

# **Calbee Group Growth Strategy**

**—Corporate Transformation until now and in the future—**

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TSE code : 2229  
**Calbee, Inc.**  
Feb.21,2023

Thank you very much for taking time out of your busy schedule to join us today.

I will now explain the Calbee Group's growth strategy.

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This is today's agenda.

I would like to review the past and explain the business structure and roadmap we are aiming for in 2030, the key policies of our three-year plan, which we have named Change 2025. This is followed by an overview of our business strategy.

# Towards 2030



## Corporate Message



## 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.

### Growing health consciousness



### Climate change



### Labor shortage and flexible workstyle needs



**Under our unchanged Corporate Philosophy and Group Vision, respond to various stakeholders' issues and embark on transformation towards the next stage of our growth**

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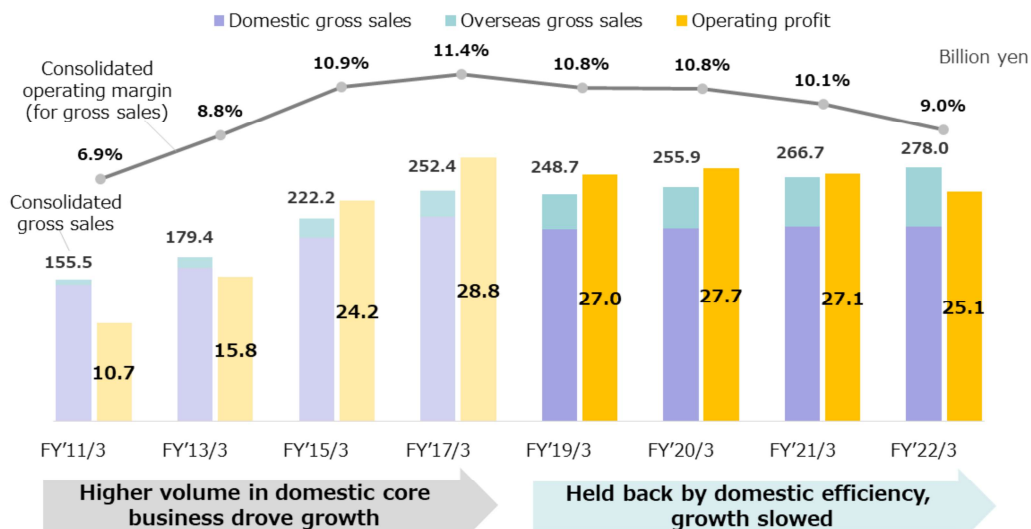
First, we are looking toward the year 2030.

Calbee's corporate message is: Harvest the Power of Nature. There are no changes to our corporate philosophy or group vision. On this basic path, we will step forward to make changes for the next stage of 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



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This is a review of the past.

Over the past 10 years, we have expanded our overseas business, which now accounts for 26% of our total sales. On the other hand, the higher volume of our domestic core business is facing the marginality of quantitative growth, partly because the utilization rate of our production facilities has been capped.

In addition, we believe that the current situation is that the Company has not been able to shift to a new profit structure, as the profit generation model based on cost reductions associated with increased utilization rates is collapsing.



## 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 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

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There are three major issues at present.

First, the Company has not been able to break away from its traditional approach of quantitative growth through low-priced sales and SKU expansion and is lacking in the creation of new value.

Another is that the allocation of resources is a little too heavily weighted toward the domestic business and resources are insufficiently invested in growth areas.

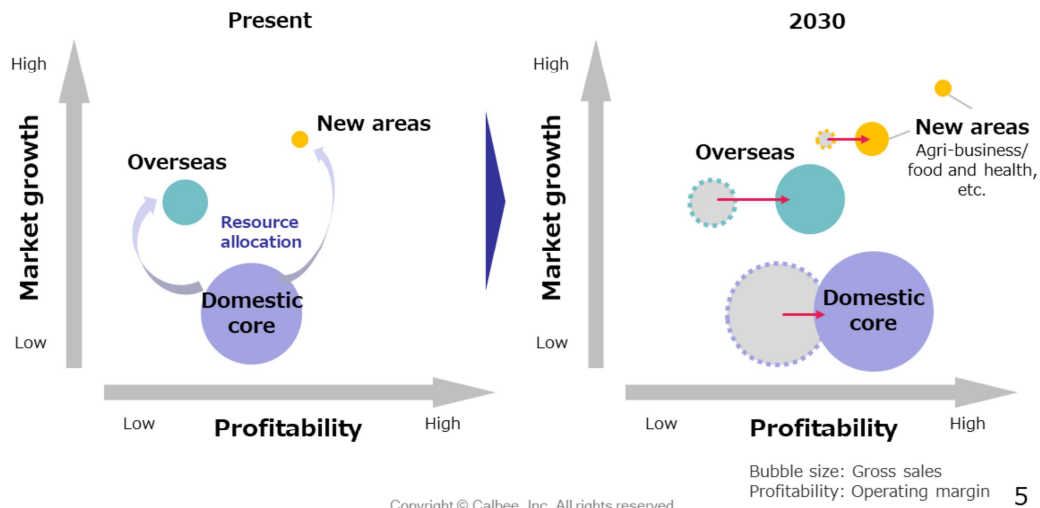
Third, the organization's ability to respond to change is weak.

