

Calbee Group Financial Results

First half of fiscal year ending March 31, 2017
April 1, 2016 – September 30, 2016



Calbee, Inc.

2016.11.4

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 **the communities,**
and finally of **our stockholders.**

	FY2010-2015	FY2016	FY2017 1H	Future
Calbee	↑	↑	→	↑

Domestic Business

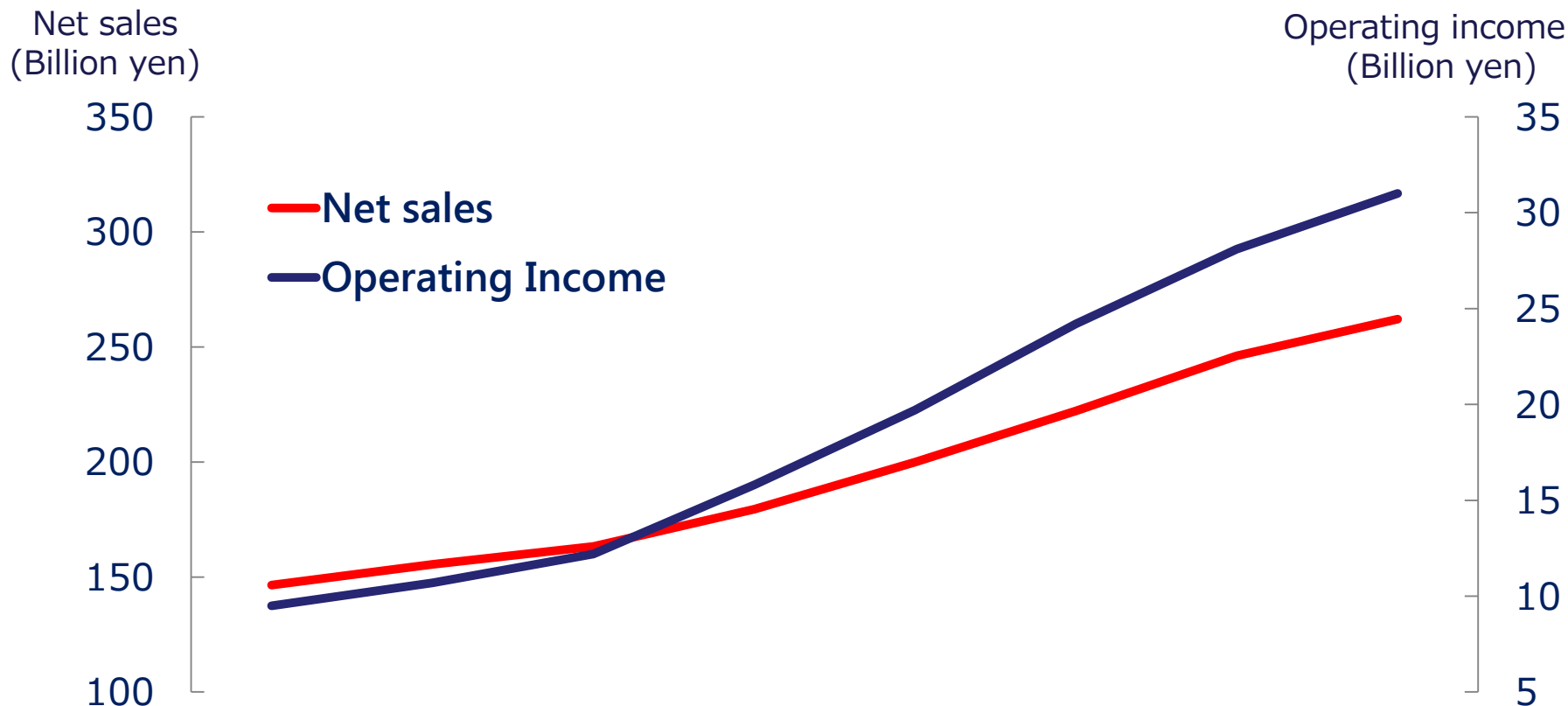
<i>Potato Chips</i>	↑	↑	↓	↑
<i>Jagarico</i>	↑	→	→	↑
<i>Jagabee</i>	↑	↑	→	→
<i>Frugra</i>	↑	↑	↑	↑
Japan Frito-Lay	↑	↓	↓	→

Overseas Business

New Business

	↑	→	↓	↑
	↑	→	↓	↑

On the road to renewed growth



Growth trend (%)	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017 (Planned)
Net sales	+6.6	+6.2	+5.0	+9.9	+11.4	+11.1	+10.8	+6.4
Operating income	+116.3	+12.4	+14.3	+28.9	+24.9	+22.6	+16.3	+10.2

- **Stable growth for domestic snacks**
- ***Frugra* to undertake to reach 50 billion yen in FY2018**
- **Rebuilding in North America and South Korea, reentry into Mainland China**
- **New business and M&A initiatives**

FY2017 Review of first half results Next Action

Shuji Ito
President & COO

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1. FY2017 Review of first half results

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Key Performance Indicators

	FY2017 Target	H1 Target	H1 Result	Progress
Net sales growth ratio	+6.4%	+7.2%	+2.2%	☔
Operating income growth ratio	+10.2%	+15.2%	+7.4%	☔
Operating income ratio	11.8%	11.4%	11.1%	☁
Overseas sales ratio	13.5%	13.0%	11.2%	☔
Gross profit ratio	44.3%	43.4%	44.1%	☀
SG&A ratio	32.4%	32.0%	33.0%	☔☔



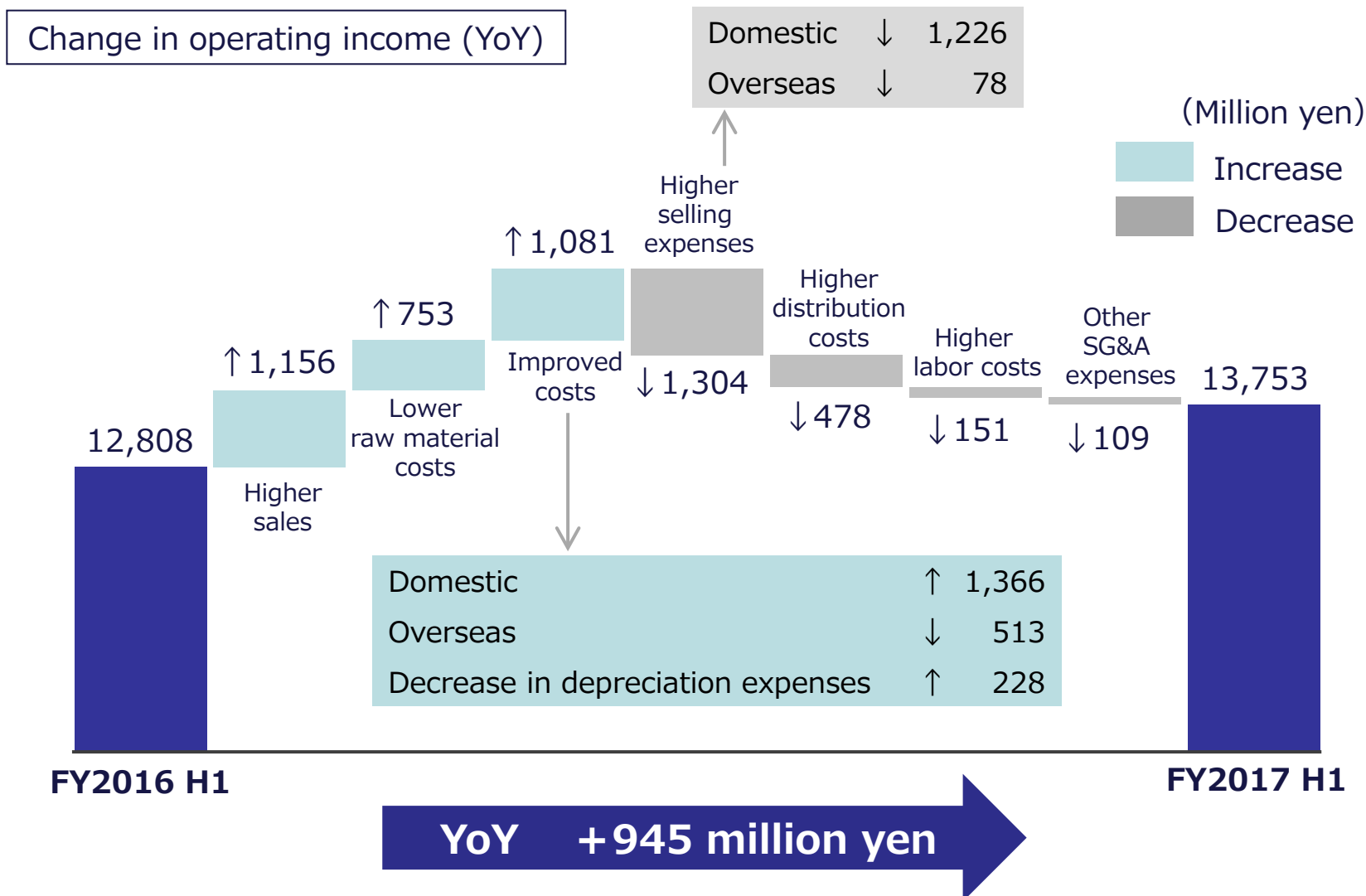
FY2017 H1: Results highlights

	FY2016 H1		FY2017 H1		Change	Comparison with plan
	(Million yen)	Percent of total(%)	(Million yen)	Percent of total(%)	(%)	(%)
Net sales	120,942	100.0	123,654	100.0	+2.2	95.4
Gross profit	51,587	42.7	54,577	44.1	+5.8	97.0
SG&A	38,778	32.1	40,824	33.0	+5.3	98.4
Selling	16,907	14.0	18,212	14.7	+7.7	100.0
Distribution	7,847	6.5	8,326	6.7	+6.1	98.8
Labor	9,002	7.4	9,154	7.4	+1.7	98.7
Others	5,020	4.2	5,130	4.1	+2.2	91.9
Operating income	12,808	10.6	13,753	11.1	+7.4	93.2
Ordinary income	12,333	10.2	12,777	10.3	+3.6	89.8
Extraordinary income/loss	- 110	-	- 197	-	-	-
Net profit*	7,654	6.3	7,984	6.5	+4.3	91.4

