

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

April 1, 2014 to September 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 Half Results for the Fiscal Year Ending March 31, 2015

CALBEE, Inc.

October 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 first half financial report: November 11, 2014

Scheduled date for distribution of dividends: --

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

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

1) Consolidated results for the first six months (April 1, 2014 to September 30, 2014) of the fiscal year ending March 31, 2015

(1) Consolidated Operating Results

Millions of yen, rounded down

	Six months ended September 30, 2014		Six months ended September 30, 2013	
		% change		% change
Net sales	106,270	11.1	95,668	11.1
Operating income	11,467	29.4	8,863	32.1
Ordinary income	12,218	30.7	9,345	44.2
Net income	7,064	21.1	5,834	54.2
Earnings per share (¥).....	52.95		44.25	
Earnings per share (diluted) (¥).....	52.81		43.66	

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, 2014: ¥8,838 million (38.4%)

Six months ended September 30, 2013: ¥6,386 million (80.8%)

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 September 30, 2014	As of March 31, 2014
Total assets	147,958	140,966
Net assets	110,174	104,466
Shareholders' equity/total assets (%).....	68.5	69.1

Shareholders' equity: As of September 30, 2014: ¥101,358 million

As of March 31, 2014: ¥97,375 million

2) Dividends per share

Yen

	FY ended March 31, 2014	FY ending March 31, 2015 (forecast)
Interim period	00.00	00.00
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 (¥).....	99.75	

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: 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)

	September 30, 2014:	March 31, 2014:
1. Number of outstanding shares (including treasury shares)	133,567,800 shares	133,507,800 shares
2. Number of treasury shares	228,132 shares	104,232 shares
	Six months to September 30, 2014:	Six months to September 30, 2013:
3. Average number of shares during the period	133,421,217 shares	131,854,292 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 227,300 of these shares in the six months to September 30, 2014 and 103,400 of these shares in the year to March 31, 2014, and the average number of shares during the six months to September 30, 2014 excludes 140,450 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 133,339,668 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 30, 2014. A digital recording of the conference will be made available on our Japanese web site 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, the Japanese economy continued a mild recovery, supported by the effects of the government's economic and quantitative easing policies. However, there is some uncertainty in the outlook due to a number of factors, including increased raw material prices due to the weaker yen and a sudden rise in energy costs.

In the snack food market, although the market shrank year on year in April after the consumption tax increase, it has recovered since May, remaining firm in spite of this summer's irregular weather.

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 market share was maintained and expanded due to strong sales of potato-based snacks and cereal product *Furugura* (*Fruits Granola*). This sales growth, together with cost reductions, enabled Calbee to achieve its highest-ever operating profit ratio. In overseas business, sales of high-margin *Harvest Snaps* (*Snappea Crisps*) in North America grew strongly, contributing 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 six-month period under review increased 11.1% to ¥106,270 million due to strong performance in the production and sale of snacks and other foods business. In terms of profitability, operating income increased 29.4% to ¥11,467 million due to improving manufacturing cost ratio and increasing efficiency in SG&A expenses. Ordinary income increased 30.7% to ¥12,218 million, including a ¥506 million gain from foreign exchange accompanying the weaker yen. Net income increased by 21.1% to ¥7,064 million.

Millions of yen, rounded down

	1H FY ending March 31, 2015		1H FY ended March 31, 2014		Growth amount	Growth on local currency basis
	Amount	%	Amount	%		
Domestic sales	96,399	90.7	88,165	92.2	+9.3%	+9.3%
Overseas sales	9,870	9.3	7,503	7.8	+31.5%	+24.7%
Total	106,270	100.0	95,668	100.0	+11.1%	+10.5%

Result by business:

The production and sale of snacks and other foods business

Net sales increased by 11.2% to ¥104,633 million, driven by snack foods and cereals, as well as overseas business.

Snack foods:

Snack food sales increased 9.7% to ¥90,399 million.

1. Potato-based snacks

Net sales increased 7.2% to ¥56,602 million.

Potato Chips: Sales of *Kata-Age Potato* strengthened and contract production of private brands for client firms grew. *Jagarico*: Increased sales through launch of limited-time products and expansion of the product lineup. *Jagabee*: Although sales declined year-on-year, they are recovering due to box-type pricing reductions and the introduction of new packaging.

