

Consolidated Financial Statements for the First Half of the Fiscal Year Ending March 31, 2018

April 1, 2017 to September 30, 2017

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, 2018

Calbee, Inc.

October 30, 2017

URL: <https://www.calbee.com>

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

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Scheduled date for submission of the first quarter financial report: November 9, 2017

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, 2017 to September 30, 2017) of the fiscal year ending March 31, 2018

(1) Consolidated Operating Results

	Six months ended September 30, 2017		Six months ended September 30, 2016	
		% change		% change
Net sales	118,822	-3.9	123,654	2.2
Operating income	10,338	-24.8	13,753	7.4
Ordinary income	10,557	-17.4	12,777	3.6
Profit attributable to owners of parent	7,045	-11.8	7,984	4.3
Earnings per share (¥)	52.72		59.76	
Earnings per share (diluted) (¥)	52.66		59.69	

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, 2017: ¥7,282 million (14.4%)

Six months ended September 30, 2016: ¥6,365 million (-15.5%)

(2) Consolidated Financial Position

	As of September 30, 2017	As of March 31, 2017
	Total assets	185,424
Net assets	136,688	135,056
Shareholders' equity/total assets (%)	69.7	70.4

Shareholders' equity: As of September 30, 2017: ¥129,262 million

As of March 30, 2017: ¥128,121 million

2) Dividends

	FY ended March 31, 2017	FY ending March 31, 2018 (forecast)
	Interim period per share	0.00
Year-end dividend per share	42.00	42.00
Annual dividend per share	42.00	42.00

Note: Changes from the most recently announced dividend forecast: Yes

3) Consolidated forecasts for the fiscal year ending March 31, 2018 (April 1, 2017 to March 31, 2018)

	Fiscal year ending March 31, 2018	
		% change
Net sales	256,000	1.4
Operating income	27,500	-4.7
Ordinary income	27,500	-3.9
Profit attributable to owners of parent	17,500	-5.9
Earnings per share (¥)	131.02	

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: Yes

Notes

- (1) Transfers of important subsidiaries during the period (transfers of specified subsidiaries resulting in changes in the scope of consolidation): None
- (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)

	September 30, 2017:	March 31, 2017:
1. Number of outstanding shares (including treasury shares)	133,863,800 shares	133,821,800 shares
2. Number of treasury shares	292,997 shares	166,997 shares
	Six months to September 30, 2017:	Six months to September 30, 2016:
3. Average number of shares during the period	133,630,816 shares	133,598,760 shares

Note: Regarding Calbee stock held in trust as treasury stock within shareholders' equity, the number of treasury shares includes 292,165 of these shares as of September 30, 2017 and 166,165 of these shares as of March 31, 2017, and the average number of shares excludes 196,338 treasury shares in the six months to September 30, 2017, and 183,482 treasury shares in the six months to September 30, 2016.

This Financial Statement is not subject to audit

Appropriate use of financial forecasts and other items

1. Forecasts, etc., recorded in this document include forward-looking statements that are based on management's estimates, assumptions and projections at the time of publication. A number of factors could cause actual results to differ materially from expectations. For details of forecasts please see Page 9, 1. Overview of Operating Results (3) Consolidated forecasts for the fiscal year ending March 31, 2018.
2. The earnings per share forecast for the fiscal year ending March 31, 2018 is calculated using 133,570,803 shares as the expected average number of shares for the period.
3. Calbee, Inc. has scheduled a financial results briefing for institutional investors and analysts for October 30, 2017. A video of the conference will be made available on our Japanese website after the conference.

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1. Operating results

(1) Summary of business performance

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

During the six-month period under review, Japanese business activity showed improvement with a recovery in exports and increased appetite for capital investment while the yen remained weak. There was an improvement in domestic consumer sentiment coupled with a mild recovery in the employment environment, as well as improvement in consumption-linked industries due to inbound demand.

