

Calbee Group Financial Results

Fiscal year ended March 31, 2021

April 1, 2020 – March 31, 2021

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Calbee, Inc.

2021.5.13

1. Calbee Group's Medium-term Strategy and Initiatives

Shuji Ito President and CEO

2. FY2021/3 Financial Results and FY2022/3 Full Year Forecast

Koichi Kikuchi Senior Managing Director and CFO

Calbee Group's Medium-term Strategy and Initiatives






Shuji Ito
President and CEO

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FY2021/3: Summary

- In FY2021/3 implemented measures based on the Medium-term Management Plan while prioritizing response to COVID-19 (response to markets/crisis management)
- Steadily accumulated results even amid the effects of COVID-19 and achieved revised profit targets

Priority Initiatives		Summary
Domestic existing business	① Secure profitability in snacks business	 <ul style="list-style-type: none"> • Snacks (excluding gift snack items) sales increased on nesting demand • Selling costs improved on higher sales of regular products
	② Grow granola customer base	 <ul style="list-style-type: none"> • Captured new customers via nesting demand • Products that appeal functionality were strong
	③ Promote cost reduction measures	 <p>Initiatives for automation/labor saving progressing well, but cost reduction effects are slightly delayed</p>
Overseas business:		
Expand business in 4 key regions		 <p>Sales rose primarily in North America, Greater China</p>
New businesses:		
Pursue synergies with Potato Kaitsuka		 <p>Grew business via synergies from expanded raw materials procurement, etc.</p>

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Hello again, my name is Ito. First of all, I would like to talk about the medium-term strategy of the entire Calbee Group. Please refer to page 3 of the material.

The fiscal year ended March 2021 was a year that was greatly affected by the new coronavirus. While prioritizing responses to the coronavirus, such as crisis management in the supply chain, responding to problems of various sizes, and responding to changing market needs, we have also been gradually working on medium-term challenges.

As a result of the implementation of these measures, we were able to achieve the upwardly revised operating income plan for the full year, despite significant decreases in sales of souvenir products and such. Thus, in the existing business in Japan, even though there was a significant decrease in souvenir products, there was some growth in general channel products due to so-called stay-at-home demand.

With regard to granola and other cereal products, this new demand led to the acquisition of new customers, and products with appeal for functionalities such as sugar-free and protein were particularly strong.

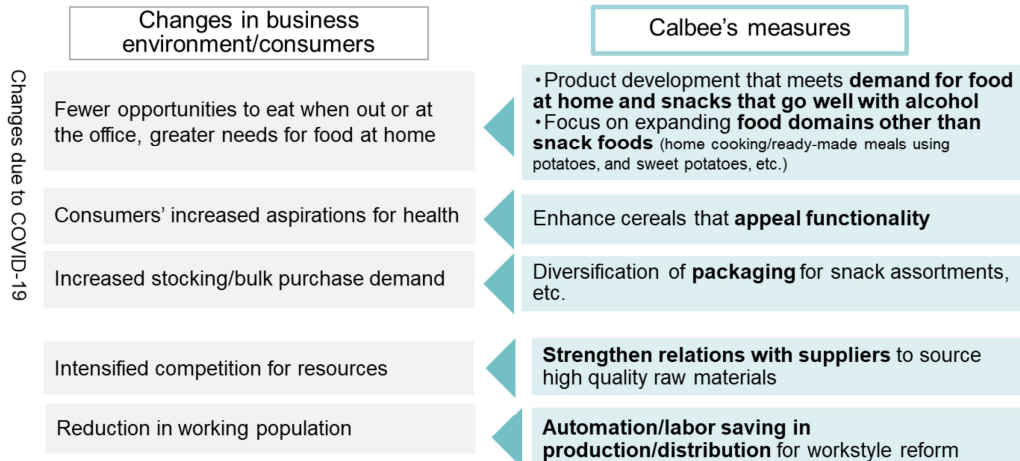
Overseas business also saw an increase in sales, mainly in North America and Greater China in the midst of coronavirus-related confusions.

In the area of new businesses, we are expanding the business of Potato Kaitsuka, which we acquired in April 2020, by utilizing the procurement know-how of Calbee Potato, Inc.

Changes in the business environment

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- Consumers' consciousness and purchasing behaviors are changing due to medium- to long-term shifts in societal structure and consumer trends, as well as the spread of COVID-19
- With these changes in mind, we will advance implementation of flexible and swift measures now and expand into new food domains over the medium- to long-term



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Please turn to page 4.

In the last fiscal year, in addition to changes in social structure and consumption trends, which were forecasted in medium- to long-term, the impact of coronavirus caused changes in consumer awareness and purchasing behavior as described in this table. In line with this, distributors and manufacturers are dealing with various changes.

The Calbee Group has also taken measures to respond to short-term and long-term changes, as you can see in the blue area.

Along with flexibly dealing with short-term changes, as there are various things occurring, there have been major changes in important medium- and long-term challenges, and we are now moving forward with new business activities.

Medium-term strategy and Initiatives			<small>握りだそう、自然の力。</small> Calbee
Med-term plan (FY2024/3)		Results over the past 2 years	Themes/points to improve
Domestic existing business	Create new value and realize high profit <div>Domestic operating margin (FY24/3 target) 15%</div>	<u>Improved profitability in domestic existing business</u> <ul style="list-style-type: none"> Revised snack prices/content Strengthened initiatives with distributors Raised efficiency in the value chain by extending expiration dates, etc. <div>Domestic operating margin (FY21/3) 11.6%</div>	1. Strengthen business base (SCM)
Overseas business	Establish revenue-generating bases in 4 key regions <div>Overseas sales ¥80.0bn</div>	<u>Expanded business in key regions</u> <ul style="list-style-type: none"> Expanded product portfolio via M&A in North America/UK Grew e-commerce and enhanced products in Greater China <div>Overseas sales (FY21/3) ¥53.1bn</div>	2. Evolve supply chain in 4 key regions and expand global brand
New businesses	Establish businesses in new food domains	<u>Entered sweet potato business</u> Acquired Potato Kaitsuka in Apr. 2020	3. Expand sweet potato business and seek new ingredients
Co-creation with society	Achieve a sustainable society	<ul style="list-style-type: none"> Encouraged/vitalized agriculture via collaboration with Hokuren* Extended expiration dates, displaying year/month only, to reduce food waste of products Prepared to introduce certified palm oil 	<ul style="list-style-type: none"> Stabilize domestic potato supply Substitute/reduce plastic containers

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Let's move on to page 5.

Here, I would like to explain our activities over the past 2 years to address the challenges raised in the mid-term plan.

In existing businesses in Japan, we are implementing measures to strengthen profitability, such as revising prices, revising standards, and strengthening initiatives with distribution partners. In addition, we have promoted the efficiency of the entire value chain, including extending expiration dates and labeling expiration dates in year and month, but with regard to SCM, we will go further than that and strengthen the foundation by shifting to a new production system in order to respond to changes in the business environment over the medium to long term.

In our overseas business, we are expanding our product portfolio through M&A with Warnock in North America and Seabrook in the UK.

In Greater China, the Frugra brand has been widely accepted, mainly through ecommerce, and we are expanding our product lineup of these products. In addition, exports of snack products have been increasing.

Going forward, we will continue to evolve SCM in priority regions and develop global brands.

I will talk more about the new business later.

In terms of social co-creation initiatives, we are promoting the items listed here, focus on strengthening cooperation with the agricultural sector, and build an eco-friendly supply chain with protection of human rights to take concrete actions.

Medium-term strategy and Initiatives: Domestic existing business

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Strengthen business base (SCM)

Create a production, distribution and sales structure able to respond flexibly to changes in demand

Product development: Enhance products with new value that meet 'living with COVID' needs

Production/distribution: Automation/labor saving through digital transformation

Sales: Strengthen strategic partnerships with distributors



Toward 2030

Aim to create a next-generation production structure that will realize higher productivity and cope with labor shortages and reducing the burden on the environment

Plan to build a new Hiroshima factory as a cutting-edge 'mother factory' (plan to begin operation from FY2025/3)

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Let's move on to page 6.

In our existing businesses in Japan, for both snacks and cereals, in addition to product and market development, which we have identified as our mid-term tasks, we are building production, distribution, and sales systems that can flexibly respond to changes in demand and consumption trends.

Another important challenge is to respond appropriately to the expected increase in the price of raw materials and the stable supply of raw materials.

In the new system, we are introducing DX and other technologies to automate and saving manpower in production and distribution processes.

In the area of sales, we will further strengthen our strategic partnerships with our distribution partners.

