Calbee
Harvest the Power of Nature.

Consolidated Financial Statements for the First Quarter of the Fiscal Year Ending March 31, 2017

April 1, 2016 to June 30, 2016

Calbee, Inc.

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

SUMMARY OF FINANCIAL STATEMENTS (consolidated)

First Quarter Results for the Fiscal Year Ending March 31, 2017

Calbee, Inc. **August 3, 2016**

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

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Scheduled date for submission of the first quarter financial report: August 9, 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 three months (April 1, 2016 to June 30, 2016) of the fiscal year ending March 31, 2017

(1) Consolidated Operating Results

Millions of yen, rounded down

	Three months ended June 30, 2016		Three months ended June 30, 2015	
		% change		% change
Net sales	61,756	3.2	59,831	14.5
Operating income	7,130	16.9	6,098	3.9
Ordinary income	6,339	4.6	6,061	2.9
Profit attributable to owners of parent	3,832	10.0	3,482	3.1
Earnings per share (¥)	28.69		26.11	
Earnings per share (diluted) (¥)	28.65		26.05	

Notes: 1. The percentages shown above are a comparison with the same period in the previous fiscal year.
2. Comprehensive income: Three months ended June 30, 2016: ¥2,153 million (-51.4%)
Three months ended June 30, 2015: ¥4,435 million (24.9%)

(2) Consolidated Financial Position

Millions of yen, rounded down

	As of June 30, 2016	As of March 31, 2016
Total assets	168,023	174,878
Net assets	128,781	131,469
Shareholders' equity/total assets (%)	70.8	69.1

Shareholders' equity: As of June 30, 2016: ¥118,954 million
As of March 31, 2016: ¥120,912 million

2) Dividends per share

Yen

	FY ended March 31, 2016	FY ending March 31, 2017 (forecast)
Interim period	0.00	0.00
Year-end	35.00	40.00
Annual	35.00	40.00

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

3) Consolidated forecasts for the fiscal year ending March 31, 2017 (April 1, 2016 to March 31, 2017)

Millions of yen

	Fiscal year ending March 31, 2017	
		% change
Net sales	262,000	6.4
Operating income	31,000	10.2
Ordinary income	30,000	13.0
Profit attributable to owners of parent	17,800	6.0
Earnings per share (¥)	133.26	

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): 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.: Yes
3. Changes in accounting estimates: Yes
4. Restatements: None

Note: Change in depreciation method from the first quarter of the fiscal year ending March 31, 2017 corresponds to changes in accounting policy which are difficult to distinguish from changes in accounting estimates. For further details, please see page 8, 2. Summary information and related items (3) Changes in accounting policy, changes in accounting estimates, and restatements.

(4) Number of outstanding shares (common stock)

	June 30, 2016:	March 31, 2016:
1. Number of outstanding shares (including treasury shares)	133,789,800 shares	133,769,800 shares
2. Number of treasury shares	193,452 shares	193,452 shares
	Three months to June 30, 2016:	Three months to June 30, 2015:
3. Average number of shares during the period	133,582,941 shares	133,419,119 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 both June 30, 2016 and March 31, 2016, and the average number of shares excludes 192,620 treasury shares in the three months to June 30, 2016, and 227,300 treasury shares in the three months to June 30, 2015.

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, 2017.
2. The earnings per share forecast for the fiscal year ending March 31, 2017 is calculated using 133,596,348 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 August 3, 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

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

Business performance:

During the three-month period under review, the Japanese economy showed a mild recovery on the effects of the government's economic strategy and monetary easing policies. However, consumer spending was flat and consumer prices remained weak due to factors including large fluctuations in stock markets. The yen strengthened on uncertainty over the global economic outlook and other factors.

In the domestic snack food market, although sales were generally flat year on year, significant growth continued in the cereals market driven by *Frugra* (*Fruits Granola*).

In this business environment, Calbee Group (hereafter "Calbee") conducted business based on our twin pillars of innovation (growth strategies) and cost reduction.

In domestic business, we increased production capacity for cereal product *Frugra*, and grew our sales and market share. Although sales of *Potato Chips* decreased year on year, we maintained our high market share of over 70 percent.

In overseas business, we aimed to strengthen our business in existing markets. In North America, we focused on establishing a sales structure and stable production control with two factories, including the new factory that began operations last year. In the UK, we aimed to expand sales, implementing full-scale promotional activities. Also, in Spain, we began sales of *Snapea Crisps,* bean-based snack manufactured in the UK from this quarter.

