Calbee
Harvest the Power of Nature.

Consolidated Financial Statements for the Fiscal Year ended March 31, 2014

April 1, 2013 to March 31, 2014

CALBEE, Inc.

SUMMARY OF FINANCIAL STATEMENTS (consolidated)

Full Year Results for the Fiscal Year Ended March 31, 2014

CALBEE, Inc. **May 13, 2014**

Stock exchange listings: Tokyo 1st section, code number 2229
URL: http://www.calbee.co.jp/english/
Contact: Koichi Kikuchi
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Chief Financial Officer
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Representative: Shuji Ito, President & COO, Representative Director
Scheduled date for the General Meeting of Shareholders: June 25, 2014
Scheduled date for distribution of dividends: June 26, 2014
Scheduled date for submission of the full year financial report: June 25, 2014
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, 2014 (April 1, 2013 to March 31, 2014)

(1) Consolidated Operating Results

Millions of yen, rounded down

	FY ended March 31, 2014		FY ended March 31, 2013	
		% change		% change
Net sales	199,941	11.4	179,411	9.9
Operating income	19,717	24.9	15,790	28.9
Ordinary income	20,782	21.3	17,127	37.2
Net income	12,086	28.0	9,440	33.0
Earnings per share (¥)	91.46		72.18	
Earnings per share (diluted) (¥)	90.42		70.91	
Return on equity (%)	13.1		11.4	
Ordinary income to total assets ratio (%)	15.6		14.7	
Operating income to sales ratio (%)	9.9		8.8	

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, 2014: ¥13,317 million (15.4%)
FY ended March 31, 2013: ¥11,541 million (52.4%)
3. On October 1, 2013 a 1:4 share split was implemented for common shares. Calculations for earnings per share and earnings per share (diluted) assume the share split occurred at the beginning of the previous fiscal year.

Reference: Income (loss) from equity method investments:
FY ended March 31, 2014: ¥－million
FY ended March 31, 2013: ¥－million

(2) Consolidated Financial Position

Millions of yen, rounded down

	As of March 31, 2014	As of March 31, 2013
Total assets	140,966	124,793
Net assets	104,466	92,685
Shareholders' equity/total assets (%)	69.1	70.2
Net assets per share (¥)	729.93	664.55

Shareholders' equity: As of March 31, 2014: ¥97,375 million
As of March 31, 2013: ¥87,554 million

Note: On October 1, 2013 a 1:4 share split was implemented for common shares. Calculations for net assets per share assume the share split occurred at the beginning of the previous fiscal year.

(3) Consolidated cash flows

Millions of yen, rounded down

	FY ended March 31, 2014	FY ended March 31, 2013
Cash flows from operating activities	23,478	17,328
Cash flows from investing activities	(17,041)	(12,999)
Cash flows from financing activities	(383)	607
Cash and cash equivalents at end of period		25,331

2) Dividends per share

	FY ended March 31, 2013	FY ended March 31, 2014	FY ending March 31, 2015
Interim dividend per share (¥)	0.00	0.00	0.00
Year-end dividend per share (¥)	62.00	22.00	26.00
Annual dividend per share (¥)	62.00	22.00	26.00
Total dividend amount (millions of yen)	2,042	2,937	
Dividend payout ratio (consolidated) (%)	21.5	24.1	26.1
Net assets to dividends ratio (%)	2.5	3.2	

Note: On October 1, 2013 a 1:4 share split was implemented for common shares. As a result, amounts for net assets to dividends ratio are calculated using figures after the share split. Further, total dividend amount include dividends of 2 million yen for Calbee shares held in trust.

3) Consolidated forecasts for the fiscal year ending March 31, 2015 (April 1, 2014 to March 31, 2015)

Millions of yen

	Full year	
		% change
Net sales	213,000	6.5
Operating income	22,500	14.1
Ordinary income	22,500	8.3
Net income	13,300	10.0
Earnings per share (¥)	99.70	

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: PT. Calbee-Wings Food
One company removed from scope of consolidation: Oisia Foods Co., Ltd.
Note: For further details, please see page 24, 4. Consolidated financial statements (5) Notes to consolidated financial statements (Significant items for the preparation of 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: None
4. Restatements: None

Note: From the end of the current consolidated fiscal year we have adopted accounting standards for retirement benefits. For further detail, please see page 27, 4. Consolidated financial statements (5) Notes to consolidated financial statements (Changes in accounting policy).

(3) Number of outstanding shares (common stock)

	March 31, 2014:	March 31, 2013:
1. Number of shares outstanding (including treasury shares)	133,507,800 shares	131,749,800 shares
2. Number of treasury shares	104,232 shares	― shares
	Fiscal year to March 31, 2014	Fiscal year to March 31, 2013
3. Average number of shares during the period	132,144,134 shares	130,786,693 shares

Note: On October 1, 2013 a 1:4 share split was implemented for common shares. As a result, the number of outstanding shares (common stock) is calculated on the assumption that the share split occurred at the beginning of the previous fiscal year. Regarding Calbee stock held in trust as treasury stock within shareholders' equity, the Number of treasury shares includes 103,400 of these shares, and the Average number of shares during the period excludes 6,232 treasury shares.

(Reference)

1. Non-Consolidated Results for the Fiscal Year Ended March 31, 2014

(1) Non-Consolidated Operating Results

Millions of yen, rounded down

	FY ended March 31, 2014		FY ended March 31, 2013	
		% change		% change
Net sales	155,037	9.4	141,684	11.0
Operating income	16,469	33.7	12,321	27.1
Ordinary income	17,800	26.4	14,082	34.0
Net income	11,971	49.9	7,987	31.4
Earnings per share (¥)	90.59		61.07	
Earnings per share (diluted) (¥)	89.55		60.00	

Note: On October 1, 2013 a 1:4 share split was implemented for common shares. Calculations for earnings per share and earnings per share (diluted) assume the share split occurred at the beginning of the previous fiscal year.

(2) Non-consolidated Financial Position

Millions of yen, rounded down

	As of March 31, 2014	As of March 31, 2013
Total assets	118,604	106,674
Net assets	89,955	79,473
Shareholders' equity/total assets (%)	75.8	74.5
Net assets per share (¥)	674.05	602.83

Shareholders' equity: As of March 31, 2014: ¥89,920 million
As of March 31, 2013: ¥79,423 million

Note: On October 1, 2013 a 1:4 share split was implemented for common shares. Calculations for net assets per share assume the share split occurred at the beginning of the previous fiscal year.

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 1. Operating Results (1) Summary of business performance (consolidated), page 6.

