

# Calbee Group Financial Results

Third quarter of fiscal year ending March 31, 2016

April 1, 2015 – December 31, 2015

**Calbee, Inc.** February 2, 2016

**Calbee**  
Harvest the Power of Nature.



**Third Quarter Results  
for the fiscal year ending March 31, 2016**

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**Koichi Kikuchi**

**Senior Executive Officer  
Chief Financial Officer**

# Q3 Review

## Key Performance Indicators

	FY2016 Target	Q3 Result (Three months)	Progress
Growth ratio	+8.0%	+10.0%	
Operating income growth ratio	+19.1%	+16.0%	
Operating income ratio	12.0%	14.2%	
Overseas sales ratio	12.1%	11.5%	
Domestic snack market share	56.0% *	53.1%	
Domestic potato chips market share	75.0% *	72.5%	
Domestic cereals market share	34.0% *	34.0%	

\* Market share targets for March 2016

Source for share in each market: Intage SRI based on sales (nationwide, all retail formats) October 2015 – December 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

- Sales and profit were driven by domestic business
- Although operating income ratio fell short of plan, it still set a new record high

# FY2016 Q3 (Three months): Results highlights



	Q3 year ended 3/2015	Q3 year ended 3/2016	Change In %	Comparison with plan
	Million yen	Million yen	%	%
Net Sales	58,369	64,224	+ 10.0	105.1
Gross Profit	26,182	28,674	+ 9.5	103.0
SG&A	18,338	19,572	+ 6.7	105.4
Selling	7,857	8,372	+6.6	103.7
Distribution	3,868	4,269	+10.4	111.0
Labor	4,531	4,566	+0.8	101.9
Others	2,080	2,364	+13.6	109.3
Operating Income	7,844	9,101	+ 16.0	98.1
Ordinary Income	8,718	8,896	+ 2.1	97.6
Extraordinary Income/Loss	- 964	313	—	—
Net Profit*	4,723	5,737	+ 21.5	117.2

## Record high operating income ratio

### Net sales

Strong growth in potato-based snacks and *Frugra* (*Fruits Granola*) Overseas, North America, South Korea and entries to new markets contributed

### Gross profit

Gross margin declined 0.2 percentage points as cost reductions did not cover higher depreciation expenses for new *Frugra* production line and in North America

### SG&A

Declined 1.0 percentage points on cost reductions from efficient use of advertising expenses, other expenses, etc.

### Non-operating income and expenses

Business commencement expenses 99 million yen  
 ( Indonesia 49 million yen )  
 ( Spain 51 million yen )

### Extraordinary income/loss

Gain on sale of shares in Calbee Hangzhou 370 million yen

\* Profit attributable to owners of parent

# FY2016 Q3 (Three months): Domestic business

- Potato-based snacks and *Frugra* drove sales growth
- Operating income increased on efficient use of SG&A and sales growth

## ■ Factors in sales increase, by product Million yen

Net Sales	+	4,518
Potato-based Snacks	+	2,007
Potato Chips	+	1,064
Jagarico	+	417
Jagabee	+	308
Cereals	+	2,464
Bakery	+	375
Others	-	328

## ■ Net sales

### Potato-based snacks

#### Potato Chips

- Strong sales of core products, *Shiawase Butter* flavor and *Kata-Age Potato*



#### Jagarico

- Strong sales of 20<sup>th</sup> anniversary campaign product



#### Jagabee

- Strong sales of limited-time products

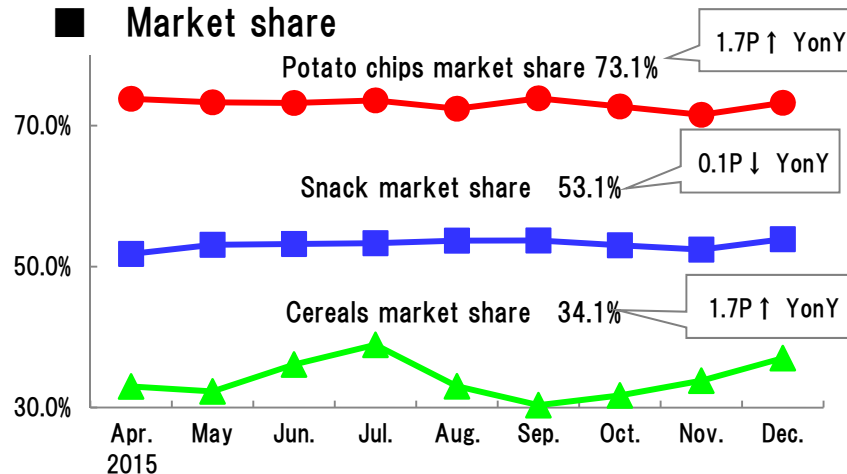
### Cereals

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

## ■ Operating income

- Stock levels and product quantities improving following establishment of supply-demand controller
- Margin improved on efficient use of advertising expenses, other expenses, etc.

