



Harvest the Power of Nature.

TSE code:2229

Financial Book 2022

Fiscal year ended March 31, 2022

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Ten-Year Summary

	Millions of yen, round down										Thousands of U.S. dollars (Note1)
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013	2022 US\$
For the Year: (Note7)											
Net sales	245,419	266,745	255,938	248,655	251,575	252,420	246,129	222,150	199,941	179,411	2,005,222
Operating profit	25,135	27,064	27,664	26,964	26,828	28,841	28,125	24,183	19,717	15,790	205,374
Operating margin(%)	10.2	10.1	10.8	10.8	10.7	11.4	11.4	10.9	9.9	8.8	—
Net income attributable to owners of parent	18,053	17,682	17,539	19,429	17,330	18,605	16,799	14,114	12,086	9,440	147,506
Net income margin(%)	7.4	6.6	6.9	7.8	6.9	7.4	6.8	6.4	6.0	5.3	—
ROE(%)	10.3	10.4	11.1	13.2	13.0	14.9	14.6	13.7	13.1	11.4	—
Research and development costs	3,319	2,706	2,745	2,660	2,469	2,168	2,195	2,052	2,161	2,288	27,125
Capital expenditures	13,515	11,341	9,004	9,945	11,009	9,763	21,229	15,290	6,392	7,298	110,431
Depreciation and amortization	9,189	9,051	8,449	8,023	7,845	7,297	7,570	6,232	5,960	6,318	75,084
Per Share(¥/\$): (Note2)											
Net income attributable to owners of parent	136.25	132.30	131.22	145.39	129.72	139.24	125.88	105.82	91.46	72.18	1.11
Net assets	1,358.25	1,312.24	1,221.19	1,151.71	1,043.37	958.60	905.20	821.97	729.93	664.55	11.09
Cash dividends	52.00	50.00	50.00	48.00	42.00	42.00	35.00	28.00	22.00	15.50	0.42
Dividend payout ratio(%)	38.2	37.8	38.1	33.0	32.4	30.2	27.8	26.5	24.1	21.5	—
At Year-End:											
Total assets (Note3)	236,598	238,978	214,967	202,750	192,034	181,945	174,837	161,917	140,909	124,705	1,933,156
Net assets	183,458	182,740	169,632	160,490	146,667	135,056	131,469	118,800	104,466	92,685	1,498,965
Working capital (Note3,4)	72,912	80,892	83,066	77,815	68,950	58,214	54,832	52,672	47,458	33,607	595,737
Interest-bearing debt (Note5)	2,005	6,604	1,363	1,274	1,511	1,596	555	563	186	302	16,385
Equity ratio(%) (Note6)	74.1	73.4	75.9	75.9	72.6	70.4	69.2	67.7	69.1	70.2	—
Debt to equity ratio (Times)	0	0	0	0	0	0	0	0	0	0	0
Number of consolidated subsidiaries	23	24	24	26	27	27	24	22	22	21	—
Number of employees	4,398	4,311	4,053	3,763	3,798	3,860	3,728	3,477	3,341	3,352	—
Cash Flows:											
Cash flows from operating activities	22,327	30,450	40,449	27,620	9,358	25,958	22,541	22,266	23,478	17,328	182,431
Cash flows from investing activities	3,643	(32,069)	(13,462)	(28,347)	(6,258)	(13,404)	(14,270)	(9,422)	(17,041)	(12,999)	29,769
Cash flows from financing activities	(25,168)	(7,635)	(6,278)	(6,227)	(5,450)	(14,711)	(2,859)	(2,878)	(383)	607	(205,643)
Cash and cash equivalents at end of year	49,670	47,282	55,742	35,425	42,195	44,627	47,323	42,572	31,592	25,331	405,840

- Note 1. U.S. dollar amounts are presented, for convenience only, at a conversion rate of ¥122.39 = US\$1, the approximate Tokyo foreign exchange market rate as of March 31, 2022.
2. 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 31, 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.
7. The Company applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29) from the beginning of the fiscal year ended March 31, 2022. Major consolidated management indicators, etc. for this fiscal year are indicators, etc. after applying such accounting standards.

Management's Discussion and Analysis

Operating results

(1) Overview of business performance

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

During the fiscal year ended March 31, 2022, the global economy experienced a sharp increase in uncertainty due to sluggish economic activities and subsequent supply chain disruptions caused by re-expansion of COVID-19, as well as soaring energy and raw material prices due to the Russian and Ukrainian situation toward the end of the fiscal year. The Japanese economy also faced extremely severe conditions, as social and economic activities were restricted by the COVID-19 variant expansion. The impact of geopolitical risks on the economy is unpredictable. In the snack foods and cereals foods market, where we operate, we saw rising demand for foods that are highly preservable and in-house meals due to restraints on going out and preparations for emergencies.

In this environment, we promoted business activities to achieve sustainable growth through innovation and challenges based on long-term vision (Vision for 2030) and the five-year medium-term business plan (from the fiscal year ended March 31, 2020 to the fiscal year ending March 31, 2024).

In the domestic business, we focused on create new value and realize high profit. Against lower yields of Hokkaido-produced potato due to the impact of hot and drought and soaring raw material prices, we implemented price and content revisions of *Potato Chips* and other snack foods, and rolled out products that meet diversifying needs due to the COVID-19, such as the bean-based snack *miino* and the stand-pouch-type *Jagarico*. In cereal foods, we worked to expand our lineup of products that meet demand for inter-meal and highlight health and functionality, as well as medium-sized products that are easy for customers to purchase. In new businesses, we leveraged our affinity with ability to procure potatoes, which is one of our Group's strengths, to develop business through new raw materials, such as expansion of the sweet potato business by Potato Kaitsuka Ltd. which is engaged in the wholesale business of sweet potato and the direct sales of baked sweet potatoes.

In the overseas business, we leveraged the strengths of processing technologies and product development capabilities of natural raw materials that we have cultivated in our domestic business to promote business activities in accordance with the characteristics of the market in the four key regions (North America, Greater China, the United Kingdom, and Indonesia). In North America, in April 2021, we integrated our previously dispersed R&D, sales and marketing functions into a holding company structure that enables comprehensive strategic planning. In Greater China, we sought to promote Calbee brand by strengthening our product lineup and promotional activities with the aim of becoming a sales channel expansion for retail channel. In the United Kingdom, under Seabrook brand, in addition to our mainstay *Potato Chips*, we worked to expand our corn-and bean-based snack foods, and in Indonesia, we developed snack foods of a four-tiered structure that apply domestic processing technologies and new flavor *Potato Chips* to cultivate new customer base. In addition, in response to rising raw material prices, we implemented price and content revisions for some snack foods in North America and the United Kingdom.

From the perspective of sustainable management, we promoted activities to effectively utilize renewable energy and reduce total greenhouse gas emissions. In addition, domestic plants began purchasing RSPO certified palm oil (mass balance method) in July 2021. We disclose the effect of climate change, a key issue for sustainable growth, after carefully examining risks and opportunities based on TCFD framework in our integrated report.

Effective from the beginning of the fiscal year ended March 31, 2022, our 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 policies" in "Notes to Consolidated Financial Statements".

Net sales for the fiscal year ended March 31, 2022 amounted to ¥245,419 million. Growth in overseas business resulted in a 4.2% increase excluding the impact of the adoption of the revenue recognition standard. In the domestic business, sales of products with new value, such as the bean-based snack *miino*, grew, but sales of *Potato Chips* declined due to the impact of lower raw material potato yield. As a result, sales were virtually unchanged. Sales of overseas business increased due to higher sales in all nations.

Operating profit was ¥25,135 million (down 7.1%) due to the inability to absorb the impact of soaring prices of raw materials such as food oil, despite the implementation of measures such as product prices

and content revisions and cost reduction. Operating margin was 10.2%, a decrease of 1.1 percentage points, which excludes the impact of the adoption of the revenue recognition standard. Profit attributable to owners of the parent was ¥18,053 million (up 2.1%) due to foreign exchange gains and gains on forgiveness of debts (gain on forgiveness of payroll protection program loans in the U.S.).

Results by business are as follows.

Millions of yen, rounded down

	FY ended March 31, 2021	FY ended March 31, 2022	
	Amount	Amount	Growth (%)
Domestic production and sale of snack and other foods business	213,639	213,602	(0.0)
Domestic snack foods	175,675	176,888	+0.7
Domestic cereals	27,722	24,696	(10.9)
Domestic others	10,241	12,018	+17.3
Overseas production and sale of snack and other foods business	53,106	64,439	+21.3
Subtotal	266,745	278,042	+4.2
Deduction of rebates, etc.	-	(32,623)	-
Production and sale of snack and other foods business Total	266,745	245,419	-

1) Production and sale of snack and other foods business

Sales of production and sale of snacks and other foods increased due to growth in overseas business.

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

- Domestic snack foods:
Domestic snack foods sales increased.

