Calbee
Harvest the Power of Nature.

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

April 1, 2017 to June 30, 2017

Calbee, Inc.

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

SUMMARY OF FINANCIAL STATEMENTS (consolidated)

First Quarter Results for the Fiscal Year Ending March 31, 2018

Calbee, Inc. **August 3, 2017**

Stock exchange listings: Tokyo 1st section, code number 2229
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Representative: Shuji Ito, President & COO, Representative Director
Scheduled date for submission of the first quarter financial report: August 9, 2017
Scheduled date for distribution of dividends: --
Availability of supplementary explanatory material for the first quarter results: Available
Quarterly results presentation meeting: Yes (for institutional investors and analysts)

1) Consolidated results for the first three months (April 1, 2017 to June 30, 2017) of the fiscal year ending March 31, 2018

(1) Consolidated Operating Results

Millions of yen, rounded down

	Three months ended June 30, 2017		Three months ended June 30, 2016	
		% change		% change
Net sales	56,519	-8.5	61,756	3.2
Operating income	3,413	-52.1	7,130	16.9
Ordinary income	3,501	-44.8	6,339	4.6
Profit attributable to owners of parent	2,287	-40.3	3,832	10.0
Earnings per share (¥)	17.12		28.69	
Earnings per share (diluted) (¥)	17.10		28.65	

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, 2017: ¥2,342 million (8.8%)
Three months ended June 30, 2016: ¥2,153 million (-51.4%)

(2) Consolidated Financial Position

Millions of yen, rounded down

	As of June 30, 2017	As of March 31, 2017
Total assets	171,495	182,011
Net assets	131,762	135,056
Shareholders' equity/total assets (%)	72.9	70.4

Shareholders' equity: As of June 30, 2017: ¥124,934 million
As of June 30, 2016: ¥128,121 million

2) Dividends

Yen

	FY ended March 31, 2017	FY ending March 31, 2018 (forecast)
Interim period per share	0.00	0.00
Year-end dividend per share	42.00	46.00
Annual dividend per share	42.00	46.00

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

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

Millions of yen

	Fiscal year ending March 31, 2018	
		% change
Net sales	260,000	3.0
Operating income	30,000	4.0
Ordinary income	30,000	4.8
Profit attributable to owners of parent	19,000	2.1
Earnings per share (¥)	142.15	

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

(4) Number of outstanding shares (common stock)

	June 30, 2017:	March 31, 2017:
1. Number of outstanding shares (including treasury shares)	133,821,800 shares	133,821,800 shares
2. Number of treasury shares	166,997 shares	166,997 shares
	Three months to June 30, 2017:	Three months to June 30, 2016:
3. Average number of shares during the period	133,654,803 shares	133,582,941 shares

Note: Regarding Calbee stock held in trust as treasury stock within shareholders' equity, the number of treasury shares includes 166,165 of these shares as of June 30, 2017 and 166,165 of these shares as of March 31, 2017, and the average number of shares excludes 166,165 treasury shares in the three months to June 30, 2017, and 192,620 treasury shares in the three months to June 30, 2016.

This Financial Statement is not subject to audit

Appropriate use of financial forecasts and other items

1. Forecasts, etc., recorded in this document include forward-looking statements that are based on management's estimates, assumptions and projections at the time of publication. A number of factors could cause actual results to differ materially from expectations. For details of forecasts please see Page 8, 1. Overview of Operating Results (3) Consolidated forecasts for the fiscal year ending March 31, 2018.
2. The earnings per share forecast for the fiscal year ending March 31, 2018 is calculated using 133,654,803 shares as the expected average number of shares for the period.
3. Calbee, Inc. has scheduled a financial results phone conference for institutional investors and analysts for August 3, 2017. An audio recording of the call will be made available on our Japanese website after the conference.

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1. Operating results

(1) Summary of business performance

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

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

In this environment, Calbee Group (hereafter “Calbee”)' made adjustments to production and sales of its potato-based snacks, primarily *Potato Chips*, due to raw material supply shortages caused by typhoon damage in Hokkaido in summer 2016. As a result, Calbee proactively sold flour-based snacks and corn- and bean-based snacks, but these could not make up the decrease in sales from potato-based snacks. For cereals, changes in the overseas consumption of *Frugra* and the end of cornflakes sales resulted in decreased sales. Overall, overseas business grew on both a yen basis and a local currency basis. Weak sales in key regions including North America and South Korea were offset by strong sales in new markets entered last fiscal year such as Indonesia and Australia.

