



Calbee

Harvest the Power of Nature.

Calbee Group Financial Results

For the fiscal year ended March 31, 2018

April 1, 2017 – March 31, 2018



TSE code : 2229

Calbee, Inc.

2018.5.11

Review of FY2018 FY2019 plans and future direction

Shuji Ito
President & COO

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- 1. Review of FY2018**
- 2. FY2019 forecasts and key initiatives**
- 3. Future direction**

1. Review of FY2018






2. FY2019 forecasts and key initiatives

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Review of FY2018

Summary

- Sales and operating income did not achieve revised targets
- Slump in overseas snacks business
- Profit rose in domestic business

Key Performance Indicators	FY2018 Target (Revised)	FY2018 Results	Effect
Net sales growth ratio	+1.4%	-0.3%	
Domestic	-1.7%	-2.5%	△
Overseas	+25.5%	+16.6%	×
Operating income growth ratio	-4.7%	-7.0%	
Domestic	-2.0%	+1.0%	○
Overseas	-93.0%	-271.5%	×
Operating income ratio	10.7%	10.7%	
Domestic	12.5%	13.0%	○
Overseas	0.2%	-4.3%	×
Overseas sales ratio	14.2%	13.4%	
Selling costs ratio	14.3%	14.7%	
Domestic	13.9%	13.9%	○
Overseas	16.4%	19.9%	×

Review of FY2018: Results and issues

Results

- *Potato Chips* sales strengthened after sales suspension due to potato shortage
- Controlled domestic selling costs
- Launched *Frugra* business targeting China
- Sales grew in new areas being developed overseas - Indonesia, UK

Issues

- Delayed recovery of North American business and overseas business posting losses
- Stagnant domestic *Frugra* business

FY2018 Results

Potato Chips
Net sales growth in H2
+11.4% YoY

Domestic selling costs ratio
Change **-1.1pt**

Frugra net sales
(Overseas consumption)
3.2 billion yen

Indonesia, UK net sales
+2.2 billion yen YoY

Overseas business
operating loss
-1.4 billion yen

Frugra net sales growth
(Domestic consumption)
+0.6% YoY

1. Review of FY2018
- 2. FY2019 forecasts and key initiatives**
3. Future direction

FY2019 full year forecasts

Return to sales and profit growth – solidify overseas business base, further improve profit in domestic business

	FY2018 results	FY2019 forecasts	YoY	Growth excluding effect of sale of bakery subsidiary ^{*1}
	(Million yen)	(Million yen)	(%)	(%)
Net sales	251,575	255,000	+1.4	+6.9
Overseas sales ratio	13.4%	17.5%		
Operating income	26,828	29,500	+10.0	
Operating income ratio	10.7%	11.6%		
Net profit ^{*2}	17,330	19,000	+9.6	
Year-end dividend per share	42.0	48.0		
Dividend payout ratio (consolidated)	32%	34%		

*1: In April 2018 transferred 66.6% of shares in bakery subsidiary that was a consolidated subsidiary

*2: Profit attributable to owners of parent

North America

Market environment

Despite flood of emerging brands in the Better For You market, dramatic change is not observed

Issues

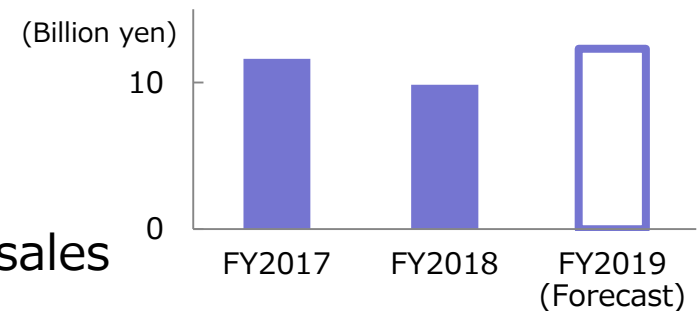
- Although *Harvest Snaps* has secured a unique shelf position in the produce section, no further expansion achieved
- Not responding to consumer (retailers) needs quickly
- New brands (new products) necessary for further sales growth

Measures

- Maintain *Harvest Snaps* brand and improve sales
 - Revamp packaging, launch new flavors
- Try unique new products in the snacks section (*Popper Duos*)
- Increased number of expert personnel from Japan, strengthen collaboration with local product development team, start initiatives towards building a global brand



North America net sales



Overseas consumption

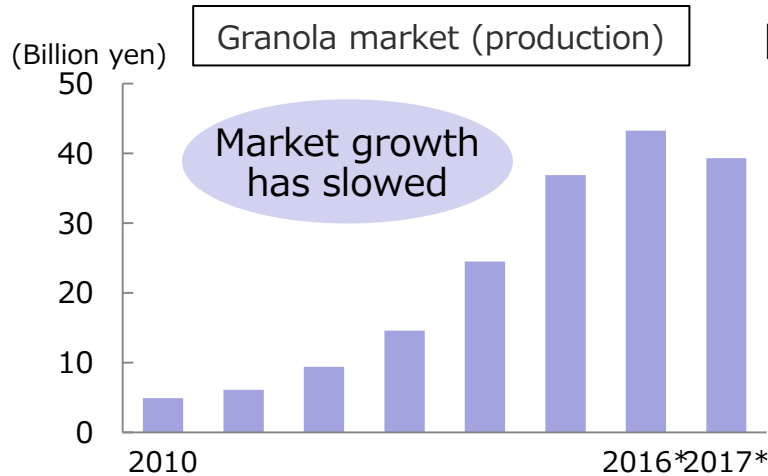
Measures

- Plan to begin operation of Kyoto factory in August
- Diversify retail channels
 - In addition to cross-border e-commerce and sales to retail shops, from April launch e-commerce sales in mainland China.
 - Conduct variety of promotions via each channel, raise brand recognition
 - Manage retail prices on each channel
- Initiatives for cultivating the breakfast cereal market
 - Sampling at retail shops and suggest ways to eat



Domestic consumption

Market environment



Source: Japan Snack Cereal Foods Association

* Granola for 2016 and 2017 excludes overseas consumption (estimated)

Issues

Repeat buyers have not decreased, but new trial customers have

Must capture new customers



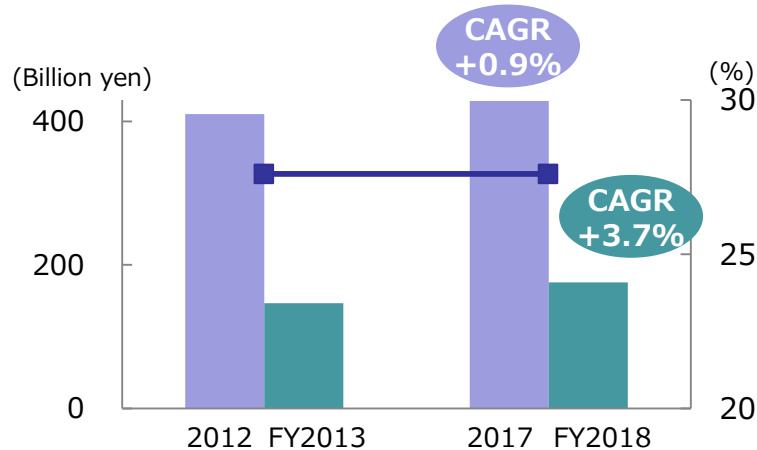
Measures

- Appeal to the middle aged (50s to around 60) and families from a health perspective, such as reduced salt and improved digestion
Propose *Frugra* as a solution to problems customers have and aim to grow granola market
- Aim to capture trial customers with S and 50g (individual portion) sizes
- Propose new ways to sell - move beyond cereal section to dairy or produce sections

FY2019 forecasts: Domestic snacks business

Market environment

- Snacks market
- Calbee domestic snacks sales
- Category three months non-purchasing ratio



Source : Snacks market (retail sales) : All Nippon Kashi Association
Category non-purchasing ratio: Intage SRI snack foods category (target age: 15-69), 3 months average purchasing ratio
Period: January - December 2012, January - December 2017

Status of consumption: increasing proportion of senior citizens, single households, dual-income households

Issues

- Snack market transitioning to a low growth rate
- Calbee exceeded market growth rate by expanding market share
- No change in category non-purchasing ratio

Must capture non-purchasers to achieve further sales growth

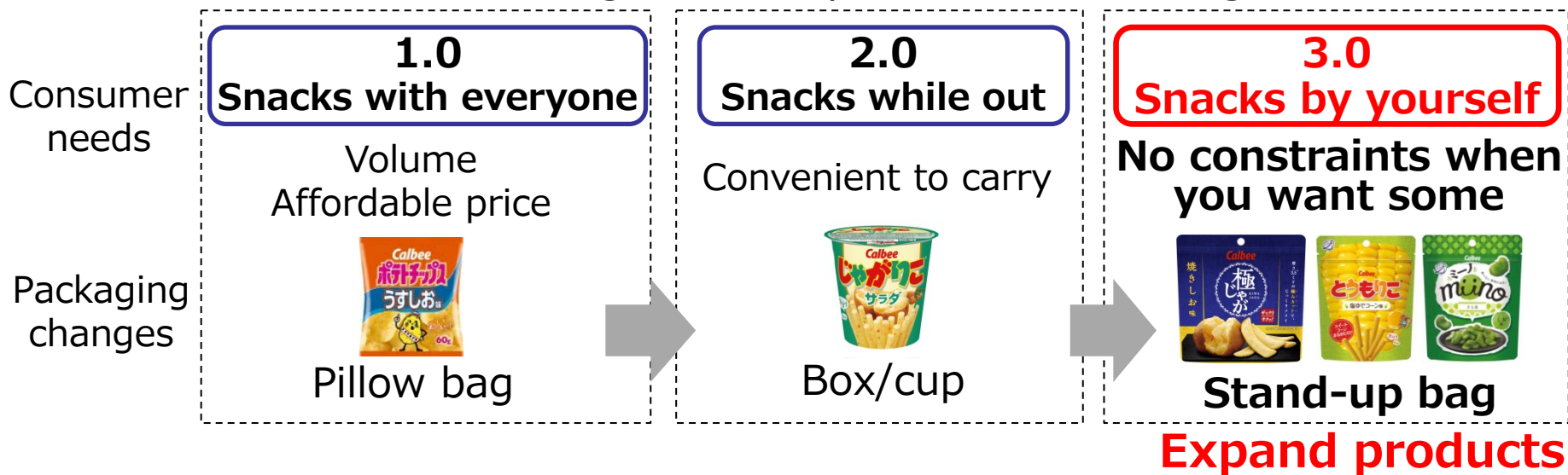
Measures

Establish individual portion snack category

Focus on developing 'Potatoes No.1'

