

Consolidated Financial Statements for the Third Quarter of the Fiscal Year Ending March 31, 2024

April 1, 2023 to December 31, 2023

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, 2024

Calbee, Inc.

February 6, 2024

URL: <https://www.calbee.co.jp/en/>

Stock exchange listings: Prime Market of Tokyo, code number 2229

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Scheduled date for submission of the third quarter financial report: February 9, 2024

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, 2023 to December 31, 2023) of the fiscal year ending March 31, 2024

(1) Consolidated Operating Results

Millions of yen, rounded down

	Nine months ended December 31, 2022		Nine months ended December 31, 2023	
		% change		% change
Net sales	208,499	12.4	227,339	9.0
Operating profit.....	18,063	(13.5)	23,715	31.3
Ordinary profit.....	19,060	(11.6)	26,031	36.6
Profit attributable to owners of parent.....	12,531	(14.8)	17,165	37.0
Earnings per share (¥).....	97.19		137.43	
Earnings per share (diluted) (¥).....	—		—	

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, 2023: ¥20,471 million (40.5%)

Nine months ended December 31, 2022: ¥14,569 million (-7.9%)

(2) Consolidated Financial Position

Millions of yen, rounded down

	As of March 31, 2023	As of December 31, 2023
Total assets	239,095	279,606
Net assets	182,686	196,151
Shareholders' equity/total assets (%).....	72.8	66.8

Shareholders' equity: As of December 31, 2023: ¥186,651 million

As of March 31, 2023: ¥174,112 million

2) Dividends

Yen

	FY ended March 31, 2023	FY ending March 31, 2024 (forecast)
Interim period per share	0.00	0.00
Year-end dividend per share	52.00	54.00
Annual dividend per share.....	52.00	54.00

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

3) Consolidated forecasts for the fiscal year ending March 31, 2024 (April 1, 2023 to March 31, 2024)

Millions of yen

		% change
Net sales	298,000	6.7
Operating profit.....	26,000	16.9
Ordinary profit.....	28,500	21.5
Profit attributable to owners of parent.....	18,000	21.9
Earnings per share (¥).....	144.12	

Notes: 1. The percentages shown above are a comparison with the same period in the previous fiscal year.

2. Changes from the most recently announced results forecast: No

Notes

- (1) Transfers of important subsidiaries during the period (transfers of specified subsidiaries resulting in changes in the scope of consolidation): Yes
New companies: None Excluded companies: 1 (Calbee North America, LLC)
- (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, 2023:	As of December 31, 2023:
1. Number of outstanding shares (including treasury shares)	133,929,800 shares	133,929,800 shares
2. Number of treasury shares	9,005,241 shares	9,050,466 shares
	Nine months to December 31, 2022:	Nine months to December 31, 2023:
3. Average number of shares during the period	128,938,306 shares	124,906,279 shares

Note: Regarding Calbee stock held in trust as treasury stock within shareholders' equity, the number of treasury shares includes 288,055 of these shares as of December 31, 2023 and 242,865 of these shares as of March 31, 2023, and the average number of shares excludes 261,112 treasury shares in the nine months to December 31, 2023, and 255,215 treasury shares in the nine months to December 31, 2022.

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, 2024.
2. The earnings per share forecast for the fiscal year ending March 31, 2024 is calculated using 124,899,580 shares as the expected average number of shares for the period.
3. Calbee, Inc. has scheduled a financial results conference for institutional investors and analysts for February 6, 2024. 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 current fiscal year totaled ¥227,339 million (up 9.0%) driven by the domestic business in response to steady demand for snacks. Sales in the domestic business were ¥172,333 million (up 11.7%). The increase in sales was due to factors including the effect of price and content revisions, significant growth in gift snack items and the systematic implementation of sales promotion measures conducted due to sufficient Hokkaido potato harvest in the fall of 2023. Sales in the overseas business were ¥55,005 million (up 1.5%) due to strong sales of snack foods in the UK, Indonesia, and other countries despite continuing sluggish sales in Greater China.

