

# Calbee Group Financial Results

**Third quarter of fiscal year ending March 31, 2020**

April 1, 2019 – December 31, 2019

TSE code : 2229

**Calbee, Inc.**

2020.2.5

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**1. FY2020/3 Review of third quarter results**

2. Revised FY2020/3 Full year forecasts

# FY2020/3 Q3: Results highlights

## Summary vs. last fiscal year (3 months)

- Sales: (Domestic) Sales rose on continued strength in snacks overall  
(Overseas) Existing business in North America was sluggish despite effect of the acquisition of Warnock
- Operating profit: Flat YoY despite higher sales on increased costs for labor, etc.
- Ordinary profit: Positive impact from foreign exchange  
(-¥0.5bn for Q3 of last fiscal year, +¥0.3bn for Q3 of this fiscal year)

	FY2020/3 Q3 (3 months)		Change (YoY)	FY2020/3 Q3 (9 months)		Change (YoY)
	(Million yen)	Ratio to net sales(%)	(%)	(Million yen)	Ratio to net sales(%)	(%)
Net sales	<b>66,858</b>	100.0	+1.4	<b>192,104</b>	100.0	+2.7
Domestic sales (Change excl. impact of sale of bakery subsidiary*)	<b>55,590</b>	83.1	+1.6	<b>158,712</b>	82.6	+0.9 (+1.4)
Overseas sales	<b>11,267</b>	16.9	+0.1	<b>33,392</b>	17.4	+12.3
Operating profit	<b>8,620</b>	12.9	-0.9	<b>21,879</b>	11.4	+7.0
Ordinary profit	<b>8,943</b>	13.4	+8.0	<b>21,762</b>	11.3	+4.4
Net profit	<b>5,860</b>	8.8	+8.7	<b>14,680</b>	7.6	-2.3




\*In September 2018, all shares of CalNeCo, Inc. (production/sale of promotional tools) were transferred, and ¥2.4bn in extraordinary income recorded

# FY2020/3 Q3: Results highlights

## Summary vs. plan at start of year

Sales: Sales did not achieve targets due to sluggish overseas business

Operating profit: Exceeded plan as domestic costs (mainly raw materials for cereals) improved

	FY'20/3 Target Full year (Plan at start of year)	FY'20/3 Q3 Target (9 months)	FY'20/3 Q3 Results (9 months)	Progress
Net sales growth ratio	+3.8%	+3.5%	<b>+2.7%</b>	
Overseas net sales growth ratio	+18.9%	+22.7%	<b>+12.3%</b>	
Cost of sales ratio	55.5%	55.5%	<b>54.9%</b>	
Selling costs ratio	15.7%	15.7%	<b>15.6%</b>	
Operating margin	10.5%	10.6%	<b>11.4%</b>	

# FY2020/3 Q3: Domestic business

## ■ Q3 (3 months)

Sales: Sales increased due to strong in snacks

Operating profit: Higher distribution and packaging costs were offset by price hikes

Labor costs rose (differences due to reversal of provision for bonuses in the previous period)

(Million yen)

	FY2020/3 Q3		FY2020/3 Q3	
	(3 months)	Change in %	(9 months)	Change in %
<b>Domestic net sales</b> (Change excl. impact of sale of consolidated subsidiary*)	<b>55,590</b>	<b>+ 1.6%</b>	<b>158,712</b>	<b>+ 0.9%</b> (+ 1.4%)
Snacks	48,369	+ 1.7%	137,598	+ 1.4%
<i>Potato Chips</i>	23,290	+ 0.8%	63,666	+ 1.0%
<i>Jagarico</i>	9,507	+ 2.3%	28,112	+ 0.2%
Other snacks than that above	15,571	+ 2.6%	45,820	+ 2.6%
Cereals (of which overseas consumption)	6,015 (677)	+ 1.7%	18,614 (1,401)	+ 1.6%
<b>Domestic operating profit</b> (Operating margin)	<b>8,523</b> (15.3%)	<b>-3.9%</b> (-0.9pts)	<b>21,120</b> (13.3%)	<b>+ 2.3%</b> (+ 0.2pts)

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

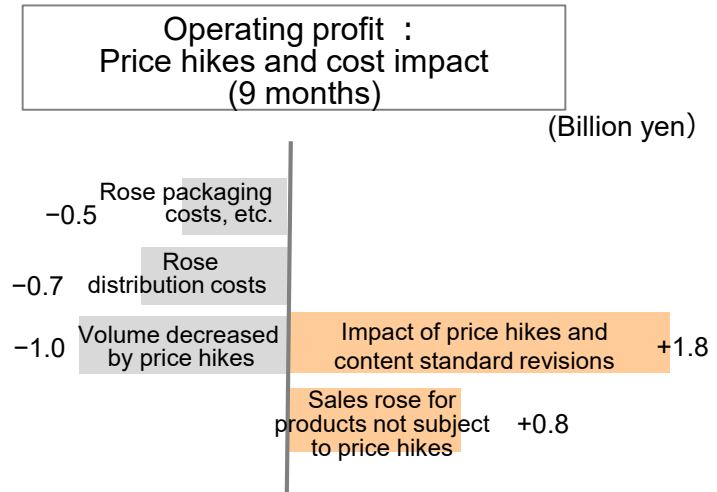
## Snacks

### ■ Q3 (3 months)

- *Potato Chips* sales rose for products not subject to price hikes (*Potato Chips Giza Giza*, *Professional baseball Chips*, etc.)
- Strong sales for *Jagarico*

