

Calbee Group Financial Results

First quarter of fiscal year ending March 31, 2020
April 1, 2019 – June 30, 2019

TSE code : 2229
Calbee, Inc.
2019.7.30

FY2020/3 Q1: Results highlights

Summary (vs. last fiscal year)






- Domestic: *Potato Chips* sales decreased on implementation of price hike; total of domestic snack sales grew
- Overseas: Sales and profit rose in the UK, Indonesia and Greater China

	FY2019/3 Q1		FY2020/3 Q1		Change (YoY)
	(Million yen)	Ratio to net sales(%)	(Million yen)	Ratio to net sales(%)	(%)
Net sales	61,231	100.0	61,912	100.0	+ 1.1
Operating profit	5,774	9.4	6,448	10.4	+ 11.7
Ordinary profit	6,232	10.2	6,069	9.8	- 2.6
Net profit	4,213	6.9	4,245	6.9	+ 0.7

FY2020/3 Q1: Results highlights

Summary (vs. plan)

- Domestic snacks sales were mostly strong, but overseas saw a slump in the North America business

	FY'20/3 Target	FY'20/3 Q1 Target	FY'20/3 Q1 Results	Progress
Net sales growth ratio	+ 3.8%	+ 1.1%	+ 1.1%	
Overseas net sales growth ratio	+ 18.9%	+ 23.6%	+ 12.3%	
Cost of sales ratio	55.5%	56.6%	55.4%	
Selling costs ratio	15.7%	15.8%	15.7%	
Operating margin	10.5%	9.0%	10.4%	

FY2020/3 Q1 : Domestic business

- **Sales** Overall domestic sales decreased, but excluding the effects of the sale of consolidated subsidiary sales* rose in real terms
 [Snacks] Rose overall on strong sales of *Jagarico* and *Sapporo Potato* despite decreased sales of *Potato Chips*
 [Cereals] Domestic consumption was nearly unchanged YoY
- *All shares of CalNeCo (production/sale of promotional tools) were transferred in September 2018
- **Operating profit** Increased, despite higher distribution and packaging costs, on improvements in other costs

(Million yen)

	FY2020/3 Q1		
		YoY	
Domestic net sales (Change excl. impact of sale of consolidated subsidiary)	51,480	-458	-0.9% (+0.2%)
Snacks	44,634	+25	+0.1%
<i>Potato Chips</i>	20,122	-512	-2.5%
<i>Jagarico</i>	9,327	+258	+2.9%
Other snacks than that above	15,183	+278	+1.9%
Cereals (of which overseas consumption)	6,209 (297)	+71 (+72)	+1.2%
Domestic operating profit (Operating margin)	6,135 (11.9%)	+344	+5.9% (+0.8pts)

Snacks

■ *Potato Chips*

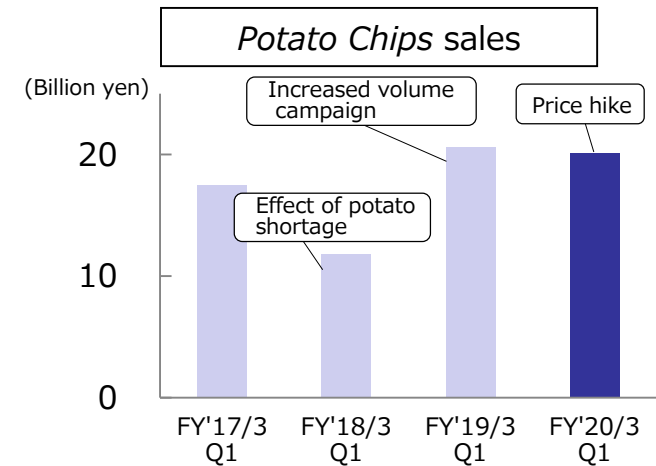
- Implemented price hike for some products beginning in late May
- Sales decreased, mainly of regular products, due to the impact of price hike

■ *Jagarico*

- Sales rose due to the effects of social media and of TV commercials

■ *Other snacks*

Strong sales of *Sapporo Potato* collaborative products, etc.



Cereals

- Higher sales of *Frugra Less Carbohydrates* contributed despite sluggish sales of *Frugra* regular products and limited time products
- Launched nutrition and function food product *Granola+* as a product offering a new value proposition



FY2020/3 Q1 : Overseas business



Harvest the Power of Nature.

