Consolidated Financial Statements for the Fiscal Year ended March 31, 2013

April 1, 2012 to March 31, 2013

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, 2013

CALBEE, Inc. **May 10, 2013**

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

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

Contact: Koichi Kikuchi
Executive Officer
Finance and Accounting Group
Telephone: +81-3-5220-6222

Representative: Shuji Ito, President & COO, Representative Director

Scheduled date for the General Meeting of Shareholders: June 26, 2013

Scheduled date for distribution of dividends: June 27, 2013

Scheduled date for submission of the full year financial report: June 26, 2013

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, 2013 (April 1, 2012 to March 31, 2013)

(1) Consolidated Operating Results

Millions of yen, rounded down

	FY ended March 31, 2013		FY ended March 31, 2012	
		% change		% change
Net sales	179,411	9.9	163,268	5.0
Operating income	15,790	28.9	12,247	14.3
Ordinary income	17,127	37.2	12,486	18.1
Net income	9,440	33.0	7,096	66.8
Earnings per share (¥)	288.73		220.29	
Earnings per share (diluted) (¥)	283.65		215.91	
Return on equity (%)	11.4		9.6	
Ordinary income to total assets ratio (%)	14.7		12.0	
Operating income to sales ratio (%)	8.8		7.5	

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, 2013: ¥11,541 million (52.4%)
FY ended March 31, 2012: ¥7,571 million (85.5%)

Reference: Income (loss) from equity method investments:
FY ended March 31, 2013: ¥-- million
FY ended March 31, 2012: ¥-- million

(2) Consolidated Financial Position

Millions of yen, rounded down

	As of March 31, 2013	As of March 31, 2012
Total assets	124,793	108,474
Net assets	92,685	80,417
Shareholders' equity/total assets (%)	70.2	71.6
Net assets per share (¥)	2,658.22	2,386.63

Shareholders' equity: As of March 31, 2013: ¥87,554 million
As of March 31, 2012: ¥77,663 million

(3) Consolidated cash flows

Millions of yen, rounded down

	FY ended March 31, 2013	FY ended March 31, 2012
Cash flows from operating activities	17,328	7,049
Cash flows from investing activities	(12,999)	(5,347)
Cash flows from financing activities	607	(411)
Cash and cash equivalents at end of period	25,331	19,448

2) Dividends per share

	FY ended March 31, 2012	FY ended March 31, 2013	FY ending March 31, 2014
Interim dividend per share (¥)	0.00	0.00	0.00
Year-end dividend per share (¥)	42.00	62.00	72.00
Annual dividend per share (¥)	42.00	62.00	72.00
Total dividend amount (millions of yen)	1,366	2,042	
Dividend payout ratio (consolidated) (%)	19.1	21.5	22.8
Net assets to dividends ratio (%)	1.8	2.5	

3) Consolidated forecasts for the fiscal year ending March 31, 2014 (April 1, 2013 to March 31, 2014)

Millions of yen

	Full year	
		% change
Net sales	190,000	5.9
Operating income	18,000	14.0
Ordinary income	18,000	5.1
Net income	10,400	10.2
Earnings per share (¥)	315.75	

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

Notes:

(1) Transfer of important subsidiaries during the period (transfers of specified subsidiaries resulting in changes in the scope of consolidation): Yes

One company added to scope of consolidation: Calbee (HangZhou) Foods Co., Ltd.

Note: For further details, please see page 24, 4. Consolidated financial statements (5) Notes to consolidated financial statements.

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

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

Note: From this fiscal year we have made changes to the method of depreciation. This corresponds to changes in accounting policy for cases where it is difficult to distinguish between changes in accounting policy and changes in accounting estimates. For further detail, please see page 24, 4. Consolidated financial statements (5) Notes to consolidated financial statements.

(3) Number of outstanding shares (common stock)

	March 31, 2013:	March 31, 2012:
1. Number of shares outstanding (including treasury shares)	32,937,450 shares	32,540,950 shares
2. Number of treasury shares	-- shares	-- shares
	Fiscal year to March 31, 2013	Fiscal year to March 31, 2012
3. Average number of shares during the period	32,696,673 shares	32,215,557 shares

(Reference)

1. Non-Consolidated Results for the Fiscal Year Ended March 31, 2013

(1) Non-Consolidated Operating Results

Millions of yen, rounded down

	FY ended March 31, 2013		FY ended March 31, 2012	
		% change		% change
Net sales	141,684	11.0	127,592	4.1
Operating income	12,321	27.1	9,693	19.9
Ordinary income	14,082	34.0	10,510	21.6
Net income	7,987	31.4	6,079	34.8
Earnings per share (¥)	244.30		188.73	
Earnings per share (diluted) (¥)	240.00		184.98	

(2) Non-consolidated Financial Position

Millions of yen, rounded down

	As of March 31, 2013	As of March 31, 2012
Total assets	106,674	95,102
Net assets	79,473	72,127
Shareholders' equity/total assets (%)	74.5	75.8
Net assets per share (¥)	2,411.33	2,213.89

Shareholders' equity: As of March 31, 2013: ¥79,423 million
As of March 31, 2012: ¥72,042 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.

2. The earnings per share forecast for the fiscal year ending March 31, 2014 is calculated using 32,937,450 shares as the expected average number of shares for the period.

3. CALBEE, Inc. has scheduled a conference for institutional investors and analysts for May 10, 2013. A video of the conference will be made available on our Japanese website after the conference.

Contents

1. Operating Results

(1) Summary of business performance (consolidated)

(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 global financial uncertainty and the effects of deflation, despite a gradual economic upswing due to restoration demand after the effects of the Great East Japan Earthquake along with weakening of the yen and a stronger equity market in response to monetary easing following a change of government.

In the snack foods market, there was a continued consumer preference for products at lower price points. In comparison to other sectors of the industry, however, consumers appeared to find good value in the pricing and volume being offered in this sector, and market scale was similar in size to the previous year.

In this environment, Calbee Group (hereafter “Calbee”) continued initiatives to actively promote the twin pillars of innovation (growth strategies) and cost reduction. With regards to innovation, initiatives to expand our business overseas included entering into a business partnership with PepsiCo group in North America. We also established a joint venture with the Tingyi Group in China and Taiwan, and decided to establish a joint venture company with Wings Group in Indonesia. In the domestic business, we increased market share through the active promotion of *Potato Chips* and the nationwide launch of new product *Vegips*.

