



Calbee

Harvest the Power of Nature.

Calbee Group Financial Results

Third quarter of fiscal year ending March 31, 2018
April 1, 2017 – December 31, 2017



TSE code : 2229
Calbee, Inc.
2018.2.1

Third quarter results for the fiscal year ending March 31, 2017

Future initiatives

Koichi Kikuchi

**Managing Executive Officer
Chief Financial Officer**

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1. FY2018 Review of third quarter results

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Summary

- Despite strong sales of *Potato Chips* since the Hokkaido potato harvest, revised sales and operating income targets were not achieved due to sluggish domestic sales of *Frugra* and weakness in the overseas business
- Sales and domestic share of *Potato chips* and *Frugra* (granola) grew in Q3 (three months)

Key Performance Indicators	FY2018 Target (Revised plan)	FY2018 Q3 Target (Nine months)	FY2018 Q3 Results (Nine months)	Progress
Net sales growth ratio	+1.4%	+0.1%	-1.2%	
Operating income growth ratio	-4.7%	-8.6%	-13.7%	
Operating income ratio	10.7%	10.7%	10.3%	
Overseas sales ratio	14.2%	13.9%	13.5%	
Selling costs ratio	14.3%	14.0%	14.3%	

FY2018 Q3: Results highlights

Net sales and operating income rose on strong sales of *Potato Chips*

	FY2017 Q3 【Three months】		FY2018 Q3 【Three months】		Change	VS plan
	(Million yen)	Percent of total(%)	(Million yen)	Percent of total(%)	(%)	(%)
Net sales	65,290	100.0	67,869	100.0	+3.9	96.4
Gross profit	29,245	44.8	30,553	45.0	+4.5	97.0
SG&A	20,754	31.8	21,701	32.0	+4.6	100.9
Selling	9,660	14.8	9,904	14.6	+2.5	102.1
Distribution	4,340	6.6	4,564	6.7	+5.2	99.2
Labor	4,353	6.7	4,803	7.1	+10.3	104.4
Others	2,399	3.7	2,428	3.6	+1.2	93.4
Operating income	8,490	13.0	8,852	13.0	+4.3	88.5
Ordinary income	9,551	14.6	8,869	13.1	-7.1	89.6
Extraordinary income/loss	-116	—	-49	—	—	—
Non-controlling interests profit	-76	—	-74	—	—	—
Net profit*	6,423	9.8	6,021	8.9	-6.2	97.1

*Profit attributable to owners of parent

- Ordinary income decreased due to ¥1,073mn in foreign exchange gains booked in FY2017 Q3

FY2018 Q3[Nine months]: Results highlights

Net sales and profit decreased on factors including suspension of sales of some *Potato Chips* in Q1 and weakness in the North American business

	FY2017 Q3 【Nine months】		FY2018 Q3 【Nine months】		Change	VS plan
	(Million yen)	Percent of total(%)	(Million yen)	Percent of total(%)	(%)	(%)
Net sales	188,944	100.0	186,691	100.0	-1.2	98.7
Gross profit	83,823	44.4	80,076	42.9	-4.5	98.8
SG&A	61,578	32.6	60,886	32.6	-1.1	100.3
Selling	27,873	14.8	26,709	14.3	-4.2	100.8
Distribution	12,666	6.7	12,849	6.9	+1.4	99.7
Labor	13,508	7.1	13,691	7.3	+1.4	101.5
Others	7,530	4.0	7,635	4.1	+1.4	97.8
Operating income	22,244	11.8	19,190	10.3	-13.7	94.4
Ordinary income	22,328	11.8	19,426	10.4	-13.0	95.0
Extraordinary income/loss	-313	—	-125	—	—	—
Non-controlling interests profit	409	—	-86	—	—	—
Net profit*	14,407	7.6	13,067	7.0	-9.3	98.7

