

TOP MESSAGE**Becoming a strong company capable of overcoming challenges, sustainable growth, and resolving social issues**

We are facing a management environment with an unprecedented level of difficulty caused by the growing severity of climate change, rising geopolitical risks, and ongoing depreciation of the yen, among other factors.

Nevertheless, I promise our stakeholders that we will overcome these challenges as we move toward what Kagome strives for by 2025 and become an even stronger corporate group.

**Third Mid-Term Management Plan
Market Understanding and Earnings Evaluation for the First Year****A year of upheaval in the management environment**

In 2022, we kicked off our third Mid-Term Management Plan, which contains the basic strategy of pursuing top line growth based upon our inherent ability to generate profits.

From the plan's outset, however, a number of events occurred, including the rapidly changing situation in Ukraine, sharp depreciation of the yen, and a spate of natural disasters gravely impacting agriculture. This resulted in an upheaval in the management environment on a scale that we have never experienced before.

In April 2022, we increased prices mainly of tomato condiments after factoring in rising costs associated with the economic recovery from the pandemic in our initial management plan. Nevertheless, as time passed, the sheer scale of rising prices for raw ingredients grew larger and for this reason, we announced revisions to our full-year earnings forecast in July 2022.

Additionally, we found that these higher prices for raw ingredients were not transient and would continue throughout the period of the third Mid-Term Management Plan. Accordingly, we revised our medium-term strategy for the stable

procurement of raw ingredients, implemented additional measures to reduce cost of sales, and conducted promotions based on changes in the purchase behavior of customers. In this manner, the entire company worked as one to address these themes urgently. The year 2022 proved to be a time when our employees displayed their ability to adapt to change fostered during the pandemic, as they responded to the situation in a flexible and agile manner.

FY2022 earnings evaluation

In the Domestic Processed Food Business, a major theme was restoring sales of vegetable beverages, our mainstay product, in addition to addressing rising prices of raw ingredients. By addressing customers' mindset during the pandemic of wanting to eat more vegetables to build their immunity, we have been able to grow sales of our vegetable beverages. However, tougher competition following the increased number of products to address people's vegetable consumption needs caused sales of Yasai Seikatsu 100, our mainstay brand, to fall below the level seen in FY2021.

The reason was because customers were thinking less about Yasai Seikatsu 100's fundamental value of providing a



Satoshi Yamaguchi

President & Representative Director

quick and delicious boost to vegetable deficient diets. Based on this, we changed direction of our information dissemination and promotions from the second half, enabling us to recover sales to a level above the previous year in the final two quarters.

In the International Business, raw ingredient prices continue to rise. In response, we steadily reflected increased costs in selling prices while also working to capture demand from the food service and home meal replacement markets.

As a result, Kagome's earnings in FY2022 featured revenue of 205.6 billion yen (up 8.4% YoY) and core operating income* of 12.8 billion yen (down 9.4% YoY). We managed to achieve results beyond the earnings forecast revised in July 2022. This provides us with positive momentum heading into FY2023.

* Core operating income is a profit index that measures constant business performance by deducting cost of sales and selling, general and administrative expenses from revenue plus share of loss (profit) of entities accounted for using equity method.

2023 as a Turning Point

Agile response in the face of higher costs and strengthening of business exploration for the next pillar of growth

We order many natural farm-produced ingredients, which are a mainstay raw material, in bulk one year ahead in the amount required for the next year. Therefore, natural farm-produced ingredients processed in 2022 are actually used in 2023. In 2022, the price of these ingredients including tomatoes surged worldwide, but we will actually feel the impacts in 2023. The increased amount of costs in 2022 and 2023 is expected to be more than the 14.1 billion yen of core operating income recorded in FY2021. This is the largest ever increase in costs that we have experienced in such a short amount of time. It's truly a crisis situation. While profits will decline in FY2023, how we deal with this crisis will have a major impact not only on our short-term performance, but also the very future of Kagome. For this reason, 2023 represents a genuine turning point in our history.