2. On October 1, 2013, a 1:4 share split was implemented for common shares.

3. The earnings per share forecast for the fiscal year ending March 31, 2015 is calculated using 133,403,568 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 13, 2014. 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, certain areas of the Japanese economy have displayed signs of recovery due to the weaker yen and rising share prices benefiting from monetary easing policies, but a decline in consumer sentiment following the consumption tax hike has led to ongoing uncertainty in the outlook.

In the snack foods market, there is a continuing 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 the market remained firm.

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 and beginning business with the Tingyi Group in China. In July 2013 we established a joint venture company with Wings Group in Indonesia, and in March 2014 established a subsidiary in the UK. We have also decided to establish a joint venture with Universal Robina Corporation in the Philippines. In domestic business we increased market share due to strong sales of potato-based snacks and cereal product *Fruits Granola*. With regard to cost reduction, we made efforts to lower our manufacturing cost ratio by centralizing procurement and improving capacity utilization.

Consolidated net sales for the fiscal year increased 11.4% to ¥199,941 million due to strong performance in the food production and sales business. In terms of profitability, operating income increased 24.9% to ¥19,717 million due to increased sales from actively investing in marketing with the aim of expanding our domestic and overseas market share.

Ordinary income increased 21.3% to ¥20,782 million due to a ¥772 million foreign exchange gain from the weaker yen. Net income increased 28.0% to ¥12,086 million.

Millions of yen, rounded down

	FY ended March 31, 2014		FY ended March 31, 2013		Growth	Growth on local currency basis
	Amount	%	Amount	%		
Domestic sales	184,148	92.1%	170,188	94.9%	+8.2%	+8.2%
Overseas sales	15,792	7.9%	9,222	5.1%	+71.2%	+42.4%
Total	199,941	100.0%	179,411	100.0%	+11.4%	+10.0%

Result by business:
Food production and sales business
Net sales increased by 11.3% to ¥196,919 million.

Snack foods:

Snack food sales increased 11.2% to ¥173,145 million driven by potato-based snacks and overseas sales.

1. Potato-based snacks
Net sales increased 7.8% to ¥111,888 million.
Potato Chips: Increased domestic market share through volume-up campaigns for core products (Usushio, Consomme, Norishio), by expanding limited-time *Kata-Age Potato* series products, by launching *Deepo*, a new deep-cut sliced potato chip product, and through an increase in orders from business partners for private brand products.
Jagarico: Increased sales through strong sales of ‘L sized’ products.
Jagabee: Sales of core products declined year on year.

2. Flour-based snacks
Net sales increased 1.9% to ¥21,856 million through strong sales of core products, such as *Kappa*

Ebisen and *Sapporo Potato*.

3. Corn-based snacks
Net sales increased 10.0% to ¥14,620 million due to strong sales of the famous *Garrett Popcorn Shops* brand from Chicago, USA and sales growth of core product *Mike Popcorn*.

4. Domestic other snacks & overseas snacks
Net sales increased 44.6% to ¥24,780 million due to growth in domestic other snack sales through *Vegips* and growth in sales of overseas snacks in North America, China, etc.

Other products (Processed bread and Cereal)
Net sales increased 11.4% to ¥23,773 million due to strong sales of *Fruits Granola* cereal. Rapid growth continues for *Fruits Granola*'s as it garners attention for reshaping breakfast and is the number one selling cereal in the domestic market.

Other businesses
Net sales increased 25.0% to ¥3,021 million due to increased sales both in the distribution business and promotional sales tools business.

Consolidated forecasts for the fiscal year ending March 31, 2015
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 low sale prices 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, 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, 2015, we forecast net sales of ¥213,000 million (up 6.5%). 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 ¥22,500 million (up 14.1%), ordinary income of ¥22,500 million (up 8.3%) and net income of ¥13,300 million (up 10.0%).
The foreign exchange rates used in calculations for these forecasts are 1 dollar = ¥105.0, 1 renminbi = ¥17.4.

(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, 2014 were ¥140,966 million, an increase of ¥16,173 million from the end of the previous fiscal year. The primary contributing factor was an increase in cash and deposits, securities, inventories and property, plant and equipment. Securities have increased due to acquisition of funds in trust. Property, plant and equipment increased due to production lines for strong-selling *Fruits Granola* and the acquisition of plant facilities in Taiwan and elsewhere overseas.

Liabilities increased ¥4,392 million to ¥36,500 million, due to increased liabilities related to notes and accounts payable-trade and net defined benefit liability.

Net assets increased ¥11,781 million to ¥104,466 million, due to an increase in retained earnings and minority interests.

The equity ratio decreased 1.1 percentage points from the end of the previous fiscal year to 69.1% due to accounting method revisions related to retirement benefits and net assets per share was ¥729.93.

2) Cash flow

Cash and cash equivalents as of March 31, 2014 were ¥31,592 million, ¥6,260 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 ¥23,478 million, compared to an inflow of ¥17,328 million of the previous fiscal year.

Factors resulting in this cash flow included income tax payments of ¥8,352 million, offset by an increase in income before income taxes and minority interests to ¥20,536 million, depreciation and amortization of ¥5,960 million, and decrease in notes and accounts receivable-trade of ¥2,606 million.

Cash flows from investing activities

Net cash used in investing activities during the period under review was an outflow of ¥17,041 million, compared to an outflow of ¥12,999 million for the previous fiscal year. The primary contributing factors were inflow of ¥3,000 million for proceeds from redemption of securities and ¥3,862 million for proceeds from withdrawal of time deposits, and outflow of ¥6,392 million in payments for acquisition of fixed assets, ¥11,995 million for the purchase of securities.

Cash flows from financing activities

Net cash used in financing activities during the period under review was an outflow of ¥383 million, compared to an inflow of ¥607 million for the previous fiscal year. This was primarily due to a ¥1,603 million inflow of proceeds from stock issuance to minority shareholders and a ¥2,314 million outflow for cash dividends paid.

Reference: Related Cash flow indicators

	FY ended March 31, 2010	FY ended March 31, 2011	FY ended March 31, 2012	FY ended March 31, 2013	FY ended March 31, 2014
Equity ratio (%)	65.2	70.7	71.6	70.2	69.1
Equity ratio based on market price (%)	—	73.9	126.4	201.4	229.9
Debt service coverage (%)	0.4	0.0	0.1	0.0	0.0
Interest coverage ratio (times)	118.6	247.2	1,031.4	6,470.2	1,581.1

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 (residual Calbee shares held in trust as treasury shares included within shareholders' equity))
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 2014 and 2015

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 ¥22 per share for the fiscal year ended March 31, 2014. (To be presented at the 65th General Meeting of Shareholders, June 25, 2014)

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, 2015, we plan to increase the annual dividend by ¥4 to ¥26 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, 2014, 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	Senior Vice President and Chief HR Officer, PepsiCo AMEA

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., 22 subsidiaries (10 domestic, 12 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:

