Calbee
Harvest the Power of Nature.

Consolidated Financial Statements for the Third Quarter of the Fiscal Year Ending March 31, 2020

April 1, 2019 to December 31, 2019

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, 2020

Calbee, Inc. **February 5, 2020**

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

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Scheduled date for submission of the third quarter financial report: February 10, 2020
Scheduled date for distribution of dividends: --
Availability of supplementary explanatory material for the third quarter results: Available
Quarterly results presentation meeting: Yes (conference call for institutional investors and analysts)

1) Consolidated results for the first nine months (April 1, 2019 to December 31, 2019) of the fiscal year ending March 31, 2020

(1) Consolidated Operating Results

Millions of yen, rounded down

	Nine months ended December 31, 2018		Nine months ended December 31, 2019	
		% change		% change
Net sales	187,022	0.2	192,104	2.7
Operating profit	20,441	6.5	21,879	7.0
Ordinary profit	20,840	7.3	21,762	4.4
Profit attributable to owners of parent	15,019	14.9	14,680	(2.3)
Earnings per share (¥)	112.40		109.83	
Earnings per share (diluted) (¥)	112.35		109.82	

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, 2019: ¥14,487 million (-4.3%)
Nine months ended December 31, 2018: ¥15,146 million (9.0%)

(2) Consolidated Financial Position

Millions of yen, rounded down

	As of March 31, 2019	As of December 31, 2019
Total assets	202,750	213,653
Net assets	160,490	169,156
Shareholders' equity/total assets (%)	75.9	75.8

Shareholders' equity: As of December 31, 2019: ¥161,992 million
As of March 31, 2019: ¥153,931 million

2) Dividends

Yen

	FY ended March 31, 2019	FY ending March 31, 2020 (forecast)
Interim period per share	0.00	0.00
Year-end dividend per share	48.00	50.00
Annual dividend per share	48.00	50.00

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

3) Consolidated forecasts for the fiscal year ending March 31, 2020 (April 1, 2019 to March 31, 2020)

Millions of yen

		% change
Net sales	255,000	2.6
Operating profit	27,500	2.0
Ordinary profit	27,200	(0.8)
Profit attributable to owners of parent	17,500	(9.9)
Earnings per share (¥)	130.91	

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)

	As of March 31, 2019:	As of December 31, 2019:
1. Number of outstanding shares (including treasury shares)	133,921,800 shares	133,929,800 shares
2. Number of treasury shares	267,747 shares	254,472 shares
	Nine months to December 31, 2018:	Nine months to December 31, 2019:
3. Average number of shares during the period	133,632,228 shares	133,667,228 shares

Note: Regarding Calbee stock held in trust as treasury stock within shareholders' equity, the number of treasury shares includes 253,590 of these shares as of December 31, 2019 and 266,915 of these shares as of March 31, 2019, and the average number of shares excludes 259,405 treasury shares in the nine months to December 31, 2019, and 277,940 treasury shares in the nine months to December 31, 2018.

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. Operating results (3) Consolidated forecasts for the fiscal year ending March 31, 2020.
2. The earnings per share forecast for the fiscal year ending March 31, 2020 is calculated using 133,675,328 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 5, 2020. 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 nine-month period of the fiscal year ending March 31, 2020 (April 1, 2019 to December 31, 2019) increased 2.7% to ¥192,104 million, mainly due to the expansion of overseas businesses. In the overseas business, the business acquisition in the UK in October 2018 contributed to the increase in sale, in addition, sales of *Frugra* through e-commerce in Greater China and *Harvest Snaps* in Australia contributed to the sales expansion. Furthermore, we acquired U.S. confectionery company Warnock Food Products, Inc. (hereafter "Warnock") in October 2019 to expand our product portfolios in North America. In the domestic business, when price hike and content standard revisions of some snack products were implemented against the background of increased costs of logistics and other costs, the sales of domestic snack foods increased due to an increase in demand for products not subject to price hike, despite sales of some *Potato Chips* subject to price hike declined.

Operating profit increased 7.0% to ¥21,879 million, and the operating margin was 11.4%, an improvement of 0.5 percentage points. In the domestic business, despite rises in logistics and packaging costs, the sales of domestic snack foods increased and cost of sales, which deteriorated to increased volume campaign of *Potato Chips* in the previous fiscal year improved. In the overseas business, mainly sales growth as well as cost improvements in the UK and sales growth in Australia contributed to increased profit. Ordinary profit increased 4.4% to ¥21,762 million including foreign exchange loss of ¥280 million. Profit attributable to owners of parent decreased 2.3% to ¥14,680 million, due to an absence of ¥2,378 million gain on sales of shares of consolidated subsidiaries and associates under extraordinary income in the same period of the previous fiscal year.