2. Flour-based snacks

Net sales increased 1.5% to ¥10,695 million with firm sales of *Kappa Ebisen* on the 50th anniversary of their launch.

3. Corn-based snacks

Net sales increased 22.5% to ¥8,861 million on firm sales of popcorn. Contract production of private brands for client firms grew, and sales of *Garrett Popcorn Shops* are also trending well.

4. Other snacks-domestic

Net sales increased 1.1% to ¥4,369 million due to firm sales from Calbee Plus antennae shops and other factors.

5. Overseas business

Net sales increased 31.5% to ¥9,870 million on the near doubling of sales in the North American business over the same period last year on firm sales of *Harvest Snaps (Snapea Crisps)*.

Other food products (Processed bread and Cereals)

Net sales increased 21.5% to ¥14,234 million due to continuing strong sales of *Furugura (Fruits Granola)*.

Other businesses

Net sales increased 5.9% to ¥1,636 million on firm sales for the distribution business.

(2) Analysis of financial position

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

1) Assets, liabilities and net assets

Total assets as of September 30, 2014 were ¥147,958 million, an increase of ¥6,991 million. Factors contributing to this outcome included increases in securities, inventories and property, plant and equipment. An increase in securities was driven by acquisition of bonds and other factors and the increase in inventories was due to Hokkaido, our largest raw potato production area, having reached harvest time. The increase in property, plant and equipment resulted from ongoing construction of cereal production facilities (due to begin operations next year) and the purchase of land for production facilities in Indonesia.

Liabilities increased ¥1,283 million to ¥37,783 million. Factors contributing to this outcome were an increase in notes and accounts payable-trade associated with payments for raw potatoes, which was partially offset by factors including a decrease in income taxes payable due to payment of income taxes.

Net assets increased ¥5,708 million to ¥110,174 million. Factors contributing to this outcome were increases in net income and minority interests, partially offset by cash dividends paid.

The equity ratio decreased 0.6 percentage points from the end of the previous fiscal year to 68.5% and net assets per share was ¥760.15.

2) Cash flow

Cash and cash equivalents as of September 30, 2014 were ¥37,473 million, ¥5,880 million higher 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 ¥8,888 million, compared to an inflow of ¥11,312 million in the first six months of the previous fiscal year.

Factors contributing to this outcome included income tax payments of ¥5,279 million and an increase in inventories of ¥3,059 million, offset by an increase in income before income taxes and minority interests to ¥12,120 million, an increase in notes and accounts payable-trade of ¥3,236 million and depreciation of ¥2,924 million.

Cash flows from investing activities

Net cash used in investing activities during the period under review was an outflow of ¥743 million, compared to an inflow of ¥3,091 million in the first six months of the previous fiscal year. An inflow of ¥5,270 million for proceeds from withdrawal of time deposits was offset by outflows of ¥4,923 million in payments for acquisition of fixed assets and a net outflow of ¥997 million for the purchase of securities.

Cash flows from financing activities

Net cash used in financing activities during the period under review was an outflow of ¥2,575 million, compared to an outflow of ¥916 million in the first six months of the previous fiscal year. This was primarily due to a ¥2,995 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 September 30, 2014	As of March 31, 2014
Assets		
Current assets		
Cash and deposits	16,660	18,783
Notes and accounts receivable - trade	18,565	17,392
Securities	33,998	29,997
Inventories	9,666	6,522
Other	4,538	6,141
Allowance for doubtful accounts	(4)	(3)
Total current assets	83,424	78,834
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	20,808	20,970
Machinery, equipment and vehicles, net	16,761	16,400
Land	11,414	10,773
Construction in progress	2,801	1,009
Other, net	1,112	1,012
Total property, plant and equipment	52,897	50,166
Intangible assets		
Goodwill	3,037	3,347
Other	1,366	1,265
Total intangible assets	4,403	4,613
Investments and other assets		
Investments and other assets, gross	7,324	7,445
Allowance for doubtful accounts	(92)	(92)
Total investments and other assets	7,232	7,353
Total non-current assets	64,534	62,132
Total assets	147,958	140,966

