

**Calbee**

Harvest the Power of Nature.

# Calbee Group Financial Results

First quarter of fiscal year ending March 31, 2019

April 1, 2018 – June 30, 2018






TSE code : 2229

**Calbee, Inc.**

2018.7.27

## Summary

- Domestic snacks exceeded plan overall with *Potato Chips* performing well
- Largely achieved plan with significantly higher profit due to increased sales

| Key performance indicators    | FY'19/3 Target | FY'19/3 Q1 Target | FY'19/3 Q1 Results | Progress  |
|-------------------------------|----------------|-------------------|--------------------|---|
| Net sales growth ratio        | +1.4%          | +7.8%             | <b>+8.3%</b>       |    |
| Operating profit growth ratio | +10.0%         | +74.0%            | <b>+69.2%</b>      |    |
| Operating margin              | 11.6%          | 9.7%              | <b>9.4%</b>        |    |
| Overseas sales ratio          | 17.5%          | 16.0%             | <b>15.2%</b>       |  |
| Selling costs ratio           | 15.3%          | 15.9%             | <b>15.3%</b>       |  |

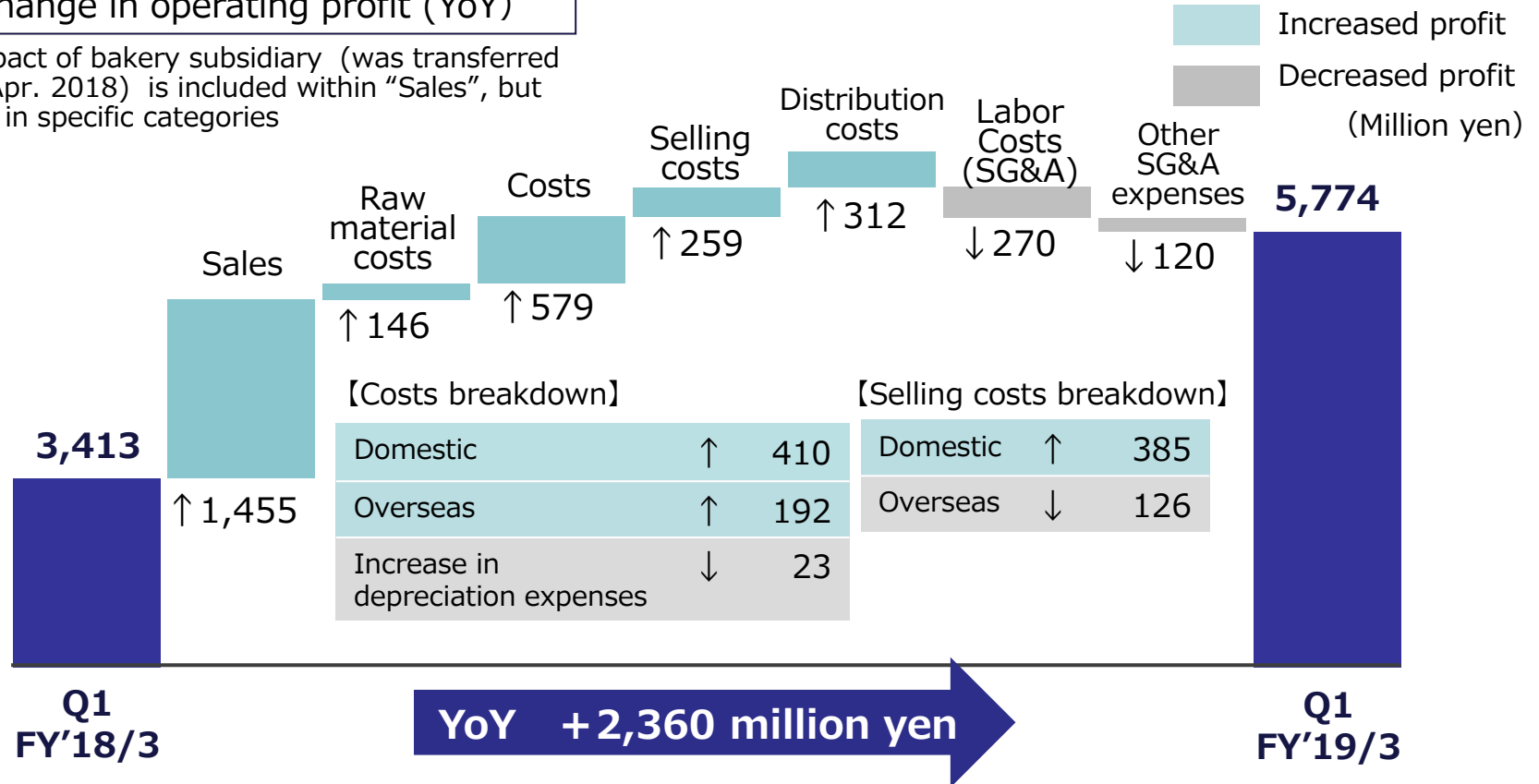
# FY2019/3 Q1: Results highlights

|                           | FY'18/3 Q1    |                     | FY'19/3 Q1    |                     | Change | Change excl. impact of sale of bakery subsidiary | VS plan |
|---------------------------|---------------|---------------------|---------------|---------------------|--------|--|---------|
|                           | (Million yen) | Percent of total(%) | (Million yen) | Percent of total(%) |        |  |         |
| <b>Net sales</b>          | 56,519        | 100.0               | 61,231        | 100.0               | +8.3   | +15.2  | 100.5   |
| Domestic                  | 48,923        | 86.6                | 51,938        | 84.8                | +6.2   | +14.0  | 101.5   |
| Overseas                  | 7,595         | 13.4                | 9,292         | 15.2                | +22.3  | —  | 95.5    |
| <b>Gross profit</b>       | 23,129        | 40.9                | 26,707        | 43.6                | +15.5  | —  | 98.4    |