(Million yen)

<Business results by region>	FY2020/3 Q1			
		YoY		Change ex. forex in %
Overseas net sales	10,432	+ 1,139	+ 12.3%	+ 14.1%
North America	2,258	-501	-18.2%	-19.1%
Greater China	2,789	+ 214	+ 8.3%	+ 10.0%
United Kingdom	1,436	+ 1,034	+ 257.9%	+ 274.8%
Indonesia	1,200	+ 303	+ 33.8%	+ 35.5%
Other regions	2,748	+ 88	+ 3.3%	+ 6.0%
Overseas operating profit (Operating margin)	313 (3.0%)	+330	- (+ 3.2pts)	-
North America	-21	-180	-	-
Greater China	176	+ 235	-	-
United Kingdom	9	+ 119	-	-
Indonesia	-144	+ 9	-	-
Other regions	293	+ 146	-	-

<Net sales by product>	FY2020/3 Q1		
		YoY	
Snacks	8,950	+ 677	+ 8.2%
Cereals overseas real consumption (of which, overseas consumption included in domestic sales)	1,779 (297)	+ 534 (+ 72)	+ 42.9%

North America

■ Sales Demand for *Harvest Snaps* decreased

- Despite expanding *Harvest Snaps Organic* deliveries to Costco, momentum didn't continue
- Expanded snack sales and launched *Frugra* sales in ethnic foods sections

■ Operating profit Saw losses due to sales decreased and worsened selling expenses ratio

■ Future measures

Energize *Harvest Snaps*

- Conduct large promotions at major customers

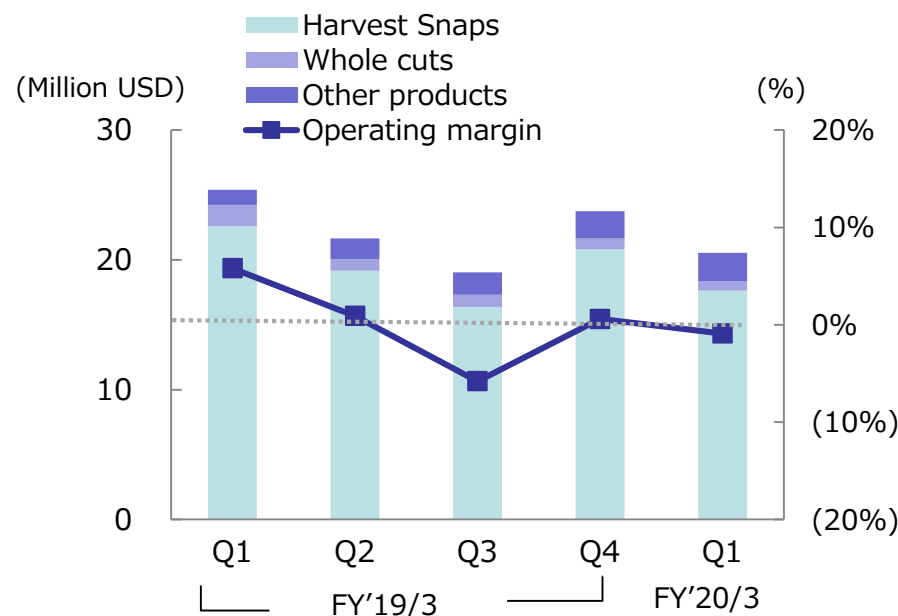
Renew existing products, introduce new products

- Rebrand as *Whole cuts*
- Launch bean-based croutons under *Harvest Snaps* brand



New brand bean-based crouton
Harvest Snaps Salad Toppers

North America net sales and operating margin



FY2020/3 Q1 : Overseas business

Greater China

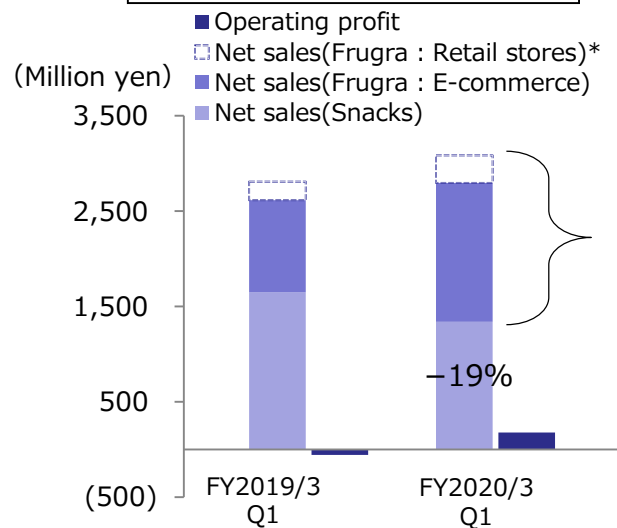
■ Sales *Frugra*: Sales increased in mainland China