The construction of new Hiroshima plant is one of concrete actions for the next generation production system. The construction of this plant will proceed sequentially from the fiscal year ending March 2025. In order to realize a next-generation production system, we will not only improve productivity, but also address the issues of labor shortage and environmental burdens that are expected to occur in the future. We will also introduce new food areas and new processing technologies in this vast factory.

Medium-term strategy and Initiatives: Overseas business

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Evolve supply chain in 4 key regions and expand global brand

Enhance production and sales structures in key regions such as North America and Greater China

North America

- Integrate organization and optimize production facilities
- Use Calbee brand x Warnock's production ability to develop and expand portfolio

Greater China

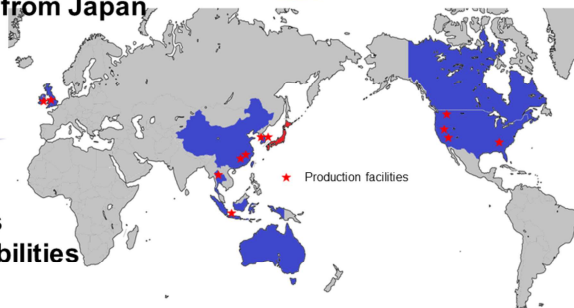
- Strengthen marketing and sales functions for retail channels
- Consider local supply structure

Strengthen global expansion of products from Japan



Toward 2030

Leverage global network (overseas production facilities) to seek possibilities for expanding sales regions



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Let's move on to the next page, page 7.

This is about overseas business, and there are 2 main points.

The first is to strengthen our production and sales systems in North America and China, which are our priority regions.

In North America, we will promote the integration of organizations and optimization of production bases and expand our portfolio by combining our own production lines with the production of our Calbee brand production.

In the Greater China region, the Calbee brand is gaining recognitions, mainly through ecommerce, in such products as Frugra and Jagabee. As a result of this promoted recognition, Calbee China, which was established this fiscal year, has started trading for retail stores. With this, we will continue to strengthen our marketing and sales promotion in the markets of traditional commerce.

In the Greater China region, we are currently supplying products mainly through exports from Japan, but the challenge is to build a new supply system.

Secondly, we will steadily develop the Calbee brand into a global brand, not just a Japanese brand.

First of all, we will further strengthen the ethnic market in North America, ecommerce in China, and the products such as Jaga Pokkuru, Jagarico, Frugra, and Jagabee in the markets of traditional commerce.

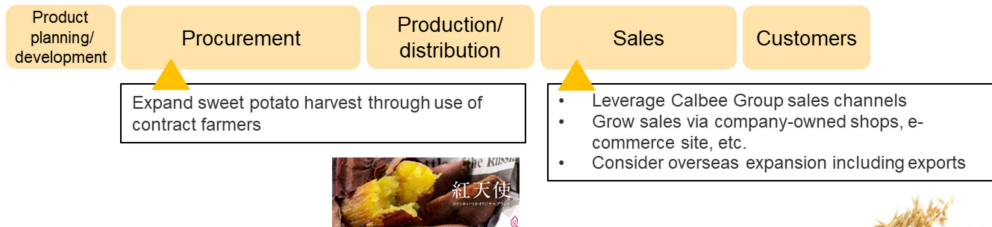
In addition, considering our overseas business as a whole, we would like to make effective use of our current production bases and aggressively expand our sales regions in the same pattern as we are expanding the Australian market through production in Thailand.

Medium-term strategy and Initiatives: New businesses

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Expand sweet potato business and seek new ingredients

Demonstrate synergies with potato business and expand sweet potato business



Advance development of new businesses based on ingredients

- Advance business development through collaborative business with Hokuren (Federation of Agricultural Cooperatives)
- Leverage natural ingredient processing technologies to develop products with new ingredients
- Create business platform based on the ready-made meals, food at home domain



Toward 2030

Establish new businesses as drivers for growth after potatoes and sweet potatoes

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Let's move on to page 8. This is about new business.

First, we will continue to expand our sweet potato business.

We are promoting the business of Potato Kaitsuka, but for this point, we will make use of the Calbee Group's expertise in contract farming of potatoes to procure raw materials, and we will strongly promote the expansion of procurement volume.

In terms of sales, our current products and services are doing very well, and we are also developing new products. We would like to grow these products by utilizing the sales channels and sales marketing system of the Calbee Group, including overseas markets.

In the medium to long term, we believe that this business will be able to reach the level of our cereal business.

We have also begun to search for new materials. We started an alliance with Hokuren last year, with whom we are currently discussing a variety of issues. With this alliance as well as our own processing technology, we will search for growth businesses that will utilize new materials following on after potatoes and sweet potatoes.

At the same time, in the business related to potatoes, which is the core of our business, we are taking advantage of strategic partnerships with various distribution companies to expand our business beyond the current snack products into new areas such as deli, ready-to-eat foods, and fresh foods.

And in addition to the new businesses centered on raw materials as I have just mentioned, we will continue to promote our challenges on new businesses in new areas with new [inaudible] value, new technologies, and new software.

Towards realizing our Vision for 2030

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

Calbee in 2030

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

Targets for 2030

Over 40% of sales overseas
Over 20% of sales in new food domains

Further solidify domestic existing business, become more global and move towards new food domains

- Transition to a sustainable next-generation production supply structure able to respond flexibly to changes in markets
- Move from separate business strategies for each overseas area to a global business strategy
- Accelerate business cultivation in new food domains

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Let's move on to page 9.

In order to realize our current medium-term vision, "Next Calbee," we will strengthen our existing businesses in Japan, accelerate growth in overseas markets, and take on the challenge of expanding into new food areas outside of our current businesses.

That's all I have to say about our mid-term strategy. Thank you very much.

FY2021/3 Financial Results and FY2022/3 Full Year Forecast

Koichi Kikuchi
Senior Managing Director and CFO

FY2021/3 financial results and FY2022/3 full year forecasts

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- (1) FY2021/3 financial results**
- (2) FY2022/3 full year forecasts**
- (3) Investment and shareholder return policy**

(1) FY2021/3 financial results

FY2021/3 financial results



Summary vs. last fiscal year

- **Sales** (Domestic) Sales rose as nesting demand and sweet potato business offset decline in gift snack items
(Overseas) Increased due to growth in North America and Greater China
- **Operating profit** (Domestic) Decreased due to lower sales of high-value-added gift snack items
(Overseas) Increased due to higher sales and cost improvements in North America
- **Ordinary profit** Increased due to foreign exchange gains +¥0.45bn (-¥0.45bn last year)

	FY2020/3		FY2021/3		Change
	(Billion yen)	Ratio to net sales(%)	(Billion yen)	Ratio to net sales(%)	(%)
Net sales	255.9	100.0	266.7	100.0	+4.2
Domestic net sales (Domestic existing business)	210.5 (210.5)	82.2 -	213.6 (206.8)	80.1 -	+1.5 (-1.7)
Overseas net sales	45.5	17.8	53.1	19.9	+16.8
Operating profit	27.7	10.8	27.1	10.1	-2.2
Domestic operating profit/operating margin	26.7	12.7	24.7	11.6	-7.5
Overseas operating profit/operating margin	1.0	2.1	2.4	4.5	+144.4
Ordinary profit	27.4	10.7	27.5	10.3	+0.5
Extraordinary income/loss	-1.6	-	-1.1	-	-
Profit attributable to non-controlling interests	0.3	-	-0.4	-	-
Net profit*	17.5	6.9	17.7	6.6	+0.8

*Profit attributable to owners of parent

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I'm Kikuchi. I will explain our business results for the fiscal year ended March 2021, our plans for the fiscal year ending March 2022, and our investment and dividend policies.

Please turn to page 13. This is the consolidated financial results for the full fiscal year ending March 2021.

Net sales increased 4.2% YoY to JPY266.7 billion, due to higher sales in both Japan and overseas.

In Japan, sales of souvenir products fell sharply due to the spread of the new coronavirus, but this was offset by growth in the general channel due to stay-at-home demand and the effect of increased sales from the sweet potato business through Potato Kaitsuka.

For overseas, sales increased 16.8% YoY to JPY53.1 billion, with contributions from North America and China.

As for operating income, the effect of cost reduction and cost improvement in North America contributed to the increase in income. On the other hand, the decrease in sales of high value-added souvenir products had a significant impact on income, resulting in a total decrease by 2.2% from the previous fiscal year to JPY27.1 billion.

Ordinary income was JPY27.5 billion, up 0.5% from the previous year due to the recording of JPY450 million in foreign exchange gains.

Net income increased by 0.8% from the previous fiscal year to JPY17.7 billion.