In this environment, Calbee Group's (hereafter "Calbee") domestic sales were significantly impacted by adjustments made in the first quarter to products such as *Potato Chips* due to potato shortages caused by last summer's typhoon damage, despite a recovery in sales of *Potato Chips* due to potato harvests having gotten underway in the second quarter. For domestic cereals, changes in the overseas consumption of *Frugra* and the end of cornflakes sales resulted in decreased sales. Overall, overseas business grew on both a yen basis and a local currency basis. Weak sales in key regions including North America and South Korea were offset by factors including the launch of *Frugra* sales in China, and strong sales in new markets entered last fiscal year.

Consolidated net sales for the six-month period under review decreased 3.9% to ¥118,822 million. Operating income decreased 24.8% to ¥10,338 million due to the effects of decreased domestic sales of potato-based snacks and cereals and decreased sales in North America, as well as higher costs due to decreased productivity stemming from lower domestic and overseas utilization. The operating income ratio was 8.7%, a year on year decrease of 2.4 percentage points. Ordinary income decreased 17.4% to ¥10,557 million, including foreign exchange gains of ¥193 million. Profit attributable to owners of parent decreased 11.8% to ¥7,045 million.

Millions of yen, rounded down

	H1 FY ending March 31, 2018		H1 FY ended March 31, 2017		Growth in yen	Growth on local currency basis
	Amount	%	Amount	%		
Domestic sales	102,742	86.5	109,804	88.8	-6.4%	-6.4%
Overseas sales	16,080	13.5	13,850	11.2	+16.1%	+11.2%
Total	118,822	100.0	123,654	100.0	-3.9%	-4.5%

Results by business are as follows.

Millions of yen, rounded down

Sales	H1 FY ending March 31, 2018		H1 FY ended March 31, 2017
	Amount	Growth	Amount
1) Production and sale of snack and other foods business	117,045	-4.1	122,096
Domestic production and sale of snack and other foods business	100,965	-6.7	108,246
Domestic snack foods	81,042	-2.5	83,137
Domestic cereals	12,816	-25.9	17,299
Other domestic foods	7,106	-9.0	7,809
Overseas production and sale of snack and other foods business	16,080	+16.1	13,850
Overseas snack foods	15,555	+12.3	13,850
Overseas cereals	524	-	-
2) Other businesses	1,776	+14.0	1,557
Total	118,822	-3.9	123,654

1) Production and sale of snack and other foods business

Domestic production and sale of snack and other foods business

• Domestic snack foods:

Sales of domestic snack foods decreased year on year, due to a decrease in sales of potato-based snacks, while sales of flour-based snacks and other snacks including new snacks, increased.

Sales of domestic snack foods by product are as follows.

Millions of yen, rounded down

Sales	H1 FY ending March 31, 2018		H1 FY ended March 31, 2017
	Amount	Growth	Amount
Potato-based snacks	56,034	− 6.8%	60,143
<i>Potato Chips</i>	31,445	− 11.9%	35,682
<i>Jagarico</i>	17,220	− 3.4%	17,823
<i>Jagabee/ Jaga Pokkuru</i>	7,367	+ 11.0%	6,637
Flour-based snacks	11,295	+ 3.3%	10,932
<i>Kappa Ebisen</i>	5,267	− 0.5%	5,294
<i>Sapporo Potato, etc.</i>	6,028	+ 6.9%	5,637
Corn- and bean-based snacks	8,751	− 1.5%	8,887
Other snacks	4,960	+ 56.3%	3,174
Domestic snack foods total	81,042	− 2.5%	83,137

- Sales of potato-based snacks decreased year on year due to the significant impact of product adjustments in the first quarter from last year's shortage of potato supplies, despite sales for the second quarter having increased year on year due to potato harvests getting underway.
- Sales of flour-based snacks increased year on year as a result of proactive sales of *Sapporo Potato* in place of potato chips, etc.
- Sales of corn- and bean-based snacks decreased year on year as a result of weak sales of corn-based snacks, including popcorn.
- Sales of other snacks increased year on year due to progress in expanding sales areas of *Potato Chips Crisp*, which began sales in the second quarter of the previous fiscal year.

