



Calbee

Harvest the Power of Nature.

Calbee Group Financial Results

First half of fiscal year ending March 31, 2018
April 1, 2017 – September 30, 2017

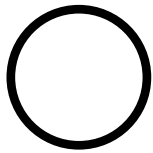


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Calbee, Inc.
2017.10.30

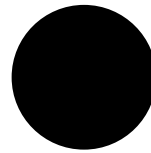
**One win, one draw
... one loss**

**Akira Matsumoto
Chairman of the Board & CEO**

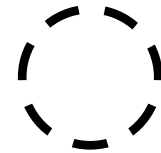
Win



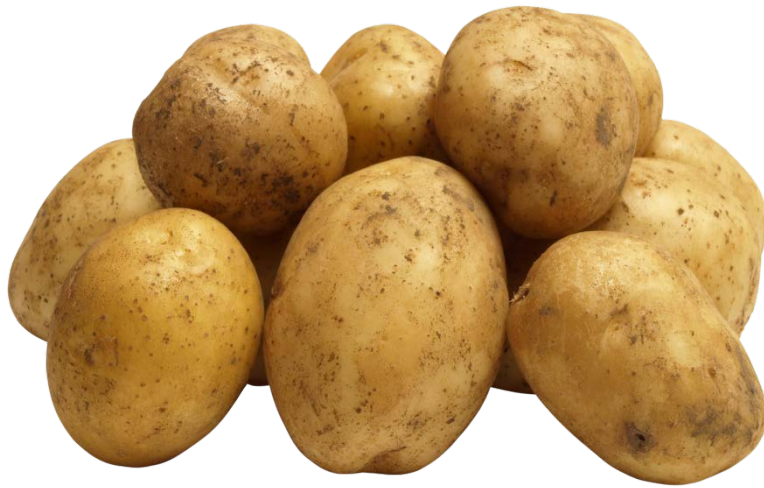
Loss



Draw



I'm back !!



The challenge facing *Frugra* growth

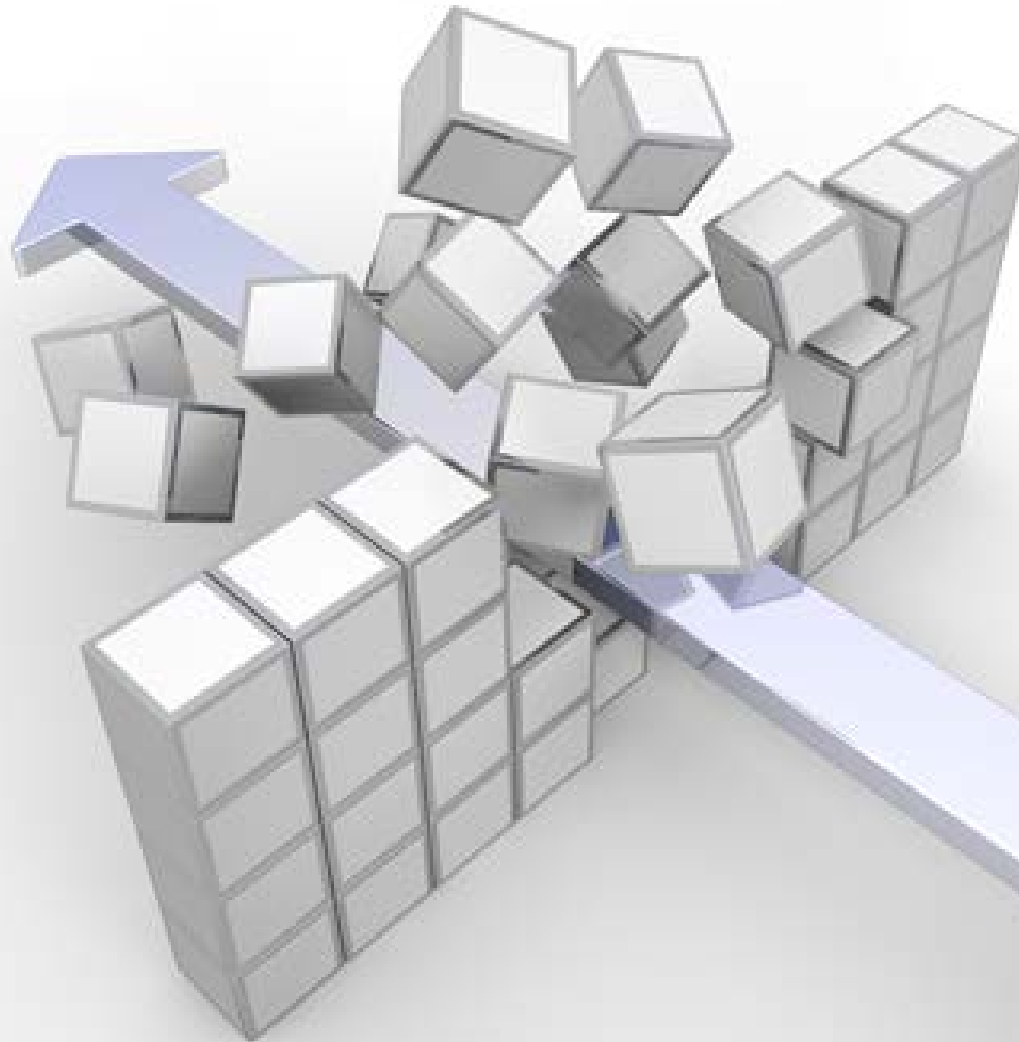
W11



The North American business may have bottomed out



We're not giving up!



FY2018 Review of first half results

Revised FY2018 Full year forecasts

Shuji Ito
President & COO

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- 2. Revised FY2017 Full year forecasts**






1. FY2018 Review of first half results

2. Revised FY2017 Full year forecasts

Summary

- Vs. plan
- Weakness in North American business, lack of growth in of *Frugra* for domestic consumption caused net sales and operating income to be lower than planned
 - Selling costs ratio improved on recovery in sales of *Potato Chips* while controlling sales promotion costs

- Vs. last year
- Sales and operating income decreased on significant temporary effects from suspension of sales of some *Potato Chips* and overseas consumption stopping of *Frugra*

Key Performance Indicators	FY2018 Target (Plan at start of year)	FY2018 H1 Target	FY2018 H1 Results	Progress
Net sales growth ratio	+3.0%	-0.6%	-3.9%	
Operating income growth ratio	+4.0%	-19.2%	-24.8%	
Operating income ratio	11.5%	9.0%	8.7%	
Overseas sales ratio	15.5%	15.0%	13.5%	
Selling costs ratio	14.6%	14.8%	14.1%	

FY2018 H1: Quarterly results

Q2 sales and profit rose on recovery of *Potato Chips* sales

	FY2018 Q1		Change	FY2018 Q2		Change
	(Million yen)	Percent of total(%)	(%)	(Million yen)	Percent of total(%)	(%)
Net sales	56,519	100.0	-8.5	62,302	100.0	+0.7
Gross profit	23,129	40.9	-14.7	26,394	42.4	-3.9
SG&A	19,715	34.9	-1.3	19,469	31.3	-6.6
Selling	8,380	14.8	-5.3	8,424	13.5	-10.0
Distribution	4,168	7.4	+2.2	4,115	6.6	-3.1
Labor	4,497	8.0	+2.4	4,390	7.0	-7.8
Others	2,668	4.7	+0.2	2,539	4.1	+2.9
Operating income	3,413	6.0	-52.1	6,924	11.1	+4.6
Ordinary income	3,501	6.2	-44.8	7,055	11.3	+9.6
Extraordinary income/loss	-38	—	—	-37	—	—
Non-controlling interests profit	-40	—	—	28	—	—
Net profit*	2,287	4.0	-40.3	4,757	7.6	+14.6

*Profit attributable to owners of parent

FY2018 H1: Results highlights

	FY2017 H1		FY2018 H1		Change	VS plan
	(Million yen)	Percent of total(%)	(Million yen)	Percent of total(%)	(%)	(%)
Net sales	123,654	100.0	118,822	100.0	-3.9	96.7
Gross profit	54,577	44.1	49,523	41.7	-9.3	94.7
SG&A	40,824	33.0	39,185	33.0	-4.0	95.2
Selling	18,212	14.7	16,805	14.1	-7.7	92.5
Distribution	8,326	6.7	8,284	7.0	-0.5	99.3
Labor	9,154	7.4	8,888	7.5	-2.9	95.0
Others	5,130	4.1	5,207	4.4	+1.5	98.6
Operating income	13,753	11.1	10,338	8.7	-24.8	93.0
Ordinary income	12,777	10.3	10,557	8.9	-17.4	94.5
Extraordinary income/loss	-197	—	-76	—	—	—
Non-controlling interests profit	485	—	-11	—	—	—
Net profit*	7,984	6.5	7,045	5.9	-11.8	99.1

