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

April 1, 2016 to September 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 Half Results for the Fiscal Year Ending March 31, 2017

Calbee, Inc. **November 2, 2016**

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 & COO, Representative Director

Scheduled date for submission of the first half financial report: November 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 six months (April 1, 2016 to September 30, 2016) of the fiscal year ending March 31, 2017

(1) Consolidated Operating Results

Millions of yen, rounded down

	Six months ended September 30, 2016		Six months ended September 30, 2015	
		% change		% change
Net sales	123,654	2.2	120,942	13.8
Operating income	13,753	7.4	12,808	11.7
Ordinary income	12,777	3.6	12,333	0.9
Profit attributable to owners of parent	7,984	4.3	7,654	8.4
Earnings per share (¥)	59.76		57.36	
Earnings per share (diluted) (¥)	59.69		57.24	

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, 2016: ¥6,365 million (-15.5%)
Six months ended September 30, 2015: ¥7,532 million (-14.8%)

(2) Consolidated Financial Position

Millions of yen, rounded down

	As of September 30, 2016	As of March 31, 2016
Total assets	175,733	174,878
Net assets	133,061	131,469
Shareholders' equity/total assets (%)	70.1	69.1

Shareholders' equity: As of September 30, 2016: ¥123,190 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 (¥)	133.21	

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)

	September 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	167,472 shares	193,452 shares
	Three months to June 30, 2016:	Three months to June 30, 2015:
3. Average number of shares during the period	133,598,760 shares	133,444,007 shares

Note: Regarding Calbee stock held in trust as treasury stock within shareholders' equity, the number of treasury shares includes 166,640 of these shares as of September 30, 2016 and 192,620 of these shares as of March 31, 2016, and the average number of shares excludes 183,482 treasury shares in the six months to September 30, 2016, and 215,453 treasury shares in the six months to September 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 133,622,328 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 November 4, 2016. An audio recording of the briefing 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 six months of the previous fiscal year, unless stated otherwise.)

During the six-month period under review, the Japanese economy showed a slowing inbound demand amid an overall strengthening of the yen, and weakened personal consumption affected by unseasonable weather and other factors.

In this environment, Calbee Group (hereafter “Calbee”) made adjustments to production, including delaying the launch of some new *Potato Chips* products, due to concerns about raw material supply shortages due to typhoon damage in Hokkaido. In contrast, the sales of cereal product *Frugra*, for which there continues to be robust growth in demand showed a significant increase. As a result, the domestic sales rose year on year.

In overseas business, sales decreased year on year due to the impact of the strong yen on foreign currency translation adjustments.

Consolidated net sales for the six-month period increased 2.2% to ¥123,654 million. Operating income increased 7.4% to ¥13,753 million due to higher sales primarily in the domestic market and lower raw material and other costs, which offset an increase in selling expenses accompanying proactive sales promotional activities. The operating income ratio rose 0.5 percentage points to 11.1%. Ordinary income increased 3.6% to ¥12,777 million despite an increase in non-operating expenses arising from the strong yen, and profit attributable to owners of parent increased by 4.3% to ¥7,984 million.

Millions of yen, rounded down

	H1 FY ending March 31, 2017		H1 FY ended March 31, 2016		Growth in yen	Growth on local currency basis
	Amount	%	Amount	%		
Domestic sales	109,804	88.8	106,070	87.7	＋ 3.5%	＋ 3.5%
Overseas sales	13,850	11.2	14,871	12.3	－ 6.9%	＋ 7.3%
Total	123,654	100.0	120,942	100.0	＋ 2.2%	＋ 4.0%

Results by business are as follows.

1) Production and sale of snacks and other foods business

Net sales increased by 2.4% to ¥122,096 million, driven by strong sales of cereals, which offset the impact of foreign currency translation adjustments on sales of overseas business.

Snack foods:

Snack food sales decreased 2.2% to ¥96,988 million.

- Potato-based snacks

Net sales decreased 1.8% to ¥60,143 million.

Potato Chips: Sales decreased 4.0% to ¥35,682 million due to the delayed launch of some new products on concern over a supply shortage of potatoes as a raw material.

Jagarico: Sales increased 2.2% to ¥17,823 million driven by steady demand and a product line-up enhanced through flavor development.

