

Calbee Group Financial Results

For the fiscal year ended March 31, 2017
April 1, 2016 – March 31, 2017



Calbee, Inc.
2017.5.15

**成名每在窮苦日
敗事多因得意時**

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.**

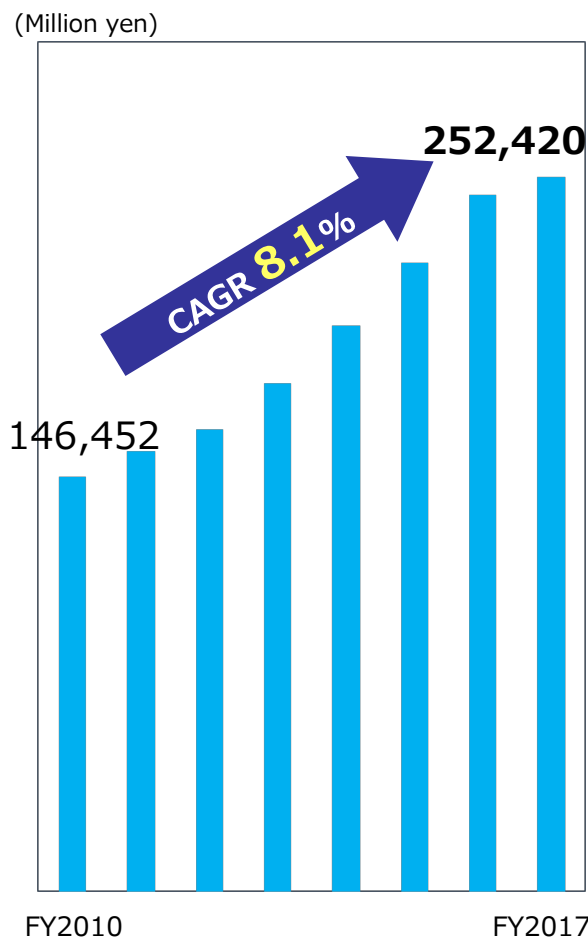
Performance highlights

Calbee

Harvest the Power of Nature.

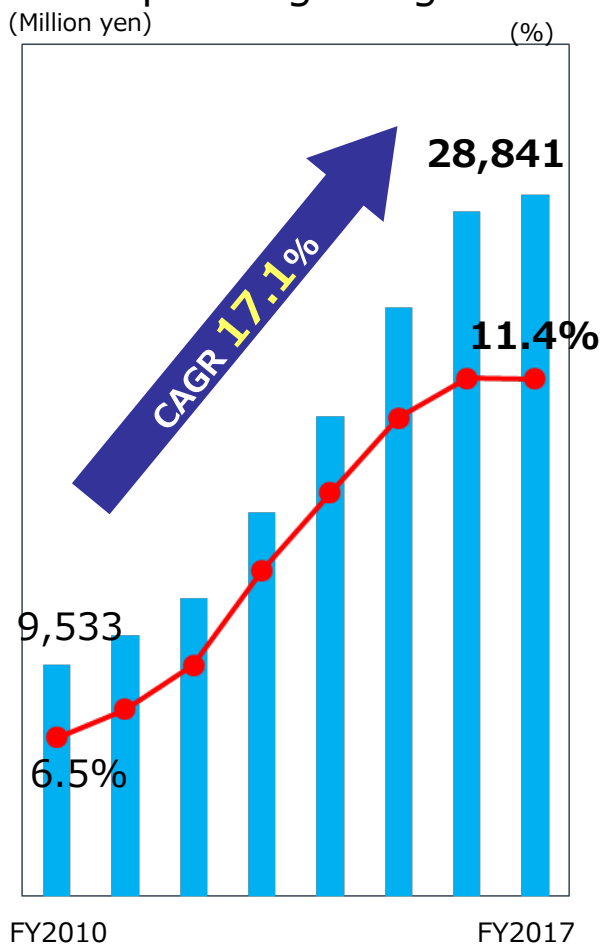
Growth

Net sales



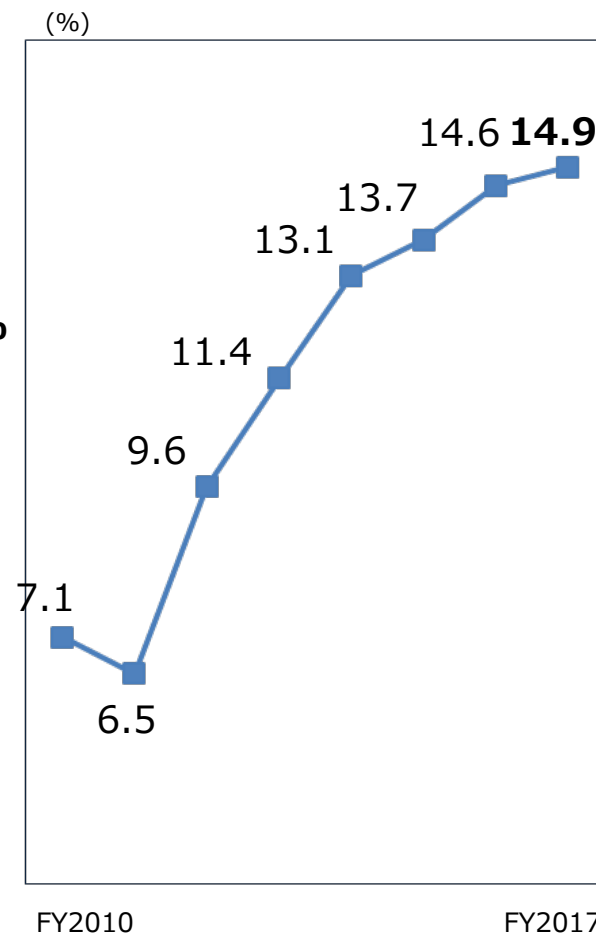
Margin

Operating income
Operating margin



Return

ROE



No potatoes!



Rebuilding overseas businesses



Increasing domestic share is a challenge, but...

54%

*1



72%

*2



38%

*3



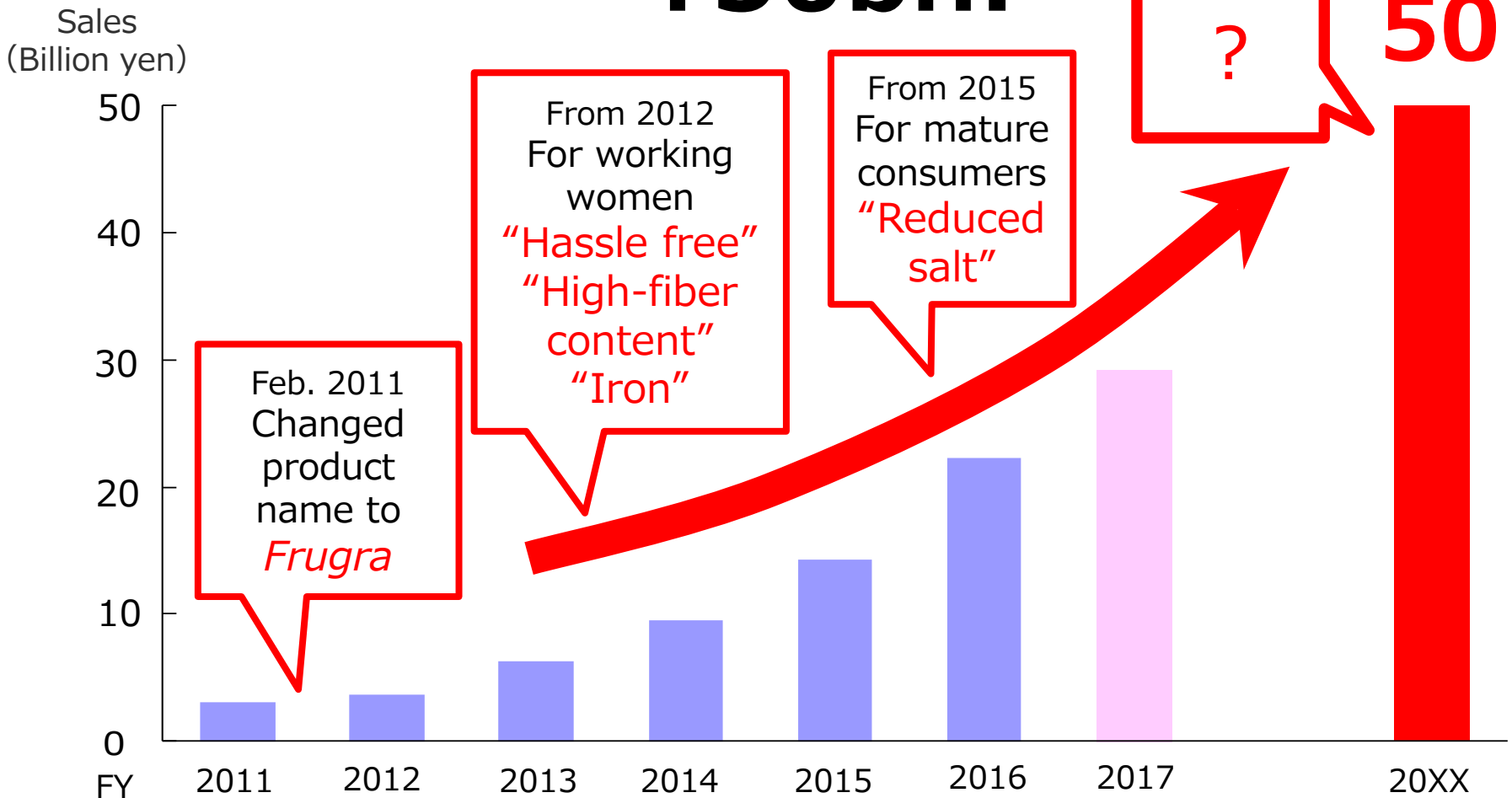
* Source: Intage SRI based on sales (nationwide, all retail formats) April 2016 -March2017

*1 Snack market share: Total of Calbee and Japan Frito-Lay

*2 Potato chips: Total of potato chips (thick- and thin-sliced), shoestring and kettle types; includes private brand products

*3 Cereal market share

Frugra rising towards ¥50bn!



China's market for *Frugra* is huge!



What's new for growth?

2009

A good company, but...

Slumping sales
Decreasing profit
Increasing debt
Environment:
Depopulation
Declining birth rate
Aging population
Declining disposable income
Deflation

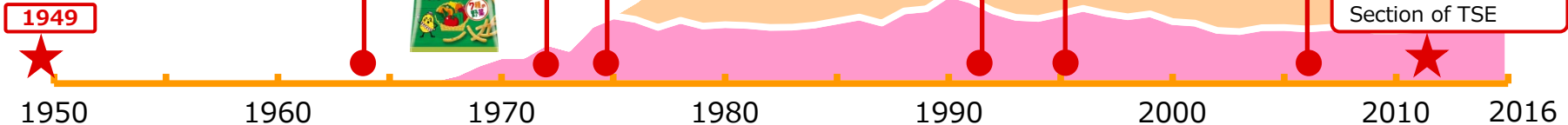
Growth strategy

	2008	2016
Net sales	¥137.3bn	¥252.4bn
Potato Chips market share*	57%	72%
Overseas business	¥5.6bn	¥28.9bn+
Frugra	¥2.2bn	¥29.1bn
Innovation?	Potato Chips Crisp	
New business?	Calbee+..	
L&A?	Japan Frito-Lay, North America, Singapore	
PepsiCo?		

What's new?



Founder Takashi Matsuo



* Source: Intage SRI based on sales (nationwide, all retail formats), 2008(FY2009) ; November, 2008, 2016(FY2017) ; April 2016 – March 2017

Potato chips: Total of potato chips (thick – and thin-sliced), shoestring and kettle types; includes private brand products(2016)

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成名每在窮苦日 敗事多因得意時

Success comes when you work hard with a positive attitude amid difficult circumstances; failure comes when you are doing well and become proud and lower your guard.

