



Calbee

Harvest the Power of Nature.

TSE code: 2229

Calbee

Annual Report 2017

Fiscal year ended March 31, 2017



CORPORATE PHILOSOPHY

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

CALBEE 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.”

CORPORATE MESSAGE

Calbee

Harvest the Power of Nature.

Savor the natural flavors. Let your body absorb the life force of nature.
Fresh and delicious, food that makes the most of the flavors and nutrition
of natural ingredients. Here at Calbee, we will continuously consider, seek out
and give shape to the possibilities that nature's gifts bring to the realm of food
so that we can continuously bring you exciting surprises and fun.

“Harvest the Power of Nature”

This is a promise that Calbee makes to you, who follow your own path
through life actively as you coexist with society and nature.

Calbee

Harvest the Power of Nature.

ANNUAL REPORT 2017

Fiscal year ended March 31, 2017



Financial data, including the consolidated financial statements, is available on our website.

<https://www.calbee.com/>

Forward-Looking Statements

This annual report contains forward-looking statements concerning the future plans, performance, and strategies of Calbee, Inc. and its subsidiaries and affiliated companies. These forward-looking statements are not historical facts. They are judgments and assumptions based on information available to the Company at the time of publication, and projections or future policies cannot be assured or guaranteed. Actual results may differ materially from those projected due to changes in economic or market conditions. As such, investors should not place undue reliance on forward-looking statements.

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Sales Breakdown in FY2017 **¥252,420 million**

Other Businesses: 1%

Snack Foods: 81%

Potato-Based Snacks: 50%

Overseas: 12%

Other Food Products: 18%

Snack Foods: **81%**

Potato-Based Snacks: 50%

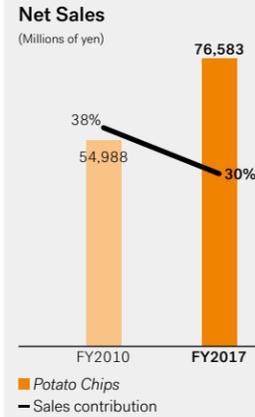
Potato Chips

30%



PRODUCT INFORMATION

Calbee boasts a variety of products in its potato chips lineup that distinguish it from the competition and that have allowed it to secure top brand recognition in the Japanese market. Our basic potato chips, a series of simple but tasty, thin-style potato chips fried in cooking oil, comprises *Usushio* (lightly salted), *Consomme Punch* (consommé), and *Norishio* (laver salt) variations. Among other product series are *Kata-Age Potato*, a line of thickly sliced potato chips that are fried slowly in a kettle using a traditional low-temperature method, and *Pizza Potato Chips*, which is made using our unique “melt flake” technology for an authentic cheese taste. Moreover, we produce potato chips in a wide range of flavors to match different seasons, local tastes, and other factors.



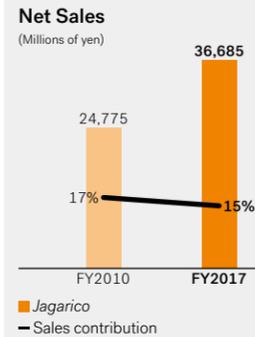
Jagarico

15%



PRODUCT INFORMATION

Jagarico is our second megabrand. Within three years of its launch, the brand's annual sales had reached ¥10 billion and *Jagarico* had grown into a brand with net sales of over ¥30 billion. *Jagarico* was Japan's first snack-in-a-cup, and it has proven popular with a wide range of customers thanks to its unique crunchy texture and easy-to-eat style that leaves hands clean.



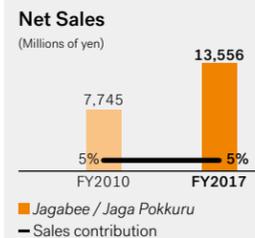
Jagabee / Jaga Pokkuru

5%



PRODUCT INFORMATION

Made from unpeeled potatoes processed into sticks, the *Jagabee* and *Jaga Pokkuru* lineups feature authentic potato flavor and a unique texture that set them apart from *Jagarico*. Exclusively sold in Hokkaido, *Jaga Pokkuru* is made from carefully selected Hokkaido-grown potatoes and is popular with tourists.



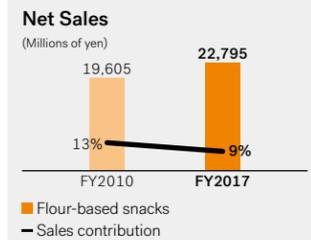
Corn- and Bean-Based Snacks: 7% Other New Snacks: 3%
Flour-Based Snacks: 9%

Flour-Based Snacks: 9%



PRODUCT INFORMATION

Kappa Ebisen (prawn crackers) made from whole natural prawns is a long-selling snack product that embarked on its second half-century of pleasing palates in fiscal 2015.

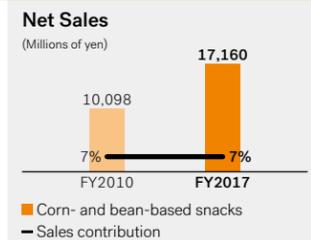


Corn- and Bean-Based Snacks: 7%



PRODUCT INFORMATION

Having enjoyed steady sales for many years, *Mike Popcorn Butter Shoyu* (butter and soy sauce) flavor was launched in 1983. Our corn-based snack business produces and markets *Doritos* and *Cheetos*, two global megabrands developed by Frito-Lay.

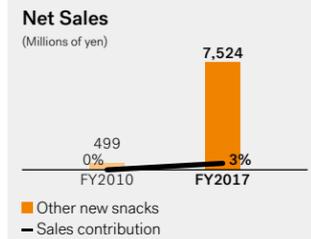


Other New Snacks: 3%



PRODUCT INFORMATION

In 2016, Calbee entered the fabricated potato chips market, employing its technologies, know-how, and brand capability to launch *Potato Chips Crisps*, which boasts distinguishing crispness and tasty flavors and is sold in easy-to-carry packages.

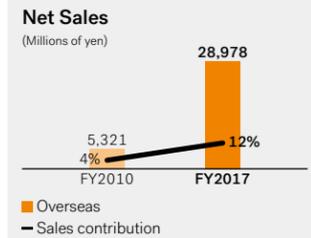


Overseas: 12%



PRODUCT INFORMATION

In addition to undertaking product development in Japan, we market snack foods tailored to local tastes in North America, South Korea, and other Asian as well as European countries.



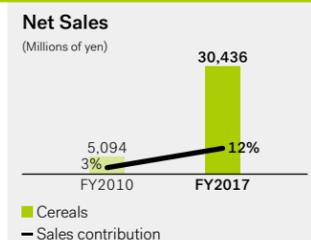
Other Food Products: **18%**

Cereals: 12%



PRODUCT INFORMATION

Fruga (fruit granola) is the single best-selling cereal product in Japan and its sales are continuing to rise. *Fruga*'s unique texture has proven popular among a broad range of customers, particularly women, who appreciate a light breakfast rich in nutrients.



Strengths of Calbee

Driving Force behind Our Innovation

Calbee has pursued continuous innovation since its inception in 1949. As a result, the Company today boasts a largest share in the domestic Japanese snack and cereal market and serves as a leader in the industry.

Moving forward, we will further develop our strengths as a driver of innovation and strive for the continuous growth of sales and profits both at home and abroad.

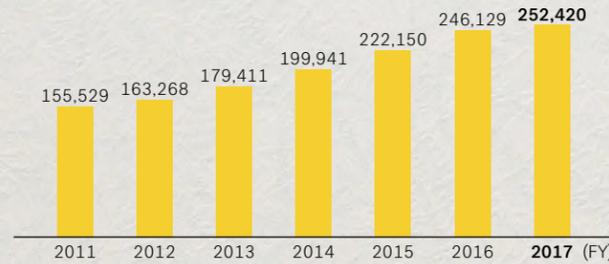
Brand and Product Development Capabilities



Through continuous innovation, Calbee ceaselessly pursues manufacturing methods to produce unique food textures. We are also taking steps to cultivate a friendly brand image that makes people think of our products as "delicious, reasonable, and fun." Because of these efforts, our domestic snack business has expanded its market share and achieved growth that outstrips the 0.7% compound average growth rate (CAGR) of the maturing Japanese snack market by an average of 5% since 2009. In other realms, the cereal business has been growing rapidly over the past five years with a CAGR of over 35% and has established itself as a new business pillar. (For details, please refer to "Our Domestic Operations" on page 24.)



Calbee's Net Sales (Millions of yen)



No.1

No. 1 Share in the Japanese Snack and Cereal Market*

* Source: Intage SRI based on sales (nationwide, all retail formats) April 2016-March 2017
Snack market share: Total of Calbee and Japan Frito-Lay



Raw Material Procurement Power

A key requirement of Calbee's business is stable procurement and sustainment of raw materials, such as potatoes. Safe and secure procurement is vital to businesses in order to guarantee high quality in the products and services they offer. We have contracts with roughly 1,900 farmers in Japan, mostly in Hokkaido, and have spent many years building and strengthening close relationships with our producers. Moreover, we have amassed unique networks and know-how through such means as participating in projects to develop varieties and cultivate and harvest raw materials. (For details, please refer to "Procurement Power" on page 34.)



1,900

Approximately 1,900 Contract Farmers



Commitment and Accountability

Innovation of corporate culture is behind our efforts to improve competitiveness. Along with reorganizing the corporate environment, including diversity promotion and workstyle reform, we are emphasizing customer-focused and agile management as well as promoting decentralization and delegation. At the same time, all of our employees, top management included, enter into a contract and are bound by commitment and accountability (C&A) to take responsibility for their performance. (For details, please refer to "Message from the Executive Officer of Human Resources" on page 38.)

C&A

All employees take responsibility for their performance



Unique Business Model

Development of Businesses That Leverage Our Strengths

Calbee is building its own comprehensive supply chain, from the generation of raw materials to after-sales services. We are also amassing such know-how as that related to marketing and brand management in order to develop unique products capable of creating new markets and cultivate products that will become longtime best sellers.

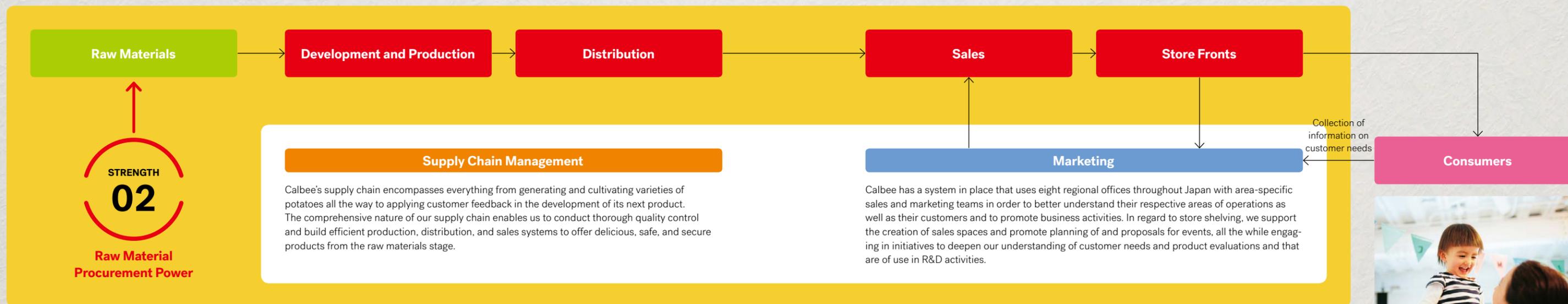
Moving forward, Calbee will actively apply the strength of its unique supply chain to the overseas business in pursuit of further growth.



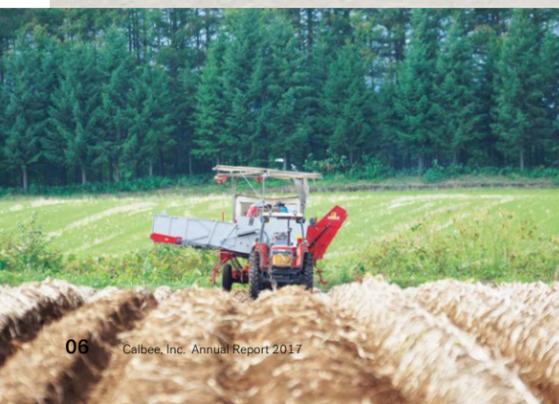
Brand and Product Development Capabilities



Pilot shop



Commitment and Accountability



Our Brand Strategy

“Harvest the Power of Nature.”

As indicated in our corporate message, established in 2006, we have merged this corporate stance of making the most of our advantage in possessing raw materials with product development in order to appeal to customers. We are aware of changing customer needs and continue to offer optimal products leveraging these strengths.

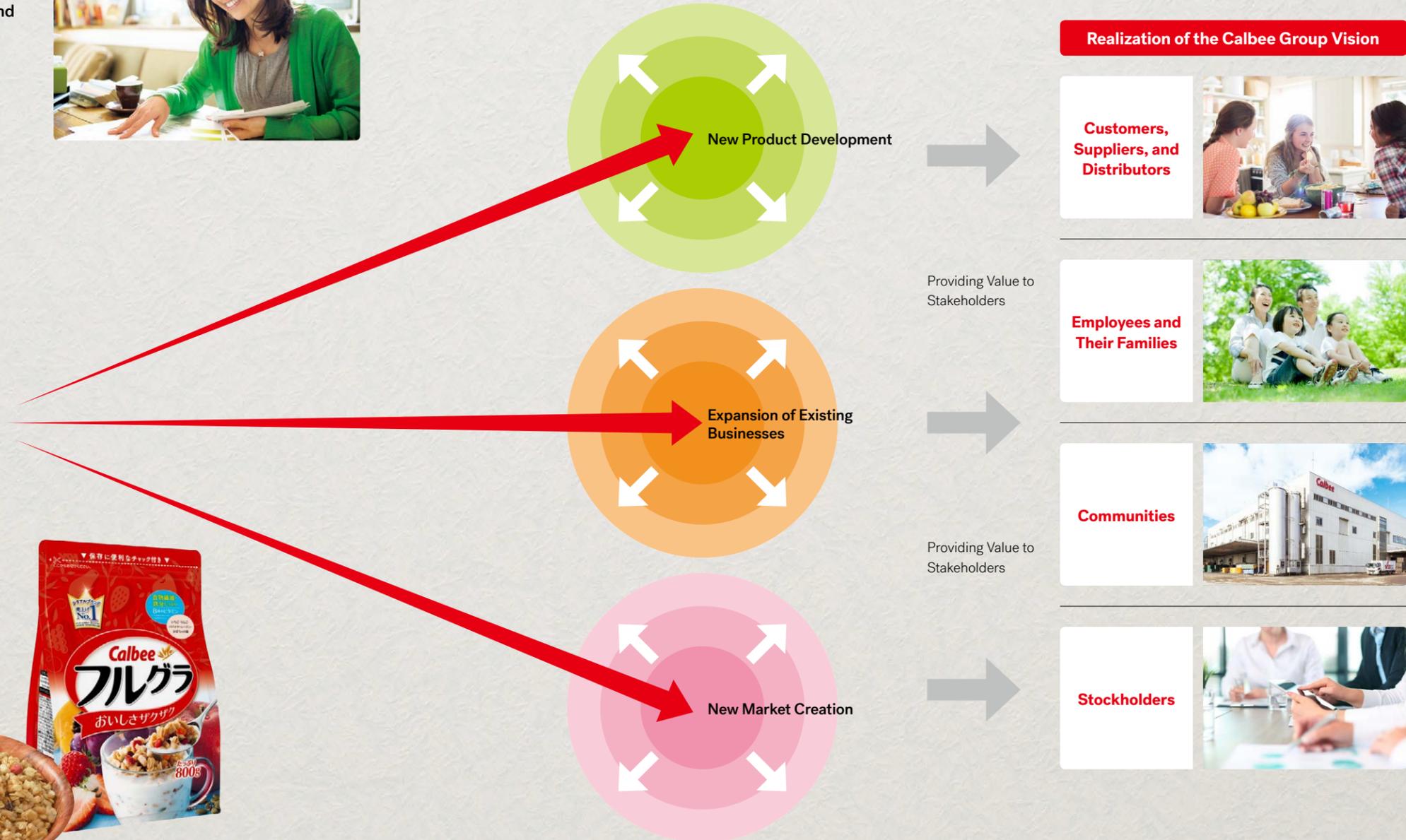


Innovation That Goes beyond Our Existing Businesses

Realization of the Calbee 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.”

To realize our Group vision, Calbee is taking on localization, both at home and abroad, while tackling the twin management pillars of innovation (six growth strategies) and cost reduction. While pursuing organic growth in existing businesses, we are also working to develop new products through innovation, expand overseas business, and create new markets.



CEO Message

Akira Matsumoto

Chairman of the Board & CEO,
Representative Director

Committed to Achieving Our Group Vision

Calbee 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.”

I made this our Group vision in 2009, right after I became CEO of Calbee. And I lead the Company with the aim of realizing this vision.

Commitment and Accountability

As CEO, I see my role as ensuring accountability for stakeholders. A commitment is a promise, and I work hard to achieve everything I commit myself to. I firmly believe that for our Company to succeed, we need a culture where we delegate as much authority as possible and where the people who receive that authority do their utmost to achieve results. When communicating internally, I constantly stress this theme of commitment and accountability.