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., 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, CFSS 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., Yantai Calbee Co., Ltd. and Calbee North America, 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

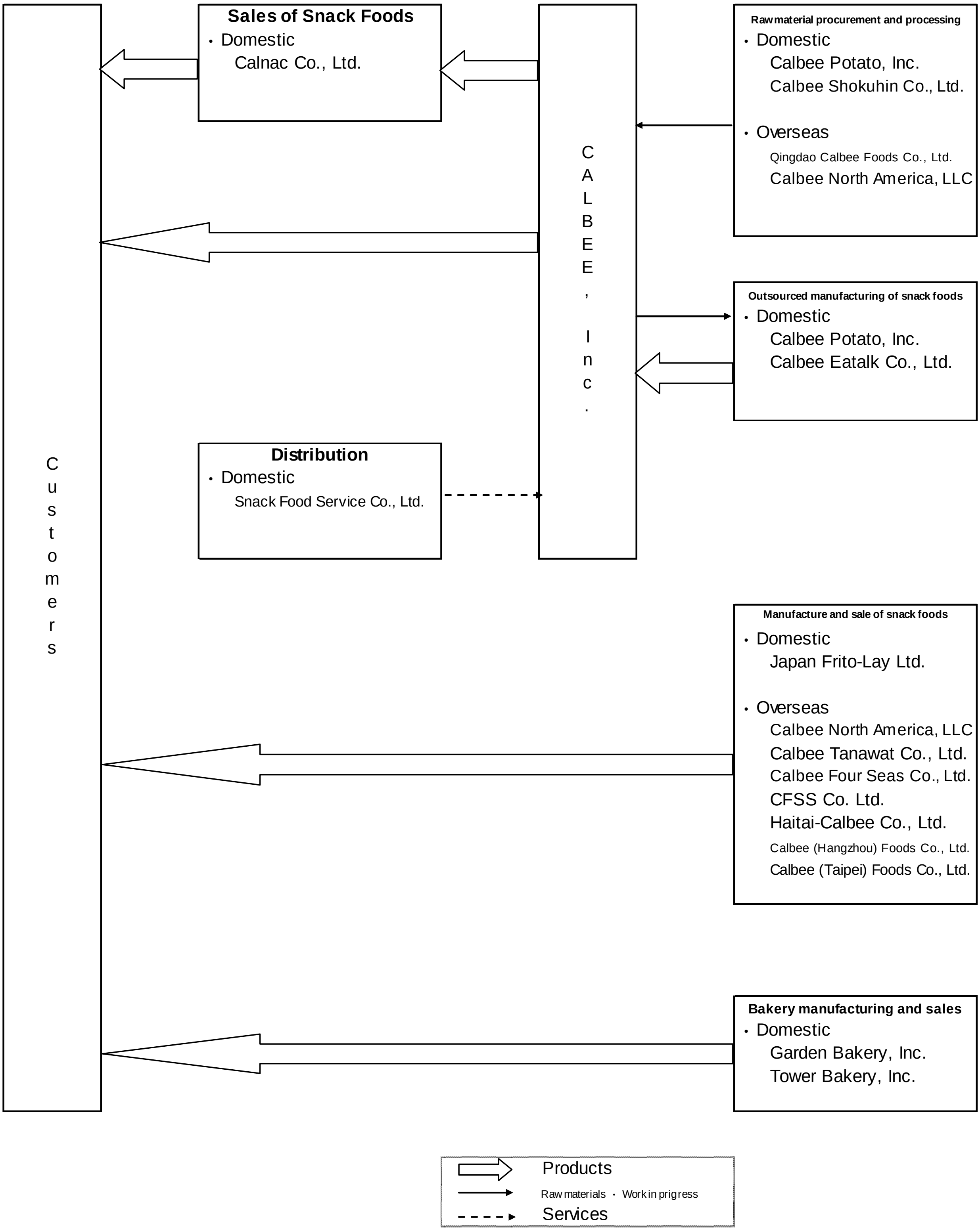
Calbee manufacture and sell cereal foods.

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
Despite signs of recovery in certain areas benefiting from the recent economic stimulus, due to the impact of the April 2014 consumption tax increase on consumer spending, as well as the dramatic rise in the price of raw materials and other factors due to a 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, the Calbee Group recognizes the need to respond with more speed and competitiveness, while looking towards overseas markets, as an important management issue. Calbee strives for future growth by aiming 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 the key regions of North America, China, Asia, and Western Europe by providing products at affordable prices and through other initiatives 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 are aiming to increase our market share by expanding the domestic snack foods and cereal markets through promotional activities, new product development and existing product renewal. We are aiming for the overwhelming top position and 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 our strategic partner, PepsiCo, a major global foods and beverage maker. Pepsi Group has exclusive rights to sell and market Calbee produced *Ruffles® Crispy Frie*s *(Jagabee)* in North America. Calbee Group and Pepsi Group will execute their strengths in production development, and sales and marketing respectively as we work to increase our sales.
   (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 Calbee Plus antennae shops and expansion of the legendary Garrett Popcorn Shop, founded in Chicago, USA. We are announcing new messages and are planning to communicate directly with customers. In another instance, in April 2014 we opened the GRAND Calbee and grano-ya directly-managed shops in department stores.

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 will continue and promote centralized procurement, including overseas procurement. Additionally, we will further strengthen the effectiveness of cost reductions by reviewing specifications, primarily those in the R&D Group.

   (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.

   (3) Effective use of selling expenses

   We will strive to moderate selling expenses by working to increase the efficiency and effectiveness of promotional activities.

4. Consolidated financial statements

(1) Consolidated balance sheets

Millions of yen, rounded down

	As of March 31, 2014	As of March 31, 2013
Assets		
Current assets		
Cash and deposits	18,783	17,342
Notes and accounts receivable-trade	17,392	19,787
Securities	29,997	13,999
Inventories (Note 1)	6,522	5,661
Deferred tax assets	2,828	2,790
Other	3,312	3,192
Allowance for doubtful accounts	(3)	(3)
Total current assets	78,834	62,770
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	55,877	54,008
Accumulated depreciation	(34,907)	(33,373)
Buildings and structures, net	20,970	20,634
Machinery, equipment and vehicles	78,418	75,295
Accumulated depreciation	(62,018)	(60,966)
Machinery, equipment and vehicles, net	16,400	14,329
Land	10,773	10,790
Lease assets	329	502
Accumulated depreciation	(221)	(303)
Lease assets, net	108	199
Construction in progress	1,009	2,701
Other	4,095	3,786
Accumulated depreciation	(3,191)	(2,989)
Other, net	903	797
Total property, plant and equipment	50,166	49,453
Intangible assets		
Goodwill	3,347	3,954
Other	1,265	1,343
Total intangible assets	4,613	5,297
Investments and other assets		
Investment securities (Note 2)	1,526	1,359
Long-term loans receivable	229	294
Deferred tax assets	1,453	538
Prepaid pension cost	—	2,291
Net defined benefit asset	1,891	—
Other (Note 2)	2,344	2,891
Allowance for doubtful accounts	(92)	(103)
Total investments and other assets	7,353	7,270
Total noncurrent assets	62,132	62,022
Total assets	140,966	124,793

