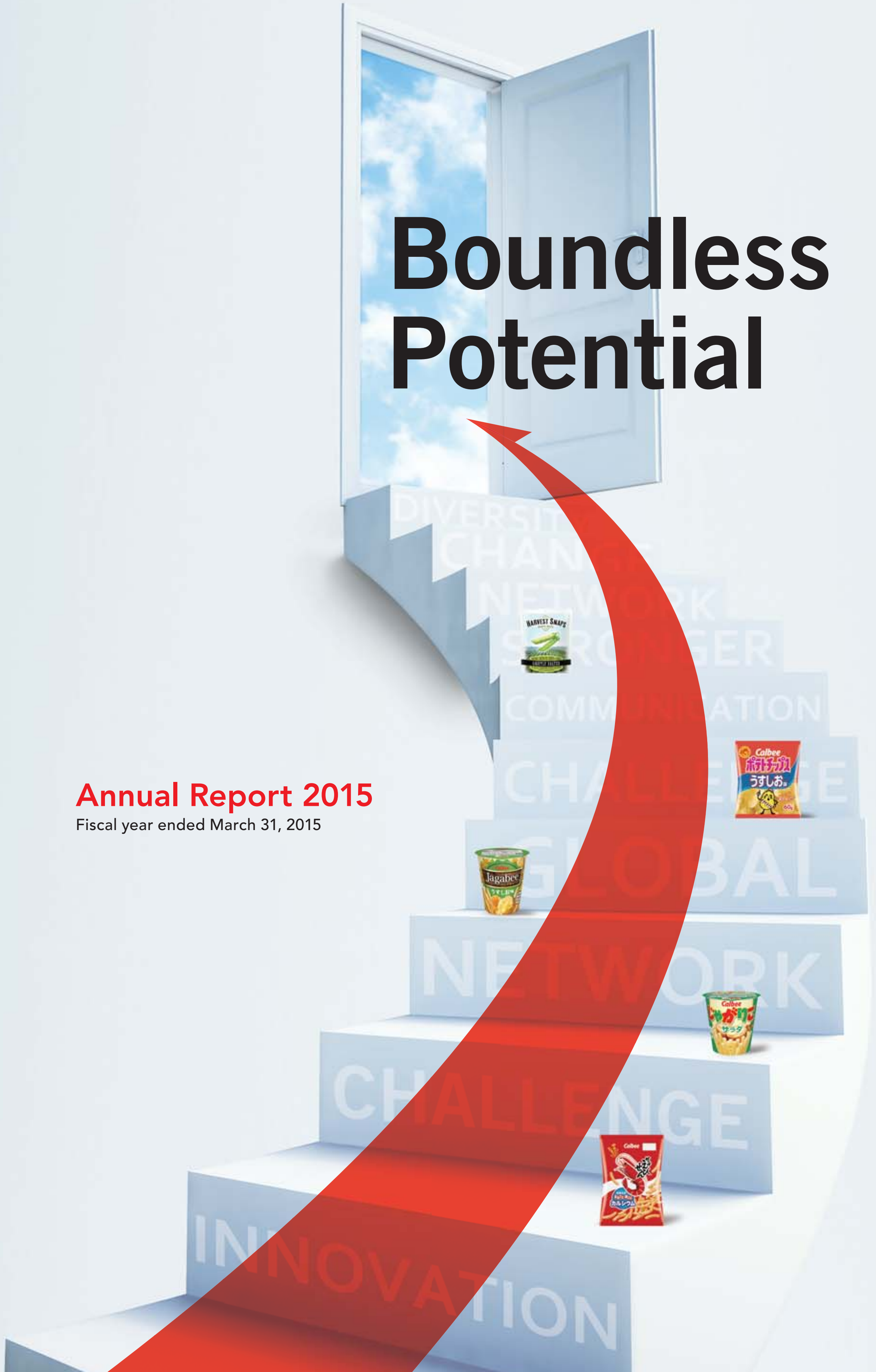
Calbee

Harvest the Power of Nature.

TSE code: 2229

Boundless Potential



Annual Report 2015

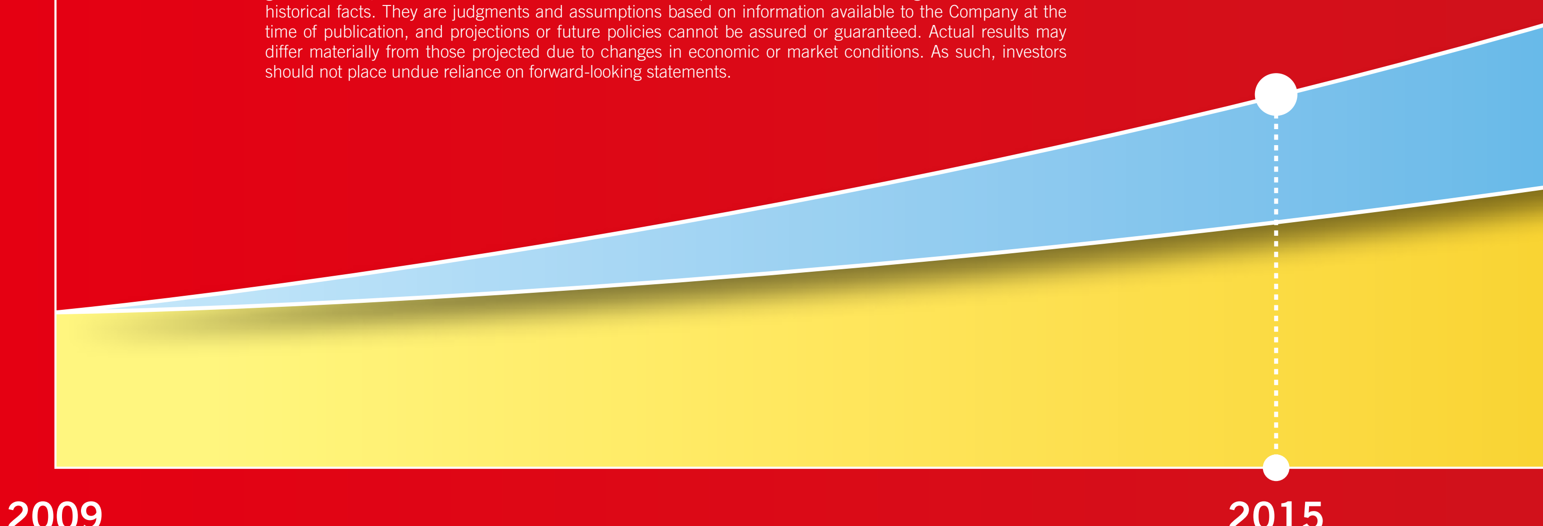
Fiscal year ended March 31, 2015

What Powers Our Potential?

A leader in Japan's snack food market since its establishment in 1949, Calbee has always been at the forefront of innovation. Today, Calbee is in a strong, dominant position in Japan, enjoying continuous sales growth and ever greater profit growth. Looking ahead, the Company will tackle the challenge of securing a greater presence on the global stage with unique products of world-leading quality, unleashing its boundless potential for growth.

Contents

Forward-Looking Statements
This annual report contains forward-looking statements concerning the future plans, performance and strategies of Calbee, Inc. and its subsidiaries and affiliated companies. These forward-looking statements are not historical facts. They are judgments and assumptions based on information available to the Company at the time of publication, and projections or future policies cannot be assured or guaranteed. Actual results may differ materially from those projected due to changes in economic or market conditions. As such, investors should not place undue reliance on forward-looking statements.



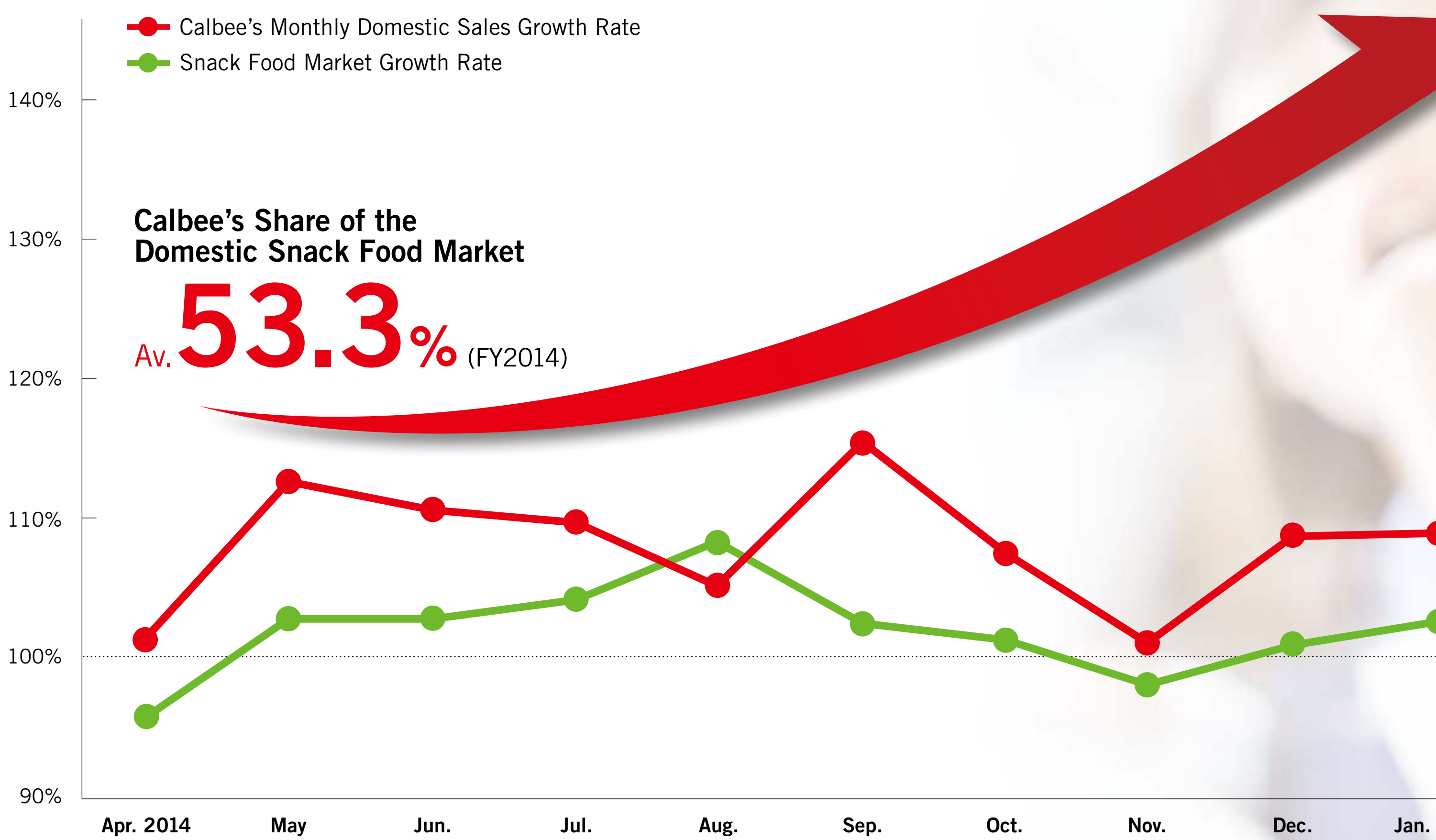

M&A
Innovation
Overseas
Organic
HARVEST SNAPS
LIGHTLY SALTED
Calbee
フルグラ
Jagabee
うすしお味
じゃがりこ
サラダ
ポテトチップス
うすしお味
60g
カルシウム

What Powers Our Potential?

Strong Organic Growth

The Japanese snack food market is a mature market with virtually no room for growth, with a compound annual growth rate (CAGR) stagnating at a mere 1% since 2009. In contrast, Calbee's domestic business has had a CAGR averaging 7% over the same period, far exceeding the pace of market growth. Today, Calbee is seeking to secure an even greater market share through innovation. In fiscal 2015, our potato-based and corn-based snacks enjoyed firm sales growth, enabling us to capture an annual market share of 53.8%, up 0.5 of percentage point compared with the previous fiscal year. We will continue to aggressively expand operations, with the goal of seizing a 67% share of the domestic snack food market.

Domestic Sales Growth Rate (FY 2015)



Source: INTAGE SRI (nationwide, all retail formats), sales value basis, Apr. 2013 - Mar. 2015
Calbee's share of the domestic snack food market consists of Calbee, Inc. and Japan Frito-Lay Ltd.
In 2015, the scope of the snack food market was redefined. Accordingly, figures for preceding years were restated.


TARGET
Calbee's Share of the
Domestic Snack Food Market
67%
Achieved
Av.53.8%
(FY2015)
2015
Feb.
Mar.

What Powers Our Potential?

Strong Earnings Growth

Calbee is working to realize robust profitability and an operating margin of 15% by focusing on innovation and cost reduction. In 2009, the Company introduced a new management structure, setting the target for its operating margin at 10%. The target was met in fiscal 2015 when we achieved an operating margin of 10.9%. We have, in turn, established 15% as the next target. Meanwhile, there has been a considerable improvement in ROE, which has gone from 5.0% in fiscal 2009 to 13.7% in fiscal 2015. Looking ahead, we will intensify our innovation-oriented efforts to improve the operating margin not just to 15% but, ultimately, 20%.

Calbee's Earnings Model

Net Sales	100%
Cost of Sales	50%
Gross Profit	50%
SG&A Expenses	30%
R&D Expenses	5%
Operating Income	15%

TARGET

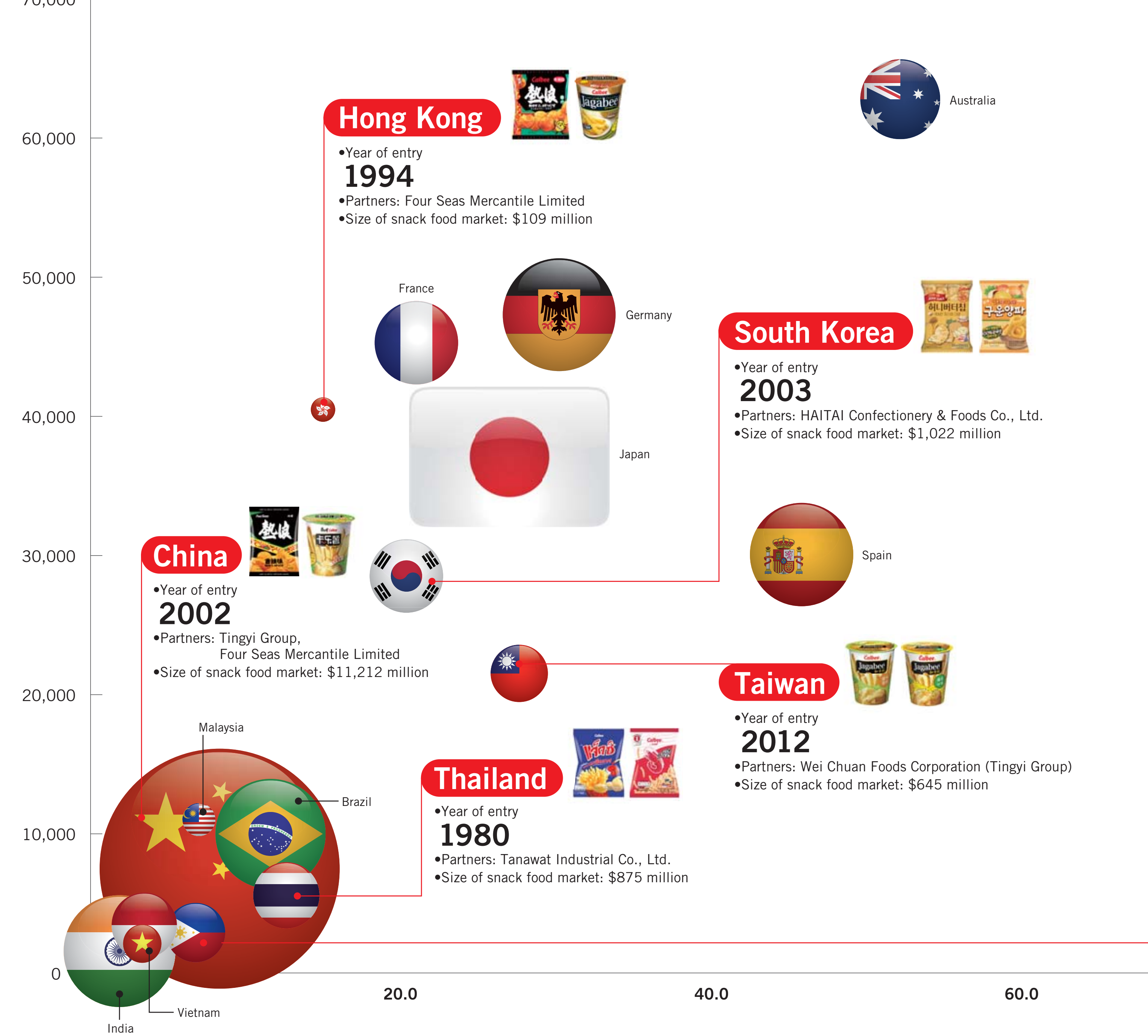
Operating Margin

15.0%

What Powers Our Potential?

Strong Overseas Growth

Given the maturation of the domestic market, expanding its overseas business is Calbee's most important growth strategy. Having positioned North America, China, Asia and Western Europe as key market regions, we will expand our operations overseas with unique products of world-leading quality while focusing on promoting cost-effectiveness, partnerships, speedy operations and localization. We have increased our overseas sales ratio to 10.1% in the year ended March 31, 2015, up from 3.2% in fiscal 2011, with an ultimate target of 30%.



TARGET 30%
Overseas Sales Ratio

United States

•Year of entry
1970
•Partners: R.D. OFFUTT COMPANY, PepsiCo, Inc.
•Size of snack food market: $29,929 million

The United Kingdom

•Year of entry
2015
•A wholly-owned subsidiary
•Size of snack food market: $6,297 million

The Philippines

•Year of entry
2015
•Partners: Universal Robina Corporation
•Size of snack food market: $681 million

80.0 100.0 120.0 140.0

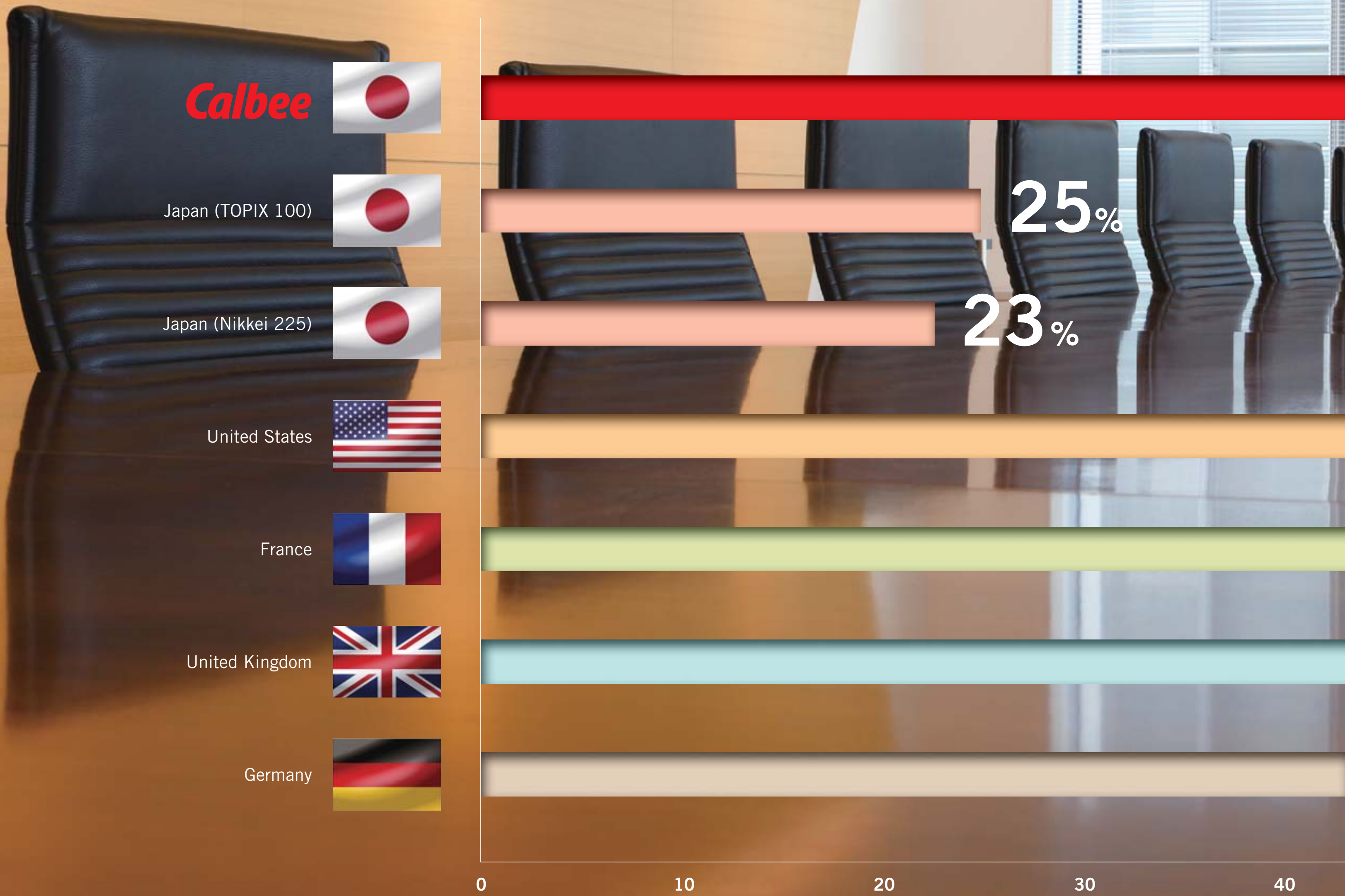
(Snack* consumption per capita,US$)
*Snack: Sweet and savory snacks, excluding fruit snacks, nuts
Source: IMF, Euromonitor International, All Nippon Kashi Association

What Powers Our Potential?

Strong Corporate Discipline

Since launching the new management framework in 2009, we have enforced a corporate governance structure predicated on superior transparency, independence and diversity. Specifically, this move was intended to further strengthen the functions of the Board of Directors, so that it may more effectively promote innovation and new value creation. We decreased the number of directors from 11 to seven while appointing five highly independent outside directors, who thus make up the majority. Moreover, the Board members have been chosen from diverse backgrounds and a variety of industries, including two female directors and one non-Japanese director, attesting to our intention to ensure an unbiased management structure informed by a broader range of perspectives and independent standpoints in its decision making. Thus, our new management team took office with a commitment to driving Calbee's overseas expansion, a key factor in its future business growth.

Percentage of Outside Directors on the Board

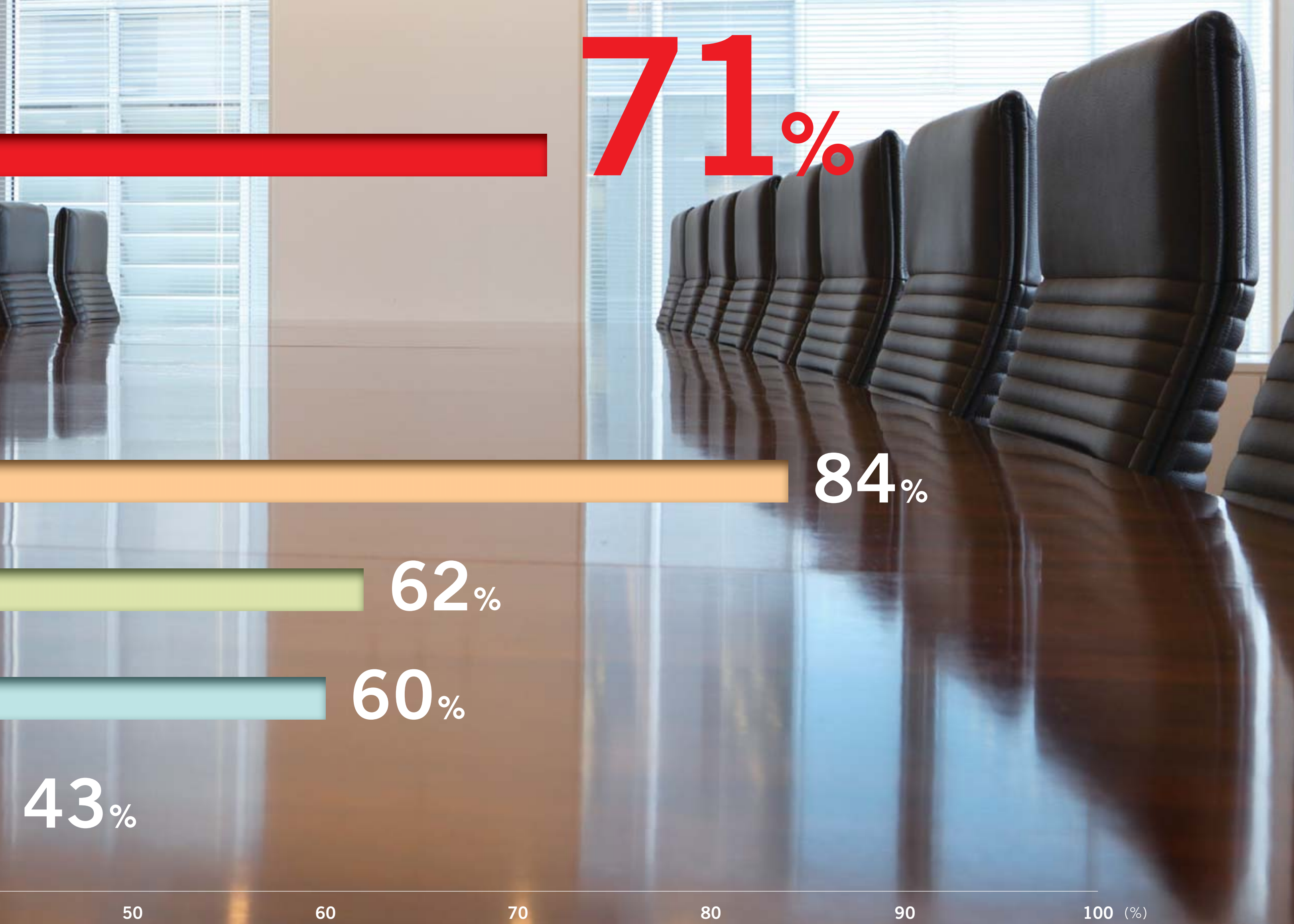


Source: *Japan Board Index 2014*, SpencerStuart

Calbee's Organizational Form and Organizational Management

Organizational form: Company with an Audit & Supervisory Board	
Directors	
Number of directors*:	Up to 13
Chairman of the Board of Directors:	CEO
Number of directors (of which, outside directors):	7 (5)
Term of office for directors*:	1 year
Audit & Supervisory Board members	
Number of Audit & Supervisory Board members*:	Up to 4
Number of Audit & Supervisory Board members (of which, outside Audit & Supervisory Board members):	4 (3)
Term of office for Audit & Supervisory Board members*:	4 years
Rights plan and other measures to protect against acquisition:	None

*Stipulated by the Articles of Incorporation



Calbee Performance Highlights

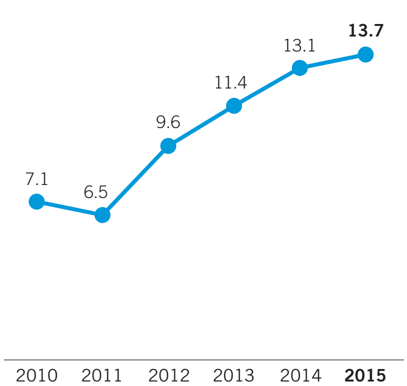
Years ended March 31

	Millions of yen							Thousands of US dollars (Note 1)
	2010	2011	2012	2013	2014	**2015**	2015 / 2014	**2015**
For the Year:								
Net sales	¥146,453	¥155,529	¥163,269	¥179,411	¥199,941	**¥222,150**	11.1%	**$1,848,633**
Operating income	9,534	10,717	12,247	15,791	19,717	**24,183**	22.6	**201,242**
Operating margin (%)	6.5	6.9	7.5	8.8	9.9	**10.9**	—	**—**
Net income	4,017	4,253	7,097	9,441	12,086	**14,115**	16.8	**117,458**
Net income margin (%)	2.7	2.7	4.3	5.3	6.0	**6.4**	—	**—**
ROE (%)	7.1	6.5	9.6	11.4	13.1	**13.7**	—	**—**
Per Share (¥/$) (Note 2)**:**								
Net income	36.01	36.62	55.07	72.18	91.46	**105.82**	15.7	**0.88**
Net assets	529.44	550.14	596.66	664.55	729.93	**821.97**	12.6	**6.84**
Cash dividends	6.00	7.00	10.50	15.50	22.00	**28.00**	27.3	**0.23**
Payout ratio (%)	16.7	19.1	19.1	21.5	24.1	**26.5**	—	**—**
For the Year:								
Capital expenditures	3,390	4,050	5,423	7,299	6,393	**15,291**	139.2	**127,244**
Depreciation and amortization	7,915	7,244	6,676	6,319	5,961	**6,232**	4.5	**51,863**
Cash Flows:								
Net cash provided by operating activities	19,492	16,665	7,050	17,329	23,479	**22,266**	(5.2)	**185,291**
Net cash used in investing activities	(11,378)	(620)	(5,348)	(13,000)	(17,042)	**(9,422)**	—	**(78,406)**
Net cash providing by (used in) financing activities	(6,954)	(2,125)	(411)	607	(383)	**(2,878)**	—	**(23,950)**

Notes:
1. U.S. dollar amounts are the yen equivalent, calculated, for convenience only, at a rate of ¥120.17 = U.S.$1, the approximate Tokyo foreign exchange market rate as of March 31, 2015.
2. A 50-to-1 stock split was conducted on January 14, 2011, and a 4-to-1 stock split was implemented on October 1, 2013. Per share figures were retroactively adjusted to reflect these stock splits.

