Calbee
Harvest the Power of Nature.

TSE code:2229

Financial Book 2023

Fiscal year ended March 31, 2023

Contents

1 11 -Year Summary
2 Management's Discussion and Analysis
8 Business Risks
12 Consolidated Balance Sheets
14 Consolidated Statements of Income
15 Consolidated Statements of Comprehensive Income
16 Consolidated Statements of Changes in Net Assets
18 Consolidated Statements of Cash Flows
19 Notes to Consolidated Financial Statements
42 Independent Auditor's Report

11-Year Summary

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013	Thousands of U.S.dollars (Note1) 2023 US$
	Millions of yen, rounded down											
For the Year:(Note7)												
Net sales	279,315	245,419	266,745	255,938	248,655	251,575	252,420	246,129	222,150	199,941	179,411	2,091,781
Operating profit	22,233	25,135	27,064	27,664	26,964	26,828	28,841	28,125	24,183	19,717	15,790	166,503
Operating margin(%)	8.0	10.2	10.1	10.8	10.8	10.7	11.4	11.4	10.9	9.9	8.8	—
Net income attributable to owners of parent	14,772	18,053	17,682	17,539	19,429	17,330	18,605	16,799	14,114	12,086	9,440	110,628
Net income margin(%)	5.3	7.4	6.6	6.9	7.8	6.9	7.4	6.8	6.4	6.0	5.3	—
ROE(%)	8.5	10.3	10.4	11.1	13.2	13.0	14.9	14.6	13.7	13.1	11.4	—
Research and development costs	3,681	3,319	2,706	2,745	2,660	2,469	2,168	2,195	2,052	2,161	2,288	27,570
Capital expenditures	26,716	13,515	11,341	9,004	9,945	11,009	9,763	21,229	15,290	6,392	7,298	200,081
Depreciation and amortization	10,047	9,189	9,051	8,449	8,023	7,845	7,297	7,570	6,232	5,960	6,318	75,242
Per Share(¥/$):(Note2)												
Net income attributable to owners of parent	115.16	136.25	132.30	131.22	145.39	129.72	139.24	125.88	105.82	91.46	72.18	0.86
Net assets	1,393.74	1,358.25	1,312.24	1,221.19	1,151.71	1,043.37	958.60	905.20	821.97	729.93	664.55	10.43
Cash dividends	52.00	52.00	50.00	50.00	48.00	42.00	42.00	35.00	28.00	22.00	15.50	0.38
Dividend payout ratio(%)	45.2	38.2	37.8	38.1	33.0	32.4	30.2	27.8	26.5	24.1	21.5	—
At Year-End:												
Total assets(Note3)	239,095	236,598	238,978	214,967	202,750	192,034	181,945	174,837	161,917	140,909	124,705	1,790,574
Net assets	182,686	183,458	182,740	169,632	160,490	146,667	135,056	131,469	118,800	104,466	92,685	1,368,131
Working capital(Note3,4)	53,307	72,912	80,892	83,066	77,815	68,950	58,214	54,832	52,672	47,458	33,607	399,216
Interest-bearing debt(Note5)	1,855	2,005	6,604	1,363	1,274	1,511	1,596	555	563	186	302	13,899
Equity ratio(%)(Note6)	72.8	74.1	73.4	75.9	75.9	72.6	70.4	69.2	67.7	69.1	70.2	—
Debt to equity ratio(Times)	0	0	0	0	0	0	0	0	0	0	0	0
Number of consolidated subsidiaries	24	23	24	24	26	27	27	24	22	22	21	—
Number of employees	4,839	4,398	4,311	4,053	3,763	3,798	3,860	3,728	3,477	3,341	3,352	—
Cash Flows:												
Cash flows from operating activities	19,310	22,327	30,450	40,449	27,620	9,358	25,958	22,541	22,266	23,478	17,328	144,618
Cash flows from investing activities	(20,329)	3,643	(32,069)	(13,462)	(28,347)	(6,258)	(13,404)	(14,270)	(9,422)	(17,041)	(12,999)	(152,249)
Cash flows from financing activities	(20,004)	(25,168)	(7,635)	(6,278)	(6,227)	(5,450)	(14,711)	(2,859)	(2,878)	(383)	607	(149,816)
Cash and cash equivalents at end of year	30,292	49,670	47,282	55,742	35,425	42,195	44,627	47,323	42,572	31,592	25,331	226,857

Note
1. U.S. dollar amounts are presented, for convenience only, at a conversion rate of ¥133.53= US$1, the approximate Tokyo foreign exchange market rate as of March 31, 2023.
2. A 4-for-1 share split was implemented on October 1, 2013. Per share figures were retroactively adjusted to reflect these stock splits.
3. Upon application of “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28, February 16, 2018 (hereinafter, “Statement No. 28”)) from the beginning of the fiscal year ended March 31, 2019, the figures for the consolidated financial position are those after the said standards, are applied retroactively.
4. Working capital comprises current assets less current liabilities.
5. Interest-bearing debt includes long-and short-term debt, leasing obligations and other interest bearing debt.
6. Shareholders’ equity as presented above consists of total net sets exclusive of subscription rights and non-controlling interests.
7. The Company applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29) from the beginning of the fiscal year ended March 31, 2022. Major consolidated management indicators, etc. for this fiscal year are indicators, etc. after applying such accounting standards.

Management's Discussion and Analysis

Operating results

(1) Overview of business performance

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

During the fiscal year ended March 31, 2023, the global economic outlook remained challenging due to uncertainty. This was mainly due to soaring raw material and energy prices caused by factors including the Russian invasion of Ukraine, as well as turmoil in the Chinese market caused by the COVID-19 pandemic. The Japanese economy was also affected by the sharp rise in raw material and energy costs and the rapid depreciation of the yen, but showed signs of a moderate recovery amid progress in balancing COVID-19 controls with economic activity.

Against this backdrop, based on our long-term vision (Vision for 2030) and medium-term business plan (for the fiscal year ended March 31, 2020 to the fiscal year ending March 31, 2024), Calbee Group promoted business activities aimed at sustainable growth and the creation of social value, implemented flexible price and content revisions in response to soaring raw material prices and other factors to improve profitability, and worked to expand business overseas and in new food domains. In February 2023, we formulated and announced a new three-year growth strategy from the fiscal year ending March 31, 2024.

In the domestic business, in the first half of the fiscal year, we expanded sales of snacks not made with potatoes, such as corn and bean-based snacks, to minimize the impact of the raw material potato shortage. From autumn, when potato shortage concerns were resolved, the snack foods business as a whole resumed sales promotion activities and launched new products in an effort to raise demand. We also implemented price and content revisions in stages across all categories in response to rising costs.

In the overseas business, we focused on expansion in key regions including North America, and Greater China. In North America, under the holding company structure, we strengthened collaboration in sales, marketing and development, and improved management efficiency. In Greater China, we worked to raise Calbee brand awareness by strengthening promotional activities, and made progress in establishing a production base in China and neighboring countries to enhance our product lineup. We conducted price and content revisions in North America, the United Kingdom and elsewhere while assessing market characteristics and competitive conditions, and improved earnings while absorbing cost increases.

With regard to promotion of sustainable management, we promoted activities aimed at reducing total greenhouse gas emissions such as the effective use of renewable energy and smart energy network businesses at production facilities and participating in the Model Project for Supporting Achievement of the Decarbonization targets of the Entire Supply Chains, which is supported by Japan's Ministry of the Environment. In initiatives related to sustainable procurement, we have begun supplier assessments to encourage engagement with our suppliers. At the same time, following the completion of the switch to RSPO certified palm oil (mass balance method) at all Calbee Group domestic plants, in September 2022 we launched products with the RSPO Certification Mark. We also strengthened specific initiatives for BCP, with two domestic plants acquiring resilience certification. Finally, in light of changes in the external environment, we are reviewing our materiality and adding important topics such as human rights and biodiversity issues.

Consolidated net sales for the fiscal year ended March 31, 2023 were ¥279,315 million (up 13.8%). In the domestic business, sales rose due to strong demand for snack foods, even after price and content revisions, and a rebound in demand for gift snack items stemming from the relaxation of behavioral and immigration restrictions, despite the impact of restrained sales promotions due to a potato shortage in the first half of the fiscal year. Sales in the overseas business increased due to expanded sales of snack foods in North America, Greater China, the United Kingdom, Indonesia and other countries.

Operating profit was ¥22,233 million (down 11.5%) due to the sharp rise in raw material prices and energy costs, despite price and content revisions offsetting the negative impact of rising costs in the second half of the fiscal year. Operating margin was 8.0% (down 2.3 percentage points). Profit attributable to owners of parent was ¥14,772 million (down 18.2%).

Results by business are as follows.

Millions of yen, rounded down

		FY ended March 31, 2022	FY ended March 31, 2023	
		Amount	Amount	Growth (%)
Domestic production and sale of snack and other foods business		188,048	207,116	＋10.1
	Domestic snack foods	176,888	194,031	＋9.7
	Domestic cereals	24,696	24,210	(2.0)
	Domestic, others	12,018	13,729	＋14.2
	Deduction of rebates, etc.	(25,553)	(24,854)	－
Overseas production and sale of snack and other foods business		57,370	72,198	＋25.8
Total, production and sale of snack and other foods business		245,419	279,315	＋13.8

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

<u>Production and sale of snack and other foods business</u>

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

<u>Domestic production and sale of snack and other foods business</u>

・Domestic snack foods:

Domestic snack foods sales increased.

Sales by product are as follows.

Millions of yen, rounded down

	FY ended March 31, 2022	FY ended March 31, 2023	
	Amount	Amount	Growth (%)
Potato Chips	83,434	90,932	＋9.0
Jagarico	34,871	39,990	＋14.7
Snack food products with new value / other snacks	58,582	63,108	＋7.7
Total, domestic snack foods	176,888	194,031	＋9.7

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

** “Potato-based snacks (*Jagabee* / *Jaga-Pokkuru*)”, “Flour-based snacks”, “Corn-and bean-based snacks” and “Other snacks”, which had been presented separately until the previous fiscal year, have been included in “Snack food products with new value / other snacks” from this fiscal year. The figures for the previous fiscal year have also been reclassified accordingly.

- Sales of *Potato Chips* increased on price and content revisions as well as higher sales volume as the autumn Hokkaido potato harvest was in-line with the plan. *Kataage Potato*, which was renewed and promoted on the 30th anniversary of its launch, and the expansion of imported products in response to the potato shortage in the first half of the year, also contributed.
- Sales of *Jagarico* increased due to growth in sales at convenience stores against the backdrop of rising demand related to outings, as well as the success of TV commercials and package renewals.
- Sales of snack food products with new value / other snacks increased on strong sales of corn-based snacks and gift snack items. Sales of corn-based snacks rose as they were the focus of sales during the potato shortage and higher demand due to relative affordability. Sales of gift snack items such as *Jaga-Pokkuru* were also strong, reflecting a rebound in domestic travel demand and the resumption of foreign tourism.

・Domestic cereals:

Sales of domestic cereals were ¥24,210 million (down 2.0%) due to lower sales of core products, despite increased sales around the launch of *Baked Oats*.

・Domestic, others:

Sales in other domestic businesses were ¥13,729 million (up 14.2%) on growth in the sweet potato business.

<u>Overseas production and sale of snack and other foods business</u>
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

	FY ended March 31, 2022	FY ended March 31, 2023		
	Amount	Amount	Growth (%)	Growth on local currency basis (%)
North America	16,156	22,228	＋37.6	＋15.0
Greater China	19,590	23,405	＋19.5	＋6.0
Other regions	28,692	36,227	＋26.3	＋15.1
Deduction of rebates, etc.	(7,069)	(9,662)	－	－
Total, overseas production and sale of snack and other foods business	57,370	72,198	＋25.8	＋11.3

* 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.
**** The United Kingdom and Indonesia, which had been presented separately until the previous fiscal year, have been included in “Other regions” from this fiscal year. The figures for the previous fiscal year have been reclassified.

・In North America, sales of mainstay bean-based snack *Harvest Snaps* grew on the effect of price revisions, package renewals and expansion of the product lineup. Sales of products originating in Japan, such as *Kappa-Ebisen*, increased due to firm demand in ethnic foods areas and expansion of sales channels.

・In Greater China, sales increased due to a strengthened product lineup and expansion of sales channels, despite delays in product launch schedules and development in retail channels caused by the zero-COVID policy lockdowns. In snack foods, sales of *Honey Butter Chip* and products for the babies and kids segment, which was launched in the fiscal year ended March 31, 2023, contributed. In cereals, the launch of muesli, sales growth of *Frugra Less Carbohydrates* and entry into new e-commerce channels contributed to sales growth.

・In Other regions, sales increased due to growth in the UK and Indonesia and the consolidation of Greenday Global Co., Ltd. (which manufactures and sells snacks) in Thailand. In the UK, *Potato Chips* price revisions and sales growth of *Harvest Snaps* contributed. In Indonesia, all product categories, especially *Potato Chips* and flour-based snack *KrisBee*, etc., grew.

(2) Financial Indices

The status of indices useful for evaluating the progress of our group's management policies and strategies is as follows.

	FY ended March 31, 2023 results	FY ended March 31, 2023 (initial plan)
Net sales	¥279.3bn	¥268.0bn
Operating profit	¥22.2bn	¥25.5bn
Domestic operating margin	9.5%	10.9%
Overseas sales	¥72.2bn	¥68.5bn

Financial Position

Total assets as of March 31, 2023 increased by ¥2,496 million to ¥239,095 million. This was mainly due to an increase in inventories and accounts receivable accompanying sales growth, as well as the purchase of property, plant and equipment. The main reason for the increase in property, plant and equipment was the construction of a new plant in Hiroshima.