Operating profit was ¥23,715 million (up 31.3%), and operating margin was 10.4%, an increase of 1.8 percentage points. In the domestic business, although raw material prices continued to rise, they were more than offset by the effects of price and content revisions and increased profit from higher sales volume. Ordinary profit was ¥26,031 million (up 36.6%) due to the recording of foreign exchange gains on the depreciation of the yen in non-operating income. Profit attributable to owners of parent was ¥17,165 million (up 37.0%).

Results by business are as follows.

Millions of yen, rounded down

	Q3 FY ended March 31, 2023	Q3 FY ending March 31, 2024	
	Amount	Amount	Growth (%)
Domestic production and sale of snack and other foods business	154,282	172,333	+ 11.7
Domestic snack foods	143,318	160,252	+ 11.8
Domestic cereals	18,679	19,483	+ 4.3
Domestic, others	10,021	11,468	+ 14.4
Deduction of rebates, etc.	(17,737)	(18,870)	—
Overseas production and sale of snack and other foods business	54,216	55,005	+ 1.5
Total, production and sale of snack and other foods business	208,499	227,339	+ 9.0

* Sales of “Domestic snack foods”, “Domestic cereals” and “Domestic, others” are before deduction of rebates, etc.

Production and sale of snack and other foods business

Sales in the production and sale of snack and other foods business increased on growth in both the domestic and overseas businesses.

Domestic production and sale of snack and other foods business

• Domestic snack foods:

Domestic snack foods sales increased.

Sales by product are as follows.

Millions of yen, rounded down

	Q3 FY ended March 31, 2023	Q3 FY ending March 31, 2024	
	Amount	Amount	Growth (%)
<i>Potato Chips</i>	66,673	73,728	+ 10.6
<i>JagaRico</i>	29,654	33,276	+ 12.2
Other snacks	49,989	53,247	+ 13.3
Total, domestic snack foods	143,318	160,252	+ 11.8

* Net sales by product are before deduction of rebates, etc.

** The category “Snack food products with new value / other snacks” was renamed “Other snacks” from the current period.

- Sales of *Potato Chips* increased driven by sales of regular items such as *Usu-Shio-Aji* and *Kataage Potato* as well as contributions from *Pizza Potato* and seasonal limited-time products.
- Sales of *JagaRico* increased on strong sales of regular items and a new product named *The Skinny JagaRico*.
- Sales of other snacks increased due to both significant growth in gift snack items such as *Jaga-Pokkuru* and steady sales of flour-based and corn/bean-based snacks.

• Domestic cereals:

Sales of domestic cereals were ¥19,483 million (up 4.3%) due to the success of sales promotion activities such as an increased volume campaign from October onwards and a successful project product.

• Domestic, others:

Sales in other domestic businesses were ¥11,468 million (up 14.4%) on strong sales in the wholesale sweet potato business.

Overseas production and sale of snack and other foods business

Sales increased in the overseas production and sale of snack and other foods business.

Sales by region are as follows.

Millions of yen, rounded down

	Q3 FY ended March 31, 2023	Q3 FY ending March 31, 2024		
	Amount	Amount	Growth (%)	Growth on local currency basis (%)
North America	16,785	17,241	+2.7	(2.6)
Greater China	18,100	14,378	(20.6)	(22.1)
Other regions	26,797	30,227	+12.8	+6.2
Deduction of rebates, etc.	(7,466)	(6,841)	—	—
Total, overseas production and sale of snack and other foods business	54,216	55,005	+1.5	(3.6)

* Greater China: China and Hong Kong

** Other regions: United Kingdom, Indonesia, South Korea, Thailand, Singapore and Australia

*** Net sales by region are before deduction of rebates, etc.

- In North America, while sales of bean-based snack *Harvest Snaps* and brands of Japanese origin such as *Kappa-Ebisen* continued to grow, sales decreased on a local currency basis due to a decline in snack foods contract manufacturing sales.
- In Greater China, sales to retail stores and e-commerce channels were weak overall due to deteriorating business confidence and stricter customs regulations, resulting in a decrease in sales.
- In Other regions, overall sales rose on higher sales in the UK and Indonesia. In the UK, this was due to distribution of Seabrook brand products and the launch of new products, while in Indonesia, it was due to growth in sales of mainstay brand potato chips and dough snack *Guribee*.