Consolidated net sales for the three-month period under review decreased 8.5% to ¥56,519 million. Operating income decreased 52.1% to ¥3,413 million due to decreased domestic sales in potato chips and cereals as well as decreased sales in key overseas regions including North America. The operating income ratio was 6.0%, a year on year decrease of 5.5 percentage points. Ordinary income decreased 44.8% to ¥3,501 million, including foreign exchange gains of ¥51 million. Profit attributable to owners of parent decreased 40.3% to ¥2,287 million.

Millions of yen, rounded down

	Q1 FY ending March 31, 2018		Q1 FY ended March 31, 2017		Growth in yen	Growth on local currency basis
	Amount	%	Amount	%		
Domestic sales	48,923	86.6	54,453	88.2	−10.2%	−10.2%
Overseas sales	7,595	13.4	7,303	11.8	+4.0%	+2.0%
Total	56,519	100.0	61,756	100.0	−8.5%	−8.7%

Results by business are as follows.

Millions of yen, rounded down

	Q1 FY ending March 31, 2018		Q1 FY ended March 31, 2017
Sales	Amount	Growth	Amount
1. Production and sale of snack and other foods business	55,586	−8.7%	60,898
Domestic snack foods	37,898	−7.2%	40,817
Domestic cereals	6,400	−26.2%	8,676
Other domestic foods	3,691	−10.0%	4,101
Overseas snack foods	7,595	+4.0%	7,303
2. Other businesses	933	+8.7%	858
Total	56,519	−8.5%	61,756

1) Production and sale of snack and other foods business

Domestic snack foods:

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

Millions of yen, rounded down

Sales		Q1 FY ending March 31, 2018		Q1 FY ended March 31, 2017
		Amount	Growth	Amount
Potato-based snacks		24,095	−18.1%	29,407
	Potato Chips	11,788	−32.6%	17,482
	Jagarico	8,491	−0.9%	8,569
	Jagabee/ Jaga Pokkuru	3,816	+13.7%	3,355
Flour-based snacks		6,102	+9.8%	5,560
	Kappa Ebisen	2,934	+7.5%	2,730
	Sapporo Potato, etc.	3,168	+12.0%	2,829
Corn- and bean-based snacks		5,040	+7.2%	4,703
Other snacks		2,660	+132.1%	1,146
Domestic snack foods total		37,898	−7.2%	40,817

- Sales of potato-based snacks decreased year on year due to the significant impact of the suspension of sales of some products and production adjustments, mainly to *Potato Chips*, due to a shortage of potato supplies. Sales of *Jagarico* were stable as sales of regular items were strong, but sales of some limited-time products decreased. Sales of *Jagabee* were strong due to renewals of regular products and flavour development.
- Sales of flour-based snacks increased year on year as a result of proactive sales of *Kappa Ebisen* and *Sapporo Potato* in place of potato chips, etc.
- Sales of corn- and bean-based snacks increased year on year as a result of proactive sales of corn-based snacks, including *Cheetos* and *Doritos,* in the place of potato chips.
- Sales of other snacks increased year on year due to progress in expanding sales areas of *Potato Chips Crisp*, which began sales in the second quarter of the previous fiscal year.

Domestic cereals:

Sales of domestic cereals decreased year on year. Although local sales of *Frugra* were supported by favorable response to new flavours such as *25% less carbohydrates* and *Chocolate Crunch Banana*, which began in the fourth quarter of the previous fiscal year, variable overseas consumption caused a decrease in sales, and results were also impacted by the end of sales of cornflakes from this fiscal year.

Other domestic foods:

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

Overseas snack foods:

Despite a decline in sales in key regions such as North America and South Korea, overall sales of overseas snack foods increased year on year due to the steady expansion of sales in new markets, such as Indonesia and Australia, entered last fiscal year.

Millions of yen, rounded down

Sales		Q1 FY ending March 31, 2018		Q1 FY ended March 31, 2017
		Amount	Growth	Amount
North America		2,714	−14.2%	3,162
Asia	Greater China*	1,338	−1.2%	1,353
	South Korea	1,256	−13.3%	1,448
	Other Asian regions and Australia**	1,951	+78.6%	1,092
Europe		335	+37.1%	244
Overseas snack foods total		7,595	+4.0%	7,303

*Greater China includes sales from China, Taiwan and Hong Kong.