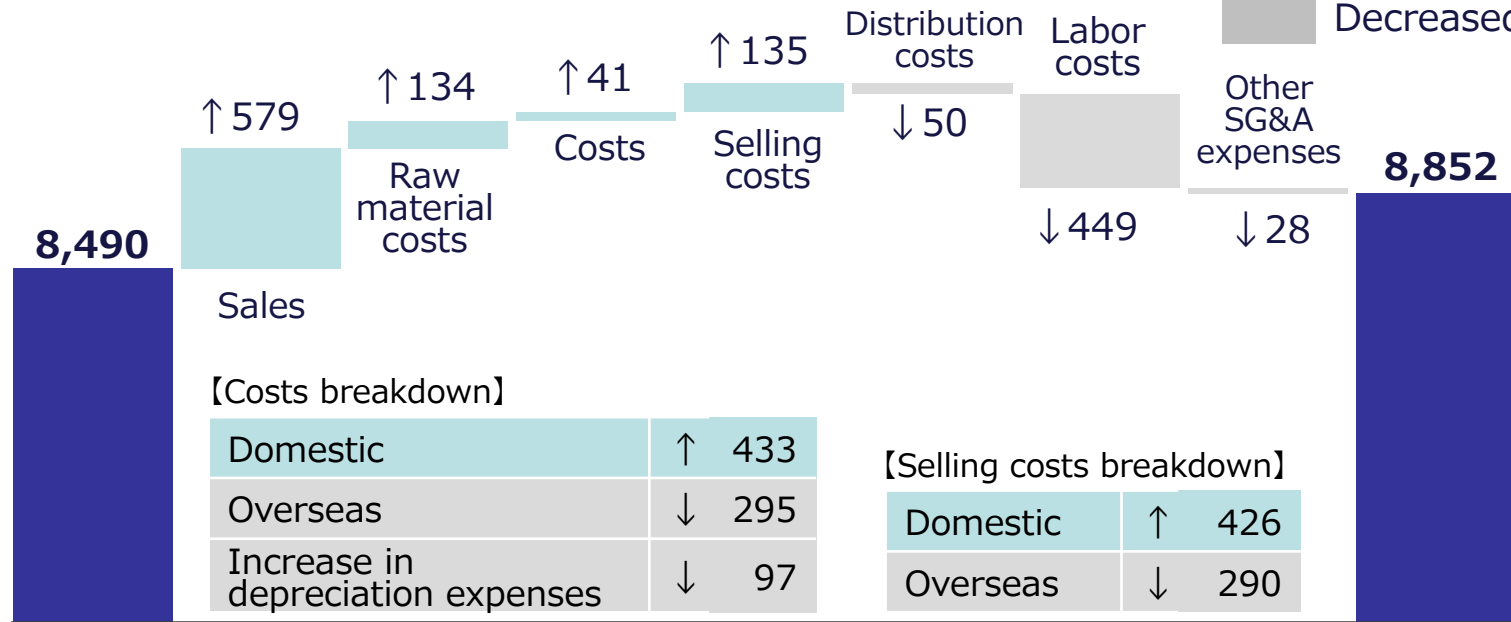
*Profit attributable to owners of parent

FY2018 Q3: Factors increasing operating income

Change in operating income (YoY)

(Million yen)

Increased profit
Decreased profit



FY2017 Q3
(Three months)

YoY +361 million yen

FY2018 Q3
(Three months)

- Raw material costs: Yield improved on increase in quality of potatoes
- Costs: Domestically, improved costs on higher utilization in snacks
Overseas, lower utilization on weakness in North American business
- Selling costs: Domestically, discount rate continued to improve
Overseas, selling expense ratio deteriorated on weak sales in North America
- Labor costs: Increased on increase in staff overseas and decreased reversal gain on provision for bonuses domestically

