

Calbee Group Financial Results

First half of fiscal year ending March 31, 2021

April 1, 2020 – September 30, 2020

TSE code : 2229

Calbee, Inc.

2020.11.2

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- 1. FY2021/3 Review of first half results**
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FY2021/3 H1: Results highlights

Summary vs. last fiscal year

- **Sales:** (Domestic) Rose overall domestically due to the acquisition of Potato Kaitsuka despite decrease in domestic existing business* on lower sales of gift snack items
(Overseas) Continued to rise in Greater China, Warnock contributed to increase in North America
- **Operating profit:** (Domestic) Fell on impact of lower sales of gift snack items
(Overseas) Rose on effect of higher sales, etc.

*Domestic existing business: Domestic business excluding Potato Kaitsuka

	FY2020/3 H1		FY2021/3 H1		Change
	(billion yen)	Ratio to net sales (%)	(billion yen)	Ratio to net sales (%)	(%)
Net sales	125.2	100.0	130.9	100.0	+4.6
Domestic	103.1	82.3	104.3	79.6	+1.1
(Domestic existing business)	(103.1)	-	(101.6)	-	(-1.5)
Overseas	22.1	17.7	26.7	20.4	+20.5
Operating profit	13.3	10.6	13.0	9.9	-1.8
Domestic	12.6	-	11.4	-	-9.7
Overseas	0.7	-	1.6	-	+148.5
Ordinary profit	12.8	10.2	12.7	9.7	-0.5
Extraordinary income/loss	-0.1	-	-0.1	-	-
Profit attributable to non-controlling interests	-0.1	-	-0.4	-	-
Net profit*	8.8	7.0	8.2	6.3	-6.8

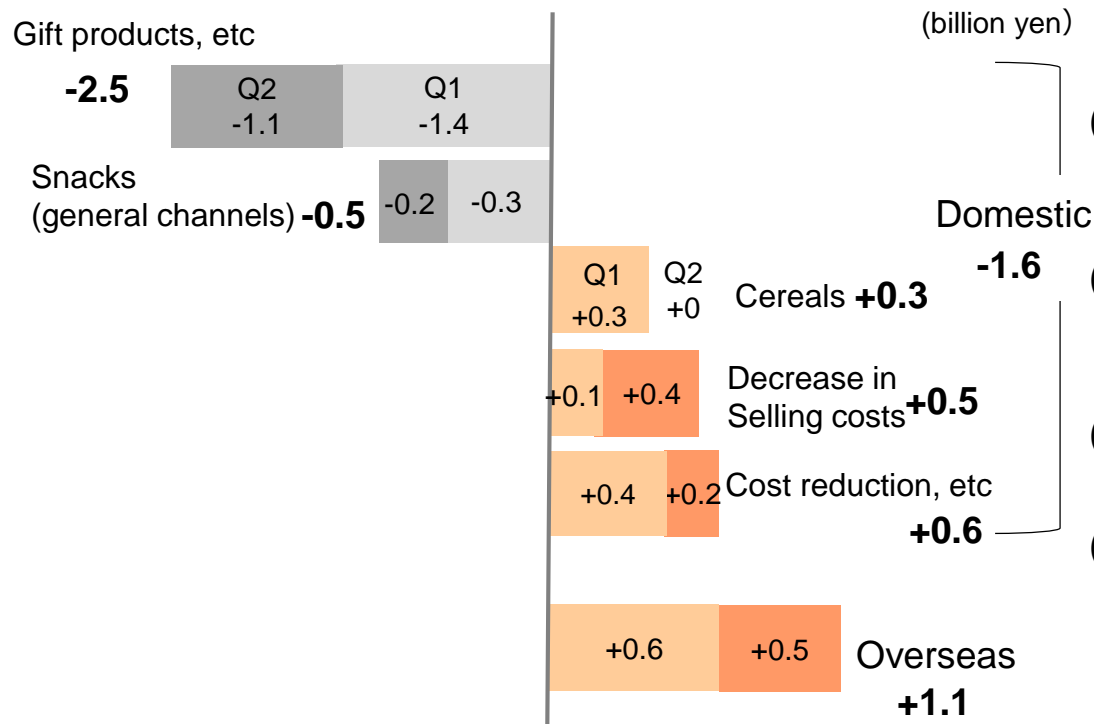
*Profit attributable to owners of parent

