

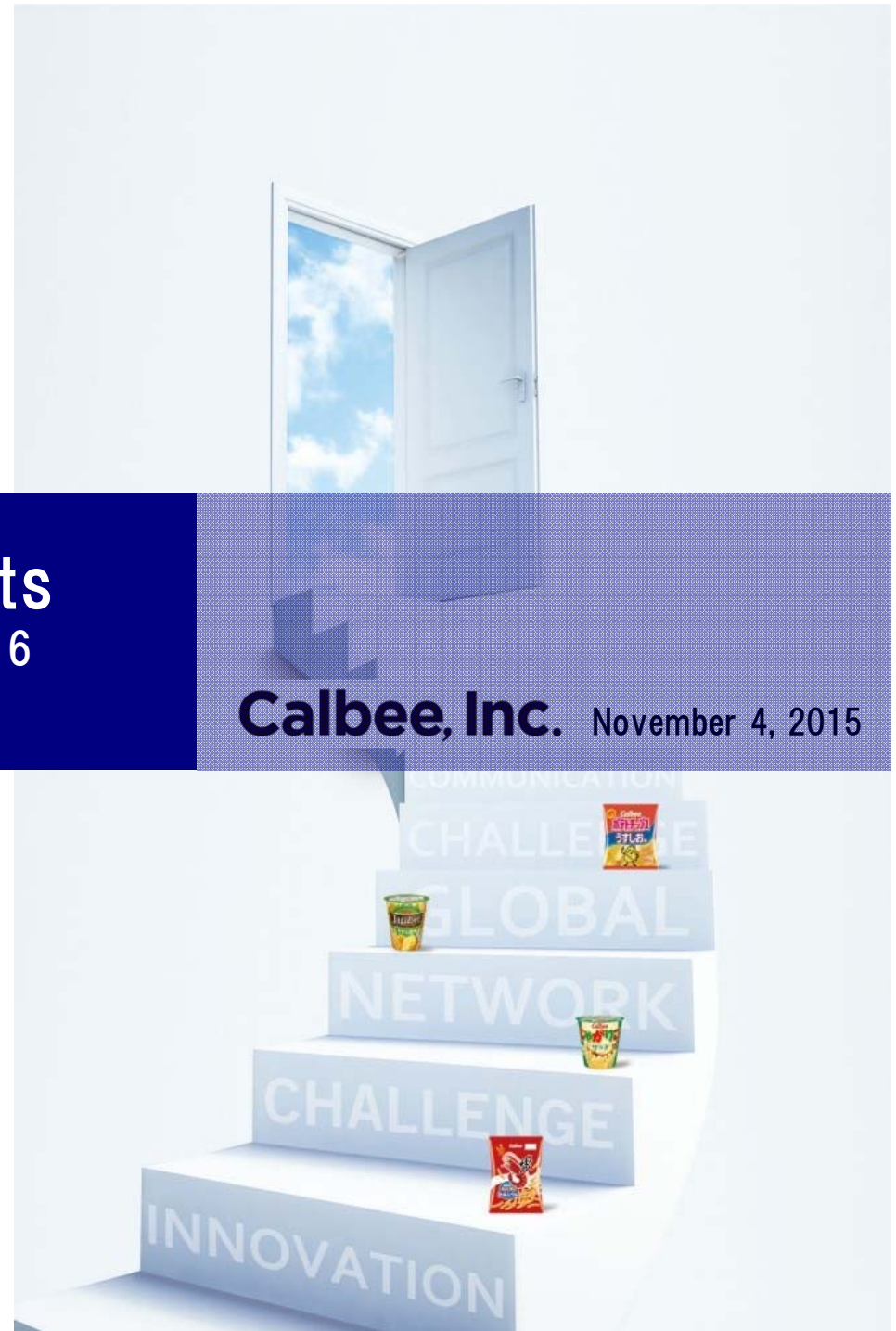
Calbee Group Financial Results

First half of fiscal year ending March 31, 2016

April 1, 2015 – September 30, 2015

Calbee, Inc. November 4, 2015

Calbee
Harvest the Power of Nature.



Defeats Always Have a Cause

Akira Matsumoto
Chairman of the Board & CEO

VISION

**We must earn respect,
admiration and love firstly of our customers,
suppliers and distributors,
secondly of our employees and their families,
thirdly of communities,
and finally of our stockholders.**

Ms. Anindita Mukherjee resigned from Board of Directors



Ms. Anindita Mukherjee
President, Global Snacks Group
and PepsiCo Global Insights of PepsiCo, Inc.

