Calbee
Harvest the Power of Nature.

TSE code:2229

Financial Book 2021

Fiscal year ended March 31, 2021

Contents

Ten-Year Summary

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

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012	2021 US$
For the Year:											
Net sales	266,745	255,938	248,655	251,575	252,420	246,129	222,150	199,941	179,411	163,268	2,409,411
Operating profit	27,064	27,664	26,964	26,828	28,841	28,125	24,183	19,717	15,790	12,247	244,458
Operating margin(%)	10.1	10.8	10.8	10.7	11.4	11.4	10.9	9.9	8.8	7.5	—
Net income attributable to owners of parent	17,682	17,539	19,429	17,330	18,605	16,799	14,114	12,086	9,440	7,096	159,718
Net income margin(%)	6.6	6.9	7.8	6.9	7.4	6.8	6.4	6.0	5.3	4.3	—
ROE(%)	10.4	11.1	13.2	13.0	14.9	14.6	13.7	13.1	11.4	9.6	—
Research and development costs	2,706	2,745	2,660	2,469	2,168	2,195	2,052	2,161	2,288	1,811	24,451
Capital expenditures	11,341	9,004	9,945	11,009	9,763	21,229	15,290	6,392	7,298	5,422	102,447
Depreciation and amortization	9,051	8,449	8,023	7,845	7,297	7,570	6,232	5,960	6,318	6,676	81,762
Per Share(¥/$):(Note2)											
Net income attributable to owners of parent	132.30	131.22	145.39	129.72	139.24	125.88	105.82	91.46	72.18	55.07	1.19
Net assets	1,312.24	1,221.19	1,151.71	1,043.37	958.60	905.20	821.97	729.93	664.55	596.66	11.85
Cash dividends	50.00	50.00	48.00	42.00	42.00	35.00	28.00	22.00	15.50	10.50	0.45
Dividend payout ratio(%)	37.8	38.1	33.0	32.4	30.2	27.8	26.5	24.1	21.5	19.1	—
At Year-End:											
Total assets(Note3)	238,978	214,967	202,750	192,034	181,945	174,837	161,917	140,909	124,705	108,229	2,158,601
Net assets	182,740	169,632	160,490	146,667	135,056	131,469	118,800	104,466	92,685	80,417	1,650,621
Working capital(Note3,4)	80,892	83,066	77,815	68,950	58,214	54,832	52,672	47,458	33,607	23,133	730,666
Interest-bearing debt(Note5)	6,604	1,363	1,274	1,511	1,596	555	563	186	302	358	59,654
Equity ratio(%)(Note6)	73.4	75.9	75.9	72.6	70.4	69.2	67.7	69.1	70.2	71.8	—
Debt to equity ratio(Times)	0	0	0	0	0	0	0	0	0	0	0
Number of consolidated subsidiaries	24	24	26	27	27	24	22	22	21	18	—
Number of employees	4,311	4,053	3,763	3,798	3,860	3,728	3,477	3,341	3,352	3,053	—
Cash Flows:											
Cash flows from operating activities	30,450	40,449	27,620	9,358	25,958	22,541	22,266	23,478	17,328	7,049	275,049
Cash flows from investing activities	(32,069)	(13,462)	(28,347)	(6,258)	(13,404)	(14,270)	(9,422)	(17,041)	(12,999)	(5,347)	(289,673)
Cash flows from financing activities	(7,635)	(6,278)	(6,227)	(5,450)	(14,711)	(2,859)	(2,878)	(383)	607	(411)	(68,965)
Cash and cash equivalents at end of year	47,282	55,742	35,425	42,195	44,627	47,323	42,572	31,592	25,331	19,448	427,086

Note
1. U.S. dollar amounts are presented, for convenience only, at a conversion rate of ¥110.71 = US$1, the approximate Tokyo foreign exchange market rate as of March 31, 2021.
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 2021, the global economy was extremely challenging due to the rapid worsening of the economy caused by lockdowns and other factors associated with the expansion of COVID-19 pandemic. The Japanese economy also continued to face a challenging situation, as economic activities were restricted due to the issuance of the Emergency Declaration, corporate profits deteriorated, personal consumption declined, and demand from inbound tourists plummeted. However, in the snack foods and cereal foods markets, demand for household consumption increased due to requests to refrain going out, and the market size remained firm.

In this environment, we promoted business activities based on long-term vision (the vision for 2030) and the five-year medium-term business plan (from FY March 2020 to FY March 2024), as well as responding to changes in demand triggered by the expansion of COVID-19 pandemic and taking measures to deal with epidemics.
In the domestic business, the expansion of COVID-19 pandemic caused delays in the procurement of imported raw materials. However, we minimized the impact on our customers by reviewing our product policies, developing and launching alternative products. We also worked to ensure a stable supply of products by responding to a sharp increase in sales due to nesting demand, by shifting production flexibly. With regard to office workers, by making mobile work a principle, we have further evolved the new ways of working that we have been pursuing in the past.
In April 2020, we acquired all of the shares of Potato Kaitsuka Ltd. (hereinafter, "Potato Kaitsuka"), which is engaged in the wholesaling of sweet potatoes products and the direct sales of baked sweet potatoes and other products, as part of our efforts to establish a business in new food domains. We expanded business of sweet potatoes by leveraging the potato procurement expertise of the Calbee Group. Aiming for sustainable growth, we concluded an agreement with the government of Hiroshima Prefecture in May 2020 with the aim of constructing a new plant (commencing operations in the FY March 2025) in Hiroshima Prefecture, our birthplace. The new state-of-the-art factory will serve as a "mother factory" that is responsible for technical development through the introduction of cutting-edge technologies such as DX, and new product development in addition to the manufacture of existing products.
In the overseas business, we focused on establishing revenue-generating bases in four key regions (North America, Greater China, the United Kingdom, and Indonesia). In China, we strengthened our lineup of cereal foods and snack foods and actively promoted sales to meet rising demand for e-commerce, and promoted the penetration of the Calbee brand. In North America, we worked to integrate Warnock Food Products, Inc. (hereinafter, "Warnock"), which began consolidation in November 2019, into our management.

(1) Net Sales

Consolidated net sales for the fiscal year ended March 2021 increased 4.2% to ¥266,745 million.

Millions of yen, rounded down

	FY ended March 31, 2020		FY ended March 31, 2021		Growth in yen(%)	Growth on local currency basis(%)
	Amount	%	Amount	%		
Domestic sales	210,470	82.2	213,639	80.1	＋1.5	＋1.5
Overseas sales	45,468	17.8	53,106	19.9	＋16.8	＋18.4
Total	255,938	100.0	266,745	100.0	＋4.2	＋4.5

Results by business are as follows.

Millions of yen, rounded down

Sales	FY ended March 31, 2020	FY ended March 31, 2021	
	Amount	Amount	Growth (%)
1) Production and sale of snack and other foods business	254,092	265,187	＋4.4
Domestic production and sale of snack and other foods business	208,624	212,080	＋1.7
Domestic snack foods	182,086	175,675	－3.5
Domestic cereals	25,157	27,722	＋10.2
Other domestic foods	1,380	8,683	＋529.1
Overseas production and sale of snack and other foods business	45,468	53,106	＋16.8
Overseas snack foods	38,998	46,407	＋19.0
Overseas cereals	6,469	6,699	＋3.5
2) Other businesses	1,846	1,558	－15.6
Total	255,938	266,745	＋4.2

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 decreased.
Sales of domestic snack foods by products are as follows.

Millions of yen, rounded down

Sales	FY ended March 31, 2020	FY ended March 31, 2021	
	Amount	Amount	Growth (%)
Potato-based snacks	133,654	128,841	－3.6
Potato Chips	86,189	86,593	＋0.5
Jagarico	36,390	34,539	－5.1
Jagabee / Jaga Pokkuru	11,075	7,708	－30.4
Flour-based snacks	21,663	21,498	－0.8
Kappa Ebisen	10,069	10,095	＋0.3
Sapporo Potato, etc.	11,594	11,403	－1.6
Corn- and bean-based snacks	17,244	17,099	－0.8
Other snacks	9,524	8,235	－13.5
Domestic snack foods total	182,086	175,675	－3.5

* A part of products of bean-based snacks, which were included in "Other snacks" until the previous fiscal year, are included in "corn-and bean-based snacks" from this fiscal year. The figures for the previous fiscal year are reclassified.

