

Calbee Group Financial Results

For the fiscal year ended March 31, 2016

April 1, 2015 – March 31, 2016

Calbee, Inc.

May 13, 2016

Calbee
Harvest the Power of Nature.





Trouble makes Business

Akira Matsumoto
Chairman of the Board & CEO



VISION

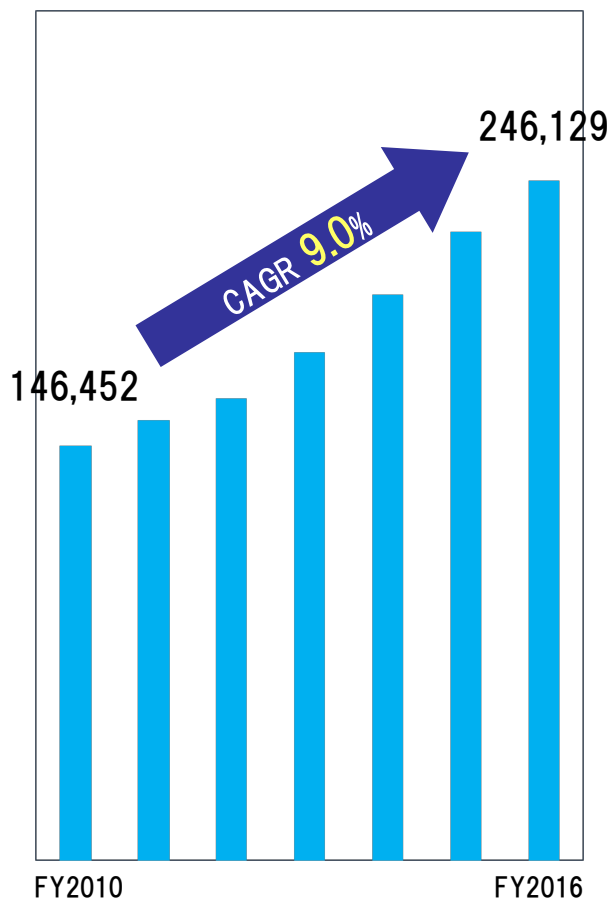
We must earn respect,
admiration and love firstly of **our customers,**
suppliers and distributors,
secondly of **our employees and their families,**
thirdly of **the communities,**
and finally of **our stockholders.**

Performance highlights

Growth

Net sales

(Million yen)

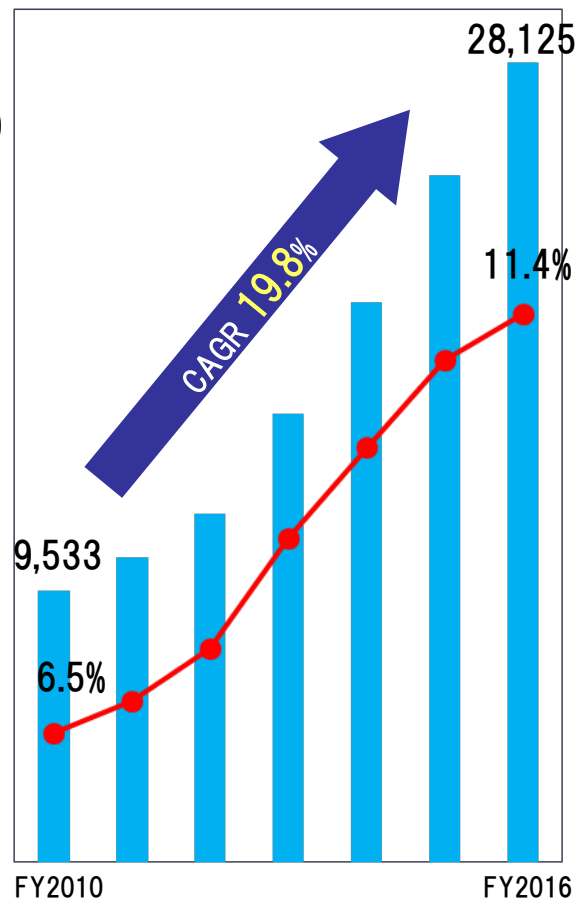


Margin

Operating income Operating margin

(Million yen)

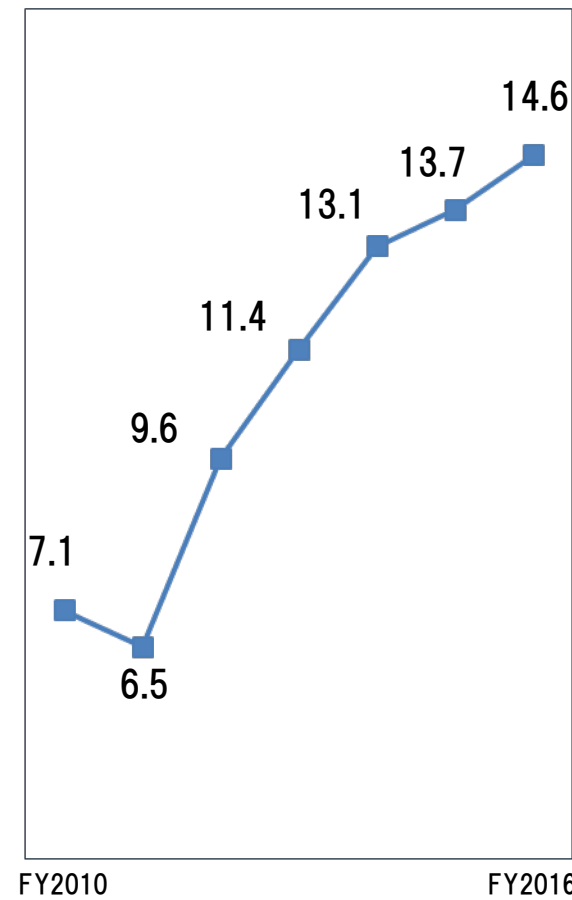
(%)



Return

ROE

(%)



Supply-demand balance issues *largely* under control



Reorganize Japan Frito-Lay



Energize North American business



Dissolved Hangzhou, China and Taiwan joint businesses



Reset strategy for the Chinese market



Frugra momentum showing no sign of slowing



Don't miss it!