*Profit attributable to owners of parent

- Net sales: Rose YoY overall on increased sales of *Frugra* despite decreases in domestic potato-based snacks and overseas business on impact of the strong yen on foreign currency adjustments
- Gross profit ratio: Improved on positive effects from the lower price of crude oil and the strong yen and on cost reductions despite lower utilization ratio in North America and South Korea
- SG&A ratio: Selling expenses rose on changes to retail products in response to domestic potato issue
- Non-operating income/expenses: Foreign exchange losses 995 million yen
Business commencement expenses (Indonesia) 70 million yen (Taiwan) 2 million yen

FY2017 H1: Factors increasing operating income



FY2017 H1: Domestic business highlights

(Million yen)

	FY2016 H1	FY2017 H1	YoY	Change in %
Net sales	106,070	109,804	+3,733	+3.5
<i>Potato Chips</i>	37,182	35,682	-1,499	-4.0
<i>Jagarico</i>	17,436	17,823	+387	+2.2
<i>Jagabee/Jaga Pokkuru</i>	6,653	6,637	-15	-0.2
Cereals (incl. <i>Frugra</i>)	11,932	17,299	+5,366	+45.0
Others	32,866	32,361	-505	-1.5
Operating income (compared to net sales)	10,985 (10.4%)	12,906 (11.8%)	+1,921	+17.5

- Net sales: *Frugra* drove domestic growth to 3.5% YoY
 - Cereals: Continuing strong growth primarily among *Frugra* regular items, continued large sales growth
 - *Potato Chips*: Adjusted production on concern over potato supply shortage
Delayed September launch of *a la Potato* and some other new products
 - *Jagarico*: Firm sales on flavor development, L size, etc.
 - Others: Launched fabricated potato chips “*Potato Chips Crisp*”
- Operating income: Income ratio rose on improved costs



■ Status of potato supply

- Approx. 80% of our domestic supply are grown in Hokkaido
- In Aug.-Sep. four typhoons struck or grazed Hokkaido, causing damage

Main potato production areas



■ Measures to address potato shortage

- Increase quantity of potato imports
- Spot purchases
- Accelerate potato harvest schedule in other parts of Japan
- Implement measures to recover sales

Potato supply forecast

(Thousand tons)

Predicted usage after Oct.	Supply (forecast)	Shortage	Additional supply through above measures (forecast)	Shortage after above measures (forecast)
211	185	-26	+ 12	-14

FY2017 H1: Overseas business highlights

(Million yen)

	FY2016 H1	FY2017 H1	Change in %
Net Sales	14,871	13,850	-6.9
North America	6,200	5,568	-10.2
South Korea	3,238	2,876	-11.2
Others	5,432	5,404	-0.5
Operating income	1,823	847	-53.5
North America	1,553	832	-46.4
South Korea	391	66	-83.1
Others	-122	-51	-

Breakdown of change			
YoY	Forex difference	Real terms	Change in %
-1,021	-2,114	+1,092	+7.3
-632	-789	+157	+2.5
-362	-428	+65	+2.0
-27	-897	+869	+16.0

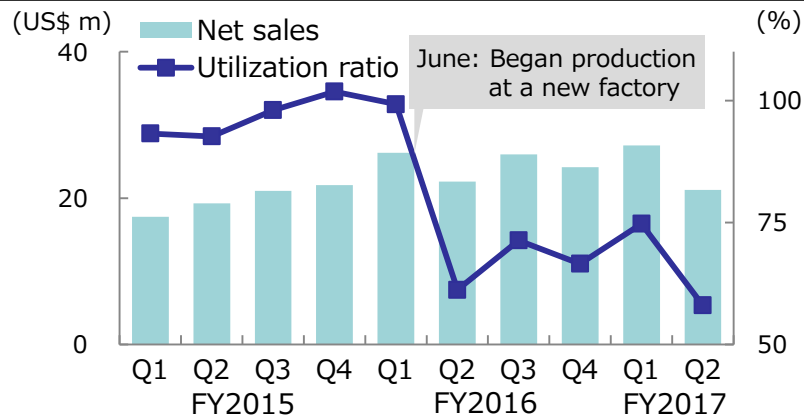
- Net sales: Decreased 6.9% on foreign exchange effects,
but in real terms (on a local currency basis) increased 7.3%
 - North America: Weak sales growth ratio (+2.5% in real terms YoY) on slow recovery of sales to large customers
 - South Korea: Weak sales growth ratio (+2.0% in real terms YoY) on delayed launch of new products
 - Others: Started businesses in Indonesia and Spain this year
The UK, where we began full-scale promotions this year, contributed to increased sales
- Operating income: Large decrease in profit as increased production capacity did not invigorate sluggish sales in key regions North America and South Korea

FY2017 H1: Overseas business (North America, South Korea)

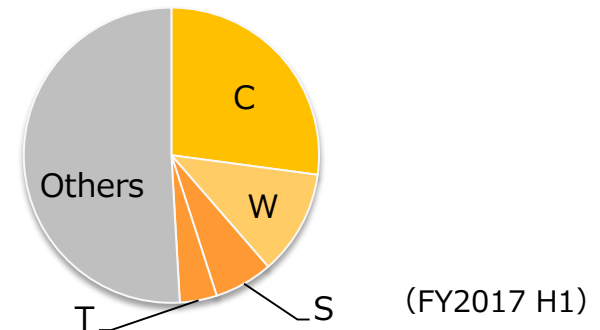
■ North America

- Completed review of production structure on addition of second factory
- Increased sales to other customers unable to cover decreased sales to a large customer
- Invested resources in sales and marketing, but it is still work in progress

Harvest Snaps; Net sales and utilization ratio



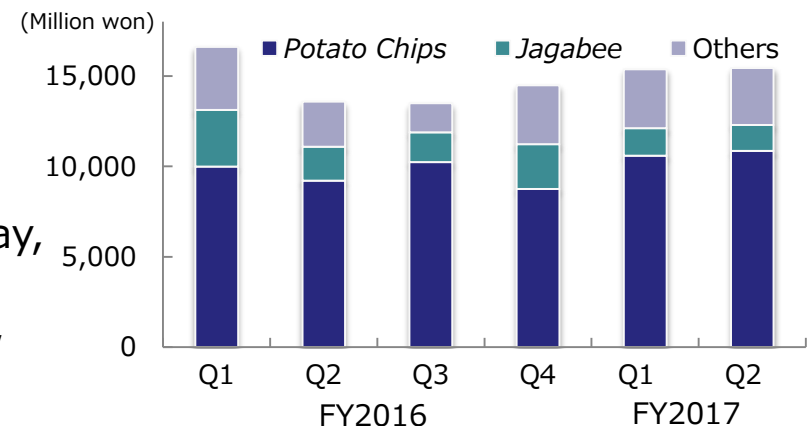
North America; Net sales by customer



■ South Korea

- Delayed launch of new products to follow *Honey Butter Chip*
- *Jagabee* sales decreased
- Despite new factory beginning operation in May, sales did not grow and utilization ratio fell
- Increased costs due to quality issues with raw materials (potatoes)

South Korea; Net sales by product



1. FY2017 Review of first half results
- 2. FY2017 Full year forecasts**
3. Next Action

FY2017 Full year forecasts

	FY2016		FY2017 (Initial forecast)		Change in %
	(Million yen)	Percent of total(%)	(Million yen)	Percent of total(%)	(%)
Net Sales	246,129	100.0	262,000	100.0	+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	14.1	37,000	14.1	+6.8
Distribution	16,209	6.6	17,000	6.5	+4.9
Labor	17,752	7.2	19,100	7.3	+7.6
Others	10,293	4.2	10,900	4.2	+5.9
Operating Income	28,125	11.4	31,000	11.8	+10.2
Ordinary Income	26,545	10.8	30,000	11.5	+13.0
Extraordinary Income/Losses	-422	-	-1,000	-	-
Net Profits*	16,799	6.8	17,800	6.8	+6.0