Review of fiscal year ended March 2017

Next actions

Shuji Ito
President & COO







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- 2. FY2018 full year forecasts**
- 3. FY2018 investment and shareholder return policy**

- 1. FY2017 financial results**
2. FY2018 full year forecasts
3. FY2018 investment and shareholder return policy

Key Performance Indicators

- Both net sales and profit achieved record highs
Achieved target for net profit, but did not for net sales and operating income
- Operating income ratio did not achieve target due to higher selling expense ratio; flat YoY
- Overseas sales ratio did not achieve target due to the impact of foreign currency adjustments on the strong yen and lower sales in key regions

	FY2017 Target (at period start)	FY2017 Results	Effect
Net sales growth ratio	+6.4%	+ 2.6%	
Operating income growth ratio	+10.2%	+ 2.5%	
Operating income ratio	11.8%	11.4%	
Overseas sales ratio	13.5%	11.5%	
Gross profit ratio	43.9%	44.2%	
SG&A ratio	32.1%	32.8%	

FY2017: Results highlights

	FY2016		FY2017		Change	VS plan (at a period start)
	(Million yen)	Percent of total(%)	(Million yen)	Percent of total(%)	(%)	(%)
Net sales	246,129	100.0	252,420	100.0	+2.6	96.3
Gross profit	107,033	43.5	111,573	44.2	+4.2	97.0
SG&A	78,908	32.1	82,732	32.8	+4.8	98.5
Selling	34,652	14.1	38,357	15.2	+10.7	103.7
Distribution	16,209	6.6	16,874	6.7	+4.1	99.3
Labor	17,752	7.2	17,572	7.0	- 1.0	92.0
Others	10,293	4.2	9,927	3.9	- 3.6	91.1
Operating income	28,125	11.4	28,841	11.4	+2.5	93.0
Ordinary income	26,545	10.8	28,625	11.3	+7.8	95.4
Extraordinary income/loss	-422	—	-925	—	—	—
Non-controlling interests profit	1,232	—	341	—	—	—
Net profit*	16,799	6.8	18,605	7.4	+10.8	104.5

- Net sales : Rose 2.6% YoY
Domestic Rose 3.1% – *Frugra*, new product *Potato Chips Crisp*, etc. contributed
Overseas Fell 1.2% – Fell on the impact of the strong yen; rose 9.4% on a local currency basis
- Operating income : Rose 2.5% YoY Operating income ratio flat YoY
Gross profit margin rose 0.7 points due to decreased raw material costs, etc.
SG&A ratio worsened 0.7 points due to higher domestic selling expenses
- Non-operating income/expenses : Foreign exchange losses 260 million yen

*Profit attributable to owners of parent 15

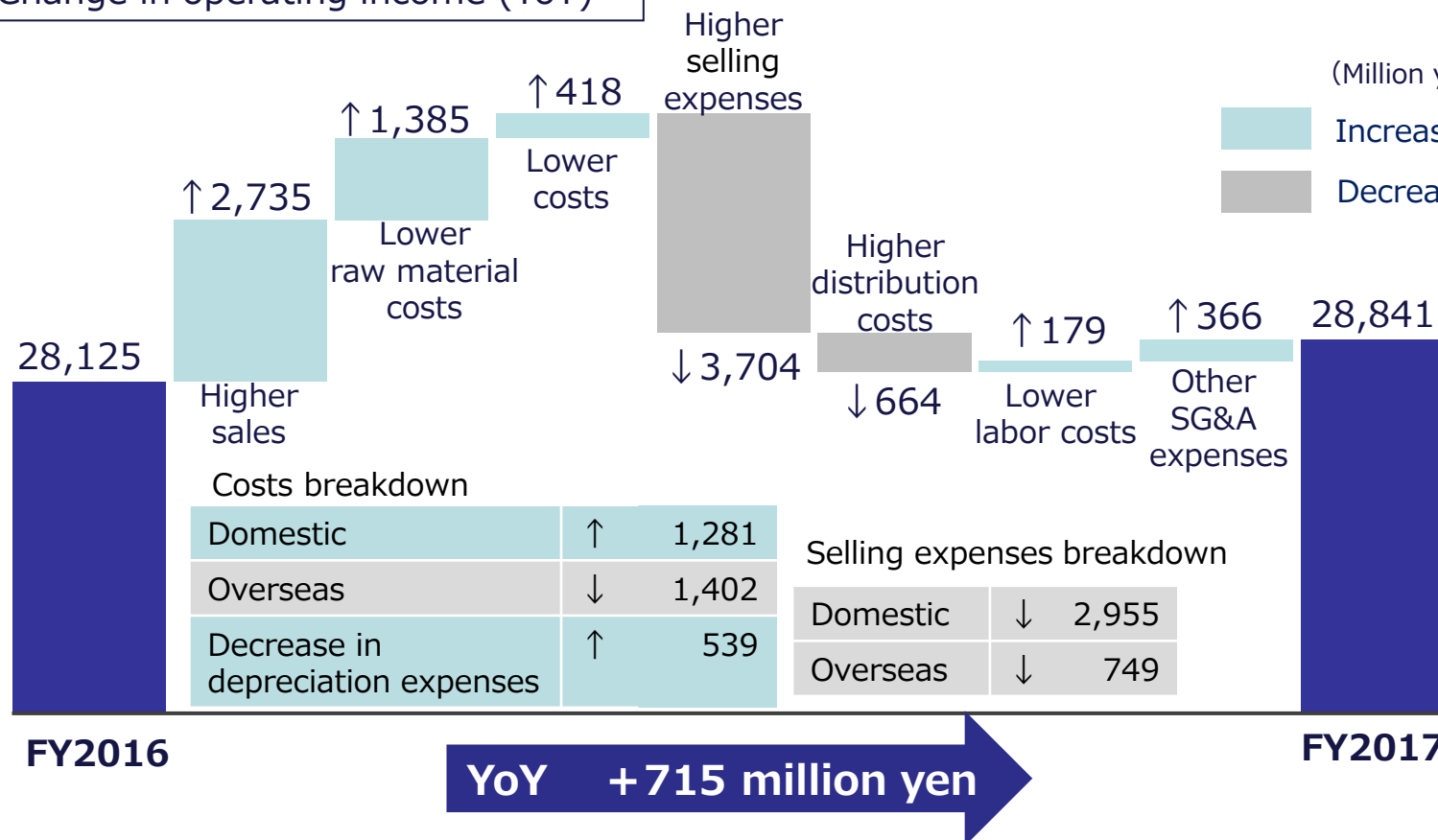
FY2017: Factors increasing operating income

Change in operating income (YoY)

(Million yen)

Increased profit

Decreased profit



- Lower raw material costs: Cost reductions on positive effects from the strong yen and *Frugra* raw material costs
- Lower costs: (Domestic) Lower electricity costs due to the lower price of crude oil, improved productivity
(Overseas) Lower productivity in North America, lower utilization in South Korea, began production in Indonesia
- Higher selling expenses: (Domestic) Increased primarily on focus on *Frugra* sales promotion
(Overseas) Investment in sales promotion expenses in Indonesia, etc.

FY2017: Domestic business highlights

Sales rose on contribution from *Frugra*, new snacks, etc.,
income ratio rose on improved cost ratio

(Million yen)

	FY2016	FY2017	YoY	Change in %
Net sales	216,807	223,441	+6,634	+3.1
<i>Potato Chips</i>	78,627	76,583	-2,044	-2.6
<i>Jagarico</i>	35,069	36,685	+1,615	+4.6
Flour- based snacks	22,007	22,795	+787	+3.6
Corn- and bean-based snacks	18,550	17,160	-1,389	-7.5
Other new snacks	5,507	7,524	+2,016	+36.6
Cereals (Incl. <i>Frugra</i>)	24,140	30,436	+6,295	+26.1
Operating income (Compared to net sales)	25,210 (11.6%)	27,996 (12.5%)	+2,785	+11.0

- Net Sales : Rose 3.1% YoY
 - *Potato Chips*: Decreased due to production/sales adjustments and delayed launch for some products caused by potato shortage
 - *Jagarico*: Strong sales of expansion of L size products, flavor developed products
 - Flour- based snacks: Strong sales on *Sapporo Potato* product renewal, increased volume campaign
 - Corn- and bean-based snacks: Weak sales of popcorn continued
 - Other new snacks: Launch of *Potato Chips Crisp* (¥2.2 billion in sales this fiscal year)
 - Cereals: Significantly increased sales of *Frugra* on expanded production capacity and enhanced product line up
- Operating income: Despite rise in selling expense ratio, income ratio rose 0.9 points on improved cost ratio

FY2017: Overseas business highlights

Sales rose on local currency bases, but on a yen basis weak results due to foreign exchange effects
Large decrease in operating income on factors including lower profit in North America and South Korea

(Million yen)

	FY2016	FY2017	Change in %	Breakdown of change			
				YoY	Forex difference	Real terms	Change in %
Net Sales	29,321	28,978	-1.2	-342	-3,095	+2,752	+9.4
North America	12,517	11,606	-7.3	-911	-1,184	+273	+2.2
South Korea	6,072	5,336	-12.1	-735	-521	-213	-3.5
Others	10,731	12,035	+12.2	+1,303	-1,388	+2,692	+25.1
	FY2016	FY2017	YoY				
Operating income	2,914	844	-2,069				
North America	2,848	1,543	-1,305				
South Korea	485	-72	-558				
Others	-419	-625	-206				

- Net Sales : Fell 1.2% on foreign exchange effects, but in real terms(on a local currency basis) rose 9.4%
 - North America: Rose 2.2% for the full year, rose 19.1% YoY in Q4 on sales recovery primarily to large customers
 - South Korea: New products were unable to cover lower sales of core products
 - Others: Sales rose significantly on expansion of customers in the UK and launch of production and sales in Indonesia
- Operating income: Large decrease in profit on recording of initial investment for sales promotion expenses, etc. in Indonesia and weak sales and higher costs in North America and South Korea

1. FY2017 financial results
- 2. FY2018 full year forecasts**
3. FY2018 investment and shareholder return policy

FY2018 Full year forecasts highlights

Intensify focus on profit during potato shortage and preparation stage for export of *Frugra*

	FY2017 results		FY2018 forecasts		Change
	(Million yen)	Percent of total(%)	(Million yen)	Percent of total(%)	(%)
Net sales	252,420	100.0	260,000	100.0	+3.0
Gross profit	111,573	44.2	114,000	43.8	+2.2
SG&A	82,732	32.8	84,000	32.3	+1.5
Selling	38,357	15.2	37,900	14.6	-1.2
Distribution	16,874	6.7	17,000	6.5	+0.7
Labor	17,572	7.0	18,800	7.2	+7.0
Others	9,927	3.9	10,300	4.0	+3.8
Operating income	28,841	11.4	30,000	11.5	+4.0
Ordinary income	28,625	11.3	30,000	11.5	+4.8
Extraordinary income/loss	-925	—	-1,000	—	
Net profit*	18,605	7.4	19,000	7.3	+2.1

*Profit attributable to owners of parent

FY2017 Full year forecasts: Domestic business

Despite expansion of new snacks, sales of potato-based snacks expected to decrease due to potato shortage. Domestic demand for *Frugra* growing, but sales expected to be weak due to exceptional factors in overseas consumption

(Million yen)

	FY2017 results	FY2018 forecasts	Change in %
Net sales	223,441	219,620	-1.7
Snacks	174,305	173,660	-0.4
Potato-based	126,824	123,230	-2.8
<i>Potato Chips</i>	76,583	71,670	-6.4
<i>Jagarico</i>	36,685	37,420	+2.0
<i>Jagabee/Jaga Pokkuru</i>	13,556	14,140	+4.3
Flour-based	22,795	22,810	+0.1
Corn- and bean-based	17,160	16,960	-1.2
Other new snacks	7,524	10,660	+41.7
Cereals	30,436	25,970	-14.7
<i>Frugra</i> *	*1 29,196	*2 25,970	-11.1
<i>Corn Flakes</i>	1,239	—	—