| <b>SG&amp;A</b>           | 19,715        | 34.9                | 20,933        | 34.2                | +6.2   | —  | 98.7    |
| Selling                   | 8,380         | 14.8                | 9,388         | 15.3                | +12.0  | —  | 97.1    |
| Distribution              | 4,168         | 7.4                 | 4,124         | 6.7                 | -1.1   | —  | 102.8   |
| Labor                     | 4,497         | 8.0                 | 4,691         | 7.7                 | +4.3   | —  | 99.0    |
| Others                    | 2,668         | 4.7                 | 2,728         | 4.5                 | +2.3   | —  | 98.1    |
| <b>Operating profit</b>   | 3,413         | 6.0                 | 5,774         | 9.4                 | +69.2  | —  | 97.2    |
| <b>Ordinary profit</b>    | 3,501         | 6.2                 | 6,232         | 10.2                | +78.0  | —  | 102.3   |
| Extraordinary income/loss | -38           | -                   | 114           | —                   | —      | —  | 0       |
| <b>Net profit</b>         | 2,287         | 4.0                 | 4,213         | 6.9                 | +84.2  | —  | 105.3   |

# FY2019/3 Q1: Factors increasing operating profit

## Change in operating profit (YoY)

\*Impact of bakery subsidiary (was transferred in Apr. 2018) is included within "Sales", but not in specific categories



- Costs : (Domestic) Improved on higher *Potato Chips* factory utilization ratio  
(Overseas) Impact of cost improvements in North America
- Selling costs : (Domestic) Selling expenses ratio improved due to sales increased  
(Overseas) Affected by higher proportion of overseas sales despite improvements at each subsidiary
- Distribution costs : Improved on elimination of temporary costs associated with last year's potato shortage

# FY2019 Q1: Domestic business

Sales and profit rose significantly on recovery of *Potato Chips* following the previous fiscal year's suspension of items, and continued strong demand

