

Calbee Group Financial Results

First quarter of fiscal year ending March 31, 2017

April 1, 2016 – June 30, 2016



Calbee, Inc.

August 3, 2016

First quarter results for the fiscal year ending March 31, 2017
Progress towards achieving our plan

Koichi Kikuchi

Managing Executive Officer
Chief Financial Officer

Key Performance Indicators

	FY2017 Target	Q1 Result	Progress
Net sales growth ratio	+6.4%	+3.2%	
Operating income growth ratio	+10.2%	+16.9%	
Operating income ratio	11.8%	11.5%	
Overseas sales ratio	13.5%	11.8%	
Gross profit ratio	43.9%	43.9%	
SG&A ratio	32.1%	32.4%	

Summary

- Net sales and operating income set new first quarter records
- Net sales missed target due to effects of the stronger yen and *Potato Chips* production adjustments

FY2017 Q1: Results highlights

	FY2016 Q1	FY2017 Q1	Change In %	Comparison with plan
	Million yen (Percent of total)	Million yen (Percent of total)	%	%
Net Sales	59,831	61,756	+ 3.2	97.9
Gross Profit	25,106 (42.0%)	27,109 (43.9%)	+ 8.0	101.4
SG&A	19,008 (31.8%)	19,979 (32.4%)	+ 5.1	100.4
Selling	8,228	8,848	+ 7.5	105.1
Distribution	3,934	4,077	+ 3.7	99.0
Labor	4,393	4,391	- 0.0	97.1
Others	2,451	2,661	+ 8.6	94.0
Operating Income	6,098 (10.2%)	7,130 (11.5%)	+ 16.9	104.2
Ordinary Income	6,061	6,339	+ 4.6	97.2
Extraordinary Income/Losses	-40	-116	—	—
Net Profit*	3,482	3,832	+ 10.0	99.0

Net sales and operating income both set new first quarter records

Net Sales

Net sales increased on strong sales of *Frugra* despite lower sales in potato-based snacks and overseas business

Gross Profit

Gross profit ratio improved despite a decline in utilization ratio in North America and South Korea, as lower raw material prices on the stronger yen, lower electricity and raw material costs due to lower price of crude oil, the dissolution of unprofitable joint businesses in China and Taiwan, and lower fixed costs in Japan

SG&A

Domestic selling expenses increased

Non-operating income and expenses

Foreign exchange losses 800 million yen
Business commencement expenses (Indonesia) 56 million yen

* Profit attributable to owners of parent

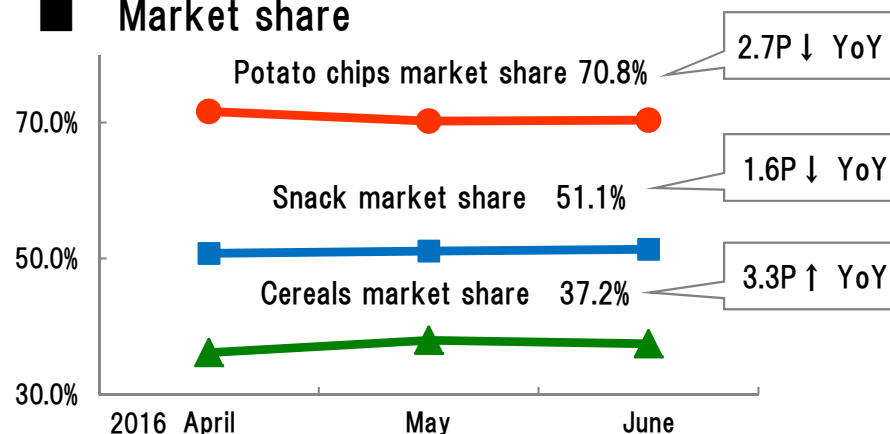
FY2017 Q1: Domestic business highlights

- Driven by *Frugra* sales growth
- Large increase in profit due to higher sales, and effect of lower price of crude oil and the strong yen, etc.