Sales of domestic snack food by product are as follows,

Millions of yen, rounded down

	FY ended March 31, 2021	FY ended March 31, 2022	
	Amount	Amount	Growth (%)
Potato-based snacks	128,841	126,882	(1.5)
<i>Potato Chips</i>	86,593	83,434	(3.6)
<i>Jagarico</i>	34,539	34,871	+1.0
<i>Jagabee / Jaga Pokkuru</i>	7,708	8,576	+11.3
Flour-based snacks	21,498	22,073	+2.7
Corn- and bean-based snacks	17,099	18,764	+9.7
Other snacks	8,235	9,167	+11.3
Domestic snack foods total	175,675	176,888	+0.7

- Sales of potato-based snacks decreased due to a smaller potato harvest.
 - Sales of *Potato Chips* declined as a result of restrained sales promotion activities and a readjustment of products launch plan due to a decrease in raw material potato yield.
 - In *Jagarico* as well, we were forced to curtail sales promotion activities and readjustment of product launch plan. However, sales of stand-pouch types, such as *Jagarico Salad bits Omori* (large-bag type), grew, resulting in an increase in sales.
 - In *Jagabee / Jaga Pokkuru*, although inbound tourists and domestic tourists remained sluggish, sales increased due to contributions in aggressive expansion into events and product exhibitions.
- In corn-and bean-based snacks, sales of the bean-based snack *miino* were favorable due to the impact of TV commercials and other promotional campaigns, resulting in an increase in sales.
- Sales of other snacks increased due to *Potato Deluxe* sales area expansion.

- Domestic cereals:
Domestic cereals were ¥24,696 million (10.9% down), mainly due to the transfer of export sales to China to an overseas subsidiary. Sales to domestic consumers declined in the first half due to the absence of previous year's nesting demand, but recovered from the second half due to the strengthening of the lineup of medium-sized products.
- Domestic others:
In other domestic businesses, sales were strong in the sweet potato business via wholesale and company-owned shop, rising 17.3% to ¥12,018 million.

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

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

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

Millions of yen, rounded down

	FY ended March 31, 2021	FY ended March 31, 2022		
	Amount	Amount	Growth (%)	Growth on local currency basis (%)
North America	14,442	16,156	+11.9	+5.2
Greater China*	15,131	19,590	+29.5	+17.0
United Kingdom	6,507	8,025	+23.3	+11.1
Indonesia	4,055	6,160	+51.9	+40.4
Other regions**	12,970	14,507	+11.8	+5.5
Overseas production and sale of snack and other foods business total	53,106	64,439	+21.3	+12.1

*Greater China: China and Hong Kong

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

- In North America, sales of the bean-based snack foods *Harvest Snaps* increased due to the strong performance of the delivery expansion of small bags for dollar store channels, etc.
- In Greater China, sales of both snack foods and cereals grew. In snack foods, sales of Honey Butter Chip, *Jagabee*, and *Jagarico* were strong for both e-commerce and retail channel. Sales of the cereal food product *Frugra* expanded for retail channel.
- In the U.K., sales of Seabrook branded Potato Chips and corn-based snacks Loaded Fries were strong, resulting in higher sales.
- In Indonesia, in addition to contributions of the new *Guribee*, products of the existing Potato Chips and flour-based snacks *Krisbee* grew, resulting in an increase in sales.
- Sales in other regions increased due to growth in Australia, Thailand, and South Korea.

(2) Financial Indices

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

	FY ended March 31, 2022 results	FY ended March 31, 2022 (initial plan)	FY ending March 31, 2024 (target)*
Net sales	¥245.4bn	¥240.0bn	¥310.0bn
Operating profit	¥25.1bn	¥28.0bn	¥40.0bn
ROE	10.3%	—	12%
Domestic operating margin	12.3%	13.2%	15%
Overseas sales	¥57.4bn	¥52.7bn	¥80.0bn

*As we applied the "Accounting standards on Revenue Recognition" (ASBJ Statement No. 29) from the beginning of the fiscal year ended March 31, 2022. The amount for the fiscal year ending March 31, 2024 excludes the impact of the application of the standard.

Financial Position

Total assets as of March 31, 2022 decreased by ¥ 2,379 million to ¥ 236,598 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 installation of automated warehousing for expansion of production volume and the acquisition of additional *Kataage Potato* manufacturing line.

Liabilities decreased by ¥3,097 million to ¥53,140 million. This was mainly due to a decline in long-term borrowings as a result of switching the borrowings of Potato Kaitsuka Ltd. to parent-subsidary loan.

Net assets increased by ¥718 million to ¥183,458 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 74.1%, up 0.7 percentage points.

Cash Flows

Cash and cash equivalents as of March 31, 2022 were ¥49,670 million, an increase by ¥2,388 million.

(1) Cash Flows from Operating Activities

Operating activities resulted in a net cash inflow of ¥22,327 million, a decrease of ¥8,122 million. This was mainly due to an increase in foreign exchange gains as a result of the depreciation of the yen and a decrease in the amount of change in trade receivables as a result of favorable sales.

(2) Cash Flows from Investing Activities

Investing activities resulted in a net cash inflow of ¥3,643 million, an increase of ¥35,713 million. This was mainly due to a decrease in payments for purchase of securities to acquire treasury stock and to repay long-term debt, and the purchase of shares in subsidiaries resulting in a change in the scope of consolidation due to the acquisition of shares of Potato Kaitsuka Ltd. (hereinafter, "Potato Kaitsuka") in the previous FY.

(3) Cash Flows from Financing Activities

Financing activities resulted in a net cash outflow of ¥25,168 million, an increase of ¥17,533 million. This was mainly due to an increase in expenditures for the purchase of treasury shares and the switch of Potato Kaitsuka's long-term debt to a parent-subsidary loan.

(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 growth investment. Funds used in financing activities consist mainly of capital requirements related to dividends paid by the parent company.

With regard to the capital needs above, we plan to allocate the sum of cash flow from operating activities which we expect to acquire in the five years from the fiscal year ended March 31, 2020 to the fiscal year ending March 31, 2024 and cash on hand, etc, based on the five-year medium-term business plan (from the fiscal year ended March 31, 2020 to the fiscal year ending March 31, 2024).

Specifically, we plan to allocate funds to capital investment aiming to growth and improve productivity in existing businesses and to strengthen overseas production structure, growth investments aiming to acquire foundation for growth based on a long-term perspective, including new businesses, promotion of digital transformation, and M&A etc., and to shareholder returns aiming a target of total return ratio of 50% or more and DOE4% (consolidated) as basic policy.

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	FY ended March 31, 2022	Medium-term business plan	Progress (%)
Capital investment	8,751	11,205	12,123	60,000	53.5
Growth investment	7,558	13,330	1,492	80,000	28.0
Shareholder returns	6,425	6,693	18,691	50,000	63.6
Total	22,735	31,229	32,307	190,000	45.4

- Fund-raising progress

In principle, our group raises funds by using cash provided by operating activities, and temporary shortages of funds are generally financed by short-term borrowings from financial institutions. We and our domestic consolidated subsidiaries have introduced a cash management system (CMS) to centrally manage funds within our group, thereby centrally managing surplus funds, securing liquidity for funds, and improving fund efficiency. In addition, the Company has entered into overdraft agreements with several financial institutions with the aim of supplementing the liquidity of its funds further, and the Company recognizes that it has sufficient liquidity to fund its business operations.

Capital Expenditures

For the year ended March 31, 2022, capital expenditures for tangible and intangible assets totaled ¥13,515 million. Of this total, ¥10,900 million went to domestic operations and ¥2,614 million went to overseas operations. Capital expenditures in the domestic business are mainly aimed at expanding domestic existing business such as the installation of automated warehouses for capacity expansion and the expansion of *Kataage Potato* manufacturing line. Capital expenditures in the overseas business are mainly aimed at strengthening the production structure such as acquiring buildings and land for snack manufacturing plants to strengthen the production system in the U.S.

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, our 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 our Group are goodwill resulting from the acquisition of Potato Kaitsuka. It is determined that there is no impairment indicator for the goodwill due to that an operating income (including the amortization of goodwill, the same hereafter) of Potato Kaitsuka is positive for the current fiscal year, the prospect of positive operating income from future fiscal years mainly due to a continuous increase in sales volume and procurement volume and there is no significant deterioration in the business environment.

(2) Inventory valuation

Our 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

For the year ended March 31, 2022, the total amount of R&D expenditures was ¥3,319 million.

In the field of basic research, we conducted intermediate breeding development in the Potato Genetic Resource Development Course, which was established in collaboration with Obihiro University of Agriculture and Veterinary Medicine, as a study on the stable procurement of harvest and the improvement of quality.

We are also conducting research on the functionality of raw materials and products. During FY March 2022, we conducted a joint research with Juntendo University on the healthcare value of *Frugra*. In addition, we reported on the possibility that intaking *Frugra bits* during meals might be useful for increased blood sugar prices after dinner and the quality of dormant in the evening, and this paper was published in Journal of Food and Nutrition.

In product development field, we are expanding our lineup of snack and cereal products and implementing new product development based on our medium-to long-term strategy in order to expansion and revitalize the market in response to changes in domestic and foreign consumers and diverse tastes. In the domestic market, we developed and launched *Baked Oats*, which is free-heating process, using our proprietary baked production method. We also continued to conduct new Product development abroad, expanding our product lineup of snacks and cereals for the Chinese market.

