



Calbee

Harvest the Power of Nature.

Calbee Group Financial Results

First quarter of fiscal year ending March 31, 2018
April 1, 2017 – June 30, 2017



TSE code : 2229
Calbee, Inc.
2017.8.3

**First quarter results for the fiscal year
ending March 31, 2018**

Progress towards achieving our plan

Koichi Kikuchi

**Managing Executive Officer
Chief Financial Officer**

Table of contents






- 1. FY2018 Review of first quarter results**
- 2. Progress towards achieving our plan**

1. FY2018 Review of first quarter results

2. Progress towards achieving our plan

Summary

- Lower sales and profit on the large temporary impact from suspension of sales of *Potato Chips* and stop in foreign consumption of *Frugra*
- In addition to the above, the effects of weakness in overseas business, a greater than expected decline for *Potato Chips* and the lack of growth in domestic consumption of *Frugra* caused net sales and operating income to be lower than planned
- Selling costs ratio was as planned due to controlling domestic sales promotion costs

Key performance indicators	FY2018 Target	FY2018 Q1 Target	FY2018 Q1 Results	Progress
Net sales growth ratio	+3.0%	-5.3%	-8.5%	
Operating income growth ratio	+4.0%	-32.7%	-52.1%	
Operating income ratio	11.5%	8.2%	6.0%	
Overseas sales ratio	15.5%	15.2%	13.4%	
Selling costs ratio	14.6%	14.8%	14.8%	

FY2018 Q1: Results highlights

	FY2017 Q1		FY2018 Q1		Change	VS plan
	(Million yen)	Percent of total(%)	(Million yen)	Percent of total(%)	(%)	(%)
Net sales	61,756	100.0	56,519	100.0	-8.5	96.7
Gross profit	27,109	43.9	23,129	40.9	-14.7	94.4
SG&A	19,979	32.4	19,715	34.9	-1.3	100.1
Selling	8,848	14.3	8,380	14.8	-5.3	97.1
Distribution	4,077	6.6	4,168	7.4	+2.2	102.9
Labor	4,391	7.1	4,497	8.0	+2.4	102.7
Others	2,661	4.3	2,668	4.7	+0.2	101.1
Operating income	7,130	11.5	3,413	6.0	-52.1	71.1
Ordinary income	6,339	10.3	3,501	6.2	-44.8	73.0
Extraordinary income/loss	-116	—	-38	—	—	—
Non-controlling interests profit	363	—	-40	—	—	—
Net profit*	3,832	6.2	2,287	4.0	-40.3	76.5

*Profit attributable to owners of parent

FY2018 Q1: Domestic business highlights

Despite growth in flour-based snacks, *Jagabee/Jaga pokkuru* and corn- and bean-based snacks, this did not fully compensate for declines in *Potato Chips* and *Frugra*

(Million yen)

	FY2017 Q1	FY2018 Q1	YoY	Change in %
Net sales	54,453	48,923	-5,529	-10.2
Potato-based snacks	29,407	24,095	-5,311	-18.1
<i>Potato Chips</i>	17,482	11,788	-5,693	-32.6
<i>Jagarico</i>	8,569	8,491	-78	-0.9
<i>Jagabee/Jaga pokkuru</i>	3,355	3,816	+460	+13.7
Four-based snacks	5,560	6,102	+542	+9.8
Corn- and bean-based snacks	4,703	5,040	+336	+7.2
Other snacks	1,146	2,660	+1,513	+132.1
Cereals	8,676	6,400	-2,275	-26.2
Operating income (Compared to net sales)	6,520 (12.0%)	3,504 (7.2%)	-3,015	-46.2

- Other snacks : Expanded *Potato Chips Crisp* sales regions (1.3bn yen in sales this quarter)

