

Calbee Report 2018



Calbee Report 2018



Contents

P.02	What's Calbee	Corporate Philosophy / Vision 02
		Our Aspiration 03
		Tracks and Current Achievements 04
P.06	Aiming to Be a Global Foods Company	CEO Message 06
		Innovation (Growth Strategies)
		■ 1. Expand Overseas Business 10
		■ 2. Grow <i>Fruga</i> Business 12
P.14	Feature: Calbee Story	1. Founding 14
		2. Growth 16
		3. Reform 18
P.20	Business Activities and Results	Financial and Non-Financial Highlights .. 20
		Business Review and Strategies
		■ Domestic Snack Business 22
		Love Japan Project 24
		■ Overseas Business 26
		■ Cereal Business 28

Editorial Policy

In 2018, the Calbee Group began combining both financial and non-financial information it previously presented separately in its Annual Report (English version) and Social and Environmental Report (Japanese only) into the Calbee Report (Calbee Group Integrated Report). With this report, we aim to further understanding of the Calbee Group and provide more opportunities for interaction by providing all stakeholders, including stockholders and investors, with various data, such as the results and achievements of the current fiscal year as well as initiatives aimed at providing value to shareholders and achieving our vision.

Period Covered	April 1, 2017–March 31, 2018 (Fiscal year ended March 31, 2018) Also includes some information outside of this period
Organization	Calbee, Inc. and Group companies
Month of Publication	September 2018

Referenced Guidelines

- Ministry of Economy, Trade and Industry, Guidance for Integrated Corporate Disclosure and Company–Investor Dialogue for Collaborative Value Creation
- International Integrated Reporting Council, International Integrated Reporting Framework

P.30	Delivering Value to Stakeholders	Delivering Value to Stakeholders 30
		■ R&D / Product Brands 32
		■ Quality Assurance 34
		■ Production Management 36
		■ Procurement 38
		■ Human Resources and Diversity Health and Productivity Management 40
		■ Contributing to Local Communities .. 42
		■ Environment 44
		■ Shareholder Value 46



P.48	Management Foundation (Corporate Governance)	Corporate Governance System 48
		Message from an Outside Director ... 51
		Board of Directors and Audit & Supervisory Board Members 52
P.54	Data Section	Financial Information 54
		Corporate Information 56

Concerning Descriptions Regarding Future Outlook

This report contains not only past and present facts regarding the Calbee Group but also future predictions, such as projections and forecasts made at the time of publication. These forecasts are judgments based on information available to the Company at the time they were written. Future results produced by operating activities or future events may differ from these predictions due to changes in a variety of factors.

Calbee Group Website Information

- ▶ **Investor Relations:**
<https://www.calbee.com/ir/>
- ▶ **CSR Activities:**
<https://www.calbee.com/responsibility/>

Ever since its founding, the Calbee Group has offered products that embrace nature's gifts and contributed to healthy life styles. We aim to become a company that is respected, admired, and loved by its stakeholders and are advancing this as our vision. This vision is important to the Company and defines its overall values and approach when conducting business activities. Under this corporate philosophy and vision, we aim "To be a global foods company that delivers flavor and fun to the world."



CORPORATE PHILOSOPHY

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

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."



Our Aspiration

**To be a global foods company
that delivers flavor and fun to the world**

Delivering value to our stakeholders



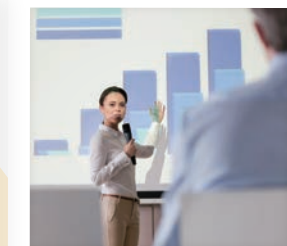
Flavor and fun for
all generations



Sustainable, co-creative
use of nature's bounty



A motivating and fulfilling
environment for all
employees, offering diversity
and inclusion



Continuous growth
and high profitability

Management policy

Innovation

Cost Reduction

Calbee Group's strengths

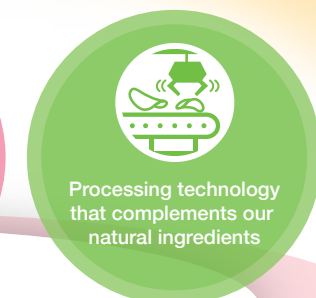
Strong product brands



Expertise with potatoes
and other ingredients
(planting, cultivation,
harvesting, preservation)



Product planning and
development aligned
with the times



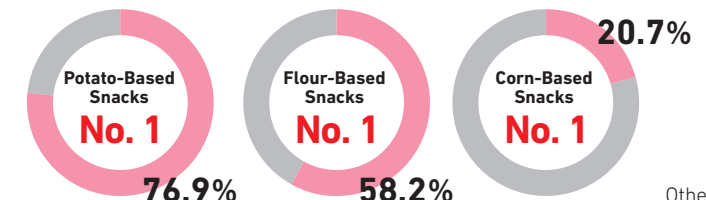
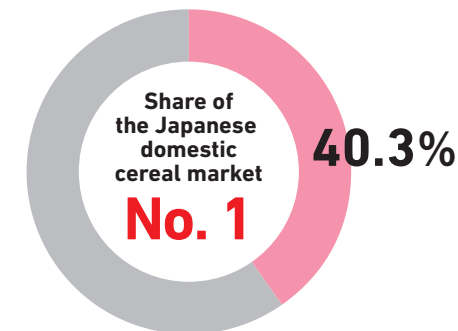
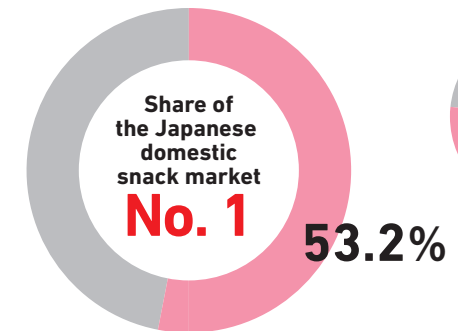
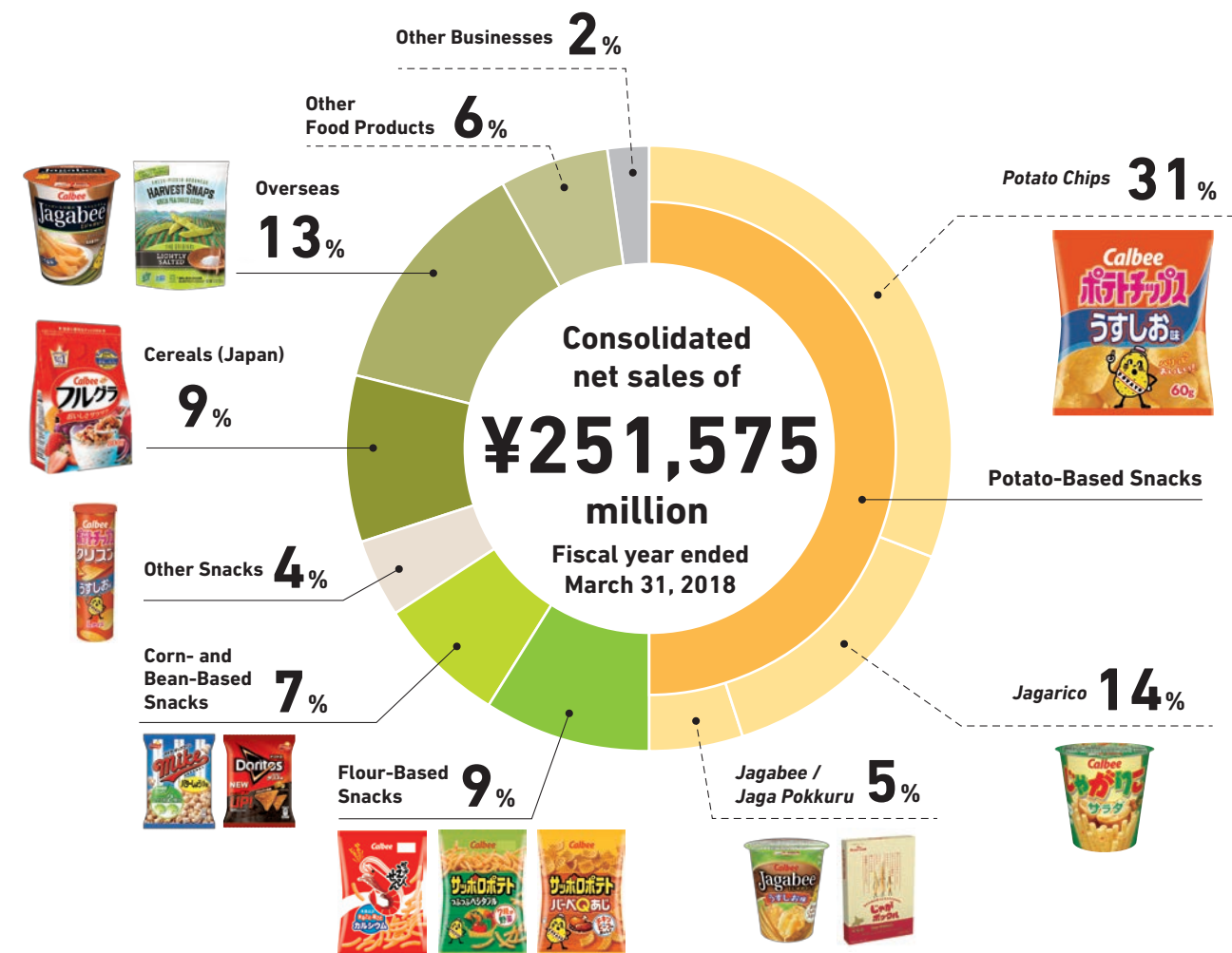
Processing technology
that complements our
natural ingredients

A corporate culture that
encourages initiative



Tracks and Current Achievements

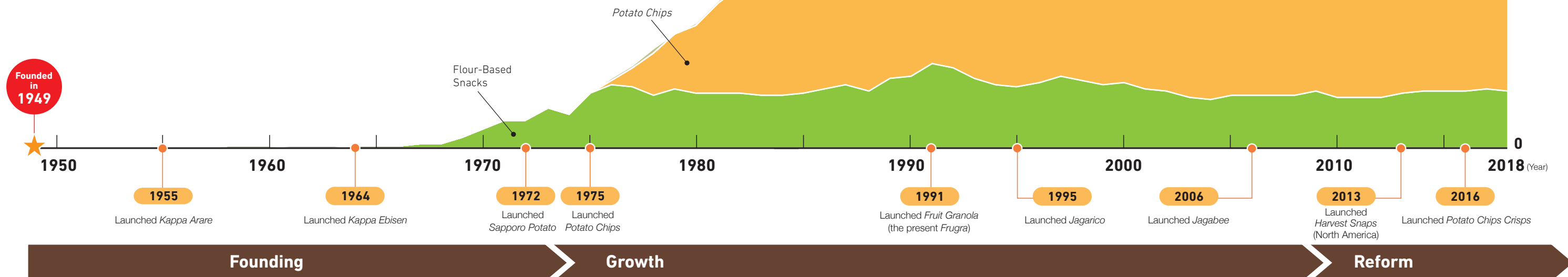
► Performance of the Calbee Group



Intage SRI based on scale of cumulative sales (nationwide, all retail formats)
Fiscal year ended March 31, 2018: April 1, 2017–March 31, 2018
Snack and corn-based snack market share: Total of Calbee and Japan Frito-Lay Ltd.

Potato-based snacks: Raw material of fresh potatoes
Flour-based snacks: Raw material of flour
Corn-based snacks: Raw material of corn

► The Calbee Group's Sustainable Growth





CEO Message

Looking to the Future and Taking Strides to Become a Global Foods Company

President & CEO **Shuji Ito**

Calbee is committed to being a global foods company that delivers flavor and fun to the world. Since my appointment as President & CEO in June 2018—having served previously as President & COO—I have been dedicated to leading our efforts to achieve this ambition and to realize sustainable growth and high profitability centered on Innovation and Cost Reduction, the dual pillars of our management policy.

Establishing a Worldwide Brand and Becoming a Competitive Global Foods Company

Throughout our history, Calbee products have valued the gifts and the power of nature. This approach is encapsulated both in our corporate philosophy and in our corporate message, “Harvest the Power of Nature,” and has enabled us to create products that are unique in the world—products that have grown to become “megabrands,” generating annual sales in excess of ¥10 billion and supporting our growth as a company.

Japanese foods and snacks are becoming increasingly well-known and appreciated, driven by the country's growth as an international tourism destination and the popularity of Japanese cuisine around the world. Given this trend, we see opportunities for further significant growth in our overseas business by developing our megabrands such as *Jagarico*, *Kappa Ebisen*, and *Frugra* as global brands. Going forward, we aim to establish the Calbee corporate brand and strong product brands into globally recognized names.

To achieve these aims and become a global foods company, we will seek to become more competitive, implementing cost reductions and targeting an operating margin of 15% in the medium to long term, while maximizing our strengths and growing sales by expanding into overseas markets and creating new products.

Sustainable Growth and High Profitability

Innovation (Growth Strategies)

- 1 Expand overseas business → **P.10**
- 2 Grow *Frugra* business → **P.12**
- 3 Boost new product development
Develop megabrands
- 4 Expand domestic market share
- 5 Strengthen alliance with PepsiCo group
- 6 Pursue licensing and acquisition opportunities
- 7 Develop new business

Cost Reduction

- Lower cost of raw materials
- Improve production efficiency and optimize utilization ratio
- Effective use of selling, general and administrative expenses

CEO Message

Expanding Our Overseas Business Is a Top Management Priority

The first of the seven growth strategies on the Innovation pillar is to “expand overseas business,” and I consider this our most important management focus.

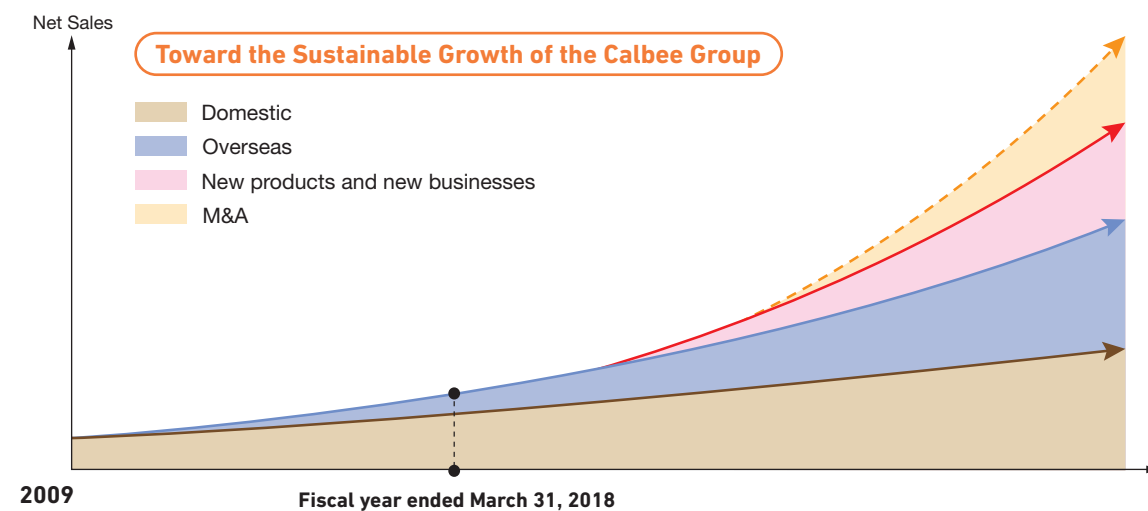
To date, we have operated our overseas businesses with a localization-management approach, adopting product strategies tailored to each country or region with the aim of increasing awareness of our brands and growing sales. Going forward, we are positioning North America, which has been the driver of Calbee’s overseas business growth, and China, a market with tremendous potential, as the key regions for our overseas development. We are also focusing on expanding our business in Indonesia, a new market for the Group, due to its recent economic development and the accompanying remarkable growth in its snacks market.

Net sales in the overseas business grew to ¥33.8 billion in the fiscal year ended March 31, 2018, accounting for 13.4% of consolidated net sales. To drive further sales growth, especially in key regions with growth potential, we want to not only boost awareness and sales of brands that are already available in each region through local initiatives but also expand our domestic megabrands into these international markets. By adding strong product brands that are unique to the Calbee Group, we will increase the depth of our product lineups, leading to further sales growth. Looking ahead, we will develop a framework to implement brand strategy from a global perspective and execute a medium- to long-term international growth strategy.

Addressing Changing Eating Habits with *Frugra*

The second growth strategy for innovation is “grow *Frugra* business.”

While growth in the Japanese snacks market remains moderate, in cereals we have seen a rapid expansion of the market for granola over the past five to six years as a result of Calbee’s success in marketing *Frugra* as a quick breakfast amid increasing participation by women in the workforce. While we have achieved a certain level of awareness of granola as a breakfast food and secured a customer base, to further invigorate the market we need to cultivate new customer segments. We will seek to further expand sales by targeting health-conscious senior and family segments and communicate the health benefits of eating *Frugra* for breakfast. In the overseas business, we began exporting *Frugra* to China last year and plan to expand sales in this market as we further diversify sales channels.



Creating a New Snack Food Product Category

Our third growth strategy for innovation is “boost new product development.”

Amidst a declining birth rate and aging population in Japan, we cannot expect significant growth in the snack market itself. While Calbee’s gain of market share has exceeded the pace of growth in the market as a whole, we expect business to be affected by changes in the business environment, such as smaller households and increasing health-consciousness.

To achieve sustained domestic growth under these conditions, we must create appealing new products that take into account desires for healthy eating and address changes in the business environment and customer needs. Snack foods are generally high in carbohydrates and fats, but we will look at adding ingredients that provide protein to develop products that offer an appropriate balance of protein, fat, and carbohydrates. We also plan to pursue development of low-salt products.

Enhancing Cost Reductions to Further Improve Productivity

To achieve our medium- to long-term financial target of an operating margin of 15%, we will continue to implement cost reductions to bring our cost-to-sales ratio to 50%. The operating margin in the fiscal year ended March 31, 2018 was roughly 10.7%, so there is still a way to go. Nevertheless, in the same period the domestic operating margin climbed to 13%, and through our commitment to cost reductions our first goal will be to raise this figure to 15% in the domestic business.

One of the biggest drivers of this significant improvement in operating margin has been an increase in the capacity utilization of our domestic factories. In enhancing capacity utilization, we will now aim to further boost profitability by automating and simplifying operations. We will also examine ways to transform the way we do business to enable us to reduce costs.

A Corporate Culture that Supports Innovation by Encouraging Initiative

To create innovation that addresses changes in the business environment and meets customer needs, we need employees who can take on new challenges and produce successes. At Calbee, we have been cultivating an environment that facilitates this by strongly promoting diversity and workstyle reform. We are also implementing a Commitment & Accountability (C&A) system that requires all employees to form a clear idea of their responsibilities and commit to producing results. We recognize that our culture of encouraging initiative is a strength, and will continue to promote it as a fundamental management policy while enhancing the structures that enable consistent innovation among the diverse talent that this policy has fostered.

1. Expand Overseas Business

Achievements to Date

Entry into Overseas Markets

The Calbee Group began overseas operations in earnest with its launch of a U.S. business in 1970. In 1967, we exhibited products at the International Confectionary Expo in New York and realized the scale of the U.S. snack market. As a result, we launched *Kappa Ebisen* in the U.S. market as the first step of our global development. In the 1980s, we expanded out overseas business in Asia, where remarkable economic growth in places such as Thailand, Hong Kong, and China in particular offered strong potential. From 2010 onward, we have placed the expansion of our overseas business at the core of our growth strategy. Accordingly, we have entered other Asian markets, such as South Korea, Taiwan, the Philippines, and Indonesia, in addition to European markets such as the United Kingdom and Spain (now withdrawn). We are currently developing our overseas business in 11 countries and regions.

Management Structure Focused on Expanding Sales with Speed

When entering a new country or region, depending on the characteristics of the market, we have to decide whether to implement a style of investment in which we retain full ownership or whether we form joint ventures. In many Asian countries, retail store networks are often widely dispersed, which makes it difficult to build distribution functions alone in a short period. In these circumstances, we choose to identify promising local partners and form joint ventures. By utilizing the local partner's distribution functions we can increase the speed of market

development and sales growth; an example of this is our recent success in Indonesia.