In 2023, we will swiftly implement two initiatives. First, we will respond agilely to bounce back from higher costs. As a responsible manufacturer, we will strive to increase productivity and reduce loss. Nevertheless, the sudden and substantial cost increases we are dealing with now have gone beyond the level that can be dealt with using our own efforts. In response, we carried out price revisions for approximately 150 consumer products and approximately 178 institutional and industrial use products in February 2023 after carefully explaining our situation to customers and business partners, including on

Changes in consolidated management indicators



the distribution side. Going forward, the entire Kagome Group will work together to quickly restore sales volume which is expected to decline temporarily following these price revisions. In the beverage business, starting in spring 2023, we will roll out a bold new approach to communication embodied by the concept of "promoting vividly colored vegetables that make our everyday brighter." Additionally, in the food products business, we will step up information dissemination of tomato condiments centered around Rice Omelet Stadium® 2023, a competition that will decide the best tasting rice omelet in Japan. These activities will not only restore demand, but also help to generate new demand.

Moreover, we will step up our response to stable procurement of natural farm-produced ingredients. Kagome imports more than 90% of these ingredients and our procurement network spans some 179 locations (as of FY2021). This is the result of our many years of efforts to build a diversified global procurement network. This also helps us to minimize impacts from changing crop conditions of each growing area. In critical growing areas such as Australia and Portugal, we have established and expanded subsidiaries locally. With that being said, to deal with surging prices for natural farm-produced ingredients, emerging geopolitical risks, and the growing intensity of climate change over the medium to long term, we strongly recognize the need to further reinforce our global procurement network and we are now working to restructure it recognizing this as an important theme.

Second, we are strengthening our exploration of businesses that will become new growth pillars. Cost and time are required for this, and over the next several years, the severe management environment is expected to persist. However, if we reduce the size of these exploration activities now, we will

be unable to grow further several years down the line. We are strongly committed to sustaining these exploration activities for new business in order to overcome the severe situation and achieve sustainable growth.

Progress of the Third Mid-Term Management Plan and Future Initiatives

Steadily moving ahead with four actions to achieve what Kagome strives for by 2025

The third Mid-Term Management Plan spans the four-year period from 2022, seeking to achieve the target of what Kagome strives for by 2025, which is defined as "become a strong company capable of sustainable growth, using food as a means of resolving social issues." This vision reflects the very value creation process that generates both social value and economic value through our business activities. Even if the management environment changes, this fundamental approach will remain the same. But, we will review our quantitative targets set for 2025. Currently, revenue is outpacing the initial target of 2% CAGR thanks to rising sales of the International Business and price revisions. On the other hand, core operating income has fallen short of our initial assumptions due to rapidly rising raw ingredients prices. Given this situation, we will set new quantitative targets for 2025 and announce them before the financial results briefing in February 2024.

The basic strategy of the third Mid-Term Management Plan is to achieve sustainable growth by taking four actions that are organically connected. It represents the key to medium-term growth under an increasingly severe management environment, and the entire Group is now working steadily toward this end.

Progress of the four actions

1 Promote behavioral change in terms of vegetable intake

Increasing vegetable consumption represents an important initiative that resolves the social issue of helping people live longer, healthier lives and leads to Kagome's sustainable growth. We will continue actively sharing information that will promote behavioral changes to notice one's own vegetable deficiency and increase vegetable consumption. VegeCheck** surpassed a running total of 2.32 million measurements in January 2023 following progress made with building out the service structure over the past two years. We are installing the machines in supermarkets and other stores, having confirmed that they result in increased customer purchases of fresh

vegetables, and that VegeCheck® measurements serve as a reason for visiting a store. Amid growing expectations from distribution and retail, we will now quickly build a system for increasing the number of VegeCheck® machines, whose measurements directly lead to behavioral change for vegetable consumption, and promoting their continued use, as a key content of this action.

* VegeCheck®: A device that measures vegetable intake level (0.1 to 12.0) and estimated vegetable intake volume (according to six levels; g) simply by holding the palm of your hand over a sensor for tens of seconds. Measurement is completed in tens of seconds providing the convenience of being able to view results on the spot.

2 Change to fan-based marketing

Fan-based marketing is a marketing activity for increasing Kagome fans who identify with our brands, products and services as well as who feel a strong sense of loyalty. We are now working to develop various interactive content linking farming with living and expanding opportunities to supply this content. This activity aids in resolving the social issue of agricultural development and regional revitalization, and it passes down our commitment since our founding to create value from agriculture and deliver this to our customers.