Basic Management Policy

The Calbee Group aims to achieve sustainable growth and a highly profitable structure based on the twin pillars of innovation (six growth strategies) and cost reduction. We have been notably successful in this aim, maintaining a high average annual rate of growth in net sales and operating income of 8.1% and 17.1%, respectively, since the fiscal year ended March 31, 2010. However, although sales and profits both continued to rise in the fiscal year ended March 31, 2017 (FY2017), the growth rate has slowed. While we do not intend to change our

core management policy, I think the time has come for us to consider and implement more detailed strategies to maintain high, ongoing levels of growth and profitability.

Toward Business Growth

Calbee already has a high share of the domestic snack market—54%—but the market itself is unlikely to grow significantly in light of Japan’s low birthrate and aging society. In this business environment, we see our cereal product, *Frugra*, as driving growth in the domestic business over the next few years. The domestic cereal market

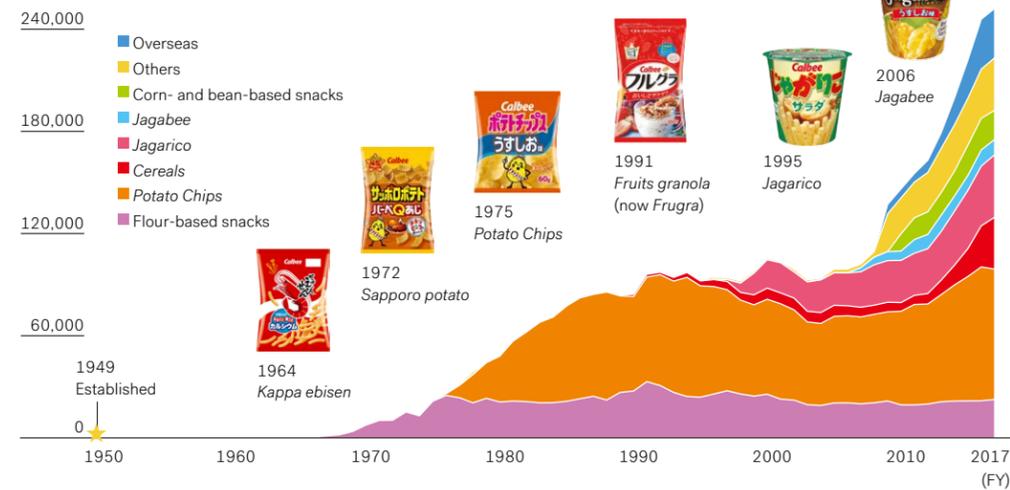
The Twin Pillars of the Calbee Group’s Approach



* Source: Intage SRI (nationwide, all retail formats), sales value basis
FY2010: April 2009 to March 2010
FY2017: April 2016 to March 2017
Snack food market share is the total for Calbee, Inc. and Japan Frito-Lay Ltd.
Potato chips market share is the total of potato chips (thick- and thin-sliced), shoestring, and kettle types, includes private brand products.

Calbee Sales Structure History

(Millions of yen)



has undergone rapid growth over the past five years, and we think there is still ample headroom. Our “time-saving,” “healthy,” and “reduced salt” *Frugra* breakfast brand has been a smash hit, with sales approaching ¥30 billion in FY2017. We believe it has the potential to generate ¥50 billion in annual sales in the next several years, and ¥100 billion in annual sales in the long term. We think *Frugra* also has great potential in overseas markets. Exports to China will begin in summer 2017, and we will then look further afield.

Business expansion in overseas snack markets is a crucial part of Calbee’s growth plan, and we see considerable opportunities. We have

already grown overseas sales almost fivefold from FY2010 to FY2017, from ¥5.3 billion to ¥28.9 billion, and our objective for the long term is to attain sales of ¥150 billion.

Calbee’s brand recognition in overseas snack markets is low, and our business is on a much smaller scale than leading local manufacturers. Yet we see these challenges as presenting exciting opportunities to expand Calbee’s brand value in new markets, and we continue to work toward our goals.

The most significant challenge we currently face overseas is human resources, an issue that takes time to address. Even in North America, where we have been reforming management

The challenges we must take on in overseas snack markets present exciting opportunities to expand the value of Calbee’s products.

To achieve further product innovation, Calbee will continue to push beyond mere theory and ask itself, “So What?”

and restructuring our production and sales system, the fundamental issue has been human resources—at all levels of the organization. It has taken more than a year to rebuild the overall structure, but I am pleased to say that we began to see real results at the end of FY2017.

To date, we have relied on joint ventures in overseas markets because we lacked experience in overseas business development and had difficulty finding sufficient personnel. Although not all our joint ventures have thrived, we have gained valuable experience. Accordingly, looking ahead we intend to pursue overseas business expansion by adapting to local needs in each market and building most appropriate management and organizational structures to ensure successful outcomes.

Innovation—“So What?”

Calbee has produced a steady flow of innovative products since the time of its founder. During my tenure as CEO, we have continued to perform strongly while focusing on sales expansion and cost reduction, using the Company’s institutional knowledge and accumulated assets that the founder and the successor created. We have also promoted corporate governance reform, diversity management, and workstyle reform. So I think it is reasonable to say that in the non-product areas of our Company we have made some genuine progress in innovation. When it comes to products, however, the reality is that we have not developed a truly innovative

product in the past decade. By taking the example of our founder and his many innovations, we must continue to seek what is next in the pursuit of growth—“So What?”

Alongside innovation, acquisitions are another important part of our growth plan for Calbee. But making acquisitions simply to increase sales is not enough—we need to establish strengths that cannot be imitated by competitors. We are continuously on the look out for new opportunities.

Rewarding Our Shareholders

Calbee’s Group vision places its shareholders as important stakeholders. The implementation of our Group vision will lead to growth, and we believe that shareholders should be rewarded for this growth. In determining how best to allocate profits after tax, ensuring robust shareholder returns is a management priority. We have steadily been raising our dividend payout ratio by 2 percentage points each year, reaching 30% by FY2017, and we intend to continue these annual increases.

July 2017

Akira Matsumoto
Chairman of the Board & CEO,
Representative Director

COO Message

Shuji Ito

President & COO,
Representative Director



We are Committed to Harnessing Nature's Gifts, to Bringing Taste and Fun, and to Contributing to Healthy Life Styles.

QUESTION

Since becoming president in 2009, Calbee has experienced continuous growth. What do you think has been driving that growth?

With regard to realizing "sustainable growth and a highly profitable structure," we have focused on "innovation (six growth strategies) and cost reduction" since 2009. We have decreased the costs of raw materials through such means as centralized purchasing, maximizing utilization ratios at domestic factories, and implementing strategies to sell our total output. Specifically, we have been able to raise profitability by adopting integrated manufacturing and sales systems in regions throughout Japan, delegating

“
We need to re-examine our business model to achieve our target operating margin of 15%.
”

authority, responding flexibly to customer demand, and strengthening sales via channels yet to be targeted. As a result, net sales have continued to grow each period and the operating margin, at the 3% level as of the fiscal year ended March 31, 2009, has now exceeded 11%.

QUESTION

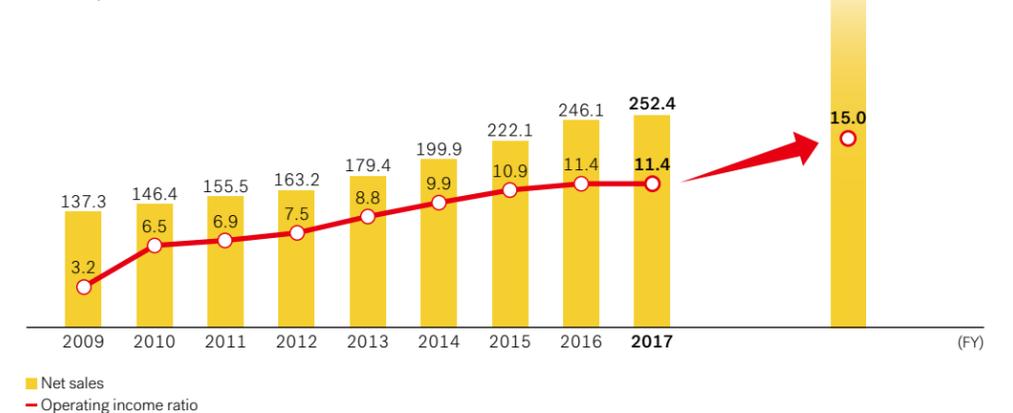
Speaking of the operating margin, despite previous continuous improvement, it remained unchanged year on year in fiscal year ended March 31, 2017 (FY2017). What is the reason for that?

There are some reasons for the unimproved operating margin in FY2017. One reason is the underperformance of various large-scale

investments overseas between 2014 and 2015. Despite increasing production capacity, sales did not grow as planned in North America and South Korea, where we had previously seen favorable sales increases. Another reason is the inability to secure sufficient amounts of fresh potatoes due to typhoon damage in Hokkaido during the summer of 2016, which led to sales falling short of the initial target. Another reason is the inability to secure sufficient amounts of fresh potatoes due to typhoon damage in Hokkaido during the summer of 2016, which led to sales falling short of the initial target. Because of this raw materials shortage, not only did sales fall short of plan, but our subsequent inability to control selling expenses was an additional factor which negatively affected profit margins.

Net Sales / Operating Income Ratio

(Billion of yen / %)



QUESTION

What are the challenges that must be overcome to achieve an operating margin of 15%?

We have increased the number of product items by increasing utilization ratios at domestic factories and strengthening sales activities. To further improve the operating margin while maintaining our many product items, the time has come to re-examine our business model and improve productivity. We are doing our utmost to achieve our target operating margin of 15% by securing raw materials and conducting product planning in order to maximize the profitability of each of our products and production lines, and at the same time by restructuring production lines and bases.

QUESTION

Hokkaido, the main source of potatoes in Japan, suffered severe typhoon damage in the summer of 2016. How are you responding to risks in terms of raw material procurement?

The effects of the 2016 Hokkaido potato shortage have continued into FY2018. We are working to recover sales by harvesting potatoes early in other growing areas and through sales of products that do not use raw potatoes. But it is not enough to make up for lost sales.

Because potatoes for potato chips must be procured and stored in the same manner



We need to shift our business model and conduct basic structural reform to ensure stable business performance even in times of potato shortage.

QUESTION

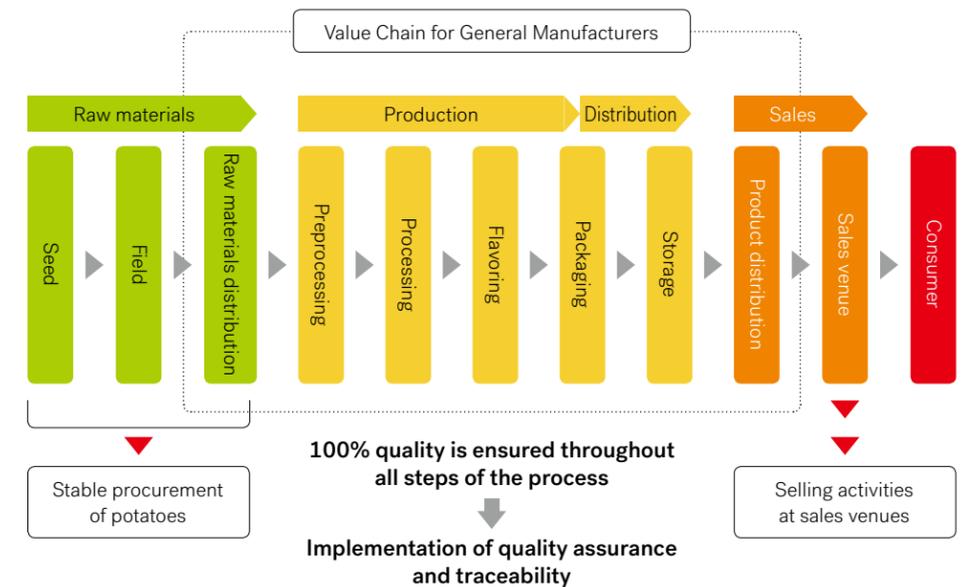
What are Calbee's advantages and challenges in terms of expanding the overseas business?

There are major opportunities moving forward in overseas markets, where demand is expected to swell. However, while our overseas business has experienced rapid growth in the past several years, that growth has been slowed a bit recently and we must discuss further measures.

Calbee has built a cohesive supply chain in Japan, from the cultivation of raw material varieties to product development and production, distribution, and after-sales services. There is no room for competitors in products generated from this comprehensive system. If we can develop a system overseas that is similar to the domestic one, which we

as fresh vegetables, we are always subject to procurement risks comparable with the incident in 2016. For this reason, it has become necessary to shift our business model and conduct basic structural reform, decentralization of procurement and diversification of products, in particular, to ensure stable business performance even in times of potato shortage. At present, because of our fixation on product quality, we only use raw materials grown in specific locations and that meet specific standards. However, thanks to innovations in harvesting and storage technology, we are working on the development of new production areas with producers. Moreover, by increasing our options for raw materials other than potatoes, I believe we can create a stable production system and diversify risks on the production side.

Our Approach to Supply Chain Management for the Potato Chips Business: A 10-Step Process



have built up over time, it will be a great advantage.

In competing with companies in overseas markets, Japanese companies must have uniqueness. We have an edge in terms of taste, raw materials, technology, and quality. I intend to proactively apply these strengths to overseas development.

QUESTION

What are your plans for brand and product strategies and business development for each country abroad?

Beginning with Asia, we have a history of business development in Hong Kong and Singapore and made inroads there while the snack market was not yet mature. Because our business has been growing along with the market, the Calbee brand is becoming prominent. However, brand recognition has not increased as much as we had anticipated outside these two regions. Countries that are currently developing economically and expected to experience growth in their snack markets offer similarly great opportunities. We are enhancing development, production, and sales of products full of the taste that is

Calbee's strength through methodical consideration of local needs.

Moving on to North America and Europe, we are focusing on our bean-based snack *Harvest Snaps* to meet the rising need for healthy products in the enormous North American snack market. Meanwhile, customer needs and competitive environments are different in each country in Europe. Brand recognition is not high enough for either our products or our corporate brand. At present, in the U.K., we are progressing production and sales of bean-based snacks in the same way as in North America. However, we need a better idea of whether such an identical product development approach is sufficient in the U.K. I believe determining a basic strategy in terms of what type of brand we should develop beyond bean-based snacks is our most pressing task in North America and Europe.

We are pushing ahead with global brand strategies for each product as well as with business development strategies for each country. Calbee has a number of unique products that cannot be imitated, such as *Jagarico* and *Jagabee*. In order to sell these original products worldwide, we need to communicate product concepts and distinctive features and entrench them in global markets.

“
My desire is to let our products spread our corporate philosophy throughout society and to make Calbee grow in tandem with all our stakeholders.”
”



We have developed a number of product brands for the Japanese snack market, many of which are longtime best sellers. We will make solid use of the core skills we have acquired in Japan in the overseas business to cultivate our brand meticulously.

QUESTION

Calbee has released a number of hit products to date. I would like to hear your thoughts on future development of new products.

While we are continuously introducing new products, establishing quality brands with name recognition takes time. When producing and selling in large volumes, there are many challenges involved in selling out while maintaining a high level of quality. One of the biggest challenges is securing raw materials. Small volumes procured for market tests must be increased hundreds of times to reach a scale sufficient for mass production. To make crops and seafood usable as raw materials for our products, we must begin with the development of areas for cultivation. If not, we cannot guarantee suitable volume. This is not simply a matter of generating new products; areas for procurement must also be developed and cultivated. I believe that the unparalleled and inimitable excellence of our products is the result of the significant time and effort we spend on them.

QUESTION

What are Calbee's corporate objectives that you hope to achieve?

Our corporate philosophy—"We are committed to harnessing nature's gifts, to bringing taste and fun, and to contributing to healthy life styles."—is at the heart of our business. As such, the most direct expression of this philosophy is our products themselves, and we will continue to spread it throughout society via our products. Moreover, as a food manufacturer, we are always conscious of how we can work together with producers of crops and seafood in Japan and worldwide, and of what kind of value we can create, for the safety, security, and health of our customers and for the benefit of society and the environment. My desire is to make Calbee grow in tandem with all our stakeholders.

July 2017

Shuji Ito
President & COO,
Representative Director

Expanding of Our Overseas Business



CFO Message

Koichi Kikuchi

Managing Executive Officer,
Chief Financial Officer



Increasing Dividends While Investing for Growth

Summary of FY2017

In the fiscal year ended March 31, 2017 (FY2017), net sales rose 2.6% year on year, to ¥252,420 million, operating income increased 2.5% year on year, to ¥28,841 million, and the operating margin was 11.4%. While these results represent record highs, they were not up to the estimates made at the beginning of the fiscal year due to the suboptimal performance in the overseas business in North America and South Korea and the potato shortage as a result of the typhoon damage in Hokkaido on the domestic business.

Outlook for FY2018

In FY2018, we plan to achieve net sales of ¥260,000 million, a year-on-year rise of 3.0%, operating income of ¥30,000

million, a 4.0% increase year on year, and an operating margin of 11.5%.