*Profit attributable to owners of parent

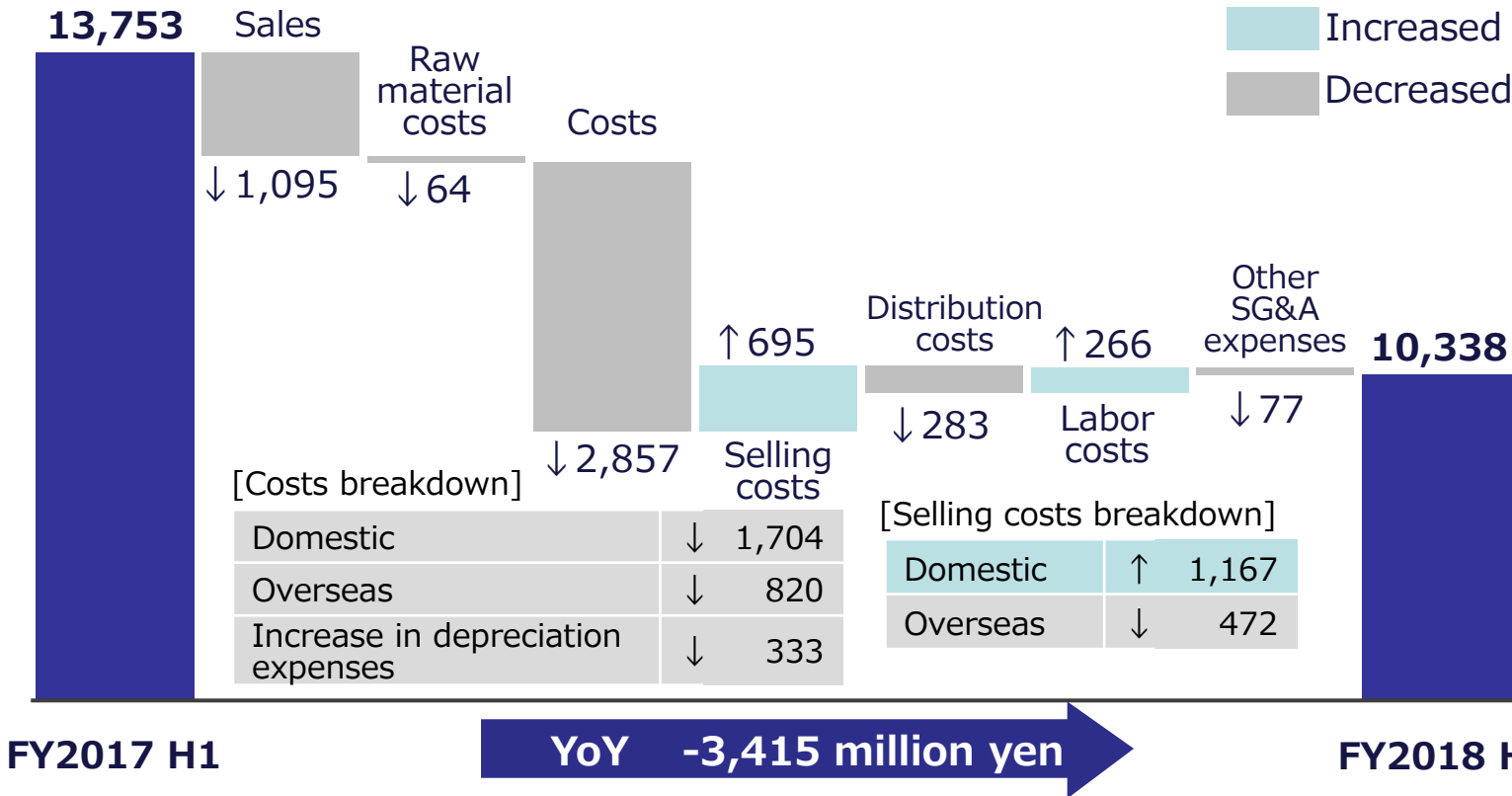
FY2018 H1: Factors decreasing operating income **Calbee**

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Change in operating income (YoY)

(Million yen)

Increased profit
Decreased profit

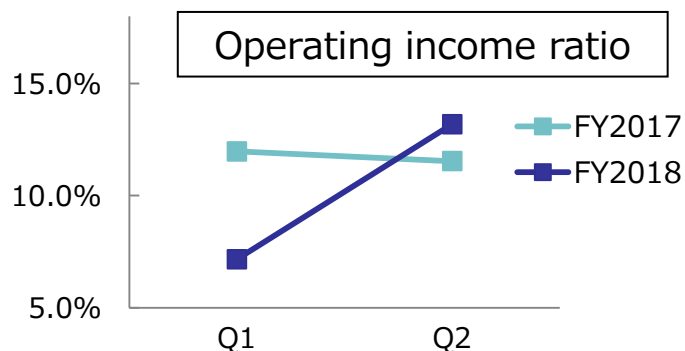


	FY2017	Sales	Raw material costs	Costs	Selling costs	Distribution costs	Labor costs	Other SG&A expenses	FY2018	YoY
Q1	7,130	↓ 1,202	↓ 191	↓ 1,491	↓ 283	↓ 436	↓ 105	↓ 6	3,413	-3,717
Q2	6,623	↑ 107	↑ 127	↓ 1,366	↑ 978	↑ 153	↑ 372	↓ 70	6,924	+301

FY2018 H1: Domestic business highlights

Sales and operating income decreased in H1 on effect of suspension of sales of some *Potato Chips* and overseas consumption stopping of *Frugra*
Operating income increased in Q2 on controlling sales promotion costs

	FY2017 H1	FY2018 H1	YoY	Change in %
Net sales	109,804	102,742	-7,062	-6.4
Snacks	83,137	81,042	-2,095	-2.5
<i>Potato Chips</i>	35,682	31,445	-4,236	-11.9
<i>Jagarico</i>	17,823	17,220	-602	-3.4
Other snacks	29,632	32,375	+2,743	+9.3
Cereals	17,299	12,816	-4,483	-25.9
Operating income (Compared to net sales)	12,906 (11.8%)	10,600 (10.3%)	-2,306	-17.9



	FY2018 Q1	Change in %	FY2018 Q2	Change in %
Net sales	48,923	-10.2	53,818	-2.8
Snacks	37,898	-7.2	43,143	+1.9
Cereals	6,400	-26.2	6,415	-25.6
Operating income (Compared to net sales)	3,504 (7.2%)	-46.2	7,095 (13.2%)	+11.1

Potato Chips

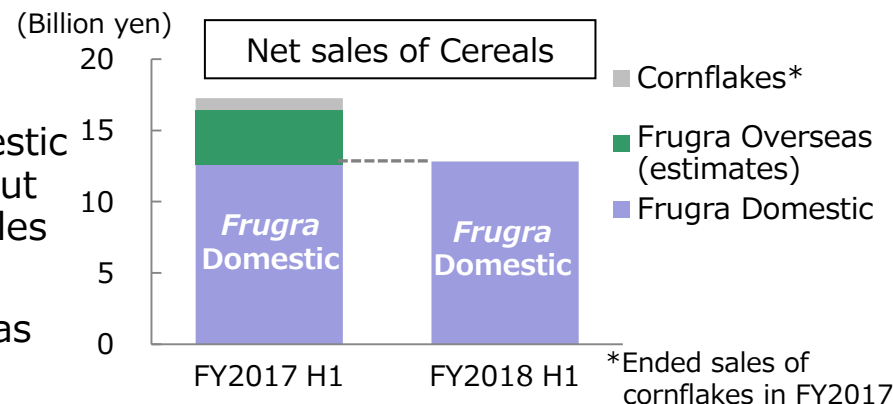
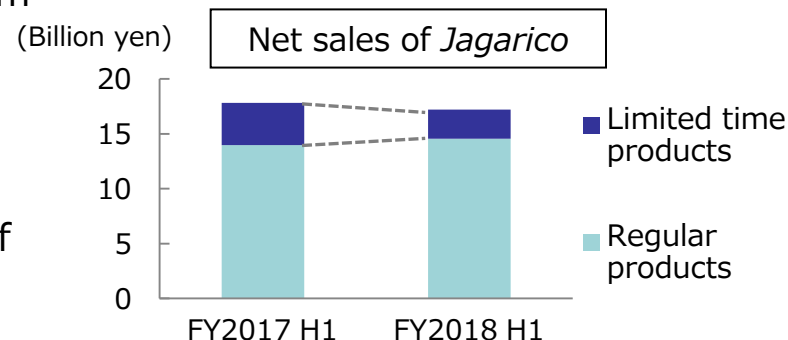
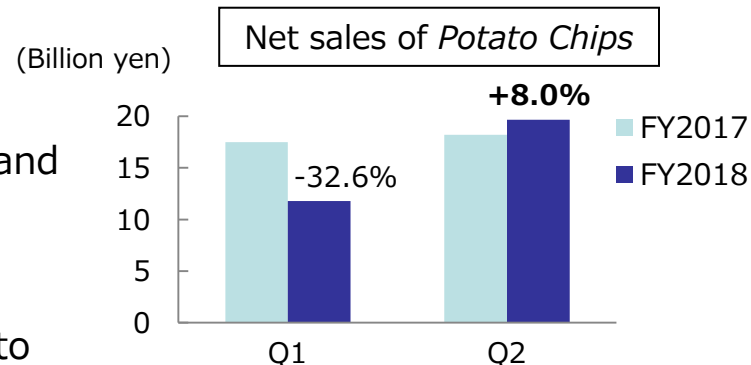
- In April we increased the number of suspended products to calm the confused supply and demand balance
- Since late May we have been resuming sales of suspended products
- Invested proactively limited time products due to the Hokkaido potato harvest getting underway from August

