Calbee Group Growth Strategy
—Corporate Transformation until now and in the future—

TSE code: 2229
Calbee, Inc.
Feb. 21, 2023
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Towards 2030

Corporate Message

Growing health consciousness

Growing health consciousness

Climate change

Labor shortage and flexible workstyle needs

Corporate Philosophy

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

Group Vision

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

Under our unchanged Corporate Philosophy and Group Vision, respond to various stakeholders’ issues and embark on transformation towards the next stage of our growth.
Looking Back: Why Business Results Were Stagnant

Although the overseas business grew, as domestic core business growth reliant on higher volume came to an end we had not changed over to a new profit structure.
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

   - **Enhance profitability**

2. **Insufficient investment of resources in new growth fields** due to excessive allocation of resources domestically

   - **Business portfolio transformation**

3. **Business base and initiatives were insufficient to enact reforms** due to a conservative, inward-acing corporate culture and weak ability to effect change

   - **Strengthen business base**

Change Calbee Group into a company that can continue to grow through redefining strategy across the Group and enacting corporate transformation
Target Business Structure in 2030

Improve profitability of domestic core business and encourage growth overseas and in new areas by shifting investment to growth areas. By 2030, change our business portfolio to one that can continue to grow.
Roadmap to 2030

**Change 2025**
Business structure transformation towards the next stage of growth

- Organic sales growth ratio: +4-6%
- Consolidated Operating profit growth: +6-8%
- ROE: 10%+

**Structural transformation**
FY2024/3-FY2026/3 (2023) - (2025)

**Return to growth**
Move to the next stage of growth through business portfolio transformation

**Envisioned growth in gross sales**
New areas such as Agri-business/ Food and health (Including M&A)

**Overseas business**

**Domestic core business**

2023  2025  2030
# Change 2025: 3 Year Transformation Plan

## Business structure transformation towards the next stage of growth

### Enhance profitability

- Shift from quantitative growth and increase added value by strengthening marketing/brand
- Optimize marketing and operation plans to maximize profits by utilizing limited assets/resources

### Business portfolio transformation

- Identify major areas for medium-to long-term growth opportunities and proactively invest resources (staffing/funds/capex, etc.)
  - Global, especially North America and China
  - Agri-business including potatoes, sweet potatoes and beans
  - Food and health

### Strengthen business base

- Respond to changes and transform organization into one that can manage with speed
- Enhance training to develop strategic human resources
- Develop and implement sustainability management
Change 2025: Key Direction for 4 Businesses

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

*Aiming to make Agri-business/food and health new areas

Main KPIs

**Domestic operating profit growth +6-8%**

**Overseas sales ratio 30-35%**

**New areas sales ratio* 5%**

Business base

- Organization
- Human resources
- Sustainability
1) Domestic Core Business

Target KPI: Domestic operating profit growth (3 year) +6-8%

Enhance profitability by raising added value through strengthening brand and optimizing marketing/operations planning

Raising added value through strengthening brand
Aim to maximize the value provided by each brand from the consumers’ perspective

Enhance profitability by optimizing marketing/operations planning

Brand/marketing

Sales

Production/distribution

Advance innovation in distribution and reform sales organization
Develop strategic partnerships and strengthen capabilities for sales propositions

Build base for next-generation factories
Raise productivity via automation/labor saving, improve environmental performance, enact reforms in working environment
2) Overseas Business

Expand global brands from Japan through selective and focused investment

Develop Japan brands mainly in China and North America, with their significant growth opportunities
Cultivate *Jagarico* into a global brand over the medium- to long-term

Direction for expanding overseas business towards 2030

<table>
<thead>
<tr>
<th>Asia/Oceania</th>
<th>Europe and the US</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Japan brands</strong></td>
<td><strong>Japan brands</strong></td>
</tr>
<tr>
<td><strong>China</strong></td>
<td><strong>North America</strong></td>
</tr>
<tr>
<td><em>Jaga Pokkuru</em></td>
<td><em>Harvest Snaps</em></td>
</tr>
<tr>
<td><em>Jagabee</em></td>
<td><em>Kappa Ebisen</em></td>
</tr>
<tr>
<td><em>Frugra</em></td>
<td><em>Jagarico</em></td>
</tr>
<tr>
<td><em>Jagarico</em></td>
<td><em>Jagarico</em></td>
</tr>
</tbody>
</table>