Establish individual portion snack category

- Stimulate demand for snacks with small packages and products with well-selected ingredients/special manufacturing methods



Focus on developing 'Potatoes No.1'

- Maintain demand for existing products through *Potato Chips* increased volume campaign, etc.
- Continue well-received Japan's 47 prefectures promotion (♥JPN)
- Together with *Toumorico*, etc. increase exposure of *Jagarico*



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Management policy

Aiming for a global food company

Sustainable Growth and
High Profitability

Cost reduction

Innovation

Promote
diversity

CSR activities

Health and
productivity
management

Innovation

- 1 Expand overseas business
- 2 Grow *Frugra* business
- 3 Boost new product development
Develop megabrands
- 4 Expand domestic market share
- 5 Strengthen alliance with PepsiCo group
- 6 Pursue licensing and acquisition opportunities
- 7 Develop new business

1. Expand overseas business

- Restart from a brand perspective: expand Japanese brands overseas
→ Redesign markets, raw materials supplies and factory

掘りだそう、自然の力。
Calbee



2. Grow *Frugra* business

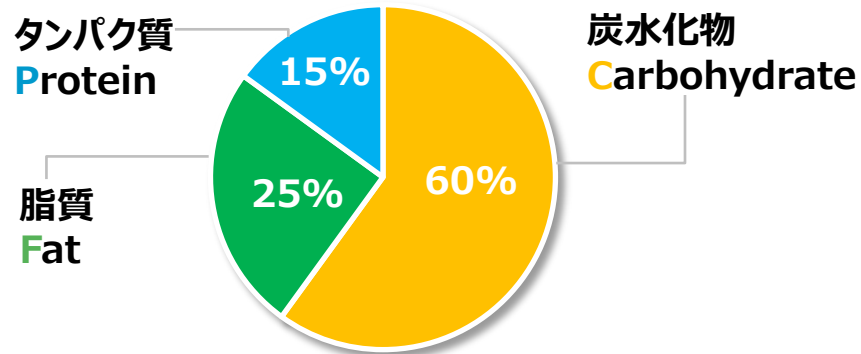
- Domestic: Cultivate new customers
- Overseas: Take up the challenge of new markets
→ Through EC and retail shop activities, first China, then the world



3. New product development... the key word

1) Health awareness

- ① PFC balance
- ② Salt content



*From "Dietary Reference Intakes (2015 edition)," Japanese Ministry of Health, Labour and Welfare. Names and target values changed to "Energy-providing nutrients, macronutrients balance".

2) Response to new customers and needs

- ① Seniors
- ② Inbound demand



3. New product development... the key word

3) Development from raw materials

- ① Safe, reliable, stable supply, high quality, low cost
- ② Improve global procurement
- ③ Increase and develop new products using domestic raw materials (with new business in mind too)



OP margin 15% → COGS 50% SG&A 30%

★Evolving from “improving capacity utilization”
to “raising productivity through simplification”

1) Change prerequisites

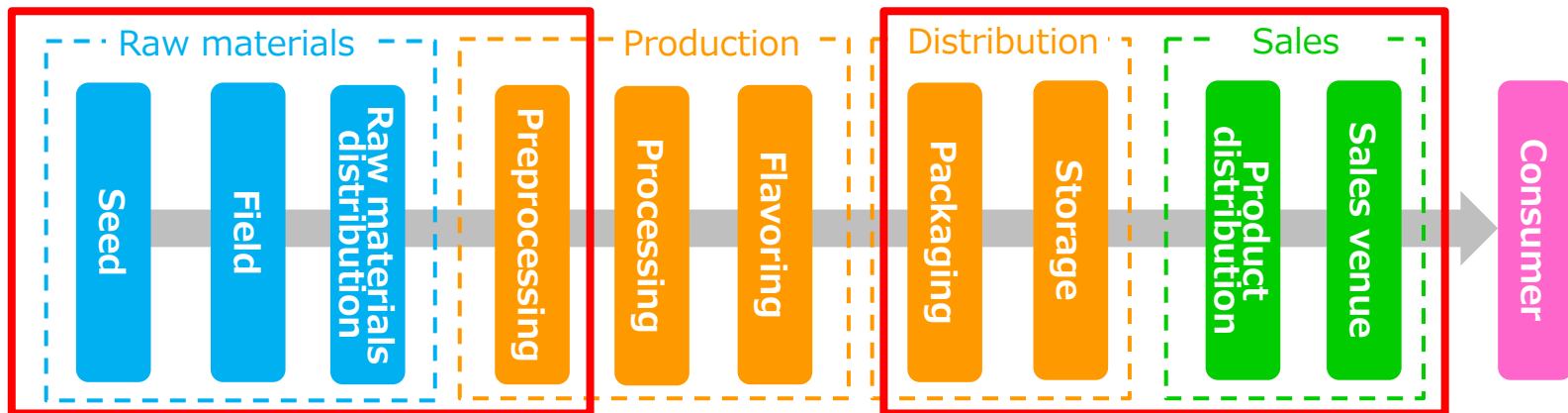
- ① Reduce volume
- ② Change date labelling
to month/season for before



2) Reduce labor hours via automation and simplification: 10 processes

① Opportunities in
'Field' – 'Preprocessing'

② Opportunity in
'Packaging' – 'Sales venue'



This year we take a big step towards our
FUTURE



2018

FY2018 financial results

FY2019 full year forecasts

Koichi Kikuchi
Managing Executive Officer
Chief Financial Officer

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FY2018: Results highlights

Lower sales and profit on decreased overseas consumption of *Frugra*, slump in North American business

	FY2017		FY2018		Change	VS revised plan
	(Million yen)	Percent of total(%)	(Million yen)	Percent of total(%)	(%)	(%)
Net sales	252,420	100.0	251,575	100.0	-0.3	98.3
Gross profit	111,573	44.2	108,904	43.3	-2.4	99.4
SG&A	82,732	32.8	82,075	32.6	-0.8	100.0
Selling	38,357	15.2	36,921	14.7	-3.7	101.2
Distribution	16,874	6.7	17,345	6.9	+2.8	100.8
Labor	17,572	7.0	17,686	7.0	+0.6	97.2
Others	9,927	3.9	10,122	4.0	+2.0	99.2
Operating income	28,841	11.4	26,828	10.7	-7.0	97.6
Ordinary income	28,625	11.3	26,179	10.4	-8.5	95.2
Extraordinary income/loss	-925	—	-80	—	—	—
Non-controlling interests profit	341	—	-258	—	—	—
Net profit*	18,605	7.4	17,330	6.9	-6.8	99.0

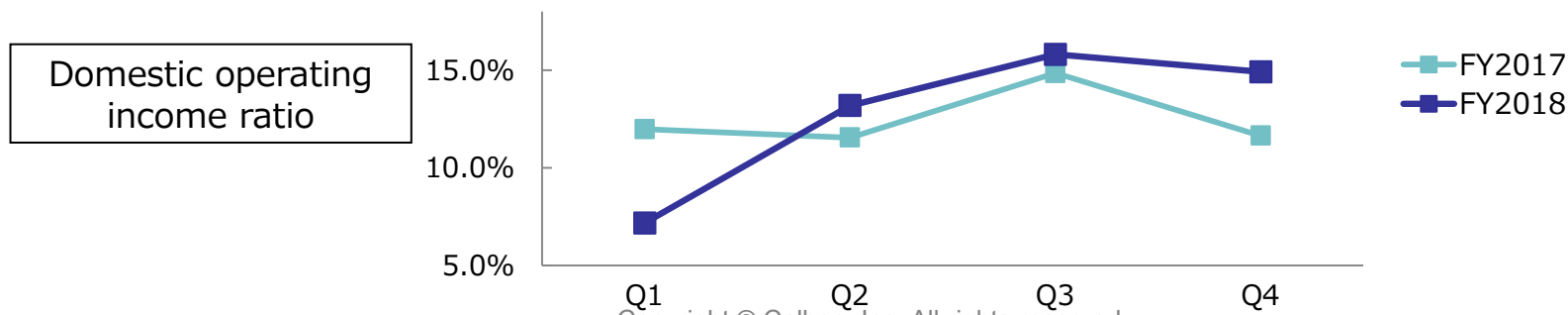
* Profit attributable to owners of parent

FY2018: Domestic business

Despite sales suspension in Q1, *Potato Chips* has performed strongly since restart of sales and domestic sales (excluding overseas consumption of *Frugra*) were level YoY. Profit rose due to control of selling costs

(Million yen)

