

Consolidated Financial Statements for the First Half of the Fiscal Year Ending March 31, 2012

April 1, 2011 to September 30, 2011

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)

First Half Results for the Fiscal Year Ending March 31, 2012

CALBEE, Inc.

October 28, 2011

http://www.calbee.co.jp/english/

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Scheduled date for submission of the first half financial report: November 9, 2011

Scheduled date for distribution of dividends: --

Availability of supplementary explanatory material for first half results: Available

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

1) Consolidated results for the first six months (April 1, 2011 to September 30, 2011) of the fiscal year ending March 31, 2012

(1) Consolidated Operating Results

Millions of yen, rounded down

	Six months ended September 30, 2011		Six months ended September 30, 2010	
		% change		% change
Net sales	75,985	(0.4)	76,266	--
Operating income	3,893	(15.9)	4,631	--
Ordinary income	3,499	(23.1)	4,547	--
Net income	1,772	(27.2)	2,435	--
Earnings per share (¥)	55.25		84.42	
Earnings per share (diluted) (¥)	54.16		--	

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

2. Comprehensive income: Six months ended September 30, 2011: ¥1,609 million (-25.2%)

Six months ended September 30, 2010: ¥2,152 million (-- %);

3. Figures for earnings per share (diluted) for the six months ended September 30, 2010 are not recorded as although there was a balance of new share subscription rights the Company was not listed at that time, meaning that an average share price for the period cannot be obtained.

(2) Consolidated Financial Position

Millions of yen, rounded down

	As of September 30, 2011	As of March 31, 2011
Total assets	100,640	99,393
Net assets	74,815	72,924
Shareholders' equity/total assets (%)	71.1	70.7

Shareholders' equity: As of September 30, 2011: ¥71,527 million

As of March 31, 2011: ¥70,235 million

2) Dividends per share

Yen

	FY ended March 31, 2011	FY ending March 31, 2012
Interim period	00.00	00.00
Year-end	28.00	32.00 (forecast)
Annual	28.00	32.00 (forecast)

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

3) Consolidated forecasts for the fiscal year ending March 31, 2012 (April 1, 2011 to March 31, 2012)

Millions of yen

	Fiscal year ending March 31, 2012	
		% change
Net sales	160,000	2.9
Operating income	11,000	2.6
Ordinary income	10,600	0.3
Net income	6,000	41.1
Earnings per share (¥)	186.06	

Note: 1. The percentages shown above are a comparison with the full year period of the previous fiscal year.

2. Changes from the most recently announced results forecast: Yes

4) Other

(1) Transfer of important subsidiaries during the period: Yes

Note: Indicates transfers of specified subsidiaries resulting in changes in the scope of consolidation during the period under review.

One company added to scope of consolidation: HAITAI-CALBEE Co., Ltd.

(2) Use of special accounting procedures: None

(3) Changes in accounting policy, changes in accounting estimates, and restatements:

1. Changes following revisions to accounting standards: None
2. Other changes: None
3. Changes in accounting estimates: None
4. Restatements: None

(4) Number of outstanding shares (common stock)

	September 30, 2011:	March 31, 2011:
1. Number of shares outstanding (including treasury shares)	32,248,450 shares	31,917,450 shares
2. Number of treasury shares	-- shares	-- shares
	Six months to September 30, 2011:	Six months to September 30, 2010:
3. Average number of shares during the period	32,080,614 shares	28,849,450 shares

Note: On January 14, 2011 a 50 for 1 share split was conducted for common shares.

Important Notice

Disclosure of status of quarterly report review procedures:

At time of disclosure of this quarterly financial report the company was not subject to the review procedures for quarterly securities reports as stipulated under the Financial Instruments and Exchange Law; therefore these review procedures have not been completed.

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 further details of forecasts please see Page 6, 1. Operating Results (3) Consolidated forecasts for the fiscal year ending March 31, 2012
2. On January 14, 2011 a 50 for 1 share split was conducted for common shares.
3. The earnings per share forecast for the fiscal year ending March 31, 2012 is calculated using 32,248,450 shares as the expected average number of shares for the period.
4. CALBEE, Inc. has scheduled a results presentation for institutional investors and analysts for October 28, 2011. A digital recording of the presentation will be made available on the Calbee website after the conference.