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Impact of COVID-19 in FY2021/3 H1

Despite positive contributions from higher demand in domestic cereals and overseas business, and having controlled selling costs and other expenses in domestic and overseas business, the negative effect of lower demand for high added-value gift snack items persisted

Impact of COVID-19 on operating profit (estimate)



<Domestic>

(-) Decreases in sales of gift snack items such as *Jaga Pokkuru* and at company-owned shops

(-) Snacks sales fell (general channels) on Q1 supply adjustments and lower demand for going out/from offices

(+) Continued high demand for cereals (unable to capture demand in Q2 due to suspension of *Frugra* regular products)

(+) Reduction in sales promotions and advertising expenses

(+) Controlled expenses such as travelling and commuting expenses by introducing of new workstyle

<Overseas>

See slide 8 for details

FY2021/3 H1: Domestic business



Harvest the Power of Nature.

(billion yen)

		FY2021/3 H1	
		Change (YoY)	
Domestic net sales	104.3	+1.2	+1.1%
Snacks	84.8	-4.4	-5.0%
<i>Potato Chips</i>	41.0	+0.7	+1.6%
<i>Jagarico</i>	16.6	-2.0	-10.8%
<i>Jaga Pokkuru</i>	0.7	-2.3	-76.8%
Other snacks than that above	26.5	-0.8	-3.0%
Cereals (of which overseas consumption)	15.3 (1.5)	+2.7 (+0.8)	+21.6%
Other domestic foods (Sweet potatoes, Potatoes) *Including Potato Kaitsuka	3.6	+3.0	+489.0%
Domestic operating profit (Operating margin)	11.4 (10.9%)	-1.2	-9.7% (-1.3pts)

FY2021/3 H1: Domestic business

Calbee

Harvest the Power of Nature.

Snacks

Potato Chips: • Increased demand for household consumption
• Market share recovered with resuming sales after supply adjustments

Jagarico: Weak sales on lower demand for going out/from offices

Jaga Pokkuru, etc.

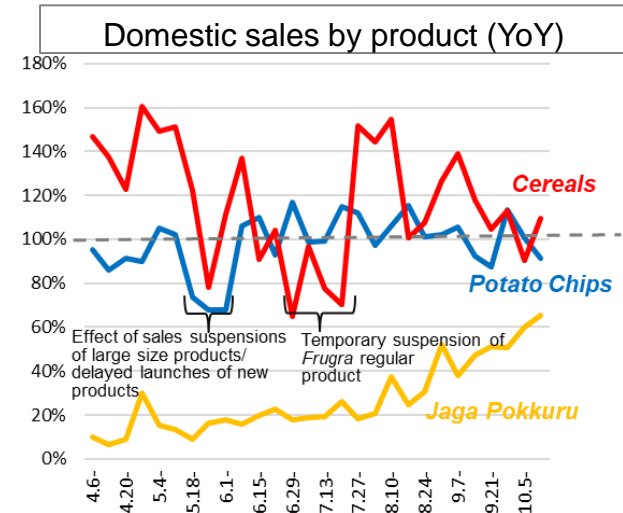
Sales of gift snack items fell on decline in inbound/domestic tourists, etc. (Gift snack items total -¥4.8bn YoY: Q1 -¥2.5bn, Q2 -¥2.3bn)

Now trending toward a recovery on factors including impact of domestic Go To Travel campaign

