

Consolidated Financial Statements for the Third Quarter of the Fiscal Year Ending March 31, 2023

April 1, 2022 to December 31, 2022

Calbee, Inc.

This document has been translated from the original Japanese as a guide for non-Japanese investors. It contains forward-looking statements based on a number of assumptions and beliefs made by management in light of information currently available. Actual financial results may differ materially depending on a number of factors, including changing economic conditions, legislative and regulatory developments, delay in new product launches, and pricing and product initiatives of competitors.

SUMMARY OF FINANCIAL STATEMENTS (consolidated)

Third Quarter Results for the Fiscal Year Ending March 31, 2023

Calbee, Inc.

February 6, 2023

URL: <https://www.calbee.co.jp/en/>

Stock exchange listings: Prime Market of Tokyo, code number 2229

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Scheduled date for submission of the third quarter financial report: February 10, 2023

Scheduled date for distribution of dividends: --

Availability of supplementary explanatory material for the third quarter results: Available

Quarterly results presentation meeting: Yes (for institutional investors and analysts)

1) Consolidated results for the first nine months (April 1, 2022 to December 31, 2022) of the fiscal year ending March 31, 2023

(1) Consolidated Operating Results

	Nine months ended December 31, 2021		Nine months ended December 31, 2022	
		% change		% change
Net sales	185,470	—	208,499	12.4
Operating profit.....	20,885	(4.4)	18,063	(13.5)
Ordinary profit.....	21,570	0.8	19,060	(11.6)
Profit attributable to owners of parent.....	14,701	4.7	12,531	(14.8)
Earnings per share (¥).....	110.23		97.19	
Earnings per share (diluted) (¥).....	—		—	

Notes: 1. The percentages shown above are a comparison with the same period in the previous fiscal year.

2. Comprehensive income: Nine months ended December 31, 2022: ¥14,569 million (-7.9%)

Nine months ended December 31, 2021: ¥15,818 million (8.7%)

3. As Calbee applied the "Accounting Standard for Revenue Recognition" (Business Accounting Standards No. 29) from the beginning of the fiscal year ended March 2022, the percentage change in net sales from the same period of the previous fiscal year is not shown. Assuming that the same accounting standard as before was applied to sales for the third quarter of the fiscal year ended March 2022, the percentage of change from the same period of the previous fiscal year is 4.3%, excluding the impact of the application of this accounting standard.

(2) Consolidated Financial Position

	As of March 31, 2022	As of December 31, 2022
	Total assets	236,598
Net assets	183,458	187,059
Shareholders' equity/total assets (%).....	74.1	73.1

Shareholders' equity: As of December 31, 2022: ¥178,294 million

As of March 31, 2022: ¥175,379 million

2) Dividends

	FY ended March 31, 2022	FY ending March 31, 2023 (forecast)
	Interim period per share	0.00
Year-end dividend per share	52.00	52.00
Annual dividend per share.....	52.00	52.00

Note: Changes from the most recently announced dividend forecast: None

3) Consolidated forecasts for the fiscal year ending March 31, 2023(April 1, 2022 to March 31, 2023)

	Millions of yen	
		% change
Net sales	274,000	11.6
Operating profit.....	22,000	(12.5)
Ordinary profit.....	25,000	(7.2)
Profit attributable to owners of parent.....	15,500	(14.1)
Earnings per share (¥).....	120.52	

Notes: 1. The percentages shown above are a comparison with the same period in the previous fiscal year.

2. Changes from the most recently announced results forecast: None

Notes

- (1) Transfers of important subsidiaries during the period (transfers of specified subsidiaries resulting in changes in the scope of consolidation): Yes
One company added to scope of consolidation: Greenday Global Co., Ltd.
- (2) Use of special accounting procedures: None
- (3) Changes in accounting policy, changes in accounting estimates, and restatements:
1. Changes in accounting policies following revisions of accounting standards: None
 2. Changes in accounting policies other than 1: None
 3. Changes in accounting estimates: None
 4. Restatements: None
- (4) Number of outstanding shares (common stock)