**Didn't handle supply/demand unbalance
well when utilization ratio improved**



Postponed launch of fabricated potato chips to next fiscal year



Lost time after start up of new factory in North America



Fairfield



Senatobia

Dissolved JV agreement with Master Kong



**You can have a lucky victory,
but defeats always have a cause**










Review of First Half Results Management Policy for Second Half

Shuji Ito
President & COO

H1 Review

Key Performance Indicators

	FY2016 Target	H1 Result	Progress
Growth ratio	+8.0%	+13.8%	
Operating income growth ratio	+19.1%	+11.7%	
Operating income ratio	12.0%	10.6%	
Overseas sales ratio	12.1%	12.3%	
Domestic snack market share	56.0% *	53.1%	
Domestic potato chips market share	75.0% *	73.4%	
Domestic cereals market share	34.0% *	34.2%	

* Market share targets for March 2016

Source for share in each market: Intage SRI based on sales (nationwide, all retail formats) April 2015 – June 2015
 Snack market share: total of Calbee and Japan Frito-Lay
 Potato chips: Total of potato chips (thick- and thin-sliced), shoestring and kettle types; includes private brand products

Summary

- Maintained strong sales both domestically and overseas
- Operating income ratio recovered from 10.2% in Q1 to 11.0% in Q2 on initiatives to adjust supply/demand balance, but was below H1 target of 11.0%
- Dissolved joint venture agreement with Master Kong in China business

FY2016 H1: Results highlights



	FY2015 H1	FY2016 H1	Change In %	Comparison with plan
	Million yen	Million yen	%	%
Net Sales	106,270	120,942	+ 13.8	104.3
Gross Profit	46,770	51,587	+ 10.3	103.4
SG&A	35,303	38,778	+ 9.8	104.4
Selling	15,314	16,907	+10.4	104.3
Distribution	6,835	7,847	+14.8	104.2
Labor	8,680	9,002	+ 3.7	103.3
Others	4,472	5,020	+12.2	107.5
Operating Income	11,467	12,808	+ 11.7	100.4
Ordinary Income	12,218	12,333	+ 0.9	100.3
Extraordinary Income/Loss	-98	-110	—	—
Net Profit*	7,064	7,654	+ 8.4	106.9

* Profit attributable to owners of parent

Maintained strong sales Operating income achieved plan

Net sales

Strong growth in potato-based snacks,
Frugra (Fruits Granola) and overseas business

Gross profit

Gross margin declined 1.3 percentage points.

- Increase in raw material prices on the weaker yen
- Increased depreciation expenses on increased capex for *Frugra* and in North America

SG&A

Domestic: Improved efficiency on reduced advertising expenses, etc. despite increase in supply/demand adjustment expenses
Overseas: Proactive investment in North America, etc.

Non-operating income and expenses

Business commencement expenses 349 million yen

UK	269 million yen
Indonesia	69 million yen
Spain	11 million yen

Loss on abandonment of inventories 297 million yen

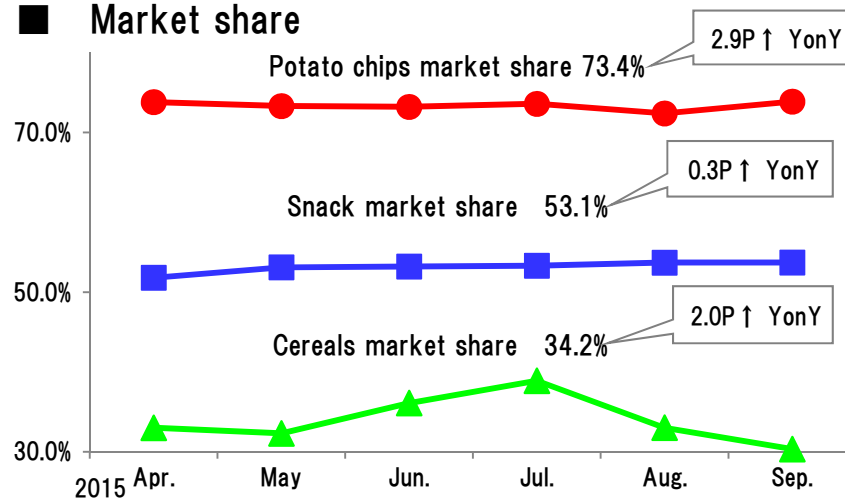
FY2016 H1: Domestic business

- Potato-based snacks and *Frugra* drove sales growth
- Operating income increased on sales growth despite higher cost ratio

■ Factors in sales increase, by product Million yen

Net Sales	+	9,671
Potato-based snacks	+	4,669
Potato chips	+	3,788
Jagarico	+	457
Jagabee	+	198
Cereals	+	3,658
Bakery	+	917
Others	+	425

■ Market share



■ Sales

Potato-based Snacks

Potato Chips

- 40th anniversary increased volume campaign and strong sales of limited-time products
- *Kata-Age Potato* sales grew on strengthened line-up
- PB also grew

Jagarico

- Strong sales of *Tarako Butter* flavor

Jagabee

- Strong sales of limited-time products

Cereals

- New *Frugra* production line started in May 2015, increased production capacity 1.5x
- Expanded product line-up

■ Operating Income

Although profit declined in Q1 on supply-demand balance adjustment expenses and start-up expenses for new production lines, profit increased in Q2 driven by higher sales.

Continue to aim to correct supply-demand balance.