### ■ Price hikes and cost impact

- Sales volume decreased -5.0% YoY (9 months) for products subjected to price hikes (*Potato Chips Usushio*, *Kata-Age Potato*, etc.)
- Increased in sales of products not subject to price hikes contributed to profit



## Cereals

### ■ Q3 (3 months)

- Overall sales were flat (+0.3% YoY)
- Continued strong sales of *Frugra Less Carbohydrates* (+26% YoY)
- Continual launches of new brands (+0.4bn YoY Q3 3months, +1.1bn YoY Q3 9months)

### New cereal products launched this fiscal year

	Ingredient product	Functional products	Kids' product
Expansion of customer base	Granola	Granola+ 'Protein in', 'Daily Iron'	Chocogra
Expansion in food scene	Currygra		

# FY2020/3 Q3: Overseas business

- Growth slowed in the four key regions in Q3 (3 months),  
North America sales decreased in existing businesses excluding Warnock (-23% YoY)  
(Million yen)

<Business results by region>	FY2020/3 Q3		FY2020/3 Q3		
	(3 months)	YoY	(9 months)	YoY	Change ex. forex in %
<b>Overseas net sales</b>	<b>11,267</b>	<b>+0.1%</b>	<b>33,392</b>	<b>+12.3%</b>	<b>+15.4%</b>
North America	2,226	+3.8%	7,110	-2.9%	-1.5%
Greater China	3,540	-1.1%	9,671	+10.5%	+13.6%
United Kingdom	1,570	-6.9%	4,501	+79.1%	+88.8%
Indonesia	957	-5.5%	3,393	+18.3%	+18.3%
Other regions	2,974	+5.1%	8,715	+5.4%	+8.9%
<b>Overseas operating profit</b> (Operating margin)	<b>97</b> (0.9%)	<b>+269</b> (+2.4pts)	<b>758</b> (2.3%)	<b>+971</b> (+3.0pts)	<b>—</b>
North America	-416	-293	-412	-469	—
Greater China	324	+86	734	+397	—
United Kingdom	-32	+100	5	+390	—
Indonesia	-119	+172	-399	+199	—
Other regions	341	+203	831	+453	—

<Net sales by product>	FY2020/3 Q3		FY2020/3 Q3	
	(3 months)	YoY	(9 months)	YoY
Snacks	9,450	+0.2%	28,309	+10.0%
Cereals overseas real consumption (of which, overseas consumption included in domestic sales)	2,493 (677)	+3.5%	6,484 (1,401)	+25.7%



# FY2020/3 Q3: Overseas business

## North America

### Q3 (3 months)

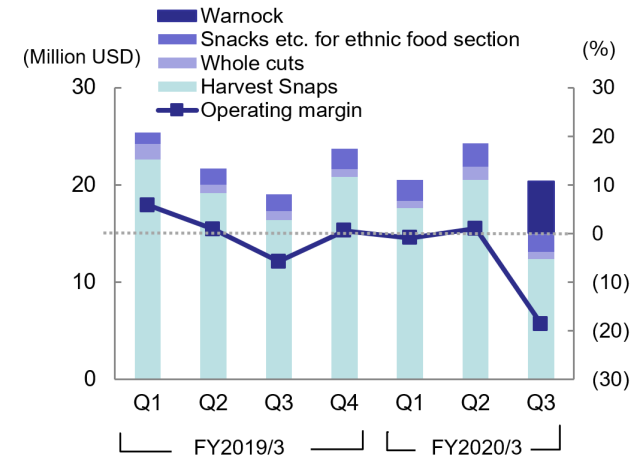
#### ■ Sales

- Weak demand for *Harvest Snaps* among major customers (YoY-24%)
- Sales of *Frugra* and snacks for ethnic foods sections grew (YoY+21%)
- Added Warnock to scope of consolidation (from November)

#### ■ Operating profit

Decreased due to worsened utilization ratio in *Harvest Snaps*, and expenses associated with the acquisition of Warnock (approx. ¥160mn) \*excl. amortization of goodwill

North America net sales and operating margin



## Greater China

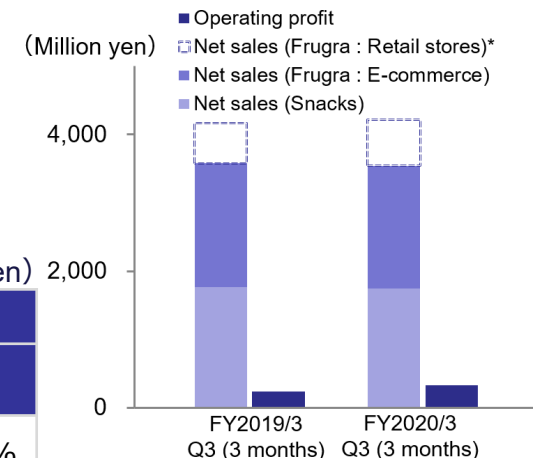
### Q3 (3 months)

- Intensifying competition in the e-commerce cereal market due to the new entries into the market by local firms and enhanced sales promotions by major competitors
- Sales growth slowdown despite of expanded product lineup