- Sales of potato-based snacks decreased year due to gift snack items declined significantly.
  - Sales of *Potato Chips* were also remained flat. Although sales of some potato chips declined due to the impact of supply adjustments and suspension of sales in response to a sharp increase in demand, sales of *Thin Potato*, which expanded its sales area nationwide, and sales of *Kataage Potato*, which is suitable for household consumption, grew.
  - Sales of *Jagarico* decreased. *Jagarico* grew steadily due to the launch of limited time products and the packaging diversification, but sales of gift snack items and *Toumorico* and *Edamarico*, material products, declined.
  - Sales of *Jagabee* and *Jaga Pokkuru* decreased significantly. *Jaga Pokkuru,* gift snack items did not recover sales, due to a decline in demand of inbound and domestic tourists, despite taking measures such as opening product exhibitions.
- Sales of flour-based snacks remained flat, when demand increased due to the impact of revision of potato chips prices.
- Sales of corn-and bean-based snacks remained flat due to decline in sales of corn-based snacks, despite growth in bean-based snacks due to expand of sales channels.

・Domestic cereals:
Sales of domestic cereals increased due to growth in sales for both domestic consumption and retail store in Greater China. In domestic consumption, sales of Frugra regular products decreased year on year due to the temporary suspension of sales because of delay in procurement of import raw materials caused by the impact of COVID-19 pandemic. However, Frugra Simple Taste, which sold as substitute for regular products for a certain period, and Frugra Less Carbohydrates and Granola Plus that appealed to health and nutrition contributed to an increase in sales.

・Other domestic foods (Sweet potatoes, Potatoes):
Sales of other domestic foods (sweet potatoes and potatoes) increased significantly due to the newly joining the scope of consolidation of Potato Kaitsuka from the beginning of this fiscal year, which operates a sweet potato business. Regarding the sweet potatoes business, it has been growing mainly for the wholesale of sweet potato varieties with high-sugar content, which are suitable mainly for baked sweet potatoes.

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

Sales of overseas production increased.

Sales of overseas production by region are as follows

Millions of yen, rounded down

Sales	FY ended March 31, 2020	FY ended March 31, 2021	
	Amount	Amount	Growth (%)
North America	10,576	14,442	＋36.6
Greater China*	12,771	15,131	＋18.5
United Kingdom	6,047	6,507	＋7.6
Indonesia	4,351	4,055	−6.8
Other regions**	11,721	12,970	＋10.7
Overseas production and sale of snack and other foods business total	45,468	53,106	＋16.8

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

・Sales in North America increased significantly due to contribution of Warnock that has become consolidated in November 2019. In existing business, sales of snacks for ethnic foods area such as Kappa Ebisen and Potato Chips, Jagarico grew. In addition, Sales of Harvest Snaps, bean-based snacks, increased thanks to firm sales to major customers.
・Sales in Greater China increased. Sales of snacks such as Jagabee, Jaga Pokkuru and Potato Chips grew as we strengthened exports from Japan. Sales of the cereals Frugra grew amid increased demand for e-commerce caused by the impact of COVID-19 pandemic.
・Sales in the United Kingdom increased due to increased demand for multi-packs of potato chips under Seabrook brand and the launch of Loaded Fries, a new snack product.
・Sales in Indonesia decreased due to delays in the procurement of raw materials for our mainstay potato chips caused by the impact of COVID-19 pandemic.
・Sales in other regions increased, mainly strong sales of Harvest Snaps and Jagabee in Australia.

2) Other businesses
Sales of other businesses (the logistics business) decreased 15.6% to ¥1,558 million due to a decrease in joint delivery caused by the impact of COVID-19 pandemic.

(2) Gross Profit

Gross profit increased 2.4% year on year, to ¥117,810 million. Gross profit margin decreased 0.8 percentage point, to 44.2%.
This was mainly due to a deterioration in productivity, including gift snack items, caused by the impact of COVID-19 pandemic.

(3) Selling, General and Administrative Expenses

Selling, general and administrative (SG&A) expenses increased 3.8% year on year, to ¥90,746 million. The ratio of SG&A expenses to net sales decreased 0.2 percentage point, to 34.0%.

This was mainly due to a decrease in sales promotion opportunities and a reduction in travel expenses due to the impact of COVID-19 pandemic.

(4) Operating Profit

As the result of the above, operating profit decreased 2.2% to ¥27,064 million, and operating margin was 10.1%, a deterioration of 0.7 percentage points.

(5) Non-Operating Income / Expenses

Foreign exchange gain of ¥452 million was recorded, resulting in a non-operating gain of ¥458 million.

(6) Extraordinary Income / Losses

Loss on cancellation of outsourcing agreement was recording ¥750 million under extraordinary losses.

(7) Net Profit

As the result of the above, net profit increased 0.8% year on year, to ¥17,682 million. Net profit per share was ¥132.30. ROE worsened 0.7 percentage point, to 10.4%.

(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, 2021 results	FY ended March 31, 2021 (initial plan)	FY ending March 31, 2024 (target)
Net sales	¥266.7bn	¥270.0bn	¥310.0bn
Operating profit	¥27.0bn	¥24.5bn	¥40.0bn
ROE	10.4%	―	12%
Domestic operating margin	11.6%	10.9%	15%
Overseas sales	¥53.1bn	¥53.4bn	¥80.0bn

Financial Position

Total assets as of March 31, 2021 were ¥238,978 million, an increase of ¥24,011 million. This was mainly an increase in inventories, property, plant and equipment and goodwill.

The increase in inventories and goodwill were resulting from the acquisition of Potato Kaitsuka. The increase in property, plant and equipment was mainly aimed at expanding domestic existing business such as acquiring production lines for new products *Potato Deluxe* and *Otonano Jagarico*.

Liabilities increased ¥10,903 million to ¥56,238 million. This was mainly due to an increase in short-term and long-term borrowings associated with the inclusion of Potato Kaitsuka in the scope of consolidation.

Net assets increased ¥13,107 million to ¥182,740 million, mainly due to increase in retained earnings.

From those stated above, the shareholders' equity ratio was 73.4%, down 2.5 percentage points, and ROE was 10.4%.

Cash Flows

Cash and cash equivalents as of March 31, 2021 were ¥47,282 million, a decrease of ¥8,460 million.

(1) Cash Flows from Operating Activities

Operating activities resulted in net cash inflow of ¥30,450 million, a decrease in cash inflow of ¥9,998 million. This was mainly due to a decrease in the amount of collection of trade receivables compared to the previous fiscal year, when the amount of collection increased due to a delay in paying-in due to bank holidays.

(2) Cash Flows from Investing Activities

Investing activities resulted in a net cash outflow of ¥32,069 million, an increase in cash outflow of ¥18,607 million, due to an increase in payments for purchase of shares of subsidiaries resulting in change in scope of consolidation and an increase in payments for purchase of property, plant and equipment. The purchase of shares in subsidiaries resulting in change in scope of consolidation was due to the acquisition of Potato Kaitsuka. Purchase of property, plant and equipment was mainly aimed at expanding domestic existing business such as acquiring production lines for new products such as *Potato Deluxe* and *Otonano Jagarico*.

(3) Cash Flows from Financing Activities

Financing activities resulted in a net cash outflow of ¥7,635 million, an increase in cash outflow of ¥1,356 million, mainly due to a decrease in net increase(decrease) in short-term borrowings resulting from repayments. We recognizes that the distribution of profits to shareholders is an important management matter. Our policy is to enhance returns to shareholders while profitability and strengthening our financial position. In the five-year medium-term business plan (from FY March 2020 to FY March 2024)," we have set a target of 40% or more on a dividend payout ratio (consolidated).
Dividends payments totaled to ¥6,693 million, and consolidated dividend payout ratio was 37.8%

(4) Information Regarding Capital Resources and Shareholders' equity Liquidity

• Developments in Demand for Funds

Calbee Group's capital needs include the payment of raw materials, labor, expenses and selling, personnel and logistics expenses for the manufacture of products, which are used to fund our operations. Funds used in investing activities consist mainly of capital investment and M&A. Funds used in financing activities consist mainly of capital requirements related to dividends paid by the parent company.

With regard to the cash outflow plan for investing activities and financing activities, based on the five-year medium-term business plan (from FY March 2020 to FY March 2024), we plan to allocate ¥180,000 million, which is the sum of cash flow from operating activities of ¥160,000 million and cash on hand of ¥20,000 million, which we expect to acquire in the five years from FY March 2020 to FY March 2024. We plan to allocate ¥60,000 million to capital investment to growth/raise productivity in existing businesses, and to strengthen overseas production structure, ¥80,000 million to investments to acquire foundation for growth based on a long-term perspective, including new businesses, promotion of digital transformation, and M&A etc, and ¥40,000 to sustainable shareholder returns aimed for dividend payout ratio (consolidated) over 40%.