FY2018 Q3: Domestic business highlights



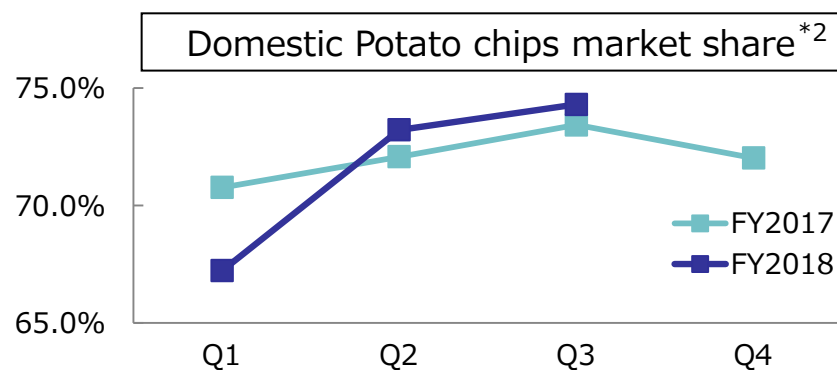
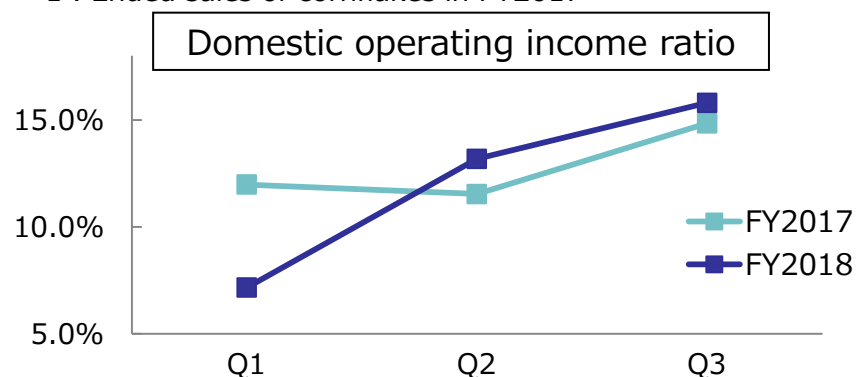
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Reached operating income ratio of 15% as sales and profit rose on factors including expanded share in potato chips and control of sales expenses

(Million yen)

	FY2017 Q3 [Three months]	FY2018 Q3 [Three months]	YoY	Change in %
Net sales	58,240	58,750	+510	+0.9
Snacks	46,732	48,332	+1,599	+3.4
<i>Potato Chips</i>	21,524	23,434	+1,909	+8.9
Other domestic snacks	25,207	24,898	-309	-1.2
Cereals	6,623	5,593	-1,029	-15.5
<i>Frugra</i>	6,366	5,593	-772	-12.1
Cornflakes ^{*1}	257	0	-257	-100.0
Operating income (Compared to net sales)	8,645 (14.8%)	9,284 (15.8%)	+639	+7.4

*1 : Ended sales of cornflakes in FY2017



*2 : The source is written in P18

FY2018 Q3: Domestic business highlights

Potato Chips

- Full scale efforts to strengthen sales since the Hokkaido potato harvest in the summer
 - Strong sales of *Pizza Potato* and regular products such as *Usushio*
 - Higher than expected sales of *Potato Chips* (♥JPN) created jointly with localities across Japan's 47 prefectures

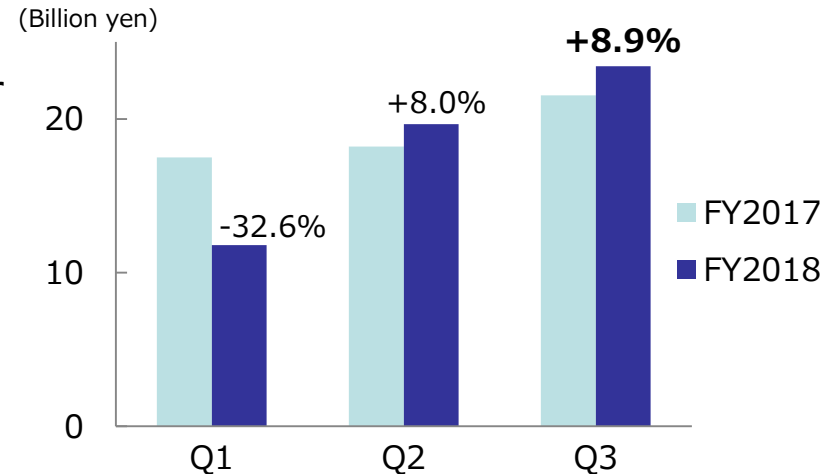


Other domestic snacks

- Sales of *Jagarico* and *Jagabee* decreased on weak sales of limited time products, etc.
- Sales of 'other snacks' including *Kiwa Jaga* and *miino* increased

