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Our starting point and philosophy



Takashi Matsuo (on the right) collects *Himemukashi-yomogi* (horseweed) that grew in regions devastated by fire of war. It was used as a raw material for substitute foods.

Contributions to healthy life styles

During World War II, founder Takashi Matsuo began to produce and sell dumplings, made by extracting germ from rice bran that had usually been disposed of and blending it with sweet potatoes or wild grass. The food situation during that time was extreme difficult, so many people were delighted as nutritional foods.

Utilize unused food resources and create foods that benefit people's health.

Calbee's founding philosophy is that these elements continue to function as corporate DNA. We will continue to take on challenges and innovation for contribution to healthy life styles while continuing to inherit this DNA, which is our starting point.

Our Value

Corporate Message

Calbee

Harvest the Power of Nature.

Corporate Philosophy

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

Group Vision

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

Calbee Report 2019

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Editorial Policy

This report is intended to inform all stakeholders, including shareholders and investors, about the Calbee Group's value creation and vision, in addition to financial data such as results and achievements for the current fiscal year. We prepared this report with the aim of further understanding of the Calbee Group and providing more opportunities for dialogue toward raising our corporate value.

Period Covered	April 1, 2018 to March 31, 2019 Some information outside the above period is also included.
Organizations Covered	Calbee, Inc. and its subsidiaries
Issue Date	September 2019

Reference Guidelines

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

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 judgements 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 Web site Information

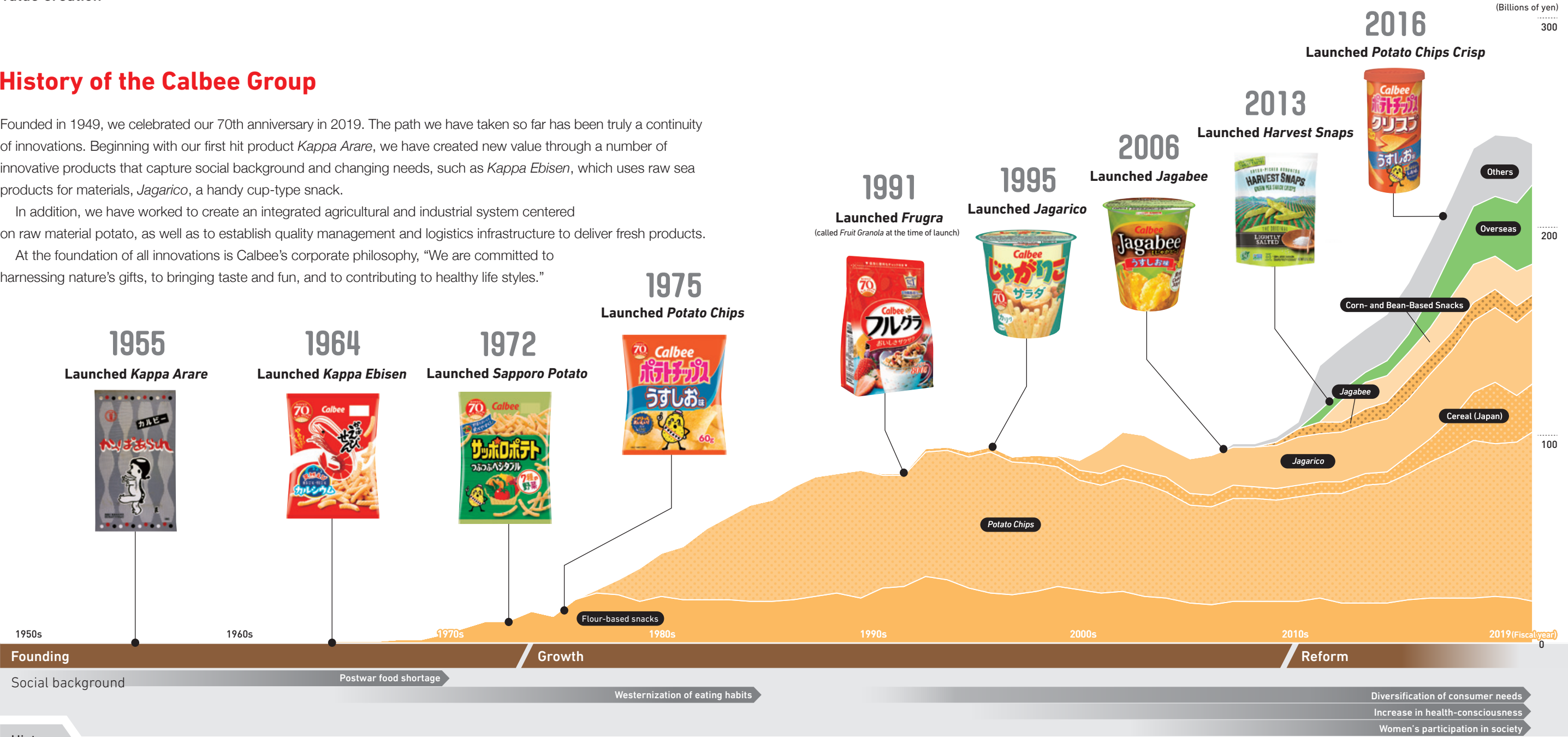
- Investor Relations <https://www.calbee.com/ir>
- CSR Activities <https://www.calbee.com/responsibility>

History of the Calbee Group

Founded in 1949, we celebrated our 70th anniversary in 2019. The path we have taken so far has been truly a continuity of innovations. Beginning with our first hit product *Kappa Arare*, we have created new value through a number of innovative products that capture social background and changing needs, such as *Kappa Ebisen*, which uses raw sea products for materials, *Jagarico*, a handy cup-type snack.


In addition, we have worked to create an integrated agricultural and industrial system centered on raw material potato, as well as to establish quality management and logistics infrastructure to deliver fresh products.

At the foundation of all innovations is Calbee's corporate philosophy, "We are committed to harnessing nature's gifts, to bringing taste and fun, and to contributing to healthy life styles."



1949~

1949 Established
Established Matsuo Food Processing Co., Ltd., Calbee, Inc.'s predecessor.




Then-popular Calbee Caramel advertising scooter

1955 Company name changed to Calbee Confectionery Co., Ltd.
Company name changed to "Calbee", a portmanteau of "Calcium" and "Vitamin B1" in order to create products that benefit people's health.

1960~

1966 Began exporting to overseas markets
Started exporting *Kappa Ebisen* to Southeast Asia and Hawaii, and began exporting to North America the following year.




Our founder Takashi Matsuo (center) went to the United States to display *Kappa Ebisen* at the International Confectionary Expo


1968 Expansion of domestic manufacturing bases
The Utsunomiya Factory (Tochigi Prefecture) started operations. In the following year, the Chitose Factory (currently the Hokkaido Factory) began operations, and the Company expanded its domestic manufacturing bases.

1970~

1970 Established a subsidiary in North America
Focusing on the size of the snack market in North America, we established Calbee's first overseas base.




1973 Headquarters relocated to Tokyo and company name changed to Calbee, Inc.
Headquarters relocated to Tokyo in order to develop a nationwide market. Company name changed to Calbee, Inc.



1980~

1980 Established Calbee Potato, Inc.
Established as a group company to manage raw material potato. We are also committed to establishing a new Japanese agricultural style of cultivation contracts with farmers.



1983 Adopted aluminum deposited film
In order to maintain the freshness of our products, we adopted aluminum deposit film for a packaging first in the snacks industry.

1988 Entered the cereals business
Launched the products of granola and corn flake to enter the cereal market, with the aim of establishing a new business after snacks.

1990~

1990 Strengthened logistics system
Snack Food Service Co., Ltd. (now Calbee Logistics, Inc.) was established for logistics and warehousing. Implemented logistics system reforms throughout the supply chain.


1994 Continued expansion in Asian countries
Following the establishment of Calbee Tanawat Co., Ltd. in Thailand in 1980, Calbee Four Seas Co., Ltd. is established in Hong Kong.

2000~

2002 Commenced IT-management for potato fields
Introduced weather stations that measure sunlight time, wind volume, temperature, humidity, and the amount of water in the soil. Data is analyzed and fed back to contract farmers to improve the quality of raw materials and ensure a stable supply.


2004 Development of R&D environment
R&DDE center (now R&D center) established in Utsunomiya City, Tochigi Prefecture.

2009 Business and equity alliance with PepsiCo
Entered into an business and equity alliance with PepsiCo, Inc., a leading U.S. food company. Japan Frito-Lay Ltd. became a subsidiary.



2010~

2011 Listed on the First Section of the Tokyo Stock Exchange
On March 11, the Company was listed on the First Section of the Tokyo Stock Exchange.



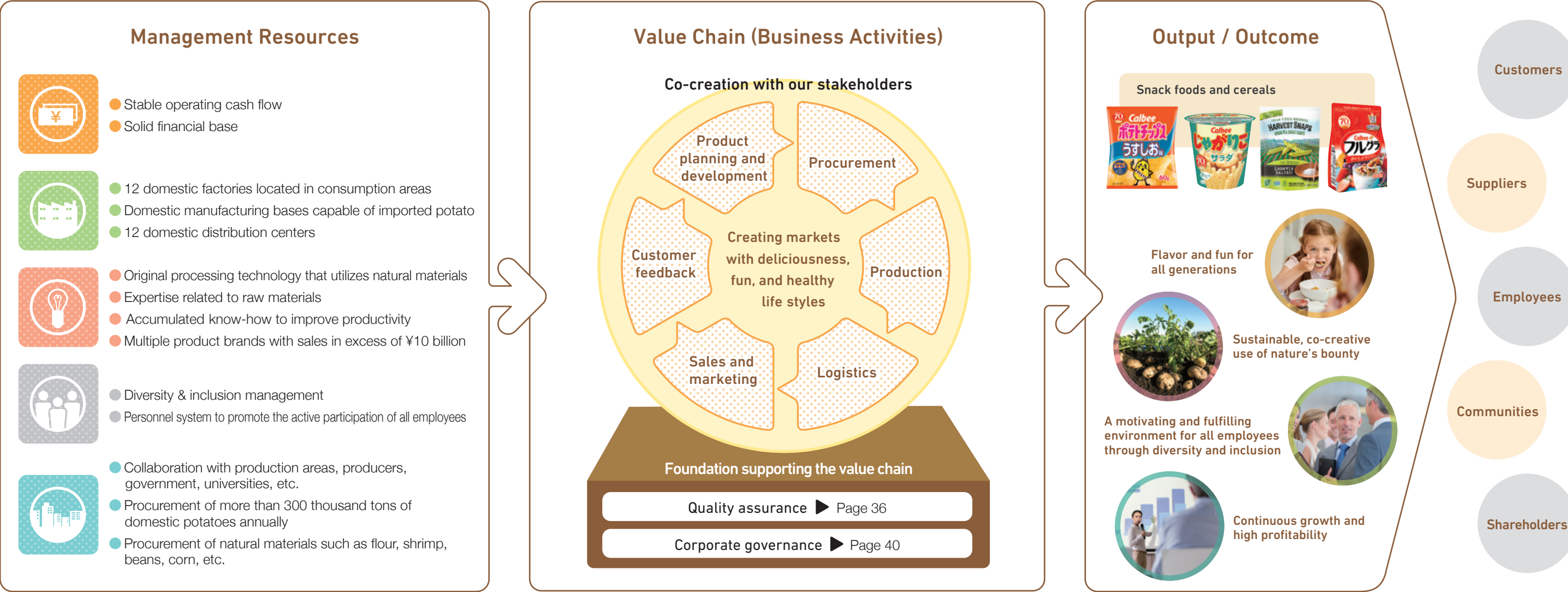
2011 Started Full-scale overseas expansion
Starting with the establishment of a joint venture in Korea in this year, we set up overseas bases with Indonesia (joint venture) in 2013 and the United Kingdom (fully-owned) in 2014.

2015 Expansion of overseas sales channels
Established Calbee E-commerce Limited to raise awareness of Calbee brands in Greater China, and expanded sales in e-commerce.

Value Creation Process

The Calbee Group constantly delivers tasty, enjoyable, and healthy products that take advantage of nature's gifts through its unique value chain in which we develop and breed natural materials, and provide high-quality products. We will continue to create our value by offering a variety of products to meet the needs of various societies and customers and by creating new markets.

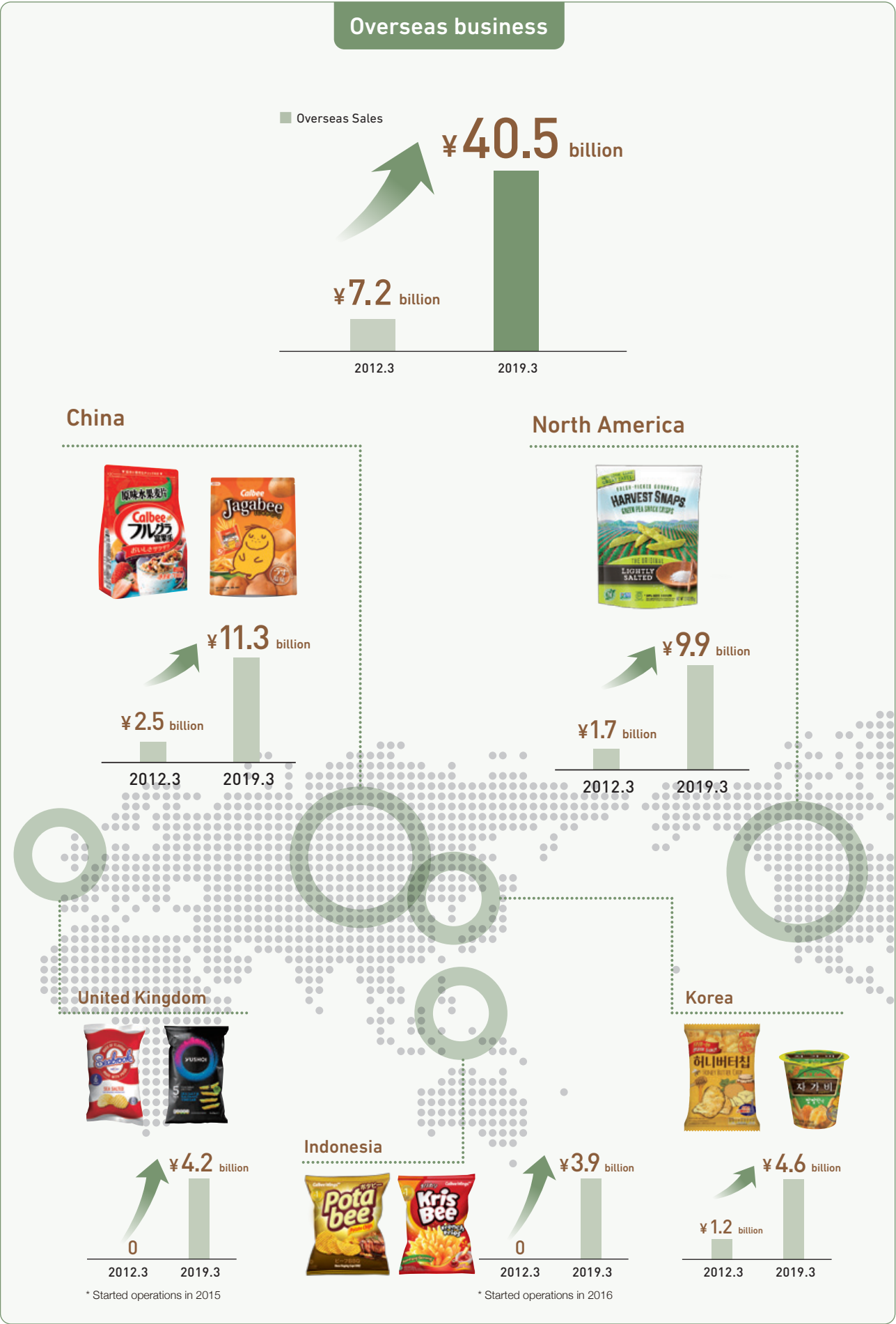
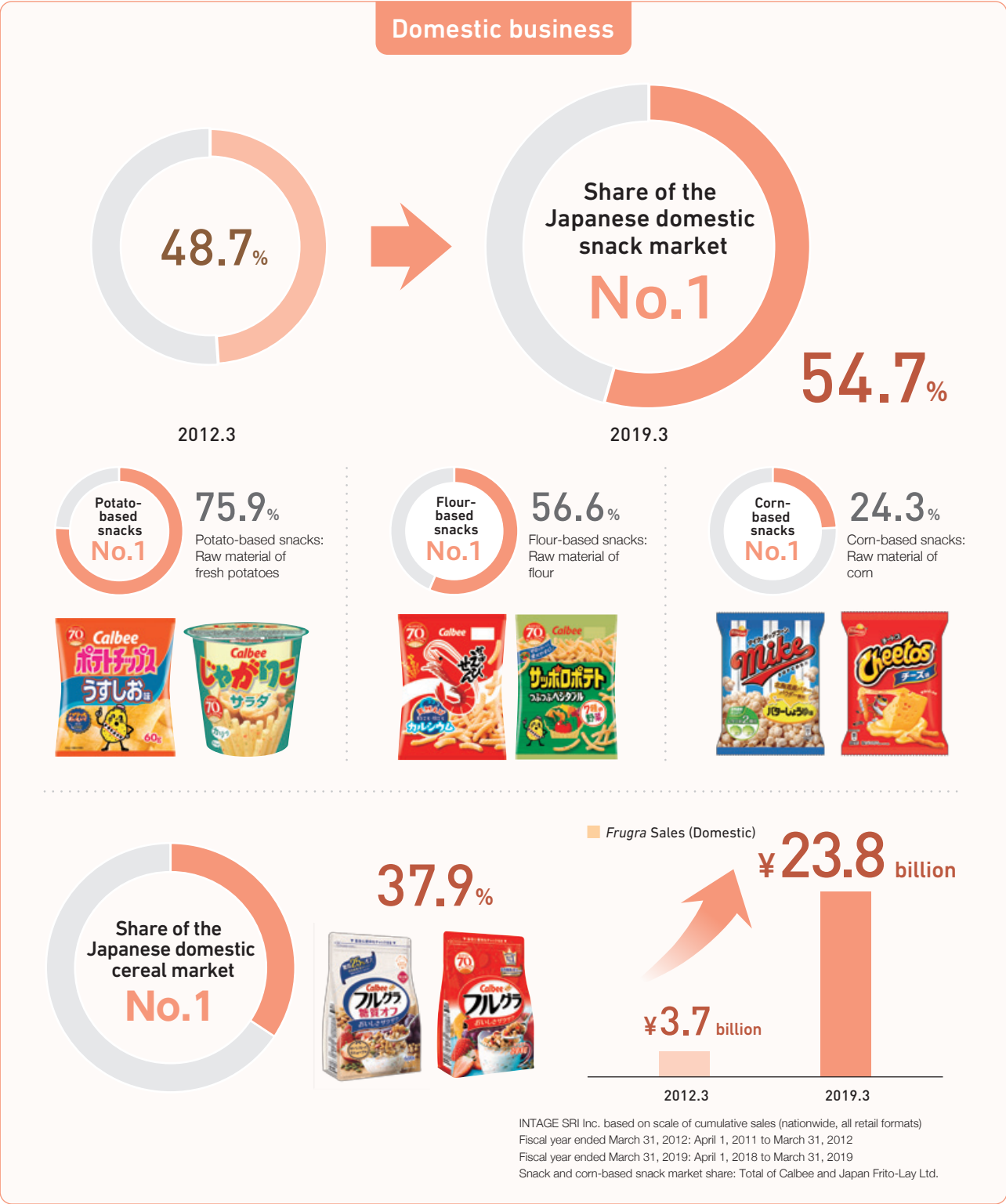
Corporate philosophy **We are committed to harnessing nature's gifts, to bringing taste and fun, and to contributing to healthy life styles.**