We must urgently resolve these issues by strengthening our profitability, transforming our business portfolio, and reinforcing our business base to transform the Calbee Group into a company capable of sustainable growth.

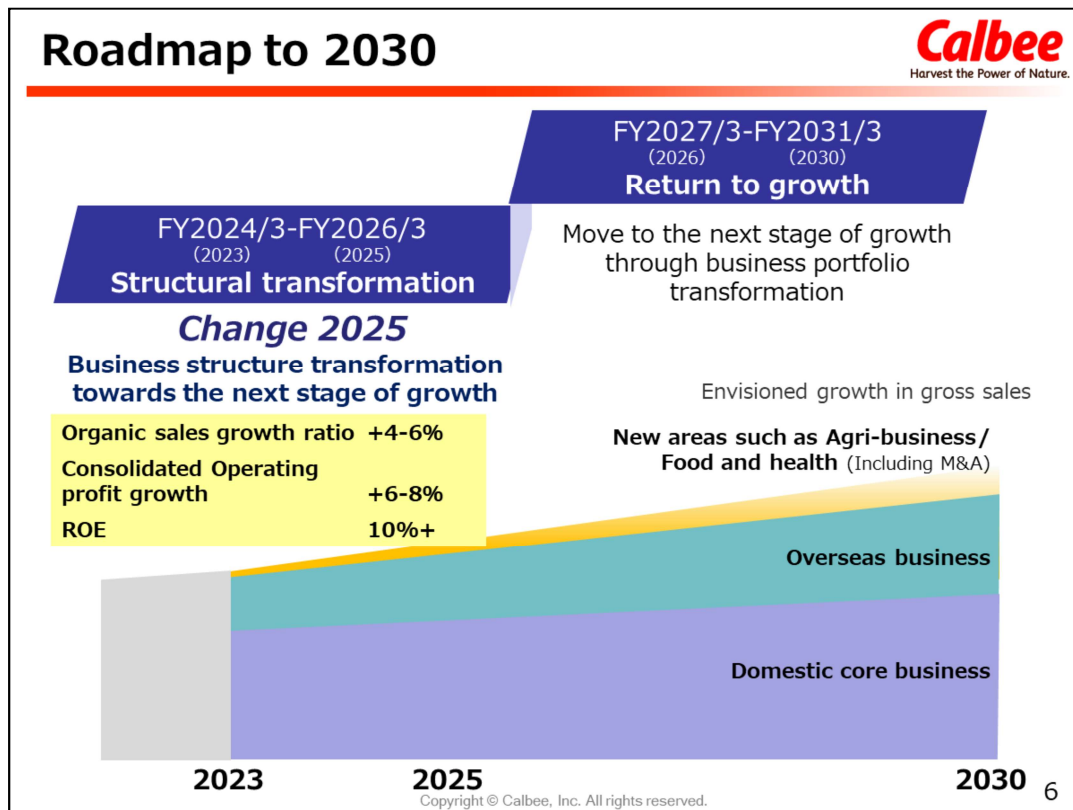
## Target Business Structure in 2030



**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**



This slide shows an image of the business structure we are aiming for. The vertical axis is market growth potential, and the horizontal axis is profitability. By refining the profitability of our core domestic businesses and redirecting resources to growth areas, overseas and new areas, we will transform our business portfolio structure to one that can grow sustainably in the future.



This is a roadmap toward 2030.

The three-year period from FY2024/3 to FY2026/3 is positioned as a period of structural transformation, and the period from FY2027/3 to FY2031/3 as a period of return to growth.

The first three-year transformation period was named Change 2025. We will execute the establishment of a foundation for the next stage of growth here. During this period, we are targeting organic sales growth ratio of 4% to 6%, consolidated operating profit growth of 6% to 8%, and ROE of 10% or more.

## 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

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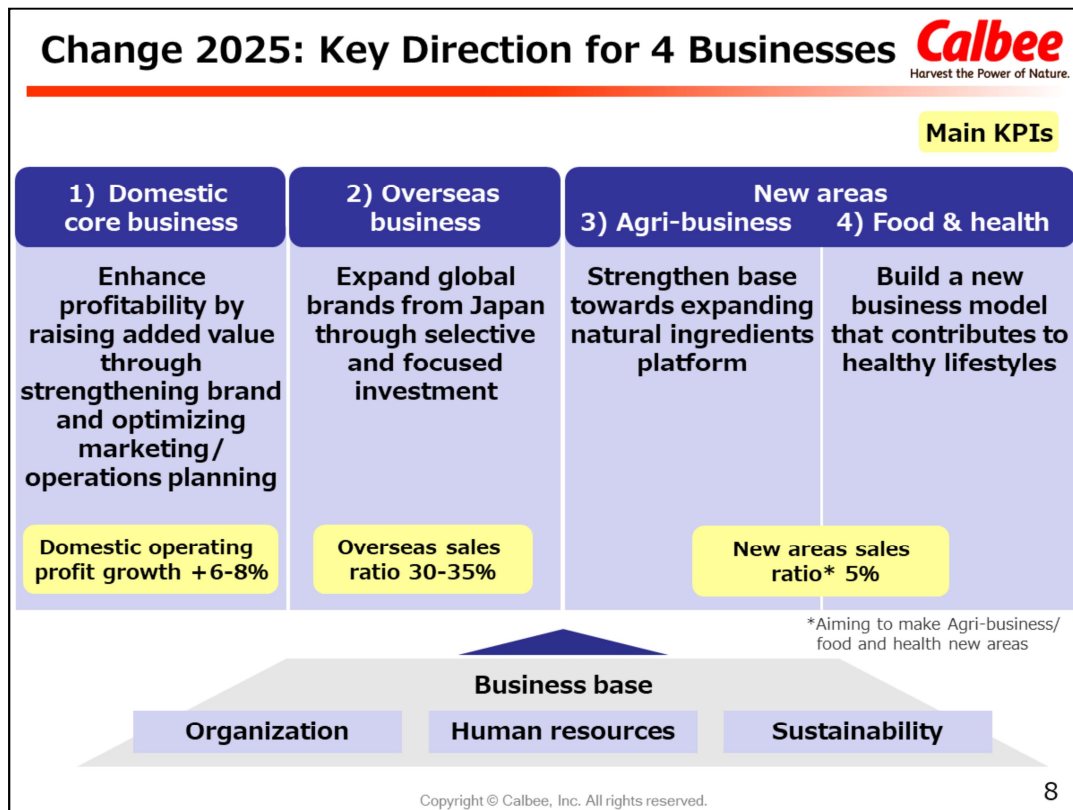
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Change 2025 is a three-year transformation plan.