FY2021/3 financial results



Summary vs. revised plan (Q2 revision)

Revised full-year plan in Q2 (Change from initial plan: net sales -¥5.0bn, operating profit +¥2.0bn)
Sales and operating profit exceeded revised plan on strong domestic snacks sales

(Billion yen)

	FY'21/3 Target Full year (Initial Plan at start of year)	FY'21/3 Target Full year (Revised plan)	Change (vs.Initial plan)	FY'21/3 Results	Change (vs.revised plan)	vs.revised plan Ratio
Net sales	270.0	265.0	-5.0	266.7	+1.7	100.7%
Domestic	216.6	211.1	-5.5	213.6	+2.5	101.2%
Overseas	53.4	53.9	+0.5	53.1	-0.8	98.6%
Operating profit	24.5	26.5	+2.0	27.1	+0.6	102.1%
Domestic	23.7	23.9	+0.2	24.7	+0.8	103.3%
Overseas	0.8	2.6	+1.8	2.4	-0.2	91.2%
Net profit*	15.7	16.2	+0.5	17.7	+1.5	109.2%

*Profit attributable to owners of parent

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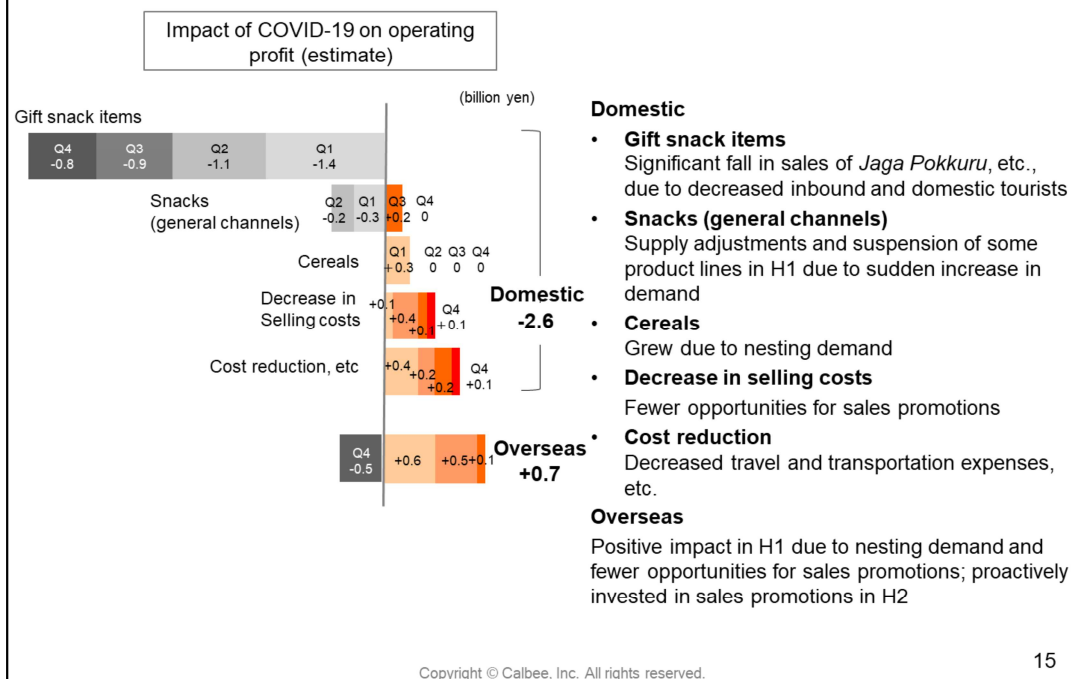
Please turn to page 14.

This is the difference between the revised plan that was revised at the time of the announcement of the financial results for the second quarter.

Sales were up JPY1.7 billion from the target due to strong sales of domestic snacks, potato chips, and Jagarico.

Operating income was also JPY0.6 billion higher than the target.

Impact of COVID-19 in FY2021/3



Please turn to page 15.

This is a summary of the impact of new coronavirus that we show you every quarter. The calculation is based on our rough estimate and shows the impact on operating income.

Although we took measures such as holding product exhibitions, again, the decrease of souvenir products was significant. The number of both inbound and domestic tourists decreased, resulting in a negative result for the entire year.

As for changes from the third quarter, until the third quarter, we had a large positive impact from overseas due to stay-at-home demand and a decrease in sales promotion opportunities, but in the fourth quarter, due to the resumption of delayed sales promotion activities and other factors, the total overseas impact was a negative JPY0.5 billion.

FY2021/3: Domestic business



(Billion yen)

		FY2021/3	
		Change(YoY)	
Domestic net sales		213.6	+3.2
Snacks		175.7	-6.4
By products	Potato Chips	86.6	+0.4
	Jagarico	34.5	-1.9
	Jaga Pokkuru	1.7	-3.3
	Other snacks than that above	52.8	-1.7
By channels	General channels	171.1	+0.7
	Gift snack items	4.5	-7.1
Cereals		27.7	+2.6
(for domestic consumption)		24.9	+1.7
(for overseas consumption included in domestic sales)		2.9	+0.9
Other domestic foods (Sweet potatoes, Potatoes)		8.7	+7.3
Domestic operating profit		24.7	-2.0
Operating margin		11.6%	-

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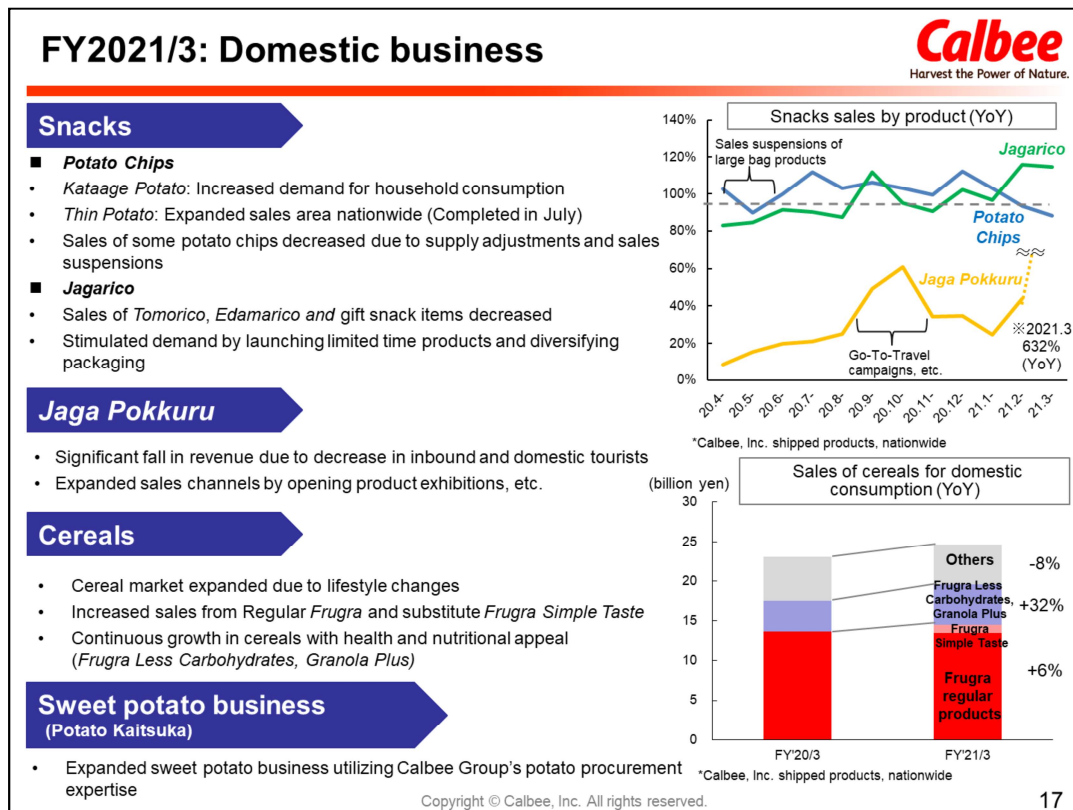
Please turn to page 16. I would like to explain about our domestic business.

Net sales increased by JPY3.2 billion from the previous fiscal year to JPY213.6 billion.

Although sales of souvenir products decreased by JPY7.1 billion, sales of snacks in the general channel increased by JPY0.7 billion, sales of cereals increased by JPY2.6 billion, and sales of other food products, including the effect of the acquisition of Kaitsuka, increased by JPY7.3 billion.

Operating income was down JPY2 billion from the previous fiscal year to JPY24.7 billion, largely due to a decrease in sales of high value-added souvenir products.

In terms of the operating income ratio, it decreased by 1.1 percentage points to 11.6%.



Please turn to page 17.

I would like to explain in a little more detail about the domestic business by product.

First, potato chips. Kataage Potato, which is suitable for home consumption, and Thin Potato, which have expanded their sales areas, contributed to the increase in sales. For some of the potato chips products, adjustment of supply or suspension of sales were made because the demand for large-bag products spiked due to stay-at-home demand. As a result, overall sales of potato chips remained almost unchanged from the previous year.