Millions of yen, rounded down

	Q3 FY ended March 31, 2019		Q3 FY ending March 31, 2020		Growth in yen	Growth on local currency basis
	Amount	%	Amount	%		
Domestic sales	157,290	84.1	158,712	82.6	＋0.9%	＋0.9%
Overseas sales	29,731	15.9	33,392	17.4	＋12.3%	＋15.4%
Total	187,022	100.0	192,104	100.0	＋2.7%	＋3.2%

Results by business are as follows.

Millions of yen, rounded down

Sales		Q3 FY ended March 31, 2019	Q3 FY ending March 31, 2020	
		Amount	Amount	Growth (%)
1) Production and sale of snack and other foods business		184,810	190,662	＋3.2
Domestic production and sale of snack and other foods business		155,079	157,270	＋1.4
	Domestic snack foods	135,757	137,598	＋1.4
	Domestic cereals	18,322	18,614	＋1.6
	Other domestic foods	998	1,056	＋5.8
Overseas production and sale of snack and other foods business		29,731	33,392	＋12.3
	Overseas snack foods	25,734	28,309	＋10.0
	Overseas cereals	3,997	5,082	＋27.2
2) Other businesses		2,211	1,441	－34.8
Total		187,022	192,104	＋2.7

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. Although sales of some *Potato Chips* subject to price hike declined in this fiscal year, increased sales of *Potato Chips* not subject to price hike and demand for flour-based snacks contributed to sales of domestic snacks.

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Sales of domestic snack foods by product are as follows.

Millions of yen, rounded down

Sales	Q3 FY ended March 31, 2019	Q3 FY ending March 31, 2020	
	Amount	Amount	Growth (%)
Potato-based snacks	99,790	100,752	＋1.0
Potato Chips	63,063	63,666	＋1.0
Jagarico	28,044	28,112	＋0.2
Jagabee/ Jaga Pokkuru	8,681	8,973	＋3.4
Flour-based snacks	15,632	16,311	＋4.3
Kappa Ebisen	7,295	7,577	＋3.9
Sapporo Potato, etc.	8,337	8,733	＋4.7
Corn- and bean-based snacks	12,155	11,931	－1.8
Other snacks	8,178	8,603	＋5.2
Domestic snack foods total	135,757	137,598	＋1.4

- Sales of potato-based snacks increased year on year. Sales of products not subject to price hike including *Potato Chips Giza-Giza* and other products increased, despite declined sales of regular items including *Usu-Shio-Aji* causing an effect of price hike in this period. In the *Jagarico* sales, sales of regular items including *Jagarico-salad* were strong, otherwise *Tomorico* and *Edamarico,* which were launched nationwide in the previous fiscal year, declined. In the *Jagabee/Jaga Pokkuru* sales, sales of *Jaga Pokkuru* expanded due to an increase in production capacity which enabled us to supply adequately to meet demand, although *Jagabee* sales declined.
- Sales of flour-based snacks increased year on year due to continuous strong demand for *Kappa Ebisen* and *Sapporo Potato*.
- Sales of corn- and bean-based snacks decreased year on year due to the impact of the termination of the licensing agreement for Garrett Popcorn Shops.
- Sales of other snacks increased year on year due mainly to an increase in sales of the individual portion snacks *miino*.

・Domestic cereals:

Sales of domestic cereals increased year on year due to an increase in sales for retail store in Greater China, while domestic consumption was flat. Look at in detail of the sales for domestic consumption, despite decreased sales of the *Frugra* limited-time products, sales of *Frugra Less Carbohydrates* expanded and the new bland *Granola+* (*Granola Plus*), which specializes in nutritional supplements, contributed.