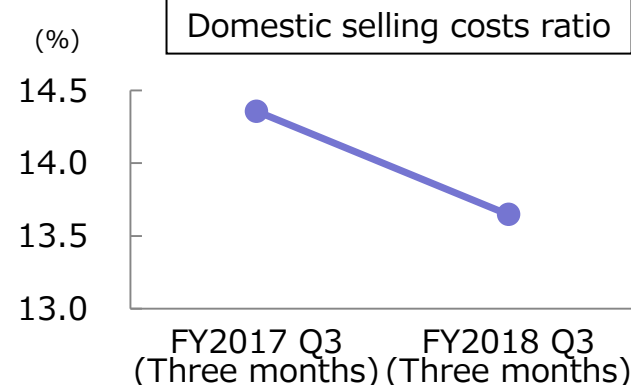


Net sales of *Potato Chips*



Selling costs

- Selling costs rate decreased due to improve of discount rate



FY2018 Q3: Overseas business highlights

Sales rose on factors such as Indonesia and *Frugra* in China, but losses grew in the North American business amid continued weakness

(Million yen)

	FY2017 Q3 [Three months]	FY2018 Q3 [Three months]	Change in %
Net sales	7,049	9,118	+29.3
North America	2,556	2,237	-12.5
Greater China	1,395	2,862	+105.1
of which <i>Frugra</i>	-	1,131	-
South Korea	1,182	1,381	+16.9
Other Asian regions and Australia	1,707	2,286	+33.9
Europe	207	351	+69.1

Breakdown of change			
YoY	Forex difference	Real terms	Change in %
+2,068	+315	+1,752	+24.9
-319	+30	-350	-13.7
+1,466	+43	+1,422	+101.9
+1,131	-	+1,131	-
+199	+109	+90	+7.7
+578	+103	+474	+27.8
+143	+28	+115	+55.4

	FY2017 Q3 [Three months]	FY2018 Q3 [Three months]	YoY
Operating income	-154	-432	-278
North America	227	-231	-459
Greater China	170	139	-31
South Korea	-95	-57	+37
Other Asian regions and Australia	-244	-191	+53
Europe	-212	-90	+121

