

**Calbee**

# Calbee Group Financial Results

Third quarter of fiscal year ending March 31, 2023  
April 1, 2022 – December 31, 2022

TSE code : 2229  
**Calbee, Inc.**  
Feb. 6, 2023

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※カールビーの代官産地であるを設計で撮影しています

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

I would like to explain our financial results for Q3 of the fiscal year ending March 31, 2023.

## FY2023/3 Q3: Results highlights (three months)



### Summary (three months)

Sales and profit rose on firm domestic and overseas demand for snacks after price revisions  
Sharp rise in raw material/energy costs were within expectations

- **Net sales** Domestic: Rose on effect of price revisions and higher demand for snacks  
Overseas: Strong sales in North America/UK
- **Operating profit** Domestic: Sharp rise in costs offset by effect of price/content revisions and higher sales volumes  
Overseas: Underperformed plan on deterioration of the market environment in Greater China due to a resurgence of COVID-19  
Domestic: Sharp rise in costs: -¥3.4bn, price/content revision effect: +¥3.9bn  
Overseas: Sharp rise in costs: -¥0.8bn, price/content revision effect: +¥1.6bn
- **Net profit** Foreign exchange loss of ¥1.4bn (-¥1.9bn YoY, -¥1.7bn vs plan)

	FY2023/3 Q3	FY2022/3 Q3	Change	FY2023/3 Q3 Target	vs. plan Ratio
<b>Net sales</b>	<b>75.3</b>	<b>65.0</b>	<b>+15.8%</b>	<b>73.3</b>	<b>102.7%</b>
Domestic	56.5	49.8	+13.4%	53.8	105.0%
Overseas	18.8	15.2	+23.6%	19.5	96.4%
<b>Operating profit</b>	<b>7.8</b>	<b>7.6</b>	<b>+3.1%</b>	<b>7.4</b>	<b>105.7%</b>
Operating margin	<b>10.4%</b>	<b>11.7%</b>	<b>-1.3pts</b>	<b>10.1%</b>	<b>+0.3pts</b>
Domestic	7.1	7.2	-0.8%	6.0	117.9%
Overseas	0.7	0.4	+70.1%	1.4	51.9%
<b>Ordinary profit</b>	<b>6.3</b>	<b>8.0</b>	<b>-20.6%</b>	<b>7.7</b>	<b>82.8%</b>
Extraordinary income/loss	-0.1	0.3	-	-0.2	-
<b>Net profit *</b>	<b>4.2</b>	<b>5.5</b>	<b>-23.6%</b>	<b>4.6</b>	<b>92.4%</b>

\*Profit attributable to owners of parent

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Please see slide 1.

I present our consolidated financial results for the three-month period from October to December 2022.

Although net sales and operating profit exceeded the previous year and the plan, ordinary profit and net profit fell short of the previous year and the plan due to foreign exchange losses caused by the strong yen.

In the domestic business, we raised the prices of products representing 60% of sales in September. Although the volume was somewhat affected immediately after the price increase due to a decrease in sales promotion opportunities, demand recovered toward the end of the year, resulting in an increase in sales.

In the overseas business, sales of snacks were strong, especially in Europe and the US. As a result, overall consolidated sales increased 15.8% from the same period last year and 102.7% from the plan, to JPY75.3 billion.

Operating profit increased 3.1% YoY to JPY7.8 billion, as the effects of price and standard revision both in domestic and overseas outweighed cost hikes. Compared to the plan, the result was 105.7%. In the domestic business, the achievement rate was 117.9%, as the effect of the revisions was greater than planned. In the overseas business, operating profit were only half of the plan. This was due to the fact that the plan was not achieved in Greater China due to the deteriorating market environment caused by the re-expansion of COVID-19 infection.