Starting in 2022, we have been promoting an activity called "food education beginning with growing." This is because of the survey Kagome conducted that found roughly half of all people who consume 350 g or more of vegetables every day, as recommended by the Ministry of Health, Labour, and Welfare (MHLW), had experience cultivating or harvesting these vegetables when they were children. Based on this finding, we started "food education beginning with growing" with the commitment to increase the number of future vegetable fans by providing children with opportunities to plant and grow vegetables. Specifically, at Yasai Seikatsu Farm Fujimi, we offer interactive classes where participants can harvest vegetables seasonally. We also hold cultivation classes and distribute tomato seedlings and organize tomato harvesting events in stores. By organically developing a broad range of interactive contents on vegetables, we will increase contact points with vegetables.

3 Pursue both organic and inorganic growth

▶ Organic growth

Focusing on the domestic business' ability to create demand and the international business' growth potential

Under the third Mid-Term Management Plan, we are pursuing sustainable growth from the two angles of stable organic growth of existing businesses and inorganic growth by acquiring new resources from M&A and other means.

First, with regard to organic growth, in the Domestic Processed Food Business, we will focus on creating new demand and restoring demand following the price revisions I mentioned above.

Additionally, the organic growth of the International Business will become a critical point in 2023. Particularly, the primary processing business that manufactures tomato paste and other products has seen its market environment undergo significant changes. Before the pandemic, there was a worldwide surplus in tomato paste inventories and prices had been stagnant. Therefore, Kagome's primary processing business had implemented a strategy of rationalizing production volume to secure profits. The situation changed as food service demand increased after the resumption of economic activities from the pandemic, and this coupled with climate change and the situation in Ukraine, caused a tightening in the supply-demand balance for tomato paste. Considering that the unstable international situation and growing climate risks likely will continue going forward, it is very important now to review the strategy of our primary processing business. Capitalizing on our strength of owning subsidiaries in primary processing, we will further strengthen a foundation underpinning the organic growth of the International Business by securing stable production and supplies of tomato paste.

▶ Inorganic growth

New business creation through open innovation and growth strategy in the United States

Three initiatives we have been working on over the past several years emerged as new budding businesses in 2022. First is our partnership with TWO Inc., a start-up company involved in plant-based foods. In 2022, we released a plant-based omelet rice as a frozen food product made using Ever Egg, a plant-based egg made from carrots and white beans, as our first foray. This product received rave reviews from our distribution partners and customers. Following this success, in April 2023, we will launch our second jointly developed product. We intend to use these new products to attract new users of plant-based foods. Second is the launch of SOVE®, a new plant-based food brand established through our partnership with Fuji Oil Co., Ltd. In October 2022, we began selling a cereal made from soybeans and vegetables exclusively on our

official website in an effort to generate a new avenue of demand. Third is the farm management support business for processing tomatoes powered by AI. We established DXAS Agricultural Technology LDA in Portugal together with NEC Corporation. This new company is providing services to promote more eco-friendly and profitable farm management. Going forward, we will continue to create buds of new growth from such open innovation to quickly develop new businesses that can contribute to our bottom line.

Regarding our growth strategy in the United States, the US Growth Strategy Department established in 2021 is spearheading multi-faceted reviews on partnerships with other companies and achieving inorganic growth through M&A and other means.

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

Strengthening the Group's management foundation is vital to both flexibly addressing current themes and tackling the challenges posed by medium- to long-term growth. In particular, regarding strengthening the value chain, as I have mentioned, we have been working to further expand our global procurement network and also expand procurement of raw ingredients in Japan.

In terms of promoting digital transformation (DX), our implementation structure features the Digitalization Promotion Committee, which is responsible for IT strategy planning and deciding on major DX projects, and the DX Promotion Committee, which covers human resource development and efforts to foster a culture of DX. We are now making progress with boosting productivity by building out our customer information systems and using RPA. In addition, we are implementing a training program targeting 10% of our workforce by 2025 to foster human resources who can tackle DX themes independently.

We must continuously create innovation in order to achieve sustainable growth as a company. Kagome believes that providing a workplace where its diverse workforce can exercise their potential while feeling job satisfaction will result in the creation of innovation. Toward this end, we are actively hiring to reinforce diversity and foster a more inclusive culture. We are focusing the most on creating a culture that values psychological safety and establishing an environment where our diverse workforce can frankly discuss matters and exchange their opinions. We will increase psychological safety and foster a culture that embraces the act of tackling challenges through analysis of the engagement survey and holding open discussions with employees through Talk with Top Management.