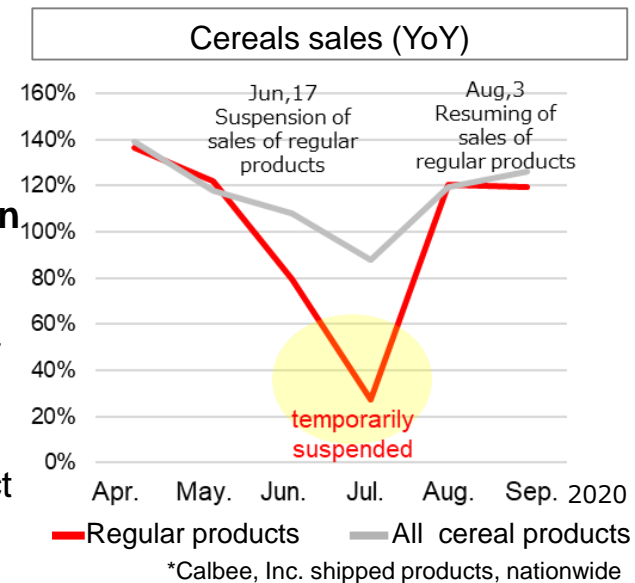
Cereals

Increase in new consumers as a result of nesting demand, expansion of the cereals market, however, demand has not yet fully captured following the suspension of *Frugra* regular product

- Sales of *Frugra* regular product remained flat YoY due to the temporary sales suspension
- In response to a shortage of coconuts, an imported raw material, launched *Frugra Simple Taste* as a substitute for *Frugra* regular product
- Continued growth in cereals, which has appeal in terms of health and nutrition (*Frugra Less Carbohydrates*, *Granola Plus*)



*Calbee, Inc. shipped products, regular channel in nationwide



*Calbee, Inc. shipped products, nationwide









FY2021/3 H1 : Overseas business

(billion yen)

<Business results by region>	FY2021/3 H1			
		Change (YoY)		Change ex. forex in %
Overseas net sales	26.7	+4.5	+20.5%	+24.1
North America	7.5	+2.6	+53.0%	+56.3
Greater China	7.9	+1.8	+28.5%	+31.6
United Kingdom	3.2	+0.3	+9.8%	+11.3
Indonesia	1.9	-0.5	-20.6%	-13.9
Other regions	6.2	+0.4	+7.2%	+11.4
Overseas operating profit (Operating margin)	1.64 (6.2%)	+0.98	148.5% (+3.2pts)	—
North America	0.39	+0.39	+9386.5%	—
Greater China	0.64	+0.23	+57.0%	—
United Kingdom	0.06	+0.03	+69.5%	—
Indonesia	-0.15	+0.13	—	—
Other regions	0.7	+0.21	+42.6%	—
<Net sales by product>				
Snacks	23.0	+4.1	+21.7%	—
Cereals overseas real consumption (of which, overseas consumption included in domestic sales)	5.2 (1.5)	+1.2 (+0.8)	+30.9%	—

FY2021/3 H1 : Overseas business Impact of COVID-19

Effect of COVID-19 on business results

	Market environment	Calbee's status	Sales	Operating profit
North America	<ul style="list-style-type: none"> • Snacks market grew on nesting demand 	<ul style="list-style-type: none"> • Strong Warnock PB sales (↑) • <i>Harvest Snaps</i> did not benefit from nesting demand (↓) • Controlled selling costs 		
Greater China	<ul style="list-style-type: none"> • Market grew on nesting demand • Demand grew through e-commerce 	<ul style="list-style-type: none"> • Higher sales of both snacks and cereals 		
UK	<ul style="list-style-type: none"> • Snacks market grew on nesting demand 	<ul style="list-style-type: none"> • Higher sales of Seabrook potato chips, especially regular products (↑) • Weak sales of bean-based snack <i>Yushoi</i> (↓) 		
Indonesia	<ul style="list-style-type: none"> • Snacks market sluggish due to downturn in income situation 	<ul style="list-style-type: none"> • Lower quantity produced in Q1 due to delays of imported potato supplies • Lower selling costs due to delayed promotions, etc. 		

