Consolidated Financial Statements for the First Quarter of the Fiscal Year Ending March 31, 2019

April 1, 2018 to June 30, 2018

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, 2019

Calbee, Inc. **July 27, 2018**

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

URL: https://www.calbee.com

Contact: Koichi Kikuchi
Managing Executive Officer / Chief Financial Officer
Telephone: +81-3-5220-6222

Representative: Shuji Ito, President & CEO, Representative Director
Scheduled date for submission of the first quarter financial report: August 8, 2018
Scheduled date for distribution of dividends: --
Availability of supplementary explanatory material for the first quarter results: Available
Quarterly results presentation meeting: Yes (conference call for institutional investors and analysts)

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

(1) Consolidated Operating Results

Millions of yen, rounded down

	Three months ended June 30, 2018		Three months ended June 30, 2017	
		% change		% change
Net sales	61,231	8.3	56,519	(8.5)
Operating profit	5,774	69.2	3,413	(52.1)
Ordinary profit	6,232	78.0	3,501	(44.8)
Profit attributable to owners of parent	4,213	84.2	2,287	(40.3)
Earnings per share (¥)	31.54		17.12	
Earnings per share (diluted) (¥)	31.52		17.10	

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, 2018: ¥4,683 million (99.9%)
Three months ended June 30, 2017: ¥2,342 million (8.8%)

(2) Consolidated Financial Position

Millions of yen, rounded down

	As of June 30, 2018	As of March 31, 2018
Total assets	184,994	192,034
Net assets	145,411	146,667
Shareholders' equity/total assets (%)	74.8	72.6

Shareholders' equity: As of June 30, 2018: ¥138,418 million
As of June 30, 2017: ¥139,375 million

2) Dividends

Yen

	FY ended March 31, 2018	FY ending March 31, 2019 (forecast)
Interim period per share	0.00	0.00
Year-end dividend per share	42.00	48.00
Annual dividend per share	42.00	48.00

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

3) Consolidated forecasts for the fiscal year ending March 31, 2019 (April 1, 2018 to March 31, 2019)

Millions of yen

		% change
Net sales	255,000	1.4
Operating profit	29,500	10.0
Ordinary profit	29,000	10.8
Profit attributable to owners of parent	19,000	9.6
Earnings per share (¥)	142.19	

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)

	As of June 30, 2018:	As of March 31, 2018:
1. Number of outstanding shares (including treasury shares)	133,915,800 shares	133,875,800 shares
2. Number of treasury shares	289,997 shares	292,997 shares
	Three months to June 30, 2018:	Three months to June 30, 2017:
3. Average number of shares during the period	133,604,440 shares	133,654,803 shares

Note: Regarding Calbee stock held in trust as treasury stock within shareholders' equity, the number of treasury shares includes 289,165 of these shares as of June 30, 2018 and 292,165 of these shares as of March 31, 2018, and the average number of shares excludes 292,066 treasury shares in the three months to June 30, 2018, and 166,165 treasury shares in the three months to June 30, 2017.

Financial Statements are not subject to audit by a certified public accountant or audit firm

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. Summary of Business Performance (3) Consolidated forecasts for the fiscal year ending March 31, 2019.
2. The earnings per share forecast for the fiscal year ending March 31, 2019 is calculated using 133,625,803 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 July 27, 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.)

Net sales during the first three months (April 1, 2018 to June 30, 2018) of the fiscal year ending March, 31, 2019 increased 8.3% to ¥61,231 million due to increased sales of snack foods in the domestic business and the sales contribution of cereal foods and increased sales of snack foods in the overseas business. Domestic snack foods increased sales. Sales of *Potato Chips* increased significantly due to continued strong demand since sales resumed in the second quarter of the previous fiscal year after a potato shortage in the same period of the prior fiscal year due to typhoon damage, which resulted in adjustments to production and products. For overseas cereals, sales of *Frugra* to China began in July 2017 and this has contributed to sales. Overseas snack foods increased primarily due to steady sales growth in Indonesia and Australia.

