



Calbee

Calbee Group Integrated Report 2023

Corporate Philosophy

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



Founder Takashi Matsuo (right)

An Unshakable Belief

The value the Calbee Group has provided to society through its business activities since its founding is summarized in this corporate philosophy. When people were experiencing severe food shortages during World War II, founder Takashi Matsuo began selling dumplings he made by extracting germ from rice bran, usually discarded as waste, and blending it with sweet potatoes or wild plants. Matsuo's desire to utilize unused resources to create food products that contribute to people's health remains at the core of the Calbee Group's ethos. The Calbee Group will continue to implement its corporate philosophy to achieve sustainable value creation.

Co-creating value through taste, fun, and health with stakeholders to become a new Calbee Group

By implementing its corporate philosophy, the Calbee Group has built a value chain in collaboration with stakeholders, serving as a link between growers and customers.

However, with significant changes in people's values, lifestyles, and the environment around them, the value they seek from food is also changing.

We want to offer taste and fun, and contribute to healthy lifestyles.
The Calbee Group will continue growing, taking on more challenges to provide new value, and collaborating with stakeholders for medium- to long-term value creation.



SECTION

1

The Calbee Group's Goals

- 03 About the Calbee Group
- 07 CEO's Message
- 13 Special Feature: Co-creation opens new possibilities for the Calbee Group
 - 14 1. "Creating" stable raw material procurement and sustainable agriculture
 - 17 2. "Creating" a long-lasting brand
 - 20 3. "Creating" through dialogue a corporate culture in which all employees play an active role



SECTION

2

Value Creation at the Calbee Group

- 24 Value Creation Process
- 25 Growth Strategy *Change 2025*
- 27 Financial Strategy
- 29 Overview and Initiative by Business Segment
- 35 Five Material Issues (Materiality)
 - 36 Priority Themes and Major Measures
 - 38 ① Contribute to healthy and diverse lifestyles
 - 40 ② Progress of sustainable agriculture
 - 41 ③ Co-create a sustainable supply chain
 - 42 ④ Caring for the earth
 - 46 ⑤ Promote active roles for all employees based on diversity



SECTION

3

Corporate Governance

- 49 Messages from Outside Directors
- 51 Corporate Governance
- 57 Board of Directors and Audit & Supervisory Board Members



SECTION

4

Data

- 59 History of the Calbee Group
- 61 Financial Information
 - 61 Performance Highlight by Business Segment
 - 62 11-Year Summary
- 64 Corporate Information



SECTION

1

The Calbee Group's Goals

About the Calbee Group

Three Key Strengths

Since its establishment in 1949, the Calbee Group has delivered deliciousness and fun by creating products that harness nature's gifts, cultivating its three key strengths: "product planning and development capabilities aligned with the changing times and diverse needs," "expertise in potatoes and other ingredients," and "processing technology that utilizes natural ingredients."



A Value Chain That Draws on the Power of Nature

The Calbee Group conducts business activities in Japan and overseas, and has a unique value chain that starts with the development and planting of natural ingredients to deliver products of consistently high quality. Using the exceptional technical skill and know-how we have built up in each process as our base, we will continue to strengthen the value chain through co-creation, both internally and externally.



Product planning and development

We have established an integrated R&D system that ranges from the development of raw materials, including natural ingredients like potatoes, to commercialization. We are working to create and improve tasty, fun, health-conscious products that support the varied lifestyles of our customers.



Procurement

Calbee has achieved stable procurement of superior raw materials such as potatoes and sweet potatoes through extensive involvement in the development and planting of original varieties, as well as support for cultivation and harvesting. For other natural ingredients, we source high-quality materials from all over the world that complement our unique products.



Production

We are striving to improve efficiency and productivity to ensure a stable supply of safe, secure products, as well as developing processing and seasoning techniques that make the most of natural ingredients, which differ by season and variety, to unlock their true goodness and deliver flavors that appeal to all five senses.



Feedback from customers

To make improvements throughout our value chain, we use feedback received via active communication with our customers to develop and enhance products while considering important factors like customer safety, security, and convenience.



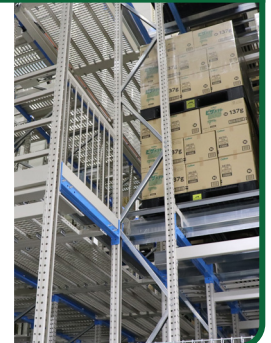
Sales

As a manufacturer with the top domestic market share, we are perfectly positioned to make proposals to the sales floor and promote innovative distribution systems. Furthermore, we understand the issues facing various distribution partners nationwide and are able to suggest relevant solutions.



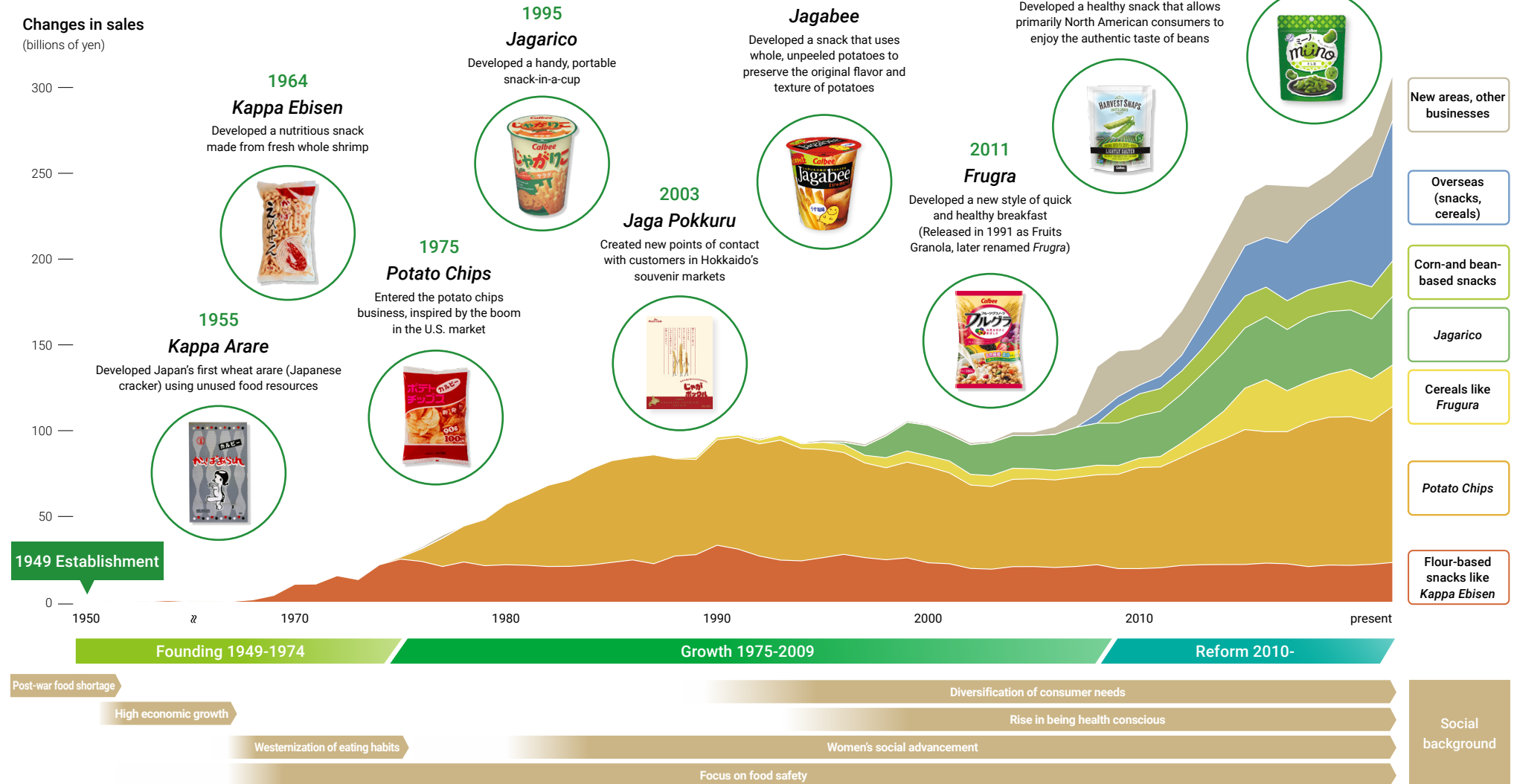
Logistics

To deliver products at peak freshness, we utilize fixed-time-fixed-location delivery. Furthermore, in collaboration with our distribution partners, we have established an optimal logistics system that considers productivity, including loading efficiency and reduction of workload, as well as environmental impact.



A Growth Trajectory that Can Capture the Changing Times

Since its establishment, the Calbee Group has created a new market, providing a variety of products that consider social issues and environmental changes. Amid uncertain times, we will continue to deliver products and services that offer deliciousness and fun, and contribute to healthy lifestyles.



About the Calbee Group

Calbee Group by the Numbers

* Fiscal year ended March 31, 2023

The company has built solid relationships with producers and maintains a high market share in Japan.
We leverage expertise cultivated in Japan to deliver deliciousness and fun to nine countries overseas.

Europe / America

700
6 2

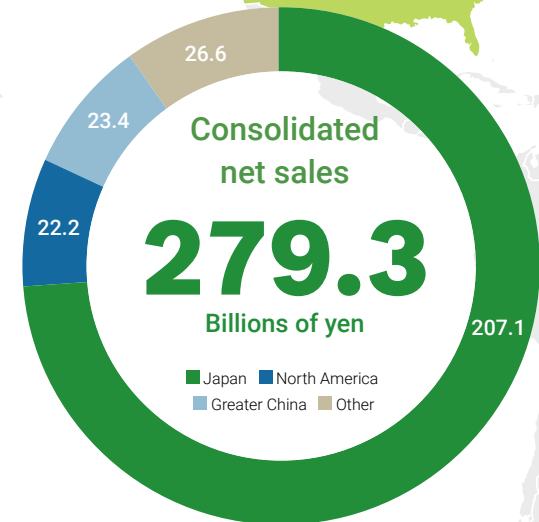
Japan

2,660
16 6

Asia / Oceania

1,479
6 12

Factory and Office locations
Number of Employees
Number of Production sites
Number of Consolidated subsidiaries



Domestic market share NO.1

Snack foods

52.8 %



Overseas sales ratio

25.8 %

Number of contract potato farms

Approx. **1,700**

Number of brands with sales of ¥10 billion or more

6

Cereals

33.4 %



Domestic procurement volume of potatoes

352,000 tons

*Equivalent to about 18% of the potatoes produced in Japan



Source: INTAGE Inc., SRI+ based on cumulative sales value nationwide, all retail formats, for the fiscal year ended March 31, 2023 (April 1, 2022 to March 31, 2023)
Snack foods market share: Total of Calbee, Inc. and Japan Frito-Lay Ltd.

CEO's Message



**Returning to a Growth Trajectory by
Promoting Transformation and
Co-creation Initiatives**

A handwritten signature in black ink, appearing to read 'Shinji Kawai'.

President & CEO

CEO's Message

■ Embarking on Transformation towards ■ the Next Phase of Growth

I was appointed President & CEO in April 2023. Before I took up the role, in February, the company announced a new growth strategy for the Calbee Group leading up to 2030 and a three-year transformation plan, “*Change 2025*” (fiscal year ending March 31, 2024 - fiscal year ending March 31, 2026). Reviewing the business environment surrounding the Calbee Group in the past few years, we have experienced challenges due to various factors including the effects of climate change, new customer behaviors in the wake of COVID-19, and cost hikes of raw materials and energy in the last year. Our business are currently facing many challenges.

The Calbee Group has termed this three-year transformation plan “*Change 2025*,” out of a clear understanding of crisis that if we do not embark on transformation now, and achieve our next phase of growth, then the Calbee Group will be left behind by the changing business environment.

As we work to transform the Calbee Group, we are careful to maintain an awareness of both what should be changed and what should not change as it is. For example, we will never change our value of being committed to “harnessing nature’s gifts, to bringing taste and fun, and to contributing to healthy lifestyles” and we will never stop placing our customers first. The most important things we need to change and enhance are strengthening our people and organization, transforming our business processes and shifting to a business portfolio that can grow sustainably into the future.

■ Cultivating proactive human resources who can take on new ■ challenges and corporate culture that encourages challenges

Thanks to the continuous support from our customers, the Calbee Group has maintained the top share in the domestic market. Nevertheless, if we rest on our laurels and

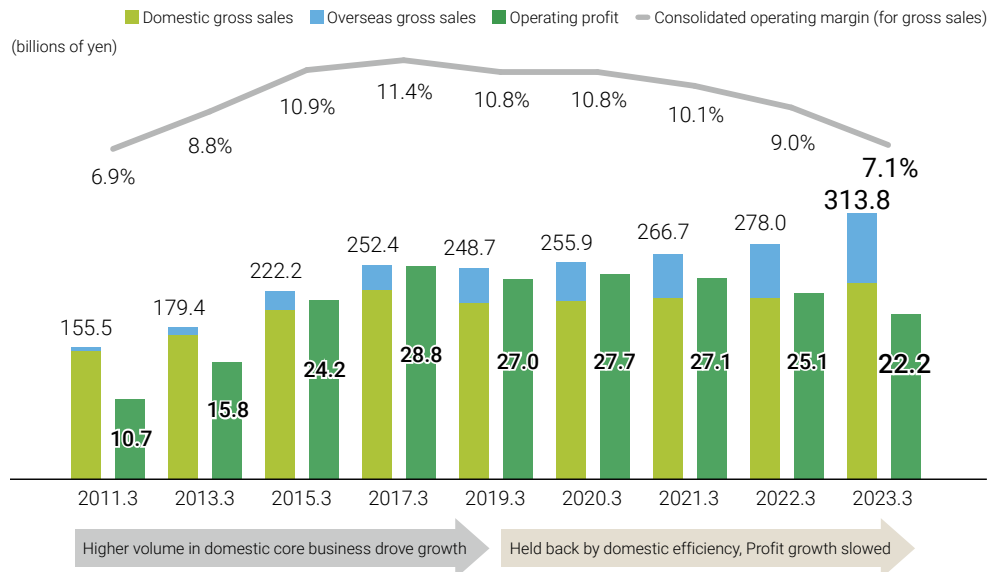
stop moving forward, I am keenly aware we could lose the ability to respond to changes in customer preferences and lose the ability to support them. We thus must continue to innovate and challenge ourselves to push further as a leading manufacturer.

We have amassed significant assets over the years including strong brand recognition, expertise in natural ingredients, manufacturing, and processing technology. In addition, I believe the most important resource for the growth of the Calbee Group is its human resources. The Calbee Group has many earnest and hard-working employees and a corporate culture that welcomes new people, while some staff might have some hesitation to try new things.

One of the first things I did after becoming president and CEO was to hold roundtable discussions in which employees and management, including myself, engage in dialogue. I travel around to domestic and overseas offices, literally sitting in a circle with about 30 employees at a time to spread awareness of the need for change. I would like to create and develop a corporate culture that motivates employees to take on new challenges, and take the time to personally encourage them to do so in any small way, without fear of failure. I am confident this is how the Calbee Group’s most notable brands were originally established.

Human resources are the foundation of the Calbee Group’s competitive advantage and the driving force for growth. Based on the concept of “active participation of all employees,” which leverages diversity within the Company, we will strengthen the development of strategic human resources, especially those in management, who will be our future leaders, global human resources who can leverage Calbee’s DNA and knowledge for global success, and digitally literate human resources who can utilize digital technology to create value. The Calbee Group has long implemented a Commitment & Accountability (C&A) system, in which each employee commits to fulfilling their responsibilities. Now, we would like to incorporate a system that encourages employees to approach challenges with a broader perspective and link their self-guided development to the growth of the Company.

CEO's Message



■ Looking back ■

Prior to the fiscal year ended March 31, 2017, we achieved growth in net sales and operating profit in our domestic core business by improving productivity through significantly expanding production and sales volume. Since then, both net sales and operating profit have plateaued. This is mainly because the profit generation model based on expanding the sales volume of existing brands reached its limit once operating rates at production facilities increased. The recent surge in raw material and energy costs as well as restrictions on movement during the COVID-19 pandemic have also had a negative impact. In response to rising costs, we are working to improve profitability by flexibly revising prices while monitoring trends. In addition to addressing immediate concerns, we believe a medium- to long-term perspective is required for sustainable growth.

Meanwhile, our overseas business ratio has grown from 16% in the fiscal year ended March 2019 to 26% in the fiscal year ended March 2023. Although we have had some success overseas, there are still many opportunities to increase the Calbee brand's presence in the global market.

■ Implement *Change 2025* - a three-year growth strategy ■

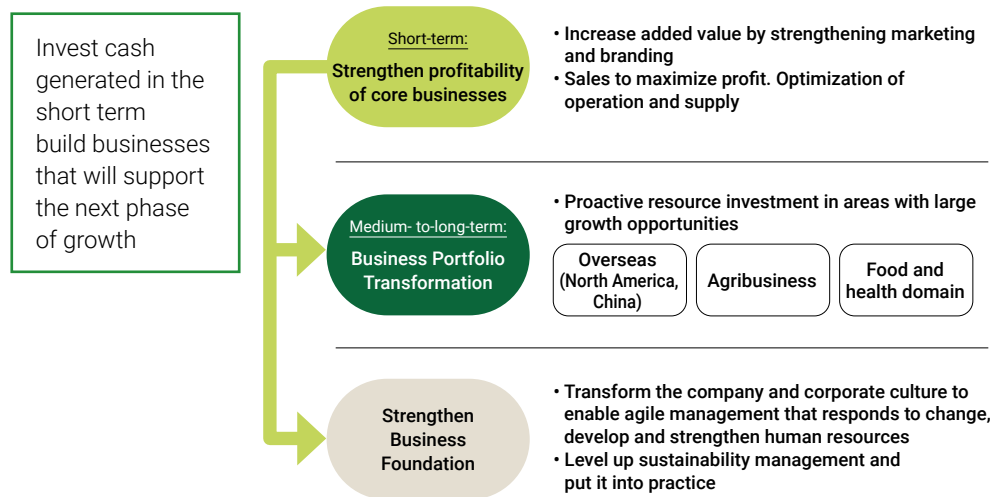
To put the Calbee Group back on a growth trajectory and become a company capable of sustainable growth, we must shift to a new profit structure. By improving the profitability of our core domestic businesses, allocating investments to areas with high growth potential such as overseas and new business ventures, we hope to transform our business portfolio into one that can grow sustainably by 2030.

The first three years of the plan toward 2030 (fiscal years ending March 31, 2024 through March 31, 2026) will be a period of structural reform; a time to prepare for the next stage of growth and lay the groundwork for us to implement the transformation plan. There are three major challenges to be addressed.

CEO's Message

The first is strengthening profitability in particular domestic business. We will do this by breaking away from the conventional approach of quantitative growth through low-priced sales and SKU* expansion and instead working to reinforce the Calbee brand, adding value and optimizing the supply chain to strengthen earning capacity. The second is transforming our business portfolio. We will shift our focus from the domestic market and increase resource allocation to overseas markets, particularly North America and China, and to new business ventures in areas such as agribusiness, and food and health. The third challenge will be strengthening our business foundation. Here we will focus on transforming ourselves into an organization capable of implementing timely management decisions and transforming accordingly, promoting human resource development, and leveling up sustainability management, which underpins all we do at Calbee.

This direction is in itself not a major change from our previous thinking. But by taking a fresh look at the Calbee Group's raison d'être and strengths, as well as



market needs and growth opportunities, we aim to clarify the areas we need to focus on and concentrate our management resources.

* Stock Keeping Unit. The smallest unit of measure in which stock and orders are managed.

Core domestic business: Strengthening brands on customer needs and optimizing sales, operation, and supply

Structural challenges facing the domestic core businesses include an excessive number of SKUs and insufficient production capacity. Currently, the number of SKUs in domestic core businesses exceeds 1,300 per year. We will review and narrow this down by about 200 to 300, based on the needs of our customers. We will also build on our long-established brand and accelerate our investment in marketing and branding to properly convey our value to customers. We want to continue to be a long-loved brand that customers recognize the value of and pick up, not only for its delicious taste and fun factor, but also for its sustainability-oriented manufacturing and quality.

As part of our efforts to increase production capacity we will be building a new plant. The Setouchi Hiroshima Factory is scheduled to begin operations in the fiscal year ending March 31, 2025. It will be a next-generation factory that prioritizes sustainability through productivity and workplace improvements made with automation, as well as labor savings achieved through digitalization.