## FY2023/3 Q3: Domestic business (three months)



- Net sales**
  - Snacks:** Grew in each sales channel for items that underwent price revisions  
Strong sales of gift snack items amid recovery in travel demand
  - Cereals:** Demand fell after price revisions
  - Others:** Sales firmed in the sweet potato business
- Operating profit** Higher sales volumes and the effect of price/content revisions compensated for sharp rise in raw material and energy prices

(Billion yen)

	FY2023/3 Q3		
		Change(YoY)	
<b>Domestic sales</b>	<b>56.5</b>	<b>+6.7</b>	<b>+13.4%</b>
Snacks	53.3	+6.1	+12.9%
<i>Potato Chips</i>	26.1	+3.1	+13.4%
<i>Jagarico</i>	10.7	+1.6	+17.2%
Products with new value/other snacks	16.5	+1.4	+9.4%
Cereals	5.2	-0.5	-8.5%
Others (Sweet potatoes, Potatoes, Services)	4.4	+0.7	+20.4%
Rebates deducted from sales	-6.4	+0.3	—
<b>Domestic operating profit</b>	<b>7.1</b>	<b>-0.1</b>	<b>-0.8%</b>
Operating margin	12.6%	-1.8pts	—

\* 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 2.

This section describes sales by product in the domestic business.

*Potato chips* and *Jagarico* enjoyed strong sales after the price revision, resulting in an overall snack sales increase of JPY6.1 billion. Cereals sales decreased by JPY0.5 billion, and other business 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 Q3: Domestic business (three months)

**Calbee**  
Harvest the Power of Nature.

\*:YoY

### Snacks

#### ■ **Potato Chips:**

- Sales volumes grew after price revisions in September on larger Hokkaido potato harvest and firm demand
- Strong sales of renewed *Kataage Potato* on its 30th anniversary and large size products during high-demand year end season

#### ■ **Jagarico:**

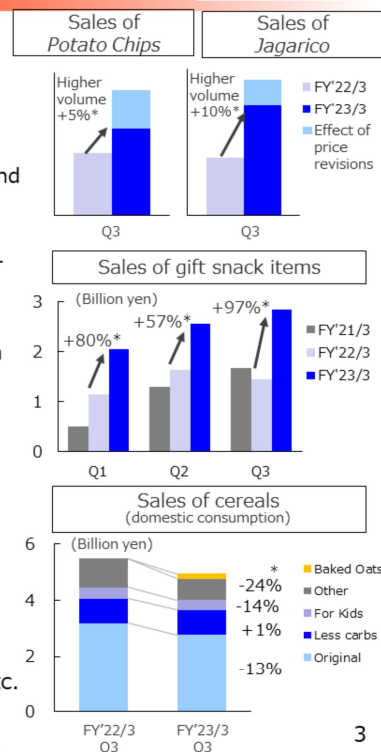
- Strong sales of regular products on all channels; increased number of limited-time products also contributed

#### ■ **Products with new value and other snacks:**

- Sales of gift snack items such as *Jaga-Pokkuru* rose significantly on increased domestic travel due to nationwide programs to support travel and recovery in inbound demand due to the relaxation of border policies
- As price revisions were not implemented for corn-based snacks in the fall, demand shifted here from other products and sales rose

### Cereals

- Sales fell despite TV commercials, an increased volume campaign, etc., as price revisions caused market-wide weakening of demand
- Aim to recover by adding functionality to the original *Frugra*, etc.



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Please see slide 3.

*Potato chips* sales increased by JPY3.1 billion due to a 5% increase in sales volume, reflecting an increase in the harvest of Hokkaido potato compared to the previous year, as well as the effect of price revisions. *Kataage Potato*, which celebrated its 30th anniversary and underwent a renewal, and large size products performed well.

Sales of *Jagarico* increased by JPY1.6 billion due to strong sales of limited-time products in addition to regular products.

Sales of products with new value and other snacks increased by JPY1.4 billion. Sales of gift snack items such as *Jaga-Pokkuru* were almost double the previous year's level and nearly 90% of the pre-COVID-19 level due to a recovery in domestic travel demand and inbound demand. Corn-based snacks, for which we did not raise prices in the fall, performed well due to a shift in demand from other products.