Source: Intage SRI based on sales (nationwide, all retail formats) April 2015 – September 2015

Comparison period: April 2014 – September 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; includes private brand products

FY2016 H1: Overseas business

Drivers were sales and profit growth in North America and South Korea

Million yen

	FY2015 1H	FY2016 1H	Y-on-Y
Net sales	9,870	14,871	+5,001
North America	4,244	6,200	+1,956
China	1,128	1,092	-35
South Korea	1,369	3,238	+1,869
Thailand	1,348	1,479	+130
Hong Kong	1,420	1,596	+176
Taiwan	359	201	-157
Philippines	—	335	+335
UK	—	8	+8
Singapore	—	717	+717
Operating income	1,184	1,823	+638
North America	1,240	1,553	+312
China	-221	-91	+129
South Korea	38	391	+352
Others	126	-30	-156

■ North America

- Increased sales and profit as strong sales of *Harvest Snaps* continue
- New factory in Mississippi began operation in June 2015
- Temporary slowing of growth due to equipment trouble at the existing factory, but recovery expected in Q3

■ China

- Increased sales and profit at CFSS
- Continued sales decline and losses at Calbee (Hangzhou)

■ South Korea

- Large increase in sales and profit, strong sales of *Honey Butter Chip* potato chips

■ Philippines

- Began selling *Potato Chips, Jagabee* from Feb. 2015
- Strong sales exceeded plan

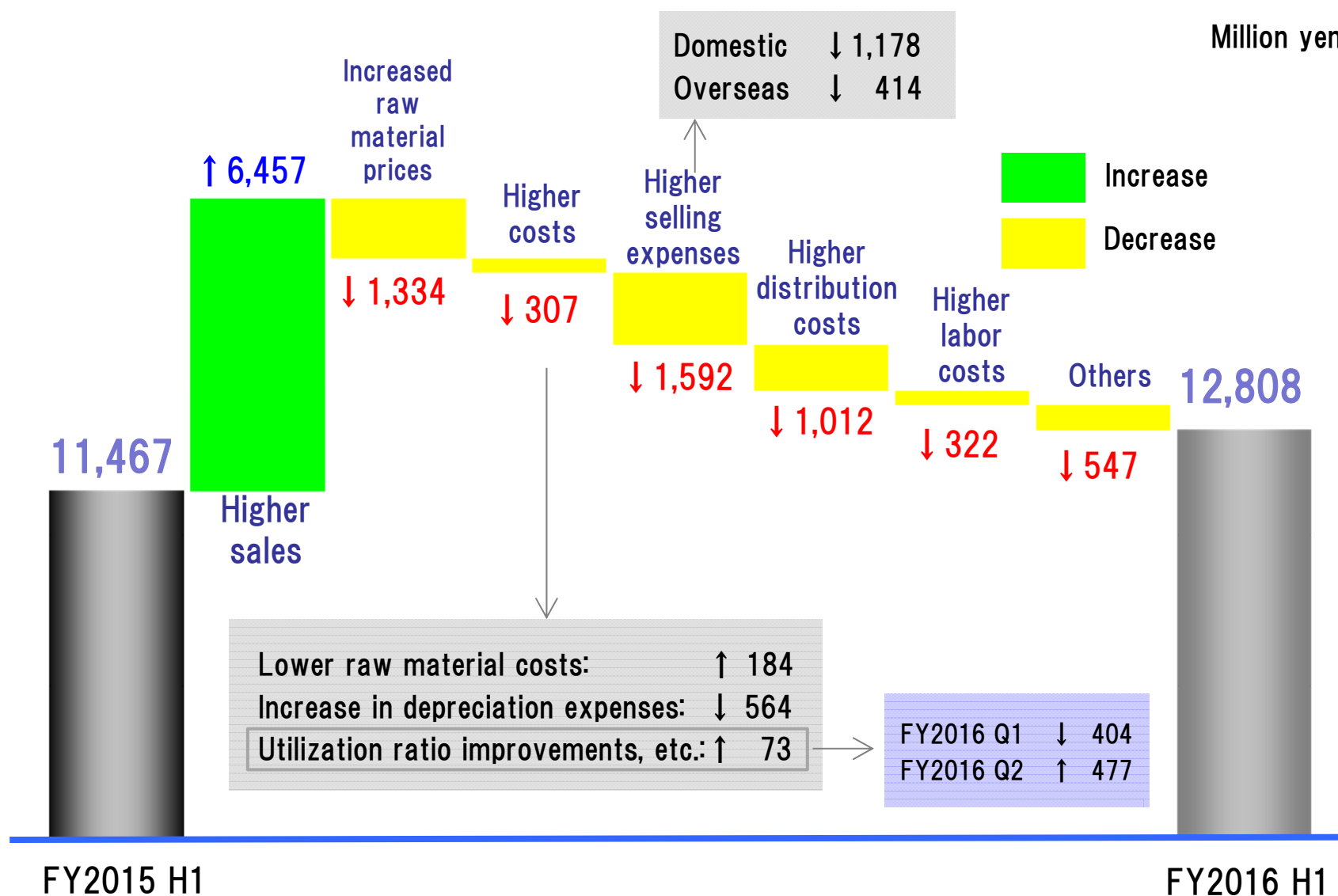
■ Singapore

- Made a consolidated subsidiary from Apr. 2015

■ Effect of weaker yen on total increase:

1,629 million yen

FY2016 H1: Factors increasing operating income



FY2016: Full year forecasts

	FY2015 Results	FY2016 (initial forecast)	Change 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
Others	8,813	9,000	+ 2.1
Operating Income	24,183	28,800	+ 19.1
Ordinary Income	25,615	28,000	+ 9.3
Extraordinary Income/Loss	-1,397	-1,000	—
Net Profit*	14,114	15,800	+ 11.9