The status of cash outlays as of the end of the fiscal year under review is as follows.

Millions of yen, rounded down

	FY ended March 31, 2020	FY ended March 31, 2021	medium-term business plan	Progress (%)
Capital investment	8,751	11,205	60,000	33.3
Growth investment	7,558	13,330	80,000	26.1
Shareholder Returns	6,425	6,693	40,000	32.8
Total	22,735	31,229	180,000	30.0

• Fund-raising progress

In principle, Calbee Group's financing methods are funded by cash flows from operating activities, and temporary shortages of funds are funded based on short-term borrowings from financial institutions. We and our domestic consolidated subsidiaries have introduced a cash management system (CMS) to centrally manage funds within the Group, thereby centrally managing surplus funds, securing liquidity for funds, and improving fund efficiency. In addition, we have entered into overdraft agreements with several financial institutions with the aim of supplementing the liquidity of its funds further, and we recognizes that it has sufficient liquidity to fund its business operations.

Capital Expenditures

In fiscal 2021, capital expenditures for tangible and intangible assets totaled ¥11,341 million. Of this total, ¥9,764 million went to domestic operations and ¥1,577 million went to overseas operations. Capital expenditures in the domestic business are mainly aimed at expanding domestic existing business such as acquiring production lines for new products *Potato Deluxe* and *Otonano Jagarico*. Capital expenditures in the oversea business are mainly aimed at strengthening the production structure such as expanding the packaging line related to potato chips in the U.K.

Critical Accounting Policies and Estimates

The accompanying consolidated financial statements have been prepared on the basis of accounting principles generally accepted in Japan.
The preparation of these consolidated financial statements requires management to make fiscal estimates.
Although management makes reasonable judgments regarding these estimates by comprehensively considering historical experience and current conditions, actual results may differ from these estimates due to uncertainties inherent in the estimates.
In addition, the significant accounting policies adopted in the preparation of these consolidated financial statements are described in "Item 5. Accounting, 1. Notes to the Consolidated Financial Statements (Significant Matters Forming the Basis for Preparing the Consolidated Financial Statements)". We believe that the following significant accounting policies have a significant impact on the significant judgments and estimates in the preparation of the consolidated financial statements.

(1) Impairment of Fixed Assets

When indicators of impairment are identified due to a continuous loss in earnings from operations or a significant decline in market prices, the Group assesses the recognition of impairment losses by considering future business plans and other factors, and recognizes impairment losses to recoverable amounts as necessary.
If the business plan is revised due to future deterioration in market conditions or other factors, the Company may record an impairment loss.
The main intangible assets of the Group are goodwill resulting from the acquisition of Potato Kaitsuka. Although Potato Kaitsuka incurred an operating loss (including the amortization of goodwill, the same hereafter) for the current fiscal year, it is determined that there is no impairment indicator for the goodwill due to the prospect of positive operating income in the next fiscal year mainly due to an increase in sales volume and procurement volume.

(2) Inventory valuation

The Group uses the cost method of inventory valuation (the book value of inventories written down to reflect any declines in profitability). If the net selling price at the end of the fiscal year has declined from the acquisition cost, the net selling price at the end of the fiscal year is presented as the balance sheet value.
Inventories that have become excessive or slow due to changes in demand may be written down to be valued at an appropriate value.

Research and Development Costs

In fiscal 2021, the total amount of R&D expenditures was ¥2,706 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 developed and launched nationwide *Potato Deluxe*, which is three times the depth (slice depth ratio) of ordinary potato chips.
In the area of technological development, we launched *Karrito Ringo*, a dried fruit with a new texture that uses the Neo-dry production method (non-fry) in which the quality of the materials remains intact.

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 2021.

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

With regard to imported raw materials from overseas used in our Group products, there is a risk that supply will be stagnated due to natural disasters, pandemics, and other factors. Accordingly, we are working to stabilize procurement by diversifying and diversifying our suppliers and strengthening appropriate inventories.
However, in the event of a prolonged crisis, such as unexpected supply and demand trends, fluctuations in crude oil prices, or the occurrence of political disputes, rising procurement prices due to soaring raw

material and material prices or changes in import destinations and import routes could have an impact on the Group's 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, 2021, 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 particular, we recognize that the pandemic of the new coronaviral infectious disease (a major global epidemic) is one of the important risks in the ongoing form at present.

In January last year, we launched the new Corona Virus Response Headquarters, which conducts operations under a thorough hygiene management system while taking into account trends in the government and local governments.
These measures include banning the principle of traveling abroad, preventing unnecessary and sudden domestic trips, halting events that will be brought to plant visits and many clients, and adopting the principle of working at home in the head office and tele-workable departments (roughly a thirty-percent of employees).
In addition, although the Group strives to reduce the impact of its business by securing procurement of key raw materials, implementing flexible product policies and maintaining its supply structure, it has been significantly affected by the slump in the tourism business due to the curbing of human resource distribution in Japan and the decrease in inbound tourism.
In addition, if a pandemic were to continue for a prolonged period, resulting in a sharp rise in raw material prices, difficulty in securing raw materials, stagnant consumption or a decrease in inbound tourists, etc., the Group's operating results and financial position could be affected.

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, 2021 and 2020

	Millions of yen		Thousands of U.S. dollars (Note 5)
	2021	2020	2021
Assets			
Current assets:			
Cash and deposits (Notes 6 and 15)	¥ 34,572	¥ 42,909	$312,279
Notes and accounts receivable (Note 6)	30,449	29,718	275,035
Marketable securities (Notes 6 and 7)	38,899	30,653	351,360
Inventories (Notes 8 and 9)	14,694	11,205	132,729
Others	4,868	5,219	43,971
Allowance for doubtful accounts	(5)	(7)	(52)
Total current assets	123,477	119,699	1,115,323
Non-current assets:			
Property, plant and equipment:			
Land (Note 9)	11,554	11,270	104,370
Buildings and structures (Notes 9 and 19)	71,541	67,341	646,204
Machinery, equipment and vehicles (Note 19)	111,167	105,627	1,004,129
Lease assets	553	879	4,999
Construction in progress (Note 19)	2,489	1,508	22,482
Others (Note 19)	5,572	4,547	50,336
	202,878	191,175	1,832,523
Accumulated depreciation	(125,598)	(119,457)	(1,134,483)
Property, plant and equipment, net	77,280	71,718	698,040
Investments and other assets:			
Investment securities (Notes 6 and 7)	1,859	1,516	16,799
Investments in affiliates (Note 6)	124	228	1,124
Long-term loans	-	180	-
Deferred tax assets (Note 11)	5,352	4,826	48,343
Net defined benefit asset (Note 13)	2,549	2,061	23,028
Goodwill	24,518	10,953	221,467
Others	3,817	3,783	34,480
Allowance for doubtful accounts	(0)	(1)	(6)
Total investments and other assets	38,221	23,549	345,237
Total non-current assets	115,501	95,267	1,043,277
Total assets	¥238,978	¥214,967	$2,158,601

	Millions of yen		Thousands of U.S. dollars (Note 5)
	2021	2020	2021
Liabilities			
Current liabilities:			
Notes and accounts payable (Note 6)	¥10,160	¥9,889	$91,776
Short-term borrowings (Notes 6, 9 and 10)	2,616	871	23,633
Current portion of long-term borrowings (Notes 6, 9 and 10)	298	-	2,700
Lease obligations (Note 10)	100	134	912
Other payables (Note 6)	7,649	7,301	69,096
Income taxes payable	5,153	4,657	46,545
Provision for bonuses	4,916	4,581	44,412
Provision for directors' bonuses	116	119	1,047
Provision for stock payments	88	83	794
Others	11,484	8,995	103,736
Total current liabilities	42,585	36,633	384,657
Non-current liabilities:			
Long-term borrowings (Notes 6, 9 and 10)	3,166	-	28,599
Lease obligations (Note 10)	383	325	3,467
Deferred tax liabilities (Note 11)	793	367	7,167
Provision for directors' retirement benefits	358	330	3,233
Provision for directors' stock payments	265	172	2,398
Net defined benefit liabilities (Note 13)	7,846	6,908	70,873
Asset retirement obligations	749	527	6,770
Others	89	70	811
Total non-current liabilities	13,652	8,701	123,322
Total liabilities	56,238	45,334	507,979
Net assets (Note 12):			
Shareholders' equity:			
Common stock:			
Authorized 2021 - 176,000,000 shares			
Authorized 2020- 176,000,000 shares			
Issued 2021 - 133,929,800 shares			
Issued 2020 - 133,929,800 shares	12,046	12,046	108,809
Capital surplus	4,777	4,779	43,154
Retained earnings	159,551	148,565	1,441,164
Treasury stock - 289,176 shares in 2021			
254,501 shares in 2020	(1,045)	(933)	(9,445)
Total shareholders' equity	175,329	164,457	1,583,682
Accumulated other comprehensive income:			
Unrealized holding gain on securities	300	129	2,709
Foreign currency translation adjustments	562	(833)	5,077
Remeasurements of defined benefit plans (Note 13)	(822)	(511)	(7,430)
Total accumulated other comprehensive income (loss)	39	(1,215)	357
Non-controlling interests	7,371	6,390	66,581
Total net assets	182,740	169,632	1,650,621
Total liabilities and net assets	¥238,978	¥214,967	$2,158,601