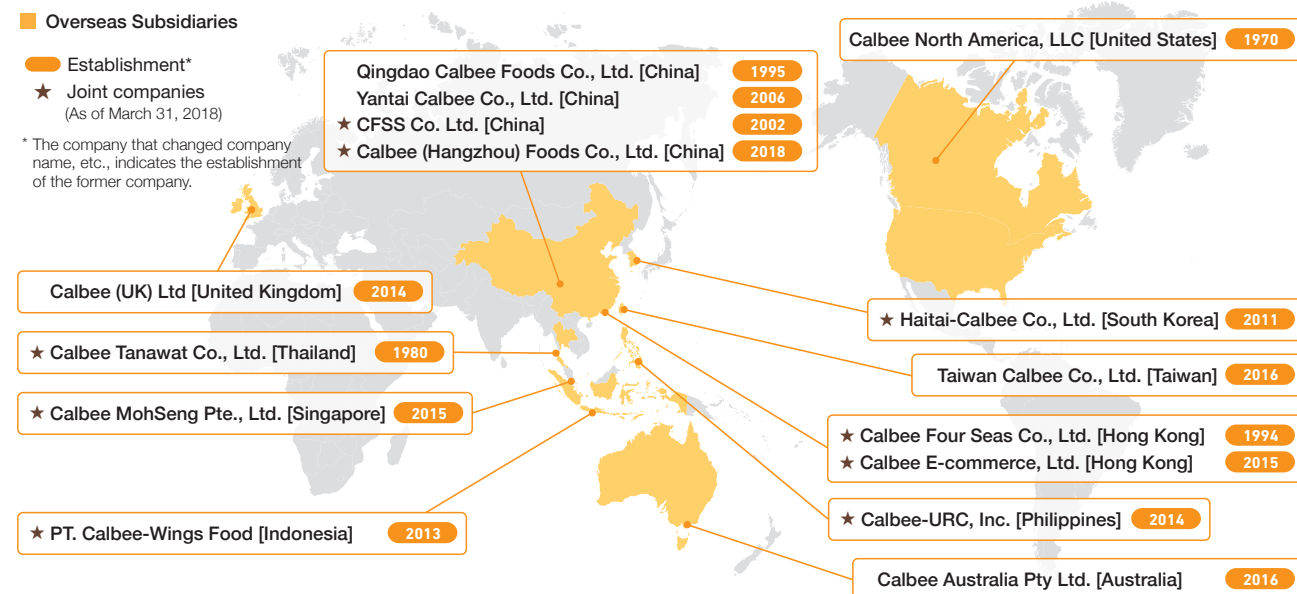
We also thoroughly localize the management of our overseas businesses. Food-related needs differ greatly between countries and regions. Decentralization and localization in which local consumer needs are identified and quickly reflected in management strategy is very important.

Developing Optimal Products for Each Market

We develop different products in each country and region, taking into account factors such as the market environment, consumer needs, and the status of income.

Europe and North America have large snack markets, and within these markets the health-consciousness of consumers is rising and the demand for healthy products is growing. For this reason, in the healthy snack category in North America and the United Kingdom we are expanding by focusing on bean-based snacks. In North America, we are selling *Harvest Snaps* in the produce section of supermarkets rather than the snack section, and as a result it is being recognized as a product that is "better for you" due to the benefits of its natural ingredients. It has become especially popular with people who buy it as a side dish with their lunch.

In Asia, there are many countries in which the snack market will continue to grow in parallel with economic growth. We are working to capture this market growth through increasing our brand recognition and expanding the sale of snacks such as *Potato Chips*, *Jagabee*, and flour-based snacks.



Challenges and the Future

Aiming to further expand the overseas business by strengthening key regions, particularly North America, and developing global brands

Makoto Ehara

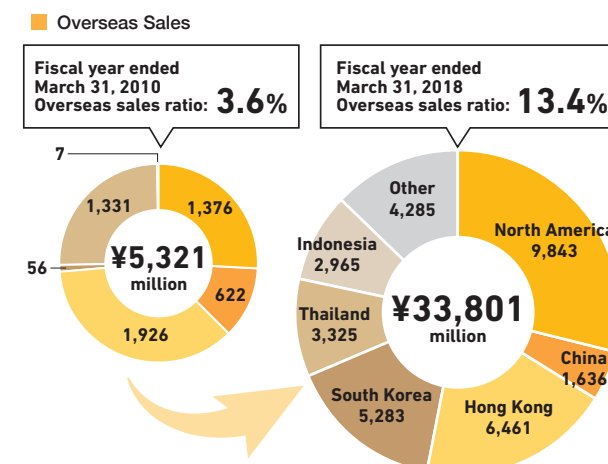
Executive Vice President responsible for the Overseas Business Division

Challenges in Key Regions

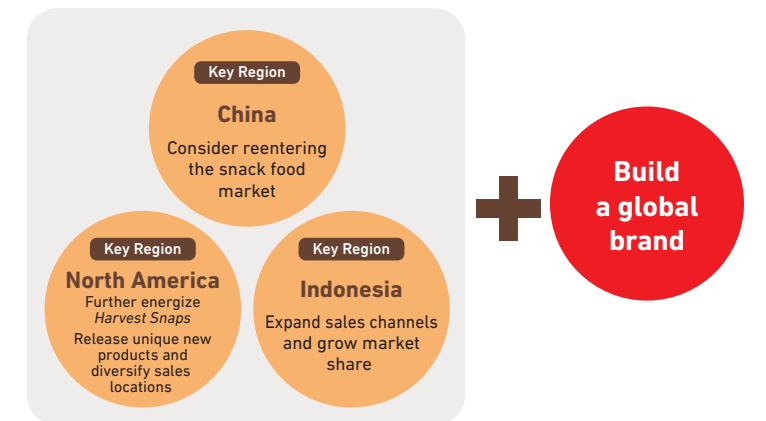
Since 2010, the Calbee Group's overseas business has expanded and experienced rapid growth. However, in the fiscal year ended March 31, 2018, the effects of a slump in a key region, North America, resulted in a loss for our business as a whole. Therefore, we need to go back to our roots, identify challenges, and concentrate resources on the key regions of North America, China, and Indonesia.

Last year in North America, sales to our major customers were unstable and we were slow to make improvements in production costs, which resulted in losses. However, the North American salty savory snack market is worth over ¥2 trillion, and we expect further market growth. Although other major manufacturers possess market share, consumers' needs for new products means there is room for the entry of new manufacturers, so it is a market that offers significant opportunities for Calbee. For *Harvest Snaps*, we are not only using our current retail outlets but are also looking to expand through new retailers to increase brand recognition. We also and we plan to be active in launching new products.

As well, we are also placing a strong focus on China, which has a large snack food market too. Although we dissolved our previous joint venture in China in 2015, we are continuing to



Expansion Strategy



► Achievements to Date

Entry into the Cereals Market

In 1988, Calbee entered the cereals market as a new business following on its snack business, introducing two types of cereals, corn flakes and granola. Following this, in 1991 Calbee made the decision to add dried fruits to its granola and announced the new product *Fruits Granola* (today's *Frugra*). However, at the time, consumption of cereal was limited to mainly families with children, which resulted in sluggish growth for *Frugra* and annual sales of around ¥3 billion.

Frugra, Opening a New Market for Breakfast Foods

Since around 2012, Calbee has positioned *Frugra* as a product with the capability to expand in line with the snack business. As a result, Calbee reviewed its marketing and strategy so as to strengthen sales in this category. In order to grow sales, we saw that it was essential to expand the market for cereal, and decided to implement initiatives to energize the market; at the time the market was around ¥25 billion.

First, in order to increase consumer brand recognition Calbee decided to change the product's name to *Frugra*, an easy-to-remember name, and to conduct sales promotion activities including distributing free samples and tastings. Calbee also benefited from a breakfast boom arising from new breakfast foods from overseas, such as pancakes. In addition, after identifying three benefits that *Frugra* offers—"time-saving," "iron content," and "high-fiber content"—Calbee conducted promotions to raise awareness of these positive effects.

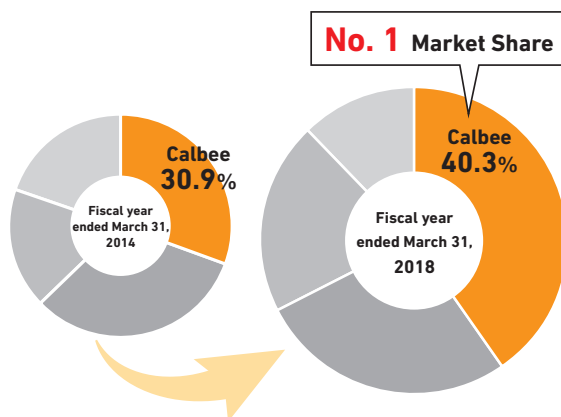
Time-saving in particular was a key term as it offered a solution for consumers who could not spare the time to prepare breakfast, particularly given the rising proportion of working women. While corn flakes had traditionally formed the core of store cereal aisles, by increasing the recognition of granola via *Frugra* sales promotion activities, we have expanded the space on shelves for granola. On the supply side, we have added production lines, gradually raising production capacity to meet growing demand.

As a result, *Frugra* and the growth of granola became an instigator for growth in the cereal market overall. In the seven years since the fiscal year ended March 31, 2012, sales of *Frugra* grew by around six-fold and the cereal market more than doubled in size. Furthermore, market share also increased, with Calbee currently holding the top share, around 40%, in the Japanese domestic cereal market.

Cross-Border E-Commerce Sales Begin, Targeting China

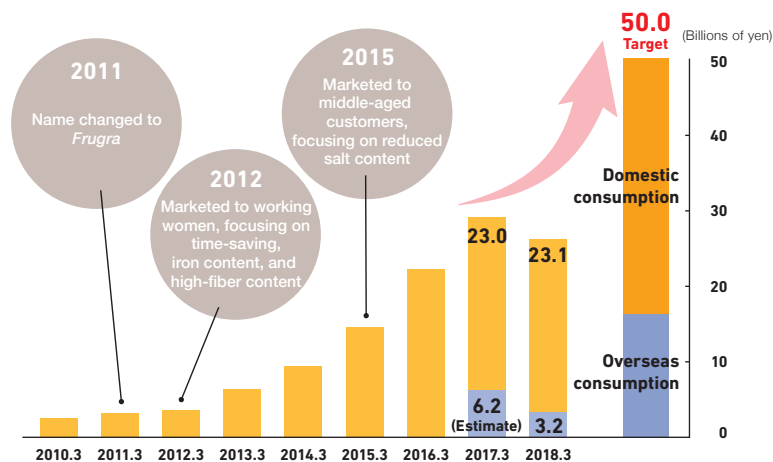
As the number of tourists visiting Japan from China has increased, interest in Japanese food has grown, which has raised *Frugra*'s profile. This is because granola that includes fruit is unusual in China, coupled with *Frugra*'s reputation as Japan's best-selling granola. In July 2017, we launched a new production line at our Hokkaido Factory which is not subject to Chinese import restrictions and Calbee officially started export sales of *Frugra* via cross-border e-commerce. Furthermore, in December 2017 sales to retail stores began, and in April 2018 we launched domestic e-commerce sales within China.

■ Japanese Domestic Cereal Market Share



Intage SRI based on scale of cumulative sales in cereal market (nationwide, all retail formats)
Period: Totals from April through March each year

■ *Frugra* Sales



► Challenges and the Future

Our aim in the medium term is to realize ¥50 billion in *Frugra* sales by winning new customers in the domestic market and in overseas market expanding sales of exports to China.

Kaori Fujiwara

Executive Officer,
Frugra Group



Aiming to Expand to New Customers in the Domestic Market

In the Japanese domestic cereal market there has been significant growth in granola over the past 5–6 years, but in the fiscal year ended March 31, 2018 that growth slowed, and *Frugra* sales for domestic demand were broadly flat. Although we built up recognition of granola in the breakfast market to a certain degree, particularly among working women in their 20s to 40s, and were able to capture repeat customers, we face a challenge in not having been able to expand to new customer segments.

Among developed countries, Japan is a becoming a rapidly aging long-lived society, and with its rising inclination toward healthy eating we see many opportunities for growth. To date, we have steadily raised recognition of *Frugra* through various promotions, but we do not think we are adequately communicating its features and benefits yet. Going forward, as the number of seniors and families conscious of healthy life styles further rises, we will highlight *Frugra*'s benefits such as low-sodium and its contribution to a nutritionally balanced diet, and drive activities to expand to new customer segments.

Diversification of Sales Channels Toward Expanding Sales in the Chinese Market

Toward growing sales in the Chinese market, which we formally entered last year, we aim to strengthen our production structure, expand sales channels, and enlarge our product lineup. Although China already has a cereal market worth more than ¥100 billion, cereals like *Frugra* that are eaten with cold yogurt or milk are not yet very popular. However, as diets diversify, consumption of yogurt and milk is growing, and we see significant potential for *Frugra* to create a new market in this space.

As in Japan, we are offering a high-quality new style of breakfast whose primary target is working women. On the supply side, in addition to the line at our Hokkaido Factory, a new line began operation at our Kyoto Factory in summer 2018. In response to Japan's strong interest in food, we are also making arrangements for developing flavors, etc., that leverage the Kyoto brands. With regard to sales channels, in addition to cross-border e-commerce launched last year, we will proactively promote our domestic e-commerce business in China and deliveries to retail stores.



Established “*Hitori-Ichi-Kenkyu*,” the Cornerstone of Calbee's Growth.

Matsuo Food Processing Co., Ltd., Calbee, Inc.'s predecessor, was established in Hiroshima in 1949, shortly after the atomic bombing. Our founder, Takashi Matsuo, had a passionate drive for creating food products for health with limited resources as people struggled to feed themselves in the wake of the war. This passionate drive gave birth to our shrimpchip snack, *Kappa Ebisen*. The wisdom to create products with value using untapped food resources is the foundation of the Calbee Group's innovation.

Utilization of Untapped Food Resources

Since before the war, Takashi had been doing business recycling rice bran and broken rice, byproducts of Hiroshima sake brewing production, at his birth home. He sold rice bran as feed or as a paste for stencil dyeing and broken rice as a material for confectioners. Takashi has taken charge of this family business when he was 18 years old, after his father was injured.

The Hiroshima Factory at the time of the Company's founding



Picked and used horseweed that grew in regions devastated by fire of war (right, Takashi Matsuo)

Creating Food Products for Health

When Takashi was 20 years old, a phrase he heard at a lecture left a deep impression on him: “Dedicate your life to work that will benefit succeeding generations... that is ‘*Hitori-Ichi-Kenkyu*.’” It was then that he decided to make creating health food from rice bran into his “*Hitori-Ichi-Kenkyu*.” It is said that people formed long lines to buy the dumpling including rice brain that Takashi developed during the food shortage. This decision of his is reflected in the Company name, “Calbee,” a portmanteau of “calcium” and “Vitamin B1.”



The Founder's Invention, *Kappa Arare*

In 1955, Takashi succeeded in developing snacks out of inexpensively imported wheat, a substitute for rice, which was rationed at the time. He began selling this as *Kappa Arare*. Just like he had done earlier with rice bran, Takashi created a new product using untapped food resources.



First Encounter with Potato Chips in America

Takashi first discovered potato chips during a trip to the Unites States in 1967 that he made to display *Kappa Ebisen* in the International Confectionary Expo. At the time, the scale of the American potato chip market was ¥300 billion. Takashi thought he could sell ¥100 billion in Japan as well, so he visited local factories in the Unites States. This encounter later led to the sale of Calbee's main product, *Potato Chips*.



The 1969 TV commercial for *Kappa Ebisen*

Use Whole, Good Materials

While we were craving a successor to *Kappa Arare*, Takashi saw the sight of small shrimp being dried on the shore of the Seto Inland Sea and came up with the idea of putting whole fresh shrimp into his *Kappa Arare*. After much trial and error, Takashi completed his new product, *Kappa Ebisen*, a shrimp chip snack in 1964.

Successful TV Commercial

A TV commercial cemented the popularity of *Kappa Ebisen* and its crispy and unique texture. The ad's famous and impressive phrase, “I can't quit, I can't stop,” inspired sales of over ¥10 billion and made *Kappa Ebisen* a flagship product. This success provided the impetus for Calbee, a small snack food manufacturer in Hiroshima, to become a company known throughout Japan.

Freshness Policy and a Potato Business Unified with the Producing Area

The potato business, which began with the sale of *Sapporo Potato*, faced extreme difficulty in its infancy, but Calbee was able to build an inimitable cultivation, procurement, and storage system that enabled it to deliver fresh products to consumers. At the time, the potatoes used for processing were considered “untapped food resources” but, as commercialization spread from *Sapporo Potato* to potato chips, expanded sales led to innovation in the Japanese agricultural industry as well.

Venture into Potato Snack Manufacturing

In 1972, Calbee launched *Sapporo Potato*, a snack created by kneading potatoes and vegetables together into dough. The Winter Olympics were held in Sapporo that same year, contributing to the hit product's instant success. At that time, Takashi's third son (later the third president of the Company, from 1992 to 2005), Masahiko, traveled to the United States to make observations in preparation for selling potato chips in Japan. There, he witnessed the business operations with industry and agriculture in addition to a system for circulation food residues. Through these operations, potatoes were processed directly at their production areas and their generated food residues were used as feed for livestock.



Entry into the Potato Chips Business

In 1975, Calbee launched its potato chips—a product it had been working on for some time—but at first, sales were below expectations. To preserve product freshness and taste at the storefront, the Company switched from bulk deliveries to small cargo deliveries, creating a system that allowed it to sell completely fresh products. Production plants near their consumption areas also effectively reduced distribution costs. Finally, synergy between TV commercials and storefront promotional activities also helped make potato chips a nationwide hit.

Train advertisement for potato chips at time of their launch



Innovative and Superior Products that Respond to the Needs of the Times

Calorie consumption in Japan peaked in 1971 and then turned to decline. Thinking an age in which customers choose food products they think are healthy was coming, Calbee launched *Granola* and *Corn Flakes*, both types of cereal, in 1988, and *Fruits Granola*, the present *Frugra*, in 1991. In 1995, the Company began selling *Jagarico*. Japan's first snack packaged in a cup. This product is made by mashed and molding procured potatoes and allows the Company to use all of its potatoes without waste. This product's unique texture is the result of Calbee's unique processing technology.



Continued AAO Activities Emphasizing Customer Safety and Security as Our Top Priority

We conducted a large-scale voluntary recall in 2000, when a Japanese grass lizard was discovered in a bag of our potato chips. Without forgetting this regrettable incident, we engage in ongoing AAO Activities (AAO is derived from the Japanese words for safety, security, and good taste) through which all employees remain mindful of our basic commitment to protecting customer safety and security.

Press conference concerning the lizard incident



Calbee Potato Obihiro Plant



A Strong Construction of a Cooperative Framework with Potato Producers

High-quality fresh potatoes such as excellent storing are the key for Calbee business. Calbee Potato, Inc. (established in 1980) specializes in connecting Calbee with potato producers. This company engages in the potato business alongside producers providing information, harvest support, and improvements in storage and transport. Calbee Potato, even develops new varieties of potatoes. These initiatives lead to the delicious and satisfying tastes in our potato products.

Calbee
Harvest the Power of Nature.

Establishment of a Corporate Philosophy and Message

Calbee established its corporate philosophy in 1993 and its corporate message, “Harvest the Power of Nature” in 2006. At that time, we deeply reexamined our Group's businesses, which have received support from nature's gifts since founding, and renewed our commitment to delivering even better value to customers.

Calbee Story
3
Reform

Toward a “Strong Calbee” through Innovative Management

The Calbee Group came to a major turning point in 2009. Aiming for further development, the Company converted to a new management system, different from the system under which it was managed by its founder. The Group also promoted reforms aimed at globalization, such as listing on the First Section of the Tokyo Stock Exchange in 2011, the construction of a governance system and diversity initiatives. Furthermore, the Company began its transformation into a global food company by prioritizing its overseas business as an important part of its strategy.

The Beginning of the Brand-New Calbee

Akira Matsumoto assumed the offices of Chairman of the Board and CEO of Calbee in 2009 (and served until June 2018). At the time, Calbee Group net sales were about ¥150 billion. When Mr. Matsumoto took over, he declared that he would guide Calbee to “net sales of ¥200 billion and operating profit of ¥20 billion.” During this period, most of Japan’s food manufacturing industry, including Calbee, survived on single-digit operating margins. Leading, global food companies, however, had operating margins of close to 20%. Mr. Matsumoto believed that companies that did not come closer to this figure would not be able to compete globally. Under his leadership, the Company clarified its targets and made its managerial mechanisms more simple, transparent, and decentralized in order to reliably implement strategies. Through these managerial reforms, we achieved a sales increase of 1.6 times what they were when the Company was listed and grew into a company with an operating margin over 10%.



Establishment of the Calbee Group Vision

The Calbee Group established its 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.” We believe that we can ultimately benefit our shareholders when we value customer-first management, keeping the employees and their families’ health to support the management and relationships with both the environment and local communities.



Strengthening of Our Corporate Governance System

In 2001, we separated our supervision and our execution of business, and in 2009 we changed the structure of our Board of Directors to include a majority of outside directors. We promoted diversity with our outside directors, who consist of individuals with different experiences, genders, and nationalities. Our Board of Directors is highly independent and allows for the free exchange of various opinions, raising the transparency and soundness of our management and enabling the creation of new value for the Calbee Group.

Calbee North America, LLC
Senatobia Factory



Calbee (UK) Ltd
Factory



Breakfast Revolution through *Frugra*

We began selling *Fruits Granola* in 1991 and changed its product name to *Frugra* in 2011. With this product, we made granola as a breakfast category take root in the Japanese market. We utilized many ideas from female employees when creating *Frugra*, which helps working women save time during their day and is one achievement of Calbee’s diversity promotion efforts. In 2017, the Company established new manufacturing lines at its Hokkaido Factory and began selling the product through cross-border e-commerce in preparation for a full-fledged entry into the Chinese market. Targeting even further expansion in the Chinese market, we also established and began a new production line at of our Kyoto Factory. Moving forward, we will market *Frugra* throughout the world.

