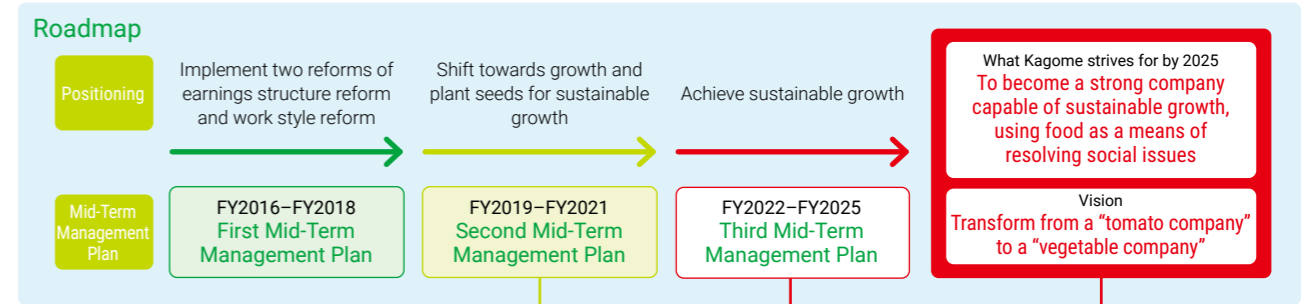


The third Mid-Term Management Plan, which starts in FY2022, will be a four-year plan aimed at reaching the targets of 2025. The third Mid-Term Management Plan was formulated upon review of the second Mid-Term Management Plan in recognition of the issues identified.



Review of the Second Mid-Term Management Plan

Basic Strategies

- Achieve growth by continuing to strengthen earning capacity and taking on the challenge of entering new businesses and domains.
- We will shift to top-line growth by putting our full efforts into the Let's Eat Vegetables Campaign to stimulate demand for vegetables.

Changes in quantitative figures

Revenue	184.5 billion yen in FY2018	→	189.6 billion yen in FY2021
Core operating income	12.4 billion yen in FY2018	→	14.1 billion yen in FY2021
Core operating income margin	6.7% in FY2018	→	7.5% yen in FY2021

Main Results

- **Improve profit earnings power**
Enhanced the profit earnings power of the entire Group as the cost of goods and logistics costs are expected to rise over the medium to long term. In particular, we adopted a profit generating structure by reforming our earnings structure, including optimizing production volume and reducing fixed costs for the agriculture business and international business, which were issues. [pp.42-47](#)
- **Work style reforms**
Total working hours have been reduced from 1,929 hours in FY2018 to 1,867 hours in FY2021 as a result of enhanced operational efficiency and system expansion.
- **Develop an infrastructure geared towards new growth**
As the speed of change further accelerates due to COVID-19, we increased the speed of conducting work and developed an infrastructure that enables quick and nimble responses. We developed infrastructure, including promotion of DX, implementation of ROIC management, and enhanced initiatives on environmental issues, and sowed the seeds for new growth through collaboration with agriculture companies and other businesses.

Remaining Issues

Sustainable top line growth

- Create more prominent presence in the vegetable domain utilizing our strengths
- Discover new pillars of profit
- Upgrade to a business model that creates innovation
- Switch from easy to work to enhancing the quality of work style

Changes in the market environment that requires response

- Increasing world population/ Declining population in Japan
- Labor shortages in Japan
- Intensifying global environmental issues
- Changes in markets related to food & health after COVID-19
- Rising cost of food, water, and natural resources
- Advancement of digital technology
- Changes in labor environment

Opportunities and risks in the Third Mid-Term Management Plan

- (●: opportunities ▲: risks)
- Globally heightened awareness of health and immunity (●)
 - Diversification of consumer contact points and expanded e-commerce channels due to digitalization (●)
 - Response to the intensifying labor shortage in agriculture and food industries (●▲)
 - Establishing sustainable agriculture by utilizing technology (●)
 - Creating opportunities and prepare for risks through addressing environmental themes (●▲)
 - Response to increasing supply chain issues (▲)

Focus points and positioning in the Third Mid-Term Management Plan

Final 4 years to achieve the 2025 Targets

- point 1
Resource allocation with a focus on medium- to long-term growth
- point 2
Further initiative to promote vegetable consumption and delivery of results
- point 3
Establishing a corporate culture that promotes challenges and cultivate human resources that support growth
- point 4
Initiatives on sustainability with a long-term perspective
- point 5
Further acceleration of DX

What Kagome strives for by 2025 Achieving the Vision

To become a strong company capable of sustainable growth, using food as a means of resolving social issues



KGI

Achieve average sales growth of at least 2% and topline growth each year in the four-year period, and ensure a core operating income margin of at least 7% in 2025.

Transform from a "tomato company" to a "vegetable company"



KGI

Achieving the quantitative targets of 2025 [pp.29](#)



KPI

We are working to increase contact points with consumers and diversify our products, expand business domains that can drive vegetable consumption, and cultivate these as a pillar of growth.

