

# Calbee

Harvest the Power of Nature.



## Calbee Report 2020

Calbee Group Integrated Report

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#### Editorial policy

This report is intended to inform all of our stakeholders about the Calbee Group's vision and value creation. Calbee Report 2020 is intended to communicate, deepening of our value chain and management foundation for sustainable growth in an easy-to-understand manner. We hope this report will help readers better understand the Calbee Group and create opportunities for dialogue with stakeholders to enhance our corporate value.

**Period covered:** April 1, 2019 to March 31, 2020 (Information from outside this period is presented where appropriate)

**Organizational scope:** Calbee Group, comprising of Calbee, Inc. and its consolidated subsidiaries (as of March 31, 2020)

**Issue date:** October 2020

#### Guidelines used for reference

Ministry of Economy, Trade and Industry (METI):  
Guidance for Integrated Corporate Disclosure and  
Company-Investor Dialogues for Collaborative  
Value Creation

International Integrated Reporting Council (IIRC):  
International Integrated Reporting Framework

#### Concerning descriptions regarding forward-looking statements

In addition to facts about the Calbee Group, this report also includes forward-looking statements based on information available to Calbee, Inc. at the time they were written. Various factors could cause actual results to differ materially from expectations.

#### Calbee Group website



#### Investor Relations

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

#### Sustainability

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



# Our Value

## Corporate Message

# Calbee

Harvest the Power of Nature.

## Group Vision

We must earn respect, admiration and love firstly of our customers, suppliers and distributors, secondly of our employees and their families, thirdly of the communities, and finally of our stockholders.

## Corporate Philosophy

We are committed to harnessing nature's gifts, to bringing taste and fun, and to contributing to healthy life styles.



Founder Takashi Matsuo (on the right)

The Calbee Group's founding philosophy is "to be a company that gathers knowledge in order to create products that are healthy, safe and affordable, and which utilize unused food resources."

During World War II, founder Takashi Matsuo began making and selling dumplings by extracting germ from rice bran, which at the time was usually discarded as waste, and blending it with sweet potatoes or wild plants.

The food supply at the time was severe, so many people were relieved to have access to such nutritional food.

Our founder's desire to utilize unused resources to create food products that contribute to healthy lives is something that remains at the core of the Calbee Group's values to this day.

# Growing in Step with the Times

Since our establishment, the Calbee Group has worked to resolve social issues related to food by harnessing nature's gifts to create tasty and fun products. We will continue to innovate and take on new challenges, contributing to healthy lifestyles.

**1955**

Developed Japan's first wheat *arare* (Japanese cracker) using unused food resources

**Kappa Arare**



**1964**

Developed a nutritious snack made from fresh whole shrimp

**Kappa Ebisen**



**1975**

Entered the potato chips business, inspired by the boom in the U.S. market

**Potato Chips**



**1995**

Developed a handy, portable snack-in-a-cup

**Jagarico**



**2003**

Created new points of contact with customers in Hokkaido's souvenir markets

**Jaga Pokkuru**



**2011**

Developed a new style of quick and healthy breakfast

**Frugra**



**2013**

Healthy bean-based snack became popular mainly in North America

**Harvest Snaps**



Consolidated net sales

(Billions of yen)

— 300

— 250

— 200

— 150

— 100

— 50

— 0

Others

Overseas

Corn- and bean-based snacks

Jagarico

Cereals (domestic)

Potato Chips

Flour-based snacks

1949 Founded

1950

1960

1970

1980

1990

2000

2010

Present

Founding (1949-1974)

Growth (1975-2009)

Reform (2010-)

Post-war food shortage

High economic growth

Westernization of eating habits

Diversification of consumer needs

Rise in health consciousness

Women's social advancement

Focus on food safety

Social background

# Our Story and What Drives Us

## Founding 1949-1974

The cornerstone for growth grounded in our founder's ideals

- 1949 Matsuo Food Processing Co., Ltd. established in Hiroshima Prefecture
- 1955 Company name changed to Calbee Confectionery Co., Ltd.
- 1968 Utsunomiya Factory begins operations
- 1969 Chitose Factory (now Hokkaido Factory) begins operations
- 1973 Company name changed to Calbee, Inc.

## Growth 1975-2009

Establishing a potato business in harmony with the land and producers

- 1980 Calbee Potato, Inc. established to manage potato ingredients
- 1984 *Calbee Potato-maru* launched, world's first dedicated potato carrying vessel
- 1990 Snack Food Service Co., Ltd. (now Calbee Logistics, Inc.) established to handle logistics
- 2002 IT-driven potato field management inaugurated
- 2004 R&DDE Center (now R&D Center) established as a research and development hub

## Reform 2010-

Daring to enter new fields

- 2011 Listing on the First Section of Tokyo Stock Exchange
- 2012 Calbee North America, LLC (United States) established (Integrated two existing companies in North America)
- 2013 PT. Calbee-Wings Food (Indonesia) established
- 2014 Calbee (UK) Ltd (now Calbee Group (UK) Ltd United Kingdom) established
- 2015 Calbee E-commerce, Ltd. (Hong Kong) established
- 2018 Calbee (Hangzhou) Foods Co., Ltd. (China) established
- 2020 Calbee (China) Co., Ltd. is established

Key Events

### Utilization of unused food resources

Calbee founder Takashi Matsuo was born to a family in Hiroshima Prefecture that sold food made from recycled rice bran and crushed rice, byproducts of sake production. Matsuo inherited the family business and made it his personal mission to develop healthy foods from rice bran. Calbee's name, a portmanteau of 'calcium' and 'vitamin B1,' reflects that determination.

In 1955, using cheaply imported wheat flour in place of rationed rice, Matsuo created the *Kappa Arare* wheat cracker, and in 1964 began selling the *Kappa Ebisen* snack, made with fresh whole shrimp. Both products were first of their kind foods created from unused resources.

### Creating a system for the stable supply of fresh ingredients

To expand sales of *Kappa Ebisen*—then produced in western Hiroshima Prefecture—to eastern Japan and deliver freshly made products to stores, a new factory was built in Utsunomiya, Tochigi Prefecture. As Calbee's production expanded, the urgent need arose to establish a system by which a stable supply of fresh shrimp could be procured and delivered to factories. Calbee quickly introduced the latest refrigeration technology and implemented year-round operations—a system that would serve as the cornerstone for future value chain.



Founder Takashi Matsuo



A Calbee factory at the time of *Kappa Ebisen* launch



Utsunomiya Factory in the 1960s



A 1969 TV commercial for *Kappa Ebisen*

### Entry into the potato chips business

Calbee began selling its *Potato Chips* in 1975—but initial sales were weaker than expected. To ensure the freshness and flavor of products on store shelves, Calbee began to set up factories near markets where its products were being consumed and switched from making bulk deliveries to more frequent small-lot deliveries. These measures were the foundation of a system that facilitated the sale of fresh products and paid off when *Potato Chips* became a hit product across Japan.

### Building a strong value chain in the potato business

Growth of *Potato Chips* sales meant that stable procurement of high-quality potatoes was now indispensable. For this reason, Calbee began to overhaul its potatoes procurement production, adopting an approach that achieved harmony between producers and the land used for production. Calbee's fieldmen (specialists in potatoes) worked with production areas and producers to create a system for the cultivation, procurement, and storage of potatoes and built a unique value chain that managed each process—from production to distribution and sales—in a vertically integrated manner.



Train advertisements for *Potato Chips* in 1975



A farming partner and Calbee fieldman



Calbee Potato Obihiro Factory

### Developing cereal into a second pillar of business

Calbee launched *Fruits Granola* in 1991, but breakfast cereal and granola were slow to take hold in Japan and the product struggled. Calbee changed the product's name to *Frugra* in 2011 and it began to gain traction, especially among working women who turned to it as an easy and consistent source of nutrition even during busy mornings. *Frugra* has established a new style of eating breakfast in Japan and Calbee is also actively promoting sales in China.



Cereal product *Frugra*

### Accelerating overseas expansion

Since 2010, Calbee has positioned the growth of its overseas business as a key issue and has accelerated its expansion in these markets. When entering a new region, the Company considers the characteristics of each market before determining on whether to launch an independent operation or opt for a joint venture. In Asia, where retail networks are widely dispersed across the region, joint ventures have allowed us to leverage the logistics capabilities of local partners to accelerate market development and sales growth. We also develop snack foods in each region to align with local market environments and consumer preferences.



PT. Calbee-Wings Food's factory (Indonesia)



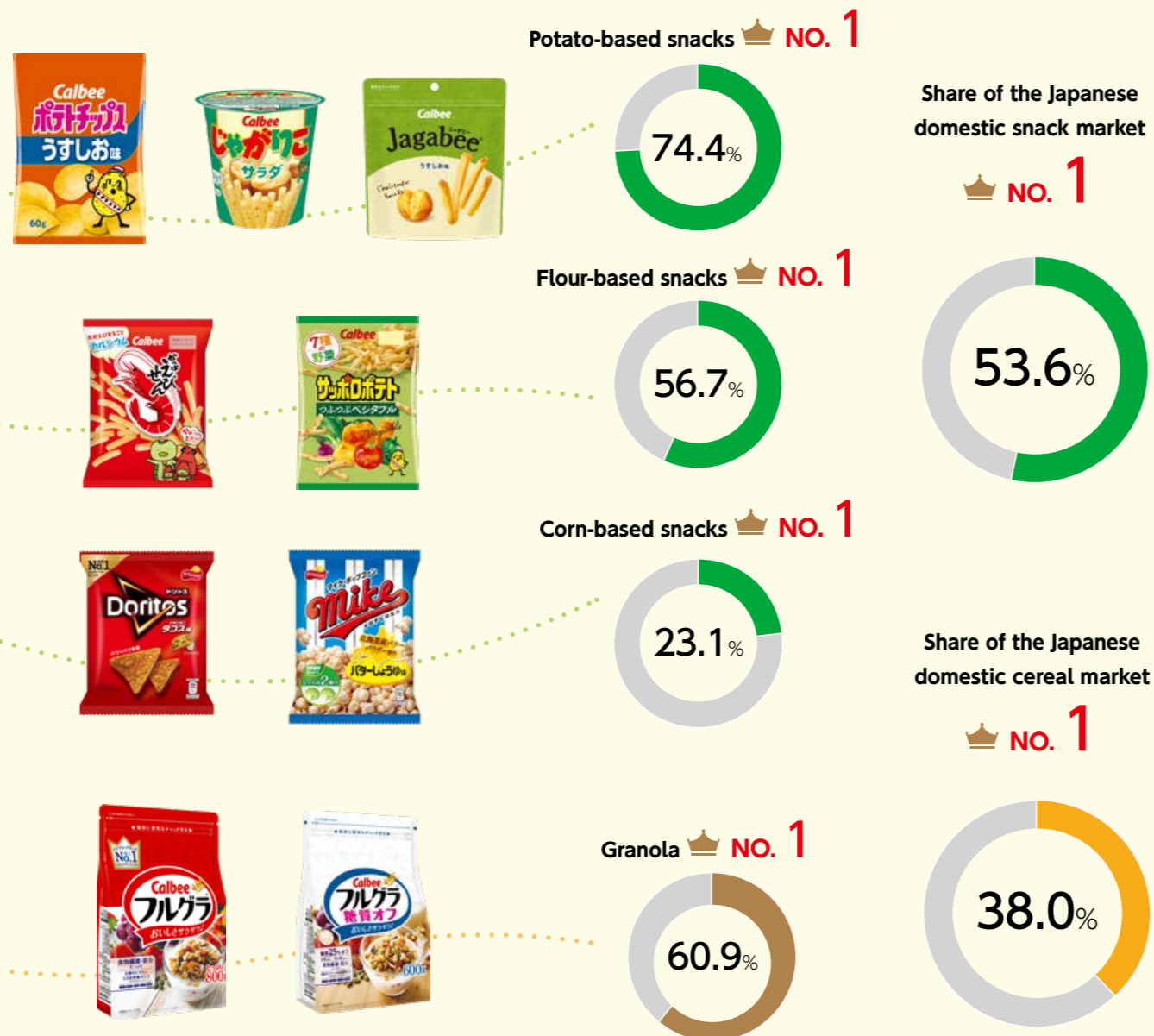
Employees of Calbee North America, LLC

Management Episodes

# Establishing a Strong Brand and Growing Business

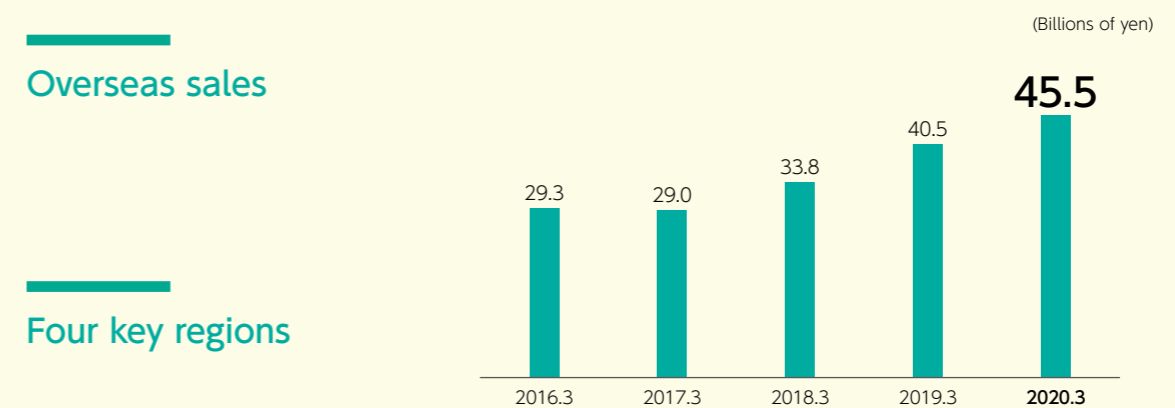
## Domestic brands and market share

Within Japan, Calbee has a lineup of long-sellers with considerable brand power and a general snacks market share of greater than 50%. In the potato-based snacks market (which includes Calbee's flagship *Potato Chips* and *Jagabee* brands), the Company maintains a leading market share that consistently exceeds 70%. In cereals, *Frugra* has driven market growth and boasts the top share in both the cereals and granola markets. Calbee will continue to pursue new challenges as we develop products that will be loved by our customers for many years to come.



## Expanding overseas business

Calbee is engaged in the manufacturing and sale of snacks and cereals in nine overseas regions, made possible through the use of raw material processing technologies cultivated in Japan. Calbee has identified four key regions that have the best prospects in terms of market size and growth potential (North America, Greater China, the United Kingdom, and Indonesia) and is tailoring its product lineup and promotional initiatives to meet the needs of local consumers for own business growth.



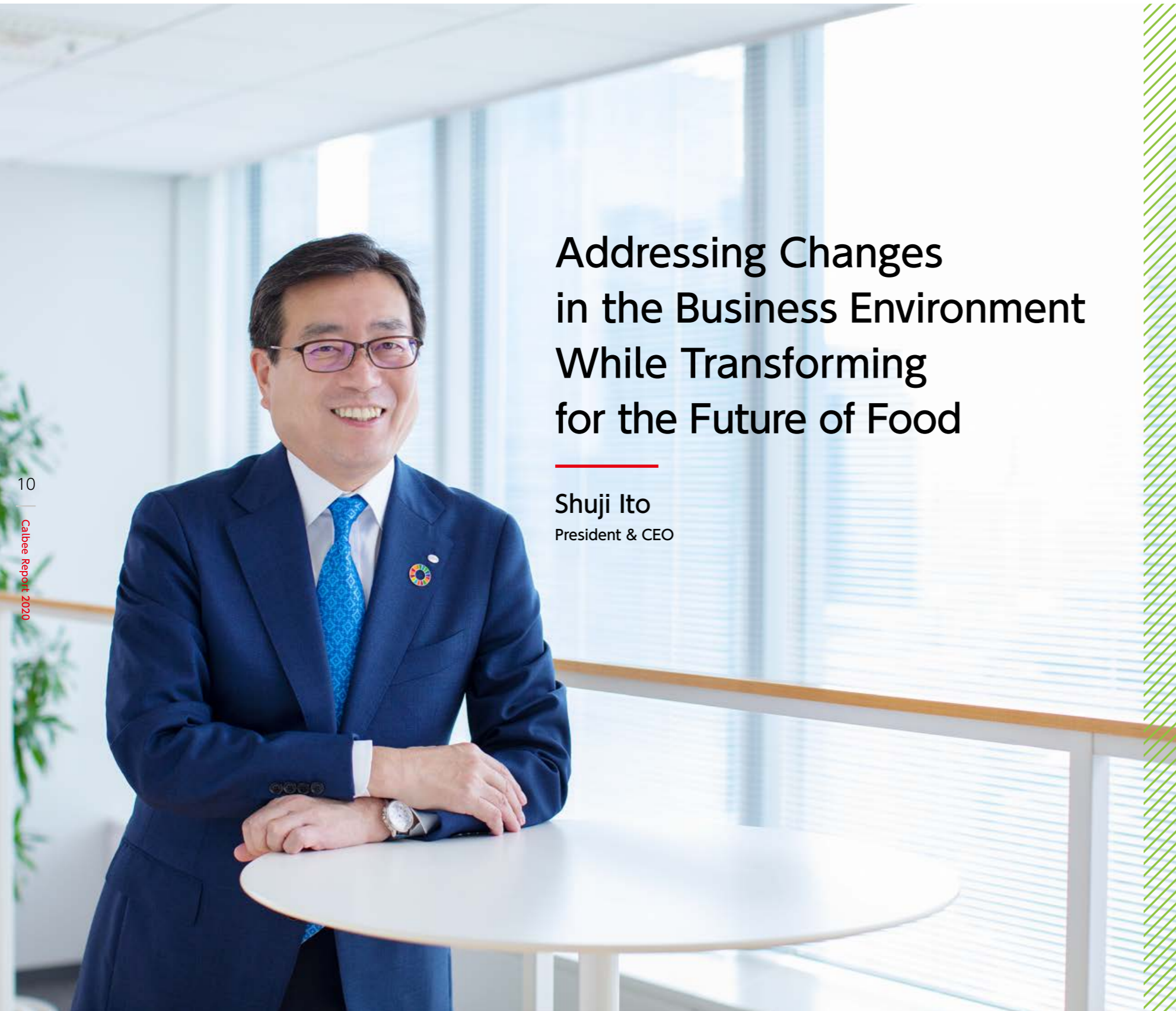
### Four key regions



Source: INTAGE SRI Inc., based on cumulative sales value nationwide, all retail formats, for the fiscal year ended March 31, 2020 (April 1, 2019 to March 31, 2020)  
 Snack and corn-based snack market share: Total of Calbee and Japan Frito-Lay, Ltd.  
 Granola market share: Cereals market, granola category  
 Market share by snack category: Share by raw ingredients (potato-based snacks: unprocessed potatoes; flour-based snacks: wheat; corn-based snacks: corn)



# CEO Message



## Addressing Changes in the Business Environment While Transforming for the Future of Food

**Shuji Ito**  
President & CEO

### ▶ Resolving social issues to create new value

Under our corporate philosophy of being committed to harnessing nature's gifts, bringing taste and fun, and contributing to healthy life styles, the Calbee Group has responded to consumers' changing needs by developing new products and creating new value. Over the past decade, we have achieved significant growth by increasing revenue in our domestic business and expanding overseas. To remain true to our corporate philosophy and continue to grow, we must transform our existing domestic business base and foster new growth through means such as developing revenue bases in global markets and venturing into new food categories. At the same time, to realize the sustainable society called for in the Sustainable Development Goals (SDGs) of the United Nations, we are being called upon to conduct their business in ways that help resolve social issues—something that I believe will help inspire us to innovate.

Under our Long-term Vision for 2030, "Next Calbee—Harvest the power of nature. Creating the future of food," we will endeavor to accelerate the growth of our overseas business and expand our business in new food categories by ascertaining diversifying customer needs and continuing to provide new value. At the same time, we will support the realization of a sustainable society through co-creation with stakeholders to resolve social issues and initiatives to pass on a healthy society together with a well-maintained environment to the next generation.

### Long-term Vision for 2030



Harvest the power of nature. Creating the future of food.

### ▶ Enhancing management flexibility to respond to changes in the business environment

Looking at the business environment around the Calbee Group, in Japan we are seeing an ongoing change in consumers' lifestyles and diversification of their values and needs, which is occurring in tandem with population decline due to a low birthrate and an aging society, an increase in single-person households, and rising health consciousness and demand for convenience. Globally, too, health consciousness is rising in concert with economic growth and there is growing interest in the ingredients in food and the nutrition they provide. Japanese food products have a good



## CEO Message

reputation for health and quality, and I think our strong position in this regard offers opportunities to develop our overseas business. That said, the global COVID-19 pandemic has caused changes in consumers' purchasing behavior, and we will see changes in the expectations and value they want. Globally, we have to be aware of issues such as elevated risk associated with intensifying global competition for resources. We need to understand that our business is facing great changes both domestically and globally.

Turning to the Calbee Group's business results for the fiscal year ended March 31, 2020, although restrictions placed on people's movements amid the COVID-19 pandemic led to sharp declines in inbound demand and sales of gift products to domestic travelers, household nesting demand caused sales of snack foods and cereals to increase. Overseas, we saw positive effects, such as an increase in e-commerce sales in Greater China.

