

Calbee Group Financial Results

Third quarter of fiscal year ending March 31, 2019

April 1, 2018 – December 31, 2018

TSE code : 2229

Calbee, Inc.

2019.2.5

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1. FY2019/3 Review of third quarter results

2. Revised FY2019/3 Full year forecasts

FY2019/3 Q3: Results highlights

Summary (vs. last fiscal year)






- Nine months: Sales and profit increased due to higher demand for *Potato Chip* after the potato shortage in the previous fiscal year
- Q3: Excluding the effect of the sale of the bakery subsidiary, sales increased on growth in both snacks and *Frugra* overseas, but profit decreased as this could not cover higher costs for distribution, raw materials, etc.

	FY2019/3 Q3 (Nine months)		Change (YoY)	FY2019/3 Q3 (Three months)		Change (YoY)
	(Million yen)	Ratio to net sales(%)	(%)	(Million yen)	Ratio to net sales(%)	(%)
Net sales (Change excl. impact of sale of bakery subsidiary*)	187,022	100.0	+0.2 (+5.7)	65,955	100.0	-2.8 (+2.2)
Operating profit	20,441	10.9	+6.5	8,700	13.2	-1.7
Ordinary profit	20,840	11.1	+7.3	8,280	12.6	-6.6
Net profit	15,019	8.0	+14.9	5,390	8.2	-10.5

*All shares of the bakery subsidiary were transferred in April 2018

Summary (vs. plan)

- Sales and operating profit did not achieve plan due to delayed sales recovery for domestic *Frugra* and overseas snacks
- Operating margin worsened on effect of higher costs for distribution, raw materials, etc.

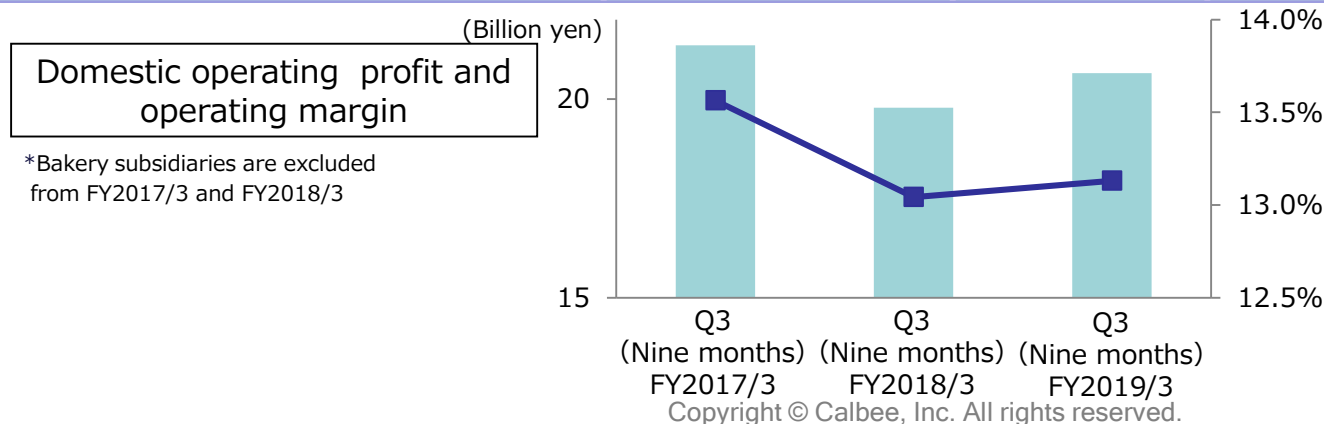
Key Performance Indicators	FY2019/3 Target Full year (Plan at start of year)	FY2019/3 Q3 Target Nine months	FY2019/3 Q3 Results Nine months	Progress
Net sales growth ratio (Change excl. impact of sale of bakery subsidiary)	+1.4%	+2.9% (+8.6%)	+0.2% (+5.7%)	
Operating income growth ratio	+10.0%	+18.7%	+6.5%	
Operating margin	11.6%	11.9%	10.9%	
Overseas sales ratio	17.5%	17.2%	15.9%	
Selling costs ratio	15.3%	15.4%	15.5%	

FY2019/3 Q3: Domestic business

Continued strong sales of *Potato Chips* and new individual portion snack products (*Jagarico* series, etc.)

(Million yen)

	FY2018/3 Q3 (Nine months)	Change in %	FY2018/3 Q3 (Three months)	Change in %
Net sales (Change excl. impact of sale of bakery subsidiary)	157,290	-2.6 (+3.7)	54,704	-6.9 (-1.3)
Snacks	135,757	+4.9	47,565	-1.6
<i>Potato Chips</i>	63,063	+14.9	23,096	-1.4
<i>Jagarico</i>	28,044	+5.7	9,289	-0.3
Other snacks than that above	44,648	-6.9	15,179	-2.6
Cereals	18,322	-0.5	5,914	+5.7
Operating profit (Compared to net sales)	20,653 (13.1%)	+3.9 (+0.8pts)	8,872 (16.2%)	-4.4 (+0.4pts)



FY2019/3 Q3: Domestic snacks

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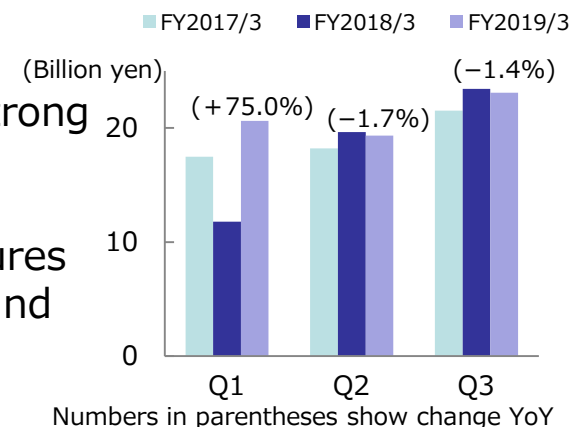
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Potato Chips

