

Consolidated Financial Statements for the Fiscal Year ended March 31, 2012

April 1, 2011 to March 31, 2012

CALBEE, Inc.

This document has been translated from the original Japanese as a guide for non-Japanese investors. It contains forward-looking statements based on a number of assumptions and beliefs made by management in light of information currently available. Actual financial results may differ materially depending on a number of factors, including changing economic conditions, legislative and regulatory developments, delay in new product launches, and pricing and product initiatives of competitors.

SUMMARY OF FINANCIAL STATEMENTS (consolidated)

Full Year Results for the Fiscal Year Ended March 31, 2012

CALBEE, Inc.

May 8, 2012

<http://www.calbee.co.jp/english/>

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Scheduled date for the General Meeting of Shareholders: June 27, 2012

Scheduled date for distribution of dividends: June 28, 2012

Scheduled date for submission of the full year financial report: June 27, 2012

Availability of supplementary explanatory material: Available

Results presentation meeting: Yes (for institutional investors and analysts)

1) Consolidated results for the fiscal year ended March 31, 2012 (April 1, 2011 to March 31, 2012)

(1) Consolidated Operating Results

	FY ended March 31, 2012		FY ended March 31, 2011	
		% change		% change
Net sales	163,268	5.0	155,529	6.2
Operating income	12,247	14.3	10,717	12.4
Ordinary income	12,486	18.1	10,570	10.8
Net income	7,096	66.8	4,253	5.9
Earnings per share (¥)	220.29		146.48	
Earnings per share (diluted) (¥)	215.91		143.97	
Return on equity (%)	9.6		6.5	
Ordinary income to total assets ratio (%)	12.0		11.0	
Operating income to sales ratio (%)	7.5		6.9	

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

2. Comprehensive income: FY ended March 31, 2012: ¥7,571 million (85.5%)

FY ended March 31, 2011: ¥4,080 million (-0.7%)

Reference: Income (loss) from equity method investments:

FY ended March 31, 2012: ¥-- million

FY ended March 31, 2011: ¥-- million

(2) Consolidated Financial Position

	As of March 31, 2012	As of March 31, 2011
Total assets	108,474	99,393
Net assets	80,417	72,924
Shareholders' equity/total assets (%)	71.6	70.7
Net assets per share (¥)	2,386.63	2,200.55

Shareholders' equity: As of March 31, 2012: ¥77,663 million

As of March 31, 2011: ¥70,235 million

(3) Consolidated cash flows

	FY ended March 31, 2012	FY ended March 31, 2011
Cash flows from operating activities	7,049	16,664
Cash flows from investing activities	(5,347)	(620)
Cash flows from financing activities	(411)	(2,124)
Cash and cash equivalents at end of period	19,448	18,238

2) Dividends per share

	FY ended March 31, 2011	FY ended March 31, 2012	FY ending March 31, 2013
Interim dividend per share (¥)	0.00	0.00	0.00
Year-end dividend per share (¥)	28.00	42.00	50.00
Annual dividend per share (¥)	28.00	42.00	50.00
Total dividend amount (millions of yen)	893	1,366	
Dividend payout ratio (consolidated) (%)	19.1	19.1	21.7
Net assets to dividends ratio (%)	1.3	1.8	

Note: Net assets to dividends ratio for FY ended March 31, 2011 calculated after share split.

3) Consolidated forecasts for the fiscal year ending March 31, 2013 (April 1, 2012 to March 31, 2013)

Millions of yen

	Interim		Full year	
		% change		% change
Net sales	82,800	9.0	170,000	4.1
Operating income	5,100	31.0	13,600	11.0
Ordinary income	5,100	45.7	13,600	8.9
Net income	2,750	55.1	7,500	5.7
Earnings per share (¥)	84.51		230.48	

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

Notes:

(1) Transfer of important subsidiaries during the period: Yes

Note: Indicates transfers of specified subsidiaries resulting in changes in the scope of consolidation during the period under review.

One company added to scope of consolidation: HAITAI-CALBEE Co., Ltd.

Note: For detail see Significant items for the Preparation of Consolidated Financial Statements, page 24.

(2) Changes in accounting policy, changes in accounting estimates and restatements:

1. Changes following revisions to accounting standards: None
2. Other changes: None
3. Changes in accounting estimates: None
4. Restatements: None

(3) Number of outstanding shares (common stock)

	March 31, 2012:	March 31, 2011:
1. Number of shares outstanding (including treasury shares)	32,540,950 shares	31,917,450 shares
2. Number of treasury shares	-- shares	-- shares
	Fiscal year to March 31, 2012	Fiscal year to March 31, 2011
3. Average number of shares during the period	32,215,557 shares	29,037,338 shares

Note: On January 14, 2011 a 50 for 1 share split was conducted for common shares.

(Reference)

1. Non-Consolidated Results for the Fiscal Year Ended March 31, 2012

(1) Non-Consolidated Operating Results

Millions of yen, rounded down

	FY ended March 31, 2012		FY ended March 31, 2011	
		% change		% change
Net sales	127,592	4.1	122,616	6.3
Operating income	9,693	19.9	8,081	74.2
Ordinary income	10,510	21.6	8,641	64.9
Net income	6,079	34.8	4,509	118.9
Earnings per share (¥)	188.73		155.28	
Earnings per share (diluted) (¥)	184.98		152.62	

(2) Non-consolidated Financial Position

Millions of yen, rounded down

	As of March 31, 2012	As of March 31, 2011
Total assets	95,102	87,451
Net assets	72,127	65,869
Shareholders' equity/total assets (%)	75.8	75.2
Net assets per share (¥)	2,213.89	2,060.51

Shareholders' equity: As of March 31, 2012: ¥72,042 million

As of March 31, 2011: ¥65,766 million

Notification regarding the auditing process

This financial report is not within the scope of the auditing process as prescribed by the Financial Instruments and Exchange Act. Therefore, and as of the time of disclosure, the auditing process of this financial report has not been completed.

Appropriate use of financial forecasts and other items

1. Forecasts, etc., recorded in this document include forward-looking statements that are based on management's estimates, assumptions and projections at the time of publication. A number of factors could cause actual results to differ materially from expectations. For further notification on the use of matters assumed concerning the results forecasts and the forecasts please see Summary of business performance (consolidated), page 6-7.
2. On January 14, 2011 a 50 for 1 share split was conducted for common shares.
3. The earnings per share forecast for the fiscal year ending March 31, 2013 is calculated using 32,540,950 shares as the expected average number of shares for the period.
4. CALBEE, Inc. has scheduled a conference for institutional investors and analysts for May 8, 2012. A video of the conference will be made available on the Calbee website after the conference.

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1. Summary of business performance

(1) Analysis of operating results

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

During the year under review, the outlook for the Japanese economy remained uncertain due to factors including the long-term strength of the yen, ongoing global financial uncertainty, the effects of the Great East Japan Earthquake and the nuclear crisis in Fukushima.

Demand for snacks food declined after the earthquake, but the market has been recovering since July mainly because snacks prices were seen as more reasonable in comparison to other industries.

In this environment, Calbee Group (hereafter “Calbee”) continued initiatives to actively promote the twin pillars of cost reduction and innovation and also focused on recovering from the damage in our four factories. With regards to innovation, we expanded our overseas business by establishing a joint venture in South Korea with HAITAI Confectionary & Foods and by expanding our sales channel through major North American retailers. We also grew our domestic market share driven by new product *Vegips* and by several limited editions of regional and seasonal products. With regards to cost reduction, we successfully lowered our manufacturing cost by centralizing procurement and improving our utilization ratio.

As a result, consolidated net sales for the fiscal year increased 5.0% to ¥163,268 million. Until production was restarted at the damaged factories, product launches were delayed and promotional activities were restrained, resulting in lower sales. However, all production lines were recovered in May, and sales were back on a strong recovery trend in June with new product launches and promotional activities. In terms of profitability, operating income increased 14.3% to ¥12,247 million and ordinary income increased 18.1% to ¥12,486 million driven by increased sales and manufacturing cost reduction. Net income increased 66.8% to ¥7,096 million, a significant increase over the previous year in which we recorded an extraordinary loss of ¥2,162 million from damage caused by the Great East Japan Earthquake.

Results by business:

Food production and sales business

Net sales increased by 4.7% to ¥160,772 million.

Snack foods:

Snack food sales increased 4.5% to ¥141,248 million driven by potato-based snacks and *Vegips*. Sales from overseas also grew, led by South Korea and North America.

1. Potato-based snacks

Potato Chips gained domestic market share through volume-up campaigns and TV commercials for core products (Usuishio, Consume, Norishio).

Jagarico, with limited-edition products, and Jagabee, with a strengthened product line, also delivered strong results.

2. Flour-based snacks

Increased net sales were driven by renewal of core product *Kappa Ebisen*, robust *Cheese Bit* and *Osatsu Snack*.

3. Corn-based snacks

Net sales were higher driven by core products such as *Mike Popcorn*.

Other products (Processed bread and Cereal)

Net sales increased 6.4% to ¥19,523 million. Sales of processed breads were driven by freshly-baked bread for convenience stores. Sales of cereals were driven by *Fruits Granola*.

Other businesses

Net sales increased 23.4% to ¥2,495 million. Both the distribution business and the sales promotion tools business grew.

Results forecast for the fiscal year ending March 31, 2013

Looking ahead, Calbee Group aims to further increase revenues and profits through ongoing innovation (our growth strategy) and cost reduction while anticipating continued uncertainty due to factors including ongoing deflation and higher raw material prices.

In the Food production and sales business, we plan to increase revenues through Potato-based snacks, new product *Vegips*, and overseas business expansion in such as South Korea and North America.

We plan to grow revenues with *Fruits Granola* in other products (Processed bread and Cereal) and with sales promotional tools in other businesses.

