Calbee Report 2021

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Guidelines used for reference
International Integrated Reporting Council (IIRC): International Integrated Reporting Framework
Concerning descriptions regarding forward-looking statements
In addition to facts about the Calbee Group, this report also includes forward-looking statements based on information available to Calbee, Inc., at the time they were written. Various factors could cause actual results to differ materially from expectations.

Investor Relations
https://www.calbee.co.jp/en/ir/

Sustainability
https://www.calbee.co.jp/sustainability/en/

Editorial policy
Calbee Report, the Calbee Group’s integrated report, has been published since the fiscal year ended March 31, 2018, with the intent of introducing stakeholders to the Group’s corporate philosophy, management policies, and medium- to long-term value creation. For the fiscal year ended March 31, 2021, the Group focused on challenges overseas and in new food areas to achieve its 2030 vision, “Next Calbee—harvest power of nature. Creating the future of food.” It also placed an emphasis on deepening its value chain from the perspective of creating social and economic value. We hope this report will help readers better understand the Calbee Group and create opportunities for dialogue with stakeholders to enhance our corporate value.

Period covered
April 1, 2020 to March 31, 2021 (Information from outside this period is presented where appropriate)

Organizational scope
Calbee Group, comprising Calbee, Inc., and its consolidated subsidiaries

Issue date
October 2021
**The Calbee Group’s founding philosophy**

To be a company that gathers knowledge in order to create products that are healthy, safe and affordable, and which utilize unused food resources.

**Words of founder Takashi Matsuo**

Business Helping People

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**Corporate Message**

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.

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

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

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

Founder Takahashi Matsuo (on the right)
Calbee Group by the Numbers

**Global operations in 10 countries and regions, including Japan**

- **Greater China**
  - Net sales: ¥15.1 billion
  - Number of employees: 460

- **Japan**
  - Net sales: ¥213.6 billion
  - Number of employees: 2,481

- **North America**
  - Net sales: ¥14.4 billion
  - Number of employees: 387

- **Other regions**
  - Net sales: ¥4.1 billion
  - Number of employees: 121

- **United Kingdom**
  - Net sales: ¥6.5 billion
  - Number of employees: 223

- **Indonesia**
  - Net sales: ¥13.0 billion
  - Number of employees: 639

**Domestic market share No.1**

- Snack foods: 53.8%
- Cereals: 38.2%
- Granola: 60.4%

**Calbee Group by the Numbers**

- FY2021/3 Consolidated net sales: ¥266.7 billion
- FY2021/3 Consolidated operating profit: ¥27.1 billion

**Overwhelming procurement capabilities for raw materials**

- Domestic procurement volume of potatoes: 342,000 tons

**Living up to customer trust**

- Repurchasing rate*: 96.6%

Source: INTAGE Inc., SRI+ based on cumulative sales value nationwide, all retail formats, for the fiscal year ended March 31, 2021 (April 1, 2020 to March 31, 2021)

Snack foods and corn-based snack market share: Total of Calbee and Japan Frito-Lay, Ltd.

Potato-based snacks: unprocessed potatoes; flour-based snacks: wheat; corn-based snacks: corn

Granola market share: Cereals market, granola category

Net sales figures are for the fiscal year ended March 31, 2021

Number of employees as of March 31, 2021

* Percentage of customers who replied via questionnaire that they would repurchase products in the same or greater quantities.
Calbee Group by the Numbers

Results for the Fiscal Year Ended March 31, 2021, by Business Segment

Consolidated net sales
¥266,745 (million)

Domestic Snack Foods
65.9%

Domestic Cereals
10.4%

Overseas
19.9%

Other food products (sweet potatoes, potatoes)
Other businesses
3.8%

Net sales (Millions of yen)

- **Domestic Cereals**
  - 2017.3: ¥174,305
  - 2018.3: ¥175,575
  - 2019.3: ¥180,499
  - 2020.3: ¥182,086
  - 2021.3: ¥175,675

- **Domestic Snack Foods**
  - 2017.3: ¥30,436
  - 2018.3: ¥23,836
  - 2019.3: ¥23,817
  - 2020.3: ¥25,157
  - 2021.3: ¥27,722

- **Overseas**
  - 2017.3: ¥133,654
  - 2018.3: ¥128,841
  - 2019.3: ¥133,068

*Domestic cereals sales for the fiscal year ended March 31, 2017, include ¥6.2 billion in overseas consumption (estimate).*
Our Story and What Drives Us

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

1949–1974

Establishment

Matsuo Food Processing Co., Ltd., established in Hiroshima Prefecture

1955

Company name changed to Calbee Confectionery Co., Ltd.

1955

Kappa Arare
Developed Japan’s first wheat cracker using unused food resources

1964

Kappa Ebisen
Developed a nutritious snack made from fresh whole shrimp

1968

Utsunomiya Factory begins operations

1969

Chitose Factory (now Hokkaido Factory) begins operations

1972

Sapporo Potato
Developed a dough snack out of a mixture of potatoes and vegetables

1973

Company name changed to Calbee, Inc.

Utilizing of unused food resources

Calbee founder Takashi Matsuo made it his personal mission to develop healthy foods. Calbee’s name, a portmanteau of “calcium” and “vitamin B1,” reflects that determination. In 1955, using cheaply imported wheat flour in place of rationed rice, Matsuo created the Kappa Arare wheat cracker, and in 1964 began selling the Kappa Ebisen snack, made with fresh whole shrimp. Both products were first-of-their-kind foods created from unused resources.

Creating a system for the stable supply of fresh ingredients

To expand sales of Kappa Ebisen—then produced in western Hiroshima Prefecture—to eastern Japan and deliver freshly made products to stores, a new factory was built in Utsunomiya, Tochigi Prefecture. To keep up with its expanding production, the Calbee Group established a system by which a stable supply of fresh shrimp could be procured and delivered to factories. This system would serve as the cornerstone for the Group’s future value chain.

1975–2009

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

1980

Calbee Potato, Inc., established to manage raw material potato

1984

Potato-maru launched, world’s first dedicated potato-carrying vessel

1990

Snack Food Service Co., Ltd. (now Calbee Logistics, Inc.) established to handle logistics

Entering into the potato chips business

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

Building a strong value chain in the potato business

To match the sales growth of Potato Chips, Calbee began to overhaul its potatoes procurement production. Calbee’s fieldmen (specialists in potatoes) worked with production areas and producers to create a system for the cultivation, procurement, and storage of potatoes and built a unique value chain that managed each process—from production to distribution and sales—in a vertically integrated manner.

Developing cereal into a second pillar of business

Calbee changed the name of Fruits Granola, launched in 1991, to Frugra in 2011 and it began to gain traction, especially among working women who turned to it as an easy and consistent source of nutrition even during busy mornings. Frugra has established a new style of quick and healthy breakfast in Japan and now Calbee is actively promoting sales in Greater China and other areas overseas.

Key Overseas Products

Since 2010, Calbee has positioned the growth of its overseas business as a key issue and has accelerated its expansion in these markets. We have set North America, Greater China, the United Kingdom, and Indonesia as our four key regions, and tailor our products to suit the needs of the local market and consumers. Going forward, we will build a solid business foundation and develop our global brands.
CEO Message

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.

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

Shuji Ito
President & CEO

Harvest the power of nature. Creating the future of food.
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 leverage 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 Jagabee potato stick snacks. In North America, snacks such as Kappa Ebisen and Jagarico have gained recognition in ethnic market sections (which stock Asian foods), responded 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 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...
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.

Achieving a sustainable society through businesses

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.

Shuji Ito
President & CEO

October 2021
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.

Vision for 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%

Consolidated net sales
(Billions of yen)

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

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.

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.
Ventures into Overseas Business

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.

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.

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.

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.

The Calbee Group’s Goals

Entering new snack categories via Seabrook brand

Expanding fun & tasty Jagarico brand in China

Increasing penetration of the Calbee brand in four key regions

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

Creating a new product brand through Calbee x Warnock

<table>
<thead>
<tr>
<th>Greater China</th>
<th>United Kingdom</th>
<th>Indonesia</th>
<th>North America</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jagarico</td>
<td>Loaded Fries</td>
<td>Guribee</td>
<td>MY POTE</td>
</tr>
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</table>

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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.

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 Frugra, 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.

### Net sales

**North America (Millions of yen)**

<table>
<thead>
<tr>
<th>Year</th>
<th>2017.3</th>
<th>2018.3</th>
<th>2019.3</th>
<th>2020.3</th>
<th>2021.3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>11,606</td>
<td>9,843</td>
<td>9,841</td>
<td>10,576</td>
<td>14,442</td>
</tr>
</tbody>
</table>

**Chinese snack market growth**

CAGR +5.3% (10 billion yuan)

**Chinese cereal market growth**

CAGR +11.1% (Billion yuan)

- Potatoes
- Puffed snacks
- Savory biscuits
- Others

- Hot cereals
- Muesli and granola
- Other cereals

* Physical store sales
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.

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.

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.
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.

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.

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

Amount of Potato Kaitsuka Sweet Potatoes Purchased (t)

<table>
<thead>
<tr>
<th>Crop</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>12,500</td>
</tr>
<tr>
<td>2017</td>
<td>25,000</td>
</tr>
<tr>
<td>2018</td>
<td>20,000</td>
</tr>
<tr>
<td>2019</td>
<td>20,000</td>
</tr>
<tr>
<td>2020</td>
<td>25,000</td>
</tr>
</tbody>
</table>

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.

Tenshi no Kakera Tenshi no Kakera ("Heavenly Bites"), a product created through synergies with the Calbee Group
Tenshi no Kakera 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.

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.

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 overwhelmingly customer focus. The most important features are 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.
Value Creation Process

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

Environmental problems, labor shortages, and human rights issues—these are some of the social issues surrounding the Company. Of these issues, the Calbee Group has identified priority issues key to the succession to its business activities as its materiality and has set a series of priority themes. Promoting efforts related to these themes will allow us to avoid management risks and take advantage of opportunities to spark innovation.

For more details on Calbee’s process for formulating its materiality, please refer to our corporate webpage.


Materiality Map

Sustainability Management Promotion Framework

We have established a Sustainability Committee advised by outside experts. The committee determines the Calbee Group’s materiality, discusses and reviews the road map for the priority themes promoted by the subcommittees, and reviews the status of progress on them. The results of these activities are regularly reported to the Board of Directors.

