

Consolidated Financial Statements for the First Half of the Fiscal Year Ending March 31, 2020

April 1, 2019 to September 30, 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)

First Half Results for the Fiscal Year Ending March 31, 2020

Calbee, Inc.

October 29, 2019

URL: <https://www.calbee.com>

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

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Scheduled date for submission of the first half financial report: November 11, 2019

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, 2019 to September 30, 2019) of the fiscal year ending March 31, 2020

(1) Consolidated Operating Results

Millions of yen, rounded down

	Six months ended September 30, 2018		Six months ended September 30, 2019	
		% change		% change
Net sales	121,067	1.9	125,246	3.5
Operating profit.....	11,740	13.6	13,258	12.9
Ordinary profit.....	12,560	19.0	12,819	2.1
Profit attributable to owners of parent.....	9,628	36.7	8,820	(8.4)
Earnings per share (¥).....	72.06		65.99	
Earnings per share (diluted) (¥).....	72.03		65.98	

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, 2019: ¥7,481 million (-29.2%)

Six months ended September 30, 2018: ¥10,563 million (45.1%)

(2) Consolidated Financial Position

Millions of yen, rounded down

	As of March 31, 2019	As of September 30, 2019
Total assets	202,750	204,449
Net assets	160,490	161,903
Shareholders' equity/total assets (%).....	75.9	75.9

Shareholders' equity: As of September 30, 2019: ¥155,264 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	258,000	3.8
Operating profit.....	27,000	0.1
Ordinary profit.....	26,500	(3.4)
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: 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 March 31, 2019:	As of September 30, 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
	Six months to September 30, 2018:	Six months to September 30, 2019:
3. Average number of shares during the period	133,622,795 shares	133,663,156 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 September 30, 2019 and 266,915 of these shares as of March 31, 2019, and the average number of shares excludes 262,328 treasury shares in the six months to September 30, 2019, and 281,416 treasury shares in the six months to September 30, 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 briefing for institutional investors and analysts for October 29, 2019. A video 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 six-month period of the fiscal year ending March 31, 2020 (April 1, 2019 to September 30, 2019) increased 3.5% to ¥125,246 million, mainly due to the expansion of overseas businesses. In the overseas business, sales increased due to the business acquisition in the UK in October 2018, in addition, sales grew in Greater China where we conducted proactive sales promotional activities for *Fruga*, and in Indonesia where new potato chips and other products were launched. In the domestic business in this fiscal year, when price hike and content standard revisions of some snack products were implemented, the sales of domestic snack foods increased due to an increase in demand for products not subject to price hike, despite sales of products subject to price hike declined.

Operating profit increased 12.9% to ¥13,258 million, and the operating margin was 10.6%, an improvement of 0.9 percentage points. In the domestic business, despite rises in logistics and packaging costs, costs of sales, which deteriorated to increased volume campaign of *Potato Chips* in the same period of the previous fiscal year, improved. In the overseas business, mainly sales growth in the UK and the liquidation of the consolidated subsidiary in Taiwan contributed to increased profit. Ordinary profit increased 2.1% to ¥12,819 million including foreign exchange loss of ¥544 million. Profit attributable to owners of parent decreased 8.4% to ¥8,820 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

	H1 FY ended March 31, 2019		H1 FY ending March 31, 2020		Growth in yen	Growth on local currency basis
	Amount	%	Amount	%		
Domestic sales	102,586	84.7	103,121	82.3	+0.5%	+0.5%
Overseas sales	18,480	15.3	22,124	17.7	+19.7%	+23.3%
Total	121,067	100.0	125,246	100.0	+3.5%	+4.0%

Results by business are as follows.

Millions of yen, rounded down

Sales	H1 FY ended March 31, 2019	H1 FY ending March 31, 2020	
	Amount	Amount	Growth (%)
1) Production and sale of snack and other foods business	119,627	124,566	+4.1
Domestic production and sale of snack and other foods business	101,146	102,442	+1.3
Domestic snack foods	88,192	89,229	+1.2
Domestic cereals	12,408	12,599	+1.5
Other domestic foods	546	613	+12.3
Overseas production and sale of snack and other foods business	18,480	22,124	+19.7
Overseas snack foods	16,299	18,858	+15.7
Overseas cereals	2,181	3,265	+49.7
2) Other businesses	1,439	679	-52.8
Total	121,067	125,246	+3.5

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 snacks increased year on year. Potato Chips, despite the impact of price hike, were strong, contributed to the increase in sales of potato-based snacks due to strong sales of products not subject to price hike. In addition, sales of flour-based snacks increased due to growth in sales of *Kappa Ebisen* and *Sapporo Potato, etc.*

Sales of domestic snack foods by product are as follows.

