

## **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

## **Table of contents**

**1 . FY2021/3 Review of first half results**

**2 . Revised FY2021/3 Full year forecasts**

## **1 . FY2021/3 Review of first half results**

## **2 . Revised FY2021/3 Full year forecasts**

## 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 (%)	(%)
<b>Net sales</b>	125.2	100.0	<b>130.9</b>	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
<b>Operating profit</b>	13.3	10.6	<b>13.0</b>	9.9	-1.8
Domestic	12.6	-	11.4	-	-9.7
Overseas	0.7	-	1.6	-	+148.5
<b>Ordinary profit</b>	12.8	10.2	<b>12.7</b>	9.7	-0.5
Extraordinary income/loss	-0.1	-	-0.1	-	-
Profit attributable to non-controlling interests	-0.1	-	-0.4	-	-
<b>Net profit*</b>	8.8	7.0	<b>8.2</b>	6.3	-6.8

\*Profit attributable to owners of parent

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3

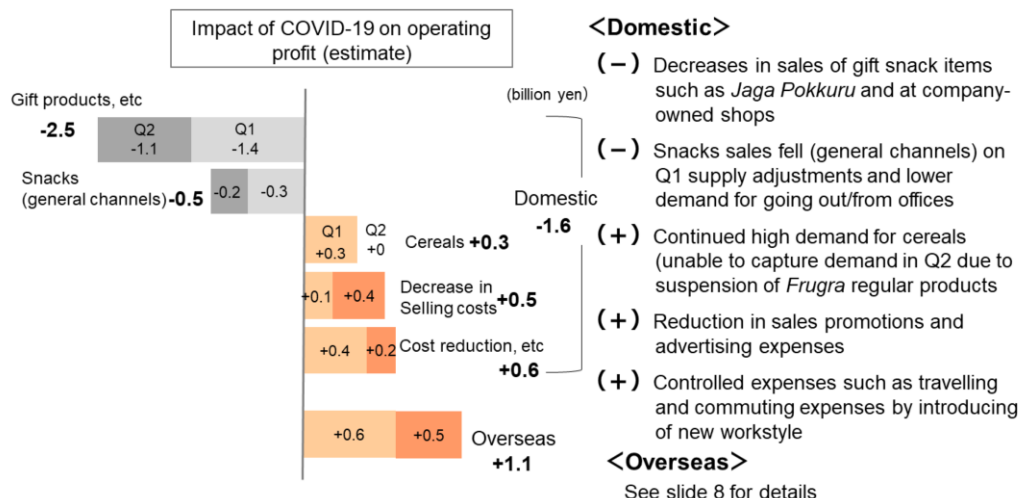
First, please see slide three. These are the first-half consolidated results.

Net sales were JPY130.9 billion, up 4.6% YoY, mainly due to overseas business expansion. In the domestic business, net sales decreased in existing businesses as sales decreased substantially for gift snack items. However, net sales expanded in the Domestic Business as a whole thanks to the acquisition of Potato Kaitsuka. In the overseas business, net sales continued to increase in Greater China, and Warnock's acquisition contributed to higher sales.

Operating profit was JPY13.0 billion, down 1.8% YoY. In the domestic business, operating profit fell as decreased sales of gift snack items had a significant negative impact. On the other hand, in the overseas business, operating profit increased. On net, operating profit only decreased JPY0.3 billion compared to the same period last year.

## 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**



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4

Please see slide four. This slide focuses on the impact of COVID-19 in first half results. The graph illustrates our estimated impact on operating profit.

In the first half, we estimate COVID-19 to have pushed down operating profit by JPY0.5 billion. In the domestic business, we continued to see strong demand for cereals and a decrease in selling costs and other costs such as traveling and commuting expenses, also contributed positively.

On the other hand, lower sales of gift snack items and snacks sold through general channels along with supply adjustment and lower demand for going out or inside offices, resulted in negative impact on operating profit.

Details of the overseas business are explained on a separate slide, which I will cover later.

## FY2021/3 H1: Domestic business



		FY2021/3 H1	
		Change (YoY)	
<b>Domestic net sales</b>	<b>104.3</b>	<b>+1.2</b>	<b>+1.1%</b>
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%
<b>Domestic operating profit</b> (Operating margin)	<b>11.4</b> (10.9%)	<b>-1.2</b>	<b>-9.7%</b> (-1.3pts)

(billion yen)

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5

Please see slide five. These are the results of the Domestic Business.

