

Calbee Group Financial Results

First half of fiscal year ending March 31, 2020

April 1, 2019 – September 30, 2019

TSE code : 2229

Calbee, Inc.

2019.10.29

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Koichi Kikuchi Senior Managing Director

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Our value and vision for 2030



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."

Vision for 2030

Next  *Calbee*

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

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

Medium-
term
business
plan

Transformation and
Challenge toward achieving
next generation growth

Today

FY2024/3

■ 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 society**
- 6 【Collaboration with PepsiCo】 **Strengthen collaboration with PepsiCo**

■ Financial indices (FY2024/3)

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

Recap of H1 (domestic)

Launch initiatives under the new organizational structure to create new value

	Key initiatives	Major actions and recap of FY2020/3 H1
Existing domestic businesses	Create new value and realize high profit	Raise prices and revise content standards for snacks <ul style="list-style-type: none"> Measures to stimulate demand were successful, sales are recovering Snacks surpassed plan overall (domestic snack sales + ¥ 2.3bn vs. plan)
		Product lineup to expand new customer segments for cereals <ul style="list-style-type: none"> Launched two products under nutritious and functional <i>Granola+</i> brand Launched <i>Granola</i>, non-sweet granola
		Strengthen profitability of existing businesses <ul style="list-style-type: none"> Task force lowered costs, raised productivity, drove labor savings Began planning towards promoting DX
Co-creation	Achieve a sustainable society	Reduce food losses <ul style="list-style-type: none"> Extend sell-by dates for Potato Chips Change labeling from Day-Month-Year to Month-Year

Recap of H1 (overseas)

Raise awareness of Calbee brand and advance business expansion in key regions

	Key initiatives	Major actions and recap of FY2020/3 H1	
Overseas business	Establish revenue-generating bases in 4 key regions	North America	Strengthened sales of <i>Harvest Snaps</i>, but challenges remained <ul style="list-style-type: none"><i>Harvest Snaps</i> sales declined due to lower sales at some major customers (<i>Harvest Snaps</i> sales -9% YoY) Expand product lineup in the ethnic market <ul style="list-style-type: none">Grew snack, <i>Frugra</i> sales (Ethnic market sales +50% YoY)
		Greater China	Strengthened sales and marketing via E-commerce <ul style="list-style-type: none"><i>Frugra</i> sales through general e-commerce grew strongly (General e-commerce sales (incl. snacks) +198% YoY)

Management Direction (domestic)

Continue and strengthen initiatives to create new value

	Key initiatives	Plan for FY2020/3 H2 and beyond
Existing domestic businesses	Create new value and realize high profit	<p>Strengthen product lineup in response to diverse needs</p> <ul style="list-style-type: none"> Launch new products that leverage texture, prepare new production facilities/methods (<i>Thin Potato, Crunch Potato</i>, etc.) Explore new products using new ingredients <p>Expand occasions for granola</p> <ul style="list-style-type: none"> Launch <i>Calbits</i>, a new product focused on portability <p>Strengthen profitability of existing businesses</p> <ul style="list-style-type: none"> Rationalize and increase efficiency of distribution Create DX promotion task force to rationalize business Reform distribution
New business	Establish businesses in new food areas	<p>Develop from existing businesses (Potato based ingredients for frozen foods/restaurants, agriculture support platform business, etc.)</p>
Co-creation	Achieve a sustainable company	<p>Begin considering measures against global warming Start analysis based on the TCFD (Task Force on Climate-related Financial Disclosures)</p>

Accelerate new market and new product initiatives to strengthen Calbee brand

	Key initiatives	Plan for FY2020/3 H2 and beyond	
Overseas business	Establish revenue-generating bases in 4 key regions	North America	Rebuild existing brands <ul style="list-style-type: none"> • Work to maintain <i>Harvest Snaps</i> brand • Expand Japanese product brands in ethnic market Grow product portfolio and expand distribution channel <ul style="list-style-type: none"> • Accelerate product development through acquisition of Warnock
		Greater China	Raise recognition of Calbee brand, expand sales channels <ul style="list-style-type: none"> • Strengthen organization for full-scale expansion offline • Expand promotion linked to e-commerce and inbound • Begin considering measures to expand snack business