	As of March 31, 2022:	As of December 31, 2022:
1. Number of outstanding shares (including treasury shares)	133,929,800 shares	133,929,800 shares
2. Number of treasury shares	4,808,426 shares	6,338,141 shares
	Nine months to December 31, 2021:	Nine months to December 31, 2022:
3. Average number of shares during the period	133,374,659 shares	128,938,306 shares

Note: Regarding Calbee stock held in trust as treasury stock within shareholders' equity, the number of treasury shares includes 249,165 of these shares as of December 31, 2022 and 263,265 of these shares as of March 31, 2022, and the average number of shares excludes 255,215 treasury shares in the nine months to December 31, 2022, and 274,118 treasury shares in the nine months to December 31, 2021.

Financial Statements are not subject to audit by a certified public accountant or audit firm

Appropriate use of financial forecasts and other items

1. Forecasts, etc., recorded in this document include forward-looking statements that are based on management's estimates, assumptions and projections at the time of publication. A number of factors could cause actual results to differ materially from expectations. For details of forecasts, please see Page 9, 1. Operating results (3) Consolidated forecasts for the fiscal year ending March 31, 2023.
2. The earnings per share forecast for the fiscal year ending March 31, 2023 is calculated using 128,606,258 shares as the expected average number of shares for the period.
3. Calbee, Inc. has scheduled a financial results conference for institutional investors and analysts on February 6, 2023. An audio recording of the conference will be made available on our Japanese website after the conference.

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1. Operating results

(1) Summary of business performance

(All comparisons are with the same period of the previous fiscal year, unless stated otherwise.)

During the nine-month period of the current fiscal year under review, we implemented price and content revisions in stages in order to respond to the ongoing sharp rises in raw material and energy costs. As a result of the revisions, and increased demand, domestic and overseas business grew, leading to net sales of ¥208,499 million (up 12.4%). Sales in the domestic business were ¥154,282 million (up 7.7%) due to growth in snack sales on the limited impact of price revisions on demand and the size of the Hokkaido potato harvest having been as planned. Sales of gift snack items were also strong owing to a recovery in travel demand. Sales in the overseas business were ¥54,216 million (up 28.5%) on growth in sales of snack foods in North America, Greater China, the United Kingdom, Indonesia and other regions.

Operating profit was ¥18,063 million (down 13.5%) owing to soaring raw material prices (packaging and cooking oils, etc.) and energy costs, and operating margin was 8.7%, a decrease of 2.6 percentage points. Since September, the effect of price and content revisions has offset the negative impact of rising costs. Ordinary profit was ¥19,060 million (down 11.6%), and profit attributable to owners of parent was ¥12,531 million (down 14.8%).

Results by business are as follows.

Millions of yen, rounded down

	Q3 FY ended March 31, 2022	Q3 FY ending March 31, 2023	
	Amount	Amount	Growth (%)
Domestic production and sale of snack and other foods business	143,281	154,282	+7.7
Domestic snack foods	134,869	143,318	+6.3
Domestic cereals	18,896	18,679	(1.1)
Domestic, others	8,551	10,021	+17.2
Deduction of rebates, etc.	(19,035)	(17,737)	—
Overseas production and sale of snack and other foods business	42,188	54,216	+28.5
Total, production and sale of snack and other foods business	185,470	208,499	+12.4

* Sales of "Domestic snack foods", "Domestic cereals" and "Domestic, others" are before deduction of rebates, etc.

Production and sale of snack and other foods business

Sales in the production and sale of snack and other foods business increased on growth in both the domestic and overseas businesses.

Domestic production and sale of snack and other foods business

• Domestic snack foods:

Domestic snack foods sales increased.

Sales by product are as follows.

Millions of yen, rounded down

	Q3 FY ended March 31, 2022	Q3 FY ending March 31, 2023	
	Amount	Amount	Growth (%)
<i>Potato Chips</i>	64,066	66,673	+4.1
<i>Jagarico</i>	27,013	29,654	+9.8
Products with new value / other snacks	43,789	46,989	+7.3
Total, domestic snack foods	134,869	143,318	+6.3

* Net sales by product are before deduction of rebates, etc.