Potato Chips

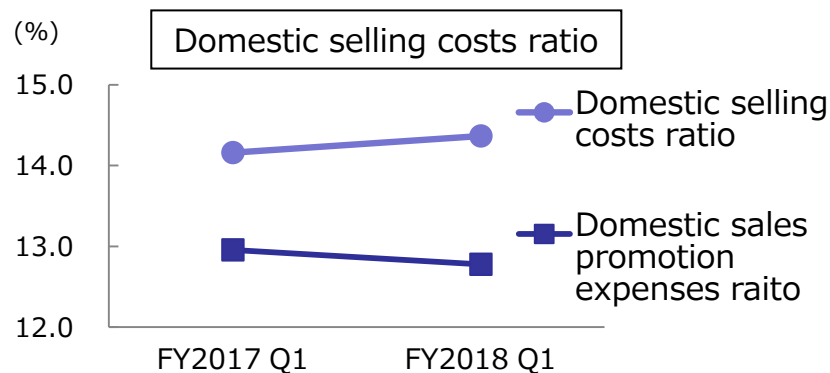
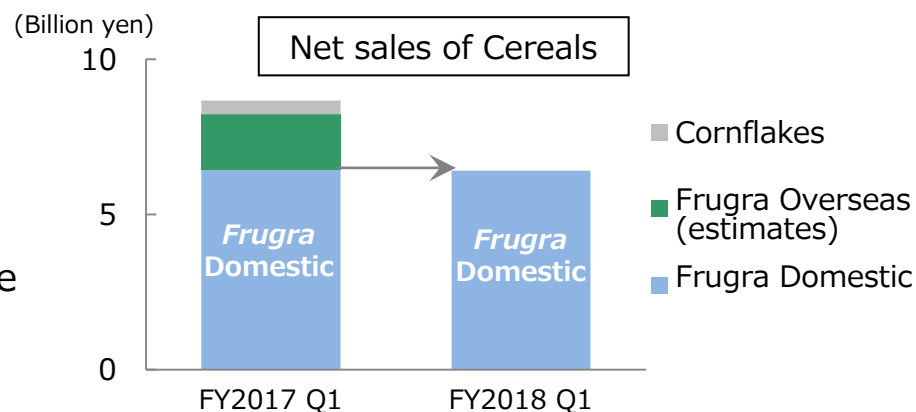
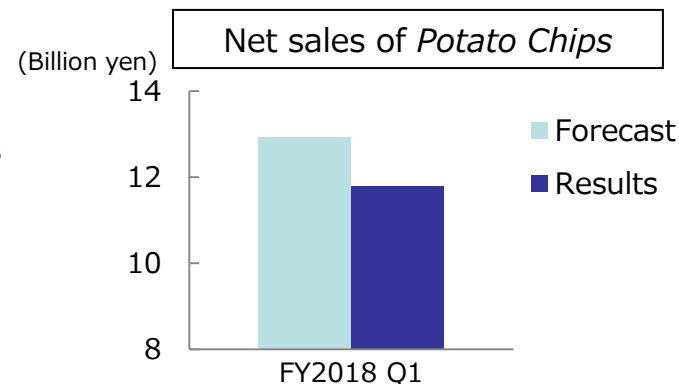
- In April we increased the number of suspended products to calm the confused supply and demand balance
- Since late May we have been resuming sales of suspended products, but due to the large impact of the reduced product offerings sales did not achieve plan

Cereals

- *Frugra*:
 - Sales were zero (estimate) this quarter due to overseas consumption stopping in March
 - Domestic consumption remained at the same level YoY due to distribution inventories for overseas consumption
- Ended sales of cornflakes

Domestic selling costs

- Total domestic selling costs ratio rose due to higher sales promotion expenses from commercials despite an improvement in the domestic sales promotion expenses ratio



FY2018 Q1: Overseas business highlights

Losses due to large decrease in profit on weakness in North America and South Korea

(Million yen)

	FY2017 Q1	FY2018 Q1	Change in %
Net sales	7,303	7,595	+4.0
North America	3,162	2,714	-14.2
Greater China	1,353	1,338	-1.2
South Korea	1,448	1,256	-13.3
Other Asian regions and Australia	1,092	1,951	+78.6
Europe	244	335	+37.1