- H1: Sales grew significantly due to sales resumption of items suspended last year and an increased volume campaign
- Q3(Three months): Recorded sales at roughly the same level QoQ, when demand was particularly strong
 - Good sales, esp. of large volume items, in high-demand year end season
 - Launched round one of *Potato Chips* from Japan's 47 prefectures
 - Continuing strong sales of regular product such as *Usu-shio* and *Kata-Age Potato*



Net sales of *Potato Chips*

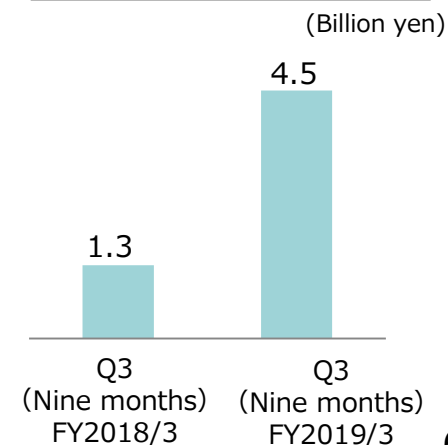


Individual portion snacks

- Sales of individual portion snacks more than tripled YoY
- New product *Tomorico*, *Edamarico*, *miino* and *Kiwa Jaga* contributed to sales



Net sales of Individual portion snacks



FY2019/3 Q3: Overseas business

Sales growth on expanded *Frugra* sales in China, acquisition of Seabrook's business in the UK, and higher sales in Indonesia

Reduction in losses overseas overall due to cost improvements in North America

(Million yen)

	FY2018/3 Q3 (Nine months)	YoY (%)	Change ex. forex in %	FY2018/3 Q3 (Three months)	YoY (%)
Net sales	29,731	+18.0	+19.4	11,251	+23.4
Snacks	25,734	+9.3	—	9,435	+18.1
Cereals	3,997	+141.3	—	1,815	+60.4
Operating profit	-212	—	—	-171	—
(Change YoY)	(+482)			(+260)	

<Business results by region>

(Million yen)

	Net sales					Operating profit			
	FY'19/3 Q3 (Nine months)	Change in %	Real change in %	FY'19/3 Q3 (Three months)	Change in %	FY'19/3 Q3 (Nine months)	YoY	FY'19/3 Q3 (Three months)	YoY
North America	7,323	+1.2	+2.1	2,144	-4.1	56	+484	-123	+108
Greater China	8,755	+38.7	+39.5	3,578	+25.0	336	-134	238	+99
South Korea	3,398	-16.9	-17.0	1,206	-12.7	-16	+31	6	+63
Other Asian regions and Australia	7,741	+19.1	+23.0	2,635	+15.3	-203	+161	-160	+30
Europe	2,513	+138.4	+138.7	1,686	+379.7	-385	-60	-132	-41

FY2019/3 Q3: Overseas business

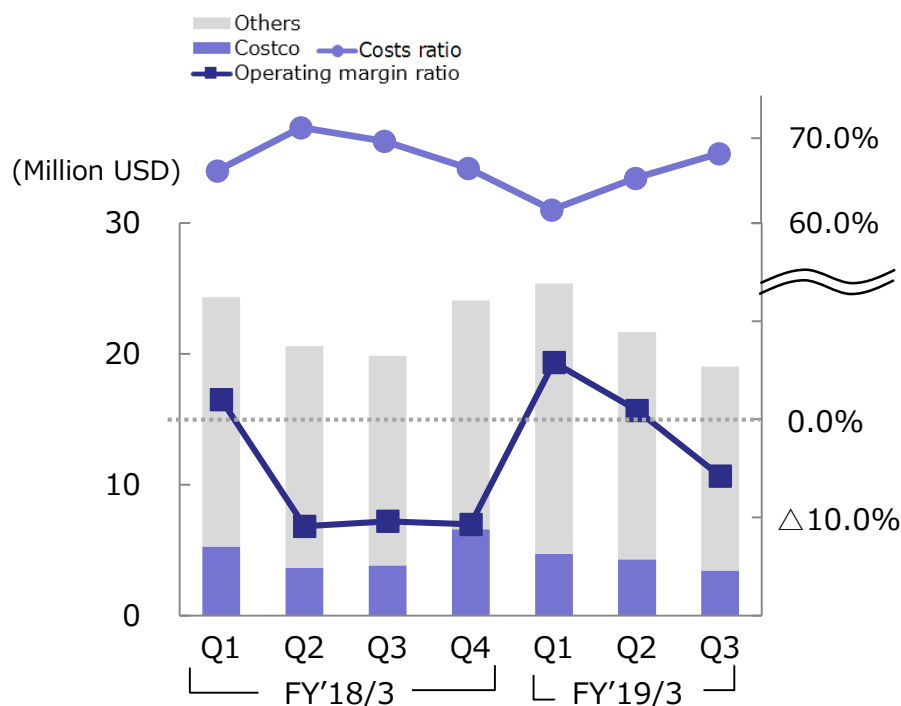
North America

- Nine months: Sales rose YoY on the effects of marketing activities such as “Shipper Program”, despite sluggish sales to major customers
- Q3: Sales decreased on delays in changeover to new organic products
- Made progress with cost improvements including reducing disposal costs, improving labor costs, and controlling selling expenses

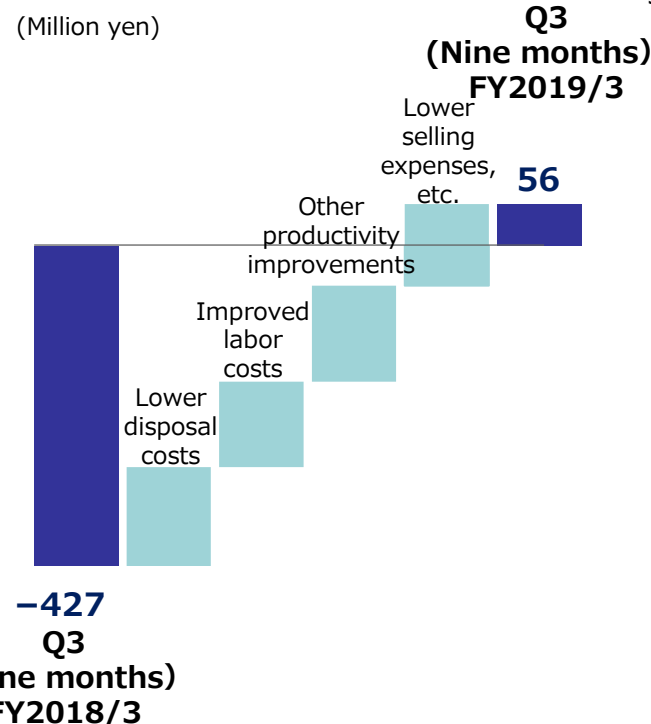


“Shipper Program”
Products exhibited on their own stands in produce sections, etc.