Changes in the social environment brought about by the pandemic have included both the actualization of unforeseen risks, and the appearance of new business opportunities. We have identified such risks and opportunities for each of our value chain and are considering a spectrum of measures in response. We will use the global pandemic as an impetus for initiatives to increase management flexibility and accelerate the transformation of our business foundation in response to the rapidly changing business environment. Even in a situation as severe as this, we are ready to stand up and turn crisis into opportunity. In the midst of the COVID-19 pandemic, domestic and overseas customers want our products, and we are determined that the Calbee Group's business will support healthy lifestyles among our stakeholders. I believe that we have an important duty as a food manufacturer to society of realizing sustainable business activities. As a food manufacturer, we have important duties to serve society as a whole through realizing sustainable business activities.

### ▶ Deepening our value chain and establishing a next-generation business base

The value chain that support the Calbee Group's business must be stable and responsive to change. To further raise productivity, I intend to allocate resources to determine risk and opportunities from a medium- to long-term perspective, and to encourage proactive investments that emphasizes sustainable growth. We keep diversifying raw materials to ensure stable product supply capability. We offer products that meet diverse needs through a variety of sales channels, combining with the Calbee Group's supply chain management, by tapping into data gained from distributors and retail outlets. We will also work to improve the flexibility of our production structure and raise productivity via production line automation and labor savings realized through investment in digital transformation.



One initiative for raising productivity over the long term is our plan, announced in May 2020, to build a model factory in Hiroshima Prefecture incorporating the latest technologies. The new factory will combine our two legacy factories in the prefecture, incorporating cutting-edge high-efficiency technologies in response to higher supply and demand and labor shortages, and using energy efficiency to realize a reduced environmental footprint. Furthermore, it will go beyond producing our current products to leverage the latest technologies such as digital transformation to innovate new technologies and create new products. As a center for production innovation, I expect the new factory will play a role as a model plant with innovative technologies that will be adopted by our other facilities.

### ▶ Developing products that meet consumers' diverse needs and creating value in new food categories

To accommodate consumers' growing health consciousness and diversifying needs, we engage in continuous product development and research. Last year, we focused on developing new "functional" cereal products around protein and iron, on expanding sales of *Potato Chips* leveraging our texture variations, and snack foods rich in protein made with beans. By having our snack foods and cereals meet even broader needs, we aim to provide new value to consumers and expand opportunities for their consumption.

We are also venturing into new food categories other than snack foods and cereals by leveraging strengths developed in our value chain for potatoes, which range from raw material procurement to production, distribution, and sales. In April 2020, we entered the sweet potato business through the acquisition of Potato Kaitsuka Co. Ltd. We aim to enhance Potato Kaitsuka's sweet potato expertise and technology by utilizing the Calbee Group's potato-related product development, mechanized cultivation, and preservation technology. By increasing productivity, strengthening product development, and expanding product lineup via these means, we intend to create meaningful growth in our sweet potato business.

We are also leveraging advances in processing technology to expand our potato business into the ready-to-eat market such as frozen food products. The Calbee Group has steadily increased the quantity of domestically produced potatoes suitable for processing through partnerships with producers, by supporting potato farmers' cultivation, facilitating their conversion to potatoes suitable for processing, and developing more suitable potato varieties. Initiatives like these are forming part of our foundation for expansion into new food categories.



## CEO Message

### ▶ Strengthening Calbee's brand and growing overseas business by leveraging dominance in Japan

Looking back at the past decade, the Calbee Group's overseas business has grown significantly. However, sales growth to date has been largely reliant on individual product brands, such as potato chips *Honey Butter Chip* in South Korea, and bean-based snack *Harvest Snaps* in North America. Our issue is that some of our new product brands following these products have not been sufficiently established. To grow our overseas business over the medium-to long-term, we need to increase penetration of the Calbee brand by strengthening marketing and product development, offering multiple products that conform to local needs, and accelerating new product launches. At the same time, I want to build stable supply chains and strengthen our revenue-generating bases, especially in our four key regions.

We have built a superior competitive position in Japan based on high brand recognition of our unique product lineup, and production processing technology which allows us to produce a wide variety of textures and flavors. We will leverage these strengths overseas and develop our business by changing our product and market approaches to more closely align with each market's characteristics. While enhancing collaboration in technology and product development between the domestic and overseas businesses, we are going to strengthen our business structure and increase the scale of our business, including through means such as M&A.

Our October 2018 acquisition of Seabrook Crisps Limited in the United Kingdom added a new potato chips brand to our portfolio, and we merged it with our U.K. subsidiary. Using our strengths in product development, we will aim to expand sales in the United Kingdom by leveraging the rich variety of Calbee's product lineup with the locally recognized Seabrook brand. In North America, we acquired U.S. bean-based snack food production contractor Warnock Food Products, Inc in October 2019. We will leverage Warnock's wide-ranging product development capabilities and sales network to follow-up on the success of *Harvest Snaps* and grow new product brands with added value. In Greater China, there is high Calbee brand recognition as a result of tourists visiting Japan, and sales have grown centered on e-commerce sales of *Fruga* cereal. Going forward, we aim to grow sales, even amid intensifying competition and the remarkable shifts in the market environment, through proactive marketing that leverages our brand strengths and by strengthening points of contact with customers via both e-commerce and retail stores.



### ▶ Evolving into a diverse and strong organization where each employee can contribute meaningfully

Our employees are an essential part of making Next Calbee a reality. We are enhancing our initiatives to enable employees to realize professional growth, aiming to establish an organization that recognizes employees' diversified backgrounds and abilities. It is only possible to realize global-scale management and sustainable growth with a solid base of talented personnel.

Calbee Group has been an early adopter of policies in areas such as diversity and inclusion, workstyle reform, and health management, and in July 2020 we launched "Calbee New Workstyle" to cope with the new normal business environment arising from the COVID-19 pandemic. We will continue to make workstyle reforms that allow each employee to fully exercise their ability. As part of this, we have standardized mobile telework for approximately 800 staff engaged in office work, and are also working to leverage their skills, leading to more efficient task execution and even better outcomes. We aim not only to reform our workstyles but also to be an organization that values our employees' diversity, and where all employees can utilize that diversity as an advantage.

### ▶ Next Calbee: Transformation and new challenges towards the future of food

Since our foundation in 1949, the Calbee Group has grown through its collaborations with primary industry. Our business activities are based upon our corporate philosophy: "We are committed to harnessing nature's gifts, to bringing taste and fun, and to contributing to healthy lifestyles." We have realized affordable snack foods that can be enjoyed by the five senses (sight, sound, smell, taste, and touch), ensuring stable procurement of local agricultural and marine produce via co-creation with producers, and using processing technologies that leverage ingredients' natural goodness. At the Calbee Group we are proud of our role as a food platform provider that connects producers and consumers, and where our sustainable growth also activates the agricultural sector.

By strengthening and building on our established business base, the Calbee Group will transform itself and take on new challenges towards the future of food. To our shareholders, investors, and other stakeholders, we ask for your understanding and support and hope you will continue to have high expectations of the Calbee Group.

October 2020

**Shuji Ito**  
President & CEO

>> PICK UP

# Response to the COVID-19 Pandemic

~Initiatives to support a healthy society as a food company~

The global COVID-19 pandemic has impacted our value chain, bringing new challenges that we are now confronting. It has also prompted large shifts in consumers' purchasing behaviors and food-related needs.

As a food company that provides essential goods, the Calbee Group will continue its business activities while ensuring employees' safety. We believe it is our mission to support society. In response to the new challenges that have arisen we will build a strong and sustainable value chain, as well as implement various initiatives for the benefit of our employees and communities.

## Response in our value chain



### Challenges resulting from the COVID-19 pandemic

- |   |  |  |  |   |
|---|--|--|--|---|
| <ul style="list-style-type: none"> <li>Lower demand for gift snack items, due to less travel and business trips</li> <li>Accelerating change in consumer lifestyles and food needs (rising at-home demand)</li> </ul> | <ul style="list-style-type: none"> <li>Concern around the procurement of raw material supplies due to export restrictions and workforce reductions accompanying lockdowns, etc.</li> </ul> | <ul style="list-style-type: none"> <li>Risk of the disease spreading in factories</li> <li>Risk of long-term production stoppages due to infection clusters occurring in factories</li> <li>Concern about securing supplies of equipment due to export restrictions and workforce reductions accompanying lockdowns, etc.</li> <li>Risk of production not being able to accommodate sudden fluctuations in demand</li> </ul> | <ul style="list-style-type: none"> <li>Fewer opportunities for business discussions, visits to shops due to restriction of outing</li> <li>Fewer in-store events and promotions</li> </ul> | <ul style="list-style-type: none"> <li>Fewer opportunities to communicate with customers</li> <li>Increase in purchases via e-commerce</li> </ul> |
|---|--|--|--|---|

### Opportunities and response to risk

- |   |   |   |   |   |
|---|---|---|---|---|
| <ul style="list-style-type: none"> <li>Product development in response to changes in consumer purchasing behavior</li> <li>Consideration of products and services from the point of view of consumers by taking advantage of the mobile telework</li> </ul> | <ul style="list-style-type: none"> <li>Reviewing optimal stockpile sizes for primary raw materials, etc.</li> <li>Diversifying procurement sources for primary raw materials</li> <li>Enhancing product lineup with substitute ingredients</li> </ul> | <ul style="list-style-type: none"> <li>Reducing risk by implementing movement restrictions between factories</li> <li>Creating a factory operation decision manual for use if an infection cluster occurs in a factory</li> <li>Raising productivity by increasing production shifts</li> </ul> | <ul style="list-style-type: none"> <li>Conducting business discussions by using IT tools</li> <li>Planning and conducting promotions online and via social media</li> </ul> | <ul style="list-style-type: none"> <li>Creating new communication methods such as online food education</li> <li>Expanding sales outlets via e-commerce and through new sales channels</li> </ul> |
|---|---|---|---|---|

## Response to employees

### Implementing the Calbee New Workstyle

- Standardizing mobile telework and introducing full-flex working (abolition of core time) for office workers
- Promoting greater efficiency in business processes with IT (expansion of the shift to paperless, etc.)



## Response to the community

- Donating products to medical facilities, food banks, and single-parent family support organizations



# Value Creation Process

The Calbee Group provides tasty, fun, and healthy products that utilize nature's blessings through our unique value chain including the development and cultivation of natural ingredients that produce high-quality products. We believe that the Calbee Group's value creation process lies in our grasping social issues and the environmental changes to further deepen our value chain and create both social value and economic value.

Vision for 2030



Toward 2030

Establish our pivotal growth drivers in overseas markets and new food domains

Medium-term Business Plan Core Policy  
Transformation and challenge toward achieving next-generation growth  
P22-25

Creating social value and value economic value by grasping social issues and environmental changes

How changes in the environment affect our business

Our material issues P20-21

The market economy

- Intensifying competition over resources from globalization
- Growth of emerging markets and the middle class
- The Japanese market's shrinking presence on the world stage
- Widening inequality from uneven distribution of wealth

Social structures

- Declining birthrate, aging population, and the rise of single-person households
- Eating habits trending toward individualization and convenience

Consumer trends

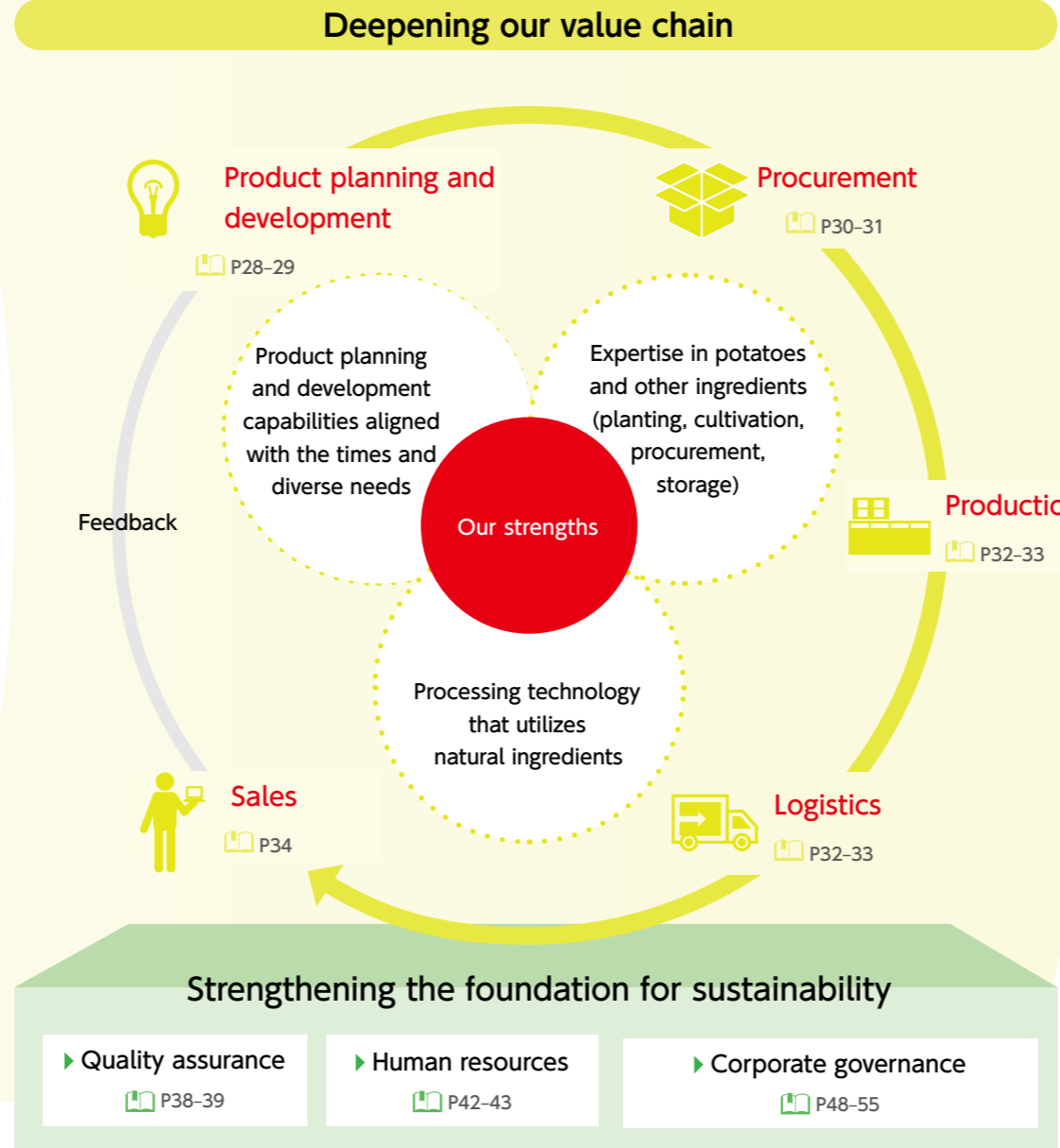
- Diversification of consumer needs
- Rising safe, secure, and health consciousness
- Growing negativity toward salt and snack foods

Sustainability

- Impact of climate change on crops and difficulty in sustaining agriculture
- Increased water stress and food shortages due to population growth



Deepening our value chain



Providing value to stakeholders



Flavor and fun for all generations



Sustainable, co-creative use of nature's bounty



A motivating and fulfilling environment for all employees through diversity and inclusion



Continuous growth and high profitability



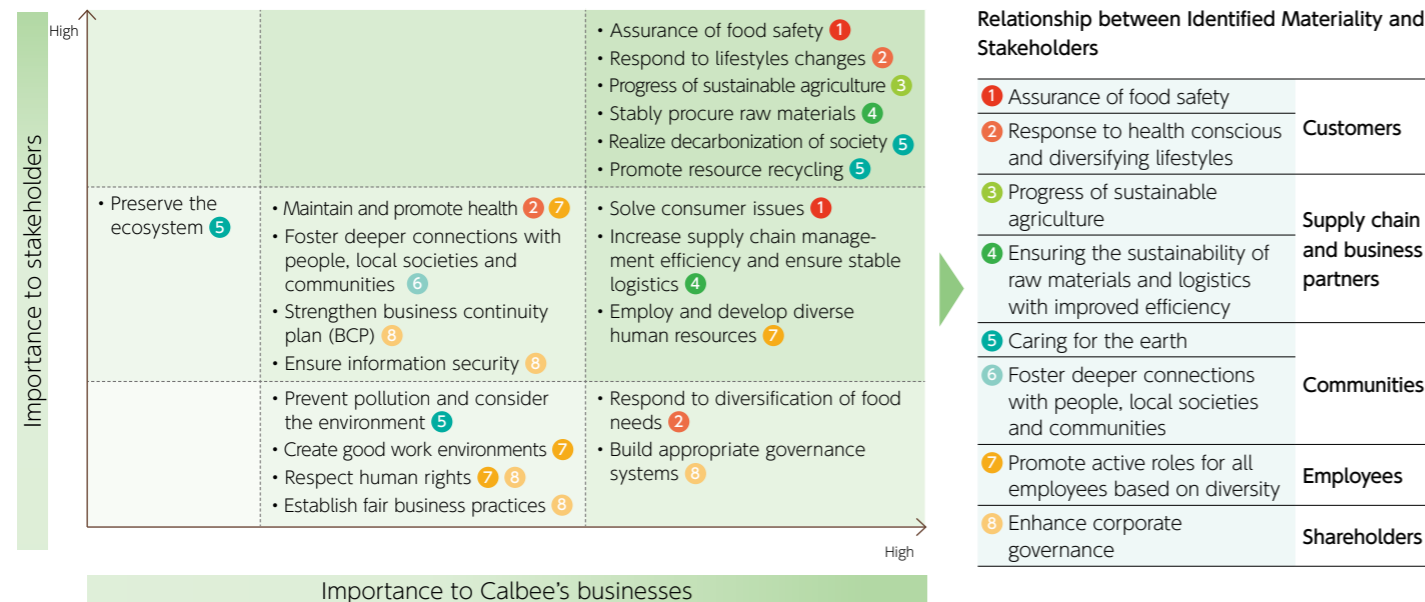
# Materiality

The business environment of companies contains a diverse array of social issues, including environmental problems, such as climate change and resource depletion, as well as problems involving labor and human rights issues in the supply chain. To ensure that the Calbee Group can continue business activities in the future, it must clarify the management issues that need to be addressed by identifying and evaluating the impacts on its corporate activities based on these various social issues. Accordingly, we have identified our priority issues in terms of two aspects: importance to stakeholders and important to Calbee's businesses. By prioritizing these issues in the allocation of our internal resources, we aim to avoid management risks and seize opportunities to realize innovation and provide value to stakeholders, while achieving medium- to long-term growth.

## Materiality Identification Process

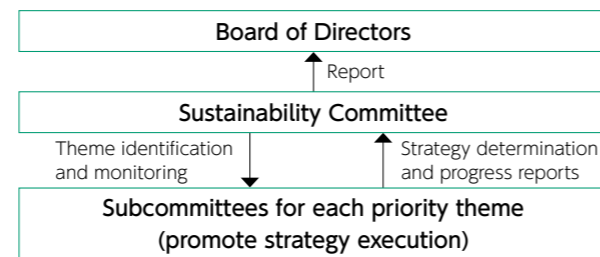


## Materiality Map



### Sustainability Management Promotion Framework

In December 2019, we established a Sustainability Committee advised by outside experts. The Sustainability Committee determines the Calbee Group's materiality, discusses and reviews the roadmap for the priority themes promoted by the subcommittees, and reviews the status of progress on them. The results of these activities are regularly reported to the Board of Directors.



