Calbee
Harvest the Power of Nature.

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

April 1, 2017 to September 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 Half Results for the Fiscal Year Ending March 31, 2018

**Calbee, Inc.** **October 30, 2017**

URL: https://www.calbee.com
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: November 9, 2017
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, 2017 to September 30, 2017) of the fiscal year ending March 31, 2018**

(1) Consolidated Operating Results

*Millions of yen, rounded down*

| | Six months ended September 30, 2017 | | Six months ended September 30, 2016 | |
|---|---|---|---|---|
| | | % change | | % change |
| Net sales | 118,822 | -3.9 | 123,654 | 2.2 |
| Operating income | 10,338 | -24.8 | 13,753 | 7.4 |
| Ordinary income | 10,557 | -17.4 | 12,777 | 3.6 |
| Profit attributable to owners of parent | 7,045 | -11.8 | 7,984 | 4.3 |
| Earnings per share (¥) | 52.72 | | 59.76 | |
| Earnings per share (diluted) (¥) | 52.66 | | 59.69 | |

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, 2017: ¥7,282 million (14.4%)
Six months ended September 30, 2016: ¥6,365 million (-15.5%)

(2) Consolidated Financial Position

*Millions of yen, rounded down*

| | As of September 30, 2017 | As of March 31, 2017 |
|---|---|---|
| Total assets | 185,424 | 182,011 |
| Net assets | 136,688 | 135,056 |
| Shareholders' equity/total assets (%) | 69.7 | 70.4 |

Shareholders' equity: As of September 30, 2017: ¥129,262 million
As of March 30, 2017: ¥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 | 42.00 |
| Annual dividend per share | 42.00 | 42.00 |

Note: Changes from the most recently announced dividend forecast: Yes

**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 | 256,000 | 1.4 |
| Operating income | 27,500 | -4.7 |
| Ordinary income | 27,500 | -3.9 |
| Profit attributable to owners of parent | 17,500 | -5.9 |
| Earnings per share (¥) | 131.02 | |

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: Yes

## 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)

| | September 30, 2017: | March 31, 2017: |
|---|---|---|
| 1. Number of outstanding shares (including treasury shares) | 133,863,800 shares | 133,821,800 shares |
| 2. Number of treasury shares | 292,997 shares | 166,997 shares |
| | Six months to September 30, 2017: | Six months to September 30, 2016: |
| 3. Average number of shares during the period | 133,630,816 shares | 133,598,760 shares |

Note: Regarding Calbee stock held in trust as treasury stock within shareholders' equity, the number of treasury shares includes 292,165 of these shares as of September 30, 2017 and 166,165 of these shares as of March 31, 2017, and the average number of shares excludes 196,338 treasury shares in the six months to September 30, 2017, and 183,482 treasury shares in the six months to September 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 9, 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 133,570,803 shares as the expected average number of shares for the period.
3. Calbee, Inc. has scheduled a financial results briefing for institutional investors and analysts for October 30, 2017. A video of the 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 same period of the previous fiscal year, unless stated otherwise.)

During the six-month period under review, Japanese business activity showed improvement with a recovery in exports and increased 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's (hereafter "Calbee") domestic sales were significantly impacted by adjustments made in the first quarter to products such as *Potato Chips* due to potato shortages caused by last summer's typhoon damage, despite a recovery in sales of *Potato Chips* due to potato harvests having gotten underway in the second quarter. For domestic 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 factors including the launch of *Frugra* sales in China, and strong sales in new markets entered last fiscal year.

Consolidated net sales for the six-month period under review decreased 3.9% to ¥118,822 million. Operating income decreased 24.8% to ¥10,338 million due to the effects of decreased domestic sales of potato-based snacks and cereals and decreased sales in North America, as well as higher costs due to decreased productivity stemming from lower domestic and overseas utilization. The operating income ratio was 8.7%, a year on year decrease of 2.4 percentage points. Ordinary income decreased 17.4% to ¥10,557 million, including foreign exchange gains of ¥193 million. Profit attributable to owners of parent decreased 11.8% to ¥7,045 million.