No Trouble makes No Business



Review of fiscal year ended March 2016
Management Policy for fiscal year ending March 2017

Shuji Ito
President & COO

Key Performance Indicators

	FY2016 Target	Result (YoY)	Effect
Net sales growth ratio	+8.0%	+10.8%	
Operating income growth ratio	+19.1%	+16.3%	
Operating income ratio	12.0%	11.4%	
Overseas sales ratio	12.1%	11.9%	
Domestic snack market share	56.0%	53.2% (- 0.6%)	
Domestic potato chips market share	75.0%	73.1% (+1.0%)	
Domestic cereals market share	34.0%	34.5% (+1.8%)	

Source for share in each market: Intage SRI based on sales (nationwide, all retail formats) April 2015 – March 2016
 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, and sales achieved plan
- Operating income ratio hit a record high for increased net sales, yet missed plan
 (Operating income ratio) FY2015 10.9% → FY2016 11.4%

FY2016: Results highlights

	FY2015	FY2016	Change In %	Comparison with plan
	Million yen (Percent of total)	Million yen (Percent of total)	%	%
Net Sales	222,150	246,129	+ 10.8	102.6
Gross Profit	97,561 (43.9%)	107,033 (43.5%)	+ 9.7	101.9
SG&A	73,378 (33.0%)	78,908 (32.1%)	+ 7.5	103.6
Selling	32,266	34,652	+ 7.4	104.5
Distribution	14,425	16,209	+12.4	105.6
Labor	17,872	17,752	- 0.7	100.3
Others	8,813	10,293	+16.8	102.9
Operating Income	24,183 (10.9%)	28,125 (11.4%)	+ 16.3	97.7
Ordinary Income	25,615	26,545	+ 3.6	94.8
Extraordinary Income/Losses	-1,397	-422	—	—
Net Profit*	14,114	16,799	+ 19.0	106.3

* Profit attributable to owners of parent

Record highs for both sales and profit But operating income below plan

Net sales

Growth in potato-based snacks, *Frugra* (*Fruits Granola*), and overseas business, achieving double-digit growth

Gross profit

Although domestic productivity increased, gross profit margin declined on factors including higher raw material costs accompanying the weak yen, a higher depreciation burden on the augmentation of facilities, and a decline in utilization ratio in North America

SG&A

SG&A ratio improved as growth in sales promotion expenses was offset by a decrease in domestic advertising expenses

Non-operating income and expenses

Foreign exchange losses 638 million yen
Loss on abandonment of inventories 582 million yen
Business commencement expenses 515 million yen

UK	260 million yen
Indonesia	159 million yen
Spain	95 million yen

Extraordinary losses

Impairment loss 594 million yen

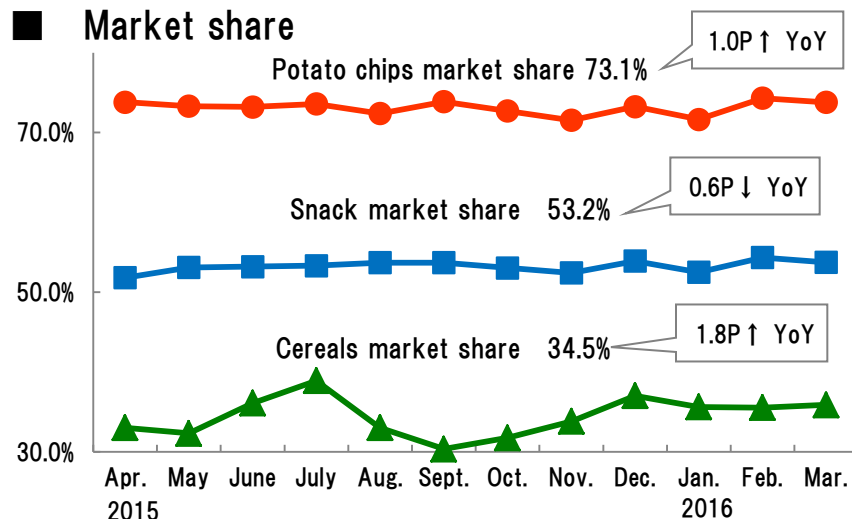
FY2016: Domestic business highlights

- Potato-based snacks and *Frugra* drove sales growth
- Higher operating income and operating income ratio due to effective control of SG&A as sales grew

■ Factors in sales increase, by product (Million yen)

Domestic sales	+	17,098
Potato-based snacks	+	7,694
Potato chips	+	5,575
Jagarico	+	846
Jagabee	+	725
Cereals	+	7,793
Bakery	+	1,412
Others	+	197

■ Market share



■ Net sales

Potato-based Snacks

Potato Chips

- Strong sales of core products, *Shiawase Butter* flavor product and *Kata-Age Potato*
- PB also grew



Jagarico

- Strong sales of 20th 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

Full year operating income grew as sales growth and efficient use of expenditures offset factors such as higher cost of sales, increased depreciation expenses and supply/demand balance adjustment expenses
(Non-consolidated operating income ratio FY2015 11.7%→FY2016 12.8%)

Source: Intage SRI based on sales (nationwide, all retail formats) April 2015 - March 2016
Comparison period: April 2014 - March 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

FY2016: Overseas business highlights

- North America, South Korea and entries to new markets (Singapore, Philippines and UK) contributed to increased sales
- Operating income ratio fell on decline in utilization ratio in North America and business start-up costs in the UK

(Million yen)

	FY2015	FY2016	YoY
Net sales	22,441	29,321	+6,880
North America	9,668	12,517	+2,849
China	2,227	1,909	-318
South Korea	4,075	6,072	+1,996
Thailand	2,896	3,055	+159
Hong Kong	2,930	3,239	+309
Taiwan	570	261	-308
Philippines	72	593	+521
UK	—	294	+294
Singapore	—	1,376	+1,376
Operating income	2,372	2,914	+542
North America	2,831	2,848	+17
China	-739	16	+756
South Korea	220	485	+265
Others	60	-436	-496

■ North America

- Growth from new factory in Mississippi having started operation in June 2015
- Deterioration of balance of supply and demand due to production difficulties at existing factories, then decline in operating income ratio