Consolidated Statements of Income

Calbee, Inc. and Consolidated Subsidiaries
Consolidated Statements of Income
Years ended March 31, 2021 and 2020

	Millions of yen		Thousands of U.S. dollars (Note 5)
	2021	2020	2021
Net sales	¥266,745	¥255,938	$2,409,411
Cost of sales (Notes 8 and 17)	148,935	140,852	1,345,274
Gross profit	117,810	115,086	1,064,136
Selling, general and administrative expenses (Notes 16 and 17)	90,746	87,422	819,677
Operating profit	27,064	27,664	244,458
Other income (expenses)			
Interest and dividend income	131	154	1,184
Interest expense	(100)	(90)	(906)
Foreign exchange gains (losses)	452	(445)	4,087
Share of profit of entities accounted for using equity method	39	11	352
Share of loss of entities accounted for using equity method	(143)	(2)	(1,294)
Loss on valuation of inventories	-	(32)	-
Depreciation	(139)	(122)	(1,256)
Gain on sales of non-current assets (Note 18)	14	9	127
Gain on liquidation of subsidiaries and associates	174	-	1,572
Gain on sales of investment securities	62	1	561
Subsidy income	150	277	1,356
Gain on reversal of loss on cancellation of outsourcing agreement	-	137	-
Subsidy income related to COVID-19	227	-	2,054
Loss on sales of non-current assets (Note 18)	(57)	(50)	(519)
Loss on retirement of non-current assets (Note 18)	(559)	(221)	(5,053)
Impairment loss (Note 19)	-	(1,639)	-
Loss on valuation of investment securities (Note 7)	(29)	(18)	(270)
Loss on cancellation of outsourcing agreement	(750)	-	(6,774)
Loss on COVID-19	(248)	-	(2,243)
Other	94	109	852
Net income before income taxes	26,381	25,743	238,291
Income taxes (Note 11):			
Current	(8,248)	(8,925)	(74,504)
Deferred	(67)	394	(607)
	(8,315)	(8,531)	(75,112)
Net income	18,065	17,212	163,179
Net income (loss) attributable to:			
Non-controlling interests	383	(327)	3,461
Owners of parent	¥17,682	¥17,539	$159,718

Consolidated Statements of Comprehensive Income

Calbee, Inc. and Consolidated Subsidiaries
Consolidated Statements of Comprehensive Income
Years ended March 31, 2021 and 2020

	Millions of yen		Thousands of U.S. dollars (Note 5)
	2021	2020	2021
Net income	¥18,065	¥17,212	163,179
Other comprehensive income (Note 20):			
Unrealized holding gain (loss) on securities	170	(338)	1,538
Foreign currency translation adjustments	1,825	(1,518)	16,489
Remeasurements of defined benefit plans	(311)	(392)	(2,812)
Total other comprehensive income	1,684	(2,248)	15,215
Comprehensive income	¥19,750	¥14,963	178,394
Comprehensive income attributable to:			
Owners of parent	¥18,936	¥15,697	171,049
Non-controlling interests	¥813	¥(733)	7,344

Consolidated Statements of Changes in Net Assets

Calbee, Inc. and Consolidated Subsidiaries
Consolidated Statements of Changes in Net Assets
Years ended March 31, 2021 and 2020

	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, 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 APRIL 1, 2020	133,929,800	¥12,046	¥4,779	¥148,565	(¥933)	¥164,457
Cash dividends paid				(6,696)		(6,696)
Profit attributable to owners of parent				17,682		17,682
Purchase of treasury stock					(191)	(191)
Disposal of treasury stock					79	79
Purchase of shares of consolidated subsidiaries			(1)			(1)
Net changes during the year						
BALANCE AT MARCH 31, 2021	133,929,800	¥12,046	¥4,777	¥159,551	(¥1,045)	¥175,329

	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, 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 APRIL 1, 2020	¥129	¥(833)	¥(511)	(¥1,215)	-	¥6,390	¥169,632
Cash dividends paid							(6,696)
Profit attributable to owners of parent							17,682
Purchase of treasury stock							(191)
Disposal of treasury stock							79
Purchase of shares of consolidated subsidiaries							(1)
Net changes during the year	170	1,395	(311)	1,254		981	2,235
BALANCE AT MARCH 31, 2021	¥300	¥562	(¥822)	¥39	-	¥7,371	¥182,740

Calbee, Inc. and Consolidated Subsidiaries
Consolidated Statements of Changes in Net Assets
Years ended March 31, 2021

	Number of Shares of Common Stock Outstanding	Thousands of U.S. Dollars (Note 5) Shareholders' Equity Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Total Shareholders' Equity
BALANCE AT APRIL 1, 2020	133,929,800	$108,809	$43,170	$1,341,933	($8,432)	$1,485,480
Cash dividends paid				(60,486)		(60,486)
Profit attributable to owners of parent				159,718		159,718
Purchase of treasury stock					(1,729)	(1,729)
Disposal of treasury stock					715	715
Purchase of shares of consolidated subsidiaries			(15)			(15)
Net changes during the year						
BALANCE AT MARCH 31, 2021	133,929,800	$108,809	$43,154	$1,441,164	($9,445)	$1,583,682

	Thousands of U.S. Dollars (Note 5) Accumulated Other Comprehensive Income Unrealized Holding Gain on Securities	Foreign Currency Translation Adjustments	Remeasurements of Defined Benefit Plans	Total Accumulated Other Comprehensive Income	Subscription Rights	Non-controlling Interests	Total Net Assets
BALANCE AT APRIL 1, 2020	$1,171	($7,528)	($4,618)	($10,974)	-	$57,719	$1,532,225
Cash dividends paid							(60,486)
Profit attributable to owners of parent							159,718
Purchase of treasury stock							(1,729)
Disposal of treasury stock							715
Purchase of shares of consolidated subsidiaries							(15)
Net changes during the year	1,538	12,605	(2,812)	11,331		8,862	20,194
BALANCE AT MARCH 31, 2021	$2,709	$5,077	($7,430)	$357	-	$66,581	$1,650,621

Consolidated Statements of Cash Flows

Calbee, Inc. and Consolidated Subsidiaries
Consolidated Statements of Cash Flows
Years ended March 31, 2021 and 2020

