

SECTION 03

Continuous Business Growth

By understanding the changes and challenges in our business environment, we aim to transform Calbee into a company capable of continuous growth. Our Change 2025 growth strategy includes reshaping our business portfolio and implementing financial strategies that are mindful of capital costs - an approach will support our future growth.



Enhancing Corporate Value

SECTION 02

Driving Force Behind Value Creation

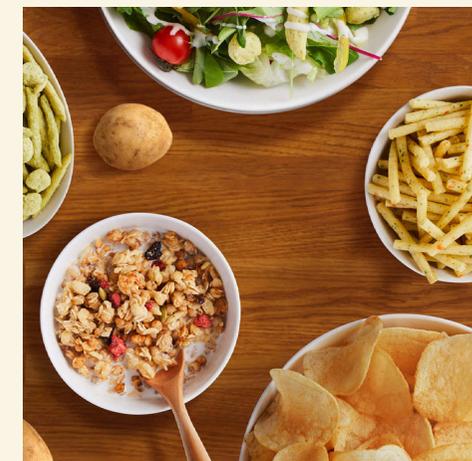
SECTION 03

Continuous Business Growth

SECTION 04

Promoting Sustainability Management

SECTION 05 Management Foundation





CSO's Message

Keiei Sho

Director,
Senior Managing Executive Officer,
Chief Strategy Officer (CSO),
and General Manager, Headquarters
for Group Business Strategy Management

Q. What progress did Calbee make in the first year of its *Change 2025* growth strategy?

Our strategic priority in Japan is to strengthen the profitability of our core businesses. Therefore, in FY2024/3, we revised the pricing and specifications of our products in response to rising raw materials and other costs. Despite higher prices, many of our customers continued to recognize the value of our products. Initially, we were concerned about the impact these revisions would have on our domestic sales volume, but it turned out to be much lighter than we expected. I believe this outcome reflects our ability to leverage Calbee's inherent strengths.

Overseas, we aim to expand global brands from Japan. In North America, we achieved steady sales of Japanese brands such as *Kappa Ebisen*, *Jagarico*, and other products. Asian food culture is widespread in the United States, with snacks from Asia, particularly Japan, growing in popularity. In China, while maintaining our brand recognition, sales declined significantly due to restrictions on imports from Japan in FY2024/3. However, we were able to offset this decline through profits from Indonesia and other regions, while achieving record-high operating profit in our overseas business.

In new business areas, we strive to build new business models. Aiming to establish a comprehensive food solution platform in the Food and Health area, we launched our *Body Granola* subscription service in April 2023, providing granola tailored to individual intestinal flora. In Agri-business, our sweet potato business is expanding, and we will maintain efforts to increase

the value of our products going forward by leveraging overall Group strengths, including synergies with the potato business.

Q. What challenges does Calbee face in its “Return to growth” phase from FY2027/3 onward?

In the medium-to-long term, one of our key challenges is transforming our business portfolio, which is heavily reliant on domestic operations at present. Additionally, we must consider how we allocate resources to overseas markets and new business areas, where significant growth opportunities exist. To achieve this, we have to address three priorities in the remaining two years of our *Change 2025* strategy.

The first is to quickly increase the productivity and profitability of our domestic core business. To this end, it is essential we advance our digital transformation initiatives. Our top priority is to advance our Sales & Operations Planning (S&OP) initiative, which we began in earnest during FY2024/3. We will continue to develop this foundation with the goal of achieving tangible results from FY2027/3 onward.

The second priority is to create a foundation for expanding our overseas business sales. Going forward, we aim to increase our overseas sales ratio to approximately 40%, which is a challenging target as it requires more than double the current sales. We will steadily increase the number of our overseas production sites, and, when the opportunity arises, we will consider M&A and other investments to accelerate growth.

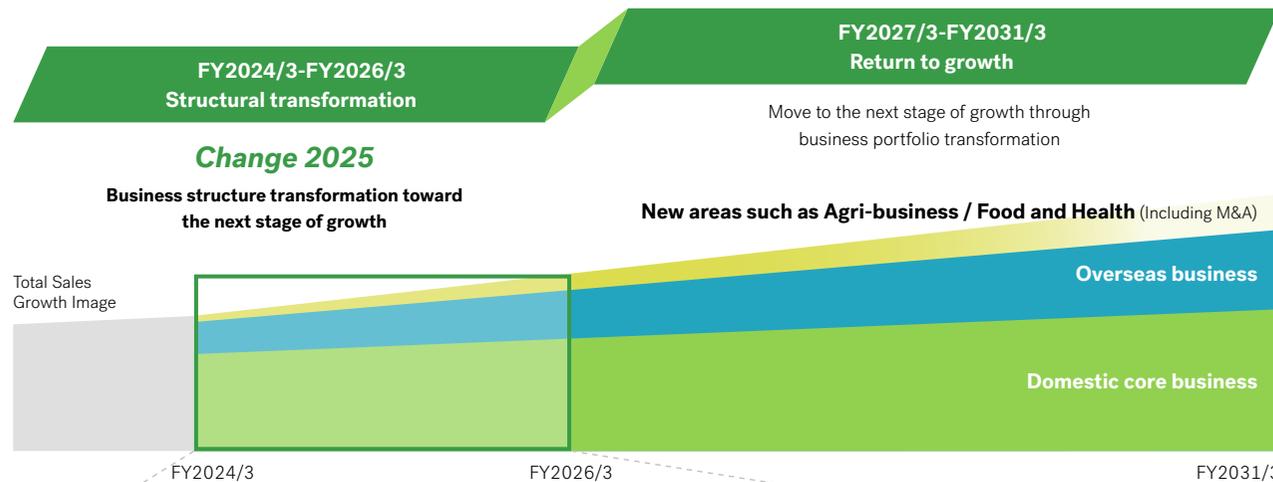
Third, we will cultivate talent capable of addressing challenges globally and in new business areas. We have also increased the number of personnel dispatched to overseas offices from Japan, and the number of employees involved in overseas business is now at its highest. Additionally, we are transforming our organization to ensure that cross-functional teams in R&D, production, and technology operate with a stronger global perspective and support growth in each area. It is important that talent who have developed their expertise in Japan understand our overseas business and share their expertise.

