Calbee
Harvest the Power of Nature.

TSE code:2229

Financial Book 2020

Fiscal year ended March 31, 2020

Contents

Ten-Year Summary

Millions of yen, round down — Thousands of U.S.dollars (Note1)

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011	2020 US$
For the Year:											
Net sales	255,938	248,655	251,575	252,420	246,129	222,150	199,941	179,411	163,268	155,529	2,351,731
Operating profit	27,664	26,964	26,828	28,841	28,125	24,183	19,717	15,790	12,247	10,717	254,200
Operating margin(%)	10.8	10.8	10.7	11.4	11.4	10.9	9.9	8.8	7.5	6.9	—
Net income attributable to owners of parent	17,539	19,429	17,330	18,605	16,799	14,114	12,086	9,440	7,096	4,253	161,165
Net income margin(%)	6.9	7.8	6.9	7.4	6.8	6.4	6.0	5.3	4.3	2.7	—
ROE(%)	11.1	13.2	13.0	14.9	14.6	13.7	13.1	11.4	9.6	6.5	—
Research and development costs	2,745	2,660	2,469	2,168	2,195	2,052	2,161	2,288	1,811	2,213	25,231
Capital expenditures	9,004	9,945	11,009	9,763	21,229	15,290	6,392	7,298	5,422	4,049	82,743
Depreciation and amortization	8,449	8,023	7,845	7,297	7,570	6,232	5,960	6,318	6,676	7,243	77,638
Per Share(¥/$):(Note2)											
Net income attributable to owners of parent	131.22	145.39	129.72	139.24	125.88	105.82	91.46	72.18	55.07	36.62	1.20
Net assets	1,221.19	1,151.71	1,043.37	958.60	905.20	821.97	729.93	664.55	596.66	550.14	11.22
Cash dividends	50.00	48.00	42.00	42.00	35.00	28.00	22.00	15.50	10.50	7.00	0.45
Dividend payout ratio(%)	38.1	33.0	32.4	30.2	27.8	26.5	24.1	21.5	19.1	19.1	—
At Year-End:											
Total assets(Note3)	214,967	202,750	192,034	181,945	174,837	161,917	140,909	124,705	108,229	99,173	1,975,258
Net assets	169,632	160,490	146,667	135,056	131,469	118,800	104,466	92,685	80,417	72,924	1,558,693
Working capital(Note3,4)	83,066	77,815	68,950	58,214	54,832	52,672	47,458	33,607	23,133	14,222	763,267
Interest-bearing debt(Note5)	1,363	1,274	1,511	1,596	555	563	186	302	358	698	12,524
Equity ratio(%)(Note6)	75.9	75.9	72.6	70.4	69.2	67.7	69.1	70.2	71.8	70.8	—
Debt to equity ratio(Times)	0	0	0	0	0	0	0	0	0	0	0
Number of consolidated subsidiaries	24	26	27	27	24	22	22	21	18	18	—
Number of employees	4,053	3,763	3,798	3,860	3,728	3,477	3,341	3,352	3,053	2,911	—
Cash Flows:											
Cash flows from operating activities	40,449	27,620	9,358	25,958	22,541	22,266	23,478	17,328	7,049	16,664	371,673
Cash flows from investing activities	(13,462)	(28,347)	(6,258)	(13,404)	(14,270)	(9,422)	(17,041)	(12,999)	(5,347)	(620)	(123,701)
Cash flows from financing activities	(6,278)	(6,227)	(5,450)	(14,711)	(2,859)	(2,878)	(383)	607	(411)	(2,124)	(57,694)
Cash and cash equivalents at end of year	55,742	35,425	42,195	44,627	47,323	42,572	31,592	25,331	19,448	18,238	512,202

Note
1. U.S. dollar amounts are presented, for convenience only, at a conversion rate of ¥108.83 = US$1, the approximate Tokyo foreign exchange market rate as of March 31, 2020.
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. Upon application of "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018 (hereinafter, "Statement No. 28")) from the beginning of the fiscal year ended March 2019, the figures for the consolidated financial position are those after the said standards, are applied retroactively.
4. Working capital comprises current assets less current liabilities.
5. Interest-bearing debt includes long-and short-term debt, leasing obligations and other interest bearing debt.
6. Shareholders' equity as presented above consists of total net sets exclusive of subscription rights and non-controlling interests.

Management's Discussion and Analysis

Operating results

During the fiscal year ended March 2020, in the global economy, in addition to the U.S.-China trade war and the slowdown of the Chinese economy, the opacity about the direction of the economy increased rapidly affected by the worldwide expansion of new coronavirus infections that began in 2020. During the Japanese economy was on a moderate recovery trend in 2019, an impact of the consumption tax hike that began in October on a consumer behavior was seen. After that, the New Year has come and the expansion of new coronavirus infections significantly reduced the demand from inbound tourism and brought voluntary restrictions on outing, and these began to have impacts on corporate performance. On the other hand, in the food industry, changes in consumption behavior occurred, such as stockpiling preserved foods and increasing consumption of foods at home with restrictions on outings. Because of these circumstances in domestic and overseas, in the Calbee group, the number of sales of gift products and the number of visitors to the company-owned stores decreased from the fourth quarter of this fiscal year. However, there were no significant impacts in the financial results for this fiscal year due to offset by the increased consumption of foods at home.

In May 2019, we formulated long-term vision (the vision for 2030) and the five-year medium-term business plan (from the fiscal year ended March 2020 to March 2024). Under the core policy of "transformation and challenge toward achieving the next generation growth", we implement six key initiatives as follows:
1: Existing domestic business: Create new value and realize high profit
2: Overseas business: Establish revenue-generating bases in 4 key regions
3: New businesses: Establish businesses in new food areas
4: Management base: Reform base to support global management and sustainable growth
5: Co-creation with society: Achieve a sustainable society
6: Collaboration with PepsiCo: Strengthen collaboration with PepsiCo.

In the domestic business, we conducted price hike and content standard revisions for some snack products against the background of rising costs such as distribution costs and raw material costs. We also strengthened our product lineup by launching new texture variants potato chips that meet diverse consumer needs. In cereal foods, we launched new brand focused on functional benefits to develop new customer base. In February 2020, in order to enter the sweet potato business, we concluded a stock purchase agreement to acquire shares of Potato Kaitsuka Co. Ltd., which is engaged in the processing and wholesaling of sweet potatoes and the direct sales of baked sweet potatoes and other products (consolidated in April 2020). We will strive for expansion of the sweet potato business by leveraging synergies with our expertise in potato.

In overseas business, we focused on business expansion to establish revenue-generating bases in the 4 key regions of North America, Greater China, the United Kingdom and Indonesia. In North America, we acquired Warnock Food Products, Inc (hereafter referred to as "Warnock"), a U.S. contracted savory snack manufacturer, in October 2019 in order to strengthen product development capability and expansion our snack product portfolio in the U.S. In Greater China, we strengthened sales activities of cereal and snack foods in e-commerce. Moreover, in January 2020, we established Calbee (China) Co., Ltd. to strengthen our sales structure and further penetrate Calbee brand with expansion sales channels for retail stores in China. In the UK, we integrated Seabrook Crisps Limited (hereafter referred to as "Seabrook"), which was acquired in the previous fiscal year, and Calbee (UK) Ltd, an existing subsidiary in the UK, to strengthen management base and pursue cost reduction. In Indonesia, we launched new products for expansion of selling potato chips.

(1) Net Sales

Consolidated net sales for the fiscal year ended March 2020 increased 2.9% to ¥255,938 million.

Millions of yen, rounded down

	FY ended March 31, 2019		FY ended March 31, 2020		Growth in yen	Growth on local currency basis
	Amount	%	Amount	%		
Domestic sales	208,193	83.7	210,470	82.2	＋1.1%	＋1.1%
Overseas sales	40,461	16.3	45,468	17.8	＋12.4%	＋15.8%
Total	248,655	100.0	255,938	100.0	＋2.9%	＋3.5%

Results by business are as follows.

Millions of yen, rounded down

Sales	FY ended March 31, 2019	FY ended March 31, 2020	
	Amount	Amount	Growth (%)
1) Production and sale of snack and other foods business	246,064	254,092	＋3.3
Domestic production and sale of snack and other foods business	205,602	208,624	＋1.5
Domestic snack foods	180,499	182,086	＋0.9
Domestic cereals	23,817	25,157	＋5.6
Other domestic foods	1,285	1,380	＋7.4
Overseas production and sale of snack and other foods business	40,461	45,468	＋12.4
Overseas snack foods	35,178	38,998	＋10.9
Overseas cereals	5,283	6,469	＋22.5
2) Other businesses	2,590	1,846	－28.7
Total	248,655	255,938	＋2.9

1) Production and sale of snack and other foods business

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

・Domestic snack foods:

Sales of domestic snack foods increased year on year. Although sales of the *Potato Chips* subject to price hike declined in this fiscal year, increased sales of *Potato Chips* not to subject to price hikeand demand for flour-based snacks contributed to an increase in sales.

Sales of domestic snack foods by product are as follows.

Millions of yen, rounded down

Sales	FY ended March 31, 2019	FY ended March 31, 2020	
	Amount	Amount	Growth (%)
Potato-based snacks	133,068	133,654	＋0.4
Potato Chips	84,129	86,189	＋2.4
Jagarico	37,402	36,390	－2.7
Jagabee / Jaga Pokkuru	11,537	11,075	－4.0
Flour-based snacks	20,775	21,663	＋4.3
Kappa Ebisen	9,705	10,069	＋3.7
Sapporo Potato, etc.	11,069	11,594	＋4.7
Corn- and bean-based snacks	15,882	15,651	－1.5
Other snacks	10,773	11,116	＋3.2
Domestic snack foods total	180,499	182,086	＋0.9

- Sales of potato-based snacks increased year on year. Sales of products not subject to price hike including *Potato Chips Giza-Giza* and other products increased, despite declined sales of regular items including *Usu-Shio-Aji* causing an effect of price hike in this fiscal year. In addition, strengthening our product lineup by launching new texture variants potato chips, such as *Crunch Potato* and *Thin Potato*, contributed to sales. In the *Jagarico* sales, sales of regular items including *Jagarico-salad* were strong, otherwise *Tomorico* and *Edamarico,* which were launched nationwide in the previous fiscal year, declined. Sales of *Jagabee / Jaga Pokkuru* declined year on year. In addition to sluggish sales of *Jagabee*, sales of *Jaga Pokkuru*, a gift product, which had expanded in sales until the third quarter of this fiscal year, slowed sharply due to decline in the demand from inbound tourism caused by the expansion of coronavirus in the fourth quarter and turned decreased.
- Sales of flour-based snacks increased year on year due to increased demand resulting from price hike of *Potato Chips* and the success of product renewals for *Kappa Ebisen* in the fourth quarter.
- Sales of corn- and bean-based snacks decreased year on year due to the impact of the termination of the licensing agreement for Garrett Popcorn Shops.

