

# Calbee Group Financial Results

**Fiscal year ended March 31, 2019**

April 1, 2018 – March 31, 2019

TSE code : 2229

**Calbee, Inc.**

2019.5.15

# **FY2019/3 financial results**

## **FY2020/3 full year forecasts**

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**Koichi Kikuchi**  
**Senior Managing Executive Officer**  
**Chief Financial Officer**

# **FY2019/3 financial results and FY2020/3 full year forecasts**

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**I . FY2019/3 financial results**

**II . FY2020/3 full year forecasts**

**III . Investment and shareholder return policy**

# **I . FY2019/3 financial results**

# FY2019/3 : Results highlights

## Summary (vs. last fiscal year)






- Net sales : Sales rose substantially due to higher domestic demand for *Potato Chips*, and growth in snacks and *Frugra* overseas
- Operating profit : Remained flat YoY due to higher costs including for domestic raw materials and distribution, despite the effect of higher sales, as mention above, and cost improvements in North America
- Net profit : Profit rose on the booking of extraordinary income on the transfer of all shares of a consolidated subsidiary (CalNeCo., Inc.)

	FY2018/3		FY2019/3		Change (YoY)
	(Million yen)	Ratio to net sales(%)	(Million yen)	Ratio to net sales(%)	(%)
Net sales (Change excl. impact of sale of bakery subsidiary*)	251,575	100.0	<b>248,655</b>	100.0	-1.2 (+4.3)
Operating profit	26,828	10.7	<b>26,964</b>	10.8	+0.5
Ordinary profit	26,179	10.4	<b>27,432</b>	11.0	+4.8
Extraordinary income/loss	-80	-	1,037	-	-
Net profit	17,330	6.9	<b>19,429</b>	7.8	+12.1

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

## Summary (vs. plan)

- Met revised targets (announced in Q3), but did not meet initial full year targets due to slow recovery in domestic *Frugra* and overseas snacks and also higher domestic costs

Key Performance Indicators	FY2019/3 Target Full year (Plan at start of year)	FY2019/3 Results	Results
Net sales growth ratio (Change excl. impact of sale of bakery subsidiary)	+1.4% (+6.9%)	-1.2% (+4.3%)	
Operating profit growth ratio	+10.0%	+0.5%	
Operating margin	11.6%	10.8%	
Overseas sales ratio	17.5%	16.3%	
Selling costs ratio	15.3%	15.7%	

# FY2019/3 : Domestic business

- **Sales** <Snacks> Sales rose driven by *Potato Chips*
  - *Potato Chips* Sales grew on effect of increased-volume campaigns, etc.
  - *Jagarico* Sales rose on nationwide launch of new products *Tomorico* and *Edamarico*
  - Other snacks Sales of flour-based and corn and bean-based snacks fell on the effect of higher demand for *Potato Chips*
- <Cereals> Sales fell without leading to a rise in demand  
(For sales by consumer region see P9 "*Frugra* Business")
- **Operating profit** Operating margin was flat YoY with cost increases due to higher distribution costs and sharp rises in costs for raw material, power, etc. offset by profit increase effect by sales increase (Million yen)

	FY2019/3		
		YoY	
<b>Net sales</b> (Change excl. impact of sale of bakery subsidiary)	<b>208,193</b>	<b>-9,580</b> <b>(+3,543)</b>	<b>-4.4%</b> <b>(+1.7%)</b>
Snacks	180,499	+4,924	+2.8%
<i>Potato Chips</i>	84,129	+7,122	+9.2%
<i>Jagarico</i>	37,402	+1,706	+4.8%
Other snacks than that above	58,968	△3,904	△6.2%
Cereals	23,817	△19	△0.1%
<b>Operating profit</b> (Compared to net sales)	<b>27,069</b> (13.0%)	<b>△1,207</b>	<b>△4.3%</b> (±0.0pts)

Sales of individual portion snacks : 6 billion yen (+3.5billion yen YoY)

# FY2019/3 : Overseas business

- **Sales**
  - <Snacks> Sales rose on acquisition of Seabrook in the UK and strong sales in Australia and Indonesia
  - <Cereals> Sales rose on expanded sales in Greater China  
(For sales by consumer region see P9 "Frugra Business")
- **Operating profit** Decreased losses on improved costs in North America and growth of *Frugra* in China

(Million yen)

		FY2019/3		
		YoY		Change ex. forex in %
<b>Net sales</b>	<b>40,461</b>	<b>+6,660</b>	<b>+ 19.7%</b>	<b>+ 20.8%</b>
Snacks	35,178	+3,911	+ 12.5%	
Cereals	5,283	+2,748	+ 108.5%	
<b>Operating profit</b> (compared to net sales)	<b>-105</b> (-0.3%)	<b>+1,342</b>	<b>-</b> (+4.0pts)	

## <Business results by region>

	Net sales			Operating profit	
	FY2019/3	Change in %	Change ex. forex in %	FY2019/3	YoY
North America	9,941	+1.0%	+1.1%	71	+778
Greater China	11,339	+30.1%	+30.6%	361	+199
Indonesia	3,854	+30.0%	+38.4%	-785	-65
United Kingdom	4,193	+198.6%	+199.8%	-444	-8
South Korea	4,636	-12.2%	-11.9%	31	+73
Other regions	6,495	+16.3%	+17.0%	660	+364

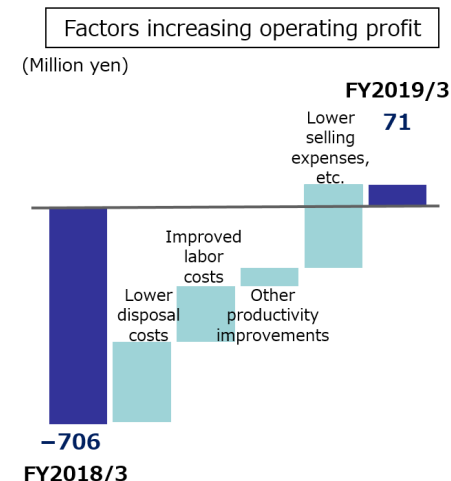
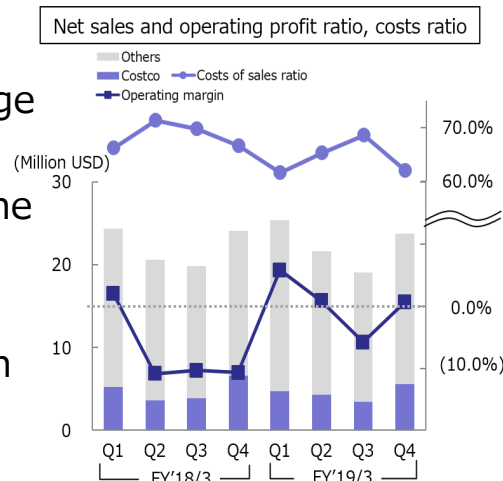
# FY2019/3 : Overseas business

## North America

**Sales:** Rose 1.1% YoY (local currency basis)

- Costco sales decreased on delayed change to new organic products *Harvest Snaps*
- Other customers' sales were strong by the effects of marketing activities such as "Shipper Program"

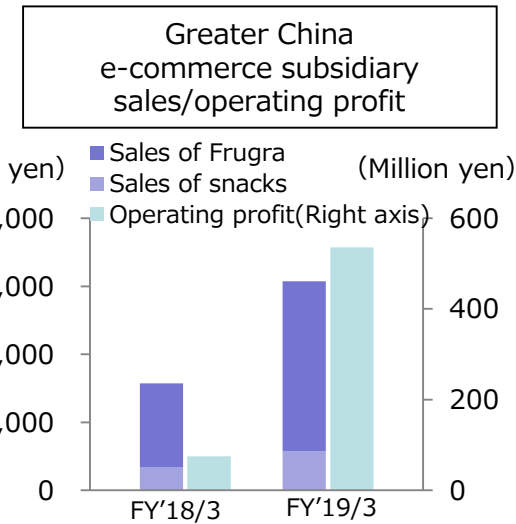
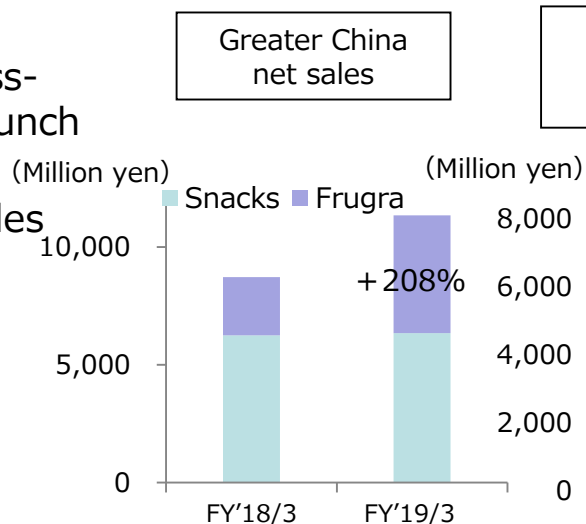
**Operating profit:** Profit improved significantly on reductions in disposal and labor costs and control of selling costs



## Greater China

**Sales:** *Frugra* sales grew significantly on cross-border e-commerce and this year's launch of general e-commerce

**Operating profit:** Increased e-commerce sales contributed to profit



# FY2019/3 : Overseas business

## Indonesia

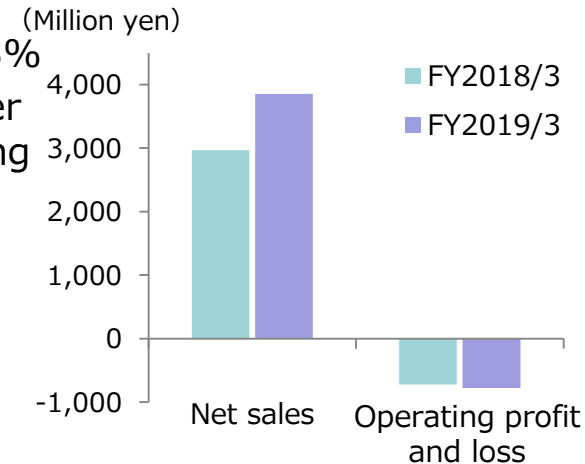
**Sales:** Sales of new product corn-based snack *Krisbee Krunchy* and *Potato Chips Potabee* grew; Potato Chips share also grew 16.3%

**Operating profit:** Despite higher sales, losses continued due to higher raw material and labor costs, continued to spending on sales promotion expenses



TV commercial of 「Potabee」 in Indonesia

### Indonesia business results



## United Kingdom

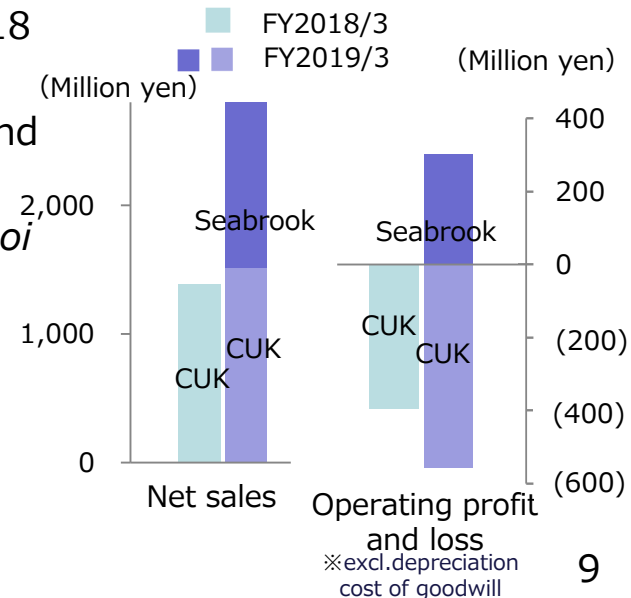
**Sales:** Rose significantly on acquisition of Seabrook in October 2018

**Operating profit:** Seabrook contributed to profit

Calbee UK(CUK) continued losses due to demand for healthy snacks was sluggish despite marketing activities of beans based snack *Yushoi*



### UK business results



## ■ Domestic consumption

Sales fell as enhanced size lineup with S size and 50g small volume type for expanding customer base and launch of limited time products was not able to connect to a rise in domestic demand

## ■ Overseas consumption

<E-commerce> Sales rose significantly on this year's launch of general e-commerce

<Retail stores> Sales rose due to enhanced product lineup

(Million yen)

		FY2019/3	
		YoY	
<b>Frugra Sales</b>	<b>29,100</b>	<b>+2,731</b>	<b>+ 10.3%</b>
Domestic consumption	22,044	-1,085	-4.7%
Overseas consumption	7,056	+3,816	+117.8%



Sales promotion at a retail store in China

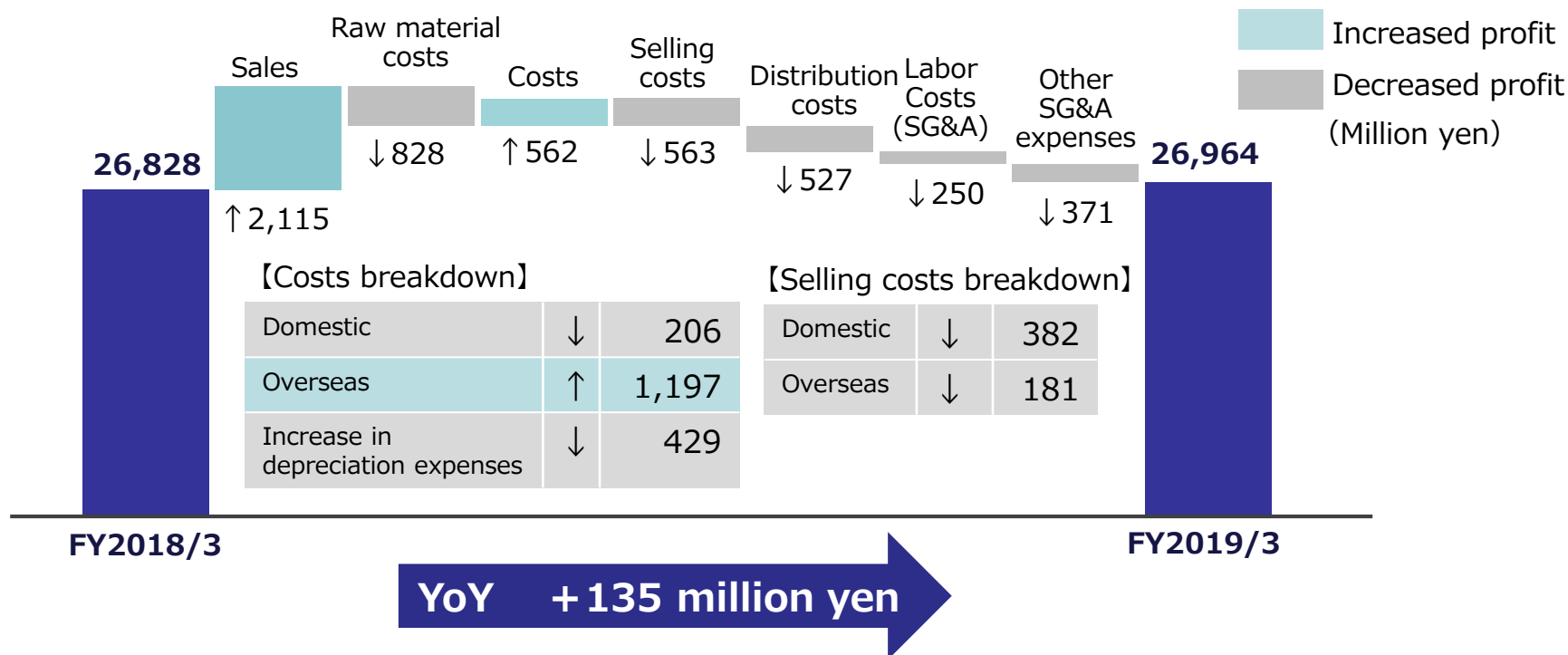
<Overseas consumption sales by channels>