Jagabee/Jaga Pokkuru: Sales were flat, decreasing 0.2% to ¥6,637 million.

- Flour-based snacks

Net sales were flat, decreasing 0.6% to ¥10,932 million due to firm sales of *Kappa Ebisen* and other products.

- Corn- and bean-based snacks

Net sales decreased 3.2% to ¥8,887 million on lower sales of popcorn, despite strong sales of

bean-based snacks such as *Sayaendo*.

- Other new snacks

Net sales increased 12.5% to ¥3,174 million on the launch of our *Potato Chips Crisp* fabricated potato chips.

- Overseas business

Net sales decreased 6.9% to ¥13,850 million on the effects of foreign currency translation adjustments. The UK, where we made a full-fledged entry this fiscal year, and Indonesia, where we began production and sales from the second quarter, contributed to increased sales. In the key regions of North America and South Korea sales growth was weak, despite having strengthened the production structure from last fiscal year to this fiscal year. Excluding the effects of foreign currency adjustments, which means local currency basis, sales increased 7.3% from the same term of previous year.

Cereals and processed bread:

Net sales of cereals and processed bread grew strongly, increasing 25.2% to ¥25,108 million. This was mainly due to growth in sales of cereal product *Frugra* following an increase in production capacity in the first quarter.

2) Other businesses

Net sales decreased 10.4% to ¥1,557 million due to lower sales in the distribution business and a decline in promotional tool sales.

(2) Analysis of financial position

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

1) Assets, liabilities and net assets

Total assets as of September 30, 2016 were ¥175,733 million, an increase of ¥855 million. The primary factor contributing to this outcome was an increase in accounts receivable due to a change in settlements date of payment.

Liabilities decreased ¥736 million to ¥42,672 million. The primary factor contributing to this outcome was a decrease in income taxes payable due to payment of taxes.

Net assets increased ¥1,591 million to ¥133,061 million on an increase in retained earnings, despite the negative effect of foreign currency translation adjustments.

The shareholders' equity ratio increased 1.0 percentage points from the end of the previous fiscal year to 70.1%.

2) Cash flow

Cash and cash equivalents as of September 30, 2016 were ¥45,224 million, ¥2,099 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 inflow of ¥11,210 million, an increase of ¥1,840 million compared to the same term of the previous year. Factors influencing this outcome included inflows from increase accrued consumption taxes, partially offset by an increase accounts receivable - trade.

Cash flows from investing activities:

Investing activities during the period under review resulted in a net cash outflow of ¥7,955 million, an increase of ¥3,766 million compared to the same term of the previous year. Factors influencing this outcome included an increase in outflows from the acquisition of securities and decreased inflows from the redemption of securities, partially offset by decreased outflows for the purchase of property, plant and equipment.

Cash flows from financing activities:

Financing activities during the period under review resulted in a net cash outflow of ¥4,321 million, an increase of ¥1,451 million compared to the same term of the previous year, primarily due to an increase in cash dividends paid.

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

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 six-month period under review the impact on operating income is an increase of ¥852 million, and the impact on ordinary income and income before income taxes and non-controlling interests is an increase of ¥875 million.

3. Consolidated financial statements

(1) Consolidated balance sheets

Millions of yen, rounded down

	As of September 30, 2016	As of March 31, 2016
Assets		
Current assets		
Cash and deposits	23,504	22,784
Notes and accounts receivable - trade	26,435	23,021
Securities	27,999	28,999
Inventories	11,276	9,268
Other	3,911	6,855
Allowance for doubtful accounts	(7)	(4)
Total current assets	93,120	90,925
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	27,056	25,915
Machinery, equipment and vehicles, net	27,986	23,998
Land	11,526	11,642
Construction in progress	1,525	7,506
Other, net	1,474	1,096
Total property, plant and equipment	69,568	70,159
Intangible assets		
Goodwill	1,906	2,245
Other	3,060	3,314
Total intangible assets	4,967	5,559
Investments and other assets		
Investments and other assets, gross	8,148	8,303
Allowance for doubtful accounts	(70)	(69)
Total investments and other assets	8,077	8,233
Total non-current assets	82,613	83,953
Total assets	175,733	174,878