Sales of cereals decreased due to a decline in demand in the market as a whole, despite the implementation of a volume increase campaign and TV commercials after the price revision in October. Q4 onward, we will work to recover by enhancing the functions of original products, etc.

## FY2023/3 Q3 : Overseas business (three months)



(Billion yen)

<Business results by region>	FY2023/3 Q3			
		Change(YoY)		Change ex. forex in %
<b>Overseas sales</b>	<b>18.8</b>	<b>+3.6</b>	<b>+23.6%</b>	<b>+10.9%</b>
North America	5.6	+1.6	+41.8%	+15.7%
Greater China	6.6	+0.9	+15.1%	+2.3%
Other regions	9.3	+1.9	+26.1%	+15.0%
Rebates deducted from sales	-2.7	-0.8	—	—
<b>Overseas operating profit</b>	<b>0.71</b>	<b>+0.29</b>	<b>+70.1%</b>	<b>—</b>
Operating margin	3.8%	+1.0pts	—	—
North America	0.15	+0.27	—	—
Greater China	0.31	+0.07	+27.6%	—
Other regions	0.25	-0.05	-15.4%	—

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

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Please see slide 4.

Sales and operating profit of overseas business by region are as shown below.

North America contributed to both sales and profits. The factors behind the change in each region are presented in the next slide.

## FY2023/3 Q3 : Overseas business (three months)

### North America

#### ■ Sales

- Sales of *Harvest Snaps* continue to be strong on the effects of marketing activities and price revisions

#### ■ Operating profit

- Strong sales of *Harvest Snaps* covered lower profit from OEMs

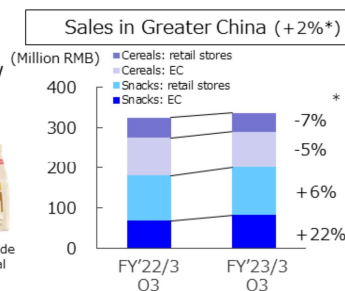
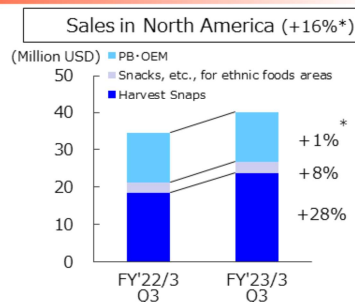
### Greater China

#### ■ Sales

- Sales did not grow in-line with plan due to the spread of COVID-19 and related lockdowns
- In snacks, *Jagabee* and products for the babies and kids segment grew
- In cereals, sales fell as the market shrank despite contributions from *Frugra Less Carbohydrates* and muesli made by local OEMs