**Target KPI: Overseas sales ratio 30-35% (FY2026/3)**

Differentiated by unique texture, authentic ingredients and delicious taste

Significantly differentiated by original production techniques
2) Overseas Business

Strategy by area

China

Highlight value of Japanese potato sticks and expand Frugra, which meets local needs

- Leverage awareness of Calbee brand, expand investment in communication, i.e., social media/KOLs, fan club
- Aim to expand supplies from within China and production facilities elsewhere in Asia, not just exports from Japan

North America

Intensify development of Japan products centered on Harvest Snaps

- Enhance Harvest Snaps brand product lineup and intensify expansion of Kappa Ebisen, Jagarico, etc.
- Strengthen sales structure by hiring people proficient in snack sales

Advance localization of marketing/development, raise awareness of Japan brands
Cultivate Jagarico into a global brand over the medium- to long-term
3) Agri-business

**Strengthen base towards expanding natural ingredients platform**

Aim to secure/expand business as a natural ingredients platform provider by leveraging potato expertise

### Ingredient supply

- Higher demand for domestic-grown potatoes
- Expand supply by switching from general-purpose to high value-added potatoes for processing

### Expand outlets

- Cultivate new value-added products for eating out/eating in where growth is anticipated

#### Expanding potato business model to new ingredients

- Expand supply of sweet potatoes

#### Ingredients

- Sweet potatoes
  - Considering procuring domestic-grown beans as a second crop after potatoes
  - Short-term: Strengthen production structure for dried potatoes/baked potatoes, which are in high demand
  - Med.-to-long-term: Develop business to provide health and beauty-related value of sweet potatoes, including overseas

#### Expanding outlets

- Create outlets by leveraging owned assets and collaborative businesses

Rising ingredient supply risk including geopolitical risk, decrease in producers

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Target KPI: New areas sales ratio 5% (FY2026/3)

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4）Food and health

Build a new business model that contributes to healthy lifestyles

Regardless of internal development, proactively consider opportunities for tie-ups, M&A, etc., with promising startups and commercialize them

Create an integrated food solutions platform

Understand customers
Personalize
- Offer personalized foods on D2C site based on test/diagnosis results
  *Early development example: Jan. 2023 beta launch of OMA MESI personalized food service

Means to encourage continuation
Digital × human touch
- In addition to improving efficiency via use of digital means, utilize dieticians’ knowledge to encourage consumers to change their behavior
- Approach consumers with a high level of needs, such as those with lifestyle diseases

Enhance choice
Varied solutions
- Create platform for offering integrated food solutions including not just Calbee products, but other companies’ products too

Enhance basic research, including collaboration with external institutions
Research on intestinal flora, sleep, chrononutrition, etc.

Target KPI: New areas sales ratio 5% (FY2026/3)
Business Base: Organization/Human Resources Development

Advance structural reform to enable management to swiftly respond to changes and foster employees eager for new challenges

**Organization**

Implement structural reform to establish a 3-region business structure

- Clarify P/L responsibility and accelerate management decision-making
- Promote horizontal collaboration, encourage cross-regional knowledge-sharing

**Human resources development**

After leveraging diversity so that all employees can excel, enhance training of strategic human resources (management/global/DX human resources)

- Specify key positions and select/train candidates for management human resources
- Dispatch employees with Calbee’s DNA worldwide, expand talent pool via overseas employee training programs, etc.
- Train digitally literate employees who can leverage digital technology and create value/reform our business model

**Initiatives for helping all employees can excel**

Support for employees’ career independence

Attract new employees through offering diverse workstyles (side job system, Calbee New Workstyle)

Diversity & inclusion
## Business Base: Sustainable Management

**Evolve sustainable management as a base for sustainable growth**

Re-establish the 5 materialities and 13 key issues by assessing the external environment and reviewing current materialities and KPIs to add themes of high importance such as human rights and biodiversity issues.