North America/Acquisition of Warnock

Status and issues in North America

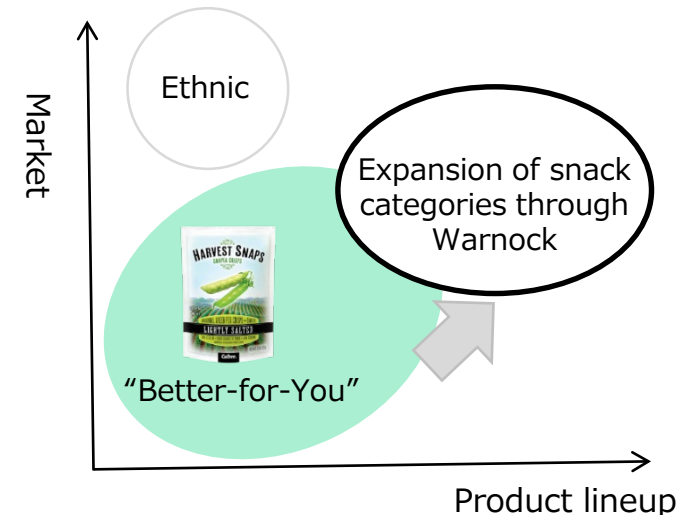
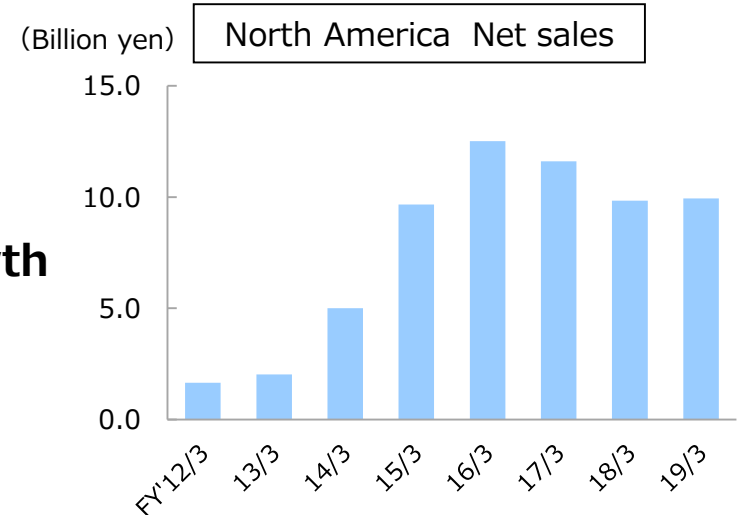
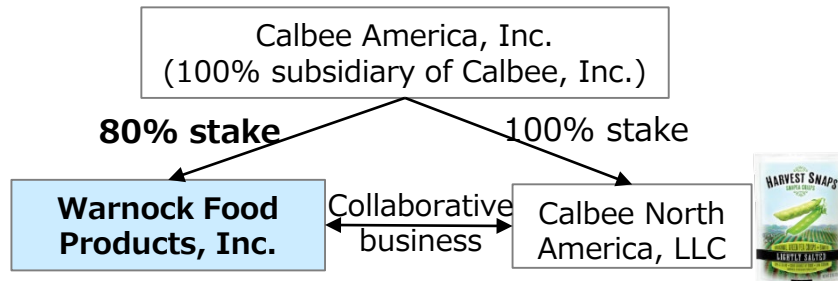
- Product structure where *Harvest Snaps* account for approx. 90% of North American sales
- North America sales growth stagnant

Need to redefine existing brands and expand portfolio for medium- to long-term sales growth

Acquired 80% stake in Warnock, which produces diverse snack foods

[Warnock Food Products, Inc.]

- US(California) snack food manufacturer founded in 1986
- Able to rapidly product development capabilities using potatoes, corn and other ingredients
- Has non-GMO, gluten-free, organic, and other certifications
- Has long-term relationship and sales network with customers as a contract manufacturer



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FY2020/3 H1: Results highlights

Summary (vs. last fiscal year)






- Domestic: Snack sales grew on initiatives to stimulate demand despite revisions to prices and content standards
- Overseas: Sales rose in the UK, Greater China and Indonesia
- Ordinary profit includes impact of foreign exchange
(+¥0.8bn H1 of last fiscal year, -¥0.5bn H1 of current year)
- Net profit includes extraordinary income (¥2.4bn) from sale of consolidated subsidiary in the H1 of last fiscal year*

	FY2019/3 H1		FY2020/3 H1		Change
	(Million yen)	Ratio to net sales(%)	(Million yen)	Ratio to net sales(%)	(%)
Net sales	121,067	100.0	125,246	100.0	+3.5
Domestic net sales (Change excl. impact of sale of consolidated subsidiary*)	102,586	84.7	103,121	82.3	+0.5 (+1.3)
Overseas net sales	18,480	15.3	22,124	17.7	+19.7
Operating profit	11,740	9.7	13,258	10.6	+12.9
Ordinary profit	12,560	10.4	12,819	10.2	+2.1
Net profit	9,628	8.0	8,820	7.0	-8.4