The Calbee Group's Business and Strength

The Calbee Group delivers snack foods and cereals made from natural raw materials to the society. For domestic business, we have the No.1 share in each category due to our strong brand lineup, which boasts long-selling products.

For overseas business, we develop products in accordance with the market needs of each country in health-conscious Europe and the U.S. as well as Asia, where economic growth is remarkable. We are currently pursuing business expansion in nine countries and regions.





President & CEO
Shuji Ito

Becoming a company that creates future of food by harnessing nature's gifts

Calbee, Inc. was founded in 1949, and this year we celebrated our 70th anniversary. We have continued to develop a variety of products based on our founding spirit of “aiming to produce products that are useful for health, safe and inexpensive, and that make use of unused food resources.” Since our founding, our mission has remained unchanged: Providing products that harness nature's gifts to contribution to healthy life styles.

We possess unprecedented management resources, such as our expertise in potato and other raw materials and processing technologies which harness natural raw materials, as well as an integrated value chain that encompasses product planning and development, procurements sales, and marketing. Through the collaboration of these management resources and the value chain, we have continued to create numerous hit, long-selling products and products that meet the diversifying customer needs.

We have recently formulated the Calbee Group long-term vision for 2030 “Next Calbee—Harvest the power of nature. Creating the future of food.” We want to change from the Calbee Group of snack foods to a company that exceed the expectations of all stakeholders by creating a future of food. We will further evolve the strengths and value chain we have cultivated over the years and pursue innovation and challenges, while maintaining our unchanging values since our founding.

■ Long-term Vision (Vision for 2030)

Next  *Calbee*

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

Taking advantage of challenges amid changes in the business environment

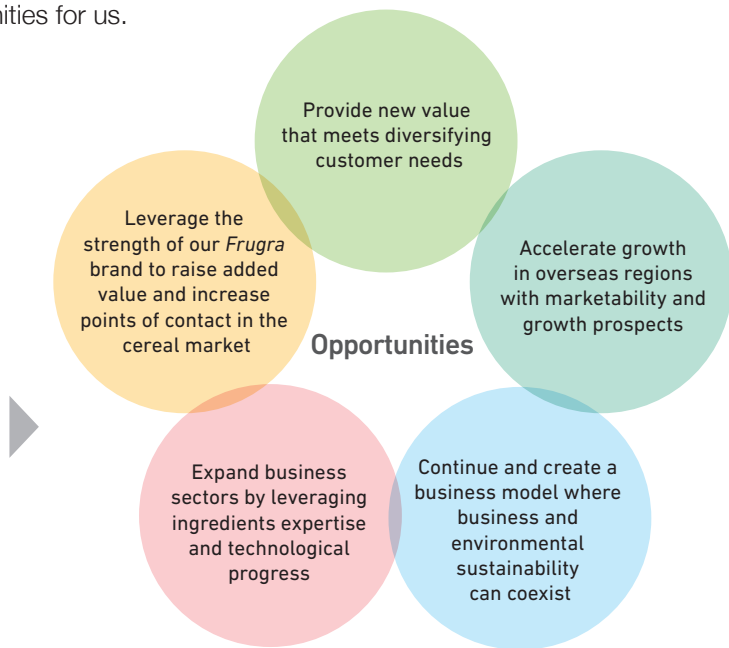
From the fiscal year ended March 31, 2010, through the fiscal year ended March 31, 2019, we promoted “innovation” and “cost reduction” as the two pillars of management strategy. As a result, net sales and operating profit have grown steadily thanks to the expansion of overseas business, the growth of the cereals business through *Frugra*, and the expansion of domestic profit through improved capacity utilization. However, the pace of growth in existing businesses has slowed and profit has remained at the same level for the last three years.

At the same time, the business environment surrounding us will change further. In Japan, changes in social structures such as a declining birthrate, an aging population, and the expansion of single-person households, will lead to the diversification of customers’ values and needs. Globally, more intensified competition for natural resources and expansion of the middle-income class in emerging countries are expected. Moreover, demands for management considerations regarding global environmental and social issues have been increasing. These changes in the business environment represent opportunities for us.

Past achievements and opportunities to pursue

Past achievements

- Developed overseas business in nine countries / regions
- Grew the cereals business
- Raised factory utilization ratios and domestic profit
- Lowered costs through centralization of purchasing
- Selected and concentrated business
- Promoted diversity management
- Strengthened corporate governance



Toward transformation and challenge in the Calbee Group

The long-term vision “Next Calbee—Harvest the power of nature. Creating the future of food” was formulated because we aim to grasp these changes in the business environment and make a

major leap forward in the Calbee Group over the medium to long term. In 2030, which is the long-term vision’s goal, we will establish global markets and new food fields as the pillars of the Calbee Group’s growth. To achieve this long-term vision, we have formulated a five-year medium-term business plan. For the next five years, we will take on a variety of challenges to achieve Next Calbee.

In Japan, we will seek to capture growth opportunities for achieving sustainable growth by creating value-added products that leverage the Calbee Group’s strong brands and processing technologies, and by expanding new points of contact with customers. We will also leverage our expertise and technologies in natural ingredients to expand our business areas other than snack foods and cereals.

Overseas, we aim to penetrate our brand by leveraging the high quality that we have cultivated in our domestic business, and to achieve steady growth toward establishing revenue-generating bases in the four key regions (North America, Greater China, the United Kingdom, and Indonesia). To support these challenges, we will strengthen our organizational structure as well as human resources. These initiatives include reforming our structure to improve domestic productivity, developing human resources with global-level business abilities, and further strengthening our R&D capabilities to expand overseas business as well as create new businesses.

If we are unable to capture changing needs and enter new markets, or even create new markets, we believe there will be no sustainable growth. Amid changes in the global environment and advances in digital technologies, we will actively change the framework of our corporate activities in order to establish new business domains over extension of the current business and evolve existing businesses.

Taking a step toward the future together with our stakeholders

The Calbee Group is entering a major turning point, and we are keenly aware of the need to change. About a year after I became CEO, I have been reforming internal awareness and organizational structure as a step toward the future. To share our long-term vision and medium-term business plan with our stakeholders and to create new value from a medium- to long-term perspective, we have begun implementing sustainable management and future-oriented activities in collaboration with communities. The medium-term business plan theme is “Transformation and Challenge toward achieving next-generation growth.” Transformation can be achieved through a step-by-step approach, but challenge requires a major leap forward. We will further reinforce the strengths of our management resources and value chain that we have cultivated so far to create a foundation that will enable us to make a major leap forward. Our stakeholders can look forward to great things thanks to our commitment to Next Calbee through transformation and challenge.

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.



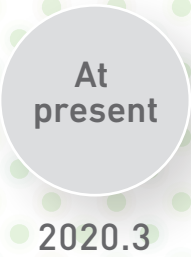
Non-Financial Indices

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

^{*1} 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

^{*2} 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

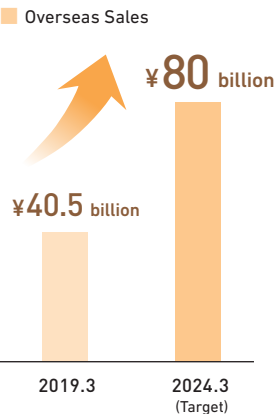
Establish revenue-generating bases in four key regions

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%.

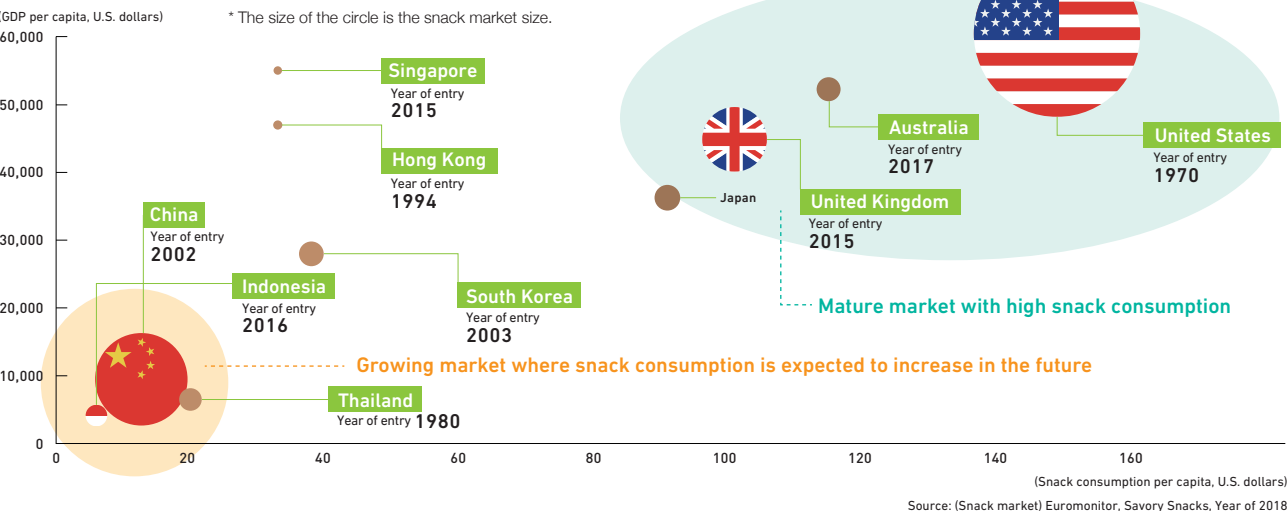
Specific Measures

Increase penetration of the Calbee brands and expand sales channels

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



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



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">Strengthen the development of next management talent with capabilities of people management and autonomous executionStrengthen governance by promoting and nurturing personnel exchanges within the GroupDevelop IT talents to promote digital transformationPromote diversity and inclusionImprove performance through workstyle reform
Enhance R&D functions to support sustainable growth	<ul style="list-style-type: none">Strengthen R&D functions and optimize the locations to accelerate overseas development and new businessesUtilize open innovation and create framework for agile product development

Co-Creation with Society

Achieve a sustainable society

Specific Measures

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

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.

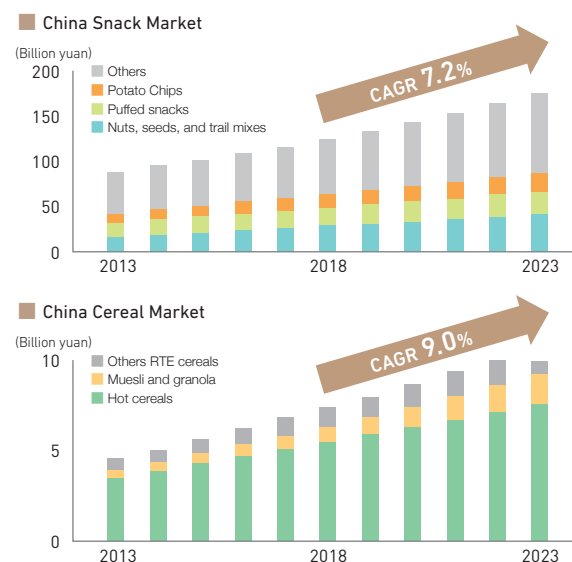


President Komatsu (third from left) and employees of Calbee E-commerce

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.

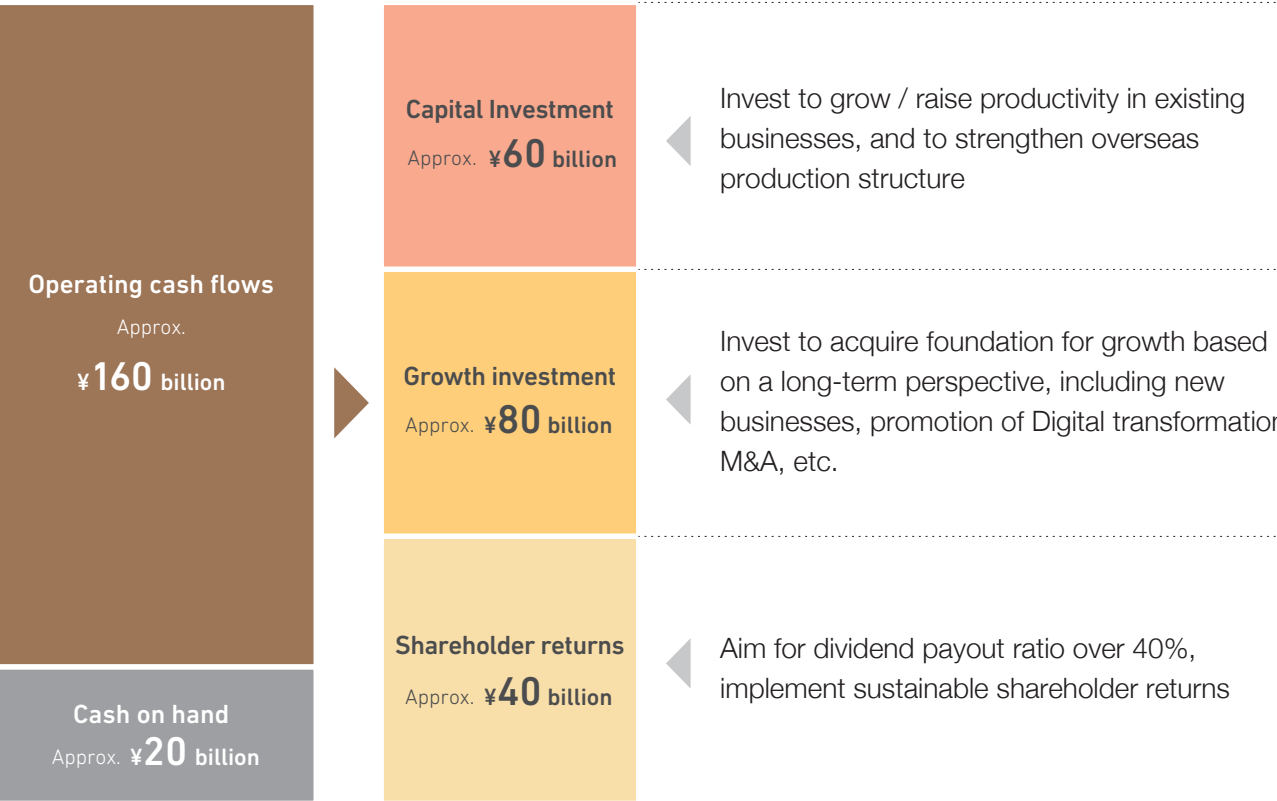
We believe that achieving sustainable growth and increasing shareholders' value by investing in growth fields, while enhancing shareholder returns, is a corporate mission.

