

SECTION 02

Driving Force Behind Value Creation

We have established a unique value chain that spans from the development of natural raw materials to the delivery of finished products to our customers. This enables us to deliver great tasting, fun, and healthier offerings that harness the best of nature's gifts. Our value chain is the driving force behind our continuous business growth, the promotion of sustainability management, and the creation of new value.

Enhancing Corporate Value

SECTION 02 Driving Force Behind Value Creation

SECTION 03
Continuous Business Growth

SECTION 04
Promoting Sustainability Management

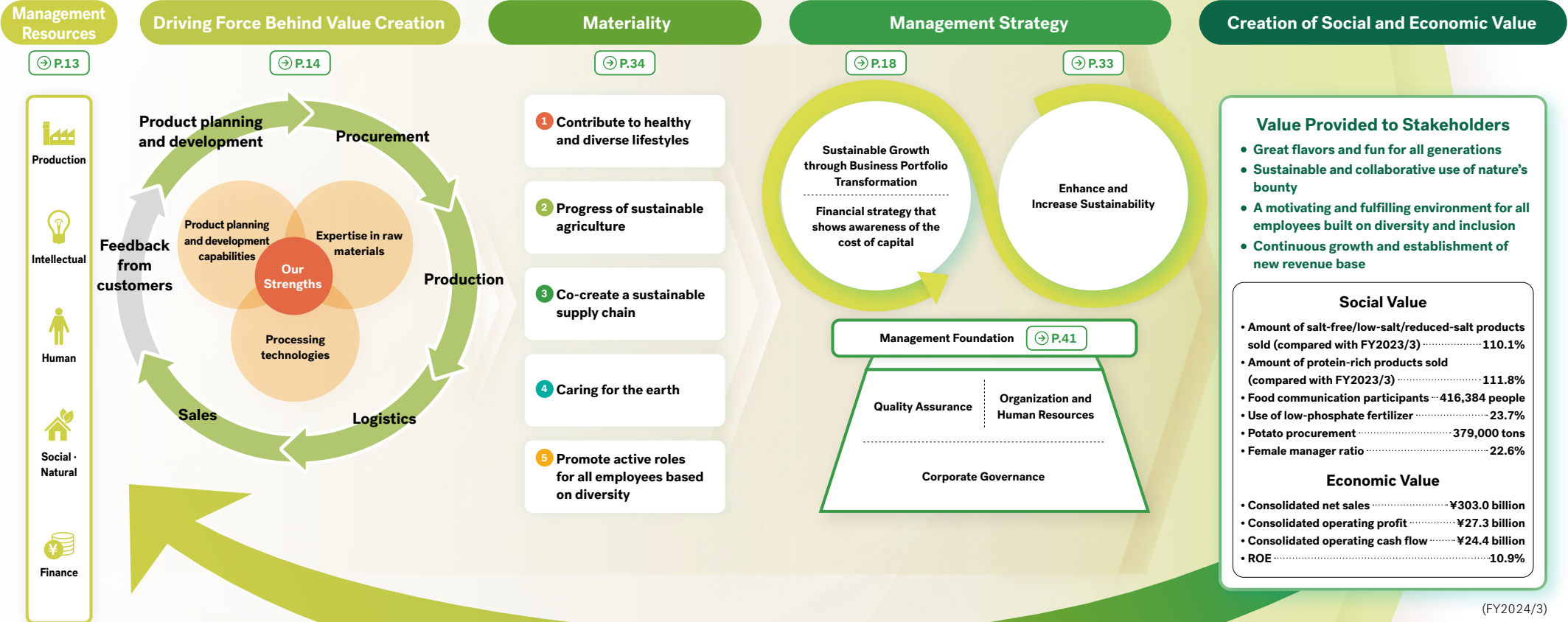
SECTION 05 Management Foundation



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.