In summary, for the consolidated fiscal year ending March 31, 2013, we forecast net sales of ¥170,000 million, up 4.1%, operating income of ¥13,600 million (up 11.0%), ordinary income of ¥13,600 million (up 8.9%) and net income of ¥7,500 million (up 5.7%) through further innovation and cost reduction.

(2) Analysis of financial position

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

① Assets, liabilities and net assets

Total assets as of March 31, 2012 were ¥108,474 million, an increase of ¥9,081 million from the end of the previous fiscal year. The primary contributing factor was an increase in accounts receivable and cash and deposits following an increase in sales. This exceeded a reduction in noncurrent assets that arose from depreciation and amortization expenses exceeding the amount of investment.

Liabilities increased ¥1,587 million to ¥28,056 million due to an increase in accounts payable, income taxes payable, and accrued expenses and despite a decrease in reserves for loss on disaster.

Net assets increased ¥7,493 million to ¥80,417 million, reflecting the recording of net income and other factors for the period.

As a result, the shareholders' equity ratio increased 0.9 percentage points from the end of the previous fiscal year to 71.6% and net assets per share was ¥2,386.63.

② Cash flow

Cash and cash equivalents as of March 31, 2012 were ¥19,448 million, ¥1,210 million higher than at the end of the previous fiscal year. The main contributing factors are detailed below.

Cash flows from operating activities

Net cash generated by operating activities during the period under review was an inflow of ¥7,049 million, compared to an inflow of ¥16,664 million of the previous fiscal year. Factors increasing operating cash flow included income before income taxes and minority interests of ¥12,934 million and depreciation and amortization of ¥6,676 million; however, factors decreasing operating cash flow included an increase in accounts receivable of ¥7,626 million and ¥1,311 million payments for loss on disaster and income taxes paid of ¥4,267 million.

Cash flows from investing activities

Net cash used in investing activities during the period under review was outflow of ¥5,347 million, compared to an outflow of ¥620 million of the previous fiscal year. The primary contributing factor was ¥5,102 million in purchase of property, plant and equipment primarily for the production of snack foods such as *Jagabee* and *Vegips*.

Cash flows from financing activities

Net cash used in financing activities during the period under review was an outflow of ¥411 million, compared to an outflow of ¥2,124 million of the previous fiscal year. This was primarily due to cash dividends paid of ¥1,011 million, which exceeded cash inflow of ¥997 million arising from the exercise of stock options.

Reference: Related Cash flow indicators

	FY ended March 31, 2009	FY ended March 31, 2010	FY ended March 31, 2011	FY ended March 31, 2012
Equity ratio (%)	56.0	65.2	70.7	71.6
Equity ratio based on market price (%)	--	--	73.9	126.4
Debt service coverage (%)	1.8	0.4	0.0	0.1
Interest coverage ratio (times)	38.2	118.6	247.2	1,031.4

Note: Calbee has prepared consolidated financial statements since FY ended March 31, 2009

Equity ratio: Shareholders' equity /Total assets

Equity ratio based on market price: Market capitalization/Total assets

Debt service coverage: Interest-bearing debt/Operating cash flow

Interest coverage ratio: Operating cash flow/interest paid

1. Calculations based on consolidated financial results figures for all indices.
2. Market capitalization = market price on last trading day of period x total shares outstanding at end of period (excluding treasury shares)
3. There are no figures for equity ratio based on market price (%) since the Company was unlisted prior to March 2010.
4. Cash flow is the Net Cash Provided From Operating Activities figure in the consolidated statements of cash flows.
5. Interest bearing debt includes all debt on which interest is paid recorded in the liabilities section of the consolidated balance sheet.
6. Payment use the interest expenses paid figure in the consolidated statements of cash flows.

(3) Basic policy for profit distribution and dividends for fiscal year to March 2012 and 2013

Calbee recognizes that the distribution of profits to shareholders is an important management matter. Our policy is to consistently and actively distribute profits in accordance with our consolidated results while striving to improve our profitability and strengthen our financial position.

We will leverage our internal reserves for capital investment and other measures aimed at raising our corporate value.

On the basis of consistent and active distribution of profits and in consideration of our consolidated results and financial position, we plan to pay an annual dividend of ¥42.0 per share for the fiscal year ended March 31, 2012. (To be presented at the 63rd General Meeting of Shareholders, June 27, 2012)

As prescribed by Article 454 Clause 5 of the Companies Act, the Articles of Incorporation stipulate that the Company can pay interim dividends, however a dividend will be paid once annually and upon review of certain factors including the annual results.

For the fiscal year ending March 31, 2013, we plan to increase the annual dividend by ¥8.0 to ¥50.0 per share.

(4) Business risks

The major risks to which the Calbee Group (the Group) is exposed in its operations are described below. In the interests of full disclosure, information has also been provided on risks that are not anticipated to necessarily have a major impact on the business but have been deemed important to facilitate a better understanding of the Group's business activities.

Recognizing the possibility that such risks may materialize, the Group's policy is to avoid these risks where possible and to mitigate any impact in the event that they materialize. The risks and forward-looking statements described below are based on judgments made by the Group as of the date of publication of this report.

① Product Development

The Group conducts research and development activities to provide customers with unique, value-added products that maximize the nutritional content and flavor of natural ingredients. Meanwhile, there is considerable change underway in the Group's operating environment owing to diversifying customer tastes, growing health awareness, and Japan's low birthrate and ageing society. The ability to rapidly respond to these changes and develop high value-added products is becoming an increasingly important factor in the Group's business expansion. As such, the Group conducts research and development activities in accordance with annual plans in the areas of new product development, existing product improvement, cost reduction, and analysis of ingredients and nutrients. However, there is no guarantee that investment in these development activities will result in the successful launch of new products, and any divergence between research and development themes and market needs could have an impact on the Group's operating results and financial position.

② Ingredient Procurement

In principle, imports of raw potatoes, the main ingredient of potato snacks such as Potato Chips, Jagarico and Jagabee, are not permitted into Japan. In order to secure sufficient supplies of domestically produced high-quality potatoes at a stable price, the Group has sought to build a procurement system based on ongoing grower contracts concluded since launching its first potato snacks. Although these grower contracts enable stable supplies, harvest conditions could prevent the Group from securing sufficient supplies of raw potatoes, resulting in sales opportunity losses and increased costs due to emergency procurement that could have an impact on the Group's operating results and financial position.

Moreover, changes in demand trends and fluctuations in the price of crude oil could effect procurement costs for a wide range of raw materials such as edible oils, other ingredients and product packaging, which could also have an impact on the Group's operating results and financial position.

③ Product Safety

Consumer demands for greater food safety have increased in recent years. In response, the Group strictly monitors the quality of ingredients and manufacturing processes and takes all possible precautions to ensure product quality and prevent foreign objects from entering its products. However, unforeseen problems related to ingredients and manufacturing processes could have an impact on the Group's operating results and financial position.

Furthermore, in April 2002, the Swedish government released the results of research showing that grilling or frying foods with high carbohydrate content can generate acrylamide, a carcinogen. Japan's Ministry of Health, Labour and Welfare has said it does not foresee any health impact from this substance for people who consume average amounts of this type of food, and at this point, there has been no impact on the Group's operating results. Nevertheless, this issue could develop in the future to the point where it has an impact on the entire snack foods industry.

④ Competitive Risk

The Group has a stable share of the snack food market. However, intensifying competition from rival domestic companies, a significant influx of foreign capital into the market, or sector realignment due to M&A deals could have an impact on the Group's operating results and financial position.

In addition, choosing to lower prices in response to price reductions implemented by competitors could result in lower profit margins and other outcomes, which in turn could have an impact on the Group's operating results and financial position.

⑤ Global Expansion

The Group is using subsidiaries in the U.S., China, Hong Kong, Thailand, and South Korea to expand its operations outside the Japanese market. The Group believes it is necessary to develop markets from a global perspective to deliver growth over the longer term. Going forward, the Group intends to expand its operations more rapidly and boost its competitiveness. However, efforts to develop its presence in global markets may

not proceed as anticipated and the Group may have to review its growth strategy. In addition, as the Group expands its operations, changes in the political and economic conditions of a variety of countries and regions, as well as fluctuations in foreign exchange markets, could have an impact on the Group's operating results and financial position.

⑥ Relationship with Major Shareholder

As of March 31, 2012, Frito-Lay Global Investments B.V. (FLGI), a wholly owned subsidiary of PepsiCo, Inc., owned 20.00% of Calbee, Inc. shares (after full dilution) making Calbee (the Company) 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 New York Stock Exchange. Also, PepsiCo operates globally in the same snack foods 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, 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. Also, because no restrictions have been 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. Any of these developments could have an impact on the Group's operating results and financial position.

a. Personnel Relationship

Currently, one person from the PepsiCo Group has been invited to sit on the Company's Board of Directors as an outside director. The Company made this invitation in order to benefit from the individual's detailed understanding of the global food industry and her knowledge and experience as a manager of a multinational company.

Name	Position at the Company	Position in the PepsiCo Group
Ümran Beba	Director	PepsiCo Asia Pacific Region President

b. Business Relationship

The Company's subsidiary Japan Frito-Lay Ltd. receives imports of snack foods from Frito-Lay, Inc., a PepsiCo Group company.

c. Capital Relationship

Under the strategic partnership with PepsiCo, the Company and PepsiCo have agreed that from the perspective of maintaining the strategic partnership, PepsiCo shall not own more than 20.00% of the Company's shares. In future, PepsiCo's ownership ratio in the Company may be subject to change, owing to changes in the management policies or business strategies of PepsiCo or the Company, or as a result of other factors such as changes in the Company's internal or external business environment.

⑦ Legal Regulations

In the course of its business activities, the 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. The Group may incur additional costs to respond to revisions to these regulations or their abolishment and the implementation of new regulations, and this could have an impact on the Group's operating results and financial position.

The Group has also received a variety of permits and licenses necessary to conduct its business activities. However, the Group's business activities may be restricted if these permits and licenses are cancelled due to legal infringements or other reasons, which could have an impact on the Group's operating results and financial position.