In the field of technology development, we are providing value addition through new raw materials and exploring new processing technologies. In the fiscal year under review, we relaunched *Sozaiine*, which uses a neo-oven manufacturing method (non-frying) that retains the color and delicious taste of raw materials. We also developed a new packaging material to achieve Kraft packaging and launched nationwide *Jagaimo Chips* and a method for frying leather-cut thick potatoes without burning them. We are converting raw materials used in packaging containers to an environment conscious materials (a raw materials that leads to a reduction in environmental impact, such as paper, biodegradable raw materials, biomass raw materials, and recycled raw materials). We are developing packaging materials and packaging technologies with the goal of using 50% environment conscious materials by 2030, and 100% by 2050. We focus on resolving consumer issues and conduct product development from new perspectives and approaches that differ from conventional ones. In the fiscal year under review, Calbee Future Labo collaborated with other companies and research institutes to develop and launch *Ranch Gummy*, which aims to resolve bad smell problems after meals, and *Nyumin* (our first food with function claims), an edible film aimed at supporting better dormancy, on a nationwide basis. In March 2022, we invested in S'UIMIN Co., Ltd., a company that scientifically explores dormancy and is engaged in the accumulation and utilization of big data on dormancy. We will combine this company's knowledge and expertise with our Product development capabilities to promote the creation of new products and services based on consumer issues.

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 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 31, 2022.

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. 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 recall the products or discontinue 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, Labor 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.

2. Product Development

Under "Next Calbee" Vision for 2030, 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.

3. Risk on Natural Disasters 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. We have also promoted an all-hazard BCP (Business Continuity Plan) in response to the recent disruption in the supply chain caused by the re-infectious expansion of the new Corona Virus in the event of a multiple disaster. By strengthening our BCP, we are working to secure a resilient business structure, including the early resumption of supply of products that should be produced with priority.

However, if supply chain disruptions are prolonged and we are unable to supply products to our business partners, if we incur extended restoration of machinery and equipment and facilities or incur significant costs, and if further increases in raw material prices or difficulties in securing raw materials are greater than

anticipated due to a prolonged pandemic caused by the Corona variant expansion, which could have an impact on our operating results and financial position.

4. 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. In addition, in response to increasing in energy and raw material costs due to the Russian and Ukrainian situation toward the end of the fiscal year, we have implemented prices and content standard revisions of some snack foods to reduce the impact of our business.

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 our Group's operating results and financial position.

5. Risks on Stagnation in Domestic Product Supply

As represented by the Year 2024 Issue in the transportation and logistics industry, 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, our Group is promoting "white logistics activities", by reducing drivers' waiting times due to automation and AI, reducing the frequency of deliveries, consolidating delivery destinations and promoting pallet transportation etc. We aim to be the logistics of choice for drivers.

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.

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. 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.

8. Risks on Information Securities

If a malicious attacker enters a computer system or network and an information security incident occurs, 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 operating results, financial position and social credibility.

9. 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, our 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.

10. Relationship with Major Shareholders

As of March 31, 2022, PepsiCo, Inc. (hereinafter "PepsiCo") held 20.71% (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 US NASDAQ market. 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 are 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.

11. Risks on Securing Human Resources

Based on the belief that human resources are an important foundation supporting the value chain and a source of innovation for continued growth, our Group is recruiting new human resources. In addition, to secure and develop human resources to promote group management, we are working to develop human resources who will be responsible for global business or who can promote DX. We introduce "Calbee New

Workstyle" that can provide a variety of working styles, with the aim of becoming an organization that enables all employees to play active roles by leveraging 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 our group management or needed for business activities. Any of these cases could have an impact on our operating results and financial position.

12. Risks on Climate Change

Following the adoption of the Paris Agreement at the 21st Conference of the Parties to the United Nations Framework Convention on Climate Change (COP21) and its ratification by countries, efforts to reduce greenhouse gases caused of climate change and global warming are advancing on a global scale. Our medium-term target is to reduce greenhouse gas emissions by 30% by 2030 compared to levels in the fiscal year ended March 31, 2019. Furthermore, aiming for net zero emissions in 2050 (covering Scope1* and 2**). For the target, we work on further energy conservation and the utilization of renewable energy. In February 2020, we endorsed the recommendations of the Climate-related Financial Disclosure Task Force (TCFD) established by the Financial Stability Board, and analyzed climate change scenarios. The results of the analysis showed that direct damage to factories and raw material producing areas due to severe disasters, changes in consumer behavior due to heightened environmental awareness, and a decrease in potato yields due to insufficient sunlight hours were significant. In response, we will strive to reduce greenhouse gases, convert potato varieties, develop varieties, and diversify production areas. In addition, we believe that responding to ethical consumption and product development of sustainable raw materials will create opportunities. (We disclose details of disclosures based on TCFD framework in our Group-wide integrated report, etc.)

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.

*Scope1 refers to direct emissions of CO2 from the use of fuel in the company (factories, offices, vehicles, etc.).

**Scope2 refers to indirect emissions of CO2 from the use of electricity, heat, and steam purchased by the company.

Consolidated Balance Sheets

Calbee, Inc. and Consolidated Subsidiaries
Consolidated Balance Sheets
March 31, 2022 and 2021

	Millions of yen		Thousands of U.S. dollars (Note 5)
	2022	2021	2022
Assets			
Current assets:			
Cash and deposits (Notes 6 and 14)	¥35,005	¥ 34,572	\$286,014
Notes and accounts receivable – trade (Note 6)	-	30,449	-
Notes receivable – trade (Note 6)	750	-	6,129
Accounts receivable (Note 6)	31,832	-	260,090
Marketable securities (Notes 6 and 7)	23,999	38,899	196,090
Inventories (Notes 8 and 25)	18,001	14,694	147,086
Others	5,588	4,868	45,664
Allowance for doubtful accounts	(6)	(5)	(53)
Total current assets	115,171	123,477	941
Non-current assets:			
Property, plant and equipment:			
Land (Note 25)	11,977	11,554	97,861
Buildings and structures (Note 25)	77,798	71,541	635,656
Machinery, equipment and vehicles	118,704	111,167	969,889
Lease assets	733	553	5,996
Construction in progress	1,255	2,489	10,259
Others	5,992	5,572	48,964
	216,462	202,878	1,768,627
Accumulated depreciation	(133,483)	(125,598)	(1,090,637)
Property, plant and equipment, net	82,979	77,280	677,990
Investments and other assets:			
Investment securities (Notes 6 and 7)	2,264	1,859	18,506
Investments in affiliates (Note 6)	143	124	1,176
Long-term loans	100	-	817
Deferred tax assets (Note 10)	5,178	5,352	42,315
Net defined benefit asset (Note 12)	2,895	2,549	23,660
Goodwill	23,550	24,518	192,421
Others	4,315	3,817	35,256
Allowance for doubtful accounts	(1)	(0)	(10)
Total investments and other assets	38,447	38,221	314,142
Total non-current assets	121,427	115,501	992,133
Total assets	¥236,598	¥238,978	\$1,933,156

	Millions of yen		Thousands of U.S. dollars (Note 5)
	2022	2021	2022
Liabilities			
Current liabilities:			
Notes and accounts payable (Note 6)	¥11,849	¥10,160	\$96,820
Short-term borrowings (Notes 6, 9 and 25)	1,447	2,616	11,822
Current portion of long-term borrowings (Notes 6, 9 and 25)	-	298	-
Lease obligations (Note 9)	160	100	1,312
Other payables (Note 6)	8,229	7,649	67,237
Income taxes payable	4,242	5,153	34,664
Provision for bonuses	4,625	4,916	37,794
Provision for directors' bonuses	93	116	761
Provision for stock payments	45	88	371
Others	11,565	11,484	94,499
Total current liabilities	42,259	42,585	345,285
Non-current liabilities:			
Long-term borrowings (Notes 6, 9 and 25)	-	3,166	-
Lease obligations (Note 9)	375	383	3,069
Deferred tax liabilities (Note 10)	906	793	7,404
Provision for directors' retirement benefits	334	358	2,735
Provision for directors' stock payments	323	265	2,643
Net defined benefit liabilities (Note 12)	8,049	7,846	65,765
Asset retirement obligations	749	749	6,124
Others	142	89	1,162
Total non-current liabilities	10,881	13,652	88,905
Total liabilities	53,140	56,238	434,190
Net assets (Note 11):			
Shareholders' equity:			
Common stock:			
Authorized 2022 - 176,000,000 shares			
Authorized 2021- 176,000,000 shares			
Issued 2022 - 133,929,800 shares			
Issued 2021 - 133,929,800 shares	12,046	12,046	98,425
Capital surplus	3,232	4,777	26,412
Retained earnings	170,284	159,551	1,391,330
Treasury stock - 4,808,426 shares in 2022			
289,176 shares in 2021	(12,959)	(1,045)	(105,884)
Total shareholders' equity	172,604	175,329	1,410,283
Accumulated other comprehensive income:			
Unrealized holding gain on securities	436	300	3,566
Foreign currency translation adjustments	3,232	562	26,410
Remeasurements of defined benefit plans (Note 12)	(893)	(822)	(7,302)
Total accumulated other comprehensive income	2,775	39	22,674
Non-controlling interests	8,078	7,371	66,007
Total net assets	183,458	182,740	1,498,965
Total liabilities and net assets	¥236,598	¥238,978	\$1,933,156

Consolidated Statements of Income

Calbee, Inc. and Consolidated Subsidiaries
Consolidated Statements of Income
Years ended March 31, 2022 and 2021