FY2017 (Revised forecast)		Change in %
(Million yen)	Percent of total(%)	(%)
262,000	100.0	+6.4
115,963	44.3	+8.3
84,963	32.4	+7.7
37,963	14.5	+9.6
17,000	6.5	+4.9
19,100	7.3	+7.6
10,900	4.2	+5.9
31,000	11.8	+10.2
30,000	11.5	+13.0
-1,000	-	-
17,800	6.8	+6.0

*Profit attributable to owners of parent

- Net Sales: Aiming to achieve plan through proactive marketing of *Frugra*
- Operating income: Expecting to rise on improved costs despite proactive investment in selling expenses

FY2017 Full year forecasts: Net Sales

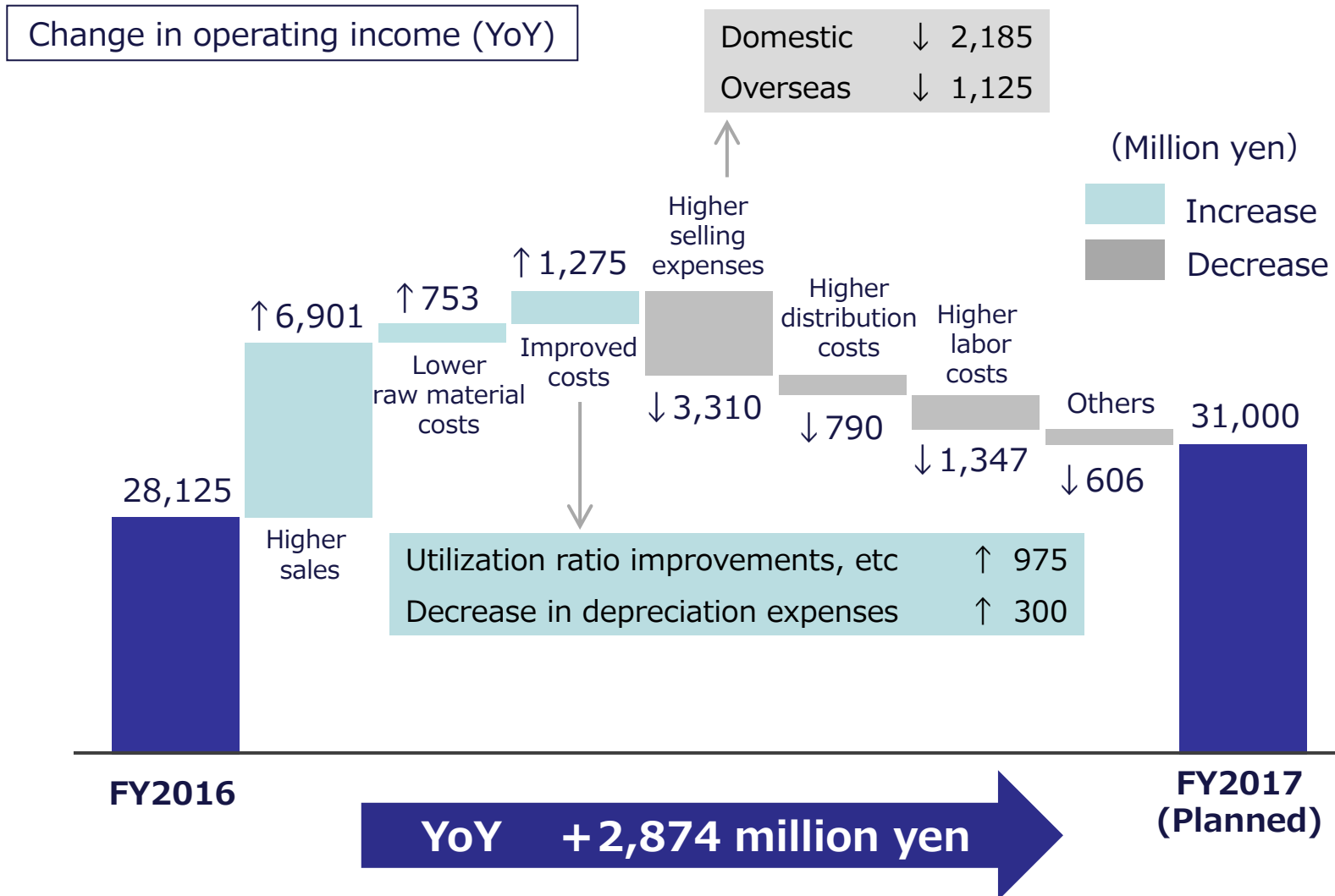
(Million yen)

	FY2016	FY2017(Forecast)	YoY	Change in %
Net sales	246,129	262,000	+15,870	+6.4
Domestic	216,807	226,692	+9,884	+4.6
Potato-based snacks	127,147	126,592	-555	-0.4
<i>Potato Chips</i>	78,627	75,917	-2,709	-3.4
<i>Jagarico</i>	35,069	36,401	+1,331	+3.8
Other new snacks	5,507	7,966	+2,458	+44.6
Cereals	24,140	31,950	+7,809	+32.4
Others	60,011	60,183	+171	+0.3
Overseas	29,321	35,308	+5,986	+20.4
North America	12,517	14,233	+1,715	+13.7
South Korea	6,072	7,139	+1,066	+17.6
Indonesia	—	1,083	+1,083	—
Others	10,731	12,853	+2,121	+19.8

* Exchange rate used for FY2017 H2: USD 1 = JPY 120

FY2017 Full year forecasts:

Factors increasing operating income



1. FY2017 Review of first half results
2. FY2017 Full year forecasts
- 3. Next Action**

Next Action: Domestic business

■ Take measures to grow *Frugra* share

- Enhance product line up and conduct proactive promotional activities
 - Plan launch of *Rich Taste* and *25% Less carbohydrate*
 - Develop reduced salt campaign (joint PR events with local govts., etc.) aimed at seniors
- Continue to consider capex for expanding production capacity

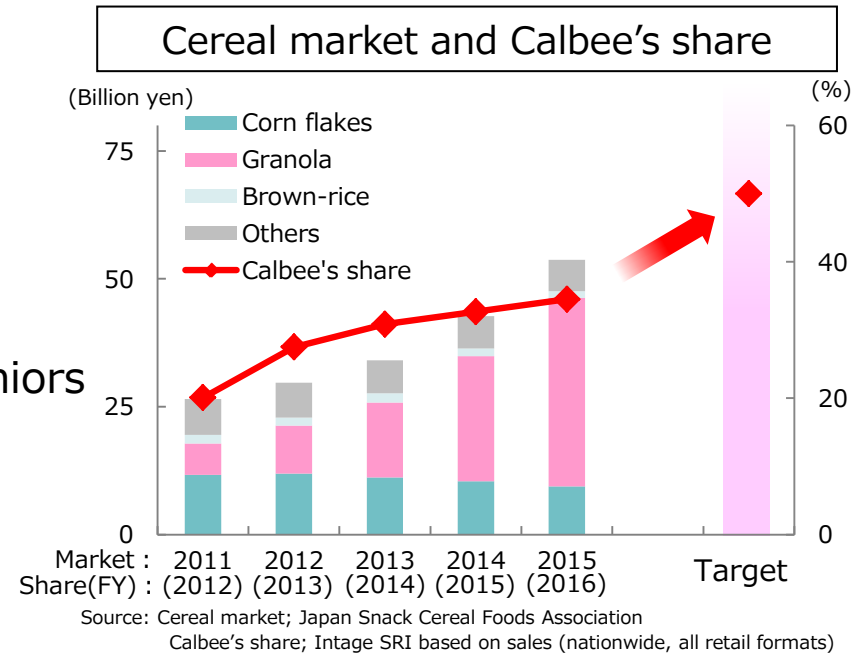


■ Snack business (response to potato shortage)

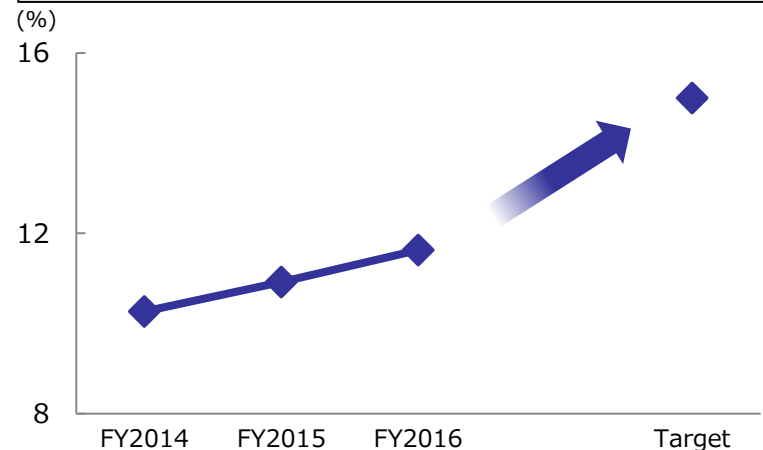
- Strengthen product development for *Kappa Ebisen*, *Jagabee*, etc. to cover decreased *Potato Chips* sales
- Aim to expand *Potato Chips Crisp* sales area

■ Profitability improvements

- Control selling expenses through reform in distribution channels and realize further cost reductions