Domestic net sales were JPY104.3 billion, up 1.1% YoY. Although the snacks business saw a decrease in sales mainly due to lower sales for gift snack items including *Jaga Pokkuru* and lower sales for *Jagarico* as its main source of demand is outings and office, cereals and Potato Kaitsuka contributed to an increase in sales.

Domestic operating profit was JPY11.4 billion, down 9.7% YoY, and the operating margin was down 1.3 percentage points to 10.9%.

## FY2021/3 H1: Domestic business



### 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.

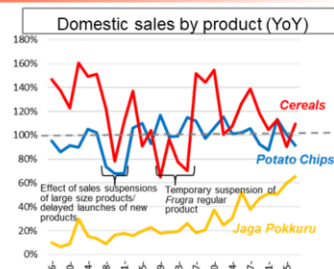
**Sales of gift snack items fell on decline in inbound/domestic tourists, etc.** (Gift snack items total ¥4.8bn YoY: Q1 ¥2.5bn, Q2 ¥2.3bn)

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

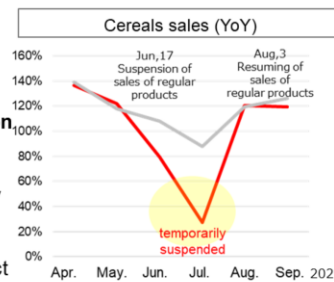
### Cereals

**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

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6

Please see slide six. Here's a description of the Domestic Business broken out by category.

In the snacks category, demand remained strong for potato chips as a household consumption product. In the first quarter, sales were suspended for some products catering to the drastic change in consumer behavior. After sales resumed, both sales and market share have been recovering. On the other hand, sales remained sluggish for *Jagarico*, which mainly targets consumption during outings or in the office.

In gift snack category as represented by *Jaga Pokkuru*, net sales dropped sharply as inbound demand and the number of domestic travelers continued to decline. In the first quarter, sales were down by around 80% YoY. In the second quarter, demand was boosted in part by the GoTo Travel Campaign, and sales have recovered to a decline of around 60%. In total, sales decreased by 73% in the first half.

In the cereals category, sales expanded driven by at-home demand. However, we experienced procurement shortages of coconut, one of the imported raw materials, due to lockdowns at the country of origin, resulting in our mainstay *Frugra* product's sales suspension. We weren't able to fully meet the demand during this period from mid-June to the beginning of August, but the strong demand overall shored up sales.

## FY2021/3 H1 : Overseas business

<Business results by region>	FY2021/3 H1			
		Change (YoY)		Change ex. forex in %
<b>Overseas net sales</b>	<b>26.7</b>	<b>+4.5</b>	<b>+20.5%</b>	<b>+24.1</b>
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
<b>Overseas operating profit</b>	<b>1.64</b>	<b>+0.98</b>	<b>148.5%</b>	<b>—</b>
(Operating margin)	(6.2%)		(+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	5.2	+1.2	+30.9%	—
(of which, overseas consumption included in domestic sales)	(1.5)	(+0.8)		

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7

Please see slide seven. Here are the results for the overseas business.

Overseas net sales were JPY26.7 billion, up 20.5% YoY. Net sales increased in all regions except for Indonesia, where the COVID-19 pandemic had a negative impact.

Operating profit was JPY1.64 billion, up JPY0.98 billion, as profit increased in all four key regions including Indonesia. The operating margin increased 3.2 percentage points to 6.2%.



Effect of COVID-19 on business results

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

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8

Please see slide eight. Here's an overview of the impact of COVID-19 on first-half earnings in our four key regions overseas.

In North America, the snacks market expanded, driven by at-home demand. Demand has strengthened for private brand products of Warnock. On the other hand, *Harvest Snaps* of Calbee North America saw no benefit from at-home demand, resulting in weak sales. In Calbee North America, we curbed selling costs by controlling and prioritizing sales promotions, and this had a positive impact on profit.

In Greater China, not only did the market expand due to at-home demand, but ecommerce demand also served as a tailwind, resulting in increased sales for both snacks and cereals.