## ■ Market share



Source: Intage SRI based on sales (nationwide, all retail formats) April 2015 - December 2015  
 Comparison period: April 2014 - December 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 Q3 (Three months): Overseas business



- North America, South Korea and entries to new markets contributed to increased sales
- Although cost of sales ratio increased on higher depreciation expenses, etc., operating income increased slightly on dissolution of loss-making Chinese JV, etc.

Million yen

	FY2015 Q3 (three months)	FY2016 Q3 (three months)	Y-on-Y
<b>Net sales</b>	<b>6,025</b>	<b>7,361</b>	<b>+1,335</b>
North America	2,645	3,281	+635
China	530	389	-141
South Korea	1,201	1,421	+220
Thailand	825	822	-3
Hong Kong	747	815	+67
Taiwan	74	39	-35
Philippines	-	163	+163
UK	-	71	+71
Singapore	-	357	+357
<b>Operating income</b>	<b>779</b>	<b>841</b>	<b>+62</b>
North America	755	805	+50
China	-32	110	+142
South Korea	74	104	+30
Others	-17	-179	-161

## ■ North America

- Although *Harvest Snaps* continued to see strong demand, factory utilization ratio did not increase and supply continued to fall short of demand  
Operating income increased only slightly on higher depreciation expenses

## ■ China

- Return to profit as Calbee Hangzhou was removed from scope of consolidation in October 2015

## ■ South Korea

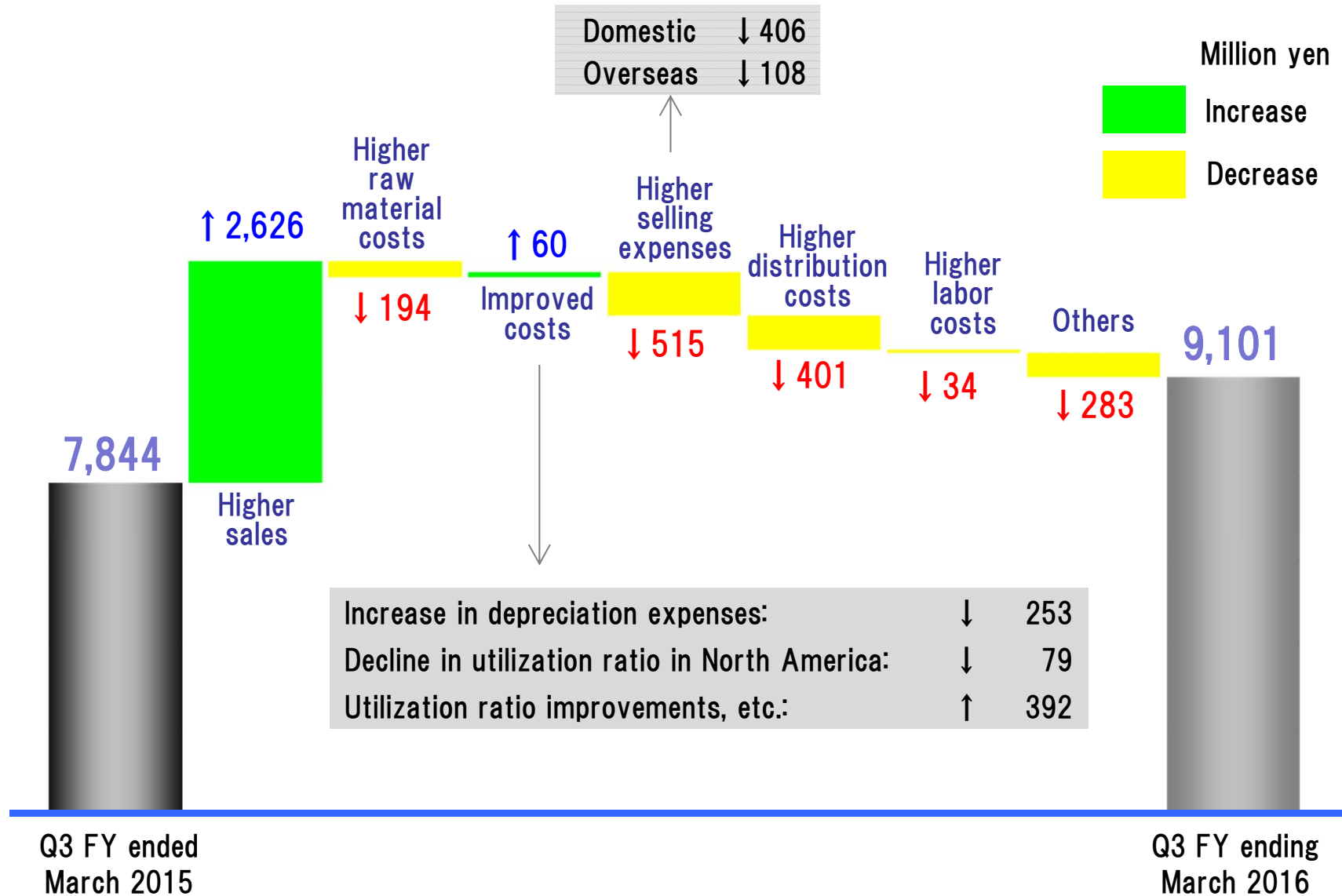
- Increased sales and profit, continued strong sales of *Honey Butter Chip* potato chips