	FY2016 (revised forecast)	Change in %
	Million yen	%
Net Sales	240,000	+ 8.0
Gross Profit	105,000	+ 7.6
SG&A	76,200	+ 3.8
Selling	33,150	+ 2.7
Distribution	15,350	+ 6.4
Labor	17,700	— 1.0
Others	10,000	+13.5
Operating Income	28,800	+19.1
Ordinary Income	28,000	+ 9.3
Extraordinary Income/Loss	-1,000	—
Net Profit*	15,800	+11.9

* Profit attributable to owners of parent

FY2016: Forecasts highlights

	FY2015 Results	FY2016 Forecast	Change in %
	Million yen	Million yen	%
Net Sales	222,150	240,000	+ 8.0
Gross Profit	97,561	105,000	+ 7.6
SG&A	73,378	76,200	+ 3.8
Selling	32,266	33,150	+ 2.7
Distribution	14,425	15,350	+ 6.4
Labor	17,872	17,700	— 1.0
Others	8,813	10,000	+13.5
Operating Income	24,183	28,800	+19.1
Ordinary Income	25,615	28,000	+ 9.3
Extraordinary Income/Loss	-1,397	-1,000	—
Net Profit*	14,114	15,800	+11.9

* Profit attributable to owners of parent

Aiming for double-digit growth in profits

Net sales

Strengthen potato-based snacks, *Frugra* and overseas business

Gross profit

Although the cost of sales ratio increased in H1, plan to maintain YoY gross margin through progress in cost reductions and expanded sales in high profit margin North American business in H2

SG&A

Increase 1.2 percentage points by increasing efficiency of selling expenses and controlling increases in fixed costs

Operating income ratio

12.0% (1.1 percentage point increase YoY)

Direction for domestic business

■ Y-on-Y comparison of sales by product

Million yen

Domestic sales	+	9,861
Potato-based snacks	+	2,974
Cereals	+	5,406
Bread	+	967
Corn-based snacks	+	492
Others	+	19



Improvement of operating margin

■ Net sales

Expand snack share

- Strengthen marketing of *Kata-Age Potato*
- *Jagarico* 20th anniversary launch campaign

Cereals

- Grow core products on *Frugra* production line expansion
- Strengthen marketing of new *Frugra* flavors

■ Operating income

- Raw material price increases in the first half were greatly affected by the weak yen, but the effect will be limited in the second half
- Plan to improve efficiency through effective investment in selling expenses
- Minimize increases in fixed costs
- Continue initiatives to correct supply-demand balance

Based on the above, plan to improve operating margin

Direction for overseas business

■ Y-on-Y comparison of sales by country Million yen

Overseas sales	+	7,988
North America	+	3,771
South Korea	+	1,852
Philippines	+	571
UK	+	269
Thailand	+	185
Hong Kong	+	144
Others	+	1,194

*Exchange rate used:

USD 1=120 yen

KRW 1=0.1098 yen

PHP 1=2.72 yen

GBP 1=187.03 yen

THB 1=3.67 yen

HKD 1=15.54 yen

Aim for further growth

■ North America

Increase sales and profit by strengthening marketing of *Harvest Snaps* on new factory beginning operation

■ South Korea

Plan to increase sales and profit, continue to strengthen *Honey Butter Chip* potato chips

■ China

Reduce losses through dissolution of JV with Master Kong and by increasing sales and profit at CFSS