- Sales of other snacks increased year on year due mainly to an increase in sales of the individual portion snacks *miino*.

・Domestic cereals:
Sales of domestic cereals increased year on year due to growth in both domestic consumption and for retail store in Greater China. Regarding the cereals for domestic consumption, amid sales of *Frugra Less Carbohydrate* remained strong, in the fourth quarter, demand for regular items of *Frugra* increased as preserved foods because consumer behavior changed due to voluntary restrictions on outing with the expansion of coronavirus. In addition, the new bland *Granola +* (*Granola Plus*), which specializes in nutritional supplements, contributed to sales.

2. Overseas production and sale of snack and other foods business
Sales of overseas production and sale of snack and other foods business by region are as follows.

Millions of yen, rounded down

Sales	FY ended March 31, 2019	FY ended March 31, 2020	
	Amount	Amount	Growth (%)
North America	9,941	10,576	＋6.4
Greater China*	11,339	12,771	＋12.6
United Kingdom	4,193	6,047	＋44.2
Indonesia	3,854	4,351	＋12.9
Other regions**	11,131	11,721	＋5.3
Overseas production and sale of snack and other foods business total	40,461	45,468	＋12.4

*Greater China: China, Taiwan and Hong Kong
**Other regions: Korea, Thailand, Singapore, Philippines and Australia

- In North America, sales increased year on year due to the new consolidation of Warnock, the acquired company, in November 2019, despite of a decline in demand for *Harvest Snaps*, a bean-based snack.
- In Greater China, sales increased year on year due to an increase in sales of cereal product *Frugura* and snack foods such as *Jaga Pokkuru* through e-commerce.
- In the UK, sales increased significantly year on year supported by sales of potato chips of Seabrook brand, acquired in October 2018.
- In Indonesia, sales increased year on year mainly due to contributions in sales of *Japota*, a new flat-type potato chips.
- In the other regions, sales increased year on year mainly due to sales expansion of *Harvest Snaps* in Australia.

2) Other businesses
Other businesses include logistics and promotional tool sales. Sales decreased year on year due to the transfer of all shares of consolidated subsidiary engaged in the promotional tools business in September 2018.

(2) Gross Profit

Gross profit increased 3.6% year on year, to ¥115,086 million. Gross profit margin increased 0.3 percentage point, to 45.0%.
This was due to improved cost ratio with price hike for domestic snacks and cost improvements in North America and Indonesia, despite higher raw material costs such as packaging costs in domestic.

(3) Selling, General and Administrative Expenses

Selling, general and administrative (SG&A) expenses increased 3.9% year on year, to ¥87,422 million. The ratio of SG&A expenses to net sales increased 0.4 percentage point, to 34.2%.
This was due to increase distribution costs mainly in domestic and selling costs such as domestic advertising expenses for new products and promotional expenses for North America, e-commerce in Greater China.

(4) Operating Profit

As the result of the above, operating profit increased 2.6% to ¥27,664 million, and operating margin remained year on year at 10.8%.

(5) Non-Operating Income / Expenses

Foreign exchange loss of ¥445 million included ¥272 million in net non-operating expenses.

(6) Extraordinary Income / Losses

Impairment loss on domestic and overseas facilities was recording a ¥1,639 million under extraordinary losses.

(7) Net Profit

As the result of the above, net profit decreased 9.7% year on year, to 17,539 million. Net profit per share was ¥131.22. After the dilution of common shares, net profit per share was ¥131.21. ROE worsened 2.1 percentage point, to 11.1%.

(8) Financial Indices

The status of indicators useful for evaluating the progress of the Group's management policies and strategies is as follows.

	FY ended March 31, 2020 results	FY ended March 31, 2020 (initial plan)	FY ending March 31, 2024 (target)
Net sales	¥255.9bn	¥258.0bn	¥310.0bn
Operating profit	¥27.7bn	¥27.0bn	¥40.0bn
ROE	11.1%	—	12%
Domestic operating margin	12.7%	12.2%	15%
Overseas sales	¥45.5bn	¥48.1bn	¥80.0bn

Financial Position

Total assets as of March 31, 2020 were ¥214,967 million, an increase of ¥12,217 million.
The primary factors contributing to this outcome were increases in cash and deposits, and increases in goodwill resulting from the acquisition of Warnock with the aim of strengthening product development capabilities and portfolio expansion in the United States. Cash and deposits as of March 31, 2020 were ¥42,909 million, ¥29,917 million higher than at the end of the previous fiscal year. The increase in cash and deposits was mainly due to the redemption of marketable securities with preparations for the acquisition of Potato Kaitsuka Co., Ltd. in the following fiscal year. In addition, there was proceeds from the collection of notes and accounts receivable-trade on the banking business day at the last day of this fiscal year, while the last day of previous fiscal year was on a bank holiday.

Liabilities increased ¥3,074 million to ¥45,334 million, mainly due to increases in accounts payables-other resulting from increases in selling expenses and a lump-sum payment for employees, and increases in accounts payable-trade resulting from an increase in purchases.

Net assets increased ¥9,142 million to ¥169,632 million mainly due to increase in retained earnings, mainly due to increases in retained earnings resulting from the posting of profit, despite a ¥6,428 million decrease for dividends paid.

As the result of the above, the shareholders' equity ratio was 75.9% the same level as at the end of the previous fiscal year, and ROE was 11.1%.

Cash Flows

Cash and cash equivalents as of March 31, 2020 were ¥55,742 million, ¥20,317 million higher than at the end of the previous fiscal year.

(1) Cash Flows from Operating Activities

Operating activities resulted in net cash inflow of ¥40,449 million, an increase in cash inflow of ¥12,828 million, due to a decrease in accounts receivables - trade due to a bank holiday on the last day of the previous fiscal year, and increases in increases in accounts payable resulting from an increase in purchases.

(2) Cash Flows from Investing Activities

Investing activities resulted in a net cash outflow of ¥13,462 million, a decrease in cash outflow of ¥14,884 million, mainly due to an increase in inflow from the redemption of marketable securities. The increase in proceeds from redemption of marketable securities was primarily to prepare cash for the acquisition of Potato Kaitsuka Co., Ltd. in the following fiscal year.

Payments for purchases of property, plant and equipment, and shares in subsidiaries resulting in change in scope of consolidation for this fiscal year remained at a high level following the previous fiscal year. Purchases of property, plant and equipment totaled to ¥8,392 million mainly due to the expansion of existing domestic businesses, including the expansion of production lines for highly profitable potato-based snacks, *Jaga Pokkuru*, and the establishment of new production lines for new products such as *Thin Potato*. Payment for purchase of shares of subsidiaries resulting in change in scope of consolidation totaled to ¥7,305 million due to acquisition of Warnock in the United States.

(3) Cash Flows from Financing Activities

Financing activities resulted in a net cash outflow of ¥6,278 million, an increase in cash outflow of ¥51 million, primarily due to an increase in outflow of dividends paid. We recognize that the distribution of profits to our shareholders is one of our key management priorities, and our policy is to promote continuous the distribution of profits with a medium-term target of consolidated dividend payout ratio of 40% or more.

Dividends payments totaled to ¥6,425 million, and consolidated dividend payout ratio was 38.1%.

Capital Expenditures

In fiscal 2020, capital expenditures for tangible and intangible assets totaled ¥9,004 million. Of this total, ¥7,765 million went to domestic operations and ¥1,239 million went to overseas operations. Capital expenditure for tangible assets totaled ¥8,392 million. The main components of capital expenditures for tangible assets were used to expand domestic existing business such as high profitable snacks *Jaga Pokkuru* production facilities, production facilities for new products *Thin Potato*.

Research and Development Costs

In fiscal 2020, the total amount of R&D expenditures was ¥2,745 million.

In the field of basic research, we are developing new varieties of potato for stable procurement and quality improvement domestically, as well as researching the effective ingredients of potato and raw materials of *Frugra*,

In the field of product development, we focused on expanding our lineup of existing snacks and cereals in order to meet change and diversified of domestic consumer needs, and to expand and revitalize the market. In this fiscal year, we launched new potato chips *Thin Potato* and *Crunch Potato* which are characterized by textures, as well as individual type cereals *Calbits Frugra* aiming to expand food scene. We also supported the development of new products overseas.

In the area of technological development, we continued to research non-fried processing methods that retain the advantages of raw materials.

Business Risks

Business risks associated with the execution of the Calbee group's strategies, businesses and other activities are described below. The risks are major factors that management recognize as a significant impact on investor decisions. In addition, the risks described below are not exhaustive of all the risks of the Calbee group, and there are other risks that may have an impact on the decisions of investors.
The following details and forward-looking statements are based on our judgment as of the end of the fiscal year ended March 2020.

We have built a compliance and risk management system based on the “Basic policy on the development of internal control system”. The Compliance and risk management committee examines and decides solutions, and manages status. If the possibility of a risk increases or occurs, we establish an emergency response committee as needed to reduce the risk. However, if a risk actualizes, it may have an impact on our operating results or financial positions.

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 in business environment owing to diversifying customer tastes, growing health awareness, and domestic lower birthrate and aging society. For our business expansion, we need to respond quickly to these changes in the markets and develop high value-added products and health-conscious products. We conduct research and development activities in the areas of new product development, existing product improvement, cost reduction, and basic research in accordance with annual plans.
However, if we are unable to respond appropriately to the needs of our customers and business partners and develop products in a timely manner, which could have an impact on our operating results and financial position.

2. Procurement Risks of Raw Materials and Materials

(1) Risks on Procurement of Potato (unseasonable weather and decreasing number of potato farmers)

Our main products are potato-based snacks made primarily from raw potato, such as *Potato Chips* and *Jagarico*. To ensure stable supply of domestic potato in terms of quality, quantity, and prices, we have built a procurement system through contract cultivation and decentralizing production areas. In anticipation of a decrease in domestic potato farmers, we also provide cultivation and harvesting support and labor saving support to farmers. In principle, it is not permitted to import raw potato under the Plant Protection Law in Japan. However, we have developed factory facilities that are capable of handling import raw potato in preparation for a shortage of domestic potato.
However, depending on the crop conditions, we may not be able to secure sufficient quantities of potato, it may result in losing sales opportunities and costs arising from urgent procurement, which could have an impact on our operating results and financial position.