To strengthen profitability, the Company should execute crisp brand marketing investments to enhance brand strength. At the same time, we will strive to add value. In addition, we will once again scrutinize the profitability of each brand and optimize our sales and operation plans to generate earnings.

In terms of business portfolio reform, we have identified overseas, Agri-business, and food and health fields as areas with large opportunities for medium- to long-term growth. We will aggressively invest resources in these areas.

In order to strengthen our business foundation, we are reforming our organization for speedy management, and from April, we will reorganize the existing structure of domestic sales companies, domestic production companies, and overseas companies into three regions: Japan region, Europe and the US region, and Asia and Oceania region. Under the overall strategy, we will substantially delegate authority to each region with respect to operations. In addition, we will strengthen the development of strategic human resources, such as global human resources and DX human resources, which are increasingly needed.



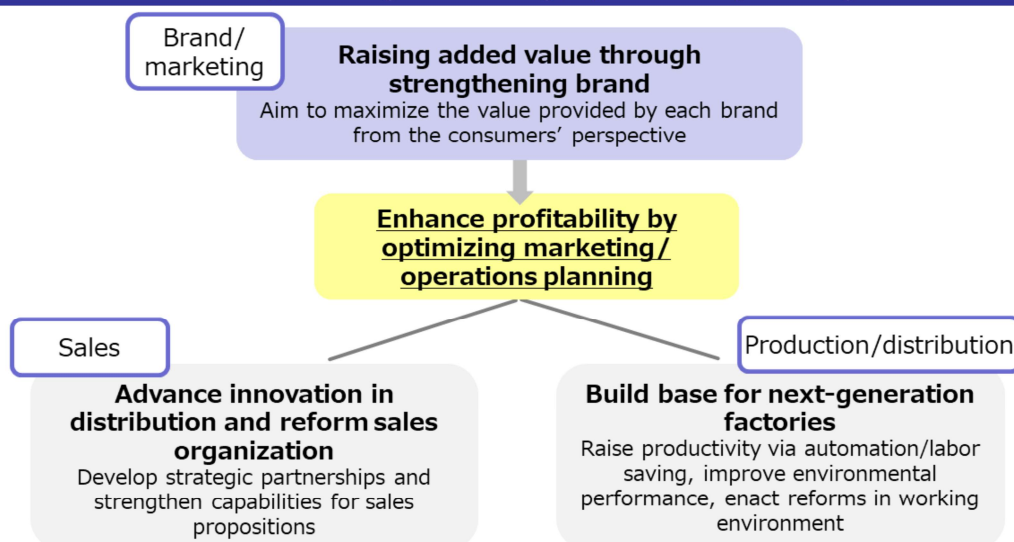
In the four priority areas, we aim to achieve an operating profit growth ratio of 6% to 8% in domestic business, a sales ratio of 30% to 35% in overseas business, and a sales ratio of 5% in the areas of agri-business, food and health by FY2025.

# 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



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This page shows an image of the domestic core business.

Calbee's business has traditionally apt to been in a product-out approach. Of course, product-out is very meaningful in terms of uncovering the latent needs of customers, but I do not think it is sufficient alone. We are somewhat lacking in a market-in mindset, so we will allocate resources by considering the needs of our customers and the value provided by our brands.

On the other hand, in terms of sales, we will reform our sales structure to respond to the rapidly evolving retail industry and strengthen strategic partnerships with wholesalers.

In terms of production, as typified by the new Hiroshima Plant, we will build the foundations for a next-generation type of plant to improve productivity through automation and labor savings, as well as improve the working environment and address the labor shortage.

In addition to implementing these changes in production, marketing and sales, we will optimize our marketing operation plan based on these changes to strengthen profitability.