⑧ Natural Disaster Risk

The Group conducts necessary periodic inspections of its manufacturing lines to avoid the risk of shutdowns to these lines. It has also built a stable product supply framework by dispersing its manufacturing sites. However, there is no guarantee that manufacturing facilities will not be damaged as a result of a natural disaster or other event. Any such damage to facilities could lead to a drop in sales and an increase in costs, which could have an impact on the Group's operating results and financial position.

⑨ Risks Related to Noncurrent Asset Impairment Losses

The Group owns a wide range of assets such as business facilities and real estate. The Group may be required to record impairment losses on these assets owing to factors such as the level of use, declining market prices, and anticipated cash flows. Recording of such losses could have an impact on the Group's operating results and financial position.

⑩ Risks Related to Intellectual Property Rights

The Group works to protect and manage its various intellectual property rights through a specialist department. It also strives to avoid infringements of rights owned by third parties. However, unauthorized use of the Group's intellectual property rights by a third party or pursuit of damages by a third party for infringement of their rights by the Group, could have an impact on the Group's operating results and financial position.

⑪ Environmental Risk

The Group is aiming to save energy and reduce CO₂ emissions by implementing initiatives to conserve energy based on the approach of curbing energy losses. This is part of its efforts to comply with environmental laws and regulations. However, the Group may have to invest in new facilities and change its waste disposal methods as a result of revisions to environmental regulations and this could have an impact on the Group's operating results and financial position.

2. Business overview and organization

Calbee Group is composed of CALBEE, Inc., 18 subsidiaries (10 domestic, 8 overseas) and 3 affiliate companies primarily engaged in the manufacture and sale of potato chips and other potato-based snacks, flour-based snacks and corn-based snacks categories. In addition to snack foods we are also engaged in the manufacture and sale of processed breads and cereals. Calbee is an equity method affiliate of US food and beverage maker PepsiCo, Inc.

Calbee provides products and services under our founding philosophy of being committed to harnessing nature's gifts, to bringing taste and fun, and to contributing to healthy lifestyles.

The positioning of core companies within the Group is as follows:

Food production and sales business

• Snack Foods

In Japan, Calbee and Japan Frito-Lay Ltd. are engaged in manufacturing and sales with certain products sold through Calnac Co., Ltd. Certain products are manufactured by CALBEE POTATO INC., oisia FOODS CO., LTD. and Calbee Eatalk Co., Ltd. Calbee Shokuhin Co., LTD. and CALBEE POTATO INC. procure ingredients.

Overseas, Calbee America, Inc. in the U.S., Calbee Tanawat Co.,Ltd. in Thailand, Calbee Four Seas Co.,Ltd. in Hong Kong, CALBEE FOURSEAS (SHANTOU) CO., LTD. in China and HAITAI-CALBEE Co.,Ltd. in South Korea are engaged in manufacturing and sales. Further, QINGDAO CALBEE FOODS CO., LTD.,YANTAI CALBEE CO.,LTD. and RDO-CALBEE FOODS,LLC procure ingredients and manufacture dough for snacks.

• Processed Breads

Garden Bakery, Inc. and Tower Bakery, Inc. manufacture and sell sweet buns and breads for retail customers.

• Cereal Foods Division (“Cereal Foods” or “Cereal Foods Businesses”)

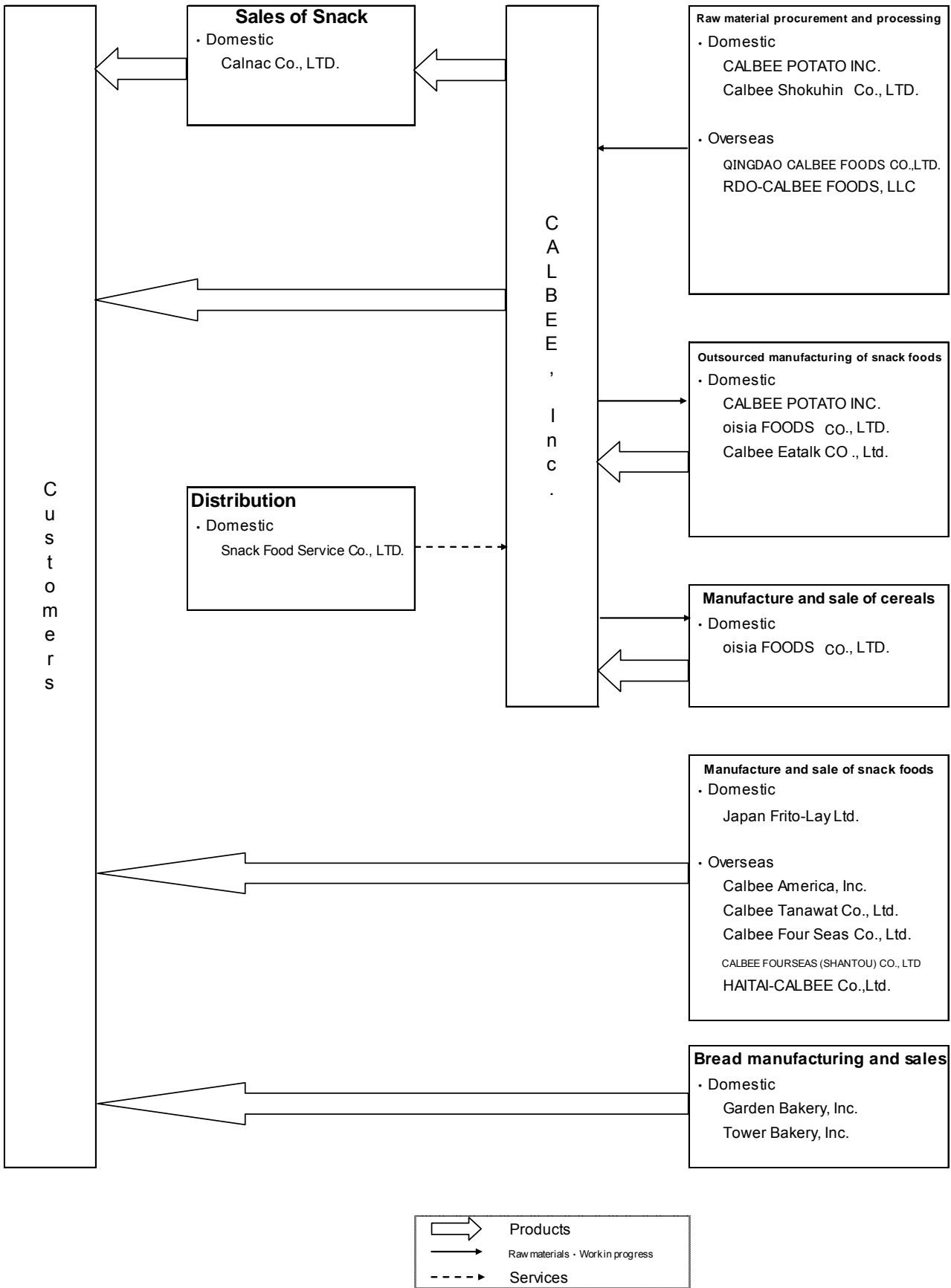
oisia FOODS CO., LTD. manufactures cereal foods for sale by oisia FOODS CO., LTD. and Calbee.

Other businesses

Our distribution business is run by Snack Food Service Co., LTD. Production planning and dispatch agency service for sales promotional tools (POP, etc.) is conducted by Calbee.

See following page for image of the organizational structure.

Organizational structure



*1. Displays only important transactions

*2. In June 2009, Calbee concluded strategic partnership agreements with PepsiCo, Inc..

3. Management policy

(1) Basic management policy

The Calbee Group conducts its business based on our mission statement “We are committed to harnessing nature’s gifts, to bringing taste and fun and to contributing to healthy lifestyles” and as a leading company providing valuable products to the snack foods market.

Further, we aim to further increase our corporate value guided by our vision statement “We must become a company to be respected, admired and loved firstly by customers, suppliers and distributors, secondly by our employees and their families, thirdly by communities and finally by stockholders.”

(2) Management targets and benchmarks

The Calbee Group considers profitability and financial stability as very important. We aim to achieve a net sales to operating income ratio of 10% over the medium term.

(3) Medium-term management strategy and key topics

Looking ahead, we expect the challenging economic environment to continue due to sluggish consumer spending and deflation, the dramatic rise in the price of raw materials and other factors. The environment for the food market is changing greatly and we expect customers to have a heightened sense of safety and assurance, and to have increasingly diversified preferences.

Amidst this environment, we recognize that the need to respond with more speed and competitiveness while looking towards overseas markets more so than domestic ones is an important management issue for our business development which strives for future growth.

The Calbee Group continues to aim for ongoing growth and a highly profitable structure based on our two core management pillars of innovation (our growth strategy) and cost reductions.

1. Innovation (growth strategy)

① Expanding overseas business

We must expand existing overseas businesses and develop new markets in order to achieve medium-term growth. We are aiming to expand overseas business in key regions China North America, Asia, Oceania, Europe and Russia by providing products at affordable prices in each of these regions. Our medium-term target for contributions from overseas sales is 30% or more.

② New product development

We will further accelerate the pace of new product development and promote development of unique and valuable products to our customers.

③ Expanding domestic market share

We aim to increase our market share while expanding the domestic snack foods market through promotional activities, new product development and existing product renewal. In addition, we aim to have the highest share throughout the confectionary market.

④ Strengthening our alliance with PepsiCo, Inc.

We are creating benefits from the synergy gained by leveraging our management skills with those of strategic partner, PepsiCo, a major global foods and beverage maker. As an example of our cooperation, we are selling Calbee branded products overseas, leveraging the PepsiCo sales network.

⑤ Licensing and acquisition

We will actively pursue licensing or acquisition initiatives when we discover excellent companies or products either in Japan or overseas.