Operating profit increased 69.2% to ¥5,774 million due to the effects of improved costs due to recovery of factory utilization accompanying increased sales of *Potato Chips* in the domestic business, as well as improved costs due to a reduction in losses from waste in the North America in the overseas business. The operating profit ratio was 9.4%, a year on year increase of 3.4 percentage points. Ordinary profit increased 78.0% to ¥6,232 million, including foreign exchange gains of ¥387 million. Profit attributable to owners of parent increased 84.2% to ¥4,213 million.

Millions of yen, rounded down

	Q1 FY ending June 30, 2019		Q1 FY ended March 31, 2018		Growth in yen	Growth on local currency basis
	Amount	%	Amount	%		
Domestic sales	51,938	84.8	48,923	86.6	+6.2%	+6.2%
Overseas sales	9,292	15.2	7,595	13.4	+22.3%	+23.7%
Total	61,231	100.0	56,519	100.0	+8.3%	+8.5%

Results by business are as follows.

Millions of yen, rounded down

Sales	Q1 FY ending March 31, 2019		Q1 FY ended March 31, 2018
	Amount	Growth	Amount
1) Production and sale of snack and other foods business	60,290	+8.5	55,586
Domestic production and sale of snack and other foods business	50,997	+6.3	47,990
Domestic snack foods	44,608	+17.7	37,898
Domestic cereals	6,138	−4.1	6,400
Other domestic foods	250	−93.2	3,691
Overseas production and sale of snack and other foods business	9,292	+22.3	7,595
Overseas snack foods	8,272	+8.9	7,595
Overseas cereals	1,020	−	−
2) Other businesses	941	+0.9	933
Total	61,231	+8.3	56,519

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 increased year on year. Sales of *Potato Chips* increased significantly on strong demand; however, causing the reactionary negative effect of this, sales for flour-based snacks and corn- and bean-based snacks decreased.

Sales of domestic snack foods by product are as follows.

Millions of yen, rounded down

Sales		Q1 FY ending March 31, 2019		Q1 FY ended March 31, 2018
		Amount	Growth	Amount
Potato-based snacks		32,627	+35.4	24,095
	Potato Chips	20,635	+75.0	11,788
	Jagarico	9,068	+6.8	8,491
	Jagabee/ Jaga Pokkuru	2,923	－23.4	3,816
Flour-based snacks		5,103	－16.4	6,102
	Kappa Ebisen	2,365	－19.4	2,934
	Sapporo Potato, etc.	2,738	－13.6	3,168
Corn- and bean-based snacks		4,138	－17.9	5,040
Other snacks		2,740	+3.0	2,660
Domestic snack foods total		44,608	+17.7	37,898

- Sales of potato-based snacks increased significantly year on year. Sales of *Potato Chips* increased significantly due to continued strong demand for *Pizza Potato Chips* and others. Also, the implementation of an increased volume campaign succeeded in expanding sales of regular items including *Usu-Shio-Aji. Tomorico* was launched nationwide along with a TV commercial campaign, contributed to *Jagarico* sales.
- Sales of flour-based snacks decreased year on year due to an increase in demand for *Potato Chips*, causing a reactionary negative effect on products, such as *Kappa Ebisen* and *Sapporo Potato*.
- Sales of corn- and bean-based snacks decreased year on year as despite Japan Frito-Lay *Dragon Potato,* launched during the current period contributing to sales, however, sales of *Cheetos* and other products decreased due to the reactionary negative effect of increased demand for *Potato Chips.*

・Domestic cereals:

Sales of domestic cereals decreased year on year. Despite the intensified sales promotion activities of individual portion items for Frugra, and the launch of *Frugra* limited time products and for generating new customers, demand did not increase.

・Other domestic foods:

Sales of other domestic foods decreased significantly year on year due to the business transfer of the bakery business in April.

Overseas production and sale of snack and other foods business

・Overseas snack foods:

Sales of overseas snack foods increased year on year. Sales in Indonesia showed steady growth due to proactive sales promotion activities expanding sales of *Potabee* potato chips, as well as a contribution by *Krisbee Krunchy*, a corn-based snack launched in March. In addition, for Australia, sales of bean-based snack *Harvest Snaps* continued to grow since market launch. In North America, sales of bean-based snack *Harvest Snaps* began recovering due to strengthening of sales promotion activities.