Jagarico struggled in the first half because the opportunities to go out or the demand in offices was reduced, but in the second half, we were able to make up for it by launching limited-time products and diversifying packaging formats, such as large bags of Jagarico and Jagarico to go with alcohol beverages.

Products using ingredients other than potatoes, such as Tomorico and Edamarico, did not reach the previous year's level, so the figure was negative, including souvenir products. Overall sales of Jagarico decreased by 5.1%.

Next is cereal. Sales of standard products decreased due to the temporary suspension of sales of standard products due to difficulties in procuring some imported raw materials, but sales increased with the addition of an alternative product called Simple Taste that was released instead.

Then, products with appeals for health and functionality continued to expand from the previous fiscal year. Exports to Greater China were also very strong, and overall sales of the cereal increased by 10%.

Next is sweet potato business. As I mentioned earlier, we have expanded our business by utilizing Calbee's expertise in procurement, which has greatly contributed to the increase in sales.

FY2021/3: Overseas business



(Billion yen)

<Business results by region>	FY2021/3			
		Change(YoY)		Change ex. forex in %
Overseas net sales	53.1	+7.6	+16.8%	+18.4%
North America	14.4	+3.9	+36.6%	+40.3%
Greater China	15.1	+2.4	+18.5%	+19.2%
United Kingdom	6.5	+0.5	+7.6%	+7.5%
Indonesia	4.1	-0.3	-6.8%	-3.0%
Other regions	13.0	+1.2	+10.7%	+11.4%
Overseas operating profit	2.4	+1.4	+144.4%	
Operating margin	4.5%	—	+2.4pts	
North America	0.62	+1.03	—	
Greater China	0.62	-0.29	-31.9%	
United Kingdom	0.16	+0.19	—	
Indonesia	-0.50	+0.02	—	
Other regions	1.48	+0.45	+43.4%	

<Net sales by product>	FY2021/3		
		Change(YoY)	
Snacks	46.4	+7.4	+19.0%
Cereals	6.7	+0.2	+3.5%
Cereals overseas real consumption	9.6	+1.1	+13.3%
(of which, overseas consumption included in domestic sales)	(2.9)	(+0.9)	+45.6%

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Please turn to page 18. I will explain about overseas.

Sales in the overseas business increased by 16.8% YoY to JPY53.1 billion. Operating income increased approximately 2.4 times compared to the previous fiscal year to JPY2.4 billion. Among these, North America and Greater China contributed to the increase in sales.

Operating income in North America, which was a loss of JPY0.4 billion in the previous fiscal year, turned into a profit of JPY0.6 billion this fiscal year, contributing the most to the increase in profits.

Then, the country that contributed to the increase in profits outside of the priority regions was Australia. In Australia, sales of Harvest Snaps and Jagabee were strong, contributing to an increase in sales by 35% or JPY0.3 billion compared to the previous year.

FY2021/3: Overseas business



North America

■ Sales

- Warnock contributed to increase in sales (added to scope of consolidation November 2019)
- Growth in products for ethnic food areas (*Kappa Ebisen*, *Jagarico*, *Potato Chips*, etc.)

■ Operating profit

- Rose due to higher sales and cost improvements

Greater China

■ Sales

(Snacks)

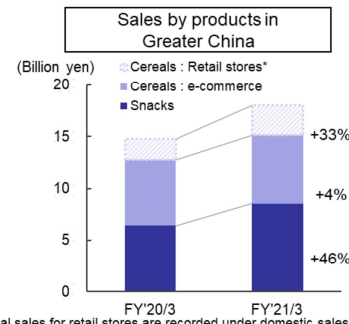
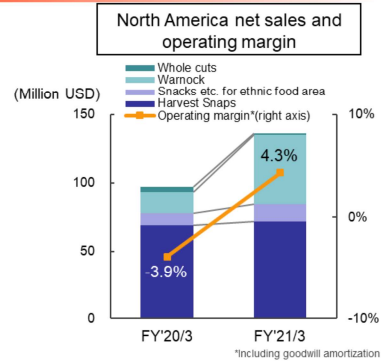
- *Jaga Pokkuru* and *Jagabee*, made in and imported from Japan, were strong

(Cereals)

- Grew due to nesting demand
- Market is expanding, but competition is intensifying too

■ Operating profit

- Decreased due to intensified promotions leveraging KOLs to raise awareness and drive sales



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Please turn to page 19. I will explain more for each country.

In North America, net sales increased by 36% YoY to JPY14.4 billion. In addition to the contribution of higher sales from Warnock, which was acquired in November 2019, products for ethnic grocery section, such as Kappa Ebisen, Jagarico, and potato chips grew.

Operating income was JPY0.6 billion due to the effect of increased sales and the effect of cost improvement through revised production shifts.

In the Greater China region, sales of snacks grew by approximately 1.5 times compared to the previous fiscal year, resulting in total sales of JPY15.1 billion, up 18.5% from the previous fiscal year.

Sales of cereal have also increased due to stay-at-home demand, but the competitive environment intensified due to aggressive promotions by our competitors.

In order to promote sales or to increase awareness of the Calbee brand from a medium- to long-term perspective, we are strengthening promotions using KOLs, especially in the second half of the fiscal year. Operating income in Greater China declined 32% YoY to JPY0.6 billion.

FY2021/3: Overseas business



UK

■ Sales

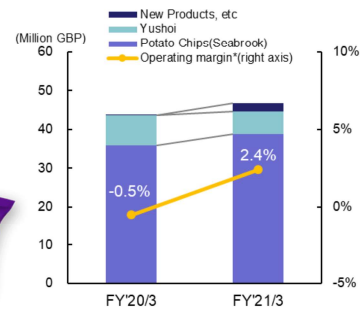
- Strong sales of Seabrook's potato chips
- Sales of other snacks grew due to the launch of limited-time products featuring anime characters and new *Loaded Fries*

■ Operating profit

- Increase due to higher sales and PMI promotion



Sales by products and operating margin in UK



Indonesia

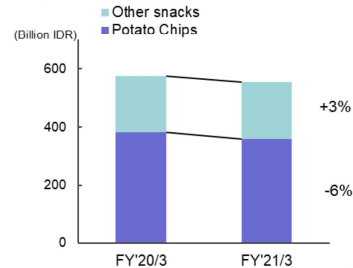
■ Sales

- Delays in potato procurement due to the COVID-19 pandemic
- Launch of new products postponed due to deteriorating market conditions

■ Operating profit

- Losses continued because of high promotional expenses

Sales by products in Indonesia



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Please turn to page 20.

Sales in the UK increased by 7.6% YoY to JPY6.5 billion due to strong sales of mainstay potato chips, as well as increased sales of Yushoi and other snack products and products other than potato chips, partly as a result of the launch of new products.

The increase in revenue and the promotion of business integration with Seabrook enabled us to achieve profitability even on a goodwill amortization basis for the first time since the start of business in 2015. Operating income on a goodwill amortization basis totaled JPY160 million.

In Indonesia, net sales decreased by 6.8% YoY to JPY4.1 billion. In addition to the impact of spread of coronavirus, this was due to delays in the procurement of the raw material, potatoes. Because of that, sales of potato chips, our mainstay product, declined, which impacted the revenue. We struggled as the market environment itself was very poor, and the launch of new products had to be postponed to the end of fiscal year.

In the second half, we invested in sales promotion expenses with the aim of recovering sales, but due to the increase in the sales promotion expense ratio and other factors, we recorded an operating loss of JPY1 billion.

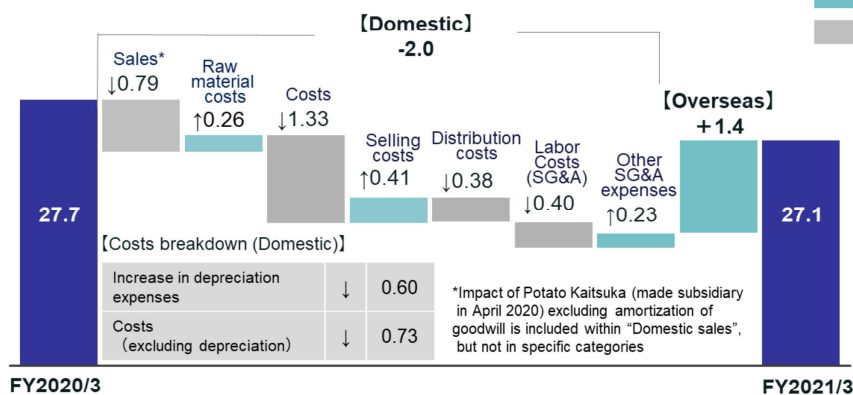
FY2021/3: Factors increasing operating profit



Change in operating profit (YoY)

(Billion yen)

■ Increase
■ Decrease



Domestic

Sales: Impacted by decrease in gift snack items
 Raw material costs: Improved packaging material costs and *Frugra* raw material costs
 Costs (excluding depreciation): Decline in productivity including of gift snack items
 Selling costs: Decreased due to reduced promotional opportunities
 Distribution costs: Increased due to supply and demand disruptions caused by the COVID-19 pandemic
 Other SG&A expenses: Controlled costs for travel and transportation expenses, etc.
 Amortization of goodwill increased

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21

Please turn to page 21. This is about factors of increases and decreases in operating income.