• Exchange rate

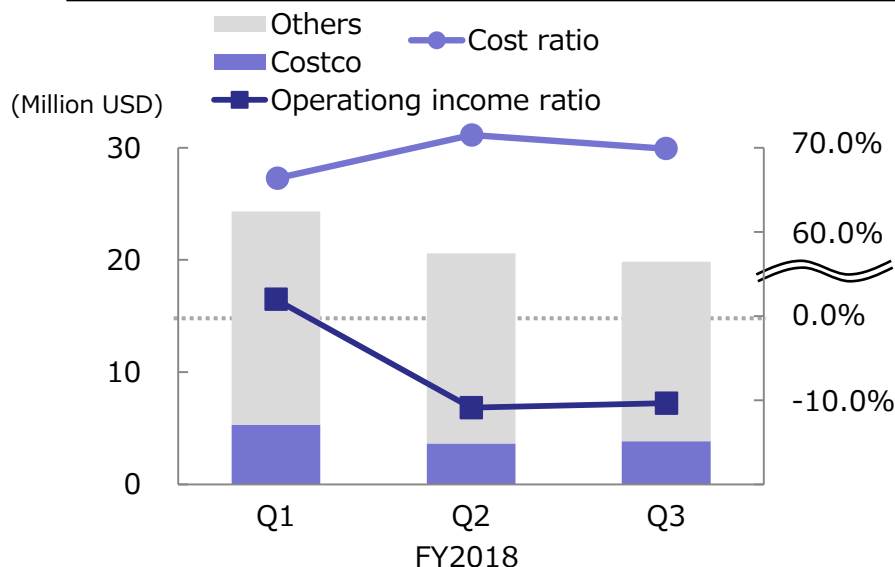
FY2017 Q3 : 1 USD = 107.87 yen

FY2018 Q3 : 1 USD = 111.81 yen

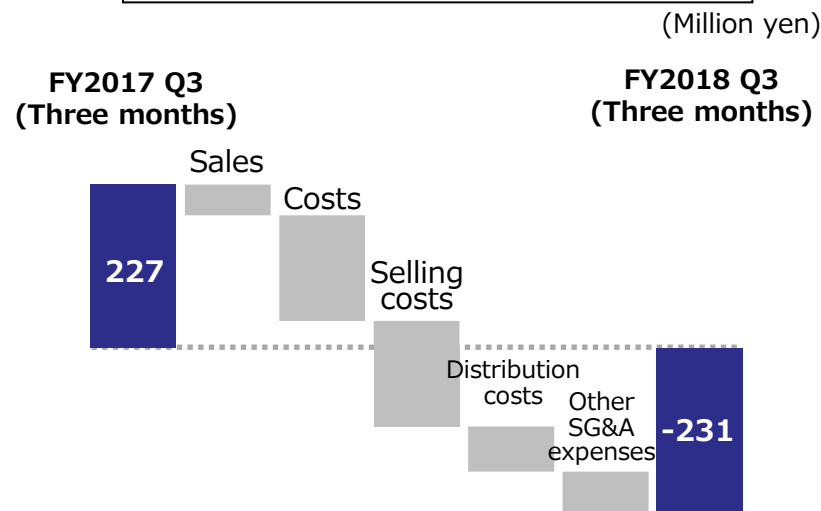
North America

- Sales to major customers (Costco) rose 5.3% QoQ, but did not recover overall momentum
- Losses due to delayed reduction of fixed costs (labor costs) as well as higher selling costs on sales promotion at stores and investment in Harvest Snaps commercial

Net sales and operating income ratio, cost ratio



Factors decreasing operating income



Greater China

- Sales and profit rose on expansion of *Frugra* sales in China at cross-border e-commerce subsidiary

(Million yen)

	FY2017 Q3 [Three months]	FY2018 Q3 [Three months]	Change in %
Frugra sales	6,366	6,725	+5.6%
Domestic consumption	4,995	5,244	+5.0%
Overseas consumption ^{*1}	1,370	1,481	+8.1%

*1: FY2017 overseas consumption is an estimate

	FY2017 Q3 [Nine months]	FY2018 Q3 [Nine months]	Change in %
Frugra sales	22,842	20,064	-12.2%
Domestic consumption	17,640	18,058	+2.4%
Overseas consumption ^{*1}	5,201	2,005	-61.4%

■ Domestic consumption:

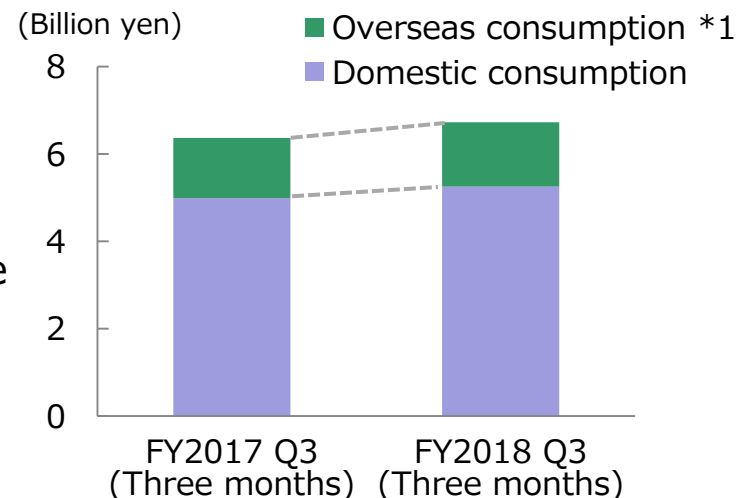
- Rose 5.0% YoY in Q3 (three months) on elimination of reverse flow of inventories from overseas
- Proactively launched new flavors, also grew share (up 5.8pt YoY) ^{*2}

*2: Refer P18

■ Overseas consumption:

- Rose 8.1% YoY in Q3 (three months) on proactive promotions in cross-border e-commerce for large sales promotion events ("Double 11", etc.)
- In November, began shipping to Chinese retail shop via domestic wholesale routes (sales of approx. ¥240mn)

Net sales of *Frugra*



1. FY2018 Review of third quarter results

2. Future initiatives

Future initiatives: Direction for Q4

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Domestic business

■ **Potato Chips:**

Continue to strengthen sales via third round of local specialty flavor *Potato Chips of Japan's 47 prefectures*, and *Kata-Age Potato Hometown Pride Festival*, etc.