For Calbee to truly transform itself through our *Change 2025* strategy, we have to develop the mindset of all our employees. To achieve our goals, we must constantly consider “how we make things possible” and advance forward. Instilling a strong desire for growth in each and every employee will be critical to achieving Calbee's transformation.

Growth Strategy *Change 2025*

In February 2023, the Calbee Group formulated a new growth strategy aimed at realizing “Toward 2030”. Based on sustainability management, this strategy aims to transform Calbee for long-term growth, embracing the changes in our business environment and addressing the challenges facing our Group.

We have designated the first three years of the strategy, from FY2024/3 to FY2026/3, as a period of structural transformation. The subsequent years, from FY2027/3 to FY2031/3, will be a period of returning to growth. During the structural reform period, named “*Change 2025*,” we will lay the foundations for the next stage of growth.



Key Direction for Four Businesses

1 Domestic core business

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

2 Overseas business

Expand global brands from Japan through selective and focused investment

New areas

3 Agri-business

Strengthen base toward expanding natural ingredients platform

4 Food and Health

Build a new business model that contributes to healthy lifestyles

In FY2024/3, the first year of our growth strategy, our performance greatly exceeded guidance, with growth in both sales and profit.

- In the domestic core business, sales volumes increased, and price and content revisions absorbed rising costs, significantly improving profits.
- In our overseas business, the United Kingdom and Indonesia performed solidly, although sales declined sharply in China.
- In new areas, sales in the sweet potato business increased and we proactively invested in the Food and Health area to promote awareness and expand recognition.

Progress in FY2024/3

Growth Guidance	FY2023/3 Results	FY2024/3 Results	Growth Guidance (3 Years)
Organic sales growth ratio	+14%	+8%	+4%~6%
Consolidated operating profit growth	(12%)	+23%	+6%~8%
ROE (after forex adjustments*)	8.5% (8.0%)	10.9% (9.5%)	10%+

Main KPIs

Domestic operating profit growth ratio	(15%)	+22%	+6%~8%
Overseas sales ratio	26%	24%	30%~35% (FY2026/3)
New areas sales ratio	3.9%	4.3%	5% (FY2026/3)

* Excludes impact of foreign exchange gains recorded as non-operating profits/losses

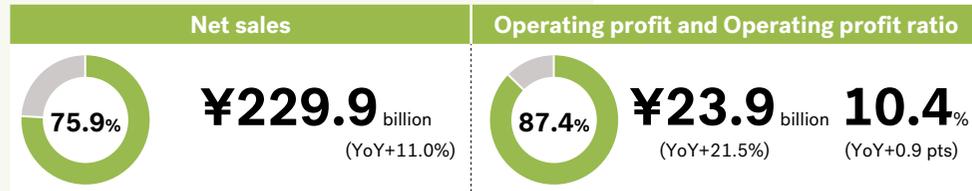
Overview and Initiatives by Business Segment

Domestic Core Business (Snack and Cereal products)

Business Outline

We use primarily natural ingredients to produce and sell snacks made from potato, flour, corn, bean bases, and cereals. In the cereal market, our product *Fruga* has driven market expansion, placing us at the top in market share.

Performance of Domestic Business in FY2024/3 (Including New Business Areas)



Note: The above graphs display net sales and operating profit ratio within overall consolidated earnings.

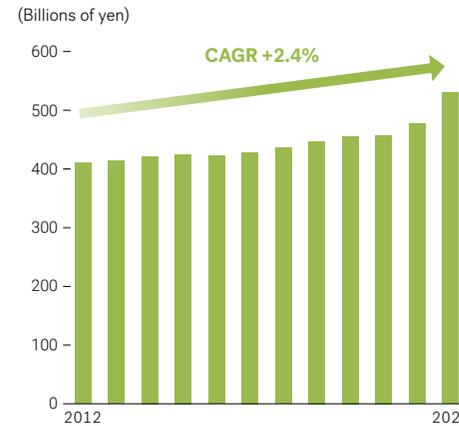


Note: Sales by business segment are calculated based on sales before rebates and other deductions.

Business Environment

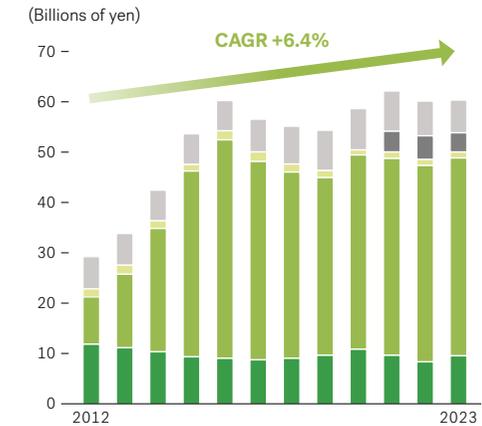
Opportunities	Risks
<ul style="list-style-type: none"> Diversifying dietary choices Growing interest building a sustainable society Increasing travel and inbound demand 	<ul style="list-style-type: none"> Declining demand due to low birthrate and aging population Shrinking workforce Potato supply risks due to natural disasters and fewer producers Increased raw material, energy, logistics, and other costs Reduced consumer spending due to inflation

Domestic snack market



Source: All Nippon Kashi Association

Domestic cereal market



Source: Japan Snack Cereal Foods Association

Overview and Initiatives by Business Segment

Domestic Core Business (Snack and Cereal Products)



Akira Imoto

Director, Senior Managing Executive Officer, President of Calbee Japan Region

Issues and Strategies

We face multiple challenges in our domestic core business. In addition to risks impacting our future business, such as a declining birthrate, an aging population, and a shrinking workforce, we are currently dealing with issues like lower potato procurement volumes due to climate change, insufficient production capacity, and an excessive number of SKUs. Going forward, we will transition our focus from quantitative growth to strengthening profitability by maximizing the use of our limited assets and resources.

As our priorities we are focusing on “adding value by strengthening our brands” and “boosting profitability by optimizing our sales, operations, and supply capabilities.” For the first goal, we

will prioritize investments in certain brands to increase their value. We aim to become an even more preferred brand for customers by not only offering great taste and fun but also clearly communicating the competitive advantages that the Calbee Group has developed over many years. These advantages include our potato-related initiatives and our commitment to quality manufacturing. Additionally, in the gift business, which has significant growth opportunities due to rising inbound demand, we will consolidate the businesses of each Group company to maximize synergies across the Group.