Priority Themes and Major Measures

<table>
<thead>
<tr>
<th>Category</th>
<th>Materiality</th>
<th>Priority themes and major measures</th>
<th>Targets (KPIs)</th>
<th>Results for the fiscal year ended March 31, 2021</th>
<th>Correspondence with the SDGs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contributions through products</td>
<td>Assurance of food safety</td>
<td>Prevention of safety and quality incidents</td>
<td>FY2024/3</td>
<td>Salt equivalent in products*2 10%</td>
<td>5.4% reduction</td>
</tr>
<tr>
<td></td>
<td>Response to health-conscious and diversifying lifestyles</td>
<td>Provision of health-conscious products</td>
<td>FY2024/3</td>
<td>Domestic procurement volume of potatoes 400,000 tons (up 20% compared with FY2019/3)</td>
<td>4.8%</td>
</tr>
<tr>
<td></td>
<td>Progress of sustainable agriculture</td>
<td>Sustainable, environmentally conscious procurement</td>
<td>FY2024/3</td>
<td>Domestic procurement volume of potatoes 400,000 tons (up 20% compared with FY2019/3)</td>
<td>342,000 tons</td>
</tr>
<tr>
<td></td>
<td>Ensuring the sustainability of raw materials and logistics with improved efficiency</td>
<td>Sustainable, environmentally conscious procurement</td>
<td>CY2030</td>
<td>100% use of certified palm oil</td>
<td>June 2021</td>
</tr>
<tr>
<td>Contributions through the supply chain</td>
<td>Preserve the ecosystem</td>
<td>Reduce greenhouse gas emissions</td>
<td>CY2030</td>
<td>Total greenhouse gas emissions 30% reduction (compared with FY2019/3)</td>
<td>0.6% increase</td>
</tr>
<tr>
<td></td>
<td>Maintain and promote health</td>
<td>Product food loss</td>
<td>CY2030</td>
<td>Reduce product food losses</td>
<td>74% increase</td>
</tr>
<tr>
<td></td>
<td>Foster deeper connections with people, local societies, and communities</td>
<td>Reduce water consumption</td>
<td>CY2030</td>
<td>Reduce water consumption 10% reduction (compared with FY2019/3)</td>
<td>6.5% increase</td>
</tr>
<tr>
<td></td>
<td>Strengthen business continuity plan (BCP)</td>
<td>Reduce Scope 3 emissions</td>
<td>CY2030</td>
<td>Reduce Scope 3 emissions</td>
<td>4.3% reduction</td>
</tr>
<tr>
<td></td>
<td>Enhance corporate governance</td>
<td>Integration of food communications</td>
<td>FY2024/3</td>
<td>Food communications Number of participants 400,000</td>
<td>Number of participants *3 107,714</td>
</tr>
<tr>
<td></td>
<td>Promote active roles for all employees based on diversity</td>
<td>Promote diversity and inclusion</td>
<td>FY2024/3</td>
<td>Ratio of female managers Over 30%</td>
<td>21.8% (April 2021)</td>
</tr>
<tr>
<td></td>
<td>Establishment of management base</td>
<td>Strengthening of human resource development</td>
<td>FY2024/3</td>
<td>Ratio of male employees taking childcare leave 100%</td>
<td>26.5%</td>
</tr>
<tr>
<td></td>
<td>Enhance corporate governance</td>
<td>Workstyle transformation</td>
<td>FY2024/3</td>
<td>Rate of employment of people with disabilities 2.5%</td>
<td>2.5%</td>
</tr>
</tbody>
</table>

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

[Note]: Product cost reduction targets and results are for domestic Calbee Group companies excluding Potato Katsuka Ltd. Targets and results for reduction of greenhouse gases are for factories operated by Calbee, Inc., and the Oihako Factory of Calbee Potato, Inc. All other indices are for Calbee Inc.
Deepening the Value Chain

**Product Planning and Development**
- Response to health conscious and diversifying lifestyles
- Progress of sustainable agriculture
- Ensuring the sustainability of raw materials and logistics with improved efficiency

**Procurement**
- Assurance of food safety
- Caring for the earth
- Foster deeper connections with people, local societies and communities

**Production and Logistics**
- Relevant Materialities
- Cultivated Strengths
- Key Initiatives in the Medium-term Business Plan

**Relevant Materialities**
- Response to health conscious and diversifying lifestyles
- Progress of sustainable agriculture
- Ensuring the sustainability of raw materials and logistics with improved efficiency

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

**Key Initiatives in the Medium-term Business Plan**
- Existing domestic businesses: Create new value and realize high profit
- Reform snack business
- Enhance cereal business

**Co-creation with society:**
- Achieve a sustainable society

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

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

**Existing domestic businesses: Create new value and realize high profit**
- Strengthen business base
- Advance sustainable supply chain initiatives

**Co-creation with society:**
- Achieve a sustainable society

**Strengthen business base**
- Existing domestic businesses: Create new value and realize high profit

**Advance sustainable supply chain initiatives**
- Strong sales floor influence based on position as market leader
- Initiatives to create innovative distribution systems
- Labeling to ensure that products reach consumers while fresh (extending expiration dates and switching to year/month labeling)

The strengths of Calbee Group's product planning lie in its unique development capabilities and consistent efforts that span from the procurement of raw materials to development. Though it is not easy to launch a new brand, we have continued to take on challenges over years. In 2020, we launched the light-textured Thin Potato, our thinnest chip yet. We have no intention of stopping further technological innovation, and will continue our work to perform new experiments and develop new products.
Deepening the Value Chain

The environment surrounding our businesses is undergoing great changes. Awareness of the negative aspects of salt intake is rising due to increasing health consciousness. Consumer needs pertaining to food are diversifying as their lifestyles change. Given these changes, we are striving to offer them “fine snack” that are healthier. When we say “fine snack” we mean a snack for healthy living that helps people to properly control the intake of appropriate quantities of salt and nutritional components, and that uses natural ingredients that are kind to the body. We are striving to offer a full lineup of products like our bean-based snack minō, which contains lots of natural protein. As a new natural ingredient, we are focusing on fruit in our post-potato line up of snacks, and have launched Karrito Ringo, a crunchy apple-based snack made with our unique processing technology. We are continuing to develop products that go beyond the existing concept of snack foods to meet the diverse needs of our customers, and to offer products that will help them to live healthily.

We are developing products in the cereal category centered on expanding occasions to enjoy them and responding to increasing health consciousness. Our cereal series Frugra Less Carbohydrates, which has 25% less sugar than regular Frugra, and Granola Plus are designed to heighten consumers’ health awareness and are helping the granola market to resume growth. To expand occasions for consumption, we launched Frugra Bits as a cereal product that can be easily eaten on the go. Furthermore, due to the COVID-19 pandemic, people are recognizing the value of cereals as products that are easy to stockpile. In response, we have begun sales of emergency ration product Frugra Bits Box for Rolling Stock. Looking forward, we will promote a variety of new initiatives and expand the possibilities of cereal foods.

The Calbee Group uses palm oil as cooking oil, primarily for the frying process, and procures approximately 40,000 tons per year in Japan. To promote responsible procurement, the Calbee Group started purchasing certified credits that are equivalent to the amount of palm oil used by its domestic factories through the Book and Claim system*1 in May 2020. We acquired the certification of RSPO supply chain in March 2021, and in July 2021, our domestic factories gradually switched over to using RSPO-certified palm oil on Mass Balance system*2. Palm oil extracted from the fruit of the oil palm has been linked to major issues, such as environmental destruction, like deforestation and a loss of biodiversity caused by the development of palm plantations, and an increase in greenhouse gas caused by developing peatlands. Another is the major social problem of human rights violations such as forced labor and child labor. We will strive to reduce the burden on contracted farmers through expanding areas where the harvest is conducted collectively by introducing other contractors and other initiatives.

We believe that climate change is likely to become a growing risk to our procurement of potatoes, and may have a significant impact on our business. To ensure that we can reliably obtain the potatoes, the Calbee Group is pursuing initiatives that include the development of climate change-resistant potato varieties and the decentralization of our potato-producing areas.

In addition, as a labor-intensive crop, a decrease in the number of potato farmer is another risk. Calbee fieldmen (specialists in potatoes) nationwide provide support for potato cultivation and harvesting. We will strive to reduce the burden on contracted farmers through expanding areas where the harvest is conducted collectively by introducing other contractors and other initiatives.

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*1 Book and Claim system: A system in which credits are traded online between palm oil producers and end-product manufacturers and sellers. Even if the certified oil supply chain is underdeveloped and its oil is difficult to procure, it is possible for us to directly support certified producers.

*2 Mass Balance system: A certification model in which certified palm oil is mixed with non-certified palm oil in the supply chain. Although this oil physically includes non-certified oil, the quantity of the certified oil purchased is guaranteed.

Supply Chain for RSPO-Certified Palm Oil

Palm oil certified by the RSPO receives certification for each stage (and company) in the supply chain to ensure strict control and supply across the entire process, from the oil palm plantations to the final product.
Striving to enhance productivity through digital transformation

Labor shortages due to the future decline in the working population of Japan is one of the medium- to long-term risks in our domestic production and logistics. We are working to stably and consistently deliver safe, fresh products to consumers. In the medium- to long-term, to respond to labor shortages, we need to ensure a stable and efficient system, reduce the labor burden, and improve productivity.

One of our initiatives can be found in the trimming of raw potatoes in the potato chip manufacturing process. The condition of potatoes varies depending on the season in which they are used. They are difficult for inexperienced workers to work with, and most of the processes have to be performed manually. To make it easier for people to work at the points of production, we are trying various approaches, with the goal of automating the task where possible.

At the potato chip production line of our Konan Factory, we are conducting pilot trials utilizing AI. Specifically, we are taking data collected in real time from each piece of equipment on the production line and having the AI perform automated analyses, which are fed back into the processing equipment to optimize operations.

Promoting new partnership adapting a changing business environment

The COVID-19 pandemic has affected our business in many ways. In the places where our salespeople work, face-to-face meetings with our distribution partners have been reduced, and in-store sales promotions have been canceled. On the other hand, we believe that changes in the environment like this also bring opportunities. Efficient schedules can be realized through business negotiations conducted online, enabling detailed follow-up such as participation in business negotiations with distribution partners who might not have been able to participate due to time constraints. Based on our customer-centric approach, we are constantly working on optimal proposals that adapt to changes in the environment. We are always striving to maintain and improve strategic partnerships with our distribution partners.

Due to the effects of COVID-19, demand for e-commerce is increasing in Japan too. In response to this increase in demand, we have improved sales by expanding the lineup of limited-edition products centered on our Frugra cereal and have worked to enhance e-commerce. The ratio of e-commerce to total sales is increasing year by year, and is expected to continue to grow.

Moreover, due to the drop-off in inbound tourist demand and the decrease in domestic tourists, sales of souvenir products at airports, train stations, antenna shops, and other outlets continue to face hard times. After COVID-19 has receded, we expect that sales of souvenir products will increase over the medium- to long-term, and are striving to expand our product lineup.

Enhancing e-commerce, expanding our gift snack lineup, and increasing points of contact with customers

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CFO Message

The Calbee Group’s vision for 2030 is to “Establish our pivotal growth drivers in overseas markets and new food domains,” and we are implementing our five-year Medium-term Business Plan through the fiscal year ending March 31, 2024, as a milestone towards this. In our Medium-term Business Plan, to realize sustainable growth through transformation and challenges, we will invest actively in growth fields toward further increasing earnings overseas and establishing new food businesses. At the same time, we will work to enhance shareholder returns and increase shareholder value.

To realize our long-term vision, we will go forward with investments in growth fields.

Koichi Kikuchi
Senior Managing Director & CFO

Q What progress has been made in the Medium-term Business Plan (FY2020/3 – FY2024/3)?