Consolidated balance sheets, continued

Millions of yen, rounded down

	As of September 30, 2016	As of March 31, 2016
Liabilities		
Current liabilities		
Notes and accounts payable - trade	11,587	10,350
Short-term loans payable	554	—
Income taxes payable	3,535	4,604
Provision for bonuses	3,510	4,195
Provision for directors' bonuses	137	128
Provision for stocks payment	1	65
Other	13,234	14,124
Total current liabilities	32,562	33,469
Non-current liabilities		
Long-term loans payable	260	313
Provision for directors' retirement benefits	493	527
Provision for management board incentive plan trust	111	121
Net defined benefit liability	7,462	7,489
Asset retirement obligations	649	645
Other	1,131	842
Total non-current liabilities	10,109	9,939
Total liabilities	42,672	43,408
Net assets		
Shareholders' equity		
Capital stock	12,013	12,008
Capital surplus	11,577	11,572
Retained earnings	101,315	98,013
Treasury shares	(541)	(609)
Total shareholders' equity	124,365	120,985
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	773	608
Foreign currency translation adjustment	(486)	904
Remeasurements of defined benefit plans	(1,461)	(1,585)
Total accumulated other comprehensive income	(1,174)	(72)
Subscription rights to shares	13	15
Non-controlling interests	9,857	10,541
Total net assets	133,061	131,469
Total liabilities and net assets	175,733	174,878

(2) Consolidated statements of income and comprehensive income

Six-month period ended September 30, 2016
Consolidated statements of income

Millions of yen, rounded down

	April 1, 2016 to September 30, 2016	April 1, 2015 to September 30, 2015
Net sales	123,654	120,942
Cost of sales	69,076	69,355
Gross profit	54,577	51,587
Selling, general and administrative expenses	40,824	38,778
Operating income	13,753	12,808
Non-operating income		
Interest income	44	99
Dividend income	19	17
Foreign exchange gains	—	4
Other	210	178
Total non-operating income	274	300
Non-operating expenses		
Interest expenses	9	5
Business commencement expenses	72	349
Loss on abandonment of inventories	—	297
Foreign exchange losses	995	—
Other	172	122
Total non-operating expenses	1,250	775
Ordinary income	12,777	12,333
Extraordinary income		
Gain on sales of non-current assets	8	6
Gain on step acquisitions	13	—
Gain on sales of golf memberships	—	2
Total extraordinary income	21	8
Extraordinary losses		
Loss on sales of non-current assets	3	2
Loss on retirement of non-current assets	216	89
Product recall related costs	—	26
Other	—	0
Total extraordinary losses	219	119
Income before income taxes and non-controlling interests	12,580	12,222
Income taxes – current	3,425	3,787
Income taxes – deferred	685	(28)
Total income taxes	4,110	3,758
Profit	8,469	8,464
Profit attributable to non-controlling interests	485	809
Profit attributable to owners of parent	7,984	7,654

Consolidated statements of comprehensive income

Millions of yen, rounded down

	April 1, 2016 to September 30, 2016	April 1, 2015 to September 30, 2015
Profit	8,469	8,464
Other comprehensive income		
Valuation difference on available-for-sale securities	165	(15)
Foreign currency translation adjustment	(2,393)	(987)
Remeasurements of defined benefit plans, net of tax	123	71
Total other comprehensive income	(2,104)	(931)
Comprehensive income	6,365	7,532
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	6,882	7,152
Comprehensive income attributable to non-controlling interests	(517)	380

Three-month period ended September 30, 2016
Consolidated statements of income

Millions of yen, rounded down

	July 1, 2016 to September 30, 2016	July 1, 2015 to September 30, 2015
Net sales	61,897	61,111
Cost of sales	34,429	34,630
Gross profit	27,467	26,480
Selling, general and administrative expenses	20,844	19,770
Operating income	6,623	6,710
Non-operating income		
Interest income	16	37
Dividend income	0	0
Insurance premiums refunded cancellation	—	34
Other	122	80
Total non-operating income	139	153
Non-operating expenses		
Foreign exchange losses	195	192
Interest expenses	6	2
Loss on abandonment of inventories	—	297
Other	122	99
Total non-operating expenses	324	592
Ordinary income	6,438	6,271
Extraordinary income		
Gain on sales of non-current assets	0	5
Gain on sales of golf memberships	—	2
Total extraordinary income	0	8
Extraordinary losses		
Loss on retirement of non-current assets	80	75
Loss on sales of non-current assets	1	2
Other	—	0
Total extraordinary losses	81	78
Income before income taxes and non-controlling interests	6,357	6,201
Income taxes – current	1,894	2,142
Income taxes – deferred	189	(436)
Total income taxes	2,084	1,706
Profit	4,273	4,495
Profit attributable to non-controlling interests	121	323
Profit attributable to owners of parent	4,151	4,171