Divided into domestic and overseas, operating income in Japan decreased by JPY2 billion from the previous year, while overseas operating income increased by JPY1.4 billion.

Of the JPY2 billion decrease in domestic income, souvenir-related items accounted for a negative 3.6 billion yen. After all, the souvenir was a big impact.

For overseas, operating income increased by JPY1.4 billion, partly due to the strong performance in North America.

(2) FY2022/3 full year forecasts

FY2022/3 full year forecasts



Direction

Aim for higher sales and profit while observing changes in the business environment amid concerns about a slump in economic activity and increased raw material costs due to the effects of COVID-19

*From FY2022/3 "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29), etc. will be applied. The method will change to treat some sales promotional expenses, hitherto recorded under selling, general and administrative expenses, as deducted from sales instead

(Billion yen)

	FY2021/3 results	FY2022/3 forecasts	Change(YoY)	
Net sales	266.7	240.0 (275.0)	-26.7 (+ 8.3)	-10.0% (+3.1%)
Domestic	213.6	187.3 (214.6)	-26.3 (+1.0)	-12.3% (+0.4%)
Overseas	53.1	52.7 (60.4)	-0.4 (+7.3)	-0.8% (+13.7%)
Operating profit	27.1	28.0	+0.9	+3.5%
Operating margin	10.1%	11.7% (10.2%)	+1.6pts (+0.1pts)	— —
Domestic	24.7	24.7	-0.0	-0.2%
Overseas	2.4	3.3	+1.0	+41.2%
Net profit*	17.7	18.0	+0.3	+ 1.8%

*Figures in parentheses are amount, operating margin rate, difference and growth rate excluding effects from the application of new accounting standards

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23

Please turn to page 23. I would like to explain the plan for the fiscal year ending March 2022.

The new accounting standard for revenue recognition will be applied from this fiscal year. As a result, some selling expenses previously recorded as selling, general, and administrative expenses will be deducted from SG&A expenses. In this section, I will talk in real terms, excluding impact from this.

The impact of new coronavirus is still unclear, and there are concerns about further stagnation of economic activities and soaring prices of raw materials, especially palm oil.

By grasping these changes in the business environment and steadily implementing measures, we aim to achieve a 3.1% increase in sales and a 3.5% increase in operating income on a consolidated basis.

FY2022/3 full year forecasts: Domestic business

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Domestic existing business key initiatives

- Propose products with new value
Enhance sales via new production methods/with new textures
- Respond to increased household consumption demand
Enhance lineup of products that 'go well with alcohol,' diversify packaging
- Strengthen profitability
 - Strengthen strategic partnerships with distributors
 - Efficiencies from incorporating digital technology in the value chain



New businesses

- Expand sweet potato business
 - Increase raw material procurement via synergies with Calbee Group; aim to expand core wholesale business
 - Further enhance booming e-commerce

(Billion yen)

			FY2022/3 forecasts	
			Change(YoY)*	
Domestic net sales		187.3	-26.3 (+1.0)	-12.3% (+0.4%)
Snacks		178.0	+2.3	+1.3%
By products	Potato Chips	87.0	+0.4	+0.5%
	Jagarico	34.9	+0.4	+1.0%
	Products with new value/other snacks	56.1	+1.6	+2.9%
	Cereals**	25.7	-2.0	-7.3%
Other domestic foods (Sweet potatoes, Potatoes)		9.4	+0.7	+8.3%
Rebates subtracted from sales		-27.3	-27.3	—
Domestic operating profit		24.7	-0.0	-0.2%
Operating margin		13.2%	—	+1.6pts

*Figures in parentheses are difference and growth rate excluding effects from the application of new accounting standards

**From this year, cereals for China, hitherto recorded under domestic sales (¥2.1bn last year), are recorded under overseas sales (Greater China) due to changes in commercial distribution

24

Let's move on to page 24. First, domestic business.

Sales are expected to increase by 0.4% from the previous fiscal year, and operating income is expected to be almost the same as the previous fiscal year.

Snack food sales are expected to increase by 1.3%. We will strengthen sales of products with new manufacturing methods or new textures that take advantage of Calbee's superior processing technology, specifically Potato Deluxe and Thin Potato.

In addition, there is an increase in demand for home consumption and bulk purchases, so we will work to expand our product lineup and diversify packaging formats to meet these needs.

Sales of cereals will decrease by 7.3%, but this is due to a change in the sales channel of China. The sales channel of China will be recorded as overseas from this fiscal year, and we expect sales to be at the same level in real terms as the previous fiscal year, when sales grew due to stay-at-home demand.

In terms of revenue, we will work to strengthen strategic partnerships with distribution partners or improve the efficiency of the value chain by utilizing DX.

As for the new sweet potato business, we will aim to increase sales and profits by maximizing the synergy effects of the Calbee Group.

FY2022/3 full year forecasts: Overseas business



Overseas business key initiatives

- North America: Utilize Warnock's production ability, expand product portfolio
Promote sales of *Jagarico* and other snacks in strong ethnic foods area, expand SKUs
- Greater China: Full-scale launch of retail store sales at subsidiary established in Shanghai
Unify measures targeting e-commerce and retail stores, aim to raise brand awareness and expand sales
- UK: Plan to convert from *yushoi* to *Harvest Snaps* brand, renewing strength of snack products
- Indonesia: Aim to differentiate from competitors through launch of new product *Guribee*

(Billion yen)

<Business results by region>		FY2022/3 forecasts	
		Change(YoY)*	
Overseas net sales	52.7	-0.4 (+7.3)	-0.8% (+13.7%)
North America	14.8	+0.4	+2.5%
Greater China	19.9	+4.8	+31.5%
United Kingdom	6.9	+0.4	+6.0%
Indonesia	4.5	+0.4	+11.0%
Other regions	14.3	+1.3	+10.3%
Rebates subtracted from sales	-7.7	-7.7	—
Overseas operating profit	3.3	+1.0	+41.2%
Operating margin	6.4%	—	+1.9pts
North America	0.43	-0.20	-31.5%
Greater China	1.73	+1.12	+181.4%
United Kingdom	0.14	-0.02	-13.0%
Indonesia	-0.43	+0.07	—
Other regions	1.48	+0.00	+0.1%

*Figures in parentheses are difference and growth rate excluding effects from the application of new accounting standards

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25

Please turn to page 5. I will explain a little more about overseas.

Sales are expected to increase by 13.7% YoY, and operating income by 41.2%.

The Greater China region is expected to make a significant contribution to the increase in sales and profits. In North America, we will also promote the management integration of 3 subsidiaries and develop products by utilizing Warnock's production capacity and technology. We will also continue to strengthen our products for the ethnic grocery section, which are doing well.

In the Greater China region, sales to brick-and-mortar stores such as supermarkets and convenience stores have been left to agents, but with the establishment of a Calbee subsidiary in Shanghai to take over this business, we will integrate ecommerce and traditional commerce measures to improve brand recognition and expand sales.

As a result of this change in sales channel, sales and profits of China that were previously recorded in Japan will now be recorded in China.