In the UK, the snacks market grew, and demand for Seabrook brand potato chips increased. However, demand was sluggish for *Yushoi*, a bean-based snack in the healthy snacks category, as in North America.

In Indonesia, sales were negatively affected by procurement delays of imported potatoes during the first quarter due to lockdowns in the place of origin. Production normalized from the second quarter, but the overall snack market was sluggish due to deterioration in consumer's income, unlike in the US or Europe. Against this backdrop, there weren't opportunities for effective promotions, causing delays, which led to reduced selling costs that positively affected profit.

As shown here, the factors are different from one region to another, but the overseas business as a whole saw a positive impact on profit in both the first and second quarters.

## FY2021/3 H1 : Overseas business



### North America

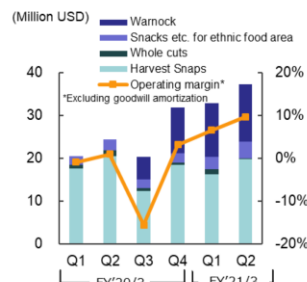
#### ■ Sales

- 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

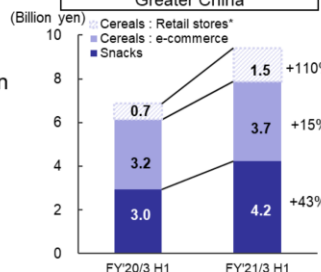
(Snacks)

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

#### ■ Operating profit

Profit rose on higher sales

Sales by products in Greater China



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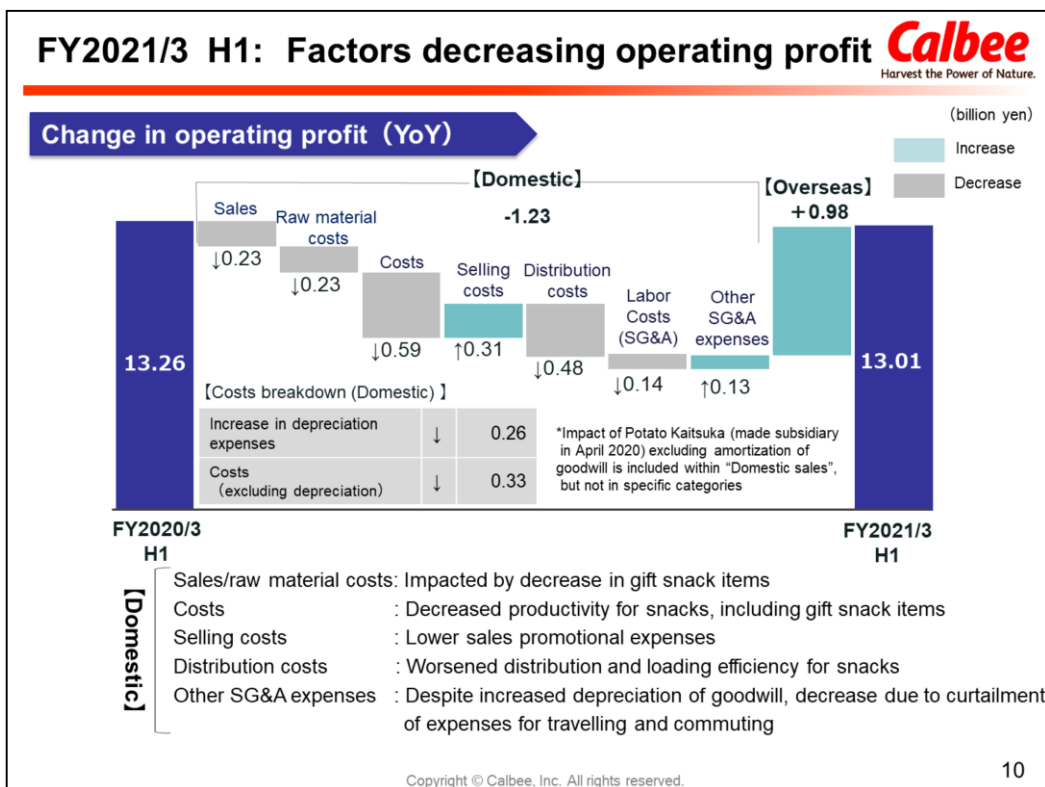
\*Retail sales are recorded under domestic sales

9

Please see slide nine. Next, for North America and Greater China, I would like to cover some topics that go beyond just the impact of COVID-19.