■ Philippines

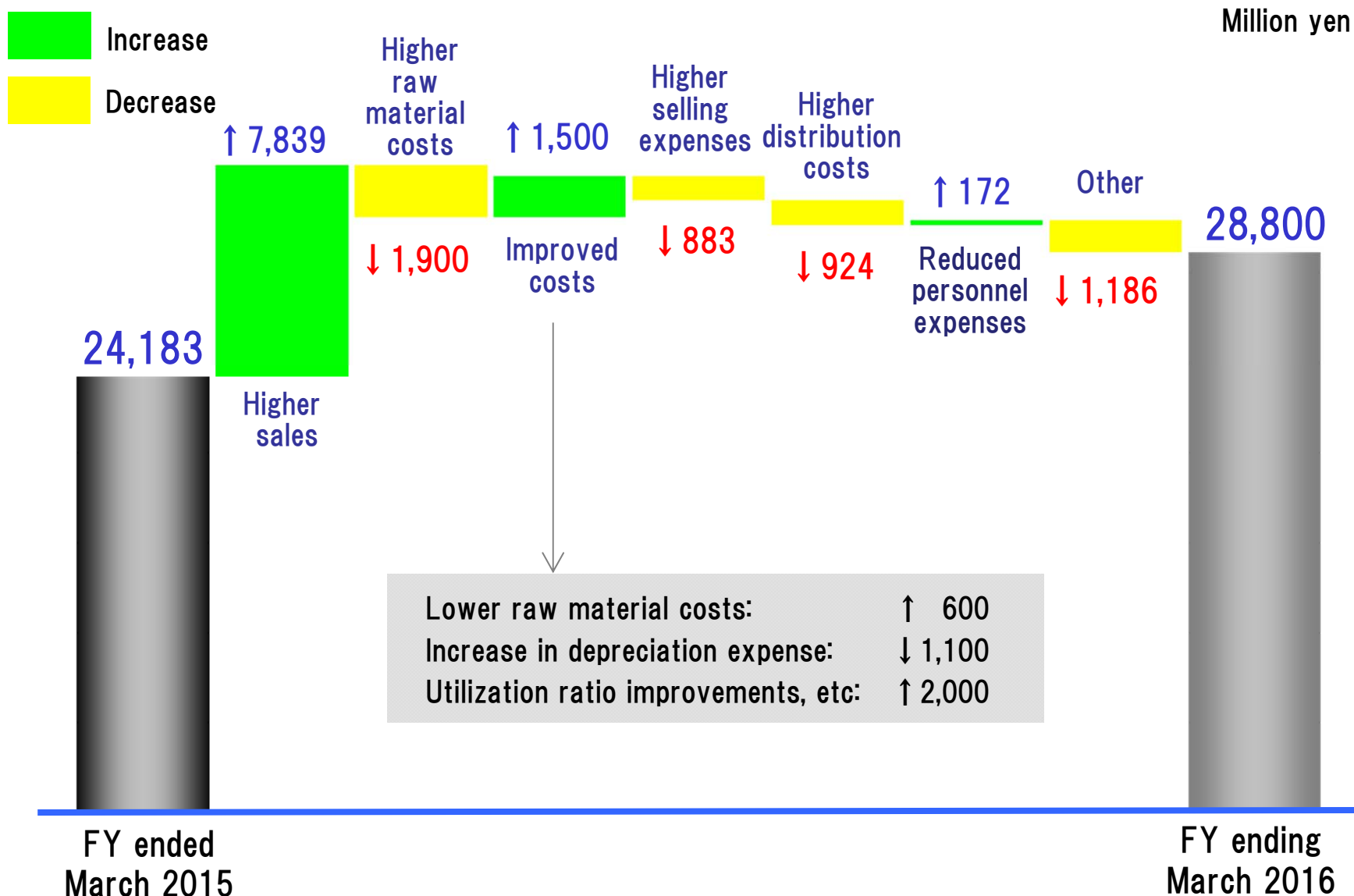
Expand sales of high value-added *Potato Chips*

■ UK

Begin launch of *YUSHOI (Harvest Snaps)* at Tesco and other major retail chains in FY2016 Q3



FY2016: Factors increasing operating income



Capital investment

Domestic Investment to increase *Frugra* production

Factory location: Utsunomiya City, Tochigi Pref.
New building next to existing factory

Investment amount: 7,000 million yen

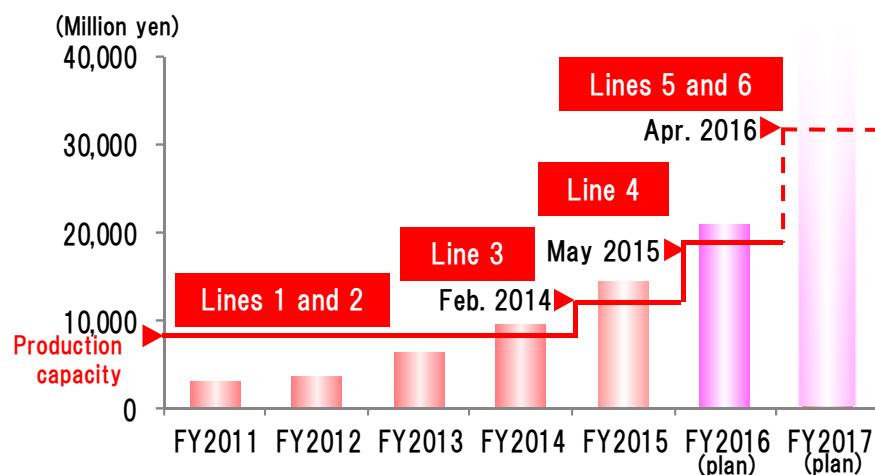
Of which: Buildings 2,500 million yen
Machinery and equipment 4,500 million yen

Production start: April 2016

Production capacity: Increase of
15,000 million yen/year

Together with existing facilities, 35,000 million yen

■ *Frugra* production capacity and sales



North America to increase *Harvest Snaps* production

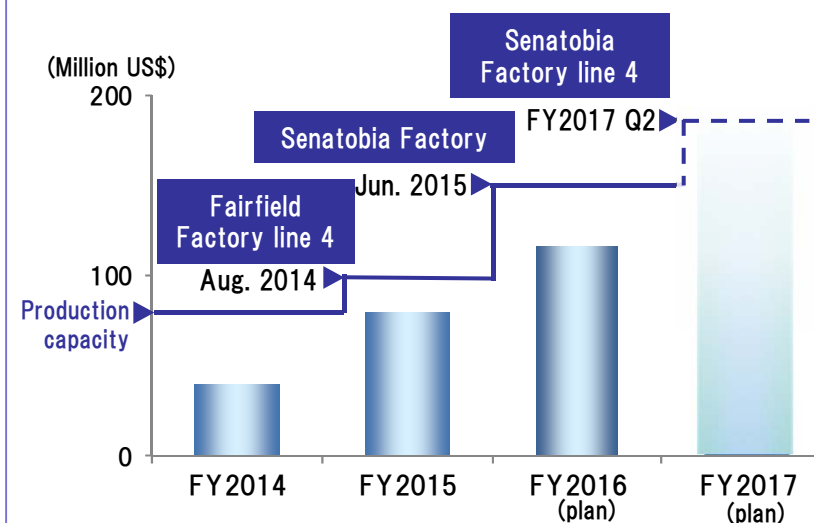
Factory location: 1 additional line within Senatobia factory

