

# Calbee Group Financial Results

Third quarter of fiscal year ending March 31, 2017  
April 1, 2016 – December 31, 2016



**Calbee, Inc.**  
2017.2.1

**Third quarter results for the fiscal year  
ending March 31, 2017  
Revised FY2017 Full year forecasts**

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**Koichi Kikuchi**  
**Managing Executive Officer**  
**Chief Financial Officer**

# Table of contents

- 1. FY2017 Review of third quarter results**
- 2. Revised FY2017 Full year forecasts**

- 1. FY2017 Review of third quarter results**
2. Revised FY2017 Full year forecasts

## Key Performance Indicators

	FY2017 Target (Plan as of Q2)	Q3 Result (Nine months)	Progress
Net sales growth ratio	+6.4%	<b>+2.0%</b>	☔
Operating income growth ratio	+10.2%	<b>+1.5%</b>	☔
Operating income ratio	11.8%	<b>11.8%</b>	☁
Overseas sales ratio	13.5%	<b>11.1%</b>	☔
Gross profit ratio	44.3%	<b>44.4%</b>	☀
SG&A ratio	32.4%	<b>32.6%</b>	☁☔



# FY2017 Q3[Three months]: Results highlights

	FY2016 Q3 【Three months】		FY2017 Q3 【Three months】		Change	Vs plan as of Q2
	(Million yen)	Percent of total(%)	(Million yen)	Percent of total(%)	(%)	(%)
<b>Net sales</b>	64,224	100.0	65,290	100.0	+1.7	90.0
<b>Gross profit</b>	28,674	44.6	29,245	44.8	+2.0	89.4
<b>SG&amp;A</b>	19,572	30.5	20,754	31.8	+6.0	93.9
Selling	8,372	13.0	9,660	14.8	+15.4	98.4
Distribution	4,269	6.6	4,340	6.6	+1.6	95.7
Labor	4,566	7.1	4,353	6.7	-4.7	89.1
Others	2,364	3.7	2,399	3.7	+1.5	83.5
<b>Operating income</b>	9,101	14.2	8,490	13.0	-6.7	80.2
<b>Ordinary income</b>	8,896	13.9	9,551	14.6	+7.4	89.8
Extraordinary income/loss	313	-	-116	-	-	-
<b>Net profit*</b>	5,737	8.9	6,423	9.8	+11.9	97.5

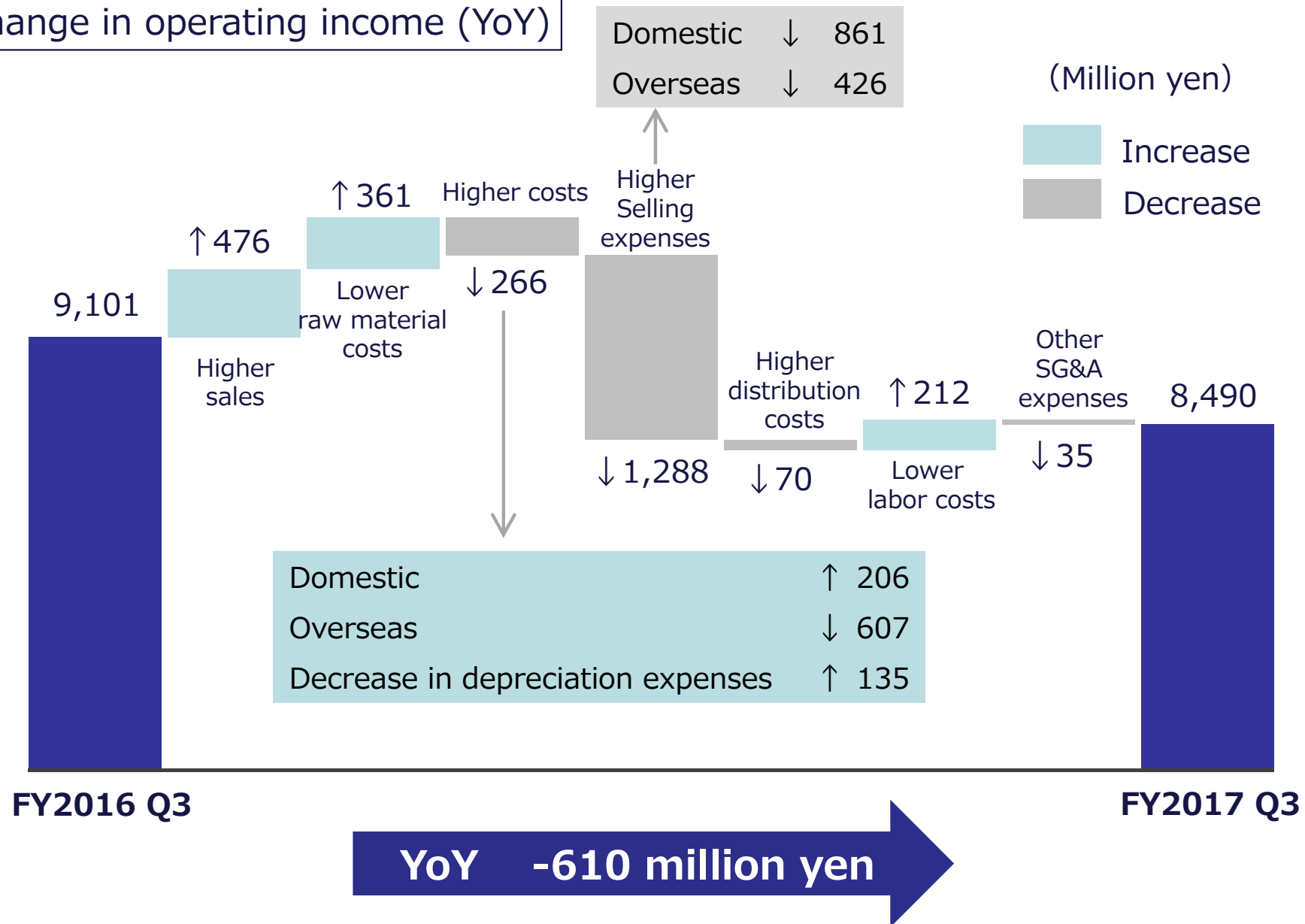
- Net sales : Rose 1.7% YoY  
Domestic – Sales rose on growth in new product *Potato Chips Crisp, Jagarico*, etc.  
Overseas – Sales fell on downturn in North American and South Korean businesses, impact of foreign currency adjustments on strong yen, etc.
- Operating income : Fell 6.7% YoY  
Gross margin improved on decreased domestic manufacturing costs, but selling expense ratio rose on higher domestic selling expenses and investment in sales promotion expenses in Indonesia, etc.
- Non-operating income/expenses : Foreign exchange gains 1,073 million yen

\*Profit attributable to owners of parent

# FY2017 Q3 [Three months]

## : Factors decreasing operating income

Change in operating income (YoY)



# FY2017 Q3 [Three months]

## : Domestic business highlights

**Both sales and operating income rose  
operating margin also rose**

(Million yen)

	FY2016 Q3	FY2017 Q3	YoY	Change in %
<b>Net sales</b>	56,863	<b>58,240</b>	+1,377	+2.4
<i>Potato Chips</i>	21,248	21,524	+276	+1.3
<i>Jagarico</i>	8,877	9,532	+655	+7.4
Corn- and bean-based snacks	5,088	4,254	-833	-16.4
Other new snacks	1,273	2,238	+964	+75.8
Cereals (Incl. <i>Frugra</i> )	6,336	6,623	+286	+4.5
Others	14,039	14,066	+27	+0.2
<b>Operating income</b> (Compared to net sales)	8,260 (14.5%)	<b>8,645</b> (14.8%)	+384	+4.7