To optimize our sales, operations, and supply, we aim to streamline our extensive range of SKUs and focus our resources on developing higher-value products to maximize profits. As part of this effort, we are advancing our Sales and Operations Planning (S&OP) initiative through digital transformation (DX).

Additionally, in FY2025/3, we will begin operations at the Setouchi Hiroshima Factory in Hiroshima City. This next-generation facility reflects new workstyles and environmental considerations, enhances production efficiency, and addresses issues such as production capacity shortages and a declining labor force, all while striving for sustainable growth.



Commencing Operations at the Setouchi Hiroshima State-of-the-Art Mother Factory in 2025

The construction of the Setouchi Hiroshima Factory was completed as originally planned, and the facility was handed over on June 28, 2024. This factory will have an annual production capacity valued at approximately ¥28.0 billion, including Potato Chips, *Jagabee*, and wheat-based snack products. The state-of-the-art mother factory, which will achieve excellent environmental performance, increase productivity, and improve the working environment, is scheduled to commence operations sequentially from January 2025. In conjunction with our existing facilities and a new factory planned for construction in the Kanto area (Shimotsu City, Ibaraki Prefecture), we aim to optimize the overall supply and demand balance among regions in Japan and establish a more efficient value chain.



Setouchi Hiroshima factory after the handover

Overview and Initiatives by Business Segment

Domestic Core Business (Snack and Cereal Products)

Enhancing Profitability Through Our Digital Transformation Strategy

In our domestic core business, we aim to strengthen profitability by focusing our assets and resources—such as raw materials, production facilities, and human capital—on developing higher-value products. To achieve this, it is important that we create an environment where optimal decisions can be made quickly across the entire company, leveraging our digital transformation (DX) as a key enabler. The Calbee Group's DX strategy combines top-down initiatives to establish a Sales and Operations Planning (S&OP) system and bottom-up initiatives to broaden the scope of DX.

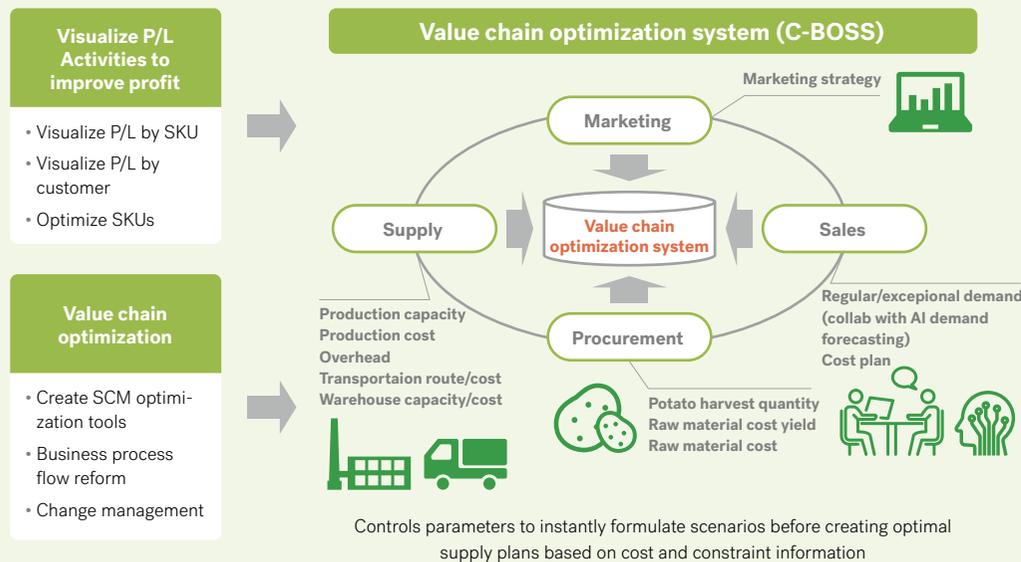
S&OP is a mechanism for visualizing information along the value chain and quickly formulating optimal solutions to maximize profits. We are advancing this through two major initiatives. The first initiative focuses on improving profitability by visualizing and refining profit and loss by SKU and customer. This enables us to clarify the profit structure of the entire value chain and supports decision-making beyond departmental boundaries, such as formulating company-wide marketing strategies and reforming our manufacturing and distribution processes. We are

expanding this initiative to visualize profit and loss by individual customer for each SKU, leading to more detailed and mutually beneficial sales strategies, both internally and for our customers

The second initiative involves constructing a unique value chain optimization system (C-BOSS)* that formulates minimum-cost supply plans and simulates profitability based on sales forecasts. C-BOSS will enhance the accuracy and speed of our decision-making for revenue expansion, even as the business environment and customer trends evolve. It will also help us resolve cross-organizational management issues. In our potato business, which accounts for more than 50% of our sales, the yield and quality of potatoes—the main raw material—vary due to factors such as climate change. Therefore, it is vital we control the entire value chain in close coordination with the condition of raw materials and demand trends. We will achieve this through a data-driven approach using C-BOSS, while accelerating the PDCA (Plan-Do-Check-Act) cycle.

Our bottom-up DX initiatives began with digitalizing the workplace. By developing our human resources, our front-line teams have always led the way in improving operations through digitalization. This includes digitizing daily reports and information on raw potato materials, as well as creating demand forecasting tools using AI. Integrating data generated from this bottom-up approach with our system helps facilitate the simulation of our sales, operations, and supply planning.

The S&OP Promotion Division was established in April 2023 and has been advancing rapidly under strong management leadership. In FY2024/3, we focused on visualizing profits and losses by SKU and laying the groundwork for value chain optimization. Going forward, we will continue to leverage these profit and loss visualization tools and expand their scope of implementation. We also plan to quickly build and test the C-BOSS system in a smaller area, before aiming to roll it out to all core businesses in Japan. Additionally, to effectively promote S&OP through our DX initiatives, we must also reform our business processes and develop internal awareness.



