

CEO Message



Working With Our Stakeholders to Co-Create the Future of Food

Shuji Ito
President & CEO

A handwritten signature of Shuji Ito in black ink.

Seeing changes in the environment as opportunities to promote business transformation

In 2020, the COVID-19 pandemic spread worldwide, and the changes in people's lives, values, and purchasing behavior had a major impact on corporate activities. Outcomes for Calbee Group products varied. On one hand, purchases as souvenirs by inbound tourists and domestic travelers, or for consumption on outings or at the office, decreased significantly. On the other hand, demand for snacks and cereals surged, driven by nesting demand. Looking at the medium- to long-term business environment, customer values and needs are becoming more diverse. This is due to several factors. In addition to the declining population and increase in the number of single-person households in Japan accompanying the declining birthrate and aging population, consumers' preference for health and convenience is increasing. In the global market as well, with the increase in health consciousness in line with economic growth in many countries around the world, competition for resources, including raw material procurement, is becoming fiercer. I feel that the speed of these changes is accelerating.

As a food company, I believe that our most important responsibility is to reliably deliver safe products to our customers. Last year in particular, with the spread of the COVID-19 pandemic, we focused on how to ensure stable production and supply while protecting the safety of our employees and business partners. Although we experienced delays in the procurement of some imported raw materials, by reviewing product policies and launching alternative products we minimized the impact on our customers. Moreover, in response to increased demand, we set up flexible production shifts and strove to provide a steady supply of products while sufficiently ensuring employees' safety.

At present, the Calbee Group is striving to transform its business by 2030 under the banner of our long-term vision "Harvest the power of nature. Creating the future of food." Responding to changes in the business environment and emerging social issues is a theme that we should address and is also an opportunity for sustainable growth. Treating COVID-19 as an opportunity, we must be more sensitive to changes and take the lead in business transformation.

Next  **Calbee**

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

CEO Message



Business growth in key overseas regions

The growth of our overseas business is an important theme for the Calbee Group. We are currently focusing our efforts in four key regions (North America, Greater China, the United Kingdom, and Indonesia) and are promoting policies aimed at establishing revenue-generating bases. We have strengths that we have developed in Japan, such as production and processing technology that creates texture and product variations, and the high recognition of the Calbee brand. We will lever this competitive advantage and expand our business by changing the products we introduce and our approach to each market according to the market's characteristics.

The Calbee Group's overseas business growth in the past decade has been largely the result of hit products such as *Honey Butter Chip* potato chips in South Korea and the bean-based snack *Harvest Snaps* in North America. This high reliance on individual product brands became an issue for us. As a way forward, in October 2018 we acquired Seabrook Crisps Limited of the United Kingdom with its potato chip brands, and in October 2019 acquired U.S. snack food production contractor Warnock Food Products, Inc., augmenting our product portfolio. We have since launched new products based on synergies with Seabrook and Warnock.

In addition to developing products that meet local needs, we are also promoting the introduction worldwide of unique brands from Japan such as *Frugra* cereal, *Jagarico*, and *Jagabee* potato stick snacks. In Greater China, Calbee brand recognition has increased as a result of tourists visiting Japan, and sales have grown centered on e-commerce sales of snacks such as *Jaga Pokkuru* and *Jagabee*. In North America, snacks such as *Kappa Ebisen* and *Jagarico* have gained recognition in ethnic market sections (which stock Asian foods), and sales can be expected to increase.

Looking at the global market in this light, our opportunities for business expansion in the food sector are growing. In particular, there is great interest in high-quality food products

made in Japan. This interest should act as a tailwind for Calbee as we aim to grow our overseas business.

New food categories that harness nature's gifts

Another important theme for the growth of the Calbee Group is venturing into new food categories.

We have a high level of expertise in natural ingredients, especially potatoes, which supports strong product brands such as *Potato Chips* and *Jagarico*, and we are applying this expertise to other products. In April 2020, we entered the sweet potato business through the acquisition of Potato Kaitsuka Ltd., which was involved in the wholesale, processing, and sale of sweet potatoes. Taking advantage of the affinity between potatoes and sweet potatoes, we expect to realize significant synergistic effects, particularly in the area of procurement. In the domestic market, demand is growing mainly for sweet potatoes with a high sugar content that makes them suitable for use as dry-roasted sweet potatoes, but this variety is also highly regarded overseas, and we anticipate expanding demand on a global scale. The sweet potato business is a new food category for us, and we will strive to grow this business so that it can become one of the pillars supporting the growth of our Group.

Additionally, in August 2020, we concluded a comprehensive partnership agreement with the Hokuren Federation of Agricultural Cooperatives to enhance our arrangements for potato procurement and to promote agricultural products from Hokkaido. Through this agreement, we will venture into the promotion of business development involving new ingredients.

As stated in our corporate philosophy of "We are committed to harnessing nature's gifts, to bringing taste and fun, and to contributing to healthy life styles," we believe that the Calbee Group's business foundation is to create demand by procuring, processing, selling, and adding value to natural ingredients to create the value sought by consumers both in Japan and overseas. Expanding this business foundation beyond potatoes to sweet potatoes and other produce is one of our business models in new food categories. We believe that such initiatives are not limited to new business for Calbee but can also create value for stakeholders such as producers and, by extension, for the global environment.

In addition, our ventures into new food categories not only expand our existing business base but also drive development into areas that have potential from the perspective of solving consumer issues. In our Next Calbee vision, the search for new food categories that will become pillars of Group business will roll ahead on the two wheels of the "evolution of knowledge" and the "search for knowledge."