- Net sales : Rose 2.4% YoY on growth in other new snacks (*Potato Chips Crisp*), *Jagarico*, etc.
  - *Potato Chips* : Despite concern of a potato shortage, were able to secure sufficient quantities, and sales rose on firm sales of large amount products, etc.
  - *Jagarico* : Strong sales of *GRAND Butter* and flavor developed products
  - Corn- and bean-based snacks : Weak sales of corn-based snacks such as popcorn continued
  - Cereals : Sales of *Frugra* regular items slowed to single digit growth
  - Other new snacks : Launch of *Potato Chips Crisp* in Kanto region on 10/10 contributed to higher sales
- Operating income : Income ratio rose on improved costs despite higher selling expense ratio on *Frugra* sales promotion



# FY2017 Q3 [Three months]

## : Overseas business highlights

Sales rose on a local currency basis, but on a yen basis weak results continued due to foreign exchange effects; operating income was negative on losses in North America, South Korea

(Million yen)

	FY2016 Q3	FY2017 Q3	Change in %	Breakdown of change			
				YoY	Forex difference	Real terms	Change in %
<b>Net Sales</b>	7,361	<b>7,049</b>	-4.2	-311	-712	+401	+5.4
North America	3,281	2,556	-22.1	-724	-236	-488	-14.9
South Korea	1,421	1,182	-16.9	-239	-125	-114	-8.0
Others	2,658	3,311	+24.6	+652	-351	+1,003	+37.8

	FY2016 Q3	FY2017 Q3	YoY
<b>Operating income</b>	841	<b>-154</b>	-995
North America	805	227	-578
South Korea	104	-95	-200
Others	-69	-286	-217

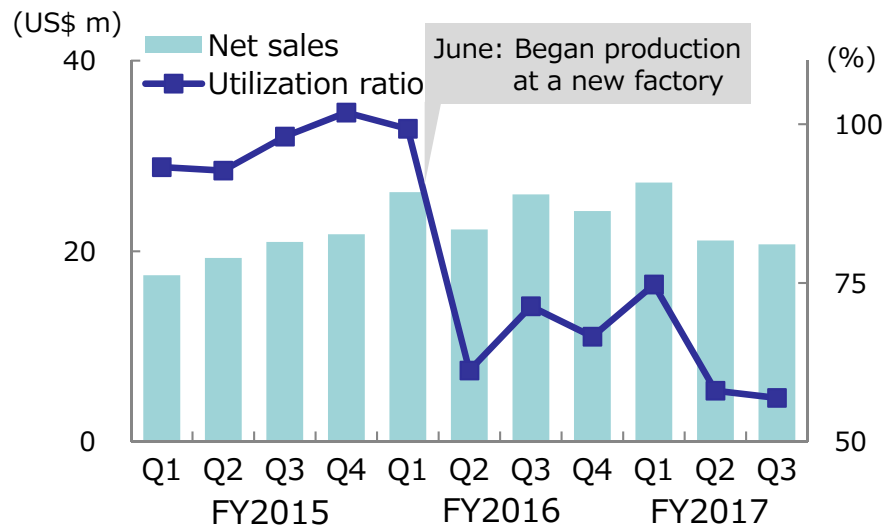
- Net sales : Fell 4.2% on foreign exchange effects, but in real terms (on a local currency basis) rose 5.4%
  - North America : Fell on delay in recovery of sales to large customers
  - South Korea : New products were unable to cover lower sales of core products
  - Others : Launches in new countries such as Indonesia contributed to higher sales, Hong Kong, China, Thailand businesses strong too
- Operating income : Large decline for overseas business as a whole on lower productivity in North America, lower utilization in South Korea, investment in selling expenses for business expansion in Indonesia

# FY2017 Q3 [Three months] : Overseas business

## ■ North America

- Strengthened operating structure and negotiating with large customers, but recovery not yet underway

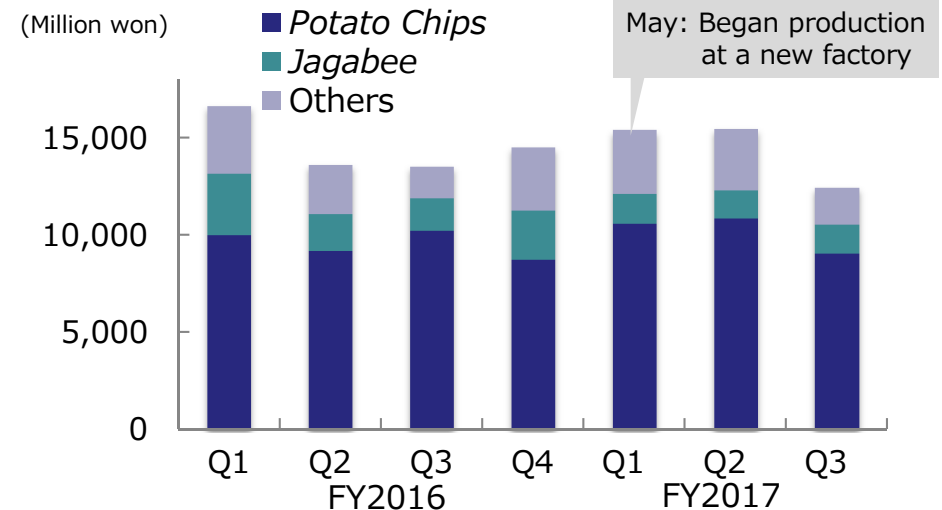
Harvest Snaps; Net sales and utilization ratio



## ■ South Korea

- New *Potato Chips* products unable to cover lower sales of *Honey Butter Chip* in Q3

South Korea; Net sales by product



## ■ Others

- Hong Kong** : Strong sales in cross-border e-commerce business to China. Assorted *Potato Chips* and other products are particularly strong.
- China** : Strong sales of Grill-A-Corn (corn-based snack)
- Thailand** : Grew sales of JAXX (flour-based snack) in domestic and *Harvest Snaps* exporting to Middle-East