As we reinforce our business foundations, we must also make significant changes in the way we conduct our operations. Central to this will be the optimization of sales, operation and supply to maximize profits. We will break away from our dependence on quantitative expansion and transform into a new business model that maximizes the use of limited raw materials and equipment, and provides value to both our customers and us.

CEO's Message

Overseas: Delivering the Value of Japanese Brand “Calbee” to the World

I want to deliver the delicious taste and enjoyment of Calbee snacks and cereals globally just as they are widely enjoyed in Japan. This is the significance of expanding the Calbee Group's overseas business. First, we will establish a foundation for expanding awareness of our products and then focus on increasing sales.

Currently, Calbee is operating in nine countries and regions outside of Japan, and is investing management resources particularly in Greater China and North America, which are expected to be growth markets in the future. In China, so far, inbound demand has led to increased awareness of Calbee's snacks and cereals. We will now focus on investing in promotions utilizing social media, KOL, and other means, to further build awareness so that we can expand our production base in the local market and neighboring areas. In North America, our snack brand *Harvest Snaps* has gained recognition in the health-focused Better For You category and is on a growth trajectory amid health-conscious consumers. We will leverage this brand and expand our lineup to include puffed snacks and tortillas. In addition, we will strengthen overseas expansion of Japanese brands such as *Jagarico*, *Kappa Ebisen*, and *Frugra*, mainly in China and North America. We intend to develop *Jagarico* into a global brand in the mid- to long term.

New areas: Focus on agribusiness, and food and health

Based on consumer needs and our corporate values and strengths as a company, we have decided to focus on the areas of agribusiness together with food and health. In agribusiness, producing raw materials domestically is becoming more important due to climate change and recent geopolitical issues. We will promote the business of higher value-added ingredients such as potatoes, sweet potatoes, and beans through co-creation with producers, taking advantage of the potato expertise

the Calbee Group has cultivated over many years. We hope to expand and stabilize potato procurement with a view to establishing a new business model for the potato, including a B2B business for eating out and home meal replacements as well as the development of higher value-added products.

Up to now, growth in the food and health field was mainly driven by *Frugra*, but we are committed to proactively developing new business and services. In April 2023, we launched Body Granola, a direct-to-consumer sales service. This service tests consumers' intestinal flora and provides a tailored granola product based on the findings. We see significant growth opportunities amid burgeoning health consciousness and diversifying needs. Working in collaboration with food experts and external research institutions, we will continue to take on the challenge of finding new ways to contribute to people's health. This is a business that embodies the Calbee Group's corporate philosophy.

Strengthening business foundations: Sustainability that supports all business

We aim to level up sustainability management as a business foundation for sustainable growth. Calbee is a company that utilizes natural materials to create products and deliver value to our customers; building a value chain that takes into consideration the natural environment and society is a foundational principle of the company. Especially tackling climate change is extremely important to us. Finally, as Calbee procures raw materials from all over the world, we must further focus on addressing human rights issues in our supply chain.

Producers of food products share some of the responsibility for the health of their customers. One thing we are doing to make our products healthier is reducing salt content. Our flagship product, *Potato Chips*, contains only a pinch of salt (0.5g in a 60g bag). We will continue to provide products and services that are good for the body and mind by leveraging the potential of the best ingredients.

CEO's Message

In 2020, the Calbee Group set five materiality themes covering important topics in sustainability management. We added and reconfigured a further five themes and 13 issues to this list so that it best reflects high priority issues including those related to human rights and biodiversity.

■ A Company that Grows Beyond 100 Years ■ Alongside its Stakeholders

Through its business activities, the Calbee Group will create a new future for food by balancing economic and social value and solving social issues through food. I want the Calbee Group to be a company that continues to grow beyond 100 years. We have set out our “NEXT Calbee & Beyond” vision as a compass to guide us through the uncertain times ahead, reflecting our desire to take steps to significantly change the image of the Calbee Group and to become a strong company that continues to grow. To this end, we must steadily implement structural reforms in terms of business processes, organization and human capital under our “*Change 2025*” three-year growth strategy and build a business foundation toward the next stage of our growth. This Integrated Report represents an important opportunity for us to engage in dialogue with our shareholders and investors, accepting criticism at times and gaining understanding as we move forward.

The Calbee Group will keep changing so that we can continue to deliver products of value to our customers. I would like to ask all of our stakeholders for understanding and support in our efforts to grow the Calbee Group.

Makoto Ehara

Representative Director, President & CEO
October 2023



Special Feature: Co-creation opens new possibilities for the Calbee Group

The Calbee Group will continue to co-create new value with its stakeholders, including producers, customers, and employees, to provide valuable products to customers and sustain business growth. Through this co-creation, we will fortify the strengths we have cultivated to date while simultaneously developing new strengths as we proceed with our efforts to transform into a new Calbee Group.



Co-Creation

Agribusiness



Producers X Fieldmen

Product Development · Brand Value



Customers X Development & Marketing

Human resources and corporate culture



Employees X Senior Executives



**NEXTCalbee
& Beyond**

Special Feature: Co-creation opens new possibilities for the Calbee Group

Co-Creation 1 “Creating” stable raw material procurement and sustainable agriculture



Confronted by changes in the business environment, including the increasing impact of climate change and fewer farmers in Japan, Calbee's fieldmen (experts in potato cultivation) work closely with approximately 1,700 contracted potato growers nationwide to ensure stable procurement of raw materials while promoting sustainable agriculture.



Experts as contract grower partners

The Calbee Group's annual domestic potato procurement amounts to approximately 352,000 tons (as of fiscal year ended March 31, 2023), which is around 18% of domestic potato production. The number of farmers in Japan is expected to drop due to the country's declining birthrate and aging population. In particular, the number of potato farmers and planted area of potato crops are both on a downward trend nationwide as potato cultivation is labor intensive compared to other crops. Amid the growing impact of climate change and geopolitical risks associated with raw-material procurement, maintaining and expanding the stable procurement of potatoes within Japan is vital both for the Calbee Group's development, and as part of our contribution to sustainable agriculture.

Calbee Potato, Inc. is responsible for potato procurement within the Calbee Group. Employing a group of experts specializing in potatoes, it has been supporting contract growers for more than 40 years. To produce better potatoes, Calbee's experts in potato cultivation, known as "fieldmen," visit contracted growers daily and provide a variety of support services in a community-based manner, including guidance on cultivation techniques and harvesting assistance. Currently, approximately 50 fieldmen are working in Hokkaido and throughout Japan.

Special Feature: Co-creation opens new possibilities for the Calbee Group

Promoting data-based, scientific cultivation and the Internet of Things (IoT)

The Calbee Group has been working with contract growers to promote scientific cultivation and labor-saving agricultural practices, seeking to secure a stable yield of potatoes over the medium to long term and to revitalize the agricultural industry.

In terms of promoting scientific cultivation, Calbee provides data-based advice by centrally managing the cultivation information of our contract growers. For example, after taking into account the results of soil diagnosis for each contract grower, fieldmen will propose appropriate fertilizer programs that have the potential to increase crop yields every year. At a time when the cost of fertilizers has skyrocketed and farmers are looking for more efficient ways to apply them, this approach contributes to promoting cultivation efficiency and sustainable agriculture. In addition, to ensure the proper soil moisture for potatoes is being maintained, fieldmen utilize IoT to monitor soil moisture meters and then notify growers via their smartphones when it is time to water. When it comes to support for contract growers, fieldmen are now seeing a growing need to complement the expertise in potato cultivation that they have developed over the years with collaborations based on data.



Calbee fieldman proposes fertilization plan to contracted farmer

Taking on the challenge of developing unique potato varieties

The Calbee Group's first proprietary variety for processing, *Poroshiri*, was created and developed through artificial crossbreeding in 2003, and was recognized as a Hokkaido Superior Breed in 2015. Full-scale cultivation began in 2016 and is now widespread, especially in Hokkaido. *Poroshiri* is resistant to potato pests such as potato schistosome and blight, and its relatively uniform size makes harvesting less labor-consuming. Thus, it can be said that this variety solves problems on the producer side and has some benefits for Calbee on the user side.

Currently, the Calbee Group is also focusing on the development of new varieties to follow *Poroshiri*, with the goal of registering four new climate-change-adapted potato varieties by 2030.



Poroshiri, a proprietary variety harvested in Hokkaido



Special Feature: Co-creation opens new possibilities for the Calbee Group

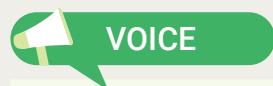
Contribution to sustainable agriculture and challenge to agribusiness

As a result of these efforts, the Calbee Group's contract area in Hokkaido has been continuously growing. We will continue to expand the amount of potato procurement over the medium to long term, and develop outlets for potato products, such as frozen French fries and the use of potato ceramide (a functional ingredient contained in potato peels) as well as snacks, and create a new business model for potato through co-creation with producers.

Furthermore, we have set agribusiness as one of the pillars of our growth strategy. Utilizing our expertise and knowledge of potatoes cultivated over many years,

we will expand our business from potatoes to a wider range of materials. Specifically, raw materials such as beans and corn are currently highly dependent on imports from overseas, and we see opportunities to increase the quantities of these produced in Japan and to use them to make new products. Beans and corn are often grown by contract producers of potatoes as rotation crops, and our strength is that we can utilize the strong relationships we have with producers.

In the future, our goal in agribusiness is to add new value to resources that have not yet been fully utilized, expand domestic procurement of raw materials by leveraging cooperation with contract producers and agricultural cooperatives, and to contribute to sustainable agriculture and ensure food safety as a supplier of natural ingredients.



Hirotaka Taoka

General Manager,
Memuro Branch
Calbee Potato, Inc.

Working with contract growers to secure potato quality

The Calbee Group is not only looking to increase potato yield, but is also seeking higher quality potatoes. To achieve this, contract grower cooperation is indispensable. As a fieldman myself, I strive every day to apply our wealth of data on cultivation to make proposals that lead to increased yields and labor savings. To this end, I believe the first step is to gain their trust, and I've been focusing on building relationships with contract growers and trying to respond to their individual concerns. I find it very rewarding to know that these efforts not only lead to the stable procurement of higher-quality potatoes, but also to the development of our contract growers.

Comments from contracted farmers

When it comes to potatoes, Calbee fieldmen are experts. They are irreplaceable partners in the cultivation of potatoes, providing peace of mind by answering questions and sharing know-how.

An important part of potato cultivation is soil preparation to prevent diseases before they occur. Every year, we conduct a soil analysis and consult with Calbee fieldmen before proceeding with fertilizing and other measures.

Working with Calbee fieldmen has provided me an opportunity to exchange information, see other farms, and receive many insights on potato cultivation.



Special Feature: Co-creation opens new possibilities for the Calbee Group

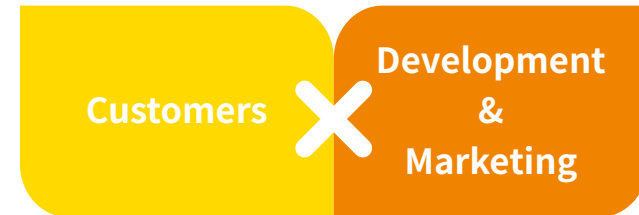
Co-Creation 2 “Creating” a long-lasting brand



The foundation of Calbee potato chips is

Potato Chips Lightly Salted.

We continue to evolve as a brand that will be cherished for a long time to come, manufacturing products that meet the needs of our customers and adapting production processes to the changing environment, for example, by strengthening our commitment to a sustainable supply chain.



Manufacturing evolving in line with customer feedback and needs

Our flagship product, *Potato Chips Lightly Salted*, has been a best seller since its launch in 1975 and remains popular to this day. Behind this long-term best-selling brand is the constant interrogation of customer needs and integration of customer feedback into product planning and development, pursuit of quality improvements, and refinement of the brand's strengths.

To gain a deeper understanding of customer needs, Calbee has established multiple customer touchpoints from the Customer Service Center to in-store activities at retail stores.

Our Calbee “Lbee” Program app is an important digital touchpoint for our customers. It was released in September 2020 and has been downloaded more than 570,000 times as of September 2023. In today's world where consumer behavior is changing with digitalization and the popularization of social media, and customer needs are diversifying, we believe it is important to understand individual customers more deeply and create new value together. Through this program, we are able to know our customers in this manner, leading to new product development and marketing activities.



Special Feature: Co-creation opens new possibilities for the Calbee Group

As stated in the Calbee Group's Corporate Philosophy, our mission is to provide products that are not only delicious and enjoyable, but also healthy for customers. Many customers consider potato chips, our main product, to be a high-sodium food. In response, we renewed *Potato Chips Lightly Salted* in 2019 to reduce the salt content to 0.5 grams (about a pinch) per 60-gram bag, while maintaining the salty taste our customers enjoy. In 2022, we improved the product to make it easier for customers to taste saltiness with less salt, thereby enhancing the original taste of the ingredients.



Major changes to the *Potato Chips Lightly Salted*

- 1975 Entered the potato chip business
- 1984 Adopted aluminum vapor deposition film for the first time in the domestic confectionery industry to improve quality
- 1996 Date of manufacture and expiration date on the front of the package
- 2007 Started posting traceability information that shows the faces of producers
- 2015 Celebrated its 40th anniversary and seasoned it to make the most of its light texture
- 2020 Changed package size to reduce greenhouse gas emissions
- 2022 Posted RSPO Label*1

*1 RSPO Label: The RSPO Label is an ecolabel that companies can use upon meeting the prescribed conditions set by the Roundtable on Sustainable Palm Oil (RSPO) for supply chains. It indicates the product contributes to the sustainable production of palm oil.

Efforts to preserve taste

Potato Chips, such as the *Lightly Salted* flavor, are the face of the Calbee brand and play an important role as a pillar of our core businesses in Japan, with annual sales of around 90 billion yen (as of the fiscal year ended March 31, 2023).

Calbee conducted a consumer survey in 2009 for *Potato Chips Lightly Salted*, which became the basis for a "gold standard" that defines the quality requirements for the appearance, taste, and texture of the potato chips produced by Calbee. Since the moisture content and taste of the raw material, the potato, fluctuates with the seasons, all factories in Japan make slight modifications to their processes and production methods throughout the year to ensure products continue to meet this standard. In 2022, as part of the Basic *Potato Chips**2 Value Up Project, we conducted another consumer survey and reaffirmed our gold standard for quality to ensure the value of these products is communicated to our customers.

*2 The generic name for Calbee's standard potato chip products, such as *Potato Chips Lightly Salted*, *Potato Chips Seaweed Salt*, and *Potato Chips Consommé Punch*.

The main premise of deliciousness is to use sustainable ingredients

The essential ingredient for the crispy texture of Calbee's potato chips is the cooking oil used to fry the sliced potatoes. Palm oil is widely used for this purpose. Palm oil is the general name for oil extracted from the fruit of the oil palm, and has become the world's largest source of fats and oils due to its high yield per unit area and high production efficiency. The Calbee Group procures and uses approximately 40,000 tons of palm oil annually. In recent years, however, environmental destruction caused by the development of palm plantations and human-rights abuses, including forced and child labor, have been identified as major social problems.

Special Feature: Co-creation opens new possibilities for the Calbee Group

The Calbee Group has set itself the goal of using 100% environmentally and human rights-conscious certified palm oil by 2030, and in April 2022, all domestic factories in Japan completed the switch to certified palm oil using the mass balance method*³. In line with this change, we began displaying the RSPO Label on the packaging of *Potato Chips Lightly Salted* in September 2022.

To responsibly harness nature's gifts and deliver the same delicious taste to our customers, we will continue our efforts to procure raw materials with consideration for the environment, society, and human rights, and to build a supply chain that is sustainable in its use.

*³ Mass balance method: A certification model in which certified oil and non-certified oil are mixed during the production and distribution process. Physically it also contains non-certified oil, but the quantity of certified oil purchased is guaranteed.



Masae Nakano

Executive Officer and
CTO (Chief Technical
Officer)
General Manager,
Research and
Development Division

Wish to deliver the best potato chips in Japan

Calbee continues to sample and feed back the products produced at each factory every week in order to prevent variations in quality between factories and to produce stable deliciousness at all factories. The biggest takeaway from the consumer survey conducted last year was the reaffirmation that customers are choosing Calbee potato chips because of their unique texture. We will continue to listen to our customers' voices, provide new value that meets their expectations, and deliver the best potato chips in Japan.



Mari Inoue

Brand Manager,
Potato Chips Team
Snack Department 1,
Marketing Division

Communicate product value to the customer

Given Japan's declining birthrate and aging population in the medium to long term, and the negative impact of recent price hikes caused by soaring raw material prices, we face several challenges to the expansion of potato chips. In this context, we are thinking hard about what it is that distinguishes Calbee's potato chips and how we should promote them to customers. In particular, we believe it is important to express the "texture," which is one of the strengths of our products, and have created a new slogan, "Let's Go Crisp!" This new slogan is used in our commercials and on our packaging. We hope that new customers will pick up Basic *Potato Chips* and experience their value.

Special Feature: Co-creation opens new possibilities for the Calbee Group

Co-Creation 3 “Creating” through dialogue a corporate culture in which all employees play an active role



The Calbee Group promotes active roles for all employees based on its recognition that the most important asset for any company is its people. We aim to implement human resource development that facilitates value creation and to change corporate culture through encouraging dialogue among employees that transcends job title and position as well as introducing various initiatives related to our organization and employees.

▶ Please refer to page 47 for more information on themes and initiatives.



Dialogue with each employee to promote understanding and awareness of the need for corporate transformation

In the past, the CEO and other members of the management team visited each factory and branch to hold a town hall meeting with employees, providing an opportunity for the management team to listen to their voices. However, due to the large number of participants, there were less opportunities for employees to speak out, and the meetings have failed to provide enough opportunities for dialogue.

To remedy this, a new management structure was launched in April 2023, and as the new president and CEO, Makoto Ehara decided to limit the number of participants per meeting to about 30, and to hold Circle Meetings at all offices, both domestic and overseas, with all employees participating. Alongside other members of the management team, CEO Ehara visits various locations to meet face-to-face with employees to exchange opinions and to ensure that they understand the overall policy and the growth strategy for corporate transformation that Calbee will be undertaking. From April to the end of August 2023, the program has been implemented 42 times, with a total of about 1,100 participants.

Kurumaza (Circle) Meetings are an opportunity for management and employees to sit in the same place together, and frankly discuss management's thinking and Calbee Group issues as perceived by the employees. For each question asked by an employee, management carefully responds in its own words, while sometimes asking the employee questions and engaging in dialogue.

Special Feature: Co-creation opens new possibilities for the Calbee Group

Making corporate transformation a personal matter and creating a corporate culture that celebrates challenge

Calbee has announced “*Change 2025*,” a three-year transformation plan that coincides with the start of the new management structure. In the past, we have been promoting the idea of “all-employee success,” in which our diverse workforce demonstrates its ability to produce results for the organization and the company. To realize “*Change 2025*,” it is important to build on the idea of “all-employee success” and make the corporate transformation more personal.



In conjunction with the announcement of the transformation plan, we have adopted the internal slogan, “Adore the new seeds,” in an effort to foster a corporate culture that encourages each and every employee to take on new challenges and celebrates them when they do. CEO Ehara always tries to convey the importance of “taking on challenges without fear of failure” as well as the company’s support for each employee’s “seeds for challenges.” For employees who participate in the program, it is an opportunity to think about how they themselves can take on the challenge of change.



Emphasis on creating a safe space for dialogue

At Calbee, we do not limit ourselves to roundtable meetings, but emphasize dialogue between managers and employees. One example of our initiatives to encourage dialogue is the one-to-one meetings introduced in 2019. Whereas traditional meetings often focus on managing business progress, one-to-one meetings provide an opportunity for dialogue aimed at supporting employee development and career growth. Since 2022, we have also focused on helping employees feel safe at work by not only encouraging communication between executives and members, but also creating a work environment that allows mutual growth while acknowledging diverse opinions and values within the team.



Makoto Ehara

President and CEO

Assets gained through dialogue

The original idea behind Kurumaza (Circle) Meetings was to have a frank and authentic dialogue. Every time we’ve held one of these meetings, new insights and discoveries have emerged for me as well. It was an opportunity for me to think again about whether thoughts of management are conveyed correctly and we listen to the thoughts of employees. I would like to incorporate the insights gained from these dialogues into our structure and systems to further build on Calbee’s open corporate culture, and promote employee success, and make a corporate culture that celebrates employee’s efforts.