In the domestic business, the effects of last year's potato shortage have continued into the first half. This has led us to predict reduced revenues for FY2018. Meanwhile, in the overseas business, we expect increased sales in North America, Hong Kong, and Indonesia. In North America, signs of an earnings turnaround began appearing from the fourth quarter of FY2017. In Hong Kong, cross-border e-commerce for China will begin in August for the sale of *Frugra*. In Indonesia, new business began in the second quarter of FY2017.

Meanwhile, manufacturing costs are expected to rise due to increases in depreciation and amortization expenditures and a decline in domestic utilization. However, we plan to raise operating income by focusing on decreasing selling expenses domestically and revenue effect of increasing sales in the overseas business.

Basic Approach to Financial Strategy and Growth Investment

At Calbee, rather than operating under a complicated management index, we have opted for a quite simple one. Because we have narrowed our focus to how to achieve an operating margin of 15%, targets for manufacturing cost and SG&A ratios are included in the index. We also believe the ROE index will improve as a result.

We are making steady investments for further growth under modulation of investment area and product focuses. In the domestic business, as our share of the snack market is already high, we will focus our investments on growing the cereal business, which has market-expanding potential, and on establishing new businesses. In the overseas business, we plan to examine investment opportunities for acquiring snack brands as well as distributors.

Calbee's basic approach to investment is to maximize returns on risk, but also to make flexible investment decisions in accordance with risks. For instance, our aims for capital investment in the domestic snack business include a five-year payback period. However, when new factories are built in countries we are doing business in for the first time, a 10-year payback period may be necessary. In cases where the payback period is longer than estimates, we take

available measures quickly while keeping the possibility for withdrawal under consideration. I believe active investment is necessary moving forward in order to continue expanding the overseas business.

Calbee's Target Balance Sheet

Net interest-bearing liabilities—interest-bearing liabilities less cash and deposits—are negative, and our substantive no-debt operation continues. As long as there is no large-scale M&A or overseas investment, there is no need to pursue funding through borrowing at this time. However, because Calbee is still at a stage where it is increasing growth investments, we are looking into optimizing our balance sheet to match this stage of growth moving forward.

In terms of shareholder returns, the dividend payout ratio for FY2017 reached 30%. We aim to proceed with business expansion and increase sales and profits while at the same time conducting active investment focusing on overseas. As a result, we expect to secure a stable free cash flow every year. Through these efforts, we will continue to work toward increasing dividends.

Financial Results and Forecasts

	FY2017 results			FY2018 forecasts		
	Million yen	Percent of total (%)	Change in %	Million yen	Percent of total (%)	Change in %
Net sales	252,420	100.0	+2.6	260,000	100.0	+3.0
Gross profit	111,573	44.2	+4.2	114,000	43.8	+2.2
SG&A	82,732	32.8	+4.8	84,000	32.3	+1.5
Operating income	28,841	11.4	+2.5	30,000	11.5	+4.0
Net profit*	18,605	7.4	+10.8	19,000	7.3	+2.1

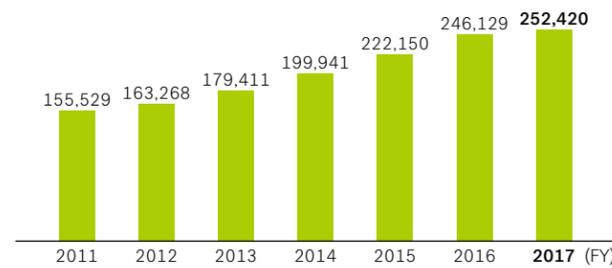
* Profit attributable to owners of parent

Calbee Performance Highlights

For the fiscal years ended March 31

Net Sales

(Millions of yen)



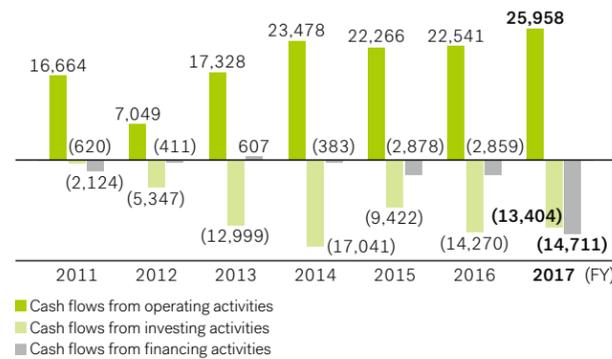
Operating Income / Operating Income Ratio

(Millions of yen / %)



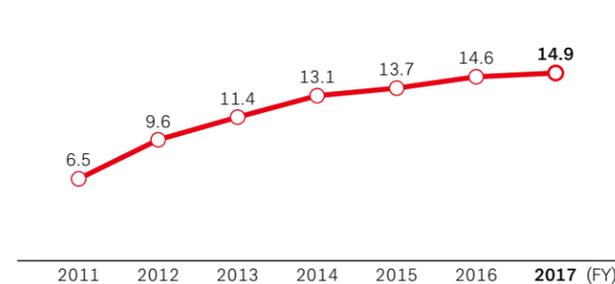
Cash Flows

(Millions of yen)



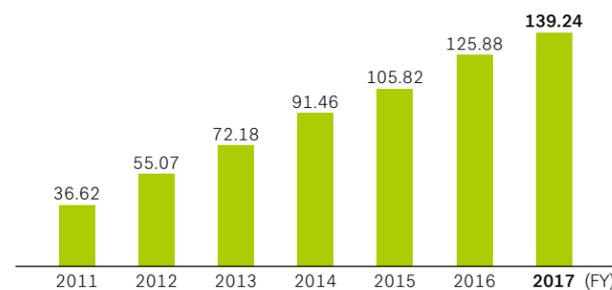
Return on Equity

(%)



Net Income per Share*

(Yen)



* A 50-for-1 share split was conducted on January 14, 2011, and a 4-for-1 share split was implemented on October 1, 2013. Per share figures were retroactively adjusted to reflect these stock splits.

Cash Dividends Applicable to the Year per Share* / Dividend Payout Ratio

(Yen / %)



* Figures represent data from domestic Calbee Group companies

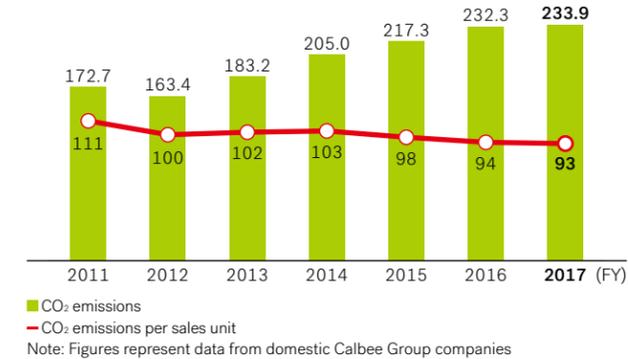
Promoting Female Employees

(Number of employees / %)



CO₂ Emissions per Sales Unit and CO₂ Emissions

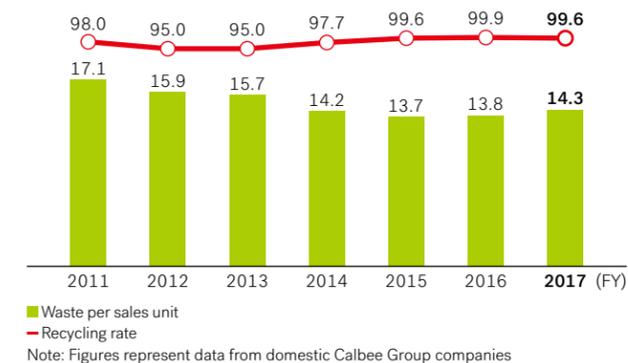
(Thousands of tons of CO₂ / Tons of CO₂ per ¥100 million)



Note: Figures represent data from domestic Calbee Group companies

Waste per Sales Unit and Recycling Rate

(Tons of waste per ¥100 million / %)



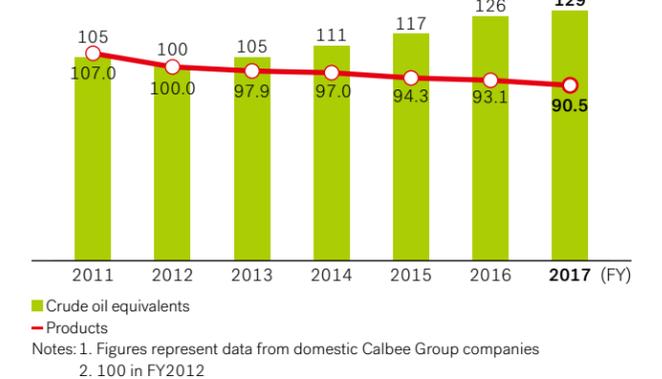
Note: Figures represent data from domestic Calbee Group companies

Calbee Snack School Activities



Energy Consumption Rate

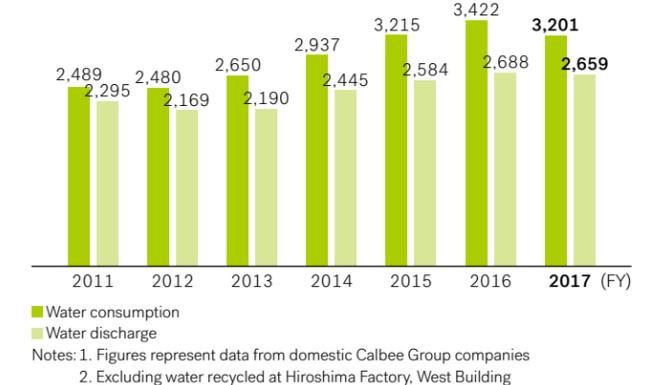
(%)



Notes: 1. Figures represent data from domestic Calbee Group companies
2. 100 in FY2012

Water Consumption and Water Discharge

(Thousand m³)



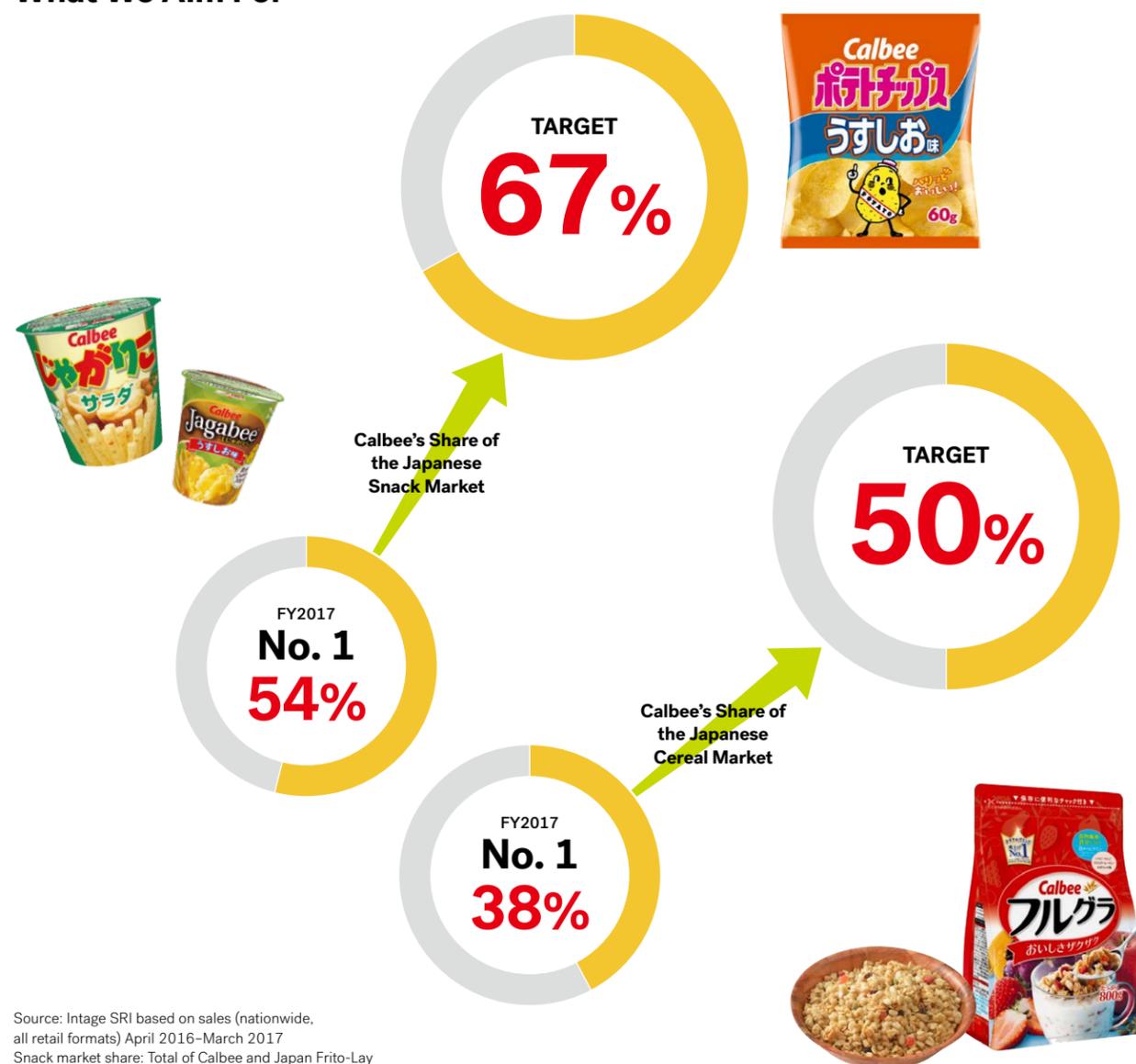
Notes: 1. Figures represent data from domestic Calbee Group companies
2. Excluding water recycled at Hiroshima Factory, West Building

Our Domestic Operations

Securing a Greater Market Share and Profits in Japan

We aim to become an even stronger company through innovation and cost reduction and strive for a greater market share and 15% operating margin.

What We Aim For



Securing Greater Profits in Japan

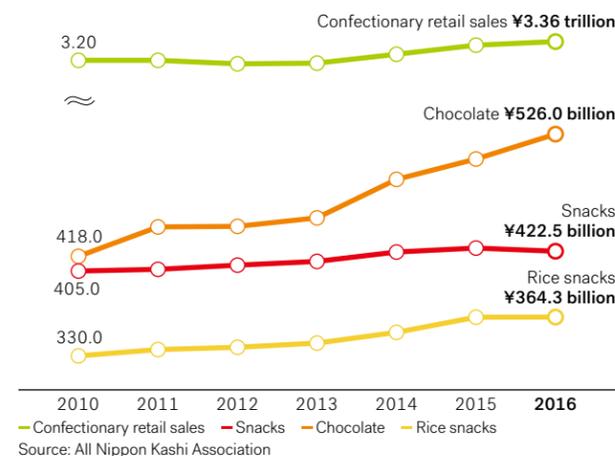
- Large-scale growth in the domestic snack market not anticipated
- Continued sizable growth expected in the cereal market as health awareness increases

In calendar 2016, the domestic snack market experienced a slight contraction year on year as a result of decreased sales of products. Because considerable growth in the snack

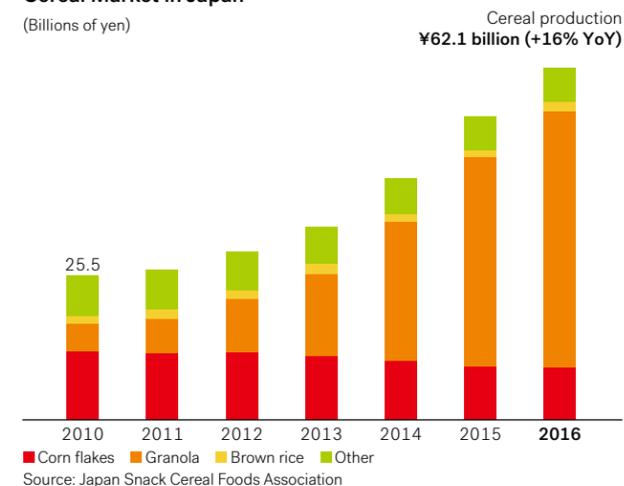
market is not expected going forward, we are working to stimulate new demand through measures such as introducing new products.

Meanwhile, granola is gaining traction in the domestic cereal market, with *Frugra* serving as the chief growth driver. Sizable growth is expected to continue in the cereal market as health awareness increases.

Confectionery Market in Japan



Cereal Market in Japan

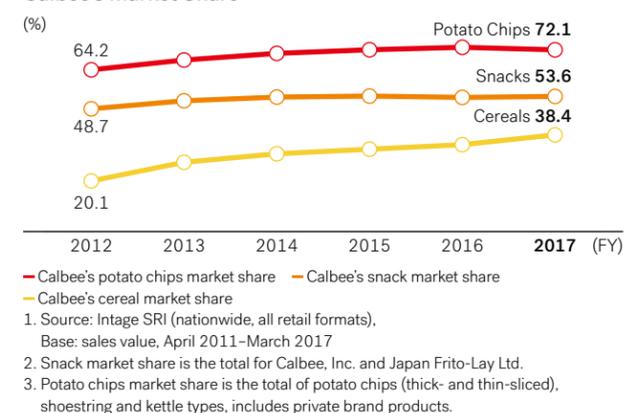


Calbee's Presence

- Further solidify Calbee's advantageous position in the potato chips market
- Increase *Frugra*'s market share in concert with growth in the domestic cereal market

Calbee captured a largest share of the domestic snack food market and cereal market. In particular, we captured a dominating share of the potato chips market, our key area of business. In sum, Calbee boasts top shares in multiple market categories and will continue working to further secure our top position.