Domestic business operating income ratio



Next Action: Overseas business

Plans for overseas business

- This year and next, focus on reorganizing the North American and South Korean businesses
- Aim to realize profits in countries where we recently launched (UK, Philippines, Spain, Indonesia)
- Conduct development that does not involve capex such as Australia launch, restart in Taiwan
- Decide strategy towards relaunch in China

■ Challenges facing the North American business

- Strengthen sales ability for relations with large customers and developing new customers
- Enhance the marketing function to raise brand awareness of *Harvest Snaps*

June 2015 Began production at new Senatobia factory, 2 factory structure

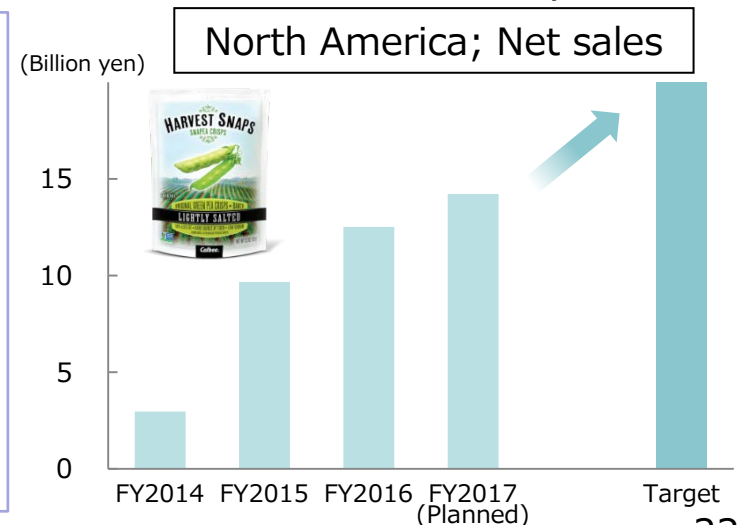
Reorganize production structure

Review organizational structure

Strengthen sales, marketing, SCM

Present

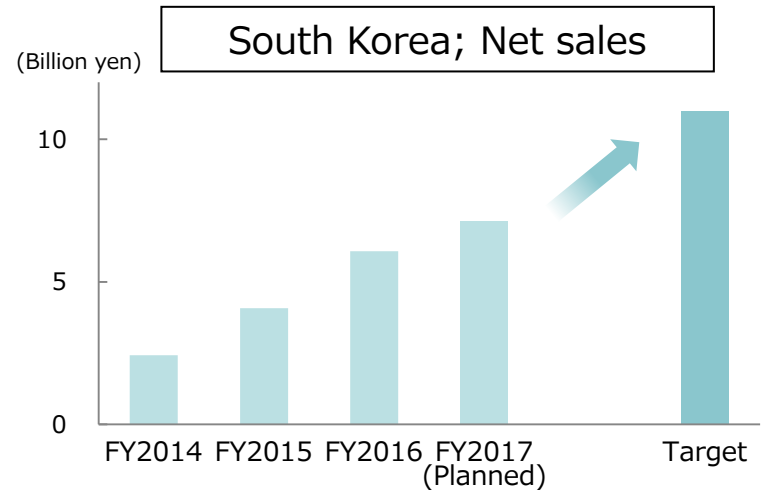
Return to a strong growth path



Next Action: Overseas business

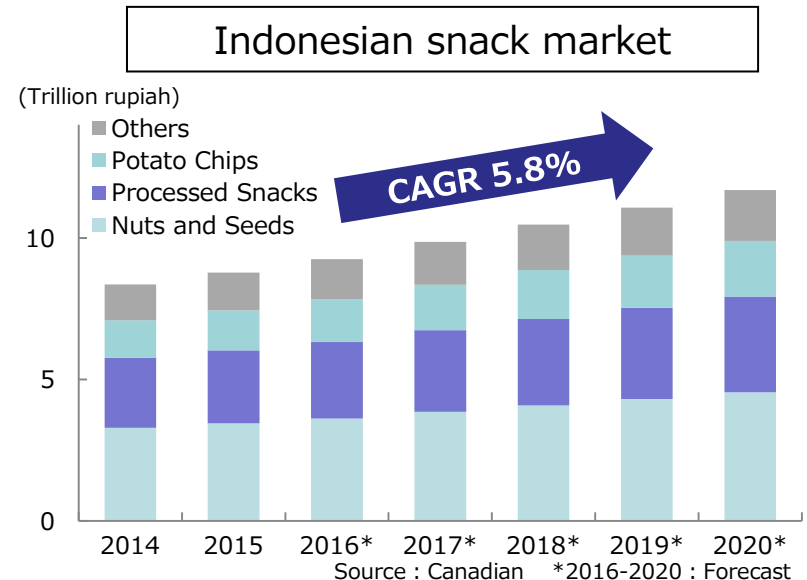
■ Challenges facing the South Korean business

- Speed up new product development, launch 2 new *Potato Chips* products in Q3, plan to launch 2 more in Q4
- Work to reduce raw materials wastage and production costs at new factories



■ Challenges facing other regions

- Indonesia
 - Plan to 2x expand distribution to more than 50 retailers (large retailers, etc)
 - Negotiate with TTs (traditional retailers), prepare distribution to them



Reference material

FY2017 H1: Sales by product

(Million yen)

	FY2016 H1			FY2017 H1		
	Amount	Composition	Change in %	Amount	Composition	Change in %
Potato-based snacks	61,272	50.7%	+8.3%	60,143	48.6%	-1.8%
<i>Potato Chips</i>	37,182	30.7%	+11.3%	35,682	28.9%	-4.0%
<i>Jagarico</i>	17,436	14.4%	+2.7%	17,823	14.4%	+2.2%
<i>Jagabee/Jaga Pokkuru</i>	6,653	5.5%	+6.8%	6,637	5.4%	-0.2%
Flour-based snacks	10,997	9.1%	+2.8%	10,932	8.8%	-0.6%
Corn- and bean-based snacks*	9,179	7.6%	+3.6%	8,887	7.2%	-3.2%
Other new snacks**	2,822	2.3%	-4.6%	3,174	2.6%	+12.5%
Domestic snacks	84,271	69.7%	+6.5%	83,137	67.2%	-1.3%
Overseas	14,871	12.3%	+50.7%	13,850	11.2%	-6.9%
Snacks	99,143	82.0%	+11.4%	96,988	78.4%	-2.2%
Cereals	11,932	9.9%	+44.2%	17,299	14.0%	+45.0%
Bread	6,877	5.7%	+15.4%	7,217	5.8%	+4.9%
Others	1,251	1.0%	-11.4%	592	0.5%	-52.7%
Other foods	20,061	16.6%	+28.2%	25,108	20.3%	+25.2%
Services	1,737	1.4%	+6.2%	1,557	1.3%	-10.4%
Total Sales	120,942	100.0%	+13.8%	123,654	100.0%	+2.2%

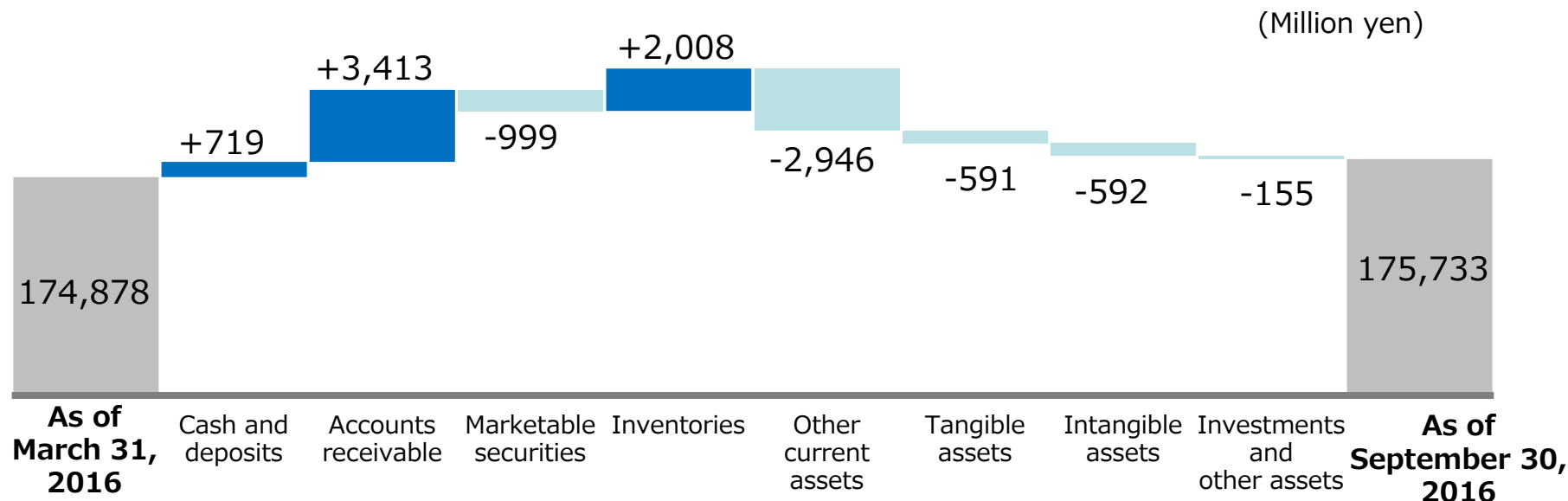
*"Corn-based snacks" has been restated as "Corn- and bean-based snacks"