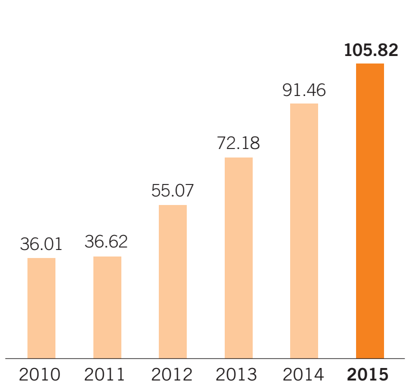
ROE

(%)



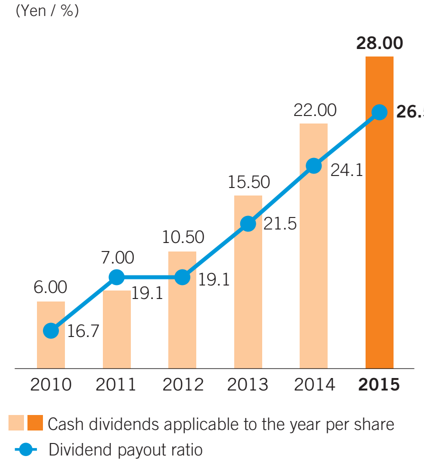
Net Income per Share

(Yen)



Cash Dividends Applicable to the Year Per Share / Dividend Payout Ratio

(Yen / %)

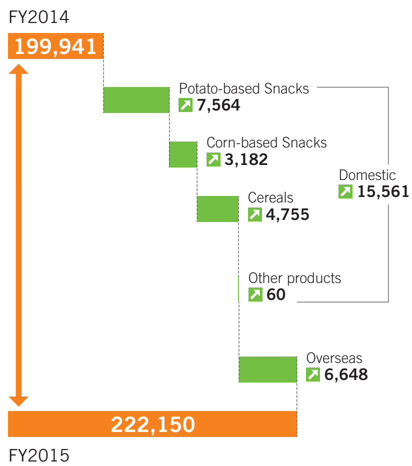


Net Sales for Fiscal 2015

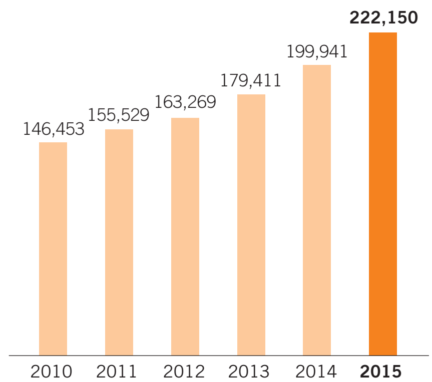
¥222,150 million

Up ¥22,209 million
11.1% year on year

The main growth drivers were the strong business performance of domestic snack foods including potato-based and corn-based snacks; cereal market expansion driven by *Frugra*, our market leading product; and favorable overseas business results boosted by North America and Korea.



Net Sales
(Millions of yen)

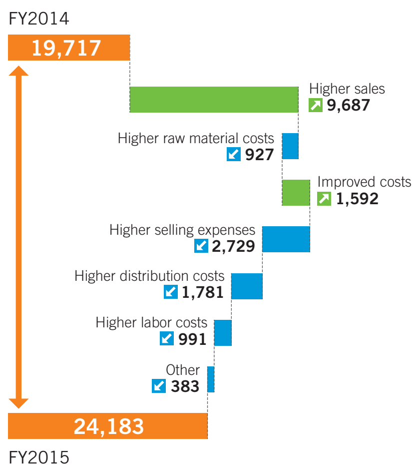


Operating Income for Fiscal 2015

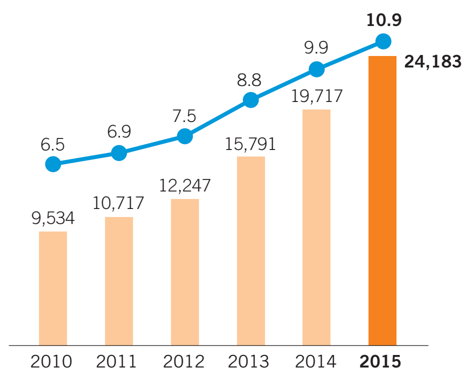
¥24,183 million

Up ¥4,466 million
22.6% year on year

This is mainly attributable to higher revenue and cost reductions, that countered the increase in expenses, especially selling expenses that reflected spending undertaken with the purpose of growing sales.



Operating Income / Operating Margin
(Millions of yen / %)



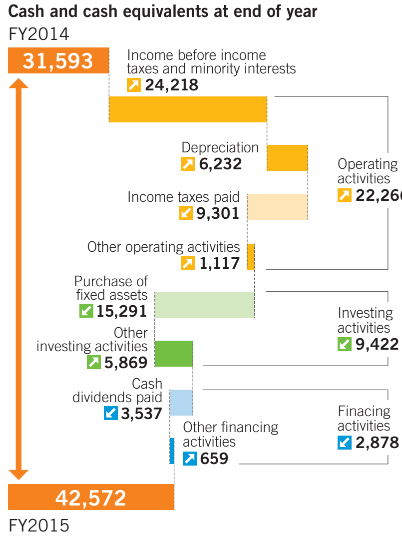
Cash and Cash Equivalents at End of Fiscal 2015

¥42,572 million

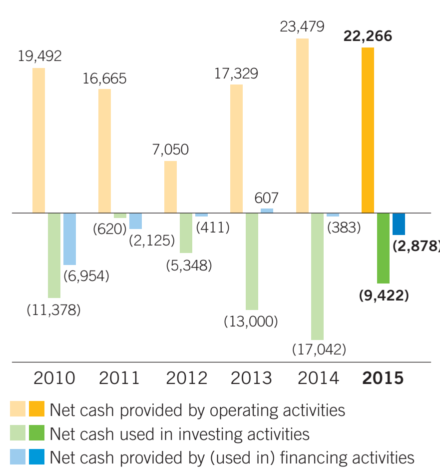
Up ¥10,980 million

The increase is largely due to an expansion in net cash from income before income taxes and minority interests, which was sufficient to cover the net cash outflow of cash used in investing activities as a result of accelerated investment overseas as well as financing activities as a result of the increase in cash dividends paid.

Cash and cash equivalents at end of year



Cash Flows
(Millions of yen)

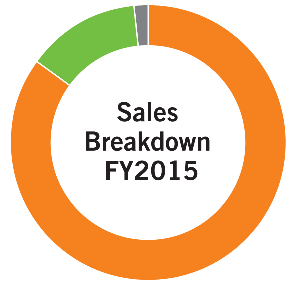


At a Glance

The Calbee Group's main business is the production and sale of snacks and other foods, including potato-based, flour-based, corn-based and other snacks as well as cereals. In fiscal 2015 (the year ended March 31, 2015), net sales from the production and sale of snacks and other foods totaled ¥218,900 million, an increase of 11.2% year on year.

In other businesses, including the distribution business, net sales increased 7.6% year on year to ¥3,251 million.

A breakdown showing the principal components of consolidated net sales is presented below.



Snack Foods: **85.5%**
(domestic sales: 75.4%; overseas sales: 10.1%)

Other Food Products: **13.0%**

Other Businesses: **1.5%**

Snack Foods: 85.5%

Domestics Sales: 75.4%

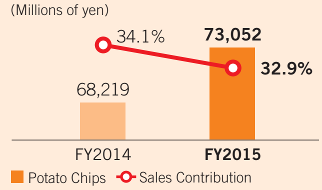
Potato-based Snacks: 53.7%

Potato Chips
(launched in 1975)
32.9%

Performance Highlights

- ***Basic Potato Chips* series (*Usushio*, *Consome Punch*, and *Norishio*) enjoyed strong sales**
- ***Kata-Age Potato* series lineup was expanded, with limited-time offerings and exclusive local products released to leverage sales growth**
- **Received growing orders for private-brand products from retailers**

Net Sales
(Millions of yen)



Product Information

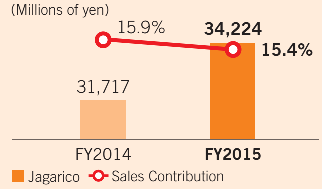
Calbee boasts a variety of products in its *Potato Chip* lineup that distinguish it from the competition and that have allowed it to secure top brand recognition in the Japanese market. Our *Basic Potato Chips*, a series of simple but tasty thin-style potato chips fried in cooking oil, comprises *Usushio* (lightly salted), *Consome Punch* (consommé), and *Norishio* (laver salt) variations. Among other product series are *Kata-Age Potato*, a line of thickly sliced potato chips that are fried slowly in a kettle using a traditional low-temperature method, and *Pizza Potato Chips*, which are made using our unique "melt flake" technology for an authentic cheese taste. Moreover, we produce *Potato Chips* in a wide range of flavors to match different seasons, local tastes and other factors. In an exciting addition to our current sliced potato chip lineup, in autumn 2015 we will enter the market for fabricated potato chips.

Jagarico
(launched in 1995)
15.4%

Performance Highlights

- ***Jagarico* sales grew due mainly to the introduction of a cod roe and butter flavored version offered in large-sized packages as well as the release of seasonal variations**

Net Sales
(Millions of yen)



Product Information

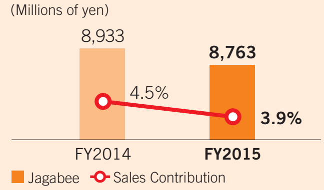
Jagarico is our second megabrand. Within three years of its launch, the brand's annual sales had reached ¥10 billion and by its 11th year, ¥20 billion. By its 19th year, fiscal 2014, *Jagarico* had grown into a brand with net sales of ¥30 billion. *Jagarico* was Japan's first snack-in-a-cup, and it has proven popular with a wide range of customers thanks to its unique crunchy texture and easy-to-eat style that leaves hands clean.

Jagabee
(launched in 2006)
3.9%

Performance Highlights

- ***Jagabee* sales were down overall but performance began to recover in January 2015, reflecting an expansion of the product lineup**

Net Sales
(Millions of yen)



Product Information

Made from unpeeled potatoes processed into sticks, the *Jagabee* lineup features authentic potato flavor and a unique texture that sets it apart from *Jagarico*.

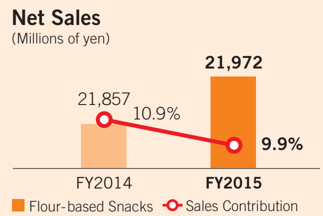
Flour-based Snacks: 9.9%

Performance Highlights

» ***Calbee Light! Kappa Ebisen*, featuring 25% lower oil content, and similar products saw strong sales**

Product Information

Kappa Ebisen (prawn crackers) made from whole natural prawns is a long-selling snack product that embarked on its second half century of pleasing palates in fiscal 2015.



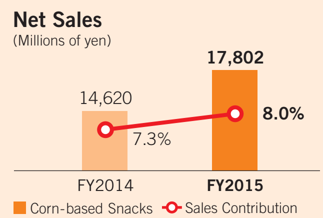
Corn-based Snacks: 8.0%

Performance Highlights

» **Popcorn sales were strong, while orders for private-brand products grew**
» **Garrett Popcorn Shops recorded firm sales**

Product Information

Having enjoyed steady sales for many years, *Mike Popcorn Butter Shoyu* (butter and soy sauce) flavor was launched in 1983. Our corn-based snack business produces and markets *Doritos* and *Cheetos*, two global megabrands developed by Frito-Lay.



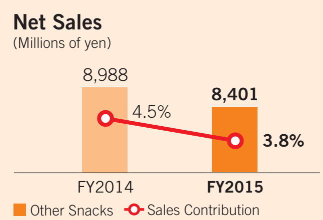
Other Snacks: 3.8%

Performance Highlights

» ***Vegips* sales declined, leading to an overall sales decrease in this category**

Product Information

Launched in 2010, *Vegips* are whole vegetable chips seasoned with only salt. Their simplicity allows consumers to enjoy the authentic vegetable flavors with a unique snappy bite.



Overseas Sales: 10.1%

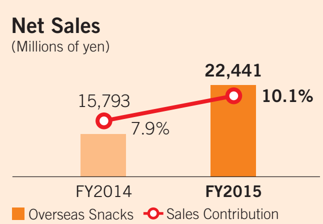
Overseas Snack Business: 10.1%

Performance Highlights

» ***Harvest Snaps* (*Snapea Crisps*) and *Honey Butter Chips* enjoyed strong sales in North America and South Korea, respectively**

Product Information

In addition to undertaking product development in Japan, we market snack foods tailored to local tastes in North America, China and other Asian countries.



Other Food Products: 13.0%

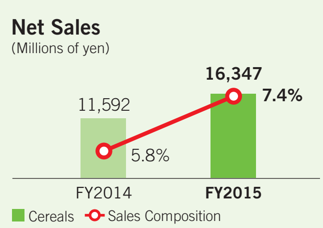
Cereals: 7.4%

Performance Highlights

» ***Frugra* saw sales expand even further, with more than 50% growth over last three consecutive years and its runaway success continuing to drive the growth of the entire cereal market**

Product Information

Frugra (fruit granola) is the single best-selling cereal product in Japan and its sales are continuing to rise. *Frugra* has proven popular among a broad range of customers, particularly women, who appreciate the ready source of fiber, iron and vitamins it offers.



CEO Message

“ Unleashing our boundless potential to win on the global stage ”

Akira Matsumoto

Chairman of the Board & CEO,
Representative Director

Six Consecutive Years of Record-High Sales and Profit, with an Operating Margin of 10.9%

The operating environment for Calbee during the fiscal 2015, ended March 31, 2015, was far from favorable, largely due to a consumption tax hike coming into force and raw material prices surging because of yen depreciation. I am therefore particularly pleased to report that we still managed to achieve a sixth consecutive year of record-high sales and profits and meet our management forecasts.

This result reflects the intelligent, focused work of the management team and our entire workforce, but it is also further evidence that our long-term strategy is taking us in the right direction. When I became CEO in 2009, Calbee's operating margin was a very unsatisfactory 3.2%. To rectify this situation, we have been striving to achieve operational reform through innovation and cost reductions. As a result, the operating margin for fiscal 2015 improved 1.0 percentage point year on year to 10.9%, surpassing the milestone figure of 10%. We believe that our snack business is ultimately capable of achieving an operating margin of as high as 20%, so having pushed past 10% we are committed to achieving our next milestone of 15%.

Since its founding, Calbee's principal operating domain has been the domestic snack food market. However, this market is mature with virtually no room for further quantitative growth. To achieve further business expansion over the long term, it is essential for Calbee to develop second and third business pillars. Although we are creating new sources of earnings, such as the breakfast cereal business and our growing overseas business, we must aim for radically greater business expansion. Accordingly, we have identified a critical need for "genuine innovation." With this in mind, we have set higher management goals for fiscal 2016 and are striving to strengthen our mainstay business while developing new opportunities for sustainable growth.

The Twin Pillars of Calbee's Approach

Targeting Continued Growth and High Profitability

Cost Reductions

Innovation

Growth Strategies

Expand Overseas Business
- Overseas sales ratio to over 30%

Boost New Product Development
Develop Megabrands
- Continuously launch new products

Expand Domestic Market Share

• Snack food market	over 67%
• Potato chips market	over 75%
• Cereal market	over 50%

Strengthen alliance with PepsiCo Group

Pursue licensing and acquisition opportunities

Develop new business

Progress in Innovation and Cost Reductions

Expand Overseas Business
- Overseas sales ratio: 10.1%
- Expand business in North America
- Launched joint venture with URC in Philippines

Boost New Product Development
Develop Megabrands
- *Frugra* became Japan's dominant leading cereal brand
- Growth in *Jagarico* and *Kata-Age Potato*

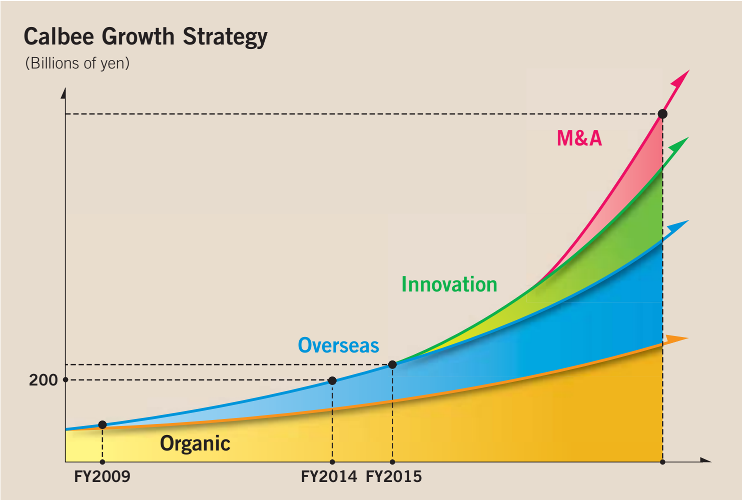
Expand Domestic Market Share

• Snack food market share	Av. 53.8%*
• Potato chips market share	Av. 72.1%*
• Cereal market share	Av. 32.7%*

Develop New business
- Promoted B-to-C business; Opened directly-operated shops in department stores while reinforcing e-commerce system

*Source: INTAGE SRI (nationwide, all retail formats), sales value basis, Apr. 2014 - Mar. 2015
Snack food market share consists of Calbee, Inc. and Japan Frito-Lay Ltd.
Potato chips market share includes that of national and private-brand products.

Organic Growth in a Mature Domestic Market with the Potential to Achieve 5% Annual Growth



Calbee's compound annual growth rate (CAGR) in the domestic business for the last six years was 7.2%, greatly outperforming the overall market. To achieve this, since 2009 we have focused on maximizing revenues from what I believe were sleeping assets: namely, *Potato Chips*, *Jagarico* and *Frugra*, none of which was performing to full potential.

In the potato chips market, at one point in fairly recent history our market share had fallen below 60% with the competition gaining ground against us. Fighting back, we renewed our business approach and quickly reclaimed market dominance. We also restored *Jagarico*, a mature product line launched in 1995, to its previous growth track, and with *Frugra* achieved three consecutive years of 50% annual growth, transforming what had been a sluggish product since its release in 1991 into what can now only be described as a nationwide hit. Today, *Frugra* is driving the expansion of Japan's burgeoning cereal market.

Forecasts have made it clear that Japan's domestic snack food market will shrink steadily as Japan's low birth rate leads to a decline in population. However, Calbee has a wealth of potential revenue streams, and despite the poor overall growth prospects of the domestic snack food market we believe that we will be able to achieve annual organic growth of around 5%. Our confidence is based on the upside we can realize if we improve our sales promotion strategies. Accordingly, we are currently aiming to increase our 53.8% share of the snack food market to a two-thirds market share, and to build a 50% share of the cereal market.

Promising Overseas Operations

There are even greater growth opportunities for Calbee overseas, where the global snack food market is expected to expand 25% to ¥10 trillion over the long term. The key to our future outside of Japan lies in penetrating markets in developed countries and in China.

In the United States, our highly-profitable *Harvest Snaps* are making a significant contribution to consolidated performance in terms of both sales and profit. The popularity of this product line is attributable to the image of *Harvest Snaps* as a health-conscious choice, and we see the potential for it to become an even greater hit. Accordingly, we are working to expand our *Harvest Snaps* production capacity while developing new items.

Among other developed countries, our operations in the U.K. seem particularly promising. We recently appointed Richard Robinson as Managing Director of our local subsidiary, bringing on board a leading snack food industry executive who has served at Intersnack (UK). To penetrate the U.K. snack food market, which is Europe's largest, we are launching *Yushoi*, the product line that has proved so successful under the name *Harvest Snaps* in North America. Once we have secured a toehold in the U.K., we will be positioned to devise an expansion strategy for other developed markets, such as elsewhere in Europe and in Australia.

Our goal is to raise our overseas sales ratio to 30%, so in parallel with advancing our business operations in developed markets we are implementing concrete measures to overcome challenges confronting us in China and other markets that will help us achieve our goal.

Constant Innovation

We know that ongoing innovation is essential to our future. Every step of the way, our growth has been driven by our product development capability—a core competence that has enabled us to introduce new blockbuster products on a roughly ten-year cycle. Although we are continually striving to enhance this capability by strengthening our development structure and marketing functions, we are realistic about the challenge of delivering a constant stream of unique and innovative products to market.

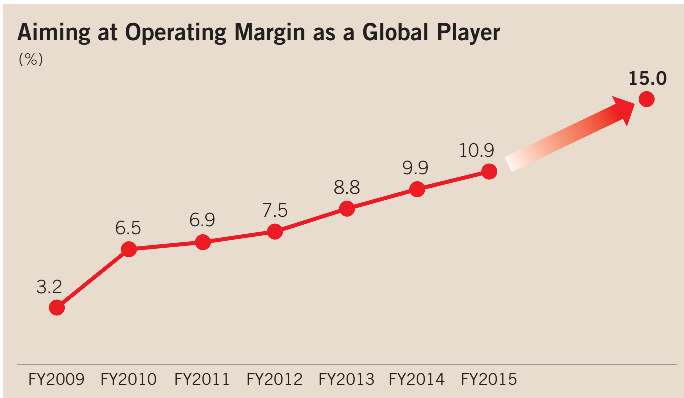
But being realistic doesn't mean settling for less. We are convinced that the key to achieving radically greater growth in the snack field lies in our ability to innovate, so we will continue to foster our strengths while looking to expand beyond snacks into other business areas.

Keeping M&A in Perspective

We recognize that M&A can sometimes be an effective means of securing future growth. At the same time, we believe that using M&A as a quick fix can eventually render a company incapable of maintaining proper accountability to its stakeholders. We are therefore focusing our management resources on expanding production facilities for hit product lines and investing strategically to facilitate overseas expansion, while continuing to proactively seek M&A opportunities that can truly enhance Calbee's corporate value.

Reducing Costs on the Way to a 15% Operating Margin

Our operating margin target for the next phase is 15%. To achieve this target, we need to operate with a cost-of-sales ratio of 50% and an SG&A expense ratio of 30%.



For cost of sales, our efforts over the last six years have led to an improvement from 64.8% for fiscal 2009 to 56.1% for fiscal 2015. Over the same period we allowed our SG&A expense ratio to increase by one percentage point in support of initiatives to gain market share. We are now actively addressing SG&A expenses by optimizing selling and promotional expenses, along with the distribution network.

A number of factors are currently making it harder to achieve easy gains in operating margin. These factors include the increase in raw material costs concomitant with yen depreciation, and the already high utilization ratio of our manufacturing facilities. However, we are determined to realize further cost reductions across all businesses and functions in Calbee Group, and in doing so support our mission of becoming truly competitive company in the global market.

Diversity Drives Our Success

When I assumed the office of CEO, one of my earliest initiatives was to seek the approval of shareholders for a change in the composition of the board of directors that made outside directors the majority. I did this to realize highly transparent corporate governance.

In June 2015, we again renewed the composition of the board, putting greater emphasis on diversity. Mr. Yuzaburo Mogi, Honorary CEO and Chairman of the Board of Kikkoman Corporation, continued to serve as an

outside director. In addition to a prominent foodstuff industry executive, we appointed Mr. Takashi Kawamura, an experienced corporate manager in the field of industrial manufacturing and a current Chairman Emeritus for Hitachi, Ltd., which was restored to strength under his leadership. Also joining the board were Mr. Takahisa Takahara, President & CEO of successful Asian consumer goods company Unicharm Corporation, and Ms. Atsuko Fukushima, a journalist with deep experience in such diverse areas as business management and gastronomy. Complementing these four independent directors, we welcomed Ms. Anindita Mukherjee, a PepsiCo Group executive, to the board. With these changes, Calbee's board of directors has become more diverse than ever, comprising people with different backgrounds, nationalities and gender who are capable of providing valuable advice and oversight to management from unbiased standpoints.

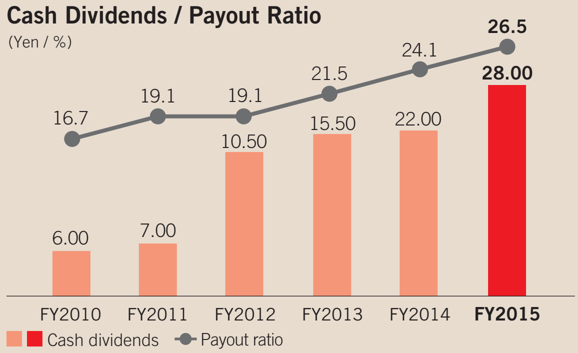
Our commitment to diversity extends to our entire workforce. For example, the overall ratio of female managers, which was 5.9% in 2009, has risen significantly to 19.8% in 2015. We are continuing our efforts to create an environment in which capable, efficient employees can achieve success regardless of gender, nationality, ethnicity or disability. And we believe that by doing so we will maximize our long-term corporate performance.

Earning the Loyalty of our Stakeholders

The Calbee Group's vision is to be respected, admired and trusted as a corporate group by all stakeholders. Accordingly, my mission as CEO is to fulfill their expectations and realize greater corporate value over the long term.

Cash Dividends / Payout Ratio

(Yen / %)



A 50-to-1 stock split was conducted on January 14, 2011, and a 4-to-1 stock split was implemented on October 1, 2013. Per share figures were retroactively adjusted to reflect these stock splits.

We recognize that distributing profits to shareholders is an important management responsibility. Our approach is to ensure that Calbee remains highly profitable and financially sound while returning profits to investors in a consistent manner.

For fiscal 2015, we increased our year-end dividend by ¥6 per share to ¥28 per share, for a consolidated payout ratio of 26.5%. This increase reflects our gratitude for the support of shareholders, and we intend to continue raising the annual dividend and dividend payout ratio commensurate with earnings growth.

We are also committed to contributing to society as a good corporate citizen. We embody this commitment through such ongoing activities as on-demand dietary education programs, local contribution initiatives, and the joint operation of the Great East Japan Earthquake Orphans' Fund, which was set up to enable children orphaned by the earthquake to continue their education.

Calbee boasts a lineup of high-quality products capable of competing on the global stage, with incredible potential for growth. I am confident that we have the drive and capability to realize this potential, and look forward to your ongoing support.

Akira Matsumoto
Chairman of the Board & CEO,
Representative Director

COO Message

> “ We will realize greater corporate value through strategic investment around the globe and cost reductions ”

Shuji Ito
President & COO,
Representative Director

Record High Sales, Profits and Operating Margin

In fiscal 2015, the domestic snack food market was robust despite the repercussions of consumption tax hike and unstable weather. Amid this environment, Calbee actively promoted ongoing management initiatives centered on the twin pillars of innovation (six growth strategies) and cost reductions. Consequently, we posted record-setting sales and profits, with an operating margin of 10.9%, up 1.0 percentage point year on year.

Reflecting the success of our drive to promote innovation, sales and profits from *Harvest Snaps* (*Snapea Crisps*) rose considerably in North America, the world's largest snack food market, while *Honey Butter Chips* proved a blockbuster product in South Korea. Our performance in these two regions represented a significant step toward our goal of raising the overseas sales ratio to 30%. Domestically, our potato-based and corn-based snacks as well as *Frugra* (fruit granola) enjoyed strong sales, capturing even greater market shares.

To promote cost reductions, we strove to improve the manufacturing cost ratio by securing greater capacity utilization and production efficiency at our factories while optimize selling, general and administrative (SG&A) expenses.

FY2015 Performance Highlights (Millions of yen)

	FY2013	FY2014	**FY2015**	2014/2015 % change
Net sales	¥179,411	¥199,941	**¥222,150**	11.1%
Operating income	15,791	19,717	**24,183**	22.6
Net income	9,441	12,086	**14,115**	16.8

Domestic and Overseas Sales in Fiscal 2015 (Millions of yen)

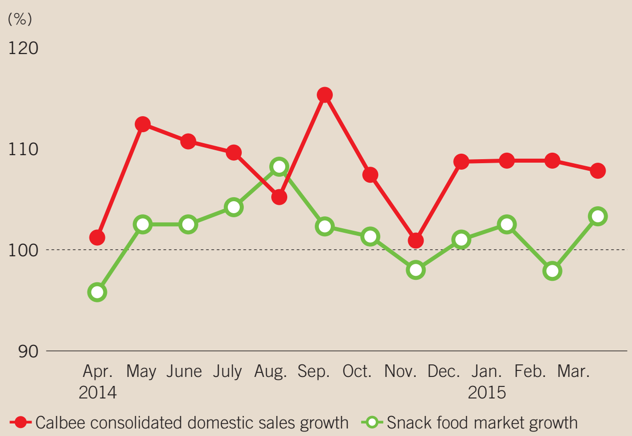
	Fiscal 2014		**Fiscal 2015**			% change on local currency basis
	Amount	Composition	Amount	Composition	% change	
Domestic sales	¥184,148	92.1%	**¥199,709**	**89.9%**	+8.5%	+8.5%
Overseas sales	15,793	7.9	**22,441**	**10.1**	+42.1	+28.9
Total	¥199,941	100.0%	**¥222,150**	**100.0%**	+11.1%	+10.1%

As a result, net sales increased 11.1% year on year to ¥222,150 million (US$1,849 million) and operating income rose 22.6% year on year to ¥24,183 million (US$201 million). On the other hand, the joint venture Calbee (Hangzhou) Foods Co., Ltd. posted a production facility-linked impairment loss as its performance continued to be sluggish. Nevertheless, consolidated net income increased 16.8% year on year to ¥14,115 million (US$117 million).

Contributors to Sales Growth: Domestic and North American Businesses

The ¥22,209 million increase in net sales consisted of rises of ¥15,561 million in Japan (70.1% of the total) and ¥6,648 million overseas (29.9%).

Fiscal 2015 Year-on-Year Monthly Sales Trends



Source: INTAGE SRI (nationwide, all retail formats), sales value basis, April 2013 – March 2015

Sales Contribution by Product Category in Fiscal 2015

(Millions of yen)

Net sales change	**+22,209**
Domestic	**+15,561**
Potato-based snacks	+7,564
Corn-based snacks	+3,182
Cereals	+4,755
Others	+60
Overseas	**+6,648**
North America	+4,662
South Korea	+1,650

Calbee's Sales Growth Is Outpacing Domestic Market Growth

Domestic sales rose 8.5% year on year to ¥199,709 million (US$1,662 million) and accounted for 89.9% of consolidated net sales. Thanks to the success of ongoing efforts, our *Potato Chips*, including private-brand products, captured a 72.1% (annual average) share of the potato chips market, up 1.4 percentage points year on year, and contributed a significant ¥7,564 million to our sales growth in Japan. Our continued strong position is mainly attributable to firm sales of the *Basic Potato Chips* series and *Kata-Age Potato* line, which have won favorable customer reviews for their new flavors. Another contributor to sales growth was an increase in private-brand potato chip product orders from retailers. While the market for private-brand products is expanding, the operating margin on such products is virtually equivalent to that for products sold under national brands. With this in mind, we will actively seek more orders. *Jagarico* enjoyed firm sales, particularly the cod roe and butter flavored *Jagarico* sold in large-sized packages and seasonal variations.

In the corn-based snacks category, among contributors to sales were mainstay *Mike Popcorn*, an increase in orders for private-brand products and firm sales of *Garrett Popcorn Shops*®. The rise in corn-based snacks sales thus contributed ¥3,182 million to the growth in sales.