Calbee's Market Share



Our Domestic Operations

Securing a Greater Domestic Market Share

Snacks

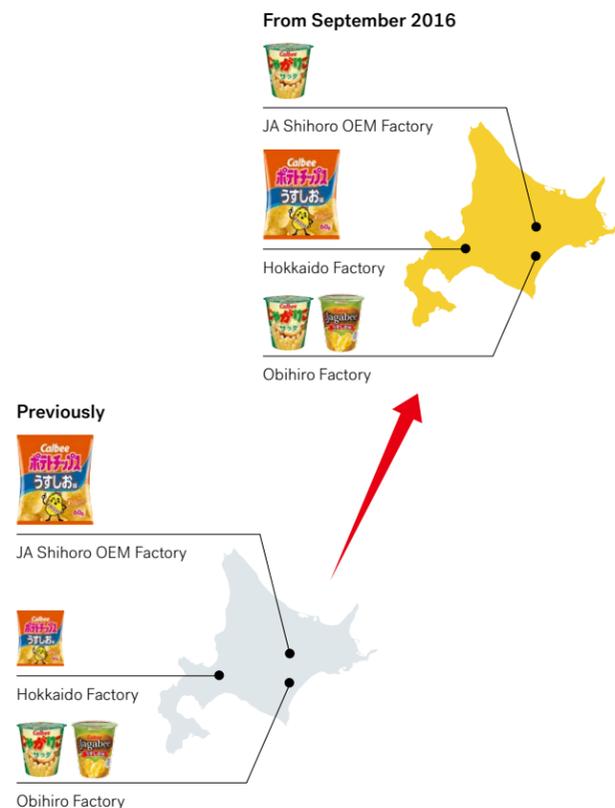
- Continuously introduce new products and flavors
- Build an efficient production system and engage in effective promotional activities

In August 2016, we began marketing fabricated potato chips under the brand name *Potato Chips Crisps*. Looking ahead, we will continuously debut new products to stimulate market demand.

In September 2016, production commenced at the Shihoro Agricultural Cooperative Association (JA) Factory in Hokkaido in response to the increase in demand for our hit snack *Jagarico*. We are building more efficient and stable production and supply systems through such efforts as intensifying potato chip production at our Hokkaido Factory and stepping up *Jagarico* production at the JA-Run Factory.



Jagarico Production Reform



Cereals

- Expanding our scope to target males, children, and older customers
- Accelerating development of overseas markets such as China

Frugra is in demand not only for its role as a time saver on busy mornings, but as a health food that combines taste and nutrition. That is why *Frugra* continues to achieve growth outpacing that of the domestic cereal market at large.

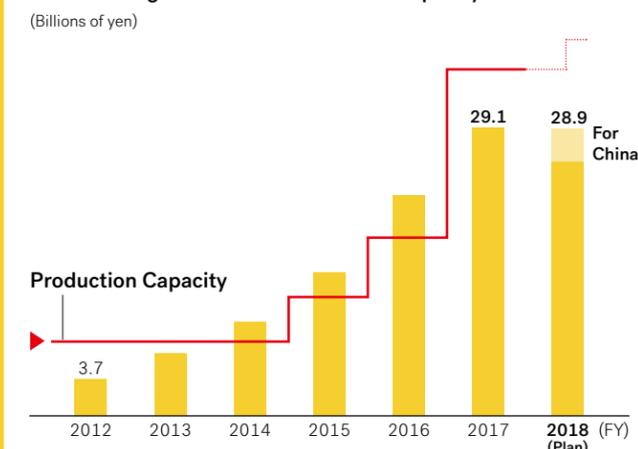
We have been gradually expanding our production capacity to deal with this increase in demand. Operations at a new factory began in April 2016. In addition to developing seasonal products in FY2017, we have been targeting a wider range of demographics beyond our traditional female customer base. To that end, we have begun sales of products with 25% lower carbohydrates marketed at male customers



and those monitoring their carbohydrate intake as well as of *Chocolate Crunch with Banana* marketed at children.

Moving forward, we will strive to expand sales in the domestic market as well as develop overseas markets. As part of those efforts, we plan to make use of global e-commerce to begin exporting to China from August 2017. Our goal is to inspire the breakfast revolution we have pursued in Japan overseas and increase sales of *Frugra* internationally.

Calbee's Frugra Sales and Production Capacity



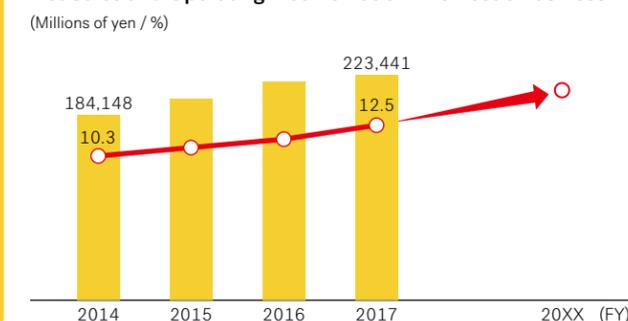
Securing Greater Profits in Japan

- Optimizing promotional activities and controlling selling expenses
- Undertaking efforts to continue reducing the manufacturing cost ratio

To date, we have increased production efficiency by improving profitability through the reduction of material costs via integrated purchasing and by raising factory utilization ratios. Furthermore, by using profits gained from enhanced production efficiency as selling expenses to bring down prices, we have been able to pass savings on to the customer. This has led to increased sales volumes, which has driven further production, creating a virtuous cycle. However, utilization ratios are already near 90% at domestic factories, making it difficult to raise them further. Meanwhile, we are unable to curb increasing selling expenses.

To achieve a consolidated operating margin of 15%, we must first focus on controlling domestic selling expenses. To that end, we are implementing measures based on profit-focused sales policies, such as consolidating distributors and overhauling distribution systems. Moreover, in order to further improve the gross profit margin, we are re-evaluating and rebuilding bases for each product and production line to optimize their costs of sales and selling, general and administrative expenses and thus maximize profits.

Net Sales and Operating Income Ratio in Domestic Business



Our Domestic Operations

Making Frugra a ¥50 Billion Brand in Japan and a ¥100 Billion Brand Overseas

Kaori Fujiwara

Executive Officer, FRUGRA Group



Expanding Target Demographics to Capture Greater Market Share

In the fiscal year ended March 31, 2012, *Frugra*'s sales were only ¥3.7 billion. But over the subsequent four years, until the fiscal year ended March 31, 2016, sales grew at a rate of over 50% per year. *Frugra* is the brand that sparked the granola boom that has since driven the cereal market and led to its expansion. In recent years, our competitors have also introduced a succession of new products, which served to continue this virtuous cycle by stimulating the market even further. *Frugra*'s sales for the fiscal year ended March 31, 2017 reached ¥29.1 billion, representing an apparent deceleration of the growth rate at 30% year on year. However, as the

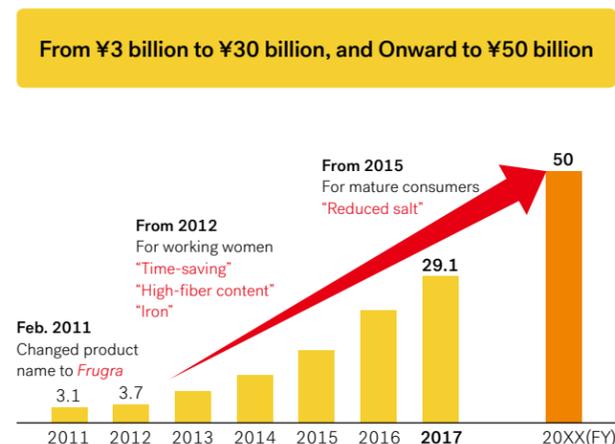
denominator has already increased, favorable growth continues. Our plan is to work toward achieving a 20% yearly growth rate for *Frugra*, further expanding the market and increasing our market share.

On the supply side, we have been gradually enhancing our production capacity by expanding production lines and enlarging existing factories in order to handle the growing demand for *Frugra*. Along with increasing our market share, we have also been working to position *Frugra* more advantageously at sales outlets by extending space for granola on shelves previously dominated by corn flakes. Through initiatives such as actively offering samples at stores, we are promoting the taste of *Frugra* on top of its value as a health food.

To build *Frugra* into a ¥50 billion brand in Japan, it will be necessary to expand the market itself as well as capture a greater market share. Efforts to expand the market should include increasing target demographics. Until recently, our marketing has focused on our main customer base of women in their 30s–50s. Our policy moving forward is to actively engage in promotional activities focusing on children, highly health-conscious men, and customers over 60, in addition to our female customer base. Newly launched low-carbohydrate products and chocolate crunch and banana flavored products have been well received by male customers and children, respectively. Another urgent need in capturing market share is securing and expanding shelf space for sales. *Frugra* has achieved rapid growth in the past few years, however, designated shelf space has not grown in proportion to sales. To meet customer expectations and demands, we must strive for immediate reform.

Frugra's Sales

(Billions of yen)



Promoting Product Concepts and Becoming Number One in Asia, Starting in China

Frugra's strength is that it fills the need for "time-saving" on busy mornings while combining taste and nutrition in a healthy cereal. We believe that this product concept is one that will gain success both in Japan and overseas. In fact, customer feedback indicates that *Frugra*'s characteristic attention to ingredient selection and appealing textures, as well as other features, are highly valued overseas. If we can inspire the breakfast revolution we have pursued in Japan overseas and entrench *Frugra* into the lifestyles of people of different countries and regions, we will be successful in greatly expanding *Frugra*'s sales overseas.

Our efforts to develop overseas markets begin in China, which has a large consumer market in addition to a relatively familiar cereal culture. Despite our experience running sales trials for *Frugra* in the United States and South Korea, this will be our first time conducting actual sales overseas. *Frugra* and Calbee brand confectioneries are already gaining popularity with Chinese tourists visiting Japan, in particular, through word of mouth on social media sites. In an increasingly health-conscious China, we plan to accelerate market development by promoting *Frugra* as both a "time-saving" and "healthy" product, an effort bolstered by the trustworthiness and value of Calbee products and the Made in Japan brand.

Specifically, our Hokkaido Factory is scheduled to begin producing exports for China in August 2017, and a new production facility at our Kyoto Factory is slated to commence

operations in summer 2018. We will commence sales of *Frugra* via Tmall Global, a cross-border e-commerce website, in cooperation with Alibaba Group, China's largest e-commerce enterprise, in August 2017. Furthermore, through cross-border e-commerce, we will be able to engage in marketing that makes use of active user data on the consumption of Chinese Alibaba customers to conduct a succession of initiatives, such as expanded sales of *Frugra* produced at the Hokkaido Factory, sales promotions tailored to the preferences of Chinese customers, and new product development. Beyond improving brand recognition for *Frugra* within the large consumer market in China, we will inspire a breakfast culture revolution.

Moving forward, we will carry out market development in East Asia—beginning in China and Hong Kong and continuing in South Korea and Taiwan—and then expand into Southeast Asia, where cereal markets are yet to mature, in order to establish Calbee as the number one brand in Asia. In the future, we will work toward cultivating a ¥100 billion brand overseas by conducting robust marketing activities and examining entry opportunities abroad, including in North American markets such as the United States, which is the heart of the cereal industry.

Becoming a ¥100 Billion Brand Overseas

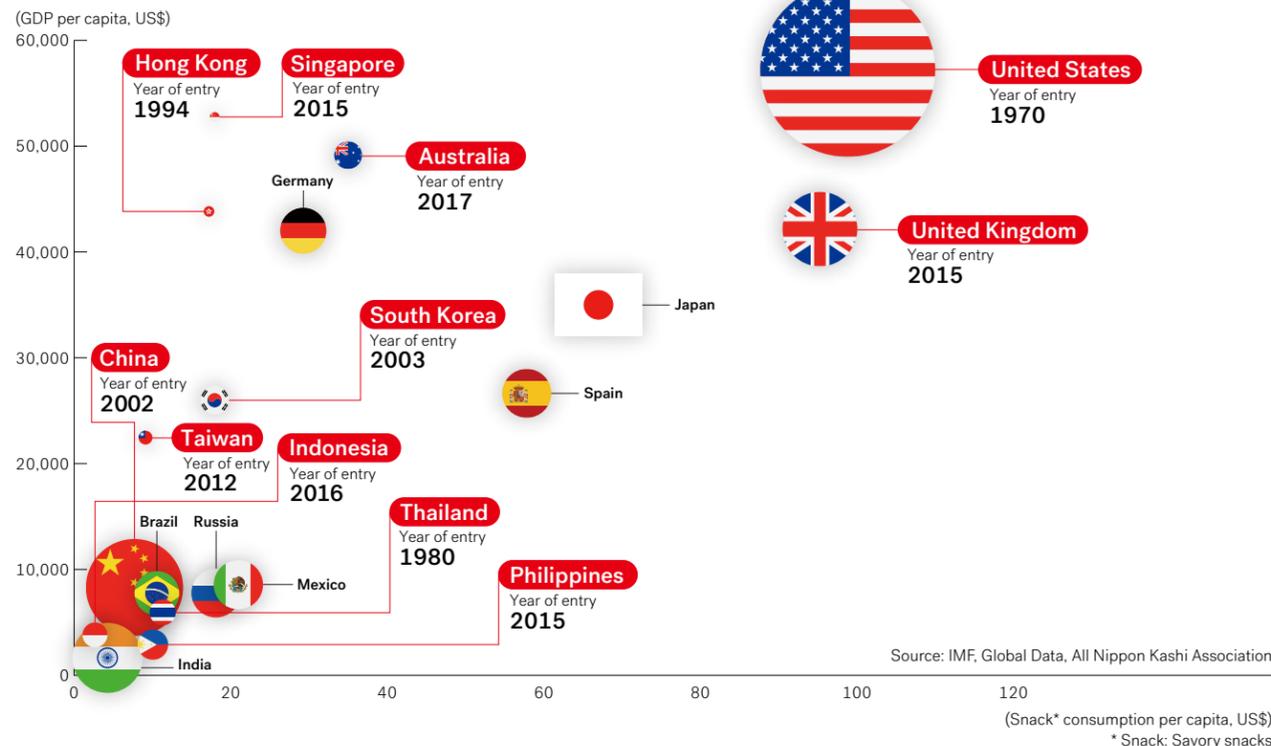


Our Overseas Operations

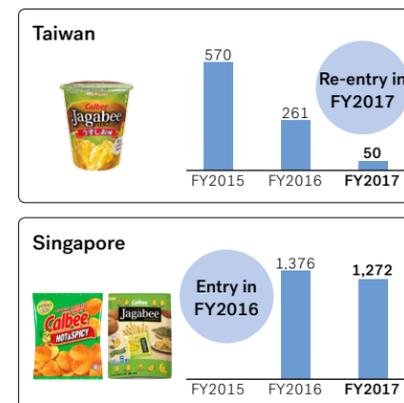
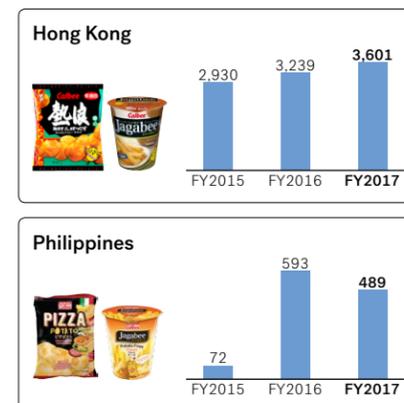
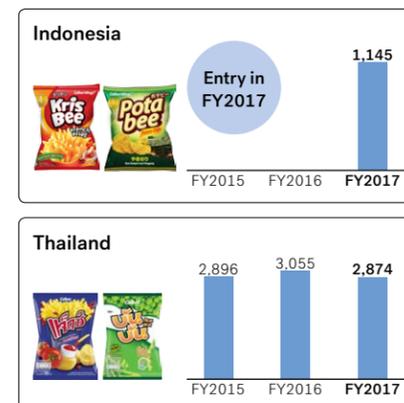
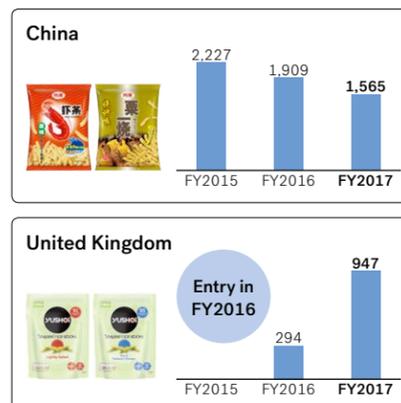
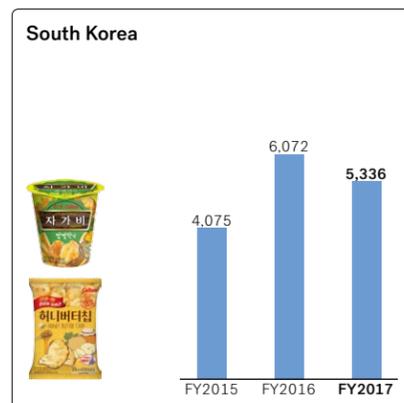
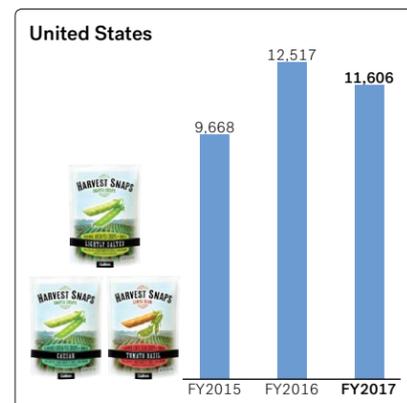
Expanding Overseas Operations

We aim to expand overseas operations by providing products at affordable prices and through other initiatives and have set a target overseas sales ratio of 30%.