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

FY2017 H1: Sales by country

	Yen	FY2016 H1	FY2017 H1	Change in %
	Local currency			
North America	Million yen	6,200	5,568	-10.2%
	Thousand dollars	51,035	52,328	+2.5%
China	Million yen	1,092	816	-25.3%
	Thousand renminbi	56,276	50,694	-9.9%
South Korea	Million yen	3,238	2,876	-11.2%
	Million won	30,186	30,798	+2.0%
Thailand	Million yen	1,479	1,331	-10.0%
	Thousand baht	417,866	439,552	+5.2%
Hong Kong	Million yen	1,596	1,789	+12.1%
	Thousand HK dollars	101,879	130,560	+28.2%
Taiwan	Million yen	201	4	-97.9%
	Thousand NT dollars	52,465	1,250	-97.6%
Philippines	Million yen	335	238	-29.0%
	Thousand pesos	124,869	105,062	-15.9%
United Kingdom	Million yen	8	431	+4967.9%
	Thousand UK pounds	45	2,945	+6353.1%
Singapore	Million yen	717	658	-8.1%
	Thousand SG dollars	8,088	8,407	+3.9%
Spain	Million yen	-	29	-
	Thousand Euro	-	248	-
Indonesia	Million yen	-	103	-
	Million ID rupiah	-	12,927	-

FY2017 H1 Consolidated balance sheet: Total assets



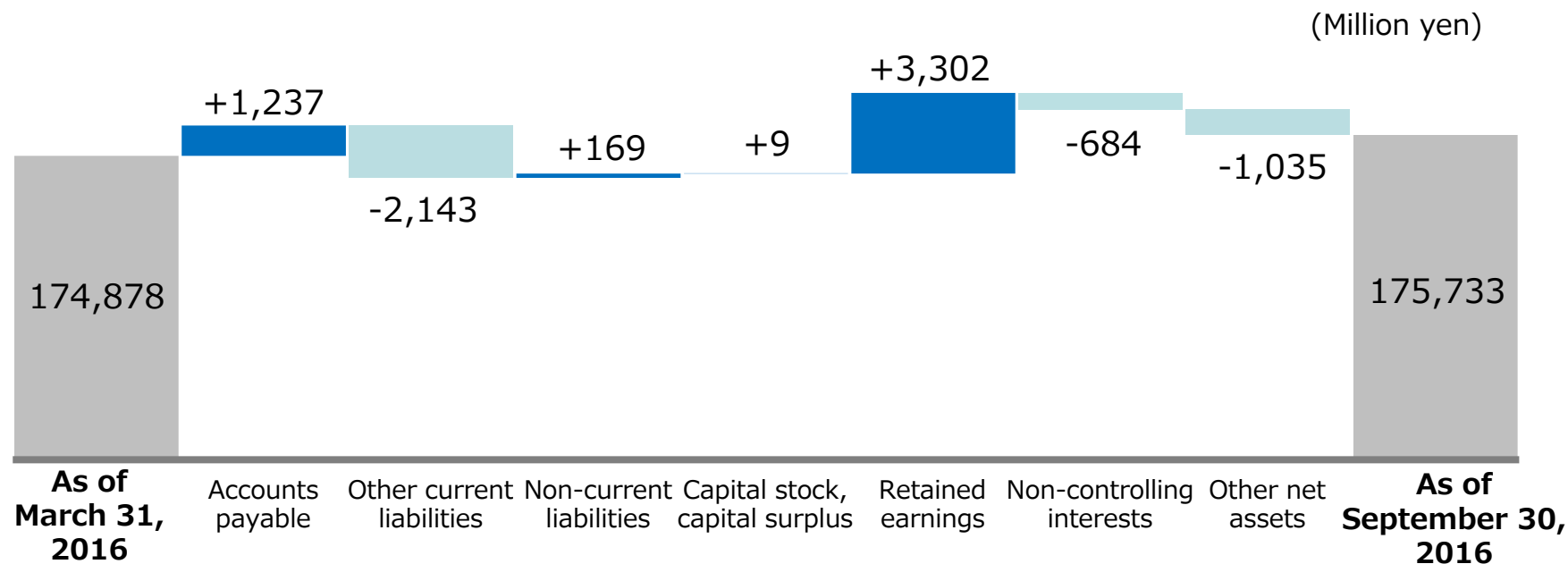
■ Current assets + 2,195

Accounts receivable + 3,413
Increased on changes to settlement date of payment

Advance payment - 1,816
Decreased prepayments on raw materials (potatoes)

Inventories + 2,008
Increase in raw materials in Hokkaido, our largest raw potato production area, due to harvest season

FY2017 H1 Consolidated balance sheet: Liabilities and Net Assets



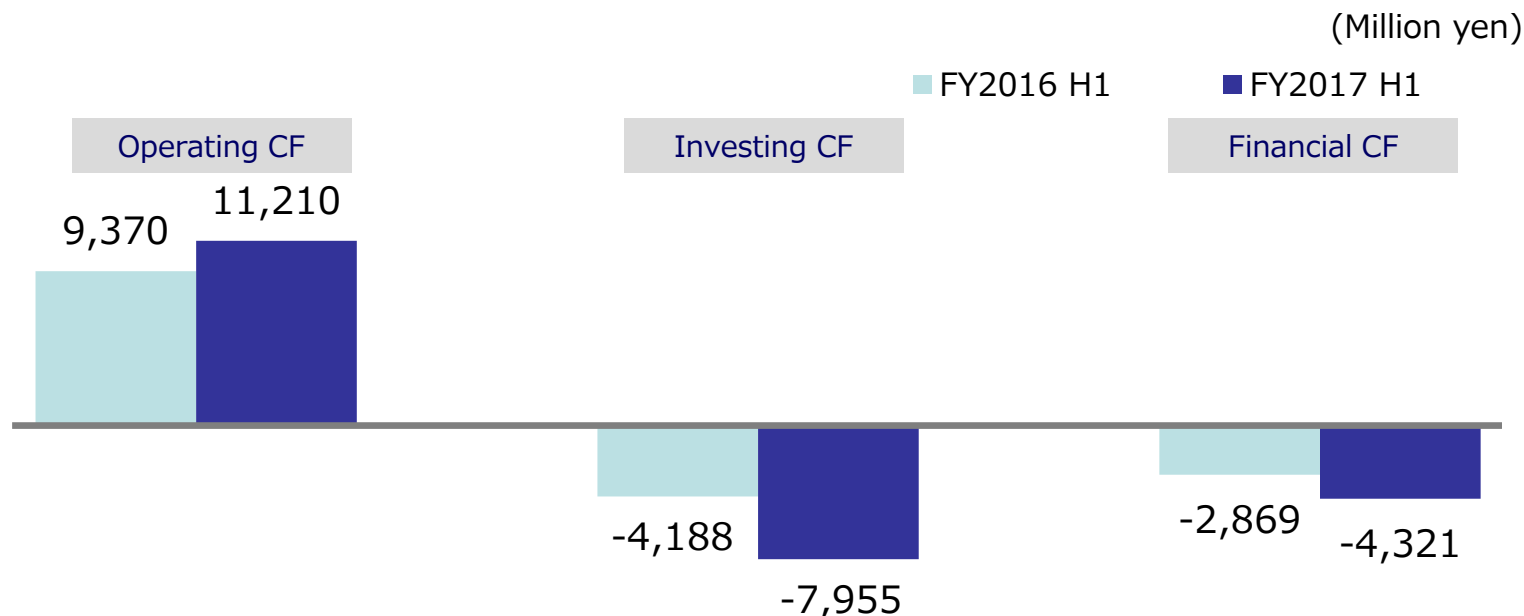
■ Liabilities - 736

Accounts payable	+ 1,237
Increase due to potato harvest season	
Other current liabilities	- 2,143
Decreased accounts payable - other, income taxes payable	

■ Net assets + 1,591

Retained earnings	+ 3,302
Net income	+ 7,984
Dividends payments	- 4,681
Non-controlling interests	- 684
Decrease on decreased profits from overseas subsidiaries	

FY2017 H1: Consolidated cash flows



■ Net decrease in cash and cash equivalents - 2,099

■ Cash flows from operating activities

+ 11,210

Profit before income taxes	+ 12,580
Depreciation	+ 3,451
Increase in notes and accounts receivable-trade	- 3,769
Increase in inventories	- 2,233
Income taxes paid	- 4,691