■ **Frugra:** Launch new flavors

Enhance S size products to promote purpose a trial purchases

■ **Operating income:**

Aim to improve profitability via higher utilization for *Potato Chips*, efficient application of selling costs



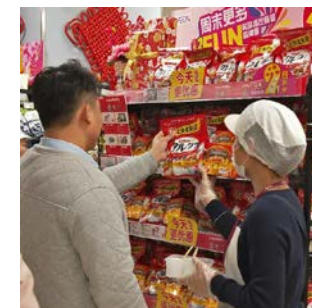
Overseas business

North America

- Aim to achieve recovery in business to club stores through coupon promotion at Costco, etc.
- Begin production of Harvest Snaps for renewal and launch of new flavors in April
- Operating income: Aim for profitability from Q4 by reducing labor costs through down-shifting production lines

Frugra for China

- In addition to cross-border e-commerce, encourage expanded shipping to retailers and enter e-commerce inside China



Frugra on sale
at a Chinese retail shop

Reference material

FY2018 Q3: Sales by product

(Million yen)

	FY2017 Q3 【Three months】			FY2018 Q3 【Three months】			FY2018 Q3 【Nine months】		
	Amount	Composition	Change in %	Amount	Composition	Change in %	Amount	Composition	Change in %
Domestic snack foods	46,732	71.6%	+2.4%	48,332	71.2%	+3.4%	129,374	69.3%	-0.4%
Domestic cereals	6,623	10.1%	+4.5%	5,593	8.2%	-15.5%	18,409	9.9%	-23.0%
Other domestic foods*	3,777	5.8%	-9.8%	3,619	5.3%	-4.2%	10,726	5.7%	-7.4%
Domestic foods business	57,134	87.5%	+1.8%	57,545	84.8%	+0.7%	158,510	84.9%	-4.2%
Overseas snack foods	7,049	10.8%	-4.2%	7,986	11.8%	+13.3%	23,541	12.6%	+12.6%
Overseas cereals	-	-	-	1,131	1.7%	-	1,656	0.9%	-
Overseas foods business	7,049	10.8%	-4.2%	9,118	13.4%	+29.3%	25,198	13.5%	+20.6%
Snacks and other foods business	64,183	98.3%	+1.1%	66,663	98.2%	+3.9%	183,709	98.4%	-1.4%
Other businesses	1,106	1.7%	+53.8%	1,205	1.8%	+8.9%	2,982	1.6%	+11.9%
Total Sales	65,290	100.0%	+1.7%	67,869	100.0%	+3.9%	186,691	100.0%	-1.2%

<Breakdown of Domestic snack foods>

Potato-based snacks	34,477	52.8%	+2.4%	35,880	52.9%	+4.1%	91,914	49.2%	-2.9%
<i>Potato Chips</i>	21,524	33.0%	+1.3%	23,434	34.5%	+8.9%	54,880	29.4%	-4.1%
<i>Jagarico</i>	9,532	14.6%	+7.4%	9,315	13.7%	-2.3%	26,536	14.2%	-3.0%
<i>Jagabee/Jaga Pokkuru</i>	3,419	5.2%	-3.7%	3,130	4.6%	-8.5%	10,498	5.6%	+4.4%
Flour-based snacks	5,762	8.8%	+3.3%	5,756	8.5%	-0.1%	17,052	9.1%	+2.1%
<i>Kappa Ebisen</i>	2,782	4.3%	-1.8%	2,793	4.1%	+0.4%	8,060	4.3%	-0.2%
<i>Sapporo potato</i> and others	2,979	4.6%	+8.4%	2,963	4.4%	-0.5%	8,991	4.8%	+4.3%
Corn- and bean-based snacks	4,254	6.5%	-16.4%	4,202	6.2%	-1.2%	12,954	6.9%	-1.4%
Other snacks**	2,238	3.4%	+75.8%	2,492	3.7%	+11.3%	7,452	4.0%	+37.7%