In the cereal business, sales grew ¥4,755 million, with flagship *Frugra* serving as a main contributor. In light of recent strong sales of *Frugra*, including three consecutive years of 50% annual growth since fiscal 2013, we installed new production lines in February 2014. Despite these efforts, the resulting supply capacity could not accommodate the expansion in demand, so we again expanded our factories in May 2015, boosting capacity a further 50%. *Frugra* has become a popular breakfast staple in Japan and is driving market growth as a top brand.

North American and South Korean Businesses See Considerable Growth

Overseas sales rose 42.1% year on year to ¥22,441 million (US$187 million), and accounted for 10.1% of net sales. Growth in overseas sales was 28.9% on a local currency basis.

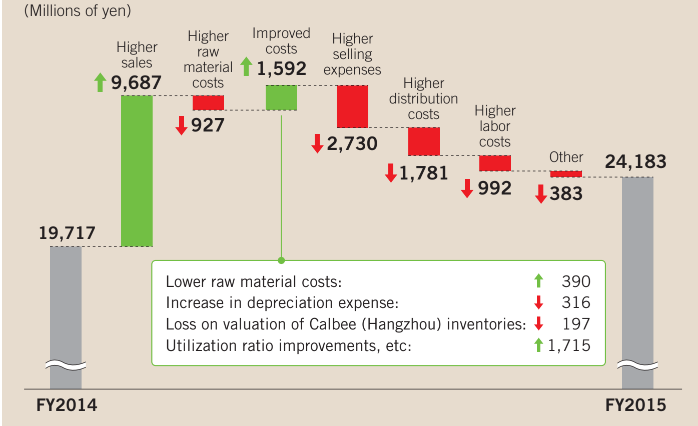
A large majority of the growth in overseas sales, which totaled ¥6,648 million, consisted of sales increases of ¥4,662 million and ¥1,650 million in North America and South Korea, respectively. Of which, ¥2,077 million was attributable to the effect of the depreciation of the yen.

Our *Harvest Snaps (Snapea Crisps)* enjoyed firm sales in North America, while *Honey Butter Chips* became a big hit in South Korea. Plans call for expanding our production network as demand currently outstrips our production capacity. In fact, early in the first half of fiscal 2016, a new *Harvest Snaps (Snapea Crisps)* factory came on line in Mississippi, raising our production capacity 60%.

Contributors to Profit Growth: Sales Expansion and Cost Reductions

Growth in operating income totaling ¥4,466 million was mainly attributable to the following factors.

The most significant positive factor was sales growth contributing ¥9,687 million to operating income, while a reduction in the cost of sales contributed ¥1,592 million. Together, these two factors raised operating income ¥11,279 million.



Breakdown of Increase in Operating Income in Fiscal 2015

Among the negative factors affecting operating income, most significant was a ¥2,730 million increase in selling expenses. In response, we are working to improve the efficiency of domestic sales promotion activities and step up those in North America and other countries overseas.

Another negative factor was a rise in raw material prices totaling ¥927 million due to the depreciation of the yen. However, this was completely offset by centralized procurement, which yielded a ¥390 million reduction in raw material costs, as well as ¥ 1,715 million from efforts to raise capacity utilization and productivity that led to an improved manufacturing cost ratio.

The cost of sales ratio for fiscal 2015 was 56.1%, an improvement of 0.3 of a percentage point from the previous fiscal year. The ratio of SG&A expenses to net sales also improved, down 0.7 of a percentage point to 33.0% due mainly to growth in sales. Looking ahead, we will promote ongoing cost reductions through such Groupwide initiatives as curbing rises in raw material costs, enhancing production efficiency and capacity utilization and optimizing SG&A expenses. In these ways, we will secure a greater operating margin.

Fiscal 2016 Initiatives

In Japan, we will actively work to boost sales of our potato-based snacks and *Frugra* cereals to maximize the success of these product lineups. In addition, we will begin producing fabricated potato chips in Autumn 2015, entering a market category that is new to us. Also, we will look to increase sales in the *Jagarico* line. In response to favorable customer reviews of this line, we will strive to raise production efficiency to ensure sufficient supply capacity.

Overseas, we will reinforce our North American and South Korean businesses, both of which constitute strong earnings pillars, while actively developing new markets in the Philippines and the United Kingdom.

To secure greater profits, we will pursue further sales expansion while preparing for an expected surge in raw material prices and rises in depreciation and amortization. Also, we will work to overcome these negative factors by focusing on enhancing our factories' capacity utilization and by promoting other cost reduction initiatives. Moreover, we will optimize SG&A, distribution, headquarters and all other expenses. In these ways, we will build on our fiscal 2015 accomplishments in sales, profits and operating margin.

We ask for your continued support of our business operations.

Shuji Ito
President & COO, Representative Director

Becoming an Even Stronger Company through Innovation and Cost Reductions, with the Goals of a 67% Market Share and an Operating Margin of 15%

Interview with the head of Marketing and R&D

TARGET Share of the Japanese snack food market **67%**

Makoto Ehara
Executive Vice President,
Controller of Marketing Group and R&D Group

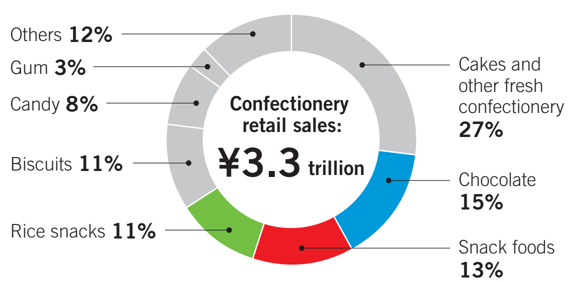
Prior to taking his present position in April 2015, Mr. Ehara served as Representative Director of Japan Frito-Lay Ltd. (from March 2011); formerly served at ITOCHU Corporation and at Johnson & Johnson Medical Company

Market Conditions

- **The 2014 domestic confectionery market was valued at ¥3.3 trillion, up 2.4% year on year**
- **The 2014 domestic snack food market was valued at ¥421.8 billion, up 2.0% year on year despite the effects of unstable weather and a consumption tax hike**

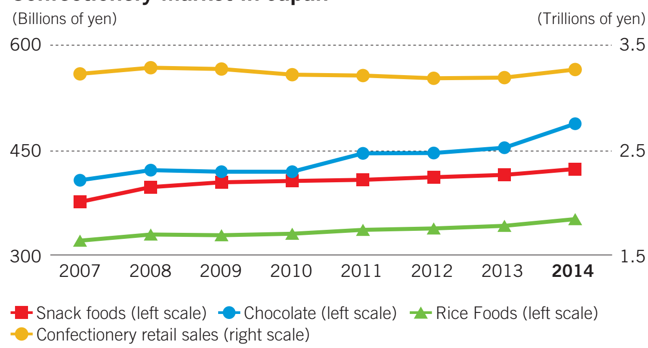
In calendar 2014, the domestic confectionery market saw overall growth in value of 2.4% year on year to ¥3.3 trillion (on a retail sales basis) due mainly to firm sales of chocolates. Although a consumption tax hike came into force in April, its effect was limited while unstable summer weather proved to be a positive factor. As a result, the value of the snack food market—Calbee's key area of operations—grew 2.0% year on year to ¥421.8 billion and accounted for 13% of the confectionery market.

Confectionery Market Composition by Category in 2014



Source: All Nippon Kashi association

Confectionery Market in Japan

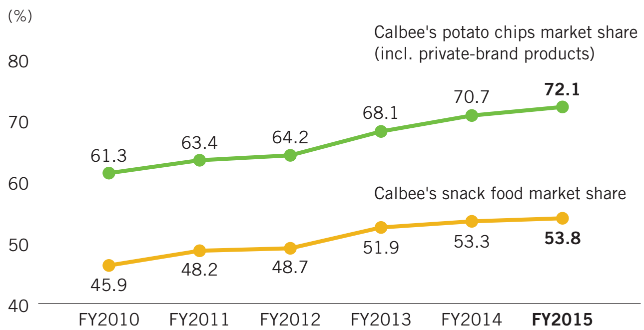


Source: All Nippon Kashi association

Initiatives to Secure a Greater Domestic Market Share

- **Further solidify Calbee's advantageous position in the potato chips market**
- **Secure a greater market share through the promotion of corn-based snacks and introduction of new products**

Calbee's Snack Food Market Share / Calbee's Potato Chips Market Share



Notes:
1. Source: INTAGE SRI (nationwide, all retail formats), sales value basis, April 2009 – March 2015
2. Snack food market share is the total for Calbee, Inc. and Japan Frito-Lay Ltd.
3. In 2015, the scope of the snack food market was redefined. Accordingly, figures for preceding years were restated.
4. "Year" notation is fiscal years (April to March) for Calbee, Inc.

Our share of the snack food market increased 0.5 of a percentage point year on year to 53.8% (annual average). In particular, our *Potato Chips*, including private-brand products, captured a dominating 72.1% (annual average) share of the market in this product category, up 1.4 percentage points year on year.

The most significant factor contributing to the constant growth in our market share is our policy of returning benefits yielded by cost reductions to customers. Specifically, for such mainstay products as *Potato Chips*, we focus on curbing raw material prices through centralized procurement while maximizing production capacity utilization. Looking ahead, we will further increase market share through aggressive sales promotion.

Simultaneously, we have stepped up new product development, with the aim of increasing the ratio of new product sales to net sales. Not only are we developing such products from the ground up, we are introducing external expertise, including that related to a technology licensed from PepsiCo that has allowed the creation of *Deepo* thick-cut potato chips with a robust crispness.

In addition, we intend to enter the market for fabricated potato chips in Autumn 2015. According to our market analyses, there is no overlap between the markets for two types of potato chips, namely, the market for chips produced using sliced potatoes and that for chips fabricated from a dough containing potato flour or flakes. Our entry will invigorate the market that has been dominated by a small number of companies while drawing consumer attention, especially as the Calbee brand already boasts outstanding name recognition. In this way, we will boost both sales and market shares.

To further increase our share of the corn-based snack market, in 2009 we acquired Japan Frito-Lay Ltd., a former subsidiary of PepsiCo, Inc. that has since seized the top share in

Entering the Domestic Fabricated Potato Chips Market in Autumn 2015

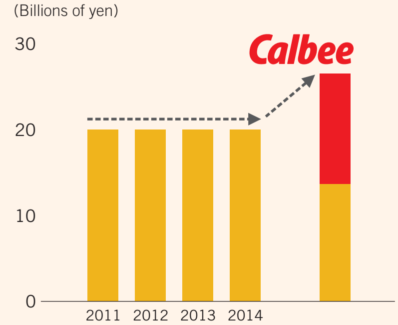
- **¥20 billion market**
- **No market growth in the past few years**

- **Calbee's entry will energize the market**
- **Aiming to be No. 1 in the fabricated potato chips market**

Investment amount	¥3,500 million
Of which: Buildings Machinery and equipment	¥700 million ¥2,800 million
Production start	Second half of FY2016
Production capacity	¥6,000 million / year
First year sales target	¥2,200 million

Fabricated Potato Chips Market

(Billions of yen)



Source: INTAGE SRI (nationwide, all retail formats), sales value basis

Initiatives in Japan

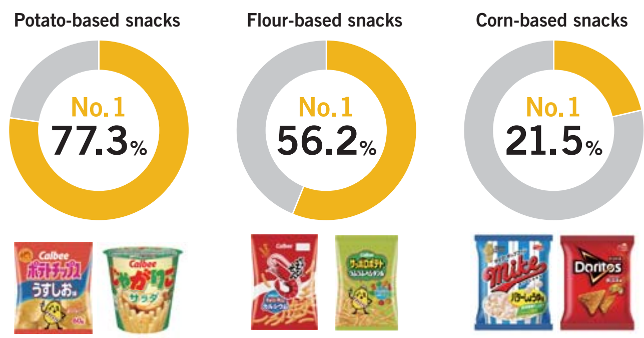
the domestic market. Even though the acquisition has made us the market leader, we are not content with our current 22% share, a proportion well short of the market-dominant positions we hold in the potato-based and flour-based snack markets. Confident in our ability to rectify the situation, we have set the goal of capturing at least one third of the corn-based snack market. To that end, we are developing new flavors tailored to the latest customer preferences and looking forward to releasing innovative products that will drive the growth of the entire corn-based snack market.

Looking at popcorn in particular, we now command an unparalleled position backed by an approximately 70% market share in Japan. Until recently, popcorns were viewed as somewhat “cheap” snacks by Japanese consumers. However, in 2013 the Calbee introduced *Garrett Popcorn Shops®*, a popular brand in Chicago, to the domestic market, triggering a boom in premium popcorns that quickly coalesced into a new market in 2014. In particular, caramel flavored popcorn has gained popularity among young people, who enjoy it as a sweet treat. With the image of popcorn thus rehabilitated, retailers are riding this new trend and changing the popcorn lineups they handle, in turn convincing us of the popcorn market’s potential for further growth.

Sales of other corn-based snack lineups, including the world-famous *Doritos* and *Cheetos* megabrands, are supported mainly by male consumers in their 40s and 50s. Their popularity among the younger demographic is less than robust, so here we are working on developing products that will win over the hearts of young consumers, thereby facilitating market growth.

We will steadily implement the aforementioned initiatives to further solidify our position as a leader in the domestic snack food market.

Market Share by Primary Ingredient in Fiscal 2015



Source: INTAGE SRI (nationwide, all retail formats), sales value basis, April 2014 – March 2015
Calbee’s share includes Calbee, Inc. and Japan Frito-Lay Ltd.

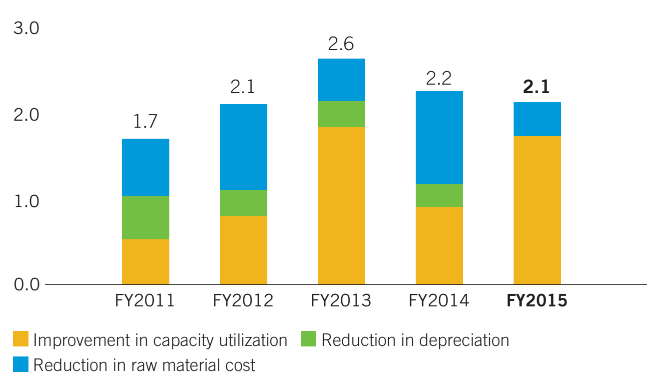
Securing Greater Profits in Japan

Undertaking an ongoing and exhaustive reduction in the manufacturing cost ratio while optimizing sales promotion expenses, with the goal of achieving an operating margin of 15%

Calbee’s operating margin has steadily improved due to constant cost reduction efforts over the past five years, which have yielded approximately ¥2.0 billion a year in overall decreases and thus a 8.7 percentage point decrease in the cost of sales ratio. Going forward, we will continue to exhaustively control costs with the goal of achieving a manufacturing cost ratio of 50%. However, the capacity utilization ratio at our existing factories has grown recently, making it difficult to achieve further improvements. Moreover, the depreciation of the yen is leading to a rise in raw material prices. Therefore, controlling sales promotion expenses has become an essential issue. We will enhance the efficiency of our sales promotion activities, refraining from merely increasing product content for sales campaigns and shifting our focus to high-value-added products. Simultaneously, we will cut finished product and raw material waste while streamlining distribution. In these ways, we will achieve an operating margin of 15%.

Annual Cost Reductions over the Past Five Fiscal Years

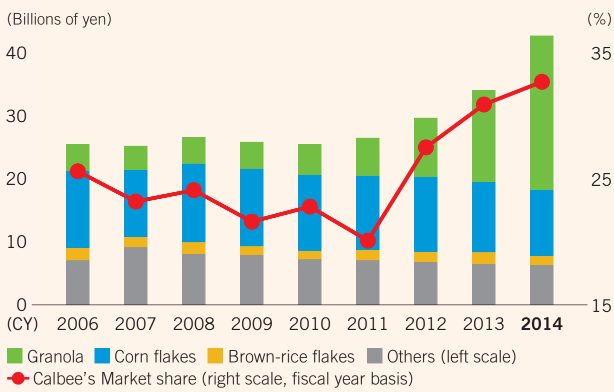
(Billions of yen)



Boosting “Breakfast Business” with a Flagship *Frugra* Cereal

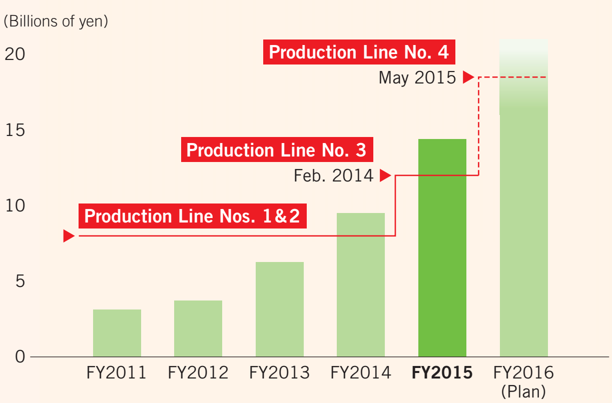
Kaori Fujiwara
General Manager, Frugra Division, Marketing Group

Domestic Cereal Market / Calbee’s Market Share



Domestic cereal market source: Japan Snack Cereal Foods Association
Market share source: INTAGE SRI (nationwide retail sales), sales value basis, April 2006 – March 2015

Calbee’s *Frugra* Sales and Production Capacity



Redefining Japanese Breakfast, *Frugra* Leads to Market Change

Sales of the highly popular cereal *Frugra* (fruit granola) have expanded approximately 1.5 times annually for three consecutive years, growing from ¥3.7 billion in fiscal 2012 to ¥6.5 billion in 2013, ¥9.5 billion in 2014 and, most recently, ¥14.3 billion in 2015.

Prior to 2011, *Frugra*, which had been introduced in 1991, had not been widely expected to garner annual sales of more than ¥3.0 billion. Top management differed, however, insisting that we were setting our sights too low, and urged that we aim for ¥10.0 billion, saying, “There is no way that a cereal this delicious can go no further than ¥3.0 billion!” However, as the overall domestic cereal market was valued at only around ¥25.0 billion at the time, it was difficult to see how we could achieve this sales target simply by increasing our market share. So, we launched a marketing initiative aimed at creating new demand. Specifically, we targeted a potential “breakfast market” that we estimated to be worth around ¥17 trillion.

Expanding Production Capacity to Accommodate Surging Demand

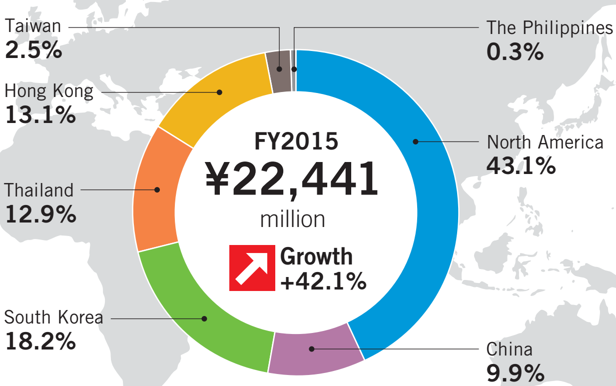
After the surge in *Frugra*’s popularity triggered the expansion of the domestic cereal market, granola products became the main growth driver for the entire market. Competing products were successively introduced, further invigorating the cereal market. Amid these circumstances, in calendar 2013 sales of granola surpassed those of cornflakes, once the top-selling cereal, and in 2014, granola captured a 57% share of the entire ¥43 billion market.

To accommodate a sharp rise in demand, in February 2014, we invested ¥1.2 billion in the strengthening of production lines, boosting our production capacity 50%. In May 2015, we invested a further ¥3.7 billion in the expansion of existing factories, again increasing our production capacity 50%. (The resulting annual production capacity is equivalent to approximately ¥20.0 billion of goods.) Going forward, we will continue to develop the “Breakfast Business” by maximizing *Frugra*’s success. We believe the Japanese cereal market has yet to fully live up to its growth potential and are taking on the challenge of realizing the goal of ensuring that every household in Japan enjoys Calbee cereal for breakfast.

Overseas Initiatives

In the key regions of North America, China, Asia, and Western Europe, we are aiming to expand overseas business by providing products at affordable prices and through other initiatives and have set a medium-term target for contributions from overseas sales of 30% or more.

Calbee's Overseas Sales Composition Breakdown



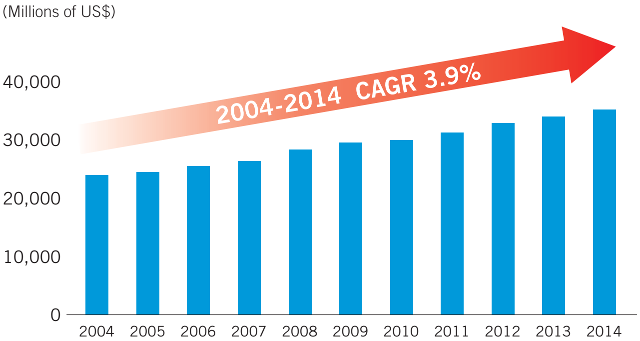
TARGET Overseas Sales Ratio **30%**

North America

Market

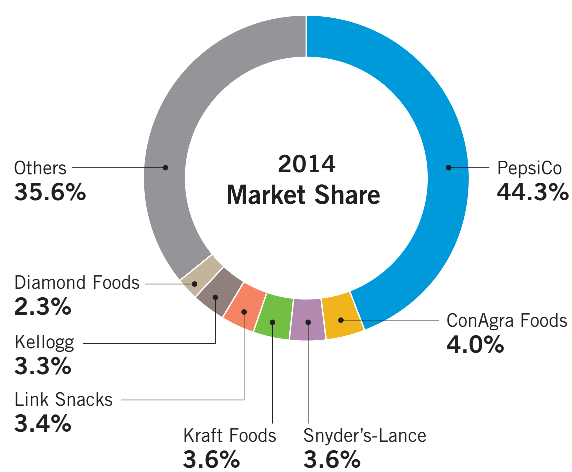
The U.S. snack food market is the world's largest, valued at $35 billion. Over the past 10 years its CAGR has been 3.9% and its growth is expected to continue. With its Frito-Lay brand, PepsiCo sits at the top of the U.S. snack food market, which it dominates with a 44% market share.

U.S. Snack Food Market
(Millions of US$)



Source: Euromonitor Sweet and Savory Snacks

U.S. Snack Food Market



Main Business

Calbee North America, LLC (CNA), a joint venture of Calbee and R.D. OFFUTT COMPANY (RDO), handles our snack food business in North America. RDO is a major producer of potatoes and provides a constant and consistently high quality potato supply, assuring CNA the ability to meet the production needs for quality dough. In addition, RDO provides key support to CNA's operations in terms of financial, legal, IT, and business networks.

CNA currently produces dough for export and domestic sales, sells *Harvest Snaps* (*Snapea Crisps* and *Lentil Snaps*) and *Shrimp Flavored Chips* in North America and markets *Ruffles®* *Crispy Fries* in the United States and Canada through Frito-Lay North America (FLNA).

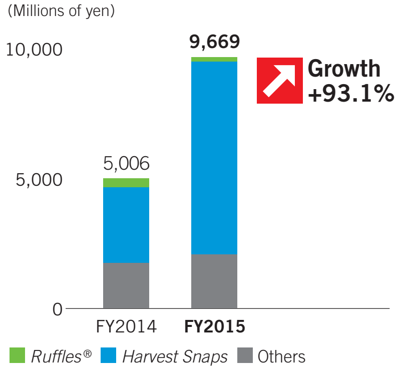
Performance in Fiscal 2015

Booming Harvest Snaps Drive Strong Sales

Net sales in North America in fiscal 2015 totaled ¥9,669 million, a year-on-year increase of 93.1%. *Harvest Snaps*, sold under the Calbee brand, are the current growth driver for our North American business. Launched in 1999, this long-selling product line has been a strong seller at Costco Wholesale Corporation and Wal-Mart Stores, Inc. stores since 2011 and has become especially popular with health-conscious consumers. As we step up marketing activities, *Harvest Snaps* have been enjoying steady sales growth while serving as a major, high-profit-margin contributor to earnings. In June 2015, we established a new factory in Mississippi, thereby boosting our *Harvest Snaps* production capacity 1.6 times. Using the new factory as a springboard, we are expanding our product lineup and sales channels. In addition, we are restructuring operations related to *Ruffles®* *Crispy Fries* (*Jagabee*), sold by FLNA, as their sales have been sluggish. Going forward, we will work to expand the sales in the *Jagabee* product line by pursuing marketing under the Calbee brand.

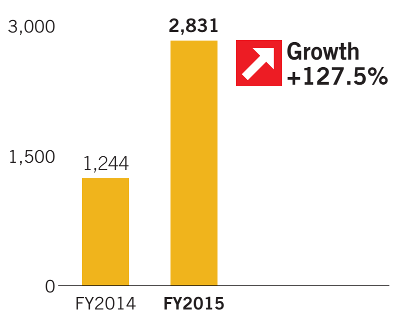
Net Sales

(Millions of yen)



Operating Income

(Millions of yen)



Outline of Senatobia Factory

Factory location	Senatobia, Mississippi, U.S.
Investment amount	US$28.7 million
Of which: Buildings Machinery and equipment	US$14.5 million US$14.2 million
Production start	June 2015
Production capacity	Increase of US$60 million / year (together with existing production facilities, US$160 million)
Products produced	*Harvest Snaps*
Distribution area	2 factories to supply U.S. and Canada, later Mexico

Overseas Initiatives

China

Market

The Chinese snack food market in 2014 was valued at $14 billion with a CAGR of 9.9% over the past five years. The market is expected to grow substantially as consumers' disposable incomes increase.

In terms of market share, Want Want Holdings Limited is the leader, with foreign firms like the PepsiCo Group and the Orion Group also holding strong positions.

Main Business

Calbee entered the Chinese market in 2002 with the establishment of a joint venture (currently CFSS Co. Ltd.) with Four Seas Mercantile Holdings Ltd., but business activities were limited to Guangdong Province. In 2013, the joint venture expanded its scope to include the entire country and it has continued to develop business operations under the Four Seas brand.

In April 2013, Calbee (Hangzhou) Foods Co., Ltd., our joint venture with local partner Master Kong Instant Foods Investment (China) Co., Ltd. of the Tingyi Group and ITOCHU Corporation, launched operations and has been marketing such products as *Jagabee* under the joint Calbee-Master Kong brand.

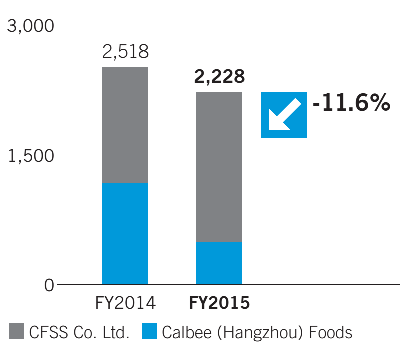
Performance in Fiscal 2015

In fiscal 2015, Calbee (Hangzhou) Foods recorded a loss for the second consecutive year, including an impairment loss. Having identified problems related to pricing, costs, sales activities and quality, we will work with our partner companies to get on track and overcome these issues as quickly as possible.

Meanwhile, CFSS Co. Ltd. expanded its sales area and saw brisk sales of flour-based snacks, which resulted in higher sales and profits for the year.

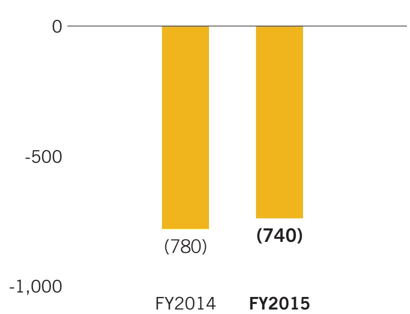
Net Sales

(Millions of yen)

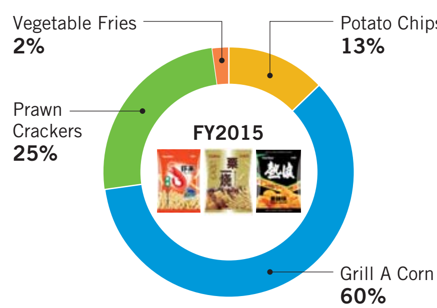


Operating Loss

(Millions of yen)



CFSS Net Sales



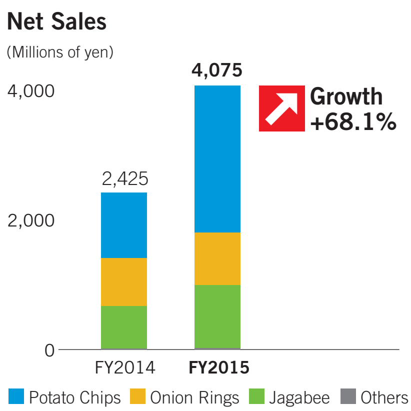
Breakdown of Calbee (Hangzhou) Foods' Impairment Loss

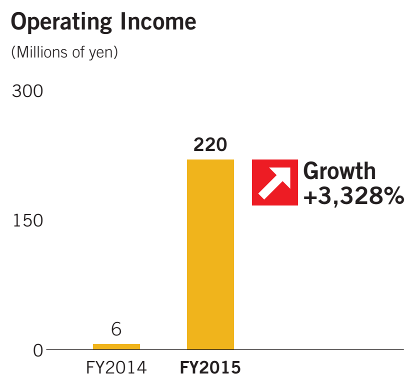
Inventories:	¥197 million ➡	Cost of sales
Machinery and equipment, etc.:	¥700 million ➡	Extraordinary loss

South Korea

In 2011, Calbee and HAITAI Confectionery & Foods Co., Ltd. entered into a joint venture agreement, renewing their previous licensing agreement with the aim of reinforcing the joint Calbee and HAITAI brand.

Honey Butter Chip, launched in September 2014, became a blockbuster and contributed to substantial increases in sales and profits. In South Korea, it is anticipated that the market for potato-based snacks will grow considerably. With this in mind, we will expand our production capacity while promoting flavor development, thereby boosting sales.





The Philippines

In the Philippines, the snack food market is expected to grow in step with the country's economic development. In April 2014, Calbee established Calbee-URC, Inc., a joint venture with Universal Robina Corporation (URC) that boasts a 43% share of this promising market thanks to its strong brand and sales capabilities. URC will handle local marketing, production assistance and facilities procurement, while Calbee will provide technical support for development and manufacturing. Having kicked off production and sales of *Jagabee* and potato chips in February 2015, Calbee-URC will strive to meet the goal of achieving net sales of ¥4 billion within six years of its launch.

