Consolidated Financial Statements for the Fiscal Year Ended March 31, 2016

April 1, 2015 to March 31, 2016

Calbee, Inc.

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

SUMMARY OF FINANCIAL STATEMENTS (consolidated)

Full Year Results for the Fiscal Year Ended March 31, 2016

Calbee, Inc. **May 13, 2016**

URL: https://www.calbee.com

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

Contact: Koichi Kikuchi
Managing Executive Officer / Chief Financial Officer
Telephone: +81-3-5220-6222

Representative: Shuji Ito, President & COO, Representative Director
Scheduled date for the General Meeting of Shareholders: June 22, 2016
Scheduled date for distribution of dividends: June 23, 2016
Scheduled date for submission of the full year financial report: June 22, 2016
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, 2016 (April 1, 2015 to March 31, 2016)

(1) Consolidated operating results

Millions of yen, rounded down

	FY ended March 31, 2016		FY ended March 31, 2015	
		% change		% change
Net sales	246,129	10.8	222,150	11.1
Operating income	28,125	16.3	24,183	22.6
Ordinary income	26,545	3.6	25,615	23.3
Profit attributable to owners of parent	16,799	19.0	14,114	16.8
Earnings per share (¥)	125.88		105.82	
Earnings per share (diluted) (¥)	125.64		105.54	
Return on equity (%)	14.6		13.7	
Ordinary income to total assets ratio (%)	15.8		16.9	
Operating income to sales ratio (%)	11.4		10.9	

Notes: 1. The percentages shown above are a comparison with the same period in the previous fiscal year.
2. Comprehensive income: FY ended March 31, 2016: ¥15,301 million (-14.9%), FY ended March 31, 2015: ¥17,983 million (35.0%)
Reference: Income (loss) from equity method investments: FY ended March 31, 2016: ¥－ million, FY ended March 31, 2015: ¥－ million

(2) Consolidated financial position

Millions of yen, rounded down

	As of March 31, 2016	As of March 31, 2015
Total assets	174,878	161,968
Net assets	131,469	118,800
Shareholders' equity/total assets (%)	69.1	67.7
Net assets per share (¥)	905.20	821.97

Shareholders' equity: As of March 31, 2016: ¥120,912 million, As of March 31, 2015: ¥109,652 million

(3) Consolidated cash flows

Millions of yen, rounded down

	FY ended March 31, 2016	FY ended March 31, 2015
Cash flows from operating activities	22,541	22,266
Cash flows from investing activities	(14,270)	(9,422)
Cash flows from financing activities	(2,859)	(2,878)
Cash and cash equivalents at end of period	47,323	42,572

2) Dividends

Yen

	FY ended March 31, 2015	FY ended March 31, 2016	FY ending March 31, 2017 (forecast)
Interim dividend per share	00.00	00.00	00.00
Year-end dividend per share	28.00	35.00	40.00
Annual dividend per share	28.00	35.00	40.00
Total dividend amount (millions of yen)	3,741	4,681	－
Dividend payout ratio (consolidated) (%)	26.5	27.8	30.0
Net assets to dividends ratio (consolidated) (%)	3.6	4.1	－

Note: Total dividend amounts for FYs ended March 31, 2015 and March 31, 2016 include dividends of ¥6 million and ¥6 million, respectively, for Calbee shares held in trust.

3) Consolidated forecasts for the fiscal year ending March 31, 2017 (April 1, 2016 to March 31, 2017)

Millions of yen

		% change
Net sales	262,000	6.4
Operating income	31,000	10.2
Ordinary income	30,000	13.0
Profit attributable to owners of parent	17,800	6.0
Earnings per share (¥)	133.26	－

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

Notes

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

One company removed from scope of consolidation: Calbee (Hangzhou) Foods Co., Ltd.

Note: For further details, please see Page 22, 5. 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 in accounting policies following revisions of accounting standards: Yes
2. Changes in accounting policies other than 1.: None
3. Changes in accounting estimates: None
4. Restatements: None

Note: From the current consolidated fiscal year, the Accounting Standard for Business Combinations and other related standards have been applied. For further details, please see page 25, 5. Consolidated financial statements (5) Notes to consolidated financial statements - Changes in accounting policy.

(3) Number of outstanding shares (common stock)

	March 31, 2016:	March 31, 2015:
1. Number of outstanding shares (including treasury shares)	133,769,800 shares	133,629,800 shares
2. Number of treasury shares	193,452 shares	228,132 shares
	Fiscal year to March 31, 2016:	Fiscal year to March 31, 2015:
3. Average number of shares during the period	133,452,595 shares	133,392,045 shares

Note: Regarding Calbee stock held in trust as treasury stock within shareholders' equity, the number of treasury shares includes 192,620 of these shares as of March 31, 2016 and 227,300 of these shares as of March 31, 2015, and the average number of shares excludes 204,036 treasury shares during the year to March 31, 2016 and 183,756 treasury shares during the year to March 31, 2015.

(Reference) Non-consolidated results for the fiscal year ended March 31, 2016

(1) Non-consolidated operating results

Millions of yen, rounded down

	FY ended March 31, 2016		FY ended March 31, 2015	
		% change		% change
Net sales	183,220	9.4	167,430	8.0
Operating income	23,398	19.7	19,543	18.7
Ordinary income	22,531	5.5	21,363	20.0
Net income	15,570	19.7	13,003	8.6
Earnings per share (¥)	116.68		97.49	
Earnings per share (diluted) (¥)	116.46		97.23	

(2) Non-consolidated financial position

Millions of yen, rounded down

	As of March 31, 2016	As of March 31, 2015
Total assets	144,896	132,429
Net assets	111,589	99,621
Shareholders' equity/total assets (%)	77.0	75.2
Net assets per share (¥)	835.28	746.59

Shareholders' equity: As of March 31, 2016: ¥111,574 million, As of March 31, 2015: ¥99,596 million

Notification regarding the auditing process

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

Appropriate use of financial forecasts and other items

1. Forecasts, etc., recorded in this document include forward-looking statements that are based on management's estimates, assumptions and projections at the time of publication. A number of factors could cause actual results to differ materially from expectations. For further information on assumptions used in forecasts please see Page 5, 1. Operating results (1) Summary of business performance (consolidated).
2. The earnings per share forecast for the fiscal year ending March 31, 2017 is calculated using 133,576,348 shares as the expected average number of shares for the period.
3. Calbee, Inc. has scheduled a conference for institutional investors and analysts for May 13, 2016. 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 of the previous fiscal year, unless stated otherwise.)

Business Performance:

The Japanese economy during the fiscal year under review showed a mild recovery in some areas due to the government's economic strategy and monetary easing policies, but consumer spending stagnated on concerns over stock market volatility and other factors, and continuing uncertainty. In domestic markets, the snack food market remained largely unchanged from the previous year. However, the cereal market continued to see significant growth, driven by *frugra* (*Fruits Granola*).

In this business environment, Calbee Inc. and its subsidiaries (hereafter "Calbee") continued initiatives to actively promote the twin pillars of innovation (growth strategies) and cost reduction.

During the period under review, in domestic business, we increased sales and market share of cereal product *frugra* by increasing production capacity. We also increased our market share of potato chips due to strong sales.

In addition, we implemented measures to strengthen our overseas business, aiming to raise our overseas sales ratio to 30% or more. In Singapore, we made our distributor a subsidiary with the aim of expanding sales. In North America, we began operations at a new factory. In the UK, we began the manufacture and sale of bean-based snacks. On the other hand, in China we dissolved our joint venture agreement at our Chinese subsidiary, Calbee (Hangzhou) Foods Co., Ltd., due to its continued weak performance.

Operating income to sales ratio reached a record high due to improved production efficiency and cost reductions achieved through more efficient marketing expenditure and other efforts.

Consolidated net sales for the year under review increased 10.8% to ¥246,129 million due to strong performance in the production and sale of snacks and other foods business. Operating income increased 16.3% to ¥28,125 million due to increased sales and cost reductions, despite a higher cost of sales ratio arising from higher raw material prices caused by the weak yen and higher depreciation expenses. Ordinary income increased 3.6% to ¥26,545 million, reflecting such factors as a loss on abandonment of inventories of ¥582 million, an outlay for business commencement expenses of ¥515 million related to overseas business expansion, foreign exchange losses of ¥638 million, and other factors. Reflecting factors such as a ¥370 million gain on sales of shares of subsidiaries and associates concomitant with the sale of Calbee (Hangzhou) Foods Co., Ltd., profit attributable to owners of parent increased by 19.0% to ¥16,799 million, marking record highs in sales and income.

