

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

April 1, 2018 to September 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 Half Results for the Fiscal Year Ending March 31, 2019

Calbee, Inc.

October 29, 2018

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

Stock exchange listings: Tokyo 1<sup>st</sup> section, code number 2229

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Scheduled date for submission of the first half financial report: November 9, 2018

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, 2018 to September 30, 2018) of the fiscal year ending March 31, 2019

### (1) Consolidated Operating Results

|  | Six months ended<br>September 30, 2018 |          | Six months ended<br>September 30, 2017 |          |
|--|--|----------|--|----------|
|  |  | % change |  | % change |
| Net sales .....                              | 121,067                                | 1.9      | 118,822                                | (3.9)    |
| Operating profit.....                        | 11,740                                 | 13.6     | 10,338                                 | (24.8)   |
| Ordinary profit.....                         | 12,560                                 | 19.0     | 10,557                                 | (17.4)   |
| Profit attributable to owners of parent..... | 9,628                                  | 36.7     | 7,045                                  | (11.8)   |
| Earnings per share (¥).....                  | 72.06                                  |          | 52.72                                  |          |
| Earnings per share (diluted) (¥).....        | 72.03                                  |          | 52.66                                  |          |

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, 2018: ¥10,563 million (45.1%)

Six months ended September 30, 2017: ¥7,282 million (14.4%)

### (2) Consolidated Financial Position

|  | As of September 30, 2018 | As of March 31, 2017 |
|--|--------------------------|----------------------|
| Total assets .....                         | 196,890                  | 192,034              |
| Net assets .....                           | 150,987                  | 146,667              |
| Shareholders' equity/total assets (%)..... | 73.2                     | 72.6                 |

Shareholders' equity: As of September 30, 2018: ¥144,214 million

As of September 30, 2017: ¥139,375 million

## 2) Dividends

|                                   | FY ended<br>March 31, 2018 | FY ending<br>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)

|  | Fiscal year ending<br>March 31, 2019 | % 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 (¥).....                  | 142.16                               |          |

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): Yes  
One company removed from scope of consolidation: Calbee-URC, Inc.
- (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 September 30, 2018:         | As of March 31, 2018:             |
|---|-----------------------------------|-----------------------------------|
| 1. Number of outstanding shares (including treasury shares) | 133,917,800 shares                | 133,875,800 shares                |
| 2. Number of treasury shares                                | 267,972 shares                    | 292,997 shares                    |
|   | Six months to September 30, 2018: | Six months to September 30, 2017: |
| 3. Average number of shares during the period               | 133,622,795 shares                | 133,630,816 shares                |

Note: Regarding Calbee stock held in trust as treasury stock within shareholders' equity, the number of treasury shares includes 267,140 of these shares as of September 30, 2018 and 292,165 of these shares as of March 31, 2018, and the average number of shares excludes 281,416 treasury shares in the six months to September 30, 2018, and 196,338 treasury shares in the six months to September 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.
2. The earnings per share forecast for the fiscal year ending March 31, 2019 is calculated using 133,649,828 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, 2018. 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 under review (April 1, 2018 to September 30, 2018) increased 1.9% to ¥121,067 driven by increased sales of snack foods in the domestic business and of cereal foods and snack foods in the overseas business. For domestic snack foods, sales increased, due in part to higher sales of *Potato Chips* following sales adjustments made in the first quarter of the previous fiscal year caused by a potato shortage stemming from typhoon damage. For overseas cereals, sales increased due to the expansion of sales channels to China and amid a new *Frugra* factory in Kyoto began operation in August. Overseas snack foods sales increased, primarily due to sales growth in Indonesia and Australia.

Operating profit increased 13.6% to ¥11,740 million due to factors including improved costs on recovery of factory utilization accompanying increased sales of *Potato Chips* in the domestic business, as well as improved costs including a reduction in losses from disposal in the North America in the overseas business. The operating profit ratio was 9.7%, a year on year increase of 1.0 percentage points. Ordinary profit increased 19.0% to ¥12,560 million, including foreign exchange gains of ¥822 million. Profit attributable to owners of parent increased 36.7% to ¥9,628 million, due in part to having transferred all shares of consolidated subsidiary CalNeCo, Inc. (main business: sale and production of sales promotional tools) in September, recording a ¥2,378 million gain on sales of shares of subsidiaries and associates under extraordinary income.