Breakdown of change			
YoY	Forex difference	Real terms	Change in %
+292	+149	+143	+2.0
-448	+61	-509	-16.1
-15	+13	-29	-2.2
-192	+59	-252	-17.4
+858	+43	+815	+74.6
+90	-28	+119	+48.7

	FY2017 Q1	FY2018 Q1	YoY
Operating income	610	-91	-701
North America	607	53	-554
Greater China	143	94	-48
South Korea	46	8	-37
Other Asian regions and Australia	44	-74	-119
Europe	-232	-174	+57

* Exchange rate

FY2017 Q1 : 1 USD = 109.07 yen

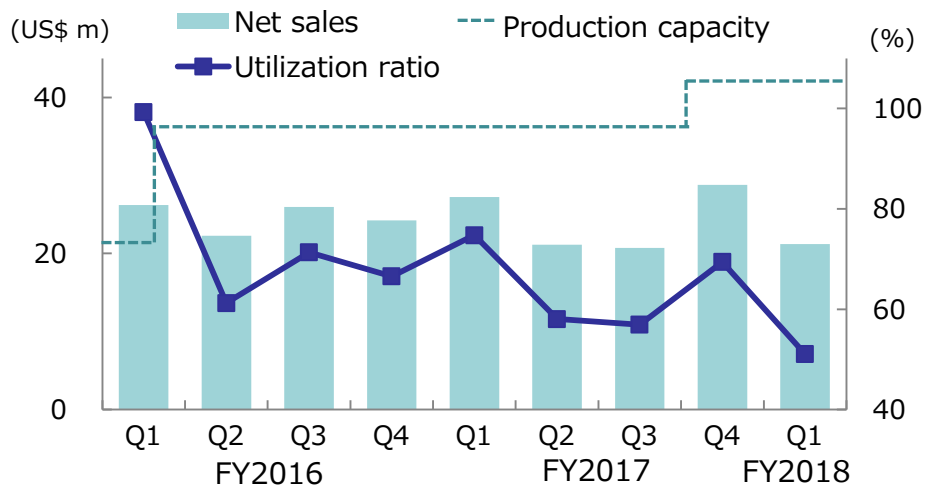
FY2018 Q1 : 1 USD = 111.61 yen

FY2018 Q1: Overseas business

North America

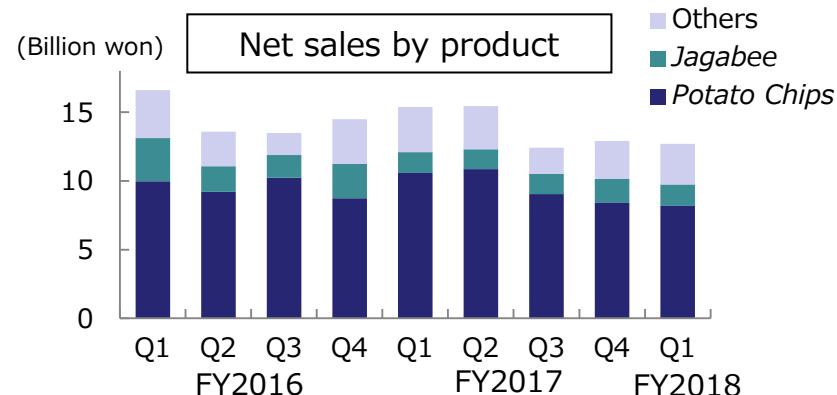
- Net sales decreased due to the reactionary drop after promotional campaign that boosted sales in FY2017Q4 and difficulties responding to major customers' needs for flavor development, etc., in a timely manner
- Operating income decreased substantially due to impact of decreasing sales, decreasing utilization and the occurrence of one-off costs, such as for raw materials disposal and marketing
- Improving trend in loss rate during production