* "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 Q3: Sales by country



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Country	Yen Local currency	FY2017 Q3 【Three months】	FY2018 Q3 【Three months】	Change in %	FY2018 Q3 【Nine months】	Change in %
North America						
North America	Million yen	2,556	2,237	-12.5%	7,239	-10.9%
	Thousand US dollars	22,997	19,850	-13.7%	64,748	-14.0%
Greater China						
China	Million yen	387	437	+12.9%	1,259	+4.6%
	Thousand renminbi	24,017	25,708	+7.0%	75,629	+1.2%
Hong Kong*	Million yen	980	2,264	+130.9%	4,717	+70.3%
	Thousand HK dollars	68,774	157,449	+128.9%	329,187	+65.1%
Taiwan	Million yen	27	159	+487.7%	336	+975.3%
	Thousand NT dollars	8,047	42,919	+433.3%	91,067	+879.4%
South Korea						
South Korea	Million yen	1,182	1,381	+16.9%	4,089	+0.8%
	Million won	12,424	13,405	+7.9%	40,817	-5.6%
Other Asian regions and Australia						
Thailand	Million yen	758	916	+20.8%	2,468	+18.1%
	Thousand baht	243,598	269,627	+10.7%	741,394	+8.5%
Philippines	Million yen	134	120	-9.9%	362	-2.9%
	Thousand pesos	59,873	53,977	-9.8%	163,100	-1.1%
Singapore	Million yen	320	328	+2.5%	995	+1.6%
	Thousand SG dollars	4,093	3,937	-3.8%	12,170	-2.6%
Indonesia	Million yen	494	809	+63.8%	2,396	+301.0%
	Million ID rupiah	60,835	97,474	+60.2%	288,688	+291.4%
Australia	Million yen	—	110	—	278	—
	Thousand AU dollars	—	1,281	—	3,236	—
Europe						
United Kingdom	Million yen	195	351	+80.1%	1,040	+66.0%
	Thousand UK pounds	1,416	2,343	+65.4%	7,116	+63.1%
Spain	Million yen	12	0	-100.0%	13	-67.9%
	Thousand Euro	106	0	-100.0%	107	-69.8%

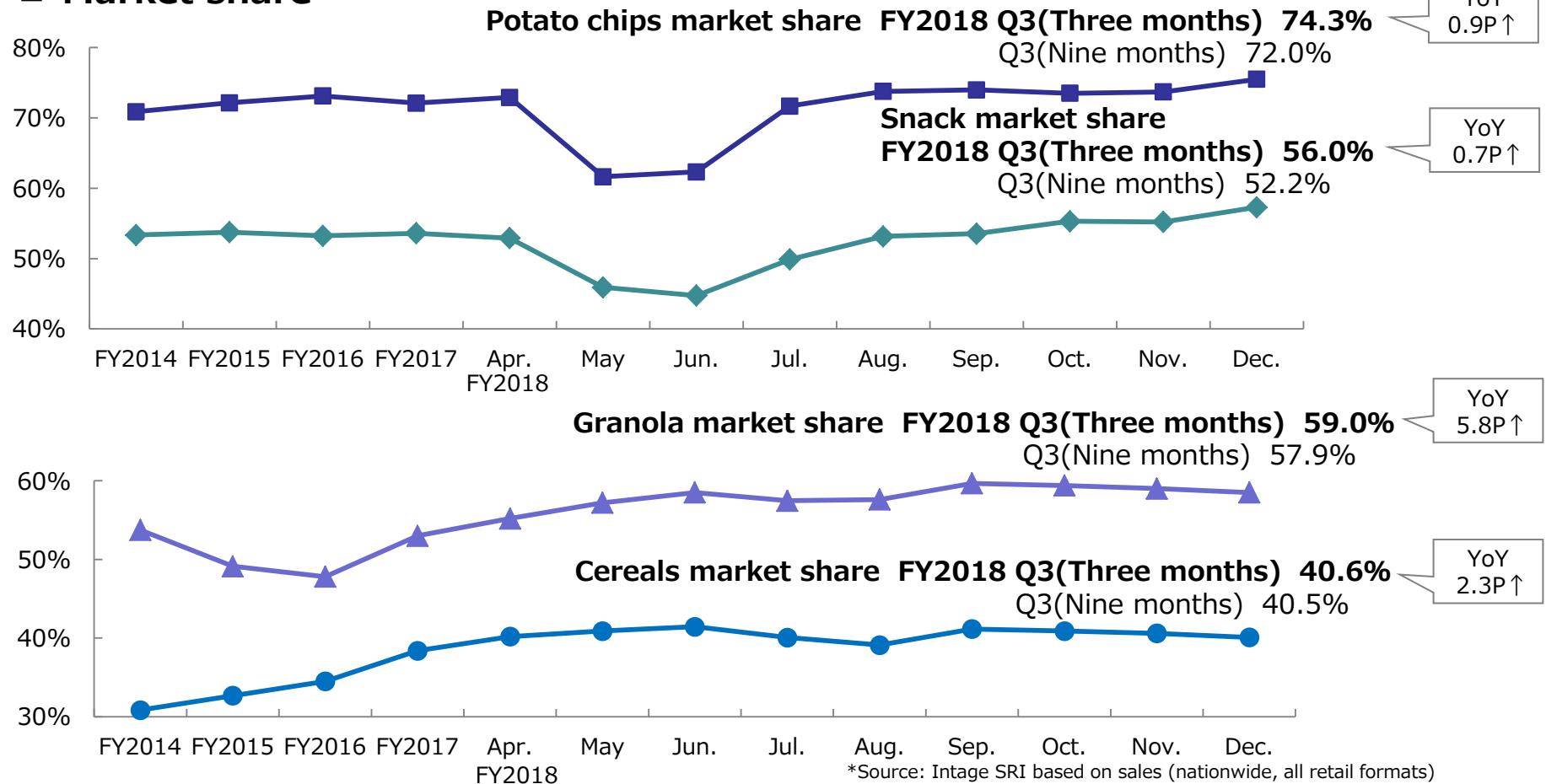
*Within Hong Kong, Calbee E-commerce uses JPY