# FY2017 Q3[Nine months]: Results highlights

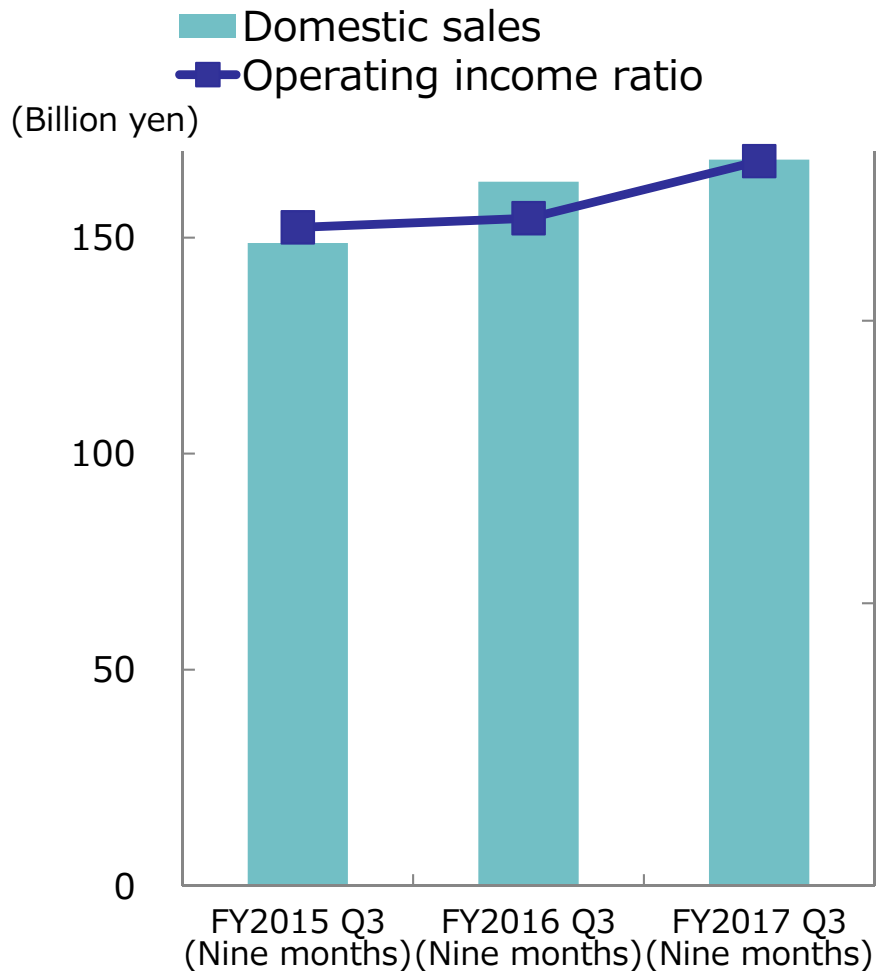
	FY2016 Q3 [Nine months]		FY2017 Q3 [Nine months]		Change (%)	Vs plan as of Q2 (%)
	(Million yen)	Percent of total(%)	(Million yen)	Percent of total(%)		
<b>Net sales</b>	185,166	100.0	188,944	100.0	+2.0	96.3
<b>Gross profit</b>	80,261	43.3	83,823	44.4	+4.4	96.0
<b>SG&amp;A</b>	58,351	31.5	61,578	32.6	+5.5	97.8
Selling	25,280	13.7	27,873	14.8	+10.3	99.4
Distribution	12,117	6.5	12,666	6.7	+4.5	98.5
Labor	13,568	7.3	13,508	7.1	-0.4	96.2
Others	7,384	4.0	7,530	4.0	+2.0	94.1
<b>Operating income</b>	21,909	11.8	22,244	11.8	+1.5	91.4
<b>Ordinary income</b>	21,230	11.5	22,328	11.8	+5.2	95.3
Extraordinary income/loss	202	-	-313	-	-	-
<b>Net profit*</b>	13,392	7.2	14,407	7.6	+7.6	98.9

\*Profit attributable to owners of parent

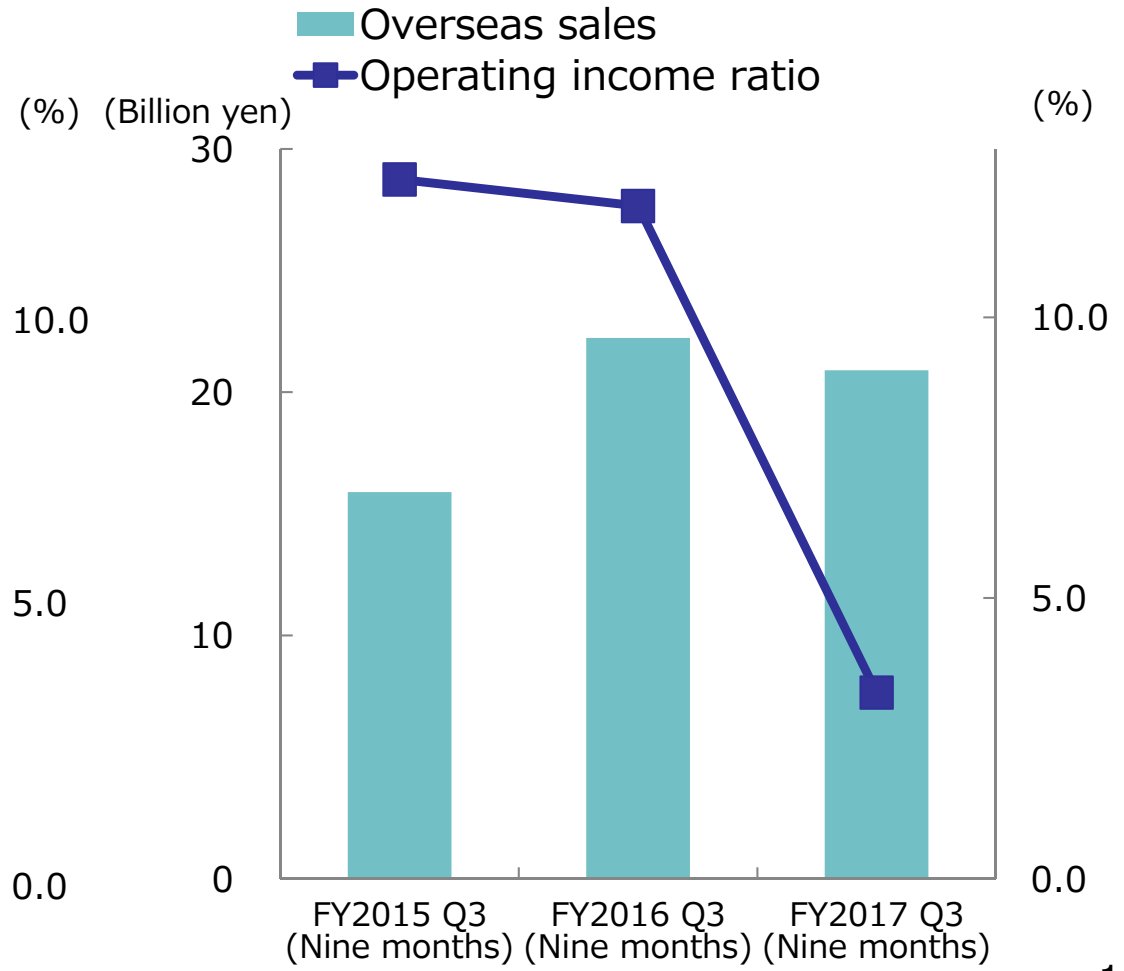
- Net sales : Rose 2.0% on growth in *Frugra*, *Jagarico*, new product *Potato Chips Crisp*, etc.
- Operating income : Rose 1.5% on beneficial effects of low crude oil prices, strong yen and in cost reductions that lowered production costs, despite higher selling expenses and lower utilization in North America and South Korea

## Higher sales and profit in domestic business made-up lower sales and profit in overseas business

Changes in domestic sales, operating income ratio



Changes in overseas sales, operating income ratio



1. FY2017 Review of third quarter results
- 2. Revised FY2017 Full year forecasts**

# Revised FY2017 Full year forecasts

	FY2016		FY2017 (Plan as of Q2)		FY2017 (Revised plan)		Change (%)	Vs plan as of Q2 (Million yen)
	(Million yen)	Percent of total(%)	(Million yen)	Percent of total(%)	(Million yen)	Percent of total(%)		
<b>Net sales</b>	246,129	100.0	262,000	100.0	250,000	100.0	+1.6	-12,000
<b>Gross profit</b>	107,033	43.5	115,963	44.3	110,800	44.3	+3.5	-5,163
<b>SG&amp;A</b>	78,908	32.1	84,963	32.4	82,300	32.9	+4.3	-2,663
Selling	34,652	14.1	37,963	14.5	37,700	15.1	+8.8	-263
Distribution	16,209	6.6	17,000	6.5	16,700	6.7	+3.0	-300
Labor	17,752	7.2	19,100	7.3	17,700	7.1	-0.3	-1,400
Others	10,293	4.2	10,900	4.2	10,200	4.1	-0.9	-700
<b>Operating income</b>	28,125	11.4	31,000	11.8	28,500	11.4	+1.3	-2,500
<b>Ordinary income</b>	26,545	10.8	30,000	11.5	28,200	11.3	+6.2	-1,800
Extraordinary income/loss	-422	-	-1,000	-	-413	-	-	+586
Non-controlling interests profit	1,232	-	1,440	-	300	-	-	-1,139
<b>Net profit*</b>	16,799	6.8	17,800	6.8	18,200	7.3	+8.3	+400