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<thead>
<tr>
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<tbody>
<tr>
<td>High</td>
<td>● Achieving carbon neutrality</td>
<td>● Ensuring food safety</td>
<td>● Preserving natural capital</td>
<td>● Responding to workstyle diversity (changes due to declining birthrate and aging population/pandemic)</td>
<td>● Supporting healthy lifestyles</td>
</tr>
<tr>
<td></td>
<td>● Reducing environmental burden from plastic</td>
<td>● Supporting healthy lifestyles</td>
<td>● Providing new value in response to diversified consumer consciousness</td>
<td>● Advancing the circular economy</td>
<td>● Sustainable production of ingredients</td>
</tr>
<tr>
<td></td>
<td>● Advancing the circular economy</td>
<td>● Sustainable production of ingredients</td>
<td>● Promoting diversity &amp; inclusion</td>
<td></td>
<td>● Responsible procurement that respects human rights and the environment</td>
</tr>
<tr>
<td>Medium</td>
<td>● Contributing to local community</td>
<td>● Preservation of natural capital</td>
<td>● Preserving natural capital</td>
<td></td>
<td>● Distribution that is kind to people and the environment</td>
</tr>
<tr>
<td>Low</td>
<td></td>
<td></td>
<td>● Providing new value in response to diversified consumer consciousness</td>
<td>● Promoting diversity &amp; inclusion</td>
<td></td>
</tr>
</tbody>
</table>

**Importance to Calbee**

<table>
<thead>
<tr>
<th>Importance to Calbee</th>
<th>Low</th>
<th>Medium</th>
<th>High</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Contributing to healthy and diverse lifestyles</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Progress of sustainable agriculture</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Co-creation of a sustainable supply chain</td>
<td></td>
<td></td>
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<tr>
<td>4. Caring for the earth</td>
<td></td>
<td></td>
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<tr>
<td>5. Promote active roles for all employees based on diversity</td>
<td></td>
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<td></td>
</tr>
</tbody>
</table>
Enhance domestic cash generation ability and conduct investment connected to portfolio transformation to strengthen business base

3-year (FY2024/3-FY2026/3) cash allocation

- **Loans**
- **Cash on hand, etc.**
- **Operating cash flows**

**Growth investment**
Capital investment for growing domestic and overseas business, investment in new areas, M&A for strengthening overseas base, etc.

**Efficiency investment**
Support for ESG, capital investment in automation/labor-saving, etc. to raise productivity

**Shareholder returns**
Aim for DOE 4%, total return ratio over 50% and continually grow dividend
We aim to return to a growth trajectory by concentrating management resources/intelligence and working together with employees to advance reform initiatives
Reference materials
Looking back of mid-term business plan (formulated in FY2020/3)

Calbee Group

**Consolidated operating profit**
- FY'20/3: 27.7 Billion yen
- FY'21/3: 27.1 Billion yen
- FY'22/3: 25.1 Billion yen
- FY'23/3 (Q3 total): 18.1 Billion yen
- FY'24/3: 40.0 Billion yen

**Consolidated operating margin**
- FY'20/3: 10.8%
- FY'21/3: 10.1%
- FY'22/3: 9.0%
- FY'23/3 (Q3 total): 7.7%
- FY'24/3: 13.0%

**Domestic business**
- **Domestic profit margin**
  - FY'20/3: 12.7%
  - FY'21/3: 11.6%
  - FY'22/3: 10.8%
  - FY'23/3 (Q3 total): 9.3%
  - FY'24/3: 15%

**Overseas business**
- **Overseas gross sales**
  - FY'20/3: 53.1 Billion yen
  - FY'21/3: 64.4 Billion yen
  - FY'22/3: 61.7 Billion yen
  - FY'23/3 (Q3 total): 80.0 Billion yen