In addition, active PR and promotional activities for the *Fruits Granola* cereal brand led to a stronger market presence and a significant increase in sales.

With regard to cost reduction, we successfully lowered our manufacturing cost ratio by centralizing procurement and improving capacity utilization.

In November 2012 an incident occurred with glass fragments in *Kata-Age Potato* at our Konan Factory leading to a voluntary recall of all products that may have contained glass fragments. We apologize to our customers, shareholders and other stakeholders for the inconvenience caused, and have prioritized product quality and safety as part of initiatives being undertaken to prevent a reoccurrence.

Consolidated net sales for the fiscal year increased 9.9% to ¥179,411 million due to strong performance in the business. In terms of profitability, operating income increased 28.9% to ¥15,790 million due to the effects of increased sales from actively investing in marketing with the aim of expanding our domestic market share and the resulting benefits of a reduced manufacturing cost ratio due to an improved capacity utilization ratio.

Ordinary income increased 37.2% to ¥17,127 million due to foreign exchange gain from the weaker yen. Net income increased 33.0% to ¥9,440 million, despite the ¥370 million loss from the voluntary recall of *Kata-Age Potato*. Overall, sales and profits showed a significant increase compared to the previous fiscal year, which were impacted by the effects of the Great East Japan Earthquake.

Result by business:

Production and sale of snacks and other foods business

Net sales increased by 10.1% to ¥176,993 million.

Snack foods:

Snack food sales increased 10.2% to ¥155,659 million due to sales of potato-based snacks and *Vegips* and growth in overseas sales. Sales of *Vegips* increased following a nation-wide launch completed last October, and television advertisements and storefront promotions.

1. Potato-based snacks

Net sales increased 8.4% to ¥103,774 million.

Potato Chips: Increased domestic market share through volume-up campaigns for core products (Usushio, Consomme, Norishio), and by launching *Kata-Age Potato* series with revised prices and regional specific or limited-time offers.

Jagarico: Strong sales in core products (salad and cheese flavors), as well as building the market presence of the “buttered cod roe” flavor (sold only at convenience stores) and offering “*Jagarico* for adults” for a limited time.

Jagabee: Increased sales by strengthening our product line.

2. Flour-based snacks
Net sales increased 6.8% to ¥21,457 million through strong sales including those of regional and limited edition *Kappa Ebisen* products

3. Corn-based snacks
Net sales increased 0.2% to ¥13,286 million due to strong sales of core products, such as Mike Popcorn and *Cheetos*.

4. Other snacks
Net sales increased 41.2% to ¥17,141 million due to growth in overseas sales and strong sales of *Vegips*.

Other products (Processed bread and Cereal)
Net sales increased 9.3% to ¥21,334 million due to strong sales of cereal products. Net sales of cereal products greatly exceeded those of the previous fiscal year due to enhanced publicity activities and expanded reach of *Fruits Granola* through supermarkets and drugstores.

Other businesses
Net sales decreased 3.1% to ¥2,417 million due to a decrease in sales of promotional sales tools and despite strong sales in the distribution business.

Consolidated forecasts for the fiscal year ending March 31, 2014
Looking ahead, Calbee Group aims to further increase revenues and profits through ongoing innovation (our growth strategy) and cost reduction despite anticipating continued uncertainty due to factors including persistent deflation and higher raw material prices.
In the Food production and sales business, we anticipate increased revenues from growth in sales of snack products, such as Potato-based snacks and *Vegips*, as well as from strengthening overseas developments in North America and China, etc. In Other products (Processed bread and Cereal), we forecast higher revenues by expanding sales of *Fruits Granola.*
In Other businesses, we expect revenue growth from anticipated growth of promotional sales tools and distribution business.
As a result, for the consolidated fiscal year ending March 31, 2014, we forecast net sales of ¥190,000 million (up 5.9%). In terms of profits, although we expect the cost of raw ingredients to rise, due to increased revenues and further cost reduction initiatives, we forecast operating income of ¥18,000 million (up 14.0%), ordinary income of ¥18,000 million (up 5.1%) and net income of ¥10,400 million (up 10.2%).

(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, 2013 were ¥124,793 million, an increase of ¥16,318 million from the end of the previous fiscal year. The primary contributing factor was an increase in securities and tangible non-current assets. Marketable securities have increased due to acquisition of negotiable deposits, funds in trust, and commercial paper. Tangible non-current assets increased due to acquisition of plant facilities in North America, China and Taiwan, in line with strategic expansion of our overseas operations.

Liabilities increased ¥4,050 million to ¥32,107 million, due to an increase in income taxes payable and accrued expenses.

Net assets increased ¥12,267 million to ¥92,685 million, due to an increase in retained earnings and minority interests.

As a result, the equity ratio decreased 1.4 percentage points from the end of the previous fiscal year to 70.2% and net assets per share was ¥2,658.22.

2) Cash flow
Cash and cash equivalents as of March 31, 2013 were ¥25,331 million, ¥5,883 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 ¥17,328 million, compared to an inflow of ¥7,049 million of the previous fiscal year.
Factors resulting in this cash flow included income tax payments of ¥6,148 million, offset by an increase in income before income taxes and minority interests to ¥15,979 million, and depreciation and amortization of ¥6,318 million.

Cash flows from investing activities
Net cash used in investing activities during the period under review was an outflow of ¥12,999 million, compared to an outflow of ¥5,347 million for the previous fiscal year. The primary contributing factor was ¥7,298 million in payments for acquisition of fixed assets, ¥3,000 million in payments for the acquisition of securities, and ¥3,010 million net payments for fixed deposits.

Cash flows from financing activities
Net cash used in financing activities during the period under review was an inflow of ¥607 million, compared to an outflow of ¥411 million for the previous fiscal year. This was primarily due to a decrease in cash flow, included dividends paid of ¥1,523 million, while factors contributing to an increase in cash flow included ¥1,614 million in proceeds from stock issuance to minority shareholders.