⑥ New business development

Calbee Group has not significantly diverged from our business areas, however we do explore challenges with new business development. One such example was the establishment of antennae shops as a place to communicate directly with customers. At the antennae shops we aim to improve the Company image by announcing new messages and conducting PR for new products and special regional products.

2. Cost reductions

Cost reduction initiatives are being implemented in all businesses and areas throughout the Group in order to strengthen our cost competitiveness. We will promote corporate restructuring efforts, and build a strong foundation resistant to changes in the operating environment with our strengths in domestic markets as well as in those overseas.

① Lower cost of raw materials

We will strive to further reduce costs through cooperation with suppliers and continuing to promote the centralization of procurement, including overseas procurement. Additionally, we will further strengthen the effectiveness of our cost reductions by reviewing specifications, primarily those in the R&D division.

② Improve production efficiencies and utilization ratios

We will improve production efficiencies through initiatives including the change review of production items at each factory, optimization of production personnel and standardization. Further, by better integrating marketing, sales and manufacturing activities we aim to smooth our production and improve utilization ratios at our factories. Calbee strives to provide affordable and attractive products and services to all of our customers.

4. Consolidated financial statements

(1) Consolidated balance sheets

Millions of yen, rounded down

	As of March 31, 2012	As of March 31, 2011
Assets		
Current assets		
Cash and deposits	19,448	18,238
Notes and accounts receivable-trade	18,763	11,139
Short-term investment securities	13	—
Inventories(Note 1)	4,920	4,276
Deferred tax assets	2,162	2,002
Other	2,540	1,776
Allowance for doubtful accounts	(2)	(14)
Total current assets	47,847	37,420
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	52,246	53,064
Accumulated depreciation	(31,666)	(31,385)
Buildings and structures, net	20,580	21,678
Machinery, equipment and vehicles	72,183	69,830
Accumulated depreciation	(58,130)	(55,280)
Machinery, equipment and vehicles, net	14,052	14,550
Land	10,721	10,707
Lease assets	473	462
Accumulated depreciation	(227)	(136)
Lease assets, net	245	325
Construction in progress	1,370	619
Other	3,408	3,302
Accumulated depreciation	(2,838)	(2,705)
Other, net	570	596
Total property, plant and equipment	47,541	48,478
Intangible assets		
Goodwill(Note 4)	4,538	4,822
Other	1,534	1,911
Total intangible assets	6,073	6,734
Investments and other assets		
Investment securities(Note 2)	1,264	1,150
Long-term loans receivable	175	159
Deferred tax assets	361	376
Prepaid pension cost	2,420	2,537
Other(Note 2)	2,883	2,631
Allowance for doubtful accounts	(93)	(94)
Total investments and other assets	7,012	6,761
Total noncurrent assets	60,627	61,973
Total assets	108,474	99,393

Consolidated balance sheets, continued

Millions of yen, rounded down

	As of March 31, 2012	As of March 31, 2011
Liabilities		
Current liabilities		
Accounts payable-trade	—	5,656
Notes and accounts payable-trade	6,595	—
Short-term loans payable	—	107
Current portion of long-term loans payable	—	182
Lease obligations	117	104
Accounts payable-other	3,141	3,914
Income taxes payable	3,885	2,443
Deferred tax liabilities	85	93
Provision for bonuses	3,287	3,096
Provision for directors' bonuses	211	182
Provision for loss on disaster	57	1,378
Other	5,254	4,129
Total current liabilities	22,636	21,288
Noncurrent liabilities		
Long-term loans payable	6	9
Lease obligations	195	258
Deferred tax liabilities	370	349
Provision for retirement benefits	3,611	3,335
Provision for directors' retirement benefits	497	424
Asset retirement obligations	623	658
Other	114	144
Total noncurrent liabilities	5,420	5,180
Total liabilities	28,056	26,469
Net assets		
Shareholders' equity		
Capital stock	11,252	10,744
Capital surplus	10,820	10,312
Retained earnings	56,141	49,938
Total shareholders' equity	78,213	70,995
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	9	(62)
Foreign currency translation adjustment	(560)	(697)
Total accumulated other comprehensive income	(550)	(759)
Subscription rights to shares	85	102
Minority interests	2,669	2,585
Total net assets	80,417	72,924
Total liabilities and net assets	108,474	99,393

(2) Consolidated statements of income and comprehensive income

Consolidated statements of income

	<i>Millions of yen, rounded down</i>	
	April 1, 2011 to March 31, 2012	April 1, 2010 to March 31, 2011
Net sales	163,268	155,529
Cost of sales(Note 1 and 3)	94,187	90,482
Gross profit	69,081	65,047
Selling, general and administrative expenses(Note 2 and 3)	56,833	54,329
Operating income	12,247	10,717
Non-operating income		
Interest income	25	13
Dividends income	52	55
Real estate income	75	69
Settlement of consignment money for recycling	79	98
Income from compensation for damage	72	18
Other	250	237
Total non-operating income	557	492
Non-operating expenses		
Interest expenses	5	58
Product recall related costs	53	35
Depreciation	27	59
Foreign exchange losses	103	237
Other	127	249
Total non-operating expenses	318	639
Ordinary income	12,486	10,570
Extraordinary income		
Gain on sales of noncurrent assets(Note 4)	260	967
Subsidies income	230	172
Gain on negative goodwill	537	—
Reversal of provision for loss on disaster	163	—
Reversal of allowance for doubtful accounts	—	75
Gain on sales of golf memberships	—	23
Other	7	36
Total extraordinary income	1,200	1,274
Extraordinary loss		
Loss on sales of noncurrent assets(Note 5)	29	95
Loss on retirement of noncurrent assets(Note 6)	165	494
Impairment loss(Note 7)	33	100
Loss on disaster(Note 8)	258	2,162
Loss on liquidation of subsidiaries and affiliates(Note 9)	129	—
Loss on adjustment for changes of accounting standard for asset retirement obligations	—	351
Other	134	307
Total extraordinary losses	752	3,513
Income before income taxes and minority interests	12,934	8,331
Income taxes-current	5,705	4,016
Income taxes-deferred	(171)	(323)
Total income taxes	5,534	3,692
Income before minority interests	7,400	4,639
Minority interests in income	303	386
Net income	7,096	4,253

Consolidated statements of comprehensive income

Millions of yen, rounded down

	April 1, 2011 to March 31, 2012	April 1, 2010 to March 31, 2011
Income before minority interests	7,400	4,639
Other comprehensive income		
Valuation difference on available-for-sale securities	71	(98)
Foreign currency translation adjustment	99	(460)
Total other comprehensive income(Note 1)	171	(558)
Comprehensive income	7,571	4,080
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	7,305	3,860
Comprehensive income attributable to minority interests	265	220

(3) Consolidated statements of changes in shareholders' equity*Millions of yen, rounded down*

	April 1, 2011 to March 31, 2012	April 1, 2010 to March 31, 2011
Shareholders' equity		
Capital stock		
Balance at the beginning of current period	10,744	7,756
Changes of items during the period		
Issuance of new shares	—	2,783
Issuance of new shares-exercise of subscription rights to shares	507	203
Total changes of items during the period	507	2,987
Balance at the end of current period	11,252	10,744
Capital surplus		
Balance at the beginning of current period	10,312	7,324
Changes of items during the period		
Issuance of new shares	—	2,783
Issuance of new shares-exercise of subscription rights to shares	507	203
Disposal of treasury stock	—	0
Total changes of items during the period	507	2,987
Balance at the end of current period	10,820	10,312
Retained earnings		
Balance at the beginning of current period	49,938	46,395
Changes of items during the period		
Dividends from surplus	(893)	(692)
Net income	7,096	4,253
Change of scope of consolidation	—	(17)
Total changes of items during the period	6,203	3,543
Balance at the end of current period	56,141	49,938
Treasury stock		
Balance at the beginning of current period	—	(13)
Changes of items during the period		
Disposal of treasury stock	—	13
Total changes of items during the period	—	13
Balance at the end of current period	—	—
Total shareholders' equity		
Balance at the beginning of current period	70,995	61,463
Changes of items during the period		
Issuance of new shares	—	5,567
Issuance of new shares-exercise of subscription rights to shares	1,015	407
Dividends from surplus	(893)	(692)
Net income	7,096	4,253
Change of scope of consolidation	—	(17)
Disposal of treasury stock	—	14
Total changes of items during the period	7,218	9,532
Balance at the end of current period	78,213	70,995

Consolidated statements of changes in shareholders' equity, continued

Millions of yen, rounded down

	April 1, 2011 to March 31, 2012	April 1, 2010 to March 31, 2011
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities		
Balance at the beginning of current period	(62)	35
Changes of items during the period		
Net changes of items other than shareholders' equity	71	(98)
Total changes of items during the period	71	(98)
Balance at the end of current period	9	(62)
Foreign currency translation adjustment		
Balance at the beginning of current period	(697)	(402)
Changes of items during the period		
Net changes of items other than shareholders' equity	137	(294)
Total changes of items during the period	137	(294)
Balance at the end of current period	(560)	(697)
Total accumulated other comprehensive income		
Balance at the beginning of current period	(759)	(366)
Changes of items during the period		
Net changes of items other than shareholders' equity	208	(392)
Total changes of items during the period	208	(392)
Balance at the end of current period	(550)	(759)
Subscription rights to shares		
Balance at the beginning of current period	102	118
Changes of items during the period		
Issuance of new shares-exercise of subscription rights to shares	(17)	(15)
Total changes of items during the period	(17)	(15)
Balance at the end of current period	85	102
Minority interests		
Balance at the beginning of current period	2,585	2,555
Changes of items during the period		
Net changes of items other than shareholders' equity	83	30
Total changes of items during the period	83	30
Balance at the end of current period	2,669	2,585
Total net assets		
Balance at the beginning of current period	72,924	63,770
Changes of items during the period		
Issuance of new shares	—	5,567
Issuance of new shares-exercise of subscription rights to shares	997	392
Dividends from surplus	(893)	(692)
Net income	7,096	4,253
Change of scope of consolidation	—	(17)
Disposal of treasury stock	—	14
Net changes of items other than shareholders' equity	292	(362)
Total changes of items during the period	7,493	9,154
Balance at the end of current period	80,417	72,924