FY2021/3 H1 : Overseas business

North America

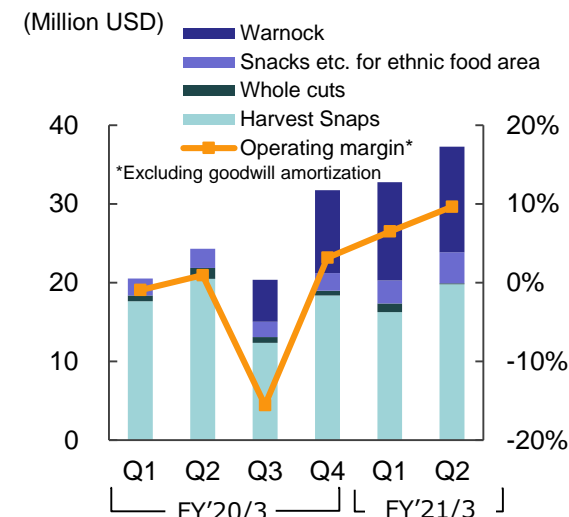
■ Sales

- Warnock saw strong store brands snacks(PBs) amid nesting demand
- Calbee North America sales were decreased
 - Sales at some customers declined, in addition to no benefit from nesting demand
 - Strong sales for ethnic foods area (Kappa Ebisen, Potato Chips, Jagarico)

■ Operating profit

Rose due to contributions from Warnock and having controlled *Harvest Snaps*' promotional costs

North America net sales and operating margin



Greater China

■ Sales

(Cereals)

- E-commerce sales were continued to grow (Intensifying competition have been unchanged)
- Continued sales growth in retail stores

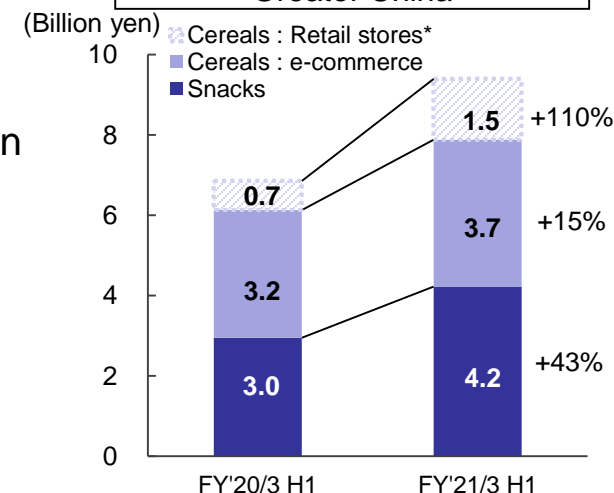
(Snacks)