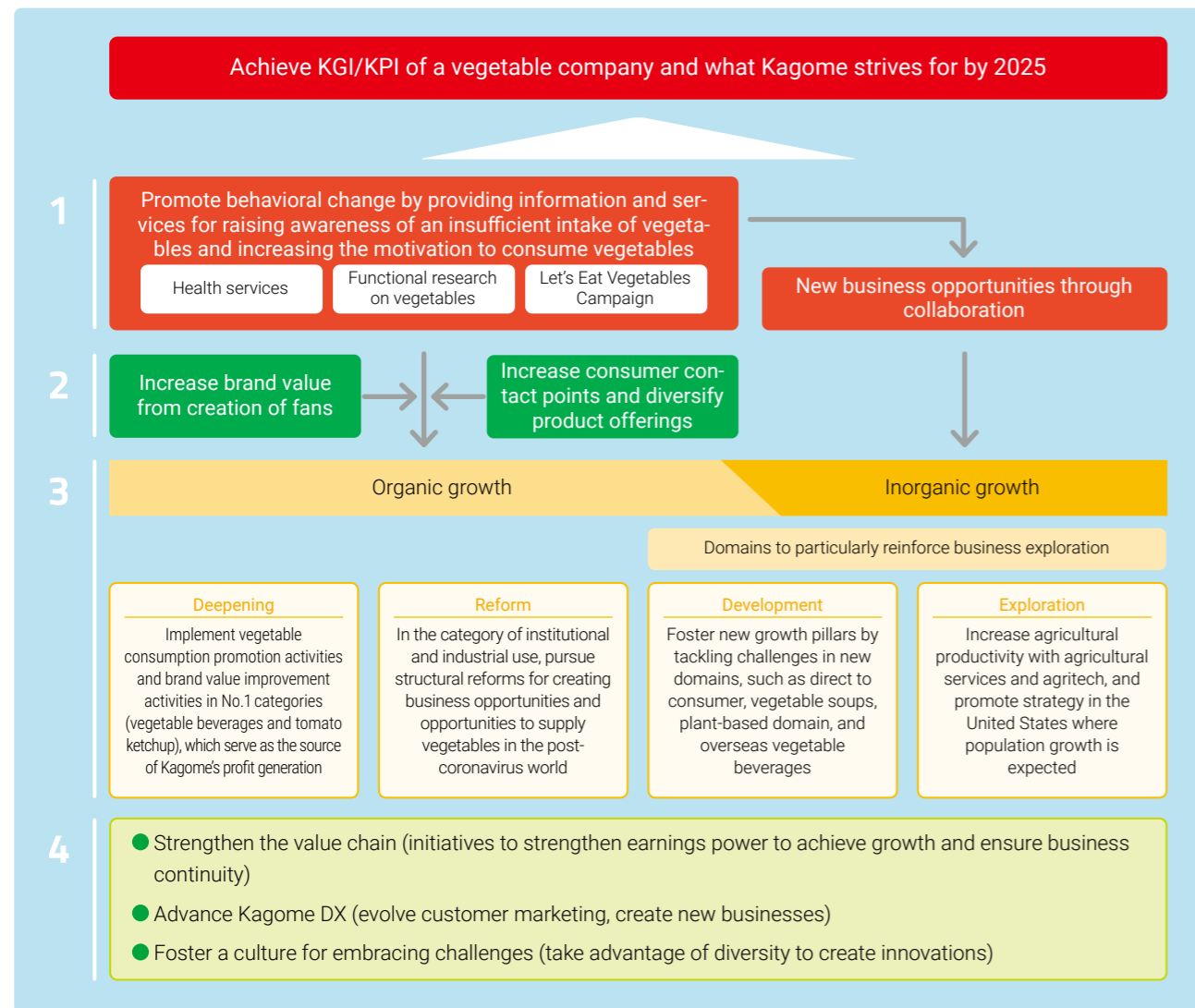
Focus areas that contribute to vegetable consumption (figures are in comparison to FY2021)

- Growth of the core beverages business: revenue +7.0 billion yen
- Expand side dishes and processing business: revenue +2.0 billion yen
- Expand vegetable soups business: revenue +3.5 billion yen
- Expand into plant-based domain: revenue +1.0 billion yen

We have positioned the four years from 2022 to 2025 as our third Mid-Term Management Plan aimed at achieving what Kagome strives for by 2025 and our vision. The basic strategy is to "achieve sustainable growth by taking four actions that are organically connected."

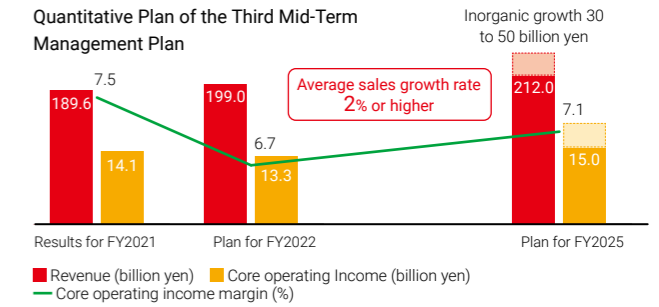


Diagram of Growth Strategies in Third Mid-Term Management Plan



Quantitative Plan

In the third Mid-Term Management Plan, we will implement four actions based on the basic strategies. The quantitative plan covers organic growth. Inorganic growth has not been included in the quantitative plan at present, but we expect this will account for an increase in revenue of between 30 and 50 billion yen. See pp.30–33 for details about each of the four actions.



Revenue plan

The plan calls for revenue of 212.0 billion yen in FY2025, up 22.3 billion yen compared to FY2021, which will be achieved through organic growth during the third Mid-Term Management Plan. Also, we will grow revenue every year by aiming for an average sales growth rate of 2% per year during the plan's four-year period. The main growth drivers will be growth of the core beverage business (up 7.0 billion yen compared to FY2021), expansion of the side dishes and processing business (up 2.0 billion yen compared to FY2021), expansion of the vegetable soups business (up 3.5 billion yen compared to FY2021), and growth into the plant-based domain (up 1.0 billion yen compared to FY2021).

Core operating income plan

The plan calls for core operating income of 15.0 billion yen in FY2025 and an operating income margin of 7.1%, which will be achieved through organic growth during the third Mid-Term Management Plan. We will actively invest in DX and growth areas to sustain our growth while maintaining our profit structure despite a situation of rising costs over the mid-term, including raw ingredients and logistics.

Quantitative plan by segment

The quantitative plan for each segment is presented below. The Domestic Processed Food Business will play a central role in organic growth. The Domestic Agri-Business will pursue additional reforms to transform into a business structure unaffected by market conditions. The International Business will continue to be a stable source of earnings in its existing domains. See pp.42-47 for the strategies of each segment.

From FY2022, we have made changes to segment management structures so that they are more in line with the actual situation. Specifically, some of the head office expenses of Kagome included in the Domestic Processed Food Business have been changed as follows. Furthermore, figures in FY2021 results affected by this change in segment management structure are presented as "restated."

- Change 1: Costs required for the Group's head office functions are managed independently as common consolidated costs.
- Change 2: Costs directly involving other businesses, such as the International Business, are managed as costs of each particular business.

		Results for FY2021			FY2022		Plan for FY2025	
		Results	Restated	Profit margin	Plan	Compared to FY2021	Plan	Compared to FY2021
Domestic Processed Food Business pp.42-43	Revenue	136.7	136.7	/	142.0	+5.2	153.0	+16.2
	Core operating income	11.2	13.1	9.6%	12.2	8.6% (0.9)	13.1	8.6% 0
Domestic Agri-Business pp.44-45	Revenue	9.5	9.5	/	10.0	+0.4	11.2	+1.6
	Core operating income	0.2	0.2	2.1%	0.3	3.0% +0.1	0.7	6.3% +0.4
International Business pp.46-47	Revenue	51.6	50.7	/	53.8	+3.0	52.6	+1.8
	Core operating income	2.5	2.3	4.5%	2.4	4.5% 0	2.8	5.3% +0.4
Other/Adjustments	Revenue	(8.2)	(7.3)	/	(6.8)	+0.5	(4.8)	+2.5
	Core operating income	0	(1.6)	-	(1.7)	- 0	(1.6)	- 0
Total	Revenue	189.6	189.6	/	199.0	+9.3	212.0	+22.3
	Core operating income	14.1	14.1	7.5%	13.3	6.7% (0.8)	15.0	7.1% +0.8