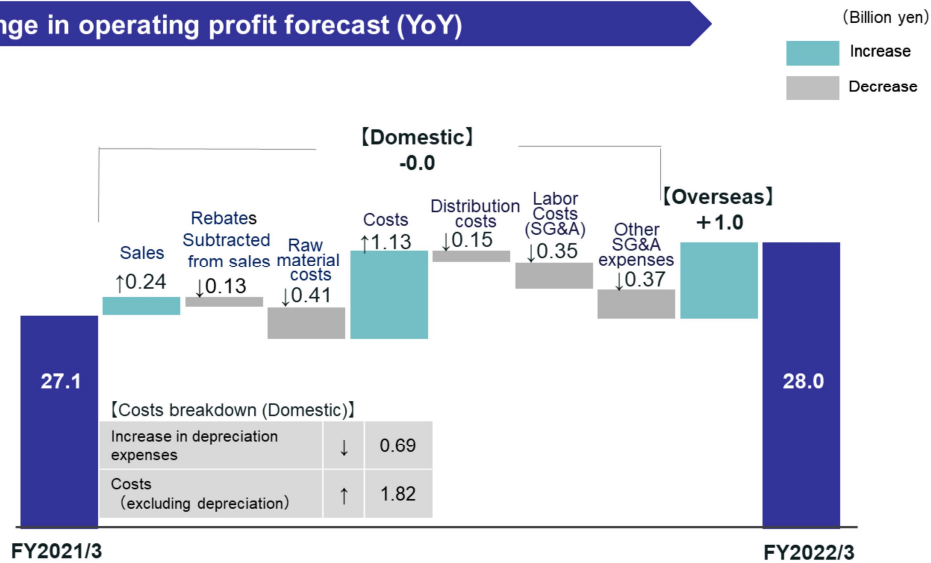
In the UK, we are aiming to convert Yushoi to the Harvest Snaps brand, or rather, we will. We will also re-strengthen our snack products. We will also strengthen sales of Seabrook brand potato chips in order to remain profitable.

In Indonesia, we will strive to increase sales and profits and improve profitability by differentiating ourselves from competitors with the launch of Guribee, a new product whose launch was delayed due to the impact of coronavirus.

FY2022/3 full year forecasts: Factors increasing operating profit



Change in operating profit forecast (YoY)



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26

Please turn to page 26. This is about the factors behind the increase/decrease in operating income.

Operating income in Japan is expected to be almost the same as the previous fiscal year.

While palm oil and other raw material prices are expected to rise and depreciation costs are expected to rise, the supply-demand disruptions and delays in procuring imported raw materials caused due to the impact of coronavirus in the previous fiscal year are expected to normalize. In addition, we are working to improve the efficiency of the entire value chain, and we expect to improve profitability through these efforts.

For overseas, we forecast a total increase of JPY1 billion due to higher profits in Greater China.

(3) Investment and shareholder return policy

Investment and shareholder return policy

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Investment

■ FY2021/3

- Capital investment (existing business) ¥11.2bn
Invest in products with new value: *Potato Deluxe*, *Otonano Jagarico*, *Pocoro*
- Growth investment ¥13.3bn
Acquisition of Potato Kaitsuka shares/investment in digitalization

■ FY2022/3 (plan)

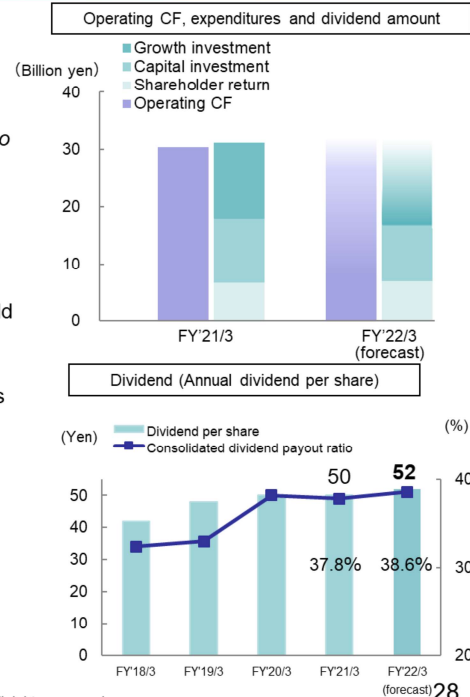
- Invest in products with new value and increased household consumption demand
- Invest in digitalization to raise efficiency
- Proactively seek growth opportunities via new businesses

Shareholder returns

- FY2020/3: ¥50 per share (¥2 increase YoY)

- FY2021/3: ¥50 per share (unchanged YoY)

- FY2022/3: ¥52 per share (¥2 increase YoY)
(plan) Dividend payout ratio of 38.6%



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Lastly, please see page 28. This section explains our investment and dividend policy.

In the fiscal year ended March 2021, we made a capital investment of JPY11.2 billion, mainly for investments in new products such as Potato Deluxe, Otonano Jagarico and Pocoro. As for growth investments, we paid JPY13.3 billion for the acquisition of Potato Kaitsuka and DX.

For the fiscal year ending March 2022, we will continue to invest in DX to improve the efficiency of manufacturing facilities for new products and products suitable for new lifestyles. At the same time, we would like to proactively explore growth opportunities through new businesses.

As for dividends, we have set a target of a consolidated dividend payout ratio of 40% or more in our mid-term plan.

We plan to pay a dividend of JPY52 per share for the fiscal year ending March 2022, an increase of JPY2 compared to the previous fiscal year. The consolidated dividend payout ratio is expected to be 38.6%.

This is all from me. Thank you very much.

Reference material

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

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Consolidated profit and loss statement
(FY2021/3 financial results and FY2022/3 full year forecasts)

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(Million yen)

	FY2021/3				FY2022/3 forecast					
					Prior to application of revenue recognition			After application of revenue recognition		
		Percent of total(%)	YoY (%)	vs.revised plan Ratio*		Percent of total(%)	YoY (%)		Percent of total(%)	YoY (%)
Net sales	266,745	100.0	+4.2	100.7	275,000	100.0	+3.1	240,000	100.0	-10.0
Gross profit	117,810	44.2	+2.4	100.4	122,800	44.7	+4.2	87,800	36.6	-25.5
SG&A	90,746	34.0	+3.8	99.9	94,800	34.5	+4.5	59,800	24.9	-34.1
Selling	41,566	15.6	+1.8	100.9	43,400	15.8	+4.4	8,400	3.5	-79.8
Distribution	19,247	7.2	+4.4	99.2	19,800	7.2	+2.9	19,800	8.3	+2.9
Labor	19,321	7.2	+7.6	99.1	20,100	7.3	+4.0	20,100	8.4	+4.0
Others	10,610	4.0	+3.8	99.2	11,500	4.2	+8.4	11,500	4.8	+8.4
Operating profit	27,064	10.1	-2.2	102.1	28,000	10.2	+3.5	28,000	11.7	+3.5
Ordinary profit	27,522	10.3	+0.5	105.9	27,500	10.0	-0.1	27,500	11.5	-0.1
Extraordinary loss	-1,140	—	—	—	-500	—	—	-500	—	—
Profit attributable to non- controlling interests	-383	—	—	—	-240	—	—	-240	—	—
Net profit**	17,682	6.6	+0.8	109.2	18,000	6.5	+1.8	18,000	7.5	+1.8

* Revised plan as of Q2 of FY 2021/3

** Profit attributable to owners of parent

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Cash flows and financial condition

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(Numbers in parentheses are change from March 31, 2020)

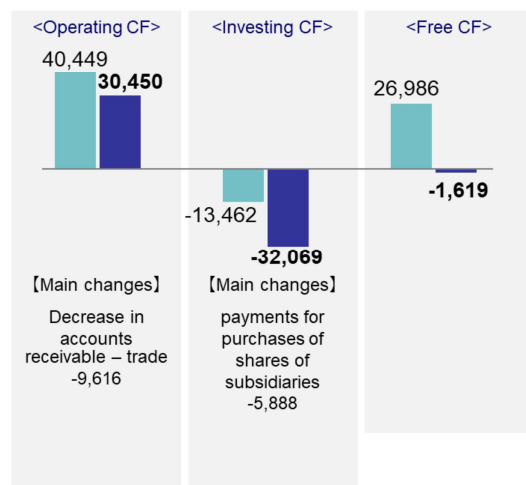
■ Consolidated cash flows

Cash and cash equivalents

(Million yen)

March 31, 2020 55,742 ▶ March 31, 2021 47,282
(-8,460)

■ FY2020/3 ■ FY2021/3



■ Consolidated balance sheets

As of March 31, 2021

(Million yen)

Total assets 238,978 (+24,011)

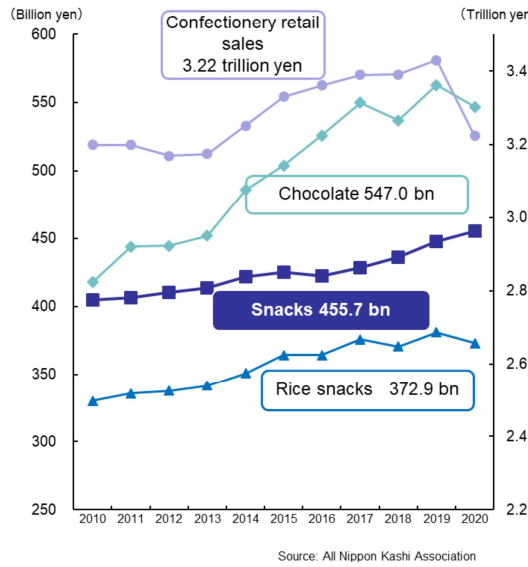
Current assets 123,477 (+3,778) [Main changes] Inventories +3,489	Current liabilities 42,585 (+5,952)	[Main changes] Short-term borrowings +2,044
	Non-current liabilities 13,652 (+4,951)	[Main changes] Long-term borrowings +3,166
Net assets 182,740 (+13,107)		
Non-current assets 115,501 (+20,233) [Main changes] Goodwill +13,565	[Main changes] Retained earnings +10,985	