In cost reductions, we have continued initiatives to improve production efficiency and lower raw material costs and others. .

Consolidated net sales for the three-month period under review increased 3.2% to ¥61,756 million on strong performance in the production and sale of snacks and other foods business. Operating income increased 16.9% to ¥7,130 million due to higher sales and the effect of the manufacturing cost reductions including raw material cost and energy cost, although our selling expense increased due to proactive sales promotional activities. Operating margin increased 1.3 percentage points to 11.5%.

Ordinary income increased 4.6% to ¥6,339 million, including foreign exchange losses of ¥800 million, and profit attributable to owners of parent increased by 10.0% to ¥3,832 million.

Millions of yen, rounded down

	Q1 FY ending March 31, 2017		Q1 FY ended March 31, 2016		Growth	Growth on local currency basis
	Amount	%	Amount	%		
Domestic sales	54,453	88.2	51,965	86.9	＋ 4.8%	＋ 4.8%
Overseas sales	7,303	11.8	7,866	13.1	－ 7.2%	＋ 5.5%
Total	61,756	100.0	59,831	100.0	＋ 3.2%	＋ 4.9%

Results by business:

Production and sale of snacks and other foods business

Net sales increased by 3.4% to ¥60,898 million, largely from the contribution of cereals, despite lower sales of potato-based snacks and in overseas business.

Snack foods:

Snack food sales decreased 2.2% to ¥48,120 million.

1. Potato-based snacks

Net sales decreased 1.6% to ¥29,407 million.

Potato Chips: Sales decreased 4.9% to ¥17,482 million due to production adjustments on concern

over a supply shortage of potato.
Jagarico: Sales increased 1.8% to ¥8,569 million driven by sales of regular item products.
Jagabee: Sales were flat, decreasing 0.3% to ¥2,185 million.

2. Flour-based snacks
Net sales increased 2.6% to ¥5,560 million on firm sales of *Kappa Ebisen*, *Cheese Bit*, and others.

3. Corn- and bean-based snacks
Net sales increased 2.6% to ¥4,703 million on strong sales of bean-based snacks such as *Sayaendo*.

4. Other snacks
Net sales decreased 21.3% to ¥1,146 million.

5. Overseas business
Net sales decreased 7.2% to ¥7,303 million largely due to the effects of the stronger yen. Sales increased in North America on a local currency basis due to success in new product launches and sales promotional activities, but decreased on a yen basis. However, in South Korea, although a new factory began operation in this quarter, delays in the establishment of production and sales structures caused sales to decrease. In the UK, where we launched last year, the implementation of full-scale promotional activities contributed to increased sales.

Cereals and processed bread:
Net sales of cereals and processed bread increased 31.5% to ¥12,777 million due to large growth in sales of cereal product *Frugra*, the production capacity of which was expanded this quarter.

Other businesses
Net sales decreased 5.6% to ¥858 million.

(2) Analysis of financial position

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

Assets, liabilities and net assets:

Total assets as of June 30, 2016 were ¥168,023 million, a decrease of ¥6,855 million. Factors contributing to this outcome included decreases in securities and other assets. The decrease in securities was due to a decrease in investment funds, and that in other assets was due to a decrease in advance payments.

Liabilities decreased ¥4,167 million to ¥39,241 million. Factors contributing to this outcome were decreases in income taxes payable and notes and accounts payable – trade.

Net assets decreased ¥2,687 million to ¥128,781 million. Factors contributing to this outcome included foreign currency translation adjustments due to the effects of foreign exchange rates.

The equity ratio increased 1.7 percentage points from the end of the previous fiscal year to 70.8% and net assets per share were ¥890.39.

Cash flow:

Cash and cash equivalents as of June 30, 2016 were ¥46,673 million, ¥650 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 ¥6,840 million, an increase of ¥4,907 million compared to the first three months of the previous fiscal year. Factors influencing

this outcome included increase in foreign exchange losses and an increase in accrued consumption taxes, partially offset by a decrease in notes and accounts payable - trade.

Cash flows from investing activities

Investing activities during the period under review resulted in a net cash outflow of ¥2,137 million, an increase of ¥3,096 million, primarily due to a decrease in inflows from the redemption of securities.

Cash flows from financing activities

Financing activities during the period under review resulted in a net cash outflow of ¥4,446 million, an increase of ¥781 million, primarily due to an increase in cash dividends paid.