A domestic business base that responds to changing needs and social issues

Domestically, we are continuously striving to grow existing products and to develop new ones to meet diversifying consumer needs amid a general trend of rising health consciousness. We are enhancing the promotion and sales of several products, including: *Granola*

▶ P. 16
Ventures into New
Food Domains

▶ P. 11
Ventures into Overseas
Business

▶ P. 20
Deepening the
Value Chain

CEO Message

Plus, a cereal that focuses on functionality; *Potato Deluxe* and *Thin Potato*, two potato chip products with different cuts that offer variation in texture; and *miino*, a snack made from beans and other high-protein ingredients. We are also aiming to create new value that meets a wider range of needs and eating opportunities. In addition, the COVID-19 pandemic has increased domestic consumption of food products, and demand for snack foods such as large-bag products and snacks that go well with alcohol at home. We have expanded our range of products to respond to this trend. To adapt to these diverse changes in demand, we will promote the use of digital technology and build a flexible and robust supply chain.

We also want to build a next-generation production system by promoting automation and labor-saving in production and distribution, improving productivity, and transforming workstyles. Currently, we are moving ahead with a plan to build a new factory in Hiroshima Prefecture. This is scheduled to start operation in FY2025. The new factory will incorporate highly efficient advanced technology to cope with labor shortages and to meet growing supply and demand. We plan for this to be a factory that will solve various issues, such as reducing environmental burden by using less energy. The factory will also play a role as an innovation base for manufacturing, such as developing new food categories, new technologies, and new products. In the future, we want this plant to serve as a “mother factory” that will supply know-how to other factories to increase the competitiveness of the Calbee Group’s production sites as a whole.

Creating an organization that strives for business transformation —

I believe that our employees are our most important asset in the transformation of our business as we strive to make Next Calbee a reality. Each employee must have a venturesome spirit, look at the needs of customers and society, and work together to solve issues through our business. The Calbee Group’s founding philosophy was to provide healthy, safe and affordable products amid the difficult food conditions of postwar Japan. Although our philosophy has changed slightly with the times, we have inherited this founding spirit of wanting to make products that can help bring flavor and good health to our customers’ lives. I believe that this is the driving force behind our business growth. With our founding philosophy in mind, I want each of our employees to grow and to encourage our business transformation.

The Calbee Group believes that the growth of our employees will build our future. We recognize diversity in personality and ability, and we are doing more to make our organization a place where everyone can play an active role. We have taken the lead ahead of other corporations in a range of measures in areas such as diversity and inclusion, workstyle transformation, and health management. In 2020, we introduced the “Calbee New Workstyle,” based on teleworking, to encourage new ways of working. We will expand the range of places where people can do their jobs and contribute to the company’s performance, regardless of the time and location that each employee chooses. In the departments that support our supply chains, such as production and logistics, there are restrictions on the scope of the introduction of telework; however, based on the Calbee new workstyle concept of the “Calbee New Workstyle,” we will encourage workstyle transformation by promoting the transition to the next generation of production system.

▶ P. 26
Human Resources



Achieving a sustainable society through business

To achieve sustainable business activities, it is necessary to overcome various challenges. There are environmental issues such as climate change and resource depletion, as well as problems involving labor and human rights issues in the supply chain. Amid all this, a regular supply of agricultural products is essential for us to be able to use nature’s ingredients and to continue to steadily supply the products that our customers have grown to love. The Calbee Group is setting up the proper cycles in the value chain by making sustainable procurement with consideration for the natural environment as we utilize those precious resources in our production. We have many stakeholders, including producers and raw material business partners and local communities, and as a company we are in a position to make a positive impact on the global environment. Together, we are creating value sustainably. I believe that this is the role of the Calbee Group.

Amid the significant changes taking place in the business environment around us, we need to enhance our management flexibility, transform our domestic business base, and set up revenue-generating bases in global markets. We also need to accelerate the establishment of new operations focusing on businesses in new food categories. At the same time, as a company that provides essential goods, we are resolved to engage in co-creation with our stakeholders to help overcome environmental and social issues, and achieve a sustainable society.

The Calbee Group aims to be a business that creates a new future of food, and our entire company will work as one to advance towards this goal. I would like to ask all our stakeholders for their continued understanding and support in this endeavor.

October 2021

Shuji Ito
President & CEO

Making “Next Calbee” a Reality

The Calbee Group promotes its business activities with the goal of achieving its vision for 2030, “Next Calbee—Harvest the power of nature. Creating the future of food.” In Japan, we continue to cater to diversifying customer needs and provide new value from food. At the same time, we are working to accelerate the development of our overseas business and take on the challenge of expanding into new food categories.

► Ventures into Overseas Business  P. 11 ► Ventures into New Food Domains  P. 16

Consolidated net sales

(Billions of yen)



Vision for 2030

Next Calbee

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

Toward 2030

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

2030 Targets

Overseas sales ratio

Over **40%**

New food domains sales ratio

Over **20%**

Others

Overseas

Corn- and
bean-based
snacks

Jagarico

Cereals
(domestic)

Potato
Chips

Flour-based
snacks

Social
background





Ventures into Overseas Business



Keiei Sho

Managing Executive Officer,
President, Overseas Company,
Calbee, Inc.

Creating fun and tasty products for the world

The Calbee Group is currently expanding its overseas business in nine overseas regions. We have made North America, Greater China, the United Kingdom, and Indonesia (which all have high growth potential) our four key regions and are pursuing strategies that emphasize each region's local characteristics. We are working to expand our overseas business to deliver fun and tasty products throughout the world. This is the corporate philosophy of the Calbee Group.