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	FY ended March 31, 2013
Equity ratio (%)	56.0	65.2	70.7	71.6	70.2
Equity ratio based on market price (%)	--	--	73.9	126.4	201.4
Debt service coverage (%)	1.8	0.4	0.0	0.1	0.0
Interest coverage ratio (times)	38.2	118.6	247.2	1,031.4	6,470.2

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 statement 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 2013 and 2014
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 ¥62 per share for the fiscal year ended March 31, 2013. (To be presented at the 64th General Meeting of Shareholders, June 26, 2013)

As prescribed by Article 454 Clause 5 of the Companies Act, the Articles of Incorporation stipulate that the Company is able to 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, 2014, we plan to increase the annual dividend by ¥10 to ¥72 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, South Korea and Taiwan 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. In addition, from April 2013 the Company's subsidiary Calbee North America, LLC sells snack foods to PepsiCo Group's Frito-Lay North America, Inc.

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 CO_2 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., 21 subsidiaries (11 domestic, 10 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 brining taste and fun, and to contributing to healthy lifestyles.
The positioning of core companies within the Group is as follows:

Production and sale of snacks and other foods 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 North America, LLC in the U.S., Calbee Tanawat Co.,Ltd. in Thailand, Calbee Four Seas Co.,Ltd. in Hong Kong, CALBEE FOURSEAS (SHANTOU) CO,. LTD. and Calbee (HangZhou) Foods Co., Ltd. in China, HAITAI-CALBEE Co.,LTD. in Korea and Calbee (Taipei) Foods Co., Ltd. in Taiwan are engaged in manufacturing and sales. Further, QINGDAO CALBEE FOODS CO., LTD.,and YANTAI CALBEE CO.,LTD. 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

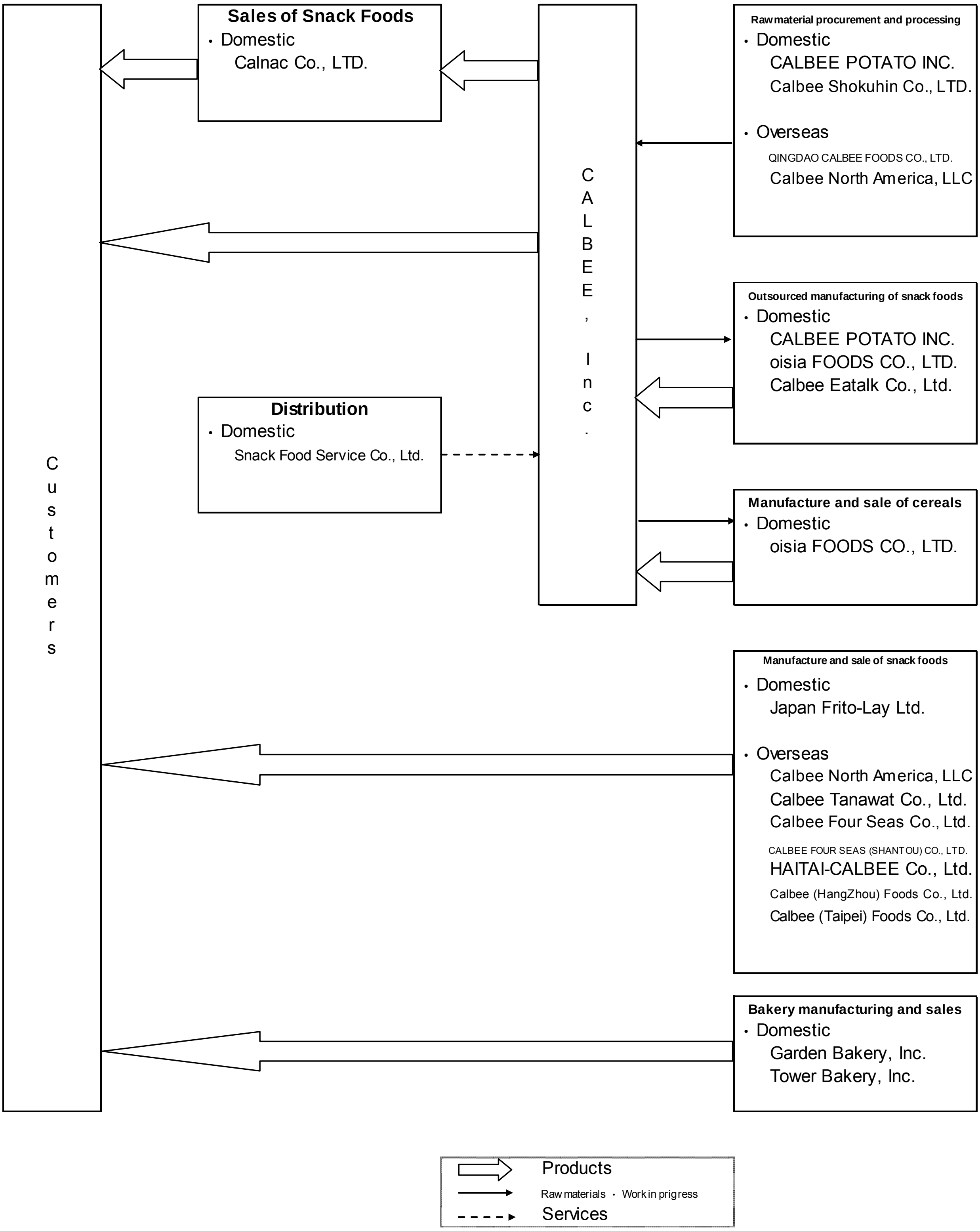
oisia FOODS CO., LTD. manufactures cereal foods for sale by oisia FOODS CO., LTD. and Calbee.

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. (other affiliate companies)

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 brining 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 15% over the medium-term.

(3) Medium-term management strategy and key topics
Looking ahead, although there are signs of recovery in certain areas following the recent economic stimulus, an increase in consumption tax planned from April 2014 is expected to slow down recovery in consumer spending. Further, with the dramatic rise in the price of raw materials and other factors due to a rapid weakening of the yen, we expect the challenging economic environment to continue. 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. From April 2013, Pepsi Group will have a exclusive rights to sell and market Calbee produced *Ruffles® Crispy Frie*s *(Jagabee)* in North America. Calbee Group and Pepsi Group will execute their strength in production development, and sales and marketing respectively.

(5) Licensing and acquisition
We will 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 various opportunities for 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. Additionally, the legendary Garrett Popcorn Shop, founded in Chicago, USA, opened its first store in Japan in February 2013.