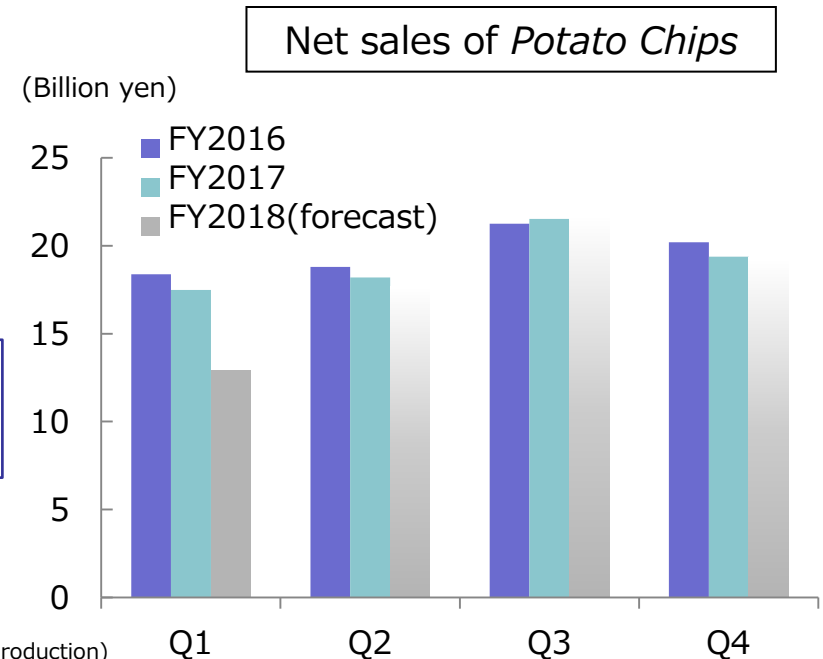
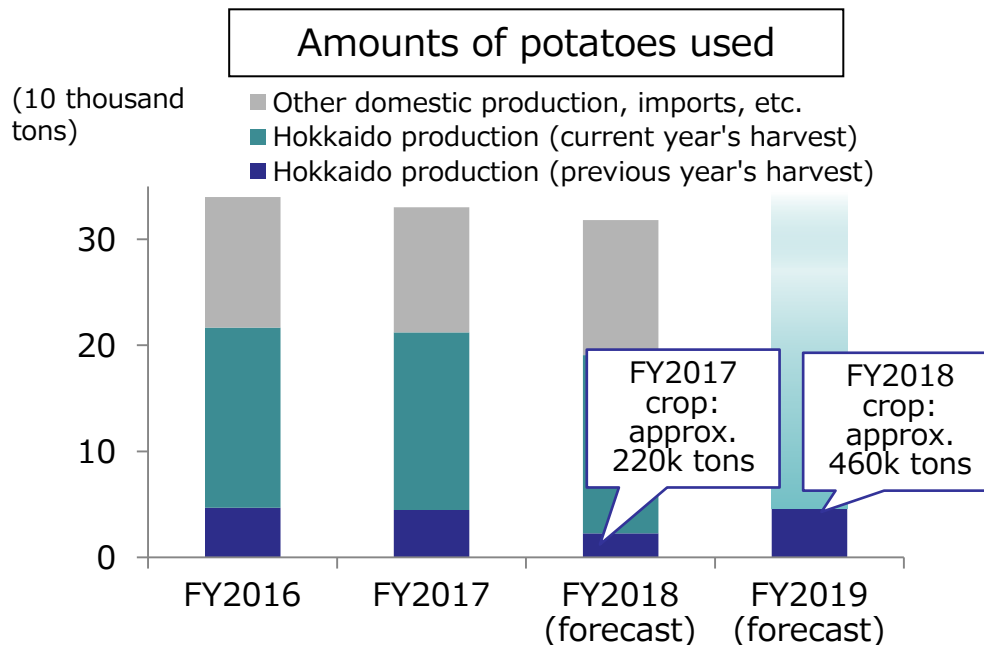
■ For *Frugra* forecasts, see page 24.

*1 Some FY2017 *Frugra* sales are estimates for overseas consumption

*2 FY2018 *Frugra* overseas export sales include overseas business sales for Hong Kong

Potato shortage and response

- The Hokkaido potato harvest is smaller due to last summer's typhoon damage
- Causes of potato shortage
 - (1) Smaller harvest from Hokkaido in 2016
 - (2) Insufficient sales controls in H2 FY2017
 - (3) Lower yield due to quality issues
- Significant decrease in net sales of *Potato Chips* expected in Q1



• Amount of potatoes used in domestic *Potato Chips* and *Jagarico* (including co-op plant production)
 • FY2018 forecast is calculated from normal yield and assumed cultivation area

Potato shortage and response

Present measures in response

- Selection and concentration of *Potato Chips* sales items
 - Resume sales items one-by-one after potato supply stabilizes
 - Strengthen the sales other than *Potato Chips*
 - Enhance the sales of *Jagarico*, *Jagabee* and other new snacks
 - In particular, *Potato Chips Crisp* expansion
- Late April: Launch L size in Chugoku, Shikoku and Kyushu regions
May: Launch S size and L size in Kinki region

Medium-term initiatives

- (Supply/production) Increase harvest
 - Develop new and repurpose existing production areas for potatoes used as ingredients
 - Enact labor-savings and support in production and harvest processes
 - Consider expansion of domestic production lines able to use imported potatoes
- (Products) Develop/expand new products that do not use raw potatoes on existing lines
 - Develop natural ingredient-based snacks with production techniques that draw out their taste

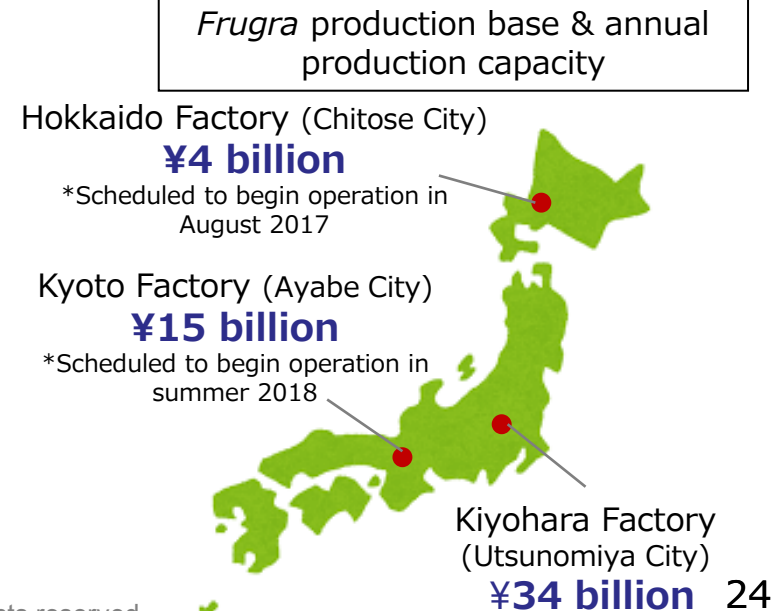
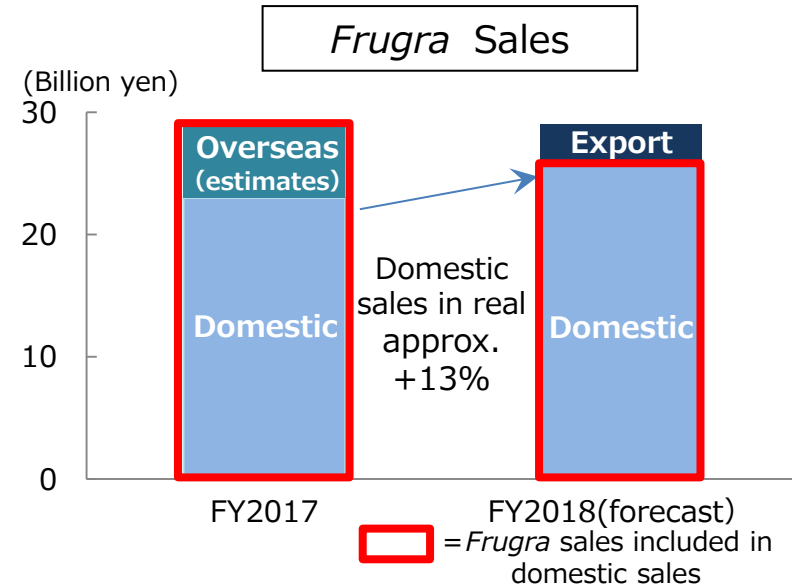


Control selling costs

- Implement control of sales expenses based on a profit oriented sales policy
 - Consolidate distributors
 - Trial run of a “one price product” without any discounts
 - Innovate in the distribution system

Frugra (cereal) expansion

- Aim for double digit sales growth in real domestic consumption
 - Expand product lineup and customer base
 - Seasonal/regional limited edition products, added functions
 - Size and assortment of individual portions, etc.
- Build production system for export
 - Overseas consumption in FY2017 estimated to comprise around 20% of *Frugra* sales
 - August 2017: Launch operation of Hokkaido Factory and start export sales to China
- Expand production system to meet growing domestic and overseas demand
 - Summer 2018: Launch operation of Kyoto Factory



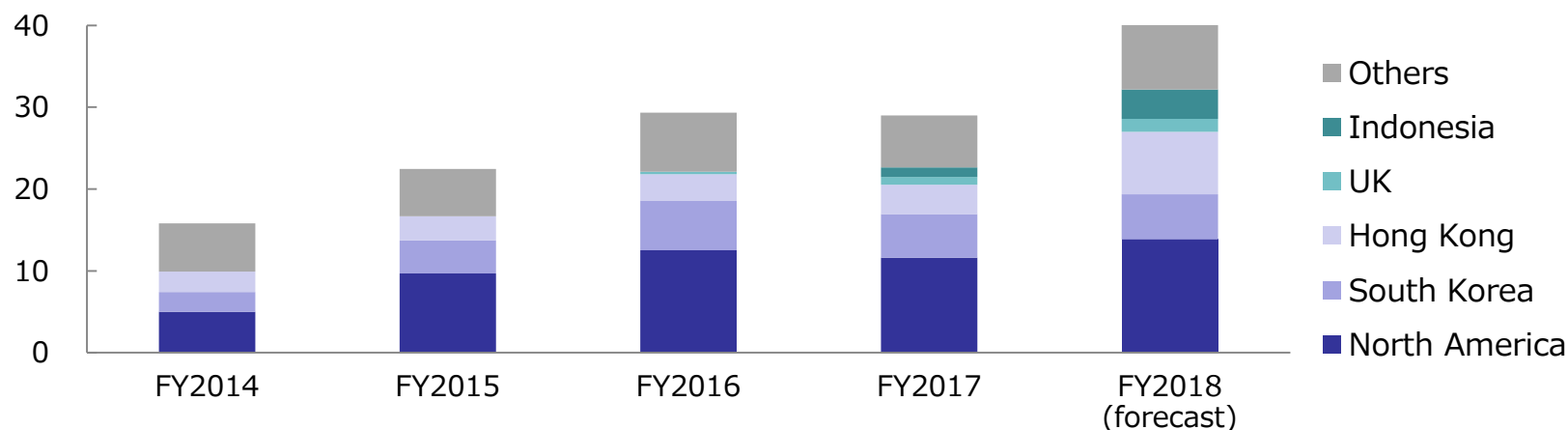
FY2017 Full year forecasts: Overseas business

Aim to expand sales in North America, Indonesia
Expect increased sales in Hong Kong (cross-border e-commerce)
on launch of *Frugra* export sales to China

(Million yen)

	FY2017 results	FY2018 forecasts	Change in %
Net Sales	28,978	40,380	+39.3
North America	11,606	13,840	+19.2
South Korea	5,336	5,520	+3.4
Hong Kong	3,601	7,650	+112.4
UK	947	1,560	+64.7
Indonesia	1,145	3,580	+212.4
Others	6,341	8,230	+29.8
Exchange rate (Yen/USD)	109.0	116.0	