Liabilities increased by ¥3,268 million to ¥56,408 million. This was mainly due to an increase in notes and accounts payable - trade accompanying sales growth.

Net assets decreased by ¥771 million to ¥182,686 million. This was mainly due to the purchase of treasury shares with the aim of further the distributing profits to shareholders and improving capital efficiency.

As a result, the shareholders' equity ratio was 72.8%, down 1.3 percentage points.

Cash Flows

Cash and cash equivalents as of March 31, 2023 were ¥30,292 million, a decrease of ¥19,378 million.

(1) Cash Flows from Operating Activities

Operating activities resulted in a net cash inflow of ¥19,310 million, a decrease of ¥3,016 million, mainly due to a decrease in profit before income taxes.

(2) Cash Flows from Investing Activities

Investing activities resulted in a net cash outflow of ¥20,329 million, an increase of ¥23,973 million, mainly due to a decrease in proceeds from redemption of securities.

(3) Cash Flows from Financing Activities

Financing activities resulted in a net cash outflow of ¥20,004 million, a decrease of ¥5,163 million, mainly due to the conversion of Potato Kaitsuka's long-term debt to an internal loan.

(4) Information Regarding Capital Resources and Shareholders' equity Liquidity

• Developments in Demand for Funds

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, we plan to allocate the sum of cash flows from operating activities, cash on hand and borrowings.

<u>Details of capital requirements</u>

Capital investment: Sustainable growth in and improving productivity of existing businesses and strengthening our overseas manufacturing structure.
Growth investment: New businesses, DX, M&A, etc., to acquire a foundation for growth.
Shareholder returns: Aim for total return ratio over 50% and DOE 4% on a consolidated basis.

The status of cash outlays as of the end of the fiscal year ended March 31, 2023 is as follows.

Millions of yen, rounded down

	FY ended March 31, 2020	FY ended March 31, 2021	FY ended March 31, 2022	FY ended March 31, 2023
Capital investment	8,751	11,205	12,123	25,668
Growth investment	7,558	13,330	1,492	2,604
Shareholder returns	6,425	6,693	18,691	18,723
Total	22,735	31,229	32,307	46,996

• Fund-raising progress

In principle, Calbee Group raises funds by using borrowings from financial institutions in addition to cash provided by operating activities. Calbee 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.

Capital Expenditures

For the year ended March 31, 2023, capital expenditures for tangible and intangible assets totaled ¥26,716 million. Of this total, ¥25,092 million went to domestic operations and ¥1,624 million went to overseas operations. Capital expenditures in the domestic business are mainly the construction of a new plant in Hiroshima which is aimed at achieving superior environmental performance, increased productivity, and improved work environment. Capital expenditures in the oversea business are mainly the acquisition of machinery and equipment to strengthen the production system in the U.K.

Critical Accounting Policies and Estimates

The accompanying consolidated financial statements have been prepared on the basis of accounting principles generally accepted in Japan.
The preparation of these consolidated financial statements requires management to make fiscal estimates. Although management makes reasonable judgments regarding these estimates by comprehensively considering historical experience and current conditions, actual results may differ from these estimates due to uncertainties inherent in the estimates.
In addition, the significant accounting policies adopted in the preparation of these consolidated financial statements are described in "Notes to Consolidated Financial Statements; 3. Significant accounting estimates". We believe that the following significant accounting policies have a significant impact on the judgments and estimates in the preparation of the consolidated financial statements.

(1) Impairment of Fixed Assets

When indicators of impairment are identified due to a continuous loss in earnings from operations or a significant decline in market prices, our Group assesses the recognition of impairment losses by considering future business plans and other factors, and recognizes impairment losses to recoverable amounts as necessary.
If the business plan is revised due to future deterioration in market conditions or other factors, the Company may record an impairment loss.
The main intangible assets of our Group are goodwill resulting from the acquisition of Potato Kaitsuka. The accounting estimates for this are described in "Notes to Consolidated Financial Statements; 3. Significant accounting estimates".

(2) Inventory valuation

Our Group uses the cost method of inventory valuation (the book value of inventories written down to reflect any declines in profitability). If the net selling price at the end of the fiscal year has declined from the acquisition cost, the net selling price at the end of the fiscal year is presented as the balance sheet value.
Inventories that have become excessive or slow due to changes in demand may be written down to be valued at an appropriate value.

Research and Development Costs

Calbee group’s corporate philosophy is "We are committed to harnessing nature’s gifts, to bringing taste and fun, and to contributing to healthy life styles”. Under this corporate philosophy, we are engaged in research and development activities to provide unique and valuable products by maximizing the nutritional and delicious qualities of natural ingredients.

Our R&D Division conducts everything from basic research and product and technology development to product commercialization at a pilot plant attached to our research facility.

For the fiscal year ended March 31, 2023, the total amount of R&D expenditures was ¥3,681 million.

In the field of basic research, we conduct intermediate breeding development in the Potato Genetic Resource Development Course, which was established in collaboration with Obihiro University of Agriculture and Veterinary Medicine, as a study on the stable procurement of harvest and the improvement of quality. We are also conducting research on the active ingredients of potato and raw materials of *Frugura*.

In the research on potato, we confirmed the effectiveness on the skin of ingesting "potato ceramide" extracted from an underutilized resource, "potato peels”, and it was published as a thesis.

In product development field, we are expanding our lineup of snack and cereal products and implementing new product development based on the growth strategy in order to expand and revitalize the market in response to changes in domestic and overseas consumers and diverse tastes. In the domestic business, we expanded the lineup of bean-based snacks, *Miino*. Kurishima Hitorikko Project which aims for a sustainable future as well as using native species of Kurishima in Niigata Prefecture as the raw material (soybeans) for *Miino,* has won the grand prize at the 3rd Niigata SDGs Awards. In addition, as part of “Plant Based Calbee” project which aims to make plant-based foods using plant-derived ingredients more delicious and familiar, we launched *SOY-Guru*, a plant-based drinking yogurt made from fermented soybean flour, *SOY's flakes*, a soy-based cereal food, and other products. We also continued to develop new products in the overseas business, and launched *hōngbèimàipiàn* (muesli), a locally produced cereal product for China.

In the field of technology development, we are providing added value through new raw materials and exploring new processing technologies. In the fiscal year ended March 31, 2023, we launched *Fruits Snack Frutz Strawberry* and other three products which used a neo-oven manufacturing method (non-frying) that retains the color and delicious taste of raw materials. We are developing packaging materials and packaging technologies with the goal of using 50% environment conscious materials by 2030, and 100% by 2050. In the fiscal year ended March 31, 2023, we launched products with paper cover film that reduces the amount of plastics used by about half.

We focus on resolving consumer issues and conduct product development from new perspectives and approaches that differ from conventional ones. We launched *Nyumin* (our first food with function claims), an edible film aimed at supporting better dormancy, in 2022. We will promote the creation of new products and services that enhance the quality of sleep through our strategic partnership with S'UIMIN Co., Ltd. In April 2023, we launched a personalized food program, *Body Granola*, jointly developed with Metagen, Inc. and Cykinso, Inc. This is a new service that examines the enteral environment of customers and obtains regular purchases of granola made of materials suited to their respective enteral environments.

Business Risks

Business risks associated with the execution of the Calbee Group's strategies, businesses and other activities are described below. The risks are major factors that management recognize as a significant impact on investor decisions. In addition, the risks described below are not exhaustive of all the risks of the Calbee Group, and there are other risks may have an impact on the decisions of investors.
The following details and forward-looking statements are based on our judgment as of the end of the fiscal year ended March 31, 2023.

We have built a compliance and risk management system based on the “Basic policy on the development of internal control system”. The Compliance and risk management committee examines and decides solutions, and manages status. If the possibility of a risk increases or occurs, we establish an emergency response committee as needed to reduce the risk. However, if a risk actualizes, it may have an impact on our operating results or financial positions.

1. Risks on Product Safety

Providing safe and reliable products is our most important social responsibility, and we continue to work tirelessly to build relationships of trust with customers. In the unexpected event has the potential to threaten the health of customers, we give top priority to the safety of customers and respond promptly. Calbee Group review the design of standards to avoid product risks, as well as audits the raw materials procurement process and the production process. In addition, we have built a quality assurance system that involves conducting quality inspections to determine whether products are meeting the standards. We also have achieved traceability throughout the supply chain from procurement of raw materials, production, logistics, product distribution, retail stores, and customers. We strive to improve supply chain management in the entire supply chain through listening to our customers' voices and analyzing details to reduce their comments.
However, in the event that quality problems arise and there is doubt about the safety of products, we may have to recall the products or discontinue sale of products, which could result in loss of customer confidence and have an impact on our operating results and financial position.

2. Product Development

Under Vision for 2030 "Next Calbee & Beyond", Calbee Group conducts research and development activities to provide customers in both of domestic and overseas with unique, value-added products that maximize the nutritional content and flavor of natural ingredients as product development to lead the growth of Calbee Group. Meanwhile, there are considerable changes in business environments owing to diversifying customer tastes, growing health awareness, and environmental problems, etc. For our business expansion, we need to respond quickly to these changes in the markets and develop high value-added products and health-conscious products. We conduct research and development activities in the areas of new product development, existing brands improvements, quality improvements, cost reduction and basic research in accordance with annual plans.
However, if we are unable to respond appropriately to the needs of our customers and business partners and develop products in a timely manner, which could have an impact on our operating results and financial position.

3. Procurement Risks of Raw Materials and Packaging Materials

(1) Risks on Procurement of Potato (unseasonable weather and decreasing number of potato farmers)

Our main products are potato-based snacks made primarily from raw potato, such as *Potato Chips* and *Jagarico*. To ensure stable supply of domestic potato in terms of quality, quantity, and prices, we have built a procurement system through contract cultivation and decentralizing production areas. In anticipation of a decrease in domestic potato farmers, we also provide cultivation and harvesting support and labor saving support to farmers. In principle, it is not permitted to import raw potato under the Plant Protection Law in Japan. However, we have developed factory facilities that are capable of handling import raw potato in preparation for a shortage of domestic potato.
However, depending on the crop conditions, we may not be able to secure sufficient quantities of potato, it may result in losing sales opportunities and costs arising from urgent procurement, which could have an impact on our operating results and financial position.

(2) Risks on Procurement of Potato (potato cyst nematodes)

Potato cyst nematodes are a species of nematodes in the soil and are designated as important pests under the Plant Protection Law. It is prohibited to produce seed potato in the field where they occur. To prevent expansion of potato cyst nematodes, we need to convert potato to a more resistant variety. We have established a project to reform the mix of potato variety as raising the percentage of nematodes-resistant varieties to 50% by 2025 and to 100% by 2030, as well as achieving quality on customer satisfaction.

However, there are risks that we cannot develop of new varieties that meet quality conditions such as crop season, acrylamide and color of products in timely manner, or that the spread of new varieties will not progress throughout the production area, and that potato cyst nematodes expansion at a greater-than-expected rate. If these risks materialize and we delay converting our products to nematodes-resistant varieties, we may not be able to procure seed potato. It may result in decreases in crops of potato and worsened quality of potato based products, which could have an impact on our operating results and financial position.

(3) Procurement Risks on Other Raw Materials and Packaging Materials

With regard to imported raw materials from overseas and packaging materials used in Calbee Group products, we are working to stabilize procurement by diversifying and decentralizing our suppliers and strengthening appropriate inventories, considering all procurement risks such as natural disasters, the occurrence of political disputes and other factors.

However, in the event of further soaring raw material and packaging material prices beyond expectations or changes in import destinations and import routes could have an impact on our operating results and financial position.

4. Risks on Changes in the Political and Economic Conditions of Overseas Businesses

Calbee Group operate in a variety of countries and regions. We avoid risks by considering and implementing measures in advance to deal with possible conflicts, decoupling, pandemics, and other geopolitical risks in the countries and regions in which we have established operations.

However, In the event of supply difficulty because these risks are were more prolonged or expanded than expected, our operating results and financial position could be affected.

5. Risks on Information Securities

If a malicious attacker enters a computer system or network and an information security incident occurs, we have established an incident response system centered on CSIRT (Computer Security Incident Response Team). To prevent the loss, misuse, and falsification of confidential information, we have implemented appropriate security measures for information management including information systems.

However, in the event of cyberterrorism, computer virus infections, loss of information and falsification of data, leakage of personal information and company confidential information due to unauthorized access, power outages, disasters, and defects in software and equipment, the shutdown or temporary disruption of information systems could have an impact on the operating results, financial position and social credibility.

6. Compliance Risks

Calbee Group is subject to a range of legal regulations, including the Food Sanitation Act, Act against Unjustifiable Premiums and Misleading Representations, Measurement Act, Unfair Competition Prevention Act, Plant Protection Act, and Consumer Product Safety Act in Japan. In addition, our group companies overseas are subject to the laws and regulations of each country in which we operate our business. Based on Calbee Group's fundamental policy, we have established “Calbee Group Code of Conduct” on social values, ethics, laws, and social responsibilities. We have also formulated Calbee Group Guidelines of Conduct as material actions. Through corporate training systems and awareness-raising activities in Japan and each country where we operate businesses, we strive to ensure compliance with ethics, social norms, laws, and internal rules and to reduce the likelihood of violations of laws and social norms.