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

Domestic sales	+	2,488
Potato-based snacks	-	466
<i>Potato Chips</i>	-	897
<i>Jagarico</i>	+	151
Cereals	+	3,028
Flour-based snacks	+	138
Corn- and bean-based snacks	+	120
Others	-	332

■ Market share



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

■ Net sales

Potato-based snacks

Potato Chips

- Adjusted production on concern over a supply shortage of potatoes

Jagarico

- Regular items were firm

Cereals

- New *Frugra* factory began operation in April 2016, expanding production capacity to 35 billion yen

■ Operating income

- Profit increased despite higher selling expenses on proactive promotion of *Frugra* and other products as gross margin improved on higher sales, lower price of crude oil, stronger yen and lower fixed costs (depreciation expenses, labor costs, etc.), and improved utilization in our bakery business
- With Japan Frito-Lay, profit increased on efficient application of expenses and new PB products

FY2017 Q1: Overseas business highlights

- Sales increased 5.5% on a local currency basis, but decreased on a yen basis due to the stronger yen
- Profit decreased on lower utilization in North America, South Korea

		FY2016 Q1	FY2017 Q1	YoY
Net Sales	Million yen	7,866	7,303	-563
North America	Million yen	3,364	3,162	-202
	Thousand dollars	27,733	28,998	+1,264
South Korea	Million yen	1,832	1,448	-383
	Million won	16,601	15,365	-1,236
Others	Million yen	2,668	2,691	+22
Operating Income	Million yen	1,171	610	-561
North America	Million yen	959	607	-352
South Korea	Million yen	251	46	-204
Others	Million yen	-39	-44	-5

■ Effect of the stronger yen

Net sales: -1,005 million yen
 Operating income: -66 million yen

■ North America

- Sales increased on a local currency basis on promotional activities and the launch of new *Harvest Snaps* products
- Although profit decreased YoY given the high utilization of the one factory structure in place last year, profit increased from the FY2016 Q4 on improvement in factory utilization ratio