	Millions of yen		Thousands of U.S. dollars (Note 5)
	2022	2021	2022
Net sales (Note 23)	¥245,419	¥266,745	\$2,005,222
Cost of sales (Notes 8 and 16)	161,465	148,935	1,319,266
Gross profit	83,954	117,810	685,955
Selling, general and administrative expenses (Notes 15 and 16)	58,818	90,746	480,581
Operating profit	25,135	27,064	205,374
Other income (expenses)			
Interest and dividend income	123	131	1,011
Interest expense	(99)	(100)	(814)
Foreign exchange gains	1,712	452	13,992
Share of profit of entities accounted for using equity method	19	39	159
Share of loss of entities accounted for using equity method	-	(143)	-
Expenses for acquisition of treasury stock	35	-	288
Depreciation	(99)	(139)	(811)
Gain on sales of non-current assets (Note 17)	6	14	51
Gain on liquidation of subsidiaries and associates	-	174	-
Gain on sales of investment securities	69	62	565
Subsidy income	67	150	554
Gain on forgiveness of debt	394	-	3,220
Subsidy income related to COVID-19	-	227	-
Loss on sales of non-current assets (Note 17)	(23)	(57)	(194)
Loss on retirement of non-current assets (Note 17)	(407)	(559)	(3,326)
Loss on valuation of investment securities (Note 7)	(76)	(29)	(621)
Loss on cancellation of outsourcing agreement	(180)	(750)	(1,470)
Loss on COVID-19	-	(248)	-
Other	140	94	1,146
Net income before income taxes	26,748	26,381	218,549
Income taxes (Note 10):			
Current	(8,024)	(8,248)	(65,566)
Deferred	(445)	(67)	(3,643)
	(8,470)	(8,315)	(69,209)
Net income	18,277	18,065	149,340
Net income attributable to:			
Non-controlling interests	224	383	1,833
Owners of parent	¥18,053	¥17,682	\$147,506

Consolidated Statements of Comprehensive Income

Calbee, Inc. and Consolidated Subsidiaries
Consolidated Statements of Comprehensive Income
Years ended March 31, 2022 and 2021

	Millions of yen		Thousands of U.S. dollars (Note 5)
	2022	2021	2022
Net income	¥18,277	¥18,065	\$149,340
Other comprehensive income (Note 18):			
Unrealized holding gain on securities	136	170	1,115
Foreign currency translation adjustments	3,251	1,825	26,564
Remeasurements of defined benefit plans	(71)	(311)	(581)
Total other comprehensive income	3,316	1,684	27,098
Comprehensive income	¥21,594	¥19,750	\$176,438
Comprehensive income attributable to:			
Owners of parent	¥20,788	¥18,936	\$169,858
Non-controlling interests	¥805	¥813	\$6,580

Consolidated Statements of Changes in Net Assets

Calbee, Inc. and Consolidated Subsidiaries
Consolidated Statements of Changes in Net Assets
Years ended March 31, 2022 and 2021

	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, 2020	133,921,800	¥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 APRIL 1, 2021	133,929,800	¥12,046	¥4,777	¥159,551	(¥1,045)	¥175,329
Cumulative effect of changes in accounting policies				(623)		(623)
Balance at the beginning of the year reflecting changes in accounting policies		12,046	4,777	158,928	(1,045)	174,706
Cash dividends paid				(6,696)		(6,696)
Profit attributable to owners of parent				18,053		18,053
Purchase of treasury stock					(12,000)	(12,000)
Disposal of treasury stock					86	86
Purchase of shares of consolidated subsidiaries			(1,545)			(1,545)
Net changes during the year						
BALANCE AT MARCH 31, 2022	133,929,800	¥12,046	¥3,232	¥170,284	(¥12,959)	¥172,604

	Millions of yen					
	Accumulated Other Comprehensive Income					
	Unrealized Holding Gain on Securities	Foreign Currency Translation Adjustments	Remeasuremen ts of Defined Benefit Plans	Total Accumulated Other Comprehensive Income	Non- controlling Interests	Total Net Assets
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 APRIL 1, 2021	¥300	¥562	(¥822)	¥39	¥7,371	¥182,740
Cumulative effect of changes in accounting policies						(623)
Balance at the beginning of the year reflecting changes in accounting policies	300	562	(822)	39	7,371	182,117
Cash dividends paid						(6,696)
Profit attributable to owners of parent						18,053
Purchase of treasury stock						(12,000)
Disposal of treasury stock						86
Purchase of shares of consolidated subsidiaries						(1,545)
Net changes during the year	136	2,670	(71)	2,735	707	3,442
BALANCE AT MARCH 31, 2022	¥436	¥3,232	(¥893)	¥2,775	¥8,078	¥183,458

	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, 2021	133,929,800	\$98,425	\$39,036	\$1,303,630	(\$8,544)	\$1,432,547
Cumulative effect of changes in accounting policies				(5,092)		(5,092)
Balance at the beginning of the year reflecting changes in accounting policies		98,425	39,036	1,298,537	(8,544)	1,427,454
Cash dividends paid				(54,713)		(54,713)
Profit attributable to owners of parent				147,506		147,506
Purchase of treasury stock					(98,050)	(98,050)
Disposal of treasury stock					709	709
Purchase of shares of consolidated subsidiaries			(12,623)			(12,623)
Net changes during the year						
BALANCE AT MARCH 31, 2022	133,929,800	\$98,425	\$26,412	\$1,391,330	(\$105,884)	\$1,410,283

	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	Non- controlling Interests	Total Net Assets
BALANCE AT APRIL 1, 2021	\$2,451	\$4,593	(\$6,721)	\$323	\$60,227	\$1,493,098
Cumulative effect of changes in accounting policies						(5,092)
Balance at the beginning of the year reflecting changes in accounting policies	2,451	4,593	(6,721)	323	60,227	1,488,005
Cash dividends paid						(54,713)
Profit attributable to owners of parent						147,506
Purchase of treasury stock						(98,050)
Disposal of treasury stock						709
Purchase of shares of consolidated subsidiaries						(12,623)
Net changes during the year	1,115	21,817	(581)	22,351	5,779	28,131
BALANCE AT MARCH 31, 2022	\$3,566	\$26,410	(\$7,302)	\$22,674	\$66,007	\$1,498,965

Consolidated Statements of Cash Flows

Calbee, Inc. and Consolidated Subsidiaries
Consolidated Statements of Cash Flows
Years ended March 31, 2022 and 2021

	Millions of yen		Thousands of U.S. dollars(Note 5)
	2022	2021	2022
Cash flows from operating activities			
Net income before income taxes	¥26,748	¥26,381	\$218,549
Depreciation and amortization	9,189	9,051	75,084
Amortization of goodwill	1,819	1,753	14,869
Increase (decrease) in provision	(244)	496	(1,999)
Increase (decrease) in net defined benefit asset/liability	(257)	(21)	(2,102)
Interest and dividend income	(123)	(131)	(1,011)
Interest expense	99	100	814
Foreign exchange loss (gain)	(2,013)	(26)	(16,451)
Share of loss (profit) of entities accounted for using equity method	(19)	104	(159)
Net loss (gain) on sales of investment securities	(60)	(61)	(492)
Net loss (gain) on valuation of investment securities	76	29	621
Net loss (gain) on sales of non-current assets	17	43	143
Loss on retirement of non-current assets	407	559	3,326
Decrease (increase) in notes and accounts receivable	(1,221)	476	(9,977)
Decrease (increase) in inventories	(2,780)	(2,026)	(22,719)
Increase (decrease) in notes and accounts payable	1,002	(253)	8,190
Increase (decrease) in other payables	(114)	566	(932)
Others	(1,277)	1,514	(10,437)
Subtotal	31,248	38,555	255,316
Interest and dividends received	120	131	980
Interest paid	(106)	(108)	(866)
Income taxes paid	(8,934)	(8,128)	(72,999)
Net cash provided by operating activities	22,327	30,450	182,431
Cash flows from investing activities			
Acquisition of property, plant and equipment	(12,491)	(10,715)	(102,062)
Proceeds from sale of property, plant and equipment	15	17	122
Acquisition of intangible fixed assets	(1,024)	(626)	(8,369)
Acquisition of marketable securities	(26,998)	(44,896)	(220,594)
Proceeds from redemption of marketable securities	43,900	36,182	358,689
Purchase of investment securities	(435)	(187)	(3,557)
Proceeds from sale of investment securities	218	121	1,781
Payment of loans receivable	(100)	(700)	(817)
Collection of loans receivable	180	1,460	1,470
Payment into time deposits	(925)	(968)	(7,562)
Proceeds from withdrawal of time deposits	922	1,318	7,539
Payment of security deposit	(54)	(84)	(447)
Collection of security deposit	382	56	3,126
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-	(13,194)	-
Others	54	146	449
Net cash used in investing activities	3,643	(32,069)	29,769
Cash flows from financing activities			
Net increase (decrease) in short-term borrowings	(1,300)	(490)	(10,621)
Repayments of long-term borrowings	(3,465)	(298)	(28,313)
Purchase of treasury stock	(12,000)	(191)	(98,050)
Repayments for lease obligations	(67)	(87)	(554)
Cash dividends paid	(6,692)	(6,693)	(54,678)
Proceeds from share issuance to non-controlling shareholders	461	139	3,769
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(1,882)	-	(15,377)
Dividends paid to non-controlling interests	(222)	(12)	(1,816)
Net cash used in financing activities	(25,168)	(7,635)	(205,643)
Effect of exchange rate changes on cash and cash equivalents	1,585	793	12,955
Net increase (decrease) in cash and cash equivalents	2,388	(8,460)	19,512
Cash and cash equivalents at beginning of year	47,282	55,742	386,328
Cash and cash equivalents at end of year (Note 14)	¥49,670	¥47,282	\$405,840

Notes to Consolidated Financial Statements

Calbee, Inc. and Consolidated Subsidiaries
Notes to Consolidated Financial Statements
March 31, 2022

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 23 (24 in 2021) subsidiaries as listed below.

