

Consolidated Financial Statements for the Third Quarter of the Fiscal Year Ending March 31, 2014

April 1, 2013 to December 31, 2013

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, 2014

CALBEE, Inc.

January 30, 2014

URL: <http://www.calbee.co.jp/english/>

Stock exchange listings: Tokyo 1st section, code number 2229

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Scheduled date for submission of the third quarter financial report: February 12, 2014

Scheduled date for distribution of dividends: --

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

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

1) Consolidated results for the first nine months (April 1, 2013 to December 31, 2013) of the fiscal year ending March 31, 2014

(1) Consolidated Operating Results

Millions of yen, rounded down

	Nine months ended December 31, 2013		Nine months ended December 31, 2012	
		% change		% change
Net sales	148,924	11.3	133,759	11.5
Operating income	15,618	24.6	12,536	44.6
Ordinary income	16,649	26.5	13,163	56.7
Net income	10,336	40.0	7,384	70.7
Earnings per share (¥).....	78.37		56.55	
Earnings per share (diluted) (¥).....	77.35		55.51	

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, 2013: ¥11,898 million (41.7%)

Nine months ended December 31, 2012: ¥8,397 million (92.2%)

3. On October 1, 2013, a 1:4 share split was implemented for common shares. Calculations for earnings per share and earnings per share (diluted) assume the share split occurred at the beginning of the previous fiscal year.

(2) Consolidated Financial Position

Millions of yen, rounded down

	As of December 31, 2013	As of March 31, 2013
Total assets	133,625	124,793
Net assets	103,516	92,685
Shareholders' equity/total assets (%).....	72.6	70.2

Shareholders' equity: As of December 31, 2013: ¥96,957 million

As of March 31, 2013: ¥87,554 million

2) Dividends per share

Yen

	FY ended March 31, 2013	FY ending March 31, 2014
Interim period	00.00	00.00
Year-end	62.00	18.00 (forecast)
Annual	62.00	18.00 (forecast)

Notes: 1. Changes from the most recently announced dividend forecast: None

2. On October 1, 2013, a 1:4 share split was implemented for common shares. Figures for FY ending March 31, 2014 (forecast) are subsequent to the share split.

3) Consolidated forecasts for the fiscal year ending March 31, 2014 (April 1, 2013 to March 31, 2014)

Millions of yen

	Fiscal year ending March 31, 2014	
		% change
Net sales	190,000	5.9
Operating income	18,000	14.0
Ordinary income	18,000	5.1
Net income	10,400	10.2
Earnings per share (¥).....	78.76	

Notes: 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: None

3. On October 1, 2013, a 1:4 share split was implemented for common shares. Calculations for earnings per share for the fiscal year ending March 31, 2014 account for the share split.

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: PT. Calbee-Wings Food

One company removed from scope of consolidation: Oisia FOODS CO., LTD.

Note: For further details, please see page 7, 2. Summary information and related items (1) Transfers of important subsidiaries during the period.

(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)

	December 31, 2013:	March 31, 2013:
1. Number of outstanding shares (including treasury shares)	132,045,800 shares	131,749,800 shares
2. Number of treasury shares	832 shares	-- shares
	Nine months to December 31, 2013:	Nine months to December 31, 2012:
3. Average number of shares during the period	131,891,907 shares	130,584,869 shares

Note: On October 1, 2013, a 1:4 share split was implemented for common shares. Calculations for number of outstanding shares (common stock) assume the share split occurred at the beginning of the previous fiscal year.

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, 2014.
2. On October 1, 2013, a 1:4 share split was implemented for common shares.
3. The earnings per share forecast for the fiscal year ending March 31, 2014 is calculated using 132,044,968 shares as the expected average number of shares for the period.
4. CALBEE, Inc. has scheduled a telephone conference for institutional investors and analysts for January 30, 2014. An audio recording of the telephone conference will be made available on our Japanese website after the conference.

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1. Operating Results

(1) Summary of business performance (consolidated)

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

During the nine-month period under review, certain areas of the Japanese economy have displayed signs of recovery due to the administration's economic policies, however there are risks, such as of a decline in consumer sentiment following the consumption tax planned for April 2014 and the outlook continues to remain uncertain.

In the snack foods market, there was a continued consumer preference for products at lower price points. In comparison to other sectors of the industry, however, consumers appeared to find good value in the pricing and volume being offered in this sector, and the market remained firm.

In this environment, Calbee Group (hereafter "Calbee") continued initiatives to actively promote the twin pillars of innovation (growth strategies) and cost reduction. With regards to innovation, expansion of our business overseas included entering into a business partnership with PepsiCo group in North America and initiatives with the Tingyi Group in China. In Indonesia we established a joint venture company with Wings Group in July, 2013. In domestic business we increased market share due to strong sales of core potato-based snacks and cereal product *Fruits Granola*. With regard to cost reduction, we successfully lowered our manufacturing cost ratio by centralizing procurement and improving capacity utilization.