Millions of yen, rounded down

	FY ended March 31, 2016		FY ended March 31, 2015		Growth (%)	Growth on local currency basis (%)
	Amount	% of total	Amount	% of total		
Domestic sales	216,807	88.1	199,709	89.9	8.6	8.6
Overseas sales	29,321	11.9	22,441	10.1	30.7	25.0
Total	246,129	100.0	222,150	100.0	10.8	10.2

Result by business:

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

Net sales increased by 11.0 % to ¥242,879 million, driven by potato-based snack foods and cereals, as well as overseas business.

Snack foods:

Snack food sales increased 7.8% to ¥204,842 million.

1. Potato-based snacks

   Net sales increased 6.4% to ¥127,147 million. *Potato Chips* showed strong sales of core products (*Usushio, Consommé Punch, and Norishio), Shiawase Butter* and others. *Kata-Age Potato* also saw a significant year-on-year increase in sales, and the expansion of contract production of private brands for client firms also contributed to performance. *Jagarico* increased sales through increased sales of *Tarako Butter* flavor and launch of 20-year anniversary campaign products. *Jagabee* also showed sales increase through strengthening lineup of time-limited and region-limited products.

2. Flour-based snacks

   Net sales increased 0.2% to ¥22,007 million. Sales of core product *Sapporo Potato Tsubutsubu Vegetable* declined year on year, but there were strong sales of sweet potato snack, *Osatsu Snack,* and *Cheese Bit.*

3. Corn-based snacks
   Net sales increased 4.2% to ¥18,550 million on *Garett Popcorn Shops®* new store openings and other factors.

4. Other snacks — domestic
   Net sales decreased 7.0% to ¥7,815 million due to decreased sales of *Vegips* and other factors.

5. Overseas business
   Net sales increased 30.7% to ¥29,321 million on strong sales of *Harvest Snaps* in North America, *Honey Butter Chip* in South Korea, and sales from entry into new markets.

Other food products (Cereals and processed bread):
Net sales increased 31.9% to ¥38,036 million due to large growth in sales of cereal product *frugra*. *frugra* continues to grow rapidly, driving growth in the cereals market due to increasing recognition that it is a convenient and healthy breakfast, as it is quick to prepare, low in salt, and high in fiber.

<u>Other businesses</u>
Net sales were largely flat at ¥3,249 million, with a year-on-year decrease in distribution business sales mainly offset by increased sales of promotional tools.

Consolidated forecasts for the fiscal year ending March 31, 2017
The business environment for the year ahead is expected to be characterized by uncertainty due to weak consumer sentiment, significant volatility in foreign currency markets, and other factors. Amid this environment, Calbee aims to pursue ongoing innovation (our growth strategy) and cost reduction as a means of further increasing revenues and profits.
In domestic business, we anticipate increased revenues from growth in sales of potato-based snacks and cereals.
In overseas business, in addition to strengthening North America and South Korea we will work to develop our businesses in the Philippines, Indonesia, UK and the Spain.
As a result, for the fiscal year ending March 31, 2017 we forecast consolidated net sales increasing 6.4% to ¥262,000 million. Supported by increased revenues and cost reduction initiatives, we forecast consolidated operating income increasing 10.2% to ¥31,000 million, consolidated ordinary income increasing 13.0% to ¥30,000 million, and profit attributable to owners of parent increasing 6.0% to ¥17,800 million.
These forecasts are based on foreign exchange rates of: US$1 = ¥120.00; 1 renminbi = ¥18.36; 100 won = ¥10.33.

(2) Analysis of financial position
(All comparisons are with the end of the previous fiscal year, unless stated otherwise.)

1. Assets, liabilities and net assets

Total assets as of March 31, 2016 were ¥174,878 million, an increase of ¥12,909 million. Factors contributing to this outcome included an increase in cash and deposits and an increase in property, plant and equipment, partially offset by decrease in securities resulting from the redemption of commercial paper. The increase in property, plant and equipment was driven by the acquisition of production facilities for strong-selling *frugra* and new factories in North America.
Liabilities increased ¥240 million to ¥43,408 million. Factors contributing to this outcome included an increase in notes and accounts payable — trade.
Net assets increased ¥12,669 million to ¥131,469 million. Factors contributing to this outcome included profit attributable to owners of parent.
The equity ratio increased 1.4 percentage points from the end of the previous fiscal year to 69.1% and net assets per share was ¥905.20.

2. Cash flow

Cash and cash equivalents as of March 31, 2016 were ¥47,323 million, ¥4,751 million higher than at the end of the previous fiscal year. The main contributing factors are detailed below.

<u>Cash flows from operating activities</u>
Operating activities during the period under review resulted in a net cash inflow of ¥22,541 million, compared to an inflow of ¥22,266 million for the previous fiscal year. Factors contributing to this outcome included inflows of profit before income taxes and depreciation, partially offset by an increase in notes and accounts receivable — trade and outflows of income tax payments.

Cash flows from investing activities

Investing activities during the period under review resulted in a net cash outflow of ¥14,270 million, due to outflows for acquisition of production facilities for *frugra* and in North America, compared to an outflow of ¥9,422 million for the previous fiscal year.

Cash flows from financing activities

Financing activities during the period under review resulted in a net cash outflow of ¥2,859 million, due to outflows for cash dividends paid, compared to an outflow of ¥2,878 million for the previous fiscal year.

Reference: Related cash flow indicators

	FY ended March 31, 2012	FY ended March 31, 2013	FY ended March 31, 2014	FY ended March 31, 2015	FY ended March 31, 2016
Equity ratio (%)	71.6	70.2	69.1	67.7	69.1
Equity ratio based on market price (%)	126.4	201.4	229.9	429.9	341.4
Debt service coverage (%)	0.1	0.0	0.0	0.0	0.0
Interest coverage ratio (times)	1,031.4	6,470.2	1,581.1	18,102.4	3,653.1

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. Operating cash flow is the Net cash provided by operating activities figure in the consolidated statement of cash flows.
4. Interest bearing debt includes all debt on which interest is paid recorded in the liabilities section of the consolidated balance sheet.
5. Interest paid 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 2016 and 2017

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 ¥35 per share for the fiscal year ended March 31, 2016. (To be presented at the 67th General Meeting of Shareholders, June 22, 2016.)

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 upon review of certain factors including the annual results.

For the fiscal year ending March 31, 2017, we plan to increase the annual dividend by ¥5 to ¥40 per share.

(4) Business risks

The major risks to which Calbee 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 Calbee's business activities.

Recognizing the possibility that such risks may materialize, Calbee'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 Calbee as of the date of publication of this report.

1. Product development

   Calbee 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 Calbee'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 Calbee's business expansion. As such, Calbee 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 Calbee'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 under the Plant Protection Act. In order to secure sufficient supplies of domestically produced high-quality potatoes at a stable price, Calbee 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 Calbee 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 Calbee's operating results and financial position.

Moreover, changes in demand trends and fluctuations in the price of crude oil and in foreign exchange markets could affect 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 Calbee's operating results and financial position.

3. Product safety

Consumer demands for greater food safety have increased in recent years. In assuming responsibility for responding to these demands, Calbee strictly monitors the quality of ingredients and manufacturing processes and takes all possible precautions to ensure product quality and prevent contamination. However, unforeseen problems related to ingredients and manufacturing processes could have an impact on Calbee'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 Calbee'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

Calbee has a large and stable share of the domestic snack foods and cereal markets. However, intensifying competition from rival domestic companies, a significant influx of foreign-owned companies into these markets, or sector realignment due to M&A deals could have an impact on Calbee'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 Calbee's operating results and financial position.

5. Global expansion

Calbee is using subsidiaries overseas to expand its operations outside the Japanese market. Calbee believes it is necessary to strengthen and expand overseas business to deliver growth over the longer term. Going forward, Calbee intends to expand its operations more rapidly and boost its competitiveness. However, if efforts to develop its presence in global markets do not proceed as anticipated it may be necessary for Calbee to review its growth strategy. In addition, as Calbee 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 Calbee's operating results and financial position.