Key Actions
1

Promote behavioral change in terms of vegetable intake

- The starting point of our growth strategies will be efforts toward raising consumers' awareness of an insufficient intake of vegetables and increasing their motivation to consume vegetables by providing information and health service.
- The Let's Eat Vegetables Campaign, which kicked off in January 2020, serves as the core activity. It promotes awareness of insufficient intake of vegetables, the benefits of consuming vegetables, functions of vegetables, and ways to enjoy vegetables using a fun approach to encourage voluntary behavioral change in vegetable consumption.

point 1

➤ Raise awareness of insufficient vegetable consumption and improve desire to consume vegetables through health services

Promote behavioral change in terms of vegetable intake using Veggie Check®, which measures vegetable intake in tens of seconds, and health seminars

The planning, operation, information dissemination, and promotional activities on services that encourage behavioral change are led by the health services business, which supports vegetable consumption. The third Mid-Term Management Plan aims to create new businesses that promote the spread of Veggie Check®, which measures vegetable consumption within tens of seconds, further expansion of service business, and increased interest in vegetable consumption utilizing digital technology.



point 2

➤ Promote functional research on vegetables

Convey information on the power of vegetables to society based on scientific evidence to promote behavioral changes in terms of vegetable intake

Kagome supports consumers' everyday health through research, development and provision of products that harness the value found in nature's bounty, such as vegetables. To date, we have engaged in functionality research mainly for green and yellow vegetables, registering functional foods, and disseminating health-related information. In the third Mid-Term Management Plan, emphasis is placed on information dissemination on the relationship between vegetable consumption and health improvement, establishment of a system unique to Kagome to promote behavioral change in terms of vegetable consumption, acquisition of new functional claims, as well as information dissemination on evidence of functionality and taste.



point 3

➤ Let's Eat Vegetables Campaign as a core platform for information dissemination

Initiatives under the Let's Eat Vegetables Campaign

We made a broad declaration on our intent to tackle insufficient vegetable consumption in Japan by launching the Let's Eat Vegetables Campaign in January 2020, aimed at achieving the goal of a vegetable consumption of 350 g per day. We are sharing information through multiple media platforms, in-store, and through collaboration with local municipalities on the awareness of insufficient vegetable intake, why vegetables are essential, and easy and delicious ways to eat vegetables.



Vegetable Intake Promotion Project which disseminates information in cooperation with 19 companies

In March 2020, the Vegetable Intake Promotion Project was launched as part of the Let's Eat Vegetables Campaign among 19 businesses and organizations that share the same vision as the campaign's mission. Through cooperating with other industries that have access to stakeholders that Kagome alone cannot approach, and conducting various collaboration, we have increased the momentum of Let's Eat Vegetables Campaign. In 2021, we conducted 21 joint projects and implemented programs to convey the appeal of vegetables and promote habitual vegetable consumption. Our information dissemination has reached approximately 3.4 million people through this project.

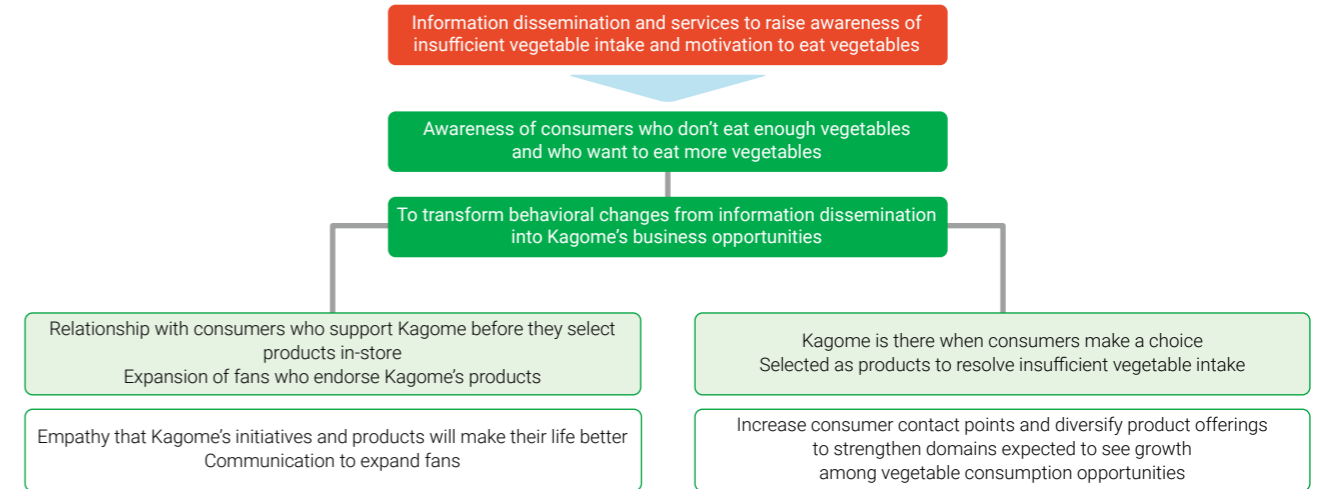


Cooking class held by ABC Cooking Studio, Kagome, and Disney Healthy-Tainment, with a special menu that allows you to consume vegetables in a tasty and fun way.

Key Actions
2

Change to Fan-Based Marketing

- We will work on the two actions of "Increase brand value from creation of fans" and "Increase consumer contact points and diversify product offerings" in order to make behavioral changes toward vegetable consumption a business opportunity and growth driver.



point 1

➤ Increase brand value from creation of fans

Stock-type communication that increases fans who sympathize with Kagome's social contributions and values through Kagome's broad business activities

Transitioning away from conventional "flow-type communication" aimed at recognition of products, we will further strengthen our relationships with customers by enhancing "stock-type communication" in which consumers sympathize with values through Kagome's business activities to increase highly loyal fans. We will carry out integrated communication that conveys information that expands the value and role of vegetables for consumers and society through products and experiences, according to the contact points of consumers and vegetables. In particular, the Kagome Yasai Seikatsu Farm will be further developed as an important point of communication.