(2) Risks on Procurement of Potato (potato cyst nematodes)

Potato cyst nematodes are a species of nematodes in the soil and are designated as important pests under the Plant Protection Law. It is prohibited to produce seed potato in the field where they occur. To prevent expansion of potato cyst nematodes, we need to convert potato to a more resistant variety. We have established a project to reform the mix of potato variety as raising the percentage of nematodes-resistant varieties to 50% by 2025 and to 100% by 2030, as well as achieving quality on customer satisfaction.
However, there are risks that we cannot develop of new varieties that meet quality conditions such as crop season, acrylamide and color of products in timely manner, or that the spread of new varieties will not progress throughout the production area, and that potato cyst nematodes expansion at a greater-than-expected rate. If these risks were to materialize and we were to delay converting our products to nematodes-resistant varieties, we would not be able to procure seed potatoes, and it may result in decreases in crops of potato and worsened quality of potato based products, which could have an impact on our operating results and financial position.

(3) Procurement Risks on Other Raw Materials and Materials

When procuring high usage raw materials such as edible oils and packaging materials, we seek to stabilize procurement and reduce price volatility mainly by securing diversified supplier.
However, in the event of unexpected fluctuations of supply and demand trends or crude oil prices, it may result in delays in the procurement of raw materials and materials or increases in procurement prices, which could have an impact on our operating results and financial position.

3. Risks on Product Safety

Providing safe and reliable products is our most important social responsibility, and we continue to work tirelessly to build relationships of trust with customers. In the unexpected event has the potential to threaten the health of customers, we give top priority to the safety of customers and respond promptly. Calbee group review the design of standards to avoid product risks, as well as audits the raw materials procurement process and the production process. In addition, we have built a quality assurance system that involves conducting quality inspections to determine whether products are meeting the standards. We also have achieved traceability throughout the supply chain from procurement of raw materials, production, logistics, product distribution, retail stores, and customers. We strive to improve supply chain management in the entire supply chain through listening to our customers' voices and analyzing details to reduce their comments.

However, in the event that quality problems arise and there is doubt about the safety of products, we may have to discontinue the recall or sale of products, which could result in loss of customer confidence and have an impact on our operating results and financial position.

In April 2002, the Swedish government announced the results of a survey to see that the production of a carcinogenic agent (acrylamide) will materialize by baking or frying foods containing a large amount of reduced sugar such as aspartame and fructose and sugar. On the other hand, the Ministry of Health, Labour and Welfare in Japan does not assume that the average amount of consumption will affect people. In our basic research on acrylamide, product development and manufacturing processes, we continue to strive to reduce the content rate of acrylamide in an effort to resolve the concerns of customers.

However, if concerns about acrylamide socially grow and develop into a problem that affects the food industry and harmful reputations, which could have an impact on our operating results and financial position.

4. Risks on Stagnation in Domestic Product Supply

In recent years, there are concerns about shortage of transportation vehicles by a decline in the working population due to the lower birthrate and aging population, and an increase the number of deliveries with expansion of e-commerce, and the long working hours unique to the logistics industry. In order to secure a transport and delivery vehicles stably, we have taken various measures to improve the working environment, such as reducing drivers' waiting times, reducing the frequency of deliveries, consolidating delivery destinations and promoting pallet transportation. In addition, we have introduced some measures for the diversification of transportation such as the use of rail transportation.

However, there is no assurance of securing transportation vehicles at appropriate costs in the future, if it may result in stagnate our product supply or delivery costs increase, which could have an impact on our operating results and financial position.

5. Risks on Fluctuations in Foreign Currency Exchange Rates

Our raw material procurement and sales of products include transactions denominated in foreign currencies. We forward foreign exchange contracts for part of the transactions with aiming risk hedge of changes in foreign currencies. However, sudden market fluctuations or exchange rate fluctuations that exceed our forecasts could have an impact on our operating results and financial position.

We translate the operating results of overseas subsidiaries and equity-method affiliates that are in local currencies to Japanese yen for preparing consolidated financial statements. As a result, fluctuations in the value after conversion into yen could have an impact on our operating results and financial position.

6. Risks on Changes in the Political and Economic Conditions of Overseas Businesses

As a pillar of our business growth, we operate in a variety of countries and regions. There is the possibility that problems may occur in the countries or regions in which we have established operations due to changes in laws and regulations, political, economic and social confusion caused by terrorism, conflict, or other factors, or cultural and customary differences. The materialization of such country risks could have an impact on our operating results and financial position.

7. Relationship with Major Shareholders

As of March 31, 2020, PepsiCo, Inc. (hereinafter "PepsiCo") held 20.01% (after dilution) through FRITO-LAY GLOBAL INVESTMENTS B V. (hereinafter "FLGI"), a PepsiCo's 100% subsidiary, and Calbee, Inc. (hereinafter "the Company") are 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. In addition, 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. In addition, 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.

8. Risks on Securing Human Resources

For the Group's sustainable business growth, it is important to have human resources with the ability of autonomous execution for innovation and challenges. To secure and develop human resources who can promote the group management, we introduce systems that enable diverse work styles and develop human resources who can promote Digital Transformation. In addition, to realize new value creation, we aim to be an organization that enables all employees to be active makes while leveraging its diverse values and expertise.
However, changes in the employment situation and the decline in the working population due to Japan's lower birthrate and aging population may make it difficult to secure the talented personnel needed for business activities. In addition, a delay in the speed of human resource development may make it difficult to sufficiently secure and develop human resources who develop the group management or needed for business activities. Any of these cases could have an impact on our operating results and financial position.

9. Risks on Information Systems

Calbee group strives to protect information systems and telecommunications lines needed for the group business. In the event of security-related problems in the operation of information systems, we have established an incident response system centered on CSIRT (Computer Security Incident Response Team). To prevent the loss, misuse, and falsification of confidential information, we have implemented appropriate security measures for information management including information systems.
However, in the event of power outages, disasters, defects in software and equipment, computer virus infections, loss of information and falsification of data, leakage of personal information and company confidential information due to unauthorized access, or the shutdown or temporary disruption of information systems could have an impact on the our operating results, financial position and social credibility.

10. Compliance Risks

Calbee group is subject to a range of legal regulations, including the Food Sanitation Act, Act against Unjustifiable Premiums and Misleading Representations, Measurement Act, Unfair Competition Prevention Act, Plant Protection Act, and Consumer Product Safety Act in Japan. In addition, the group companies overseas are subject to the laws and regulations of each country in which we operate our business. Based on Calbee Group's fundamental policy, we have established Calbee Group Code of Conduct on social values, ethics, laws, and social responsibilities. We have also formulated Calbee Group Guidelines of Conduct as material actions. Through corporate training systems and awareness-raising activities in Japan and each country where we operate businesses, we strive to ensure compliance with ethics, social norms, laws, and internal rules and to reduce the likelihood of violations of laws and social norms.
However, violations of laws and social regulations due to changes and unexpected introduction may result in punishment or cancellation of authorization by law, the filing of lawsuits, and the loss of trust from customers and other stakeholders. Any of these cases could have an impact on our operating results and financial position.

11. Risk on Natural Disasters such as Earthquakes, Typhoons, Heavy Rains, or Pandemics

Calbee group has diversified its production bases and suppliers of raw materials, in order to reduce the risk of natural disasters such as earthquakes, typhoons and heavy rains. In the event of a disaster at production bases or suppliers of raw materials, we work to resume our supply chain as soon as possible, determining priority of products based on the BCP (Business Continuity Plan).
However, if the disruption of supply chain continue for a protracted period, we may not able to supply products to our distributors, we may need a large amount of expense for facility renovation, or consumer sentiment may decline. Any of these cases could have an impact on our operating results and financial position.
In the event of a pandemic occurring in Japan or overseas where we operate business, we will give top priority to the safety of our customers, suppliers and distributors and employees. To prevent further expansion of infectious diseases, we will take some measures including thorough execution the guidelines of the health authorities in each country, ensure of hygiene products, prohibition of traveling to a country or region with a high risk of infectious diseases. We will also take measures such as suspension of factory tours and events gathered

by many customers, implement of teleworking at the head office and other divisions that are able to work from home.
However, if a pandemic persists, raw material prices may soar, raw material procurement may become difficult, consumption may stagnate or inbound demand may decline. Any of these cases could have an impact on our operating results and financial position.

12. Risks on Climate Change

Following the adoption of the Paris Agreement at the 21st Conference of the Parties to the United Nations Framework Convention on Climate Change (COP21) and its ratification by countries, efforts to reduce greenhouse gases caused of climate change and global warming are advancing on a global scale. Our medium-term target is to reduce greenhouse gas emissions by 30% by 2030 compared to levels in 2018. For the target, we work on further energy conservation and the utilization of renewable energy.
However, depending on the progress of efforts to reduce greenhouse gases, the introduction of a carbon tax could have an impact on our business activities. In addition, consumers' purchasing behavior may change, the quality of potato may have damages, the damage to manufacturing facilities, suspend operation and disrupted supply chain caused by typhoons and heavy rains may increase. Any of these cases could have an impact on our operating results and financial position.
In February 2020, we endorsed the recommendations of the Climate-related Financial Disclosure Task Force (TCFD) established by the Financial Stability Board. We will proactively analyze and respond to the risks and opportunities of climate change on our business, and disclose information in our annual securities reports, integrated reports, and on our website.

Consolidated Balance Sheets

Calbee, Inc. and Consolidated Subsidiaries
Consolidated Balance Sheets
March 31, 2020 and 2019

	Millions of yen		Thousands of U.S. dollars (Note 6)
	2020	2019	2020
Assets			
Current assets:			
Cash and deposits (Notes 7 and 15)	¥ 42,909	¥ 12,992	$394,283
Notes and accounts receivable (Note 7)	29,718	39,736	273,075
Marketable securities (Notes 7and 8)	30,653	42,760	281,660
Inventories (Note 9)	11,205	11,309	102,961
Others	5,219	5,067	47,964
Allowance for doubtful accounts	(7)	(8)	(70)
Total current assets	119,699	111,858	1,099,875
Non-current assets:			
Property, plant and equipment:			
Land	11,270	11,391	103,562
Buildings and structures (Note 19)	67,341	67,497	618,775
Machinery, equipment and vehicles (Note 19)	105,627	102,261	970,576
Lease assets	879	538	8,082
Construction in progress (Note 19)	1,508	1,224	13,862
Others (Note 19)	4,547	4,463	41,786
	191,175	187,377	1,756,645
Accumulated depreciation	(119,457)	(114,825)	(1,097,647)
Property, plant and equipment, net	71,718	72,552	658,997
Investments and other assets:			
Investment securities (Notes 7 and 8)	1,516	2,002	13,930
Investments in affiliates (Note 7)	228	219	2,101
Long-term loans	180	240	1,655
Deferred tax assets (Note 11)	4,826	4,421	44,352
Net defined benefit asset (Note 13)	2,061	2,111	18,943
Goodwill	10,953	5,688	100,649
Others	3,783	3,714	34,766
Allowance for doubtful accounts	(1)	(59)	(14)
Total investments and other assets	23,549	18,339	216,385
Total non-current assets	95,267	90,891	875,383
Total assets	¥214,967	¥202,750	$1,975,258