First, in North America, we made Warnock a subsidiary in November last year, and this has positively contributed to sales and profit. In Calbee North America, we saw strong sales for products sold in the ethnic foods areas. *Harvest Snaps* saw no benefit from at-home demand, because they are sold on vegetable sales floors and are small volume snacks. On top of that, a major customer reduced the sales area, causing a substantial negative impact on sales and decreased sales.

In Greater China, sales expanded for both snacks and cereals. However, competition with local manufacturers remains tough for *Frugra*. Against this backdrop, growth was driven by a steady capture of ecommerce demand. Cereals for retail stores sales also increased. In terms of snacks, significant growth was seen, particularly for *Jaga Pokkuru* and *Jagabee*.



Please see slide 10. Here I'll go over the factors behind the change in first-half operating profit.

This graph divides the factors into domestic and overseas. The domestic factors are broken down by accounting items. This is the same approach as we usually take. But I think it may be particularly useful in explaining each factor on slide four, because of the substantial impact that COVID-19 had on gift snack items for the first-half operating profit.

In total, the domestic business pushed down operating profit by JPY1.23 billion. Of this, the negative impact of gift snack items was about JPY2.5 billion. On the other hand, the reduction of selling costs and other SG&A costs positively impacted operating profit by JPY1.1 billion. On net, the negative impact of gift snack items was partly offset by this positive cost impact.

Overseas, the factors behind the increase in operating profit included higher sales in Greater China and reduced selling expenses in North America and Indonesia.

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)
<b>Net sales</b>	275.0	270.0	<b>265.0</b>	<b>-5.0</b>
Domestic	220.5	216.6	211.1	-5.5
Overseas	54.5	53.4	53.9	+0.5
<b>Operating profit</b>	28.0	24.5	<b>26.5</b>	<b>+2.0</b>
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%	-
<b>Net profit*</b>	18.0	15.7	<b>16.2</b>	<b>+0.5</b>

\*Profit attributable to owners of parent

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12

Please see slide 12. Here is our revision to the full-year forecast.

We revise the full-year forecast for the fiscal year ending March 2021, considering first half results, the latest performance trends, and the market environment.

We revise down our net sales forecast by JPY5 billion to JPY265 billion, considering the lower-than-anticipated domestic net sales. We revise up our operating profit forecast by JPY2 billion to JPY26.5 billion, as we expect the boost from reduced domestic expenses to more than offset the drag from lower-than-anticipated domestic sales.

### 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)
<b>Net sales</b>	132.8	<b>130.9</b>	-1.9	137.2	<b>134.1</b>	-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
<b>Operating profit</b>	11.2	<b>13.0</b>	+1.8	13.3	<b>13.5</b>	+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

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13

Please see slide 13. This slide gives a more detailed explanation of the forecast revision. Here are the differences and reasons for the change in the first and second half assumptions.

First-half net sales came in JPY1.9 billion below the initial plan. First-half operating profit came in JPY1.8 billion above the initial plan.

In the domestic business, lower-than-planned sales of snacks including Jagarico along with delays in recovery of gift snack items were offset by a reduction in expenses. The overshoot in profit mainly came from overseas business.

We revise down the second-half net sales assumption by JPY3.1 billion compared to initial plan, while revising up the second-half operating profit assumption by JPY0.2 billion.

The larger difference between the revised plan and initial plan for the second-half domestic net sales is because we initially assumed that the COVID-19 pandemic would be contained by the end of the fiscal year. We assumed that sales for gift snack items would gradually recover in the second half, but we now believe this demand will not return, and the current condition will persist during second half.

In the overseas business, we do not expect a significantly higher operating profit than initially planned. We think it will be roughly on par with the initial plan. This is because we saw a boost in profit in the first half stemming from reduced selling costs. However, in the second half, we aim to spend on selling costs as initially planned to maintain or strengthen the sales momentum.

The P/L for revised plan, net sales by product and areas, and operating profit analysis are all in the reference materials.

That's all for our earnings presentation. Thank you.