・Overseas cereals:

In overseas cereals, sales of *Frugra* through China domestic e-commerce began from this quarter in addition to the cross-border e-commerce already operating.

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

Millions of yen, rounded down

Sales		Q1 FY ending March 31, 2019		Q1 FY ended March 31, 2018
		Amount	Growth	Amount
North America		2,759	+1.7	2,714
Asia	Greater China*	2,574	+92.4	1,338
	South Korea	1,062	－15.4	1,256
	Other Asian regions and Australia**	2,494	+27.8	1,951
Europe		401	+19.7	335
Overseas production and sale of snack and other foods business total		9,292	+22.3	7,595

*Greater China: China, Taiwan and Hong Kong

**Other Asian regions and Australia: Thailand, Philippines, Singapore, Indonesia and Australia

2) Other businesses

Other businesses include logistics and promotional tool sales. Sales of other businesses were almost flat year on year.

(2) Analysis of financial position

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

The partial amendment to the "Accounting Standard for Tax Effect Accounting" (Accounting Standards Board of Japan Statement No. 28, February 16, 2018) has been applied from the first day of the first quarter of the consolidated accounting period, and figures for the previous year have been restated accordingly to enable year-on-year comparison.

1. Overview of assets, liabilities and net assets

Total assets as of June 30, 2018 were ¥184,994 million, a decrease of ¥7,040 million. The primary factors contributing to this outcome were decreases in cash and deposits as well as notes and accounts receivable-trade. The decreases in cash and deposits were due to the payment of dividends, and the decreases in notes and accounts receivable-trade were due to decreased sales.

Liabilities decreased ¥5,783 million to ¥39,582 million, primarily due to decreases in income taxes payable and provision for bonuses.

Net assets decreased ¥1,256 million to ¥145,411 million due to a decrease in retained earnings through dividend payments.

The shareholders' equity ratio increased 2.2 percentage points from the end of the previous fiscal year to 74.8%.

2. Overview of cash flows

Cash and cash equivalents as of June 30, 2018 were ¥38,581 million, ¥3,613 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 net cash inflow of ¥5,730 million, an increase in cash inflow of ¥5,448 million compared to the first three months of the previous fiscal year, due to factors including an increase in profit before income taxes.

Cash flows from investing activities

Investing activities during the period under review resulted in a net cash outflow of ¥3,992 million, an increase in cash outflow of ¥3,884 million, primarily due to an increase in outflow from the purchase of securities.

Cash flows from financing activities

Financing activities during the period under review resulted in a net cash outflow of ¥5,389 million, a decrease in cash outflow of ¥34 million, primarily due to an increase in inflow from proceeds from the exercise of share options.

(3) Consolidated forecasts

There are no changes to the consolidated full-year forecasts for the fiscal year ending March 31, 2019 issued on May 11, 2018.

4. Consolidated financial statements and key notes

(1) Consolidated balance sheets

Millions of yen, rounded down

	As of June 30, 2018	As of March 31, 2018
Assets		
Current assets		
Cash and deposits	17,340	23,559
Notes and accounts receivable - trade	38,301	41,749
Securities	28,165	22,998
Inventories	10,649	10,748
Other	4,395	5,323
Allowance for doubtful accounts	(5)	(23)
Total current assets	98,847	104,356
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	26,072	27,423
Machinery, equipment and vehicles, net	27,394	28,171
Land	11,323	11,556
Construction in progress	6,382	4,523
Other, net	1,289	1,421
Total property, plant and equipment	72,462	73,096
Intangible assets		
Goodwill	599	922
Other	2,341	2,468
Total intangible assets	2,940	3,391
Investments and other assets		
Investments and other assets, gross	10,802	11,316
Allowance for doubtful accounts	(58)	(126)
Total investments and other assets	10,743	11,190
Total non-current assets	86,147	87,678
Total assets	184,994	192,034

