

Consolidated Financial Statements for the First Half of the Fiscal Year Ending March 31, 2019

April 1, 2018 to September 30, 2018

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, 2019

Calbee, Inc.

October 29, 2018

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

Stock exchange listings: Tokyo 1st section, code number 2229
Contact: Koichi Kikuchi
Managing Executive Officer / Chief Financial Officer
Telephone: +81-3-5220-6222

Representative: Shuji Ito, President & CEO, Representative Director
Scheduled date for submission of the first half financial report: November 9, 2018
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, 2018 to September 30, 2018) of the fiscal year ending March 31, 2019

(1) Consolidated Operating Results

	Six months ended September 30, 2018		Six months ended September 30, 2017	
		% change		% change
Net sales	121,067	1.9	118,822	(3.9)
Operating profit.....	11,740	13.6	10,338	(24.8)
Ordinary profit.....	12,560	19.0	10,557	(17.4)
Profit attributable to owners of parent.....	9,628	36.7	7,045	(11.8)
Earnings per share (¥).....	72.06		52.72	
Earnings per share (diluted) (¥).....	72.03		52.66	

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, 2018: ¥10,563 million (45.1%)
Six months ended September 30, 2017: ¥7,282 million (14.4%)

(2) Consolidated Financial Position

	As of September 30, 2018	As of March 31, 2017
	Total assets	196,890
Net assets	150,987	146,667
Shareholders' equity/total assets (%).....	73.2	72.6

Shareholders' equity: As of September 30, 2018: ¥144,214 million
As of September 30, 2017: ¥139,375 million

2) Dividends

	FY ended March 31, 2018	FY ending March 31, 2019 (forecast)
	Interim period per share	0.00
Year-end dividend per share	42.00	48.00
Annual dividend per share.....	42.00	48.00

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

3) Consolidated forecasts for the fiscal year ending March 31, 2019 (April 1, 2018 to March 31, 2019)

	Fiscal year ending March 31, 2019	
		% change
Net sales	255,000	1.4
Operating profit.....	29,500	10.0
Ordinary profit.....	29,000	10.8
Profit attributable to owners of parent.....	19,000	9.6
Earnings per share (¥).....	142.16	

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 removed from scope of consolidation: Calbee-URC, Inc.
- (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)

	As of September 30, 2018:	As of March 31, 2018:
1. Number of outstanding shares (including treasury shares)	133,917,800 shares	133,875,800 shares
2. Number of treasury shares	267,972 shares	292,997 shares
	Six months to September 30, 2018:	Six months to September 30, 2017:
3. Average number of shares during the period	133,622,795 shares	133,630,816 shares

Note: Regarding Calbee stock held in trust as treasury stock within shareholders' equity, the number of treasury shares includes 267,140 of these shares as of September 30, 2018 and 292,165 of these shares as of March 31, 2018, and the average number of shares excludes 281,416 treasury shares in the six months to September 30, 2018, and 196,338 treasury shares in the six months to September 30, 2017.

Financial Statements are not subject to audit by a certified public accountant or audit firm

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 8, 1. Summary of Business Performance (3) Consolidated forecasts.
2. The earnings per share forecast for the fiscal year ending March 31, 2019 is calculated using 133,649,828 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 29, 2018. A video recording of the conference will be made available on our Japanese website after the conference.

Contents

1. Operating results	5
(1) Summary of business performance.....	5
(2) Analysis of financial position.....	8
(3) Consolidated forecasts.....	8
2. Consolidated financial statements and key notes	9
(1) Consolidated balance sheets.....	9
(2) Consolidated statements of income and comprehensive income.....	11
(3) Consolidated statements of cash flows.....	13
(4) Notes to consolidated financial statements.....	15
Notes related to going concern assumption.....	15
Notes on occurrence of significant changes to shareholders' equity.....	15
Additional information.....	15
Subsequent events.....	15

1. Operating results

(1) Summary of business performance

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

Net sales during the six-month period under review (April 1, 2018 to September 30, 2018) increased 1.9% to ¥121,067 driven by increased sales of snack foods in the domestic business and of cereal foods and snack foods in the overseas business. For domestic snack foods, sales increased, due in part to higher sales of *Potato Chips* following sales adjustments made in the first quarter of the previous fiscal year caused by a potato shortage stemming from typhoon damage. For overseas cereals, sales increased due to the expansion of sales channels to China and amid a new *Frugra* factory in Kyoto began operation in August. Overseas snack foods sales increased, primarily due to sales growth in Indonesia and Australia.