(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, 2023 increased by ¥40,511 million to ¥279,606 million, mainly due to an increase in notes and accounts receivable-trade as well as an increase in property, plant and equipment. The increase in notes and accounts receivable was due to delayed collection until the following month as the last day of December was a bank holiday. The main reasons for the increase in property, plant and equipment were the construction of new *JagaRico* manufacturing facilities and a new plant in Hiroshima.

Liabilities increased by ¥27,046 million to ¥83,455 million on an increase in long-term borrowings.

Net assets increased by ¥13,464 million to ¥196,151 million due to an increase in retained earnings.

As a result, the shareholders' equity ratio was 66.8%, down 6.0 percentage points.

2. Overview of cash flows

Cash and cash equivalents as of December 31, 2023 were ¥27,034 million, a decrease of ¥3,257 million.

Cash flows from operating activities

Operating activities resulted in a net cash inflow of ¥3,644 million, an increase of ¥13,378 million. This was mainly due to an increase in quarterly profit before income taxes and a decrease in changes in inventories.

Cash flows from investing activities

Investing activities resulted in a net cash outflow of ¥28,532 million, an increase of ¥15,578 million, mainly due to an increase in expenditures for the purchase of property, plant and equipment.

Cash flows from financing activities

Financing activities resulted in a net cash inflow of ¥20,738 million, an increase of ¥26,085 million, mainly due to a net increase in long-term borrowings.

Information pertaining to financial resources and capital liquidity

· Developments in capital requirements

Calbee Group's capital requirements for operating activities include expenditures for costs related to manufacturing, such as raw materials, labor and production expenses, and for sales activities, such as selling, labor, distribution, etc. Expenditures for investing activities are primarily for capital investment and growth investment and expenditures for financing activities are primarily for capital requirements related to the payment of dividends by the parent company.

In response to these capital requirements, based on our Change 2025 growth strategy we plan to allocate cash flows from operating activities to be generated over the three-year period from the fiscal year ending March 31, 2024 to the fiscal year ending March 31, 2026, cash on hand, and borrowings.

Details of capital requirements

Growth investment: Capital investment for growing domestic and overseas business, investment in new areas, M&A for strengthening overseas bases, etc.

Efficiency investment: Support for ESG, capital investment in areas including automation/labor-saving, to raise productivity

Shareholder returns: Aim for total return ratio over 50% and DOE 4% on a consolidated basis

The status of cash outlays as of December 31, 2023 is as follows.

Millions of yen, rounded down

	Q3 FY ending March 31, 2024	3-year plan	Progress (%)
Growth investment	8,027	80,000	10.0
Efficiency investment	17,986	60,000	30.0
Shareholder returns	6,493	25,000	26.0
Total	32,507	165,000	19.7

* 3-year plan: period from FY ending March 31, 2024 to FY ending March 31, 2026

• Fund-raising methods

In principle, Calbee Group raises funds by using borrowings from financial institutions in addition to cash provided by operating activities. We and our domestic consolidated subsidiaries have introduced a cash management system (CMS) to centrally manage funds within the Group, thereby centrally managing surplus funds, securing liquidity and improving funding efficiency. In addition, Calbee has entered into overdraft agreements with several financial institutions with the aim of further supplementing our liquidity, and we recognize that we have sufficient liquidity to fund our business operations.

(3) Consolidated forecasts

There is no change in the consolidated forecasts for the fiscal year ending March 31, 2024 announced on October 31, 2023.