## Priority Themes and Major Measures Based on Materiality

Category	Materiality	Priority themes and major measures	Targets (KPIs)	Correspondence with the SDGs
Contributions through products	1 Assurance of food safety ▶ Relevant information on pages 38-39	Prevention safety and quality incidents Initiatives for monitoring security Product improvements reflecting customer feedback	-	3, 12
	2 Response to health conscious and diversifying lifestyles ▶ Relevant information on pages P.28-29	Provision of health-conscious products ■ Gradually reduce amount of salt in products ■ Expand sales ratio of protein-rich products	FY2024/3 ■ Amount of salt equivalent in products sold <sup>1</sup> <b>0.90 g/100 g</b> (Reduction of 20% vs. FY2019/3) ■ Sales ratio of protein-rich products <sup>2</sup> <b>10%</b>	2, 3
Contributions through the supply chain	3 Progress of sustainable agriculture ▶ Relevant information on pages P.30-31	Sustainable, environmentally conscious procurement: Stable procurement of potatoes ■ Promote development of potato varieties and scientific cultivation ■ Reduce agricultural labor ■ Disperse production areas and diversify suppliers	FY2024/3 ■ Domestic procurement volume of potatoes <b>400,000 tons</b> (up 20% vs. FY2019/3)	2, 8
	4 Ensuring the sustainability of raw materials and logistics with improved efficiency ▶ Relevant information on pages P.30-33	Sustainable, environmentally conscious procurement: 100% use of certified palm oil ■ Bidding for and purchasing credits through Book & Claim (B&C) ■ Promote initiatives to encourage use of Mass Balance Certification Mark	CY2030 ■ <b>100%</b> use of certified palm oil	9, 12
Contribution to the global environment and local communities	5 Caring for the earth ▶ Relevant information on pages P.40-41	Reduction of greenhouse gas emissions ■ Reduce Scope 1 and Scope 2 emissions Switch electricity suppliers, energy-saving activities, on-site generation at plants, etc. ■ Reduce Scope 3 emissions Change carton sizes, reduce delivery frequency, improve loading efficiency	CY2030 ■ Total greenhouse gas emissions <b>30% reduction</b> (vs. FY2019/3)	1, 12
		Protection of resources and realization of a recycling-oriented society ■ Reduce product food losses ■ Decrease water consumption ■ Promote the "3Rs"	FY2024/3 ■ Product food loss <b>20% reduction</b> (vs. FY2019/3) CY2030 ■ Total water consumption <b>10% reduction</b> (vs. FY2019/3) ■ Total waste generated <b>10% reduction</b> (vs. FY2019/3)	13, 14, 15
	Replacement or reduction of plastic containers ■ Reduce petroleum-based plastic packaging ■ Switch to alternative materials and promote recycling	CY2030 ■ Environmentally considerate material use <b>50%</b> CY2050 ■ Environmentally considerate material use <b>100%</b>	15	
6 Foster deeper connections with people, local societies and communities ▶ Relevant information on pages P.40-41	Invigoration of food communications ■ Expand Calbee Snack School(food education) ■ Invigorate and promote factory tours  Contributions to local societies ■ Expand activities in the environmental domain ■ Strengthen activities in the health domain	FY2024/3 ■ Food communications Number of participants <sup>3</sup> <b>400,000</b> (5 years cumulative)	8, 12	
Establishment of management base	7 Promote active roles for all employees based on diversity ▶ Relevant information on pages P.42-43	Promote diversity and inclusion Strengthening of human resource development Workstyle reforms	FY2024/3 ■ Ratio of female managers <sup>4</sup> <b>Over 30%</b> ■ Ratio of male employees taking childcare leave <b>100%</b> ■ Rate of employment of people with disabilities <b>2.5%</b>	3, 5, 8, 10
	8 Enhance corporate governance ▶ Relevant information on pages P.48-55	Establishment of corporate governance organizations and frameworks Bolster compliance and risk management Respect for human rights of stakeholders	-	8, 10

Certified palm oil and product food loss reduction targets for domestic Calbee Group companies including Calbee, Inc. Other indices for Calbee, Inc.  
<sup>1</sup> Salt content of all products sold as a percentage of the total weight of products sold \*2 13% or more of total energy consumption accounts for protein  
<sup>3</sup> Food education activities such as Calbee Snack School and factory tours

# Long-term Vision and Medium-term Business Plan

We have conducted business activities to achieve our Long-term Vision (Vision for 2030) and five-year Medium-term Business Plan (covering the fiscal year ended March 31, 2020 to the fiscal year ending March 31, 2024) aimed at realizing said vision. We will continue to cater to diversifying customer needs and provide new value of food. At the same time, we will accelerate the development of our overseas business and take on the challenge of expanding into new food fields. We will also work to help resolve social issues and realize a sustainable global environment through collaboration with society.

## Medium-term Business Plan Core Policy

### Transformation and challenge toward achieving next-generation growth

Through building a foundation that responds to changes in the business environment, we will realize sustainable growth with innovation and challenge.

#### Six Key Initiatives

<p><b>01 Existing domestic businesses</b> Create new value and realize high profit</p>	<p><b>04 Management base</b> Reform base to support global management and sustainable growth</p>
<p><b>02 Overseas business</b> Establish revenue-generating bases in four key regions</p>	<p><b>05 Co-creation with society</b> Achieve a sustainable society</p>
<p><b>03 New businesses</b> Establish businesses in new food areas</p>	<p><b>06 Collaboration with PepsiCo</b> Strengthen collaboration with PepsiCo</p>

#### Medium-term business plan management targets (Fiscal year ending March 31, 2024)

##### ▶ Non-Financial Indices

Flavor and fun for all generations

Salt equivalent in products\*1

**20% reduction**

Protein-rich product\*2 sales ratio

**10%**

Food communications\*3

**400,000 participants (cumulative)**

Sustainable, co-creative use of nature's bounty

Domestic procurement volume of potatoes **400,000 tons**

Product food loss **20% reduction**

Greenhouse gas emissions [2030]

**30% reduction**

A motivating and fulfilling environment for all employees through diversity and inclusion

Female manager ratio **Over 30%**

##### ▶ Financial Indices

Consolidated net sales

**¥310 billion**

Consolidated operating profit

**¥40 billion**

(Operating margin 13%)

Domestic operating margin **15%**

Overseas sales **¥80 billion**

(Overseas sales ratio 25%)

ROE **12%**

(Notes) 1. Product food loss reduction targets for domestic Calbee Group companies including Calbee, Inc. Other indices for Calbee, Inc.  
 2. Targets for salt equivalent in products, product food loss, and total greenhouse gas emissions are compared to the fiscal year ended March 31, 2019  
 \* 1 Salt content of all products sold as a percentage of the total weight of products sold  
 \* 2 More than 13% of total energy consumption accounts for protein  
 \* 3 Food education activities such as Calbee Snack School and factory tours

## Vision for 2030

# Next Calbee

Harvest the power of nature. Creating the future of food.

▶ Toward 2030

Establish our pivotal growth drivers in overseas markets and new food domains

▶ 2030 Targets

Overseas sales ratio

**Over 40%**

New food domains sales ratio

**Over 20%**



Medium-term Business Plan Start

2020.3

Medium-term Business Plan Culmination

2024.3

2030

## Long-term Vision and Medium-term Business Plan

### >> Corporate Officer Message

## Establishing Our Business in New Food Domains

Executive Vice President  
**Makoto Ehara**



Under our long-term vision of “harvesting the power of nature and creating the future of food,” one of our long-term goals is to establish new food domains as an axis for growth and achieve a sales ratio exceeding 20% of total sales in these fields.

We have two main approaches to establishing our business in these new food domains. One is a “seeds-based” approach, whereby we seize business opportunities in categories adjacent to those in which we already demonstrate considerable know-how—these include raw ingredients and processing technologies. Because the Calbee Group possesses strengths in a wide variety of value chain—from the procurement and processing of raw ingredients to the delivery of products to stores—we have new opportunities in each of these value chain. A relevant example of this approach is our acquisition of Potato Kaitsuka Co. Ltd. in April 2020, which was followed by our entry into the sweet potato businesses. This initiative enables us to develop new businesses centered on sweet potatoes as a new ingredient by leveraging on our expertise in potato cultivation and storage technology development and linking to existing value chain, such as procurement, processing and sales. Looking beyond sweet potatoes, we believe our existing business activities have planted many “seeds”, and many future opportunities to enter into new food domains. Accordingly, we intend to continue making proposals for establishing new food categories.

The other is a “needs-driven” approach to product planning and development based on an understanding of consumers’ increasingly diverse purchasing preferences

and latent needs. To advance such initiatives, we have set up new business divisions and are working to create new businesses based on new ideas beyond the existing activities. Calbee Future Labo is a part of initiatives for new business. As part of our strong desire to accommodate customer preferences, we are collaborating with outside the Company to develop products from new perspectives. We will continue to create new products in new categories without being bound by preconceived notions.

By leveraging the strengths of the Calbee Group, we will explore opportunities to enter into new food scenes and to create new value. Making full use of both internal and external resources, we will reach beyond the boundaries of snack food and cereal products to set up businesses within new food domains.



Calbee Future Labo develops new concept products

### >> PICK UP Potato Kaitsuka Co. Ltd.

#### ▶ Making Sweet Potato Specialist Potato Kaitsuka a Subsidiary

Potato Kaitsuka Co. Ltd. started operation in 1967 as a wholesale company specializing in sweet potatoes. Today, based mainly on their original brand of sweet potato, Beni-Tenshi, it engages in the sale of raw materials for baked sweet potatoes to retailers. The company handles the largest annual volume of sweet potatoes sold among private-sector companies in Japan. It is also involved with sales of baked sweet potatoes through directly operated stores and an online shop.

Recently, demand for varieties of sweet potatoes with high sugar content is increasing, and demand for the product is expanding with the introduction of sweet potato baking machines at retailers. In addition, exports of from Japan are increasing atop growing recognition of baked sweet potatoes in China and Southeast Asia.



The Kasumigaura Main Store was reopened after renovation in August 2020.



Original brand, Beni-Tenshi

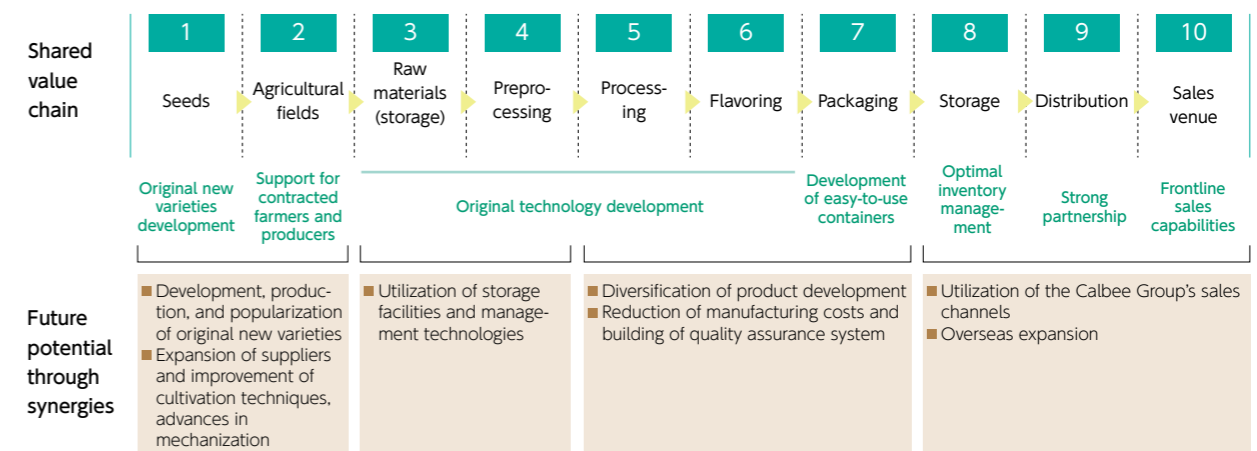


Potato Kaitsuka's factory

#### ▶ Synergy Effects Anticipated Going Forward

Potato Kaitsuka's value chain extends from sweet potato production areas through to processing and distribution, and we expect to generate various synergies due to close affinity with the Calbee Group's value chain. In the area of procurement, the company buys sweet potatoes directly from over 400 contracted farmers. Looking ahead, we aim to expand our range of suppliers and strengthen our procurement base using relationships with our existing contracted potato farmers. In addition, with regard to storage, to maintain the

quality of sweet potatoes after harvesting, Potato Kaitsuka has storage technology for curing with temperature and humidity controlled to allow scratches in the surface of the sweet potatoes that occur during harvesting to heal naturally. By linking these technologies with the Calbee Group's potato storage and management technologies, we believe we can develop them even further. The Calbee Group will use its accumulated expertise and assets related to potatoes to expand the sweet potato business.

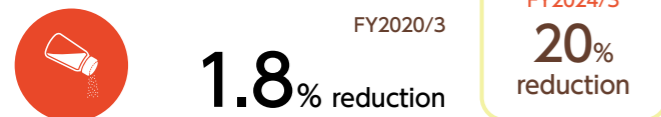


# Financial and Non-Financial Highlights

## Flavor and Fun for All Generations

### Salt equivalent in products\*1

We are working to reduce salt content in order to provide health-conscious products.



### Protein-rich product\*2 sales ratio

We promote the creation of healthy products with an awareness of nutritional balance.



### Food communications\*3

We promote communication for understanding food, health, and the environment, which supports healthy living.



Target for FY2024/3 **400,000** participants (5 year cumulative)

## Sustainable, Co-Creative use of Nature's Bounty

### Domestic procurement volume of potatoes

We strive to contribute to maintenance and stimulation of domestic agriculture and to stably procure domestic potatoes.



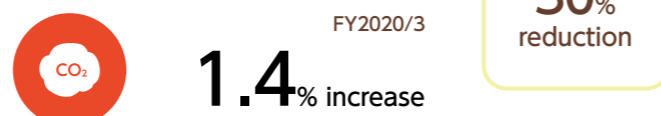
### Product food loss

We are working to reduce food loss, aiming to realize a recycling society that utilizes limited resources.



### Greenhouse gas emissions

We are working to reduce greenhouse gas emissions toward realizing a decarbonized society.



Scope 1: **2.8%** reduction

Scope 2: **0.6%** increase

Scope 3: **2.7%** increase

## A Motivating and Fulfilling Environment for All Employees through Diversity and Inclusion

### Female manager ratio

We aim to increase our female manager ratio to over 30% in order to promote active roles for diverse human resources.



(Notes) 1. Product food loss reduction targets for domestic Calbee Group companies including Calbee, Inc. Other indices for Calbee, Inc.  
2. Targets and results for salt equivalent in products, product food loss, and total greenhouse gas emissions are compared to the fiscal year ended March 31, 2019

\*1 Salt content of all products sold as a percentage of the total weight of products sold  
\*2 More than 13% of total energy consumption accounts for protein  
\*3 Food education activities such as Calbee Snack School and factory tours

## Continuous Growth and a High Profitability Structure

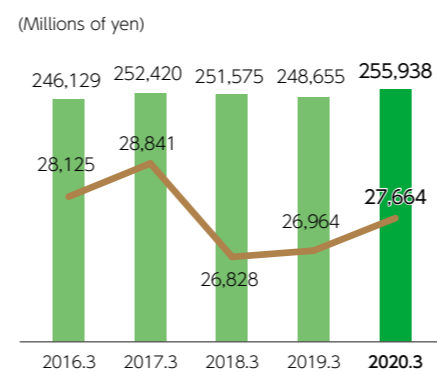
### Consolidated net sales and Consolidated operating profit

Consolidated net sales

**¥255,938** million

Consolidated operating profit

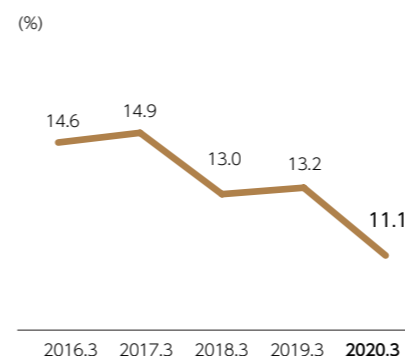
**¥27,664** million



Consolidated net sales  
Consolidated operating profit

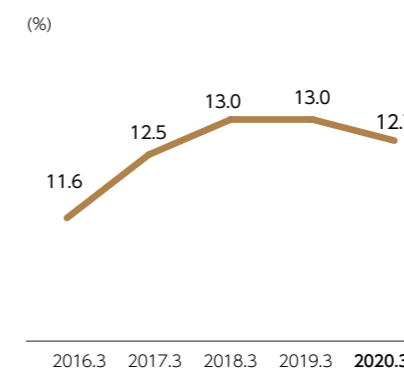
### ROE

**11.1%**



### Domestic operating margin

**12.7%**

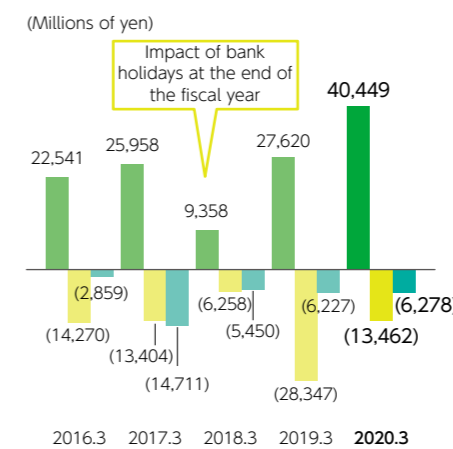


### Cash flows

Operating CF **¥40,449** million

Investing CF **¥(13,462)** million

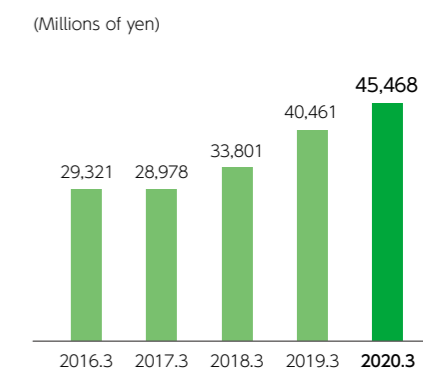
Financing CF **¥(6,278)** million



Operating cash flows  
Investing cash flows  
Financing cash flows

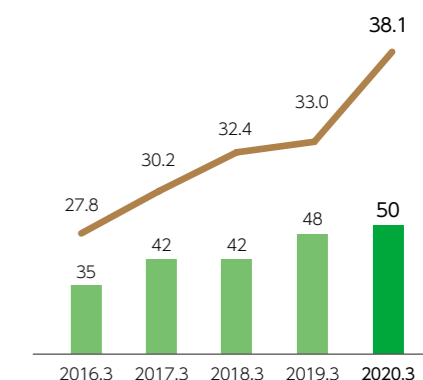
### Overseas sales

**¥45,468** million



### Consolidated dividend payout ratio

**38.1%**



Consolidated dividend payout ratio (%)  
Cash dividends per share (Yen)



# Creating New-Value Products That Meet Diversified Consumer Food Needs

## Medium-term Business Plan Initiatives and Targets

**01 Existing domestic businesses:**  
 Create new value and realize high profit  
 Reform snack business  
 Enhance the cereal business

**Key initiatives**

**Non-financial indices (FY2024/3)**

Salt equivalent in products\*1 **20% reduction**  
 Protein-rich product\*2 sales ratio **10%**

\*1 Salt content of all products sold as a percentage of the total weight of products sold  
 \*2 13% or more of total energy consumption accounts for protein

## Product Planning and Development

The Calbee Group delivers flavor and fun for all generations with snack foods and cereals in tune with the times and changing consumer needs. We create new value by planning and developing products that reflect rising health consciousness and diverse needs, leveraging the strength that comes from our long-selling product brands and original textures with the goodness of natural ingredients.

### Taking advantage of the rise in health consciousness and food diversification to create new value “fine snack”

The domestic Japanese market is characterized by changing consumer attitudes toward snack foods, fueled by a rise in health consciousness and increasingly negative attitudes toward salt consumption. Although this environment is not without risk, it also offers great potential for reward. Our current Medium-term Business Plan sets the target of reducing salt equivalent in products by 20% and growing protein-rich products to 10% of sales. Into this market, Calbee is introducing “fine snack”—post-potato, health-conscious foods made from natural ingredients. In line with this, we are enhancing our product offerings with a focus on health. Fine snack emphasizes appropriate salt content and nutritional balance and goes beyond traditional snacks to reflect the increasing diversity of food.



**Relevant materialities**

2 Response to health conscious and diversifying lifestyles

**Competitive advantages in the value chain**

- Multiple product brands with sales in excess of ¥10 billion
- R&D system that integrates the entire process from raw material development to commercialization
- Research and initiatives to reduce acrylamide to ensure consumer safety and security

### Delivering flavor and fun with unique textures and product variety making the most of great taste of natural ingredients

Our product planning and development leaders are involved in every link in the new product development value chain, from the selection of raw materials through to processing and packaging. The natural ingredients that go into our products are processed whole, so selection of raw materials suited to the manufacture of new, high-quality products is particularly important. At the Calbee Group, we use raw materials processing technologies to create unique textures that bring out the flavor of these natural ingredients.

In recent years, we have been planning and developing new potato chip textures, and last year launched two new cuts: *Potato Deluxe*, our thickest cut yet with an emphasis on texture; and the light-textured *Thin Potato*, our thinnest-ever chip. These are some of the unique textures delivering flavor and fun to our customers.

#### Variation in Textures of Potato Chips

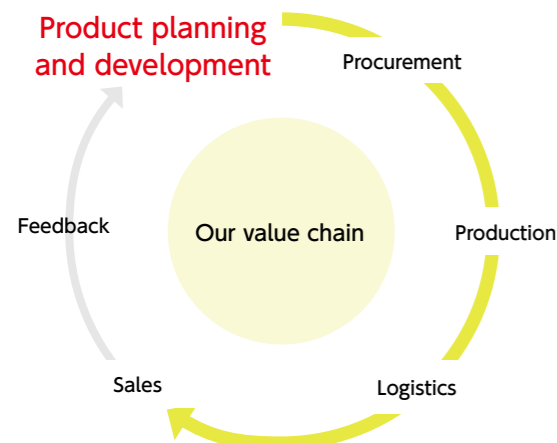
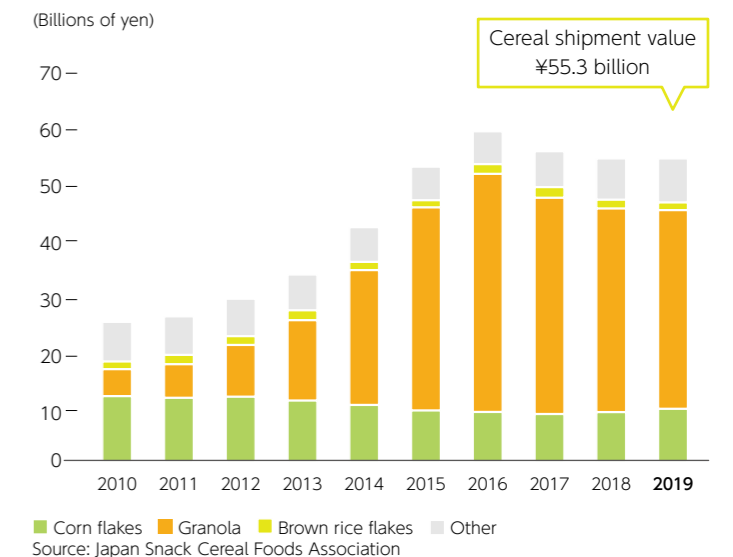


### Creating growth opportunities for the cereal market with health-conscious products and occasions to enjoy cereal

In response to rising health consciousness, we are developing new cereal products with an emphasis on nutritional balance and functionality. Last year, we launched *Granola Plus*, a new cereal brand that functions as a convenient source of protein and iron. In spring 2020, we launched *Cal-bits Frugra* in Japan. These handy bite-sized granola clusters are more than just a breakfast food, aiming at the expansion of occasions where consumers can enjoy cereal.