Full-Fledged Advance into Overseas Markets

To continue to secure sustainable growth, we promoted an advance into overseas markets as an important management strategy. Since we established Calbee America in 1970 as a first step toward global expansion, we have further expanded our business to include 11 countries and regions. Calbee is expanding its sales of unique products, tailored to the specific needs of each country and region that take advantage of natural materials using the Company’s strengths.



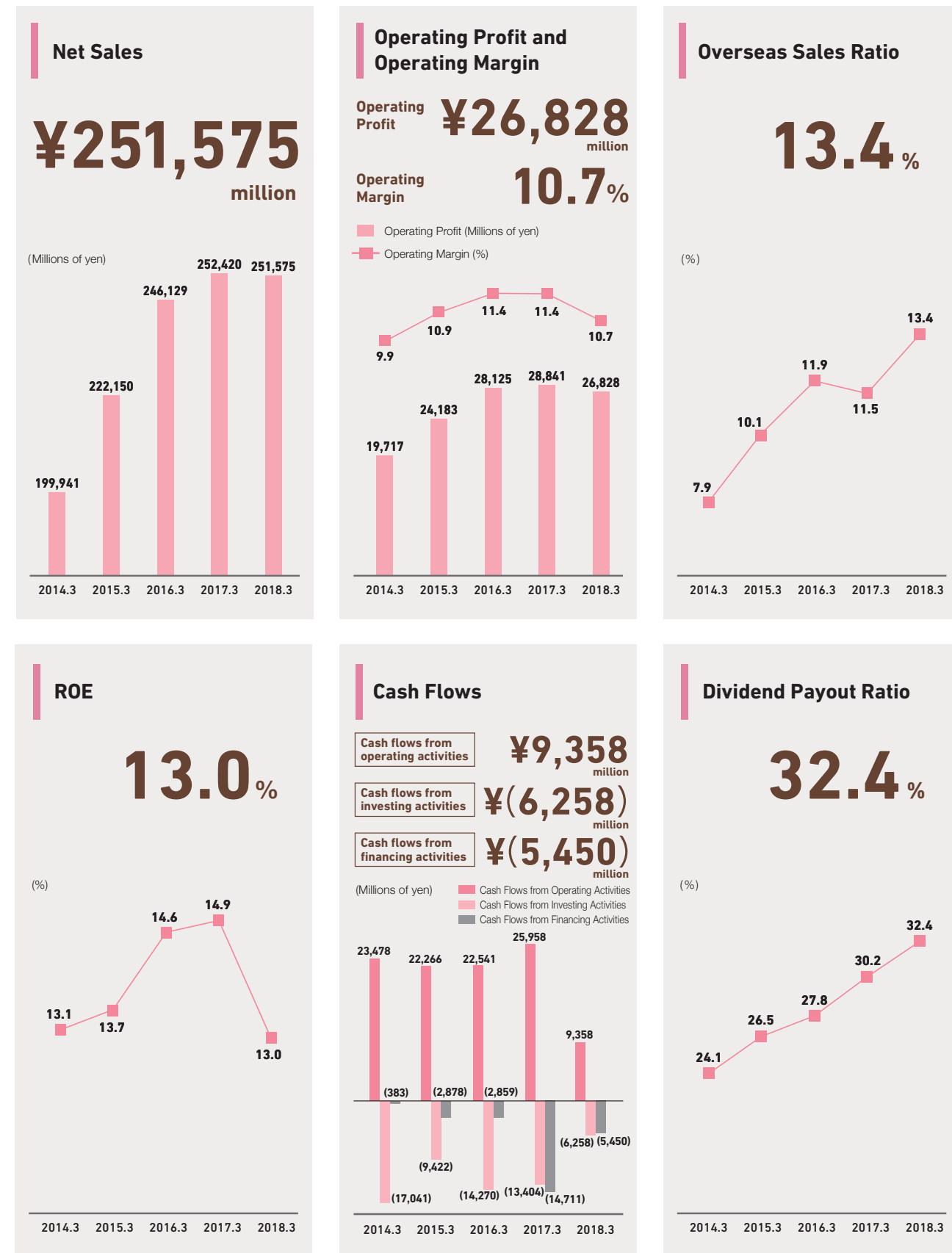
Promotion of Diversity and the New Corporate Culture

Diversity management, which innovates by utilizing employee diversity, is important for Calbee’s growth. The Company has laid out a goal to raise its ratio of female managers to 30% by 2020 (it was 26.4% as of April 2018). In 2018, we were selected for inclusion in the Nadeshiko Brands*1 list for the fifth year in a row and also for the Diversity Management 2.0 Prime list, as a company engaging in “Diversity Management Selection 100”*. Calbee is building a culture that praises contributions and systems that lead to human resource development and sustainable corporate growth such as a compensation system that rewards employees who produce positive results.

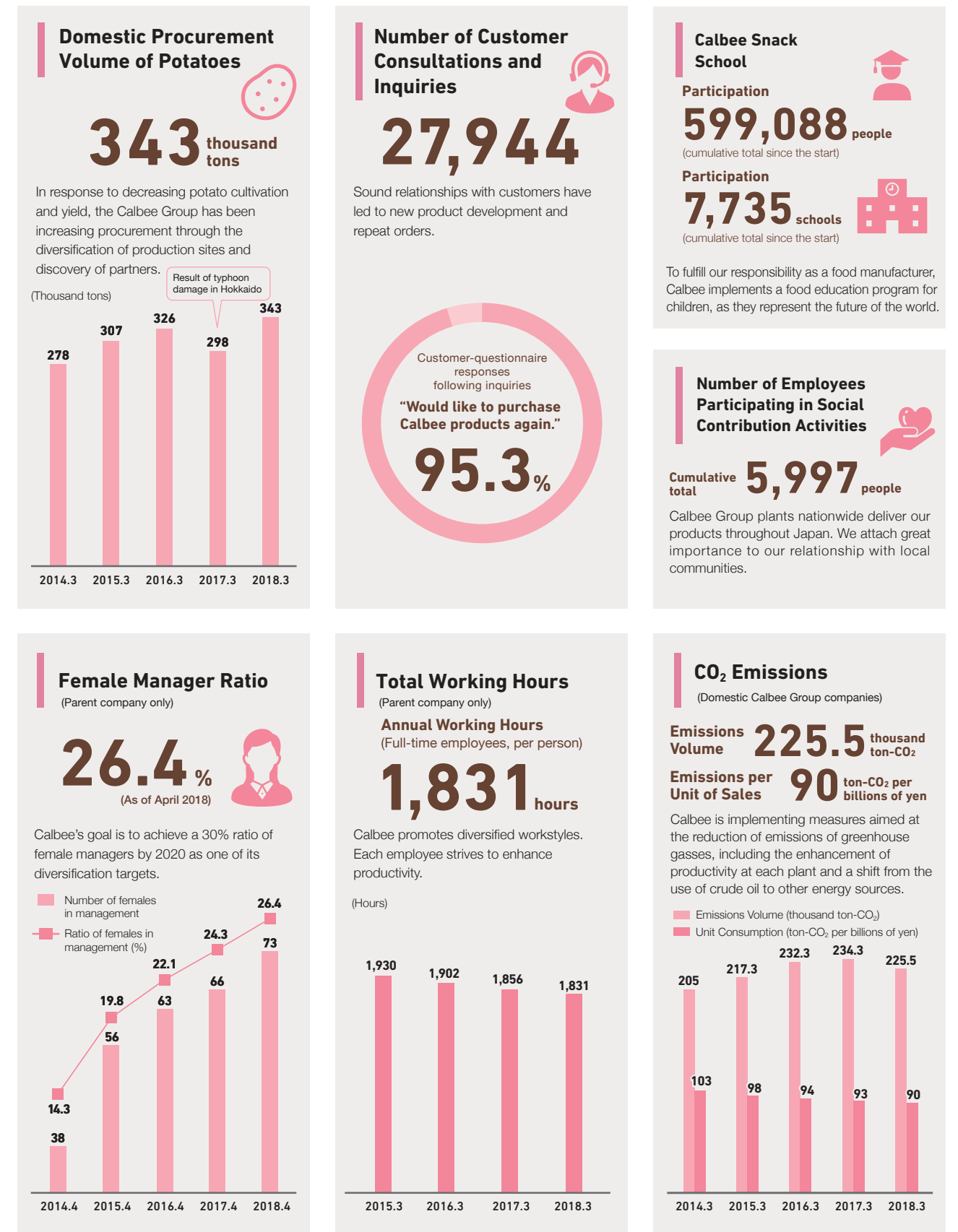
*1 Through collaboration between the Japanese Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange, the Nadeshiko Brands list selects companies that excel at promoting female participation in the workplace out of all of the approximately 3500 companies listed on the Tokyo Stock Exchange. The selection is conducted based on evaluations of essential diversity management initiatives and disclosure of related data.

*2 The Diversity Management Selection 100 list selects companies that continue to create the most medium- to long-term corporate value based on the Diversity 2.0 Action Guidelines. The Japanese Ministry of Economy Trade and Industry established these guidelines and is currently promoting their implementation.

Financial Highlights (Fiscal year ended March 31, 2018)



Non-Financial Highlights (Fiscal year ended March 31, 2018)

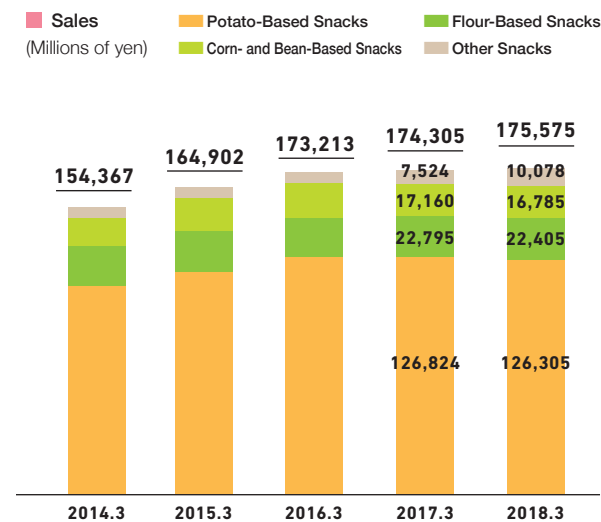


Business Review and Strategies

Domestic Snack Business

Performance in the Fiscal Year Ended March 31, 2018

Sales of domestic snack foods reached ¥175,575 million (a 0.7% increase year on year). Although *Potato Chips* production and sales items required adjustment due to a shortage of potato supplies caused by typhoon damage in Hokkaido in summer 2016, sales resumed after potato harvests got under way from the second quarter, and we focused on proactive sales promotional activities aimed at effecting a market recovery. As a result, strong market demand continued after the recommencement of production, and sales of *Potato Chips* have recovered to the level of the previous fiscal year. Meanwhile, net sales of *Jagarico* and flour-based and corn-based snacks failed to meet growth expectations.



Potato-Based Snacks

Production and sales of *Pizza Potato*, etc., restarted after the potato harvest season in Hokkaido, and favorable demand has continued. In addition, the success of our launch of the local specialty flavor potato chips series created jointly with localities across Japan's 47 prefectures contributed to the increase in sales of *Potato Chips*. Meanwhile, sales of *Jagarico* decreased due to the suspension of limited time products. As a result, sales of potato-based snacks as a whole were almost flat year on year (a 0.4% decrease).



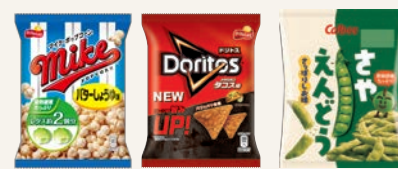
Flour-Based Snacks

Due to the decrease of limited time *Kappa Ebisen* products, sales of flour-based snacks decreased 1.7% year on year.



Corn- and Bean-Based Snacks

The sales of corn- and bean-based snacks decreased 2.2% year on year as a result of weak sales of corn-based snacks, including popcorn.



Other Snacks

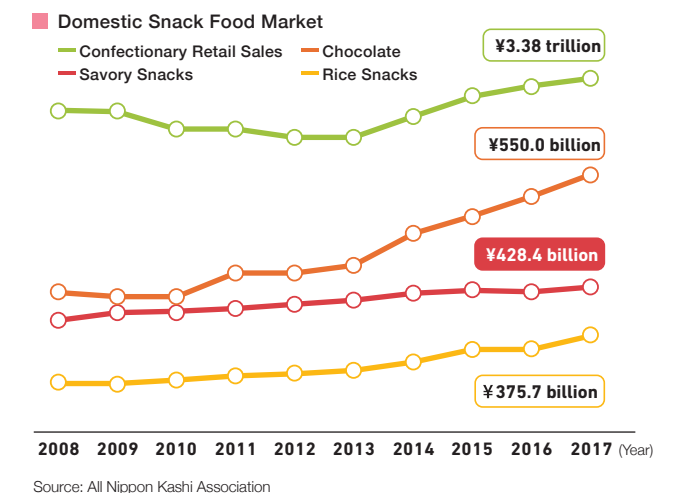
The addition of *Potato Chips Crisps* flavors and expansion of sales area brought a significant increase in sales. Sales of other snacks increased 33.9% year on year.



Market Environment and Strengths

Domestic snack food market continued slight increase

The domestic snack food market has been growing at a low rate. In 2017, the production of potato chips, accounting for more than 50% of all snack production, decreased more than 3%. The typhoon in 2016 had an impact on the potato shortage in Japan, and resulted in a to significant reduction of production volume in and after spring 2017. Meanwhile, this insufficiency was compensated for with the favorable production of corn- and flour-based snacks, which had remained at the same level for the past few years, and outstanding results in 2017. Overall, snacks showed a slight increase in both production volume and production value from the previous year.



Superiority in the Domestic Snack Food Market

The Calbee Group is now the leader in the domestic snack food market. In the potato-, flour-, and corn-based snack food categories, it has recorded the top share; and in the potato-based snack food category, including *Potato Chips*, its high share exceeded 70%. (See P.5 "Tracks and Current Achievements.")

Topics

July 2017	Kiwa Jaga, a new <i>Potato Chips</i> brand product was launched. This product features a unique texture.
August 2017	The <i>Natural Calbee</i> series with reduced calories was launched. This series features the natural flavor of the ingredients.
September 2017	The 1st series of the <i>47-Prefecture Potato Chips</i> series launched. (The 2nd launched in November 2017 and the 3rd launched in February 2018.)
October 2017	<i>Poitto! Potato Chips</i> , with plasma lactobacillus was launched.

Plans for the Fiscal Year Ending March 31, 2019 and Future initiatives

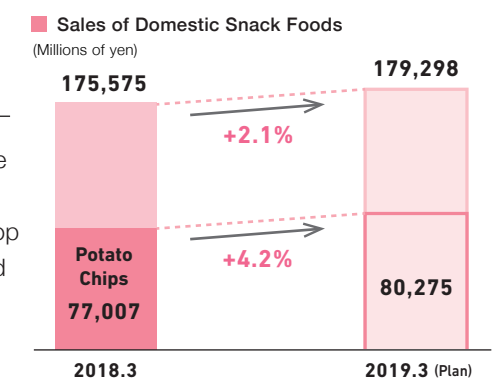
During the fiscal year ending March 31, 2019, Calbee is promoting the production and sales of *Potato Chips* and other potato-based snacks throughout the year to expand sales. We are also continuing to develop products that are designed to meet customers' increasingly diversified needs, and that take into account changing household structures.

Establish individual portion snack category

Striving to meet changes in the social environment that include an increase in elderly and single households, we are developing products in the snack category, focusing on small-amount packaging, natural ingredients, and unique processing technologies, and are planning the creation of sales corners to stimulate demand for this new category.

Focus on developing "Potatoes No. 1"

Calbee continues to enhance production of potato-based snacks to leverage our extremely strong potato procurement. We are developing new flavors for *Potato Chips* series associated with Japan's 47 prefectures and are continuing with active sales promotion production and sales, thereby raising awareness among new consumers and boosting demand for both new and existing products.



Business Review and Strategies

Domestic Snack Business



47-Prefecture Potato Chips Series Love Japan Project

Discover the Power of Japan

The fact that the domestic snack food market in Japan is now a mature market is a significant issue for us. Calbee initiated the *Love Japan* Project in the fiscal year ended March 31, 2018. In collaboration with local governments and communities, we developed and launched *Potato Chips* featuring a total of 50 different local flavors* associated with each of Japan's 47 prefectures. The project has attracted a great deal of attention and interest as a regional contribution activity using *Potato Chips*, something Calbee is uniquely positioned to do because of the wide variety of flavors already in its repertoire. As a result, the project has prompted increased sales as consumers who had not eaten *Potato Chips* much before started to purchase them.

* Hokkaido, the major potato production site, has three flavors, and Calbee's hometown of Hiroshima has two.

Strength of Calbee

High recognition of the Company and its products /
Product planning and development capabilities /
Sales promotion capabilities

Strength of Local Communities

Natural ingredients / Local specialties /
Local cuisine / Regionalism

Reproducing local specialty flavors with *Potato Chips* in collaboration with individual regions

The success of local specialty flavor *Potato Chips* "Ika-ninjin," which was squid and carrot called ikaninjin flavor developed and launched in collaboration with Fukushima City in 2016, triggered the start of this project. This first approach to reproducing a local specialty flavor with *Potato Chips* attracted significant attention and support from consumers, prompting national expansion of the trial. With cooperation from local governments, companies, and local residents, we selected and developed their own flavors. As a result, we produced 50 unique flavors.



Results of the Project

Achievement 1 Contributing to regional vitalization

Local communities were delighted that this project had opened the door to spread local specialty flavors nationwide. We also arranged for local people to make videos featuring each product, which have helped to attract even more interest.



We found new potential for *Potato Chips*.

Yuki Araki

Brand Manager, *Potato Chips* Division,
Marketing Group



This project has helped people to appreciate local flavors and local specialty products, and has contributed to the revitalization of each region. We recognized that *Potato Chips* can serve as a means of communication at the local level. As we continue to implement the *Love Japan* Project, we would like to use our customers' voices for product development in the future.

Achievement 2 Discovery of new customers

"Although I don't normally eat *Potato Chips*, I felt nostalgic when I saw them at the store and picked up a package." This project has been successful to lead to the development of new customers who purchase *Potato Chips* rarely. Furthermore, the project has contributed not only to sales of products developed through the *Love Japan* Project but also to sales growth of regular products, such as the lightly salted flavor. In this way, the *Love Japan* Project has provided a boost for the *Potato Chips* market as a whole.



Recorded the highest number of media exposures as one project ever



Number of Media Exposures

Approx. **1,760** reports

Approx. 150% of expectations



Total Sales Volume

Approx. **17** million packages



Number of Articles Posted on Twitter by Customers

546 thousand posts



Purchase Rates of *Potato Chips* Products During the Project*

106%

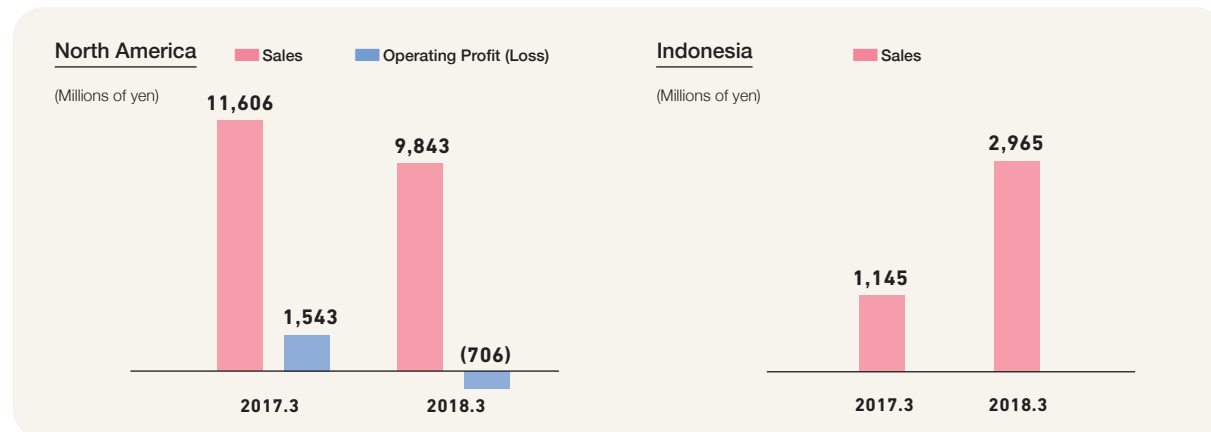
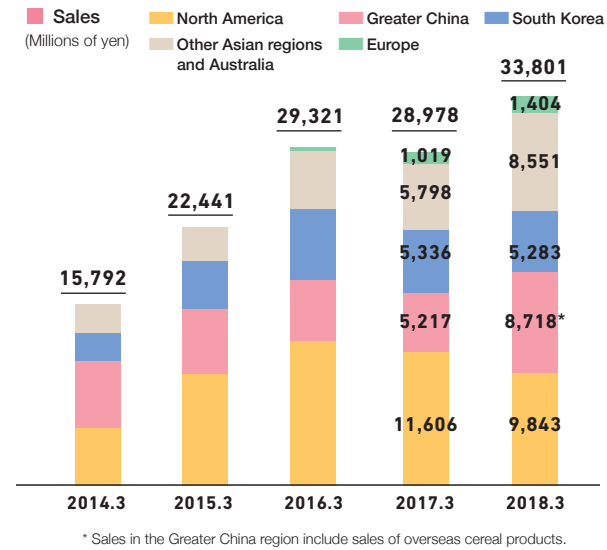
* Year-on-year comparison, Source: Intage SCI, Snack Category, Calbee, *Potato Chips* Thin Slices, Period: September 18, 2017–March 11, 2018, Index: Purchase ratio

Business Review and Strategies

Overseas Business

Performance in the Fiscal Year Ended March 31, 2018

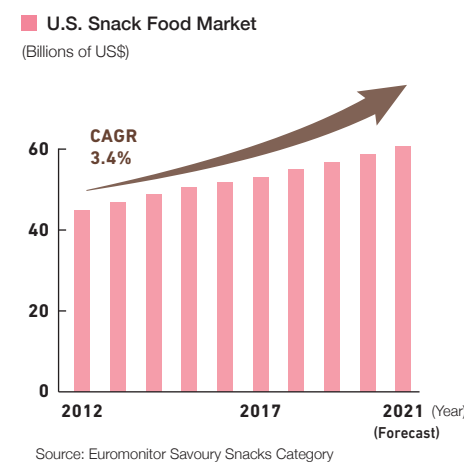
Sales of the overseas business reached ¥33,801 million (a 16.6% increase year on year). In North America, a key region of our business, sales of the bean-based snack *Harvest Snaps* to major customers were slow and total sales showed a significant decrease. Although we have focused on recovery of the business, the delayed stabilization of sales and reduction of production costs had a significant influence on profits. However, sales growth in markets that we have newly entered, such as Indonesia, contributed to an increase in sales overall. In Spain, after determining that it was not feasible to expect material sales growth of bean-based snacks, we dissolved our subsidiary, Calbee Iberia, S.L., in October 2017.