2. Consolidated financial statements and key notes

(1) Consolidated balance sheets

Millions of yen, rounded down

	As of March 31, 2023	As of December 31, 2023
Assets		
Current assets		
Cash and deposits	32,167	31,825
Notes and accounts receivable - trade	37,121	55,704
Inventories	23,352	24,332
Other	6,439	8,228
Allowance for doubtful accounts	(110)	(97)
Total current assets	<u>98,970</u>	<u>119,993</u>
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	34,574	37,759
Machinery, equipment and vehicles, net	31,758	36,323
Land	16,330	16,450
Construction in progress	16,796	29,130
Other, net	2,074	2,346
Total property, plant and equipment	<u>101,533</u>	<u>122,010</u>
Intangible assets		
Goodwill	23,222	22,500
Other	2,709	2,600
Total intangible assets	<u>25,932</u>	<u>25,100</u>
Investments and other assets		
Investments and other assets, gross	12,659	12,502
Allowance for doubtful accounts	(1)	(1)
Total investments and other assets	<u>12,658</u>	<u>12,501</u>
Total non-current assets	<u>140,124</u>	<u>159,613</u>
Total assets	<u>239,095</u>	<u>279,606</u>

	As of March 31, 2023	As of December 31, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	13,553	12,582
Short-term borrowings	1,290	4,334
Income taxes payable	3,702	3,549
Provision for bonuses	5,398	4,370
Provision for bonuses for directors (and other officers)	99	87
Provision for share-based remuneration	37	—
Other	21,581	22,590
Total current liabilities	45,663	47,514
Non-current liabilities		
Long-term borrowings	—	25,000
Provision for retirement benefits for directors (and other officers)	323	87
Provision for share-based remuneration for directors (and other officers)	297	266
Retirement benefit liability	7,523	7,523
Asset retirement obligations	748	753
Other	1,853	2,309
Total non-current liabilities	10,745	35,940
Total liabilities	56,408	83,455
Net assets		
Shareholders' equity		
Share capital	12,046	12,046
Capital surplus	3,242	2,914
Retained earnings	178,329	188,986
Treasury shares	(24,886)	(24,972)
Total shareholders' equity	168,730	178,973
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	488	519
Foreign currency translation adjustment	5,225	7,621
Remeasurements of defined benefit plans	(332)	(463)
Total accumulated other comprehensive income	5,381	7,677
Non-controlling interests	8,574	9,500
Total net assets	182,686	196,151
Total liabilities and net assets	239,095	279,606

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

	<i>Millions of yen, rounded down</i>	
	April 1, 2022 to December 31, 2022	April 1, 2023 to December 31, 2023
Net sales	208,499	227,339
Cost of sales	14,050	149,717
Gross profit	68,448	77,621
Selling, general and administrative expenses	50,384	53,905
Operating profit	18,063	23,715
Non-operating income		
Interest income	88	284
Dividend income	38	41
Share of profit of entities accounted for using equity method	—	29
Foreign exchange gains	974	2,092
Other	160	260
Total non-operating income	1,261	2,707
Non-operating expenses		
Interest expenses	115	155
Share of loss of entities accounted for using equity method	1	—
Depreciation	74	129
Other	72	106
Total non-operating expenses	264	391
Ordinary profit	19,060	26,031
Extraordinary income		
Gain on sales of non-current assets	14	7
Gain on liquidation of subsidiaries and associates	—	88
Gain on sales of investment securities	—	75
Subsidies income	71	36
Subsidy income related to COVID-19	86	—
Other	1	—
Total extraordinary income	173	207
Extraordinary losses		
Loss on sales of non-current assets	6	3
Loss on retirement of non-current assets	257	181
Loss on abandonment of inventories	—	124
Other	18	0
Total extraordinary losses	282	309
Profit before income taxes	18,951	25,930
Income taxes - current	4,799	6,897
Income taxes - deferred	1,393	1,334
Total income taxes	6,192	8,231
Profit	12,758	17,698
Profit attributable to non-controlling interests	227	533
Profit attributable to owners of parent	12,531	17,165