Millions of yen, rounded down

|                | H1 FY ending<br>March 31, 2019 |       | H1 FY ended<br>March 31, 2018 |       | Growth in<br>yen (%) | Growth on<br>local<br>currency<br>basis (%) |
|----------------|--------------------------------|-------|-------------------------------|-------|----------------------|---|
|                | Amount                         | %     | Amount                        | %     |                      |   |
| Domestic sales | 102,586                        | 84.7  | 102,742                       | 86.5  | −0.2                 | −0.2  |
| Overseas sales | 18,480                         | 15.3  | 16,080                        | 13.5  | +14.9                | +16.1                                       |
| Total          | 121,067                        | 100.0 | 118,822                       | 100.0 | +1.9                 | +2.0  |

Results by business are as follows.

Millions of yen, rounded down

| Sales  | H1 FY ending<br>March 31, 2019 |            | H1 FY ended<br>March 31, 2018 |
|--|--------------------------------|------------|-------------------------------|
|  | Amount                         | Growth (%) | Amount                        |
| 1) Production and sale of snack and other foods business       | 119,627                        | +2.2       | 117,045                       |
| Domestic production and sale of snack and other foods business | 101,146                        | +0.2       | 100,965                       |
| Domestic snack foods   | 88,192                         | +8.8       | 81,042                        |
| Domestic cereals   | 12,408                         | −3.2       | 12,816                        |
| Other domestic foods   | 546                            | −92.3      | 7,106                         |
| Overseas production and sale of snack and other foods business | 18,480                         | +14.9      | 16,080                        |
| Overseas snack foods   | 16,299                         | +4.8       | 15,555                        |
| Overseas cereals   | 2,181                          | +315.7     | 524                           |
| 2) Other businesses  | 1,439                          | −19.0      | 1,776                         |
| Total  | 121,067                        | +1.9       | 118,822                       |

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 growth of *Potato Chips* on strong demand and increased sales of new products utilizing new ingredients contributed to this outcome; however, the increased demand for *Potato Chips* had a negative effects on the 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                        | H1 FY ending<br>March 31, 2019 |            | H1 FY ended<br>March 31, 2018 |
|------------------------------|--------------------------------|------------|-------------------------------|
|                              | Amount                         | Growth (%) | Amount                        |
| Potato-based snacks          | 64,604                         | +15.3      | 56,034                        |
| <i>Potato Chips</i>          | 39,967                         | +27.1      | 31,445                        |
| <i>Jagarico</i>              | 18,755                         | +8.9       | 17,220                        |
| <i>Jagabee/ Jaga Pokkuru</i> | 5,881                          | −20.2      | 7,367                         |
| Flour-based snacks           | 10,259                         | −9.2       | 11,295                        |
| <i>Kappa Ebisen</i>          | 4,639                          | −11.9      | 5,267                         |
| <i>Sapporo Potato, etc.</i>  | 5,619                          | −6.8       | 6,028                         |
| Corn- and bean-based snacks  | 7,907                          | −9.6       | 8,751                         |
| Other snacks                 | 5,420                          | +9.3       | 4,960                         |
| Domestic snack foods total   | 88,192                         | +8.8       | 81,042                        |

- Sales of potato-based snacks increased year on year. Sales of *Potato Chips* increased on the effect of having made adjustments to sales items in the first quarter of the previous fiscal year due to a potato shortage and the implementation of an increased volume campaign in the first quarter, which succeeded in expanding sales of regular items including *Usu-Shio-Aji*. Sales also increased for *Jagarico*, due in part to sales of *Tomorico* and *Edamarico*, individual portion snacks which were launched nationwide with a TV commercial. However, *Jagabee/Jaga Pokkuru* sales decreased, despite firm sales of *Jaga Pokkuru*, due to weak sales of *Jagabee* regular products.
- Sales of flour-based snacks decreased year on year due to decreased sales of products such as *Kappa Ebisen* and *Sapporo Potato* due to reactionary negative effect of increased demand for *Potato Chips*.
- Sales of corn- and bean-based snacks decreased year on year despite Japan Frito-Lay *Dragon Potato*, launched during the current period contributing to sales, due to decreased sales of products such as *Cheetos* due to reactionary negative effect of increased demand for *Potato Chips*.

• Domestic cereals:

Sales of domestic cereals decreased year on year. Despite intensified marketing of individual portion items for *Frugra* for generating new customers, the renewal of *Frugra Less Carbohydrates* and continuous investment in limited time products, demand did not increase.