Special Feature: Co-creation opens new possibilities for the Calbee Group



A place where
young employees can
communicate directly
with managers

Shiori Masaoka
Research & Development Division

Discussions take place in small groups, making it easier for younger employees and junior staff to speak their minds. They also provide an opportunity for managers to expand on their ideas, which helps me feel more motivated. In the future, I would like to become more knowledgeable and find new ways to use raw materials, developing new businesses, products and services that contribute to reduced waste and production losses.



An opportunity to
become more receptive to
global influences

Maiko Sakakibara
Next-Generation Production Project
Technical Development Department

Hearing directly from the management team allowed me to better understand the thoughts and feelings that go into their messages. I also learned from questions asked by other participants with differing viewpoints. As a result of participating in the round-table meeting, I felt, as a member of the Next Generation Production Project, I need to be willing to look beyond Japan.



As a member of the
Calbee Group, I want to
contribute to growth
in the U.S.

Lee Diaz
Sales Manager, Calbee America, Inc.

I feel that *Jagarico* has great growth potential in the U.S. market, and, after the round-table meeting with the CEO, I am determined to focus on further expanding its sales. I feel grateful to be a member of the Calbee Group and believe we are unified as we pursue a common goal.





SECTION

2

Value Creation at the Calbee Group

To contribute to healthy lifestyles, the Calbee Group has set value creation through sustainability management at the core of its efforts.

We are striving to implement our 2030 vision by collaborating with stakeholders to promote reforms for the next stage of growth.



2030 Vision



**NEXT Calbee
& Beyond**

Toward 2030

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

Growth Strategy

FY2024/3 – FY2026/3

Change 2025

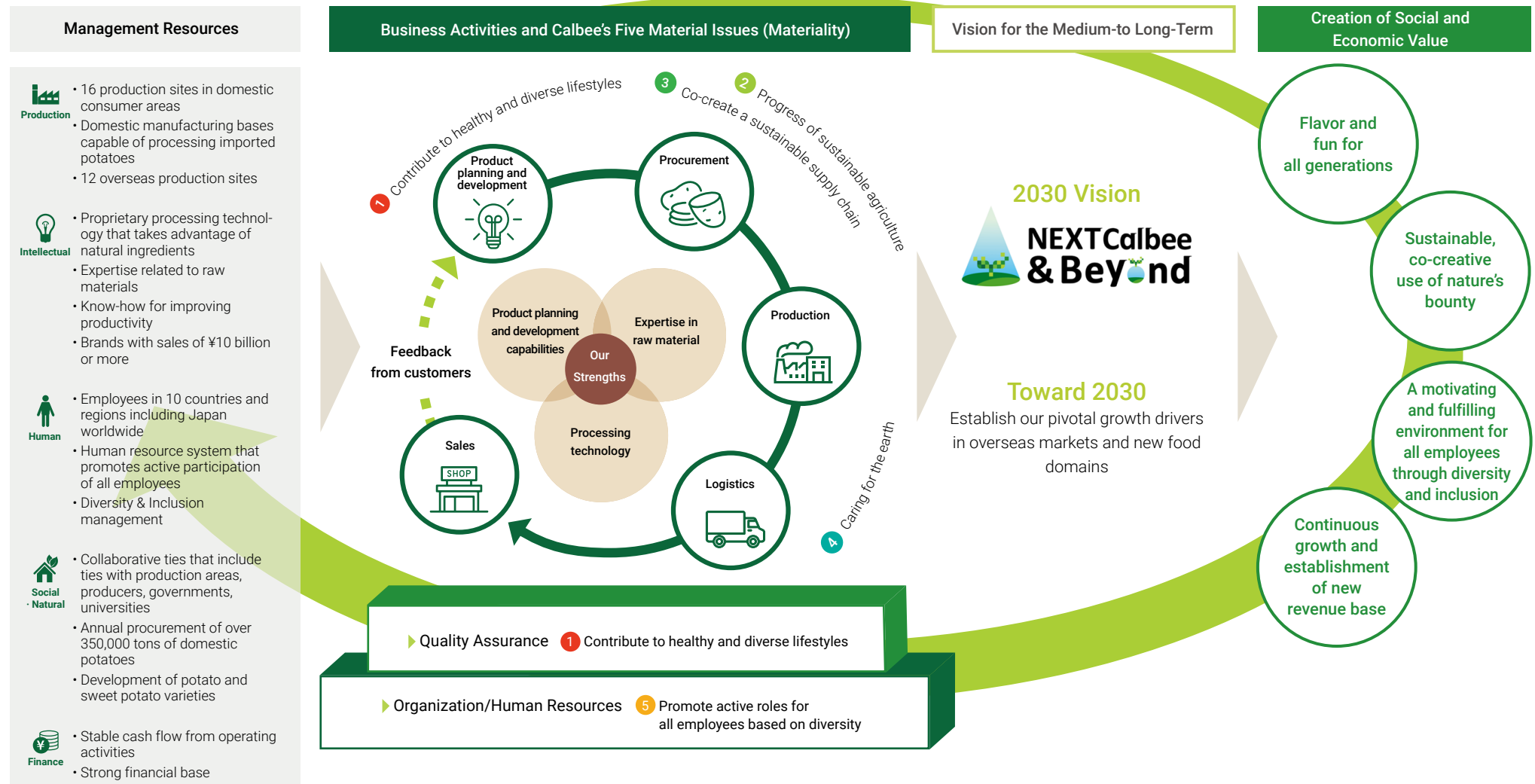
Business structure transform for the next stage of growth

Sustainability Management

Achieve sustainable growth as well as a sustainable society, and create new value together with our stakeholders

Value Creation Process

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

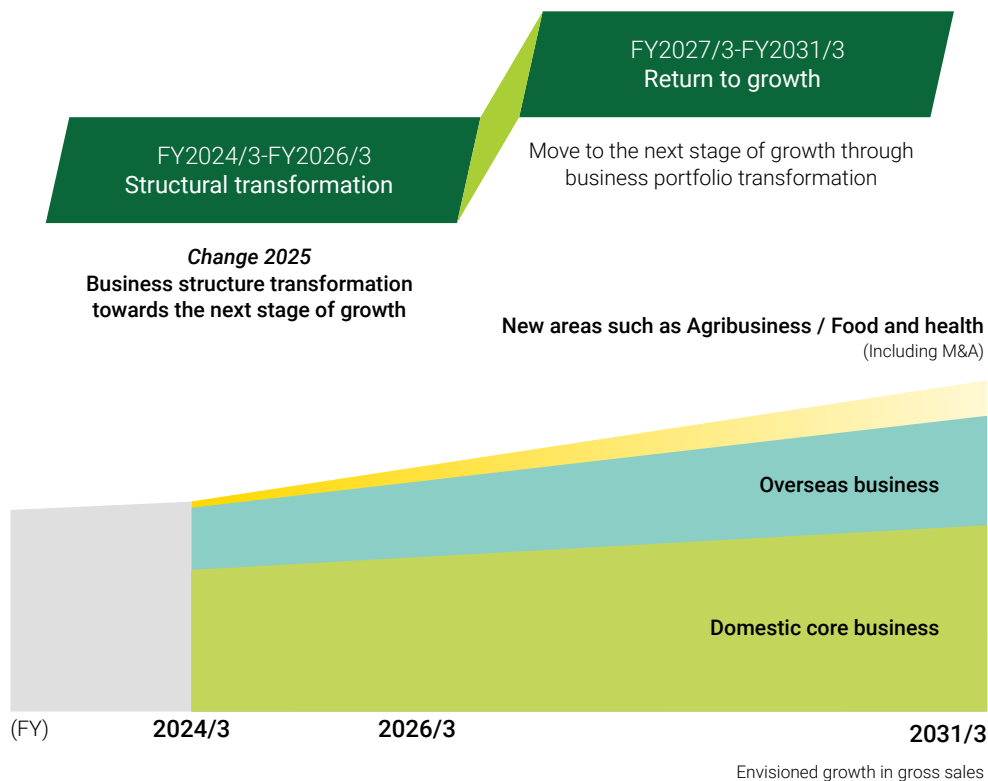


Growth Strategy *Change 2025*

In February 2023, the Calbee Group formulated a new growth strategy to achieve its 2030 Vision. Based on sustainability management, we will move toward sustainable growth and transformation, embracing changes in the business environment as well as challenges facing the Group.

We designate the first three years of the strategy, from the fiscal year ending March 31, 2024, to the fiscal year ending March 31, 2026, a period of structural transformation, and the latter years, from the fiscal year ending March 31, 2027, to the fiscal year ending March 31, 2031, as a period of Return to growth. During the structural reform period, named “*Change 2025*,” we will lay the foundations for the next stage of growth.

Roadmap to 2030



Growth Guidance and Key Direction

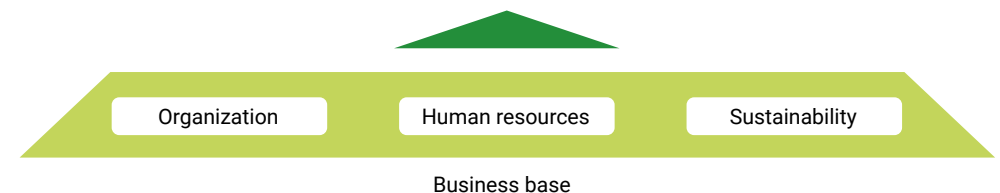
Growth Guidance FY2024/3–FY2026/3

Organic sales growth ratio	+4~6%
Consolidated operating profit growth	+6~8%
ROE	10%+

Key Direction for 4 Businesses

Main KPIs

1) Domestic core business	2) Overseas business	New areas	
		3) Agribusiness	4) Food & health
Enhance profitability by raising added value through strengthening brand and optimizing marketing / operations planning	Expand global brands from Japan through selective and focused investment	Strengthen base towards expanding natural ingredients platform	Build a new business model that contributes to healthy lifestyles
Domestic operating profit growth ratio +6~8%	Overseas sales ratio 30~35%	New areas sales ratio 5%	



Looking Back: Company Issues

1. Inability to shift from quantitative growth strategy based on SKU expansion and discount selling on failure to raise value added through creation of new value
2. Insufficient investment of resources in new growth fields due to excessive allocation of resources domestically
3. Business base and initiatives were insufficient to enact reforms due a conservative, inward-facing corporate culture and weak ability to effect change

Change 2025 Growth Strategy —3 Year Transformation Plan—

① Strengthen Profitability

In the domestic core business (snacks and cereals), we will move away from quantitative expansion and aim to add value by strengthening marketing and brand recognition, while utilizing limited assets and resources, as well as optimizing sales, and operation and distribution plans to maximize profits.

② Transform Business Portfolio

We have identified overseas business (especially in North America and China), agri-business (potatoes, sweet potatoes, beans, etc.), and food and health business as areas with high growth potential in the medium to long term, and will proactively invest resources.

③ Strengthen Business Base

We will implement timely management decisions in response to changes in the business environment and transform accordingly, and promote human resource development training and improvement with the aim of nurturing more managers, global human resources, and digitally literate human resources. Additionally, to continue business activities, we will continue to promote the development of sustainability management, which is an important issue.

TOPIC

Strengthen Business Base: Initiatives to strengthen global human resources

Calbee is a global brand originating in Japan, and to develop it in other countries it is necessary to leverage the Group's strengths and localize them to meet customer needs, deploy human resources that can utilize the knowledge and experience nurtured in Japan, and pass on the Group's culture and strategy to local employees.

In fiscal the year ended March 31, 2023, we launched the Core Employee Globalization Program, targeting managerial personnel, and the Global Mindset Building Program, for junior personnel. The Core Employee Globalization Program is a training program aimed at helping mid-level to managerial personnel who are currently active in Japan to develop a global mindset, enhance their leadership, interaction, negotiation, and persuasion skills in different cultural settings, and communicate their vision. Ultimately, the program allows us to identify global human resources and formulate development plans. We plan to train about 10 personnel for overseas management positions per year, and nurture about 80 global management personnel by 2030. The Global Mindset Building Program is for junior personnel and aims to help participants break away from a Japan-centered perspective and foster a global mindset, to personalize global business development, and to create a global talent pool through workshops on cross-cultural collaboration and roundtable discussions with employees active overseas.

Global Executive Human Resources

Core Employee Globalization Program
Global management human resources

Global Mindset Building Program
Global staff human resources



Financial Strategy

As stated in “*Change 2025*”, the Calbee Group will use the cash generated from improving the profitability of its domestic core business to invest in global and new business areas, transforming its business portfolio into one capable of sustainable growth. At the same time, we aim to maximize corporate value by enhancing shareholder returns and improving capital efficiency.

Pursuit of capital efficiency and profitability improvements

We consider return on equity (ROE) to be one of our key management indicators, and have set a target of achieving a rate of 10% or more as part of our “*Change 2025*” growth strategy (intended to cover the three years spanning fiscal year ending March 31, 2024 - fiscal year ending March 31, 2026).

ROE for the fiscal year ended March 31, 2023 was 8.5%, having trended downward from the 14.9% reported for the fiscal year ended March 31, 2017. Total equity levels are still high, and total asset turnover and financial leverage has remained low. In addition, a decline in domestic profitability has resulted from a deteriorating business environment, including a decrease in inbound demand amid the COVID-19 pandemic, rapid cost increases, and a potato shortage due to unfavorable weather conditions, all of which have contributed to a decline in ROE.

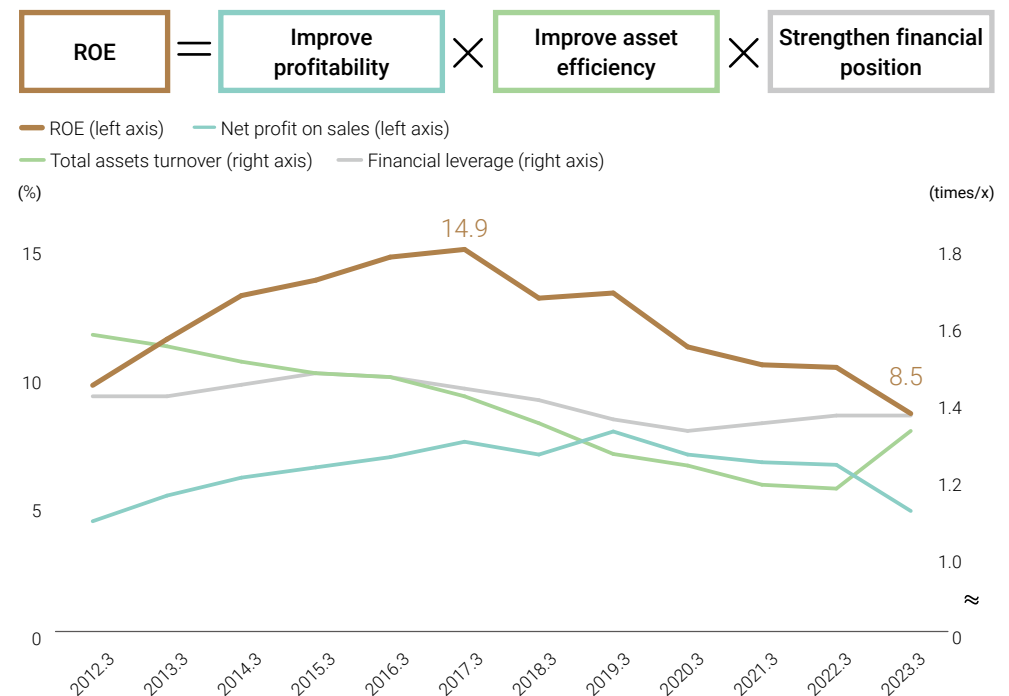
To improve ROE, we will implement measures with three perspectives: improving profitability, improving asset efficiency, and strengthening financial position.

To improve profitability, we will work to improve our earnings, especially for our domestic core business. In addition to further price and content revisions meant to address the issue of rising costs, we are aiming to maximize our earnings throughout the value chain, increase the added value of our brands, reduce sales expenses through distribution reforms, and improve productivity and reduce cost rates through promotion of Digital Transformation and investments in automation and other labor-saving measures.

With respect to improving asset efficiency, we will concentrate our investment of resources into growth areas (including our overseas business and new businesses areas) and address our low-profitability assets by improving inventory turnover and facility productivity through reconsideration and reductions of SKUs.

Although the Calbee Group is currently in a nearly debt-free financial position, we will consider borrowing to meet funding needs for future growth investment. In the event we do take out loans, our policy is to maintain a stable financial structure with an anticipated debt-to-equity ratio of around 0.2 to 0.3. At the same time, we will strengthen our financial position by enhancing shareholder returns, including the flexible reacquisition of treasury stock.

ROE measures (by indicator)



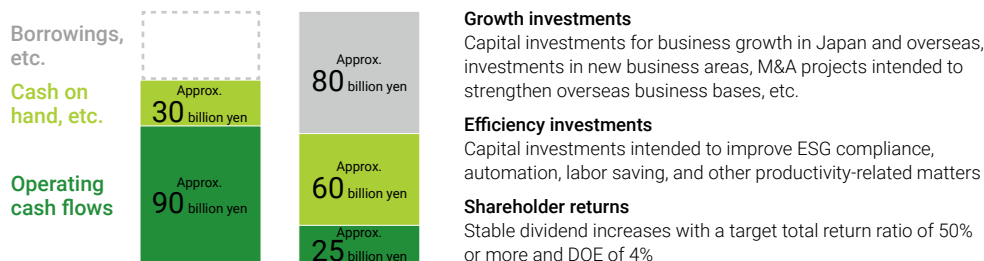
Financial Strategy

Investment in growth areas

Under our “Change 2025” plan, we expect to generate about 90 billion yen in operating cash flow over the three-year period from the fiscal year ending March 31, 2024 to the fiscal year ending March 31, 2026. In addition to this, we will utilize 30 billion yen cash on hand, as well as borrowings and other resources, to be allocated to growth investments, efficiency improvements, and shareholder returns.

Over the next three years, with regard to the domestic core business, we will make investments into sustainability-responsive and productivity-enhancing facilities, such as in our new Setouchi Hiroshima factory, and will advance the expansion of production lines dedicated to core products like *Jagarico*, and automation and labor saving at existing factories. With regard to the overseas business, we will promote investments into enhancement of our production base and improve efficiency, as well as the enhancement of our new product development capabilities, mainly in the priority regions of North America and Greater China. In addition, we will invest from a long-term perspective in strengthening the foundation of our research and development, acquiring new businesses, M&A and other growth platforms, which will all contribute to the medium-to long-term transformation of our business portfolio. Furthermore, we will invest even greater resources in the training of employees, as this forms the base of all our businesses.

Cash allocation over the 3-year period between the fiscal year ending March 2024 and the fiscal year ending March 2026



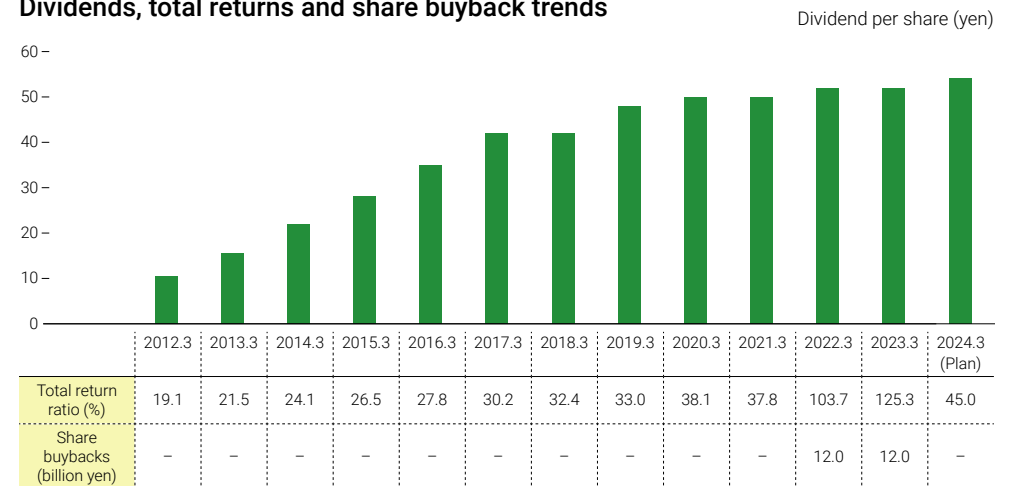
In executing such investment projects, our Investment Review Committee will conduct business evaluations by setting hurdle rates for each country—with these rates being based on the cost of capital for projects above a certain amount—while working to speed up investment decision-making processes in each region. Governance structures will then be reinforced through such measures as votes by management committees and board meetings, and periodic monitoring of the profitability of each major investment project.