*Frugra* net sales by channels

	FY2020/3			FY2020/3		
	(3 months)	YoY		(9 months)	YoY	
EC	1,794	+40	+2.3%	4,973	+1,201	+31.8%
Retail stores *	677	+23	+3.5%	1,401	+17	+1.2%

Greater China results

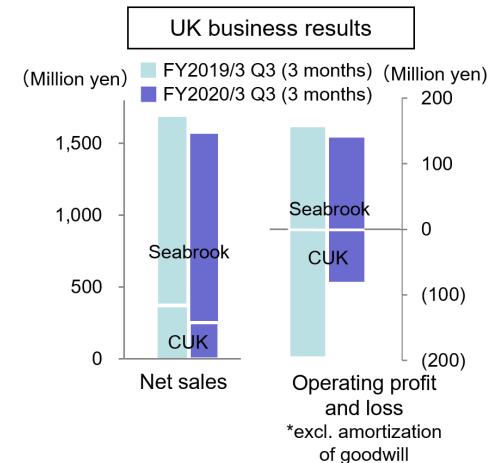


\*Retail store sales are recorded under domestic sales

## UK

### Q3 (3 months)

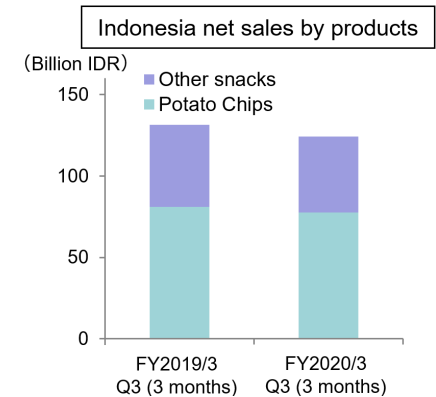
- Strong sales for Seabrook
- Stagnation in bean-based snack *Yushoi*, Calbee UK (CUK)
- Costs improved on the effects of reduced indirect costs through the integration of CUK and Seabrook



## Indonesia

### Q3 (3 months)

- COGS ratio improved following the end of last fiscal year's increased volume campaigns
- Controlled sales promotion expenses



## Other regions

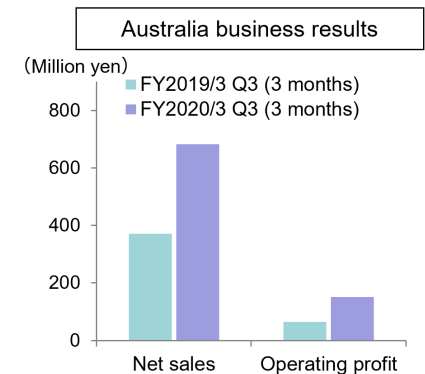
### Q3 (3 months)

#### ■ Australia

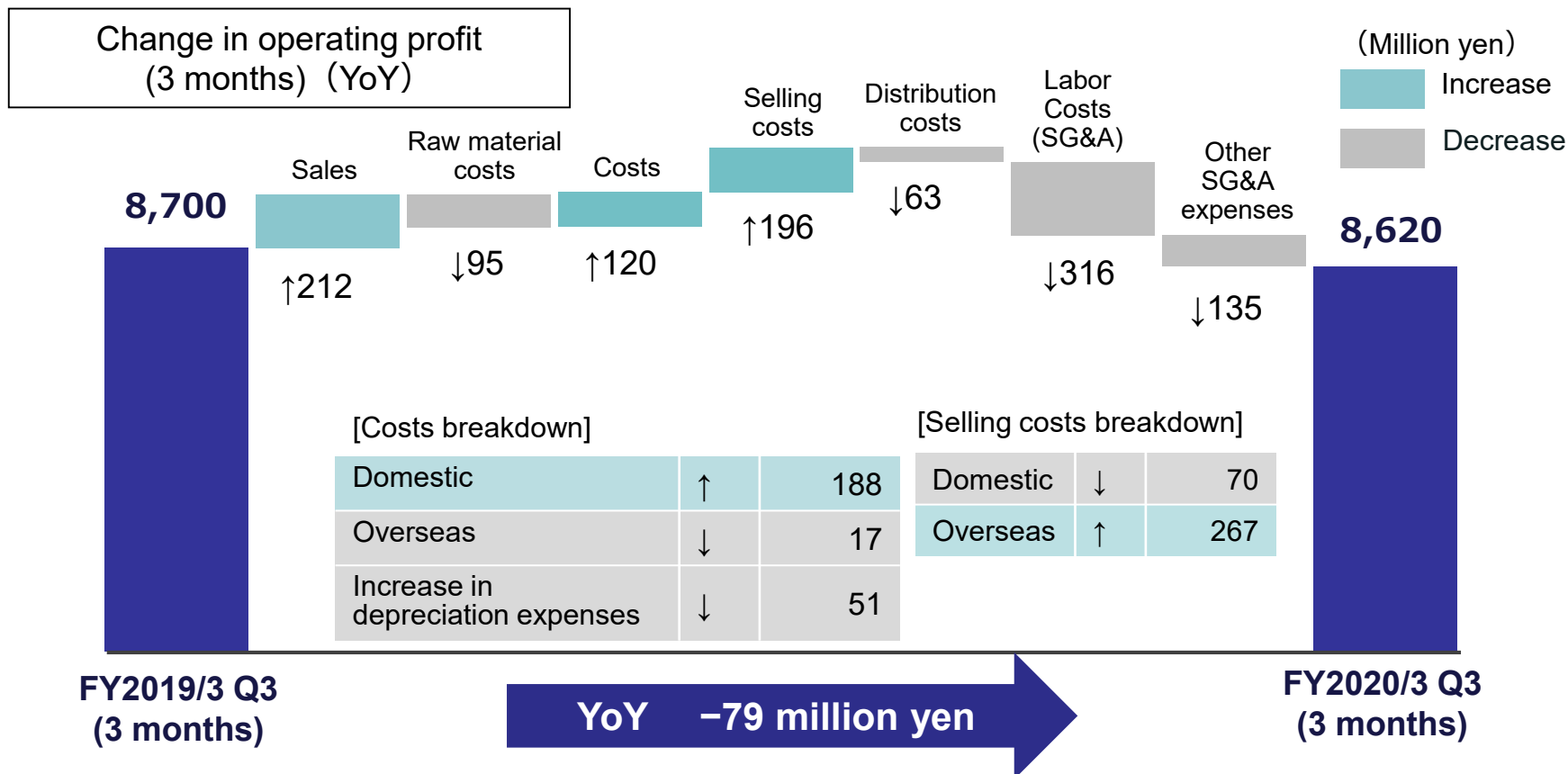
Expanded *Harvest Snaps* products lineup and sales stores  
Sales +84% YoY, profit of +¥0.1bn YoY