Market Potential



FY2017 Performance Highlights (Millions of yen)



The most important element of Calbee's growth strategies is overseas expansion. We currently operate in 11 countries and regions, with overseas sales accounting for 11.5% of consolidated net sales in the fiscal year ended March 31, 2017, up from 3.6% in the fiscal year ended March 31, 2010. Net sales and operating income have expanded in North America, where *Harvest Snaps* has been a big hit, and in South Korea, where *Honey Butter Chips* has enjoyed success. North America and China, with their enormous markets and high potential for growth, represent our key areas. We are also proceeding with expansion into Europe and other regions in Asia and aim to raise the overseas sales ratio to 30% over the long term.

In 2009, Calbee decided to go about overseas business development in three phases. Phase one comprised North America, China, and South Korea, where we have already begun expansion. Phase two includes Western Europe, Russia, Australia, and Indonesia. Phase three calls for expansion into India and Brazil. We are currently transitioning from phase one to phase two.

There are two main challenges facing the overseas business at present. The first involves the expansion of new development projects. Due to the collapse of joint venture agreements in regions such as China and Taiwan, business expansion has not proceeded smoothly in all areas. The second is the decline in profitability. We have actively pursued capital investment along with new development projects. However, sales are not yet growing as planned in a number of countries and regions, including North America, which has thus far led expansion in the overseas business.

As a result, the operating margin in the overseas business that had surpassed 10% in the fiscal year ended March 31, 2015 declined to 2.9% in the fiscal year ended March 31, 2017.

For these reasons, we are now focusing more on revising the overseas business than new development projects. Once that is accomplished, it will be necessary to expand business within the regions we currently operate in and then move ahead with new development projects in phases two and three to increase the overseas sales ratio to 30%. Moreover, in addition to focusing on sales expansion, we continue to attempt cost reduction and strive to create systems that produce solid profits in the overseas business, specifically in the highly profitable North American market, in order to achieve a consolidated operating margin of 15%.

Net Sales and Operating Income Ratio in Overseas Business (Millions of yen / %)



Our Overseas Operations

Restoring Growth in the Millennial-Led U.S. Market

Yumi Nakagawa

President & COO
Calbee North America, LLC
(Position and appointment at the time of interview)



Developing a Healthy and Appetizing Taste to Appeal to Millennials

The North American market represents the most crucial region in terms of driving Calbee's overseas business. The U.S. snack market is the world's largest, worth over US\$30 billion. It is common to see people pack a snack as part of their lunch, and having a snack for breakfast is not uncommon either, particularly among millennials (persons born between 1980 and 2000), who make up roughly one-fourth of the approximately 300-million-strong population and represent key consumers, and who are regarded as frequent snackers. I believe that the considerable growth potential for the U.S. snack market will continue.

In the United States, consumers tend to make purchasing decisions based more on the taste of a product than on trust in major manufacturers and distributors. For that reason, improving the brand power of a product is more important than improving the brand power of a company. *Harvest Snaps*, our main product, has been developed to fit into the "better-for-you" food category in order to satisfy increasingly health-conscious consumers. Major retail chains have chosen to display this product in the produce aisle rather than in the snack food aisle. This decision has helped create *Harvest Snaps*' image as a healthy snack that combines taste with nutrition, differentiating it from other snack foods.

Nevertheless, brand recognition for *Harvest Snaps* is not particularly high. That is why initiatives to enlarge this product's fan base by getting it into the hands of people who have never tried it are key. Furthermore, I believe that we can expand sales by increasing valuation by carrying out promotional activities and developing new products and flavors.

Resolving Outstanding Challenges One by One to Restore Growth

In 2015, we constructed a new factory in Mississippi to guarantee a stable supply of *Harvest Snaps* throughout the United States. However, we were confronted with a flagging operating margin as net sales performed below expectations and failed to keep pace with the combined production capacity of the new factory and existing factories. There were many challenges to operating the entire North American business efficiently at

Factory Locations of Calbee North America



three different bases in three different states (California, Mississippi, and Oregon) with three different cultures.

Reorganizing the North American business, the mainstay and major source of sales for Calbee's overseas business, and drafting its next growth plan represented urgent challenges for Calbee. In an effort to place the North American business back on the path to growth, I assumed the positions of president and COO of Calbee North America in July 2016 and began work on reorganizing the business. My priorities were to strengthen our operating systems by increasing sales and marketing staff and to work toward creating next-generation products by combining Calbee's original snack development capabilities and production technology with U.S. marketing power.

Because of my belief that genuinely effective action is impossible without first pinpointing the true problem, I took it upon myself to go on-site and visit the factories. I listened to the employees one by one, located key problems, and began work on addressing them in order of highest priority. Through one-on-one talks with not only members of management but also nearly every factory employee, I was able to communicate Calbee's goals in my own words and impress upon all employees the importance of focusing on the same ultimate destination. In the year since becoming president and COO, the problems that need to be addressed have become clear, and we have prepared human resources and management systems to once again make management aggressive.

Moreover, in January 2017, our joint venture agreement was dissolved and we became a full subsidiary of the Calbee Group. This has allowed management to operate at a more rapid pace. At present, three challenges remain in the North

American business. The first of those is to mitigate production losses. We will begin by raising production efficiency at top priority sites, such as the California Factory, which has a high wastage rate. The second challenge is to strengthen sales capacity. Efforts to improve sales and marketing capabilities in terms of attracting large clients are underway and we plan to work toward further expanding and strengthening our client base. The third challenge is to develop new varieties of *Harvest Snaps*. Our goal is to introduce at least one new product every six months. Through these initiatives, we hope to achieve an operating margin of 20%.

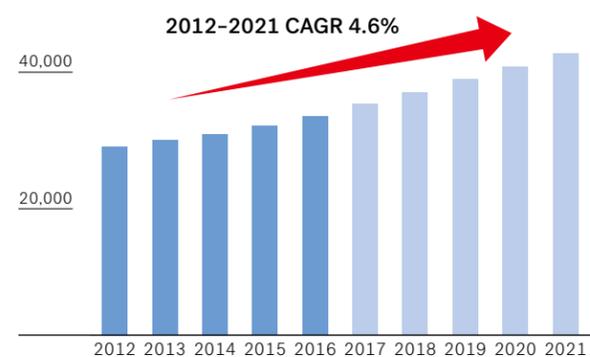
Developing and Cultivating the Next Mainstay Product

I emphasize the importance of innovation in order to bring about the development and cultivation of new products to follow *Harvest Snaps*. Workshops are regularly held within the Company to give employees the opportunity to contribute ideas on what our next mainstay product should be, and market research is conducted to examine customer reactions. Thanks to these ongoing initiatives, we hope to launch new products after 2018.

Calbee North America aims to be a company that brings its customers happiness by delivering high-quality products via strong sales and marketing capacity. We are solidifying our position as the pillar of Calbee's overseas business and will become a source and model for investment in the Calbee Group's further development and expansion overseas.

US Snack Market Growth

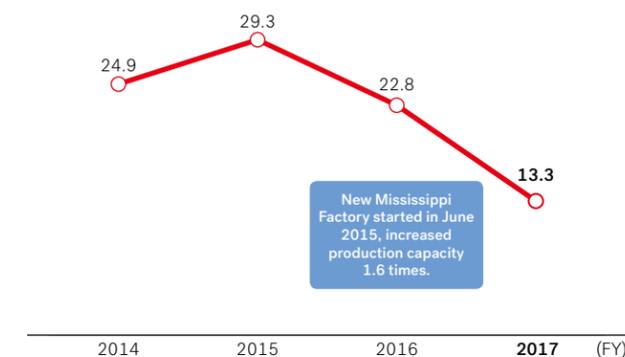
(Millions of US\$)



Source: Global Data
Note: 2017-2021: Forecast

Operating Income Ratio in North America

(%)



Procurement Power



Our Procurement Power

Our strength in obtaining raw materials, particularly potatoes, lies behind Calbee's growth. There are risks involved in acquiring raw potatoes, such as poor harvests as the result of inclement weather and decreased yields brought on by the decline in the number of farms. However, we have been building systems to mitigate those risks and ensure stable procurement in terms of quality, volume, and cost since we began selling potato-based snacks. Our powerful and sustainable procurement capabilities make it possible to deliver

"delicious, reasonable, and fun" products to our customers and contribute to Calbee's growth.

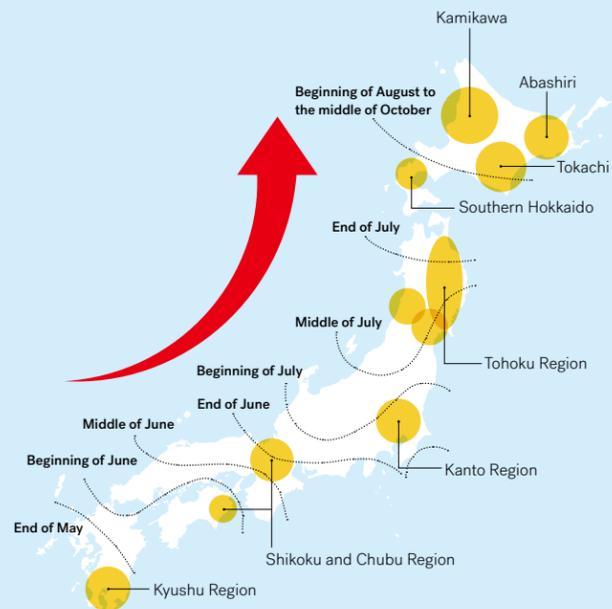
Toward Sustainable and Stable Procurement

A number of our mainstay products, potato chips included, use potatoes as raw materials. In accordance with the Plant Protection Act, imports of raw potatoes are not permitted in Japan. For this reason, we depend mainly on potatoes grown domestically.* Potatoes harvested every fall in Hokkaido are stored in an environment suitable for processing and used by early summer the following year. Of approximately 300,000 tons of potatoes available for processing in Japan, the Calbee Group uses roughly 10%.

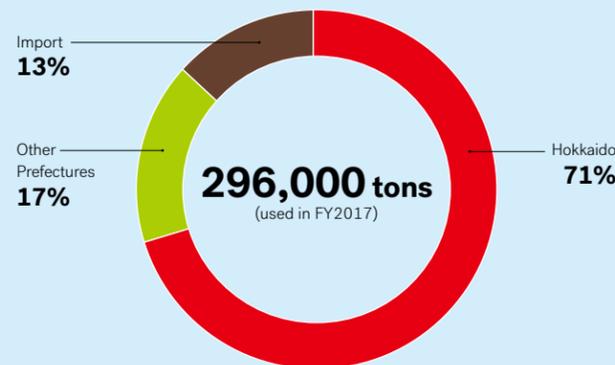
Crops in Hokkaido, the main potato-producing region in Japan, were badly damaged in a typhoon in August 2016. As a result, we were unable to secure a sufficient volume of raw potatoes and were forced to suspend sales of several products. Procuring agricultural products always carries weather-related risk. We will continue to work toward sustainable and stable procurement moving forward.

* Calbee imports a portion of its potatoes for potato chip processing from the United States in compliance with the Plant Protection Act. The Hiroshima Factory and the Kagoshima Factory are the only two locations in Japan where Calbee processes imported potatoes.

Main Potato-Producing Areas and Their Harvesting Times



Calbee's Purchase Potatoes Volume by Producing Region



Initiatives for the Stable Procurement of Potatoes

In order to support Calbee's continued growth, it will be necessary to secure a stable supply and increase procurement volume of potatoes. We have contracts with roughly 1,900 farmers throughout Japan and are building close partnerships with all of them by working side by side in harvesting and shipping potatoes, storage management, and quality control. We are also taking active steps to develop new variations of potatoes.

Development of New Varieties and Production Areas

We have taken on the challenge of developing new varieties of potatoes and introducing varieties used for potato chips overseas in Japan in order to deliver products made from the best-tasting potatoes and to secure a stable procurement volume. We are also working to persuade farmers cultivating potatoes used for other processing purposes to switch to potatoes for potato chips.

Economizing and Supporting the Production and Harvesting Process

Field personnel of Calbee Potato, a Group company, travel to many production areas to support farmers. Specifically, we assist farmers in such burdensome tasks as harvesting and transporting potatoes for storage. Field personnel also eliminate the need for sorting by acquiring entire stocks. Furthermore, weather data and cultivation data assembled by field personnel are shared with farmers and used to stabilize production quality and volume.



Developing the New Variety "Poroshiri"



Toshiya Igarashi

Variety Development Department, Potato Research Center, Calbee Potato, Inc.

"Poroshiri," the First Potato Variety Cultivated by Calbee, Registered in 2017

Calbee Potato developed a new potato variety suited to potato chips, resistant to disease and pests, and that stores well. After many years of research and development, Calbee registered "Poroshiri" as its first original variety in February 2017. Compared with existing varieties, "Poroshiri" is characterized by resistance to potato scab and a higher yield per area.

We must continue developing our own varieties to enable farmers to increase production of potatoes and to allow Calbee to present its customers with products made from the best-tasting potatoes and procure easier-to-process potatoes that are suitable for long-term storage.

Procurement of Raw Materials from Overseas

Calbee procures many more types of raw materials than potatoes alone. *Frugra*, for instance, uses carefully selected, high-quality ingredients from all over the world. Almost all of the raw materials for *Frugra* cereal, including oats, coconuts, raisins, and papaya, are imported from overseas. We have systems in place for conducting strict quality checks with suppliers that go all the way back to the locations where the raw materials are cultivated in order to ensure product safety. To procure a stable supply of the large quantity of raw materials necessary to satisfy *Frugra*'s expansion, we have arranged for long-term contracts and are continuously seeking new suppliers.

Human Resources



ERIKA ITO
Hokkaido Factory
Hokkaido Division

I am in charge of equipment installation and maintenance, with the hope of becoming a process engineer well versed in raw materials. There are not many women in my field, but I am determined to make the best of the chance Calbee has offered.



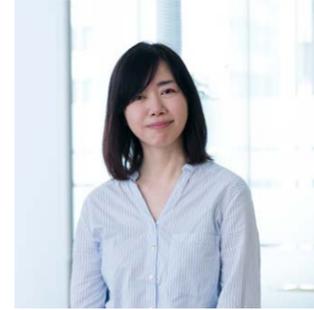
KATSUYUKI ISHIHARA
Manager of Research Department
R&D Group

I am currently working on reducing acrylamide and allergen risks. Moving forward, I will continue conducting R&D that contributes to the health of our customers, such as research on raw materials and unused resources.



PAUL LAUBSCHER
Director of Marketing
Calbee North America, LLC

Innovation is the lifeblood of growth for the North American marketplace. We continuously seek new ways to bring incremental value through new processes and benefit-driven products that meet the snacking needs of our consumers and customers.



NAMIKO ITO
Web Relations Section
Corporate Communication Group

I am in charge of Calbee's official social media presence. My work ensures that customers have a variety of modes for interaction with Calbee and a deep understanding of the Calbee brand.



SIYOO KIM
Chubu Branch
Central Japan Division

I work in sales, mainly to drugstores. My goal is to successfully pass along the intentions of buyers from retail stores to the head office.



KAZUHIDE KUBO
Hiroshima Factory
West Japan Division

I am in charge of line management for the flour-based snack dough drying process. Moving forward, I will work to improve both quality and productivity by reviewing processes and facilities one by one.

OUR BUSINESS IS PEOPLE BUSINESS

Calbee has no greater supporter for future growth than its own employees. In order to achieve further growth, we need to foster an environment where all our skilled employees can display their abilities regardless of sex, race, or nationality. Without such an environment, the real innovation we are striving for will not be possible. We are giving our utmost to diversity management efforts, including the ongoing promotion of active participation of women in the workplace. Moving forward, we will continue pursuing these goals and become a company where everyone can achieve success and be evaluated fairly for their performance.



YOSHINOBU MIYATA
Chubu Branch
Central Japan Division

My job is to offer business support, such as training new salespeople or assisting at retail stores. I am able to perform my work thanks to consideration for my illness.



SORI NISHIO
Tokyo 1st Branch
East Japan Division

I am in charge of sales to customers in Tokyo and the surrounding areas. My goal is to contribute to the profitability of Calbee by minimizing selling expenses while maximizing sales.



FUTOSHI MIURA
Manager of Strategy Department and
Communication Department
Marketing Group

We do not adhere to existing philosophies for product creation, but expand our strategy to meet changing conventions in an effort to increase the frequency with which customers consume our products.



MASAKI MOTOYOSHI
Manufacturing Costs 50 project
Hokkaido Division

My work is to optimize production. I will continue to pursue unique initiatives that take advantage of the Hokkaido brand, which represents both the main production area for potatoes and a popular tourist area.



YWINTRA SAEKARAK
Research and Development (R&D)
Calbee Tanawat Co., Ltd.

