

SECTION 01 CEO's Message

Enhancing corporate value through continuous business growth and sustainability management

Reviewing the first year of our growth strategy: *Change 2025*

In the 18 months since I became president and CEO, I believe FY2024/3 was crucial—it was the first year of *Change 2025*, our strategy to return the Calbee Group to a growth path. I am pleased to share that in terms of business performance, we significantly exceeded our three-year growth guidance, which I consider a positive step forward.

Change 2025 is a three-year plan designed to lay the foundation for Calbee's future growth. It clarifies what we need to do to achieve this growth, where to focus our resources, and how to reform our business portfolio. In addition to expanding our global business, it sets the groundwork for our next core growth pillars: the Agri-business, which leverages the strengths of our value chain, and the Food and Health business, a new and emerging area.

To enable these growth pillars, however, we must first enhance the profitability of our domestic core business. We have unified our production and sales organizations, which previously operated as separate functions, into a region-based system, providing clearer direction for the business. Additionally, we have been developing a new Sales & Operations Planning (S&OP) system to optimize asset and resource allocation, reduce waste and inconsistencies, enhance product development efficiency, and ensure customers receive products when they want them. The new S&OP system visualizes and shares information across the value chain, accelerating decision making



Makoto Ehara

President & CEO

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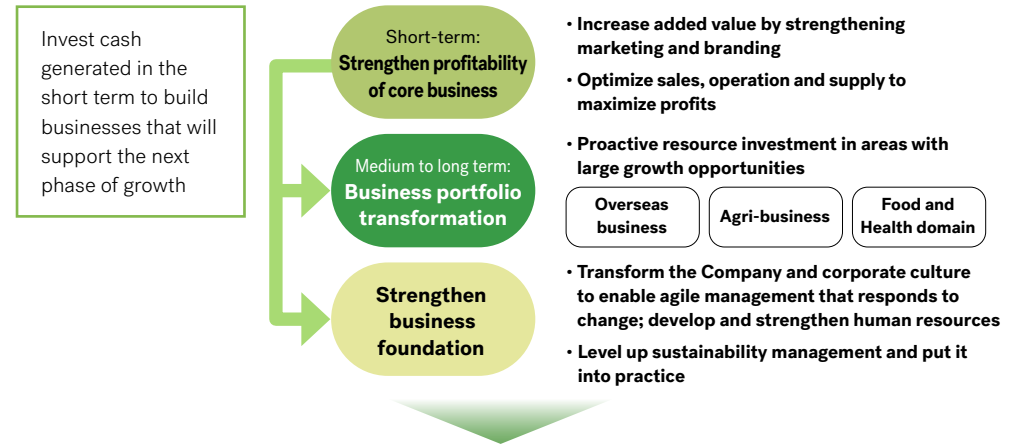
and optimizing our unique “10 Processes” value chain. This, in turn, enables us to maximize profitability across the entire value chain—from procurement to production and shipment to customers. We are already seeing positive results, including in optimizing our high number of SKUs*, one of our key challenges.

Maximizing our brand value in Japan is also crucial. While we are proud of the strong support the Calbee brand receives from our customers in Japan, we believe we can still do more to promote its true value. We are increasing awareness of our commitment to quality ingredients and manufacturing methods, helping our customers to fully appreciate the value of our products.

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

As for our overseas business, we not only expanded sales but achieved profits in all our business regions, reinforcing our belief in the strong growth potential of this business segment. However, challenges remain in our priority regions of North America and China. In North America, our OEM business is sluggish, and in China, business is at a standstill due to customs regulations. Despite these challenges, the size and growth potential of the North American market and our brand strength in Asia indicate considerable medium- to long-term growth potential in both regions. We believe that there is a significant opportunity to promote Calbee's manufacturing capabilities as a brand originating from Japan and to increase customer recognition globally.

During the year, we further embraced the challenge of developing new business models in emerging areas. In the Food and Health business, we aim to build a comprehensive food solutions platform, and in April 2023 we began by offering *Body Granola*, a personalized service that provides granola tailored to individual intestinal flora. In the Agri-business, we are expanding our sweet potato business, and we will continue to add value by leveraging synergies with our potato business and other areas of the Calbee Group. As we go forward, we will continue to promptly and strategically allocate our resources to grow these future business pillars.



Reflecting on the First Year of Change 2025

Priority themes	Progress	Issues
Strengthen profitability of core business 	<ul style="list-style-type: none"> • Established foundation for visualizing profit by SKU • Built foundation for optimizing value chain through DX 	<ul style="list-style-type: none"> • Room to raise Calbee brand value • Further promote DX strategy (S&OP)
Business portfolio transformation 	<ul style="list-style-type: none"> • Achieved record profit (yen basis) in the overseas business by shifting strategies in response to changes in the business environment • Expanded the sweet potato business, launched <i>Body Granola</i>, and other new initiatives 	<ul style="list-style-type: none"> • Sustainable sales growth in the overseas business • Revise financial strategy in support of portfolio transformation
Strengthen business foundation 	<ul style="list-style-type: none"> • Clarified responsibilities and improved flexibility of implementation by introducing regional business structure • Prepared the foundation for changing awareness through Kurumaza (roundtable) Meetings 	<ul style="list-style-type: none"> • Strengthened collaboration across organizations • Ensured sufficient number of core employees, cultivated human resources (managers, global human resources, and digitally literate human resources) • Engaged in ongoing initiatives to encourage employees to make transformation and the taking on of challenges a personal matter

Challenges toward our 2030 goals

Currently, our domestic business accounts for three-quarters of total Group sales and an even-larger share of operating profit. However, we believe it will be challenging to

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further expand sales in the domestic market due to Japan's declining birthrate and aging population.