	Millions of yen		Thousands of U.S. dollars(Note 5)
	2021	2020	2021
Cash flows from operating activities			
Net income before income taxes	¥26,381	¥25,743	$238,291
Depreciation and amortization	9,051	8,449	81,762
Impairment loss	-	1,639	-
Amortization of goodwill	1,753	714	15,841
Increase (decrease) in provision	496	796	4,486
Increase (decrease) in net defined benefit asset/liability	(21)	(109)	(198)
Interest and dividend income	(131)	(154)	(1,184)
Interest expense	100	90	906
Foreign exchange loss (gain)	(26)	319	(237)
Share of loss (profit) of entities accounted for using equity method	104	(9)	941
Net loss (gain) on sales of investment securities	(61)	(1)	(559)
Net loss (gain) on valuation of investment securities	29	18	270
Net loss (gain) on sales of non-current assets	43	41	393
Loss on retirement of non-current assets	559	221	5,053
Decrease (increase) in notes and accounts receivable	476	10,092	4,301
Decrease (increase) in inventories	(2,026)	194	(18,307)
Increase (decrease) in notes and accounts payable	(253)	907	(2,293)
Increase (decrease) in other payables	566	682	5,112
Others	1,514	(42)	13,676
Subtotal	38,555	49,592	348,254
Interest and dividends received	131	154	1,192
Interest paid	(108)	(88)	(977)
Income taxes paid	(8,128)	(9,209)	(73,420)
Net cash provided by operating activities	30,450	40,449	275,049
Cash flows from investing activities			
Acquisition of property, plant and equipment	(10,715)	(8,392)	(96,786)
Proceeds from sale of property, plant and equipment	17	109	161
Acquisition of intangible fixed assets	(626)	(612)	(5,660)
Acquisition of marketable securities	(44,896)	(55,035)	(405,531)
Proceeds from redemption of marketable securities	36,182	57,335	326,822
Purchase of investment securities	(187)	(15)	(1,694)
Proceeds from sale of investment securities	121	5	1,096
Payment of loans receivable	(700)	(700)	(6,322)
Collection of loans receivable	1,460	800	13,189
Payment into time deposits	(968)	(2,253)	(8,749)
Proceeds from withdrawal of time deposits	1,318	2,336	11,908
Payment of security deposit	(84)	(99)	(759)
Collection of security deposit	56	89	509
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(13,194)	(7,305)	(119,176)
Others	146	274	1,320
Net cash used in investing activities	(32,069)	(13,462)	(289,673)
Cash flows from financing activities			
Net increase (decrease) in short-term borrowings	(490)	(11)	(4,430)
Repayments of long-term borrowings	(298)	-	(2,700)
Purchase of treasury stock	(191)	(0)	(1,729)
Inflow from exercise of stock options	-	3	-
Repayments for lease obligations	(87)	(156)	(791)
Cash dividends paid	(6,693)	(6,425)	(60,455)
Proceeds from share issuance to non-controlling shareholders	139	323	1,255
Dividends paid to non-controlling interests	(12)	(11)	(112)
Net cash used in financing activities	(7,635)	(6,278)	(68,965)
Effect of exchange rate changes on cash and cash equivalents	793	(390)	7,171
Net increase (decrease) in cash and cash equivalents	(8,460)	20,317	(76,418)
Cash and cash equivalents at beginning of year	55,742	35,425	503,504
Cash and cash equivalents at end of year (Note 15)	¥47,282	¥55,742	$427,086

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 (24 in 2020) 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.
- Potato Kaitsuka Ltd. (Note 1)
- Kaitsuka Farm Co., Ltd. (Note 1)
- Calbee America, Inc. (Note 3)
- Calbee North America, LLC (Note 3)
- Warnock Food Products, Inc (Note 3)
- Yantai Calbee Co., Ltd. (Note 3)
- CFSS Co. Ltd. (Note 3)
- Calbee (Hangzhou) Foods Co.,Ltd. (Note 3)
- Calbee (China) Co., Ltd. (Note 3)
- Calbee Four Seas Co., Ltd.
- Calbee E-commerce Limited (Note 3)
- Calbee Group (UK) Ltd (Note 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 Inc. acquired shares of Potato Kaitsuka Ltd., it and Kaitsuka Farm Co., Ltd. were included in the scope of consolidation during the year ended March 31, 2021.

(2) Following the liquidation has been completed of Qingdao Calbee Foods Co., Ltd., and Calbee (Taiwan) Co., Ltd., which was within the scope of consolidation as of March 31, 2020, they have been excluded from the scope of consolidation during the year ended March 31, 2021

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

For the years ended March 31, 2021 and 2020, 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, 2021 and 2020, 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 the estimated effective period of the investment. The estimated effective period are as follows.

	Estimated effective period (years)
Potato Kaitsuka Ltd.	15 years
Warnock Food Products, Inc	15 years
Calbee Group (UK) Ltd	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 26, 2021)

(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. 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, 2021 and 2020 were ¥321 million ($2,905 thousand) and 92,565 shares, and ¥241 million and 67,290 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 (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, 2021 and 2020 were ¥721 million ($6,518 thousand) and 195,700 shares, and ¥689 million and 186,300 shares, respectively.

5. U.S. Dollar Amounts

For the convenience of the reader, the accompanying consolidated financial statements are also presented in U.S. dollars by converting Japanese yen amounts at the rate of ¥110.71 = $1, the approximate rate in effect on March 31, 2021. The inclusion of such amounts is not intended to imply that yen amounts have been or could be readily converted, realized or settled in U.S. dollars at that or any other rate.

6. Financial Instruments

(1) Policy for financial instruments

The Company's fund management policy is to use highly secure financial instruments, such as term deposits, with purchases of financial instruments carried out in accordance with internal regulations including the fund management policy. As for funding, domestic consolidated subsidiaries are principally 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, 2021 and 2020 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, 2021)	Carrying Amount	Estimated Fair Value	Difference
Assets			
(1) Cash and deposits	¥ 34,572	¥ 34,572	-
(2) Notes and accounts receivable	30,449	30,449	-
(3) Marketable and investment securities			
Held-to-maturity	38,899	38,898	¥ (0)
Available-for-sale	1,575	1,575	-
Total assets	¥ 105,495	¥ 105,495	¥ (0)
Liabilities			
(4) Notes and accounts payable	¥ (10,160)	¥ (10,160)	-
(5) Short-term borrowings	(2,616)	(2,616)	-
(6) Other payables	(7,649)	(7,649)	-
(7) Long-term borrowings	(3,465)	(3,465)	-
Total liabilities	¥ (23,892)	¥ (23,892)	-
Derivative transactions			
Hedge accounting not applied	¥ (368)	¥ (368)	-
Total derivative transactions	¥ (368)	¥ (368)	-

	Thousands of U.S. dollars		
(As of March 31, 2021)	Carrying Amount	Estimated Fair Value	Difference
Assets			
(1) Cash and deposits	$ 312,279	$ 312,279	-
(2) Notes and accounts receivable	275,035	275,035	-
(3) Marketable and investment securities			
Held-to-maturity	351,360	351,357	$ (3)
Available-for-sale	14,228	14,228	-
Total assets	$ 952,903	$ 952,900	$ (3)
Liabilities			
(4) Notes and accounts payable	$ (91,776)	$ (91,776)	-
(5) Short-term borrowings	(23,633)	(23,633)	-
(6) Other payables	(69,096)	(69,096)	-
(7) Long-term borrowings	(31,300)	(31,300)	-
Total liabilities	$ (215,807)	$ (215,807)	-
Derivative transactions			
Hedge accounting not applied	$ (3,326)	$ (3,326)	-
Total derivative transactions	$ (3,326)	$ (3,326)	-

(As of March 31, 2020)	Millions of yen 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	-

*Long-term borrowings includes current portion of long-term borrowings.
*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.

(7) Long-term borrowings

Fair values of these liabilities are calculated based on the present value of the sum of principal and interest discounted by the interest rate that would be applied if similar new borrowings were to be made. For which based on variable interest rates, the fair value is based on the carrying amount, as it reflects market interest rates in a short period and the fair value is approximate to the carrying amount.

Derivative transactions

Refer to Note 21, “Derivative Financial Instruments.”

2. Unlisted shares with carrying value of ¥284 million ($2,571 thousand) and ¥137 million at March 31, 2021 and 2020, 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, 2021 and 2020, impairment loss recognized on unlisted shares was ¥29 million ($270 thousand) and nil, respectively.

Investments in affiliates with carrying value of ¥124 million ($1,124 thousand) and ¥228 million at March 31, 2021 and 2020 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, 2021 and 2020.

(As of March 31, 2021)	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	¥ 34,552	-	-	-
Notes and accounts receivable	30,449	-	-	-
Marketable securities				
Held-to- maturity				
Jointly-managed money trust	24,900	-	-	-
Commercial paper	14,000	-	-	-
Total	¥ 103,901	-	-	-

As of March 31, 2021	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	$ 312,101	-	-	-
Notes and accounts receivable	275,035	-	-	-
Marketable securities				
Held-to- maturity				
Jointly-managed money trust	224,911	-	-	-
Commercial paper	126,456	-	-	-
Total	$ 938,505	-	-	-

(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	-	-	-

7. Marketable and Investment Securities

(1) The summary of acquisition cost and carrying value of held to maturity and available-for-sale securities as of March 31, 2021 and 2020 is as follows:

Held-to-maturity

	Millions of yen			Thousands of U.S. dollars		
	2021			2021		
	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	¥7,900	¥7,901	¥ 1	$71,357	$71,373	$16
Commercial paper	-	-	-	-	-	-
(Securities with estimated fair value not exceeding carrying amount)						
Jointly-managed money trust	¥17,000	¥17,000	-	$153,554	$153,554	-
Commercial paper	13,999	13,996	¥ (2)	126,448	126,429	$(19)
Total	¥38,899	¥38,898	¥ (0)	$351,360	$351,357	$(3)