Jagarico

- Sales decreased on reduction in number of limited time products due to prioritization of production of *Potato Chips* in Q2

Frugra

- Continuously invested in new products for domestic consumption in Q2. This raised market share, but did not connect to market expansion and H1 sales only increased marginally.
- Sales decreased ¥3.8bn (est.) on due to overseas consumption stopping in March



FY2018 H1: Overseas business highlights

Made a loss due to large decrease in operating income on weak North American business despite increased sales on business expansion in Indonesia, etc.

(Million yen)

	FY2017 H1	FY2018 H1	Change in %
Net sales	13,850	16,080	+16.1
North America	5,568	5,002	-10.2
Greater China	2,610	3,451	+32.2
of which <i>Frugra</i>	-	524	-
South Korea	2,876	2,708	-5.9
Other Asian regions and Australia	2,332	4,215	+80.7
Europe	461	702	+52.3

Breakdown of change			
YoY	Forex difference	Real terms	Change in %
+2,229	+672	+1,557	+11.2
-566	+224	-790	-14.2
+840	+102	+738	+28.3
+524	-	-	-
-168	+148	-316	-11.0
+1,882	+207	+1,675	+71.8
+241	-9	+251	+54.4

	FY2017 H1	FY2018 H1	YoY
Operating income	847	-261	-1,109
North America	832	-195	-1,028
Greater China	252	332	+79
South Korea	66	9	-56
Other Asian regions and Australia	79	-174	-253
Europe	-383	-234	+149

• Exchange rate

FY2017 H1 : 1 USD = 106.42 yen

FY2018 H1 : 1 USD = 111.42 yen

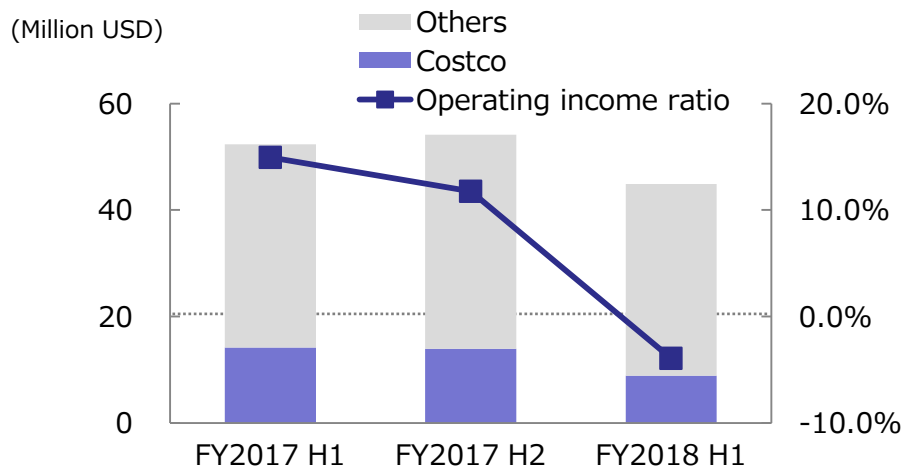
***Frugra* (Hong Kong)**

- Launched sales of *Frugra* for China (produced in Hokkaido) on Tmall Global in July
- Increased finished goods inventory to prepare for double eleven (major Chinese e-commerce sales promotion event on 11/11) shipping

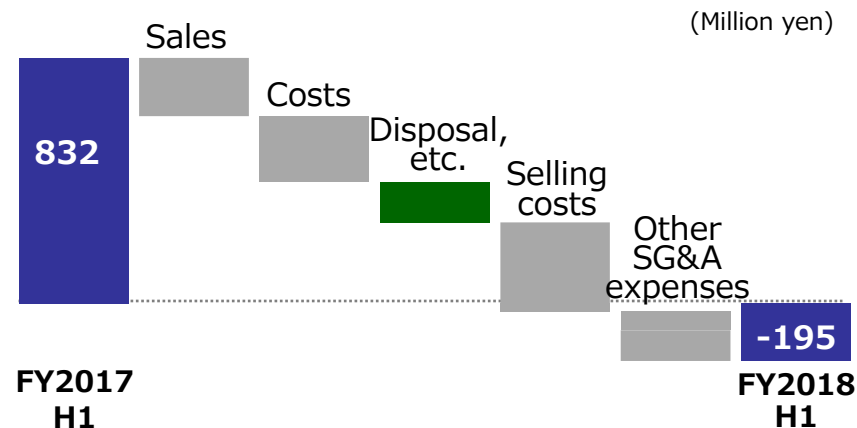
North America

- **Net sales: Decreased amid lack of progress in incorporating the market's needs**
 - Lack of progress in negotiations with Costco
 - New products meeting customer needs, such as new flavors and others, not yet on the market
 - Reactionary drop after a promotional campaign with selected customer in FY2017 Q4
- **Operating income: Decreased substantially due to effect of lower sales and higher costs**
 - Increased costs due to fixed costs and labor costs burden on lower utilization
 - Disposal of excess inventory due to inefficient raw materials purchasing and production
 - Increase in sales promotion expenses, has not connected to increased sales

Net sales and operating income ratio



Factors decreasing operating income



1. FY2018 Review of first half results
- 2. Revised FY2017 Full year forecasts**

Revised FY2018 Full year forecasts

Revised full year plan and dividend forecast due to weakness in North American business