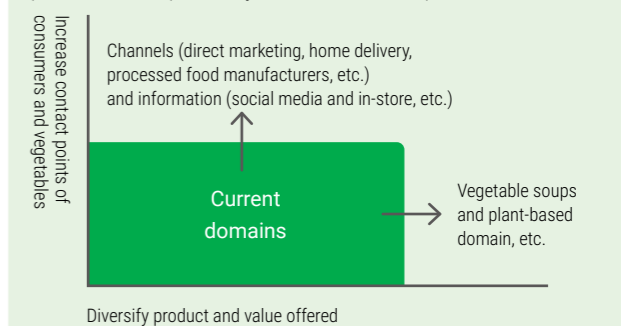
Yasai Seikatsu Farm

point 2

➤ Increase consumer contact points and diversify product offerings

Acquire opportunities for vegetable consumption by both increasing opportunities for consumers to eat vegetables anytime, anywhere, and providing a variety of products and menus that make vegetables more delicious and enjoyable

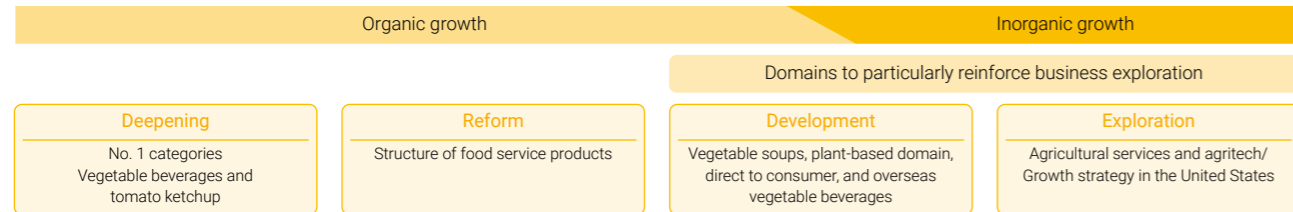
The COVID-19 pandemic has changed consumer behaviors substantially. From the perspective that a channel is where consumers obtain products, the number of people purchasing food at online and from home delivery services is increasing, which requires us to strengthen our response in these areas. One issue is the creation of contact points with vegetables through side dishes at mass retailers and convenience stores, as well as through processed food manufacturers. In addition to beverages and condiments, we will expand the way consumers eat vegetables by diversifying with the expansion of vegetable soups and the plant-based domain. Based on this strategy, we will invest resources with a better balance between product development system and sales capabilities.



Key Actions
3

Pursue Both Organic and Inorganic Growth

We will utilize internal resources and external collaboration to achieve organic growth by growing products and services already in the portfolio. However, organic growth alone will mean we fall short of our growth needs. During the third Mid-Term Management Plan, we will also pursue inorganic growth by obtaining new resources through M&A.



point 1

Deepening: Core businesses that will be the source of profit creation. Increase market appeal using the right investments.

Vegetable beverages and tomato ketchup are the core businesses that greatly incorporate the behavior change of vegetable intake and the opportunities for consumers to consume vegetables spread through fan-based marketing. To increase the appeal of the market as the company with number one market share, we will make appropriate investments in new value information, container development, environmental response to enhance the attractiveness of the market.



point 2

Reform: Structurally reform food service use category by procuring ingredients and strengthening product development with Kagome's unique strengths

The spread of the COVID-19 pandemic caused a great deal of volatility in food service sales. We reviewed our business strategy, and in the third Mid-Term Management Plan, we will reduce the ratio of commodity products and increase the ratio of products that make use of our unique ingredient procurement capabilities and product development capabilities. In particular, we will reform our sales structure by focusing on providing solutions that meet the requirements of processed food manufacturers and major chains.



point 3

Development: Develop businesses that will become a new pillar of sales growth

- ① Vegetable soups: We will expand the soup business using the flavor of ingredients as a food that can help increase vegetable consumption.
- ② Plant-based domain: We will form markets through collaboration with other companies and utilize our proprietary plant-based ingredients and processing techniques.
- ③ Direct to consumer: We will expand customer contact points by rolling out a new direct to consumer business that goes beyond the current direct marketing business.
- ④ Overseas vegetable beverages: We will aim to expand vegetable beverages overseas recognizing that the domestic market will shrink in the future.



point 4

Exploration: Carry out exploration by defining domains based on new growth opportunities

In November 2021, we established the New Project Planning Department and The US Growth Strategy Department as organizations reporting directly to top management in order to actively explore and enhance the viability of our growth strategy. We will invest resources by designating the United States, which is expected to see population growth in the future, as well as agricultural services and agritech that improve agricultural production efficiency as exploration domains.



Key Actions
4

Strengthen the Group's management foundation and foster a culture for tackling challenges

point 1

Strengthen the value chain

Initiatives to strengthen earnings power to support growth and enhance business continuity

An environment expected to see greater competition for resources worldwide along with rising personnel expenses and logistics costs requires efforts to further strengthen earnings power and enhance business continuity in order to address long-term risks and make investments in sustainable growth. We will also address each and every issue in our value chain, the foundation of management.



Reducing workload of farmers with mechanized harvesting of domestic tomatoes



point 2

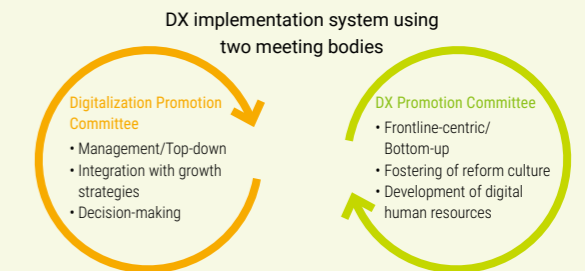
Promote digital transformation (DX)

Accelerate DX, which is indispensable to the execution of management strategies, to support sustainable growth

In the second Mid-Term Management Plan, we made quick progress with upgrading our core IT system and rolling out work style reforms with digitalization (development of remote work infrastructure, migration to the cloud, digitization of seals/signatures). We began establishing a foundation for DX from FY2019 and since then our activities have focused on creating all new businesses using all new approaches.

Four initiatives in the third Mid-Term Management Plan

- ① Reform of existing business models
- ② Create new business
- ③ Increase productivity in an innovative manner
- ④ Foster DX culture and create mechanisms for promoting DX



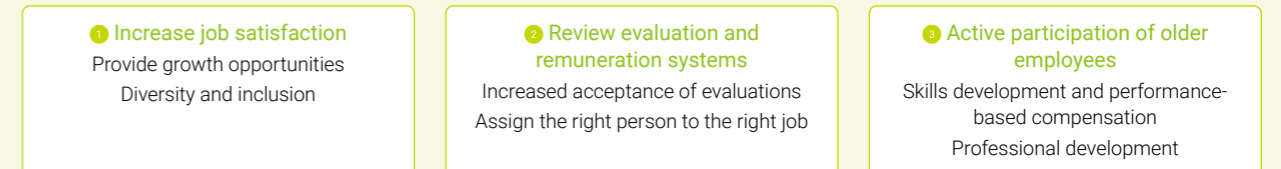
point 3

Foster a culture that embraces challenges

Working to link diversity with innovation and increase engagement

The execution of our management strategies requires that our diverse workforce are motivated to engage in their work independently. In particular, fostering a culture that embraces new challenges using novel approaches is vital to achieving top-line growth. We will work to create a workplace environment where each and every employee feels job satisfaction and continues to tackle challenges while learning from past failures. [pp.52-55](#)

Important themes



Kagome's approach to sustainability



For the Kagome Group, sustainability embodies its business activities aimed at becoming a “strong company” capable of sustainable growth, using food as a means of resolving social issues.” We aim to achieve sustainable growth of the Group and society through our efforts to address the three social issues of promote longer, healthier lives, agricultural development and regional revitalization, and sustainable global environment.