(Billion yen)



■ North America

- Continue to strengthen relations with large customers and expand new customer base of *Harvest Snaps*
- New product development and strengthening sales and marketing of *Whole Cuts*
- Continue activities to improve costs



■ South Korea

- Continue investing in new *Potato Chips* flavors

■ Hong Kong

- Launch Frugra sales in mainland China via cross-border e-commerce business following the start of production at Hokkaido Factory

■ UK

- Expand awareness of *YUSHOI* through brand renewal
- Continue production of private brand products to improve utilization
- Aim to expand sales towards profitability from the next fiscal year

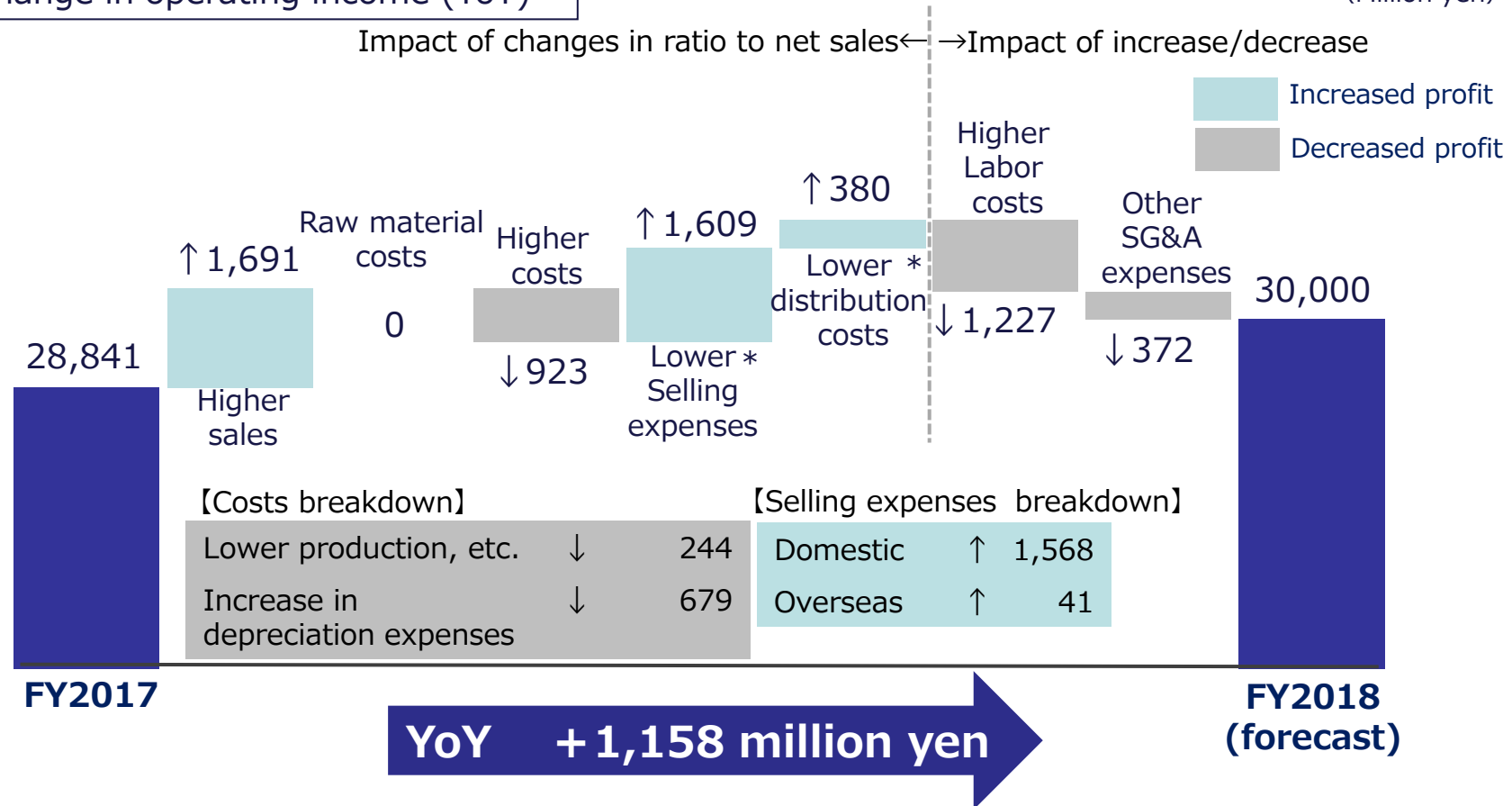
■ Indonesia

- Proactively distribute to major retailers (MT) and traditional retailers (TT)
- Invest in advertising expenses to improve market recognition
- Aim to expand sales towards profitability from the next fiscal year
- Aim to lower cost ratio through reduced production losses and stabilization of raw material supply

FY2018 Full year forecasts: Factors increasing operating income

Change in operating income (YoY)

(Million yen)



* Regarding selling and distribution expenses, until FY2017 the impact of increases/decreases of amounts were listed, but from FY2018 the impact of increases/decreases of ratios to net sales will be listed

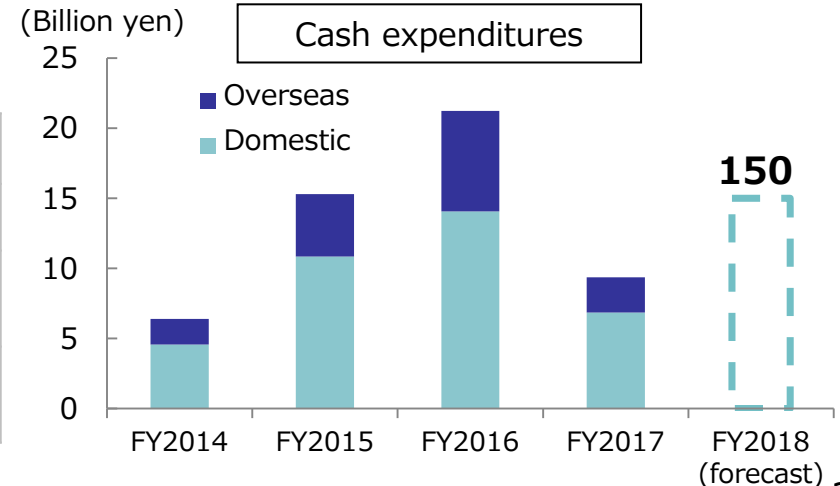
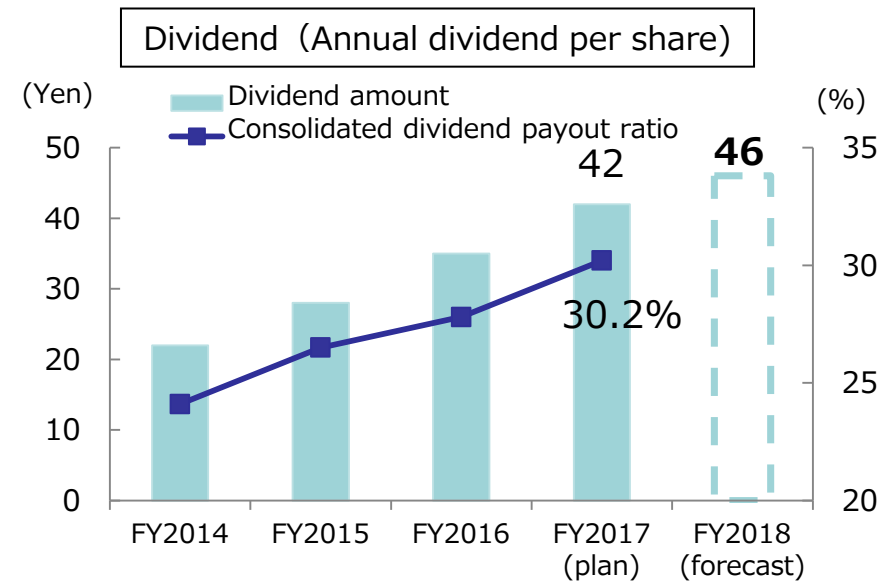
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shareholder return policy**

Continually increase dividend whilst investing cashflow in growth markets

- Dividend forecast (FY ending March 31, 2018)
Annual dividend per share: ¥46 (¥4 increase)
Aim to continually increase dividend payout ratio and amount, in view of business performance going forward
- Capital investment (FY2018 full year) ¥15 bn
Main investments:
Frugra Hokkaido line relocation
Frugra Kyoto line establishment

Frugra Kyoto Factory investment outline

Factory location	Ayabe, Kyoto Prefecture
Investment amount	Approx. ¥7 billion
Investment outline	Buildings (new), machinery and equipment (2 lines)
Start of operations	Full-scale operation planned for summer 2018



Reference material

FY2017: Sales by product

(Million yen)

	FY2016			FY2017		
	Amount	Composition	Change in %	Amount	Composition	Change in %
Potato-based snacks	127,147	51.7%	+6.4%	126,824	50.2%	-0.3%
<i>Potato Chips</i>	78,627	31.9%	+7.6%	76,583	30.3%	-2.6%
<i>Jagarico</i>	35,069	14.2%	+2.5%	36,685	14.5%	+4.6%
<i>Jagabee/Jaga Pokkuru</i>	13,450	5.5%	+10.5%	13,556	5.4%	+0.8%
Flour-based snacks	22,007	8.9%	+0.2%	22,795	9.0%	+3.6%
Corn- and bean-based snacks*	18,550	7.5%	+4.2%	17,160	6.8%	-7.5%
Other new snacks **	5,507	2.2%	-2.9%	7,524	3.0%	+36.6%
Domestic snacks	173,213	70.4%	+5.0%	174,305	69.1%	+0.6%
Overseas	29,321	11.9%	+30.7%	28,978	11.5%	-1.2%
Snacks	202,535	82.3%	+8.1%	203,284	80.5%	+0.4%
Cereals	24,140	9.8%	+47.7%	30,436	12.1%	+26.1%
Bread	13,896	5.6%	+11.3%	13,913	5.5%	+0.1%
Others	2,307	0.9%	-15.4%	1,238	0.5%	-46.3%
Creals, Bread and Others	40,344	16.4%	+27.8%	45,588	18.1%	+13.0%
Services	3,249	1.3%	-0.0%	3,548	1.4%	+9.2%
Total Sales	246,129	100.0%	+10.8%	252,420	100.0%	+2.6%

*"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"