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.

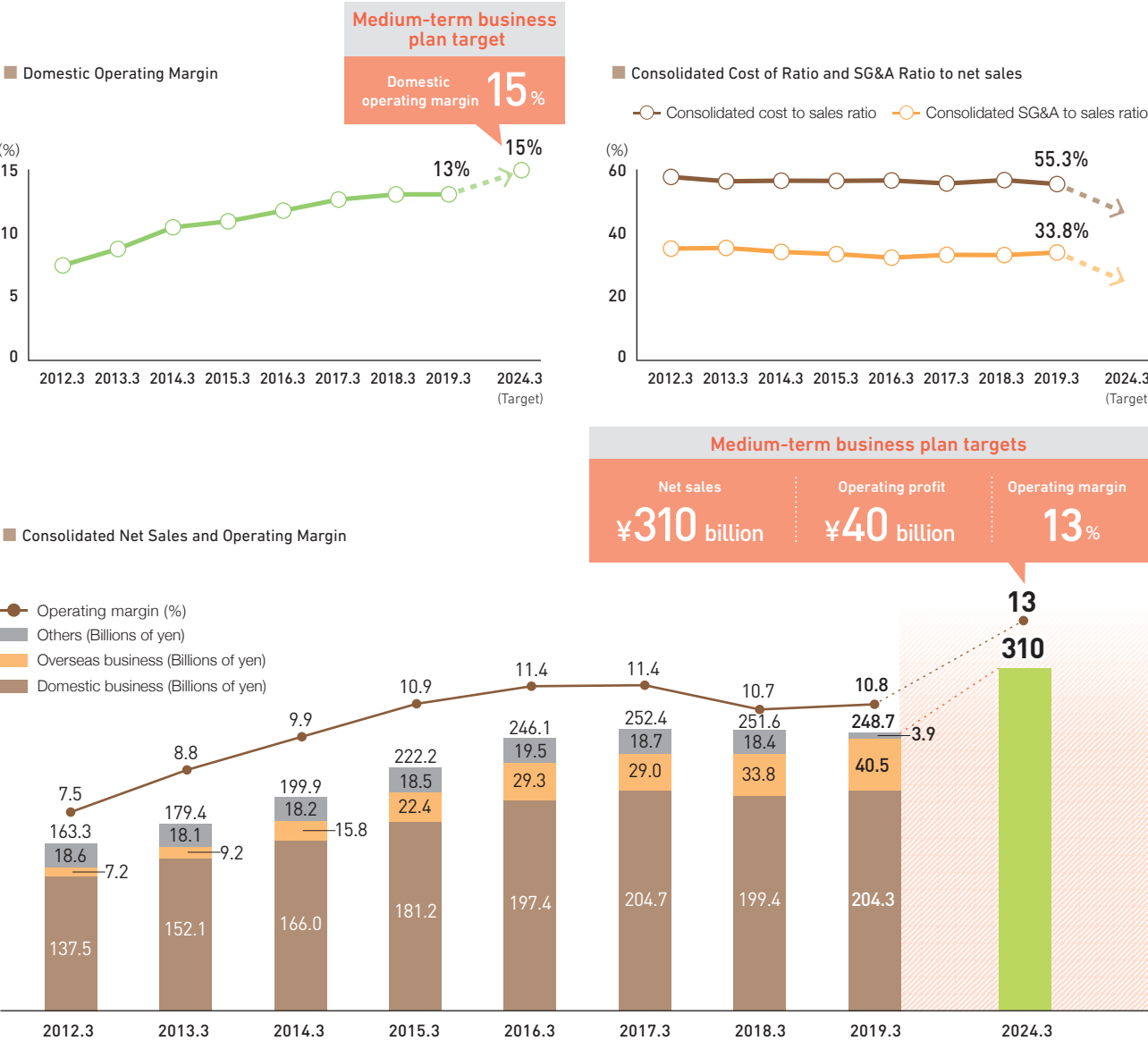
1 Toward Achieving Domestic Operating Margin of 15%

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

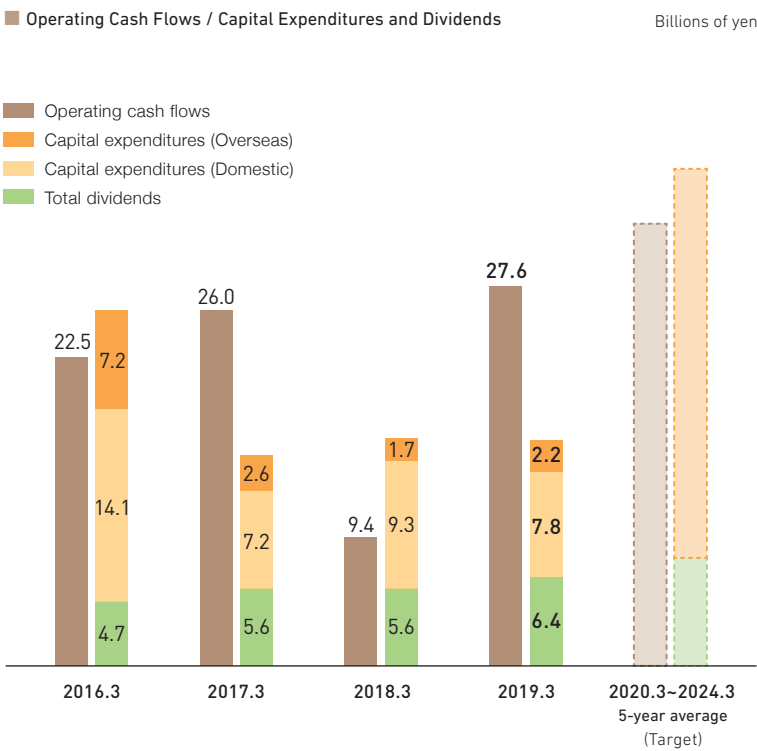
We will focus on achieving higher profits in our domestic businesses as a source of funds for investment in growth areas. Our target is to achieve a domestic operating margin of 15% by the fiscal year ending March 31, 2024 from the 13% recorded in fiscal year ended March 31, 2019. To achieve the target, 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

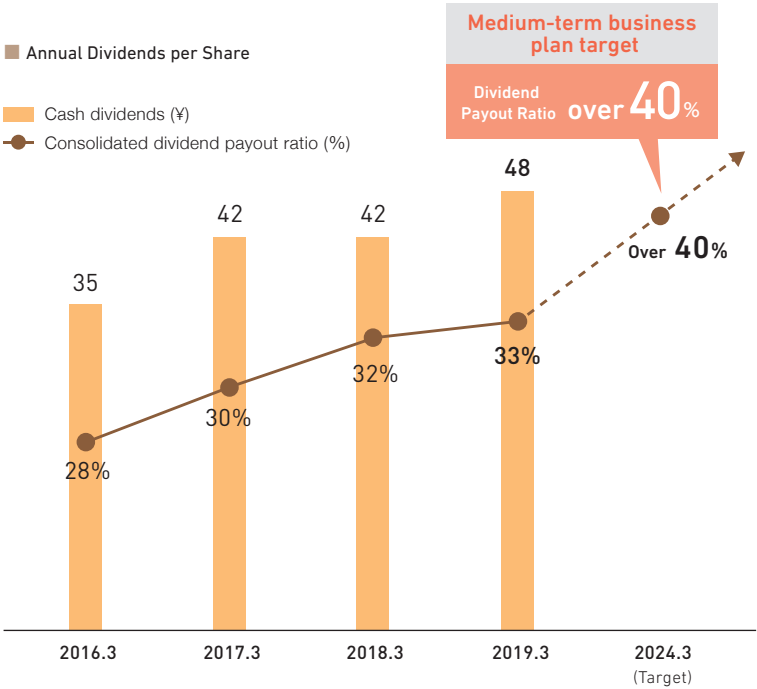
We will continue to actively invest in strengthening existing businesses and acquiring a foundation for growth. In terms of capital expenditures, we will invest in automation and labor saving of our domestic production lines and to strengthen our overseas production structure. With regard to growth investment, 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.



Financial and Non-Financial Highlights

Flavor and Fun for All Generations

Brand Japan 2019

"Friendly" division*

We were selected as the top food and beverage company in the "Friendly" division for brand valuation, which is evaluated by consumers.

* Nikkei BP Consulting
Factor-Specific Assessment "Friendly" of Consumer Markets (BtoC)

No. 1

Food communication

To ensure the healthy growth of children of the future, we carry out food education and factory tours as part of our responsibility as a food company.



Participants in the snack school
(Cumulative total of five years from 2014–2018)

289,802
people



Factory tour participants
(Cumulative total of five years from 2014–2018)

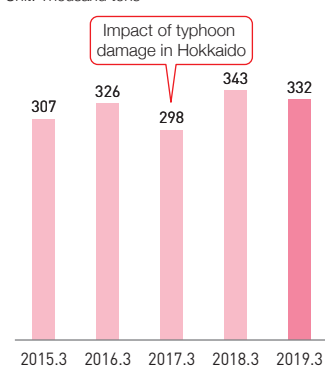
117,654
people

Succession of the Gift of Nature and Wealth through Co-Creation

Domestic potato procurement

We are working to ensure stable procurements of potato by diversifying production areas and cultivating partners, while both crop area and crop yields of potatoes are declining in Japan.

Unit: Thousand tons



332
thousand tons

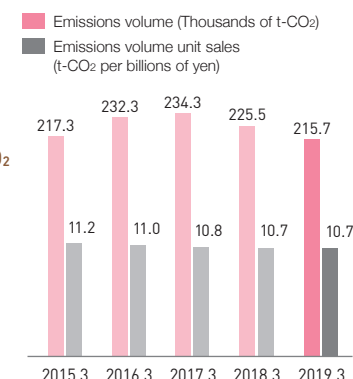
CO₂ emissions Domestic Calbee Group Companies

In order to reduce greenhouse gas emissions, we are taking initiatives such as improving productivity of our factories and switching from crude oil to other energy sources.

CO₂ emissions

215.7 thousand t-CO₂

CO₂ emissions per unit sales
10.7 ton-CO₂ per billions of yen

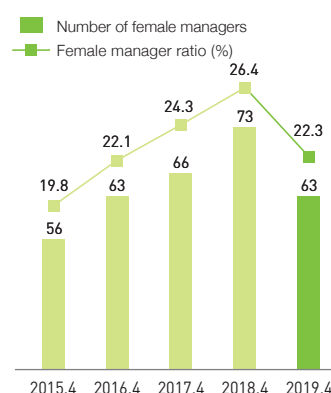


A Motivating and Fulfilling Environment for All Employees through Diversity and Inclusion

Female manager ratio

As part of our diversity management, we aim to achieve a female manager ratio of 30% for the fiscal year ending March 31, 2022.

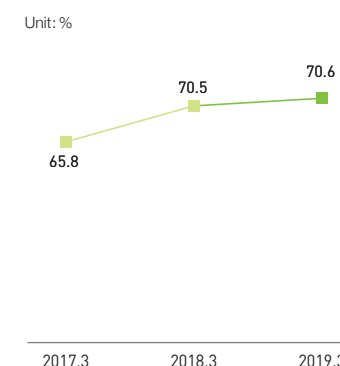
22.3%
As of April 2019



Rate of annual paid holidays taken

We encourage employees to take paid holidays to improve their work-life balance and create an environment in which all employees can work enthusiastically.