Maintaining dividend payout ratio at level 2pts higher year on year

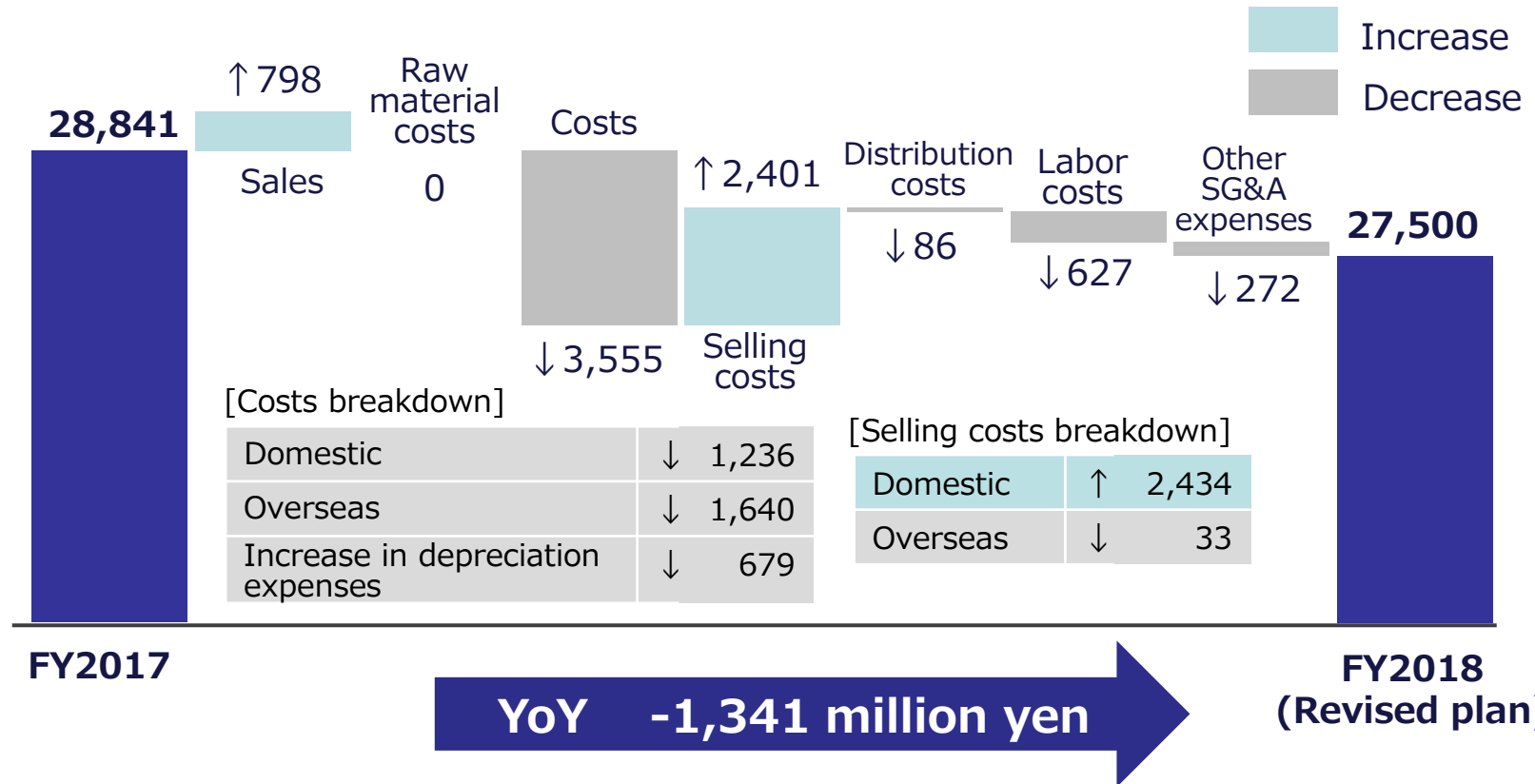
	FY2017		FY2018 (Plan at start of year)		FY2018 (Revised plan)		Change	Vs. plan
	(Million yen)	Percent of total(%)	(Million yen)	Percent of total(%)	(Million yen)	Percent of total(%)	(%)	(Million yen)
Net sales	252,420	100.0	260,000	100.0	256,000	100.0	+1.4	-4,000
Gross profit	111,573	44.2	114,000	43.8	109,600	42.8	-1.8	-4,400
SG&A	82,732	32.8	84,000	32.3	82,100	32.1	-0.8	-1,900
Selling	38,357	15.2	37,900	14.6	36,500	14.3	-4.8	-1,400
Distribution	16,874	6.7	17,000	6.5	17,200	6.7	+1.9	+200
Labor	17,572	7.0	18,800	7.2	18,200	7.1	+3.6	-600
Others	9,927	3.9	10,300	4.0	10,200	4.0	+2.7	-100
Operating income	28,841	11.4	30,000	11.5	27,500	10.7	-4.7	-2,500
Ordinary income	28,625	11.3	30,000	11.5	27,500	10.7	-3.9	-2,500
Extraordinary income/loss	-925	-	-1,000	-	△600	-	-	+400
Net profit*	18,605	7.4	19,000	7.3	17,500	6.8	-5.9	-1,500
Year-end dividend per share	42 yen		46 yen		42 yen			
Dividend payout ratio (consolidated)	30%		32%		32%			

*Profit attributable to owners of parent

Revised FY2018 Full year forecasts: Factors decreasing operating income

Change in operating income (YoY)

(Million yen)



	FY2017	Sales	Raw material costs	Costs	Selling costs	Distribution costs	Labor costs	Other SG&A expenses	FY2018	YoY
H1 results	13,753	↓ 1,095	↓ 64	↓ 2,857	↑ 695	↓ 283	↑ 266	↓ 77	10,338	-3,415
H2 plan	15,087	↑ 1,894	↑ 64	↓ 698	↑ 1,706	↑ 196	↓ 893	↓ 195	17,161	+2,074

Revised FY2018 Full year forecasts: Overseas business

Revised full year plan for North American business

(Million yen)

	FY2017	FY2018				
		Plan at start of year	Revised plan	Change in %	Vs. plan at start of year	
					Change	%
Net sales	28,978	40,380	36,380	+25.5	-4,000	90.1
North America	11,606	13,840	9,840	-15.2	-4,000	71.1
Greater China	5,217	10,110	10,110	+93.8	0	100.0
of which <i>Frugra</i>	—	3,000	3,000	—	0	100.0
South Korea	5,336	5,520	5,520	+3.4	0	100.0
Other Asian regions and Australia	5,798	9,350	9,350	+61.2	0	100.0
Europe	1,019	1,560	1,560	+53.0	0	100.0
Exchange rate (Yen/USD)	109.02	116.00	112.73			

**Undertake initiatives towards a recovery from next fiscal year,
With strengthening relations with Costco the top priority**

Sales

- From 2018 plan to launch new products, such as new flavors and organic type
- Distribute coupons and conduct in-store promotions



Production

- Establish flexible production structure by reviewing shift system and factory allocation
- Autonomously improve factories through KPI management

SCM

- Control inventories and disposal
- Review raw material purchasing framework

No change in full year plan for domestic business
Aim to increase profit by controlling sales expenses and increasing productivity

Potato Chips

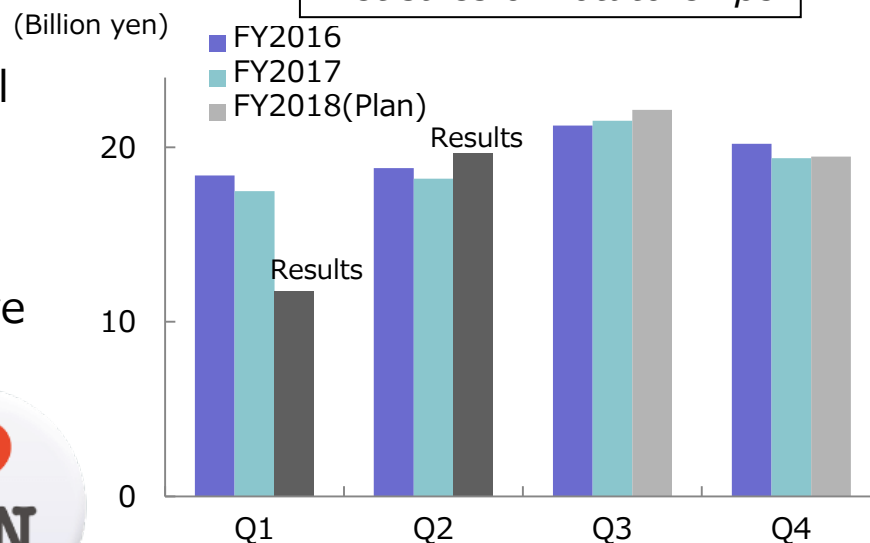
- Secure planned quantity from this fiscal year's potato harvest
- Launch campaigns such as selling *Potato Chips* from all Japan's 47 prefectures, etc. Launched first wave in September, plan to launch second wave in November and third wave in February



Frugra

- Launch sales promotional activities focused on expanding new customers
- Aim to further expand sales space and raise purchasing rate through proactive investment in new products and campaigns

Net sales of *Potato Chips*



FY2018 H2 forecasts

	FY2018 H2 forecasts		Change
	(Million yen)	Percent of total(%)	(%)
Net sales	137,177	100.0	+6.5
Gross profit	60,076	43.8	+5.4
SG&A	42,914	31.3	+2.4
Selling	19,694	14.4	-2.2
Distribution	8,915	6.5	+4.3
Labor	9,311	6.8	+10.6
Others	4,992	3.6	+4.1
Operating income	17,161	12.5	+13.7
Ordinary income	16,942	12.4	+6.9
Extraordinary income/loss	-523	—	—
Net profit*	10,454	7.6	-1.6

*Profit attributable to owners of parent

	FY2018 H2 forecasts	
	(Million yen)	Change in %
Domestic net sales	116,877	+2.9
Snacks	92,932	+1.9
Potato-based snacks	67,940	+1.9
<i>Potato Chips</i>	41,602	+1.7
<i>Jagarico</i>	19,293	+2.3
<i>Jagabee/Jaga Pokkuru</i>	7,043	+1.8
Flour-based snacks	11,115	-6.3
Corn- and bean-based snacks	8,484	+2.6
Other snacks	5,391	+23.9
Cereals	13,885	+5.7
Others	10,060	+7.8
Overseas net sales	20,299	+34.2
North America	4,837	-19.9
Greater China	6,658	+155.5
of which <i>Frugra</i>	2,475	—
South Korea	2,811	+14.3
Other Asian regions and Australia	5,134	+48.1
Europe	857	+53.5

Reference material

FY2018 H1: Sales by product



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(Million yen)

