Consolidated Financial Statements for the Third Quarter of the Fiscal Year Ending March 31, 2016

April 1, 2015 to December 31, 2015

Calbee, Inc.

This document has been translated from the original Japanese as a guide for non-Japanese investors. It contains forward-looking statements based on a number of assumptions and beliefs made by management in light of information currently available. Actual financial results may differ materially depending on a number of factors, including changing economic conditions, legislative and regulatory developments, delay in new product launches, and pricing and product initiatives of competitors.

SUMMARY OF FINANCIAL STATEMENTS (consolidated)

Third Quarter Results for the Fiscal Year Ending March 31, 2016

Calbee, Inc. **February 2, 2016**

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Scheduled date for submission of the first half financial report: February 8, 2016
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 nine months (April 1, 2015 to December 31, 2015) of the fiscal year ending March 31, 2016

(1) Consolidated Operating Results

Millions of yen, rounded down

	Nine months ended December 31, 2015		Nine months ended December 31, 2014	
		% change		% change
Net sales	185,166	12.5	164,639	10.6
Operating income	21,909	13.5	19,311	23.6
Ordinary income	21,230	1.4	20,936	25.8
Profit attributable to owners of parent	13,392	13.6	11,788	14.0
Earnings per share (¥)	100.34		88.37	
Earnings per share (diluted) (¥)	100.14		88.14	

Notes: 1. The percentages shown above are a comparison with the same period in the previous fiscal year.
2. Comprehensive income: Nine months ended December 31, 2015: ¥13,819 million (-11.3%)
Nine months ended December 31, 2014: ¥15,574 million (30.9%)

(2) Consolidated Financial Position

Millions of yen, rounded down

	As of December 31, 2015	As of March 31, 2015
Total assets	166,789	161,968
Net assets	129,969	118,800
Shareholders' equity/total assets (%)	71.3	67.7

Shareholders' equity: As of December 31, 2015: ¥118,918 million
As of March 31, 2015: ¥109,652 million

2) Dividends per share

Yen

	FY ended March 31, 2015	FY ending March 31, 2016 (forecast)
Interim period	0.00	0.00
Year-end	28.00	33.00
Annual	28.00	33.00

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

3) Consolidated forecasts for the fiscal year ending March 31, 2016 (April 1, 2015 to March 31, 2016)

Millions of yen

	Fiscal year ending March 31, 2016	
		% change
Net sales	240,000	8.0
Operating income	28,800	19.1
Ordinary income	28,000	9.3
Profit attributable to owners of parent	15,800	11.9
Earnings per share (¥)	118.33	

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 (Hangzhou) Foods Co., Ltd.

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)

	December 31, 2015:	March 31, 2015:
1. Number of outstanding shares (including treasury shares)	133,723,800 shares	133,629,800 shares
2. Number of treasury shares	193,452 shares	228,132 shares
	Nine months to December 31, 2015:	Nine months to December 31, 2014:
3. Average number of shares during the period	133,470,485 shares	133,396,808 shares

Note: Regarding Calbee stock held in trust as treasury stock within shareholders' equity, the number of treasury shares includes 192,620 of these shares as of December 31, 2015 and 227,300 as of March 31, 2015, and the average number of shares excludes 207,814 treasury shares in the nine months to December 31, 2015, and 169,505 treasury shares in the nine months to December 31, 2014.

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, 2016.

2. The earnings per share forecast for the fiscal year ending March 31, 2016 is calculated using 133,530,348 shares as the expected average number of shares for the period.

3. Calbee, Inc. has scheduled a telephone conference for institutional investors and analysts for February 2, 2016. An audio recording of the telephone conference will be made available on our Japanese website after the conference.

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1. Operating results

(1) Summary of business performance (consolidated)

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

During the nine-month period under review, the Japanese economy showed a mild recovery with improved corporate earnings supported by the effects of the government's economic strategy and quantitative easing policies. However, the recovery in consumer spending remained slow due to factors including higher prices caused by the weak yen and a sense of uncertainty in the outlook for the economy caused by concerns over a downturn in global markets, led by China.
In the snack food market, sales increased year on year, and strong growth continued in the cereal market.
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, due to strong sales of potato-based snacks and cereal product *Frugra* (*Fruits Granola*), we maintained and grew our high market share. In profitability, first quarter profit margins fell due to costs associated with balancing supply and demand, but since the second quarter we have made efforts to increase production efficiency, decrease inventories, and make more efficient use of SG&A spending. These efforts have contributed to an increase in earnings and the operating income ratio has recovered to a level in-line with the first nine months of the previous fiscal year. In overseas business, sales of *Harvest Snaps* in North America and *Honey Butter Chip* in South Korea continued to strengthen. Having made our distributor in Singapore a subsidiary in April 2015, we are also aiming to increase sales and market share in Singapore as part of measures to further expand overseas business. Due to continued weak business performance at our Chinese subsidiary, Calbee (Hangzhou) Foods Co., Ltd., in September 2015 we dissolved our joint venture agreement. We have now begun development of *Harvest Snaps* with large retailers in the UK under the *YUSHOi* brand name, and *Harvest Snaps* continue to be strong in North America.