Value Creation Process

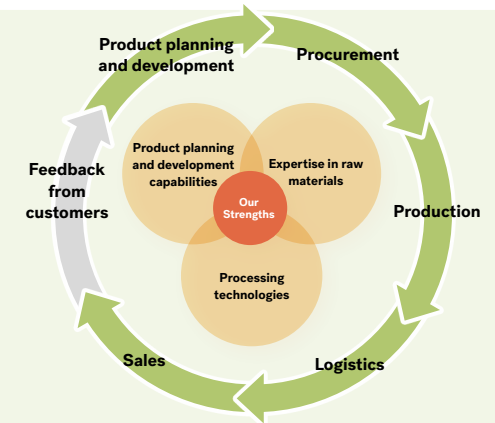
Management Resources and Value Provided

Capital Classification	Management Resources	Issues and Response Policy	Related Materiality
 Production	<ul style="list-style-type: none"> 16 production sites in domestic consumer areas Domestic manufacturing bases capable of processing imported potatoes 12 overseas production sites 	<p>Issues</p> <ul style="list-style-type: none"> Ensuring food safety and security Increasing supply capacity at domestic factories, support for automation and labor-saving measures <p>Response Policy</p> <ul style="list-style-type: none"> Increase added value through brand enhancements, promote the optimization of sales, operations, and supply chains Build foundation for next-generation factories, streamline existing facilities overseas 	<ul style="list-style-type: none"> 1 Contribute to healthy and diverse lifestyles 3 Co-create a sustainable supply chain
 Intellectual	<ul style="list-style-type: none"> Proprietary processing technology that takes advantage of natural ingredients Expertise related to raw materials Expertise in improving productivity Long-selling products loved by multiple generations 	<p>Issues</p> <ul style="list-style-type: none"> Provide new value in response to diversifying consumer awareness Expand processing technologies and product development capabilities overseas Acquire technologies and expertise in new fields <p>Response Policy</p> <ul style="list-style-type: none"> Deploy knowledge and experience nurtured in Japan globally Acquire new technologies and expertise through collaborations with external organizations and M&As 	<ul style="list-style-type: none"> 1 Contribute to healthy and diverse lifestyles
 Human	<ul style="list-style-type: none"> Employees in 10 countries and regions including Japan Human resource system that promotes active participation of all employees Flat and open corporate culture 	<p>Issues</p> <ul style="list-style-type: none"> Promotion of diversity and inclusion Support for workstyle diversity Organizational culture reforms, lack of employees who think outside the box and take the initiative, insufficient core human resources <p>Response Policy</p> <ul style="list-style-type: none"> Foster an organizational culture where everyone can take on challenges, support career autonomy, and develop core human resources Revise evaluation systems 	<ul style="list-style-type: none"> 5 Promote active roles for all employees based on diversity
 Social · Natural	<ul style="list-style-type: none"> Collaborative ties with production regions, producers, governments, and universities Development of potato and sweet potato varieties 	<p>Issues</p> <ul style="list-style-type: none"> Sustainable raw material production, responsible procurement that respects the environment and human rights Conservation of natural capital Achieve carbon neutrality, reduce the environmental impact of plastics, promote a recycling society <p>Response Policy</p> <ul style="list-style-type: none"> Promote raw material procurement that respects human rights and natural capital Support for contract growers during harvest time 	<ul style="list-style-type: none"> 2 Progress of sustainable agriculture 3 Co-create a sustainable supply chain 4 Care for the earth
 Finance	<ul style="list-style-type: none"> Stable cash flow from operating activities Growth investment of approx. ¥80 billion 	<p>Issues</p> <ul style="list-style-type: none"> Proactive investment and fundraising to execute growth strategies Improve asset efficiency and utilize financial leverage <p>Response Policy</p> <ul style="list-style-type: none"> Improve earnings quality and ensure a sound financial position Return profits to shareholders appropriately 	—

Special
Feature

Three Key Strengths of the Calbee Group

The Calbee Group has built a unique value chain that integrates everything from the development of potatoes and other natural ingredients to the commercialization of products. We leverage three key strengths developed through this process as the driving force behind our business activities in Japan and overseas. By utilizing our advanced technological capabilities and expertise in harnessing the power of nature, we will continue to enhance our value chain through co-creation both within and outside the Company.



Strength 1 Expertise in Potatoes



Kazuya Tasaki

President,
Calbee Potato, Inc.