* Calbee Business Optimization System (C-BOSS)



Using the Konan Factory as a model to drive operational reforms through digital transformation (DX)

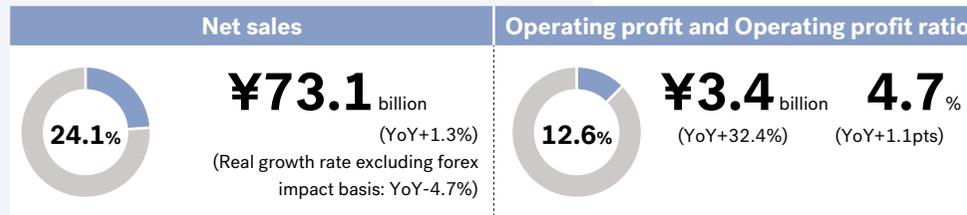
Overview and Initiatives by Business Segment

Overseas Business

Business Outline

Leveraging product processing technologies developed in Japan, we create products in nine different countries and regions, taking into account market conditions, consumer needs, and other factors. We also established a global supply chain that manages the import and export of products between countries. We have positioned North America and Greater China as priority regions, and we promote to implement specific measures tailored to their respective market environments.

Performance of Overseas Business in FY2024/3

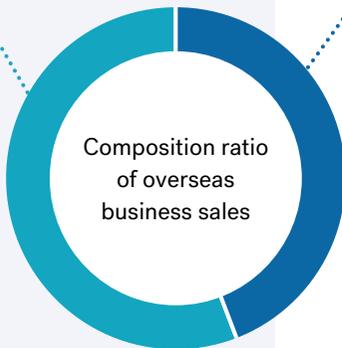


Note: The above graph displays net sales and operating profit ratio within overall consolidated earnings.

Asia/Oceania 55.8%



Europe/Americas 44.2%



Note: The composition ratio of overseas business sales is calculated based on sales before rebates and other deductions.

History of the Calbee Group's Overseas Expansion



- 1970** Entered the North American market
- 1980** Entered the Thai market
- 1994** Entered the Hong Kong market
- 2002** Established a manufacturing subsidiary in China
- 2011** Established a joint venture company in South Korea
- 2012** Established Calbee (Hangzhou) Foods Co., Ltd.
- 2013** Entered the Indonesian market
- 2014** Entered the U.K. market
Established a joint venture company in the Philippines
- 2015** Consolidated a sales subsidiary in Singapore
Established a sales subsidiary in Spain
Established a sales subsidiary in Hong Kong
Conducted transfer of equity interest for Calbee (Hangzhou) Foods Co., Ltd.
- 2016** Established a sales subsidiary in Australia
- 2017** Established a production base in Malaysia (equity method)
Dissolved and liquidated a sales subsidiary in Spain
- 2018** Conducted transfer of shares for joint venture company in the Philippines
Acquired Seabrook, in the United Kingdom
- 2019** Acquired Warnock, in the United States
Established a sales subsidiary in China (Shanghai)
- 2022** Acquired Greenday Global Co. Ltd. (Thailand)



Calbee America, Inc. at the time of its entering the North American market.



Exterior view of PT. Calbee-Wings Food's factory (Indonesia)

Overview and Initiatives by Business Segment

Overseas Business Europe/Americas



Ryo Tsutsumi

Executive Officer,
President of Calbee
Europe/Americas Region

Business Outline

In North America, we primarily sell *Harvest Snaps*, which are bean-based healthy snacks leveraging Japanese *Sayaendo* product manufacturing technologies, as well as brands of Japanese origin, such as *Kappa Ebisen*, *Potato Chips*, and *Jagarico*.

In the United Kingdom, we are expanding sales of *Harvest Snaps* in addition to the long-standing potato chip brand *Seabrook*, which we acquired in October 2018.

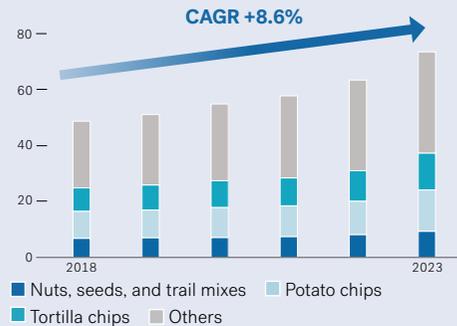
Performance of Europe and Americas Region in FY2024/3

Net sales	Operating profit and Operating profit ratio	
¥36.5 billion (YoY+12.3%) (Real growth rate excluding forex impact: YoY +3.6)	¥1.1 billion (YoY+7.2%)	3.1% (YoY-0.2pts)

Note: Sales amount before rebates and other deductions

▶ North American snack market

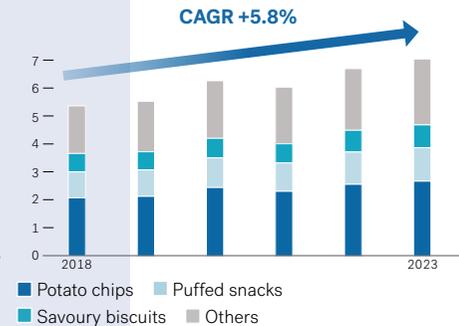
(Billions of U.S. dollars)



Source: Euromonitor International

▶ United Kingdom snack market

(Billion pounds sterling)



Business Environment

Opportunities	Risks
<ul style="list-style-type: none"> Continued growth of the snack market Increasing health consciousness Growing interest in Asian food culture 	<ul style="list-style-type: none"> Leading manufacturers with high market shares Shift to rated products (private brands) due to inflation Soaring labor costs

Issues and Strategies

Thorough differentiation is key to growth in Europe and the Americas, where major manufacturers hold significant market shares. In line with rising health awareness, interest in the "Better For You" category is also growing in both regions. We are expanding sales by differentiating our *Harvest Snaps* brand in the Better For You category, as well as unique brands of Japanese origin such as *Kappa Ebisen*, *Potato Chips*, and *Jagarico*.



Crunchy Loops, a brand derived from *Harvest Snaps*

In North America, *Harvest Snaps* are now available in the produce sections of supermarkets. As the product is based on beans and also gluten free, it has gained significant recognition in the Better For You category. *Crunchy Loops*, a brand derived from *Harvest Snaps* and relaunched in FY2022/3, is made with lentils and contributed to sales growth thanks to its well-received chewy texture.

In response to growing demand for Asian foods, especially among younger consumers, products including *Kappa Ebisen*, *Potato Chips*, and *Jagarico* have been moved from the world food section to the snack aisle of major American supermarkets. These products are experiencing high growth rates. We will continue to strengthen our sales, marketing, and development systems while expanding our product lineups and distribution to further increase our market share.