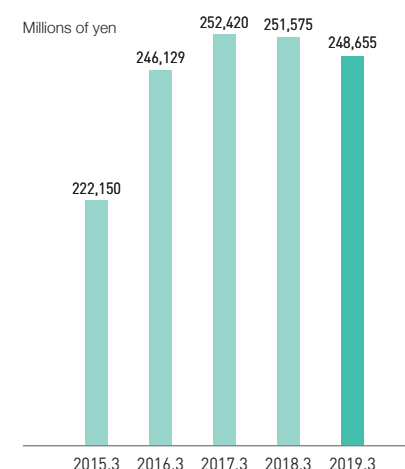
70.6%



Achieving Sustainable Growth and a High Profitability Structure

Net sales

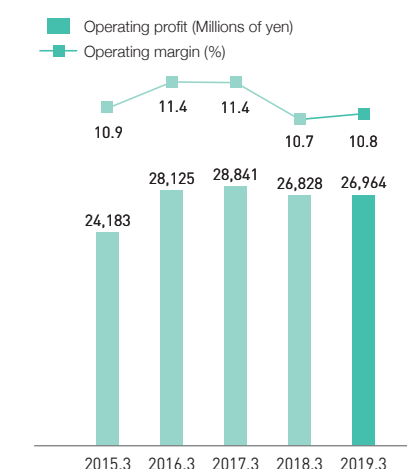
¥248,655
million



Operating profit and Operating margin

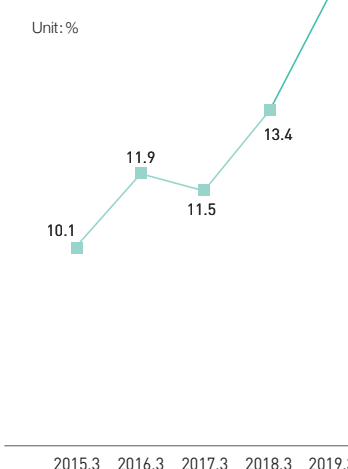
Operating profit **¥26,964**
million

Operating margin **10.8%**



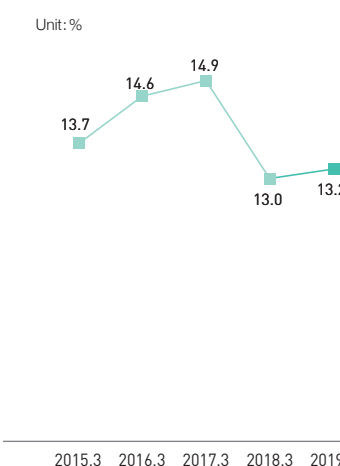
Overseas sales ratio

16.3%



ROE

13.2%

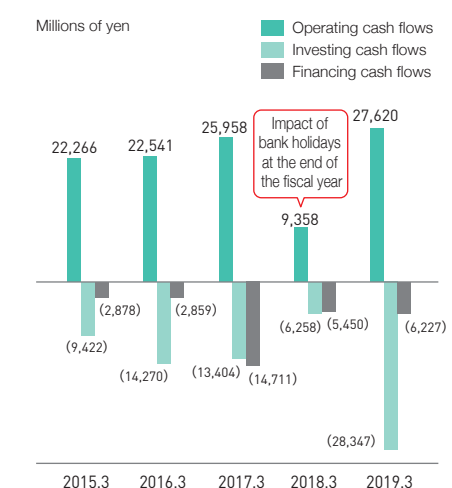


Cash flows

Operating CF **¥27,620** million

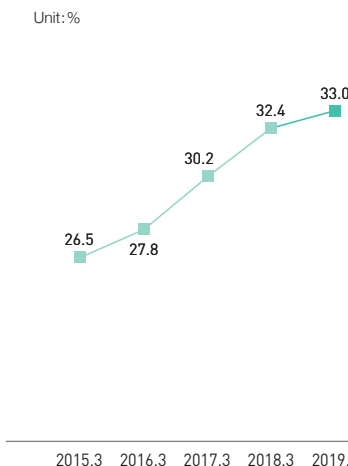
Investing CF **¥(28,347)** million

Financing CF **¥(6,227)** million














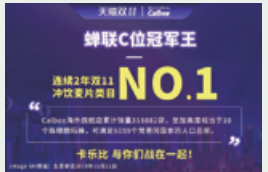




Consolidated dividend payout ratio

33.0%



Business Topics

		April–June 1 ^Q of the fiscal year ended March 31, 2019	July–September 2 ^Q	October–December 3 ^Q	January–March 4 ^Q	April–June 1 ^Q of the fiscal year ending March 31, 2020
Domestic business		<p>[April] Partial transfer of shares of Garden Bakery Co., Ltd. (production and sale of breads and snack foods)</p> <p>[April] Launch of <i>Tomorico</i>, a new ingredient snack under the <i>Jagarico</i> brand</p> 	<p>[July] Launch of <i>Edamarico</i>, a new ingredient snack under the <i>Jagarico</i> brand</p> 	<p>[October] Launch of <i>Potato Chips</i> using new potato variety Poroshiri *</p> 	<p>[October] Launch of <i>Potato Chips</i> with the taste of local flavors in 47 prefectures "Love Japan" (First in October, Second in January, Third in March)</p> 	<p>[June] Launch of nutrition and function food <i>Granola+</i>(<i>Granola Plus</i>) as new cereal brand</p> 
			<p>[September] Transfer of all shares of sales subsidiary CalNeCo, Inc. (production and sale of sales promotional tools)</p>	<p>* This is the first variety developed by the Calbee Group over a decade. It is suitable for potato chip processing and resilient to disease.</p> 	<p>[March] Launch of <i>Jagarico Salad bits</i> in standing pouch* package * Stand-alone package with a chuck</p> <p>[March] Acceptance the application of new variety of potato <i>Natsu-gasumi</i></p> 	<p>[June] Extension of expiration date of <i>Potato Chips</i> to reduce food loss and improve work efficiency</p> <p>[June] Renewal of <i>Potato Chips Usushio-aji</i>, which are reduced salt by about 5% used for the products annually</p>
Overseas business		<p>[April] Indonesia Launch of <i>KrisBee Krunchy</i>, a new corn-based snacks</p> 	<p>[July] North America Launch of <i>Harvest Snaps Organic</i>, which focuses on organic ingredients</p> 	<p>[October] United Kingdom Acquisition of Seabrook Crisps Limited, a long-established manufacturer of potato chips</p> 	<p>[October] North America Launch of <i>Popper Duos</i>, a new of bean-based snack</p> 	<p>[December] Indonesia Expansion of production lines for potato chips</p> 
		<p>[April] Greater China Start of sales of <i>Frugra</i> through Chinese domestic e-commerce (general e-commerce)</p>	<p>[August] Greater China Start of production of <i>Frugra</i> at Kyoto Factory and start of shipment to China</p> 	<p>[November] Greater China Sales of <i>Frugra</i> from Single Day in Alibaba's T-mall ranked first in the cereal category for the second consecutive year</p> 	<p>[February] Australia Launch of <i>Harvest Snaps Black Bean</i>, a bean-based snack</p> 	<p>[May] Indonesia Launch of flat-type potato chips <i>Japota</i></p> 

Business Review

Percentage of Net Sales
(Fiscal Year Ended March 31, 2019)

Overseas 16.3%

Other businesses 1.5%

Net sales
¥248,655 million

Domestic snack foods 72.6%

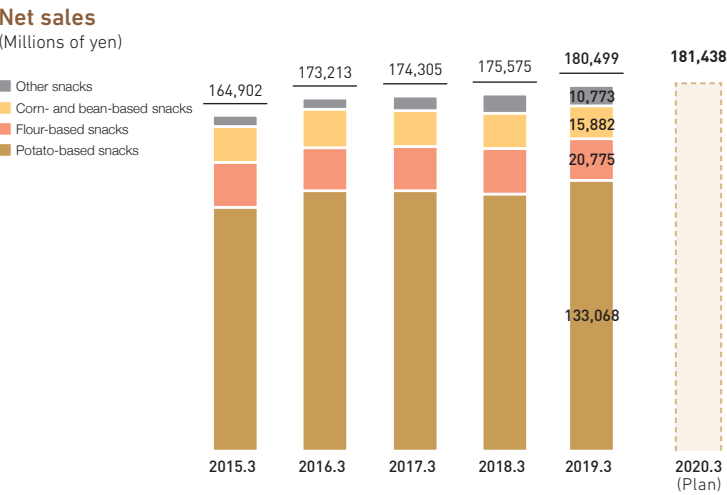
Domestic cereals 9.6%

We mainly manufacture and sell potato-based snacks, flour-based snacks, corn- and bean-based snacks and cereals.

For domestic business, we have more than a 50% share of the snack market, and have maintained a particularly high share of more than 70% in potato-based snacks. In the cereal market, *Frugra* is driving market expansion and we have the top share of the cereal market.

For overseas business, we currently operate in nine countries and regions. Utilizing the processing technologies of natural raw materials cultivated in Japan, we produce and sell snacks and cereals tailored to local consumer needs.

Domestic snack foods



Results for the Fiscal Year Ended March 31, 2019

Sales of domestic snack foods increased 2.8% to ¥180,499 million.

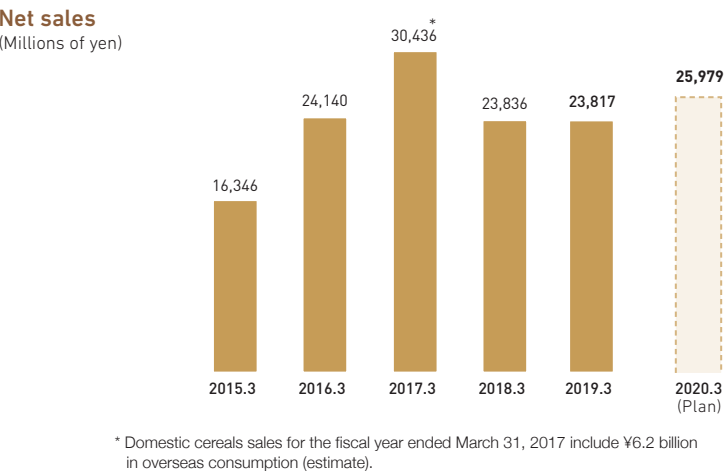
Sales of *Potato Chips* increased as a result of securing sufficient supplies of potatoes and conducting proactive sales promotional activities, such as increased volume campaigns.

Sales increased for *Jagarico*, due to sales of *Tomorico* and *Edamico* individual portion snacks, which were launched nationwide with a TV commercial. However, sales of *Jagabee*, flour-based snacks and corn-based snacks, and bean-based snacks decreased due to a weak recovery from the negative effect of increased demand for *Potato Chips*.

Initiatives for the Fiscal Year Ending March 31, 2020

- Implement price hike and content standard revisions of *Potato Chips* and other products
- Initiative to strengthen *Jagarico* marketing
- Strengthen product lineup to meet diverse needs such as texture variants and new food scenes

Domestic cereals



Results for the Fiscal Year Ended March 31, 2019

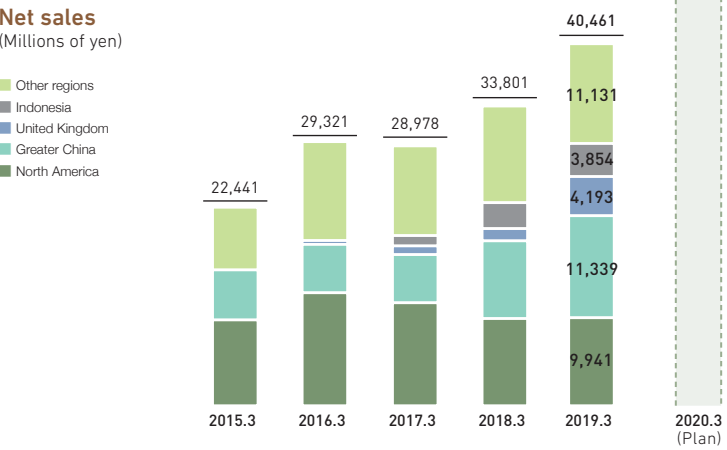
Sales of domestic cereals declined 0.1% to ¥23,817 million.

Domestic demand did not increase despite enhancement of the *Frugra* product lineup, including Small size and individual portion size—whose purpose is to generate new domestic customers—the renewal of *Frugra Less Carbohydrates*, and continuous investment in limited time products.

Initiatives for the Fiscal Year Ending March 31, 2020

- Launch of new granola products focused on functionality and portability
- Encourage repeat buying with medium size lineup

Overseas



Results for the Fiscal Year Ended March 31, 2019

Sales of overseas business increased 19.7% to ¥40,461 million. Sales in North America were sluggish despite the launch of *Harvest Snaps* made using organic beans due to delays in its introduction. In Greater China, sales increased due to the launch of *Frugra* in Chinese domestic e-commerce, in addition to cross-border e-commerce. In the United Kingdom, sales increased significantly on the acquisition of Seabrook Crisps Limited in October 2018.

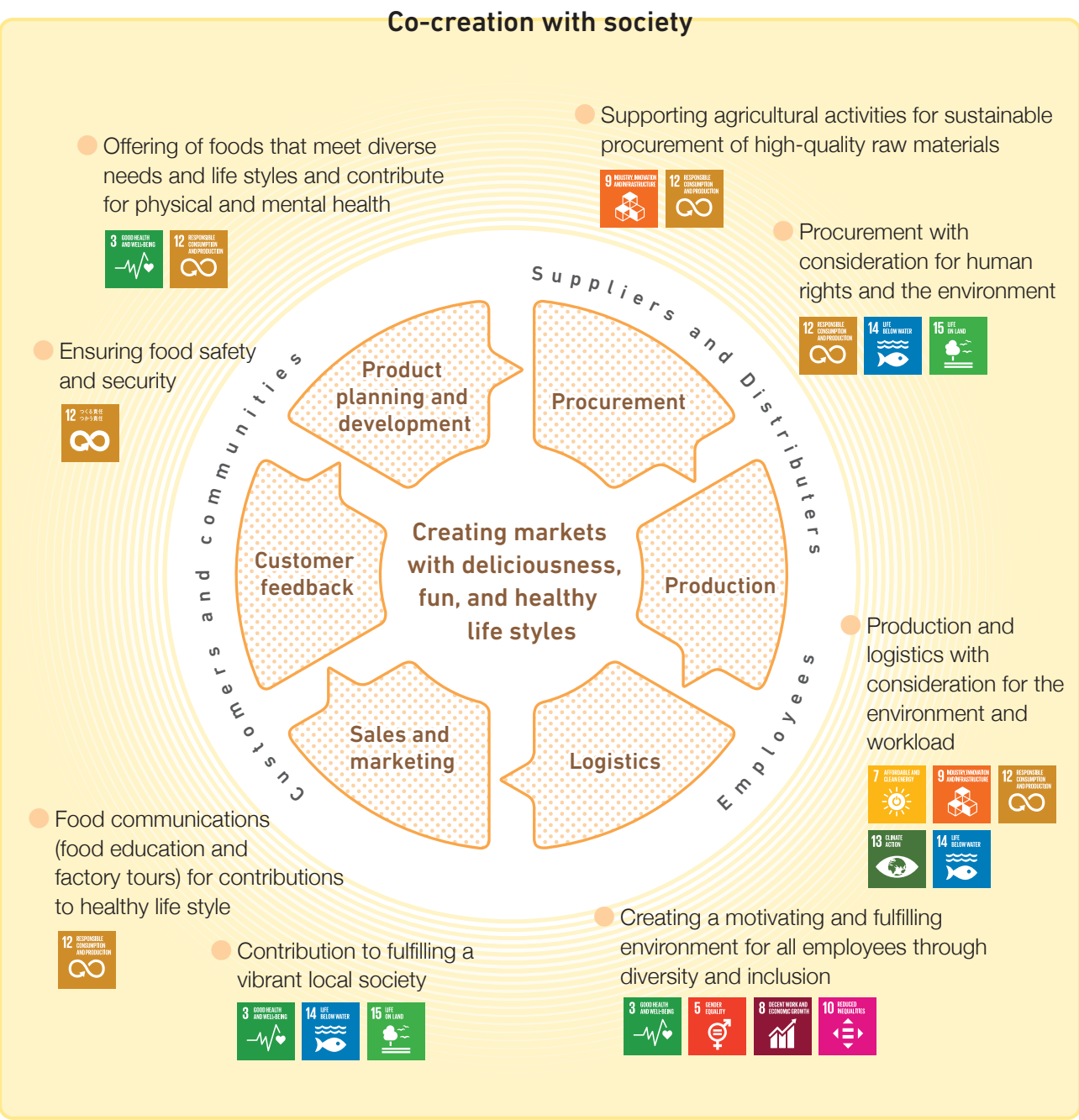
In Indonesia, sales increased driven by the contributions of *Potabee* potato chips and *KrisBee Krunchy*, a corn-based snack.

Initiatives for the Fiscal Year Ending March 31, 2020

- North America: Strengthen sales of *Harvest Snaps* to major customers
- Continuously invest in new products and enhance product other than snacks
- Greater China: Strengthen sales and marketing through utilization of e-commerce partner's platform
- Strengthen sales for retail channels
- United Kingdom: Aim for cost synergy and sales synergy via integration of Calbee (UK) and Seabrook
- Indonesia: Improvement of factory utilization on launch of new *Potato Chips* products, and cost reductions in raw materials

Co-Creation with Society —Creating Value through Sustainable Management—

The Calbee Group will continue to create new value through sustainable management based on co-creation with society, grasping the changes and issues surrounding the Company from a medium- to long-term perspective, including the earth, local communities, society, and the economy. At the same time, we would like to lead to the achievement of the Sustainable Development Goals (SDGs) set by the United Nations through providing value to our stakeholders.



Issues that the Calbee Group can contribute to



Initiatives

Diversification of products utilizing customer feedback

The customer opinions received by our Customer Service Center are shared throughout the Company and used for product improvement and development. Based on customer comments such as, “Since the usual *Frugra* has a sweetness, I would like products with reduced sweetness”, new granola brand which features a flavor and deliciousness will be launched in September 2019 (scheduled).



Extension of expiration dates for potato chips

In an effort to reduce food loss throughout the value chain and improve work efficiency at distributors and sales floors, we extended the expiration date for potato chips and changed the labeling to “Year and Month” on June 1, 2019.



Efforts to reduce the workload in logistics

We are working on various measures in the logistics division to address social issues such as a serious shortage of drivers and an increased workload in logistics operations. We have reduced drivers' waiting time and incidental work by 50% by sharing and improving issues with our business partners. At the Kyoto Factory, autonomous forklift trucks were introduced, realizing unmanned operations of movement and storage of products.



Promoting integrated inter-factory energy conservation projects through collaboration with other companies

We are participating in the integrated inter-factory energy conservation project to establish the Kiyohara Smart Energy Center centering on a 30,000 kW class gas cogeneration system with Canon Inc., Hisamitsu Pharmaceutical Co., Inc., and the Tokyo Gas Group. The facilities are scheduled to start by the end of fiscal year ending March 31, 2020.

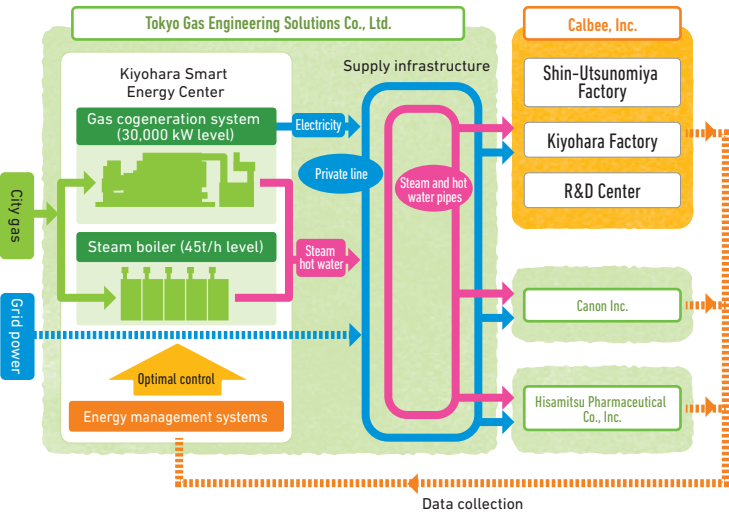
This is the first integrated inter-factory energy conservation project in Japan that provides electricity and heat (steam and hot water) to multiple business sites in different industries.

By sharing energy supply systems with seven business sites in different industries that are close to each other, each business site is able to reduce the environmental burden to an extent that cannot be achieved by itself. This is expected to result in energy savings of about 20% and CO₂ emissions reductions of about 20%*. In addition, it will be possible to provide a stable energy supply even in the event of a power outage, is expected to strengthen the company's Business Continuity Plan (BCP).