Investment amount: US\$6.5m

Production start: FY2017 Q2

Production capacity: Increase of US\$30.0m/year
Together with existing facilities and Fairfield factory, US\$190.0m


■ *Harvest Snaps* production capacity and sales



About white potato cyst nematodes

Aug. 19 2015, announcement from Ministry of Agriculture, Forestry and Fisheries

White potato cyst nematodes* have been confirmed in some potato producing land in Abashiri City, Hokkaido, the first such confirmation in Japan

 Currently, there is no effect on Calbee

Reasons	<ul style="list-style-type: none">▪ Calbee does not have any farmland under contract in Abashiri City▪ Not confirmed in any potatoes harvested from farmland under contract to Calbee
Response	<ul style="list-style-type: none">▪ Measures already being taken against similar pests have been extended to white potato cyst nematodes and are being continuously applied

* About white potato cyst nematodes

- A pest that inhibits the growth of potato roots
- Infestation causes reduced potato harvest yields

Reference Material

Sales by product

Million yen

	FY2015 H1			FY2016 H1		
	Amount	Composition	Change in %	Amount	Composition	Change in %
Potato-based snacks	56,602	53.3%	+7.2%	61,272	50.7%	+8.3%
<i>Potato Chips</i>	33,393	31.4%	+7.9%	37,182	30.7%	+11.3%
<i>Jagarico</i>	16,978	16.0%	+8.2%	17,436	14.4%	+2.7%
<i>Jagabee</i>	4,454	4.2%	-3.5%	4,653	3.8%	+4.5%
Flour-based snacks	10,695	10.1%	+1.5%	10,997	9.1%	+2.8%
Corn-based snacks	8,861	8.3%	+22.5%	9,179	7.6%	+3.6%
<i>Vegips</i> , other new snacks	2,958	2.8%	-2.1%	2,822	2.3%	-4.6%
Domestic others	1,411	1.3%	+8.6%	1,251	1.0%	-11.4%
Domestic Snacks	80,528	75.8%	+7.5%	85,522	70.7%	+6.2%
Overseas	9,870	9.3%	+31.5%	14,871	12.3%	+50.7%
Snacks	90,399	85.1%	+9.7%	100,394	83.0%	+11.1%
Cereals	8,273	7.8%	+46.8%	11,932	9.9%	+44.2%
Bread	5,960	5.6%	-1.9%	6,877	5.7%	+15.4%
Other foods	14,234	13.4%	+21.5%	18,810	15.6%	+32.1%
Services	1,636	1.5%	+5.9%	1,737	1.4%	+6.2%
Total Sales	106,270	100.0%	+11.1%	120,942	100.0%	+13.8%