#### ■ Operating profit

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



### Other regions

- Sales were strong in the UK and Indonesia, and making Greenday Global Co., Ltd. in Thailand a consolidated subsidiary also contributed
- 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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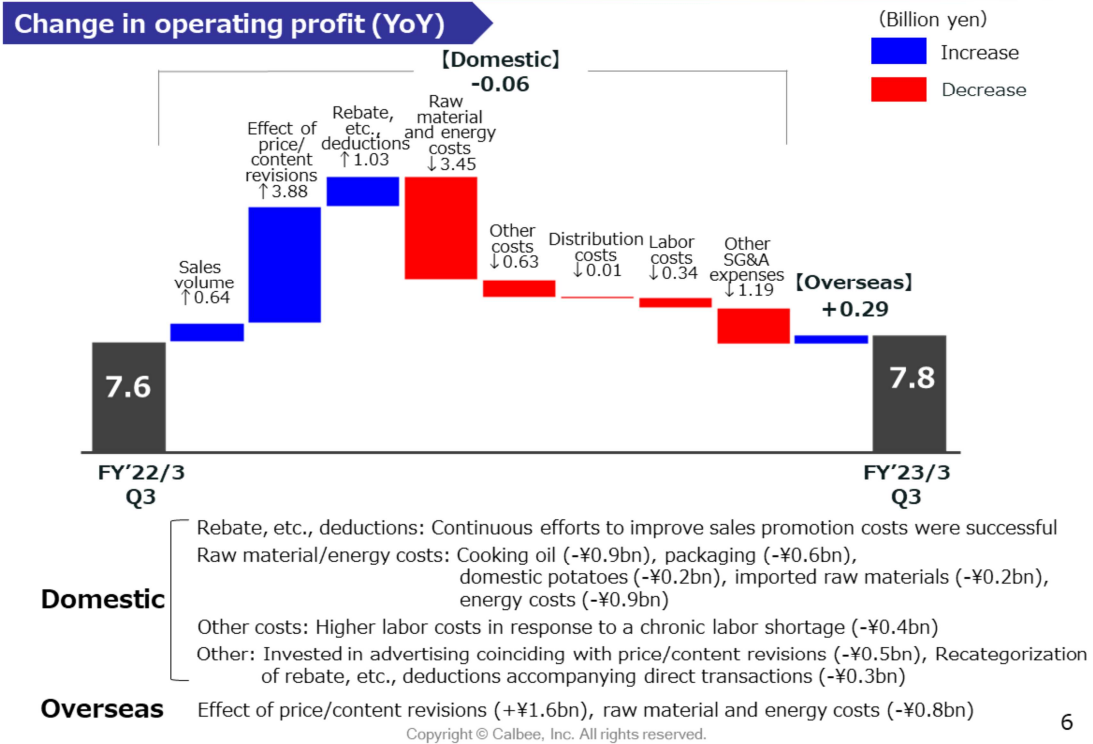
Please see slide 5.

In North America, *Harvest Snaps* continued to perform well in H1, resulting in an increase in sales. We were able to increase sales at key customers such as Costco, Publix, and Target. Operating profit increased due to the effect of higher sales, including price revisions for *Harvest Snaps*, and cost reductions, which offset the negative impact of lower OEM orders.

Sales in Greater China increased due to growth in snacks, but were 85% of plan due to lockdowns and re-expansion of infections. In snacks, sales of *Jagabee* and products for babies and kids grew. Cereals decreased due to shrinkage in the overall market, despite contributions from *Frugra Less Carbohydrates* and muesli made by a local OEM. Although operating profit increased, it was only about 40% of the planned level. The market recovery is somewhat uncertain, but we will continue to take a long-term perspective as we have done since the initial branding.

In other regions, sales increased due to strong performance in the UK and Indonesia and the addition of one consolidated subsidiary in Thailand. Operating profit declined as Australia and Korea were unable to absorb higher transportation, raw material, and other costs.

## FY2023/3 Q3: Factors increasing operating profit (three months)



Please see slide 6.

I will explain the factors for the increase in operating profit.

Overall consolidated profit increased by JPY0.2 billion. The domestic business was able to absorb the impact of soaring costs by revising prices and standards, but increased advertising expenses to maintain and expand sales volume resulted in sales that were roughly on par with the previous year. In the overseas business, the effect of price revisions exceeded cost increases, resulting in an increase of JPY0.29 billion.

## FY2023/3 Q3: Results highlights (nine months)



(Billion yen)