Enhancement of shareholder returns

We recognize that returning profits to shareholders is one of the most important themes for our management, and our current policy is to steadily increase dividends, aiming for a total return ratio of 50% or more and a DOE of 4%.

We have continued to increase dividends since our listing on the stock exchange in the fiscal year ended March 31, 2012 and will distribute profits through dividends as the primary means to return profits to shareholders while flexibly considering measures such as share buybacks. The company has repurchased ¥24.0 billion shares over a two-year period beginning in the fiscal year ended March 31, 2022.

Dividends, total returns and share buyback trends



Overview and Initiative by Business Segment

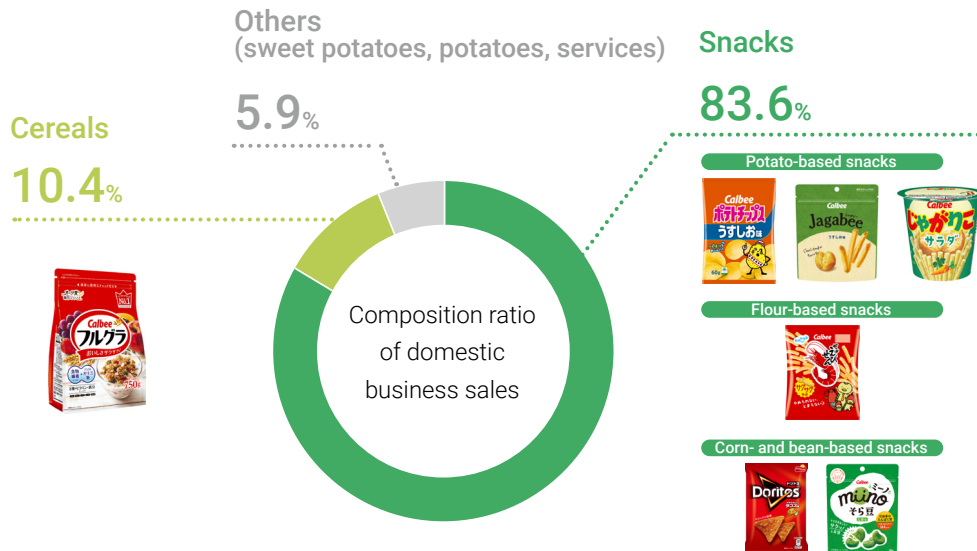
Domestic Core Business (snack and cereal products)

Business Outline

The main businesses of the Calbee Group are production and sale of potato-, flour-, corn- and bean-based snack foods, and cereals. We have more than a 50% share of the snack market and maintain a particularly high share of more than 70% of the potato chips market. In cereal, *Frugra* is driving expansion and we have the top share of the market.

FY2023/3 Domestic Business Performance

Net sales	Operating profit
¥ 207.1 billion (YoY+10.1%)	¥ 19.6 billion (YoY+15.2%)

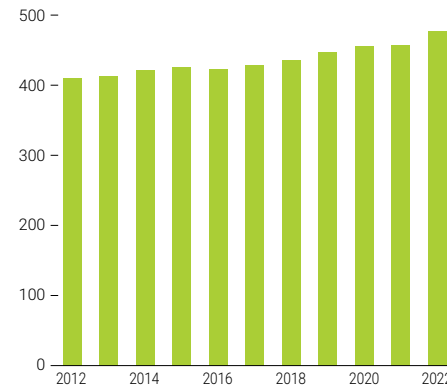


Business Environment

Opportunities	Risks
<ul style="list-style-type: none"> Diversifying dietary choices due to lifestyle changes Growing interest in initiatives for a sustainable society, e.g., supply chains that consider the environment and human rights Rising sales of gift snack items due to increased inbound demand 	<ul style="list-style-type: none"> Declining demand due to low birthrate and aging population Potato procurement jeopardized by natural disasters and declining number of farmers Soaring cost of raw materials, energy, etc. Reduced consumer confidence due to inflation

Domestic snack market

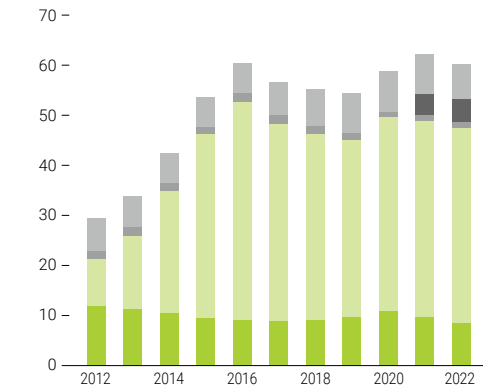
(billions of yen)



Source: All Nippon Kashi Association

Domestic cereal market

(billions of yen)



Legend: Corn flakes, Granola, Brown-rice flakes, Oatmeal, Others

Source: Japan Snack Cereal Foods Association

Overview and Initiative by Business Segment

Domestic Core Business (snack and cereal products)



Akira Imoto

Senior Managing Director
Calbee Japan Regional
President

Enhancing profitability of domestic core business

In the domestic business, we face structural issues including procurement risks resulting from a fluctuating potato supply, insufficient productive capacity, declining work population, and excessive SKUs. To effectively use limited resources, we have determined our first priority is to reduce SKUs by an appropriate level. By optimizing SKUs, we will be able to invest limited raw materials, production capacity, human resources, and funds into products with higher brand value to lift profitability.

In addition, we believe it necessary to invest capital in the medium term to resolve insufficient productive capacity and labor. We will develop infrastructure not only to improve production efficiency, but also to convert to a state-of-the-art factory considerate of workers and the environment.



TOPIC

State-of-the-art mother factory that considers people and the environment

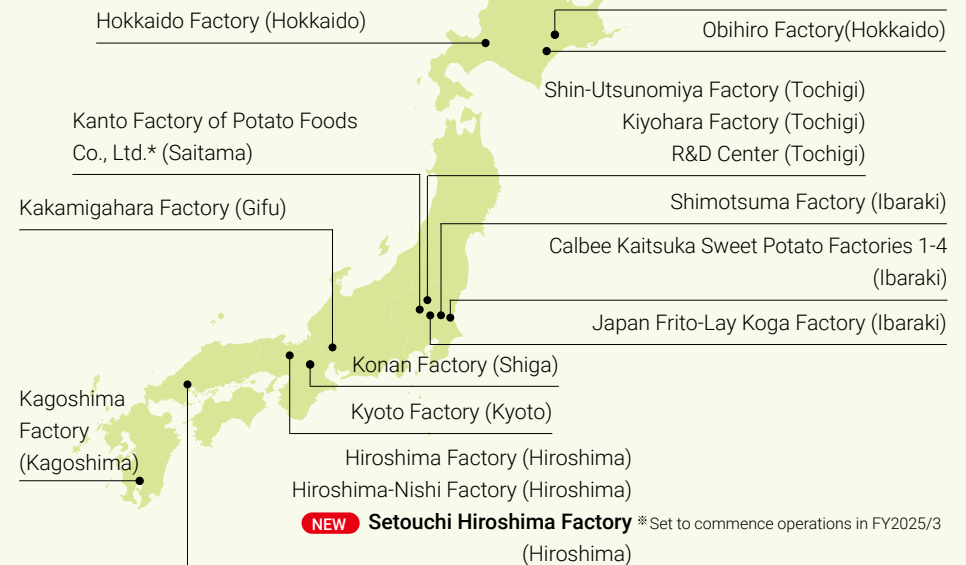
The new Setouchi Hiroshima factory (located in Saeki Ward, Hiroshima City, Hiroshima Prefecture), slated to commence operation in the fiscal year ended March 31, 2025 after relocating and expanding the functions of the Hiroshima-Nishi Factory, will reduce environmental impact and improve production efficiency and work environment by introducing environmentally friendly facilities, incorporating digital transformation, renewable energy, and recycling-orientated energy systems.



Image of completed Setouchi Hiroshima factory

Location of Domestic Factories

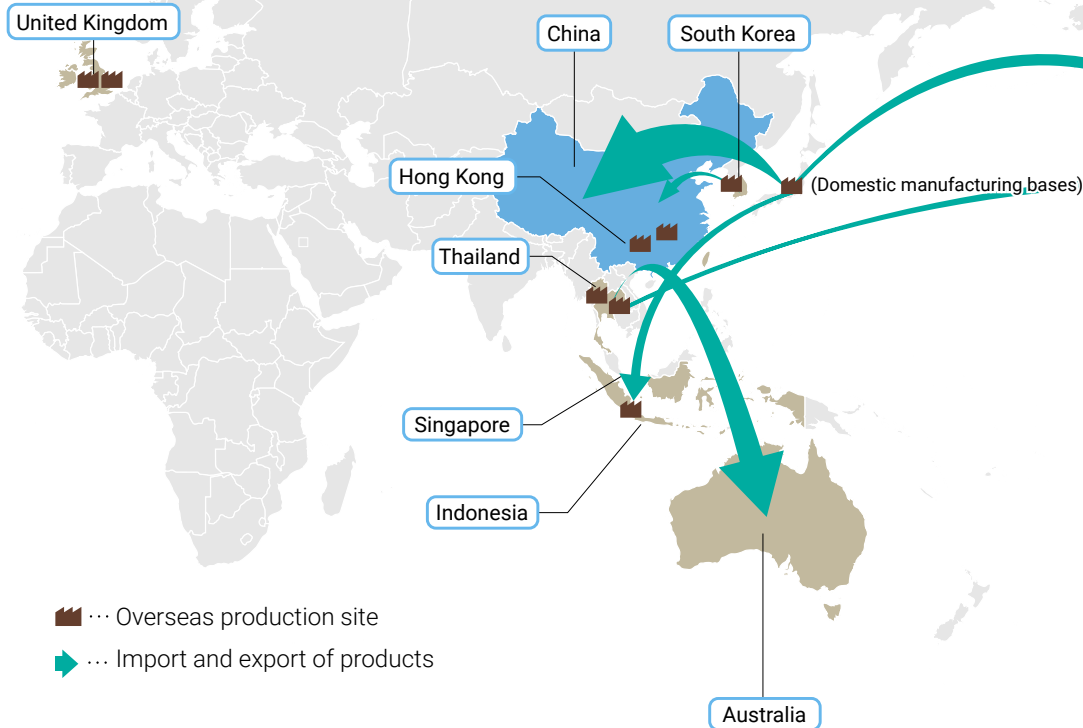
* Factories that cooperate with the Calbee Group
(snack and cereal products)
(16 domestic bases)



Overseas Business

Utilizing product processing technologies cultivated in Japan, we develop products in nine overseas countries and regions that differ by location, keeping in mind market conditions, consumer needs, income levels, and other factors. We also established a global supply chain that coordinates the import and export of products in each country. North America and Greater China have been positioned as priority regions and we will promote measures accordingly.

► The Calbee Group's Global Supply Chain



► FY2023/3 Overseas Business Performance

Net sales	Operating profit
¥ 72.2 billion (YoY+25.8%)	¥ 2.6 billion (YoY+30.8%)

Other regions
44.3%

United Kingdom



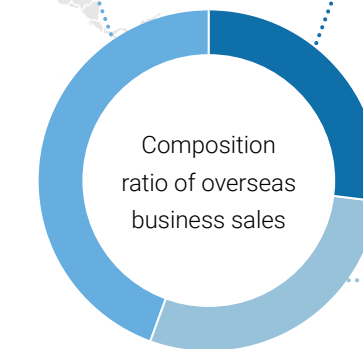
Thailand



Indonesia



Singapore



North America
27.2%



Greater China
28.6%



South Korea



Australia



Overseas Business

North America

Business Outline

The North American snack market is massive, valued at approximately 8 trillion yen, and is expected to continue to grow. In North America, the Calbee Group is mainly engaged in the manufacture and sale of *Harvest Snaps* (which utilize the same technology as our Japanese *Sayaendo* products), contract manufacturing of snack foods, and sales of products originating from Japan, such as *Kappa Ebisen* and *Jagarico*.

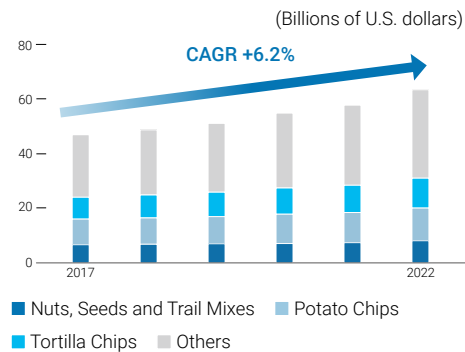
FY2023/3 North American Business Performance

Net sales	Operating profit
¥ 22.2 billion (YoY+37.6%)	¥ 0.79 billion

Business Environment

Opportunities	Risks
<ul style="list-style-type: none"> Continued growth of the snack market Increasing health consciousness Increased demand for asian and ethnic products due to higher racial diversity 	<ul style="list-style-type: none"> Leading manufacturers with high market share Weakening consumer sentiment due to inflation Difficulty procuring raw materials due to climate change and supply-chain disruptions Labor shortage

North American snack market growth



Source : Euromonitor International



Ryo Tsutsumi

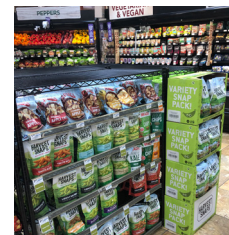
Executive Officer
Calbee Europe/
Americas Regional
President

Developing a global brand from Japan in North America

In North America, we are strengthening the distribution of products originating from Japan, focusing on *Harvest Snaps*, which are manufactured using the same technology as our Japanese *Sayaendo* products. *Harvest Snaps* have gained a certain level recognition as part of our “Better For You” snack category, not only for their delicious flavor, but also for using natural ingredients, for being gluten free, and for being a healthier alternative to traditional fried snacks. Leveraging this, we aim to further increase market share in the “Better For You” category by expanding the *Harvest Snaps* product line.

In addition, we are strengthening development of products originating from Japan, such as *Kappa Ebisen* and *Jagarico*, to meet the growing demand for Asian food products, especially among young people. Currently, these products are mainly sold in ethnic food sections stocked with Asian products, but we aim to expand distribution to the snack section of major U.S. supermarkets. To achieve this goal, we will develop products tailored to local tastes. To ensure a firm foundation to support product development, we will enhance our sales, marketing, and development structures.

In addition, to unify management structures, in April 2023, we merged three consolidated subsidiaries in North America. We will continue to streamline production and strengthen profit structures.



Harvest Snaps sold in the vegetable section of a supermarket

Overseas Business

Greater China

Business Outline

Thanks to inbound demand, Calbee products are widely recognized in China, and snacks and cereal foods are sold at retail stores and online. We import and sell products from Japan such as *Fruga*, *Jaga Pokkuru*, and *Jagabee*.

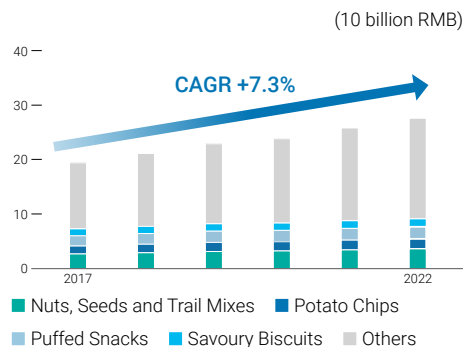
FY2023/3 Greater China Business Performance

Net sales	Operating profit
¥ 23.4 billion (YoY+19.5%)	¥ 0.93 billion

Business Environment

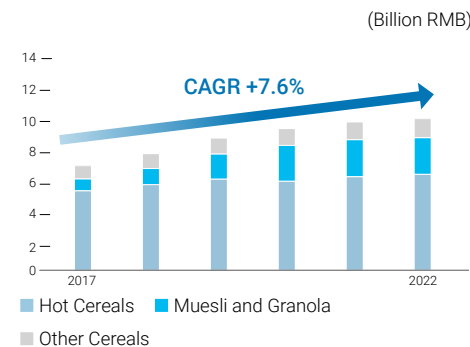
Opportunities	Risks
<ul style="list-style-type: none"> • High trust in Japanese brand names and quality • High growth rates in snack and cereal markets • Increased consumer spending due to rising income levels • Expansion of e-commerce 	<ul style="list-style-type: none"> • Rise of emerging companies • Supply chain disruptions due to geopolitical risks • Tightening business regulations • Risk of being imitated, risk of technology leaks • Soaring labor costs

Chinese snack market



The scope of the Chinese snack market changed in March 2022.
Source : Euromonitor International

Chinese cereals market (for retail store sales)



Teiichiro Morioka

Executive Officer
Calbee Asia-Oceania
Regional President

Leveraging recognition from inbound tourism to achieve brand penetration

In China, we will leverage recognition of the Calbee brand to expand as a global brand from Japan.

In the snack foods category, the demand of *Jaga Pokkuru* and *Jagabee* that has increased brand recognition by inbound is high. We intend to develop these brands by promoting value as Japanese potato sticks in China. In addition, we will supplement supplies from Japan and other Asian countries, and are also considering production solutions within China.

While *Fruga* boasts a high share in the RTE cereal (cold cereal) market, we plan to increase investment in communication and marketing to achieve the overwhelming top position. Furthermore, we will develop localized hot-cereal products more in line with consumers' typical eating habits.

China is a rapidly changing market, but it offers significant opportunities for growth, and we will prioritize building a business foundation for medium- to long-term growth.



Cereal product *Roasted Grain*



Jagabee display at a supermarket

New Business Areas

Business Outline

The Calbee Group has identified agribusiness and food and health as two additional focus areas in its new growth strategy and is exploring businesses with growth potential.

In agribusiness, we will leverage our expertise in the potato industry to advance our business as a natural ingredients platform provider, from the procurement of raw materials to product development and sales. One example of this is our sweet potato business.

In food and health, we recognize consumers are becoming more health conscious, but also that consumer preferences are diversifying. We aim to build an evidence-based comprehensive food solution platform that will serve as a new business model to contribute to healthy lifestyles. In addition to in-house development, we will actively pursue partnerships with external organizations and promising start-ups.

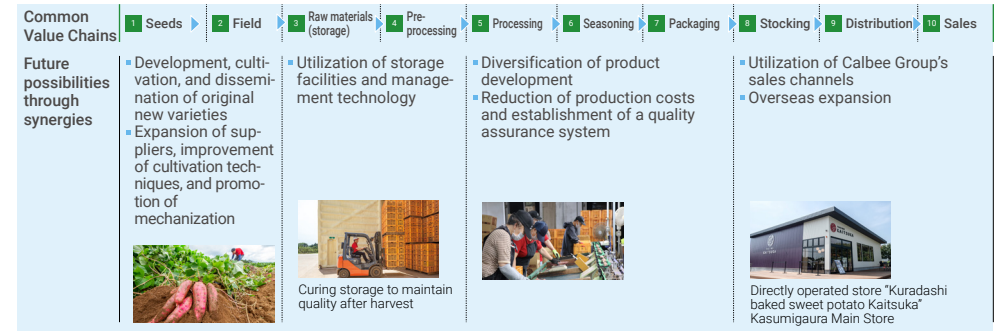
Sweet Potato Business

Calbee Kaitsuka Sweet Potato, Inc. started out as a sweet potato wholesaler, primarily selling to baked sweet potato vendors. Today, the company handles more sweet potatoes than any other domestic company and is expanding sales from Japan to the rest of the world. Mainly dealing with mass market retailers, the company sells its original brand of sweet potato, *Beni-Tenshi*, which is marketed as suitable for baking. In addition, the company has established a direct selling retail channel, positioning itself as a sweet potato specialty store with a storefront and mail-order service. The value chains for sweet potatoes and potatoes are nearly identical, and the Calbee Group aims to expand uniformly while leveraging the knowledge and network cultivated through its potato business.



Original sweet potato brand
Beni-Tenshi

Similarities between the value chains for potatoes and sweet potatoes



Food and Health Business

We will establish a platform that offers personalized food recommendations based on individual testing and diagnostic results, utilizes expert knowledge to incentivize consumers to stay with the service, and ultimately provides comprehensive food solutions not only based on our products. In April 2023, we launched a new D2C service called *Body Granola*, which allows customers to receive personalized granola recommendations based on test results of their intestinal environment.

