Calbee
Harvest the Power of Nature.
TSE code: 2229

Financial Book 2018

Fiscal year ended March 31, 2018

Contents

Eight-Year Summary

Years ended March 31

							Millions of yen, round down.		Thousands of U.S. dollars (Note 1)
	2018	2017	2016	2015	2014	2013	2012	2011	2018
For the Year:									
Net sales	**¥251,575**	¥252,420	¥246,129	¥222,150	¥199,941	¥179,411	¥163,268	¥155,529	**$2,367,992**
Operating income	**26,828**	28,841	28,125	24,183	19,717	15,790	12,247	10,717	**252,530**
Operating margin(%)	**10.7**	11.4	11.4	10.9	9.9	8.8	7.5	6.9	**—**
Net income attributable to owners of parent	**17,330**	18,605	16,799	14,114	12,086	9,440	7,096	4,253	**163,129**
Net income margin(%)	**6.9**	7.4	6.8	6.4	6.0	5.3	4.3	2.7	**—**
Return on equity(ROE) (%)	**13.0**	14.9	14.6	13.7	13.1	11.4	9.6	6.5	**—**
Research and development costs	**2,469**	2,168	2,195	2,052	2,161	2,288	1,811	2,213	**23,244**
Capital expenditures	**11,009**	9,763	21,229	15,290	6,392	7,298	5,422	4,049	**10,362**
Depreciation and amortization	**7,845**	7,297	7,570	6,232	5,960	6,318	6,676	7,243	**73,848**
Per Share (¥/$) (Note 2):									
Net income attributable to owners of parent	**129.72**	139.24	125.88	105.82	91.46	72.18	55.07	36.62	**1.22**
Net assets	**1,043.37**	958.60	905.20	821.97	729.93	664.55	596.66	550.14	**9.82**
Cash dividends	**42.00**	42.00	35.00	28.00	22.00	15.50	10.50	7.00	**0.40**
Dividend payout ratio(%)	**32.4**	30.2	27.8	26.5	24.1	21.5	19.1	19.1	**—**
At Year-End:									
Total assets	**192,137**	182,011	174,878	161,968	140,966	124,793	108,474	99,393	**1,808,527**
Net assets	**146,667**	135,056	131,469	118,800	104,466	92,685	80,417	72,924	**1,380,532**
Working capital(Note 3)	**71,526**	60,805	57,456	55,313	50,160	36,302	25,210	16,131	**673,252**
Interest-bearing debt(Note 4)	**1,511**	1,596	555	563	186	302	358	698	**14,230**
Equity ratio(%)(Note 5)	**72.5**	70.4	69.1	67.7	69.1	70.2	71.6	70.7	**—**
Debt to equity ratio(times)(Note 5)	**0.0**	0.0	0.0	0.0	0.0	0.0	0.0	0.0	**—**
Number of consolidated subsidiaries	**27**	27	24	22	22	21	18	18	**—**
Number of employees	**3,798**	3,860	3,728	3,477	3,341	3,352	3,053	2,911	**—**
Cash Flows:									
Net cash provided by operating activities	**9,358**	25,958	22,541	22,266	23,478	17,328	7,049	16,664	**88,092**
Net cash used in investing activities	**(6,258)**	(13,404)	(14,270)	(9,422)	(17,041)	(12,999)	(5,347)	(620)	**(58,905)**
Net cash provided by (used in) financing activities	**(5,450)**	(14,711)	(2,859)	(2,878)	(383)	607	(411)	(2,124)	**(51,303)**
Cash and cash equivalents at end of year	**42,195**	44,627	47,323	42,572	31,592	25,331	19,448	18,238	**397,168**

Notes: 1. U.S. dollar amounts are presented, for convenience only, at a conversion rate of ¥106.24 = US$1, the approximate Tokyo foreign exchange market rate as of March 31, 2018.
2. A 50-for-1 share split was conducted on January 14, 2011, and a 4-for-1 share split was implemented on October 1, 2013. Per share figures were retroactively adjusted to reflect these stock splits.
3. Working capital comprises current assets less current liabilities.
4. Interest-bearing debt includes long-and short-term debt, leasing obligations and other interest bearing debt.
5. Shareholders' equity as presented above consists of total net assets exclusive of subscription rights and non-controlling interests.

Management's Discussion and Analysis

Operating Results

Net Sales

In the fiscal year ended March 31, 2018, consolidated net sales for the year decreased 0.3%, to ¥251,575 million.

Sales by business are shown in Table 1.

1) Production and sale of snacks and other foods business

1.Domestic production and sale of snack and other foods business

Domestic snack foods:

Sales of domestic snack foods were almost flat year on year, with significant sales growth in *Potato Chips Crisp* and a return to growth for *Potato Chips* amid strong demand after production recovered from the second quarter, which was offset by sluggish sales of *Jagarico*, flour-based snacks and corn-based snacks.

Sales of domestic snack foods by product are shown in Table 2.

-Sales of potato-based snacks were almost flat year on year due to decreased sales of *Jagarico* from the effect of factors including the suspension of limited time items. This was partially offset by strong *Potato Chips* sales since the second quarter, reflecting persistent strong demand since the resumption of temporarily suspended production and sales of *Pizza Potato Chips* and other products with the Hokkaido potato harvest having gotten underway, and the successful launch of *Potato Chips* in local flavors of Japan's 47 prefectures.

-Sales of flour-based snacks decreased year on year due to factors including a decrease in *Kappa Ebisen* limited time items.

-Sales of corn- and bean-based snacks decreased year on year as a result of weak sales of corn-based snacks, including popcorn.

-Sales of other snacks increased significantly year on year due to progress in expanding sales areas and flavor development of *Potato Chips Crisp*, which began sales in the second quarter of the previous fiscal year.

Domestic cereals:

Sales of domestic cereals decreased year on year. Despite having enhanced the *Frugra* product lineup, variable overseas consumption caused a significant decrease in sales, and results were also impacted by the end of sales of cornflakes from this fiscal year.

Other domestic foods:

Other domestic foods includes the bakery business and sales of processed potato products and potatoes as groceries.

Sales of other domestic foods decreased year on year due to decreased sales in the bakery business.

2. Overseas production and sale of snack and other foods business

Overseas snack foods:

Sales of overseas snack foods increased year on year due to contributions from sales growth in new markets such as Indonesia entered last fiscal year, partially offset by a significant decrease in sales in the key region of North America due to weak sales of bean-based snack Harvest Snaps to major customers.

Overseas cereals:

Sales of overseas cereals were being recorded from the second quarter with the beginning of operation of the new *Frugra* production line in our Hokkaido factory and the launch of *Frugra* sales in China via cross-border e-commerce.

Sales of overseas production and sale of snack and other foods business by region are as shown in Table 3.

2) Other businesses

Other businesses includes logistics and promotional tool sales.

Sales at other businesses increased year on year primarily due to increased promotional tool sales.

Table 1

	2018 Amount	2018 Growth(%)	2017 Amount
Sales			
1) Production and sale of snack and other foods business	¥247,577	-0.5	¥248,872
Domestic production and sale of snack and other foods business	213,775	-2.8	219,893
Domestic snack foods	175,575	+0.7	174,305
Domestic cereals	23,836	-21.7	30,436
Other domestic foods	14,363	-5.2	15,152
Overseas production and sale of snack and other foods business	33,801	+16.6	28,978
Overseas snack foods	31,266	+7.9	28,978
Overseas cereals	2,534	—	—
2) Other businesses	3,998	+12.7	3,548
Total	¥251,575	-0.3	¥252,420

Millions of yen

Table 2

	2018 Amount	2018 Growth(%)	2017 Amount
Sales			
Potato-based snacks	¥126,305	-0.4	¥126,824
Potato Chips	77,007	+0.6	76,583
Jagarico	35,695	-2.7	36,685
Jagabee/ Jaga Pokkuru	13,602	+0.3	13,556
Flour-based snacks	22,405	-1.7	22,795
Kappa Ebisen	10,707	-3.8	11,130
Sapporo Potato, etc.	11,697	+0.3	11,664
Corn- and bean-based snacks	16,785	-2.2	17,160
Other snacks	10,078	+33.9	7,524
Domestic snack foods total	¥175,575	+0.7	¥174,305

Millions of yen

Table 3

	2018 Amount	2018 Growth(%)	2017 Amount
Sales			
North America	9,843	-15.2	11,606
Asia			
Greater China*	8,718	+67.1	5,217
South Korea	5,283	-1.0	5,336
Other Asian regions and Australia**	8,551	+47.5	5,798
Europe	1,404	+37.7	1,019
Overseas production and sale of snack and other foods business total	¥33,801	+16.6	¥28,978

Millions of yen

*Greater China: Includes sales of snack foods and cereals from China, Taiwan and Hong Kong.
**Other Asian regions and Australia: Includes snack foods sales from Thailand, Philippines, Singapore, Indonesia and Australia.