The impact of COVID-19 is prompting changes in eating habits, and since the beginning of 2020 we are seeing a resurgence in the value of cereals as a convenient food with a long shelf life. Within this environment, Calbee will continue to pursue new initiatives to drive the growth of the cereal market.

#### Trends in Size of Domestic Cereal Market







# Collaborating with Producers to Maintain and Revitalize Agriculture and Develop New Business Areas

## Medium-term Business Plan Initiatives and Targets

**05** **Co-creation with society:**  
Achieve a sustainable society  
Strengthen partnerships with producers

Non-financial indices  
Domestic procurement volume of potatoes  
**400,000 tons**  
(up 20% over fiscal year ended March 31, 2019)  
(FY2024/3)

### High level of expertise in potatoes accumulated through co-creation with producers

A stable supply of high-quality potatoes is indispensable to the manufacturing of potato-based snacks such as *Potato Chips* and *Jagarico*. We are involved in every stage of the process—from planting and cultivation to procurement and storage—and the result of our collaborative partnership with producers is a high level of expertise. In terms of cultivation and harvesting, we develop and breed our own potato varieties and our fieldmen (specialists in potatoes) across the country have developed strong relationships with producers by providing cultivation and harvesting support. To ensure a stable supply, harvested potatoes are properly managed using storage technology.

### Promoting decentralization and cultivation of production areas and development of new varieties to counter the risk of yield and quality loss due to natural disasters and other factors

When it comes to procurement, the major risks we face are natural disasters exacerbated by climate change and the emergence of new types of pests. In 2016, the potato harvest in Hokkaido was severely impacted by a typhoon. We believe that these climate change impacts are at risk of becoming even greater in the future.

To mitigate this risk, we are collaborating with research institutions at home and abroad to develop new potato varieties. Following the development of the *Poroshiri* and *Yukifutaba* varieties after 2015, we announced the development of the Calbee Group's proprietary *Natsugasumi* variety last year. Given that these new varieties feature greater pest resistance and can adapt more effectively to climate change than previous varieties, we expect yields to improve. It takes close to a decade to produce a new variety—from development through to registration—but we hope that improved technology will speed up this process.

**Relevant materialities**

- 3 Progress of sustainable agriculture
- 4 Ensuring the sustainability of raw materials and logistics with improved efficiency

### Raising the added value of agricultural produce by applying potato expertise to new ingredients and developing new food domains and services

#### New ingredients and efforts in ready-made and make-at-home meals

We are leveraging the expertise we have cultivated in potatoes to develop businesses involving new ingredients and ready-made and make-at-home meals. In April 2020, we acquired Potato Kaitsuka Co. Ltd. a company engaged in the processing and sale of sweet potatoes. Given the similarities between potatoes and sweet potatoes in regard to cultivation methods, we believe the deal will yield powerful synergies (for details, see PICK UP Potato Kaitsuka on page 25). In addition, as new developments centering on potatoes, we plan to expand our products for ready-made and make-at-home meals, including frozen French fries and fresh bite-sized potatoes with edible skins.

#### Expanding agriculture service-related business

Potatoes are a particularly labor-intensive crop, so we provide a broad range of cultivation and harvesting support to reduce the workload of contract farmers. Today's digital transformation in agriculture has led to an increase in demand for planting and pesticide application services using high-performance machines and drones, substitute services of harvesting, as well as AI-based soil analysis. We expect this demand will continue to grow in the future. We would also like to take up the challenge of developing a cultivation consulting service that collects and analyses the data produced by these advances.

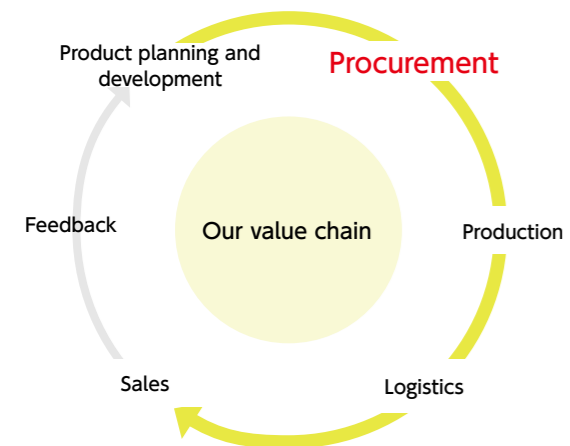


Cultivation support utilizing AI

## Procurement



The Calbee Group recognizes that the stable procurement of high-quality natural raw materials is an important part of our value chain. In particular, we have expertise in procuring potatoes built up over many years of collaboration with producers. We will continue to further develop this expertise in order to ensure stable procurement and contribute to agricultural sustainability as a social issue. In addition, we will look for opportunities to expand our business into new food categories through leveraging our expertise.



**>> PICK UP**  
**Calbee Group Potato Expertise in Numbers**

▶ Contract farms	Approx. <b>1,800</b>
▶ Fieldmen	<b>40</b>
▶ Potato varieties (cultivars) planted per year	<b>30,000</b>
▶ Annual domestic potato procurement	<b>373,000 tons</b>

**Competitive advantages in our value chain**

- Development and breeding of new pest-resistant potato varieties
- Cultivation and harvesting support based on advanced cultivation technology
- Strong relationships with domestic contract farmers built by fieldmen (specialists in potatoes)
- Potato storage management using the largest storage facilities in Japan

#### Main risk countermeasures

- 1 Develop new production areas in Japan
- 2 Share information with producers and help to reduce workloads
- 3 Work to shift producers to cultivate potatoes for processing from cultivation of other use, such as rice and potatoes for other uses
- 4 Develop varieties that are resistant to pests and diseases and are suited to storage



*Natsugasumi*, a new potato variety registered in 2019



Developing varieties at the Potato Research Center (Hokkaido)

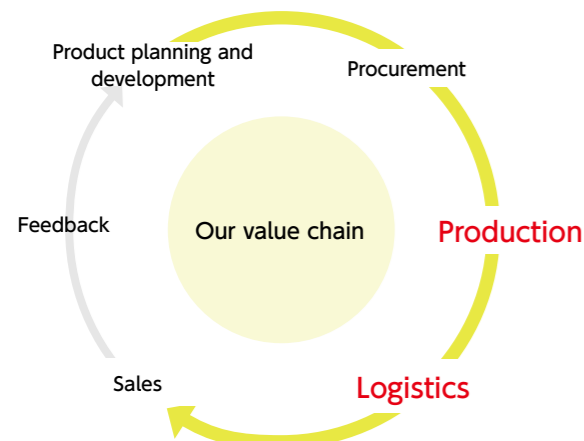




# Preparing for the Future by Shifting to a Next-Generation Supply Chain

## Production and Logistics

The Calbee Group have implemented its production and logistics activities to provide a stable supply of safe, fresh products to consumers as a major premise. We currently have 13 factories and 12 distribution centers located in consumption areas across Japan. We are implementing a range of initiatives for making production processes more efficient, utilizing our strength in processing technology for natural materials. In addition, we are also working to optimize our logistics business.



### Maintaining business activities in the medium- to long-term by reducing environmental footprint and enhancing productivity across the entire supply chain

The key risk we are facing in terms of production and logistics is potential labor shortages due to the shrinking working-age population mainly of Japan. In addition, the natural disasters that occur frequently in recent years have major impact on damage to corporate activities including disruption of supply chains. To continue carrying out business activities reliably and effectively, we need to advance measures that contribute to enhancing productivity and reducing environmental footprint not only within our business but also across our entire supply chain. We are also focusing on reducing the environmental and labor burdens of our logistics partners by improving product loading efficiency, as well as reducing greenhouse gas emissions through energy-saving activities, renewable energy, and other initiatives. We are also working to utilize resources more effectively by using water circulation systems and reducing food loss.

#### Relevant materialities

- 4 Ensuring the sustainability of raw materials and logistics with improved efficiency
- 5 Caring for the earth

### Competitive advantages in our value chain

#### Production

- Processing technologies for creating products that appeal to the five senses (sight, sound, smell, and taste)
- Processing and seasoning technologies that create product variation
- Processing technologies tailored to a variety of natural and seasonal ingredients

#### Logistics

- Logistics systems that consider productivity including loading efficiency and workload reduction
- Logistics systems optimized for business partners through proposal-based distribution
- Precise distribution systems for delivering the freshest possible products

### Targeting further improvements in profitability through digital transformation to strengthen supply chain management and automation and labor-saving processes

The COVID-19 pandemic has triggered a rapid increase in demand for our products. Our factories in Japan do not have sufficient capacity to meet demand for certain products. To date, we have been able to increase profitability by maintaining high levels of capacity utilization. From now on, however, it will be important to review the current production and logistics systems themselves, taking into account the needs of our employees and the environment, to ensure a stable and efficient system from a medium- to long-term perspective while at the same time improving productivity.

Currently, we are promoting two major initiatives that incorporate digital transformation, including the use of AI and the Internet of Things (IoT). The first of these is the strengthening of coordination within supply chain management. In April 2019, we transformed our business in Japan to a structure that is organized by function rather than region. We are working to optimize production and logistics by sharing demand information, which is difficult to predict concisely, at a companywide level. Specific measures include allocating production items and volumes to each factory based on raw material amount and product transportation efficiency, redesigning logistics facilities, and improving lead times.

The second major initiative is to create new systems that improve efficiency while reducing workloads, such as automation of production and distribution tasks. For example, in addition to automating defective product sorting and product packaging processes, we are also testing a model that will



yield additional labor saving during the production process, including automating potato trimming and automating quality inspections by gathering and analyzing data received from production facilities.

### Initiatives and Targets in the Medium-term Business Plan

Key initiatives	01 Existing domestic businesses: Create new value and realize high profit Strengthen business base	
	05 Co-creation with society: Achieve a sustainable society Advance sustainable supply chain initiatives	
Non-financial indices	(FY2024/3) Product food loss (2030)	20% reduction
	Greenhouse gas emissions	30% reduction

#### >> PICK UP

#### Launch of Initiative to Establish a Cutting-Edge Model Factory

We have finalized our plan to build a new factory in Hiroshima Prefecture and, in May 2020, concluded a construction agreement with the prefectural government. We plan to transfer operations at two existing factories in the prefecture and concentrate them at the new factory. In the Phase I plan, the new factory is scheduled to begin operation in April 2024 and in addition to addressing the aging of existing facilities it will feature automated equipment, improved production efficiency, and a reduced environmental footprint through greater energy efficiency.

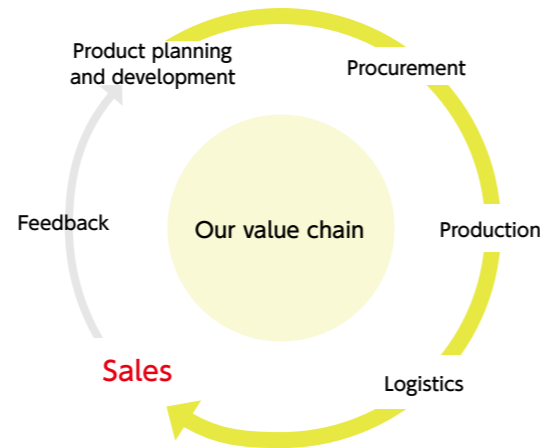
The new factory will also act as a cutting-edge model factory for technological development through the innovation of new technologies and creation of new products. Successful initiatives at the new factory will be applied to production facilities at other factories. The technology and expertise cultivated in Japan will also be introduced at our overseas operations to enhance quality and increase productivity companywide.



## Sales

### Deepening Relationships with Partners and Customers to Capture the Market from the Consumer's Point of View

The Calbee Group's sales activities are based on a "customer-centric" approach under which we deliver high-quality products quickly, communicate their value, and receive feedback from customers. We are constantly working to make proposals to sales outlets and introduce innovative distribution systems, leveraging our sales ability. We also seek to identify the issues facing our distribution partners nationwide and to respond with proposals that will resolve them.



#### Advancing strategic partnerships with distributors from a customer-driven approach

As customer needs continue to diversify, we are strengthening our collaboration with distribution partners to unlock new value. We work with distributors to analyze data such as customer demographic and purchase information, keeping track of consumer behavior and market trends. This approach promotes the development and introduction of products that capture consumer trends and needs while allowing us to improve the efficiency of logistics by dealing directly with distributors.

#### Competitive advantages in our value chain Sales

- Strong sales floor influence based on position as market leader
- Initiatives to create innovative distribution systems
- Labeling (including production and expiration dates) to ensure that products reach consumers while fresh

#### Customer feedback

- Active communication with customers
- Mechanisms for incorporating customer feedback into the value chain, including product development and quality improvement

#### Broadening customer contact opportunities by expanding gift product lineup, antenna shops, and e-commerce

The increase in inbound tourism in recent years has allowed our gift snack items and antenna shops to play a role in expanding opportunities for contact with both Japanese and overseas customers. Despite the recent negative impact of the COVID-19 pandemic on sales of gift snack items like *Jaga Pokkuru* and sales at antenna shops (direct sales stores), demand is still projected to grow over the medium- to long-term. We are also strengthening our e-commerce efforts. These initiatives will allow us to diversify and increase contact opportunities with customers.



## Overseas

### Pursuing Global Penetration of the Calbee Brand while Strengthening Revenue-Generating Base by Focusing on Four Key Regions

Expanding overseas is an important theme of the Calbee Group's growth strategy. We will enhance marketing and product development capabilities tailored to the characteristics of each market based on the competitive advantages cultivated by our business in Japan. At the same time, we will build robust supply chains to establish revenue-generating bases in four key regions.



#### Focus on four key regions to develop business based on competitive advantages in terms of texture, variation, and brand strength

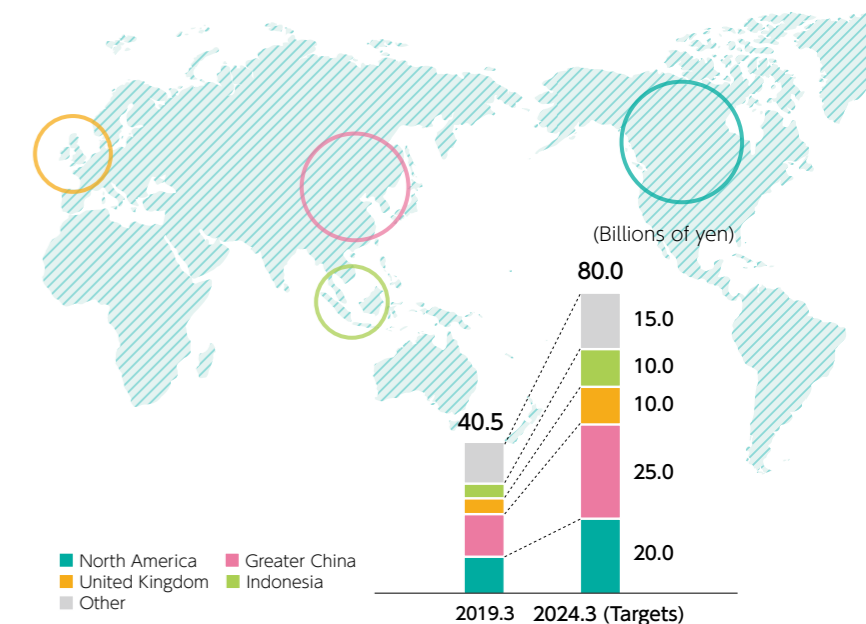
Having positioned North America, Greater China, the United Kingdom, and Indonesia as our four key regions due to their significant growth potential, we are now focusing on developing our business in these regions. We have been conducting business in a growing number of countries since 2010, and from the second half of 2016 we carried out a thorough review of our business to identify priority regions into which we would focus investment activity,

including M&A. This means that we are not overly dependent on a single country/area for sales and are building a well-balanced portfolio with four key regions at the center. We will leverage on the competitive advantages of our products (texture, variation, and flavor), our ability to improve production processes, and high awareness of the Calbee brand to develop in a way that is tailored to each market.

#### Four Key Regions and Calbee's Competitive Advantages

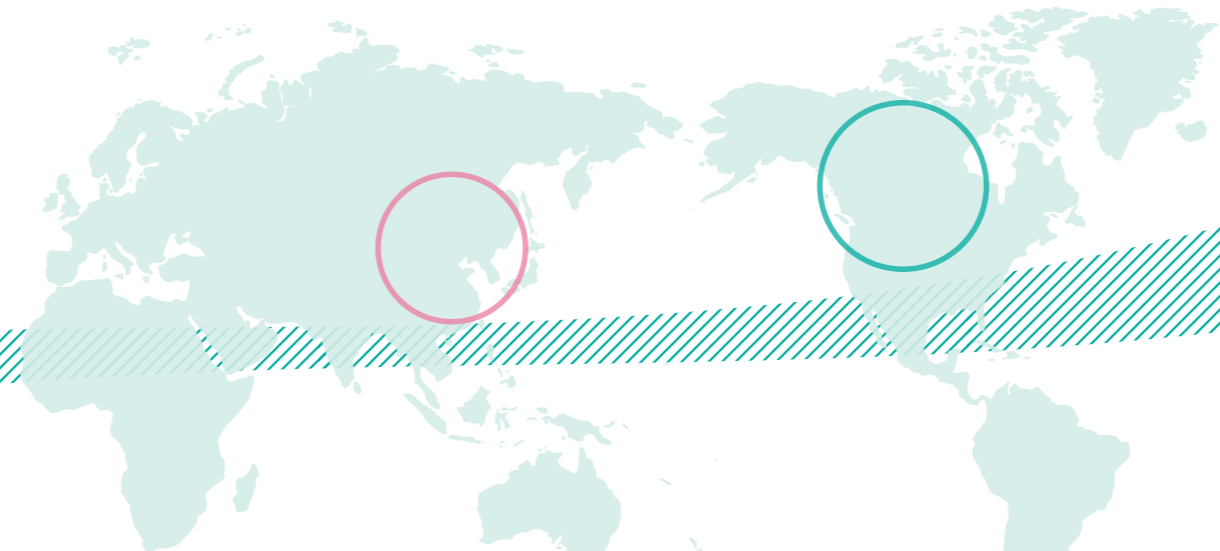


#### Overseas Sales





**Keiei Sho**  
Managing Executive Officer  
President, Overseas Company



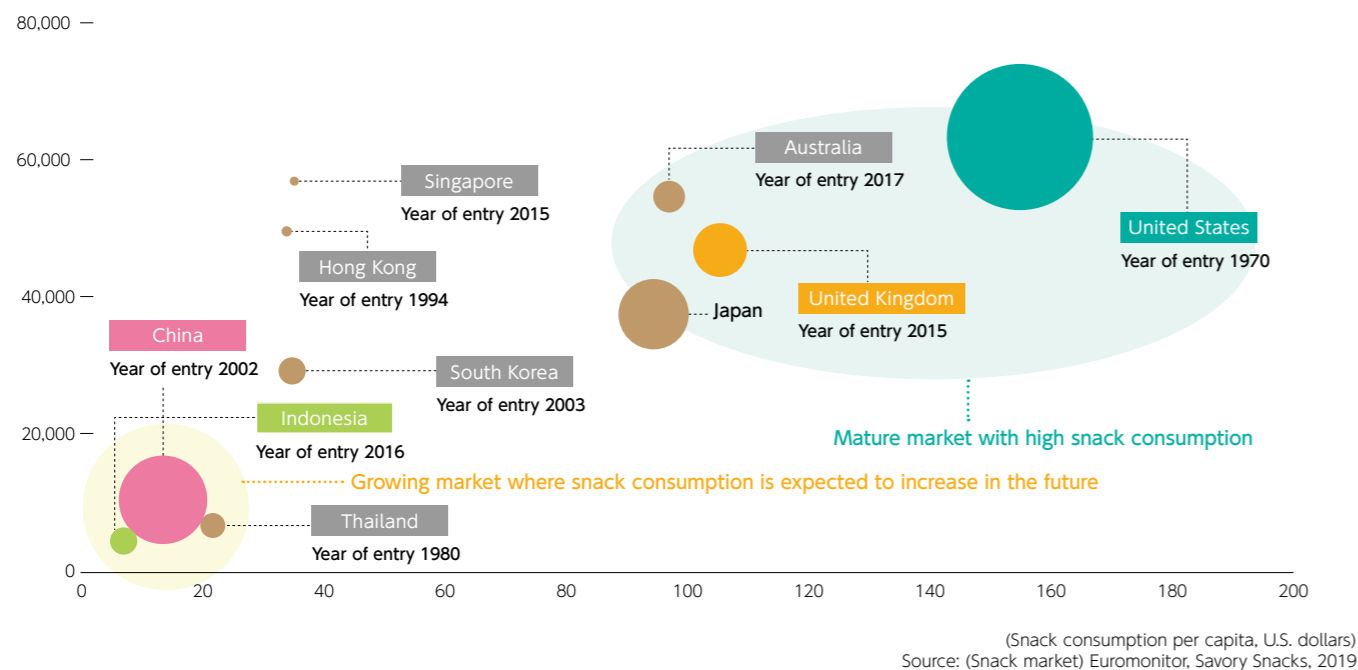
**Rapid change in consumer preferences and transformation of distribution channels presents significant growth opportunities**

The Calbee Group now operates businesses in nine overseas countries and regions. We leverage the strengths cultivated in Japan to manufacture and sell snack foods and cereal products tailored to consumer needs in each region. In regard to the business environment in overseas markets, in Europe and North America there is an increasingly negative affect toward snack foods with health consciousness, while in China, amid

increasing use of e-commerce, we are encountering risks such as fiercer competition due to the emergence of new companies. At the same time, we recognize that the creation of new markets offers opportunities. Additionally, people are becoming increasingly loyal to Japanese brands due to their quality, particularly in Asia, and we think this presents a great chance to leverage our strengths.