Net sales and operating profit ratio, costs ratio



Factors increasing operating profit



FY2019/3 Q3: Overseas business

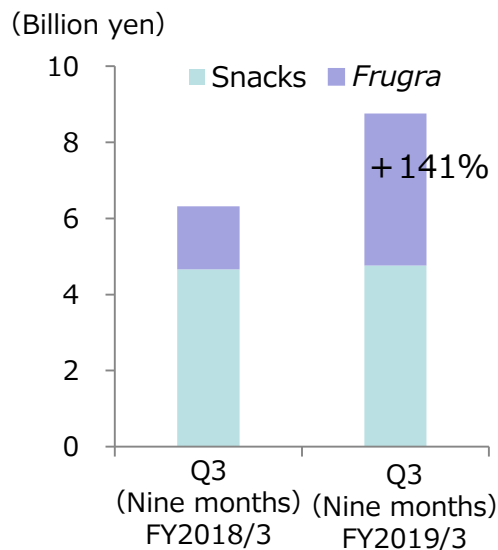
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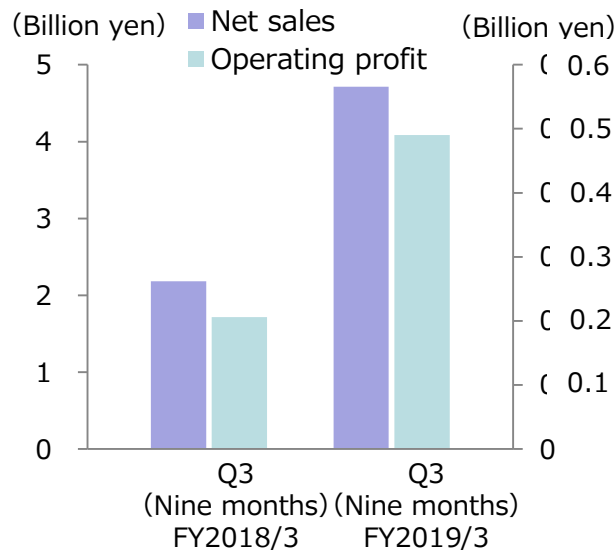
Greater China

- Sales: Rose significantly sales of *Frugra*
- Operating profit: E-commerce subsidiaries's profit grew due to the expansion of *Frugra*
However, in Taiwan profit fell on disposal of excess snack inventories recorded in H1

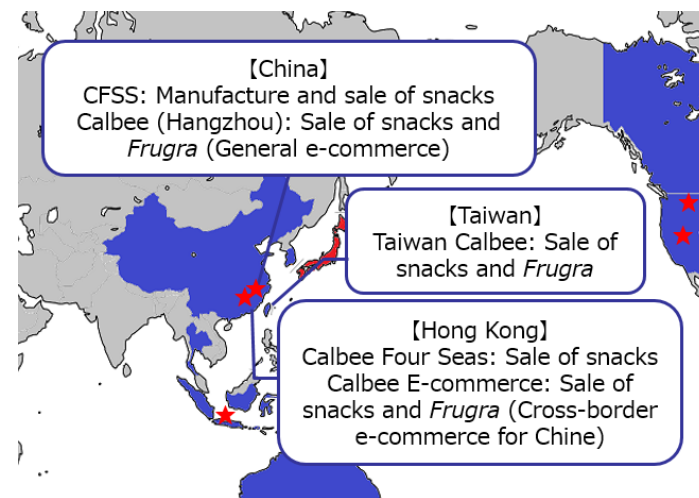
Greater China
net sales



Greater China
e-commerce subsidiary
sales/operating profit



Description of business in
Greater China



FY2019/3 Q3: Overseas business

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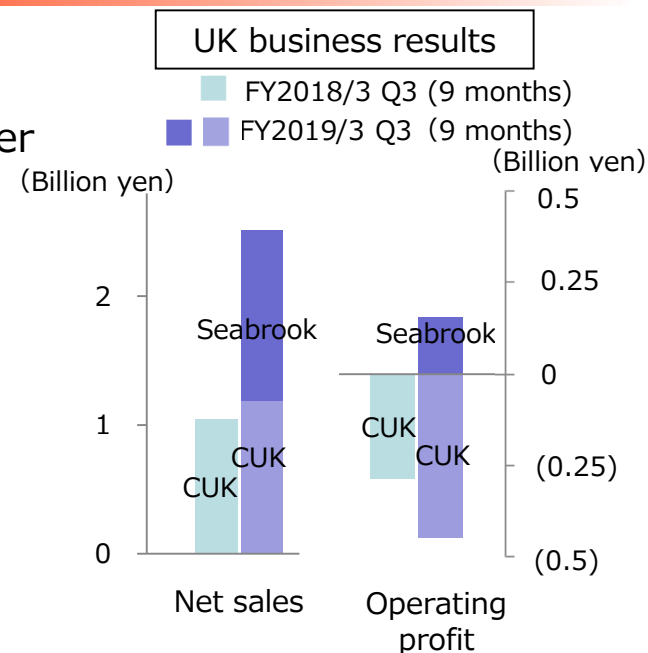
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UK

