

Long-term Vision and Medium-term Business Plan

We have formulated “Long-term Vision (Vision for 2030)” and “Medium-term Business Plan (Fiscal year ending March 31, 2020 to fiscal year ending March 31, 2024)” for a five-year period aimed at realizing long-term vision. We will continue to explore diversifying customer needs and provide new value. At the same time, we will accelerate the development of overseas business and take on the challenge of expanding our business into new food areas.

We will also work to help resolve social issues and realize a sustainable global environment through collaboration with society.

Medium-term Business Plan Core Policy

Transformation and challenge toward achieving next-generation growth

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



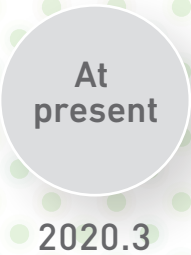
Non-Financial Indices

- Flavor and fun for all generations**
- Salt equivalent in products \*1 20% reduction
  - Protein-rich product \*2 Sales ratio 10%
  - Food Communications\*3 400,000 participants
- Sustainable, co-creative use of nature's bounty**
- Domestic procurement volume of potatoes 400,000 tons
  - Food loss 20% reduction
  - Greenhouse gas emissions [2030] 30% reduction
- A motivating and fulfilling environment for all employees through diversity and inclusion**
- Female manager ratio\*4 Over 30%

\*1 Salt content of all products sold as a percentage of the total weight of products sold  
\*2 More than 13% of total energy consumption accounts for protein  
\*3 Food education activities such as Calbee snack school and factory tours  
\*4 Achieve 30% by the fiscal year ending March 31, 2022  
Food loss reduction targets for Calbee, Inc. and domestic Calbee Group,  
Other indices for Calbee, Inc.

Six Key Initiatives

- Existing domestic businesses
- Overseas business
- New businesses
- Management base
- Co-creation with society
- Collaboration with PepsiCo



Vision for 2030



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

Toward 2030

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

2030 Targets

Overseas sales ratio  
Over 40%

New food areas sales ratio  
Over 20%

2030

Medium-term Business Plan

Messages from Management

We have begun medium-term business plan to expand our business from this fiscal year. Expanding and improving profitability of overseas business is one of the most crucial issues for achieving the plan. Over the past decade, net sales in overseas business has increased eightfold and had major contributions in the Calbee Group's growth. However, the business has not yet achieved contributions in terms of operating profit. Looking ahead, we will focus on the four key regions and strengthen our contact points with customers to raise awareness of the Calbee brand and our quality. We will also enhance our brand value, thereby aiming to create a strong business foundation.

In Japan, we will pursue challenges aimed at creating new value in existing areas and establishing businesses in new food areas while building on a solid business foundation. We have some strengths cultivated in the value chain centered on the potato business, and believe that utilizing these strengths offers various opportunities.

Our management targets for the fiscal year ending March 31, 2024 (the final year of the plan) is to achieve consolidated net sales of 310 billion yen (of which overseas business sales of 80 billion yen) and consolidated operating profit of 40 billion yen (operating margin of 13%). We believe that the environment surrounding the Company will change constantly and the path for these targets will never be easy. However, we will seize this as an opportunity and boldly engage in "transformation" and "challenge."



Executive Vice President  
Makoto Ehara

Six Key Initiatives

We have defined the 6 key initiatives as the steps to achieve these targets will Vision for 2030. With "Transformation and Challenge toward achieving next-generation growth" as our core policy, we will realize sustainable growth through transformation and challenge by building a foundation that can respond to changes in the business environment. The 6 key initiatives consists of three business strategies (existing domestic businesses, the overseas business, and new businesses) and the three foundations (management base, co-creation with society, and collaboration with PepsiCo) that support them.