	FY2023/3 Q3	FY2022/3 Q3	Change	FY2023/3 Q3 Target	vs. plan Ratio
<b>Net sales</b>	<b>208.5</b>	<b>185.5</b>	<b>+12.4%</b>	<b>206.5</b>	<b>101.0%</b>
Domestic	154.3	143.3	+7.7%	151.6	101.8%
Overseas	54.2	42.2	+28.5%	54.9	98.7%
<b>Operating profit</b>	<b>18.1</b>	<b>20.9</b>	<b>-13.5%</b>	<b>17.6</b>	<b>102.4%</b>
Operating margin	8.7%	11.3%	-2.6pts	8.5%	+0.1pts
Domestic	16.0	19.4	-17.4%	14.9	107.2%
Overseas	2.1	1.5	+35.4%	2.7	75.7%
<b>Ordinary profit</b>	<b>19.1</b>	<b>21.6</b>	<b>-11.6%</b>	<b>20.4</b>	<b>93.5%</b>
Extraordinary income/loss	-0.1	0.1	-	-0.3	-
<b>Net profit *</b>	<b>12.5</b>	<b>14.7</b>	<b>-14.8%</b>	<b>12.9</b>	<b>97.3%</b>

\*Profit attributable to owners of parent

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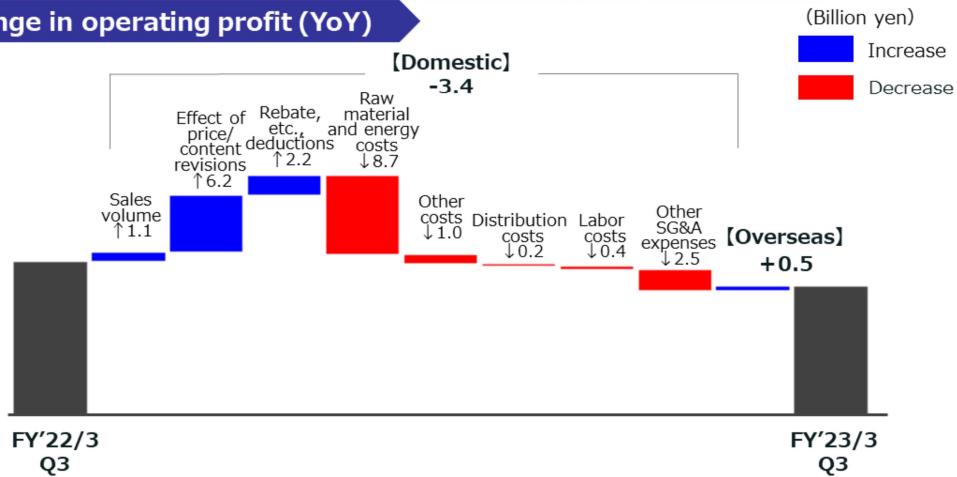
Please see slide 7 and 8 for the cumulative nine-month notice and operating profit analysis from April to December.



# FY2023/3 Q3: Factors decreasing operating profit (nine months)



## Change in operating profit (YoY)



**Domestic**

- Rebate, etc., deductions: Restrained selling costs due to potato shortage and continuously improved sales promotion costs
- Raw material/energy costs: Cooking oil (-¥1.5bn), packaging (-¥1.5bn), imported raw materials (-¥1.3bn), domestic potatoes (-¥0.5bn), energy costs (-¥2.0bn)
- Other costs: Higher labor costs in response to a chronic labor shortage (-¥0.8bn), depreciation (-¥0.2bn)
- Other: Invested in advertising coinciding with price/content revisions (-¥0.7bn), Recategorization of rebate, etc., deductions accompanying direct transactions (-¥0.7bn), higher expenditures due to normalization of socio-economic activity

**Overseas**

- Effect of price/content revisions (+¥4.3bn), raw material and energy costs (-¥2.7bn)

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# Jun. 2023 price/content revisions



Effective date	FY'22/3		FY'23/3		FY'24/3
	Jan-Feb. 2022	Jun-Jul. 2022	Sep-Oct. 2022	Nov. 2022	Jun. 2023
Target products					
Sales of target products	¥80.0bn	¥23.0bn	¥120.0bn	¥18.0bn	¥82.0bn
Revisions	Content : -5% Price : +7-10%	Content : -10% Price : +10-20%	Price : +10-20%	Price : +10-20%	Price : +3-15%

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Please see slide 9.