However, violations of laws and social regulations due to changes and unexpected introduction may result in punishment or cancellation of authorization by law, the filing of lawsuits, and the loss of trust from customers and other stakeholders. Any of these cases could have an impact on our operating results and financial position.

7. Risks on Securing Global Human Resources

As the foundation that supports our business, Calbee Group is strengthening investment in human resources from a medium-to long-term perspective and promoting corporate reform that can achieve sustainable profit growth. In particular, to support the expansion of overseas business, which is one of the key policies of our growth strategy "Change 2025", we are rapidly introducing "Global Talent Management," a new system for recruitment, placement, training, and evaluation.
However, delays in the development of global human resources and the inability to sufficiently secure the recruitment of global human resources due to changes in the employment situation could have an impact on our operating results and financial position.

8. Risks on Climate Change

Following the adoption of the Paris Agreement at the 21st Conference of the Parties to the United Nations Framework Convention on Climate Change (COP21) and its ratification by countries, efforts to reduce greenhouse gases caused of climate change and global warming are advancing on a global scale. Our medium-term target is to reduce greenhouse gas emissions by 30% by 2030 compared to levels in the fiscal year ended March 31, 2019. Furthermore, aiming for net zero emissions in 2050 (covering Scope1* and 2**). For the target, we work on further energy conservation and the utilization of renewable energy.
In February 2020, we endorsed the recommendations of the Climate-related Financial Disclosure Task Force (TCFD) established by the Financial Stability Board, and analyzed climate change scenarios. The results of the analysis showed that direct damage to factories and raw material producing areas due to severe disasters, changes in consumer behavior due to heightened environmental awareness, and a decrease in potato yields due to insufficient sunlight hours were significant. In response, we will strive to reduce greenhouse gases, convert potato varieties, develop varieties, and diversify production areas. In addition, we believe that responding to ethical consumption and product development of sustainable raw materials will create opportunities. (We disclose details of disclosures based on TCFD framework in our Group-wide integrated report, etc.)
However, depending on the progress of efforts to reduce greenhouse gases, the introduction of a carbon tax could have an impact on our business activities. In addition, consumers' purchasing behavior may change, the quality of potato may have damages, the damage to manufacturing facilities, suspend operation and disrupted supply chain caused by typhoons and heavy rains may increase. Any of these cases could have an impact on our operating results and financial position.

*Scope1 refers to direct emissions of CO_2 from the use of fuel in the company (factories, offices, vehicles, etc.).
**Scope2 refers to indirect emissions of CO_2 from the use of electricity, heat, and steam purchased by the company.

9. Risks on Natural Disasters or Pandemics

Calbee Group has diversified its production bases and suppliers of raw materials or purchased from multiple suppliers, in order to reduce the risk of natural disasters such as large-scale earthquakes, windstorms and floods. We have also promoted an all-hazard BCP (Business Continuity Plan) in response to the recent disruption in the supply chain caused by the re-infectious expansion of the new Corona Virus in the event of a multiple disaster. By strengthening our BCP, we are working to secure a resilient business structure, including the early resumption of supply of products that should be produced with priority.
However, if supply chain disruptions caused by disasters are prolonged and we are unable to supply products to our business partners, if we incur extended restoration of machinery and equipment and facilities or incur significant costs, and if further increases in raw material prices or difficulties in securing raw materials are greater than anticipated, which could have an impact on our operating results and financial position.

10. Risks on Stagnation in Domestic Product Supply

As represented by the Year 2024 Issue in the transportation and logistics industry, there are concerns about shortage of transportation vehicles by a decline in the working population due to the lower birthrate and aging population, and an increase the number of deliveries with expansion of e-commerce, and the long working hours unique to the logistics industry. In order to secure a transport and delivery vehicles stably, our group is promoting "White logistics activities", by reducing drivers' waiting times due to automation and AI, reducing the frequency of deliveries, consolidating delivery destinations and promoting pallet transportation etc. We aim to be the logistics of choice for drivers.
However, there is no assurance of securing transportation vehicles at appropriate costs in the future, if it may result in stagnate our product supply or delivery costs increase, which could have an impact on our operating results and financial position.

11. Relationship with Major Shareholders

As of March 31, 2023, PepsiCo, Inc. (hereinafter "PepsiCo") held 21.41% (after dilution) through FRITO-LAY GLOBAL INVESTMENTS B V. (hereinafter "FLGI"), a PepsiCo's 100% subsidiary, and Calbee, Inc. (hereinafter “the Company”) are an equity-method affiliate of PepsiCo. FLGI, which directly owns the shares of the Company, is a wholly owned PepsiCo subsidiary, so PepsiCo effectively makes all decisions regarding the exercise of common share voting rights. PepsiCo is one of the world’s largest food and beverage makers and is listed on the US NASDAQ market. In addition, PepsiCo operates globally in the same snack food field as the Company via group companies, primarily its subsidiary Frito-Lay North America, Inc. On June 24, 2009, the Company and PepsiCo concluded a strategic alliance agreement, based on the understanding that combining management capabilities to generate synergies was necessary to deliver sustained growth for both companies. In order to reinforce the partnership with PepsiCo, the Company allocated new shares to PepsiCo’s wholly owned subsidiary FLGI via a private placement and, at the same time, acquired all the shares of PepsiCo’s subsidiary Japan Frito-Lay Ltd. Under the strategic partnership, PepsiCo has agreed not to operate a snack food business in the Japanese market and therefore does not compete with the Company in Japan. In addition, because no restrictions are placed on overseas business development, the Company believes there are no limits on its management decisions or business development under the agreement. The Company intends to maintain this strategic partnership and work toward boosting corporate value.

However, in the future it may no longer be possible to generate synergies from the partnership in the event that PepsiCo makes changes to its management policy and business strategy. In addition, the PepsiCo Group could become a competitor in the Japanese market in the event that the partnership is dissolved for any reason. In addition, PepsiCo's shareholding ratio in the Company may change in the future due to changes in PepsiCo's or the Company's management policies or business strategies, changes in the business environment, or other factors.

12. Risks on Intellectual Property Rights

Calbee Group has established a specialized department to thoroughly protect and manage various intellectual property rights, and at the same time, we make every effort not to infringe on the rights held by third parties.

However, if our intellectual property rights were improperly used by third parties, or if we were pursued by third parties for infringement of intellectual property rights, our operating results and financial position may be affected.

Consolidated Balance Sheets

Calbee, Inc. and Consolidated Subsidiaries
Consolidated Balance Sheets
March 31, 2023 and 2022

	Millions of yen		Thousands of U.S. dollars (Note 5)
	2023	2022	2023
Assets			
Current assets:			
Cash and deposits (Notes 6 and 14)	¥32,167	¥35,005	$240,902
Notes receivable – trade (Note 6)	715	750	5,360
Accounts receivable (Note 6)	36,405	31,832	272,639
Marketable securities (Notes 6 and 7)	-	23,999	-
Inventories (Note 8)	23,352	18,001	174,886
Others	6,439	5,588	48,221
Allowance for doubtful accounts	(110)	(6)	(825)
Total current assets	98,970	115,171	741,186
Non-current assets:			
Property, plant and equipment:			
Land	16,330	11,977	122,295
Buildings and structures	80,247	77,798	600,969
Machinery, equipment and vehicles	120,702	118,704	903,935
Lease assets	849	733	6,358
Construction in progress	16,796	1,255	125,788
Others	6,392	5,992	47,874
	241,318	216,462	1,807,222
Accumulated depreciation	(139,784)	(133,483)	(1,046,840)
Property, plant and equipment, net	101,533	82,979	760,381
Investments and other assets:			
Investment securities (Notes 6 and 7)	2,425	2,264	18,161
Investments in affiliates (Note 6)	172	143	1,288
Long-term loans	100	100	748
Deferred tax assets (Note 10)	4,955	5,178	37,113
Net defined benefit asset (Note 12)	3,434	2,895	25,719
Goodwill	23,222	23,550	173,915
Others	4,281	4,315	32,067
Allowance for doubtful accounts	(1)	(1)	(8)
Total investments and other assets	38,591	38,447	289,006
Total non-current assets	140,124	121,427	1,049,388
Total assets	¥239,095	¥236,598	$1,790,574

	Millions of yen		Thousands of U.S. dollars (Note 5)
	2023	2022	2023
Liabilities			
Current liabilities:			
Notes and accounts payable	¥13,553	¥11,849	$101,504
Short-term borrowings (Note 9)	1,290	1,447	9,664
Lease obligations (Note 9)	156	160	1,170
Other payables	8,441	8,229	63,218
Income taxes payable	3,702	4,242	27,730
Provision for bonuses	5,398	4,625	40,426
Provision for directors' bonuses	99	93	747
Provision for stock payments	37	45	277
Others	12,983	11,565	97,230
Total current liabilities	45,663	42,259	341,969
Non-current liabilities:			
Lease obligations (Note 9)	403	375	3,021
Deferred tax liabilities (Note 10)	1,287	906	9,640
Provision for directors' retirement benefits	323	334	2,419
Provision for directors' stock payments	297	323	2,224
Net defined benefit liabilities (Note 12)	7,523	8,049	56,342
Asset retirement obligations	748	749	5,603
Others	163	142	1,221
Total non-current liabilities	10,745	10,881	80,474
Total liabilities	56,408	53,140	422,443
Net assets (Note 11):			
Shareholders' equity:			
Common stock:			
Authorized 2023 - 176,000,000 shares			
Authorized 2022 - 176,000,000 shares			
Issued 2023 - 133,929,800 shares			
Issued 2022 - 133,929,800 shares	12,046	12,046	90,214
Capital surplus	3,242	3,232	24,281
Retained earnings	178,329	170,284	1,335,498
Treasury stock - 9,005,241 shares in 2023			
4,808,426 shares in 2022	(24,886)	(12,959)	(186,377)
Total shareholders' equity	168,730	172,604	1,263,616
Accumulated other comprehensive income:			
Unrealized holding gain on securities	488	436	3,660
Foreign currency translation adjustments	5,225	3,232	39,134
Remeasurements of defined benefit plans (Note 12)	(332)	(893)	(2,493)
Total accumulated other comprehensive income	5,381	2,775	40,301
Non-controlling interests	8,574	8,078	64,212
Total net assets	182,686	183,458	1,368,131
Total liabilities and net assets	¥239,095	¥236,598	$1,790,574

Consolidated Statements of Income

Calbee, Inc. and Consolidated Subsidiaries
Consolidated Statements of Income
Years ended March 31, 2023 and 2022

	Millions of yen		Thousands of U.S. dollars (Note 5)
	2023	2022	2023
Net sales (Note 24)	¥279,315	¥245,419	$2,091,781
Cost of sales (Notes 8 and 16)	189,115	161,465	1,416,273
Gross profit	90,200	83,954	675,507
Selling, general and administrative expenses (Notes 15 and 16)	67,967	58,818	509,004
Operating profit	22,233	25,135	166,503
Other income (expenses)			
Interest and dividend income	179	123	1,347
Interest expense	(162)	(99)	(1,213)
Foreign exchange gains	1,125	1,712	8,430
Share of profit of entities accounted for using equity method	25	19	187
Share of loss of entities accounted for using equity method	(1)	-	(12)
Expenses for acquisition of treasury stock	(10)	(35)	(79)
Depreciation	(112)	(99)	(839)
Gain on sales of non-current assets (Note 17)	14	6	109
Reversal of provision for retirement benefits	68	-	516
Gain on sales of investment securities	54	69	406
Subsidy income	109	67	823
Gain on forgiveness of debt	-	394	-
Subsidy income related to COVID-19	85	-	641
Loss on sales of non-current assets (Note 17)	(35)	(23)	(267)
Loss on retirement of non-current assets (Note 17)	(491)	(407)	(3,680)
Loss on valuation of investment securities (Note 7)	-	(76)	-
Loss on cancellation of outsourcing agreement	(18)	(180)	(136)
Impairment loss (Note 18)	(610)	-	(4,569)
Other	185	140	1,390
Net income before income taxes	22,641	26,748	169,558
Income taxes (Note 10):			
Current	(7,451)	(8,024)	(55,801)
Deferred	(216)	(445)	(1,619)
Total Income taxes	(7,667)	(8,470)	(57,420)
Net income	14,973	18,277	112,137
Net income attributable to:			
Non-controlling interests	201	224	1,509
Owners of parent	¥14,772	¥18,053	$110,628

Consolidated Statements of Comprehensive Income

Calbee, Inc. and Consolidated Subsidiaries
Consolidated Statements of Comprehensive Income
Years ended March 31, 2023 and 2022

	Millions of yen		Thousands of U.S. dollars (Note 5)
	2023	2022	2023
Net income	¥14,973	¥18,277	$112,137
Other comprehensive income (Note 19):			
Unrealized holding gain on securities	52	136	391
Foreign currency translation adjustments	2,366	3,251	17,725
Remeasurements of defined benefit plans	560	(71)	4,200
Total other comprehensive income	2,980	3,316	22,317
Comprehensive income	¥17,953	¥21,594	$134,455
Comprehensive income attributable to:			
Owners of parent	¥17,378	¥20,788	$130,147
Non-controlling interests	¥575	¥805	$4,308

Consolidated Statements of Changes in Net Assets

Calbee, Inc. and Consolidated Subsidiaries
Consolidated Statements of Changes in Net Assets
Years ended March 31, 2023 and 2022