Operating profit increased 13.6% to ¥11,740 million due to factors including improved costs on recovery of factory utilization accompanying increased sales of *Potato Chips* in the domestic business, as well as improved costs including a reduction in losses from disposal in the North America in the overseas business. The operating profit ratio was 9.7%, a year on year increase of 1.0 percentage points. Ordinary profit increased 19.0% to ¥12,560 million, including foreign exchange gains of ¥822 million. Profit attributable to owners of parent increased 36.7% to ¥9,628 million, due in part to having transferred all shares of consolidated subsidiary CalNeCo, Inc. (main business: sale and production of sales promotional tools) in September, recording a ¥2,378 million gain on sales of shares of subsidiaries and associates under extraordinary income.

Millions of yen, rounded down

	H1 FY ending March 31, 2019		H1 FY ended March 31, 2018		Growth in yen (%)	Growth on local currency basis (%)
	Amount	%	Amount	%		
Domestic sales	102,586	84.7	102,742	86.5	-0.2	-0.2
Overseas sales	18,480	15.3	16,080	13.5	+14.9	+16.1
Total	121,067	100.0	118,822	100.0	+1.9	+2.0

Results by business are as follows.

Millions of yen, rounded down

Sales	H1 FY ending March 31, 2019		H1 FY ended March 31, 2018
	Amount	Growth (%)	Amount
1) Production and sale of snack and other foods business	119,627	+2.2	117,045
Domestic production and sale of snack and other foods business	101,146	+0.2	100,965
Domestic snack foods	88,192	+8.8	81,042
Domestic cereals	12,408	-3.2	12,816
Other domestic foods	546	-92.3	7,106
Overseas production and sale of snack and other foods business	18,480	+14.9	16,080
Overseas snack foods	16,299	+4.8	15,555
Overseas cereals	2,181	+315.7	524
2) Other businesses	1,439	-19.0	1,776
Total	121,067	+1.9	118,822

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 increased year on year. Sales growth of *Potato Chips* on strong demand and increased sales of new products utilizing new ingredients contributed to this outcome; however, the increased demand for *Potato Chips* had a negative effects on the sales for flour-based snacks and corn- and bean-based snacks decreased.

Sales of domestic snack foods by product are as follows.

Millions of yen, rounded down

Sales	H1 FY ending March 31, 2019		H1 FY ended March 31, 2018
	Amount	Growth (%)	Amount
Potato-based snacks	64,604	+15.3	56,034
<i>Potato Chips</i>	39,967	+27.1	31,445
<i>Jagarico</i>	18,755	+8.9	17,220
<i>Jagabee/ Jaga Pokkuru</i>	5,881	-20.2	7,367
Flour-based snacks	10,259	-9.2	11,295
<i>Kappa Ebisen</i>	4,639	-11.9	5,267
<i>Sapporo Potato, etc.</i>	5,619	-6.8	6,028
Corn- and bean-based snacks	7,907	-9.6	8,751
Other snacks	5,420	+9.3	4,960
Domestic snack foods total	88,192	+8.8	81,042

- Sales of potato-based snacks increased year on year. Sales of *Potato Chips* increased on the effect of having made adjustments to sales items in the first quarter of the previous fiscal year due to a potato shortage and the implementation of an increased volume campaign in the first quarter, which succeeded in expanding sales of regular items including *Usu-Shio-Aji*. Sales also increased for *Jagarico*, due in part to sales of *Tomorico* and *Edamarico*, individual portion snacks which were launched nationwide with a TV commercial. However, *Jagabee/Jaga Pokkuru* sales decreased, despite firm sales of *Jaga Pokkuru*, due to weak sales of *Jagabee* regular products.
- Sales of flour-based snacks decreased year on year due to decreased sales of products such as *Kappa Ebisen* and *Sapporo Potato* due to reactionary negative effect of increased demand for *Potato Chips*.
- Sales of corn- and bean-based snacks decreased year on year despite Japan Frito-Lay *Dragon Potato*, launched during the current period contributing to sales, due to decreased sales of products such as *Cheetos* due to reactionary negative effect of increased demand for *Potato Chips*.

• Domestic cereals:

Sales of domestic cereals decreased year on year. Despite intensified marketing of individual portion items for *Frugra* for generating new customers, the renewal of *Frugra Less Carbohydrates* and continuous investment in limited time products, demand did not increase.