Domestic business

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■ Market share*



*Source: Intage SRI based on sales (nationwide, all retail formats)

Q1: April- June, Q2: July- September

Q3: October- December, Q4: January- March

Q3(Nine months): April 2017 - December 2017

Comparison period: October 2016 - December 2016

FY2014-FY2017: April 2013 - March 2017

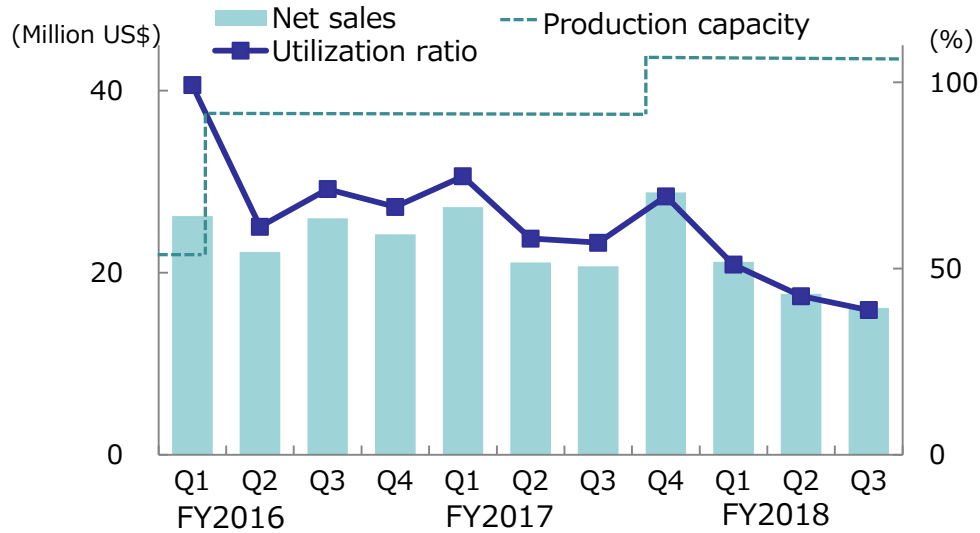
Snack market share:

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

Granola: Granola category of Cereals market

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



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 "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.
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