In the United Kingdom, sales growth is driven by the *Seabrook* brand, which enjoys high recognition in certain areas of the country. We will leverage this recognition while enhancing the brand by expanding our product lineup with corn and pellet snack ingredients and innovative manufacturing methods. Additionally, we will increase production capacity to pursue higher profitability.

Overview and Initiatives by Business Segment

Overseas Business Asia/Oceania



Teiichiro Morioka

Managing Executive Officer,
President of Calbee
Asia-Oceania Region

Business Outline

In Asia and Oceania, we operate in several regions, including sales bases in China, Singapore, and Australia etc, and production facilities in Thailand and Indonesia etc. In China, we manage snacks and cereals, and import and sell brands of Japanese origin such as *Frugra* and *Jagabee*. In other regions, our business primarily focuses on snacks, including products made in Thailand that are supplied to North America and Australia.

Business Environment

Opportunities	Risks
<ul style="list-style-type: none"> High trust in Japanese brand names and quality High market growth rates Rising income levels 	<ul style="list-style-type: none"> Rise of startups Geopolitical risks Business regulations Risk of imitations, technology leaks Rising labor costs

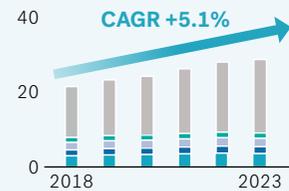
Performance of Asia and Oceania Region in FY2024/3

Net sales	Operating profit and Operating profit ratio	
<p>¥46.0 billion</p> <p>(YoY-6.9%)</p> <p>(Real growth rate excluding forex impact: YoY -10.9%)</p>	<p>¥2.3 billion</p> <p>(YoY+50.1%)</p>	<p>5.0%</p> <p>(YoY+1.9pts)</p>

Note: Sales amount before rebates and other deductions

Chinese snack market

(10 billion RMB)



■ Nuts, seeds, and trail mixes
■ Potato chips
■ Savoury biscuits
■ Puffed snacks
■ Others

Chinese cereal market (retail store sales)

(Billion RMB)



■ Hot cereals
■ Muesli and granola
■ Other cereals

Indonesian snack market

(Trillion Indonesian rupiah)



■ Nuts, seeds, and trail mixes
■ Potato chips
■ Puffed snacks
■ Others

Note: The scope of calculations for the Chinese snack market changed from FY2022/3.

Source: Euromonitor International

Issues and Strategies

In Asia and Oceania, we identified China as a priority market due to its market size, growth rate, and the high level of Calbee's brand awareness developed through inbound tourism to Japan. Our goal is to expand our brands of Japanese origin in this region. Initially, we aimed for rapid growth through concentrated investments in China, but we are now revising our investment plans in light of worsening economic conditions and stricter regulations implemented since FY2024/3. While preparing for future growth in China, we will at the same time invest resources in other regions to achieve sustainable growth throughout Asia and Oceania.

We are establishing competitive production sites across Asia. Our manufacturing base in Thailand is particularly cost competitive and features production lines for a wide variety of high-quality products. We will leverage this advantage to strengthen exports, particularly to North America and Australia, and expand our supply capacity as a global hub. In Indonesia, a region with a high market growth rate, we will invest in expanded production capacity, continuously launch new potato chip products, and promote sales of *Guribee* in order to increase sales at a rate that exceeds the market growth rate.

In China, we aim to enhance the appeal of our products and build a production system in support of this goal. In parallel, we are strengthening our sales structure to drive future sales growth. By producing brands of Japanese origin such as *Frugra* and *Jagabee* locally on an OEM basis, we will continue to offer high-quality products at affordable price points. Additionally, we will revise our sales structure to expand distribution, shifting our focus mainly from e-commerce sites to include retail stores.

Overview and Initiatives by Business Segment

New Business Areas

Business Outline

We have identified Agri-business and Food and Health as new focus areas in our growth strategy, and are now exploring business opportunities with significant growth potential. In Agri-business, we will leverage our expertise in the potato industry to advance our business as a provider of natural ingredients, encompassing everything from the procurement of raw materials to product development and sales. In Food and Health, we aim to build a comprehensive food solution platform that promotes healthy lifestyles. In addition to in-house development, we will proactively pursue partnerships with external organizations and start-ups.

Sweet Potato Business

The Calbee Group handles more sweet potatoes than any other domestic company and is expanding sales from Japan to the rest of the world. Primarily dealing with mass market retailers, we sell our original brand of sweet potato, *Beni-Tenshi*, which is marketed as suitable for baking, through directly operated stores and mail-order services that offer sweets and gifts. Until now, we have expanded our potato business and deepened our expertise through what we call the “10 Processes,” our comprehensive value chain spanning from upstream fields to downstream stores that are familiar to consumers. The value chains for sweet potatoes and potatoes are highly compatible, and the Calbee Group will continue to expand sweet potato procurement and sales while leveraging the knowledge and networks cultivated through our potato business.