■ Cash flows from investing activities - 7,955

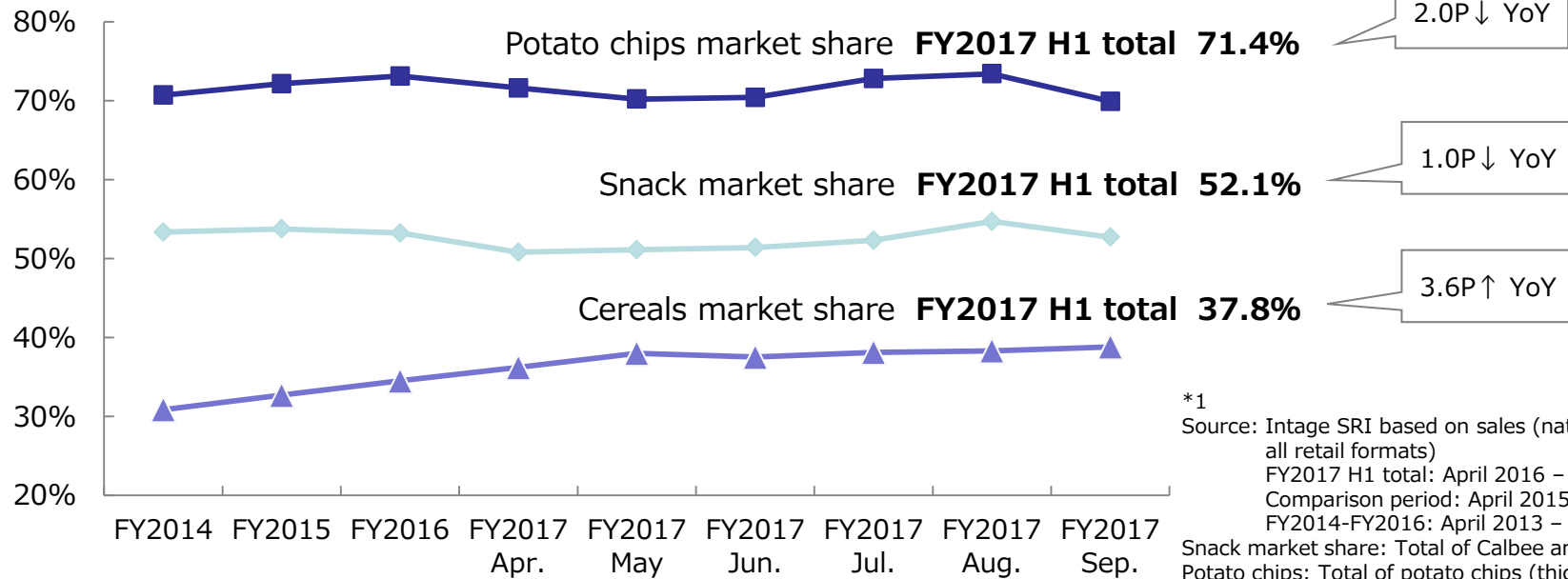
Purchases of fixed assets	- 6,004
Purchases of securities	- 5,999

■ Cash flows from financing activities - 4,321

Cash dividends paid	- 4,676
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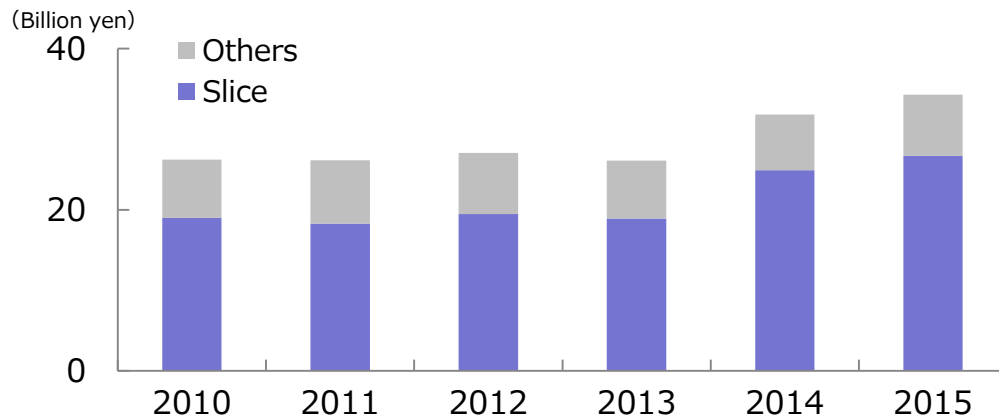
Domestic business

■ Market share*1



*1
Source: Intage SRI based on sales (nationwide, all retail formats)
FY2017 H1 total: April 2016 – September 2016
Comparison period: April 2015 – September 2015
FY2014-FY2016: April 2013 – 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

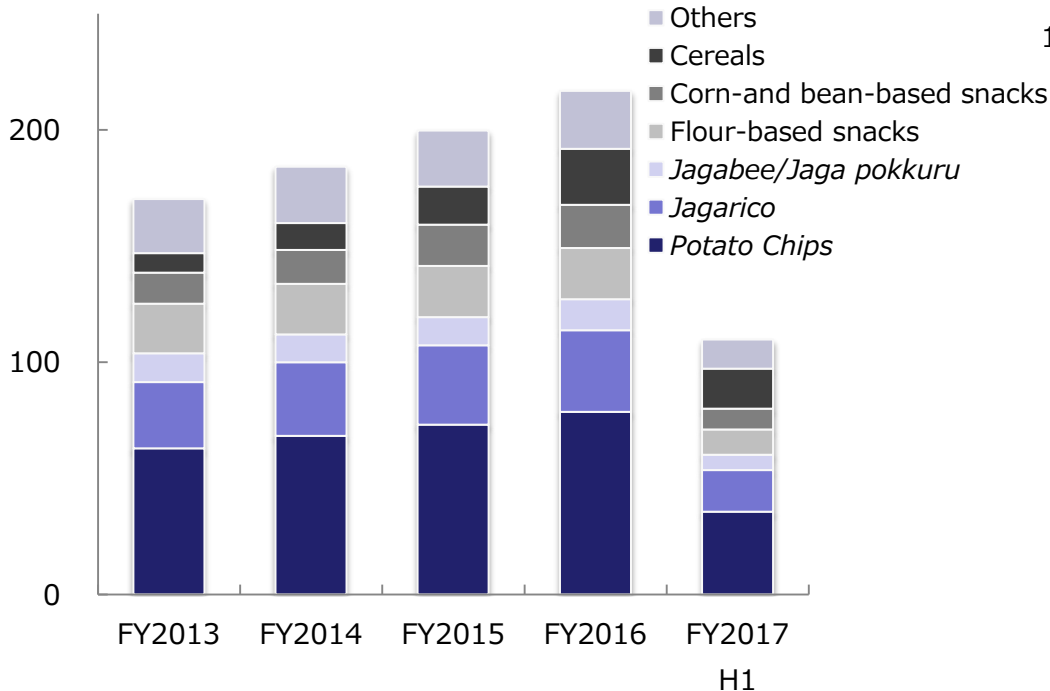
■ Fabricated potato chips market *2



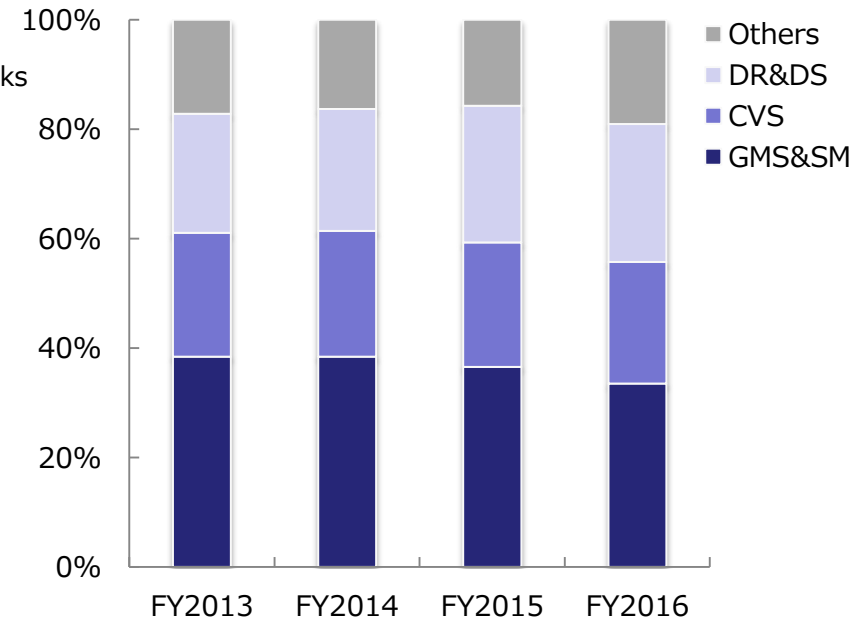
*2
Source : Japan Snack Cereal Foods Association
Fabricated potato chips, production amount

■ Leading brand sales trends

(Billion yen)



■ Sales composition by business*



* Calbee alone (manufacturer shipped goods basis)

■ FY2017 H1 domestic business topics

Apr. 2016 New *Frugra* factory began operation, expanding production capacity to 35 billion yen