	Millions of yen		Thousands of U.S. dollars (Note 6)
	2020	2019	2020
Liabilities			
Current liabilities:			
Notes and accounts payable (Note 7)	¥9,889	¥8,987	$90,867
Short-term borrowings (Notes 7 and 10)	871	1,027	8,003
Lease obligations (Note 10)	134	104	1,235
Other payables (Note 7)	7,301	5,878	67,091
Income taxes payable	4,657	5,478	42,794
Provision for bonuses	4,581	4,004	42,094
Provision for directors' bonuses	119	67	1,096
Provision for stock payments	83	35	770
Others	8,995	8,459	82,655
Total current liabilities	36,633	34,043	336,608
Non-current liabilities:			
Lease obligations (Note 10)	325	111	2,990
Deferred tax liabilities (Note 11)	367	622	3,374
Provision for directors' retirement benefits	330	286	3,032
Provision for directors' stock payments	172	92	1,585
Net defined benefit liabilities (Note 13)	6,908	6,531	63,483
Asset retirement obligations	527	522	4,844
Others	70	49	645
Total non-current liabilities	8,701	8,216	79,956
Total liabilities	45,334	42,260	416,564
Net assets (Note 12):			
Shareholders' equity:			
Common stock:			
Authorized 2020 - 176,000,000 shares			
Authorized 2019 - 176,000,000 shares			
Issued 2020 - 133,929,800 shares			
Issued 2019 - 133,921,800 shares	12,046	12,044	110,689
Capital surplus	4,779	4,786	43,916
Retained earnings	148,565	137,453	1,365,114
Treasury stock - 254,501 shares in 2020			
267,747 shares in 2019	(933)	(981)	(8,577)
Total shareholders' equity	164,457	153,303	1,511,141
Accumulated other comprehensive income:			
Unrealized holding gain on securities	129	467	1,191
Foreign currency translation adjustments	(833)	278	(7,658)
Remeasurements of defined benefit plans (Note 13)	(511)	(119)	(4,697)
Total accumulated other comprehensive income (loss)	(1,215)	627	(11,164)
Subscription rights	-	3	-
Non-controlling interests	6,390	6,555	58,716
Total net assets	169,632	160,490	1,558,693
Total liabilities and net assets	¥214,967	¥202,750	$1,975,258

Consolidated Statements of Income

Calbee, Inc. and Consolidated Subsidiaries
Consolidated Statements of Income
Years ended March 31, 2020 and 2019

	Millions of yen		Thousands of U.S. dollars (Note 6)
	2020	2019	2020
Net sales	¥255,938	¥248,655	$2,351,731
Cost of sales (Notes 9 and 17)	140,852	137,534	1,294,239
Gross profit	115,086	111,120	1,057,492
Selling, general and administrative expenses (Notes 16 and 17)	87,422	84,156	803,292
Operating profit	27,664	26,964	254,200
Other income (expenses)			
Interest and dividend income	154	162	1,424
Interest expense	(90)	(71)	(828)
Foreign exchange gains (losses)	(445)	406	(4,088)
Share of profit of entities accounted for using equity method	11	1	101
Share of loss of entities accounted for using equity method	(2)	(10)	(18)
Loss on valuation of inventories	(32)	(64)	(303)
Depreciation	(122)	(92)	(1,128)
Gain on sales of non-current assets (Note 18)	9	36	87
Gain on sales of investment securities	1	52	14
Gain on sales of shares of subsidiaries and affiliates	-	2,378	-
Gain on liquidation of business	-	477	-
Subsidy income	277	106	2,546
Gain on reversal of loss on cancellation of outsourcing agreement	137	-	1,265
Loss on sales of non-current assets (Note 18)	(50)	(16)	(466)
Loss on retirement of non-current assets (Note 18)	(221)	(263)	(2,038)
Loss on sales of shares of subsidiaries and affiliates	-	(24)	-
Impairment loss (Note 19)	(1,639)	(839)	(15,061)
Loss on valuation of investment securities (Note 8)	(18)		(165)
Retirement benefits for directors	-	(350)	-
Loss on sale of businesses	-	(222)	-
Loss on cancellation of outsourcing agreement	-	(211)	-
Other (Note 22)	109	50	1,008
Net income before income taxes	25,743	28,469	236,548
Income taxes (Note 11):			
Current	(8,925)	(9,481)	(82,013)
Deferred	394	387	3,620
	(8,531)	(9,093)	(78,392)
Net income	17,212	19,375	158,155
Net income (loss) attributable to:			
Non-controlling interests	(327)	(53)	(3,010)
Owners of parent	¥17,539	¥19,429	$161,165

Consolidated Statements of Comprehensive Income

Calbee, Inc. and Consolidated Subsidiaries
Consolidated Statements of Comprehensive Income
Years ended March 31, 2020 and 2019

	Millions of yen		Thousands of U.S. dollars (Note 6)
	2020	2019	2020
Net income	¥17,212	¥19,375	$158,155
Other comprehensive income (Note 20):			
Unrealized holding gain (loss) on securities	(338)	(212)	(3,106)
Foreign currency translation adjustments	(1,518)	276	(13,948)
Remeasurements of defined benefit plans	(392)	626	(3,604)
Total other comprehensive loss	(2,248)	690	(20,659)
Comprehensive income	¥14,963	¥20,066	$137,495
Comprehensive income attributable to:			
Owners of parent	¥15,697	¥20,064	$144,239
Non-controlling interests	¥(733)	¥1	$(6,743)

Consolidated Statements of Changes in Net Assets

Calbee, Inc. and Consolidated Subsidiaries
Consolidated Statements of Changes in Net Assets
Years ended March 31, 2020 and 2019

	Number of Shares of Common Stock Outstanding	Millions of yen				
		Shareholders' Equity				
		Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Total Shareholders' Equity
BALANCE AT APRIL 1, 2018	133,875,800	¥12,033	¥4,775	¥123,647	¥(1,073)	¥139,383
Issuance of stock (exercise of subscription rights)	46,000	10	10			21
Cash dividends paid				(5,622)		(5,622)
Profit attributable to owners of parent				19,429		19,429
Disposal of treasury stock					91	91
Net changes during the year						
BALANCE AT APRIL 1, 2019	133,921,800	¥12,044	¥4,786	¥137,453	¥(981)	¥153,303
Issuance of stock (exercise of subscription rights)	8,000	1	1			3
Forfeiture of share acquisition rights						
Cash dividends paid				(6,428)		(6,428)
Profit attributable to owners of parent				17,539		17,539
Purchase of treasury stock					(0)	(0)
Disposal of treasury stock					47	47
Purchase of shares of consolidated subsidiaries			(9)			(9)
Net changes during the year						
BALANCE AT MARCH 31, 2020	133,929,800	12,046	4,779	148,565	(933)	164,457

	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	Total Net Assets
BALANCE AT APRIL 1, 2018	¥680	¥57	¥(745)	¥(7)	¥7	¥7,284	¥146,667
Issuance of stock (exercise of subscription rights)					(3)		18
Cash dividends paid							(5,622)
Profit attributable to owners of parent							19,429
Disposal of treasury stock							91
Net changes during the year	(212)	220	626	634		(729)	(94)
BALANCE AT APRIL 1, 2019	¥467	¥278	¥(119)	¥627	¥3	¥6,555	¥160,490
Issuance of stock (exercise of subscription rights)					(0)		3
Forfeiture of share acquisition rights					(3)		(3)
Cash dividends paid							(6,428)
Profit attributable to owners of parent							17,539
Purchase of treasury stock							(0)
Disposal of treasury stock							47
Purchase of shares of consolidated subsidiaries							(9)
Net changes during the year	(338)	(1,111)	(392)	(1,842)		(165)	(2,007)
BALANCE AT MARCH 31, 2020	129	(833)	(511)	(1,215)	-	6,390	169,632

Calbee, Inc. and Consolidated Subsidiaries
Consolidated Statements of Changes in Net Assets
Years ended March 31, 2020

		Thousands of U.S. Dollars (Note 6)				
		Shareholders' Equity				
	Number of Shares of Common Stock Outstanding	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Total Shareholders' Equity
BALANCE AT APRIL 1, 2019	133,921,800	$110,671	$43,984	$1,263,015	($9,016)	$1,408,655
Issuance of stock (exercise of subscription rights)	8,000	17	17			34
Forfeiture of share acquisition rights						
Cash dividends paid				(59,066)		(59,066)
Profit attributable to owners of parent				161,165		161,165
Purchase of treasury stock					(2)	(2)
Disposal of treasury stock					440	440
Purchase of shares of consolidated subsidiaries			(86)			(86)
Net changes during the year						
BALANCE AT MARCH 31, 2020	133,929,800	110,689	43,916	1,365,114	(8,577)	1,511,141

	Thousands of U.S. Dollars (Note 6)						
	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, 2019	$4,298	$2,557	($1,093)	$5,762	$33	$60,235	$1,474,685
Issuance of stock (exercise of subscription rights)					(5)		29
Forfeiture of share acquisition rights					(27)		(27)
Cash dividends paid							(59,066)
Profit attributable to owners of parent							161,165
Purchase of treasury stock							(2)
Disposal of treasury stock							440
Purchase of shares of consolidated subsidiaries							(86)
Net changes during the year	(3,106)	(10,215)	(3,604)	(16,926)		(1,519)	(18,445)
BALANCE AT MARCH 31, 2020	1,191	(7,658)	(4,697)	(11,164)	-	58,716	1,558,693

Consolidated Statements of Cash Flows

Calbee, Inc. and Consolidated Subsidiaries
Consolidated Statements of Cash Flows
Years ended March 31, 2020 and 2019