• Other domestic foods:

Sales of other domestic foods decreased significantly year on year due to the 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 increased driven by the contribution of *Krisbee Krunchy*, a corn-based snack launched in March, and higher sales of *Potabee* potato chips due to proactive sales promotional activities. In Australia, sales of bean-based snack *Harvest Snaps* continued to grow firmly since market launch. In North America, sales of existing product *Harvest Snaps* increased due to the strengthening of sales promotional activities, as well as the launch of *Harvest Snaps* made using organic beans. However, in South Korea sales declined year on year due to continue of sluggish sales.

- Overseas cereals:

Sales of overseas cereals increased year on year with the start of *Frugra* production at our Kyoto factory from August and having launched China domestic e-commerce as well as cross-border e-commerce launches in the previous fiscal year.

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

*Millions of yen, rounded down*

| Sales   |  | H1 FY ending<br>March 31, 2019 |            | H1 FY ended<br>March 31, 2018 |
|---|--|--------------------------------|------------|-------------------------------|
|   |  | Amount                         | Growth (%) | Amount                        |
| North America   |  | 5,178                          | +3.5       | 5,002                         |
| Asia  | Greater China*                         | 5,177                          | +50.0      | 3,451                         |
|   | South Korea                            | 2,191                          | − 19.1     | 2,708                         |
|   | Other Asian regions and<br>Australia** | 5,105                          | +21.1      | 4,215                         |
| Europe  |  | 827                            | +17.7      | 702                           |
| Overseas production and sale of<br>snack and other foods business total |  | 18,480                         | +14.9      | 16,080                        |

\*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 decreased year on year due to consolidated subsidiary CalNeCo, Inc., which sale and production of sales promotional tools, having been removed from the scope of consolidation on the transfer of all its shares in September.

## **(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 September 30, 2018 were ¥196,890 million, an increase of ¥4,856 million. The primary factor contributing to this outcome was an increase in securities due to an acquisition in investment funds. Liabilities increased ¥536 million to ¥45,903 million due to an increase in short-term loans payable. Net assets increased ¥4,319 million to ¥150,987 million due to an increase in retained earnings. The shareholders' equity ratio increased 0.6 percentage points from the end of the previous fiscal year to 73.2%.

### **2. Overview of cash flows**

Cash and cash equivalents as of September 30, 2018 were ¥38,723 million, ¥3,471 million lower than at the end of the previous fiscal year.

#### Cash flows from operating activities

Operating activities during the current period resulted in a net cash inflow of ¥12,283 million, an increase in cash inflow of ¥17,280 million compared to the first six months of the previous fiscal year, primarily due to a decrease in notes and accounts receivable - trade.

#### Cash flows from investing activities

Investing activities during the period resulted in a net cash outflow of ¥14,600 million, decrease in cash outflow of ¥1,473 million, due to an increase in inflow from proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation and collection of loans receivable.

#### Cash flows from financing activities

Financing activities during the period resulted in a net cash outflow of ¥1,421 million, an increase in cash outflow of ¥1,793 million, primarily due to a decrease in net increase in short-term loans payable.

## **(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 September 30, 2018 | As of March 31, 2018 |
|--|--------------------------|----------------------|
| <b>Assets</b>                          |                          |                      |
| Current assets                         |                          |                      |
| Cash and deposits                      | 21,890                   | 23,559               |
| Notes and accounts receivable - trade  | 37,958                   | 41,749               |
| Securities                             | 33,747                   | 22,998               |
| Inventories                            | 13,237                   | 10,748               |
| Other                                  | 4,251                    | 5,323                |
| Allowance for doubtful accounts        | (21)                     | (23)                 |
| Total current assets                   | 111,064                  | 104,356              |
| Non-current assets                     |                          |                      |
| Property, plant and equipment          |                          |                      |
| Buildings and structures, net          | 28,694                   | 27,423               |
| Machinery, equipment and vehicles, net | 29,399                   | 28,171               |
| Land                                   | 11,333                   | 11,556               |
| Construction in progress               | 1,565                    | 4,523                |
| Other, net                             | 1,304                    | 1,421                |
| Total property, plant and equipment    | 72,297                   | 73,096               |
| Intangible assets                      |                          |                      |
| Goodwill                               | 459                      | 922                  |
| Other                                  | 2,091                    | 2,468                |
| Total intangible assets                | 2,551                    | 3,391                |
| Investments and other assets           |                          |                      |
| Investments and other assets, gross    | 11,036                   | 11,316               |
| Allowance for doubtful accounts        | (58)                     | (126)                |
| Total investments and other assets     | 10,977                   | 11,190               |
| Total non-current assets               | 85,826                   | 87,678               |
| <b>Total assets</b>                    | <b>196,890</b>           | <b>192,034</b>       |

