

# Consolidated Financial Statements for the Third Quarter of the Fiscal Year Ending March 31, 2022

April 1, 2021 to December 31, 2021

## **Calbee, Inc.**

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

# SUMMARY OF FINANCIAL STATEMENTS (consolidated)

Third Quarter Results for the Fiscal Year Ending March 31, 2022

Calbee, Inc.

February 1, 2022

URL: <https://www.calbee.co.jp/en/>

Stock exchange listings: Tokyo 1<sup>st</sup> section, code number 2229

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Scheduled date for submission of the third quarter financial report: February 10, 2022

Scheduled date for distribution of dividends: --

Availability of supplementary explanatory material for the third quarter results: Available

Quarterly results presentation meeting: Yes (conference call for institutional investors and analysts)

## 1) Consolidated results for the first nine months (April 1, 2021 to December 31, 2021) of the fiscal year ending March 31, 2022

### (1) Consolidated Operating Results

	Nine months ended December 31, 2020		Nine months ended December 31, 2021	
		% change		% change
Net sales .....	201,203	4.7	185,470	—
Operating profit.....	21,841	(0.2)	20,885	(4.4)
Ordinary profit.....	21,401	(1.7)	21,570	0.8
Profit attributable to owners of parent.....	14,048	(4.3)	14,701	4.7
Earnings per share (¥).....	105.11		110.23	
Earnings per share (diluted) (¥).....	—		—	

Notes: 1. The percentages shown above are a comparison with the same period in the previous fiscal year.

2. Comprehensive income: Nine months ended December 31, 2021: ¥15,818 million (8.7%)

Nine months ended December 31, 2020: ¥14,555 million (0.5%)

3. As the Company applied the "Accounting Standard for Revenue Recognition" (Business Accounting Standards No. 29) from the beginning of the fiscal year ending March 2022, the percentage change in net sales from the same period of the previous fiscal year is not shown. Assuming that the same accounting standard as before was applied to sales for the third quarter of the fiscal year ending March 2022, the percentage of change from the same period of the previous fiscal year is 4.3%, excluding the impact of the application of this accounting standard.

### (2) Consolidated Financial Position

	As of March 31, 2021	As of December 31, 2021
	Total assets .....	238,978
Net assets .....	182,740	183,141
Shareholders' equity/total assets (%).....	73.4	73.9

Shareholders' equity: As of December 31, 2021: ¥175,355 million

As of March 31, 2021: ¥175,369 million

## 2) Dividends

	FY ended March 31, 2021	FY ending March 31, 2022 (forecast)
	Interim period per share .....	0.00
Year-end dividend per share .....	50.00	52.00
Annual dividend per share.....	50.00	52.00

Note: Changes from the most recently announced dividend forecast: None

## 3) Consolidated forecasts for the fiscal year ending March 31, 2022(April 1, 2021 to March 31, 2022)

	Millions of yen	
		% change
Net sales .....	243,000	—
Operating profit.....	25,500	(5.8)
Ordinary profit.....	26,000	(5.5)
Profit attributable to owners of parent.....	17,500	(1.0)
Earnings per share (¥).....	131.75	

Notes: 1. The percentages shown above are a comparison with the same period in the previous fiscal year.

2. Changes from the most recently announced results forecast: Yes

3. As the Company applied the "Accounting Standard for Revenue Recognition" (ASBJ No. 29) from the beginning of the fiscal year ending March 2022, the percentage change in net sales from the previous fiscal year is not shown. Assuming that the same accounting standard as before was applied to sales for the fiscal year ending March 2022, the percentage of change from the previous fiscal year is 3.5%, excluding the impact of the application of this standard.

