

Consolidated Financial Statements for the  
First Quarter of the Fiscal Year  
Ending March 31, 2015

April 1, 2014 to June 30, 2014

**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 Quarter Results for the Fiscal Year Ending March 31, 2015

**CALBEE, Inc.**

**August 4, 2014**

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

Stock exchange listings: Tokyo 1<sup>st</sup> section, code number 2229

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Scheduled date for submission of the first quarter financial report: August 8, 2014

Scheduled date for distribution of dividends: --

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

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

### **1) Consolidated results for the first quarter (April 1, 2014 to June 30, 2014) of the fiscal year ending March 31, 2015**

#### **(1) Consolidated Operating Results**

*Millions of yen, rounded down*

	Three months ended June 30, 2014		Three months ended June 30, 2013	
		% change		% change
Net sales .....	52,269	9.9	47,551	9.8
Operating income .....	5,867	28.44	4,569	20.7
Ordinary income .....	5,891	17.4	5,019	39.6
Net income .....	3,378	5.1	3,213	55.0
Earnings per share (¥) .....	25.31		24.38	
Earnings per share (diluted) (¥) .....	25.25		24.05	

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

2. Comprehensive income: Three months ended June 30, 2014: ¥3,551 million (-8.2%)

Three months ended June 30, 2013: ¥3,870 million (112.0%)

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 June 30, 2014	As of March 31, 2014
Total assets .....	138,031	140,966
Net assets .....	105,377	104,466
Shareholders' equity/total assets (%) .....	70.5	69.1

Shareholders' equity: As of June 30, 2014: ¥97,339 million

As of March 31, 2014: ¥97,375 million

### **2) Dividends per share**

	<i>Yen</i>	
	FY ended March 31, 2014	FY ending March 31, 2015 (forecast)
Interim period .....	0.00	0.00
Year-end .....	22.00	26.00
Annual .....	22.00	26.00

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

### **3) Consolidated forecasts for the fiscal year ending March 31, 2015 (April 1, 2014 to March 31, 2015)**

*Millions of yen*

	Fiscal year ending March 31, 2015	
		% change
Net sales .....	213,000	6.5
Operating income .....	22,500	14.1
Ordinary income .....	22,500	8.3
Net income .....	13,300	10.0
Earnings per share (¥) .....	99.66	

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 specific subsidiaries resulting in changes in the scope of consolidation):** Yes

One company added to scope of consolidation: Calbee-URC, Inc.

Note: For further details, please see page 8, 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: Yes
2. Changes in accounting policies other than 1.: None
3. Changes in accounting estimates: None
4. Restatements: None

Note: For further details, please see page 8, 2. Summary information and related items (3) Changes in accounting policy, changes in accounting estimates, and restatements.

**(4) Number of outstanding shares (common stock)**

	June 30, 2014:	March 31, 2014:
1. Number of outstanding shares (including treasury shares)	133,557,800 shares	133,507,800 shares
2. Number of treasury shares	104,232 shares	104,232 shares
	Three months to June 30, 2014:	Three months to June 30, 2013:
3. Average number of shares during the period	133,453,019 shares	131,807,382 shares

Note: On October 1, 2013 a 1:4 share split was implemented for common shares. As a result, the number of outstanding shares (common stock) is calculated on the assumption that the share split occurred at the beginning of the previous fiscal year. Regarding Calbee stock held in trust as treasury stock within shareholders' equity, the Number of treasury shares includes 103,400 of these shares in the Three months to June 30, 2014 and the year to March 31, 2014, and the Average number of shares during the Three months to June 30, 2014 excludes 103,400 treasury shares.

### **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 details of forecasts please see Page 7, 1. Operating Results (3) Consolidated forecasts for the fiscal year ending March 31, 2015.
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, 2015 is calculated using 133,453,568 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 August 4, 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 quarter of the previous fiscal year, unless stated otherwise.)

During the first quarter under review, the Japanese economy continued a mild recovery, supported by the effects of the government's economic and quantitative easing policies. However, a number of factors cloud the outlook, including market reaction to the spike in demand prior to the increase in consumption tax.

In the snack food market, although the market shrank year on year in April after the consumption tax increase, it has recovered since May and performance for the three months was largely in line with the previous year.

In this environment, Calbee Group (hereafter "Calbee") continued initiatives to actively promote the twin pillars of innovation (growth strategies) and cost reduction. In domestic business our sales growth outpaced the market growth rate due to strong sales of potato-based snacks and cereal product Fruits Granola. Cost reductions, together with this sales growth, led to improvement in the operating profit ratio. In overseas business, strong sales of Snapea Crisps in North America contributed to profit growth. We also enhanced our structure for further expansion of overseas business with the establishment of a Philippine joint venture with Universal Robina Corporation in April 2014.