My current job involves R&D of products and production processes. I search for new methods, techniques, and designs and conduct diverse experiments in order to achieve innovation in products and processes. The challenge is to evaluate and select "real innovation" from multiple options.



CHIZUKO SHINAGAWA
Manager of General Affairs Section
Human Resources & General Affairs Group

I work to create comfortable office work environments by such means as organizing the same benefit program for everyone to enjoy, regardless of the Calbee Group company they work for or the position they occupy, and pursuing system reforms to promote diverse working styles.

Message from the Executive Officer of Human Resources



Shoji Tobayama
Senior Executive Officer,
Human Resources & General Affairs Group

Calbee's Approach to Human Resources and Challenges Moving Forward

As the Company has grown since 2009, Calbee's management challenges have also increased in both complexity and sophistication. Corresponding growth in human resources is crucial to addressing these challenges and achieving continuous growth for the Company. To accomplish this, we have introduced a variety of initiatives in the past few years based on the belief that **personal growth is attained by improving individual abilities and strengthening motivation.** Specifically, as dialogue with employees is essential to increasing motivation, the Human Resources Department conducted one-on-one meetings with roughly 500 employees in the period ended March 31, 2017. During these meetings, employees are asked to discuss work outcomes and what they have learned from them. Such friendly discussions are dedicated to determining what motivates individual employees and ways to heighten that motivation.

We are introducing a management-by-objectives (MBO) technique that includes commitment and accountability in performance evaluations. This technique utilizes a system for determining bonuses based on progress made toward achieving objectives. Where possible, quantitative parameters are established for qualitative objectives. This approach allows us to institute a system capable of conducting objective evaluations. I believe the introduction of this system has contributed to greater attentiveness to performance within the Company.

Traits we would like to see more of from our employees are possession of a desire, tenacity, and temperament for carrying

out their commitments until completion and the capability to listen to the opinions of others and act as leaders in the organization while asserting themselves. For the organization as a whole, we are seeking human resources who are diverse and individual, rather than homogenous, with the aim of becoming a balanced organization. These criteria are the basis upon which we do our hiring. **In order to achieve further growth globally, we must cultivate next-generation management personnel that satisfy these criteria.** The urgent need to foster management professionals as a prerequisite to becoming a global company was discussed at a recent Board meeting. We are actively pushing initiatives to cultivate future management personnel candidates while offering expanded opportunities for growth to employees Companywide.

Trajectory of the Workstyle Innovation Calbee Aims For

In addition to initiatives promoting diversity and employee health, we are introducing systems for flextime and telecommuting, as well as working to continuously improve productivity. On the diversity side, we are achieving leading outcomes in Japan by setting quantitative targets, such as the ratio of women in management positions, and focusing on creating work environments that encourage the active participation of women through career support and the development of new systems. Moving forward, we plan to accelerate a broad range of initiatives that include overseas human resources and persons with disabilities. Moreover, the concept of diversity represents more than simply employing a diverse array of human resources as a contribution to society. Making the best use of diverse viewpoints, capabilities, and expertise is an important part of management. For instance, we believe in creating open work environments that do more than merely establish systems to facilitate the lively participation of women. Frank discussions born of diverse perspectives from diverse human resources can offer positive stimulation for mutual growth and better management decisions.

Our current human resource support system is based on one unified principle for all employees. In the future, however, we hope to create systems tailored to the lifestyle needs of each of our employees, including those engaged in caregiving, child rearing, and other responsibilities. While supporting the individual missions and workstyle needs of each and every employee by fashioning flexible employment relationships, we will even further accelerate a workstyle revolution symbolic of Calbee.

Career Support

At Calbee, we implement a variety of support measures to enable personal growth and career development for our employees so that we can be a company "where both people and the organization continue to grow independently and

produce results." Once a year, a "management challenge" for employees seeking administrative positions and an "overseas training challenge" for people seeking global leadership positions are held so that interested employees can vie for their desired jobs and positions.



Diversity

We consider diversity to be a key element of our management strategy. As such, we have been working toward strengthening the hiring and utilization of diverse human resources. One of the ways we are promoting diversity is to pursue the active participation and promotion of women. As of June 2017, two of seven directors and seven of 22 executive officers are female. Moreover, the ratio of female managers, which was 5.9% in April 2010, has risen to 24.3% as of April 2017. We plan to raise that level to 30% by 2020.

As a result of these initiatives, Calbee was selected by the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange as an enterprise that is outstanding in terms of encouraging the empowerment of women in the workplace, and

was granted the Nadeshiko Brand designation—the fourth consecutive time that we have been earned this recognition. This remarkable achievement is a first in the marine products, agriculture and forestry, and food industries since the Nadeshiko Brand system began. We also received the Prime Minister's Award for being a "leading company where women shine" from the Cabinet Office in December 2016.

Workstyle Innovation

Calbee has been pursuing a number of initiatives such as free address offices, flextime, and telecommuting for employees to work in a flexible and highly efficient manner. Since April 2017, we have been expanding new support systems—the introduced mobile working, for example, which does not restrict our employees in terms of work location and time. We have also abolished core working hours from our flextime system and allowed employees to work more flexibly and at more efficient hours, depending on the business. Further diversification of workstyles is proceeding. By encouraging independent and self-sustaining growth in employees, we will move ahead with laying the groundwork to ensure that we become a company of continuous growth.



Fourth consecutive selection as a Nadeshiko Brand



2016 Prime Minister's Award for being a "leading company where women shine"

An Interview with the CEO and an Outside Director



To Further Strengthen Calbee's Corporate Governance

Here, Chairman of the Board and CEO Akira Matsumoto and Outside Director Yuzaburo Mogi discuss Calbee's corporate governance and in what manner it should continue going forward.

Akira Matsumoto
Chairman of the Board & CEO,
Representative Director



Yuzaburo Mogi
Outside Director (Independent)
Honorary CEO and Chairman of
the Board of Directors, Kikkoman



A Highly Transparent Governance System and the Role of Outside Directors

Matsumoto: The board of directors at the American company I previously worked for was made up of one in-house director, with the remaining dozen or so positions occupied by outside directors. I was struck by the lack of bias displayed by each director based on personal expertise, knowledge, and individual field. Rather, the board was well balanced and highly efficient. With that experience in mind, I decided to reshape Calbee's Board of Directors to make President and COO Ito and myself the only in-house directors when I became the chairman of the Board and CEO in 2009. Our outside directors should represent our shareholders. To keep both myself and the Company from becoming rigid in our thinking, I ask that outside directors always point out painful truths and share frank opinions without reserve.

Mogi: I decided to become an outside director at Calbee because it is a very interesting and unique company and because I wanted to see firsthand how CEO Matsumoto works. I have encouraged the Board to question me freely since I joined. As an outside director, it is important that I take a different approach in forming and stating my opinions. But examining the way top management works, decision-making

processes, and efficiency of the Board is an even more crucial duty. Asking questions is the most effective way to carry out this examination, and repeating these questions brings any inconsistencies or poor follow through in logic to the surface. I have no reservations about asking any and all questions if I feel even the slightest doubt.

Matsumoto: Those executive officers try to answer questions that fall under their purview, but if they are uncertain or not in attendance, they cannot provide a clear answer. In those cases, approval is of course withheld. I believe we have dropped a number of proposals for that reason. However, more than a few of these proposals have benefited from re-examination days later. Even dropped proposals have later gained approval after improvements arising from said questions. This was a while ago, but Mr. Mogi once suggested that we discontinue joint management of an American firm and make it a full subsidiary.

Mogi: My opinions on the matter were based on my experience launching businesses in the United States on behalf of Kikkoman. When Japanese firms expand overseas, I believe they usually opt for a joint management approach. While this is a good way to share risks, as far as agile business development dependent upon Company policy and decision-making by top management is concerned, I believe 100% ownership is more effective.

Matsumoto: The arguments of Mr. Mogi were very compelling and led to the opening and successful completion of negotiations.

Mogi: I do look over relevant documents beforehand, but I do not hear defenses of the proposal until the meeting itself, where I listen intently with the aim of improving the quality of said proposal. Board meetings last roughly three hours, which is relatively long for such meetings, but that gives the other outside directors and myself time to ask thorough questions and hone our discussion. This has led to highly transparent decision-making.

Matsumoto: As chairman, I want Board meetings to be places of lively debate. Thankfully, the questions raised by outside directors are always shrewd and precise.

Mogi: The expertise and knowledge of the current outside directors as well as the individual industries they represent are diverse yet well balanced. I believe it is because of CEO Matsumoto's high level of awareness that the Board is so effective. Opinions in Japan are divided on whether companies with committees or companies with an audit & supervisory board are preferable. However, the form is not as important as the substance. As even companies with committees are increasingly appointing auditing directors, it is difficult to say that the company with an audit & supervisory board system is outdated. Each auditor at Calbee is actively involved in internal auditing,

An Interview with the CEO and an Outside Director

with internal auditors taking the lead. Senior executive officers with expertise in business are also responsible for the Internal Audit Section. I believe that Calbee shows exemplary governance as a company with an audit & supervisory board.

Matsumoto: As you say, an organizational structure should be evaluated based on its functionality, not its form. Calbee has a high-performing advisory board that includes external auditors and outside directors to advise the Board. This system will allow us to continue with the current organizational structure.

The Board of Directors' Role in Calbee's Future Challenges

Mogi: Overseas markets are the key to Calbee's next stage of growth. The biggest challenge will be cultivating human resources who can achieve success in these markets.

Matsumoto: In the short term, it will be necessary to look externally to supplement deficiencies. However, in the medium to long term, if we fail to build systems within the Company to foster human resources who will flourish overseas, the value of Calbee's corporate culture will become diluted.

Mogi: Without a technological edge and price competitiveness, we cannot succeed in fiercely competitive overseas markets. There are a considerable number of established companies, which makes achieving price leadership particularly difficult in markets in the United States and Europe, where cost control is vital.

Matsumoto: Another challenge is resource procurement. Many of our products contain potatoes, and access to that resource is dependent upon the region. Potatoes are susceptible to certain diseases, which is why potato imports are regulated in Japan. Imports of potatoes are similarly regulated in certain countries and regions overseas as well, making procurement a challenge.

Matsumoto: One more substantial challenge is creating pillars for new growth. We are examining M&A opportunities, but they will require deliberations and monitoring moving forward in order to keep risk to a minimum.

Mogi: M&A occupies a position of high strategic importance. I am reminded of some recent problematic cases in Japan. It is essential for outside directors to take a critical eye to M&A proposals.

Members of management, including CEO Matsumoto, have worked to bring out Calbee's latent potential. Looking ahead, I will strive to execute my position as an outside director by monitoring the way management works, saying what must be said, and diligently questioning what I find unconvincing.

Corporate Governance

Basic Approach

Calbee has a vision of itself as a corporate group that is respected, admired, and loved by its customers, suppliers and distributors, its employees and their families, communities, and its shareholders. This vision reflects a belief that the interests of our shareholders are best served by focusing on our valued customers and business partners. We also believe that reinforcing and enhancing corporate governance is key to building and maintaining favorable relationships with all stakeholders while increasing corporate value. In line with this vision, we have enhanced management transparency and strengthened internal control and compliance systems.

Strong Corporate Discipline

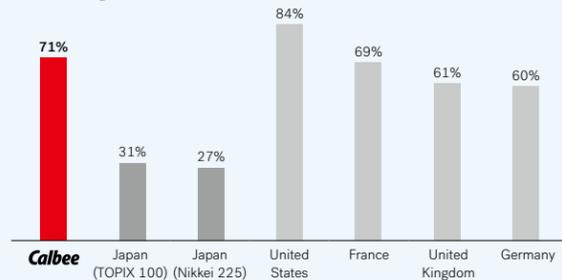
Since launching the new management framework in 2009, we have enforced a corporate governance structure predicated on superior transparency, independence, and diversity. Specifically, this move was intended to further strengthen the functions of the Board of Directors, so that it may more effectively promote innovation and new value creation. We decreased the number of directors from 11 to seven while appointing five outside directors, who thus make up the majority. Moreover, Board members have been chosen from diverse backgrounds and a variety of industries, including two female directors and one non-Japanese director, attesting to our intention to ensure a solid management structure informed by a broader range of perspectives and independent standpoints in its decision-making.

Calbee's Corporate Governance at a Glance

Board of Directors	
Number of directors*	Up to 13
Chairman of the Board of Directors	CEO
Number of directors (of whom, outside directors)	7 (5)
Term of office for directors*	1 year
Audit & Supervisory Board members	
Number of Audit & Supervisory Board members*	Up to 4
Number of Audit & Supervisory Board members (of whom, outside Audit & Supervisory Board members)	3 (2)
Term of office for Audit & Supervisory Board members*	4 years
Rights plan and other measures to protect against acquisition	None

* Stipulated by the Articles of Incorporation

Percentage of Outside Directors on the Board



Source: 2016 Japan Board Index, Spencer Stuart

* Figures for countries other than Japan represent average percentages of independent outside directors.

Calbee's Changing Corporate Governance System

2001 Separation

- Introduced the executive officer system
- Appointed outside directors
- Separated execution and supervision functions

2009 Supervision / Diversity

- Highly independent outside directors comprise the majority
- Reduced in-house directors from nine to two
- Increased outside directors from two to five
- Appointed first non-Japanese director

2011 Ethics and Risk Management

- Established Ethics and Risk Management Advisory Board including external experts

2012 Transparency

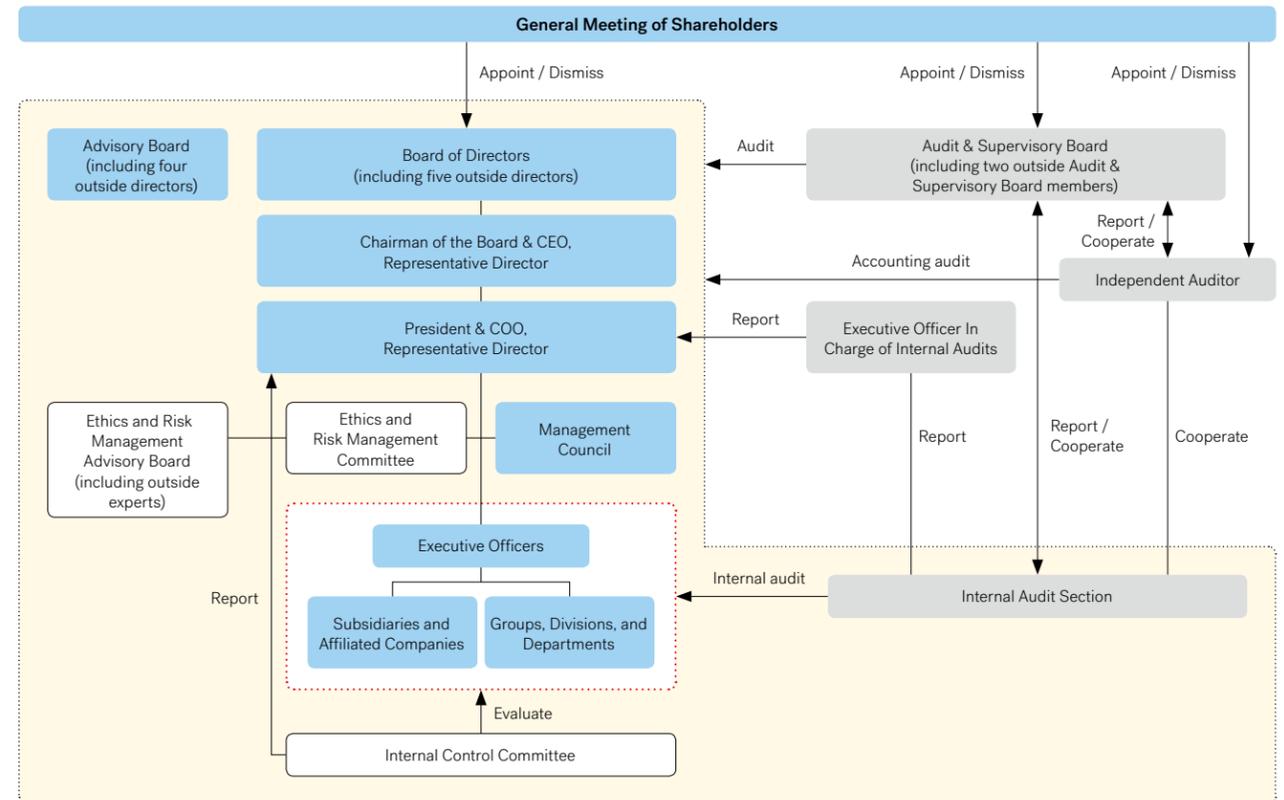
- Established the Advisory Board for nominations and remuneration including outside directors

2013 Accountability / Diversity

- The term for director appointments was changed from two years to one year
- Appointed three female executive officers (As of June 2017, two female directors and seven female executive officers were appointed.)

2015 Disclosure

- Incorporated Calbee's corporate governance system, policy, and procedures into Calbee's Corporate Governance Code for disclosure



Corporate Governance System

Calbee has a corporate governance system supported by the Board of Directors, with a membership that consists mainly of outside directors with a high degree of independence, as well as the Audit & Supervisory Board, with a membership that engages in the monitoring and supervision of management. Moreover, having introduced an executive officer system, the Company has ensured the separation of business execution and supervisory functions, with the aims of enhancing management transparency, clarifying the responsibilities of management, accelerating decision-making, and strengthening management oversight.