- Acquired UK potato chips manufacturer Seabrook in October 2018, contributing to higher sales and profit from Q3
- Sales of existing bean-based snacks *Yushoi*, which is produced and sold by Calbee UK(CUK), are sluggish

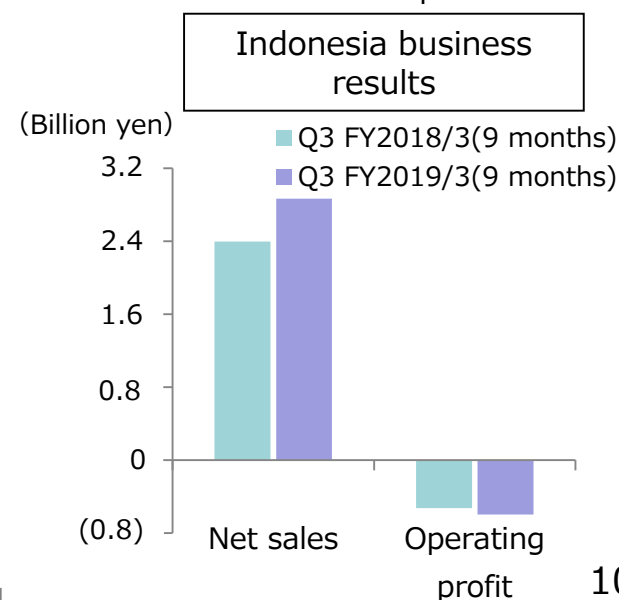
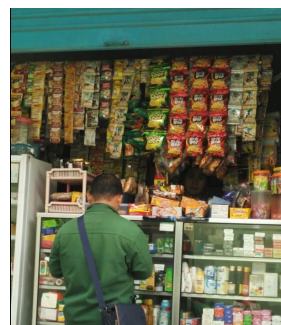


Head office of Seabrook



Indonesia

- Sales rose YoY and grew share on contribution of new product corn-based snack *Krisbee Krunchy* and *Potato Chips Potabee*
- Began operation of new *Potato Chips* line from December
- Operating losses continued due to raw material and labor costs remaining at high levels



Domestic consumption increased YoY on Q3(3 months) due to continuous initiatives to cultivate new customers

Sales for overseas consumption rose significantly on steady growth in China

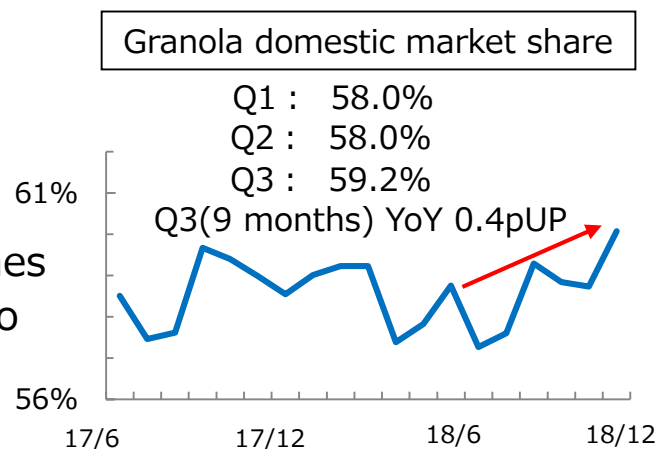
(Million yen)

	FY2019/3 Q3(Nine months)	Change in %	FY2019 Q3(Three months)	Change in %
<i>Frugra</i> Sales	22,320	+11.2	7,730	+14.9
Domestic consumption	17,162	-5.0	5,321	+1.5
Overseas consumption	5,157	+157.2	2,409	+62.7

■ Domestic consumption

Granola share showed a recovery trend

- Enhanced size lineup with S size and 50g small volume type
- The renewal of *Frugra Less Carbohydrates* and continuous launches of limited time products contributed to the sales recovery trend



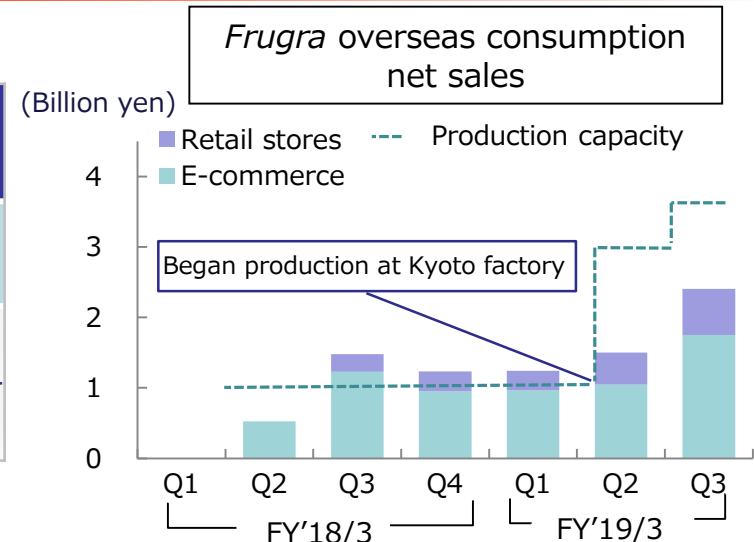
On-the-counter sales of *Frugra* 50g

*Source: Intage SRI based on sales (nationwide, all retail formats)
June 2017 – December 2018

FY2019/3 Q3: *Frugra*

<Overseas consumption sales by channels> (Million yen)

	FY2018/3 Q3 (Nine months)	Change in %	FY2019/3 Q3 (Nine months)	Change in %
Overseas consumption	5,157	+157.2	2,409	+62.7
E-commerce	3,772	-	1,754	-
Retail stores	1,384	-	654	-



■ Overseas consumption

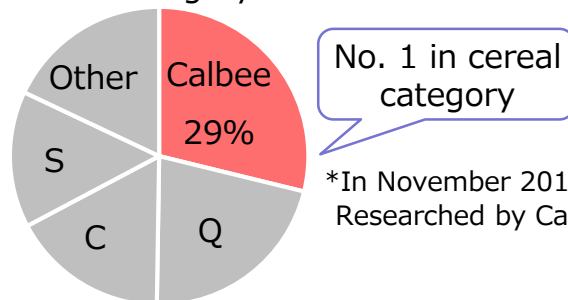
- E-commerce: Launched of general e-commerce sales, hold the W11 and W12 large sales events

(General e-commerce) Raised awareness of general e-commerce through partnerships with Alibaba, etc.