Consolidated net sales for the nine-month period under review increased 12.5% to ¥185,166 million on strong performance in the production and sale of snacks and other foods business. Operating income increased 13.5% to ¥21,909 million due to increased efficiency of selling expenses and increased sales, despite a higher cost of sales ratio arising from higher raw material prices caused by the weak yen and higher depreciation expenses. Ordinary income increased 1.4% to ¥21,230 million, including an outlay of ¥449 million for business commencement expenses in the UK, Indonesia and Spain, and a loss on abandonment of inventories of ¥302 million on the postponed launch of fabricated potato chips. Profit attributable to owners of parent increased by 13.6% to ¥13,392 million on factors including a ¥370 million gain on sales of shares of subsidiaries and associates in Calbee (Hangzhou) Foods Co., Ltd.

Millions of yen, rounded down

	Q3 FY ending March 31, 2016		Q3 FY ended March 31, 2015		Growth in yen	Growth on local currency basis
	Amount	%	Amount	%		
Domestic sales	162,934	88.0	148,743	90.3	+9.5%	+9.5%
Overseas sales	22,232	12.0	15,895	9.7	+39.9%	+29.1%
Total	185,166	100.0	164,639	100.0	+12.5%	+11.4%

Results by business:

Production and sale of snacks and other foods business

Net sales increased by 12.6% to ¥182,709 million, driven by potato-based snacks and cereals as well as overseas business.

Snack foods:
Snack food sales increased 9.2% to ¥154,093 million.

1. Potato-based snacks
   Net sales increased 7.6% to ¥94,947 million.
   Potato Chips: Sales increased 9.1% to ¥58,430 million on strong sales of core products on the 40th anniversary of their launch, and *Kata-Age Potato*.
   Jagarico: Sales increased 3.4% to ¥26,313 million through higher sales of *Tarako Butter* flavor.
   Jagabee: Sales increased 7.7% to ¥7,100 million on strong sales of limited-time products.

2. Flour-based snacks
   Net sales increased 0.4% to ¥16,578 million on firm sales of *Osatsu (Sweet Potato) Snack* and other factors.

3. Corn-based snacks
   Net sales increased 3.5% to ¥14,267 million on stronger sales of *Doritos* and on the opening of new *Garrett Popcorn Shops* stores.

4. Other snacks—domestic
   Net sales decreased 8.1% to ¥6,068 million due to decreased sales of *Vegips* and other factors.

5. Overseas business
   Net sales increased 39.9% to ¥22,232 million on strong sales in the North American and South Korean businesses. In North America, a new factory for *Harvest Snaps* began production in Mississippi in June.

Other food products (Cereals and processed bread):
Net sales increased 35.0% to ¥28,615 million due to large growth in sales of cereal product *Frugra* (*Fruits Granola)*, the production capacity of which was expanded in May.

Other businesses
Net sales increased 3.1% to ¥2,457 million on a year-on-year increase of sales of promotional tools.

(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 December 31, 2015 were ¥166,789 million, an increase of ¥4,820 million. Factors contributing to this outcome included increases in notes and accounts receivable – trade, and property, plant and equipment, partially offset by a decrease in securities. The increase in notes and accounts receivable – trade was due to higher sales and the third quarter having ended on a bank holiday, causing receipts to be delayed to the following month, while the increases in property, plant and equipment were driven by the acquisition of production facilities in North America and for cereal products, an area where sales are continuing to grow. The decrease in securities resulted from the redemption of commercial paper.

Liabilities decreased ¥6,348 million to ¥36,820 million. Factors contributing to this outcome were decreases in income taxes payable and other current liabilities.

Net assets increased ¥11,168 million to ¥129,969 million. Factors contributing to this outcome were profit attributable to owners of parent and an increase in non-controlling interests.

The equity ratio increased 3.6 percentage points from the end of the previous fiscal year to 71.3% and net assets per share were ¥890.57.