	Millions of yen		Thousands of U.S. dollars(Note 6)
	2020	2019	2020
Cash flows from operating activities			
Net income before income taxes	¥25,743	¥28,469	$236,548
Depreciation and amortization	8,449	8,023	77,638
Impairment loss	1,639	839	15,061
Amortization of goodwill	714	758	6,568
Increase (decrease) in provision	796	125	7,317
Increase (decrease) in net defined benefit asset/liability	(109)	54	(1,003)
Interest and dividend income	(154)	(162)	(1,424)
Interest expense	90	71	828
Foreign exchange loss (gain)	319	(223)	2,935
Share of loss (profit) of entities accounted for using equity method	(9)	8	(83)
Net loss (gain) on sales of investment securities	(1)	(2,405)	(14)
Net loss (gain) on valuation of investment securities	18	-	165
Net loss (gain) on sales of non-current assets	41	(20)	379
Loss on retirement of non-current assets	221	263	2,038
Decrease (increase) in notes and accounts receivables	10,092	914	92,734
Decrease (increase) in inventories	194	(504)	1,788
Increase (decrease) in notes and accounts payable	907	(528)	8,335
Increase (decrease) in other payables	682	177	6,268
Others	(42)	899	(394)
Subtotal	49,592	36,760	455,689
Interest and dividends received	154	149	1,417
Interest paid	(88)	(71)	(814)
Income taxes paid	(9,209)	(9,218)	(84,618)
Net cash provided by operating activities	40,449	27,620	371,673
Cash flows from investing activities			
Acquisition of property, plant and equipment	(8,392)	(9,390)	(77,119)
Proceeds from sale of property, plant and equipment	109	235	1,003
Acquisition of intangible fixed assets	(612)	(555)	(5,623)
Proceeds from sale of intangible fixed assets	-	0	-
Acquisition of marketable securities	(55,035)	(39,425)	(505,699)
Proceeds from redemption of marketable securities	57,335	23,826	526,836
Purchase of investment securities	(15)	(45)	(146)
Proceeds from sale of investment securities	5	93	47
Payment of loans receivable	(700)	(980)	(6,432)
Collection of loans receivable	800	2,378	7,355
Payment into time deposits	(2,253)	(730)	(20,703)
Proceeds from withdrawal of time deposits	2,336	355	21,472
Payment of security deposit	(99)	(89)	(912)
Collection of security deposit	89	128	823
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(7,305)	(7,351)	(67,126)
Payment for sale of shares of subsidiaries resulting in change in scope of consolidation	-	(460)	-
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	-	3,169	-
Others	274	494	2,524
Net cash used in investing activities	(13,462)	(28,347)	(123,701)
Cash flows from financing activities			
Net increase (decrease) in short-term borrowings	(11)	(509)	(109)
Purchase of treasury stock	(0)	-	(2)
Inflow from exercise of stock options	3	18	29
Repayments for lease obligations	(156)	(104)	(1,436)
Cash dividends paid	(6,425)	(5,621)	(59,039)
Proceeds from share issuance to non-controlling shareholders	323	-	2,969
Dividends paid to non-controlling interests	(11)	(10)	(104)
Net cash used in financing activities	(6,278)	(6,227)	(57,694)
Effect of exchange rate changes on cash and cash equivalents	(390)	184	(3,591)
Net increase (decrease) in cash and cash equivalents	20,317	(6,769)	186,686
Cash and cash equivalents at beginning of year	35,425	42,195	325,515
Cash and cash equivalents at end of year (Note 15)	¥55,742	¥35,425	$512,202

Notes to Consolidated Financial Statements

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 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 24 (26 in 2019) significant subsidiaries as listed below.

Consolidated subsidiaries

- Calbee Potato, Inc.
- Calbee Logistics, Inc.
- Calnac Co., Ltd.
- Calbee Eatalk Co., Ltd.
- Japan Frito-Lay Ltd.
- ICS Investment Co., LTD. (Note 3)
- Studio Socio, Inc.
- Calbee America, Inc. (Note 3)
- Calbee North America, LLC (Note 3)
- Warnock Food Products, Inc (Note 2 and 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 3)
- Calbee (China) Co., Ltd. (Notes 2 and 3)
- Calbee Four Seas Co., Ltd.
- Calbee E-commerce Limited (Note 3)
- Calbee (Taiwan) Co., Ltd. (Note 3)
- Calbee Group (UK) Ltd (Note 1 and 3)
- PT. Calbee-Wings Food (Note 3)
- Haitai-Calbee Co., Ltd. (Note 3)
- Calbee Tanawat Co., Ltd. (Note 3)
- Calbee Moh Seng Pte. Ltd. (Note 3)
- Calbee Australia Pty Limited (Note 3)

(Notes)

(1) Calbee (UK) Ltd., the Company's consolidated subsidiary, merged its subsidiaries, Pacific Shelf 1809 Limited, Seabrook Group Limited, Seabrook Crisps Holding Limited and Seabrook Crisps Limited. The company's name has been changed to Calbee Group (UK) Ltd.

(2) Calbee America, Inc., the Company's consolidated subsidiary, acquired shares of Warnock Food Products, Inc. Calbee, Inc. established Calbee (China) Co., Ltd. These companies were included in the scope of consolidation during the year ended March 31, 2020.

(3) The fiscal year-end of these subsidiaries is December 31.

For the year ended March 31, 2020 and 2019, all subsidiaries are consolidated and there are two affiliates (Garden Bakery, Inc. and Calbee URC Malaysia Sdn. Bhd.) that are accounted for by the equity method.

For the years ended March 31, 2020 and 2019, 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 15 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 31, 2020)
- "Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No.30, March 31, 2020)

(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 will apply on April 1, 2021.

(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. Changes in presentation method

Consolidated statements of income

"Real estate income" of ¥26 and "Cost of real estate" of ¥18 under other income (expenses) within the consolidated statement of income for the year ended March 31, 2019 has been included in "Others" under other income (expenses) within the consolidated statement of income for the year ended March 31, 2020.

5. 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, 2020 and 2019 were ¥241 million ($2,215 thousand) and 67,290 shares, and ¥282 million and 78,715 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, 2020 and 2019 were ¥689 million ($6,339 thousand) and 186,300 shares, and ¥696 million and 188,200 shares, respectively.

Accounting estimate associated with the spread of COVID-19
Due to the impact from the spread of COVID-19, there are changes in demand for increasing food consumption in household, decreasing the number of sales of gift products and visitors to the company-owned stores.
For this reason, the Group has used the assumption that COVID-19 influences will converge until March 31, 2021 in their estimate for inventory valuation.
However, there are many uncertainties related to the impact of COVID-19, which affect the Group's financial position and operating results for the fiscal year ending March 31, 2021.

6. 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 ¥108.83 = $1, the approximate rate in effect on March 31, 2020. 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.

7. 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.
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 21 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, 2020 and 2019 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, 2020)	Carrying Amount	Estimated Fair Value	Difference
Assets			
(1) Cash and deposits	¥ 42,909	¥ 42,909	-
(2) Notes and accounts receivable	29,718	29,718	-
(3) Marketable and investment securities			
Held-to-maturity	30,653	30,653	¥ 0
Available-for-sale	1,378	1,378	-
Total assets	¥ 104,660	¥ 104,660	¥ 0
Liabilities			
(4) Notes and accounts payable	¥ (9,889)	¥ (9,889)	-
(5) Short-term borrowings	(871)	(871)	-
(6) Other payables	(7,301)	(7,301)	-
Total liabilities	¥ (18,061)	¥ (18,061)	-
Derivative transactions			
Hedge accounting not applied	¥ 286	¥ 286	-
Total derivative transactions	¥ 286	¥ 286	-

	Thousands of U.S. dollars		
(As of March 31, 2020)	Carrying Amount	Estimated Fair Value	Difference
Assets			
(1) Cash and deposits	$394,283	$394,283	-
(2) Notes and accounts receivable	273,075	273,075	-
(3) Marketable and investment securities			
Held-to-maturity	281,660	281,662	$ 2
Available-for-sale	12,668	12,668	-
Total assets	$961,688	$961,691	$ 2
Liabilities			
(4) Notes and accounts payable	$(90,867)	$(90,867)	-
(5) Short-term borrowings	(8,003)	(8,003)	-
(6) Other payables	(67,091)	(67,091)	-
Total liabilities	$(165,962)	$(165,962)	-
Derivative transactions			
Hedge accounting not applied	$ 2,628	$ 2,628	-
Total derivative transactions	$ 2,628	$ 2,628	-

(As of March 31, 2019)	Millions of yen Carrying Amount	Estimated Fair Value	Difference
Assets			
(1) Cash and deposits	¥ 12,992	¥ 12,992	-
(2) Notes and accounts receivable	39,736	39,736	-
(3) Marketable and investment securities			
Held-to-maturity	42,760	42,758	¥ (1)
Available-for-sale	1,863	1,863	-
Total assets	¥ 97,353	¥ 97,351	¥ (1)
Liabilities			
(4) Notes and accounts payable	¥ (8,987)	¥ (8,987)	-
(5) Short-term borrowings	(1,027)	(1,027)	-
(6) Other payables	(5,878)	(5,878)	-
Total liabilities	¥ (15,893)	¥ (15,893)	-
Derivative transactions			
Hedge accounting not applied	¥ 53	¥ 53	-
Total derivative transactions	¥ 53	¥ 53	-

*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 21, "Derivative Financial Instruments."

2. Unlisted shares with carrying value of ¥137 million ($1,262 thousand) and ¥138 million at March 31, 2020 and 2019, 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, 2020 and 2019, no impairment loss was recognized on unlisted shares.

Investments in affiliates with carrying value of ¥228 million ($2,101 thousand) and ¥219 million at March 31, 2020 and 2019 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, 2020 and 2019.

(As of March 31, 2020)	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	¥ 42,890	-	-	-
Notes and accounts receivable	29,718	-	-	-
Marketable securities				
Held-to- maturity				
Jointly-managed money trust	20,653	-	-	-
Commercial paper	10,000	-	-	-
Total	¥ 103,262	-	-	-

As of March 31, 2020	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	$394,105	-	-	-
Notes and accounts receivable	273,075	-	-	-
Marketable securities		-	-	-
Held-to- maturity		-	-	-
Jointly-managed money trust	189,777	-	-	-
Commercial paper	91,886	-	-	-
Total	$948,844	-	-	-

(As of March 31, 2019)	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	¥ 11,912	-	-	-
Notes and accounts receivable	39,736	-	-	-
Marketable securities				
Held-to- maturity				
Jointly-managed money trust	20,762	-	-	-
Commercial paper	22,000	-	-	-
Total	¥ 94,411	-	-	-

8. 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, 2020 and 2019 is as follows:

Held-to-maturity

	Millions of yen			Thousands of U.S. dollars		
	2020			2020		
	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	¥13,000	¥13,001	¥ 1	$119,452	$119,469	$17
Commercial paper	1,999	2,000	0	18,376	18,377	0
(Securities with estimated fair value not exceeding carrying amount)						
Jointly-managed money trust	¥7,653	¥7,653	-	$70,325	$70,325	-
Commercial paper	7,999	7,998	¥ (1)	73,505	73,490	$(15)
Total	¥30,653	¥30,653	¥ 0	$281,660	$281,662	$2

Available-for-sale

	Millions of yen			Thousands of U.S. dollars		
	2020			2020		
	Carrying amount	Acquisition cost	Unrealized gains (losses)	Carrying amount	Acquisition cost	Unrealized gains (losses)
(Securities with carrying value exceeding acquisition cost)						
Equity securities	¥ 711	¥ 358	¥ 352	$6,533	$3,297	$3,236
(Securities with carrying value not exceeding acquisition cost)						
Equity securities	667	870	(202)	6,134	7,998	(1,863)
Total	¥ 1,378	¥ 1,229	¥ 149	$12,668	$11,295	$1,372

Held-to-maturity

	Millions of yen		
	2019		
	Carrying amount	Estimated fair value	Unrealized gains (losses)
(Securities with estimated fair value exceeding carrying amount)			
Jointly-managed money trust	¥6,000	¥6,000	¥ 0
Commercial paper	4,999	5,000	0
(Securities with estimated fair value not exceeding carrying amount)			
Jointly-managed money trust	¥14,762	¥14,761	¥ (0)
Commercial paper	16,998	16,995	(2)
Total	¥42,760	¥42,758	¥ (1)

Available-for-sale

	Millions of yen		
	2019		
	Carrying amount	Acquisition cost	Unrealized gains (losses)
(Securities with carrying value exceeding acquisition cost)			
Equity securities	¥ 1,781	¥ 1,144	¥ 637
(Securities with carrying value not exceeding acquisition cost)			
Equity securities	82	86	(4)
Total	¥ 1,863	¥ 1,231	¥ 632

(Note) Unlisted shares with carrying values of ¥137 million ($1,262 thousand) and ¥138 million at March 31, 2020 and 2019, respectively, are not included in the above table as their market value is not readily available.