The United Kingdom

In March 2014, Calbee established a wholly owned subsidiary in the U.K., Europe's largest snack food market. Also, plans call for rolling out *Harvest Snaps*, a proven best seller in North America, through major local retailers under the name *Yushoi* by the beginning of the second quarter of fiscal 2016. We also welcomed Mr. Richard Robinson, an outstanding food industry executive who has served at Intersnack (UK), as the subsidiary's Managing Director. Under his leadership, this subsidiary is looking to expand its sales channels and product lineup, thereby establishing the presence of the Calbee brand in the U.K. snack food market. In these ways, we aim to achieve net sales of ¥10.0 billion within five years of the launch of operations.

Interview with Our Outside Directors

Yuzaburo Mogi

Honorary CEO and Chairman of the Board of Kikkoman Corporation
Chairman of Japan Productivity Center

Having studied at Columbia University and become the first Japanese citizen to acquire an MBA from Columbia, Mr. Mogi joined Kikkoman Corporation in 1958. He then led plant construction projects in the United States, making contributions to the global recognition of soy sauce, or *Shoyu, a* traditional Japanese condiment. In 1995, Mr. Mogi was appointed as Representative Director, President & CEO of Kikkoman Corporation, and Chairman & CEO in 2004. Since the introduction of Calbee's new management structure in 2009, he has served as one of the Company's outside directors and leveraged his extensive knowledge and experience as a corporate leader in the foodstuff industry. In addition to Calbee's Board of Directors, Mr. Mogi is serving as a director or Audit & Supervisory Board Member at diverse companies, including railway and broadcasting companies.

Interested in hearing their views on Calbee's corporate governance, we sat down with two outside directors: Mr. Yuzaburo Mogi, who has held this office since the introduction of the new management structure in 2009, and Ms. Atsuko Fukushima, who was newly appointed at the General Meeting of Shareholders held on June 25, 2015.

Atsuko Fukushima

Journalist

Following her employment at Chubu-Nippon Broadcasting Co., Ltd., Ms. Fukushima became an independent journalist in 1988. Her wide-ranging experience, specialized in business and economy, has been accumulated as a newscaster for Japan Broadcasting Corporation (NHK), Tokyo Broadcasting System Television, Inc. and TV TOKYO Corporation. She has met with more than 700 corporate leaders. Moreover, employing her extensive experience in covering such matters as environmental issues, communication, agriculture and foodstuffs as well as the revitalization of local communities, Ms. Fukushima has also served as a management advisor for Panasonic Corporation and as a member of the Management Council of Shimane University, providing her valuable opinions to these entities from broad and objective perspectives. Currently, Ms. Fukushima serves as an outside director at real estate and railway companies.

What do you think constitutes the ideal corporate governance system?

Mogi: Some may argue that the inclusion of outside directors on a board ensures solid governance, but that's not the case. Corporate governance is merely a step toward realizing maximized corporate value and optimal shareholder value, so I disagree with the idea that the formality of a certain governance model can boost these values. More important is the effectiveness of the governance system. I think that corporate governance must be backed by two things: strong leadership from the CEO and the oversight of his or her business execution by a supervisory body. For a company to grow, the decisive leadership of a competitively minded CEO is essential. At the same time, we must keep in mind that it is also true that an aggressive leader can be *too* aggressive. I thus recognize that a board of directors, with outside directors accounting for significant proportion, plays a crucial role in checking and supervising its CEO's business execution while supplementing his/her capabilities.

Fukushima: The majority of board members should be people capable of objectively observing the business environment and maintaining independence in their decision making, thereby ensuring that board meeting discussions are free of biases and constraints attributable to the internal dynamics of the firm. I also believe that board members should boast a wide variety of experience and backgrounds. Bringing their diverse perspectives to management decision making will help to mitigate risk, prevent misconduct, maintain compliance and secure sustainable growth. In short, independence and diversity are two essential keywords for the development of an ideal corporate governance system.

How lively are Calbee's Board of Directors meetings?

Mogi: Calbee's Board of Directors consists of seven directors, five of whom are highly independent outside directors chosen from among people with diverse backgrounds, gender and nationality. Since every outside director is fully aware of their role, they voice numerous opinions and questions and can be quite unforgiving.

Frankly, although I have experience as an outside director at a number of companies, I find that Calbee's Board of Directors is one of the boards that are particularly given to lively discussion. When attending board meetings, I always ask as many questions as I can and listen closely to ascertain that the reasoning behind the answers is solid. Although hearing outside directors' opinions from different perspectives will be beneficial to management, simply being required to answer tough questions helps keep it in line.

Fukushima: Are proposals ever rejected?

Mogi: I saw that happen on several occasions. Once rejected, the proposals were then brushed up and resubmitted for approval. In particular, sufficient time is allotted to thoroughly discussing the viability of overseas projects.

Incidentally, Calbee has seen a lot of changes over the last six years. I believe this is thanks to contributions of Mr. Akira Matsumoto as CEO. During his tenure, sales have increased and overseas operations have become robust, with the operating margin improving to more than 10%. This is a good example of how strong leadership and oversight can work together well and lead to favorable operating results. In this light, I suppose it can be said that Calbee's is a kind of the ideal corporate governance system.

Fukushima: I've covered a variety of companies as a journalist, and I've found Calbee to have an outstandingly forward-thinking corporate culture. For example, the overall proportion of female managers in managerial positions is 19.8%, with five female executive officers working alongside 18 male peers. These figures represent a stark contrast with the 6% that is the average among domestic listed companies and, further, attest to top management's clear commitment to being the leader in diversity promotion. In fact, Calbee's diversity initiatives have been underpinned by management's belief that creating a workplace in which women can succeed is key to its future growth. This conviction has driven Calbee to transform its corporate culture and thereby achieve growth in both performance and corporate value. I'm very excited to be asked to take the office of an outside director at a company capable of accomplishing such objectives. I'm determined to do my best to help Calbee achieve further growth. In particular, I will leverage my experience as a journalist covering such modern-day issues as environmental pollution, an aging society and the barriers confronting women aiming for top-flight career paths. Moreover, I will strive to bring my perspective as a woman and a consumer to bear when rendering opinions to the Board and making decisions.

Mogi: I'm really pleased as well to be invited to work with a board so invigorated with new members, including Mr. Takashi Kawamura, who brought Hitachi, Ltd. back to strength, and Mr. Takahisa Takahara, who is at Unicharm Corporation, which is enjoying great success in Asia.

Could you share your views about Calbee's future growth prospects and the upcoming challenges it will face?

Mogi: Since the introduction of the new management structure in 2009, Calbee has pursued innovation and cost reductions. Specifically, Calbee has been creating new products and developing overseas operations while streamlining manufacturing and sales promotion activities to reduce costs. Given its current success, I believe this twofold strategy of innovation and cost reduction must be continued. On the other hand, I recognize that one challenge Calbee may face is how to maintain its edge throughout organization after experiencing such a rapid improvement in performance. In order for Calbee to reach ever higher goals for future growth, management has to

focus on encouraging employees to be even more vigilant, however favorable performance may be. Another challenge is how to best handle CEO succession. The Advisory Board, a body comparable to the committee for nominating and remuneration, will be addressing this long-term issue. With members consisting of six directors, four of whom are outside directors, the Advisory Board is a non-mandatory body established in April 2012 based on recommendations from outside directors and the Audit & Supervisory Board.

Fukushima: When I received the offer to join the Board, I was given an opportunity to join tours of Calbee production and R&D facilities. My impressions from these visits lead me to truly believe Calbee is an energetic company supported by ambitious workers who are committed to maintaining product quality and safety and creating innovative offerings.

Looking at the domestic market, businesses will face an increasingly harsh environment with the rapid shrinking and graying of Japan's population. However, the market can be further developed through the introduction of more attractive products that offer new value. I believe in this way Calbee can grow even further in this mature market. Calbee's outstanding competitiveness is backed by its superior product development capabilities and its technological strengths in maintaining product quality and safety at high level. As an outside director, I'm determined to contribute to Calbee's further business expansion in Japan and overseas as well as its growth in corporate value.

Corporate Governance System

Calbee's corporate governance system includes a majority of outside members of the Board of Directors and the Audit & Supervisory Board for a degree of management independence unparalleled in Japan. By adopting this system, we have strengthened management oversight functions, clearly separated business execution and supervisory functions, enhanced management transparency, clarified management responsibilities, and sped up decision-making.

Basic Approach

The Calbee Group's vision is to be respected, admired and loved as a corporate group by its customers, suppliers and distributors, its employees and their families, communities, and its shareholders. This vision reflects our thinking that by focusing on valuing our customers and business partners, we will naturally maximize the interests of our shareholders. Moreover, guided by this vision we aim to win the trust and meet the expectations of customers, business partners, local communities, shareholders and all our other stakeholders while increasing corporate value, which encompasses value for shareholders, customers and employees. To this end, we will strive to reinforce and enhance corporate governance.

Management and Execution Structure

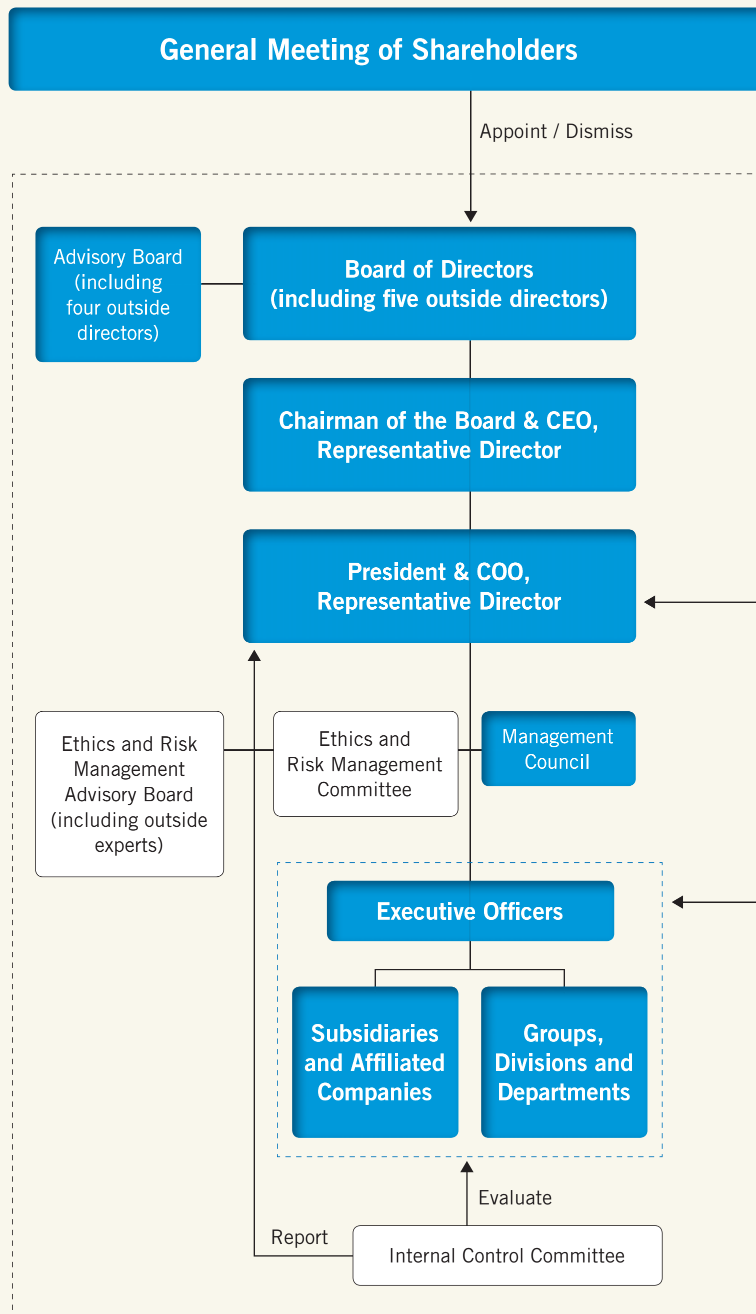
To enhance management transparency, we have appointed outside directors with a high degree of independence and introduced an executive officer system. This separation of business execution and supervisory functions aimed at actively strengthening the monitoring of the Board of Directors is a key characteristic of the Calbee Group's corporate governance system.

The **Board of Directors** is comprised of two in-house directors and five highly independent outside directors for a total of seven directors. As a general rule, the Board meets once every month. In addition to discussing resolutions on matters stipulated by law, the Board formulates and makes decisions on key management policies and strategies while supervising business execution. In doing so, it leverages members' diverse standpoints and objective perspectives to ensure business growth and greater corporate value over the long term.

In particular, **outside directors** have been chosen from a variety of fields, including foodstuffs, industrial manufacturing, consumer goods, academia and journalism, in order to help ensure an unbiased management structure. As they are capable of looking at management matters from diverse perspectives and giving valuable advice, the presence of outside directors facilitates constructive discussions at Board meetings. Leveraging their extensive experience and knowledge on corporate management, outside directors are thus playing a key role in important decision-making and the supervision of business execution from independent standpoints.

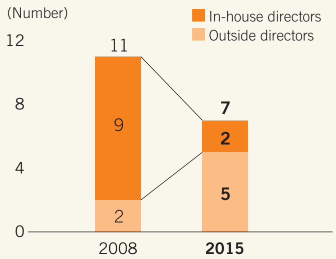
Calbee has also secured diversity in the Board of Directors; one of the Company's seven directors is non-Japanese, and two of the directors are women. Moreover, to clarify the directors' responsibility for management and increase opportunities for shareholders to confirm their confidence, from

Corporate Governance System



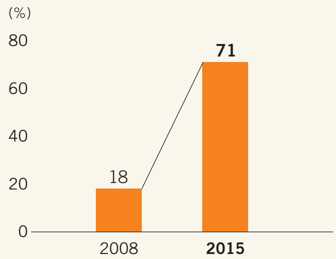
Lean Board of Directors for More Agile Management

Number of Directors



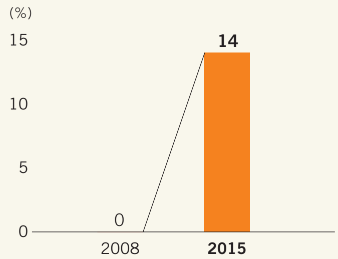
Higher Proportion of Outside Directors on the Board for Greater Management Transparency

Percentage of Outside Directors



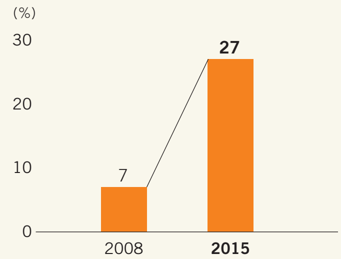
Increased Non-Japanese Directors for Global Expansion and Diversity

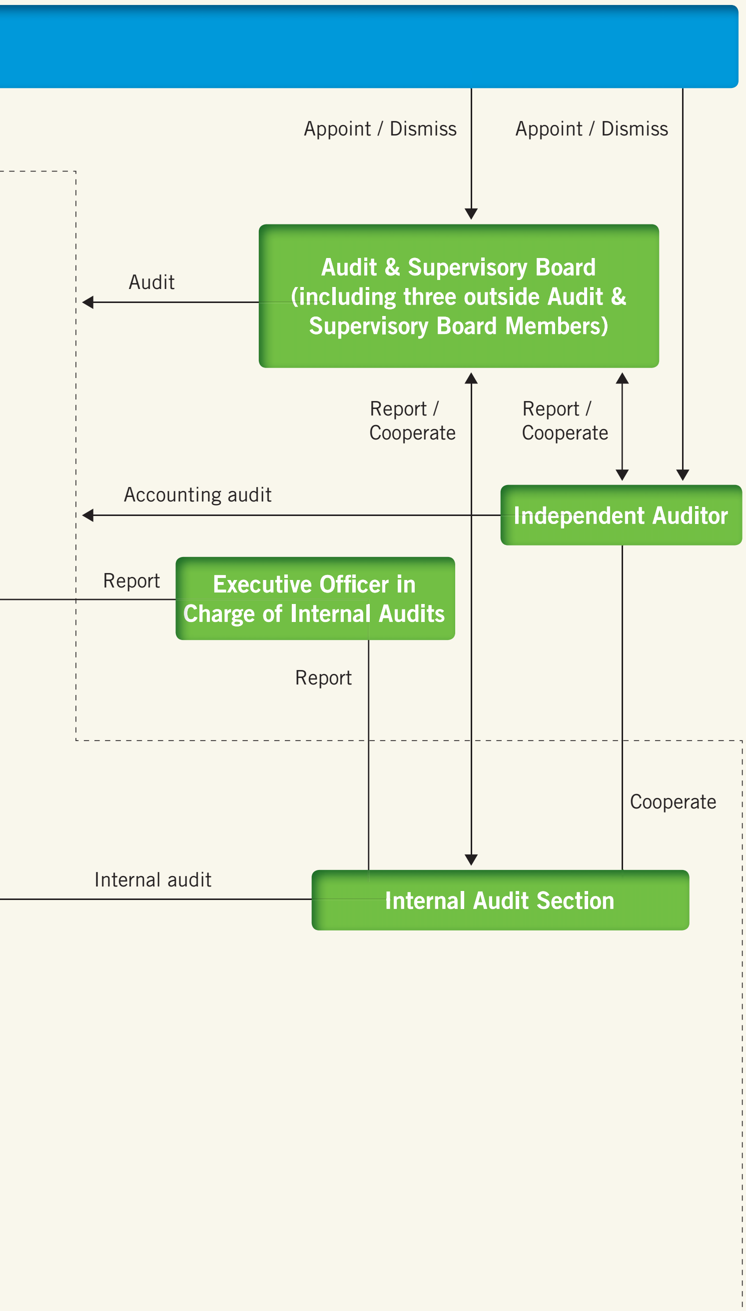
Percentage of Non-Japanese Directors



Increased Female Directors and Audit & Supervisory Board Members for Diversity

Ratio of Female Directors and Audit & Supervisory Board Members





2014 the term of office for directors has been changed to one year.

Discussions and proposals concerning nominations and remuneration are the responsibility of the **Advisory Board**. The board, with outside directors constituting the majority of members, meets four times a year in principle.

Business execution is carried out by 23 **executive officers**, who have been given authority to manage specific organizations within the Group. This devolution of authority is part of efforts to create a management system that speeds up decision-making and clarifies business execution responsibility. Among the executive officers, senior executive officers are entrusted with especially important and wide-ranging duties and do not hold employee status. To promote rapid and appropriate decision-making by the directors, important business matters are discussed in the **Management Council** by a total of eleven regular members (eight senior executive officers, one president each from the two key Group subsidiaries and the general manager of the IR and Strategic Planning Group) prior to discussion by the Board of Directors.

Audit & Supervisory System

Calbee has adopted the **Audit & Supervisory Board** system. The Audit & Supervisory Board consists of four Audit & Supervisory Board members, including three outside Audit & Supervisory Board members (one of whom is a woman). Each of the Audit & Supervisory Board members brings a high level of expertise and knowledge to their role of monitoring, auditing and assessing the management of Calbee. Not only does the Audit & Supervisory Board perform audits from the perspective of legal compliance, it also conducts audits in terms of appropriateness of management.

As part of this auditing role, the Audit & Supervisory Board members actively participate in meetings of the Board of Directors and other management meetings, auditing and monitoring the activities of directors and executive officers to ensure no problems arise in business execution. The Audit & Supervisory Board members also conduct systematic audits at Group companies in coordination with the Audit & Supervisory Board members at each company and Calbee's Internal Audit Section.

For internal audits, we have an **Internal Audit Section**, which has a dedicated staff of six and is responsible for conducting internal audits of the whole Group in accordance with annual audit plans. The Internal Audit Section regularly exchanges opinions with Audit & Supervisory Board members about the results of internal audits.

FY2015 Record of Attendance at Board of Directors and Audit & Supervisory Board Meetings

Outside Directors

Name	Attendance ratio
Yuzaburo Mogi	92%
Koji Kioka	100%
Kazuo Ichijo	100%
Ümran Beba	62%
Hong-Ming Wei	69%

Note: Mr. Koji Kioka, Mr. Kazuo Ichijo, Ms. Ümran Beba and Mr. Hong-Ming Wei retired from the office of outside directors with the closure of the 66th ordinary shareholders' meeting held on June 25, 2015.

Outside Audit & Supervisory Board Members

Name	Attendance ratio	
	Board of Directors	Audit & Supervisory Board
Tadashi Ishida	100.0%	100.0%
Tomomi Yatsu	100.0%	100.0%
Akira Kondoh	100.0%	100.0%

Executive Remuneration

Calbee's executive remuneration system is highly transparent and incorporates objective perspectives. Specifically, it is decided upon after being discussed by the Advisory Board.

The basic remuneration paid to members of the Board of Directors and the Audit & Supervisory Board is within the total allowance for annual remuneration decided by resolution of the General Meeting of Shareholders. Directors' bonuses and retirement benefits for members of the Board of Directors and the Audit & Supervisory Board are set after approval of the General Meeting of Shareholders.

Remuneration for Calbee directors and executive officers comprises basic remuneration commensurate with executive duties, bonuses paid in accordance with the Company's business results for each fiscal year, executive retirement benefits linked to performance during the period of appointment and stock options as well as a performance-linked stock compensation plan called the Board Incentive Plan (BIP) Trust. The BIP Trust scheme, approved at the General Meeting of Shareholders held in June 2014, grants shares of Calbee stock to directors and senior executive officers after their retirement and is linked to the quality of the Company's performance during the three-year period ending March 31, 2017. The scheme is designed to increase the Company's corporate value from a medium- to long-term perspective and to cultivate common areas of interest between directors and senior executives and shareholders.

In addition, outside directors and part-time Audit & Supervisory Board members receive fixed basic remuneration due to the importance of their supervisory function from an independent perspective.

Total Remuneration by Executive Classification, Type of Remuneration and Number of Eligible Recipients

Executive classification	Total remuneration (millions of yen)	Total remuneration by type (millions of yen)					Number of eligible executives
		Basic remuneration	Stock options	Bonuses	BIP	Retirement benefits	
Directors (excluding outside directors)	339	120	—	109	55	54	2
Audit & Supervisory Board members (excluding outside Audit & Supervisory Board members)	32	28	—	—	—	5	1
Outside directors and Audit & Supervisory Board members	133	129	—	—	—	5	9

Total Remuneration Paid to Individual Directors

Name	Total remuneration (millions of yen)	Executive classification	Total remuneration by type (millions of yen)				
			Basic remuneration	Stock options	Bonuses	BIP	Retirement benefits
Akira Matsumoto	169	Chairman of the Board & CEO, Representative Director	60	—	54	28	27
Shuji Ito	169	President and COO, Representative Director	60	—	54	28	27

Note: Only individuals with total remuneration exceeding ¥100 million have been shown.

Calbee's Changing Corporate Governance System

2001

Separation

- Introduced the executive officer system
- Appointed outside directors
- Separated execution and supervision functions

2009

Supervision

- Reduced in-house directors from nine to two
- Increased outside directors from two to five
- Highly independent outside directors comprise the majority

Diversity

- Appointed first non-Japanese director

Compliance

Calbee considers compliance with the law and with social norms to be the supporting pillar of its business activities. In 2007, we formulated Groupwide rules on compliance risk management and have since then strengthened our structure to ensure strict compliance under the initiative of the Ethics and Risk Management Committee.

The Ethics and Risk Management Committee, headed by the President & COO, promotes compliance and risk management activities throughout the entire Calbee Group. To complement activities conducted by this committee, Calbee has established the Ethics and Risk Management Advisory Board chaired by an outside expert and run by a total of six members, three of whom are external specialists. The board provides advice and proposals to the Ethics and Risk Management Committee from an objective standpoint.

Ethics and Risk Management Advisory Board

Chairperson	Outside expert (lawyer)
Members	President & COO, General Manager of Human Resources & General Affairs Group, General Manager of Administration Division, and 3 external experts
Secretariat	Ethics and Risk Management Division
Meeting frequency	Once every month, in principle

Ethics and Risk Management Committee

Chairperson	President & COO
Members	General managers of Headquarters Divisions and Regional Business Divisions and presidents of subsidiaries
Secretariat	Ethics and Risk Management Division
Meeting frequency	Once every quarter, in principle

Risk Management

To address risk management, the Ethics and Risk Management Committee was set up to comprehensively and accurately identify and assess all risks that could have a major impact on the Group's operations in order to minimize any losses. The committee analyzes risks facing the Group and examines measures to mitigate any impact, maintains relevant regulations, and submits proposals to the Board of Directors when necessary. Calbee also formulates plans for minimizing damage and swiftly recovering business operations in the event of crisis situations that could have a major impact on management. These include action plans to deal with misconduct, product contamination, and the event of a major earthquake striking Tokyo.

Furthermore, to enhance and promote management of Calbee's intellectual property, the Intellectual Property Management Section of the Legal Department manages the Company's trademarks and copyrights, protects the Company and product trademarks by registering them around the world, and works to quickly discover and respond to infringements by keeping a close watch on similar trademarks.

Dialogues with Shareholders

Calbee values maintaining dialogues with its shareholders and investors who seek to fulfill their stewardship responsibilities from the medium- and long-term perspectives. Accordingly, we actively engage in dialogues with them within reasonable limits. In addition, opinions and concerns voiced by shareholders and investors are periodically reported to the Board of Directors through the Investor Relations Group so that they are appropriately addressed.

IR Activities

Disclosure Policy

Calbee seeks to remain a trustworthy company and to ensure that its stakeholders, including shareholders and investors, can form a clear understanding and evaluation of the Company's activities and performance. We therefore strive to provide continuous, fair, timely disclosure of information that has a bearing on the investment decisions of shareholders and investors. It is also our policy to disclose, as proactively and constantly as possible, information that is not subject to laws and regulations whenever it is deemed that said information may have a bearing on such decisions. In addition, we utilize our Investor Relations (IR) website to publicize such financial information as earnings reports as well as earnings presentation materials and other IR materials.

Communication with Securities Analysts and Institutional Investors

Calbee holds earnings presentations every quarter. At the presentations, senior management explains the Company's future management plans and performance. In addition, we hold around 290 meetings with securities analysts and institutional investors in and outside of Japan each year.

Calbee is also proactive in communicating with overseas institutional investors and regularly conducts investor relations activities overseas. In the year ended March 2015, we held three meetings in Europe, North America, and Hong Kong.

Calbee Global Website
https://www.calbee.com/ir/

2011
Ethics and Risk Management
- Established Ethics and Risk Management Advisory Board including external experts

2012
Transparency
- Established the Advisory Board for nominations and remuneration including outside directors

2013
Accountability / Diversity
- The term for director appointments was changed from 2 years to 1 year
- Appointed 3 female Executive Officers in 2013. As of June 2015, 5 of female Executive Officers are appointed

Board of Directors, Audit & Supervisory Board Members and Executive Officers

(As of June 25, 2015)

Directors

Akira Matsumoto

Chairman of
the Board & CEO,
Representative Director
Age 67

1972 Joined ITOCHU Corporation
1993 Appointed Representative Director and General Manager of the Ethicon Endo-Surgery business division, Johnson & Johnson Medical Company
1999 Appointed President, Johnson & Johnson K.K.
2008 Appointed Senior Advisor, Johnson & Johnson K.K.
2008 Appointed Director, Calbee, Inc.
2009 Appointed Chairman of the Board & CEO, Representative Director, Calbee (current position)

Shuji Ito

President & COO,
Representative Director
Age 58

1979 Joined Calbee, Inc.
2001 Appointed Executive Officer and COO of the East Japan Company, Calbee
2004 Appointed Director, Executive Officer and COO of the Jagarico Company, Calbee
2005 Appointed Director, Executive Managing Officer and the Controller of the Marketing Group, Calbee
2009 Appointed President & COO, Representative Director, Calbee (current position)

Yuzaburo Mogi

Independent Director
Age 80, Elected 2009

1958 Joined Kikkoman Corporation
1995 Appointed Representative Director, President and CEO, Kikkoman
2004 Appointed Representative Director, Chairman and CEO, Kikkoman
2009 Appointed Director, Calbee, Inc. (current position)
2011 Appointed Honorary CEO and Chairman of the Board of Directors, Kikkoman (current position)

Reason for Appointment
Mr. Mogi serves as director and honorary CEO and chairman of Kikkoman Corporation. He has also served as a director and an Audit & Supervisory Board member at many companies. Calbee judged that Mr. Mogi would make an important contribution to the Company's management based on his knowledge and experience as a foodstuff corporate manager.

Takashi Kawamura

Independent Director
Age 75, Elected 2015

1962 Joined Hitachi Ltd.
2009 Appointed Representative Executive Officer, Chairman, President and Chief Executive Officer and Board Director, Hitachi, Ltd.
2010 Appointed Representative Executive Officer, Chairman and Chief Executive Officer and Board Director, Hitachi, Ltd.
2011 Appointed Chairman of the Board, Hitachi
2014 Appointed Chairman Emeritus, Hitachi (current position)
2015 Appointed Director, Calbee, Inc. (current position)

Reason for Appointment
Mr. Kawamura has served as Representative Executive Officer, Chairman, President and Chief Executive Officer of the Board of Hitachi, Ltd. Calbee judged that Mr. Kawamura would make an important contribution to the Company's management based on his knowledge and experience as a corporate manager.

Takahisa Takahara

Independent Director
Age 53, Elected 2015

1986 Joined Sanwa Bank, Ltd. (now The Bank of Tokyo-Mitsubishi UFJ, Ltd.)
1991 Joined Unicharm Corporation
1995 Appointed Director, Unicharm
2001 Appointed President & CEO, Unicharm (current position)
2015 Appointed Director, Calbee, Inc. (current position)

Reason for Appointment
Mr. Takahara serves as President & CEO of Unicharm Corp. Calbee judged that Mr. Takahara would make an important contribution to the Company's management based on his knowledge and experience as a leader who is successfully driving his company's global expansion.

Atsuko Fukushima

Independent Director
Age 53, Elected 2015

1985 Joined Chubu-Nippon Broadcasting Co., Ltd.
1988 Named newscaster, Japan Broadcasting Corporation (NHK)
1993 Named newscaster, Tokyo Broadcasting System, Inc. (TBS, now Tokyo Broadcasting System Television, Inc.)
1994 Appointed Management Advisor for Matsushita Electric Industrial Co., Ltd. (now Panasonic Corporation)
2015 Appointed Director, Calbee, Inc. (current position)

Reason for Appointment
Ms. Fukushima has considerable experience as an journalist. Calbee judged that Ms. Fukushima would make an important contribution to the Company's management based on her extensive knowledge of social, economic, environmental issues as well as consumer affairs and her objective viewpoint.