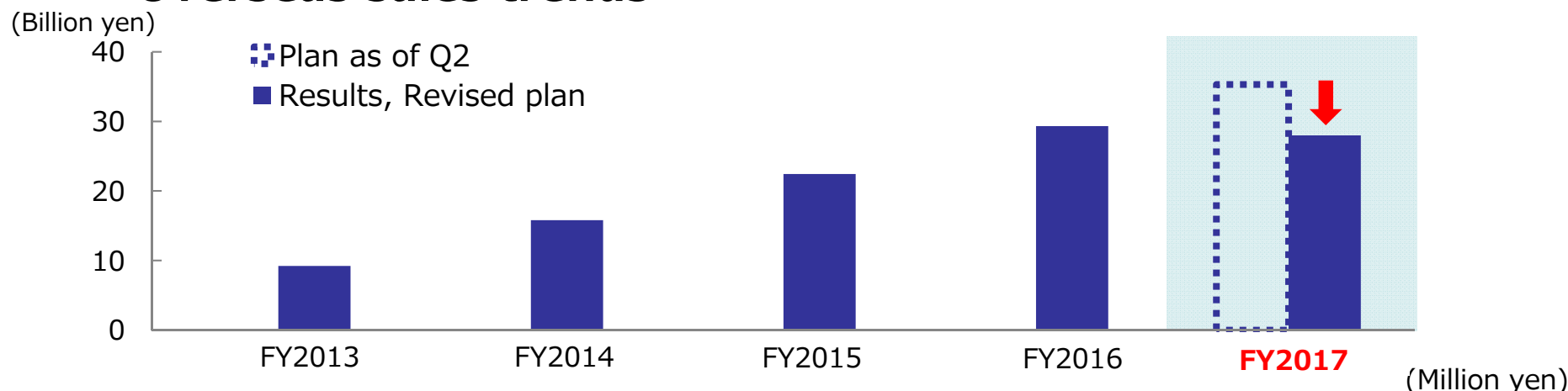
\*Profit attributable to owners of parent

- Net sales : Forecast decreased by 12,000 million yen  
Overseas - Downturn in North American, South Korean businesses, review of foreign exchange rates used, etc.  
Domestic - Downturn in corn-based snacks, weak *Jagabee* sales, etc.
- Operating income : Forecast decreased by 2,500 million yen on lower utilization, lower productivity, etc., in North American and South Korean businesses

# Revised FY2017 Full year forecasts : Overseas business

Revised full year plan due to downturn in North American, South Korean businesses, review of foreign exchange rates used, etc.

## Overseas sales trends

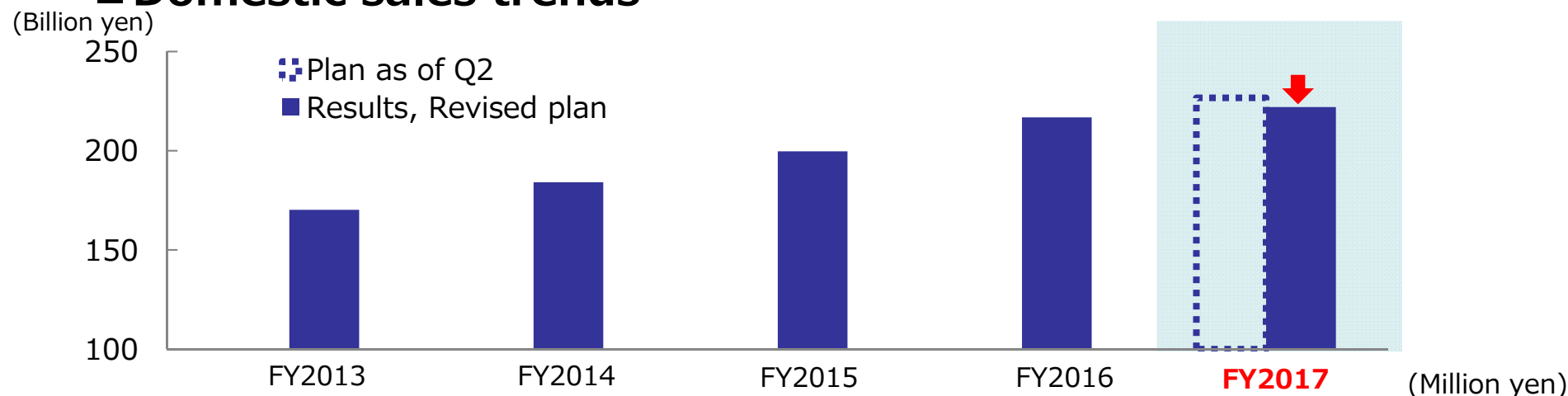


	FY2016	FY2017				
		Plan as of Q2	Revised plan	Change (%)	Vs plan as of Q2	
					Change	%
<b>Net sales</b>	29,321	35,308	<b>27,995</b>	-4.5	-7,312	79.3
North America	12,517	14,233	10,921	-12.8	-3,311	76.7
South Korea	6,072	7,139	4,980	-18.0	-2,158	69.8
Indonesia	-	1,083	1,083	-	+0	100.0
Philippines	593	972	502	-15.3	-469	51.7
Spain	-	583	58	-	-524	10.0
Others	10,138	11,298	10,449	+3.1	-848	92.5
Exchange rate (Yen/USD)	120.15	120.00	109.38			

# Revised FY2017 Full year forecasts : Domestic business

Revised full-year plan due to downturn in corn-based snacks,  
weak *Jagabee* sales, etc.