Consolidated balance sheets, continued

Millions of yen, rounded down

	As of March 31, 2014	As of March 31, 2013
Liabilities		
Current liabilities		
Notes and accounts payable-trade	7,897	6,671
Lease obligations	63	112
Accounts payable-other	3,739	3,891
Income taxes payable	5,324	5,031
Deferred tax liabilities	126	95
Provision for bonuses	3,573	3,644
Provision for directors' bonuses	217	192
Provision for stocks payment	13	—
Other	7,717	6,827
Total current liabilities	28,673	26,468
Noncurrent liabilities		
Long-term loans payable	—	7
Lease obligations	83	145
Deferred tax liabilities	292	269
Provision for retirement benefits	—	3,973
Provision for directors' retirement benefits	591	527
Net defined benefit liability	6,134	—
Asset retirement obligations	639	631
Other	85	85
Total noncurrent liabilities	7,827	5,639
Total liabilities	36,500	32,107
Net assets		
Shareholders' equity		
Capital stock	11,946	11,586
Capital surplus	11,514	11,154
Retained earnings	74,259	64,215
Treasury shares	(262)	—
Total shareholders' equity	97,458	86,956
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	210	98
Foreign currency translation adjustment	973	500
Remeasurements of defined benefit plans	(1,266)	—
Total accumulated other comprehensive income	(82)	598
Subscription rights to shares	34	50
Minority interests	7,055	5,079
Total net assets	104,466	92,685
Total liabilities and net assets	140,966	124,793

(2) Consolidated statements of income and comprehensive income

Consolidated statements of income

Millions of yen, rounded down

	April 1, 2013 to March 31, 2014	April 1, 2012 to March 31, 2013
Net sales	199,941	179,411
Cost of sales (Notes 1, 3)	112,731	100,889
Gross profit	87,209	78,522
Selling, general and administrative expenses (Notes 2, 3)	67,492	62,731
Operating income	19,717	15,790
Non-operating income		
Interest income	70	36
Dividends income	26	58
Real estate income	61	70
Settlement of consignment money for recycling	47	44
Foreign exchange gains	772	1,115
Other	173	244
Total non-operating income	1,151	1,569
Non-operating expenses		
Interest expenses	5	2
Cost of real estate	13	16
Depreciation	7	79
Business commencement expenses	9	85
Other	49	48
Total non-operating expenses	86	232
Ordinary income	20,782	17,127
Extraordinary income		
Gain on sales of non-current assets (Note 4)	50	114
Gain on sales of investment securities	375	5
Total extraordinary income	426	119
Extraordinary loss		
Loss on sales of non-current assets (Note 5)	11	49
Loss on retirement of non-current assets (Note 6)	138	191
Impairment loss (Note 7)	185	313
Product recall related costs	69	370
Loss on revised of outsourcing agreement	—	322
Loss on cancellation of outsourcing agreement	252	—
Other	15	19
Total extraordinary losses	672	1,267
Income before income taxes and minority interests	20,536	15,979
Income taxes-current	8,501	7,258
Income taxes-deferred	(270)	(943)
Total income taxes	8,231	6,314
Income before minority interests	12,304	9,664
Minority interests in income	218	224
Net income	12,086	9,440

Consolidated statements of comprehensive income

Millions of yen, rounded down

	April 1, 2013 to March 31, 2014	April 1, 2012 to March 31, 2013
Income before minority interests	12,304	9,664
Other comprehensive income		
Valuation difference on available-for-sale securities	112	88
Foreign currency translation adjustment	899	1,788
Total other comprehensive income (Note 1)	1,012	1,876
Comprehensive income	13,317	11,541
Comprehensive income attributable to:		
Comprehensive income attributable to owners of the parent	12,672	10,589
Comprehensive income attributable to minority interests	645	952

(3) Consolidated statements of changes in shareholders' equity

April 1, 2013 to March 31, 2014

Millions of yen, rounded down

	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	11,586	11,154	64,215	—	86,956
Changes of items during period					
Issuance of new shares - exercise of subscription rights to shares	359	359			719
Dividends of surplus			(2,042)		(2,042)
Net income			12,086		12,086
Purchase of treasury shares				(262)	(262)
Net changes of items other than shareholders' equity					
Total changes of items during period	359	359	10,044	(262)	10,501
Balance at end of current period	11,946	11,514	74,259	(262)	97,458

	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasure-ments of defined benefit plans	Total accumulated other comprehensive income
Balance at beginning of current period	98	500	—	598
Changes of items during period				
Issuance of new shares - exercise of subscription rights to shares				
Dividends of surplus				
Net income				
Purchase of treasury shares				
Net changes of items other than shareholders' equity	112	473	(1,266)	(680)
Total changes of items during period	112	473	(1,266)	(680)
Balance at end of current period	210	973	(1,266)	(82)

	Subscription rights to shares	Minority interests	Total net assets
Balance at beginning of current period	50	5,079	92,685
Changes of items during period			
Issuance of new shares - exercise of subscription rights to shares	(15)		703
Dividends of surplus			(2,042)
Net income			12,086
Purchase of treasury shares			(262)
Net changes of items other than shareholders' equity		1,975	1,295
Total changes of items during period	(15)	1,975	11,781
Balance at end of current period	34	7,055	104,466

Consolidated statements of changes in shareholders' equity, continued

April 1, 2012 to March 31, 2013

Millions of yen, rounded down

	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	11,252	10,820	56,141	—	78,213
Changes of items during period					
Issuance of new shares - exercise of subscription rights to shares	334	334			668
Dividends of surplus			(1,366)		(1,366)
Net income			9,440		9,440
Purchase of treasury shares					—
Net changes of items other than shareholders' equity					
Total changes of items during period	334	334	8,073	—	8,742
Balance at end of current period	11,586	11,154	64,215	—	86,956

	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasure-ments of defined benefit plans	Total accumulated other comprehensive income
Balance at beginning of current period	9	(560)	—	(550)
Changes of items during period				
Issuance of new shares - exercise of subscription rights to shares				
Dividends of surplus				
Net income				
Purchase of treasury shares				
Net changes of items other than shareholders' equity	88	1,060	—	1,148
Total changes of items during period	88	1,060	—	1,148
Balance at end of current period	98	500	—	598