Closely Cooperating with Contract Growers to Sustainably Procure Potatoes

In recent years, the impact of climate change on agricultural crops has become more significant, and the number of farmers in Japan is expected to continue shrinking due to the country's aging society and declining birthrate. At the same time, demand for potatoes for processing is increasing. We believe that the stable procurement of potatoes is crucial for the sustainable growth of the Calbee Group's business and will also lead to improved agricultural sustainability, which is one of our key materiality themes.

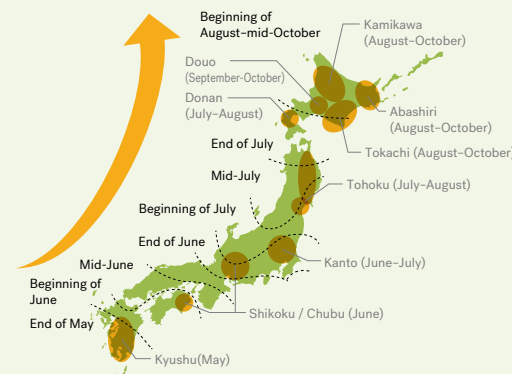
The Calbee Group procured 379,000 tons of domestically produced potatoes in FY2024/3 from contracted production areas across the country, from Kyushu to Hokkaido, which was the equivalent of approximately 19% of domestically produced potatoes.

In addition to our procurement system, we deploy "fieldmen" (experts in potato cultivation) throughout the country. To ensure we can sustainably procure potatoes, we believe it is important to address the various issues faced by contract growers and support the revitalization of domestic agriculture. Calbee fieldmen gather information on these issues and have built strong relationships with contract growers over the years. They work together to find solutions, contributing specialist perspectives to produce better potatoes. Their expertise serves as a unique and important foundation for potato procurement.

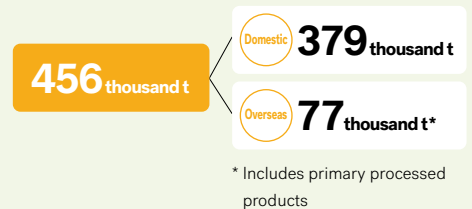
Beyond simply strengthening raw material procurement, we are also focusing on developing proprietary potato varieties that are resistant to climate change, pests, and diseases. The potato varieties for processing that Calbee has developed in-house have become popular and are now widely used by many contract growers due to their resistance to pests and diseases. We believe the development of these varieties is one measure that will help resolve issues faced by producers and pave the way for the future of agriculture.

At present, the environment surrounding agriculture is becoming increasingly severe, characterized by labor shortages and climate change. However, it is precisely this type of environment in which the Calbee Group can draw on the expertise it has cultivated until now. By maintaining close partnerships with contract growers, we will continue to procure high-quality potatoes and support the sustainable growth of the Calbee Group.

Major domestic potato-producing regions and harvest seasons



Amount of potatoes procured by the Calbee Group



Special
Feature

Three Key Strengths of the Calbee Group

Strength 1 Expertise in Potatoes

— Developing Varieties Resistant to Climate Change and Pests

The Calbee Group's Potato Research Institute develops new potato varieties that are more resistant to heat and disease and can be cultivated in different seasons to better adapt to climate change. Each year, we plant 25,000 seed potato varieties (strains) and cultivate them over approximately 15 years to develop new varieties. Due to the lengthy breeding process, only three of these new varieties have been commercialized so far. One such variety is *Poroshiri*, which was registered in 2017 and is unique to the Calbee Group. *Poroshiri* is now more widely used, especially in Hokkaido, and is expected to offer greater resistance to pests and diseases, as well as higher yields compared to conventional varieties.

Looking ahead, we will continue to collaborate with research institutions both in Japan and overseas, with the goal of registering four new potato varieties by 2030.