	FY2017	FY2018	YoY	Change in %	Change in % (excluding overseas consumption of <i>Frugra</i>)
Net sales	223,441	217,774	-5,667	-2.5	-0.1
Snacks	174,305	175,575	+1,269	+0.7	
<i>Potato Chips</i>	76,583	77,007	+424	+0.6	
<i>Jagarico</i>	36,685	35,695	-989	-2.7	
Other snacks	7,524	10,078	+2,553	+33.9	
Cereals (Incl. <i>Frugra</i>)	30,436	23,836	-6,599	-21.7	
<i>Frugra</i> (Domestic consumption)	23,001	23,129	+128	+0.6	
Operating income (Compared to net sales)	27,996 (12.5%)	28,277 (13.0%)	+281	+1.0	



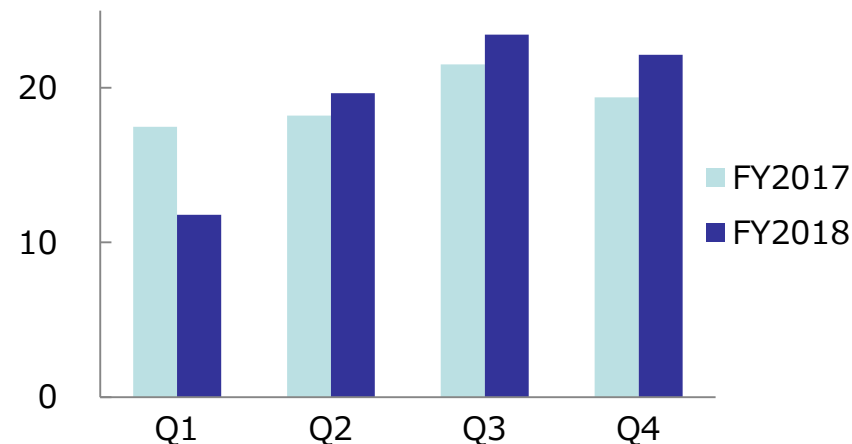
Potato Chips

- Sales fell in Q1, but full year sales rose on stronger sales since Q2 as the market recovered
- Strong sales of *Pizza Potato* and regular products such as *Usushio*
- Higher than expected sales of Potato Chips created jointly with localities across Japan's 47 prefectures (♥JPN)



(Billion yen)

Net sales of *Potato Chips*



Other domestic snacks

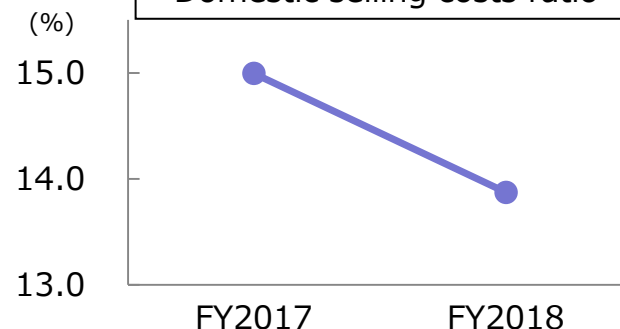
- Sales of *Jagarico* decreased on weak sales of limited time products, etc.
- Sales of *Potato Chips Crisp* grew as sales area has gradually expanded since its launch in the Kanto region in October 2016
- Expand of individual portion snack items (Net sales 1.51 billion yen)



Selling costs

- Selling costs rate decreased due to improve of discount rate

Domestic selling costs ratio



FY2018: Overseas business

Losses due to slump in the North American business despite higher sales from *Fruga* in China, Indonesia, etc.

(Million yen)

	FY2017	FY2018	Change in %
Net sales	28,978	33,801	+16.6
North America	11,606	9,843	-15.2
Greater China	5,217	8,718	+67.1
of which <i>Fruga</i>	-	2,534	-
South Korea	5,336	5,283	-1.0
Other Asian regions and Australia	5,798	8,551	+47.5
Europe	1,019	1,404	+37.7

Breakdown of change			
YoY	Forex difference	Real terms	Change in %
+4,822	+900	+3,921	+13.5
-1,762	+159	-1,921	-16.6
+3,501	+128	+3,372	+64.6
+2,534	-	+2,534	-
-53	+273	-327	-6.1
+2,752	+298	+2,453	+42.3
+384	+40	+344	+33.7

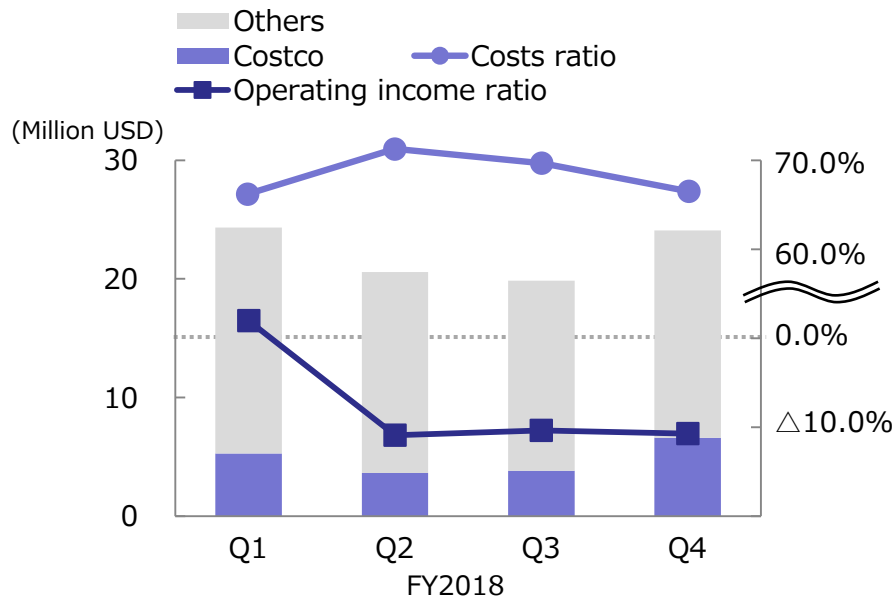
	FY2017	FY2018	Change in %
Operating income	844	-1,448	-2,293
North America	1,543	-706	-2,249
Greater China	496	161	-335
South Korea	-72	-42	+30
Other Asian regions and Australia	-371	-424	-53
Europe	-751	-435	+315

• Exchange rate
FY2017 : 1 USD = 109.02 yen
FY2018 : 1 USD = 110.81 yen

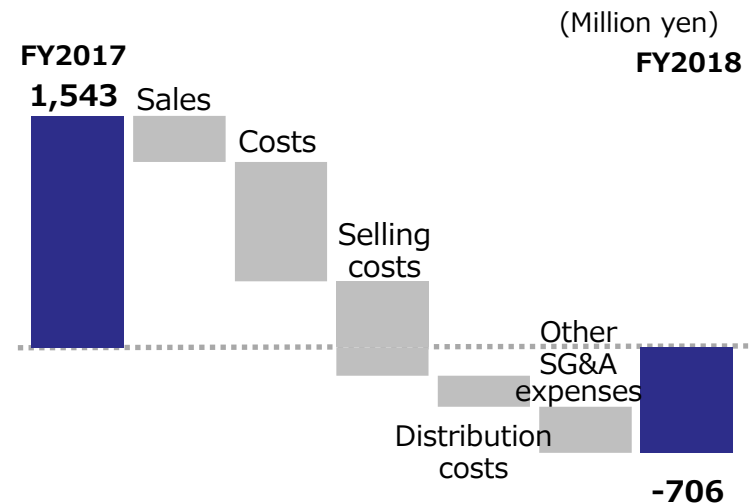
North America

- There was a full year loss as profit fell significantly due to higher costs on lower utilization ratio and higher wastage
- Losses continued in Q4 due to selling costs burden, equipment failure and wastage from packaging revamp, despite sales in line with forecasts due to promotions

Net sales and operating income ratio, costs ratio



Factors decreasing operating income



Overseas consumption achieved plan, domestic was flat YoY

(Million yen)

	FY2017	FY2018	YoY	Change in %
<i>Frugra</i> sales	29,196	26,369	-2,827	-9.7
Domestic consumption	23,001	23,129	+128	+0.6
Overseas consumption *	6,195	3,239	-2,955	-47.7

* FY2017 overseas consumption is an estimate

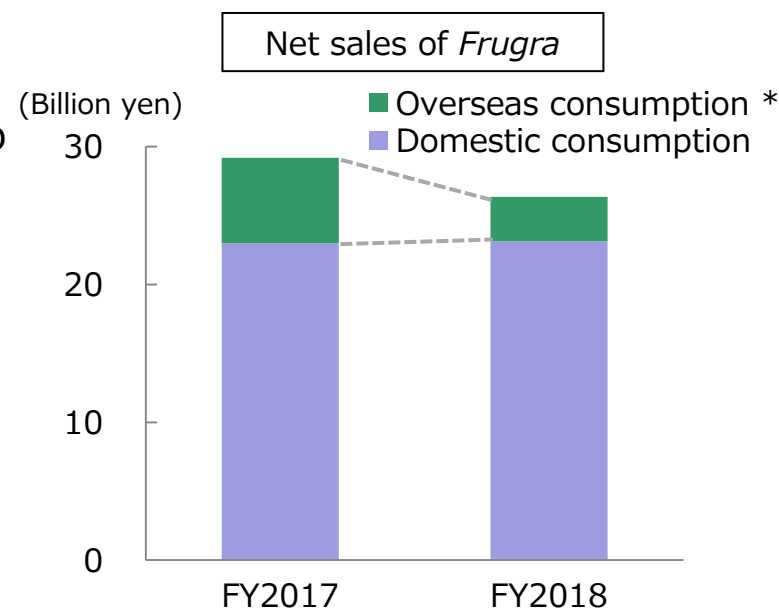
■ Domestic consumption :

- Sales flat YoY despite enhanced product lineup (customer base did not expand as expected)

■ Overseas consumption :

- Achieved forecast, despite halving YoY due to capacity limitations at the Hokkaido factory