At the time of its founding, Kagome established a system not only for contracted cultivation and stable procurement of tomatoes, but also for coexistence with vegetable farmers. Since then, Kagome has worked cooperatively and through mutual support with diverse partners in bringing products to consumers, which harness nature's bounty. To become a strong company capable of sustainable growth, using food as

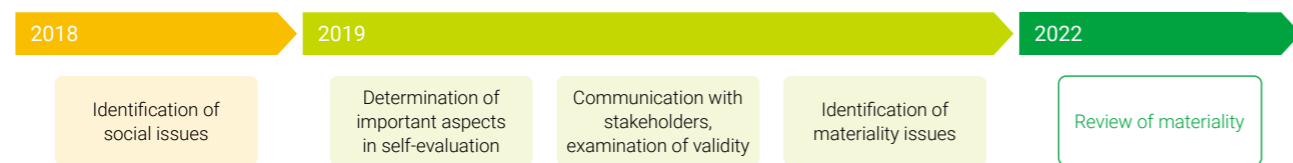
a means of resolving social issues, as what Kagome strives for by 2025, we intend to grow continuously and remain as one with society and nature through resolving social issues in our business activities. As we head into the third Mid-Term Management Plan, we are reaffirming this belief as Kagome's approach to sustainability, as we strive to address diverse issues, including materiality, for our sustainable growth.

Review of materiality

Kagome identified materiality and reflected these items in the second Mid-Term Management Plan in 2019, but as the operating environment constantly evolves, it is necessary to make changes as appropriate. When developing the third Mid-Term Management Plan, we reviewed materiality based on thorough consideration of international targets, including SDGs, and changes in the business environment, including intensifying climate change. During the review, based on deliberation at Management Meetings and Board of Directors' meetings as well as evaluation by external stakeholders, we narrowed materiality from 17 into seven items. We used simplified wording so that our

materiality is more clear for our stakeholders to easily understand Kagome's activities. In addition, we clarified their connection to the core issues in the third Mid-Term Management Plan in order to penetrate materiality within the company. Going forward, we will continue to tackle social issues and improve the medium- to long-term value of the company with executive officers and employees working as one in addressing our materiality. In addition, the Management Meeting and Board of Directors will take the lead in deliberations based on changes in the management environment and opinions and expectations of stakeholders to continuously revise Kagome's materiality.

Process of identifying materiality



Revised materiality



Seven materiality items and main initiatives

Materiality	What we strive for (KPIs, etc.)	Major initiatives	Relevant SDGs	Related pages
<p>Longer, healthier lives</p>	We will promote vegetable consumption through various products and information and contribute to a healthy dietary habit and lifestyle of consumers.	Develop value and disseminate information that links to behavioral change towards a diet with vegetable consumption Develop and spread products that contribute to vegetable consumption Expand health expectations domain we can be of help with		TOP MESSAGE: pp.6-11 Domestic Processed Food Business: pp.42-43
<p>Agricultural development and regional revitalization</p>	We aim to establish sustainable agriculture through agriculture business, developing plant varieties and technological development.	Promote local agricultural business through development of vegetable growing regions and processing Develop technologies and services that improve agricultural productivity and sustainability Disseminate the appeal of domestic agricultural products through our business activities		Domestic Processed Food Business: pp.42-43 Domestic Agri-Business: pp.44-45
<p>Sustainable global environment</p>	We will reduce environmental impact in our business activities from stages of procurement to products. We will achieve carbon neutrality by year 2050.	Initiatives for achieving carbon neutrality by 2050 Initiatives to reduce food loss and waste Conserve water and biodiversity Procure low environmental impact raw ingredients and material and develop similar products		Environment: pp.48-51
<p>Product safety and security</p>	Achieve Quality First, Profit Second* *Kagome's philosophy of equally valuing the provision of safe and secure quality products to consumers and the creation of profits.	Improve quality and communicate with customers to promote trust in the brand		Quality: pp.56-57
<p>Develop a sustainable supply chain</p>	We will establish a stable procurement base and logistics system adaptive to changes in the environment.	Procure materials in an environmentally and socially responsible and sustainable manner Establish a logistics system capable of consistent product delivery to customers		Supply Chain: pp.58-59
<p>Respect diversity and expand human capital</p>	We will link diversity to innovative creation and sustainable growth.	Establish an environment conducive to innovation through promoting diversity and inclusion Promote health and productivity management		Human resources: pp.52-55
<p>Strengthen corporate governance</p>	We will establish corporate governance that adapts to the times with our own commitment through strengthening of "autonomy" complemented by "heteronomy."	Strengthen corporate governance Ensure appropriate information disclosure and assurance of transparency Formulate an intellectual property strategy and risk management		Corporate Governance: pp.62-67

CFO/CRO MESSAGE

I will address all risks in an appropriate manner in my capacity as CFO/CRO

The risks facing corporations evolve on a daily basis. For a business's wholesome growth, it is important to have a structure or system that deals with such risks in an appropriate manner. As CFO/CRO, I am committed to finance and accounting governance and establishing a risk management system for our stakeholders to support our company with peace of mind.



Takeshi Saeki

Executive Officer
CFO, CRO, and
Enterprise Risk
Management
Committee Executive
Director

Establishing a finance and accounting platform underpinning the growth of Kagome's businesses

As CFO

Growing sales is essential to a corporation's medium- to long-term growth. Kagome's third Mid-Term Management Plan focuses on such growth. Specifically, we have set out goals to grow existing businesses organically, as well as to grow inorganically, such as through M&A.

In FY2021, we acquired treasury stock to fund this inorganic growth. We will effectively utilize these funds as a means of investment in our growth.

However, we do not expect a major improvement in operating income margin during the third Mid-Term Management Plan. This is because we will proactively make necessary investment and spend where necessary to ensure sales growth.

It is my responsibility as CFO to achieve sales growth together with each department. To ensure this, it is crucial to establish a solid financial platform and appropriate finance and accounting governance.

First, let's review Kagome's financial platform. After experiencing the COVID-19 pandemic, we have reaffirmed the importance of a sound financial platform. We will pursue a financial platform that ensures stable business operations even under unforeseen situations. I believe this forms the basis of Kagome's financial structure. We require a large amount of funds for the company's inorganic growth, but we do not intend to make drastic changes to our current financial structure.

