



Calbee

Calbee Group Financial Results

First half of fiscal year ending March 31, 2023

April 1, 2022 – September 30, 2022

※カレシイの代農産地である北河原で撮影しています。

TSE code : 2229

Calbee, Inc.

Nov. 7, 2022

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1. FY2023/3 Review of first half results

2. Revised FY2023/3 Full year forecasts

3. Share buyback

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I am Hayakawa, and I am in charge of finance, accounting and investor relations.

I would like to explain our business performance for H1 FY2022, the revision of our full-year business forecast, and the share buyback resolved today.

FY2023/3 H1: Results highlights



Summary

Although sharp rises in costs due to the weakening of the yen and other factors were greater than initially expected, operating profit was largely in line with plan due to strong domestic and overseas snack sales

Implemented domestic and overseas price/content revisions in response to sharp rise in costs

- Net sales** Domestic: Strong sales of snacks on recovery in travel demand, etc.
Overseas: Strong sales in North America/UK/Indonesia
- Operating profit** Domestic: Achieved plan on strong sales, but profit fell as price/content revisions were unable to absorb the sharp rise in costs
Overseas: North America contributed, Greater China didn't achieve plan
Domestic: Sharp rise in costs: -¥5.3bn, price/content revision effect: +¥2.3bn
Overseas: Sharp rise in costs: -¥1.9bn, price/content revision effect: +¥2.6bn
- Net profit** Foreign exchange gains of ¥2.4bn (+¥2.2bn YoY, +¥2.4bn vs plan)

(Billion yen)

	FY2023/3 H1	FY2022/3 H1	Change	FY2023/3 H1 Target	vs. plan Ratio
Net sales	133.2	120.4	+10.6%	128.9	103.3%
Domestic	97.8	93.4	+4.6%	96.0	101.9%
Overseas	35.4	27.0	+31.3%	32.9	107.7%
Operating profit	10.2	13.3	-23.0%	10.3	99.5%
Operating margin	7.7%	11.0%	-3.4pts	8.0%	-0.3pts
Domestic	8.9	12.2	-27.1%	8.8	101.0%
Overseas	1.3	1.1	+22.2%	1.5	90.4%
Ordinary profit	12.7	13.6	-6.4%	10.1	126.5%
Extraordinary income/loss	-0.0	-0.2	-	-0.3	-
Net profit *	8.3	9.2	-9.4%	6.2	134.1%

*Profit attributable to owners of parent

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Please see slide 2.

In the H1, we had planned to reduce profits due to a significant increase in costs. Despite higher-than-expected cost increases due to the weakening yen and the protracted situation in Russia and Ukraine, strong sales of snacks both in domestic and overseas business resulted in net sales of JPY133.2 billion, 103.3% of the plan, and operating profit of JPY10.2 billion, almost in line with the plan.

Compared to the previous year, net sales increased by 10.6%, partly due to the effect of price revisions, but operating profit decreased by 23%.

In the domestic business, gift snack items recovered as demand for travel recovered, but this was not enough to absorb the cost increase, resulting in a decrease in profit. In the overseas business, both sales and profit increased due to strong sales in North America, the UK, and Indonesia. The impact of cost increases and the effect of price revisions in domestic and overseas business, respectively, are shown below.

Net profit was 134.1% compared to the plan and decreased 9.4% YoY to JPY8.3 billion, mainly due to a foreign exchange gain of JPY2.4 billion.

FY2023/3 H1: Domestic business



- Net sales (Snacks)** Gift snack items recovered and snack demand was firm
 Sales of *Potato Chips* were lower on having restrained sales promotions until August due to the potato shortage
 - (Cereals)** New products contributed
 - (Others)** Firm sales in the sweet potato business
- Operating profit** Fell as higher sales and the effect of price/content revisions were unable to absorb the sharp rise in raw material and energy prices

(Billion yen)

	FY2023/3 H1		
		Change(YoY)	
Domestic sales	97.8	+4.3	+4.6%
Snacks	90.1	+2.4	+2.7%
<i>Potato Chips</i>	40.6	-0.5	-1.2%
<i>Jagarico</i>	19.0	+1.1	+6.0%
Products with new value/other snacks	30.5	+1.8	+6.2%
Cereals	13.4	+0.3	+2.0%
Others (Sweet potatoes, Potatoes, Services)	5.6	+0.7	+14.8%
Rebates deducted from sales	-11.3	+1.0	—
Domestic operating profit	8.9	-3.3	-27.1%
Operating margin	9.1%	-4.0pts	—

*Amounts for sales of Snacks, Cereals and Others (Sweet potatoes, Potatoes, Services) are prior to deduction of rebates, etc.