Utilizing our wisdom nurtured in Japan for overseas business development

In the overseas business of the Calbee Group, since the 2010s we have pursued a strategy of localization, primarily expanding into several countries through joint ventures with local partners. While we have made rapid progress, we are concerned that we have not fully utilized the strengths and knowledge we have nurtured in Japan. In Japan, we have set up a brand team and a marketing team who are dedicated to our overseas business and are currently promoting marketing strategies that focus on the characteristics of each country and region to enhance market penetration of the Calbee brand. Our managers in charge of each region strive to achieve a balance of governance, taking the functions of development, production, and product planning nurtured in Japan and introducing these in a way that meets local needs while functioning as the business partner of each overseas business company that supports strategic planning and implementation.

Strategies in four key regions: Leveraging regional characteristics with the strengths of the Calbee Group

North America and the United Kingdom:

Entering the snack food mainstream through product portfolio expansion

In North America and the United Kingdom we have expanded bean-based snacks in the "Better For You" category targeting health-conscious individuals. The Calbee Group's processing technology, which makes the most of natural ingredients, is a good match with health-oriented snacks and has

gained recognition in this regard. However, these products are only gaining the support of specific segments of consumers; further growth requires expanding our product portfolio and entering the mainstream of snack foods.

Competing major European and American snack food manufacturers tend to make few changes to their product lineups. While the needs of consumers, particularly those of younger generations, are diversifying, we believe that expanding our product portfolio by leveraging the variations in flavor and texture of products in the Calbee Group will be our strength. We will quickly respond to customer needs and strive for differentiation.

In North America, we acquired snack food production contractor Warnock Food Products, Inc., in 2019. In April 2021, we transferred our North American businesses into a holding company structure. This new arrangement unified the production, sales, and marketing functions in North America, which had been distributed among multiple organizations, to enable the fulfillment of our comprehensive strategic plans. At present, we are utilizing Warnock's production capabilities and technology, and are promoting the development of products that suit local tastes. Additionally, we are bolstering our sales by launching unique products such as *Jagarico* from Japan into the U.S. ethnic foods market (Asian foods sections). With ethnic markets expected to expand further, we will strive to capture that growth.

In the United Kingdom, we acquired potato chip manufacturer Seabrook Crisps Limited in 2018. The company has over 70 years of history. The addition of potato chips, a mainstream snack food, to our product portfolio has led to the steady appearance of synergistic effects such as the strengthening of our sales ability. The new products that we have developed under the Seabrook brand using Calbee technology have been well received. Looking ahead, we will expand our product portfolio under the Seabrook brand, which has a high level of recognition in the U.K., to achieve further growth.

Ventures into Overseas Business

Greater China:

Leveraging active investment of resources and high brand awareness to grow sales

In the Greater China region, awareness of the Calbee brand has grown thanks to the impact of tourists to Japan, and sales have expanded centered on e-commerce. Calbee original products such as *Jaga Pokkuru*, *Jagabee*, and *Frugra* are gaining support, particularly among high-net wealth individuals. In China, trust in Japanese-made products and Japanese brands is high. We believe China is a region that offers great opportunities for growth.

Interest in new products is very high in China, particularly among younger consumers, and a succession of competing start-up companies are entering the market. This is why we need to advertise and promote our products to improve the rate of repeat purchases and to attract the large middle-class population. For example, our advertising of *Jagarico* involved local influential celebrities and proactive activities to promote the product. *Jagarico* is a product with a characteristic texture, created by our unique processing technology. We want to convey to consumers its uniqueness and the attractiveness of high Japanese quality to further boost sales.

To focus on sales at retail stores, in 2020, we established Calbee (China) Co., Ltd., as the headquarters company for our activities in Greater China. Through Calbee (China) we will strengthen marketing and sales by taking our business with retailers, which had previously been outsourced to distributors, in-house.

At present, most Calbee products are imported into China from Japan; however, looking ahead to long-term growth, we will consider building up a supply structure in China.

Indonesia:

An opportunity to expand the market amid medium- to long-term economic growth

Indonesia is a country with high growth potential, against a backdrop of mid- to long-term population growth and economic expansion. The Calbee Group has a roughly 15% share of the Indonesia, potato chip market and has gained a certain level of recognition. Nevertheless, to make the business profitable it is necessary to introduce advertisements, promotions, and new products to gain further recognition.

Going forward, we will make the most of Japanese knowledge and technology to develop new products that have never been seen in the Indonesian market, as well as products with new flavors that suit local preferences. In this way, we will differentiate ourselves from our competitors. As most of the potatoes we use are imported into Indonesia at present, we will continue to encourage local procurement in Indonesia and provide technical guidance to growers.

We hope our contribution to the development of agriculture in Indonesia will help engender a stable supply of raw materials for potato chips.