Cultivation experiment at the Potato Research Institute

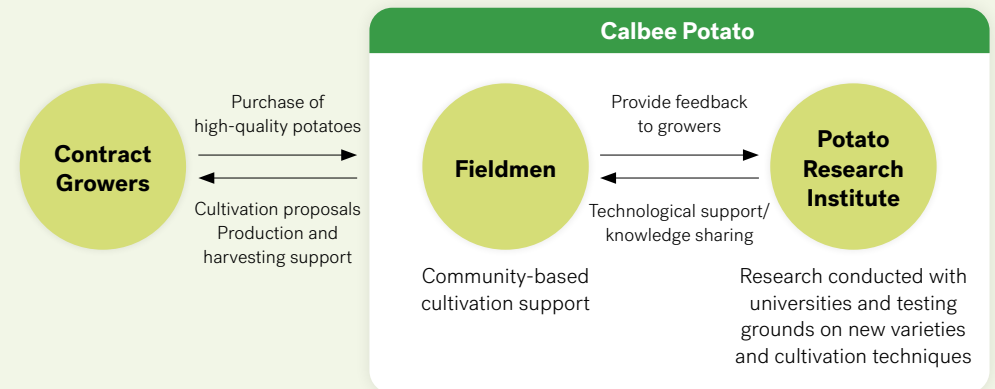

Poroshiri, a proprietary variety harvested in Hokkaido

— Fieldmen: Calbee's Potato Cultivation Experts

As potato cultivation is labor intensive, Calbee has dispatched 40 potato cultivation experts, known as "fieldmen," across Japan to support growers in their cultivation and harvesting efforts. These fieldmen visit contract growers daily, providing data-driven guidance on cultivation techniques and labor-saving agricultural methods. By improving quality and increasing yields per unit area, this initiative not only raises procurement volumes but also leads to higher income for contract growers, significantly contributing to the revitalization of domestic agriculture.



Mutually Beneficial Relationships with Contract Growers



Special
Feature

Three Key Strengths of the Calbee Group

Strength 1 Expertise in Potatoes

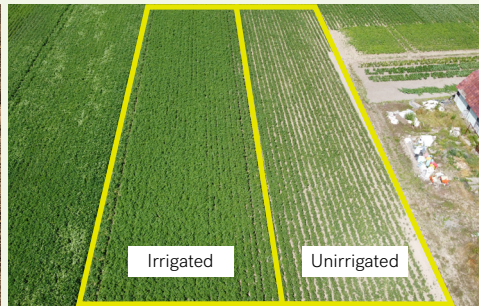
Promoting Digital Transformations in Agriculture

The Calbee Group promotes potato cultivation techniques grounded in scientific evidence, linking together information on contract growers, fields, cultivation practices, storage, and other factors with meteorological data. For example, to maintain optimal soil moisture levels, we have installed soil moisture meters in fields. We then provide recommended irrigation timings to contract growers via a smartphone app, resulting in increased potato yields. A demonstration experiment conducted in 2022 showed that yields were approximately 1.2 to 1.5 times higher than in unirrigated areas reliant solely on rainfall, confirming the effectiveness of this system. From 2024, we have been working on installing soil moisture meters in multiple regions across Hokkaido and will propose optimal cultivation methods based on the collected data.

Looking ahead, we intend to expand the use of this platform to crops other than potatoes, while continuing to promote scientific cultivation and labor-saving agricultural practices.



Soil moisture meter installed in a potato field



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

Expanding and Decentralizing Potato Production Areas to Ensure Stable Procurement

Due to the impact of climate change in recent years, damage from torrential rainstorms, typhoons, and droughts has increased year by year. For the Calbee Group, expanding and decentralizing production areas to ensure the stable procurement of potatoes is a critical issue. In Hokkaido, which supplies around 80% of the potatoes Calbee procures, we are working with the Hokuren Federation of Agricultural Cooperatives to supply seed potatoes and expand production to areas outside the main Tokachi region. Even in regions such as Tohoku and northern Kyushu, where potatoes were rarely cultivated in the past, efforts are being made to convert rice paddies to fields in order to expand potato production.

Furthermore, although the import of raw potatoes from overseas is generally prohibited by law, potatoes imported from the United States have been allowed since 2006. There are various conditions placed on the import of potatoes, such as the areas where they can be brought in and their intended use. Only Calbee's Kagoshima and Hiroshima factories meet these conditions, importing approximately 34,000 tons of raw potatoes per year.