Available-for-sale

	Millions of yen			Thousands of U.S. dollars		
	2021			2021		
	Carrying amount	Acquisition cost	Unrealized gains (losses)	Carrying amount	Acquisition cost	Unrealized gains (losses)
(Securities with carrying value exceeding acquisition cost)						
Equity securities	¥ 874	¥ 422	¥ 451	$7,899	$3,818	$4,081
(Securities with carrying value not exceeding acquisition cost)						
Equity securities	700	791	(90)	6,328	7,144	(815)
Total	¥ 1,575	¥ 1,213	¥ 361	$14,228	$10,963	$3,265

Held-to-maturity

	Millions of yen		
	2020		
	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
Commercial paper	1,999	2,000	0
(Securities with estimated fair value not exceeding carrying amount)			
Jointly-managed money trust	¥7,653	¥7,653	-
Commercial paper	7,999	7,998	¥ (1)
Total	¥30,653	¥30,653	¥ 0

Available-for-sale

	Millions of yen		
	2020		
	Carrying amount	Acquisition cost	Unrealized gains (losses)
(Securities with carrying value exceeding acquisition cost)			
Equity securities	¥ 711	¥ 358	¥ 352
(Securities with carrying value not exceeding acquisition cost)			
Equity securities	667	870	(202)
Total	¥ 1,378	¥ 1,229	¥ 149

(Note) Unlisted shares with carrying values of ¥284 million ($2,571 thousand) and ¥137 million at March 31, 2021 and 2020, 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		
	2021			2021		
	Sales amount	Gain on sales	Loss on sales	Sales amount	Gain on sales	Loss on sales
Equity securities	¥121	¥62	¥(0)	$1,096	$561	$(2)
Total	¥121	¥62	¥(0)	$1,096	$561	$(2)

	Millions of yen		
	2020		
	Sales amount	Gain on sales	Loss on sales
Equity securities	¥5	¥1	-
Total	¥5	¥1	-

(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, 2021 and 2020, impairment losses recognized on equity securities classified as available-for-sale securities were ¥29 million ($270 thousand) and ¥18 million.

8. Inventories

Inventories at March 31, 2021 and 2020 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Finished goods and commercial goods	¥ 6,058	¥ 4,814	$54,720
Work in process	1,235	1,300	11,155
Raw materials and supplies	7,401	5,090	66,852
	¥ 14,694	¥ 11,205	$132,729

Valuation losses (reversal) due to declines in profitability included in cost of sales for the years ended March 31, 2021 and 2020 were ¥ (62) million ($(562) thousand) and ¥ 222million, respectively.

9. Collateral assets and collateralized obligations

The assets pledged as collateral are as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Inventories	¥ 1,595	-	$14,410
Buildings and structures	322	-	2,915
Land	15	-	140
	¥ 1,933	-	$17,465

The collateralized obligations are as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Short-term borrowings	¥ 1,500	-	$13,548
Current portion of long-term borrowings	177	-	1,607
Long-term borrowings	2,577	-	23,278
	¥ 4,255	-	$38,434

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, 2021 and 2020 are as follows:

	Millions of yen		Thousands of U.S. dollars	Average interest rate	
	2021	2020	2021	2021	2020
				(%)	(%)
Short-term borrowings	¥2,616	¥871	$23,633	2.7	6.3
Current portion of long-term borrowings	298	-	2,700	0.6	-
Current portion of lease obligations	100	134	912	-	-
Long-term borrowings, excluding current portion	3,166	-	28,599	0.6	-
Lease obligations, excluding current portion	383	325	3,467	-	-
Other interest-bearing liabilities	37	32	341	0.9	1.0
Total	¥ 6,604	¥ 1,363	$59,654	-	-

(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 and long-term borrowings are summarized below:

Years ending March 31,	Millions of yen	Thousands of U.S. dollars	Millions of yen	Thousands of U.S. dollars
	Lease obligations		Long-term borrowings	
2022	100	912	298	2,700
2023	99	903	298	2,700
2024	66	604	2,520	22,764
2025	40	369	91	821
2026	37	341	78	711
2027 and thereafter	138	1,248	177	1,602

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, 2021 and 2020, 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, 2021 and 2020 is as follows:

	2021	2020
	(%)	(%)
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, 2021 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, 2021 and 2020 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Deferred tax assets:			
Allowance for doubtful accounts	¥ 2	¥ 125	$ 27
Provision for bonuses	1,483	1,383	13,402
Accrued expenses	1,564	1,272	14,127
Enterprise tax payable	320	268	2,898
Provision for stock payments	26	25	242
Provision for directors' stock payments	80	52	730
Net defined benefit liability	1,667	1,406	15,060
Provision for directors' retirement benefits	8	22	73
Depreciation	1,186	1,097	10,717
Impairment loss	336	470	3,036
Asset retirement obligations	224	165	2,025
Carryforward tax loss (Note 2)	1,259	1,518	11,373
Others	632	697	5,717
Deferred tax assets – total	8,794	8,506	79,433
Valuation reserve for carryforward tax loss (Note 2)	(826)	(1,091)	(7,461)
Valuation reserve for deductible temporary differences	(273)	(232)	(2,466)
Valuation reserve – total (Note 1)	(1,099)	(1,324)	(9,927)

Net deferred tax assets	7,694	7,181	69,505
Deferred tax liabilities:			
Unrealized holding gain on securities	(114)	(42)	(1,032)
Deferred gains on property, plant and equipment	(433)	(449)	(3,912)
Asset retirement obligations	(56)	(14)	(509)
Deferred gain on reorganization	(1,694)	(1,656)	(15,305)
Others	(838)	(558)	(7,569)
Deferred tax liabilities – total	(3,136)	(2,721)	(28,329)
Net deferred tax assets	¥ 4,558	¥ 4,459	$ 41,176

(Note) 1. Valuation reserve decreased by ¥225 million, because of recognition deferred tax assets for carryforward tax loss and liquidation completed at the consolidated subsidiaries in the fiscal year.

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

(Millions of yen)

March 31 2021	2022	2023	2024	2025	2026	2027 and beyond	Total
Carryforward tax loss (a)	99	165	196	133	121	542	1,259
Valuation reserve	(99)	(165)	(196)	(133)	(109)	(121)	(826)
Net deferred tax assets	-	-	-	-	12	420	(b) 433

(Thousands of U.S. dollars)

March 31 2021	2022	2023	2024	2025	2026	2027 and beyond	Total
Carryforward tax loss (a)	897	1,490	1,777	1,205	1,100	4,901	11,373
Valuation reserve	(897)	(1,490)	(1,777)	(1,205)	(989)	(1,099)	(7,461)
Net deferred tax assets	-	-	-	-	110	3,801	(b) 3,912

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

(b) The net deferred tax assets of ¥ 433 million ($3,912 thousand) for carryforward tax loss of ¥ 1,259 million ($11,373 thousand) in consolidated subsidiaries was available for reduction of future taxable income respectively.

(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

(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 for carryforward tax loss of ¥ 1,518 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, 2021 and 2020 are as follows:

	Number of shares	
	2021	2020
Balance at beginning of year	133,929,800	133,921,800
Increase	-	8,000
Decrease	-	-
Balance at end of year	133,929,800	133,929,800

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

(2) Movements of number of treasury stock during the Years ended March 31, 2021 and 2020 are as follows:

	Number of shares	
	2021	2020
Balance at beginning of year	254,501	267,747
Increase	56,800	79
Decrease	(22,125)	(13,325)
Balance at end of year	289,176	254,501

Note: The breakdown of the increase and decrease during the year ended March 31, 2021 is as follows:

Increase due to purchase of treasury shares by the trust 56,800 shares

Decrease due to issuance of treasury shares by the trust 22,125 shares

The breakdown of the 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

(3) As of March 31, 2021 and 2020, the outstanding balance of subscription rights provided for as stock options amounted to nil.

(4) Cash dividends

The following appropriation of retained earnings at March 31, 2021 and 2020 was approved at the annual meetings of the Company's shareholders held on June 23, 2021 and June 24, 2020, respectively.

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Cash dividends	¥ 6,696	¥ 6,696	$60,486

Cash dividends attributable to the year ended March 31, 2020 of ¥6,696 million were paid during the year ended March 31, 2021 in accordance with the resolution at the annual meeting of the Company's shareholders held on June 24, 2020.

