

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

April 1, 2021 to June 30, 2021

Calbee, Inc.

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

SUMMARY OF FINANCIAL STATEMENTS (consolidated)

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

Calbee, Inc.

August 5, 2021

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

Stock exchange listings: Tokyo 1st section, code number 2229

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Scheduled date for submission of the first quarter financial report: August 10, 2021

Scheduled date for distribution of dividends: --

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

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

1) Consolidated results for the first three months (April 1, 2021 to June 30, 2021) of the fiscal year ending March 31, 2022

(1) Consolidated Operating Results

	Three months ended June 30, 2020		Three months ended June 30, 2021	
	Millions of yen, rounded down	% change	Millions of yen, rounded down	% change
Net sales	64,385	4.0	59,896	—
Operating profit.....	6,552	1.6	6,938	5.9
Ordinary profit.....	6,415	5.7	7,034	9.7
Profit attributable to owners of parent.....	4,050	(4.6)	4,953	22.3
Earnings per share (¥).....	30.30		37.07	
Earnings per share (diluted) (¥).....	—		—	

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

2. Comprehensive income: Three months ended June 30, 2021: ¥5,050 million (7.9%)

Three months ended June 30, 2020: ¥4,682 million (41.3%)

3. As the Company applied the "Accounting Standard for Revenue Recognition" (Business Accounting Standards No. 29) from the beginning of the fiscal year ending March 2022, the percentage change in net sales from the same period of the previous fiscal year is not shown. Assuming that the same accounting standard as before was applied to sales for the first quarter of the fiscal year ending March 2022, the percentage of change from the same period of the previous fiscal year is 4.6%, excluding the impact of the application of this accounting standard.

(2) Consolidated Financial Position

	Millions of yen, rounded down	
	As of March 31, 2021	As of June 30, 2021
Total assets	238,978	231,840
Net assets	182,740	179,036
Shareholders' equity/total assets (%).....	73.4	74.0

Shareholders' equity: As of June 30, 2021: ¥171,453 million

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

2) Dividends

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

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

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

	Millions of yen	
	Millions of yen	% change
Net sales	240,000	—
Operating profit.....	28,000	3.5
Ordinary profit.....	27,500	(0.1)
Profit attributable to owners of parent.....	18,000	1.8
Earnings per share (¥).....	134.69	

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

2. Changes from the most recently announced results forecast: None

3. As the Company applied the "Accounting Standard for Revenue Recognition" (ASBJ No. 29) from the beginning of the fiscal year ending March 2022, the percentage change in net sales from the previous fiscal year is not shown. Assuming that the same accounting standard as before was applied to sales for the fiscal year ending March 2022, the percentage of change from the previous fiscal year is 3.1%, excluding the impact of the application of this standard.

Notes

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

	As of March 31, 2021:	As of June 30, 2021:
1. Number of outstanding shares (including treasury shares)	133,929,800 shares	133,929,800 shares
2. Number of treasury shares	289,176 shares	289,176 shares
	Three months to June 30, 2020:	Three months to June 30, 2021:
3. Average number of shares during the period	133,675,299 shares	133,640,624 shares

Note: Regarding Calbee stock held in trust as treasury stock within shareholders' equity, the number of treasury shares includes 288,265 of these shares as of June 30, 2021 and 288,265 of these shares as of March 31, 2021, and the average number of shares excludes 288,265 treasury shares in the three months to June 30, 2021, and 253,590 treasury shares in the three months to June 30, 2020.

Financial Statements are not subject to audit by a certified public accountant or audit firm**Appropriate use of financial forecasts and other items**

1. Forecasts, etc., recorded in this document include forward-looking statements that are based on management's estimates, assumptions and projections at the time of publication. A number of factors could cause actual results to differ materially from expectations. For details of forecasts, please see Page 9, 1. Operating results (3) Consolidated forecasts for the fiscal year ending March 31, 2022.
2. The earnings per share forecast for the fiscal year ending March 31, 2022 is calculated using 133,640,624 shares as the expected average number of shares for the period.
3. Calbee, Inc. has scheduled a financial results phone conference for institutional investors and analysts for August 5, 2021. An audio recording of the conference will be made available on our Japanese website after the conference.