Consolidated net sales for the first quarter increased 9.9% to ¥52,269 million due to strong performance in the production and sale of snacks and other foods business. In terms of profitability, operating income increased 28.4% to ¥5,867 million and ordinary income increased 17.4% to ¥5,891 million due to improving manufacturing cost ratio and increasing efficiency in sales promotion expenses. Net income increased 5.1% to ¥3,378 million, reflecting the absence of any large extraordinary income items in the period under review, compared to the same period of the previous fiscal year when a ¥374 million gain on sales of investment securities was recorded.

Millions of yen, rounded down

	Q1 FY ending March 31, 2015		Q1 FY ended March 31, 2014		Growth Amount	Growth on local currency basis
	Amount	%	Amount	%		
Domestic sales	47,649	91.2	43,906	92.3	+8.5%	+8.5%
Overseas sales	4,619	8.8	3,644	7.7	+26.7%	+23.8%
Total	52,269	100.0	47,551	100.0	+9.9%	+9.7%

### Result by business:

#### The production and sale of snacks and other foods business

Net sales increased by 9.8% to ¥51,351 million driven by snack foods and cereals, as well as overseas business.

#### Snack foods:

Snack food sales increased 8.2% to ¥44,070 million.

##### 1. Potato-based snacks

Net sales increased 6.0% to ¥27,350 million.

*Potato Chips:* Sales of *Kata-Age Potato* strengthened and soccer World Cup-related product sales grew.

*Jagarico:* Increased sales through launch of limited-time products and expansion of the product lineup.

*Jagabee:* Although box-type pricing was reduced, it did not result in increased sales volumes and sales declined year on year.

##### 2. Flour-based snacks

Net sales increased 0.2% to ¥5,464 million with firm sales of *Kappa Ebisen* on the 50<sup>th</sup> anniversary of their launch.

### 3. Corn-based snacks

Net sales increased 16.3% to ¥4,502 million through sales growth in popcorn on an increase in orders from business partners for private brand products and other factors.

### 4. Domestic other snacks

Net sales increased 9.0% to ¥2,132 million due to strong sales from Calbee Plus antennae shops and other factors.

### 5. Overseas business

Net sales increased 26.7% to ¥4,619 million on large expansion of sales of *Snapea Crisps* in North America.

### Other food products (Processed bread and Cereals)

Net sales increased 20.7% to ¥7,281 million due to strong sales of cereal product *Fruits Granola* following increased production in February.

### Other businesses

Net sales increased 15.9% to ¥917 million due to increased sales both in the distribution business and promotional sales tools business.

## (2) Analysis of financial position

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

### 1) Assets, liabilities and net assets

Total assets as of June 30, 2014 were ¥138,031 million, a decrease of ¥2,934 million. The primary contributing factor was a decrease in securities, partially offset by an increase in cash and deposits and property, plant and equipment. Property, plant and equipment increased due to the purchase of land for production facilities in Indonesia.

Liabilities decreased ¥3,846 million to ¥32,654 million, due to decreases in income taxes payable and provision for bonuses.

Net assets increased ¥911 million to ¥105,377 million, due to an increase in minority interests.

The equity ratio increased 1.4 percentage points from the end of the previous fiscal year to 70.5% and net assets per share was ¥729.39.

### 2) Cash flow

Cash and cash equivalents as of June 30, 2014 was ¥30,180 million, ¥1,412 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 generated by operating activities during the period under review was an inflow of ¥2,465 million, compared to an inflow of ¥2,575 million in the same period of the previous fiscal year.

Factors contributing to this outcome included income tax payments of ¥5,250 million, offset by an increase in income before income taxes and minority interests to ¥5,857 million and depreciation of ¥1,421 million.

#### Cash flows from investing activities

Net cash used in investing activities during the period under review was an outflow of ¥1,629 million, compared to an outflow of ¥1,467 million in the same period of the previous fiscal year. The primary contributing factors were a net inflow of ¥1,000 million for proceeds from redemption of securities, and an outflow of ¥2,662 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 ¥2,049 million, compared to an outflow of ¥2,048 million in the same period of the previous fiscal year. This was primarily due to a ¥2,939 million outflow for cash dividends paid.

**(3) Consolidated forecasts for the fiscal year ending March 31, 2015**

Business is proceeding largely in line with plans, and there are no changes to the consolidated full-year forecasts issued on May 13, 2014.