Amount of total dividends paid to shares held by the Company in trust in 2021 and 2020 is ¥14 million ($130 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 lump-sum payment plans or defined contribution pension 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, 2021 and 2020 are as follows:

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

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Balance at beginning of year	¥15,595	¥15,265	$140,871
Service cost	778	794	7,030
Interest cost	86	66	779
Actuarial loss (gain)	960	333	8,671
Retirement benefits paid	(796)	(778)	(7,193)
Other	(5)	(85)	(52)
Retirement benefit obligations at end of year	¥16,618	¥15,595	$150,106

(2) The changes in plan assets for the Years ended March 31, 2021 and 2020 are as follows:
(excluding the plans to which the simplified accounting method is applied)

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Balance at beginning of year	¥11,850	¥11,769	$107,040
Expected return on plan assets	173	172	1,567
Actuarial gain (loss)	581	(138)	5,248
Employer's contribution	448	436	4,050
Retirement benefits paid	(505)	(389)	(4,561)
Plan assets at end of year	¥12,548	¥11,850	$113,344

(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
	2021	2020	2021
Balance at beginning of year	¥1,101	¥924	$9,952
Retirement benefit expense	228	204	2,062
Retirement benefits paid	(123)	(78)	(1,119)
Contribution to the plans	(13)	(12)	(117)
Increase (decrease) due to foreign currency translation	27	(21)	252
Other	5	85	52
Net defined benefit liability at end of year	¥1,227	¥1,101	$11,083

(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
	2021	2020	2021
Funded retirement benefit obligations	¥10,215	¥9,990	$92,269
Plan assets	(12,764)	(12,047)	(115,297)
	(2,549)	(2,057)	(23,028)
Unfunded retirement benefit obligations	7,846	6,904	70,873
Net liabilities (assets) recorded on the consolidated balance sheet	5,296	4,847	47,845
Net defined benefit liability	7,846	6,908	70,873
Net defined benefit asset	(2,549)	(2,061)	(23,028)
Net liabilities (assets) recorded on the consolidated balance sheet	¥5,296	¥4,847	$47,845

(5) Retirement benefit expenses and breakdown of amounts

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Service cost	¥778	¥794	$7,030
Interest cost	86	66	779
Expected return on plan assets	(173)	(172)	(1,567)
Amortization of actuarial loss	401	380	3,624
Amortization of past service cost	(465)	(465)	(4,208)
Retirement benefit expense using the simplified method	228	204	2,062
Additional severance payments, etc.	1	4	15
Retirement benefit expense related to the defined benefit plans	¥856	¥811	$7,737

(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
	2021	2020	2021
Past service cost	¥ (465)	¥ (465)	$ (4,208)
Actuarial gain (loss)	22	(92)	200
Total	¥ (443)	¥ (557)	$ (4,007)

(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
	2021	2020	2021
Unrecognized past service cost	¥ (1,284)	¥ (1,750)	$ (11,605)
Unrecognized actuarial loss	2,466	2,488	22,277
Total	¥ 1,181	¥ 737	$ 10,672

(8) Items related to plan assets

(a) Breakdown of main items

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

	2021	2020
Domestic bonds	38.2%	16.7%
Domestic equity	3.0	2.4
Foreign bonds	2.7	25.6
Foreign equity	3.1	2.2
Alternative investments*	26.1	30.9
General life insurance accounts	13.0	13.7
Other	13.9	8.6
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:

	2021	2020
	(%)	(%)
Discount rate	0.5	0.6
Long-term expected rate of return	1.5	1.5
Expected salary increase rate	4.8	4.2

The amounts of required contributions to the defined contribution plans of the Company and consolidated subsidiaries for the years ended March 31, 2021 and 2020 were ¥235 million ($2,130 thousand) and ¥214 million, respectively.

14. Contingent Liabilities

No applicable items.

15. Supplemental Cash Flow Information

The reconciliation between cash and cash equivalents in the consolidated statements of cash flows and cash and deposits in the consolidated balance sheets as of March 31, 2021 and 2020 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Cash and deposits	¥34,572	¥42,909	$312,279
Time deposits maturing over three months	(289)	(625)	(2,614)
Commercial paper included in the marketable securities	5,999	9,999	54,193
Jointly-managed money trust included in the marketable securities	7,000	3,459	63,228
Cash and cash equivalents	¥47,282	¥55,742	$427,086

16. Selling, General and Administrative Expenses

Major components of selling, general and administrative expenses for the years ended March 31, 2021 and 2020 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Sales promotion expenses	¥ 35,740	¥ 35,873	$ 322,828
Advertisement expenses	4,100	3,723	37,035
Freight expenses	14,768	13,849	133,402
Salaries and other allowances	12,064	11,223	108,970
Provision for directors' retirement benefits	27	42	252
Provision for bonuses	3,347	2,972	30,239
Provision for directors' bonuses	116	119	1,047
Provision for stock payments	83	88	753
Provision for directors' stock payments	92	87	839
Retirement benefit expense	566	547	5,116

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, 2021 and 2020 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Selling, general and administrative expenses	¥ 2,692	¥ 2,728	$ 24,322
Manufacturing expenses	14	17	128
Total	¥ 2,706	¥ 2,745	$ 24,451

18. Sale and retirement of Non- current Assets

Gain on sales of non-current assets for the year ended March 31, 2021 mainly consists of gain on sales of Buildings and structures. 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.

Loss on sales of non-current assets for the year ended March 31, 2021 mainly consists of loss on sales of Machinery, equipment and vehicles. 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 retirement of non-current assets for the year ended March 31, 2021 and 2020 mainly consists of loss on retirement of Machinery, equipment and vehicles.

19. Impairment loss

For the year ended March 31, 2021, the Company recognized impairment loss of nil.

For the year ended March 31, 2020, the Company recognized impairment loss of ¥1,639 million 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 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)

Location	Purpose of use	Type of asset	Amount Millions of yen
Karawang, Indonesia	Factory	Machinery, equipment and vehicles Others Property, plant and equipment Construction in progress Others Investments and other assets	¥ 991
Oregon, USA	Business assets	Machinery, equipment and vehicles	553
Utsunomiya City, Tochigi Prefecture	Business assets	Buildings and structures Machinery, equipment and vehicles Construction in progress	93

20. Other Comprehensive Income

Reclassification adjustments and tax effects related to other comprehensive income for the years ended March 31, 2021 and 2020 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Other comprehensive income			
Unrealized holding gain on securities			
Amount during the year	¥304	¥(501)	$2,751
Reclassification adjustments	(61)	18	(559)
Amount before tax effects	242	(483)	2,192
Tax effects	(72)	145	(653)
Total	¥170	¥(338)	$1,538
Foreign currency translation adjustments			
Amount during the year	¥1,942	¥(1,478)	$17,545
Reclassification adjustments	(166)	-	(1,499)
Amount before tax effects	1,776	(1,478)	16,045
Tax effects	49	(39)	443
Total	¥1,825	¥(1,518)	$16,489
Remeasurements of defined benefit plans			
Amount during the year	¥(379)	¥(472)	$(3,423)
Reclassification adjustments	(64)	(85)	(583)
Amount before tax effects	(443)	(557)	(4,007)
Tax effects	132	165	1,195
Total	¥(311)	¥(392)	$(2,812)
Total	¥1,684	¥(2,248)	$15,215

21. Derivative Financial Instruments

Information on derivative transactions of the Company that do not meet the criteria for hedge accounting as of March 31, 2021 and 2020 is as follows:

	Millions of yen			
	2021			
	Contract amount	Maturity over one year	Fair value	Revaluation gain/loss
Non-exchange transactions				
Forward foreign exchange contracts				
GBP Sell	¥ 4,153	-	¥ (624)	¥ (624)
USD Buy	5,463	¥ 2,836	256	256
Total	¥ 9,616	¥ 2,836	¥ (368)	¥ (368)

	Thousands of U.S. dollars			
	2021			
	Contract amount	Maturity over one year	Fair value	Revaluation gain/loss
Non-exchange transactions				
Forward foreign exchange contracts				
GBP Sell	$ 37,520	-	$ (5,641)	$ (5,641)
USD Buy	49,345	$ 25,621	2,315	2,315
Total	$ 86,866	$ 25,621	$ (3,326)	$ (3,326)

	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

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

22. Stock Options

No applicable items.

23. Related Party Transactions

The following summarizes related party transactions for the years ended March 31, 2021 and 2020.

(1) For the year ended March 31, 2021

No applicable items.

(2) For the year ended March 31, 2020

No applicable items.