Opening up peripheral markets using our global network

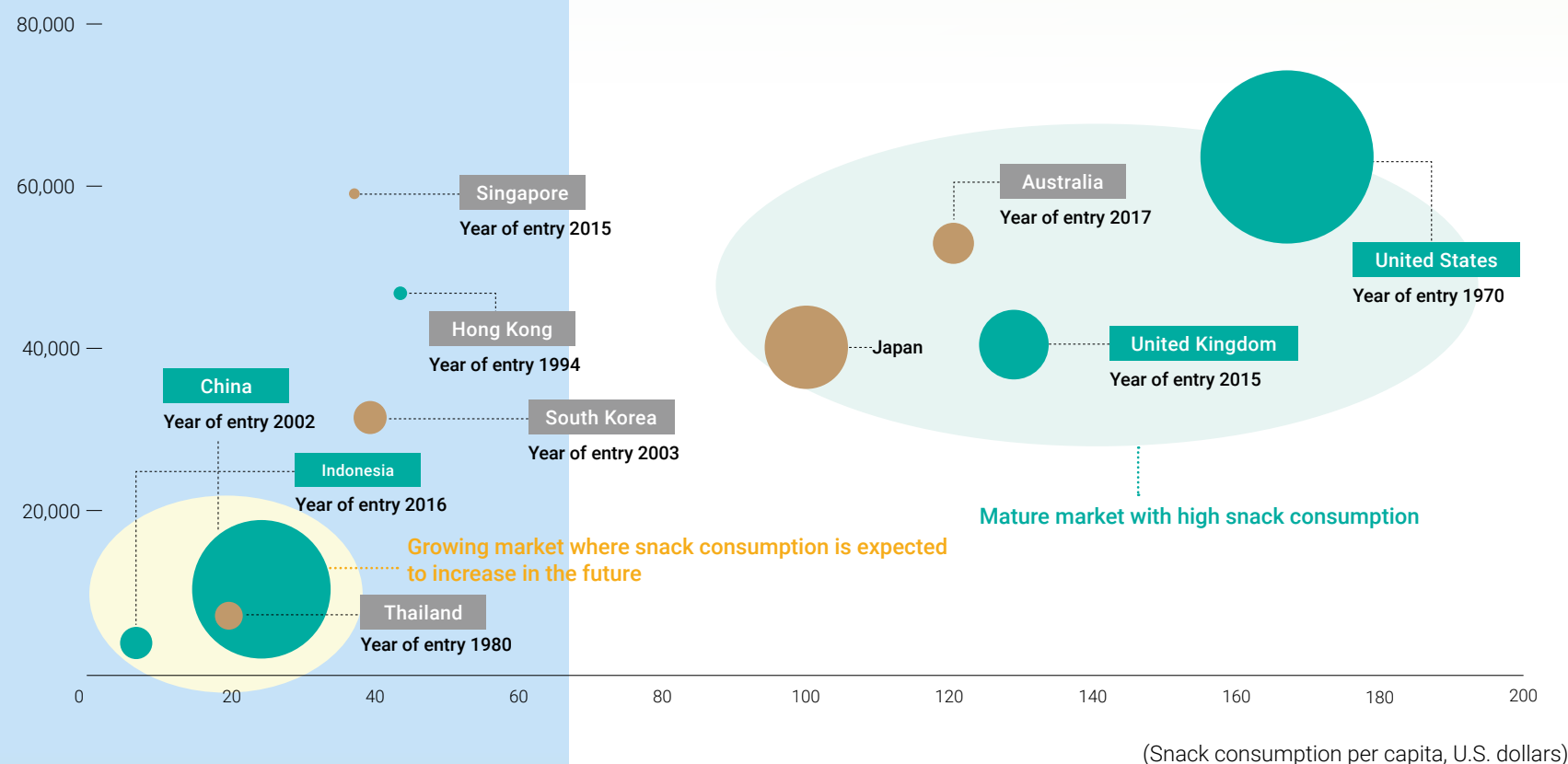
In the past, the concept of local production and local consumption was the most common; however, we want to utilize the Calbee Group's global production bases to flexibly respond to the market needs of each country.

In Australia, just as in Europe and North America, there is tremendous growth in the "Better For You" market that offers significant growth opportunities. We produce *Harvest Snaps* for Australia at our factory in Thailand, which has a high production capacity and can offer a stable supply of high-quality products. This has enabled us to rapidly advance into the Australian market where we do not have any local production facilities. We produce high-quality, price-competitive products at our factories in Thailand and Indonesia and are launching sales of these in regions including China and the Middle East.

Overseas Snacks Market and Calbee Group Business Operation

(GDP per capita, U.S. dollars)

* The size of the circle is the snack market size.



Source: (Snack market) Euromonitor, Savory Snacks, 2020

Ventures into Overseas Business

Entering new snack categories via Seabrook brand



Shinji Haruna

General Manager,
Europe Business Group,
Overseas Company,
Calbee, Inc.

With the acquisition of Seabrook in fall 2018, which added a new potato chip brand to our portfolio in this key snack category, we were able to build a foundation for new challenges in the U.K. snack market. *Loaded Fries*, which began sale in 2020, is the first corn-based snack under the Seabrook brand and has a unique shape and flavor. With this product, we are now able to cover a wider range of snack categories. By utilizing the Seabrook brand, which has a long familiarity for the local market, we hope to strengthen both the brand and the product by increasing recognition while promoting the high quality that is the Calbee Group's strength.

United Kingdom

Loaded Fries



Applying Calbee's manufacturing technology to develop original products in Indonesia



Teiichiro Morioka

President
PT. Calbee-Wings Food

In spring 2021, the Calbee Group launched *Guribee*, a four-layered corn-based snack, with the aim of creating a unique snack not found in competing products in the Indonesian market. Until this point, most Calbee Group products for overseas markets were products developed in Japan and refined to match local preferences, but *Guribee* is a completely new type of product that has never existed at Calbee Japan. It is a four-layered snack that is fun to look at, and uniqueness in texture with melt-in-your-mouth goodness thanks to Calbee's characteristic technology. Experts in development and production technology were dispatched from Japan and through the application of snack processing technologies cultivated in Japan, the product was developed over a period of seven years of repeated trial and error. This new brand is the fruit of our relentless willingness to take on challenges to develop new products and we expect it to contribute greatly to the penetration of the Calbee brand in the Indonesian market.