6. Relationship with major shareholder

As of March 31, 2016, Frito-Lay Global Investments B.V. (FLGI), a wholly owned subsidiary of PepsiCo, Inc., (PepsiCo) owned 20.00% of Calbee, Inc. shares (after full dilution) making Calbee Inc. (hereafter "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 agreement, based on the understanding that combining management capabilities to generate synergies was necessary to deliver sustained growth for both companies. In order to reinforce the partnership with PepsiCo, the Company allocated new shares to PepsiCo's wholly owned subsidiary FLGI via a private placement, and at the same time, acquired all the shares of PepsiCo's subsidiary Japan Frito-Lay Ltd.

Under the strategic partnership, PepsiCo has agreed not to operate a snack food business in the Japanese market and therefore does not compete with the Company in Japan. 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 Calbee's operating results and financial position.

a. Personnel relationship

As of March 31, 2016, no significant personnel relationship exists between Calbee and PepsiCo Group.

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, 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% 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 business environment.

7. Legal regulations

In the course of its business activities, Calbee 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. Calbee 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 Calbee's operating results and financial position.

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

8. Natural disaster Risk

Calbee 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 Calbee's operating results and financial position.

2. Business overview and organization

Calbee is composed of Calbee, Inc. (hereafter “the Company”), 24 subsidiaries (9 domestic, 15 overseas) and 3 affiliate companies engaged in such activities as the manufacture and sale of potato-based, flour-based and corn-based snacks, as well as cereals. The Company is also an equity method affiliate of US food and beverage maker PepsiCo, Inc.

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

The positioning of core companies within Calbee is as follows:

Production and sale of snacks and other foods business

1. Snack foods

   In Japan, the Company and Japan Frito-Lay Ltd. are engaged in manufacturing and sales with souvenir products sold through Calnac Co., Ltd. Certain products are manufactured by Calbee Potato, Inc., and Calbee Eatalk Co., Ltd., and Calbee Potato, Inc. procures 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. in China, Haitai-Calbee Co., Ltd. in Korea, and other 3 subsidiaries are engaged in manufacturing and sales. Additionally, Calbee Moh Seng Pte. Ltd. in Singapore and other 1 subsidiary are engaged in retail. Further, Qingdao Calbee Foods Co., Ltd., Yantai Calbee Co., Ltd. and Calbee North America LLC procure ingredients and manufacture dough for snacks.

2. Cereal foods

   The Company manufactures and sells cereal foods.

3. Processed breads

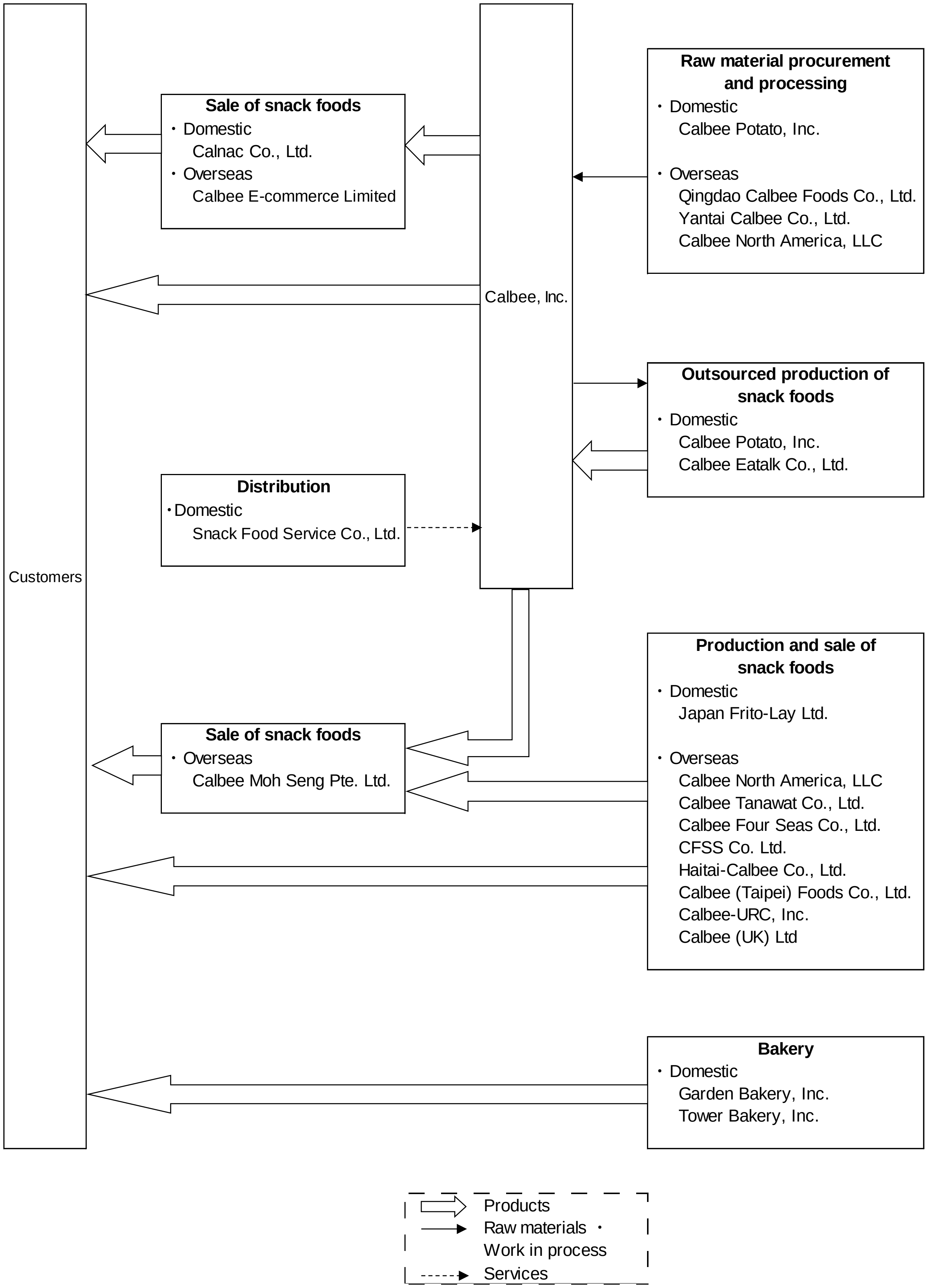
   Garden Bakery, Inc. and Tower Bakery, Inc. manufacture and sell sweet buns, breads for retail customers.

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 the Company.

See below for diagram of our organizational structure.

Organizational structure



*1. Displays only important transactions

*2. In June 2009, the Company concluded strategic partnership agreements with PepsiCo, Inc. (other affiliate companies)

3. Management policy

(1) Management policy

Calbee conducts its business based on our mission statement "We are committed to harnessing nature's gifts, to bringing taste and fun, and to contributing to healthy lifestyles," and as a leading company in the domestic snack foods market with the goal of transforming into a global food products company that is beloved world-wide.

Furthermore, 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

Calbee considers profitability and financial stability as very important. We aim for continuous sales growth and for even greater profit growth. By continuously planning to increase our operating income ratio each year, we aim to achieve operating income to net sales ratio of 15% over the medium term.

(3) Medium-term management strategy and key topics

Despite signs of a mild recovery in certain areas of the domestic economy benefiting from the government's economic stimulus and monetary easing policies, due to slowing growth in China and the global economy and a lack of clarity about the direction of the economy, we expect the stall in the recovery in consumer spending to continue. In the snack foods and cereal markets, we expect customers to have increasingly diversified preferences, to have a heightened sensitivity to safety and assurance, and to continue to want low prices, desiring better products more cheaply.

Amidst this environment, Calbee recognizes the need to promote business activities with speed and competitiveness while aiming to be a global company 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

Due to the effects of a low birthrate and other factors, we cannot expect large growth in the Japanese snack foods market. Therefore, we must expand overseas businesses in order for Calbee to achieve continuous growth. In the key regions of North America, China, Asia, and Western Europe we will build a stronger business base in markets we have entered while continuing to develop new markets. We are aiming to expand overseas business in each of these regions by providing products at affordable prices and through other initiatives, and have set a medium-term target for contributions from overseas sales of 30% or more.

(2) New product development

We will further accelerate the pace of new product development and promote safety, assurance and the development of unique and valuable products to our customers. We will work to continuously sell new products and to increase the proportion of new products in the sales mix every year.

(3) Expanding domestic market share

We plan to expand the domestic snack foods and cereal markets and increase our share in these markets through promotional activities, new product development and existing product renewal. We aim to have the highest share throughout both the snack foods market and the domestic 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.