Harvest Snaps; Net sales and utilization ratio



South Korea

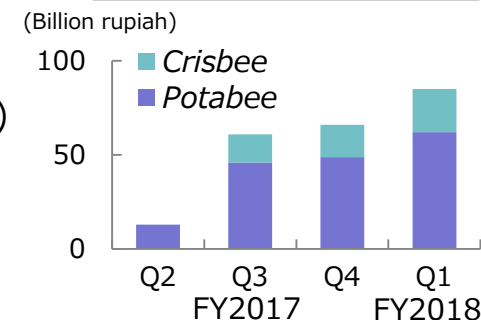
- Despite launch of new *Potato Chips* products sales did not grow
- Changed JV partner pricing agreements to eliminate losses



Indonesia

- Business expanded as distribution to MTs (major retailers) and TTs (traditional retailers) progressed

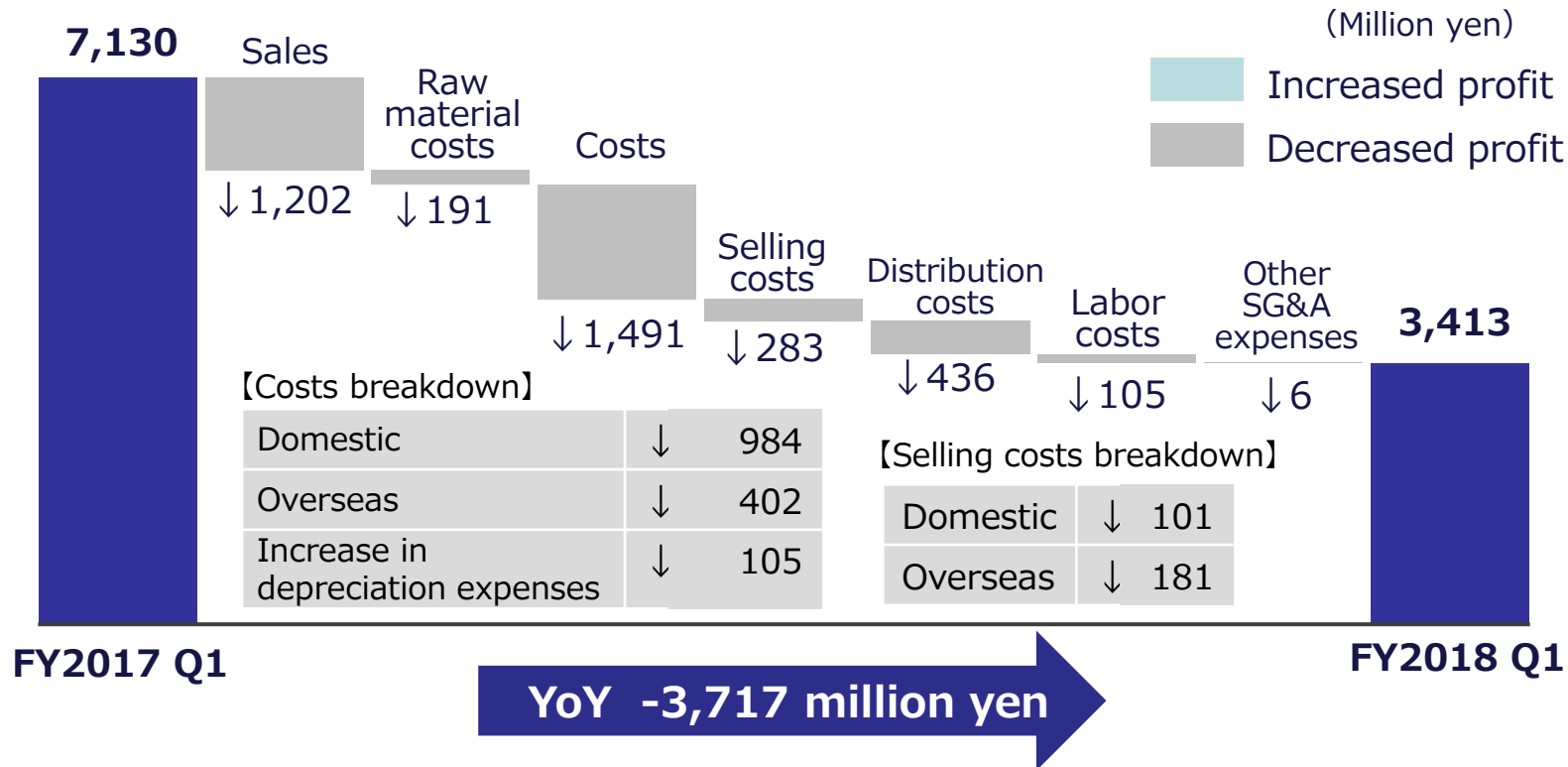
Net sales by product



FY2018 Q1: Factors decreasing operating income **Calbee**

Harvest the Power of Nature.