(Million yen)

|   | FY'18/3 Q1             | FY'19/3 Q1              | Change in % |
|---|------------------------|-------------------------|-------------|
| <b>Net sales</b>                                | <b>48,923</b>          | <b>51,938</b>           | +6.2        |
| <b>Snacks</b>                                   | 37,898                 | 44,608                  | +17.7       |
| <i>Potato Chips</i>                             | 11,788                 | 20,635                  | +75.0       |
| <i>Jagarico</i>                                 | 8,491                  | 9,068                   | +6.8        |
| Other snacks                                    | 17,619                 | 14,905                  | -15.4       |
| <b>Cereals</b>                                  | 6,400                  | 6,138                   | -4.1        |
| <b>Operating profit</b><br>(Ratio to net sales) | <b>3,504</b><br>(7.2%) | <b>5,790</b><br>(11.1%) | +65.2       |

## ■ Snacks

- *Potato Chips* sales made a significant recovery following the impact of the potato shortage in the previous fiscal year. This quarter's increased volume campaign also contributed
- Due to the strong impact of *Potato Chips*, demand for *Jagabee*, flour-based snacks and corn- and bean-based snacks declined
- For individual portion snacks, sales of *Tomorico*, which were launched nationwide and *Kiwa Jaga* contributed (sales for the current fiscal period: 1.4 billion)

## ■ Cereals

- Despite the intensified sales promotion activities of individual portion items for *Frugra*, and the launch of *Frugra* limited time products and for generating new customers, demand did not increase.

# FY2019/3 Q1: Overseas business

Sales rose on the start of exports of *Frugra* to China (in FY'18/3 Q2) and sales growth in Indonesia  
 Profits improved in North America, but deteriorated in Greater China (Taiwan) on the disposal of excess inventories

(Million yen)

|                         | FY'18/3 Q1   | FY'19/3 Q1   | Change in % | Change ex. forex in % |
|-------------------------|--------------|--------------|-------------|-----------------------|
| <b>Net sales</b>        | <b>7,595</b> | <b>9,292</b> | +22.3       | +23.7                 |
| Snacks                  | 7,595        | 8,272        | +8.9        | —                     |
| Cereals                 | —            | 1,020        | —           | —                     |
| <b>Operating profit</b> | <b>-91</b>   | <b>-16</b>   | —           | —                     |

## Business results by region

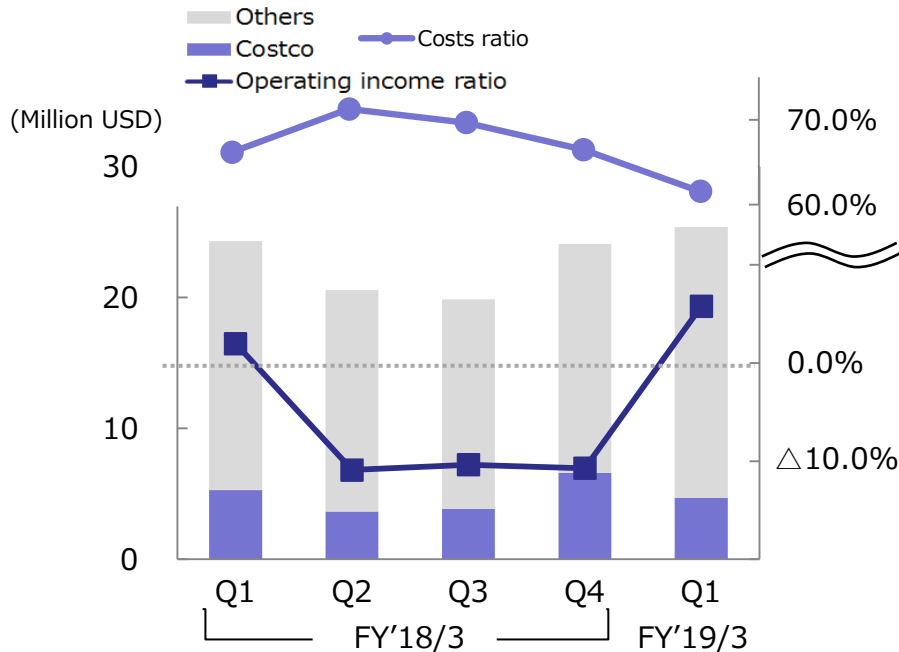
(Million yen)