* Reduction rate against the CO₂ emission total at seven business sites of the three companies (Calbee, Canon, Hisamitsu Pharmaceutical) in fiscal year ended March 2016 About 23,000 t/year



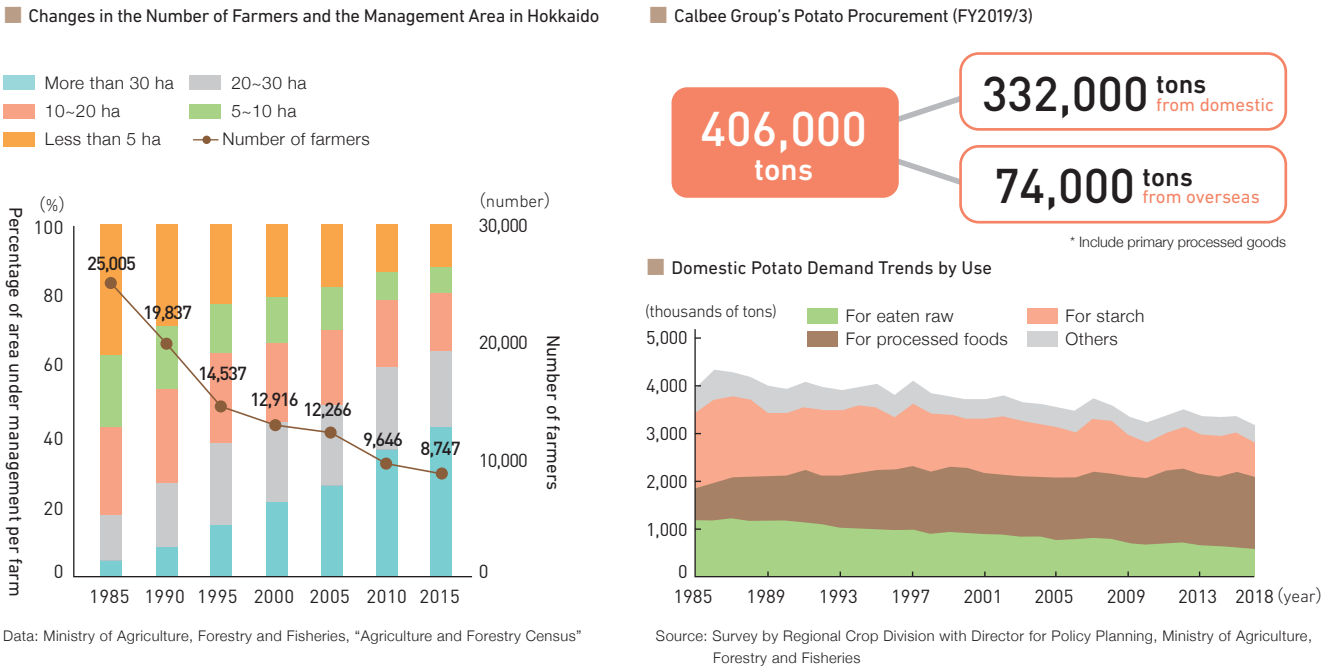
Diagram of Electricity and Heat (Steam and Hot Water) Supplies



Procurement —Sustainable potato procurement—

The number of farmer households in Japan has continued to decrease due to giving up farming as a result of a population outflow to urban and aging, while the management area of farmland per unit farmer has become larger. Potato farmers are no exception. There are issues such as increasing the yield per area and streamlining and labor saving of operations. In response to these issues, the Calbee Group is implementing a variety of measures.

Going forward, we aim to create new service-oriented business models such as agricultural consulting and agricultural work agency services by leveraging the related technologies and expertise we have cultivated in this potato business. In addition, these technologies and expertise can be applied beyond potatoes, and we will take on the challenge of commercializing other crops.

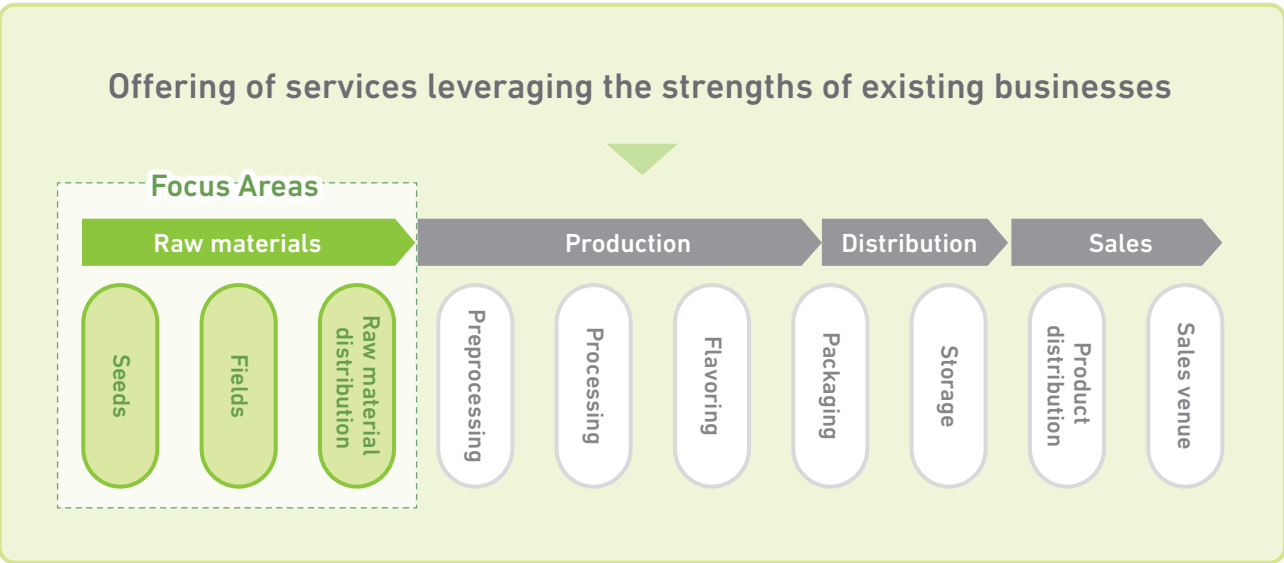


Message from Management

The Calbee Group's strength in procuring potatoes is its direct relationships with producers. Through sharing each other's ideas, values, and requests among the relationship, we have achieved stable potato procurement over the long term. However, there are still many issues remaining. In particular, climate change due to global warming, decrease of farmer households, and shortage of labor are major risks for the future.

We will take a variety of measures to address these issues with producers, such as diversification of production areas by developing new areas, development and dissemination of new varieties, and introduction of cutting-edge technologies. Additionally, the spread of IT and AI will cause major changes in potato production. We will play a part in the dissemination of these technologies, while verifying the effectiveness of potatoes in terms of quality, yield, and workability. We will further deepen our relationships with producers and expand the potential of Japanese agricultural products through the development of our potato business.

Calbee Potato, Inc.
Director & Managing Executive Officer
Hiroyuki Uemura



Consulting on Cultivation Techniques

Calbee Potato, Inc. has long been involved in a variety of potato procurements by building close networks with producers, government, universities, and other manufacturers in the same industry. With the aim of labor saving and improving productivity of potato production through the introduction of cutting-edge technologies, we will provide consulting on the production process (cultivation planning, harvesting, and transportation) through the relationships between contract producers and fieldmen (potato specialists).



IT Cultivation Support

By incorporating IT into potato cultivation, which has been supported by the expertise and skills of each experienced producer, we believe that IT will not only enable labor saving but also enable us to respond optimally to dramatic climate change in recent years. The Calbee Group will introduce and promote these technologies to contracted fields by understanding the effectiveness of their introduction to contract producers.

Through consulting and the use of IT, we will evolve our potato cultivation and supply system, and aim to build service-oriented business models.

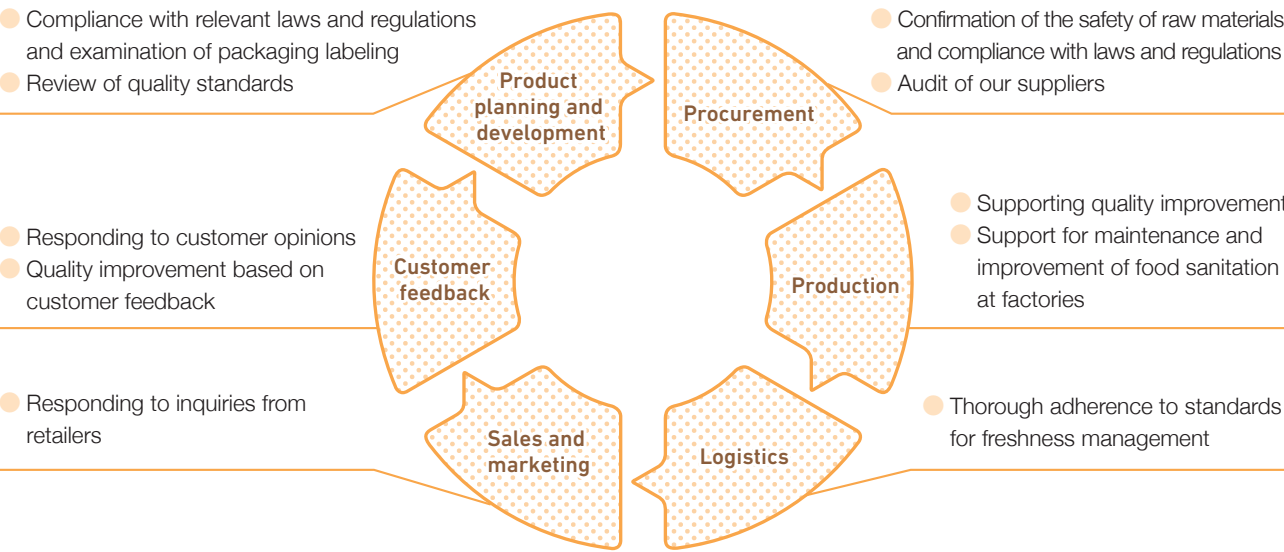


Quality —Quality Assurance that Protects the Value Chain—

We believe that offering safe and secure products is one of our most important social responsibilities. In collaboration with producers and suppliers, we are strengthening our quality assurance system throughout the entire value chain, from raw material procurement and product planning to production, logistics, and sales and marketing.

In addition, we are constantly listening to and analyzing opinions and feedback from our customers in order to reduce the number of comments pointed out, and making improvements throughout the entire value chain.

The Quality Assurance Division is directly under the president, and top management communicates the idea that quality is first. We are constantly working in the Company to raise awareness with the aim of ensuring that each employee takes the customer's perspective and provides products worthy of customer trust and satisfaction.



Initiatives

A.A.O. Activities

In order to ensure safety and security, it is important to identify risks at an early stage and respond promptly to them at the workplace level. We are working to raise employee awareness of quality assurance. One of these companywide activities is A.A.O. activities, which are carried out every year. We listen directly to the opinions of our customers, recognize the importance of responding from the customer's perspective, and apply them to initiatives in each division.



President Ito, who monitors telephone calls from customers



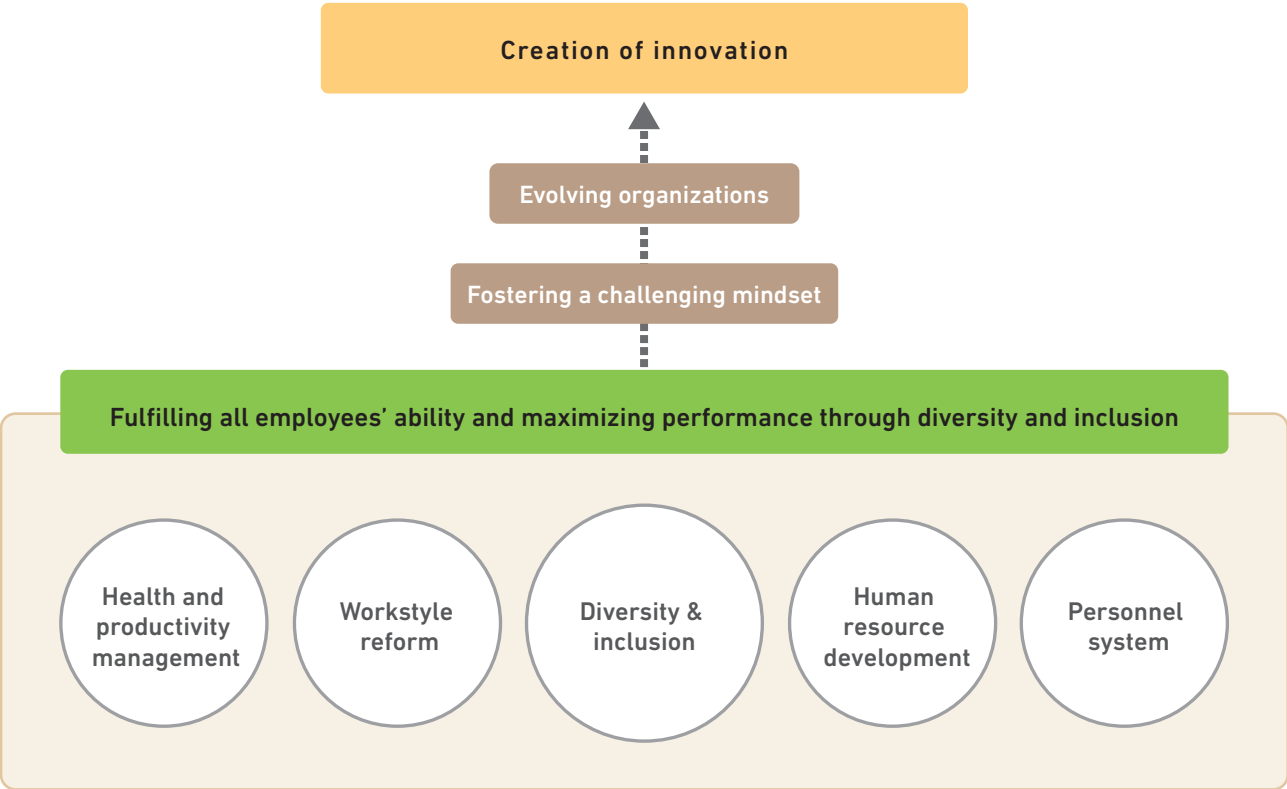
Overseas Quality Assurance

We are strengthening our quality control system not only for domestic but also for overseas Group companies and affiliated factories. We also conduct food sanitation audits at our overseas factories in accordance with Japanese standards, and apply the concept of quality assurance in Japan. As well, we conduct periodic audits of raw materials used from overseas to ensure quality assurance from the raw material stage.



Human Resources —The Human Resources Base Supporting the Value Chain—

We believe that human resources are an important base supporting our value chain as well as a source of innovation for sustainable growth. In order to create new value in response to rapid changes in the business environment, it is necessary for each employee to have a challenging mindset. We are working to create an environment in which we can produce such human resources, and they can fulfill all employees' ability.



Message from Management

The human resources that the Calbee Group is seeking are those who can generate innovation. This refers to those who can create new value by acting with a broader perspective beyond existing rules and assumptions. To support these human resources, we have been creating an organization in which all employees can fulfill their own ability, such as facilitating smooth communication within the Company, evaluating employees' challenges and processes, and working styles that are not constrained by time or place. We believe that the starting point for innovation is a system that encourages each employee's motivation.

In addition, the core of all employees' active performance is respect for diversity. To date, our diversity management measures have focused on the promotion of women's empowerment. Going forward, we aim to evolve into an organization with diversity as its strength by leveraging differences based on individual respect. We believe that human resources with a global perspective and flexible thinking, who respect the diversity of members, transform differences into value and generate innovation, will support medium- to long-term growth.



Managing Executive Officer
CHRO (Chief Human Resource Officer)
General Manager of Human Resources &
General Affairs Division
Masako Takeda

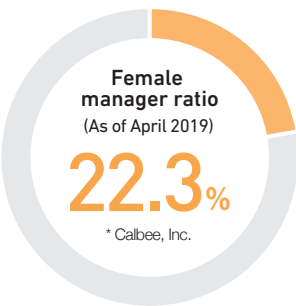
[Initiatives for All Employees Active Performance]

Diversity & Inclusion

Based on the belief that Calbee cannot grow without the active participation of women, we have focused on promoting the active participation of women, which account for approximately half of our employees, as a top-priority issue for diversity management. Moving forward, we will create an organization in which all employees can fulfill their own ability by learning from the diversity of individuals, such as measures to promote understanding of diversity and to create a corporate culture, in addition to promotion of active participation of women.

Promotion of Female Employee's Activities

While approximately half of our employees are women, the female manager ratio was 5.9% as of April 2010, when we began initiatives regarding promoting diversity and the active participation of women. At present, this ratio has increased by about four times. We are implementing the three steps of "understanding," "satisfaction," and "action" for diversity. Under the leadership of top management, we are promoting female employees systematically and continuously, conducting various training and workshops, and improving the working environment from the perspective of female employees.