- *Jaga Pokkuru* and *Jagabee* were strong due to nesting demand

■ Operating profit

Profit rose on higher sales

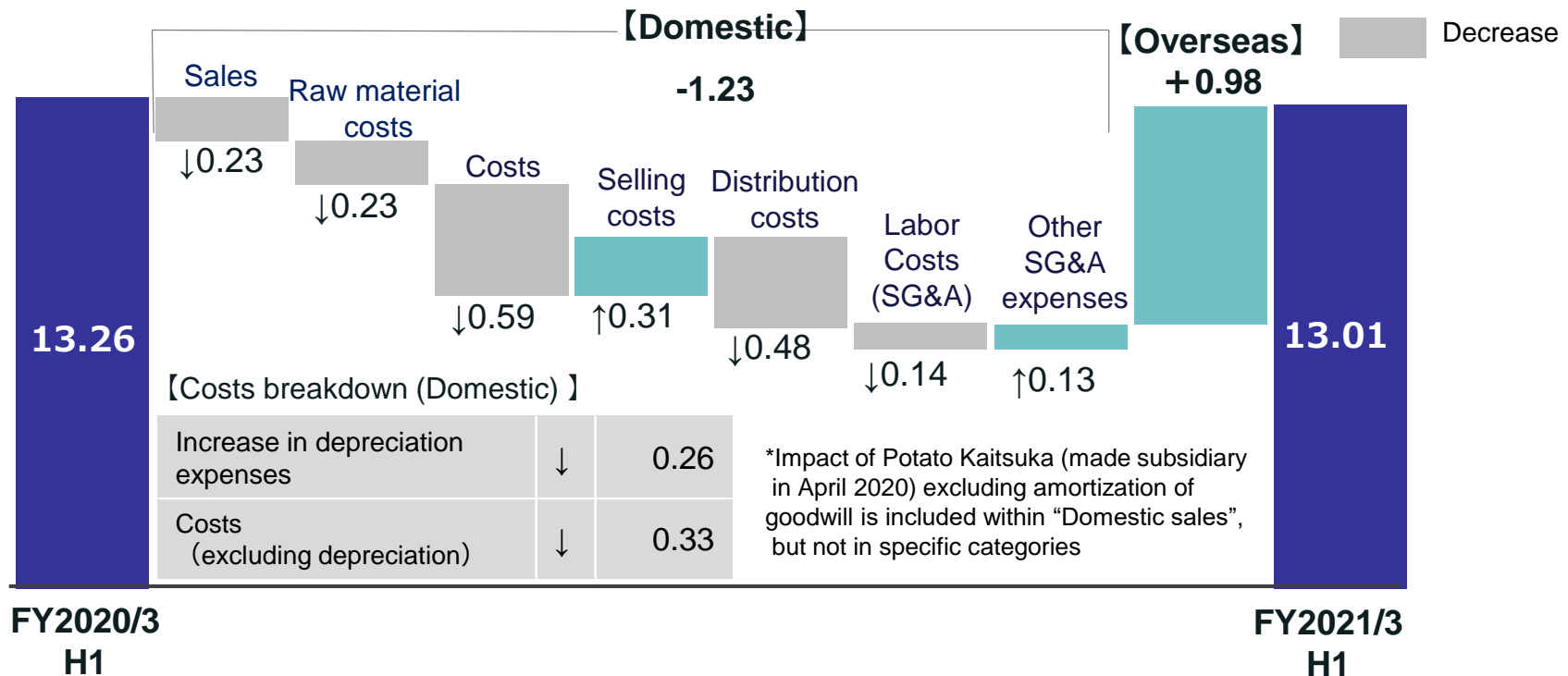
Sales by products in Greater China



FY2021/3 H1: Factors decreasing operating profit

Change in operating profit (YoY)

(billion yen)



[Domestic]

- Sales/raw material costs: Impacted by decrease in gift snack items
- Costs : Decreased productivity for snacks, including gift snack items
- Selling costs : Lower sales promotional expenses
- Distribution costs : Worsened distribution and loading efficiency for snacks
- Other SG&A expenses : Despite increased depreciation of goodwill, decrease due to curtailment of expenses for travelling and commuting

*Impact of Potato Kaitsuka (made subsidiary in April 2020) excluding amortization of goodwill is included within "Domestic sales", but not in specific categories

- 1 . FY2021/3 Review of first half results
- 2 . Revised FY2021/3 Full year forecasts**

Revised FY2021/3 Full year forecasts

Summary

In light of H1 results and forecast for H2, net sales have been downwardly revised by ¥5.0bn and operating profit upwardly revised by ¥2.0bn vs. initial plan

(billion yen)

	FY2021/3 forecasts ※Excluding the Impact of COVID-19	FY2021/3 forecasts (Initial Plan at start of year)	FY2021/3 forecasts (Revised Plan)	Change (vs. Initial Plan)
Net sales	275.0	270.0	265.0	-5.0
Domestic	220.5	216.6	211.1	-5.5
Overseas	54.5	53.4	53.9	+0.5
Operating profit	28.0	24.5	26.5	+2.0
Domestic	26.4	23.7	23.9	+0.2
Overseas	1.6	0.8	2.6	+1.8
Consolidated operating margin	10.2%	9.1%	10.0%	-
Net profit*	18.0	15.7	16.2	+0.5

*Profit attributable to owners of parent

Revised FY2021/3 full year forecasts

Changes from initial plan

■ H1 results

- (Domestic) Offset high portability snacks (*Jagarico*, etc.) not achieving targets and delayed recovery of gift snack items by controlling costs
- (Overseas) Exceed targets through sales growth in Greater China and controlling sales expenses in North America and Indonesia

■ H2 plan revisions

- (Domestic) Cover the widening gap between sales trends and initial assumption of gradual recovery of gift snack items by controlling costs
- (Overseas) Market environment remains unchanged, spend on sales promotion to boost sales momentum

(billion yen)