EC	5,037	+2,327	+ 85.9%
Retail stores	2,018	+1,488	+280.8%

# FY2019/3 : Factors increasing operating profit

## Change in operating profit (YoY)

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



	FY'18/3	Sales	Raw material costs	Costs	Selling costs	Distributi on 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
H2	16,490	↑ 270	↓ 545	↓ 707	↑ 276	↓ 561	↑ 137	↓ 136	15,223	-1,267

## **II. FY2020/3 full year forecasts**

## Premises

- Expect domestic costs for distribution, raw materials, etc., to rise further
- Implementation of price hike and content standard revisions on some domestic snack products from May 2019 in response to higher costs

## Direction

1. Measures to improve profitability in existing domestic businesses
2. Expand business in key overseas regions (North America, Greater China, United Kingdom, Indonesia)
3. Invest in growth sectors and actively return to shareholders

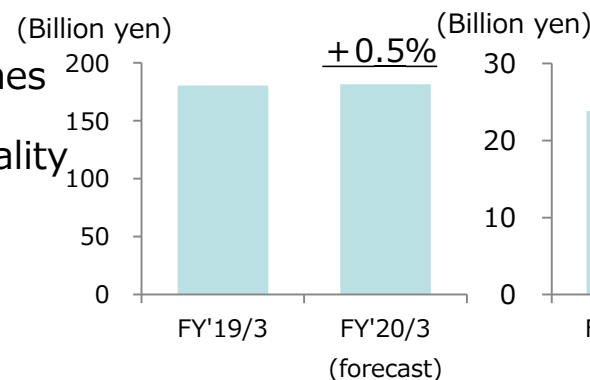
	FY2019/3 results	FY2020/3 forecasts	YoY
	(Million yen)	(Million yen)	(%)
<b>Net sales</b>	248,655	258,000	+3.8
Overseas sales ratio	16.3%	18.6%	
<b>Operating profit</b>	26,964	27,000	+0.1
Operating margin	10.8%	10.5%	
<b>Net profit</b>	19,429	17,500	-9.9
<b>Year-end dividend per share</b>	48.0	50.0	
Dividend payout ratio (consolidated)	33.0%	38.2%	

# FY2020/3 forecasts : Domestic business

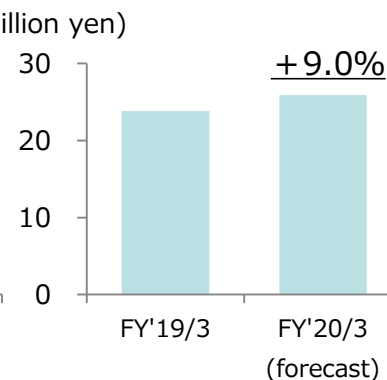
## Existing domestic businesses – key initiatives

- Domestic snacks
  - Implement price hike and content standard revisions of *Potato chips*, flour-based and corn bean-based snacks
  - Initiative to strengthen *Jagarico* marketing
  - Strengthen product lineup in response to diverse needs such as texture variants and new food scenes
- Domestic cereals
  - Launch new granola products focused on functionality and portability
  - Encourage repeat buying with *Medium Size* lineup
- Strengthening profitability
  - Improve efficiency of production activities by promoting automation, labor saving, AI, etc.
  - Advance distribution reform

Domestic snacks  
net sales



Domestic cereals  
net sales



	FY2020/3 forecasts		
		YoY	
<b>Net sales</b>	<b>209,899</b>	<b>+1,705</b>	<b>+0.8%</b>
Snacks	181,438	+938	+0.5%
<i>Potato Chips</i>	85,258	+1,128	+1.3%
<i>Jagarico</i>	38,258	+855	+2.3%
Other snacks than that above	57,921	-1,046	-1.8%
Cereals	25,979	+2,162	+9.1%
<b>Operating profit</b> (Compared to net sales)	<b>25,538</b> (12.2%)	<b>-1,531</b>	<b>-5.7%</b> (-0.8pts)

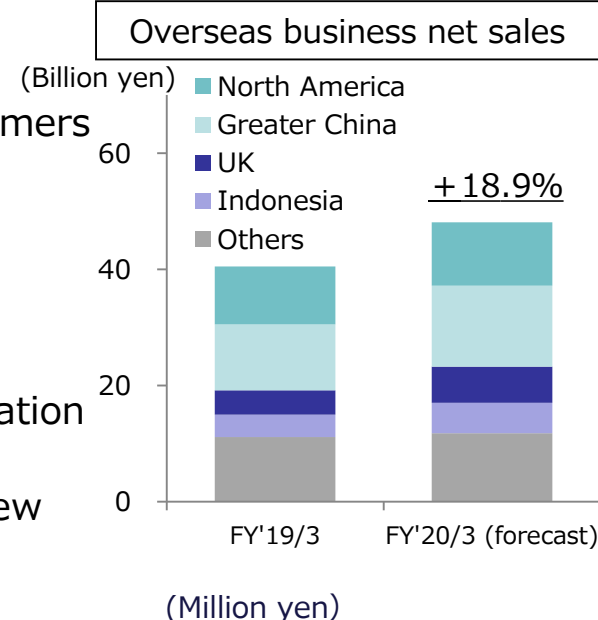
# FY2020/3 forecasts : Overseas business

**Calbee**

Harvest the Power of Nature.

## Overseas business – key initiatives

- North America: Strengthen sales of *Harvest Snaps* to major customers  
Continuously invest in new products and enhance product other than snacks
- Greater China: Strengthen sales/marketing through utilization of e-commerce partner's platform  
Strengthen sales for retail channel
- UK: Aim for cost synergy and sales synergy via integration of Calbee UK and Seabrook
- Indonesia: Improvement of factory utilization on launch of new Potato Chips products, etc. and cost reductions in raw materials, etc.



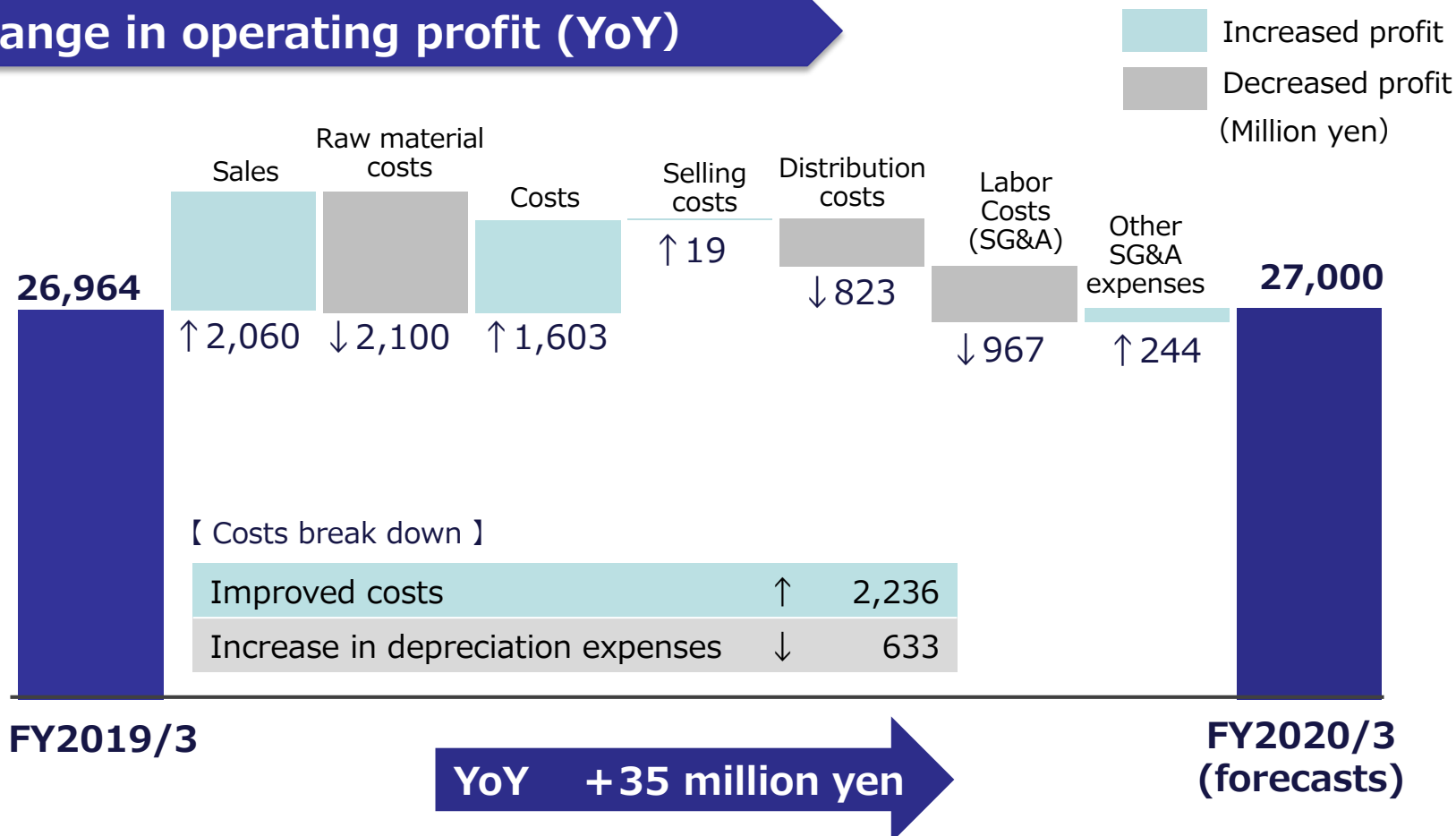
	FY2020/3 forecasts		
		YoY	
<b>Net sales</b>	<b>48,100</b>	<b>+7,638</b>	<b>+18.9%</b>
Snacks	41,030	+5,851	+16.6%
Cereals	7,070	+1,786	+33.8%
Business results by region	-	-	-
North America	10,900	+958	+9.6%
Greater China	13,980	+2,641	+23.3%
United Kingdom	6,196	+2,002	+47.8%
Indonesia	5,235	+1,381	+35.8%
<b>Operating profit</b>	<b>1,461</b>	<b>+1,567</b>	<b>-</b>
(Compared to net sales)	(3.0%)		(+3.3pts)

# FY2020/3 forecasts : Factors increasing operating profit



Harvest the Power of Nature.

## Change in operating profit (YoY)



## **III. Investment and shareholder return policy**

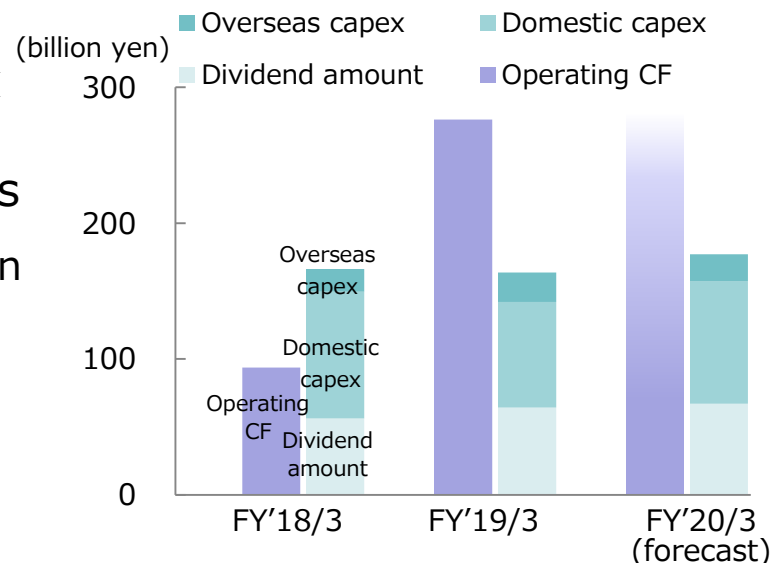
## Investment

- Main investments in FY2020/3 will be capex for product development in response to diversifying needs e.g. generation, occasions
  - Capital investment (FY2020/3 forecast) ¥11.0bn
- Besides capex, will flexibly invest in growth sectors

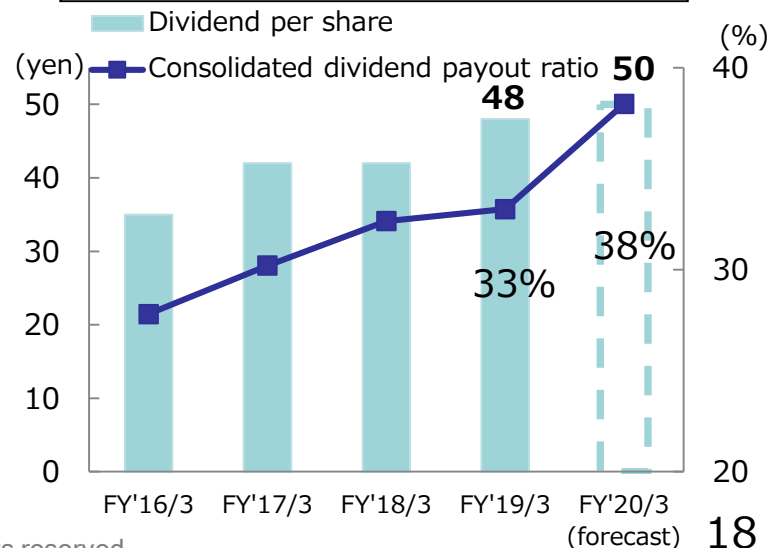
## Shareholder return

- FY2019/3 : Annual dividend per share will be ¥48 as planned (¥6 increase YoY)
- FY2020/3 : Annual dividend per share ¥50 (¥2 increase YoY)  
Expect to raise consolidated dividend payout ratio to 38%

Operating CF, expenditures and dividend amount



Dividend (Annual dividend per share)