■ China

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

■ South Korea

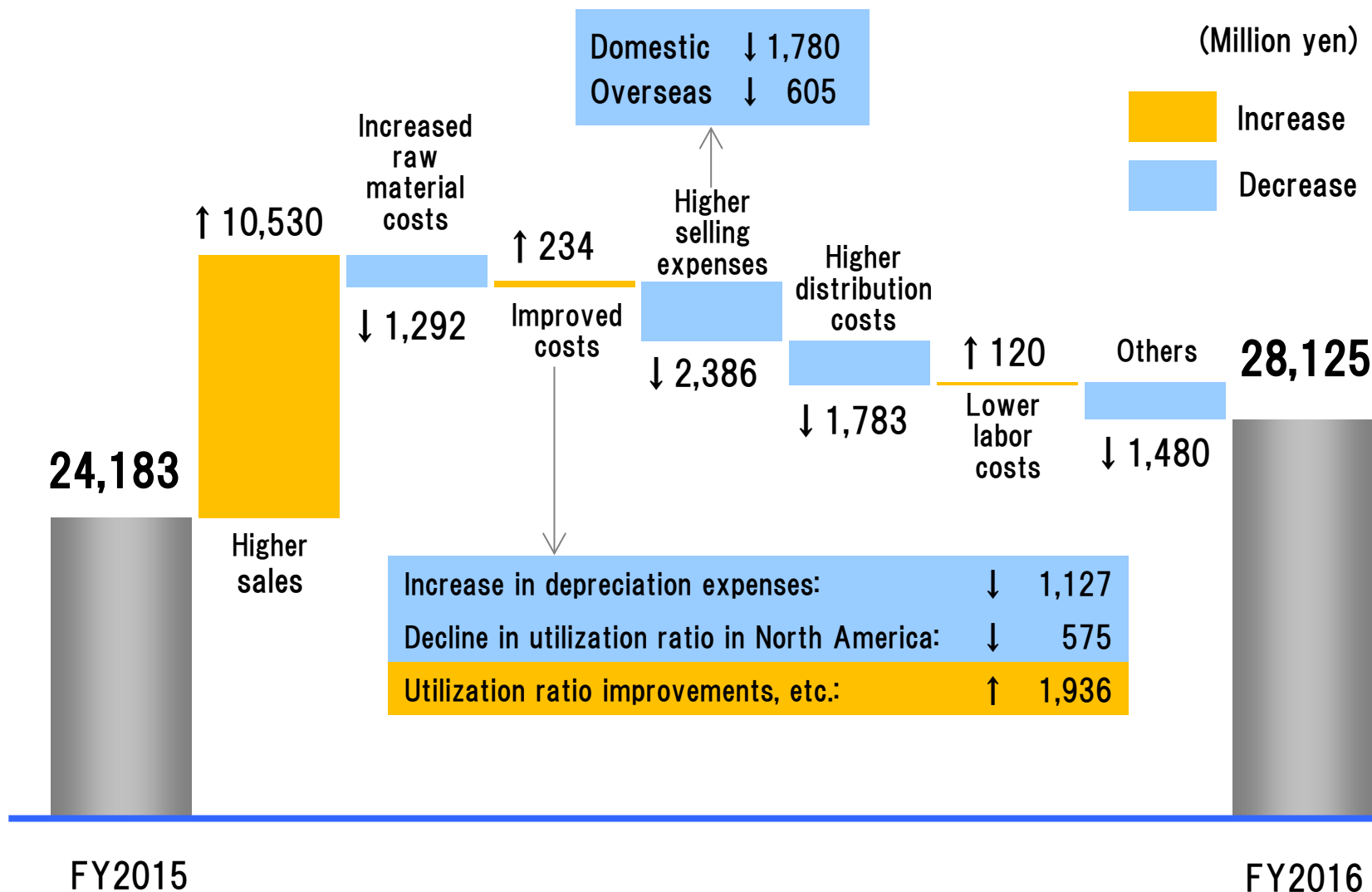
- Increased sales and profit for continued strong sales of *Honey Butter Chip* potato chips

■ Others

- Made a Singapore distributor a subsidiary from Apr. 2015
- Began selling at major retailers in the UK from Nov. 2015
- Losses in the UK and Philippines, where we started business in 2015, and losses in Taiwan where the downturn continued

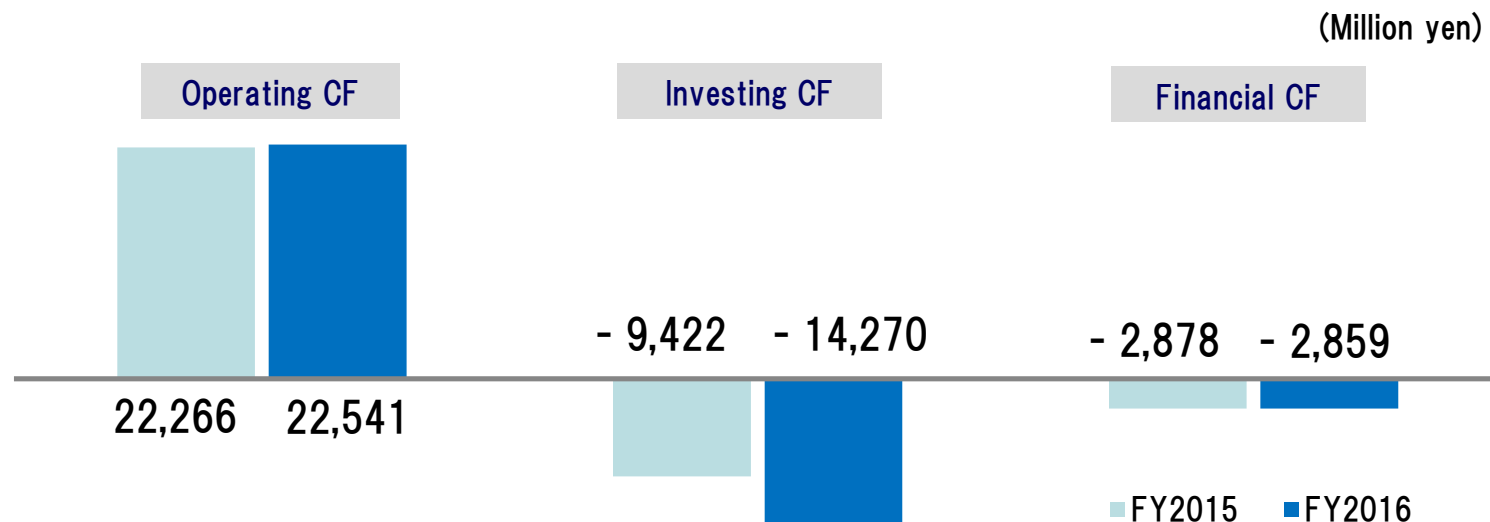
■ **Effect of weaker yen on total increase in net sales:**
1,276 million yen

FY2016: Factors increasing operating income



FY2016: Consolidated cash flows

Executed large-scale investments funded by cash generated from operating activities



Net Increase in cash and cash equivalents 4,751

■ Cash flows from operating activities

+ 22,541

Profit before income taxes	+ 26,123
Depreciation	+ 7,570
Increase in notes and accounts receivable-trade	- 2,193
Income taxes paid	- 8,936

■ Cash flows from investing activities - 14,270

Purchases of fixed assets	- 21,229
Acquisition of <i>Frugra</i> production facilities and overseas production facilities in North America, etc.	