Next, let's look at appropriate finance and accounting governance. This is the cornerstone of Kagome's business, along with quality. Simply put, finance and accounting governance is the creation and implementation of a system or rules for appropriate accounting operations to be carried out at all times. In addition, the system or mechanism should be able to promptly recognize mistakes in such operations and make appropriate corrections in the event of any damages due to errors. In this sense, Corporate Openness, which forms part of our corporate philosophy, carries an important meaning. A corporate culture that communicates both positive and negative news to stakeholders in a timely and easy-to-understand manner forms a strong foundation that supports our finance and accounting governance.

As CRO

The same things as those above can be said from the perspective of risk management. This refers to the two ideas of creating a system or mechanism to prevent risks from materializing and to address such risks in the unlikely event of their occurrence. Not all risks to a company are directly linked to financial data, but this belief has a lot in common. I will emphasize a strong financial structure that forms the basis of advancing the business, promote finance and accounting governance, and ensure establishment of a risk management system.

Analysis of operating results for FY2021 (P/L)

Revenue 189,652 million yen
(+6,610 million yen YoY)

For the Domestic Processed Food Business, health awareness and eat-at-home demand have continued to rise, while food service demand is recovering. Under this environment, the combined effects of spurring demand through the Let's Eat Vegetables Campaign resulted in increased revenue. For the International Business, demand for dining out has recovered as a result of COVID-19 infection control policies, with revenue increasing mainly in the United States.

Core operating income 14,138 million yen
(+538 million yen YoY)

Even though the Domestic Business saw operating income decrease due to increased advertising expenses and sales promotion costs, the International Business recorded increased operating income due to the aforementioned increase in sales mainly in the United States and due to the recoil from impairment losses related to investment in equity-method affiliates in the previous fiscal year.

Operating income 14,010 million yen
(+3,328 million yen YoY)

Operating income increased due to the recoil from impairment losses in fixed assets of a subsidiary in Portugal in the previous fiscal year.

Net income attributable to shareholders of parent 9,763 million yen
(+2,337 million yen YoY)

Net income attributable to shareholders of parent increased due to the recoil from decreased non-controlling interests as a result of the aforementioned impairment losses in the previous fiscal year.

	Results (FY2021)		YoY	
		Ratio (%)		Rate of change
Revenue	189.6	—	+6.6	+3.6%
Core operating income	14.1	7.5%	+0.5	+4.0%
Operating income	14.0	7.4%	+3.3	+31.2%
Net income attributable to shareholders of parent	9.7	5.1%	+2.3	+31.5%

Financial analysis for FY2021

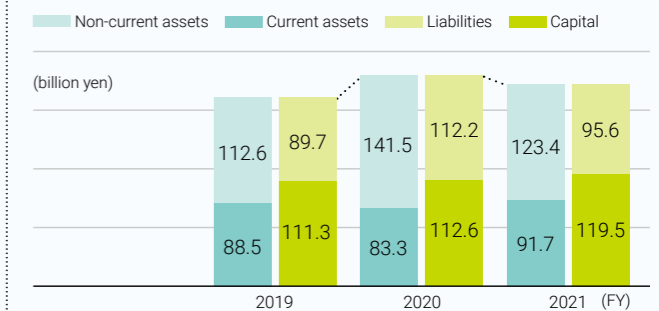
As of December 31, 2021, total assets decreased by around 9,704 million yen compared to December 31, 2020.

Current assets decreased by 18,081 million yen due to repayment of short-term borrowings in preparation for the tight capital procurement environment due to the COVID-19 pandemic, payments of dividends and income taxes in the previous fiscal year.

Non-current assets increased by 8,377 million yen as a result of increased property, plant and equipment due to updates in manufacturing equipment, etc.

Liabilities decreased by 16,595 million yen as a result of impacts such as repayment of the abovementioned borrowings.

Capital increased by 6,890 million yen despite the impact of the acquisition of treasury stock and decrease from dividends of surplus since there was an increase in net income attributable to shareholders of parent, etc.



	2019	2020	2021 (FY)
Total assets	201.1 billion yen	224.9 billion yen	215.2 billion yen
Equity attributable to shareholders of the parent to total assets	53.9%	49.3%	54.6%

FY2021 cash flow analysis

As of December 31, 2021, cash and cash equivalents decreased by 25,537 million yen compared to December 31, 2020.

Net cash provided by operating activities was 14,796 million yen. This was mainly attributed to 13,880 million yen in profit before income taxes and 7,495 million yen in depreciation and amortization.

Net cash used in investing activities was 14,162 million yen. This was mainly attributable to outflows of 14,823 million yen for the acquisition of property, plant and equipment as well as intangible assets.

Net cash used in financing activities was 27,652 million yen. This mainly reflects 23,145 million yen to reduce short-term borrowings and 3,219 million yen used for the payment of dividends.

Financial strategy in the Third Mid-Term Management Plan

Basic Policy of the Financial Strategy

It is the Group's basic policy to balance both growth investment and return of profits in our financial strategy based on a stable financial structure.

(a) Stability of the financial platform

Minimum shareholders' equity ratio* of 50%*
Maintain Single A credit ratings

Maintaining stability of the financial platform forms the premise of sustainable growth and the ability to withstand drastic changes. The funds required for inorganic growth, including M&A, under the third Medium-Term Management Plan, are assumed to come from profits earned from organic growth and borrowing within the range of maintaining a shareholders' equity ratio of 50%. We will maintain a credit rating of single A and a minimum shareholders' equity ratio of 50% in ensuring financial stability while achieving growth through business expansion.

*Equity attributable to shareholders of the parent to total assets



(b) Growth with an emphasis on capital efficiency

ROE 9% or higher

The third Mid-Term Management Plan strives to achieve growth with an emphasis on capital efficiency. ROE is used as the KPI, an indicator that measures whether capital is being utilized efficiently. The third Mid-Term Management Plan sets a target for ROE to be 9% or higher. We aim to enhance capital efficiency while promoting agile capital policies in response to changes in the business environment.