2) Cash flow

Cash and cash equivalents as of December 31, 2015 were ¥33,941 million, ¥8,630 million lower than at the end of the previous fiscal year. The main influencing factors are detailed below.

Cash flows from operating activities

Operating activities during the period under review resulted in a net cash inflow of ¥3,624 million, a decrease of ¥376 million compared to the first nine months of the previous fiscal year.

Factors influencing this outcome included an increase in accrued consumption taxes partially offset by inflows from income before income taxes and non-controlling interests and foreign exchange gains.

Cash flows from investing activities

Investing activities during the period under review resulted in a net cash outflow of ¥9,267 million, an increase of ¥7,497 million. Factors influencing this outcome included outflows from the acquisition of production facilities for cereal products and production facilities in North America.

Cash flows from financing activities

Financing activities during the period under review resulted in a net cash outflow of ¥2,856 million, an increase of ¥389 million. Factors influencing this outcome included cash dividends paid, partially offset by an inflow from proceeds from share issuance to non-controlling shareholders.

(3) Consolidated forecasts for the fiscal year ending March 31, 2016

Business is proceeding largely in line with plans, and there are no changes to the consolidated full-year forecasts issued on May 12, 2015.

2. Summary information and related items

(1) Transfers of important subsidiaries during the period:

(Removed from consolidation)

Calbee transferred all shares it held in Calbee (Hangzhou) Foods Co., Ltd., a consolidated subsidiary as of the end of the previous consolidated fiscal year, removing it from the scope of consolidation as of the third 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)

The Accounting Standard for Business Combinations (Accounting Standards Board of Japan (ASBJ) Statement No.21) of September 13, 2013, the Accounting Standard for Consolidated Financial Statements (ASBJ Statement No.22) of September 13, 2013, and the Accounting Standard for Business Divestitures (ASBJ Statement No.7) of September 13, 2013, have been applied from the first quarter. Differences arising from changes in holdings of subsidiaries in cases where the parent company continues to have control are now recorded in capital surplus, and acquisition expenses for business combinations are now treated as expenses in the consolidated financial statements for the year in which they arise. For business combinations which occur after the beginning of the first quarter, any changes to the allocation of the acquisition price arising from settlement of the provisional accounting treatment shall be reflected in the quarterly consolidated financial statements for the quarter in which the business combination occurred. Additionally, a change in presentation has been made to Net income, and the previous accounting standard category of Minority interests has changed to Non-controlling interests. To reflect these changes in presentation, the consolidated financial statements for the nine-month period of the previous consolidated fiscal year, and the previous consolidated fiscal year, have been restated.

In the consolidated statements of cash flows for the nine-month period under review, cash flows arising from acquisition-related expenses incurred from expenses related to the acquisition of shares of subsidiaries who undergo changes in the scope of consolidation, or the acquisition or sale of shares of subsidiaries who do not undergo changes in the scope of consolidation, are recorded under Cash flows from operating activities.

Calbee has adopted these accounting standards from the beginning of the nine-month period under review, in accordance with transitional treatment based on Article 58-2 (4) of the Accounting Standard for Business Combinations, Article 44-5 (4) of the Accounting Standard for Consolidated Financial Statements, and Article 57-4 (4) of the Accounting Standard for Business Divestitures.

The impact on operating income, ordinary income and income before income taxes and non-controlling interests in the nine-month period under review is minimal.

3. Consolidated financial statements

(1) Consolidated balance sheets

Millions of yen, rounded down

	As of December 31, 2015	As of March 31, 2015
Assets		
Current assets		
Cash and deposits	18,438	18,891
Notes and accounts receivable - trade	29,876	21,119
Securities	17,999	34,995
Inventories	9,916	8,037
Other	7,369	6,502
Allowance for doubtful accounts	(4)	(5)
Total current assets	83,593	89,541
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	24,330	20,369
Machinery, equipment and vehicles, net	21,521	17,159
Land	11,701	11,501
Construction in progress	10,208	9,387
Other, net	1,325	1,337
Total property, plant and equipment	69,088	59,754
Intangible assets		
Goodwill	2,424	2,719
Other	3,166	1,835
Total intangible assets	5,590	4,555
Investments and other assets		
Investments and other assets, gross	8,594	8,196
Allowance for doubtful accounts	(78)	(79)
Total investments and other assets	8,516	8,117
Total non-current assets	83,195	72,427
Total assets	166,789	161,968