Consolidated statements of comprehensive income

	<i>Millions of yen, rounded down</i>	
	April 1, 2022 to December 31, 2022	April 1, 2023 to December 31, 2023
Profit	12,758	17,698
Other comprehensive income		
Valuation difference on available-for-sale securities	65	30
Foreign currency translation adjustment	1,840	2,872
Remeasurements of defined benefit plans, net of tax	(96)	(131)
Total other comprehensive income	1,810	2,772
Comprehensive income	14,569	20,471
Comprehensive income attributable to		
Owners of parent	14,044	19,461
Non-controlling interests	524	1,009

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

	April 1, 2022 to December 31, 2022	April 1, 2023 to December 31, 2023
Cash flows from operating activities		
Profit before income taxes	18,951	25,930
Depreciation	7,468	7,796
Amortization of goodwill	1,473	1,550
Increase (decrease) in allowance for doubtful accounts	23	(19)
Increase (decrease) in provision for bonuses	(1,410)	(1,036)
Increase (decrease) in provision for bonuses for directors (and other officers)	27	(15)
Increase (decrease) in provision for share awards	3	(3)
Increase (decrease) in provision for share-based remuneration for directors	13	89
Increase (decrease) in retirement benefit liability	110	(173)
Decrease (increase) in retirement benefit asset	(187)	(190)
Increase (decrease) in provision for retirement benefits for directors (and other officers)	(8)	(235)
Interest and dividend income	(126)	(325)
Interest expenses	115	155
Foreign exchange losses (gains)	(1,088)	(733)
Subsidies income	(19)	(36)
Share of loss (profit) of entities accounted for using equity method	1	(29)
Loss (gain) on sales of investment securities	–	(75)
Loss (gain) on sales of non-current assets	(7)	(3)
Loss on retirement of non-current assets	257	181
Decrease (increase) in trade receivables	(19,678)	(17,875)
Decrease (increase) in inventories	(6,169)	(585)
Increase (decrease) in trade payables	1,467	(1,323)
Increase (decrease) in accounts payable - other	(1,251)	32
Other, net	(1,647)	(3,137)
Subtotal	(1,682)	9,936
Interest and dividends received	137	325
Interest paid	(122)	(156)
Income taxes paid	(8,066)	(6,460)
Net cash provided by (used in) operating activities	(9,733)	3,644

Millions of yen, rounded down

	April 1, 2022 to December 31, 2022	April 1, 2023 to December 31, 2023
Cash flows from investing activities		
Purchase of property, plant and equipment	(8,717)	(25,281)
Proceeds from sales of property, plant and equipment	13	22
Purchase of intangible assets	(811)	(492)
Purchase of securities	(13,998)	—
Proceeds from redemption of securities	14,000	—
Purchase of investment securities	(162)	(244)
Proceeds from sales of investment securities	46	225
Collection of loans receivable	78	—
Payments into time deposits	(3,493)	(5,854)
Proceeds from withdrawal of time deposits	812	3,051
Payments of guarantee deposits	(72)	(30)
Proceeds from refund of guarantee deposits	69	14
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(1,061)	—
Proceeds from subsidy income	19	36
Other, net	322	19
Net cash provided by (used in) investing activities	(12,954)	(28,532)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	6,765	3,000
Proceeds from Long-term borrowings	—	25,000
Repayments of long-term borrowings	(531)	—
Purchase of treasury shares	(4,460)	(240)
Proceeds from share issuance to non-controlling shareholders	445	279
Dividends paid	(6,723)	(6,497)
Dividends paid to non-controlling interests	(754)	(96)
Repayments of lease obligations	(88)	(108)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(0)	(598)
Net cash provided by (used in) financing activities	(5,347)	20,738
Effect of exchange rate change on cash and cash equivalents	1,260	892
Net increase (decrease) in cash and cash equivalents	(26,775)	(3,257)
Cash and cash equivalents at beginning of period	49,670	30,292
Cash and cash equivalents at end of period	22,895	27,034

(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)

No applicable items.