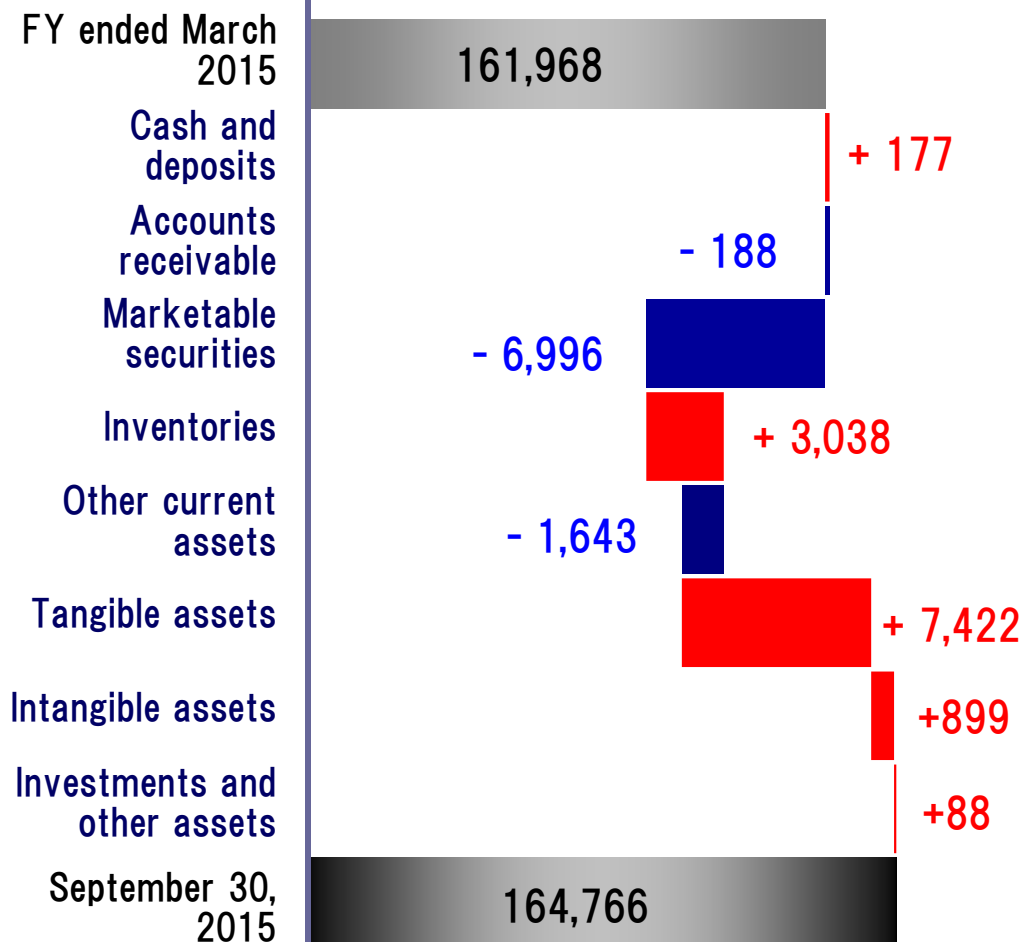
Sales by country

	Yen	FY2015 H1	FY2016 H1	Change in %
	Local currency base			
North America	Million yen	4,244	6,200	+46.1%
	Thousand dollars	40,935	51,035	+24.7%
China	Million yen	1,128	1,092	-3.2%
	Thousand renminbi	66,932	56,276	-15.9%
South Korea	Million yen	1,369	3,238	+136.4%
	Million won	13,517	30,186	+123.3%
Thailand	Million yen	1,348	1,479	+9.7%
	Thousand baht	420,375	417,866	-0.6%
Hong Kong	Million yen	1,420	1,596	+12.4%
	Thousand HK dollars	106,342	101,879	-4.2%
Taiwan	Million yen	359	201	-43.8%
	Thousand NT dollars	104,860	52,465	-50.0%
Philippines	Million yen	—	335	—
	Thousand pesos	—	124,869	—
United Kingdom	Million yen	—	8	—
	Thousand UK pounds	—	45	—
Singapore	Million yen	—	717	—
	Thousand SG dollars	—	8,088	—