Diversity-Related Awards and Accreditation

"Eruboshi" certified as an excellent company based on the Act on Promotion of Women's Participation in the Workplace
Third-highest level of certification

Advanced Company Awards for Women
Prime Minister's Award
(FY2017/3)

Nadeshiko brand certification

Selection of 100 New Diversity Management Companies
100 prime

Forbes JAPAN WOMEN AWARD award
Supported by CSR



VOICE

Valuable experience with the challenge system

Calbee has a system in which each employee can take on new challenges at their own will. I was assigned to Indonesia as an overseas trainee in the sixth year since joining the Company through the overseas challenge system. I was seconded to the Indonesian subsidiary to engage quality- and productivity-related tasks at the factory. Through my work in Indonesia with a great deal of change, I feel that my experience has been something that I could not imagine before.

PT. Calbee-Wings Food
(As of June 2019)
Yosuke Kubosawa

VOICE

Focus on performance rather than working time by utilizing an enhanced system

After taking two childcare leaves, I returned to my current role as a sales contact for e-commerce customers. Currently, I use a shorter working hours system for childcare and teleworking. I feel that I am working where we understand the importance of performance rather than working hours. Many women who have children are actively working at Calbee. It encourages me to work on a daily basis.

E-commerce team, National Account Sales Department
Satsuki Sasayama

[Initiatives for All Employee's Active Performance]

Initiatives for Employees to Promote Challenges

We are implementing initiatives aimed at creating workplaces where all employees can fulfill their own ability while respecting the values of their work and life, such as fair evaluation and reward systems for their performance as well as opportunities for employees to take on challenges.

Career Development	Fostering career ownership	Develop policies and environment for each employee to independently and positively consider their own career from a medium-term perspective for personal growth (Self-assessment system, in-house recruitment, work challenge, employee challenge, etc.)
	Job rotation from a medium- to long-term perspective	Implement intentional cross-divisional rotation to develop human resources with diverse experiences
	Self-development support program	Cover the costs partially for curriculums selected by employees themselves, such as e-learning and schooling-type menus
	Selective training to nurture leaders	Work-out training by top-class lecturers aimed at nurturing next-generation leaders
Evaluation and Awards	Commitments and accountability	Conduct fair evaluations based on the results, which all executives and employees commit to at the beginning of the fiscal year
	Calbee Award	Awards to employees who contributed to annual performance and corporate development every year

Systems to Support Diverse and Efficient Working Styles

'91 Flextime system

'01 Paperless settlement system

'04 Half-day holiday system

'07 Office system where employees are free to change desk ("Free-address")

'10 • Nationwide introduction of Free-address
• Promotion of reducing paper at offices

'14 Home teleworking

'17 Enhancement of home teleworking (no limit for location and frequency)

1990 2000 2010 2019

Corporate Governance

Basic Policy to Corporate Governance

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

We have strengthened and enhanced our corporate governance system at the early stage. We have adopt the corporate governance system with the Board of Directors, which is composed of a majority of outside directors, and Audit and Supervisory Board, which has functions of management oversight. We have introduced an executive officer system to separate business execution and supervisory functions to improve management transparency, clarify management responsibilities, and speed up decision-making.

In addition, the Board of Directors and the executive officer system place importance on diversity, in regard to backgrounds and values of the members.

Corporate Governance System

Major items	Contents
Form of institutional design	Company with auditors
Number of directors (of whom, outside directors)	8 (5)
Number of Audit & Supervisory Board members (of whom, outside Audit & Supervisory Board members)	3 (3)
Number of meetings of the Board of Directors (FY2019/3), (Attendance ratio)	13 times (97%)
Number of meetings of Audit & Supervisory Board (FY2019/3)	14 times
Term of office for directors	1 year
Term of office for Audit & Supervisory Board members	4 years

Transition of Corporate Governance System Enhancement

2001

Separation of supervision and business execution

- Adopted an executive officer system
- Appointed outside directors

2009

Enhance supervisory and monitoring functions
Promotion of diversity

- Reduced number of internal directors from nine to two
- Increased the number of outside directors from two to five
- Appointed the first non-Japanese director

2010

Enhance management transparency and soundness

- Established an Advisory Board

2014

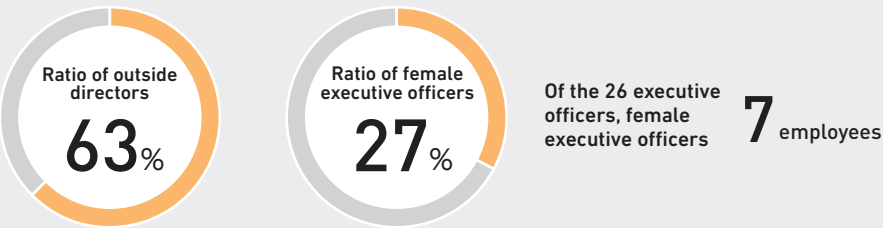
Clarification of management responsibility

- Reduced director terms from two years to one year

2019

Strengthening of management structure

- Increased the number of internal directors by two, Board of Directors increased from six to eight

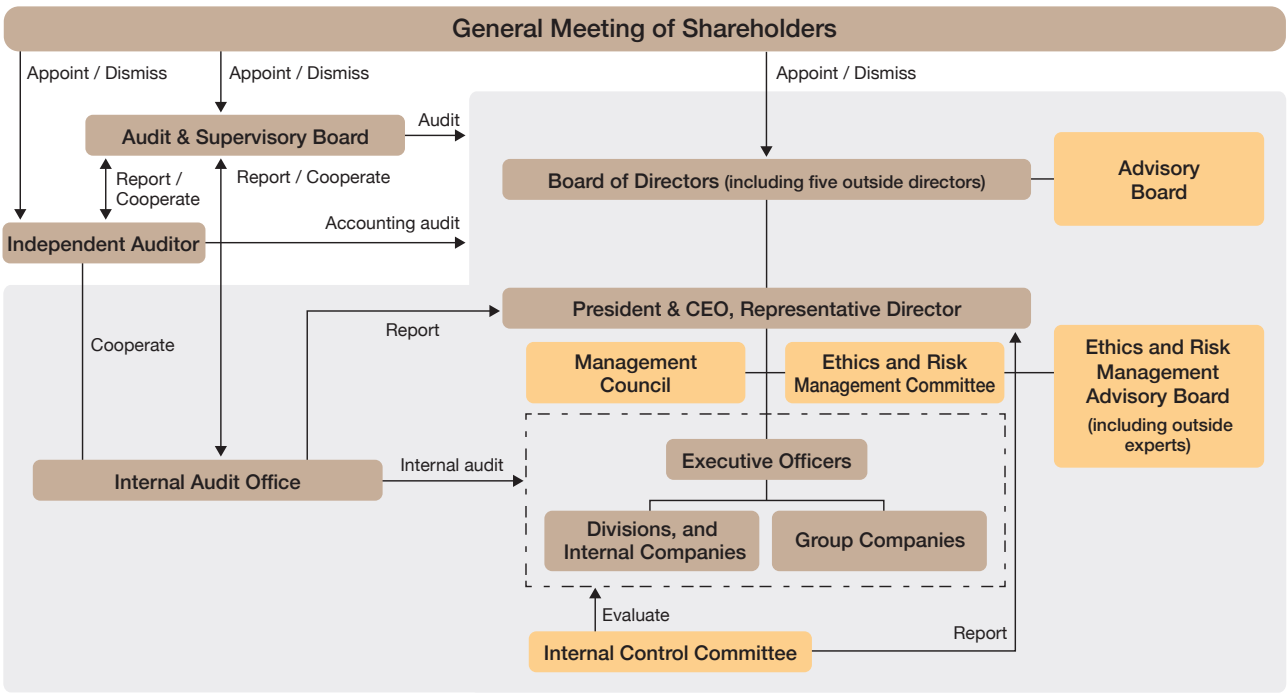


The Tokyo Stock Exchange's Corporate Governance Code has been applied to all listed companies in 2016. In response, we have formulated our own original corporate governance code that reflects our vision and systematizes our attitude regarding corporate governance.

Calbee's Corporate Governance Code

<http://www.calbee.com/ir/pdf/2016/governance.code.pdf>

Organization of Corporate Governance



Board of Directors

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.

Audit & Supervisory Board

The Audit & Supervisory Board consists of three outside Audit & Supervisory Board members. The Board ensures transparency, and oversees and audits management.

Primary Organizations and Committees

Management Council

Duties: Verify the current status of, and issues facing, business administration and conduct preliminary discussions
Members: Senior executive officers including three directors, and presidents of internal companies

Ethics and Risk Management Committee

Duties: Discuss, decide, and manage progress on issues and countermeasures related to promoting compliance and risk reduction
Members: President (Chairman), presidents of Group companies, presidents of internal companies

Internal Control Committee

Duties: Construct internal control systems and conduct self-assessment
Members: Internal Audit Office head (Chairman), members of management divisions, operational divisions' head, production site managers, and presidents of group companies

Advisory Board

Duties: Review executive appointments and remuneration and consult with the Board of Directors
Members: One internal director, four outside directors, and one outside Audit & Supervisory Board member

Ethics and Risk Management Advisory Board

Duties: Objectively discuss management risks concerning environment and product quality as well as compliance issues
Members: External expert (Chairman), president, Human Resources Headquarters head, and executive officer of Internal Control Support

Policies and Processes for Appointing Directors and Audit & Supervisory Board members

Policy

We have a core policy that the Board of the Directors is composed of a majority of 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, academia, and journalism.

With regard to the policy of appointing outside directors or outside Audit & Supervisory Board members, we place importance on the following points and comprehensively consider whether or not they contribute to sound and efficient corporate management.

- Expectations for useful, objective, and fair advice and supervision based on a thorough knowledge and experience of corporate management, and a high level of knowledge in the food industry
 - Expectations for useful, objective, and fair advice and supervision based on a high level of knowledge in the specific field
- Evaluations of the independence of directors and Audit & Supervisory Board members are conducted based on the standards established by the Tokyo Stock Exchange

Reasons for Appointing Outside Directors

Name	Term of office (As of June 2019)	Reasons for appointment
Yuzaburo Mogi	10 years	Yuzaburo Mogi is Honorary Chairman of Kikkoman Corporation and serves as an outside director and corporate auditor at various company. We believe Mr. Mogi will utilize his knowledge and experience gained throughout his career in the management of the Company.
Takahisa Takahara	4 years	Takahisa Takahara has led the global expansion of Unicharm Corporation. We believe Mr. Takahara will utilize his knowledge and experience gained throughout his career in the management of the Company.
Atsuko Fukushima	4 years	Atsuko Fukushima has many years of experience as a journalist. We believe Ms. Fukushima will utilize her wide and objective perspectives regarding social, economic, environmental, and consumer issues gained throughout her career in the management of the Company.
Yoshihiko Miyauchi	2 years	Yoshihiko Miyauchi has served as President and Chairman of ORIX Corporation. We believe Mr. Miyauchi will utilize his knowledge and experience regarding corporate management and world economics gained throughout his career in the management of the Company.
Anne Tse	—	Anne Tse is engaged in the e-commerce business of the PepsiCo Group, which is the parent company of Frito-Lay Global Investments B.V., our major stakeholder (ownership ratio: 20.01%). We believe Ms. Tse will utilize her knowledge and experience as manager of a multinational enterprise gained throughout her career in the management of the Company.

Processes

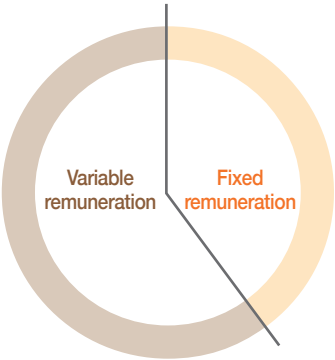
The nomination of candidates for outside directors is decided upon approval at the General Meeting of Shareholders, after being reviewed by the Advisory Board and recommended by the Board of Directors. Regarding the nomination of candidates to the Audit & Supervisory Board candidates must have a strong will to respond submission from shareholders with background in finance, accounting and/or law. Candidates are deliberated by the Board of Directors. After which, they are approved by Audit & Supervisory Board members, and them decided on at the General Meeting of Shareholders.

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. About two-third 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 execution.

Fixed remuneration One-third of the total remuneration paid	
Basic remuneration	Monetary rewards as compensation for executive duties*1
Variable remuneration Two-third of total remuneration paid	
Bonuses	Cash linked to the business results during the fiscal year*2
Retirement bonuses	Cash linked to the business results during the period of appointment paid at the time of retiring
Performance-based stock compensation	Stock compensation linked to the business results of each fiscal year paid at time of retiring*3

*1 Basic remuneration for directors shall not exceed annual remuneration limits determined by the General Meeting of Shareholders.
*2 Remuneration shall not exceed 1.5% of the respective fiscal year's consolidated ordinary profit.
*3 Paid for the fiscal years between March 31, 2018 and 2020 in which performance targets were achieved; Total amount shall not exceed 1% of consolidated net profit targets.



Evaluation of the Effectiveness of the Board of Directors

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

The valuation outline and results for the fiscal year ended March 31, 2019 are as follows.

Processes	<ul style="list-style-type: none">• Interviews with all directors, including outside directors• Analyze the results of interviews and discuss issues and future initiatives at Board of Directors' meetings
Major Questions	<ul style="list-style-type: none">• Status of execution of duties by directors (decision-making connected to raising our corporate value, separation of execution and supervision), status of operation of the Board of Directors, etc.
Evaluation Results and Challenges for Future Initiatives	<ul style="list-style-type: none">• The Board of Directors sets appropriate agendas in a timely manner, and each director actively makes comments, questions, and makes decisions based on his or her own experience.• At meetings of the Board of Directors, constructive discussions are held, including outside directors from an independent standpoint and with various backgrounds, and sometimes refusals or refunds are made, thereby fulfilling the function of monitoring and supervising the execution of business operations.• Future issues included establishing agendas from a medium- to long-term perspective, formulating succession plans, designing institutional designs and corporate governance, and enhancing discussions on delegation of discretion to executive officers.

Dialogue with Shareholders and Investors

We not only disclose information to shareholders, investors, and other stakeholders in a timely and appropriate manner but also actively engage in dialogue with shareholders, investors, and other stakeholders from the perspective of medium- to long-term to raise our corporate value. Top management holds direct dialogue as much as possible. We share shareholder and investor opinions for management within the Company.

Opportunities for Dialogue (FY2019/3)

- ▶ 70th Annual General Meeting of Shareholders
Number of shareholders visiting **970 people** Voting rights exercised **87%**
- ▶ Dialogue with institutional investors and analysts **331 times**
(155 for domestic investors and 176 for overseas investors)
- ▶ Financial results briefing **4 times**
(for institutional investors and analysts)
- ▶ Small meetings **8 times**
(for institutional investors and analysts)



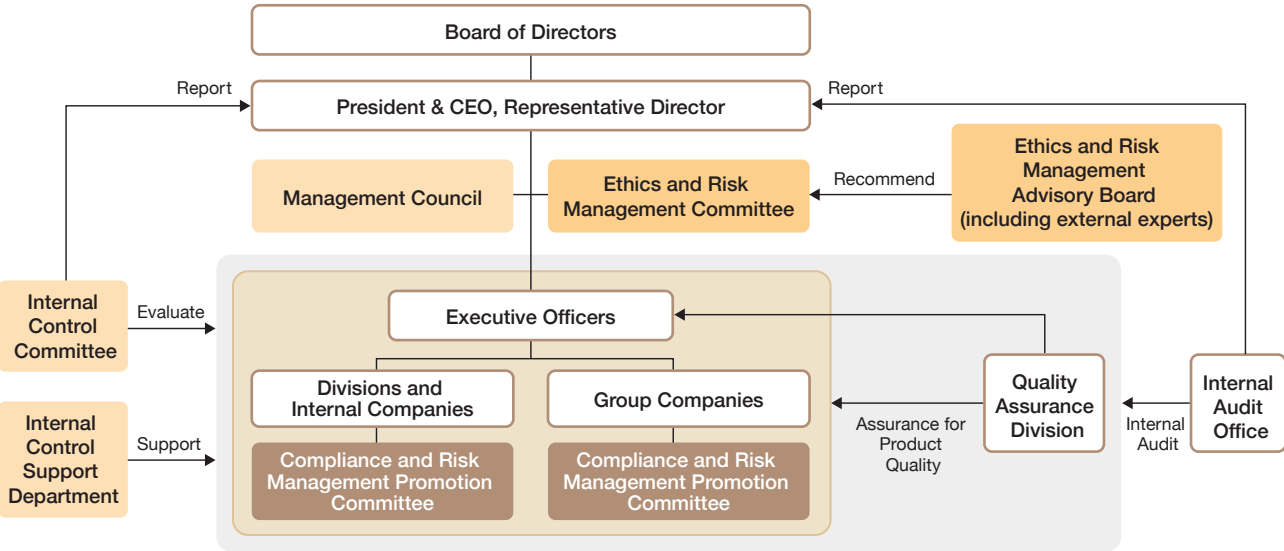
Risk Management

In order to deal with the diverse business risks (natural disasters and accidents, legal violations and litigation, quality, procurement of raw materials, stocks, intellectual property infringements, etc.) faced by the Company, we have formulated “Risk Management Rules,” and identify and evaluate the business risks of each internal companies, headquarters, and Group companies during the process of establishing an internal control system. In particular, regarding quality risks for our products and raw material procurement, the Quality Assurance Division plays a central role in implementing preventive measures. In addition, we have a system that enables us to respond to promptly throughout the Company. Going forward, we will to promote to establish a system to prevent risks in advance, minimize damage, and ensure rapid recovery. As for information security risks, we have put in place an internal system that can respond to security incidents. Also, we continue to enlighten and educate employees as preventive measures.