- Enhanced general e-commerce product lineup
- Sales strong due to strengthened marketing activities in e-commerce large event

Snacks: Sales decreased, due in part to the effect of the dissolution of subsidiary located in Taiwan

■ Operating profit Increased for the reasons mentioned above

Greater China results



* Retail store sales are recorded under domestic sales

Frugra net sales

(Million yen)

		FY2020/3 Q1	
			YoY
E-commerce	1,456	+ 488	+ 50.4%
Retail stores*	291	+ 96	+ 49.2%



6.18 event in Alibaba Conducted events and advertisements in retail store

FY2020/3 Q1 : Overseas business

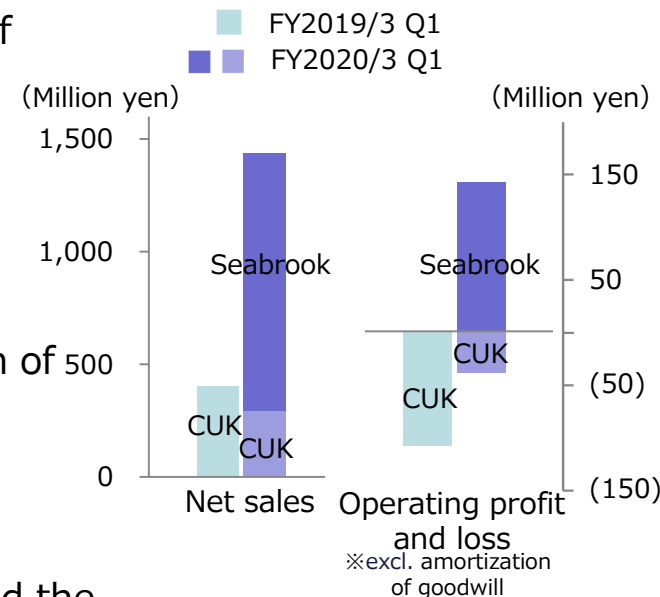
Calbee

Harvest the Power of Nature.

UK

- **Sales** Substantial sales increase on the Oct. 2018 acquisition of Seabrook (production/sale of potato chips)
Sales of bean-based snack *Yushoi* decreased on review of unprofitable business transaction
- **Operating profit** Turned a profit on the effects of reduced indirect costs and of contribution of Seabrook
- **Future measures**
 - Rebrand as *Yushoi*
 - In addition to pursuing cost synergies through the integration of the two companies, prepare for the launch Calbee products

UK business results



Indonesia

- **Sales** Sales rose due to higher sales of Potato Chips *Potabee* and the launch of new brands
- **Operating profit** Reduced major increased volume campaigns in light of market competition, improved costs ratio
Operating loss was unchanged YoY due to listing fee for new product launches



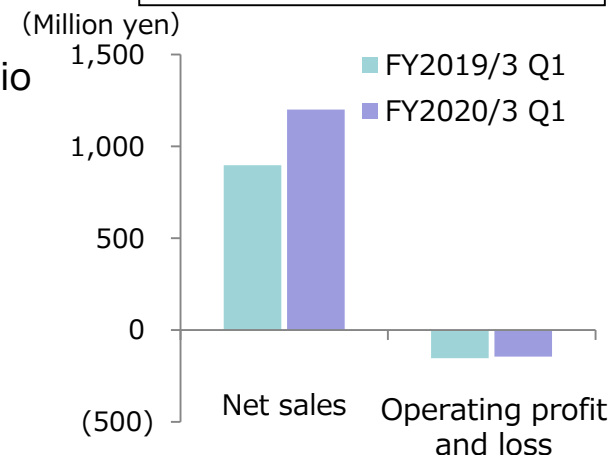
Flat potato chips
New brand product *Japota*



Japota's launch press conference

Copyright © Calbee, Inc. All rights reserved.