	FY'21/3 H1 Target (Initial Plan)	FY'21/3 H1 Results	vs. plan at start of year	FY'21/3 H2 Target (Initial Plan)	FY'21/3 H2 Revised plan	Change (vs. Initial Plan)
Net sales	132.8	130.9	-1.9	137.2	134.1	-3.1
Domestic	106.5	104.3	-2.2	110.1	106.9	-3.2
Overseas	26.3	26.7	+0.3	27.1	27.2	+0.1
Operating profit	11.2	13.0	+1.8	13.3	13.5	+0.2
Domestic	11.2	11.4	+0.2	12.5	12.5	0
Overseas	0	1.6	+1.6	0.8	1.0	+0.2

Reference material

For detailed figures for sales by product, sales by overseas country/region, etc., please refer to
FY2021/3 H1 Supplementary Information.
<https://www.calbee.co.jp/en/ir/library/shiryou/>

FY2021/3 H1 : Consolidated profit and loss statement

(Million yen)

		FY2021/3 H1			
			Percent of total(%)	YoY(%)	vs. plan at start of year(%)
Net sales		130,947	100.0	+4.6	98.6
Gross profit		57,214	43.7	+2.2	98.6
SG&A		44,200	33.8	+3.4	94.4
	Selling	19,839	15.2	-0.7	91.4
	Distribution	9,625	7.4	+7.1	98.2
	Labor	9,472	7.2	+6.5	98.7
	Others	5,263	4.0	+7.9	90.7
Operating profit		13,013	9.9	-1.8	116.2
Ordinary profit		12,749	9.7	-0.5	116.4
Extraordinary income/loss		-78	—	—	—
Profit attributable to non-controlling interests		-421	—	—	—
Net profit*		8,223	6.3	-6.8	114.2

*Profit attributable to owners of parent

Revised FY2021/3 full year forecasts :

Consolidated profit and loss statement

	FY2021/3 Target (Initial Plan at start of year)		YoY	FY2021/3 Target (Revised Plan)		YoY
	(Million yen)	Ratio to net sales (%)		(Million yen)	Ratio to net sales (%)	
Net sales	270,000	100.0	+5.5	265,000	100.0	+3.5
Domestic net sales	216,600	80.2	+2.9	211,100	79.7	+0.3
Overseas net sales	53,400	19.8	+17.4	53,900	20.3	+18.5
Gross profit	119,400	44.2	+3.7	117,300	44.3	+1.9
SG&A	94,900	35.1	+8.6	90,800	34.3	+3.9
Selling	43,400	16.1	+6.3	41,200	15.5	+1.0
Distribution	19,800	7.3	+7.4	19,400	7.3	+5.2
Labor	19,700	7.3	+9.8	19,500	7.4	+8.6
Others	12,000	4.4	+17.4	10,700	4.0	+4.6
Operating profit	24,500	9.1	-11.4	26,500	10.0	-4.2
Ordinary profit	24,000	8.9	-12.4	26,000	9.8	-5.1
Extraordinary income/loss	-500	—	—	-1,500	—	—
Profit attributable to owners of parent	15,700	5.8	-10.5%	16,200	6.1	-7.6

Revised FY2021/3 full year forecasts :