24. Per Share Information

Per share information as of March 31, 2021 and 2020 and for the years then ended is as follows:

	Yen		U.S. dollars
	2021	2020	2021
Net assets per share	¥ 1,312.24	¥ 1,221.19	$ 11.85
Net income per share			
Basic	¥ 132.30	¥ 131.22	$ 1.20
Diluted	¥ -	¥ 131.21	$ -

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

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Total net assets	¥182,740	¥169,632	$ 1,650,621
Net assets attributable to common stock	¥175,369	¥163,242	$ 1,584,040
Major components of the difference			
Non-controlling interests	¥ 7,371	¥ 6,390	$ 66,581

	Number of shares	
	2021	2020
Number of common stock issued and outstanding	133,929,800	133,929,800
Treasury stock of common stock	289,176	254,501
Number of common shares used in calculation of net assets per share	133,640,224	133,675,299

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

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Basis for calculation of net income per share			
Net income attributable to owners of parent	¥ 17,682	¥ 17,539	$ 159,718
Net income attributable to owners of parent attributable to common stock	¥ 17,682	¥ 17,539	$ 159,718
Net income attributable to owners of parent to common stock	-	-	-

	Number of shares	
	2021	2020
Average number of shares outstanding during the year	133,652,937	133,669,238

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Major dilutive factors included in calculating diluted net income per share			
Adjustments to net income attributable to owners of parent	¥ -	¥ -	$ -

	Number of shares	
	2021	2020
Subscription rights	-	9,849
Increase in number of common stock	-	9,849

(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.
275,951 treasury shares (257,959 shares in 2020) were excluded from the average number of shares during the year used for calculating net income per share for the year ended March 31, 2021 and 288,265 treasury shares (253,590 shares in 2020) were excluded from the number of shares outstanding used for calculating net assets per share at March 31, 2021.
Diluted net income is not presented since there are no dilutive securities in current fiscal year.

25. Segment Information

For the years ended March 31, 2021 and 2020, 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			
	2021			
	Snacks	Other foods	Other	Total
Sales to third parties	¥ 222,082	¥ 43,104	¥ 1,558	¥ 266,745

	Thousands of U.S. dollars			
	2021			
	Snacks	Other foods	Other	Total
Sales to third parties	$ 2,005,983	$ 389,349	$ 14,077	$ 2,409,411

	Millions of yen			
	2020			
	Snacks	Other foods	Other	Total
Sales to third parties	¥ 221,084	¥ 33,007	¥ 1,846	¥ 255,938

(2) Information by region

Information about sales by region is as follows:

	Millions of yen				
	2021				
	Japan	America	China	Others	Total
Sales	¥ 213,639	¥ 14,442	¥ 11,759	¥ 26,905	¥ 266,745

	Thousands of U.S. dollars				
	2021				
	Japan	America	China	Others	Total
Sales	$1,929,718	$ 130,449	$ 106,217	$ 243,024	$2,409,411

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

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

	Millions of yen				
	2021				
	Japan	America	China	Others	Total
Property, plant and equipment	¥ 58,954	¥ 6,895	¥ 564	¥ 10,864	¥ 77,280

	Thousands of U.S. dollars				
	2021				
	Japan	America	China	Others	Total
Property, plant and equipment	$ 532,515	$ 62,287	$ 5,097	$ 98,138	$ 698,040

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

(3) Sales by major customers

	Reported segment	Millions of yen 2021	Millions of yen 2020	Thousands of U.S. dollars 2021
Mitsubishi Shokuhin Co., Ltd.	Production and sale of snacks and other foods	¥ 31,302	¥ 31,746	282,746
Yamaboshiya Co., Ltd.	Production and sale of snacks and other foods	¥ 27,631	¥ 26,096	249.580

(4) Impairment loss on fixed assets by reporting segment

Millions of yen, 2021

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

Thousands of U.S. dollars, 2021

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

Millions of yen, 2020

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

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

Millions of yen, 2021

	Reporting segment: Production and sale of snacks and other foods	Reporting segment: Total	Other	Corporate / elimination	Total
Amortization	¥ 1,753	¥ 1,753	-	-	¥ 1,753
Balance at end of year	¥ 24,518	¥ 24,518	-	-	¥ 24,518

Thousands of U.S. dollars, 2021

	Reporting segment: Production and sale of snacks and other foods	Reporting segment: Total	Other	Corporate / elimination	Total
Amortization	$ 15,841	$ 15,841	-	-	$ 15,841
Balance at end of year	$ 221,467	$ 221,467	-	-	$ 221,467

(Note) The amount of amortization and balance at end of year related to acquisition of stock of Potato Kaitsuka Ltd. are as follows.

Amortization ¥972 million (US$ 8,785 thousand)
Balance at end of year ¥13,617 million (US$ 122,999 thousand)

Millions of yen, 2020

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

26. Business combination 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 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 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) Period of business results of the acquired company included in the consolidated financial statements

From April 1, 2020 to March 31, 2021

(3) Acquisition cost of acquired company and the breakdown

Purchase price of equity interest paid by cash: ¥13,800 million (US$ 124,649 thousand)

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

Advisory fees, etc.: ¥181 million (US$ 1,634 thousand)

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

1. Goodwill arising from the acquisition
   ¥14,589 million (US$ 131,785 thousand)
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	2,538	22,925
Non-current assets	3,361	30,363
Total assets	5,899	53,289
Current liabilities	2,788	25,188
Non-current liabilities	3,900	35,236
Total liabilities	6,689	60,424

(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

There is no impact because the date of business combination was at the beginning of the fiscal year.

27. Subsequent events

No applicable items.

KPMG

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, 2021 and 2020, 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, 2021 and 2020, 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Appropriateness of management's judgment concerning the identification of an impairment indicator for the goodwill of Potato Kaitsuka Ltd.	
The key audit matter	**How the matter was addressed in our audit**
In the consolidated balance sheet of Calbee, Inc. (hereinafter, the "Company") as at March 31, 2021, goodwill of ¥24,518 million was recognized. As described in Note 25, "Segment Information, (5) Amortization and unamortized balance of goodwill by reporting segment" to the consolidated financial statements, included in goodwill was ¥13,617 million resulting from the acquisition of Potato Kaitsuka Ltd. (hereinafter, "Potato Kaitsuka") in the current fiscal year, representing 6% of total assets in the consolidated financial statements. As described in Note 2, "Summary of Significant Accounting Policies, (h) Goodwill" to the consolidated financial statements, goodwill of Potato Kaitsuka is amortized over 15 years using the straight-line method. Goodwill is tested for impairment whenever there is an impairment indicator for the asset group including goodwill. If the recognition of an impairment loss is deemed necessary, the carrying amount is reduced to the recoverable amount, and the resulting decrease in the carrying amount is recognized as an impairment loss. Potato Kaitsuka incurred an operating loss (including the amortization of goodwill) for the current fiscal year. However, management determined that there was no impairment indicator for the goodwill because Potato Kaitsuka is expected to generate positive operating income in the next fiscal year. The business plan of Potato Kaitsuka for the next fiscal year reflected an increase in sales volume as well as an increase in procurement volume. However, this plan may be significantly affected by market conditions or other factors, and if it is determined that the plan needs to be revised, operating income for the current year and estimated operating income for the future fiscal years may become negative continuously, and such prospect of recurring operating losses would constitute an impairment indicator. In that case, the recognition of an impairment loss is assessed, which may result in the recognition of an impairment loss.	The primary procedures we performed to assess the appropriateness of management's judgment as to whether there was an impairment indicator for the goodwill of Potato Kaitsuka included the following: **(1) Internal control testing** We tested the design and operating effectiveness of certain of the Company's internal controls to identify impairment indicators. In this assessment, we focused our testing on controls designed to determine whether there is any fact constituting an impairment indicator. **(2) Assessment of the appropriateness of the judgment concerning the identification of an impairment indicator** In order to assess whether key assumptions embedded in the business plan for the next fiscal year, which was used by management in determining whether there was an impairment indicator for the goodwill of Potato Kaitsuka, we inquired of management and the personnel responsible for Potato Kaitsuka business about the basis for those assumptions. In addition, we: ● assessed the trends of historical revenue, sales volume, and procurement volume to evaluate that sales volume and revenue increased as procurement volume increased; ● compared expected sales volume for the next fiscal year with the actual procurement volume for the current fiscal year and the planned procurement volume for the next fiscal year, as the procurement volume of sweet potatoes produced in the current and next year was applied to the sales volume for the next fiscal year; ● agreed the actual procurement volume for the current fiscal year to the actual procurement data, and compared it with historical procurement volume and its increase rate; and ● inquired of the responsible personnel about the measures to increase the planned procurement volume for the next fiscal year

We, therefore, determined that our assessment of the appropriateness of management's judgment as to whether there was an impairment indicator for the goodwill of Potato Kaitsuka was of most significance in our audit of the consolidated financial statements for this fiscal year, and accordingly, a key audit matter.	and compared it with historical procurement volume and its increase rate.

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 with regard to 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.

From the matters communicated with corporate auditors and the board of corporate auditors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2021 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 5 to the consolidated financial statements.

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 24, 2021

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.