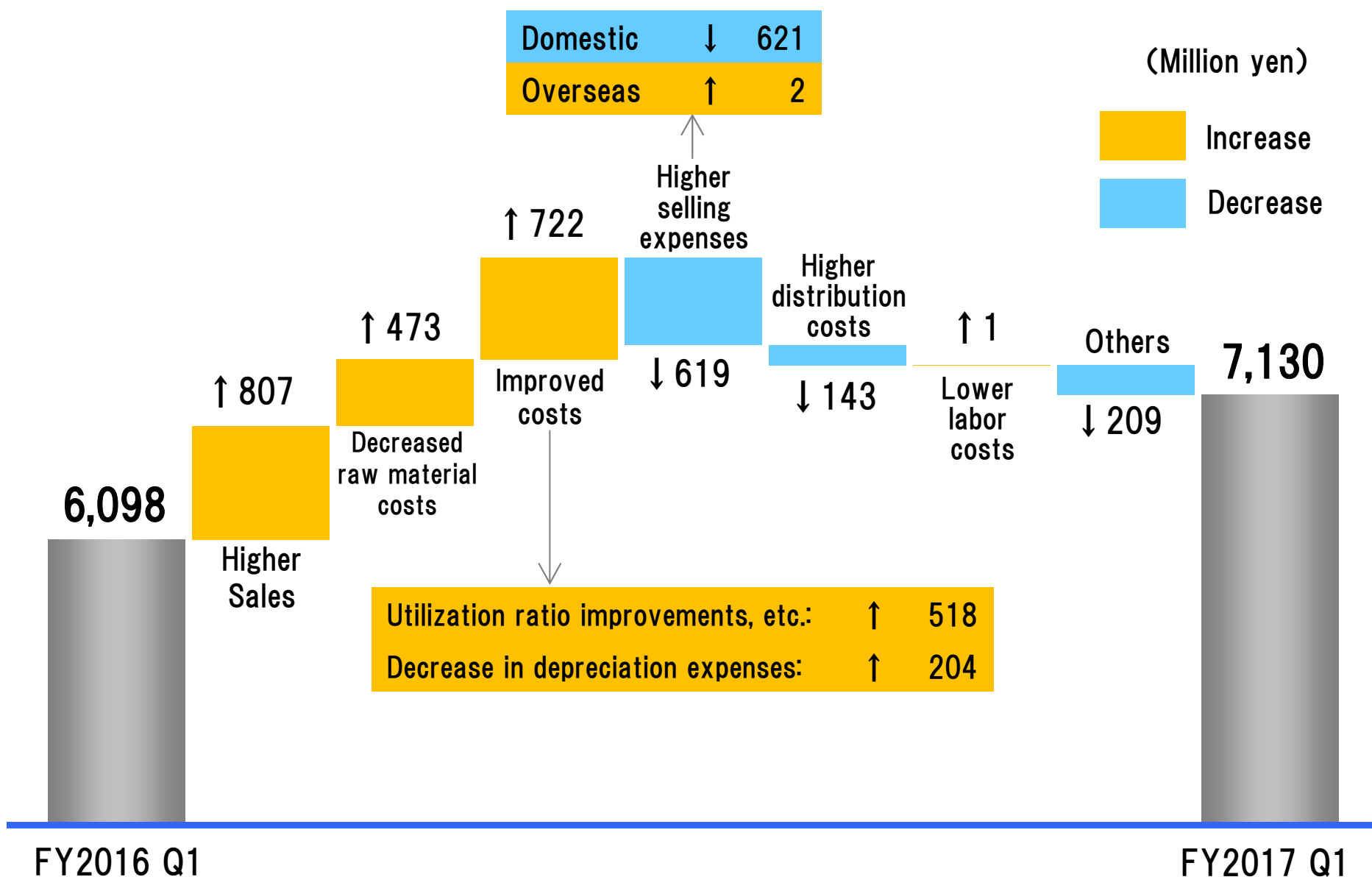
■ South Korea

- Second Munmak factory began operation in May 2016
- Strong sales of *Honey Butter Chip* potato chips continued, although *Jagabee* sales fell
- Lower profit due to lower utilization ratio and quality issues with imported potatoes

■ Others

- Launched *Snapea Crisps* in Spain from April 2016
- Grew sales in UK on expansion of proactive promotions
- Total of 272 million yen in losses in the Philippines, UK and Spain, where we have launched businesses since 2015
- Dissolved Calbee Hangzhou and Calbee Taipei joint ventures, which were YoY loss-makers

FY2017 Q1: Factors increasing operating income

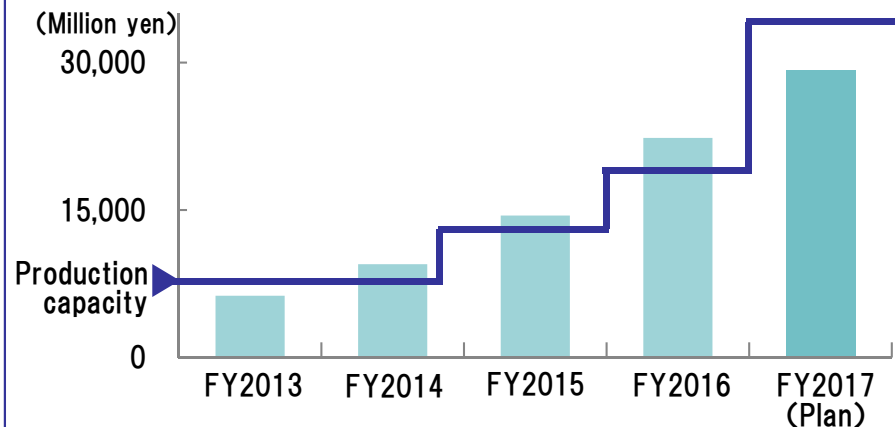


Frugra

- Aim to further expand market and raise awareness by conducting promotional activities focusing on it being a healthy breakfast
- Proactively conduct in-store activities for 25th anniversary campaign
- Enhance product line-up



■ Frugra : Net sales and production capacity



Fabricated potato chips

- Launched *Potato Chips Crisps* in Hokkaido from August 1, 2016
- Plan to launch in Tohoku, Shinetsu in late August, Kanto in early October
- Aim for net sales of over 2 billion yen this fiscal year



Potato-based snacks

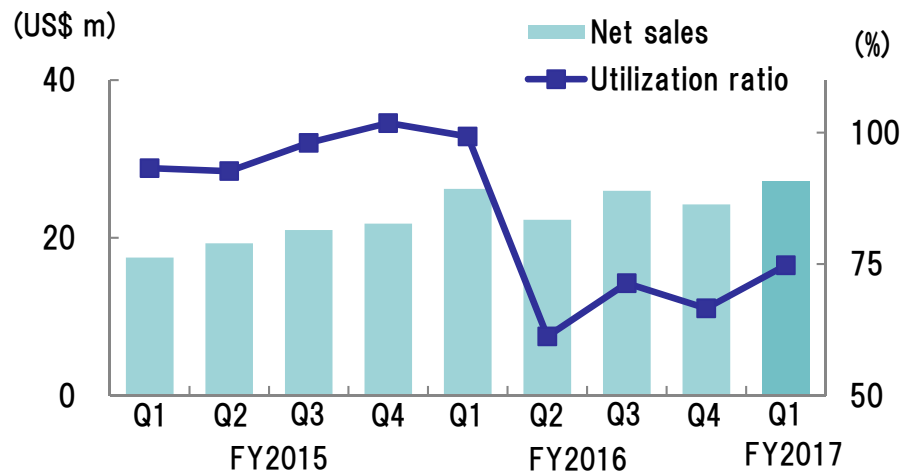
- Run Calbee *Harvest Festival* campaign from September 2016
- JA Shihoro factory plans to begin supplying OEM *Jagarico* to Calbee from September 2016, expand channels for retail channel-limited products