Chanel	Net sales (Million yen)
EC	2,709
Retail shops	529



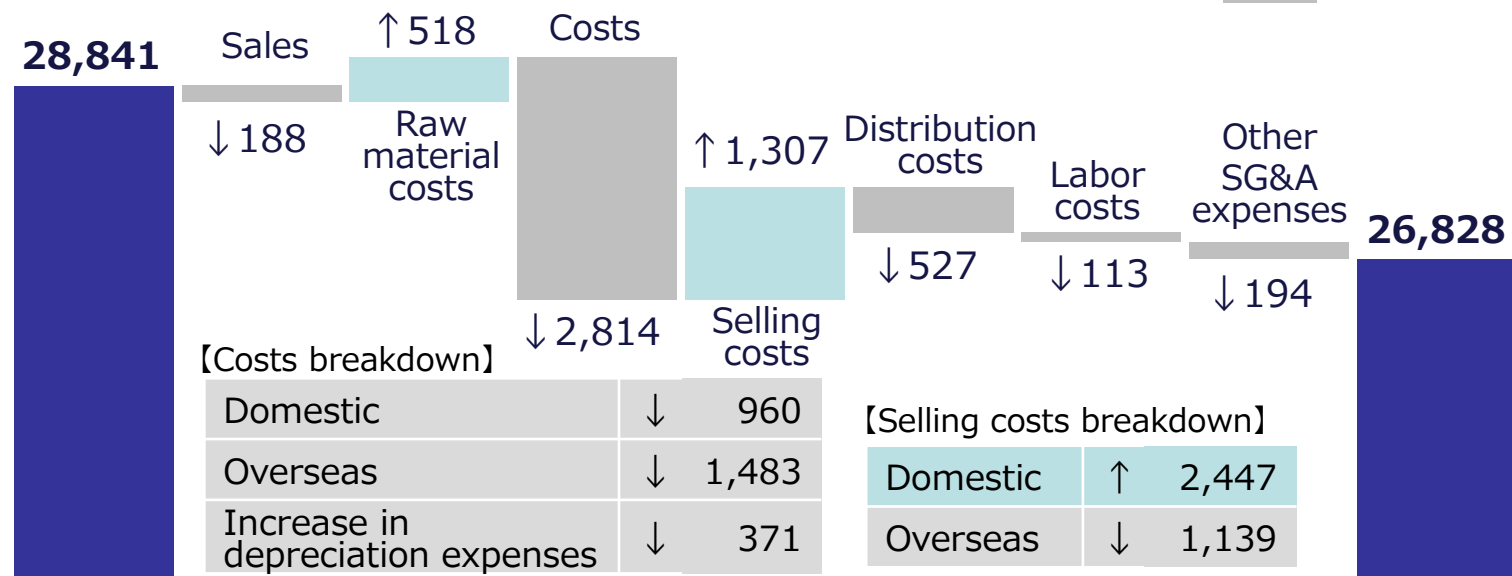
FY2018: Factors decreasing operating income

Change in operating income (YoY)

(Million yen)

Increasing

Decreasing



FY2017

YoY -2,012 million yen

FY2018

	FY2017	Sales	Raw material costs	Costs	Selling costs	Distribution costs	Labor costs	Others	FY2018	YoY
Q1	7,130	\downarrow 1,202	\downarrow 191	\downarrow 1,491	\downarrow 283	\downarrow 436	\downarrow 105	\downarrow 6	3,413	-3,717
Total of Q2 – Q4	21,710	\uparrow 1,014	\uparrow 709	\downarrow 1,323	\uparrow 1,590	\downarrow 90	\downarrow 7	\downarrow 188	23,415	+1,704

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- 2. FY2019 full year forecasts**
3. Financial condition,
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return policy

FY2019 full year forecasts

Aiming for double digit increase in profit

	FY2018 results		FY2019 forecasts		Change	Growth excluding effect of sale of bakery subsidiary ^{*1}
	(Million yen)	Percent of total(%)	(Million yen)	Percent of total(%)	(%)	(%)
Net sales	251,575	100.0	255,000	100.0	+1.4	+6.9
Gross profit	108,904	43.3	114,500	44.9	+5.1	
SG&A	82,075	32.6	85,000	33.3	+3.6	
Selling	36,921	14.7	38,600	15.1	+4.5	
Distribution	17,345	6.9	16,600	6.5	-4.3	
Labor	17,686	7.0	19,700	7.7	+11.4	
Others	10,122	4.0	10,100	4.0	-0.2	
Operating income	26,828	10.7	29,500	11.6	+10.0	
Ordinary income	26,179	10.4	29,000	11.4	+10.8	
Extraordinary income/loss	-80	—	-200	—		
Net profit^{*2}	17,330	6.9	19,000	7.5	+9.6	

*1: In April 2018 transferred 66.6% of shares in bakery subsidiary that was a consolidated subsidiary

*2: Profit attributable to owners of parent

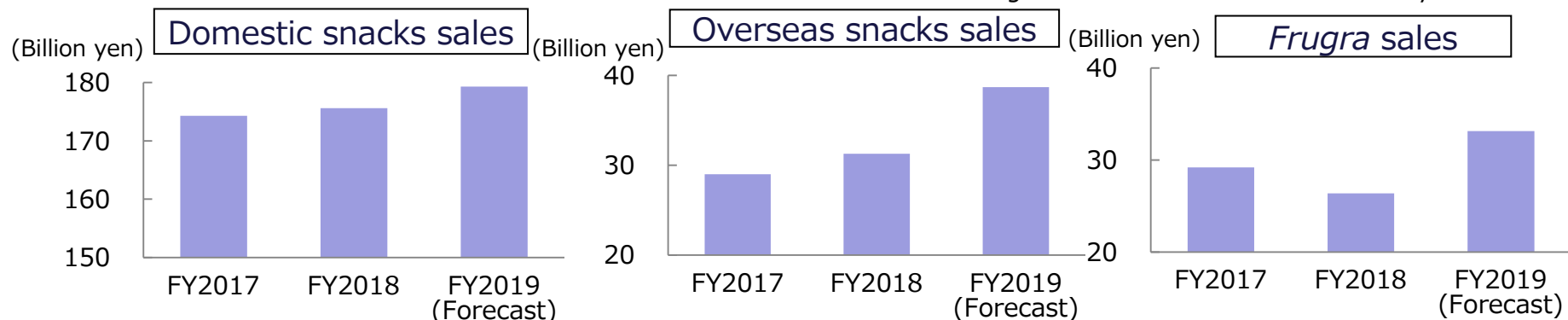
FY2019 forecasts: Net sales breakdown

Higher sales due to overseas snacks and *Frugra*

(Million yen)

	FY2018 results	FY2019 forecasts	YoY	Change in %
Domestic snacks	175,575	179,298	+3,723	+2.1
<i>Potato Chips</i>	77,007	80,275	+3,267	+4.2
<i>Jagarico</i>	35,695	37,330	+1,634	+4.6
Overseas snacks	31,266	38,700	+7,433	+23.8
North America	9,843	12,297	+2,453	+24.9
Indonesia	2,965	5,298	+2,332	+78.7
<i>Frugra</i>	26,369	33,148	+6,779	+25.7
Domestic consumption	23,129	25,303	+2,174	+9.4
Overseas consumption	3,239	7,844	+4,605	+142.2