**Overseas Snacks Market and Calbee Group Business Operation**

(GDP per capita, U.S. dollars) \* The size of the circle is the snack market size.



**Initiatives and Targets in the Medium-term Business Plan**

**02 Overseas Business:**  
Establish revenue-generating bases in four key regions

**Financial indices**  
Overseas sales **¥80 billion**  
(Overseas sales ratio 25%)  
(FY2024/3)

**North America**

**Responding to changing consumer needs by expanding our product portfolio via synergies with Warnock**

North America is the world's largest snack market and within this, we reckon that the "Better for you" market targeting health-conscious individuals and the "Premium" market for added value products have a combined worth of close to ¥500 billion. Also, in recent years consumers have become more receptive to new products and the snack market is trending toward new products that offer something different. In light of these factors, we decided that the priority for growing our North American business was to expand our product portfolio, and in October 2019 we acquired Warnock Food Products, Inc to redefine our existing product brands, especially *Harvest Snaps* and broaden our portfolio. We plan to work with Warnock Food Products to expand our portfolio so that it is not weighted too heavily toward existing product brands.

**PICK UP Warnock Food Products**

Warnock Food Products is a U.S.-based snack food manufacturer founded in 1986 that is capable of swiftly developing products using ingredients such as potatoes and corn. It holds a variety of accreditations—including those for non-GMO, gluten free, and organic production. As a contract manufacturer, the Company has built long-term relationships and sales networks with retailers. The Calbee Group will collaborate with Warnock Food Products to create products in new brand.



**Greater China**

**Leveraging Calbee brand recognition to grow business amid e-commerce expansion**

In Greater China, awareness of the Calbee brand has been growing since around 2015, driven by inbound consumption during visits to Japan, and sales of our products have been expanding through e-commerce. Sales of cereal products *Frugra* and snack foods such as *Jaga Pokkuru* are also increasing steadily. Greater China is a successful example of business growth through the expansion of e-commerce and leveraging of brand recognition.

In January 2020, we established Calbee (China) Co., Ltd. to focus on expanding sales through retail stores in addition to e-commerce. In the fiercely competitive Chinese market, we will expand consumer contact opportunities and aim to grow our business by increasing Calbee brand recognition.



An advertisement for *Frugra* in China



Website for a major e-commerce event (W 11) by Tmall (Alibaba)

# Quality Assurance

We believe that offering safe and secure products is one of our most important social responsibilities. We conduct thorough quality management in compliance with FSSC 22000—the international standard for food safety management systems—to strengthen our systems for quality assurance across the entire value chain, from production areas to customers. Furthermore, we always appreciate customer feedback and work to utilize it in order to create better products that provide customers with trust and satisfaction.

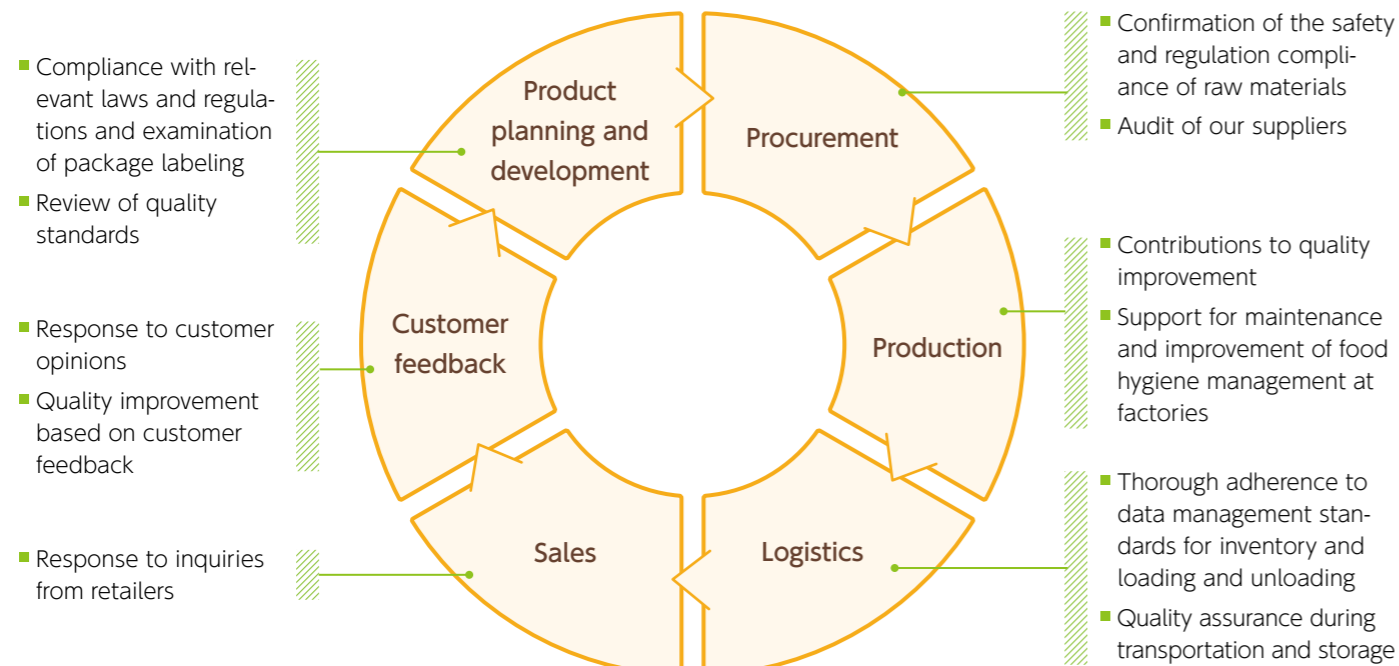
## Quality Assurance Policy

We aim to continuously offer safe, secure, inexpensive, and delicious products that win customers' trust and deliver satisfaction through customer-first quality management.

### ▶ Three Functions of Quality Assurance

1. Quality screening Screening of the product development to avoid product risk
2. Quality audit Audit and support for improvement of manufacturing process ensuring the standards
3. Quality inspection Inspection to confirm that the quality screening and audit systems are appropriate

### ▶ Quality Assurance That Supports Our Value Chain



Assurance of 100% quality in the post-processing step of each process

▶ Realization of quality assurance and traceability ◀

#### Initiative

## 01 Audit of raw material procurement

As a provider of products manufactured by processing natural materials, the Calbee Group considers the procurement of safe, high-quality raw materials to be an extremely important stage in the value chain. For newly adopted raw materials, we conduct checks using raw material standards and carry out thorough audits on-site to confirm safety and quality. We also conduct regular on-site audits of existing raw materials to maintain and improve their safety and quality.



On-site audit of raw materials

#### Initiative

## 02 Strengthening of quality assurance systems globally

As we expand our overseas business, we are strengthening quality assurance systems at the factories of overseas Group companies (including those of alliance partners). To ensure that our overseas factories have the same level of quality assurance as those in Japan, we implement food sanitation audits based on quality assurance concepts applied in Japan.



Calbee North America, LLC / Senatobia Factory

#### Initiative

## 03 Human resource education / Developing the next generation of human resources

### Human resource education: A. A. O. activities

In safe and secure quality management, we believe it is important not only to ensure robust organizational structures but also to develop the awareness of all employees. We conduct "Anzen (Safety), Anshin (Security), Oishi (Delicious taste)" activities in which we listen carefully to the opinions of our customers each year, and recognize the importance of taking measures from the customer's perspective and apply their opinions to our improvement activities.

### Developing of the next generation of human resources:

#### Promoting human resource programs for quality assurance

Calbee runs its own original programs on an annual basis for developing the next generation of human resources who will

undertake quality assurance initiatives (quality assurance leader education programs, production frontline leader education programs, manufacturing workshops, etc.).



President & CEO Shuji Ito monitors feedback from customers

#### Initiative

## 04 Response to food allergies

It is vital that food companies pay careful attention to minimize risks of food allergens. We sanitize our factories thoroughly to prevent contamination with allergens. Also, we use labeling that helps customers to understand the potential allergens in products at a glance, with a design that places the information in the most prominent position on the packaging, just below the list of ingredients. Moreover, based on customer feedback, improvements in the labeling process are ongoing with indications of no allergens when not included in products.

本品に含まれているアレルギー  
 (特定原材料及びそれに準ずるものを表示)  
**小麦・牛肉・ごま・大豆・鶏肉・豚肉・りんご**

本品に含まれているアレルギー  
 (特定原材料及びそれに準ずるものを表示)  
**該当なし**

Example of package labeling regarding allergens

# Global Environment and Community

As a food company, the Calbee Group strives to address environmental and social issues from a medium- to long-term perspective. We aim to achieve an enriched society and sustain the natural environment while also conducting our business activities. Throughout the supply chain, we will operate our business with care for the environment, cooperating with stakeholders who handle raw material procurement, logistics, and distribution, as we take steps to realize a decarbonized and recycling society. Moreover, to promote healthy lifestyles, we will deepen our connections with stakeholders through strengthening our communication with people of all generations and social contribution activities for maintaining enriched, vibrant communities.

## Caring for the Earth

Initiative

### 01 Reducing greenhouse gas emissions on the Smart Energy Project

In February 2020, we began the Kiyohara Industrial Park Smart Energy Project together with Canon Inc., Hisamitsu Pharmaceutical Co., Inc., and the Tokyo Gas Group. The project constructed a supply infrastructure comprising the Kiyohara Smart Energy Center, privately operated electric power lines, and heat conduction pipes inside the Kiyohara Industrial Park, and operates them to supply energy to each business site. By making use of energy across the entire area through an energy network that uses the information and communications technology (ICT), we are able to realize energy savings of approximately 20% and CO<sub>2</sub> emissions reductions by of roughly 20%\* in addition to achieving better efficiency, which would be difficult to achieve at individual business sites.

In April 2020, the project was certified by the Minister of Economy, Trade and Industry under the "Collaborative Energy Project Certification System." This certification allows the project participants to gain energy-saving allocation based on their respective usage, leading to individual measurement of energy efficiency improvement.

\* Reduction rate against total CO<sub>2</sub> emissions at the seven business sites of the three companies (Calbee, Canon, and Hisamitsu Pharmaceutical) in the fiscal year ended March 31, 2016  
About 11,400 kl/year of oil equivalent;  
23,000 t/year of CO<sub>2</sub> emissions



The completed Kiyohara Smart Energy Center (Utsunomiya City, Tochigi Prefecture)

Initiative

### 02 Switch to carbon-offset electricity

The Calbee Group has replaced electricity used at five business sites in the Kanto region with carbon-offset electricity by utilizing the J-Credit Scheme as part of its efforts to reduce greenhouse gas emissions.

Carbon offset electricity's CO<sub>2</sub> emissions are offset J-Credits\* from renewable energy power generation. The scheme offsets the greenhouse gas emissions from the use of electricity at the five business sites.

\* A scheme wherein through efforts to introduce energy-saving devices, utilize renewable energy, and manage forests appropriately, the Japanese government certifies the amount of greenhouse gas emissions such as CO<sub>2</sub> reduced or removed as "credits."

#### ▶ Target business sites

Name of business site	Location
Calbee, Inc. Shimotsuma Factory	Shimotsuma City, Ibaraki Pref.
Japan Frito-Lay, Ltd. Koga Factory	Koga City, Ibaraki Pref.
Calbee Potato, Inc. Utsunomiya Office	Utsunomiya City, Tochigi Pref.
Calbee Logistics, Inc. Utsunomiya Center	Utsunomiya City, Tochigi Pref.
Calbee Logistics, Inc. Saitama Center	Higashimatsuyama City, Saitama Pref.

KPI (2030)  
Greenhouse gas emissions **30% reduction**

Initiative

### 03 Joined the RSPO as an initiative for sustainable palm oil

We joined the Roundtable on Sustainable Palm Oil (RSPO) in January 2020. The RSPO is a non-profit organization that promotes the participation of its member companies in activities related to forestry and biodiversity conservation, and workers' human rights in the production and use of palm oil.

In May 2020, the Calbee Group started purchasing credits through Book & Claim\*<sup>1</sup> corresponding to the amount of palm oil used by the Group in Japan, to support the production of certified palm oil. In the future, we will also make use of the Mass Balance Certification Mark\*<sup>2</sup>, using only 100% certified palm oil by 2030.

\*<sup>1</sup> A model in which end product manufacturers and sellers trade certified palm oil credits online with palm oil producers. The system helps certified producers directly, even if procurement is difficult due to the lack of a supply chain for certified palm oil.

\*<sup>2</sup> A certified model in which certified and non-certified palm oil are mixed during the manufacturing process. The product also contains non-certified palm oil, but the quantity of certified palm oil purchased is guaranteed.

KPI (2030)  
Certified palm oil use **100%**

## Foster deeper connections with people, local societies, and communities

Initiative

### Online seminars about "How to Get Along with Snacks"

In June 2020, we held a food education event entitled, "How to Get Along with Snacks." The program aimed for parents of elementary school students and students aiming to become teachers to deepen children's understanding about snacks. As part of our food communication activities, we have been running this event at elementary schools and other locations, mainly in the Kanto region; however, due to the COVID-19 pandemic, we held it online for the first time. Approximately 100 people participated from all over Japan. The seminar was presented by the staff member in charge of our on-site lesson program, Calbee Snack School, who gave a fun and easy-to-understand presentation about the role of snacks with regard to growth. The seminar also incorporated the Calbee Snack School program, which teaches children about the appropriate amount and timing for snacks, as well as how to ready the package information. The program makes use of the general studies time, home learning, and class observation at elementary schools.

>> PICK UP

### Response to Climate Change and Agreement with the TCFD Recommendations

In February 2020, we became a member of the TCFD (Task Force on Climate-related Financial Disclosures) Consortium\*, which was established as a place for discussions among the companies and financial institutions agreeing with the TCFD recommendations.

The TCFD recommendations promote analysis of long-term risks and opportunities of climate change. By undertaking this, we can recognize and respond to our own future risks, which also leads to initiatives for exploring opportunities and creating new value. This will drive the Calbee Group's sustainable growth and increase in corporate value.



\* Established in 2016 by the Financial Stability Board (FSB), it is an international organization that aims to help stabilize the financial system. The TCFD Consortium was established to enable discussion among the companies and financial institutions agreeing with the TCFD about effective disclosures and the efforts to ensure the disclosed information leads to appropriate investment decisions by the financial institutions.

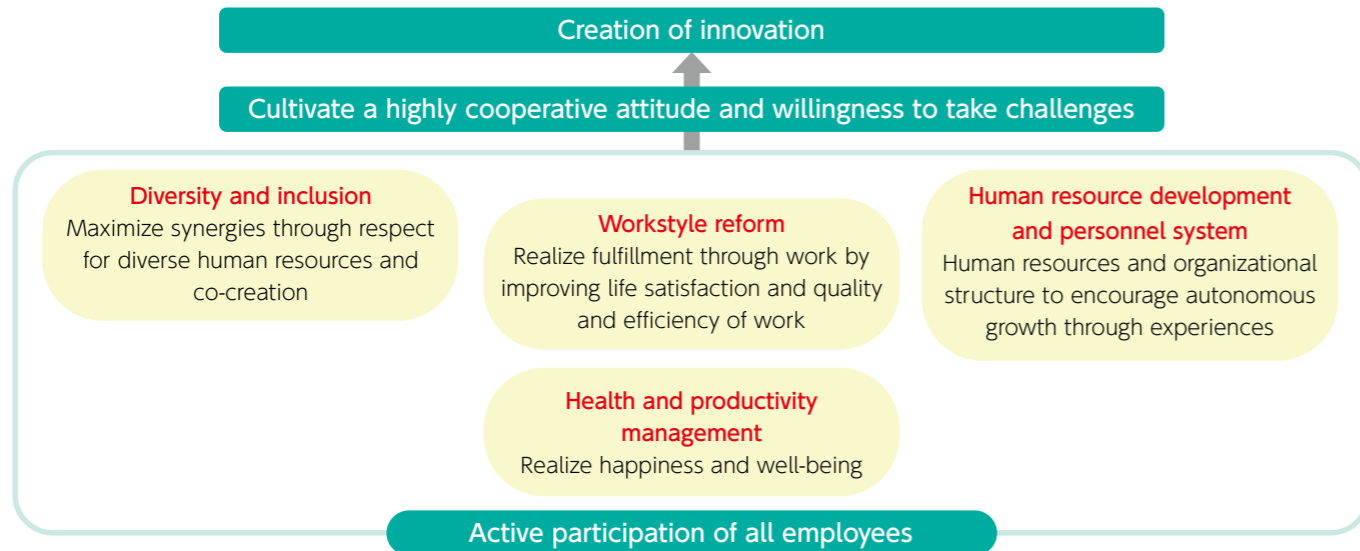


Calbee Snack School

KPI (FY2024/3)  
Food communications  
**400,000 participants** (5 year cumulative)

# Human Resources

We believe that human resources are an important base supporting our value chain as well as a source of innovation for sustainable growth. Creating new value in response to rapid changes in the business environment requires employees with the willingness to take challenges and an organization that keeps evolving. We are working on various measures to create an environment in which we can foster such human resources, and enable them to realize their full potential.



## 01 Human resource development

We are creating an environment and promoting measures to encourage the development of human resources who possess diverse values, experiences, and expertise, and the autonomous growth of those human resources through the exercise of their respective capabilities. We aim to offer challenging opportunities to each employee and to utilize all employees while respecting their individual values regarding life and work.

### Rank- and purpose-specific human resource development programs

#### Rank-specific

**New recruits:** Provide opportunities to acquire the basic knowledge and skills needed for work

**Manager candidates:** Provide opportunities to acquire the management skills required of managers

**Managers:** 360-degree evaluation, training for one-on-one meetings, membership survey, mentor system, etc., needed to strengthen the knowledge and skills required of managers

**All ranks:** Provide opportunities to further understanding of compliance and acquire business skills, etc.

#### Purpose-specific

**Development of overseas human resources:** Strengthen knowledge and skills needed for working overseas

**Development of next-generation leaders:** Development of

business leaders who will realize the medium-term management plan and lead the next generation

**Promotion of diversity and inclusion:** Develop human resources who can respect diversity and change differences into capabilities

Development of female managers

**Career formation support:** Supporting employees in autonomously planning and realizing their own careers

**Job rotation from a medium- to long-term perspective**

Systematically carry out cross-divisional job rotation

**Fostering career ownership**

Conduct measures to encourage independent thinking about career formation, and create a conducive environment (self-reporting system, in-house recruitment, work challenges, employee challenges, etc.)

### Next-generation business leader training

This is an active learning program where selected participants propose new business ideas. Currently, the execution of several projects generated on the program is being discussed in detail among the divisions.

The training is also beginning to form connections with actual business, including some participants transferring to the overseas business division and the new business division after taking the training.



Participants make presentations to senior management

## Initiatives

### 02 Workstyle reform

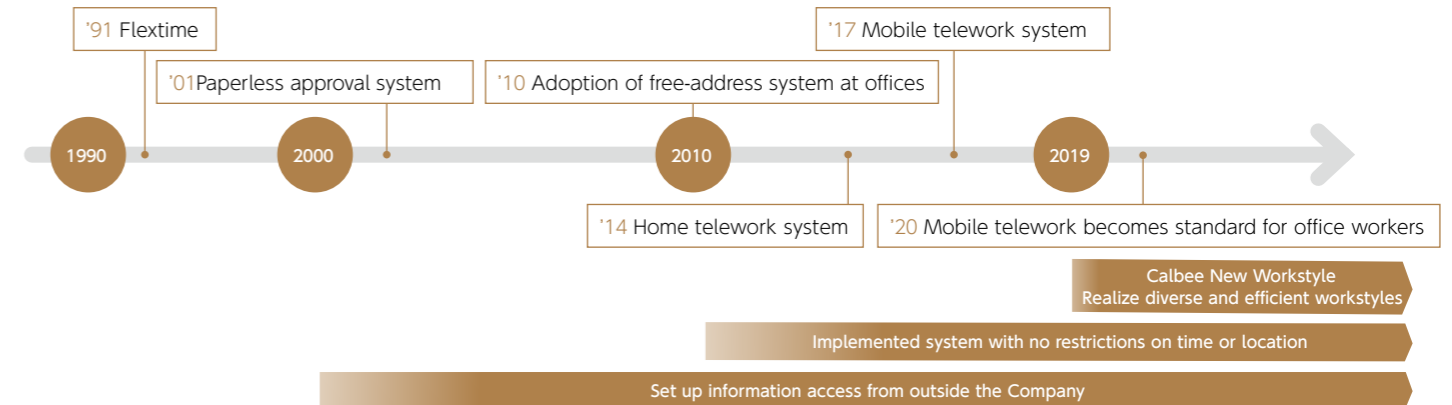
We aim to realize "life-work integration," which provides a sense of fulfillment a work by synergistically applying and circulating the enhancement of life, the improvement of work productivity, and the maximization of results. Based on the idea of "life-work balance" enabling employees to work without being affected by individual life events, we are working to further improve productivity by reforming operations and communication using IT to realize a "new normal" workstyle.