	FY2017 H1			FY2018 H1		
	Amount	Composition	Change in %	Amount	Composition	Change in %
Domestic snack foods	83,137	67.2%	-1.3%	81,042	68.2%	-2.5%
Domestic cereals	17,299	14.0%	+45.0%	12,816	10.8%	-25.9%
Other domestic foods*	7,809	6.3%	-3.9%	7,106	6.0%	-9.0%
Domestic foods business	108,246	87.5%	+3.8%	100,965	85.0%	-6.7%
Overseas snack foods	13,850	11.2%	-6.9%	15,555	13.1%	+12.3%
Overseas cereals	-	-	-	524	0.4%	-
Overseas foods business	13,850	11.2%	-6.9%	16,080	13.5%	+16.1%
Snacks and other foods business	122,096	98.7%	+2.4%	117,045	98.5%	-4.1%
Other businesses	1,557	1.3%	-10.4%	1,776	1.5%	+14.0%
Total Sales	123,654	100.0%	+2.2%	118,822	100.0%	-3.9%

<Breakdown of Domestic snack foods>

Potato-based snacks	60,143	48.6%	-1.8%	56,034	47.2%	-6.8%
<i>Potato Chips</i>	35,682	28.9%	-4.0%	31,445	26.5%	-11.9%
<i>Jagarico</i>	17,823	14.4%	+2.2%	17,220	14.5%	-3.4%
<i>Jagabee/Jaga Pokkuru</i>	6,637	5.4%	-0.2%	7,367	6.2%	+11.0%
Flour-based snacks	10,932	8.8%	-0.6%	11,295	9.5%	+3.3%
<i>Kappa Ebisen</i>	5,294	4.3%	+1.2%	5,267	4.4%	-0.5%
<i>Sapporo potato</i> and others	5,637	4.6%	-2.2%	6,028	5.1%	+6.9%
Corn- and bean-based snacks	8,887	7.2%	-3.2%	8,751	7.4%	-1.5%
Other snacks**	3,174	2.6%	+12.5%	4,960	4.2%	+56.3%

* "Bread" and "Others" of "Cereals, Bread and Others" have been summarized in "Other domestic foods".

** "Other new snacks" have been restated as "Other snacks"

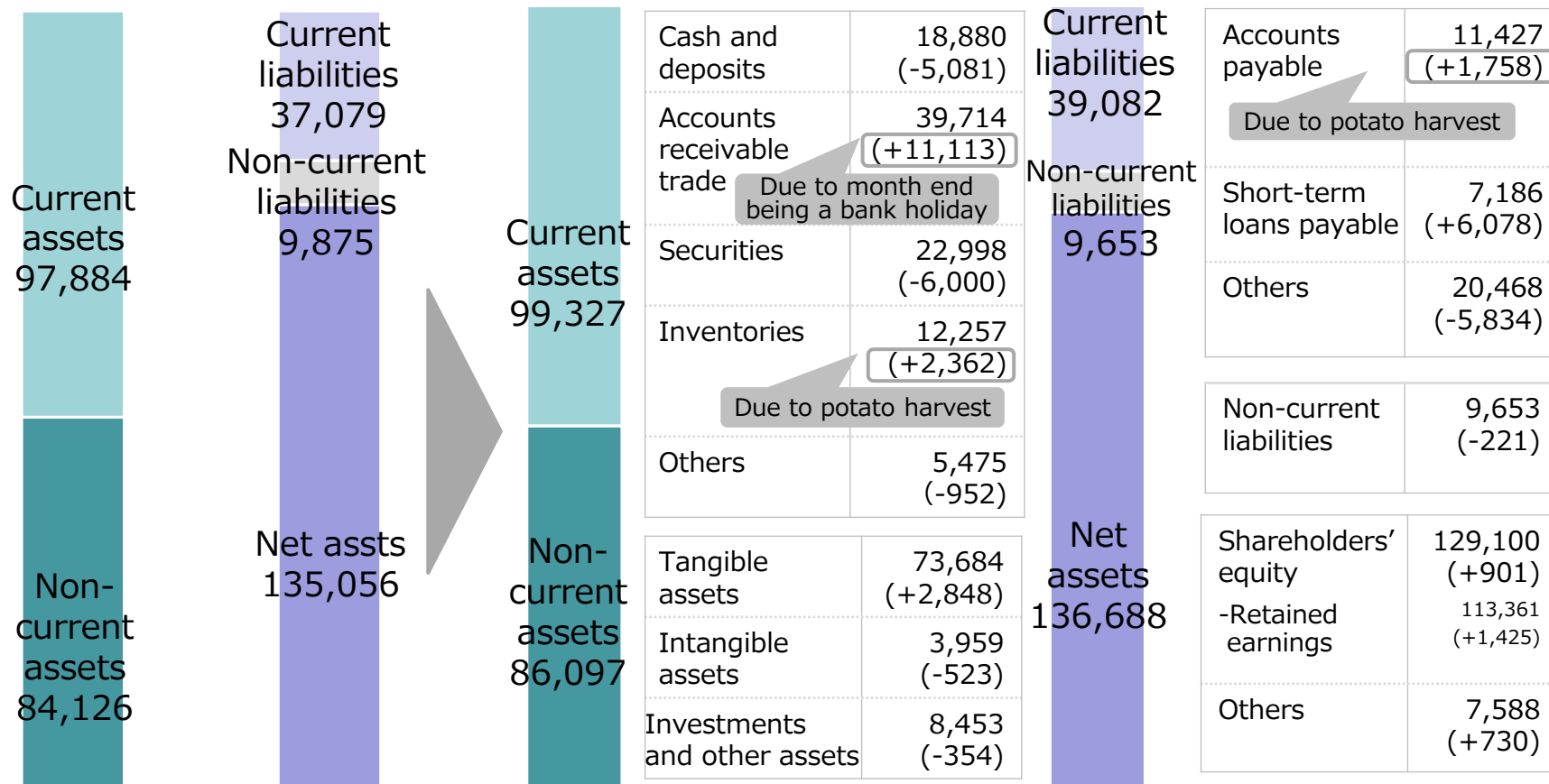
FY2018 H1: Sales by country

Country	Yen	FY2017 H1	FY2018 H1	Change in %
	Local currency			
North America				
North America	Million yen	5,568	5,002	-10.2%
	Thousand US dollars	52,328	44,897	-14.2%
Greater China				
China	Million yen	816	821	+0.6%
	Thousand renminbi	50,694	49,920	-1.5%
Hong Kong*	Million yen	1,789	2,452	+37.0%
	Thousand HK dollars	130,560	171,737	+31.5%
Taiwan	Million yen	4	177	+4,168.4%
	Thousand NT dollars	1,250	48,148	+3,750.9%
South Korea				
South Korea	Million yen	2,876	2,708	-5.9%
	Million won	30,798	27,412	-11.0%
Other Asian regions and Australia				
Thailand	Million yen	1,331	1,552	+16.5%
	Thousand baht	439,552	471,767	+7.3%
Philippines	Million yen	238	241	+1.1%
	Thousand pesos	105,062	109,122	+3.9%
Singapore	Million yen	658	666	+1.2%
	Thousand SG dollars	8,407	8,232	-2.1%
Indonesia	Million yen	103	1,587	+1,434.6%
	Million ID rupiah	12,927	191,213	+1,379.1%
Australia	Million yen	—	168	—
	Thousand AU dollars	—	1,954	—
Europe				
United Kingdom	Million yen	431	689	+59.6%
	Thousand UK pounds	2,945	4,773	+62.0%
Spain	Million yen	29	13	-54.2%
	Thousand Euro	248	107	-56.9%