## ■ Others

- Began sales at large UK retailers such as Tesco, Morrisons, and Marks & Spencer from November
- Losses in Taiwan where the downturn continued, and losses in the UK and Philippines, where we started business in 2015

■ **Effect of weaker yen on total increase in net sales:**  
175 million yen

# FY2016 Q3 (Three months): Factors increasing operating income



# FY2016 Q3 (Nine months): Results highlights



	Q3 year ended 3/2015	Q3 year ending 3/2016	Change in %	Comparison with plan
	Million yen	Million yen	%	%
Net sales	164,639	185,166	+12.5	101.7
Gross profit	72,952	80,261	+ 10.0	101.0
SG&A	53,641	58,351	+ 8.8	101.8
Selling	23,172	25,280	+9.1	101.2
Distribution	10,703	12,117	+13.2	103.6
Labor	13,211	13,568	+2.7	100.6
Other	6,553	7,384	+12.7	102.8
Operating income	19,311	21,909	+ 13.5	99.2
Ordinary income	20,936	21,230	+ 1.4	99.0
Extraordinary income/loss	- 1,062	202	—	—
Net Profit*	11,788	13,392	+ 13.6	106.7

\* Profit attributable to owners of parent



# Management Policy in FY2016 Q4

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**Chisa Hayakawa**

Executive Officer

General Manager of IR and Strategic Planning Group

## Future initiatives

### ■ Improve income in domestic business

- Further cost reductions in manufacturing costs, SG&A
- Expand growth products (*Frugra, Jagarico, Kata-Age Potato*)

### ■ Implement overseas expansion strategy

- Further expand North American business
- Expand sales in the Philippines, UK
- Establish Chinese cross-border e-commerce subsidiary

# Direction for domestic business

## Aim to further increase operating margin

### ■ Cost reductions

#### Manufacturing costs

- Maximize use of controller function
- Standardize production processes and volumes to increase production efficiency

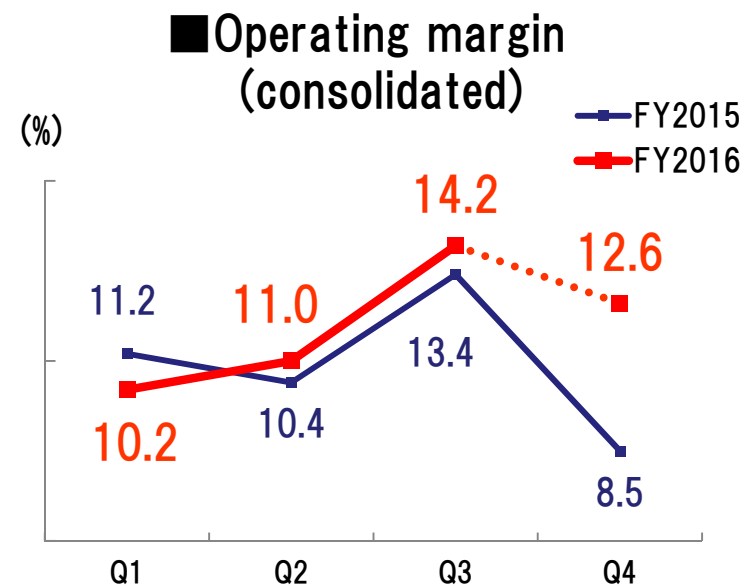
#### SG&A

- Improve efficiency of selling expenses and rigorously control other expenses

### ■ Net sales

#### Expand growth products

- Strengthen marketing of limited-time products for *Kata-Age Potato*, *Jagarico*, *Jagabee*
- Continue to strengthen *Frugra* as core products