Greater China

Jagarico



Increasing penetration of the Calbee brand in four key regions

We are tailoring new products to the needs of the market in each country and working toward further Calbee brand penetration with our strength in high-quality products achieved through unique technology for processing ingredients cultivated in Japan.

Indonesia

Guribee



To develop the *Jagarico* brand, which is well-loved in Japan, as a global brand, Calbee began sales in China in 2020 under the name *Tudoubang* ("potato stick"). In China there is a significant trend, particularly among younger generations, to learn about new brands and products through social media posts from celebrities, KOLs (key opinion leaders), and the like and to make purchases via means such as e-commerce. Calbee promotes communication of *Jagarico*'s fun and tasty product value, which connects people and makes consumers' lives more enjoyable. Inbound demand has led to a certain increase in the recognition of the Calbee brand. Therefore, we would like to promote Japan's popular snack *Jagarico* and make it a product brand loved by consumers in China.

Expanding fun & tasty *Jagarico* brand in China



Kanae Obata

Marketing Team Manager,
Overseas Company,
Calbee, Inc.

North America

MY POTE



With the addition of Warnock Food Products to the Group in fall 2019 and the significant expansion of product types that can be produced in the United States, we launched *MY POTE* as a new brand based on the synergies between Calbee and Warnock. *MY POTE* is a potato chip made with 100% local U.S. potatoes with an emphasis on thinness and texture created through our unique technology. The U.S. development, sales, and marketing teams compiled market needs and deployed Japanese production technology in the U.S. to realize the creation of a Calbee Group product without compromise. Our aim is to attract the younger generation that is always looking for new snacks with simple packaging design and special flavors such as "Himalayan Pink Salt" and "Onion Soup". Through this product we hope to develop a slightly different and fresh side of the Calbee brand in North America.

Creating a new product brand through Calbee x Warnock



Maiko Shimano

Senior Marketing Manager,
Calbee North America, Inc.

Ventures into Overseas Business

Overview of Our Four Key Regions

The Calbee Group's overseas business develops different products in each country, keeping in mind market conditions, consumer needs, and income level. In Europe and North America, there is a huge market for snacks. With consumers becoming more health-conscious and demanding products that are good for their bodies, we have increased our focus on healthy snacks. We are also expanding our business, leveraging M&As to add potato chips and other mainstream snacks to our product lineup. As the economy grows in several Asian countries, the snack markets in these countries are also entering a growth stage. By raising awareness of the Calbee brands, especially in Greater China, we will capitalize on this market growth and expand.

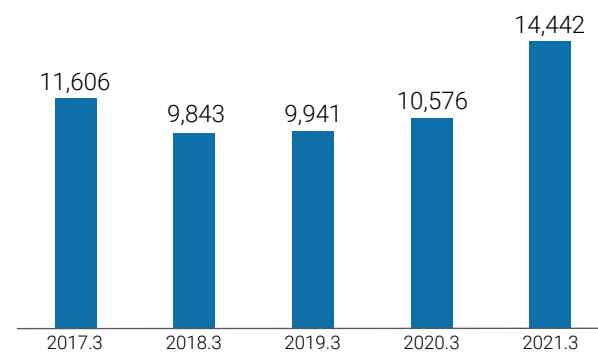
North America

In North America, we manufacture and sell *Harvest Snaps* in the "Better For You" category. *Harvest Snaps* is a brand manufactured using the same technology as in our Japanese *Sayaendo* products, with packaging and flavoring tailored to local consumer tastes. In ethnic markets that deal in Asian foods, we import and sell potato chips, *Jagabee*, *Kappa Ebisen*, and other products.

In November 2019, we acquired and began the consolidation process for Warnock Food Products, Inc., a contracted manufacturer of a wide range of snacks such as potato chips, tortillas, and puffed snacks.

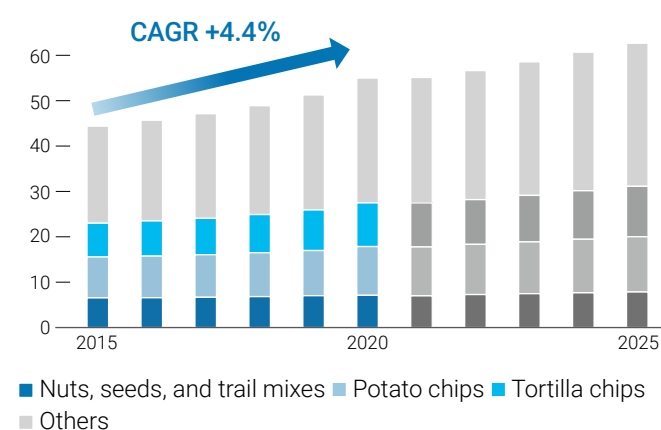
Net sales

(Millions of yen)



North American snack market growth

(Billion U.S. dollars)



Greater China

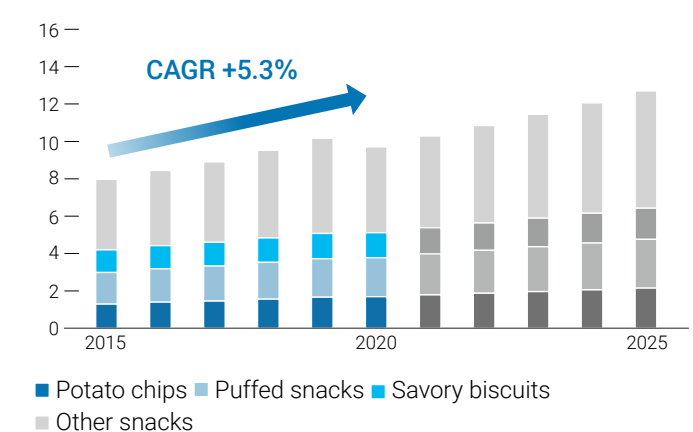


In Greater China, Calbee has a high rate of brand recognition thanks to significant inbound demand in mainland China. Sales mainly come from imports from Japan via e-commerce for *Fruga*, *Jagabee*, *Jaga Pokkuru*, and other products, and we are working to increase sales through retail stores.