(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 has not significantly diverged from our business areas; however, we do explore various opportunities for new business development. Examples of this include the establishment of *Calbee Plus* antennae shops, expansion of the legendary *Garrett Popcorn Shops®* (founded in Chicago, USA) and the opening of *GRAND Calbee,* directly-managed shops in department stores. We continue to enhance direct communication with customers through new business channels.

2. Cost reductions

Cost reduction initiatives are being implemented in all businesses and areas in order to strengthen our earnings ability and 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 measures including cooperation with suppliers, the diversification of procurement routes and production areas and the promotion of in-house production. 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 optimize utilization ratios

We will improve production efficiencies through initiatives including the replacement 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 optimize utilization ratios at our factories. Calbee strives to provide affordable products and services to all of our customers.

(3) Effective use of selling, general and administrative expenses

We plan to improve the efficiency of selling expenses, which comprise the largest portion of the selling, general and administrative expenses, by increasing the efficiency and effectiveness of promotional activities. Distribution costs will be addressed by measures to optimize and improve the efficiency of distribution centers, and we plan to optimize all general and administrative expenses, including head office expenses.

4. Basic approach to selection of accounting standards

With the aims of enhancing business management and enabling international comparison of financial information in capital market through the unification of accounting standards, Calbee is considering applying International Financial Reporting Standards (IFRS).

5. Consolidated financial statements

(1) Consolidated balance sheets

Millions of yen, rounded down

	As of March 31, 2016	As of March 31, 2015
Assets		
Current assets		
Cash and deposits	22,784	18,891
Notes and accounts receivable - trade	23,021	21,119
Securities	28,999	34,995
Inventories (Note 1)	9,268	8,037
Deferred tax assets	2,625	2,640
Other	4,230	3,861
Allowance for doubtful accounts	(4)	(5)
Total current assets	90,925	89,541
Non-current assets		
Property, plant and equipment		
Buildings and structures	63,958	56,900
Accumulated depreciation	(38,042)	(36,531)
Buildings and structures, net	25,915	20,369
Machinery, equipment and vehicles	91,084	81,918
Accumulated depreciation	(67,085)	(64,759)
Machinery, equipment and vehicles, net	23,998	17,159
Land	11,642	11,501
Leased assets	233	246
Accumulated depreciation	(112)	(145)
Leased assets, net	120	101
Construction in progress	7,506	9,387
Other	4,503	4,637
Accumulated depreciation	(3,526)	(3,402)
Other, net	976	1,235
Total property, plant and equipment	70,159	59,754
Intangible assets		
Goodwill	2,245	2,719
Other	3,314	1,835
Total intangible assets	5,559	4,555
Investments and other assets		
Investment securities (Note 2)	2,083	2,111
Long-term loans receivable	211	93
Deferred tax assets	2,004	1,347
Net defined benefit asset	1,561	2,066
Other (Note 2)	2,442	2,577
Allowance for doubtful accounts	(69)	(79)
Total investments and other assets	8,233	8,117
Total non-current assets	83,953	72,427
Total assets	174,878	161,968

Millions of yen, rounded down

	As of March 31, 2016	As of March 31, 2015
Liabilities		
Current liabilities		
Notes and accounts payable - trade	10,350	9,387
Short-term loans payable	-	402
Current portion of long-term loans payable	52	-
Lease obligations	64	52
Accounts payable - other	6,121	5,165
Income taxes payable	4,604	5,174
Deferred tax liabilities	1	-
Provision for bonuses	4,195	3,775
Provision for directors' bonuses	128	198
Provision for stocks payment	65	83
Other	7,884	9,988
Total current liabilities	33,469	34,227
Non-current liabilities		
Long-term loans payable	313	-
Lease obligations	93	76
Deferred tax liabilities	553	373
Provisions for directors' retirement benefits	527	573
Provision for management board incentive plan trust	121	132
Net defined benefit liability	7,489	7,076
Asset retirement obligations	645	637
Other	194	70
Total non-current liabilities	9,939	8,940
Total liabilities	43,408	43,168
Net assets		
Shareholders' equity		
Capital stock	12,008	11,975
Capital surplus	11,572	11,543
Retained earnings	98,013	84,956
Treasury shares	(609)	(699)
Total shareholders' equity	120,985	107,774
Accumulated other comprehensive income		
Valuation difference on available-for-sales securities	608	617
Foreign currency translation adjustments	904	2,377
Remeasurements of defined benefit plans	(1,585)	(1,116)
Total accumulated other comprehensive income	(72)	1,877
Subscription rights to shares	15	25
Non-controlling interests	10,541	9,122
Total net assets	131,469	118,800
Total liabilities and net assets	174,878	161,968

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

Millions of yen, rounded down

	April 1, 2015 to March 31, 2016	April 1, 2014 to March 31, 2015
Net sales	246,129	222,150
Cost of sales (Note 1, 3)	139,095	124,588
Gross profit	107,033	97,561
Selling, general and administrative expenses (Notes 2, 3)	78,908	73,378
Operating income	28,125	24,183
Non-operating income		
Interest income	167	266
Dividend income	35	35
Real estate income	76	76
Foreign exchange gains	-	1,318
Other	297	242
Total non-operating income	576	1,939
Non-operating expenses		
Interest expenses	9	5
Foreign exchange losses	638	-
Loss on abandonment of inventories	582	-
Business commencement expenses	515	368
Cost of real estate	32	33
Other	377	98
Total non-operating expenses	2,156	507
Ordinary income	26,545	25,615
Extraordinary income		
Gain on sales of non-current assets (Note 4)	6	7
Gain on sales of shares of subsidiaries and associates	370	-
Subsidy income	149	-
Other	27	10
Total extraordinary income	554	18
Extraordinary losses		
Loss on sales of non-current assets (Note 5)	3	229
Loss on retirement of non-current assets (Note 6)	227	300
Impairment loss (Note 7)	594	836
Other	150	49
Total extraordinary losses	976	1,416
Profit before income taxes	26,123	24,217
Income taxes - current	8,359	9,190
Income taxes - deferred	(267)	121
Total income taxes	8,091	9,311
Net income	18,031	14,906
Profit attributable to non-controlling interests	1,232	791
Profit attributable to owners of parent	16,799	14,114

Consolidated statements of comprehensive income

Millions of yen, rounded down

	April 1, 2015 to March 31, 2016	April 1, 2014 to March 31, 2015
Net income	18,031	14,906
Other comprehensive income		
Valuation difference on available-for-sale securities	(8)	406
Foreign currency translation adjustment	(2,253)	2,521
Remeasurements of defined benefit plans, net of tax	(468)	149
Total other comprehensive income (Note 1)	(2,730)	3,076
Comprehensive income	15,301	17,983
Comprehensive income attributable to:		
Owners of parent	14,848	16,074
Non-controlling interests	452	1,908

(3) Consolidated statements of changes in shareholders' equity

April 1, 2015 to March 31, 2016

Millions of yen, rounded down

	Shareholders' equity				
	Capital stock	Capital Surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	11,975	11,543	84,956	(699)	107,774
Cumulative effects of changes in accounting policy					-
Restated balance	11,975	11,543	84,956	(699)	107,774
Changes of items during period					
Issuance of new shares - exercise of subscription rights to shares	33	33			66
Dividends of surplus			(3,741)		(3,741)
Profit attributable to owners of parent			16,799		16,799
Purchase of treasury shares					-
Disposal of treasury shares				90	90
Purchase of shares of consolidated subsidiaries		(3)			(3)
Net change of items other than shareholders' equity					
Total changes of items during period	33	29	13,057	90	13,210
Balance at end of current period	12,008	11,572	98,013	(609)	120,985

	Accumulated other comprehensive income				Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of current period	617	2,377	(1,116)	1,877	25	9,122	118,800
Cumulative effects of changes in accounting policy							-
Restated balance	617	2,377	(1,116)	1,877	25	9,122	118,800
Changes of items during period							
Issuance of new shares - exercise of subscription rights to shares					(10)		56
Dividends of surplus							(3,741)
Profit attributable to owners of parent							16,799
Purchase of treasury shares							-
Disposal of treasury shares							90
Purchase of shares of consolidated subsidiaries							(3)
Net change of items other than shareholders' equity	(8)	(1,473)	(468)	(1,950)		1,419	(530)
Total changes of items during period	(8)	(1,473)	(468)	(1,950)	(10)	1,419	12,669
Balance at end of current period	608	904	(1,585)	(72)	15	10,541	131,469