*All shares of CalNeCo (production/sale of promotional tools) were transferred in September 2018

Summary (vs. plan)

- Domestic snacks were generally strong,
but overseas saw a slump in the North American business

	FY'20/3 Target	FY'20/3 H1 Target	FY'20/3 H1 Results	Progress
Net sales growth ratio	+ 3.8%	+ 3.3%	+ 3.5%	
Overseas net sales growth ratio	+ 18.9%	+ 27.6%	+ 19.7%	
Cost of sales ratio	55.5%	56.0%	55.3%	
Selling costs ratio	15.7%	16.1%	16.0%	
Operating margin	10.5%	9.4%	10.6%	

■ **Sales** Rose on strong domestic snack sales

[Snacks] Sales of *Potato Chips* and flour-based snacks rose

[Cereals] Domestic consumption was nearly unchanged YoY

■ **Operating income** Rose on factors including increased snack sales and having controlled selling expenses despite higher distribution and packaging costs

(Million yen)

		FY2020/3 H1	
		YoY	
Domestic net sales (Change excl. impact of sale of consolidated subsidiary*)	103,121	+535	+0.5% (+1.3%)
Snacks	89,229	+1,037	+1.2%
<i>Potato Chips</i>	40,375	+408	+1.0%
<i>Jagarico</i>	18,604	-150	-0.8%
Other snacks than that above	30,248	+779	+2.6%
Cereals (of which overseas consumption)	12,599 (724)	+191 (+157)	+1.5%
Domestic operating profit (Operating margin)	12,597 (12.2%)	+815	+6.9% (+0.7pts)

*All shares of CalNeCo (production/sale of promotional tools) were transferred in September 2018

Snacks

■ Price hikes and cost impact

Although price hikes had an impact, there were strong sales of products not subject to price hikes

- Sales decreased for regular items of *Potato Chips* which underwent price hikes from late May, but are recovering on measures such as an increased volume campaign
- Products not subject to price hikes such as *Potato Chips Giza Giza* and character products such as *Pro Baseball Chips* drove sales
- Strong sales of *Kappa Ebisen* and *Sapporo Potato* due in part to impact of *Potato Chips* price hike

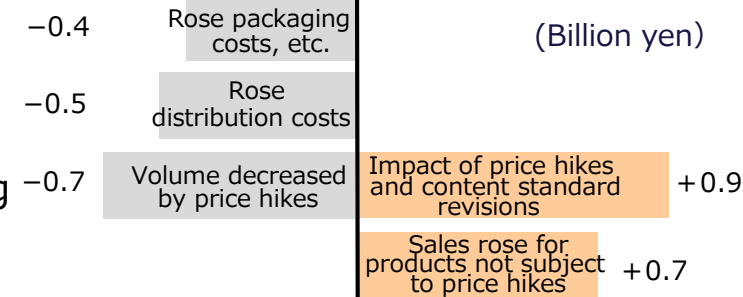
■ Jagarico




- Strong sales of regular and L size products
- Reduced number of items, such as limited time products, due to prioritizing supplies for regular products

Cereals

- Strong sales of *Frugra Less Carbohydrates* continue following renewal in last fiscal year
- Whole sales does not rise despite of two *Granola+* nutritional contributed to sales

Operating profit : Price hikes and cost impact



	May	June	July	August
		★ Price hike	Increased volume ↔	
	★ Price hike	Increased volume ↔		
			★ Price hike	Increased volume ↔

FY2020/3 H1 : Overseas business



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(Million yen)

<Business results by region>	FY2020/3 H1			
		YoY		Change ex. forex in %
Overseas net sales	22,124	+3,644	+19.7%	+23.3%
North America	4,884	-294	-5.7%	-4.8%
Greater China	6,131	+953	+18.4%	+21.7%
United Kingdom	2,931	+2,104	+254.4%	+280.7%
Indonesia	2,435	+580	+31.3%	+31.3%
Other regions	5,741	+299	+5.5%	+9.8%
Overseas operating profit (Operating margin)	661 (3.0%)	+701	- (+3.2pts)	-
North America	4	-176	-	-
Greater China	409	+311	-	-
United Kingdom	37	+290	-	-
Indonesia	-279	+26	-	-
Other regions	489	+249	-	-