## Domestic sales trends

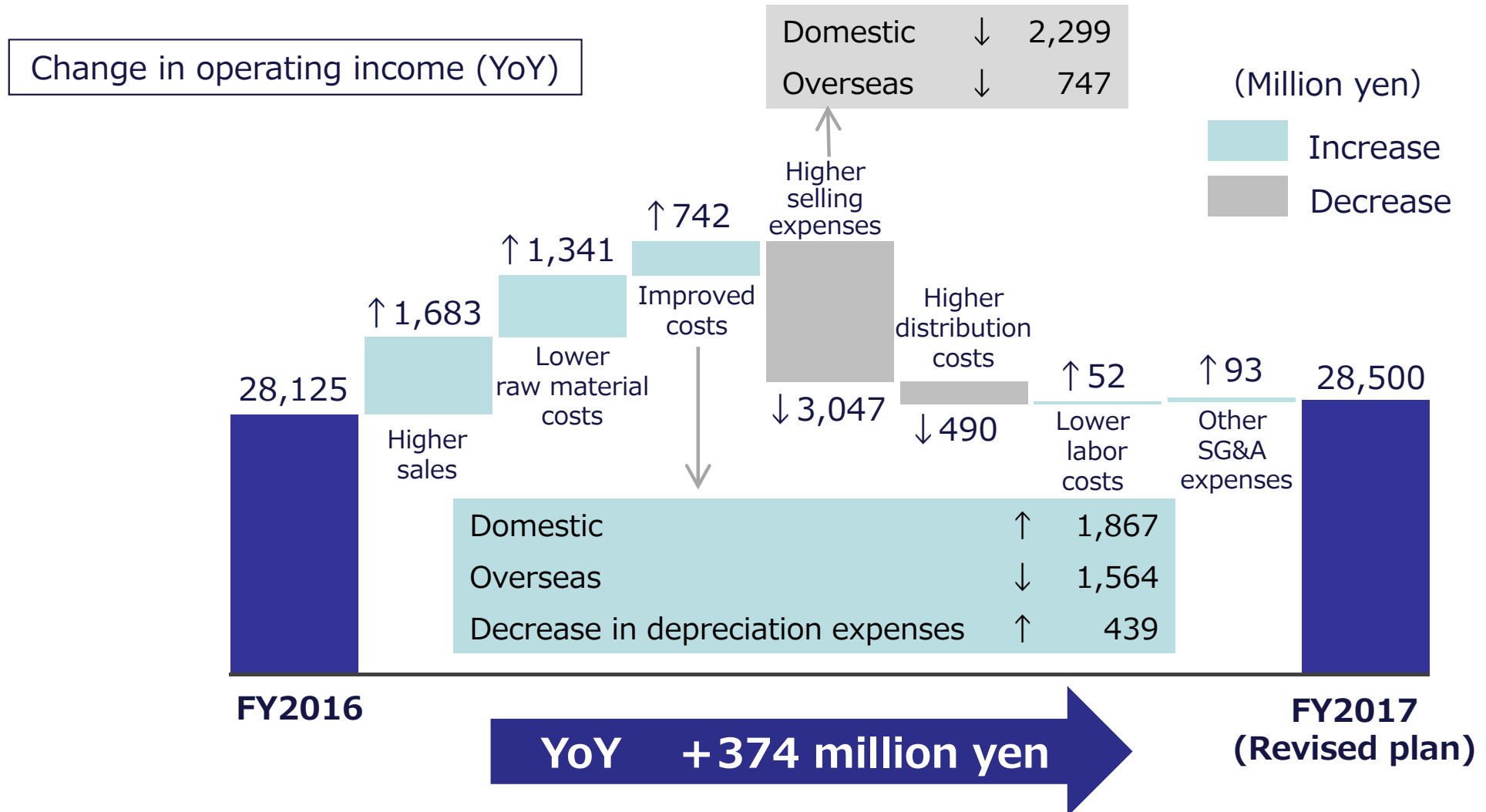


	FY2016	FY2017				
		Plan as of Q2	Revised plan	Change (%)	Vs plan as of Q2	
					Change	%
<b>Net sales</b>	216,807	226,692	<b>222,004</b>	+2.4	-4,687	97.9
<i>Potato Chips</i>	78,627	75,917	75,839	-3.5	-78	99.9
<i>Jagarico</i>	35,069	36,401	36,115	+3.0	-285	99.2
<i>Jagabee/Jaga Pokkuru</i>	13,450	14,272	13,242	-1.5	-1,030	92.8
Corn- and bean-based snacks	18,550	18,574	16,996	-8.4	-1,578	91.5
Cereals	24,140	31,950	30,961	+28.3	-988	96.9
Others	46,969	49,574	48,848	+4.0	-726	98.5



# Revised FY2017 Full year forecasts

## : Factors increasing operating income



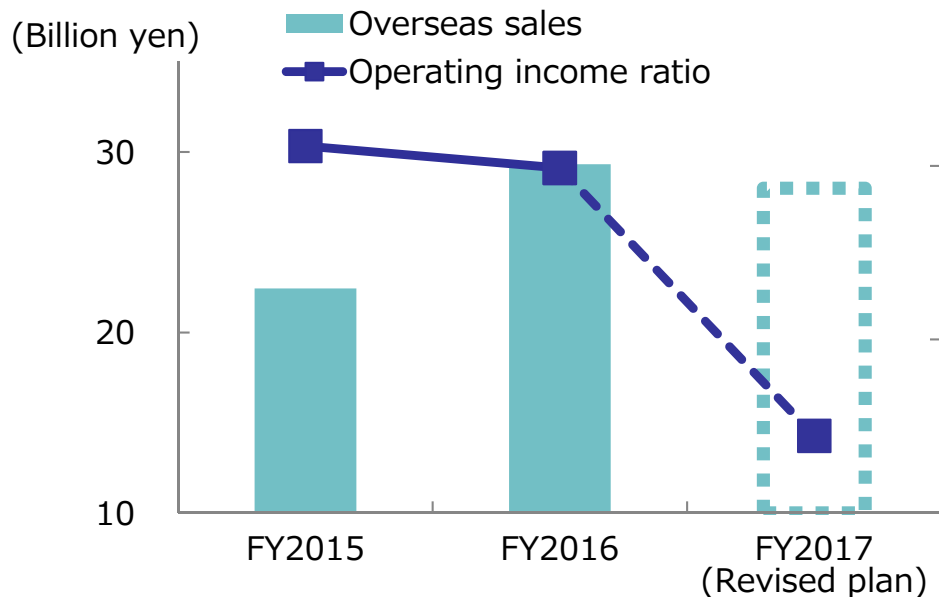
	FY2016	Net sales	Raw material costs	Production costs	Selling expenses	Distribution costs	Labor costs	Others	FY2017
Q3(Nine months)	21,909	↑1,637	↑1,114	↑810	↓2,592	↓548	↑60	↓145	22,244
Q4 plan	6,215	↑46	↑227	↓68	↓455	↑59	↓9	↑239	6,255

# Revised FY2017 Full year forecasts : Overseas business

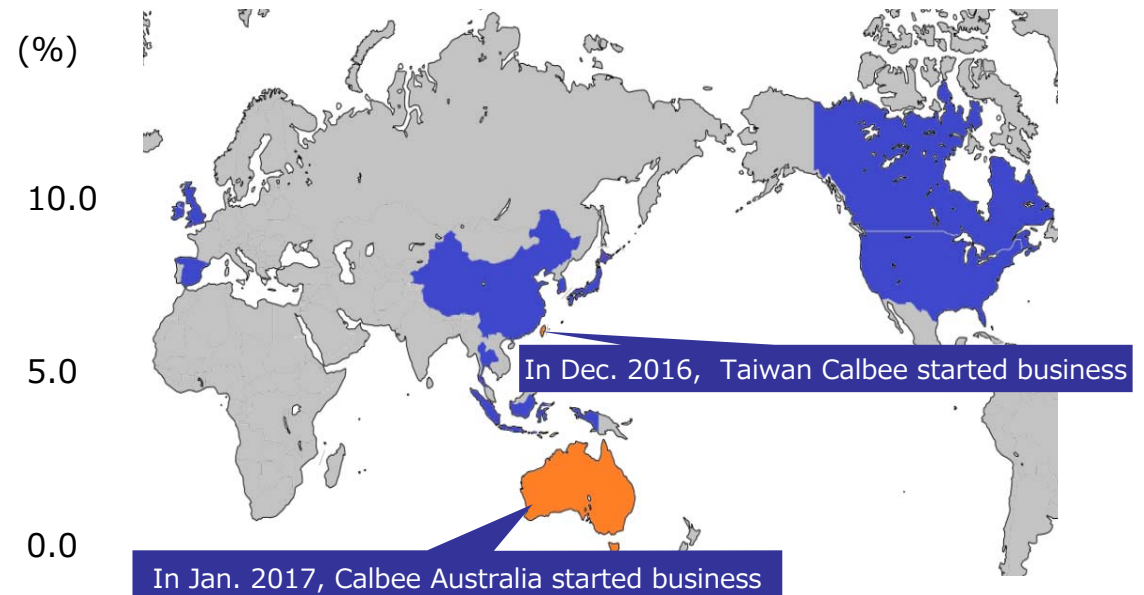
## ■ Initiatives towards achieving full year plan