April 1, 2014 to March 31, 2015

Millions of yen, rounded down

	Shareholders' equity				
	Capital stock	Capital Surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	11,946	11,514	74,259	(262)	97,458
Cumulative effects of changes in accounting policy			(481)		(481)
Restated balance	11,946	11,514	73,778	(262)	96,976
Changes of items during period					
Issuance of new shares - exercise of subscription rights to shares	28	28			57
Dividends of surplus			(2,937)		(2,937)
Profit attributable to owners of parent			14,114		14,114
Purchase of treasury shares				(449)	(449)
Disposal of treasury shares				12	12
Purchase of shares of consolidated subsidiaries					-
Net change of items other than shareholders' equity					
Total changes of items during period	28	28	11,177	(437)	10,798
Balance at end of current period	11,975	11,543	84,956	(699)	107,774

	Accumulated other comprehensive income				Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of current period	210	973	(1,266)	(82)	34	7,055	104,466
Cumulative effects of changes in accounting policy							(481)
Restated balance	210	973	(1,266)	(82)	34	7,055	103,984
Changes of items during period							
Issuance of new shares - exercise of subscription rights to shares					(9)		48
Dividends of surplus							(2,937)
Profit attributable to owners of parent							14,114
Purchase of treasury shares							(449)
Disposal of treasury shares							12
Purchase of shares of consolidated subsidiaries							-
Net change of items other than shareholders' equity	406	1,404	149	1,959		2,066	4,026
Total changes of items during period	406	1,404	149	1,959	(9)	2,066	14,815
Balance at end of current period	617	2,377	(1,116)	1,877	25	9,122	118,800

(4) Consolidated statements of cash flows

Millions of yen, rounded down

	April 1, 2015 to March 31, 2016	April 1, 2014 to March 31, 2015
Cash flows from operating activities		
Profit before income taxes	26,123	24,217
Depreciation	7,570	6,232
Impairment loss	594	836
Amortization of goodwill	693	647
Increase (decrease) in allowance for doubtful accounts	(10)	(11)
Increase (decrease) in provision for bonuses	423	193
Increase (decrease) in provision for directors' bonuses	(70)	(18)
Increase (decrease) in provision for stocks payment	61	69
Increase (decrease) in provision for management board incentive plan trust	-	132
Increase (decrease) in net defined benefit liability	380	331
Decrease (increase) in net defined benefit asset	(96)	(18)
Increase (decrease) in provision for directors' retirement benefits	(46)	(18)
Interest and dividend income	(202)	(301)
Interest expenses	9	5
Foreign exchange losses (gains)	982	(842)
Subsidy income	(149)	-
Loss (gain) on sales of investment securities	(395)	(10)
Loss (gain) on sales of non-current assets	(2)	222
Loss on retirement of non-current assets	227	300
Decrease (increase) in notes and accounts receivable - trade	(2,193)	(3,260)
Decrease (increase) in inventories	(1,432)	(1,300)
Increase (decrease) in notes and accounts payable - trade	1,058	1,304
Decrease (increase) in accounts receivable - other	(167)	140
Increase (decrease) in accounts payable - other	365	490
Increase (decrease) in accrued consumption taxes	(1,617)	1,584
Other, net	(805)	350
Subtotal	31,297	31,274
Interest and dividend income received	186	294
Interest expenses paid	(6)	(1)
Income taxes paid	(8,936)	(9,301)
Net cash provided by (used in) operating activities	22,541	22,266

Millions of yen, rounded down

	April 1, 2015 to March 31, 2016	April 1, 2014 to March 31, 2015
Cash flows from investing activities		
Purchase of property, plant and equipment	(19,066)	(14,318)
Proceeds from sales of property, plant and equipment	29	19
Purchase of intangible assets	(2,162)	(971)
Purchase of securities	(7,997)	(24,990)
Proceeds from redemption of securities	15,000	26,000
Purchase of investment securities	(15)	(14)
Proceeds from sales of investment securities	24	18
Payments of loans receivable	(150)	(60)
Collection of loans receivable	195	98
Payment into time deposits	(904)	(517)
Proceeds from withdrawal of time deposits	716	5,500
Payments for guarantee deposits	(121)	(275)
Proceeds from collection of guarantee deposits	223	92
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(92)	-
Payments for sales of shares of subsidiaries resulting in change in scope of consolidation	(108)	-
Proceeds from subsidy income	149	-
Other, net	11	(2)
Net cash provided by (used in) investing activities	(14,270)	(9,422)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	-	368
Proceeds from long-term loans payable	390	-
Purchase of treasury shares	-	(449)
Proceeds from exercise of share options	56	48
Repayments of lease obligations	(60)	(66)
Cash dividends paid	(3,738)	(2,937)
Proceeds from share issuance to non-controlling shareholders	1,308	757
Dividends paid to non-controlling interests	(815)	(599)
Net cash provided by (used in) financing activities	(2,859)	(2,878)
Effect of exchange rate change on cash and cash equivalents	(660)	1,013
Net increase (decrease) in cash and cash equivalents	4,751	10,979
Cash and cash equivalents at beginning of period	42,572	31,592
Cash and cash equivalents at end of period (Note 1)	47,323	42,572

(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: 24

(Name of consolidated subsidiaries)

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
Qingdao Calbee Foods Co., Ltd.
Yantai Calbee Co., Ltd.
CFSS Co. Ltd.
Calbee Four Seas Co., Ltd.
Calbee E-commerce Limited
Calbee (Taipei) Foods Co., Ltd.
Haitai-Calbee Co., Ltd.
Calbee Tanawat Co., Ltd.
Calbee Moh Seng Pte. Ltd.
PT. Calbee-Wings Food
Calbee-URC, Inc.
Calbee (UK) Ltd
Calbee Iberia, S.L.

(Changes to the scope of consolidation)

Calbee established Calbee Iberia, S.L. in April 2015, and Calbee E-commerce Limited in October 2015. These companies were included in the scope of consolidation from the consolidated fiscal year under review.

In addition, in April 2015 Calbee acquired a 51% stake in Moh Seng Marketing Pte. Ltd., which has thus been included in the scope of consolidation during the consolidated fiscal year under review. In addition, the company’s name was changed to Calbee Moh Seng Pte. Ltd.

Calbee divested its entire stake in subsidiary Calbee (Hangzhou) Foods Co., Ltd., and it was therefore removed from the scope of consolidation from the consolidated fiscal year under review

(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 the scope of 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, Qingdao Calbee Foods Co., Ltd., Yantai Calbee Co., Ltd., CFSS Co. Ltd., Calbee E-commerce Limited, Calbee (Taipei) Foods Co., Ltd., Haitai-Calbee Co., Ltd., Calbee Tanawat Co., Ltd., Calbee Moh Seng Pte. Ltd., PT. Calbee-Wings Food, Calbee-URC, Calbee (UK) Ltd, and Calbee Iberia, S.L.

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) Products, materials and stored goods:

Calculated by the moving average method

(2) Depreciation of noncurrent assets

1. Tangible noncurrent assets (not including leased assets):

Calculated primarily by the declining balance method. However, buildings and structures acquired after April 1, 1998 (excluding equipment accompanying those buildings) are calculated by the straight-line method.

The estimated useful lives for such assets are as follows:

Buildings and structures: 15 – 31 years

Machinery and equipment: 10 years

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

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 March 31, 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.

6. Provisions for management board incentive plan trust

To prepare for future awards of Calbee shares to directors, etc. 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.

(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 benefit formula 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 non-controlling 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

The Accounting Standard for Business Combinations (Accounting Standards Board of Japan (ASBJ) Statement No.21) of September 13, 2013, the Accounting Standard for Consolidated Financial Statements (ASBJ Statement No.22) of September 13, 2013, and the Accounting Standard for Business Divestitures (ASBJ Statement No.7) of September 13, 2013, have been applied from the fiscal year under review. Differences arising from changes in holdings of subsidiaries in cases where the parent company continues to have control are now recorded in capital surplus, and acquisition expenses for business combinations are now treated as expenses in the consolidated financial statements for the year in which they arise. For business combinations which occur after the beginning of the fiscal year, any changes to the allocation of the acquisition price arising from settlement of the provisional accounting treatment shall be reflected in the consolidated financial statements for the fiscal year in which the business combination occurred. Additionally, a change in presentation has been made to Net income, and the previous accounting standard category of Minority interests has changed to Non-controlling interests. To reflect these changes in presentation, the consolidated financial statements for the previous consolidated fiscal year have been restated.