*Within Hong Kong, Calbee E-commerce uses JPY

FY2018 H1: Financial condition

(Million yen)
() : YoY



FY2018 H1: Consolidated cash flows

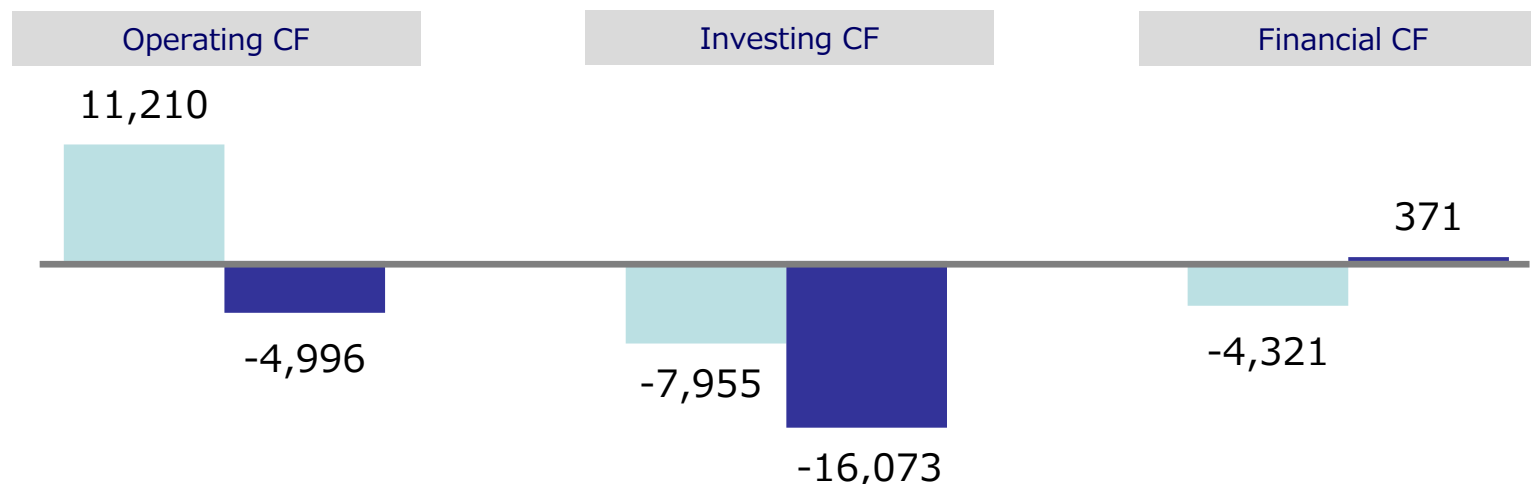
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(Million yen)

■ FY2017 H1

■ FY2018 H1



■ Net decrease in cash and cash equivalents -20,551

■ Cash flows from operating activities - 4,996

Profit before income taxes	+10,481
Depreciation	+3,939
Increase in notes and accounts receivable-trade	-11,063
- Month end was a bank holiday, pushing payment into the following month	
Increase in inventories	-2,339
- Increase in raw materials due to Hokkaido potato harvest	
Income taxes paid	-5,197

■ Cash flows from investing activities -16,073

Purchases of fixed assets	-6,543
Purchases of securities	-16,998

■ Cash flows from financing activities +371

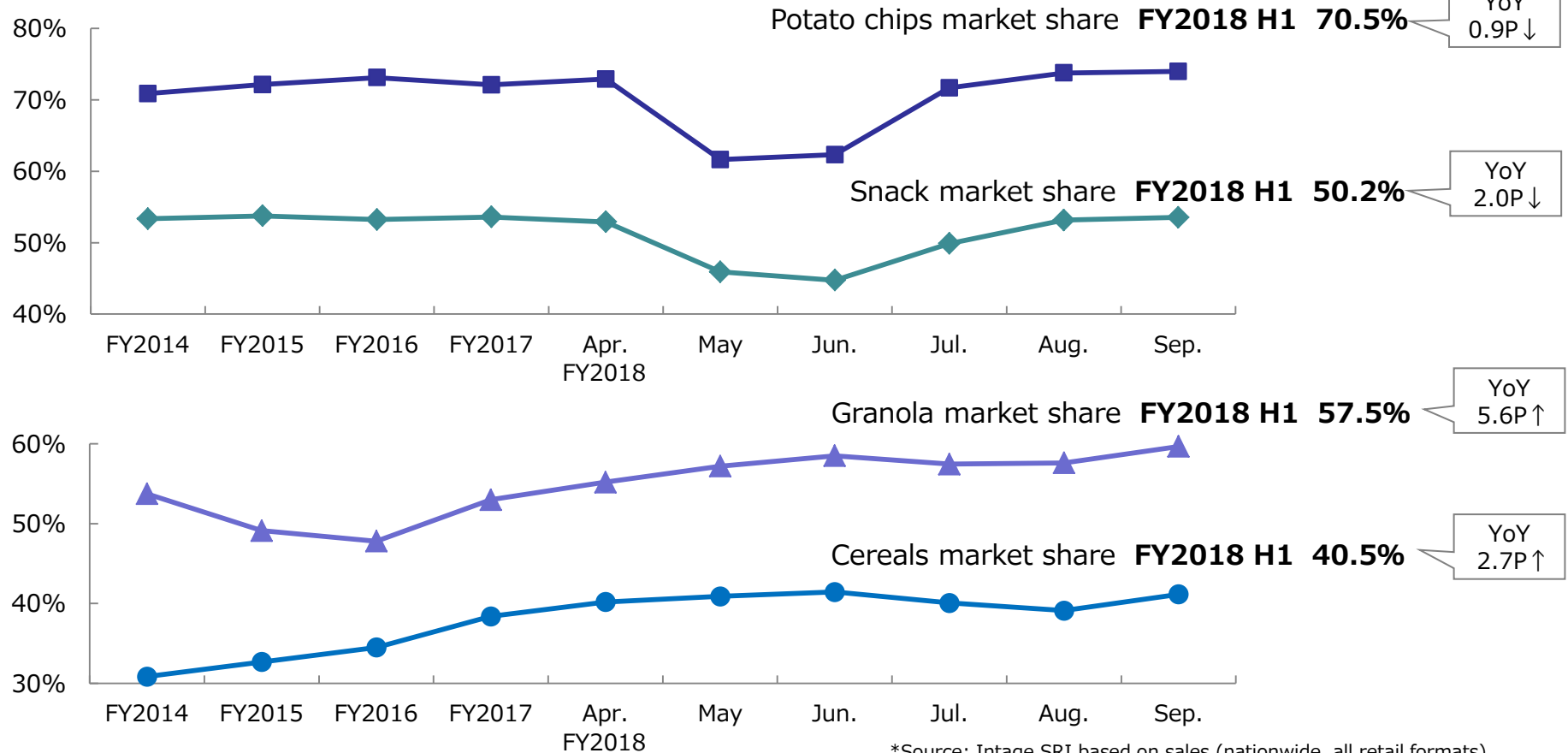
Net increase in short-term loans payable	+6,083
Cash dividends paid	-5,616

Domestic business

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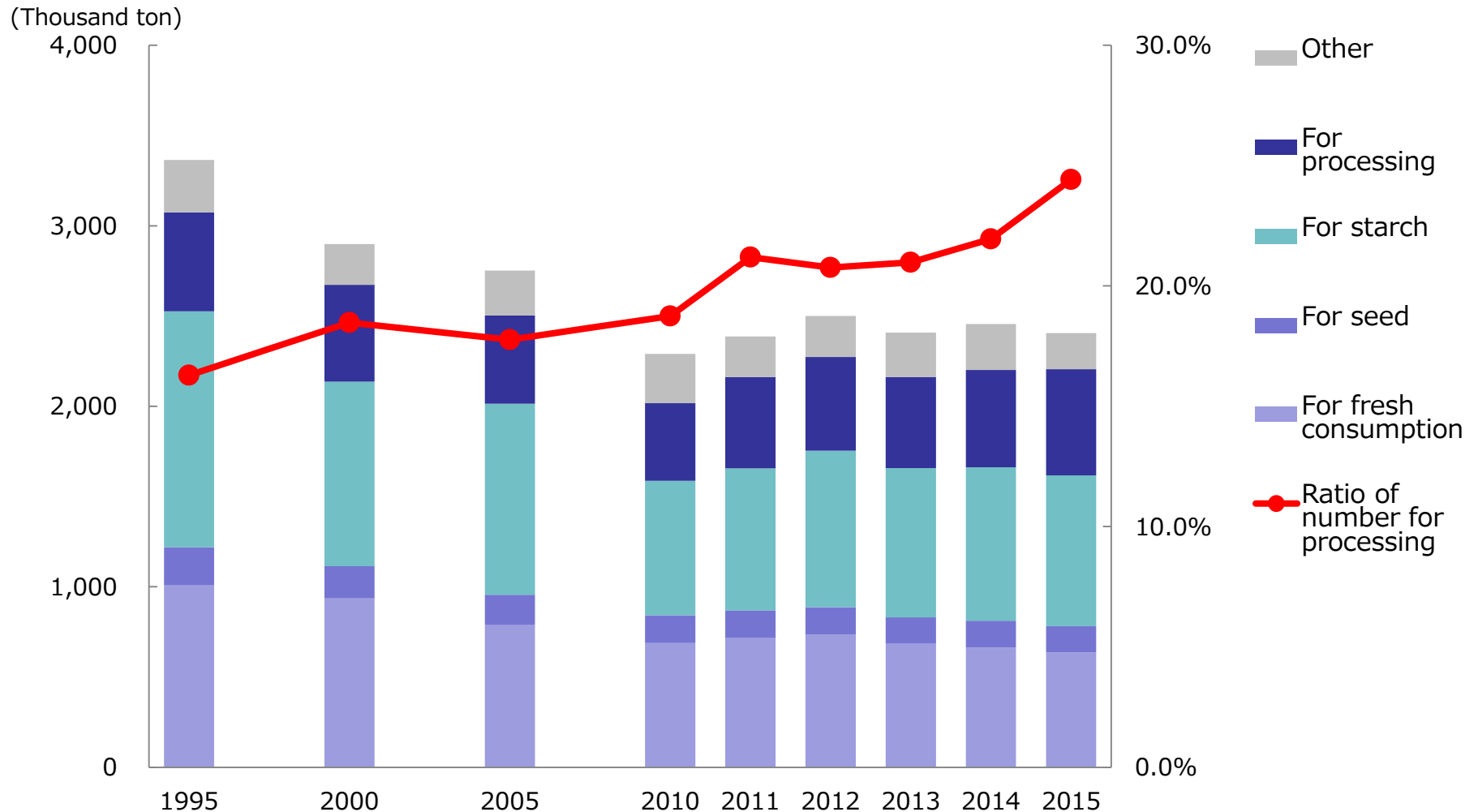
Harvest the Power of Nature.