Change in operating income (YoY)



- Costs: (Domestic) Rose on lower utilization for *Potato Chips* and *Frugra*
(Overseas) • Rose on factors including raw materials disposal and lower utilization despite improving trend in loss rate in North America
 - Region mix deteriorated on Indonesia's sales expansion due to the high cost ratio for the country
- Selling costs: (Domestic) Higher advertisement expenses from commercials
(Overseas) Sales promotion costs in Indonesia and marketing costs in North America rose
- Distribution costs: Domestic shipping costs rose on the shipping of *Potato Chips* made with imported potatoes from west Japan nationwide

1. FY2018 Review of first quarter results

2. Progress towards achieving our plan

Progress towards achieving our plan

Aim to achieve full year forecasts by expanding sales from Q2

Q1 review

Initiatives from Q2

Temporary issues

■ Production/sales adjustments accompanying disorder in <i>Potato Chips</i> distribution caused by potato shortage	⇒	■ Plan to revive suspended items at the time of Hokkaido potato harvest
■ Cessation of sales of <i>Frugra</i> for overseas consumption	⇒	■ Proactive marketing through planning and campaigns
■ Domestic sales of <i>Frugra</i> unchanged due to effect of distribution inventories	⇒	■ Operation of new production line in Hokkaido Factory
		■ Launch official sales to China
		■ Target new consumer strata through planning and campaigns and investment in new flavors

Continuing issues

■ Domestic selling costs mostly as planned	⇒	■ Continue to control selling costs
■ Weak sales, higher costs in North America	⇒	■ Focus on incorporating the needs of the market
		■ Diversify products according to customer needs (flavor, size, assortment, etc.)
■ Weak sales in South Korea	⇒	■ Management focusing on securing profit

Potato Chips

- Conduct proactive sales and promotion through increasing revival of suspended items and sales of limited time products at the time of potato harvest such as *A la Potato*
- In addition to the *Great Harvest Festival 2017* and *Hometown Pride Festival* sales promotions, plan to sell local specialty flavor *Potato Chips* of Japan's 47 prefectures

Frugra

- Further expand product line-up, respond to individual servings and promote families to increase inventories
- Aim to raise recognition by implementing reduced salt plan for seniors, low carbohydrate breakfast plan for men

New products being launched in August

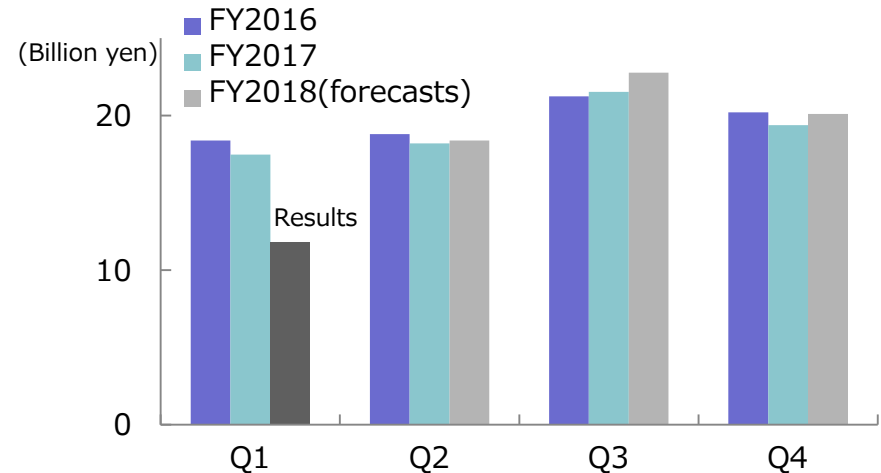


Triple berry
milk flavor



50g
individual
serving

Net sales of *Potato Chips*



Domestic selling costs

- Control selling costs as base for sales policy emphasizing profit
 - 'One price' products: Plan to launch several as limited-time, regional limited
 - Distribution system reform: Started transactions with two companies from April
 - Consolidate distributors