- Management base Reform base to support global management and sustainable growth
- Co-creation with society Achieve a sustainable society
- Collaboration with PepsiCo Strengthen collaboration with PepsiCo

Existing Domestic Businesses

Changes in the Business Environment and Social Issues

- Declining birthrate, aging population, expansion of single-person households
- Increasing individualization and convenience of food
- Diversifying consumer needs
- Increasing safety, security, health-consciousness

Potential risks

- Limited room for domestic snack market to grow
- Intensifying competition in the domestic cereal market
- Increasing negativity toward salt and snacks
- Labor shortage due to decline in working-age population
- Limited satisfaction of needs due to diversification of consumer values

Opportunities to pursue

- Provide new value that meets diversifying customer needs
- Leverage the strength of our *Frugra* brand to raise added value and increase points of contact in the cereal market



Strategic Direction

Create new value and realize high profit

Amid limited growth potential in the domestic market, we will focus on providing new value that meets diverse needs and increasing points of contact with customers. In particular, in response to rising health-consciousness, we will develop snack products that take into account salt content and nutritional balance, and expand our product lineup by seizing these opportunities. We will also reform and strengthen our business foundation to address labor shortages and raise productivity. Through these initiatives, we aim to further improve our profitability in existing domestic businesses. Our medium-term business plan target is a domestic operating margin of 15%.

Specific Measures

Reform snack business	<ul style="list-style-type: none"><li>Achieve multiple products of new value that meet both diverse needs and high profitability</li><li>Diversify and expand contact points with customers such as inbound demand and gifts</li><li>Go beyond snacks to offer "fine snacks"<sup>*1</sup> — healthy light food</li></ul>
Enhance cereal business	<ul style="list-style-type: none"><li>Establish new product brands that pursue functionality and strengthen the <i>Frugra</i> brand</li><li>Increase the number of occasions for easy meals<sup>*2</sup> other than breakfast by expanding value added cereal products</li><li>Shift from "morning <i>Frugra</i> business" to "lifestyle-support food business"</li></ul>
Strengthen business base	<ul style="list-style-type: none"><li>Optimize production and supply by strengthening supply chain management (SCM)</li><li>Improve productivity by promoting digital transformation</li><li>Promote strategic partnerships with distributors</li></ul>

<sup>\*1</sup> Fine snack: Light meals utilized taste of natural ingredients by Calbee, such as low-salt and energy-producing nutrient balance-conscious products based on taste, fun, and healthy

<sup>\*2</sup> Easy meals: A meal simple, delicious and healthy to anytime, anywhere

Overseas Business

Changes in the Business Environment and Social Issues

- Intensification of competition for acquiring resources due to globalization
- Expansion of the middle-income class in emerging countries
- Diversified consumer needs
- Increasing consciousness of safety and security

Potential risks

- Intensifying competition in each market
- Increasing negativity toward salt and snacks

Opportunities to pursue

- Accelerate growth in regions with marketability and growth prospects
- Loyalty to the quality of Japanese products
- Transformation of distribution channels (expansion of e-commerce, etc.)

Strategic Direction

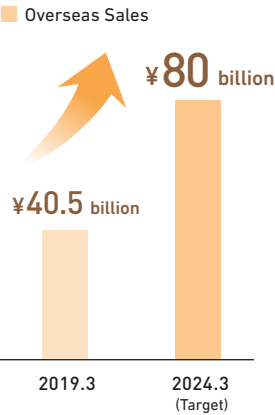
Establish revenue-generating bases in four key regions

Among the overseas bases where we currently operate, we have identified the four priority regions (North America, Greater China, the United Kingdom, and Indonesia) that have the greatest potential in terms of market size and market growth potential, and will focus business development on the regions. Leveraging our strengths of high quality cultivated in Japan (Japan Quality), which is realized through our proprietary technologies for processing raw materials, we will promote the penetration of Calbee brands and expand our business in each country. In overseas business, our medium-term business plan target is overseas sales of 80 billion and an overseas sales ratio of 25%.