### Calbee New Workstyle

For some time now, Calbee has had systems in place to support diverse, efficient workstyles without restricting work in terms of time and location. Now, given the impact of the COVID-19 pandemic, in July 2020 we applied our new normal workstyle, "Calbee New Workstyle," to approximately 800 office workers. From now on, the office will be treated as a space for direct communication to help boost creativity, and we will move forward with operational streamlining through IT, such as use of web conferencing systems and a transition to electronic contracts. By promoting more flexible workstyles and increasing the quality and speed of operational execution, we are pursuing even better results.



Head office as of April 2020



## Initiatives

### 03 Diversity and inclusion

Utilizing the diversity of individual employees means utilization of all employees, and is essential for generating innovation and growing the Company. We are therefore promoting diversity and inclusion. While approximately half of our employees are women, the female manager ratio was 5.9% as of April 2010, when we began initiatives regarding promoting diversity and the active participation of women. Under the leadership of top management, we are promoting female employees systematically and continuously, conducting various training and workshops, and improving the working environment from the perspective of female employees. As a result, the female manager ratio has currently risen to 20.4% (as of April 2020). Looking ahead, in addition to promoting active participation of women, we will promote initiatives to understand the diverse values, experiences, and differences of our employees, accept them, and transform them into the capabilities of our organization.



KPI (FY2024/3)

Female manager ratio

Over 30%

### Initiatives for accepting and understanding diversity

We provide opportunities to recognize and understand the diverse values and experiences of our employees, and their differences. We conduct workshops and e-learning programs about unconscious bias, aiming to help people understand and deal with differences in their own views and ways of thinking compared to those of others. We have also introduced regular one-on-one meetings designed to draw out the latent abilities and strengths of individual team members.



Training for officers for one-on-one meetings

# Financial Strategy

## —Generation and Allocation of Cash Flows for Sustainable Growth

The Calbee Group's vision for 2030 is to "Establish our pivotal growth drivers in overseas markets and new food domains." To achieve this, we will invest actively in growth fields toward further increasing earnings overseas and establishing new food businesses from a long-term perspective. At the same time, we will work to enhance shareholder returns and increase shareholder value.



Senior Managing Director & CFO **Koichi Kikuchi**

### ► Review of the First Year of the Medium-term Business Plan (Fiscal Year Ended March 31, 2020)

During the fiscal year ended March 31, 2020, the first year of the five-year medium-term business plan, the Company's sales and profits both increased year on year. Net sales fell short of the initial target, mainly due to a downturn in North America; however, operating profit achieved the initial target thanks to cost controls in Japan.

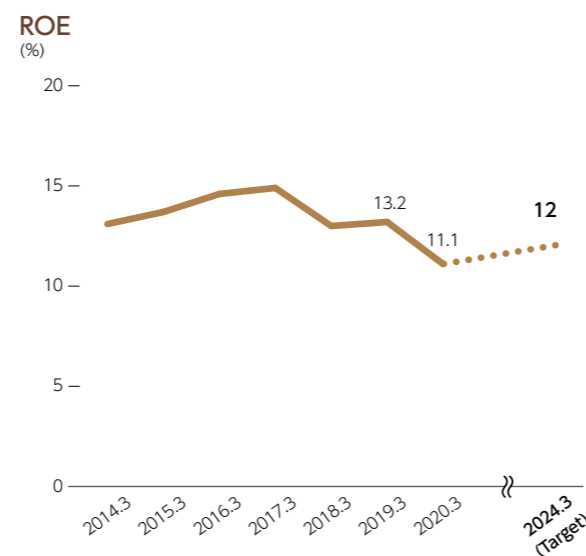
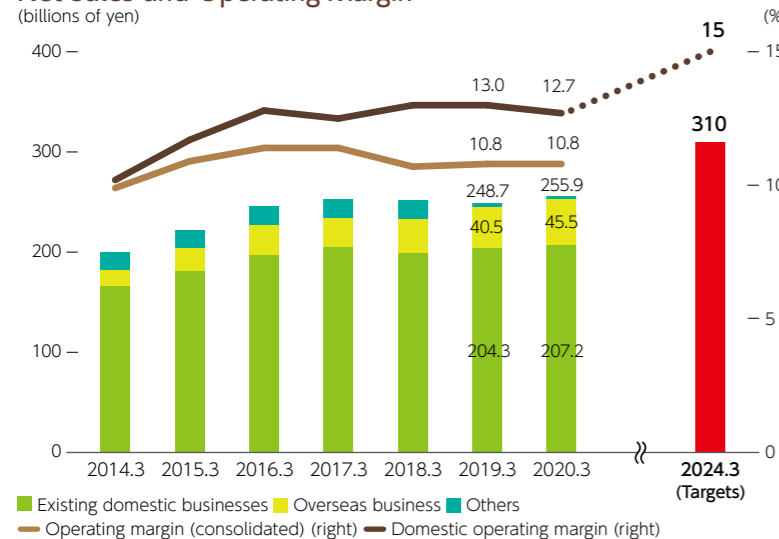
In the domestic business, we implemented price hikes and content standard revisions of certain snacks in May 2019, against the background of rising costs for distribution and raw materials such as packaging. As a result, we were able to control cost deterioration. In the fourth quarter, the impact of COVID-19 on economic activity also emerged, with the Group recording a sharp decrease in sales of gift snack items, which had performed well previously due to inbound and domestic tourism demand. On the other hand, consumer demand for nesting driven by refraining from going out brought changes such as an increase in demand for snacks and cereals through general channels. While the COVID-19 pandemic is expected to negatively impact primarily on gift snack products in the fiscal year ending March 31, 2021, we will continue implementing medium- and long-term initiatives aimed at realizing high earnings, such as product strategies targeting diverse needs and efforts to increase productivity.

In the overseas business, in our four key regions (North America, Greater China, the United Kingdom, and Indonesia), we recorded higher sales and profits in all but North America. In North America, we acquired Warnock Food Products in October 2019. Going forward, we will focus on expanding our product portfolio and strengthening sales by leveraging synergies with Warnock Food Products. In Greater China, we are seeing signs of further increases in e-commerce demand due to COVID-19, and we can expect to see opportunities for expansion through diversification of sales channels and enhancement of our product lineups. We will continue efforts to launch new products and expand sales channels centered on our four key regions, aiming to establish revenue-generating bases.

#### Medium-term business plan management targets (Fiscal year ending March 31, 2024)

Consolidated net sales	¥310 billion	Domestic: Domestic operating margin	15%
Consolidated operating profit	¥40 billion	Overseas: Overseas sales (Overseas sales ratio)	25%
(Operating margin)	13%	ROE	12%

### Net Sales and Operating Margin



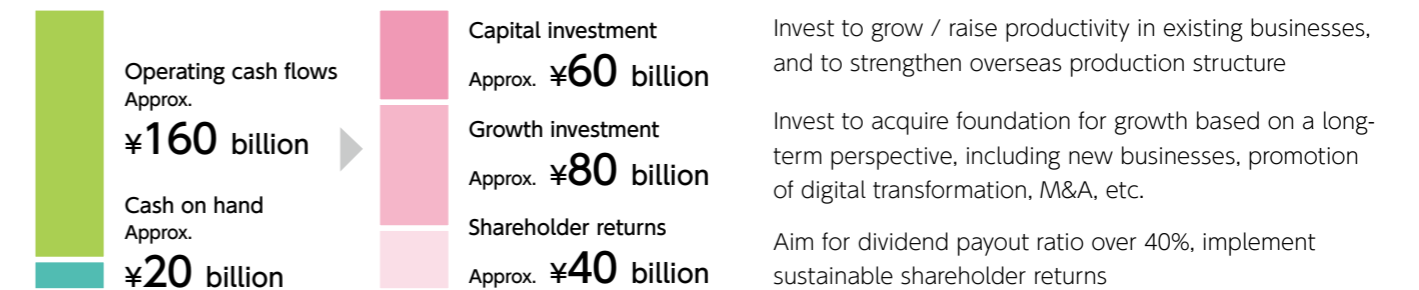
### ► Investment in Growth Fields

Under the five-year medium-term business plan ending in the fiscal year ending March 31, 2024, we will actively make investments for growth to establish new business bases, funded using stable operating cash flows. In October 2019, we acquired North American snack manufacturer Warnock Food Products for ¥7.4 billion to strengthen our product development capability and expand our portfolio. In April 2020, we acquired Potato Kaitsuka for ¥13.8 billion to gain entry into the sweet potato business as a new food field in Japan. Potato Kaitsuka is engaged in the processing and

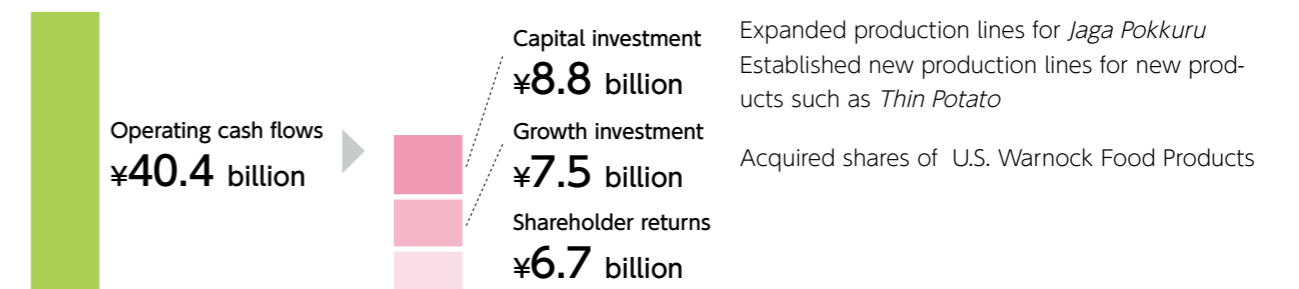
wholesaling of sweet potatoes and the direct sales of baked sweet potatoes and other products.

As we face the unprecedented risk of COVID-19, we must continue to make investments from a medium- to long-term perspective in our existing businesses as well in order to bolster our management diversity and flexibility. We will continue to examine investment for acquiring growth bases basing a long-term perspective, such as driving digital transformation and M&A and so forth.

### Basic Policy of Cash Flow Allocation (Five Years from the Fiscal Year Ended March 31, 2020 to the Fiscal Year Ending March 31, 2024)



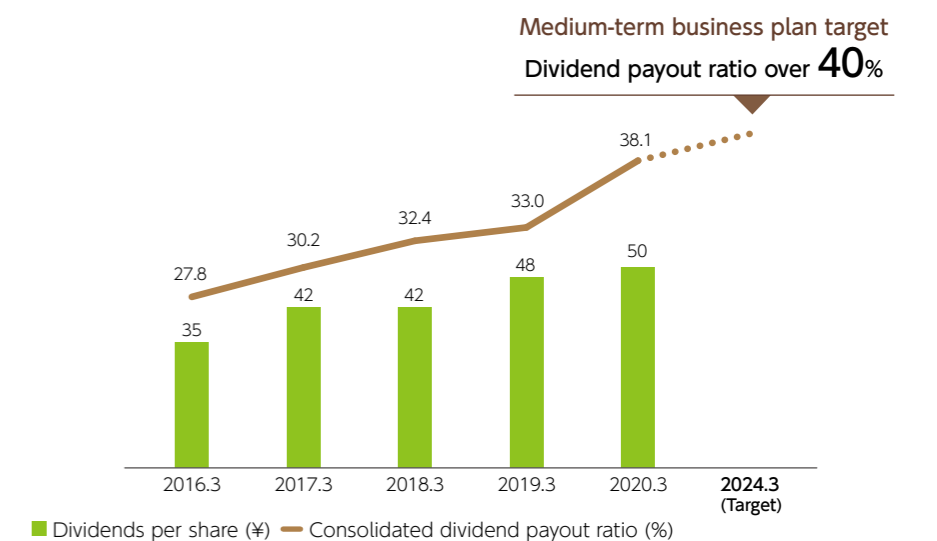
• Results for the Fiscal Year Ended March 31, 2020



### ► Shareholder Returns

Recognizing shareholder returns is an important management matter, we have steadily increased dividends per share and consolidated dividend payout ratio while improving our profitability and strengthening financial position. In our medium-term business plan, our policy is to distribute profits consistently and actively with a target consolidated dividend payout ratio of over 40% while investing for growth fields. We will respond flexibly to share buybacks in light of market conditions and other factors, while prioritizing the enhancement of dividends.

### Dividends per Share and Consolidated Dividend Payout Ratio



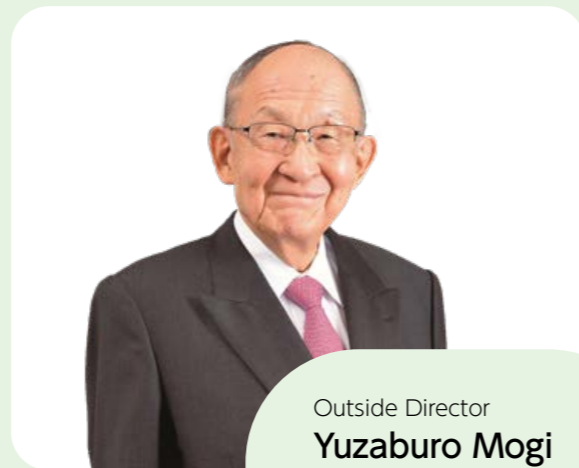


# Messages from Outside Directors

## Expanding the Overseas Business with Superior Technological and Developmental Capabilities

As an outside director, I have two important roles. The first is to ascertain whether the Board of Directors is functioning properly and whether the CEO is making the best decisions possible. The second is to closely monitor the internal situation in the Company from a different perspective and give my opinions.

For expanding our overseas business, an objective in the long-term vision, it is important to acquire and maintain a degree of superiority in foundational and core strength, namely, technological and developmental capabilities. Such capabilities will enable the Calbee Group to challenge itself in new food fields. Furthermore, I expect the Calbee Group to help lead the transformation of the new normal society that emerges after the COVID-19 pandemic, through cutting-edge initiatives as a pioneer in workstyle innovation through mobile telework and diversity and inclusion.



Outside Director  
**Yuzaburo Mogi**

## Transforming Calbee from a Snack Manufacturer to a Company Creating the Future of Food

All five outside directors out of the eight directors of the Company's Board of Directors have widely varying backgrounds. This configuration creates true diversity management. In the new normal of today, flexible and highly agile strategy formulation and execution is important; however, they could result in ad hoc corporate management. To avoid such an outcome, it is essential to determine a firm vision and share it with all the relevant people. Fortunately, the Company has determined a long-term vision, "Next Calbee," under the leadership of CEO Ito. In formulating this vision, we as outside directors also strove to proactively give our opinions. I will continue to contribute to the transformation of Calbee from a snack manufacturer to a company creating the future of food.



Outside Director  
**Takahisa Takahara**

## Realizing "Next Calbee" through the Establishment of New Food Domains

I believe that the most important role of an outside director is to supervise management from an objective, third-party perspective. I have therefore made a sincere effort to ask direct questions and give unreserved opinions at the Board of Directors' meetings. In particular, I strive to look at the proposals brought before the Board from a comprehensive viewpoint with taking Calbee's sustainable growth into account while questioning whether proposals that offer short-term benefits will have a negative impact from a medium- and long-term perspective.

Another role of an outside director is to use our experience outside to reflect diverse views in management's decision-making. I have encountered various social issues in my work as a journalist. As non-financial factors including ESG are becoming important for enhancing corporate value, I will use my own experience in these matters. I will continue to contribute to realizing "Next Calbee" through Calbee's evolution from a leading domestic brand to a truly global brand, and from a snack manufacturer to a company that establishes new food fields.



Outside Director  
**Atsuko Fukushima**



Outside Director  
**Yoshihiko Miyauchi**

## Expanding in the Overseas Markets and Promoting New Product Development to Drive the Next Growth Stage

I believe that the Company has now hit a plateau to the next step in its growth strategy. The Company has faced the unexpected outbreak of COVID-19, and the executive team has to formulate a two-sided strategy comprised of long-term views and short-term responses. The next growth stage has two potential directions, namely, expanding in overseas markets and development of new products, requiring the steady accumulation of efforts. I am sure that something new will be created, as the executive team has worked patiently and steadily with a positive attitude. As an outside director, I will monitor and ensure that the executive team focus more on the medium- to long-term.

## Increasing Management Agility for Business Expansion in Japan and Overseas

I believe one of the most important functions of the Board is to ensure Calbee continues to progress on making strategic investments and building capability for the long-term. Calbee's medium- to long-term vision entails growth acceleration while transforming the business domestically and overseas. Domestically, the Company needs to make continuous innovations in the food category to meet the changing needs of consumers. Overseas, the Company needs significant investment and robust management teams with agility in order to respond to the competitive intensity. In light of the challenges with COVID-19, I believe management agility will be more important than ever.



Outside Director  
**Sylvia Dong**

# Corporate Governance

### Basic Policy on Corporate Governance

Corporate governance is based on our corporate philosophy: "We are committed to harnessing nature's gifts, to bringing taste and fun, and to contributing to healthy life styles." We believe that strengthening and enhancing corporate governance is crucial in order to meet the expectations of stakeholders including customers, business partners, employees and their families, and local communities and to increase corporate value.

We have formulated Calbee's Corporate Governance Code, which systematize our basic policy on corporate governance. [Calbee's Corporate Governance Code https://www.calbee.co.jp/en/ir/pdf/2016/governance\\_code.pdf](https://www.calbee.co.jp/en/ir/pdf/2016/governance_code.pdf)

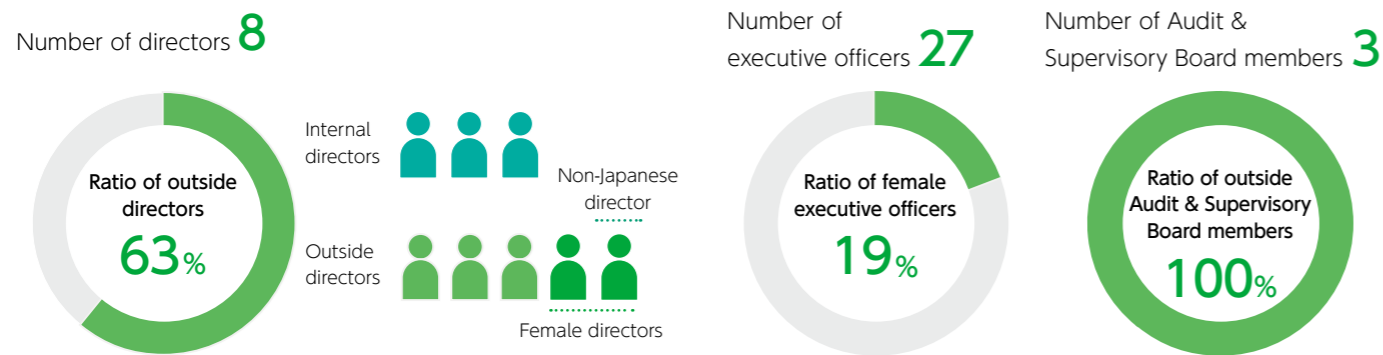
## Corporate Governance System

We recognize corporate governance as a management priority and have been working to strengthen and enhance our corporate governance system from an early stage. As such, we have adopted a corporate governance system that has functions of management oversight. It comprises the Board of Directors, which has a majority of outside directors, and the Audit & Supervisory Board members and Audit & Supervisory Board. We have introduced an executive

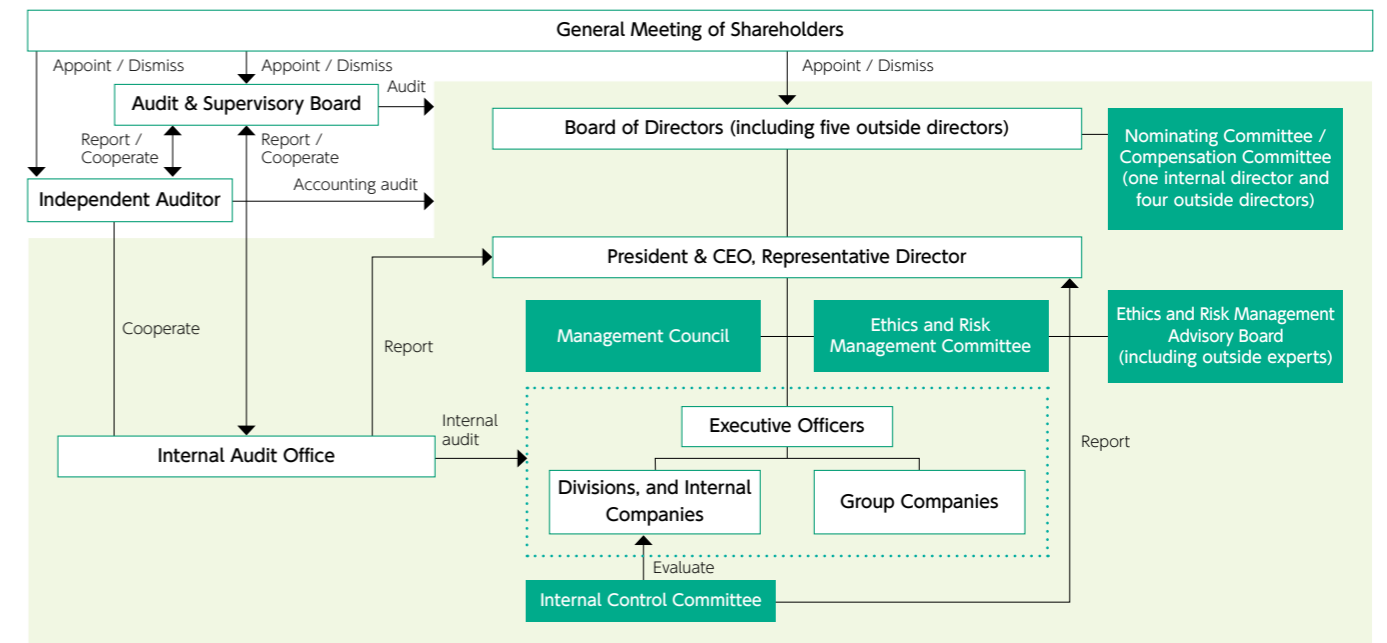
officer system to separate business execution and supervisory functions to improve management transparency, clarify management responsibilities, speed up decision-making, and strengthen the management oversight function. In addition, the Board of Directors and the executive officer system place importance on diversity in regard to the backgrounds and values of the members.