(4) Consolidated statements of cash flows

Millions of yen, rounded down

	April 1, 2011 to March 31, 2012	April 1, 2010 to March 31, 2011
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	12,934	8,331
Depreciation and amortization	6,676	7,243
Impairment loss	33	100
Amortization of goodwill	596	570
Gain on negative goodwill	(537)	—
Loss on adjustment for changes of accounting standard for asset retirement obligations	—	351
Increase (decrease) in allowance for doubtful accounts	(12)	(344)
Increase (decrease) in provision for bonuses	193	737
Increase (decrease) in provision for directors' bonuses	29	(13)
Increase (decrease) in provision for retirement benefits	276	25
Decrease (increase) in prepaid pension costs	116	161
Increase (decrease) in provision for directors' retirement benefits	73	85
Interest and dividends income	(78)	(69)
Interest expenses	5	58
Stock issuance cost	—	25
Foreign exchange losses (gains)	(40)	146
Subsidies income	(230)	(172)
Loss (gain) on sales of investment securities	(7)	128
Loss (gain) on valuation of investment securities	7	—
Loss (gain) on sales of noncurrent assets	(231)	(871)
Loss on retirement of noncurrent assets	165	494
Loss on liquidation of subsidiaries and affiliates	129	—
Loss on disaster	95	2,162
Decrease (increase) in notes and accounts receivable-trade	(7,626)	706
Decrease (increase) in inventories	(645)	173
Increase (decrease) in notes and accounts payable-trade	931	(158)
Decrease (increase) in accounts receivable-other	(81)	24
Increase (decrease) in accounts payable-other	(538)	491
Increase (decrease) in accrued consumption taxes	(53)	(119)
Other, net	141	385
Subtotal	12,322	20,657
Interest and dividends income received	82	112
Interest expenses paid	(6)	(67)
Proceeds from subsidies	230	172
Payments for loss on disaster	(1,311)	(86)
Income taxes paid	(4,267)	(4,122)
Net cash provided by (used in) operating activities	7,049	16,664

Consolidated statements of cash flows, continued

Millions of yen, rounded down

	April 1, 2011 to March 31, 2012	April 1, 2010 to March 31, 2011
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	(5,102)	(3,550)
Proceeds from sales of property, plant and equipment	425	3,125
Purchase of intangible assets	(320)	(499)
Proceeds from sales of intangible assets	—	0
Purchase of investment securities	(17)	(19)
Proceeds from sales of investment securities	6	209
Purchase of stocks of subsidiaries and affiliates	(399)	(93)
Payments of loans receivable	(99)	(84)
Collection of loans receivable	109	8
Payments for guarantee deposits	(147)	(68)
Proceeds from collection of guarantee deposits	313	281
Other, net	(115)	70
Net cash provided by (used in) investing activities	(5,347)	(620)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	(102)	(2,599)
Proceeds from long-term loans payable	—	3
Repayment of long-term loans payable	(184)	(4,569)
Proceeds from issuance of common stock	—	5,541
Proceeds from exercise of stock option	997	392
Proceeds from disposal of treasury stock	—	14
Repayments of lease obligations	(110)	(96)
Cash dividends paid	(893)	(692)
Cash dividends paid to minority shareholders	(117)	(117)
Net cash provided by (used in) financing activities	(411)	(2,124)
Effect of exchange rate change on cash and cash equivalents	(79)	(178)
Net increase (decrease) in cash and cash equivalents	1,210	13,741
Cash and cash equivalents at beginning of period	18,238	4,469
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	—	27
Cash and cash equivalents at end of period(Note 1)	19,448	18,238

(5) Notes related to going concern assumption

No applicable items

(6) Significant items for the preparation of consolidated financial statements

1. Scope of consolidation

(1) Number of consolidated subsidiaries: 18

Name of consolidated subsidiaries:

Calbee Shokuhin Co., LTD.
CALBEE POTATO INC.
Snack Food Service Co., LTD.
Garden Bakery, Inc.
Tower Bakery, Inc.
Star Bakery, Inc.
Calnac Co., LTD.
oisia FOODS CO., LTD.
Japan Frito-Lay Ltd.
Calbee Eatalk Co., Ltd.
Calbee America, Inc.
Calbee Tanawat Co., Ltd.
Calbee Four Seas Co., Ltd.
CALBEE FOURSEAS (SHANTOU) CO., LTD.
QINGDAO CALBEE FOODS CO., LTD.
YANTAI CALBEE CO., LTD.
RDO-CALBEE FOODS, LLC
HAITAI-CALBEE Co., Ltd.

Changes to the scope of consolidation

In July 2011, Calbee established joint venture company HAITAI-CALBEE Co., Ltd. with HAITAI Confectionery & Foods Co., Ltd., a major Korean confectionary maker with the aim of expanding sales of Calbee products in the South Korean snack foods market, a promising Asian market after Japan and China. HAITAI-CALBEE Co., Ltd. was included in the scope of consolidation during the current consolidated fiscal year. In September 2011, the liquidation of CIL COMPANY LIMITED was completed and it is therefore included only in the current consolidated income statement.

(2) Name of non-consolidated subsidiaries:

No applicable items

2. Application of the Equity Method

(1) Names of non-consolidated companies and affiliate companies accounted for by the equity method:

No applicable items

(2) Names of non-consolidated companies and affiliate companies excluded from accounting under the equity method:

Potato Foods Co., Ltd.
Hiroshima Agricultural Produce Distributors Cooperative
Socio Kobo Co., Ltd.

Reasons for exclusion from equity method accounting:

Companies excluded from equity method accounting do not have a material effect on items such as net income and retained earnings, and lack overall significance. Therefore they are excluded from equity method accounting.

3. Fiscal Year-End of Consolidated Subsidiaries

Among consolidated subsidiaries, the following have a fiscal year closing date of 31 December: Calbee America, Inc., Calbee Tanawat Co., Ltd., CALBEE FOURSEAS (SHANTOU) CO., LTD., QINGDAO CALBEE FOODS CO., LTD., YANTAI CALBEE CO., LTD., RDO-CALBEE FOODS, LLC and HAITAI-CALBEE Co., Ltd.

For the above-mentioned companies, provisional financial results as of 31 March are used in the

preparation of these consolidated financial statements. The fiscal year closing date of other consolidated subsidiaries is March 31.

4. Accounting Standards

(1) Appraisal standards and methods for major assets

① Marketable securities:

Other marketable securities

Securities with market price value

Fair value method based on market prices on the closing date of the consolidated fiscal year (unrealized gains and losses are reported as a separate component of shareholders' equity and cost of securities sold is calculated by the moving average method.)

Securities without market price

Accounted at cost by the moving average method

② Inventories

Inventories held for regular sales:

Values calculated by acquisition cost method (Reduction in book value method used in cases of decline in profitability)

a) Finished goods and work in progress

Calculated by the average method

b) Commercial goods, raw materials and supplies:

Calculated by the moving average method

(2) Depreciation of Noncurrent Assets

① Tangible noncurrent assets (not including leased assets):

Calculated primarily by the declining balance method. However, buildings and structures acquired after April 1, 1998 (excluding equipment accompanying those buildings) are depreciated by the straight-line method. The estimated useful lives for such assets are as follows:

Buildings and structures: 15 – 31 years

Machinery and equipment: 10 years

Assets acquired prior to March 31, 2007 will be fully depreciated over 5 years by the straight-line method starting from the year following the year in which they had been depreciated to their allowable limit.

② Intangible noncurrent assets (not including leased assets):

Amortized using the straight-line method. However, software intended for internal use is amortized by the straight-line method over its estimated useful life (five years).

③ Lease assets:

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, except for those leased prior to April 1, 2008, which are accounted for in a similar manner to operating lease transaction.

(3) Accounting standards for important provisions reserves

① Allowance for doubtful accounts

The reserve for possible loan losses in respect of general claims is provided in the amount deemed necessary based on the historical loan-loss ratios, and in respect of doubtful claims in the amount deemed uncollectible based on assessment of each claim.

② Provision for bonuses:

To prepare for future bonus payments to employees, the Company makes provisions in the amount accrued based on the total estimated payment attributable to the consolidated fiscal period.

③ Provision for directors' bonuses

The reserve for executive bonuses is provided for payment of bonuses to executives, in the amount of estimated bonuses based on the total estimated payment attributable to the consolidated fiscal period.

④ Provision for loss on disaster

The provision for loss due to disaster is provided for loss or payment required for recovery of damaged assets due to The Great East Japan Earthquake and is based on the total estimated payment attributable to the consolidated fiscal period.

⑤ Provision for retirement benefits:

To prepare for future retirement benefit payments to employees, the Company makes provisions in the amount recognized as accruing at the end of the consolidated fiscal year based on the estimated retirement benefit obligation and pension assets recognized at the end of the consolidated fiscal year. Prior service debt is charged to income on a straight-line basis over a certain number of years (five years) within the average remaining years of service at the time the cost incurred.

Actuarial gains and losses are charged to income on a straight-line basis over a fixed number of years (12 years) within the average remaining years of service with expenses for the amount allocated in a given year handled from the consolidated fiscal year after the gain or loss arises.

Among regular employees, the necessary provisions at the end of the consolidated fiscal year for junior employees is recorded based on internal regulations.

For certain consolidated subsidiaries, the simple method is applied.

⑥ Provision for directors' retirement benefits:

To prepare for future retirement benefit payments to directors, the necessary provisions are made based on internal regulations

(4) Significant deferred assets

Stock issuance costs are expensed as incurred.

(5) Translation of foreign currency-denominated assets and liabilities:

Assets and liabilities denominated in foreign currencies are translated to yen at the exchange rates prevailing at the balance sheet date and differences are accounted for as income or losses.