The progress of the Medium-term Business Plan has been significantly impacted by the COVID-19 pandemic since last year. The theme of diversification and expansion of points of contact with customers, such as inbound demand and gifts in the domestic snacks business, is being particularly affected by COVID-19, and demand for gift snack items is down significantly in the domestic market. Lower sales of these high value-added gift snack items is a major factor contributing to sluggish growth of the domestic operating margin. We plan to determine the timing of a market recovery with the end of COVID-19, then launch new products and focus on developing new sales opportunities.

Overseas, there has been a positive effect from nesting demand and business grew primarily in North America, Greater China, and the U.K. We will introduce new products and carry out promotions to enable us to continue to provide delicious food experiences to the new customers we met through nesting demand.

In new businesses, the acquisition of Potato Kaitsuka in April 2020 added a sweet potato business to our portfolio and provided us with a new business foundation. We intend to further strengthen its synergies with our potato business.
Q What do you consider your role as CFO to be?

I believe that the role of the CFO is to support the CEO in realizing their goals while balancing the business in relation to the growth strategy they envision. To this end, I propose actions we should take toward medium- to long-term growth while controlling short-term business results.

Q Could you discuss the content of your policies for investment in growth fields?

Our policy is to use stable operating cash flow as a source of funds to invest in growth fields in order to establish a new business foundation. In the past two years, we have acquired Warnock to expand our snack business portfolio in North America, and in Japan we acquired Potato Kaitetsu, a sweet potato business, with the aim of entering new food areas. In both cases, we expect to realize synergies with the Calbee Group in addition to growing the acquired businesses.

We will consider growth investment opportunities from a long-term perspective, including achieving higher profitability in existing domestic businesses, driving digital transformation, and developing new food areas.

Q In advancing investment in growth fields, how do you consider post-investment evaluation of their businesses?

Based on the concept of business selection and concentration, we have so far withdrawn from the bakery business and the business of producing and selling promotional materials, and have also liquidated overseas subsidiaries in Spain, the Philippines, Taiwan, and other places. This is emblematic of the review we conduct of our business portfolio when characteristics of the market or scenarios we initially forecast undergo change. Using this method, we consider various options, such as withdrawal or transferal of a business.

Q What kind of investment will be necessary to further strengthen the domestic business base?

We are currently planning the construction of a new Hiroshima Factory, which will be one of the largest plants of its kind in Japan. In addition to addressing the aging of existing facilities, the new Hiroshima Factory will promote automation in facilities and improved production efficiency in response to growing demand for products and the shortage of labor. As a state-of-the-art mother factory, the new factory’s innovations will be deployed to other factories across Japan, with the aim of improving the competitiveness of the Group as a whole.

Q What are the targets and KPIs you are focusing on for each business toward achieving sustainable growth?

In existing domestic business, we have set an operating margin target of 15% to “create new value and realize high profit.” As indicators to monitor progress toward this target, we have set “expansion of ratio of high value-added products,” “reduction of cost ratio through automation of production processes,” and “raising efficiency of selling costs through strengthening strategic partnerships with distribution partners.”

In overseas business, we have set a target of ¥80 billion in overseas sales, and we will expand our product lineup and sales channels mainly in our four key regions of North America, Greater China, the U.K., and Indonesia.

Q What are your thoughts on shareholder returns?

We recognize shareholder returns as one of the most important management issues and have steadily increased dividends per share and the consolidated dividend payout ratio. Our Medium-term Business Plan sets a target consolidated dividend payout ratio of over 40%. Our policy is to enhance the return of profits to shareholders while improving profitability and strengthening our financial position.

### Dividends per Share and Dividend Payout Ratio

<table>
<thead>
<tr>
<th>Year</th>
<th>Dividends per Share (yen)</th>
<th>Medium-term Business Plan target</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017.3</td>
<td>42</td>
<td>Dividend payout ratio over 40%</td>
</tr>
<tr>
<td>2018.3</td>
<td>42</td>
<td></td>
</tr>
<tr>
<td>2019.3</td>
<td>49</td>
<td></td>
</tr>
<tr>
<td>2020.3</td>
<td>50</td>
<td></td>
</tr>
<tr>
<td>2021.3</td>
<td>53</td>
<td></td>
</tr>
<tr>
<td>2024.3</td>
<td>60</td>
<td>(Target)</td>
</tr>
</tbody>
</table>

### Results for the Fiscal Year Ended March 31, 2021

- **Operating cash flows**: ¥30.5 billion
- **Capital investment**: ¥11.2 billion
  - Invested in Potato Deluxe and other products with new value
- **Growth investment**: ¥13.3 billion
  - Acquired shares of Potato Kaitetsu Ltd.
- **Shareholder returns**: ¥6.7 billion

### Basic Policy of Cash Flow Allocation

<table>
<thead>
<tr>
<th>Five Years from the Fiscal Year Ending March 31, 2020, to the Fiscal Year Ending March 31, 2024</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating cash flows (yen)</td>
</tr>
<tr>
<td>Cash on hand (yen)</td>
</tr>
<tr>
<td>Capital investment, Approx. ¥60 billion</td>
</tr>
<tr>
<td>Growth investment, Approx. ¥80 billion</td>
</tr>
<tr>
<td>Shareholder returns, Approx. ¥40 billion</td>
</tr>
</tbody>
</table>

Invest to grow/raise productivity in existing businesses, and to strengthen overseas production structure.

Invest to acquire a foundation for growth based on a long-term perspective, including new businesses, promotion of digital transformation, M&A, etc.

Aim for dividend payout ratio over 40%, implement sustainable shareholder returns.
Financial and Non-Financial Highlights

**Consolidated net sales and Consolidated operating profit**
- Consolidated net sales: ¥266,745 million
- Consolidated operating profit: ¥27,064 million

**Domestic operating margin**
11.6%

**Overseas sales**
- Consolidated net sales: ¥53,106 million

**Cash flows**
- Operating CF: ¥30,450 million
- Investing CF: ¥(32,069) million
- Financing CF: ¥(7,635) million

**ROE**
10.4%

**Consolidated dividend payout ratio**
37.8%

**Salt equivalent in products*1**
- Compared with FY 2019.3
- We are working to reduce salt content in order to provide health-conscious products.

**Food communications*2**
- Accumulated number since FY 2019.3
- We promote communication for understanding food, health, and the environment, which supports healthy living.

**Domestic procurement volume of potatoes (per year)**
- We strive to contribute to maintenance and stimulation of domestic agriculture and to stably procure domestic potatoes.

**Product food loss (compared with FY 2019.3)**
- We are working to reduce food loss, aiming to realize a recycling society that utilizes limited resources.

**Greenhouse gas emissions (compared with FY 2019.3)**
- We are working to reduce greenhouse gas emissions toward realizing a decarbonized society.

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

**Impact of bank holidays at the end of the fiscal year**

Human Resources

We recognize that our employees are our most important asset in the transformation of our business toward making Next Calbee a reality. We are encouraging the training of employees so that each and every one of them is capable of acting independently, recognizing the needs of our customers and society, and solving problems.

Promoting active roles for all employees and training strategic human resources will make Next Calbee a reality

To realize commitments of all employees toward their own performances, we are encouraging both “diversity and inclusion” and “empathy-based management for ongoing evolution of organization and human resources” so that we can become a professional group sharing a high degree of openness and ability to find common ground.

The Calbee New Workstyle that we are promoting to transform our processes and improve the quality of work, has brought about major changes in employee awareness and behavior. We have also set out the “Calbee 5 Values” (Self-motivation, Altruism, Dialogue, Curiosity and Boldness) as the qualities we want in our employees. We encourage our employees to take on the challenges of creating medium- to long-term innovation without excessively focusing on short-term results.

In our investment in and development of strategic human resources, we are emphasizing the education of the next generation of business leaders, employees who can work anywhere in the world, and digital natives. For example, graduates of our program to train the next generation of business leaders have achieved success in departments in charge of new businesses. Moreover, through interdepartmental job rotation and having people take on challenging assignments, we are raising levels of intrapersonal diversity. In our Work Challenge program where employees can volunteer to work in the department of their choice, almost 100 participated in 2021. Of these people, around 40% ended up transferring to the department they had selected. We are also actively promoting mid-career recruitment to incorporate external perspectives into our organization.

In the Calbee Group's human resources strategy, the most important thing is to encourage all employees to have a strong sense of ownership and to think and act with their own minds while respecting our corporate philosophy, values, and culture. In the past year, our way of working has changed greatly, but we feel that the “one-on-one” approach—which offers opportunities for dialogue between staff members and managers—has also been successful, and each employee has become more active, improving employee engagement. We will further increase the number of our employees who are capable of taking on new challenges on their own, toward the realization of Next Calbee.
Human Resources

Investment and Cultivation of Strategic Human Resources

We work to enhance investment and cultivation of next generation business leaders, and both global and DX human resources as a way to address the changing business environment and realize "Next Calbee".

Next-Generation Business Leader Training Program

We implement the Next-Generation Business Leader Training Program with the goal of training the next generation of growth drivers for the Calbee Group. The program utilizes two subprograms—"The Leadership Perspective" and "Acquiring Business Literacy"—with the goal of imparting the necessary mindset and skills for future leaders. In the second iteration of the program, which ran during the fiscal year ended March 2021, 20 employees participated, ranging from their 20s to 40s.

Encouraging Employee Autonomy on a One-on-One Basis

We promote employee autonomy on a one-on-one basis through dialogues between employees and managers, which allows both parties to understand and empathize with each other’s value and experience.

Head Office Remodeling

As part of Calbee New Workstyle, an initiative that started in July 2020, we have been working to achieve further growth by making remote working the standard for office workers and improving the quality and speed of operational execution. In September 2021, we remodeled our head office to serve as a communication space to drive new value creation for promoting relationships in our group and with customers, and for education and discussion.

100% Rate for General Health Checks

Thanks to improvements to our health management system and efforts to assign personnel and industrial physicians to each region of operation, our health check rate was 100% in the fiscal year ended March 31, 2021.

Promoting Diversity and Inclusion

The D&I and Smart Work Promotion Office, located at the Company’s head office, works with employees appointed by each business entity to conduct activities that will promote diversity management. These are steps toward an organization that shares the common topic. The topic is that everyone has equal opportunities, while bringing awareness that everyone has unconscious bias.

A group of professionals who share a free, open, and highly cooperative mindset

We want to develop certain values in employees that we have dubbed the "Calbee 5 Values." These values are "Self-motivation," "Altruism," "Dialogue," "Curiosity," and "Boldness." To realize "Next Calbee," our goal is to become a company where every single employee has autonomy and can use their respective strength to play an active role.

The “Calbee 5 Values” are for every human resource to pursue

Health management for the benefit of the mind, body, and organization

Workstyle transformation to improve work quality

Maximum synergies through diversity and by respecting individuals

Empathy-based management for ongoing evolution of organization and human resources

Gender

Common topics
Awareness that everyone has unconscious bias / Everyone has equal opportunities

LGBTQ

People with disabilities

Different generational values

Nationality

We work to enhance investment and cultivation of next generation business leaders, and both global and DX human resources as a way to address the changing business environment and realize "Next Calbee".