# **Calbee Group Medium-term Business Plan**

**(FY ending March 2020 - FY ending March 2024)**

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***Next Calbee***

**Harvest the power of nature.  
Creating the future of food.**

**Shuji Ito**  
**President and CEO**

# **Calbee Group Medium-term Business Plan**

**(FY ending March 2020 - FY ending March 2024)**

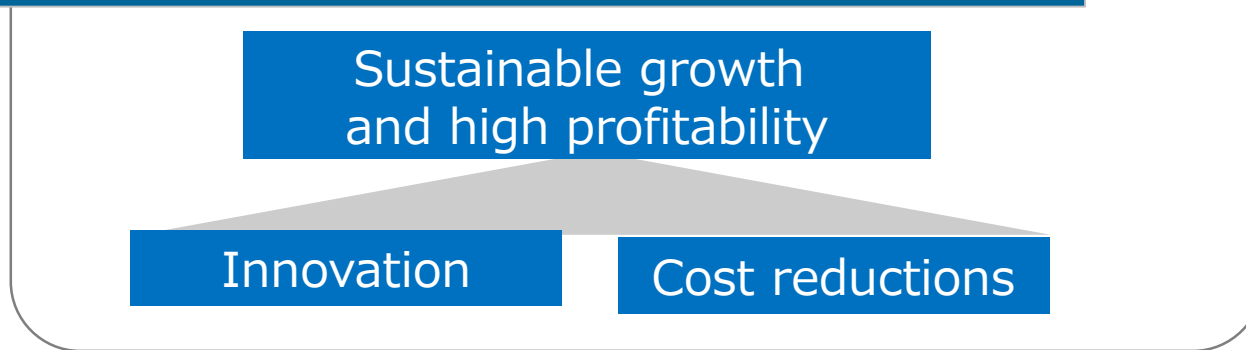
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- IV. Medium-term business plan outline**
- V. 6 key initiatives**
- VI. FY2024/3 management targets**

# **I . Progress up to FY2019/3 and business environment**

(1) Recap of management to date

## Management policy (FY2010/3 – FY2019/3)



## Achievement

- ✓ Developed business in 9 countries/regions via proactive overseas initiatives
- ✓ Grew cereals business through strengthening *Frugra* brand and sales promotions
- ✓ Raised factory utilization ratios and domestic profit via stronger marketing at regional business units
- ✓ Lowered costs through centralization of purchasing
- ✓ Selected and concentrated business (divested non-core business)
- ✓ Promoted diversity
- ✓ Strengthened governance via majority of outside directors

# I . Progress up to FY2019/3 and business environment

## (2) Trends in key indices

	To FY2012/3		To FY2016/3		To FY2019/3
Overseas sales (% of sales)	¥7.2bn (4.4%)	↑	¥29.3bn (11.9%)	↑	¥40.5bn (16.3%)
<i>Frugra</i> sales	¥3.7bn	↑	¥22.3bn	↑	¥29.1bn
% of new product sales	1.7%	↑	4.3%	↓	3.5%
Domestic market share	Potato chips 63% Snacks 49%	↑	Potato chips 73% Snacks 53%	→	Potato chips 72% Snacks 55%
PepsiCo joint initiatives	Project to raise quality of potato chips (2010-2011)	→	Launched CRISPY FRIES in North America (2013-2015)	→	—
L&A	Japan Frito Lay (2009)	→	Calbee Moh Seng (Singapore) (2015)	↑	Calbee North America (additional acquisition) (2017) Seabrook Crisps (UK) (2018)
New business development	Launched Calbee Plus (2011)	↑	Expanded Calbee Plus shops Grand Calbee (2014) Garrett Popcorn Shops (2013-2018)	→	Expanded Calbee Plus shops

# I . Progress up to FY2019/3 and business environment

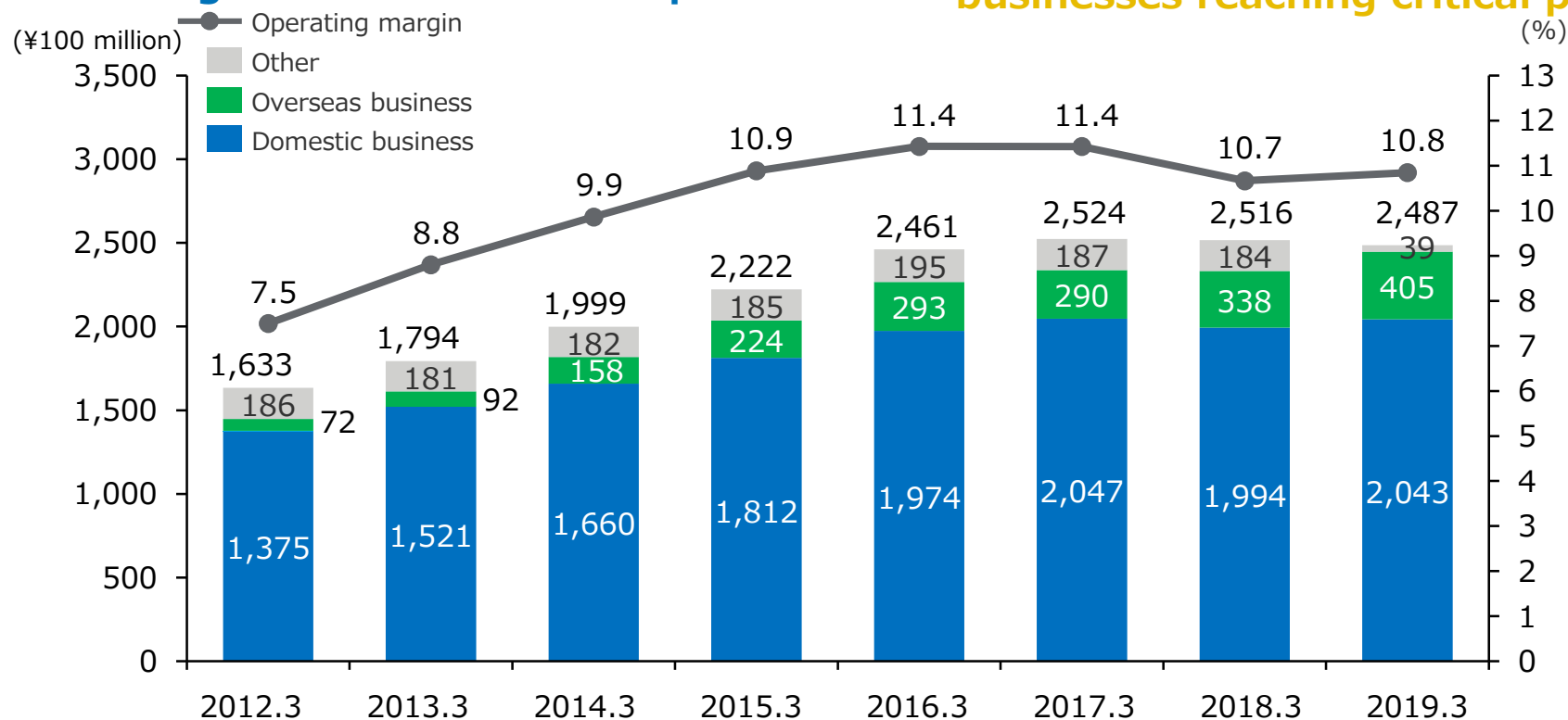
## (3) Trends in financial results

### Trends in business results (consolidated)

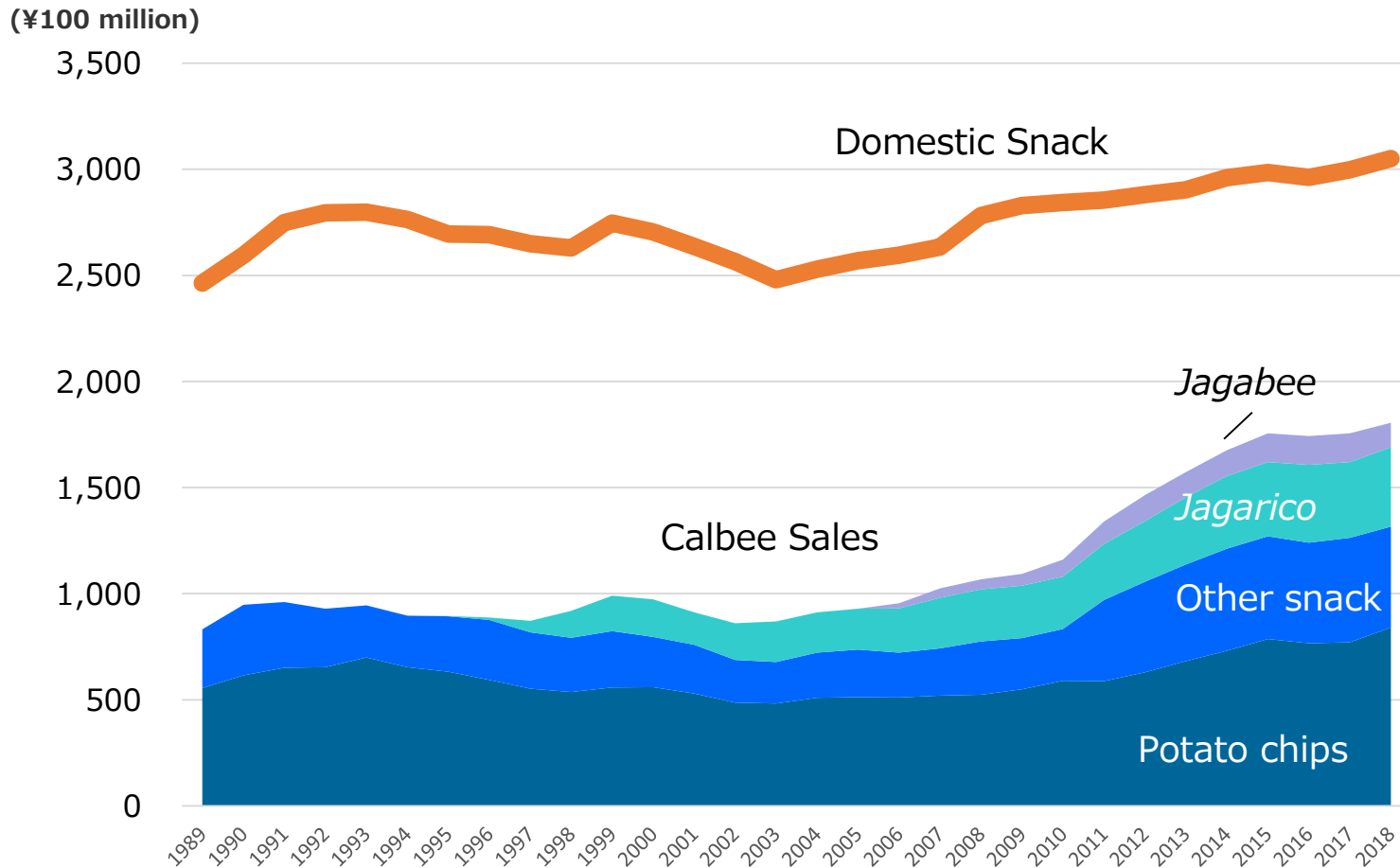
	FY2012/3		FY2016/3		FY2019/3
Net sales	¥163.3bn	↑	¥246.1bn	→	¥248.7bn
Operating profit	¥12.2bn	↑	¥28.1bn	↓	¥27.0bn
Operating margin	7.5%	↑	11.4%	↓	10.8%

**Growth period on business growth and income improvement**

**Stable income period on existing businesses reaching critical point**



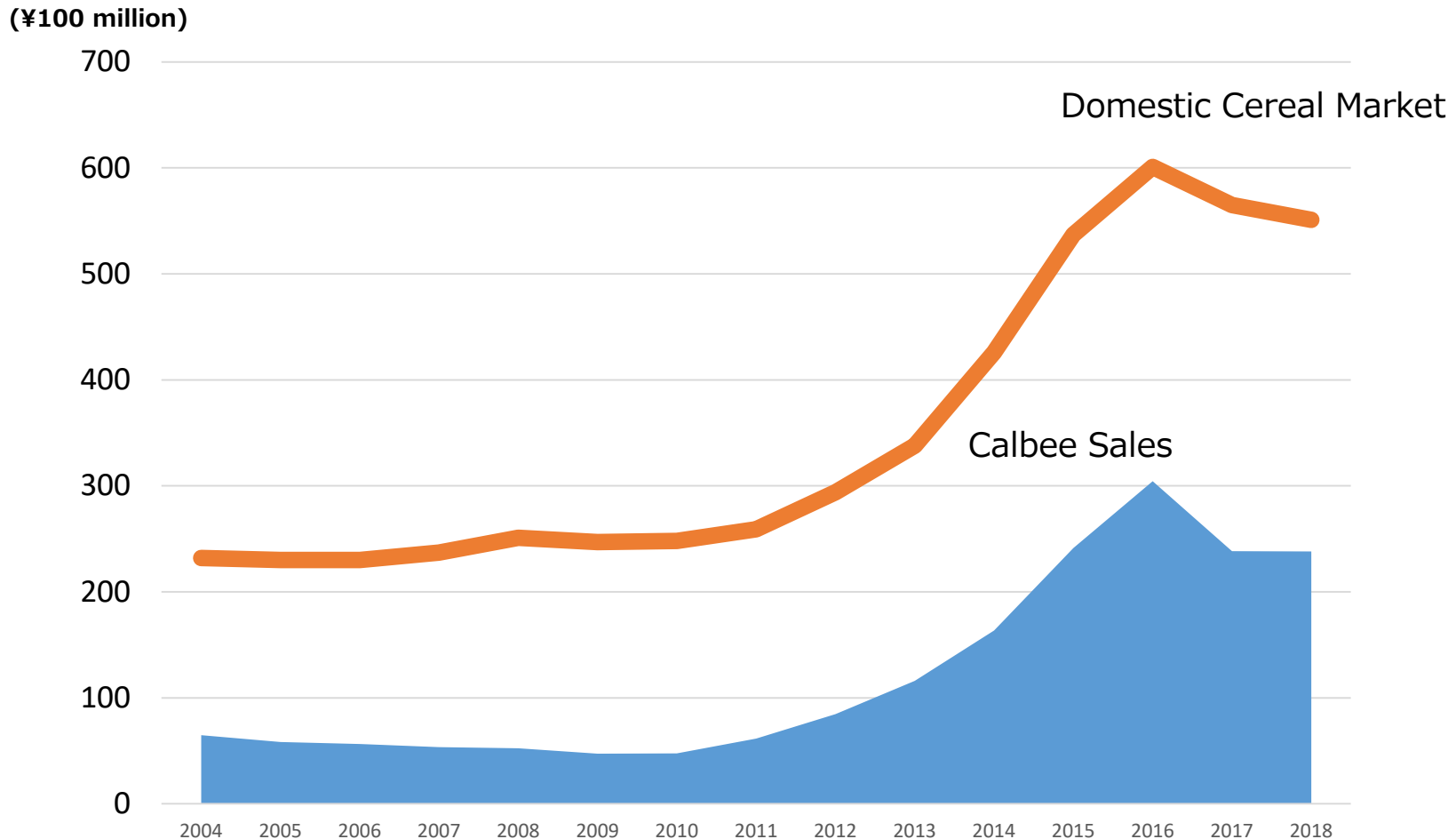
## Grew sales by increasing snack market share



Source: All Nippon Kashi Association (Production amount of snacks)

Domestic Snack Market; Jan. 1989 – Dec. 2018 Calbee Sales; Apr. 1989 – Mar 2019

## *Frugra* drove the growth of cereal market



Source: Japan Snack Cereal Foods Association

Domestic Cereal Market; Jan. 1989 – Dec. 2018





Calbee Sales; Apr. 1989 – Mar. 2019

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# I . Progress up to FY2019/3 and business environment

## (5) Changes in the external environment and potential

### Impact on business from environmental changes (during med.-term plan period)

 <b>Market economy</b>	<b>W</b> Globalization (intensified competition for resources)	<b>W</b> Growth of middle class in emerging markets	<b>W</b> Decline in global profile of Japanese market
 <b>Societal structure</b>	<b>J</b> Aging/ more single-member households	<b>J</b> Increased individualization/ convenience of food	<b>W J</b> Increase in negativity towards salt/snacks
 <b>Consumer trends</b>	<b>W J</b> Diversifying consumer needs	<b>J</b> Increased aspirations for health/safety	
 <b>Sustainability</b>	<b>W</b> Decrease in arable land due to climate change	<b>W</b> Greater stress on water supplies/food shortages due to population increase	<b>W J</b> Greater inequality on uneven distribution of wealth

### Potential risks

- ✓ Domestic snack market has limited room to grow
- ✓ Intensifying competition in the domestic cereals market
- ✓ Labor shortage due to decreasing of working-age population
- ✓ Increase in consumers unsatisfied with existing mass products
- ✓ Limited ability to meet needs for health, convenience from diversified consumer values
- ✓ Increased public demand for corporate consideration of global environmental/social issues
- ✓ Difficulty securing business resources i.e. arable land/water

### Information technology innovation



Global changes



Changes (mainly) in Japan

Essential to respond to innovation in information technology

## Opportunities to pursue

- ✓ **Provide new value that meets diversifying customer needs**
- ✓ **Leverage the strength of our *Frugra* brand to raise added value and increase points of contact in the cereals market**
- ✓ **Accelerate growth in overseas regions with marketability and growth prospects**
- ✓ **Expand business sectors by leveraging ingredients knowledge and technological progress**
- ✓ **Continue and create a business model where business and environmental sustainability can coexist**

## **II. Calbee's values**

# II. Calbee's values

## Our Value



### Corporate Message

**Calbee**

Harvest the Power of Nature.