Assets and liabilities of foreign subsidiaries and others are translated to yen at the exchange rates prevailing at the balance sheet date, income and losses are translated into yen at the average market rates during the period and the translated amounts are included in foreign currency translation adjustment and minority interests under net assets.

(6) Amortization method and period of goodwill

Goodwill is amortized using the straight-line method over 5, 10 and 20 years.

Negative goodwill is amortized using the straight-line method over 5 years.

(7) Scope of "cash and cash equivalents" on consolidated statement of cash flows

The category 'cash' covers cash on hand, demand deposits, and easily convertible short-term investments with low risk of price fluctuation that are highly liquid and mature within three months of acquisition.

(8) Other important items affecting the preparation of these financial statements

Accounting for consumption taxes

Consumption tax and regional consumption tax are handled using the net of tax method.

(7) Changes in presentation of statements

Consolidated income statement

In the previous fiscal year, income from compensation for damage was included in Other as a component of Non-operating income. For the year under review this amount reached more than 10% of total non-operating income so it has been removed from Other and listed separately. Consolidated financial statements for the prior accounting period have been restated to reflect this change.

As a result, the Other line item of Non-operating income on the consolidated income statement for the previous accounting period was changed from ¥255 million to ¥237 million, and an entry was made for ¥18 million to income from compensation for damage.

Product recall related costs were included in the Other line item for Non-operating expenses during the previous fiscal year. For the year under review this amount was greater than 10% of non-operating expenses so it has been shown separately. Consolidated financial statements for the prior period have been restated to reflect this change.

As a result, the Other item shown in Non-operating expenses in the financial statements for the previous fiscal year has been changed from ¥284 million. Instead, a new line item of ¥35 million for product recalls related costs has been added and Other has been reduced to ¥249 million.

During the previous fiscal year, loss on sale of investment securities was shown as a separate component of Extraordinary losses. For the year under review the amount was immaterial (Loss on sales of investment securities was ¥0 million) so it has been included in the Other account.

As a result, the ¥164 million in Loss on sale of investment securities shown in the consolidated income statement for the previous period has been added to the Other account for reclassification.

(8) Additional information

Changes in accounting policy and revisions to prior errors that occurred since the end of the current fiscal year have been carried out in accordance with Accounting Standard for Accounting Changes and Correction of Errors (ASBJ Statement No. 24; December 4, 2009) and Guidance on Accounting Standard for Correction of Errors and Changes in Accounting Policies (ASBJ Guideline No. 24; December 4, 2009).

(9) Notes to consolidated financial statements
Consolidated balance sheet

1. Inventories

	<i>(Millions of yen)</i>	
	As of March 31, 2012	As of March 31, 2011
Finished goods and commercial goods	1,567	1,281
Work in process	1,126	1,140
Raw materials and supplies	2,226	1,854

2. Non-consolidated subsidiaries and affiliate companies

	<i>(Millions of yen)</i>	
	As of March 31, 2012	As of March 31, 2011
Investment securities (stocks)	11	11
Other investments	2	2

3. Contingent liabilities

The following loans from financial institutions to non-consolidated companies have been guaranteed (by Calbee)

	<i>(Millions of yen)</i>	
	As of March 31, 2012	As of March 31, 2011
Hiroshima Agricultural Produce Distributors Cooperative	153	192

4. Goodwill and negative goodwill shown to offset each other. Amounts prior to offset as follows:

	<i>(Millions of yen)</i>	
	As of March 31, 2012	As of March 31, 2011
Goodwill	4,541	4,833
Negative goodwill	2	11
Deduction	4,538	4,822

Consolidated statements of income

1. Mark-down (or write-back where shown with a negative sign) in book value due to reduced profitability on inventories held for normal sale purposes:

	<i>(Millions of yen)</i>	
	April 1, 2011 to March 31, 2012	April 1, 2010 to March 31, 2011
Cost of sales	(19)	52

2. Breakdown of main components of selling, general and administration expenses

	<i>(Millions of yen)</i>	
	April 1, 2011 to March 31, 2012	April 1, 2010 to March 31, 2011
Sales promotion expenses	17,936	16,099
Advertising expenses	3,589	3,984
Freight	9,906	9,348
Remuneration and miscellaneous wages and salaries	10,140	10,002
Provision for directors' retirement benefits	105	110
Provision for bonuses	1,641	1,505
Provision for directors' bonuses	211	182
Retirement benefit expenses	827	618

3. R&D expenses included in the current financial year's general and administrative expenses and in manufacturing expenses are as follows

	<i>(Millions of yen)</i>	
	April 1, 2011 to March 31, 2012	April 1, 2010 to March 31, 2011
General and administrative expenses	1,809	2,210
Manufacturing expenses	1	2
Total	1,811	2,213

4. Breakdown of gain on sale of noncurrent assets

	<i>(Millions of yen)</i>	
	April 1, 2011 to March 31, 2012	April 1, 2010 to March 31, 2011
Buildings and structures	--	18
Machinery, equipment and vehicles	0	3
Land	258	938
Other	1	7
Total	260	967

5. Breakdown of loss on sale of noncurrent assets

	<i>(Millions of yen)</i>	
	April 1, 2011 to March 31, 2012	April 1, 2010 to March 31, 2011
Buildings and structures	--	2
Machinery, equipment and vehicles	1	64
Land	27	29
Other	0	0
Intangible noncurrent assets	--	0
Total	29	95

6. Breakdown of loss on disposal of noncurrent assets

(Millions of yen)

	April 1, 2011 to March 31, 2012	April 1, 2010 to March 31, 2011
Buildings and structures	32	143
Machinery, equipment and vehicles	121	249
Land	2	--
Lease assets	0	--
Construction in progress	4	--
Other	4	17
Intangible noncurrent assets	--	84
Total	165	494

7. Impairment loss

Consolidated fiscal year ended March 31, 2012 (April 1, 2011 to March 31, 2012)

Impairment loss on Group assets recorded as follows:

Location	Use	Type	Amount
California, USA	Retail stores	Building, etc.	¥33 million

Reason for impairment

With regard to the above noncurrent assets, the Company has reduced the book value to the recoverable amount for stores that are determined to be closed and for which there are no plans for future usage and recorded the appropriate reduced value as an impairment loss under extraordinary losses.

Asset grouping method

Based on regional segmentation, dormant assets with no future plans for usage are grouped by each asset.

Recoverable amount estimation method

The recoverable amount calculated based on net sales value. Assets for which sales or other usage are unlikely are recorded as having no value.

Consolidated fiscal year ended March 31, 2011 (April 1, 2010 to March 31, 2011)

Group impairment losses on assets recorded as follows:

Location	Use	Type	Amount
Kawanishi, Memuro District, Hokkaido Prefecture Other: 1 building	Idle assets	Building	¥100 million

Reason for impairment

With regard to the above noncurrent assets, there are no plans for future usage, market price has significantly decreased and on a book value basis the asset value has dropped and as a result, the Company has reduced the book value to the recoverable amount.

Asset grouping method

Based on regional segmentation, dormant assets with no plans for future usage are grouped by each asset.

Recoverable amount estimation method

The recoverable amount calculated based on net sales value. Assets for which sales or other usage are unlikely are recorded as having no value.

8. Loss on disaster

Consolidated fiscal year ended March 31, 2012 (April 1, 2011 to March 31, 2012)

Breakdown of expenses recorded as loss on disaster and required for the fixed expenses incurred during the factory shut down period caused by the Great East Japan Earthquake.

	<i>(Millions of yen)</i>
Fixed expenses on assets in shut down during the period	217
Other	41
Total	258

Consolidated fiscal year ended March 31, 2011 (April 1, 2010 to March 31, 2011)

Breakdown of expenses recorded as loss on disaster and required for recovery of assets damaged by the Great East Japan Earthquake.

	<i>(Millions of yen)</i>
Loss on abandoned inventories	160
Loss on abandoned noncurrent assets	165
Removal and repair expenses	1,519
Support for damaged areas	100
Other	216
Total	2,162

Note: Within the ¥2,162 million loss on disaster are ¥1,378 million as provisions for loss on disaster.

9. Loss on liquidation of subsidiaries and affiliates

Consolidated fiscal year ended March 31, 2012 (April 1, 2011 to March 31, 2012)

Loss on liquidation of subsidiaries and affiliates due to the loss incurred following liquidation of CIL COMPANY LIMITED

Consolidated statements of comprehensive income

Consolidated fiscal year ended March 31, 2012 (April 1, 2011 to March 31, 2012)

1. Adjustments and taxes in other comprehensive income

	<i>(Millions of yen)</i>
Valuation difference on available-for-sale securities	
Amount during the term	119
Adjustment	(0)
Prior to adjustment for taxes	118
Taxes	(46)
Valuation difference on available-for-sale securities	71
Foreign currency translation adjustment	
Amount during the term	(30)
Adjustment	129
Prior to adjustment for taxes	99
Taxes	--
Foreign currency translation adjustment	99
Other comprehensive income total	171

Consolidated statements of changes in shareholders' equity

Consolidated fiscal year ended March 31, 2012 (April 1, 2011 to March 31, 2012)

1. Outstanding shares

Share type	Number of shares as of April 1, 2011	Increase	Decrease	Number of shares as of March 31, 2012
Common shares(shares)	31,917,450	623,500	—	32,540,950

Outline of change

Breakdown of increase in shares

Increase due to exercise of share subscription rights: 623,500 shares

2. Share subscription rights

Share subscription rights as stock options

Company	Subscription rights	Type of shares	Number of shares	Balance as of March 31, 2012
Company making submission	Subscription rights as stock options (round 1)	—	—	—
	Subscription rights as stock options (round 2)	—	—	¥85 million

Note: No balance of subscription rights as stock options since stock options were granted prior to execution of the Companies Act

3. Dividends

(1) Amounts paid

Date confirmed	Type of stock	Total dividends paid	Dividends per share	Dividend record date	Effective date
June 28, 2011 Annual shareholders' meeting	Common shares	¥893 million	¥28	March 31, 2011	June 29, 2011