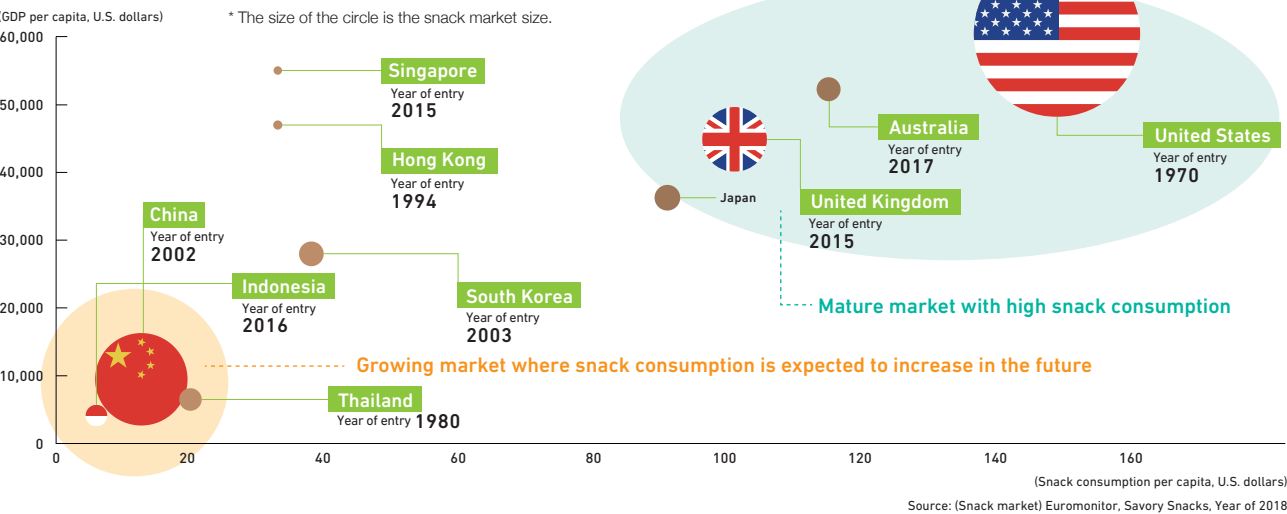
Specific Measures

Increase penetration of the Calbee brands and expand sales channels

North America	<ul style="list-style-type: none"><li>• Raise penetration of our brand and create new brands that utilize Japan Quality</li><li>• Expand shelf space and e-commerce channels</li></ul>
Greater China	<ul style="list-style-type: none"><li>• Raise brand awareness leveraging inbound demand</li><li>• Strengthen collaboration with e-commerce partners</li><li>• Optimize offline sales locations</li></ul>
United Kingdom	<ul style="list-style-type: none"><li>• Optimize and streamline organizational structure between Calbee (UK) Limited and Seabrook Crisps Limited (Seabrook)</li><li>• Penetrate Calbee by Seabrook (Integration of Japanese Calbee's production and Seabrook brands)</li></ul>
Indonesia	<ul style="list-style-type: none"><li>• Promote delivery to traditional trade</li><li>• Expand lineup of potato-based snacks</li></ul>



Overseas Snacks Market and Calbee Group Business Operation



New Businesses

Establish businesses in new food areas

We aim to establish businesses in new food areas that utilize the strengths we have cultivated in our existing snack and cereal businesses. In particular, we will develop service-oriented businesses that leverage our vertically integrated value chain in potato-related businesses, and food-related businesses that leverage the processing technologies of natural ingredients.

Specific Measures

Establish new businesses with raw materials' point of origin	<ul style="list-style-type: none"><li>• Expand business in food areas such as side dishes and ready-made meals by utilizing internal / external resources (OEMs, etc.)</li></ul>
Establish new raw materials processing technologies	<ul style="list-style-type: none"><li>• Establish new technologies that can process raw materials deliciously without losing their various special functionality and nutrition</li></ul>
Build a new revenue-generating model	<ul style="list-style-type: none"><li>• Create diverse service-type revenue businesses derived from potato-related businesses (consulting on cultivation techniques, supporting farm operations, etc.)</li></ul>



Management Base

Reform base to support global management and sustainable growth

Specific Measures

Develop human resources and create framework to strengthen ability to respond globally	<ul style="list-style-type: none"><li>• Strengthen the development of next management talent with capabilities of people management and autonomous execution</li><li>• Strengthen governance by promoting and nurturing personnel exchanges within the Group</li><li>• Develop IT talents to promote digital transformation</li><li>• Promote diversity and inclusion</li><li>• Improve performance through workstyle reform</li></ul>
Enhance R&D functions to support sustainable growth	<ul style="list-style-type: none"><li>• Strengthen R&amp;D functions and optimize the locations to accelerate overseas development and new businesses</li><li>• Utilize open innovation and create framework for agile product development</li></ul>