• Domestic cereals:

Sales of domestic cereals decreased year on year. Despite the expansion of new flavours such as *25% less carbohydrates* and *Chocolate Crunch Banana*, variable overseas consumption caused a significant decrease in sales, and results were also impacted by the end of sales of cornflakes from this fiscal year.

• Other domestic foods:

Other domestic foods includes the bakery business and sales of potatoes as groceries.

Sales of other domestic foods decreased year on year due to decreased sales of donuts in the bakery business.

Overseas production and sale of snack and other foods business

• Overseas snack foods:

Sales of overseas snack foods increased year on year. There was strong sales growth in new markets entered last year such as Indonesia. Meanwhile, in the key region of North America bean-based snack *Harvest Snaps* to major customers were weak, and in South Korea continuous investment in new *Potato Chips* flavors did not cover decreased sales of core products. Sales decreased year on year in both regions.

• Overseas cereals:

With the launch of *Frugra* sales in China in the second quarter, sales of overseas cereals are being recorded from this quarter.

Sales of overseas production and sale of snack and other foods business by region are as follows.

Millions of yen, rounded down

Sales		H1 FY ending March 31, 2018		H1 FY ended March 31, 2017
		Amount	Growth	Amount
North America		5,002	- 10.2%	5,568
Asia	Greater China*	3,451	+ 32.2%	2,610
	South Korea	2,708	- 5.9%	2,876
	Other Asian regions and Australia**	4,215	+ 80.7%	2,332
Europe		702	+ 52.3%	461
Overseas production and sale of snack and other foods business total		16,080	+ 16.1%	13,850

*Greater China includes sales of overseas snack foods and overseas cereals from China, Taiwan and Hong Kong.

**Other Asian regions and Australia includes sales from Thailand, Philippines, Singapore, Indonesia and Australia.

2) Other businesses

Other businesses include logistics and promotional tool sales.

Sales of other businesses increased year on year due to increased promotional tool sales.

(2) Analysis of financial position

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

1. Overview of assets, liabilities and net assets

Total assets as of September 30, 2017 were ¥185,424 million, an increase of ¥3,413 million. The primary factors contributing to this outcome were increases in notes and accounts receivable-trade and the last day of the period having been a bank holiday, causing payment to occur in the following month.

Liabilities increased ¥1,781 million to ¥48,736 million, primarily due to an increase in short-term loans payable.

Net assets increased ¥1,632 million to ¥136,688 million due to an increase in retained earnings through dividend payments.

The shareholders' equity ratio decreased 0.7 percentage points from the end of the previous fiscal year to 69.7%.

2. Overview of cash flows

Cash and cash equivalents as of September 30, 2017 were ¥24,075 million, ¥20,551 million lower than at the end of the previous fiscal year.

Cash flows from operating activities

Operating activities during the period under review resulted in a net cash outflow of ¥4,996 million, a decrease in cash inflow of ¥16,207 million compared to the first six months of the previous fiscal year, due to factors including an increase in notes and accounts payable - trade and a decrease in profit before income taxes and accounts payable - other.

Cash flows from investing activities

Investing activities during the period under review resulted in a net cash outflow of ¥16,073 million, an increase in cash outflow of ¥8,118 million, primarily due to an increase in outflow from the acquisition of securities.

Cash flows from financing activities

Financing activities during the period under review resulted in a net cash inflow of ¥371 million, an increase in cash inflow of ¥4,692 million, primarily due to an increase in short-term loans payable.

(3) Consolidated forecasts for the fiscal year ending March 31, 2018

Taking into account our business performance during the six months under review and latest performance, the consolidated forecasts for the fiscal year ending March 31, 2018 have been revised as follows.

The full year forecasts for net sales are expected to underperform the previously announced forecast. This is due to delays to earnings recovery of the North American business, a key overseas region. Operating income, ordinary income and profit attributable to owners of parent company are expected to be underperform the previous forecast, mainly due to decreased profit caused by decreased sales and lower productivity in the North American business. . The exchange rate used as a basis for this announcement is US\$1 = ¥112.73.