### Corporate Philosophy

We are committed to harnessing nature's gifts, to bringing taste and fun, and to contributing to healthy life styles.



### Group Vision

"We must earn respect, admiration and love firstly of our customers, suppliers and distributors, secondly of our employees and their families, thirdly of the communities, and finally of our stockholders."

## **III. Long-term vision**

### III. Long-term vision (1) Vision for 2030

#### Vision for 2030

*Next Calbee*

Harvest the power of nature.  
Creating the future of food.

### III. Long-term vision

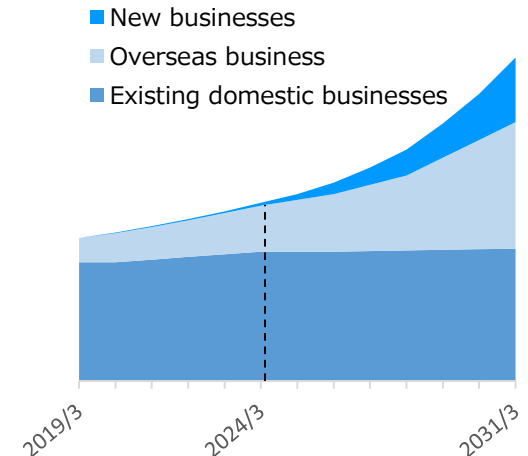
#### (2) Aims and targets for 2030

#### Calbee in 2030

**Establish our pivotal growth drivers in overseas markets and new food domains**

#### Targets for 2030

- **Over 40% of sales overseas**
- **Over 20% of sales in new food domains**



## **IV. Medium-term business plan outline**

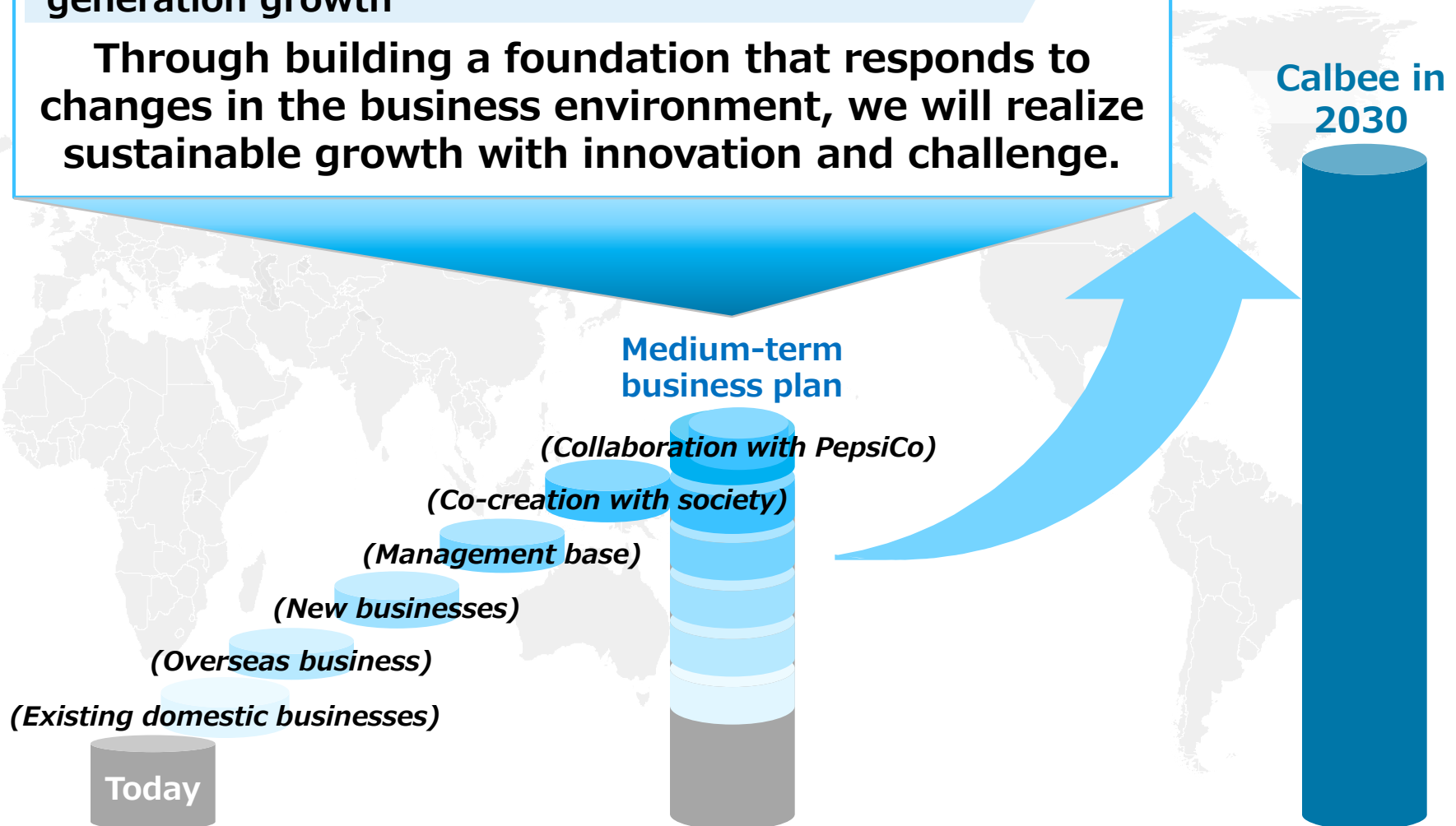
## IV. Medium-term business plan outline (FY2020/3-FY2024/3)

### (1) Core policy

#### Medium-term business plan

Transformation and Challenge toward achieving next generation growth

Through building a foundation that responds to changes in the business environment, we will realize sustainable growth with innovation and challenge.



### (2) Key initiatives

#### 6 key initiatives

- 1 (Existing domestic businesses)**  
Create new value and realize high profit
- 2 (Overseas business)**  
Establish revenue-generating bases in 4 key regions
- 3 (New businesses)**  
Establish businesses in new food areas
- 4 (Management base)**  
Reform base to support global management and sustainable growth
- 5 (Co-creation with society)**  
Achieve a sustainable company
- 6 (Collaboration with PepsiCo)**  
Strengthen collaboration with PepsiCo

**Raises  
corporate  
value**

**Raises  
value to  
society**

**Raises  
both**

## V. 6 key initiatives

**Promotion  
measures**

Initiatives already underway for existing facilities and technologies

**Reform  
measures**

Initiatives to utilize existing facilities and technologies

**Challenge  
measures**

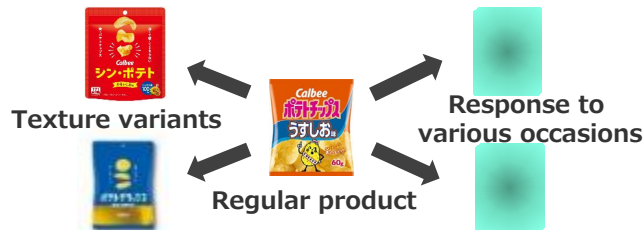
Challenges requiring new technologies and knowledge for 2030

## ① Reform snack business

### Promotion measures

Accomplish both developing multiple products of new value that meet diverse needs and generating high profit

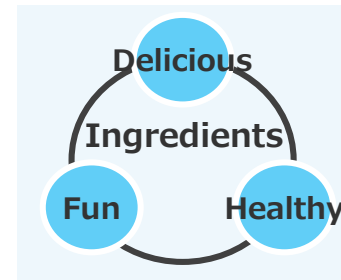
- Expansion of products by leveraging strength in texture variants



### Reform measures

Go beyond snacks to offer “fine snacks”—healthy light food

- Advance development of products that are delicious, fun and healthy and different from snacks to date (i.e. low salt product development)



Diversify and expand contact points with customers

- Expand contact points and offer products suited to new contact points including inbound demand and high-class gifts



- Launch products with energy-producing nutrient balance\* utilizing ingredients such as beans



\*Nutrients that produce energy (protein, fat and carbohydrates (including alcohol) and their components) and should be included in total energy intake

Medium-term business plan goal

Establish “fine snack”

Promotion Reform Challenge

## ② Enhance cereals business

### Promotion measures

#### Establish new product brands and strengthen *Frugra* brand

- Establish diverse product brands in pursuit of functionality
- Encourage repeat purchases via *Frugra* size variants

Added Protein



Added Iron



Less sugar



Medium size



#### Increase occasions to provide enhanced value

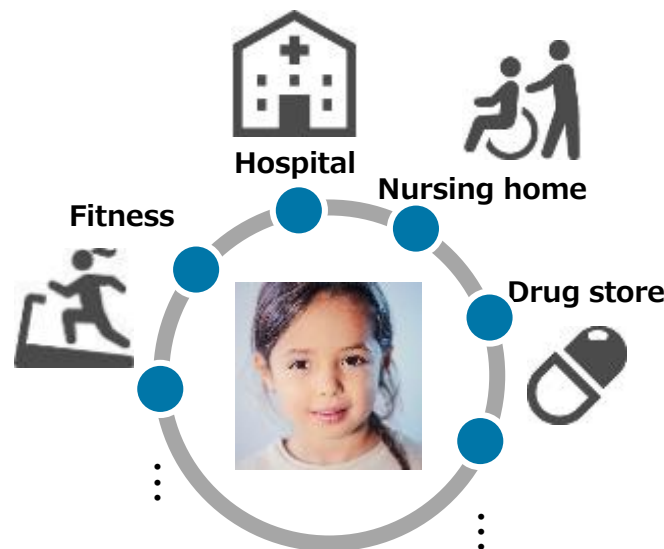
- Expand products and enhance the value we provide in the easy meals\* market area beyond breakfast: Nutritionally balanced foods, cup soups, etc.



### Challenge measures

#### Shift from “morning *Frugra* business” to “lifestyle support foods business”

- Shift from *Frugra* as a breakfast food to foods that support consumers' diverse lifestyles through providing diverse value



### Medium-term business plan goal

Capture new customer segments to establish second profit base

\*Simple, delicious and healthy meals anytime, anywhere

### ③ Strengthen business base

#### Promotion measures

##### Strengthen collaboration with SCM

- Eliminate lost opportunities by reforming functional organization of production/sales/distribution, and integrating sales information at the company-wide level to optimize production supply

#### Reform measures

##### Raise productivity by promoting digital transformation

- Optimize value chain from raw material to customers by linking with sales data
- Promote automation, labor savings and more pleasant working environment leveraging AI and IoT

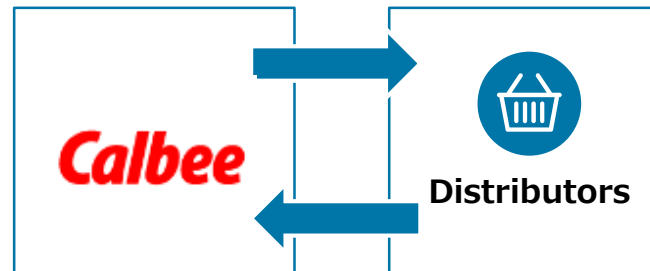


#### Challenge measures

##### Promote strategic partnerships with distributors to reform sales & marketing activities

- Implement measures to maximize value from customers' experiences by collecting and analyzing customer attributes and purchasing behavior to improve digital marketing, distribution efficiency and product development