## **Notes**

- (1) Transfers of important subsidiaries during the period (transfers of specified subsidiaries resulting in changes in the scope of consolidation): None
- (2) Use of special accounting procedures: None
- (3) Changes in accounting policy, changes in accounting estimates, and restatements:
  1. Changes in accounting policies following revisions of accounting standards: Yes
  2. Changes in accounting policies other than 1: None
  3. Changes in accounting estimates: None
  4. Restatements: None
- (4) Number of outstanding shares (common stock)

	As of March 31, 2021:	As of December 31, 2021:
1. Number of outstanding shares (including treasury shares)	133,929,800 shares	133,929,800 shares
2. Number of treasury shares	289,176 shares	2,758,326 shares
	Nine months to December 31, 2020:	Nine months to December 31, 2021:
3. Average number of shares during the period	133,656,967 shares	133,374,659 shares

Note: Regarding Calbee stock held in trust as treasury stock within shareholders' equity, the number of treasury shares includes 263,265 of these shares as of December 31, 2021 and 288,265 of these shares as of March 31, 2021, and the average number of shares excludes 274,118 treasury shares in the nine months to December 31, 2021, and 271,921 treasury shares in the nine months to December 31, 2020.

## **Financial Statements are not subject to audit by a certified public accountant or audit firm**

### **Appropriate use of financial forecasts and other items**

1. Forecasts, etc., recorded in this document include forward-looking statements that are based on management's estimates, assumptions and projections at the time of publication. A number of factors could cause actual results to differ materially from expectations. For details of forecasts, please see Page 9, 1. Operating results (3) Consolidated forecasts for the fiscal year ending March 31, 2022.
2. The earnings per share forecast for the fiscal year ending March 31, 2022 is calculated using 132,831,408 shares as the expected average number of shares for the period.
3. Calbee, Inc. has scheduled a financial results phone conference for institutional investors and analysts on February 1, 2022. An audio recording of the conference will be made available on our Japanese website after the conference.

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## 1. Operating results

### (1) Summary of business performance

(All comparisons are with the same period of the previous fiscal year, unless stated otherwise.)

Effective from the beginning of the first quarter of the current fiscal year, the Group adopted the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29) and changed the method to deduct a portion of selling expenses (rebates, etc.) from sales, which was previously recorded in selling, general and administrative expenses. Net sales (by business, by product, and by region) and operating margin are compared and analyzed year-on-year, excluding the impact of the adoption of accounting standards. For more information on this change, please refer to "Changes in accounting policy" in "(4) Notes to Consolidated Financial Statements".

Net sales during the nine-month period of the current fiscal year totaled ¥185,470 million. Growth in overseas business led to an increase of 4.3% excluding the impact of the adoption of revenue recognition standards. In the domestic business, sales of *Jagarico* and products with new value such as bean-based snack *Miino* grew, but sales of *Potato Chips* declined due to the impact of smaller potato harvest. As a result, sales remained flat from the same period of previous fiscal year. In the overseas business, sales increased due to growth in sales of snacks in all regions.

Operating profit decreased 4.4% to ¥20,885 million, due to a sharp rise in the prices of raw materials such as cooking oil. Operating margin was 11.3%, decrease 0.9 percentage points from the same period of previous fiscal year excluding the impact of the adoption of revenue recognition standards. Ordinary profit increased 0.8% to ¥21,570 million due to the recording of foreign exchange gains and other factors. Profit attributable to owners of parent increased 4.7% to ¥14,701 million due to the recognition of gain on forgiveness of debt (gain on forgiveness of payroll protection program loans in the U.S.).

Results by business are as follows.

	Q3 FY ended	Q3 FY ending	
	March 31, 2021	March 31, 2022	
	Amount	Amount	Growth (%)
Domestic production and sale of snack and other foods business	161,038	162,317	+0.8
Domestic snack foods	132,028	134,869	+2.2
Domestic cereals	21,621	18,896	-12.6
Domestic others	7,388	8,551	+15.7
Overseas production and sale of snack and other foods business	40,164	47,506	+18.3
Subtotal	201,203	209,823	+4.3
Deduction of rebates, etc.	—	-24,352	—
Production and sale of snack and other foods business Total	201,203	185,470	—

### Production and sale of snack and other foods business

Production and sale of snacks and other foods increased driven by overseas business.

### Domestic production and sale of snack and other foods business

#### • Domestic snack foods

Domestic snack foods increased in sales.

Sales of domestic snack foods by products are as follows.