Calbee Report 2021 ESG to Support Sustainable Growth
Future Roundtable: Challenges for Innovation

To realize the Next Calbee vision, it is essential to have people who are willing to challenge themselves through innovation in a free and open-minded culture. The New Business Development Department, established in April 2020, has been working to create new products and services without being bound by preconceived notions. We interviewed employees working there about their thoughts on innovation, and the corporate culture behind them.

Creating new value by focusing on social issues, prioritizing the entrepreneurial mindset

Kenmoku  The business themes that we work on at the New Business Development Department are decided by staff rather than in a top-down manner. They are encouraged to conceive of new project ideas that tackle social issues they are interested in. We do it this way because I believe that what is most important for the launch of a new business project is the enthusiasm of the individuals who push it forward. There are no restrictions on business themes as long as they do not deviate too much from Calbee's corporate philosophy. By doing so, we are creating a foothold for new businesses in the Calbee Group, and at the same time, staff members can grow their entrepreneurial mindset.

Saeki  I have realized many things since I started working to create new business. I assumed that the current department was a completely different world from the Quality Assurance Division where I used to work and that I would not be able to utilize my past experience. But then as I progressed, I realized that they were actually very similar: first, I need to listen to customers think about what they need, and then work to provide it. From that point on, I am able to leverage my experience and confidently propose business plans.

Nakamura  As I have more contact with customers, I am reminded of the importance of standing alongside them and their issues. My motivation is that I want people with food allergies to be able to experience the "taste" and "fun" that the Calbee Group offers without hindrance.

Fujii  Shortly after we started planning a new project, I presented a business plan related to food loss, but received some tough feedback from my colleagues that the plan did not address our customers’ issues and concerns. Sometimes, it’s difficult for us to make objective judgments on our own, so I am grateful for the suggestions from my colleagues, especially those with backgrounds different from my own, that help to broaden my perspective.

Creating the Calbee of the future with the passion of each employee

Kenmoku  If we want to create new business that contributes to society, I think first and foremost it is important that we have passion and are excited about our work. What are your plans for the future?

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Global Environment

Business activities of the Calbee Group are supported by natural materials cultivated by the earth. We are hard at work to maintain a rich natural environment and for the sake of business activities with efforts that include reducing greenhouse gas emissions, food loss, and water consumption, and promoting plastic resources circulation. Going forward, we will continue to work with stakeholders responsible for the procurement of raw materials, logistics, and distribution in order to realize a decarbonized and recycling-oriented society.

Reducing Greenhouse Gas Emissions

We consider climate change and related issues an important part of showing consideration for the global environment; therefore, we have set a long-term goal for 2030 to reduce total greenhouse gas emissions by 30% compared with fiscal year ended March 31, 2019, levels. Our efforts to reduce greenhouse gases throughout the supply chain include improving energy efficiency and introducing renewable energy.

Expanding Introduction of Renewable Energy for Electricity Use

In March 2020, we switched to carbon offset electricity at five worksites in the Kanto region under the J-Credit Scheme*. Since then, we have introduced electricity derived from renewable energy sources sequentially at Hokkaido Factory in April 2020, Kagoshima Factory in February 2021, and Kyoto Factory, Konan Factory, and Kakamigahara Factory in April 2021.

* A scheme under which the Government of Japan certifies as credits the amount of greenhouse gas emissions reduced through efforts to introduce energy saving equipment and utilize renewable energy, as well as the amount of such emissions removed through appropriate forest management.

Areas of the Supply Chain Used in Greenhouse Gas Emission Calculations

Initiatives to Replace and Reduce Plastic Packages

Setting Targets Toward Realizing a Sustainable Society

In September 2020, we set targets to promote plastic resources circulation. By greatly reducing the amount of packages that use plastics derived from fossil fuels and promoting the switch to environmentally friendly materials, we are working to resolve issues such as ocean plastics, fossil fuel depletion, and reducing CO2 emissions across the entire life cycle of manufactured plastic.

Targets for Promoting Plastic Resources Circulation

- Reduce the number of plastic package derived from oil by 2030, and promote packages made from environmentally friendly materials to 50% by 2030
- Complete full switch to 100% environmentally friendly materials by 2050

Capital Participation in R Plus Japan, Ltd., Aimed at Acquiring Recycled Plastics in the Future

In February 2021, we invested in joint venture company R Plus Japan, Ltd. The company is working with Anellotech, Inc., to develop technology for efficient recycling of plastics with low environmental impact, and is collaborating with companies involved in collecting, sorting, and processing plastic toward practical application of this technology. This technology is notable in that it involves decomposing PET bottles and other plastics into their basic chemicals, which reduces greenhouse gas emissions and energy requirements when compared with conventional methods. Moreover, this technology is expected to facilitate the effective and increased recycling of used plastics.

Switching to Environmentally Friendly Packaging Materials

We are taking steps to switch to environmentally friendly packaging for a portion of our products as a means to reduce environmental impact based on our targets for promoting plastic resource recycling. We are switching to biomass-derived PET and biomass ink for a portion of our product packaging in addition to a gradual shift toward FSC®-certified cardboard for product shipping.

Note: The scope of calculations covers categories related to Calbee’s business activities.
Global Environment

Disclosure Based on the TCFD Framework

We at the Calbee Group recognize that climate change is an important issue that impacts the sustainable growth of our business. Therefore, we are going forward with analyzing climate change scenarios under the following framework, based on the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD), which we endorsed in February 2020.

Governance

We consider issues related to climate change as important to the sustainability of business activities, and have therefore conducted an investigation into climate change scenarios. This project was spearheaded by the President & CEO of the Company, with members from the Corporate Planning Department and the Sustainability Promotion Office, and other members related to the value chain. Based on this investigation, we have identified major risks and opportunities that have been reported to the Board of Directors after deliberation by the Management Council. Countermeasures of the resulting list of risks and opportunities are reflected in our medium- to long-term management strategies.

Risk Management

We conduct a thorough evaluation of risk levels, based on the impact of a potential risk on business and the frequency of occurrence, working from the understanding that climate change bears a major impact on business succession. When the evaluation identifies a major risk, the Ethics and Risk Management Advisory Board confirms the validity of this assessment. After these procedures, the Ethics and Risk Management Committee, chaired by the President & CEO, prepares a description of the major risk to be reported to the Board of Directors, along with countermeasures.

Strategy and Scenario Analysis

When identifying medium- to long-term risks and opportunities presented by climate change, we looked at two scenarios put forth by the Intergovernmental Panel on Climate Change (IPCC) and the International Energy Agency (IEA)—the 2°C scenario, in which the earth’s average temperature rises by 4°C or higher, and the 2°C scenario, in which the earth’s rising temperature is kept within 2°C, in line with the Paris Agreement. Both of these scenarios were analyzed and organized in terms of the impact of regulations of greenhouse gas emissions, the effect on the procurement of potatoes and production which are a key material for the Company. The analysis concluded that in the 2°C scenario there would be major impacts in the form of direct damage to factories and raw materials production areas due to intensifying natural disasters, and in terms of consumer behavior due to increasing environmental awareness.

Similarly, the analysis of the 4°C scenario predicted intensifying natural disasters would cause damage to factories and raw materials production areas, and also brought to light the major impact that insufficient hours of sunlight would have on potato yields.

In response to these analyses, we are working to reduce our own greenhouse gas emissions, promote conversion and development of potato varieties, and decentralize our production areas. We also believe that addressing ethical consumption and developing products that utilize sustainable materials will create opportunities for the Company. We will continue to review these risks and opportunities, take concrete steps to implement measures, and reflect these risks and opportunities in our medium- to long-term management strategies. In doing so, we will strive to conduct business activities capable of social co-creation.

Indicators and Targets

Indicators

To limit greenhouse gas emissions, we have set a goal to reduce emissions 30% by 2030 compared with fiscal year ended March 31, 2019, levels. We have also set a goal to achieve virtually zero Scope 1 and Scope 2 emissions by 2050.

As further measures to avoid and mitigate the damage caused by climate change, we will promote the development of new varieties of potatoes adapted to the changing climate, and we will expand the amount of contracted area for potato production in Tohoku and central Hokkaido.

Targets

Register new varieties of potatoes adapted for climate change (three varieties by 2030)

Expand contracted area for potato production in Tohoku and central Hokkaido (area corresponding to 15,000 tons of potatoes, or 4.5% of potatoes procured domestically in fiscal year ended March 31, 2019, by 2030)

Risks and Opportunities Based on Climate Change Scenarios

<table>
<thead>
<tr>
<th>Classification</th>
<th>Risk</th>
<th>Impact on Business</th>
<th>Degree of Impact</th>
<th>Period</th>
<th>Opportunities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transition Risks</td>
<td>Increase in carbon pricing</td>
<td>The introduction of a carbon tax will increase the cost of factory operations and raw materials</td>
<td>Low</td>
<td>Medium term</td>
<td></td>
</tr>
<tr>
<td>Changes in customer behavior due to increasing environmental awareness</td>
<td>Climate change will increase consumption of environmentally friendly products</td>
<td>Medium</td>
<td>Medium term</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Regulations on petroleum-derived plastics</td>
<td>Regulations on petroleum-derived plastics will lead to an increase in packaging material prices. Customers will increasingly opt for products that utilize biomass plastics as their environmental awareness grows</td>
<td>Medium</td>
<td>Medium term</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Physical Risks</td>
<td>Impact of rising average temperatures on the cultivation of raw materials</td>
<td>Rising temperatures will reduce the relative weight of potatoes</td>
<td>Low</td>
<td>Medium term</td>
<td></td>
</tr>
<tr>
<td>Changing precipitation and weather patterns</td>
<td>Changing precipitation and weather patterns will reduce the number of hours of sunlight, resulting in poor potato growth and lower yields</td>
<td>High</td>
<td>Medium term</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Acute</td>
<td>Increased frequency of abnormal weather (Heavy rains, typhoons, flooding, etc.)</td>
<td>Violent weather will cause damage to potato fields during harvest season, damage to factories, and halted distribution, which will result in lower procurement, production, and supply</td>
<td>High</td>
<td>Short term</td>
<td></td>
</tr>
</tbody>
</table>

*1 (Operating profit) High: ¥5.0 billion and higher; Medium: ¥2.0 billion to ¥5.0 billion; Low: ¥2.0 billion and lower
*2 Short term: 2024; Medium term: Approx. 2030

Note: Calbee, Inc., and Obihiro Factory of Calbee Potato, Inc.