Original sweet potato brand *Beni-Tenshi*

Similarities between the Value Chains for Potatoes and Sweet Potatoes



Food and Health Business

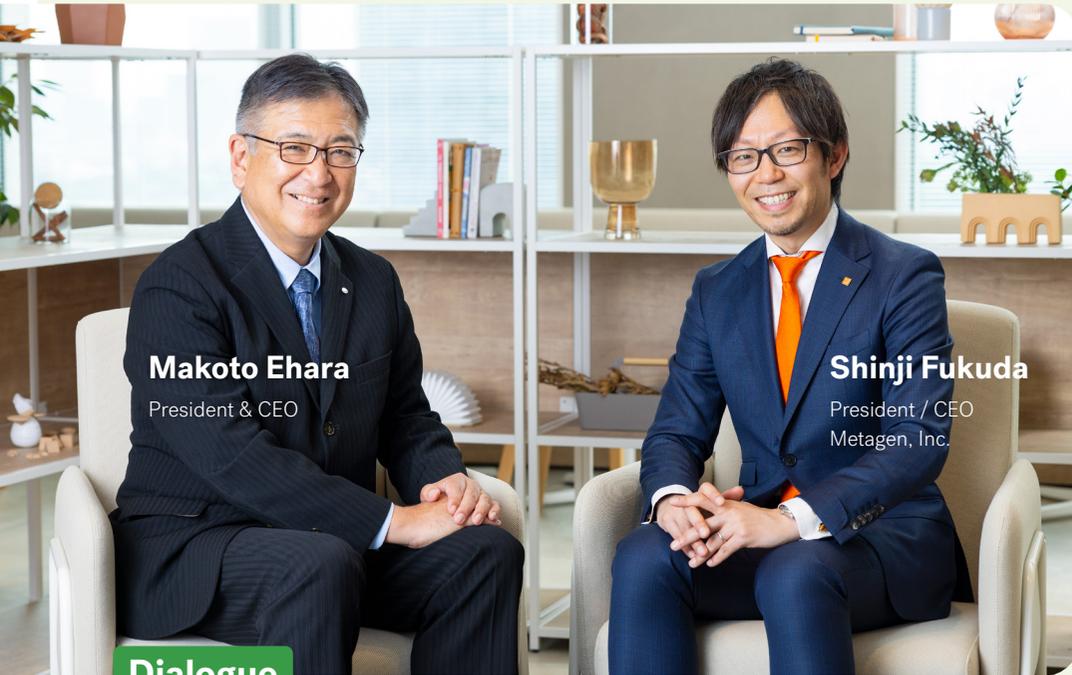
The Calbee Group is promoting Food and Health as a new focus area. We aim to create a system that encourages repeat sales through personalized offerings based on the results of individual tests. Our ultimate goal is to establish a platform that goes beyond supplying only Calbee products to offer comprehensive food solutions. In April 2024, we launched *Body Granola*, a personalized food program that provides granola customized to individual intestinal flora, along with a meal coaching service* utilizing registered dietitians. Going forward, we will continue to enhance these services, raise awareness, and expand our business.



* The personal online meal coaching service offers advice from a registered dietitian on how to change eating habits to fit individual lifestyles. It also provides guidance on selecting ingredients and cooking methods that best suit individual intestinal environments.

Special Feature

The Future of Food and Health Envisioned by Calbee



Makoto Ehara
President & CEO

Shinji Fukuda
President / CEO
Metagen, Inc.

Dialogue

Contributing to Healthy Lifestyles with *Body Granola*

Calbee launched *Body Granola* in April 2023, establishing a new business model in the area of Food and Health. In this section, Shinji Fukuda, president/CEO of Metagen, Inc., one of our joint development partners and a leading researcher in intestinal flora in Japan, and Makoto Ehara, president & CEO of Calbee, discuss the background and future prospects of *Body Granola*.

Developmental Background

Fukuda I first met Mr. Ehara in 2020 amid the pandemic. During this time of heightened global interest in immunity, our company was hosting webinars on the impact of intestinal flora on immune health. There are various types of bacteria living in the intestines, which are called intestinal flora. Scientific evidence proves that intestinal flora is closely related to the immune system. I had the opportunity to meet Mr. Ehara after having first exchanged opinions with Mr. Otsuka from Calbee, who at that time was manager of the New Business Development Department.

Ehara That's right. I heard about the webinar in advance and was personally very interested. To target intestinal bacteria itself would require the development of new products, such as yogurt or other fermented foods. However, one of our main products is granola, which is particularly beneficial for intestinal bacteria. Additionally, while we have always marketed granola as a health-conscious product, the appeal of providing *Body Granola* is that it also enables us to sell our products in an evidence-based way. I hope this will be an opportunity for Calbee to establish a new genre called "Evidence-Based Food."

Overview of *Body Granola* Service



- D2C subscription service enabling consumers to choose granola types based on their individual intestinal flora analysis results
- Joint venture with Metagen, Inc. (R&D support), and Cykinso, Inc. (intestinal flora testing and analysis)



The Future of Food and Health Envisioned by Calbee

Opportunities and Challenges

Fukuda As a matter of fact, it is said that only around 10% of people who regularly take supplements realize their benefits. This is mainly because supplements are not tailored to individual differences. As each person's intestinal flora differs, products adapted to individual intestinal flora are essential. In this respect, granola can be tailored to individual differences by combining various ingredients, which I believe will enable a wide range of people to experience the benefits.

Ehara The development of *Body Granola* is directly in line with our corporate philosophy, and in addition to our efforts aimed at expanding sales, I believe we have a responsibility to promote approaches that take individual differences into account. We will continue to improve our service so it is stress-free and customers can fully experience the benefits.

Fukuda More than a year has passed since we launched this service, and currently, more than

20,000 customers use it. This means that many people have had their intestinal flora tested, and that in itself has great value. For example, we know that intestinal flora changes when you become ill, thus getting tested even once while healthy can help prevent future illness.

Ehara While awareness has significantly increased, I feel that our efforts to promote it are still insufficient. We need to inform more people about *Body Granola*. First, we need to identify our target generation and then implement focused promotions tailored to that generation. By adopting different approaches from the past, I believe we can increase the number of users.

Fukuda Metagen aims to “realize zero disease” from intestinal flora. To this end, we must create a culture in which intestinal flora testing becomes the norm. Calbee is a company that has impacted cultural habits through its products. For example, *Frugra* is a product loved by many people. I heard that by suggesting that people include *Frugra* in their breakfast meals, sales increased significantly. We are fortunate to have been able to develop *Body Granola* with a company that boasts such a solid track record.

Developments Going Forward

Ehara In the future, we want to expand this service overseas. For example, in Southeast Asia, the number of middle- and high-income earners is on the rise, and there is a growing interest in health awareness. Thus, we expect demand for services such as *Body Granola* to increase going forward.

Fukuda I feel the same way. We have a branch office in Singapore, and in Southeast Asia, there has been an increase in colorectal cancer and ulcerative colitis caused by the Westernization of traditional diets. We want to grow the market for *Body Granola* in these countries and aim to help eliminate disease from intestinal flora overseas as well.

Ehara As I mentioned at the beginning, we would like to use *Body Granola* as a starting point for the development of new evidence-based food services that go beyond mere breakfast cereal. There are many possibilities, for example, in testing pet intestinal flora and providing appropriate pet food based on test results. To this end, it is important that we first deliver *Body Granola* to as many people as possible. As there still is room for improvement in the *Body Granola* service, I am excited about continuing our collaboration to improve this service.