|  | As of September 30, 2018 | As of March 31, 2018 |
|--|--------------------------|----------------------|
| <b>Liabilities</b>                                     |                          |                      |
| <b>Current liabilities</b>                             |                          |                      |
| Notes and accounts payable - trade                     | 11,115                   | 9,728                |
| Short-term loans payable                               | 5,760                    | 1,129                |
| Income taxes payable                                   | 4,599                    | 5,252                |
| Provision for bonuses                                  | 3,300                    | 3,863                |
| Provision for directors' bonuses                       | 66                       | 117                  |
| Provision for stocks payment                           | 0                        | 53                   |
| Other  | 11,924                   | 15,260               |
| <b>Total current liabilities</b>                       | <b>36,767</b>            | <b>35,405</b>        |
| <b>Non-current liabilities</b>                         |                          |                      |
| Provisions for directors' retirement benefits          | 278                      | 491                  |
| Provision for management board incentive plan trust    | 52                       | 90                   |
| Net defined benefit liability                          | 7,240                    | 7,674                |
| Asset retirement obligations                           | 519                      | 659                  |
| Other  | 1,045                    | 1,045                |
| <b>Total non-current liabilities</b>                   | <b>9,135</b>             | <b>9,961</b>         |
| <b>Total liabilities</b>                               | <b>45,903</b>            | <b>45,366</b>        |
| <b>Net assets</b>                                      |                          |                      |
| <b>Shareholders' equity</b>                            |                          |                      |
| Capital stock  | 12,043                   | 12,033               |
| Capital surplus  | 4,785                    | 4,775                |
| Retained earnings                                      | 127,653                  | 123,647              |
| Treasury shares  | (982)                    | (1,073)              |
| <b>Total shareholders' equity</b>                      | <b>143,500</b>           | <b>139,383</b>       |
| <b>Accumulated other comprehensive income</b>          |                          |                      |
| Valuation difference on available-for-sales securities | 713                      | 680                  |
| Foreign currency translation adjustment                | 626                      | 57                   |
| Remeasurements of defined benefit plans                | (626)                    | (745)                |
| <b>Total accumulated other comprehensive income</b>    | <b>713</b>               | <b>(7)</b>           |
| <b>Share acquisition rights</b>                        | <b>3</b>                 | <b>7</b>             |
| <b>Non-controlling interests</b>                       | <b>6,769</b>             | <b>7,284</b>         |
| <b>Total net assets</b>                                | <b>150,987</b>           | <b>146,667</b>       |
| <b>Total liabilities and net assets</b>                | <b>196,890</b>           | <b>192,034</b>       |

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

*Millions of yen, rounded down*

|  | April 1, 2018 to September<br>30, 2018 | April 1, 2017 to September<br>30, 2017 |
|--|--|--|
| Net sales  | 121,067                                | 118,822                                |
| Cost of sales  | 67,733                                 | 69,298                                 |
| Gross profit   | 53,333                                 | 49,523                                 |
| Selling, general and administrative<br>expenses                  | 41,592                                 | 39,185                                 |
| Operating profit   | 11,740                                 | 10,338                                 |
| Non-operating income   |  |  |
| Interest income  | 62                                     | 40                                     |
| Dividend income  | 20                                     | 23                                     |
| Share of profit of entities accounted for<br>using equity method | 0                                      | —                                      |
| Foreign exchange gains   | 822                                    | 193                                    |
| Other  | 129                                    | 150                                    |
| Total non-operating income                                       | 1,035                                  | 407                                    |
| Non-operating expenses   |  |  |
| Interest expenses  | 35                                     | 36                                     |
| Loss on valuation of inventories                                 | 79                                     | —                                      |
| Depreciation   | 46                                     | 21                                     |
| Other  | 54                                     | 130                                    |
| Total non-operating expenses                                     | 216                                    | 188                                    |
| Ordinary profit  | 12,560                                 | 10,557                                 |
| Extraordinary income   |  |  |
| Gain on sales of non-current assets                              | 21                                     | 4                                      |
| Gain on sales of investment securities                           | 33                                     | —                                      |
| Gain on sales of shares of subsidiaries<br>and associates        | 2,378                                  | —                                      |
| Gain on liquidation of business                                  | 488                                    | —                                      |
| Total extraordinary income                                       | 2,922                                  | 4                                      |
| Extraordinary losses   |  |  |
| Loss on sales of non-current assets                              | 3                                      | 0                                      |
| Loss on retirement of non-current<br>assets                      | 106                                    | 80                                     |
| Impairment loss  | 813                                    | —                                      |
| Directors' retirement benefits                                   | 350                                    | —                                      |
| Loss on sales of shares of subsidiaries<br>and associates        | 24                                     | —                                      |
| Other  | 2                                      | —                                      |
| Total extraordinary losses                                       | 1,301                                  | 80                                     |
| Profit before income taxes                                       | 14,181                                 | 10,481                                 |
| Income taxes - current   | 4,322                                  | 2,898                                  |
| Income taxes - deferred  | 182                                    | 548                                    |
| Total income taxes   | 4,505                                  | 3,447                                  |
| Profit   | 9,675                                  | 7,033                                  |
| Profit (loss) attributable to non-controlling<br>interests       | 47                                     | (11)                                   |
| Profit attributable to owners of parent                          | 9,628                                  | 7,045                                  |