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1. Operating Results

(1) Summary of business performance (consolidated)

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

During the six-month period under review, production and export in the Japanese economy began to show signs of recovery from significant decreases caused by the Great East Japan Earthquake in Fukushima. However, continued recessionary concerns in Europe and North America along with the strong yen lent ongoing uncertainty to the outlook.

In the snack foods industry, the market began to return to normal as consumers reduced their focus on voluntary constraint and frugality in the post-quake environment.

In this environment, Calbee Group (hereafter "Calbee") launched initiatives to speed recovery at the four factories that were damaged by the disaster, and was able to resume production at all lines by the end of May. However, at this point sales were trending lower than in the first six months of the previous year, due to the affects of delayed new product launches and self-imposed restraints on advertising initiatives and in-store promotions. New product launches and in-store promotions were restarted at the end of May, and sales from June onward trended higher than comparative months in the previous year. For the six-month period overall sales were nearly in line with the previous year, with a decline of 0.4% to ¥75,985 million.

Profitability for the period was affected by higher raw material prices and additional distribution and other costs arising from the earthquake, which were only partially offset by ongoing cost reduction measures. As a result, operating income decreased 15.9% to ¥3,893 million, ordinary income decreased 23.1% to ¥3,499 million, and net income decreased 27.2% to ¥1,772 million.

Result by business:

Food production and sales business

Net sales decreased by 0.6% to ¥74,833 million.

Snack foods:

Snack food sales decreased 1.1% to ¥64,957 million, reflecting restraints on advertising and promotional initiatives in the post-quake period.

1. Potato-based snacks

Sales from June onward recovered, supported by added content volume promotions and active introduction of special offer and region-specific products for Potato Chips, and by limited offer Jagarico products. However, these measures were not sufficient to fully offset the decline in sales in April and May.

Sales of Jagabee were largely in line with the previous year, affected by the temporary suspension of sales of boxed products because of damage to the new Utsunomiya factory.

2. Flour-based snacks

Sales for the overall period were lower, as the growth in sales of core products Kappa Ebisen and Sapporo Potato, along with sales of the renewed Sayaendo from June onward, was insufficient to cover the large drop in sales in the first quarter.

3. Corn-based snacks

Sales of corn-based snacks, for which production was unaffected by the earthquake, were higher year-on-year for the period, supported by solid sales of products such as Mike Popcorn, Doritos and Cheetos.

Other products (Processed bread and Cereal)

Net sales increased 3.5% to ¥9,876 million, with sales of processed bread and cereal trending favorably.

Sales of processed breads increased due to the effects of discount campaigns and an increase in the number of stores handling the products. Sales of cereal foods grew for the period, despite being unable to ship from the earthquake-damaged Kiyohara factory until late April, supported by a recovery in sales of Fruits Granola from May after production recommenced.

Other businesses

Net sales increased 13.3% to ¥1,151 million, supported by sales growth in both the distribution business and the sales promotion tools business.

(2) Summary of consolidated financial position

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

Total assets at the end of the first six months on September 30, 2011 were ¥100,640 million, an increase of ¥1,247 million from the end of the previous fiscal year. The primary contributing factor was an increase in inventory assets and pre-paid expenses concomitant with the harvest season in Hokkaido, which is Calbee's largest source of potatoes. This exceeded a reduction in non-current assets that arose from depreciation and amortization expenses exceeding the amount of investment.

Liabilities decreased ¥644 million to ¥25,824 million, with reductions in accrued expenses and reserves for loss on disaster offsetting an increased in accounts payable.

Net assets increased ¥1,891 million to ¥74,815 million, reflecting the recording of net income and other factors for the period.

As a result, the equity ratio increased 0.4 percentage points from the end of the previous fiscal year to 71.1% and net assets per share was ¥2,218.00.

Cash flow

Cash and cash equivalents as of September 30, 2011 were ¥17,081 million, ¥1,156 million lower than at the end of the previous fiscal year. The main contributing factors are detailed below.

Cash flows from operating activities

Net cash provided by operating activities during the period under review was ¥1,696 million, compared to ¥7,850 million for the first six months of the previous fiscal year. Factors increasing operating cash flow included income before income taxes and minority interests of ¥3,558 million and depreciation and amortization of ¥3,220 million. Factors reducing operating cash flow included an increase in inventory of ¥2,004 million and income taxes paid of ¥2,432 million.