Special Feature

The Future of Food and Health Envisioned by Calbee

Maintaining the Joy of Eating

The Calbee Group has identified Food and Health as one of its new focus areas and is currently exploring related business opportunities that have potential for future growth.

For many people, eating is considered one of life's greatest pleasures. In recent years, however, the rise in diabetes and other lifestyle-related diseases has prevented an increasing number of people from enjoying unrestricted eating. The foundation for enjoying food lies in both mental and physical fitness. To be healthy, it is important to first understand your own health condition, then choose a diet that is beneficial to your health and comfortably maintain it.

Among Calbee's efforts related to Food and Health and in line with our corporate philosophy, we aim to build a comprehensive food solution platform based on scientific evidence to help more people achieve healthy lifestyles.

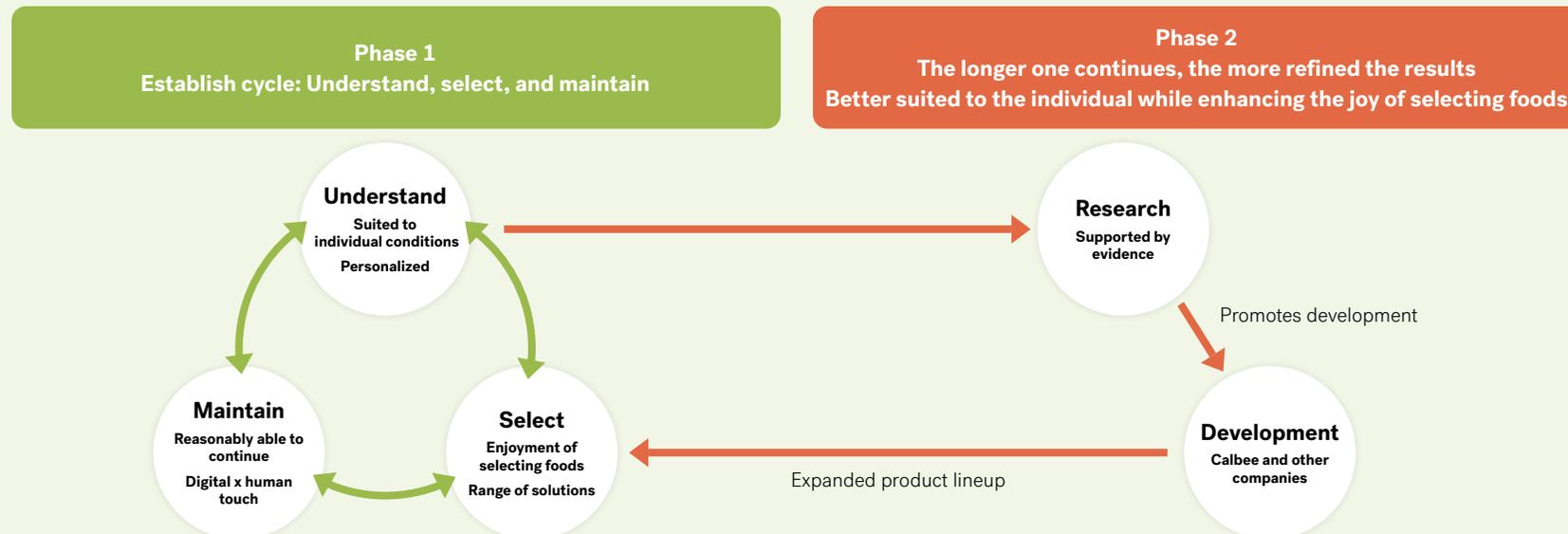
Creating an Integrated Food Solution Platform

As an example of our efforts, we launched the *Body Granola* service in April 2023. This service enables customers to test their intestinal flora before receiving regular deliveries of personalized granola products. We aim to establish a cycle in which customers learn about their intestinal flora, choose a suitable granola product, and then continue to use these products.

Using the data we accumulate from this service, we plan to conduct additional research to develop new products and, in the future, expand our lineup to include products from other companies.

Having launched *Body Granola*, Calbee will focus on creating an integrated food solution platform that offers personalized foods based on health tests and diagnostic results. This platform will incorporate expert knowledge and AI to create a system that is easy for customers to use and maintain. Through this new business model, we aim to contribute to healthy living while strengthening our partnerships with external organizations and promising start-ups.

Integrated Food Solution Platform Concept



Financial Strategy

Kazuhiro Tanabe

Executive Officer,
CFO and
General Manager of
Investor Relations,
Finance and
Accounting Division

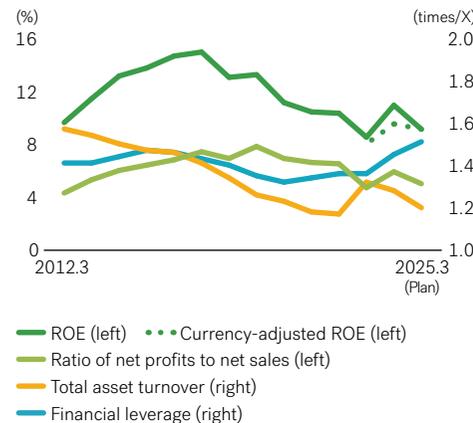


Improving corporate value by investing in growth and ensuring financial soundness

Changing our financial strategy

The Calbee Group previously prioritized expanding earnings through quantitative growth, mainly in Japan, by effectively using existing assets. However, with the domestic market maturing due to Japan's declining birthrate and aging population, along with increased growth opportunities overseas, we adopted a new strategy called *Change 2025* to transform our growth trajectory. As CFO, my responsibility is to develop and implement a financial strategy that ensures the successful execution and acceleration of our new growth strategy.

Change in ROE and its components



Change 2025 will require us to make significant investments in reforming our business portfolio and strengthening our business foundation, which will necessitate new funding. Furthermore, to sustainably increase corporate value, we will need to shift from conventional management practices that emphasize periodic profits and losses to an approach that is more conscious of the cost of capital.

Financial strategies that support transformation to increase corporate value

Our financial strategy to sustainably enhance our corporate value is based on three policies.

The first policy is to improve the quality of our earnings. We are making significant changes to our business portfolio by proactively investing in growth areas. Specifically, as outlined in *Change 2025*, our financial strategy aims to help enhance the profitability of our domestic core business while increasing investments in our overseas and new business growth areas.