Consolidated balance sheets, continued

Millions of yen, rounded down

	As of December 31, 2015	As of March 31, 2015
Liabilities		
Current liabilities		
Notes and accounts payable - trade	10,364	9,387
Short-term loans payable	—	402
Accounts payable - other	3,698	5,165
Income taxes payable	2,160	5,174
Provision for bonuses	3,115	3,775
Provision for directors' bonuses	131	198
Provision for stocks payment	—	83
Other	8,121	10,041
Total current liabilities	27,593	34,227
Non-current liabilities		
Long-term loans payable	363	—
Provision for directors' retirement benefits	524	573
Provision for management board incentive plan trust	121	132
Net defined benefit liability	7,063	7,076
Asset retirement obligations	643	637
Other	511	520
Total non-current liabilities	9,226	8,940
Total liabilities	36,820	43,168
Net assets		
Shareholders' equity		
Capital stock	11,997	11,975
Capital surplus	11,561	11,543
Retained earnings	94,606	84,956
Treasury shares	(609)	(699)
Total shareholders' equity	117,556	107,774
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	656	617
Foreign currency translation adjustment	1,715	2,377
Remeasurements of defined benefit plans	(1,009)	(1,116)
Total accumulated other comprehensive income	1,361	1,877
Subscription rights to shares	18	25
Non-controlling interests	11,032	9,122
Total net assets	129,969	118,800
Total liabilities and net assets	166,789	161,968

(2) Consolidated statements of income and comprehensive income
Nine-month period ended December 31, 2015

Consolidated statements of income

Millions of yen, rounded down

	April 1, 2015 to December 31, 2015	April 1, 2014 to December 31, 2014
Net sales	185,166	164,639
Cost of sales	104,905	91,686
Gross profit	80,261	72,952
Selling, general and administrative expenses	58,351	53,641
Operating income	21,909	19,311
Non-operating income		
Interest income	129	205
Dividend income	33	33
Foreign exchange gains	30	1,355
Other	239	269
Total non-operating income	433	1,864
Non-operating expenses		
Interest expenses	5	3
Business commencement expenses	449	154
Loss on abandonment of inventories	302	―
Other	355	81
Total non-operating expenses	1,112	238
Ordinary income	21,230	20,936
Extraordinary income		
Gain on sales of non-current assets	6	5
Gain on sales of shares of subsidiaries and associates	370	―
Gain on sales of investment securities	24	10
Other	3	―
Total extraordinary income	404	16
Extraordinary losses		
Loss on sales of non-current assets	3	228
Impairment loss	―	720
Loss on retirement of non-current assets	164	129
Other	34	1
Total extraordinary losses	201	1,079
Income before income taxes and non-controlling interests	21,433	19,873
Income taxes – current	6,073	6,663
Income taxes – deferred	791	887
Total income taxes	6,865	7,550
Profit	14,567	12,322
Profit attributable to non-controlling interests	1,175	534
Profit attributable to owners of parent	13,392	11,788

Consolidated statements of comprehensive income

Millions of yen, rounded down

	April 1, 2015 to December 31, 2015	April 1, 2014 to December 31, 2014
Profit	14,567	12,322
Other comprehensive income		
Valuation difference on available-for-sale securities	39	346
Foreign currency translation adjustment	(894)	2,774
Remeasurements of defined benefit plans, net of tax	106	130
Total other comprehensive income	(748)	3,251
Comprehensive income	13,819	15,574
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	12,876	13,835
Comprehensive income attributable to non-controlling interests	942	1738

Three-month period ended December 31, 2015

Consolidated statements of income (third quarter)

Millions of yen, rounded down

	October 1, 2015 to December 31, 2015	October 1, 2014 to December 31, 2014
Net sales	64,224	58,369
Cost of sales	35,549	32,187
Gross profit	28,674	26,182
Selling, general and administrative expenses	19,572	18,338
Operating income	9,101	7,844
Non-operating income		
Interest income	29	66
Foreign exchange gains	25	848
Other	77	97
Total non-operating income	132	1,012
Non-operating expenses		
Business commencement expenses	99	104
Settlement package	91	—
Loss on effluent treatment	80	—
Other	66	33
Total non-operating expenses	337	138
Ordinary income	8,896	8,718
Extraordinary income		
Gain on sales of shares of subsidiaries and associates	370	—
Other	25	—
Total extraordinary income	395	—
Extraordinary losses		
Loss on retirement of non-current assets	74	39
Impairment loss	—	697
Loss on sales of non-current assets	—	226
Other	8	0
Total extraordinary losses	82	964
Income before income taxes and non-controlling interests	9,210	7,753
Income taxes - current	2,286	2,910
Income taxes - deferred	820	181
Total income taxes	3,106	3,091
Profit	6,103	4,661
Profit (loss) attributable to non-controlling interests	365	(61)
Profit attributable to owners of parent	5,737	4,723