(2) Dividends for which the effective date is in the following fiscal year

Date to be confirmed	Type of stock	Source of dividends	Total dividends	Dividends per share	Dividend record date	Effective date
June 27, 2012 Annual shareholders' meeting	Common shares	Retained earnings	¥1,366 million	¥42	March 31, 2012	June 28, 2012

Consolidated fiscal year ended March 31, 2011 (April 1, 2010 to March 31, 2011)

1. Outstanding shares

Share type	Number of shares as of April 1, 2010	Increase	Decrease	Number of shares as of March 31, 2011
Common shares(shares)	577,135	31,340,315	—	31,917,450

Overview for change

Breakdown of increase in number of shares:

Increase through public offering: 2,815,700 shares

Increase through share split: 28,311,465 shares

Increase through exercise of subscription rights: 213,150 shares

2. Treasury shares

Share type	Number of shares as of April 1, 2010	Increase	Decrease	Number of shares as of March 31, 2011
Common shares(shares)	146	7,154	7,300	—

Overview for change

Breakdown of increase in number of shares:

Increase through share split: 7,154 shares

Breakdown of decrease in number of shares:

Decrease through disposal of treasury stocks: 7,300 shares

3. Information on subscription rights

Subscription rights as stock options

Company	Details of subscription rights	Type of shares	Number of shares	Balance as of March 31, 2011
Company making submission	Subscription rights as stock options (round 1)	—	—	—
	Subscription rights as stock options (round 2)	—	—	¥102 million

Note: No balance of subscription rights as stock options since stock options were granted prior to execution of the Companies Act

4. Dividends

(1) Amounts paid

Date confirmed	Type of stock	Total dividends paid	Dividends per share	Dividend record date	Effective date
June 25, 2010 Annual shareholders' meeting	Common shares	¥692 million	¥1,200	March 31, 2010	June 28, 2010

Note: On January 14, 2011 the Company implemented a 1:50 share split. Taking this share split into account the dividend per share would be ¥24.

(2) Dividends for which the effective date is in the following fiscal year

Date to be confirmed	Type of stock	Source of dividends	Total Dividends paid	Dividends per share	Dividend record date	Effective date
June 28, 2011 Annual shareholders' meeting	Common shares	Retained earnings	¥893 million	¥28	March 31, 2011	June 29, 2011

Consolidated statements of cash flows

1. Amounts of cash and cash equivalents presented as year-end balance and the consolidated balance sheet
(Millions of yen)

	Fiscal year ended March 31, 2012	Fiscal year ended March 31, 2011
Cash and deposits	19,448	18,238
Cash and cash equivalents	19,448	18,238

Employee retirement benefits

1. Overview of retirement benefit plans

Consolidated fiscal year ended March 31, 2012 (April 1, 2011 to March 31, 2012)

The company and its three domestic consolidated subsidiaries have corporate pension plans and lump-sum payment plans as defined benefit pension plan. Other domestic consolidated subsidiaries and some of the overseas consolidated subsidiaries have only lump-sum payments plans. The company adopts defined contributions pension plans and prepaid retirement allowance plans.

Consolidated fiscal year ended March 31, 2011 (April 1, 2010 to March 31, 2011)

The company and its four domestic consolidated subsidiaries have corporate pension plans and lump-sum payment plans as defined benefit pension plan. Other domestic consolidated subsidiaries have only lump-sum payments plans. The company adopts defined contributions pension plans and prepaid retirement allowance plans.

2. The consolidated retirement benefit obligation for the company's pension plans is summarized below.

(Millions of yen)

	Fiscal year ended March 31, 2012	Fiscal year ended March 31, 2011
(1) Retirement benefit obligation	(11,701)	(11,056)
(2) Fair value of plan assets	9,052	8,959
(3) Unfunded retirement benefit obligation [(1)+(2)]	(2,648)	(2,097)
(4) Unrecognized actuarial gains/losses	1,498	1,353
(5) Unrecognized prior service cost	(40)	(54)
(6) Net book value on the consolidated balance sheet [(3)+(4)+(5)]	(1,190)	(797)
(7) Prepaid pension costs	2,420	2,537
(8) Allowance for employee retirement benefits [(6)-(7)]	(3,611)	(3,335)

Notes: 1. Retirement benefit obligations include those for executive officers.

2. Retirement benefit obligations for certain of the company's retirement benefit plans and certain consolidated subsidiaries are calculated using the simplified method.

3. Items comprising the company's retirement benefit expenses are provided below.

(Millions of yen)

	Fiscal year ended March 31, 2012	Fiscal year ended March 31, 2011
(1) Service cost	692	675
(2) Interest cost	210	211
(3) Expected return on plan assets	(88)	(86)
(4) Amortization of actuarial losses	212	220
(5) Amortization of prior service costs	(13)	(13)
Subtotal	1,013	1,007
(6) Retirement benefit expense	112	103
(7) Contributions paid to defined contribution pension plan	87	—
Total	1,214	1,111

Notes: 1. "Service cost" includes retirement benefit expense for executive officers.

2. Retirement benefit expense applicable to the Company and consolidated subsidiaries calculated by the simplified method is included in "Service cost".

4. Assumptions used in determining the retirement benefit obligation

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

Straight-line basis

(2) Discount rate

Fiscal year ended March 31, 2012	Fiscal year ended March 31, 2011
1.5—2.0%	1.5—2.0%

(3) Expected rate of return

Fiscal year ended March 31, 2012	Fiscal year ended March 31, 2011
1.0%	1.0%

(4) Amortization period of prior service costs

5 years (Costs are amortized when they arise on a straight-line basis within the average remaining number of years of employment for the workforce).

(5) Amortization period of actuarial gains/losses

12 years (Cost are amortized in equal amounts over a number of years that is less than the average remaining life of the workforce from the year following the accounting period in which they arose) .

Deferred tax accounting

1. Significant components of deferred tax assets and liabilities

	<i>(Millions of yen)</i>	
	Fiscal year ended March 31, 2012	Fiscal year ended March 31, 2011
Deferred tax assets:		
Allowance for doubtful accounts	0	9
Provision for bonuses	1,351	1,358
Accrued expenses	377	298
Enterprise taxes payable	280	204
Provision for employees' retirement benefits	384	359
Provision for director's retirement benefits	131	126
Share-based payment expense	30	41
Depreciation	125	142
Impairment losses	242	262
Asset retirement obligations	182	217
Valuation difference on available-for-sale securities	0	47
Other	449	672
Subtotal	3,556	3,741
Valuation allowances	(539)	(875)
Total deferred tax assets	3,017	2,866
Deferred tax liabilities		
Reserve for accelerated depreciation	(628)	(637)
Asset retirement obligations	(75)	(102)
Other	(244)	(189)
Total deferred tax liabilities	(948)	(929)
Net deferred tax assets	2,069	1,936

2. Major items to reconcile the statutory tax rate after the application of tax effective accounting to the effective tax rate are shown below.

	Fiscal year ended March 31, 2012	Fiscal year ended March 31, 2011
Statutory tax rate	40.4%	40.4%
(Adjustments)		
Entertainment and other permanently non-deductible expenses	1.7	2.9
Dividend and other permanently non-taxable income	(1.4)	(6.7)
Special deductions for corporate taxes paid	(0.5)	(1.0)
Proportional allocation of inhabitants tax	0.7	1.1
Downward adjustment of deferred tax assets at end of term due to change in tax rate	1.2	--
Changes in valuation allowances	(1.3)	2.5
Tax rate differences for consolidated subsidiaries	(0.9)	(1.7)
Effect of consolidated adjustments	2.1	5.8
Other	0.8	1.0
Effective tax rate	42.8%	44.3%

3. Adjustment to deferred tax assets and liabilities from changes in the statutory tax rate

A special measures law was promulgated December 2, 2011 to amend part of the tax system to address structural economic changes and to raise the financial resources needed to carry out reconstruction activities for the region damaged by the Great East Japan Earthquake. The effective statutory rate used to calculate deferred tax assets and deferred tax liabilities from this consolidated accounting period (limited only to amounts expiring after April 1, 2012) will be changed from 40.4% to 37.8% applicable for the prior period for amounts due to be collected or paid between April 1, 2012 to March 31, 2015, and changed to 35.4% for amounts related to the period after April 1, 2015.

As a result, total deferred tax assets (excluding the amount of deferred tax liabilities) and valuation difference on available-for-sale securities decreased by ¥153 million, and ¥0 million respectively. The amount of tax adjustments reported in this consolidated accounting period increased by ¥153 million.

Business combinations and other related matters

Consolidated fiscal year ended March 31, 2012 (April 1, 2011 to March 31, 2012)

Establishment of joint venture

(1) Overview of business combinations

① Company name and details of business acquired

(a) Company name

HAITAI Confectionery & Foods Co., Ltd.

(b) Nature of acquired business

Manufacture and sale of snack foods

② Objective of business combination

The company aims to expand sales of Calbee products in South Korea, which is the third most attractive snack food market in Asia behind Japan and China.

③ Date of business combination

July 1, 2011

④ Legal form of business combination

A joint venture company was established through financial investment by Calbee and investment in kind by HAITAI Confectionery & Foods Co., Ltd. for the manufacture and sale of snack foods.

⑤ Name of business combination and ratio of voting rights

(a) Name of business combination

HAITAI-CALBEE Co., Ltd.

(b) Ratio of voting rights

50% of the voting rights of HAITAI-CALBEE Co., Ltd.

⑥ Major reasons for acquisition

The decision to acquire the company was based on key financial, operating, and business strategies.

(2) Period for which results of the acquired operation are included in consolidated financial statements

July 1, 2011 to March 31, 2012

(3) Details of acquisition costs

Acquisition price	¥872 million
Direct expenses	—
Acquisition costs (cash and deposits)	¥872 million

(4) Amount, reason, amortization method and period for goodwill

① Goodwill amount

¥326 million

② Reason for occurrence of goodwill

Goodwill arises from the additional earnings capability envisaged under future business development.