- **North America** : Plan to launch large promotions with major customers from February
- **South Korea** : Plan to launch new products developed through Japan collaboration in March
- **Indonesia** : Aim to grow sales, continue to expand distribution, proactively invest in selling expenses
- **UK** : Launch new product from January, advance negotiations with new customers

Overseas sale, operating income ratio



Overseas locations



# Revised FY2017 Full year forecasts : Domestic business

## ■ Initiatives towards achieving full year plan

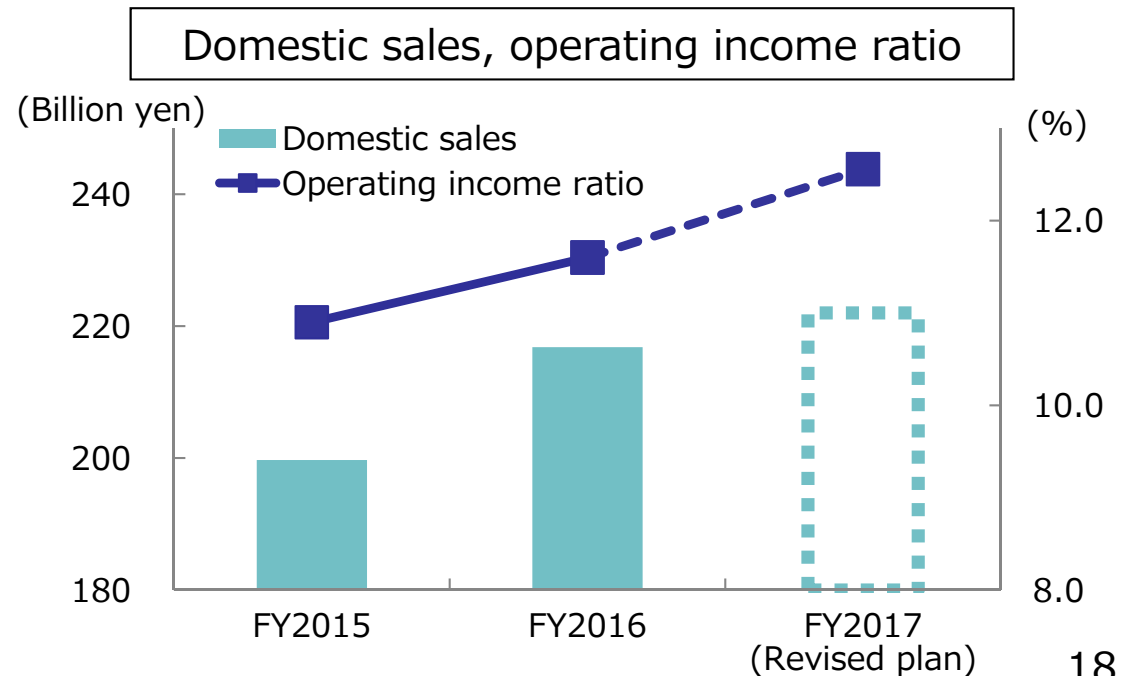
### Net sales

- **Potato-based snacks :**  
Obtained necessary potato supplies for the year.  
Due to reduced yield we will be unable to make up H1's lower sales.
- **Frugra :**  
Launched *25% Less Carbohydrates* in January, to expand product line-up from February.  
Aim to expand customer base in joint sales promotions with other companies through suggesting new ways to consume and enjoy.
- **Others :** Expand *Potato Chips Crisp* sales region – launch in Chubu area from January



### Operating income

- Aim to further increase profitability with cost reductions that lower raw materials costs, production costs, etc.
- Continue proactive investment in selling expenses to grow *Frugra* sales
- Forecast achievement of Japan Frito-Lay (corn-based snacks) full year operating income plan on cost optimization



# Reference material

# FY2017 Q3: Sales by product

(Million yen)

	FY2016 Q3 【Three months】			FY2017 Q3 【Three months】			FY2017 Q3 【Nine months】		
	Amount	Composition	Change in %	Amount	Composition	Change in %	Amount	Composition	Change in %
Potato-based snacks	33,674	52.4%	+6.3%	34,477	52.8%	+2.4%	94,620	50.1%	-0.3%
<i>Potato Chips</i>	21,248	33.1%	+5.3%	21,524	33.0%	+1.3%	57,207	30.3%	-2.1%
<i>Jagarico</i>	8,877	13.8%	+4.9%	9,532	14.6%	+7.4%	27,355	14.5%	+4.0%
<i>Jagabee/Jaga Pokkuru</i>	3,549	5.5%	+17.4%	3,419	5.2%	-3.7%	10,057	5.3%	-1.4%
Flour-based snacks	5,580	8.7%	-4.0%	5,762	8.8%	+3.3%	16,694	8.8%	+0.7%
Corn- and bean-based snacks*	5,088	7.9%	+3.4%	4,254	6.5%	-16.4%	13,142	7.0%	-7.9%
Other new snacks **	1,273	2.0%	-6.5%	2,238	3.4%	+75.8%	5,412	2.9%	+32.1%
Domestic snacks	45,617	71.0%	+4.2%	46,732	71.6%	+2.4%	129,870	68.7%	-0.0%
Overseas	7,361	11.5%	+22.2%	7,049	10.8%	-4.2%	20,899	11.1%	-6.0%
Snacks	52,978	82.5%	+6.4%	53,782	82.4%	+1.5%	150,770	79.8%	-0.9%
Cereals	6,336	9.9%	+63.7%	6,623	10.1%	+4.5%	23,922	12.7%	+30.9%
Bread	3,468	5.4%	+12.1%	3,415	5.2%	-1.5%	10,632	5.6%	+2.8%
Others	720	1.1%	-17.2%	362	0.6%	-49.7%	954	0.5%	-51.6%
Other foods	10,526	16.4%	+34.3%	10,401	15.9%	-1.2%	35,509	18.8%	+16.1%
Services	719	1.1%	-3.8%	1,106	1.7%	+53.8%	2,664	1.4%	+8.4%
<b>Total Sales</b>	<b>64,224</b>	<b>100.0%</b>	<b>+10.0%</b>	<b>65,290</b>	<b>100.0%</b>	<b>+1.7%</b>	<b>188,944</b>	<b>100.0%</b>	<b>+2.0%</b>