North America

■ Aim to further increase utilization and stability

- Expand proactive promotions
- Expand distribution of newly launched *Harvest Snaps* products (*Black Bean*)
- Also focus on capturing new retailers

■ *Harvest Snaps* : Net Sales and utilization ratio



South Korea

■ Aim to increase utilization ratio, improve income ratio through increased sales

- Plan to launch 3-4 new potato chips products between Aug. and Dec. 2016
- Plan to increase sales of *Jagabee* through revising product specification
- Raw materials costs are expected to decrease from the second quarter as a changeover is made in potato chips ingredients from imported potatoes to locally-grown potatoes

Spain

■ Plan to grow sales of *Snapea Crisps* at major Spanish retailers; Carrefour, Eroski, and El Cortes Ingles



Reference material

Sales by product

(Million yen)

	FY2016 Q1			FY2017 Q1		
	Amount	Composition	Change in %	Amount	Composition	Change in %
Potato-based snacks	29,874	49.9%	+9.2%	29,407	47.6%	-1.6%
<i>Potato Chips</i>	18,379	30.7%	+13.7%	17,482	28.3%	-4.9%
<i>Jagarico</i>	8,417	14.1%	+3.0%	8,569	13.9%	+1.8%
<i>Jagabee</i>	2,193	3.7%	-0.9%	2,185	3.5%	-0.3%
Flour-based snacks	5,421	9.1%	-0.8%	5,560	9.0%	+2.6%
Corn- and bean-based snacks *	4,582	7.7%	+1.8%	4,703	7.6%	+2.6%
Other new snacks **	1,457	2.4%	+1.0%	1,146	1.9%	-21.3%
Domestic snacks	41,335	69.1%	+6.6%	40,817	66.1%	-1.3%
Overseas	7,866	13.1%	+70.3%	7,303	11.8%	-7.2%
Snacks	49,202	82.2%	+13.4%	48,120	77.9%	-2.2%
Cereals	5,647	9.4%	+33.9%	8,676	14.0%	+53.6%
Bread	3,492	5.8%	+14.0%	3,676	6.0%	+5.3%
Others	580	1.0%	-15.9%	425	0.7%	-26.7%
Other foods	9,719	16.2%	+21.9%	12,777	20.7%	+31.5%
Services	909	1.5%	-0.8%	858	1.4%	-5.6%
Total Sales	59,831	100.0%	+14.5%	61,756	100.0%	+3.2%

* “Corn-based snacks” has been restated as “Corn- and bean-based snacks”

** “Vegips, other new snacks” and “Domestic others” have been restated as “Other new snacks”

Sales by country

	Yen	FY2016 Q1	FY2017 Q1	Change in %
	Local currency			
North America	Million yen	3,364	3,162	-6.0%
	Thousand dollars	27,733	28,998	+4.6%
China	Million yen	491	391	-20.4%
	Thousand renminbi	25,147	23,532	-6.4%
South Korea	Million yen	1,832	1,448	-20.9%
	Million won	16,601	15,365	-7.4%
Thailand	Million yen	714	633	-11.4%
	Thousand baht	195,862	205,588	+5.0%
Hong Kong	Million yen	769	958	+24.6%
	Thousand HK dollars	49,151	68,203	+38.8%
Taiwan	Million yen	114	4	-96.3%
	Thousand NT dollars	29,020	1,248	-95.7%
Philippines	Million yen	219	122	-44.4%
	Thousand pesos	80,474	52,228	-35.1%
United Kingdom	Million yen	0	232	—
	Thousand UK pounds	0	1,492	—
Singapore	Million yen	358	337	-5.8%
	Thousand SG dollars	3,979	4,197	+5.5%
Spain	Million yen	—	12	—
	Thousand Euro	—	99	—