	Subscription rights to shares	Minority interests	Total net assets
Balance at beginning of current period	85	2,669	80,417
Changes of items during period			
Issuance of new shares - exercise of subscription rights to shares	(34)		634
Dividends of surplus			(1,366)
Net income			9,440
Purchase of treasury shares			—
Net changes of items other than shareholders' equity		2,410	3,559
Total changes of items during period	(34)	2,410	12,267
Balance at end of current period	50	5,079	92,685

(4) Consolidated statements of cash flows

Millions of yen, rounded down

	April 1, 2013 to March 31, 2014	April 1, 2012 to March 31, 2013
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	20,536	15,979
Depreciation and amortization	5,960	6,318
Impairment loss	185	313
Amortization of goodwill	637	620
Increase (decrease) in allowance for doubtful accounts	(10)	11
Increase (decrease) in provision for bonuses	(73)	351
Increase (decrease) in provision for directors' bonuses	25	(18)
Increase (decrease) in provision for stocks payment	13	—
Increase (decrease) in provision for retirement benefits	—	346
Increase (decrease) in net defined benefit liability	517	—
Decrease (increase) in prepaid pension costs	—	129
Decrease (increase) in net defined benefit assets	65	—
Increase (decrease) in provision for directors' retirement benefits	64	29
Interest and dividends income	(96)	(95)
Interest expenses	5	2
Foreign exchange losses (gains)	(254)	(1,153)
Loss (gain) on sales of investment securities	(375)	(4)
Loss (gain) on valuation of investment securities	14	18
Loss (gain) on sales of noncurrent assets	(39)	(65)
Loss on retirement of noncurrent assets	138	191
Loss on disaster	—	(57)
Decrease (increase) in notes and accounts receivable-trade	2,606	(728)
Decrease (increase) in inventories	(775)	(629)
Increase (decrease) in notes and accounts payable-trade	1,134	(56)
Decrease (increase) in accounts receivable-other	69	(195)
Increase (decrease) in accounts payable-other	(54)	494
Increase (decrease) in accrued consumption taxes	(24)	174
Other, net	1,491	1,367
Subtotal	31,763	23,344
Interest and dividends income received	82	129
Interest expenses paid	(14)	2
Income taxes paid	(8,352)	(6,148)
Net cash provided by (used in) operating activities	23,478	17,328
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	(6,024)	(6,945)
Proceeds from sales of property, plant and equipment	265	275
Purchase of intangible assets	(368)	(353)
Purchase of securities	(11,995)	(3,000)
Proceeds from redemption of securities	3,000	—
Purchase of investment securities	(17)	(23)
Proceeds from sales of investment securities	381	43
Proceeds from redemption of investment securities	—	13
Payments of loans receivable	(2)	(196)
Collection of loans receivable	45	82
Payments into time deposits	(6,123)	(6,020)

Consolidated statements of cash flows, continued

Millions of yen, rounded down

	April 1, 2013 to March 31, 2014	April 1, 2012 to March 31, 2013
Proceeds from withdrawal of time deposits	3,862	3,010
Payments for guarantee deposits	(285)	(93)
Proceeds from collection of guarantee deposits	247	204
Other, net	(26)	2
Net cash provided by (used in) investing activities	(17,041)	(12,999)
Net cash provided by (used in) financing activities		
Repayments of long-term loans payable	(7)	(0)
Purchase of treasury shares	(262)	―
Proceeds from exercise of stock options	703	634
Repayments of lease obligations	(105)	(117)
Cash dividends paid	(2,042)	(1,366)
Proceeds from stock issuance to minority shareholders	1,603	1,614
Cash dividends paid to minority shareholders	(272)	(156)
Net cash provided by (used in) financing activities	(383)	607
Effect of exchange rate change on cash and cash equivalents	206	946
Net increase (decrease) in cash and cash equivalents	6,260	5,883
Cash and cash equivalents at beginning of period	25,331	19,448
Cash and cash equivalents at end of period (Note 1)	31,592	25,331

(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: 22

(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.
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.
CFSS 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.
PT. Calbee-Wings Food
Calbee (UK) Ltd

The name of Calbee Four Seas (Shantou) Co., Ltd. used in the previous consolidated fiscal year has changed to CFSS Co. Ltd. starting the current consolidated fiscal year.

(Changes to the scope of consolidation)

Under Calbee’s global strategy, Calbee established the joint venture company PT. Calbee-Wings Food in July 2013 with the aim to introduce the Company’s products to Indonesia and expand market shares for these products. The company was included in the scope of consolidation during the current consolidated fiscal year.

In addition, based on the same global strategy, Calbee (UK) Ltd was established in March 2014 with the aim to gain access to Europe’s largest snack market, the UK. This company was included in the scope of consolidation during the current consolidated fiscal year.

For Oisia Foods Co., Ltd., which was included in the scope of consolidation in the previous fiscal year, only the income statement was consolidated for the current consolidated fiscal year. This is because an absorption-type merger was conducted on July 1, 2013, with Calbee as the surviving entity and Oisia Foods Co., Ltd. as the non-surviving entity.

(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., CFSS 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., PT. Calbee-Wings Food and Calbee (UK) 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 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: 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):

Calculated 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 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 stock payments
To prepare for future awards of Calbee shares to Group employees based on predetermined regulations for awarding stock, the necessary provisions are made based on the amount of estimated stock award debt at the end of the consolidated fiscal year.

5. Provision for directors' retirement benefits
To prepare for future retirement benefits payments to directors, the total amount of the necessary provisions at the end of the consolidated fiscal year are made based on internal regulations.

(4) Accounting method for retirement benefits
1. Period allocation methodology for the estimated retirement benefit amount
The retirement benefit obligation is calculated by allocating the estimated retirement benefit amount until the end of the current fiscal year on a straight-line basis.
2. Amortization of actuarial gains/losses and prior service cost
Actuarial gains/losses are amortized pro rata in the years following the year in which the difference occurs by the straight-line method over the specified number of years (12 years) within the average remaining years of service of the employees.
Prior service cost is amortized on a straight-line basis based on the specified number of years (five years) within the average remaining service period of employees during the year incurred.
3. Application of the simplified method for small businesses
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, a simplified method is applied for the calculation of retirement benefit obligations and retirement benefit expenses in which the necessary retirement benefit provisions for voluntary resignations at the end of the consolidated fiscal year are recorded as retirement benefit obligations.

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

(6) 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.

(7) Amortization of goodwill
Goodwill is amortized using the straight-line method over 5, 10 and 20 years.

(8) 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.