Cash flows from investing activities

Net cash used in investing activities during the period under review was ¥1,985 million, compared to cash inflow of ¥1,331 million for the first six months of the previous fiscal year. A primary contributing factor was ¥2,155 million in payments for acquisition of non-current assets.

Cash flows from financing activities

Net cash used in financing activities during the period under review was ¥590 million, compared to ¥5,134 million used in the first six months of the previous fiscal year. This was primarily due to cash dividends paid of ¥931 million, which exceeded cash inflow of ¥529 million arising from the exercise of stock options.

(3) Consolidated forecasts for the fiscal year ending March 31, 2012

Based on consideration of business performance during the first half of the year, the consolidated full-year forecasts issued on May 10, 2011 have been revised as follows.

Revised consolidated full-year forecasts (April 1, 2011 to March 31, 2012) *Millions of yen, rounded down*

	Net sales	Operating income	Ordinary income	Net income	Earnings per share (¥)
Previous forecast (A)	160,000	11,000	11,000	6,000	187.16
Revised forecast (B)	160,000	11,000	10,600	6,000	186.06
Amount of change(B-A)	—	—	(400)	—	—
Percentage change (%)	—	—	(3.6)	—	—
For reference: Actual results for year ended March 31, 2011	155,529	10,717	10,570	4,253	146.48

2. Summary information and related items

(1) Transfer of important subsidiaries during the period:

In July 2011, a joint venture company HAITAI-CALBEE Co., Ltd. was established by Calbee and major Korean confectionary maker HAITAI Confectionery & Foods Co., Ltd. as part of measures to expand Calbee sales in the Korean snack market, which stands alongside Japan and China as a key Asian market. This joint venture has been included in the scope of consolidation from the second quarter of the current fiscal year.

(2) Use of special accounting procedures:

No applicable items

(3) Changes in accounting policy, changes in accounting estimates, and restatements:

No applicable items

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

Millions of yen, rounded down

	As of September 30, 2011	As of March 31, 2011
ASSETS		
Current assets		
Cash and deposits	17,081	18,238
Notes and accounts receivable-trade	11,836	11,139
Inventories	6,242	4,276
Other	4,957	3,779
Allowance for doubtful accounts	(15)	(14)
Total current assets	40,102	37,420
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	21,039	21,678
Machinery, equipment and vehicles, net	13,672	14,550
Land	10,724	10,707
Construction in progress	1,054	619
Other, net	880	922
Total property, plant and equipment	47,371	48,478
Intangible assets		
Goodwill	4,814	4,822
Other	1,664	1,911
Total intangible assets	6,479	6,734
Investments and other assets		
Investments and other assets, gross	6,782	6,855
Allowance for doubtful accounts	(94)	(94)
Total investments and other assets	6,688	6,761
Total noncurrent assets	60,538	61,973
Total assets	100,640	99,393

Consolidated Balance Sheets, continued*Millions of yen, rounded down*

	As of September 30, 2011	As of March 31, 2011
LIABILITIES		
Current liabilities		
Accounts payable-trade	—	5,656
Notes and accounts payable-trade	9,423	—
Short-term loans payable	55	107
Current portion of long-term loans payable	93	182
Accounts payable-other	2,684	3,914
Income taxes payable	1,318	2,443
Provision for bonuses	2,532	3,096
Provision for directors' bonuses	128	182
Reserve for loss on disaster	57	1,378
Other	4,009	4,327
Total current liabilities	20,303	21,288
Noncurrent liabilities		
Long-term loans payable	9	9
Provision for retirement benefits	3,529	3,335
Provision for directors' retirement benefits	461	424
Asset retirement obligations	663	658
Other	857	752
Total noncurrent liabilities	5,521	5,180
Total liabilities	25,824	26,469
NET ASSETS		
Shareholders' equity		
Capital stock	11,009	10,744
Capital surplus	10,577	10,312
Retained earnings	50,817	49,938
Total shareholders' equity	72,404	70,995
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(9)	(62)
Foreign currency translation adjustment	(868)	(697)
Total accumulated other comprehensive income	(877)	(759)
Subscription rights to shares	102	102
Minority interests	3,186	2,585
Total net assets	74,815	72,924
Total liabilities and net assets	100,640	99,393