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Please see slide 3.

This section describes sales by product in the domestic business.

Sales of *Potato Chips* declined by JPY0.5 billion, but sales of *Jagarico* and other snacks were strong, resulting in an overall snack sales increase of JPY2.4 billion. Cereals sales increased by JPY0.3 billion, and other domestic businesses increased by JPY0.7 billion due to the steady performance of the sweet potato business.

The factors behind the change in operating profit are presented in the next slide.

FY2023/3 H1: Domestic business



*:YoY

Snacks

■ Potato Chips:

- Sales fell until August on having restrained sales promotion activities, but sales quantities recovered with resumption of promotions in September
- 2022 Hokkaido potato harvest expected to be larger

■ Jagarico:

- Sales of L-size and limited time products at convenience stores grew

■ Products with new value and other snacks:

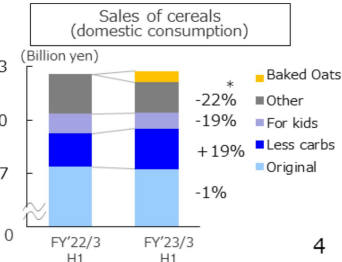
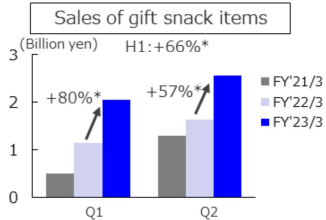
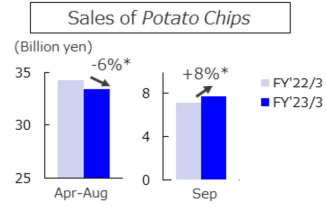
- Gift snack items such as *Jaga-Pokkuru* recovered
- Sales of other snacks saw shift in demand from *Potato Chips*, as well as contribution from new products and successful marketing activities



Mike Popcorn commercial

Cereals

Baked Oats, a new product in response to demand for oatmeal, and *Berry Cacao*, the second *Frugra Less Carbohydrates* product, contributed



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Please see slide 4.

Sales of *Potato Chips* decreased due to reduced sales promotion in response to a shortage of Hokkaido-grown potatoes. This year's Hokkaido potato harvest has been favorable, and we expect an increase in sales compared to last year.

In September, when the price revision was implemented, although only about half of the change was reflected in retail prices, there was no significant drop in volume, resulting in an increase in sales.

Sales of *Jagarico* increased by JPY1.1 billion due to strong sales at convenience stores.

In products with new value and other snacks, sales of gift snack items such as *Jaga-Pokkuru* recovered and increased 66% from the previous year.

In addition, Corn-and bean-based snacks performed well due to commercial development and other factors to shift demand due to the impact of restrained sales promotion of *Potato Chips*.

In cereals, *Baked Oats* and *Frugra Less Carbohydrates*, which cater to health-conscious consumers, contributed to the increase in sales.

FY2023/3 H1: Overseas business



(Billion yen)

<Business results by region>	FY2023/3 H1			
		Change(YoY)		Change ex. forex in %
Overseas sales	35.4	+8.4	+31.3%	+14.2%
North America	11.2	+3.5	+46.3%	+20.8%
Greater China	11.5	+2.4	+26.0%	+8.3%
Other regions	17.5	+3.8	+27.9%	+15.5%
Rebates deducted from sales	-4.8	-1.3	-	-
Overseas operating profit	1.35	+0.25	+22.2%	-
Operating margin	3.8%	-0.3pts	-	-
North America	0.59	+0.54	+1,050.6%	-
Greater China	0.46	-0.19	-28.9%	-
Other regions	0.30	-0.11	-27.3%	-

*Sales by region are amounts prior to deduction of rebates, etc.

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Please see slide 5.

Sales and operating profit of overseas business by region are as shown below. North America contributed to both sales and profits.

Factors for increase/decrease in North America, Greater China, and other regions are explained on the next slide.

FY2023/3 H1: Overseas business

Calbee
Harvest the Power of Nature.