Establish a comprehensive food solution platform

Understand customer needs
Personalize

+

Incentivize to stay with service
Combine digital capabilities with human touch

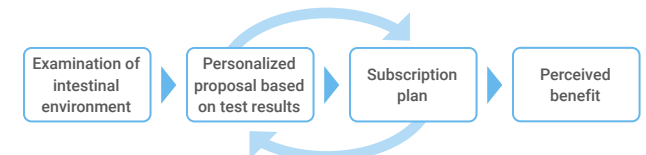
+

Expand options
Offer diverse solutions

Overview of *Body Granola* service



- D2C subscription service, customers have their intestinal flora tested and receive product suggestions based on test results
- Joint business with Metagen, Inc. (R&D support) and Cykinso, Inc. (intestinal flora examination / analysis)



Five Material Issues (Materiality)

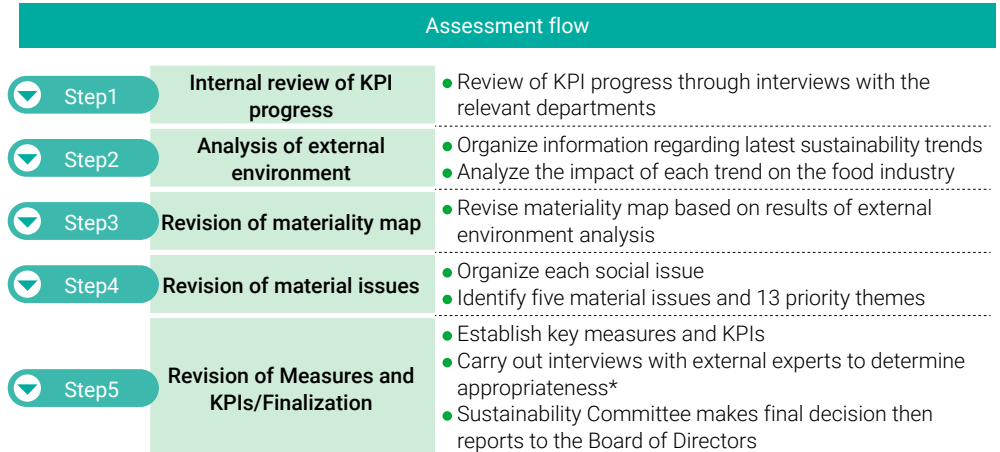
Of social issues facing the company, including the environment and human rights in the supply chain, the Calbee Group determines the materiality of issues that are pertinent to the continuation of business activities (material issues), and sets priority themes accordingly.

In 2022, we redefined the eight material issues outlined in 2020 to five material issues and thirteen priority themes. The additional priority themes are considered especially important as they reflect changes in the external environment, such as growing awareness of human rights issues, the proliferation of carbon neutrality declarations, and biodiversity concerns.

Five Material Issues (Materiality)

- | | |
|------------------------------------------------|-------------------------------------------------------------|
| ① Contribute to healthy and diverse lifestyles | ③ Co-create a sustainable supply chain |
| ② Progress of sustainable agriculture | ④ Caring for the earth |
| | ⑤ Promote active roles for all employees based on diversity |

Process to redefine material issues

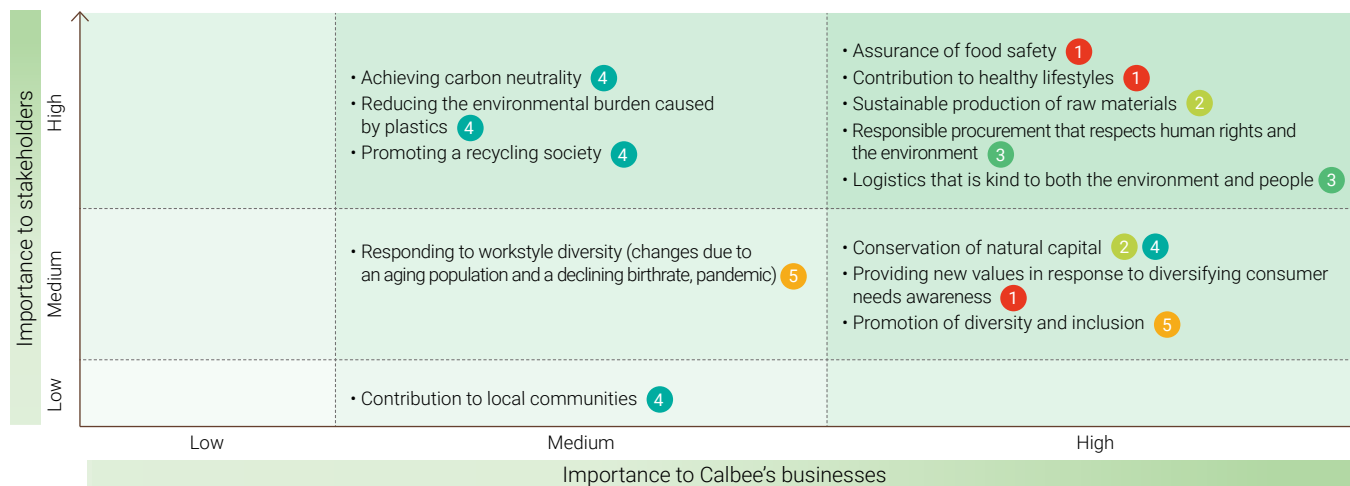


* We invited two outside experts to review our newly defined material issues. Mariko Kawaguchi, Specially Appointed Professor at Rikkyo University Graduate School of Social Design Studies, and Makiko Akabane, Japanese representative at CSR Asia, were kind enough to share their opinions.

▶ To read more about the interview, please refer to the following web page. It is scheduled to be released around November 2023.

📄 <https://www.calbee.co.jp/sustainability/en/materiality/identification.php>















Materiality map













Five Material Issues (Materiality)

Priority Themes and Major Measures

► For details regarding the Group's material issues, please refer to the following web page. <https://www.calbee.co.jp/sustainability/en/>

Materiality	Priority themes	Key measures aimed at reaching targets	Targets (KPIs)	Results for the fiscal year ended March 31, 2023	Correspondence with the SDGs
1 Contribute to healthy and diverse lifestyles ► Relevant information on P38	Assurance of food safety		FY2031/3 ■ Amount of salt-free/low-salt/reduced-salt products sold 200% (compared with FY2023/3)	—	
	Contribution to healthy lifestyles		■ Amount of protein-rich products sold 200% (compared with FY2023/3)	—	
	Providing new values in response to diversifying consumer needs	■ Expand salt-free/low-salt/reduced-salt products ■ Expand protein-rich products ■ Expand Calbee Snack School (food education) ■ Invigorate and promote factory tour	FY2024/3 ■ Food communications number of participants (5 years cumulative since April 2019) 400 thousand participants* * (equivalent to 4% of the national population of elementary school students in grades 3–6 over a five-year period)	(Baseline value set at actual results for the fiscal year ended March 31, 2023) ➡ 301,175 participants	  
2 Progress of sustainable agriculture ► Relevant information on P40	Sustainable production of raw materials	■ Promote scientific cultivation, develop new varieties, reduce agricultural labor, and disperse production areas to increase domestic potato yields ■ Perform soil analysis to determine appropriate fertilizer use	FY2028/3 ■ Use of low-phosphate fertilizer 80%	➡ 23.7% (FY2024/3)	  
	Conservation of natural capital				  
3 Co-create a sustainable supply chain ► Relevant information on P41	Responsible procurement that respects human rights and the environment	■ Improve work environments by increasing logistics efficiency ■ Reduce GHG emissions (Scope 3, categories 4 and 9)	—	—	 
	Logistics that is kind to both the environment and people				
4 Caring for the earth ► Relevant information on P42	Achieving carbon neutrality	Scope 1, 2 ■ Switch energy suppliers (renewable energy), energy-saving activities and on-site power generation at plants, etc. Scope 3 ■ Source of raw materials (change material of films and cases, change shape of cardboard boxes), transport of raw materials and product delivery increase efficiency etc.	FY2031/3 ■ Total greenhouse gas emissions 30% reduction (compared with FY2019/3)	➡ Total: 2.8% increase Scope1: 6.6% reduction Scope2: 61.1% reduction Scope3: 14.7% increase	  

Five Material Issues (Materiality) Priority Themes and Major Measures

Materiality	Priority themes	Key measures aimed at reaching targets	Targets (KPIs)	Results for the fiscal year ended March 31, 2023	Correspondence with the SDGs
4 Caring for the earth ▶ Relevant information on P42	Promoting a recycling society	Reduce product food losses Reduce water consumption Promote “3Rs”	FY2024/3 ■ Total product food loss 20% reduction (compared with FY2019/3) FY2031/3 ■ Total water consumption 10% reduction (compared with FY2019/3) FY2031/3 ■ Total waste generated 10% reduction (compared with FY2019/3)	➡ 75% increase ➡ 4% increase ➡ 1.9% increase	
	Reducing the environmental burden caused by plastics	Reduce petroleum-based plastic packaging Switch to alternative materials such as plant-derived and recycled materials	■ Use environmentally friendly materials FY2031/3 50% use FY2051/3 100% use	Reduce petroleum-based plastic packaging (40.4-ton reduction compared with FY2019/3)	    
	Conservation of natural capital	Implement a risk assessment according to the TNFD framework	—	—	
	Contribution to local communities	Participation of all employees in social contribution activities and expansion of activities in environmental domain (volunteer activities in forestry and support and participate in beach and river conservation activities, etc.)	—	—	
5 Promote active roles for all employees based on diversity ▶ Relevant information on P46	Responding to diverse workstyles		FY2024/3 ■ Ratio of women in management over 30% ■ Ratio of male employees taking childcare leave 100% ■ Ratio of employment of people who have disabilities 2.5%	➡ 23.3% ➡ 100% ➡ 2.65%	    
	Promotion of diversity and inclusion	Promote active roles for all employees Promote women's roles Promote active roles for minority groups			

1 Contribute to healthy and diverse lifestyles



Providing safe, secure products is our greatest responsibility. The Calbee Group is reinforcing its quality assurance system throughout its value chain, from production sites to customers, conducting thorough quality control checks and complying with international food safety standards. In addition, the Group meets the varied needs and lifestyles of customers by proposing health-conscious products, offering sustainable value through its products, and organizing various food communication efforts.

Assurance of food safety

Compliance for the safe procurement of raw materials

The Calbee Group is involved in the development and cultivation of natural ingredients that comprise the raw materials of many products, and consistently delivers high-quality products. Due to the effects of climate change, sourcing safe, quality raw materials has become an increasingly important process in the value chain in recent years. We comply with laws and regulations to ensure safety and not only standardize quality requirements of raw materials, but also conduct thorough on-site audits to confirm safety and quality.



On-site survey of raw materials

Enhancing quality management and inspections in the manufacturing process

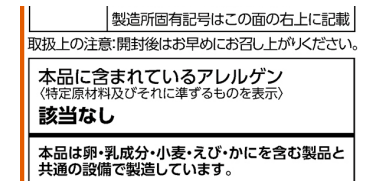
We have taken measures to prevent contamination by foreign matter, including the introduction of X-ray inspection equipment, metal detectors, and surveillance cameras at our manufacturing sites. To prevent mistakes on ingredient lists in our packaging processes, we have also installed an error prevention system that checks whether the product content matches its packaging.



Implementing product quality inspection

Addressing food allergies

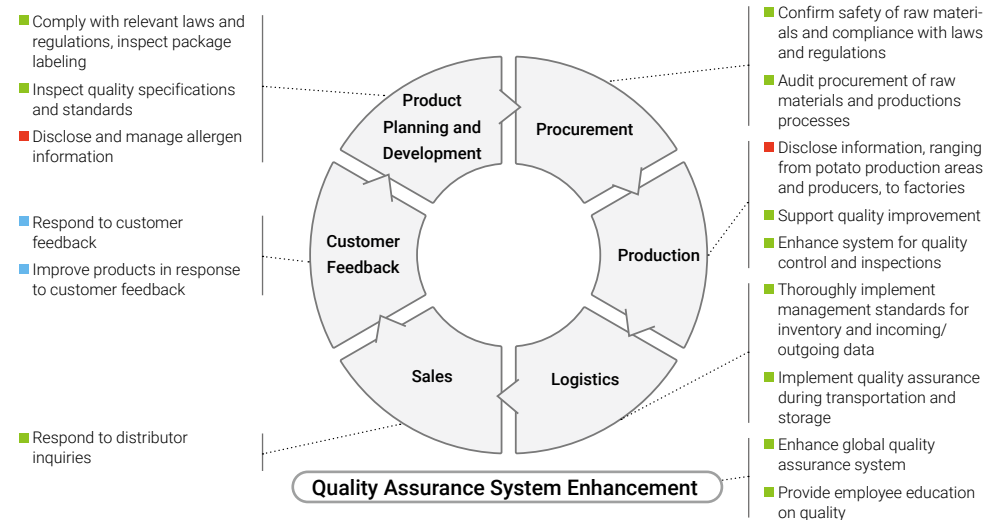
The matter of food allergies requires our full attention and a commensurate response. Factories are thoroughly sanitized to prevent allergen contamination. Allergen information is clearly indicated on product packaging under the ingredients list so it can be identified at a glance. Based on customer feedback, we also clearly denote when common allergens are not present within a product. Allergen information for some products is also posted on our website.



Allergen labeling

The quality assurance system that supports our value chain

■ Prevention of safety and quality incidents ■ Initiatives for monitoring security ■ Product improvements reflecting customer feedback



Five Material Issues (Materiality) 1 Contribute to healthy and diverse lifestyles

Contribution to healthy lifestyles

We have highlighted salt and protein as nutrients that need to be properly controlled, even as dietary habits diversify. We are investigating the optimal amount of salt in our main products while creating new products that maximize the original taste of their ingredients. In addition, the Calbee Group is working to strengthen and expand its line of products providing protein, a nutrient many diets lack, such as bean-based snacks like *Sayaendo*, *miino* (made with fried, whole beans), and used soy protein *Fruga Carbohydrate 30%OFF*.



Kappa Ebisen 35%
Less Salt
* Compared with
conventional Calbee
products



Fruga
Carbohydrate
30%OFF

Providing new values in response to diversifying consumer needs

Providing value with sustainable products

There is a growing interest and demand for products that consider social issues such as the environment and human rights. To communicate its environmental and human rights initiatives to customers in an easy-to-understand manner, the Calbee Group displays environmental labels such as the RSPO Label*¹ and Biomass Mark*² on applicable product packages, and the Forest certification mark on certified cardboard and paper packaging.



Ecolabels on packaging

*1 RSPO Label: The RSPO Label is an ecolabel that companies can use upon meeting the prescribed conditions set by the Roundtable on Sustainable Palm Oil (RSPO) for supply chains. It indicates the product contributes to the sustainable production of palm oil.

*2 Biomass Mark: An ecolabel awarded by the Japan Organics Recycling Association to products that utilize organic material (biomass) and whose quality and safety comply with certain laws, regulations, and standards.

Expansion of food communications

The Calbee Group sets forth its values and promotes dialogue, especially with children, the next generation of leaders, through “food communication,” sharing information on how to enjoy food, proper food knowledge, and the importance of a healthy global environment.

• Food educational activities

To date, a total of 790,000 people have participated in our Calbee Snack School, established in 2003 to focus on snacks habits, and our “Asa-Hello-Shiyo! School (Let’s make our own morning),” which was established in 2020 and focuses on breakfast habits.



• Factory tours

We currently offer tours at three of our domestic factories. Tours had been suspended due to the spread of COVID-19, resumed in May 2023. Now, we introduce our manufacturing processes virtually and on-site.



• Snacks Contest

Since 2011, Calbee has been organizing the Snacks Contest to gather new product ideas from children with the goal of teaching them the fun of development and manufacturing. The theme of the 12th contest (fiscal year ended March 31, 2023) was “Snacks that turn food you don’t like into your favorite.” The top two winning entries from the 818 that were submitted were recreated by R&D staff, and tasting party were held.



2

Progress of sustainable agriculture



Since its founding, the Calbee Group has been committed to the stable procurement of raw materials such as domestically grown potatoes, as well as to improving agricultural productivity and sustainability based on its corporate philosophy of “harnessing nature’s gifts”. In addition, we promote the conservation of natural capital closely related to agriculture.

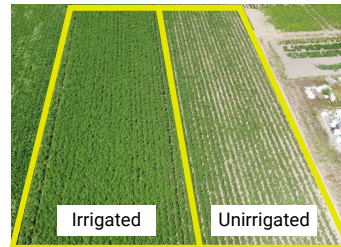
Sustainable production of raw materials

Promote scientific cultivation

The Calbee Group utilizes a platform linking information on producers, potato fields, cultivation, storage, and weather to advance science-based procurement of raw materials via potato cultivation technology. One example undergoing verification trials, which we hope will lead to increased domestic potato yields, is a smartphone application that helps maintain the ideal soil moisture to maximize growth by offering producers suggested irrigation times based on data provided by soil moisture meters installed in potato fields. We intend to promote science-based cultivation by expanding the use of this platform to crops other than potatoes.



Soil moisture meter installed in a potato field



Comparison of irrigated and unirrigated land as optimized by a soil moisture meter

Development of new potato varieties**that are highly resistant to disease and adaptable to climate change**

The Calbee Group collaborates with research institutes in Japan and overseas to develop heat-tolerant, late-maturing, and disease-resistant potato varieties. In 2017, Calbee registered *Poroshiri*, an original potato variety with increased resistance to pests and diseases, which is expected to increase yield. We will continue to promote the development and cultivation of Calbee’s original potato varieties.

Disperse production areas

The damage caused by heavy rains, typhoons, and droughts as a result of climate change is becoming more severe every year. The Calbee Group is decentralizing its

production areas to mitigate the risks of climate change on procurement, dispersing production areas within Hokkaido and expanding to new areas in Tohoku, northern Kyushu and other regions of Japan.

Reduce agricultural labor

Potato cultivation is highly labor intensive, and as the number of farming households shrinks and the amount of farmland per household expands, shortage of labor is an increasingly pressing issue. The Calbee Group works to help shoulder the burden of cultivation and harvesting to reduce agricultural labor and expand acreage. One of our initiatives includes promoting the use of two-row harvester machines, which reduce labor time and workload by harvesting two rows at the same time.



Two-row harvesters capable of harvesting two planted furrows simultaneously.

Conservation of natural capital

Appropriate fertilization based on soil analysis

The Calbee Group, in cooperation with contract farmers, is experimenting with fertilizer application to reduce environmental impact and preserve natural capital.

Fertilizer is essential to increasing potato yields and three main components are needed for crop growth: nitrogen, phosphoric acid, and potassium. The Calbee Group works with producers to promote optimal fertilizer use, performing soil analyses on each field and proposing appropriate fertilizer application by soil type and condition. If there is enough phosphoric acid in the soil, fertilizer is reduced as the soil environment is already conducive to crop growth, but if it is lacking, fertilizer is increased.

Five Material Issues (Materiality)

3 Co-create a sustainable supply chain

The Calbee Group delivers products to customers via a supply chain that extends from the procurement of raw materials to production, logistics and sales. We aim to ensure sustainable raw material procurement and logistics by co-creating with our stakeholders, responding to risks appropriately, and contributing to improved productivity within the supply chain.

Responsible procurement that respects human rights and the environment

Establishing a procurement policy and engaging with the supply chain

Among the business activities in the Calbee Group's value chain, ensuring sustainable procurement is one of the most important. In April 2022, we revised the Calbee Group Procurement Policy to clarify our commitment to working with business partners to respect human rights and conserve and protect the environment. In addition, in 2022, we evaluated 53 major suppliers using CSR Procurement Self-Assessment Questionnaire and Calbee's own assessment questionnaire as per our understanding of "A Vision of Desirable CSR Activity in the Supply Chain,"*1 and launched initiatives to exchange information on CSR and the environment. While there are many challenges facing a sustainable supply chain, Calbee is committed firstly to formulating policies that tackle human rights issues. In the medium to long term, we will expand our activities to include environmental issues, such as initiatives to reduce GHG emissions that incorporate conservation and protection of the environment.

Contents of Calbee Group Procurement Policy

- I. Compliance with Laws and Regulations and Social Conventions and Pursuit of Fair Business Activities
- II. Respect for Human Rights
- III. Environmental Conservation and Protection
- IV. Ensuring Quality and Safety
- V. Living in Harmony and Co-creation with Society

*1 A proposal by the Global Compact Network Japan (GCNJ)

Use of certified palm oil

The Calbee Group aims to use 100% certified palm oil produced with consideration for the environment and human rights by 2030. In April 2022, it introduced purchasing certified palm oil through the Mass Balance system at all domestic factories. In September 2022, it displayed the RSPO Label on six of its products across four

categories, and as of July 2023 displays the logo on sixteen products, with the goal of expanding to others.