(2) Consolidated Statements of Income*Millions of yen, rounded down*

	April 1, 2011 to September 30, 2011	April 1, 2010 to September 30, 2010
Net sales	75,985	76,266
Cost of sales	45,075	44,833
Gross profit	30,909	31,432
Selling, general and administrative expenses	27,015	26,801
Operating income	3,893	4,631
Non-operating income		
Interest income	9	4
Dividends income	41	47
Real estate income	34	35
Settlement of consignment money for recycling	79	98
Income from compensation for damage	71	—
Other	103	126
Total non-operating income	340	311
Non-operating expenses		
Interest expenses	3	38
Foreign exchange losses	606	211
Other	124	145
Total non-operating expenses	734	395
Ordinary income	3,499	4,547
Extraordinary income		
Gain on sales of noncurrent assets	9	953
Subsidies income	230	27
Gain on negative goodwill	175	—
Reversal of allowance for doubtful accounts	—	65
Reversal of provision for loss on disaster	163	—
Other	1	52
Total extraordinary income	581	1,098
Extraordinary loss		
Loss on sales of noncurrent assets	27	6
Loss on retirement of noncurrent assets	38	204
Loss on disaster	258	—
Loss on liquidation of subsidiaries and affiliates	129	—
Loss on adjustment for changes of accounting standard for asset retirement obligations	—	351
Other	67	207
Total extraordinary losses	521	769
Income before income taxes and minority interests	3,558	4,877
Income taxes-current	1,327	2,258
Income taxes-deferred	261	(30)
Total income taxes	1,589	2,227
Income before minority interests	1,969	2,649
Minority interests in income	196	214
Net income	1,772	2,435

Consolidated Statements of Comprehensive Income*Millions of yen, rounded down*

	April 1, 2011 to September 30, 2011	April 1, 2010 to September 30, 2010
Income before minority interests	1,969	2,649
Other comprehensive income		
Valuation difference on available-for-sale securities	52	(45)
Foreign currency translation adjustment	(412)	(451)
Total other comprehensive income	(359)	(497)
Comprehensive income	1,609	2,152
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	1,654	2,099
Comprehensive income attributable to minority interests	(44)	53

Consolidated Statements of Income (second quarter)

Millions of yen, rounded down

	July 1, 2011 to September 30, 2011	July 1, 2010 to September 30, 2010
Net sales	40,294	37,233
Cost of sales	23,829	21,821
Gross profit	16,465	15,411
Selling, general and administrative expenses	13,956	13,547
Operating income	2,508	1,863
Non-operating income		
Interest income	7	3
Dividends income	1	1
Real estate income	16	17
Settlement of consignment money for recycling	79	98
Other	64	32
Total non-operating income	169	152
Non-operating expenses		
Interest expenses	1	18
Foreign exchange losses	402	123
Other	46	73
Total non-operating expenses	451	215
Ordinary income	2,227	1,801
Extraordinary income		
Gain on sales of noncurrent assets	0	37
Gain on negative goodwill	175	—
Reversal of allowance for doubtful accounts	—	10
Other	34	23
Total extraordinary income	210	71
Extraordinary loss		
Loss on sales of noncurrent assets	0	6
Loss on retirement of noncurrent assets	16	157
Loss on disaster	5	—
Loss on liquidation of subsidiaries and affiliates	129	—
Other	13	17
Total extraordinary losses	166	181
Income before income taxes and minority interests	2,271	1,691
Income taxes-current	472	229
Income taxes-deferred	493	545
Total income taxes	965	774
Income before minority interests	1,305	917
Minority interests in income	99	94
Net income	1,205	823

Consolidated Statements of Comprehensive Income (second quarter)*Millions of yen, rounded down*

	July 1, 2011 to September 30, 2011	July 1, 2010 to September 30, 2010
Income before minority interests	1,305	917
Other comprehensive income		
Valuation difference on available-for-sale securities	31	(21)
Foreign currency translation adjustment	(291)	(210)
Total other comprehensive income	(260)	(231)
Comprehensive income	1,045	686
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	1,141	665
Comprehensive income attributable to minority interests	(96)	20