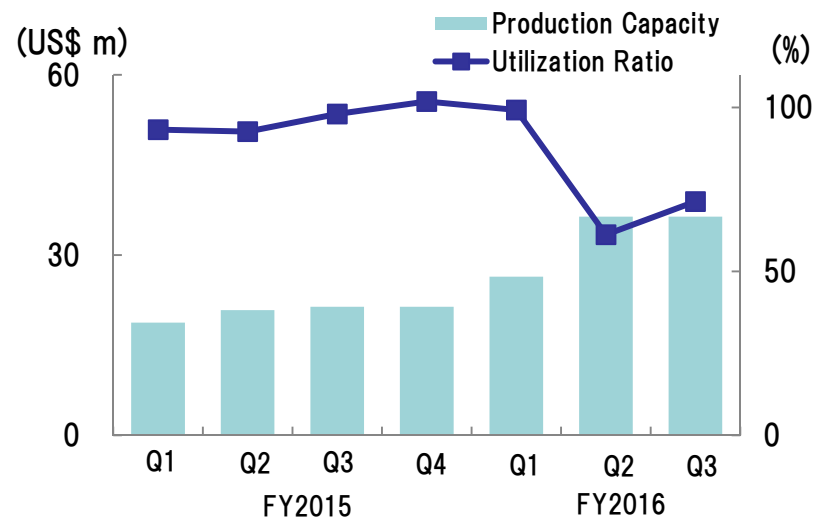


# Direction for overseas business

## North America

- Strengthen *Harvest Snaps*  
Improve factory utilization ratio, aim to expand sales network

*Harvest Snaps* production capacity and utilization ratio



- Jagabee  
Changed product name and began sales of *Whole Cuts* from January 2016



## UK

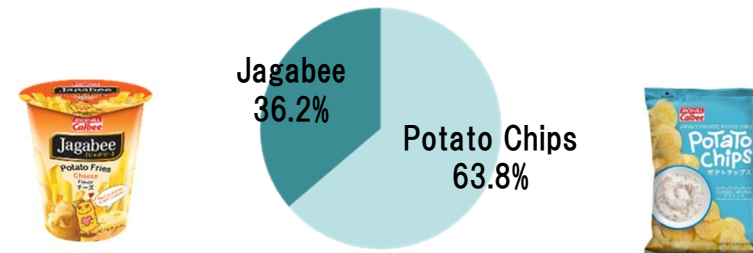
- Implement sales promotion plans at Tesco, Morrisons from January to strengthen sales of *YUSHOi* (*Harvest Snaps*)



## Philippines

- Expand proactive promotional activities, aim to increase sales

Sales Mix  
(FY2016 April - December)



# Establish Chinese cross-border e-commerce subsidiary

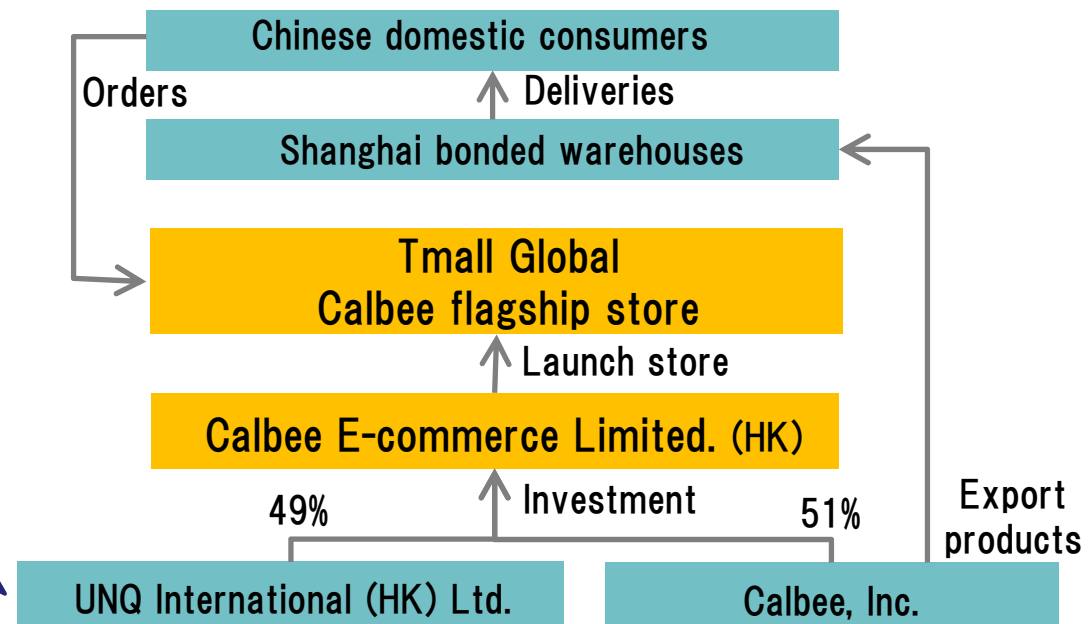


In response to increase in inbound demand, aim to increase recognition of Calbee brand through launch of cross-border e-commerce subsidiary