Market Environment and Strengths

Continual growth of the snack market in advanced countries such as the United States and the United Kingdom

Per-person snack food consumption in the United States and the United Kingdom is large, and their snack food markets are predicted to continue to grow gradually. Although regular snack products such as potato chips and popcorn have been continually growing, interest in “better for you” (more health-conscious than conventional snack foods) category snacks has been increasing. The Calbee Group entered this category with its bean-based snack *Harvest Snaps* in the United States (*Yushoi* in the United Kingdom).













Predicting a high growth rate in the snack food market in China and Indonesia along with their economic growth

The Calbee Group has been expanding its snack food business in countries and regions in Asia. The key regions are China and Indonesia. Along with economic growth, the snack food markets in these two countries have been expanding. We consider them high-potential markets. In Indonesia, we started the production and sale of *Potato Chips*, flour-based snacks, and so forth in 2016. In China, we once dissolved a joint venture in 2015; however, we are considering opportunities to enter the market again.



Major Snack Food Products in Our Overseas Business

Region	North America	China	South Korea	Indonesia	United Kingdom
Company	Calbee North America, LLC	CFSS Co. Ltd.	Haitai-Calbee Co., Ltd.	PT. Calbee-Wings Food	Calbee (UK) Ltd
Product	 Harvest Snaps  Whole Cuts	 Kappa Ebisen (Prawn Crackers)  Grill A Corn BBQ	 Honey Butter Chip  Jagabee	 Potabee (Potato Chips)  KrisBee	 Yushoi  Lightly Salted

Plans for the Fiscal Year Ending March 31, 2019 and Future Initiatives

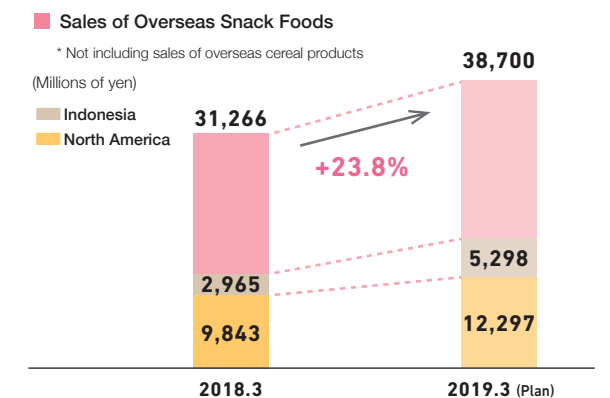
In our overseas business, we have been aggressively expanding the geographical scope of the markets, and in the fiscal year ending March 31, 2019 we will be focusing on growing sales in the regions in which we are already operating. Besides continuing to strengthen sales activities and implement cost reductions in North America, we will also continue with aggressive activities in Indonesia and the United Kingdom to increase sales.

For recovery and growth in North America

Harvest Snaps has established a unique position in the market as a snack sold in the produce sections of supermarkets. In order to further expand sales, it is necessary to respond promptly to changing consumer needs. With the launch of new flavors of existing products and products using organic ingredients, Calbee aims to vitalize the *Harvest Snaps* brand and recover sales. In addition, we are also enhancing the development of unique snack foods aiming for further growth.

Approaches to the establishment of global brands

In cooperation with product development experts, from Japan and on-site development teams, Calbee will start approaches to the establishment of global brands. In addition to recognized existing products in each region, we will take a step forward with the expansion of megabrands in Japan to the world.



Business Review and Strategies

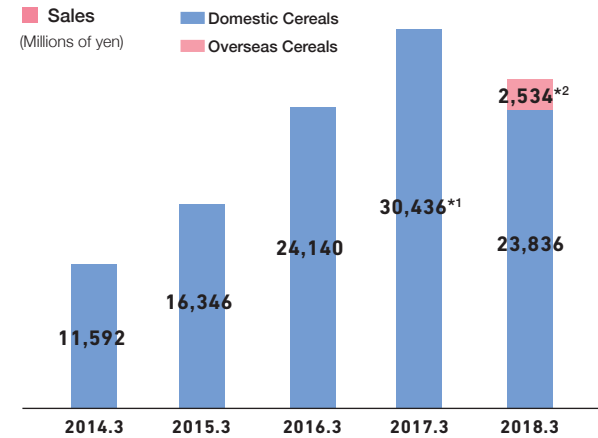
Cereal Business

Performance in the Fiscal Year Ended March 31, 2018

Sales of domestic cereals were ¥23,836 million (a 21.7% decrease year on year). Although we expanded the *Frugra* product lineup, variable overseas consumption led to a fall in sales; the discontinuation of *Corn Flakes* also led to a decrease sales.

Sales of overseas cereals totaled ¥2,534 million. We started selling *Frugra* in China via cross-border e-commerce from our consolidated subsidiary in Hong Kong from the second quarter with the start of the new *Frugra* production line at the Hokkaido Factory.

In addition, to expand sales in the Chinese market we started construction of a production line at the Kyoto Factory to begin operation in summer 2018, and established Calbee (Hangzhou) Foods Co., Ltd. (Hangzhou, China) in February 2018 for e-commerce business in China.



*1 Domestic cereals sales for the fiscal year ended March 31, 2017 include an estimated ¥6.2 billion of overseas consumption.

*2 Overseas cereals sales are included also in the sales of the overseas business.



Frugra



Frugra Low-Carb



Frugra Chocolate Crunch & Banana



Mygra

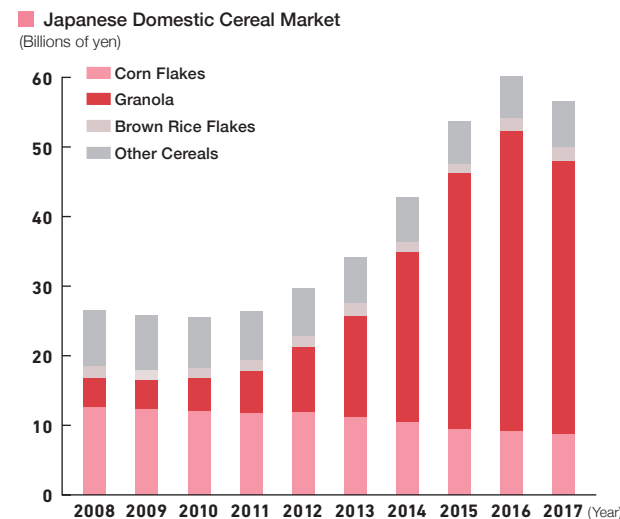


Frugra for cross-border e-commerce

Market Environment and Strengths

Slowing after rapid growth in the Japanese domestic cereal market

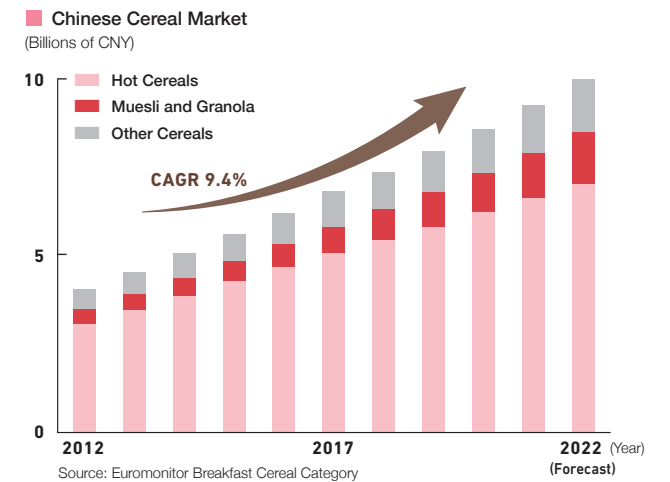
In the Japanese domestic cereal market, *Frugra* led the rapid expansion of the granola market that began in 2012, by capturing the working women's needs of a time-saving breakfast. However, growth slowed in the fiscal year ended March 31, 2018. For further market growth, it is expected that action will be required to attract the consumer segments that have not been purchasing granola so far, by emphasizing the important role that *Frugra* can play as a breakfast food.



Source: Japan Snack Cereal Foods Association

Growth opportunity in the Chinese cereal market

The cereal market in China is more than ¥100 billion, already exceeding the size of the cereal market in Japan; however, the ratio of granola is still low compared with hot cereals such as oatmeal which accounts for the majority. However, recently there has been a trend for more people to start eating cereal together with cold milk, and the market is predicted to grow.



Source: Euromonitor Breakfast Cereal Category

Topics

May 2017	New <i>Frugra</i> production line started construction at the Kyoto Factory.
May 2017	<i>Mygra</i> , plain-type granola (without dry fruit), was launched.
July 2017	New <i>Frugra</i> production line began operation at the Hokkaido Factory.
July 2017	Advance sales of <i>Frugra</i> started at the Calbee flagship store on the cross-border e-commerce site Tmall Global.
July 2017	Global traceability system for cross-border e-commerce sites to be implemented.
February 2018	New subsidiary established to handle e-commerce in China.

Plans for the Fiscal Year Ending March 31, 2019 and Future Initiatives

In regard to the cereal business, Calbee will focus on attracting new customers in the senior citizen segment, etc., boosting demand in the Japanese domestic market, and emphasizing and raising awareness of the health benefits of *Frugra*. In addition, following the commencement of operation of a new production line at the Hokkaido Factory in the fiscal year ended March 31, 2018, a new production line at the Kyoto Factory started operation in August 2018 to promote the expansion of sales in the Chinese market.

Attract those middle-aged and families by appealing to a health prospective, such as low sodium and digestive function

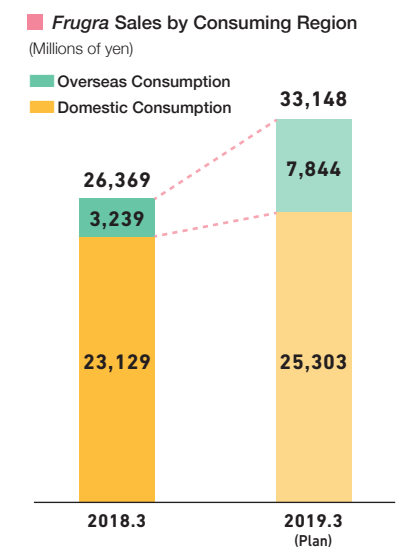
Calbee highlights the features of *Frugra*, such as reduced sodium and ingredients that facilitate digestive function, targeting middle-aged individuals and families as well as women, consumers that are highly conscious of their health, to expand its customer base.

Expand the range of package sizes to entice customers wanting to try products

In addition to regular large-size packages, we also produce smaller-size packages and single-servings (50g) to promote purchase by new customers.

Propose new ways of sales

In addition to the cereal section at the stores, we sell *Frugra* in the dairy and vegetable sections, which are highly compatible with *Frugra*, to increase contact with new customers.

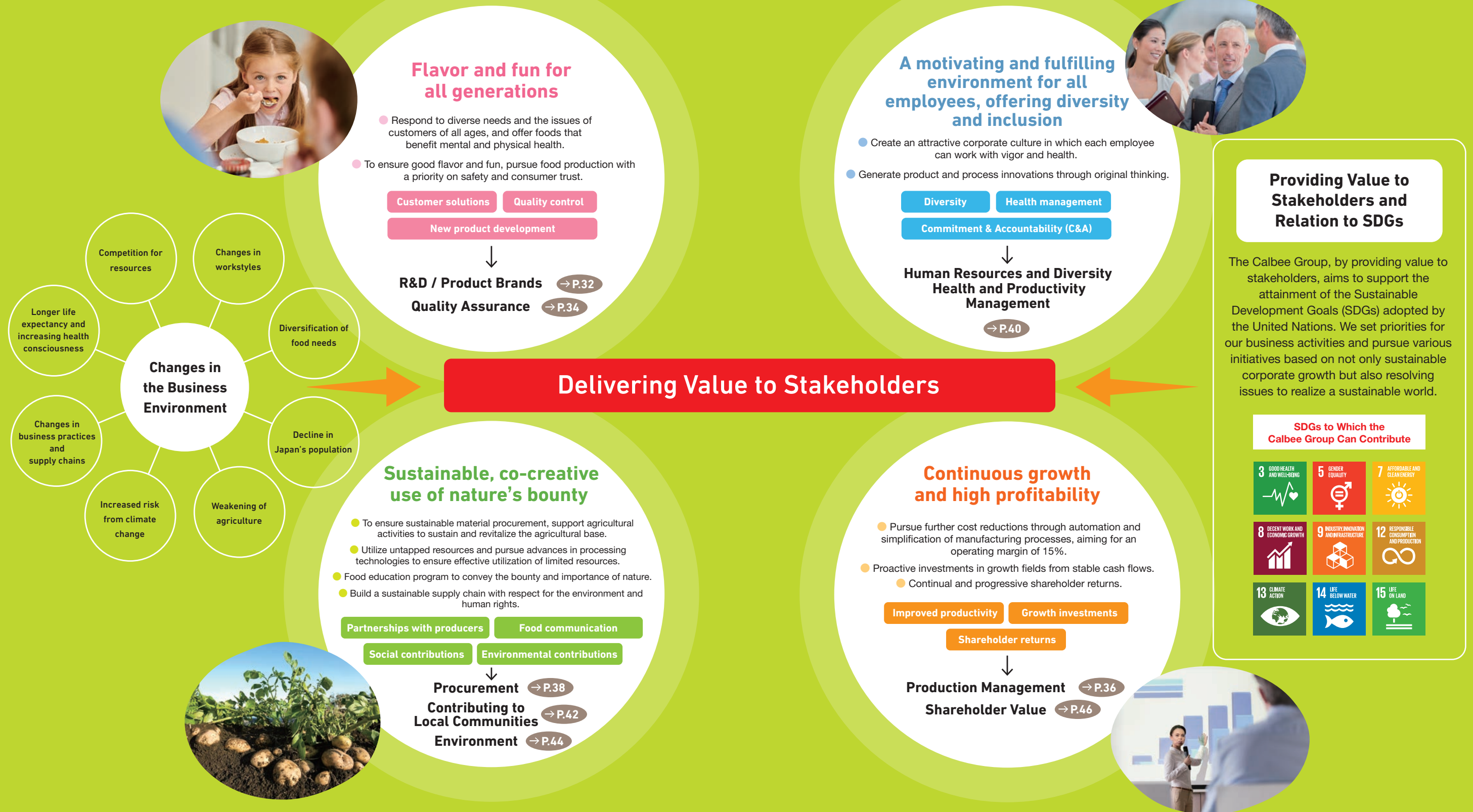


Delivering Value to Stakeholders

The Calbee Group aims to be a global foods company that delivers flavor and fun to the world. To achieve this, we strive to understand the changes and issues in the business environment from a mid- and long-term perspective including the global, local, social, and economic aspects, continually provide value to all stakeholders, and ensure competitive management to realize sustainable growth.

Calbee utilizes its strengths in product planning, development capabilities, and processing technology to offer

good flavor and fun for all generations, and we work to pass on nature's bounty through co-creation with producers, local communities, and society. We also value the human assets who support these corporate activities, and provide a motivating and fulfilling environment for all employees, offering diversity and inclusion. Further, we pursue investments for growth and improvement productivity in an effort to achieve continuous growth and a high profitability.



R&D / Product Brands

Calbee has a history of creating new products that did not exist anywhere in the world before, such as *Kappa Ebisen*, *Jagarico*, and *Jagabee*, etc. For nearly 70 years we have adhered to a philosophy of harnessing nature's gifts to create delicious foods. We will continue to develop products for customers based on their feedback, and aim for a respected and favorite brand.



Relation with
SDGs



We are working on products that address customer needs and issues.

Takaki Koizumi
Executive Officer,
Marketing Group



Yasuhiko Kenmoku
Executive Officer,
R&D Group

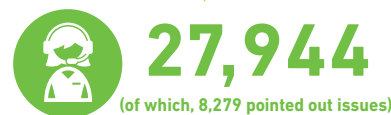
In fiscal year ended March 31, 2018, when typhoon damage led to a potato shortage and forced us to suspend sales of *Potato Chips*, we received a lot of feedback from customers requesting the resumption of sales. With the new harvest season we were able to secure a steady supply of potatoes, and through the *Love Japan Project*, began selling *Potato Chips* that reflected the tastes of each of Japan's 47 prefectures in autumn 2017. In April 2018 we launched *Toumoriko*, a snack product made from sweet corn that had been in development for 10 years. Our technologies developed the unique and crispy texture like *Jagarico*.

We think it is important to develop products that are solutions to customer issues. In the immediate postwar era, Calbee's founder Takashi Matsuo began selling *dango* dumplings made from starch as a substitute food, leading to long queues of people waiting to buy dumplings. More recently, *Frugra* has allowed working women and elderly people living alone to have a well-balanced meal. Going forward, considering such changes in the business environment as the increase in single-person households and the aging of society, we will continue to research and develop products with a focus on individual portion and easily consumed foods.

"Brand Japan 2018"
ranking*1



Number of customer
inquiries



Satisfaction responding to
customers pointed out*2



Intention of customers
to re-purchase*3



*1 Consumer market (B2C) category of Nikkei BP Consulting's brand assessment project "Brand Japan 2018"

*2 Proportion of customers who responded "Very Satisfied" or "Satisfied" in a survey of customers who pointed out issues

*3 Proportion of customers who responded in the above survey that they would "Buy as before" or "Buy more than before"

Developing New Products to Fit Changing Lifestyles

With the increase in single-person households and other life-style changes, more people want to snack whenever they please, even when they are alone. In response, Calbee is establishing a new product category of individual portion snacks. We developed the products by processing technologies that bring out the goodness and delicious taste of the ingredients, such as *miino*, fried whole broad beans, and *Toumoriko*, which offers the natural flavor of sweet corn. These products are packaged in moderate quantities for one person in stand-up pouches with reclosable zip closures so that they can be enjoyed later. Moving forward, we plan to expand these product lineups.



Systems to Make Use of Customer Feedback

The Calbee Group considers its Customer Communication Department as a place to create Calbee fans, and makes proactive efforts to deepen communication. Feedback from customers is shared through daily Companywide emails, and we have the opportunity to do monitoring for the management and employees. We are also building a system to respond to inquiries from overseas customers in order to provide the same quality level to non-Japanese customers.



Products Developed from Customer Feedback

Regular *Frugra* cereal contains several types of dried fruit. In response to feedback from customers who dislike dried fruit, we launched *Mygra*, a granola cereal with only grains.



Engagement with Customers

The Calbee Group actively engages in communication with its customers via website, as well as through a potato harvest experience at its farm. Beyond just selling products, as a food manufacturer we want to convey our policy regarding the safety and security encompassing our products, along with our commitment to quality ingredients, in order to be a company with the long-term trust and approval of customers. The feedback from customers we receive through phone calls, email, and SNS are also useful for product development.



"Potato Diary" on Website

Around 80% of the domestically produced potatoes that the Calbee Group uses are grown in Hokkaido. We introduce the current state of these potato fields and information related to potatoes, and the relationship with the contracted farmers, on our website.