## 2) Overseas Business



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

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



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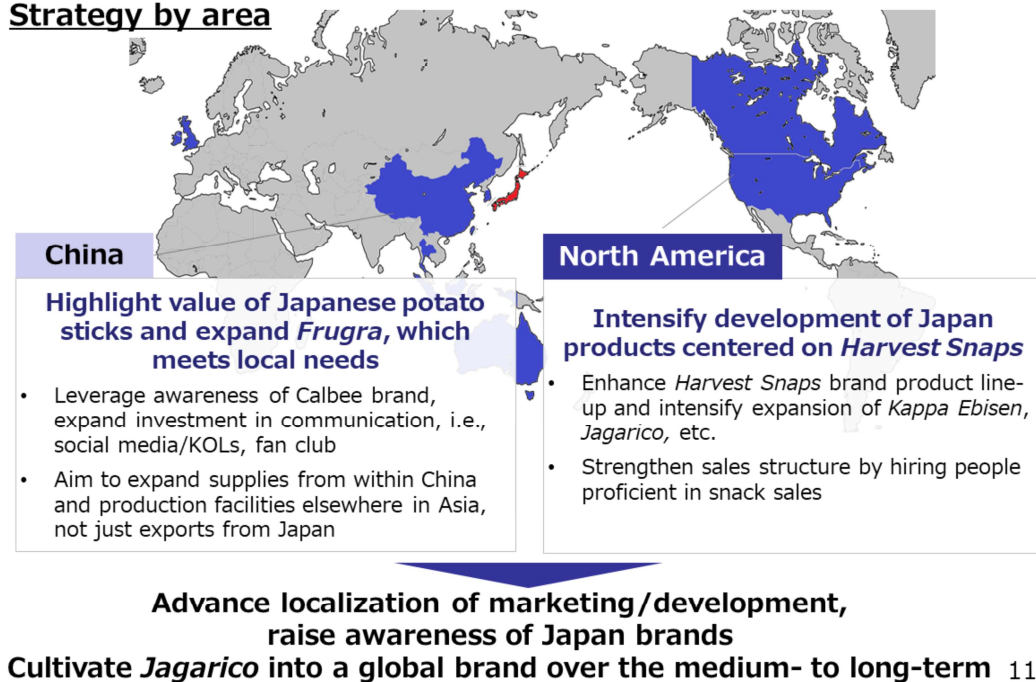
This is our overseas business.

We will expand our Japanese brands, such as *Jagarico*, to global markets.



## 2) Overseas Business

### Strategy by area



In particular, we will concentrate our resources in China and North America, where the market is large and growth opportunities are expected.

The Calbee brand is very well known in China, but we have been somewhat complacent and have not invested much in communication. We will continue to invest in SNS, KOLs, and other communications to further increase awareness and expand sales in China. At the same time, we will also look into domestic production in China, as we are currently dependent on exports.

*Harvest Snaps*, which has gained some recognition in North America, is now back on a growth trajectory here. We will leverage this brand to expand our lineup to other products such as puffs and tortillas. At the same time, we will strengthen the development of Japanese brands such as *Kappa Ebisen* and *Jagarico*.

In the mid to long term, we aim to develop *Jagarico* into a global brand.