• Exchange rate FY2019 : 1 USD = 113.00 yen

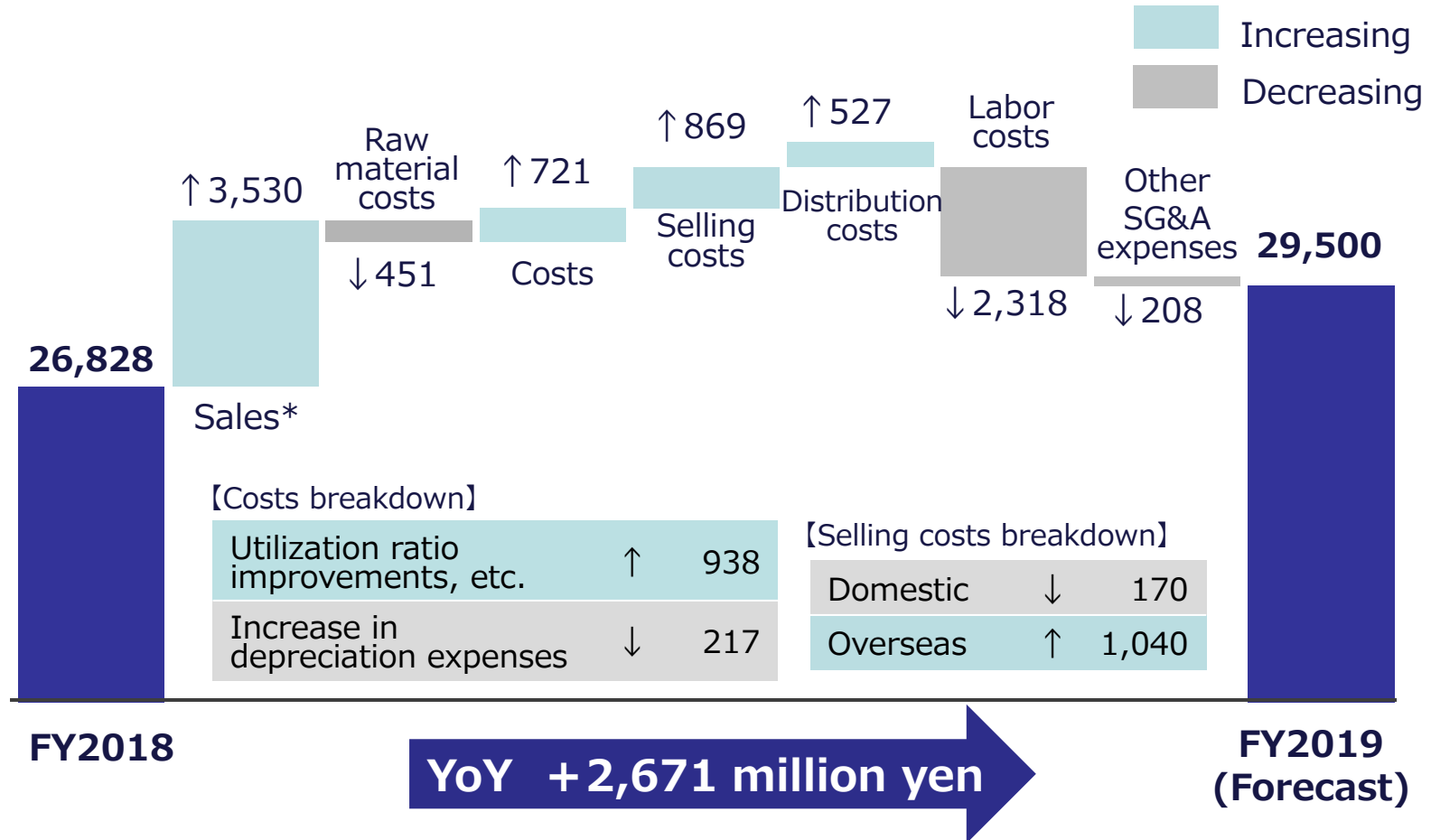


FY2019 forecasts:

Factors increasing operating income

Change in operating income (YoY)

(Million yen)



*Includes effect on income from sale of bakery subsidiary

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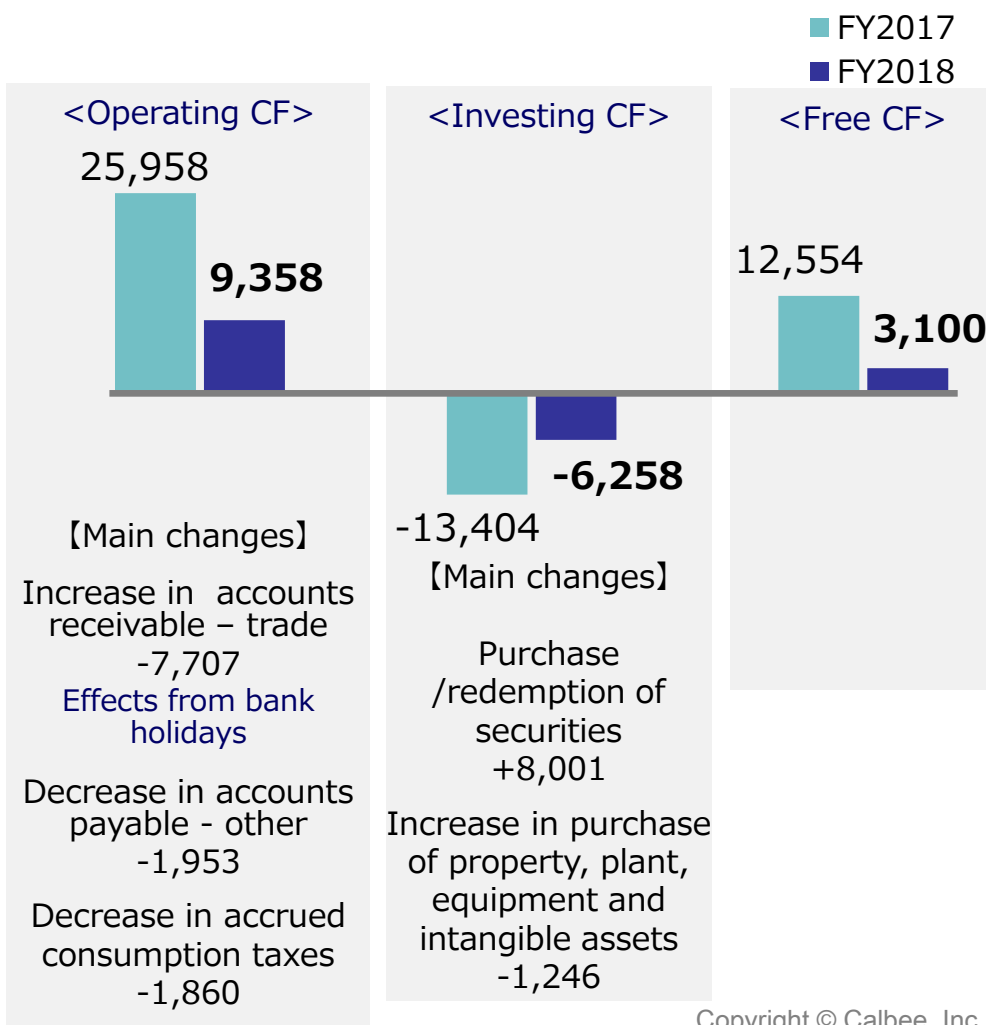
FY2018: Cash flows and financial condition

■ Consolidated cash flows

Cash and cash equivalents

March 31, 2017 44,627 ► **March 31, 2018 42,195**
(-2,432)

(Numbers in parentheses are change from March 31, 2017)
(Million yen)

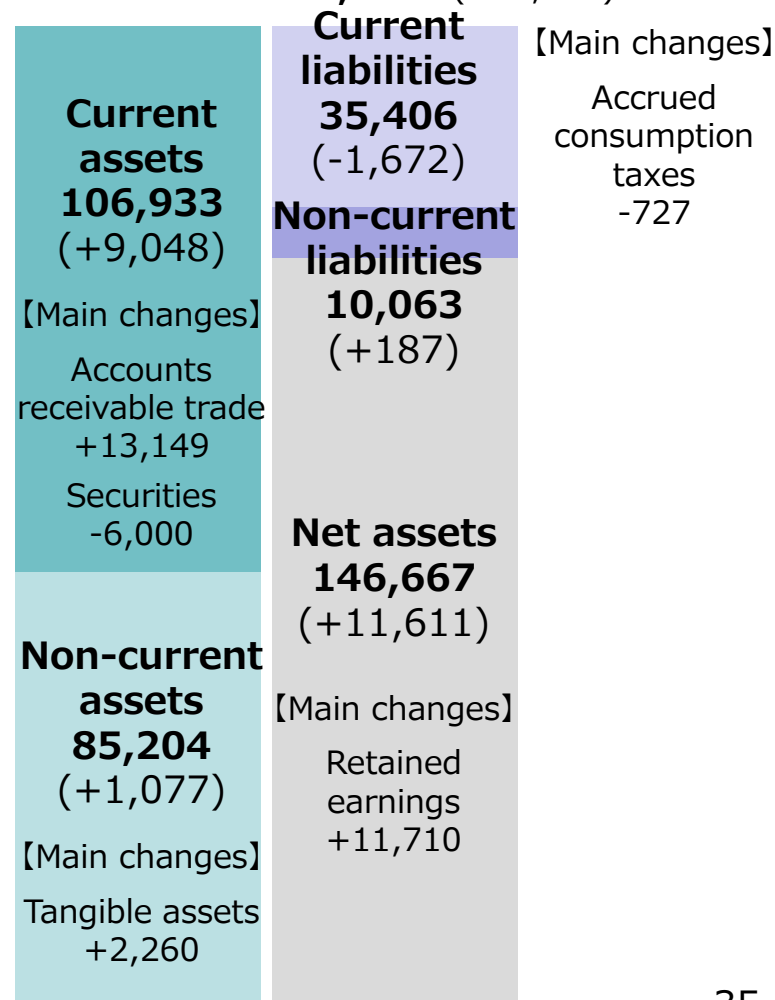


■ Consolidated balance sheets

(Million yen)

As of March 31, 2018

Total assets 192,137 (+10,126)



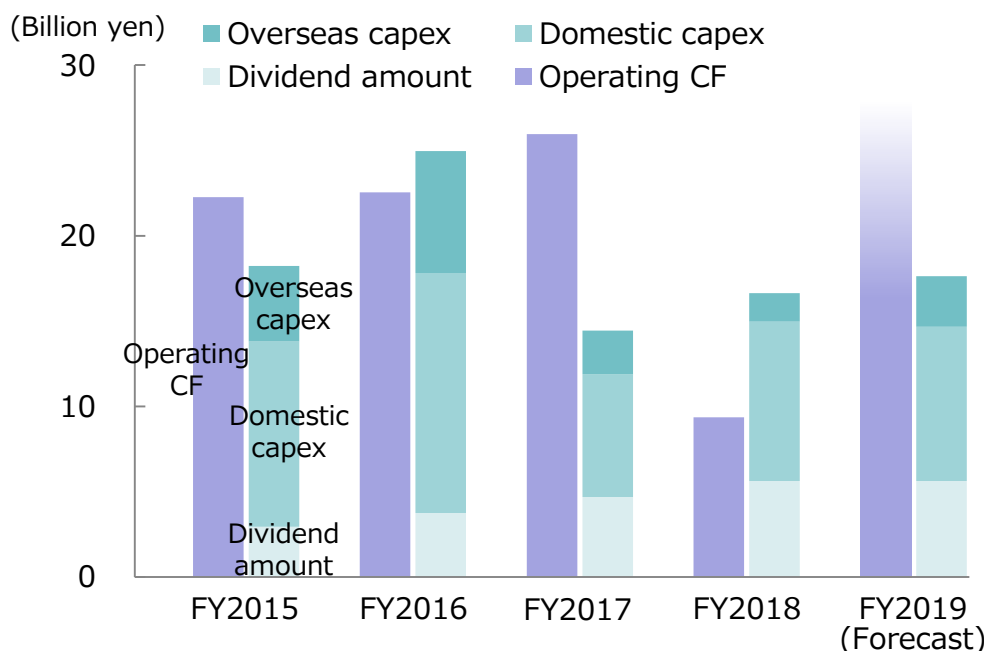
FY2019: Investment and shareholder return policy