Gross Profit

Gross profit decreased 2.4% year on year, to ¥108,904 million.
This was due to lower factory utilization and productivity in overseas and domestic, despite lower low material costs.

Selling, General and Administrative Expenses

Selling, general and administrative (SG&A) expenses decreased 0.8% year on year, to ¥82,075 million. The ratio of SG&A expenses to net sales declined 0.2 percentage point, to 32.6%.
This was mainly due to a decrease domestic selling expenses, partially offset by an increase overseas selling expenses and distribution costs.

Operating Income

As a result of the aforementioned, operating income decreased 7.0% year on year, to ¥26,828 million. The operating margin decreased 0.7 percentage point to 10.7%.

Non-Operating Income / Expenses

Foreign exchange losses totaling ¥562 million included ¥650 million in net non-operating expenses.

Net Income

As a result of the above, net income decreased 6.8% year on year, to 17,330 million. Net income per share was ¥129.72. After the dilution of common shares, net income per share was ¥129.61. ROE worsened 1.9 percentage point, to 13.0%.

Financial Position

Total assets as of March 31, 2018 were ¥192,137 million, an increase of ¥10,126 million. The primary factors contributing to this outcome were increases in notes and accounts receivable-trade due to shift in payments to the following month due to a bank holiday on the last day of the period.

Liabilities decreased ¥1,484 million to ¥45,470 million, primarily due to a decrease in consumption taxes payable recorded within other under current liabilities.

Net assets increased ¥11,611 million to ¥146,667 million due to an increase in retained earnings.

The shareholders' equity ratio increased 2.1 percentage points from the end of the previous fiscal year to 72.5%.

Cash Flows

Cash and cash equivalents as of March 31, 2018 were ¥42,195 million, ¥2,432 million lower than at the end of the previous fiscal year.

Cash Flows from Operating Activities

Operating activities during the period ended March 2018 resulted in a net cash inflow of ¥9,358 million, a decrease in cash inflow of ¥16,599 million compared with the previous fiscal year, due to factors including an increase in notes and accounts receivable - trade and a decrease in accounts payable - other.

Cash Flows from Investing Activities

Investing activities during the period ended March 2018 resulted in a net cash outflow of ¥6,258 million, a decrease in cash outflow of ¥7,146 million compared with the previous fiscal year, primarily due to an increase in inflows from proceeds from redemption of securities.

Cash Flows from Financing Activities

Financing activities during the period ended March 2018 resulted in a net cash outflow of ¥5,450 million, a decrease in cash outflow of ¥9,261 million compared with the previous fiscal year, primarily due to a decrease in payments from change in ownership interests in subsidiaries that do not result in charge in scope of consolidation.

Capital Expenditures

In fiscal 2018, capital expenditures totaled ¥11,009 million, up ¥1,246 million, compared with the previous fiscal year. Of this total, ¥9,338 million went to domestic operations and ¥1,670 million went to overseas operations. The main components of domestic capital expenditures were used to expand *Frugra* production facilities.

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 aging 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 highquality 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 demand for greater food safety has increased in recent years. In assuming responsibility for responding to this demand, 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 food industry.

4. Competitive Risk

Calbee has a large and stable share of the domestic snack food and cereal markets. However, intensifying competition from rival domestic companies, a significant influx of foreignowned companies into the market, 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 strategies. 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, 2017, 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 (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 food field as the Company via group companies, primarily its subsidiary Frito-Lay North America, Inc. On June 24, 2009, the Company and PepsiCo concluded a strategic alliance agreement, based on the understanding that combining management capabilities to generate synergies was necessary to deliver sustained growth for both companies. In order to reinforce the partnership with PepsiCo, the Company allocated new shares to PepsiCo's wholly owned subsidiary FLGI via a private placement and, at the same time, acquired all the shares of PepsiCo's subsidiary Japan Frito-Lay Ltd. Under the strategic partnership, PepsiCo has agreed not to operate a snack food business in the Japanese market and therefore does not compete with the Company in Japan. 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, 2017, no significant personnel relationship existed 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-LayNorth 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.

Consolidated Balance Sheets

Calbee, Inc. and Consolidated Subsidiaries
March 31, 2018 and 2017

	Millions of yen 2018	Millions of yen 2017	Thousands of U.S. dollars (Note 5) 2018
Assets			
Current assets:			
Cash and deposits (Notes 6 and 14)	¥23,559	¥23,961	$221,759
Notes and accounts receivable (Note 6)	41,749	28,600	392,976
Marketable securities (Notes 6 and 7)	22,998	28,999	216,481
Inventories (Note 8)	10,748	9,895	101,169
Deferred tax assets (Note 10)	2,576	2,593	24,255
Others	5,323	3,868	50,104
Allowance for doubtful accounts	(23)	(33)	(220)
Total current assets	106,933	97,884	1,006,526
Non-current assets:			
Property, plant and equipment:			
Land	11,556	11,626	108,778
Buildings and structures (Note 18)	67,961	67,093	639,699
Machinery, equipment and vehicles (Note 18)	99,524	97,368	936,792
Lease assets	581	644	5,470
Construction in progress (Note 18)	4,523	1,840	42,574
Others (Note 18)	4,444	4,191	41,831
	188,591	182,764	1,775,147
Accumulated depreciation	(115,495)	(111,929)	(1,087,119)
Property, plant and equipment, net	73,096	70,835	688,028
Investments and other assets:			
Investment securities (Notes 6 and 7)	2,306	2,091	21,710
Investments in affiliates (Note 6)	9	9	86
Long-term loans	61	151	575
Deferred tax assets (Note 10)	1,995	2,307	18,787
Net defined benefit asset (Note 12)	2,175	1,984	20,476
Goodwill (Note 18)	922	1,618	8,685
Others	4,763	5,200	44,841
Allowance for doubtful accounts	(126)	(70)	(1,190)
Total investments and other assets	12,108	13,291	113,972
Total non-current assets	85,204	84,126	802,001
Total assets	¥192,137	¥182,011	$1,808,527

	Millions of yen 2018	Millions of yen 2017	Thousands of U.S. dollars (Note 5) 2018
Liabilities			
Current liabilities:			
Notes and accounts payable (Note 6)	¥9,728	¥9,668	$91,566
Short-term borrowings (Notes 6 and 9)	1,129	1,107	10,633
Lease obligations (Note 9)	119	139	1,127
Other payables (Note 6)	6,273	6,595	59,045
Income taxes payable	5,252	5,577	49,442
Deferred tax liabilities (Note 10)	1	2	12
Provision for bonuses	3,863	4,247	36,362
Provision for directors' bonuses	117	139	1,109
Provision for stock payments	53	50	505
Others	8,867	9,550	83,468
Total current liabilities	35,406	37,079	333,273
Non-current liabilities:			
Lease obligations (Note 9)	214	308	2,021
Deferred tax liabilities (Note 10)	754	551	7,098
Provision for directors' retirement benefits	491	507	4,623
Provision for directors' stock payments	90	111	854
Net defined benefit liabilities (Note 12)	7,674	7,669	72,232
Asset retirement obligations	659	654	6,211
Others	178	72	1,679
Total non-current liabilities	10,063	9,875	94,721
Total liabilities	45,470	46,954	427,995
Net assets (Note 11)			
Shareholders' equity:			
Common stock:			
Authorized 2018 - 176,000,000 shares			
Authorized 2017 - 176,000,000 shares			
Issued 2018 - 133,875,800 shares			
Issued 2017 - 133,821,800 shares	12,033	12,020	113,266
Capital surplus	4,775	4,781	44,954
Retained earnings	123,647	111,936	1,163,847
Treasury stock - 292,997 shares in 2018			
166,997 shares in 2017	(1,073)	(539)	(10,100)
Total shareholders' equity	139,383	128,198	1,311,968
Accumulated other comprehensive income:			
Unrealized holding gain on securities	680	604	6,404
Foreign currency translation adjustments	57	492	540
Remeasurements of defined benefit plans (Note 12)	(745)	(1,173)	(7,018)
Total accumulated other comprehensive income (loss)	(7)	(77)	(72)
Subscription rights	7	11	66
Non-controlling interests	7,284	6,924	68,570
Total net assets	146,667	135,056	1,380,532
Total liabilities and net assets	¥192,137	¥182,011	$1,808,527