(3) Consolidated forecasts for the fiscal year ending March 31, 2017

Business is proceeding largely in line with plans, and there are no changes to the consolidated full-year forecasts issued on May 13, 2016.

2. Summary information and related items

(1) Transfers of important subsidiaries during the period

No applicable items.

(2) Use of special accounting procedures

No applicable items.

(3) Changes in accounting policy, changes in accounting estimates, and restatements

(Changes in accounting policy which are difficult to distinguish from changes in accounting estimates)

Until the end of last year, Calbee, Inc. and certain of its domestic consolidated subsidiaries mainly used the declining-balance method to depreciate property, plant and equipment. For the first quarter of the fiscal year ending March 2017 this has been changed to the straight-line method. Calbee foresees stable utilization of property, plant and equipment based on expansion of its domestic and overseas production facilities as well as revising investment policy. As a result of reviewing its depreciation method, Calbee concluded that the straight-line method to distribute expenses more evenly would be more appropriate to reflect its usage of property, plant and equipment.

Compared to the previous method, for the three-month period under review the impact of the changes on operating income is an increase of ¥399 million, and the impact on ordinary income and income before income taxes and non-controlling interests is an increase of ¥411 million.

3. Consolidated financial statements

(1) Consolidated balance sheets

Millions of yen, rounded down

	As of June 30, 2016	As of March 31, 2016
Assets		
Current assets		
Cash and deposits	23,052	22,784
Notes and accounts receivable - trade	22,033	23,021
Securities	25,999	28,999
Inventories	9,444	9,268
Other	4,578	6,855
Allowance for doubtful accounts	(4)	(4)
Total current assets	85,103	90,925
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	25,891	25,915
Machinery, equipment and vehicles, net	24,178	23,998
Land	11,537	11,642
Construction in progress	6,814	7,506
Other, net	1,084	1,096
Total property, plant and equipment	69,505	70,159
Intangible assets		
Goodwill	2,060	2,245
Other	3,186	3,314
Total intangible assets	5,246	5,559
Investments and other assets		
Investments and other assets, gross	8,238	8,303
Allowance for doubtful accounts	(70)	(69)
Total investments and other assets	8,167	8,233
Total non-current assets	82,920	83,953
Total assets	168,023	174,878

Consolidated balance sheets, continued

Millions of yen, rounded down

	As of June 30, 2016	As of March 31, 2016
Liabilities		
Current liabilities		
Notes and accounts payable - trade	9,145	10,350
Short-term loans payable	313	—
Income taxes payable	1,547	4,604
Provision for bonuses	1,731	4,195
Provision for directors' bonuses	57	128
Provision for stocks payment	59	65
Other	16,539	14,124
Total current liabilities	29,394	33,469
Non-current liabilities		
Long-term loans payable	265	313
Provision for directors' retirement benefits	486	527
Provision for management board incentive plan trust	121	121
Net defined benefit liability	7,393	7,489
Asset retirement obligations	647	645
Other	932	842
Total non-current liabilities	9,846	9,939
Total liabilities	39,241	43,408
Net assets		
Shareholders' equity		
Capital stock	12,013	12,008
Capital surplus	11,577	11,572
Retained earnings	97,164	98,013
Treasury shares	(609)	(609)
Total shareholders' equity	120,145	120,985
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	685	608
Foreign currency translation adjustment	(345)	904
Remeasurements of defined benefit plans	(1,532)	(1,585)
Total accumulated other comprehensive income	(1,191)	(72)
Subscription rights to shares	13	15
Non-controlling interests	9,814	10,541
Total net assets	128,781	131,469
Total liabilities and net assets	168,023	174,878

(2) Consolidated statements of income and comprehensive income

Consolidated statements of income

Three-month period ended June 30

Millions of yen, rounded down

	April 1, 2016 to June 30, 2016	April 1, 2015 to June 30, 2015
Net sales	61,756	59,831
Cost of sales	34,646	34,725
Gross profit	27,109	25,106
Selling, general and administrative expenses	19,979	19,008
Operating income	7,130	6,098
Non-operating income		
Interest income	28	62
Dividend income	18	16
Foreign exchange gains	–	197
Other	88	63
Total non-operating income	134	339
Non-operating expenses		
Interest expenses	3	2
Business commencement expenses	56	308
Foreign exchange losses	800	–
Other	66	65
Total non-operating expenses	926	375
Ordinary income	6,339	6,061
Extraordinary income		
Gain on sales of non-current assets	7	0
Gain on step acquisitions	13	–
Total extraordinary income	21	0
Extraordinary losses		
Loss on sales of non-current assets	1	0
Loss on retirement of non-current assets	135	14
Product recall related costs	–	26
Total extraordinary losses	137	41
Income before income taxes and non-controlling interests	6,223	6,020
Income taxes – current	1,530	1,644
Income taxes – deferred	495	407
Total income taxes	2,026	2,052
Profit	4,196	3,968
Profit attributable to non-controlling interests	363	485
Profit attributable to owners of parent	3,832	3,482