(2) Sales of available-for-sale securities

	Millions of yen			Thousands of U.S. dollars		
	2020			2020		
	Sales amount	Gain on sales	Loss on sales	Sales amount	Gain on sales	Loss on sales
Equity securities	¥5	¥1	-	$47	$14	-
Total	¥5	¥1	-	$47	$14	-

	Millions of yen		
	2019		
	Sales amount	Gain on sales	Loss on sales
Equity securities	¥93	¥52	-
Total	¥93	¥52	-

(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 year ended March 31, 2020 and 2019, impairment losses recognized on equity securities classified as available-for-sale securities were ¥18 million ($165 thousand) and nil, respectively.

9. Inventories

Inventories at March 31, 2020 and 2019 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Finished goods and commercial goods	¥ 4,814	¥ 4,446	$44,238
Work in process	1,300	1,435	11,946
Raw materials and supplies	5,090	5,426	46,776
	¥ 11,205	¥ 11,309	$102,961

Valuation losses (reversal) due to declines in profitability included in cost of sales for the years ended March 31, 2020 and 2019 were ¥ 222 million ($2,044 thousand) and ¥ (256) million, respectively.

10. 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, 2020 and 2019 are as follows:

	Millions of yen		Thousands of U.S. dollars	Average interest rate	
	2020	2019	2020	2020	2019
				(%)	(%)
Short-term borrowings	¥871	¥1,027	$8,003	6.3	6.2
Current portion of lease obligations	134	104	1,235	-	-
Lease obligations, excluding current portion	325	111	2,990	-	-
Other interest-bearing liabilities	32	30	295	1.0	1.1
Total	¥ 1,363	¥ 1,274	$12,524		

(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:

	Millions of yen	Thousands of U.S. dollars
Years ending March 31,	Lease obligations	
2021	134	1,235
2022	74	688
2023	65	605
2024	37	347
2025	28	259
2026 and thereafter	118	1,089

11. 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 30.5% for the fiscal years ended March 31, 2020 and 2019, 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, 2020 and 2019 is as follows:

	2020	2019
	(%)	(%)
Statutory tax rate	30.5	–
Adjustments:		
Entertainment and other permanently non-deductible expenses	0.4	–
Dividend and other permanently non-taxable income	(0.0)	–
Special tax credit for income tax	(0.6)	–
Per capita inhabitant tax	0.3	–
Changes in valuation allowances	1.2	–
Effect of consolidation adjustments	1.1	–
Others	0.2	–
Effective tax rates	33.1	–

A reconciliation between the statutory tax rate and the effective tax rate for the year ended March 31, 2019 was omitted since the difference between the statutory tax rate and the effective tax rate was less than 5% of the statutory tax rate.

Significant components of deferred tax assets and liabilities as of March 31, 2020 and 2019 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Deferred tax assets:			
Allowance for doubtful accounts	¥ 125	¥ 20	$ 1,151
Provision for bonuses	1,383	1,210	12,709
Accrued expenses	1,272	1,187	11,688
Enterprise tax payable	268	318	2,469
Provision for stock payments	25	10	234
Provision for directors' stock payments	52	28	483
Net defined benefit liability	1,406	1,287	12,925
Provision for directors' retirement benefits	22	22	203
Share-based payment expense	-	1	-
Depreciation	1,097	1,121	10,088
Impairment loss	470	333	4,319
Asset retirement obligations	165	164	1,523
Carryforward tax loss (Note 2)	1,518	1,979	13,949
Others	697	735	6,412
Deferred tax assets – total	8,506	8,422	78,158
Valuation reserve for carryforward tax loss (Note 2)	(1,091)	(1,686)	(10,031)
Valuation reserve for deductible temporary differences	(232)	(8)	(2,137)
Valuation reserve – total (Note 1)	(1,324)	(1,694)	(12,169)
Net deferred tax assets	7,181	6,727	65,989
Deferred tax liabilities:			
Unrealized holding gain on securities	(42)	(187)	(387)
Deferred gains on property, plant and equipment	(449)	(466)	(4,131)
Asset retirement obligations	(14)	(18)	(136)
Deferred gain on reorganization	(1,656)	(1,689)	(15,224)
Others	(558)	(568)	(5,131)
Deferred tax liabilities – total	(2,721)	(2,929)	(25,011)
Net deferred tax assets	¥ 4,459	¥ 3,798	$ 40,978

(Note) 1. Valuation reserve decreased by ¥ 369 million, because carryforward tax loss decreased due to reorganization of the consolidated subsidiaries in the fiscal year.

2. Carryforward tax loss and its deferred tax assets by expiration periods

(Millions of yen)

March 31 2020	2021	2022	2023	2024	2025	2026 and beyond	Total
Carryforward tax loss (a)	30	97	163	194	131	900	1,518
Valuation reserve	(30)	(97)	(163)	(194)	(131)	(473)	(1,091)
Net deferred tax assets	-	-	-	-	-	426	(b) 426

(Thousands of U.S. dollars)

March 31 2020	2021	2022	2023	2024	2025	2026 and beyond	Total
Carryforward tax loss (a)	283	898	1,499	1,788	1,209	8,270	13,949
Valuation reserve	(283)	(898)	(1,499)	(1,788)	(1,209)	(4,352)	(10,031)
Net deferred tax assets	-	-	-	-	-	3,917	(b) 3,917

(a) Carryforward tax loss shown in the above table is after multiplying the statutory tax rate.

(b) The net deferred tax assets of ¥ 426 million ($3,917 thousand) for carryforward tax loss of ¥ 1,518 million ($13,949 thousand) in consolidated subsidiaries was available for reduction of future taxable income respectively.

(Millions of yen)

March 31 2019	2020	2021	2022	2023	2024	2025 and beyond	Total
Carryforward tax loss (a)	29	107	26	189	258	1,368	1,979
Valuation reserve	(29)	(107)	(26)	(189)	(258)	(1,074)	(1,686)
Net deferred tax assets	-	-	-	-	-	293	(b) 293

(a) Carryforward tax loss shown in the above table is after multiplying the statutory tax rate.

(b) The net deferred tax assets of ¥ 293 million for carryforward tax loss of ¥ 1,979 million in consolidated subsidiaries was available for reduction of future taxable income respectively.

12. Net Assets

(1) Movements of number of common stock issued and outstanding during the years ended March 31, 2020 and 2019 are as follows:

	Number of shares	
	2020	2019
Balance at beginning of year	133,921,800	133,875,800
Increase	8,000	46,000
Decrease	-	-
Balance at end of year	133,929,800	133,921,800

Note: The breakdown of the increase during the year ended March 31, 2020 is as follows:
Increase due to an exercise of subscription rights 8,000 shares
The breakdown of the increase during the year ended March 31, 2019 is as follows:
Increase due to an exercise of subscription rights 46,000 shares

(2) Movements of number of treasury stock during the years ended March 31, 2020 and 2019 are as follows:

	Number of shares	
	2020	2019
Balance at beginning of year	267,747	292,997
Increase	79	-
Decrease	(13,325)	(25,250)
Balance at end of year	254,501	267,747

Note: The breakdown of the increase and decrease during the year ended March 31, 2020 is as follows:
Increase due to purchase of holder of shares less than one unit 79 shares
Decrease due to issuance of treasury shares by the trust 13,325 shares
The breakdown of the decrease during the year ended March 31, 2019 is as follows:
Decrease due to issuance of treasury shares by the trust 25,250 shares

(3) As of March 31, 2020 and 2019, the outstanding balance of subscription rights provided for as stock options was nil and ¥3 million, respectively.

(4) Cash dividends

The following appropriation of retained earnings at March 31, 2020 and 2019 was approved at the annual meetings of the Company's shareholders held on June 24, 2020 and June 19, 2019, respectively.

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Cash dividends	¥ 6,696	¥ 6,428	$ 61,531

Cash dividends attributable to the year ended March 31, 2019 of ¥6,428 million were paid during the year ended March 31, 2020 in accordance with the resolution at the annual meeting of the Company's shareholders held on June 19, 2019.

Amount of total dividends paid to shares held by the Company in trust in 2020 and 2019 is ¥12 million ($116 thousand) and ¥12 million, respectively.

13. 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, 2020 and 2019 are as follows:

(excluding the plans to which the simplified accounting method is applied)

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Balance at beginning of year	¥15,265	¥16,073	$140,266
Service cost	794	813	7,300
Interest cost	66	72	607
Actuarial loss (gain)	333	1,510	3,068
Retirement benefits paid	(778)	(856)	(7,155)
Past service cost	-	(2,348)	-
Other	(85)	-	(782)
Retirement benefit obligations at end of year	¥15,595	¥15,265	$143,304

(2) The changes in plan assets for the years ended March 31, 2020 and 2019 are as follows:

(excluding the plans to which the simplified accounting method is applied)

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Balance at beginning of year	¥11,769	¥11,795	$108,145
Expected return on plan assets	172	117	1,585
Actuarial gain (loss)	(138)	(75)	(1,271)
Employer's contribution	436	432	4,010
Retirement benefits paid	(389)	(501)	(3,580)
Plan assets at end of year	¥11,850	¥11,769	$108,889

(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		Thousands of U.S. dollars
	2020	2019	2020
Balance at beginning of year	¥924	¥1,221	$8,491
Retirement benefit expense	204	90	1,881
Retirement benefits paid	(78)	(141)	(721)
Contribution to the plans	(12)	(13)	(114)
Increase (decrease) due to foreign currency translation	(21)	(2)	(195)
Other	85	(230)	782
Net defined benefit liability at end of year	¥1,101	¥924	$10,124

(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		Thousands of U.S. dollars
	2020	2019	2020
Funded retirement benefit obligations	¥9,990	¥9,849	$91,798
Plan assets	(12,047)	(11,960)	(110,702)
	(2,057)	(2,111)	(18,903)
Unfunded retirement benefit obligations	6,904	6,531	63,443
Net liabilities (assets) recorded on the consolidated balance sheet	4,847	4,419	44,540
Net defined benefit liability	6,908	6,531	63,483
Net defined benefit asset	(2,061)	(2,111)	(18,943)
Net liabilities (assets) recorded on the consolidated balance sheet	¥4,847	¥4,419	$44,540