##### Product development/expansion in view of trends/needs

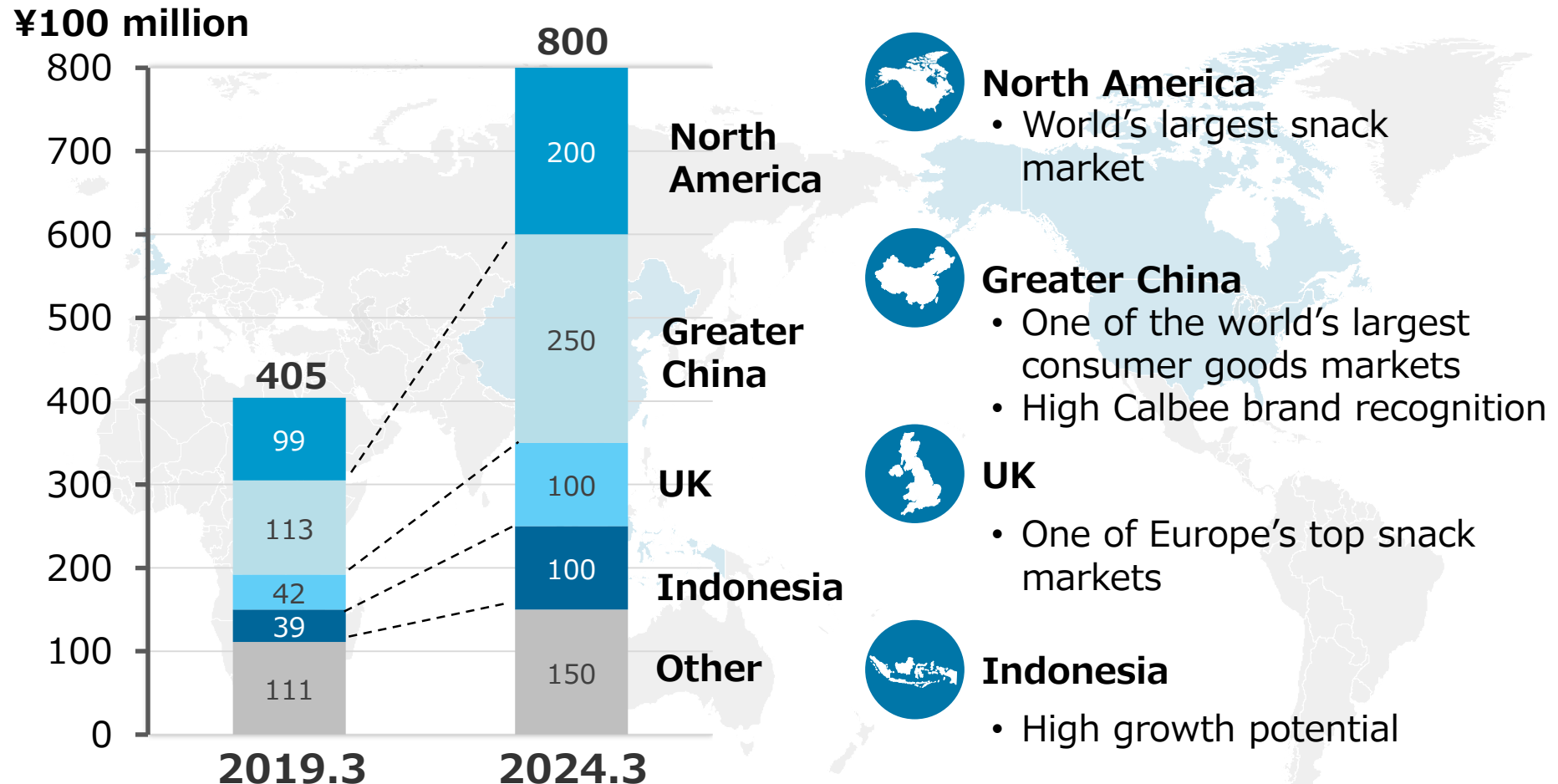


Consumer information  
Market trends

#### Medium-term business plan goal





**Establish highly profitable business base**

## Leverage Calbee's strengths to intensify development in 4 key regions



## ① Medium-term initiatives in 4 key regions

### Promotion measures

	Increase penetration of the Calbee brand	Expand sales channels	Improve efficiency of business base
 <b>North America</b>	<ul style="list-style-type: none"> <li>• Use Japan quality* to raise penetration of the <i>Jagarico</i>, <i>Frugra</i> and other brands</li> <li>• Create new brands that utilize Japan quality</li> </ul>	<ul style="list-style-type: none"> <li>• Expand to shelf space beyond the produce section</li> <li>• Expand e-commerce channels</li> </ul>	<ul style="list-style-type: none"> <li>• Convert production structure to flexibly respond to product portfolio</li> </ul>
 <b>Greater China</b>	<ul style="list-style-type: none"> <li>• Raise brand awareness for inbound in collaboration with Japan domestic business, raise profile of snack brands and expand product lineup in Greater China</li> <li>• Expand <i>Frugra</i> through Calbee's strong brand in Greater China</li> </ul>	<ul style="list-style-type: none"> <li>• Strengthen collaboration with partners in e-commerce</li> <li>• Optimize offline sales locations</li> </ul>	<ul style="list-style-type: none"> <li>• Diversify supply bases for Greater China</li> </ul>
 <b>UK</b>	<ul style="list-style-type: none"> <li>• Increase penetration of Seabrook by Calbee</li> <li>• Expand value-added products from Japan</li> </ul>	<ul style="list-style-type: none"> <li>• Cultivate sales channels in continental Europe</li> </ul>	<ul style="list-style-type: none"> <li>• Optimize and raise efficiency between Calbee UK and Seabrook organizations</li> </ul>
 <b>Indonesia</b>	<ul style="list-style-type: none"> <li>• Raise profile of Calbee brand by facilitating distribution in traditional trade</li> <li>• Expand lineup of potato products</li> </ul>	<ul style="list-style-type: none"> <li>• Expand exports to Greater China, ASEAN, etc.</li> </ul>	<ul style="list-style-type: none"> <li>• Expand local sourcing of potato supplies to reduce costs</li> </ul>

\*Produce Japanese quality Calbee products from Japan that use natural ingredients to be delicious and fun, using proprietary methods to appeal to the five senses

Promotion

Reform

Challenge

## ② Pursue new product initiatives and use external resources

### Challenge measures

- Leverage processing technologies to develop a new product lineup beyond snacks and cereals that surpasses anything Calbee has done before
- Flexibly advance the use of external resources and collaborations to accelerate development and secure technologies



Local food companies



Producers with  
technology/production  
facilities



Raw material suppliers

Medium-term  
business plan  
goal

Establish  
sustainable  
profit bases  
in key  
regions

### Promotion measures

#### Establish new businesses at raw materials' point of origin

- Expand business in food areas such as side dishes and ready-made meal by utilizing internal/external resources (OEMs, etc.) and further expanding the potato business



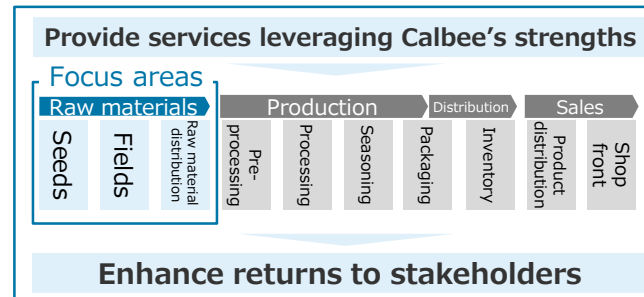
#### Establish new raw material processing technologies

- Establish new original technologies that can process raw materials deliciously without losing their various special characteristics (taste/shape, etc.), functionality, or nutrition

### Challenge measures

#### Create new profit acquisition model

- Utilize technologies/assets fostered in our existing related potato businesses to create diverse service-type and profit-making business models, such as cultivation technology consulting, farm management support, etc.



#### Enter new food areas to meet expectations of future customers

- Create businesses realizing new food areas beyond snacks/cereals to meet the needs and expectations of future customers

### Medium-term business plan goal

### Develop business in new food areas

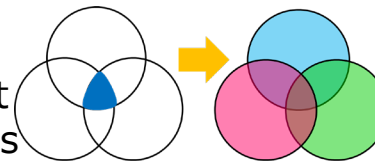
Promotion measures

**Develop human resources and create framework to strengthen ability to respond globally**

- Strengthen the development of next management talent with capabilities of people management and autonomous execution
- Enhance corporate governance through talent management across group companies
- Develop IT talents to promote digital transformation
- Promote work style 2.0 to improve performance by enriching life
- Promote diversity & inclusion

**Enhance R&D functions to support sustainable growth**

- Enhancing R&D functions and advancing optimization of locations for acceleration of overseas development and expansion of new businesses
- Utilize open innovation and create framework for agile product development



From communication that seeks commonalities to communication that utilizes diversity

Medium-term  
business plan  
goal

**Establish  
global  
management  
base**



## Promotion measures

## Medium-term business plan goal

### Further deepen partnerships with producers

- Support agricultural activities to maintain/energize agricultural base in order to increase supply of high quality domestic raw materials



### Develop and deepen ongoing relationship with customers for a healthy lifestyle

- Maintain and improve relationships with customers through food communication: activities to educate children about nutrition and factory tours



### Advance CSR activities centered on supporting local society

- Support people in difficulties with access to food
- Support the formation of rich and active local societies



### Advance sustainable supply chain initiatives as a business

- Work to reduce greenhouse gas emissions
- Reduce food losses by expiration date extension and making effective use of resources
- Promote human-rights centered procurement



**Coexistence  
of a  
sustainable  
company  
and  
business  
growth**

## Challenge Initiative

Potentially explore business alliances which mutually complements existing business infrastructure and resources between the 2 companies, for example:

### Domestic Market

Expand Frito-Lay Brand portfolio and strengthen sales execution

### International Market :

Explore leveraging PepsiCo's sales/distribution capabilities to accelerate expansion of snacks and cereal business

### Sustainable Society/Business

Explore information sharing and technology alliances to address to sustainability matters such as potatoes, packaging, wastage and CO<sup>2</sup> Reduction

Mid-Term  
Management  
Plan Target

Strengthen  
Partnership  
with  
PepsiCo



Promotion Reform Challenge

## **VI. FY2024/3 management targets**

# VI. FY2024/3 management targets

## (1) Medium-term plan positioning and management targets

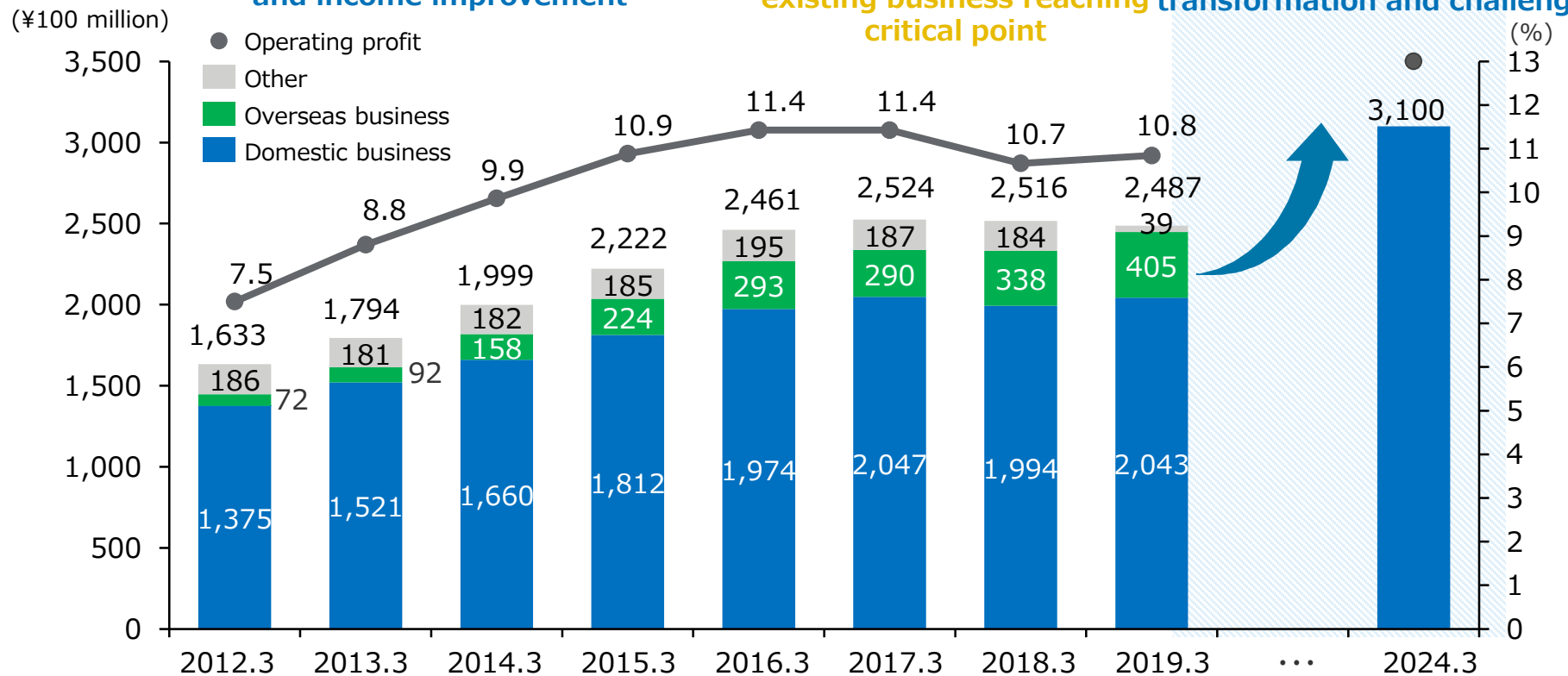
### Trends in business results (consolidated)

	FY2012/3		FY2016/3		FY2019/3		FY2024/3
Sales	¥163.3bn	↑	¥246.1bn	→	¥248.7bn	↑	¥310bn
Operating Profit	¥ 12.2bn	↑	¥28.1bn	↓	¥ 27.0bn	↑	¥40bn
Operating margin	7.5%	↑	11.4%	↓	10.8%	↑	13%

Growth period on business growth and income improvement

Stable income period on existing business reaching critical point

Sustainable growth on transformation and challenge



## VI. FY2024/3 management targets

### (2) Financial and non-financial indices

#### ◆ Financial indices

Calbee Group			Efficiency
■ Sales	¥310bn	(Operating margin)	■ ROE 12%
■ Operating Profit	¥40bn	13%	
Domestic		Overseas	
■ Operating Margin	15%	■ Sales (Overseas sales ratio)	
		¥80bn 25%	

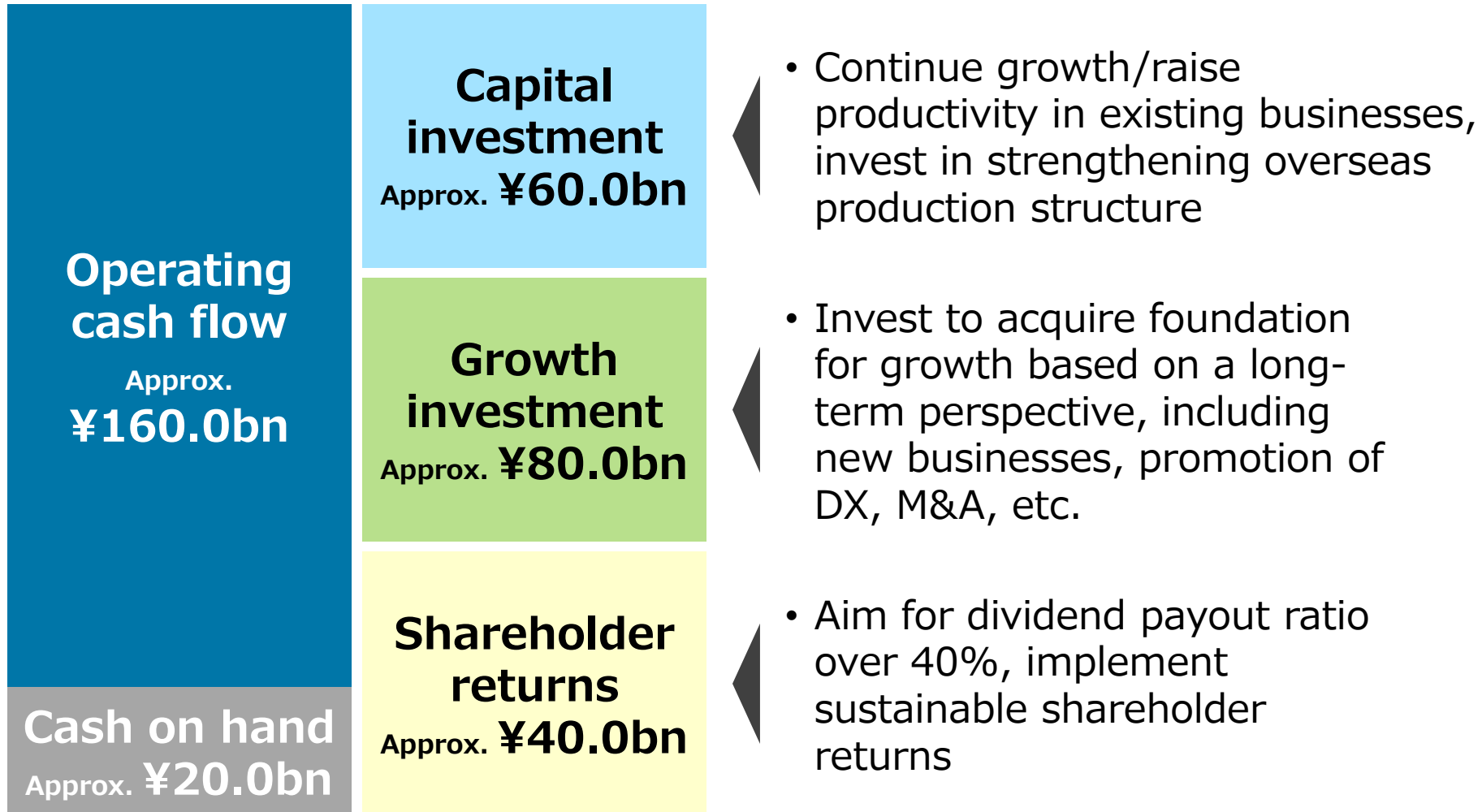
#### ◆ Non-financial indices

■ Salt equivalent in products	20% reduction
■ Protein-rich product* sales ratio	10%
■ Female manager ratio	Over 30%
■ Domestic Procurement volume of potatoes	400K tons
■ Food communication** 5-years participants	400K people
■ Food products losses	20% reduction
■ 2030 Greenhouse gas emissions	30% reduction

\*Product containing 13% of more of protein in nutrients that produce energy \*\*Food education activities including Calbee Snack School and factory tour  
 ※The indices of salt equivalent in products, protein-rich product sales ratio, female manager ratio and greenhouse gas emissions are in parent company only. The indices of food products losses is in parent company and domestic subsidiaries.