FY2016 H1 Consolidated balance sheet: Assets



Million yen



Current assets - 5,612

Securities - 6,996

Redemption of short-term CP at maturity

Inventories + 3,038

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

Non-current assets + 8,410

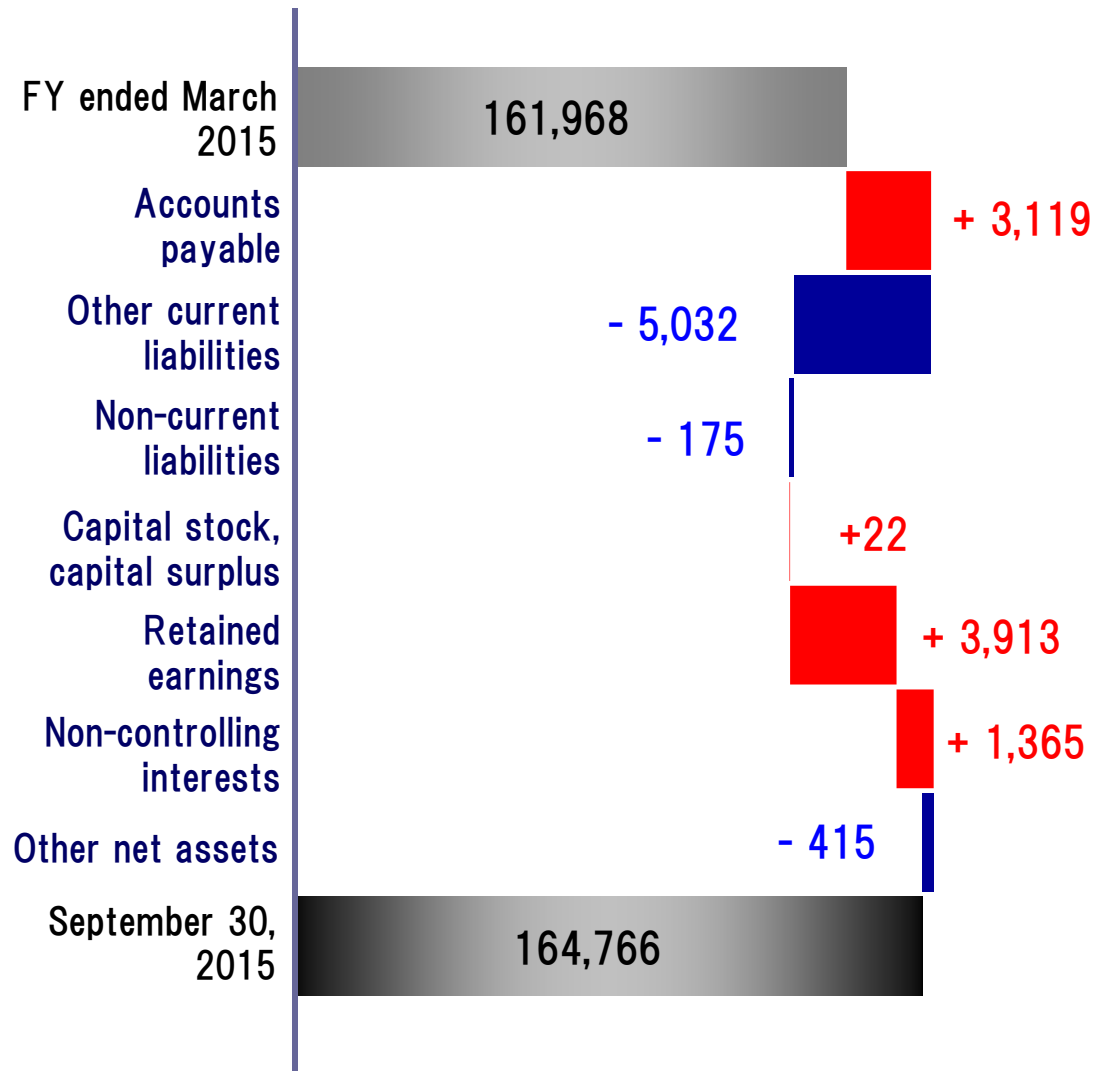
Tangible assets + 7,422

- Expanded *Frugra* production line
- Acquired new factory facilities in North America and UK, etc

FY2016 H1 Consolidated balance sheet: Liabilities and Net assets



Million yen



Liabilities - 2,087

Accounts payable +3,119
Increase due to potato harvest season

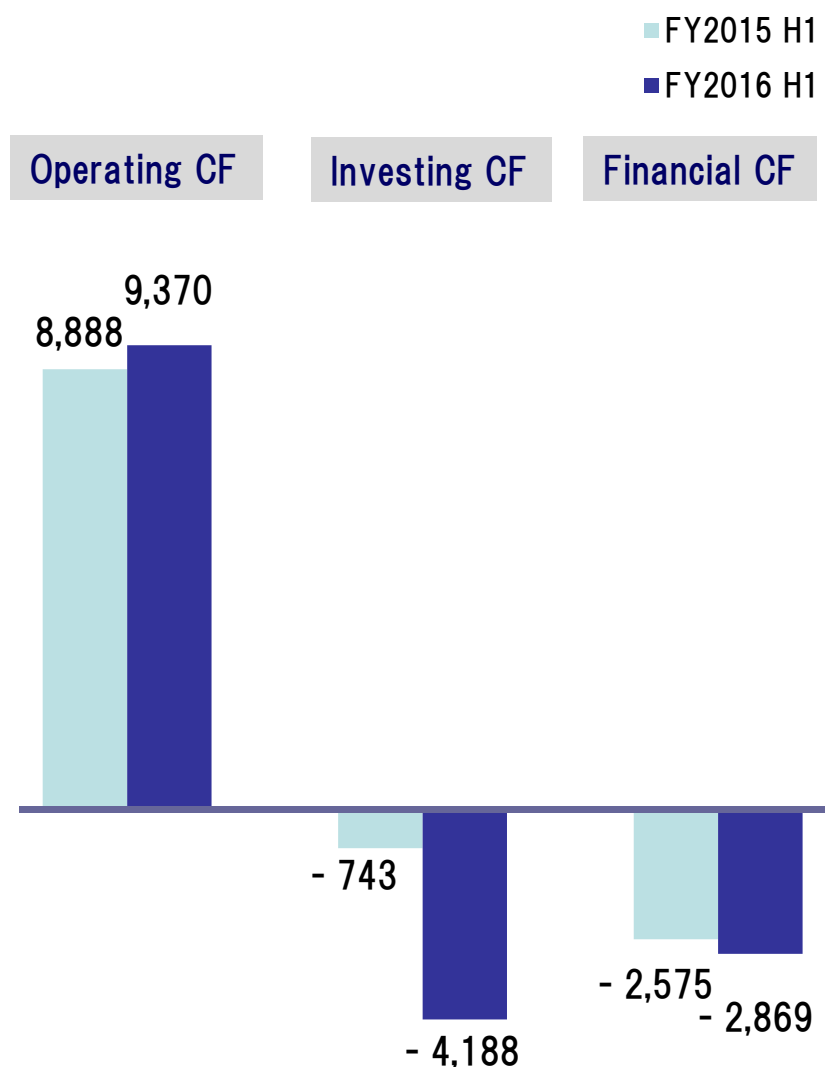
Other current liabilities - 5,032
Decreased on income taxes payable and consumption taxes payable due to change in consumption tax rate

Net assets +4,885

Retained earnings + 3,913
Net income + 7,654
Dividends payments - 3,741

Non-controlling interests +1,365
Increased on business expansion of overseas JVs

FY2016 H1 Consolidated cash flows



■ Cash flows from operating activities + 481

Decrease (increase) in notes and accounts receivable - trade + 1,116

Increased on changes in transaction terms in FY2015 H1

Increase (decrease) in accrued consumption taxes - 2,646

Taxes payable increased on April 2015 change in consumption tax rate

■ Cash flows from investing activities - 3,445

Purchase of property, plant and equipment - 7,153

Acquired production facilities for *Frugra*, in North America and UK, etc.

■ Cash flows from financing activities - 294

Cash dividends paid - 800

Increased dividend amount