Co-Creation with Society

Achieve a sustainable society

Specific Measures

Strengthening partnerships with producers	<ul style="list-style-type: none"><li>• Support for agricultural activities to maintain and revitalize agricultural infrastructure in order to increase procurement of high-quality domestic raw materials</li></ul>
Develop and deepen continuous relationships with customers	<ul style="list-style-type: none"><li>• Maintain and improve relationships with customers through food communication: food education activities and factory tours</li></ul>
Advance CSR activities centered on supporting local communities	<ul style="list-style-type: none"><li>• Contribute to rich and active local communities, such as supporting people with difficulties accessing food</li></ul>
Promote sustainable supply chain initiatives	<ul style="list-style-type: none"><li>• Work to reduce greenhouse gas emissions</li><li>• Reduce food losses by expiration date extension and making effective use of resources</li><li>• Promote procurement that takes into consideration human rights and the environment</li></ul>

Collaboration with PepsiCo

Strengthen collaboration with PepsiCo

We will explore ways to strengthen our alliance through new business tie-ups by utilizing the business foundations and resources of PepsiCo, which owns 20% of our shares and concludes strategic alliance agreements. Specifically, we will further introduce the Frito-Lay brand actively in Japan, and utilize the PepsiCo sales network in other countries. We will also share information and consider technical collaboration on our sustainability initiatives.



Special feature

## Overseas Business

~ Establishing a Revenue-Generating Base in Four Priority Regions ~

# Point-of-Contact Strategy Based on Inbound Consumption

## Greater China

Overseas business is a key issue for the medium-term business plan, and we will expand our business in four key regions (North America, Greater China, the United Kingdom, and Indonesia). Among them, Greater China, which boasts the largest sales, is the key to achieving our targets.

We aim to create a revenue-generating base in Greater China through various contact strategies with consumers by taking advantage of the Calbee brand value.



## Message from Management

We intend to expansion sales in Greater China by distributing products through e-commerce and retail channels, starting with inbound consumers. In Greater China, our strengths lie in our high level of loyalty to the Calbee brands, as well as our high recognition of our products including *Frugra* and *Jaga Pokkuru*.

We will continue to strengthen our brand value by creating fans at multiple points of contact. We would like to increase the number of Calbee fans from Japan to China and all over the world.



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

## Management Base

Professionals who are familiar with Greater China conduct marketing and promotional activities. From the Japanese perspective, we mainly provide marketing support from a company-wide perspective to cooperate with each other. Going forward, we will strengthen our human resource development and build an even stronger foundation.

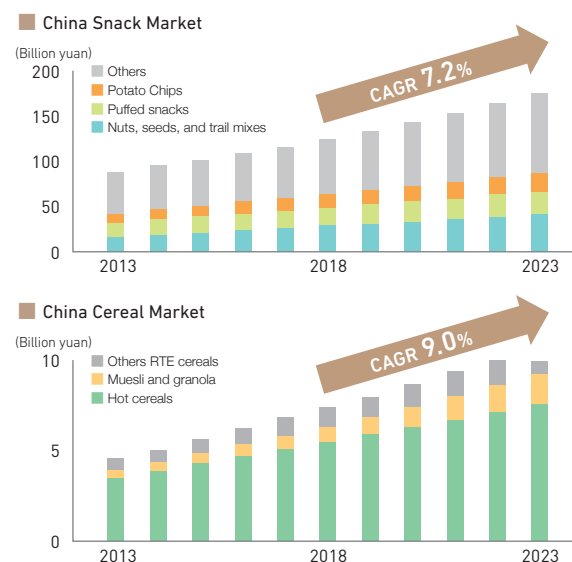


President Komatsu (third from left) and employees of Calbee E-commerce

## Market Potential

~ World's Largest Growth Market ~

China is attracting attention as the world's largest consumer goods market. China is also the second-largest snack market in the world, and the cereal market already exceeds Japan by more than ¥100 billion. Both the snack and cereal market are expected to grow continually going forward. In addition, e-commerce markets in Greater China are the largest in the world, and their growth rate in recent years is high. As a result, there is a significant potential for sales in e-commerce in Greater China.