Overseas production and sale of snack and other foods business

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 ended March 31, 2019	Q3 FY ending March 31, 2020	
	Amount	Amount	Growth (%)
North America	7,323	7,110	－2.9
Greater China*	8,755	9,671	＋10.5
United Kingdom	2,513	4,501	＋79.1
Indonesia	2,868	3,393	＋18.3
Other regions**	8,271	8,715	＋5.4
Overseas production and sale of snack and other foods business total	29,731	33,392	＋12.3

*Greater China: China, Taiwan and Hong Kong

**Other regions: Korea, Thailand, Singapore, Philippines and Australia

- In North America, sales decreased year on year due to sluggish demand for a bean-based snacks *Harvest Snaps*. Warnock, the acquired company, was newly included in the scope of consolidation from November 2019.
- In Greater China, sales increased year on year due to an increase in sales of *Frugra* through e-commerce.
- In the UK, sales increased significantly year on year supported by business acquisition of Seabrook Crisps Limited (engaged in manufacture and sales of potato chips) in October 2018.
- In Indonesia, sales increased year on year mainly due to contributions in sales of *Japota,* a new flat-type potato chips.
- In the other regions, sales increased year on year mainly due to sales expansion of *Harvest Snaps* in Australia.

2) Other businesses

Other businesses include logistics and promotional tool sales. Sales decreased significantly year on year due to the transfer of all shares of consolidated subsidiary engaged in the promotional tools business in September 2018.

(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, 2019 were ¥213,653 million, an increase of ¥10,902 million. The primary factors contributing to this outcome were increases in goodwill resulting from the acquisition of Warnock.

Liabilities increased ¥2,236 million to ¥44,496 million mainly due to increases in short-term borrowings payable. The increase in short-term borrowings was due to bank holidays at the end of the month.

Net assets increased ¥8,666 million to ¥169,156 million due to an increase in retained earnings.

The shareholders' equity ratio decreased 0.1 percentage points from the end of the previous fiscal year to 75.8%.

2. Overview of cash flows

Cash and cash equivalents as of December 31, 2019 were ¥44,187 million, ¥8,762 million higher than at the end of the previous fiscal year.

Cash flows from operating activities

Operating activities during the period resulted in net cash inflow of ¥13,812 million, an increase in cash inflow of ¥2,431 million, due to an increase in profit before income taxes excluding gain on sales of investment securities primarily through sales growth.

Cash flows from investing activities

Investing activities during the period resulted in a net cash outflow of ¥3,872 million, a decrease in cash outflow of ¥15,297 million, primarily due to an increase in inflow from the redemption of securities.

Cash flows from financing activities

Financing activities during the period resulted in a net cash outflow of ¥1,183 million, a decrease in cash outflow of ¥2,210 million, primarily due to an increase in inflow from short-term loans borrowings.

(3) Consolidated forecasts

Taking into account our business performance during the nine-month period of the fiscal year and latest performance, the consolidated forecasts for the fiscal year ending March 31, 2020 have been revised as follows.

The full year forecast for net sales are expected to underperform the previous announced forecast due to delayed progress in overseas business, mainly due to sluggish sales of existing products in North America. Operating profit and ordinary profit are expected to outperform the previous announced forecast due to an improvement in raw material costs for cereals and other factors in the domestic business, despite the impact of the aforementioned shortfall in sales forecasts in North America.

The exchange rate used as a basis for this announcement is US$1 = ¥109, which is unchanged from the previous announced forecast.

Millions of yen, rounded down

	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent
Revised forecast (A)	255,000	27,500	27,200	17,500
Previous forecast (B)	258,000	27,000	26,500	17,500
Change (A - B)	-3,000	+500	+700	0
Change (%)	-1.2	+1.9	+2.6	-

2. Consolidated financial statements and key notes

(1) Consolidated balance sheets

Millions of yen, rounded down

	As of March 31, 2019	As of December 31, 2019
Assets		
Current assets		
Cash and deposits	12,992	16,102
Notes and accounts receivable - trade	39,736	42,631
Securities	42,760	38,675
Inventories	11,309	12,145
Other	5,067	7,285
Allowance for doubtful accounts	(8)	(0)
Total current assets	111,858	116,839
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	28,883	28,255
Machinery, equipment and vehicles, net	29,811	29,575
Land	11,391	11,367
Construction in progress	1,224	2,724
Other, net	1,240	1,133
Total property, plant and equipment	72,552	73,057
Intangible assets		
Goodwill	5,688	11,567
Other	2,016	2,120
Total intangible assets	7,704	13,688
Investments and other assets		
Investments and other assets, gross	10,693	10,070
Allowance for doubtful accounts	(59)	(2)
Total investments and other assets	10,634	10,068
Total non-current assets	90,891	96,813
Total assets	202,750	213,653