Finally, I would like to explain the price revisions announced today. The third price revision for major products in the domestic business will be implemented in June this year. Sales of the subject products will be JPY82 billion, and the revision rate will be from 3% to 15%.

This is the end of my presentation. Thank you.

## Reference materials

# Consolidated profit and loss statement

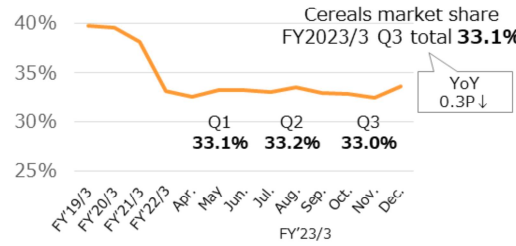
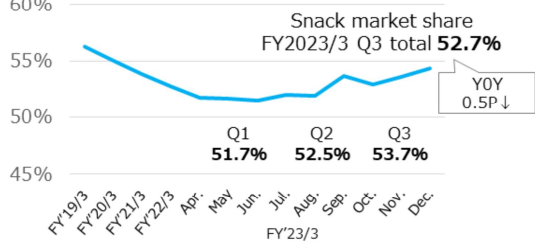
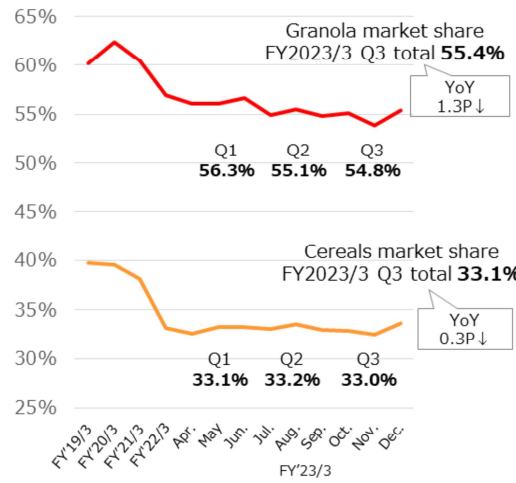
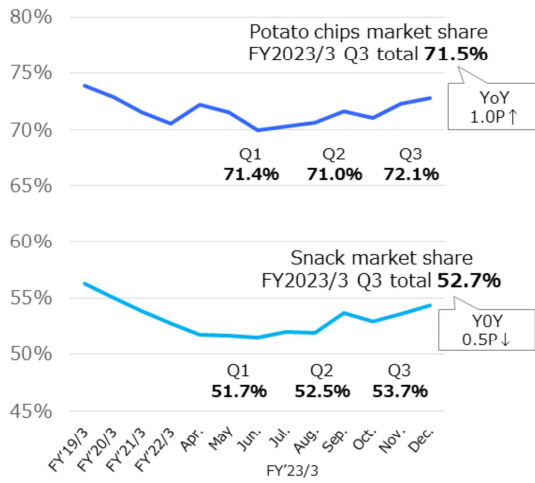


(Million yen)

	FY2023/3 Q3 (three months)				FY2023/3 Q3 (nine months)			
		Percent of total(%)	Change (YoY) (%)	vs. plan Ratio (%)		Percent of total(%)	Change (YoY) (%)	vs. plan Ratio (%)
Net sales	75,287	100.0	+15.8	102.7	208,499	100.0	+12.4	101.0
Gross profit	25,672	34.1	+13.0	108.9	68,448	32.8	+5.6	103.2
SG&A	17,855	23.7	+18.0	110.4	50,384	24.2	+14.7	103.5
Selling	3,356	4.5	+47.9	110.9	8,361	4.0	+33.9	104.1
Distribution	5,625	7.5	+7.0	105.8	16,312	7.8	+9.3	101.9
Labor	5,488	7.3	+14.8	105.9	15,817	7.6	+8.7	102.0
Others	3,384	4.5	+19.9	128.1	9,893	4.7	+20.8	108.1
Operating profit	7,817	10.4	+3.1	105.7	18,063	8.7	-13.5	102.4
Ordinary profit	6,349	8.4	-20.6	82.8	19,060	9.1	-11.6	93.5
Extraordinary income/loss	-101	-	-	-	-109	-	-	-
Net profit*	4,219	5.6	-23.6	92.4	12,531	6.0	-14.8	97.3