Consolidated subsidiaries

- Calbee Potato, Inc.
- Calbee Logistics, Inc.
- Calbee Eatalk Co., Ltd.
- Japan Frito-Lay Ltd.
- ICS Investment Co., LTD. (Note 1)
- Studio Socio, Inc.
- Potato Kaitsuka Ltd.
- Kaitsuka Farm Co., Ltd.
- Calbee America, Inc. (Note 1)
- Calbee North America, LLC (Note 1)
- Warnock Food Products, Inc (Note 1)
- Yantai Calbee Co., Ltd. (Note 1)
- CFSS Co. Ltd. (Note 1)
- Calbee (Hangzhou) Foods Co.,Ltd. (Note 1)
- Calbee (China) Co., Ltd. (Note 1)
- Calbee Four Seas Co., Ltd.
- Calbee E-commerce Limited (Note 1)
- Calbee Group (UK) Ltd (Note 1)
- PT. Calbee-Wings Food (Note 1)
- Haitai-Calbee Co., Ltd. (Note 1)
- Calbee Tanawat Co., Ltd. (Note 1)
- Calbee Moh Seng Pte. Ltd. (Note 1)
- Calbee Australia Pty Limited (Note 1)

(Notes)

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

(2) Calnac Co., Ltd. have been excluded from the scope of consolidation during the year ended March 31, 2022 due to merged by Calbee Inc..

For the year ended March 31, 2022, all subsidiaries are consolidated and there is one affiliate (Calbee URC Malaysia Sdn. Bhd.) that is accounted for by the equity method. For the year ended March 31, 2021, 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. Garden Bakery, Inc. has been excluded from the scope of equity method during the year ended March 31, 2022 due to sales of its shares.

For the years ended March 31, 2022 and 2021, 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, 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) Recognition of revenues and expenses

Our group primarily sells snack foods and cereals and recognizes revenue upon the transfer of control of these promised goods or services to customers in the amount that we expect to receive in exchange for those goods or services. In domestic sales of goods or products, when the period until the time of inspection by the customer is considered reasonable for each transaction practice in light of the number of days required for shipment and delivery in Japan, we recognize revenue at the time of shipment.

The payment for the promised goods or services is generally within two months of the time the control has moved to the customer, and there is no significant financing component in the amount of the payment.

A portion of transaction prices includes variable consideration such as rebates. Variable consideration is the estimate of the most probable amount. The transaction price only include amount for sales subject to variable consideration to the extent that it is highly probable that there will not be a significant reversal of cumulative revenue after the uncertainty associated with variable consideration is resolved.

There are no return except that we are responsible for the returns such as product failure.

(q) Business commencement expenses

Business commencement expenses are expensed as incurred.

3. Changes in accounting policies

(Adopted the Accounting Standard for Revenue Recognition)

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 this fiscal year ended 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 accounted for 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 sale.

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 current fiscal year has been adjusted to retained earnings at the beginning of this fiscal year.

As a result, net sales for the fiscal year under review decreased by ¥32,623 million and selling, general and administrative expenses decreased by the same amount. The balance of retained earnings at the beginning of the fiscal year decreased by ¥623 million.

The impact on the figures in per share is described Per Share Information.

In addition, "Notes and accounts receivable-trade," which was presented in "Current total assets" in the previous fiscal year's consolidated balance sheets, is included in "Notes receivable-trade" and "Accounts receivable" from the current fiscal year.

(Adopted the Accounting Standard for Calculation of Fair Value, etc.)

Accounting standards for the calculation of fair value (ASBJ Statement No. 30, July 4, 2019, hereinafter referred to as "Fair Value Calculation accounting standards") has been applied from the beginning of the current fiscal year, and in accordance with the transitional treatment stipulated in paragraph 19 of the Fair Value Calculation accounting standards and paragraph 44-2 of the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019), a new accounting policy stipulated by the Fair Value Calculation accounting standards, etc. will be applied in the future. There is no impact on the consolidated balance sheets or consolidated statements of income.

In addition, in "Financial Instruments" we have decided to provide notes on matters such as the breakdown of the fair value of financial instruments by level of fair value. However, in accordance with the transitional treatment set forth in paragraph 7-4 of the Implementation Guidance on Disclosures of Fair Value of Financial Instruments (ASBJ Guidance No. 19, July 4, 2019), notes related to the previous fiscal year are not listed.

4. Additional Information

Employee Stock Ownership Plan (ESOP) Trust

The Company awards the Company's own stock to the employees of our 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, 2022 and 2021 were ¥234 million (\$1,918 thousand) and 67,565 shares, and ¥321 million and 92,565 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, 2022 and 2021 were ¥721 million (\$5,896 thousand) and 195,700 shares, and ¥721 million and 195,700 shares, respectively.

5. U.S. Dollar Amounts

For the convenience of the reader, the accompanying consolidated financial statements are also presented in U.S. dollars by converting Japanese yen amounts at the rate of ¥122.39 = \$1, the approximate rate in effect on March 31, 2022. 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 our 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 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 19 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, 2022 and 2021 are shown in the following table.

		Millions of yen		
		Carrying Amount	Estimated Fair Value	Difference
(As of March 31, 2022)				
Assets				
(1) Marketable and investment securities				
Held-to-maturity		23,999	23,999	¥ 0
Available-for-sale		1,649	1,649	-
Total assets		¥ 25,649	¥ 25,649	¥ 0
Derivative transactions				
Hedge accounting not applied		¥ 616	¥ 616	-
Total derivative transactions		¥ 616	¥ 616	-

		Thousands of U.S. dollars		
		Carrying Amount	Estimated Fair Value	Difference
(As of March 31, 2022)				
Assets				
(1) Marketable and investment securities				
Held-to-maturity		196,090	196,092	\$ 1
Available-for-sale		13,477	13,477	-
Total assets		\$ 209,568	\$ 209,570	\$ 1
Derivative transactions				
Hedge accounting not applied		\$ 5,036	\$ 5,036	-
Total derivative transactions		\$ 5,036	\$ 5,036	-

* The note of "Cash" is omitted. "Deposits", "Notes receivable", "Accounts receivable", "Notes and accounts payable-trade", "Short-term loans payable" and "Accounts payable-other" are omitted because their fair values approximate their carrying amounts due to their short-term settlement.

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

* Equity securities without market price are unlisted shares. It is not included in "(1) Marketable and investment securities". The carrying amount is 399 million yen.

* Investment in unions and other similar entities whose share equivalent to the net amount is recorded in the consolidated balance sheet is omitted. The carrying amount is 360 million yen.

(As of March 31, 2021)	Millions of yen		
	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)	-

* 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.

* Unlisted shares with carrying value of ¥284 million (\$2,571 thousand) at March 31, 2021, 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, impairment loss recognized on unlisted shares was ¥29 million.

* Investments in affiliates with carrying value of ¥124 million at March 31, 2021 are also excluded from the above table as their market value is not readily available.

Notes 1 Redemption schedule of monetary receivables and marketable securities with maturities after March 31, 2022 and 2021.

(As of March 31, 2022)	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	¥ 34,981	-	-	-
Notes Receivable - trade	750	-	-	-
Accounts receivable	31,832			
Marketable securities				
Held-to- maturity				
Jointly-managed money trust	16,000	-	-	-
Commercial paper	7,999	-	-	-
Total	¥ 91,563	-	-	-

(As of March 31, 2022)	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	\$ 285,821	-	-	-
Notes Receivable - trade	6,129	-	-	-
Accounts receivable	260,090			
Marketable securities				
Held-to- maturity				
Jointly-managed money trust	130,729	-	-	-
Commercial paper	65,361	-	-	-
Total	\$ 748,132	-	-	-

(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	-	-	-

(5) Breakdown of the Fair Value of Financial Instruments by Level

The fair value of financial instruments is categorized into the following three levels, depending on the observability and significance of the inputs to the determination of fair value:

- Level 1 fair value: Of inputs for determining observable fair value, fair value calculated using market prices for assets or liabilities that are formed in active markets and are subject to such fair value calculations
- Level 2 fair value: Fair value calculated using inputs for determining observable fair value other than inputs for Level 1
- Level 3 fair value: Fair values calculated using inputs for determining fair values that are unobservable

If we use multiple inputs that are significant to the determination of fair value, we categorize fair value into the level in which each of these inputs has the lowest priority in determining fair value.

• Financial instruments recorded in the consolidated balance sheets at fair value

Millions of yen				
2022				
Fair values				
	Level 1	Level 2	Level 3	Total
Marketable and investment securities				
Available-for-sale				
Equity securities	1,649	—	—	1,649
Derivatives				
Related to currency	—	616	—	616
Asset Total	1,649	616	—	2,265
Thousands of U.S. dollars				
2022				
Fair values				
	Level 1	Level 2	Level 3	Total
Marketable and investment securities				
Available-for-sale				
Equity securities	13,477	—	—	13,477
Derivatives				
Related to currency	—	5,036	—	5,036
Asset Total	13,477	5,036	—	18,513

• Financial instruments except financial instruments recorded in the consolidated balance sheets at fair value

Millions of yen				
2022				
Fair values				
	Level 1	Level 2	Level 3	Total
Marketable and investment securities				
Held-to- maturity				
Jointly-managed money trust	—	16,001	—	16,001
Commercial paper	—	7,998	—	7,998
Asset Total	—	23,999	—	23,999
Thousands of U.S. dollars				
2022				
Fair values				
	Level 1	Level 2	Level 3	Total
Marketable and investment securities				
Held-to- maturity				
Jointly-managed money trust	—	130,739	—	130,739
Commercial paper	—	65,353	—	65,353
Asset Total	—	196,092	—	196,092

Note: Description of valuation techniques used to determine fair value and inputs for determining fair value

Available-for-sale

Listed stocks are valued using quoted prices. Listed stocks are traded in an active market and, therefore, their fair values are classified as Level 1 fair values.