#### ■ Thailand

Strong sales of snacks for Thailand domestic and, gross profit rose due to increased exports to Calbee Australia  
Sales +12% YoY, profit of +¥0.1bn YoY



# FY2020/3 Q3 (3 months) : Factors decreasing operating profit



Sales: Effect of increases in domestic snacks and Australia

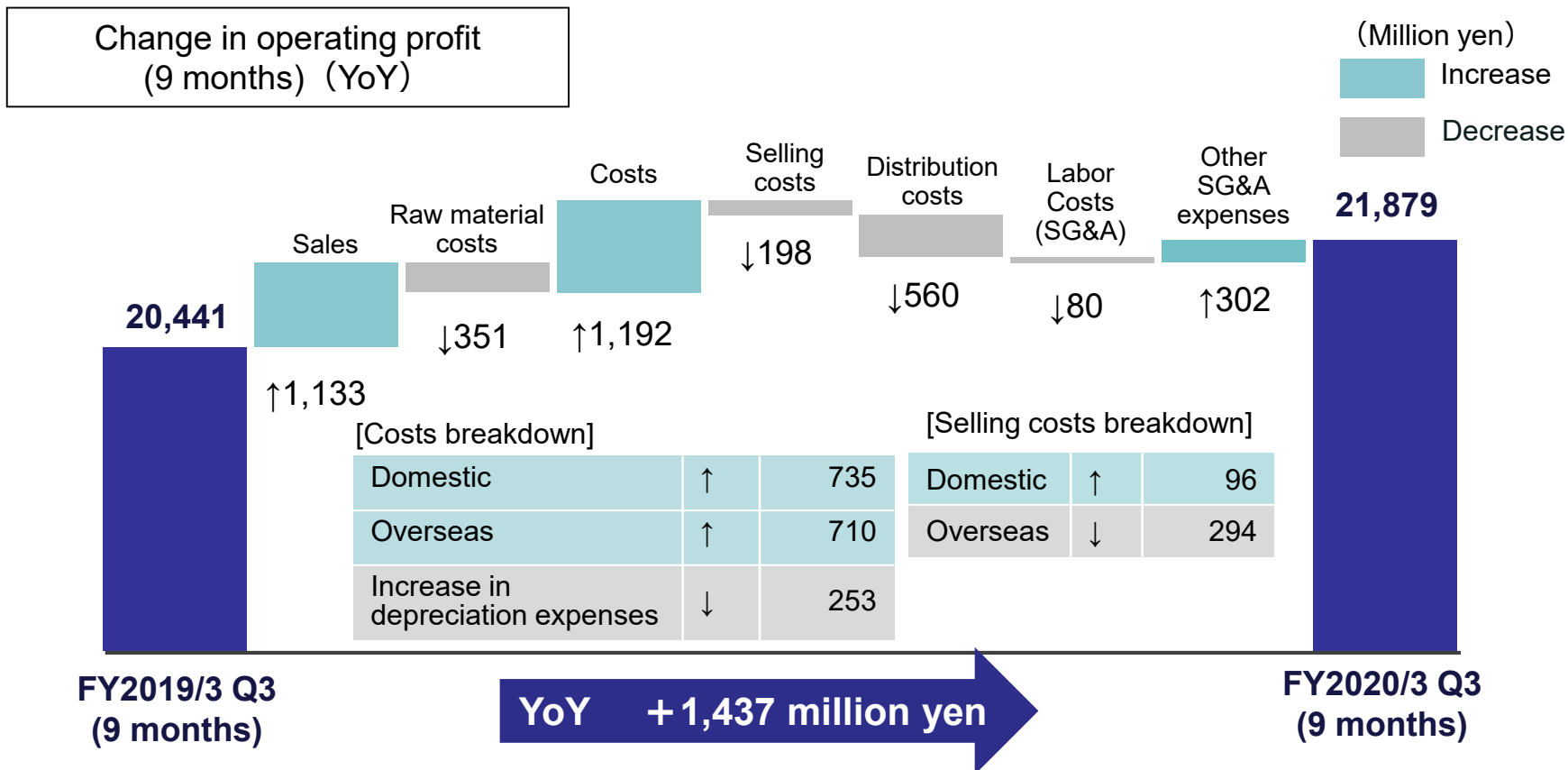
Raw material costs: Higher packaging costs (-¥0.2bn), improved *Frugra* raw material costs (+¥0.1bn)