\*Profit attributable to owners of parent

# Domestic market share



Source: Intage SRI+ based on sales amount (nationwide, all retail formats)  
 From FY2023/3 Q3 Intage SRI+ has changed the scope of its statistics; prior figures have been revised to reflect the new scope.  
 FY2023/3 Q3 total: April 2022 - December 2022  
 Comparison period: April 2021 - December 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

Contact details for IR inquiries:  
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E-mail: [2229ir@calbee.co.jp](mailto:2229ir@calbee.co.jp)  
<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.
- 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.

## FY2023/3 Q3 Results Presentation Q&A February 6, 2023

### **Q1: What is the outlook for the effect of price revisions and the impact of higher costs in Q4 (January-March)?**

The effect of price revisions in Q3 (October-December) was 3.9 billion yen, an increase of 1.1 billion yen vs the plan. This was because we brought forward some revisions (from January to November) and implemented revisions for private brands and other products that had not been specifically planned at the beginning of the period. In Q4, the effect of price revisions is expected to be higher than initially planned, but smaller than that of Q3.

The impact of higher costs in Q3 was 3.4 billion yen, approximately the same as the 3.5 billion yen forecast when the Q2 results were announced (based on the exchange rate assumption of 148 yen = \$1). The impact of higher costs in Q4 is expected to be less than a billion yen below the forecast.

### **Q2: What is the outlook for the effect of price revisions and the impact of higher costs in FY2024/3?**

The amount of higher costs has not been finalized. However, there are no major changes from the forecast issued when the Q2 results were announced. Although there are benefits from the stronger yen, costs for packaging, etc., rose.

As for the effect of price revisions, it has not yet been decided how to incorporate sales volume fluctuations due to price revisions into the plan and details will be explained at the time of the full year financial results announcement in May.

The price revisions for implementation in June 2023 are designed so that all higher costs known when the decision was made are passed on in prices.

### **Q3: What is your internal assessment of the price revisions implemented in September?**

Sales volumes of *Potato Chips* and *Jagarico* rose by 5% and 10% respectively (see financial results presentation, p. 3). There was a good potato harvest in Hokkaido, allowing us to conduct sales promotion activities with peace of mind, and the measures taken to prevent a drop in sales volume were successful. Another reason for the higher sales is that snacks are an affordable product group, while the prices of other food products are also rising.

### **Q4: Will domestic labor and advertising expenses continue to increase?**

Labor costs are set to increase as it is becoming increasingly difficult to hire people. On the other hand, we are building a production system that can be operated with a smaller workforce due to advances in automation. Advertising expenses are set to increase so that we can raise brand value, but we will control rebate, etc., deductions..

### **Q5: Can the underperformance in Greater China be attributed to macro factors? Do you expect significant profit growth from FY2024/3?**

Not entirely, but we consider the macro factors to be significant. Sales and product strategy did not develop as planned due to the lockdown and resurgence of COVID-19. The market is expected to normalize, but a sense of uncertainty remains. Once the macroeconomy recovers, we believe we will be able to grow by conducting marketing activities.

Regarding from FY2024/3, we believe the investment phase will continue for some time, although it depends on the strategy.

### **Q6: What is the outlook for the overseas business in Q4?**

Overall, we expect the trend up to Q3 to continue. While North America and the UK are performing well, Greater China and South Korea continue to underperform the plan. The overseas business as a whole may fall short of the full-year plan by around 1 billion yen, but we expect the shortfall overseas to be offset by the effects of price revisions exceeding the plan for the domestic business.

END