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Income

Calbee, Inc. and Consolidated Subsidiaries
Years ended March 31, 2018 and 2017

	Millions of yen		Thousands of U.S. dollars (Note 5)
	2018	2017	2018
Net sales	¥251,575	¥252,420	$2,367,992
Cost of sales (Notes 8 and 16)	142,671	140,847	1,342,913
Gross profit	108,904	111,573	1,025,078
Selling, general and administrative expenses (Notes 15 and 16)	82,075	82,732	772,548
Operating income	26,828	28,841	252,530
Other income (expenses)			
Interest and dividend income	127	120	1,198
Interest expense	(78)	(36)	(736)
Real estate income	77	77	729
Cost of real estate	(35)	(37)	(334)
Foreign exchange gains (losses)	(562)	(260)	(5,296)
Depreciation	(41)	(163)	(389)
Business commencement expenses	—	(131)	—
Gain on sales of non-current assets (Note 17)	6	11	64
Gain on liquidation of subsidiaries and affiliates	—	146	—
Subsidy income	185	107	1,748
Loss on sales of non-current assets (Note 17)	(2)	(4)	(25)
Loss on retirement of non-current assets (Note 17)	(160)	(516)	(1,508)
Impairment loss (Note 18)	(97)	(584)	(913)
Other	(149)	130	(1,405)
Net income before income taxes	26,099	27,700	245,662
Income taxes (Note 10)**:**			
Current	(8,756)	(9,161)	(82,417)
Deferred	(270)	406	(2,546)
	(9,026)	(8,754)	(84,963)
Net income	17,072	18,946	160,698
Net income (loss) attributable to:			
Non-controlling interests	(258)	341	(2,431)
Owners of parent	¥17,330	¥18,605	$163,129

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Comprehensive Income

Calbee, Inc. and Consolidated Subsidiaries
Years ended March 31, 2018 and 2017

	Millions of yen		Thousands of U.S. dollars (Note 5)
	2018	2017	2018
Net income			
Other comprehensive income (Note 19):	¥17,072	¥18,946	$160,698
Unrealized holding gain (loss) on securities	76	(4)	717
Foreign currency translation adjustments	(633)	(578)	(5,967)
Remeasurements of defined benefit plans	428	411	4,030
Total other comprehensive loss	(129)	(171)	(1,219)
Comprehensive income	¥16,942	¥18,774	$159,478
Comprehensive income attributable to:			
Owners of parent	¥17,400	¥18,599	$163,786
Non-controlling interests	¥(457)	¥174	$(4,307)

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Changes in Net Assets

Calbee, Inc. and Consolidated Subsidiaries
Years ended March 31, 2018 and 2017

	Millions of yen					
		Shareholders' Equity				
	Number of Shares of Common Stock Outstanding	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Total Shareholders' Equity
Balance at April 1, 2016	133,769,800	¥12,008	¥11,572	¥98,013	¥(609)	¥120,985
Issuance of stock (exercise of subscription rights)	52,000	12	12			24
Cash dividends paid				(4,681)		(4,681)
Profit attributable to owners of parent				18,605		18,605
Disposal of treasury stock					69	69
Purchase of shares of consolidated subsidiaries			(6,803)			(6,803)
Net changes during the year						
Balance at April 1, 2017	133,821,800	¥12,020	¥4,781	¥111,936	¥(539)	¥128,198
Issuance of stock (exercise of subscription rights)	54,000	12	12			25
Cash dividends paid				(5,620)		(5,620)
Profit attributable to owners of parent				17,330		17,330
Purchase of treasury stock					(599)	(599)
Disposal of treasury stock					66	66
Purchase of shares of consolidated subsidiaries			(18)			(18)
Net changes during the year						
Balance at March 31, 2018	133,875,800	¥12,033	¥4,775	¥123,647	¥(1,073)	¥139,383

	Millions of yen						
	Accumulated Other Comprehensive Income						
	Unrealized Holding Gain on Securities	Foreign Currency Translation Adjustments	Remeasurements of Defined Benefit Plans	Total Accumulated Other Comprehensive Income	Subscription Rights	Non-Controlling Interests	TotalNet Assets
Balance at April 1, 2016	¥608	¥904	¥(1,585)	¥(72)	¥15	¥10,541	¥131,469
Issuance of stock (exercise of subscription rights)					(3)		20
Cash dividends paid							(4,681)
Profit attributable to owners of parent							18,605
Disposal of treasury stock							69
Purchase of shares of consolidated subsidiaries							(6,803)
Net changes during the year	(4)	(412)	411	(5)		(3,617)	(3,622)
Balance at April 1, 2017	¥604	¥492	¥(1,173)	¥(77)	¥11	¥6,924	¥135,056
Issuance of stock (exercise of subscription rights)					(4)		21
Cash dividends paid							(5,620)
Profit attributable to owners of parent							17,330
Purchase of treasury stock							(599)
Disposal of treasury stock							66
Purchase of shares of consolidated subsidiaries							(18)
Net changes during the year	76	(434)	428	69		360	430
Balance at March 31, 2018	¥680	¥57	¥(745)	¥(7)	¥7	¥7,284	¥146,667

See accompanying notes to the consolidated financial statements.

Calbee, Inc. and Consolidated Subsidiaries
Years ended March 31, 2018

	Number of Shares of Common Stock Outstanding	Thousands of U.S. dollars (Note 5) Shareholders' Equity				
		Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Total Shareholders' Equity
Balance at April 1, 2017	133,821,800	$113,146	$45,006	$1,053,620	$(5,081)	$1,206,691
Issuance of stock (exercise of subscription rights)	54,000	120	120			241
Cash dividends paid				(52,903)		(52,903)
Profit attributable to owners of parent				163,129		163,129
Purchase of treasury stock					(5,644)	(5,644)
Disposal of treasury stock					625	625
Purchase of shares of consolidated subsidiaries			(172)			(172)
Net changes during the year						
Balance at March 31, 2018	133,875,800	$113,266	$44,954	$1,163,847	$(10,100)	$1,311,968

	Thousands of U.S. dollars (Note 5) Accumulated Other Comprehensive Income						
	Unrealized Holding Gain on Securities	Foreign Currency Translation Adjustments	Remeasurements of Defined Benefit Plans	Total Accumulated Other Comprehensive Income	Subscription Rights	Non-Controlling Interests	Total Net Assets
Balance at April 1, 2017	$5,688	$4,631	$(11,048)	$(729)	$104	$65,174	$1,271,241
Issuance of stock (exercise of subscription rights)					(38)		203
Cash dividends paid							(52,903)
Profit attributable to owners of parent							163,129
Purchase of treasury stock							(5,644)
Disposal of treasury stock							625
Purchase of shares of consolidated subsidiaries							(172)
Net changes during the year	716	(4,090)	4,030	656		3,395	4,051
Balance at March 31, 2018	$6,404	$540	$(7,018)	$(72)	$66	$68,570	$1,380,532

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Cash Flows

Calbee, Inc. and Consolidated Subsidiaries
Years ended March 31, 2018 and 2017

	Millions of yen 2018	Millions of yen 2017	Thousands of U.S. dollars (Note 5) 2018
Cash flows from operating activities			
Net income before income taxes	¥26,099	¥27,700	$245,662
Depreciation and amortization	7,845	7,297	73,848
Impairment loss	97	584	913
Goodwill amortization	600	619	5,650
Increase (decrease) in provision	(328)	117	(3,095)
Increase (decrease) in net defined benefit asset/liability	431	359	4,061
Interest and dividend income	(127)	(120)	(1,198)
Interest expense	78	36	736
Foreign exchange loss (gain)	382	268	3,603
Net loss (gain) on sales of non-current assets	(4)	(7)	(39)
Loss on retirement of non-current assets	160	516	1,508
Decrease (increase) in notes and accounts receivables	(13,256)	(5,549)	(124,780)
Decrease (increase) in inventories	(938)	(642)	(8,838)
Increase (decrease) in notes and accounts payable	117	(734)	1,104
Increase (decrease) in other payables	3	1,957	34
Others	(2,346)	1,984	(22,090)
Subtotal	18,813	34,389	177,081
Interest and dividends received	131	127	1,239
Interest paid	(73)	(34)	(690)
Income taxes paid	(9,512)	(8,523)	(89,537)
Net cash provided by operating activities	9,358	25,958	88,092
Cash flows from investing activities			
Acquisition of property, plant and equipment	(10,583)	(9,372)	(99,619)
Proceeds from sale of property, plant and equipment	25	13	236
Acquisition of intangible fixed assets	(425)	(391)	(4,008)
Acquisition of marketable securities	(27,997)	(13,998)	(263,531)
Proceeds from redemption of marketable securities	32,000	10,000	301,204
Purchase of investment securities	(116)	(16)	(1,099)
Payment of loans receivable	(60)	(0)	(570)
Collection of loans receivable	60	32	571
Payment into time deposits	(1,686)	(728)	(15,875)
Proceeds from withdrawal of time deposits	1,669	827	15,717
Payment of security deposit	(170)	(175)	(1,603)
Collection of security deposit	152	152	1,437
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	—	42	—
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	—	62	—
Others	874	147	8,235
Net cash used in investing activities	(6,258)	(13,404)	(58,905)
Cash flows from financing activities			
Net increase in short-term borrowings	82	1,070	771
Repayments of long-term debt	—	(354)	—
Purchase of treasury stock	(599)	—	(5,644)
Inflow from exercise of stock options	21	20	203
Repayment for lease obligations	(136)	(107)	(1,285)
Cash dividends paid	(5,617)	(4,677)	(52,879)
Proceeds from share issuance to non-controlling shareholders	816	—	7,685
Dividends paid to non-controlling interests	(16)	(990)	(154)
Payments from changes in ownership interests in subsidiariesthat do not result in change in scope of consolidation	—	(9,673)	—
Net cash used in financing activities	(5,450)	(14,711)	(51,303)
Effect of exchange rate changes on cash and cash equivalents	(82)	(538)	(776)
Net increase (decrease) in cash and cash equivalents	(2,432)	(2,696)	(22,892)
Cash and cash equivalents at beginning of year	44,627	47,323	420,061
Cash and cash equivalents at end of year (Note 14)	¥42,195	¥44,627	$397,168

See accompanying notes to the consolidated financial statements.