■ Cash flows from financing activities - 2,859

Cash dividends paid	- 4,553
Proceeds from share issuance to non-controlling shareholders	+ 1,308

FY2017: Full year forecasts

	FY2016 results	FY2017 forecasts	Change In %
	Million yen (Percent of total)	Million yen (Percent of total)	%
Net Sales	246,129	262,000	+ 6.4
Gross Profit	107,033 (43.5%)	115,000 (43.9%)	+ 7.4
SG&A	78,908 (32.1%)	84,000 (32.1%)	+ 6.5
Selling	34,652	37,000	+ 6.8
Distribution	16,209	17,000	+ 4.9
Labor	17,752	19,100	+ 7.6
Others	10,293	10,900	+ 5.9
Operating Income	28,125 (11.4%)	31,000 (11.8%)	+10.2
Ordinary Income	26,545	30,000	+13.0
Extraordinary Income/Losses	- 422	- 1,000	—
Net Profit*	16,799	17,800	+ 6.0

* Profit attributable to owners of parent

Aim to record high profit

Net sales

Strengthen *Frugra* and overseas business

Gross Profit

- Improve gross margin through increased sales and initiatives to decrease domestic manufacturing costs
- Slightly increased depreciation expenses
(Adopted straight-line method as the standard to calculate depreciation of major production facilities)

SG&A

Maintain SG&A ratio at the same level YoY

Selling Improve efficiency domestically, while proactively invest to expand sales in overseas

Operating Income ratio

11.8% (0.4 percentage point increase YoY)

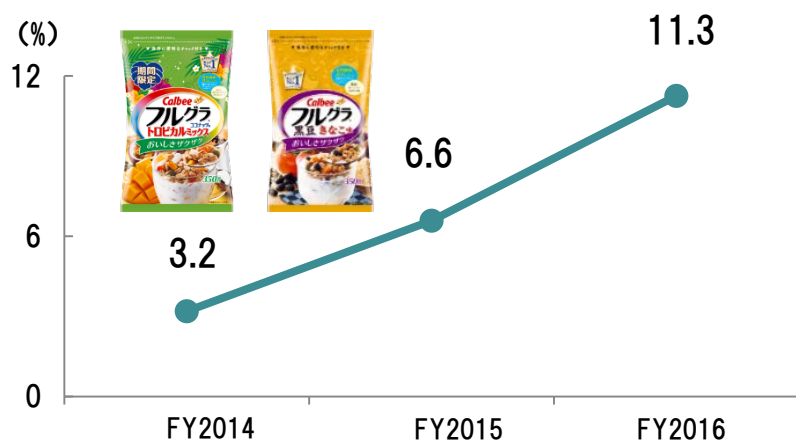
FY2017: Direction for domestic business

■ YoY comparison of sales by product

(Million yen)

Domestic sales	+	9,884
Potato-based snacks	+	3,456
Cereals	+	6,385
Others	+	42

■ Sales mix of *Frugra* other than core products



Reinforce sales of growth products and promote structural reforms

■ Net sales

Cereals

- Production line expansion in Apr. 2016
- Strengthen marketing of *Frugra* core and product lineup expansion

Potato-based snacks

- Begin producing *Jagarico* at a factory of JA Shihoro from FY2017 Q3
- Due to strong sales, expand production lines for *Kata-Age Potato* and to start operation in FY2017 Q2

■ Issues to address

- Streamline sales planning process by referring to optimal production volume in an attempt to minimize inventory losses and improve productivity
- Aim to lower SG&A expenses ratio through effective use of selling expenses, etc.

FY2017: Direction for overseas business

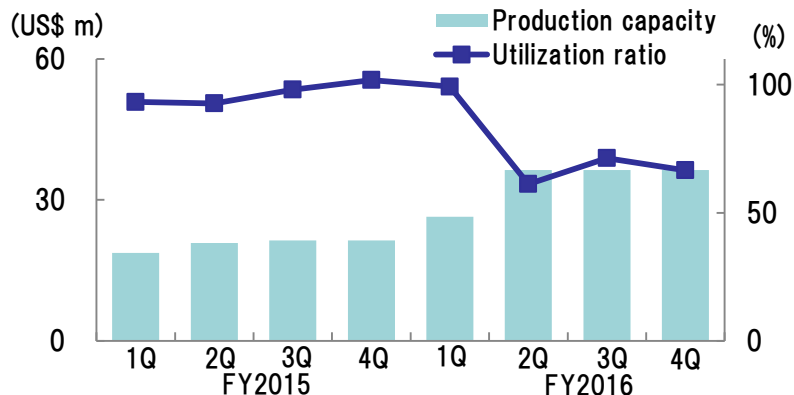
■ YoY comparison of sales by country

(Million yen)

Overseas sales	+	5,986
North America	+	1,715
Indonesia	+	1,083
South Korea	+	1,066
UK	+	719
Hong Kong	+	659
Spain	+	583
Others	+	159

*Exchange rate used USD 1 = 120 yen

■ *Harvest Snaps* Production capacity and utilization ratio



Concentrate resources on the markets we already entered

■ North America

- Further increase stability of product supply network and conduct marketing aimed at recovering customer trust
- Launch new *Harvest Snaps* products with extensive promotions



■ Indonesia

Start business in FY 2016 H1 and launch 5 products in 2 brands in 2016

■ South Korea

Begin operations at factory and aim to increase sales in May 2016 and the launch of new *Potato Chips* products