## 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

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## 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 (%)	
<b>Net sales</b>	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
<b>Gross profit</b>	119,400	44.2	+3.7	117,300	44.3	+1.9
<b>SG&amp;A</b>	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
<b>Operating profit</b>	24,500	9.1	-11.4	26,500	10.0	-4.2
<b>Ordinary profit</b>	24,000	8.9	-12.4	26,000	9.8	-5.1
Extraordinary income/loss	-500	—	—	-1,500	—	—
<b>Profit attributable to owners of parent</b>	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)

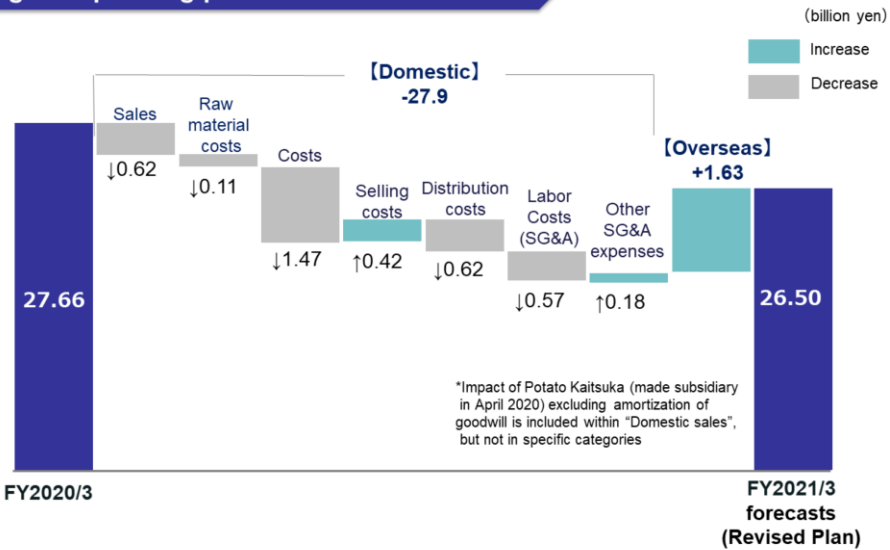
	FY2020/3	FY2021/3	
		Revised plan	Change(%)
<b>Domestic net sales</b>	210,470	211,000	+0.3
<i>Potato Chips</i>	86,189	86,350	+0.2
<i>Jagarico</i>	36,390	34,100	-6.3
<i>Jaga Pokkuru</i>	5,035	1,900	-62.3
Cereals	25,157	28,100	+11.7
<b>Domestic operating profit</b>	26,693	23,900	-10.5
<b>Overseas net sales</b>	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
<b>Overseas operating profit</b>	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



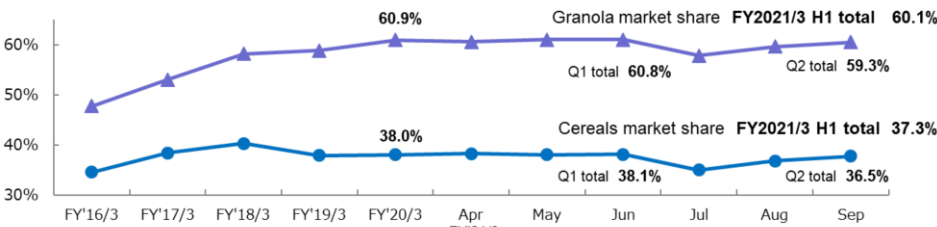
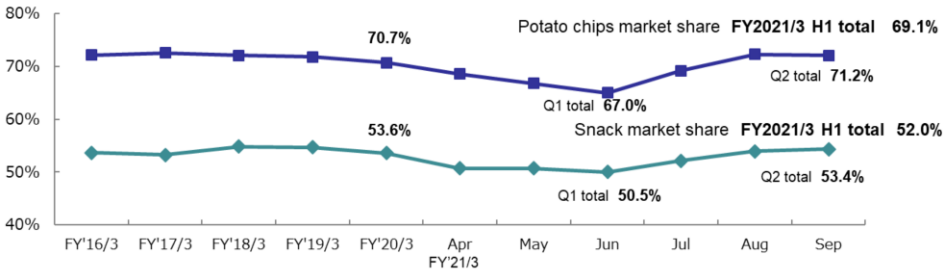
## Change in operating profit forecast (YoY)



# Domestic business



■ 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  
Cereals: Total of Calbee and Japan Frito-Lay Cereals (includes private brand products)

Contact details for IR inquiries:

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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.
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