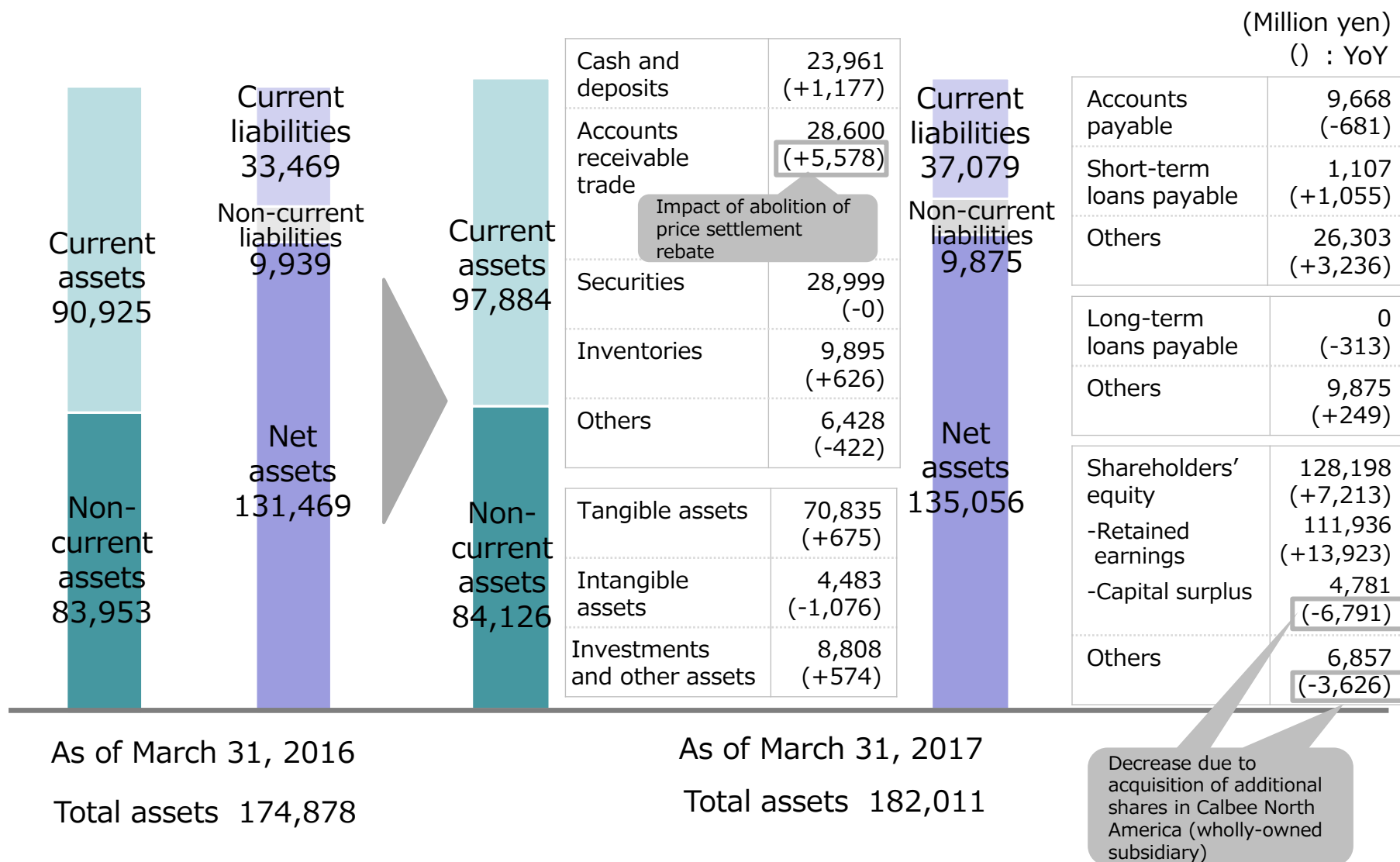
FY2017: Sales by country



Harvest the Power of Nature.

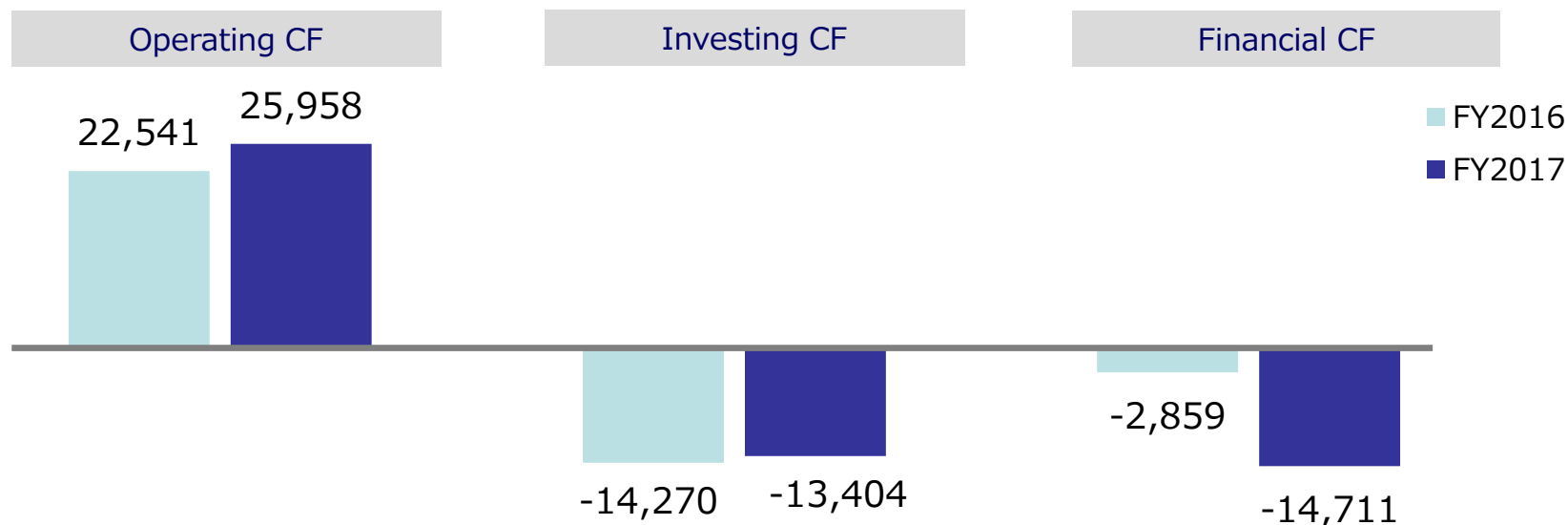
Country	Yen	FY2016	FY2017	Change in %
	Local currency			
North America	Million yen	12,517	11,606	-7.3%
	Thousand dollars	104,184	106,460	+2.2%
China	Million yen	1,909	1,565	-18.0%
	Thousand renminbi	100,951	96,696	-4.2%
South Korea	Million yen	6,072	5,336	-12.1%
	Million won	58,164	56,118	-3.5%
Thailand	Million yen	3,055	2,874	-5.9%
	Thousand baht	890,919	927,396	+4.1%
Hong Kong	Million yen	3,239	3,601	+11.2%
	Thousand HK dollars	209,143	256,327	+22.6%
Taiwan	Million yen	261	50	-80.8%
	Thousand NT dollars	70,227	14,610	-79.2%
Philippines	Million yen	593	489	-17.5%
	Thousand pesos	227,347	216,491	-4.8%
United Kingdom	Million yen	294	947	+221.2%
	Thousand UK pounds	1,632	6,621	+305.7%
Singapore	Million yen	1,376	1,272	-7.5%
	Thousand SG dollars	15,867	16,159	+1.8%
Spain	Million yen	—	72	—
	Thousand Euro	—	608	—
Indonesia	Million yen	—	1,145	—
	Million ID rupiah	—	139,744	—
Australia	Million yen	—	15	—
	Thousand AUD	—	192	—

FY2017: Financial condition



FY2017: Consolidated cash flows

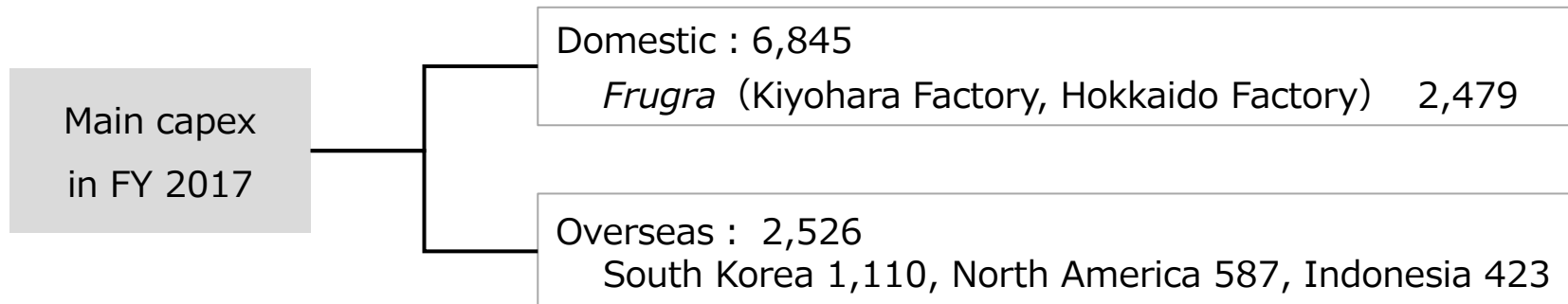
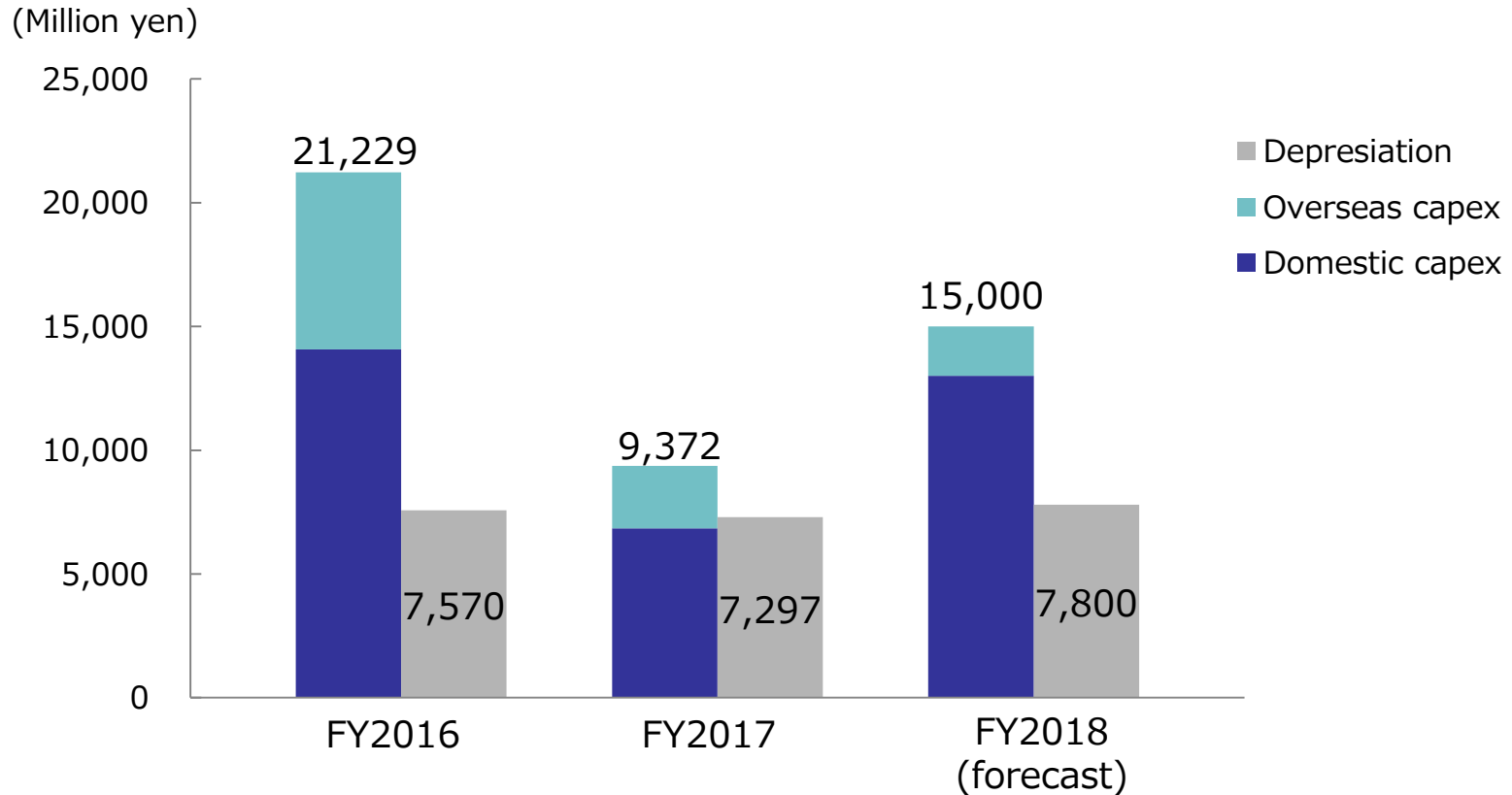
(Million yen)