## VI. FY2024/3 management targets

### (3) 5 years operating cash flow allocation



# Reference material

# Consolidated profit and loss statement (FY2019/3 financial results and FY2020/3 full year forecasts)

(Million yen)

		FY2019/3		
		Percent of total(%)	YoY(%)	vs. plan at Start of year
<b>Net sales</b>	248,655	100.0	△1.2	97.5
<b>Gross profit</b>	111,120	44.7	+2.0	97.0
<b>SG&amp;A</b>	84,156	33.8	+2.5	99.0
Selling	39,051	15.7	+5.8	100.4
Distribution	17,228	6.9	−0.7	103.8
Labor	17,632	7.1	−0.3	90.9
Others	10,244	4.1	+1.2	101.4
<b>Operating profit</b>	26,964	10.8	+0.5	91.4
<b>Ordinary profit</b>	27,432	11.0	+4.8	94.6
Extraordinary income/loss	1,037	−	−	−
<b>Net profit*</b>	19,429	7.8	+12.1	102.3

	FY2020/3	
	Percent of total(%)	YoY(%)
258,000	100.0	+3.8
114,800	44.5	+3.3
87,800	34.0	+4.3
40,500	15.7	+3.7
18,700	7.2	+8.5
18,600	7.2	+5.5
10,000	3.9	−2.4
27,000	10.5	+0.1
26,500	10.3	−3.4
−500	−	−
17,500	6.8	−9.9

\*Profit attributable to owners of parent

# FY2019/3 : Cash flows and financial condition



Harvest the Power of Nature.

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

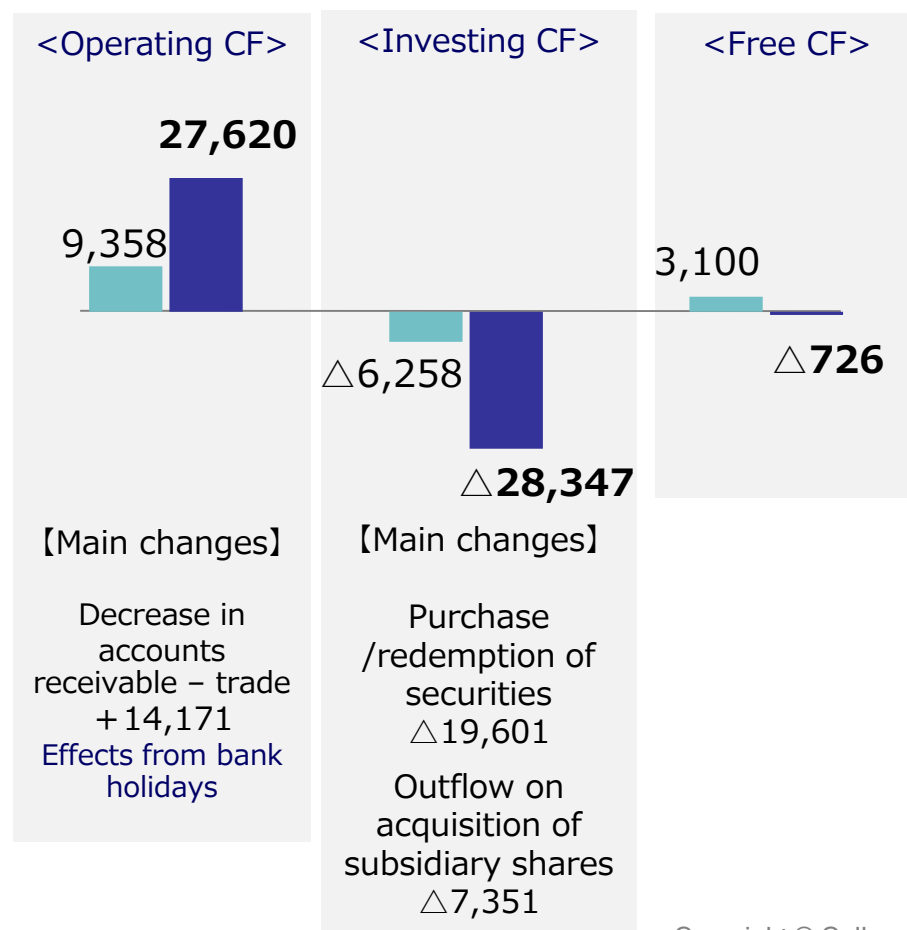
## ■ Consolidated cash flows

(Million yen)

### Cash and cash equivalents

March 31, 2018 42,195 ► **March 31, 2019 35,425**  
(-6,769)

■ FY2018/3 ■ FY2019/3



## ■ Consolidated balance sheets

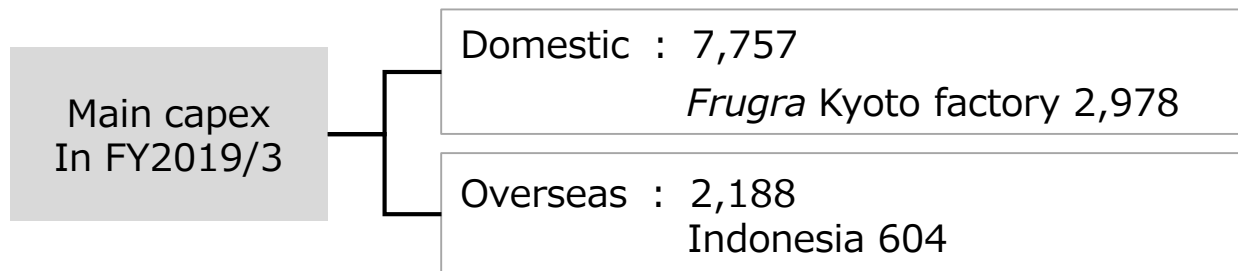
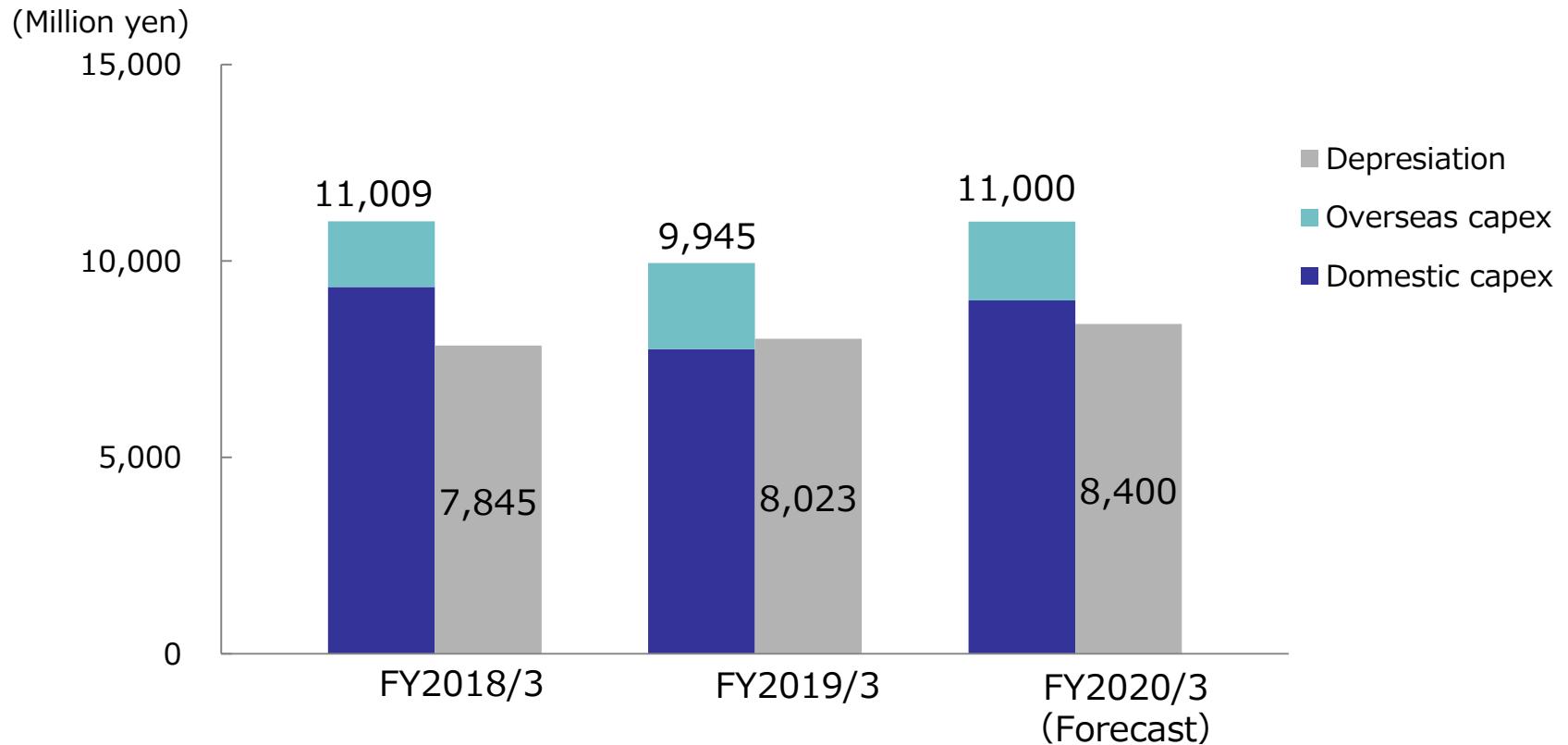
(Million yen)

**As of March 31, 2019**

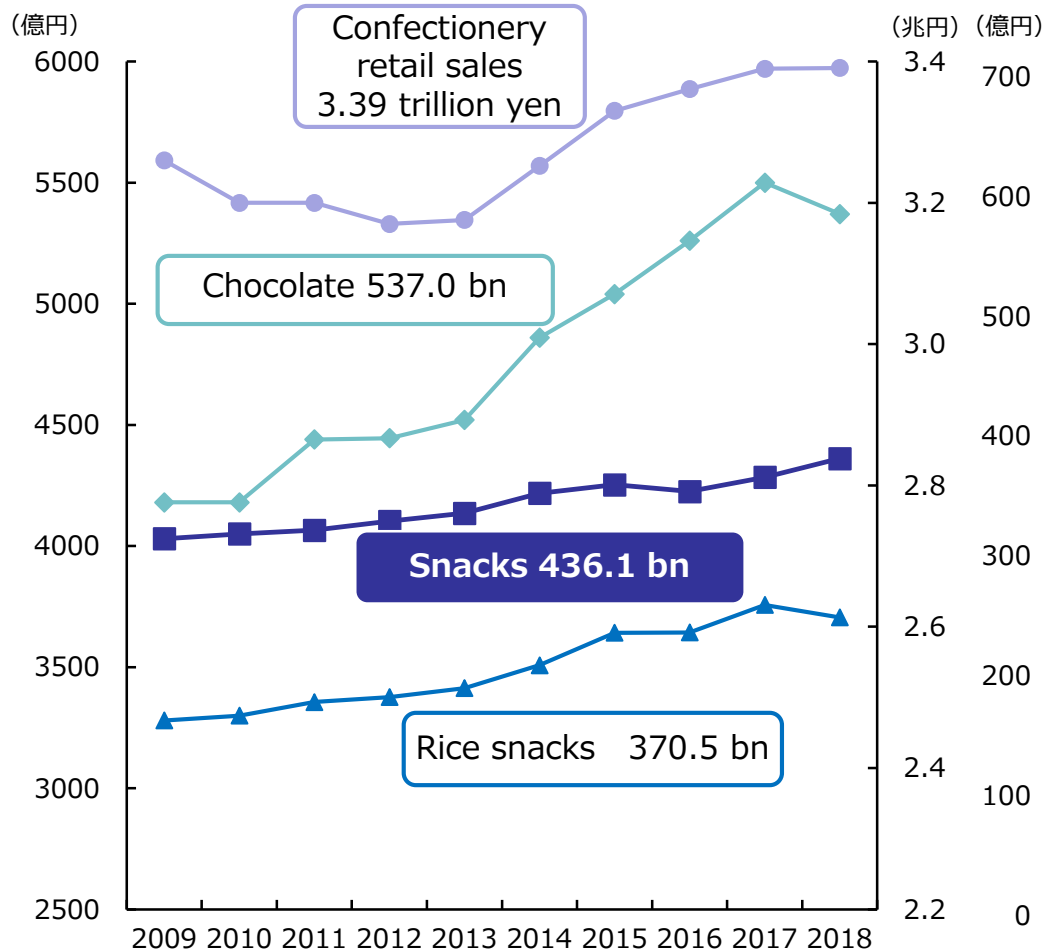
**Total assets 202,750** (+10,715)

<b>Current assets</b> <b>111,858</b> (+7,502) 【Main changes】 Securities +19,761 Cash deposit $\Delta$ 10,567	<b>Current liabilities</b> <b>34,043</b> ( $\Delta$ 1,361) 【Main changes】 Accounts payable $\Delta$ 740
	<b>Non-current liabilities</b> <b>8,216</b> ( $\Delta$ 1,744)
<b>Non-current assets</b> <b>90,891</b> (+3,213) 【Main changes】 Good will +4,765	<b>Net assets</b> <b>160,490</b> (+13,822) 【Main changes】 Retained earnings +13,806