In Hong Kong, we have a top share in the snack market, with manufacturing and sales centered in potato chips and *Jagabee*.

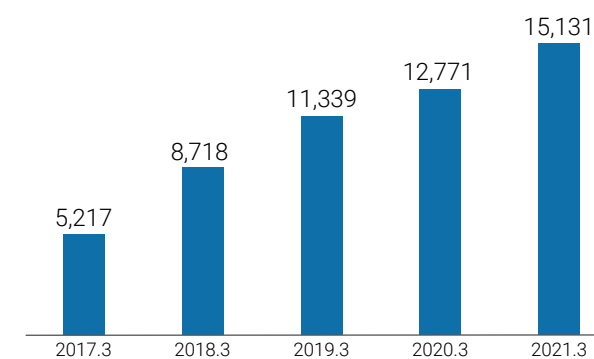
Chinese snack market growth

(10 billion yuan)



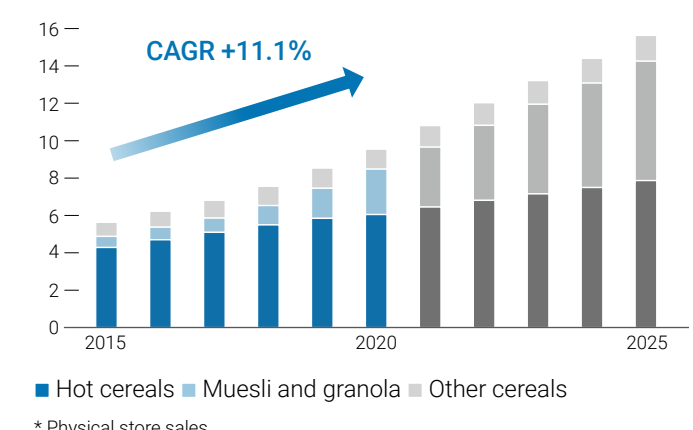
Net sales

(Millions of yen)



Chinese cereal market growth

(Billion yuan)



* Physical store sales

Ventures into Overseas Business

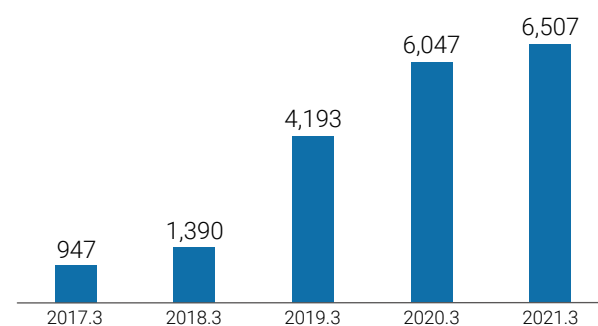
United Kingdom

We launched business in the United Kingdom in 2015, starting with the manufacture and sale of healthy bean-based snacks. In October 2018, we added the popular Seabrook brand of potato chips to our product lineup after acquiring UK-based potato chip manufacturer Seabrook Crisps Limited.



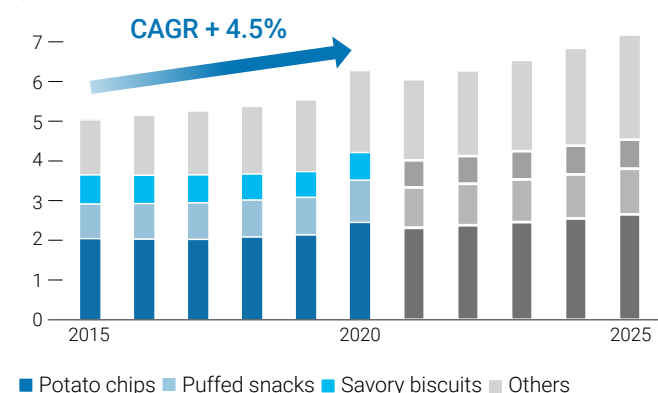
Net sales

(Millions of yen)



United Kingdom snack market growth

(Billion pounds sterling)



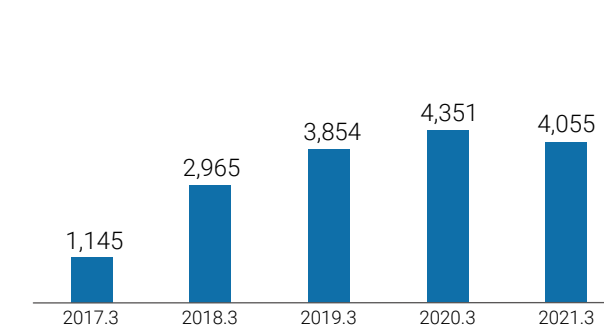
Indonesia

Business in Indonesia was launched as a joint venture with Wings, a leading Indonesian food manufacturer, in 2016. We manufacture and sell a wide variety of products, with a lineup of snacks that include *Potabee* and *Japtota* potato chips, *Krisbee French Fries* flour-based snacks, and *Krisbee Krunchy* corn-based snacks.