Millions of yen, rounded down

	As of June 30, 2018	As of March 31, 2018
Liabilities		
Current liabilities		
Notes and accounts payable - trade	9,134	9,728
Short-term loans payable	1,366	1,129
Income taxes payable	1,813	5,252
Provision for bonuses	1,767	3,863
Provision for directors' bonuses	65	117
Provision for stocks payment	53	53
Other	16,305	15,260
Total current liabilities	30,505	35,405
Non-current liabilities		
Provision for directors' retirement benefits	281	491
Provision for management board incentive plan trust	80	90
Net defined benefit liability	7,164	7,674
Asset retirement obligations	518	659
Other	1,032	1,045
Total non-current liabilities	9,077	9,961
Total liabilities	39,582	45,366
Net assets		
Shareholders' equity		
Capital stock	12,042	12,033
Capital surplus	4,785	4,775
Retained earnings	122,238	123,647
Treasury shares	(1,061)	(1,073)
Total shareholders' equity	138,004	139,383
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	773	680
Foreign currency translation Adjustment	309	57
Remeasurements of defined benefit plans	(669)	(745)
Total accumulated other comprehensive income	413	(7)
Share acquisition rights	4	7
Non-controlling interests	6,988	7,284
Total net assets	145,411	146,667
Total liabilities and net assets	184,994	192,034

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

Millions of yen, rounded down

	April 1, 2018 to June 30, 2018	April 1, 2017 to June30, 2017
Net sales	61,231	56,519
Cost of sales	34,524	33,390
Gross profit	26,707	23,129
Selling, general and administrative expenses	20,933	19,715
Operating profit	5,774	3,413
Non-operating income		
Interest income	18	18
Dividend income	19	17
Share of profit of entities accounted for using equity method	20	—
Foreign exchange gains	387	51
Other	74	78
Total non-operating income	519	167
Non-operating expenses		
Interest expenses	14	17
Depreciation	22	14
Other	24	46
Total non-operating expenses	61	78
Ordinary profit	6,232	3,501
Extraordinary income		
Gain on sales of non-current assets	0	3
Gain on liquidation of business	494	—
Total extraordinary income	494	3
Extraordinary losses		
Loss on sales of non-current assets	3	0
Loss on retirement of non-current assets	24	41
Directors' retirement benefits	350	—
Other	2	—
Total extraordinary losses	379	41
Profit before income taxes	6,346	3,463
Income taxes - current	1,715	656
Income taxes - deferred	369	560
Total income taxes	2,084	1,216
Profit	4,262	2,247
Profit (loss) attributable to non-controlling interests	48	(40)
Profit attributable to owners of parent	4,213	2,287

Consolidated statements of comprehensive income

Millions of yen, rounded down

	April 1, 2018 to June 30, 2018	April 1, 2017 to June 30, 2017
Profit	4,262	2,247
Other comprehensive income		
Valuation difference on available-for-sale securities	92	105
Foreign currency translation adjustment	251	(82)
Remeasurements of defined benefit plans, net of tax	76	72
Total other comprehensive income	420	95
Comprehensive income	4,683	2,342
Comprehensive income attributable to:		
Owners of parent	4,635	2,433
Non-controlling interests	47	(91)

(3) Consolidated statements of cash flows

Millions of yen, rounded down

	April 1, 2018 to June 30, 2018	April 1, 2017 to June 30, 2017
Cash flows from operating activities		
Profit before income taxes	6,346	3,463
Depreciation	1,878	1,929
Amortization of goodwill	141	149
Increase (decrease) in allowance for doubtful accounts	(17)	(29)
Increase (decrease) in provision for bonuses	(1,963)	(2,440)
Increase (decrease) in provision for directors' bonuses	(36)	(62)
Increase (decrease) in net defined benefit liability	(186)	(118)
Increase (decrease) in net defined benefit assets	5	9
Increase (decrease) in provision for directors' retirement benefits	(154)	(50)
Interest and dividend income	(37)	(36)
Interest expenses	14	17
Foreign exchange losses (gains)	(384)	(82)
Gain on liquidation of business	(494)	―
Share of loss (profit) of entities accounted for using equity method	(20)	―
Loss (gain) on sales of non-current assets	3	(3)
Loss on retirement of non-current assets	24	41
Decrease (increase) in notes and accounts receivable - trade	2,179	3,721
Decrease (increase) in inventories	(74)	(1,206)
Increase (decrease) in notes and accounts payable - trade	(55)	(234)
Increase (decrease) in accounts payable - other	(776)	(1,319)
Other, net	(4,200)	1,622
Subtotal	10,592	5,372
Interest and dividend income received	36	36
Interest expenses paid	(13)	(17)
Income taxes paid	(4,885)	5,109
Net cash provided by (used in) operating activities	5,730	281