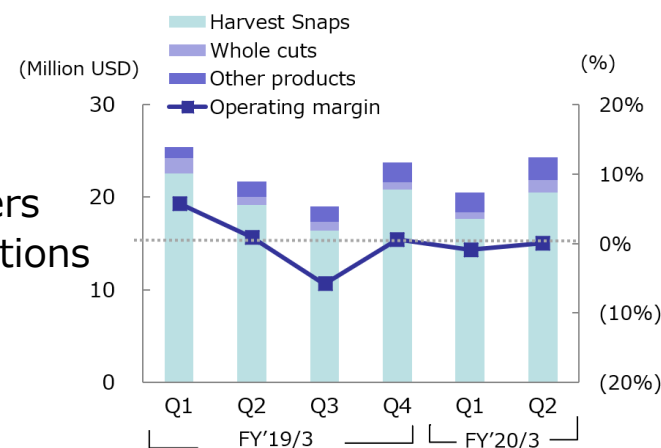
<Net sales by product>	FY2020/3 H1		
		YoY	
Snacks	18,858	+2,559	+15.7%
Cereals overseas real consumption (of which, overseas consumption included in domestic sales)	3,990 (724)	+1,242 (+157)	+45.2%

FY2020/3 H1 : Overseas business

North America

- **Sales** Demand for *Harvest Snaps* decreased
 - Sales rose in Q2 YoY on *Harvest Snaps* having done a large promotion
 - Continued decline in sales for some major customers
 Sales of *Frugra* and snacks rose in ethnic foods sections
- **Operating profit** Profit fell on lower sales and selling expenses increase due to large promotion

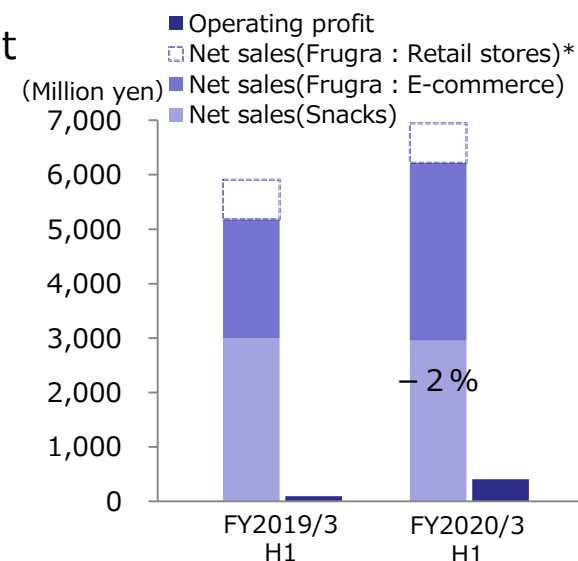
North America net sales and operating margin



Greater China

- **Sales** Rose substantially on expanded general e-commerce sales
 - Hold sales promotion events on major e-commerce sites
 - Increased shipped quantities towards W11 major sales event
 - Expanded *Frugra* lineup
(*Chocolate crunch & Banana, Less Carbohydrates*)
- **Operating profit** Profits in e-commerce are almost flat due to strengthened sales structure
Profit rose on factors including dissolution of Taiwan subsidiary

Greater China results



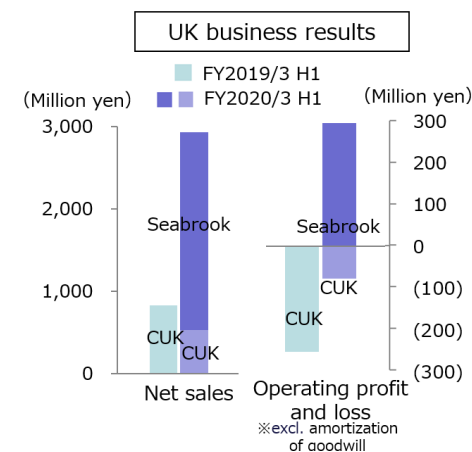
Frugra net sales (Million yen)

		FY2020/3 H1	
		YoY	
EC	3,179	+1,195	+60.2%
Retail stores*	724	-38	-5.1%

FY2020/3 H1 : Overseas business

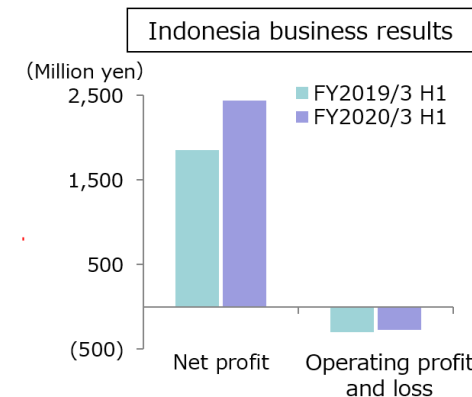
UK

- **Sales** Rose substantially on Oct. 2018 acquisition of Seabrook (production/sale of potato chips)
- **Operating profit** Turned a profit after amortization of goodwill on the effects of reduced indirect costs and of contribution of Seabrook consolidated