|                                   | Net sales  |            |             |                  | Operating profit |            |
|-----------------------------------|------------|------------|-------------|------------------|------------------|------------|
|                                   | FY'18/3 Q1 | FY'19/3 Q1 | Change in % | Real change in % | FY'18/3 Q1       | FY'19/3 Q1 |
| North America                     | 2,714      | 2,759      | +1.7        | +4.4             | 53               | 159        |
| Greater China                     | 1,338      | 2,574      | +92.4       | +93.8            | 94               | -58        |
| South Korea                       | 1,256      | 1,062      | -15.4       | -16.6            | 8                | -14        |
| Other Asian regions and Australia | 1,951      | 2,494      | +27.8       | +29.9            | -74              | 7          |
| Europe                            | 335        | 401        | +19.7       | +16.0            | -174             | -109       |

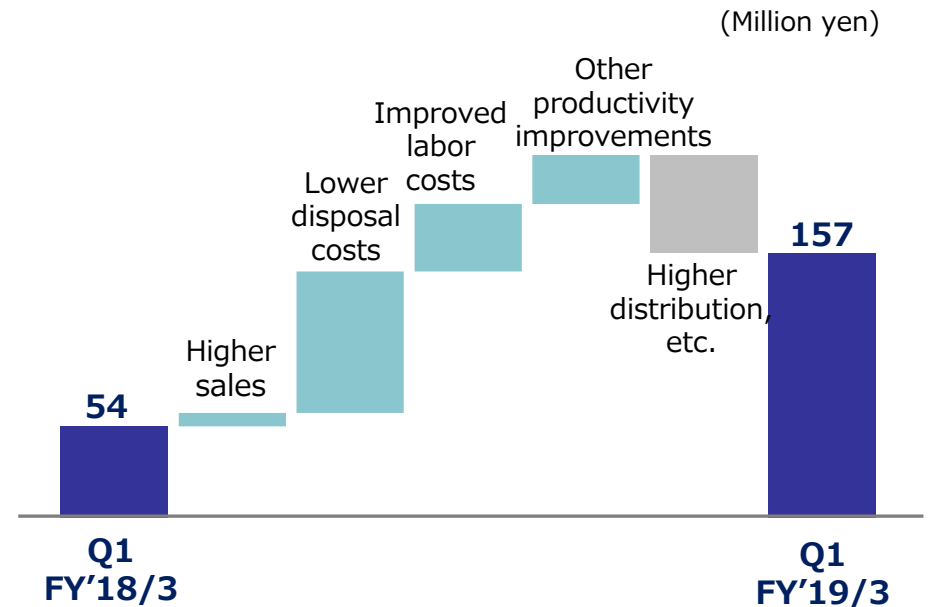
## North America

- Progress in cost improvement resulted in achieving a profit
- Sales are recovering on the effects of sales promotion activities such as the Shipper Program
- Decrease in temporary disposal costs compared to the previous fiscal year and an improvement in the labor cost resulted in an improvement in the cost of sales ratio

Net sales and operating profit ratio, costs ratio



Factors increasing operating profit



## North America

### Targeting ongoing improvement of sales

- Activate the *Harvest Snaps* brand and improve sales
  - Launched two new flavors (White Cheddar/Parmesan Roasted Garlic)
  - Plan to launch organic *Harvest Snaps* in August
- Continue promotions with eye-catching in-store exhibitions through the Shipper Program, etc.
- Diversify sales spaces with unique new products
  - Plan to launch *Popper Duos* snack in September
  - Activate new product development cycle

### Control costs and continue to be profitable

- Control labor costs in-line with production, And advance diversification of suppliers Based on optimal SCM
- Aim for balanced production between the two factories to control distribution costs



“Shipper Program”  
Products exhibited on their own stands in produce sections, etc.