Consolidated balance sheets, continued
Millions of yen, rounded down

	As of September 30, 2014	As of March 31, 2014
Liabilities		
Current liabilities		
Notes and accounts payable - trade	11,214	7,897
Short-term loans payable	136	—
Accounts payable - other	3,623	3,739
Income taxes payable	3,669	5,324
Provision for bonuses	2,913	3,573
Provision for directors' bonuses	111	217
Provision for stocks payment	—	13
Other	8,065	7,906
Total current liabilities	29,733	28,673
Non-current liabilities		
Provision for directors' retirement benefits	525	591
Net defined benefit liability	6,602	6,134
Asset retirement obligations	633	639
Other	287	461
Total non-current liabilities	8,049	7,827
Total liabilities	37,783	36,500
Net assets		
Shareholders' equity		
Capital stock	11,960	11,946
Capital surplus	11,528	11,514
Retained earnings	77,905	74,259
Treasury shares	(699)	(262)
Total shareholders' equity	100,695	97,458
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	283	210
Foreign currency translation adjustment	1,559	973
Remeasurements of defined benefit plans	(1,179)	(1,266)
Total accumulated other comprehensive income	663	(82)
Subscription rights to shares	30	34
Minority interests	8,785	7,055
Total net assets	110,174	104,466
Total liabilities and net assets	147,958	140,966

(2) Consolidated statements of income and comprehensive income
Six-month period ended September 30, 2014

Consolidated statements of income		
	<i>Millions of yen, rounded down</i>	
	April 1, 2014 to September 30, 2014	April 1, 2013 to September 30, 2013
Net sales	106,270	95,668
Cost of sales	59,499	54,459
Gross profit	46,770	41,209
Selling, general and administrative expenses	35,303	32,345
Operating income	11,467	8,863
Non-operating income		
Interest income	139	28
Dividend income	20	13
Settlement of consignment money for recycling	36	47
Foreign exchange gains	506	316
Other	148	122
Total non-operating income	851	528
Non-operating expenses		
Interest expenses	2	3
Business commencement expenses	49	0
Other	48	43
Total non-operating expenses	100	47
Ordinary income	12,218	9,345
Extraordinary income		
Gain on sales of non-current assets	5	1
Gain on sales of investment securities	10	375
Total extraordinary income	16	377
Extraordinary losses		
Loss on sales of non-current assets	2	0
Loss on retirement of non-current assets	89	41
Impairment loss	22	—
Loss on valuation of investment securities	—	11
Other	0	0
Total extraordinary losses	114	53
Income before income taxes and minority interests	12,120	9,669
Income taxes - current	3,752	3,304
Income taxes - deferred	706	395
Total income taxes	4,458	3,699
Income before minority interests	7,661	5,969
Minority interests in income	596	135
Net income	7,064	5,834

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

	April 1, 2014 to September 30, 2014	April 1, 2013 to September 30, 2013
Income before minority interests	7,661	5,969
Other comprehensive income		
Valuation difference on available-for-sale securities	73	83
Foreign currency translation adjustment	1,016	332
Remeasurements of defined benefit plans, net of tax	86	—
Total other comprehensive income	1,176	416
Comprehensive income	8,838	6,386
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	7,810	6,147
Comprehensive income attributable to minority interests	1,027	239

Three-month period ended September 30, 2014

Consolidated statements of income (second quarter)		
	<i>Millions of yen, rounded down</i>	
	July 1, 2014 to September 30, 2014	July 1, 2013 to September 30, 2013
Net sales	54,000	48,117
Cost of sales	30,324	27,779
Gross profit	23,676	20,337
Selling, general and administrative expenses	18,076	16,043
Operating income	5,599	4,293
Non-operating income		
Interest income	60	14
Dividend income	1	1
Settlement of consignment money for recycling	33	47
Foreign exchange gains	631	—
Other	61	56
Total non-operating income	788	119
Non-operating expenses		
Business commencement expenses	36	0
Foreign exchange losses	—	61
Other	25	25
Total non-operating expenses	61	87
Ordinary income	6,326	4,326
Extraordinary income		
Gain on sales of non-current assets	4	1
Gain on sales of investment securities	—	1
Total extraordinary income	4	2
Extraordinary losses		
Loss on retirement of non-current assets	45	24
Impairment loss	22	—
Other	0	0
Total extraordinary losses	68	24
Income before income taxes and minority interests	6,263	4,304
Income taxes – current	2,282	1,498
Income taxes – deferred	(5)	137
Total income taxes	2,276	1,635
Income before minority interests	3,986	2,668
Minority interests in income	299	47
Net income	3,686	2,621