Notes to Consolidated Financial Statements

Calbee, Inc. and Consolidated Subsidiaries
Years ended March 31, 2018

1. Basis of Presentation

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

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

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

2. Summary of Significant Accounting Policies

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

The accompanying consolidated financial statements include the accounts of the Company and significant subsidiaries in which the Company holds, directly or indirectly, more than 50% of the voting rights or where it exercises control. The consolidated financial statements consist of the Company and its 27 (27 in 2017) significant subsidiaries as listed below.

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. (Note 3)
- Studio Socio, Inc.
- CalNeCo, Inc.
- Calbee America, Inc. (Note 3)
- Calbee North America, LLC (Note 3)
- Haitai-Calbee Co., Ltd. (Note 3)
- Qingdao Calbee Foods Co., Ltd. (Note 3)
- Yantai Calbee Co., Ltd. (Note 3)
- CFSS Co. Ltd. (Note 3)
- Calbee (Hangzhou) Foods Co.,Ltd. (Notes 1and 3)
- Calbee Four Seas Co., Ltd.
- Calbee E-commerce Limited (Note 3)
- Calbee (Taiwan) Co., Ltd. (Note 3)
- Calbee-URC, Inc. (Note 3)
- Calbee Tanawat Co., Ltd. (Note 3)
- Calbee Moh Seng Pte. Ltd. (Note 3)
- PT. Calbee-Wings Food (Note 3)
- Calbee Australia Pty Limited (Note 3)
- Calbee (UK) Ltd (Note 3)

Notes: 1. Calbee E-commerce Limited established Calbee (Hangzhou) Foods Co.,Ltd. This company has been included in the scope of consolidation from the year ended March 31, 2018.
2. Following the liquidation of Calbee Iberia, S. L., which was within the scope of consolidation as of March 31, 2017, it has been excluded from the scope of consolidation during the year ended March 31, 2018.
3. The fiscal year-end of these subsidiaries is December 31.

For the year ended March 31, 2018, all subsidiaries are consolidated and there is one affiliate (Calbee URC Malaysia Sdn. Bhd.) that is accounted for by the equity method. For the year ended March 31, 2017, all subsidiaries are consolidated and there is no affiliate that is accounted for by the equity method.

For the years ended March 31, 2018 and 2017, two affiliates, Potato Foods Co., Ltd., and Hiroshima Agricultural Produce Distributors Cooperative are not accounted for using the equity method as they are not significant in terms of net income and retained earnings of the consolidated financial statements. Investments in these affiliates are carried at cost.

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

(b) Foreign currency translation

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

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

(c) Cash and cash equivalents

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

(d) Allowance for doubtful accounts

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

(e) Marketable and investment securities

Marketable and investment securities are classified and valued as follows

(1) Held-to-maturity debt securities

Amortized cost method (straight-line method)

(2) Available-for-sale securities

Securities for which fair values are readily available:

Marked-to-market using market prices at the fiscal year-end, with any changes in unrealized holding gains or losses, net of applicable income taxes, included directly in net assets. Cost of securities sold is determined using the moving average method.

Securities for which fair values are not readily available:

Stated at cost based on the moving-average method.

(f) Inventories

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

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

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

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

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

(h) Goodwill

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

(i) Intangible assets (except for leases)

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

(j) Leases

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

(k) Provision for bonuses

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

(l) Provision for stock payments

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

(m) Provision for directors' retirement benefits

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

(n) Provision for directors' stock payments

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

(o) Accounting method for retirement benefits

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

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

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

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

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

(3) Application of the simplified method for small businesses

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

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

(p) Consumption taxes

Transactions subject to consumption tax and local consumption tax are stated at the amount, net of consumption taxes.

(q) Business commencement expenses

Business commencement expenses are expensed as incurred.

3. Standards and guidance not yet adopted

The following standard and guidance were issued but not yet adopted.
-"Accounting Standard for Revenue Recognition" (ASBJ Statement No.29, March 30, 2018)
-"Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No.30, March 30, 2018)

(1) Overview

The above standard and guidance provide comprehensive principles for revenue recognition. Under the standard and guidance, revenue is recognized by applying following 5 steps:

Step1: Identify contract(s) with customers.
Step2: Identify the performance obligations in the contract.
Step3: Determine the transaction price.
Step4: Allocate the transaction price to the performance obligation in the contract.
Step5: Recognize revenue when (or as) the entity satisfies a performance obligation.

(2) Effective date

The Company and its consolidated subsidiaries have not yet determined its first application date.

(3) Effects of the application of the standards

The Company and its consolidated subsidiaries are currently in the process of determining the effects of these new standards on the consolidated financial statements.

4. Additional Information

Employee Stock Ownership Plan (ESOP) Trust

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

(1) Transaction summary

On March 7, 2014, the Employee Stock Ownership Plan (ESOP) Trust was introduced as an employee incentive plan with the aim of improving long-term corporate value. By raising awareness of our financial results and share price among employees, the Company aims to further promote corporate activities that improve financial results. The Company has established the Trust by contributing funds for acquisition of the Company's stocks for those employees who satisfy certain requirements. Based on predetermined regulations for awarding stocks, the Trust will acquire the estimated number of the Company's stocks to be awarded to employees from the stock market during the predetermined stock acquisition period. Funds required for the Trust to purchase the aforementioned stocks will be provided by the Company. The employees will bear no liabilities. Introducing the Trust will enable employees to profit from a rise in stock prices, and will promote awareness of the stock price among employees as they fulfill their duties and is thereby expected to improve employee motivation. Further, the voting rights of the Company's stocks held in the Trust will be executed within a structure that will reflect the will of the employees who are potential beneficiaries and is an effective way to improve corporate value by promoting employees' participation in management planning.

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

The Company's own stock in the Trust is recorded in treasury stock under net assets based on the book value in the trust (excluding ancillary expenses). The book value and the number of these treasury stock as of March 31, 2018 and 2017 were ¥333 million ($3,135 thousand) and 92,965 shares, and ¥109 million and 43,465 shares, respectively.

Performance-linked stock compensation plan

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

(1) Transaction summary

On August 6, 2014, the Company introduced a performance-linked stock compensation plan (hereinafter the "Plan") with the goal of increasing awareness of the importance of contributing to further enhancing the Company's corporate value and performance over the medium-to-long-term. The plan will be highly transparent and objective and closely linked with the Company's performance for Board Members.
The Plan is the performance-linked stock compensation plan under which the Company's shares are acquired through the Board Incentive Plan Trust (hereafter "BIP Trust") with the funds of remuneration contributed by the Company and the Company's shares are awarded to the Company's Board Members in accordance with performance targets achieved. Upon their retirement, Board Members will receive the Company's stocks in principle.
In order to ensure the neutrality of the Company's management, voting rights for the Company's stocks in the Trust shall not be exercised while in the Trust.

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

The Company's own stock in the Trust is recorded in treasury stock under net assets based on the book value in the Trust (excluding ancillary expenses). The book value and the number of treasury stock in the Trust as of March 31, 2018 and 2017 were ¥737 million ($6,943 thousand) and 199,200 shares, and ¥428 million and 122,700 shares, respectively.

5. U.S. Dollar Amounts

For the convenience of the reader, the accompanying consolidated financial statements are also presented in U.S. dollars by converting Japanese yen amounts at the rate of ¥106.24 = $1, the approximate rate in effect on March 31, 2018. The inclusion of such amounts is not intended to imply that yen amounts have been or could be readily converted, realized or settled in U.S. dollars at that or any other rate.

6. Financial Instruments

(1) Policy for financial instruments

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

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

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

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

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

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

Long-term debt (including current portion of long-term debt) are taken out for the purpose of capital investments. To avoid risks from fluctuations in interest rates for payments on long-term debt, the Company's borrowings are limited to those with fixed interest rates.

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

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

The fair value of financial instruments includes the market value, or the reasonably determined value, in case there is no relevant market value. Such value may change depending on the different presumptions adopted, since variable factors are taken into account in determining the fair value.

The contract amount of derivative transactions shown in Note 20 Derivative Financial Instruments does not represent market risk.

(4) Fair values of financial instruments

Carrying amount, estimated fair value and the difference between them for financial instruments as of March 31, 2018 and 2017 are shown in the following table. The financial instruments for which fair values are not readily available are not included (see Note 2 below).