(9) 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 accounting policy

Application of the Accounting Standard for Retirement Benefits

Calbee has adopted the Accounting Standard for Retirement Benefits (ASBJ Statement No. 26, May 17, 2012; “the Accounting Standard for Retirement Benefits”) and the Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, May 17, 2012; “the Guidance on Accounting Standard for Retirement Benefits”) from the end of the current consolidated fiscal year (excluding the stipulations of Article 35 of the Accounting Standard for Retirement Benefits and Article 67 of the Guidance on Accounting Standard for Retirement Benefits). Accordingly, a method in which the value of pension assets excluded from retirement benefit obligations is recorded as net defined benefit liability has been adopted, and accordingly unrecognized actuarial gains/losses and unrecognized prior service cost have been recorded as net defined benefit liability.

In accordance with transitional treatment as stipulated in Article 37 of the Accounting Standard for Retirement Benefits for the application of accounting standards for retirement benefits, the impact resulting from the change has been recorded under remeasurements of defined benefit plans under accumulated other comprehensive income at the end of the current consolidated fiscal year.

As a result, net defined benefit liability of ¥6,134 million was recorded at the end of the current consolidated fiscal year. In addition, accumulated other comprehensive income decreased by ¥1,266 million.

The effects on per share information are described in the per share information section.

Changes in presentation method

Consolidated statements of income

The amount of real estate expenses that was contained in other under non-operating expenses during the previous consolidated fiscal year has exceeded 10% of the total amount of non-operating expenses, and is listed separately from the current fiscal year. The financial statements from the previous consolidated fiscal year have been reclassified to reflect this change in presentation.

As a result, the ¥64 million that was stated as other under non-operating expenses in the consolidated statements of income for the previous consolidated fiscal year was reclassified to be stated as ¥16 million for real estate expenses and ¥48 million for others.

The amount of gain on sales of investment securities that was contained in other under extraordinary income during the previous consolidated fiscal year has exceeded 10% of the total amount of extraordinary income, and is listed separately from the current fiscal year. The financial statements from the previous consolidated fiscal year have been reclassified to reflect this change in presentation.

As a result, the ¥5 million that was stated as other under extraordinary income in the consolidated statements of income for the previous fiscal year was reclassified to be stated as ¥5 million for gain on sales of investment securities.

Additional information

Employee stock ownership plan (ESOP) trust

As of the current fiscal year, Calbee has begun the early application of the Practical Solution on Transactions of Delivering the Company's Own Stock to Employees etc. through Trust (PITF No. 30, December 25, 2013).

1. Transaction summary

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

Introducing the Trust will enable employees to profit from a rise in stock prices, and will promote awareness of the stock price among employees as they execute their duties and is thereby expected to improve employee motivation. Further, voting rights for company stock held in the trust will be used within a structure that will reflect the will of the candidate beneficiary employee and is an effective way to improve corporate value by promoting employee participation in management planning.

2. The Company's own stock in the trust

The Company's own stock in the trust is recorded in treasury shares under net assets based on the book value in the trust (excluding ancillary expenses). The book value and the number of these treasury shares at the end of the current consolidated fiscal year were ¥259 million and 103,400 shares, respectively.

Absorption of consolidated subsidiary

At the Board of Directors meeting held February 25, 2014, it was resolved that Calbee will execute an absorption merger with consolidated subsidiary Calbee Shokuhin Co., Ltd., and a merger agreement with an effective date of July 1, 2014 was completed.

(1) Purpose of merger:

To improve Group management efficiency and strengthen raw material supply department by merging Calbee Shokuhin Co., Ltd., which had handled raw material supply operations, with Calbee's Administration Division.

(2) Company to be absorbed:

Calbee Shokuhin Co., Ltd.

(3) Merger method

Absorption merger whereby Calbee will be the surviving entity and Calbee Shokuhin Co., Ltd. , will be eliminated.

(4) Merger ratio and amount

Because Calbee Shokuhin 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, 2014	As of March 31, 2013
Finished goods and commercial goods	2,162	1,752
Work in progress	1,458	1,417
Materials and stored goods	2,901	2,491

2. Non-consolidated subsidiaries and affiliate companies

(*Millions of yen*)

	As of March 31, 2014	As of March 31, 2013
Investment securities (stocks)	11	11
Other investments	2	2

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, 2013 to March 31, 2014	April 1, 2012 to March 31, 2013
Cost of sales	7	(1)

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

(*Millions of yen*)

	April 1, 2013 to March 31, 2014	April 1, 2012 to March 31, 2013
Sales promotion expenses	25,718	21,723
Advertising expenses	3,460	3,912
Freight	10,043	9,993
Remuneration and miscellaneous wages and salaries	11,159	10,091
Provision for directors' retirement benefits	111	96
Provision for bonuses	1,931	2,343
Provision for directors' bonuses	215	192
Provision for stocks payment	13	—
Retirement benefit expenses	966	938
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, 2013 to March 31, 2014	April 1, 2012 to March 31, 2013
Administrative and general expenses	2,157	2,285
Manufacturing expenses	4	2
Total	2,161	2,288

4. Breakdown of gain on sale of noncurrent assets

(*Millions of yen*)

	April 1, 2013 to March 31, 2014	April 1, 2012 to March 31, 2013
Machinery, equipment and vehicles	5	8
Land	44	106
Other	0	0
Total	50	114

5. Breakdown of loss on sale of noncurrent assets

(*Millions of yen*)

	April 1, 2013 to March 31, 2014	April 1, 2012 to March 31, 2013
Buildings and structures	—	34
Machinery, equipment and vehicles	4	3
Land	1	11
Other	5	—
Total	11	49

6. Breakdown of loss on disposal of noncurrent assets

(*Millions of yen*)

	April 1, 2013 to March 31, 2014	April 1, 2012 to March 31, 2013
Buildings and structures	42	42
Machinery, equipment and vehicles	92	87
Lease assets	—	1
Construction in progress	1	49
Other	2	6
Intangible noncurrent assets	—	3
Total	138	191

7. Impairment loss

Consolidated fiscal year ended March 31, 2014 (April 1, 2013 to March 31, 2014)

Impairment loss on Group assets recorded as follows:

Location	Use	Type	Amount
Utsunomiya City, Tochigi Prefecture, Japan	Warehouse	Buildings	¥87 million
Utsunomiya City, Tochigi Prefecture, Japan	Idle property	Machinery Construction in progress	¥97 million

Reason for loss

With regard to the above buildings, it has been scheduled for demolition, 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.

With regard to the above machinery, etc. there are no future plans for use, 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.