(5) Retirement benefit expenses and breakdown of amounts

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Service cost	¥794	¥813	$7,300
Interest cost	66	72	607
Expected return on plan assets	(172)	(117)	(1,585)
Amortization of actuarial loss	380	258	3,495
Amortization of past service cost	(465)	(120)	(4,281)
Retirement benefit expense using the simplified method	204	90	1,881
Additional severance payments, etc.	4	60	39
Retirement benefit expense related to the defined benefit plans	¥811	¥1,057	$7,457

(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
	2020	2019	2020
Past service cost	¥ (465)	¥ 2,228	$ (4,281)
Actuarial gain (loss)	(92)	(1,327)	(845)
Total	¥ (557)	¥ 900	$ (5,126)

(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
	2020	2019	2020
Unrecognized past service cost	¥ (1,750)	¥ (2,216)	$ (16,087)
Unrecognized actuarial loss	2,488	2,396	22,866
Total	¥ 737	¥ 179	$ 6,779

(8) Items related to plan assets

(a) Breakdown of main items

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

	2020	2019
Domestic bonds	16.7%	26.4%
Domestic equity	2.4	8.5
Foreign bonds	25.6	14.3
Foreign equity	2.2	3.0
Alternative investments*	30.9	31.3
General life insurance accounts	13.7	13.6
Other	8.6	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:

	2020	2019
	(%)	(%)
Discount rate	0.6	0.4
Long-term expected rate of return	1.5	1.0
Expected salary increase rate	4.2	4.0

The amounts of required contributions to the defined contribution plans of the Company and consolidated subsidiaries for the years ended March 31, 2020 and 2019 were ¥214 million ($1,973 thousand) and ¥209 million, respectively.

14. Contingent Liabilities

Contingent liabilities for the years ended March 31, 2020 and 2019 are as follows

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Trade notes discounted	¥ -	¥ 199	$ -

15. Supplemental Cash Flow Information

(1) 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, 2020 and 2019 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Cash and deposits	¥42,909	¥12,992	$394,283
Time deposits maturing over three months	(625)	(730)	(5,750)
Commercial paper included in the marketable securities	9,999	9,999	91,882
Jointly-managed money trust included in the marketable securities	3,459	13,164	31,786
Cash and cash equivalents	¥55,742	¥35,425	$512,202

(2) Description for the fiscal year ended March 31, 2020 was omitted because of lack of materiality.

The major components of assets and liabilities at the beginning of consolidation of Pacific shelf 1809 Limited and other 3 companies, which have become consolidated subsidiaries as a result of acquisition of shares, and the relation between acquisition cost of shares and payments (net increase) for acquisition for the year ended March 31, 2019 are as follows:

	Millions of yen
Current assets	¥ 1,188
Non-current assets	1,772
Goodwill	5,843
Current liabilities	(1,245)
Non-current liabilities	(6,196)
Acquisition cost of shares	1,361
Repayment of loan related acquisition of shares	6,443
Cash and cash equivalents	(452)
Net: Payments for acquisition	¥ 7,351

16. Selling, General and Administrative Expenses

Major components of selling, general and administrative expenses for the years ended March 31, 2020 and 2019 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Sales promotion expenses	¥ 35,873	¥ 35,098	$ 329,627
Advertisement expenses	3,723	3,026	34,215
Freight expenses	13,849	12,837	127,259
Salaries and other allowances	11,223	11,265	103,127
Provision for directors' retirement benefits	42	23	390
Provision for bonuses	2,972	2,727	27,309
Provision for directors' bonuses	119	67	1,096
Provision for stock payments	88	33	817
Provision for directors' stock payments	87	39	804
Retirement benefit expense	547	711	5,027

17. Research and Development Costs

Research and development costs included in selling, general and administrative expenses and manufacturing expenses for the years ended March 31, 2020 and 2019 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Selling, general and administrative expenses	¥ 2,728	¥ 2,606	$ 25,071
Manufacturing expenses	17	54	160
Total	¥ 2,745	¥ 2,660	$ 25,231

18. Sale and retirement of Non- current Assets

Gain on sales of non-current assets for the year ended March 31, 2020 mainly consists of gain on sales of Machinery, equipment and vehicles. Gain on sales of non-current assets for the year ended March 31, 2019 mainly consists of gain on sales of Land.

Loss on sales of non-current assets for the year ended March 31, 2020 mainly consists of loss on sales of Buildings and structures. Loss on sales of non-current assets for the year ended March 31, 2019 mainly consists of loss on sales of Machinery, equipment and vehicles.

Loss on retirement of non-current assets for the year ended March 31, 2020 and 2019 mainly consists of loss on retirement of Machinery, equipment and vehicles.

19. Impairment Loss

For the year ended March 31, 2020, the Company recognized impairment loss of ¥1,639 million ($ 15,061 thousand) on the business assets for which there is no intended future use. With regard to the factory, the Company has reduced the book value to the recoverable amount, since the plant has recorded operating loss continuously and the estimated aggregated value of future cash flow is lower than the carrying amounts of each asset. 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 year ended March 31, 2019, the Company recognized impairment loss of ¥839 million on the business assets for which there is no intended future use. 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 measured by the net realizable value based on the appraisal value determined by the real estate appraiser or zero if it is not likely the assets can be sold or used for other purposes.

The details of impairment loss recognized are as follows:

(For the year ended March 31, 2020)

			Amount	
Location	Purpose of use	Type of asset	Millions of yen	Thousands of U.S. dollars
Karawang, Indonesia	Factory	Machinery, equipment and vehicles Others Property, plant and equipment Construction in progress Others Investments and other assets	¥ 991	$9,110
Oregon, USA	Business assets	Machinery, equipment and vehicles	553	5,088
Utsunomiya City, Tochigi Prefecture	Business assets	Buildings and structures Machinery, equipment and vehicles Construction in progress	93	863

(For the year ended March 31, 2019)

			Amount
Location	Purpose of use	Type of asset	Millions of yen
Chitose City, Hokkaido	Business assets	Machinery, equipment and vehicles	¥ 839

20. Other Comprehensive Income

Reclassification adjustments and tax effects related to other comprehensive income for the years ended March 31, 2020 and 2019 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Other comprehensive income			
Unrealized holding gain on securities			
Amount during the year	¥(501)	¥(238)	$(4,604)
Reclassification adjustments	18	(57)	165
Amount before tax effects	(483)	(296)	(4,439)
Tax effects	145	83	1,332
Total	¥(338)	¥(212)	$(3,106)
Foreign currency translation adjustments			
Amount during the year	¥(1,478)	¥140	$(13,586)
Reclassification adjustments	-	56	-
Amount before tax effects	(1,478)	197	(13,586)
Tax effects	(39)	78	(362)
Total	¥(1,518)	¥276	$(13,948)
Remeasurements of defined benefit plans			
Amount during the year	¥(472)	¥762	$(4,340)
Reclassification adjustments	(85)	138	(785)
Amount before tax effects	(557)	900	(5,126)
Tax effects	165	(274)	1,522
Total	¥(392)	¥626	$(3,604)
Total	¥(2,248)	¥690	$(20,659)

21. Derivative Financial Instruments

Information on derivative transactions of the Company that do not meet the criteria for hedge accounting as of March 31, 2020 and 2019 is as follows:

	Millions of yen			
	2020			
	Contract amount	Maturity over one year	Fair value	Revaluation gain/loss
Non-exchange transactions				
Forward foreign exchange contracts				
GBP Sell	¥4,587	-	¥ 188	¥ 188
USD Buy	5,154	¥ 2,626	97	97
Total	¥ 9,742	¥ 2,626	¥ 286	¥ 286

	Thousands of U.S. dollars			
	2020			
	Contract amount	Maturity over one year	Fair value	Revaluation gain/loss
Non-exchange transactions				
Forward foreign exchange contracts				
GBP Sell	$ 42,154	-	$ 1,734	$ 1,734
USD Buy	47,362	$ 24,133	894	894
Total	$ 89,516	$ 24,133	$ 2,628	$ 2,628

	Millions of yen			
	2019			
	Contract amount	Maturity over one year	Fair value	Revaluation gain/loss
Non-exchange transactions				
Forward foreign exchange contracts				
GBP Sell	¥3,198	¥ 3,198	¥ (57)	¥ (57)
USD Buy	5,237	2,527	111	111
Total	¥ 8,435	¥ 5,726	¥ 53	¥ 53

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

22. Stock Options

For the years ended March 31, 2020 and 2019, the Company recognized gains due to forfeited stock options of ¥3 million ($27 thousand) and nil, respectively, which are presented in other income (other).

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, 2020)

	Shares
Date of resolution	June 24, 2009
Unvested stock options	
Outstanding as of March 31, 2019	-
Granted	-
Expired	-
Vested	-
Outstanding as of March 31, 2020	-
Vested stock options	
Outstanding as of March 31, 2019	48,000
Vested	-
Exercised	8,000
Expired	40,000
Outstanding as of March 31, 2020	-

(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.

Date of resolution	June 24, 2009	
	Yen	U.S. dollars
Exercise price	¥ 400	$ 3.67
Average stock price at exercise	3,044	27.97
Fair value at grant date	75	0.68

(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, 2020	¥ -	$ -
Total intrinsic value on the exercise date of the stock options exercised in the year ended March 31, 2020	¥ 21,152,615	$ 194,363

23. Related Party Transactions

The following summarizes related party transactions for the years ended March 31, 2020 and 2019.

(1) For the year ended March 31, 2020
No applicable items.

(2) For the year ended March 31, 2019
No applicable items.

24. Per Share Information

Per share information as of March 31, 2020 and 2019 and for the years then ended is as follows:

	Yen		U.S. dollars
	2020	2019	2020
Net assets per share	¥ 1,221.19	¥ 1,151.71	$ 11.22
Net income per share			
Basic	¥ 131.22	¥ 145.39	$ 1.20
Diluted	¥ 131.21	¥ 145.34	$ 1.20

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

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Total net assets	¥169,632	¥160,490	$ 1,558,693
Net assets attributable to common stock	¥163,242	¥153,931	$ 1,499,977
Major components of the difference			
Subscription rights	¥ -	¥ 3	$ -
Non-controlling interests	¥ 6,390	¥ 6,555	$ 58,716

	Number of shares	
	2020	2019
Number of common stock issued and outstanding	133,929,800	133,921,800
Treasury stock of common stock	254,501	267,747
Number of common shares used in calculation of net assets per share	133,675,299	133,654,053

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

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Basis for calculation of net income per share			
Net income attributable to owners of parent	¥ 17,539	¥ 19,429	$ 161,165
Net income attributable to owners of parent attributable to common stock	¥ 17,539	¥ 19,429	$ 161,165
Net income attributable to owners of parent to common stock	-	-	-

	Number of shares	
	2020	2019
Average number of shares outstanding during the year	133,669,238	133,637,330

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Major dilutive factors included in calculating diluted net income per share			
Adjustments to net income attributable to owners of parent	¥ -	¥ -	$ -

	Number of shares	
	2020	2019
Subscription rights	9,849	50,210
Increase in number of common stock	9,849	50,210

(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.
257,959 treasury shares (275,221 shares in 2019) were excluded from the average number of shares during the year used for calculating net income per share for the year ended March 31, 2020 and 253,590 treasury shares (266,915 shares in 2019) were excluded from the number of shares outstanding used for calculating net assets per share at March 31, 2020.