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 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, 2013	As of March 31, 2012
Assets		
Current assets		
Cash and deposits	17,342	19,448
Notes and accounts receivable-trade	19,787	18,763
Securities	13,999	13
Inventories (Note 1)	5,661	4,920
Deferred tax assets	2,790	2,162
Other	3,192	2,540
Allowance for doubtful accounts	(3)	(2)
Total current assets	62,770	47,847
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	54,008	52,246
Accumulated depreciation	(33,373)	(31,666)
Buildings and structures, net	20,634	20,580
Machinery, equipment and vehicles	75,295	72,183
Accumulated depreciation	(60,966)	(58,130)
Machinery, equipment and vehicles, net	14,329	14,052
Land	10,790	10,721
Lease assets	502	473
Accumulated depreciation	(303)	(227)
Lease assets, net	199	245
Construction in progress	2,701	1,370
Other	3,786	3,408
Accumulated depreciation	(2,989)	(2,838)
Other, net	797	570
Total property, plant and equipment	49,453	47,541
Intangible assets		
Goodwill (Note 3)	3,954	4,538
Other	1,343	1,534
Total intangible assets	5,297	6,073
Investments and other assets		
Investment securities (Note 2)	1,359	1,264
Long-term loans receivable	294	175
Deferred tax assets	538	361
Prepaid pension cost	2,291	2,420
Other (Note 2)	2,891	2,883
Allowance for doubtful accounts	(103)	(93)
Total investments and other assets	7,270	7,012
Total noncurrent assets	62,022	60,627
Total assets	124,793	108,474

Consolidated balance sheets, continued

Millions of yen, rounded down

	As of March 31, 2013	As of March 31, 2012
Liabilities		
Current liabilities		
Notes and accounts payable-trade	6,671	6,595
Lease obligations	112	117
Accounts payable-other	3,891	3,141
Income taxes payable	5,031	3,885
Deferred tax liabilities	95	85
Provision for bonuses	3,644	3,287
Provision for directors' bonuses	192	211
Provision for loss on disaster	—	57
Other	6,827	5,254
Total current liabilities	26,468	22,636
Noncurrent liabilities		
Long-term loans payable	7	6
Lease obligations	145	195
Deferred tax liabilities	269	370
Provision for retirement benefits	3,973	3,611
Provision for directors' retirement benefits	527	497
Asset retirement obligations	631	623
Other	85	114
Total noncurrent liabilities	5,639	5,420
Total liabilities	32,107	28,056
Net assets		
Shareholders' equity		
Capital stock	11,586	11,252
Capital surplus	11,154	10,820
Retained earnings	64,215	56,141
Total shareholders' equity	86,956	78,213
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	98	9
Foreign currency translation adjustment	500	(560)
Total accumulated other comprehensive income	598	(550)
Subscription rights to shares	50	85
Minority interests	5,079	2,669
Total net assets	92,685	80,417
Total liabilities and net assets	124,793	108,474

(2) Consolidated statements of income and comprehensive income

Consolidated statements of income

Millions of yen, rounded down

	April 1, 2012 to March 31, 2013	April 1, 2011 to March 31, 2012
Net sales	179,411	163,268
Cost of sales (Notes 1, 3)	100,889	94,187
Gross profit	78,522	69,081
Selling, general and administrative expenses (Notes 2, 3)	62,731	56,833
Operating income	15,790	12,247
Non-operating income		
Interest income	36	25
Dividends income	58	52
Real estate income	70	75
Settlement of consignment money for recycling	44	79
Foreign exchange gains	1,115	—
Other	244	323
Total non-operating income	1,569	557
Non-operating expenses		
Interest expenses	2	5
Product recall related costs	—	53
Depreciation	79	27
Business commencement expenses	85	0
Foreign exchange losses	—	103
Other	64	126
Total non-operating expenses	232	318
Ordinary income	17,127	12,486
Extraordinary income		
Gain on sales of noncurrent assets (Note 4)	114	260
Subsidies income	—	230
Gain on bargain purchase	—	537
Gain on reversal of provision for loss on disaster	—	163
Other	5	7
Total extraordinary income	119	1,200
Extraordinary loss		
Loss on sales of noncurrent assets (Note 5)	49	29
Loss on retirement of noncurrent assets (Note 6)	191	165
Impairment loss (Note 7)	313	33
Loss on disaster	—	258
Loss on liquidation of subsidiaries and affiliates	—	129
Product recall related costs	370	—
Loss on revised of outsourcing agreement	322	—
Other	19	134
Total extraordinary losses	1,267	752
Income before income taxes and minority interests	15,979	12,934
Income taxes-current	7,258	5,705
Income taxes-deferred	(943)	(171)
Total income taxes	6,314	5,534
Income before minority interests	9,664	7,400
Minority interests in income	224	303
Net income	9,440	7,096

Consolidated statements of comprehensive income

Millions of yen, rounded down

	April 1, 2012 to March 31, 2013	April 1, 2011 to March 31, 2012
Income before minority interests	7,400	9,664
Other comprehensive income		
Valuation difference on available-for-sale securities	71	88
Foreign currency translation adjustment	99	1,788
Total other comprehensive income (Note 1)	171	1,876
Comprehensive income	7,571	11,541
Comprehensive income attributable to:		
Comprehensive income attributable to owners of the parent	7,305	10,589
Comprehensive income attributable to minority interests	265	952