Calbee has adopted these accounting standards from the beginning of the fiscal year under review, in accordance with transitional treatment based on Article 58-2 (4) of the Accounting Standard for Business Combinations, Article 44-5 (4) of the Accounting Standard for Consolidated Financial Statements, and Article 57-4 (4) of the Accounting Standard for Business Divestitures.

In the consolidated statements of cash flows for the fiscal year under review, cash flows arising from acquisition-related expenses incurred from expenses related to the acquisition of shares of subsidiaries who undergo changes in the scope of consolidation, or the acquisition or sale of shares of subsidiaries who do not undergo changes in the scope of consolidation, are recorded under Cash flows from operating activities.

The impact on operating income, ordinary income and income before income taxes and non-controlling interests in the fiscal year under review is minimal.

Changes in the presentation method

Consolidated statements of income

“Depreciation,” presented as a separate line item under non-operating expenses within our consolidated statement for the previous fiscal year (FY2015), is, for reasons of immateriality, not presented as a separate line item within that for the current fiscal year (FY2016) but rather included within the “other” category. To maintain year-on-year consistency, we have changed our method of presentation, with the ¥16 million presented under “depreciation” and ¥82 million under “other” within our FY2015 statement simply presented as a ¥98 million under “other” within our FY2016 statement.

“Gain on sales of investment securities,” presented as a separate line item under extraordinary income within our consolidated statement for the previous fiscal year (FY2015), is, for reasons of immateriality, not presented as a separate line item within that for the current fiscal year (FY2016) but rather included within the “other” category. To maintain year-on-year consistency, we have changed our method of presentation, with the ¥10 million presented under “gain on sales of investment securities” within our FY2015 statement simply presented as ¥10 million under “other” within our FY2016 statement.

“Product recall related costs,” presented as a separate line item under extraordinary losses within our consolidated statement for the previous fiscal year (FY2015), is, for reasons of immateriality, not presented as a separate line item within that for the current fiscal year (FY2016) but rather included within the “other” category. To maintain year-on-year consistency, we have changed our method of presentation, with the ¥46 million presented under “product recall related costs” and ¥3 million under “other” within our FY2015 statement simply presented as a ¥49 million under “other” within our FY2016 statement.

Additional information

Employee stock ownership plan (ESOP) trust

Calbee conducts transactions to provide Company stock to Calbee employees (hereafter “employees”) through a trust.

1. Transaction summary

   On March 7, 2014, we implemented an employee stock ownership plan trust (“ESOP trust”) as an incentive plan for employees. By raising their awareness of Calbee’s financial results and share price, we aim to encourage our employees to carry out their duties in a manner that acts to improve financial performance and increase medium- to long-term corporate value.

   The Company established the trust by contributing funds for the acquisition of Calbee stock for employees who satisfy certain requirements. Based on rules for stock transfers, the trust is to purchase a predetermined number of Calbee shares on the open market over a set period of time for distribution to those employees. Funds required for the trust to purchase the aforementioned shares are provided by Calbee, with no burden placed on employees.

   The trust lets employees profit from a rise in our share price, which promotes an awareness of this price among employees as they execute their duties. The trust enhances employee motivation and, as voting rights for Company stock held by the trust are to be exercised within a structure that reflects the will of the candidate beneficiary employee, also acts to raise corporate value by encouraging employees to take an active role in the Company.

2. The Company’s own stock in the trust

   The Company’s own stock in the possession of the trust is recorded as treasury shares under net assets at book value to the trust (excluding ancillary expenses). Book value and number of treasury shares were ¥168 million yen and 67,120 shares at the end of the current fiscal year (FY2016) and ¥247 million yen and 98,500 shares at the end of the previous consolidated fiscal year (FY2015).

Performance-linked stock compensation scheme

Calbee conducts transactions so as to provide Company stock to directors (other than outside directors and non-executive directors) and to executive officers and senior executive officers (hereafter collectively referred to as “directors et al.”) through a trust.

1. Transaction summary

   On August 6, 2014, we implemented an performance-linked stock compensation scheme (“the scheme”) for directors et al. as a transparent and objective officer compensation system that, by closely tracking Company earnings performance, is intended to enhance management incentives to improve medium- to long-term financial performance and increase corporate value.

   The scheme makes use of an officer compensation BIP (Board Incentive Plan) trust, by which Company stock is purchased with funds paid by Calbee to the fund as director et al. compensation and awarded to directors et al. in accordance with their degree of financial attainment. As a general principle, however, the Company stock thus acquired is only to be granted to directors et al. when they leave office.

   Furthermore, in the interests of managerial impartiality, voting rights for Company stock held by the trust are not to be exercised for as long as they are held by the trust.

2. The Company’s own stock in the trust

   The Company’s own stock in the possession of the trust is recorded as treasury shares under net assets at book value to the trust (excluding ancillary expenses). Book value and number of treasury shares were ¥438 million yen and 125,500 shares as of the end of the current fiscal year (FY2016) and ¥449 million yen and 128,800 shares as of the end of the previous consolidated fiscal year (FY2015).

Consolidated balance sheet

1. Inventories

(*Millions of yen*)

	As of March 31, 2016	As of March 31, 2015
Finished goods and commercial goods	3,473	2,601
Work in progress	1,340	1,429
Materials and stored goods	4,454	4,005

2. Non-consolidated subsidiaries and affiliate companies

(*Millions of yen*)

	As of March 31, 2016	As of March 31, 2015
Investment securities (stocks)	11	11
Other investments	2	2

3. Discount on notes receivable - trade

(*Millions of yen*)

	As of March 31, 2016	As of March 31, 2015
Discount on notes receivable -trade	—	434

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, 2015 to March 31, 2016	April 1, 2014 to March 31, 2015
Cost of sales	98	242

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

(*Millions of yen*)

	April 1, 2015 to March 31, 2016	April 1, 2014 to March 31, 2015
Sales promotion expenses	31,623	28,405
Advertising expenses	2,437	3,113
Freight	13,592	11,451
Remuneration and miscellaneous wages and salaries	11,757	11,755
Provision for directors' retirement benefits	76	109
Provision for bonuses	2,201	2,099
Provision for directors' bonuses	128	198
Provision for stocks payment	65	81
Provision for management board incentive plan trust	—	132
Retirement benefit expenses	738	867

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, 2015 to March 31, 2016	April 1, 2014 to March 31, 2015
Administrative and general expenses	2,092	2,047
Manufacturing expenses	102	5
Total	2,195	2,052

4. Breakdown of gain on sale of noncurrent assets

(*Millions of yen*)

	April 1, 2015 to March 31, 2016	April 1, 2014 to March 31, 2015
Machinery, equipment and vehicles	6	7
Other	0	—
Total	6	7

5. Breakdown of loss on sale of noncurrent assets

(*Millions of yen*)

	April 1, 2015 to March 31, 2016	April 1, 2014 to March 31, 2015
Buildings and structures	—	178
Machinery, equipment and vehicles	3	5
Land	—	46
Other (property, plant and equipment)	0	0
Total	3	229

6. Breakdown of loss on disposal of noncurrent assets

(*Millions of yen*)

	April 1, 2015 to March 31, 2016	April 1, 2014 to March 31, 2015
Buildings and structures	41	62
Machinery, equipment and vehicles	171	117
Construction in progress	5	115
Other (property, plant and equipment)	8	4
Total	227	300

7. Impairment loss

Consolidated fiscal year ended March 31, 2016 (April 1, 2015 to March 31, 2016)
Impairment loss on Group assets recorded as follows:

(*Millions of yen*)

Location	Use	Type	Amount
Utsunomiya City, Tochigi Prefecture, Japan	Idling production facility	Buildings under construction	215
Taipei City, Taiwan	Idling production facility	Machinery, equipment and vehicles, other property, plant and equipment	194
Sumida Ward, Tokyo, Japan Other: 2 buildings	Retail stores	Buildings and structures, other property, plant and equipment, other investments and other assets, other	160
Shimotsuma City, Ibaraki Prefecture, Japan	Idling production facility	Machinery, equipment and vehicles	23

Reason for loss

With regard to the above idling production facilities, there are no future plans for use and the asset value has declined to less than the book value, and as a result we have reduced the book value to the net realizable value.