In contrast, we see significant potential for growth outside of Japan. In North America, for example, our flagship *Harvest Snaps* brand is well-recognized in the health-conscious "Better For You" snacks category. It is currently driving growth, with operating profit margins exceeding double digits. We will continue to leverage this brand to expand our product lineup, and by improving the efficiency of existing facilities,

we aim to increase both sales and profits in this region.

We also aim to expand our sales in Asia and Oceania, where we have already established a certain level of brand recognition. In China, we will promote local manufacturing on an OEM basis because we believe it is crucial to provide products that meet local needs at competitive price points. In Thailand, we will maintain a diverse range of cost-competitive production

lines, and we intend to use these as a global production hub to increase earnings from overseas operations as a whole. In Indonesia, a market with significant growth potential, we will expand our business by reinforcing our production lines and making other strategic investments.

As a result, over the medium to long term, we aim to grow our overseas business to account for approximately 40% of total Group sales and approximately 30% of Group operating profit.

In our strategic road map, we have positioned the fiscal year ended March 2027 and beyond as the period for renewed growth. We are promptly executing reforms after the fiscal year ended March 2025 and will fine-tune our efforts in the fiscal year ended March 2026 to set the stage for renewed growth.



As we expand our business, it is essential that we address climate change, biodiversity, human rights, and other pressing global issues. For example, a high proportion of our business depends on natural raw materials such as potato crops, which have been seriously impacted by climate change in recent years. Agricultural production is vulnerable to changes in temperature, and potato crops are no exception. The sustainability of the agricultural industry is also a concern as the average age of farmers continues to increase. At the Calbee Group, we are working together with stakeholders to address these issues from a variety of angles. As well as developing new varieties of potato, such as *Poroshiri*, which are more resistant to pests and environmental changes, we are focusing on supporting farmers. One such example is the development of a contractor business that undertakes part of the cultivation and harvesting work on behalf of farmers.

We are keenly aware of changing consumer sentiment, with more people seeking out products that take human rights and the preservation of natural resources into consideration. We have introduced environmentally and human rights-conscious certified palm oil to all Calbee Group plants in Japan—achieving our 2030 target of using 100% certified palm oil ahead of schedule. The packaging of some core products now displays the RSPO label. We believe that a major challenge for the Group is to continue to address these issues promptly while advancing both business growth and sustainability management.



Building capabilities and fostering innovation through diversity

We believe that our people are key to enhancing the value of our domestic core business and creating new value in our global and emerging business. We also believe that leveraging diversity will drive innovation within the Company. While it is becoming increasingly difficult to create "blockbuster" new products in any industry as consumer tastes diversify, we can draw on the Calbee Group's long history of innovation.

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I believe that management should not only take the lead in driving innovation but also strongly support ideas that emerge from within the Company. Our past experiences show that even when good ideas emerged, few people stepped up when it was time to act on them, and, as a result, these ideas never came to fruition.

In the previous fiscal year, we launched the Innovation & Beyond Award to help address this issue. We received entries from colleagues both in Japan and overseas, many of which had real commercial potential. This experience reinforced my belief in the latent value that we have within our organization and strengthened our commitment to providing the support needed to bring more great ideas and businesses to market.

As I mentioned earlier, the diversity of our people is key to innovation. We have long been committed to gender equity and have set a goal of increasing the ratio of women in management positions to more than 30% of our total workforce. However, we believe that the true catalyst for innovation is diversity in all its forms—including gender, nationality, and life experience. Our aim is to become a company where diverse talent can gather and grow together in friendly competition. For example, we introduced a side-job system that enables us to learn from people in different industries who, while maintaining their full-time jobs at their companies, join us on a part-time basis. We will continue to invest in our people and promote diversity throughout our organization.

Pursuing continuous growth for 100 years and beyond

Calbee was founded in 1949. I want the Group to continue to grow even after more than 100 years since its founding, building on the core values expressed in our corporate philosophy and Group Vision. The backbone of Calbee lies in our founding spirit: contributing to healthy lifestyles. However, continuous growth requires continuous change. In any organization, there are always some people who prefer to keep things the way they are, but we must never be satisfied with the status quo. One of my goals

is to create a culture that encourages every employee to embrace and reflect changes in society and the business environment.

After becoming president, one of my first initiatives to spread awareness of the need to change was to introduce Kurumaza (roundtable) Meetings, in which employees and management engage in direct dialogue. Although we are still in the midst of this process, I have already met many employees who have shown a strong willingness to adapt and grow. Ultimately, we aim to become a company where self-motivated people pursue change rather than wait for it to be imposed on them by others.

Although 100 years may seem like a long time, I still view it as a mere milestone. We intend to keep growing and evolving even after our first century, which means that sustainability management will be essential. As stated in our Vision, we are committed to sustainable growth for our four key stakeholder groups: customers and suppliers, employees and their families, communities, and shareholders. On behalf of the Board, I want to thank all our stakeholders for their ongoing support. We will do our best to understand and meet your expectations as we work together to transform the Calbee Group.

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.**

Makoto Ehara
President & CEO
October 2024