		Millions of yen				
		Shareholders' Equity				
	Number of Shares of Common Stock Outstanding	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Total Shareholders' Equity
BALANCE AT APRIL 1, 2021	133,929,800	¥12,046	¥4,777	¥159,551	(¥1,045)	¥175,329
Cumulative effect of changes in accounting policies				(623)		(623)
Balance at the beginning of the year reflecting changes in accounting policies		12,046	4,777	158,928	(1,045)	174,706
Cash dividends paid				(6,696)		(6,696)
Profit attributable to owners of parent				18,053		18,053
Purchase of treasury stock					(12,000)	(12,000)
Disposal of treasury stock					86	86
Purchase of shares of consolidated subsidiaries			(1,545)			(1,545)
Net changes during the year						
BALANCE AT APRIL 1, 2022	133,929,800	¥12,046	¥3,232	¥170,284	(¥12,959)	¥172,604
Cash dividends paid				(6,728)		(6,728)
Profit attributable to owners of parent				14,772		14,772
Purchase of treasury stock					(11,999)	(11,999)
Disposal of treasury stock					72	72
Purchase of shares of consolidated subsidiaries			9			9
Net changes during the year						
BALANCE AT MARCH 31, 2023	133,929,800	¥12,046	¥3,242	¥178,329	(¥24,886)	¥168,730

	Millions of yen					
	Accumulated Other Comprehensive Income					
	Unrealized Holding Gain on Securities	Foreign Currency Translation Adjustments	Remeasurements of Defined Benefit Plans	Total Accumulated Other Comprehensive Income	Non-controlling Interests	Total Net Assets
BALANCE AT APRIL 1, 2021	¥300	¥562	(¥822)	¥39	¥7,371	¥182,740
Cumulative effect of changes in accounting policies						(623)
Balance at the beginning of the year reflecting changes in accounting policies	300	562	(822)	39	7,371	182,117
Cash dividends paid						(6,696)
Profit attributable to owners of parent						18,053
Purchase of treasury stock						(12,000)
Disposal of treasury stock						86
Purchase of shares of consolidated subsidiaries						(1,545)
Net changes during the year	136	2,670	(71)	2,735	707	3,442
BALANCE AT APRIL 1, 2022	¥436	¥3,232	(¥893)	¥2,775	¥8,078	¥183,458
Cash dividends paid						(6,728)
Profit attributable to owners of parent						14,772
Purchase of treasury stock						(11,999)
Disposal of treasury stock						72
Purchase of shares of consolidated subsidiaries						9
Net changes during the year	52	1,993	560	2,606	495	3,102
BALANCE AT MARCH 31, 2023	¥488	¥5,225	(¥332)	¥5,381	¥8,574	¥182,686

Calbee, Inc. and Consolidated Subsidiaries
Consolidated Statements of Changes in Net Assets
Years ended March 31, 2023

		Thousands of U.S. Dollars (Note 5)				
		Shareholders' Equity				
	Number of Shares of Common Stock Outstanding	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Total Shareholders' Equity
BALANCE AT APRIL 1, 2022	133,929,800	$90,214	$24,208	$1,275,255	($97,051)	$1,292,627
Cash dividends paid				(50,385)		(50,385)
Profit attributable to owners of parent				110,628		110,628
Purchase of treasury stock					(89,867)	(89,867)
Disposal of treasury stock					540	540
Purchase of shares of consolidated subsidiaries			72			72
Net changes during the year						
BALANCE AT MARCH 31, 2023	133,929,800	$90,214	$24,281	$1,335,498	($186,377)	$1,263,616

	Thousands of U.S. Dollars (Note 5)					
	Accumulated Other Comprehensive Income					
	Unrealized Holding Gain on Securities	Foreign Currency Translation Adjustments	Remeasurements of Defined Benefit Plans	Total Accumulated Other Comprehensive Income	Non-controlling Interests	Total Net Assets
BALANCE AT APRIL 1, 2022	$3,268	$24,207	($6,693)	$20,783	$60,500	$1,373,911
Cash dividends paid						(50,385)
Profit attributable to owners of parent						110,628
Purchase of treasury stock						(89,867)
Disposal of treasury stock						540
Purchase of shares of consolidated subsidiaries						72
Net changes during the year	391	14,926	4,200	19,518	3,712	23,231
BALANCE AT MARCH 31, 2023	$3,660	$39,134	($2,493)	$40,301	$64,212	$1,368,131

Consolidated Statements of Cash Flows

Calbee, Inc. and Consolidated Subsidiaries
Consolidated Statements of Cash Flows
Years ended March 31, 2023 and 2022

	Millions of yen		Thousands of U.S. dollars(Note 5)
	2023	2022	2023
Cash flows from operating activities			
Net income before income taxes	¥22,641	¥26,748	$169,558
Depreciation and amortization	10,047	9,189	75,242
Impairment loss	610	-	4,569
Amortization of goodwill	1,979	1,819	14,821
Increase (decrease) in provision	882	(244)	6,611
Increase (decrease) in net defined benefit asset/liability	(277)	(257)	(2,079)
Interest and dividend income	(179)	(123)	(1,347)
Interest expense	162	99	1,213
Foreign exchange loss (gain)	(1,341)	(2,013)	(10,049)
Share of loss (profit) of entities accounted for using equity method	(23)	(19)	(174)
Net loss (gain) on sales of investment securities	(54)	(60)	(406)
Net loss (gain) on valuation of investment securities	-	76	-
Net loss (gain) on sales of non-current assets	21	17	158
Loss on retirement of non-current assets	491	407	3,680
Decrease (increase) in notes and accounts receivable	(3,987)	(1,221)	(29,859)
Decrease (increase) in inventories	(4,915)	(2,780)	(36,810)
Increase (decrease) in notes and accounts payable	1,213	1,002	9,088
Increase (decrease) in other payables	(353)	(114)	(2,649)
Others	558	(1,277)	4,183
Subtotal	27,473	31,248	205,749
Interest and dividends received	189	120	1,422
Interest paid	(169)	(106)	(1,272)
Income taxes paid	(8,182)	(8,934)	(61,280)
Net cash provided by operating activities	19,310	22,327	144,618
Cash flows from investing activities			
Acquisition of property, plant and equipment	(25,750)	(12,491)	(192,843)
Proceeds from sale of property, plant and equipment	12	15	96
Acquisition of intangible fixed assets	(966)	(1,024)	(7,238)
Acquisition of marketable securities	(13,998)	(26,998)	(104,835)
Proceeds from redemption of marketable securities	23,000	43,900	172,245
Purchase of investment securities	(209)	(435)	(1,566)
Proceeds from sale of investment securities	248	218	1,860
Payment of loans receivable	-	(100)	-
Collection of loans receivable	78	180	590
Payment into time deposits	(5,243)	(925)	(39,265)
Proceeds from withdrawal of time deposits	3,713	922	27,813
Payment of security deposit	(86)	(54)	(651)
Collection of security deposit	71	382	534
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(1,555)	-	(11,650)
Others	355	54	2,658
Net cash used in investing activities	(20,329)	3,643	(152,249)
Cash flows from financing activities			
Net increase (decrease) in short-term borrowings	(235)	(1,300)	(1,761)
Repayments of long-term borrowings	(535)	(3,465)	(4,009)
Purchase of treasury stock	(11,999)	(12,000)	(89,867)
Repayments for lease obligations	(201)	(67)	(1,511)
Cash dividends paid	(6,723)	(6,692)	(50,354)
Proceeds from share issuance to non-controlling shareholders	445	461	3,336
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(0)	(1,882)	(0)
Dividends paid to non-controlling interests	(754)	(222)	(5,648)
Net cash used in financing activities	(20,004)	(25,168)	(149,816)
Effect of exchange rate changes on cash and cash equivalents	1,645	1,585	12,321
Net increase (decrease) in cash and cash equivalents	(19,378)	2,388	(145,125)
Cash and cash equivalents at beginning of year	49,670	47,282	371,982
Cash and cash equivalents at end of year (Note 14)	¥30,292	¥49,670	$226,857

Notes to Consolidated Financial Statements

Calbee, Inc. and Consolidated Subsidiaries
Notes to Consolidated Financial Statements
March 31, 2023

1. Basis of Presentation

The accompanying consolidated financial statements of Calbee, Inc. (the "Company") and its consolidated subsidiaries have been prepared from the consolidated financial statements filed with the Kanto Local Finance Bureau as required by the Financial Instruments and Exchange Law of Japan and in conformity with generally accepted accounting principles and practices in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards. Accordingly, International Financial Reporting Standards are not applied in preparing the accompanying consolidated financial statements. The consolidated financial statements are not intended to present the financial position, results of operations or cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

In preparing the accompanying consolidated financial statements, certain reclassifications have been made to present the information in a form familiar to readers outside Japan. The accounts and the financial statements of the Company and its subsidiaries are maintained in Japanese yen.

As permitted, amounts of less than one million yen are rounded down. As a result, the totals shown in the accompanying consolidated financial statements (both in yen and U.S. dollars) do not necessarily agree with the sum of the individual amounts.

2. Summary of Significant Accounting Policies

(a) Basis of consolidation and accounting for investments in affiliates

The accompanying consolidated financial statements include the accounts of the Company and subsidiaries in which the Company holds, directly or indirectly, more than 50% of the voting rights or where it exercises control. The consolidated financial statements consist of the Company and its 24 (23 in 2022) subsidiaries as listed below.

Consolidated subsidiaries

- Calbee Potato, Inc.
- Calbee Logistics, Inc.
- Calbee Eatalk Co., Ltd.
- Japan Frito-Lay Ltd.
- Studio Socio, Inc.
- Potato Kaitsuka Ltd.
- Kaitsuka Farm Co., Ltd.
- Calbee America, Inc. (Note 1)
- Calbee North America, LLC (Note 1)
- Warnock Food Products, Inc (Note 1)
- Yantai Calbee Co., Ltd. (Note 1)
- CFSS Co. Ltd. (Note 1)
- Calbee (Hangzhou) Foods Co.,Ltd. (Note 1)
- Calbee (China) Co., Ltd. (Note 1)
- Calbee Four Seas Co., Ltd.
- Calbee E-commerce Limited (Note 1)
- Calbee Group (UK) Ltd (Note 1)
- PT. Calbee-Wings Food (Note 1)
- Haitai-Calbee Co., Ltd. (Note 1)
- Calbee Tanawat Co., Ltd. (Note 1)
- Greenday Group Co., Ltd. (Note 1,2)
- Greenday Global Co., Ltd. (Note 1,2)
- Calbee Moh Seng Pte. Ltd. (Note 1)
- Calbee Australia Pty Limited (Note 1)

(Notes)
(1) The fiscal year-end of these subsidiaries is December 31.
(2) The Company acquired shares of Greenday Group Co., Ltd. This company and its subsidiaries, Greenday Global Co., Ltd. has been included in the scope of consolidation from the year ended March 31, 2023.
(3) ICS Investment Co., LTD. have been excluded from the scope of consolidation during the year ended March 31, 2023 due to merged by the Company.

For the year ended March 31, 2023, all subsidiaries are consolidated and there are two affiliates (Calbee URC Malaysia Sdn. Bhd. and The Happy Fruit Farm Co., Ltd.) that are accounted for by the equity method.
The Happy Fruit Farm Co., Ltd. has been included in the scope of equity method during the year ended March 31, 2023 due to acquired shares of Greenday Group Co., Ltd. .
For the year ended March 31, 2022, all subsidiaries are consolidated and there is one affiliate (Calbee URC Malaysia Sdn. Bhd.) that is accounted for by the equity method.

For the years ended March 31, 2023 and 2022, two affiliates, Potato Foods Co., Ltd., and Hiroshima Agricultural Produce Distributors Cooperative are not accounted for using the equity method as they are not significant in terms of net income and retained earnings of the consolidated financial statements. Investments in these affiliates are carried at cost.

All significant intercompany balances and transactions have been eliminated in consolidation. Accounts of subsidiaries whose year-ends differ by three months from March 31 have been included using pro forma financial information prepared as of March 31.

(b) Foreign currency translation

All monetary assets and liabilities denominated in foreign currencies are translated into yen at the exchange rate in effect at the balance sheet date and gains or losses arising from such translation are credited or charged to income.

Assets and liabilities of overseas subsidiaries are translated into yen at the exchange rate in effect at the balance sheet date, whereas shareholders’ equity of such subsidiaries is translated at the historical rate that prevailed on the date of their acquisition. Income and expenses of overseas subsidiaries are translated into yen using the average exchange rate during the fiscal year. Translation adjustments are included in foreign currency translation adjustments and non-controlling interests in net assets section of the accompanying consolidated balance sheets.

(c) Cash and cash equivalents

For the purpose of the consolidated statements of cash flows, cash and cash equivalents consist of cash on hand, deposits with banks available for withdrawal on demand and short-term highly liquid investments with an original maturity of three months or less which are readily convertible into cash and subject to insignificant risk of changes in value.

(d) Allowance for doubtful accounts

Allowance for doubtful accounts is provided based on the Company’s actual historical experience of credit loss for active accounts and on an individual basis after an analysis of collectability for certain doubtful accounts.

(e) Marketable and investment securities

Marketable and investment securities are classified and valued as follows:

(1) Held-to-maturity debt securities
  Amortized cost method (straight-line method)

(2) Available-for-sale securities
  Securities for which fair values are readily available:
    Marked-to-market, with any changes in unrealized holding gains or losses, net of applicable income taxes, included directly in net assets. Cost of securities sold is determined using the moving average method.
  Securities for which fair values are not readily available:
    Stated at cost based on the moving-average method.