# Capex and depreciation

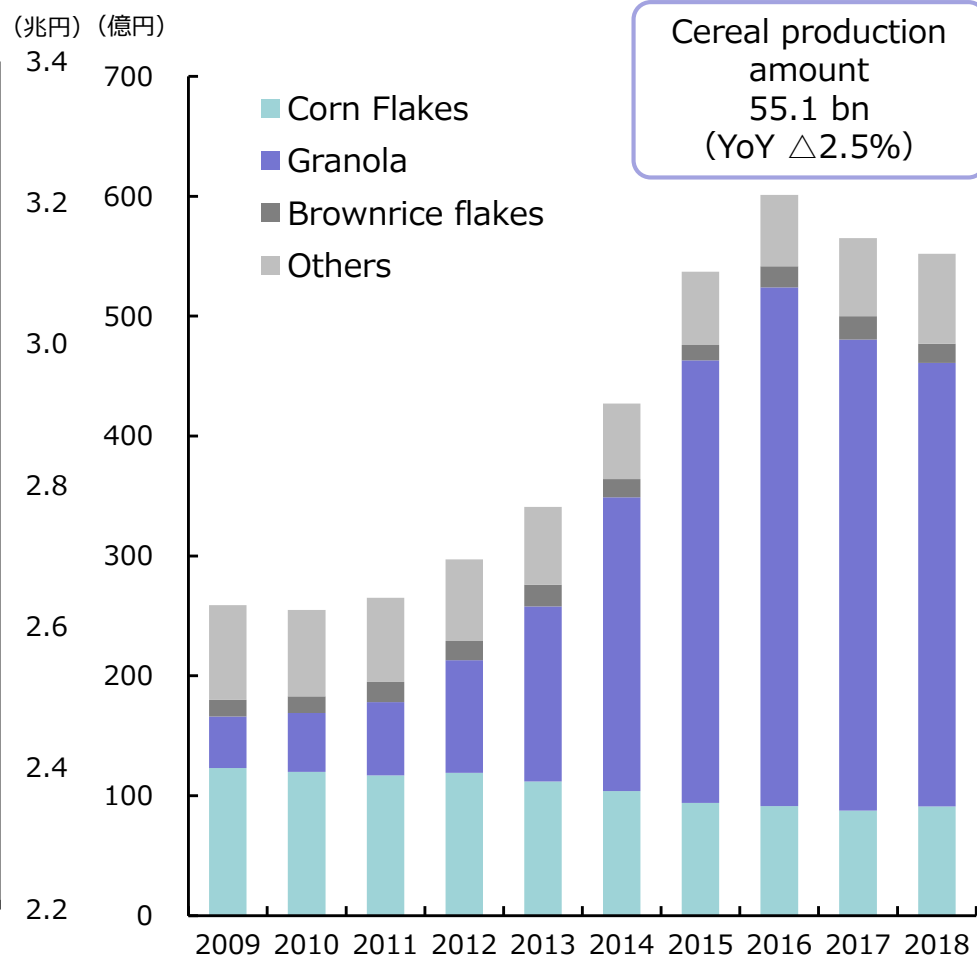


## Domestic confectionery market



Source: All Nippon Kashi Association

## Domestic cereal market



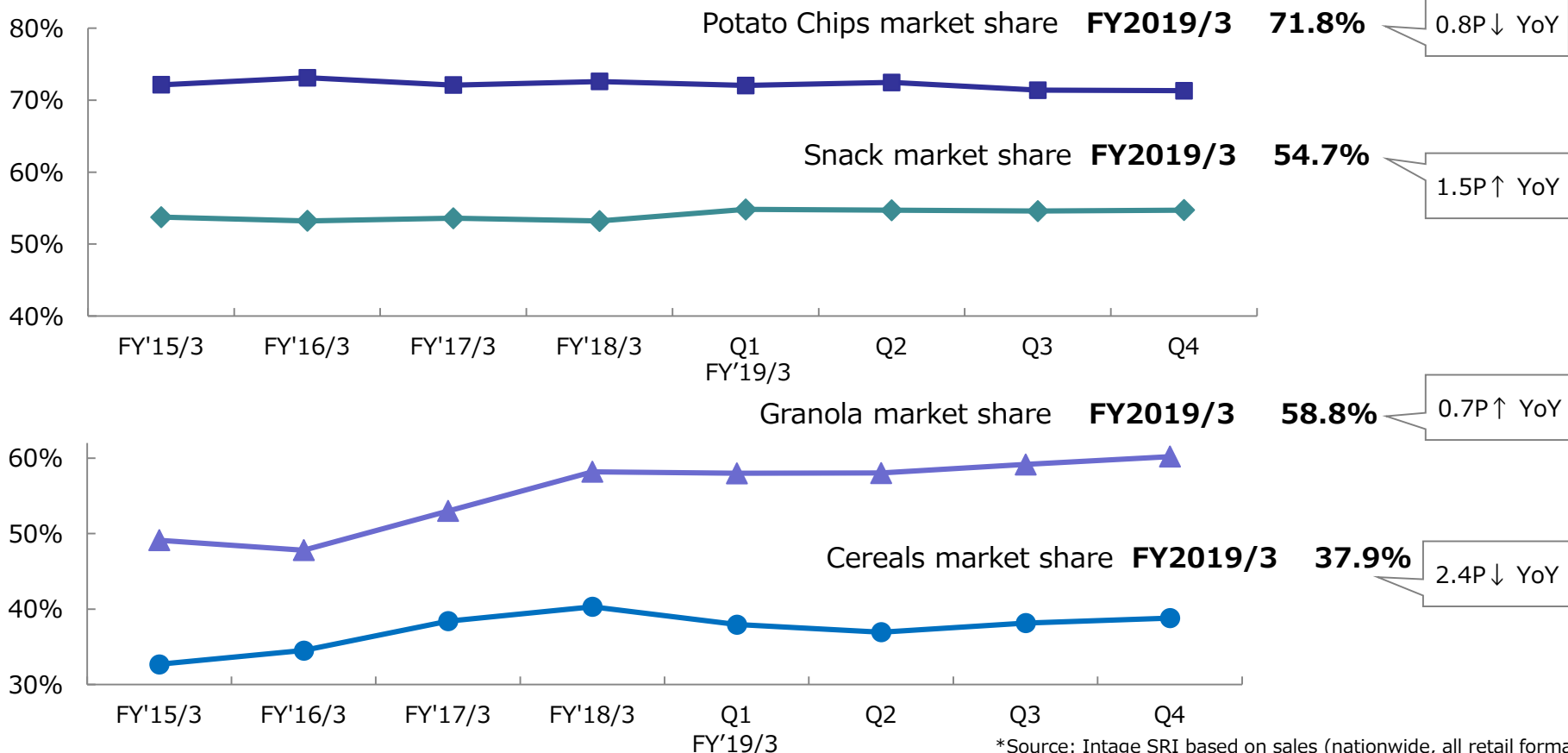
Source: Japan Snack Cereal Foods Association

# Domestic business status

**Calbee**

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## ■ Market share\*



## ■ Market share by snack category\*

	Potato-based snacks	Flour-based snacks	Corn-based snacks	Fabricated potato
FY2019/3	75.9%	56.6%	24.3%	11.1%

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

FY2019/3: April 2018 – March 2019

FY2015/3-FY2019/3: 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

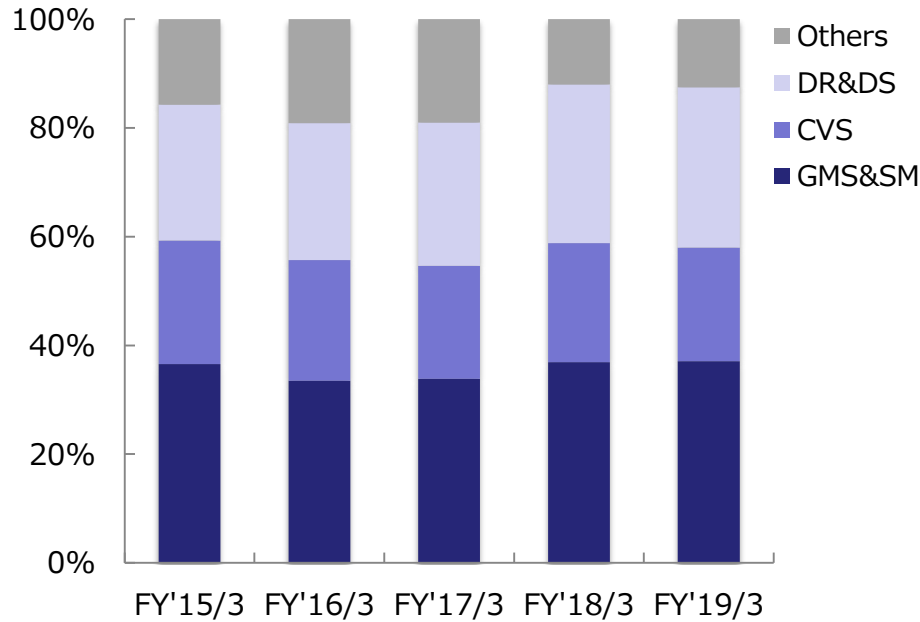
Granola: Granola category of Cereals market

Potato-based snacks : Raw material of fresh potatoes

Four-based snacks : Raw material of flour

Corn-based snacks : Raw material of corn

## ■ Sales composition by business



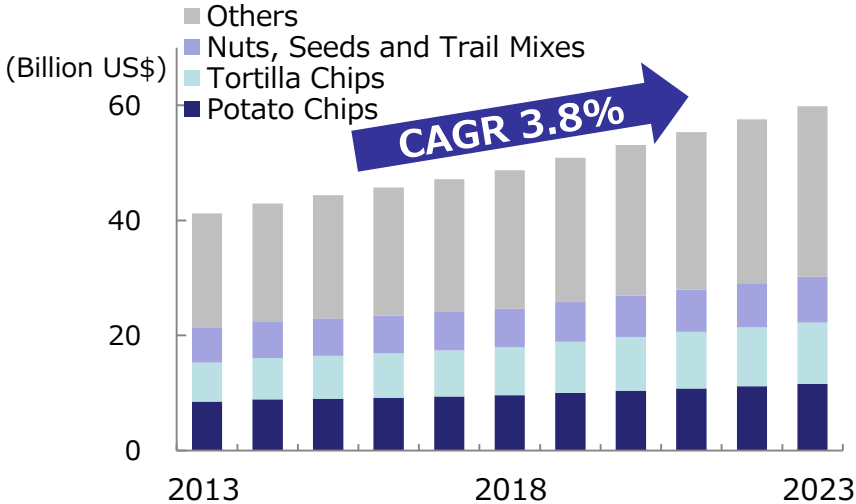
\* Calbee alone (manufacturer shipped goods basis)

# Overseas market by country

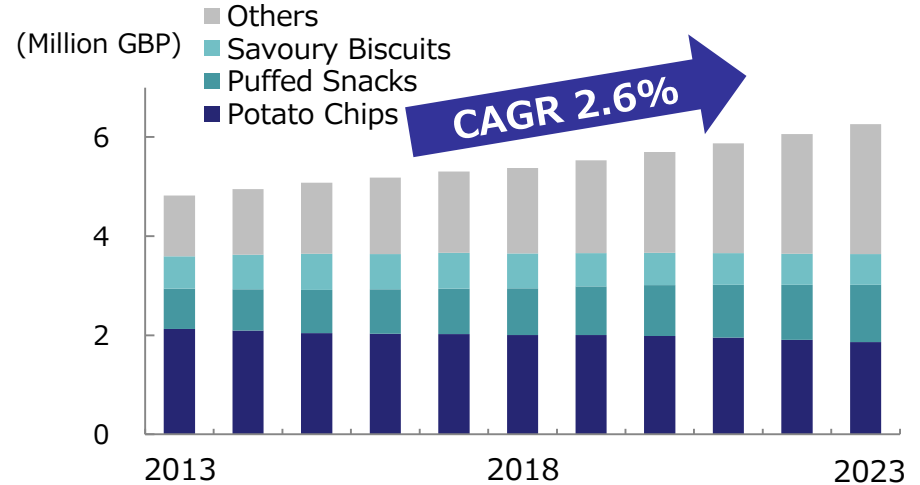
**Calbee**

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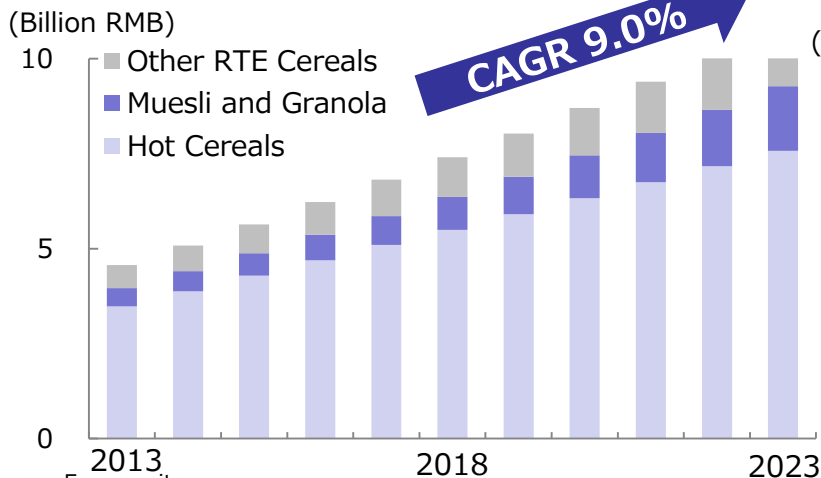
## ■ USA Snack market



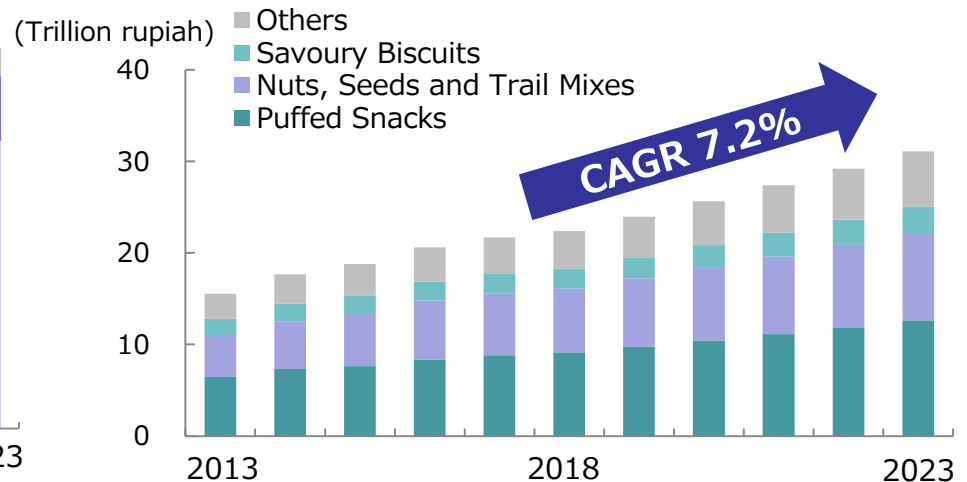
## ■ UK snack market



## ■ China cereal market



## ■ Indonesia snack market



Source : Euromonitor

Snack : Savory Snacks (Nuts, Seeds and Trail Mixes, Salty Snacks, Savoury Biscuits, Popcorn, Pretzels, Other Savory Snacks)