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 for use, 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. 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 statements of comprehensive income

1. Adjustments and taxes in other comprehensive income

(*Millions of yen*)

	Fiscal year ended March 31, 2014	Fiscal year ended March 31, 2013
Valuation difference on available-for-sale securities		
Amount during the term	155	137
Adjustment	12	(4)
Prior to adjustment for taxes	168	132
Taxes	(55)	(44)
Valuation difference on available-for-sale securities	112	88
Foreign currency translation adjustment		
Amount during the term	1,091	1,788
Adjustment	(191)	—
Prior to adjustment for taxes	899	1,788
Taxes	—	—
Foreign currency translation adjustment	899	1,788
Other comprehensive income total	1,012	1,876

Consolidated statements of changes in shareholders' equity

Consolidated fiscal year ended March 31, 2014 (April 1, 2013 to March 31, 2014)

1. Type of common shares issued

Share type	Number of shares as of April 1, 2013	Increase	Decrease	Number of shares as of March 31, 2014
Common shares(shares)	32,937,450	100,570,350	—	133,507,800

Overview for change

Breakdown of increase in number of shares:

Increase through share split: 98,942,850 shares

Increase through exercise of subscription rights: 1,627,500 shares

2. Treasury stock

Share type	Number of shares as of April 1, 2013	Increase	Decrease	Number of shares as of March 31, 2014
Common shares(shares)	—	104,232	—	104,232

Note: Number of treasury shares held in trust as of March 31, 2014: 103,400 shares

Overview for change

Breakdown for increase in number of shares:

Increase through purchase of shares comprising less than one unit: 832 shares

Increase through acquisition of treasury shares for trust: 103,400 shares

3. Information on subscription rights

Subscription rights as stock options

	Details of subscription rights	Type of shares	Number of shares	Balance as of March 31, 2014
Company making submission	Subscription rights as stock options (round 2)	—	—	¥34 million

4. Dividends

(1) Amounts paid

Date confirmed	Type of stock	Total dividends paid	Dividends per share	Dividend record date	Effective date
June 26, 2013 Regular shareholders' meeting	Common shares	¥2,042 million	¥62	March 31, 2013	June 27, 2013

Note: On October 1, 2013 a 1:4 share split was implemented for common shares. Taking the share split into account, the dividend per share would be ¥15.50.

(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 25, 2014 Regular shareholders' meeting	Common shares	Retained earnings	¥2,937 million	¥22	March 31, 2014	June 26, 2014

Note: Amount of total dividends paid to shares held by Calbee in trust: ¥2 million

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

Note: On October 1, 2013 a 1:4 share split was implemented for common shares. Taking the share split into account, the dividend per share would be ¥10.50.

(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

Note: On October 1, 2013 a 1:4 share split was implemented for common shares. Taking the share split into account, the dividend per share would be ¥15.50.

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, 2014	Fiscal year ended March 31, 2013
Cash and deposits	18,783	17,342
Fixed deposit exceeding 3-month deposit period	(5,191)	(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	18,000	5,000
Cash and cash equivalents	31,592	25,331

Employee retirement benefits
Consolidated fiscal year ended March 31, 2014 (April 1, 2013 to March 31, 2014)

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.

Charges for net defined benefit liability and retirement benefit expenses for a portion of the Calbee retirement benefit system, the defined benefit pension plan for consolidated subsidiaries and the retirement lump-sum allowance system are calculated using the simplified accounting method.

2. Defined benefit system

(1) Changes to balance of retirement benefit obligation at beginning and end of term (Excludes application of simplified accounting method)

Retirement benefit obligation at beginning of term	13,269	¥ mn
Service costs	690	〃
Interest expense	161	〃
Actuarial differences	(124)	〃
Retirement benefits paid	(427)	〃
Occurrence of past service costs	91	〃
Retirement benefit obligation at end of term	13,661	〃

(2) Changes to balance of pension assets at beginning and end of term (Excludes application of simplified accounting method)

Pension assets at beginning of term	9,609	¥ mn
Anticipated profits	96	〃
Actuarial differences	258	〃
Employer contributions	428	〃
Retirement benefits paid	(247)	〃
Pension assets at end of term	10,145	〃

(3) Changes to balance of net defined benefit liability at beginning and end of term due to application of the simplified accounting method

Net defined benefit liability at beginning of term	651	¥ mn
Retirement benefits expense	175	〃
Retirement benefits paid	(99)	〃
Contributions to system	(13)	〃
Increase (decrease) from foreign currency translation	13	〃
Net defined benefit liability at end of term	727	〃

(4) Changes to balance of retirement benefit obligation and pension assets at end of term and net defined benefit liability and assets as recorded on the consolidated balance sheet

Funded system retirement benefit obligation	8,389	¥ mn
Pension assets	(10,281)	〃
	(1,891)	〃
Non-funded system retirement benefit obligation	6,134	〃
Net liabilities and assets as recorded on the consolidated balance sheet	4,243	〃

Net defined benefit liability	6,134	〃
Net defined benefit assets	(1,891)	〃
Net liabilities and assets as recorded on the consolidated balance sheet	4,243	〃

Note: Includes application of simplified accounting method

(5) Retirement benefit expenses and breakdown of amounts

Service costs	690	¥ mn
Interest expense	161	〃
Anticipated profits	(96)	〃
Appropriated expenses for actuarial differences	242	〃
Appropriated expenses for past service costs	130	〃
Retirement benefit expenses using the simplified method	175	〃
Other	12	〃
Retirement benefit expenses related to the defined benefit system	1,316	〃

(6) Remeasurements of defined benefit plans

Breakdown of items recorded under changes related to remeasurements of defined benefit plans
(Before deduction of taxes)

Unrecognized past service costs	562	¥ mn
Unrecognized actuarial differences	1,402	〃
Total	1,964	〃

(7) Items related to pension assets

1.Breakdown of main items

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

Domestic bonds	33.8%
Domestic equity	8.0%
Foreign equity	7.5%
Alternative investments	36.1%
General life insurance accounts	14.6%
Other	0.0%
Total	100.0%

2. Method for determining the expected long-term investment return

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

(8) Items related to actuarial calculations

Main components used in actuarial calculations

Discount rate	Mainly 1.2%
Expected long-term investment return rate	1.0%

3. Defined contribution system

Required contributions to the Calbee and consolidated subsidiaries defined contribution plans were ¥118 million.

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

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
(1) Retirement benefit obligation	(14,049)
(2) Plan assets	9,738
(3) Unfunded retirement benefit obligation [(1)＋(2)]	(4,311)
(4) Unrecognized actuarial gains/losses	2,027
(5) Unrecognized prior service cost	602
(6) Net amount on the consolidated balance sheet [(3)＋(4)＋(5)]	(1,682)
(7) Prepaid pension costs	2,291
(8) Provision for retirement benefits [(6)－(7)]	(3,973)

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

2. Calculations for retirement benefit obligations for certain Company retirement benefit plans and certain consolidated subsidiaries, use the simplified method.