Costs: Improved cost ratio through domestic snack price hike

Selling costs: Controlled sales promotional expenses in Indonesia

Labor costs: Rose on last year's ¥0.3bn reversal provision for bonuses

# FY2020/3 Q3 (9 months) : Factors increasing operating profit



Sales: Sales rose for snacks not subject to price hikes, effect from consolidation of Seabrook

Raw material costs: Higher packaging costs, improved *Frugra* raw material costs

Costs: (Domestic) Improved cost ratio with price hike, eliminated cost deterioration by not conducting *Potato Chips* increased volume campaign this fiscal year

(Overseas) Cost improvements in Indonesia, etc.

Selling costs: (Domestic) Controlled selling expenses

(Overseas) Invested in promotional expenses for North America, greater China e-commerce

Distribution costs: Domestic distribution costs rose

1. FY2020/3 Review of third quarter results
- 2. Revised FY2020/3 Full year forecasts**

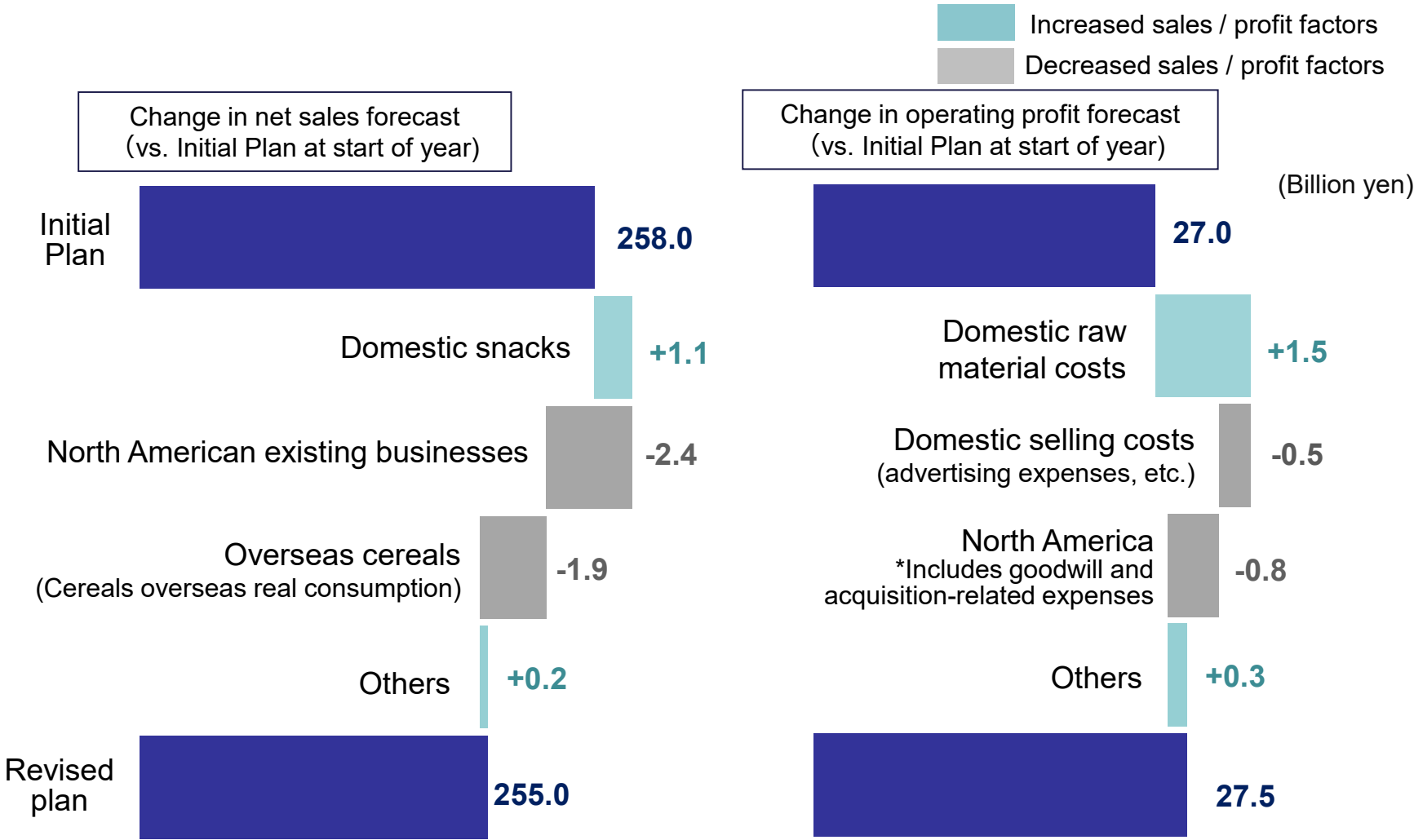
# Revised FY2020/3 Full year forecasts

- Sales downward revision of 3.0 billion yen, operating profit upward revision of 500 million yen