(3) Consolidated statements of changes in shareholders’ equity

Millions of yen, rounded down

	April 1, 2012 to March 31, 2013	April 1, 2011 to March 31, 2012
Shareholders' equity		
Capital stock		
Balance at the beginning of current period	11,252	10,744
Changes of items during the period		
Issuance of new shares-exercise of subscription rights to shares	334	507
Total changes of items during the period	334	507
Balance at the end of current period	11,586	11,252
Capital surplus		
Balance at the beginning of current period	10,820	10,312
Changes of items during the period		
Issuance of new shares-exercise of subscription rights to shares	334	507
Total changes of items during the period	334	507
Balance at the end of current period	11,154	10,820
Retained earnings		
Balance at the beginning of current period	56,141	49,938
Changes of items during the period		
Dividends from surplus	(1,366)	(893)
Net income	9,440	7,096
Total changes of items during the period	8,073	6,203
Balance at the end of current period	64,215	56,141
Total shareholders' equity		
Balance at the beginning of current period	78,213	70,995
Changes of items during the period		
Issuance of new shares-exercise of subscription rights to shares	668	1,015
Dividends from surplus	(1,366)	(893)
Net income	9,440	7,096
Total changes of items during the period	8,742	7,218
Balance at the end of current period	86,956	78,213
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities		
Balance at the beginning of current period	9	(62)
Changes of items during the period		
Net changes of items other than shareholders' equity	88	71
Total changes of items during the period	88	71
Balance at the end of current period	98	9
Foreign currency translation adjustment		
Balance at the beginning of current period	(560)	(697)
Changes of items during the period		
Net changes of items other than shareholders' equity	1,060	137
Total changes of items during the period	1,060	137
Balance at the end of current period	500	(560)

Consolidated statements of changes in shareholders’ equity, continued

Millions of yen, rounded down

	April 1, 2012 to March 31, 2013	April 1, 2011 to March 31, 2012
Total accumulated other comprehensive income		
Balance at the beginning of current period	(550)	(759)
Changes of items during the period		
Net changes of items other than shareholders' equity	1,148	208
Total changes of items during the period	1,148	208
Balance at the end of current period	598	(550)
Subscription rights to shares		
Balance at the beginning of current period	85	102
Changes of items during the period		
Issuance of new shares-exercise of subscription rights to shares	(34)	(17)
Total changes of items during the period	(34)	(17)
Balance at the end of current period	50	85
Minority interests		
Balance at the beginning of current period	2,669	2,585
Changes of items during the period		
Net changes of items other than shareholders' equity	2,410	83
Total changes of items during the period	2,410	83
Balance at the end of current period	5,079	2,669
Total net assets		
Balance at the beginning of current period	80,417	72,924
Changes of items during the period		
Issuance of new shares-exercise of subscription rights to shares	634	997
Dividends from surplus	(1,366)	(893)
Net income	9,440	7,096
Net changes of items other than shareholders' equity	3,559	292
Total changes of items during the period	12,267	7,493
Balance at the end of current period	92,685	80,417

(4) Consolidated statements of cash flows

Millions of yen, rounded down

	April 1, 2012 to March 31, 2013	April 1, 2011 to March 31, 2012
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	15,979	12,934
Depreciation and amortization	6,318	6,676
Impairment loss	313	33
Amortization of goodwill	620	596
Gain on bargain purchase	—	(537)
Increase (decrease) in allowance for doubtful accounts	11	(12)
Increase (decrease) in provision for bonuses	351	193
Increase (decrease) in provision for directors' bonuses	(18)	29
Increase (decrease) in provision for retirement benefits	346	276
Decrease (increase) in prepaid pension costs	129	116
Increase (decrease) in provision for directors' retirement benefits	29	73
Interest and dividends income	(95)	(78)
Interest expenses	2	5
Foreign exchange losses (gains)	(1,153)	(40)
Subsidies income	—	(230)
Loss (gain) on sales of investment securities	(4)	(7)
Loss (gain) on valuation of investment securities	18	7
Loss (gain) on sales of noncurrent assets	(65)	(231)
Loss on retirement of noncurrent assets	191	165
Loss on liquidation of subsidiaries and affiliates	—	129
Loss on disaster	(57)	95
Decrease (increase) in notes and accounts receivable-trade	(728)	(7,626)
Decrease (increase) in inventories	(629)	(645)
Increase (decrease) in notes and accounts payable-trade	(56)	931
Decrease (increase) in accounts receivable-other	(195)	(81)
Increase (decrease) in accounts payable-other	494	(538)
Increase (decrease) in accrued consumption taxes	174	(53)
Other, net	1,367	141
Subtotal	23,344	12,322
Interest and dividends income received	129	82
Interest expenses paid	2	(6)
Proceeds from subsidy income	—	230
Payments for loss on disaster	—	(1,311)
Income taxes paid	(6,148)	(4,267)
Net cash provided by (used in) operating activities	17,328	7,049
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	(6,945)	(5,102)
Proceeds from sales of property, plant and equipment	275	425
Purchase of intangible assets	(353)	(320)
Purchase of securities	(3,000)	—
Purchase of investment securities	(23)	(17)
Proceeds from sales of investment securities	43	6
Proceeds from redemption of investment securities	13	—
Purchase of stocks of subsidiaries and affiliates	—	(399)
Payments of loans receivable	(196)	(99)
Collection of loans receivable	82	109
Payments into time deposits	(6,020)	—

Consolidated statements of cash flows, continued

Millions of yen, rounded down

	April 1, 2012 to March 31, 2013	April 1, 2011 to March 31, 2012
Proceeds from withdrawal of time deposits	3,010	—
Payments for guarantee deposits	(93)	(147)
Proceeds from collection of guarantee deposits	204	313
Other, net	2	(115)
Net cash provided by (used in) investing activities	(12,999)	(5,347)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	—	(102)
Repayment of long-term loans payable	(0)	(184)
Proceeds from exercise of stock option	634	997
Repayments of lease obligations	(117)	(110)
Cash dividends paid	(1,366)	(893)
Proceeds from stock issuance to minority shareholders	1,614	—
Cash dividends paid to minority shareholders	(156)	(117)
Net cash provided by (used in) financing activities	607	(411)
Effect of exchange rate change on cash and cash equivalents	946	(79)
Net increase (decrease) in cash and cash equivalents	5,883	1,210
Cash and cash equivalents at beginning of period	19,448	18,238
Cash and cash equivalents at end of period (Note 1)	25,331	19,448

(5) Notes to consolidated financial statements

Notes related to going concern assumption

No applicable items

Significant items for the preparation of consolidated financial statements

1. Scope of Consolidation

(1) Number of consolidated subsidiaries: 21

(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.
Calbee Eatalk Co., Ltd.
Japan Frito-Lay Ltd.
ICS Investment Co., Ltd.
Calbee America, Inc.
Calbee North America, LLC
Calbee Tanawat Co., Ltd.
Calbee Four Seas Co., Ltd.
CALBEE FOUR SEAS (SHANTOU) CO., LTD.
QINGDAO CALBEE FOODS CO., LTD.
YANTAI CALBEE CO., LTD.
HAITAI-CALBEE Co., Ltd.
Calbee (HangZhou) Foods Co., Ltd.
Calbee (Taipei) Foods Co., Ltd.