	Millions of yen		
(As of March 31, 2018)	Carrying Amount	Estimated Fair Value	Difference
Assets			
(1) Cash and deposits	¥ 23,559	¥ 23,559	–
(2) Notes and accounts receivable	41,749	41,749	–
(3) Marketable and investment securities			
Held-to-maturity	22,998	22,996	¥ (2)
Available-for-sale	2,197	2,197	–
Total assets	¥ 90,506	¥ 90,504	¥ (2)
Liabilities			
(4) Notes and accounts payable	¥ (9,728)	¥ (9,728)	–
(5) Short-term borrowings	(1,129)	(1,129)	–
(6) Other payables	(6,273)	(6,273)	–
Total liabilities	¥ (17,130)	¥ (17,130)	–
Derivative transactions			
Hedge accounting not applied	¥ (66)	¥ (66)	–
Total derivative transactions	¥ (66)	¥ (66)	–

	Thousands of U.S. dollars		
(As of March 31, 2018)	Carrying Amount	Estimated Fair Value	Difference
Assets			
(1) Cash and deposits	$ 221,759	$ 221,759	–
(2) Notes and accounts receivable	392,976	392,976	–
(3) Marketable and investment securities			
Held-to-maturity	216,481	216,461	$ (19)
Available-for-sale	20,685	20,685	–
Total assets	$ 851,903	$ 851,883	$ (19)
Liabilities			
(4) Notes and accounts payable	$ (91,566)	$ (91,566)	–
(5) Short-term borrowings	(10,633)	(10,633)	–
(6) Other payables	(59,045)	(59,045)	–
Total liabilities	$ (161,245)	$ (161,245)	–
Derivative transactions			
Hedge accounting not applied	$ (621)	$ (621)	–
Total derivative transactions	$ (621)	$ (621)	–

(As of March 31, 2017)	Millions of yen Carrying Amount	Estimated Fair Value	Difference
Assets			
(1) Cash and deposits	¥ 23,961	¥ 23,961	—
(2) Notes and accounts receivable	28,600	28,600	—
(3) Marketable and investment securities			
Held-to-maturity	28,999	28,998	¥ (0)
Available-for-sale	2,082	2,082	—
Total assets	¥ 83,643	¥ 83,643	¥ (0)
Liabilities			
(4) Notes and accounts payable	¥ (9,668)	¥ (9,668)	—
(5) Short-term borrowings	(1,107)	(1,107)	—
(6) Other payables	(6,595)	(6,595)	—
Total liabilities	¥ (17,371)	¥ (17,371)	—
Derivative transactions			
Hedge accounting not applied	¥ 47	¥ 47	—
Total derivative transactions	¥ 47	¥ 47	—

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

Notes 1. Methods to determine the estimated fair value of financial instruments and information related to securities and derivatives

Assets
(1) Cash and deposits and (2) Notes and accounts receivable
The carrying amount approximates fair value due to the short maturities.
(3) Marketable and investment securities
Fair values of equity securities are based on the quoted prices on stock exchanges, and fair values of debt securities are based on the prices quoted by financial institutions.
Liabilities
(4) Notes and accounts payable, (5) Short-term borrowings and (6) Other payables
The carrying amount approximates fair value due to the short maturities.
Derivative transactions
Refer to Note 20, "Derivative Financial Instruments."

2. Unlisted shares with carrying value of ¥108 million ($1,024 thousand) and ¥8 million at March 31, 2018 and 2017, respectively, are not included in "(3) Marketable and investment securities" in the above table as their market value is not readily available. Net realizable values that are below 50% of the acquisition costs are considered to have "significantly declined," and impairment loss is recognized unless there is sufficient evidence for their recoverability. During the years ended March 31, 2018 and 2017, no impairment loss was recognized on unlisted shares.
Investments in affiliates with carrying value of ¥9 million ($86 thousand) and ¥9 million at March 31, 2018 and 2017 are also excluded from the above table as their market value is not readily available.

3. Redemption schedule of monetary receivables and marketable securities with maturities after March 31, 2018.

(As of March 31, 2018)	Millions of yen Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and deposits	¥ 22,691	—	—	—
Notes and accounts receivable	41,749	—	—	—
Marketable securities				
Held-to- maturity				
Jointly-managed money trust	9,000	—	—	—
Commercial paper	14,000	—	—	—
Total	¥ 87,440	—	—	—

(As of March 31, 2018)	Thousands of U.S. dollars Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and deposits	$ 213,583	—	—	—
Notes and accounts receivable	392,976	—	—	—
Marketable securities				
Held-to- maturity				
Jointly-managed money trust	84,713	—	—	—
Commercial paper	131,777	—	—	—
Total	$ 823,050	—	—	—

7. Marketable and Investment Securities

(1) The summary of acquisition cost and carrying value of held to maturity and available-for-sale securities as of March 31, 2018 and 2017 is as follows:

Held-to-maturity

	Millions of yen			Thousands of U.S. dollars		
	2018			2018		
	Carrying amount	Estimated fair value	Unrealized gains (losses)	Carrying amount	Estimated fair value	Unrealized gains (losses)
(Securities with estimated fair value exceeding carrying amount)						
Jointly-managed money trust	¥ 2,000	¥2,000	¥ 0	$ 18,825	$ 18,825	$ 0
Commercial paper	1,999	2,000	0	18,824	18,825	0
(Securities with estimated fair value not exceeding carrying amount)						
Jointly-managed money trust	¥ 7,000	¥6,999	¥ (0)	$ 65,888	$ 65,884	$ (3)
Commercial paper	11,999	11,997	(1)	112,942	112,925	(16)
Total	¥ 22,998	¥22,996	¥ (2)	$ 216,481	$ 216,461	$ (19)

Available-for-sale

	Millions of yen			Thousands of U.S. dollars		
	2018			2018		
	Carrying amount	Acquisition cost	Unrealized gains (losses)	Carrying amount	Acquisition cost	Unrealized gains (losses)
(Securities with carrying value exceeding acquisition cost)						
Equity securities	¥ 2,197	¥ 1,269	¥ 928	$ 20,685	$ 11,944	$ 8,741
(Securities with carrying value not exceeding acquisition cost)						
Equity securities	—	—	—	—	—	—
Total	¥ 2,197	¥ 1,269	¥ 928	$ 20,685	$ 11,944	$ 8,741

Held-to-maturity

	Millions of yen		
	2017		
	Carrying amount	Estimated fair value	Unrealized gains (losses)
(Securities with estimated fair value exceeding carrying amount)			
Jointly-managed money trust	¥ 2,000	¥ 2,000	¥ 0
Commercial paper	3,999	3,999	0
Trust beneficiary rights on lease receivables	2,000	2,000	0
(Securities with estimated fair value not exceeding carrying amount)			
Jointly-managed money trust	19,000	18,999	(0)
Commercial paper	1,999	1,999	(0)
Total	¥ 28,999	¥ 28,998	¥ (0)

Available-for-sale

	Millions of yen		
	2017		
	Carrying amount	Acquisition cost	Unrealized gains (losses)
(Securities with carrying value exceeding acquisition cost)			
Equity securities	¥ 2,057	¥ 1,225	¥ 832
(Securities with carrying value not exceeding acquisition cost)			
Equity securities	25	27	(2)
Total	¥ 2,082	¥ 1,252	¥ 829

(Note) Unlisted shares with carrying values of ¥108 million ($1,024 thousand) and ¥8 million at March 31, 2018 and 2017, respectively, are not included in the above table as their market value is not readily available.

(2) Sales of available-for-sale securities

No applicable item is sold during the year ended March 31, 2018 and 2017.

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

The Company recognizes impairment loss for the full amount of securities when the fair value declines below 50% of the acquisition cost, and for amounts deemed necessary after consideration of recoverability when the fair value declines by 30 to 50% of the acquisition cost. During the years ended March 31, 2018 and 2017, impairment loss recognized on equity securities classified as available-for-sale securities amounted to nil.

8. Inventories

Inventories at March 31, 2018 and 2017 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Finished goods and commercial goods	¥ 4,275	¥4,117	$ 40,241
Work in process	1,389	1,351	13,083
Raw materials and supplies	5,082	4,426	47,844
	¥ 10,748	¥9,895	$ 101,169

Valuation losses (reversal) due to declines in profitability included in cost of sales for the years ended March 31, 2018 and 2017 were ¥ 273 million ($ 2,570 thousand) and ¥(263) million, respectively.

9. Short-Term Borrowings and Long-Term Debt

The outstanding balance of short-term borrowings, long-term debt, lease obligations and other interest-bearing liabilities as of March 31, 2018 and 2017 are as follows:

	Millions of yen		Thousands of U.S. dollars	Average interest rate	
	2018	2017	2018	2018	2017
Short-term borrowings	¥ 1,129	¥1,107	$ 10,633	5.5%	2.2%
Current portion of lease obligations	119	139	1,127	—	—
Lease obligations, excluding current portion	214	308	2,021	—	—
Other interest-bearing liabilities	47	40	448	0.7	1.0
Total	¥ 1,511	¥1,596	$ 14,230		

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

The aggregate annual maturities of lease obligations are summarized below:

Years ending March 31,	Millions of yen	Thousands of U.S. dollars
	Lease obligations	
2019	¥ 119	$ 1,127
2020	103	977
2021	83	781
2022	18	172
2023	7	71
2024 and thereafter	2	18

10. Income Taxes

The Company and its domestic consolidated subsidiaries are subject to several types of taxes: corporate tax, local inhabitant taxes and enterprise taxes, which in the aggregate resulted in a statutory tax rate of approximately 30.7% and 30.7% for the fiscal years ended March 31, 2018 and 2017, respectively. Overseas subsidiaries are subject to income and other taxes of the respective countries in which they operate.