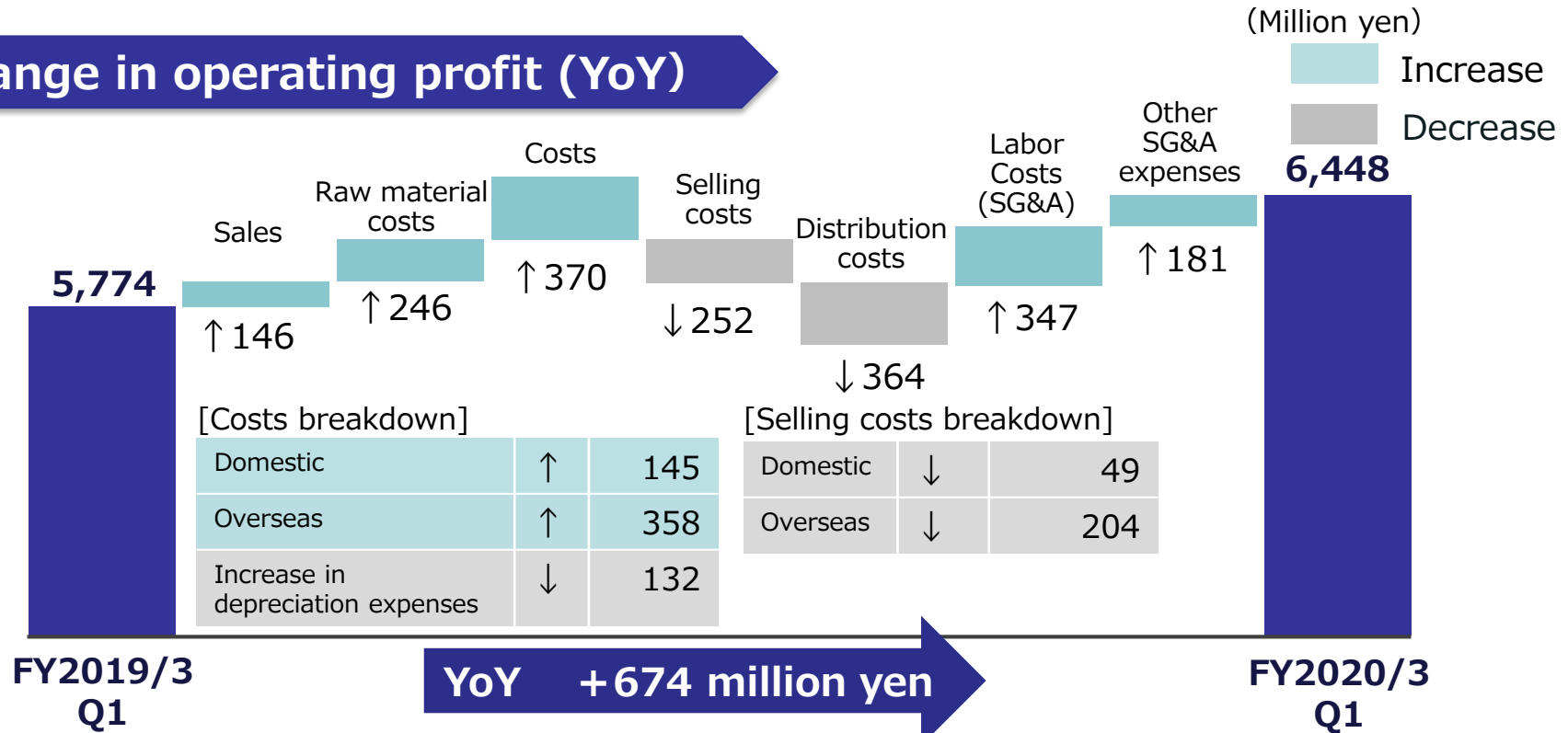
Indonesia business results



FY2020/3 Q1 : Factors increasing operating profit **Calbee**

Harvest the Power of Nature.

Change in operating profit (YoY)



Sales: Overseas sales increased, domestic sales volume decreased due to the impact of price hike

Raw material costs: Improved due to not having conducted an increased volume campaign for Potato Chips regular products despite continuous rise in packaging costs

Costs: (Domestic) Improved on price hike

(Overseas) Costs improvements in Indonesia, etc.

Selling costs: (Domestic) Advertising costs increased

(Overseas) Strengthened *Frugra* e-commerce sales promotions

Distribution costs: Domestic distribution costs rose continuously

Reference material

For detailed figures for sales by product, sales by overseas country/region, etc., please refer to FY2020/3 Q1 Supplementary Information.
<https://www.calbee.com/ir/library/earnings.php>

Consolidated profit and loss statement



Harvest the Power of Nature.

(Million yen)

		FY2020/3 Q1		
		Percent of total(%)	YoY(%)	vs. plan
Net sales	61,912	100.0	+ 1.1	+ 0.1
Gross profit	27,621	44.6	+ 3.4	+ 2.9
SG&A	21,172	34.2	+ 1.1	− 0.3
Selling	9,746	15.7	+ 3.8	− 0.3
Distribution	4,534	7.3	+ 9.9	+ 1.9
Labor	4,344	7.0	− 7.4	− 1.3
Others	2,547	4.1	− 6.7	− 2.0
Operating profit	6,448	10.4	+ 11.7	+ 15.2
Ordinary profit	6,069	9.8	− 2.6	+ 10.7
Extraordinary loss	− 18	−	−	−
Net profit*	4,245	6.9	+ 0.7	+ 15.4