The name of RDO-CALBEE FOODS, LLC used in the previous consolidated fiscal year has changed to Calbee North America, LLC starting the current consolidated fiscal year.

(Changes to the scope of consolidation)

Under the Calbee’s global strategy, Calbee established joint venture companies in August 2012 Calbee (HangZhou) Foods Co., Ltd. and Calbee (Taipei) Foods Co., Ltd. with aiming to increase sales and expand shares of Calbee products. Both companies were included in the scope of consolidation during the current consolidated fiscal year.

In February 2013, Calbee established ICS Investment Co., Ltd. with the aim of establishing a joint venture company in the Indonesian snack foods market, an important part of the Asian snack foods market. ICS Investment Co., Ltd. was included in the scope of consolidation during the current consolidated fiscal year.

(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: ICS Investment Co., Ltd., Calbee America, Inc., Calbee North America, LLC, Calbee Tanawat Co., Ltd., CALBEE FOURSEAS (SHANTOU) CO., LTD., QINGDAO CALBEE FOODS CO., LTD., YANTAI CALBEE CO., LTD., HAITAI-CALBEE Co., LTD., Calbee (HangZhou) Foods Co.,Ltd. and Calbee (Taipei) Foods 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) Basis and method for valuation of major assets

1. Marketable securities:

a) Bonds held to maturity

Amortized cost method (straight-line method)

b) 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, materials and stored goods:

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 calculated 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.

Difficulty in distinguishing changes in accounting policy from changes in accounting estimates

In accordance with revisions to the Corporation Tax Act and as of the current consolidated fiscal year, Calbee and domestic consolidated subsidiaries will employ amortization methods revised based on the Corporation Tax Act to tangible non-current assets acquired after April 1, 2012.

As a result, and in comparison to the former method, operating profit, ordinary profit, and income before income taxes and minority interests in the current consolidated fiscal year increased ¥102 million.

2. Intangible noncurrent assets (not including leased assets):
Calculated using the straight-line method. However, software intended for internal use is amortized by the straight-line method over its estimated useful life (5 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 April1, 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 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 are recorded based on internal regulations.
For certain consolidated subsidiaries, the simple method is applied.

5. Provision for directors' retirement benefits
To prepare for future retirement benefits payments to directors, the necessary provisions are made based on internal regulations.

(4) Significant deferred assets
Business commencement expenses
Business commencement expenses are paid in full at time of expenditure.

(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 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.

Changes in presentation of statements

Consolidated income statement

During the previous fiscal year, income from compensation for damages was shown as a separate component of non-operating income. For the year under review the amount was immaterial (income from compensation for damages was ¥3 million) and has been included in the Other account.
As a result, the ¥72 million in compensation for damages shown in the consolidated income statement for the previous period has been added to the Other account for restatement.

In the previous fiscal year, business commencement expenses was included in Other as a component of Non-operating expenses. 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 ¥127 million to ¥126 million, and an entry was made for ¥0 million for business commencement expenses.

Additional information

Changes to China business strategy

As disclosed in the previous consolidated fiscal year, in an important announcement regarding establish a joint venture company (subsidiary) in China, in accordance with the contract for establishing a joint venture company, we have proceeded towards establishing Calbee (Tianjin) Foods Co., Ltd. However, in order to consolidate management and accelerate expansion in the Chinese market, Calbee (Tianjin) Foods Co., Ltd., of Tianjin City, was not made into a subsidiary as planned and instead a Tianjin branch office was created under Calbee (HangZhou) Foods Co., Ltd. in Zhejiang Province and business has commenced.

Absorption of consolidated subsidiary

At the Board of Directors meeting held March 27, 2013, it was resolved that Calbee will execute an absorption merger with consolidated subsidiary oisia FOODS CO., LTD., and a merger agreement with an effective date of July 1, 2013 was completed.

(1) Purpose of merger:
To improve Group management efficiency and strengthen cereal business.

(2) Company to be absorbed:
oisia FOODS CO., LTD.

(3) Merger method
Absorption merger whereby Calbee will be the surviving entity and oisia FOODS CO., LTD., will be eliminated.

(4) Merger ratio and amount
Because oisia FOODS CO., LTD., is a 100% owned subsidiary of Calbee, there are no new share issues, increase in assets or merger subsidy with regards to this merger.

Consolidated balance sheet

1. Inventory assets

(*Millions of yen*)

	As of March 31, 2013	As of March 31, 2012
Finished goods and commercial goods	1,752	1,567
Work in progress	1,417	1,126
Materials and stored goods	2,491	2,226

2. Non-consolidated subsidiaries and affiliate companies

(*Millions of yen*)

	As of March 31, 2013	As of March 31, 2012
Investment securities (stocks)	11	11
Other investments	2	2

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

(*Millions of yen*)

	As of March 31, 2013	As of March 31, 2012
Goodwill	3,954	4,541
Negative goodwill	--	2
Deduction	3,954	4,538

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:

(*Millions of yen*)

	April 1, 2012 to March 31, 2013	April 1, 2011 to March 31, 2012
Cost of sales	(1)	(19)

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

(*Millions of yen*)

	April 1, 2012 to March 31, 2013	April 1, 2011 to March 31, 2012
Sales promotion expenses	21,723	17,936
Advertising expenses	3,912	3,589
Freight	9,993	9,906
Remuneration and miscellaneous wages and salaries	10,091	10,140
Provision for directors' retirement benefits	96	105
Provision for bonuses	2,343	1,641
Provision for directors' bonuses	192	211
Retirement benefit expenses	938	827
Allowance for doubtful accounts	12	--

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

(*Millions of yen*)

	April 1, 2012 to March 31, 2013	April 1, 2011 to March 31, 2012
Administrative and general expenses	2,285	1,809
Manufacturing expenses	2	1
Total	2,288	1,811

4. Breakdown of gain on sale of noncurrent assets

(*Millions of yen*)

	April 1, 2012 to March 31, 2013	April 1, 2011 to March 31, 2012
Machinery, equipment and vehicles	8	0
Land	106	258
Other	0	1
Total	114	260