Consolidated statements of comprehensive income

Three-month period ended June 30

Millions of yen, rounded down

	April 1, 2016 to June 30, 2016	April 1, 2015 to June 30, 2015
Profit	4,196	3,968
Other comprehensive income		
Valuation difference on available-for-sale securities	77	13
Foreign currency translation adjustment	(2,173)	419
Remeasurements of defined benefit plans, net of tax	53	34
Total other comprehensive income	(2,042)	466
Comprehensive income	2,153	4,435
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,713	3,814
Comprehensive income attributable to non-controlling interests	(560)	620

(3) Consolidated statements of cash flows

Millions of yen, rounded down

	April 1, 2016 to June 30, 2016	April 1, 2015 to June 30, 2015
Cash flows from operating activities		
Profit before income taxes	6,223	6,020
Depreciation	1,666	1,719
Amortization of goodwill	170	176
Increase (decrease) in allowance for doubtful accounts	0	0
Increase (decrease) in provision for bonuses	(2,460)	(2,105)
Increase (decrease) in provision for directors' bonuses	(70)	(145)
Increase (decrease) in provision for stocks payment	(5)	―
Increase (decrease) in net defined benefit liability	(21)	(114)
Decrease (increase) in net defined benefit assets	13	(27)
Increase (decrease) in provision for directors' retirement benefits	(40)	(93)
Interest and dividend income	(46)	(78)
Interest expenses	3	2
Foreign exchange losses (gains)	1,290	(61)
Loss (gain) on sales of non-current assets	(6)	(0)
Loss on retirement of non-current assets	135	14
Decrease (increase) in notes and accounts receivable - trade	614	611
Decrease (increase) in inventories	(383)	(960)
Increase (decrease) in notes and accounts payable - trade	(1,065)	960
Decrease (increase) in accounts receivable - other	81	56
Increase (decrease) in accounts payable - other	1,116	24
Increase (decrease) in accrued expenses	1,952	1,076
Increase (decrease) in accrued consumption taxes	556	(1,378)
Other, net	1,687	1,221
Subtotal	11,411	6,918
Interest and dividend income received	54	77
Interest expenses paid	(0)	(3)
Income taxes paid	(4,625)	(5,059)
Net cash provided by (used in) operating activities	6,840	1,932

Consolidated statements of cash flows, continued

Millions of yen, rounded down

	April 1, 2016 to June 30, 2016	April 1, 2015 to June 30, 2015
Cash flows from investing activities		
Purchase of property, plant and equipment	(4,165)	(6,197)
Proceeds from sales of property, plant and equipment	1	0
Purchase of intangible assets	(113)	(716)
Proceeds from redemption of securities	2,000	8,000
Purchase of investment securities	(4)	(4)
Payments of loans receivable	—	(150)
Collection of loans receivable	0	195
Payments into time deposits	(407)	(284)
Proceeds from withdrawal of time deposits	441	205
Payments for guarantee deposits	(13)	(72)
Proceeds from collection of guarantee deposits	72	66
Purchase of shares of subsidiaries resulting in change in scope of consolidation	—	(92)
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	42	—
Other, net	9	8
Net cash provided by (used in) investing activities	(2,137)	958
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	330	—
Repayments of long-term loans payable	(22)	—
Proceeds from exercise of share options	8	14
Cash dividends paid	(4,579)	(3,660)
Dividends paid to non-controlling interests	(167)	(3)
Repayments of lease obligations	(14)	(14)
Net cash provided by (used in) financing activities	(4,446)	(3,664)
Effect of exchange rate change on cash and cash equivalents	(906)	219
Net increase (decrease) in cash and cash equivalents	(650)	(553)
Cash and cash equivalents at beginning of period	47,323	42,572
Cash and cash equivalents at end of period	46,673	42,019

(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.