While investing in growth areas constantly aim to enhance shareholder returns, including the stable dividend and raising dividend payout ratio

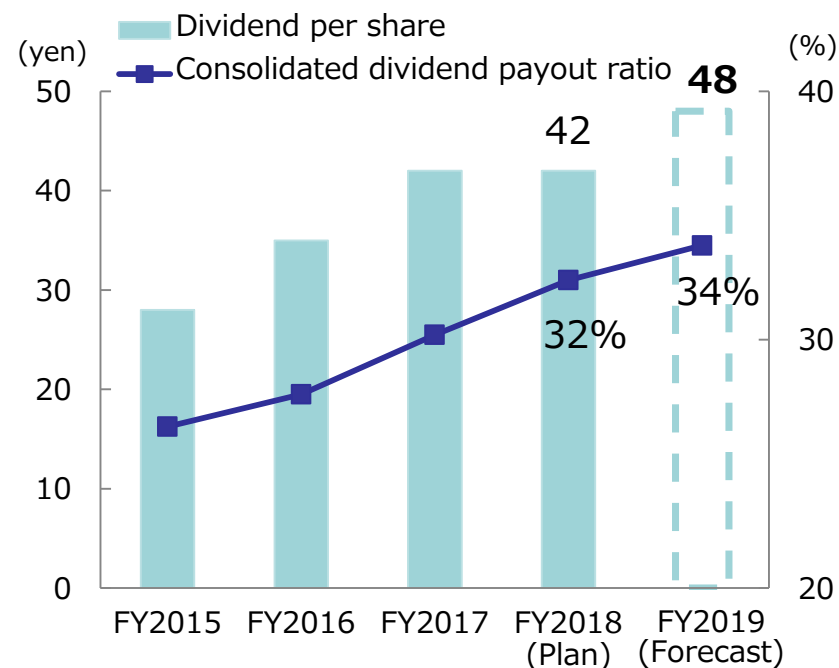
- Capital investment (FY2019 forecast) ¥12.0 bn
Main capex : *Frugra* Kyoto factory ¥3.59bn

- Dividend forecasts (FY2019)
Annual dividend per share ¥48
(¥6 increase)

Operating CF, expenditures and dividend amount



Dividend (Annual dividend per share)



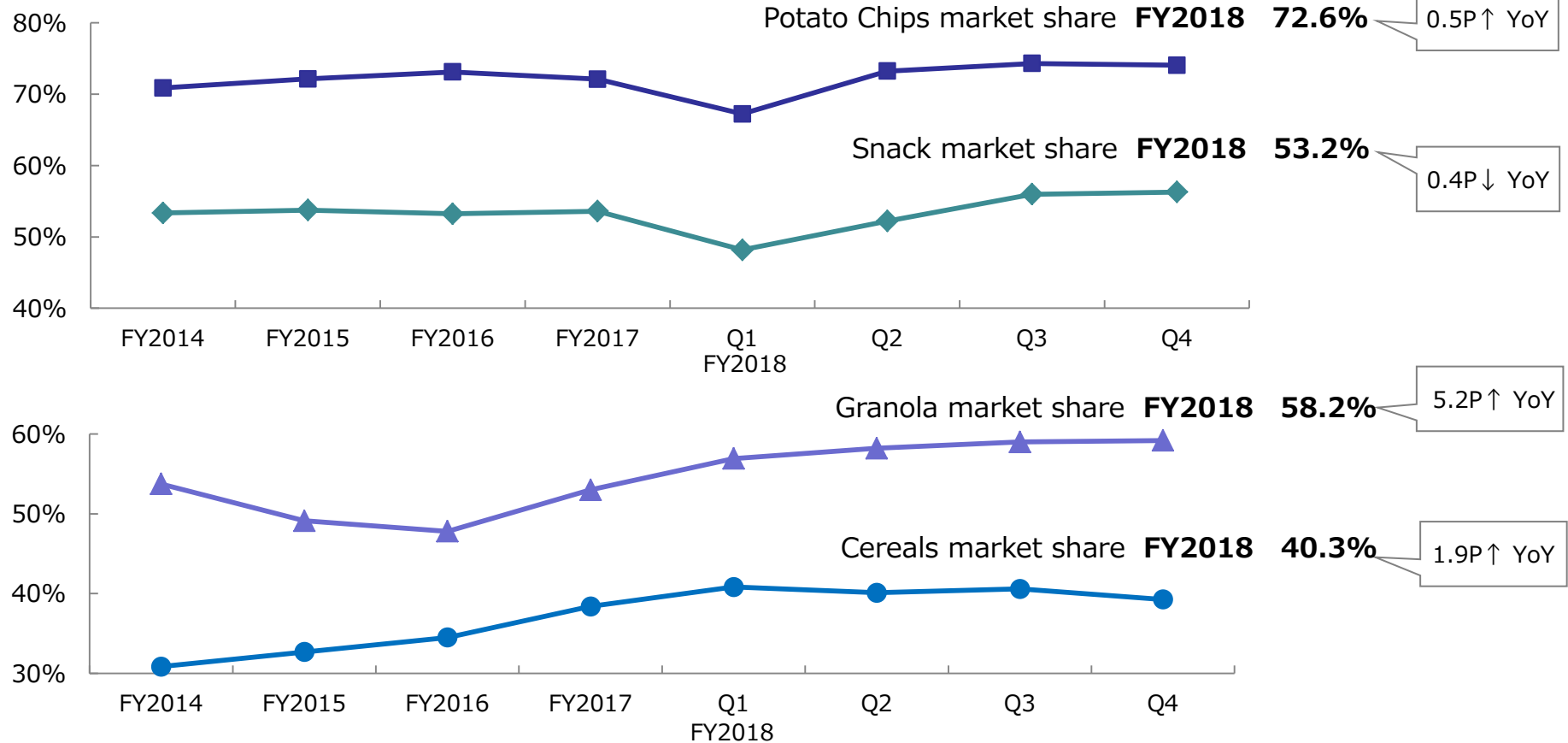
Reference material

Domestic market share

Calbee

Harvest the Power of Nature.

■ Market share*

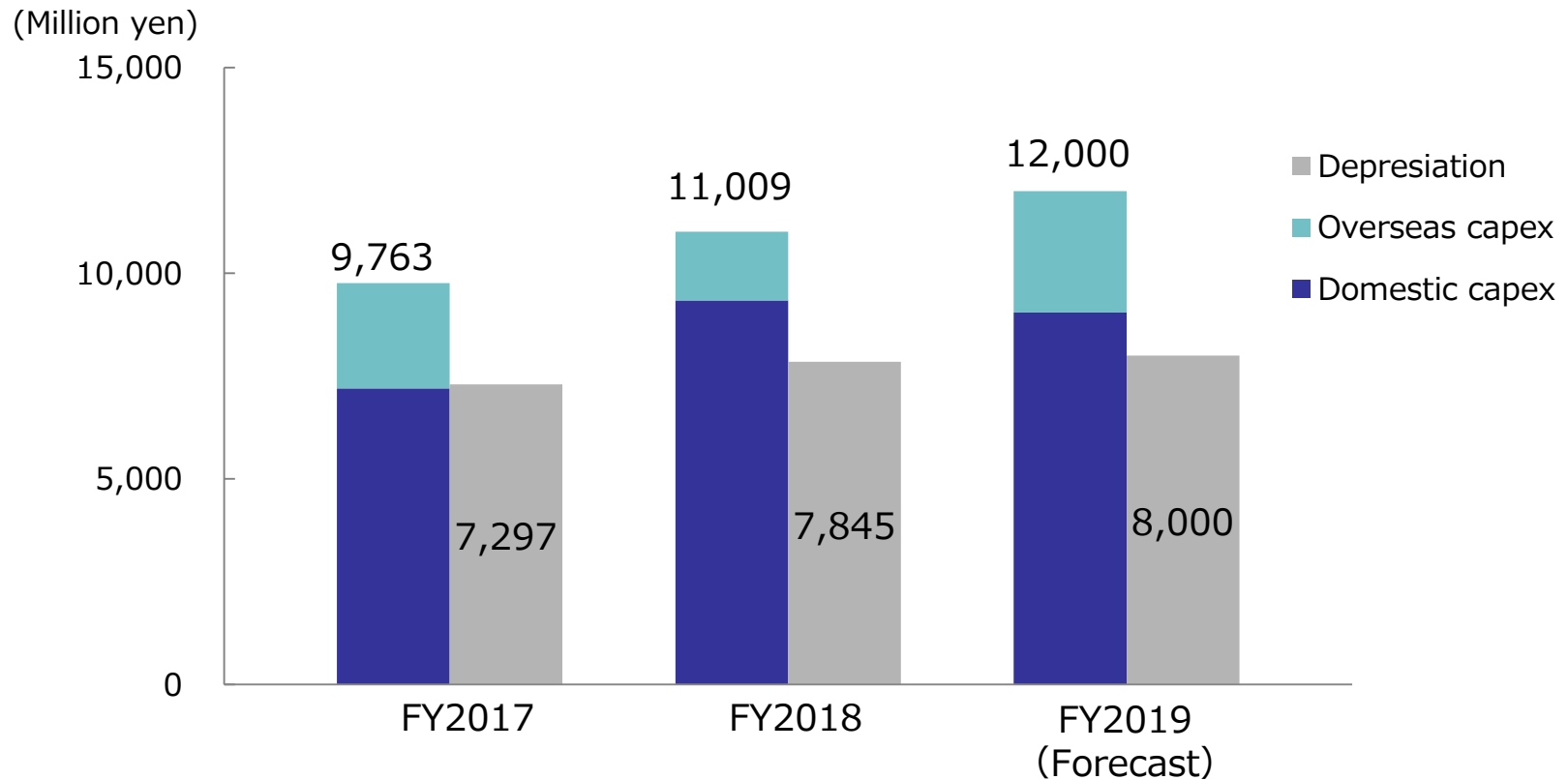


■ Market share by snack category*

	Potato-based snacks	Four-based snacks	Corn-based snacks	Fabricated potato
FY2018	76.9%	58.2%	20.7%	12.4%