• Other domestic foods:

Sales of other domestic foods decreased significantly year on year due to the transfer of the bakery business in April.

Overseas production and sale of snack and other foods business

- Overseas snack foods:

Sales of overseas snack foods increased year on year. Sales in Indonesia increased driven by the contribution of *Krisbee Krunchy*, a corn-based snack launched in March, and higher sales of *Potabee* potato chips due to proactive sales promotional activities. In Australia, sales of bean-based snack *Harvest Snaps* continued to grow firmly since market launch. In North America, sales of existing product *Harvest Snaps* increased due to the strengthening of sales promotional activities, as well as the launch of *Harvest Snaps* made using organic beans. However, in South Korea sales declined year on year due to continue of sluggish sales.

- Overseas cereals:

Sales of overseas cereals increased year on year with the start of *Frugra* production at our Kyoto factory from August and having launched China domestic e-commerce as well as cross-border e-commerce launches in the previous fiscal year.

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, 2019		H1 FY ended March 31, 2018
		Amount	Growth (%)	Amount
North America		5,178	+3.5	5,002
Asia	Greater China*	5,177	+50.0	3,451
	South Korea	2,191	-19.1	2,708
	Other Asian regions and Australia**	5,105	+21.1	4,215
Europe		827	+17.7	702
Overseas production and sale of snack and other foods business total		18,480	+14.9	16,080

*Greater China: China, Taiwan and Hong Kong.

**Other Asian regions and Australia: Thailand, Philippines, Singapore, Indonesia and Australia.

2) Other businesses

Other businesses include logistics and promotional tool sales.

Sales of other businesses decreased year on year due to consolidated subsidiary CalNeCo, Inc., which sale and production of sales promotional tools, having been removed from the scope of consolidation on the transfer of all its shares in September.

(2) Analysis of financial position

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

The partial amendment to the “Accounting Standard for Tax Effect Accounting” (Accounting Standards Board of Japan Statement No. 28, February 16, 2018) has been applied from the first day of the first quarter of the consolidated accounting period, and figures for the previous year have been restated accordingly to enable year-on-year comparison.

1. Overview of assets, liabilities and net assets

Total assets as of September 30, 2018 were ¥196,890 million, an increase of ¥4,856 million. The primary factor contributing to this outcome was an increase in securities due to an acquisition in investment funds. Liabilities increased ¥536 million to ¥45,903 million due to an increase in short-term loans payable. Net assets increased ¥4,319 million to ¥150,987 million due to an increase in retained earnings. The shareholders’ equity ratio increased 0.6 percentage points from the end of the previous fiscal year to 73.2%.

2. Overview of cash flows

Cash and cash equivalents as of September 30, 2018 were ¥38,723 million, ¥3,471 million lower than at the end of the previous fiscal year.

Cash flows from operating activities

Operating activities during the current period resulted in a net cash inflow of ¥12,283 million, an increase in cash inflow of ¥17,280 million compared to the first six months of the previous fiscal year, primarily due to a decrease in notes and accounts receivable - trade.

Cash flows from investing activities

Investing activities during the period resulted in a net cash outflow of ¥14,600 million, decrease in cash outflow of ¥1,473 million, due to an increase in inflow from proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation and collection of loans receivable.

Cash flows from financing activities

Financing activities during the period resulted in a net cash outflow of ¥1,421 million, an increase in cash outflow of ¥1,793 million, primarily due to a decrease in net increase in short-term loans payable.

(3) Consolidated forecasts

There are no changes to the consolidated full-year forecasts for the fiscal year ending March 31, 2019 issued on May 11, 2018.

4. Consolidated financial statements and key notes

(1) Consolidated balance sheets

Millions of yen, rounded down

	As of September 30, 2018	As of March 31, 2018
Assets		
Current assets		
Cash and deposits	21,890	23,559
Notes and accounts receivable - trade	37,958	41,749
Securities	33,747	22,998
Inventories	13,237	10,748
Other	4,251	5,323
Allowance for doubtful accounts	(21)	(23)
Total current assets	111,064	104,356
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	28,694	27,423
Machinery, equipment and vehicles, net	29,399	28,171
Land	11,333	11,556
Construction in progress	1,565	4,523
Other, net	1,304	1,421
Total property, plant and equipment	72,297	73,096
Intangible assets		
Goodwill	459	922
Other	2,091	2,468
Total intangible assets	2,551	3,391
Investments and other assets		
Investments and other assets, gross	11,036	11,316
Allowance for doubtful accounts	(58)	(126)
Total investments and other assets	10,977	11,190
Total non-current assets	85,826	87,678
Total assets	196,890	192,034