- **Overseas sales ratio**
  - FY'20/3: 17.8%
  - FY'21/3: 19.9%
  - FY'22/3: 23.2%
  - FY'23/3 (Q3 total): 26.4%

**ROE**
- FY'20/3: 11.1%
- FY'21/3: 10.4%
- FY'22/3: 10.3%

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*1 The above figures are calculated for/by gross sales. 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. The figures shown are amounts prior to applying the standard.*

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<table>
<thead>
<tr>
<th></th>
<th>FY’20/3</th>
<th>FY’21/3</th>
<th>FY’22/3</th>
<th>FY’24/3 (Targets)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salt equivalent in products (compared with FY’19/3)</td>
<td>-1.8%</td>
<td>-5.4%</td>
<td>-6.9%</td>
<td>20% reduction</td>
</tr>
<tr>
<td>Protein-rich product sales ratio</td>
<td>4.1%</td>
<td>4.8%</td>
<td>5.8%</td>
<td>10%</td>
</tr>
<tr>
<td>Female manager ratio</td>
<td>20.4%</td>
<td>21.8%</td>
<td>23.3%</td>
<td>Over 30%</td>
</tr>
<tr>
<td>(as of ’20/4)</td>
<td>(as of ’21/4)</td>
<td>(as of ’22/4)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Domestic Procurement volume of potatoes</td>
<td>373K tons</td>
<td>342K tons</td>
<td>319K tons</td>
<td>400K tons*</td>
</tr>
<tr>
<td>Food communication Participants</td>
<td>77K people</td>
<td>108K people</td>
<td>164K people</td>
<td>400K people</td>
</tr>
<tr>
<td>(accumulated number in 5 years)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Product Food losses (compared with FY’19/3)</td>
<td>-20%</td>
<td>+74%</td>
<td>-12%</td>
<td>20% reduction</td>
</tr>
<tr>
<td>Greenhouse gas emissions</td>
<td>+1.4%</td>
<td>+0.6%</td>
<td>-11.4%</td>
<td>30% Reduction*</td>
</tr>
</tbody>
</table>

*Target achievement year: FY’31/3

Looking back of mid-term business plan (formulated in FY2020/3)
Domestic market

- **Domestic confectionery market**
  - Confectionery retail sales: 3.29 trillion yen
  - Chocolate: 552.0 bn
  - Snacks: 457.0 bn
  - Rice snacks: 377.7 bn

- **Domestic cereal market**
  - Cereal shipment amounts: 62.2 bn (YoY +5.7%)

Source: All Nippon Kashi Association, Japan Snack Cereal Foods Association
Domestic market ②

Potato chips market share
FY2023/3 Q3 total 71.5%

\[
\begin{array}{ccc}
\text{Q1} & \text{Q2} & \text{Q3} \\
71.4\% & 71.0\% & 72.1\%
\end{array}
\]

\[\text{YoY 1.0P} \uparrow\]

Granola market share
FY2023/3 Q3 total 55.4%

\[
\begin{array}{ccc}
\text{Q1} & \text{Q2} & \text{Q3} \\
56.3\% & 55.1\% & 54.8\%
\end{array}
\]

\[\text{YoY 1.3P} \downarrow\]

Snack market share
FY2023/3 Q3 total 52.7%

\[
\begin{array}{ccc}
\text{Q1} & \text{Q2} & \text{Q3} \\
51.7\% & 52.5\% & 53.7\%
\end{array}
\]

\[\text{YoY 0.5P} \downarrow\]

Cereals market share
FY2023/3 Q3 total 33.1%

\[
\begin{array}{ccc}
\text{Q1} & \text{Q2} & \text{Q3} \\
33.1\% & 33.2\% & 33.0\%
\end{array}
\]

\[\text{YoY 0.3P} \downarrow\]

Source: Intage SRI+ based on sales amount (nationwide, all retail formats)
From FY2023/3 Q3 Intage SRI+ has changed the scope of its statistics; prior figures have been revised to reflect the new scope.