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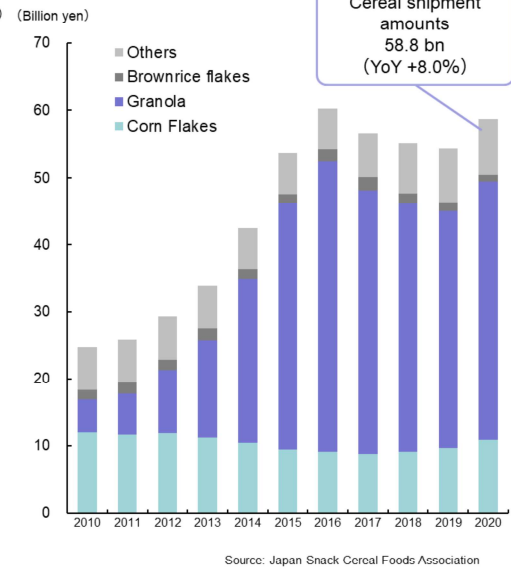
Domestic market

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Domestic confectionery market



Domestic cereal market

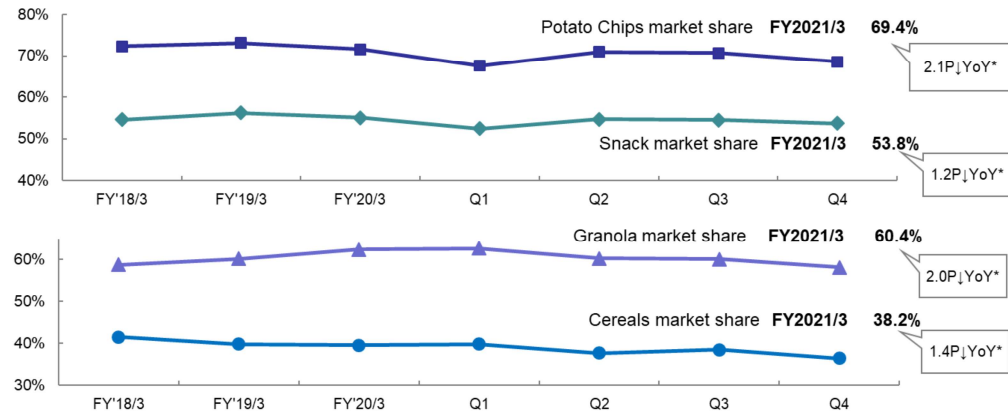


Domestic business status

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■ Market share*



■ Market share by snack category**

	Potato-based snacks	Flour-based snacks	Corn-based snacks	Fabricated potato
FY2021/3 (YoY)	74.8% (1.9P↓)	55.3% (2.0P↑)	23.5% (1.6P↓)	7.3% (1.5P↓)

* From FY2021/3 Intage's SRI+ has changed how it conducts planning and estimation; prior figures have been revised to reflect the new method.

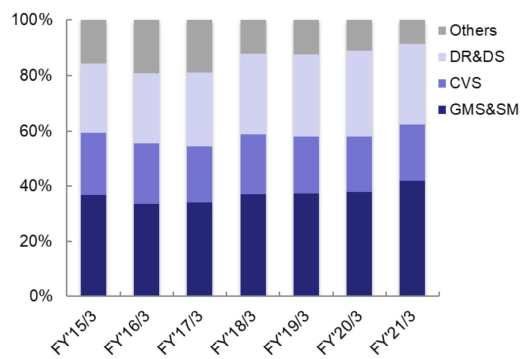
** Source: Intage SRI+ based on sales (nationwide, all retail formats)
FY2021/3: April 2020 – March 2021
FY2018/3-FY2020/3: April 2017 – March 2020
Snack market share:
Total of Calbee and Japan Frito-Lay
Potato chips: Total of potato chips (thick- and thin-sliced), shoestring and kettle types; includes private brand products
Granola: Granola category of Cereals market
Potato-based snacks: Raw material of fresh potatoes
Flour-based snacks: Raw material of flour
Corn-based snacks: Raw material of corn

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Domestic business status

■ Sales composition by business



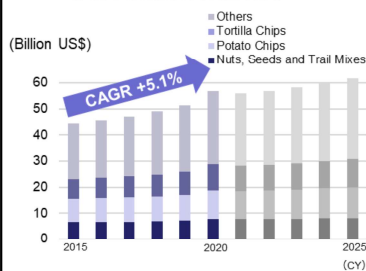
* Calbee alone (manufacturer shipped goods basis)

Overseas market by country

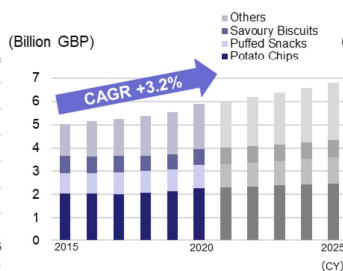
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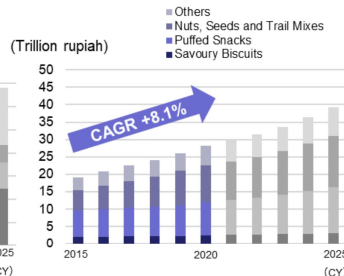
■ USA snack market



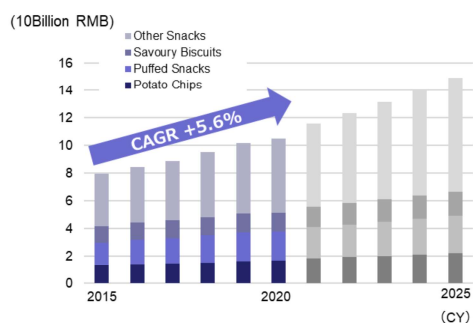
■ UK snack market



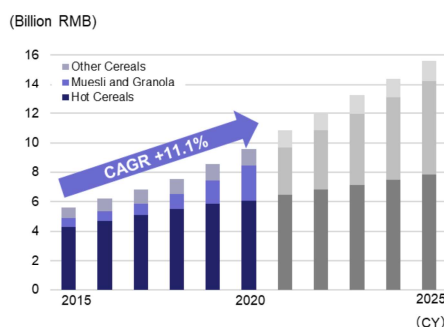
■ Indonesia snack market



■ China snack market



■ China cereal market(For retail store sales)



Source : Euromonitor

Snack : Savory Snacks (Nuts, Seeds and Trail Mixes, Salty Snacks, Savory Biscuits, Popcorn, Pretzels, Other Savory Snacks) Cereal : Breakfast Cereals (Hot Cereals, RTE Cereals) 2021-2025: Forecast

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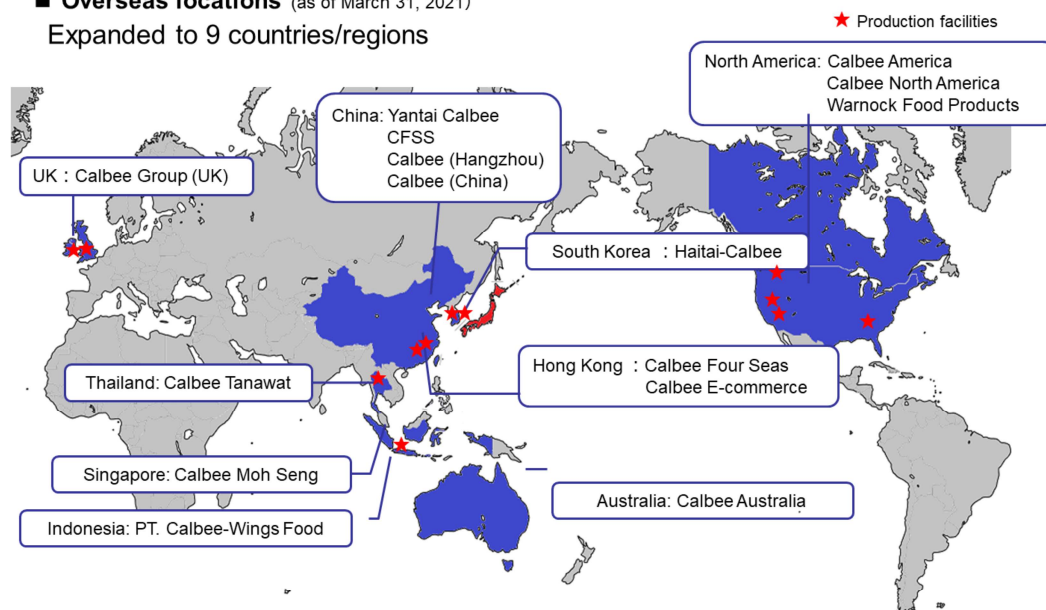
Overseas business status