*Millions of yen, rounded down*

| | H1 FY ending March 31, 2018 | | H1 FY ended March 31, 2017 | | Growth in yen | Growth on local currency basis |
|---|---|---|---|---|---|---|
| | Amount | % | Amount | % | | |
| Domestic sales | 102,742 | 86.5 | 109,804 | 88.8 | −6.4% | −6.4% |
| Overseas sales | 16,080 | 13.5 | 13,850 | 11.2 | +16.1% | +11.2% |
| Total | 118,822 | 100.0 | 123,654 | 100.0 | −3.9% | −4.5% |

Results by business are as follows.

*Millions of yen, rounded down*

| Sales | H1 FY ending March 31, 2018 | | H1 FY ended March 31, 2017 |
|---|---|---|---|
| | Amount | Growth | Amount |
| 1) Production and sale of snack and other foods business | 117,045 | -4.1 | 122,096 |
| Domestic production and sale of snack and other foods business | 100,965 | -6.7 | 108,246 |
| Domestic snack foods | 81,042 | -2.5 | 83,137 |
| Domestic cereals | 12,816 | -25.9 | 17,299 |
| Other domestic foods | 7,106 | -9.0 | 7,809 |
| Overseas production and sale of snack and other foods business | 16,080 | +16.1 | 13,850 |
| Overseas snack foods | 15,555 | +12.3 | 13,850 |
| Overseas cereals | 524 | − | - |
| 2) Other businesses | 1,776 | +14.0 | 1,557 |
| Total | 118,822 | −3.9 | 123,654 |

1) Production and sale of snack and other foods business

Domestic production and sale of snack and other foods business

・Domestic snack foods:

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

Sales of domestic snack foods by product are as follows.

*Millions of yen, rounded down*

| Sales | | H1 FY ending March 31, 2018 | | H1 FY ended March 31, 2017 |
|---|---|---|---|---|
| | | Amount | Growth | Amount |
| Potato-based snacks | | 56,034 | －6.8% | 60,143 |
| | *Potato Chips* | 31,445 | －11.9% | 35,682 |
| | *Jagarico* | 17,220 | －3.4% | 17,823 |
| | *Jagabee/ Jaga Pokkuru* | 7,367 | ＋11.0% | 6,637 |
| Flour-based snacks | | 11,295 | ＋3.3% | 10,932 |
| | *Kappa Ebisen* | 5,267 | －0.5% | 5,294 |
| | *Sapporo Potato, etc.* | 6,028 | ＋6.9% | 5,637 |
| Corn- and bean-based snacks | | 8,751 | －1.5% | 8,887 |
| Other snacks | | 4,960 | ＋56.3% | 3,174 |
| Domestic snack foods total | | 81,042 | －2.5% | 83,137 |

- Sales of potato-based snacks decreased year on year due to the significant impact of product adjustments in the first quarter from last year's shortage of potato supplies, despite sales for the second quarter having increased year on year due to potato harvests getting underway.
- Sales of flour-based snacks increased year on year as a result of proactive sales of *Sapporo Potato* in place of potato chips, etc.
- Sales of corn- and bean-based snacks decreased year on year as a result of weak sales of corn-based snacks, including popcorn.
- 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. Despite the expansion of new flavours such as *25% less carbohydrates* and *Chocolate Crunch Banana*, variable overseas consumption caused a significant decrease in sales, and results were also impacted by the end of sales of cornflakes from this fiscal year.

・Other domestic foods:

Other domestic foods includes the bakery business and sales of potatoes as groceries.

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

Overseas production and sale of snack and other foods business

・Overseas snack foods:

Sales of overseas snack foods increased year on year. There was strong sales growth in new markets entered last year such as Indonesia. Meanwhile, in the key region of North America bean-based snack *Harvest Snaps* to major customers were weak, and in South Korea continuous investment in new *Potato Chips* flavors did not cover decreased sales of core products. Sales decreased year on year in both regions.

・Overseas cereals:

With the launch of *Frugra* sales in China in the second quarter, sales of overseas cereals are being recorded from this quarter.

Sales of overseas production and sale of snack and other foods business by region are as follows.