■ Market share*



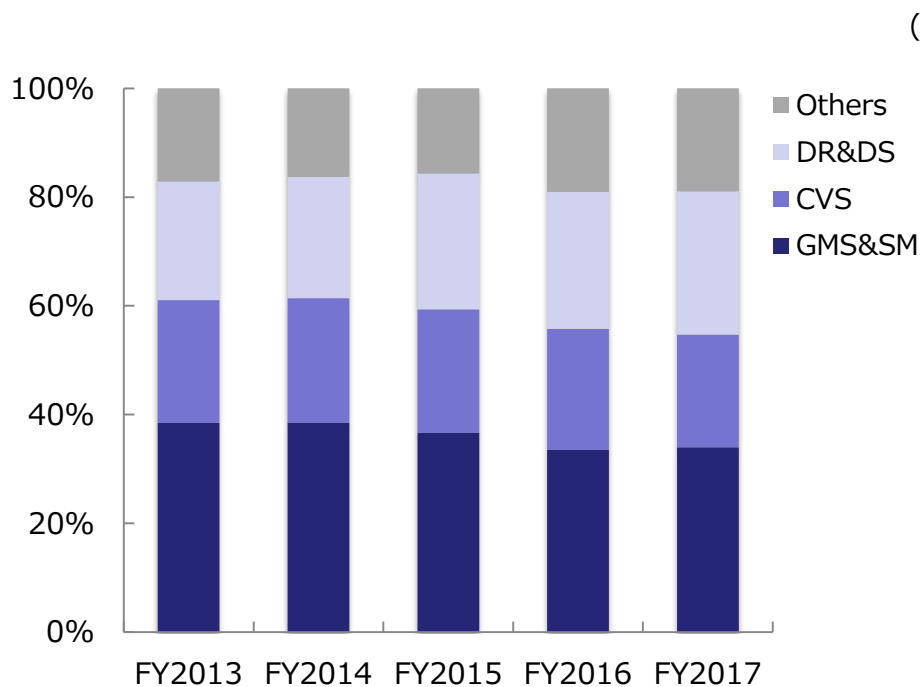
*Source: Intage SRI based on sales (nationwide, all retail formats)
 FY2018 H1 total :April 2017 – September 2017
 Comparison period: April 2016 – September 2016
 FY2014-FY2017: April 2013 – March 2017
 Snack market share/ Corn-based market share:
 Total of Calbee and Japan Frito-Lay
 Potato chips: Total of potato chips (thick- and thin-sliced),
 shoestring and kettle types; includes private brand products

■ Trend in domestic potato consumption by use*



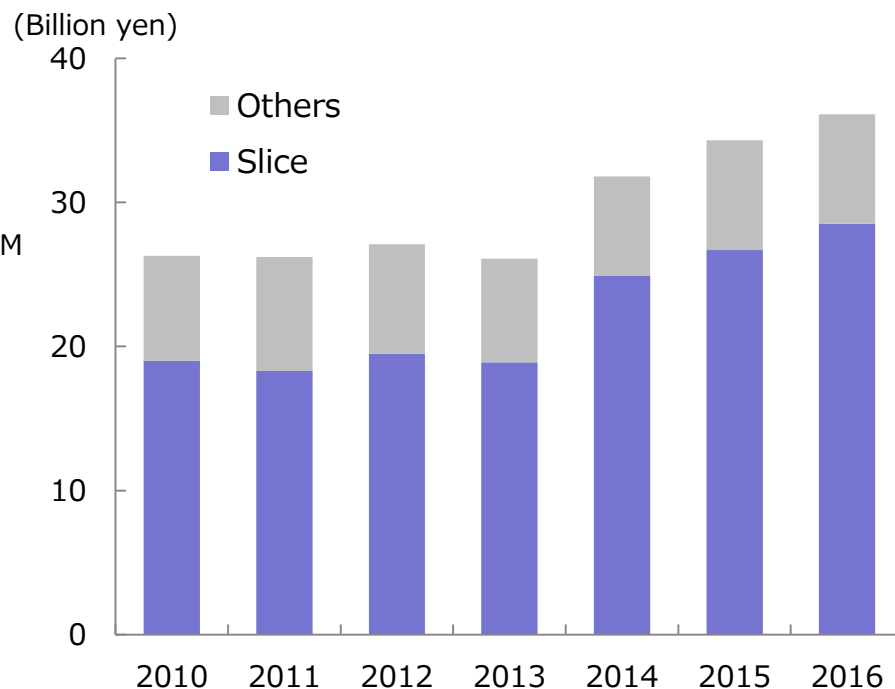
*Source : Ministry of Agriculture, Forestry and Fisheries material relating to potatoes and starch

■ Sales composition by business*



* Calbee alone (manufacturer shipped goods basis)

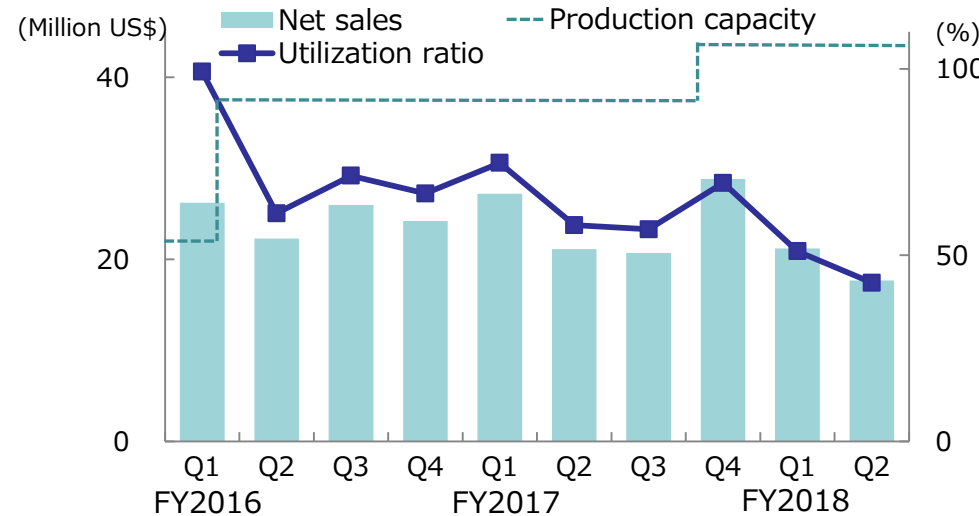
■ Fabricated potato chips market *



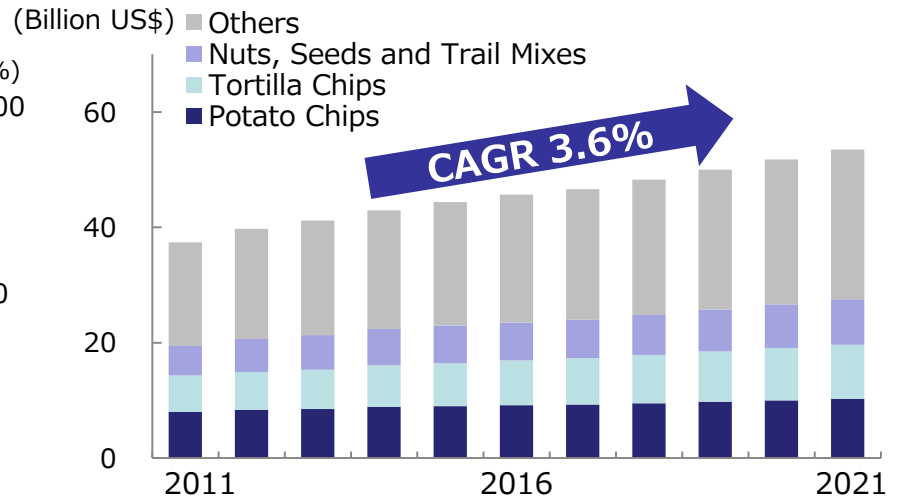
* Source : Japan Snack Cereal Foods Association
Fabricated potato chips, production amount