Millions of yen, rounded down

	Q3 FY ended March 31, 2021	Q3 FY ending March 31, 2022	
	Amount	Amount	Growth (%)
Potato-based snacks	96,776	97,617	+0.9
<i>Potato Chips</i>	65,385	64,066	-2.0
<i>Jagarico</i>	25,585	27,013	+5.6
<i>Jagabee/ Jaga Pokkuru</i>	5,804	6,537	+12.6
Flour-based snacks	15,933	16,183	+1.6
Corn- and bean-based snacks	13,242	14,135	+6.7
Other snacks	6,076	6,932	+14.1
Domestic snack foods total	132,028	134,869	+2.2

- Sales of potato-based snacks increased, driven by sales of *Jagarico*.
  - Sales of *Potato Chips* decreased from the same period of the previous fiscal year due to restrained sales promotion activities and readjustment of product policies, affected by smaller potato harvest.
  - Sales of *Jagarico* increased due to growth in sales of stand-pouch-type products such as *Jagarico Salad bits Omori* (large-bag type) and the aggressive introduction of limited-time products.
  - As inbound and domestic tourism remained sluggish, *Jagabee/ Jaga Pokkuru* increased in sales due to store set up at product exhibitions and sales in supermarkets etc.
- Sales of corn-and bean-based snacks increased due to favorable sales of *Miino*, a bean-based snack, stemming from promotional campaigns such as TV commercials.
- Sales of other snacks increased due to *Potato Deluxe* sales area expansion.

#### • Domestic cereals:

Domestic cereal sales were ¥18,896 million (decreased 12.6%), due to the transfer of export sales to Chinese overseas subsidiary and a decline from the absence of nesting demand in the previous year, despite firm sales of the renewed *Frugra Less Carbohydrates*.

#### • Domestic others:

Domestic others sales amounted to ¥8,551 million (increased 15.7%) due to strong sales in the sweet potato business, both sales in wholesale and company-owned shops.

### Overseas production and sale of snack and other foods business

Overseas production and sale of snack and other foods business increased in sales.

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

Millions of yen, rounded down

	Q3 FY ended March 31, 2021	Q3 FY ending March 31, 2022		
	Amount	Amount	Growth (%)	Growth on local currency basis(%)
North America	10,854	11,592	+6.8	+1.5
Greater China*	11,761	14,863	+26.4	+14.7
United Kingdom	4,860	5,973	+22.9	+9.1
Indonesia	2,977	4,201	+41.1	+30.3
Other regions**	9,711	10,875	+12.0	+4.7
Overseas production and sale of snack and other foods business total	40,164	47,506	+18.3	+9.2

\* Greater China: China and Hong Kong.

\*\* Other regions: South Korea, Thailand, Singapore and Australia

- In North America, sales increased due to firm sales of bean-based snacks *Harvest Snaps* by the expansion of delivery of small bags to dollar store channels and other factors.
- In Greater China, sales increased due to growth of both snack products and cereals. In snack products, sales of *Honey Butter Chip* and *Jagabee* were strong for both e-commerce and retail stores. In cereals, sales in retail stores expanded.
- In the United Kingdom, sales increased due to strong sales of potato chips and *Loaded Fries*, which was launched in the second half of the previous fiscal year.
- In Indonesia, sales increased due to growth in new flavor of *Japota* potato chips and *Krisbee*, a flour-based snack, as well as contributions in the new product *Guribee*.

## (2) Analysis of financial position

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

### 1. Overview of assets, liabilities and net assets

Total assets as of December 31, 2021 decreased by ¥1,824 million to ¥237,154 million, due to the redemption of securities in order to acquire property, plant and equipment, repay long-term borrowings and acquire treasury shares. The main reason for the increase in property, plant and equipment was the expansion of existing domestic businesses, including the acquisition of additional *Kataage Potato* manufacturing line.

Liabilities decreased by ¥2,225 million to ¥54,013 million. This was mainly due to a decline in long-term borrowings as a result of switching the borrowings of Potato Kaitsuka Co., Ltd. (hereafter, "Potato Kaitsuka") to internal loan.

Net assets increased by ¥401 million to ¥183,141 million. This was mainly due to an increase in retained earnings resulting from the posting of profit attributable to owners of parent, despite the acquisition of treasury shares with the aim of further the distribution of profits to shareholders and improving capital efficiency.