*Millions of yen, rounded down*

| Sales | | H1 FY ending March 31, 2018 | | H1 FY ended March 31, 2017 |
|---|---|---|---|---|
| | | Amount | Growth | Amount |
| North America | | 5,002 | －10.2% | 5,568 |
| Asia | Greater China* | 3,451 | ＋32.2% | 2,610 |
| | South Korea | 2,708 | －5.9% | 2,876 |
| | Other Asian regions and Australia** | 4,215 | ＋80.7% | 2,332 |
| Europe | | 702 | ＋52.3% | 461 |
| Overseas production and sale of snack and other foods business total | | 16,080 | ＋16.1% | 13,850 |

*Greater China includes sales of overseas snack foods and overseas cereals from China, Taiwan and Hong Kong.

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

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 September 30, 2017 were ¥185,424 million, an increase of ¥3,413 million. The primary factors contributing to this outcome were increases in notes and accounts receivable-trade and the last day of the period having been a bank holiday, causing payment to occur in the following month.

   Liabilities increased ¥1,781 million to ¥48,736 million, primarily due to an increase in short-term loans payable.

   Net assets increased ¥1,632 million to ¥136,688 million due to an increase in retained earnings through dividend payments.

   The shareholders' equity ratio decreased 0.7 percentage points from the end of the previous fiscal year to 69.7%.

2. Overview of cash flows

   Cash and cash equivalents as of September 30, 2017 were ¥24,075 million, ¥20,551 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 outflow of ¥4,996 million, a decrease in cash inflow of ¥16,207 million compared to the first six months of the previous fiscal year, due to factors including an increase in notes and accounts payable - trade and 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 ¥16,073 million, an increases in cash outflow of ¥8,118 million, primarily due to an increase in outflow from the acquisition of securities.

   Cash flows from financing activities

   Financing activities during the period under review resulted in a net cash inflow of ¥371 million, an increase in cash inflow of ¥4,692 million, primarily due to an increase in short-term loans payable.

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

Taking into account our business performance during the six months under review and latest performance, the consolidated forecasts for the fiscal year ending March 31, 2018 have been revised as follows.

The full year forecasts for net sales are expected to underperform the previously announced forecast. This is due to delays to earnings recovery of the North American business, a key overseas region. Operating income, ordinary income and profit attributable to owners of parent company are expected to be underperform the previous forecast, mainly due to decreased profit caused by decreased sales and lower productivity in the North American business. . The exchange rate used as a basis for this announcement is US$1 = ¥112.73.

Due to this revision, the forecast for the year-end dividend per share has been revised from ¥46 to ¥42. The consolidated payout ratio remains unchanged from the previous forecast at 32%. For further details on the dividend forecast revision, please refer to the “Announcement concerning revision of dividend forecast”.

*Millions of yen, rounded down*

| | Net sales | Operating income | Ordinary income | Profit attributable to owners of parent |
|---|---|---|---|---|
| Revised forecast (A) | 256,000 | 27,500 | 27,500 | 17,500 |
| Previous forecast (B) | 260,000 | 30,000 | 30,000 | 19,000 |
| Change (A - B) | -4,000 | -2,500 | -2,500 | -1,500 |
| Change (%) | -1.5 | -8.3 | -8.3 | -7.9 |

## 4. Consolidated financial statements and key notes

### (1) Consolidated balance sheets

*Millions of yen, rounded down*

| | As of September 30, 2017 | As of March 31, 2017 |
|---|---|---|
| Assets | | |
| Current assets | | |
| Cash and deposits | 18,880 | 23,961 |
| Notes and accounts receivable - trade | 39,714 | 28,600 |
| Securities | 22,998 | 28,999 |
| Inventories | 12,257 | 9,895 |
| Other | 5,483 | 6,462 |
| Allowance for doubtful accounts | (7) | (33) |
| Total current assets | 99,327 | 97,884 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures, net | 28,263 | 27,734 |
| Machinery, equipment and vehicles, net | 28,532 | 28,114 |
| Land | 11,628 | 11,626 |
| Construction in progress | 3,759 | 1,840 |
| Other, net | 1,499 | 1,489 |
| Total property, plant and equipment | 73,684 | 70,835 |
| Intangible assets | | |
| Goodwill | 1,322 | 1,618 |
| Other | 2,637 | 2,864 |
| Total intangible assets | 3,959 | 4,483 |
| Investments and other assets | | |
| Investments and other assets, gross | 8,522 | 8,878 |
| Allowance for doubtful accounts | (69) | (70) |
| Total investments and other assets | 8,453 | 8,808 |
| Total non-current assets | 86,097 | 84,126 |
| Total assets | 185,424 | 182,011 |