Anindita Mukherjee

Director
Age 49, Elected 2015

2005 Joined Frito-Lay North America (FLNA) as Vice President of Marketing
2007 Appointed Group Vice President, Marketing Group, FLNA
2009 Appointed Chief Marketing Officer, FLNA
2011 Appointed Senior Vice President, Marketing Group, FLNA
2014 Appointed President of Global Snacks Group and PepsiCo Global Insights of PepsiCo, Inc. (current position)
2015 Appointed Director, Calbee, Inc. (current position)

Reason for Appointment
Ms. Mukherjee has long served as a snack industry executive at the PepsiCo Group, a major shareholder of Calbee, Inc. (equity ratio: 20.06%). Calbee judged that Ms. Mukherjee would make an important contribution to the Company's management based on her extensive knowledge and experience as a corporate leader of the global foodstuff company.

Audit & Supervisory Board Members

Tadashi Ishida
Independent Audit & Supervisory Board Member
Age 71, Elected 2011

1974 Joined Arthur Young, Tokyo Office
1980 Joined Asahi & Co. (now KPMG AZSA LLC)
1980 Registered as Certified Public Accountant (Japan)
2003 Appointed CFO & Executive Vice President, McDonald's Co. (Japan), Ltd.
2011 Appointed Statutory Audit & Supervisory Board Member, Calbee, Inc. (current position)

Reason for Appointment
Mr. Ishida has high-level specialist knowledge as a certified public accountant and wide-ranging practical experience gained through appointments as a member of the Boards of Directors and the Audit & Supervisory Boards at operating companies and as a Senior Research Fellow at the Japan Association for CFOs. Calbee judged that Mr. Ishida would make an important contribution to the Company's audits based on his knowledge and experience.

Isao Hirakawa
Age 59, Elected 2012

1980 Joined Kanebo, Ltd.
2006 Appointed Administrative Management Director, Kanebo
2008 Appointed Executive Officer and Chief Financial Officer, Calbee, Inc.
2010 Appointed Executive Officer and General Manager of Finance & Accounting Group, Calbee
2012 Appointed Statutory Audit & Supervisory Board Member, Calbee (current position)

Tomomi Yatsu
Independent Audit & Supervisory Board Member
Age 55, Elected 2009

1986 Joined Sanwa-Tohmatsu Aoki (now Deloitte Touche Tohmatsu LLC)
1990 Registered as a Certified Public Accountant (Japan)
2001 Registered as an Attorney-at-Law
2001 Joined New Tokyo International Law Office (now Bingham McCutchen Murase, Sakai Mimura Aizawa — Foreign Law Joint Enterprise)
2007 Appointed Partner, Sakai Mimura Aizawa — Foreign Law Joint Enterprise
2009 Appointed Statutory Audit & Supervisory Board Member, Calbee, Inc. (current position)
2015 Appointed Partner of TMI Associates (current position)

Reason for Appointment
Ms. Yatsu has a wealth of experience in her work as an attorney-at-law and has a track record as an outside Audit & Supervisory Board member at other companies. Calbee judged that Ms. Yatsu would make an important contribution to the Company's audits based on her knowledge and experience.

Akira Kondoh
Independent Audit & Supervisory Board Member
Age 70, Elected 2014

1967 Joined Sumitomo Bank, Limited (now Sumitomo-Mitsui Banking Corporation)
1997 Appointed Managing Director, Sumitomo Bank, Limited, and Head of the Americas and Europe (stationing in NY)
1999 Appointed Deputy President, Daiwa Securities SB Capital Markets Co., Ltd.
2004 Appointed Vice Chairman, AIG East Asia Holdings Management Inc.
2009 Appointed President and CEO, Fuji Fire and Marine Insurance Company, Limited
2011 Appointed Vice Chairman, Chartis Far East Holdings KK (now AIG Japan Holdings)
2014 Appointed Statutory Audit & Supervisory Board Member, Calbee, Inc. (current position)

Reason for Appointment
Mr. Kondoh has been appointed to key posts, including executive positions, in a large variety of companies, including financial institutions. Calbee judged that Mr. Kondoh would make an important contribution to the Company's audits based on his knowledge and experience.

Executive Officers

Executive Vice President

Makoto Ehara
Controller of Marketing Group and R&D Group

Senior Executive Officers

Shoji Tobayama
Controller of Human Resources & General Affairs Group, Administration Division, Internal Audit and Subsidiary Management

Takeshi Taniguchi
General Manager of Operation Group

Masakazu Fujii
Controller of Regional Business Divisions and Sales Group

Koichi Kikuchi
Chief Financial Officer, General Manager of Information System Group and Controller of IR and Strategic Planning and Corporate Communication Group

Yumiko Kamada
General Manager of New Business Development Group

Executive Officers

Kazuhiro Nakamura
General Manager of Hokkaido Division

Naosuke Takaoka
General Manager of East Japan Division

Tomoko Fukuyama
General Manager of Central Japan Division

Hideki Ishibe
General Manager of West Japan Division

Kazuya Tasaki
General Manager of Sales Group

Naoya Iwasaki
General Manager of Marketing Group

Hiroaki Yamasaki
General Manager of R&D Group

Satoshi Eguchi
In charge of R&D Special Project

Akira Imoto
General Manager of Quality Assurance Group

Chisa Hayakawa
General Manager of IR and Strategic Planning Group

Ayako Goto
General Manager of Corporate Communication Group

Shinobu Egi
General Manager of Human Resources & General Affairs Group

Kaoru Ishigaki
General Manager of Administration Division

Sho Keiei
General Manager of Overseas Business Division I

Yutaka Okabe
General Manager of Overseas Business Division II

Corporate Social Responsibility

Basic Approach to CSR

The Calbee Group's vision is to be respected, admired and loved as a corporate group by its customers, suppliers and distributors, its employees and their families, communities, and its shareholders. The Group's CSR approach is designed to realize this vision.

We therefore strive to benefit all of our stakeholders through CSR activities encompassing a range of areas, including quality control, social contribution, and environmental protection.

Initiatives to Ensure Safety and Security

Providing customers with products that are safe and secure is the most basic duty of any food product manufacturer. With regard to product quality, the Calbee Group has identified a policy of "pursuing higher quality based on the customer's perspective and delivering a constant stream of safe, reliable, delicious and satisfying products at reasonable prices." Carrying out this policy, all Group departments as well as external partners work together to provide high-quality products and services.

Initiatives to Ensure Product Quality

At Calbee factories, initiatives to prevent contamination include extensive staff training, meticulous visual examination of production lines and painstaking cleaning. Also, X-ray inspection equipment and metal detectors are used to screen the potatoes used as ingredients and finished products, respectively. Moreover, to ensure that our products are of the highest possible quality, we monitor the acid and peroxide content in edible oil, control the moisture, oil and salt content of products and check for microorganism contamination, in line with in-house standards that are more rigorous than is legally required.


A monitoring camera

To prevent malicious contamination of the food supply chain, an issue that has become a major concern for the general public in recent years, we installed monitoring cameras at all 16 of our domestic factories that handle foodstuffs in March 2015. This move enables the more systematic surveillance of operations at these facilities. In addition, the Company's president and executive officers perform facility inspection tours, making a round of all factories once a year.

We are also wary of product-related incidents, which may occur despite all the efforts described above and lead to product recalls. Following the occurrence of one such incident in November 2012, which led to a recall of all related products, we established a Basic Policy on Product Recall to better ensure our preparedness. Reflecting our Groupwide recognition that such incidents provide opportunities for further improvement, this basic policy makes customer safety paramount and prompt product recall an overriding concern while prioritizing swift information disclosure. Moreover, the policy clarifies a commitment among top management to taking the initiative in solving problems and thereby ensures that the causes of incidents are exhaustively investigated and measures to prevent recurrences are put in place.

The Calbee Group's Basic Policy on Product Recall

1. **Customer First**
   Ensure that not even one customer is exposed to a defective product
2. **Information Disclosure**
   Disclose information at hand with no exception
3. **Leadership of Top Management**
   Tackle all problems head-on and take the initiative
4. **Swift Recall**
   First and foremost, quickly execute the recall of any defective product
5. **Recurrence Prevention**
   Prevent the recurrence of any similar problem

Contribution to Local Communities

Basic Policy

The Calbee Group identified "Support for parenting," "Support for local communities" and "Protecting the environment" as the key themes of its social contribution activities. Putting these themes into practice, all employees are encouraged to proactively think about local contribution and take action under the initiative of the Social Contribution Committees in each business division.

In fiscal 2015, a total of 4,484 employees, including 513 from affiliates, participated in social contribution activities.

In fiscal 2015, our concrete initiatives included volunteer activities to aid in the recovery of areas hit by a major landslide that occurred in August 2014 in Hiroshima City. We also cleaned up areas around the Group's factories and offices and developed greenery in these areas while supporting sports events. By fulfilling its responsibility as a member of the local community, Calbee seeks to contribute to the common good of the whole world.

Support for Areas Affected by the Great East Japan Earthquake

The Calbee Group continues to support communities and people who were affected by the Great East Japan Earthquake in March 2011.

The MICHINOKU Future Fund, the earthquake orphans' fund, was jointly established by Calbee, KAGOME CO., LTD. and ROHTO Pharmaceutical Co., Ltd. The common wish of the three founding companies was to help children orphaned in the earthquake grow into adults without giving up their ambitions and dreams despite hardships, thereby nurturing future leaders who will spearhead the reconstruction of earthquake-stricken areas. To this end, the fund is intended to continue assisting those orphans in their pursuit of higher education over the next 25 years. In the four years since its establishment, 424 students have been able to advance to higher education with assistance from the fund. Fifty-seven of these young people have completed their formal education at short-term universities and vocational schools and taken their first step into the world as working adults. In fiscal 2015, the Calbee Group donated ¥41 million (including donations from 718 employees).

Food Communication

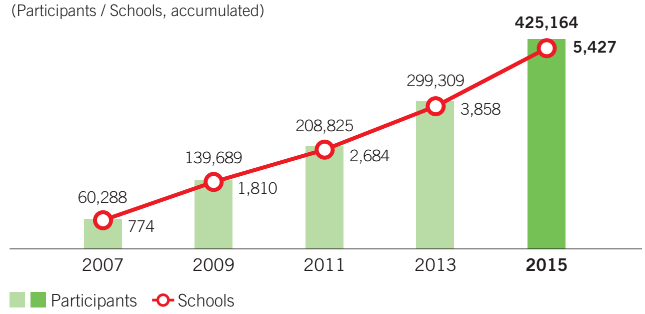
The Calbee Group is active in promoting a proper understanding of snack foods. To that end, our activities include the provision of educational programs designed to impart useful information on enjoyable eating through hands-on experience.

Specifically, since 2003 the Calbee Group has been providing on-demand, hands-on lessons at elementary schools throughout Japan under the title "Calbee Snack School." The lessons are designed to help children—society's future leaders—understand what makes a good diet to empower them to enjoy healthier and more active lives. In these lessons, we are also encouraging them to develop the habits of self control, using familiar snacks as examples.

Since the 2005 enactment of Japan's Basic Act on Food Education making dietary education a compulsory subject, a large number of schools have requested Calbee Snack School visits. Over the years following its launch, the Calbee Snack School program has visited around 5,400 schools and met with around 425,000 children and their parents.

Calbee Snack School Activities

(Participants / Schools, accumulated)



Examples of Fiscal 2015 Activities

Support for parenting	Support for local communities	Protecting the environment
Providing agricultural high school students in Miyagi Prefecture with advice on how to grow potatoes	Volunteer activities in areas hit by a landslide in Hiroshima	Cutting grass at Mina-Mina no Mori Forest in Hokkaido
Sponsoring a relay race for elementary school children in Hatsukaichi City, Hiroshima	Fund-raising campaign at Kakamigahara City Welfare Festival	Organizing the Kokaigawa Flower Festival in Ibaraki
Volunteer activities to support the Lake Biwa Nadeshiko U-12 Women's Soccer Cup in Shiga Prefecture	Volunteer activities to support Biei Healthy Marathon in Hokkaido	Cleanup activities on the coast of Sado Island in Niigata in concert with the triathlon
Renovating a multi-purpose hall in elementary school in Thailand	Volunteer visits to facilities for the elderly and children	Pruning trees in Kaisho-no Mori Center in Aichi
Donating picture books and toys to childcare facilities	Participation in blood donation campaigns by employees of each business site and factory	Cleanup activities in surrounding areas of each business site and factory
Snack education classes for children and parents	Participation in local festivals (Nebuta-Matsuri in Aomori, Domannaka-Matsuri in Koga City, Ibaraki, Ohara-Matsuri in Kagoshima, etc.)	Participation in community cleanup events

Environmental Initiatives

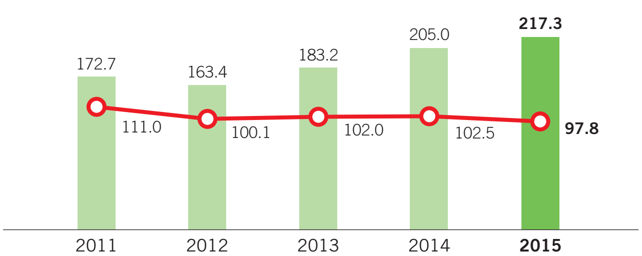
Basic Policy

The Calbee Group formulated the Calbee Group Environmental Declaration in May 2012. The declaration calls for the Group to take care when drawing on nature's gifts and, afterwards, to return the Earth to its natural state in as pristine a state as possible. As a member of today's global society, the entire Group constantly strives to reduce its CO_2 emissions, promote energy saving, reduce waste emissions, save water and protect the environment. As medium- to long-term targets, we aim to reduce the CO_2 emissions rate 11% compared with fiscal 2010 levels (1% annual reduction) and the waste and wastewater discharge rates by 30% by the end of fiscal 2021.

Combating Global Warming

With the aim of reducing CO_2 emissions, the Calbee Group examines its value chain—from raw material procurement through production, distribution and sales to the recycling of waste—to calculate the CO_2 emissions associated with each product. Addressing production, we work to increase efficiency, thereby enhancing our control of energy consumption. Specifically, we have improved the capacity utilization of the factories by increasing product sales while concentrating the production of small-lot items into single factories. Moreover, we are reducing emissions from product transportation by, for example, revising distribution routes, stepping up joint distribution with other confectionary makers, improving fuel efficiency through eco-friendly driving and promoting modal shifts in long-distance transportation. Thanks to these efforts, the Group's CO_2 emissions rate for fiscal 2015 fell 4.6% year on year to 97.8 tons per ¥100 million of net sales.

CO_2 Emissions and Emissions per ¥100 Million of Net Sales



CO_2 emissions rate per ¥100 million of net sales (tons of CO_2 / ¥100 million of net sales)

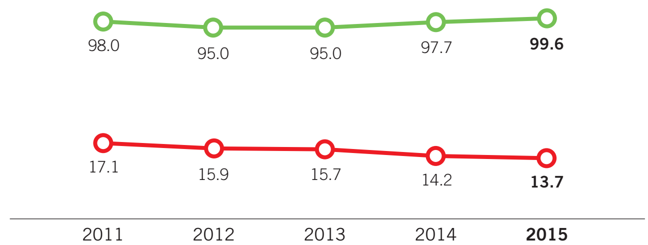
CO_2 emissions (thousands of tons)

Source: Calbee Group companies in Japan

Using Resources Efficiently

The Calbee Group is promoting initiatives to reduce and recycle waste to help realize a recycling-oriented society. In our manufacturing activities, we promote zero emissions in addition to recycling. Specific initiatives include the separation and collection of waste, limiting the creation of waste, and making effective use of both product losses and such vegetable waste as potato skins. In fiscal 2015, the Group's waste discharge rate was 13.7 tons per ¥100 million of net sales, making a year-on-year improvement of 3.3%. The recycling rate also improved 1.9 percentage points to 99.6%.

Waste Discharge Rate and Recycling Rate



Waste discharge rate per ¥100 million of net sales (tons of waste / ¥100 million of net sales)

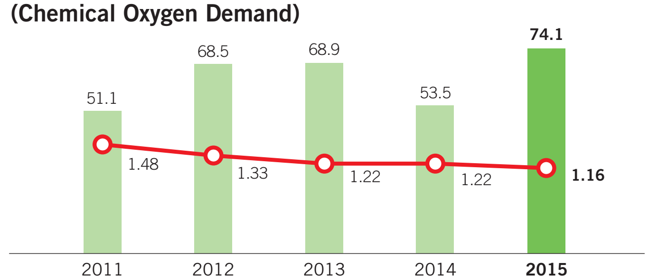
Recycling rate (%)

Source: Calbee Group companies in Japan

Use of Water Resources

The Calbee Group purifies its wastewater and is working to implement water recycling and reuse in the future. Continuing from fiscal 2014, the Group is concentrating the production of small-lot items into single factories to reduce the number of production changeovers undertaken and thereby reduce the volume of water usage. In fiscal 2015, the Group's wastewater discharge rate was 1.16 thousand m^3 per ¥100 million of net sales (down 5.0% year on year). We will continue striving to reduce water usage and to use it more efficiently going forward.

Wastewater Discharge Rate and COD (Chemical Oxygen Demand)



Wastewater discharge rate (m^3 / ¥100 million of net sales)

COD (tons)

Source: Calbee Group companies in Japan

Financial Section

Contents

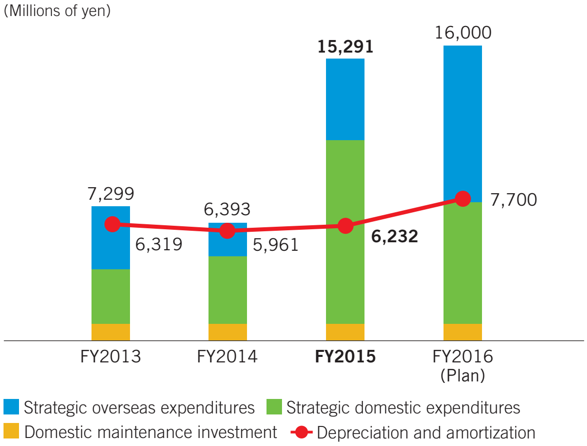
CFO Message

Koichi Kikuchi

Senior Executive Officer,
Chief Financial Officer

Prior to his present position, held since April 2014, Mr. Kikuchi served as Executive Officer and CFO from February 2012; having formerly served at Mitsui Trust Bank, Limited, PricewaterhouseCoopers Co., Ltd. and IBM Japan, Ltd.

Capital Expenditure / Depreciation and Amortization



Simultaneously Boosting Sales and Profitability

Calbee's annual sales growth over the past six years has averaged 8.3%. Over the same period, our operating margin has improved 7.7 percentage points. Looking ahead, securing both a greater operating margin and ongoing sales growth will be our focus to further strengthen our financial base. Accordingly, we will continue to improve manufacturing efficiency and selling, general and administrative (SG&A) expense control. Moreover, our plans call for doing this while simultaneously pursuing strategic investments.

Accelerating Investment in Growth Areas

After launching a new management framework in 2009, we divested all fixed assets that were not helping drive our business and narrowed the scope of capital expenditures down to growth opportunities with 15% or higher internal rate of return or cost-take-out initiatives. As a result, until March 2014, annual capital expenditures had dropped by half to around ¥5 to ¥7 billion per annum while annual depreciation shrank ¥2 billion over six years. However, capital expenditures in the fiscal year ended March 2015 rose to ¥15.3 billion as we invested in domestic production facilities for cereals, kettle chips and new potato-based snacks and accelerated overseas investments in North America, Southeast Asia and Europe. Going forward, we expect to continue strategic investment at around ¥15 to ¥20 billion per annum.

To Improve Shareholder Value

Over the past six years, Calbee's ROE has improved a total of 8.7 percentage points to 13.7%. We will continue to enhance our operating margin to improve ROE even further.

In aiming to return greater profits to shareholders, we are looking to raise the dividend payout ratio. In fact, in recent years the ratio has been increased around 2 percentage points a year as we move toward the goal of achieving a dividend payout ratio of 30% at the earliest possible date. To truly enhance value for our shareholders, we will keep an appropriate balance of investments to drive greater corporate value and the dividend payout ratio improvement.

Wanting our shareholders to be looking forward to hearing news about our performance as the end of each fiscal year comes round, we will continue to work hard on the initiatives discussed above. I ask for your ongoing support of our business activities.

Six-Year Summary

Years ended March 31, 2015, 2014, 2013, 2012, 2011 and 2010

	Millions of yen						Thousands of U.S. dollars (Note 1)
	2015	2014	2013	2012	2011	2010	**2015**
For the Year:							
Net sales	**¥222,150**	¥199,941	¥179,411	¥163,269	¥155,529	¥146,453	**$1,848,633**
Operating income	**24,183**	19,717	15,791	12,247	10,717	9,534	**201,242**
Operating margin (%)	**10.9**	9.9	8.8	7.5	6.9	6.5	—
Net income	**14,115**	12,086	9,441	7,097	4,253	4,017	**117,458**
Net income margin (%)	**6.4**	6.0	5.3	4.3	2.7	2.7	—
ROE (%)	**13.7**	13.1	11.4	9.6	6.5	7.1	—
Research and development costs	**2,052**	2,162	2,288	1,811	2,213	3,097	**17,079**
Capital expenditures	**15,291**	6,393	7,299	5,423	4,050	3,390	**127,244**
Depreciation and amortization	**6,232**	5,961	6,319	6,676	7,244	7,915	**51,863**
Per Share (¥/$) (Note 2)**:**							
Net income	**105.82**	91.46	72.18	55.07	36.62	36.01	**0.88**
Net assets	**821.97**	729.93	664.55	596.66	550.14	529.44	**6.84**
Cash dividends	**28.00**	22.00	15.50	10.50	7.00	6.00	**0.23**
Payout ratio (%)	**26.5**	24.1	21.5	19.1	19.1	16.7	—
At Year-End:							
Total assets	**161,969**	140,967	124,793	108,475	99,394	93,658	**1,347,828**
Net assets	**118,800**	104,466	92,685	80,418	72,925	63,770	**988,603**
Working capital	**55,314**	50,161	36,303	25,211	16,132	123	**460,294**
Interest-bearing debt	**402**	—	7	7	300	7,493	**3,347**
Equity ratio (%)	**67.7**	69.1	70.2	71.6	70.7	65.2	—
Debt to equity ratio (times)	**0.0**	0.0	0.0	0.0	0.0	0.1	—
Number of consolidated subsidiaries	**22**	22	21	18	18	18	—
Number of employees (consolidated)	**3,477**	3,341	3,352	3,053	2,911	2,864	—
Cash Flows:							
Net cash provided by operating activities	**22,266**	23,479	17,329	7,050	16,665	19,492	**185,291**
Net cash used in investing activities	**(9,422)**	(17,042)	(13,000)	(5,348)	(620)	(11,378)	**(78,406)**
Net cash providing by (used in) financing activities	**(2,878)**	(383)	607	(411)	(2,125)	(6,954)	**(23,950)**
Cash and cash equivalents at end of year	**42,572**	31,593	25,332	19,449	18,238	4,469	**354,268**

Notes: 1. U.S. dollar amounts are presented, for convenience only, at a conversion rate of ¥120.17 = US$1, the approximate Tokyo foreign exchange market rate as of March 31, 2015.
2. A 50-for-1 share split was conducted on January 14, 2011, and a 4-for-1 share split was implemented on October 1, 2013. Per share figures were retroactively adjusted to reflect these stock splits.

Management's Discussion and Analysis

Operating Results

Net Sales

In the fiscal year ended March 31, 2015 (fiscal 2015), consolidated net sales increased ¥22,209 million, up 11.1% year on year to ¥222,150 million due to strong performance in the production and sale of snacks and other foods, the Company's only reporting segment.

Production and Sale of Snacks and Other Foods

Sales in the production and sale of snacks and other foods segment increased 11.2% to ¥218,900 million, led by our competitive snack foods and cereals, as well as overseas business expansion.

Snack Foods

Snack food sales grew 9.8% to ¥190,069 million due to growth in sales of potato-based snacks, corn-based snacks and overseas business.

1. Potato-Based Snacks

Sales of potato-based snacks increased 6.8% to ¥119,453 million.

Potato chips: Domestic market share grew thanks to the strong sales of the mainstay *Basic Potato Chips* series (*Usushio, Consome Punch, Norishio*) and the expanded *Kata-Age Potato* lineup as well as growing orders for private-brand products from retailers.

Jagarico: Sales rose due to the launch of a cod roe and butter flavored version offered in large-sized packages and time-limited special releases.

Jagabee: Sales declined year-on-year, but have been recovering since January 2015 thanks to the strengthening of the product lineup.

2. Flour-Based Snacks

Sales of flour-based snacks increased 0.5% to ¥21,972 million with firm sales of such items as *Calbee Light! Kappa Ebisen* featuring a 25% lower oil content.

3. Corn-Based Snacks

Sales of corn-based snacks increased 21.8% to ¥17,802 million backed by strong sales of popcorn. Specifically, orders for private–brand products from retailers grew, while sales of *Garrett Popcorn Shops*®, a popular brand in Chicago, are also trending well.

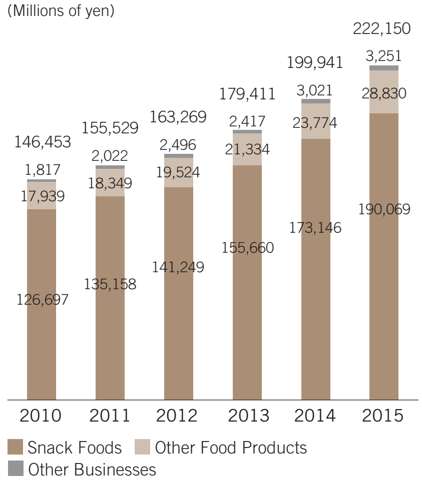
4. Domestic Other Snacks

Sales of domestic other snacks decreased 6.5% to ¥8,401 million due to decreased sales from *Vegips* and other factors.

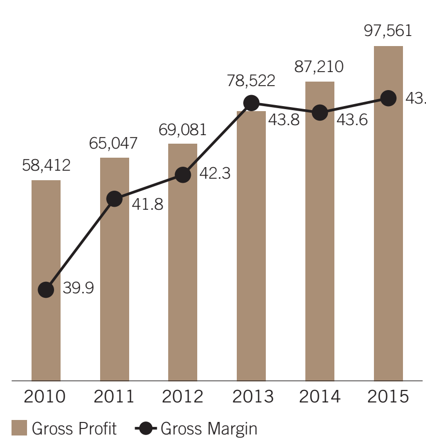
5. Overseas Snacks

Sales of overseas snacks increased 42.1% to ¥22,441 million reflecting strong showings among our North American and South Korean businesses. Sales of *Harvest Snaps* (*Snapea Crisps*) and *Honey Butter Chips* were strong in North America and South Korea, respectively. Plans call for building new factories for both product lines to accommodate the burgeoning demand that is outstripping our supply capacity.

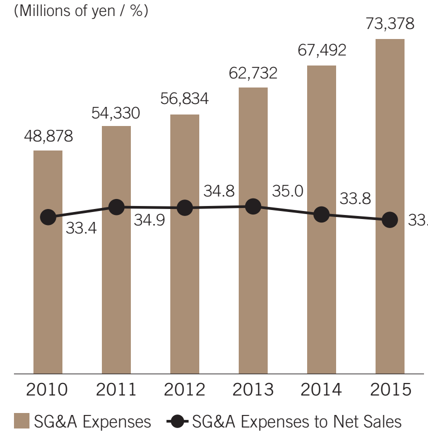
Net Sales
(Millions of yen)



Gross Profit / Gross Margin
(Millions of yen / %)



SG&A Expenses / SG&A Expenses to Net Sales
(Millions of yen / %)



Other Food Products

Sales of other food products rose 21.3% to ¥28,830 million due to a large increase in sales of *Frugra* (fruit granola). Boasting the top market share as well as runaway sales growth, *Frugra* is driving the expansion of the cereal market.

Other Businesses

In other business, sales increased 7.6% to ¥3,251 million due to firm sales from the distribution business.

Gross Profit

Gross profit grew ¥10,352 million, up 11.9% year on year to ¥97,561 million. This was due in part to the success of our cost reduction efforts involving the improvement of capacity utilization and production efficiency, which have offset the effect of rises in raw material prices owing to the depreciation of the yen. Also making significant contributions were strong overseas sales, particularly from our highly profitable North American operations. In step with this rise, the gross margin rose 0.3 of a percentage point to 43.9%.

Selling, General and Administrative Expenses

Selling, general and administrative (SG&A) expenses increased ¥5,886 million, up 8.7% year on year to ¥73,378 million. Although we pursued an aggressive program of sales promotion spending in such overseas markets as North America, our focus for domestic spending was strictly limited to the effective use of funds. Moreover, as the pace of sales growth surpassed that in SG&A expenses, the ratio of SG&A expenses to net sales improved 0.7 of a percentage point, to 33.0%.

Operating Income

As a result of the above, operating income rose ¥4,466 million, up 22.6% to ¥24,183 million. The operating margin increased 1.0 percentage point to 10.9%.

Other Income (Expenses)

Net other income decreased ¥784 million to ¥35 million. Although foreign exchange gains rose ¥546 million year on year to ¥1,319 million in step with the depreciation of the yen, net other expenses included a ¥837 million impairment loss including the fixed assets of Calbee (Hangzhou) Foods Co., Ltd., whose performance continues to be sluggish, and a ¥230 million loss on sales of property, plant and equipment.

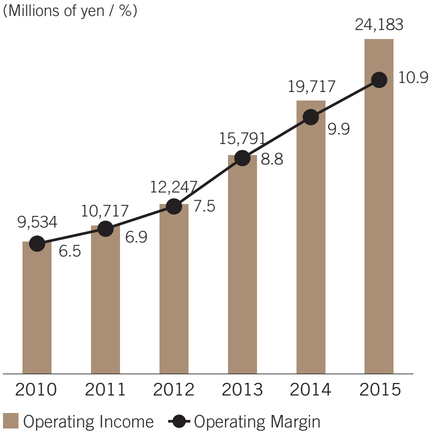
Net Income

As a result of the above, net income rose ¥2,028 million, up 16.8% year on year to ¥14,115 million. Net income per share was ¥105.82. After the dilution of common shares, net income per share was ¥105.54. ROE improved 0.6 of a percentage point to 13.7%.