(3) Consolidated Statements of Cash Flows*Millions of yen, rounded down*

	April 1, 2011 to September 30, 2011	April 1, 2010 to September 30, 2010
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	3,558	4,877
Depreciation and amortization	3,220	3,449
Amortization of goodwill	289	274
Gain on negative goodwill	(175)	—
Loss on adjustment for changes of accounting standard for asset retirement obligations	—	351
Increase (decrease) in allowance for doubtful accounts	1	(325)
Increase (decrease) in provision for bonuses	(561)	21
Increase (decrease) in provision for directors' bonuses	(53)	(76)
Increase (decrease) in provision for retirement benefits	201	(1)
Decrease (increase) in prepaid pension costs	70	85
Increase (decrease) in provision for directors' retirement benefits	36	46
Interest and dividends income	(50)	(51)
Interest expenses	3	38
Foreign exchange losses (gains)	564	198
Subsidies income	(230)	(27)
Loss (gain) on sales of investment securities	(1)	(28)
Loss (gain) on valuation of investment securities	13	171
Loss (gain) on sales of noncurrent assets	17	(947)
Loss on retirement of noncurrent assets	38	204
Loss on disaster	95	—
Loss on liquidation of subsidiaries and affiliates	129	—
Decrease (increase) in notes and accounts receivable-trade	(802)	1,138
Decrease (increase) in inventories	(2,004)	(558)
Increase (decrease) in notes and accounts payable-trade	3,819	2,494
Decrease (increase) in accounts receivable-other	(82)	(142)
Increase (decrease) in accounts payable-other	(1,014)	207
Increase (decrease) in accrued consumption taxes	(408)	(301)
Other, net	(1,542)	(750)
Subtotal	5,132	10,348
Interest and dividends income received	53	92
Interest expenses paid	(4)	(38)
Proceeds from subsidies	230	27
Payments for loss on disaster	(1,282)	—
Income taxes paid	(2,432)	(2,579)
Net cash provided by (used in) operating activities	1,696	7,850

Consolidated Statements of Cash Flows, continued

	<i>Millions of yen, rounded down</i>	
	April 1, 2011 to September 30, 2011	April 1, 2010 to September 30, 2010
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	(2,018)	(1,401)
Proceeds from sales of property, plant and equipment	122	2,800
Purchase of intangible assets	(136)	(195)
Purchase of investment securities	(8)	(9)
Proceeds from sales of investment securities	7	38
Purchase of stocks of subsidiaries and affiliates	(13)	—
Payments of loans receivable	(98)	(79)
Collection of loans receivable	107	5
Payments for guarantee deposits	(99)	(26)
Proceeds from collection of guarantee deposits	168	247
Other, net	(17)	(46)
Net cash provided by (used in) investing activities	(1,985)	1,331
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	(44)	(2,488)
Proceeds from long-term loans payable	—	3
Repayment of long-term loans payable	(89)	(1,819)
Proceeds from exercise of stock option	529	—
Cash dividends paid	(893)	(692)
Cash dividends paid to minority shareholders	(38)	(92)
Repayments of lease obligations	(54)	(45)
Net cash provided by (used in) financing activities	(590)	(5,134)
Effect of exchange rate change on cash and cash equivalents	(276)	(130)
Net increase (decrease) in cash and cash equivalents	(1,156)	3,916
Cash and cash equivalents at beginning of period	18,238	4,469
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	—	27
Cash and cash equivalents at end of period	17,081	8,413

(4) Items related to going concern assumption

First half (April 1, 2011 to September 30, 2011) of the fiscal year ending March 31, 2012

No applicable items

(5) Additional information

As of the beginning of the first quarter of the current fiscal year, *Accounting Standards for Accounting Changes and Revisions of Past Errors* (ASBJ Statement No. 24, December 24, 2009) and *Guidelines to the Application of Accounting Standards for Accounting Changes and Revisions of Past Errors* (ASBJ Guideline No. 24, December 24, 2009) have been applied.

(6) Note on occurrence of significant changes to shareholders' equity

First half (April 1, 2011 to September 30, 2011) of the fiscal year ending March 31, 2012

No applicable items