WEB "Potato Diary" (in Japanese only)
<http://www.calbee.co.jp/diary/>



Quality Assurance

In order to continue to provide our customers with safe and secure products, we engage in both internal and external efforts to guarantee quality throughout our supply chain, including collaboration with producers and suppliers.



Relation with
SDGs



We promote quality assurance with customer safety and security as our top priority.

Masae Nakano

Executive Officer, Quality Assurance Group

Offering safe and secure products to our customers is our most important social responsibility. To guarantee safety and security, it is important for us to identify risks during early stages and to respond to these risks more quickly in each department.

To raise internal awareness, the Company creates many opportunities to inform employees about its policies regarding quality assurance. In the fiscal year ended March 31, 2018, we revised guidelines concerning our nutrition fact labels and conducted Companywide briefings about the changes. The Company also holds seminars and workshops concerning recent accidents and administrative trends to encourage risk awareness and independent action in employees across each department.

* FSSC 22000 is an international standard concerning food safety management systems that reinforces ISO 22000 with additional requirements. It has been approved as a benchmark standard by the Global Food Safety Initiative (GFSI).

Additionally, the Company transitioned from ISO 9001 to FSSC 22000* certification and conducted reviews at all factories nationwide. Calbee is also conducting improvement reviews at overseas Group companies, aiming for top quality in each region.

In addition to strengthening internal systems and consciousness raising, collaboration with producers and suppliers of raw materials is necessary to achieve the quality that the Calbee Group demands. We screen new suppliers before doing business with them and continuously and regularly audit our existing suppliers. We work with suppliers to conduct risk control under a set of specific objectives. Moving forward, the Calbee Group will make use of the knowledge and experience that it has accumulated and engage in further quality improvement.

Quality Policy

We aim to continuously offer safe, secure, and inexpensive products that are both delicious and satisfying through customer-first quality management.

Activities that Protect Customer Safety and Security

AAO Activities

In the past, Calbee experienced a product contamination incident and responded with a large-scale product recall. In order to never repeat this mistake, we conduct Companywide activities aimed at providing customers with safe (*Anzen*), secure (*Anshin*), and delicious (*Oishii*) products. In the fiscal year ended March 31, 2018, we made customer-centric initiatives that led to increased sales. These included initiatives regarding improving allergy information on packaging and making products more consistently sized. Additionally, we conducted workshops throughout the Company, in which we listened to customer feedback obtained from the Customer Communication Department. We are utilizing customer feedback in each individual department's response measures.



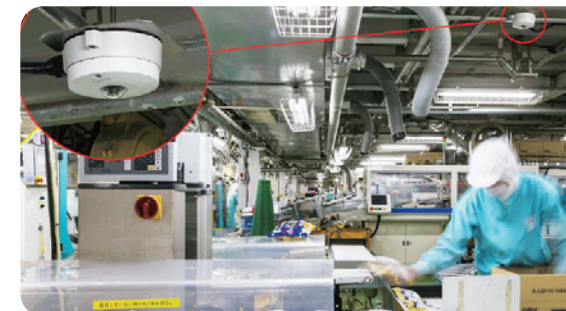
President Ito listening to customer feedback



Creating Mechanisms that Prevent Errors

We have installed line-surveillance cameras in all of our domestic production facilities to ensure against contamination during our production process. These cameras also help us to identify the scope of procedural deficiencies and analyze operating efficiency. Additionally, we have installed an operational error prevention checking system on all domestic production lines for potato chips and flour-based snacks in order to prevent mismatches between packaging and contents during the packaging process.

Surveillance Cameras



Operational Error Prevention Checking System



Code printed on film that is read by this operational error prevention checking system

Measures in Response to Food Allergies, etc.

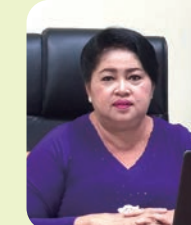
Reducing risks associated with food allergies is an issue to which a food manufacturing company must give its full attention. We thoroughly clean our production lines to ensure that our products do not become contaminated with allergens. Additionally, we display allergy information concerning products offered at our pilot shops in English as well as Japanese. The Company is also sharing knowledge gained through in-house fundamental research on acrylamide*, a substance found in many heated food products, through academic reports and conferences.

Creating More Understandable Allergy Information

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
本品は卵・乳成分・えび・かにを含む製品と共通の設備で製造しています。

* Acrylamide is a substance that is mainly generated in foods when asparagine, a type of amino acid, and reducing sugars glucose and fructose react to heating. International organizations have classified acrylamide as a chemical substance that may have carcinogenic properties in humans but the impact of oral ingestion of acrylamide through food products in humans has not been verified.

VOICE



Quality Improvement Activities at Overseas Factories

Kwanyuen Kadkaew
Factory Manager
Calbee Tanawat Co., Ltd.
(Thailand)

At Calbee Tanawat Co., Ltd. in Thailand, employees are actively participating in 5S* and small group improvement activities. These efforts have spread and helped improve product quality and production efficiency. They have also significantly improved the production cost ratio. These activities have become a standard for evaluation and have been effective in raising employee motivation.

* 5S: Workplace organization methodology Programs in manufacturing facilities.

Production Management

As a global foods company, we must further improve productivity and promote cost reduction to be internationally competitive. We will continue to conduct related group-wide initiatives, taking advantage of the many opportunities for cost reduction at our production sites.



Relation with SDGs



We are engaging in thorough cost reduction while targeting further improvements in productivity.

Tomoyuki Ogura
Executive Officer, Operation Group

Reducing our cost of sales ratio to 50% in pursuit of a 15% operating margin is a medium- to long-term goal for the Group. Up until now, we have improved capacity utilization rates in our domestic factories and reduced our cost of sales ratio. Moving forward, we will aim for further improvement in productivity through automating and simplifying processes while utilizing existing equipment at domestic factories to the fullest extent. Additionally, the Company will actively support cost reduction at overseas factories while simultaneously maintaining stable quality in accordance with global standards.

In the fiscal year ended March 31, 2018, we adopted new technologies expected to have positive effects, such as improved yields in the *Potato Chips* manufacturing process and reduced levels of acrylamide. These

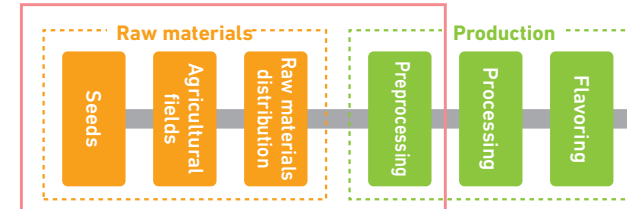
technologies contributed to the improvement of *Potato Chips* productivity. Additionally, the Company promoted automation of packaging and boxing processes.

We started a professional team that traverses all departments in March 2018 and set cost targets for each product. Currently, we are engaged in related activities for cost reduction throughout the Company.

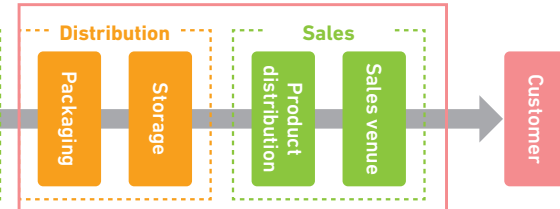
Moving forward, we have opportunities to simplify operations in our 10 potato chip processes, particularly in processes up until preprocessing before production and in processes between packaging and delivery to the storefront. Additionally, the Company is conducting improvements to products and packaging materials, such as extending best-before dates while preserving freshness and reducing package volume.

10 Potato Chip Processes

1. Cost reduction in processes from the farm to preprocessing



2. Cost reduction from packaging and delivery to the storefront



Cost Reduction Initiatives

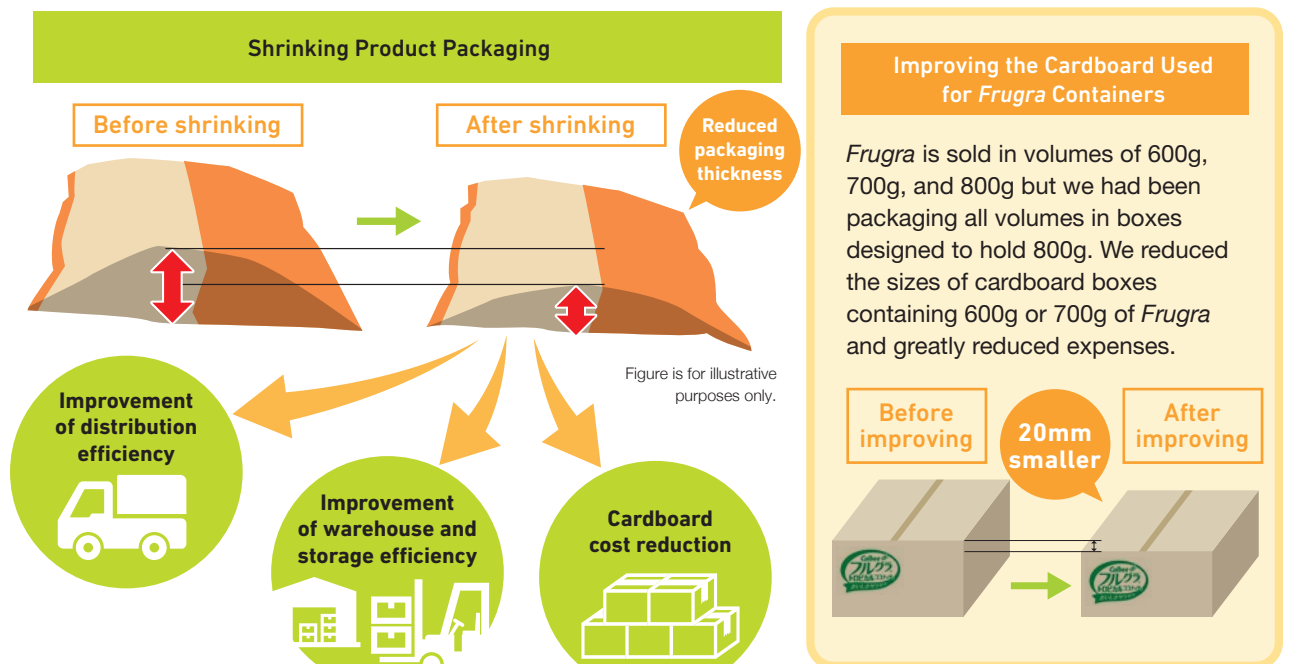
Automation of Processes

We reduced labor requirements by automating packaging and boxing at all domestic factories. Currently, we are in the process of automating manual potato trimming and defect detection processes. The Company is reviewing previous production procedures and equipment allocation in order to streamline and simplify its operations and improve productivity.



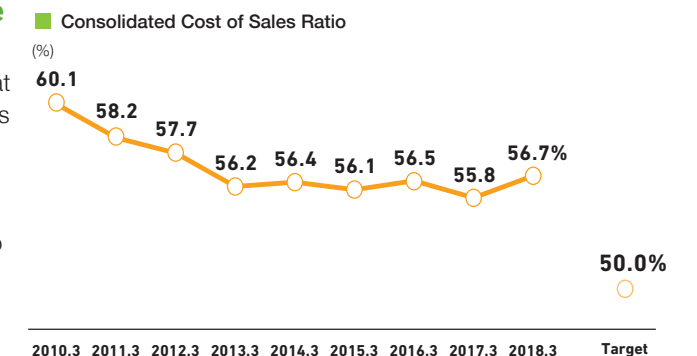
Change in Package Form

The Company is proceeding with cost reduction by shrinking product packaging. In the fiscal year ended March 31, 2018, we reduced the size of *Fruga*'s cardboard boxes, which curtailed packaging expenses. Moving forward, we will promote cardboard cost reduction and improve distribution and warehouse storage efficiency by reducing the pillow-type packaging thickness.



Enhancement of Global Production Structure

The Global Support Division, which we established in April 2017, is playing an important role in overseas operations that are spreading Japanese production management techniques and expertise developed over many years throughout the world. In the fiscal year ended March 31, 2018, this division supported production management techniques when it added and established new lines overseas. The division also led operational improvements in North America, drastically reducing manufacturing loss. Moving forward, the division will focus on thoroughness in the audit system and on cultivating human resources that can solve on-site issues.



Procurement

At the Calbee Group, the quality of our ingredients is what gives our products value, so their success is affected by the raw materials we use. We are collaborating with production areas and producers and are adopting measures aimed at sustainable procurement of raw materials in order to reliably provide quality products for customer expectations.



Relation with SDGs



We closely communicate with production areas and producers and address risks.

Kaoru Ishigaki
Executive Officer, Procurement Division

Raw potatoes are the principal material in *Potato Chips*. In summer 2016, Hokkaido, our main production area of potatoes, was struck by typhoons and the fiscal year ended March 31, 2018 started off with a potato shortage. The Company was forced to suspend sales for several of our potato-based products, which greatly inconvenienced customers. We face the risk that these large-scale disasters might become more frequent in the future. Because production areas from which we can

procure potatoes are concentrated in relatively small areas, we are actively promoting risk management measures and working toward stable procurement. Global climate change may negatively impact the stable import of grain, such as corn, wheats, and oats, as well as the procurement of domestic agricultural and marine products. As such, like with potatoes, we are developing new partners and diversifying production areas for imported raw materials.

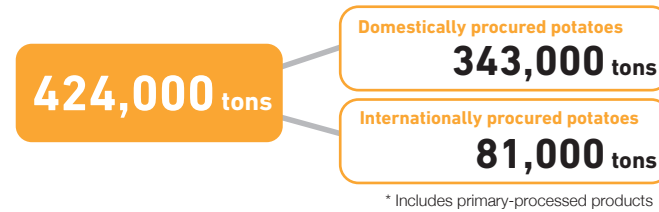
Risk Control When Procuring Raw Materials

Potatoes

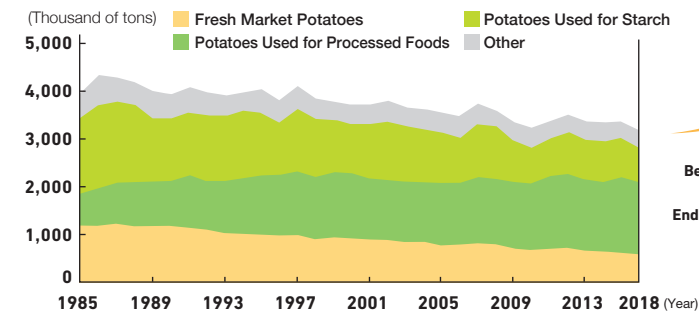
As the overall volume of domestically produced potatoes decreases yearly, the Calbee Group has been able to increase its procurement amounts, as well as its production quantities for potatoes used for processed foods. At present, we use about 16% of the potatoes produced in Japan annually and about 80% of domestically produced potatoes are grown in Hokkaido. In order to stably procure high-quality potatoes, we prepare for risks such as natural disasters with initiatives that include those listed to the right.

- 1 Develop domestic production areas outside of Hokkaido
- 2 Support potato producers by providing information and mitigating labor
- 3 Promote from other uses of potatoes, other crops such as rice
- 4 Develop varieties that are strong against pests and suitable for storage

Calbee Group's Potato Procurement Volume

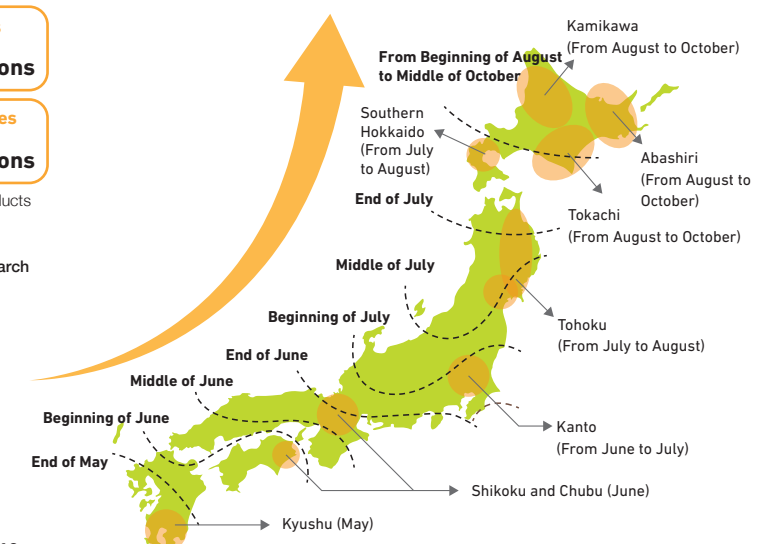


Demand for Domestic Potatoes by Use



Source: Study by the Regional Agricultural Production Division of the Ministry of Agriculture, Forestry and Fisheries supervised by the Director General for Policy Planning

Main Domestic Potato Production Areas and Harvest Seasons



Fruga Raw Materials

The Company primarily imports *Fruga* materials from overseas and heads straight to the source to negotiate for stable amounts of materials with superior quality. Additionally, we diversify our production areas and acquire new partners in preparation for various procurement risks.

Primary Production Areas for Fruga Raw Materials

Oats	Australia	Coconuts	Philippines, Sri Lanka	Brown rice flour	Japan	Papayas	Thailand
Rice flour	Thailand	Strawberries	China	Wheat flour	Australia, Japan, United States, Canada	Pumpkin seeds	China
Wheat bran	United States, Canada, Australia, Japan	Raisins	United States	Almonds	United States		
Corn flour	United States	Rye flour	Germany, Canada	Apples	China		

(As of June 2018)

Supply Chain Management

The Company enforces its procurement policies throughout its supply chain. We share the Calbee Group Procurement Policy with our suppliers in order to advance procurement activities that are sustainable from a global perspective.

From a traceability point of view, we verify the quality of our potatoes and guarantee their safety. A bar code that contains information concerning production area, variety, producer, growth history, and harvest date is attached to potato containers. We use this information to verify the conditions of potatoes and to conduct optimal production management. The Company is also actively pursuing sustainable procurement in terms of palm oil by cooperating with suppliers and responding to environmental and human rights issues.

VOICE

FUJI OIL Group's Initiatives

One of the primary causes of environmental and human rights issues facing palm plantations is said to be small-scale farmers' management of low-production plantations. Together with Wild Asia, a local NGO, the FUJI OIL group and the group which provides the Calbee Group with its palm oil, aims to balance farm and country administration that is conscious of improving productivity and of environmental and human rights issues facing small-scale farmers in the Group's supply chain. The FUJI OIL group also provides educational support related to these issues.



Human Resources and Diversity Health and Productivity Management

“Our business is a people business.” The Calbee Group cannot grow unless its employees do. We enhance systems that support employee growth. Additionally, we maximize human resource diversity through diversity management and also conduct health and productivity management that allows our employees to participate actively and energetically. Through these initiatives, we are maximizing the capabilities of our people and organizations.

Relation with SDGs



We create people and organizations that grow independently and produce better results.

Masako Takeda Executive Officer, Human Resources and General Affairs Group

The Calbee Group aims for sustainable growth by building environments in which all employees can adequately display their abilities and participate actively. We then offer them opportunities to take on challenges that allow them to accomplish their own career and goals. Additionally, we implement a system of commitment for their goals, fair evaluation, and remuneration based on results. The Company also establishes flexible and diverse workstyles so that each individual employee can demonstrate his or her own abilities regardless of constraints.

In terms of diversity, Calbee believes that the Company cannot grow without the contributions of women and has focused on promoting active participation and appointment to management positions from its female employees, who compose about half of its work force. Spearheaded by the Diversity Committee, which was established in 2010, we aim to create a corporate culture

that encourages understanding regarding diversity, to conduct diversity management on a global level by encouraging the employment of people with disabilities, and the active participation from foreign employees, and providing support for members of the LGBT community.

When it comes to health and productivity management, we believe that the good health of our employees and their families is indispensable to our corporate growth and therefore engaging in health maintenance and enhancement activities in 2016. These activities promote positive changes to life-style habits such as smoking cessation, and improvements in diet and exercise.

Moving forward, to become a competitive company globally, we create human resources and organizations that independently and continuously grow and produce better results.

Calbee Group's personnel vision

Continuing to grow independently and produce results, as individuals and as an organization

Personnel systems and philosophy to achieve that vision

Life career plan Open and appropriate appointments / assignments	Recruitment / development Active support for employees' challenges	Assessment / remuneration Harsh but fair assessment and action	Welfare / benefits Good health and fair rewards	Culture Life-work balance
---	---	---	--	------------------------------

Establish and Enhance Systems that Enable Employees to Demonstrate Their Abilities

Calbee is working to establish and enhance various systems and mechanisms that enable employees to demonstrate their abilities and continuously produce results. We have adopted a commitment and accountability (C&A) system in which all employees and members of management set goals and agree to produce results. Then, they are fairly evaluated based on the results, with bonuses being one result of evaluation. We believe that when employees promise to produce results and then fulfill their responsibilities by achieving those results, they contribute to not only their own individual growth but also to the creation of strong organizations and corporate growth. Additionally, in order to create a corporate climate based on a “High-Performer, high-Reward” philosophy, we introduced an employee stock ownership plan (ESOL) and are implementing systems that reward employee performance. We have adopted a mobile work system to help create an environment that allows for diverse workstyles. In April 2017, we also revised our mobile work system to make it possible for employees to work at places other than their homes five days per week by removing restrictions on workplace and frequency limits. Moving forward, we will continue to create environments that enable our human resources to support the Company and fully display their abilities.