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1. Operating results

(1) Summary of business performance

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

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

Net sales for the first quarter of the current fiscal year totaled ¥59,896 million. Both domestic and overseas business grew, with an increase of 4.6% excluding the impact of the adoption of revenue recognition standards. In the domestic business, sales of cereals declined due to the absence of nesting demand in the previous year, but sales increased owing to strong sales of snack foods such as *Jagarico*, for which we aggressively introduced limited time products. Revenues from overseas business increased due to contributions in North America, where we successfully rolled out the bean-based snacks *Harvest Snaps* to new sales channels, and in the United Kingdom, where new products performed well.

Operating profit increased 5.9% to ¥6,938 million due to higher sales, despite the negative impact of soaring palm oil prices and higher depreciation costs. And operating margin was 11.6%, remained flat from the same period of the previous fiscal year. Ordinary profit increased 9.7% to ¥7,034 million due to the share of loss of entities accounted for using equity method in the same period of the previous fiscal year and recording of foreign exchange gains. Profit attributable to owners of parent increased 22.3% to ¥4,953 million due to a decline in tax.

Results by business are as follows.

Millions of yen, rounded down

	Q1 FY ended March 31, 2021	Q1 FY ending March 31, 2022	
	Amount	Amount	Growth (%)
Domestic production and sale of snack and other foods business	51,454	52,263	+1.6
Domestic snack foods	41,345	42,857	+3.7
Domestic cereals	7,973	6,629	-16.9
Domestic others	2,134	2,775	+30.0
Overseas production and sale of snack and other foods business	12,931	15,090	+16.7
Subtotal	64,385	67,353	+4.6
Deduction of rebates, etc.	—	-7,457	—
Production and sale of snack and other foods business Total	64,385	59,896	—

Production and sale of snack and other foods business

Production and sale of snacks and other foods increased in both domestic business and overseas business.

Domestic production and sale of snack and other foods business

• Domestic snack foods

Domestic snack foods increased in sales.

Sales of domestic snack foods by products are as follows.

Millions of yen, rounded down

	Q1 FY ended March 31, 2021	Q1 FY ending March 31, 2022	
	Amount	Amount	Growth (%)
Potato-based snacks	29,120	30,674	+5.3
<i>Potato Chips</i>	19,461	19,605	+0.7
<i>Jagarico</i>	7,865	9,019	+14.7
<i>Jagabee/ Jaga Pokkuru</i>	1,794	2,049	+14.2
Flour-based snacks	5,501	5,168	-6.1
Corn- and bean-based snacks	4,763	4,846	+1.7
Other snacks	1,959	2,168	+10.7
Domestic snack foods total	41,345	42,857	+3.7

- Sales of potato-based snacks increased, driven by sales of *Jagarico*.
 - Sales in *Potato Chips* rose 0.7% to ¥19,605 million, continued strong demand for Kettle Chips. Sales of the Basic Series, which curbed sales promotions due to concerns of a shortage of raw material potato, declined, but the market share recovered due to the resumption of sales promotions in late May.
 - Sales of *Jagarico* increased due to the aggressive introduction of limited time products and growth in stand-pouch-type products such as *Jagarico Salad bits Omori* (large-bag type) and *Otonano Jagarico* (that go well with alcohol).
 - Although inbound tourists and domestic tourists remained sluggish, *Jagabee/ Jaga Pokkuru* posted an increase in sales due to aggressive store openings at product exhibitions.
- Sales of corn-and bean-based snacks increased due to favorable sales of *Miino*, a bean-based snack, stemming from promotional campaigns such as TV commercials.
- Sales of other snacks increased due to *Potato Deluxe* sales area expansion and other factors.

• Domestic cereals:

Domestic cereals sales were ¥6,629 million (decreased 16.9%) due to a decline following the previous year's nesting demand and the transfer of export sales to Chinese overseas subsidiary. Amid a drop in sales of regular products, sales of products featuring health and functionality remained strong.

• Domestic others:

Domestic others sales amounted to ¥2,775 million (increased 30.0%) due to strong sales in the sweet potato business. In the sweet potato business, wholesale sales and sales at company-owned shops grew due to the inclusion of products in TV programs.