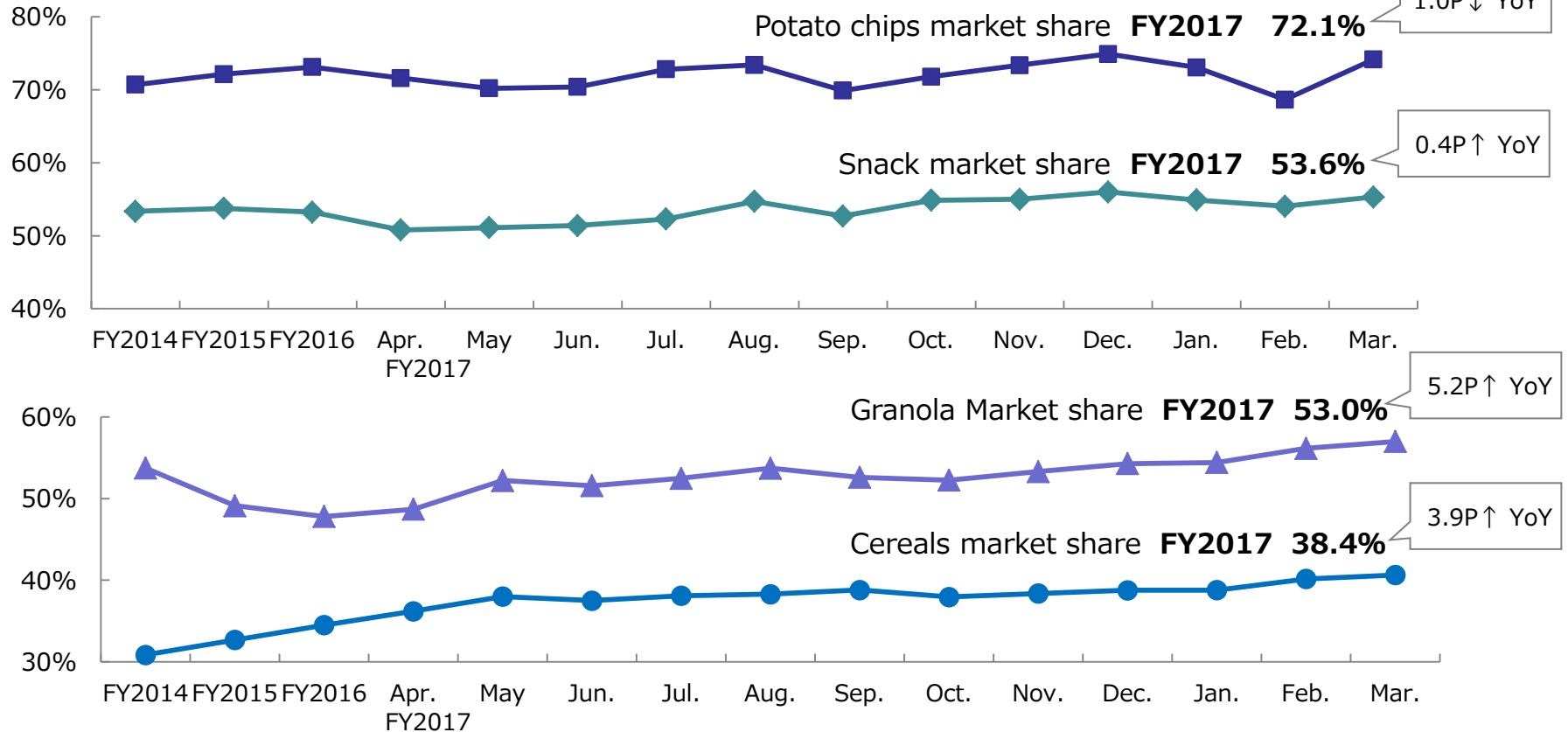
■ Net decrease in cash and cash equivalents -2,696

Cash flows from operating activities	25,958	Cash flows from investing activities	-13,404
Profit before income taxes	27,700	Purchases of fixed assets	-9,372
Depreciation	7,297	Purchases of securities	-13,998
Increase in notes and accounts receivable-trade	-5,549	Proceeds from redemption of securities	10,000
Income taxes paid	-8,523	Cash flows from financing activities	-14,711
		Cash dividends paid	-4,677
		Payments from changes in ownership interests in subsidiaries	-9,673
		(Acquisition of additional shares in Calbee North America)	

Capex and depreciation



■ Market share*

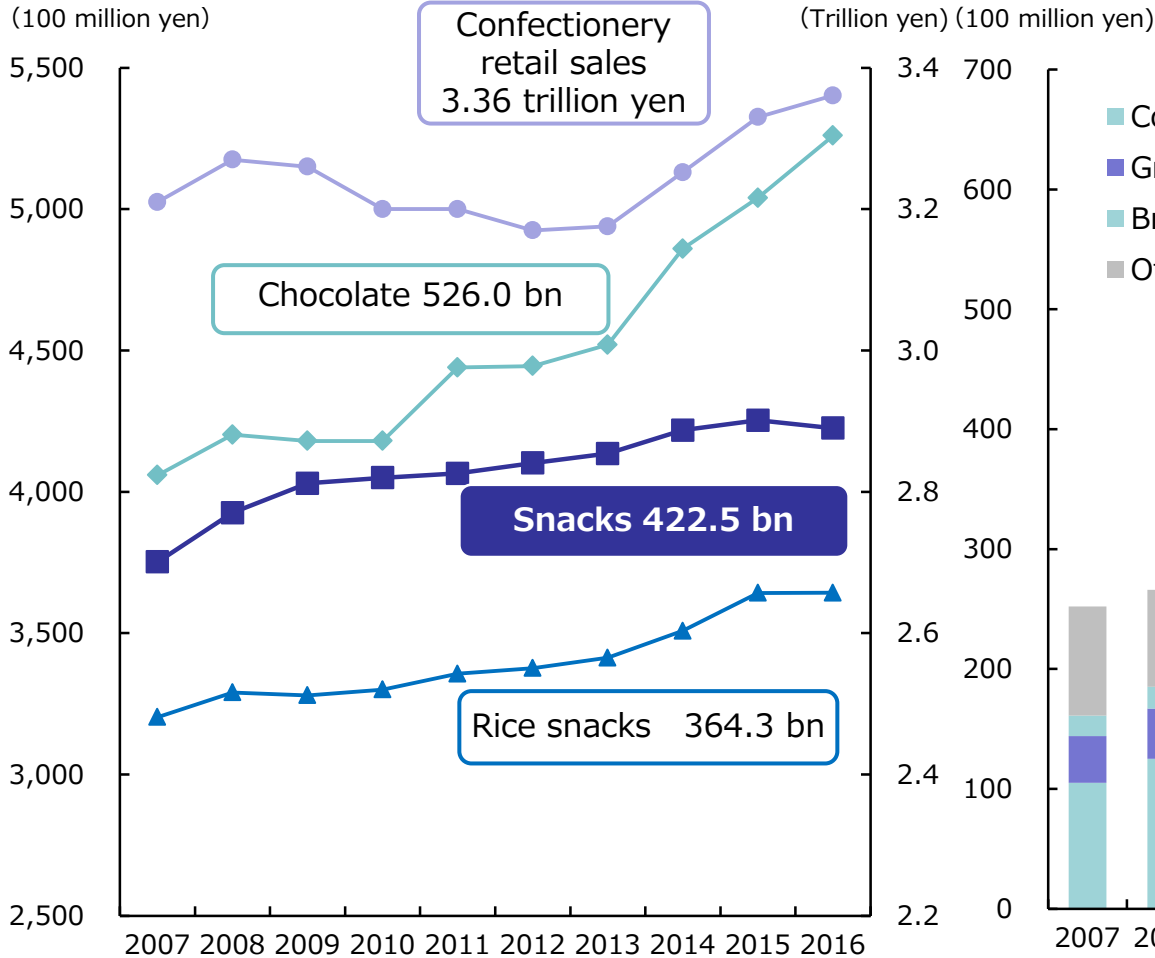


■ Market share by snack category*

	Potato-based market share	Flour-based market share	Corn-based market share
FY2017	76.8%	57.8%	19.4%

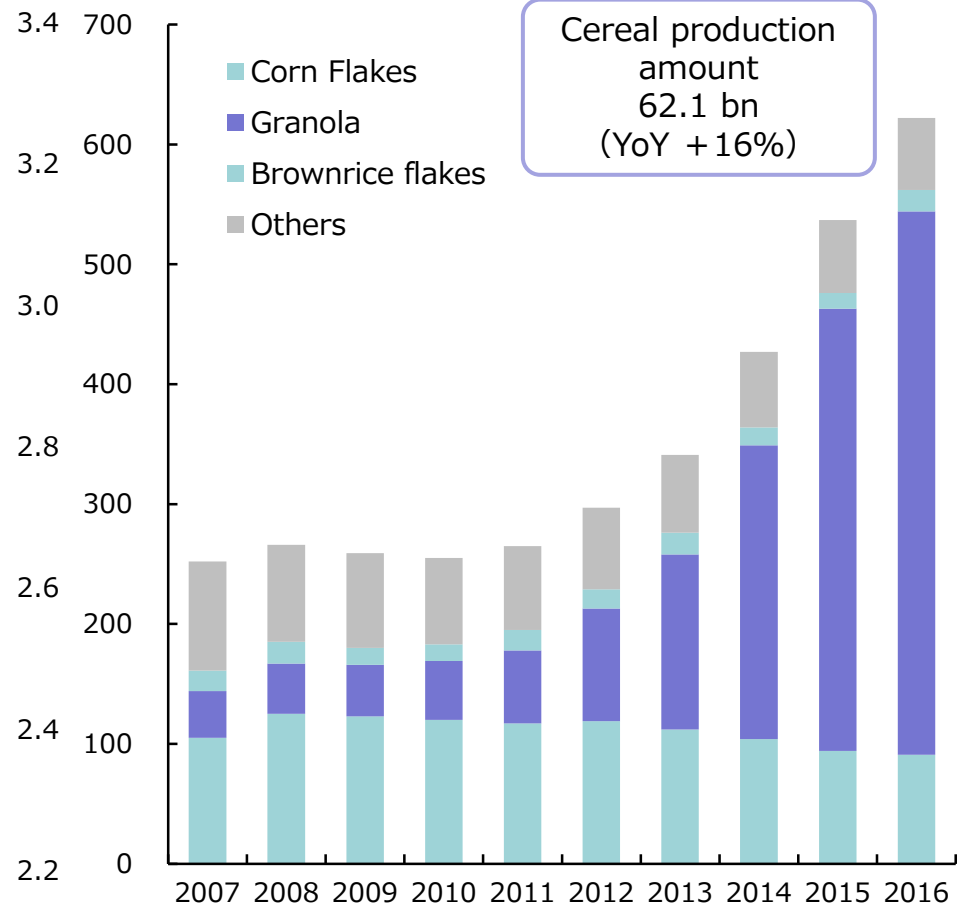
Source: Intage SRI based on sales (nationwide, all retail formats)
 FY2017 total :April 2016 – March 2017
 Comparison period: April 2015 – March 2016
 FY2014-FY2016: April 2013 – March 2016
 Snack market share/ Corn-based market share:
 Total of Calbee and Japan Frito-Lay
 Potato chips: Total of potato chips (thick- and thin-sliced),
 shoestring and kettle types; includes private brand products

