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

April 1, 2017 to December 31, 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)

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

Calbee, Inc. **February 1, 2018**

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 third quarter financial report: February 9, 2018
Scheduled date for distribution of dividends: --
Availability of supplementary explanatory material for the third quarter results: Available
Quarterly results presentation meeting: Yes (for institutional investors and analysts)

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

(1) Consolidated Operating Results

Millions of yen, rounded down

	Nine months ended December 31, 2017		Nine months ended December 31, 2016	
		% change		% change
Net sales	186,691	-1.2	188,944	2.0
Operating income	19,190	-13.7	22,244	1.5
Ordinary income	19,426	-13.0	22,328	5.2
Profit attributable to owners of parent	13,067	-9.3	14,407	7.6
Earnings per share (¥)	97.80		107.83	
Earnings per share (diluted) (¥)	97.68		107.70	

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, 2017: ¥13,893 million (-8.9%)
Nine months ended December 31, 2016: ¥15,252 million (10.4%)

(2) Consolidated Financial Position

Millions of yen, rounded down

	As of September 30, 2017	As of March 31, 2017
Total assets	187,584	182,011
Net assets	143,300	135,056
Shareholders' equity/total assets (%)	72.4	70.4

Shareholders' equity: As of December 31, 2017: ¥135,744 million
As of March 31, 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: No

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: No

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)

	December 31, 2017:	March 31, 2017:
1. Number of outstanding shares (including treasury shares)	133,865,800 shares	133,821,800 shares
2. Number of treasury shares	292,997 shares	166,997 shares
	Nine months to December 31, 2017:	Nine months to December 31, 2016:
3. Average number of shares during the period	133,611,015 shares	133,610,509 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 December 31, 2017 and 166,165 of these shares as of March 31, 2017, and the average number of shares excludes 228,396 treasury shares in the nine months to December 31, 2017, and 148,803 treasury shares in the nine months to December 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 133,572,803 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 February 1, 2018. An audio recording 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 nine-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 also a mild improvement in domestic consumer sentiment coupled with a mild recovery in the employment environment and a rise in the stock market.

In this environment, Calbee Group's (hereafter "Calbee") domestic sales decreased, influenced by factors such as a large change in overseas consumption of *Frugra,* and product adjustments made in the first quarter due to potato shortages caused by last summer's typhoon damage, partially offset by a recovery in sales of *Potato Chips* together with potato harvests having gotten underway in the second quarter. In overseas business, sales grew on both a yen basis and a local currency basis as continued weak sales in key region North America was offset by factors from the second quarter, including the launch of *Frugra* sales in China and sales growth in new markets such as Indonesia that were entered last fiscal year.

Consolidated net sales for the nine-month period under review decreased 1.2% to ¥186,691 million. Operating income decreased 13.7% to ¥19,190 million due to the effects of decreased sales of cereals and potato-based snacks and in our North American business, as well as a higher manufacturing cost ratio stemming from lower utilization at domestic and overseas factories. The operating income ratio was 10.3%, a year on year decrease of 1.5 percentage points. Ordinary income decreased 13.0% to ¥19,426 million, including foreign exchange gains of ¥183 million. Profit attributable to owners of parent decreased 9.3% to ¥13,067 million.

Millions of yen, rounded down

	Q3 FY ending March 31, 2018		Q3 FY ended March 31, 2017		Growth in yen	Growth on local currency basis
	Amount	%	Amount	%		
Domestic sales	161,492	86.5	168,045	88.9	−3.9%	−3.9%
Overseas sales	25,198	13.5	20,899	11.1	+20.6%	+15.8%
Total	186,691	100.0	188,944	100.0	−1.2%	−1.7%

Results by business are as follows.

Millions of yen, rounded down

Sales	Q3 FY ending March 31, 2018		Q3 FY ended March 31, 2017
	Amount	Growth	Amount
1) Production and sale of snack and other foods business	183,709	−1.4	186,280
Domestic production and sale of snack and other foods business	158,510	−4.2	165,380
Domestic snack foods	129,374	−0.4	129,870
Domestic cereals	18,409	−23.0	23,922
Other domestic foods	10,726	−7.4	11,586
Overseas production and sale of snack and other foods business	25,198	+20.6	20,899
Overseas snack foods	23,541	+12.6	20,899
Overseas cereals	1,656	−	−
2) Other businesses	2,982	+11.9	2,664
Total	186,691	−1.2	188,944

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 were almost flat year on year, due to the large impact of decreased sales in the first quarter, although sales of potato-based snacks are recovering well and transitioning towards growth and new snacks including *Potato Chips Crisp* are contributing to sales growth in other snacks.

Sales of domestic snack foods by product are as follows.