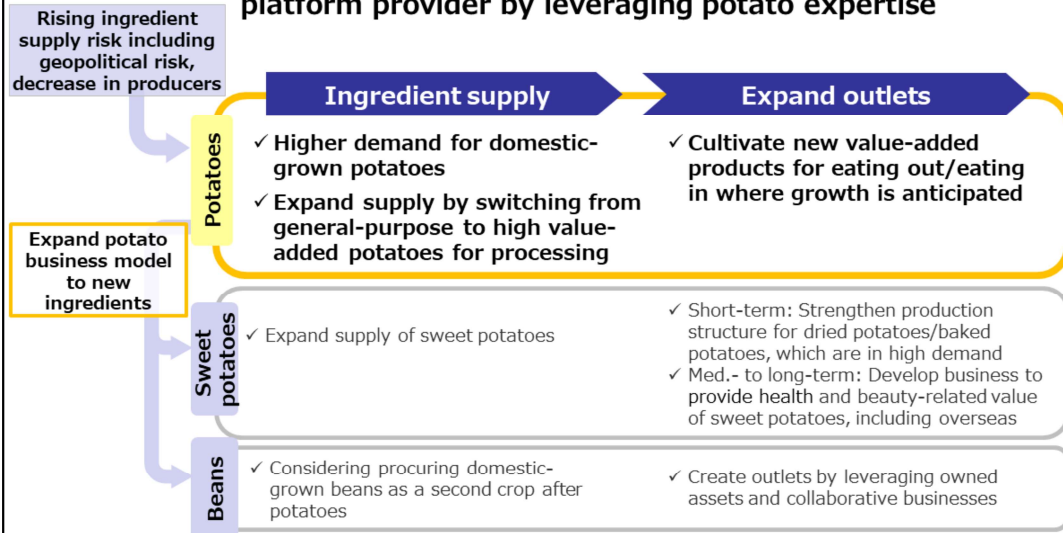


### 3) Agri-business

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

#### Strengthen base towards expanding natural ingredients platform

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



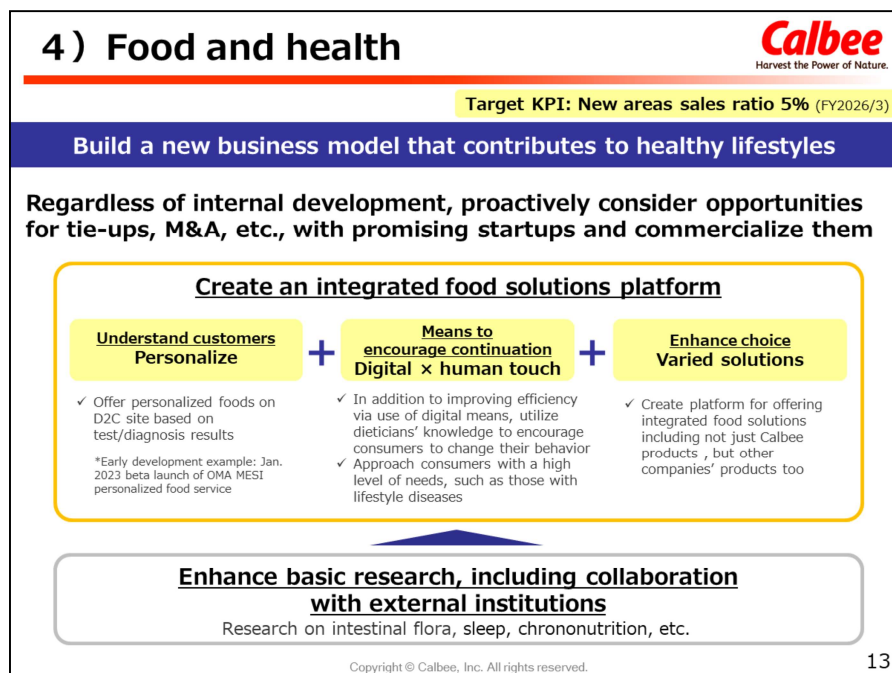
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Next is the agri-business, which is a new area.

As you know, Calbee uses about 15% of Japan's potato crop, and we intend to further expand in this area by taking advantage of our expertise in potato.

Due to recent climate change and geopolitical challenges, imported raw materials are becoming more expensive. In light of such vulnerabilities, we believe that domestically produced raw materials will become increasingly important. We will focus on expanding fields for high value-added processing, and also work on expanding outlets for food service and restaurant use, which are expected to grow.

Meanwhile, in the sweet potato business, which has become a group company, we will expand sweet potato procurement while utilizing the know-how cultivated in the procurement of potato, expand the dried/baked potato business, and expand production through labor-saving measures in the production of dried sweet potatoes.



The fourth area is food and health.

Contributing to healthy living through food was one of the missions of our founder when he introduced *Kappa Ebisen* to the world. This was because at that time, shortly after the war, malnutrition was the biggest issue. Providing calcium and vitamin B1, which was also the origin of the word Calbee. We will continue to work on this very starting point of our new business.

There are three points. Personalization, digital x human touch, and a variety of solutions.

Personalization will be implemented based on inspections and questionnaires in order to suggest products that are appropriate for each individual's situation.

As for digital x human touch, we would like to try to solve the problem of continuity of food products by using the human touch to take care of the consultation function, which tends to be inorganic when using only digital technology.

As for a variety of solutions, we will not be limited to our own products, but will actively try to propose the best combination of products.

In both cases, Calbee hopes to collaborate with outside research institutions to create what we call evidence-based food, rather than evidence-based medicine.

## Business Base:

### Organization/Human Resources Development



Harvest the Power of Nature.

**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

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The base of our business is the development of our organization and human resources.

The organization will be integrated from manufacturing to sales, removing the conventional framework of an overseas company, a domestic sales company, and a domestic manufacturing company. We have grouped the regions into three broad regions: Japan, Europe and the US, and Asia and Oceania. We will further clarify P&L responsibilities and promote delegation of authority.

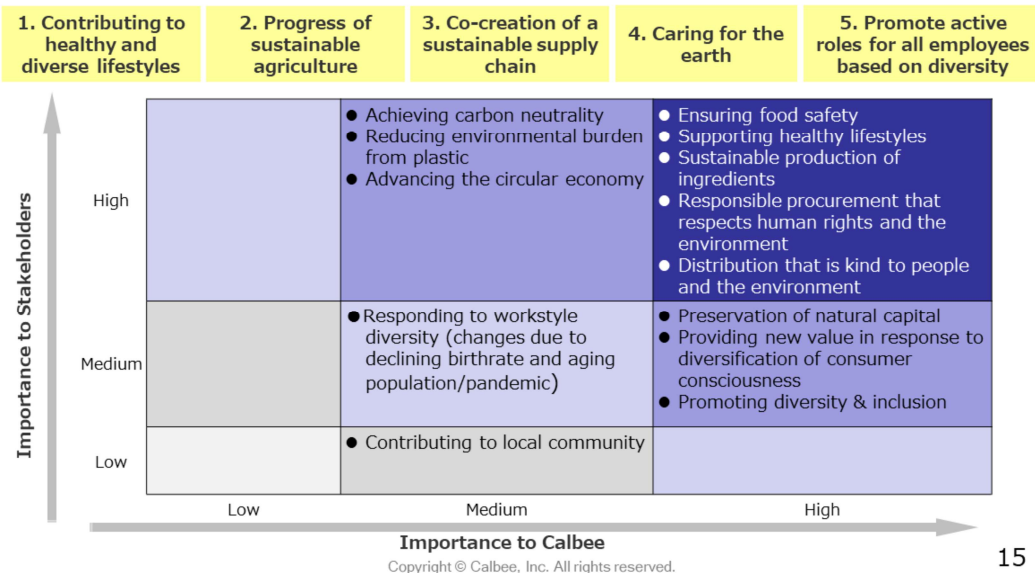
In the area of human resource development, we will strengthen the development of management, or those who are responsible for the management of domestic and overseas subsidiaries, the development of global human resources, and the development of DX human resources.