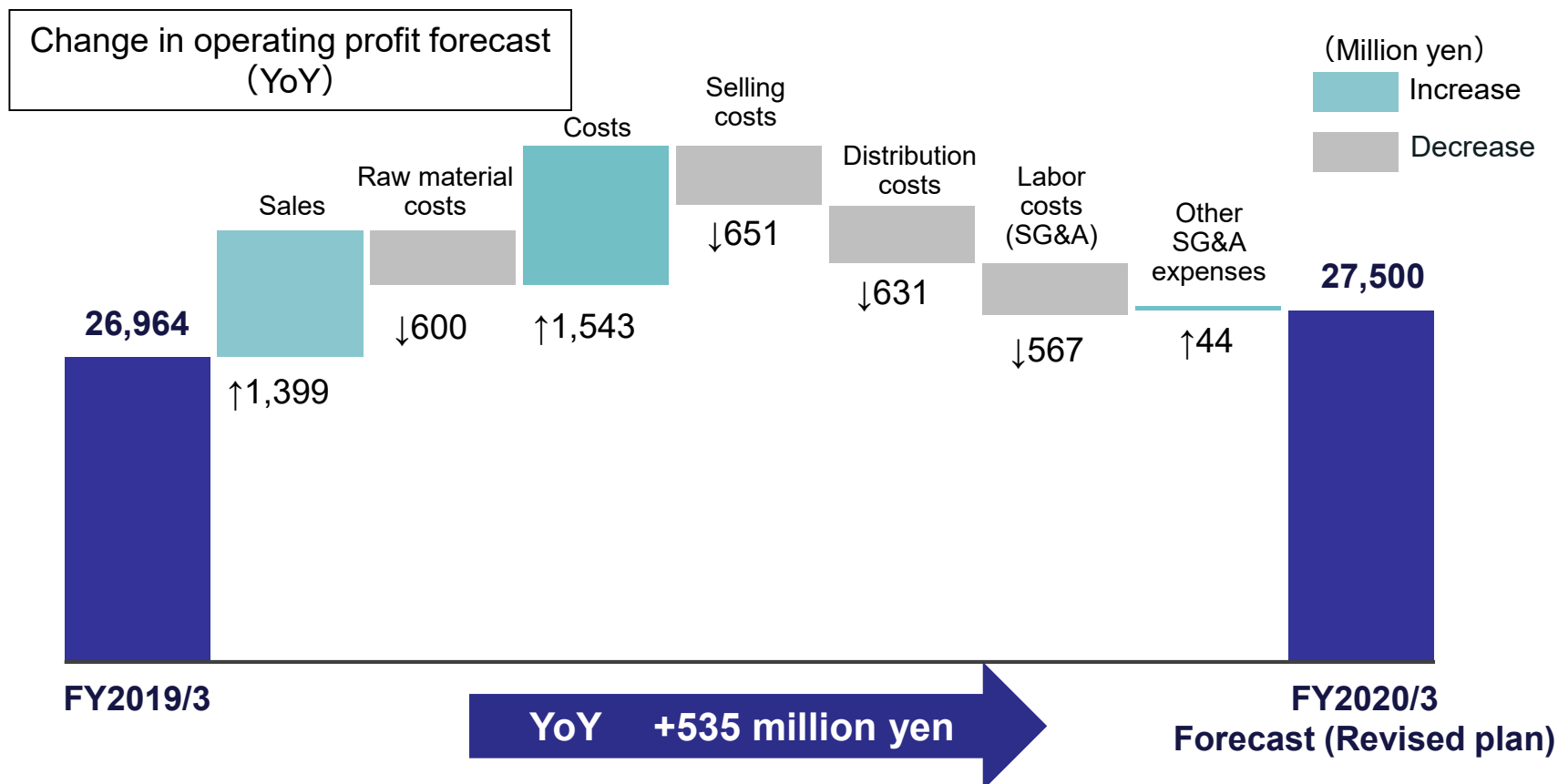
	FY2020/3 (Initial Plan at start of year)			FY2020/3 (Revised Plan)		
	(Million yen)	Percent of total(%)	YoY (%)	(Million yen)	Percent of total(%)	YoY (%)
<b>Net sales</b>	<b>258,000</b>	100.0	+3.8	<b>255,000</b>	100.0	+2.6
Domestic net sales	209,899	81.4	+0.8	210,000	82.4	+0.9
Overseas net sales	48,100	18.6	+18.9	45,000	17.6	+11.2
<b>Operating profit</b>	<b>27,000</b>	10.5	+0.1	<b>27,500</b>	10.8	+2.0
<b>Ordinary profit</b>	<b>26,500</b>	10.3	-3.4	<b>27,200</b>	10.7	-0.8
<b>Net profit</b>	<b>17,500</b>	6.8	-9.9	<b>17,500</b>	6.9	-9.9

# Revised FY2020/3 Full year forecasts

- Domestic: Raw materials costs for cereals improve, invest advertising expenses to strengthen the brand
- Overseas: Mainly sluggish North American existing business excluding Warnock