Indonesia

- **Sales** Sales rose due to high sales of *Potabee* potato chips and the launch of new brands such as *Japota*
- **Operating profit** Reduced major increased volume campaigns in light of market competition, improved costs ratio
Operating loss improved slightly due to listing fee for new products launches

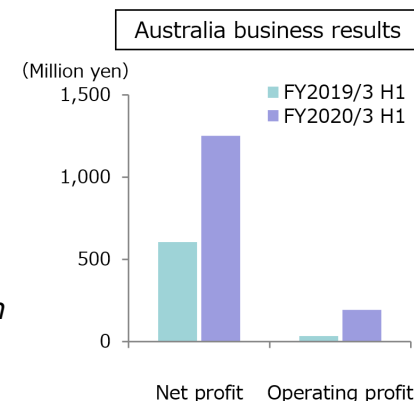


Australia

Rose substantially on expanded *Harvest Snaps* lineup



Harvest Snaps Black Bean
on sale in Australia



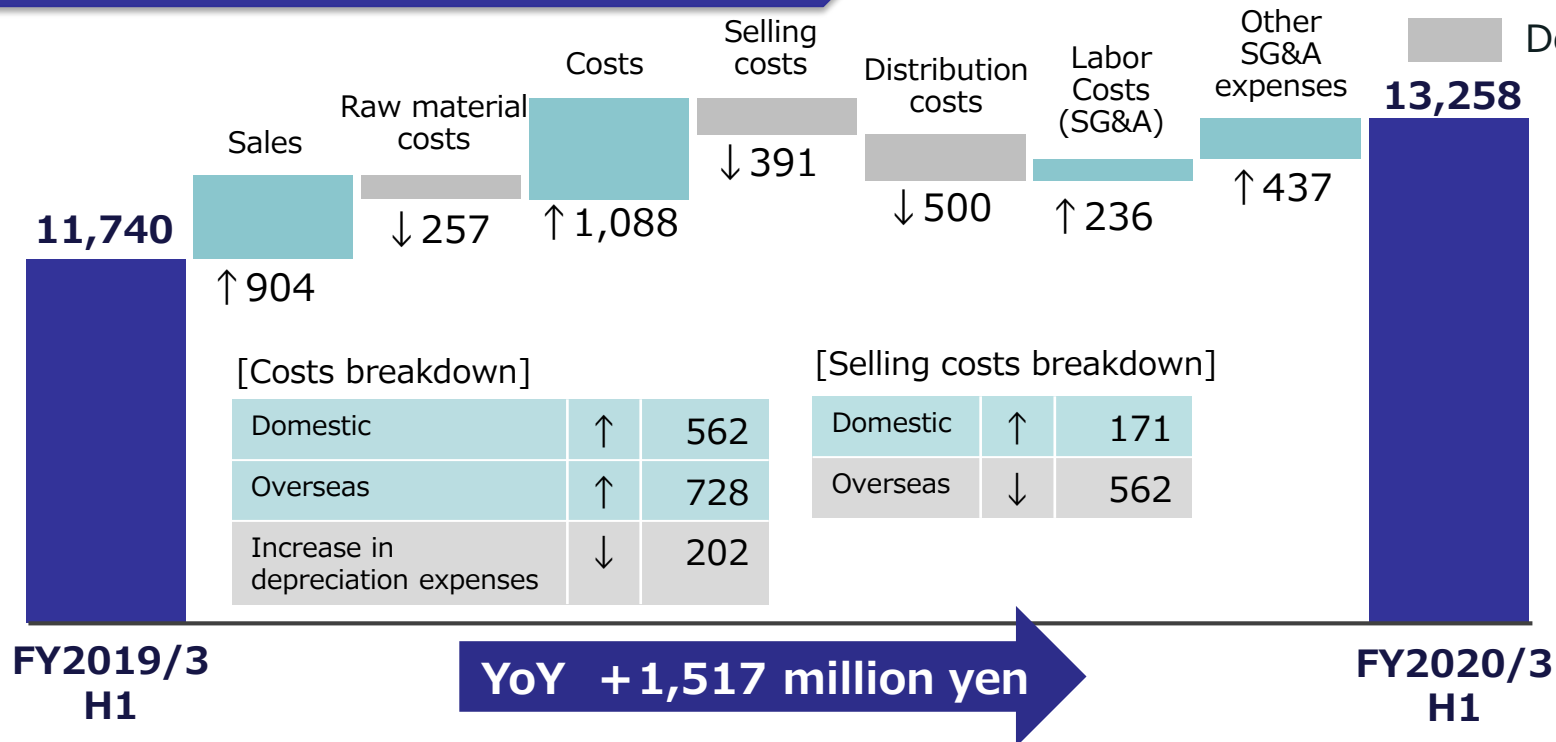
FY2020/3 H1 : Factors increasing operating profit **Calbee**

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Change in operating profit (YoY)

(Million yen)

■ Increase
■ Decrease



Sales: Increased sales of products not affected by price hikes, impact of consolidated UK Seabrook

Raw material costs: Rose packaging costs, improved raw material of *Frugra*

Costs: (Domestic) Improved cost ratio by price hike, solved cost deterioration due to not having conducted an increased volume campaign for *Potato Chips*

(Overseas) Costs improvements in Indonesia, etc.