## **2. Summary information and related items**

### **(1) Transfers of important subsidiaries during the period:**

(Newly consolidated)

In line with our global strategy, in April 2014 we established a joint venture company aiming to expand market share of Calbee products and grow sales of Calbee products in the promising snack food market of the Philippines. The company, Calbee-URC, Inc. was established with Universal Robina Corporation, a company with strong brands and sales strength in the Philippines, and has been included in the scope of consolidation as of the first 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:**

(Changes in accounting policy)

Calbee has adopted the Accounting Standard for Retirement Benefits (ASBJ Statement No. 26, May 17, 2012; “the Accounting Standard for Retirement Benefits”) and the Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, May 17, 2012; “the Guidance on Accounting Standard for Retirement Benefits”) and from the first quarter of the current fiscal year and has reviewed the calculation method of retirement benefit obligations and service costs in accordance with the stipulations of Article 35 of the Accounting Standard for Retirement Benefits and Article 67 of the Guidance on Accounting Standard for Retirement Benefits.

The period allocation methodology for the estimated retirement benefit amount was changed from a straight line basis to payment calculation type, and the period for securities that serves as the basis for the determination method of discount rate was changed from one decided based on an approximation of the average number of years remaining in an employees’ service period to one which uses a single weighted average discount rate reflecting the expected payment period of retirement benefits and the amounts paid each expected payment period.

In accordance with transitional treatment as stipulated in Article 37 of the Accounting Standard for Retirement Benefits for the application of accounting standards for retirement benefits, the impact on retained earnings resulting from the change has been recorded in Changes in accounting policy for retirement benefit obligations and service cost at the beginning of the period under review.

As a result, at the beginning of the current period net defined benefit liability increased by ¥602 million and net defined benefit assets and retained earnings decreased by ¥143 million and ¥481 million respectively. The effect on operating income, ordinary income and income before income taxes and minority interests was immaterial.



### 3. Consolidated financial statements

#### (1) Consolidated balance sheets

Millions of yen, rounded down

	As of June 30, 2014	As of March 31, 2014
<b>Assets</b>		
Current assets		
Cash and deposits	21,358	18,783
Notes and accounts receivable-trade	17,143	17,392
Securities	24,999	29,997
Inventories	7,298	6,522
Other	4,915	6,141
Allowance for doubtful accounts	(4)	(3)
Total current assets	75,711	78,834
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	20,677	20,970
Machinery, equipment and vehicles, net	16,277	16,400
Land	11,350	10,773
Construction in progress	1,619	1,009
Other, net	1,025	1,012
Total property, plant and equipment	50,950	50,166
Intangible assets		
Goodwill	3,193	3,347
Other	1,249	1,265
Total intangible assets	4,442	4,613
Investments and other assets		
Investments and other assets, gross	7,019	7,445
Allowance for doubtful accounts	(92)	(92)
Total investments and other assets	6,926	7,353
Total non-current assets	62,319	62,132
Total assets	138,031	140,966

## Consolidated balance sheets, continued

Millions of yen, rounded down

	As of June 30, 2014	As of March 31, 2014
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable-trade	8,395	7,897
Short-term loans payable	126	—
Accounts payable-other	3,421	3,739
Income taxes payable	1,330	5,324
Provision for bonuses	1,396	3,573
Provision for directors' bonuses	46	217
Provision for stocks payment	12	13
Other	9,934	7,906
Total current liabilities	24,664	28,673
Non-current liabilities		
Provision for directors' retirement benefits	490	591
Net defined benefit liability	6,446	6,134
Asset retirement obligations	641	639
Other	411	461
Total non-current liabilities	7,990	7,827
Total liabilities	32,654	36,500
<b>Net Assets</b>		
Shareholders' equity		
Capital stock	11,957	11,946
Capital surplus	11,526	11,514
Retained earnings	74,219	74,259
Treasury shares	(262)	(262)
Total shareholders' equity	97,441	97,458
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	265	210
Foreign currency translation adjustment	854	973
Remeasurements of defined benefit plans	(1,222)	(1,266)
Total accumulated other comprehensive income	(102)	(82)
Subscription rights to shares	30	34
Minority interests	8,007	7,055
Total net assets	105,377	104,466
<b>Total liabilities and net assets</b>	<b>138,031</b>	<b>140,966</b>

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

<b>Consolidated statements of income</b>	<i>Millions of yen, rounded down</i>	
	April 1, 2014 to June 30, 2014	April 1, 2013 to June 30, 2013
Net sales	52,269	47,551
Cost of sales	29,174	26,679
Gross profit	23,094	20,871
Selling, general and administrative expenses	17,226	16,302
Operating income	5,867	4,569
Non-operating income		
Interest income	78	13
Dividend income	18	12
Foreign exchange gains	—	378
Other	90	66
Total non-operating income	187	470
Non-operating expenses		
Interest expenses	1	0
Foreign exchange losses	125	—
Other	37	20
Total non-operating expenses	163	21
Ordinary income	5,891	5,019
Extraordinary income		
Gain on sales of non-current assets	1	0
Gain on sales of investment securities	10	374
Total extraordinary income	11	374
Extraordinary losses		
Loss on sales of non-current assets	2	0
Loss on retirement of non-current assets	43	16
Loss on valuation of investment securities	—	10
Other	0	0
Total extraordinary losses	46	28
Income before income taxes and minority interests	5,857	5,365
Income taxes-current	1,470	1,805
Income taxes-deferred	711	258
Total income taxes	2,182	2,064
Income before minority interests	3,675	3,300
Minority interests in income	296	87
Net income	3,378	3,213