In our domestic core business, following the Setouchi Hiroshima Factory, which is scheduled to begin operations in January 2025, we will invest in a new factory in the Kanto area. This will enable us to establish a system that supports our domestic business through two key factories, located in the east and west of Japan.

In parallel, we are increasing investments in overseas businesses with high growth potential in order to drive top-line growth. In pursuit of medium- and long-term returns, we are increasing investments in new business areas such as Agri-business and Food and Health. To accelerate our transformation, we structurally reformed our organization in the previous fiscal year and introduced a new three-region system (Japan, Europe/Americas, and Asia/Oceania), facilitating faster decision-making in order to accelerate the investment and recovery cycle.

Until now, we have used operating profit as a key indicator for business growth and efficiency. Moving forward, we will use EBITDA as a key indicator to measure how much cash we are generating from operations, as we invest in growth areas to transform our business portfolio.

The second policy is to ensure financial soundness. In December 2023, the Company raised funds through Positive Impact Finance—our first long-term interest-bearing debt financing since going public. Going forward, we will strive to implement an optimal capital structure, including borrowings, and work proactively to improve capital efficiency and optimize capital cost levels while maintaining financial soundness.

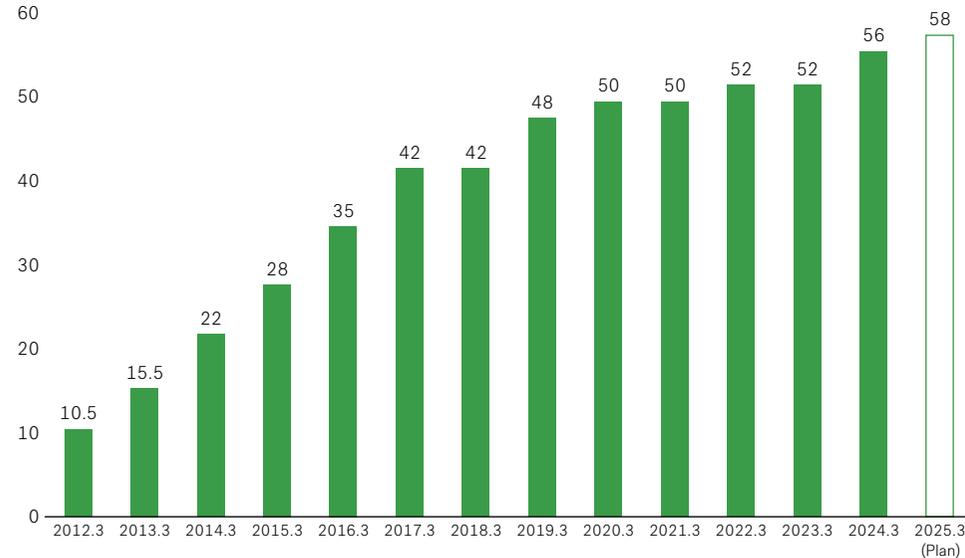
Financial Strategy

Financial Strategy Policy

Raise quality of profit	<ul style="list-style-type: none"> • Make optimal growth investment to realize business portfolio growth • Make investment decisions and pursue returns with capital costs in mind • Implement management that aims to improve profitability of capital
Ensure sound financial position	<ul style="list-style-type: none"> • Manage financial risk and ensure fiscal soundness • Rationalize capital cost level with optimized capital structure • Secure fund raising methods for implementing strategy across the Company
Implement appropriate shareholder returns	<ul style="list-style-type: none"> • Offer continuous and stable shareholder returns • Raise shareholder returns from a medium- to long-term perspective • Implement flexible capital policy (dividend policy, share buybacks)

Dividends, DOE, Total Return Ratio, and Share Buybacks

Dividends per share (yen)

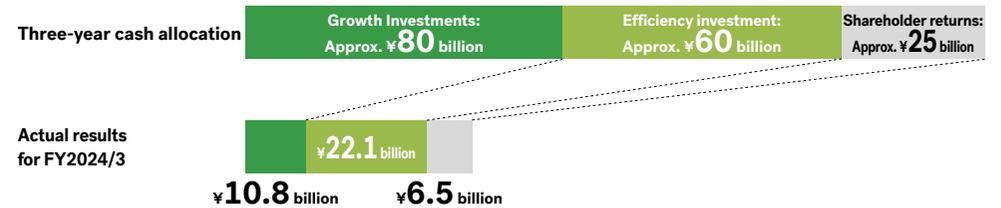


	2022.3	2023.3	2024.3	2025.3 (Plan)
DOE (%)	3.9	3.8	3.8	3.7
Total return ratio (%)	103.7	125.3	35.2	40.2
Share buybacks (billion yen)	12	12	—	—

The third policy is the implementation of appropriate shareholder returns. In our dialogues with market participants, we are often asked, “How will you revise shareholder returns as you pursue growth?” We believe that it is important to enhance shareholder returns while also making strategic investments. For future shareholder returns, we will implement a stable dividend increase targeting a DOE of 4% and a total return ratio of at least 50%. Additionally, we will operate a flexible capital policy, including share buybacks, while taking into consideration the liquidity of the stock.

Three-year Cash Allocation Policy and Progress

- **Growth investment** ... Capital investment for growing domestic and overseas business, growth investment in new areas such as M&A
- **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



Cost of capital-conscious management practices

To generate returns that exceed the cost of capital and achieve sustainable growth in corporate value, we will promote initiatives to make ROIC function as a key management indicator. When investing in or exiting a business, we will establish a system that sets hurdle rates for each country and each business based on the cost of capital, ensuring more informed investment decisions and effective monitoring. The Calbee Group as a whole endeavors to achieve an optimal capital structure over the medium to long term and intends to keep the cost of capital to a level of around 6%.

Transforming the Calbee Group requires that our financial strategy is embraced across the organization and integrated into the change-related activities and processes of each individual. I sense a strong belief in the strength of our products and brands within our Company, and a desire to transform this belief into growth. I believe that our organizational culture is an important element in encouraging the adoption of new indicators throughout the Company and will be a driving force for change. We will continue to promote management practices that are conscious of the cost of capital and, by instilling this mindset throughout the Company, aim to continuously improve corporate value.