Due to this revision, the forecast for the year-end dividend per share has been revised from ¥46 to ¥42. The consolidated payout ratio remains unchanged from the previous forecast at 32%. For further details on the dividend forecast revision, please refer to the "Announcement concerning revision of dividend forecast".

Millions of yen, rounded down

	Net sales	Operating income	Ordinary income	Profit attributable to owners of parent
Revised forecast (A)	256,000	27,500	27,500	17,500
Previous forecast (B)	260,000	30,000	30,000	19,000
Change (A - B)	-4,000	-2,500	-2,500	-1,500
Change (%)	-1.5	-8.3	-8.3	-7.9

4. Consolidated financial statements and key notes

(1) Consolidated balance sheets

Millions of yen, rounded down

	As of September 30, 2017	As of March 31, 2017
Assets		
Current assets		
Cash and deposits	18,880	23,961
Notes and accounts receivable - trade	39,714	28,600
Securities	22,998	28,999
Inventories	12,257	9,895
Other	5,483	6,462
Allowance for doubtful accounts	(7)	(33)
Total current assets	99,327	97,884
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	28,263	27,734
Machinery, equipment and vehicles, net	28,532	28,114
Land	11,628	11,626
Construction in progress	3,759	1,840
Other, net	1,499	1,489
Total property, plant and equipment	73,684	70,835
Intangible assets		
Goodwill	1,322	1,618
Other	2,637	2,864
Total intangible assets	3,959	4,483
Investments and other assets		
Investments and other assets, gross	8,522	8,878
Allowance for doubtful accounts	(69)	(70)
Total investments and other assets	8,453	8,808
Total non-current assets	86,097	84,126
Total assets	185,424	182,011

As of September 30, 2017 As of March 31, 2017

Liabilities			
Current liabilities			
Notes and accounts payable - trade	11,427		9,668
Short-term loans payable	7,186		1,107
Income taxes payable	3,316		5,577
Provision for bonuses	3,504		4,247
Provision for directors' bonuses	86		139
Provision for stocks payment	-		50
Other	13,561		16,288
Total current liabilities	39,082		37,079
Non-current liabilities			
Provisions for directors' retirement benefits	452		507
Provision for management board incentive plan trust	90		111
Net defined benefit liability	7,542		7,669
Asset retirement obligations	657		654
Other	910		933
Total non-current liabilities	9,653		9,875
Total liabilities	48,736		46,954
Net assets			
Shareholders' equity			
Capital stock	12,030		12,020
Capital surplus	4,780		4,781
Retained earnings	113,361		111,936
Treasury shares	(1,073)		(539)
Total shareholders' equity	129,100		128,198
Accumulated other comprehensive income			
Valuation difference on available-for-sales securities	663		604
Foreign currency translation adjustment	527		492
Remeasurements of defined benefit plans	(1,027)		(1,173)
Total accumulated other comprehensive income	162		(77)
Subscription rights to shares	7		11
Non-controlling interests	7,418		6,924
Total net assets	136,688		135,056
Total liabilities and net assets	185,424		182,011

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

Millions of yen, rounded down

	April 1, 2017 to September 30, 2017	April 1, 2016 to September 30, 2016
Net sales	118,822	123,654
Cost of sales	69,298	69,076
Gross profit	49,523	54,577
Selling, general and administrative expenses	39,185	40,824
Operating income	10,338	13,753
Non-operating income		
Interest income	40	44
Dividend income	23	19
Foreign exchange gains	193	—
Other	150	210
Total non-operating income	407	274
Non-operating expenses		
Interest expenses	36	9
Foreign exchange losses	—	995
Other	152	245
Total non-operating expenses	188	1,250
Ordinary income	10,557	12,777
Extraordinary income		
Gain on sales of non-current assets	4	8
Gain on step acquisition	—	13
Total extraordinary income	4	21
Extraordinary losses		
Loss on sales of non-current assets	0	3
Loss on retirement of non-current assets	80	216
Total extraordinary losses	80	219
Profit before income taxes	10,481	12,580
Income taxes - current	2,898	3,425
Income taxes - deferred	548	685
Total income taxes	3,447	4,110
Profit	7,033	8,469
Profit (loss) attributable to non-controlling interests	(11)	485
Profit attributable to owners of parent	7,045	7,984