Millions of yen, rounded down

Sales		Q3 FY ending March 31, 2018		Q3 FY ended March 31, 2017
		Amount	Growth	Amount
Potato-based snacks		91,914	−2.9%	94,620
	Potato Chips	54,880	−4.1%	57,207
	Jagarico	26,536	−3.0%	27,355
	Jagabee/ Jaga Pokkuru	10,498	+4.4%	10,057
Flour-based snacks		17,052	+2.1%	16,694
	Kappa Ebisen	8,060	−0.2%	8,077
	Sapporo Potato, etc.	8,991	+4.3%	8,617
Corn- and bean-based snacks		12,954	−1.4%	13,142
Other snacks		7,452	+37.7%	5,412
Domestic snack foods total		129,374	−0.4%	129,870

- 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. In potato chips, sales have been strong since the second quarter on factors including the resumption of sales of *Pizza Potato Chips* and other products with the Hokkaido potato harvest, and the launch of local specialty flavor *Potato Chips* of Japan's 47 prefectures.
- Sales of flour-based snacks increased year on year due to strong demand backgrounded by suspensions of sales of potato chips, etc. in the first quarter.
- 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 and flavor development 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 enhancement of the *Frugra* product lineup, 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 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 such as Indonesia entered last year. Meanwhile, sales decreased in the key region of North America due to weak sales of bean-based snack *Harvest Snaps* to major customers.

・Overseas cereals:

Sales of overseas cereals were being recorded from the second quarter with the launch of *Frugra* sales in China via cross-border e-commerce, and promotions for the Chinese singles' day ("double eleven") were a major contributor to sales in the third quarter.

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

Millions of yen, rounded down

Sales		Q3 FY ending March 31, 2018		Q3 FY ended March 31, 2017
		Amount	Growth	Amount
North America		7,239	－10.9%	8,125
Asia	Greater China*	6,313	＋57.6%	4,006
	South Korea	4,089	＋0.8%	4,058
	Other Asian regions and Australia**	6,501	＋60.9%	4,040
Europe		1,054	＋57.5%	669
Overseas production and sale of snack and other foods business total		25,198	＋20.6%	20,899

*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 primarily 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 December 31, 2017 were ¥187,584 million, an increase of ¥5,573 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 decreased ¥2,670 million to ¥44,284 million, primarily due to a decrease in income taxes payable.

   Net assets increased ¥8,243 million to ¥143,300 million due to an increase in retained earnings through dividend payments.

   The shareholders' equity ratio increased 2.0 percentage points from the end of the previous fiscal year to 72.4%.

2. Overview of cash flows

   Cash and cash equivalents as of December 31, 2017 were ¥25,900 million, ¥18,726 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 ¥6,766 million, a decrease in cash inflow of ¥6,926 million compared to the first nine 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 ¥10,505 million, a decrease in cash outflow of ¥1,486 million, primarily due to an increase in inflow from proceeds from redemption of securities.

   Cash flows from financing activities

   Financing activities during the period under review resulted in a net cash outflow of ¥1,726 million, a decrease in cash inflow of ¥2,282 million, primarily due to a decrease in short-term loans payable.

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

There are no changes to the consolidated full-year forecasts issued on October 30, 2017.

4. Consolidated financial statements and key notes

(1) Consolidated balance sheets

Millions of yen, rounded down

	As of December 31, 2017	As of March 31, 2017
Assets		
Current assets		
Cash and deposits	12,255	23,961
Notes and accounts receivable - trade	44,033	28,600
Securities	22,999	28,999
Inventories	12,512	9,895
Other	8,802	6,462
Allowance for doubtful accounts	(8)	(33)
Total current assets	100,594	97,884
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	28,093	27,734
Machinery, equipment and vehicles, net	29,094	28,144
Land	11,643	11,626
Construction in progress	4,305	1,840
Other, net	1,469	1,489
Total property, plant and equipment	74,606	70,835
Intangible assets		
Goodwill	1,173	1,618
Other	2,536	2,864
Total intangible assets	3,710	4,483
Investments and other assets		
Investments and other assets, gross	8,742	8,878
Allowance for doubtful accounts	(69)	(70)
Total investments and other assets	8,673	8,808
Total non-current assets	86,990	84,126
Total assets	187,584	182,011

Millions of yen, rounded down

	As of December 31, 2017	As of March 31, 2017
Liabilities		
Current liabilities		
Notes and accounts payable - trade	9,950	9,668
Short-term loans payable	5,211	1,107
Income taxes payable	1,934	5,577
Provision for bonuses	3,241	4,247
Provision for directors' bonuses	93	139
Provision for stocks payment	-	50
Other	14,049	16,288
Total current liabilities	34,480	37,079
Non-current liabilities		
Provisions for directors' retirement benefits	465	507
Provision for management board incentive plan trust	90	111
Net defined benefit liability	7,704	7,669
Asset retirement obligations	658	654
Other	883	933
Total non-current liabilities	9,803	9,875
Total liabilities	44,284	46,954
Net assets		
Shareholders' equity		
Capital stock	12,031	12,020
Capital surplus	4,781	4,781
Retained earnings	119,383	111,936
Treasury shares	(1,073)	(539)
Total shareholders' equity	135,122	128,198
Accumulated other comprehensive income		
Valuation difference on available-for-sales securities	755	604
Foreign currency translation adjustment	820	492
Remeasurements of defined benefit plans	(954)	(1,173)
Total accumulated other comprehensive income	622	(77)
Subscription rights to shares	7	11
Non-controlling interests	7,547	6,924
Total net assets	143,300	135,056
Total liabilities and net assets	187,584	182,011