(Cross-border e-commerce) Launched limited time flavors to activate customers

- Retail stores: Enhanced product line up (launched *Matcha flavor* in Dec.), and strengthened sales promotion at influential stores

<Alibaba cereal category sales share*>



No. 1 in cereal category

*In November 2018 / monthly basis
Researched by Calbee



Offline event for W11
(Hangzhou City, Zhejiang Province) 12

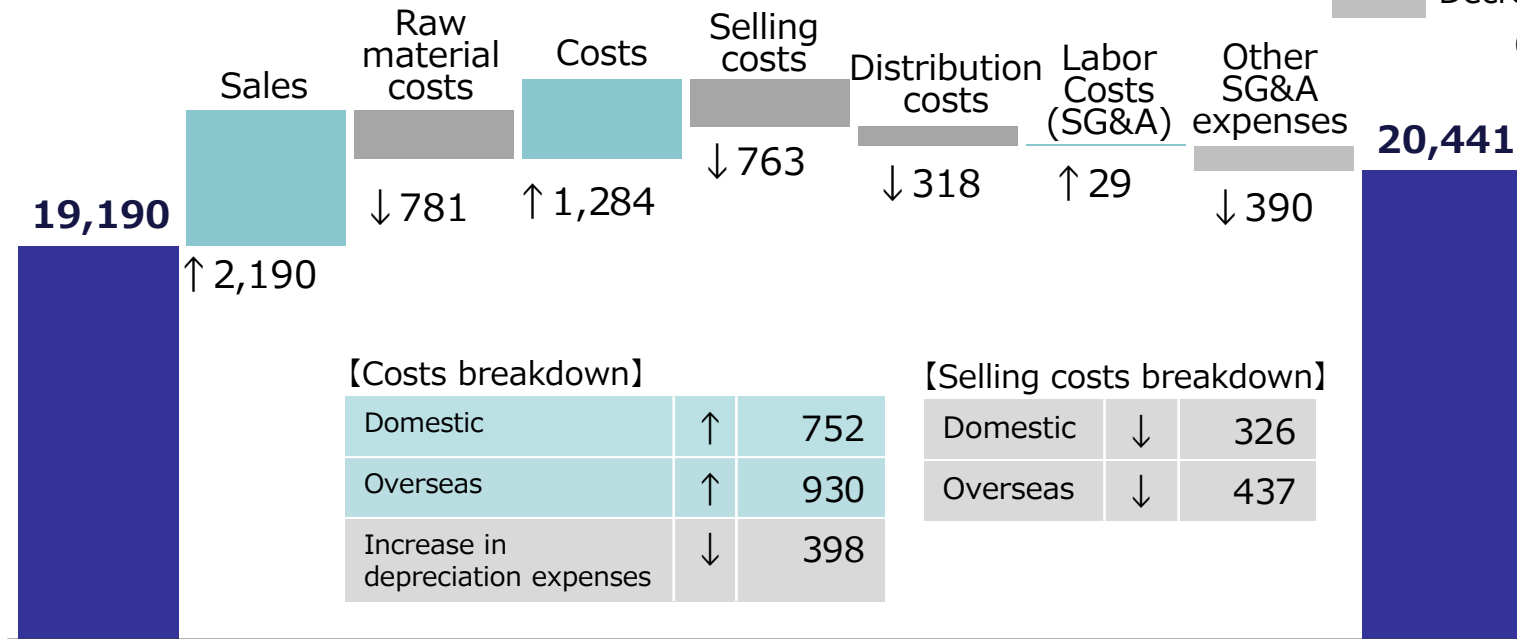
FY2019/3 Q3: Factors increasing operating profit **Calbee**

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Change in operating profit (YoY)

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

Increased profit
Decreased profit
(Million yen)



FY2018/3 Q3
(Nine months)

YoY +1,251 million yen

FY2019/3 Q3
(Nine months)

	FY'18/3	Sales	Raw material costs	Costs	Selling costs	Distribution costs	Labor costs	Other SG&A expenses	FY'19/3	YoY
H1	10,338	↑ 1,846	↓ 283	↑ 1,270	↓ 840	↑ 34	↓ 389	↓ 235	11,740	+1,402
Q3 (3 months)	8,852	↑ 344	↓ 498	↑ 14	↑ 77	↓ 352	↑ 419	↓ 156	8,700	-151