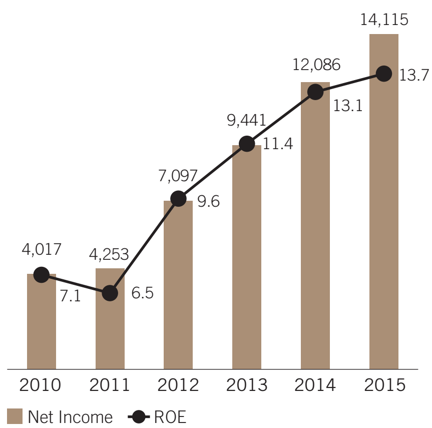
Financial Position

Total assets as of March 31, 2015, were ¥161,969 million, an increase of ¥21,002 million. Factors contributing to the increase in total assets included increases in notes and accounts receivable—trade, securities and property, plant and equipment. The increase in notes and accounts receivable—trade was driven by increased sales. The increase in securities

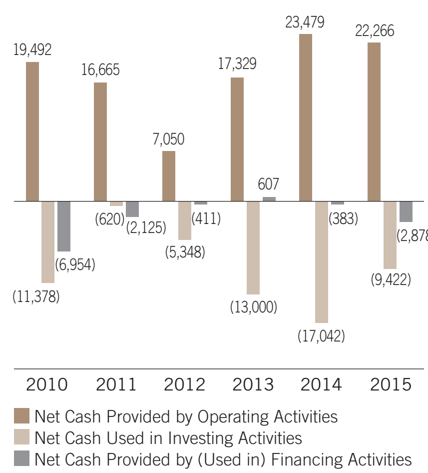
Operating Income / Operating Margin
(Millions of yen / %)



Net Income / ROE
(Millions of yen / %)



Cash Flows
(Millions of yen)



resulted from the acquisition of commercial paper and yen-denominated bonds. The increase in property, plant and equipment was driven by the expansion of production lines for strong-selling *Frugra* and the acquisition of production facilities overseas, including factories in North America.

Total current liabilities increased ¥5,554 million to ¥34,228 million reflecting increases in notes and accounts payable—trade and others.

Total non-current liabilities increased ¥1,113 million to ¥8,940 million due to a rise in net defined benefit liabilities.

Net assets increased ¥14,334 million to ¥118,800 million. Factors contributing to this outcome included rises in retained earnings and minority interests.

The equity ratio decreased 1.4 percentage points from the end of the previous fiscal year to 67.7%, and net assets per share was ¥821.97.

Cash Flow

Cash and cash equivalents as of March 31, 2015 amounted to ¥42,572 million, ¥10,980 million higher than at the end of the previous fiscal year. The main contributing factors are detailed below.

Cash flows from operating activities

Operating activities during the period under review resulted in a net cash inflow of ¥22,266 million, compared to an inflow of ¥23,479 million in the previous fiscal year. Primary cash inflows included income before income taxes and minority interests of ¥24,218 million and depreciation and amortization of ¥6,232 million, which were partially offset by such outflows as an increase in notes and accounts receivable of ¥3,261 million and income taxes paid of ¥9,301 million.

Cash flows from investing activities

Investing activities during the period under review resulted in a net cash outflow of ¥9,422 million, compared to an outflow of ¥17,042 million for the previous fiscal year. Outflows included ¥14,319 million for the acquisition of property, plant and equipment and ¥24,990 million for the acquisition of marketable securities, both of which were partially offset by inflows of ¥5,500 million in proceeds from withdrawal of time deposits and ¥26,000 million in proceeds from redemption of marketable securities.

Cash flows from financing activities

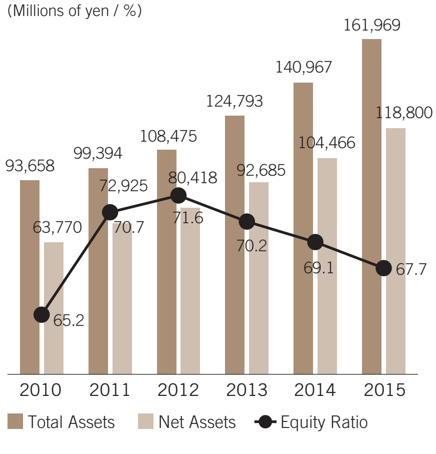
Financing activities during the period under review resulted in a net cash outflow of ¥2,878 million, compared to an outflow of ¥383 million for the previous fiscal year, due to a ¥3,537 million outflow for cash dividends paid.

Capital Expenditures

In fiscal 2015, capital expenditures totaled ¥15,291 million, up 139.2%, or ¥8,898 million, compared with the previous fiscal year. Of this total, ¥10,856 million went to domestic operations and ¥4,435 million went to overseas operations. The main components of domestic capital expenditure were ¥3,897 million used to expand *Frugra* production facilities and ¥2,112 million used to acquire production facilities for fabricated potato chips. Meanwhile, overseas capital expenditures included ¥1,805 million used to establish a North American factory and acquire other production facilities. For fiscal 2016, ending March 31, 2016, the Group plans capital expenditures totaling ¥16,000 million.

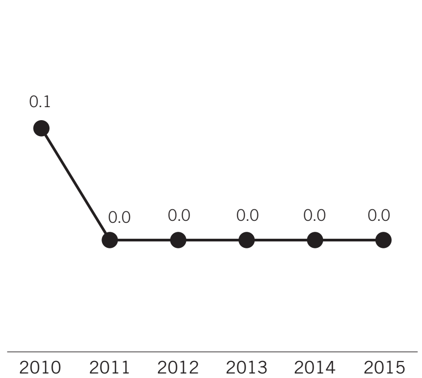
Total Assets / Net Assets / Equity Ratio

(Millions of yen / %)



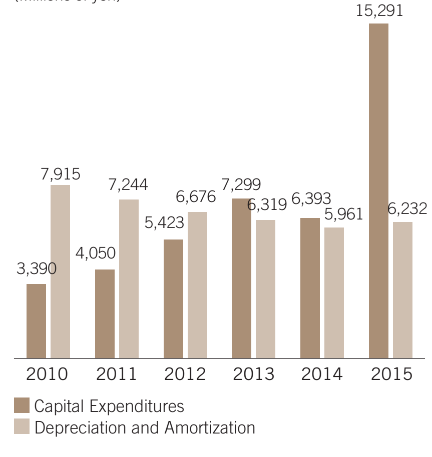
Debt to Equity Ratio

(Times)



Capital Expenditures / Depreciation and Amortization

(Millions of yen)



Business Risks

The major risks to which Calbee is exposed in its operations are described below. In the interests of full disclosure, information has also been provided on risks that are not anticipated to necessarily have a major impact on the business but have been deemed important to facilitate a better understanding of Calbee's business activities.

Recognizing the possibility that such risks may materialize, Calbee's policy is to avoid these risks where possible and to mitigate any impact in the event that they materialize. The risks and forward-looking statements described below are based on judgments made by Calbee as of the date of publication of this report.

1. Product Development

Calbee conducts research and development activities to provide customers with unique, value-added products that maximize the nutritional content and flavor of natural ingredients. Meanwhile, there is considerable change underway in Calbee's operating environment owing to diversifying customer tastes, growing health awareness, and Japan's low birthrate and ageing society. The ability to rapidly respond to these changes and develop high value-added products is becoming an increasingly important factor in Calbee's business expansion. As such, Calbee conducts research and development activities in accordance with annual plans in the areas of new product development, existing product improvement, cost reduction, and analysis of ingredients and nutrients. However, there is no guarantee that investment in these development activities will result in the successful launch of new products, and any divergence between research and development themes and market needs could have an impact on Calbee's operating results and financial position.

2. Ingredient Procurement

In principle, imports of raw potatoes, the main ingredient of potato snacks such as *Potato Chips, Jagarico* and *Jagabee,* are not permitted into Japan under the Plant Protection Act. In order to secure sufficient supplies of domestically produced high-quality potatoes at a stable price, Calbee has sought to build a procurement system based on ongoing grower contracts concluded since launching its first potato snacks. Although these grower contracts enable stable supplies, harvest conditions could prevent Calbee from securing sufficient supplies of raw potatoes, resulting in sales opportunity losses and increased costs due to emergency procurement that could have an impact on Calbee's operating results and financial position.

Moreover, changes in demand trends and fluctuations in the price of crude oil and in foreign exchange markets could affect procurement costs for a wide range of raw materials such as edible oils, other ingredients and product packaging, which could also have an impact on Calbee's operating results and financial position.

3. Product Safety

Consumer demands for greater food safety have increased in recent years. In assuming responsibility for responding to these demands, Calbee strictly monitors the quality of ingredients and manufacturing processes and takes all possible precautions to ensure product quality and prevent contamination. However, unforeseen problems related to ingredients and manufacturing processes could have an impact on Calbee's operating results and financial position.

Furthermore, in April 2002, the Swedish government released the results of research showing that grilling or frying foods with high carbohydrate content can generate acrylamide, a carcinogen. Japan's Ministry of Health, Labour and Welfare has said it does not foresee any health impact from this substance for people who consume average amounts of this type of food, and at this point, there has been no impact on Calbee's operating results. Nevertheless, this issue could develop in the future to the point where it has an impact on the entire snack foods industry.

4. Competitive Risk

Calbee has a large and stable share of the domestic snack food market. However, intensifying competition from rival domestic companies, a significant influx of foreign-owned companies into the market, or sector realignment due to M&A deals could have an impact on Calbee's operating results and financial position.

In addition, choosing to lower prices in response to price reductions implemented by competitors could result in lower profit margins and other outcomes, which in turn could have an impact on Calbee's operating results and financial position.

5. Global Expansion

Calbee is using subsidiaries overseas to expand its operations outside the Japanese market. Calbee believes it is necessary to strengthen and expand overseas business to deliver growth over the longer term. Going forward, Calbee intends to expand its operations more rapidly and boost its competitiveness. However, if efforts to develop its presence in global markets do not proceed as anticipated it may be necessary for Calbee to review its growth strategy. In addition, as Calbee expands its operations, changes in the political and economic conditions of a variety of countries and regions, as well as fluctuations in foreign exchange markets, could have an impact on Calbee's operating results and financial position.

6. Relationship with Major Shareholder

As of March 31, 2015, Frito-Lay Global Investments B.V. (FLGI), a wholly owned subsidiary of PepsiCo, Inc., (PepsiCo) owned 20.00% of Calbee, Inc. shares (after full dilution) making Calbee (the Company) an equity-method affiliate of PepsiCo. FLGI, which directly owns the shares of the Company, is a wholly owned PepsiCo subsidiary, so PepsiCo effectively makes all decisions regarding the exercise of common share voting rights. PepsiCo is one of the world's largest food and beverage makers and is listed on the New York Stock Exchange. Also, PepsiCo operates globally in the same snack foods field as the Company via group companies, primarily its subsidiary Frito-Lay North America, Inc.

On June 24, 2009, the Company and PepsiCo concluded a strategic alliance agreement, based on the understanding that combining management capabilities to generate synergies was necessary to deliver sustained growth for both companies. In order to reinforce the partnership with PepsiCo, the Company allocated new shares to PepsiCo's wholly owned subsidiary FLGI via a private placement, and at the same time, acquired all the shares of PepsiCo's subsidiary Japan Frito-Lay Ltd.

Under the strategic partnership, PepsiCo has agreed not to operate a snack food business in the Japanese market and therefore does not compete with the Company in Japan. Also, because no restrictions have been placed on overseas business development, the Company believes there are no limits on its management decisions or business development under the agreement.

The Company intends to maintain this strategic partnership and work toward boosting corporate value. However, in the future it may no longer be possible to generate synergies from the partnership in the event that PepsiCo makes changes to its management policy and business strategy. In addition, the PepsiCo Group could become a competitor in the Japanese market in the event that the partnership is dissolved for any reason. Any of these developments could have an impact on Calbee's operating results and financial position.

a. Personnel Relationship

Currently, one person from the PepsiCo Group has been invited to sit on the Company's Board of Directors as an outside director. The Company made this invitation in order to benefit from the individual's detailed understanding of the global food industry and her knowledge and experience as a manager of a multinational company.

Name	Position at the Company	Position in the PepsiCo Group
Anindita Mukherjee	Director	President, Global Snacks Group and PepsiCo Global Insights of PepsiCo

b. Business Relationship

The Company's subsidiary Japan Frito-Lay Ltd. receives imports of snack foods from Frito-Lay, Inc., a PepsiCo Group company. In addition, the Company's subsidiary Calbee North America, LLC sells snack foods to PepsiCo Group's Frito-Lay North America, Inc.

c. Capital Relationship

Under the strategic partnership with PepsiCo, the Company and PepsiCo have agreed that from the perspective of maintaining the strategic partnership, PepsiCo shall not own more than 20.00% of the Company's shares. In future, PepsiCo's ownership ratio in the Company may be subject to change, owing to changes in the management policies or business strategies of PepsiCo or the Company, or as a result of other factors such as changes in the Company's business environment.

7. Legal Regulations

In the course of its business activities, Calbee is subject to a range of legal regulations, including the Food Sanitation Act, Act against Unjustifiable Premiums and Misleading Representations, Measurement Act, Unfair Competition Prevention Act, Plant Protection Act, and Consumer Product Safety Act. Calbee may incur additional costs to respond to revisions to these regulations or their abolishment and the implementation of new regulations, and this could have an impact on Calbee's operating results and financial position.

Calbee has also received a variety of permits and licenses necessary to conduct its business activities. However, Calbee's business activities may be restricted if these permits and licenses are withdrawn due to legal infringements or other reasons, which could have an impact on Calbee's operating results and financial position.

8. Natural Disaster Risk

Calbee conducts necessary periodic inspections of its manufacturing lines to avoid the risk of shutdowns to these lines. It has also built a stable product supply framework by dispersing its manufacturing sites. However, there is no guarantee that manufacturing facilities will not be damaged as a result of a natural disaster or other event. Any such damage to facilities could lead to a drop in sales and an increase in costs, which could have an impact on Calbee's operating results and financial position.

Consolidated Balance Sheets

Calbee, Inc. and Consolidated Subsidiaries
March 31, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars (Note 5)
	2015	2014	**2015**
Assets			
Current assets:			
Cash and deposits (Notes 6 and 14)	**¥ 18,892**	¥ 18,784	**$ 157,210**
Notes and accounts receivable (Notes 6 and 13)	**21,120**	17,392	**175,748**
Marketable securities (Notes 6 and 7)	**34,996**	29,998	**291,219**
Inventories (Note 8)	**8,037**	6,523	**66,881**
Deferred tax assets (Note 10)	**2,641**	2,829	**21,974**
Others	**3,862**	3,313	**32,134**
Allowance for doubtful accounts	**(5)**	(4)	**(45)**
Total current assets	**89,541**	78,834	**745,123**
Property, plant and equipment:			
Land	**11,502**	10,774	**95,712**
Buildings and structures (Note 18)	**56,900**	55,878	**473,498**
Machinery and vehicles (Note 18)	**81,919**	78,419	**681,691**
Lease assets	**247**	330	**2,055**
Construction in progress (Note 18)	**9,387**	1,010	**78,118**
Others (Note 18)	**4,638**	4,095	**38,593**
	164,593	150,505	**1,369,668**
Accumulated depreciation	**(104,838)**	(100,339)	**(872,418)**
Property, plant and equipment, net	**59,755**	50,166	**497,250**
Investments and other assets:			
Investment securities (Notes 6 and 7)	**2,099**	1,515	**17,470**
Investments in affiliates (Notes 6 and 7)	**12**	12	**97**
Long-term loans	**93**	230	**776**
Deferred tax assets (Note 10)	**1,348**	1,454	**11,217**
Net defined benefit asset (Notes 3 and 12)	**2,067**	1,891	**17,200**
Goodwill	**2,720**	3,347	**22,633**
Others	**4,413**	3,611	**36,722**
Allowance for doubtful accounts	**(79)**	(93)	**(660)**
Total investments and other assets	**12,673**	11,966	**105,456**
Total assets	**¥161,969**	¥140,967	**$1,347,828**

	Millions of yen		Thousands of U.S. dollars (Note 5)
	2015	2014	2015
Liabilities			
Current liabilities:			
Notes and accounts payable (Note 6)	**¥ 9,387**	¥ 7,898	**$ 78,117**
Short-term borrowings (Note 9)	**402**	—	**3,347**
Lease obligations (Note 9)	**53**	63	**437**
Other payables	**5,166**	3,740	**42,986**
Income taxes payable	**5,174**	5,324	**43,056**
Deferred tax liabilities (Note 10)	**—**	126	**—**
Allowance for bonuses	**3,775**	3,574	**31,417**
Allowance for directors' bonuses	**199**	218	**1,654**
Allowance for stock payments (Note 4)	**83**	14	**692**
Others	**9,989**	7,717	**83,121**
Total current liabilities	**34,228**	28,673	**284,829**
Non-current liabilities:			
Lease obligations (Note 9)	**77**	83	**641**
Deferred tax liabilities (Note 10)	**373**	293	**3,106**
Allowance for directors' retirement benefits	**573**	592	**4,771**
Allowance for directors' stock payments (Note 4)	**133**	—	**1,104**
Net defined benefit liability (Notes 3 and 12)	**7,076**	6,134	**58,884**
Asset retirement obligations	**638**	640	**5,307**
Others	**70**	85	**583**
Total non-current liabilities	**8,940**	7,827	**74,397**
Net assets (Note 11):			
Shareholders' equity:			
Common stock:			
Authorized 2015 — 176,000,000 shares Authorized 2014 — 176,000,000 shares Issued 2015 — 133,629,800 shares Issued 2014 — 133,507,800 shares	**11,975**	11,946	**99,651**
Additional paid-in capital	**11,543**	11,514	**96,057**
Retained earnings	**84,956**	74,260	**706,966**
Treasury stock — 228,132 shares in 2015 104,232 shares in 2014	**(699)**	(262)	**(5,821)**
Total shareholders' equity	**107,775**	97,458	**896,853**
Accumulated other comprehensive income:			
Unrealized holding gain on securities	**617**	211	**5,135**
Foreign currency translation adjustments	**2,378**	973	**19,786**
Remeasurements of defined benefit plans (Notes 3 and 12)	**(1,117)**	(1,266)	**(9,294)**
Total accumulated other comprehensive income (loss)	**1,878**	(82)	**15,626**
Subscription rights	**26**	35	**212**
Minority interests	**9,122**	7,056	**75,912**
Total net assets	**118,800**	104,466	**988,603**
Total liabilities and net assets	**¥161,969**	¥140,967	**$1,347,828**

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Income

Calbee, Inc. and Consolidated Subsidiaries
Years ended March 31, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars (Note 5)
	2015	2014	**2015**
Net sales	**¥222,150**	¥199,941	**$1,848,633**
Cost of sales (Notes 8 and 16)	**124,589**	112,731	**1,036,772**
Gross profit	**97,561**	87,210	**811,862**
Selling, general and administrative expenses (Notes 15 and 16)	**73,378**	67,492	**610,620**
Operating income	**24,183**	19,717	**201,242**
Other income (expenses):			
Interest and dividend income	**302**	97	**2,510**
Interest expense	**(5)**	(6)	**(45)**
Foreign exchange gains	**1,319**	773	**10,975**
Business commencement expenses	**(369)**	(10)	**(3,070)**
Gain on sales of investment securities (Note 7)	**11**	376	**90**
Loss on sales of property, plant and equipment (Note 17)	**(230)**	(11)	**(1,913)**
Loss on disposal of property, plant and equipment (Note 17)	**(300)**	(139)	**(2,499)**
Impairment loss (Note 18)	**(837)**	(186)	**(6,962)**
Loss on cancellation of outsourcing agreement	**—**	(253)	**—**
Other	**144**	177	**1,202**
Income before income taxes and minority interests	**24,218**	20,536	**201,530**
Income taxes (Note 10):			
Current	**(9,191)**	(8,502)	**(76,479)**
Deferred	**(121)**	270	**(1,008)**
	(9,312)	(8,232)	**(77,487)**
Income before minority interests	**14,906**	12,305	**124,043**
Minority interests	**(791)**	(218)	**(6,585)**
Net income	**¥ 14,115**	¥ 12,086	**$ 117,458**

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Comprehensive Income

Calbee, Inc. and Consolidated Subsidiaries
Years ended March 31, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars (Note 5)
	2015	2014	**2015**
Income before minority interests	**¥14,906**	¥12,305	**$124,043**
Other comprehensive income (Note 19):			
Unrealized holding gain on securities	**406**	113	**3,383**
Foreign currency translation adjustments	**2,521**	900	**20,979**
Remeasurements of defined benefit plans	**149**	—	**1,242**
Total other comprehensive income	**3,077**	1,013	**25,604**
Comprehensive income	**¥17,983**	¥13,317	**$149,647**
Comprehensive income attributable to the owners of the Company	**¥16,075**	¥12,672	**$133,768**
Comprehensive income attributable to minority interests	**¥ 1,908**	¥ 645	**$ 15,879**

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Changes in Net Assets

Calbee, Inc. and Consolidated Subsidiaries
Years ended March 31, 2015 and 2014

		Millions of yen				
		Shareholders' Equity				
	Number of Shares of Common Stock Outstanding	Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Stock	Total Shareholders' Equity
Balance at April 1, 2013	32,937,450	¥11,587	¥11,155	¥64,216		¥ 86,957
Share split	98,942,850					
Issuance of stock (exercise of subscription rights)	1,627,500	360	360			719
Cash dividends paid				(2,042)		(2,042)
Net income				12,086		12,086
Purchase of treasury stock					¥(262)	(262)
Net changes during the year						
Balance at April 1, 2014	**133,507,800**	**11,946**	**11,514**	**74,260**	**(262)**	**97,458**
Cumulative effect of change in accounting policy				**(482)**		**(482)**
Restated Balance		**11,946**	**11,514**	**73,778**	**(262)**	**96,977**
Issuance of stock (exercise of subscription rights)	**122,000**	**29**	**29**			**58**
Cash dividends paid				**(2,937)**		**(2,937)**
Net income				**14,115**		**14,115**
Purchase of treasury stock					**(450)**	**(450)**
Disposal of treasury stock					**12**	**12**
Net changes during the year						
Balance at March 31, 2015	**133,629,800**	**¥11,975**	**¥11,543**	**¥84,956**	**¥(699)**	**¥107,775**

	Millions of yen						
	Accumulated Other Comprehensive Income						
	Unrealized Holding Gain on Securities	Foreign Currency Translation Adjustments	Remeasure-ments of Defined Benefit Plans	Total Accumulated Other Comprehensive income	Subscription Rights	Minority Interests	Total Net Assets
Balance at April 1, 2013	¥ 98	¥ 500		¥ 598	¥51	¥5,080	¥ 92,685
Share split							
Issuance of stock (exercise of subscription rights)					(16)		703
Cash dividends paid							(2,042)
Net income							12,086
Purchase of treasury stock							(262)
Net changes during the year	113	473	¥(1,266)	(680)		1,976	1,296
Balance at April 1, 2014	**211**	**973**	**(1,266)**	**(82)**	**35**	**7,056**	**104,466**
Cumulative effect of change in accounting policy							**(482)**
Restated Balance	**211**	**973**	**(1,266)**	**(82)**	**35**	**7,056**	**103,985**
Issuance of stock (exercise of subscription rights)					**(9)**		**49**
Cash dividends paid							**(2,937)**
Net income							**14,115**
Purchase of treasury stock							**(450)**
Disposal of treasury stock							**12**
Net changes during the year	**406**	**1,404**	**149**	**1,960**		**2,067**	**4,027**
Balance at March 31, 2015	**¥617**	**¥2,378**	**¥(1,117)**	**¥1,878**	**¥26**	**¥9,122**	**¥118,800**

See accompanying notes to the consolidated financial statements.

		Thousands of U.S. Dollars (Note 5)				
		Shareholders' Equity				
	Number of Shares of Common Stock Outstanding	Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Stock	Total Shareholders' Equity
Balance at April 1, 2014	**133,507,800**	**$99,410**	**$ 95,816**	**$617,957**	**$(2,181)**	**$811,002**
Cumulative effects of changes in accounting policy				**(4,007)**		**(4,007)**
Restated Balance		**99,410**	**95,816**	**613,950**	**(2,181)**	**806,995**
Issuance of stock (exercise of subscription rights)	**122,000**	**241**	**241**			**482**
Cash dividends paid				**(24,442)**		**(24,442)**
Net income				**117,458**		**117,458**
Purchase of treasury stock					**(3,743)**	**(3,743)**
Disposal of treasury stock					**102**	**102**
Net changes during the year						
Balance at March 31, 2015	**133,629,800**	**$99,651**	**$96,057**	**$706,966**	**$(5,821)**	**$896,853**

	Thousands of U.S. Dollars (Note 5)						
	Accumulated Other Comprehensive Income						
	Unrealized Holding Gain on Securities	Foreign Currency Translation Adjustments	Remeasure-ments of Defined Benefit Plans	Total Accumulated Other Comprehensive income	Subscription Rights	Minority Interests	Total Net Assets
Balance at April 1, 2014	**$1,754**	**$ 8,099**	**$(10,537)**	**$ (684)**	**$288**	**$58,714**	**$869,320**
Cumulative effects of changes in accounting policy							**(4,007)**
Restated Balance	**1,754**	**8,099**	**(10,537)**	**(684)**	**288**	**58,714**	**865,313**
Issuance of stock (exercise of subscription rights)					**(76)**		**406**
Cash dividends paid							**(24,442)**
Net income							**117,458**
Purchase of treasury stock							**(3,743)**
Disposal of treasury stock							**102**
Net changes during the year	**3,381**	**11,687**	**1,242**	**16,310**		**17,198**	**33,508**
Balance at March 31, 2015	**$5,135**	**$19,786**	**$ (9,294)**	**$15,626**	**$212**	**$75,912**	**$988,603**

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Cash Flows

Calbee, Inc. and Consolidated Subsidiaries
Years ended March 31, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars (Note 5)
	2015	2014	2015
Cash flows from operating activities:			
Income before income taxes and minority interests	¥24,218	¥20,536	$201,530
Depreciation and amortization	6,232	5,961	51,863
Impairment loss	837	186	6,962
Goodwill amortization	647	637	5,385
Increase (decrease) in allowance for bonuses	193	(73)	1,610
Increase (decrease) in net defined benefit liability	331	517	2,755
Interest and dividend income	(302)	(97)	(2,510)
Interest expense	5	6	45
Foreign exchange losses (gains)	(842)	(254)	(7,011)
Net loss (gain) on sales of investment securities	(11)	(376)	(90)
Net loss (gain) on sales of property, plant and equipment	222	(39)	1,851
Loss on disposal of property, plant and equipment	300	139	2,499
Decrease (increase) in notes and accounts receivables	(3,261)	2,607	(27,135)
Decrease (increase) in inventories	(1,301)	(776)	(10,823)
Increase (decrease) in notes and accounts payable	1,304	1,135	10,854
Increase (decrease) in other payables	490	(54)	4,080
Others	2,210	1,709	18,388
Subtotal	31,274	31,763	260,251
Interest and dividends received	294	83	2,450
Interest paid	(1)	(15)	(10)
Income taxes paid	(9,301)	(8,353)	(77,399)
Net cash provided by operating activities	22,266	23,479	185,291
Cash flows from investing activities:			
Acquisition of property, plant and equipment	(14,319)	(6,025)	(119,156)
Proceeds from sale of property, plant and equipment	19	266	162
Acquisition of intangible fixed assets	(972)	(368)	(8,088)
Acquisition of marketable securities	(24,990)	(11,995)	(207,957)
Proceeds from redemption of marketable securities	26,000	3,000	216,360
Proceeds from sale of investment securities	19	381	155
Payment into time deposits	(518)	(6,123)	(4,307)
Proceeds from withdrawal of time deposits	5,500	3,863	45,772
Payment of security deposit	(276)	(285)	(2,293)
Collection of security deposit	92	247	767
Others	21	(2)	177
Net cash used in investing activities	(9,422)	(17,042)	(78,406)
Cash flows from financing activities:			
Net increase (decrease) in short-term borrowings	369	—	3,067
Purchase of treasury stock	(450)	(262)	(3,743)
Inflow from exercise of stock options	49	703	406
Repayment for lease obligations	(66)	(106)	(552)
Cash dividends paid	(2,937)	(2,042)	(24,442)
Proceeds from stock issuance to minority shareholders	757	1,604	6,302
Cash dividends paid to minority shareholders	(600)	(273)	(4,989)
Other	—	(7)	—
Net cash used in financing activities	(2,878)	(383)	(23,950)
Effect of exchange rate changes on cash and cash equivalents	1,013	207	8,434
Net increase in cash and cash equivalents	10,980	6,261	91,368
Cash and cash equivalents at beginning of year	31,593	25,332	262,900
Cash and cash equivalents at end of year (Note 14)	¥42,572	¥31,593	$354,268

See accompanying notes to the consolidated financial statements.

Notes to Consolidated Financial Statements

Calbee, Inc. and Consolidated Subsidiaries
Years ended March 31, 2015 and 2014

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

2. Summary of Significant Accounting Policies

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

The accompanying consolidated financial statements include the accounts of the Company and significant subsidiaries in which the Company holds, directly or indirectly, more than 50% of the voting rights or where it exercises control. The consolidated financial statements consist of the Company and its 22 (22 in 2014) significant subsidiaries as listed below.

Consolidated subsidiaries

- Calbee Potato, Inc.
- Snack Food Service Co., Ltd.
- Garden Bakery, Inc.
- Tower Bakery, Inc.
- Star Bakery, Inc.
- Calnac Co., Ltd.
- Calbee Eatalk Co., Ltd.
- Japan Frito-Lay Ltd.
- ICS Investment Co., Ltd. (Note 3)
- Calbee America, Inc. (Note 3)
- Calbee North America, LLC (Note 3)
- Qingdao Calbee Foods Co., Ltd. (Note 3)
- Yantai Calbee Co., Ltd. (Note 3)
- CFSS Co. Ltd. (Note 3)
- Calbee (Hangzhou) Foods Co., Ltd. (Note 3)
- Calbee Four Seas Co., Ltd.
- Calbee (Taipei) Foods Co., Ltd. (Note 3)
- Haitai-Calbee Co., Ltd. (Note 3)
- Calbee Tanawat Co., Ltd. (Note 3)
- PT. Calbee-Wings Food (Note 3)
- Calbee-URC, Inc. (Notes 1 and 3)
- Calbee (UK) Ltd (Note 3)

Notes: 1. In the line of the global strategy of the Group, the Company established a joint venture company Calbee-URC, Inc. in April 2014 with aiming to introduce Calbee products to the Philippines and expand market shares for these products. Calbee-URC, Inc. was included in the scope of consolidation from the year ended March 31, 2015.

2. Calbee Shokuhin Co., Ltd., which was included in the scope of consolidation in the year ended March 31 2014, was deconsolidated for the year ended March 31, 2015, because an absorption-type merger was conducted on July 1, 2014 with Calbee as the surviving entity and Calbee Shokuhin Co., Ltd. as the non-surviving entity.

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

Investments in affiliates which are not accounted for by the equity method are carried at cost.

For the year ended March 31, 2015 and 2014, all subsidiaries are consolidated and there is no affiliate which is accounted for by the equity method.