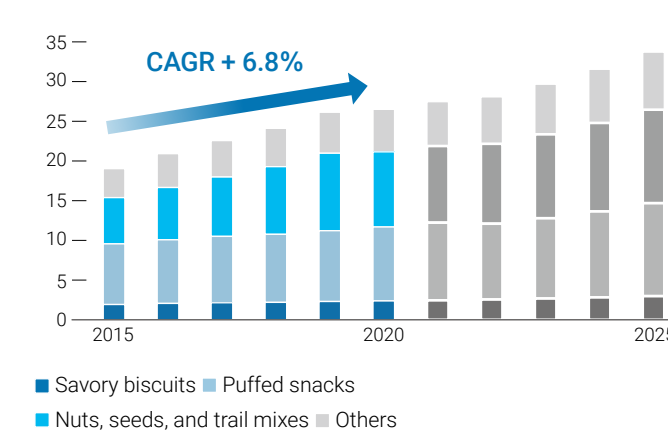
Net sales

(Millions of yen)



Indonesian snack market growth

(Billion Indonesian rupiah)



Global production sites (12 locations overseas)



Other Areas



Other than these four key regions, we also conduct business in the Asia and Oceania regions, namely South Korea, Thailand, Singapore, and Australia. Our business in South Korea is mainly focused on the manufacture and sale of *Honey Butter Chip* potato chips and *Jagabee*. In Thailand, we manufacture and sell snacks for the Thai market as well as export *Harvest Snaps* for the Australian market. Thus, we are working to strengthen our global supply chain utilizing our production sites in Asia.

Market and brand share source: Euromonitor 2020

Snack: Savory snacks (nuts, seeds, and trail mixes, salty snacks, savory biscuits, popcorn, pretzels, other savory snacks)

Cereal: Breakfast cereals (hot cereals, rte cereals) 2021–2025: Forecast



Ventures into New Food Domains

Aiming to establish new businesses in new food categories beyond the boundaries of existing businesses

Q What is the significance of the Calbee Group's goal of setting up businesses in new food categories?

Japan is facing a shrinking population due to its declining birthrate and aging population, and we expect that demand for snack foods, our main products, will not grow significantly in the medium to long term. One of the initiatives we are taking to transform our revenue-generating structure that is heavily reliant on our existing operations is the establishment of businesses in new food categories. As consumer needs diversify against a backdrop that includes greater health consciousness and a desire for more convenience, we are embarking on ventures in new food areas while sticking to our corporate philosophy of "harnessing nature's gifts." Specifically, we are taking two approaches. Firstly, we are "expanding our strengths," by which I mean we are utilizing the raw material procurement capabilities and natural ingredient processing technology we have developed in our existing businesses. Secondly, we are "exploring new enterprises" based on new ideas in areas that have the potential to grow significantly in the future. Through these approaches, we are aiming to establish businesses that will lead to further growth of the Calbee Group.

Q What has been your progress so far?

As part of our "expanding our strengths" approach, we began our sweet potato business with the purchase of Potato Kaitsuka Ltd., in April 2020. Since this category has a high

degree of synergy with our potato business, various synergistic effects are beginning to appear in our value chain, such as raw material procurement and product development. In the medium to long term, we aim to expand the sweet potato business to become a third revenue-generating pillar after our snack and cereal businesses. In "exploring new enterprises" we are only in the initial stages, but last year we launched two products developed to meet consumer needs. These were *Nyumin* (a functional food that supports sleep) and Lunch Gummy (a soft candy designed to refresh after meals).

Q What are your challenges and future prospects?

As part of the expansion of our strengths, we are also exploring new ingredients following on sweet potatoes. We are targeting ingredients that are versatile and can be processed to produce a wide variety of products. For example, we believe that there are many possibilities for beans (rich in protein and highly versatile).

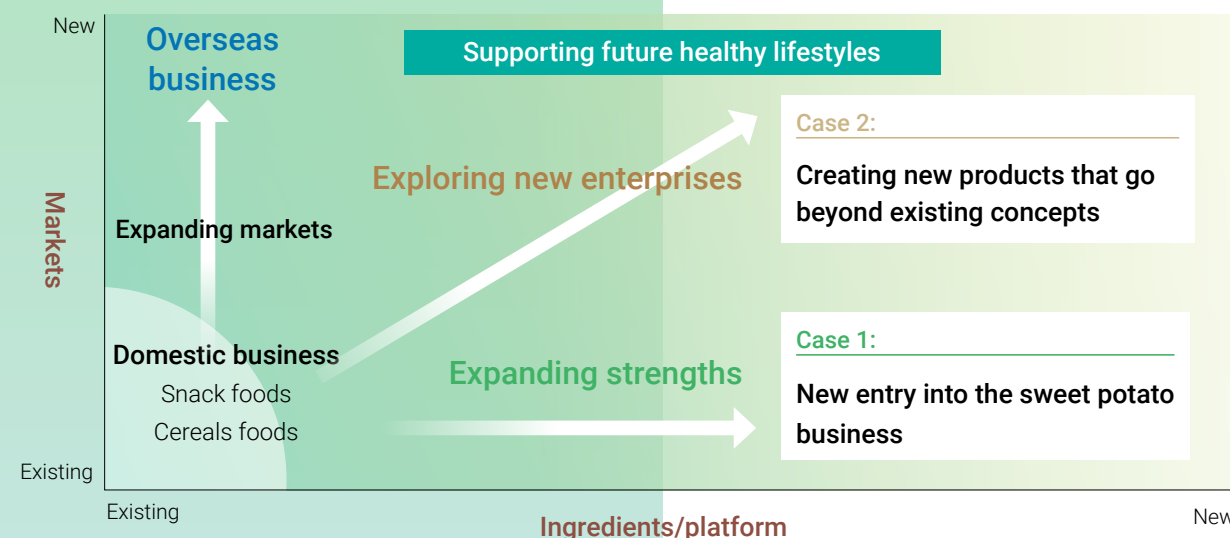
Looking at our internal systems, I believe that we need to push ahead with the development of new products that address consumer needs, set up sales units for new products, establish distribution flows according to each product's characteristics, and invest in marketing.