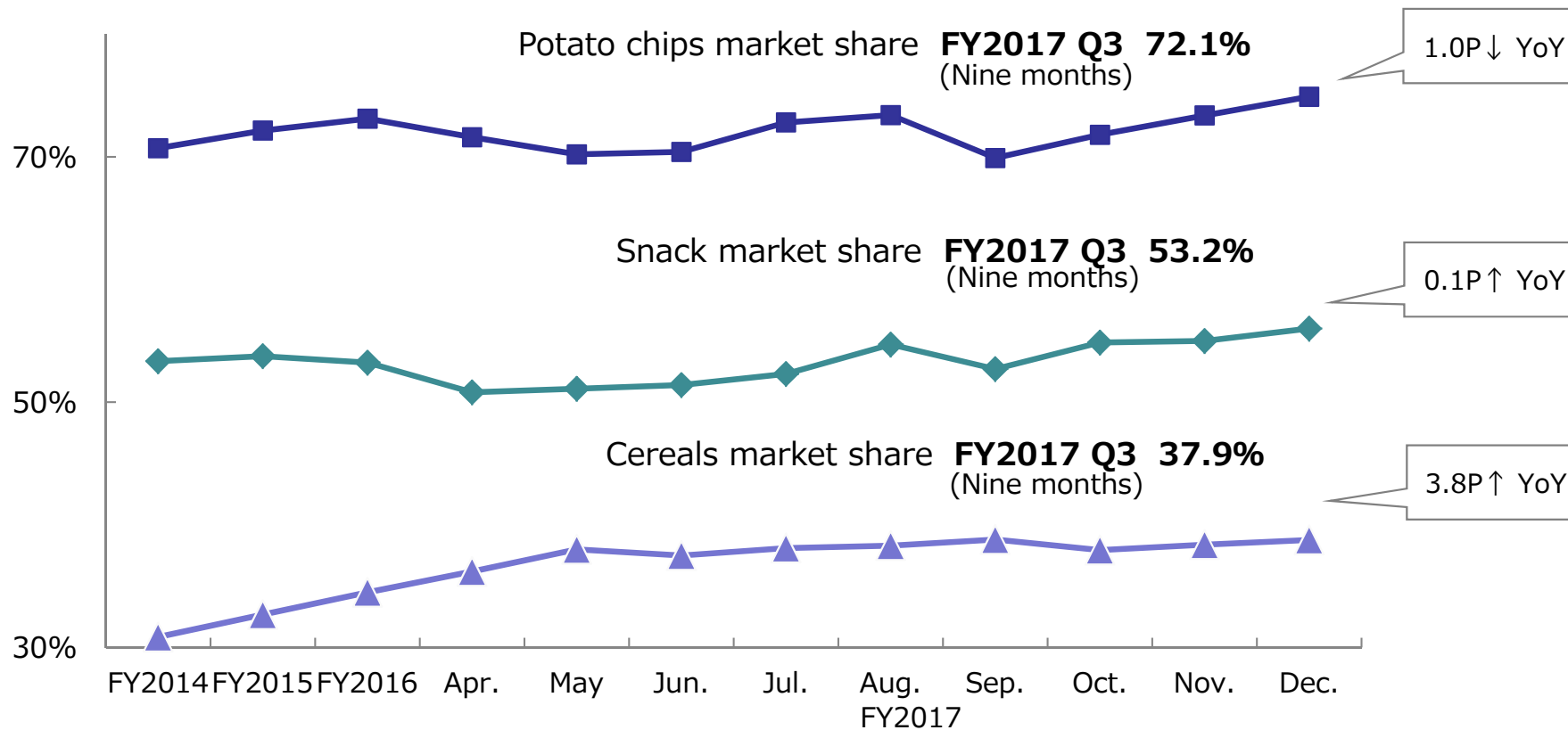
\*"Corn-based snacks" has been restated as "Corn- and bean-based snacks"

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

# FY2017 Q3: Sales by country

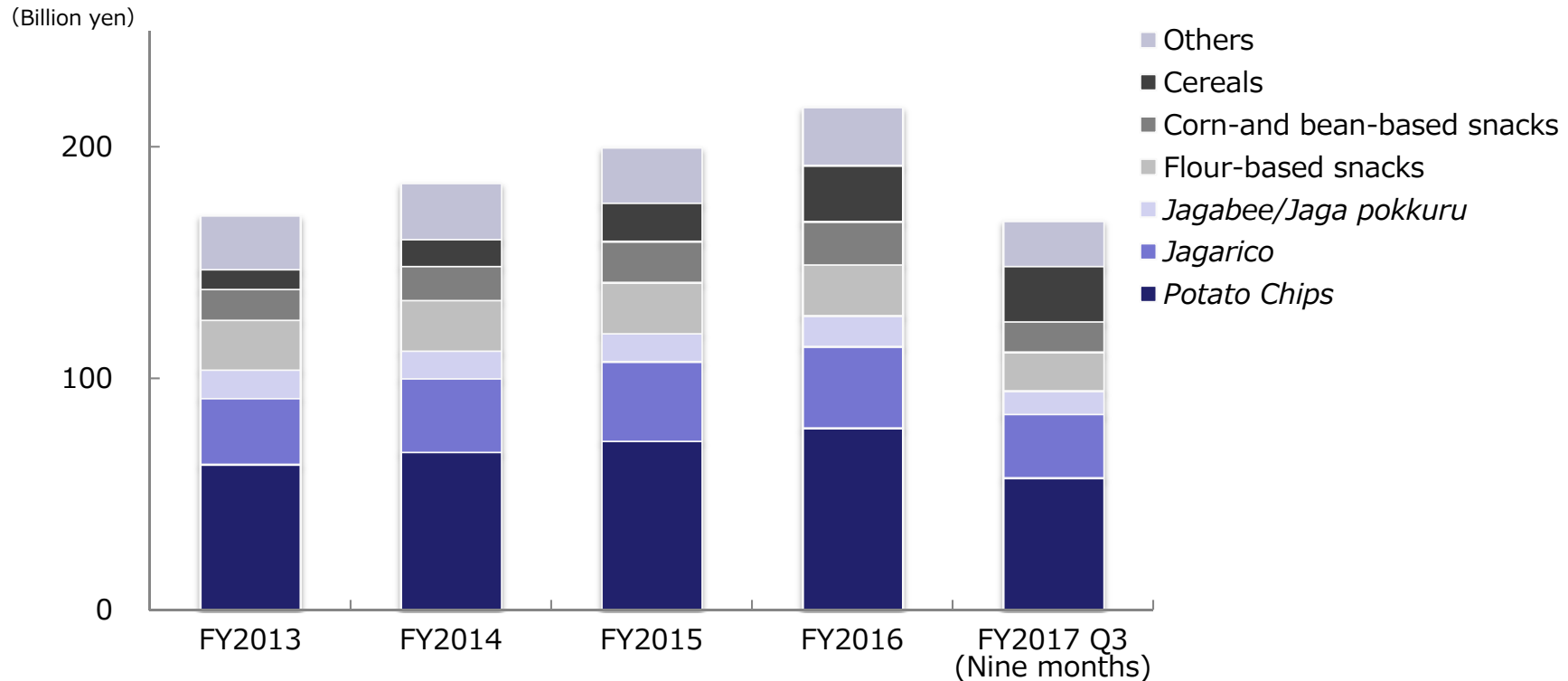
	Yen	FY2016 Q3 【Three months】	FY2017 Q3 【Three months】	Change in %	FY2017 Q3 【Nine months】	Change in %
	Local currency					
North America	Million yen	3,281	2,556	-22.1%	8,125	-14.3%
	Thousand dollars	27,009	22,997	-14.9%	75,326	-3.5%
China	Million yen	389	387	-0.4%	1,204	-18.7%
	Thousand renminbi	20,224	24,017	+18.8%	74,712	-2.9%
South Korea	Million yen	1,421	1,182	-16.9%	4,058	-12.9%
	Million won	13,323	12,424	-6.7%	43,223	-1.0%
Thailand	Million yen	822	758	-7.7%	2,090	-9.2%
	Thousand baht	235,538	243,598	+3.4%	683,150	+3.6%
Hong Kong	Million yen	815	980	+20.3%	2,770	+14.9%
	Thousand HK dollars	52,021	68,774	+32.2%	199,334	+29.5%
Taiwan	Million yen	39	27	-31.4%	31	-87.0%
	Thousand NT dollars	10,397	8,047	-22.6%	9,298	-85.3%
Philippines	Million yen	163	134	-18.0%	372	-25.4%
	Thousand pesos	61,526	59,873	-2.7%	164,936	-12.2%
United Kingdom	Million yen	71	195	+173.6%	626	+685.0%
	Thousand UK pounds	384	1,416	+268.4%	4,362	+913.3%
Singapore	Million yen	357	320	-10.3%	979	-8.8%
	Thousand SG dollars	4,063	4,093	+0.7%	12,500	+2.3%
Spain	Million yen	-	12	-	42	-
	Thousand Euro	-	106	-	355	-
Indonesia	Million yen	-	494	-	597	-
	Million ID rupiah	-	60,835	-	73,762	-