Risk Management System

Based on “Basic policy of Internal Control Systems” resolved by the Board of Directors, we have established the following compliance and risk management system. The Ethics and Risk Management Advisory Board, which includes external experts, has been established to promote a highly independent and transparent system. In addition, the Ethics and Risk Management Committee was established to decide on the policies compliance and risk countermeasures, and the Compliance and Risk Management Promotion Committee at each of our internal companies, headquarters, and domestic group companies is responsible for implementing these measures.

■ Organization of Compliance and Risk Management



Business Risks

- 1 Product development
- 2 Raw material procurement
- 3 Product safety
- 4 Competitive risk
- 5 Global expansion
- 6 Relationship with major shareholders
- 7 Legal regulations
- 8 Natural disaster risk

Examples of Responses to Raw Material Procurement Risks

Risk-Control of Potato Procurement

In order to ensure stable supply of domestically produced potatoes in terms of quality, quantity, and price, we have built a procurement system through contract cultivation. In Japan, fresh potatoes, the main raw material for *Potato Chips* and *Jagarico*, are not permitted imports under the Plant Protection Law.

In the summer of 2016, typhoons struck Hokkaido, a major production area of potatoes, and this had a significant impact on the Calbee Group's production and sales. Additionally, in Japan, potato production is declining year by year due to a decrease in the number of farmers. Against this backdrop, in order to stably procure high-quality potatoes in the future, we are actively promoting risk management measures such as further development in domestic production areas other than Hokkaido, promotion of conversion to potato for processing from other use, and development of varieties that are resistant to pests.

* For details on business and other risks, please refer to the Financial Book for the fiscal year ended March 31, 2019.

Message from Outside Directors

Outside directors' role in determining the ability of management to execute on behalf of the market

Outside Director
Yoshihiko Miyauchi



On behalf of investors and shareholders, the Board of Directors is responsible for overseeing the management team so that the Company can grow over the medium to long term. My role as an outside director is to pose questions to the management team in order to understand details of the agenda, and to determine whether the management team is able to respond to the questions and execute the matters. On the other hand, executives must make a declaration and explanations to us to gain our understanding of what they want to do.

The majority of the Board of Directors are outside directors, including many corporate managers. As such, we are able to actively discuss the specific agenda from a variety of viewpoints. Our agenda for the medium to long term has increased, and I feel that management of the

meetings is getting stronger still.

About a year has passed since the management team led by President Ito started. I believe that the governance system have continued to function properly and that the Company is moving forward with the next step. While the Calbee Group is growing at a slower pace currently, the business environment is changing dynamically. In order to grow overseas business and enter into new business areas, the Company needs to be able to take action with a considerable executive ability. We also need to benchmark not only domestic food companies but also companies around the world. I believe that the most important challenges for the Company are strengthening our top management team and corporate structure and developing human resources.



Raising our corporate value through building good relations with all stakeholders

Outside Director
Atsuko Fukushima

Our Board of Directors has a high percentage of outside directors, and I feel that it is highly effective as a Board of Directors in an environment where discussions are held, frankly and lively. In the environment, we are able to discuss the agenda thoroughly. In addition, the background of each outside director is different, and the diversity of the Board is reflected in management decision-making.

I am touching on social issues on a daily basis as a journalist. Based on these experiences, I always emphasize at the Board meetings the importance of building solid relationships with stakeholders in order to further grow Calbee. This is because I believe that this will ultimately lead to raise our corporate value. I sometimes visit factories and R&D centers for an inspection and communicate with employees. I attend Board meetings

while placing importance on frank awareness at these inspections.

The Calbee Group's long-term vision and medium-term business plan, which were just announced, have clarified our future vision. In the future, I hope that the management team thoroughly shares the ideal company with all employees so that they can constantly conduct their activities with an awareness of the vision. It is an important role of outside directors to constantly consider medium- to long-term perspectives to discuss whether the initiatives are taken solely for the purpose of achieving results for a single fiscal year, or whether they are positive in the medium to long term. Going forward, based on this vision, I would like to place more emphasis on the medium- to long-term perspective and contribute to the Calbee Group's sustainable growth as an outside director.

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)

4 Yuzaburo Mogi

Outside Director
Independent Director

- 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 and Chairman of the Board of Directors, Kikkoman (current position)
- Jun. 2016 Appointed Director, Oriental Land Co., Ltd. (current position)

2 Makoto Ehara

- Apr. 1981 Joined ITOCHU Corporation
- Apr. 2001 Joined Johnson & Johnson Co., Ltd.
- Apr. 2008 Appointed Vice President, Head of Business Promotion Division Johnson & Johnson
- Mar. 2011 Joined Calbee, Inc. as Senior Executive Officer
- Apr. 2011 Appointed President and Representative Director of Japan Frito-Lay, Ltd.
- Apr. 2014 Appointed Senior Managing Executive Officer of the Company and President and Representative Director of Japan Frito-Lay, Ltd.
- Apr. 2015 Appointed Executive Vice President, Calbee
- Apr. 2019 Appointed Executive Vice President and President of Overseas Company, assistant to the CEO, Calbee
- Jun. 2019 Appointed Executive Vice President & COO, Calbee (current position)

5 Takahisa Takahara

Outside Director
Independent Director

- 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)

3 Koichi Kikuchi

- Apr. 1986 Joined Mitsui Trust and Banking Co., Ltd. (currently Sumitomo Mitsui Trust Bank, Limited)
- Oct. 2000 Joined PricewaterhouseCoopers Financial Advisory Service Co., Ltd.
- Jun. 2001 Joined IBM Japan, Ltd.
- Oct. 2010 Appointed Executive Director, Systems & Technology Group Business Management, IBM Japan
- Feb. 2012 Joined Calbee, Inc. and Executive Officer, General Manager of Financial & Accounting Division
- Apr. 2014 Appointed Senior Executive Officer, General Manager of Financial & Accounting Division and General Manager of Information Systems Division, Calbee
- Apr. 2016 Appointed Senior Managing Executive Officer, General Manager of Financial & Accounting Division and General Manager of Information Systems Division, Calbee
- Apr. 2019 Appointed Senior Managing Executive Officer & CFO
- Jun. 2019 Appointed Senior Managing Director & CFO of Calbee (current position)

6 Atsuko Fukushima

Outside Director
Independent Director

- 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)

7 Yoshihiko Miyauchi

Outside Director
Independent Director

- 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 Director, President and Chief Executive Officer, ORIX
- Apr. 2000 Appointed Representative Director, 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)

Audit & Supervisory Board Members

9 Taizo Demura

Outside Auditor
Independent Director

- 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)

Executive Officers

Title	Assignments	Name
Managing Executive Officer	President of Production Company Production, Engineering and SCM Department Calbee Logistics Co., Ltd. and Calbee E-talk Co., Ltd.	Akira Imoto
Managing Executive Officer	President of Sales & Marketing Company Marketing Department, East Japan Sales Department, West Japan Sales Department, National Account Sales Department, Special Sales and Retail Business, Calnac Co., Ltd., Studio Socio Inc. General Manager of CVS Division and Sales Division	Kazuya Tasaki
Managing Executive Officer	Research & Development Department, Materials Business Department, President and Representative Director of Calbee Potato Co., Ltd.	Kazuhiro Nakamura
Managing Executive Officer	CHRO (Chief Human Resource Officer) General Manager of Human Resources & General Affairs Department	Masako Takeda
Executive Officer	General Manager of Quality Assurance Department	Masae Nakano
Executive Officer	General Manager of Research & Development Department and Future Creation Office	Yasuhiro Kenmoku
Executive Officer	General Manager of Investor Relations Department and ESG Promotion Office	Yumiko Okafuji
Executive Officer	General Manager of Corporate Planning Department	Satoshi Eguchi
Executive Officer	General Manager of Financial & Accounting Department	Chisa Hayakawa
Executive Officer	General Manager of Corporate Communications Department and Materials Business Department	Tomoko Fukuyama
Executive Officer	General Manager of Information Systems Department	Shigeru Komuro

8 Anne Tse

Outside Director

- 1998 Joined McKinsey & Company, Associate Principal
- 2008 Joined Daily Farm Group Mannings, as CEO
- 2010 Joined PepsiCo, Senior Director of Strategy of Greater China Region
- 2012 Appointed General Manager of New Business of Greater China Region, PepsiCo
- 2015 Appointed Vice President of Greater China and AMENA E Commerce, PepsiCo
- 2016 Appointed Senior Vice President and General Manager of Greater China Foods Commercial, PepsiCo (current position)
- 2019 Appointed Director, Calbee, Inc. (current position)



11 Nagako Oe

Outside Auditor
Independent Director

- Apr. 1998 Licensed and registered as an Attorney at Law
- Apr. 1998 Joined Toranomon Sougoh 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)

Financial Information (Fiscal years ended March 31)

(Millions of yen, rounded down)

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

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

*2 Working capital comprises current assets less current liabilities.

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

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

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

Management's Discussion and Analysis of Operations in the Fiscal Year Ended March 31, 2019

Overview of Operating Results

For domestic business, although potato shortage had a significant effect on the production and sale of potato-based snacks during the previous fiscal year, this fiscal year we secured sufficient supplies of potatoes and conducted proactive sales promotional activities such as a *Potato Chips* increased volume campaign. In addition, we conducted advertising campaigns and expanded sales of individual portion new snack products such as *Tomorico* and *Edamarico* nationwide, as initiatives to capture new customer segments. In cereal product *Frugra*, we made an effort to cultivate new customers through measures such as expanding the size lineup of existing products. However, with the aim of focusing our business selection, we also transferred a portion of our shares in Garden Bakery, Inc. (engaged in production and sale of breads and snack foods) in April 2018 and all shares in CalNeCo, Inc. (engaged in production and sale of sales promotional tools) in September 2018.

In overseas business, we focused on expanding our business in areas including North America, Greater China, Indonesia, and the United Kingdom. In North America, we conducted sales promotional activities for existing snack products and developed new products while simultaneously reducing costs and controlling sales promotional costs in an effort to improve earnings. For expanding *Frugra* sales to China, we launched production lines in our Kyoto Factory from August 2018 and aimed to expand sales channels. In Indonesia, in light of strong demand we strengthened our *Potato Chips* production capacity. In the United Kingdom, in October 2018 we acquired confectionery company Seabrook Crisps Limited, which owns a potato chips brand, to further expand our business and strengthen our brand. Elsewhere, as the result of having scrutinized the profitability of our overseas business, we decided to liquidate our Philippine joint venture business engaged in manufacturing and selling snacks, transferring all shares of Calbee-URC, Inc. in September 2018, and changing to licensed production and sale under our brand.

Overview of Business Performance

Net Sales / Gross Profit

Consolidated net sales for the fiscal year ended March 31, 2019 (FY2019/3) decreased 1.2% to ¥248,655 million. Results by business are as follows.

(Millions of yen, rounded down)

Sales	FY2018/3	FY2019/3	
	Amount	Amount	Growth (%)
1) Production and sale of snack and other foods business	247,577	246,064	-0.6
Domestic production and sale of snack and other foods business	213,775	205,602	-3.8
Domestic snack foods	175,575	180,499	+2.8
Domestic cereals	23,836	23,817	-0.1
Other domestic foods	14,363	1,285	-91.0
Overseas production and sale of snack and other foods business	33,801	40,461	+19.7
Overseas snack foods	31,266	35,178	+12.5
Overseas cereals	2,534	5,283	+108.5
2) Other businesses	3,998	2,590	-35.2
Total	251,575	248,655	-1.2

- Domestic snack foods: Sales of domestic snack foods rose year on year, with higher demand for *Potato Chips* driving sales growth and increased sales of new products using new ingredients contributing. However, sales of *Jagabee*, flour-based snacks and corn-based snacks, and bean-based snacks decreased due to a weak recovery from the negative effect of increased demand for *Potato Chips*.
- Domestic cereals: Demand from Chinese retail stores increased steadily, but domestic demand did not increase despite enhancement of the *Frugra* product lineup, including Small size and individual portion size—whose purpose is to generate new domestic customers—the renewal of *Frugra Less Carbohydrates*, and continuous investment in limited time products.
- Overseas snack foods: In Europe, sales increased significantly on the acquisition of UK confectionery company Seabrook Crisps Limited in October 2018. In Australia, sales of bean-based snack *Harvest Snaps* have continued to grow firmly since market launch. In Indonesia, sales increased driven by the contributions of *Potabee* potato chips and *KrisBee Krunchy*, a corn-based snack launched in March 2018. Sales in North America were sluggish despite the launch of *Harvest Snaps* made using organic beans due to delays in its introduction by a large customer. However, in South Korea sales declined due to continued weak sales.
- Overseas cereals: *Frugra* sales to China expanded via cross-border e-commerce following its launch in the previous fiscal year, as well as Chinese domestic e-commerce launched this year with the expansion of production facilities in Japan.

Gross profit increased 2.0% year on year, to ¥111,120 million. This was due to improving the utilization ratio by increased sales of *Potato Chips* in domestically, as well as improvements in costs, such as reducing losses from disposal and labor cost reductions in North America, despite higher costs for raw materials and utilities in domestic. The gross profit margin was 44.7%, an increase of 1.4 percentage points.

Selling, General and Administrative Expenses/Operating Profit

Selling, general and administrative (SG&A) expenses increased 2.5% to ¥84,156 million. Of these, selling expenses increased 5.8% to ¥39,051 million, as a result of proactive sales promotional activities along with the securing of sufficient potatoes, although proactive promotional activities were suppressed due to a potato shortage in the previous fiscal year. Distribution costs decreased 0.7% to ¥17,228 million, mainly due to the impact of the bakery business being excluded from consolidation, despite an increase in domestic distribution costs.

As a result, operating profit increased 0.5% to ¥26,964 million. The operating margin increased 0.1 percentage point, to 10.8%.

Ordinary Profit

Ordinary profit increased 4.8% to ¥27,432 million, due to factors including foreign exchange gains of ¥406 million.

Profit Attributable to Owners of Parent

Profit attributable to owners of parent increased 12.1% to ¥19,429 million, due in part to having transferred all shares of consolidated subsidiary CalNeCo, Inc., recording a ¥2,378 million gain on sales of shares of subsidiaries and associates under extraordinary income. Earnings per share was ¥145.39. Return on equity (ROE) was 13.2%, an increase of 0.2 percentage point.

Overview of Financial Position

Total assets as of March 31, 2019 were ¥202,750 million, an increase of ¥10,715 million. The primary factor contributing to this outcome was the acquisition of securities for investment purposes.

Liabilities decreased ¥3,106 million, to ¥42,260 million, primarily due to a decrease in net defined benefit liabilities.

Net assets increased ¥13,822 million, to ¥160,490 million, due to an increase in retained earnings.

The shareholders' equity ratio increased 3.3 percentage points from the end of the previous fiscal year to 75.9%.

Cash Flows

Cash and cash equivalents as of March 31, 2019 were ¥35,425 million, ¥6,769 million lower than at the end of the previous fiscal year.

Cash flows from operating activities

Operating activities during the fiscal year ended March 31, 2019 resulted in a net cash inflow of ¥27,620 million, an increase in cash inflow of ¥18,262 million compared with the previous fiscal year, primarily due to a decrease in notes and accounts receivable–trade.

Cash flows from investing activities

Investing activities during the fiscal year ended March 31, 2019 resulted in a net cash outflow of ¥28,347 million, an increase in cash outflow of ¥22,089 million compared with the previous fiscal year, due to factors including an increase in outflows from the purchase of securities, a decrease in inflows from proceeds from redemption of securities, and an increase in outflows from the purchase of shares of subsidiaries resulting in change in scope of consolidation.