Source: Euromonitor, all forecasts from 2019 onward

## Brand Value

~ Expanding the Business on Brand Strength ~

On the background of the boom in Japan tourism, inbound consumption by foreign visitors to Japan has increased markedly since around 2015. Taking this as an opportunity, we are actively selling *Frugra* and *Jaga Pokkuru* through e-commerce. In November of each year, Alibaba, the largest Chinese e-commerce company, holds its largest sales event, "Single Day". Sales of *Frugra* were ranked No. 1 in the cereal division for three consecutive years. In March 2019, the Calbee Cross-Border e-commerce flagship store was awarded the OPERATIONAL EXCELLENCE AWARD by Alibaba for its high customer support and the fun of the sales floor.



OPERATIONAL EXCELLENCE AWARD OF FY2019 award ceremony



## Contact Strategy ~ Fan Creation through Communication~

Starting with inbound tourism consumption on visits to Japan, we communicate with our customers through contact points such as cross-border e-commerce, general e-commerce, retail stores, and SNS (Social networking services), thereby raising the awareness of Calbee and promoting fans in Greater China.

### Channel Strategy Utilizing Big Data

The customer in cross-border e-commerce\*1 usually buy our products as "nominated buying" due to the effect of inbound tourism consumption. Through general e-commerce\*2, most of the customer buy our products when also buying other products. There are also some differences of customer attribute in each e-commerce channel. We will use big data provided by Alibaba to optimize communication with each customers' purchase motivation.

Cross-border e-commerce		General e-commerce
Same to the Japanese standard for compounding and packaging	Product	Based on China's food standards
Focus on young people who prefer products from overseas	Customer	All categories
Sales promotion of nominated purchases and testing new products	Role	Sales promotion of major products

\*1 Cross-border e-commerce: International e-commerce which is conducted from outside China  
\*2 General e-commerce: Domestic (China) e-commerce within China

### Influencer Marketing

We are working to communicate effectively with our customers through the dissemination of information using Key Opinion Leaders (KOLs), which has a tremendous influence on SNS in China.

### Communications with Customers

We are working to directly communicate with customers and build fanbase through various events.

November 2018

Posted videos to "attract attention to abandoned young people with Calbee products" and recorded a cumulative total of 16 million plays. On-line and off-line events held at shopping malls in Hangzhou.



June 2019

*Frugra* taste and food education event for parents and children was held in Shanghai, and approx. 5,000 people visited the event in two days to expand awareness of working mothers and promote their understanding.





Financial Strategy

We will actively invest in growth fields from a long-term perspective, such as acquiring a new business foundation and M&A in order to achieve sustainable growth. To support these investments, we will generate stable cash flows by increasing profitability in the existing domestic business through focusing on domestic operating margin.

Message from Management

In order to grow over the medium to long term, we need to aggressively invest in overseas business and new food areas, as well as in existing domestic businesses to improve productivity.