Plans for overseas business

North America

**Focus on
incorporating the
needs of the market**

Diversify products
according to customer
needs

	Measures
R&D	<ul style="list-style-type: none"> • <i>Harvest Snaps</i> new flavor development
Sales, marketing	<ul style="list-style-type: none"> • Launch variety packs • Conduct promotions in line with flavor development
Production	<ul style="list-style-type: none"> • Acquire SQF, organic certification



Hong Kong

- Began production at *Frugra* Hokkaido line
- From 7/28, began selling *Frugra* Hokkaido packages for China on Calbee's overseas flagship store on Tmall Global, a cross-border e-commerce site managed by Alibaba Group



FY2018 full year forecasts highlights



Harvest the Power of Nature.

	FY2018 forecasts		FY2018 Q1 results		FY2018 Q2-Q4 forecasts		Change
	(Million yen)	Percent of total(%)	(Million yen)	Percent of total(%)	(Million yen)	Percent of total(%)	(%)
Net sales	260,000	100.0	56,519	100.0	203,480	100.0	+6.7
Gross profit	114,000	43.8	23,129	40.9	90,870	44.7	+7.6
SG&A	84,000	32.3	19,715	34.9	64,284	31.6	+2.4
Selling	37,900	14.6	8,380	14.8	29,519	14.5	+0.0
Distribution	17,000	6.5	4,168	7.4	12,831	6.3	+0.3
Labor	18,800	7.2	4,497	8.0	14,302	7.0	+8.5
Others	10,300	4.0	2,668	4.7	7,631	3.8	+5.0
Operating income	30,000	11.5	3,413	6.0	26,586	13.1	+22.5
Ordinary income	30,000	11.5	3,501	6.2	26,498	13.0	+18.9
Extraordinary income/loss	-1,000	—	-38	—	-961	—	—
Net profit*	19,000	7.3	2,287	4.0	16,712	8.2	+13.1

*Profit attributable to owners of parent

- Full year forecasts without changes

FY2018 full year forecasts highlights

	FY2018 forecasts		FY2018 Q1 results		FY2018 Q2-Q4 forecasts	
	(Million yen)	Change in %	(Million yen)	Change in %	(Million yen)	Change in %
Domestic net sales	219,620	-1.7	48,923	-10.2	170,696	+1.0
Snacks	173,974	-0.2	37,898	-7.2	136,075	+1.9
Potato-based snacks	123,974	-2.2	24,095	-18.1	99,878	+2.5
<i>Potato Chips</i>	73,048	-4.6	11,788	-32.6	61,260	+3.7
<i>Jagarico</i>	36,514	-0.5	8,491	-0.9	28,023	-0.3
<i>Jagabee/Jaga Pokkuru</i>	14,411	+6.3	3,816	+13.7	10,594	+3.9
Flour-based snacks	22,411	-1.7	6,102	+9.8	16,308	-5.4
Corn- and bean-based snacks	17,236	+0.4	5,040	+7.2	12,196	-2.1
Other snacks	10,352	+37.6	2,660	+132.1	7,692	+20.6
Cereals	26,701	-12.3	6,400	-26.2	20,301	-6.7
Others	18,943	+1.3	4,624	-6.8	14,318	+4.2
Overseas net sales	40,380	+39.3	7,595	+4.0	32,784	+51.2
North America	13,840	+19.2	2,714	-14.2	11,125	+31.8
Greater China	10,110	+93.8	1,338	-1.2	8,771	+127.1
South Korea	5,520	+3.4	1,256	-13.3	4,263	+9.7
Other Asian regions and Australia	9,350	+61.2	1,951	+78.6	7,398	+57.2
Europe	1,560	+53.0	335	+37.1	1,224	+58.0