	As of September30, 2018	As of March 31, 2018
Liabilities		
Current liabilities		
Notes and accounts payable - trade	11,115	9,728
Short-term loans payable	5,760	1,129
Income taxes payable	4,599	5,252
Provision for bonuses	3,300	3,863
Provision for directors' bonuses	66	117
Provision for stocks payment	0	53
Other	11,924	15,260
Total current liabilities	36,767	35,405
Non-current liabilities		
Provisions for directors' retirement benefits	278	491
Provision for management board incentive plan trust	52	90
Net defined benefit liability	7,240	7,674
Asset retirement obligations	519	659
Other	1,045	1,045
Total non-current liabilities	9,135	9,961
Total liabilities	45,903	45,366
Net assets		
Shareholders' equity		
Capital stock	12,043	12,033
Capital surplus	4,785	4,775
Retained earnings	127,653	123,647
Treasury shares	(982)	(1,073)
Total shareholders' equity	143,500	139,383
Accumulated other comprehensive income		
Valuation difference on available-for-sales securities	713	680
Foreign currency translation adjustment	626	57
Remeasurements of defined benefit plans	(626)	(745)
Total accumulated other comprehensive income	713	(7)
Share acquisition rights	3	7
Non-controlling interests	6,769	7,284
Total net assets	150,987	146,667
Total liabilities and net assets	196,890	192,034

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

Millions of yen, rounded down

	April 1, 2018 to September 30, 2018	April 1, 2017 to September 30, 2017
Net sales	121,067	118,822
Cost of sales	67,733	69,298
Gross profit	53,333	49,523
Selling, general and administrative expenses	41,592	39,185
Operating profit	11,740	10,338
Non-operating income		
Interest income	62	40
Dividend income	20	23
Share of profit of entities accounted for using equity method	0	—
Foreign exchange gains	822	193
Other	129	150
Total non-operating income	1,035	407
Non-operating expenses		
Interest expenses	35	36
Loss on valuation of inventories	79	—
Depreciation	46	21
Other	54	130
Total non-operating expenses	216	188
Ordinary profit	12,560	10,557
Extraordinary income		
Gain on sales of non-current assets	21	4
Gain on sales of investment securities	33	—
Gain on sales of shares of subsidiaries and associates	2,378	—
Gain on liquidation of business	488	—
Total extraordinary income	2,922	4
Extraordinary losses		
Loss on sales of non-current assets	3	0
Loss on retirement of non-current assets	106	80
Impairment loss	813	—
Directors' retirement benefits	350	—
Loss on sales of shares of subsidiaries and associates	24	—
Other	2	—
Total extraordinary losses	1,301	80
Profit before income taxes	14,181	10,481
Income taxes - current	4,322	2,898
Income taxes - deferred	182	548
Total income taxes	4,505	3,447
Profit	9,675	7,033
Profit (loss) attributable to non-controlling interests	47	(11)
Profit attributable to owners of parent	9,628	7,045

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

	April 1, 2018 to September 30, 2018	April 1, 2017 to September 30, 2017
Profit	9,675	7,033
Other comprehensive income		
Valuation difference on available-for-sale securities	32	58
Foreign currency translation adjustment	736	43
Remeasurements of defined benefit plans, net of tax	119	146
Total other comprehensive income	887	248
Comprehensive income	10,563	7,282
Comprehensive income attributable to:		
Owners of parent	10,350	7,285
Non-controlling interests	213	(3)