Diversity Management Implementation



November 2017 Diversity Forum



Nadeshiko Brand List (Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange)



Diversity Management 2.0 Prime List (Ministry of Economy, Trade and Industry)

Calbee's Diversity Committee is conducting activities primarily aimed at supporting participation from female employees and encouraging understanding regarding diversity. Our female participation support measures include their career development support and cross-industrial exchanges meetings, strengthening our network of female managers, and a mentorship system. Additionally, we run workshops for workstyles, careers, and participation, as well as lecture meetings by various role models. We also hold a Companywide Diversity Forum in November of each year. In April 2018, our ratio of female managers reached 26.4%, and we are strengthening activities targeting a ratio of 30% by 2020. In terms of third-party evaluations, we have been selected for the Nadeshiko Brand List for five straight years and were also selected for inclusion in the Diversity Management 2.0 Prime List.

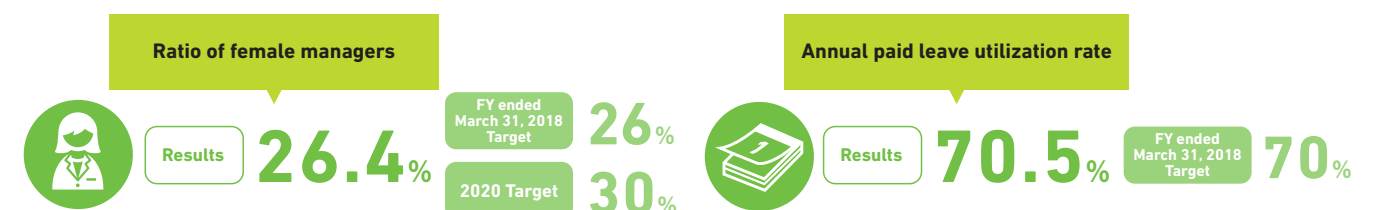
Promotion of Health and Productivity Management

We selected 25 employees from our sites and affiliates to participate in our Healthcare Committee in the fiscal year ended March 31, 2018, the committee's second year. All committee members collaborate with each other and promote good health at their workplaces. In support of smoking cessation, we provided corporate health insurance assistance with expenses for smoking cessation outpatient services, removed cigarette vending machines, and health nurses shared information regarding the harmful effects of tobacco. Starting in April 2018, we have prohibited smoking outside of break periods. We were able to raise participation rates of comprehensive medical examination to 95.5%.

Our building of foundational platforms for the implementation of health management and related work engagement was highly evaluated and earned us inclusion in the 2018 Health and Productivity Corporations list (large company category), which is certified by Japan's Ministry of Economy, Trade and Industry and Nippon Kenko Kaigi.



Health and Productivity Corporations list for 2018 (Ministry of Economy, Trade and Industry and Nippon Kenko Kaigi)



Contributing to Local Communities

The Calbee Group regards all members of local communities as valued stakeholders. Harmonious coexistence with people living in nearby communities is essential to all of our business activities, including raw material procurement, production, and sales. Each of our employees conduct themselves out of consideration for how they can contribute to communities.



Relation with
SDGs



We, as Calbee Group employees and good citizens, will contribute to the communities in which we live and work and also to the global community.

(Calbee Group's Social Contribution Mission Statement)



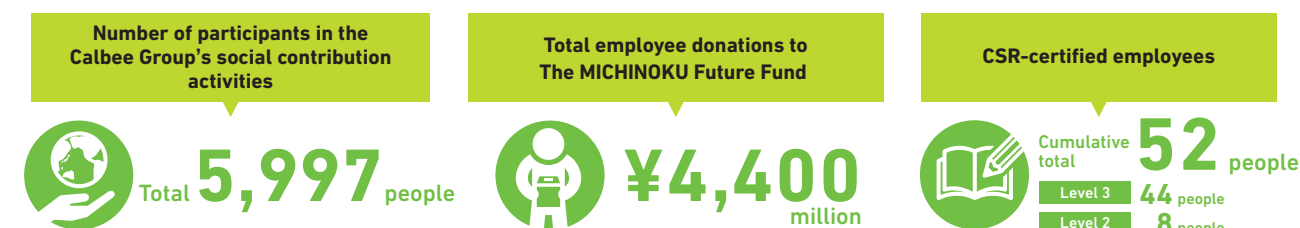
The Calbee Group has organized social contribution committees that respond to issues facing the local communities at each of its business entities. These committees act autonomously under the policy of "thinking and acting voluntarily and in close cooperation with the local community."

The Calbee Group considers employee development of personnel who can contribute to their communities to be

essential in achieving sustainable corporate growth. We are engaging in educational support and a food education program for children, as well as helping to develop the next generation through sports and conducting environmental conservation activities and providing disaster reconstruction assistance. These efforts are all based on the three main pillars of our social contribution activities: childcare support, regional support, and environmental protection.

Social Contribution Activities (Fiscal year ended March 31, 2018)

Childcare support	Supported potato-growing activities with a kindergarten in the city of Iwaki (East Japan Division)	Study tours for elementary schools at our Utsunomiya Center (Calbee Logistics, Inc.)	Volunteered at the Lake Biwa Cup Nadeshiko Soccer Tournament (Central Japan Division)
Regional support	Grew potatoes in areas surrounding temporary housing in Ishinomaki (East Japan Division and Calbee Potato, Inc.)	Volunteered at a retirement home in Tokyo's Chiyoda Ward (Head Office)	Volunteered assistance in response to the heavy rain disaster in northern Kyushu (West Japan Division)
Environmental protection	Watarase reservoir cleaning operations (Japan Frito-Lay Ltd.)	Cleaned the riverbed of the Satsunai River and areas surrounding our potato production areas (Calbee Potato, Inc.)	Conducted reforestation efforts around Lake Shikotsu as part of our Mina Mina Forest activities (Hokkaido Division)



Contributions to Problem-Solving and Development in Local Communities



Initiatives in the United Kingdom

Calbee (UK) Ltd's factory is located in Flintshire, which is facing social issues such as higher unemployment and crime rates and higher rates of drug and alcohol addiction compared to other regions in the United Kingdom. Employees of the Calbee (U.K.) are actively heading to local facilities and schools to act as career coaches and mentors for children, adolescents, and young women. In the fiscal year ended March 31, 2018, we conducted an exchange program between elementary school students in the United Kingdom and Japan. This program provided students with the opportunity to broaden their world views and learn about cultural differences in each other's languages by exchanging videos and greeting cards.



Initiatives in Thailand

At Calbee Tanawat Co., Ltd., we collect social contribution proposals from employees and select ideas for implementation from them. For the fiscal year ended March 31, 2018, we implemented eight proposals, including erecting a fence around an elementary school's grounds and repairing a temple's kitchen and bathrooms. We received a big welcome at all regions and were met with bright smiles from children and other local residents.

Support for Disaster-Affected Areas:

The MICHINOKU Future Fund

In the 2011 Great East Japan Earthquake approximately 1,800 children are speculated to have lost parents. The MICHINOKU Future Fund was established to help children who lost one or both of their parents in the disaster to enter universities or receive technical education. By the end of April 2018, the fund had provided scholarships to 727 children. Calbee is one of the company which established The MICHINOKU Future Fund, and supporting the fund through various means, such as deducting contributions from salaries and conducting fundraising activities at events.



Food Education and Communication Program

Calbee Snack School

To contribute to healthy life styles, Calbee is conducting nationwide food education and communication activities that convey dietary information in a way that is fun using familiar snack foods. The Calbee Snack School, started in 2003, aims to teach children proper eating habits and how to cultivate self-management skills with snack foods. In the fiscal year ended March 31, 2018, 727 schools and 54,939 children and guardians participated in the program.



Confectionery Contest

Calbee has been holding its Confectionery Contest since 2011. In this contest, we gather confectionery ideas from elementary school students and select superior entries. Then, our development team makes these ideas into real confectionery. The Company started this contest with the goal of teaching children the fun of development and manufacturing. Our seventh theme for the contest was "Confectionery that conveys gratitude." We recognized 12 product ideas out of a total of 1,558 entries.



Examples of Superior Entries



Factory Tours

The Calbee Group actively conducts factory tours. We believe that seeing on-site quality and safety management helps people understand initiatives associated with the responsibility of handling food. A total of 17,818 people participated in our factory tours in the fiscal year ended March 31, 2018.

Environment

The Calbee Group uses nature's gifts to produce and deliver products to its customers. As inhabitants of Earth living alongside its plants and animals, we believe that we have a social responsibility to conduct environmental protection initiatives in order to achieve a sustainable future and ongoing corporate growth.

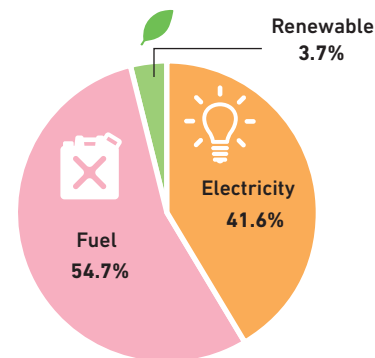


Contributions toward Building a Low-Carbon Society

The entire Calbee Group works to reduce greenhouse gas emissions by setting numerical emissions targets. We aim to reduce greenhouse gas emissions throughout the Group with initiatives through switching our source of production energy from class A heavy fuel to liquefied natural gas (LNG), and changing cargo transportation methods in our distribution and energy-saving activities at our offices. Moving forward, we will work to reduce emissions throughout the supply chain while sharing information regarding environmental risks.

■ Overview of Business Activities and Environmental Impacts in the Fiscal Year Ended March 31, 2018

■ Energy Use Ratios by Type

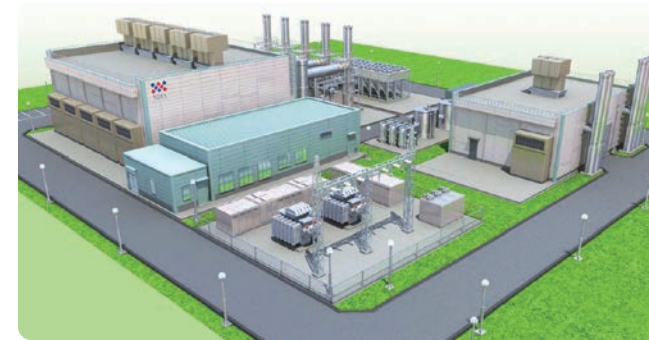


Target organizations: Domestic Group Companies

Input	Business activities	Output
<p>Energy (Electricity, diesel fuel, and class C heavy fuel) Crude oil equivalent: 7,000 kℓ*</p>	Potato harvest-storage-transport	<p>Ton-kilometers: 323,630,000 ton-kilometers* CO₂: 18,000 tons*</p>
<p>Potatoes : 285,000 tons Wheat flour : 20,000 tons Corn : 11,000 tons Rye flour : 4,000 tons Water (irrigation water) : 3,300,000 m³ Energy Crude oil equivalent : 88,000 kℓ (Electricity : 38,000 kℓ) (Fuel : 50,000 kℓ)</p>	Production	<p>Production volume: 180,000 tons Water drainage: 2,727,000 m³ CO₂: 181,000 tons Waste material: 59,000 tons Waste transportation CO₂: 300 tons 1,660,000 ton-kilometers Recycling rate: 99.6%</p>
<p>Energy (Electricity, diesel fuel, and class C heavy fuel) Crude oil equivalent: 18,000 kℓ</p>	Transport	<p>Ton-kilometers: 127,490,000 tons-kilometers* CO₂: 30,000 tons</p>
<p>Energy (Electricity, kerosene, and gas) Crude oil equivalent: 400 kℓ</p>	Office Customers	<p>CO₂: 800 tons Paper containers and plastics: 17,000 tons</p>

* Results for "potato harvest-storage-transport," "transport ton-kilometers," and "paper containers and plastics" are for the fiscal year ended March 31, 2017.

First Business in Japan Integrating Power Saving between Factories in Various Industries

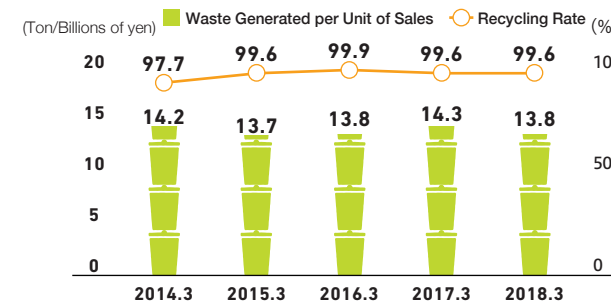


Calbee, along with Hisamitsu Pharmaceutical Co., Inc. and Canon Inc., is participating in the construction of the Kiyohara Industrial Park Energy Center (provisional name). This facility will house a 30,000 kW gas cogeneration system, and our participation was supported by collaboration with seven factories in the Kiyohara Industrial Park (located in Utsunomiya, Tochigi) and with Tokyo Gas Co., Ltd. Construction on the facility is currently under way, and the target date for its completion is January 2019. This project, which combines and supplies electric power and heat (steam and hot water) to multiple factories in different industries, is the first business in Japan to integrate power saving between factories. This center is expected to drastically save energy and reduce CO₂ emissions by sharing energy with its seven neighboring factories.

Effective Use of Resources

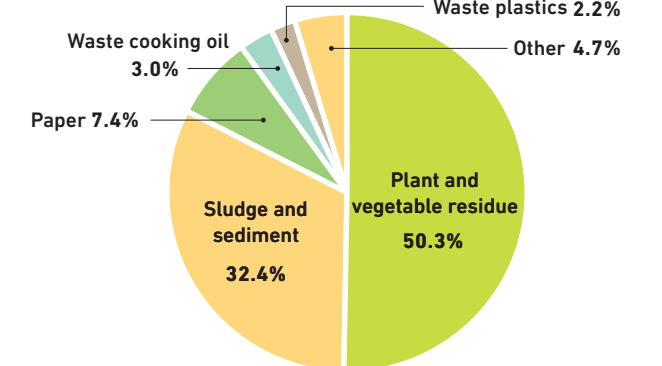
The Calbee Group conducts waste sorting, curtails its total volume of generated waste, and converts leftover food residue into feed. These initiatives compose the main pillars of the Group's zero emission, and recycling strategies, which are geared toward achieving a recycling society. Through adherence to the "3 Rs" (reduce, reuse, and recycle), we have achieved a recycling rate of almost 100%.

■ Waste Output and Recycling Rates



* Target organizations: Domestic Group companies

■ Waste Output Breakdown

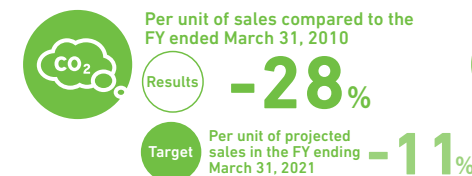


Food Loss Reduction Initiatives

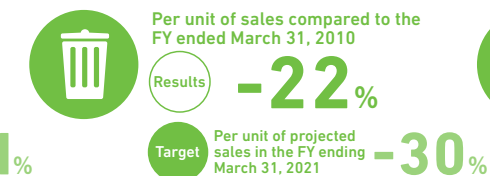
Calbee is discussing manufacturing processes that do not produce loss in pursuit of food loss reduction. We use plant and vegetable residue such as potato skins as livestock feed or in mushroom-bed cultivation and donate products that cannot be shipped to foodbanks.



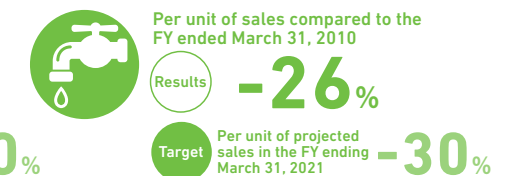
CO₂ emissions reduction amount



Waste reduction amount



Water usage reduction amount



Shareholder Value

The Calbee Group has set a medium- to long-term operating margin target of 15% and is conducting business activities that aim for sustainable growth and high profitability. Additionally, we are aiming to further invest in growth fields such as overseas business and to boost ongoing shareholder returns by increasing the dividend payout ratio.



We are working to achieve high profitability and a sustained increase in corporate value.

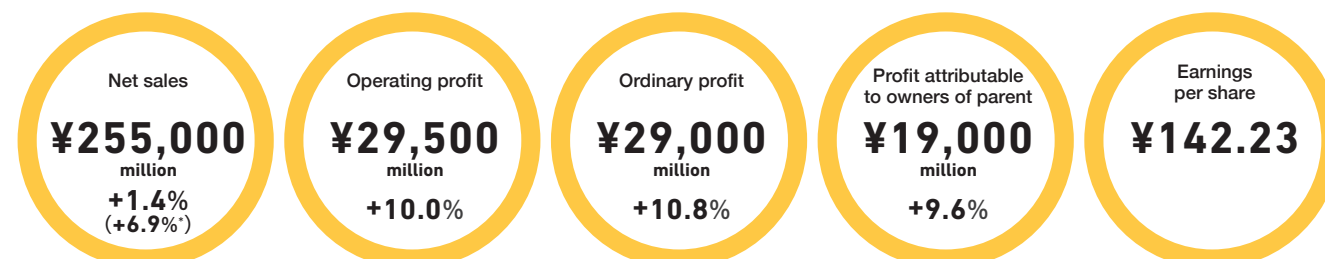
Koichi Kikuchi
Managing Executive Officer,
Chief Financial Officer,
Head of IR Headquarters

Fiscal Year Ended March 31, 2018 Summary and Fiscal Year Ending March 31, 2019 Forecast

The results in the fiscal year ended March 31, 2018 were severe, with decreases in income and profit throughout the period. Potato shortages in the first quarter forced sales suspensions for a portion of our *Potato Chips*, resulting in large decreases in income and profit. Sales of *Potato Chips* began recovering substantially in the second quarter, boosting income and profit after the second quarter. However, the Company was unable to recover the large first-quarter drop overall due to a decrease in overseas consumptions of *Frugra* and continuing stagnation in the North American business, which is our key region in the overseas business.

The Company will again target sales and profit increases in the fiscal year ending March 31, 2019. For details of each business, plan see P.22–29 “Business Activities and Results”.

Fiscal Year Ending March 31, 2019 Forecast

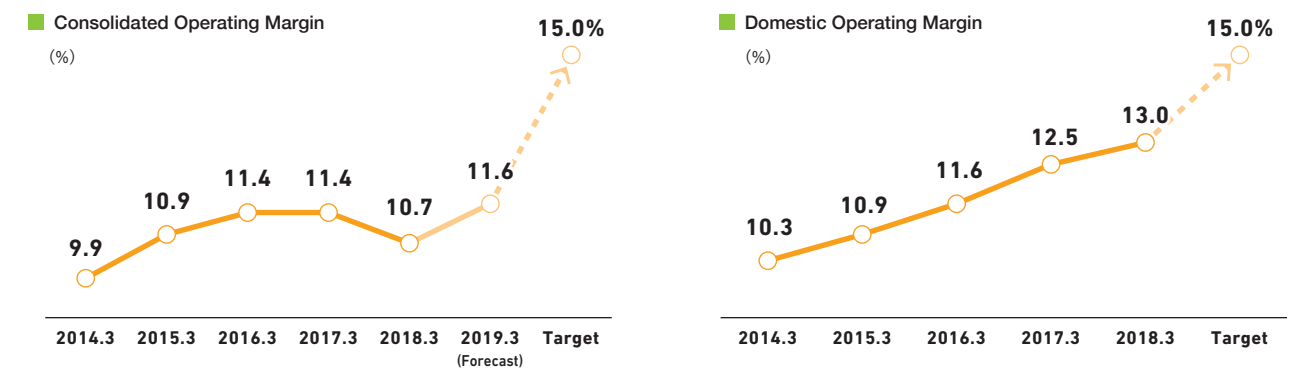


* Rate of change excluding impact from the sale of the bakery business (transferred 66.6% of subsidiary shares in April 2018)

Percent Values represent the rate of change compared to the previous fiscal year.

Aiming for an Operating Margin of 15%

To date, we have been concentrating on increasing production efficiency by maximizing factory operation and steadily raising the profitability of our domestic business. Moving forward, we will aim for an operating margin of 15% in our domestic business first, intensify cost reduction to boost productivity, and target a higher margin.



Investment and Shareholder Returns Policy

The Company will strive to continuing invest in growing fields and enhance shareholder returns by raising profitability and creating stable free cash flow. We conducted capital investment of approximately ¥1.8 billion in our Hokkaido Factory's new lines and also ¥7.0 billion in our Kyoto Factory's new lines in preparation for full-fledged *Frugra* expansion into the Chinese market. We will conduct ongoing and progressive profit with an eye on dividend payout ratios. In the fiscal year ending March 31, 2019, we forecast a ¥6-per-share dividend increase, to ¥48 per share, and a rise in the dividend payout ratio, to 34%.