Millions of yen, rounded down

	As of March 31, 2019	As of December 31, 2019
Liabilities		
Current liabilities		
Notes and accounts payable - trade	8,987	9,776
Short-term borrowings	1,027	6,078
Income taxes payable	5,478	1,901
Provision for bonuses	4,004	3,337
Provision for bonuses for directors (and other officers)	67	125
Provision for share-based remuneration	35	—
Other	14,442	14,950
Total current liabilities	34,043	36,170
Non-current liabilities		
Provision for retirement benefits for directors (and other officers)	286	344
Provision for share-based remuneration for directors (and other officers)	92	152
Retirement benefit liability	6,531	6,506
Asset retirement obligations	522	525
Other	783	797
Total non-current liabilities	8,216	8,326
Total liabilities	42,260	44,496
Net assets		
Shareholders' equity		
Share capital	12,044	12,046
Capital surplus	4,786	4,779
Retained earnings	137,453	145,706
Treasury shares	(981)	(933)
Total shareholders' equity	153,303	161,598
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	467	528
Foreign currency translation adjustment	278	30
Remeasurements of defined benefit plans	(119)	(165)
Total accumulated other comprehensive income	627	393
Share acquisition rights	3	—
Non-controlling interests	6,555	7,164
Total net assets	160,490	169,156
Total liabilities and net assets	202,750	213,653

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

Millions of yen, rounded down

	April 1, 2018 to December 31, 2018	April 1, 2019 to December 31 2019
Net sales	187,022	192,104
Cost of sales	103,449	105,420
Gross profit	83,572	86,683
Selling, general and administrative expenses	63,130	64,804
Operating profit	20,441	21,879
Non-operating income		
Interest income	108	86
Dividend income	42	40
Share of profit of entities accounted for using equity method	3	3
Foreign exchange gains	292	—
Other	249	330
Total non-operating income	697	460
Non-operating expenses		
Interest expenses	50	69
Share of loss of entities accounted for using equity method	—	3
Foreign exchange losses	—	280
Depreciation	71	91
Loss on valuation of inventories	64	—
Other	111	132
Total non-operating expenses	298	577
Ordinary profit	20,840	21,762
Extraordinary income		
Gain on sales of non-current assets	25	8
Gain on sales of investment securities	33	1
Subsidies income	—	170
Gain on sales of shares of subsidiaries and associates	2,378	—
Gain on liquidation of business	468	—
Other	—	3
Total extraordinary income	2,905	183
Extraordinary losses		
Loss on sales of non-current assets	10	21
Loss on retirement of non-current assets	131	170
Loss on store closings	—	136
Impairment loss	813	—
Retirement benefits for directors	350	—
Loss on sales of shares of subsidiaries and associates	24	—
Other	222	1
Total extraordinary losses	1,554	329
Profit before income taxes	22,191	21,616
Income taxes - current	6,800	5,994
Income taxes - deferred	386	834
Total income taxes	7,187	6,828
Profit	15,004	14,787
Profit (loss) attributable to non-controlling interests	(14)	106
Profit attributable to owners of parent	15,019	14,680

Consolidated statements of comprehensive income

Millions of yen, rounded down

	April 1, 2018 to December 31, 2018	April 1, 2019 to December 31, 2019
Profit	15,004	14,787
Other comprehensive income		
Valuation difference on available-for-sale securities	(99)	60
Foreign currency translation adjustment	77	(314)
Remeasurements of defined benefit plans, net of tax	162	(45)
Total other comprehensive income	141	(300)
Comprehensive income	15,146	14,487
Comprehensive income attributable to		
Owners of parent	15,114	14,447
Non-controlling interests	31	40

(3) Consolidated statements of cash flows

Millions of yen, rounded down

	April 1, 2018 to December 31, 2018	April 1, 2019 to December 31, 2019
Cash flows from operating activities		
Profit before income taxes	22,191	21,616
Depreciation	5,936	6,194
Impairment loss	813	—
Amortization of goodwill	520	506
Increase (decrease) in allowance for doubtful accounts	(16)	(64)
Increase (decrease) in provision for bonuses	(1,008)	(667)
Increase (decrease) in provision for bonuses for directors (and other officers)	(41)	59
Increase (decrease) in provision for share-based remuneration	(2)	5
Increase (decrease) in provision for share-based remuneration for directors	—	67
Increase (decrease) in retirement benefit liability	106	(163)
Decrease (increase) in retirement benefit asset	23	12
Increase (decrease) in provision for retirement benefits for directors (and other officers)	(145)	58
Interest and dividend income	(150)	(126)
Interest expenses	50	69
Foreign exchange losses (gains)	(10)	144
Subsidies income	—	(170)
Gain on liquidation of business	(468)	—
Share of loss (profit) of entities accounted for using equity method	(3)	0
Loss (gain) on sales of investment securities	(2,387)	(1)
Loss (gain) on sales of non-current assets	(14)	13
Loss on retirement of non-current assets	131	170
Decrease (increase) in trade receivables	(1,978)	(2,344)
Decrease (increase) in inventories	(1,668)	(530)
Increase (decrease) in trade payables	593	563
Increase (decrease) in accounts payable - other	(542)	(667)
Other, net	(1,364)	(1,635)
Subtotal	20,563	23,107
Interest and dividends received	125	123
Interest paid	(44)	(70)
Income taxes paid	(9,264)	(9,349)
Net cash provided by (used in) operating activities	11,380	13,812