With regard to the above retail stores, it has been decided to close the stores, and as a result we have reduced the book value to the net realizable value.

Asset grouping method

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

Net realizable value estimation method

The net realizable value is calculated based on net sales value. Net sales value of assets for which sales or other usage are unlikely are recorded as having no value.

Consolidated fiscal year ended March 31, 2015 (April 1, 2014 to March 31, 2015)
Impairment loss on Group assets recorded as follows:

(*Millions of yen*)

Location	Use	Type	Amount
Zhejiang Province, China	Factory	Buildings Machinery and transport equipment Other property, plant and equipment	700
Utsunomiya City, Tochigi Prefecture, Japan	Idling production facility	Buildings under construction	55
Sumida Ward, Tokyo, Japan Other: 1 building	Retail stores	Buildings Other property, plant and equipment	36
California, USA	Idling production facility	Machinery	26
Konan City, Shiga Prefecture, Japan	Warehouse	Buildings and structures Machinery	17

Reason for loss

With regard to the above factory, it has continuously recorded an operating loss and its estimated future cash flow is lower than each asset's book value basis, and as a result we have reduced the book value to the net realizable value.

With regard to the above production facilities, it has been decided to cease production and there are no future plans for use, and as a result we have reduced the book value to the net realizable value.

With regard to the above retail stores, it has been decided to transfer the stores, and as a result we have reduced the book value to the net realizable value.

With regard to the above warehouse, it has been decided to demolish the building, and as a result we have reduced the book value to the net realizable value.

Asset grouping method

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

The net realizable value estimation method

The net realizable value is calculated based on net sale value or utilization value. Net sale values for assets for which sale or other usage are unlikely are recorded as having no value. Utilization value for assets for which future cash flow is negative 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, 2016	Fiscal year ended March 31, 2015
Valuation difference on available-for-sale securities		
Amount during the term	363	579
Adjustment	(395)	(10)
Prior to adjustment for taxes	(31)	568
Taxes	22	(161)
Valuation difference on available-for-sale securities	(8)	406
Foreign currency translation adjustment		
Amount during the term	(2,565)	2,521
Adjustment	311	—
Prior to adjustment for taxes	(2,253)	2,521
Taxes	—	—
Foreign currency translation adjustment	(2,253)	2,521
Retirement benefit adjustment amount		
Amount during the term	(863)	37
Adjustment	210	273
Prior to adjustment for taxes	(652)	310
Taxes	184	(161)
Retirement benefit adjustment amount	(468)	149
Other comprehensive income total	(2,730)	3,076

Consolidated statements of changes in shareholders' equity

Consolidated fiscal year ended March 31, 2016 (April 1, 2015 to March 31, 2016)

1. Type of common shares issued

Share type	Number of shares as of April 1, 2015	Increase	Decrease	Number of shares as of March 31, 2016
Common shares	133,629,800	140,000	—	133,769,800

Overview of change

Breakdown of increase in number of shares:

Increase through exercise of subscription rights: 140,000 shares

2. Treasury stock

Share type	Number of shares as of April 1, 2015	Increase	Decrease	Number of shares as of March 31, 2016
Common shares	228,132	—	34,680	193,452

Note: Number of treasury shares held in trust as of April 1, 2015 and March 31, 2016 were 227,300 shares and 192,620 shares respectively.

Overview of change

Breakdown for increase in number of shares:

Decrease through presentation of treasury shares for stock awards: 34,680 shares

3. Information on subscription rights

Subscription rights as stock options

Company	Details of subscription rights	Type of shares	Number of shares	Balance as of March 31, 2016 (*Millions of yen*)
Company making submission	Subscription rights as stock options (round 2)	—	—	15

4. Dividends

(1) Amounts paid

Date confirmed	Type of stock	Total dividends paid (*Millions of yen*)	Dividends per share (*yen*)	Dividend record date	Effective date
June 25, 2015 Regular shareholders' meeting	Common shares	3,741	28	March 31, 2015	June 26, 2015

Note: Amount of total dividends paid to shares held by Calbee in trust: ¥6 million.

(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 (*Millions of yen*)	Dividends per share (*yen*)	Dividend record date	Effective date
June 22, 2016 Regular shareholders' meeting	Common shares	Retained earnings	4,681	35	March 31, 2016	June 23, 2016

Note: Amount of total dividends paid to shares held by Calbee in trust: ¥6 million

Consolidated fiscal year ended March 31, 2015 (April 1, 2014 to March 31, 2015)

1. Type of common shares issued

Share type	Number of shares as of April 1, 2014	Increase	Decrease	Number of shares as of March 31, 2015
Common shares	133,507,800	122,000	—	133,629,800

Overview of change

Breakdown of increase in number of shares:

Increase through exercise of subscription rights: 122,000 shares

2. Treasury stock

Share type	Number of shares as of April 1, 2014	Increase	Decrease	Number of shares as of March 31, 2015
Common shares	104,232	128,800	4,900	228,132

Note: Number of treasury shares held in trust as of April 1, 2014 and March 31, 2015 were 103,400 shares and 227,300 shares respectively.

Overview of change

Breakdown for increase in number of shares:

Increase through acquisition of treasury shares for trust: 128,800 shares

Breakdown for decrease in number of shares:

Decrease through presentation of treasury shares for stock awards: 4,900 shares

3. Information on subscription rights

Subscription rights as stock options

Company	Details of subscription rights	Type of shares	Number of shares	Balance as of March 31, 2015 (*Millions of yen*)
Company making submission	Subscription rights as stock options (round 2)	—	—	25

4. Dividends

(1) Amounts paid

Date confirmed	Type of stock	Total dividends paid (*Millions of yen*)	Dividends per share (*yen*)	Dividend record date	Effective date
June 25, 2014 Regular shareholders' meeting	Common shares	2,937	22	March 31, 2014	June 26, 2014

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

(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 (*Millions of yen*)	Dividends per share (*yen*)	Dividend record date	Effective date
June 25, 2015 Regular shareholders' meeting	Common shares	Retained earnings	3,741	28	March 31, 2015	June 26, 2015

Note: Amount of total dividends paid to shares held by Calbee in trust: ¥6 million

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, 2016	Fiscal year ended March 31, 2015
Cash and deposits	22,784	18,891
Fixed deposit exceeding 3-month deposit period	(460)	(319)
Commercial paper included in the securities account	1,999	1,999
Lease assets trust beneficiary rights included in the securities account	—	2,000
Beneficial rights for pecuniary trusts specified for joint operations included in the securities account	23,000	20,000
Cash and cash equivalents	47,323	42,572

Employee retirement benefits

1. Overview of retirement benefit plans

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

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

2. Defined benefit plans

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

(1) Changes to balance of retirement benefit obligation at beginning and end of term
(excluding the plans to which the simplified accounting method is applied)

(*Millions of yen*)

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2015
Balance at beginning of term	14,969	13,661
Cumulative impact from changes in accounting policy	－	745
Restated balance	14,969	14,406
Service costs	770	715
Interest expense	109	144
Actuarial gain and loss	800	444
Retirement benefits paid	(714)	(740)
Other	－	(0)
Balance at end of term	15,935	14,969

(2) Changes to balance of pension assets at beginning and end of term
(excluding the plans to which the simplified accounting method is applied)

(*Millions of yen*)

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2015
Balance at beginning of term	10,842	10,145
Expected return on plan assets	108	101
Actuarial gain and loss	(62)	482
Employer’s contributions	414	407
Retirement benefits paid	(347)	(294)
Balance at end of term	10,955	10,842

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

(*Millions of yen*)

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2015
Net defined benefit liability at beginning of term	882	727
Retirement benefit expense	209	231
Retirement benefits paid	(116)	(84)
Contributions to the plans	(11)	(11)
Increase (decrease) due to foreign currency translation	(17)	19
Net defined benefit liability at end of term	946	882

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

(*Millions of yen*)

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2015
Funded retirement benefit obligation	9,551	8,938
Plan assets at fair value	(11,113)	(11,004)
	(1,561)	(2,066)
Unfunded retirement benefit obligation	7,489	7,076
Net liability (asset) recorded on the consolidated balance sheet	5,927	5,009
Net defined benefit liability	7,489	7,076
Net defined benefit asset	(1,561)	(2,066)
Net liability (asset) recorded on the consolidated balance sheet	5,927	5,009