*Source: Intage SRI based on sales (nationwide, all retail formats)
 FY2018: April 2017 – March 2018
 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

Capex and depreciation



Main capex
In FY 2018

Domestic : 9,338

Frugra Kyoto factory 3,090, Hokkaido *Frugra* line 1,223

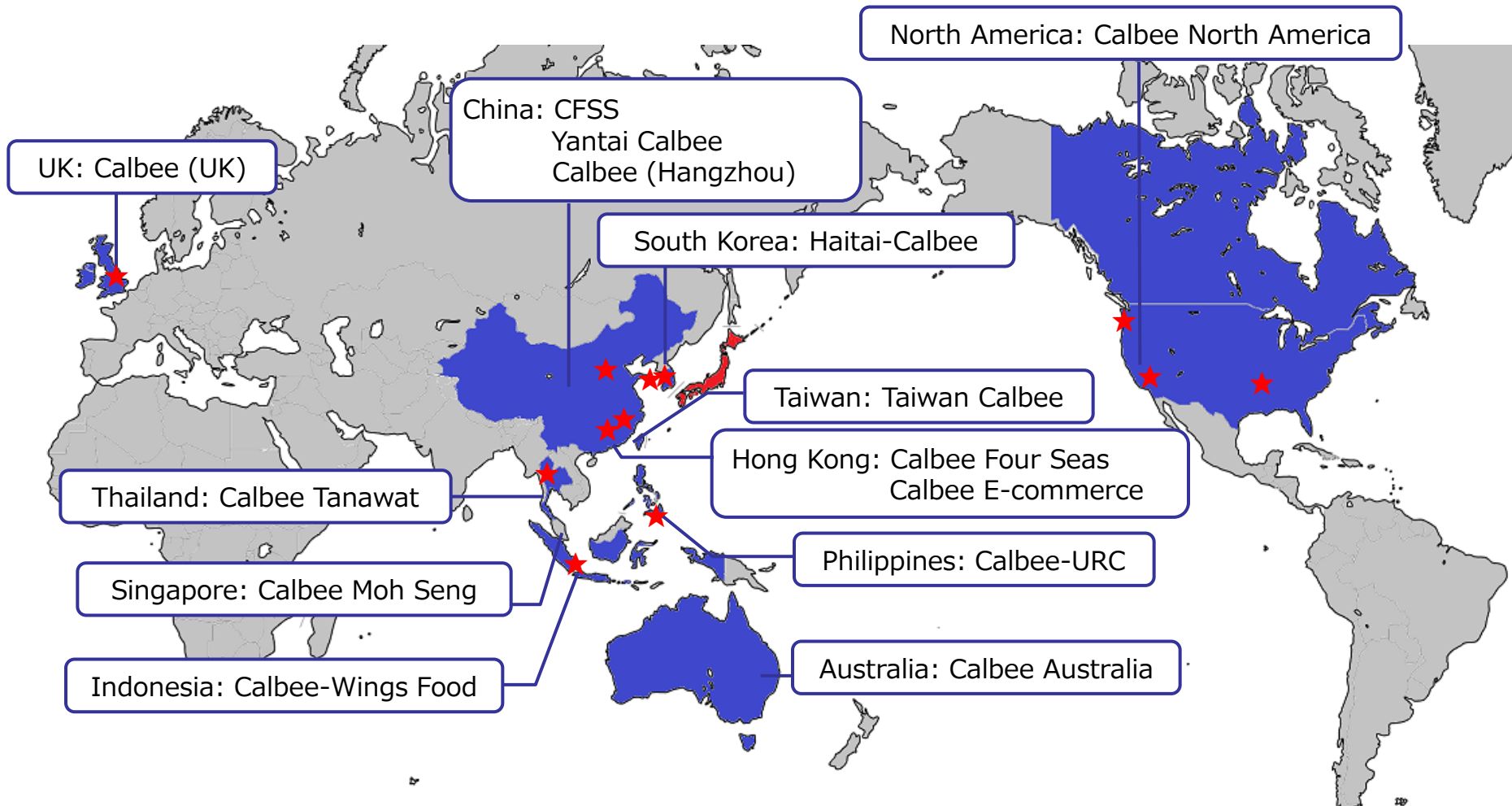
Overseas : 1,670

North America 503, Hong Kong 370, Indonesia 269

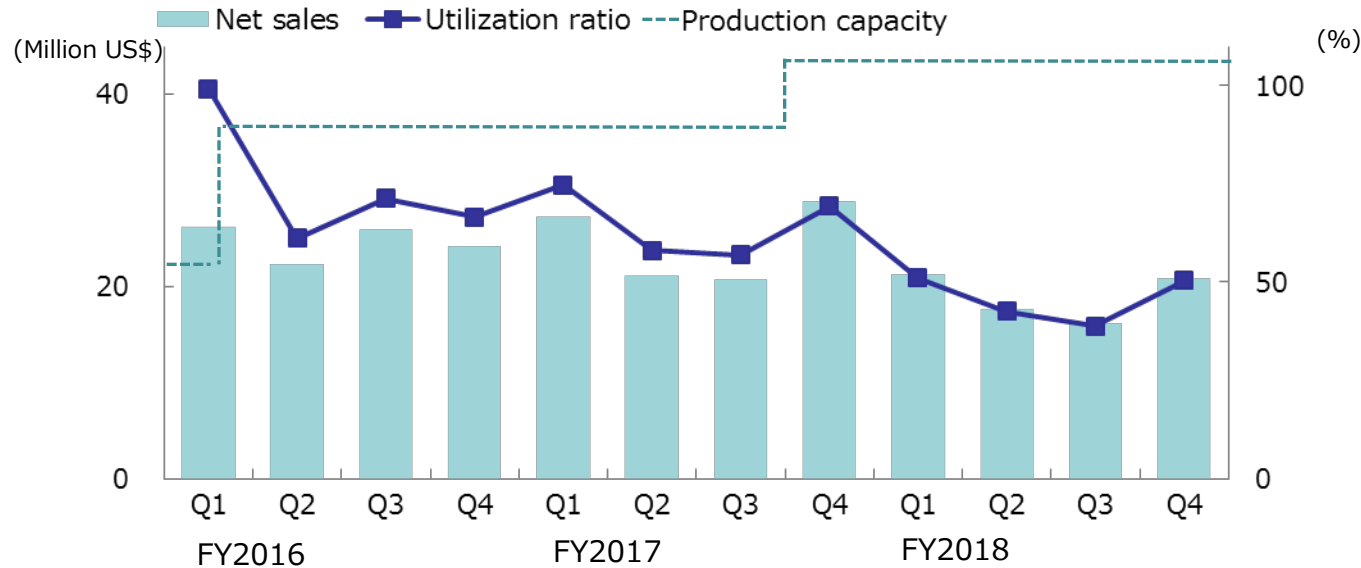
■ Overseas locations (as of May 11, 2018)