Millions of yen, rounded down

Sales	H1 FY ended March 31, 2019	H1 FY ending March 31, 2020	
	Amount	Amount	Growth (%)
Potato-based snacks	64,604	64,904	+0.5
<i>Potato Chips</i>	39,967	40,375	+1.0
<i>Jagarico</i>	18,755	18,604	−0.8
<i>Jagabee/ Jaga Pokkuru</i>	5,881	5,924	+0.7
Flour-based snacks	10,259	10,795	+5.2
<i>Kappa Ebisen</i>	4,639	4,950	+6.7
<i>Sapporo Potato, etc.</i>	5,619	5,845	+4.0
Corn- and bean-based snacks	7,907	7,829	−1.0
Other snacks	5,420	5,700	+5.2
Domestic snack foods total	88,192	89,229	+1.2

- 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 expanded, despite declined sales of regular items including *Usu-Shio-Aji* causing an effect of price hike in this period. Sales of *Jagarico* regular items expanded, otherwise *Tomorico* and *Edamarico*, which were launched nationwide in the same period of the previous fiscal year, declined. In the *Jagabee/Jaga Pokkuru* sales, sales of *Jaga Pokkuru* expanded although *Jagabee* sales continued weak.
- Sales of flour-based snacks increased year on year. Both sales of *Kappa Ebisen* with strong demand and *Sapporo Potato* that reflected the effects of collaborative products increased.
- 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 to an increase in sales of the individual portion snacks *miino*.

• Domestic cereals:

Sales of domestic cereals increased year on year. Despite of decreased sales of the *Frugra* regular items and other products, sales of *Frugra Less Carbohydrates* increased as well as the new bland *Granola+* (*Granola Plus*), which specializes in nutritional supplements launched in this period, contributed to sales. As a result, domestic consumption was almost flat year on year. Demand from retail stores in Greater China increased.

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	H1 FY ended March 31, 2019	H1 FY ending March 31, 2020	
	Amount	Amount	Growth (%)
North America	5,178	4,884	− 5.7
Greater China*	5,177	6,131	+ 18.4
United Kingdom	827	2,931	+ 254.4
Indonesia	1,855	2,435	+ 31.3
Other regions**	5,441	5,741	+ 5.5
Overseas production and sale of snack and other foods business total	18,480	22,124	+ 19.7

*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 *Harvest Snaps*, despite of an increase in sales of *Harvest Snaps* made using organic beans due to strength sales promotional activities.
- In Greater China, sales increased year on year due to an increase in sales of cereals *Frugra* through e-commerce.
- Sales in the UK increased significantly year on year supported by business acquisition of Seabrook Crisps Limited (engaged in manufacture and sales of potato chips) in October 2018.
- Sales in Indonesia increased significantly year on year due to increased sales of the existing potato chips *Potabee* and the contributions in sales of *Japota*, a new flat-type potato chips.
- Sales in the other regions increased year on year mainly due to sales expansion of a bean-based snacks *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 September 30, 2019 were ¥204,449 million, an increase of ¥1,698 million. The primary factors contributing to this outcome were increases in cash and deposits and securities.

Liabilities increased ¥285 million to ¥42,546 million due to increases in notes and accounts payable-trade.

Net assets increased ¥1,412 million to ¥161,903 million due to an increase in retained earnings. The shareholders' equity ratio was 75.9%, same as at the end of the previous fiscal year.

2. Overview of cash flows

Cash and cash equivalents as of September 30, 2019 were ¥43,579 million, ¥8,153 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 ¥25,154 million, an increase in cash inflow of ¥12,870 million, primarily due to a decrease in trade receivables.

Cash flows from investing activities

Investing activities during the period resulted in a net cash outflow of ¥10,567 million, a decrease in cash outflow of ¥4,032 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 ¥6,125 million, an increase in cash outflow of ¥4,703 million, primarily due to a decrease in inflow from short-term loans borrowings.

(3) Consolidated forecasts

There are no changes to the consolidated full-year forecasts for the fiscal year ending March 31, 2020 issued on May 14, 2019.