1. FY2019/3 Review of third quarter results
- 2. Revised FY2019/3 Full year forecasts**

Revised FY2019/3 Full year forecasts

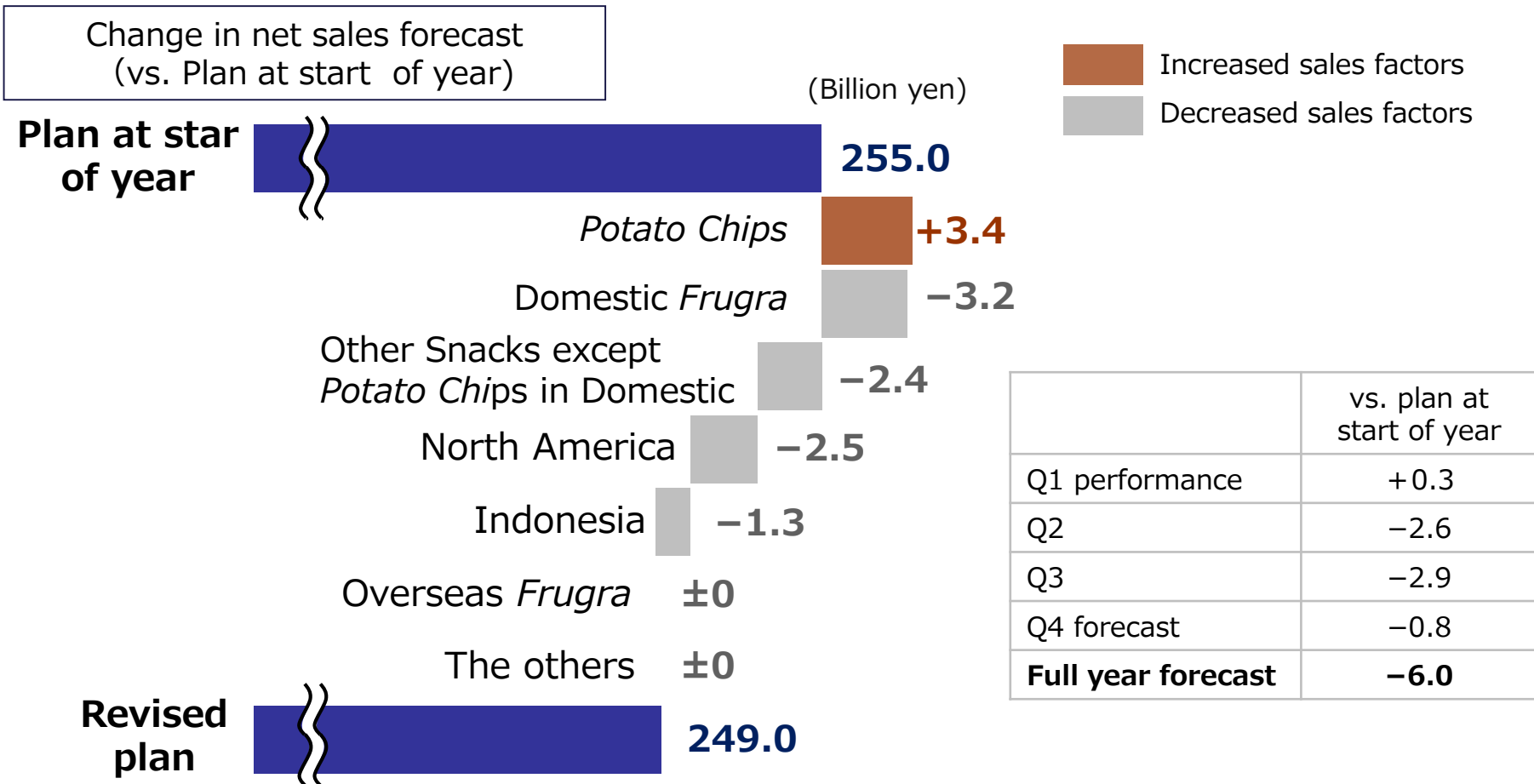
Revised forecasts

- Sales: Progress was slow in overseas snacks in North America, Indonesia, etc., where significant sales had been expected, and domestic *Frugra* sales were sluggish
- Profit: Affected by the above sales not meeting targets, as well as increased distribution costs and a sharp increase in the price of raw materials such as edible oils and packaging

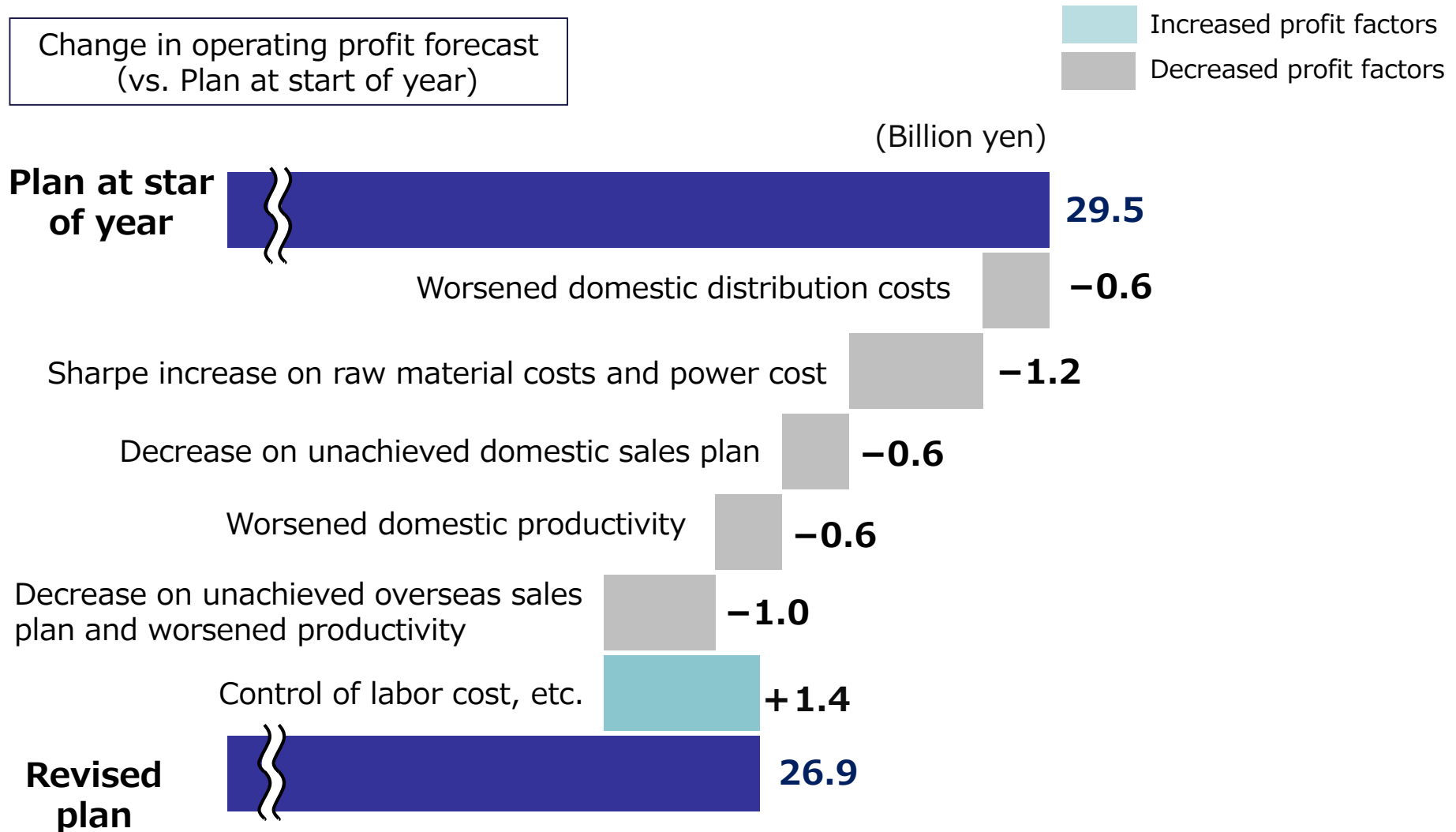
	FY2019/3 (Plan at start of year)		Change (YoY)	FY2019/3 (Revised plan)		Change (YoY)	Vs. plan
	(Million yen)	Percent of total(%)	(%)	(Million yen)	Percent of total(%)	(%)	(Million yen)
Net sales (Change excl. impact of sale of bakery subsidiary)	255,000	100.0	+1.4 (+6.9)	249,000	100.0	-1.0 (+4.4)	-6,000
Operating profit	29,500	11.6	+10.0	26,900	10.8	+0.3	-2,600
Ordinary profit	29,000	11.4	+10.8	27,000	10.8	+3.1	-2,000
Net profit	19,000	7.5	+9.6	19,000	7.6	+9.6	0