Indicators

<table>
<thead>
<tr>
<th>Risk Countermeasures</th>
<th>Opportunities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Utilize renewable energy</td>
<td>Development of products to address ethical consumption</td>
</tr>
<tr>
<td>Utilize methanation (the process of producing methane gas from hydrogen and carbon dioxide and converting it to fuel)</td>
<td>Conversion to packages that utilize environmentally friendly materials</td>
</tr>
<tr>
<td>Make efforts to develop environmentally friendly products and achieve product certifications</td>
<td>Development and conversion to potato varieties that can respond to climate change</td>
</tr>
<tr>
<td>Promote recycling</td>
<td>Utilization of agricultural labor-saving techniques to ensure and expand the procurement of raw materials</td>
</tr>
<tr>
<td>Switch to non-petroleum derived plastics</td>
<td>Discovery of sustainable raw materials and development of products that utilize them</td>
</tr>
<tr>
<td>Formulate BCP with protocols for abnormal weather</td>
<td>Development of foods with a long shelf life</td>
</tr>
<tr>
<td>Decentralize production sites for major products</td>
<td>Utilize hazard maps as a basis for factory construction</td>
</tr>
<tr>
<td>Secure import routes for potatoes produced overseas</td>
<td>Establish supply system from overseas factories</td>
</tr>
</tbody>
</table>
Sustainable Water Resource Recycling through Forest Maintenance

In March 2021, Calbee entered into an agreement with the Konze Forestry Association for the maintenance of the Calbee/Shiga Konze Forest. The Konan Factory, the main participant in these activities from the Company side, benefits from the use of the groundwater in the area. By working on local forest maintenance, the Company aims to maintain and improve the forest’s capacity of sustainable water reproduction.

Donation of Playground Equipment to a Thailand Elementary School

At Thailand-based Calbee Tanawat Co., Ltd., we implement social contribution activities proposed by employees every year since 2010. In the fiscal year ended March 31, 2021, we donated playground equipment to Benjanran Elementary School in Yasothon Province, the former elementary school of one of the company’s employees. Our hope is that this will contribute to nurturing the minds and bodies of local children.

Commercializing Elementary Student Ideas

We have held our Confectionery Contest since 2011. In this contest, we gather confectionery ideas from elementary school students around our production site in Utsunomiya City in Tochigi Prefecture and our development team turns these ideas into real confectionery. For the 10th iteration of the contest in the fiscal year ended March 31, 2021, we commercialized the top entry from the previous year’s contest, which received 1,032 submissions under the theme of a “healthy vegetable-based confectionery.” The COROCORO VEGETABLE was released in limited quantities for direct sales on our antenna stores and official online shop.

Countrywide Expansion of New Food Education Program

Since 2003, the Calbee Group has held “Calbee Snack School,” which is aimed at instilling good eating habits in children. In 2020 we also launched the “Asa-Hello-Shiyoi School (Let’s make your own morning)” to tackle the issue of children skipping breakfast, a growing problem in recent years. After expanding the program countrywide in the fiscal year ended March 31, 2021, its first year of operation, we will continue enhancing the program going forward.

Launch of Online Factory Tours

Due to the spread of COVID-19, we launched online tours of Hokkaido Factory and Kiyohara Factory, starting from November 2020. We currently offer online tours at Hiroshima Factory in addition to these two. The tours have been well received by participants for their exclusive online experience, which include live broadcasts by factory employees showing processes that cannot be seen during typical factory tours. We have also updated the tour reservation system in order to improve efficiency.

Enhancing Food Communication

Community

As a food manufacturer, the Calbee Group is committed to strengthening its connection to stakeholders to maintain a rich natural environment and a productive society while also eliminating the unease people have toward their health. To resolve these social issues, we are focusing our efforts in three fields: the environment (nature’s gifts), food (tasty and fun), and health. To contribute toward healthy living, we are also working to promote dialogues with people of all ages through “food communication,” where we share ideas on the enjoyment of food, accurate food-related knowledge, and environmental issues.
Quality Assurance

We believe that offering safe and secure products is one of our most important social responsibilities. We conduct thorough quality management in compliance with FSSC 22000—the international standard for food safety management systems—to strengthen our systems for quality assurance across the entire supply chain, from production areas to customers. We intend to work to keep providing the products that will build trust and provide customer satisfaction. Accordingly, we always appreciate feedback, use customer suggestions to improve the products, and keep customers informed of our response to ensure that they will keep coming back.

Strengthen Global Quality Assurance System

Establishment of a Division in Charge of Overseas Law

In April 2020, we established a division directly under the Quality Assurance Division in charge of overseas law in an effort to strengthen ties among Group companies overseas. In April 2021, we changed the layout of the Quality Inspection Division, establishing a products measure follow-up system to ensure that we follow the different rules of each country and region as they relate to import and export regulations, package labeling obligations, and other relevant matters.

Remote Audits

Due to the restrictions on movement as a result of COVID-19, remote audits were conducted in the fiscal year ended March 31, 2021, at three overseas factories using IT instead of conventional in-person audits. The unique nature of the remote audits allowed us to utilize the eyes of multiple auditors.
Corporate Governance

A Three-Way Conversation with the CEO and Outside Directors

Outside directors Takahisa Takahara and Yoshihiko Miyauchi and President & CEO Shuji Ito had a conversation about the future of the Calbee Group, its managerial direction for the medium to long term, and the effectiveness of governance toward realizing the goals involved.

I would like us to be bold in our efforts toward our vision and medium- to long-term strategy, closely monitored by outside directors.

Yoshihiko Miyauchi
Outside director of the Company
Senior Chairman, of ORIX Corporation
Appointed as outside director in 2017

I expect Calbee to broaden its horizons, challenge itself in new food categories, and grow as a global food manufacturer.

Takahisa Takahara
Outside director of the Company
President & CEO of Unicharm Corporation
Appointed as outside director in 2015

I would like to draw from my managerial experience to support the executive team as the Calbee Group heads toward the future.

Shuji Ito
President & CEO of the Company
Appointed as President & COO in 2009
Appointed as President & CEO in 2018

To start, please tell us what duties you think an outside director needs to fulfill.

Q

Mr. Takahara
I believe that we should pursue a type of governance that suits the management style of Japanese companies, and that I need to fulfill my supervisory function over management properly as a matter of course, but I also have the belief that our role is to support the executive team and “create a positive future together.” Taking my own experience as a manager, and as someone involved in management within the same industry as Calbee—that is, the manufacturing industry—I would like to have a good understanding of the changes going on the business environment that surrounds the Calbee Group and have discussions that increase our knowledge of said changes.

Mr. Miyauchi
The most important function of the Board of Directors is to serve as a check and balance by keeping an eye on the market to see whether the executive team is carrying out measures that will ensure medium- to long-term growth. If the executive team is doing their job right, you encourage them, but if they are not, you call them out on it. The executive team needs to look 10 years into the future and explain the direction they intend to take the Company. It is my job to monitor as they move in that direction.

Mr. Ito
The Group started building up its governance in 2009, in preparation for becoming a listed company in 2011. Since then, we have built it into a system that increases transparency over management, establishing a Board of Directors with a majority of outside directors, and an Advisory Board, which has since been renamed as the Nominating Committee/Compensation Committee, chaired by an outside director. Left to its own devices, the executive team could be liable to manage based solely on its own internal logic, so I want outside directors to supervise the team closely from the outsider perspective of a shareholder or stakeholder. As a member of the executive team, I would like us to become top players while under this strict supervision.

Q

Mr. Miyauchi
Over half of the members of Calbee’s Board of Directors are outside directors, putting the Company ahead of Japan’s requirements for corporate governance. On top of that, there are members with managerial experience in different industries, so I feel the system Calbee has in place raises effectiveness, not only in terms of its framework but also in terms of who is part of it. That said, there are still things to improve. The most important point of discussion for the Board is its medium- to long-term vision—it’s goals for the next 10 years and how it plans to achieve them. However, the current Board of Directors has a tendency to spend time fixated on projects and performance in the near future. I think that if the Board can put a greater emphasis on discussion regarding its medium- to long-term vision, it will become even more effective in the future.

What do you think makes an ideal Board of Directors from the viewpoint of effective governance? Also, what challenges are there when trying to achieve this ideal?
**Corporate Governance**

**Mr. Takahara**  Each director actively voices his or her opinion and I find discussion to be quite lively, but the only measure that matters of whether a Board of Directors is functioning is whether it delivers results. Whether a Board of Directors is effective or not depends on whether it affects the Calbee Group’s value system. What I mean by this is that we need to determine whether the thinking of executives and employees is changed by the Board’s actions or not. However, effectiveness takes a long time to take effect. The Board of Directors is a platform to monitor changes in the Calbee Group’s human resources, and I think that continuous monitoring will lead to sustainable growth of the Company.

**Mr. Ito**  I experienced the previous iteration of the Board of Directors in 2009, which centered on internal directors. The board was essentially an entity positioned above the Management Council that heard the same items and made a decision on them. The ability of the Board to incorporate the perspective of all stakeholders and occasionally revise strategies is a major departure from the past. We are currently revising the agenda of Board meetings to devote more time to medium- to long-term growth and sustainability strategies, both of which are important topics for discussion. As you have both pointed out, an ideal Board of Directors is one that has serious discussions over the Company’s vision and medium- to long-term strategies and monitors progress toward results, while including outside directors in these processes.

**Q**  What do you think will be important when it comes to expanding overseas business, one of the themes of Next Calbee?

**Mr. Takahara**  When expanding overseas, I think it is difficult to apply the Japanese business model as is. As an example, the main raw materials for the Calbee Group, potatoes, are natural ingredients. This means the Group needs to devise a way to procure locally, making it necessary to recreate core competencies with technologies and ideas totally different from those in Japan.

**Mr. Miyachi**  It is no exaggeration to say that success or failure overseas comes down to human resources. I believe it is important to find talented locals and then delegate authority. To acquire these kinds of human resources, it is also important to choose the most appropriate method out of several options—whether it’s training young people or hiring suitable people from outside the Company.

**Q**  Please tell us about what points need to be discussed and what issues need to be addressed in terms of governance in order to realize the goals of Next Calbee.

**Mr. Takahara**  We need to look at this issue in terms of the evolution of the “structure” and the “quality” of the Board of Directors. For structure, I think Calbee should consider transitioning to a system of a Company with Three Committees, which is a more advanced system of governance suitable for the global stage. This system should lead to transparent global management. As for quality, I would like the unique qualities of the Calbee Group to permeate the Board of Directors as well. To me, the Group is notable for its creativity and speed of execution. I would like the Company to build a governance system that draws from its value system of creating better products to facilitate creativity and speed of execution among the executive team and encourage the team to fulfill the promises it has made.

**Mr. Miyachi**  When governance is structured well, I think it fosters a desire to quickly transition the Company to its next stage. The executive team is currently thinking about the future and formulating a strategy, but I think that, as a company, Calbee needs to expand the scope of its business activities further. I expect Calbee to broaden its horizons, boldly challenge itself in new food categories, and grow as a global food manufacturer while maintaining its focus on potatoes.

**Mr. Takahara**  Another important theme for discussion is succession plans. In addition to the CEO and CFO, it is crucial to think as a team about chief officers who play central roles in marketing, R&D, or other departments and make sure human resources are being developed to join the executive team. Based on the current management system, its degree of human resource growth, and changing employee demographics, I think it would be good for Calbee to look into this matter more while taking diversity and team strength into account.