Held-to-maturity debt securities

Commercial paper primarily for securities management and pooled designated money trusts are calculated based on prices quoted by the financial institutions with which the securities are traded and are classified as Level 2 fair values.

Derivative transactions

The fair value of foreign currency forward contracts is determined using the discounted present value method using observable inputs such as interest rates and foreign currency exchange rates and is classified as Level 2 fair value.

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, 2022 and 2021 is as follows:

Held-to-maturity

	Millions of yen			Thousands of U.S. dollars		
	2022			2022		
	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	¥9,000	¥9,001	¥ 1	\$73,535	\$73,545	\$10
Commercial paper	-	-	-	-	-	-
(Securities with estimated fair value not exceeding carrying amount)						
Jointly-managed money trust	¥7,000	¥7,000	-	\$57,194	\$57,194	-
Commercial paper	7,999	7,998	¥ (1)	65,361	65,353	\$(8)
Total	¥23,999	¥23,999	¥ 0	\$196,090	\$196,092	\$1

Available-for-sale

	Millions of yen			Thousands of U.S. dollars		
	2022			2022		
	Carrying amount	Acquisition cost	Unrealized gains (losses)	Carrying amount	Acquisition cost	Unrealized gains (losses)
(Securities with carrying value exceeding acquisition cost)						
Equity securities	¥ 1,617	¥ 1,022	¥ 594	\$13,217	\$8,357	\$4,859
(Securities with carrying value not exceeding acquisition cost)						
Equity securities	31	32	(1)	259	268	(9)
Total	¥ 1,649	¥ 1,055	¥ 593	\$13,477	\$8,626	\$4,850

Held-to-maturity

	Millions of yen		
	2021		
	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
Commercial paper	-	-	-
(Securities with estimated fair value not exceeding carrying amount)			
Jointly-managed money trust	¥17,000	¥17,000	-
Commercial paper	13,999	13,996	¥ (2)
Total	¥38,899	¥38,898	¥ (0)

Available-for-sale

	Millions of yen		
	2021		
	Carrying amount	Acquisition cost	Unrealized gains (losses)
(Securities with carrying value exceeding acquisition cost)			
Equity securities	¥ 874	¥ 422	¥ 451
(Securities with carrying value not exceeding acquisition cost)			
Equity securities	700	791	(90)
Total	¥ 1,575	¥ 1,213	¥ 361

Note: Unlisted shares with carrying values of ¥615 million (\$5,028 thousand) and ¥284 million at March 31, 2022 and 2021, 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		
	2022			2022		
	Sales amount	Gain on sales	Loss on sales	Sales amount	Gain on sales	Loss on sales
Equity securities	¥ 212	¥69	¥(8)	\$1,733	\$565	\$(73)
Total	¥ 212	¥69	¥(8)	\$1,733	\$565	\$(73)

	Millions of yen		
	2021		
	Sales amount	Gain on sales	Loss on sales
Equity securities	¥121	¥62	¥(0)
Total	¥121	¥62	¥(0)

(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, 2022 and 2021, impairment losses recognized on equity securities classified as available-for-sale securities were ¥76 million (\$621 thousand) and ¥29 million.

8. Inventories

Inventories at March 31, 2022 and 2021 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Finished goods and commercial goods	¥ 7,542	¥ 6,058	\$61,623
Work in process	1,400	1,235	11,446
Raw materials and supplies	9,058	7,401	74,016
	¥ 18,001	¥ 14,694	\$147,086

Valuation losses (reversal) due to declines in profitability included in cost of sales for the years ended March 31, 2022 and 2021 were ¥ (3) million (\$(28) thousand) and ¥ (62) million, respectively.

9. Short-Term Borrowings and Long-Term Debt

The outstanding balance of short-term borrowings, long-term debt, lease obligations and other interest-bearing liabilities as of March 31, 2022 and 2021 are as follows:

	Millions of yen		Thousands of U.S. dollars	Average interest rate	
	2022	2021	2022	2022	2021
				(%)	(%)
Short-term borrowings	¥1,447	¥2,616	\$11,822	4.8	2.7
Current portion of long-term borrowings	-	298	-	-	0.6
Current portion of lease obligations	160	100	1,312	-	-
Long-term borrowings, excluding current portion	-	3,166	-	-	0.6
Lease obligations, excluding current portion	375	383	3,069	-	-
Other interest-bearing liabilities	22	37	180	0.3	0.9
Total	¥ 2,005	¥ 6,604	\$16,385	-	-

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
	Lease obligations	
2023	160	1,312
2024	117	956
2025	63	522
2026	45	373
2027	42	344
2028 and thereafter	106	871

10. Income Taxes

The Company and its domestic consolidated subsidiaries are subject to several types of taxes: corporate tax, local inhabitant taxes and enterprise taxes, which in the aggregate resulted in a statutory tax rate of approximately 30.5% for the fiscal years ended March 31, 2022 and 2021, respectively. Overseas subsidiaries are subject to income and other taxes of the respective countries in which they operate.

A reconciliation between the statutory tax rate and the effective tax rate for the year ended March 31, 2022 and 2021 were 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, 2022 and 2021 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Deferred tax assets:			
Allowance for doubtful accounts	¥ 15	¥ 2	\$ 130
Provision for bonuses	1,385	1,483	11,317
Accrued expenses	1,940	1,564	15,857
Enterprise tax payable	253	320	2,067
Provision for stock payments	13	26	113
Provision for directors' stock payments	98	80	805
Net defined benefit liability	1,649	1,667	13,473
Provision for directors' retirement benefits	7	8	65
Depreciation	1,654	1,186	13,517
Impairment loss	268	336	2,191
Asset retirement obligations	211	224	1,730
Carryforward tax loss (Note 2)	1,488	1,259	12,158
Others	740	632	6,051
Deferred tax assets – total	9,727	8,794	79,479
Valuation reserve for carryforward tax loss (Note 2)	(767)	(826)	(6,272)
Valuation reserve for deductible temporary differences	(370)	(273)	(3,028)
Valuation reserve – total (Note 1)	(1,138)	(1,099)	(9,301)
Net deferred tax assets	8,589	7,694	70,178
Deferred tax liabilities:			
Unrealized holding gain on securities	(179)	(114)	(1,467)
Deferred gains on property, plant and equipment	(416)	(433)	(3,404)
Asset retirement obligations	(48)	(56)	(399)
Deferred gain on reorganization	(1,923)	(1,694)	(15,714)
Others	(1,748)	(838)	(14,282)
Deferred tax liabilities – total	(4,316)	(3,136)	(35,267)
Net deferred tax assets	¥ 4,272	¥ 4,558	\$ 34,910

(Note) 1. Valuation reserve increased by ¥ 39 million, due to increase for Accrued expenses 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 2022	2023	2024	2025	2026	2027	2028 and beyond	Total
Carryforward tax loss (a)	181	219	143	119	46	777	1,488
Valuation reserve	(181)	(219)	(143)	(119)	(46)	(57)	(767)
Net deferred tax assets	-	-	-	-	-	720	(b) 720

(Thousands of U.S. dollars)							
March 31 2022	2023	2024	2025	2026	2027	2028 and beyond	Total
Carryforward tax loss (a)	1,481	1,795	1,175	974	380	6,351	12,158
Valuation reserve	(1,481)	(1,795)	(1,175)	(974)	(380)	(465)	(6,272)
Net deferred tax assets	-	-	-	-	-	5,885	(b) 5,885

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

(b) The net deferred tax assets of ¥ 720 million (\$5,885 thousand) for carryforward tax loss of ¥ 1,488 million (\$12,158 thousand) in consolidated subsidiaries was available for reduction of future taxable income respectively.

(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

(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 for carryforward tax loss of ¥ 1,259 million in consolidated subsidiaries was available for reduction of future taxable income respectively.

11. Net Assets

(1) Movements of number of common stock issued and outstanding during the Years ended March 31, 2022 and 2021 are as follows:

	Number of shares	
	2022	2021
Balance at beginning of year	133,929,800	133,929,800
Increase	-	-
Decrease	-	-
Balance at end of year	133,929,800	133,929,800

(2) Movements of number of treasury stock during the Years ended March 31, 2022 and 2021 are as follows:

	Number of shares	
	2022	2021
Balance at beginning of year	289,176	254,501
Increase	4,544,250	56,800
Decrease	(25,000)	(22,125)
Balance at end of year	4,808,426	289,176

Note: The breakdown of the increase and decrease during the year ended March 31, 2022 is as follows:

Increase due to acquisition of treasury stock resolved at the Board of Directors meeting held on October 29, 2021	4,544,100 shares
Increase due to purchase of holder of shares less than one unit	150 shares
Decrease due to issuance of treasury shares by the trust	25,000 shares

The breakdown of the 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

(3) As of March 31, 2022 and 2021, 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, 2022 and 2021 was approved at the annual meetings of the Company's shareholders held on June 22, 2022 and June 23, 2021, respectively.