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

- In North America, sales decreased year on year due to disappointing sales to major customers of bean-based snack *Harvest Snaps*.
- In South Korea, sales decreased year on year despite the continuous introduction of new flavours of potato chips, and the new products were unable to fully compensate for the sales decrease of primary product *Honey Butter Chips*.
- In other Asian regions and Australia, sales increased year on year, reflecting recent expansion into new regions, with production and sales having begun in Indonesia in the second quarter of the previous fiscal year, and sales in Australia beginning in the fourth quarter of the previous fiscal year.

2) Other businesses

Other businesses include logistics and promotional tool sales. Sales of other businesses increased year on year due to increased promotional tool sales.

(2) Analysis of financial position

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

1. Overview of assets, liabilities and net assets

Total assets as of June 30, 2017 were ¥171,495 million, a decrease of ¥10,515 million. The primary factors contributing to this outcome were decreases in notes and accounts receivable-trade and in securities. The decrease in notes and accounts receivable-trade was due to a decline in sales and the decline in securities was due to a decrease in investment funds.

Liabilities decreased ¥7,221 million to ¥39,733 million, primarily due to a decrease in income taxes payable.

Net assets decreased ¥3,294 million to ¥131,762 million due to a decrease in retained earnings through dividend payments.

The shareholders' equity ratio increased 2.5 percentage points from the end of the previous fiscal year to 72.9%.

2. Overview of cash flows

Cash and cash equivalents as of June 30, 2017 were ¥39,427 million, ¥5,200 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 ¥281 million, a decrease of ¥6,558 million compared to the first three months of the previous fiscal year, primarily due to a decrease in profit before income taxes and accounts payable - other.

Cash flows from investing activities

Investing activities during the period under review resulted in a net cash outflow of ¥108 million, a decrease of ¥2,028 million, primarily due to a decrease in 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 ¥5,424 million, an increase of ¥977 million, primarily due to an increase in cash dividends paid.

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

There are no changes to the consolidated full-year forecasts issued on May 12, 2017.

2. Consolidated financial statements and key notes

(1) Consolidated balance sheets

Millions of yen, rounded down

	As of June 30, 2017	As of March 31, 2017
Assets		
Current assets		
Cash and deposits	21,765	23,961
Notes and accounts receivable - trade	24,862	28,600
Securities	23,999	28,999
Inventories	11,099	9,895
Other	5,403	6,462
Allowance for doubtful accounts	(5)	(33)
Total current assets	87,124	97,884
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	27,360	27,734
Machinery, equipment and vehicles, net	27,760	28,114
Land	11,622	11,626
Construction in progress	3,353	1,840
Other, net	1,500	1,489
Total property, plant and equipment	71,598	70,835
Intangible assets		
Goodwill	1,469	1,618
Other	2,715	2,864
Total intangible assets	4,185	4,483
Investments and other assets		
Investments and other assets, gross	8,656	8,878
Allowance for doubtful accounts	(69)	(70)
Total investments and other assets	8,587	8,808
Total non-current assets	84,371	84,126
Total assets	171,495	182,011

Millions of yen, rounded down

	As of June 30, 2017	As of March 31, 2017
Liabilities		
Current liabilities		
Notes and accounts payable - trade	9,426	9,668
Short-term loans payable	1,208	1,107
Income taxes payable	845	5,577
Provision for bonuses	1,807	4,247
Provision for directors' bonuses	77	139
Provision for stocks payment	50	50
Other	16,707	16,288
Total current liabilities	30,124	37,079
Non-current liabilities		
Provisions for directors' retirement benefits	456	507
Provision for management board incentive plan trust	111	111
Net defined benefit liability	7,464	7,669
Asset retirement obligations	655	654
Other	920	933
Total non-current liabilities	9,608	9,875
Total liabilities	39,733	46,954
Net assets		
Shareholders' equity		
Capital stock	12,020	12,020
Capital surplus	4,781	4,781
Retained earnings	108,603	111,936
Treasury shares	(539)	(539)
Total shareholders' equity	124,866	128,198
Accumulated other comprehensive income		
Valuation difference on available-for-sales securities	709	604
Foreign currency translation adjustment	460	492
Remeasurements of defined benefit plans	(1,100)	(1,173)
Total accumulated other comprehensive income	68	(77)
Subscription rights to shares	11	11
Non-controlling interests	6,816	6,924
Total net assets	131,762	135,056
Total liabilities and net assets	171,495	182,011