*:YoY

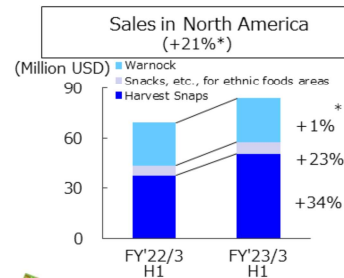
North America

■ Sales

- Sales of *Harvest Snaps* rose on marketing activities, such as packaging renewal and product lineup enhancement, and the effect of price revisions
- In ethnic food areas, sales of *Kappa Ebisen* were strong

■ Operating profit

- Profit rose on higher sales and price/content revisions



Greater China

■ Sales

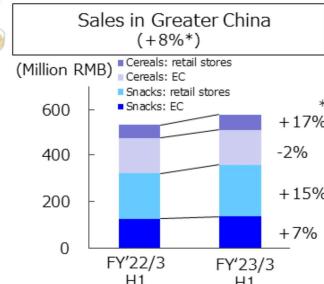
- In snacks, sales of *Honey Butter Chip* and products for the babies and kids segment grew
- In cereals, sales of *Frugra Less Carbohydrates* grew
- Some product launches and expansions at retail stores were delayed due to lockdowns



For babies & kids

■ Operating profit

- Funds to promote branding and enhance marketing efforts were invested as planned



Other regions

- The UK and Indonesia contributed to sales
- Operating profit fell as price/content revisions were unable to cover freight costs and the sharp rise in raw material costs

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Please see slide 6.

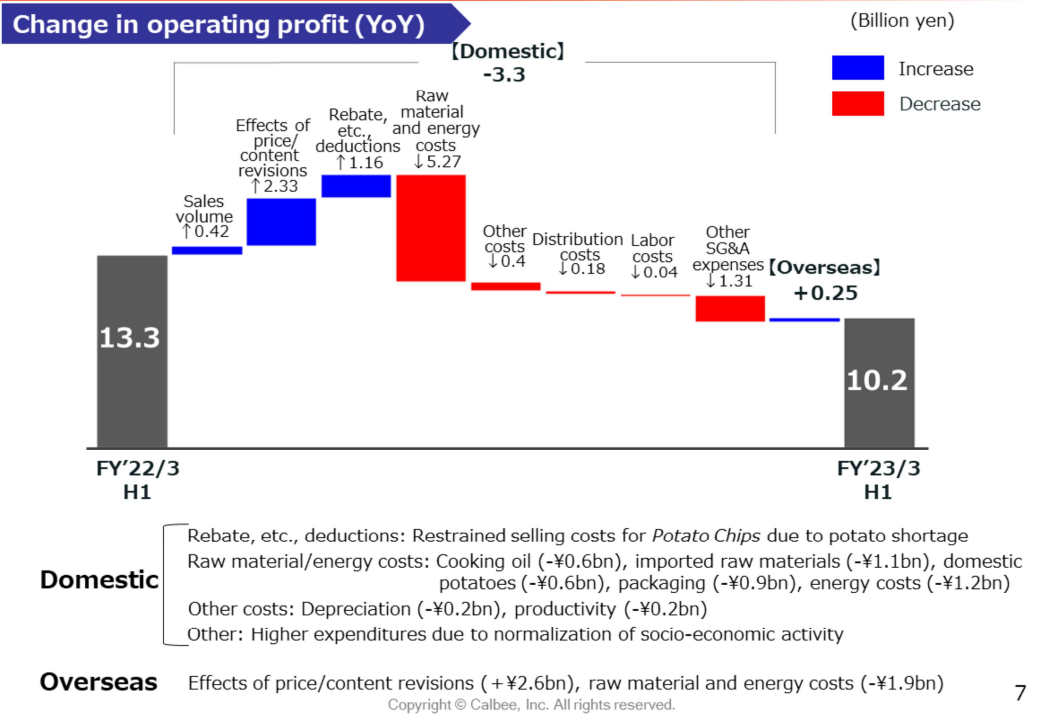
In North America, *Harvest Snaps*, which underwent its second price revision following the previous fiscal year, performed well, resulting in increased sales. Package renewal and product lineup expansion have been successful, leading to steady volume growth. Operating profit increased due to the effect of higher sales and price revisions.

In Greater China, the lockdown caused delays in the launch of some products and their rollout in retail stores, resulting in higher sales but a significant delay in both sales and profit compared to plan.

In H2, the Company will continue to proceed with its operations while being affected by the lockdown but will invest in branding and strengthen priority products and channels.

In other regions, sales and profits were strong in the US and Indonesia, but Australia and South Korea were unable to absorb higher transportation, raw material, and other costs, resulting in lower profits.

FY2023/3 H1: Factors decreasing operating profit



Please see slide 7.

I will explain the factors for the decrease in operating profit. The overall consolidated profit decreased by JPY3.1 billion, but this was due to a decrease in profit in the domestic business.