■ UK

Continuously conduct promotions

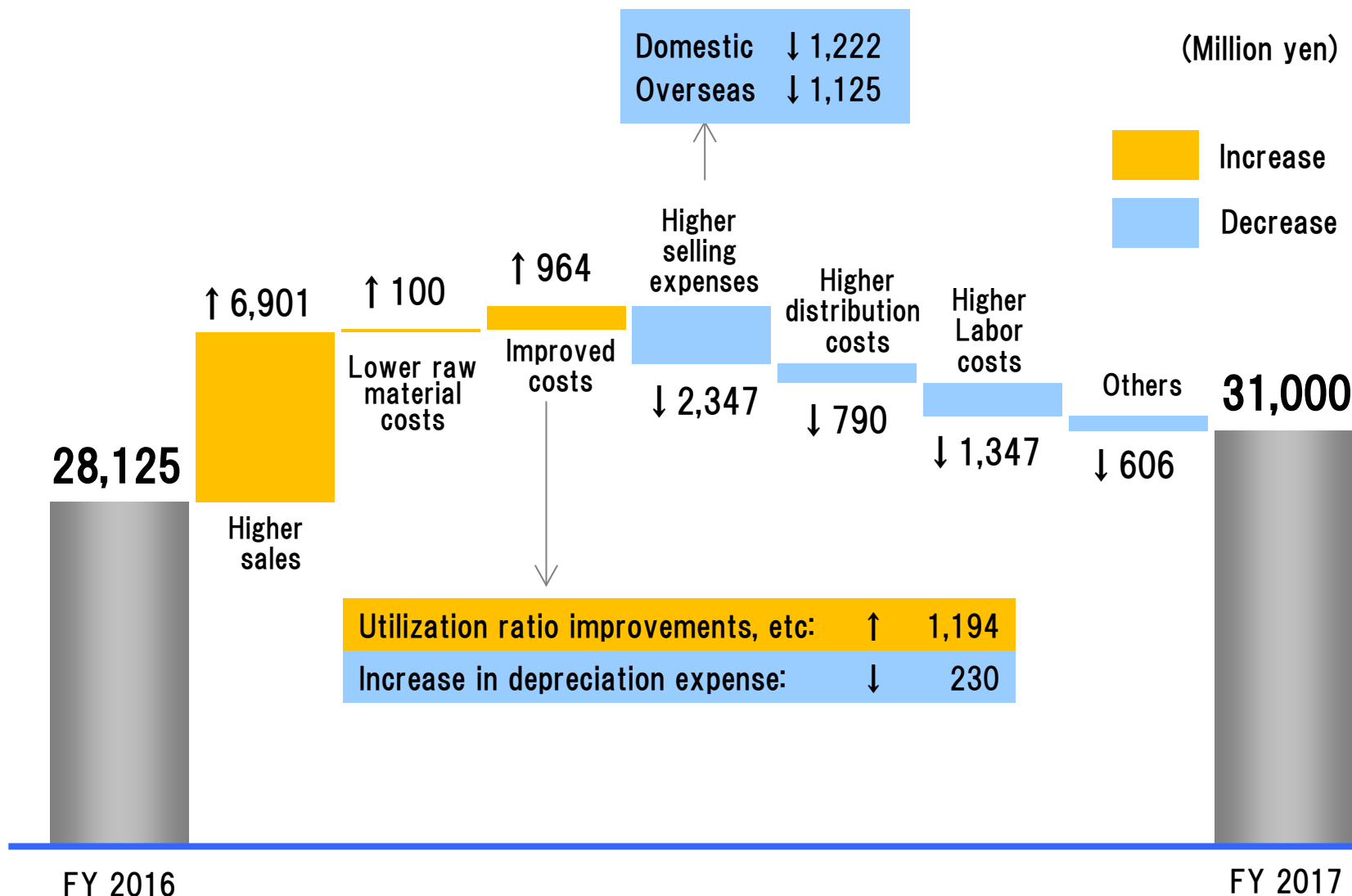
■ Hong Kong

Expand cross-border e-commerce business targeting mainland China market, in addition to existing business

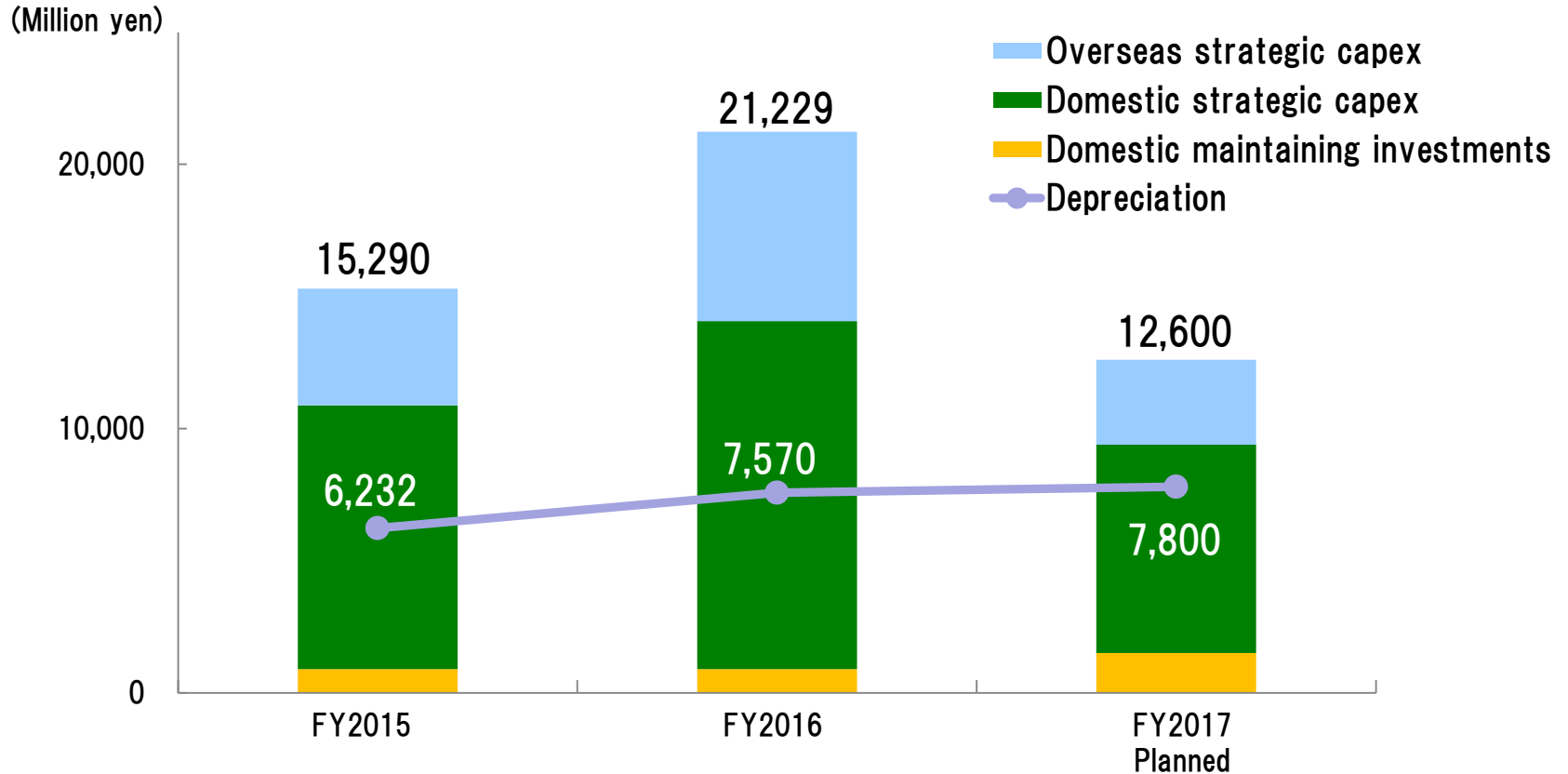
■ Spain

Begin import sales of *Harvest Snaps* manufactured by Calbee UK in Apr. 2016

FY2017: Factors increasing operating income



Capex and depreciation



Main capex
In FY 2016

Domestic 14,070:

Frugra 3,918, Fabricated potato chips 1,786, ERP renewal 1,605

Overseas 7,158:

North America 3,601, South Korea 1,543, Indonesia 1,168

Reference material

Sales by product

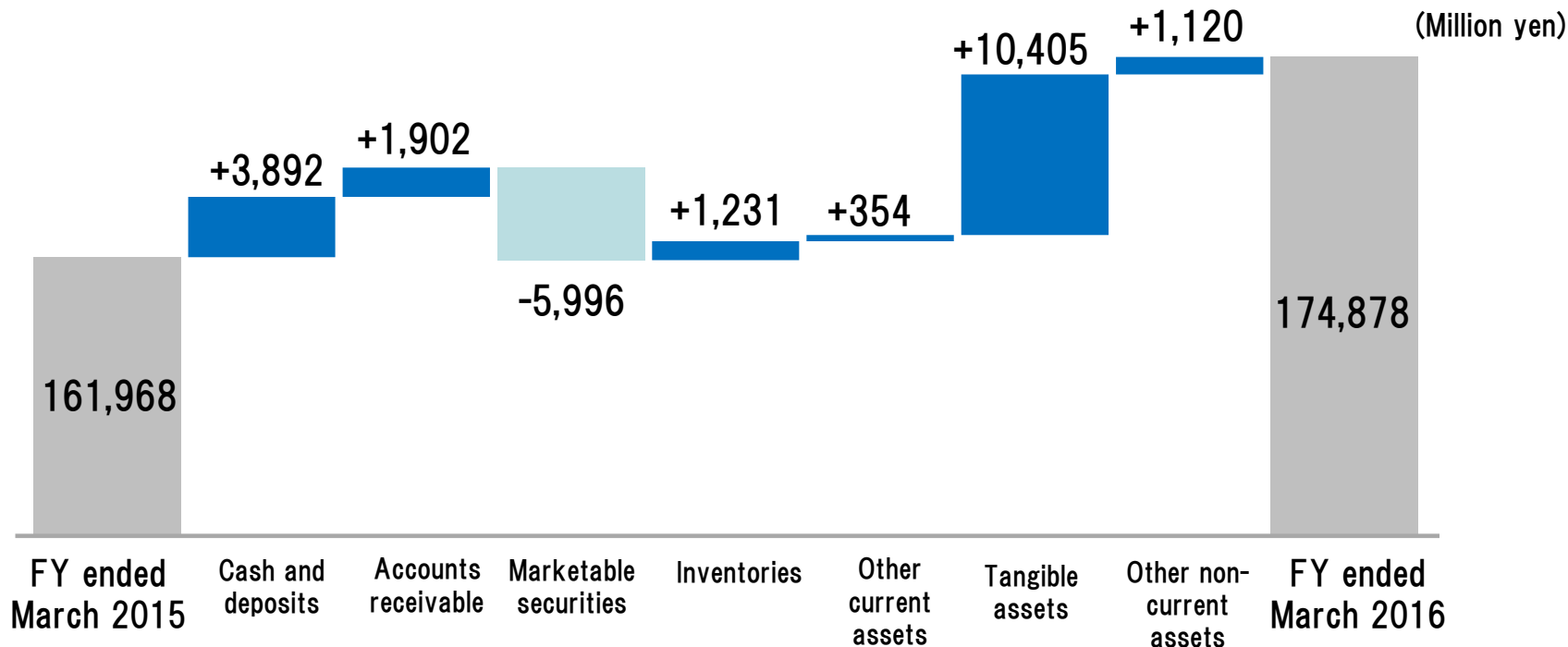
(Million yen)

	FY2015			FY2016		
	Amount	Composition	Change in %	Amount	Composition	Change in %
Potato-based snacks	119,452	53.8%	+6.8%	127,147	51.7%	+6.4%
<i>Potato Chips</i>	73,051	32.9%	+7.1%	78,627	31.9%	+7.6%
<i>Jagarico</i>	34,223	15.4%	+7.9%	35,069	14.2%	+2.5%
<i>Jagabee</i>	8,763	3.9%	-1.9%	9,488	3.9%	+8.3%
Flour-based snacks	21,972	9.9%	+0.5%	22,007	8.9%	+0.2%
Corn-based snacks	17,801	8.0%	+21.8%	18,550	7.5%	+4.2%
<i>Vegips</i> , other new snacks	5,675	2.6%	-5.4%	5,507	2.2%	-2.9%
Domestic others	2,726	1.2%	-8.7%	2,307	0.9%	-15.4%
Domestic snacks	167,628	75.5%	+6.5%	175,520	71.3%	+4.7%
Overseas	22,441	10.1%	+42.1%	29,321	11.9%	+30.7%
Snacks	190,069	85.6%	+9.8%	204,842	83.2%	+7.8%
Cereals	16,346	7.4%	+41.0%	24,140	9.8%	+47.7%
Bread	12,483	5.6%	+2.5%	13,896	5.6%	+11.3%
Other foods	28,830	13.0%	+21.3%	38,036	15.5%	+31.9%
Services	3,250	1.5%	+7.6%	3,249	1.3%	-0.0%
Total Sales	222,150	100.0%	+11.1%	246,129	100.0%	+10.8%

Sales by country

	Yen	FY2015	FY2016	Change in %
	Local currency base			
North America	Million yen	9,668	12,517	+29.5%
	Thousand dollars	87,043	104,184	+19.7%
China	Million yen	2,227	1,909	-14.3%
	Thousand renminbi	124,971	100,951	-19.2%
South Korea	Million yen	4,075	6,072	+49.0%
	Million won	38,585	58,164	+50.7%
Thailand	Million yen	2,896	3,055	+5.5%
	Thousand baht	850,691	890,919	+4.7%
Hong Kong	Million yen	2,930	3,239	+10.6%
	Thousand HK dollars	205,789	209,143	+1.6%
Taiwan	Million yen	570	261	-54.1%
	Thousand NT dollars	160,817	70,227	-56.3%
Philippines	Million yen	72	593	+722.6%
	Thousand pesos	26,536	227,347	+756.7%
United Kingdom	Million yen	—	294	—
	Thousand UK pounds	—	1,632	—
Singapore	Million yen	—	1,376	—
	Thousand SG dollars	—	15,867	—