A reconciliation of the statutory tax rate to the effective tax rates for the years ended March 31, 2018 and 2017 is as follows:

	2018	2017
Statutory tax rate	30.7 %	30.7 %
Adjustments:		
Entertainment and other permanently non-deductible expenses	1.0	0.4
Dividend and other permanently non-taxable income	(0.0)	(0.1)
Special tax credit for income tax	(0.4)	(1.6)
Per capita inhabitant tax	0.3	0.3
Changes in valuation allowances	1.7	1.5
Tax rate differences in consolidated subsidiaries	0.2	0.0
Effect of consolidation adjustments	0.8	0.6
Others	0.4	(0.2)
Effective tax rates	34.6 %	31.6 %

Significant components of deferred tax assets and liabilities as of March 31, 2018 and 2017 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Deferred tax assets:			
Allowance for doubtful accounts	¥ 87	¥ 26	$ 824
Provision for bonuses	1,158	1,282	10,907
Accrued expenses	1,118	1,110	10,529
Enterprise tax payable	314	292	2,958
Provision for stock payments	16	15	154
Provision for directors' stock payments	27	33	260
Net defined benefit liability	1,632	1,734	15,363
Provision for directors' retirement benefits	39	160	374
Share-based payment expense	2	3	20
Depreciation	939	136	8,839
Impairment loss	248	264	2,336
Asset retirement obligations	211	209	1,988
Loss carried forward	685	457	6,450
Others	1,041	889	9,801
Subtotal	7,522	6,617	70,809
Less valuation allowances	(1,044)	(740)	(9,833)
Total deferred tax assets	6,478	5,876	60,975
Deferred tax liabilities:			
Unrealized holding gain on securities	(270)	(247)	(2,544)
Deferred gains on property, plant and equipment	(482)	(499)	(4,542)
Asset retirement obligations	(21)	(27)	(204)
Others	(1,886)	(755)	(17,752)
Total deferred tax liabilities	(2,660)	(1,529)	(25,043)
Net deferred tax assets	¥ 3,817	¥ 4,347	$ 35,932

Net deferred tax assets are included in the consolidated balance sheets as of March 31, 2018 and 2017 as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Current assets- deferred tax assets	¥ 2,576	¥ 2,593	$ 24,255
Investments and other assets- deferred tax assets	1,995	2,307	18,787
Current liabilities- deferred tax liabilities	(1)	(2)	(12)
Non-current liabilities- deferred tax liabilities	(754)	(551)	(7,098)
Net deferred tax assets	¥ 3,817	¥ 4,347	$ 35,932

11. Net Assets

(1) Movements of number of common stock issued and outstanding during the years ended March 31, 2018 and 2017 are as follows:

	Number of shares	
	2018	2017
Balance at beginning of year	133,821,800	133,769,800
Increase	54,000	52,000
Decrease	—	—
Balance at end of year	133,875,800	133,821,800

Note: The breakdown of the increase during the year ended March 31, 2018 is as follows:
Increase due to an exercise of subscription rights 54,000 shares

The breakdown of the increase during the year ended March 31, 2017 is as follows:
Increase due to an exercise of subscription rights 52,000 shares

(2) Movements of number of treasury stock during the years ended March 31, 2018 and 2017 are as follows:

	Number of shares	
	2018	2017
Balance at beginning of year	166,997	193,452
Increase	149,800	—
Decrease	(23,800)	(26,455)
Balance at end of year	292,997	166,997

Note: The breakdown of the increase and decrease during the year ended March 31, 2018 is as follows:
Increase due to purchase of treasury shares by the trust 149,800 shares
Decrease due to issuance of treasury shares by the trust 23,800 shares

The breakdown of the increase during the year ended March 31, 2017 is as follows:
Decrease due to issuance of treasury shares by the trust 26,455 shares

(3) As of March 31, 2018 and 2017, the outstanding balance of subscription rights provided for as stock options was ¥7 million ($66 thousand) and ¥11 million, respectively.

(4) Cash dividends

The following appropriation of retained earnings at March 31, 2018 and 2017 was approved at the annual meetings of the Company's shareholders held on June 20, 2018 and June 21, 2017, respectively.

	Millions of yen 2018	Millions of yen 2017	Thousands of U.S. dollars 2018
Cash dividends	¥ 5,622	¥5,620	$ 52,924

Cash dividends attributable to the year ended March 31, 2017 of ¥5,620 million were paid during the year ended March 31, 2018 in accordance with the resolution at the annual meeting of the Company's shareholders held on June 21, 2017.
Amount of total dividends paid to shares held by the Company in trust in 2018 and 2017 is ¥12 million ($115 thousand) and ¥7 million, respectively.

12. Retirement Benefits for Employees

The Company and its 2 domestic consolidated subsidiaries have corporate pension plans and lump-sum payment plans that are multi-employer plans as defined benefit pension plans. Other domestic consolidated subsidiaries and certain foreign consolidated subsidiaries have 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 Company's retirement benefit plans, the defined benefit pension plans for consolidated subsidiaries and the retirement lump-sum payment plans are calculated using the simplified accounting method.
Notes relating to retirement benefits based on defined benefit plans include the portion related to multi-employer plans.

(1) The changes in the retirement benefit obligation for the years ended March 31, 2018 and 2017 are as follows: (excluding the plans to which the simplified accounting method is applied)

	Millions of yen 2018	Millions of yen 2017	Thousands of U.S. dollars 2018
Balance at beginning of year	¥ 15,877	¥ 15,935	$ 149,446
Service cost	800	808	7,533
Interest cost	79	71	748
Actuarial loss (gain)	103	(95)	971
Retirement benefits paid	(786)	(477)	(7,405)
Past service cost	—	19	—
Other	—	(385)	—
Retirement benefit obligations at end of year	¥ 16,073	¥ 15,877	$ 151,294

(2) The changes in plan assets for the years ended March 31, 2018 and 2017 are as follows: (excluding the plans to which the simplified accounting method is applied)

	Millions of yen 2018	Millions of yen 2017	Thousands of U.S. dollars 2018
Balance at beginning of year	¥ 11,374	¥ 10,955	$ 107,067
Expected return on plan assets	113	109	1,070
Actuarial gain (loss)	322	121	3,034
Employer's contribution	428	425	4,036
Retirement benefits paid	(443)	(236)	(4,177)
Plan assets at end of year	¥ 11,795	¥ 11,374	$ 111,031

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

	Millions of yen 2018	Millions of yen 2017	Thousands of U.S. dollars 2018
Balance at beginning of year	¥ 1,182	¥ 946	$ 11,134
Retirement benefit expense	200	144	1,885
Retirement benefits paid	(148)	(108)	(1,393)
Contribution to the plans	(14)	(17)	(139)
Increase (decrease) due to foreign currency translation	0	5	6
Other	—	212	—
Net defined benefit liability at end of year	¥ 1,221	¥ 1,182	$ 11,493

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

	Millions of yen 2018	Millions of yen 2017	Thousands of U.S. dollars 2018
Funded retirement benefit obligations	¥ 9,811	¥ 9,579	$ 92,348
Plan assets	(11,983)	(11,555)	(112,792)
	(2,171)	(1,975)	(20,444)
Unfunded retirement benefit obligations	7,670	7,660	72,200
Net liabilities (assets) recorded on the consolidated balance sheet	5,498	5,685	51,756
Net defined benefit liability	7,674	7,669	72,232
Net defined benefit asset	(2,175)	(1,984)	(20,476)
Net liabilities (assets) recorded on the consolidated balance sheet	¥ 5,498	¥ 5,685	$ 51,756

(5) Retirement benefit expenses and breakdown of amounts

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Service cost	¥ 800	¥ 808	$ 7,533
Interest cost	79	71	748
Expected return on plan assets	(113)	(109)	(1,070)
Amortization of actuarial loss	269	278	2,533
Amortization of past service cost	130	130	1,228
Retirement benefit expense using the simplified method	200	144	1,885
Additional severance payments, etc.	93	(36)	881
Retirement benefit expense related to the defined benefit plans	¥ 1,459	¥1,288	$ 13,740

(6) Remeasurements of defined benefit plans

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

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Past service cost	¥ 130	¥111	$ 1,228
Actuarial gain (loss)	488	495	4,596
Total	¥ 618	¥607	$ 5,825

(7) Accumulated remeasurements of defined benefit plans

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

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Unrecognized past service cost	¥ 11	¥ 142	$ 108
Unrecognized actuarial loss	1,069	1,557	10,063
Total	¥ 1,080	¥1,699	$ 10,172

(8) Items related to plan assets

(a) Breakdown of main items

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

	2018	2017
Domestic bonds	29.2%	30.8%
Domestic equity	7.9	8.2
Foreign bonds	12.2	10.4
Foreign equity	2.6	2.8
Alternative investments*	31.7	31.2
General life insurance accounts	13.4	13.7
Other	3.0	3.0
Total	100.0%	100.0%

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

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

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

(9) Items related to actuarial calculations

Main components used in actuarial calculations are as follows:

	2018	2017
Discount rate	0.5%	0.5%
Long-term expected rate of return	1.0	1.0
Expected salary increase rate	4.8	4.9

The amounts of required contributions to the defined contribution plans of the Company and consolidated subsidiaries for the years ended March 31, 2018 and 2017 were ¥212 million ($2,000 thousand) and ¥213 million, respectively.