In the domestic business, despite price revision effects of JPY2.33 billion and sales promotion restraints of JPY1.16 billion due to potato shortage, they could not cover the cost structure of JPY5.27 billion, resulting in a JPY3.3 billion decrease in profit. The initial cost increase estimate was JPY4.5 billion, which was JPY0.8 billion higher than expected.

The breakdown of the cost increase is JPY4.1 billion for raw materials and JPY1.2 billion for energy costs. The main raw material price increases include JPY1.1 billion for imported raw materials (such as imported potatoes), and other items include packaging, cooking oil, and domestic potatoes, etc.

The amounts are as shown respectively.

In the overseas business, cost hikes of JPY1.9 billion were offset by price revision effects of JPY2.6 billion, resulting in an increase of JPY250 million.

1. FY2023/3 Review of first half results

2. Revised FY2023/3 Full year forecasts

3. Share buyback

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Next, I would like to explain the revision of full-year forecast for FY2022.

FY2023/3: Revised forecasts

Summary

Despite strong domestic and overseas snack sales, sharp rises in energy and raw material prices exceeded initial forecasts due to the weakening yen and prolongation of the situation in Russia/Ukraine

Sales: revised +¥6.0bn, Operating profit: revised -¥3.5bn, Net profit: no change

- ◆ Effect on full year profit Sharp rise in costs: Domestic -¥13.3bn, Overseas -¥4.0bn,
Foreign exchange gains: +¥2.7bn *Exchange rate assumption: \$1:(FY)¥140.28, (H2)¥148.26
- ◆ Actions for H2 •Launch products and promote sales to achieve sales targets
•Expand exports to Greater China, etc.
•Reduce manufacturing costs and SG&A expenses
•Consider price/content revisions next fiscal year and beyond

(Billion yen)

	FY2023/3 (Initial Plan)	FY2023/3 (Revised Forecast)	Change (vs Initial Plan)
Net sales	268.0	274.0	+6.0
Domestic	199.5	201.3	+1.8
Overseas	68.5	72.7	+4.2
Operating profit	25.5	22.0	△3.5
Operating margin	9.5%	8.0%	-1.5pts
Domestic	21.7	18.2	△3.5
Overseas	3.8	3.8	-
Ordinary profit	25.0	25.0	-
Extraordinary income/loss	△0.5	△0.5	-
Net profit*	15.5	15.5	-

*Profit attributable to owners of parent

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Please see slide 9.

I explained earlier that the cost increase in H1 was JPY0.8 billion more than expected, and we expect further cost increase in H2 due to exchange rate fluctuations. Based on the exchange rate of JPY148 to the US dollar at the end of October, we estimate a cost increase of JPY4 billion in H2 alone.

We will strengthen sales of snacks in domestic business, which underwent a major price revision in September, strengthen exports to Greater China, and reduce costs on a company-wide basis, but these measures are not expected to be sufficient to offset the impact, and we have revised our full-year operating profit downward by JPY3.5 billion.

Net profit remains unchanged from the initial forecast due to foreign exchange gains. We will continue to study and prepare for the revision of price standards in the next fiscal year and beyond to absorb the cost increase.

1. FY2023/3 Review of first half results
2. Revised FY2023/3 Full year forecasts
- 3. Share buyback**

Share buyback

Resolved to acquire treasury stock up to 12 billion yen at the meeting of the Board of Directors held on Nov. 7, 2022

■ Purpose

To enhance distribution of profit and raise capital efficiency

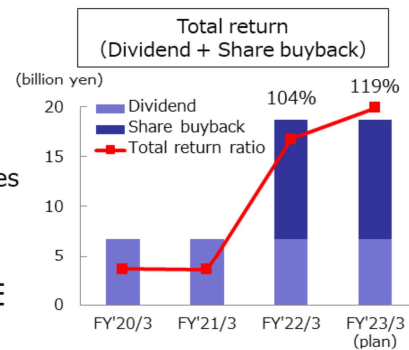
■ Details

Cost : Up to ¥12 billion

Number of shares: Up to 5,500,000
(3.87% of total number of outstanding shares
(excluding treasury stock))

Period: 2022/11/8 – 2023/3/31

Method: Market purchase on the TSE



Please see slide 11.

Finally, I would like to explain the acquisition of treasury stock, which was resolved at today's Board of Directors meeting.

The purchase will begin tomorrow, up to JPY12 billion, the same size as last year. The total return ratio is expected to be 119% if the maximum amount is acquired.