## Consolidated statements of comprehensive income

*Millions of yen, rounded down*

|  | April 1, 2018 to September<br>30, 2018 | April 1, 2017 to September<br>30, 2017 |
|--|--|--|
| Profit   | 9,675                                  | 7,033                                  |
| Other comprehensive income                               |  |  |
| Valuation difference on<br>available-for-sale securities | 32                                     | 58                                     |
| Foreign currency translation adjustment                  | 736                                    | 43                                     |
| Remeasurements of defined benefit<br>plans, net of tax   | 119                                    | 146                                    |
| Total other comprehensive income                         | 887                                    | 248                                    |
| Comprehensive income                                     | 10,563                                 | 7,282                                  |
| Comprehensive income attributable to:                    |  |  |
| Owners of parent   | 10,350                                 | 7,285                                  |
| Non-controlling interests                                | 213                                    | (3)                                    |

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

|  | April 1, 2018 to September<br>30, 2018 | April 1, 2017 to September<br>30, 2017 |
|--|--|--|
| <b>Cash flows from operating activities</b>                          |  |  |
| Profit before income taxes   | 14,181                                 | 10,481                                 |
| Depreciation   | 3,871                                  | 3,939                                  |
| Impairment loss  | 813                                    | —                                      |
| Amortization of goodwill   | 283                                    | 299                                    |
| Increase (decrease) in allowance for doubtful accounts               | (2)                                    | (27)                                   |
| Increase (decrease) in provision for bonuses                         | (421)                                  | (747)                                  |
| Increase (decrease) in provision for directors' bonuses              | (33)                                   | (54)                                   |
| Increase (decrease) in provision for stocks payment                  | (2)                                    | (50)                                   |
| Increase (decrease) in provision for directors' stocks payment       | —                                      | (20)                                   |
| Increase (decrease) in net defined benefit liability                 | (76)                                   | 40                                     |
| Increase (decrease) in net defined benefit assets                    | 14                                     | 19                                     |
| Increase (decrease) in provision for directors' retirement benefits  | (154)                                  | (54)                                   |
| Interest and dividend income   | (82)                                   | (63)                                   |
| Interest expenses  | 35                                     | 36                                     |
| Foreign exchange losses (gains)                                      | (737)                                  | (239)                                  |
| Gain on liquidation of business                                      | (488)                                  | —                                      |
| Share of loss (profit) of entities accounted for using equity method | (0)                                    | —                                      |
| Loss (gain) on sales of investment securities                        | (2,387)                                | —                                      |
| Loss (gain) on sales of non-current assets                           | (17)                                   | (4)                                    |
| Loss on retirement of non-current assets                             | 106                                    | 80                                     |
| Decrease (increase) in notes and accounts receivable - trade         | 2,401                                  | (11,063)                               |
| Decrease (increase) in inventories                                   | (2,643)                                | (2,339)                                |
| Increase (decrease) in notes and accounts payable - trade            | 2,196                                  | 1,743                                  |
| Increase (decrease) in accounts payable - other                      | (1,377)                                | (1,117)                                |
| Other, net   | 1,700                                  | (684)                                  |
| <b>Subtotal</b>  | <b>17,178</b>                          | <b>175</b>                             |
| Interest and dividend income received                                | 60                                     | 63                                     |
| Interest expenses paid   | (36)                                   | (37)                                   |
| Income taxes paid  | (4,918)                                | (5,197)                                |
| <b>Net cash provided by (used in) operating activities</b>           | <b>12,283</b>                          | <b>(4,996)</b>                         |