Revised FY2019/3 Full year forecasts: Net sales

Domestic: Higher *Potato Chips* sales compensated for *Frugra*, but little growth in snacks other than *Potato Chips*
Overseas: Overseas *Frugra* was as planned, lowered forecasts for overseas snacks including North America



Revised FY2019/3 Full year forecasts: Operating profit



Revised FY2019/3 Full year forecasts

		Current status and issues
1	Higher costs	<ul style="list-style-type: none"> ● Sharp rise in distribution costs ● Higher raw materials costs such as packaging, edible oils, etc.
2	Domestic <i>Fruga</i>	<ul style="list-style-type: none"> ● Growth has temporarily plateaued ● New customer segments not expanding
3	Overseas snacks	
	North America	<ul style="list-style-type: none"> ● Existing product <i>Harvest Snaps</i> weak ● Good progress in cost improvements
	China	<ul style="list-style-type: none"> ● <i>Fruga</i> export sales growing well
	Indonesia	<ul style="list-style-type: none"> ● Progress in growing market share ● Losses continued on high costs ratio
	UK	<ul style="list-style-type: none"> ● Acquired potato chips business (Seabrook)

Key points from Q4
<ul style="list-style-type: none"> ● Respond to higher costs (automation/review of product specs, etc.) ● Control selling costs through reform in distribution
<ul style="list-style-type: none"> ● Product expansion (development, etc., focused on functionality, portability)
<ul style="list-style-type: none"> ● Continuous development/launch of new snack products ● Launch initiatives for developing global brands <i>Jagarico</i>, <i>Fruga</i>, etc.
<ul style="list-style-type: none"> ● Cultivate new customers via utilization of big data, and expand sales of E-commerce
<ul style="list-style-type: none"> ● Expanded production line raise utilization ● Focus on reducing production costs
<ul style="list-style-type: none"> ● Aim for cost synergies through review of business structure

Reference material

FY2019/3 Q3:Consolidated profit and loss statement



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	FY2019/3 Q (Nine months)		Change	vs. plan at start of year	FY2019/3 Q (Three months)		Change	vs. plan at start of year
	(百万円)	構成比 (%)	(%)	(%)	(百万円)	構成比 (%)	(%)	(%)
Net sales	187,022	100.0	+0.2	97.3	65,955	100.0	-2.8	95.8
Domestic	157,290	84.1	-2.6	98.9	54,704	82.9	-6.9	97.3
Overseas	29,731	15.9	+18.0	89.9	11,251	17.1	+23.4	89.4
Gross profit	83,572	44.7	+4.4	96.2	30,239	45.8	-1.0	95.2
SG&A	63,130	33.8	+3.7	98.5	21,538	32.7	-0.7	99.7
Selling	28,990	15.5	+8.5	97.9	10,047	15.2	+1.4	100.5
Distribution	12,862	6.9	+0.1	103.1	4,658	7.1	+2.1	106.1
Labor	13,437	7.2	-1.9	94.3	4,309	6.5	-10.3	90.0
Others	7,840	4.2	+2.7	101.4	2,523	3.8	+3.9	103.8
Operating profit	20,441	10.9	+6.5	89.7	8,700	13.2	-1.7	85.6
Ordinary profit	20,840	11.1	+7.3	93.2	8,280	12.6	-6.6	83.7
Extraordinary income/loss	1,351	-	-	-	-269	-	-	-
Net profit	15,019	8.0	+14.9	101.6	5,390	8.2	-10.5	82.4

Consolidated profit and loss statement

Revised FY2019/3 Full year forecasts

	FY2018/3		FY2019/3 (Plan at start of year)		FY2019/3 (Revised Plan)	
	(Million yen)	Percent of total(%)	(Million yen)	Percent of total(%)	(Million yen)	Percent of total(%)
Net sales	251,575	100.0	255,000	100.0	249,000	100.0
Domestic net sales	217,774	86.6	210,471	82.5	208,271	83.6
Overseas net sales	33,801	13.4	44,528	17.5	40,728	16.4
Gross profit	108,904	43.3	114,500	44.9	111,000	44.6
SG&A	82,075	32.6	85,000	33.3	84,100	33.8
Selling	36,921	14.7	38,900	15.3	38,700	15.5
Distribution	17,345	6.9	16,600	6.5	17,100	6.9
Labor	17,686	7.0	19,400	7.6	17,900	7.2
Others	10,122	4.0	10,100	4.0	10,400	4.2
Operating profit	26,828	10.7	29,500	11.6	26,900	10.8
Ordinary profit	26,179	10.4	29,000	11.4	27,000	10.8
Extraordinary income/loss	-80	-	-200	-	1,100	-
Net profit	17,330	6.9	19,000	7.5	19,000	7.6