25. Segment Information

For the years ended March 31, 2020 and 2019, 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			
	2020			
	Snacks	Other foods	Other	Total
Sales to third parties	¥ 221,084	¥ 33,007	¥ 1,846	¥ 255,938

	Thousands of U.S. dollars			
	2020			
	Snacks	Other foods	Other	Total
Sales to third parties	$ 2,031,469	$ 303,292	$ 16,968	$ 2,351,731

	Millions of yen			
	2019			
	Snacks	Other foods	Other	Total
Sales to third parties	¥ 215,678	¥ 30,386	¥ 2,590	¥ 248,655

(2) Information by region

Information about sales by region is as follows:

	Millions of yen				
	2020				
	Japan	America	China	Others	Total
Sales	¥ 210,470	¥ 10,576	¥ 9,348	¥ 25,542	¥ 255,938

	Thousands of U.S. dollars				
	2020				
	Japan	America	China	Others	Total
Sales	$1,933,941	$ 97,182	$ 85,903	$ 234,704	$2,351,731

	Millions of yen				
	2019				
	Japan	America	China	Others	Total
Sales	¥ 208,193	¥ 9,941	¥ 6,663	¥ 23,856	¥ 248,655

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

	Millions of yen				
	2020				
	Japan	America	China	Others	Total
Property, plant and equipment	¥ 54,185	¥ 7,050	¥ 494	¥ 9,988	¥ 71,718

	Thousands of U.S. dollars				
	2020				
	Japan	America	China	Others	Total
Property, plant and equipment	$ 497,891	$ 64,781	$ 4,540	$ 91,784	$ 658,997

	Millions of yen				
	2019				
	Japan	America	China	Others	Total
Property, plant and equipment	¥ 52,468	¥ 7,843	¥ 543	¥ 11,696	¥ 72,552

(3) Sales by major customers

	Reported segment	Millions of yen 2020	Millions of yen 2019	Thousands of U.S. dollars 2020
Mitsubishi Shokuhin Co., Ltd.	Production and sale of snacks and other foods	¥ 31,746	¥ 29,749	291,703
Yamaboshiya Co., Ltd.	Production and sale of snacks and other foods	¥ 26,096	¥ 25,679	239,795
Confex Co., Ltd.	Production and sale of snacks and other foods	-	¥ 25,176	-

(4) Impairment loss on fixed assets by reporting segment

Millions of yen

2020

	Reporting segment				
	Production and sale of snacks and other foods	Total	Other	Corporate / elimination	Total
Impairment loss	¥ 1,639	¥ 1,639	-	-	¥ 1,639

Thousands of U.S. dollars

2020

	Reporting segment				
	Production and sale of snacks and other foods	Total	Other	Corporate / elimination	Total
Impairment loss	$ 15,061	$ 15,061	-	-	$ 15,061

Millions of yen

2019

	Reporting segment				
	Production and sale of snacks and other foods	Total	Other	Corporate / elimination	Total
Impairment loss	¥ 839	¥ 839	-	-	¥ 839

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

Millions of yen

2020

	Reporting segment				
	Production and sale of snacks and other foods	Total	Other	Corporate / elimination	Total
Amortization	¥ 714	¥ 714	-	-	¥ 714
Balance at end of year	¥ 10,953	¥ 10,953	-	-	¥ 10,953

Thousands of U.S. dollars

2020

	Reporting segment				
	Production and sale of snacks and other foods	Total	Other	Corporate / elimination	Total
Amortization	$ 6,568	$ 6,568	-	-	$ 6,568
Balance at end of year	$ 100,649	$ 100,649	-	-	$ 100,649

Millions of yen

2019

	Reporting segment				
	Production and sale of snacks and other foods	Total	Other	Corporate / elimination	Total
Amortization	¥ 758	¥ 758	-	-	¥ 758
Balance at end of year	¥ 5,688	¥ 5,688	-	-	¥ 5,688

26. Business combination and other related matters

Business combination resulting from acquisition

Calbee America, Inc., the Company's consolidated subsidiary company in USA, concluded agreement for the sale and purchase of the shares of Warnock Food Products, Inc. (hereafter "Warnock") with major shareholders and completed the acquisition of 80% of the shares on October 25, 2019.

(1) Outline of the transaction

1. Name and business description of the acquired company
   Name of acquired company: Warnock Food Products, Inc.
   Description of business: Production and Sales of Snack foods
2. The main reason for business combination
   Warnock, founded in 1986, is a US contracted savory snack manufacturer that produces a wide variety of snacks including potato chips, tortilla chips and puff snacks. Through the acquisition of Warnock, we aim to expand Calbee's product portfolio in the US snack market, the world largest market, leveraging its product development capability and distribution. With a close collaboration between Warnock and Calbee North America, LLC, we will broaden our presence and aim to expand Calbee group business in the North America.
3. Date of business combination
   October 25, 2019 (Date of acquisition of stock)
4. Legal form of business combination
   Acquisition of stock
5. Name of company after business combination
   No change
6. Ratio of voting rights
   80%
7. Main grounds for determing which company to acquire
   Due to Calbee America Inc, the Company's consolidated subsidiary, acquiring Warnock through a share acquisition by cash.

(2) Period of business results of the acquired company included in the consolidated financial statements

From November 1, 2019 to March 31, 2020

(3) Acquisition cost of acquired company and the breakdown

Purchase price of equity interest paid by cash: ¥7,404 million (US$ 68,033 thousand)

(4) Details and amount of the main acquisition related costs

Advisory fees, etc.: ¥157 million (US$1,443 thousand)

(5) Amount of goodwill, reason for recognition, amortization method and period

1. Goodwill arising from the acquisition
   ¥6,414 million (US$58,939 thousand)
   The amount of goodwill is calculated provisionally.
2. Reason for the recognition of goodwill
   Expectation of future excess earning power due to business development.
3. Amortization method and period
   Goodwill is being amortized by the straight-line method over 15 years.

(6) Details and amount of assets and liabilities accepted on the date of business combination

	(Millions of yen)	(thousands of U.S. dollars)
Current assets	1,081	9,940
Non-current assets	667	6,136
Total assets	1,749	16,077
Current liabilities	527	4,848
Non-current liabilities	1	12
Total liabilities	529	4,861

(7) Estimated effects of gain or loss in the consolidated financial statement of the Company assuming that the business combination had been completed at the beginning of the fiscal year and assuming the calculation method

Estimated effects were omitted since they were not material. This effects have not been audited.

27. Subsequent events

(Business combinations and other related matters)

Business combination resulting from acquisition

The Company made the company a wholly owned subsidiary by acquiring all of the issued common stock and share acquisition rights of Potato Kaitsuka Co. Ltd. (hereafter referred to as “Potato Kaitsuka”) on April 1, 2020.

(1) Outline of the transaction

1. Name and business description of the acquired company
   Name of acquired company: Potato Kaitsuka Co. Ltd.
   Description of business: Processing, wholesale, and retail sale of sweet potatoes
2. The main reason for business combination
   Under our long-term vision (Vision for 2030) announced in May 2019, we aim to establish overseas markets and new food domains as growth pillars. At the same time, we have positioned "Establishing businesses in new food areas" as one of the key initiatives in our middle-term business plan. The entry into the sweet potato business by making Potato Kaitsuka a subsidiary will strengthen our efforts to tackle this key initiative. Potato Kaitsuka started operation in 1967 as a wholesale company specializing in sweet potatoes. Today, based mainly on their original brand of sweet potato, “Beni-Tenshi”, they engage in the sale of raw materials for baked sweet potato to retail stores as well as the direct sales of baked sweet potato etc. In the domestic sweet potato market, demand for the varieties of sweet potatoes with sweetness is rising as the variety improvement. In addition, demand for sweet potatoes is expanding due to the introduction and utilization of baking potato machines in retail stores. Furthermore, the amount of exports is also increasing in recent years due to increase in recognition of baked sweet potato in Greater China and South East Asia. Ibaraki Prefecture, where Potato Kaitsuka is located, ranks second in terms of domestic sweet potato yields in 2018, and Potato Kaitsuka is in a position of high share of sweet potato handled. Through the acquisition, we will strive to expand our sweet potato business by utilizing both Potato Kaitsuka’s expertise and technologies for sweet potatoes and Calbee’s assets for potatoes such as variety development and storage technologies.
3. Date of business combination
   April 1, 2020
4. Legal form of business combination
   Acquisition of stock and share acquisition rights
5. Name of company after business combination
   No change
6. Ratio of voting rights
   100%

7. Main grounds for determing which company to acquire
Due to the Company acquiring Potato Kaitsuka through common stock and share acquisition rights by cash.

(2) Purchase price and its breakdown

Purchase price of equity interest paid by cash: ¥13,800 million (US$126,803 thousand)

Independent auditor's report

To the Board of Directors of Calbee, Inc.:

Opinion

We have audited the accompanying consolidated financial statements of Calbee, Inc. ("the Company") and its consolidated subsidiaries (collectively referred to as "the Group"), which comprise the consolidated balance sheets as at March 31, 2020 and 2019, 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 notes, comprising a summary of significant accounting policies, other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2020 and 2019, and its consolidated financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Corporate auditors and the board of corporate auditors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Corporate auditors and the board of corporate auditors are responsible for overseeing the directors' performance of their duties including the design, implementation and maintenance of the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with accounting standards generally accepted in Japan, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with corporate auditors and the board of corporate auditors regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide corporate auditors and the board of corporate auditors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2020 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 6 to the consolidated financial statements.

Interest required to be disclosed by the Certified Public Accountants Act of Japan

We do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Yoshichika Kaneko

Designated Engagement Partner

Certified Public Accountant

Tsutomu Ogawa

Designated Engagement Partner

Certified Public Accountant

KPMG AZSA LLC

Tokyo Office, Japan

June 25, 2020

Notes to the Reader of Independent Auditor's Report:
This is a copy of the Independent Auditor's Report and the original copies are kept separately by the Company and KPMG AZSA LLC.