Note: Includes application of the simplified accounting method

(5) Retirement benefit expenses and breakdown of amounts

(*Millions of yen*)

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2015
Service costs	770	715
Interest cost	109	144
Expected return on plan assets	(108)	(101)
Amortization of actuarial gain and loss	83	133
Amortization of prior service costs	126	139
Retirement benefit expenses using the simplified accounting method	209	231
Additional severance payment, etc	―	40
Retirement benefit expense related to the defined benefit plans	1,192	1,303

(6) Remeasurements of difined benefit plans

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

(*Millions of yen*)

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2015
Prior service costs	126	139
Actuarial gain and loss	(779)	171
Total	(652)	310

(7) Accumulated remeasurements of defined benefit plans

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

(*Millions of yen*)

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2015
Unrecognized prior service costs	253	423
Unrecognized actuarial gain and loss	2,053	1,230
Total	2,307	1,654

(8) Items related to plan assets

(i) Breakdown of plan assets

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

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2015
Domestic bonds	32.9%	24.1%
Domestic equity	8.3%	8.8%
Foreign bonds	－%	10.4%
Foreign equity	10.2%	8.2%
Alternative investments (note)	31.8%	31.8%
General life insurance accounts	14.0%	13.8%
Other	2.8%	2.9%
Total	100.0%	100.0%

Note: Alternative investments are managed by the investment advisory company which is the Calbee's investment agent, and principally consist of foreign contractual type investment trusts.

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

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

(9) Assumptions related to actuarial calculations

Main components used in actuarial calculations are follows: (weighted average)

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2015
Discount rate	0.4%	0.7%
Long-term expected rate of return	1.0%	1.0%
Expected salary increase rate	4.9%	5.1%

3. Defined contribution plans

The amount of required contributions to the defined contribution plans of the Company and consolidated subsidiaries for the fiscal year ended March 31, 2016 and 2015 were ¥200 million and ¥116 million, respectively.

Deferred tax accounting

1. Significant components of deferred tax assets and liabilities

(Millions of yen)

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2015
Deferred tax assets:		
Provision for doubtful accounts	25	27
Provision for bonuses	1,265	1,190
Accrued expenses	1,012	1,002
Enterprise taxes payable	307	381
Provision for stock awards	20	27
Provision for directors' stock awards	36	42
Net defined benefit liability	1,795	1,584
Provision for director's retirement benefits	194	190
Share-based payment expense	4	8
Depreciation	109	112
Impairment losses	250	119
Asset retirement obligations	206	210
Losses carried forward	244	512
Other	678	315
Subtotal	6,152	5,726
Valuation allowances	(496)	(956)
Total deferred tax assets	5,655	4,769
Deferred tax liabilities		
Valuation difference on available-for-sale securities	(251)	(274)
Reserve for accelerated depreciation	(519)	(521)
Asset retirement obligations	(30)	(37)
Other	(780)	(321)
Total deferred tax liabilities	(1,582)	(1,154)
Net deferred tax assets	4,073	3,615

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, 2016	Fiscal year ended March 31, 2015
Current assets－deferred tax assets	2,625	2,640
Non-current assets－deferred tax assets	2,004	1,347
Current liabilities－deferred tax liabilities	(1)	－
Non-current liabilities－deferred tax liabilities	(553)	(373)

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, 2016	Fiscal year ended March 31, 2015
Statutory tax rate	32.8%	35.4%
(Adjustments)		
Entertainment and other permanently non-deductible expenses	0.3	0.8
Dividend and other permanently non-taxable income	(0.0)	(0.0)
Special deductions for corporate taxes paid	(1.7)	(1.6)
Proportional allocation of inhabitants tax	0.3	0.4
Downward revision to year-end deferred tax assets from change to effective tax rate	0.7	1.2
Changes in valuation allowances	(1.9)	2.8
Tax rate differences for consolidated subsidiaries	(1.0)	(1.0)
Effect of consolidated adjustments	1.3	0.8
Other	0.1	(0.4)
Effective tax rate	31.0%	38.4%

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

With the Diet's enactment of The Law for Partial Revision of the Income Tax Act, etc., and The Revision of the Local Tax Law on March 29, 2016, the statutory tax rate used for the calculation of deferred tax assets and deferred tax liabilities (limited to settlements made after April 1, 2016) will change from 32.8% to 30.7% between April 1, 2016 and March 31, 2018, and to 30.5% after April 1, 2018 for expected revenue and expenses.

As a result, deferred tax assets (the amount excluding deferred tax liabilities) have decreased by ¥211 million, the income tax adjustment recorded at the end of the current consolidated fiscal year increased ¥194 million, the valuation difference on available-for-sale securities increased by ¥11 million and the adjustment of defined benefit plans decreased by ¥28 million.

Business combinations and other related matters

Consolidated fiscal year ended March 31, 2016 (April 1, 2015 to March 31, 2016)

None

Segment information and other

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, 2016 (April 1, 2015 to March 31, 2016)

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	Akira Matsumoto	--	--	Chairman of the board & CEO, Representative Director of the Company	Direct: 0.03%	--	Exercise of subscription rights*2	24	--	--

Notes: 1) Transaction amounts are exclusive of consumption taxes

2) Terms and conditions, and settlement policy

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, 2015 (April 1, 2014 to March 31, 2015)

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	Shuji Ito	--	--	President & COO, Representative Director of the Company	Direct: 0.05%	--	Exercise of subscription rights*2	20	--	--

Notes: 1) Transaction amounts are exclusive of consumption taxes

2) Terms and conditions, and settlement policy

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, 2016	FY Ended March 31, 2015
Net assets per share (¥)	905.20	821.97
Net income per share (¥)	125.88	105.82
Net income per share (diluted) (¥)	125.64	105.54

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

	FY ended March 31, 2016	FY Ended March 31, 2015
Total net assets on consolidated balance sheet (¥ million)	131,469	118,800
Amount attributable to common stock (¥ million)	120,912	109,652
Main differences (¥ million) Subscription rights to shares Non-controlling interests	 15 10,541	 25 9,122
Number of shares of common stock outstanding (shares)	133,769,800	133,629,800
Number of shares of common stock as treasury stock (shares)	193,452	228,132
Number of common shares used for calculating net assets per share (shares)	133,576,348	133,401,668

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

	FY ended March 31, 2016	FY Ended March 31, 2015
Net income per share		
Profit attributable to owners of parent (consolidated) (¥ million)	16,799	14,114
Profit attributable to owners of parent attributable to common stock (¥ million)	16,799	14,114
Amount not belonging to common shareholders (¥ million)	—	—
Average number of shares during the period (shares)	133,452,595	133,392,045
Net income per share (diluted)		
Adjustment to profit attributable to owners of parent (¥ million)	—	—
Breakdown of additional common shares used for calculating net income per share (diluted) (shares) Subscription rights to shares	 251,478	 348,982
Number of additional common shares	251,478	348,982
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) 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 previous consolidated fiscal year, 183,756 treasury shares, and during the current consolidated fiscal year 204,036 treasury shares, were excluded from the average number of shares during the period used for calculating net income per share and 227,300 treasury shares at the end of the previous fiscal year and 192,620 treasury shares at the end of the current fiscal year were excluded from the number of shares outstanding used for calculating net assets per share.

4) As stated in "Changes in accounting principles," the Accounting Standard for Business Combinations have been applied. As a result, net assets per share, net income per share and net income per share (diluted) for the current fiscal year decreased by ¥0.05, ¥0.02 and ¥0.02, respectively.

Subsequent events

No applicable items.

6. Additional information

Change in officers

(1) Change in representatives

No applicable items

(2) Change in other officers (June 22, 2016, planned)

(i) Newly appointed directors

Katty Lam (Chairman, PepsiCo Greater China Region, PepsiCo, Inc.)

*Outside director candidates as prescribed by Article 2 Clause 15 of the Companies Act

(ii) Newly appointed auditors

Nagako Oe (Partner, TMI Associates), Auditor, Part-time

*Outside auditor candidates as prescribed by Article 2, Clause 16 of the Companies Act

(iii) Retiring auditors

Tomomi Yatsu, Auditor, Part-time

Akira Kondoh, Auditor, Part-time

(iv) Newly appointed substitute auditors

Kazunari Uchida (Professor, Waseda University Graduate School of Commerce)