FY2016 Consolidated balance sheet: Total assets



■ Current assets +1,383

Accounts receivable +1,902 Increase on sales growth

Marketable securities -5,996

Decrease in short-term investment funds

Inventories +1,231

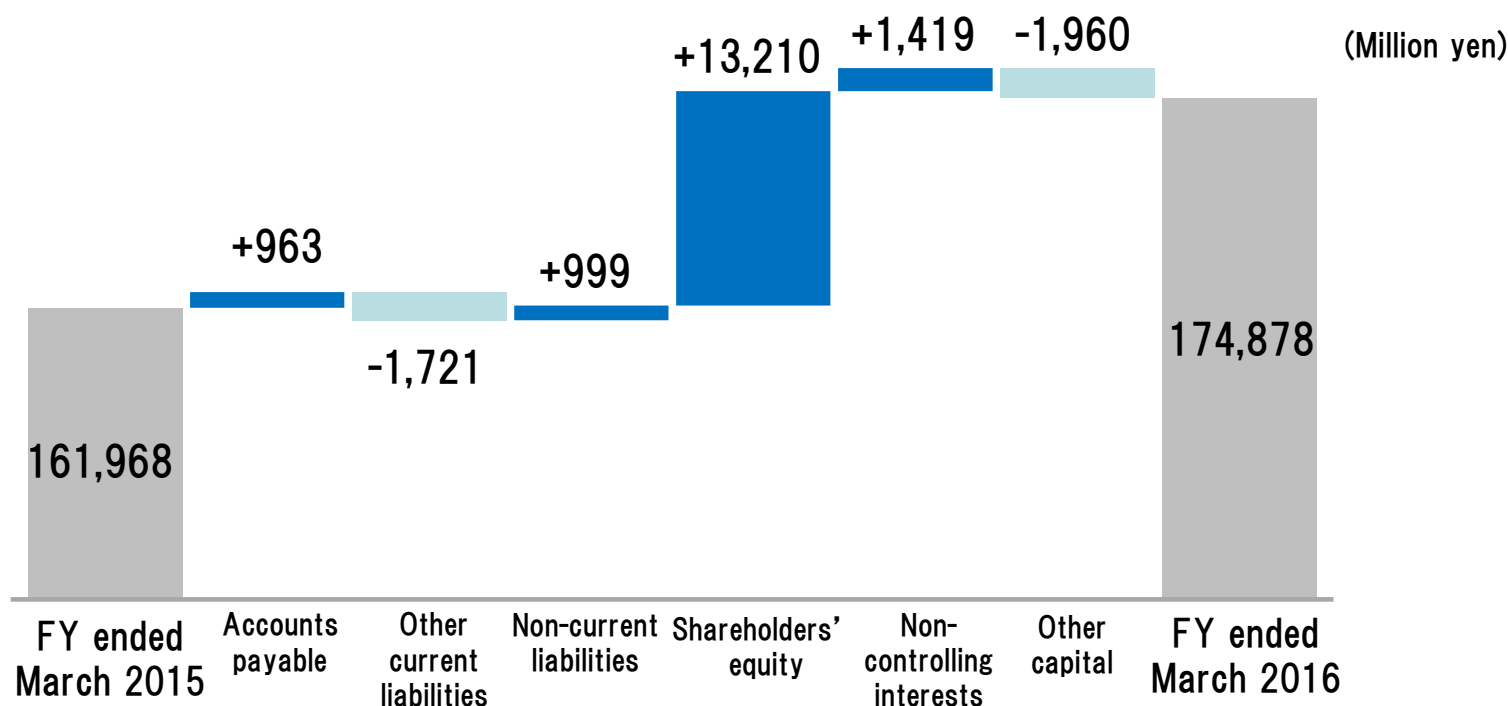
Finished goods and commercial goods +872,
Raw material costs +449

■ Non-current assets +11,526

Tangible assets + 10,405

Expanded *Frugra* production line
Acquisition of new production facilities overseas, including in North America

FY2016 Consolidated balance sheet: Liabilities and Net assets



■ Liabilities +240

Accounts payable +963

Increase in purchase on sales growth

Other current liabilities -1,721

Decrease in accrued consumption taxes on change of tax rate in previous year

■ Net assets +12,669

Non-controlling interests +1,419

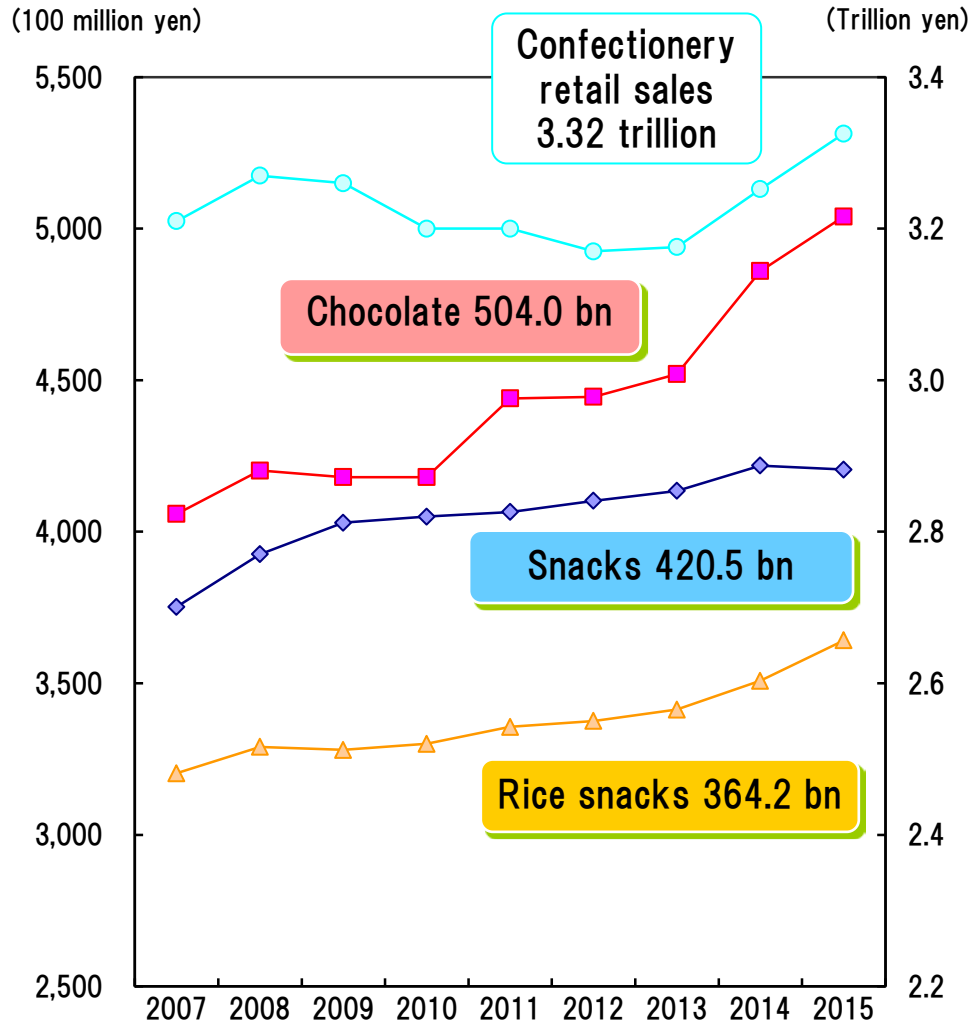
Increased on business expansion of overseas JVs