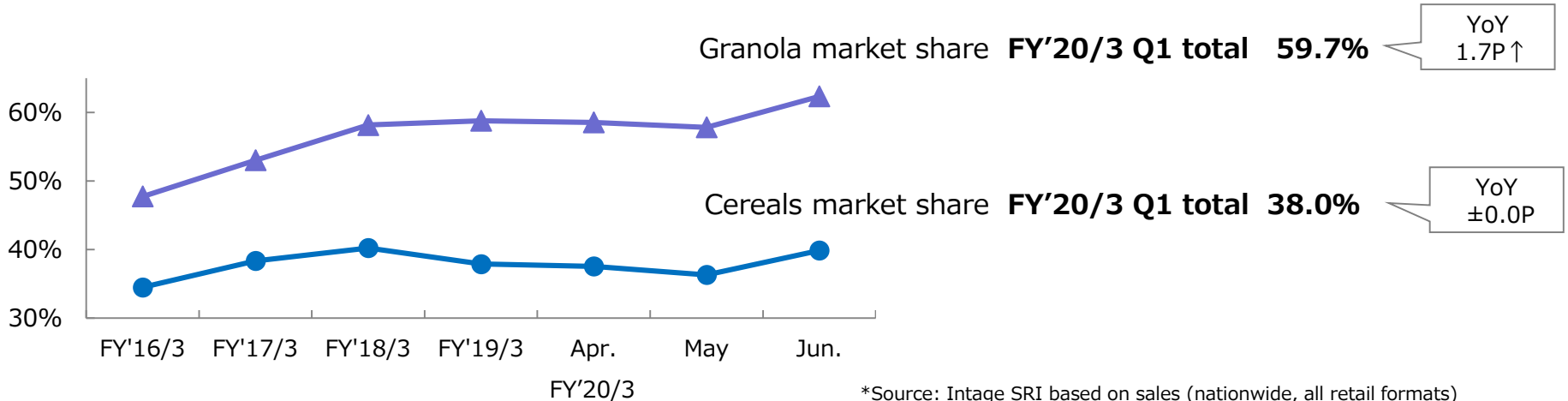
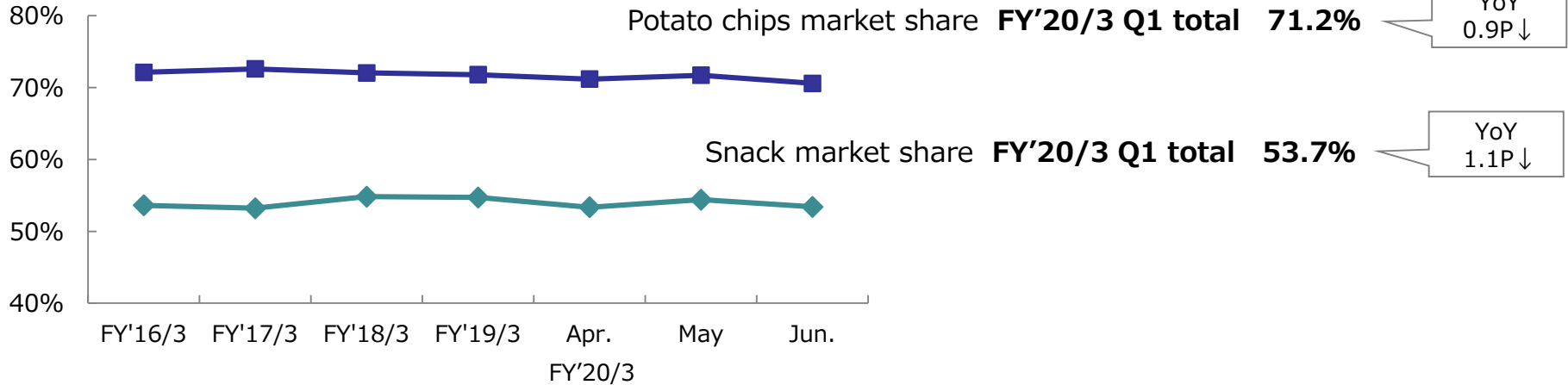
*Profit attributable to owners of parent

Domestic business

Calbee

Harvest the Power of Nature.

■ Market share*



*Source: Intage SRI based on sales (nationwide, all retail formats)
 FY'20/3 Q1 total :April 2019 - June 2019
 Comparison period: April 2018 - June 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

Contact details for IR inquiries:

Calbee, Inc. IR Group

E-mail: 2229ir@calbee.co.jp

<https://www.calbee.com/ir/>

- 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.