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

(Millions of yen)

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

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
1.2—1.5%

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
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, 2014	Fiscal year ended March 31, 2013
Deferred tax assets:		
Provision for doubtful accounts	1	2
Provision for bonuses	1,365	1,493
Accrued expenses	947	745
Enterprise taxes payable	372	384
Provision for employees' retirement benefits	—	551
Net defined benefit liability	1,476	—
Provision for director's retirement benefits	203	196
Share-based payment expense	12	17
Depreciation	139	146
Impairment losses	216	347
Asset retirement obligations	232	231
Loss carried forward	194	—
Other	465	593
Subtotal	5,625	4,709
Valuation allowances	(714)	(703)
Total deferred tax assets	4,911	4,005
Deferred tax liabilities		
Valuation difference on available-for-sale securities	(99)	(43)
Reserve for accelerated depreciation	(593)	(605)
Asset retirement obligations	(51)	(63)
Other	(303)	(329)
Total deferred tax liabilities	(1,047)	(1,042)
Net deferred tax assets	3,863	2,963

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, 2014	Fiscal year ended March 31, 2013
Current assets—deferred tax assets	2,828	2,790
Non-current assets—deferred tax assets	1,453	538
Current liabilities—deferred tax liabilities	(126)	(95)
Non-current liabilities—deferred tax liabilities	(292)	(269)

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, 2014	Fiscal year ended March 31, 2013
Statutory tax rate	37.8%	－%
(Adjustments)		
Entertainment and other permanently non-deductible expenses	1.2	－
Dividend and other permanently non-taxable income	(0.1)	－
Special deductions for corporate taxes paid	(0.6)	－
Proportional allocation of inhabitants tax	0.5	－
Downward revision to year-end deferred tax assets from change to effective tax rate	0.9	－
Changes in valuation allowances	(0.0)	－
Tax rate differences for consolidated subsidiaries	(2.3)	－
Effect of consolidated adjustments	2.3	－
Other	0.4	－
Effective tax rate	40.1%	－

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 previous fiscal year and as such have been omitted.

3. Adjustment in amount of deferred tax assets and deferred tax liabilities due to a change in the corporate tax rate

The Law for Partial Revision of the Income Tax Act, etc., was released on March 31, 2014, and a special corporate tax for reconstruction has been levied for fiscal years starting from April 1, 2014 and onward. As a result of this change, the statutory tax rate used for the calculation of deferred tax assets and deferred tax liabilities will change from 37.8% to 35.4% for temporary differences expected to reverse during the consolidated fiscal year starting from April 1, 2014.

As a result, deferred tax assets (the amount excluding deferred tax liabilities) have decreased by ¥194 million and the income tax adjustment recorded at the end of the current consolidated fiscal year increased ¥194 million.

Business combinations and other related matters

Consolidated fiscal year ended March 31, 2014(April 1, 2013 to March 31, 2014)

Common control transaction

(Company separation among consolidated subsidiaries)

(1) Overview of transaction

- Name and business details of company being combined

  Name of company being combined: Oisia Foods Co., Ltd.

  Details of major businesses: Production and sale of cereals and snack foods

- Date of business combination

  July 1, 2013

- Legal form of business combination

  Absorption merger whereby Calbee was the surviving entity and Oisia Foods Co., Ltd. was eliminated.

- Name of company after integration

  CALBEE, Inc.

- Overview and purpose of transaction

  Business combined in order to increase Group management efficiency and strengthen cereals business.

(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.

Segment information and other

Segment Information

The company has only one segment, "Production and sale of snacks and other foods", 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, 2014 (April 1, 2013 to March 31, 2014)

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: 0.13%	—	Exercise of subscription rights[*2(1)]	40	—	—
Officer and close family member	Akira Matsumoto	—	—	Chairman of the board & CEO, Representative Director of the Company	Direct: 0.03%	—	Exercise of subscription rights[*2(2)]	16	—	—
Officer and close family member	Shuji Ito	—	—	President & COO, Representative Director of the Company	Direct: 0.07%	—	Exercise of subscription rights[*2(1,2)]	64	—	—
Officer and close family member	Haruhiko Sekiguchi	—	—	Executive Vice President of the Company	Direct: 0.03%	—	Exercise of subscription rights[*2(2)]	20	—	—
Officer and close family member	Masatoshi Aki	—	—	Executive Managing Officer of the Company	Direct: 0.12%	—	Exercise of subscription rights[*2(1)]	40	—	—

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, 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.

(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, 2014	FY Ended March 31, 2013
Net assets per share(¥)	729.93	664.55
Net income per share(¥)	91.46	72.18
Net income per share (diluted) (¥)	90.42	70.91

Notes: 1. Net assets per share were calculated based on the following:

	FY ended March 31, 2014	FY Ended March 31, 2013
Total net assets on consolidated balance sheet (¥ million)	104,466	92,685
Amount attributable to common stock (¥ million)	97,375	87,554
Main differences (¥ million)		
Subscription rights to shares	34	50
Minority interests	7,055	5,079
Number of shares of common stock outstanding (shares)	133,507,800	131,749,800
Number of shares of common stock as treasury stock (shares)	104,232	—
Number of common shares used for calculating net assets per share (shares)	133,403,568	131,749,800

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

	FY ended March 31, 2014	FY Ended March 31, 2013
Net income per share		
Net income (consolidated) (¥ million)	12,086	9,440
Net income attributable to common stock (¥ million)	12,086	9,440
Amount not belonging to common shareholders (¥ million)	—	—
Average number of shares during the period (shares)	132,144,134	130,786,693
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	1,530,990	2,341,677
Number of additional common shares	1,530,990	2,341,677
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.	—	

3. On October 1, 2013 a 1:4 share split was implemented for common shares. For this reason, in the calculation of net assets per share, net income per share, and diluted net income per share it has been assumed that this share split was conducted at the beginning of the previous consolidated fiscal year.

4. The Company's own stock in the trust recorded as treasury shares under shareholders' equity includes treasury shares excluded from the average number of shares during the period used for calculating net income per share and treasury shares excluded from the number of shares outstanding at the end of the fiscal year used for calculating net assets per share.
During the current consolidated fiscal year, 6,232 treasury shares were excluded from the

average number of shares during the period used for calculating net income per share and 103,400 treasury shares were excluded from the number of shares outstanding at the end of the fiscal year used for calculating net assets per share.

5. As stated in “Changes in accounting policy,” the Accounting Standard for Retirement Benefits have been applied and transitional treatment is as stipulated in Article 37 of the Accounting Standard for Retirement Benefits.
As a result, net assets per share have decreased by ¥9.49 for the current fiscal year.

Subsequent events

No applicable items

5. Additional information

Change in officers

(1) Change in Representatives

No applicable items

(2) Change in other officers (June 25, 2014, planned)

①Newly appointed Audit & Supervisory Board Member
Akira Kondo, Audit & Supervisory Board Member

②Retiring Audit & Supervisory Board Member (planned)
Yoji Inaba, Audit & Supervisory Board Member