|   | April 1, 2018 to September<br>30, 2018 | April 1, 2017 to September<br>30, 2017 |
|---|--|--|
| Cash flows from investing activities  |  |  |
| Purchase of property, plant and equipment   | (6,017)                                | (6,543)                                |
| Proceeds from sales of property, plant and equipment  | 31                                     | 12                                     |
| Purchase of intangible assets   | (279)                                  | (196)                                  |
| Proceeds from sales of intangible assets  | 0                                      | —                                      |
| Purchase of securities  | (16,832)                               | (16,998)                               |
| Proceeds from redemption of securities  | 4,000                                  | 8,000                                  |
| Purchase of investment securities   | (7)                                    | (8)                                    |
| Proceeds from sales of investment securities  | 47                                     | —                                      |
| Payments of loans receivable  | (920)                                  | (60)                                   |
| Collection of loans receivable  | 2,378                                  | 120                                    |
| Payments into time deposits   | —                                      | (794)                                  |
| Proceeds from withdrawal of time deposits   | 266                                    | 337                                    |
| Payments for guarantee deposits   | (45)                                   | (15)                                   |
| Proceeds from collection of guarantee deposits  | 38                                     | 73                                     |
| 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                                  | —                                      |
| Other, net  | 393                                    | 0                                      |
| Net cash provided by (used in) investing activities   | (14,600)                               | (16,073)                               |
| Cash flows from financing activities  |  |  |
| Net increase (decrease) in short-term loans payable   | 4,241                                  | 6,083                                  |
| Purchase of treasury shares   | —                                      | (533)                                  |
| Proceeds from exercise of share options   | 16                                     | 16                                     |
| Dividends paid to non-controlling interests   | —                                      | 502                                    |
| Cash dividends paid   | (5,616)                                | (5,616)                                |
| Dividends paid to non-controlling interests   | (10)                                   | (16)                                   |
| Repayments of lease obligations   | (53)                                   | (65)                                   |
| Net cash provided by (used in) financing activities   | (1,421)                                | 371                                    |
| Effect of exchange rate change on cash and cash equivalents                                 | 266                                    | 147                                    |
| Net increase (decrease) in cash and cash equivalents  | (3,471)                                | (20,551)                               |
| Cash and cash equivalents at beginning of period  | 42,195                                 | 44,627                                 |
| Cash and cash equivalents at end of period  | 38,723                                 | 24,075                                 |

#### (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.

(Additional information)

|  |
|--|
| First half consolidated cumulative accounting period<br>(April 1, 2018 – September 30, 2018)   |
| The partial amendment to the "Accounting Standard on 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. |

(Subsequent events)

Business combination resulting from acquisition

Calbee consolidated subsidiary Calbee (UK) Ltd. acquired all shares of Pacific Shelf 1809 Limited from UK private equity fund Lloyds Development Capital (Holdings) Limited and individual shareholders for the purpose of acquiring the business of UK foods company Seabrook Crisps Limited. A stock purchase agreement was concluded and the acquisition of 100% of the shares completed on October 2, 2018.

(1) Overview of the transaction

1. Name and business description of the acquired company  
Name of acquired company: Pacific Shelf 1809 Limited  
Description of business: Holding company
2. Reason for business combination  
Seabrook Crisps Limited, a subsidiary of Pacific Shelf 1809 Limited, is a UK savory snack manufacturer with a long history (founded in 1945) that owns the Seabrook brand. Calbee Group aims to bolster the Calbee brand and expand its business in Europe through the acquisition of this brand in the major potato chips category in the UK, the largest market for snacks in Europe.
3. Date of business combination  
October 2, 2018
4. Legal form of business combination  
Acquisition of stock
5. Name of company after business combination  
No change
6. Ratio of voting rights  
100%
7. Major reasons for acquisition  
Acquisition paid by cash by Calbee consolidated subsidiary Calbee (UK) Ltd.

(2) Purchase price and its breakdown

Purchase price of share paid by cash: ¥1,361 million