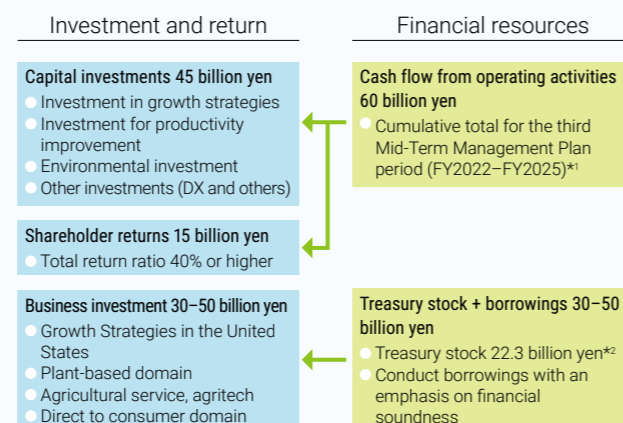
(c) Stable return of profits

Total return ratio 40% or higher
Stable and continuous shareholder returns, acquisition of treasury stock

During the third Mid-Term Management Plan, we plan to provide stable and continuous shareholder returns so that the total return ratio reaches 40% or higher, including dividends and share buybacks. In addition, during the third Mid-Term Management Plan, we aim to pay a stable dividend of at least 38 yen per share.

Capital procurement and capital demand, cash flow plan

In the third Mid-Term Management Plan, we plan to spend around 45 billion yen towards strategy for organic growth of businesses, DX and environmental investment. Moreover, we are considering business investment of 30 to 50 billion yen for inorganic growth, including M&A, through borrowings within the capacity of maintaining a shareholders' equity ratio of 50% and utilizing treasury stock. As we have acquired a single A credit rating, we also consider external capital procurement feasible.



*1 Only the portion of organic growth

*2 Balance sheet price in the event of acquiring 10 billion yen in treasury stock as resolved at the Board of Directors' meeting on October 29, 2021.

Initiatives for improving capital efficiency

While we had kept track of targets by setting KPI for profit, in order to assess not only profit but also the appropriateness and efficiency of capital invested to reach such goals, Kagome has implemented ROIC* based management since FY2021.

The aim of this is to break down balance sheet items into elements and shed light on areas that need improvement. Moreover, Kagome's ROIC measures the efficiency of capital invested on the EBITDA acquired. Our main initiatives in FY2021 focused on negotiations to shorten the account receivables collection period, reducing product inventory by improving the accuracy of shipping plans,

(ROIC Tree implementation)

At Kagome, the ROIC tree is used as a control driver to enhance capital efficiency. By implementing the ROIC tree, the balance sheet indicators that are broken down from ROIC can be incorporated into the KPIs of each department, and action plans based on this can be set by each company/organization, while the PDCA cycle can be self-driven to improve indicators. We will make improvements where each department is aware of efficiency and implement initiatives including creating an optimal production structure.

	Results for FY2020	Results for FY2021	FY2022 Targets
ROIC (%)	13.5%	13.1%	12.6%
EBITDA Margin (%)	11.2%	11.4%	10.7%
EBITDA (million yen)	20,494	21,633	21,200
Revenue (million yen)	183,041	189,652	199,000
Turnover of invested capital (days)	303	317	309

and controlling raw ingredient inventory according to the sales status.

In order to visualize whether our business management maintains good capital efficiency, we have planned to continuously monitor whether initiatives are linked to improvements in the third Mid-Term Management Plan period. In the future, we will conduct comparison of capital cost and ROIC by business to verify the efficiency of each business in aiming to improve our corporate value through earning profits efficiently.

* Kagome ROIC: EBITDA ÷ Invested capital

2021 Results and Main Points of 2022 Targets and KPIs

2021 Results	<ul style="list-style-type: none"> EBITDA margin (improving) Increased EBITDA above the impact of increased sales
2022 Goals	<ul style="list-style-type: none"> Turnover of invested capital (deteriorating) Increased inventories due to strategic accumulation in preparation for soaring raw ingredient costs Increased fixed assets through renovated Fujimi Plant, etc. EBITDA margin (deteriorating) Increased cost of goods as a result of soaring costs of raw ingredients and increase sales promotion costs for sales growth, etc. Turnover of invested capital (improving) Shortened account receivables turnover, etc.
Main KPIs: Trade receivables turnover (Sales Division), raw ingredients inventory (Purchasing Department), in-house processed material inventory (Production Department), product inventory days (SCM Division), inventory days at overseas subsidiaries (International Business Division)	

Structure to ensure efficient investment

Investments in equipment and businesses are determined by the Investment Committee, which consists of members selected from specialized internal departments, after reviewing the investment proposals of each department based on profitability and risk assessment. The same committee also monitors each investment to verify its effect. Proposals verified by the committee are submitted to the Board of Directors or the Management Meeting, where they are deliberated officially.

Investment criteria

Target	Indicator	Basic requirements
Business investment	Internal Rate of Return (IRR)*1	10% + α*2
Capital investments	Payback Period (PBP)*3	4 years

*1 Internal Rate of Return: The discount rate where the amount obtained by subtracting the initial investment from the current value of free cash flow gained from a business plan becomes zero.

*2 α denotes the respective country risk for each country or region.

*3 Payback period: The period taken to recover the invested amount.

Investment monitoring system

- Covers 5-year period post-execution
- Reported annually to the Board of Directors/Management Meeting

Policies for handling risk

Kagome, as a "vegetable company" that makes maximum use of nature's bounty and aims to contribute to helping customers live longer, healthy lives, has been promoting activities to reduce various risks centering on food safety. We are engaged in continuous risk management efforts in keeping with a company-wide approach to risk management (ERM: Enterprise Risk Management) to improve the efficiency of management decision-making with an eye on ESG.

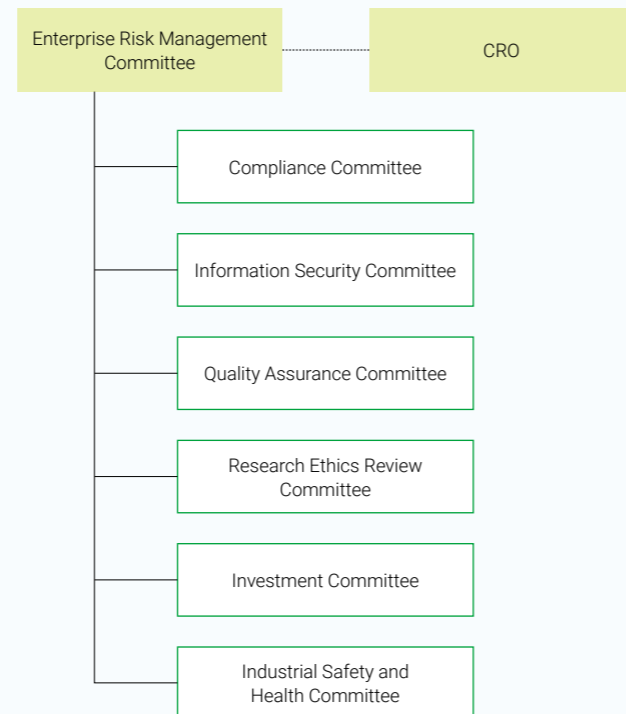
Risk management activities and structure

In terms of company-wide risk management, we are seeking to create an enhanced risk management structure and have established six specialized committees which handle issues that are viewed as being particularly important for a food products company. We have also established the Enterprise Risk Management Committee chaired by the President, as a body overseeing risk management. This committee is attended by the Senior Managing Executive Officer(s), standing Audit and Supervisory Committee member(s) and Managing Executive Officer & Chief Human Resource Officer, and also includes other Audit and Supervisory Committee members who are external directors in its membership, enabling the meeting to obtain objective assessments from an outside perspective. The Enterprise Risk Management Committee, which was newly established in 2021, is responsible for establishing a risk management system and maintaining the control environment, in addition to the roles of the old Joint Risk Management Meeting in place up to 2020. Moreover, the Internal Audit Department's subjective involvement in risk management was transferred over to the Enterprise Risk Management Committee, which has enabled the Internal Audit Department to provide independent and objective assurance on risk management covering the entire company.