Expanded to 11 countries/regions

★ Production facilities



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

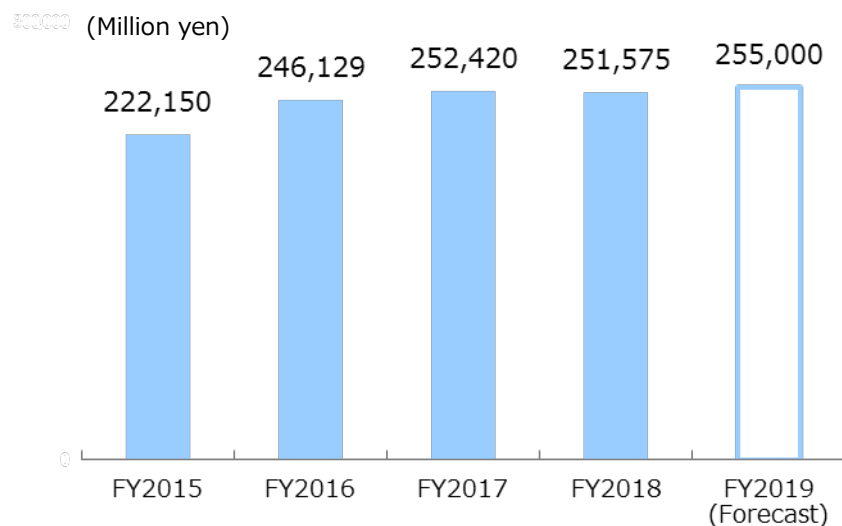


Financial highlights

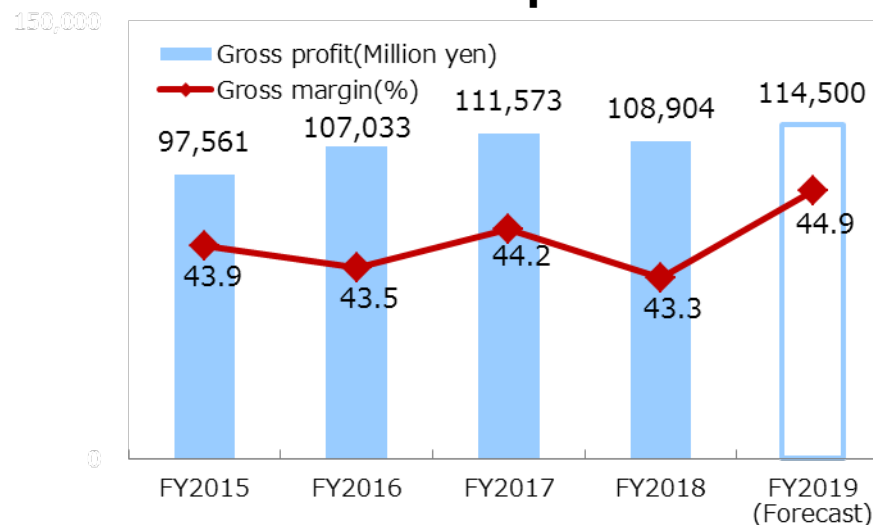
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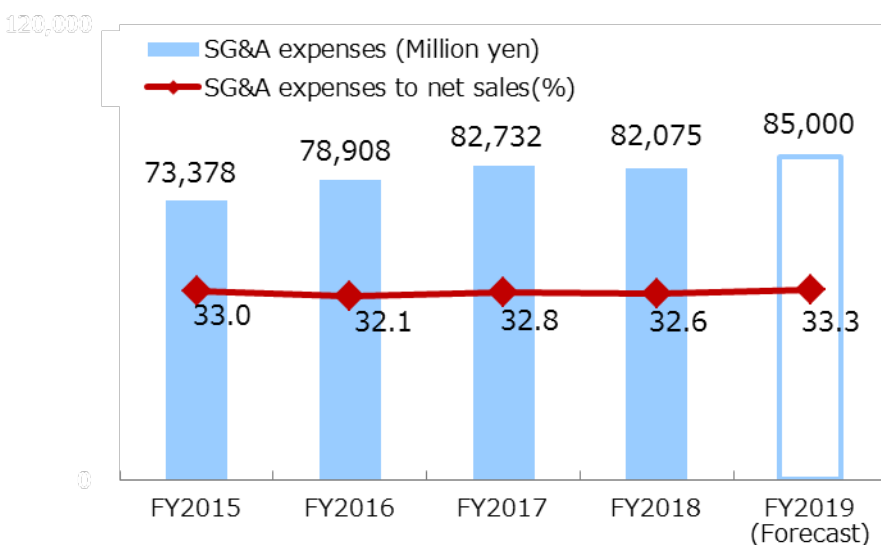
Net sales



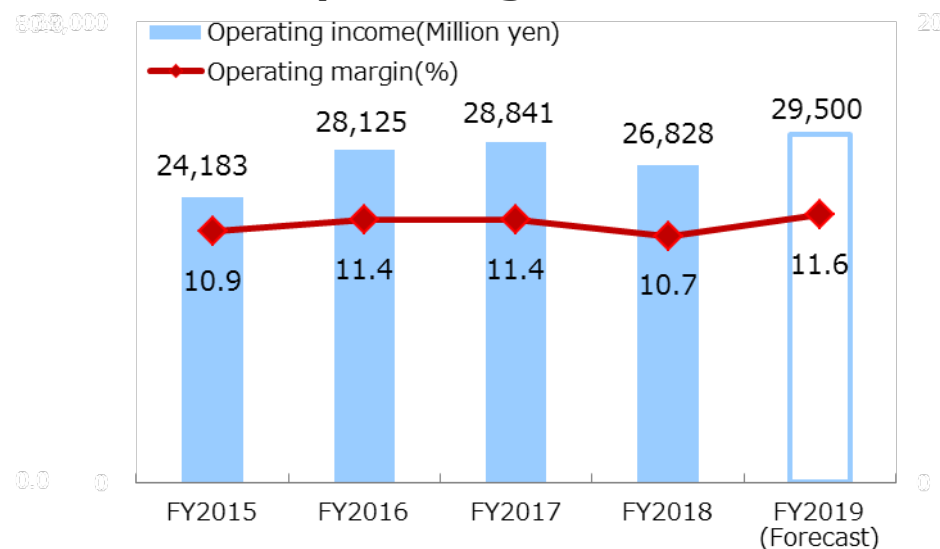
Gross profit



SG&A

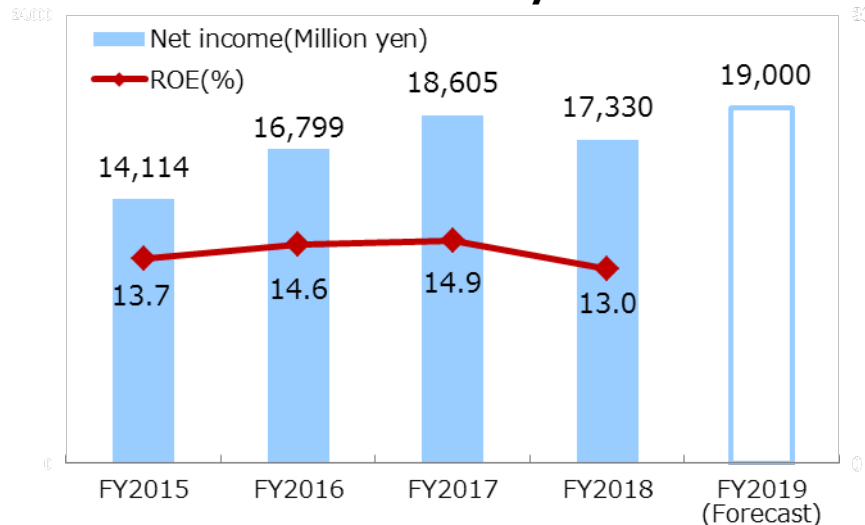


Operating income

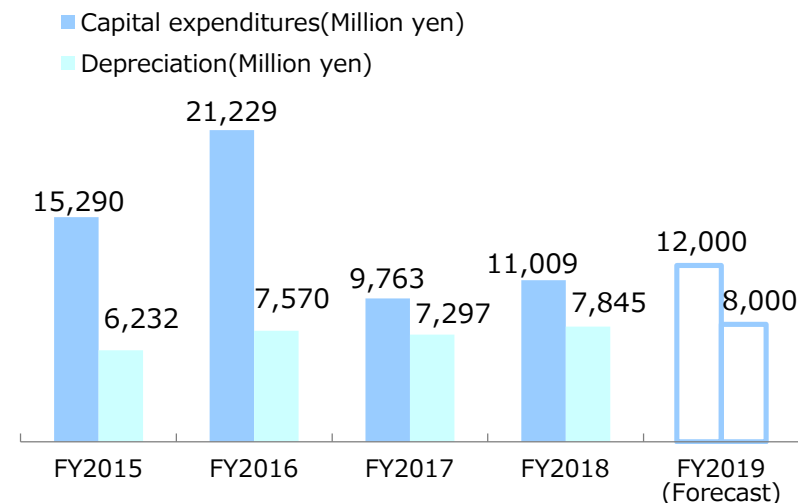


Financial highlights

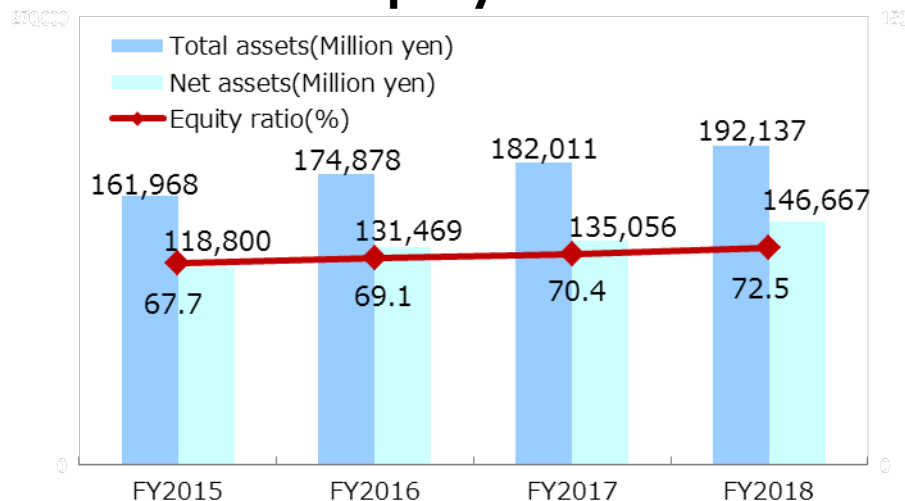
Net income/ROE



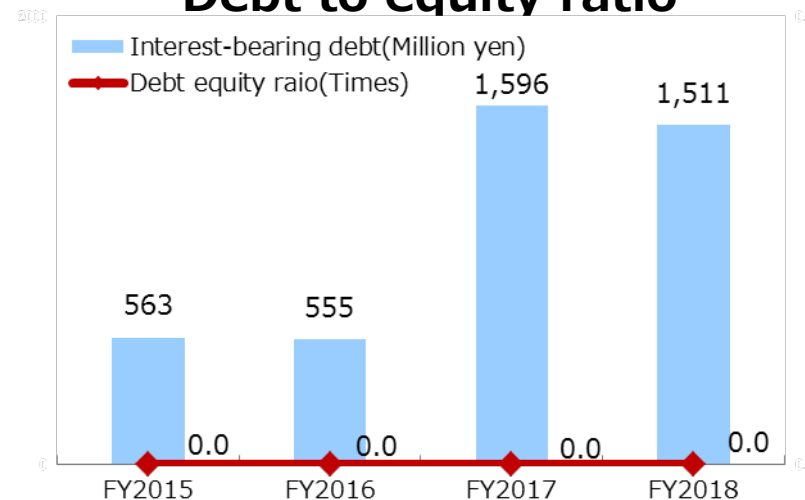
Capital expenditures/Depreciation



Equity ratio



Debt to equity ratio



Contact details for IR inquiries:

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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.