# Revised FY2020/3 full year forecasts : Factors increasing operating profit



	Sales	Raw material costs	Costs	Selling costs	Distribution costs	Labor costs (SG&A)	Other SG&A expenses
FY2020/3 Initial Plan at start of year (YoY)	↑2,060	↓2,100	↑1,603	↑19	↓823	↓967	↑244
Difference between Revised Plan and Initial Plan	-661	+1,500	-60	-670	+192	+400	-200



# Revised FY2020/3 full year forecasts and future initiatives

## Current status and issues

Domestic	Snacks	<ul style="list-style-type: none"> <li>● Snacks strong overall after implementing price hike</li> </ul>
	Cereals	<ul style="list-style-type: none"> <li>● Continue to launch new products, contribute to sales</li> <li>● Need to further expand product portfolio</li> </ul>
Overseas	North America	<ul style="list-style-type: none"> <li>● Decline in <i>Harvest Snaps</i> sales, lower factory utilization</li> </ul>
	China	<ul style="list-style-type: none"> <li>● Expand market and intensified competition in e-commerce cereals market due to entrance of local firms, etc.</li> </ul>

## Key points from Q4

- Launch potato-based snacks with new textures and new health-conscious products in “fine snacks”
- Advertising activities to raise brand awareness
- Aim to expand food scene, launch portability-focused *Calbits*
- Expand new *Harvest Snaps* brand products
- Expand product line-up in ethnic market
- Release products through collaboration with Warnock
- Proactively expand marketing and promotions in e-commerce
- Activate demand for snacks

## Reference material

For detailed figures for sales by product, sales by overseas country/region, etc., please refer to FY2020/3 Q3 Supplementary Information.  
<https://www.calbee.co.jp/en/ir/library/shiryou/>

# Consolidated profit and loss statement

**Calbee**

Harvest the Power of Nature.

(Million yen)

	FY2020/3 Q3 (3 months)				FY2020/3 Q3 (9 months)			
		Percent of total(%)	YoY(%)	vs. plan at start of year(%)		Percent of total(%)	YoY(%)	vs. plan at start of year(%)
<b>Net sales</b>	66,858	100.0	+1.4	-2.5	192,104	100.0	+2.7	-0.8
<b>Gross profit</b>	30,678	45.9	+1.5	-1.4	86,683	45.1	+3.7	+0.6
<b>SG&amp;A</b>	22,057	33.0	+2.4	-1.1	64,804	33.7	+2.7	-1.2
Selling	9,988	14.9	-0.6	-1.8	29,976	15.6	+3.4	-1.2
Distribution	4,785	7.2	+2.7	-3.7	13,772	7.2	+7.1	-1.1
Labor	4,625	6.9	+7.3	-0.7	13,517	7.0	+0.6	-1.5
Others	2,658	4.0	+5.4	+5.9	7,537	3.9	-3.9	-0.8
<b>Operating profit</b>	8,620	12.9	-0.9	-2.0	21,879	11.4	+7.0	+6.2
<b>Ordinary profit</b>	8,943	13.4	+8.0	+3.0	21,762	11.3	+4.4	+7.6
Extraordinary loss	-84	—	—	—	-146	—	—	—
<b>Net profit*</b>	5,860	8.8	+8.7	+2.6	14,680	7.6	-2.3	+9.6

\*Profit attributable to owners of parent

# Consolidated profit and loss statement :Revised FY2020/3 Full year forecasts

	FY2019/3		FY2020/3 (Initial Plan at start of year)	
	(Million yen)	Percent of total(%)	(Million yen)	Percent of total(%)
<b>Net sales</b>	248,655	100.0	258,000	100.0
Domestic net sales	208,193	83.7	209,899	81.4
Overseas net sales	40,461	16.3	48,100	18.6
<b>Gross profit</b>	111,120	44.7	114,800	44.5
<b>SG&amp;A</b>	84,156	33.8	87,800	34.0
Selling	39,051	15.7	40,500	15.7
Distribution	17,228	6.9	18,700	7.2
Labor	17,632	7.1	18,600	7.2
Others	10,244	4.1	10,000	3.9
<b>Operating profit</b>	26,964	10.8	27,000	10.5
<b>Ordinary profit</b>	27,432	11.0	26,500	10.3
Extraordinary income/loss	1,037	—	-500	—
<b>Net profit</b>	19,429	7.8	17,500	6.8



FY2020/3 (Revised Plan)	
(Million yen)	Percent of total(%)
255,000	100.0
210,000	82.4
45,000	17.6
114,900	45.1
87,400	34.3
40,700	16.0
18,300	7.2
18,200	7.1
10,200	4.0
27,500	10.8
27,200	10.7
-2,100	—
17,500	6.9