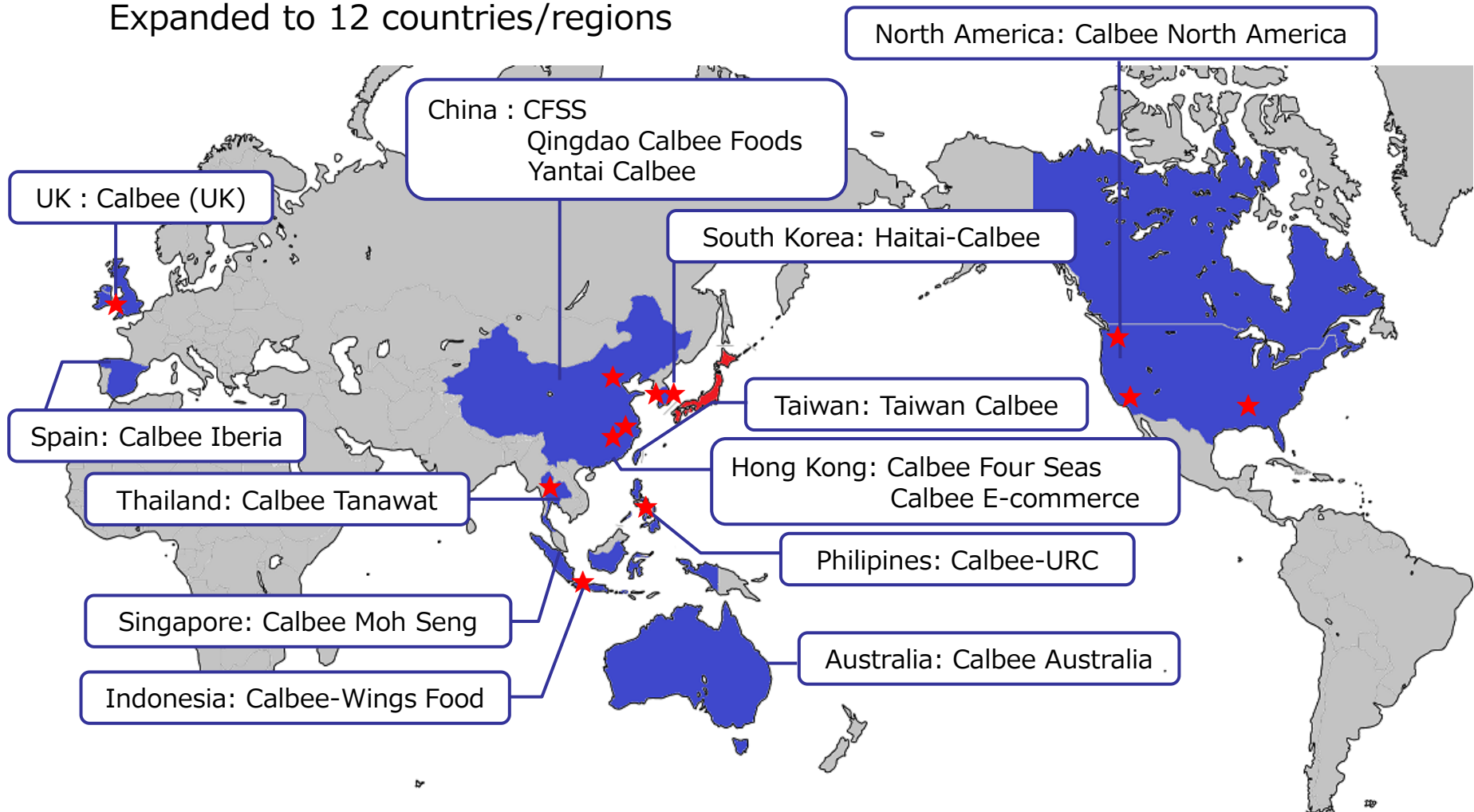
Aug. 2016 Launched *Potato Chips Crisp*

Sep. 2016 New JA Shihoro *Jagarico* factory began operation

■ Overseas locations (as of Nov. 2 2016)

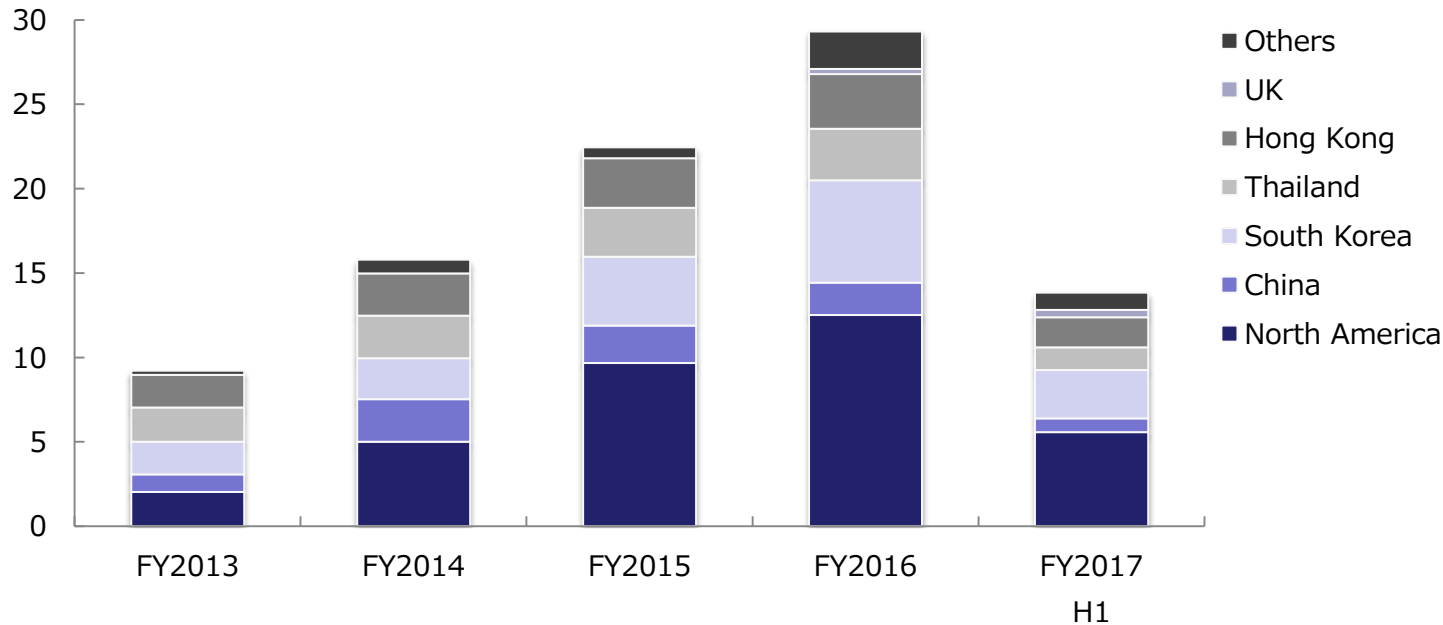
Expanded to 12 countries/regions

★ Production facilities



■ Overseas net sales

(Billion yen)



■ FY2017 H1 overseas business topics

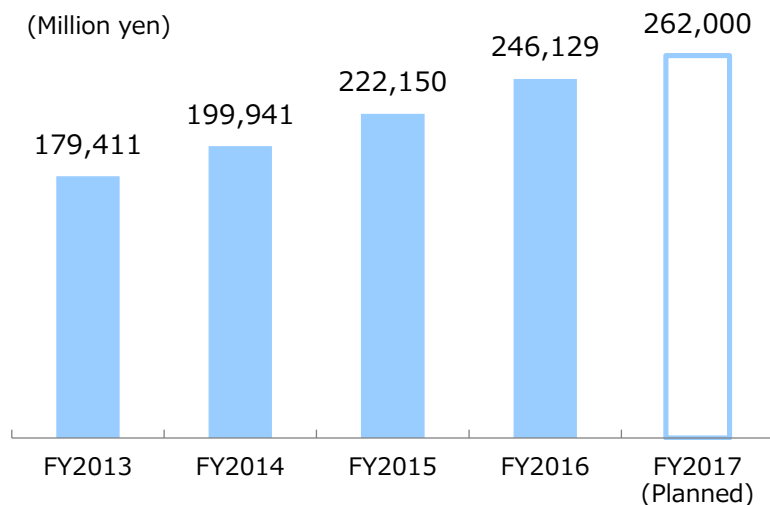
Apr. 2016 Spain: Launched *Snapea Crisps*

May 2016 South Korea: Second Munmak factory began operation

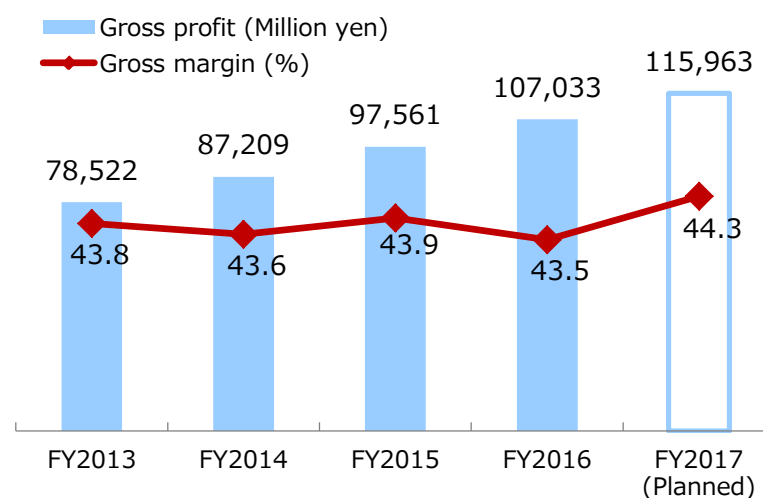
Aug. 2016 Indonesia: Began production, sale of *Potato Chips*