**Mr. Ito**  It’s as you both say—overseas business, new businesses, and the human resources whom will be responsible for them are the cornerstones of future growth, and I believe that one of my greatest tasks right now is to create an environment where Calbee Group employees can take on forward-facing challenges toward the Group’s next stage of growth, knowing that they are not bound by existing frameworks. I would like us to explore new business and take a bold approach in our efforts to ensure that we will not lose out to global competition. At the same time, I would like us to keep our DNA as a manufacturer close at heart. I would like the outside directors to act as the eyes of the market and monitor the challenges we take on in the future. I look forward to working with you both from now on.
Corporate Governance

**Basic Policy on Corporate Governance**
Calbee has a vision of being a company with the "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." The reason for this vision is we believe that management that puts customers and business partners first will maximize profits for our shareholders. We believe that enhancing corporate governance is crucial to live up to the trust and expectations of all stakeholders and increase corporate value, and based on this frame of mind, we intend to increase the transparency of management while building up our internal control and compliance systems.

We have formulated Calbee’s Corporate Governance Code, which systematizes our basic policy on corporate governance. Calbee’s Corporate Governance Code https://www.calbee.co.jp/en/ir/pdf/2016/governance_code.pdf

**Corporate Governance System**
We recognize corporate governance as a management priority and have been working to strengthen and enhance our corporate governance system from an early stage. As such, we have adopted a corporate governance system that has functions of management oversight. It comprises the Board of Directors, which has a majority of outside directors, and the Audit & Supervisory Board members and Audit & Supervisory Board. We have introduced an executive officer system to separate business execution and supervisory functions to improve management transparency, clarify management responsibilities, speed up decision-making, and strengthen the management oversight function. In addition, the Board of Directors and the executive officer system place importance on diversity in regard to the backgrounds and values of the members.

**Transition of Corporate Governance System Enhancement**

<table>
<thead>
<tr>
<th>Purpose</th>
<th>Measures taken</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001 Separation of supervision and business execution</td>
<td>Adopted an executive officer system; Appointed outside directors</td>
</tr>
<tr>
<td>2009 Enhancement supervisory and monitoring functions</td>
<td>Reduced the number of internal directors from nine to two; Increased the number of outside directors from two to five</td>
</tr>
<tr>
<td>2010 Promotion of diversity of the Board of Directors</td>
<td>Appointed the first non-Japanese director</td>
</tr>
<tr>
<td>2014 Enhancement management transparency and soundness</td>
<td>Established the Advisory Board (currently the Nominating Committee/Compensation Committee)</td>
</tr>
<tr>
<td>2014 Clarification of management responsibility</td>
<td>Reduced director terms from two years to one year</td>
</tr>
<tr>
<td>2019 Strengthening of management structure</td>
<td>Increased the number of internal directors by two; The Board of Directors increased from six to eight</td>
</tr>
<tr>
<td>2019 Clarification of the function of committees</td>
<td>Changed the Advisory Board into the Nominating Committee/Compensation Committee, chaired by an outside director</td>
</tr>
</tbody>
</table>

**Board of Directors**
The Board of Directors holds regular meetings once per month, in principle. The Board formulates and makes decisions regarding important management policies and strategies connected to sustainable growth and improving corporate value in addition to making decisions concerning statutory matters, and supervises business execution.

**Nominating Committee/Compensation Committee**
The Nominating Committee/Compensation Committee meets four times a year, in principle. It is a discretionary committee chaired by an outside director. The committee discusses the nomination and compensation of directors and Audit & Supervisory Board members.

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

**Management Council**
The Management Council meets once a month, in principle. Regular members consist of senior executive officers (including three directors) and the general manager of the Corporate Planning Department. The council verifies the current status of, and issues facing, business administration and conducts preliminary discussions on important matters.

**Sustainability Committee**
The committee, which includes outside experts, functions as an advisory body that determines the Calbee Group’s materiality, deliberates on priority themes, and manages the progress of initiatives.

**Ethics and Risk Management Committee**
The Ethics and Risk Management Committee is chaired by the president & CEO. The committee discusses, decides, and manages progress on issues and countermeasures related to promoting compliance and risk reduction.

**Ethics and Risk Management Advisory Board**
The Ethics and Risk Management Advisory Board includes an external expert. The Board discusses management risks and compliance issues, and then makes proposals to the CEO and the Ethics and Risk Management Committee.

**Internal Control Committee**
The Internal Control Committee evaluates the effectiveness of the construction and operation of internal control systems for financial reporting, and conducts self-assessments.

<table>
<thead>
<tr>
<th>Corporate Governance System</th>
<th>Main items</th>
<th>Contents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Form of institutional design</td>
<td>Company with Audit &amp; Supervisory Board</td>
<td></td>
</tr>
<tr>
<td>Number of directors</td>
<td>Term of office 1 year</td>
<td></td>
</tr>
<tr>
<td>Number of directors (of whom, outside directors)</td>
<td>8 (5)</td>
<td></td>
</tr>
<tr>
<td>Number of meetings of the Board of Directors</td>
<td>13</td>
<td></td>
</tr>
<tr>
<td>Board of Directors' attendance ratio (all members)</td>
<td>99%</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Organization of Corporate Governance</th>
<th>Main items</th>
<th>Contents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Audit &amp; Supervisory Board</td>
<td>Term of office</td>
<td>4 years</td>
</tr>
<tr>
<td>Number of Audit &amp; Supervisory Board members</td>
<td>Number of Audit &amp; Supervisory Board members (of whom, outside Audit &amp; Supervisory Board members) 3 (3)</td>
<td></td>
</tr>
<tr>
<td>Number of meetings of Audit &amp; Supervisory Board</td>
<td>15 (FY2021/3)</td>
<td></td>
</tr>
<tr>
<td>Adoption of an executive officer system</td>
<td>Yes</td>
<td></td>
</tr>
</tbody>
</table>

The following table shows the number of directors and Audit & Supervisory Board members:

- **Number of directors**: 8
- **Number of Audit & Supervisory Board members**: 3
Corporate Governance

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

Policy

Composition of the Board of Directors

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

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

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

Processes

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

Regarding the nomination of candidates for outside Audit & Supervisory Board members, candidates must have a strong will to respond to the mission entrusted to them from the shareholders and a background in finance, accounting, and/or law.

Candidates are recommended by the Board of Directors and approved by the Audit & Supervisory Board before being decided on at the General Meeting of Shareholders.

Evaluation of the Effectiveness of the Board of Directors

To continuously improve the effectiveness of the Board of Directors, we conduct an annual evaluation of its effectiveness with the participation of all directors, including internal directors. Directors are interviewed and fill out a questionnaire pertaining to the effectiveness of Board operations (effectiveness) and comprehensively consider whether or not they contribute to sound and efficient corporate management. Evaluations of the independence of directors and Audit & Supervisory Board members are conducted based on the standards established by the Tokyo Stock Exchange.

Evaluation process

- Conduct questionnaires and interviews with all directors, including outside directors
- Analyze the results of questionnaires and interviews and discuss issues and future initiatives

Composition of the Board of Directors (scale, number of members, expertise, and diversity)

- Composition of the Board of Directors (scale, number of members, expertise, and diversity)
- Operation of the Board of Directors (quality and amount of reporting materials, time allotments for deliberation, etc.)
- Topics of discussion at Board meetings (content of agenda items for discussion)
- Discussions at Board meetings (effectiveness)

Key questionnaires and interview items

- The Board of Directors was evaluated to be functioning properly in terms of each of the agenda items listed above
- The evaluation found two issues pertaining to the sustainable development of the Calbee Group and the generation of discussions at Board meetings:
  - The Board of Directors needs to set discussion topics centered on strategies that will accelerate the promotion of new and overseas business to realize the Group’s Long-term Vision and Medium-term Business Plan
  - The Board of Directors should continue looking into the institutional design of the Company to strengthen its governance system

Evaluation results and recommended future efforts

Executive Remuneration

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

The remuneration of the Company’s directors and senior executive officers comprises: 1) basic remuneration (fixed remuneration), 2) bonuses, 3) performance-based stock compensation, and 4) retirement bonus. Approximately half of the remuneration is performance-based to promote medium- to long-term growth in addition to continued and improved performance every fiscal year, and to connect remuneration to shareholder interests.

Audit & Supervisory Board members receive fixed remuneration only to increase their supervisory functions conducted from an independent perspective. Similarly, outside directors are also limited to fixed remuneration only, as they are in positions independent from business execution.

<table>
<thead>
<tr>
<th>Position</th>
<th>Recipients</th>
<th>Payment form</th>
<th>Evaluation indicators</th>
<th>Payment method</th>
<th>Performance-based remuneration</th>
</tr>
</thead>
<tbody>
<tr>
<td>Compensation for executive duties</td>
<td>Directors</td>
<td>Cash</td>
<td>Consolidated net sales</td>
<td>Monthly payment of fixed amount</td>
<td>• Yearly payment of bonuses according to position and achievement rate after the approval at the General Meeting of Shareholders based on the deliberation at Compensation Committee</td>
</tr>
<tr>
<td>Short-term incentive linked to results during the fiscal year</td>
<td>Directors</td>
<td>Cash</td>
<td>Consolidated operating profit</td>
<td></td>
<td>• Yearly payment of bonuses according to position and achievement rate after the approval at the General Meeting of Shareholders based on the deliberation at Compensation Committee</td>
</tr>
<tr>
<td>Medium-to-long term incentive linked to results during the fiscal year</td>
<td>Directors</td>
<td>Shares</td>
<td>Profit attributable to owners of parent</td>
<td></td>
<td>• Maximum of 1% of target for profit attributable to owners of parent each fiscal year</td>
</tr>
<tr>
<td>Directors (excl. outside directors)</td>
<td>Directors</td>
<td>Cash</td>
<td>Profit attributable to owners of parent</td>
<td></td>
<td>• Points assigned to each position are adjusted based on the status of achievement on evaluation indicators and allocated to recipients</td>
</tr>
<tr>
<td>Full-time Audit &amp; Supervisory Board members*</td>
<td>Directors (excl. outside directors)</td>
<td>Cash</td>
<td>Profit attributable to owners of parent</td>
<td></td>
<td>• Shares are awarded upon retirement based on the cumulative number of points and within the range set at the General Meeting of Shareholders</td>
</tr>
<tr>
<td>Senior executive officers</td>
<td>Senior executive officers</td>
<td>Cash</td>
<td>Based on each year’s bonus</td>
<td></td>
<td>Aggregated at one half of the annual bonus amount approved at the General Meeting of Shareholders and paid in one lump sum upon retirement</td>
</tr>
</tbody>
</table>

Notes:
- * New aggregations of this bonus have been stopped

Fixed remuneration

<table>
<thead>
<tr>
<th>Payment form</th>
<th>Evaluation indicators</th>
<th>Payment method</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>Consistent net sales</td>
<td>Monthly payment of fixed amount according to position</td>
</tr>
<tr>
<td>Shares</td>
<td>Consolidated operating profit</td>
<td></td>
</tr>
</tbody>
</table>
# Corporate Governance

## Risk Management System

In accordance with the Basic Policy of Internal Control Systems resolved by the Board of Directors, we have established the following compliance and risk management system. The Ethics and Risk Management Advisory Board, which includes external experts, has been established to promote a highly independent and transparent corporate governance system. In addition, the Ethics and Risk Management Committee was established to decide on the policies for compliance and risk countermeasures, and the Ethics and Risk Management Promotion Committee of each in-house company, headquarters, and domestic Group company is responsible for implementing these measures.