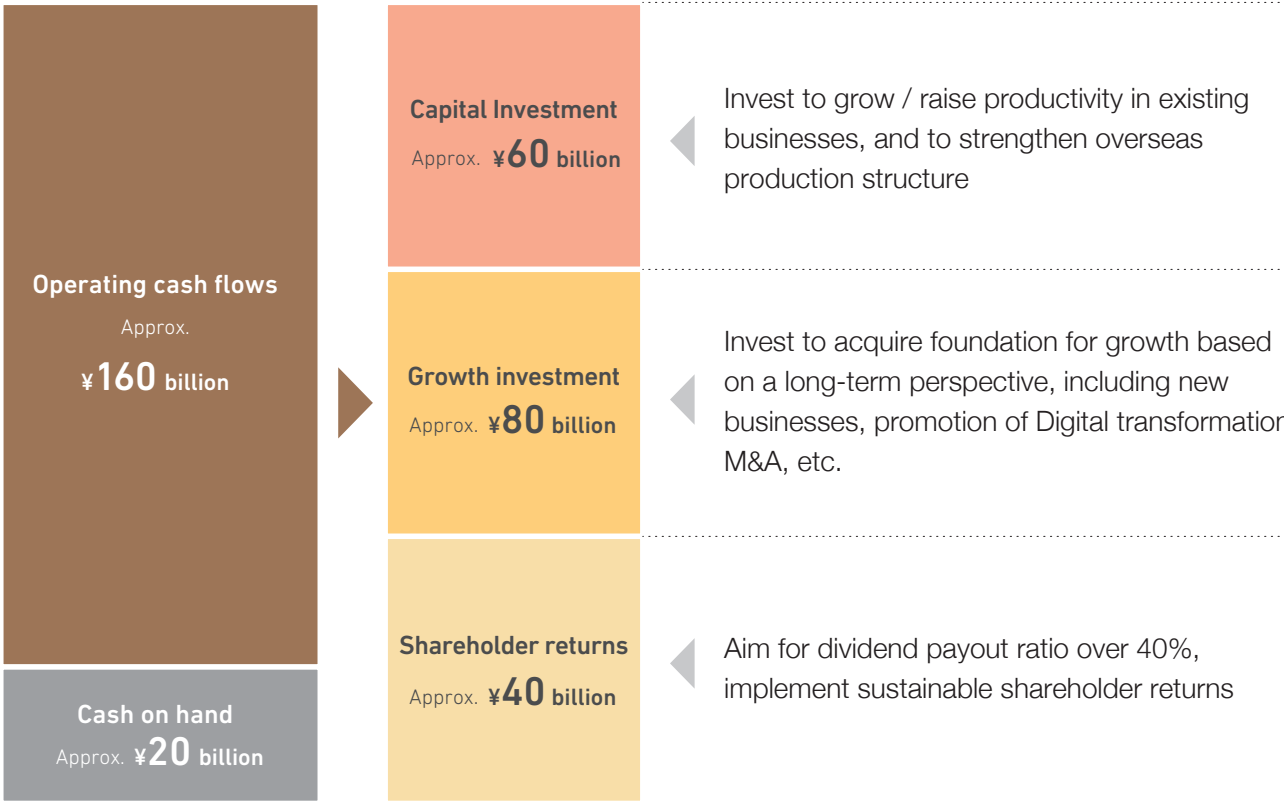
We believe that achieving sustainable growth and increasing shareholders' value by investing in growth fields, while enhancing shareholder returns, is a corporate mission.

To date, we have grown profit by promoting cost improvements with a focus on existing domestic businesses. However, the domestic snack market is maturing. In addition, costs are rising for raw materials, distribution and other factors. We will work on new initiatives to further improve productivity in domestic existing businesses and to steadily grow overseas business. By doing so, we will generate cash flows that support growth investment.



Senior Managing Director  
Koichi Kikuchi

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



(Million of yen)

	Fiscal Year Ended March 31, 2019	YoY Change (%)	Fiscal Year Ending March 31, 2020 (Forecast)	YoY Change (%)
Net sales	248,655	-1.2	258,000	+3.8
Operating profit	26,964	+0.5	27,000	+0.1
Ordinary profit	27,432	+4.8	26,500	-3.4
Extraordinary income / losses	1,037	—	-500	—
Net profit*	19,429	+12.1	17,500	-9.9

\* Profit attributable to owners of parent

Overview of the Fiscal Year Ended March 31, 2019

Net sales in the fiscal year ended March 31, 2019 increased 4.3% in real terms excluding the impact of the sale of the bakery subsidiary\*. In the domestic business, sales grew mainly due to mainstay *Potato Chips* and new products such as individual portion snacks. In overseas business, the acquisition of potato chips manufacture Seabrook Crisps Limited in the United Kingdom and the sales expansion of *Frugra* in Greater China saw contributions to sales growth.

Operating profit remained almost flat compared to the previous fiscal year. Despite the effects of higher net sales and improved costs in the North American business, this was largely attributable to higher costs in the domestic business for raw material costs such as packaging, utilities, and distribution,etc. Net profit rose by double digits as an effect of the transfer of all shares in subsidiary, which is engaged in the production and sale of sales promotional tools.

\* All shares of the bakery subsidiary were transferred in April 2018

Forecast for the Fiscal Year Ending March 31, 2020

In the fiscal year ending March 31, 2020, the first year of the five-year medium-term business plan, we aim to increase sales and profits by strengthening existing domestic businesses and expanding overseas business.