Board of Directors

The Board of Directors comprises two in-house directors and five outside directors for a total of seven directors. One of the Company's seven directors is non-Japanese, and two of the directors are women, thus ensuring diversity.

As a general rule, the Board meets once every month. In addition to discussing resolutions on matters stipulated by law, the Board formulates and makes decisions on key management policies and strategies while supervising business execution. In

doing so, it leverages members' diverse standpoints and objective perspectives to ensure business growth and greater corporate value over the long term. In particular, outside directors have been chosen from a variety of fields, including foodstuffs, industrial manufacturing, consumer goods, academia, and journalism, in order to maintain a balanced composition and help ensure a solid management structure.

FY2017 Outside Directors' Board of Directors Attendance Record

Outside directors	Attendance ratio
Yuzaburo Mogi	85%
Takashi Kawamura	92%
Takahisa Takahara	77%
Atsuko Fukushima	100%

Note: Ms. Katty Lam, who retired from the position of director on December 20, 2016, attended all six Board of Directors' meetings held during her term of office.

Advisory Board

Discussions and proposals concerning nominations and remuneration of directors and senior executive officers are the responsibility of the Advisory Board. The board, with outside directors constituting the majority of members, meets four times a year, in principle.

Executive Officers

Business execution is carried out by 22 executive officers, who have been given authority to manage specific organizations within the Group. This devolution of authority is part of efforts to create a management system that speeds up decision-making and clarifies business execution responsibility. Among the executive officers, senior executive officers are entrusted with especially important and wide-ranging duties and do not hold employee status. To promote rapid and appropriate decision-making by directors, important business matters are discussed in the Management Council, with senior executive officers and presidents from key Group subsidiaries serving as council members.

Audit & Supervisory System

The Audit & Supervisory Board consists of three Audit & Supervisory Board members, including two outside Audit & Supervisory Board members (one of whom is a woman). Each of the Audit & Supervisory Board members brings a high level of expertise and knowledge to their role of monitoring, auditing, and assessing the management of Calbee. Not only does the Audit & Supervisory Board perform audits from the perspective of legal compliance, it also conducts audits in terms of appropriateness of management.

As part of this auditing role, Audit & Supervisory Board members actively participate in meetings of the Board of Directors and other management meetings, auditing and monitoring the activities of directors and executive officers to ensure no problems arise in business execution. Audit & Supervisory Board members also conduct systematic audits at Group companies in coordination with Audit & Supervisory Board members at each company and Calbee's Internal Audit Section.

FY2017 Outside Audit & Supervisory Board Members' Attendance Record

Outside Audit & Supervisory Board members	Attendance ratio	
	Board of Directors	Audit & Supervisory Board
Tadashi Ishida	100%	100%
Nagako Oe	100%	100%

In addition, Audit & Supervisory Board members review annual accounting audit plans submitted by external accounting auditors and receive reports on such audits from them in and are present at audits they conduct. In these ways, Audit & Supervisory Board members maintain close mutual collaboration, engaging in periodic discussions and information exchanges with external accounting auditors.

For internal audits, we have an Internal Audit Section, which has a dedicated staff of six and is responsible for conducting internal audits of the whole Group in accordance with annual audit plans. The Internal Audit Section regularly exchanges opinions with Audit & Supervisory Board members about the results of internal audits.

Total Remuneration by Executive Classification, Type of Remuneration, and Number of Eligible Recipients

Executive classification	Total remuneration (millions of yen)	Total remuneration by type (millions of yen)					Number of eligible executives
		Basic remuneration	Stock options	Bonuses	Performance-based stock compensation	Retirement benefits	
Directors (excluding outside directors)	195	120	—	50	—	25	2
Audit & Supervisory Board members (excluding outside Audit & Supervisory Board members)	34	30	—	—	—	4	1
Outside directors and Audit & Supervisory Board members	117	112	—	—	—	4	9

Total Remuneration Paid to Individual Directors

There is no director who earned remuneration of more than ¥100 million.

Remuneration System for Calbee Directors, Audit & Supervisory Board Members, and Other Senior Management Personnel

Fixed proportion: Approx. 50%	
Basic remuneration*1	Fixed-amount cash remuneration paid for the recipient's executive duties*1
Variable portion: Approx. 50%	
Bonus	Cash remuneration in an amount linked to the Company's business results during the fiscal year*2
Retirement benefits*2	Cash remuneration paid at the time of the recipient's retirement from the position in an amount linked to the Company's business results during the period of appointment
Stock options*3	Stock options provided in accordance with the Company's business results*4
Performance-based stock compensation*4	Cash remuneration paid at the time of the recipient's retirement from the position in an amount determined in accordance with annual performance targets achieved during the period of appointment*3

*1 The amount of basic remuneration for directors is within total annual remuneration approved by the General Meeting of Shareholders.

*2 The upper limit for total remuneration amount is set at 1.5% of consolidated ordinary income.

*3 The Company has not provided stock options since 2010.

*4 During the period spanning from fiscal 2015 to fiscal 2017, the Company paid bonuses only when annual performance targets for the fiscal year were met, with the upper limit for total remuneration amount set at 1% of consolidated net income.

Executive Remuneration

The Company's executive remuneration system is highly transparent and incorporates objective perspectives. Specifically, it is decided upon after being discussed by the Advisory Board. Approximately half of the remuneration is accounted for by a performance-based variable portion, which is designed to reflect shareholders' interest in its amount from medium- and long-term perspectives.

To enhance management transparency, the Company pays remuneration for directors after discussion by the Advisory Board, obtaining a resolution from the Board of Directors and the approval of the General Meeting of Shareholders. The Company pays remuneration for senior executive officers after discussion by the Advisory Board and obtaining a resolution from the Board of Directors.

Remuneration for Calbee directors and executive officers comprises fixed basic remuneration commensurate with executive duties, bonuses paid in accordance with the Company's business results for each fiscal year, executive retirement benefits linked to performance during the period of appointment, and stock options and a performance-linked stock compensation plan called the Board Incentive Plan (BIP) Trust.

In addition, outside directors and part-time Audit & Supervisory Board members receive fixed basic remuneration due to the importance of their supervisory function from an independent perspective.

Initiatives for IR Activities

Dialogues with Shareholders

Calbee values maintaining dialogues with its shareholders and investors who seek to fulfill their stewardship responsibilities from medium- and long-term perspectives. Accordingly, we actively engage in dialogues with them within reasonable limits.

In addition, opinions and concerns voiced by shareholders and investors are periodically reported to the Board of Directors through the Investor Relations Group so that they are appropriately addressed.

Disclosure Policy

Calbee seeks to remain a trustworthy company and to ensure that its stakeholders, including shareholders and investors, can form a clear understanding and evaluation of the Company's activities and performance. We therefore strive to provide continuous, fair, and timely disclosure of information that has a bearing on the investment decisions of shareholders and investors. It is also our policy to disclose, as proactively and constantly as possible, information that is not subject to laws and regulations whenever it is deemed that said information may have a bearing on such decisions. In addition, we utilize our Investor Relations (IR) website to publicize such financial information as earnings reports as well as earnings presentation materials and other IR materials.

Communication with Securities Analysts and Institutional Investors

Calbee holds earnings presentations every quarter. At the presentations, senior management explains the Company's future management plans and performance. In addition, we hold around 300 meetings with securities analysts and institutional investors in and outside of Japan each year. Calbee is also proactive in communicating with overseas institutional investors. In the year ended March 31, 2017, we held meetings in Europe and North America.

Board of Directors, Audit & Supervisory Board Members

(As of June 21, 2017)

Board of Directors, Audit & Supervisory Board Members

Directors



Akira Matsumoto

Chairman of the Board & CEO, Representative Director

- 1972 Joined ITOCHU Corporation
- 1993 Appointed Representative Director and General Manager of the Ethicon Endo-Surgery business division, Johnson & Johnson Medical Company
- 1999 Appointed President, Johnson & Johnson K.K.
- 2008 Appointed Senior Advisor, Johnson & Johnson K.K.
- 2008 Appointed Director, Calbee, Inc.
- 2009 Appointed Chairman of the Board & CEO, Representative Director, Calbee (current position)



Shuji Ito

President & COO, Representative Director

- 1979 Joined Calbee, Inc.
- 2001 Appointed Executive Officer and COO of the East Japan Company, Calbee
- 2004 Appointed Director, Executive Officer and COO of the Jagarico Company, Calbee
- 2005 Appointed Director, Executive Managing Officer and the Controller of the Marketing Group, Calbee
- 2009 Appointed President & COO, Representative Director, Calbee (current position)



Yuzaburo Mogi

Outside Director (Independent)
Appointed 2009

- 1958 Joined Kikkoman Corporation
- 1995 Appointed Representative Director, President and CEO, Kikkoman
- 2004 Appointed Representative Director, Chairman and CEO, Kikkoman
- 2009 Appointed Director, Calbee, Inc. (current position)
- 2011 Appointed Honorary CEO and Chairman of the Board of Directors, Kikkoman (current position)



Weiwei Yao

Outside Director
Appointed 2017

- 1995 Joined PepsiCo
- 2007 Appointed Vice President, Corporate Mergers & Acquisitions – Asia
- 2012 Appointed Vice President, Global Franchise Center of Excellence
- 2014 Appointed Vice President & General Manager, PepsiCo Greater China Region
- 2016 Appointed Senior Vice President & General Manager, PepsiCo Greater China Region (current position)
- 2017 Appointed Director, Calbee, Inc. (current position)

Audit & Supervisory Board Members



Tadashi Ishida

Outside (Independent)
Audit & Supervisory Board Member
Appointed 2011

- 1974 Joined Arthur Young, Tokyo Office
- 1980 Joined Asahi & Co. (now KPMG AZSA LLC) Registered as Certified Public Accountant (Japan)
- 2003 Appointed CFO & Executive Vice President, McDonald's Co. (Japan), Ltd.
- 2011 Appointed Statutory Audit & Supervisory Board Member, Calbee, Inc. (current position)



Isao Hirakawa

Appointed 2012

- 1980 Joined Kanebo, Ltd.
- 2006 Appointed Administrative Management Director, Kanebo
- 2008 Appointed Executive Officer and Chief Financial Officer, Calbee, Inc.
- 2010 Appointed Executive Officer and General Manager of Finance & Accounting Group, Calbee
- 2012 Appointed Statutory Audit & Supervisory Board Member, Calbee (current position)



Takahisa Takahara

Outside Director (Independent)
Appointed 2015

- 1986 Joined Sanwa Bank, Ltd. (now The Bank of Tokyo-Mitsubishi UFJ, Ltd.)
- 1991 Joined Unicharm Corporation
- 1995 Appointed Director, Unicharm
- 2001 Appointed President, Unicharm
- 2004 Appointed President & CEO, Unicharm (current position)
- 2015 Appointed Director, Calbee, Inc. (current position)



Atsuko Fukushima

Outside Director (Independent)
Appointed 2015

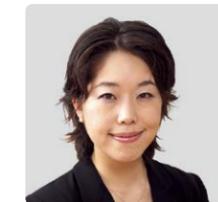
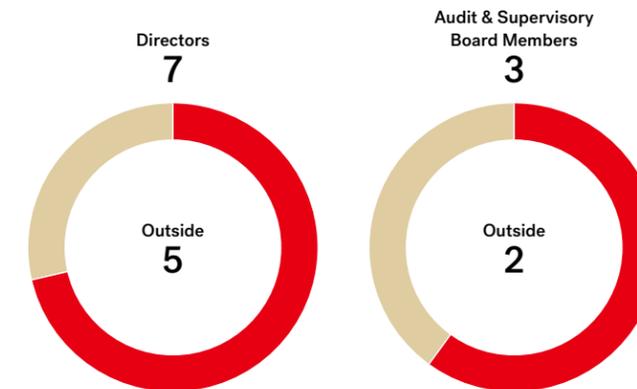
- 1985 Joined Chubu-Nippon Broadcasting Co., Ltd.
- 1988 Named newscaster, Japan Broadcasting Corporation (NHK)
- 1993 Named newscaster, Tokyo Broadcasting System, Inc. (TBS, now Tokyo Broadcasting System Television, Inc.)
- 2015 Appointed Director, Calbee, Inc. (current position)



Yoshihiko Miyauchi

Outside Director (Independent)
Appointed 2017

- 1960 Joined Nichimen & Co., Ltd. (now Sojitz Corporation)
- 1964 Joined Orient Leasing Co., Ltd. (now ORIX Corporation)
- 1980 Appointed Representative Executive Officer, President and Chief Executive Officer, ORIX
- 2000 Appointed Representative Executive Officer, Chairman and Chief Executive Officer, ORIX
- 2003 Appointed Director, Representative Executive Officer, Chairman and Chief Executive Officer, ORIX
- 2014 Appointed Senior Chairman, ORIX (current position)
- 2017 Appointed Director, Calbee, Inc. (current position)



Nagako Oe

Outside (Independent)
Audit & Supervisory Board Member
Appointed 2016

- 1998 Licensed and registered as an attorney at law
Joined Toranomon Sougho Law Office
- 2004 Joined Kramer Levin Naftalis & Frankel LLP, New York (Foreign Trainee)
- 2005 Joined Asahi Koma Law Offices (Associate)
- 2007 Joined TMI Associates (Associate)
- 2008 Appointed Partner, TMI Associate (current position)
- 2016 Appointed Statutory Audit & Supervisory Board Member, Calbee, Inc. (current position)

Note: Calbee has appointed one alternate Audit and Supervisory Board member to ensure that it consistently maintains the number of corporate auditors prescribed under the law.

Risk Management



Calbee is working to strengthen risk management systems in accordance with the Compliance and Risk Response Council, headed by the COO, to deal with a variety of business risks facing the Company. In addition, to respond to suspected high-level risks, we have established the Compliance and Risk Advisory Committee, which is chaired by outside experts. Furthermore, an Ethics and Risk Management Committee has been set up at each head office and Group company, with the risk management division promoting business risk discernment, assessment, and management at each business headquarters and Group company. In particular, risks associated with product safety and raw material procurement are addressed by implementing preventive measures under the

initiative of the Quality Assurance Group, and the Company is developing a structure capable of swiftly countering such risks whenever they materialize.

Compliance and Risk Management Council

- Meets once per half, as a general rule
 - Members: CEO, COO, senior executive officers, and presidents of each Group company
- Chaired by the COO, the council conducts appropriate management in regard to issues related to decreasing risks Companywide and examinations of and decisions on countermeasures and their advancement.

Risk Management System



Compliance and Risk Advisory Committee

- Meets once per quarter, as a general rule
- Members: COO, General Manager of Human Resources & General Affairs Group, General Manager of Administration Division, and outside experts

The committee gathers information on risks in each division, examines the validity and appropriateness of Companywide risk management systems from an outside perspective, and makes recommendations to the Compliance and Risk Response Council.

Systems for Food Safety and Stability

Calbee has its own quality assurance system in place, with the Quality Assurance Group spearheading relevant activities. Under this system, the Quality Review Department is in charge of examining products with a focus on the safety of the raw materials used and conformance with standards as well as compliance with labeling regulations. Also, the Quality Audit Department is in charge of auditing and supporting improvements to production to ensure that all output is to standard. The headquarters regularly checks the effectiveness of the quality review and audit structures enforced by these two departments. Not only do these systems apply to the Company, they also extend to cover the entire supply chain, including external producers and suppliers.



Creating Mechanisms and Introducing Technology to Prevent Operational Errors at Factories

We are introducing cameras to monitor the production process in order to prevent contamination as well as incorporating a

verification system that uses information and communications technology to eliminate packaging errors, such as discrepancies between contents and labels.

Video Monitoring Cameras

Number of cameras introduced

Roughly **1,000**



Verification System to Prevent Operational Errors



To prevent operational errors in the packaging process, we have introduced scanning systems to check production lines for potato chips and snacks.

Cultivating Human Resources to Protect Food Safety and Stability

We have established an in-house training program to cultivate human resources who will carry on Calbee's tradition of quality. This program focuses on such elements as fostering the next generation of quality assurance leaders and training key employees for roles as technology advisors at worksites.

Quality Control at Overseas Production Facilities

As overseas production volumes continue to increase, we are working with the Overseas Business Division to reinforce quality control systems at plants operated by overseas Group companies and partners. We conduct food sanitation audits at existing plants once a year, and meticulously check equipment in accordance with our Calbee Group Food Sanitation Standards.



Environmental and Social Initiatives



Calbee's Group vision is: "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." We believe that our CSR approach must be designed to realize this vision. At the same time, we recognize that creating social and environmental value through business is essential to securing sustainable corporate growth and, therefore, are committed to striving to benefit all of our stakeholders through these activities.

Materiality of Our CSR Activities

1. Ensuring food safety and security
2. Promoting diversity
3. Securing stable supply in collaboration with partners
4. Making contributions to local communities
5. Implementing solid compliance and risk management measures
6. Pursuing environment-friendly business operations

Social Initiatives

Listening to Our Customers

Calbee's Group vision puts customers first. To that end, we are actively working to generate opportunities for communication in order to create products the customer will love. We are moving forward with initiatives to increase points of contact with our customers, such as engaging in cooperative product development efforts.