5. Breakdown of loss on sale of noncurrent assets

(*Millions of yen*)

	April 1, 2012 to March 31, 2013	April 1, 2011 to March 31, 2012
Buildings and structures	34	--
Machinery, equipment and vehicles	3	1
Land	11	27
Other	--	0
Total	49	29

6. Breakdown of loss on disposal of noncurrent assets

(*Millions of yen*)

	April 1, 2012 to March 31, 2013	April 1, 2011 to March 31, 2012
Buildings and structures	42	32
Machinery, equipment and vehicles	87	121
Land	--	2
Lease assets	1	0
Construction in progress	49	4
Other	6	4
Intangible noncurrent assets	3	--
Total	191	165

7. Impairment loss

Consolidated fiscal year ended March 31, 2013 (April 1, 2012 to March 31, 2013)

Impairment loss on Group assets recorded as follows:

Location	Use	Type	Amount
Utsunomiya City, Tochigi Prefecture, Japan, one other	Idle property	Buildings and machinery, etc Land	¥313 million

Reason for loss

With regard to the above non-current assets, there are no future plans, 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 assets.

Recoverable amount estimation method

The recoverable amount calculated based on net sales value. The valuation of land is based on appraisal by a real estate appraiser, Assets for which sales or other usage are unlikely are recorded as having no value.

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 loss

With regard to the above non-current assets, the Company has reduced the book value to the recoverable amount for stores that are planned 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 assets.

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 statements of comprehensive income

1. Adjustments and taxes in other comprehensive income

(*Millions of yen*)

	Fiscal year ended March 31, 2013	Fiscal year ended March 31, 2012
Valuation difference on available-for-sale securities		
Amount during the term	118	119
Adjustment	13	(0)
Prior to adjustment for taxes	132	118
Taxes	(44)	(46)
Valuation difference on available-for-sale securities	88	71
Foreign currency translation adjustment		
Amount during the term	1,788	(30)
Adjustment	--	129
Prior to adjustment for taxes	1,788	99
Taxes	--	--
Foreign currency translation adjustment	1,788	99
Other comprehensive income total	1,876	171

Consolidated statements of changes in shareholders' equity

Consolidated fiscal year ended March 31, 2013 (April 1, 2012 to March 31, 2013)

1. Outstanding shares

Share type	Number of shares at beginning of period	Increase	Decrease	Number of shares at end of period
Common shares(shares)	32,540,950	396,500	—	32,937,450

Outline of change

Breakdown of increase in shares

Increase due to exercise of share subscription rights: 396,500 shares

2. Share subscription rights

Share subscription rights as stock options

Company	Subscription rights	Type of shares	Number of shares	Balance of shares at end of period
Company making submission	Subscription rights as stock options (round 1)*	—	—	—
	Subscription rights as stock options (round 2)	—	—	¥50 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 27, 2012 Regular shareholders' meeting	Common shares	¥1,366 million	¥42	March 31, 2012	June 28, 2012

(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 26, 2013 Regular shareholders' meeting	Common shares	Retained earnings	¥2,042 million	¥62	March 31, 2013	June 27, 2013

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

1. Type of common shares issued

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

Overview for change

Breakdown of increase in number of shares:

Increase through exercise of subscription rights: 623,500 shares

2. 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)	—	—	¥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 Regular 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 paid	Dividends per share	Dividend record date	Effective date
June 27, 2012 Regular shareholders' meeting	Common shares	Retained earnings	¥1,366 million	¥42	March 31, 2012	June 28, 2012

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, 2013	Fiscal year ended March 31, 2012
Cash and deposits	17,342	19,448
Fixed deposit exceeding 3-month deposit period	(3,010)	--
Negotiable deposit included in the securities account	3,000	--
Commercial paper included in the securities account	2,999	--
Beneficial rights for pecuniary trusts specified for joint operations included in the securities account	5,000	--
Cash and cash equivalents	25,331	19,448

Employee retirement benefits

1. Overview of retirement benefit plans

The company and its 3 domestic consolidated subsidiaries have 2 types of defined benefit pension plans: a contract-type corporate pension plan and a lump-sum annuity plan. Other domestic consolidated subsidiaries and some of the overseas consolidated subsidiaries only provide a lump-sum annuity plan. The company also offers defined contribution and pre-paid retirement plans.

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

(*Millions of yen*)

	Fiscal year ended March 31, 2013	Fiscal year ended March 31, 2012
(1) Retirement benefit obligation	(14,049)	(11,701)
(2) Plan assets	9,738	9,052
(3) Unfunded retirement benefit obligation [(1)＋(2)]	(4,311)	(2,648)
(4) Unrecognized actuarial gains/losses	2,027	1,498
(5) Unrecognized prior service cost	602	(40)
(6) Net amount on the consolidated balance sheet [(3)＋(4)＋(5)]	(1,682)	(1,190)
(7) Prepaid pension costs	2,291	2,420
(8) Provision for retirement benefits [(6)－(7)]	(3,973)	(3,611)

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, 2013	Fiscal year ended March 31, 2012
(1) Service cost	720	692
(2) Interest expense	219	210
(3) Expected return on plan assets	(89)	(88)
(4) Amortization of actuarial losses	251	212
(5) Amortization of prior service costs	8	(13)
Sub total	1,109	1,013
(6) Contributions made to defined contribution pension plans	115	112
(7) Special payments made for additional retirement allowances	158	87
Total	1,383	1,214

Notes: 1. Retirement benefit expenses for executive officers are included in Service costs.
2. Retirement benefit expenses calculated under the simplified method for the company and its subsidiaries are accounted for in Service costs.

4. Assumptions used to calculate 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, 2013	Fiscal year ended March 31, 2012
1.2—1.5%	1.5—2.0%

Note: Although the discount rate used for the Company and certain subsidiaries at the beginning of the period was 2.0%, it was determined at the end of the period that changes to the discount rate during the period had affected the amount of retirement benefit obligation. The discount rate was therefore adjusted to 1.2% for the Company and 1.3% for certain subsidiaries.