** “Potato-based snacks (*Jagabee / Jaga Pokkuru*)”, “Flour-based snacks”, “Corn-and bean-based snacks” and “Other snacks”, which had been presented separately until the previous fiscal year, have been included in “Products with new value / other snacks” from this fiscal year. The figures for the previous fiscal year have also been reclassified accordingly.

- Sales of *potato chips* increased due to a stable supply of products as the harvest volume of Hokkaido-grown potatoes was as planned. *Kataage Potato*, which was renewed and promoted in celebration of its 30th anniversary, *Honey Butter Chip*, a product imported from South Korea, and a product sold with collectible cards that was launched in conjunction with sporting events, contributed.
- Sales of *Jagarico* increased due to growth in L-size products at convenience stores, reflecting higher demand related to outings, as well as steady demand after implementation of price revisions.
- Sales of products with new value / other snacks increased due to strong sales of corn-based snacks and gift snack items. Sales of corn-based snacks grew, reflecting the impact of TV commercials and a shift in demand from other products due to price revisions not having been implemented in the fall, as well as contributions from new products. In addition, there were strong sales of gift snack items such as *Jaga Pokkuru* on the resumption of foreign tourism and a rebound in domestic travel demand.

• Domestic cereals:

Sales of domestic cereals were flat at ¥18,679 million (down 1.1%), despite a decrease in demand triggered by price revisions implemented in October. This was due to the introduction of a new product *Baked Oats*, TV commercials, and an increased volume campaign.

• Domestic, others:

Sales in other domestic businesses were ¥10,021 million (up 17.2%) on growth in the sweet potato business.

Overseas production and sale of snack and other foods business

Sales increased in the overseas production and sale of snack and other foods business.

Sales by region are as follows.

Millions of yen, rounded down

	Q3 FY ended March 31, 2022	Q3 FY ending March 31, 2023		
	Amount	Amount	Growth (%)	Growth on local currency basis (%)
North America	11,592	16,785	+44.8	+19.1
Greater China	14,863	18,100	+21.8	+6.1
Other regions	21,049	26,797	+27.3	+15.4
Deduction of rebates, etc.	(5,317)	(7,466)	—	—
Total, overseas production and sale of snack and other foods business	42,188	54,216	+28.5	+12.3

* Greater China: China and Hong Kong

** Other regions: United Kingdom, Indonesia, South Korea, Thailand, Singapore and Australia

*** Net sales by region are before deduction of rebates, etc.

**** The United Kingdom and Indonesia, which had been presented separately until the previous fiscal year, have been included in "Other regions" from this fiscal year. The figures for the previous fiscal year have been reclassified.

• In North America, sales increased. There were strong sales of the mainstay bean-based snack *Harvest Snaps*, reflecting the success of package renewals and the expansion of the product lineup amid market acceptance of price revisions. Calbee brands originating from Japan such as *Kappa Ebisen* and others saw their sales areas expanded in conventional supermarkets as well as in ethnic foods areas.

• In Greater China, sales rose due to a strengthening of the product lineup, despite delays in product launch schedules and development in retail channels caused by the zero-Covid policy lockdowns. In snack foods, sales of *Honey Butter Chip* and products for the babies and kids segment grew. Sales of cereals were flat despite a decline in the market, due to increased sales of *Frugra Less Carbohydrates*.

• In Other regions, sales increased due to growth in the United Kingdom and Indonesia and the consolidation of Greenday Global Co., Ltd. in Thailand. In the United Kingdom, sales of *Potato Chips*, which underwent price revisions, and *Harvest Snaps*, for which distribution is being expanded, grew. In Indonesia, all product categories, including *Potato Chips* and flour-based snack *KrisBee*, grew faster than the snack food market as a whole.

(2) Analysis of financial position

(All comparisons are with the end of the previous fiscal year, unless stated otherwise.)