We are also considering collaboration with various external parties as well as M&A in fields where the Calbee Group's strengths can be leveraged for speedy business development. Through these initiatives, we will establish businesses in new food categories that will go beyond the boundaries of our existing business.



Makoto Ehara

Executive Vice President, Calbee, Inc.



The Direction of New Business Creation

We are approaching the challenge of entering the market of new food categories in two major ways. The first, "expanding our strengths," involves the use of natural ingredients unique to the Calbee Group, while the second, "exploring new enterprises" is aimed at contributing toward healthy living in the future.

One example of expanding our strengths is when we welcomed Potato Kaitsuka into the fold, marking our entry into the sweet potato business. In the future, we will look into the possibility of using beans and other new ingredients, with the goal of growing our new ingredients platform. At the same time, we are taking a heavily customer-oriented approach to exploring new businesses in the pursuit of new products instead of sticking to convention.

Harnessing power from within and outside the Calbee Group, we are taking on the task of creating new businesses that will shape the future of the Calbee Group.

Ventures into New Food Domains

Case 1: New entry into the sweet potato business

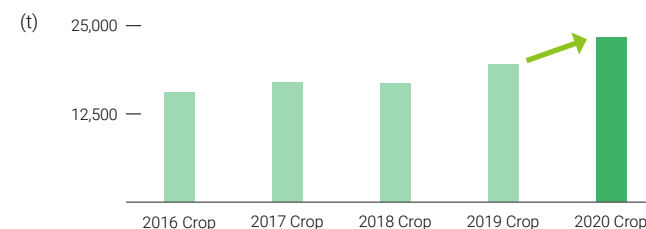


Leveraging Calbee's strengths and expanding into a new food domain: the sweet potato business

■ Growing demand for sweet potatoes

In recent years, the demand for sweet potatoes has risen due to growing interest in sweet potato varieties with high sugar content and the introduction of baked sweet potatoes at retail shops. Against the backdrop of this growing demand, Potato Kaitsuka is purchasing an increasing quantity of sweet potatoes. In 2020, it bought even more by utilizing the output of farmers contracted to grow potatoes for the Calbee Group. Looking ahead, our expansion into overseas markets and our greater number of directly-managed businesses means that we can expect further growth in sales.

Amount of Potato Kaitsuka Sweet Potatoes Purchased



Focus

Potato Kaitsuka

Potato Kaitsuka Ltd. was established in 1967 as a wholesaler specializing in sweet potatoes. Today, based mainly on their original brand of sweet potato, Beni-Tenshi, they sell raw materials for baked sweet potatoes to retailers. Potato Kaitsuka is Japan's leading private company in terms of the annual volume of sweet potatoes it handles for fruit and vegetable retailers. In addition to its B-to-B business for retail chains, it also sells via directly managed stores and through e-commerce.



■ Curing storage is Potato Kaitsuka's strength

Potato Kaitsuka's greatest strength is its curing storage for maintaining the quality of sweet potatoes after they are harvested. Storing the sweet potatoes at a constant temperature and humidity for an extended period encourages natural recovery (curing) from harvesting damage. This curing storage enables the sweet potatoes to reach a significantly higher sugar content of up to 47 degrees Brix*, and they can be stored this way for up to a year.

* Degrees Brix: Used in the food industry as a unit of measurement of sugar content



Original brand *Beni-Tenshi*

▶ *Tenshi no Kakeru Tenshi no Kakeru* ("Heavenly Bites"), a product created through synergies with the Calbee Group

Tenshi no Kakeru is a healthy, natural snack that retains the natural sweetness of *Beni-Tenshi* sweet potatoes that have been cured at a low temperature. The product is finished in a plain flavor using Calbee's vacuum frying processing technology.



Case 2: Creating new products that go beyond existing concepts



Helping to achieve future healthy lifestyles based on an overwhelmingly customer-oriented approach

■ Planning and developing new products in collaboration with our supporters

The Calbee Future Labo is an organization that searches for businesses that can help achieve future healthy lifestyles. It takes a different approach to product development based on an overwhelming customer focus. The most important feature is co-creation with supporters, who are consumers from a wide range of ages, from teens to septuagenarians, comprising students, housewives, office workers, etc. Through exhaustive interviews, it establishes themes and works on product development to solve people's daily issues. Through collaboration with its supporters, Calbee Future Labo continuously takes on challenges to provide solutions to consumer issues through food and to create unique products.



A tasting party with supporters

Focus

Pursuing customer needs and the development of *Nyumin*, a functional food that people want to eat

Given that many people today have trouble sleeping, the Calbee Group began sales of its first functional food *Nyumin* in November 2020. *Nyumin* is an edible film that melts quickly in the mouth. It contains crocetin, a naturally occurring ingredient that enhances sleep quality (depth of sleep) and relieves drowsiness and fatigue when you wake up. Since *Nyumin* does not require water to ingest, it helps relieve anxiety about needing to use the bathroom in the night. *Nyumin* was completed after two and a half years of development through a process of experimentation and co-creation with supporters and partner companies to achieve a product that not only improves sleep quality, but is also flavored to make people want to eat it.