Millions of yen, rounded down

	April 1, 2018 to December 31, 2018	April 1, 2019 to December 31, 2019
Cash flows from investing activities		
Purchase of property, plant and equipment	(7,404)	(6,062)
Proceeds from sales of property, plant and equipment	225	101
Purchase of intangible assets	(463)	(471)
Proceeds from sales of intangible assets	0	—
Purchase of securities	(23,825)	(42,818)
Proceeds from redemption of securities	14,827	52,344
Purchase of investment securities	(42)	(12)
Proceeds from sales of investment securities	47	5
Loan advances	(980)	(700)
Collection of loans receivable	2,378	800
Payments into time deposits	—	(1,626)
Proceeds from withdrawal of time deposits	264	1,749
Payments of guarantee deposits	(69)	(91)
Proceeds from refund of guarantee deposits	124	44
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(7,351)	(7,305)
Payments for sales of shares of subsidiaries resulting in change in scope of consolidation	(460)	—
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	3,169	—
Proceeds from subsidy income	—	170
Other, net	389	(1)
Net cash provided by (used in) investing activities	(19,170)	(3,872)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	2,296	5,038
Purchase of treasury shares	—	(0)
Proceeds from exercise of employee share options	17	3
Proceeds from share issuance to non-controlling shareholders	—	323
Dividends paid	(5,618)	(6,424)
Dividends paid to non-controlling interests	(10)	(11)
Repayments of lease obligations	(79)	(112)
Net cash provided by (used in) financing activities	(3,393)	(1,183)
Effect of exchange rate change on cash and cash equivalents	145	6
Net increase (decrease) in cash and cash equivalents	(11,037)	8,762
Cash and cash equivalents at beginning of period	42,195	35,425
Cash and cash equivalents at end of period	31,157	44,187

(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 combination resulting from acquisition
Calbee America, Inc., Calbee's subsidiary company in U.S., concluded agreement for the sale and purchase of the shares of Warnock Food Products, Inc. (hereafter "Warnock") with major shareholders and completed the acquisition of 80% of the shares on October 25, 2019.

(1) Overview of the transaction
1. Name and business description of the acquired company
   Name of acquired company: Warnock Food Products, Inc.
   Description of business: Production and Sales of Snack foods
2. Reason for business combination
   Warnock, founded in 1986, is a U.S. contracted savory snack manufacturer that produces a wide variety of snacks including potato chips, tortilla chips and puff snacks. Through the acquisition of Warnock, we aim to expand Calbee's product portfolio in the U.S. snack market, the world largest market, leveraging its product development capability and distribution. With a close collaboration between Warnock and Calbee North America, LLC, we will broaden our presence and aim to expand Calbee group business in the North America.
3. Date of business combination
   October 25, 2019 (Date of acquisition of stock)
4. Legal form of business combination
   Acquisition of stock
5. Name of company after business combination
   No change
6. Ratio of voting rights
   80%
7. Major reasons for acquisition
   Acquisition paid in cash by Calbee consolidated subsidiary Calbee America, Inc.

(2) Period for inclusion of business results of acquired company in quarterly consolidated financial statements
November 1, 2019 to December 31, 2019

(3) Purchase price and its breakdown
Purchase price of equity interest paid by cash: ¥7,404 million

(4) Details and amount of major purchase-related expenses
Advisory fees, etc.: ¥157 million

(5) Goodwill arising from the acquisition, reason for its recognition, and amortization method and period
1. Goodwill arising from the acquisition
   ¥6,414 million
   The amount of goodwill is calculated provisionally.
2. Reason for the recognition of goodwill
   Expectation of future excess earning power due to business development.
3. Amortization method and period
   Goodwill is being amortized by the straight-line method over 15 years.