FY2023/3 Q3 total: April 2022 - December 2022
Comparison period: April 2021 - December 2021
FY’19/3-FY’22/3: April 2018 - March 2022

Snack market share: Total of Calbee and Japan Frito-Lay
Potato chips: Total of potato chips (thick- and thin-sliced), shoestring and kettle types; includes private brand products
Granola: Granola category of Cereals market
Overseas market

■ USA snack market

■ UK snack market

■ Indonesia snack market

■ China snack market

■ China cereal market

Source: Euromonitor International
Category: Snack (Savory Snacks: Nuts, Seeds and Trail Mixes, Salty Snacks, Savory Biscuits, Popcorn, Pretzels, Other Savory Snacks) Cereal: Breakfast Cereals (Hot Cereals, RTE Cereals)
2022-2026: Forecast

* The aggregation range of the Chinese snack market has been changed from the fiscal year ended March 2022.
Effective from the beginning of fiscal year ended March 31, 2022, the Group adopted the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29) and changed the method to deduct a portion of selling expenses (rebates, etc.) from sales, which was previously recorded in selling, general and administrative expenses.

**Financial highlights ①**

<table>
<thead>
<tr>
<th>Year</th>
<th>Sales (Million yen)</th>
<th>Gross profit (Million yen)</th>
<th>Operating profit (Million yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY'18/3</td>
<td>251,575</td>
<td>108,904</td>
<td>26,828</td>
</tr>
<tr>
<td>FY'19/3</td>
<td>248,655</td>
<td>111,120</td>
<td>26,964</td>
</tr>
<tr>
<td>FY'20/3</td>
<td>255,938</td>
<td>115,086</td>
<td>27,664</td>
</tr>
<tr>
<td>FY'21/3</td>
<td>266,745</td>
<td>117,810</td>
<td>27,064</td>
</tr>
<tr>
<td>FY'22/3</td>
<td>245,419</td>
<td>83,954</td>
<td>25,135</td>
</tr>
</tbody>
</table>

**SG&A**

<table>
<thead>
<tr>
<th>Year</th>
<th>SG&amp;A expenses (Million yen)</th>
<th>SG&amp;A expenses to net sale (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY'18/3</td>
<td>82,075</td>
<td>32.6</td>
</tr>
<tr>
<td>FY'19/3</td>
<td>84,156</td>
<td>33.8</td>
</tr>
<tr>
<td>FY'20/3</td>
<td>87,422</td>
<td>34.2</td>
</tr>
<tr>
<td>FY'21/3</td>
<td>90,746</td>
<td>34.0</td>
</tr>
<tr>
<td>FY'22/3</td>
<td>58,818</td>
<td>24.0</td>
</tr>
</tbody>
</table>
Financial highlights

Net profit/ROE

Net profit(Million yen): 17,330, 19,429, 17,539, 17,682, 18,053
ROE(%): 13.0, 13.2, 11.1, 10.4, 10.3

Capital expenditures/Depreciation

Capital expenditures(Million yen): 11,009, 9,945, 9,004, 11,341, 9,051
Depreciation(Million yen): 7,845, 8,023, 8,449, 9,015, 9,189

Equity ratio

Total assets(Million yen): 192,034, 202,750, 214,967, 238,978, 236,598
Equity ratio(%): 72.6, 75.9, 75.9, 73.4, 74.1

Debt to equity ratio

Interest-bearing debt(Million yen): 1,511, 1,274, 1,363, 0, 0
Debt equity ratio(Times): 0.0, 0.0, 0.0, 0.0, 0.0
The Company’s fiscal year ends on March 31. The fiscal year ending March 31, 2023 is referred to throughout this report as “FY’23/3,” and other fiscal years are referred to in a corresponding manner. References to years not specified as being fiscal years are to calendar years.

This document contains Calbee’s current plans, outlook and strategies. Items which are not historical facts are forecasts pertaining to future performance, and are discretionary and based on information currently available to Calbee. This document does not purport to provide any guarantee of actual results. Actual results may differ significantly from forecasts due to various factors.

This document also contains unaudited figures for reference purposes only.