Overseas production and sale of snack and other foods business

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

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

Millions of yen, rounded down

	Q1 FY ended March 31, 2021	Q1 FY ending March 31, 2022		
	Amount	Amount	Growth (%)	Growth on local currency basis(%)
North America	3,530	3,974	+12.6	+10.3
Greater China*	4,028	4,200	+4.3	-4.3
United Kingdom	1,568	1,937	+23.6	+7.1
Indonesia	855	1,367	+59.7	+49.2
Other regions**	2,948	3,609	+22.4	+10.3
Overseas production and sale of snack and other foods business total	12,931	15,090	+16.7	+7.9

* Greater China: China and Hong Kong.

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

- In North America, sales of the bean-based snacks *Harvest Snaps* were favorable due to factors such as expansion of delivering small bags for dollar store channels, as well as an increase in the number of items handled for private brand products. As a result, sales increased.
- On a local currency basis, Greater China sales decreased due to a decline in cereals sales. In snack foods, sales of *Honey Butter Chips* and *Jagabee* were strong for both e-commerce and retail channel, but sales of cereals declined due to the absence of nesting demand in the previous year and intensified competition.
- In the United Kingdom, sales increased due to growth in sales of potato chips and *Loaded Fries*, which was launched in the second half of the previous fiscal year.
- Sales in Indonesia increased compared with the same period of the previous fiscal year, when production was affected by delays in the procurement of imported raw material potatoes. Sales of potato chips *Potabee* and new flavor of *Japota* were strong.

(2) Analysis of financial position

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

1. Overview of assets, liabilities and net assets

Total Assets as of June 30, 2021 were ¥231,840 million, a decrease of ¥7,138 million. This was mainly due to a decrease in cash and deposits and securities.

Liabilities decreased ¥3,434 million to ¥52,804 million. This was mainly attributable to a decrease in income taxes payable due to the tax return payments for income taxes.

Net assets decreased ¥3,703 million to ¥179,036 million. This was primarily due to a decrease in retained earnings resulting from the payment of dividends and the adoption of the Revenue Recognition Accounting Standard, as well as a decrease in capital surplus resulting from the acquisition of additional shares of Warnock Food Products, Inc.

From those stated above, the shareholders' equity ratio was 74.0%, up 0.6 percentage points.

2. Overview of cash flows

Cash and cash equivalents as of June 30, 2021 were ¥61,347 million, an increase of ¥14,064 million.

Cash flows from operating activities

Operating activities resulted in net cash inflow of ¥5,163 million, a decrease of ¥1,204 million.

This was mainly due to a smaller decrease in trade receivables compared to the same period of previous fiscal year caused by favorable sales in June 2021 compared to the usual year.

Cash flows from investing activities

Investing activities resulted in a net cash inflow of ¥17,091 million, an increase of ¥23,288 million.

This was mainly due to outlays for the purchase of shares of subsidiaries resulting in change in scope of consolidation in the same period of the previous fiscal year caused by the acquisition of shares of Potato Kaitsuka, and an increase in inflow from the redemption of investment securities.

Cash flows from financing activities

Financing activities resulted in a net cash outflow of ¥8,216 million, an increase of ¥1,441 million.

This was mainly due to payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation caused by additional purchase of shares of Warnock Food Products, Inc.

Information Regarding Capital Resources and Shareholders' equity Liquidity

• Developments in Demand for Funds

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

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

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

Millions of yen, rounded down

	FY ended March 31, 2020	FY ended March 31, 2021	Q1 FY ending March 31, 2022	medium-term business plan	Progress (%)
Capital investment	8,751	11,205	3,885	60,000	39.7
Growth investment	7,558	13,330	77	80,000	26.2
Shareholder Returns	6,425	6,693	6,540	40,000	49.1
Total	22,735	31,229	10,503	180,000	35.8

- Fund-raising progress

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

(3) Consolidated forecasts

There is no change in the consolidated forecasts for the fiscal year ending March 31, 2022 announced on May 13, 2021.