## Organization of Compliance and Risk Management

<table>
<thead>
<tr>
<th>Board of Directors</th>
<th>President &amp; CEO, Representative Director</th>
</tr>
</thead>
<tbody>
<tr>
<td>Management Council</td>
<td></td>
</tr>
<tr>
<td>Executive Officers</td>
<td></td>
</tr>
<tr>
<td>Ethics and Risk Management Committee (including external experts)</td>
<td></td>
</tr>
<tr>
<td>Departments and Internal Companies</td>
<td></td>
</tr>
<tr>
<td>Group Companies</td>
<td></td>
</tr>
<tr>
<td>Ethics and Risk Management Promotion Committee</td>
<td></td>
</tr>
</tbody>
</table>

## Business Risks

### Risk

- Rapid product development in response to market changes is an important priority.
- Inability to develop products in time due to failure to properly respond to customers’ and business partners’ needs.
- Systematically implement new product development, existing product improvements, cost reductions, and R&D activities in foundational research fields.
- Build a procurement system through contracted growers, dispose purchase areas.
- Support cultivation and harvest, and assist with measures for reducing labor.
- Establish a network of multiple and diverse suppliers.
- Utilize raw materials imported from overseas.
- Decrease in potato grower population in Japan.
- In principle, potatoes may not be imported into Japan under the Plant Protection Act.
- Loss of sales opportunities due to inability to secure volume of potatoes.
- New varieties that require metering will not be developed and popularized.
- Potato cyst nematodes could spread faster than anticipated.
- Decrease in purchase prices due to prolonged states of emergency.
- Potatoes cannot be produced in areas affected by potato cyst nematodes (a kind of nematode that lives in soil, designated as an important pest under the Plant Protection Act).
- Utilizes raw materials imported from overseas, and other factors.
- Promote development of new products, and other measures.
- Establish a network of multiple and diverse suppliers.
- Reinforce appropriate inventory.

### Risk Assumption

<table>
<thead>
<tr>
<th>Risk</th>
<th>Assumption</th>
<th>Potential risk</th>
<th>Response</th>
</tr>
</thead>
<tbody>
<tr>
<td>Product development</td>
<td>Rapid product development in response to market changes is an important priority</td>
<td>Inability to develop products in time due to failure to properly respond to customers’ and business partners’ needs</td>
<td>Systematically implement new product development, existing product improvements, cost reductions, and R&amp;D activities in foundational research fields</td>
</tr>
<tr>
<td>Natural disasters such as earthquakes, typhoons, and heavy rain</td>
<td>Inability to supply products due to delays in parts of the supply chain</td>
<td>Diminished working population due to changes in employment conditions, combined with the declining birthrate and aging population in Japan</td>
<td>Diminished working population due to changes in employment conditions, combined with the declining birthrate and aging population in Japan</td>
</tr>
<tr>
<td>COVID-19 pandemic</td>
<td>The Group conducts operations across the supply chain from procurement of raw materials overseas to production and sales</td>
<td>Stagnating consumption and decrease in inbound demand due to restrictions on human movement</td>
<td>Stagnating consumption and decrease in inbound demand due to restrictions on human movement</td>
</tr>
<tr>
<td>Climate change</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Risk Management

- Build quality assurance systems and reliability throughout the entire supply chain.
- Take measures to reduce the content ratio of acrylamide (a carcinogen formed by cooking or frying foods that are rich in asparagine and reducing sugars such as fructose and glucose).
- Halt in product supply | Increase in transportation costs, etc. | Executive forward foreign exchange contracts to hedge the risk of price fluctuations |

## Key initiatives

- Formulate the Calbee Group Code of Conduct and promote compliance through in-house training programs and awareness-raising to ensure compliance with ethical and social norms, laws and regulations, and internal rules, etc.
- Reduce the forecast range for the TCFD and analyze risks and opportunities related to climate change.
- Support the recommendations put forth by the TOC and analyze risks and opportunities related to climate change.
### Corporate Governance

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

<table>
<thead>
<tr>
<th>Name</th>
<th>Reason for Election</th>
<th>Attendance at Board of Directors’ meetings (FY2021/3)</th>
<th>No. of years as a director (As of July 2021)</th>
<th>Organization Membership</th>
<th>Corporate Management</th>
<th>Expected Role and Expertise of Director</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shuji Ito</td>
<td>Representative Director President &amp; CEO: Mr. Ito is well versed in management in various fields, including manufacturing, sales, corporate planning, and marketing. Since his appointment as president and representative director of the Company in 2009, he has pursued profit expansion in the domestic business and development of overseas business in earnest, and strives for the further improvement of corporate value by aiming for the realization of the Calbee Group Medium-term Business Plan and the Vision for 2039.</td>
<td>100% (13/13 times)</td>
<td>17 years (Chairperson)</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Makoto Ehara</td>
<td>Representative Director Executive Vice President: Mr. Ehara is well-versed in the Company’s overall management, assisting the president since his appointment as executive vice president of the Company, having served as president of a subsidiary of the Company, and having been involved in marketing, the regional business in Japan, overseas businesses, and new businesses. As director in charge of the New Business Division, he strives to improve corporate value through growth in new food categories that transcend the boundaries of the Company’s existing businesses.</td>
<td>100% (13/13 times)</td>
<td>2 years</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Koichi Kikuchi</td>
<td>Senior Managing Director &amp; CFO: Mr. Kikuchi is well-versed in the Company’s overall management through his extensive business experience and deep knowledge of financial accounting, serving as the CFO of the Company, and in positions responsible for IR; information systems, corporate communications, and procurement divisions. He has pursued financial strategies to establish the foundations of new business and to expand the Company’s portfolio, and strives to improve corporate value.</td>
<td>100% (13/13 times)</td>
<td>2 years</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Yuzaburo Mogi</td>
<td>Outside Director: Mr. Mogi serves as honorary CEO of Kikkoman Corporation as well as director or Audit &amp; Supervisory Committee member of a wide variety of companies. He possesses extensive experience and deep knowledge about global corporate management. The Company expects that he will utilize this experience and knowledge to put forth opinions and give advice during meetings of the Board of Directors.</td>
<td>100% (13/13 times)</td>
<td>12 years (Chairperson)</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Takahisa Takahara</td>
<td>Outside Director: As president &amp; CEO of Unicharm Corporation, Mr. Takahara has extensive experience and deep knowledge as a corporate manager concerning the management and control of new business and business in overseas markets. The Company expects that he will utilize this experience and knowledge to put forth opinions and give advice during meetings of the Board of Directors.</td>
<td>100% (13/13 times)</td>
<td>6 years</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Atsuko Fukushima</td>
<td>Outside Director: Ms. Fukushima has many years of experience as a journalist and has a wide and objective perspective regarding society, economy, consumers, and other subjects, in addition to deep knowledge of diversity and environmental initiatives. The Company expects that she will utilize this experience and knowledge to put forth opinions and give advice during meetings of the Board of Directors.</td>
<td>100% (13/13 times)</td>
<td>6 years</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Yoshihiko Miyauuchi</td>
<td>Outside Director: Mr. Miyauchi has served as president and chairman of ORIX Corporation and as a director of a wide range of companies. As a result, he possesses extensive experience and deep knowledge about global corporate management and a high degree of expertise in regard to strengthening governance. The Company expects that he will utilize this experience and knowledge to put forth opinions and give advice during meetings of the Board of Directors.</td>
<td>100% (13/13 times)</td>
<td>4 years</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Sylvia Dong</td>
<td>Outside Director: Ms. Dong has been engaged in the beverage business at PepsiCo, Inc., which is the parent of FRITO-LAY GLOBAL INVESTMENTS B.V., a major shareholder of the Company, with an ownership ratio of 20.01%. She possesses extensive experience and deep knowledge regarding overseas markets and the management and evaluation of corporate performance in multinational enterprises. The Company expects that she will utilize this experience and knowledge to put forth opinions and give advice during meetings of the Board of Directors.</td>
<td>100% (10/10 times)</td>
<td>1 years</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

#### Audit & Supervisory Board Members

<table>
<thead>
<tr>
<th>Name</th>
<th>Reason for Election</th>
<th>Attendance at Board of Audit &amp; Supervisory Board meetings (FY2021/3)</th>
<th>No. of years as an Audit &amp; Supervisory Board member (as of July 2021)</th>
<th>Organization Membership</th>
<th>Corporate Management</th>
<th>Expected Role and Expertise of Director</th>
</tr>
</thead>
<tbody>
<tr>
<td>Taizo Demura</td>
<td>Outside Audit &amp; Supervisory Board member: Mr. Demura has many years of experience as a securities analyst mainly in the food sector and has a wide range of sophisticated expertise in finance and IR. The Company expects that he will utilize his expert and insight cultivated over the course of his career in the overall management of the Company.</td>
<td>100% (13/13 times)</td>
<td>3 years (Chairperson)</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Tadashi Ishida</td>
<td>Outside Audit &amp; Supervisory Board member: Mr. Ishida has sophisticated expertise in financial accounting and has a wide range of practical experience from serving as a director, Audit &amp; Supervisory Board member, and the lead researcher for the Japan Association for Chief Financial Officers. The Company expects that he will utilize his cultivated expertise and insight in the overall management of the Company.</td>
<td>100% (13/13 times)</td>
<td>10 years</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Nagako Oe</td>
<td>Outside Audit &amp; Supervisory Board member: Ms. Oe has abundant knowledge cultivated by sophisticated expertise and a wide range of insights concerning the Companies Act of Japan and general corporate legal affairs. The Company expects that she will utilize her expertise to strengthen our compliance and legal systems.</td>
<td>92% (12/13 times)</td>
<td>5 years</td>
<td>-</td>
<td>-</td>
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</tr>
</tbody>
</table>
### 10-Year Summary