## 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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Sustainable management continues to be the base of Calbee's business. We will constantly review our materiality and issues with an eye to changes in the external environment. We have now added themes of high importance, such as human rights and biodiversity issues.

## Business Base: Financial Strategy



**Enhance domestic cash generation ability and conduct investment connected to portfolio transformation to strengthen business base**



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This is a pictorial representation of our financial strategy.

We have cash flow of JPY90 billion and cash on hand of JPY30 billion over the next three years, so we have a cumulative total of JPY120 billion over the next three years.

Cash outflows are divided into shareholder returns, investments to improve productivity in response to ESG, automation, and labor-saving measures, and investments for growth in existing businesses in domestic and overseas, new capital investments, and M&A to strengthen our overseas business base. We will return JPY25 billion to shareholders, invest JPY60 billion in efficiency improvement, and invest JPY80 billion in growth.

Cash outflows will exceed cumulative cash on hand, but this will be leveraged through borrowings.



**We aim to return to a growth trajectory by concentrating management resources/intelligence and working together with employees to advance reform initiatives**

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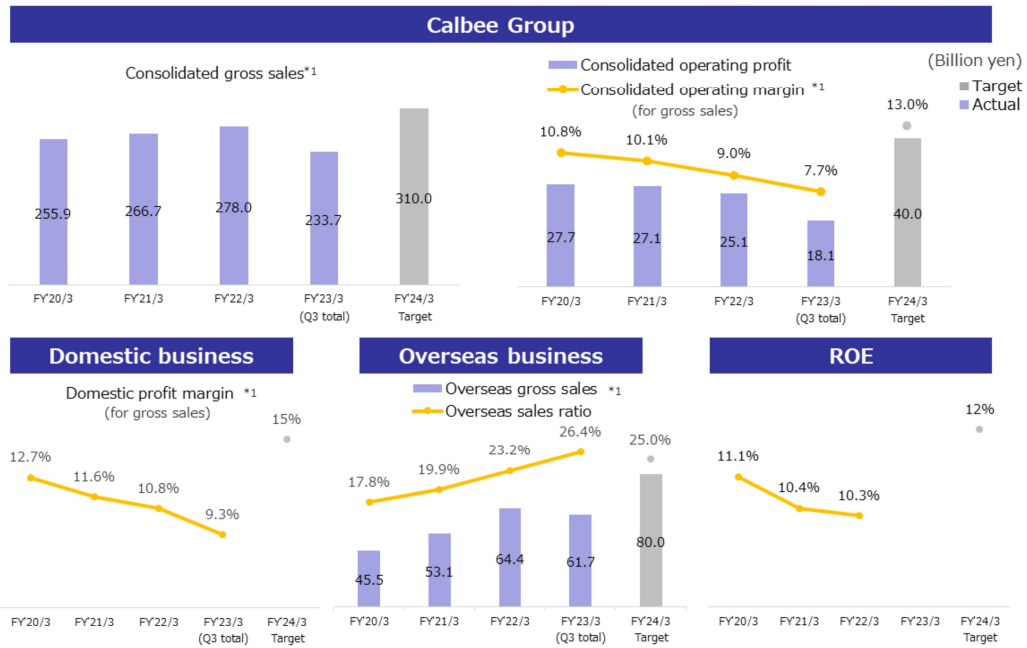
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We will further evolve NEXT Calbee, our existing 2030 vision, and our next 2030 vision is NEXT Calbee & Beyond, in which we aim to return to a renewed growth trajectory by reforming our business structure.

Thank you very much for your attention.

## **Reference materials**

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



\*<sup>1</sup> 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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## Looking back of mid-term business plan (formulated in FY2020/3)



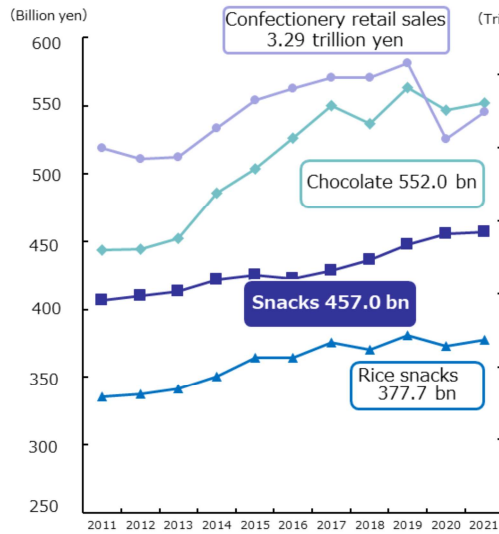
	FY'20/3	FY'21/3	FY'22/3	FY'24/3 (Targets)
Salt equivalent in products (compared with FY'19/3)	-1.8%	-5.4%	-6.9%	20% reduction
Protein-rich product sales ratio	4.1%	4.8%	5.8%	10%
Female manager ratio	20.4% (as of '20/4)	21.8% (as of '21/4)	23.3% (as of '22/4)	Over 30%
Domestic Procurement volume of potatoes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