This is the end of my presentation. Thank you.

Reference materials

Consolidated profit and loss statement



(Million yen)

	FY2023/3 Q2			FY2023/3 H1				
		Percent of total(%)	Change (YoY) (%)	vs. plan Ratio (%)		Percent of total(%)	Change (YoY) (%)	vs. plan Ratio (%)
Net sales	67,888	100.0	+12.1	101.9	133,212	100.0	+10.6	103.3
Gross profit	21,649	31.9	+3.7	99.9	42,776	32.1	+1.6	101.2
SG&A	16,766	24.7	+15.5	101.7	32,529	24.4	+13.0	101.8
Selling	2,735	4.0	+39.1	93.0	5,004	3.8	+25.9	95.1
Distribution	5,360	7.9	+9.1	100.0	10,686	8.0	+10.6	103.0
Labor	5,329	7.8	+6.3	101.7	10,329	7.8	+5.6	100.2
Others	3,340	4.9	+27.3	113.6	6,508	4.9	+21.2	108.1
Operating profit	4,883	7.2	-23.3	93.9	10,246	7.7	-23.0	99.5
Ordinary profit	5,755	8.5	-12.0	113.5	12,711	9.5	-6.4	126.5
Extraordinary income/loss	+31	-	-	-	-7	-	-	-
Net profit*	3,758	5.5	-11.0	121.2	8,311	6.2	-9.4	134.1

*Profit attributable to owners of parent

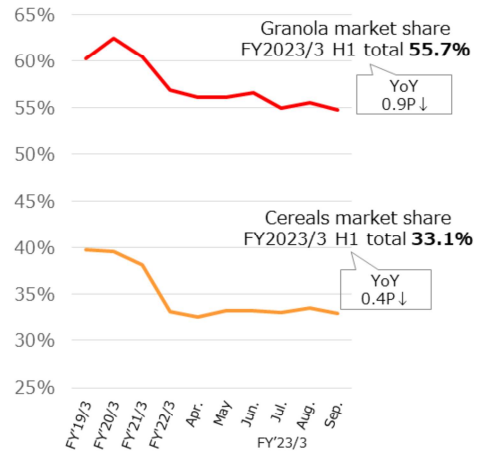
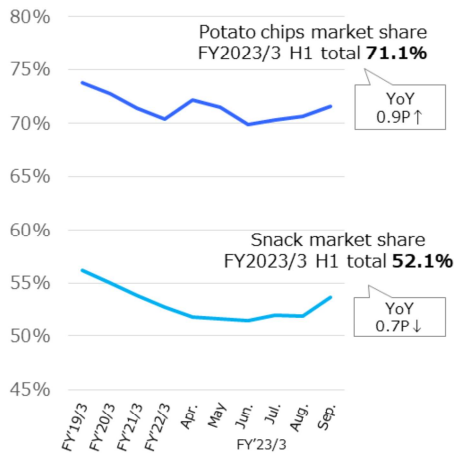
Revised FY2023/3 full year forecasts: Consolidated profit and loss statement

(Million yen)

	FY2022/3		FY2023/3 (Initial plan)		FY2023/3 (Revised forecast)	
		Percent of total(%)		Percent of total(%)		Percent of total(%)
Net sales	245,419	100.0	268,000	100.0	274,000	100.0
Gross profit	83,954	34.2	89,700	33.5	86,200	31.5
SG&A	58,818	24.0	64,200	24.0	64,200	23.4
Selling	8,278	3.4	10,600	4.0	10,600	3.9
Distribution	20,044	8.2	21,000	7.8	21,000	7.7
Labor	19,584	8.0	20,900	7.8	20,900	7.6
Others	10,911	4.4	11,700	4.4	11,700	4.3
Operating profit	25,135	10.2	25,500	9.5	22,000	8.0
Ordinary profit	26,938	11.0	25,000	9.3	25,000	9.1
Extraordinary income/loss	△190	—	△500	—	△500	—
Net profit*	18,053	7.4	15,500	5.8	15,500	5.7

*Profit attributable to owners of parent

Domestic market share



Source: Intage SRI+ based on sales amount (nationwide, all retail formats)
 FY2023/3 H1 total: April 2022 - September 2022
 Comparison period: April 2021 - September 2021
 FY'19/3-FY'22/3: April 2018 - March 2022

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

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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, 2023 is referred to throughout this report as "FY2023/3 (FY'23/3)," and other fiscal years are referred to in a corresponding manner. References to years not specified as being fiscal years are to calendar years.
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