Calbee actively promotes communication with customers through customer consultation rooms, forums we use to create Calbee fans. In addition to the head office, there are consultation rooms in seven areas around Japan, coupled with a system capable of responding sincerely to the advice and opinions of individual customers. We have also established a mechanism for reporting salient feedback to top management in a timely fashion.



Customer feedback led to the creation of a low salt version of Kappa Ebisen



Customer consultation room

Contributing to Local Communities

It is through the support and understanding of our local customers that we are able to conduct business, and coexisting with residents local to our factories and offices is indispensable to that. Calbee has identified "Support for parenting," "Support for local communities," and "Protecting the environment" as its key themes for community contribution. Putting these themes into practice, all employees are encouraged to proactively think about local contributions and take action under the initiative of the Social Contribution Committees in each business division.



Calbee Snack School

For instance, we organize "food communication" activities all over Japan to impart useful information on enjoyable eating, using familiar snacks as examples.

In FY2017, a total of 773 schools and roughly 56,000 children and guardians participated in the program through Calbee Snack School and provided teaching materials.

Environmental Initiatives

Environmental Action Policy

Calbee has a corporate philosophy of "we are committed to harnessing nature's gifts, to bringing taste and fun, and to contributing to healthy life styles." The spirit of both this philosophy and our CSR activities has been incorporated into our policy for environmental protection measures. As a member of the global community, we are actively doing our part to carry out measures for the protection of the environment. Companywide

initiatives to achieve emission reduction targets are underway. Moreover, in line with the Calbee Group Code of Conduct, which includes items on environmental protection and resource preservation, all employees are working as one to achieve environmental targets.

Working to Prevent Climate Change

Calbee is working to calculate, take control of, and reduce CO₂ emissions throughout the value chain, from the procurement of raw materials to production, distribution and sales, use and maintenance, and waste recycling. We are implementing a variety of measures for this purpose, including changing over to liquefied natural gas, operating highly efficient biomass boilers, engaging in cooperative distribution, and executing a modal shift for long-range transport from trucks to trains.



Kiyohara Industrial Park Energy Center (tentative name)
To be opened January 2019

The energy center will provide heat and electricity to multiple factories, including Calbee's own. By sharing energy with nearby offices engaged in different industries, we expect to achieve large-scale reductions in energy use and CO₂ emissions.

Setting Environmental Goals (Relative to FY2009)

CO₂ Reduction Target



Waste Reduction Target



Water Reduction Target



Corporate History

1940s-1970s

Apr. 1949	Company established
Jan. 1964	Kappa Ebisen (prawn crackers) launched
Apr. 1968	Utsunomiya Factory (Tochigi) started operations
Nov. 1969	Chitose Factory (currently Hokkido Factory ; Hokkaido) started operations
Mar. 1970	Calbee America, Inc. * established in the U.S.
Apr. 1972	Calbee Shokuhin Co., Ltd. established (absorbed by merger with Calbee, Inc. in July 2014)
Feb. 1975	Kagoshima Factory (Kagoshima) started operations
Sep. 1975	Shimotsuma Factory (Ibaraki) started operations Potato Chips launched
Nov. 1976	Shiga Factory (currently Konan Factory ; Shiga) started operations

1980s

Apr. 1980	Calbee Tanawat Co., Ltd. ,* a joint venture with a local Thai company, established in Thailand
Oct. 1980	Potato Procurement Department spun off as Calbee Potato, Inc. *
Jul. 1983	Kakamigahara Factory (Gifu) started operations
Nov. 1986	Hiroshima-Nishi Factory (currently Hiroshima Factory, West Building ; Hiroshima) started operations
Jul. 1989	Kiyohara Factory (Tochigi) started operations

1990s

Apr. 1990	Snack Food Service Co., Ltd. * established
Mar. 1991	Frugra (fruit granola) launched
Feb. 1994	Calbee Four Seas Co., Ltd. ,* a joint venture with Four Seas Mercantile Holdings Ltd., established in Hong Kong
Jul. 1995	Qingdao Calbee Foods Co., Ltd. * established in China
Oct. 1995	Jagarico launched
Jun. 1996	Garden Bakery, Inc. * established
Jun. 1999	Ayabe Factory (currently Kyoto Factory ; Kyoto) started operations

2000s

Apr. 2000	Calnac Co., Ltd. * established
Oct. 2002	Calbee Four Seas (Shantou) Co., Ltd. (currently CFSS Co. Ltd. *) established in China
Jul. 2004	R&D Center (currently R&D Center) started operations
Feb. 2006	Hiroshima Factory (currently Hiroshima Factory, East Building ; Hiroshima) started operations
Apr. 2006	Jagabee launched

Aug. 2006	Yantai Calbee Co., Ltd. * established in China RDO-Calbee Foods, LLC (currently Calbee North America, LLC *), a joint venture with R.D. OFFUTT COMPANY, established in the U.S.
Oct. 2006	Acquired 80% of issued shares of Tower Bakery, Inc. * and acquired 100% of issued shares of Star Bakery, Inc. *
Nov. 2007	Calbee Eatalk Co., Ltd. * established
Jul. 2009	Capital alliance formed with U.S. food and beverage manufacturer PepsiCo, Inc. Japan Frito-Lay Ltd. * made a wholly owned subsidiary to strengthen the Group's snack food business (corn-based snacks)

2010s

Mar. 2011	Listed on the First Section of the Tokyo Stock Exchange
Jul. 2011	Haitai-Calbee Co., Ltd. * established in South Korea as a joint venture with HAITAI Confectionery & Foods Co., Ltd.
Jul. 2012	All of Calbee America, Inc.'s* snack food production and sales were split off and transferred to Calbee North America, LLC*
Aug. 2012	Calbee (Hangzhou) Foods Co., Ltd. , a joint venture with Master Kong Instant Foods Investment (China) Co., Ltd. and ITOCHU Corporation, established in China Calbee (Taipei) Foods Co., Ltd. , a joint venture with Wei Chuan Foods Corporation, established in Taiwan
Feb. 2013	Established ICS Investment Co., Ltd. * as a special purpose company with ITOCHU Corporation to establish PT. Calbee-Wings Food *
Jul. 2013	PT. Calbee-Wings Food * established in Indonesia as a joint venture with the Wings group
Oct. 2013	Conducted a stock split in which common shares were split at a ratio of 1:4
Mar. 2014	Established Calbee (UK) Ltd * in the U.K.
Apr. 2014	Established Calbee-URC, Inc. * in the Philippines as a joint company with Universal Robina Corporation
Apr. 2015	Acquired 51% of shares of Moh Seng Marketing Pte. Ltd. and renamed Calbee Moh Seng Pte. Ltd. * in Singapore Established Calbee Iberia S.L. * in Spain
Oct. 2015	Calbee E-commerce Limited ,* a joint venture with UNQ International (HK) Ltd., established in Hong Kong
Sep. 2015	Dissolved joint venture agreement of Calbee (Hangzhou) Foods Co., Ltd.
Apr. 2016	Studio Socio Inc. * made a wholly owned subsidiary
Aug. 2016	CalNeCo, Inc. * established Established Taiwan Calbee Co., Ltd. * in Taiwan
Sep. 2016	Established Calbee Australia Pty Limited * in Australia
Jan. 2017	Dissolved joint venture agreement of Calbee (Taipei) Foods Co., Ltd. Calbee North America, LLC made a wholly owned subsidiary of Calbee America, Inc.

* Currently consolidated subsidiaries

Corporate Data

(As of March 31, 2017)

Company Name	Calbee, Inc.
Date of Establishment	April 30, 1949
Head Office	Marunouchi Trust Tower Main, 22nd Floor 1-8-3 Marunouchi, Chiyoda-ku, Tokyo 100-0005, JAPAN



Paid-In Capital	¥12,020 million
Representatives	Akira Matsumoto, Chairman of the Board & CEO Shuji Ito, President & COO
Number of Employees	3,860 (consolidated basis), 1,726 (parent basis)
Fiscal Year-End	March 31
Business	Production and sale of snacks and other foods
Independent Auditor	KPMG AZSA LLC

Group Companies

Japan

Calbee Potato, Inc.
Snack Food Service Co., Ltd.
Garden Bakery, Inc.
Tower Bakery, Inc.
Star Bakery, Inc.
Calnac Co., Ltd.
Calbee Eatalk Co., Ltd.
Japan Frito-Lay Ltd.
ICS Investment Co., Ltd.
Studio Socio Inc.
CalNeCo, Inc.

Overseas

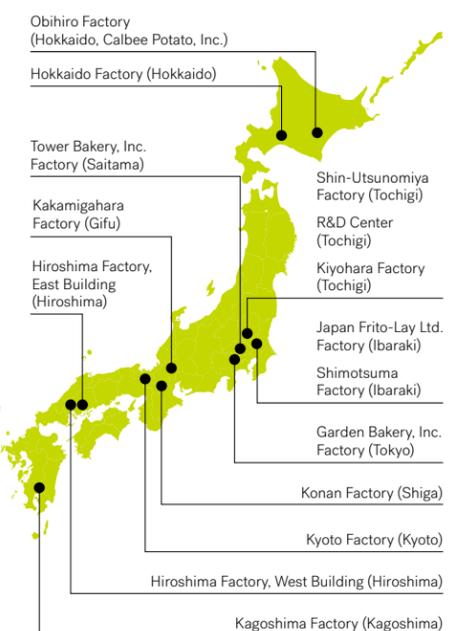
Calbee America, Inc.
Calbee North America, LLC
Qingdao Calbee Foods Co., Ltd.
Yantai Calbee Co., Ltd.
CFSS Co. Ltd.
Calbee E-commerce Limited
Calbee Four Seas Co., Ltd.
Haitai-Calbee Co., Ltd.
Calbee Tanawat Co., Ltd.
PT. Calbee-Wings Food
Calbee-URC, Inc.
Calbee Moh Seng Pte. Ltd.
Calbee (UK) Ltd
Calbee Iberia, S.L.
Taiwan Calbee Co., Ltd.
Calbee Australia Pty Limited

Location of Factories

Overseas



Japan



Investor Information

(As of March 31, 2017)

Common Stock	Authorized: 176,000,000 shares Issued: 133,821,800 shares
Number of Shareholders	29,509
Annual General Meeting	June
Date of Listing	March 11, 2011
Stock Listing	First Section of the Tokyo Stock Exchange
TSE Code	2229
Share Register	Mitsubishi UFJ Trust and Banking Corporation

Principal Shareholders

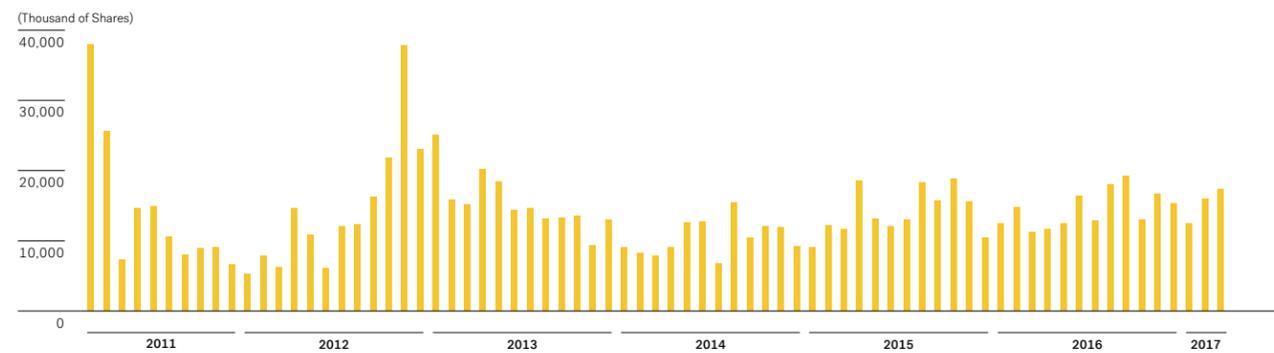
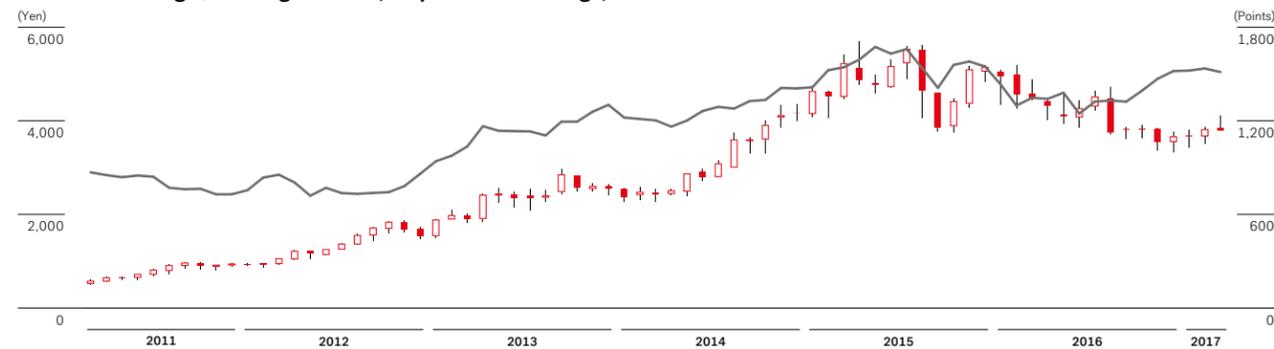
Name of shareholder	Number of shares (thousands)	Ownership ratio ³ (%)
FRITO-LAY GLOBAL INVESTMENTS B.V. ^{*1}	26,800	20.03
General Incorporated Association Miki-no-Kai ^{*2}	22,970	17.16
STATE STREET BANK AND TRUST COMPANY	5,469	4.09
Japan Trustee Services Bank, Ltd. (Trust Account)	3,498	2.61
The Master Trust Bank of Japan, Ltd. (Trust Account)	2,993	2.24
Calbee Employees Shareholding Association	2,505	1.87
THE TORIGOE CO., LTD.	1,936	1.45
Japan Trustee Services Bank, Ltd. (Trust Account No.5)	1,679	1.25
THE BANK OF NEW YORK, NON-TREATY JASDEC ACCOUNT	1,534	1.15
Trust & Custody Services Bank, Ltd. (Collateral on Unit Trust Account)	1,386	1.04

*1 FRITO-LAY GLOBAL INVESTMENTS B.V. is a wholly owned subsidiary of PepsiCo, Inc.

*2 General Incorporated Association Miki-no-Kai is a shareholding association of the founding family of the Company.

*3 Ownership ratios are calculated excluding 832 shares held by the Company as treasury stock including 43,465 shares held by the Employee Stock Ownership Plan Trust Account and 122,700 shares held by the Board Incentive Plan Trust Account.

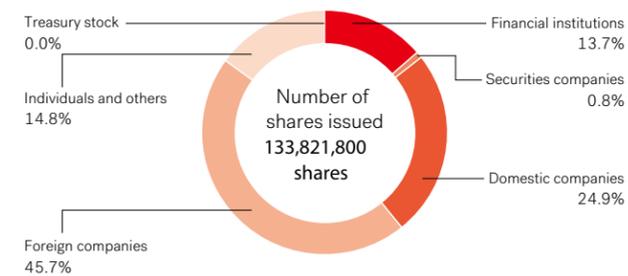
Stock Price Range / Trading Volume (Tokyo Stock Exchange)



■ Stock Price (left scale) — TOPIX (right scale) ■ Trading Volume (left scale)

Note: Calbee's common stock was split at a ratio of 4 shares for 1 share effective October 1, 2013. Stock prices and trading volumes prior to the date of the stock split have also been retroactively adjusted.

Share Breakdown by Shareholder Type



	Thousand Shares
Financial institutions	18,335
Securities companies	1,100
Domestic companies	33,356
Foreign companies	61,162
Individuals and others	19,866
Treasury stock	0
Total	133,821

Shares and Shareholders

	2016	2017
Number of Shares Issued	133,769,800	133,821,800
Share Breakdown by Shares Issued		
Financial institutions	13.2%	13.7%
Securities companies	1.0%	0.8%
Domestic companies	25.3%	24.9%
Foreign companies	47.2%	45.7%
Individuals and others	13.3%	14.9%
Treasury stock	0.0%	0.0%

	2016	2017
Number of Shareholders	19,088	29,509
Share Breakdown by Shareholders		
Financial institutions	0.4%	0.2%
Securities companies	0.2%	0.1%
Domestic companies	0.8%	0.7%
Foreign companies	2.4%	1.6%
Individuals and others	96.2%	97.4%
Treasury stock	0.0%	0.0%

Contact

IR Group
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Introduction of Communication Tools

Calbee, Inc. Online Information

In addition to a Group profile, CSR activities, and the latest news, Calbee's corporate website contains such features as sections covering recent business initiatives within the Group and insights from the Company's president.

<https://www.calbee.com/>



Investor Relations (IR) Site

Calbee's IR website offers enriched content for shareholders and other investors, including information regarding financial results, management policy, and stock information.

<https://www.calbee.com/ir/>

CSR Site

Our corporate website introduces Calbee activities. These activities center on the priority themes of innovation, sustainability, and integrity, which underpin our commitment to realizing our management philosophy.

<https://www.calbee.com/responsibility/>

Calbee

Harvest the Power of Nature.

Calbee, Inc.

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<https://www.calbee.com/ir/>