(f) Inventories

Inventories are stated at cost using the average method for finished goods and work-in-process. The moving-average method is applied for commercial goods, raw materials and supplies. The book value of inventories is written down to reflect any declines in profitability.

(g) Property, plant and equipment (except for leases)

Property, plant and equipment is stated at cost less accumulated depreciation. Depreciation is calculated by the straight-line method over the estimated useful lives of the respective assets.

The useful lives of buildings, machinery and equipment are as follows:

	Useful lives (years)
Buildings	15 to 31 years
Machinery and equipment	10 years

(h) Goodwill

Goodwill is amortized using the straight-line method over the estimated effective period of the investment. The estimated effective period are as follows.

	Estimated effective period (years)
Potato Kaitsuka Ltd.	15 years
Warnock Food Products, Inc	15 years
Calbee Group (UK) Ltd	15 years
Greenday Group Co., Ltd.	15 years

(i) Intangible assets (except for leases)

Intangible assets are amortized using the straight-line method. Software for internal use is amortized using the straight-line method over the estimated useful life of five years.

(j) Leases

Finance lease assets that do not transfer ownership of the property to the lessee are depreciated using the straight-line method over the lease term with no residual value.

(k) Provision for bonuses

Provision for bonuses is provided for the bonus payments to employees and directors in the estimated bonus amount attributable to the current fiscal year.

(l) Provision for stock payments

To prepare for future awards of the Company’s shares to Group employees, provision for stock payments is provided for stock award debt based on predetermined regulations for awarding stock.

(m) Provision for directors’ retirement benefits

To provide for the payment of directors’ retirement benefit, the amount payable under internal regulations at the consolidated balance sheet date is recorded.

(n) Provision for directors’ stock payments

To prepare for future awards of the Company’s shares to the Company’s directors, etc, provision for stock payments is provided for stock award debt based on predetermined regulations for awarding stock.

(o) Accounting method for retirement benefits

(1) Period allocation methodology for the estimated retirement benefit amount

The retirement benefit obligation is calculated by allocating the estimated retirement benefit amount until the end of the current fiscal year on a benefit formula basis.

(2) Amortization of net unrecognized actuarial gains (losses) and unrecognized past service cost

Net unrecognized actuarial gains (losses) are amortized beginning in the following fiscal year by the straight-line method over a specified number of years (12 years) within the average remaining service period of employees at the time the difference arose.

Unrecognized past service cost is amortized by the straight-line method over a specified number of years (5 years) within the average remaining service period of employees at the time the cost incurred.

(3) Application of the simplified method for small businesses

For part-time employees of the Company, amount payable at the fiscal year-end in accordance with internal regulations is provided for.

For certain consolidated subsidiaries, a simplified method is applied for the calculation of retirement benefit obligations and retirement benefit expenses in which the necessary retirement benefit provisions for voluntary resignations at the end of the fiscal year are recorded as retirement benefit obligations.

(p) Recognition of revenues and expenses

Our group primarily sells snack foods and cereals and recognizes revenue upon the transfer of control of these promised goods or services to customers in the amount that we expect to receive in exchange for those goods or services. In domestic sales of goods or products, when the period until the time of inspection by the customer is considered reasonable for each transaction practice in light of the number of days required for shipment and delivery in Japan, we recognize revenue at the time of shipment.

The payment for the promised goods or services is generally within two months of the time the control has moved to the customer, and there is no significant financing component in the amount of the payment.

A portion of transaction prices includes variable consideration such as rebates. Variable consideration is the estimate of the most probable amount. The transaction price only include amount for sales subject to variable consideration to the extent that it is highly probable that there will not be a significant reversal of cumulative revenue after the uncertainty associated with variable consideration is resolved.

There are no material returns except that we are responsible for the returns such as product failure.

(q) Business commencement expenses

Business commencement expenses are expensed as incurred.

3. Significant accounting estimates

(Necessity of recognizing loss on impairment of goodwill of Potato Kaitsuka)

(1) Amount recorded in the consolidated financial statements as of March 31, 2023

	March 31, 2023	
	Millions of yen	Thousands of U.S. dollars
Goodwill	11,671	87,411

(2) Information related to significant accounting estimates for identified items

(a) Calculation methods of estimates

When indicators of impairment are identified due to a continuous loss in earnings from operations or a significant decline in market prices, our Group assesses the recognition of impairment losses by considering future business plans and other factors, and recognizes impairment losses to recoverable amounts as necessary.

The main of our intangible assets is goodwill arising from the acquisition of Potato Kaitsuka. The business of Potato Kaitsuka is likely to continuously incur operating losses (including amortization of goodwill) from the current fiscal year onward, and there was an indication of impairment of goodwill.

Regarding the recognition of impairment loss, we determined that no impairment loss was recognized because the total amount of the estimated undiscounted future cash flows from Potato Kaitsuka exceeded the carrying amount of assets group including goodwill.

(b) Key assumptions used in the calculation of estimate

The undiscounted future cash flows used for the recognition of impairment loss were based on the business plan of Potato Kaitsuka with the key assumptions of a continuous increase in sales and procurement volume and an improvement in gross profit ratio primarily due to an increase in the sales volume of processed products.

(c) Impact on consolidated financial statements for the next consolidated fiscal year

Calbee Group carefully considered the identification of indications of impairment and the recognition and measurement of impairment loss at the end of the fiscal year and we believe that the above estimates of future cash flows are reasonable. However, the changes in market conditions may cause change in the assumptions and premises of the estimates, which could have a significant impact on the consolidated financial statements for the next consolidated fiscal year.

4. Additional Information

Employee Stock Ownership Plan (ESOP) Trust

The Company awards the Company's own stock to the employees of our Group through a trust.

(1) Transaction summary

On March 7, 2014, the Employee Stock Ownership Plan (ESOP) Trust was introduced as an employee incentive plan with the aim of improving long-term corporate value. By raising awareness of our financial results and share price among employees, the Company aims to further promote corporate activities that improve financial results. The Company has established the Trust by contributing funds for acquisition of the Company's stocks for those employees who satisfy certain requirements. Based on predetermined regulations for awarding stocks, the Trust will acquire the estimated number of the Company's stocks to be awarded to employees from the stock market during the predetermined stock acquisition period. Funds required for the Trust to purchase the aforementioned stocks will be provided by the Company. The employees will bear no liabilities.

Introducing the Trust will enable employees to profit from a rise in stock prices, and will promote awareness of the stock price among employees as they fulfill their duties and is thereby expected to improve employee motivation. Further, the voting rights of the Company's stocks held in the Trust will be executed within a structure that will reflect the will of the employees who are potential beneficiaries and is an effective way to improve corporate value by promoting employees' participation in management planning.

(2) The Company's own stock in the Trust

The Company's own stock in the Trust is recorded in treasury stock under net assets based on the book value in the trust (excluding ancillary expenses). The book value and the number of these treasury stock as of March 31, 2023 and 2022 were ¥185 million ($1,391 thousand) and 53,465 shares, and ¥234 million and 67,565 shares, respectively.

Performance-linked Stock Compensation Plan

The Company awards stock to board members (excluding outside and part-time directors) and executives contractually bound to the Company including Senior Executive Officers (hereinafter "Board Members") through the Trust.

(1) Transaction summary

On August 6, 2014, the Company introduced a performance-linked stock compensation plan (hereinafter the "Plan") with the goal of increasing awareness of the importance of contributing to further enhancing the Company's corporate value and performance over the medium-to-long-term. The plan will be highly transparent and objective and closely linked with the Company's performance for Board Members.

The Plan is the performance-linked stock compensation plan under which the Company's shares are acquired through the Board Incentive Plan Trust (hereafter "BIP Trust") with the funds of remuneration contributed by the Company and the Company's shares are awarded to the Company's Board Members in accordance with performance targets achieved. Upon their retirement, Board Members will receive the Company's stocks in principle.

In order to ensure the neutrality of the Company's management, voting rights for the Company's stocks in the Trust shall not be exercised while in the Trust.

(2) The Company's own stock in the Trust

The Company's own stock in the Trust is recorded in treasury stock under net assets based on the book value in the Trust (excluding ancillary expenses). The book value and the number of treasury stock in the Trust as of March 31, 2023 and 2022 were ¥698 million ($5,230 thousand) and 189,400 shares, and ¥721 million and 195,700 shares, respectively.

5. U.S. Dollar Amounts

For the convenience of the reader, the accompanying consolidated financial statements are also presented in U.S. dollars by converting Japanese yen amounts at the rate of ¥133.53 = $1, the approximate rate in effect on March 31, 2023. The inclusion of such amounts is not intended to imply that yen amounts have been or could be readily converted, realized or settled in U.S. dollars at that or any other rate.

6. Financial Instruments

(1) Policy for financial instruments

The Company's fund management policy is to use highly secure financial instruments, such as term deposits, with purchases of financial instruments carried out in accordance with internal regulations including the fund management policy. As for funding, domestic consolidated subsidiaries are principally prohibited from borrowing from third parties and are only allowed to borrow from the Company. The Company borrows necessary funds from third parties if necessary. The Company uses derivatives in order to hedge foreign exchange risk and does not enter into derivative transactions for speculative or trading purposes.

(2) Nature of financial instruments and the related risks and risk management

Trade receivables consist of notes and accounts receivable and are exposed to customers' credit risk. In order to reduce such risk, the Company monitors the credit standing, due dates and outstanding balance by individual customer in accordance with our Group credit management policy.

Marketable securities consist of commercial paper and jointly-managed money trust and are highly safe financial instruments held for short-term investment. The Company considers their credit risk to be insignificant.

Investment securities consist of shares of companies with business relationships and debt securities for surplus fund management, and are exposed to market volatility risk. In order to reduce such risk, the Company reviews the market values and the financial position of the issuers on a regular basis.

Trade payables consist of notes and accounts payable and other payable are exposed to liquidity risk. The Company manages such risk by preparing fund management plans on a monthly basis. Also, the Company enhanced its centralized funding and cash management functions by implementing a cash management system.

To hedge exchange rate volatility risk related to monetary receivables and payables denominated in foreign currencies, the Company uses forward foreign exchange contracts. These derivative transactions are executed and managed in accordance with the internal regulations governing the transaction authorizations. The Company considers that credit risk arising from non-performance of counterparties is minimal because the counterparties to the derivative transactions are limited to domestic banks with high credit standing.

(3) Supplementary explanation of the estimated fair value of financial instruments

The fair value may change depending on the different presumptions adopted, since variable factors are taken into account in determining the fair value. The contract amount of derivative transactions shown in Note 19 Derivative Financial Instruments does not represent market risk.

(4) Fair values of financial instruments

Carrying amount, estimated fair value and the difference between them for financial instruments as of March 31, 2023 and 2022 are shown in the following table.

	Millions of yen		
(As of March 31, 2023)	Carrying Amount	Estimated Fair Value	Difference
Assets			
Investment securities			
Available-for-sale	1,581	1,581	—
Total assets	¥ 1,581	¥ 1,581	—
Derivative transactions			
Hedge accounting not applied	¥ 444	¥ 444	—
Total derivative transactions	¥ 444	¥ 444	—

(As of March 31, 2023)	Thousands of U.S. dollars Carrying Amount	Estimated Fair Value	Difference
Assets			
Investment securities			
Available-for-sale	11,846	11,846	—
Total assets	$ 11,846	$ 11,846	—
Derivative transactions			
Hedge accounting not applied	$ 3,330	$ 3,330	—
Total derivative transactions	$ 3,330	$ 3,330	—

* The note of "Cash" is omitted. "Deposits", "Notes receivable", "Accounts receivable", "Notes and accounts payable-trade", "Short-term loans payable" and "Accounts payable-other" are omitted because their fair values approximate their carrying amounts due to their short-term settlement.

* Receivables and payables arising from derivative transactions are presented in net amount, with the net liability amount presented in parenthesis.

* Equity securities without market price are unlisted shares. It is not included in "Investment securities". The carrying amount is 427 million yen.

* Investment in unions and other similar entities whose share equivalent to the net amount is recorded in the consolidated balance sheet is omitted. The carrying amount is 588 million yen.

(As of March 31, 2022)	Millions of yen Carrying Amount	Estimated Fair Value	Difference
Assets			
Marketable and investment securities			
Held-to-maturity	23,999	23,999	¥ 0
Available-for-sale	1,649	1,649	-
Total assets	¥ 25,649	¥ 25,649	¥ 0
Derivative transactions			
Hedge accounting not applied	¥ 616	¥ 616	-
Total derivative transactions	¥ 616	¥ 616	-

* The note of "Cash" is omitted. "Deposits", "Notes receivable", "Accounts receivable", "Notes and accounts payable-trade", "Short-term loans payable" and "Accounts payable-other" are omitted because their fair values approximate their carrying amounts due to their short-term settlement.

* Receivables and payables arising from derivative transactions are presented in net amount, with the net liability amount presented in parenthesis.

* Equity securities without market price are unlisted shares. It is not included in "(1) Marketable and investment securities". The carrying amount is 399 million yen.

* Investment in unions and other similar entities whose share equivalent to the net amount is recorded in the consolidated balance sheet is omitted. The carrying amount is 360 million yen.

Notes 1 Redemption schedule of monetary receivables and marketable securities with maturities after March 31, 2023 and 2022.

