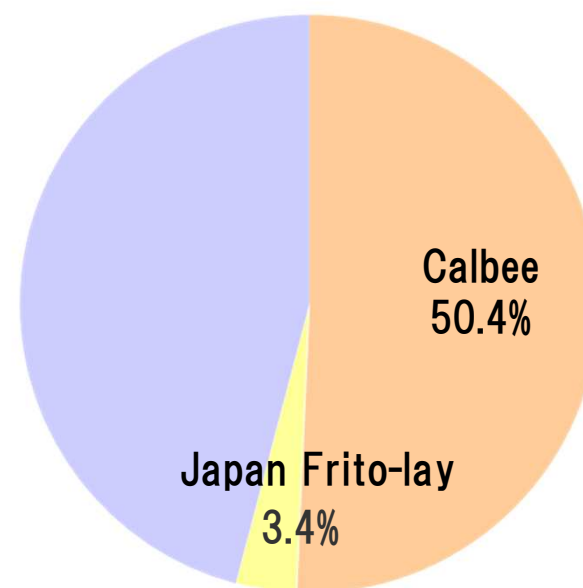
# Domestic snack foods market

## Domestic confectionery market



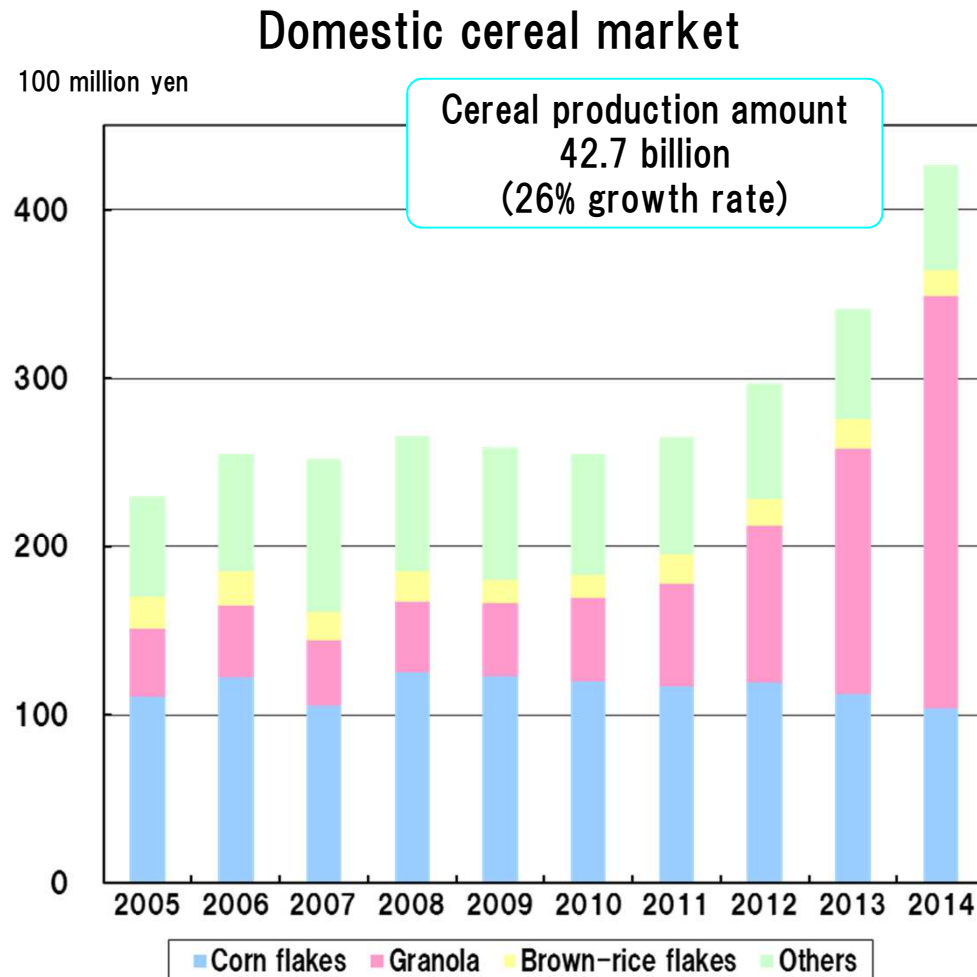
Source: All Nippon Kashi Association

## Share of domestic snack foods market



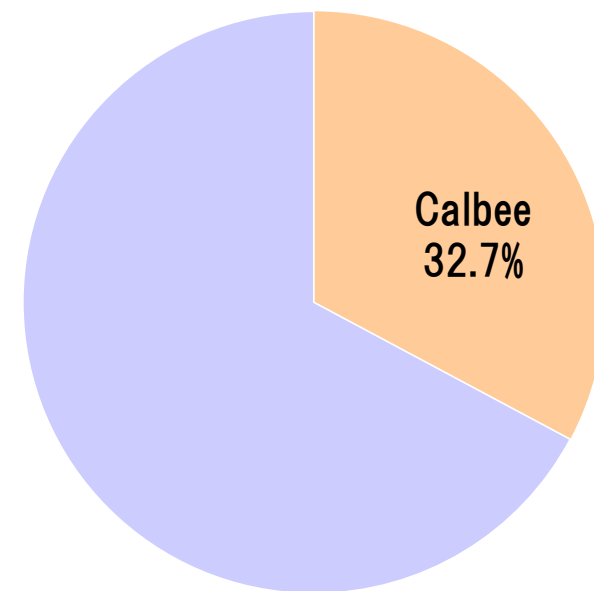
Source: Intage SRI (nationwide retail sales)  
Basis: Sales April 2014 to March 2015

# Domestic cereal market



Source: Japan Snack Cereal Foods Association

## Share of domestic cereal market



Source: Intage SRI (nationwide retail sales)  
Basis: Sales April 2014 to March 2015