- Launch Calbee flagship store on Tmall Global, a B-to-C site operated by Alibaba Group
- Establish JV with UNQ, which has good relations with Alibaba Group, to target Chinese e-commerce wholesalers
- Begin import sales of Japanese *Jagabee*, *Jaga Pokkuru* (started January 2016)  
Gradually expand product line-up
- Aim for net sales of 1,100 million yen, 11% operating income ratio within 5 years of launch

## ■ About UNQ

- Established in August 2010
- Headquartered in Shanghai, currently has 5 locations (Shanghai, Hangzhou, Beijing, Japan, Hong Kong)
- Supplies products to major Chinese e-commerce site companies and operates e-commerce sites
- Current focus is on the “Health & Beauty” category  
Aiming to strengthen foodstuffs sector



# Reference material

# Sales by product

Million yen

	FY2015 Q3 (three months)			FY2016 Q3 (three months)		
	Amount	Composition	Change in %	Amount	Composition	Change in %
Potato-based snacks	31,667	54.3%	+3.5%	33,674	52.4%	+6.3%
<i>Potato Chips</i>	20,184	34.6%	+4.6%	21,248	33.1%	+5.3%
<i>Jagarico</i>	8,459	14.5%	+3.6%	8,877	13.8%	+4.9%
<i>Jagabee</i>	2,139	3.7%	-8.3%	2,447	3.8%	+14.4%
Flour-based snacks	5,810	10.0%	+2.3%	5,580	8.7%	-4.0%
Corn-based snacks	4,921	8.4%	+24.8%	5,088	7.9%	+3.4%
<i>Vegips</i> , other new snacks	1,361	2.3%	-8.5%	1,273	2.0%	-6.5%
Domestic others	870	1.5%	-16.5%	720	1.1%	-17.2%
<b>Domestic Snacks</b>	<b>44,631</b>	<b>76.5%</b>	<b>+4.4%</b>	<b>46,337</b>	<b>72.2%</b>	<b>+3.8%</b>
Overseas	6,025	10.3%	+47.0%	7,361	11.5%	+22.2%
<b>Snacks</b>	<b>50,656</b>	<b>86.8%</b>	<b>+8.1%</b>	<b>53,699</b>	<b>83.6%</b>	<b>+6.0%</b>
Cereals	3,872	6.6%	+47.6%	6,336	9.9%	+63.7%
Bread	3,093	5.3%	-0.1%	3,468	5.4%	+12.1%
<b>Other foods</b>	<b>6,965</b>	<b>11.9%</b>	<b>+21.8%</b>	<b>9,805</b>	<b>15.3%</b>	<b>+40.8%</b>
Services	747	1.3%	+7.9%	719	1.1%	-3.8%
<b>Total Sales</b>	<b>58,369</b>	<b>100.0%</b>	<b>+9.6%</b>	<b>64,224</b>	<b>100.0%</b>	<b>+10.0%</b>

# Sales by country

	Yen	FY2015 Q3 (three months)	FY2016 Q3 (three months)	Change in %
	Local currency base			
North America	Million yen	2,645	3,281	+24.0%
	Thousand dollars	22,803	27,009	+18.4%
China	Million yen	530	389	-26.7%
	Thousand renminbi	28,385	20,224	-28.8%
South Korea	Million yen	1,201	1,421	+18.3%
	Million won	11,201	13,323	+18.9%
Thailand	Million yen	825	822	-0.5%
	Thousand baht	233,353	235,538	+0.9%
Hong Kong	Million yen	747	815	+9.1%
	Thousand HK dollars	49,849	52,021	+4.4%
Taiwan	Million yen	74	39	-47.1%
	Thousand NT dollars	19,821	10,397	-47.5%
Philippines	Million yen	—	163	—
	Thousand pesos	—	61,526	—
United Kingdom	Million yen	—	71	—
	Thousand UK pounds	—	384	—
Singapore	Million yen	—	357	—
	Thousand SG dollars	—	4,063	—