**Consolidated statements of comprehensive income***Millions of yen, rounded down*

	April 1, 2014 to June 30, 2014	April 1, 2013 to June 30, 2013
Income before minority interests	3,675	3,300
Other comprehensive income		
Valuation difference on available-for-sale securities	55	55
Foreign currency translation adjustment	(222)	513
Remeasurements of defined benefit plans, net of tax	43	—
Total other comprehensive income	(123)	569
Comprehensive income	3,551	3,870
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	3,358	3,585
Comprehensive income attributable to minority interests	193	285

**(3) Consolidated statements of cash flows**

	<i>Millions of yen, rounded down</i>	
	April 1, 2014 to June 30, 2014	April 1, 2013 to June 30, 2013
Cash flows from operating activities		
Income before income taxes and minority interests	5,857	5,365
Depreciation	1,421	1,439
Amortization of goodwill	160	158
Increase (decrease) in allowance for doubtful accounts	0	1
Increase (decrease) in provision for bonuses	(2,176)	(2,342)
Increase (decrease) in provision for directors' bonuses	(171)	(138)
Increase (decrease) in provision for stocks payment	(1)	—
Increase (decrease) in provision for retirement benefits	—	75
Increase (decrease) in net defined benefit liability	(230)	—
Decrease (increase) in prepaid pension costs	—	9
Decrease (increase) in net defined benefit assets	(6)	—
Increase (decrease) in provision for directors' retirement benefits	(101)	(19)
Interest and dividend income	(97)	(25)
Interest expenses	1	0
Foreign exchange losses (gains)	254	(274)
Loss (gain) on sales of investment securities	(10)	(374)
Loss (gain) on valuation of investment securities	—	10
Loss (gain) on sales of non-current assets	1	0
Loss on retirement of non-current assets	43	16
Decrease (increase) in notes and accounts receivable-trade	241	1,444
Decrease (increase) in inventories	(785)	(675)
Increase (decrease) in notes and accounts payable-trade	501	427
Decrease (increase) in accounts receivable-other	86	177
Increase (decrease) in accounts payable-other	26	(492)
Increase (decrease) in accrued expenses	1,373	1,874
Increase (decrease) in accrued consumption taxes	447	(85)
Other, net	791	891
Subtotal	7,628	7,466
Interest and dividend income received	88	41
Interest expenses paid	(0)	(7)
Income taxes paid	(5,250)	(4,924)
Net cash provided by (used in) operating activities	2,465	2,575

## Consolidated statements of cash flows, continued

Millions of yen, rounded down

	April 1, 2014 to June 30, 2014	April 1, 2013 to June 30, 2013
Cash flows from investing activities		
Purchase of property, plant and equipment	(2,569)	(1,856)
Proceeds from sales of property, plant and equipment	5	0
Purchase of intangible assets	(92)	(120)
Purchase of securities	(4,000)	—
Proceeds from redemption of securities	5,000	—
Purchase of investment securities	(4)	(4)
Proceeds from sales of investment securities	18	377
Payments of loans receivable	(60)	(0)
Collection of loans receivable	97	35
Payments into time deposits	(173)	(10)
Proceeds from withdrawal of time deposits	109	10
Payments for guarantee deposits	(29)	(18)
Proceeds from collection of guarantee deposits	69	128
Other, net	(1)	(7)
Net cash provided by (used in) investing activities	(1,629)	(1,467)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	128	—
Repayment of long-term loans payable	—	(7)
Proceeds from exercise of stock options	20	42
Proceeds from share issuance to minority shareholders	761	—
Cash dividends paid	(2,937)	(2,042)
Cash dividends paid to minority shareholders	(2)	(9)
Repayments of lease obligations	(19)	(31)
Net cash provided by (used in) financing activities	(2,049)	(2,048)
Effect of exchange rate change on cash and cash equivalents	(199)	300
Net increase (decrease) in cash and cash equivalents	(1,412)	(639)
Cash and cash equivalents at beginning of period	31,592	25,331
Cash and cash equivalents at end of period	30,180	24,692

**(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.