2. Consolidated financial statements and key notes

(1) Consolidated balance sheets

Millions of yen, rounded down

	As of March 31, 2021	As of June 30, 2021
Assets		
Current assets		
Cash and deposits	34,572	29,642
Notes and accounts receivable - trade	30,449	29,901
Securities	38,899	36,999
Inventories	14,694	15,039
Other	4,868	3,781
Allowance for doubtful accounts	(5)	(13)
Total current assets	123,477	115,350
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	29,964	30,998
Machinery, equipment and vehicles, net	31,619	30,997
Land	11,554	11,819
Construction in progress	2,489	3,467
Other, net	1,651	1,625
Total property, plant and equipment	77,280	78,908
Intangible assets		
Goodwill	24,518	24,090
Other	1,978	2,050
Total intangible assets	26,497	26,140
Investments and other assets		
Investments and other assets, gross	11,724	11,441
Allowance for doubtful accounts	(0)	(0)
Total investments and other assets	11,723	11,440
Total non-current assets	115,501	116,489
Total assets	238,978	231,840

	As of March 31, 2021	As of June 30, 2021
Liabilities		
Current liabilities		
Notes and accounts payable - trade	10,160	11,161
Short-term borrowings	2,616	2,416
Current portion of long-term borrowings	298	298
Income taxes payable	5,153	1,868
Provision for bonuses	4,916	1,963
Provision for bonuses for directors (and other officers)	116	78
Provision for share-based remuneration	88	88
Other	19,235	21,528
Total current liabilities	42,585	39,404
Non-current liabilities		
Long-term borrowings	3,166	3,136
Provision for retirement benefits for directors (and other officers)	358	317
Provision for share-based remuneration for directors (and other officers)	265	294
Retirement benefit liability	7,846	7,645
Asset retirement obligations	749	751
Other	1,267	1,254
Total non-current liabilities	13,652	13,399
Total liabilities	56,238	52,804
Net assets		
Shareholders' equity		
Share capital	12,046	12,046
Capital surplus	4,777	3,232
Retained earnings	159,551	157,185
Treasury shares	(1,045)	(1,045)
Total shareholders' equity	175,329	171,418
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	300	376
Foreign currency translation adjustment	562	525
Remeasurements of defined benefit plans	(822)	(866)
Total accumulated other comprehensive income	39	35
Non-controlling interests	7,371	7,582
Total net assets	182,740	179,036
Total liabilities and net assets	238,978	231,840

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

	<i>Millions of yen, rounded down</i>	
	April 1, 2020 to June 30, 2020	April 1, 2021 to June 30, 2021
Net sales	64,385	59,896
Cost of sales	36,125	38,687
Gross profit	28,260	21,208
Selling, general and administrative expenses	21,707	14,269
Operating profit	6,552	6,938
Non-operating income		
Interest income	30	22
Dividend income	19	18
Share of profit of entities accounted for using equity method	16	7
Foreign exchange gains	—	41
Gain on sale of goods	12	38
Other	81	19
Total non-operating income	160	147
Non-operating expenses		
Interest expenses	24	21
Share of loss of entities accounted for using equity method	137	—
Foreign exchange losses	54	—
Depreciation	48	25
Other	33	4
Total non-operating expenses	298	51
Ordinary profit	6,415	7,034
Extraordinary income		
Gain on sales of non-current assets	0	0
Gain on sales of investment securities	—	44
Subsidies income	14	1
Gain on liquidation of subsidiaries and associates	142	—
Other	—	2
Total extraordinary income	157	48
Extraordinary losses		
Loss on sales of non-current assets	14	0
Loss on retirement of non-current assets	42	41
Loss on business restructuring	—	34
Loss on COVID-19	229	—
Other	—	11
Total extraordinary losses	286	87
Profit before income taxes	6,285	6,995
Income taxes - current	1,624	1,263
Income taxes - deferred	344	665
Total income taxes	1,969	1,929
Profit	4,316	5,065
Profit attributable to non-controlling interests	266	112
Profit attributable to owners of parent	4,050	4,953