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

	April 1, 2017 to September 30, 2017	April 1, 2016 to September 30, 2016
Profit	7,033	8,469
Other comprehensive income		
Valuation difference on available-for-sale securities	58	165
Foreign currency translation adjustment	43	(2,393)
Remeasurements of defined benefit plans, net of tax	146	123
Total other comprehensive income	248	(2,104)
Comprehensive income	7,282	6,365
Comprehensive income attributable to:		
Owners of parent	7,285	6,882
Non-controlling interests	(3)	(517)

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

	April 1, 2017 to September 30, 2017	April 1, 2016 to September 30, 2016
Cash flows from operating activities		
Profit before income taxes	10,481	12,580
Depreciation	3,939	3,451
Amortization of goodwill	299	319
Increase (decrease) in allowance for doubtful accounts	(27)	2
Increase (decrease) in provision for bonuses	(747)	(677)
Increase (decrease) in provision for directors' bonuses	(54)	10
Increase (decrease) in provision for stocks payment	(50)	(5)
Increase (decrease) in provision for directors' stocks payment	(20)	-
Increase (decrease) in net defined benefit liability	40	125
Decrease (increase) in net defined benefit asset	19	25
Increase (decrease) in provision for directors' retirement benefits	(54)	(33)
Interest and dividend income	(63)	(63)
Interest expenses	36	9
Foreign exchange losses (gains)	(239)	1,379
Loss (gain) on sales of non-current assets	(4)	(5)
Loss on retirement of non-current assets	80	216
Decrease (increase) in notes and accounts receivable - trade	(11,063)	(3,769)
Decrease (increase) in inventories	(2,339)	(2,233)
Increase (decrease) in notes and accounts payable - trade	1,743	1,357
Increase (decrease) in accounts payable - other	(1,117)	823
Other, net	(684)	2,325
Subtotal	175	15,836
Interest and dividend income received	63	66
Interest expenses paid	(37)	(1)
Income taxes paid	(5,197)	(4,691)
Net cash provided by (used in) operating activities	(4,996)	11,210

	April 1, 2017 to September 30, 2017	April 1, 2016 to September 30, 2016
Cash flows from investing activities		
Purchase of property, plant and equipment	(6,543)	(6,004)
Proceeds from sales of property, plant and equipment	12	1
Purchase of intangible assets	(196)	(220)
Purchase of securities	(16,998)	(5,999)
Proceeds from redemption of securities	8,000	4,000
Purchase of investment securities	(8)	(8)
Payments of loans receivable	(60)	—
Collection of loans receivable	120	32
Payment into time deposits	(794)	(394)
Proceeds from withdrawal of time deposits	337	524
Payments for guarantee deposits	(15)	(44)
Proceeds from collection of guarantee deposits	73	107
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	—	42
Other, net	0	7
Net cash provided by (used in) investing activities	(16,073)	(7,955)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	6,083	566
Repayments of long-term loans payable	—	(22)
Purchase of treasury shares	(533)	—
Proceeds from exercise of share options	16	8
Proceeds from share issuance to non-controlling shareholders	502	—
Cash dividends paid	(5,616)	(4,676)
Dividends paid to non-controlling interests	(16)	(167)
Repayments of lease obligations	(65)	(30)
Net cash provided by (used in) financing activities	371	(4,321)
Effect of exchange rate change on cash and cash equivalents	147	(1,033)
Net increase (decrease) in cash and cash equivalents	(20,551)	(2,099)
Cash and cash equivalents at beginning of period	44,627	47,323
Cash and cash equivalents at end of period	24,075	45,224

(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.