Consolidated net sales for the nine-month period under review increased 11.3% to ¥148,924 million. In terms of profitability, operating income increased 24.6% to ¥15,618 million benefiting from growth in sales and cost reductions. Ordinary income increased 26.5% to ¥16,649 million, including a ¥801 million gain from foreign exchange due to the weaker yen. Net income increased by 40.0% to ¥10,336 million including a ¥375 million gain on sales of investment securities.

Result by business:

Food production and sales business

Net sales were strong, rising by 11.1% to ¥146,687 million driven by snack foods, cereals and overseas business.

Snack foods:

Snack food sales increased 11.6% to ¥129,254 million.

1. Potato-based snacks

Sales increased 7.6% to ¥83,406 million.

Potato Chips: Strong sales in core products (Lightly Salted, Consommé Punch, Seaweed Salted) and in Kata-Age Potato continued and were higher than in the comparable period of the previous fiscal year.

Jagarico: Strong sales of 'L sized' products contributed to an increase in sales of core products.

Jagabee: Sales of core products were sluggish and year-on-year sales decreased.

2. Flour-based snacks

Sales increased 1.6% to ¥16,217 million due to firm sales of *Kappa Ebisen* and *Sweet Potato Snacks*.

3. Corn-based snacks

Sales increased by 10.0% to ¥11,177 million on strong sales of core product *Mike Popcorn* and the famous *Garrett Popcorn Shops* brand from Chicago, USA.

4. Other snacks

Net sales increased 51.4% to ¥18,451 million driven by overseas business and *Vegips*.

Other products (Processed bread and Cereal)

Net sales increased 8.2% to ¥17,433 million due to a strong increase in sales of *Fruits Granola*.

Other businesses

Net sales increased 25.6% to ¥2,237 million. Net sales for the distribution business and the sales promotion tools business both increased over the same period last year.

(2) Summary of consolidated financial position

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

Total assets as of December 31, 2013 were ¥133,625 million, an increase of ¥8,832 million from the end of the previous fiscal year. Primary contributing factors were increases in securities, notes and accounts receivable-trade and inventories, and the increase in securities was due to investment in cash in jointly-managed money trust.

Liabilities decreased ¥1,999 million to ¥30,108 million. Primary factors included an increase in notes and accounts payable-trade and a decrease in income taxes payable and provision for bonuses.

Net assets increased ¥10,831 million to ¥103,516 million. Primary factors included increases in retained earnings and minority interests.

As a result, the shareholders' equity ratio increased 2.4 percentage points from the end of the previous fiscal year to 72.6% and net assets per share were ¥734.27.

Cash flow

Cash and cash equivalents as of December 31, 2013 were ¥28,191 million, ¥2,859 million higher than at the end of the previous fiscal year. The primary factors are detailed below.

Cash flows from operating activities

Net cash generated by operating activities during the period under review was an inflow of ¥6,682 million, compared to an inflow of ¥7,013 million for the first nine months of the previous fiscal year. Factors increasing operating cash flow included income before income taxes and minority interests of ¥16,878 million, depreciation and amortization of ¥4,394 million, while factors decreasing operating cash flow included ¥8,120 million in income taxes paid, increase in notes and accounts receivable-trade of ¥2,844 million and an increase in inventories of ¥1,829 million.

Cash flows from investing activities

Net cash used in investing activities during the period under review was outflow of ¥2,977 million, compared to an outflow of ¥11,823 million in the first nine months of the previous fiscal year. The primary contributing factor was an outflow of ¥4,303 million in payments for acquisition of fixed assets.

Cash flows from financing activities

Net cash used in financing activities during the period under review was an outflow of ¥1,157 million, compared to an inflow of ¥285 million of the first nine months of the previous fiscal year. The primary contributing factors were a ¥2,314 million outflow for cash dividends paid and a ¥1,132 million inflow from proceeds from stock issuance to minority shareholders.

(3) Consolidated forecasts for the fiscal year ending March 31, 2014

Business is proceeding largely in line with plans, and there are no changes to the consolidated forecasts for the fiscal year ending March 31, 2014 issued on May 10, 2013.

2. Summary information and related items

(1) Transfers of important subsidiaries during the period:

Newly consolidated:

In line with our global strategy, in July 2013 we established a joint venture company aiming to expand market share of Calbee products and grow sales of Calbee products in Indonesia, a promising snack foods market. The company, PT. Calbee-Wings Food was established with ITOCHU Corporation and PT. Mitrajaya Ekaprana of Wings Group, a company with strong brands and sales strength in Indonesia, and has been included in the scope of consolidation as of the second quarter of the current fiscal year.