## ■ Market share\*



\*  
 Source: Intage SRI based on sales (nationwide, all retail formats)  
 FY2017 Q3 : April 2016 – December 2016  
 Comparison period: April 2015 - December 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

## ■ Leading brand sales trends

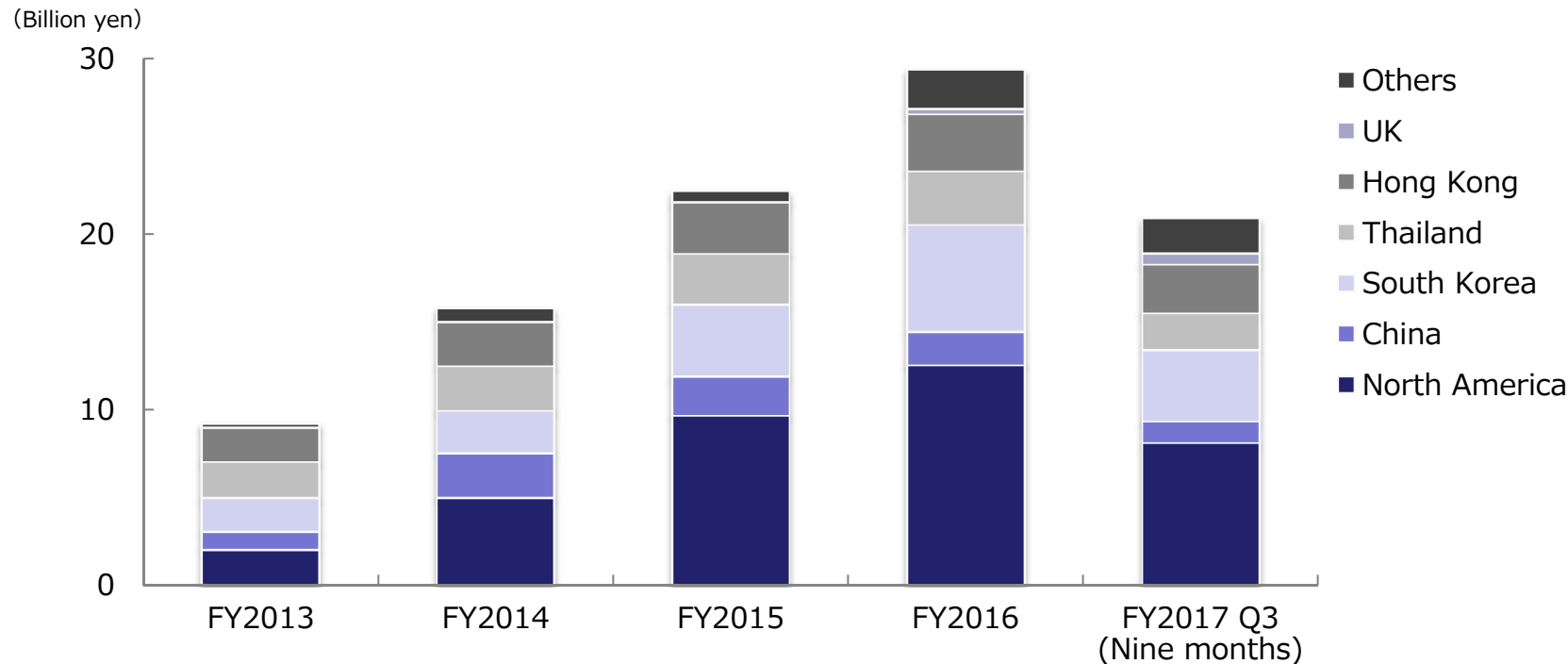


## ■ FY2017 domestic business topics

- 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 net sales



## ■ FY2017 overseas business topics

Apr. 2016 Spain: Launched *Snapea Crisps*

May 2016 South Korea: Second Munmak factory began operation

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

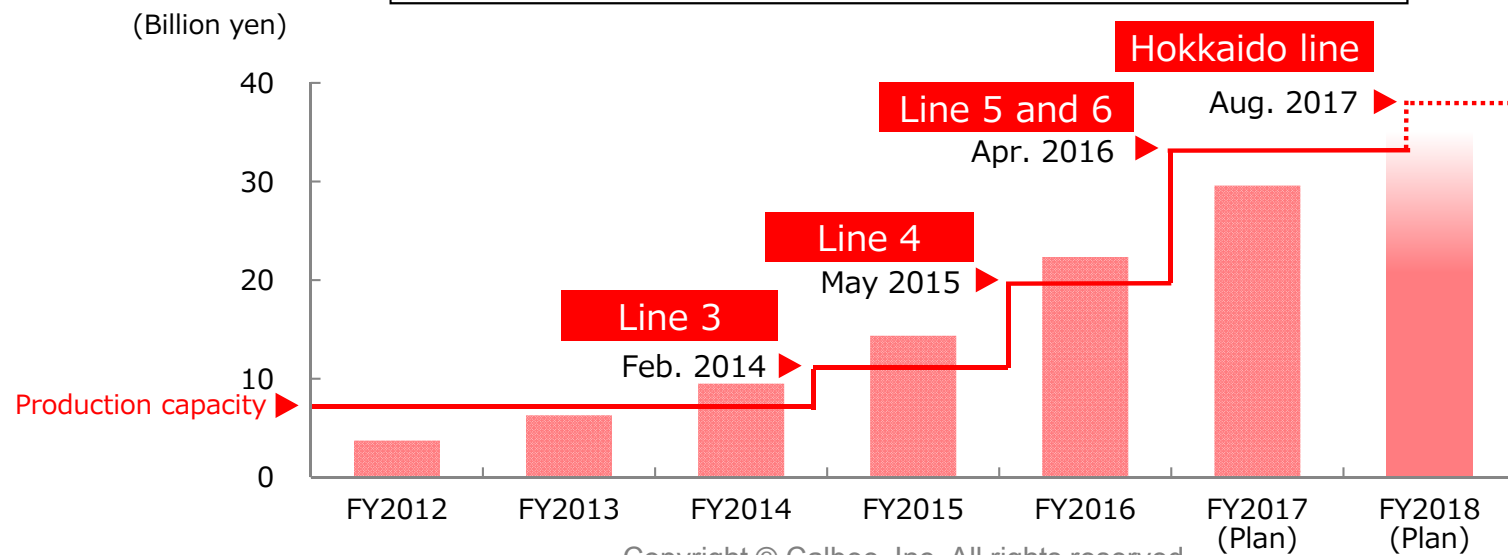
Dec. 2016 Taiwan : Launched imported *Potato Chips* and *Jagabee* at 100% subsidiary Taiwan Calbee

## Investment to increase *Frugra* production in response to domestic and overseas demand

Factory location : City of Chitose, Hokkaido (expansion of existing factory)  
 Investment amount : 1.8 billion yen  
     Of which : Buildings 0.8 billion yen  
               Machinery and equipment 1.0 billion yen  
 Production start : August 2017  
 Production capacity : Increase 3 billion yen/year  
                           Together with existing facilities, 38 billion yen



*Frugra*: Net sales and production capacity



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- The Company's fiscal year ends on March 31. The fiscal year ended March 31, 2017 is referred to throughout this report as "fiscal 2017," 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.
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