1. Overview of assets, liabilities and net assets

Total assets as of December 31, 2022 were ¥243,819 million, an increase of ¥7,220 million. This was mainly due to an increase in notes and accounts receivable - trade, while securities decreased. The increase in notes and accounts receivable - trade was caused by the collection having been postponed to the following month because the last day of December was a bank holiday, and because of record-high monthly net sales in December. The decrease in securities was due to redemptions for the purchase of treasury shares.

Liabilities increased by ¥3,619 million to ¥56,760 million. This was mainly due to the temporary use of short-term borrowings for working capital as the collection of trade receivables was delayed until the following month.

Net assets increased by ¥3,601 million to ¥187,059 million. This was primarily due to an increase in retained earnings resulting from the posting of profit attributable to owners of parent, despite the acquisition of treasury shares with the aim of furthering the distribution of profits to shareholders and improving capital efficiency.

As a result, the shareholders' equity ratio was 73.1%, down 1.0 percentage points.

2. Overview of cash flows

Cash and cash equivalents as of December 31, 2022 were ¥22,895 million, a decrease of ¥26,775 million.

Cash flows from operating activities

Operating activities resulted in a net cash outflow of ¥9,733 million, an increase of ¥5,627 million.

This was mainly attributable to a decrease in trade receivables as a result of the record-high monthly net sales in December, and a decrease in inventories resulting from an increase in the amount of raw material potatoes and sweet potatoes harvested.

Cash flows from investing activities

Investing activities resulted in a net cash outflow of ¥12,954 million, an increase of ¥10,703 million, mainly due to a decrease in proceeds from redemption of securities.

Cash flows from financing activities

Financing activities resulted in a net cash outflow of ¥5,347 million, a decrease of ¥6,541 million. This was mainly due to a decrease in the purchase of treasury shares, and the conversion of long-term borrowings of Potato Kaitsuka Ltd. to internal loans in the same period of the previous fiscal year.

Information pertaining to financial resources and capital liquidity

• Developments in demand for capital

Calbee Group's capital needs for operating activities include expenditures for costs related to manufacturing, such as raw materials, labor and production expenses, and expenditures for sales activities, such as selling, labor, distribution, etc. Expenditures for investing activities are primarily for capital investment and growth investment, and expenditures for financing activities are primarily for capital needs related to payment of dividends by the parent company.

With regard to these capital needs, we plan to allocate the sum of cash flows from operating activities forecast for the five years from FY2020/3 to FY2024/3 and cash on hand, etc., based on the medium-term business plan.

Details of capital needs

Capital investment: Sustainable growth in and improving productivity of existing businesses and strengthening our overseas manufacturing structure.

Growth investment: New businesses, DX, M&A, etc., to acquire a foundation for growth.

Shareholder returns: Aim for total return ratio over 50% and DOE4% on a consolidated basis.

The status of cash outlays as of the end of third quarter of the current fiscal year under review is as follows.

Millions of yen, rounded down

	FY ended March 31, 2020	FY ended March 31, 2021	FY ended March 31, 2022	Q3 FY ending March 31, 2023	Medium-term business plan	Progress (%)
Capital investment	8,751	11,205	12,123	8,274	60,000	67.3
Growth investment	7,558	13,330	1,492	2,315	80,000	30.9
Shareholder returns	6,425	6,693	18,691	11,183	50,000	86.0
Total	22,735	31,229	32,307	21,773	190,000	56.9

- Fund-raising methods

In principle, Calbee Group raises funds by using cash from operating activities, and temporary shortages of funds are generally financed by short-term borrowings from financial institutions. We and our domestic consolidated subsidiaries have introduced a cash management system (CMS) to centrally manage funds within the Calbee Group, thereby managing surplus funds, securing liquidity and improving funding efficiency. In addition, Calbee has entered into overdraft agreements with several financial institutions with the aim of further supplementing our liquidity, and we recognize that we have sufficient liquidity to fund our business operations.

(3) Consolidated forecasts

There is no change in the consolidated forecasts for the fiscal year ending March 31, 2023 announced on November 7, 2022.