From those stated above, the shareholders' equity ratio was 73.9%, up 0.5 percentage points.

### 2. Overview of cash flows

Cash and cash equivalents as of December 31, 2021 were ¥29,649 million, decreased by ¥17,633 million.

#### Cash flows from operating activities

Operating activities resulted in net cash outflow of ¥4,106 million, a decrease of ¥7,495 million cash inflow. This was mainly due to a decrease in trade receivables attributable to the favorable sales performance in December 2021 compared to the same period of the previous fiscal year, and foreign exchange gains and losses turning into gains, which comes from market value evaluation of foreign exchange contracts.

#### Cash flows from investing activities

Investing activities resulted in a net cash outflow of ¥2,250 million, a decrease of ¥12,258 million. This was mainly due to the purchase of shares of subsidiaries resulting in change in scope of consolidation in the same period of the previous fiscal year caused by the acquisition of shares of Potato Kaitsuka.

#### Cash flows from financing activities

Financing activities resulted in a net cash outflow of ¥11,888 million, an increase of ¥9,375 million. This was mainly due to an increase in expenditures for the acquisition of treasury shares and the switch of long-term borrowings of Potato Kaitsuka to internal loan.

#### 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 million to shareholder returns.

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

*Millions of yen, rounded down*

	FY ended March 31, 2020	FY ended March 31, 2021	Q3 FY ending March 31, 2022	medium-term business plan	Progress (%)
Capital investment	8,751	11,205	10,012	60,000	49.9%
Growth investment	7,558	13,330	537	80,000	26.8%
Shareholder Returns	6,425	6,693	6,691	40,000	49.5%
Total	22,735	31,229	17,241	180,000	39.6%

- 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.

### (3) Consolidated forecasts

The consolidated forecasts for the fiscal year ending March 31, 2022 have been revised as follows, in accordance with the results for the third quarter of the fiscal year and latest performance trends.

Net sales are expected to exceed the previous forecast due to strong performance of overseas business continued, despite the expected temporary decrease of sales volume in domestic business due to the impact of smaller potato harvest and revisions of prices and contents.

Operating profit, ordinary profit and profit attributable to owners of parent are expected to be lower than the previous forecast due to the inability to absorb rising costs caused by soaring prices of raw materials such as cooking oil, through revisions of prices and contents and cost reductions.

The main exchange rates used as a basis for this forecast is 1USD = ¥112, 1RMB = ¥17.48, 1GBP = ¥154 and 1IDR = ¥0.0079.

*Millions of yen, rounded down*

	Revised forecast (A)	Previous forecast (B)	Change (A - B)	Change (%)
Net sales	243,000	240,000	+3,000	+1.3
Operating profit	25,500	28,000	-2,500	-8.9
Ordinary profit	26,000	27,500	-1,500	-5.5
Profit attributable to owners of parent	17,500	18,000	-500	-2.8

## 2. Consolidated financial statements and key notes

### (1) Consolidated balance sheets

Millions of yen, rounded down

	As of March 31, 2021	As of December 31, 2021
<b>Assets</b>		
Current assets		
Cash and deposits	34,572	22,962
Notes and accounts receivable - trade	30,449	46,754
Securities	38,899	24,999
Inventories	14,694	17,896
Other	4,868	6,427
Allowance for doubtful accounts	(5)	(28)
Total current assets	123,477	119,012
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	29,964	33,262
Machinery, equipment and vehicles, net	31,619	32,032
Land	11,554	11,879
Construction in progress	2,489	2,385
Other, net	1,651	1,809
Total property, plant and equipment	77,280	81,369
Intangible assets		
Goodwill	24,518	23,473
Other	1,978	2,324
Total intangible assets	26,497	25,798
Investments and other assets		
Investments and other assets, gross	11,724	10,975
Allowance for doubtful accounts	(0)	(1)
Total investments and other assets	11,723	10,974
Total non-current assets	115,501	118,142
Total assets	238,978	237,154