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

	April 1, 2018 to September 30, 2018	April 1, 2017 to September 30, 2017
Cash flows from operating activities		
Profit before income taxes	14,181	10,481
Depreciation	3,871	3,939
Impairment loss	813	—
Amortization of goodwill	283	299
Increase (decrease) in allowance for doubtful accounts	(2)	(27)
Increase (decrease) in provision for bonuses	(421)	(747)
Increase (decrease) in provision for directors' bonuses	(33)	(54)
Increase (decrease) in provision for stocks payment	(2)	(50)
Increase (decrease) in provision for directors' stocks payment	—	(20)
Increase (decrease) in net defined benefit liability	(76)	40
Increase (decrease) in net defined benefit assets	14	19
Increase (decrease) in provision for directors' retirement benefits	(154)	(54)
Interest and dividend income	(82)	(63)
Interest expenses	35	36
Foreign exchange losses (gains)	(737)	(239)
Gain on liquidation of business	(488)	—
Share of loss (profit) of entities accounted for using equity method	(0)	—
Loss (gain) on sales of investment securities	(2,387)	—
Loss (gain) on sales of non-current assets	(17)	(4)
Loss on retirement of non-current assets	106	80
Decrease (increase) in notes and accounts receivable - trade	2,401	(11,063)
Decrease (increase) in inventories	(2,643)	(2,339)
Increase (decrease) in notes and accounts payable - trade	2,196	1,743
Increase (decrease) in accounts payable - other	(1,377)	(1,117)
Other, net	1,700	(684)
Subtotal	17,178	175
Interest and dividend income received	60	63
Interest expenses paid	(36)	(37)
Income taxes paid	(4,918)	(5,197)
Net cash provided by (used in) operating activities	12,283	(4,996)

April 1, 2018 to September 30, 2018 April 1, 2017 to September 30, 2017

	April 1, 2018 to September 30, 2018	April 1, 2017 to September 30, 2017
Cash flows from investing activities		
Purchase of property, plant and equipment	(6,017)	(6,543)
Proceeds from sales of property, plant and equipment	31	12
Purchase of intangible assets	(279)	(196)
Proceeds from sales of intangible assets	0	—
Purchase of securities	(16,832)	(16,998)
Proceeds from redemption of securities	4,000	8,000
Purchase of investment securities	(7)	(8)
Proceeds from sales of investment securities	47	—
Payments of loans receivable	(920)	(60)
Collection of loans receivable	2,378	120
Payments into time deposits	—	(794)
Proceeds from withdrawal of time deposits	266	337
Payments for guarantee deposits	(45)	(15)
Proceeds from collection of guarantee deposits	38	73
Payments for sales of shares of subsidiaries resulting in change in scope of consolidation	(823)	—
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	3,169	—
Other, net	393	0
Net cash provided by (used in) investing activities	(14,600)	(16,073)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	4,241	6,083
Purchase of treasury shares	—	(533)
Proceeds from exercise of share options	16	16
Proceeds from share issuance to non-controlling shareholders	—	502
Cash dividends paid	(5,616)	(5,616)
Dividends paid to non-controlling interests	(10)	(16)
Repayments of lease obligations	(53)	(65)
Net cash provided by (used in) financing activities	(1,421)	371
Effect of exchange rate change on cash and cash equivalents	266	147
Net increase (decrease) in cash and cash equivalents	(3,471)	(20,551)
Cash and cash equivalents at beginning of period	42,195	44,627
Cash and cash equivalents at end of period	38,723	24,075

(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.

(Additional information)

First half consolidated cumulative accounting period (April 1, 2018 – September 30, 2018)
--

The partial amendment to the "Accounting Standard on Tax Effect Accounting" (Accounting Standards Board of Japan Statement No. 28, February 16, 2018) has been applied from the first day of the first quarter of the consolidated accounting period, and deferred tax assets are presented in the other assets category and deferred tax liabilities in the fixed liabilities category.
--

(Subsequent events)

Business combination resulting from acquisition

Calbee consolidated subsidiary Calbee (UK) Ltd. acquired all shares of Pacific Shelf 1809 Limited from UK private equity fund Lloyds Development Capital (Holdings) Limited and individual shareholders for the purpose of acquiring the business of UK foods company Seabrook Crisps Limited. A stock purchase agreement was concluded and the acquisition of 100% of the shares completed on October 2, 2018.

(1) Overview of the transaction

1. Name and business description of the acquired company
Name of acquired company: Pacific Shelf 1809 Limited
Description of business: Holding company
2. Reason for business combination
Seabrook Crisps Limited, a subsidiary of Pacific Shelf 1809 Limited, is a UK savory snack manufacturer with a long history (founded in 1945) that owns the Seabrook brand. Calbee Group aims to bolster the Calbee brand and expand its business in Europe through the acquisition of this brand in the major potato chips category in the UK, the largest market for snacks in Europe.
3. Date of business combination
October 2, 2018
4. Legal form of business combination
Acquisition of stock
5. Name of company after business combination
No change
6. Ratio of voting rights
100%
7. Major reasons for acquisition
Acquisition paid by cash by Calbee consolidated subsidiary Calbee (UK) Ltd.

(2) Purchase price and its breakdown

Purchase price of share paid by cash: ¥1,361 million