2. Consolidated financial statements and key notes

(1) Consolidated balance sheets

Millions of yen, rounded down

	As of March 31, 2019	As of September 30, 2019
Assets		
Current assets		
Cash and deposits	12,992	22,852
Notes and accounts receivable - trade	39,736	27,431
Securities	42,760	47,616
Inventories	11,309	13,472
Other	5,067	4,117
Allowance for doubtful accounts	(8)	(0)
Total current assets	111,858	115,491
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	28,883	28,332
Machinery, equipment and vehicles, net	29,811	29,278
Land	11,391	11,347
Construction in progress	1,224	2,088
Other, net	1,240	1,169
Total property, plant and equipment	72,552	72,216
Intangible assets		
Goodwill	5,688	4,892
Other	2,016	1,912
Total intangible assets	7,704	6,805
Investments and other assets		
Investments and other assets, gross	10,693	9,995
Allowance for doubtful accounts	(59)	(60)
Total investments and other assets	10,634	9,935
Total non-current assets	90,891	88,957
Total assets	202,750	204,449

	As of March 31, 2019	As of September 30, 2019
Liabilities		
Current liabilities		
Notes and accounts payable - trade	8,987	11,541
Short-term borrowings	1,027	1,036
Income taxes payable	5,478	3,594
Provision for bonuses	4,004	3,608
Provision for bonuses for directors (and other officers)	67	118
Provision for share-based remuneration	35	—
Other	14,442	14,456
Total current liabilities	34,043	34,355
Non-current liabilities		
Provision for retirement benefits for directors (and other officers)	286	325
Provision for share-based remuneration for directors (and other officers)	92	130
Retirement benefit liability	6,531	6,405
Asset retirement obligations	522	524
Other	783	804
Total non-current liabilities	8,216	8,190
Total liabilities	42,260	42,546
Net assets		
Shareholders' equity		
Share capital	12,044	12,046
Capital surplus	4,786	4,779
Retained earnings	137,453	139,845
Treasury shares	(981)	(933)
Total shareholders' equity	153,303	155,738
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	467	396
Foreign currency translation adjustment	278	(720)
Remeasurements of defined benefit plans	(119)	(149)
Total accumulated other comprehensive income	627	(473)
Share acquisition rights	3	—
Non-controlling interests	6,555	6,638
Total net assets	160,490	161,903
Total liabilities and net assets	202,750	204,449

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

	<i>Millions of yen, rounded down</i>	
	April 1, 2018 to September 30, 2018	April 1, 2019 to September 30, 2019
Net sales	121,067	125,246
Cost of sales	67,733	69,241
Gross profit	53,333	56,005
Selling, general and administrative expenses	41,592	42,746
Operating profit	11,740	13,258
Non-operating income		
Interest income	62	69
Dividend income	20	21
Share of profit of entities accounted for using equity method	0	26
Foreign exchange gains	822	—
Other	129	202
Total non-operating income	1,035	319
Non-operating expenses		
Interest expenses	35	62
Foreign exchange losses	—	544
Depreciation	46	61
Loss on valuation of inventories	79	—
Other	54	89
Total non-operating expenses	216	758
Ordinary profit	12,560	12,819
Extraordinary income		
Gain on sales of non-current assets	21	6
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	488	—
Other	—	3
Total extraordinary income	2,922	182
Extraordinary losses		
Loss on sales of non-current assets	3	0
Loss on retirement of non-current assets	106	105
Loss on store closings	—	136
Impairment loss	813	—
Retirement benefits for directors	350	—
Loss on sales of shares of subsidiaries and associates	24	—
Other	2	1
Total extraordinary losses	1,301	243
Profit before income taxes	14,181	12,757
Income taxes - current	4,322	3,191
Income taxes - deferred	182	674
Total income taxes	4,505	3,866
Profit	9,675	8,891
Profit attributable to non-controlling interests	47	70
Profit attributable to owners of parent	9,628	8,820

Consolidated statements of comprehensive income

	<i>Millions of yen, rounded down</i>	
	April 1, 2018 to September 30, 2018	April 1, 2019 to September 30, 2019
Profit	9,675	8,891
Other comprehensive income		
Valuation difference on available-for-sale securities	32	(71)
Foreign currency translation adjustment	736	(1,307)
Remeasurements of defined benefit plans, net of tax	119	(30)
Total other comprehensive income	887	(1,409)
Comprehensive income	10,563	7,481
Comprehensive income attributable to		
Owners of parent	10,350	7,719
Non-controlling interests	213	(237)