<table>
<thead>
<tr>
<th></th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net sales</strong></td>
<td>163,268</td>
<td>179,411</td>
<td>199,941</td>
<td>222,150</td>
<td>246,129</td>
<td>252,420</td>
<td>251,575</td>
<td>248,655</td>
<td>255,938</td>
<td>266,745</td>
</tr>
<tr>
<td><strong>Gross profit</strong></td>
<td>69,081</td>
<td>78,522</td>
<td>87,209</td>
<td>97,561</td>
<td>107,033</td>
<td>111,573</td>
<td>108,904</td>
<td>111,120</td>
<td>115,086</td>
<td>117,810</td>
</tr>
<tr>
<td><strong>Selling, general and administrative expenses</strong></td>
<td>56,833</td>
<td>62,731</td>
<td>67,492</td>
<td>73,378</td>
<td>78,908</td>
<td>82,732</td>
<td>82,075</td>
<td>84,156</td>
<td>87,422</td>
<td>90,746</td>
</tr>
<tr>
<td><strong>Operating profit</strong></td>
<td>12,247</td>
<td>15,790</td>
<td>19,717</td>
<td>24,183</td>
<td>28,125</td>
<td>28,841</td>
<td>26,828</td>
<td>26,964</td>
<td>27,664</td>
<td>27,522</td>
</tr>
<tr>
<td><strong>Ordinary profit</strong></td>
<td>12,486</td>
<td>17,127</td>
<td>20,782</td>
<td>25,645</td>
<td>28,625</td>
<td>26,179</td>
<td>27,432</td>
<td>27,391</td>
<td>27,522</td>
<td>27,682</td>
</tr>
<tr>
<td><strong>Profit attributable to owners of parent</strong></td>
<td>7,096</td>
<td>9,440</td>
<td>12,086</td>
<td>14,114</td>
<td>16,799</td>
<td>18,605</td>
<td>17,330</td>
<td>19,429</td>
<td>17,539</td>
<td>17,682</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>108,229</td>
<td>124,705</td>
<td>140,909</td>
<td>161,917</td>
<td>174,837</td>
<td>181,945</td>
<td>192,034</td>
<td>202,750</td>
<td>214,967</td>
<td>238,978</td>
</tr>
<tr>
<td><strong>Net assets</strong></td>
<td>80,417</td>
<td>92,685</td>
<td>104,466</td>
<td>118,800</td>
<td>131,469</td>
<td>135,056</td>
<td>146,667</td>
<td>160,490</td>
<td>169,632</td>
<td>182,740</td>
</tr>
<tr>
<td><strong>Working capital</strong></td>
<td>23,133</td>
<td>33,607</td>
<td>47,458</td>
<td>52,672</td>
<td>54,832</td>
<td>58,214</td>
<td>68,950</td>
<td>77,815</td>
<td>83,066</td>
<td>80,892</td>
</tr>
<tr>
<td><strong>Interest-bearing debt</strong></td>
<td>358</td>
<td>302</td>
<td>186</td>
<td>563</td>
<td>555</td>
<td>1,596</td>
<td>1,511</td>
<td>1,274</td>
<td>1,363</td>
<td>6,604</td>
</tr>
<tr>
<td><strong>Equity ratio (%)</strong></td>
<td>71.8</td>
<td>70.2</td>
<td>69.1</td>
<td>67.7</td>
<td>69.2</td>
<td>70.4</td>
<td>72.6</td>
<td>75.9</td>
<td>75.9</td>
<td>73.4</td>
</tr>
<tr>
<td><strong>Debt to equity ratio (Times)</strong></td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Research and development costs</strong></td>
<td>1,811</td>
<td>2,288</td>
<td>2,161</td>
<td>2,052</td>
<td>2,195</td>
<td>2,168</td>
<td>2,168</td>
<td>2,469</td>
<td>2,660</td>
<td>2,745</td>
</tr>
<tr>
<td><strong>Capital expenditures</strong></td>
<td>5,422</td>
<td>7,298</td>
<td>6,392</td>
<td>15,290</td>
<td>21,229</td>
<td>9,763</td>
<td>11,009</td>
<td>9,945</td>
<td>9,004</td>
<td>11,341</td>
</tr>
<tr>
<td><strong>Depreciation and amortization</strong></td>
<td>6,676</td>
<td>6,318</td>
<td>5,960</td>
<td>6,232</td>
<td>7,570</td>
<td>7,297</td>
<td>7,845</td>
<td>8,023</td>
<td>8,449</td>
<td>9,051</td>
</tr>
<tr>
<td><strong>ROE (%)</strong></td>
<td>9.6</td>
<td>11.4</td>
<td>13.1</td>
<td>13.7</td>
<td>14.6</td>
<td>14.9</td>
<td>13.0</td>
<td>13.2</td>
<td>11.1</td>
<td>10.4</td>
</tr>
<tr>
<td><strong>Earnings per share (EPS) (Yen)</strong></td>
<td>55.07</td>
<td>72.18</td>
<td>91.49</td>
<td>91.49</td>
<td>105.62</td>
<td>125.88</td>
<td>139.24</td>
<td>146.67</td>
<td>160.49</td>
<td>169.63</td>
</tr>
<tr>
<td><strong>Cash dividends per share (Yen)</strong></td>
<td>10.50</td>
<td>15.50</td>
<td>22.00</td>
<td>28.00</td>
<td>35.00</td>
<td>42.00</td>
<td>42.00</td>
<td>48.00</td>
<td>50.00</td>
<td>50.00</td>
</tr>
<tr>
<td><strong>Dividend payout ratio (%)</strong></td>
<td>19.1</td>
<td>21.5</td>
<td>24.1</td>
<td>26.5</td>
<td>35.0</td>
<td>42.0</td>
<td>42.0</td>
<td>48.0</td>
<td>50.0</td>
<td>38.1</td>
</tr>
<tr>
<td><strong>Cash flows from operating activities</strong></td>
<td>7,049</td>
<td>17,328</td>
<td>23,478</td>
<td>22,266</td>
<td>22,541</td>
<td>25,958</td>
<td>9,358</td>
<td>27,620</td>
<td>40,449</td>
<td>30,450</td>
</tr>
<tr>
<td><strong>Cash flows from investing activities</strong></td>
<td>(5,347)</td>
<td>(12,999)</td>
<td>(17,041)</td>
<td>(9,422)</td>
<td>(14,270)</td>
<td>(15,404)</td>
<td>(6,298)</td>
<td>(28,347)</td>
<td>(32,069)</td>
<td>(32,069)</td>
</tr>
<tr>
<td><strong>Cash flows from financing activities</strong></td>
<td>(411)</td>
<td>(607)</td>
<td>(383)</td>
<td>(2,878)</td>
<td>(2,859)</td>
<td>(14,711)</td>
<td>(5,450)</td>
<td>(6,227)</td>
<td>(6,278)</td>
<td>(7,635)</td>
</tr>
<tr>
<td><strong>Number of consolidated subsidiaries</strong></td>
<td>18</td>
<td>21</td>
<td>22</td>
<td>22</td>
<td>24</td>
<td>27</td>
<td>27</td>
<td>26</td>
<td>24</td>
<td>24</td>
</tr>
<tr>
<td><strong>Number of employees</strong></td>
<td>3,053</td>
<td>3,352</td>
<td>3,341</td>
<td>3,477</td>
<td>3,728</td>
<td>3,860</td>
<td>3,796</td>
<td>3,763</td>
<td>4,053</td>
<td>4,311</td>
</tr>
</tbody>
</table>

*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 4-for-1 share split was implemented on October 1, 2013. Per-share figures were retroactively adjusted to reflect these stock splits.
Corporate Information

Corporate Data

- **Company Name**: Calbee, Inc.
- **Head Office**: Marunouchi Trust Tower, 2nd Floor, 1-8-3 Marunouchi, Chiyoda-ku, Tokyo 100-0005, Japan
- **Date of Establishment**: April 30, 1949
- **Representative President & CEO**: Shuji Ito

Stock Information

- **Stock Listing**: First Section of the Tokyo Stock Exchange
- **Securities Code**: 2229
- **Stock Information**
  - Number of shares authorized: 176,000,000 shares
  - Number of shares issued: 133,929,800 shares (including 911 shares of treasury stock)
  - Number of shareholders: 32,895 people

Stock Breakdown by Shareholder Type

- **Treasury stock**: 0.0%
- **Financial institutions**: 16.5%
- **Individuals and others**: 15.2%
- **Securities companies**: 2.9%
- **Foreign companies**: 44.2%
- **Domestic companies**: 21.3%
- **Treasury stock**: 0.0%
- **Financial institutions**: 16.5%
- **Individuals and others**: 15.2%
- **Securities companies**: 2.9%
- **Domestic companies**: 21.3%

Principal Shareholders

<table>
<thead>
<tr>
<th>Name of shareholder</th>
<th>Number of shares (Thousands)</th>
<th>Ownership ratio (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FRITO-LAY GLOBAL INVESTMENTS B.V.</td>
<td>26,800</td>
<td>20.01</td>
</tr>
<tr>
<td>General Incorporated Association Milione-Kai</td>
<td>18,860</td>
<td>14.08</td>
</tr>
<tr>
<td>The Master Trust Bank of Japan, Ltd. (Trust Account)</td>
<td>7,622</td>
<td>5.69</td>
</tr>
<tr>
<td>Custody Bank of Japan, Ltd. (Trust Account)</td>
<td>4,373</td>
<td>3.27</td>
</tr>
<tr>
<td>THE BANK OF NEW YORK MELLON</td>
<td>3,912</td>
<td>2.92</td>
</tr>
<tr>
<td>Calbee Employees Shareholding Association</td>
<td>2,135</td>
<td>1.59</td>
</tr>
<tr>
<td>THE YOKOGAWA, LTD.</td>
<td>1,936</td>
<td>1.45</td>
</tr>
<tr>
<td>STATE STREET BANK AND TRUST COMPANY S05103</td>
<td>1,885</td>
<td>1.18</td>
</tr>
<tr>
<td>STATE STREET BANK WEST CLIENT - TREATY S09234</td>
<td>1,151</td>
<td>0.85</td>
</tr>
<tr>
<td>THE BANK OF NEW YORK M105</td>
<td>1,488</td>
<td>1.05</td>
</tr>
</tbody>
</table>

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

Note 2: The ownership ratio is calculated including 92,565 shares held by the ESOP (Employee Stock Ownership Plan) Trust and 195,700 shares held by the BIP (Board Incentive Plan) Trust.

Consolidated Subsidiaries

- **Japan**
  - Calbee Potato, Inc.
  - Calbee Americas, Inc. (United States)
  - Calbee North America, LLC (United States)
  - Calbee E-commerce, Ltd. (Hong Kong)
  - Calbee Group (UK) Ltd. (United Kingdom)
  - PT. Calbee-Wings Food (Indonesia)
  - Haifa-Calbee Co., Ltd. (South Korea)
  - Calbee Tanawat Co., Ltd. (Thailand)
  - Calbee Muh Seng Pte., Ltd. (Singapore)
  - Calbee Australia Pty Ltd. (Australia)

Location of Factories

- **Japan**
  - Factories that cooperate with the Calbee Group
    - Hokkaido Factory (Hokkaido)
    - Obihiro Factory (Hokkaido, Calbee Potato, Inc.)
    - Shiro Kitano Factory (Tochigi)
    - Kyushu Factory (Fukuoka)
    - R&D Center (Tochigi)
    - Potato Katsuka First, Second, Third and Fourth factories (Ibaraki, Potato Katsuka Ltd.)
    - Kikuchi Factory (Fukuoka)
    - Kagoshima Factory (Kagoshima)
    - Konan Factory (Shiga)
    - Kyoto Factory (Kyoto)

- **Overseas**
  - [Country or region]
    - Calbee North America, LLC (Missouri, United States)
    - Calbee North America, LLC (California, United States)
    - Calbee North America, LLC (Hong Kong)
    - Calbee Group (UK) Ltd. (United Kingdom)
    - PT. Calbee-Wings Food (Indonesia)
    - Haifa-Calbee Co., Ltd. (South Korea)
    - Calbee Tanawat Co., Ltd. (Thailand)
    - Calbee Muh Seng Pte., Ltd. (Singapore)
    - Calbee Australia Pty Ltd. (Australia)