Removed from consolidation:

On July 1, 2013, Oisia FOODS CO., LTD., a consolidated subsidiary as of the end of the previous consolidated fiscal year, was eliminated and absorbed by Calbee as the surviving company and removed from the scope of consolidation as of 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

	<i>Millions of yen, rounded down</i>	
	As of December 31, 2013	As of March 31, 2013
Assets		
Current assets		
Cash and deposits	14,805	17,342
Notes and accounts receivable-trade	22,919	19,787
Securities	18,498	13,999
Inventories	7,624	5,661
Other	7,506	5,983
Allowance for doubtful accounts	(6)	(3)
Total current assets	71,348	62,770
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	21,215	20,634
Machinery, equipment and vehicles, net	15,875	14,329
Land	10,785	10,790
Construction in progress	1,415	2,701
Other, net	976	996
Total property, plant and equipment	50,268	49,453
Intangible assets		
Goodwill	3,514	3,954
Other	1,308	1,343
Total intangible assets	4,823	5,297
Investments and other assets		
Investments and other assets, gross	7,278	7,374
Allowance for doubtful accounts	(92)	(103)
Total investments and other assets	7,185	7,270
Total noncurrent assets	62,277	62,022
Total assets	133,625	124,793

Consolidated balance sheets, continued

Millions of yen, rounded down

	As of December 31, 2013	As of March 31, 2013
Liabilities		
Current liabilities		
Notes and accounts payable-trade	8,169	6,671
Accounts payable-other	2,752	3,891
Income taxes payable	2,957	5,031
Provision for bonuses	2,511	3,644
Provision for directors' bonuses	160	192
Other	7,549	7,036
Total current liabilities	24,099	26,468
Noncurrent liabilities		
Long-term loans payable	—	7
Provision for retirement benefits	4,349	3,973
Provision for directors' retirement benefits	561	527
Asset retirement obligations	637	631
Other	460	499
Total noncurrent liabilities	6,008	5,639
Total liabilities	30,108	32,107
Net assets		
Shareholders' equity		
Capital stock	11,648	11,586
Capital surplus	11,216	11,154
Retained earnings	72,510	64,215
Treasury stock	(2)	—
Total shareholders' equity	95,373	86,956
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	209	98
Foreign currency translation adjustment	1,374	500
Total accumulated other comprehensive income	1,583	598
Subscription rights to shares	44	50
Minority interests	6,515	5,079
Total net assets	103,516	92,685
Total liabilities and net assets	133,625	124,793

(2) Consolidated statements of income and comprehensive income
Nine-month period ended December 31, 2013

Consolidated statements of income		
	<i>Millions of yen, rounded down</i>	
	April 1, 2013 to December 31, 2013	April 1, 2012 to December 31, 2012
Net sales	148,924	133,759
Cost of sales	83,563	74,913
Gross profit	65,361	58,846
Selling, general and administrative expenses	49,742	46,310
Operating income	15,618	12,536
Non-operating income		
Interest income	44	26
Dividends income	25	57
Foreign exchange gains	801	436
Other	219	297
Total non-operating income	1,090	817
Non-operating expenses		
Interest expenses	5	2
Other	54	187
Total non-operating expenses	60	189
Ordinary income	16,649	13,163
Extraordinary income		
Gain on sales of noncurrent assets	47	114
Gain on sales of investment securities	375	5
Total extraordinary income	423	119
Extraordinary loss		
Loss on sales of noncurrent assets	5	49
Loss on retirement of noncurrent assets	110	130
Product recall related costs	64	364
Loss on revised of outsourcing agreement	—	279
Other	13	1
Total extraordinary losses	194	824
Income before income taxes and minority interests	16,878	12,458
Income taxes-current	6,064	4,970
Income taxes-deferred	441	(67)
Total income taxes	6,505	4,903
Income before minority interests	10,372	7,555
Minority interests in income	36	171
Net income	10,336	7,384

Nine-month period ended December 31, 2013**Consolidated statements of comprehensive income**

	<i>Millions of yen, rounded down</i>	
	April 1, 2013 to December 31, 2013	April 1, 2012 to December 31, 2012
Income before minority interests	10,372	7,555
Other comprehensive income		
Valuation difference on available-for-sale securities	111	(38)
Foreign currency translation adjustment	1,414	880
Total other comprehensive income	1,525	841
Comprehensive income	11,898	8,397
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	11,321	7,845
Comprehensive income attributable to minority interests	576	551

Three-month period ended December 31, 2013

Consolidated statements of income (third quarter)