\*Target achievement year: FY'31/3

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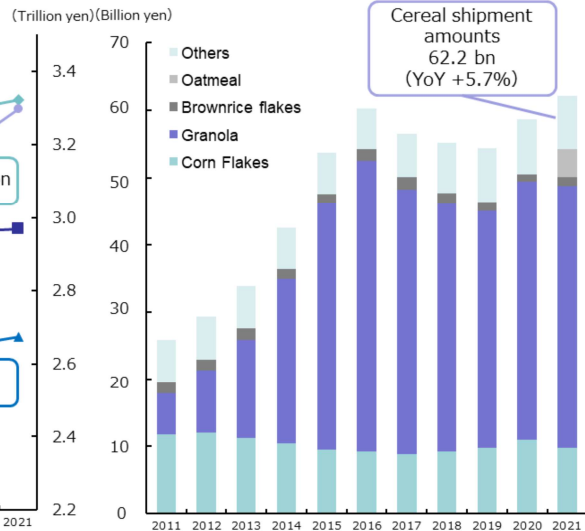
## Domestic market ①

### ■ Domestic confectionery market



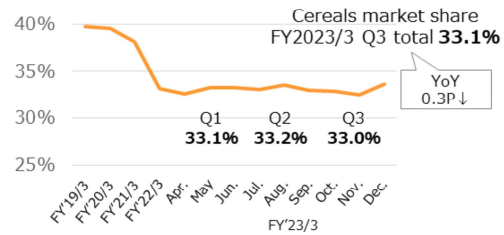
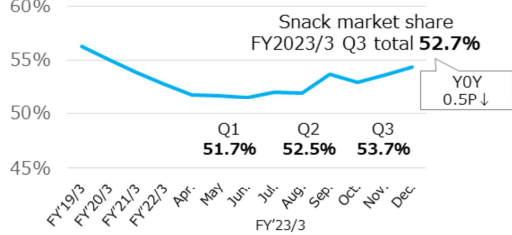
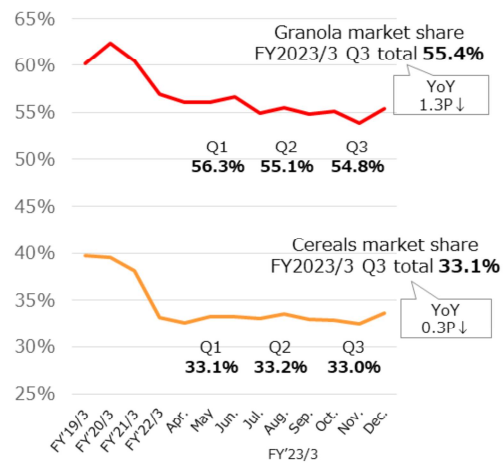
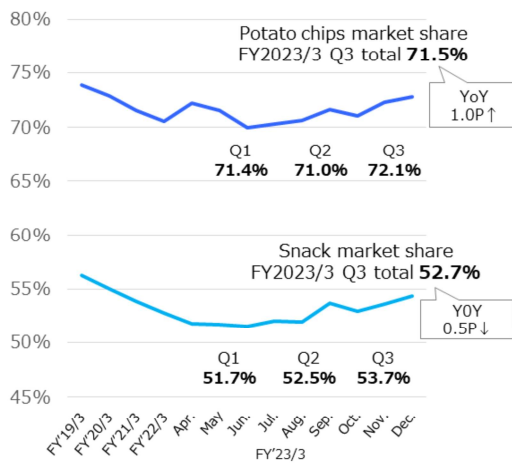
Source: All Nippon Kashi Association

### ■ Domestic cereal market



Source: Japan Snack Cereal Foods Association

## Domestic market ②



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  
FY19/3-FY22/3: April 2018 - March 2022

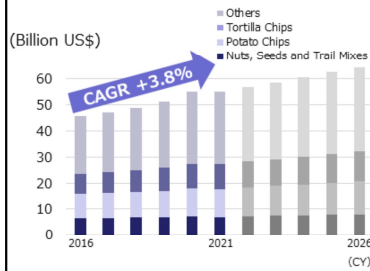
Snack market share: Total of Calbee and Japan Frito-Lay  
Potato chips: Total of potato chips (thick- and thin-sliced), shoestring and kettle types; includes private brand products  
Granola: Granola category of Cereals market

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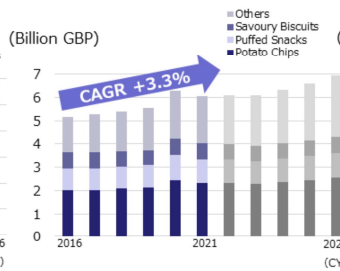
## Overseas market