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Cash dividends	¥ 6,728	¥ 6,696	\$54,971

Cash dividends attributable to the year ended March 31, 2021 of ¥6,696 million were paid during the year ended March 31, 2022 in accordance with the resolution at the annual meeting of the Company's shareholders held on June 23, 2021.

Amount of total dividends paid to shares held by the Company in trust in 2022 and 2021 is ¥13 million (\$111 thousand) and ¥14 million, respectively.

12. Retirement Benefits for Employees

The Company and its 2 domestic consolidated subsidiaries have corporate pension plans and lump-sum payment plans that are multi-employer plans as defined benefit pension plans. Other domestic consolidated subsidiaries and certain foreign consolidated subsidiaries have 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, 2022 and 2021 are as follows:

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

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Balance at beginning of year	¥16,618	¥15,595	\$135,781
Service cost	804	778	6,571
Interest cost	84	86	693
Actuarial loss (gain)	(105)	960	(861)
Past service cost	14	—	120
Retirement benefits paid	(876)	(796)	(7,159)
Other	(42)	(5)	(344)
Retirement benefit obligations at end of year	¥16,498	¥16,618	\$134,801

(2) The changes in plan assets for the Years ended March 31, 2022 and 2021 are as follows:

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

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Balance at beginning of year	¥12,548	¥11,850	\$102,528
Expected return on plan assets	183	173	1,502
Actuarial gain (loss)	5	581	43
Employer's contribution	459	448	3,755
Retirement benefits paid	(502)	(505)	(4,106)
Plan assets at end of year	¥12,694	¥12,548	\$103,722

(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
	2022	2021	2022
Balance at beginning of year	¥1,227	¥1,101	\$10,026
Retirement benefit expense	222	228	1,820
Retirement benefits paid	(103)	(123)	(845)
Contribution to the plans	(12)	(13)	(102)
Increase (decrease) due to foreign currency translation	15	27	127
Other	—	5	—
Net defined benefit liability at end of year	¥1,349	¥1,227	\$11,026

(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
	2022	2021	2022
Funded retirement benefit obligations	¥10,025	¥10,215	\$81,911
Plan assets	(12,919)	(12,764)	(105,561)
	(2,894)	(2,549)	(23,650)
Unfunded retirement benefit obligations	8,047	7,846	65,755
Net liabilities (assets) recorded on the consolidated balance sheet	5,153	5,296	42,105
Net defined benefit liability	8,049	7,846	65,765
Net defined benefit asset	(2,895)	(2,549)	(23,660)
Net liabilities (assets) recorded on the consolidated balance sheet	¥5,153	¥5,296	\$42,105

(5) Retirement benefit expenses and breakdown of amounts

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Service cost	¥804	¥778	\$6,571
Interest cost	84	86	693
Expected return on plan assets	(183)	(173)	(1,502)
Amortization of actuarial loss	272	401	2,228
Amortization of past service cost	(466)	(465)	(3,813)
Retirement benefit expense using the simplified method	222	228	1,820
Additional severance payments, etc.	(41)	1	(339)
Retirement benefit expense related to the defined benefit plans	¥692	¥856	\$5,658

(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
	2022	2021	2022
Past service cost	¥ (481)	¥ (465)	\$ (3,933)
Actuarial gain (loss)	383	22	3,133
Total	¥ (97)	¥ (443)	\$ (800)

(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
	2022	2021	2022
Unrecognized past service cost	¥ (803)	¥ (1,284)	\$ (6,564)
Unrecognized actuarial loss	2,082	2,466	17,018
Total	¥ 1,279	¥ 1,181	\$ 10,454

(8) Items related to plan assets

(a) Breakdown of main items

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

	2022	2021
Domestic bonds	8.1%	38.2%
Domestic equity	1.4	3.0
Foreign bonds	12.5	2.7
Foreign equity	1.4	3.1
Alternative investments*	26.8	26.1
General life insurance accounts	13.0	13.0
Other	36.8	13.9
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:

	2022	2021
	(%)	(%)
Discount rate	0.6	0.5
Long-term expected rate of return	1.5	1.5
Expected salary increase rate	5.2	4.8

The amounts of required contributions to the defined contribution plans of the Company and consolidated subsidiaries for the years ended March 31, 2022 and 2021 were ¥272 million (\$2,223 thousand) and ¥235 million, respectively.

13. Contingent Liabilities

No applicable items.

14. Supplemental Cash Flow Information

The reconciliation between cash and cash equivalents in the consolidated statements of cash flows and cash and deposits in the consolidated balance sheets as of March 31, 2022 and 2021 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Cash and deposits	¥35,005	¥34,572	\$286,014
Time deposits maturing over three months	(334)	(289)	(2,729)
Commercial paper included in the marketable securities	7,999	5,999	65,361
Jointly-managed money trust included in the marketable securities	7,000	7,000	57,194
Cash and cash equivalents	¥49,670	¥47,282	\$405,840

15. Selling, General and Administrative Expenses

Major components of selling, general and administrative expenses for the years ended March 31, 2022 and 2021 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Sales promotion expenses	¥ 2,728	¥ 35,740	\$ 22,292
Advertisement expenses	3,784	4,100	30,925
Freight expenses	15,268	14,768	124,756
Salaries and other allowances	12,754	12,064	104,208
Provision for directors' retirement benefits	31	27	255
Provision for bonuses	3,025	3,347	24,718
Provision for directors' bonuses	93	116	761
Provision for stock payments	44	83	362
Provision for directors' stock payments	58	92	474
Retirement benefit expense	521	566	4,262
Allowance for doubtful accounts	25	-	205

16. Research and Development Costs

Research and development costs included in selling, general and administrative expenses and manufacturing expenses for the years ended March 31, 2022 and 2021 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Selling, general and administrative expenses	¥3,305	¥ 2,692	\$27,005
Manufacturing expenses	14	14	119
Total	¥3,319	¥ 2,706	\$27,125

17. Sale and retirement of Non- current Assets

Gain on sales of non-current assets for the year ended March 31, 2022 mainly consists of gain on sales of Machinery, equipment and vehicles. Gain on sales of non-current assets for the year ended March 31, 2021 mainly consists of gain on sales of Buildings and structures.

Loss on sales of non-current assets for the year ended March 31, 2022 mainly consists of loss on sales of others of fixed assets (tools, furniture and fixtures). 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 retirement of non-current assets for the year ended March 31, 2022 mainly consists of loss on retirement of Buildings and structures. Loss on retirement of non-current assets for the year ended March 31, 2021 mainly consists of loss on retirement of Machinery, equipment and vehicles.

18. Other Comprehensive Income

Reclassification adjustments and tax effects related to other comprehensive income for the years ended March 31, 2022 and 2021 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Other comprehensive income			
Unrealized holding gain on securities			
Amount during the year	¥262	¥304	\$2,140
Reclassification adjustments	(60)	(61)	(492)
Amount before tax effects	201	242	1,648
Tax effects	(65)	(72)	(533)
Total	¥136	¥170	\$1,115
Foreign currency translation adjustments			
Amount during the year	¥3,251	¥1,942	\$26,564
Reclassification adjustments	—	(166)	—
Amount before tax effects	3,251	1,776	26,564
Tax effects	—	49	—
Total	¥3,251	¥1,825	\$26,564
Remeasurements of defined benefit plans			
Amount during the year	¥96	¥(379)	\$784
Reclassification adjustments	(194)	(64)	(1,585)
Amount before tax effects	(97)	(443)	(800)
Tax effects	26	132	219
Total	¥(71)	¥(311)	\$(581)
Total	¥3,316	¥1,684	\$27,098

19. Derivative Financial Instruments

Information on derivative transactions of the Company that do not meet the criteria for hedge accounting as of March 31, 2022 and 2021 is as follows:

	Millions of yen			
	2022			
	Contract amount	Maturity over one year	Fair value	Revaluation gain/loss
Non-exchange transactions				
Forward foreign exchange contracts				
GBP Sell	¥ 3,850	-	¥ (0)	¥ (0)
USD Buy	6,174	¥ 3,337	616	616
Total	¥ 10,024	¥ 3,337	¥ 616	¥ 616
	Thousands of U.S. dollars			
	2022			
	Contract amount	Maturity over one year	Fair value	Revaluation gain/loss
Non-exchange transactions				
Forward foreign exchange contracts				
GBP Sell	\$ 31,459	-	\$ (4)	\$ (4)
USD Buy	50,450	\$ 27,273	5,040	5,040
Total	\$ 81,909	\$ 27,273	\$ 5,036	\$ 5,036
	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)

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

20. Stock Options

No applicable items.

21. Related Party Transactions

The following summarizes related party transactions for the years ended March 31, 2022 and 2021.

(1) For the year ended March 31, 2022

No applicable items.

(2) For the year ended March 31, 2021

No applicable items.