	<i>Millions of yen, rounded down</i>	
	October 1, 2013 to December 31, 2013	October 1, 2012 to December 31, 2012
Net sales	53,256	47,684
Cost of sales	29,104	25,835
Gross profit	24,151	21,848
Selling, general and administrative expenses	17,396	16,020
Operating income	6,755	5,828
Non-operating income		
Interest income	16	10
Dividends income	11	10
Foreign exchange gains	484	853
Other	48	71
Total non-operating income	561	946
Non-operating expenses		
Cost of real estate	3	3
Other	9	88
Total non-operating expenses	13	91
Ordinary income	7,303	6,682
Extraordinary income		
Gain on sales of noncurrent assets	45	0
Total extraordinary income	45	0
Extraordinary loss		
Loss on sales of noncurrent assets	5	—
Loss on retirement of noncurrent assets	68	24
Product recall related costs	64	364
Loss on revised of outsourcing agreement	—	279
Other	2	0
Total extraordinary losses	141	669
Income before income taxes and minority interests	7,208	6,014
Income taxes-current	2,760	2,396
Income taxes-deferred	45	(2)
Total income taxes	2,805	2,393
Income before minority interests	4,402	3,620
Minority interests in income (loss)	(99)	19
Net income	4,502	3,601

Three-month period ended December 31, 2013**Consolidated statements of comprehensive income (third quarter)**

	<i>Millions of yen, rounded down</i>	
	October 1, 2013 to December 31, 2013	October 1, 2012 to December 31, 2012
Income before minority interests	4,402	3,620
Other comprehensive income		
Valuation difference on available-for-sale securities	27	(17)
Foreign currency translation adjustment	1,081	1,261
Total other comprehensive income	1,109	1,243
Comprehensive income	5,511	4,864
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	5,174	4,318
Comprehensive income attributable to minority interests	336	545

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

	April 1, 2013 to December 31, 2013	April 1, 2012 to December 31, 2012
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	16,878	12,458
Depreciation and amortization	4,394	4,658
Amortization of goodwill	477	470
Increase (decrease) in allowance for doubtful accounts	(8)	(1)
Increase (decrease) in provision for bonuses	(1,136)	(946)
Increase (decrease) in provision for directors' bonuses	(32)	(68)
Increase (decrease) in provision for retirement benefits	359	163
Decrease (increase) in prepaid pension costs	55	109
Increase (decrease) in provision for directors' retirement benefits	33	8
Interest and dividends income	(70)	(83)
Interest expenses	5	2
Foreign exchange losses (gains)	(480)	(554)
Loss (gain) on sales of investment securities	(375)	(4)
Loss (gain) on valuation of investment securities	12	—
Loss (gain) on sales of noncurrent assets	(41)	(65)
Loss on retirement of noncurrent assets	110	130
Loss on disaster	—	(57)
Decrease (increase) in notes and accounts receivable-trade	(2,844)	(1,877)
Decrease (increase) in inventories	(1,829)	(1,409)
Increase (decrease) in notes and accounts payable-trade	1,375	868
Decrease (increase) in accounts receivable-other	83	(208)
Increase (decrease) in accounts payable-other	(1,065)	(210)
Increase (decrease) in accrued consumption taxes	29	73
Other, net	(1,178)	(564)
Subtotal	14,752	12,893
Interest and dividends income received	59	112
Interest expenses paid	(9)	(2)
Income taxes paid	(8,120)	(5,989)
Net cash provided by (used in) operating activities	6,682	7,013

Consolidated statements of cash flows, continued

Millions of yen, rounded down

	April 1, 2013 to December 31, 2013	April 1, 2012 to December 31, 2012
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	(4,005)	(5,741)
Proceeds from sales of property, plant and equipment	140	275
Purchase of intangible assets	(298)	(297)
Purchase of securities	(4,997)	(3,000)
Proceeds from redemption of securities	3,000	—
Purchase of investment securities	(13)	(14)
Proceeds from sales of investment securities	381	37
Payments of loans receivable	(1)	(195)
Collection of loans receivable	44	82
Payments into time deposits	(221)	(3,020)
Proceeds from withdrawal of time deposits	3,117	10
Payments for guarantee deposits	(276)	(73)
Proceeds from collection of guarantee deposits	207	196
Other, net	(52)	(83)
Net cash provided by (used in) investing activities	(2,977)	(11,823)
Net cash provided by (used in) financing activities		
Repayment of long-term loans payable	(7)	(2)
Purchase of treasury stock	(2)	—
Proceeds from exercise of stock option	118	304
Proceeds from stock issuance to minority shareholders	1,132	1,594
Cash dividends paid	(2,042)	(1,366)
Cash dividends paid to minority shareholders	(272)	(156)
Repayments of lease obligations	(83)	(87)
Net cash provided by (used in) financing activities	(1,157)	285
Effect of exchange rate change on cash and cash equivalents	311	489
Net increase (decrease) in cash and cash equivalents	2,859	(4,034)
Cash and cash equivalents at beginning of period	25,331	19,448
Cash and cash equivalents at end of period	28,191	15,414

(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.