(As of March 31, 2023)	Millions of yen Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and deposits	¥ 32,148	—	—	—
Notes Receivable - trade	715	—	—	—
Accounts receivable	36,405	—	—	—
Total	¥ 69,269	—	—	—-

(As of March 31, 2023)	Thousands of U.S. dollars Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and deposits	$ 240,755	—	—	—
Notes Receivable - trade	5,360	—	—	—
Accounts receivable	272,639	—	—	—
Total	$ 518,755	—	—	—

(As of March 31, 2022)	Millions of yen Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and deposits	¥ 34,981	—	—	—
Notes Receivable - trade	750	—	—	—
Accounts receivable	31,832	—	—	—
Marketable securities				
Held-to- maturity				
Jointly-managed money trust	16,000	—	—	—
Commercial paper	7,999	—	—	—
Total	¥ 91,563	—	—	—

(5) Breakdown of the Fair Value of Financial Instruments by Level

The fair value of financial instruments is categorized into the following three levels, depending on the observability and significance of the inputs to the determination of fair value:

Level 1 fair value: Of inputs for determining observable fair value, fair value calculated using market prices for assets or liabilities that are formed in active markets and are subject to such fair value calculations

Level 2 fair value: Fair value calculated using inputs for determining observable fair value other than inputs for Level 1

Level 3 fair value: Fair values calculated using inputs for determining fair values that are unobservable

If we use multiple inputs that are significant to the determination of fair value, we categorize fair value into the level in which each of these inputs has the lowest priority in determining fair value.

・Financial instruments recorded in the consolidated balance sheets at fair value

	Millions of yen			
	2023			
	Fair values			
	Level 1	Level 2	Level 3	Total
Investment securities				
Available-for-sale				
Equity securities	¥ 1,581	—	—	¥ 1,581
Derivatives				
Related to currency	—	¥ 444	—	444
Asset Total	¥ 1,581	¥ 444	—	¥ 2,026

	Thousands of U.S. dollars			
	2023			
	Fair values			
	Level 1	Level 2	Level 3	Total
Investment securities				
Available-for-sale				
Equity securities	$ 11,846	—	—	$ 11,846
Derivatives				
Related to currency	—	$ 3,330	—	3,330
Asset Total	$ 11,846	$ 3,330	—	$ 15,177

	Millions of yen			
	2022			
	Fair values			
	Level 1	Level 2	Level 3	Total
Marketable and investment securities				
Available-for-sale				
Equity securities	¥ 1,649	－	－	¥ 1,649
Derivatives				
Related to currency	－	¥ 616	－	616
Asset Total	¥ 1,649	¥ 616	－	¥ 2,265

・Financial instruments except financial instruments recorded in the consolidated balance sheets at fair value

For the year ended March 31, 2023

No applicable items

For the year ended March 31, 2022

	Millions of yen			
	2022			
	Far values			
	Level 1	Level 2	Level 3	Total
Marketable and investment securities				
Held-to- maturity				
Jointly-managed money trust	－	¥ 16,001	－	¥ 16,001
Commercial paper	－	7,998	－	7,998
Asset Total	－	¥ 23,999	－	¥ 23,999

Note: Description of valuation techniques used to determine fair value and inputs for determining fair value

Available-for-sale

Listed stocks are valued using quoted prices. Listed stocks are traded in an active market and, therefore, their fair values are classified as Level 1 fair values.

Held-to-maturity debt securities

Commercial paper primarily for securities management and pooled designated money trusts are calculated based on prices quoted by the financial institutions with which the securities are traded and are classified as Level 2 fair values.

Derivative transactions

The fair value of foreign currency forward contracts is determined using the discounted present value method using observable inputs such as interest rates and foreign currency exchange rates and is classified as Level 2 fair value.

7. Marketable and Investment Securities

(1) The summary of acquisition cost and carrying value of held to maturity and available-for-sale securities as of March 31, 2023 and 2022 is as follows:

Held-to-maturity

For the year ended March 31, 2023

No applicable items.

Available-for-sale

	Millions of yen			Thousands of U.S. dollars		
	2023			2023		
	Carrying amount	Acquisition cost	Unrealized gains (losses)	Carrying amount	Acquisition cost	Unrealized gains (losses)
(Securities with carrying value exceeding acquisition cost)						
Equity securities	¥ 1,516	¥ 834	¥ 681	$11,355	$6,251	$5,103
(Securities with carrying value not exceeding acquisition cost)						
Equity securities	65	75	(9)	491	565	(74)
Total	¥ 1,581	¥ 910	¥ 671	$11,846	$6,817	$5,029

Held-to-maturity

	Millions of yen		
	2022		
	Carrying amount	Estimated fair value	Unrealized gains (losses)
(Securities with estimated fair value exceeding carrying amount)			
Jointly-managed money trust	¥ 9,000	¥ 9,001	¥ 1
Commercial paper	-	-	
(Securities with estimated fair value not exceeding carrying amount)			
Jointly-managed money trust	¥ 7,000	¥ 7,000	-
Commercial paper	7,999	7,998	¥ (1)
Total	¥23,999	¥23,999	¥ 0

Available-for-sale

	Millions of yen		
	2022		
	Carrying amount	Acquisition cost	Unrealized gains (losses)
(Securities with carrying value exceeding acquisition cost)			
Equity securities	¥ 1,617	¥ 1,022	¥ 594
(Securities with carrying value not exceeding acquisition cost)			
Equity securities	31	32	(1)
Total	¥ 1,649	¥ 1,055	¥ 593

Note: Unlisted shares with carrying values of ¥843 million ($6,315 thousand) and ¥615 million at March 31, 2023 and 2022, respectively, are not included in the above table as their market value is not readily available.

(2) Sales of available-for-sale securities

	Millions of yen			Thousands of U.S. dollars		
	2023			2023		
	Sales amount	Gain on sales	Loss on sales	Sales amount	Gain on sales	Loss on sales
Equity securities	¥ 199	¥54	-	$1,495	$406	-
Total	¥ 199	¥54	-	$1,495	$406	-

	Millions of yen		
	2022		
	Sales amount	Gain on sales	Loss on sales
Equity securities	¥ 212	¥69	¥(8)
Total	¥ 212	¥69	¥(8)

(3) Impairment loss on available-for-sale securities

The Company recognizes impairment loss for the full amount of securities when the fair value declines below 50% of the acquisition cost, and for amounts deemed necessary after consideration of recoverability when the fair value declines by 30 to 50% of the acquisition cost. During the year ended March 31, 2023 and 2022, impairment losses recognized on equity securities classified as available-for-sale securities were nil and ¥76 million.

8. Inventories

Inventories at March 31, 2023 and 2022 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Finished goods and commercial goods	¥ 8,870	¥ 7,542	$66,429
Work in process	1,898	1,400	14,214
Raw materials and supplies	12,584	9,058	94,241
	¥ 23,352	¥ 18,001	$174,886

Valuation losses (reversal) due to declines in profitability included in cost of sales for the years ended March 31, 2023 and 2022 were ¥ 5 million ($41 thousand) and ¥ (3)million, respectively.

9. Short-Term Borrowings and Long-Term Debt

The outstanding balance of short-term borrowings, long-term debt, lease obligations and other interest-bearing liabilities as of March 31, 2023 and 2022 are as follows:

	Millions of yen		Thousands of U.S. dollars	Average interest rate	
	2023	2022	2023	2023	2022
				(%)	(%)
Short-term borrowings	¥1,290	¥1,447	$9,664	6.7	4.8
Current portion of lease obligations	156	160	1,170	-	-
Lease obligations, excluding current portion	403	375	3,021	-	-
Other interest-bearing liabilities	5	22	42	0.0	0.3
Total	¥ 1,855	¥ 2,005	$13,899	-	-

Note: "Average interest rate" represents the weighted average interest rate on the respective ending balance. The average interest rate for lease obligations is not disclosed as lease obligations include the interest component of the lease payments and it is not practicable to calculate average interest rate.

The aggregate annual maturities of lease obligations and long-term borrowings are summarized below:

	Millions of yen	Thousands of U.S. dollars
Years ending March 31,	Lease obligations	
2024	156	1,170
2025	135	1,018
2026	88	660
2027	51	387
2028	48	361
2029 and thereafter	79	593

10. Income Taxes

The Company and its domestic consolidated subsidiaries are subject to several types of taxes: corporate tax, local inhabitant taxes and enterprise taxes, which in the aggregate resulted in a statutory tax rate of approximately 30.5% for the fiscal years ended March 31, 2023 and 2022, respectively. Overseas subsidiaries are subject to income and other taxes of the respective countries in which they operate.

A reconciliation of the statutory tax rate to the effective tax rates for the years ended March 31, 2023 was as follows:

	2023
	(%)
Statutory tax rate	30.5
Adjustments:	
Entertainment and other permanently non-deductible expenses	0.3
Dividend and other permanently non-taxable income	(0.0)
Special tax credit for income tax	(0.8)
Per capita inhabitant tax	0.4
Changes in valuation allowances	1.0
Effect of consolidation adjustments	2.9
Others	(0.4)
Effective tax rates	33.9

A reconciliation between the statutory tax rate and the effective tax rate for the year ended March 31, 2022 were omitted since the difference between the statutory tax rate and the effective tax rate was less than 5% of the statutory tax rate.

Significant components of deferred tax assets and liabilities as of March 31, 2023 and 2022 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Deferred tax assets:			
Allowance for doubtful accounts	¥ 18	¥ 15	$ 137
Provision for bonuses	1,623	1,385	12,159
Accrued expenses	2,038	1,940	15,267
Enterprise tax payable	222	253	1,668
Provision for stock payments	11	13	84
Provision for directors' stock payments	90	98	677
Net defined benefit liability	1,365	1,649	10,224
Provision for directors' retirement benefits	12	7	93
Depreciation	1,691	1,654	12,663
Impairment loss	416	268	3,116
Asset retirement obligations	211	211	1,580
Carryforward tax loss (Note 2)	1,262	1,488	9,455
Others	727	740	5,445
Deferred tax assets – total	9,690	9,727	72,573
Valuation reserve for carryforward tax loss (Note 2)	(778)	(767)	(5,830)
Valuation reserve for deductible temporary differences	(455)	(370)	(3,410)
Valuation reserve – total (Note 1)	(1,233)	(1,138)	(9,241)
Net deferred tax assets	8,456	8,589	63,332
Deferred tax liabilities:			
Unrealized holding gain on securities	(205)	(179)	(1,537)
Deferred gains on property, plant and equipment	(400)	(416)	(2,996)
Asset retirement obligations	(42)	(48)	(321)
Deferred gain on reorganization	(2,115)	(1,923)	(15,842)
Others	(2,024)	(1,748)	(15,162)
Deferred tax liabilities – total	(4,788)	(4,316)	(35,859)
Net deferred tax assets	¥ 3,668	¥ 4,272	$ 27,472

(Note) 1. Valuation reserve increased by ¥ 95 million, due to increase for the consolidated subsidiaries with significant carryforward tax loss in the fiscal year.

2. Carryforward tax loss and its deferred tax assets by expiration periods

(Millions of yen)

March 31 2023	2024	2025	2026	2027	2028	2029 and beyond	Total
Carryforward tax loss (a)	226	148	122	43	90	632	1,262
Valuation reserve	(226)	(148)	(122)	(43)	(90)	(148)	(778)
Net deferred tax assets	-	-	-	-	-	484	(b) 484

(Thousands of U.S. dollars)

March 31 2023	2024	2025	2026	2027	2028	2029 and beyond	Total
Carryforward tax loss (a)	1,697	1,109	917	323	674	4,733	9,455
Valuation reserve	(1,697)	(1,109)	(917)	(323)	(674)	(1,108)	(5,830)
Net deferred tax assets	-	-	-	-	-	3,624	(b) 3,624

(a) Carryforward tax loss shown in the above table is after multiplying the statutory tax rate.

(b) The net deferred tax assets of ¥ 484 million ($3,624 thousand) for carryforward tax loss of ¥ 1,262 million ($9,455 thousand) in consolidated subsidiaries was available for reduction of future taxable income respectively.

(Millions of yen)

March 31 2022	2023	2024	2025	2026	2027	2028 and beyond	Total
Carryforward tax loss (a)	181	219	143	119	46	777	1,488
Valuation reserve	(181)	(219)	(143)	(119)	(46)	(57)	(767)
Net deferred tax assets	-	-	-	-	-	720	(b) 720

(a) Carryforward tax loss shown in the above table is after multiplying the statutory tax rate.

(b) The net deferred tax assets of ¥ 720 million for carryforward tax loss of ¥ 1,488 million in consolidated subsidiaries was available for reduction of future taxable income respectively.

11. Net Assets

(1) Movements of number of common stock issued and outstanding during the Years ended March 31, 2023 and 2022 are as follows:

	Number of shares	
	2023	2022
Balance at beginning of year	133,929,800	133,929,800
Increase	-	-
Decrease	-	-
Balance at end of year	133,929,800	133,929,800

(2) Movements of number of treasury stock during the Years ended March 31, 2023 and 2022 are as follows:

	Number of shares	
	2023	2022
Balance at beginning of year	4,808,426	289,176
Increase	4,217,215	4,544,250
Decrease	(20,400)	(25,000)
Balance at end of year	9,005,241	4,808,426

Note: The breakdown of the increase and decrease during the year ended March 31, 2023 is as follows:

Increase due to acquisition of treasury stock resolved at the Board of Directors meeting held on November 7, 2022 4,217,100 shares

Increase due to purchase of holder of shares less than one unit 115 shares

Decrease due to issuance of treasury shares by the trust 20,400 shares

The breakdown of the increase and decrease during the year ended March 31, 2022 is as follows:

Increase due to acquisition of treasury stock resolved at the Board of Directors meeting held on October 29, 2021 4,544,100 shares

Increase due to purchase of holder of shares less than one unit 150 shares

Decrease due to issuance of treasury shares by the trust 25,000 shares

(3) As of March 31, 2023 and 2022, the outstanding balance of subscription rights provided for as stock options amounted to nil.