Selling costs: (Domestic) Controlled selling costs

(Overseas) Investment promotional expenses in North America, e-commerce Greater China, and Indonesia

Distribution costs: Domestic distribution costs rose

Reference material

For detailed figures for sales by product, sales by overseas country/region, etc., please refer to FY2020/3 H1 Supplementary Information.
<https://www.calbee.com/ir/library/earnings.php>

Consolidated profit and loss statement

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(Million yen)

		FY2020/3 H1			
			Percent of total(%)	YoY(%)	vs. plan
Net sales		125,246	100.0	+3.5	+0.2
Gross profit		56,005	44.7	+5.0	+1.7
SG&A		42,746	34.1	+2.8	−1.2
	Selling	19,988	16.0	+5.5	−0.8
	Distribution	8,986	7.2	+9.5	+0.4
	Labor	8,891	7.1	−2.6	−1.9
	Others	4,879	3.9	−8.2	−4.1
Operating profit		13,258	10.6	+12.9	+12.4
Ordinary profit		12,819	10.2	+2.1	+11.0
Extraordinary loss		−61	−	−	−
Net profit*		8,820	7.0	−8.4	+14.8

*Profit attributable to owners of parent

■ Consolidated cash flows

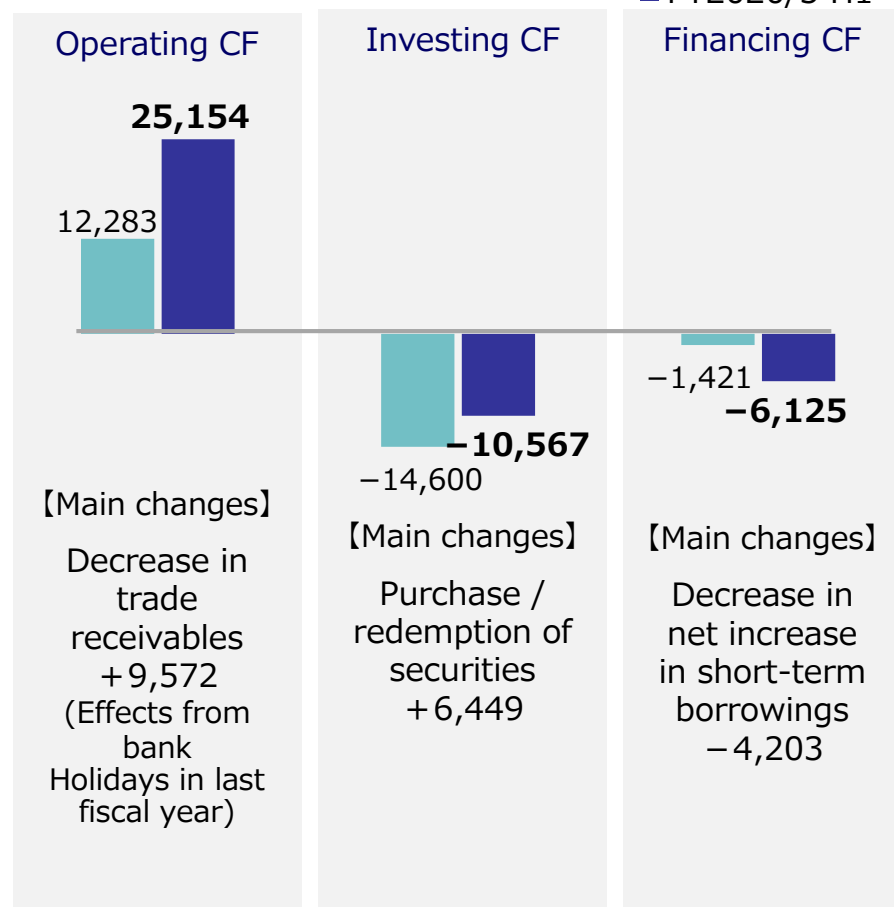
Cash and cash equivalents

September 30, 2018
38,723



(Million yen)
September 30, 2019
43,579 (+4,856)