Consolidated statements of comprehensive income

	<i>Millions of yen, rounded down</i>	
	April 1, 2020 to June 30, 2020	April 1, 2021 to June 30, 2021
Profit	4,316	5,065
Other comprehensive income		
Valuation difference on available-for-sale securities	427	76
Foreign currency translation adjustment	(50)	(47)
Remeasurements of defined benefit plans, net of tax	(11)	(44)
Total other comprehensive income	365	(14)
Comprehensive income	4,682	5,050
Comprehensive income attributable to		
Owners of parent	4,393	4,949
Non-controlling interests	288	101

(3) Consolidated statements of cash flows

Millions of yen, rounded down

	April 1, 2020 to June 30, 2020	April 1, 2021 to June 30, 2021
Cash flows from operating activities		
Profit before income taxes	6,285	6,995
Depreciation	2,196	2,212
Amortization of goodwill	435	451
Increase (decrease) in allowance for doubtful accounts	(6)	7
Increase (decrease) in provision for bonuses	(2,740)	(2,953)
Increase (decrease) in provision for bonuses for directors (and other officers)	(45)	(36)
Increase (decrease) in provision for share-based remuneration for directors	23	29
Increase (decrease) in retirement benefit liability	(185)	(239)
Decrease (increase) in retirement benefit asset	(4)	(55)
Increase (decrease) in provision for retirement benefits for directors (and other officers)	14	(40)
Interest and dividend income	(50)	(41)
Interest expenses	24	21
Foreign exchange losses (gains)	257	(641)
Loss (gain) on liquidation of subsidiaries and associates	(142)	—
Subsidies income	(14)	(1)
Share of loss (profit) of entities accounted for using equity method	120	(7)
Loss (gain) on sales of investment securities	—	(35)
Loss (gain) on sales of non-current assets	13	(0)
Loss on retirement of non-current assets	42	41
Decrease (increase) in trade receivables	2,843	521
Decrease (increase) in inventories	(1,204)	(344)
Increase (decrease) in trade payables	(456)	987
Increase (decrease) in accounts payable - other	(1,796)	(2,008)
Other, net	4,985	4,767
Subtotal	10,597	9,629
Interest and dividends received	53	30
Interest paid	(23)	(9)
Income taxes paid	(4,259)	(4,487)
Net cash provided by (used in) operating activities	6,367	5,163

	April 1, 2020 to June 30, 2020	April 1, 2021 to June 30, 2021
Cash flows from investing activities		
Purchase of property, plant and equipment	(2,179)	(3,730)
Proceeds from sales of property, plant and equipment	0	0
Purchase of intangible assets	(153)	(232)
Purchase of securities	(8,000)	(5,000)
Proceeds from redemption of securities	17,182	25,900
Purchase of investment securities	(4)	(1)
Proceeds from sales of investment securities	—	120
Loan advances	(700)	(100)
Collection of loans receivable	700	120
Payments into time deposits	(410)	(292)
Proceeds from withdrawal of time deposits	619	292
Payments of guarantee deposits	(70)	(8)
Proceeds from refund of guarantee deposits	15	18
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(13,208)	—
Proceeds from subsidy income	14	1
Other, net	(1)	4
Net cash provided by (used in) investing activities	(6,196)	17,091
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(300)	(200)
Repayments of long-term borrowings	(30)	(30)
Purchase of treasury shares	—	—
Proceeds from exercise of employee share options	—	—
Proceeds from share issuance to non-controlling shareholders	139	461
Dividends paid	(6,542)	(6,540)
Dividends paid to non-controlling interests	(12)	(14)
Repayments of lease obligations	(28)	(10)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	—	(1,882)
Net cash provided by (used in) financing activities	(6,775)	(8,216)
Effect of exchange rate change on cash and cash equivalents	100	25
Net increase (decrease) in cash and cash equivalents	(6,502)	14,064
Cash and cash equivalents at beginning of period	55,742	47,282
Cash and cash equivalents at end of period	49,240	61,347

(4) Notes to consolidated financial statements

(Notes related to going concern assumption)

No applicable items.

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

No applicable items.

(Changes in accounting policy)

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

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

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

As a result, net sales for the first three months decreased by ¥7,457 million and selling, general and administrative expenses decreased by the same amount.

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

(Subsequent events)

No applicable items.