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

Millions of yen, rounded down

	April 1, 2017 to December 31, 2017	April 1, 2016 to December 31, 2016
Net sales	186,691	188,944
Cost of sales	106,614	105,121
Gross profit	80,076	83,823
Selling, general and administrative expenses	60,886	61,578
Operating income	19,190	22,244
Non-operating income		
Interest income	62	64
Dividend income	40	36
Foreign exchange gains	183	78
Other	225	291
Total non-operating income	512	470
Non-operating expenses		
Interest expenses	58	20
Business commencement expenses	―	129
Depreciation	27	128
Other	190	108
Total non-operating expenses	276	386
Ordinary income	19,426	22,328
Extraordinary income		
Gain on sales of non-current assets	6	11
Subsides income	―	91
Other	―	13
Total extraordinary income	6	115
Extraordinary losses		
Loss on sales of non-current assets	0	4
Loss on retirement of non-current assets	117	406
Other	13	18
Total extraordinary losses	131	429
Profit before income taxes	19,301	22,015
Income taxes - current	5,671	6,492
Income taxes - deferred	648	706
Total income taxes	6,319	7,198
Profit	12,981	14,816
Profit (loss) attributable to non-controlling interests	(86)	409
Profit attributable to owners of parent	13,067	14,407

Consolidated statements of comprehensive income

Millions of yen, rounded down

	April 1, 2017 to December 31, 2017	April 1, 2016 to December 31, 2016
Profit	12,981	14,816
Other comprehensive income		
Valuation difference on available-for-sale securities	151	137
Foreign currency translation adjustment	541	103
Remeasurements of defined benefit plans, net of tax	219	195
Total other comprehensive income	912	436
Comprehensive income	13,893	15,252
Comprehensive income attributable to:		
Owners of parent	13,766	14,797
Non-controlling interests	126	454

(3) Consolidated statements of cash flows

Millions of yen, rounded down

	April 1, 2017 to December 31, 2017	April 1, 2016 to December 31, 2016
Cash flows from operating activities		
Profit before income taxes	19,301	22,015
Depreciation	5,921	5,365
Amortization of goodwill	450	469
Increase (decrease) in allowance for doubtful accounts	(26)	6
Increase (decrease) in provision for bonuses	(1,010)	(1,112)
Increase (decrease) in provision for directors' bonuses	(46)	5
Increase (decrease) in provision for stocks payment	(5)	(5)
Increase (decrease) in net defined benefit liability	271	298
Decrease (increase) in net defined benefit asset	29	36
Increase (decrease) in provision for directors' retirement benefits	(41)	(40)
Interest and dividend income	(103)	(101)
Interest expenses	58	20
Foreign exchange losses (gains)	(329)	25
Loss (gain) on sales of non-current assets	(5)	(7)
Loss on retirement of non-current assets	117	406
Decrease (increase) in notes and accounts receivable - trade	(15,233)	(19,523)
Decrease (increase) in inventories	(2,540)	(368)
Increase (decrease) in notes and accounts payable - trade	193	(1,102)
Increase (decrease) in accounts payable - other	(986)	482
Other, net	(3,464)	1,627
Subtotal	2,549	8,497
Interest and dividend income received	108	107
Interest expenses paid	(59)	(17)
Income taxes paid	(9,364)	(8,427)
Net cash provided by (used in) operating activities	(6,766)	160

Millions of yen, rounded down

	April 1, 2017 to December 31, 2017	April 1, 2016 to December 31, 2016
Cash flows from investing activities		
Purchase of property, plant and equipment	(9,234)	(7,877)
Proceeds from sales of property, plant and equipment	39	16
Purchase of intangible assets	(318)	(333)
Purchase of securities	(23,998)	(9,998)
Proceeds from redemption of securities	23,000	6,000
Purchase of investment securities	(13)	(12)
Payments of loans receivable	(120)	—
Collection of loans receivable	120	32
Payment into time deposits	(1,599)	(725)
Proceeds from withdrawal of time deposits	1,599	823
Payments for guarantee deposits	(66)	(171)
Proceeds from collection of guarantee deposits	85	144
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	—	42
Proceeds from sale of shares of subsidiaries resulting in change in scope of consolidation	—	62
Other, net	0	5
Net cash provided by (used in) investing activities	(10,505)	(11,992)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	4,083	5,814
Repayments of long-term loans payable	—	(47)
Purchase of treasury shares	(599)	—
Proceeds from exercise of share options	17	16
Proceeds from share issuance to non-controlling shareholders	502	—
Cash dividends paid	(5,617)	(4,677)
Dividends paid to non-controlling interests	(16)	(474)
Repayments of lease obligations	(95)	(74)
Net cash provided by (used in) financing activities	(1,726)	556
Effect of exchange rate change on cash and cash equivalents	271	(11)
Net increase (decrease) in cash and cash equivalents	(18,726)	(11,287)
Cash and cash equivalents at beginning of period	44,627	47,323
Cash and cash equivalents at end of period	25,900	36,036

(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.