2. Consolidated financial statements and key notes

(1) Consolidated balance sheets

Millions of yen, rounded down

	As of March 31, 2022	As of December 31, 2022
Assets		
Current assets		
Cash and deposits	35,005	25,860
Notes and accounts receivable - trade	32,582	52,628
Securities	23,999	8,999
Inventories	18,001	24,475
Other	5,588	8,125
Allowance for doubtful accounts	(6)	(46)
Total current assets	115,171	120,043
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	34,020	34,364
Machinery, equipment and vehicles, net	33,824	32,130
Land	11,977	12,498
Construction in progress	1,255	5,191
Other, net	1,901	2,045
Total property, plant and equipment	82,979	86,230
Intangible assets		
Goodwill	23,550	23,263
Other	2,529	2,784
Total intangible assets	26,079	26,048
Investments and other assets		
Investments and other assets, gross	12,369	11,499
Allowance for doubtful accounts	(1)	(1)
Total investments and other assets	12,368	11,497
Total non-current assets	121,427	123,776
Total assets	236,598	243,819

	As of March 31, 2022	As of December 31, 2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	11,849	13,638
Short-term borrowings	1,447	8,232
Income taxes payable	4,242	1,013
Provision for bonuses	4,625	3,220
Provision for bonuses for directors (and other officers)	93	121
Provision for share-based remuneration	45	—
Other	19,955	19,055
Total current liabilities	42,259	45,280
Non-current liabilities		
Provision for retirement benefits for directors (and other officers)	334	326
Provision for share-based remuneration for directors (and other officers)	323	336
Retirement benefit liability	8,049	8,270
Asset retirement obligations	749	746
Other	1,424	1,798
Total non-current liabilities	10,881	11,479
Total liabilities	53,140	56,760
Net assets		
Shareholders' equity		
Share capital	12,046	12,046
Capital surplus	3,232	3,242
Retained earnings	170,284	176,088
Treasury shares	(12,959)	(17,370)
Total shareholders' equity	172,604	174,006
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	436	502
Foreign currency translation adjustment	3,232	4,776
Remeasurements of defined benefit plans	(893)	(990)
Total accumulated other comprehensive income	2,775	4,288
Non-controlling interests	8,078	8,764
Total net assets	183,458	187,059
Total liabilities and net assets	236,598	243,819

(2) Consolidated statements of income and comprehensive income
Consolidated statements of income

Millions of yen, rounded down

	April 1, 2021 to December 31, 2021	April 1, 2022 to December 31, 2022
Net sales	185,470	208,499
Cost of sales	120,670	140,050
Gross profit	64,800	68,448
Selling, general and administrative expenses	43,914	50,384
Operating profit	20,885	18,063
Non-operating income		
Interest income	62	88
Dividend income	38	38
Share of profit of entities accounted for using equity method	11	—
Foreign exchange gains	648	974
Other	139	160
Total non-operating income	900	1,261
Non-operating expenses		
Interest expenses	77	115
Share of loss of entities accounted for using equity method	—	1
Depreciation	74	74
Other	63	72
Total non-operating expenses	215	264
Ordinary profit	21,570	19,060
Extraordinary income		
Gain on sales of non-current assets	5	14
Subsidy income related to COVID-19	—	86
Subsidies income	42	71
Gain on forgiveness of debts	389	—
Gain on sales of investment securities	69	—
Other	4	1
Total extraordinary income	511	173
Extraordinary losses		
Loss on sales of non-current assets	23	6
Loss on retirement of non-current assets	235	257
Loss on valuation of investment securities	59	—
Loss on sale of investment securities	8	—
Loss on business restructuring	34	—
Other	2	18
Total extraordinary losses	364	282
Profit before income taxes	21,716	18,951
Income taxes - current	5,483	4,799
Income taxes - deferred	1,386	1,393
Total income taxes	6,869	6,192
Profit	14,847	12,758
Profit attributable to non-controlling interests	145	227
Profit attributable to owners of parent	14,701	12,531