In the domestic business, we implemented price hike and content standard revisions on some snacks in order to respond to ongoing increases in costs, such as distribution costs and packaging costs from the previous fiscal year. We will also strengthen our product lineup to meet diverse needs and continue to aim for sales growth. In cereal, in addition to *Frugra*, we will diversify the product lineup through new product brands that support a diverse range of life styles in order to expand our customer base. Furthermore, we will work to improve the efficiencies of our manufacturing activities by promoting automation, labor saving, and the utilization of artificial intelligence (AI) in order to improve the profitability of existing domestic businesses.

In overseas business, we positioned North America, Greater China, the United Kingdom, and Indonesia as key regions. We aim to expand our business in these key regions by strengthening our sales force, and by promoting new product launches as well as brand penetration.

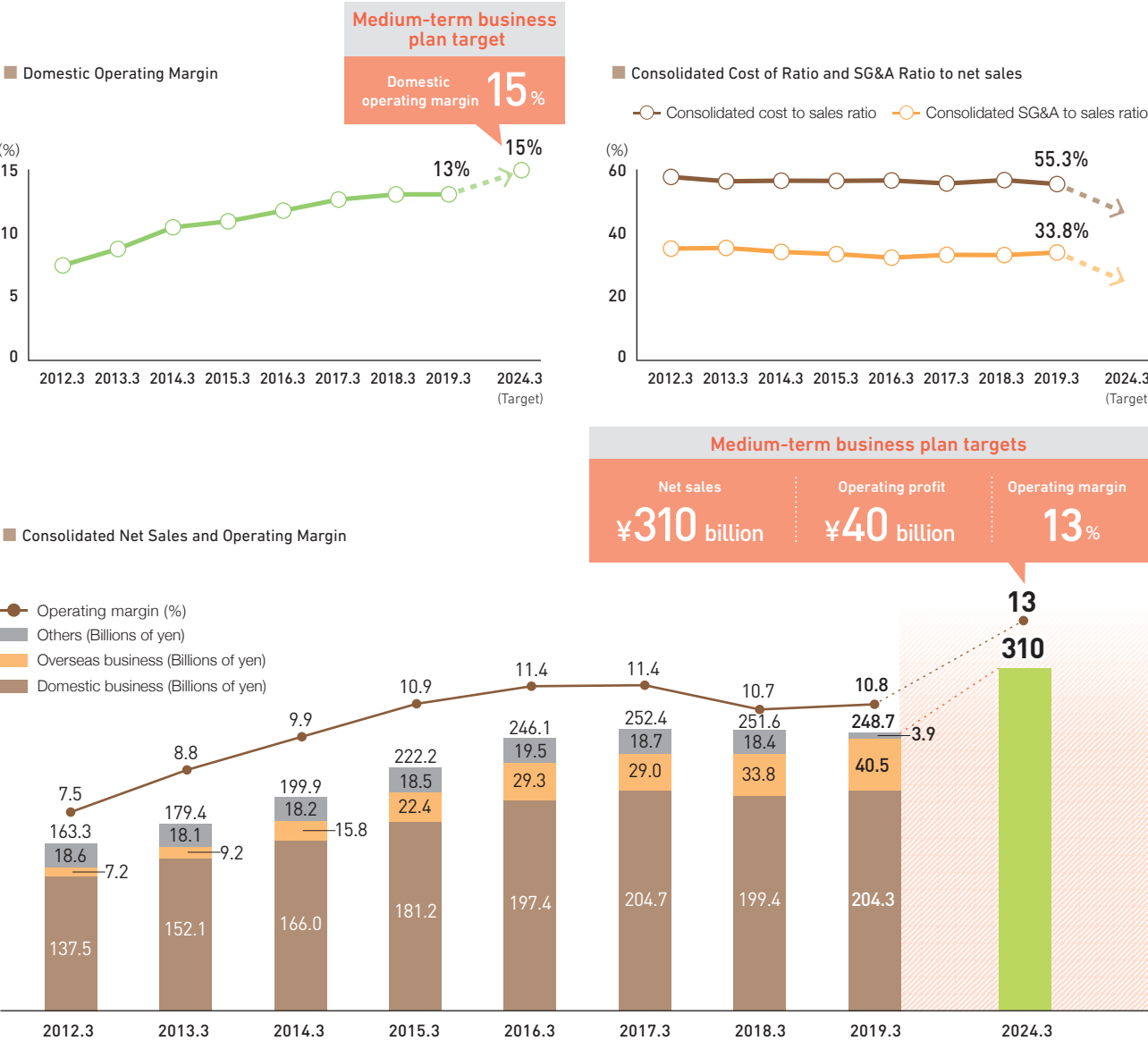
1 Toward Achieving Domestic Operating Margin of 15%