For the years ended March 31, 2015 and 2014, three affiliates, Potato Foods Co., Ltd., Hiroshima Agricultural Produce Distributors Cooperative, and Socio Kobo Co., Ltd., were not accounted for using the equity method as they were not significant in terms of net income and retained earnings of the consolidated financial statements.

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 is 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 minority 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 collectibility for certain doubtful accounts.

(e) Marketable and investment securities

Marketable and investment securities are classified and valued as follows:

(1) Held-to-maturity debt securities

Amortized cost method (straight-line method)

(2) Available-for-sale securities

Securities for which fair values are readily available:

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

Securities for which fair values are not readily available:

Stated at cost based on the moving-average method.

(f) Inventories

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

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

Property, plant and equipment is stated at cost less accumulated depreciation. Depreciation is calculated primarily by the declining balance method over the estimated useful lives of the respective assets, except for buildings (excluding leasehold improvements) acquired subsequent to March 31, 1998, for which depreciation is calculated by the straight-line method. The useful lives of buildings, machinery and equipment are as follows:

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

After property, plant and equipment acquired prior to April 1, 2007 are depreciated to the depreciable limit (5% of the acquisition price), the remaining balance is further depreciated to memorandum value using the straight-line method over five years beginning in the following year.

(h) Goodwill

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

(i) Intangible assets (except for leases)

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

(j) Leases

Finance lease assets that do not transfer ownership of the property to the lessee are depreciated using the straight-line method over the lease term with no residual value, except for those leased prior to April 1, 2008, which are accounted for in a similar manner to operating lease transactions.

(k) Allowance for bonuses

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

(l) Allowance for employees' stock payments

To prepare for future awards of Calbee shares to Group employees, allowance for stock payments is provided for stock award debt based on predetermined regulations for awarding stock.

(m) Allowance 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) Allowance for directors' stock payments

To prepare for future awards of Calbee shares to Calbee's directors, etc, allowance for stock payment 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 prior service cost

Net unrecognized actuarial gains (losses) gain or loss 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 prior service cost is amortized by the straight-line method over a specified number of years (five 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 consolidated fiscal year are recorded as retirement benefit obligations.

(p) Consumption taxes

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

(q) Business commencement expenses

Business commencement expenses are expensed as incurred.

(r) Standard issued but not yet effective

Accounting standard for business combination

On September 13, 2013, the ASBJ issued the following revised accounting standards and implementation guidance:

- ASBJ Statement No. 21, “Accounting Standard for Business Combinations”
- ASBJ Statement No. 22, “Accounting Standard for Consolidated Financial Statements”
- ASBJ Statement No. 7, “Accounting Standard for Business Divestitures”
- ASBJ Statement No. 2, “Accounting Standard for Earnings Per Share”
- ASBJ Guidance No. 10, “Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures”
- ASBJ Guidance No. 4, “Revised Guidance on Accounting Standard for Earnings Per Share”

These accounting standards, etc., were revised mainly on a processing method of: (1) changes in the parent’s equity holdings of subsidiaries where the parent retains control in the further acquisition of subsidiaries shares, etc., (2) expenses associated with the acquisition, (3) disclosure of net income and the change from minority interests to non-controlling interest, and (4) provisional accounting treatment.

The Company expects to apply the revised accounting standards from the beginning of the annual period ending on March 31, 2016. Moreover, it expects to apply the provisional accounting treatment to business combinations carried out from the beginning of the annual period ending on March 31, 2016 onward. The Company is in the process of measuring the effects of applying the revised accounting standards on the making of the accompanying consolidated financial statements.

3. Accounting Change

Accounting Standard for Retirement Benefits

Effective for the year ended March 31, 2015, the Company has adopted the provisions in the paragraph 35 of ASBJ Statement No. 26, "Accounting Standard for Retirement Benefits" issued on May 17, 2012 and paragraph 67 of ASBJ Guidance No. 25, "Guidance on Accounting Standard for Retirement Benefits" issued on March 26, 2015.

Under these provisions, the Group reviewed the calculation method for retirement benefit obligations and service costs, changed the method of attributing expected retirement benefits to periods from a straight-line basis to a benefit formula basis and changed the method of determining the discount rate from the method based on the periods approximate to the employees' average remaining service years to the method of using a single weighted average discount rate reflecting the expected timing and amount of benefit payment, regarding the term of bonds as a base for determining the discount rate.

In accordance with the transitional treatment stipulated in the paragraph 37 of the accounting standard for retirement benefits, the impact resulting from the change in the calculation method for retirement benefit obligations and service costs is added to, or deducted from, retained earnings as of April 1, 2014.

As a result of this adoption, net defined benefit liability increased by ¥602 million ($5,013 thousand) and net defined benefit asset and retained earnings decreased by ¥143 million ($1,192 thousand) and ¥482 million ($4,007 thousand), respectively as of April 1, 2014. The impact on operating income and income before income taxes and minority interests for the year ended March 31, 2015 was immaterial.

The effect on per share information is described in Note 25, "Per Share Information."

4. Additional Information

Employee Stock Ownership Plan (ESOP) Trust

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

(1) Transaction summary

On March 7, 2014, the Employee Stock Ownership Plan (ESOP) Trust was introduced as an employee incentive plan with the aim of improving long-term corporate value. By raising awareness of our financial results and share price among employees, the Company aims to further promote corporate activities that improve financial results. The Company has established the Trust by contributing funds for acquisition of Calbee stocks for those employees who satisfy certain requirements. Based on predetermined regulations for awarding stocks, the Trust will acquire the estimated number of Calbee 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 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 shares under net assets based on the book value in the trust (excluding ancillary expenses). The book value and the number of these treasury shares as of March 31, 2015 and 2014 were ¥248 million ($2,060 thousand) and 98,500 shares and ¥260 million and 103,400 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 Calbee including Senior Executive Officers and Executive Officers (hereinafter "Board Members") through the Trust.

(1) Transaction summary

On August 6, 2014, the Company introduced a performance-linked stock compensation plan (hereinafter the "Plan") with the goal of increasing awareness of the importance of contributing to further enhancing Calbee'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 Calbee stock in principle.

In order to ensure the neutrality of Calbee's management, voting rights for Calbee stock 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 shares under net assets based on the book value in the Trust (excluding ancillary expenses). The book value and the number of these treasury shares in the Trust as of March 31, 2015 were ¥450 million ($3,743 thousand) and 128,800 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 ¥120.17 = $1, the approximate rate in effect on March 31, 2015. The inclusion of such amounts is not intended to imply that yen amounts have been or could be readily converted, realized or settled in U.S. dollars at that or any other rate.

6. Financial Instruments

(1) Policy for financial instruments

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

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

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

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

Investment securities consist of shares of companies with business relationship 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 borrowings and are exposed to liquidity risk. The Company manages such risk by preparing fund management plans on a monthly basis. Also, the Company enhanced its centralized funding and cash management functions by implementing a cash management system.

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

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

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

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

(4) Fair values of financial instruments

Carrying amount, estimated fair value and the difference between them for financial instruments as of March 31, 2015 and 2014 are shown in the following table. The financial instruments for which fair values are not readily available are not included (see Note 2 below).

	Millions of yen		
(As of March 31, 2015)	Carrying amount	Estimated fair value	Difference
Assets			
(1) Cash and deposits	¥18,892	¥18,892	—
(2) Notes and accounts receivable	21,120	21,120	—
(3) Marketable and investment securities			
Held-to-maturity	34,996	34,998	¥ 2
Available-for-sale	2,091	2,091	—
Total assets	¥77,098	¥77,100	¥ 2
Liabilities			
Notes and accounts payable	¥ (9,387)	¥ (9,387)	—
Total liabilities	¥ (9,387)	¥ (9,387)	—
Derivative transactions			
Hedge accounting not applied	¥ 660	¥ 660	—
Total derivative transactions	¥ 660	¥ 660	—

(As of March 31, 2015)	Thousands of U.S. dollars		
	Carrying amount	Estimated fair value	Difference
Assets			
(1) Cash and deposits	**$157,210**	**$157,210**	**—**
(2) Notes and accounts receivable	**175,748**	**175,748**	**—**
(3) Marketable and investment securities			
Held-to-maturity	**291,219**	**291,236**	**$17**
Available-for-sale	**17,397**	**17,397**	**—**
Total assets	**$641,575**	**$641,592**	**$17**
Liabilities			
Notes and accounts payable	**$ (78,117)**	**$ (78,117)**	**—**
Total liabilities	**$ (78,117)**	**$ (78,117)**	**—**
Derivative transactions			
Hedge accounting not applied	**$ 5,496**	**$ 5,496**	**—**
Total derivative transactions	**$ 5,496**	**$ 5,496**	**—**

(As of March 31, 2014)	Millions of yen		
	Carrying amount	Estimated fair value	Difference
Assets			
(1) Cash and deposits	¥18,784	¥18,784	—
(2) Notes and accounts receivable	17,392	17,392	—
(3) Marketable and investment securities			
Held-to-maturity	29,998	29,999	¥ 1
Available-for-sale	1,506	1,506	—
Total assets	¥67,679	¥67,681	¥ 1
Liabilities			
Notes and accounts payable	¥ (7,898)	¥ (7,898)	—
Total liabilities	¥ (7,898)	¥ (7,898)	—
Derivative transactions			
Hedge accounting not applied	¥ 554	¥ 554	—
Total derivative transactions	¥ 554	¥ 554	—

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

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

Assets

(1) Cash and deposits and (2) Notes and accounts receivable

The carrying amount approximates fair value due to the short maturities.

(3) Marketable and investment securities

Fair values of equity securities are based on the quoted prices on stock exchanges, and fair values of debt securities are based on the prices quoted by financial institutions.

Liabilities

Notes and accounts payable

The carrying amount approximates fair value due to the short maturities.

Derivative transactions

Refer to Note 20, "Derivative Financial Instruments."

2. Unlisted shares with carrying value of ¥9 million ($73 thousand) and ¥9 million at March 31, 2015 and 2014, respectively, are not included in "(3) Marketable and investment securities" in the above table as their market value is not readily available. Net realizable values that are below 50% of the acquisition costs are considered to have "significantly declined," and impairment loss is recognized unless there is sufficient evidence for their recoverability. During the years ended March 31, 2015 and 2014, no impairment loss was recognized on unlisted shares.

Investments in affiliates with carrying value of ¥12 million ($97 thousand) and ¥12 million at March 31, 2015 and 2014, respectively, are also excluded from the above table as their market value is not readily available.

3. Redemption schedule of monetary receivables and marketable securities with maturities after March 31, 2015.

	Millions of yen			
(As of March 31, 2015)	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	¥18,863	—	—	—
Notes and accounts receivable	21,120	—	—	—
Marketable securities				
Held-to-maturity				
Jointly-managed money trust	20,000	—	—	—
Commercial paper	13,000	—	—	—
Trust beneficiary rights on lease receivables	2,000	—	—	—
Total	¥74,982	—	—	—

	Thousands of U.S. dollars			
(As of March 31, 2015)	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	$156,967	—	—	—
Notes and accounts receivable	175,748	—	—	—
Marketable securities				
Held-to-maturity				
Jointly-managed money trust	166,431	—	—	—
Commercial paper	108,180	—	—	—
Trust beneficiary rights on lease receivables	16,643	—	—	—
Total	$623,970	—	—	—

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, 2015 and 2014 is as follows:

Held-to-maturity

	Millions of yen			Thousands of U.S. dollars		
	2015			2015		
	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	¥10,000	¥10,002	¥ 2	$ 83,215	$ 83,232	$17
Commercial paper	7,997	7,998	0	66,550	66,552	2
Trust beneficiary rights on lease receivables	2,000	2,000	0	16,643	16,643	0
(Securities with estimated fair value not exceeding carrying amount)						
Jointly-managed money trust	10,000	10,000	—	83,215	83,215	—
Commercial paper	4,998	4,998	(0)	41,595	41,593	(2)
Total	¥34,996	¥34,998	¥2	$291,219	$291,236	$17

Available-for-sale

	Millions of yen			Thousands of U.S. dollars		
	2015			2015		
	Carrying amount	Acquisition cost	Unrealized gains (losses)	Carrying amount	Acquisition cost	Unrealized gains (losses)
(Securities with carrying value exceeding acquisition cost)						
Equity securities	**¥2,061**	**¥1,166**	**¥895**	**$17,147**	**$9,702**	**$7,445**
(Securities with carrying value not exceeding acquisition cost)						
Equity securities	**30**	**33**	**(3)**	**250**	**273**	**(24)**
Total	**¥2,091**	**¥1,199**	**¥892**	**$17,397**	**$9,975**	**$7,421**

Held-to-maturity

	Millions of yen		
	2014		
	Carrying amount	Estimated fair value	Unrealized gains (losses)
(Securities with estimated fair value exceeding carrying amount)			
Jointly-managed money trust	¥14,000	¥14,003	¥ 3
(Securities with estimated fair value not exceeding carrying amount)			
Jointly-managed money trust	7,000	7,000	—
Commercial paper	8,998	8,996	(2)
Total	¥29,998	¥29,999	¥ 1

Available-for-sale

	Millions of yen		
	2014		
	Carrying amount	Acquisition cost	Unrealized gains (losses)
(Securities with carrying value exceeding acquisition cost)			
Equity securities	¥ 852	¥ 392	¥460
(Securities with carrying value not exceeding acquisition cost)			
Equity securities	654	790	(136)
Total	¥ 1,506	¥ 1,182	¥323

Note: Unlisted shares with carrying values of ¥9 million ($73 thousand) and ¥9 million at March 31, 2015 and 2014, respectively, are not included in the above table as their market value is not readily available.

(2) Sales of available-for-sale securities

Information on the available-for-sale securities sold during the year ended March 31, 2015 and 2014 is as follows:

	Millions of yen			Thousands of U.S. dollars		
	2015			2015		
	Amount of sale	Total gain on sale	Total loss on sale	Amount of sale	Total gain on sale	Total loss on sale
Equity securities	**¥19**	**¥11**	**—**	**$155**	**$90**	**—**

	Millions of yen		
	2014		
	Amount of sale	Total gain on sale	Total loss on sale
Equity securities	¥381	¥376	—

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

The Company recognizes impairment loss for the full amount of securities when the fair value declines below 50% of the acquisition cost, and for amounts deemed necessary after consideration of recoverability when the fair value declines by 30 to 50% of the acquisition cost. During the years ended March 31, 2015 and 2014, impairment loss recognized on equity securities classified as available-for-sale securities amounted to nil and ¥14 million, respectively.

8. Inventories

Inventories at March 31, 2015 and 2014 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Finished goods and commercial goods	**¥2,602**	¥2,163	**$21,651**
Work in process	**1,429**	1,458	**11,895**
Raw materials and supplies	**4,006**	2,902	**33,335**
	¥8,037	¥6,523	**$66,881**

Valuation losses due to declines in profitability included in cost of sales for the years ended March 31, 2015 and 2014 were ¥243 million ($2,021 thousand) and ¥8 million, respectively.

9. Short-Term Borrowings and Long-Term Debt

(1) The outstanding balance of short-term borrowings, long-term debt, lease obligations and other interest-bearing liabilities as of March 31, 2015 and 2014 are as follows:

	Millions of yen		Thousands of U.S. dollars	Average interest rate	
	2015	2014	**2015**	**2015**	2014
Short-term borrowings	**¥402**	—	**$3,347**	**2.0%**	—%
Current portion of lease obligations	**53**	¥ 63	**437**	**—**	—
Long-term debt, excluding current portion	**—**	—	**—**	**—**	—
Lease obligations, excluding current portion	**77**	83	**641**	**—**	—
Other interest-bearing liabilities	**32**	40	**266**	**1.5**	1.6
Total	**¥564**	¥187	**$4,691**		

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

The aggregate annual maturities of lease obligations are summarized below:

	Millions of yen	Thousands of U.S. dollars
Years ending March 31,	Lease obligations	
2016	**¥53**	**$437**
2017	**40**	**331**
2018	**26**	**217**
2019	**7**	**58**
2020 and thereafter	**4**	**35**

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 35.4% and 37.8% for the fiscal years ended March 31, 2015 and 2014, respectively. Overseas subsidiaries are subject to income and other taxes of the respective countries in which they operate.

A reconciliation of the statutory tax rate to the effective tax rates for the years ended March 31, 2015 and 2014 is as follows:

	2015	2014
Statutory tax rate	**35.4%**	37.8%
Adjustments:		
Entertainment and other permanently non-deductible expenses	**0.8**	1.2
Dividend and other permanently non-taxable income	**(0.0)**	(0.1)
Special tax credit for income tax	**(1.6)**	(0.6)
Per capita inhabitant tax	**0.4**	0.5
Adjustment to deferred tax assets and liabilities from changes in the statutory tax rate	**1.2**	0.9
Changes in valuation allowances	**2.8**	(0.0)
Tax rate differences in consolidated subsidiaries	**(1.0)**	(2.3)
Effect of consolidation adjustments	**0.8**	2.3
Others	**(0.4)**	0.4
Effective tax rates	**38.4%**	40.1%

Significant components of deferred tax assets and liabilities as of March 31, 2015 and 2014 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Deferred tax assets:			
Allowance for doubtful accounts	**¥ 27**	¥ 1	**$ 228**
Allowance for bonuses	**1,191**	1,365	**9,910**
Accrued expenses	**1,003**	948	**8,344**
Enterprise tax payable	**382**	372	**3,177**
Allowance for employees' stock payments	**27**	4	**227**
Allowance for directors' stock payments	**42**	—	**354**
Net defined benefit liability	**1,584**	1,476	**13,185**
Allowance for directors' retirement benefits	**191**	203	**1,587**
Share-based payment expense	**8**	12	**68**
Depreciation	**113**	139	**938**
Impairment loss	**120**	217	**997**
Asset retirement obligations	**210**	232	**1,750**
Loss carried forward	**513**	195	**4,266**
Others	**315**	460	**2,622**
Subtotal	**5,726**	5,625	**47,653**
Less valuation allowances	**(957)**	(714)	**(7,962)**
Total deferred tax assets	**4,770**	4,911	**39,691**
Deferred tax liabilities:			
Unrealized holding gain on securities	**(274)**	(99)	**(2,283)**
Deferred gains on property, plant and equipment	**(521)**	(594)	**(4,338)**
Asset retirement obligations	**(37)**	(51)	**(309)**
Others	**(322)**	(303)	**(2,677)**
Total deferred tax liabilities	**(1,154)**	(1,048)	**(9,606)**
Net deferred tax assets	**¥3,615**	¥3,863	**$30,085**

Net deferred tax assets are included in the consolidated balance sheets as of March 31, 2015 and 2014 as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Current assets—deferred tax assets:	¥2,641	¥2,829	$21,974
Investments and other assets—deferred tax assets:	1,348	1,454	11,217
Current liabilities—deferred tax liabilities	—	(126)	—
Non-current liabilities—deferred tax liabilities	(373)	(293)	(3,106)
Net deferred tax assets	¥3,615	¥3,863	$30,085

The Law for Partial Revision of the Income Tax Act, etc., was released on March 31, 2015, and the statutory tax rate used for the calculation of deferred tax assets and deferred tax liabilities for the year ended March 31, 2015 has been changed from 35.4% to 32.8% for temporary differences expected to reverse during the period from April 1, 2015 until March 31, 2016 and 32.1% for those during the period from April 1, 2016.

As a result, deferred tax assets (net of deferred tax liabilities) decreased by ¥314 million ($2,614 thousand), and income taxes-deferred, unrealized holding gain on securities and remeasurements of defined benefit plans (accumulated) increased by ¥291 million ($2,424 thousand), ¥28 million ($236 thousand) and ¥(51) million ($(426) thousand), respectively.

11. Net Assets

(1) Movements of number of common stock issued and outstanding during the years ended March 31, 2015 and 2014 are as follows:

	Shares	
	2015	2014
Balance at beginning of year	133,507,800	32,937,450
Increase	122,000	100,570,350
Decrease	—	—
Balance at end of year	133,629,800	133,507,800

Notes: The breakdown of the increase during the year ended March 31, 2015 is as follows:

Increase due to an exercise of subscription rights 122,000 shares

The breakdown of the increase during the year ended March 31, 2014 is as follows:

Increase due to share split 98,942,850 shares

Increase due to an exercise of subscription rights 1,627,500 shares

(2) Movements of number of treasury stock during the years ended March 31, 2015 and 2014 are as follows:

	Shares	
	2015	2014
Balance at beginning of year	**104,232**	—
Increase	**128,800**	104,232
Decrease	**(4,900)**	—
Balance at end of year	**228,132**	104,232

Notes: The breakdown of the increase and decrease during the year ended March 31, 2015 is as follows:
Increase due to an acquisition of treasury shares by the trust 128,800 shares
Decrease due to issuance of treasury shares by the trust 4,900 shares

The breakdown of the increase during the year ended March 31, 2014 is as follows:
Increase due to purchase of shares comprising less than one unit 832 shares
Increase due to an acquisition of treasury shares by the trust 103,400 shares

(3) As of March 31, 2015 and 2014, the outstanding balance of subscription rights provided for as stock options was ¥26 million ($212 thousand) and ¥35 million, respectively.

(4) Cash dividends

The following appropriation of retained earnings at March 31, 2015 and 2014 was approved at the annual meeting of the Company's shareholders held on June 25, 2015 and June 25, 2014, respectively.

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Cash dividends	**¥3,742**	¥2,937	**$31,136**

Cash dividends attributable to the year ended March 31, 2014 of ¥2,937 million ($24,442 thousand) were paid during the year ended March 31, 2015 in accordance with the resolution at the annual meeting of the Company's shareholders held on June 25, 2014.

12. Retirement Benefits for Employees

The Company and its 2 (3 in 2014) domestic consolidated subsidiaries have corporate pension plans and lump-sum payment plans that are multiemployer plans as defined benefit pension plans. Other domestic consolidated subsidiaries and certain foreign consolidated subsidiaries have only lump-sum payment plans. The Company adopts defined contribution pension plans and prepaid retirement allowance plans.

Charges for net defined benefit liability and retirement benefit expenses for a portion of the Company's retirement benefit plans, the defined benefit pension plans for consolidated subsidiaries and the retirement lump-sum payment plans are calculated using the simplified accounting method.

Notes relating to retirement benefits based on defined benefit plans include the portion related to multi-employer plans.

(1) The changes in the retirement benefit obligation for the years ended March 31, 2015 and 2014 are as follows: (excluding the plans to which the simplified accounting method is applied)

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Balance at beginning of year	¥13,661	¥13,270	$113,681
Cumulative effect of change in accounting policy	746	—	6,204
Restated balance	14,407	13,270	119,886
Service cost	715	691	5,950
Interest cost	144	161	1,202
Actuarial gain and loss	445	(125)	3,703
Retirement benefits paid	(741)	(427)	(6,166)
Prior service cost	—	91	—
Other	(1)	—	(6)
Balance at end of year	¥14,969	¥13,661	$124,568

(2) The changes in plan assets for the years ended March 31, 2015 and 2014 are as follows: (excluding the plans to which the simplified accounting method is applied)

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Balance at beginning of year	¥10,145	¥ 9,609	$84,425
Expected return on plan assets	101	96	844
Actuarial gain and loss	482	258	4,013
Employer's contribution	408	429	3,392
Retirement benefits paid	(294)	(248)	(2,449)
Balance at end of year	¥10,843	¥10,145	$90,226

(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
	2015	2014	2015
Net defined benefit liability at beginning of year	¥727	¥651	$6,053
Retirement benefit expense	232	176	1,929
Retirement benefits paid	(84)	(100)	(701)
Contribution to the plans	(12)	(13)	(99)
Increase (decrease) due to foreign currency translation	19	14	161
Net defined benefit liability at end of year	¥882	¥727	$7,342

(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
	2015	2014	**2015**
Funded retirement benefit obligation	**¥ 8,938**	¥ 8,390	**$74,378**
Plan assets at fair value	**(11,005)**	(10,281)	**(91,578)**
	(2,067)	(1,891)	**(17,200)**
Unfunded retirement benefit obligation	**7,076**	6,134	**58,884**
Net liability (asset) recorded on the consolidated balance sheet	**5,009**	4,243	**41,684**
Net defined benefit liability	**7,076**	6,134	**58,884**
Net defined benefit asset	**(2,067)**	(1,891)	**(17,200)**
Net liability (asset) recorded on the consolidated balance sheet	**¥ 5,009**	¥ 4,243	**$41,684**

(5) Retirement benefit expenses and breakdown of amounts

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Service cost	**¥ 715**	¥ 691	**$ 5,950**
Interest cost	**144**	161	**1,202**
Expected return on plan assets	**(101)**	(96)	**(844)**
Amortization of actuarial gain and loss	**134**	242	**1,114**
Amortization of prior service cost	**139**	131	**1,158**
Retirement benefit expense using the simplified method	**232**	176	**1,929**
Additional severance payments, etc.	**40**	13	**334**
Retirement benefit expense related to the defined benefit plans	**¥1,303**	¥1,317	**$10,843**

(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
	2015	2014	**2015**
Prior service cost	**¥139**	¥—	**$1,158**
Actuarial gain and loss	**171**	—	**1,425**
Total	**¥310**	¥—	**$2,583**

(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
	2015	2014	**2015**
Unrecognized prior service cost	**¥ 423**	¥ 563	**$ 3,524**
Unrecognized actuarial gain and loss	**1,231**	1,402	**10,243**
Total	**¥1,654**	¥1,965	**$13,766**

(8) Items related to plan assets

(a) Breakdown of main items

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

	2015	2014
Domestic bonds	**24.1%**	33.8%
Domestic equity	**18.0**	8.0
Foreign bonds	**10.4**	—
Foreign equity	**17.7**	7.5
Alternative investments*	**13.1**	36.1
General life insurance accounts	**13.8**	14.6
Other	**2.9**	0.0
Total	**100.0%**	100.0%

* Alternative investments are managed by the investment advisory company which is the Company's investment agent, and principally consist of foreign contractual type investment trusts.

(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: (weighted average)

	2015	2014
Discount rate	**0.7%**	1.2%
Expected long-term investment return rate	**1.0**	1.0
Estimated salary increase rate	**5.1**	5.0

The amounts of required contributions to the defined contribution plans of the Company and consolidated subsidiaries for the years ended March 31, 2015 and 2014 were ¥117 million ($971 thousand) and ¥119 million, respectively.

13. Contingent Liabilities

Contingent Liability for the years ended March 31, 2015 and 2014 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Trade notes discounted	**¥434**	¥108	**$3,615**

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 items as of March 31, 2015 and 2014 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Cash and deposits	**¥18,892**	¥18,784	**$157,210**
Time deposits with maturities of more than three months	**(319)**	(5,191)	**(2,656)**
Commercial paper included in the marketable securities	**2,000**	—	**16,639**
Trust beneficiary rights on lease receivables included in the marketable securities	**2,000**	—	**16,643**
Jointly-managed money trust included in the Marketable securities	**20,000**	18,000	**166,431**
Cash and cash equivalents	**¥42,572**	¥31,593	**$354,268**

15. Selling, General and Administrative Expenses

Major components of selling, general and administrative expenses for the years ended March 31, 2015 and 2014 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Sales promotion expenses	**¥28,406**	¥25,718	**$236,381**
Advertisement expenses	**3,114**	3,461	**25,912**
Freight expenses	**11,451**	10,044	**95,291**
Salaries and other allowances	**11,756**	11,160	**97,825**
Allowance for directors' retirement benefits	**109**	112	**909**
Allowance for employees' bonuses	**2,099**	1,931	**17,467**
Allowance for directors' bonuses	**199**	215	**1,654**
Allowance for employees' stock payments	**82**	14	**680**
Allowance for directors' stock payments	**133**	—	**1,104**
Retirement benefit expense	**868**	966	**7,219**

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, 2015 and 2014 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Selling, general and administrative expenses	**¥2,047**	¥2,158	**$17,035**
Manufacturing expenses	**5**	4	**45**
Total	**¥2,052**	¥2,162	**$17,079**

17. Sale and Disposal of Property, Plant and Equipment

Gain on sale of property, plants and equipment for the years ended March 31, 2015 and 2014 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Machinery and vehicles	**¥ 7**	¥ 5	**$62**
Land	**—**	45	**—**
Other	**—**	0	**—**
Total	**¥ 7**	¥50	**$62**

Loss on sales of property, plant and equipment for the years ended March 31, 2015 and 2014 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Buildings and structures	**¥179**	¥—	**$1,486**
Machinery and vehicles	**5**	4	**42**
Land	**46**	2	**384**
Other	**0**	6	**1**
Total	**¥230**	¥11	**$1,913**

Loss on disposal of property, plant and equipment for the years ended March 31, 2015 and 2014 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Buildings and structures	**¥ 62**	¥ 42	**$ 518**
Machinery and vehicles	**118**	93	**979**
Construction in progress	**116**	1	**962**
Other	**5**	2	**41**
Total	**¥300**	¥139	**$2,499**

18. Impairment Loss

For the year ended March 31, 2015, the Company recognized impairment loss of ¥837 million ($6,962 thousand) on property, plant and equipment. With regard to the plant, the Company has reduced the book value to the recoverable amount, since the plant has recorded operating loss continuously and the estimated aggregated value of future cash flows is lower than the carrying amounts of each asset. With regard to manufacturing equipment, the Company has reduced the book value to the recoverable amount, since the Company decided to discontinue the production and there is no plan to utilize these assets in future. With regard to shops, the Company has reduced the book value to the recoverable amount, since the Company decided to relocate those shops. With regard to the warehouse, the Company has reduced the book value to the recoverable amount, since the Company decided to scrap it.

For the year ended March 31, 2014, the Company recognized impairment loss of ¥186 million on property, plant and equipment. With regard to buildings, it has scheduled for demolition, on a book value basis the asset value has dropped and, as a result, the Company has reduced the book value to the recoverable amount. With regard to machinery, etc. with no intended use in the future, on a book value basis, the asset value has dropped and, as a result, the Company has reduced the book value to the recoverable amount.

For the purpose of impairment testing, assets of the Company are generally grouped based on region; however, idle assets without any intended use are grouped by individual property.

The details of impairment loss recognized are as follows:

(For the year ended March 31, 2015)

Location	Purpose of use	Type of asset	Amount	
			Millions of yen	Thousands of U.S. dollars
China	Factory	Building Machinery and vehicles Others	**¥700**	**$5,826**
Utsunomiya City, Tochigi Prefecture, Japan	Manufacturing equipment	Construction in progress	**55**	**459**
Sumida-ku, Tokyo and other, Japan	Shops	Buildings Others	**37**	**307**
California, USA	Manufacturing equipment	Machinery and equipment	**27**	**221**
Konan City, Shiga Prefecture, Japan	Warehouse	Buildings, structures and machinery and equipment	**18**	**148**

The recoverable amount is measured by the net selling price or the value in use.