	As of March 31, 2021	As of December 31, 2021
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	10,160	10,745
Short-term borrowings	2,616	9,174
Current portion of long-term borrowings	298	—
Income taxes payable	5,153	1,830
Provision for bonuses	4,916	3,235
Provision for bonuses for directors (and other officers)	116	97
Provision for share-based remuneration	88	—
Other	19,235	18,227
Total current liabilities	42,585	43,311
Non-current liabilities		
Long-term borrowings	3,166	—
Provision for retirement benefits for directors (and other officers)	358	336
Provision for share-based remuneration for directors (and other officers)	265	309
Retirement benefit liability	7,846	7,850
Asset retirement obligations	749	747
Other	1,267	1,457
Total non-current liabilities	13,652	10,701
Total liabilities	56,238	54,013
<b>Net assets</b>		
Shareholders' equity		
Share capital	12,046	12,046
Capital surplus	4,777	3,232
Retained earnings	159,551	166,933
Treasury shares	(1,045)	(7,707)
Total shareholders' equity	175,329	174,504
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	300	394
Foreign currency translation adjustment	562	1,390
Remeasurements of defined benefit plans	(822)	(934)
Total accumulated other comprehensive income	39	850
Non-controlling interests	7,371	7,786
Total net assets	182,740	183,141
Total liabilities and net assets	238,978	237,154

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

*Millions of yen, rounded down*

	April 1, 2020 to December 31, 2020	April 1, 2021 to December 31, 2021
Net sales	201,203	185,470
Cost of sales	111,815	120,670
Gross profit	89,388	64,800
Selling, general and administrative expenses	67,546	43,914
Operating profit	21,841	20,885
Non-operating income		
Interest income	70	62
Dividend income	40	38
Share of profit of entities accounted for using equity method	33	11
Foreign exchange gains	—	648
Other	188	139
Total non-operating income	332	900
Non-operating expenses		
Interest expenses	73	77
Share of loss of entities accounted for using equity method	143	—
Foreign exchange losses	392	—
Depreciation	105	74
Other	57	63
Total non-operating expenses	772	215
Ordinary profit	21,401	21,570
Extraordinary income		
Gain on sale of non-current assets	13	5
Gain on sale of investment securities	42	69
Gain on forgiveness of debts	—	389
Subsidies income	58	42
Gain on liquidation of subsidiaries and associates	174	—
Subsidy income related to COVID-19	225	—
Other	—	4
Total extraordinary income	514	511
Extraordinary losses		
Loss on sale of non-current assets	57	23
Loss on retirement of non-current assets	339	235
Loss on valuation of investment securities	—	59
Loss on sale of investment securities	0	8
Loss on business restructuring	—	34
Loss on COVID-19	243	—
Loss on store closings	15	—
Other	61	2
Total extraordinary losses	718	364
Profit before income taxes	21,197	21,716
Income taxes - current	5,133	5,483
Income taxes - deferred	1,533	1,386
Total income taxes	6,666	6,869
Profit	14,530	14,847
Profit attributable to non-controlling interests	482	145
Profit attributable to owners of parent	14,048	14,701

## Consolidated statements of comprehensive income

	<i>Millions of yen, rounded down</i>	
	April 1, 2020 to December 31, 2020	April 1, 2021 to December 31, 2021
Profit	14,530	14,847
Other comprehensive income		
Valuation difference on available-for-sale securities	119	94
Foreign currency translation adjustment	(60)	988
Remeasurements of defined benefit plans, net of tax	(34)	(111)
Total other comprehensive income	24	971
Comprehensive income	14,555	15,818
Comprehensive income attributable to		
Owners of parent	13,952	15,512
Non-controlling interests	602	305