13. Contingent Liabilities

Contingent liabilities for the years ended March 31, 2018 and 2017 are as follows

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Trade notes discounted	¥ 152	¥ 544	$ 1,439

14. Supplemental Cash Flow Information

The reconciliation between cash and cash equivalents in the consolidated statements of cash flows and cash and deposits in the consolidated balance sheets as of March 31, 2018 and 2017 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Cash and deposits	¥ 23,559	¥ 23,961	$ 221,759
Time deposits maturing over three months	(363)	(333)	(3,424)
Commercial paper included in the marketable securities	11,999	3,999	112,944
Trust beneficiary rights on lease receivables included in the marketable securities	—	2,000	—
Jointly-managed money trust included in the marketable securities	7,000	15,000	65,888
Cash and cash equivalents	¥ 42,195	¥ 44,627	$ 397,168

15. Selling, General and Administrative Expenses

Major components of selling, general and administrative expenses for the years ended March 31, 2018 and 2017 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Sales promotion expenses	¥32,641	¥35,023	$307,242
Advertisement expenses	3,144	2,662	29,599
Freight expenses	13,463	13,144	126,722
Salaries and other allowances	11,488	11,224	108,132
Provision for directors' retirement benefits	83	72	782
Provision for bonuses	2,199	2,575	20,700
Provision for directors' bonuses	117	139	1,109
Provision for stock payments	48	44	456
Retirement benefit expense	976	753	9,192

16. Research and Development Costs

Research and development costs included in selling, general and administrative expenses and manufacturing expenses for the years ended March 31, 2018 and 2017 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Selling, general and administrative expenses	¥2,390	¥2,033	$22,504
Manufacturing expenses	78	134	740
Total	¥2,469	¥2,168	$23,244

17. Sale and retirement of Non-current Assets

Gain on sales of non-current assets for the years ended March 31, 2018 and 2017 mainly consists of gain on sales of Machinery, equipment and vehicles.

Loss on sales of non-current assets for the years ended March 31, 2018 mainly consists of loss on sales of Land. Loss on sales of non-current assets for the years ended March 31, 2017 mainly consists of loss on sales of Machinery, equipment and vehicles.

Loss on retirement of non-current assets for the years ended March 31, 2018 and 2017 mainly consists of loss on retirement of Machinery, equipment and vehicles.

18. Impairment Loss

For the year ended March 31, 2018, the Company recognized impairment loss of ¥97 million ($ 913 thousand) on business assets. The Company has reduced the book value to the recoverable amount, since the Company decided to sell the businesses.

For the year ended March 31, 2017, the Company recognized impairment loss of ¥584 million on the idle assets for which there is no intended to use in the future and whose market values significantly declined. With regard to business assets, the Company has reduced the book value to the recoverable amount, since the Company decided to withdraw from the businesses.

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

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

The details of impairment loss recognized are as follows:

(For the year ended March 31, 2018)

Location	Purpose of use	Type of asset	Amount	
			Millions of yen	Thousands of U.S. dollars
–	Business assets	Goodwill	¥97	$913

(For the year ended March 31, 2017)

Location	Purpose of use	Type of asset	Amount
			Millions of yen
Taipei, Taiwan	Idle assets	Buildings and structures Machinery, equipment and vehicles Property, plant and equipment, others	¥467
Utsunomiya City, Tochigi Prefecture	Business assets	Buildings and structures Machinery, equipment and vehicles Property, plant and equipment, others	101
Barcelona, Spain	Business assets	Buildings and structures Machinery, equipment and vehicles Property, plant and equipment, others	15

19. Other Comprehensive Income

Reclassification adjustments and tax effects related to other comprehensive income for the years ended March 31, 2018 and 2017 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Other comprehensive income			
Unrealized holding gain on securities			
Amount during the year	¥108	¥(8)	$1,020
Reclassification adjustments	—	—	—
Amount before tax effects	108	(8)	1,020
Tax effects	(32)	3	(303)
Total	¥76	¥(4)	$717
Foreign currency translation adjustments			
Amount during the year	¥(555)	¥(488)	$(5,230)
Reclassification adjustments	16	(139)	158
Amount before tax effects	(538)	(627)	(5,072)
Tax effects	(95)	49	(895)
Total	¥(633)	¥(578)	$(5,967)
Remeasurements of defined benefit plans			
Amount during the year	¥219	¥197	$2,063
Reclassification adjustments	399	409	3,762
Amount before tax effects	618	607	5,825
Tax effects	(190)	(195)	(1,794)
Total	¥428	¥411	$4,030
Total	¥(129)	¥(171)	$(1,219)

20. Derivative Financial Instruments

Information on derivative transactions of the Company that do not meet the criteria for hedge accounting as of March 31, 2018 and 2017 is as follows:

	Millions of yen			
	2018			
	Contract amount	Maturity over one year	Fair value	Revaluation gain/loss
Non-exchange transactions				
Forward foreign exchange contracts				
Buy				
USD	¥4,958	¥2,709	¥(73)	¥(73)
GBP	81	—	7	7
Total	¥5,040	¥2,709	¥(66)	¥ (66)

	Thousands of U.S. dollars			
	2018			
	Contract amount	Maturity over one year	Fair value	Revaluation gain/loss
Non-exchange transactions				
Forward foreign exchange contracts				
Buy				
USD	$46,673	$25,505	$(689)	$(689)
GBP	768	—	67	67
Total	$47,441	$25,505	$(622)	$(622)

	Millions of yen			
	2017			
	Contract amount	Maturity over one year	Fair value	Revaluation gain/loss
Non-exchange transactions				
Forward foreign exchange contracts				
Sell				
USD	¥2,511	—	¥53	¥53
Buy				
USD	4,846	2,330	(12)	(12)
GBP	533	163	6	6
Total	¥7,891	¥2,494	¥47	¥47

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

21. Stock Options

As of March 31, 2018, the Company has the following stock option programs.

Date of resolution	June 24, 2009
Type and number of eligible persons	[The Company] Directors: 2 Statutory auditor: 1 Employees: 14 [the Company's subsidiaries] Directors: 2
Class and number of shares to be granted	Common stock: 1,600,000 shares (Note 1)
Grant date	June 30, 2009
Vesting requirement	—
Vesting period	—
Exercise period	From July 1, 2009 to June 30, 2019 (Note 2)

Notes : 1. Number of shares in the above table reflects the 50-for-1 share split executed on January 14, 2011 and the 4-for-1 share split executed on October 1, 2013.
2. The exercise period was revised at the extraordinary shareholders' meeting held on January 14, 2011.

(1) Number and price information

(As of March 31, 2018)

Date of resolution	Shares
	June 24, 2009
Unvested stock options	
Outstanding as of March 31, 2017	—
Granted	—
Expired	—
Vested	—
Outstanding as of March 31, 2018	—
Vested stock options	
Outstanding as of March 31, 2017	148,000
Vested	—
Exercised	54,000
Expired	—
Outstanding as of March 31, 2018	94,000

Note : Number of shares in the above table reflects the 50-for-1 share split executed on January 14, 2011 and the 4-for-1 share split executed on October 1, 2013.

	June 24, 2009	
Date of resolution	Yen	U.S. dollars
Exercise price	¥400	$3.76
Average stock price at exercise	4,145	39.01
Fair value at grant date	75	0.70

Note : Exercise price in the above table reflects the 50-for-1 share split executed on January 14, 2011 and the 4-for-1 share split executed on October 1, 2013.

(2) Estimate of fair value of stock option

The fair value of the stock options granted on June 30, 2009 is estimated using the intrinsic value per unit based on the price calculated under the net asset value method and benchmark companies' analysis, as the Company was not a public company at the time of the grant.

(3) Estimate of number of vested stock options

Number of options to expire in the future cannot be reasonably estimated. Accordingly, only the actual number of expired options is reflected.