Consolidated statements of comprehensive income

	<i>Millions of yen, rounded down</i>	
	April 1, 2021 to December 31, 2021	April 1, 2022 to December 31, 2022
Profit	14,847	12,758
Other comprehensive income		
Valuation difference on available-for-sale securities	94	65
Foreign currency translation adjustment	988	1,840
Remeasurements of defined benefit plans, net of tax	(111)	(96)
Total other comprehensive income	971	1,810
Comprehensive income	15,818	14,569
Comprehensive income attributable to		
Owners of parent	15,512	14,044
Non-controlling interests	305	524

(3) Consolidated statements of cash flows*Millions of yen, rounded down*

	April 1, 2021 to December 31, 2021	April 1, 2022 to December 31, 2022
Cash flows from operating activities		
Profit before income taxes	21,716	18,951
Depreciation	6,783	7,468
Amortization of goodwill	1,358	1,473
Increase (decrease) in allowance for doubtful accounts	22	23
Increase (decrease) in provision for bonuses	(1,685)	(1,410)
Increase (decrease) in provision for bonuses for directors (and other officers)	(18)	27
Increase (decrease) in provision for share awards	(1)	3
Increase (decrease) in provision for share-based remuneration for directors	43	13
Increase (decrease) in retirement benefit liability	(90)	110
Decrease (increase) in retirement benefit asset	(176)	(187)
Increase (decrease) in provision for retirement benefits for directors (and other officers)	(21)	(8)
Interest and dividend income	(101)	(126)
Interest expenses	77	115
Foreign exchange losses (gains)	(1,096)	(1,088)
Subsidies income	(42)	(19)
Share of loss (profit) of entities accounted for using equity method	(11)	1
Loss (gain) on sales of investment securities	(60)	—
Loss (gain) on valuation of investment securities	59	—
Loss (gain) on sales of non-current assets	18	(7)
Loss on retirement of non-current assets	235	257
Decrease (increase) in trade receivables	(16,046)	(19,678)
Decrease (increase) in inventories	(3,027)	(6,169)
Increase (decrease) in trade payables	328	1,467
Increase (decrease) in accounts payable - other	(1,960)	(1,251)
Other, net	(1,642)	(1,647)
Subtotal	4,661	(1,682)
Interest and dividends received	89	137
Interest paid	(69)	(122)
Income taxes paid	(8,789)	(8,066)
Net cash provided by (used in) operating activities	(4,106)	(9,733)

	April 1, 2021 to December 31, 2021	April 1, 2022 to December 31, 2022
Cash flows from investing activities		
Purchase of property, plant and equipment	(9,833)	(8,717)
Proceeds from sales of property, plant and equipment	13	13
Purchase of intangible assets	(716)	(811)
Purchase of securities	(22,998)	(13,998)
Proceeds from redemption of securities	30,900	14,000
Purchase of investment securities	(279)	(162)
Proceeds from sales of investment securities	218	46
Loan advances	(100)	—
Collection of loans receivable	180	78
Payments into time deposits	(705)	(3,493)
Proceeds from withdrawal of time deposits	703	812
Payments of guarantee deposits	(44)	(72)
Proceeds from refund of guarantee deposits	380	69
Purchase of shares of subsidiaries resulting in change in scope of consolidation	—	(1,061)
Proceeds from subsidy income	27	19
Other, net	4	322
Net cash provided by (used in) investing activities	(2,250)	(12,954)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	6,500	6,765
Repayments of long-term borrowings	(3,465)	(531)
Purchase of treasury shares	(6,749)	(4,460)
Proceeds from share issuance to non-controlling shareholders	461	445
Dividends paid	(6,691)	(6,723)
Dividends paid to non-controlling interests	(14)	(754)
Repayments of lease obligations	(47)	(88)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(1,882)	(0)
Net cash provided by (used in) financing activities	(11,888)	(5,347)
Effect of exchange rate change on cash and cash equivalents	613	1,260
Net increase (decrease) in cash and cash equivalents	(17,633)	(26,775)
Cash and cash equivalents at beginning of period	47,282	49,670
Cash and cash equivalents at end of period	29,649	22,895

(4) Notes to consolidated financial statements

(Notes related to going concern assumption)

No applicable items

(Notes on occurrence of significant changes to shareholders' equity)

No applicable items

(Subsequent events)

No applicable items