Domestic confectionery market



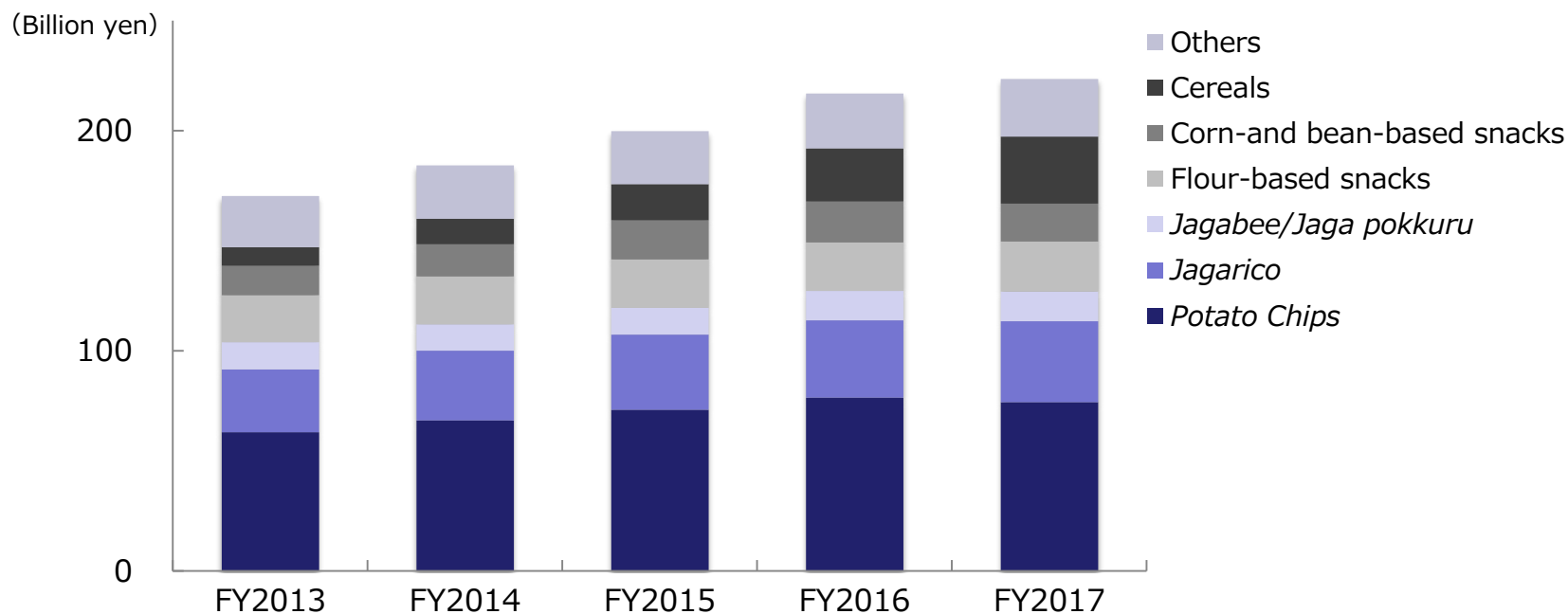
Source: All Nippon Kashi Association

Domestic cereal market



Source: Japan Snack Cereal Foods Association

■ Leading brand sales trends



■ FY2017 domestic business topics

Apr. 2016 New *Frugra* factory began operation

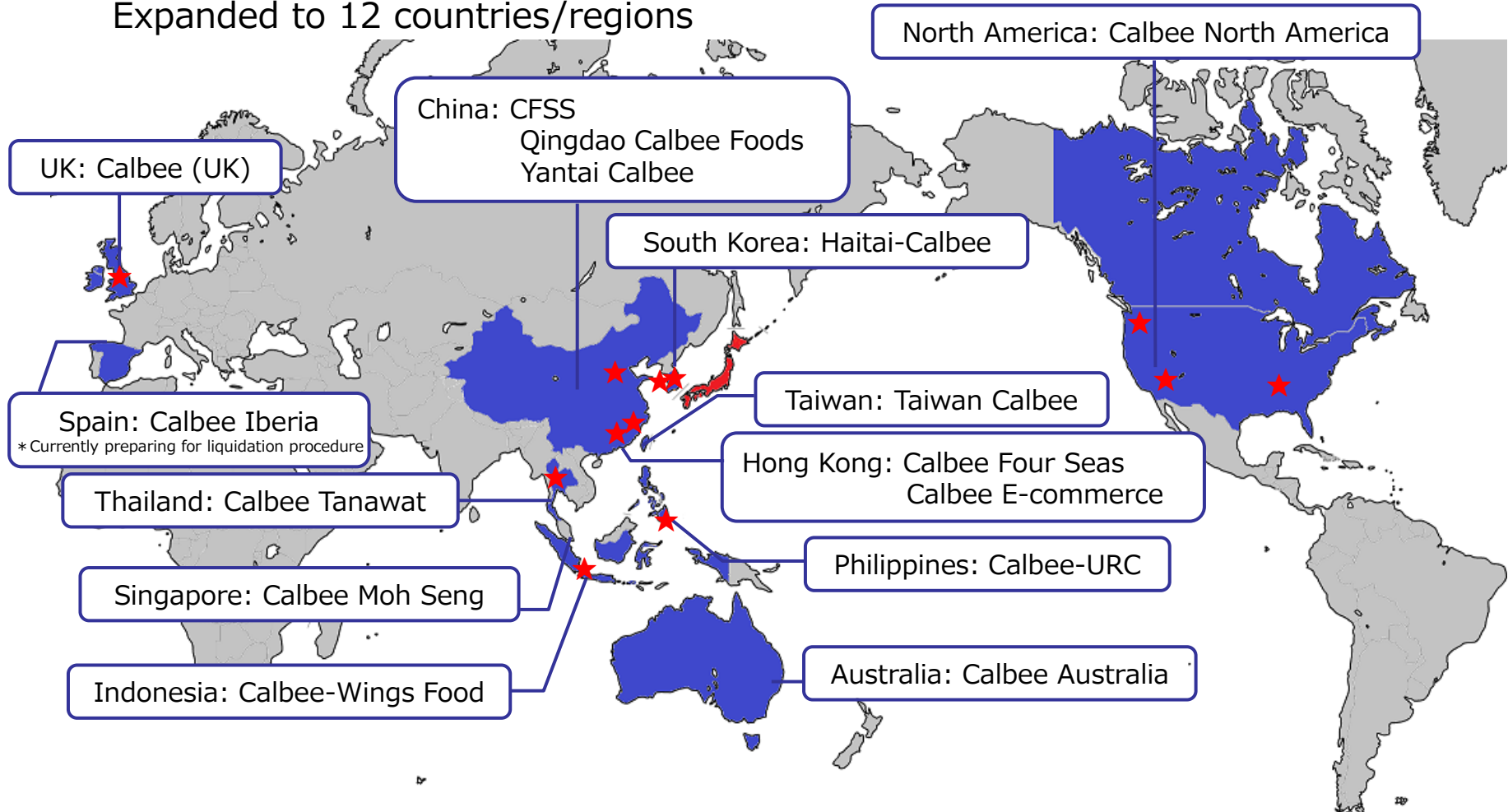
Aug. 2016 Launched *Potato Chips Crisp*

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

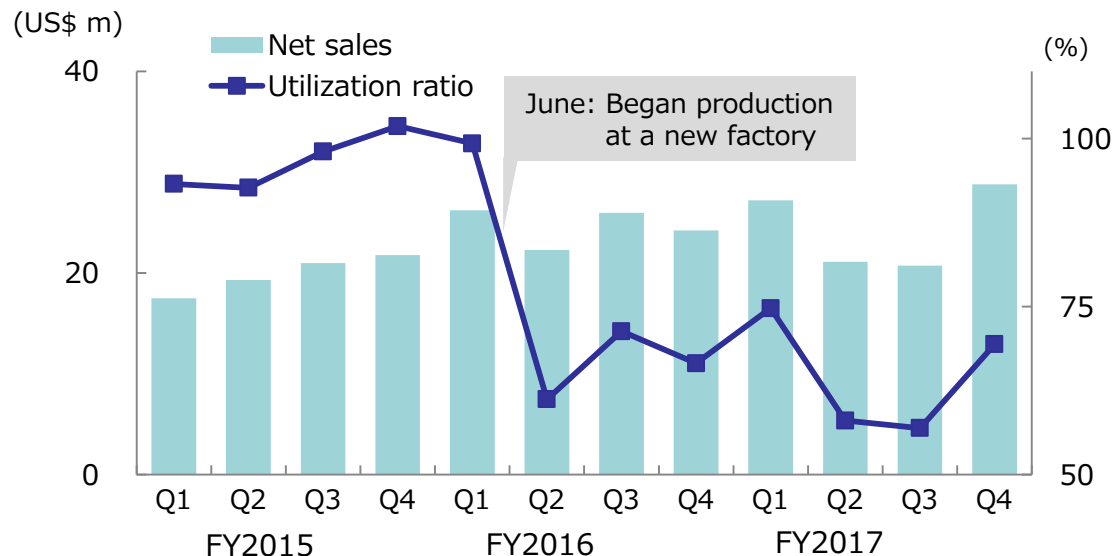
■ Overseas locations (as of May. 12 2017)

Expanded to 12 countries/regions

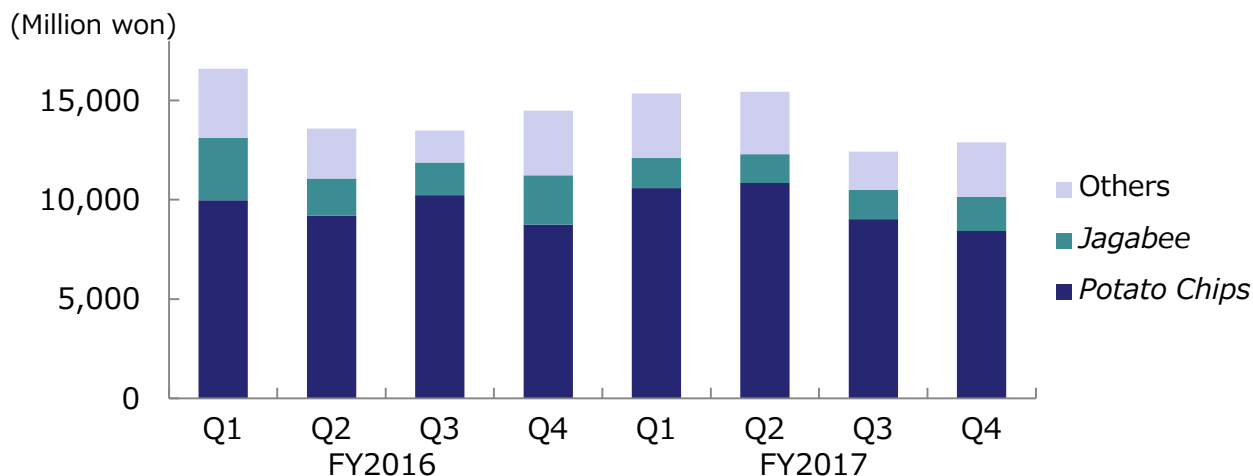
★ Production facilities



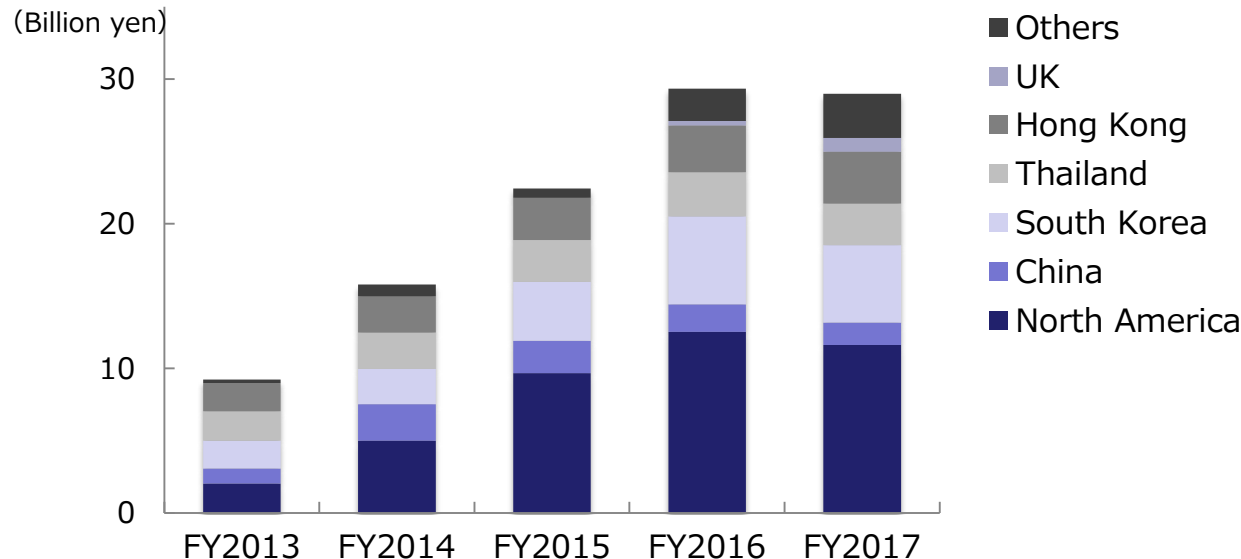
■ North America: *Harvest Snaps*; Net sales and utilization ratio