③ Amortization method and period

Straight-line amortization over 5 years

Common control transaction

(1) Overview of transaction

① Name of parties to business combination and details of business

Name of parties to the business combination: Calnac Co., Ltd.

Details of major businesses: production and sale of foods

② Legal structure of business combination

Additional acquisition of subsidiary shares

③ Company name after business combination

There will be no change in corporate name for parties involved in the business combination.

④ Overview and purpose of transaction

The company held 43.6% of voting rights (inclusive of 10.6% held indirectly) of the outstanding shares of Calnac Co., LTD., a consolidated subsidiary of the company, but additional acquisition of shares was made on September 30, 2011 and January 31, 2012 to further strengthen inter-group alliances and enhance corporate value for the entire group. As a result, the proportion of voting rights held by the company increased to 100.0% (inclusive of 10.6% held indirectly).

(2) Overview of accounting treatment employed

Accounting treatment has been carried out under the “Accounting Standard for Business Combinations” (ASBJ Statement No. 21; December 26, 2008) and the “Accounting Standard for Business Combinations and Applicable Guidelines for Accounting Standards for Business Divestitures” (ASBJ Guideline No. 10; December 26, 2008) and accounting treatment for common control transactions (transactions with minority interest shareholders).

(3) Items related to additional acquisition of subsidiary shares

① Details of acquisition costs

Acquisition price	¥399 million
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Direct expenses	—
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Acquisition costs (cash and deposits)	¥399 million
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② Amount and reasons for related goodwill

(a) Negative goodwill amount

¥537 million

(b) Reason for occurrence of negative goodwill

Negative goodwill arose as the acquisition cost of the additional shares of Calnac Co., Ltd acquired by the company was less than the decline in minority shareholding interest brought about by the share acquisition.

Segment information and other

Segment Information

The company has only one segment, “Food production and sales business”, and consequently does not disclose information for operating segments.

Related party Information

1. Related party transactions

(1) Transactions with related parties and companies that issue consolidated securities reports

Officers and major individual shareholders

Consolidated fiscal year ended March 31, 2012 (April 1, 2011 to March 31, 2012)

Related party	Name	Location	Capital	Business or occupation	Ownership ratio of voting rights	Description of relationship	Description of transaction	Transaction amount ¹ (¥ million)	Item	Year-end balance (¥ million)
Officer and close family member	Masahiko Matsuo	--	--	Advisor of the Company	Direct: 0.09%	--	Exercise of subscription rights ²⁽¹⁾	24	--	--
Officer and close family member	Akira Matsumoto	--	--	Chairman of the board & CEO, Representative Director of the Company	Direct: 0.19%	--	Exercise of subscription rights ²⁽²⁾	80	--	--
Officer and close family member	Shuji Ito	--	--	President & COO, Representative Director of the Company	Direct: 0.06%	--	Exercise of subscription rights ²⁽¹⁾	12	--	--
Officer and close family member	Takayoshi Naganuma	--	--	Senior executive officer of the Company	Direct: 0.04%	--	Exercise of subscription rights ²⁽¹⁾	24	--	--
Officer and close family member	Haruhiko Sekiguchi	--	--	Senior executive officer of the Company	Direct: 0.03%	--	Exercise of subscription rights ^{2(1,2)}	24	--	--
Officer and close family member	Masatoshi Aki	--	--	Executive Managing Officer of the Company	Direct: 0.07%	--	Exercise of subscription rights ²⁽¹⁾	12	--	--

Notes: 1) Transaction amounts are exclusive of consumption taxes

2) Terms and conditions, and settlement policy

(1) The exercise of stock options granted by resolution at the extraordinary shareholders' meeting held on February 15, 2005, pursuant to Article 280-20, 280-21 and 280-27 of the pre-Commercial Code revision (revised 2001)

Transaction amounts listed above are amounts paid upon exercise of stock option rights in the current fiscal year multiplied by the number of shares granted.

(2) The exercise of stock options granted by resolution at the annual shareholders' meeting held on June 24, 2009, pursuant to Article 236, 238 and 239 of the Companies Act.

Transaction amounts listed above are amounts paid upon exercise of stock option rights in the current fiscal year multiplied by the number of shares granted.

Consolidated fiscal year ended March 31, 2011 (April 1, 2010 to March 31, 2011)

Related party	Name	Location	Capital	Business or occupation	Ownership ratio of voting rights	Description of relationship	Description of transaction	Transaction amount* ¹ (¥ million)	Item	Year-end balance (¥ million)
Officer and close family member	Koji Matsuo	--	--	Advisor of the Company	Direct: 0.01%	--	Remuneration for consultation ²⁽¹⁾	10	--	--
Officer and close family member	Masahiko Matsuo	--	--	Advisor of the Company	Direct: 0.05%	--	Remuneration for consultation ²⁽¹⁾	10	--	--
Officer and close family member	Akira Matsumoto	--	--	Chairman of the board & CEO, Representative Director of the Company	Direct: 0.11%	--	Exercise of subscription rights ²⁽²⁾	40	--	--
Officer and close family member	Shuji Ito	--	--	President & COO, Representative Director of the Company	Direct: 0.03%	--	Exercise of subscription rights ²⁽³⁾	12	--	--
Officer and close family member	Masatoshi Aki	--	--	Executive Managing Officer of the Company	Direct: 0.05%	--	Exercise of subscription rights ²⁽³⁾	12	--	--

Notes: 1) Transaction amounts are exclusive of consumption taxes

2) Terms and conditions, and settlement policy

(1) Remuneration based on internal regulations

(2) The exercise of stock options granted by resolution at the annual shareholders' meeting held on June 24, 2009, pursuant to Article 236, 238 and 239 of the Companies Act.

Transaction amounts listed above are amounts paid upon exercise of stock option rights in the current fiscal year multiplied by the number of shares granted.

(3) The exercise of stock options granted by resolution at the extraordinary shareholders' meeting held on February 15, 2005, pursuant to Article 280-20, 280-21 and 280-27 of the pre-Commercial Code revision (revised 2001)

Transaction amounts listed above are amounts paid upon exercise of stock option rights in the current fiscal year multiplied by the number of shares granted.

(2) Transactions with consolidated subsidiaries and affiliates
No applicable items

2. Notice regarding parent company or significant affiliate company
No applicable items

Per share information

	FY ended March 31, 2012	FY Ended March 31, 2011
Net assets per share(¥)	2,386.63	2,200.55
Net income per share(¥)	220.29	146.48
Net income per share (diluted) (¥)	215.91	143.97

Note: 1) Net assets per share were calculated based on the following:

	FY ended March 31, 2012	FY Ended March 31, 2011
Total net assets on consolidated balance sheet (¥ million)	80,417	72,924
Net assets attributable to common stock (¥ million)	77,663	70,235
Main differences (¥ million)		
Subscription rights	85	102
Minority interests	2,669	2,585
Number of shares of common stock outstanding (shares)	32,540,950	31,917,450
Number of shares of common stock as treasury stock (shares)	—	—
Number of common shares used for calculating net assets per share (shares)	32,540,950	31,917,450

2) Net income per share and net income per share (diluted) were calculated based on the following:

	FY ended March 31, 2012	FY Ended March 31, 2011
Net income per share		
Net income (consolidated) (¥ million)	7,096	4,253
Net income attributable to common stock(¥ million)	7,096	4,253
Net income not attributable to common stock(¥ million)	—	—
Average number of shares outstanding during the year(shares)	32,215,557	29,037,338
Net income per share (diluted)		
Net income adjustments (¥ million)	—	—
Breakdown of additional common shares used for calculating net income per share (diluted) (shares)		
Subscription rights	653,326	507,046
Increase in number of common shares(shares)	653,326	507,046
Residual securities not included in the calculation of the net income after adjustment for residual securities due to the fact that these securities had no dilutive effect.		--

Consolidated fiscal year ended March 31, 2011 (April 1, 2010 to March 31, 2011)

Notes: 1) With regards to calculations for net income per share (diluted), since the Company listed on the Tokyo Stock Exchange on March 11, 2011, the average share price from the date we listed until the end of the consolidated fiscal year will be used as the average share price for the period the Company was unlisted during the period.

2) CALBEE, Inc. executed a 50:1 common share split on January 14, 2011.

Subsequent events

Consolidated fiscal year ended March 31, 2012 (April 1, 2011 to March 31, 2012)

Establishment of a joint venture Company in China (subsidiary company)

At a Board of Directors meeting held September 9, 2011, a decision was made regarding the strategic approach to establishing a joint venture company in China. A contract to establish the joint venture company was concluded on April 9, 2012. Details are as follows.

(1) Purpose of joint venture:

In line with our global strategy, we have decided to establish a joint venture with Itochu Corporation and Master Kong Instant Foods Investment (China) Co., Ltd., a part of Tingyi (Cayman Islands) Holding Corp. which has strong marketing capabilities in the Chinese market. The joint venture aims to expand market share and grow sales of Calbee products in China, a snack foods market with tremendous growth potential.

(2) Outline of joint venture

- ① Name: Calbee (Tianjin) Foods Co., Ltd.
- ② Main business: Manufacture and sale of snack foods
- ③ Capital: US \$20 million

(3) Establishment period

July 2012 (planned)

(4) Acquisition amount and post acquisition shareholder ratio

- ① Acquisition amount: US \$10 million
- ② Post acquisition shareholder ratio:
 - CALBEE, Inc.: 51%
 - Master Kong Instant Foods Investment (China) Co., Ltd.: 45%
 - Itochu Corporation: 4%

5. Additional information

Change in officers

(1) Change in Representatives

None

(2) Change in other officers (June 27, 2012, planned)

- ① Newly appointed Auditor
 - Isao Hirakawa, Auditor (currently Executive Officer)
- ② Retiring Auditor
 - Kenji Hara, Auditor