Consolidated statements of comprehensive income (third quarter)

Millions of yen, rounded down

	October 1, 2015 to December 31, 2015	October 1, 2014 to December 31, 2014
Profit	6,103	4,661
Other comprehensive income		
Valuation difference on available-for-sale securities	54	273
Foreign currency translation adjustment	93	1,757
Remeasurements of defined benefit plans, net of tax	35	43
Total other comprehensive income	182	2,074
Comprehensive income	6,286	6,736
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	5,724	6,025
Comprehensive income attributable to non-controlling interests	562	711

(3) Consolidated statements of cash flows

Millions of yen, rounded down

	April 1, 2015 to December 31, 2015	April 1, 2014 to December 31, 2014
Cash flows from operating activities		
Income before income taxes and non-controlling interests	21,433	19,873
Depreciation	5,426	4,617
Impairment loss	—	720
Amortization of goodwill	521	484
Increase (decrease) in allowance for doubtful accounts	(1)	1
Increase (decrease) in provision for bonuses	(657)	(1,021)
Increase (decrease) in provision for directors' bonuses	(67)	(58)
Increase (decrease) in provision for stocks payment	(4)	(13)
Increase (decrease) in net defined benefit liability	213	198
Decrease (increase) in net defined benefit assets	(62)	(28)
Increase (decrease) in provision for directors' retirement benefits	(49)	(40)
Interest and dividend income	(162)	(238)
Interest expenses	5	3
Foreign exchange losses (gains)	330	(888)
Loss (gain) on sales of investment securities	(24)	(10)
Loss (gain) on sales of shares of subsidiaries and associates	(370)	—
Loss (gain) on sales of non-current assets	(3)	222
Loss on retirement of non-current assets	164	129
Decrease (increase) in notes and accounts receivable - trade	(8,812)	(8,865)
Decrease (increase) in inventories	(1,953)	(2,239)
Increase (decrease) in notes and accounts payable - trade	968	1,408
Decrease (increase) in accounts receivable - other	(167)	93
Increase (decrease) in accounts payable - other	(381)	(602)
Increase (decrease) in accrued consumption taxes	(1,623)	1,437
Other, net	(2,223)	(2,491)
Subtotal	12,497	12,692
Interest and dividend income received	145	232
Interest expenses paid	(4)	(1)
Income taxes paid	(9,014)	(8,922)
Net cash provided by (used in) operating activities	3,624	4,000

Consolidated statements of cash flows, continued

Millions of yen, rounded down

	April 1, 2015 to December 31, 2015	April 1, 2014 to December 31, 2014
Cash flows from investing activities		
Purchase of property, plant and equipment	(16,395)	(8,400)
Proceeds from sales of property, plant and equipment	28	13
Purchase of intangible assets	(1,668)	(479)
Purchase of securities	(3,998)	(13,997)
Proceeds from redemption of securities	13,000	16,000
Purchase of investment securities	(12)	(11)
Proceeds from sales of investment securities	24	18
Payments of loans receivable	(150)	(60)
Collection of loans receivable	195	98
Payments into time deposits	(932)	(401)
Proceeds from withdrawal of time deposits	730	5,458
Payments for guarantee deposits	(114)	(87)
Proceeds from collection of guarantee deposits	214	79
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(92)	—
Payments for sales of shares of subsidiaries resulting in change in scope of consolidation	(108)	—
Other, net	11	(1)
Net cash provided by (used in) investing activities	(9,267)	(1,770)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	—	252
Proceeds from long-term loans payable	394	—
Purchase of treasury shares	—	(449)
Proceeds from exercise of share options	37	30
Proceeds from share issuance to non-controlling shareholders	1,308	757
Cash dividends paid	(3,737)	(2,937)
Dividends paid to non-controlling interests	(815)	(58)
Repayments of lease obligations	(43)	(61)
Net cash provided by (used in) financing activities	(2,856)	(2,466)
Effect of exchange rate change on cash and cash equivalents	(130)	1,043
Net increase (decrease) in cash and cash equivalents	(8,630)	806
Cash and cash equivalents at beginning of period	42,572	31,592
Cash and cash equivalents at end of period	33,941	32,399

(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.