Cereal : Breakfast Cereals (Hot Cereals, RTE Cereals)

2019-2023: Forecast

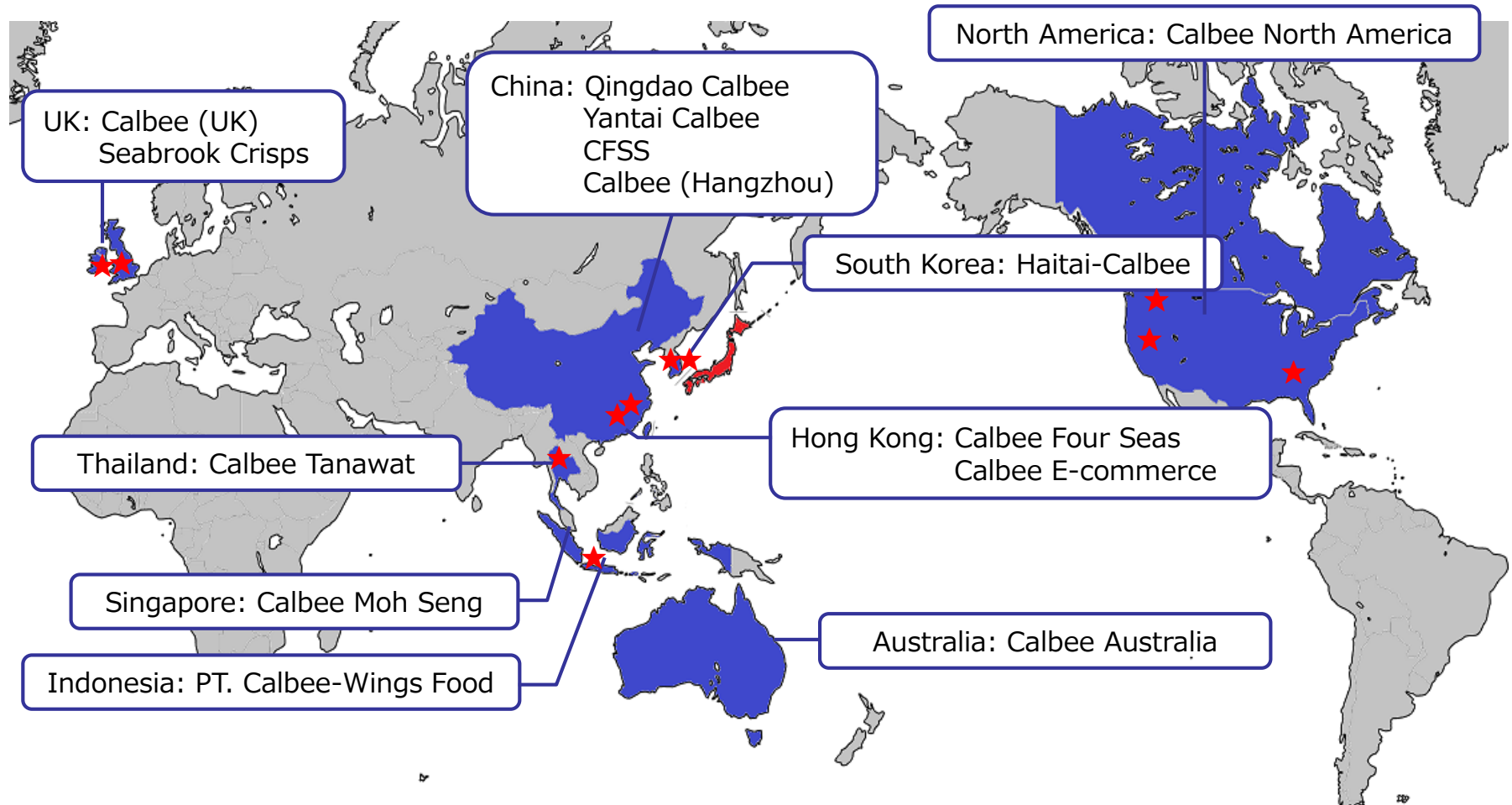
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# Overseas business status

## ■ Overseas locations (as of March 31, 2019)

Expanded to 9 countries/regions

★ Production facilities

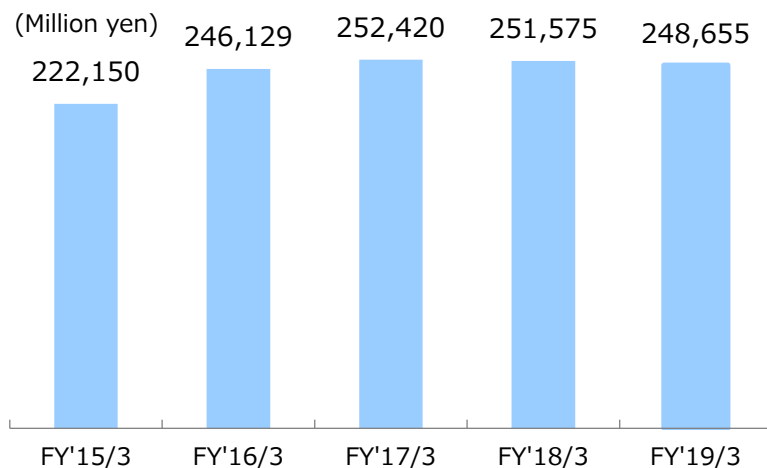


# Financial highlights ①

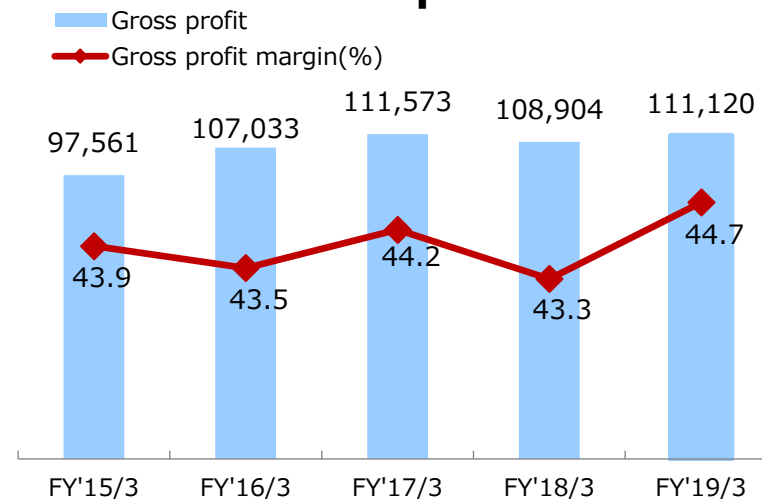
**Calbee**

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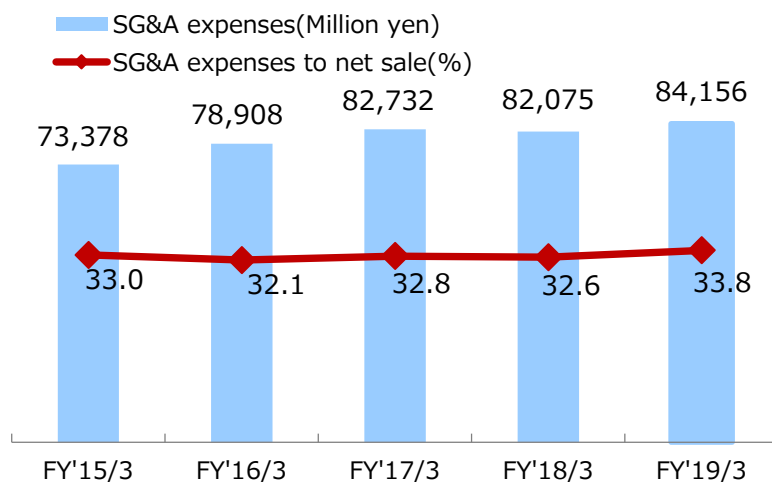
## Net sales



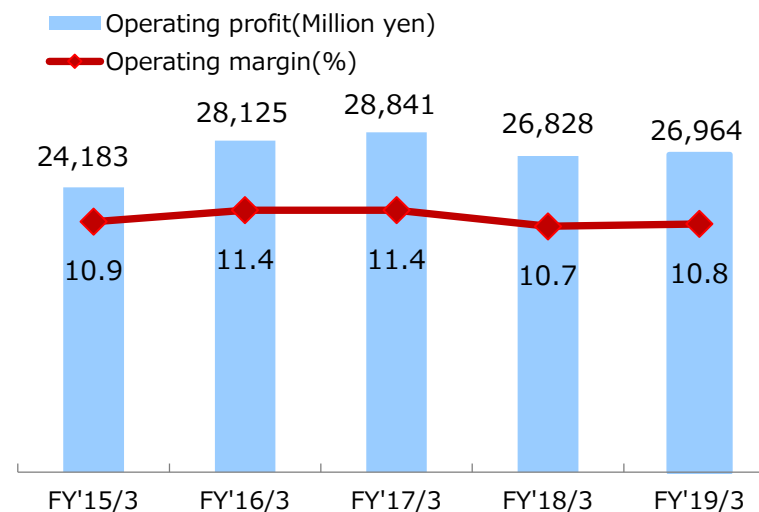
## Gross profit



## SG&A



## Operating profit

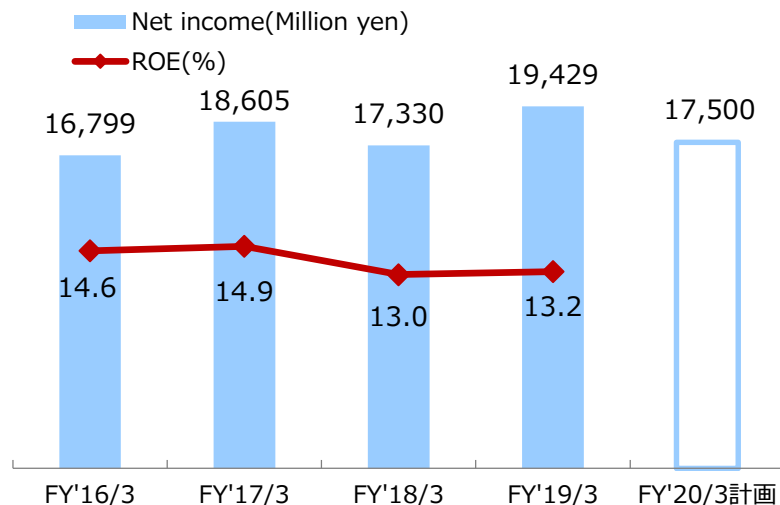


# Financial highlights ②

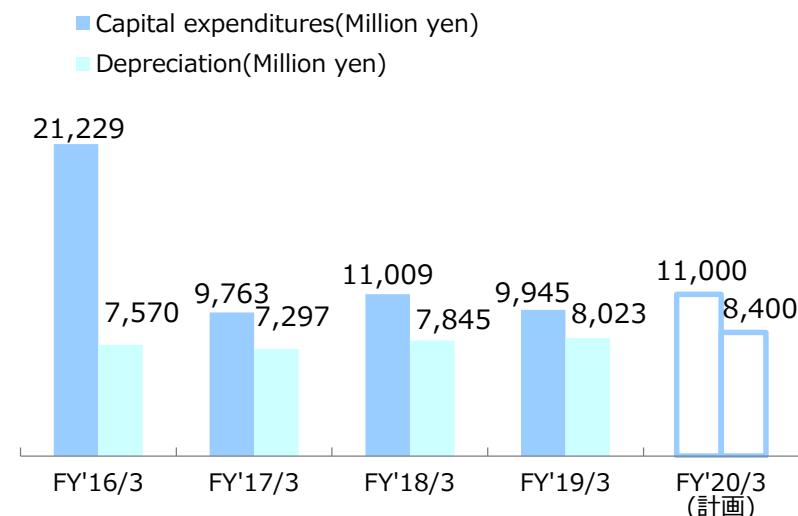
**Calbee**

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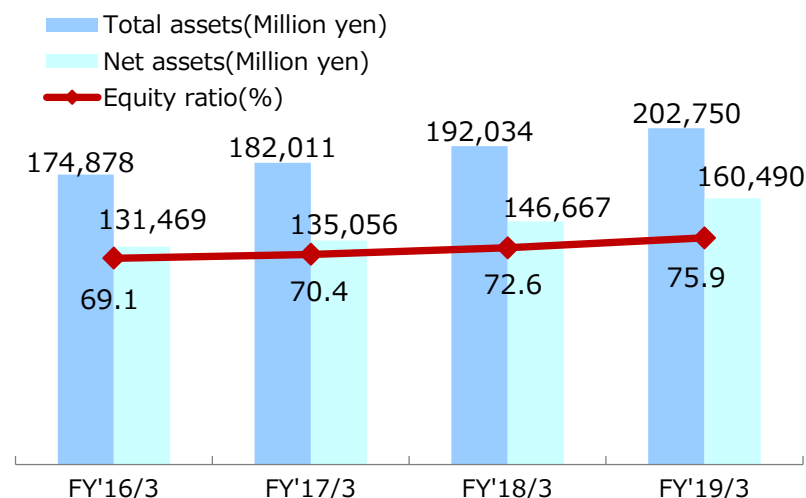
## Net income/ROE



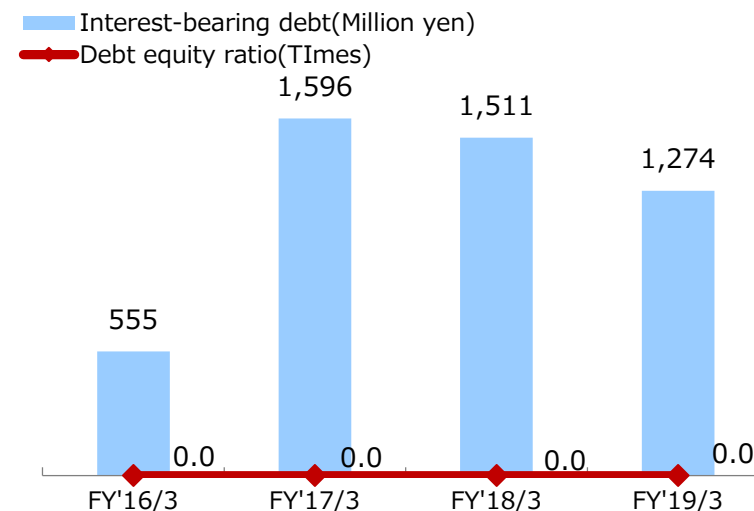
## Capital expenditures/Depreciation



## Equity ratio



## Debt to equity ratio



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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," 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.