■ FY2019/3 H1
■ FY2020/3 H1



■ Consolidated balance sheets

September 30, 2019

Total assets **204,449** (+1,698)

(change from March 31, 2019) (Million yen)

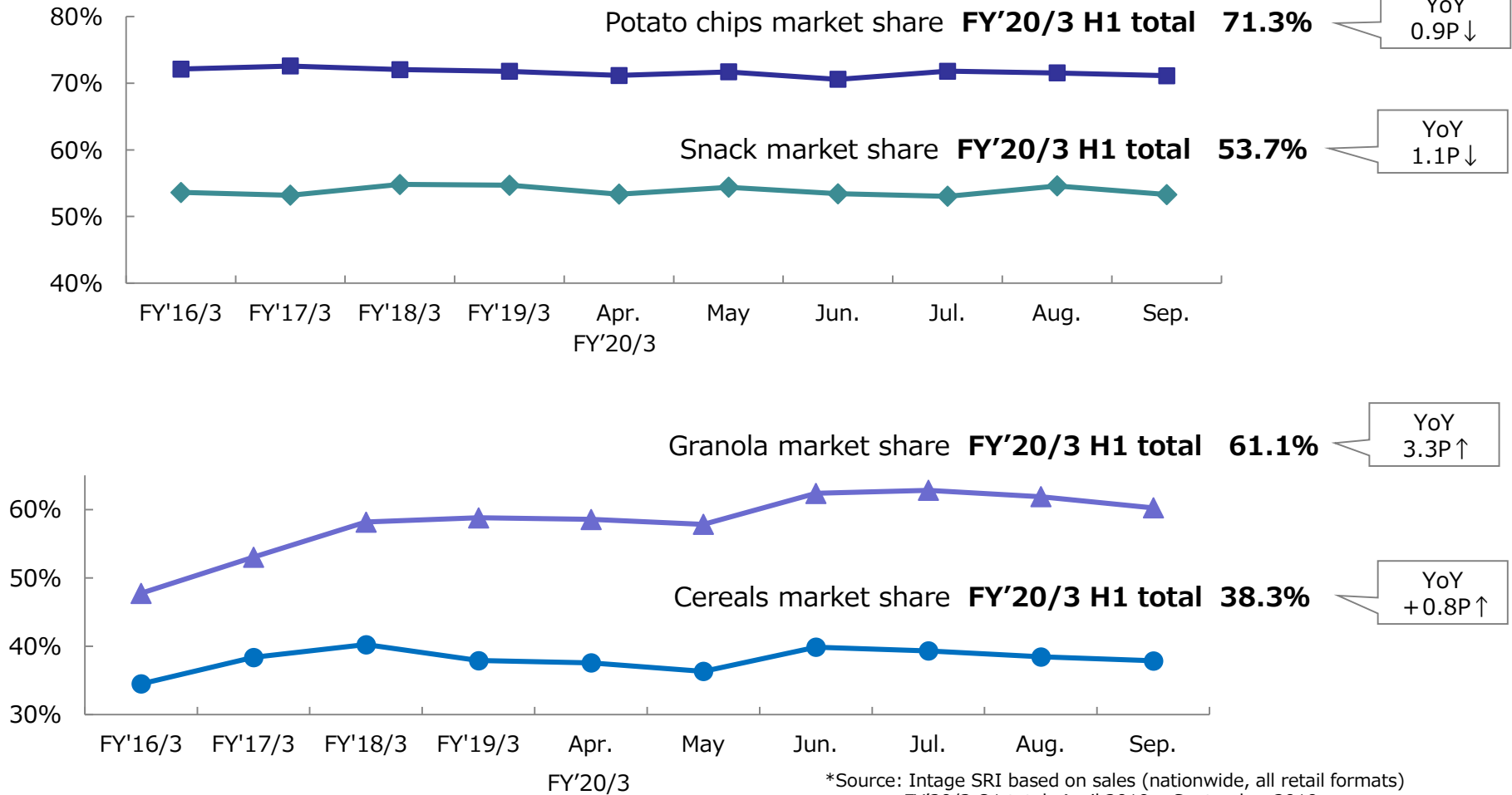
Current assets 115,491 (+3,632) [Main changes] Securities +4,855 Notes and accounts receivable - trade -12,304 Cash and deposits +9,860	Current liabilities 34,355 (+312) [Main changes] Note and accounts payable - trade +2,553
	Non-current liabilities 8,190 (-26) [Main changes] Income taxes payable -1,883
Net assets 161,903 (+1,412) [Main changes] Retained earnings +2,391 Foreign Currency Translation adjustment -999	Non-current assets 88,957 (-1,933) [Main changes] Intangible assets -899 Property, plant and equipment -335