For sustainable procurement, it is imperative to collaborate with suppliers. In 2022, we concluded an agreement with palm oil supplier Fuji Oil Holdings Inc., and regularly exchange information such as oil mill lists, the status of landscape approach initiatives*2 in countries where palm oil is produced, and efforts to monitor forests. From 2023, we will expand to other palm-oil suppliers and continue to strengthen our engagement initiatives with all suppliers to address relevant social issues in the procurement process.

*2 Landscape approach: A regional management approach that includes collaboration among stakeholders within a landscape (natural ecosystem).

Logistics that is kind to both the environment and people

To address a variety of social issues in the logistics sector, such as the need to improve work environments and manage driver shortages, the Calbee Group has been installing unmanned forklifts and automated storage warehouses at its factories and has achieved fully automated warehouses at a number of factories already, contributing to a reduction in driver waiting time.



Unmanned forklift trucks (Kyoto Plant)

In Japan, the movement to improve the work environment in the logistics industry is called "white logistics," in contrast with so-called "black logistics" where work conditions are harmful to employees. The Calbee Group supports this movement and is developing a white-logistics promotion campaign in cooperation with our suppliers, communicating on how to work together to resolve issues such as improving waiting time at delivery sites, reviewing ancillary tasks, and extending delivery lead times to improve the work environment at distribution sites.

Five Material Issues (Materiality)

4 Caring for the earth



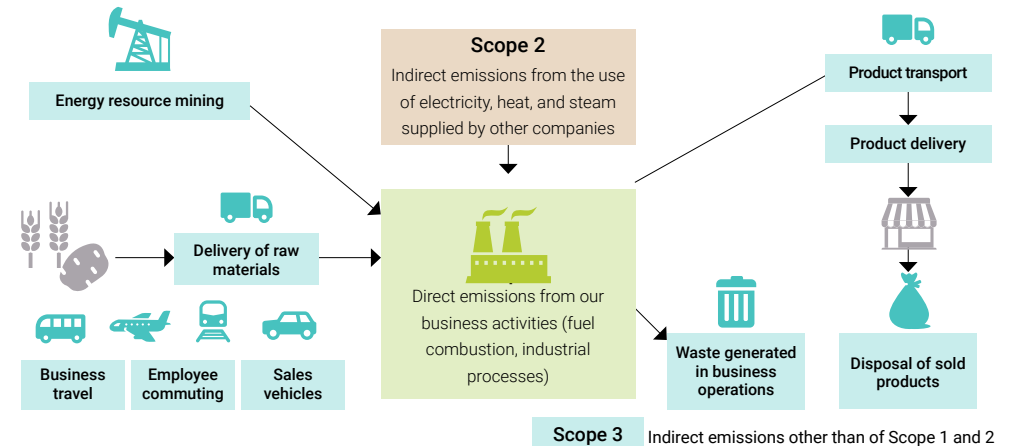
The Calbee Group's business activities are supported by the natural capital nurtured by the Earth. We are committed to achieving a sustainable global environment by maintaining a rich natural environment, pursuing countermeasures against climate change caused by global warming, and conserving forests, oceans, rivers, and other natural resources.

Achieving carbon neutrality

The Calbee Group is striving to cut GHG emissions and has adopted the target of a 30% reduction by 2030, compared with the fiscal year ended March 31, 2019. Additionally, we are aiming to achieve effective net-zero emissions in Scope 1 and Scope 2 by 2050. To accomplish this, we have been transitioning to emissions-free electricity derived from renewable energy sources, such as hydropower and solar power. Not only have we been purchasing carbon-offset electricity utilizing the J-Credit Scheme^{*1}, but also electricity via conventional non-fossil fuel energy certificates^{*2}.

Initiatives aimed at reducing GHG emissions under Scope 3 require not only careful consideration by Calbee, but also collaboration with all companies involved in the supply chain. In the fiscal year ended March 31, 2022, Calbee conducted self-assessments at each of its suppliers to strengthen engagement. Based on the questionnaire responses, we will consider what can be done to provide support and improve collaboration to reduce GHG emissions. Specifically, we are promoting changes to modes of transportation with a low environmental load (modal shift), loading methods, and order as well as changes to placement to increase efficiency.

In addition, to ensure our CO₂ emission reduction initiatives in the procurement process, mainly for raw materials, were reflected in the calculation of Scope 3 emissions category 1^{*3}, we changed to the Inventory Database for Environmental Analysis^{*4} (IDEA, Version 3.2) to collect unit data. Furthermore, in 2022, we participated in a project aimed at large corporations to promote the decarbonization of supply chains, endorsed by the Ministry of the Environment, to advance our efforts.



• Visualizing GHG emissions from potatoes

Potatoes are used as the main raw material for many Calbee products, and we are working on a way to visualize GHG emissions from potatoes. To form a clear picture that can help us reduce GHG emissions in the future, we are investigating emission sources in the potato cultivation process, from pre-planting preparation to harvesting, paying close attention to the fertilizers, pesticides, materials and fuels used.

^{*1} J-Credit Scheme: A system under which the Japanese government certifies the amount of CO₂ and other emission reductions achieved through the use of renewable energy as credits.

^{*2} A system in which certificates for the environmental value of electricity generated from non-fossil energy sources such as petroleum and coal are issued.

^{*3} Scope 3 emissions category 1: Indicator of indirect emissions mainly from procurement of raw materials

^{*4} The Inventory Database for Environmental Analysis. A database jointly developed by a public R&D organization called the National Institute of Advanced Industrial Science and Technology that can be used to quantify the CO₂ emissions and environmental footprint of products manufactured in Japan and many Japanese services.

Five Material Issues (Materiality) **4** Caring for the earth

Promoting a recycling society

To promote a circular society, the Calbee Group is advancing initiatives to reduce product food loss, water consumption, and waste. To reduce product food loss, caused by raw ingredients and product defects during the production process, inspecting and improving equipment and operations that cause problems, and introduce equipment to prevent contamination by foreign matter. To reduce water consumption, we aim to optimize it and recycle water by measuring water used and recycling treated wastewater. To reduce waste, we will continue to promote the improvement of products and packaging, conversion of waste into usable materials, and reduction the volume of waste generated through activities such as separating waste collection, curbing waste generation, and converting residues into animal feed.



Utilizing dried potato peels for pig and livestock feed

Reducing the environmental burden caused by plastics

In 1983, the Calbee Group developed a multilayer aluminum-metalized film to stop the quality of products that use oils and fats deteriorating and introduced it in our product packaging. Since then, we have focused on making various improvements to maintain high product quality while reducing the amount of plastic used by decreasing the thickness and size of our packaging. We set a medium- to long-term goal to use 50% environmentally friendly materials by 2030 and 100% environmentally friendly materials by 2050 and have been working to reduce the use of petroleum-derived plastic packaging. As an example of our efforts, we have adopted biomass PET*5 in some packaging materials for standing pouch packaging products and are promoting the transition to biomass ink instead of regular printing ink.



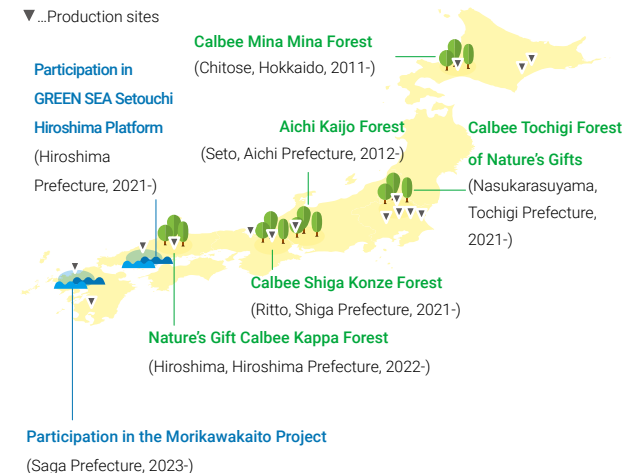
miino product that makes use of biomass PET as its packaging

Conservation of natural capital

The Calbee Group is working toward the targets based on the Convention on Biological Diversity, and to address risks and create opportunities. On reviewing our material issues, we recognized the growing importance of natural capital, and set "Conservation natural capital (biodiversity)" as a new priority theme. To promote biodiversity-related information disclosure, we will use the framework provided by the Taskforce on Nature-related Financial Disclosures (TNFD).

Contribution to local communities

We are working to preserve and improve groundwater recharge systems through forestation activities and to reduce marine plastic waste in these areas around our factories. Forest development activities are conducted by Calbee employees, providing an opportunity to consider nature's gifts in a new light and think about responsible water use.



*5 Biomass PET: A type of PET resin in which a portion of petroleum-derived plastic is replaced with plant-derived raw materials, with the aim of reducing environmental impact.

Disclosure Based on the TCFD Framework



The Calbee Group recognizes the impact climate change has on sustainable business growth as an important issue. Therefore the Group conducts a scenario analysis in line with the recommendations put forth by the Task Force on Climate-Related Financial Disclosures (TCFD) and is moving forward with initiatives according to the following framework.

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.



Indicators and targets

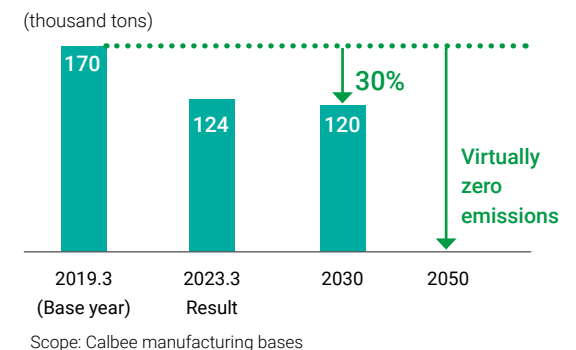
Indicators

To limit greenhouse gas emissions, we have set a goal to reduce emissions 30% by 2030 compared with levels in the fiscal year ended March 31, 2019. 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 (four 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)

Targets for Greenhouse Gas Emissions



Five Material Issues (Materiality) **4** Caring for the earth

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 4°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 key materials 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.

Risks and Opportunities Based on Climate Change Scenarios

Classification	Risk	Impact on Business	Degree of Impact*1	Period*2	Risk Countermeasures	Opportunities
Transition Risks	Increase in carbon pricing	The introduction of a carbon tax will increase the cost of factory operations and raw materials	Low	Medium Term	<ul style="list-style-type: none"> ▶ Utilize renewable energy ▶ Utilize methanation (the process of producing methane gas from hydrogen and carbon dioxide and converting it to fuel) ▶ Make efforts to develop environmentally friendly products and acquire product certifications ▶ Promote recycling ▶ Switch to non-petroleum derived plastics 	<ul style="list-style-type: none"> ● Development of products to address ethical consumption ● Conversion to packages that utilize environmentally friendly materials ● Development of and conversion to potato varieties that can respond to climate change
	Changes in customer behavior due to increasing environmental awareness	Climate change will increase consumption of environmentally friendly products	Medium	Medium Term		
	Regulations on petroleum-derived plastics	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	Medium	Medium Term		
Physical Risks	Impact of rising average temperatures on the cultivation of raw materials	Rising temperatures will reduce the relative weight of potatoes	Low	Medium Term	<ul style="list-style-type: none"> ▶ Develop and convert to new potato varieties ▶ Establish new cultivation techniques ▶ Decentralize production areas ▶ Secure import routes for potatoes produced overseas 	<ul style="list-style-type: none"> ● Utilization of agricultural labor-saving techniques to ensure and expand the procurement of raw materials ● Discovery of sustainable raw materials and development of products that utilize them ● Development of foods with a long shelf life
	Changing precipitation and weather patterns	Changing precipitation and weather patterns will reduce the number of hours of sunlight, resulting in poor potato growth and lower yields	High	Medium Term		
	Increased frequency of abnormal weather (Heavy rains, typhoons, flooding, etc.)	Violent weather will cause damage to potato fields during harvest season, damage to factories, and halt distribution, which will result in lower procurement, production, and supply	High	Short term		

*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

5 Promote active roles for all employees based on diversity

Human resources help the Calbee Group sustain its competitive advantage and are the source of corporate value creation. We recognize the importance of securing and continuously developing human resources, and are implementing various initiatives to achieve this. In addition, we strive to improve the internal work environment and foster a corporate culture that allows diverse employees, regardless of gender, attributes, or personal values, to work efficiently, productively, and independently, in good health and with peace of mind.

Human Resource Development Strategy (Human Resource Vision)

As a business foundation for accomplishing its 2030 vision, the Calbee Group aims to have all employees take an active role in the company. The basis of this goal is an equal relationship between the company and employees who are connected through mutual interests. To this end, the company communicates the meaning and value of work tasks to each employee and supports their development by providing opportunities to take on new challenges. Furthermore, we will continue to invest in human resources that can help forge the future of the Calbee Group, based on our three strategies for human resource development.



Three strategies for human resource development

1. Enhance the development of managers, employees who can work anywhere in the world, and digital natives.

We will strengthen the development of human resources capable of leading the Calbee Group by emphasizing the dual pillars of off-the-job training and challenging assignments.

2. Support each employee's individual growth and career independence

By providing employees with the opportunity to challenge themselves, we support growth, offer them the chance to gain insights they would not ordinarily be exposed to, and help them broaden their horizons, thereby encouraging all employees to develop their careers independently and proactively.

3. Foster a corporate culture of mutual growth

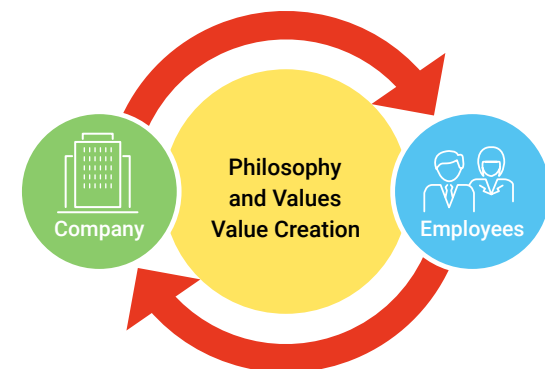
To encourage value creation, we will cultivate a corporate culture where employees feel psychologically safe enough to share opinions regardless of their position within the company and freely demonstrate their strengths. We also support managers with training responsibilities to improve their ability to facilitate employee and organizational development.

Active roles for all employees



Company and employees connect through mutual interest

Share understanding and expectations of work
Provide opportunities and support growth



Continued mutual growth and contribution
Find meaning and significance in work

Five Material Issues (Materiality) **5** Promote active roles for all employees based on diversity

Responding to diverse workstyles, and promotion of diversity and innovation

To promote active roles for all employees, we have identified seven themes related to our organization and employees, and are endorsing efforts to achieve the goals set under each theme.

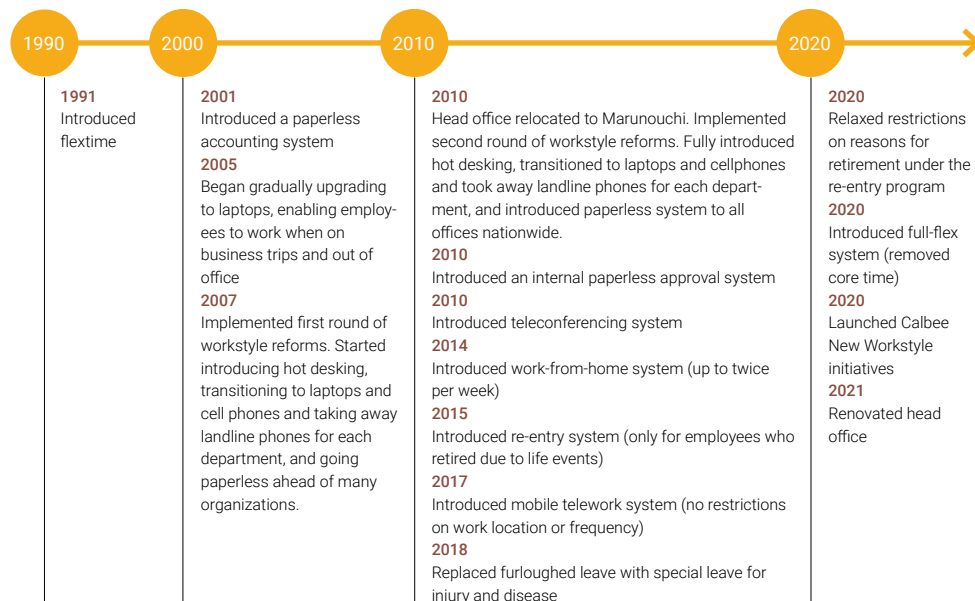
Seven themes to be addressed	Goal (actual results for the fiscal year ended March 31, 2023 in parentheses)	Important initiatives
Theme 1 Creating a workplace culture that welcomes people with diverse values and backgrounds	<ul style="list-style-type: none"> ◆ Ratio of women in management over 30% (23.3%) ◆ Ratio of male employees taking childcare leave 100% (100%) ◆ Ratio of employees with disabilities 2.5% (2.65%) 	<ul style="list-style-type: none"> • Implementing Leadership Training Program for Women • Introducing of Calbee New Workstyle • Expand the work regions of special subsidiaries
Theme 2 Planning succession for managers, who are the key to sustainable growth	<ul style="list-style-type: none"> ◆ Enhanced candidate pool for key strategic positions 	<ul style="list-style-type: none"> • Establishing a company-wide human resources development committee, and constructing a cycle of selection, training, and evaluation • Facilitating external assessments and implementing coaching for managers • Enroll employees in external training (MBA, MOT, etc.) • Implement Calbee Next Leader Program
Theme 3 Securing employees who can help implement global strategies	<ul style="list-style-type: none"> ◆ Enrichment of employees willing to contribute on a global scale 	<ul style="list-style-type: none"> • Establishing global talent management (recruitment, placement, development, and evaluation) • Implement global programs for junior / mid-level staff and roundtable discussions with subsidiaries • Promote global exchange, including overseas training, for staff
Theme 4 Securing digitally literate employees who can create new value and increase productivity	<ul style="list-style-type: none"> ◆ Increased enrollment in digital literacy programs 	<ul style="list-style-type: none"> • Implementing practical digital literacy programs focusing on data utilization • Raising awareness by holding internal digital transformation (DX) conferences
Theme 5 Securing independent employees who are willing to learn, develop their careers, and contribute to the company	<ul style="list-style-type: none"> ◆ Promoting career autonomy • Membership survey: improvement in scores on items related to career autonomy • Increased number of participants in elective programs 	<ul style="list-style-type: none"> • Introducing Career Exploration Notes and encouraging dialogue between employees and managers regarding their careers • Implement age-specific career design programs and coordinate with career counselors • Remove restrictions on having side jobs and share diverse experiences through the Cal-Bit Worker System • Expanding in-house recruitment and public recruitment programs
Theme 6 Creating a work environment where employees feel safe	<ul style="list-style-type: none"> ◆ Helping employees feel safe Membership survey: improvement in scores on items related to feelings of safety 	<ul style="list-style-type: none"> • Holding workshops on psychological safety aimed at managers • Promote one-on-one meetings
Theme 7 Promoting a healthy body and mind	<ul style="list-style-type: none"> ◆ Frequency rate of worker's compensation claims (2.70) ◆ Average ratio of paid leave taken by employees (80.0%) ◆ Actual number of hours worked per person per year (1,794hrs/person) ◆ Ratio of participation in comprehensive medical checkup (100%) 	<ul style="list-style-type: none"> • Conducting safety awareness campaigns and factory inspections by management • Educating employees on safe driving and assessing driving aptitude • Encourage medical checkups, physical examinations, and secondary checkups • Establishing an early-response system for employees who are ill or who return to work after leave, implementing interviews with medical professionals

Five Material Issues (Materiality) 5 Promote active roles for all employees based on diversity

TOPIC

A corporate culture that allows employees with diverse values and backgrounds to thrive: Calbee New Workstyle

Calbee launched Calbee New Workstyle for office staff in 2020. The company respects the diverse lifestyles employees lead, empowering them to choose the location and hours of their work according to their objectives. Along with supporting flexible workstyles, we also seek to raise the speed and quality of work while continuously producing results and creating value. To accomplish this, it is essential to facilitate positive employee attitudes and behaviors and review conventional work procedures and communication flows. We are thus utilizing more and better IT tools and organizing learning opportunities to boost IT skills and literacy. In addition, we are fostering a work culture conducive to higher productivity by sharing case examples of efforts by workplaces and individuals.



Challenges and Improvements Seen in Membership Survey

We introduced the Calbee Group Membership Survey in the fiscal year ended March 31, 2019, with the aim of visualizing the status and mindset of our employees and increasing engagement. We believe this survey is important as it objectively illustrates whether Calbee employees feel their work is meaningful and provides a sense of self-fulfillment.