Cash flows from financing activities

Financing activities during the fiscal year ended March 31, 2019 resulted in a net cash outflow of ¥6,227 million, an increase in cash outflow of ¥776 million compared with the previous fiscal year, primarily due to the absence of capital increases from non-controlling interests that were included in the previous fiscal year.

Capital Expenditures

In the fiscal year ended March 31, 2019, capital expenditures totaled ¥9,945 million. Of this total, ¥7,757 million went to domestic business and ¥2,188 million went to overseas business. The main components of domestic capital expenditures were used to expand *Frugra* production facilities.

Research and Development Costs

In the fiscal year ended March 31, 2019, the total amount of R&D expenditures was ¥2,660 million.

In the field of basic research, we are developing new varieties of potatoes and researching the effective ingredients of raw materials and generating of acrylamide. In the field of product development, we focused on expanding our lineup of individual portion snacks and developing products that meet health-conscious needs, as well as products that highlight new features. We also supported the development of new products overseas. In the area of technological development, we started to implement the facilities for improvement of yield at almost all of the domestic potato chip factories. We also continued to develop manufacturing methods that applied and developed existing processing techniques.

Consolidated Balance Sheets

(Millions of yen, rounded down)

	As of March 31, 2018	As of March 31, 2019
Assets		
Current assets		
Cash and deposits	23,559	12,992
Notes and accounts receivable - trade	41,749	39,736
Securities	22,998	42,760
Inventories	10,748	11,309
Other	5,323	5,067
Allowance for doubtful accounts	(23)	(8)
Total current assets	104,356	111,858
Non-current assets		
Property, plant and equipment		
Buildings and structures	67,961	67,497
Accumulated depreciation	(40,538)	(38,613)
Buildings and structures, net	27,423	28,883
Machinery, equipment and vehicles	99,524	102,261
Accumulated depreciation	(71,353)	(72,450)
Machinery, equipment and vehicles, net	28,171	29,811
Land	11,556	11,391
Leased assets	581	538
Accumulated depreciation	(225)	(310)
Leased assets, net	355	228
Construction in progress	4,523	1,224
Other	4,444	4,463
Accumulated depreciation	(3,378)	(3,451)
Other, net	1,066	1,012
Total property, plant and equipment	73,096	72,552
Intangible assets		
Goodwill	922	5,688
Other	2,468	2,016
Total intangible assets	3,391	7,704
Investments and other assets		
Investment securities	2,315	2,222
Long-term loans receivable	61	240
Deferred tax assets	4,469	4,421
Retirement benefit asset	2,175	2,111
Other	2,295	1,697
Allowance for doubtful accounts	(126)	(59)
Total investments and other assets	11,190	10,634
Total non-current assets	87,678	90,891
Total assets	192,034	202,750

(Millions of yen, rounded down)

	As of March 31, 2018	As of March 31, 2019
Liabilities		
Current liabilities		
Notes and accounts payable - trade	9,728	8,987
Short-term loans payable	1,129	1,027
Lease obligations	119	104
Accounts payable - other	6,273	5,878
Income taxes payable	5,252	5,478
Provision for bonuses	3,863	4,004
Provision for bonuses for directors (and other officers)	117	67
Provision for stocks payment	53	35
Other	8,867	8,459
Total current liabilities	35,405	34,043
Non-current liabilities		
Lease obligations	214	111
Deferred tax liabilities	651	622
Provisions for retirement benefits for directors (and other officers)	491	286
Provision for management board incentive plan trust	90	92
Retirement benefit liability	7,674	6,531
Asset retirement obligations	659	522
Other	178	49
Total non-current liabilities	9,961	8,216
Total liabilities	45,366	42,260
Net assets		
Shareholders' equity		
Capital stock	12,033	12,044
Capital surplus	4,775	4,786
Retained earnings	123,647	137,453
Treasury shares	(1,073)	(981)
Total shareholders' equity	139,383	153,303
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	680	467
Foreign currency translation adjustment	57	278
Remeasurements of defined benefit plans	(745)	(119)
Total accumulated other comprehensive income	(7)	627
Share acquisition rights	7	3
Non-controlling interests	7,284	6,555
Total net assets	146,667	160,490
Total liabilities and net assets	192,034	202,750

Consolidated Statements of Income

(Millions of yen, rounded down)		
	April 1, 2017 to March 31, 2018	April 1, 2018 to March 31, 2019
Net sales	251,575	248,655
Cost of sales	142,671	137,534
Gross profit	108,904	111,120
Selling, general and administrative expenses	82,075	84,156
Operating profit	26,828	26,964
Non-operating income		
Interest income	84	117
Dividend income	42	44
Share of profit of entities accounted for using equity method	-	1
Foreign exchange gains	-	406
Real estate income	77	26
Other	223	255
Total non-operating income	428	852
Non-operating expenses		
Interest expenses	78	71
Share of loss of entities accounted for using equity method	-	10
Depreciation	41	92
Loss on valuation of inventories	-	64
Cost of real estate	35	18
Foreign exchange losses	562	-
Other	360	127
Total non-operating expenses	1,078	384
Ordinary profit	26,179	27,432
Extraordinary income		
Gain on sales of non-current assets	6	36
Gain on sales of shares of subsidiaries and associates	-	2,378
Gain on sales of investment securities	-	52
Gain on liquidation of business	-	477
Subsidy income	185	106
Other	0	2
Total extraordinary income	193	3,053
Extraordinary losses		
Loss on sales of non-current assets	2	16
Loss on retirement of non-current assets	160	263
Impairment loss	97	839
Loss on sales of shares of subsidiaries and associates	-	24
Retirement benefits for directors	-	350
Loss on sale of businesses	-	222
Loss on cancellation of outsourcing agreement	-	211
Other	13	87
Total extraordinary losses	273	2,016

(Millions of yen, rounded down)		
	April 1, 2017 to March 31, 2018	April 1, 2018 to March 31, 2019
Profit before income taxes	26,099	28,469
Income taxes—current	8,756	9,481
Income taxes—deferred	270	(387)
Total income taxes	9,026	9,093
Profit	17,072	19,375
Loss attributable to non-controlling interests	(258)	(53)
Profit attributable to owners of parent	17,330	19,429

Consolidated Statements of Comprehensive Income

(Millions of yen, rounded down)		
	April 1, 2017 to March 31, 2018	April 1, 2018 to March 31, 2019
Profit	17,072	19,375
Other comprehensive income		
Valuation difference on available-for-sale securities	76	(212)
Foreign currency translation adjustment	(633)	276
Remeasurements of defined benefit plans, net of tax	428	626
Total other comprehensive income	(129)	690
Comprehensive income	16,942	20,066
Comprehensive income attributable to:		
Owners of parent	17,400	20,064
Non-controlling interests	(457)	1

Consolidated Statements of Cash Flows

(Millions of yen, rounded down)		
	April 1, 2017 to March 31, 2018	April 1, 2018 to March 31, 2019
Cash flows from operating activities		
Profit before income taxes	26,099	28,469
Depreciation	7,845	8,023
Impairment loss	97	839
Amortization of goodwill	600	758
Increase (decrease) in allowance for doubtful accounts	45	(14)
Increase (decrease) in provision for bonuses	(384)	285
Increase (decrease) in provision for directors' bonuses	(21)	(32)
Increase (decrease) in provision for stocks payment	48	33
Increase (decrease) in net defined benefit liability	396	49
Decrease (increase) in net defined benefit asset	35	5
Increase (decrease) in provision for directors' retirement benefits	(16)	(146)
Interest and dividend income	(127)	(162)
Interest expenses	78	71
Foreign exchange losses (gains)	382	(223)
Gain on liquidation of business	-	(477)
Subsidy income	(185)	(106)
Share of loss (profit) of entities accounted for using equity method	-	8
Loss (gain) on sales of investment securities	-	(2,405)
Loss (gain) on sales of non-current assets	(4)	(20)
Loss on retirement of non-current assets	160	263
Decrease (increase) in notes and accounts receivable - trade	(13,256)	914
Decrease (increase) in inventories	(938)	(504)
Increase (decrease) in notes and accounts payable - trade	117	(528)
Increase (decrease) in accounts payable - other	3	177
Other, net	(2,161)	1,484
Subtotal	18,813	36,760
Interest and dividend income received	131	149
Interest expenses paid	(73)	(71)
Income taxes paid	(9,512)	(9,218)
Net cash provided by (used in) operating activities	9,358	27,620

(Millions of yen, rounded down)		
	April 1, 2017 to March 31, 2018	April 1, 2018 to March 31, 2019
Cash flows from investing activities		
Purchase of property, plant and equipment	(10,583)	(9,390)
Proceeds from sales of property, plant and equipment	25	235
Purchase of intangible assets	(425)	(555)
Proceeds from sales of intangible assets	-	0
Purchase of securities	(27,997)	(39,425)
Proceeds from redemption of securities	32,000	23,826
Purchase of investment securities	(116)	(45)
Proceeds from sales of investment securities	-	93
Payments of loans receivable	(60)	(980)
Collection of loans receivable	60	2,378
Payments into time deposits	(1,686)	(730)
Proceeds from withdrawal of time deposits	1,669	355
Payments for guarantee deposits	(170)	(89)
Proceeds from collection of guarantee deposits	152	128
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-	(7,351)
Payments for sales of shares of subsidiaries resulting in change in scope of consolidation	-	(460)
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	-	3,169
Proceeds from subsidy income	185	106
Other, net	689	387
Net cash provided by (used in) investing activities	(6,258)	(28,347)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	82	(509)
Purchase of treasury shares	(599)	-
Proceeds from exercise of share options	21	18
Proceeds from share issuance to non-controlling shareholders	816	-
Cash dividends paid	(5,617)	(5,621)
Dividends paid to non-controlling interests	(16)	(10)
Repayments of lease obligations	(136)	(104)
Net cash provided by (used in) financing activities	(5,450)	(6,227)
Effect of exchange rate change on cash and cash equivalents	(82)	184
Net increase (decrease) in cash and cash equivalents	(2,432)	(6,769)
Cash and cash equivalents at beginning of period	44,627	42,195
Cash and cash equivalents at end of period	42,195	35,425

Corporate Information

Investor Information (As of March 31, 2019)

■ 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*	133,921,800 shares
Number of shareholders	28,735 people

* Including treasury stock

■ Principal Shareholders

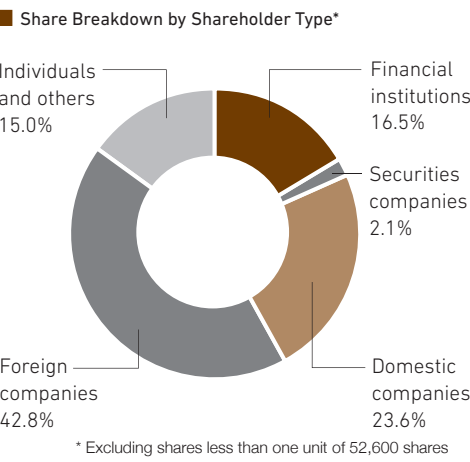
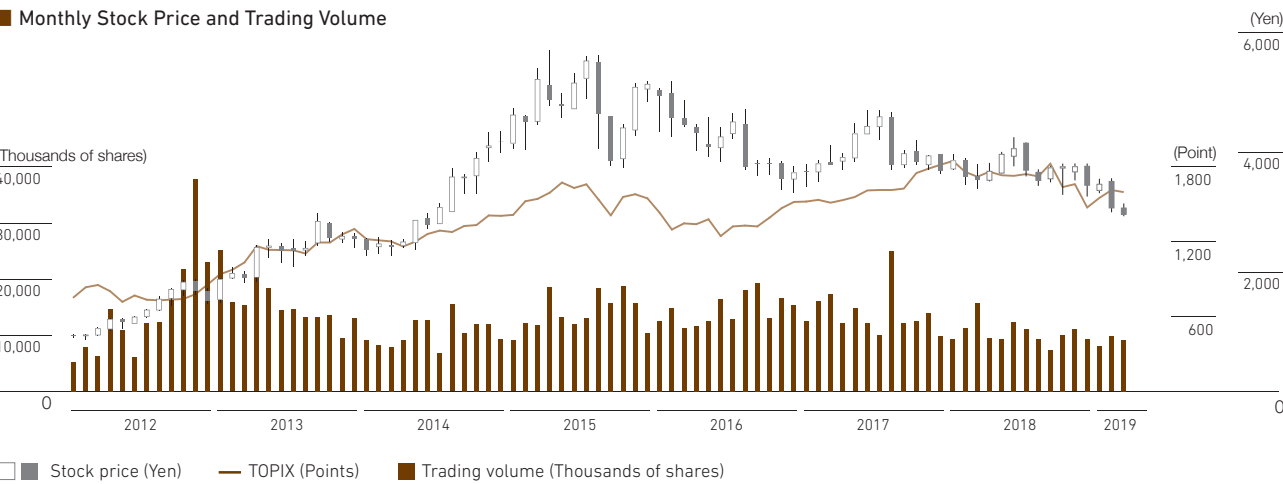
Name of Shareholder	Number of Shares (Thousands)	Ownership Ratio (%)*3
FRITO-LAY GLOBAL INVESTMENTS B.V.*1	26,800	20.01
General Incorporated Association Miki-no-Kai*2	21,640	16.16
The Master Trust Bank of Japan, Ltd. (Trust Account)	4,671	3.49
Japan Trustee Services Bank, Ltd. (Trust Account)	3,898	2.91
Trust & Custody Services Bank, Ltd. (Collateral on Unit Trust Account)	3,212	2.40
STATE STREET BANK AND TRUST COMPANY	2,217	1.66
Calbee Employees Shareholding Association	2,203	1.65
SSBTC CLIENT OMNIBUS ACCOUNT	2,110	1.58
J.P. MORGAN BANK LUXEMBOURG S.A.	1,958	1.46
THE TORIGOE CO., LTD.	1,936	1.45

*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



External Recognition

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

Calbee is continuously incorporated into the following indexes which are representative SRI indicators. (As of June 2019)

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

Corporate Data (As of March 31, 2019)

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
Representative	President & CEO Shuji Ito
Business	Production and sale of snacks and other foods
Fiscal Year-End	March 31
Paid-In Capital	¥12,044 million
Number of Employees	3,763 on a consolidated basis 1,735 on a parent basis

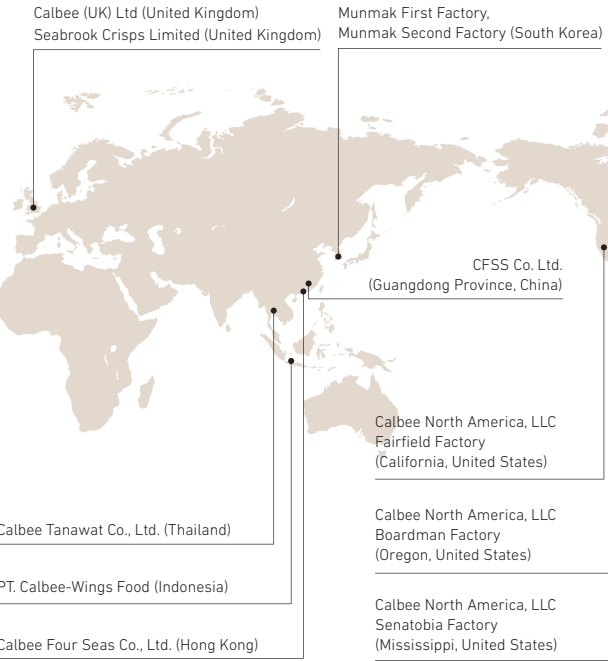
Consolidated Subsidiaries

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] 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] Seabrook Crisps Limited [United Kingdom]

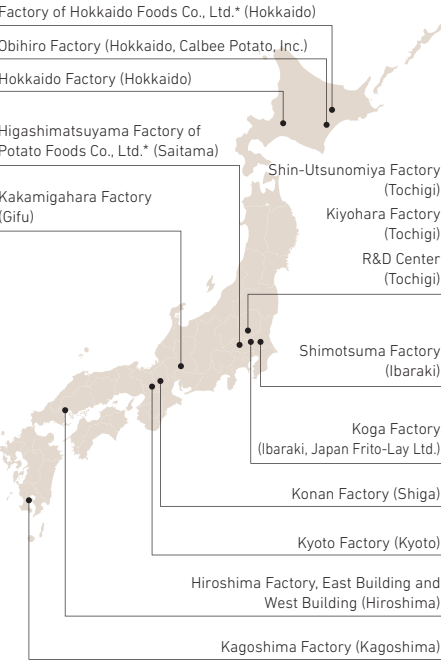
* []: Country or region

■ Location of Factories * (): Country or region

Overseas



Japan



* Factories that cooperate with the Calbee Group