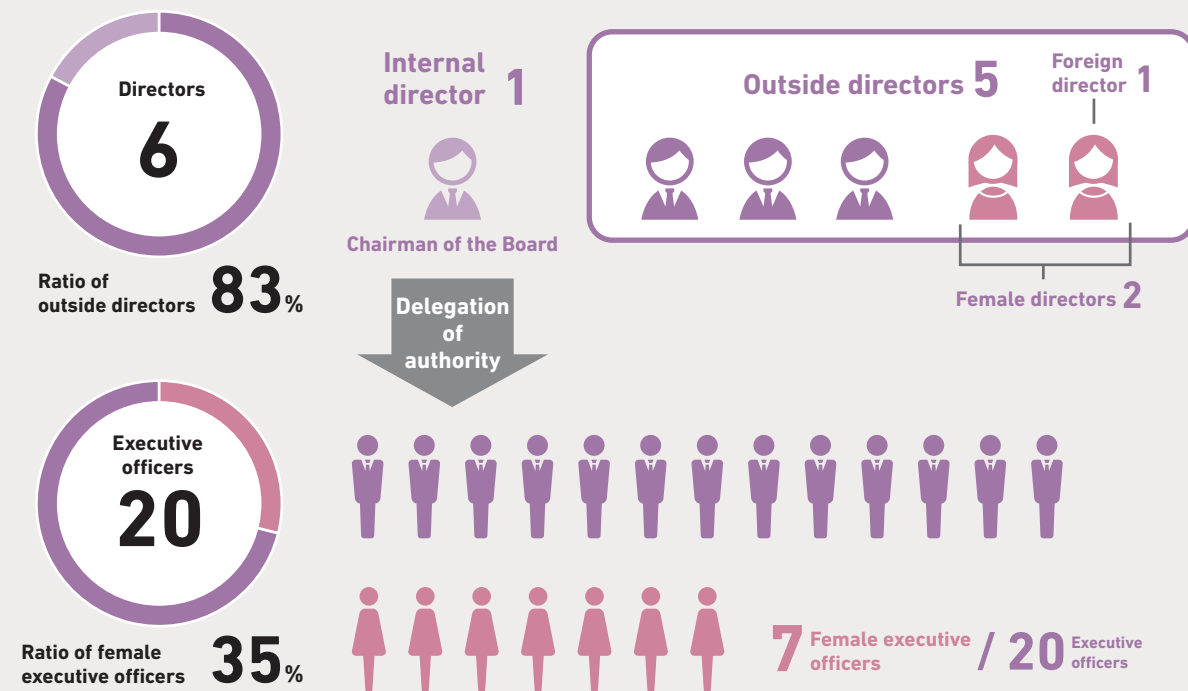


Corporate Governance System

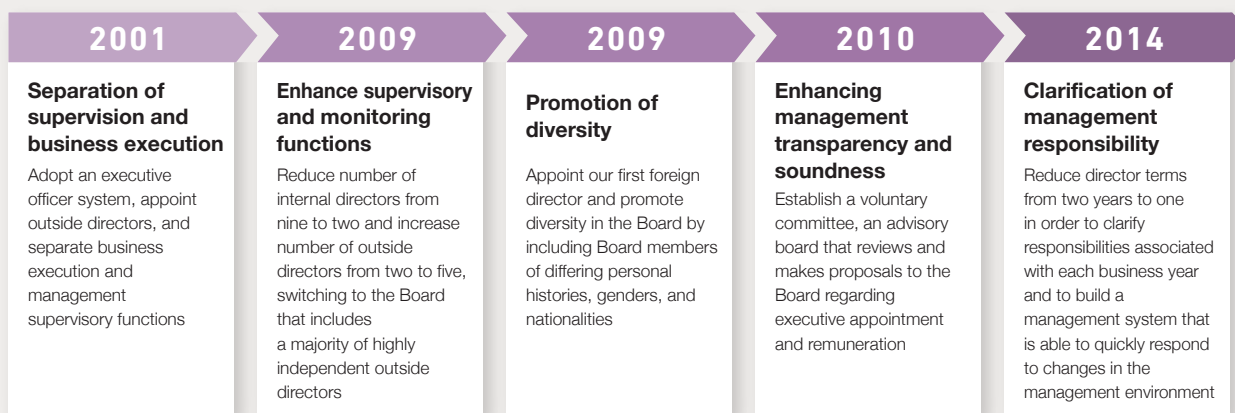
Basic Policy on Corporate Governance

The Calbee Group operates under its 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.” We prioritize customers and suppliers through our management because this will consequently be of maximum benefit to our shareholders. Calbee also believes that strengthening and enhancing corporate governance is important when fulfilling stakeholders’ trust and expectations and increasing in corporate value. Based on this stance, we aim to raise management transparency and enhance internal control systems and compliance systems.

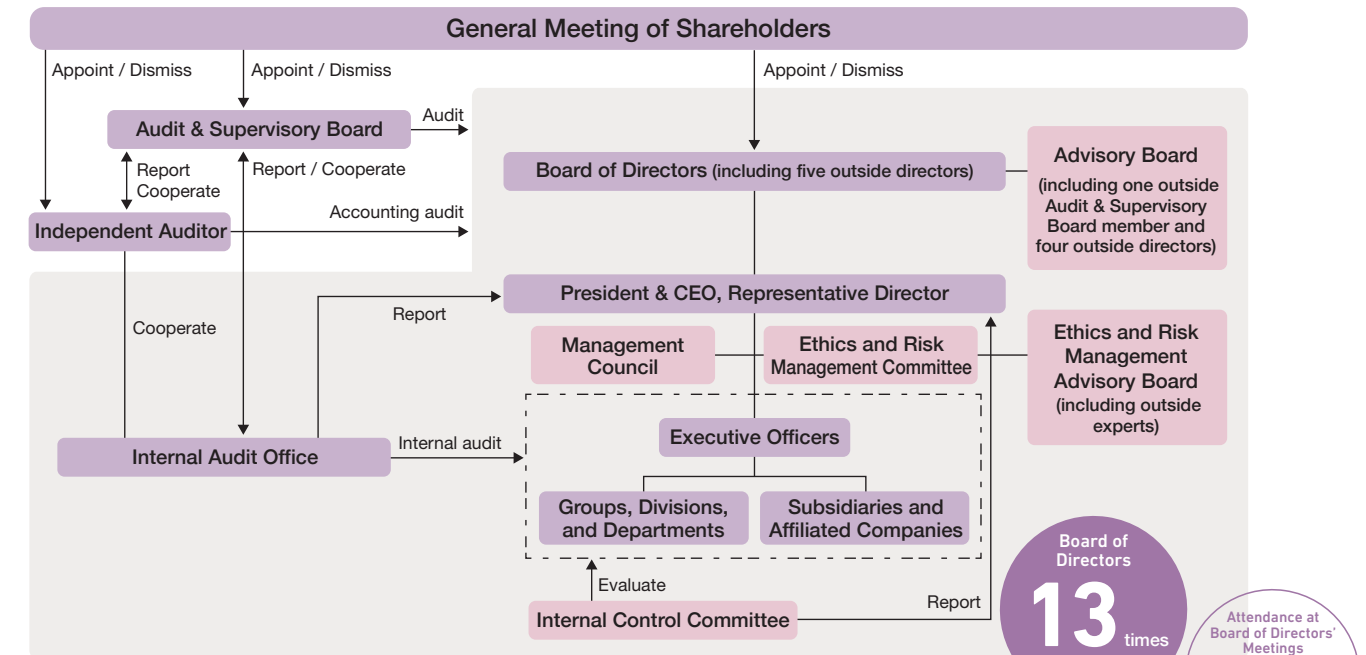
(As of July 1, 2018)



Transition of Corporate Governance System Enhancement



Organization of Corporate Governance



Board of Directors

Calbee's Board of Directors holds regular meetings once per month, in principle, in which it formulates and makes decisions regarding important management policies and strategies connected to sustainable growth and improving corporate value in addition to making decisions concerning legal matters, and conducts supervision to business execution.

All directors conduct an evaluation of the Board's effectiveness once per year. The Company interviews each director whether or not the Board was able make decisions that increased corporate value on behalf of shareholders, and whether or not it conducted proper managerial supervision from an independent standpoint. We then analyze the result of these interviews and use them to further improve our Board of Directors' functionality.

Overview of Fiscal Year Ended March 31, 2018 Self-Assessment

- The Board of Directors sets timely and appropriate agendas and makes resolutions and judgments while allowing each director to actively make proposals and inquiries based on his or her own experience.
- The Board fulfills executive monitoring and supervisory functions by rejecting and sending agendas back for revision.
- The Board will have to engage itself with further discussion regarding medium- and long-term strategy such as human resources development and overseas business expansion.

Audit & Supervisory Board

Calbee has adopted a corporate governance system with a board of corporate auditors. The Audit & Supervisory Board is composed of three outside auditors with specialized knowledge and experience regarding finance, accounting, and law.

Primary Organizations and Committees

Advisory Board

Duties: Review executive appointments and remuneration and consult with the Board of Directors
Meeting frequency: Four times per year (in principle)
Members: One outside Audit & Supervisory Board member (Chairman), four outside directors

Management Council

Duties: Verify the current status of, and issues facing, business administration and conduct preliminary discussions
Meeting frequency: Once per month
Members: President and other senior executive officers, presidents of major subsidiaries, and Corporate Planning Division head

Ethics and Risk Management Advisory Board

Duties: Objectively discuss management risks concerning product quality and the environment as well as compliance issues
Meeting frequency: Four times per year
Members: Outside experts (Chairman), president, Human Resources and General Affairs Division head, and Procurement Division head

Internal Control Committee

Duties: Construct internal control systems and conduct self-assessment
Meeting frequency: Four times per year (in principle)
Members: Internal Audit Office head (Chairman), members of management divisions, operational divisions' head, production site managers, and presidents of affiliated companies

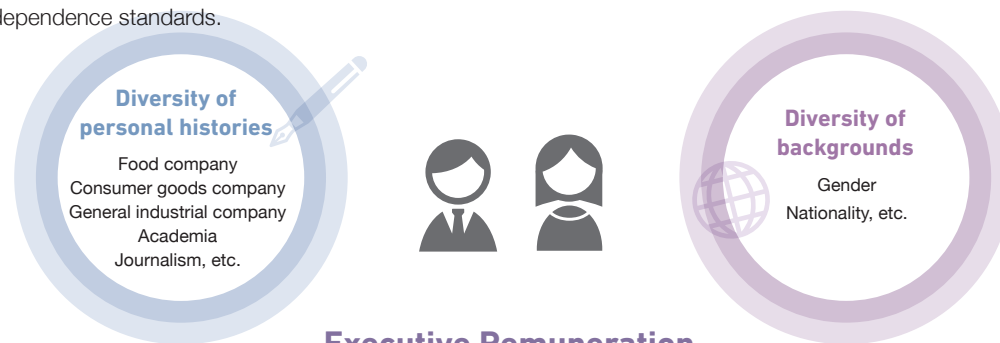
Policies and Processes for Appointing Directors and Auditors

More than half of the members of the Board of Directors of Calbee are independent directors. We are actively promoting the Board's diversity by appointing members with differing personal histories, genders, and nationalities. In addition, we are focusing on a balanced combination of directors with backgrounds in many different areas of expertise, such as the food industry, general industry, academism, and journalism.

When appointing outside directors, the Board of Directors recommends a balanced selection of candidates with diverse personal histories and backgrounds based on reviews conducted by the Advisory Board. Final appointments are then made with the approval of the General Meeting of Shareholders.

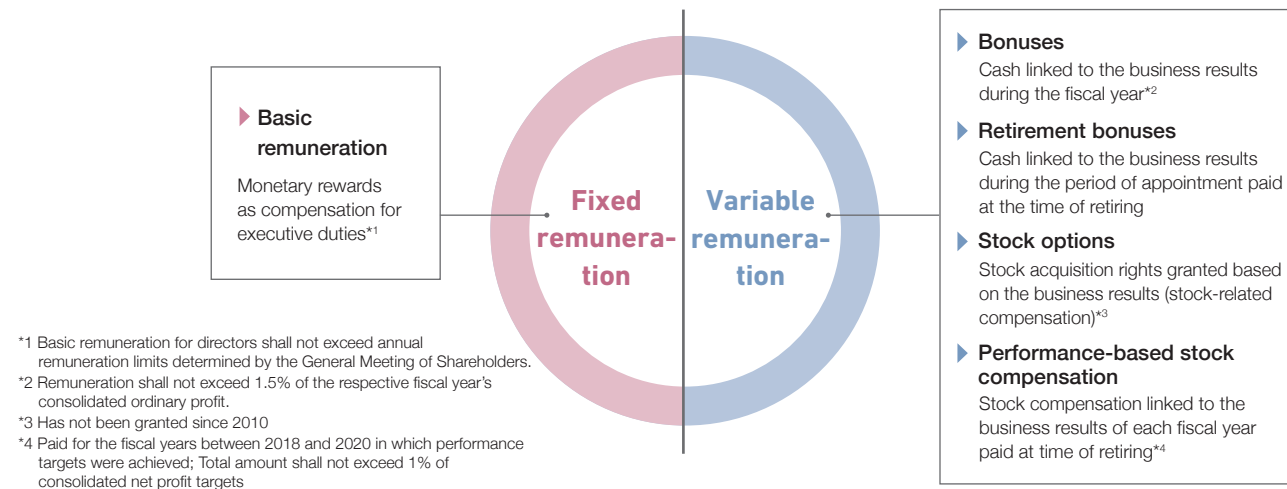
In terms of the Audit & Supervisory Board, more than half of its members are outside auditors. When appointing these outside auditors, the Board of Directors recommends candidates who can respond to shareholder proposals, and who have specialized knowledge and experience in finance, accounting, and law, after prior approval by the Audit & Supervisory Board. These candidates are then either approved or not at the General Meeting of Shareholders.

Independent judgments for directors and Audit & Supervisory Board members are conducted based on the Tokyo Stock Exchange's independence standards.



Executive Remuneration

Our remuneration system for internal directors and senior executive officers is determined through a highly transparent and objective system that is decided at the Board of Directors' meetings and involves reviews conducted by the Advisory Board based on approval of the General Meeting of Shareholders. About half of this remuneration is performance-linked. We designed the system this way so that it would be connected with shareholder interests from a medium- to long-term perspective. Additionally, we pay our outside directors basic remuneration only, as they are in positions independent from business administration.



Corporate Governance Code Response

The Tokyo Stock Exchange's Corporate Governance Code has been applied to all listed companies. In response, we have formulated our own original corporate governance code that reflects our vision and systematizes our attitude regarding corporate governance.

→ <http://www.calbee.com/ir/governance.php>

Message from an Outside Director



Our Board of Directors is composed of diverse outside directors, which inspires flexibility in our management values and strategies.

Takahisa Takahara
Outside Director

I believe that the duty of Calbee's outside directors is to aim for sustainable growth with a medium- to long-term perspective and to lead the Company to greater strength. Our management team thoroughly understands this point and it is often said within the Board of Directors that we seek out candid suggestions. Outside directors have a lot of time to speak and engage in lively discussion, which is one of the Board's best features.

As a general rule, when performance does not improve because a company's strategies are off the mark or have come to the end of their useful existences, it can be difficult to break away from familiar methods and ways of thinking because of individual and organizational inertia. Times like these are the reason outside directors exist. The five of us provide opportunities for the management team to change their viewpoints by offering opinions based on versatile points of view. These opinions are influenced by the different business models we have experienced, as well as our varying generations and cultures. In other words, we provide the diversity in Calbee's Board of Directors.

I manage a consumer goods manufacturer that is similar to Calbee. Therefore, I believe that one of my duties is to advise Calbee's management team using knowledge and experience that I have gained over the years. Calbee achieved great success for aiming to be a global foods company by taking full advantage of the strengths and resources of overseas partners. However, some issues surfaced as well. In the future, it will be important for us to refine our original strengths and design and implement strategies that will enable us to put them to use overseas. Through its discussions, the Board of Directors should contribute to improving our strategic flexibility and increasing the number of options we have for responding to crises.

In June 2018, Calbee changed to a new management team with Mr. Ito, our CEO, at the top. His job at the top is to demonstrate his own imaginative power. I expect that we will engage in reform and achieve sustained growth for the Company by actualizing Mr. Ito's global vision out in the field.

Board of Directors and Audit & Supervisory Board Members



Directors

1 Shuji Ito

- Mar. 1979 Joined Calbee, Inc.
- Jul. 2001 Appointed Executive Officer and COO of the East Japan Company, Calbee
- Jun. 2004 Appointed Director, Executive Officer and COO of the Jagarico Company, Calbee
- Jun. 2005 Appointed Director, Executive Managing Officer, Calbee
- Jun. 2009 Appointed President & COO, Representative Director, Calbee
- Jun. 2018 Appointed President & CEO, Representative Director, Calbee (current position)



2 Yuzaburo Mogi

- Apr. 1958 Joined Kikkoman Corporation
- Mar. 1979 Appointed Director, Kikkoman
- Mar. 1982 Appointed Managing Director, Kikkoman
- Oct. 1985 Appointed Representative Director and Managing Director, Kikkoman
- Mar. 1989 Appointed Representative Director and Senior Managing Director, Kikkoman
- Mar. 1994 Appointed Representative Director, Deputy President, Kikkoman
- Feb. 1995 Appointed Representative Director, President and CEO, Kikkoman
- Jun. 2001 Appointed Audit & Supervisory Board Member, Tobu Railway Co., Ltd. (current position)
- Jun. 2003 Appointed Audit & Supervisory Board Member, Fuji Television Network, Inc. (now Fuji Media Holdings, Inc.) (current position)
- Jun. 2004 Appointed Representative Director, Chairman and CEO, Kikkoman
- Jun. 2009 Appointed Director, Calbee, Inc. (current position)
- Jun. 2011 Appointed Honorary CEO and Chairman of the Board of Directors, Kikkoman (current position)
- Jun. 2016 Appointed Executive Director (External), Oriental Land Co., Ltd. (current position)

Reasons for Appointment

Mr. Mogi is the Honorary CEO and Chairman of the Board of Directors of Kikkoman Corporation, and has served as a director or auditor at a wide range of companies. We believe that he will be able to make effective use of the managerial know-how and experience that he has accumulated over the course of his career in applying it to the management of our company.

3 Takahisa Takahara

- Apr. 1986 Joined Sanwa Bank, Ltd. (now MUFG Bank, Ltd.)
- Apr. 1991 Joined Unicharm Corporation
- Jun. 1995 Appointed Director, Unicharm
- Apr. 1996 Appointed Director, General Manager of Procurement Division and Deputy General Manager of International Division, Unicharm
- Jun. 1997 Appointed Senior Director, Unicharm
- Apr. 1998 Appointed Senior Director, General Manager of Feminine Hygiene Business Division, Unicharm
- Oct. 2000 Appointed Senior Director, Responsible for Management Strategy, Unicharm
- Jun. 2001 Appointed President, Unicharm
- Jun. 2004 Appointed President & CEO, Unicharm (current position)
- Jun. 2015 Appointed Director, Calbee, Inc. (current position)

Reasons for Appointment

Mr. Takahara is the President & CEO of Unicharm Corporation. We believe that he will be able to effectively utilize the knowledge and experience that he has gained through leading Unicharm's global expansion to contribute to our company's management.

4 Atsuko Fukushima

- Apr. 1985 Joined Chubu-Nippon Broadcasting Co., Ltd.
- Apr. 1988 Named newscaster, Japan Broadcasting Corporation (NHK)
- Oct. 1993 Named newscaster, Tokyo Broadcasting System, Inc. (TBS, now Tokyo Broadcasting System Television, Inc.)
- Apr. 2005 Named newscaster of economic program, TV TOKYO Corporation
- Apr. 2006 Appointed Management Council Member, Shimane University (current position)
- Dec. 2006 Management advisor, Matsushita Electric Co., Ltd. (now Panasonic Corporation)
- Mar. 2012 Appointed Director, former Hulic Co., Ltd.
- Jul. 2012 Appointed Director, Hulic Co., Ltd. (current position)
- Jun. 2015 Appointed Director, Nagoya Railroad Co., Ltd. (current position)
- Jun. 2015 Appointed Director, Calbee, Inc. (current position)

Reasons for Appointment

We believe that Ms. Fukushima will be able to contribute to our company's management using the wide-ranging, objective perspective that she has developed through her many years of experience as a reporter and broadcaster in relation to social, economic, environmental, and consumer affairs, etc.

5 Yoshihiko Miyauchi

- Aug. 1960 Joined Nichimen & Co., Ltd. (now Sojitz Corporation)
- Apr. 1964 Joined Orient Leasing Co., Ltd. (now ORIX Corporation)
- Mar. 1970 Appointed Director, ORIX
- Dec. 1980 Appointed Representative Executive Officer, President and Chief Executive Officer, ORIX
- Apr. 2000 Appointed Representative Executive Officer, Chairman and Chief Executive Officer, ORIX
- Jun. 2003 Appointed Director, Representative Executive Officer, Chairman and Chief Executive Officer, ORIX
- Jun. 2014 Appointed Senior Chairman, ORIX (current position)
- Jun. 2017 Appointed Director, Calbee, Inc. (current position)

Reasons for Appointment

Mr. Miyauchi is the Senior Chairman of ORIX Corporation. We believe that he will be able to make effective use of the managerial know-how and experience that he has accumulated, and of his extensive knowledge of the global economy, in applying it to the management of our company.