(4) Intrinsic value of stock option

	Yen	U.S. dollars
Total intrinsic value at March 31, 2018	¥335,574,245	$3,158,643
Total intrinsic value on the exercise date of the stock options exercised in the year ended March 31, 2018	¥203,264,422	$1,913,256

22. Related Party Transactions

The following summarizes related party transactions for the years ended March 31, 2018 and 2017.

(1) For the year ended March 31, 2018

Officers and individual major shareholders

Nature of related party	Name	Description of business or occupation	Ownership ratio of voting rights	Description of transaction	Transaction volume (Note 1)
Officer and his/ her close family member	Akira Matsumoto	Chairman of the board & CEO Representative Director of the Company	Direct 0.06%	Exercise of subscription rights (Note 2)	¥16 million ($150 thousand)

Notes 1: The above amounts do not include consumption taxes.
2: The exercise of stock options granted by resolution at the ordinary shareholders' meeting held on June 24, 2009, pursuant to Article 236, 238 and 239 of the Companies Act. The transaction volume is calculated by multiplying the number of shares issued as a result of exercise of the option by the amount paid upon exercise.

(2) For the year ended March 31, 2017

Officers and individual major shareholders

Nature of related party	Name	Description of business or occupation	Ownership ratio of voting rights	Description of transaction	Transaction volume (Note 1)
Officer and his/ her close family member	Akira Matsumoto	Chairman of the board & CEO Representative Director of the Company	Direct 0.06%	Exercise of subscription rights (Note 2)	¥16 million

Notes 1: The above amounts do not include consumption taxes.
2: The exercise of stock options granted by resolution at the ordinary shareholders' meeting held on June 24, 2009, pursuant to Article 236, 238 and 239 of the Companies Act. The transaction volume is calculated by multiplying the number of shares issued as a result of exercise of the option by the amount paid upon exercise.

23. Per Share Information

Per share information as of March 31, 2018 and 2017 and for the years then ended is as follows:

	Yen		U.S. dollars
	2018	2017	2018
Net assets per share	¥1,043.37	¥958.60	$9.82
Net income per share			
Basic	¥129.72	¥139.24	$1.22
Diluted	¥129.61	¥139.08	$1.22

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

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Total net assets	¥146,667	¥135,056	$1,380,532
Net assets attributable to common stock	¥139,375	¥128,121	$1,311,895
Major components of the difference			
Subscription rights	¥7	¥11	$66
Non-controlling interests	¥7,284	¥6,924	$68,570

	Number of shares	
	2018	2017
Number of common stock issued and outstanding	133,875,800	133,821,800
Treasury stock of common stock	292,997	166,997
Number of common shares used in calculation of net assets per share	133,582,803	133,654,803

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

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Basis for calculation of net income per share			
Net income attributable to owners of parent	¥17,330	¥18,605	$163,129
Net income attributable to owners of parent attributable to common stock	¥17,330	¥18,605	$163,129
Net income attributable to owners of parent to common stock	—	—	—

	Number of shares	
	2018	2017
Average number of shares outstanding during the year	133,603,017	133,620,921

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Major dilutive factors included in calculating diluted net income per share			
Adjustments to net income attributable to owners of parent	¥ —	¥ —	$ —

	Number of shares	
	2018	2017
Subscription rights	109,671	155,564
Increase in number of common stock	109,671	155,564

Note The Company's own stock in the trust recorded as treasury stock under shareholders' equity includes treasury shares excluded from the average number of shares during the period used for calculating net income per share and treasury shares excluded from the number of shares outstanding at the end of the fiscal year used for calculating net assets per share. 244,120 treasury shares (174,935 shares in 2017) were excluded from the average number of shares during the year used for calculating net income per share for the year ended March 31, 2018 and 292,165 treasury shares (166,165 shares in 2017) were excluded from the number of shares outstanding used for calculating net assets per share at March 31, 2018.

24. Segment Information

For the years ended March 31, 2018 and 2017, information on operating segments is not disclosed as the Company has only one reporting segment, "Production and sale of snacks and other foods."

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

	Millions of yen			
	2018			
	Snacks	Other foods	Other	Total
Sales to third parties	¥206,842	¥40,735	¥3,998	¥251,575

	Thousands of U.S. dollars			
	2018			
	Snacks	Other foods	Other	Total
Sales to third parties	$1,946,933	$383,424	$37,634	$2,367,992

	Millions of yen			
	2017			
	Snacks	Other foods	Other	Total
Sales to third parties	¥203,284	¥45,588	¥3,548	¥252,420

(2) Information by region

Information about sales by region is as follows:

	Millions of yen 2018				
	Japan	America	China	Others	Total
Sales	¥217,774	¥9,843	¥4,376	¥19,581	¥251,575

	Thousands of U.S. dollars 2018				
	Japan	America	China	Others	Total
Sales	$2,049,831	$92,657	$41,190	$184,313	$2,367,992

	Millions of yen 2017				
	Japan	America	China	Others	Total
Sales	¥223,441	¥11,606	¥1,565	¥15,806	¥252,420

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

	Millions of yen 2018				
	Japan	America	China	Others	Total
Property, plant and equipment	¥55,006	¥8,195	¥345	¥9,548	¥73,096

	Thousands of U.S. dollars 2018				
	Japan	America	China	Others	Total
Property, plant and equipment	$517,758	$77,145	$3,247	$89,876	$688,028

	Millions of yen 2017				
	Japan	America	China	Others	Total
Property, plant and equipment	¥51,821	¥9,032	¥503	¥9,477	¥70,835

(3) Sales by major customers

		Millions of yen		Thousands of U.S. dollars
	Reported segment	2018	2017	2018
Mitsubishi Shokuhin Co., Ltd.	Production and sale of snacks and other foods	¥28,080	¥21,692	$264,315

(4) Impairment loss on fixed assets by reporting segment

	Millions of yen 2018				
	Reporting segment				
	Production and sale of snacks and other foods	Total	Other	Corporate / elimination	Total
Impairment loss	¥97	¥97	—	—	¥97

	Thousands of U.S. dollars 2018				
	Reporting segment				
	Production and sale of snacks and other foods	Total	Other	Corporate / elimination	Total
Impairment loss	$913	$913	—	—	$913

	Millions of yen 2017				
	Reporting segment				
	Production and sale of snacks and other foods	Total	Other	Corporate / elimination	Total
Impairment loss	¥584	¥584	—	—	¥584

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

	Millions of yen 2018				
	Reporting segment				
	Production and sale of snacks and other foods	Total	Other	Corporate / elimination	Total
Amortization	¥600	¥600	—	—	¥600
Balance at end of year	¥922	¥922	—	—	¥922

	Thousands of U.S. dollars 2018				
	Reporting segment				
	Production and sale of snacks and other foods	Total	Other	Corporate / elimination	Total
Amortization	$5,650	$5,650	—	—	$5,650
Balance at end of year	$8,683	$8,683	—	—	$8,683

	Millions of yen 2017				
	Reporting segment				
	Production and sale of snacks and other foods	Total	Other	Corporate / elimination	Total
Amortization	¥619	¥619	—	—	¥619
Balance at end of year	¥1,618	¥1,618	—	—	¥1,618

25. Subsequent events

(Transfer of Shares in subsidiary)

The Company has transferred 66.6% of issued shares of its subsidiary Garden Bakery, Inc. (Garden Bakery) to Showa Sangyo Co., Ltd. (Showa Sangyo).

I. Overview of business divestiture

1. Name of destination company
   Showa Sangyo Co., Ltd.
2. Details of the divested business
   Production and sale of bread and confectionary
3. The main reason for the business divestiture
   Garden Bakery was established in June 1996 as a 100% subsidiary of the Company with the purpose of producing and selling breads and snack foods, and currently produces and sells pastries and filled and stuffed breads, etc., to convenience stores.
   Showa Sangyo has an integrated structure that engages in a range of operations from raw material procurement to product development to factory management, and by transferring 66.6% of shares in Garden Bakery to Showa Sangyo, we aim to further heighten Garden Bakery's product development capability and improve productivity by strengthening the business of both Showa Sangyo and the Company.
4. Business divestiture date
   April 2, 2018
5. Outline of the transaction including legal format
   Transfer of shares with only cash as compensation

II. Outline of accounting treatment

This transfer will be accounted for, based on ASBJ Statement No.7, "Accounting Standard for Business Divestitures" and ASBJ Guidance No.10, "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures", issued on September 13, 2013.

III. Reporting segment name which includes divested business

Production and sale of snacks and other foods

Independent Auditor's Report

KPMG

Independent Auditor's Report

To the Board of Directors of Calbee, Inc.:

We have audited the accompanying consolidated financial statements of Calbee, Inc. (the "Company") and its consolidated subsidiaries, which comprise the consolidated balance sheets as at March 31, 2018 and 2017, and the consolidated statements of income, statements of comprehensive income, statements of changes in net assets and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company and its consolidated subsidiaries as at March 31, 2018 and 2017, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2018 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 5 to the consolidated financial statements.

KPMG AZSA LLC.

KPMG AZSA LLC
June 21, 2018
Tokyo, Japan