Overseas business: North America

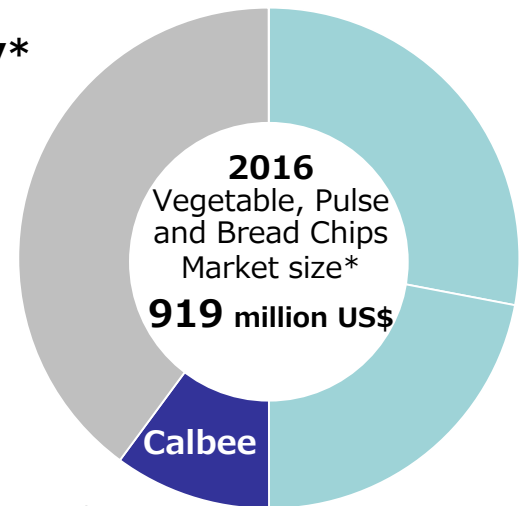
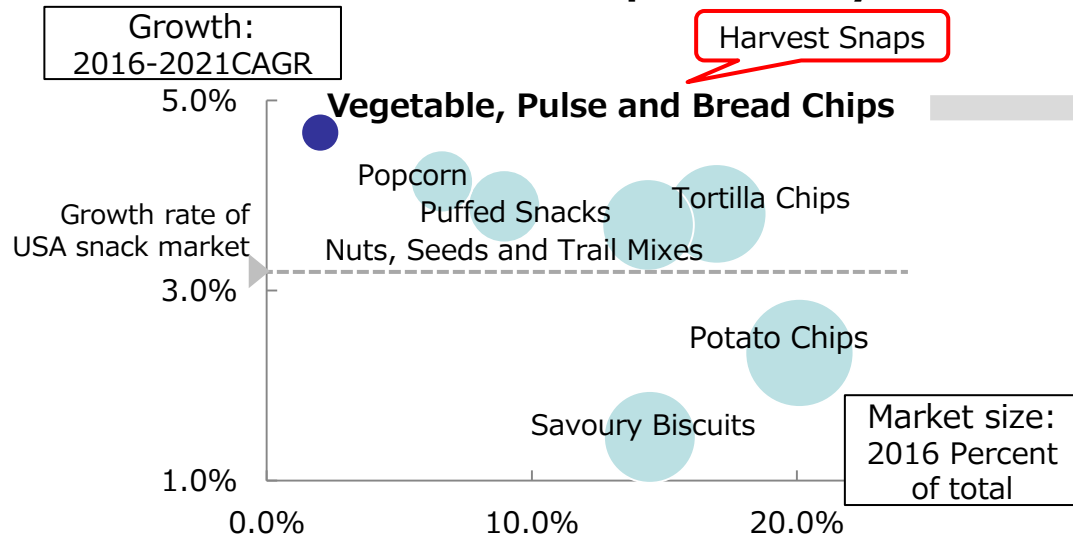
■ Harvest Snaps; Net sales and utilization ratio



■ USA Snack market*



■ USA snack market composition by main category*

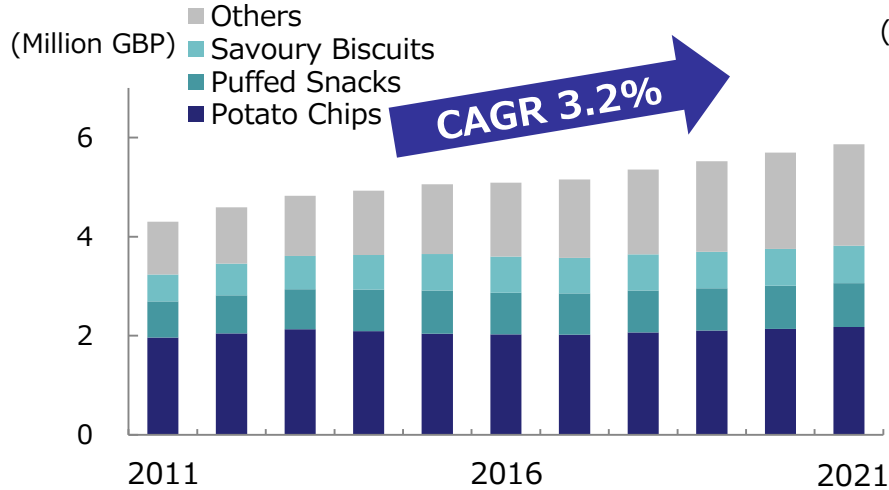


*Source : Euromonitor

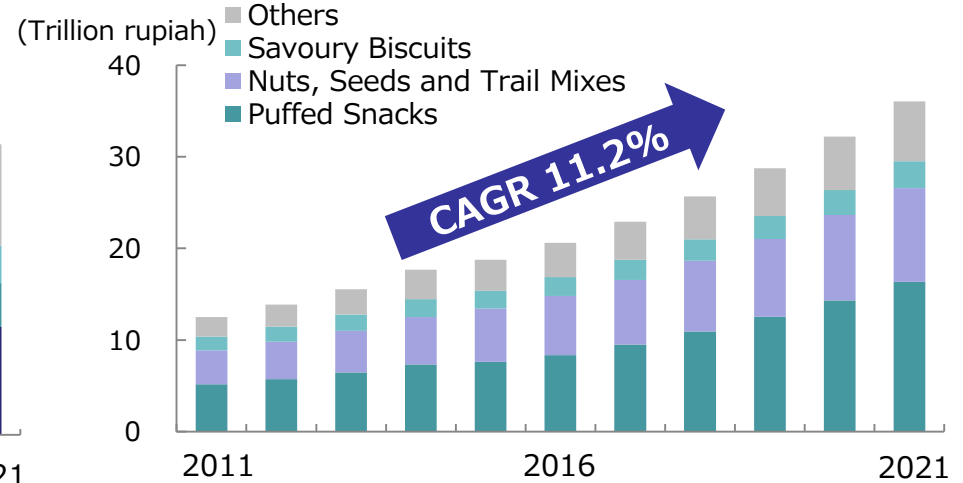
Snack : Savory Snacks (Nuts, Seeds and Trail Mixes, Salty Snacks, Savory Biscuits, Popcorn, Pretzels, Other Savory Snacks)
2017-2021: Forecast

Overseas business: Snack market size by main country*

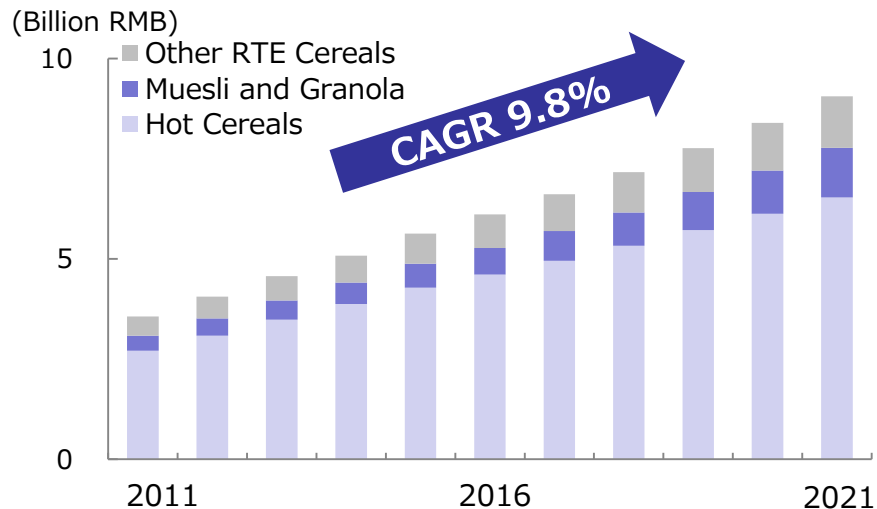
■ UK snack market



■ Indonesia snack market



■ China snack market



*Source : Euromonitor

Snack : Savory Snacks (Nuts, Seeds and Trail Mixes, Salty Snacks, Savory Biscuits, Popcorn, Pretzels, Other Savory Snacks)

Cereal : Breakfast Cereals (Hot Cereals, RTE Cereals)

2017-2021: Forecast

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- The Company's fiscal year ends on March 31. The fiscal year ended March 31, 2018 is referred to throughout this report as "FY2018," 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.