Revised FY2019/3 Full year forecasts

Net sales by product/by areas

(Million yen)

	FY2018/3	FY2019/3				
		Plan at star of year	Revised plan	Change (%)	Vs.plan at star of year	
					YoY	Change (%)
Domestic net sales	217,774	210,471	208,271	-4.4	-2,200	-1.0
Potato Chips	77,007	80,275	83,675	+8.7	+3,400	+4.2
Jagarico	35,695	37,330	37,580	+5.3	+250	+0.7
Other snacks than that above	62,872	61,693	59,043	-6.1	-2,650	-4.3
Cereals	23,836	27,320	24,120	+1.2	-3,200	-11.7

(Million yen)

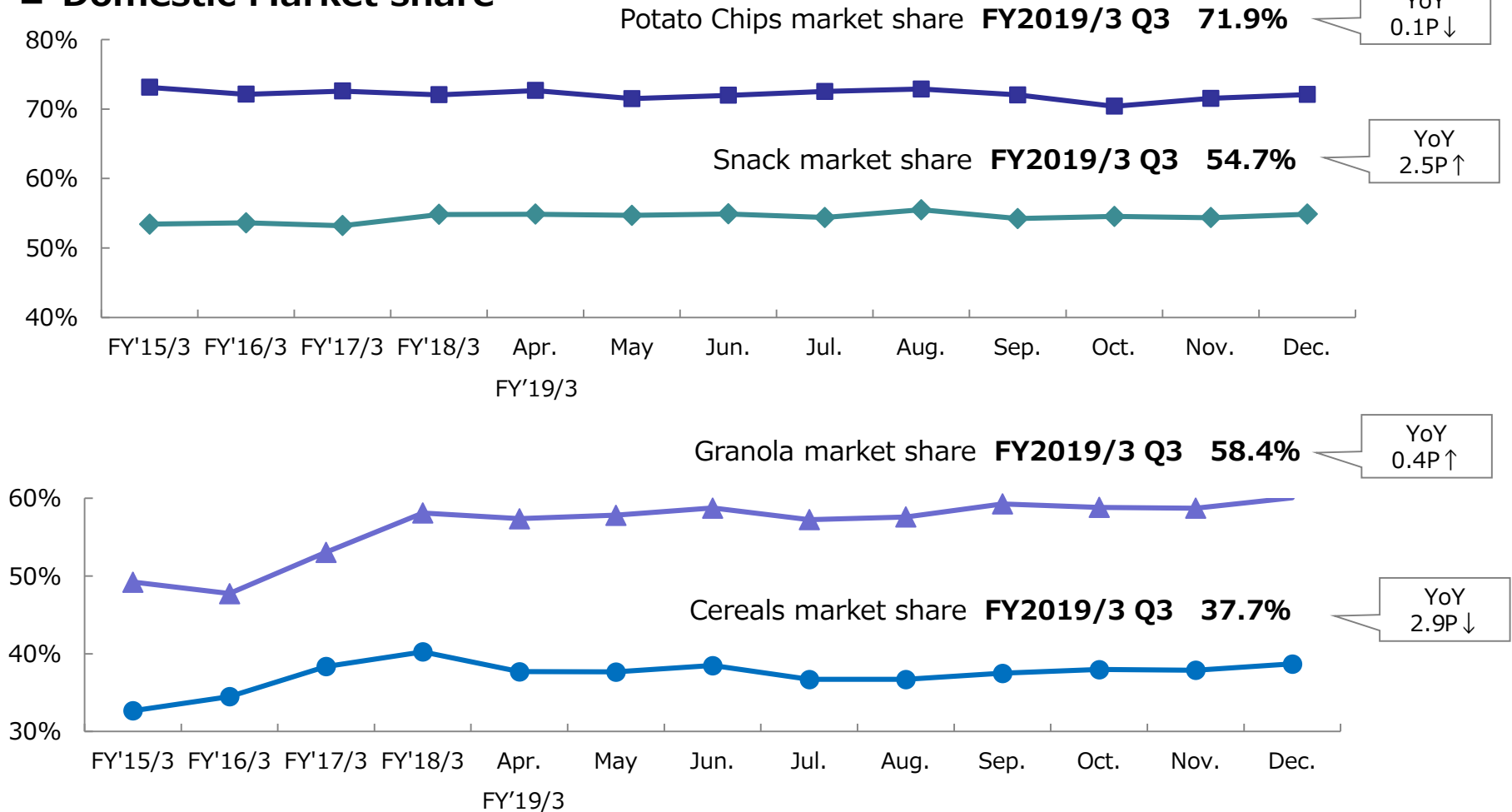
	FY2018/3					
		Plan at star of year	Revised plan	Change (%)	Vs.plan at star of year	
					YoY	Change (%)
Overseas net sales	33,801	44,528	40,728	+20.5	-3,800	-8.5
North America	9,843	12,297	9,797	-0.5	-2,500	-20.3
Indonesia	2,965	5,298	3,998	+34.8	-1,300	-24.5
South Korea	5,283	5,202	4,602	-12.9	-600	-11.5
Greater China	8,718	12,945	11,845	+35.9	-1,100	-8.5
UK	1,390	2,336	4,136	+197.6	+1,800	+77.1
Other regions	5,599	6,449	6,349	+13.4	-100	-1.6
Exchange rate(Yen/USD)	110.8	113.0	110.8			

Domestic business

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Domestic Market share *



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

FY'19/3 H1 total :April 2018 – September 2018

Comparison period: April 2017 – September 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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<https://www.calbee.com/ir/>

- 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.
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