Financial highlights①

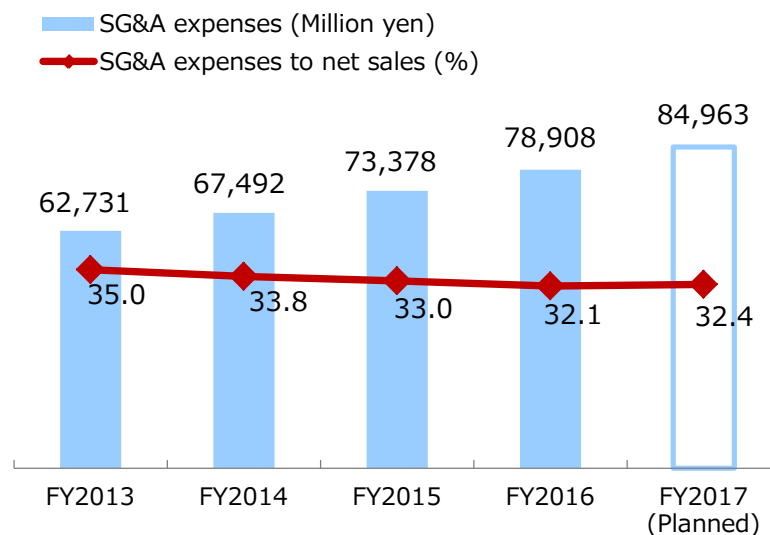
Net sales



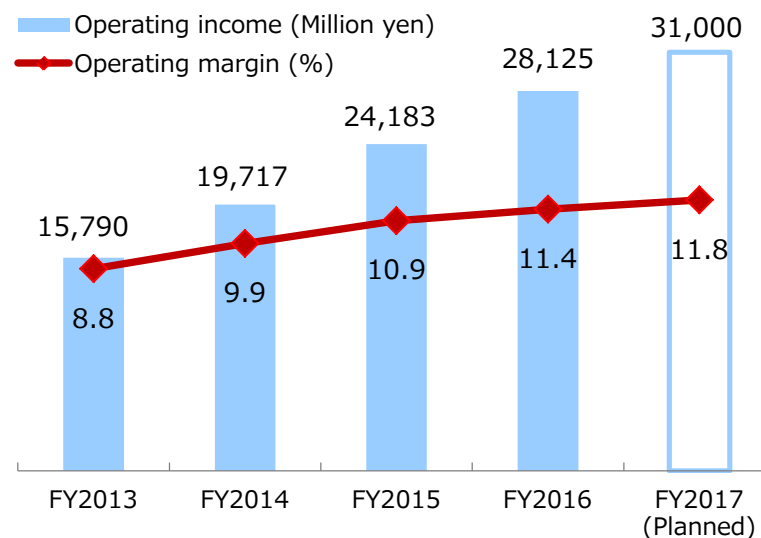
Gross profit



SG&A

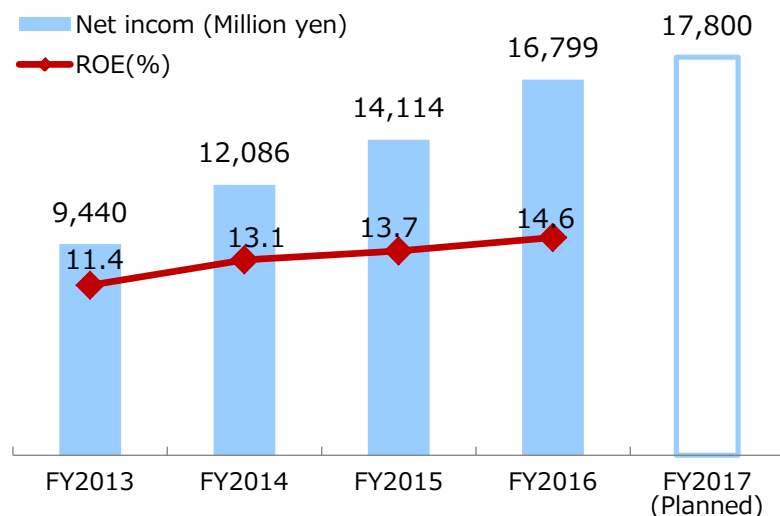


Operating income

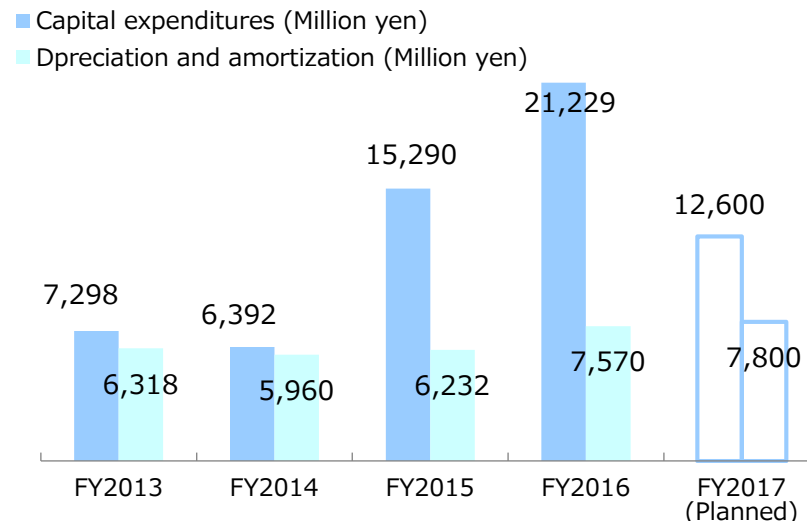


Financial highlights②

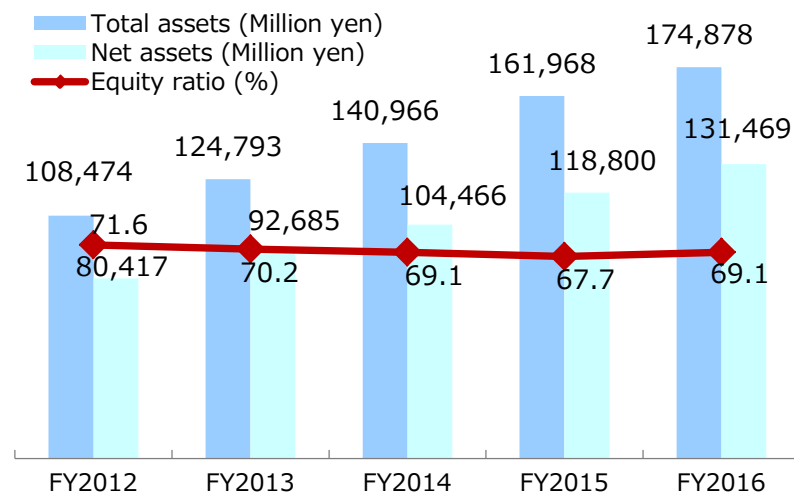
Net income/ROE



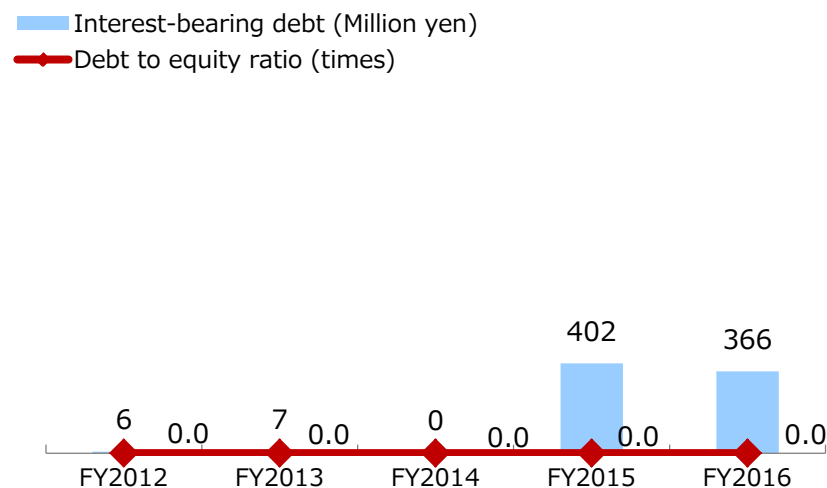
Capital expenditures/Depreciation



Equity ratio



Debt to equity ratio



Contact details for IR inquiries:

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- The Company's fiscal year ends on March 31. The fiscal year ended March 31, 2016 is referred to throughout this report as "fiscal 2016," and other fiscal years are referred to in a corresponding manner. References to years not specified as being fiscal years to calendar years.
- This document contains Calbee's current plans, outlook and strategies. Items which are not historical facts are forecasts pertaining to future performance, and are discretionary and based on information currently available to Calbee. This document does not purport to provide any guarantee of actual results. Actual results may differ significantly from forecasts due to various factors.
- This document also contains unaudited figures for reference purposes only.