The survey results for the fiscal year ended March 31, 2023, more in line with the score recorded in the fiscal year ended March 31, 2021.

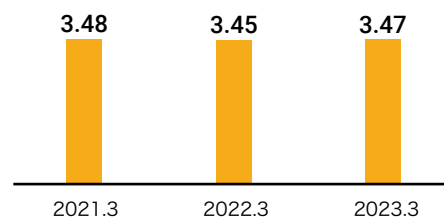
Scores for four of the six core items improved from the previous survey, with “provide opportunities for growth through work” showing significant improvement. Although scores for “motivate employees to contribute beyond their assigned roles” and “pride as a Calbee employee” showed signs of recovery, they remained low due in part to the rapid changes in the work environment caused by the COVID-19 pandemic, and more attention should be paid to these items.

The survey results were shared at an in-house workshop, where participants not only discussed the changes in scores from previous years, but also explored issues potentially impacting scores through dialogue and formulated action plans to build a better organization.

Six core items measured in the membership survey

- 1 Provide opportunities for growth through work
- 2 Motivate employees to contribute beyond their assigned roles
- 3 Confidence in the company, superiors, and colleagues
- 4 Willingness to contribute to the company's growth
- 5 Willingness to continue working at Calbee
- 6 Pride as a Calbee employee

Overall Membership Survey Score



Employees with Active Roles

FY2022/3

41%

Percentage of employees who answered “high” to the following:
Do you intend to do your best to contribute to the Calbee Group's growth?
Are you able to fully demonstrate your strengths and abilities in your current role?



SECTION

3

Corporate Governance

Messages from Outside Directors



**Expectations for Next
Stage of Growth under
New Team Spearheaded
by CEO Ehara**

Yuzaburo Mogi

Outside Director
Honorary CEO and Chairman
of the Board of Kikkoman
Corporation

I feel Calbee's growth and profitability have both stagnated in recent years, a major company-wide problem. My hope is that the new executive team, led by newly appointed CEO Ehara, will return sales and profits to a growth trajectory and move toward realizing the 2030 vision. Meanwhile, I recognize the role of outside directors is to check whether the executive divisions are functioning adequately and to provide advice where necessary. As an outside director, I fully intend to fulfill this role.



**Contributing to Sustainable
Growth from Diverse
Perspectives**

Atsuko Fukushima

Outside Director
Journalist

I believe the role of an outside director is to supervise management from an independent and objective position and to use knowledge and experience to help reflect diverse perspectives in managerial decision-making. I have been in journalism for many years, covering companies in a wide variety of industries, and various social issues. Using my experiential knowledge in not only financial growth, but also the ESGs, I would like to help build good relationships with all stakeholders and help Calbee achieve sustainable growth.. I will do my utmost to ensure the new growth strategy is carried out so that Calbee can become more active on a global scale, offering its high-added-value products that harness the power of nature from Japan to the world.



**Supporting Global Growth
of the Calbee Group**

Yoshihiko Miyauchi

Outside Director
Senior Chairman of ORIX
Corporation

Calbee has formulated new management goals for 2030, and has already begun to work toward them. The Calbee Group has strong brand recognition and sales capabilities in Japan, and I greatly look forward to seeing how it leverages these strengths overseas. The independent directors will be responsible for determining whether the goals of the executive team are reasonable, for monitoring their progress, and, if necessary, offering advice to help achieve said goals. The new leadership team is working diligently and we are proud to assist them in this journey toward growth. We are committed to achieving results, while keeping stakeholders, including shareholders, in mind.

Corporate Governance



**Understanding
New Demands to Create
the Future of Food**

Wern Yuen Tan

Outside Director
CEO, Asia Pacific Australia & New
Zealand and China, PepsiCo, Inc.

Now that the spread of COVID-19 is under control and Calbee has established a new leadership team headed by CEO Ehara, the Group can make significant progress toward its 2030 vision. The Japanese food market has maintained its appeal, with ample opportunities for growth, and the growing global demand for high-quality food products represents a tremendous opportunity. On the other hand, the Group's management resources are finite, and it is more important than ever to make careful choices regarding how to develop business globally. I look forward to supporting Calbee's transformation at this critical juncture as an outside director.



**Contributing to Implement
the Group's Corporate
Philosophy and Maximum
Shareholder Value**

Hatsunori Kiriya

Outside Director
CEO of forGL, Inc.

Calbee has begun working toward its 2030 vision, "Next Calbee & Beyond", and I am honored to join the Board of Directors at this important time. Calbee's corporate philosophy should be implemented not only for people in Japan, but also across Asia and the rest of the world. As an outside director, I will engage in constructive discussions with the members of the Board and executive management team. In addition, I aim to contribute to implementing the corporate philosophy and maximizing shareholder value by focusing on strengthening management strategies and governance systems for sustainable growth. Finally, based on my management experience and practical know-how, I hope to provide advice on global business and organizational management as needed.

Corporate Governance

Basic policy on corporate governance

The Calbee Group has a vision of earning the respect, admiration and love, firstly of customers, suppliers, and distributors, secondly of employees and their families, thirdly of the community, and finally of stockholders. We believe management that prioritizes customers and business partners will maximize profits for our shareholders. Furthermore, we believe enhancing corporate governance is crucial to live up to the trust and expectations of all stakeholders, and increase corporate value, and, based on this, we intend to increase management transparency 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/management/governance/>

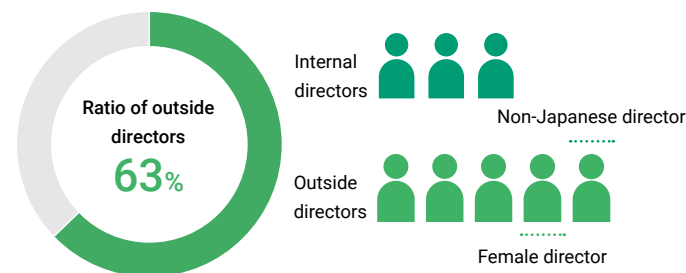
Corporate governance system

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.

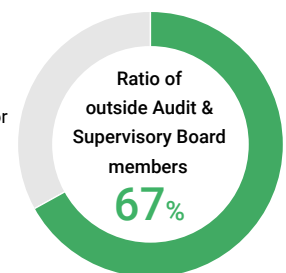
Transition of corporate governance system enhancement

	Purpose	Measures taken
2001	Separation of supervision and business execution	<ul style="list-style-type: none"> Adopted an executive officer system Appointed outside directors
2009	Enhancement of supervisory and monitoring functions Promotion of diversity of the Board of Directors	<ul style="list-style-type: none"> Reduced the number of internal directors from nine to two Increased the number of outside directors from two to five Appointed the first non-Japanese director
2010	Enhancement of management transparency and soundness	<ul style="list-style-type: none"> Established the Advisory Board (currently the Nominating Committee / Compensation Committee)
2014	Clarification of management responsibility	<ul style="list-style-type: none"> Reduced director terms from two years to one year
2019	Strengthening of management structure	<ul style="list-style-type: none"> Increased the number of internal directors by two; the Board of Directors increased from six to eight
	Clarification of the function of committees	<ul style="list-style-type: none"> Changed the Advisory Board into the Nominating Committee / Compensation Committee, chaired by an outside director

Number of directors 8

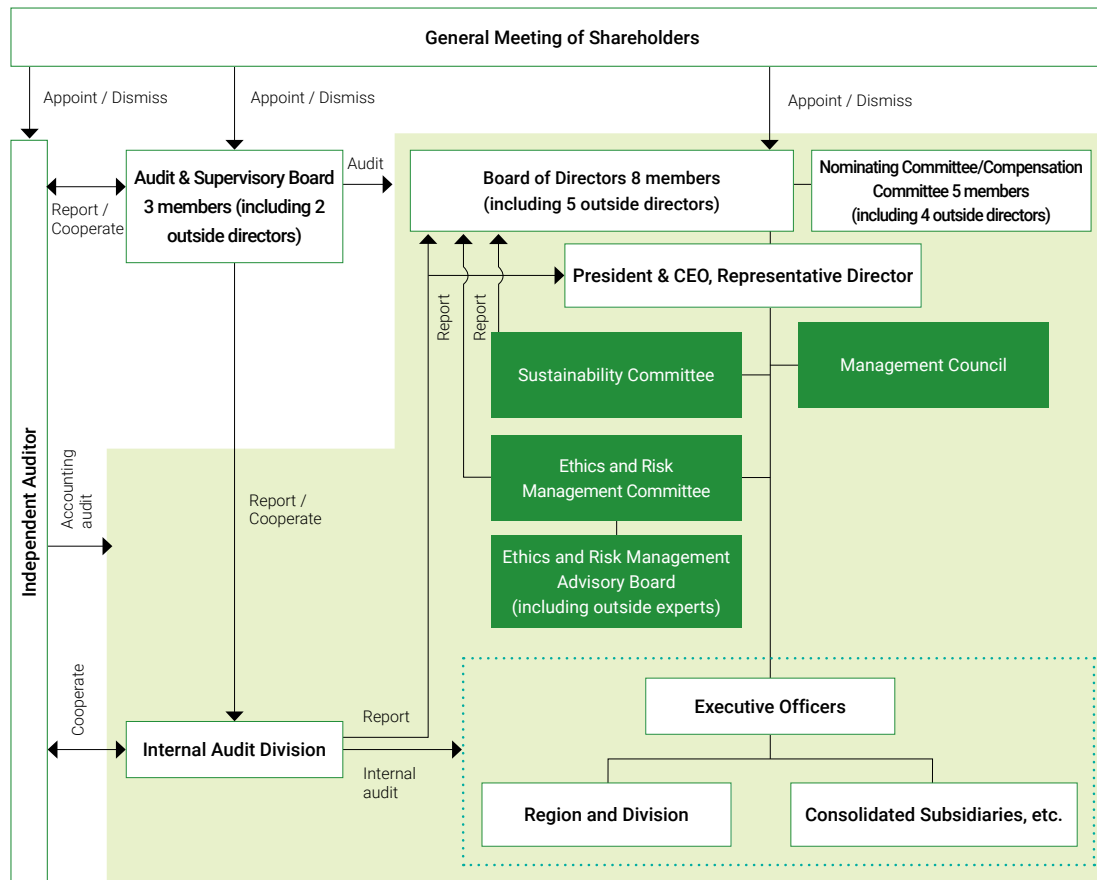


Number of Audit & Supervisory Board members 3



Corporate Governance

Organization of corporate governance



• 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 Audit & Supervisory Board members (including 2 outside Audit & Supervisory Board members). The Board ensures independence and oversees audit management.

• Management Council

The Management Council is chaired by president and CEO, and meets at least once a month, in principle. The 10 regular members comprise nine executive officers and the general manager of the Corporate Planning Headquarters. The council verifies the current status of, and issues facing, business administration and discusses important matters.

• Sustainability Committee

The Sustainability Committee is overseen by president and CEO, and meets twice a year, in principle. The committee determines the Calbee Group's materiality, discusses and reviews the road map for addressing priority themes promoted by the subcommittees, and reviews their status of progress.

• Ethics and Risk Management Committee

The Ethics and Risk Management Committee is chaired by president and 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, then makes proposals to the representative director, president and CEO and the Ethics and Risk Management Committee.

Enhancing the effectiveness of the Board of Directors

Evaluation of the effectiveness of the Board of Directors

Calbee conducts an annual assessment to evaluate the effectiveness of its Board of Directors. Directors fill out a questionnaire and are interviewed individually to determine whether they are making decisions that lead to increased corporate value from the shareholders' perspective at a Board meeting, and fulfilling the supervisory function over executive divisions from an independent standpoint. Results are then analyzed to improve the Boards' supervisory functions.

Method to evaluate effectiveness

In evaluating the effectiveness of the Board of Directors for the fiscal year ended March 31, 2023, questionnaires were issued to all directors and Audit & Supervisory Board members by a third-party organization. These questionnaires involved a three-level quantitative evaluation and open response columns. To better understand the responses, individual meetings were held with all directors.

► Questionnaire subjects

1. Composition of the Board of Directors (structure, number of members, expertise, diversity)
2. Processes of the Board of Directors (quality and quantity of reports, deliberation time, etc.)
3. Agenda of the Board of Directors (content of items on the agenda and validity of discussions)
4. Others (effectiveness of the Nominating Committee/Compensation Committee, etc.)

Results of effectiveness evaluation

The evaluation conducted in the fiscal year ended March 31, 2023, found that the Board of Directors was sufficiently effective.

Results

Qualitative
evaluation

• Composition of the Board of Directors:

The board is balanced in terms of skills, expertise, and diversity, ensuring a variety of careers and practical experience.

• Processes of the Board of Directors:

While remote meetings serve their purpose, we wish to reinvigorate discussions by offering a hybrid meeting format or meeting outside the board meeting creating alternative ways to share opinions.

• Agenda of the Board of Directors:

The agenda has been reorganized and there has been more discussion on medium- and long-term strategies, but we hope for further adjustment. More information needs to be made available, e.g., information on the decision-making process within the executive divisions.

• Others:

The Nominating Committee led a lively discussion about management structure and other issues. Further discussion about Succession plan will be needed going forward.

Initiatives based on issues identified for the fiscal year ended March 31, 2023

The Board of Directors held discussions on important matters such as management policies and investment projects. In addition, it reported on the status of medium- and long-term strategies in Japan and overseas, as well as issues related to the foundation of management, including sustainability, and considered and discussed ways to strengthen management's supervisory function. Specific matters are presented below.

- Medium-term growth strategy based on the company's medium- to long-term goals
- R&D and investments in new business areas and significant capital investments in domestic core businesses
- Progress of business strategies and post-merger integration (PMI), with a focus on priority overseas regions
- Shareholder return policies such as share buybacks and dividends, capital policy and financial planning
- Appointment of executive officers and other important personnel in addition to candidates for directors and Audit & Supervisory Board members based on the deliberations of the Nominating Committee
- Progress on key issues and priority themes in Sustainability Management

Corporate Governance

Future initiatives by the Board of Directors

In the fiscal year ending March 31, 2024, initiatives will be advanced based on the following three priority themes to drive ongoing improvements in the effectiveness of the Board.

- Ongoing review of the board's composition with emphasis on independence and diversity:
To ensure a more effective and independent Board, we will continue to examine and discuss the expertise required of members and the level of diversity.
- Enhancing discussions on medium- to long-term growth strategies:
We will escalate discussions on medium- and long-term growth, focusing on the progress and challenges of the *Change 2025* plan starting from the fiscal year ending March 31, 2024.
- Clarifying the roles and bolstering the activities of the Nominating and Compensation Committees:
We will determine the authority of the Nominating and Compensation Committees in the regulations and continue to review the policy for succession plans and for the appointment of executive directors.

Policies and processes for appointing Directors and Audit & Supervisory Board Members

Policy

► Composition of the Board of Directors

The Board of Directors is composed 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.

- Expectations for useful, objective, and fair advice and supervision based on a thorough knowledge and experience of corporate management, and a high level of knowledge in the food Industry
- Expectations for useful, objective, and fair advice and supervision based on a high level of knowledge in the specific field

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.

Corporate Governance

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 (variable remuneration), 3)

performance-based stock compensation (variable remuneration), and 4) retirement bonus (variable remuneration). 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.

Outside directors and Audit & Supervisory Board members are limited to fixed remuneration only, as they are in positions independent from business execution.

Directors (excluding outside directors) Senior executive officers	Basic remuneration 50%			Bonuses 25%		Performance-based stock compensation Retirement bonus 25%		
	1. Basic remuneration		2. Bonuses		3. Performance-based stock compensation		4. Retirement bonus	
Purpose	Compensation for executive duties	Short-term incentive			Medium- to long-term incentive			
		Linked to results during the fiscal year				Linked to results during the period of appointment		
Payment form	Cash	Cash			Shares		Cash	
Overview	<ul style="list-style-type: none">• Payment of compensation based on operational execution duties for specific ranks• Compensation amounts decided through comprehensive assessment of ranks, duties, and responsibilities	<ul style="list-style-type: none">• Annual compensation linked to degree of accomplishment of targets set for evaluation indicators• Payments based on duties and degree of accomplishment of targets for personal performance indicators and consolidated performance indicators (net sales, operating profit, and profit attributable to owners of parent)• Diversity and other human resource development targets representing 50% of personal performance indicators			<ul style="list-style-type: none">• Non-monetary remuneration issued at time of resignation based on points (shares of Company stock) allocated each year in accordance with rank and degree of accomplishment of consolidated performance targets and sustainability indicators.		<ul style="list-style-type: none">• One half of the annual bonus amount set aside and paid in one lump sum upon retirement	
Regional President	Rate of Influence of Evaluations on Bonuses				Evaluation Indicators for Performance-Based Stock Compensation			
	<div><div>In-house company performance</div><div>Consolidated performance 50%30%Personal performance 20%</div></div>				<div><div>Consolidated Sales20%</div><div>Profit attributable to owners of parent40%</div><div>Sustainability targets*25%15%</div></div>			
Other officers	<div><div>Consolidated performance 70%</div><div>Personal performance 30%</div></div>				* Sustainability targets have been set for 1) expansion of product lines focusing on low salt and protein content, 2) appropriate fertilizer application (phosphate reduction), 3) reduction of total GHG emissions, 4) reduction of water consumption, 5) ratio of women in management, and 6) employee engagement			
Outside directors / Audit & Supervisory Board Members	Basic remuneration 100%							

* Sustainability targets have been set for 1) expansion of product lines focusing on low salt and protein content, 2) appropriate fertilizer application (phosphate reduction), 3) reduction of total GHG emissions, 4) reduction of water consumption, 5) ratio of women in management, and 6) employee engagement

Corporate Governance

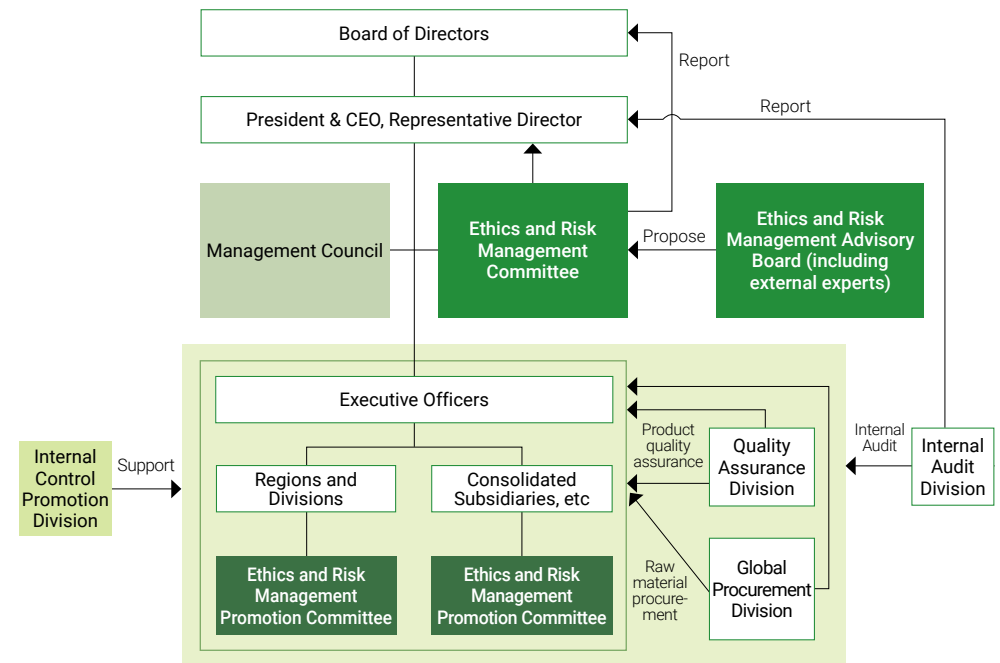
Risk management

To deal with the diverse business risks (natural disasters and accidents, legal violations and litigation, quality, procurement of raw materials, stocks, intellectual property infringements, etc.) surrounding the Company, we have formulated Compliance and Risk Management Rules, and identify and evaluate the business risks of each region, division, and consolidated subsidiary, etc. by establishing an internal control system. In particular, the Quality Assurance Division plays a central role in implementing preventive measures regarding product safety risks and the Global Procurement Division performs the same role regarding risks related to raw material procurement. In addition, we have a system that enables us to respond promptly throughout the Company. Going forward, we will promote the establishment of a system to prevent risks in advance, minimize damage, and ensure rapid recovery. As for information security risks, we have put in place an internal system (a Computer Security Incident Response Team, or CSIRT) that can respond to security incidents. Also, we continue to promote preventive measures to employees.