- Change in product breakdown for full year net sales forecast

Reference material

FY2018 Q1: Sales by product

(Million yen)

	FY2017 Q1			FY2018 Q1		
	Amount	Composition	Change in %	Amount	Composition	Change in %
Domestic snack foods	40,817	66.1%	-1.3%	37,898	67.1%	-7.2%
Domestic cereals	8,676	14.0%	+53.6%	6,400	11.3%	-26.2%
Domestic other foods*	4,101	6.6%	+0.7%	3,691	6.5%	-10.0%
Domestic foods business	53,595	86.8%	+5.0%	47,990	84.9%	-10.5%
Overseas snack foods	7,303	11.8%	-7.2%	7,595	13.4%	+4.0%
Overseas foods business	7,303	11.8%	-7.2%	7,595	13.4%	+4.0%
Snacks and other foods business	60,898	98.6%	+3.4%	55,586	98.3%	-8.7%
Other businesses	858	1.4%	-5.6%	933	1.7%	+8.7%
Total Sales	61,756	100.0%	+3.2%	56,519	100.0%	-8.5%

<Breakdown of Domestic snack foods>

Potato-based snacks	29,407	47.6%	-1.6%	24,095	42.6%	-18.1%
<i>Potato Chips</i>	17,482	28.3%	-4.9%	11,788	20.9%	-32.6%
<i>Jagarico</i>	8,569	13.9%	+1.8%	8,491	15.0%	-0.9%
<i>Jagabee/Jaga Pokkuru</i>	3,355	5.4%	+9.1%	3,816	6.8%	+13.7%
Flour-based snacks	5,560	9.0%	+2.6%	6,102	10.8%	+9.8%
<i>Kappa Ebisen</i>	2,730	4.4%	+3.8%	2,934	5.2%	+7.5%
<i>Sapporo potato</i> and others	2,829	4.6%	+1.4%	3,168	5.6%	+12.0%
Corn- and bean-based snacks	4,703	7.6%	+2.6%	5,040	8.9%	+7.2%
Other snacks**	1,146	1.9%	-21.3%	2,660	4.7%	+132.1%

* "Bread" and "Others" of "Cereals, Bread and Others" have been summarized in "Domestic other foods".