Domestic business

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■ Market share*



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

FY'20/3 Q1 total :April 2019 – September 2019

Comparison period: April 2018 – September 2018

FY'16/3-FY'20/3: April 2015 – March 2020

Snack market share

Total of Calbee and Japan Frito-Lay

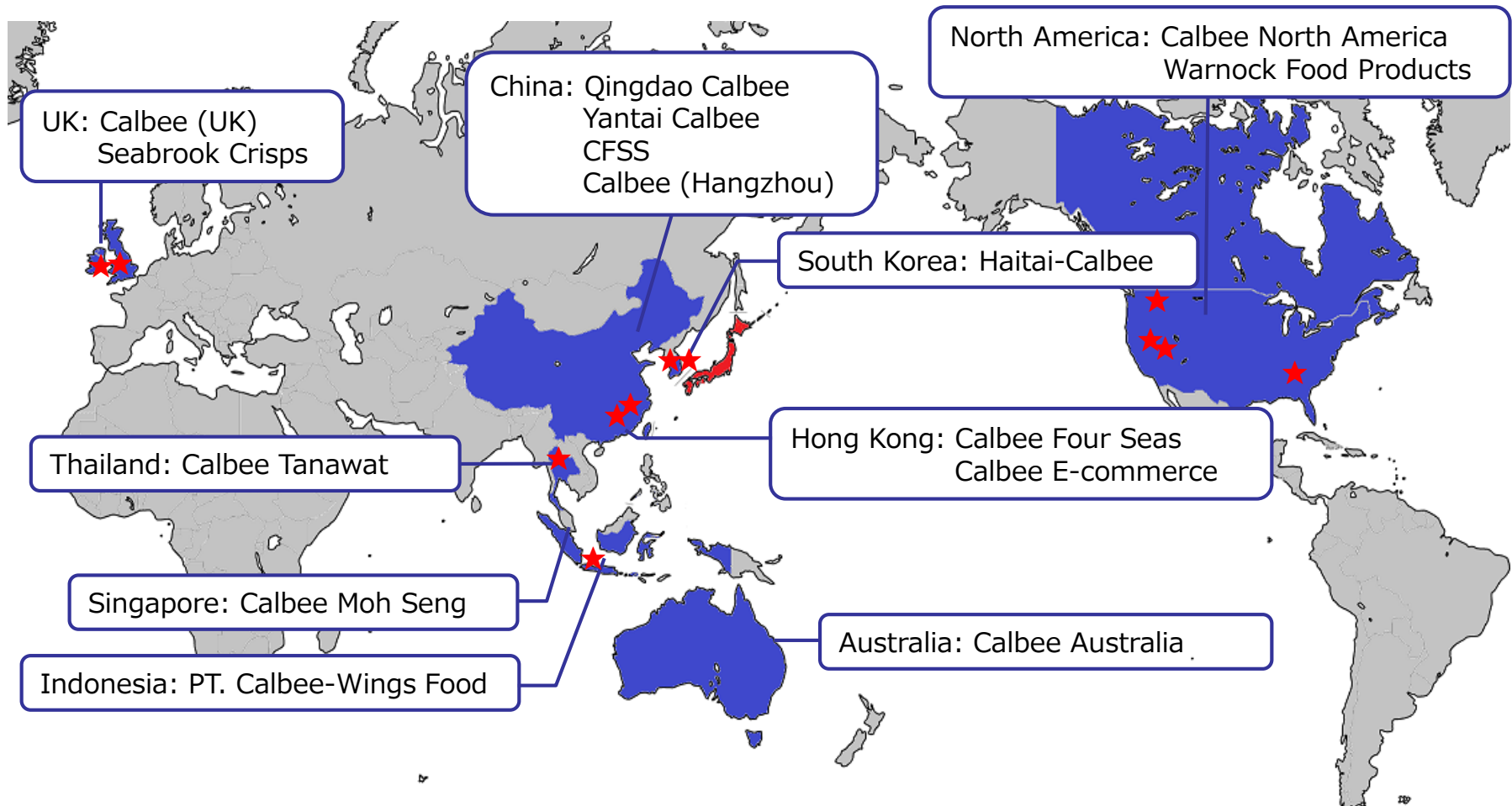
Potato chips: Total of potato chips (thick- and thin-sliced),

shoestring and kettle types; includes private brand products

■ Overseas locations (as of October 29, 2019)

Expanded to 9 countries/regions

★ Production facilities



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- The Company's fiscal year ends on March 31. The fiscal year ended March 31, 2020 is referred to throughout this report as "FY2020/3," 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.