Net sales by product/by areas

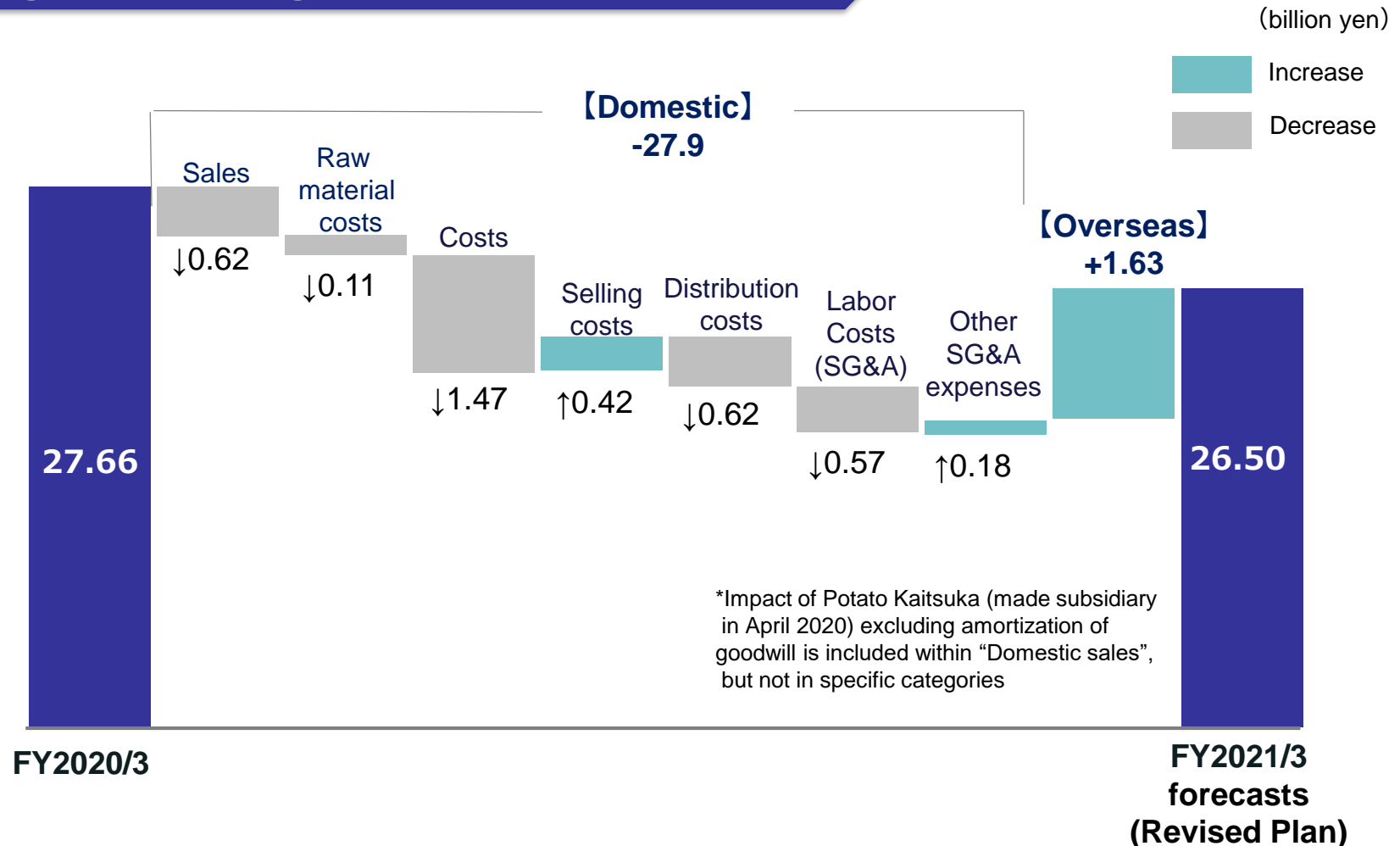
(Million yen)

	FY2020/3	FY2021/3	
		Revised plan	Change(%)
Domestic net sales	210,470	211,000	+0.3
<i>Potato Chips</i>	86,189	86,350	+0.2
<i>Jagarico</i>	36,390	34,100	-6.3
<i>Jaga Pokkuru</i>	5,035	1,900	-62.3
Cereals	25,157	28,100	+11.7
Domestic operating profit	26,693	23,900	-10.5
Overseas net sales	45,468	53,900	+18.5
North America	10,576	14,600	+38.0
Greater China	12,771	15,700	+22.9
UK	6,047	6,700	+10.8
Indonesia	4,351	4,300	-1.2
Overseas operating profit	970	2,600	+168.0

The main exchange rates used as basis for this forecast are
1USD = ¥106, 1RMB = ¥15.5, 1GBP = ¥136, and 1IDR = ¥0.0072

Revised FY2021/3 full year forecasts : Factors decreasing operating profit

Change in operating profit forecast (YoY)