(3) Expected investment return

Fiscal year ended March 31, 2013	Fiscal year ended March 31, 2012
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

(Millions of yen)

	Fiscal year ended March 31, 2013	Fiscal year ended March 31, 2012
Deferred tax assets:		
Provision for doubtful accounts	2	0
Provision for bonuses	1,493	1,351
Accrued expenses	745	377
Enterprise taxes payable	384	280
Provision for employees' retirement benefits	551	384
Provision for director's retirement benefits	196	131
Share-based payment expense	17	30
Depreciation	146	125
Impairment losses	347	242
Asset retirement obligations	231	182
Valuation difference on available-for-sale securities	--	0
Other	593	449
Subtotal	4,709	3,556
Valuation allowances	(703)	(539)
Total deferred tax assets	4,005	3,017
Deferred tax liabilities		
Valuation difference on available-for-sale securities	(43)	--
Reserve for accelerated depreciation	(605)	(628)
Asset retirement obligations	(63)	(75)
Other	(329)	(244)
Total deferred tax liabilities	(1,042)	(948)
Net deferred tax assets	2,963	2,069

Note: The following net amounts of deferred tax assets from the previous and current consolidated fiscal years are included on the consolidated balance sheet.

(Millions of yen)

	Fiscal year ended March 31, 2013	Fiscal year ended March 31, 2012
Current assets－deferred tax assets	2,790	2,162
Non-current assets－deferred tax assets	538	361
Current liabilities－deferred tax liabilities	(95)	(85)
Non-current liabilities－deferred tax liabilities	(269)	(370)

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

(Millions of yen)

	Fiscal year ended March 31, 2013	Fiscal year ended March 31, 2012
Statutory tax rate	--%	40.4%
(Adjustments)		
Entertainment and other permanently non-deductible expenses	--	1.7
Dividend and other permanently non-taxable income	--	(1.4)
Special deductions for corporate taxes paid	--	(0.5)
Proportional allocation of inhabitants tax	--	0.7
Downward revision to year-end deferred tax assets from change to effective tax rate	--	1.2
Changes in valuation allowances	--	(1.3)
Tax rate differences for consolidated subsidiaries	--	(0.9)
Effect of consolidated adjustments	--	2.1
Other	--	0.8
Effective tax rate	--%	42.8%

Note: Differences in amounts between the statutory tax rate and corporate tax rate following application of tax effect accounting were less than 5% during the current fiscal year and as such have been omitted.

Business combinations and other related matters

Consolidated fiscal year ended March 31, 2013(April 1, 2012 to March 31, 2013)

Common control transaction

(Company separation among consolidated subsidiaries)

(1) Overview of transaction

1 Business area and details of business

Business area: Production and sale of snacks and other foods business

Details of major businesses: Production and sale of snack foods

2 Date of business combination

July 2, 2012

3 Legal form of business combination

A company split formed from the division of Calbee America, Inc. (a consolidated subsidiary) with Calbee North America, LLC (a consolidated subsidiary) as the surviving entity.

4 Name of company after integration

No change to current company name

5 Overview and purpose of transaction

Based on our global strategy, and in order to further strengthen our business in North America, we separated all snack foods production and sales from the Calbee production and sale of foods business and transferred under Calbee North America, LLC, consolidating all of the North American snack business under Calbee North America, LLC. Looking forward, we will fully utilize local resources through Calbee North America, LLC. while endeavoring to expand our business in North America.

(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).

Segment information and other

Segment Information

The company has only one segment, "Production and sale of snacks and other foods 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, 2013 (April 1, 2012 to March 31, 2013)

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: 0.02%	--	Exercise of subscription rights[*2(1)]	12	--	--
Officer and close family member	Akira Matsumoto	--	--	Chairman of the board & CEO, Representative Director of the Company	Direct: 0.06%	--	Exercise of subscription rights[*2(2)]	32	--	--
Officer and close family member	Shuji Ito	--	--	President & COO, Representative Director of the Company	Direct: 0.05%	--	Exercise of subscription rights[*2(1)]	12	--	--
Officer and close family member	Takayoshi Naganuma	--	--	Executive Vice President of the Company	Direct: 0.03%	--	Exercise of subscription rights[*2(1)]	12	--	--
Officer and close family member	Haruhiko Sekiguchi	--	--	Executive Vice President of the Company	Direct: 0.01%	--	Exercise of subscription rights[*2(2)]	32	--	--
Officer and close family member	Masatoshi Aki	--	--	Executive Managing Officer of the Company	Direct: 0.10%	--	Exercise of subscription rights[*2(1)]	12	--	--
Officer and close family member	Takeshi Taniguchi	--	--	Senior Executive Officer of the Company	Direct: 0.05%	--	Exercise of subscription rights[*2(2)]	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 ordinary 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, 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	--	--	Executive Vice President of the Company	Direct: 0.04%	--	Exercise of subscription rights*2(1)	24	--	--
Officer and close family member	Haruhiko Sekiguchi	--	--	Executive Vice President 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 ordinary 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.

(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, 2013	FY Ended March 31, 2012
Net assets per share(¥)	2,658.22	2,386.63
Net income per share(¥)	288.73	220.29
Net income per share (diluted) (¥)	283.65	215.91

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

	FY ended March 31, 2013	FY Ended March 31, 2012
Total net assets on consolidated balance sheet (¥ million)	92,685	80,417
Amount attributable to common stock (¥ million)	87,554	77,663
Main differences (¥ million) Subscription rights to shares Minority interests	50 5,079	85 2,669
Number of shares of common stock outstanding (shares)	32,937,450	32,540,950
Number of shares of common stock as treasury stock (shares)	—	—
Number of common shares used for calculating net assets per share (shares)	32,937,450	32,540,950

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

	FY ended March 31, 2013	FY Ended March 31, 2012
Net income per share		
Net income (consolidated) (¥ million)	9,440	7,096
Net income attributable to common stock (¥ million)	9,440	7,096
Amount not belonging to common shareholders (¥ million)	—	—
Average number of shares during the period (shares)	32,696,673	32,215,557
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 to shares	585,419	653,326
Number of additional common shares	585,419	653,326
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.	--	

Subsequent events

No applicable items

5. Additional information

Change in officers

(1) Change in Representatives

None

(2) Change in other officers (June 26, 2013, planned)

New candidate for director

Director Hong-Ming Wei (new)

(Note) New candidate for director Hong-Ming Wei is a candidate for outside director under Company Act, Article 2 Paragraph 15.