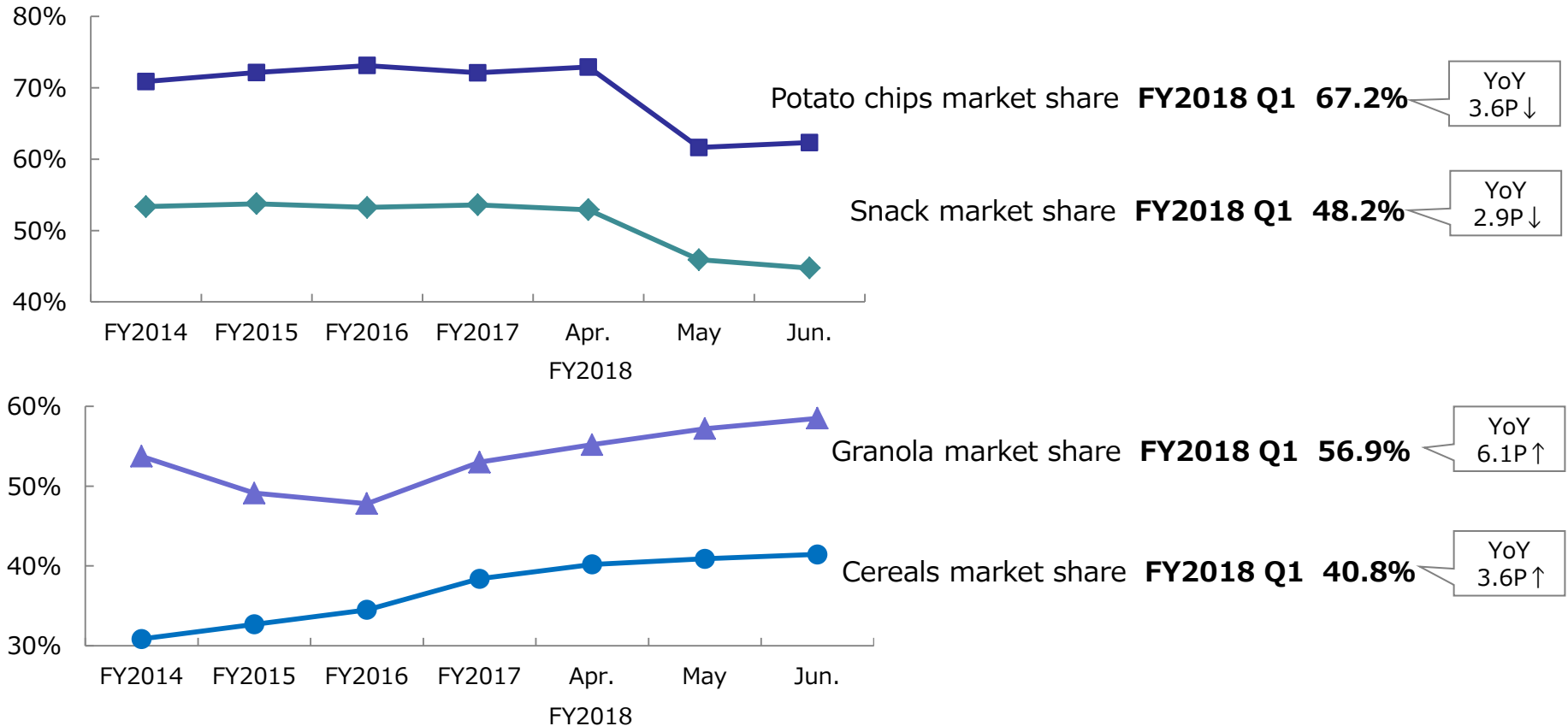
** "Other new snacks" have been restated as "Other snacks"

FY2018 Q1: Sales by country

Country	Yen Local currency	FY2017 Q1	FY2018 Q1	Change in %
North America				
North America	Million yen	3,162	2,714	-14.2%
	Thousand US dollars	28,998	24,322	-16.1%
Greater China				
China	Million yen	391	367	-6.2%
	Thousand renminbi	23,532	22,542	-4.2%
Hong Kong	Million yen	958	905	-5.5%
	Thousand HK dollars	68,203	63,171	-7.4%
Taiwan	Million yen	4	65	+1,458.2%
	Thousand NT dollars	1,248	17,822	+1,327.3%
South Korea				
South Korea	Million yen	1,448	1,256	-13.3%
	Million won	15,365	12,690	-17.4%
Other Asian regions and Australia				
Thailand	Million yen	633	732	+15.7%
	Thousand baht	205,588	225,442	+9.7%
Philippines	Million yen	122	115	-5.3%
	Thousand pesos	52,228	51,906	-0.6%
Singapore	Million yen	337	324	-3.9%
	Thousand SG dollars	4,197	4,039	-3.8%
Indonesia	Million yen	—	705	—
	Million ID rupiah	—	85,000	—
Australia	Million yen	—	73	—
	Thousand AU dollars	—	866	—
Europe				
United Kingdom	Million yen	232	321	+38.6%
	Thousand UK pounds	1,492	2,251	+50.9%
Spain	Million yen	12	13	+8.7%
	Thousand Euro	99	108	+8.1%

Domestic business

■ Market share*



*Source: Intage SRI based on sales (nationwide, all retail formats)
 FY2018 Q1 total :April 2017 – June 2017
 Comparison period: April 2016 – June 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

Contact details for IR inquiries:

Calbee, Inc. IR Group

E-mail: 2229ir@calbee.co.jp

<https://www.calbee.com/ir/>

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