Consolidated statements of comprehensive income (second quarter)*Millions of yen, rounded down*

	July 1, 2014 to September 30, 2014	July 1, 2013 to September 30, 2013
Income before minority interests	3,986	2,668
Other comprehensive income		
Valuation difference on available-for-sale securities	17	28
Foreign currency translation adjustment	1,239	(180)
Remeasurements of defined benefit plans, net of tax	43	—
Total other comprehensive income	1,300	(152)
Comprehensive income	5,286	2,516
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	4,452	2,561
Comprehensive income attributable to minority interests	834	(45)

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

	April 1, 2014 to September 30, 2014	April 1, 2013 to September 30, 2013
Cash flows from operating activities		
Income before income taxes and minority interests	12,120	9,669
Depreciation	2,924	2,890
Impairment loss	22	—
Amortization of goodwill	322	317
Increase (decrease) in allowance for doubtful accounts	0	1
Increase (decrease) in provision for bonuses	(662)	(913)
Increase (decrease) in provision for directors' bonuses	(106)	(84)
Increase (decrease) in provision for stocks payment	(13)	—
Increase (decrease) in provision for retirement benefits	—	172
Increase (decrease) in net defined benefit liability	(17)	—
Decrease (increase) in prepaid pension costs	—	35
Decrease (increase) in net defined benefit assets	(22)	—
Increase (decrease) in provision for directors' retirement benefits	(66)	6
Interest and dividend income	(159)	(41)
Interest expenses	2	3
Foreign exchange losses (gains)	(232)	(106)
Loss (gain) on sales of investment securities	(10)	(375)
Loss (gain) on valuation of investment securities	—	11
Loss (gain) on sales of non-current assets	(3)	(1)
Loss on retirement of non-current assets	89	41
Decrease (increase) in notes and accounts receivable - trade	(974)	4,587
Decrease (increase) in inventories	(3,059)	(2,283)
Increase (decrease) in notes and accounts payable - trade	3,236	2,372
Decrease (increase) in accounts receivable - other	4	177
Increase (decrease) in accounts payable - other	(319)	(775)
Increase (decrease) in accrued consumption taxes	793	(255)
Other, net	148	852
Subtotal	14,016	16,299
Interest and dividend income received	151	45
Interest expenses paid	(0)	(10)
Income taxes paid	(5,279)	(5,022)
Net cash provided by (used in) operating activities	8,888	11,312

Consolidated statements of cash flows, continued

Millions of yen, rounded down

	April 1, 2014 to September 30, 2014	April 1, 2013 to September 30, 2013
Cash flows from investing activities		
Purchase of property, plant and equipment	(4,618)	(2,930)
Proceeds from sales of property, plant and equipment	12	6
Purchase of intangible assets	(304)	(215)
Purchase of securities	(13,997)	—
Proceeds from redemption of securities	13,000	3,000
Purchase of investment securities	(7)	(9)
Proceeds from sales of investment securities	18	381
Payments of loans receivable	(60)	(1)
Collection of loans receivable	98	44
Payments into time deposits	(173)	(105)
Proceeds from withdrawal of time deposits	5,270	3,010
Payments for guarantee deposits	(55)	(179)
Proceeds from collection of guarantee deposits	76	152
Other, net	(1)	(60)
Net cash provided by (used in) investing activities	(743)	3,091
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	129	—
Repayments of long-term loans payable	—	(7)
Purchase of treasury shares	(449)	—
Proceeds from exercise of stock options	24	69
Proceeds from share issuance to minority shareholders	761	1,132
Cash dividends paid	(2,937)	(2,042)
Cash dividends paid to minority shareholders	(58)	(9)
Repayments of lease obligations	(44)	(58)
Net cash provided by (used in) financing activities	(2,575)	(916)
Effect of exchange rate change on cash and cash equivalents	311	53
Net increase (decrease) in cash and cash equivalents	5,880	13,542
Cash and cash equivalents at beginning of period	31,592	25,331
Cash and cash equivalents at end of period	37,473	38,874

(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.