*Millions of yen, rounded down*

| | As of September 30, 2017 | As of March 31, 2017 |
|---|---|---|
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable - trade | 11,427 | 9,668 |
| Short-term loans payable | 7,186 | 1,107 |
| Income taxes payable | 3,316 | 5,577 |
| Provision for bonuses | 3,504 | 4,247 |
| Provision for directors' bonuses | 86 | 139 |
| Provision for stocks payment | - | 50 |
| Other | 13,561 | 16,288 |
| Total current liabilities | 39,082 | 37,079 |
| Non-current liabilities | | |
| Provisions for directors' retirement benefits | 452 | 507 |
| Provision for management board incentive plan trust | 90 | 111 |
| Net defined benefit liability | 7,542 | 7,669 |
| Asset retirement obligations | 657 | 654 |
| Other | 910 | 933 |
| Total non-current liabilities | 9,653 | 9,875 |
| Total liabilities | 48,736 | 46,954 |
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 12,030 | 12,020 |
| Capital surplus | 4,780 | 4,781 |
| Retained earnings | 113,361 | 111,936 |
| Treasury shares | (1,073) | (539) |
| Total shareholders' equity | 129,100 | 128,198 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sales securities | 663 | 604 |
| Foreign currency translation adjustment | 527 | 492 |
| Remeasurements of defined benefit plans | (1,027) | (1,173) |
| Total accumulated other comprehensive income | 162 | (77) |
| Subscription rights to shares | 7 | 11 |
| Non-controlling interests | 7,418 | 6,924 |
| Total net assets | 136,688 | 135,056 |
| Total liabilities and net assets | 185,424 | 182,011 |

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

*Millions of yen, rounded down*

| | April 1, 2017 to September 30, 2017 | April 1, 2016 to September 30, 2016 |
|---|---|---|
| Net sales | 118,822 | 123,654 |
| Cost of sales | 69,298 | 69,076 |
| Gross profit | 49,523 | 54,577 |
| Selling, general and administrative expenses | 39,185 | 40,824 |
| Operating income | 10,338 | 13,753 |
| Non-operating income | | |
| Interest income | 40 | 44 |
| Dividend income | 23 | 19 |
| Foreign exchange gains | 193 | — |
| Other | 150 | 210 |
| Total non-operating income | 407 | 274 |
| Non-operating expenses | | |
| Interest expenses | 36 | 9 |
| Foreign exchange losses | — | 995 |
| Other | 152 | 245 |
| Total non-operating expenses | 188 | 1,250 |
| Ordinary income | 10,557 | 12,777 |
| Extraordinary income | | |
| Gain on sales of non-current assets | 4 | 8 |
| Gain on step acquisition | — | 13 |
| Total extraordinary income | 4 | 21 |
| Extraordinary losses | | |
| Loss on sales of non-current assets | 0 | 3 |
| Loss on retirement of non-current assets | 80 | 216 |
| Total extraordinary losses | 80 | 219 |
| Profit before income taxes | 10,481 | 12,580 |
| Income taxes - current | 2,898 | 3,425 |
| Income taxes - deferred | 548 | 685 |
| Total income taxes | 3,447 | 4,110 |
| Profit | 7,033 | 8,469 |
| Profit (loss) attributable to non-controlling interests | (11) | 485 |
| Profit attributable to owners of parent | 7,045 | 7,984 |

**Consolidated statements of comprehensive income**

*Millions of yen, rounded down*

| | April 1, 2017 to September 30, 2017 | April 1, 2016 to September 30, 2016 |
|---|---|---|
| Profit | 7,033 | 8,469 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 58 | 165 |
| Foreign currency translation adjustment | 43 | (2,393) |
| Remeasurements of defined benefit plans, net of tax | 146 | 123 |
| Total other comprehensive income | 248 | (2,104) |
| Comprehensive income | 7,282 | 6,365 |
| Comprehensive income attributable to: | | |
| Owners of parent | 7,285 | 6,882 |
| Non-controlling interests | (3) | (517) |