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

Millions of yen, rounded down

	April 1, 2017 to June 30, 2017	April 1, 2016 to Jun 30, 2016
Net sales	56,519	61,756
Cost of sales	33,390	34,646
Gross profit	23,129	27,109
Selling, general and administrative expenses	19,715	19,979
Operating income	3,413	7,130
Non-operating income		
Interest income	18	28
Dividend income	17	18
Foreign exchange gains	51	—
Other	78	88
Total non-operating income	167	134
Non-operating expenses		
Interest expenses	17	3
Foreign exchange losses	—	800
Other	61	122
Total non-operating expenses	78	926
Ordinary income	3,501	6,339
Extraordinary income		
Gain on sales of non-current assets	3	7
Gain on step acquisition	—	13
Total extraordinary income	3	21
Extraordinary losses		
Loss on sales of non-current assets	0	1
Loss on retirement of non-current assets	41	135
Total extraordinary losses	41	137
Profit before income taxes	3,463	6,223
Income taxes - current	656	1,530
Income taxes - deferred	560	495
Total income taxes	1,216	2,026
Profit	2,247	4,196
Profit (loss) attributable to non-controlling interests	(40)	363
Profit attributable to owners of parent	2,287	3,832

Consolidated statements of comprehensive income

Millions of yen, rounded down

	April 1, 2017 to June 30, 2017	April 1, 2016 to June 30, 2016
Profit	2,247	4,196
Other comprehensive income		
Valuation difference on available-for-sale securities	105	77
Foreign currency translation adjustment	(82)	(2,173)
Remeasurements of defined benefit plans, net of tax	72	53
Total other comprehensive income	95	(2,042)
Comprehensive income	2,342	2,153
Comprehensive income attributable to:		
Owners of parent	2,433	2,713
Non-controlling interests	(91)	(560)

(3) Consolidated statements of cash flows

Millions of yen, rounded down

	April 1, 2017 to June 30, 2017	April 1, 2016 to June 30, 2016
Cash flows from operating activities		
Profit before income taxes	3,463	6,223
Depreciation	1,929	1,666
Amortization of goodwill	149	170
Increase (decrease) in allowance for doubtful accounts	(29)	0
Increase (decrease) in provision for bonuses	(2,440)	(2,460)
Increase (decrease) in provision for directors' bonuses	(62)	(70)
Increase (decrease) in provision for stocks payment	—	(5)
Increase (decrease) in net defined benefit liability	(118)	(21)
Decrease (increase) in net defined benefit asset	9	13
Increase (decrease) in provision for directors' retirement benefits	(50)	(40)
Interest and dividend income	(36)	(46)
Interest expenses	17	3
Foreign exchange losses (gains)	(82)	1,290
Loss (gain) on sales of non-current assets	(3)	(6)
Loss on retirement of non-current assets	41	135
Decrease (increase) in notes and accounts receivable - trade	3,721	614
Decrease (increase) in inventories	(1,206)	(383)
Increase (decrease) in notes and accounts payable - trade	(234)	(1,065)
Increase (decrease) in accounts payable - other	(1,319)	1,116
Other, net	1,622	4,278
Subtotal	5,372	11,411
Interest and dividend income received	36	54
Interest expenses paid	(17)	(0)
Income taxes paid	(5,109)	(4,625)
Net cash provided by (used in) operating activities	281	6,840

Millions of yen, rounded down

	April 1, 2017 to June 30, 2017	April 1, 2016 to June 30, 2016
Cash flows from investing activities		
Purchase of property, plant and equipment	(2,112)	(4,165)
Proceeds from sales of property, plant and equipment	3	1
Purchase of intangible assets	(115)	(113)
Purchase of securities	(2,000)	—
Proceeds from redemption of securities	4,000	2,000
Purchase of investment securities	(4)	(4)
Payments of loans receivable	(0)	—
Collection of loans receivable	60	0
Payment into time deposits	(333)	(407)
Proceeds from withdrawal of time deposits	333	441
Payments for guarantee deposits	(9)	(13)
Proceeds from collection of guarantee deposits	64	72
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	—	42
Other, net	6	9
Net cash provided by (used in) investing activities	(108)	(2,137)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	108	330
Repayments of long-term loans payable	—	(22)
Proceeds from exercise of share options	—	8
Cash dividends paid	(5,483)	(4,579)
Dividends paid to non-controlling interests	(16)	(167)
Repayments of lease obligations	(32)	(14)
Net cash provided by (used in) financing activities	(5,424)	(4,446)
Effect of exchange rate change on cash and cash equivalents	50	(906)
Net increase (decrease) in cash and cash equivalents	(5,200)	(650)
Cash and cash equivalents at beginning of period	44,627	47,323
Cash and cash equivalents at end of period	39,427	46,673

(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.