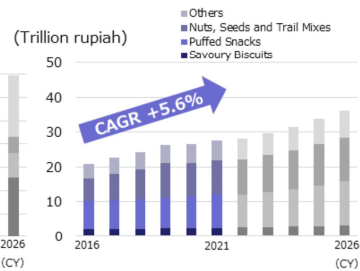
### ■ USA snack market



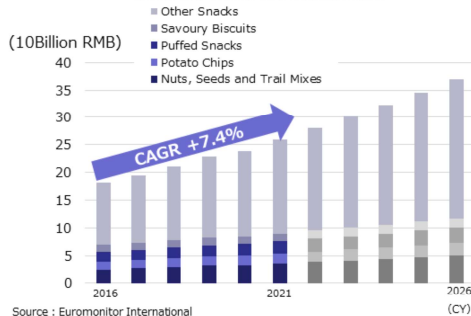
### ■ UK snack market



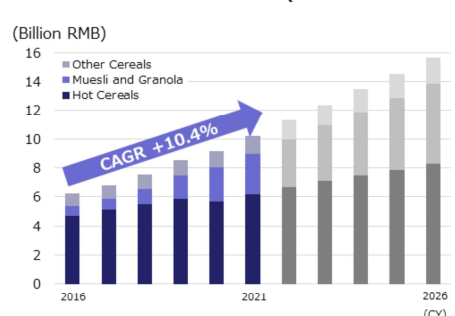
### ■ Indonesia snack market



### ■ China snack market



### ■ China cereal market (For retail store sales)



Source : Euromonitor International

Category : Snack (Savory Snacks : Nuts, Seeds and Trail Mixes, Salty Snacks, Savoury Biscuits, Popcorn, Pretzels, Other Savory Snacks) Cereal : Breakfast Cereals (Hot Cereals, RTE Cereals)

2022-2026: Forecast

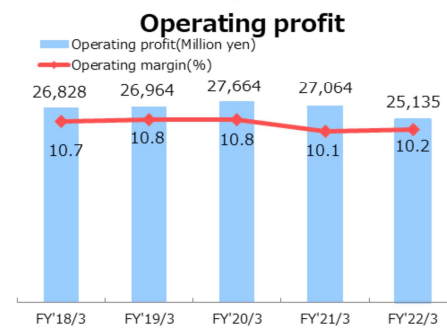
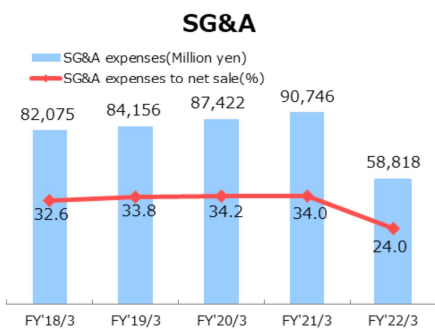
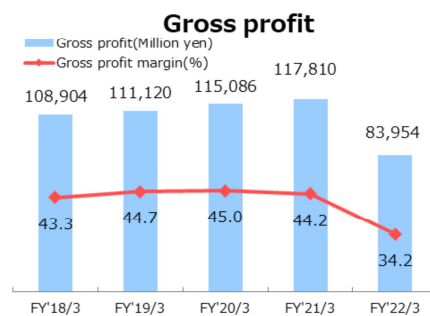
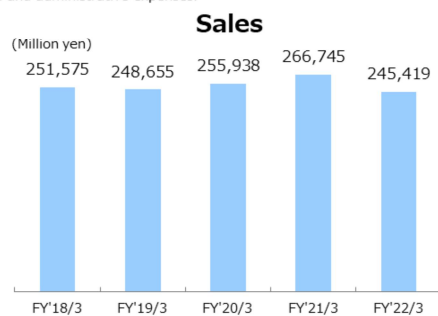
\* The aggregation range of the Chinese snack market has been changed from the fiscal year ended March 2022.

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## Financial highlights ①



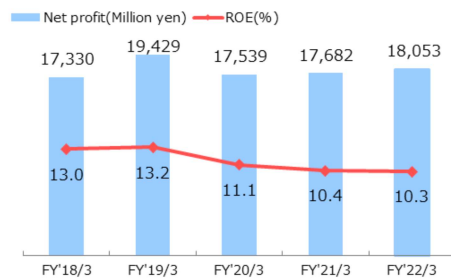
\* Effective from the beginning of fiscal year ended March 31, 2022, the Group adopted the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29) and changed the method to deduct a portion of selling expenses (rebates, etc.) from sales, which was previously recorded in selling, general and administrative expenses.



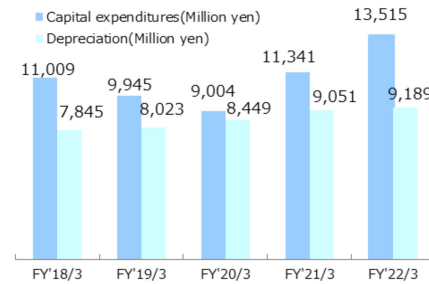
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## Financial highlights ②

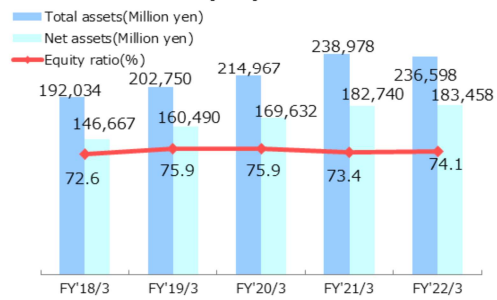
### Net profit/ROE



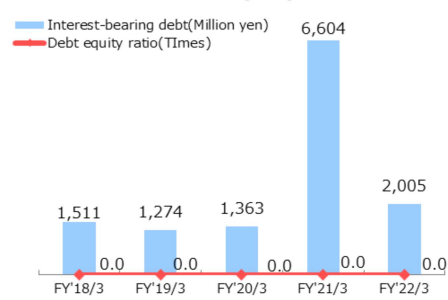
### Capital expenditures/Depreciation



### Equity ratio



### Debt to equity ratio



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Contact details for IR inquiries:  
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E-mail: [2229ir@calbee.co.jp](mailto:2229ir@calbee.co.jp)  
<https://www.calbee.co.jp/en/ir/>

- 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.