### (3) Consolidated statements of cash flows

*Millions of yen, rounded down*

| | April 1, 2017 to September 30, 2017 | April 1, 2016 to September 30, 2016 |
|---|---|---|
| Cash flows from operating activities | | |
| Profit before income taxes | 10,481 | 12,580 |
| Depreciation | 3,939 | 3,451 |
| Amortization of goodwill | 299 | 319 |
| Increase (decrease) in allowance for doubtful accounts | (27) | 2 |
| Increase (decrease) in provision for bonuses | (747) | (677) |
| Increase (decrease) in provision for directors' bonuses | (54) | 10 |
| Increase (decrease) in provision for stocks payment | (50) | (5) |
| Increase (decrease) in provision for directors' stocks payment | (20) | - |
| Increase (decrease) in net defined benefit liability | 40 | 125 |
| Decrease (increase) in net defined benefit asset | 19 | 25 |
| Increase (decrease) in provision for directors' retirement benefits | (54) | (33) |
| Interest and dividend income | (63) | (63) |
| Interest expenses | 36 | 9 |
| Foreign exchange losses (gains) | (239) | 1,379 |
| Loss (gain) on sales of non-current assets | (4) | (5) |
| Loss on retirement of non-current assets | 80 | 216 |
| Decrease (increase) in notes and accounts receivable - trade | (11,063) | (3,769) |
| Decrease (increase) in inventories | (2,339) | (2,233) |
| Increase (decrease) in notes and accounts payable - trade | 1,743 | 1,357 |
| Increase (decrease) in accounts payable - other | (1,117) | 823 |
| Other, net | (684) | 2,325 |
| Subtotal | 175 | 15,836 |
| Interest and dividend income received | 63 | 66 |
| Interest expenses paid | (37) | (1) |
| Income taxes paid | (5,197) | (4,691) |
| Net cash provided by (used in) operating activities | (4,996) | 11,210 |

*Millions of yen, rounded down*

| | April 1, 2017 to September 30, 2017 | April 1, 2016 to September 30, 2016 |
|---|---|---|
| Cash flows from investing activities | | |
| Purchase of property, plant and equipment | (6,543) | (6,004) |
| Proceeds from sales of property, plant and equipment | 12 | 1 |
| Purchase of intangible assets | (196) | (220) |
| Purchase of securities | (16,998) | (5,999) |
| Proceeds from redemption of securities | 8,000 | 4,000 |
| Purchase of investment securities | (8) | (8) |
| Payments of loans receivable | (60) | — |
| Collection of loans receivable | 120 | 32 |
| Payment into time deposits | (794) | (394) |
| Proceeds from withdrawal of time deposits | 337 | 524 |
| Payments for guarantee deposits | (15) | (44) |
| Proceeds from collection of guarantee deposits | 73 | 107 |
| Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation | — | 42 |
| Other, net | 0 | 7 |
| Net cash provided by (used in) investing activities | (16,073) | (7,955) |
| Cash flows from financing activities | | |
| Net increase (decrease) in short-term loans payable | 6,083 | 566 |
| Repayments of long-term loans payable | — | (22) |
| Purchase of treasury shares | (533) | — |
| Proceeds from exercise of share options | 16 | 8 |
| Proceeds from share issuance to non-controlling shareholders | 502 | — |
| Cash dividends paid | (5,616) | (4,676) |
| Dividends paid to non-controlling interests | (16) | (167) |
| Repayments of lease obligations | (65) | (30) |
| Net cash provided by (used in) financing activities | 371 | (4,321) |
| Effect of exchange rate change on cash and cash equivalents | 147 | (1,033) |
| Net increase (decrease) in cash and cash equivalents | (20,551) | (2,099) |
| Cash and cash equivalents at beginning of period | 44,627 | 47,323 |
| Cash and cash equivalents at end of period | 24,075 | 45,224 |

## (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.