■ South Korea: Net sales by product



■ 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 wholly-owned subsidiary Taiwan Calbee

Jan. 2017 Australia: Launched imported *Snapea Crisps* at wholly-owned subsidiary Calbee Australia

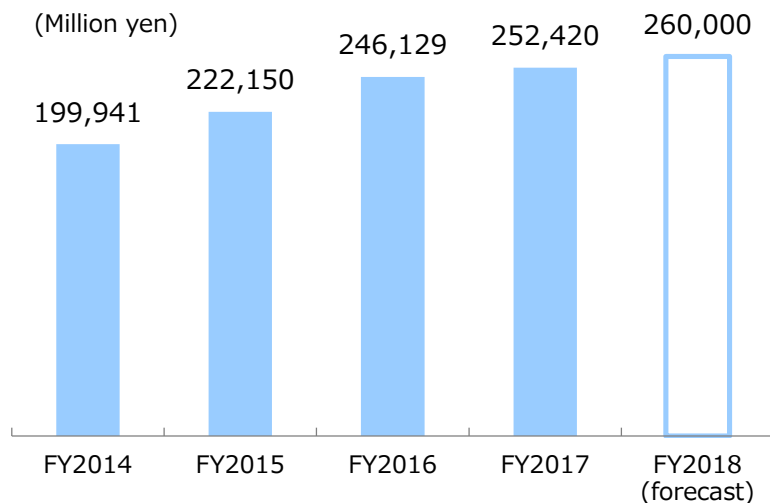
North America: Acquired additional shares in Calbee North America, making it a wholly-owned subsidiary

Financial highlights

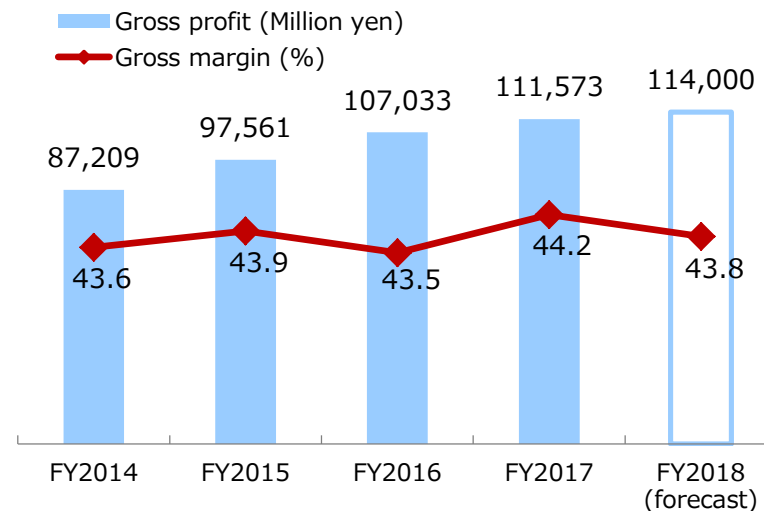
Calbee

Harvest the Power of Nature.

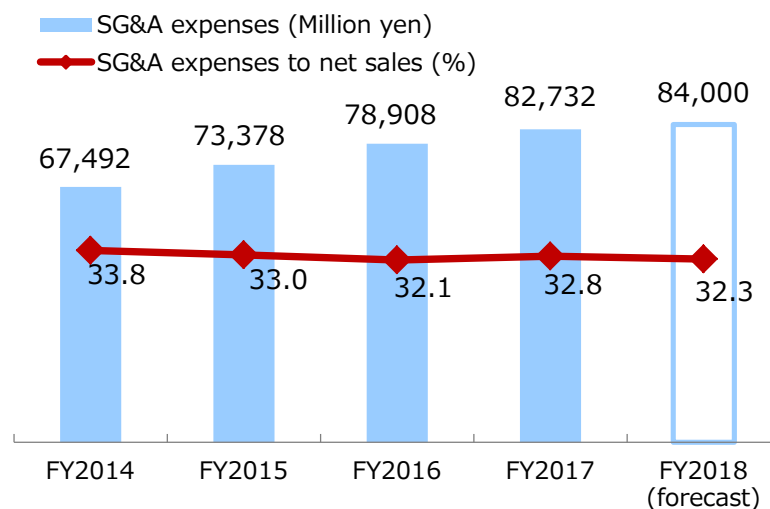
Net sales



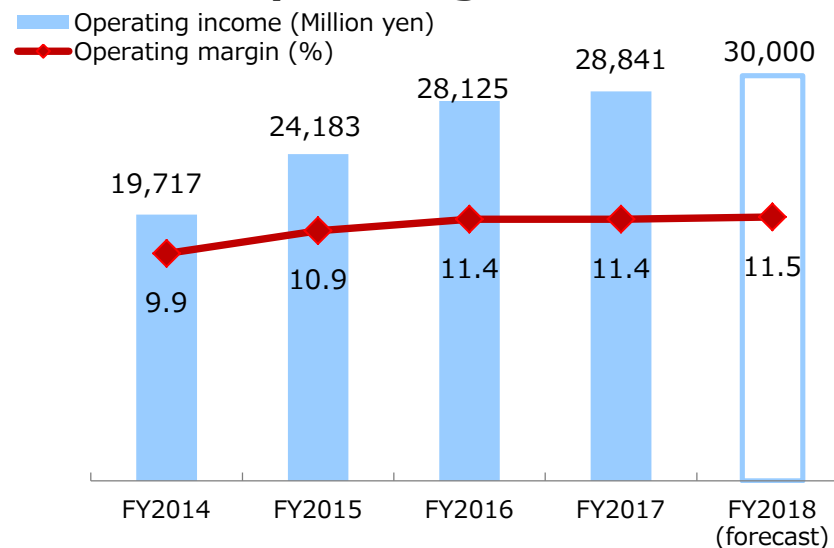
Gross profit



SG&A



Operating income

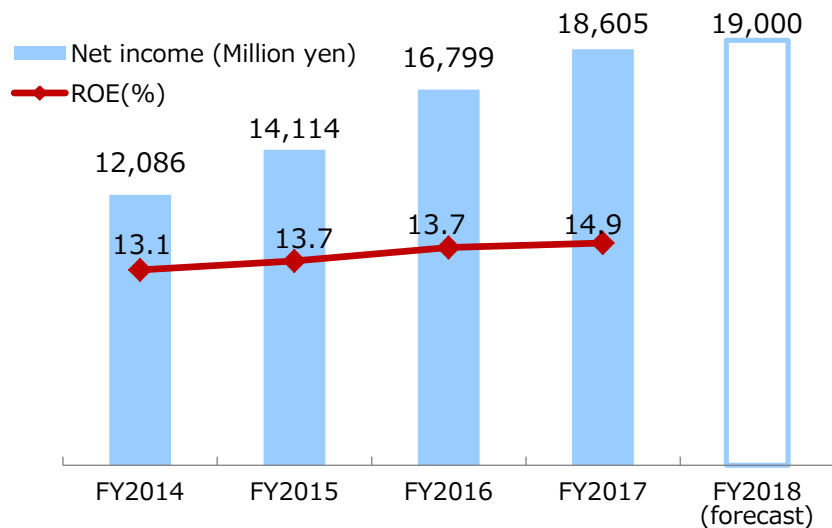


Financial highlights

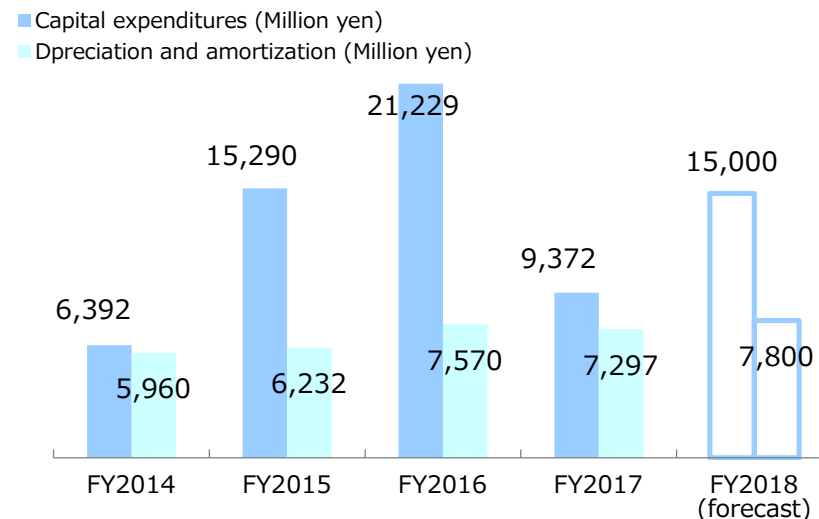
Calbee

Harvest the Power of Nature.

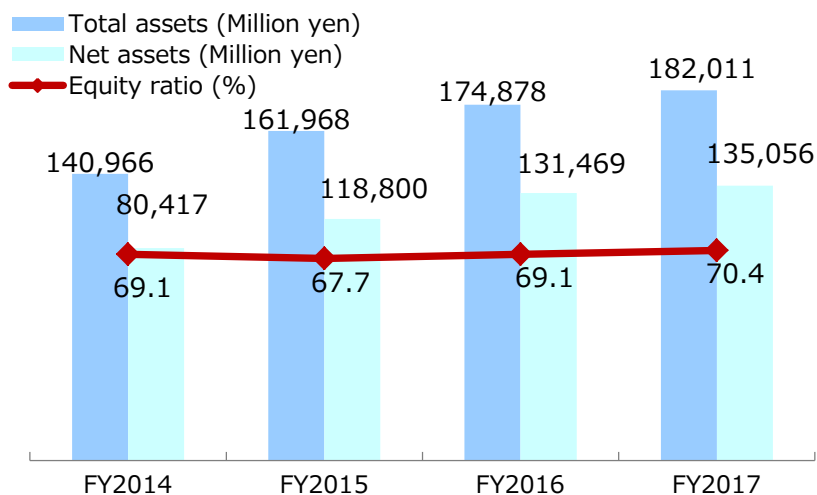
Net income/ROE



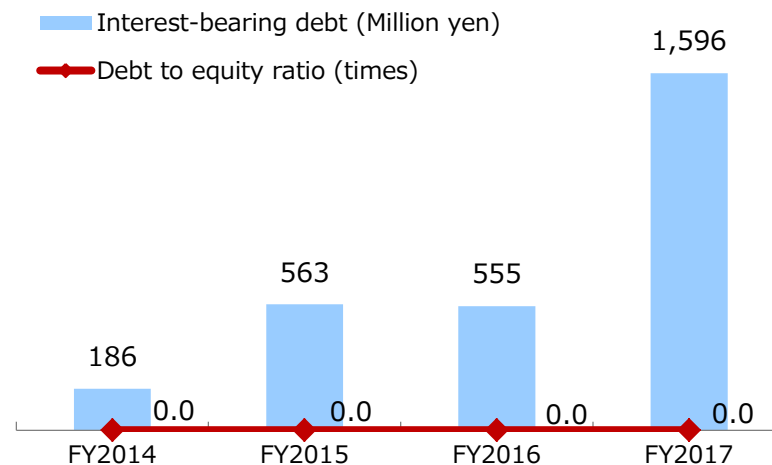
Capital expenditures/Depreciation



Equity ratio



Debt to equity ratio



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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.
- This document also contains unaudited figures for reference purposes only.