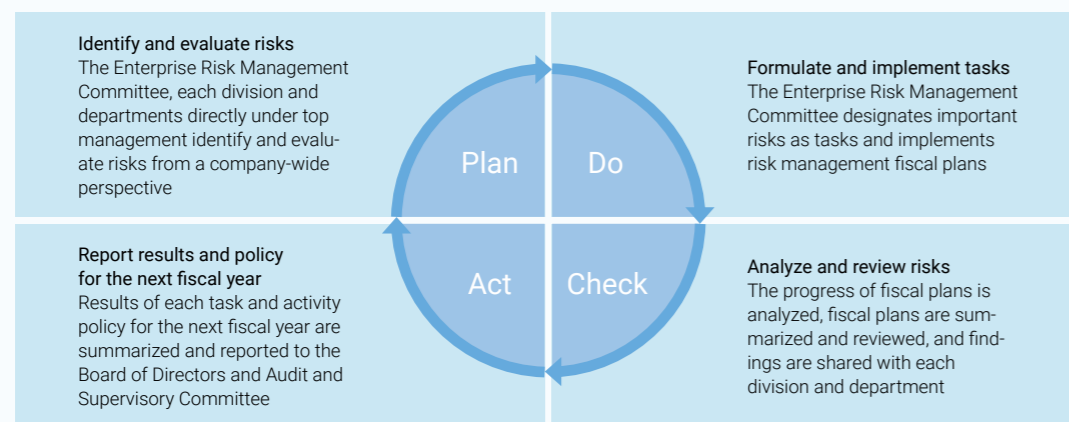
Furthermore, in order to establish a risk management system and clearly differentiate the roles of the Enterprise Risk Management Committee as the secondary front, and the

Internal Audit Department as the tertiary front, the position of Chief Risk Management Officer (CRO) was established as the person in charge of the committee.

Risk management structure



Risk management activity cycle



Risks and countermeasures

Main risks that potentially have an impact on the Kagome Group's operating results, stock price, and financial condition, etc. are as follows.

For details, see Kagome's website

<https://www.kagome.co.jp/english/company/ir/management/risk/>

Category	Item	Risk scenario	Countermeasures
Management	Changes in operating environment	<ul style="list-style-type: none"> Loss of competitiveness due to changes in domestic economy and consumption trends Failed business strategy due to investment with misunderstanding of future potential 	<ul style="list-style-type: none"> Expansion of overseas businesses, development of new businesses and investments such as M&A during the third Mid-Term Management Plan Review of unprofitable businesses Timely implementation of profitability evaluation on various business investment by the Investment Committee
	Supply chain	<ul style="list-style-type: none"> Poor crop yield, rising procurement prices and shortages of supply due to climate change Rapid fluctuations in foreign currency supply and demand, impacts on business performance when converted from foreign currencies 	<ul style="list-style-type: none"> Dispersion of harvesting area and purchasing time Diversification of manufacturing partners, increased quantity of in-house production Establishment of the SMC Division which specializes in supply and demand adjustment Implementation of foreign exchange hedging transactions in accordance with the Company's policy
	Impairment of owned assets, etc.	<ul style="list-style-type: none"> Deterioration of profitability due to declining prices of owned assets, impact on financial condition 	<ul style="list-style-type: none"> Establishment of investment criteria and regular monitoring by the Investment Committee Prevent delayed decisions on revisions to strategy through annual management deliberation
Disasters and accidents	Safety	<ul style="list-style-type: none"> Tarnished brand image, recall or damage compensation due to incidents such as contamination 	<ul style="list-style-type: none"> Monthly meeting of the Quality Assurance Committee across divisions Create a system to prevent intentional mixing of contaminants and prove there is no abnormality
	Natural disasters and infectious diseases	<ul style="list-style-type: none"> Supply chain disruptions and stagnation in product supply due to disasters or infectious diseases 	<ul style="list-style-type: none"> Monthly meeting of the Quality Assurance Committee across divisions Introduction of Food Defense and development of a mechanism
	Information system	<ul style="list-style-type: none"> Collapse or shutdown of information system, loss/leakage/falsification of information 	<ul style="list-style-type: none"> Detection and monitoring of risks through the Information Security Committee Obligatory regular e-learning for employees
Economy and society	Country risk	<ul style="list-style-type: none"> Unable to procure or supply due to political or economic upheaval, wars, or terrorism 	<ul style="list-style-type: none"> Regular political and economic risk evaluation and revision of business portfolio Diversification of suppliers
	Stronger regulations	<ul style="list-style-type: none"> Restrictions on business activities due to violation or changes to regulations, additional costs 	<ul style="list-style-type: none"> Thorough recycling of waste, energy conservation, and CO₂ emissions reduction Compliance with environmental laws and regulations
	Climate change	<ul style="list-style-type: none"> Disruption of raw material procurement and damage to production areas due to climate change 	<ul style="list-style-type: none"> Conducting scenario analysis based on TCFD recommendations Reviewing response to the 1.5 degree target of the SBT Initiative

Initiatives for the business continuity plan (BCP)

Kagome has formulated the First Action Guidelines after Occurrence of Large-scale Disasters and is conducting disaster drills and safety confirmation training at each business site. These guidelines indicate the roles and initiation of actions by management resource for the initiation of the BCP up to the establishment of the Disaster Countermeasures Center, which will be headed by the president as the HQ Director in the event of a major disaster.

For details, see Kagome's website

<https://www.kagome.co.jp/company/csr/management/riskmanagement.html>

▶ Refining our management through engagement with the capital markets

Constructive engagement with investors and analysts helps us to determine what we should aim for and what we need to build upon. By incorporating the insight gained from engagement into our management, we will further refine our undertakings, which will lead to a "strong Kagome."