(4) Cash dividends

The following appropriation of retained earnings at March 31, 2023 and 2022 was approved at the annual meetings of the Company's shareholders held on June 21, 2023 and June 22, 2022, respectively.

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Cash dividends	¥ 6,508	¥ 6,728	$48,743

Cash dividends attributable to the year ended March 31, 2022 of ¥6,728 million were paid during the year ended March 31, 2023 in accordance with the resolution at the annual meeting of the Company's shareholders held on June 22, 2022.

Amount of total dividends paid to shares held by the Company in trust in 2023 and 2022 is ¥12 million ($94 thousand) and ¥13 million, respectively.

12. Retirement Benefits for Employees

The Company and its 2 domestic consolidated subsidiaries have corporate pension plans and lump-sum payment plans that are multi-employer plans as defined benefit pension plans. Other domestic consolidated subsidiaries and certain foreign consolidated subsidiaries have lump-sum payment plans or defined contribution pension plans. The Company adopts defined contribution pension plans and prepaid retirement allowance plans.

Charges for net defined benefit liability and retirement benefit expenses for a portion of the Company's retirement benefit plans, the defined benefit pension plans for consolidated subsidiaries and the retirement lump-sum payment plans are calculated using the simplified accounting method.

Notes relating to retirement benefits based on defined benefit plans include the portion related to multi-employer plans.

(1) The changes in the retirement benefit obligation for the Years ended March 31, 2023 and 2022 are as follows:

(excluding the plans to which the simplified accounting method is applied)

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Balance at beginning of year	¥16,498	¥16,618	$123,555
Service cost	823	804	6,165
Interest cost	101	84	760
Actuarial loss (gain)	(1,463)	(105)	(10,959)
Past service cost	-	14	-
Retirement benefits paid	(512)	(876)	(3,838)
Decrease due to transfer	(288)	-	(2,159)
Other	(0)	(42)	(0)
Retirement benefit obligations at end of year	¥15,158	¥16,498	$113,524

(2) The changes in plan assets for the Years ended March 31, 2023 and 2022 are as follows:

(excluding the plans to which the simplified accounting method is applied)

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Balance at beginning of year	¥12,694	¥12,548	$95,069
Expected return on plan assets	190	183	1,426
Actuarial gain (loss)	(463)	5	(3,472)
Employer's contribution	480	459	3,601
Retirement benefits paid	(325)	(502)	(2,439)
Plan assets at end of year	¥12,576	¥12,694	$94,185

(3) Changes to balance of net defined benefit liability of the plans, to which the simplified accounting method is applied, at beginning and end of year

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Balance at beginning of year	¥1,349	¥1,227	$10,106
Retirement benefit expense	294	222	2,205
Retirement benefits paid	(137)	(103)	(1,030)
Contribution to the plans	(13)	(12)	(97)
Increase (decrease) due to foreign currency translation	13	15	100
Net defined benefit liability at end of year	¥1,506	¥1,349	$11,284

(4) Reconciliation of the ending balances of retirement benefit obligations and plan assets with the net defined benefit liability and net defined benefit asset recorded on the consolidated balance sheet

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Funded retirement benefit obligations	¥9,382	¥10,025	$70,265
Plan assets	(12,814)	(12,919)	(95,967)
	(3,431)	(2,894)	(25,701)
Unfunded retirement benefit obligations	7,521	8,047	56,325
Net liabilities (assets) recorded on the consolidated balance sheet	4,089	5,153	30,623
Net defined benefit liability	7,523	8,049	56,342
Net defined benefit asset	(3,434)	(2,895)	(25,719)
Net liabilities (assets) recorded on the consolidated balance sheet	¥4,089	¥5,153	$30,623

(5) Retirement benefit expenses and breakdown of amounts

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Service cost	¥823	¥804	$6,165
Interest cost	101	84	760
Expected return on plan assets	(190)	(183)	(1,426)
Amortization of actuarial loss	273	272	2,050
Amortization of past service cost	(466)	(466)	(3,495)
Retirement benefit expense using the simplified method	294	222	2,205
Additional severance payments, etc.	0	(41)	3
Retirement benefit expense related to the defined benefit plans	¥836	¥692	$6,264
Losses (Gains) on termination of retirement benefit plans due to transfer.	(68)	-	(516)

(6)Remeasurements of defined benefit plans

The breakdowns of items recorded under remeasurements of defined benefit plans (before deduction of tax) are as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Past service cost	¥ (466)	¥ (481)	$ (3,495)
Actuarial gain (loss)	1,273	383	9,537
Total	¥ 806	¥ (97)	$ 6,042

(7) Accumulated remeasurements of defined benefit plans

The breakdowns of items recorded under accumulated remeasurements of defined benefit plans (before deduction of tax) are as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Unrecognized past service cost	¥ (336)	¥ (803)	$ (2,521)
Unrecognized actuarial loss	809	2,082	6,060
Total	¥ 472	¥ 1,279	$ 3,539

(8) Items related to plan assets

(a) Breakdown of main items

Allocation of main plan asset items comprising the total is as follows:

	2023	2022
Domestic bonds	16.6%	8.1%
Domestic equity	2.9	1.4
Foreign bonds	25.1	12.5
Foreign equity	7.2	1.4
Alternative investments*	20.9	26.8
General life insurance accounts	13.3	13.0
Other	14.0	36.8
Total	100.0%	100.0%

* Alternative investments are mainly managed by the investment advisory company with the deposits of investment fund.

(b) Method for determining the long-term expected rate of return

In determining the long-term expected rate of return, conservative estimates are made of the assumed interest rate for the corporate pension, the current and expected allocation of plan assets, and the current and future long-term expected rate of return from the various assets that compose the plan assets.

(9) Items related to actuarial calculations

Main components used in actuarial calculations are as follows:

	2023	2022
	(%)	(%)
Discount rate	1.1	0.6
Long-term expected rate of return	1.5	1.5
Expected salary increase rate	5.2	5.2

The amounts of required contributions to the defined contribution plans of the Company and consolidated subsidiaries for the years ended March 31, 2023 and 2022 were ¥297 million ($2,229 thousand) and ¥272 million, respectively.

13. Contingent Liabilities

No applicable items.

14. Supplemental Cash Flow Information

The reconciliation between cash and cash equivalents in the consolidated statements of cash flows and cash and deposits in the consolidated balance sheets as of March 31, 2023 and 2022 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Cash and deposits	¥32,167	¥35,005	$240,902
Time deposits maturing over three months	(1,875)	(334)	(14,044)
Commercial paper included in the marketable securities	-	7,999	-
Jointly-managed money trust included in the marketable securities	-	7,000	-
Cash and cash equivalents	¥30,292	¥49,670	$226,857

15. Selling, General and Administrative Expenses

Major components of selling, general and administrative expenses for the years ended March 31, 2023 and 2022 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Sales promotion expenses	¥ 4,096	¥ 2,728	$ 30,677
Advertisement expenses	4,860	3,784	36,399
Freight expenses	16,349	15,268	122,441
Salaries and other allowances	14,370	12,754	107,616
Provision for directors' retirement benefits	26	31	198
Provision for bonuses	3,304	3,025	24,747
Provision for directors' bonuses	99	93	747
Provision for stock payments	40	44	303
Provision for directors' stock payments	(3)	58	(24)
Retirement benefit expense	554	521	4,150
Allowance for doubtful accounts	99	25	743

16. Research and Development Costs

Research and development costs included in selling, general and administrative expenses and manufacturing expenses for the years ended March 31, 2023 and 2022 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Selling, general and administrative expenses	¥3,668	¥ 3,305	$27,471
Manufacturing expenses	13	14	99
Total	¥3,681	¥ 3,319	$27,570

17. Sale and retirement of Non- current Assets

Gain on sales of non-current assets for the year ended March 31, 2023 mainly consists of gain on sales of Machinery, equipment and vehicles. Gain on sales of non-current assets for the year ended March 31, 2022 mainly consists of gain on sales of Machinery, equipment and vehicles.

Loss on sales of non-current assets for the year ended March 31, 2023 mainly consists of loss on sales of Buildings and structures. Loss on sales of non-current assets for the year ended March 31, 2022 mainly consists of loss on sales of others of fixed assets (tools, furniture and fixtures).

Loss on retirement of non-current assets for the year ended March 31, 2023 mainly consists of loss on retirement of Machinery, equipment and vehicles. Loss on retirement of non-current assets for the year ended March 31, 2022 mainly consists of loss on retirement of Buildings and structures.

18. Impairment Loss

For the year ended March 31, 2023, the Company recognized impairment loss of ¥610 million ($4,569 thousand) on the business assets for which there is no intended future use. With regard to business assets, the Company has reduced the book value to the recoverable amount, since the Company decided to withdraw from the businesses.

For the year end March 31, 2022, the Company recognized impairment loss of nil.

For the purpose of impairment testing, assets are generally grouped based on region; however, idle assets with no plans for the future usage are grouped by each asset.

The recoverable amount is higher of its fair value less costs of disposal and its value in use. Fair value less costs of disposal for which sales or other usage is unlikely, is recorded as having no value.

The details of impairment loss recognized are as follows:

(For the year end march 31, 2023)

Location	Purpose of use	Type of asset	Amount: Millions of yen	Amount: Thousands of U.S. dollars
Utsunomiya City, Tochigi	Business assets	Buildings and structures Machinery, equipment and vehicles Property, plant and equipment, others	¥ 610	$4,569

19. Other Comprehensive Income

Reclassification adjustments and tax effects related to other comprehensive income for the years ended March 31, 2023 and 2022 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Other comprehensive income			
Unrealized holding gain on securities			
Amount during the year	¥132	¥262	$989
Reclassification adjustments	(54)	(60)	(406)
Amount before tax effects	77	201	583
Tax effects	(25)	(65)	(192)
Total	¥52	¥136	$391
Foreign currency translation adjustments			
Amount during the year	¥2,386	¥3,251	$17,873
Reclassification adjustments	—	—	—
Amount before tax effects	2,386	3,251	17,873
Tax effects	(19)	—	(147)
Total	¥2,366	¥3,251	$17,725
Remeasurements of defined benefit plans			
Amount during the year	¥999	¥96	$7,487
Reclassification adjustments	(192)	(194)	(1,444)
Amount before tax effects	806	(97)	6,042
Tax effects	(245)	26	(1,842)
Total	¥560	¥(71)	$4,200
Total	¥2,980	¥3,316	$22,317

20. Derivative Financial Instruments

Information on derivative transactions of the Company that do not meet the criteria for hedge accounting as of March 31, 2023 and 2022 is as follows:

	Millions of yen			
	2023			
	Contract amount	Maturity over one year	Fair value	Revaluation gain/loss
Non-exchange transactions				
Forward foreign exchange contracts				
GBP Sell	¥ 3,207	-	¥ (75)	¥ (75)
USD Buy	15,427	¥ 12,089	519	519
Total	¥ 18,635	¥ 12,089	¥ 444	¥ 444

	Thousands of U.S. dollars			
	2023			
	Contract amount	Maturity over one year	Fair value	Revaluation gain/loss
Non-exchange transactions				
Forward foreign exchange contracts				
GBP Sell	$ 24,023	-	$ (563)	$ (563)
USD Buy	115,537	$ 90,539	3,894	3,894
Total	$ 139,560	$ 90,539	$ 3,330	$ 3,330

	Millions of yen			
	2022			
	Contract amount	Maturity over one year	Fair value	Revaluation gain/loss
Non-exchange transactions				
Forward foreign exchange contracts				
GBP Sell	¥ 3,850	-	¥ (0)	¥ (0)
USD Buy	6,174	¥ 3,337	616	616
Total	¥ 10,024	¥ 3,337	¥ 616	¥ 616

* Fair value is determined based on the price provided by the financial institutions that are counterparties to the transactions.

21. Stock Options

No applicable items.

22. Related Party Transactions

The following summarizes related party transactions for the years ended March 31, 2023 and 2022.

(1) For the year ended March 31, 2023
No applicable items.

(2) For the year ended March 31, 2022
No applicable items.

23. Per Share Information

Per share information as of March 31, 2023 and 2022 and for the years then ended is as follows:

	Yen		U.S. dollars
	2023	2022	2023
Net assets per share	¥ 1,393.74	¥ 1,358.25	$ 10.43
Net income per share	¥ 115.16	¥ 136.25	$ 0.86

Basis for calculation of net assets per share is as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Total net assets	¥182,686	¥183,458	$ 1,368,131
Net assets attributable to common stock	¥174,112	¥175,379	$ 1,303,918
Major components of the difference			
Non-controlling interests	¥ 8,574	¥ 8,078	$ 64,212

	Number of shares	
	2023	2022
Number of common stock issued and outstanding	133,929,800	133,929,800
Treasury stock of common stock	9,005,241	4,808,426
Number of common shares used in calculation of net assets per share	124,924,559	129,121,374

Basis for calculation of net income per share is as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Basis for calculation of net income per share			
Net income attributable to owners of parent	¥ 14,772	¥ 18,053	$ 110,628
Net income attributable to owners of parent attributable to common stock	¥ 14,772	¥ 18,053	$ 110,628
Net income attributable to owners of parent to common stock	-	-	-

	Number of shares	
	2023	2022
Average number of shares outstanding during the year	128,274,133	132,502,953

Note: The Company's own stock in the trust recorded as treasury stock under shareholders' equity includes treasury shares excluded from the average number of shares during the period used for calculating net income per share and treasury shares excluded from the number of shares outstanding at the end of the fiscal year used for calculating net assets per share. 253,153 treasury shares (271,442 shares in 2022) were excluded from the average number of shares during the year used for calculating net income per share for the year ended March 31, 2023 and 242,865 treasury shares (263,265 shares in 2022) were excluded from the number of shares outstanding used for calculating net assets per share at March 31, 2023. Diluted net income is not presented since there are no dilutive securities.