22. Per Share Information

Per share information as of March 31, 2022 and 2021 and for the years then ended is as follows:

	Yen		U.S. dollars
	2022	2021	2022
Net assets per share	¥ 1,358.25	¥ 1,312.24	\$ 11.10
Net income per share	¥ 136.25	¥ 132.30	\$ 1.11

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

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Total net assets	¥ 183,458	¥ 182,740	\$ 1,498,965
Net assets attributable to common stock	¥ 175,379	¥ 175,369	\$ 1,432,958
Major components of the difference			
Non-controlling interests	¥ 8,078	¥ 7,371	\$ 66,007

	Number of shares	
	2022	2021
Number of common stock issued and outstanding	133,929,800	133,929,800
Treasury stock of common stock	4,808,426	289,176
Number of common shares used in calculation of net assets per share	129,121,374	133,640,224

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

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Basis for calculation of net income per share			
Net income attributable to owners of parent	¥ 18,053	¥ 17,682	\$ 147,506
Net income attributable to owners of parent attributable to common stock	¥ 18,053	¥ 17,682	\$ 147,506
Net income attributable to owners of parent to common stock	-	-	-
	Number of shares		
	2022	2021	
Average number of shares outstanding during the year	132,502,953	133,652,937	

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.
271,442 treasury shares (275,951 shares in 2021) were excluded from the average number of shares during the year used for calculating net income per share for the year ended March 31, 2022 and 263,265 treasury shares (288,265 shares in 2021) were excluded from the number of shares outstanding used for calculating net assets per share at March 31, 2022.

Diluted net income is not presented since there are no dilutive securities.

As stated in "Changes in accounting policies", Accounting standard for revenue recognition has been applied. As a result, net assets per share for the current fiscal year decreased by ¥4.83 (\$0.03).

23. Revenue Recognition

1. Breakdown of revenue from contracts with customers

	Millions of yen	Thousands of U.S. dollars
	2022	2022
Domestic production and sale of snack and other foods business	188,048	1,536,470
Overseas production and sale of snack and other foods business	57,370	468,751
Total	245,419	2,005,222

2. Underlying information to understand revenues

Underlying information to understand revenues is provided in "Notes to Consolidated financial statements Summary of Significant Accounting Policies (p) Recognition of revenues and expenses".

3. Information on the relationship between fulfillment of obligations under contracts with customers and cash flows resulting from such contracts, and the amount and timing of proceeds expected to be recognized in the following fiscal year or later from contracts with customers that exist at the end of this fiscal year

(1) Contract balances

	Millions of yen	Thousands of U.S. dollars
	2022	2022
Receivables arising from an entity's contracts with customers (Beginning balance)	30,449	248,788
Receivables arising from an entity's contracts with customers (Ending balance)	32,582	266,220

(2) Transaction price allocated to the remaining performance obligations

There is no transaction price allocated to the remaining performance obligations in our group.

24. Segment Information

For the years ended March 31, 2022 and 2021, 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					
2022					
	Snacks	Other foods	Other	Sub-Total	Deduction of rebates, etc. Total
Sales to third parties	¥ 233,245	¥ 43,347	¥ 1,448	¥ 278,042	(32,623) ¥ 245,419
Thousands of U.S. dollars					
2022					
	Snacks	Other foods	Other	Sub-Total	Deduction of rebates, etc. Total
Sales to third parties	\$ 1,905,759	\$ 354,176	\$ 11,836	\$ 2,271,772	(266,550) \$ 2,005,222
Millions of yen					
2021					
	Snacks	Other foods	Other	Total	
Sales to third parties	¥ 222,082	¥ 43,104	¥ 1,558	¥ 266,745	

(2) Information by region

Information about sales by region is as follows:

		Millions of yen				
		2022				
		Japan	America	China	Others	Total
Sales		¥ 188,048	¥ 14,821	¥ 12,524	¥ 30,024	¥ 245,419
		Thousands of U.S. dollars				
		2022				
		Japan	America	China	Others	Total
Sales		\$1,536,470	\$ 121,100	\$ 102,334	\$ 245,316	\$2,005,222
		Millions of yen				
		2021				
		Japan	America	China	Others	Total
Sales		¥ 213,639	¥ 14,442	¥ 11,759	¥ 26,905	¥ 266,745

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

	Millions of yen				
	2022				
	Japan	America	China	Others	Total
Property, plant and equipment	¥ 62,339	¥ 8,790	¥ 695	¥ 11,153	¥ 82,979
	Thousands of U.S. dollars				
	2022				
	Japan	America	China	Others	Total
Property, plant and equipment	\$ 509,351	\$ 71,823	\$ 5,684	\$ 91,131	\$ 677,990
	Millions of yen				
	2021				
	Japan	America	China	Others	Total
Property, plant and equipment	¥ 58,954	¥ 6,895	¥ 564	¥ 10,864	¥ 77,280

(3) Sales by major customers

		Millions of yen		Thousands of U.S. dollars
		2022	2021	2022
Reported segment				
Mitsubishi Shokuhin Co., Ltd.	Production and sale of snacks and other foods	-	¥ 31,302	-
Yamaboshiya Co., Ltd.	Production and sale of snacks and other foods	-	¥ 27,631	-

Sales by major customers for the year ended March 31, 2022 are omitted because there are no customers more than 10% of net sales.

(4) Impairment loss on fixed assets by reporting segment

No applicable items.

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

Millions of yen				
2022				
Reporting segment				
	Production and sale of snacks and other foods	Total	Other	Corporate / elimination
Amortization	¥ 1,819	¥ 1,819	-	-
Balance at end of year	¥ 23,550	¥ 23,550	-	-

Thousands of U.S. dollars				
2022				
Reporting segment				
	Production and sale of snacks and other foods	Total	Other	Corporate / elimination
Amortization	\$ 14,869	\$ 14,869	-	-
Balance at end of year	\$ 192,421	\$ 192,421	-	-

(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\$ 7,947 thousand)
Balance at end of year	¥ 12,644 million (US\$ 103,314 thousand)

Millions of yen				
2021				
Reporting segment				
	Production and sale of snacks and other foods	Total	Other	Corporate / elimination
Amortization	¥ 1,753	¥ 1,753	-	-
Balance at end of year	¥ 24,518	¥ 24,518	-	-

(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
Balance at end of year	¥ 13,617 million

25. Collateral assets and collateralized obligations

The assets pledged as collateral are as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Inventories	-	¥ 1,595	-
Buildings and structures	-	322	-
Land	-	15	-
	-	¥ 1,933	-

The collateralized obligations are as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Short-term borrowings	-	¥ 1,500	-
Current portion of long-term borrowings	-	177	-
Long-term borrowings	-	2,577	-
	-	¥ 4,255	-

26. Subsequent events

No applicable items.



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, 2022 and 2021, 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 and 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, 2022 and 2021, and its consolidated financial performance and its consolidated 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 any 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 the Group as of March 31, 2022, goodwill of ¥23,550 million was recognized. As described in Note 24, "Segment Information, (5) Amortization and unamortized balance of goodwill by reporting segment" to the consolidated financial statements,	The primary procedures we performed to assess the appropriateness of management's judgment as to whether there was any impairment indicator for the goodwill of Potato Kaitsuka included the following:

included therein was goodwill of ¥12,644 million resulting from the acquisition of Potato Kaitsuka Ltd. (hereinafter, "Potato Kaitsuka"), representing 5% 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, the 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 an asset group that includes 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 (which included the effect of amortization of goodwill) for the previous fiscal year. However, management determined that there was no impairment indicator for the goodwill because Potato Kaitsuka generated positive operating income in the current fiscal year and is expected to generate positive operating income in future fiscal years, and there was no significant deterioration in the business environment.

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. If it is determined that the plan needs to be revised and the estimated operating income in future fiscal years becomes consecutively negative, or if any changes in market conditions or other factors indicate a significant deterioration in the business environment, such indications may constitute an impairment indicator. In that case, the recognition of an impairment loss may become necessary based on the assessment of whether an impairment loss should be recognized.

We, therefore, determined that our assessment of the appropriateness of management's judgment as to whether there was any 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.

(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 capture events or circumstances, if any, indicating that the asset group may be impaired.

(2) Assessment of the appropriateness of the judgment concerning the identification of any impairment indicator

We assessed whether the estimated operating income in future fiscal years would become consecutively negative and whether there was any significant deterioration in the business environment, by inquiring of management and the personnel responsible for the Potato Kaitsuka business about the rationales of their judgment thereon and inspecting the business plan of Potato Kaitsuka for the next fiscal year.

In addition, we assessed the appropriateness of the increase in sales volume and the increase in procurement volume, which were key assumptions embedded in the business plan for the next fiscal year, by inquiring of management and the personnel responsible for the Potato Kaitsuka business about the basis for those assumptions. In addition, we:

- analyzed the historical trends of revenue, sales volume and procurement volume, and confirmed that sales volume and revenue increased as procurement volume increased;
- compared the 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 the next fiscal years would correspond to the sales volume for the next fiscal year;
- traced the actual procurement volume for the current fiscal year to actual procurement data, and compared it with the historical procurement volume and the rate of increase; and
- inquired of the personnel responsible for the procurement plan for the next fiscal year about the measures to increase procurement volume and compared the planned procurement volume with the historical

	procurement volume and the rate of increase.
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Other Information

The other information comprises the information included in the Financial Book, but does not include the consolidated financial statements and our auditor's report thereon. Management is responsible for the preparation and presentation of the other information. 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 reporting process for the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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, 2022 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.

Hiroto Yamane

Designated Engagement Partner

Certified Public Accountant

Tsutomu Ogawa

Designated Engagement Partner

Certified Public Accountant

KPMG AZSA LLC

Tokyo Office, Japan

June 23, 2022

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.