Improved Operating Margin to Date

One of the major factors behind the sharp increase in the operating margin was that there was room for improvement in utilization ratio of domestic factories at the time, and the expansion in production volume led to an improvement in profitability. Currently, however, we are entering a period of maintaining profitability because our mainstay *Potato Chips* factories are operating at almost full capacity, and our existing businesses have reached a critical point. In order to further improve profitability, we need to implement measures that focus more on profit margins, rather than measures that have been focused on increasing production volume up to the present time.

Initiatives for Realizing High Profitability in the Future

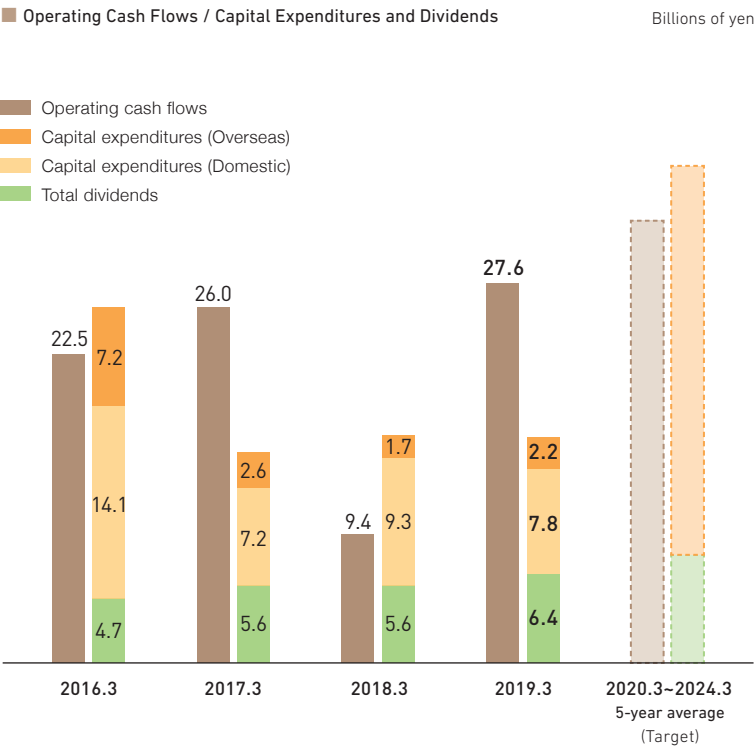
We will focus on achieving higher profits in our domestic businesses as a source of funds for investment in growth areas. Our target is to achieve a domestic operating margin of 15% by the fiscal year ending March 31, 2024 from the 13% recorded in fiscal year ended March 31, 2019. To achieve the target, we will work to improve costs, selling expenses, and distribution costs. We will strive to optimize production and inventory by strengthening supply chain management on a company-wide, and promote automation and labor saving of production systems. We will also work to effectively control selling expenses and achieve distribution system reform.



2 Growth Investments

We will continue to actively invest in strengthening existing businesses and acquiring a foundation for growth. In terms of capital expenditures, we will invest in automation and labor saving of our domestic production lines and to strengthen our overseas production structure. With regard to growth investment, we will consider investment opportunities such as acquiring a new business foundation and M&A from a long-term perspective. Basically, cash generated from stable operating cash flows and cash on hand are used as funds of investment. Moreover, we will consider raising funds in a flexible manner if there is an outstanding investment or M&A.

We have established a governance system for investment determination. The Investment Committee deliberates on investment projects in advance by setting a hurdle rate based on the cost of capital as a benchmark, and the Executive Committee makes decisions. The Board of Directors, which consists of a majority of outside directors, makes decisions on projects of a certain size or more.



3 Shareholder Returns

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