(3) Consolidated statements of cash flows*Millions of yen, rounded down*

	April 1, 2018 to September 30, 2018	April 1, 2019 to September 30, 2019
Cash flows from operating activities		
Profit before income taxes	14,181	12,757
Depreciation	3,871	4,060
Impairment loss	813	—
Amortization of goodwill	283	331
Increase (decrease) in allowance for doubtful accounts	(2)	(6)
Increase (decrease) in provision for bonuses	(421)	(395)
Increase (decrease) in provision for bonuses for directors (and other officers)	(33)	53
Increase (decrease) in provision for share-based remuneration	(2)	5
Increase (decrease) in provision for share-based remuneration for directors	—	45
Increase (decrease) in retirement benefit liability	(76)	(205)
Decrease (increase) in retirement benefit asset	14	12
Increase (decrease) in provision for retirement benefits for directors (and other officers)	(154)	38
Interest and dividend income	(82)	(91)
Interest expenses	35	62
Foreign exchange losses (gains)	(737)	397
Subsidies income	—	(170)
Gain on liquidation of business	(488)	—
Share of loss (profit) of entities accounted for using equity method	(0)	(26)
Loss (gain) on sales of investment securities	(2,387)	(1)
Loss (gain) on sales of non-current assets	(17)	(6)
Loss on retirement of non-current assets	106	105
Decrease (increase) in trade receivables	2,401	11,973
Decrease (increase) in inventories	(2,643)	(2,306)
Increase (decrease) in trade payables	2,196	2,749
Increase (decrease) in accounts payable - other	(1,377)	(785)
Other, net	1,700	1,584
Subtotal	17,178	30,183
Interest and dividends received	60	89
Interest paid	(36)	(60)
Income taxes paid	(4,918)	(5,057)
Net cash provided by (used in) operating activities	12,283	25,154

	April 1, 2018 to September 30, 2018	April 1, 2019 to September 30, 2019
Cash flows from investing activities		
Purchase of property, plant and equipment	(6,017)	(3,832)
Proceeds from sales of property, plant and equipment	31	16
Purchase of intangible assets	(279)	(305)
Proceeds from sales of intangible assets	0	—
Purchase of securities	(16,832)	(34,824)
Proceeds from redemption of securities	4,000	28,441
Purchase of investment securities	(7)	(8)
Proceeds from sales of investment securities	47	5
Loan advances	(920)	(700)
Collection of loans receivable	2,378	800
Payments into time deposits	—	(944)
Proceeds from withdrawal of time deposits	266	623
Payments of guarantee deposits	(45)	(54)
Proceeds from refund of guarantee deposits	38	45
Payments for sales of shares of subsidiaries resulting in change in scope of consolidation	(823)	—
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	3,169	—
Proceeds from subsidy income	—	170
Other, net	393	(1)
Net cash provided by (used in) investing activities	(14,600)	(10,567)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	4,241	38
Purchase of treasury shares	—	(0)
Proceeds from exercise of employee share options	16	3
Proceeds from share issuance to non-controlling shareholders	—	323
Dividends paid	(5,616)	(6,422)
Dividends paid to non-controlling interests	(10)	(11)
Repayments of lease obligations	(53)	(55)
Net cash provided by (used in) financing activities	(1,421)	(6,125)
Effect of exchange rate change on cash and cash equivalents	266	(308)
Net increase (decrease) in cash and cash equivalents	(3,471)	8,153
Cash and cash equivalents at beginning of period	42,195	35,425
Cash and cash equivalents at end of period	38,723	43,579

(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.

(Subsequent events)

Business combination resulting from acquisition

Calbee America Inc., Calbee's subsidiary company in USA, concluded agreement for the sale and purchase of the business of Warnock Food Products, Inc. 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 sale of snack
2. Reason for business combination
Warnock Food Products, Inc. founded started operation in 1986, is a US contracted savory snack manufacturer that produces a wide variety of snacks including potato chips, tortilla chips and puff snacks. Through the acquisition, we aim to expand Calbee's product portfolio in the US 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
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 by cash by Calbee consolidated subsidiary Calbee America, Inc.