## Transition of Corporate Governance System Enhancement

	Purpose	Measures taken
2001	Separation of supervision and business execution	<ul style="list-style-type: none"> <li>Adopted an executive officer system</li> <li>Appointed outside directors</li> </ul>
2009	Enhance supervisory and monitoring functions Promotion of diversity of the Board of Directors	<ul style="list-style-type: none"> <li>Reduced number of internal directors from nine to two</li> <li>Increased the number of outside directors from two to five</li> <li>Appointed the first non-Japanese director</li> </ul>
2010	Enhance management transparency and soundness	<ul style="list-style-type: none"> <li>Established the Advisory Board (currently the Nominating Committee / Compensation Committee)</li> </ul>
2014	Clarification of management responsibility	<ul style="list-style-type: none"> <li>Reduced director terms from two years to one year</li> </ul>
2019	Strengthening of management structure	<ul style="list-style-type: none"> <li>Increased the number of internal directors by two; the Board of Directors increased from six to eight</li> </ul>
2020	Clarification of the function of committees	<ul style="list-style-type: none"> <li>Changed the Advisory Board into the Nominating Committee / Compensation Committee, chaired by an outside director</li> </ul>



## Organization of Corporate Governance



### Corporate Governance System

Main items	Contents
Form of institutional design	Company with Audit and Supervisory Board
<b>Board of Directors</b>	
Term of office	1 year
Number of directors (of whom, outside directors)	8 (5)
Number of meetings of the Board of Directors (FY2020/3)	13
Board of Directors' attendance ratio (all members)	97%

- Board of Directors**  
 The Board of Directors holds regular meetings once per month, in principle. The Board formulates and makes decisions regarding important management policies and strategies connected to sustainable growth and improving corporate value in addition to making decisions concerning statutory matters, and supervises business execution.
- Nominating Committee / Compensation Committee**  
 The Nominating Committee / Compensation Committee meets four times a year, in principle. It is a discretionary committee chaired by an outside director. The committee discusses the compensation and nomination of directors and Audit & Supervisory Board members.
- Audit & Supervisory Board**  
 The Audit & Supervisory Board consists of three outside Audit & Supervisory Board members. The Board ensures transparency and oversees and audits management.
- Management Council**  
 The Management Council meets once a month, in principle.

Main items	Contents
<b>Audit &amp; Supervisory Board members</b>	
Term of office	4 years
Number of Audit & Supervisory Board members (of whom, outside Audit & Supervisory Board members)	3 (3)
Number of meetings of Audit & Supervisory Board (FY2020/3)	14
Adoption of an executive officer system	Yes

- Ethics and Risk Management Committee**  
 The Ethics and Risk Management Committee is chaired by the President & CEO. The committee discusses, decides, and manages progress on issues and countermeasures related to promoting compliance and risk reduction.
- Ethics and Risk Management Advisory Board**  
 The Ethics and Risk Management Advisory Board includes an external expert. The Board discusses management risks and compliance issues, and then makes proposals to the CEO and the Ethics and Risk Management Committee.
- Internal Control Committee**  
 The Internal Control Committee evaluates the effectiveness of the construction and operation of internal control systems for financial reporting, and conducts self-assessments.

## Corporate Governance

### Policies and Processes for Appointing Directors and Audit & Supervisory Board Members

#### Policy

##### ► Composition of the Board of Directors

The Board of the Directors is composed of a majority of independent directors. We actively promote the Board's diversity by appointing members with differing personal histories, genders, and nationalities. In addition, we invite a balanced combination of outside directors with backgrounds in many different areas of expertise, such as the food industry, general industry, academia, and journalism.

##### ► Policy on Appointing Outside Directors and Outside Audit & Supervisory Board members

In appointing outside directors or outside Audit & Supervisory Board members, we place importance on the following points and comprehensively consider whether or not they contribute to sound and efficient corporate management. Evaluations of the independence of directors and Audit & Supervisory Board members are conducted based on the standards established by the Tokyo Stock Exchange.

- Expectations for useful, objective, and fair advice and supervision based on a thorough knowledge and experi-

ence of corporate management, and a high level of knowledge in the food industry

- Expectations for useful, objective, and fair advice and supervision based on a high level of knowledge in the specific field

#### Processes

The nomination of outside directors is decided upon approval at the General Meeting of Shareholders after being reviewed by the Nominating Committee, which is a discretionary advisory committee, and recommended by the Board of Directors.

Regarding the nomination of candidates for outside Audit & Supervisory Board members, candidates must have a strong will to respond to the mission entrusted to them from the shareholders and a background in finance, accounting, and/or law. Candidates are recommended by the Board of Directors and approved by the Audit & Supervisory Board before being decided on at the General Meeting of Shareholders.

### Evaluation of the Effectiveness of the Board of Directors

To continuously improve the effectiveness of the Board of Directors, we conduct an annual evaluation of the effectiveness of Board meetings. All directors, including outside directors, are interviewed, and the results are analyzed to further improve the functions of the Board of Directors.

The valuation outline and results for the fiscal year ended March 31, 2020 are as follows.

<b>Initiatives in the fiscal year ended March 31, 2020</b>	<ul style="list-style-type: none"> <li>Changed the criteria for final decisions by the Board of Directors</li> <li>Reported a summary of resolutions by the Management Council to the Board of Directors</li> <li>Established the discretionary Nominating Committee / the Compensation Committee, each chaired by an outside director</li> </ul>
<b>Evaluation process</b>	<ul style="list-style-type: none"> <li>Interviews with all directors, including outside directors</li> <li>Analyze the results of interviews and discuss issues and future initiatives</li> </ul>
<b>Main interview questions</b>	<ul style="list-style-type: none"> <li>Status of execution of duties by directors (decision-making connected to raising our corporate value, separation of execution and supervision), status of operation of the Board of Directors, etc.</li> <li>The Board of Directors sets appropriate agendas in a timely manner, and each director actively makes comments, questions, and decisions based on their own experience and knowledge.</li> </ul>
<b>Evaluation results</b>	<ul style="list-style-type: none"> <li>Oversight functions have been working; for example, some matters are refused or referred back by the Board of Directors.</li> <li>Issues to be addressed going forward include setting discussion items regarding new businesses and long-term strategy, as well as enhancing the provision of background information for strategies.</li> </ul>

### Executive Remuneration

To enhance management transparency, remuneration paid to directors goes through a process of discussion by the Compensation Committee, resolution by the Board of Directors, and approval by the General Meeting of Shareholders. Remuneration for senior executive officers goes through a process of discussion by the Compensation Committee and then resolution by the Board of Directors.

Approximately two-third of the remuneration for internal directors (senior executive officers) is variable (performance-based). We designed the system this way so that it would

be connected with shareholder interests from a medium- to long-term perspective.

Additionally, in remuneration for Audit & Supervisory Board members, we pay part-time Audit & Supervisory Board members fixed remuneration only, so as to increase their supervision function from an independent perspective. Furthermore, we pay our outside directors basic remuneration only, as they are in positions independent from business execution.

The remuneration of the Company's directors (excluding outside directors) comprises 1) basic remuneration (fixed amount), 2) bonuses, 3) performance-based stock compensation, and 4) retirement bonuses.

	Approx. one-third of executive remuneration		Approx. two-third of executive remuneration	
	Fixed remuneration		Variable remuneration	
	1) Basic remuneration	2) Bonuses	3) Performance-based stock compensation	4) Retirement bonuses
<b>Position</b>	Compensation for executive duties	Short-term incentive linked to results during the fiscal year	Medium- to long-term incentive linked to results during the fiscal year	Medium- to long-term incentive linked to results during the period of appointment
<b>Recipients</b>	Directors Audit & Supervisory Board members Senior executive officers	Directors (excl. outside directors) Senior executive officers	Directors (excl. outside directors) Senior executive officers	Directors (excl. outside directors) Full-time Audit & Supervisory Board members* Senior executive officers
<b>Payment form</b>	Cash	Cash	Shares	Cash
<b>Evaluation indicators</b>	—	Consolidated net sales Consolidated operating profit Profit attributable to owners of parent Individual management assignments	Consolidated net sales Consolidated operating profit Profit attributable to owners of parent	Based on each year's bonus
<b>Payment method</b>	Monthly payment of fixed amount according to position	<ul style="list-style-type: none"> <li>Maximum of 1.5% of consolidated ordinary profit each fiscal year</li> <li>Paid once a year according to position</li> </ul>	<ul style="list-style-type: none"> <li>Maximum of 1% of target for profit attributable to owners of parent each fiscal year</li> <li>Points assigned to each position are adjusted based on the status of achievement on evaluation indicators and allocated to recipients</li> <li>Shares are awarded upon retirement based on the cumulative number of points</li> </ul>	Aggregated at a certain ratio of the annual bonus amount and paid upon retirement

\* New aggregations of this bonus have been stopped.

# Corporate Governance

## Risk Management

In order to deal with the diverse business risks (natural disasters and accidents, legal violations and litigation, quality, procurement of raw materials, stocks, intellectual property infringements, etc.) surrounding the Company, we have formulated Risk Management Rules, and identify and evaluate the business risks of each in-house company, headquarters, and Group company through establishing an internal control system. In particular, regarding quality risks for our products and raw material procurement, the Quality

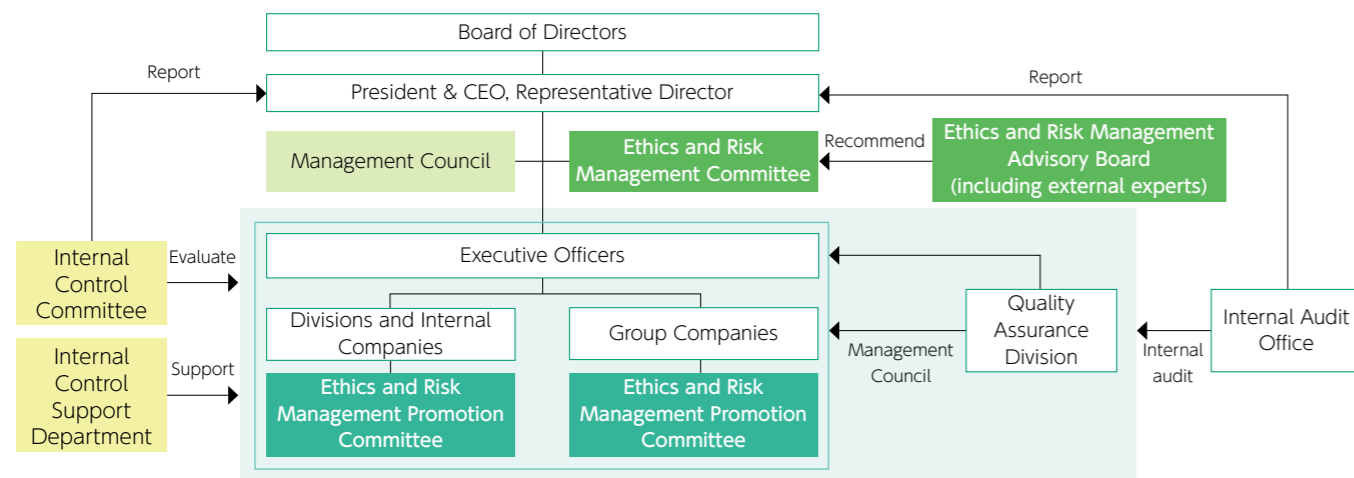
Assurance Division plays a central role in implementing preventive measures. In addition, we have a system that enables us to respond promptly throughout the Company. Going forward, we will promote the establishment of a system to prevent risks in advance, minimize damage, and ensure rapid recovery. As for information security risks, we have put in place an internal system that can respond to security incidents. Also, we continue to evangelize preventive measures to employees.

## Risk Management System

In accordance with the Basic Policy of Internal Control Systems resolved by the Board of Directors, we have established the following compliance and risk management system. The Ethics and Risk Management Advisory Board, which includes external experts, has been established to promote a highly independent and transparent corporate

governance system. In addition, the Ethics and Risk Management Committee was established to decide on the policies for compliance and risk countermeasures, and the Ethics and Risk Management Promotion Committee of each in-house company, headquarters, and domestic Group company is responsible for implementing these measures.

## Organization of Compliance and Risk Management



## Business Risks

Risk	Assumption	Potential risk	Response	
<b>Product development</b>	Rapid product development in response to market changes is an important priority	<ul style="list-style-type: none"> <li>Inability to develop products in time due to failure to properly respond to customers' and business partners' needs</li> </ul>	<ul style="list-style-type: none"> <li>Systematically implement new product development, existing product improvements, cost reductions, and R&amp;D activities in foundational research fields</li> </ul>	
<b>Raw material procurement</b>	<b>1) Potato procurement risk</b> (Weather instability and decrease in potato grower population)	<ul style="list-style-type: none"> <li>Decrease in potato grower population in Japan</li> <li>In principle, potatoes may not be imported into Japan under the Plant Protection Act.</li> </ul>	<ul style="list-style-type: none"> <li>Loss of sales opportunities due to inability to secure volume of potatoes</li> <li>Cost increase driven by urgent procurement</li> </ul>	<ul style="list-style-type: none"> <li>Build a procurement system through contracted growers, disperse production areas</li> <li>Support cultivation and harvest, and assist with measures for reducing labor</li> <li>Prepare plant facilities that can handle imported potatoes</li> </ul>
	<b>2) Potato procurement risk</b> (Spread of potato cyst nematodes)	<ul style="list-style-type: none"> <li>Potatoes cannot be produced in areas affected by potato cyst nematodes (a kind of nematode that lives in soil, designated as an important pest under the Plant Protection Act).</li> </ul>	<ul style="list-style-type: none"> <li>New varieties that meet requirements will not be developed and popularized.</li> <li>Potato cyst nematodes could spread faster than anticipated.</li> </ul>	<ul style="list-style-type: none"> <li>Promoting a switch to nematode-resistant varieties of potato (Target ratios of nematode-resistant potato varieties are 50% by 2025 and 100% by 2030)</li> </ul>
	<b>3) Other raw material and input procurement risk</b>	<ul style="list-style-type: none"> <li>In addition to potatoes, the Company uses large quantities of edible oils, packaging materials, and other raw materials.</li> </ul>	<ul style="list-style-type: none"> <li>Hold-up in procurement of raw materials and other inputs</li> <li>Increase in procurement costs</li> </ul>	<ul style="list-style-type: none"> <li>Secure multiple suppliers</li> </ul>
<b>Product safety</b>	<ul style="list-style-type: none"> <li>Providing safe and secure products is the most important social responsibility of the Group.</li> </ul>	<ul style="list-style-type: none"> <li>Product recalls and sales suspensions</li> <li>Loss of trust</li> </ul>	<ul style="list-style-type: none"> <li>Build quality assurance systems</li> <li>Realize traceability across the entire supply chain</li> <li>Take measures to reduce the content ratio of acrylamide (a carcinogen formed by burning or frying foods that are rich in asparagine and reducing sugars such as fructose and glucose)</li> </ul>	
<b>Product supply</b>	<ul style="list-style-type: none"> <li>There are concerns over shortages of transportation vehicles due to the impacts of a decline in the working population due to population aging and an increase in courier services driven by growth in e-commerce.</li> </ul>	<ul style="list-style-type: none"> <li>Halt in product supply</li> <li>Increase in transportation costs, etc.</li> </ul>	<ul style="list-style-type: none"> <li>Promote reduction of standby times, lower delivery frequency, concentration of delivery destinations, and transportation in pallets</li> <li>Diversify transportation modes, such as using rail freight</li> </ul>	
<b>Foreign exchange</b>	<ul style="list-style-type: none"> <li>Raw materials procurement and product sales, etc., include transactions in foreign currencies.</li> </ul>	<ul style="list-style-type: none"> <li>Rapid fluctuations in markets or foreign exchange exceeding the forecast range</li> <li>Fluctuation in overseas subsidiaries' earnings when translated into yen</li> </ul>	<ul style="list-style-type: none"> <li>Execute forward foreign exchange contracts to hedge the risk of price fluctuations</li> </ul>	
<b>Political and economic situation in overseas countries where the Group is expanding</b>	<ul style="list-style-type: none"> <li>Currently, the Group operates businesses in nine countries and regions.</li> </ul>	<ul style="list-style-type: none"> <li>Political, economic, and social turmoil caused by changes in laws and regulations, terrorism, war, or other factors</li> <li>Difficulties caused by differences in culture and customs</li> </ul>	—	
<b>Major shareholders</b>	<ul style="list-style-type: none"> <li>FRITO-LAY GLOBAL INVESTMENTS B.V. (a wholly owned subsidiary of PepsiCo, Inc.) holds 20.01% of the Company's shares (including potential shares).</li> <li>In June 2009, the Company concluded a strategic alliance agreement with PepsiCo, Inc.</li> </ul>	<ul style="list-style-type: none"> <li>The Company may become unable to realize synergy effects from the alliance if PepsiCo, Inc. changes its management direction or business strategy.</li> <li>If the agreement were canceled, the Company would enter a competitive relationship with the PepsiCo Group in Japan.</li> <li>Change in PepsiCo's ownership ratio of the Company</li> </ul>	—	
<b>Securing human resources</b>	<ul style="list-style-type: none"> <li>Human resources with the ability to act independently on transformation and challenges are important for sustainable growth.</li> </ul>	<ul style="list-style-type: none"> <li>Inability to secure or develop sufficient necessary human resources for management and business activities</li> </ul>	<ul style="list-style-type: none"> <li>Introduce systems that enable diverse workstyles</li> <li>Develop human resources who can promote digital transformation</li> <li>Aim for an organization that can utilize diverse values and expertise and realize participation by all employees</li> </ul>	
<b>Information systems</b>	<ul style="list-style-type: none"> <li>Many operations are dependent on information systems and telecommunication lines.</li> </ul>	<ul style="list-style-type: none"> <li>Loss of information and tampering of data</li> <li>Leakage of personal information or company secrets</li> </ul>	<ul style="list-style-type: none"> <li>Establish an incident response system centered on a Computer Security Incident Response Team (CSIRT)</li> <li>Conduct appropriate security countermeasures for information management</li> </ul>	
<b>Compliance</b>	<ul style="list-style-type: none"> <li>The Company is subject to laws and regulations in Japan, such as the Food Sanitation Act, the Act against Unjustifiable Premiums and Misleading Representations, the Measurement Act, the Unfair Competition Prevention Act, the Plant Protection Act, and the Consumer Safety Act.</li> <li>The Company is subject to the laws and regulations of each of the countries where it conducts business.</li> </ul>	<ul style="list-style-type: none"> <li>Penalties or license revocation under laws and regulations</li> <li>Legal action</li> <li>Loss of trust</li> </ul>	<ul style="list-style-type: none"> <li>Formulate the Calbee Group Code of Conduct and the Calbee Group Conduct Guidelines, and promote compliance through in-house training programs and awareness raising to ensure compliance with ethical and social norms, laws and regulations, and internal rules, etc.</li> </ul>	
<b>Natural disasters and pandemics</b>	<ul style="list-style-type: none"> <li>The Group conducts operations across the supply chain from procurement of raw materials overseas to production and sales.</li> </ul>	<ul style="list-style-type: none"> <li>Inability to supply products to business partners due to delays in parts of the supply chain</li> <li>Long time and large expenses for repair of facilities, etc.</li> <li>High prices of raw materials</li> <li>Difficulty in securing raw materials</li> <li>Halt in consumption</li> </ul>	<ul style="list-style-type: none"> <li>Disperse production sites and procurement providers for raw materials</li> <li>Take thorough measures to prevent infection</li> <li>Secure procurement of main raw materials, maintain flexible product strategies and supply systems</li> <li>Strive to restart the supply system quickly based on the BCP, etc., after a natural disaster occurs</li> </ul>	
<b>Climate change</b>	<ul style="list-style-type: none"> <li>The Group conducts operations across the supply chain from procurement of raw materials overseas to production and sales.</li> </ul>	<ul style="list-style-type: none"> <li>Increases in the cost burden due to carbon tax introduction, depending on progress on initiatives to reduce greenhouse gas emissions</li> <li>Change in consumer purchasing behavior</li> <li>Potential impairment to potato quality</li> <li>Production equipment damage, operation halts, and supply chain interruptions due to typhoons and torrential rain, etc.</li> </ul>	<ul style="list-style-type: none"> <li>Reduce greenhouse gas emissions through reduction in energy use and adoption of renewable energy</li> </ul>	

### TOPIC Response to the Global COVID-19 Pandemic

The spread of COVID-19 at the beginning of 2020 has resulted in people refraining from going out as much. This has boosted customer demand for snacks and cereals, which have long shelf lives. Under these conditions, as a food company, we believe it is necessary to continue operations while placing foremost priority on the safety of our customers, suppliers, and employees.