The net selling price is considered to be zero since it is not likely that these assets can be sold or used for other purposes.

In addition, the value in use is considered to be zero since future cash flows from these assets are negative.

(For the year ended March 31, 2014)

Location	Purpose of use	Type of asset	Amount
			Millions of yen
Utsunomiya City, Tochigi Prefecture, Japan	Warehouse	Building	¥88
Utsunomiya City, Tochigi Prefecture, Japan	Idle assets	Machinery Construction in progress	¥98

The carrying value of these assets is written down to their net realizable value based on the net selling price or zero if it is not likely that the above assets can be sold or used for other purposes.

19. Other Comprehensive Income

Reclassification adjustments and tax effects related to other comprehensive income for the years ended March 31, 2015 and 2014 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Other comprehensive income			
Unrealized holding gain (loss) on securities			
Amount during the year	**¥ 579**	¥ 156	**$ 4,820**
Reclassification adjustments	**(11)**	13	**(90)**
Amount before tax effects	**568**	169	**4,730**
Tax effects	**(162)**	(56)	**(1,347)**
Total	**¥ 406**	¥ 113	**$ 3,383**
Foreign currency translation adjustments			
Amount during the year	**¥2,521**	¥1,092	**$20,979**
Reclassification adjustments	**—**	(192)	**—**
Amount before tax effects	**2,521**	900	**20,979**
Tax effects	**—**	—	**—**
Total	**¥2,521**	¥ 900	**$20,979**
Remeasurements of defined benefit plans			
Amount during the year	**¥ 37**	—	**$ 311**
Reclassification adjustments	**273**	—	**2,273**
Amount before tax effects	**310**	—	**2,583**
Tax effects	**(161)**	—	**(1,341)**
Total	**¥ 149**	—	**$ 1,242**
Total other comprehensive income	**¥3,077**	¥1,013	**$25,604**

20. Leases

Future minimum lease payments subsequent to March 31, 2015 and 2014 for operating leases are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Due in 1 year or less	**¥11**	¥ 7	**$ 88**
Due over 1 year	**19**	5	**160**
Total	**¥30**	¥12	**$248**

Leased assets under finance lease transactions contracted prior to April 1, 2008 that do not involve the transfer of ownership are accounted for in a similar manner as operating leases. Had these leases been accounted for under the accounting treatment for finance leases, the acquisition cost, accumulated depreciation and net book value would have been as follows:

	Millions of yen			Thousands of U.S. dollars		
	2015			**2015**		
Leased assets	Acquisition cost	Accumulated depreciation	Net book value	Acquisition cost	Accumulated depreciation	Net book value
Other	**¥25**	**¥23**	**¥ 1**	**$207**	**$195**	**$11**
Total	**¥25**	**¥23**	**¥ 1**	**$207**	**$195**	**$11**

	Millions of yen		
	2014		
Leased assets	Acquisition cost	Accumulated depreciation	Net book value
Machinery and vehicles	¥ 96	¥ 85	¥11
Other	25	21	4
Total	¥121	¥106	¥15

Future minimum lease obligations under finance lease transactions subsequent to March 31, 2015 and 2014 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Due in 1 year or less	**¥ 1**	¥14	**$9**
Due over 1 year	**0**	1	**2**
Total	**¥ 1**	¥15	**$11**

Lease payments for the years ended March 31, 2015 and 2014 are ¥14 million ($115 thousand) and ¥18 million, respectively.

21. Derivative Financial Instruments

Information on derivative transactions of the Company that do not meet the criteria for hedge accounting as of March 31, 2015 and 2014 is as follows:

	Millions of yen			
	2015			
	Contract amount	Maturity over one year	Fair value	Revaluation gain/loss
Non-exchange transactions				
Forward foreign exchange contracts				
Sell				
USD	**¥ 3,304**	**—**	**¥ (40)**	**¥ (40)**
Buy				
USD	**6,125**	**¥2,323**	**698**	**698**
GBP	**312**	**—**	**3**	**3**
SGD	**345**	**—**	**(1)**	**(1)**
Total	**¥10,085**	**¥2,323**	**¥660**	**¥660**

	Thousands of U.S. dollars			
	2015			
	Contract amount	Maturity over one year	Fair value	Revaluation gain/loss
Non-exchange transactions				
Forward foreign exchange contracts				
Sell				
USD	**$27,497**	**—**	**$ (332)**	**$ (332)**
Buy				
USD	**50,966**	**$19,333**	**5,808**	**5,808**
GBP	**2,597**	**—**	**27**	**27**
SGD	**2,867**	**—**	**(6)**	**(6)**
Total	**$83,927**	**$19,333**	**$5,496**	**$5,496**

	Millions of yen			
	2014			
	Contract amount	Maturity over one year	Fair value	Revaluation gain/loss
Non-exchange transactions				
Forward foreign exchange contracts				
Sell				
USD	¥5,004	—	¥ 84	¥ 84
Buy				
USD	3,771	¥2,143	470	470
Total	¥8,774	¥2,143	¥554	¥554

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

22. Business Combinations

Transaction under common control

(Merger with a consolidated subsidiary)

On July 1, 2014, the Company merged a consolidated subsidiary, Calbee Shokuhin Co., Ltd., in order to improve the efficiency of the group management and reinforce the divisions of procurement of raw materials by consolidating the raw material procurement activities conducted by Calbee Shokuhin Co., Ltd. into the Administration Headquarter of the Company. The Company is a surviving company and Calbee Shokuhin Co., Ltd. was dissolved.

The merger was accounted for as a transaction under common control in accordance with ASBJ Statement No. 21, “Accounting Standard for Business Combinations” and ASBJ Guidance No. 10, “Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures” issued on December 26, 2008.

23. Stock Options

As of March 31, 2015, the Company has the following stock option programs.

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

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

(1) Number and price information

(As of March 31, 2015)

Date of resolution	Shares
	June 24, 2009
Unvested stock options	
Outstanding as of March 31, 2014	—
Granted	—
Expired	—
Vested	—
Outstanding as of March 31, 2015	—
Vested stock options	
Outstanding as of March 31, 2014	462,000
Vested	—
Exercised	122,000
Expired	—
Outstanding as of March 31, 2015	340,000

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

Date of resolution	Yen	U.S. dollars
	June 24, 2009	
Exercise price	¥ 400	$ 3.33
Average stock price at exercise	3,889	32.36
Fair value at grant date	75	0.62

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

(2) Estimate of fair value of stock option

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

(3) Estimate of number of vested stock options

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

(4) Intrinsic value of stock option

	Yen	U.S. dollars
	2015	2015
Total intrinsic value at March 31, 2015	**¥1,638,800,000**	**$13,637,347**
Total intrinsic value on the exercise date of the stock options exercised in the year ended March 31, 2015	**¥ 370,200,000**	**$ 3,080,636**

24. Related Party Transactions

The following summarizes related party transactions for the years ended March 31, 2015 and 2014.

(1) For the year ended March 31, 2015

Officers and individual major shareholders

Nature of related party	Name	Description of business or occupation	Ownership ratio of voting rights	Description of transaction	Transaction volume (Note 1)
Officer and his/her close family member	Shuji Ito	President & COO, Representative Director of the Company	Direct 0.05%	Exercise of subscription rights (Note 2)	¥20 million ($166 thousand)

Notes 1: The above amounts do not include consumption taxes.

2: The exercise of stock options granted by resolution at the ordinary shareholders' meeting held on June 24, 2009, pursuant to Article 236, 238 and 239 of the Companies Act. The transaction volume is calculated by multiplying the number of shares issued as a result of exercise of the option by the amount paid upon exercise.

(2) For the year ended March 31, 2014

Officers and individual major shareholders

Nature of related party	Name	Description of business or occupation	Ownership ratio of voting rights	Description of transaction	Transaction volume (Note 1)
Officer and his/her close family member	Masahiko Matsuo	Advisor of the Company	Direct 0.13%	Exercise of subscription rights (Note 2-1)	¥40 million
Officer and his/her close family member	Akira Matsumoto	Chairman of the Board & CEO, Representative Director of the Company	Direct 0.03%	Exercise of subscription rights (Note 2-2)	¥16 million
Officer and his/her close family member	Shuji Ito	President & COO, Representative Director of the Company	Direct 0.07%	Exercise of subscription rights (Notes 2-1 and 2-2)	¥64 million
Officer and his/her close family member	Haruhiko Sekiguchi	Executive Vice President of the Company	Direct 0.03%	Exercise of subscription rights (Note 2-2)	¥20 million
Officer and his/her close family member	Masatoshi Aki	Executive Managing Officer of the Company	Direct 0.12%	Exercise of subscription rights (Note 2-1)	¥40 million

Notes 1: The above amounts do not include consumption taxes.

2-1: The exercise of stock options granted by resolution at the extraordinary shareholders' meeting held on February 15, 2005, pursuant to Article 280-20, 280-21 and 280-27 of the Pre-commercial Code revision (revised in 2001). The transaction volume is calculated by multiplying the number of shares issued as a result of exercise of the option by the amount paid upon exercise.

2-2: The exercise of stock options granted by resolution at the ordinary shareholders' meeting held on June 24, 2009, pursuant to Article 236, 238 and 239 of the Companies Act. The transaction volume is calculated by multiplying the number of shares issued as a result of exercise of the option by the amount paid upon exercise.

25. Per Share Information

Per share information as of March 31, 2015 and 2014 and for the years then ended is as follows:

	Yen		U.S. dollars
	2015	2014	**2015**
Net assets per share	**¥821.97**	¥729.93	**$6.84**
Net income per share			
Basic	**¥105.82**	¥ 91.46	**$0.88**
Diluted	**¥105.54**	¥ 90.42	**$0.88**

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

	Millions of yen, except share data		Thousands of U.S. dollars, except share data
	2015	2014	**2015**
Total net assets	**¥118,800**	¥104,466	**$988,603**
Net assets attributable to common stock	**¥109,653**	¥ 97,376	**$912,479**
Major components of the difference			
Subscription rights	**¥ 26**	¥ 35	**$ 212**
Minority interests	**¥ 9,122**	¥ 7,056	**$ 75,912**
Number of common stock issued and outstanding (shares)	**133,629,800**	133,507,800	
Treasury stock of common stock (shares)	**228,132**	104,232	
Number of common shares used in calculation of net assets per share (shares)	**133,401,668**	133,403,568	

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

	Millions of yen, except share data		Thousands of U.S. dollars, except share data
	2015	2014	**2015**
Basis for calculation of net income per share			
Net income	**¥14,115**	¥12,086	**$117,458**
Net income attributable to common stock	**¥14,115**	¥12,086	**$117,458**
Net income not attributable to common stock	**—**	—	**—**
Average number of shares outstanding during the year (shares)	**133,392,045**	132,144,134	
Major dilutive factors included in calculating diluted net income per share			
Adjustments to net income	**—**	—	**—**
Subscription rights (shares)	**348,982**	1,530,990	
Increase in number of common stock (shares)	**348,982**	1,530,990	

Notes: 1. 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.
183,756 treasury shares (6,232 shares in 2014) were excluded from the average number of shares during the year used for calculating net income per share for the year ended March 31, 2015 and 227,300 treasury shares (103,400 shares in 2014) were excluded from the number of shares outstanding used for calculating net assets per share at March 31, 2015.
2. As stated in "Changes in accounting policy," the Company applied the Accounting Standard for retirement Benefits, etc. and followed the transitional treatment as stipulated in the paragraph 37 of the Accounting Standard for Retirement Benefits.
As a result, net assets per share decreased by ¥3.58 ($0.03) at March 31, 2015 and net income per share (basic and diluted) increased by ¥0.03 ($0.00) for the year then ended.

26. Segment Information

For the years ended March 31, 2015 and 2014, information on operating segments is not disclosed as the Company has only one reporting segment, the production and sale of snacks and other foods.

[Related information]

(1) Sales by product and service

	Millions of yen			
	2015			
	Snacks	Other foods	Other	Total
Sales to third parties	**¥190,069**	**¥28,830**	**¥3,251**	**¥222,150**

	Thousands of U.S. dollars			
	2015			
	Snacks	Other foods	Other	Total
Sales to third parties	**$1,581,670**	**$239,912**	**$27,051**	**$1,848,633**

	Millions of yen			
	2014			
	Snacks	Other foods	Other	Total
Sales to third parties	¥173,146	¥23,774	¥3,021	¥199,941

(2) Information by region

Information about sales by region is as follows:

	Millions of yen				
	2015				
	Japan	North America	China	Others	Total
Sales	**¥199,709**	**¥9,669**	**¥2,228**	**¥10,545**	**¥222,150**

	Thousands of U.S. dollars				
	2015				
	Japan	North America	China	Others	Total
Sales	**$1,661,889**	**$80,459**	**$18,537**	**$87,749**	**$1,848,633**

Note: Sales are attributed to countries or geographic regions based on the location of the customers.

Information about sales by region for the year ended March 31, 2014 was not disclosed as Japan accounted for over 90% of the total amount.

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

	Millions of yen				
	2015				
	Japan	North America	China	Others	Total
Property, plant and equipment	**¥44,915**	**¥7,274**	**¥754**	**¥6,811**	**¥59,755**

	Thousands of U.S. dollars				
	2015				
	Japan	North America	China	Others	Total
Property, plant and equipment	**$373,763**	**$60,533**	**$6,272**	**$56,682**	**$497,250**

	Millions of yen				
	2014				
	Japan	North America	China	Others	Total
Property, plant and equipment	¥39,259	¥5,242	¥1,345	¥4,320	¥50,166

(3) Sales by major customers

		Millions of yen		Thousands of U.S. dollars
	Reported segment	2015	2014	2015
YAMABOSHIYA Co., Ltd.	Production and sale of snacks and other foods	**¥27,066**	¥25,176	**$225,230**
CONFEX CO., LTD.	Production and sale of snacks and other foods	**25,857**	21,967	**215,169**
Mitsubishi Shokuhin Co., Ltd.	Production and sale of snacks and other foods	**24,231**	21,654	**201,642**

(4) Impairment loss on fixed assets by reporting segment

Millions of yen

	2015				
	Reporting segment				
	Production and sale of snacks and other foods	Total	Other	Corporate / elimination	Total
Impairment loss	**¥837**	**¥837**	**—**	**—**	**¥837**

Thousands of U.S. dollars

	2015				
	Reporting segment				
	Production and sale of snacks and other foods	Total	Other	Corporate / elimination	Total
Impairment loss	**$6,962**	**$6,962**	**—**	**—**	**$6,962**

Millions of yen

	2014				
	Reporting segment				
	Production and sale of snacks and other foods	Total	Other	Corporate / elimination	Total
Impairment loss	¥186	¥186	—	—	¥186

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

Millions of yen

	2015				
	Reporting segment				
	Production and sale of snacks and other foods	Total	Other	Corporate / elimination	Total
Amortization	**¥ 647**	**¥ 647**	**—**	**—**	**¥ 647**
Balance at end of year	**¥2,720**	**¥2,720**	**—**	**—**	**¥2,720**

Thousands of U.S. dollars

	2015				
	Reporting segment				
	Production and sale of snacks and other foods	Total	Other	Corporate / elimination	Total
Amortization	**$ 5,385**	**$ 5,385**	**—**	**—**	**$ 5,385**
Balance at end of year	**$22,633**	**$22,633**	**—**	**—**	**$22,633**

Millions of yen

	2014				
	Reporting segment				
	Production and sale of snacks and other foods	Total	Other	Corporate / elimination	Total
Amortization	¥ 637	¥ 637	—	—	¥ 637
Balance at end of year	¥3,347	¥3,347	—	—	¥3,347

Independent Auditor's Report

Ernst & Young ShinNihon LLC
Hibiya Kokusai Bldg.
2-2-3 Uchisaiwai-cho, Chiyoda-ku
Tokyo, Japan 100-0011

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Fax: +81 3 3503 1197
www.shinnihon.or.jp

Building a better working world

Independent Auditor's Report

The Board of Directors
Calbee, Inc.

We have audited the accompanying consolidated financial statements of Calbee, Inc. and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2015, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Calbee, Inc. and its consolidated subsidiaries as at March 31, 2015, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 5.

Ernst & Young Shinnihon LLC

June 25, 2015
Tokyo, Japan

A member firm of Ernst & Young Global Limited

Corporate History

1940s–1970s

Apr. 1949	Company established
Jan. 1964	*Kappa Ebisen* (prawn crackers) launched
Apr. 1968	Utsunomiya Factory (Tochigi) started operations
Nov. 1969	Chitose Factory (Hokkaido) started operations
Mar. 1970	Calbee America, Inc.* established in the U.S.
Apr. 1972	Calbee Shokuhin Co., Ltd. established (absorbed by merger with Calbee, Inc. in July 2014)
Feb. 1975	Kagoshima Factory (Kagoshima) started operations
Sep. 1975	Shimotsuma Factory (Ibaraki) started operations
Sep. 1975	*Potato Chips* launched
Nov. 1976	Shiga Factory (currently Konan Factory; Shiga) started operations

1980s

Apr. 1980	Calbee Tanawat Co., Ltd.*, a joint venture with a local Thai company, established in Thailand
Oct. 1980	Potato Procurement Department spun off as Calbee Potato, Inc.*
Jul. 1983	Kakamigahara Factory (Gifu) started operations
Nov. 1986	Hiroshima-Nishi Factory (currently Hiroshima Factory, West Building; Hiroshima) started operations
Jul. 1989	Cereals launched throughout Japan
	Kiyohara Factory (Tochigi) started operations

1990s

Apr. 1990	Snack Food Service Co., Ltd.* established
Mar. 1991	*Frugra* (Fruit Granola) launched
Feb. 1994	Calbee Four Seas Co., Ltd.*, a joint venture with Four Seas Mercantile Holdings Ltd., established in Hong Kong
Jul. 1995	Qingdao Calbee Foods Co., Ltd.* established in China
Oct. 1995	*Jagarico* launched
Jun. 1996	Garden Bakery, Inc.* established
Jun. 1999	Ayabe Factory (Kyoto) started operations

2000s

Apr. 2000	Calnac Co., Ltd.* established
Oct. 2002	Calbee Four Seas (Shantou) Co., Ltd. (currently CFSS Co. Ltd.*) established in China
Jul. 2004	R&DDE Center (currently R&D Center) started operations
Feb. 2006	Hiroshima Factory (currently Hiroshima Factory, East Building; Hiroshima) started operations
Apr. 2006	*Jagabee* launched
Aug. 2006	Yantai Calbee Co., Ltd.* established in China
Aug. 2006	RDO-Calbee Foods, LLC (currently Calbee North America, LLC*), a joint venture with R.D. OFFUTT COMPANY, established in the U.S.
Oct. 2006	Acquired 80% of issued shares in Tower Bakery, Inc.* and acquired 100% of issued shares in Star Bakery, Inc.*
Nov. 2007	Calbee Eatalk Co., Ltd.*, a company employing people with disabilities, established
Jul. 2009	Capital alliance formed with U.S. food and beverage manufacturer PepsiCo, Inc.
	Japan Frito-Lay Ltd.* made a wholly owned subsidiary to strengthen the Group's snack food business (corn-based snacks)

2010s

Mar. 2011	Listed on the First Section of the Tokyo Stock Exchange
Jul. 2011	Haitai-Calbee Co., Ltd.* established in South Korea as a joint venture with HAITAI Confectionery & Foods Co., Ltd.
Jul. 2012	All of Calbee America, Inc.*'s snack food production and sales were split off and transferred to Calbee North America, LLC*
Aug. 2012	Calbee (Hangzhou) Foods Co., Ltd.*, a joint venture with Master Kong Instant Foods Investment (China) Co., Ltd. and ITOCHU Corporation, established in China
Aug. 2012	Calbee (Taipei) Foods Co., Ltd.*, a joint venture with Wei Chuan Foods Corporation, established in Taiwan
Feb. 2013	Established ICS Investment Co., Ltd.* as a special purpose company with ITOCHU Corporation to establish PT. Calbee-Wings Food*
Jul. 2013	PT. Calbee-Wings Food* established in Indonesia as a joint venture with the Wings group
Oct. 2013	Conducted a stock split in which common shares were split at a ratio of 1:4
Mar. 2014	Established Calbee (UK) Ltd* in the UK.
Apr. 2014	Established Calbee-URC, Inc.* in the Philippines as a joint company with Universal Robina Corporation
Apr. 2015	Acquired 51% of share of Moh Seng Marketing Pte. Ltd. and renamed Calbee Moh Seng Pte., Ltd.* in Singapore
Apr. 2015	Established Calbee Iberia S.L.* in Spain

* Currently consolidated subsidiaries

Corporate Data

(As of March 31, 2015)

Company Name	Calbee, Inc.
Date of Establishment	April 30, 1949
Head Office	Marunouchi Trust Tower Main, 22nd Floor 1-8-3 Marunouchi, Chiyoda-ku, Tokyo 100-0005, JAPAN
Paid-in Capital	11,975 million yen
Representatives	Akira Matsumoto, Chairman of the Board & CEO Shuji Ito, President & COO
Number of Employees	3,477 (consolidated basis), 1,646 (parent basis)
Fiscal Year-end	March 31
Business	Production and sale of snacks and other foods
Independent Auditor	Ernst & Young ShinNihon LLC

Group Companies

Japan

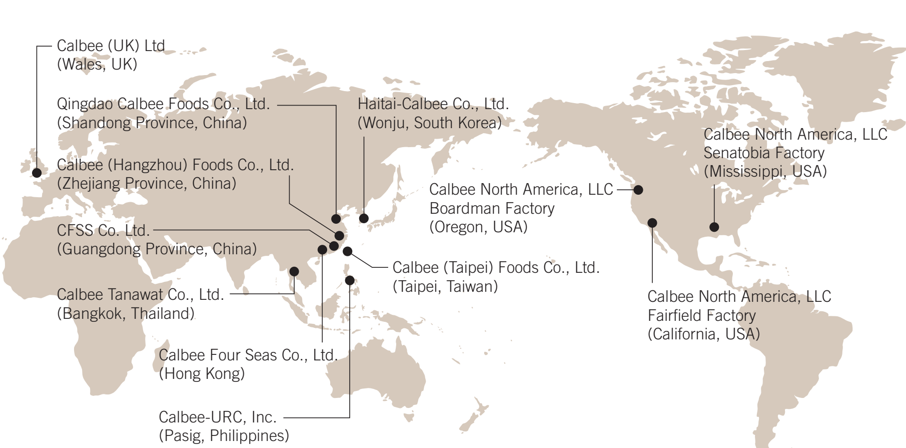
Calbee Potato, Inc.
Snack Food Service Co., Ltd.
Garden Bakery, Inc.
Tower Bakery, Inc.
Star Bakery, Inc.
Calnac Co., Ltd.
Calbee Eatalk Co., Ltd.
Japan Frito-Lay Ltd.
ICS Investment Co., Ltd.

Overseas

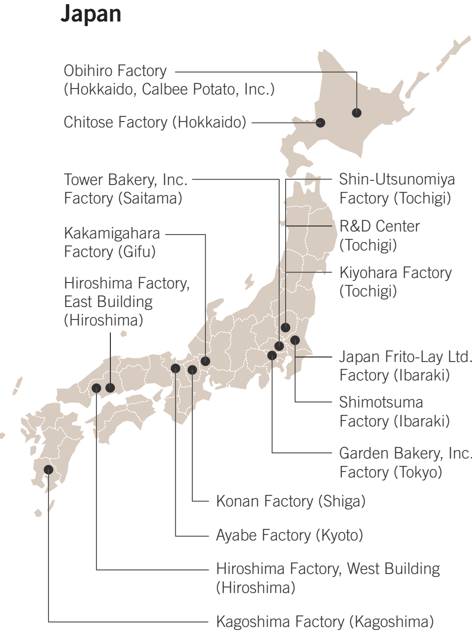
Calbee America, Inc.
Calbee North America, LLC
Qingdao Calbee Foods Co., Ltd.
Yantai Calbee Co., Ltd.
CFSS Co. Ltd.
Calbee (Hangzhou) Foods Co., Ltd.
Calbee Four Seas Co., Ltd.
Calbee (Taipei) Foods Co., Ltd.
Haitai-Calbee Co., Ltd.
Calbee Tanawat Co., Ltd.
PT. Calbee-Wings Food
Calbee-URC, Inc.
Calbee Moh Seng Pte., Ltd.
(subsidiary since Apr. 2015)
Calbee (UK) Ltd
Calbee Iberia S.L. (established in Apr. 2015)

Location of Factories

Overseas



Japan

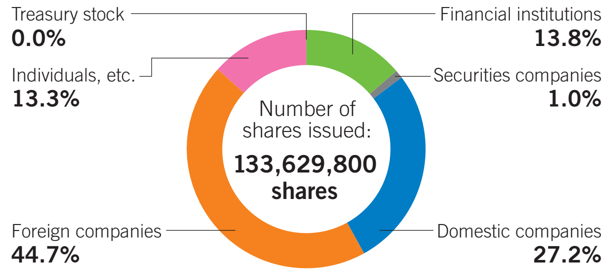


Investor Information

(As of March 31, 2015)

Common Stock	Authorized:	176,000,000 shares
	Issued:	133,629,800 shares
Number of Shareholders		13,878
Annual General Meeting		June
Date of Listing	March 11, 2011	
Stock Listing	First Section of the Tokyo Stock Exchange	
TSE Code	2229	
Share Register	Mitsubishi UFJ Trust and Banking Corporation	

Share Breakdown by Shareholder Type



Principal Shareholders

Shareholders	Number of Shares (thousands)	Ownership ratio[3] (%)
FRITO-LAY GLOBAL INVESTMENTS B.V. [1]	26,800	20.06
General Incorporated Association Miki-no-Kai [2]	23,380	17.50
Japan Trustee Services Bank, Ltd. (Trust Account)	5,277	3.95
The Master Trust Bank of Japan, Ltd. (Trust Account)	3,661	2.74
Calbee Employees Shareholding Association	2,846	2.13
STATE STREET BANK AND TRUST COMPANY	1,959	1.47
THE TORIGOE CO., LTD.	1,936	1.45
JP MORGAN CHASE BANK	1,537	1.15
BNP PARIBAS SEC SERVICES LUXEMBOURG/ JASDEC/ ABERDEEN GLOBAL CLIENT ASSETS	1,510	1.13
Kirihara Container Factory co., ltd	1,400	1.05

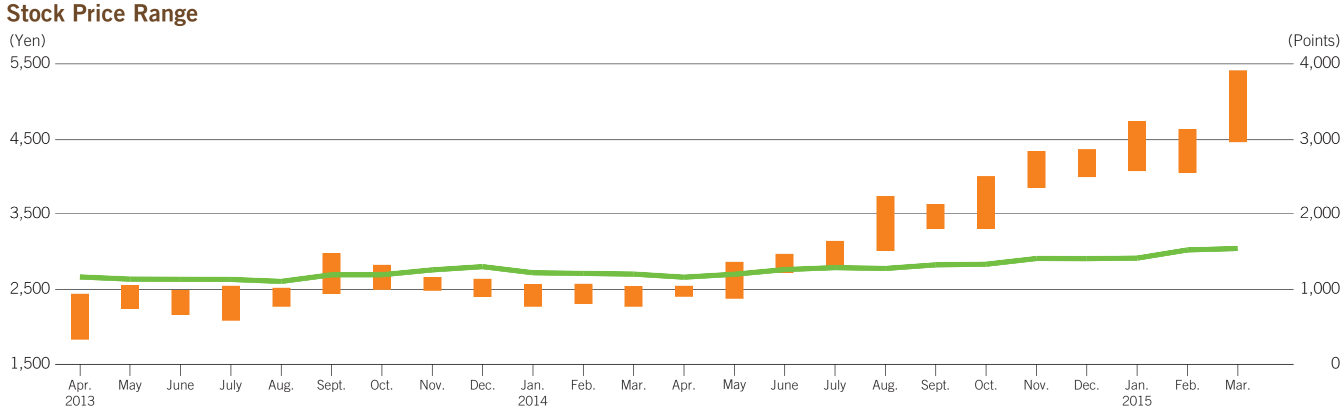
1. FRITO-LAY GLOBAL INVESTMENTS B.V. is a wholly-owned subsidiary of PepsiCo, Inc.
2. General Incorporated Association Miki-no-Kai is a shareholding association of the founding family of the Company.
3. Ownership ratios are calculated excluding 832 shares held by the Company as treasury stock and including 98,500 shares held by the Employee Stock Ownership Plan Trust Account and 128,800 shares held by the Board Incentive Plan Trust Account.

Shares and Shareholders

	2014	2015
Number of Shares Issued	133,507,800	133,629,800
Share Breakdown by Shares Issued		
Financial institutions	13.2%	13.8%
Securities companies	0.6%	1.0%
Domestic companies	27.7%	27.2%
Foreign companies	42.8%	44.7%
Individuals, etc.	15.7%	13.3%
Treasury stock	0.0%	0.0%

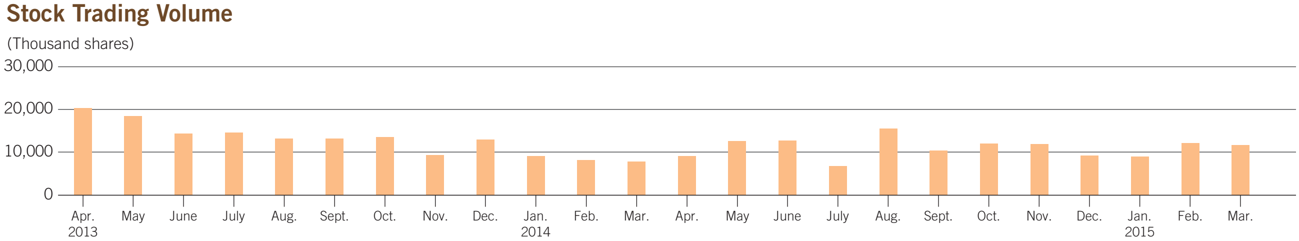
	2014	2015
Number of Shareholders	13,308	13,878
Share Breakdown by Shareholders		
Financial institutions	0.4%	0.4%
Securities companies	0.3%	0.3%
Domestic companies	1.0%	1.0%
Foreign companies	2.6%	3.2%
Individuals, etc.	95.7%	95.1%
Treasury stock	0.0%	0.0%

Stock Price Range



*Stock prices show the range between the high and low price for each month.

Stock Trading Volume



*Calbee's common stock was split at a ratio of 4 shares for 1 share effective October 1, 2013. Stock prices and trading volumes prior to the date of the stock split have also been retroactively adjusted.

Contact

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Harvest the Power of Nature.

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https://www.calbee.com/ir/

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