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 region, division, and domestic consolidated subsidiary, etc. is responsible for implementing these measures.

Organization of compliance and risk management



► For more information on business-related and other risk factors facing the Company, please see the latest Annual Securities Report (Japanese only).

<https://www.calbee.co.jp/ir/library/fs/>

Board of Directors and Audit & Supervisory Board Members

(As of July 1, 2023)

Directors

Representative Director, President & CEO

Makoto Ehara

Director, Vice President

Koichi Kikuchi

CRO (Chief Risk Officer)
In charge of Corporate Risk Management
Division, Global Procurement Division,
Sustainability Promotion Division,
Quality Assurance Division,
DX Promotion Division

Senior Managing Director

Akira Imoto

Calbee Japan Regional President

Outside Director

Yuzaburo Mogi

Outside Director

Atsuko Fukushima

Outside Director

Yoshihiko Miyauchi

Outside Director

Wern Yuen Tan

Outside Director

Hatsunori Kiriya

Audit & Supervisory Board Members

Audit & Supervisory Board Member
(full-time)

Yumiko Okafuji

Outside Audit & Supervisory
Board Member

Nagako Oe

Outside Audit & Supervisory
Board Member

Yutaka Usami

Executive Officers

Senior Executive Officer

Kazuya Tasaki

President of CEO, Calbee Potato, Inc.

Senior Executive Officer

Keiei Sho

Chief Strategy Officer (CSO)
General Manager of Headquarters for
Group Business Strategy Management
In charge of Calbee Future LABO, and
Human Resources & General Affairs Division

Executive Officer

Masae Nakano

CTO (Chief Technical Officer)
General Manager of Research and
Development Division

Executive Officer

Hiroshi Sakai

CPO (Chief Product Officer)
General Manager of Production Division
In charge of Engineering Division, and
Next Generation Production Project

Executive Officer

Kazuhiro Tanabe

CFO (Chief Financial Office)
General Manager of Finance and
Accounting Division

Executive Officer

Ryo Tsutsumi

Calbee Europe/Americas Regional
President
CEO, Calbee America, Inc.

Executive Officer

Teiichiro Morioka

Calbee Asia-Oceania Regional President
General Manager of Indonesia Group
President, PT. Calbee-Wings Food

Executive Officer

Chisa Hayakawa

Calbee Asia-Oceania Regional
CFO (Chief Financial Officer)

Board of Directors and Audit & Supervisory Board Members

Information and Skill Matrix of Board of Directors and Audit & Supervisory Board Members

Directors			Expected Role and Expertise of Director							Organization Membership			
Name	Attendance at Board of Directors' meetings (FY2023/3)	No. of years as a director (As of June 2023)	Corporate management	Global	Marketing	Production/IT	Sustainability	Finance	Judicial affairs	Board of Directors	Nominating Committee	Compensation Committee	Audit & Supervisory Board
Makoto Ehara Representative Director, President & CEO	100% 13/13 times	4 years	○	○	○		○			◎	○	○	
Koichi Kikuchi Director, Vice President &CRO	100% 13/13 times	4 years	○	○		○		○		○			
Akira Imoto <small>New appointment</small> Senior Managing Director	—	—	○	○		○	○			○			
Yuzaburo Mogi Outside Director	92% 12/13 times	14 years	○	○		○				○	◎	◎	
Atsuko Fukushima Outside Director	100% 13/13 times	8 years	○	○			○			○	○	○	
Yoshihiko Miyauchi Outside Director	92% 12/13 times	6 years	○	○				○		○	○	○	
Wern Yuen Tan Outside Director	90% 9/10 times	1 year	○	○		○				○			
Hatsunori Kiriya <small>New appointment</small> Outside Director	—	—	○	○	○					○	○	○	

Audit & Supervisory Board Members			Expected Role and Expertise of Director							Organization Membership			
Name	Attendance at Board of Directors' meetings (FY2023/3)	No. of years as a Audit & Supervisory Board Members (As of June 2023)	Corporate management	Global	Marketing	Production/IT	Sustainability	Finance	Judicial affairs	Board of Directors	Nominating Committee	Compensation Committee	Audit & Supervisory Board
	Attendance at Audit & Supervisory Board meetings (FY2023/3)												
Yumiko Okafuji Audit & Supervisory Board Member (full-time)	100% 10/10 times 100% 11/11 times	1 year		○			○	○		○			◎
Nagako Oe Outside Audit & Supervisory Board Member	100% 13/13 times 100% 15/15 times	7 years		○					○	○			○
Yutaka Usami <small>New appointment</small> Outside Audit & Supervisory Board Member	—	—		○				○		○			○

Note: ◎ denotes committee chairpersons.



SECTION 4

Data

History of the Calbee Group

The cornerstone for growth grounded
in our founder's ideals

1949 Matsuo Food Processing Co., Ltd., established in Hiroshima Prefecture

1955 Company name changed to Calbee Confectionery Co., Ltd.

1968 Utsunomiya Factory begins operations

1969 Chitose Factory (now Hokkaido Factory) begins operations

1970 Calbee America, Inc. (United States) established

1973 Company name changed to Calbee, Inc.

Founding

1949–1974



1955 Kappa Arare

Developed Japan's first wheat arare (Japanese cracker) using unused food resources



1964 Kappa Ebisen

Developed a nutritious snack made from fresh whole shrimp



1972 Sapporo Potato

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

1975–2009

Growth

Establishing a potato
business in harmony
with the land and producers



1975 Potato Chips

Entered the potato chip business, inspired by the boom in the U.S. market



1992 Pizza Potato

Developed potato chips topped with melted cheese-flavored flakes using our original "melt flake" technology



1993 Kataage Potato

Developed unique, firm potato chips fried slowly at a low temperature using a kettle frying method



1995 Jagarico

Developed a handy, portable snack-in-a-cup

1980 Calbee Tanawat Co., Ltd. (Thailand) established
Calbee Potato, Inc., established to manage raw materials (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

1994 Calbee Four Seas Co., Ltd.
(Hong Kong) established

2002 Calbee Four Seas (Shantou) Co., Ltd. established,
(China; now CFSS Co. Ltd.)
IT-driven potato field management inaugurated



Thailand



China

History of the Calbee Group

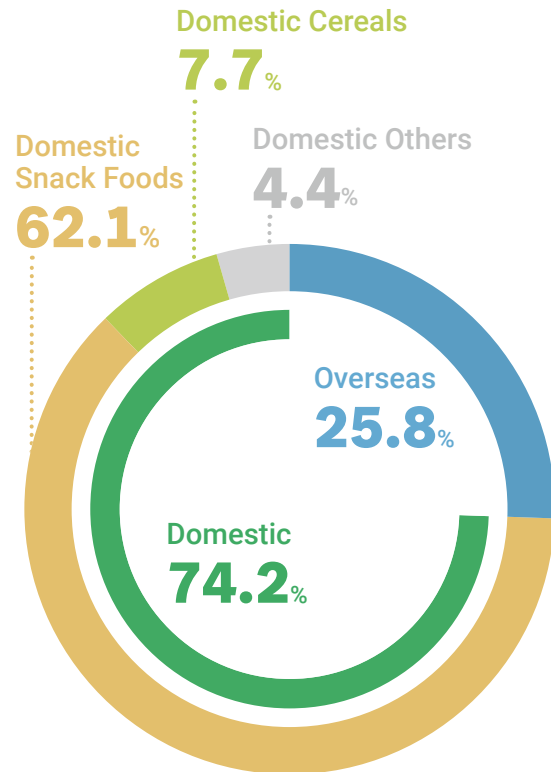


Financial Information

Performance Highlight by Business Segment

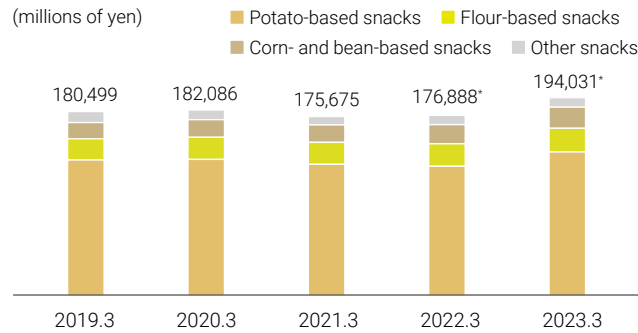
Consolidated net sales* ¥279,315
(millions of yen)

Net Sales by business segments

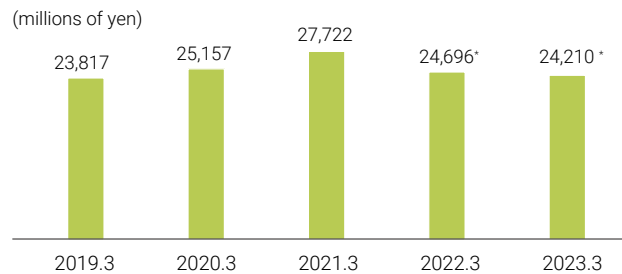


* The revised Accounting Standard for Revenue Recognition (ASBJ Statement No. 29) has been applied since the beginning of the fiscal year ended March 31, 2022. As a result, rebates and other items were previously accounted for as selling, general and administrative expenses, but the Company has changed to a method of deducting these items from net sales. Net sales by domestic products and overseas regions are presented prior to deducting rebates and other items.

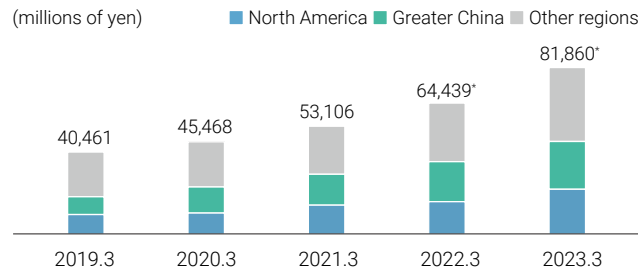
Domestic snack foods sales



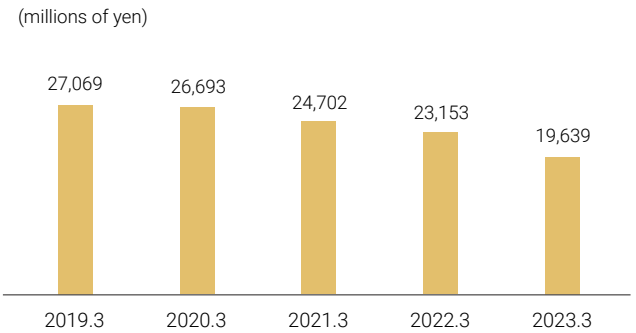
Domestic cereals sales



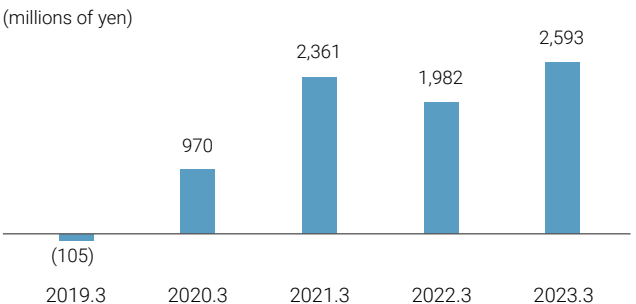
Overseas business sales



Domestic operating profit



Overseas operating profit



Financial Information

11-Year Summary

	2013.3	2014.3	2015.3	2016.3	2017.3	2018.3	2019.3	2020.3	2021.3	2022.3	(Millions of yen) 2023.3
Net sales*¹	179,411	199,941	222,150	246,129	252,420	251,575	248,655	255,938	266,745	245,419	279,315
Gross profit	78,522	87,209	97,561	107,033	111,573	108,904	111,120	115,086	117,810	83,954	90,200
Selling, general and administrative expenses*¹	62,731	67,492	73,378	78,908	82,732	82,075	84,156	87,422	90,746	58,818	67,967
Operating profit	15,790	19,717	24,183	28,125	28,841	26,828	26,964	27,664	27,064	25,135	22,233
Ordinary profit	17,127	20,782	25,615	26,545	28,625	26,179	27,432	27,391	27,522	26,938	23,460
Profit attributable to owners of parent	9,440	12,086	14,114	16,799	18,605	17,330	19,429	17,539	17,682	18,053	14,772
Total assets*²	124,705	140,909	161,917	174,837	181,945	192,034	202,750	214,967	238,978	236,598	239,095
Net assets	92,685	104,466	118,800	131,469	135,056	146,667	160,490	169,632	182,740	183,458	182,686
Working capital*³	33,607	47,458	52,672	54,832	58,214	68,950	77,815	83,066	80,892	72,912	53,307
Interest-bearing debt*⁴	302	186	563	555	1,596	1,511	1,274	1,363	6,604	2,005	1,855
Equity ratio (%)*⁵	70.2	69.1	67.7	69.2	70.4	72.6	75.9	75.9	73.4	74.1	72.8
Debt to equity ratio (Times)*⁵	0	0	0	0	0	0	0	0	0	0	0
Research and development costs	2,288	2,161	2,052	2,195	2,168	2,469	2,660	2,745	2,706	3,319	3,681
Capital expenditures	7,298	6,392	15,290	21,229	9,763	11,009	9,945	9,004	11,341	13,515	26,716

Financial Information

	2013.3	2014.3	2015.3	2016.3	2017.3	2018.3	2019.3	2020.3	2021.3	2022.3	(Millions of yen) 2023.3
Depreciation and amortization	6,318	5,960	6,232	7,570	7,297	7,845	8,023	8,449	9,051	9,189	10,047
Cash flows from operating activities	17,328	23,478	22,266	22,541	25,958	9,358	27,620	40,449	30,450	22,327	19,310
Cash flows from investing activities	(12,999)	(17,041)	(9,422)	(14,270)	(13,404)	(6,258)	(28,347)	(13,462)	(32,069)	3,643	(20,329)
Cash flows from financing activities	607	(383)	(2,878)	(2,859)	(14,711)	(5,450)	(6,227)	(6,278)	(7,635)	(25,168)	(20,004)
ROE (%)	11.4	13.1	13.7	14.6	14.9	13.0	13.2	11.1	10.4	10.3	8.5
Earnings per share (EPS) (Yen)*⁶	72.18	91.46	105.82	125.88	139.24	129.72	145.39	131.22	132.30	136.25	115.16
Net assets per share (Yen)*⁶	664.55	729.93	821.97	905.20	958.60	1,043.37	1,151.71	1,221.19	1,312.24	1,358.25	1,393.74
Cash dividends per share (Yen)*⁶	15.50	22.00	28.00	35.00	42.00	42.00	48.00	50.00	50.00	52.00	52.00
Dividend payout ratio (%)	21.5	24.1	26.5	27.8	30.2	32.4	33.0	38.1	37.8	38.2	45.2
Number of consolidated subsidiaries	21	22	22	24	27	27	26	24	24	23	24
Number of employees	3,352	3,341	3,477	3,728	3,860	3,798	3,763	4,053	4,311	4,398	4,839

*1 The revised Accounting Standard for Revenue Recognition (ASBJ Statement No. 29) has been applied from the beginning of the fiscal year ended March 31, 2022. As a result, rebates and other items were previously accounted for as selling, general and administrative expenses, but the Company has changed to a method of deducting these items from net sales.

*2 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.

*3 Working capital comprises current assets less current liabilities.

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

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

*6 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

(As of March 31, 2023)

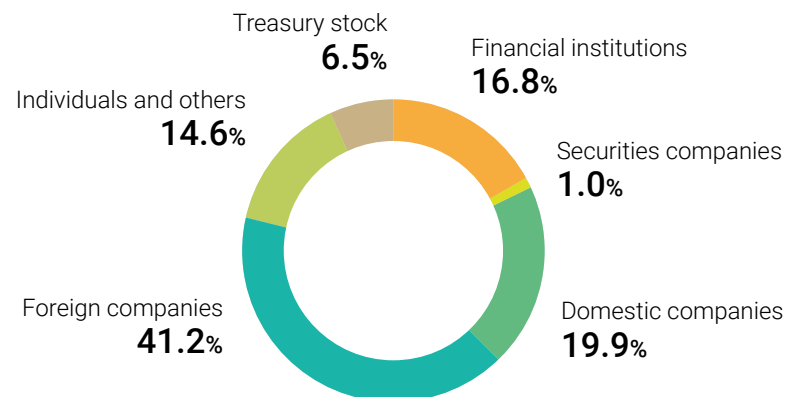
▶ Company Name	Calbee, Inc.	▶ Business	Production and sale of snacks and other foods
▶ Head Office	Marunouchi Trust Tower Main, 22nd Floor, 1-8-3 Marunouchi, Chiyoda-ku, Tokyo 100-0005, Japan	▶ Fiscal Year-End	March 31
▶ Date of Establishment	April 30, 1949	▶ Paid-In Capital	¥12,046 million
▶ Representative President & CEO	Makoto Ehara	▶ Number of Employees	4,839 on a consolidated basis 1,960 on a parent basis

Stock Information

(As of March 31, 2023)

□ Stock Listing	Tokyo Stock Exchange, Prime Market
□ Securities Code	2229
□ Stock Information	▶ Number of shares authorized 176,000,000 shares
	▶ Number of shares issued 133,929,800 shares (including 8,762,376 shares of treasury stock)
	▶ Number of shareholders 34,722 people

□ Share Breakdown by Shareholder Type



▶ Principal Shareholders

Name of shareholder	Investment in the Company	
	Number of shares (Thousands)	Ownership ratio (%)
FRITO-LAY GLOBAL INVESTMENTS B.V.	26,800	21.41%
General Incorporated Association Miki-no-Kai	18,280	14.60%
The Master Trust Bank of Japan, Ltd. (Trust Account)	14,140	11.30%
Custody Bank of Japan, Ltd. (Trust Account)	4,842	3.87%
THE BANK OF NEW YORK MELLON 140051	4,277	3.42%
GIC PRIVATE LIMITED-C	3,678	2.94%
Calbee Employees Shareholding Association	2,093	1.67%
THE TORIGOE CO., LTD.	1,936	1.55%
THE BANK OF NEW YORK 133612	1,600	1.28%
STATE STREET BANK AND TRUST COMPANY 505103	1,073	0.86%

Note 1: Ownership ratios are calculated excluding 8,762,376 shares held by the Company as treasury stock.

2: The ownership ratio is calculated including 53,465 shares held by the Employee Stock Ownership Plan (ESOP) Trust and 189,400 shares held by the Board Incentive Plan (BIP) Trust.

Consolidated Subsidiaries

(As of April 1, 2023)

Japan

Calbee Potato, Inc.	Japan Frito-Lay Ltd.
Calbee Logistics, Inc.	Studio Socio Inc.
Calbee Eatalk Co., Ltd.	Calbee Kaitsuka Sweet Potato, Inc.

Overseas

(): Country or region

Calbee America, Inc. (United States)	Calbee Group (UK) Ltd (United Kingdom)
Yantai Calbee Co., Ltd. (China)	PT. Calbee-Wings Food (Indonesia)
CFSS Co. Ltd. (China)	Haitai-Calbee Co., Ltd. (South Korea)
Calbee (Hangzhou) Foods Co., Ltd.(China)	Calbee Tanawat Co., Ltd. (Thailand)
Calbee (China) Co., Ltd. (China)	Greenday Global Co., Ltd. (Thailand)
Calbee Four Seas Co., Ltd. (Hong Kong)	Calbee Moh Seng Pte., Ltd. (Singapore)
Calbee E-commerce, Ltd. (Hong Kong)	Calbee Australia Pty Ltd. (Australia)

Editorial policy

Calbee Report, the Calbee Group's integrated report, has been published since the fiscal year ended March 31, 2018, to introduce stakeholders to the Group's corporate philosophy, management policies, and medium- to long-term value creation. The report published for the fiscal year ended March 31, 2023, focuses on value creation through co-creation with stakeholders and corporate transformation for growth. In addition, the report details information on the five material issues (materiality) that form the Group's foundation for sustainable growth. We hope this report will help stakeholders better understand the Calbee Group's activities to create corporate value.

Period covered	April 1, 2022, to March 31, 2023 (Information from outside this period is presented where appropriate)
Organizational scope	Calbee Group, comprising Calbee, Inc., and its consolidated subsidiaries
Issue date	October 2023

Guidelines used for reference

Ministry of Economy, Trade and Industry (METI):
Guidance for Integrated Corporate Disclosure and Company-Investor Dialogues for Collaborative Value Creation

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.

Calbee Group website

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

 **Sustainability** <https://www.calbee.co.jp/sustainability/en/>