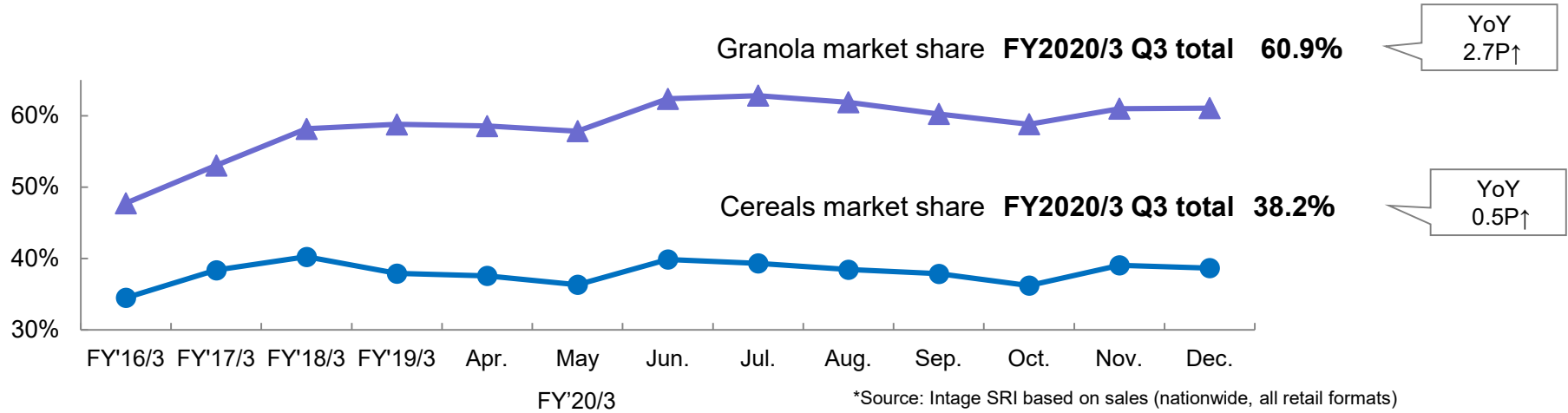
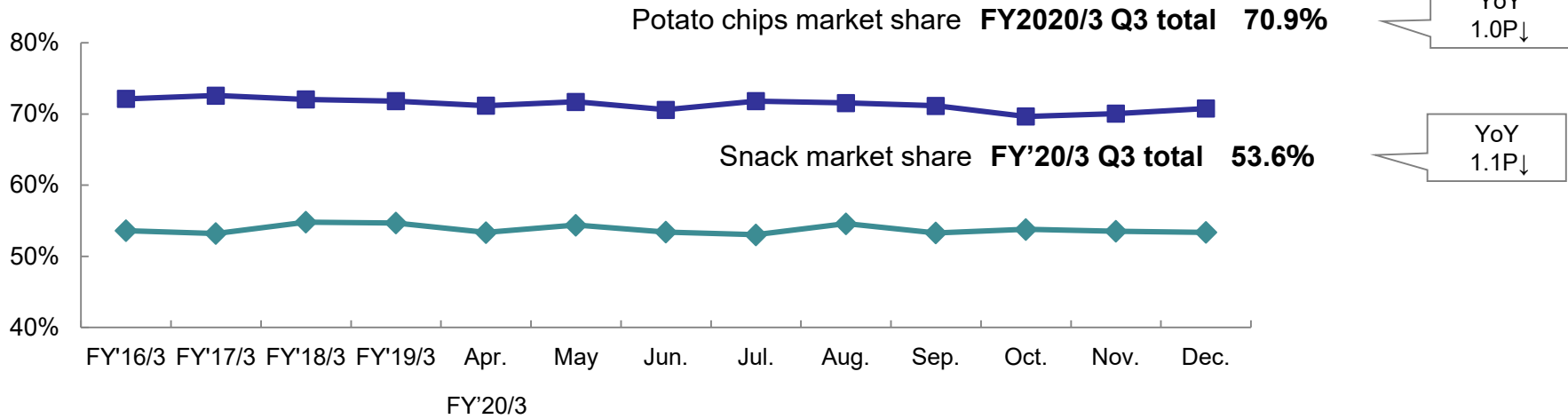
# Revised FY2020/3 Full year forecasts

## Net sales by product/by areas

(Million yen)

	FY2019/3	FY2020/3				
		Initial Plan at start of year	Revised Plan	YoY (%)	vs. Initial Plan at start of year	
					Change	Change (%)
Domestic net sales	208,193	209,899	210,000	+0.9	+101	+0.0
<i>Potato Chips</i>	84,129	85,258	84,886	+0.9	-372	-0.4
<i>Jagarico</i>	37,402	38,258	37,412	+0.0	-846	-2.2
Other snacks than that above	58,968	57,921	60,197	+2.1	+2,276	+3.9
Cereals	23,817	25,979	24,447	+2.6	-1,532	-5.9
Domestic operating profit	27,069	25,538	26,616	-1.7	+1,078	+4.2
Overseas net sales	40,461	48,100	45,000	+11.2	-3,100	-6.4
Snacks	35,178	41,030	38,582	+9.7	-2,448	-6.0
Cereals	5,283	7,070	6,418	+21.5	-652	-9.2
<By areas>						
North America	9,941	10,900	10,223	+2.8	-677	-6.2
Greater China	11,339	13,980	12,646	+11.5	-1,334	-9.5
UK	4,193	6,196	5,963	+42.2	-233	-3.8
Indonesia	3,854	5,235	4,413	+14.5	-822	-15.7
Overseas operating profit	-105	1,461	883	-	-578	-39.6
Exchange rate(Yen/USD)	110.7	109.0	109.0	-	-	-

## Market share\*



\*Source: Intage SRI based on sales (nationwide, all retail formats)  
 FY'20/3 Q3 total :April 2019 – December 2019  
 Comparison period: April 2018 - December 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

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<https://www.calbee.co.jp/en/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.
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- This document also contains unaudited figures for reference purposes only.