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■ Overseas locations (as of March 31, 2021)

Expanded to 9 countries/regions



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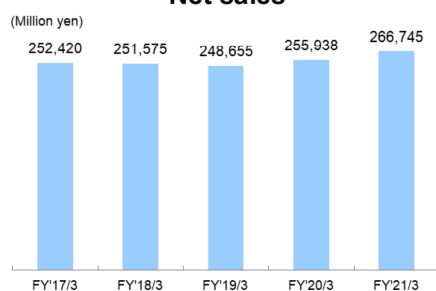
36

Financial highlights ①

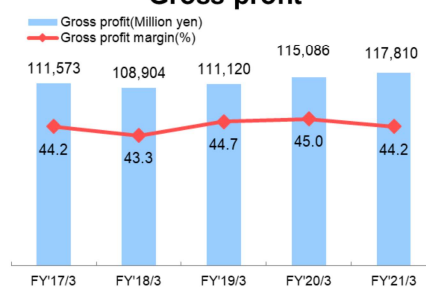
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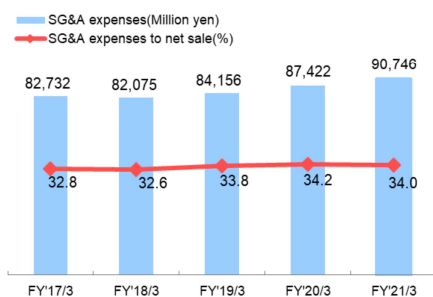
Net sales



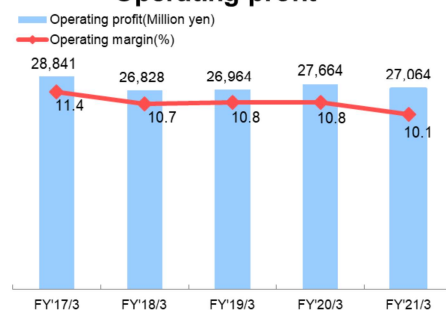
Gross profit



SG&A



Operating profit



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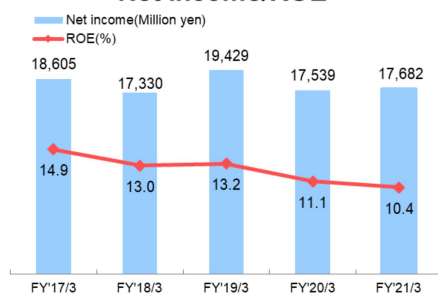
37

Financial highlights ②

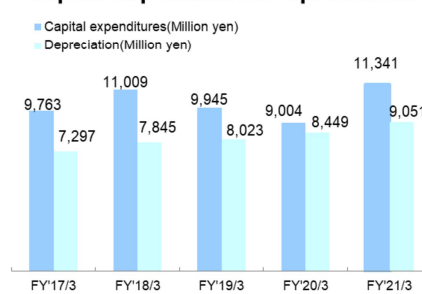
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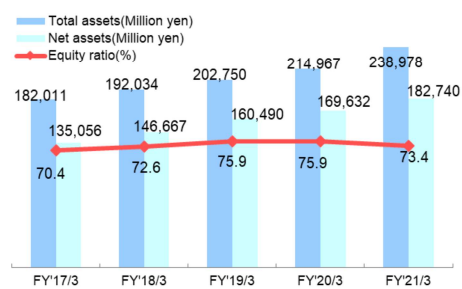
Net income/ROE



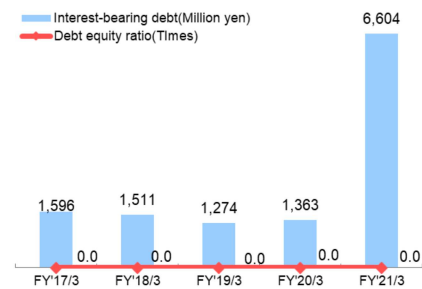
Capital expenditures/Depreciation



Equity ratio



Debt to equity ratio



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Contact details for IR inquiries:
Calbee, Inc. Investor Relations Section
E-mail: 2229ir@calbee.co.jp
<https://www.calbee.co.jp/en/ir/>

- The Company's fiscal year ends on March 31. The fiscal year ended 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.
- This document also contains unaudited figures for reference purposes only.

FY2021/3 Results Presentation Q&A

May 13, 2021

Q1 Please explain why there is a large increase in sales and profit in the FY2022/3 forecast for China. Also, what is the impact of changes to commercial distribution? Please also elaborate on the competitive environment.

The breakdown of the ¥4.8 billion increase in sales in China is ¥3 billion for cereals and ¥1.8 billion for snacks. Of the ¥3 billion in cereal sales, ¥2.1 billion is due to its transfer from domestic sales. The remaining ¥900 million includes the incorporation of margins from changes in commercial distribution. The breakdown of the ¥1.1 billion increase in profit includes ¥200-300 million from increased snack sales and ¥300 million from the transfer of cereal sales from domestic sales. The remaining ¥500 million corresponds to the ¥900 million increase in cereal sales for which the marginal profit ratio is high due to the incorporation of margins from changes in commercial distribution.

While the cereals market in China is expanding, local manufacturers are on the offensive and competition is fierce. Our current market share is 7-8%, ranking fourth, but we believe we need to invest more in marketing to maintain this share. We will strengthen our real store sales where there is room for growth while maintaining our market share in the highly competitive e-commerce market.

Q2 Please explain why a decrease in profit is forecast for North America in FY2022/3.

In North America, we will stop relying solely on *Harvest Snaps* and will expand our product portfolio by utilizing Warnock's production capacity. We will actively invest in marketing to promote new products and increase brand awareness. Although profits will decline in the current fiscal year, we believe that this is a strategic investment necessary for medium- to long-term growth.

Q3 Please discuss how much of a recovery you expect in FY2022/3 from the impact of the decline in domestic gift snack items.

Net sales for FY2021/3 decreased by ¥7.1 billion to ¥4.5 billion. Although the future remains uncertain, we expect sales to recover by ¥1.6 billion. Marginal profit is about 50% of sales.

Q4 Please explain the reason for the decline in domestic market share.

In FY2021/3, we lost market share twice, each time for different reasons, but both drops were temporary. In the first half of the year, there was a sharp increase in demand due to nesting demand, especially for large-volume packages, but we were unable to respond with sufficient supply and lost market share due to having suspended product lines. The decline in market share in March was due to the changeover between potatoes produced in Hokkaido and those produced in Honshu and a conscious decision to step down sales promotion activities because of the risk of a shortage. Last year's harvest from Hokkaido was thought to be sufficient, but sales continued to be stronger than supply allowed for. Now that the harvest in Kyushu has begun and the risk has been eliminated, we believe that we can recover our market share by resuming sales promotions.

Q5 I can't see a medium- to long-term growth axis. How can we put profits onto an upward trend? Are you making progress as planned in improving the profitability of existing businesses in Japan?

We had envisioned that we would improve profitability by increasing the ratio of high-value-added gift snack items, but this has been delayed due to the expansion of COVID-19 pandemic. Rather than waiting for inbound tourists to start coming back to Japan, we would like to make up for the delay by developing new channels. On the other hand, we are making steady progress in improving the efficiency of our sales, production, and logistics systems, and we strongly believe that we will be able to improve the profitability of existing businesses. We are also investing in new businesses and initiatives to achieve medium- and long-term growth.

Q6 Please discuss the competitive environment in Indonesia. How will it be affected by the withdrawal of the competitor?

The snack market as a whole is in a difficult position because of lockdowns but we see the withdrawal of our competitor as a great opportunity to increase our market share which is currently 15-16%. Our competitor leaving the market have a share of 20%. It is likely that we will have to compete with the leading company, but we will employ our marketing budget to increase market share.

The new products we launched in March 2021 have been well received by the market and are highly profitable. We will work to expand our market share with our mainstay potato chips products while increasing profits with new products.

Q7 How do you plan to strengthen exports from overseas bases?

We are planning to strengthen exports from Thailand, Indonesia, and South Korea. Thailand exports to Australia, Singapore, and North America, and sales are growing steadily in each country. In Indonesia, we started exporting to Australia this year. South Korea is exporting *Honey Butter Chip*, which are a big hit there, to Japan and China. Our Thai base has an R&D function and excellent staff, and we aim to further strengthen it as an Asian export base.