We established a crisis response headquarters, led by the president, and focused on quick gathering of information on global basis. We are working to secure our main raw materials rapidly and flexibly by diversifying our

suppliers. In the manufacturing division, we have taken thorough measures to prevent infection and secure employee safety while continuing our business activities without stopping production. Employees that work in divisions where mobile telework is possible have in principle shifted to this style of work.

Looking ahead, we will continue our initiatives to ensure supply chain stability as part of managing the risk of pandemics similar to COVID-19, while taking actions to transform working environment into new workstyle.

## Corporate Governance

### Board of Directors and Audit & Supervisory Board Members

#### Directors

Name	Reason for election	Attendance at Board of Directors' meetings FY2020/3	No. of years as a director (As of July 2020)
<b>Shuji Ito</b> Representative Director President & CEO	Mr. Ito is well versed in the Company's overall management by virtue of his rich experience as a member of the Group since 1979 in various fields, including manufacturing, sales, corporate planning, and marketing. The Company expects that the effectiveness of the Board of Directors' decision-making and oversight functions can be enhanced by utilizing his experience and knowledge.	100% (13/13 times)	16 years
<b>Makoto Ehara</b> Representative Director Executive Vice President & COO	Mr. Ehara is well versed in the Company's overall management through his service in a position responsible for the overseas business division, as the president of a subsidiary, and assisting the president as the executive vice president of the Company. The Company expects that the effectiveness of the Board of Directors' decision-making and oversight functions can be enhanced by utilizing his experience and knowledge.	100% (10/10 times)	1 year
<b>Koichi Kikuchi</b> Senior Managing Director & CFO	Mr. Kikuchi is well versed in the Company's overall management through his service in positions responsible for IR, information systems, corporate communications, and procurement divisions, and as the CFO of the Company. The Company expects that the effectiveness of the Board of Directors' decision-making and oversight functions can be enhanced by utilizing his experience and knowledge.	100% (10/10 times)	1 year
<b>Yuzaburo Mogi</b> Outside Director	While serving as Honorary CEO of Kikkoman Corporation, Mr. Mogi also serves as a director or an Audit & Supervisory Board member for a diverse range of companies. The Company expects that he will utilize his knowledge and experience cultivated as a corporate manager in the Company's management.	92% (12/13 times)	11 years
<b>Takahisa Takahara</b> Outside Director	Mr. Takahara serves as President & CEO of Unicharm Corporation. The Company expects that he will utilize his knowledge and experience gained through leading global business development in the Company's management.	92% (12/13 times)	5 years
<b>Atsuko Fukushima</b> Outside Director	Ms. Fukushima has many years of experience as a journalist. The Company expects that she will reflect her wide and objective perspective about society, the economy, the environment, consumers, etc., in the Company's management.	92% (12/13 times)	5 years

Name	Reason for election	Attendance at Board of Directors' meetings FY2020/3	No. of years as a director (As of July 2020)
<b>Yoshihiko Miyauchi</b> Outside Director	Mr. Miyauchi served as President and Chairman of ORIX Corporation. The Company expects that he will utilize his knowledge and experience cultivated as a corporate manager and his insight about the global economy in the Company's management.	100% (13/13 times)	3 years
<b>Sylvia Dong</b> Outside Director	Ms. Dong has been engaged in the beverage business at PepsiCo, Inc., which is the parent of FRITO-LAY GLOBAL INVESTMENTS B.V., a major shareholder of the Company (ownership ratio of 20.01%). The Company expects that she will utilize her knowledge and experience as a manager of a multinational enterprise in the Company's management.	—	Appointed in June 2020

#### Audit & Supervisory Board Members

Name	Reason for election	Attendance at Board of Directors' meetings (FY2020/3)	Attendance at Audit & Supervisory Board meetings (FY2020/3)	No. of years as an Audit & Supervisory Board member (As of July 2020)
<b>Taizo Demura</b> Outside Audit & Supervisory Board member (Full time)	Mr. Demura has many years of experience as a securities analyst mainly in the food sector and has a wide range of sophisticated expert knowledge and insight concerning finance and IR. The Company expects that he will utilize his expertise and insight cultivated in the course of his career in the overall management of the Company.	100% (13/13 times)	100% (14/14 times)	2 years
<b>Tadashi Ishida</b> Outside Audit & Supervisory Board member	Mr. Ishida has sophisticated expert knowledge as a certified public accountant and has a wide range of practical experience from serving as a director, Audit & Supervisory Board member, and the lead researcher for the Japan Association for Chief Financial Officers. The Company expects that he will utilize his knowledge and experience in the overall management of the Company.	100% (12/13 times)	100% (13/14 times)	9 years
<b>Nagako Oe</b> Outside Audit & Supervisory Board member	Ms. Oe has abundant experience cultivated by sophisticated expert knowledge and a wide range of insight concerning the Companies Act of Japan and general corporate legal affairs. The Company expects that she will utilize her experience in strengthening our compliance and legal systems.	100% (13/13 times)	100% (14/14 times)	4 years

# Financial Information

## 10-Year Summary

(Millions of yen, rounded down)

	2011.3	2012.3	2013.3	2014.3	2015.3	2016.3	2017.3	2018.3	2019.3	2020.3
<b>Net sales</b>	155,529	163,268	179,411	199,941	222,150	246,129	252,420	251,575	248,655	<b>255,938</b>
<b>Gross profit</b>	65,047	69,081	78,522	87,209	97,561	107,033	111,573	108,904	111,120	<b>115,086</b>
<b>Selling, general and administrative expenses</b>	54,329	56,833	62,731	67,492	73,378	78,908	82,732	82,075	84,156	<b>87,422</b>
<b>Operating profit</b>	10,717	12,247	15,790	19,717	24,183	28,125	28,841	26,828	26,964	<b>27,664</b>
<b>Ordinary profit</b>	10,570	12,486	17,127	20,782	25,615	26,545	28,625	26,179	27,432	<b>27,391</b>
<b>Profit attributable to owners of parent</b>	4,253	7,096	9,440	12,086	14,114	16,799	18,605	17,330	19,429	<b>17,539</b>
<b>Total assets*<sup>1</sup></b>	99,173	108,229	124,705	140,909	161,917	174,837	181,945	192,034	202,750	<b>214,967</b>
<b>Net assets</b>	72,924	80,417	92,685	104,466	118,800	131,469	135,056	146,667	160,490	<b>169,632</b>
<b>Working capital*<sup>2</sup></b>	14,222	23,133	33,607	47,458	52,672	54,832	58,214	68,950	77,815	<b>83,066</b>
<b>Interest-bearing debt*<sup>3</sup></b>	698	358	302	186	563	555	1,596	1,511	1,274	<b>1,363</b>
<b>Equity ratio (%)*<sup>4</sup></b>	70.8	71.8	70.2	69.1	67.7	69.2	70.4	72.6	75.9	<b>75.9</b>
<b>Debt to equity ratio (Times)*<sup>4</sup></b>	0	0	0	0	0	0	0	0	0	<b>0</b>
<b>Research and development costs</b>	2,213	1,811	2,288	2,161	2,052	2,195	2,168	2,469	2,660	<b>2,745</b>
<b>Capital expenditures</b>	4,049	5,422	7,298	6,392	15,290	21,229	9,763	11,009	9,945	<b>9,004</b>
<b>Depreciation and amortization</b>	7,243	6,676	6,318	5,960	6,232	7,570	7,297	7,845	8,023	<b>8,449</b>
<b>ROE (%)</b>	6.5	9.6	11.4	13.1	13.7	14.6	14.9	13.0	13.2	<b>11.1</b>
<b>Earnings per share (EPS) (Yen)*<sup>5</sup></b>	36.62	55.07	72.18	91.46	105.82	125.88	139.24	129.72	145.39	<b>131.22</b>
<b>Net assets per share (Yen)*<sup>5</sup></b>	550.14	596.66	664.55	729.93	821.97	905.20	958.60	1,043.37	1,151.71	<b>1,221.19</b>
<b>Cash dividends per share (Yen)*<sup>5</sup></b>	7.00	10.50	15.50	22.00	28.00	35.00	42.00	42.00	48.00	<b>50.00</b>
<b>Dividend payout ratio (%)</b>	19.1	19.1	21.5	24.1	26.5	27.8	30.2	32.4	33.0	<b>38.1</b>
<b>Cash flows from operating activities</b>	16,664	7,049	17,328	23,478	22,266	22,541	25,958	9,358	27,620	<b>40,449</b>
<b>Cash flows from investing activities</b>	(620)	(5,347)	(12,999)	(17,041)	(9,422)	(14,270)	(13,404)	(6,258)	(28,347)	<b>(13,462)</b>
<b>Cash flows from financing activities</b>	(2,124)	(411)	607	(383)	(2,878)	(2,859)	(14,711)	(5,450)	(6,227)	<b>(6,278)</b>
<b>Number of consolidated subsidiaries</b>	18	18	21	22	22	24	27	27	26	<b>24</b>
<b>Number of employees</b>	2,911	3,053	3,352	3,341	3,477	3,728	3,860	3,798	3,763	<b>4,053</b>

\*1 Upon application of "Partial Amendments to Accounting Standard for Tax Effect Accounting" (According Standards Board of Japan (ASBJ) Statement No. 28, February 16, 2018 (hereinafter, "Statement No. 28")) from the beginning of fiscal year ended March 31, 2019, the figures for the consolidated financial position are those after the said standards are applied retroactively.

\*2 Working capital comprises current assets less current liabilities.

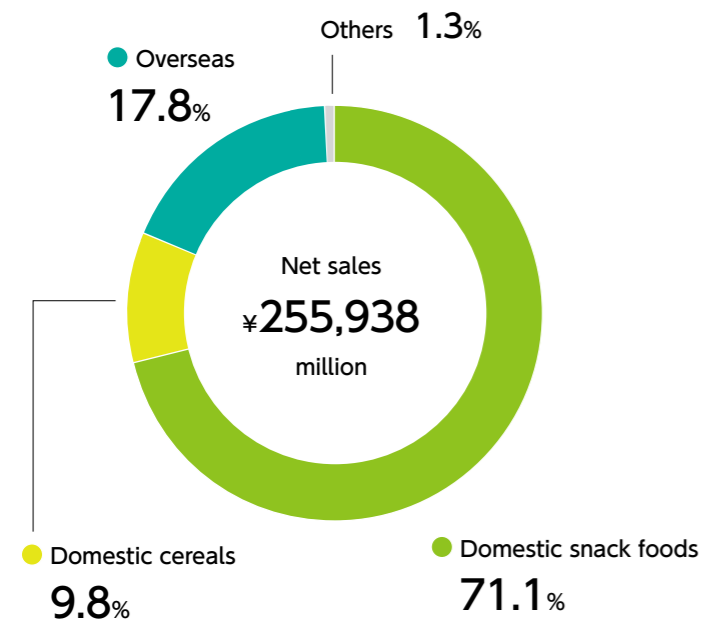
\*3 Interest-bearing debt includes long- and short-term debt, leasing obligations, and other interest-bearing debt.

\*4 Shareholders' equity as presented above consists of total net assets exclusive of subscription rights and non-controlling interests.

\*5 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.

# Financial Information

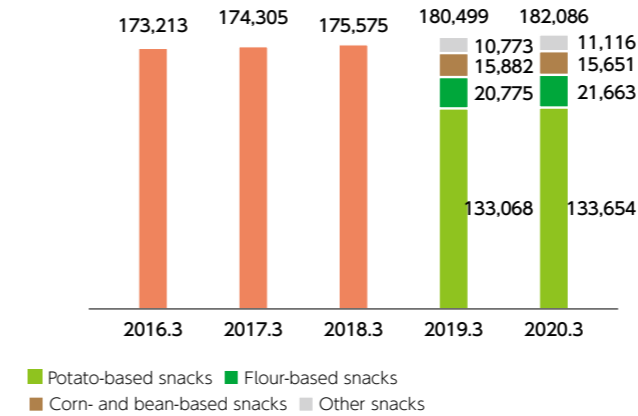
## Percentage of Net Sales (Fiscal Year Ended March 31, 2020)



### Domestic Snack Foods



Net sales (Millions of yen)

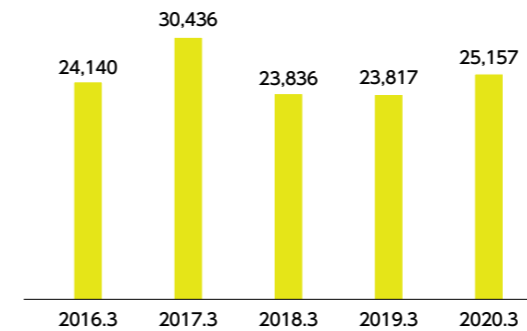


Sales of domestic snack foods increased 0.9%, to ¥182,086 million. We increased the prices and revised the content standards for some snack products against the background of rising costs for distribution, raw materials, and so forth. Although sales of *Potato Chips* subject to the price increase declined in this fiscal year, increased sales of *Potato Chips* products not to subject to the price increase and demand for flour-based snacks contributed to an increase in sales. The number of sales of gift products and the number of visitors to Company-owned stores decreased from the fourth quarter of this fiscal year due to the COVID-19 pandemic. However, because this effect was offset by increased consumption of foods at home, there was no significant impact to the financial results for the fiscal year.

### Domestic Cereals



Net sales (Millions of yen)



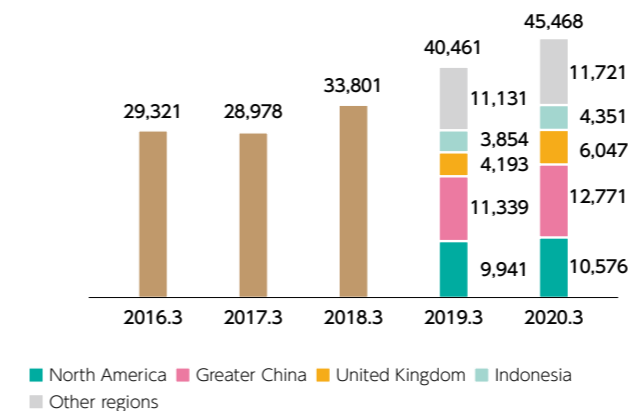
Sales of domestic cereals increased 5.6%, to ¥25,157 million. In domestic consumption, amid strong sales of *Frugra Less Carbohydrates* the arrival of COVID-19 in the fourth quarter brought a change in consumption patterns due to people refraining from going outside, and demand for regular items of *Frugra* increased as a food with a long shelf life. In addition, the new brand of nutrition and function food *Granola + (Granola Plus)* contributed to sales.

\* Domestic cereals sales for the fiscal year ended March 31, 2017 include ¥6.2 billion in overseas consumption (estimate).

### Overseas



Net sales (Millions of yen)



In the overseas business, sales increased in all four priority regions to reach ¥45,468 million, up 12.4% year on year. In North America, sales increased year on year due to the consolidation of newly acquired Warnock Food Products in November 2019, despite a decline in demand for *Harvest Snaps*, a bean-based snack. In Greater China, sales increased year on year due to a rise in sales of the cereal product *Frugra* and snack foods such as *Jaga Pokkuru* through e-commerce. In the United Kingdom, sales increased significantly year on year, supported by sales of Seabrook brand potato chips after we acquired the company in October 2018. In Indonesia, sales increased year on year mainly due to contributions in sales of *Japota*, a new flat-type potato chip product.

# Corporate Information

## Corporate Data

(As of March 31, 2020)

▶ <b>Company Name</b>	Calbee, Inc.	▶ <b>Business</b>	Production and sale of snacks and other foods
▶ <b>Head Office</b>	Marunouchi Trust Tower Main, 22nd Floor, 1-8-3 Marunouchi, Chiyoda-ku, Tokyo 100-0005, Japan	▶ <b>Fiscal Year-End</b>	March 31
▶ <b>Date of Establishment</b>	April 30, 1949	▶ <b>Paid-In Capital</b>	¥12,046 million
▶ <b>Representative</b>	President & CEO Shuji Ito	▶ <b>Number of Employees</b>	4,053 on a consolidated basis 1,765 on a parent basis

## Stock Information

(As of March 31, 2020)

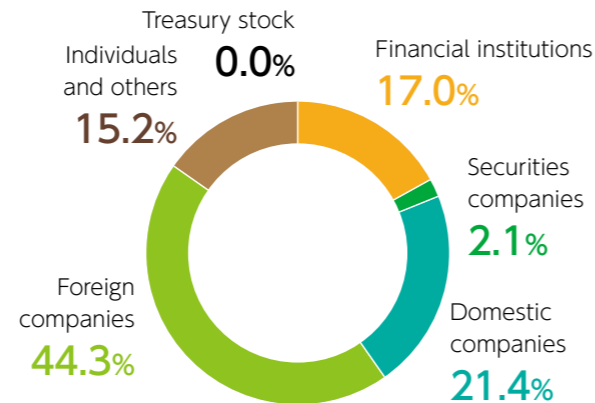
▶ **Stock Listing** First Section of the Tokyo Stock Exchange

▶ **Securities Code** 2229

### Stock Information

▶ <b>Number of shares authorized</b>	176,000,000 shares
▶ <b>Number of shares issued</b>	133,929,800 shares (including 911 shares of treasury stock)
▶ <b>Number of shareholders</b>	28,467 people

### Share Breakdown by Shareholder Type



### Principal Shareholders

Name of shareholder	Investment in the Company	
	Number of shares (Thousands)	Ownership ratio (%)
FRITO-LAY GLOBAL INVESTMENTS B.V.	26,800	20.01%
General Incorporated Association Miki-no-Kai	18,940	14.14%
The Master Trust Bank of Japan, Ltd. (Trust Account)	6,313	4.71%
Japan Trustee Services Bank, Ltd. (Trust Account)	4,233	3.16%
STATE STREET BANK AND TRUST COMPANY 505223	2,329	1.74%
Calbee Employees Shareholding Association	2,121	1.58%
THE TORIGOE CO., LTD.	1,936	1.45%
Trust & Custody Services Bank, Ltd. (Collateral on Unit Trust Account)	1,862	1.39%
Japan Trustee Services Bank, Ltd. (Trust Account 5)	1,862	1.39%
STATE STREET BANK AND TRUST COMPANY 505001	1,732	1.29%

\*1 Ownership ratios are calculated excluding 911 shares held by the Company as treasury stock.

\*2 The ownership ratio is calculated including 67,290 shares held by the ESOP (Employee Stock Ownership Plan) Trust and 186,300 shares held by the BIP (Board Incentive Plan) Trust.

## Consolidated Subsidiaries

### Japan

Calbee Potato, Inc.  
Calbee Logistics, Inc.  
Calnac Co., Ltd.  
Calbee Eatalk Co., Ltd.  
Japan Frito-Lay Ltd.  
Studio Socio Inc.  
Potato Kaitsuka Co. Ltd.\*1

### Overseas \* [ ]: Country or region

Calbee North America, LLC [United States]  
Warnock Food Products, Inc [United States]  
Haitai-Calbee Co., Ltd. [South Korea]  
Yantai Calbee Co., Ltd. [China]  
CFSS Co. Ltd. [China]  
Calbee (Hangzhou) Foods Co., Ltd. [China]  
Calbee (China) Co., Ltd. [China]  
Calbee Four Seas Co., Ltd. [Hong Kong]  
Calbee E-commerce, Ltd. [Hong Kong]  
Calbee Tanawat Co., Ltd. [Thailand]  
Calbee MohSeng Pte., Ltd. [Singapore]  
PT. Calbee-Wings Food [Indonesia]  
Calbee Australia Pty Ltd. [Australia]  
Calbee Group (UK) Ltd\*2 [United Kingdom]

\*1 Consolidated from April 2020

\*2 In January 2020, Calbee (UK) Ltd absorbed Seabrook Crisps Limited and changed its name.

## Location of Factories

### ▶ Japan \* Factories that cooperate with the Calbee Group



### ▶ Overseas