**(3) Consolidated statements of cash flows***Millions of yen, rounded down*

	April 1, 2020 to December 31, 2020	April 1, 2021 to December 31, 2021
Cash flows from operating activities		
Profit before income taxes	21,197	21,716
Depreciation	6,735	6,783
Amortization of goodwill	1,306	1,358
Increase (decrease) in allowance for doubtful accounts	(7)	22
Increase (decrease) in provision for bonuses	(1,264)	(1,685)
Increase (decrease) in provision for bonuses for directors (and other officers)	13	(18)
Increase (decrease) in provision for share-based remuneration	(4)	(1)
Increase (decrease) in provision for share-based remuneration for directors	69	43
Increase (decrease) in retirement benefit liability	4	(90)
Decrease (increase) in retirement benefit asset	(33)	(176)
Increase (decrease) in provision for retirement benefits for directors (and other officers)	52	(21)
Interest and dividend income	(110)	(101)
Interest expenses	73	77
Foreign exchange losses (gains)	689	(1,096)
Loss (gain) on liquidation of subsidiaries and associates	(174)	—
Subsidies income	(58)	(42)
Share of loss (profit) of entities accounted for using equity method	110	(11)
Loss (gain) on sale of investment securities	(42)	(60)
Loss (gain) on valuation of investment securities	—	59
Loss (gain) on sale of non-current assets	43	18
Loss on retirement of non-current assets	339	235
Decrease (increase) in trade receivables	(12,868)	(16,046)
Decrease (increase) in inventories	(2,541)	(3,027)
Increase (decrease) in trade payables	(559)	328
Increase (decrease) in accounts payable - other	(913)	(1,960)
Other, net	(900)	(1,642)
Subtotal	11,155	4,661
Interest and dividends received	114	89
Interest paid	(74)	(69)
Income taxes paid	(7,807)	(8,789)
Net cash provided by (used in) operating activities	3,388	(4,106)

	April 1, 2020 to December 31, 2020	April 1, 2021 to December 31, 2021
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(8,305)	(9,833)
Proceeds from sale of property, plant and equipment	17	13
Purchase of intangible assets	(439)	(716)
Purchase of securities	(23,998)	(22,998)
Proceeds from redemption of securities	31,182	30,900
Purchase of investment securities	(12)	(279)
Proceeds from sale of investment securities	68	218
Loan advances	(930)	(100)
Collection of loans receivable	760	180
Payments into time deposits	(774)	(705)
Proceeds from withdrawal of time deposits	1,124	703
Payments of guarantee deposits	(80)	(44)
Proceeds from refund of guarantee deposits	31	380
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(13,208)	—
Proceeds from subsidy income	58	27
Other, net	(2)	4
Net cash provided by (used in) investing activities	(14,509)	(2,250)
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term borrowings	4,508	6,500
Repayments of long-term borrowings	(179)	(3,465)
Purchase of treasury shares	(191)	(6,749)
Proceeds from share issuance to non-controlling shareholders	139	461
Dividends paid	(6,692)	(6,691)
Dividends paid to non-controlling interests	(12)	(14)
Repayments of lease obligations	(83)	(47)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	—	(1,882)
Net cash provided by (used in) financing activities	(2,512)	(11,888)
Effect of exchange rate change on cash and cash equivalents	140	613
Net increase (decrease) in cash and cash equivalents	(13,493)	(17,633)
Cash and cash equivalents at beginning of period	55,742	47,282
Cash and cash equivalents at end of period	42,249	29,649

#### **(4) Notes to consolidated financial statements**

(Notes related to going concern assumption)

No applicable items.

(Notes on occurrence of significant changes to shareholders' equity)

No applicable items.

(Changes in accounting policy)

The company adopted the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020, hereinafter referred to as the "Accounting Standard for Revenue Recognition") and other standards from the beginning of the first quarter of the fiscal year ending March 31, 2022 and adopted the policy of recognizing as revenue the amount expected to be received upon exchange of goods or services when it transfers control of the promised goods or services to be customer.

As a result, rebates and other items were previously recorded as selling, general and administrative expenses when the amounts were finalized, but the Company has changed to a method of estimating the amount of the variable consideration and reducing it from sales at the time of sales.

For the application of the Accounting Standard for Revenue Recognition, etc., the company has followed transitional treatment prescribed in the proviso of Article 84 of the Accounting Standard for Revenue Recognition. The cumulative effect of retrospectively applying the new accounting policy prior to the beginning of the first quarter of the current fiscal year has been adjusted to retained earnings at the beginning of the first quarter of the current fiscal year.

As a result, net sales for the nine months decreased by ¥24,352 million and selling, general and administrative expenses decreased by the same amount.

In addition, the balance of retained earnings at the beginning of the current fiscal year decreased by ¥623 million.

(Subsequent events)

No applicable items.