24. Revenue Recognition

1. Breakdown of revenue from contracts with customers

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Domestic production and sale of snack and other foods business	207,116	188,048	1,551,088
Overseas production and sale of snack and other foods business	72,198	57,370	540,693
Total	279,315	245,419	2,091,781

2. Underlying information to understand revenues
Underlying information to understand revenues is provided in "Notes to Consolidated financial statements Summary of Significant Accounting Policies (p) Recognition of revenues and expenses".

3. Information on the relationship between fulfillment of obligations under contracts with customers and cash flows resulting from such contracts, and the amount and timing of proceeds expected to be recognized in the following fiscal year or later from contracts with customers that exist at the end of this fiscal year

(1) Contract balances

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Receivables arising from an entity's contracts with customers (Beginning balance)	32,582	30,449	244,010
Receivables arising from an entity's contracts with customers (Ending balance)	37,121	32,582	278,000

The amount of revenue recognized from performance obligations satisfied (or partially satisfied) in prior fiscal year was immaterial in the fiscal year.

(2) Transaction price allocated to the remaining performance obligations
There is no transaction price allocated to the remaining performance obligations in our group.

25. Segment Information

For the years ended March 31, 2023 and 2022, information on operating segments is not disclosed as the Company has only one reporting segment, "Production and sale of snacks and other foods."

[Related information]
(1) Sales by product and service

	Millions of yen					
	2023					
	Snacks	Other foods	Other	Sub-Total	Deduction of rebates, etc.	Total
Sales to third parties	¥ 266,487	¥ 45,701	¥ 1,643	¥ 313,832	(34,516)	¥ 279,315

	Thousands of U.S. dollars					
	2023					
	Snacks	Other foods	Other	Sub-Total	Deduction of rebates, etc.	Total
Sales to third parties	$ 1,995,716	$ 342,255	$ 12,305	$ 2,350,277	(258,495)	$ 2,091,781

	Millions of yen					
	2022					
	Snacks	Other foods	Other	Sub-Total	Deduction of rebates, etc.	Total
Sales to third parties	¥ 233,245	¥ 43,347	¥ 1,448	¥ 278,042	(32,623)	¥ 245,419

(2) Information by region

Information about sales by region is as follows:

	Millions of yen				
	2023				
	Japan	America	China	Others	Total
Sales	¥ 207,116	¥ 20,386	¥ 15,180	¥ 36,631	¥ 279,315

	Thousands of U.S. dollars				
	2023				
	Japan	America	China	Others	Total
Sales	$1,551,088	$ 152,673	$ 113,689	$ 274,330	$2,091,781

	Millions of yen				
	2022				
	Japan	America	China	Others	Total
Sales	¥ 188,048	¥ 14,821	¥ 12,524	¥ 30,024	¥ 245,419

Information about property, plant and equipment by region is as follows:

	Millions of yen				
	2023				
	Japan	America	China	Others	Total
Property, plant and equipment	¥ 79,072	¥ 9,191	¥ 731	¥ 12,537	¥ 101,533

	Thousands of U.S. dollars				
	2023				
	Japan	America	China	Others	Total
Property, plant and equipment	$ 592,171	$ 68,834	$ 5,481	$ 93,894	$ 760,381

	Millions of yen				
	2022				
	Japan	America	China	Others	Total
Property, plant and equipment	¥ 62,339	¥ 8,790	¥ 695	¥ 11,153	¥ 82,979

(3) Sales by major customers

Sales by major customers for the year ended March 31, 2023 and 2022 are omitted because there are no customers more than 10% of net sales.

(4) Impairment loss on fixed assets by reporting segment

	Millions of yen				
	2023				
	Reporting segment				
	Production and sale of snacks and other foods	Total	Other	Corporate / elimination	Total
Impairment loss	¥ 610	¥ 610	-	-	¥ 610

	Thousands of U.S. dollars				
	2023				
	Reporting segment				
	Production and sale of snacks and other foods	Total	Other	Corporate / elimination	Total
Impairment loss	$ 4,569	$ 4,569	-	-	$ 4,569

For the year ended March 31, 2022

No applicable items.

(5) Amortization and unamortized balance of goodwill by reporting segment

	Millions of yen				
	2023				
	Reporting segment				
	Production and sale of snacks and other foods	Total	Other	Corporate / elimination	Total
Amortization	¥ 1,979	¥ 1,979	-	-	¥ 1,979
Balance at end of year	¥ 23,222	¥ 23,222	-	-	¥ 23,222

	Thousands of U.S. dollars				
	2023				
	Reporting segment				
	Production and sale of snacks and other foods	Total	Other	Corporate / elimination	Total
Amortization	$ 14,821	$ 14,821	-	-	$ 14,821
Balance at end of year	$ 173,915	$ 173,915	-	-	$ 173,915

(Note) The amount of amortization and balance at end of year related to acquisition of stock of Potato Kaitsuka Ltd. are as follows.

Amortization ¥ 972 million (US$ 7,284 thousand)
Balance at end of year ¥ 11,671 million (US$ 87,411 thousand)

	Millions of yen				
	2022				
	Reporting segment				
	Production and sale of snacks and other foods	Total	Other	Corporate / elimination	Total
Amortization	¥ 1,819	¥ 1,819	-	-	¥ 1,819
Balance at end of year	¥ 23,550	¥ 23,550	-	-	¥ 23,550

(Note) The amount of amortization and balance at end of year related to acquisition of stock of Potato Kaitsuka Ltd. are as follows.

Amortization ¥ 972 million
Balance at end of year ¥ 12,644 million

26. Business combination and other related matters

Business combination resulting from acquisition.

The Company purchased of 86.84% of the issued shares of Greenday Group Co., Ltd. (“Greenday Group”), the holding company of Greenday Global Co., Ltd. (“Greenday Global”), with current shareholders in order to acquire the business of Greenday Global, a Thai healthy snack manufacturer.

(1) Outline of the transaction

1. Name and business description of the acquired company
   Name of acquired company: Greenday Group Co., Ltd.
   Description of business: Holding company
2. The main reason for business combination
   Greenday Global is a snack manufacturer with strengths in the production of healthy snack products using fruits and vegetables. This company has proven track records not only in the domestic business, but also in the export sales to the U.S. and Chinese markets. By making Greenday Global a consolidated subsidiary company and establishing a new production and development base, Calbee will strengthen exports of "Jagabee", already well recognized in Greater China, and make it a global brand. In addition, we will create synergies with existing joint ventures in Thailand and make it function as an important production and development base in Southeast Asia and Oceania.
3. Date of business combination
   July 1, 2022 (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
   86.84%
7. Main grounds for determining which company to acquire
   Due to the Company acquiring Greenday Group though a share acquisition by cash.

(2) Period of business results of the acquired company included in the consolidated financial statements
From July 1, 2022 to March 31, 2023

(3) Acquisition cost of acquired company and the breakdown
Purchase price of equity interest paid by cash: ¥1,592 million (US$ 11,925 thousand)

(4) Details and amount of the main acquisition related costs
Advisory fees, etc.: ¥113 million (US¥ 853 thousand)

(5) Amount of goodwill, reason for recognition, amortization method and period
1. Goodwill arising from acquisition
¥949 million (US$ 7,107 thousand)
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.

(6) Details and amount of assets and liabilities accepted on the date of business combination

	(Millions of yen)	(thousands of U.S, dollars)
Current assets	453	3,397
Non-current assets	1,484	11,116
Total assets	1,938	14,514
Current liabilities	455	3,412
Non-current liabilities	601	4,504
Total Liabilities	1,057	7,916

(7) Estimated effects of gain or loss in the consolidated financial statement of the Company assuming that the business combination had been completed at the beginning of the fiscal year and assuming the calculation method
Estimated effects were omitted since they were not material. This effects have not been audited.

27. Subsequent events

No applicable items.

Independent auditor's report

To the Board of Directors of Calbee, Inc.:

Opinion

We have audited the accompanying consolidated financial statements of Calbee, Inc. ("the Company") and its consolidated subsidiaries (collectively referred to as "the Group"), which comprise the consolidated balance sheets as at March 31, 2023 and 2022, the consolidated statements of income, statements of comprehensive income, statements of changes in net assets and statements of cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Appropriateness of management's judgment as to whether an impairment loss should be recognized on the goodwill of Potato Kaitsuka Ltd.

The key audit matter	How the matter was addressed in our audit
In the consolidated balance sheet of the Group as of March 31, 2023, goodwill of ¥23,222 million was recognized. As described in Note 3, "Significant accounting estimates" to the consolidated financial statements, included therein was goodwill of ¥11,671 million resulting from the acquisition of Potato Kaitsuka Ltd. (hereinafter, "Potato Kaitsuka"), representing 5% of total assets in the consolidated financial statements.	The primary procedures we performed to assess the appropriateness of management's judgment as to whether an impairment loss should be recognized on the goodwill of Potato Kaitsuka, included the following: **(1) Internal control testing** We tested the design and operating effectiveness of certain of the Company's internal controls relevant

As described in Note 2, “Summary of Significant Accounting Policies, (h) Goodwill” to the consolidated financial statements, the goodwill of Potato Kaitsuka is amortized over 15 years using the straight-line method. Goodwill is tested for impairment whenever there is an impairment indicator for an asset group that includes goodwill. If the recognition of an impairment loss is deemed necessary, the carrying amount is reduced to the recoverable amount, and the resulting decrease in the carrying amount is recognized as an impairment loss. As Potato Kaitsuka is likely to continuously incur operating losses (including amortization of goodwill) from the current fiscal year onward, there was an indication of impairment. Accordingly, the Company performed an impairment test during the current fiscal year. However, the Company determined that the recognition of an impairment loss was not necessary as the total amount of the estimated undiscounted future cash flows from the business exceeded the carrying amount of the asset group. In the impairment test, future cash flows were estimated based on the business plan of Potato Kaitsuka prepared by the management. Key assumptions underlying the business plan, which included a continuous increase in sales and procurement volume and an improvement in gross profit ratio primarily due to an increase in the sales volume of processed products, involved a high degree of uncertainty. Accordingly, management’s judgment on these assumptions had a significant impact on the estimated future cash flows. We, therefore, determined that our assessment of the appropriateness of management’s judgment as to whether an impairment loss should be recognized on the goodwill of Potato Kaitsuka was of most significance in our audit of the consolidated financial statements for this fiscal year, and accordingly, a key audit matter.	to determining impairment losses to be recognized. In this assessment, we focused our test on controls designed to ensure the reasonableness of the estimated future cash flows based on the business plan. **(2) Assessment of the reasonableness of the estimated future cash flows** We inquired of the management and the personnel responsible for the Potato Kaitsuka business to evaluate the rationale supporting key assumptions embedded in the business plan that formed the basis of the estimated future cash flows. In addition, we: ● Performed the following procedures to evaluate the assumptions related to the continuous increase in sales and procurement volume: - inquiry of the personnel responsible for the sales plan about the measures to increase sales volume, and assessment of whether the responses were reasonable considering the forecasts of the wholesales business of sweet potato published by external research organizations; - inquiry of the personnel responsible for the procurement plan about the measures to increase procurement volume, and comparison of the planned procurement volume with the actual procurement volume and the rate of increase in the current and prior fiscal years; and - comparison of the expected sales volume for the next fiscal year with the actual procurement volume for the current fiscal year and the planned procurement volume for the next fiscal year, as the procurement volume of sweet potatoes produced in the current and the next fiscal years would be allocated to the sales volume for the next fiscal year. ● Inquired of the personnel responsible for the sales plan about the measures to improve gross profit ratio, and inspected relevant documents to evaluate the assumptions related to the improvement in gross profit ratio primarily due to an increase in the sales volume of processed products.

Other Information

The other information comprises the information included in the Financial Book, but does not include the consolidated financial statements and our auditor's report thereon. Management is responsible for the preparation and presentation of the other information. Corporate auditors and the board of corporate auditors are responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the reporting process for the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Management and Corporate Auditors and the Board of Corporate Auditors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Corporate auditors and the board of corporate auditors are responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with accounting standards generally accepted in Japan, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with corporate auditors and the board of corporate auditors regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide corporate auditors and the board of corporate auditors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with corporate auditors and the board of corporate auditors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2023 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 5 to the consolidated financial statements.

Interest required to be disclosed by the Certified Public Accountants Act of Japan

We do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Hiroto Yamane

Designated Engagement Partner

Certified Public Accountant

Tsutomu Ogawa

Designated Engagement Partner

Certified Public Accountant

KPMG AZSA LLC
Tokyo Office, Japan
June 22, 2023

Notes to the Reader of Independent Auditor’s Report:
This is a copy of the Independent Auditor’s Report and the original copies are kept separately by the Company and KPMG AZSA LLC.