Chinese overseas consumption expanded steadily, but domestic consumption decreased as new customers were not captured

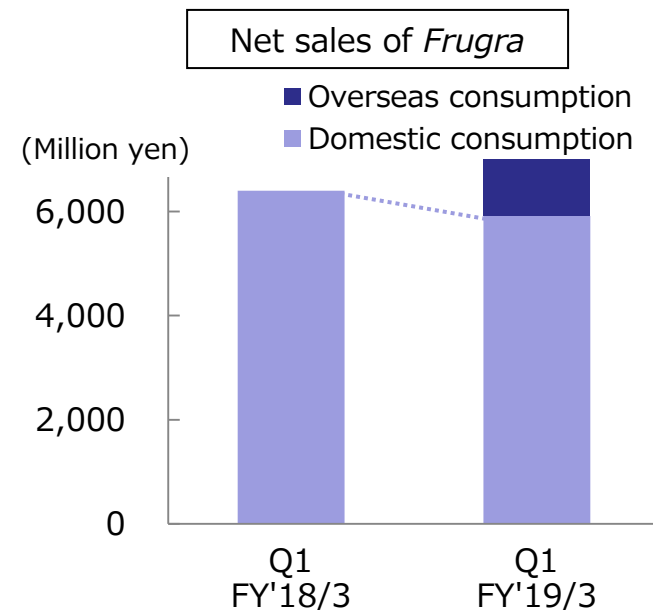
|                      | FY'18/3 Q1 | FY'19/3 Q1   | Change in % |  |                   |
|----------------------|------------|--------------|-------------|--|-------------------|
| <b>Frugra Sales</b>  | 6,398      | <b>7,158</b> | +11.9       | <FY'19/3 Overseas consumption sales by channels> |                   |
| Domestic consumption | 6,398      | 5,912        | △7.6        |  | E-commerce 887    |
| Overseas consumption | -          | 1,163        | -           |  | Retail stores 275 |

## ■ Domestic consumption:

- Implement measures towards generating new customers such as promotions targeting seniors and size development
- Was not able to connect to a rise in domestic demand resulting in a lack of growth in market scale

## ■ Overseas consumption:

- <E-commerce> In addition to cross-border e-commerce, China domestic e-commerce sales began in April
- <Retail stores> Expanded deliveries focusing on cities in East and South China Proactively conduct sampling and tastings in order to broaden recognition



## Domestic

- Aim to expand the granola market as a “breakfast revolution”
  - Launch “100-year-life breakfast program” to contribute to a healthy lifespan
  - 3 year plan to research and gather evidence of *Frugra*’s benefits with Juntendo University
- Excite demand for regular product by continuing development of individual portion and S sizes for trialing
- Expand in the dairy products section through joint campaigns with other firms
- Renew “Less Carbohydrates” product, etc