Consolidated statements of comprehensive income

Millions of yen, rounded down

	July 1, 2016 to September 30, 2016	July 1, 2015 to September 30, 2015
Profit	4,273	4,495
Other comprehensive income		
Valuation difference on available-for-sale securities	87	(28)
Foreign currency translation adjustment	(219)	(1,406)
Remeasurements of defined benefit plans, net of tax	70	36
Total other comprehensive income	(61)	(1,398)
Comprehensive income	4,211	3,097
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	4,168	3,337
Comprehensive income attributable to non-controlling interests	42	(240)

(3) Consolidated statements of cash flows

Millions of yen, rounded down

	April 1, 2016 to September 30, 2016	April 1, 2015 to September 30, 2015
Cash flows from operating activities		
Profit before income taxes	12,580	12,222
Depreciation	3,451	3,463
Amortization of goodwill	319	348
Increase (decrease) in allowance for doubtful accounts	2	(3)
Increase (decrease) in provision for bonuses	(677)	(417)
Increase (decrease) in provision for directors' bonuses	10	(92)
Increase (decrease) in provision for stocks payment	(5)	(4)
Increase (decrease) in net defined benefit liability	125	55
Decrease (increase) in net defined benefit assets	25	(39)
Increase (decrease) in provision for directors' retirement benefits	(33)	(63)
Interest and dividend income	(63)	(117)
Interest expenses	9	5
Foreign exchange losses (gains)	1,379	303
Loss (gain) on sales of non-current assets	(5)	(3)
Loss on retirement of non-current assets	216	89
Decrease (increase) in notes and accounts receivable - trade	(3,769)	142
Decrease (increase) in inventories	(2,233)	(3,092)
Increase (decrease) in notes and accounts payable - trade	1,357	3,132
Decrease (increase) in accounts receivable - other	(29)	(224)
Increase (decrease) in accounts payable - other	823	(470)
Increase (decrease) in accrued consumption taxes	389	(1,852)
Other, net	1,965	1,117
Subtotal	15,836	14,498
Interest and dividend income received	66	115
Interest expenses paid	(1)	(3)
Income taxes paid	(4,691)	(5,240)
Net cash provided by (used in) operating activities	11,210	9,370

Consolidated statements of cash flows, continued

Millions of yen, rounded down

	April 1, 2016 to September 30, 2016	April 1, 2015 to September 30, 2015
Cash flows from investing activities		
Purchase of property, plant and equipment	(6,004)	(11,772)
Proceeds from sales of property, plant and equipment	1	25
Purchase of intangible assets	(220)	(1,365)
Purchase of securities	(5,999)	(1,999)
Proceeds from redemption of securities	4,000	11,000
Purchase of investment securities	(8)	(7)
Payments of loans receivable	—	(150)
Collection of loans receivable	32	195
Payments into time deposits	(394)	(455)
Proceeds from withdrawal of time deposits	524	320
Payments for guarantee deposits	(44)	(111)
Proceeds from collection of guarantee deposits	107	211
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	7	14
Net cash provided by (used in) investing activities	(7,955)	(4,188)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	566	—
Repayments of long-term loans payable	(22)	—
Proceeds from exercise of share options	8	22
Proceeds from share issuance to non-controlling shareholders	—	1,298
Cash dividends paid	(4,676)	(3,737)
Dividends paid to non-controlling interests	(167)	(423)
Repayments of lease obligations	(30)	(3)
Net cash provided by (used in) financing activities	(4,321)	(2,869)
Effect of exchange rate change on cash and cash equivalents	(1,033)	(254)
Net increase (decrease) in cash and cash equivalents	(2,099)	2,057
Cash and cash equivalents at beginning of period	47,323	42,572
Cash and cash equivalents at end of period	45,224	44,629

(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.