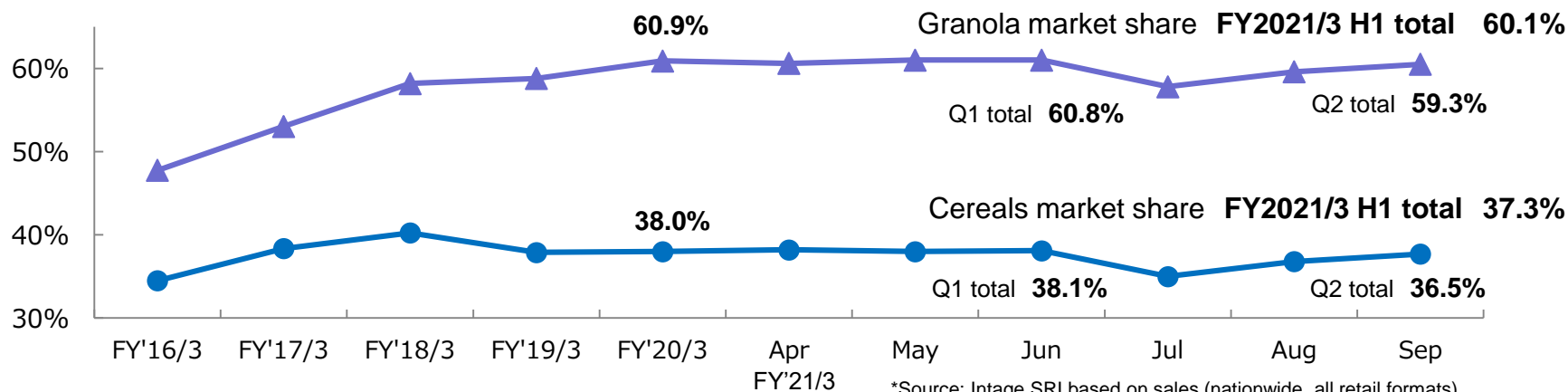
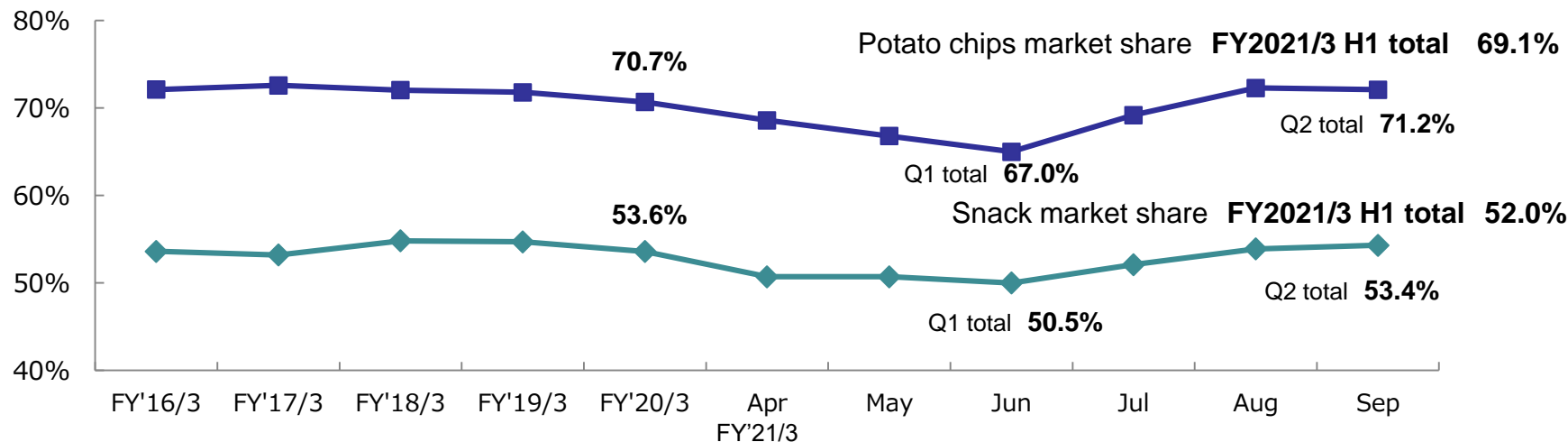


Domestic business



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■ Market share*



*Source: Intage SRI based on sales (nationwide, all retail formats)
FY'21/3 H1 total :April 2020 – September 2020
FY'16/3-FY'21/3: April 2015 – March 2021
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 ending March 31, 2021 is referred to throughout this report as "FY2021/3," 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.
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