Millions of yen, rounded down

	April 1, 2018 to June 30, 2018	April 1, 2017 to June 30, 2017
Cash flows from investing activities		
Purchase of property, plant and equipment	(3,305)	(2,112)
Proceeds from sales of property, plant and equipment	2	3
Purchase of intangible assets	(144)	(115)
Proceeds from sales of intangible assets	0	—
Purchase of securities	(4,847)	(2,000)
Proceeds from redemption of securities	2,000	4,000
Purchase of investment securities	(4)	(4)
Payments of loans receivable	(120)	(0)
Collection of loans receivable	1,757	60
Payments into time deposits	—	(333)
Proceeds from withdrawal of time deposits	271	333
Payments for guarantee deposits	(43)	(9)
Proceeds from collection of guarantee deposits	32	64
Proceeds from sale of shares of subsidiaries resulting in change in scope of consolidation	169	—
Other, net	239	6
Net cash provided by (used in) investing activities	(3,992)	(108)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	103	108
Proceeds from exercise of share options	16	—
Cash dividends paid	(5,473)	(5,483)
Dividends paid to non-controlling interests	(10)	(16)
Repayments of lease obligations	(25)	(32)
Net cash provided by (used in) financing activities	(5,389)	(5,424)
Effect of exchange rate change on cash and cash equivalents	37	50
Net increase (decrease) in cash and cash equivalents	(3,613)	(5,200)
Cash and cash equivalents at beginning of period	42,195	44,627
Cash and cash equivalents at end of period	38,581	39,427

(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.

(Business combinations and other related matters)
Business divestiture
Calbee has transferred 66.6% of its issued shares in consolidated subsidiary Garden Bakery, Inc. (Garden Bakery) to Showa Sangyo, Co., Ltd. (Showa Sangyo).

(1) Outline of business divestiture

① Name of destination company
Showa Sangyo Co., Ltd.

② Details of the divested business
Production and sales of breads and confectionaries

③ Primary reason for business divestiture
Garden Bakery was established in June 1996 as a 100% subsidiary, with the purpose of producing and selling breads and snack foods, and currently produces and sells pastries and filled and stuffed breads, to convenience stores.
Showa Sangyo has an integrated structure that engages in a range of operations from raw material procurement to product development to factory management, and by transferring 66.6% of shares in Garden Bakery to Showa Sangyo, we aim to further heighten Garden Bakery's product development capability and improve productivity by strengthening the business of both Showa Sangyo and Calbee.

④ Date of business divestiture
April 2, 2018

⑤ Outline of the transaction including legal format
Transfer of shares with only cash equivalent assets as compensation

(2) Overview of accounting process implemented

① Amount of gains or losses related to the transfer
No applicable items

② Appropriate book value of the assets and liabilities of business transferred and breakdown

	(Millions of yen)
Current assets	1,781
Fixed assets	3,157
Total assets	4,939
Current liabilities	3,799
Fixed liabilities	470
Total liabilities	4,269

③ Accounting process
The accounting process was conducted in accordance with the "Revised Accounting Standard for Business Divestitures" (Accounting Standards Board of Japan Statement No. 7, September 13, 2013) and the "Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (Accounting Standards Board of Japan, Guidance on Accounting Standards No. 10, September 13, 2013).

(3) Reporting segment name which includes divested business
Production and sale of snacks and other foods

(4) Approximate amount of gains or losses related to the business divested recorded on the quarterly consolidated statement of income for the consolidated period under review

The sale date for the business divestiture is considered the beginning of the first quarter of the consolidated accounting period, therefore gains or losses related to the business divestiture for the consolidated income statement are not included in the first quarter under review.

(Additional information)

First quarter consolidated cumulative accounting period (April 1, 2018 – June 30, 2018)
The partial amendment to the “Accounting Standard for Tax Effect Accounting” (Accounting Standards Board of Japan Statement No. 28, February 16, 2018) has been applied from the first day of the first quarter of the consolidated accounting period, and deferred tax assets are presented in the other assets category and deferred tax liabilities in the fixed liabilities category.