Storage Technologies That Maintain High Quality throughout the Year

Although potatoes are only harvested once a year, Calbee has established storage technologies that enable us to maintain harvest quality and ensure stable supplies throughout the year. Calbee potatoes are stored in more than 40 storage facilities across Hokkaido. In addition, because the quality of potatoes varies depending on the field and they are constantly breathing, it is important to assess quality when they are delivered and manage them appropriately according to their quality. We determine the length of storage according to quality, and constantly monitor storage temperatures, humidity, carbon dioxide concentrations, and other conditions to manage freshness, creating a system that enables us to supply the highest-quality ingredients when they are needed.

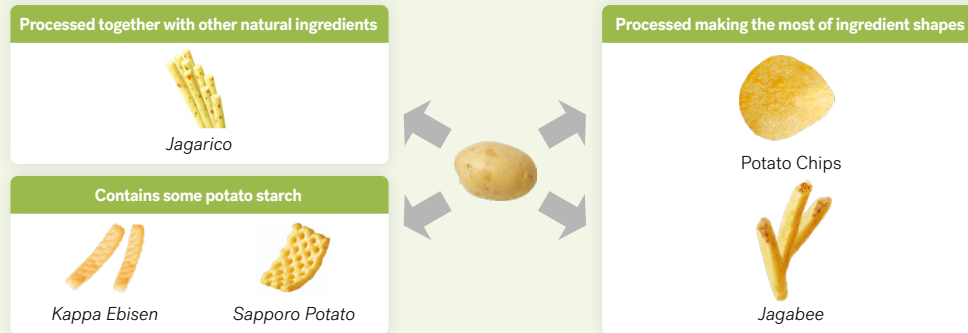


Special
Feature

Three Key Strengths of the Calbee Group

Strength 2 Processing technology that utilizes natural ingredients

The sugar content, umami, and other characteristics of potatoes differs based on their variety, place of origin, and season. To maximize the quality of each ingredient, we carefully select and process the most suitable potato variety for each product. To provide new value that meets diverse needs, we are developing products with a variety of textures and shapes, all made using the same potato ingredients, by modifying cutting techniques, frying temperatures, cooking times, and other processing methods.



Proprietary Production Method That Slices Potatoes Extremely Thin

Super Thin Potato Chips, rebranded and launched in 2024, offer an enjoyable, light texture achieved through Calbee's proprietary production method of slicing potatoes as thinly as possible. When thinly sliced potatoes are fried using conventional methods, they absorb a large amount of oil, resulting in oily potato chips. Accordingly, we developed Calbee's first original frying technology, using 100% sunflower oil, and after repeated attempts over a six-year period to achieve the thinnest slices possible, we finally created this product's unique shape and light texture.



Super Thin Potato Chips



Potato slices before frying
Left: *Super Thin Potato Chips*
Right: *Basic Potato Chips*
Super Thin Potato Chips are so thin that the letters on the packaging can be seen through the chips when the packaging is placed on a flat surface.

Strength 3 Product planning and development capabilities aligned with changing times and diverse needs

To gain a deeper understanding of customer needs, the Calbee Group maintains numerous points of contact with customers, including customer service centers, in-store activities at retailers, directly managed antenna shops, and official social media. We proactively engage with customers and utilize their feedback to improve product planning, development, and quality through our integrated value chain, from raw materials development to commercialization.

Leveraging Data to Approach Customers and Co-create

The Calbee "Lbee" Program app is an important digital touchpoint for our customers. Since its release in September 2020, it has been downloaded over 650,000 times as of April 2024. This app allows us to gather detailed purchasing data for each individual customer, including customer type and product purchase volumes. We leverage this data to enhance customer loyalty through communications tailored to each customer segment, which also informs future product development.

Beyond digital touchpoints, we facilitate face-to-face interactions through fan meetups, engaging domestic employees from our Marketing and Research and Development departments. Under the "Fan With! Project," we have organized fan meetups in 17 locations across Japan, welcoming over 600 customers who applied through the Lbee Program. These events, which include product creation experiences with employees, help us better understand our customers.

The feedback we receive is instrumental in improving product planning, development, quality, and communication, creating a virtuous cycle throughout our entire value chain.



Customers and Calbee employees interacting with each other at a fan meetup