At the announcement of the 100-year-life breakfast program

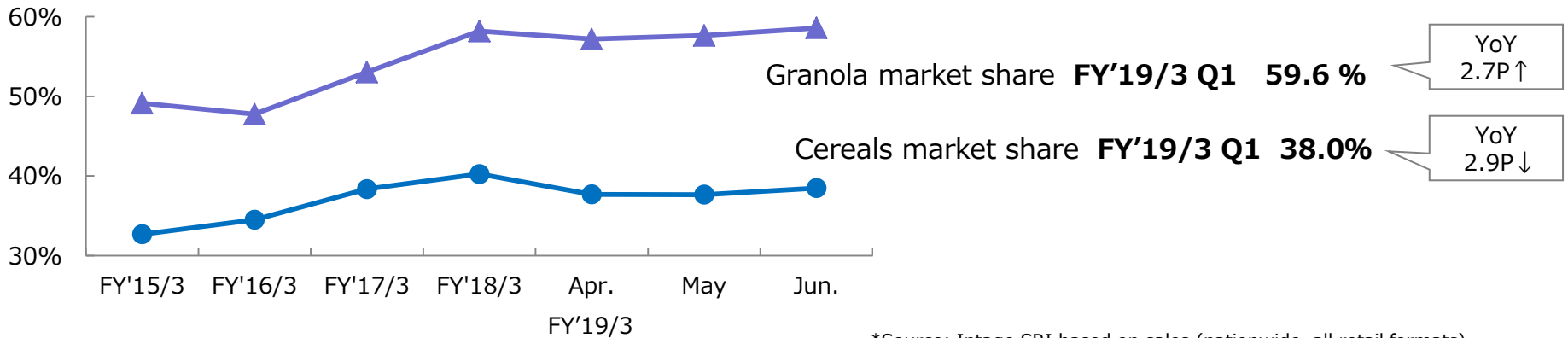
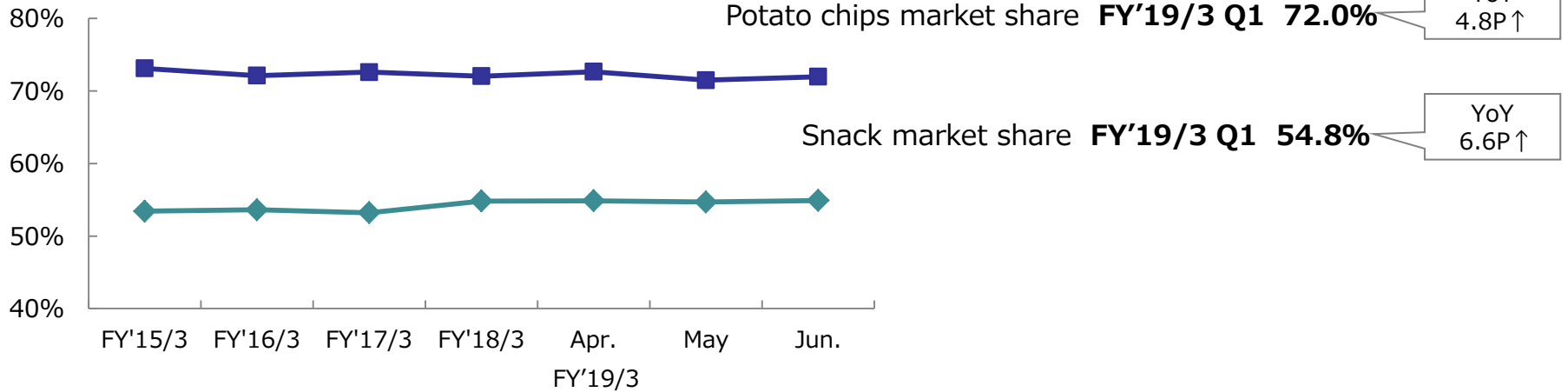
## Overseas (China)

- Begin operation of Kyoto Factory: Plan to commence operation from August
  - Raise brand awareness by increasing exposure via size development and expansion of product flavors by sales channel
  - Production/sales of region-limited products scheduled in Kyoto from September
- Incorporate needs for food safety and reduced time

## Reference material

For detailed figures for sales by product, sales by overseas country/region, etc., please refer to FY2019/3 Q1 Supplementary Information.  
<https://www.calbee.com/ir/library/earnings.php>

## ■ Market share\*



\*Source: Intage SRI based on sales (nationwide, all retail formats)  
 FY'19/3 Q1 total :April 2018 – June 2018  
 Comparison period: April 2017 - June 2017  
 FY'15/3-FY'19/3: April 2014 – March 2019  
 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

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- The Company's fiscal year ends on March 31. The fiscal year ended March 31, 2019 is referred to throughout this report as "FY2019/3(FY'19/3)" 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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