Accumulated other comprehensive income -1,950

Foreign currency translation adjustment -1,473

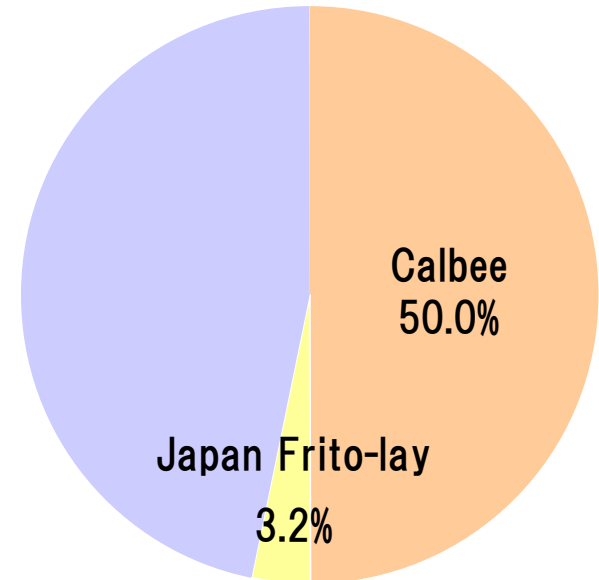
Domestic snack foods market

Domestic confectionery market



Source: All Nippon Kashi Association

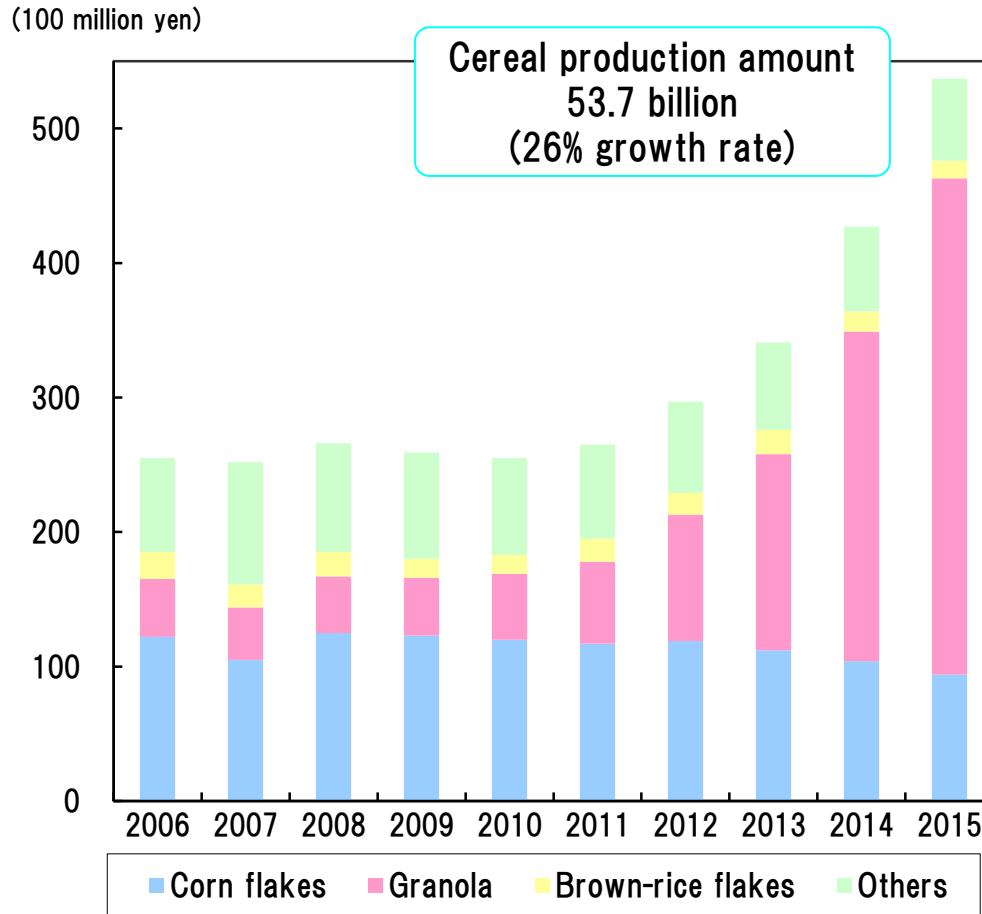
Share of domestic snack foods market



Source: Intage SRI (nationwide retail sales)
Basis: Sales April 2015 to March 2016

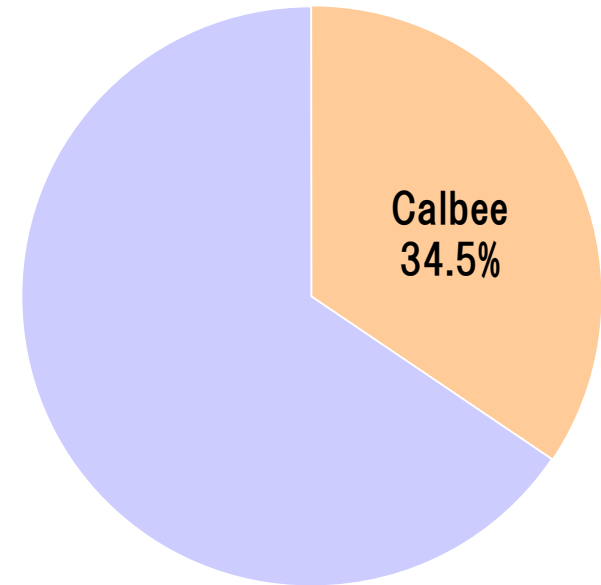
Domestic cereal market

Domestic cereal market



Source: Japan Snack Cereal Foods Association

Share of domestic cereal market



Source: Intage SRI (nationwide retail sales)
Basis: Sales April 2015 to March 2016