6 Weiwei Yao

- 1995 Joined PepsiCo, Inc.
- 2007 Appointed Vice President, Corporate Mergers & Acquisitions – Asia, PepsiCo
- 2012 Appointed Vice President, Global Franchise Center of Excellence, PepsiCo
- 2014 Appointed Vice President & General Manager, PepsiCo Greater China Region
- 2016 Appointed Senior Vice President & General Manager, PepsiCo Greater China Region (current position)
- 2017 Appointed Director, Calbee, Inc. (current position)

Reasons for Appointment

Ms. Yao is a senior manager in the food and beverage business of the PepsiCo Group, the parent company of FRITO-LAY GLOBAL INVESTMENTS B.V., which is a major shareholder in our company (holding a 20.02% share). We believe that she will be able to use the knowledge and experience that she has accumulated as a manager at a multinational corporation to contribute to the management of our company.

Audit & Supervisory Board Members

Tadashi Ishida

- Jan. 1974 Joined Arthur Young, Tokyo Office
- Jan. 1980 Transferred to Asahi & Co. (now KPMG AZSA LLC) as business integration of Arthur Young and Asahi & Co.
- Jul. 1980 Registered as Certified Public Accountant (Japan)
- Jul. 1990 Temporarily transferred from Asahi & Co. to London Office of Ernst & Young and Arthur Andersen of its business partners
- Jul. 1996 Transferred to McDonald's Co. (Japan), Ltd. Appointed Executive Officer in charge of accounting and financing, McDonald's Co. (Japan)
- May 2003 Appointed CFO & Executive Vice President, McDonald's Co. (Japan)
- Apr. 2005 Appointed Senior Managing Director (CFO), Sega Sammy Holdings Inc.
- Apr. 2010 Senior Research Fellow, Japan Association for Chief Financial Officers
- Jan. 2011 Appointed Statutory Audit & Supervisory Board Member, Calbee, Inc. (current position)

Reasons for Appointment

Mr. Ishida possesses a high level of specialist expertise as a Certified Public Accountant, and has accumulated a wide range of practical experience as director or auditor at various industrial firms, and as a Senior Research Fellow at the Japan Association for Chief Financial Officers. We believe that he will be able to utilize this knowledge and experience effectively in applying it to all aspects of our company's management.

Nagako Oe

- Apr. 1998 Licensed and registered as an Attorney at Law
- Apr. 1998 Joined Toranomon Sougho Law Office
- Sep. 2004 Joined Kramer Levin Naftalis & Frankel LLP, New York (Foreign Trainee)
- Sep. 2005 Joined Asahi Koma Law Offices (Associate)
- Feb. 2007 Joined TMI Associates (Associate)
- Jan. 2008 Appointed Partner, TMI Associates (current position)
- Jun. 2016 Appointed Statutory Audit & Supervisory Board Member, Calbee, Inc. (current position)

Reasons for Appointment

We believe that Ms. Oe will be able to utilize the wealth of experience that she has accumulated as a practicing attorney in applying it to all aspects of our company's management.

Taizo Demura

- Apr. 1987 Joined Daiwa Securities Co., Ltd.
- Jun. 1987 Temporarily transferred to Daiwa Securities Research Institute Ltd. (now Daiwa Institute of Research Ltd.), Security Analyst, Corporate Research Department
- Dec. 1996 Joined Morgan Stanley Securities Co., Ltd. (now Morgan Stanley MUFG Securities Co., Ltd.)
- Dec. 2005 Appointed Executive Director, Morgan Stanley MUFG Securities
- Jun. 2018 Appointed Statutory Audit & Supervisory Board Member, Calbee, Inc. (current position)

Reasons for Appointment

Mr. Demura has accumulated many years of experience as a securities analyst, particularly in relation to the food and beverage industry. We believe that he will be able to utilize the high level of wide-ranging specialist knowledge and expertise that he has acquired in the areas of finance and investor relations in applying it to all aspects of our company's management.

Financial Information (Fiscal years ended March 31)

(Million of yen, rounded down)

	2011.3	2012.3	2013.3	2014.3	2015.3	2016.3	2017.3	2018.3
Net sales	¥155,529	¥163,268	¥179,411	¥199,941	¥222,150	¥246,129	¥252,420	¥251,575
Gross profit	65,047	69,081	78,522	87,209	97,561	107,033	111,573	108,904
Selling, general and administrative expenses	54,329	56,833	62,731	67,492	73,378	78,908	82,732	82,075
Operating profit	10,717	12,247	15,790	19,717	24,183	28,125	28,841	26,828
Ordinary profit	10,570	12,486	17,127	20,782	25,615	26,545	28,625	26,179
Profit attributable to owners of parent	4,253	7,096	9,440	12,086	14,114	16,799	18,605	17,330
Total assets	¥ 99,393	¥108,474	¥124,793	¥140,966	¥161,968	¥174,878	¥182,011	¥192,137
Net assets	72,924	80,417	92,685	104,466	118,800	131,469	135,056	146,667
Working capital*1	16,131	25,210	36,302	50,160	55,313	57,456	60,805	71,526
Interest-bearing debt*2	698	358	302	186	563	555	1,596	1,511
Equity ratio (%)*3	70.7	71.6	70.2	69.1	67.7	69.1	70.4	72.5
Debt to equity ratio (Times)*3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Research and development costs	¥ 2,213	¥ 1,811	¥ 2,288	¥ 2,161	¥ 2,052	¥ 2,195	¥ 2,168	¥ 2,469
Capital expenditures	4,049	5,422	7,298	6,392	15,290	21,229	9,763	11,009
Depreciation and amortization	7,243	6,676	6,318	5,960	6,232	7,570	7,297	7,845
ROE (%)	6.5	9.6	11.4	13.1	13.7	14.6	14.9	13.0
Earnings per share (EPS) (Yen)*4	¥ 36.62	¥ 55.07	¥ 72.18	¥ 91.46	¥ 105.82	¥ 125.88	¥ 139.24	¥ 129.72
Net assets per share (Yen)*4	550.14	596.66	664.55	729.93	821.97	905.20	958.60	1,043.37
Cash dividends per share (Yen)*4	7.00	10.50	15.50	22.00	28.00	35.00	42.00	42.00
Dividend payout ratio (%)	19.1	19.1	21.5	24.1	26.5	27.8	30.2	32.4
Cash flows from operating activities	¥ 16,664	¥ 7,049	¥ 17,328	¥ 23,478	¥ 22,266	¥ 22,541	¥ 25,958	¥ 9,358
Cash flows from investing activities	(620)	(5,347)	(12,999)	(17,041)	(9,422)	(14,270)	(13,404)	(6,258)
Cash flows from financing activities	(2,124)	(411)	607	(383)	(2,878)	(2,859)	(14,711)	(5,450)
Number of consolidated subsidiaries	18	18	21	22	22	24	27	27
Number of employees	2,911	3,053	3,352	3,341	3,477	3,728	3,860	3,798

*1 Working capital comprises current assets less current liabilities.
*2 Interest-bearing debt includes long and short-term debt, leasing obligations, and other interest-bearing debt.
*3 Shareholders' equity consists of total net assets exclusive of subscription rights and non-controlling interests.
*4 A 50-for-1 share split was conducted on January 14, 2011, and a 4-for-1 share split was implemented on October 1, 2013. Per-share figures were retroactively adjusted to reflect these stock splits.

Management’s Discussion and Analysis of Operations in the Fiscal Year Ended March 31, 2018

- **Overview of business performance:** For the domestic business, we made adjustments to production and sales items for *Potato Chips* due to a potato shortage caused by typhoon damage in Hokkaido in summer 2016, but sales resumed after potato harvests got under way from the second quarter, and we focused on proactive sales promotional activities aimed at effecting a market recovery, such as the launch of local specialty flavor *Potato Chips* created jointly with localities across Japan’s 47 prefectures. We also worked to improve profitability, promoting cost reductions by improving selling cost efficiency and other such measures.
In overseas business, we focused on the rebuilding of our North America business as it is our key region, but due to delays in stabilization of sales and cost improvements the region had a significant effect on profit. However, in Indonesia, which we entered during the previous fiscal year, we worked to increase sales through the expansion of sales channels and proactive sales promotional activities. In Spain, we dissolved our subsidiary, Calbee Iberia, S.L., in October 2017 after determining that it was not feasible to expect material sales growth of bean-based snacks.
In working toward our full-fledged entry into the Chinese cereal market, we established and began operation of a *Frugra* production line at our Hokkaido Factory, and from the second quarter launched cross-border e-commerce sales at our subsidiary in Hong Kong. Also, toward the further expansion of our *Frugra* business in the Chinese market we are advancing measures including the construction of a new production line at our Kyoto Factory, which is preparing to begin operation in summer 2018, and establishing a new company for e-commerce business in mainland China, Calbee (Hangzhou) Foods Co., Ltd. (Zhejiang, China).
- **Net sales / Gross profit:** Calbee posted net sales of ¥251,575 million (down 0.3% year on year). While domestic sales of snack foods remained stable, there was an increase in overseas sales of both snack foods and cereals; however, because of the change of sales of our *Frugra* cereal product (which had previously been included only in the Japanese domestic market) held by overseas consumption, overall, there was a decline in net sales. Gross profit for in the fiscal year ended March 31, 2018 totaled ¥108,904 million (down 2.4% year on year). As a result of the fall in the domestic capacity utilization rate during the period in which sales of *Potato Chips* had to be temporarily halted, as well as the delay in restoring sales in North America to their previous level and a rise in the cost ratio due to a deterioration in productivity, the gross profit margin was down 0.9 percentage point year on year.
- **Selling, general and administrative expenses / Operating profit:** Calbee posted selling, general and administrative expenses (SG&A) of ¥82,075 million (down 0.8% year on year), equivalent to 32.6% of net sales (down 0.2 percentage point year on year). With regard to overseas business, the ratio of selling expenses in North America rose due to promotional activities that did not lead to a significant increase in sales; however, Calbee did succeed in controlling selling expenses in the domestic business. Operating profit for the fiscal year ended March 31, 2018 totaled ¥26,828 million (down 7.0% year on year) and the operating margin was 10.7% (down 0.7 percentage point year on year).
- **Ordinary profit:** As a result of exchange loss of ¥562 million in non-operating income, Calbee posted ordinary profit of ¥26,179 million (down 8.5% year on year).
- **Profit attributable to owners of parent:** Profit attributable to owners of parent totaled ¥17,330 million (down 6.9% year on year). Earnings per share came to ¥129.72, while earnings per share (diluted) came to ¥129.61. The return on equity (ROE) ratio was 13.0% (down 1.9 percentage points year on year).

Financial Position as of March 31, 2018

- **Total assets:** Total assets were ¥192,137 million, an increase of ¥10,126 million. The primary factors contributing to this outcome were increases in notes and accounts receivable trade due to shift in payments to the following month due to a bank holiday on the last day of the period.
- **Liabilities / Net assets:** Liabilities decreased ¥1,484 million, to ¥45,470 million, primarily due to a decrease in consumption taxes payable recorded within other under current liabilities. Net assets increased ¥11,611 million, to ¥146,667 million, due to an increase in retained earnings. The equity ratio increased 2.1 percentage points from the end of the previous fiscal year, to 72.5%.

Cash Flows in the Fiscal Year Ended March 31, 2018

Cash and cash equivalents were ¥42,195 million, ¥2,432 million lower than at the end of the previous fiscal year.

- **Cash flows from operating activities:** Operating activities resulted in a net cash inflow of ¥9,358 million, a decrease in cash inflow of ¥16,599 million compared with the previous fiscal year, due to factors including an increase in notes and accounts receivable trade and a decrease in accounts payable-other.
- **Cash flows from investing activities:** Investing activities resulted in a net cash outflow of ¥6,258 million, a decrease in cash outflow of ¥7,146 million compared with the previous fiscal year, primarily due to an increase in inflows from proceeds from redemption of securities.
- **Cash flows from financing activities:** Financing activities resulted in a net cash outflow of ¥5,450 million, a decrease in cash outflow of ¥9,261 million compared with the previous fiscal year, primarily due to a decrease in payments from change in ownership interests in subsidiaries that do not result in charge in scope of consolidation.

Corporate Information

Investor Information (As of March 31, 2018)

- **Stock Listing:** First Section of the Tokyo Stock Exchange
- **TSE Code:** 2229

■ **Stock Information**

Number of shares authorized	176,000,000 shares
Number of shares issued*	133,875,800 shares
Number of shareholders	33,390 people

* Including treasury stock

■ **Principal Shareholders**

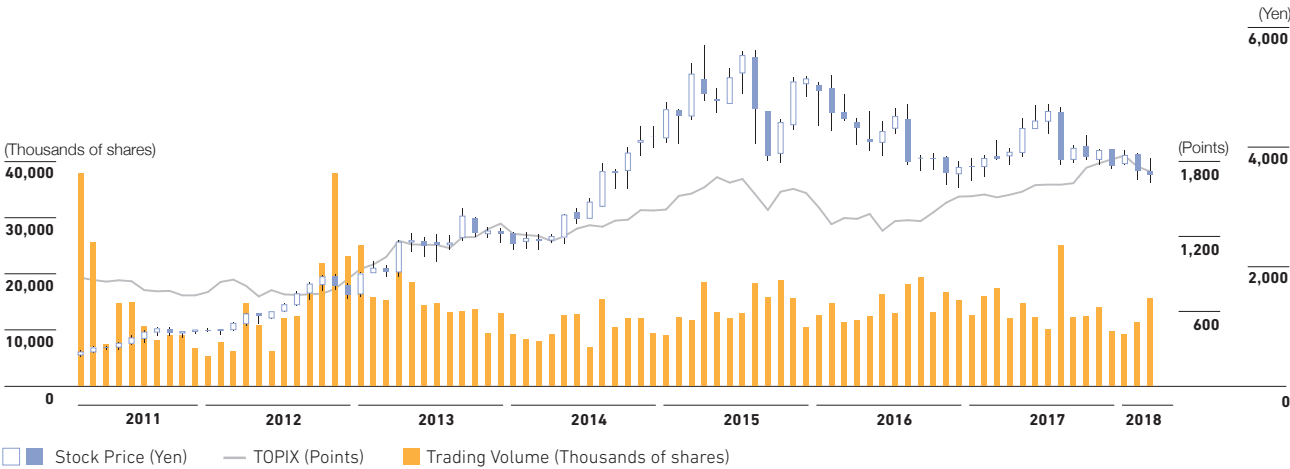
Name of Shareholder	Number of Shares (Thousands)	Ownership Ratio (%) ^{*3}
FRITO-LAY GLOBAL INVESTMENTS B.V. ^{*1}	26,800	20.02
General Incorporated Association Miki-no-Kai ^{*2}	22,660	16.93
STATE STREET BANK AND TRUST COMPANY	6,508	4.86
The Master Trust Bank of Japan, Ltd. (Trust Account)	2,955	2.21
Japan Trustee Services Bank, Ltd. (Trust Account)	2,954	2.21
THE BANK OF NEW YORK MELLON SA/NV 10	2,918	2.18
Calbee Employees Shareholding Association	2,361	1.76
Trust & Custody Services Bank, Ltd. (Collateral on Unit Trust Account)	2,077	1.55
THE TORIGOE CO., LTD.	1,936	1.45
Japan Trustee Services Bank, Ltd. (Trust Account No. 5)	1,746	1.30

^{*1} FRITO-LAY GLOBAL INVESTMENTS B.V. is a wholly owned subsidiary of PepsiCo, Inc.

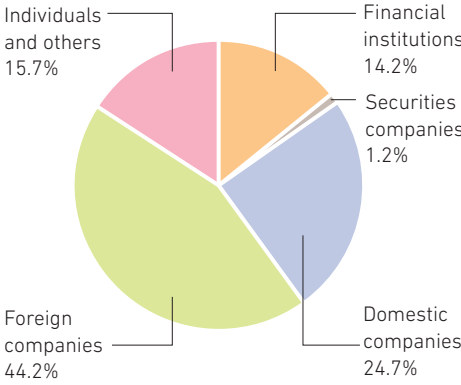
^{*2} General Incorporated Association Miki-no-Kai is a shareholding association of the founding family of the Company.

^{*3} Ownership ratios are calculated excluding 832 shares held by the Company as treasury stock.

■ **Monthly Stock Price and Trading Volume**



■ **Share Breakdown by Shareholder Type***



* Excluding shares less than one unit of 48,000 shares

External Recognition

Status of inclusion in the socially responsible investment (SRI) indexes (As of June 2018)

Calbee is continuously incorporated into the following indexes which are representative SRI indicators.

- MSCI Japan ESG Select Leaders Index
- MSCI Japan Empowering Women Index

Corporate Data

Company Name	Calbee, Inc.
Head Office	Marunouchi Trust Tower Main, 22nd Floor, 1-8-3 Marunouchi, Chiyoda-ku, Tokyo 100-0005, Japan
Date of Establishment	April 30, 1949
Representatives	President & CEO Shuji Ito
Business	Production and sale of snacks and other foods
Fiscal Year-End	March 31
Paid-In Capital	¥12,033 million (As of March 31, 2018)
Number of Employees	3,798 on a consolidated basis (As of March 31, 2018) 1,737 on a parent basis (As of March 31, 2018)

Consolidated Subsidiaries

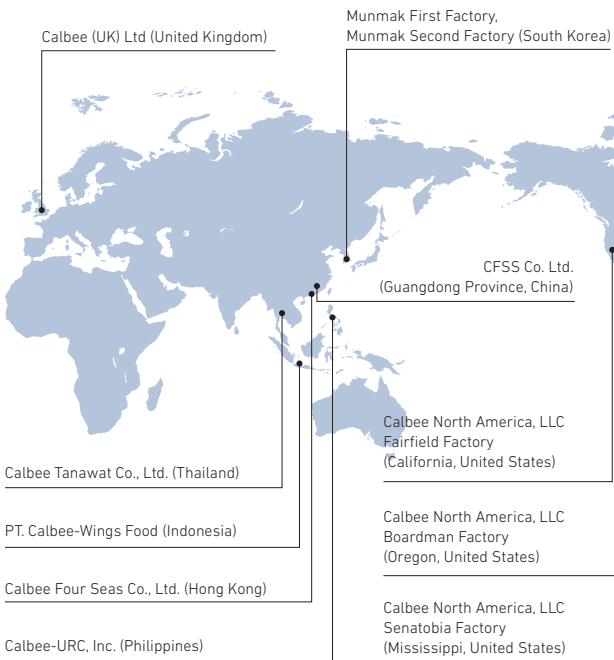
Japan	Calbee Potato, Inc., Calbee Logistics, Inc., Calnac Co., Ltd., Calbee Eatalk Co., Ltd., Japan Frito-Lay Ltd., Studio Socio Inc.
Overseas*	Calbee North America, LLC [United States] Haitai-Calbee Co., Ltd. [South Korea] Qingdao Calbee Foods Co., Ltd. [China] Yantai Calbee Co., Ltd. [China] CFSS Co. Ltd. [China] Calbee (Hangzhou) Foods Co., Ltd. [China] Calbee Four Seas Co., Ltd. [Hong Kong] Calbee E-commerce, Ltd. [Hong Kong] Taiwan Calbee Co., Ltd. [Taiwan] Calbee-URC, Inc. [Philippines] Calbee Tanawat Co., Ltd. [Thailand] Calbee MohSeng Pte., Ltd. [Singapore] PT. Calbee-Wings Food [Indonesia] Calbee Australia Pty Ltd. [Australia] Calbee (UK) Ltd [United Kingdom]

* []: Country or region

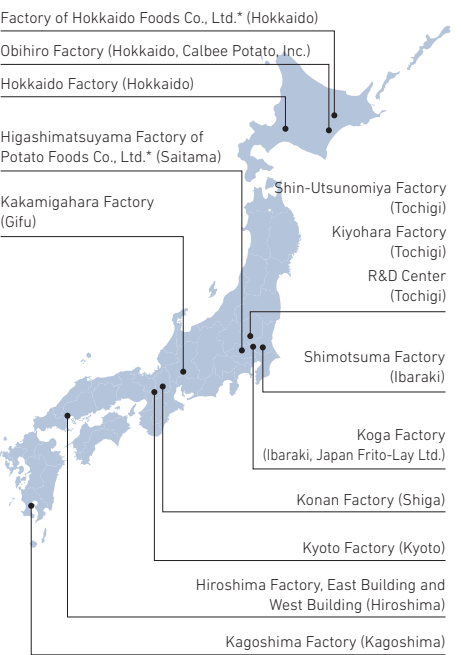
Location of Factories

* (): Country or region

Overseas



Japan



* Factories that cooperate with the Calbee Group

The Calbee logo features the word "Calbee" in a bold, red, italicized sans-serif typeface.

Harvest the Power of Nature.

Calbee, Inc.

Marunouchi Trust Tower Main, 22nd Floor
1-8-3 Marunouchi, Chiyoda-ku,
Tokyo 100-0005, Japan

Tel.: +81-3-5220-6222 (Main phone)

<https://www.calbee.com>

Fonts used within are easily readable universal design fonts.

UD FONT