Accelerating solutions to social issues by reinforcing our sustainability initiatives

Establishment of Sustainability Committee and strengthening of risk management system

Kagome engages in business activities that integrate agriculture, with health and everyday living. This is why sustainability initiatives fit perfectly with our business activities seeking to become a company capable of sustainable growth, using food as a means of resolving social issues. Therefore, we need to reflect long-term opportunities and risks into management strategy. Toward this end, we established the Sustainability Committee in 2022, putting into place a system for discussing and reviewing matters with a longer term perspective and for addressing material issues. The Sustainability Committee has established four sustainability themes that once addressed will enable us to create long-term value and achieve a sustainable society. These four themes are sustainable agriculture, circular economy, reduced environmental impacts, and CSR in the supply chain. Through its subcommittees the Sustainability Committee is preparing for the future and examining our response, reflecting these findings in management strategy.

Among the social issues we are looking to resolve, climate change in particular has become even more serious. We established a new reduction target for greenhouse gases for 2030, with the ultimate goal to achieve net-zero emissions of greenhouse gases by the Group by 2050 to help prevent global warming. This new target has received certification from the Science Based Targets initiative (SBTi)*. To achieve this target, we have prepared a roadmap leading to 2030 through our company-wide cross-functional CO₂ Reduction Project. Going forward, we will actively invest in the environment with a long-term perspective following this roadmap.

Given the severe changes in management environment, we established the position of CRO (Chief Risk Management Officer) and the Enterprise Risk Management Committee in order to clarify our system and roles within risk management. This provides us with a mechanism for identifying and dealing with specific risks.

* Science Based Targets initiative (SBTi): An international initiative to certify that a company's reduction target for greenhouse gases is consistent with the standards set out in the Paris Agreement

Overcoming today's challenges alongside stakeholders with strong conviction

Today, the Kagome Group faces an unprecedented situation of cost increases never seen before. Such a situation dictates that we are even more aware of our vision to become a "strong company capable of sustainable growth, using food as a means of resolving social issues" and do what needs to be done. In this manner, we are more than prepared to overcome this situation. The cooperation and support of our stakeholders is also a key ingredient. We intend to evolve into a Kagome

Group that can grow continuously by co-creating new value together with stakeholders.

In closing, I ask for your continuing support and understanding as we move forward.

Satoshi Yamaguchi

President & Representative Director





CFO / CRO MESSAGE

Takeshi Saeki

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

Given the severity of this business cycle, there is a rising level of importance placed on financial strategy. We will carry out appropriate capital procurement and investment in order to enhance corporate value.

Review of FY2022

Revenue increased 8.4% YoY. This was because in the International Business demand recovered centered on processed tomato products as the COVID-19 pandemic wound down, we made progress with passing on higher costs to selling prices, and we increased the amount of foreign currency conversions to yen amid yen weakness.

Core operating income fell 9.4% YoY. This was because soaring prices of raw ingredients and energy in the Domestic Processed Food Business exceeded initial assumptions. This caused the core operating income of this same business to deteriorate, but the International Business saw core operating income rise similar to revenue.

In the one year since I became CFO, I worked with management, related departments and Group companies in Japan and overseas in an effort to ascertain and address the operating results and financial condition of each business and subsidiary in a timely manner so as to cope with the rapid changes taking place in the operating environment. Earnings were mixed with sales up, but profits down, but we did pay out a dividend for FY2022 as initially forecast.

We have also managed to maintain the soundness of our financial condition based on crediting ratings and financial indicators. We have been working to increase capital efficiency since introducing ROIC as a management indicator in FY2021. Nevertheless, in FY2022, this indicator fell 1.6 points YoY. This was mainly because of decreased profits and a large increase in inventories, which were up 22.1% compared to the previous fiscal year end. Higher inventories were the results of rising prices of raw ingredients and efforts to secure volume. Amid tight supply-demand conditions for raw ingredients worldwide, Kagome focused first on securing stable procurement volume. This worsened ROIC, but it was also the result of a stable supply of raw ingredients via our global procurement network built up over many years. More than just reporting positive or negative numbers, I will examine priorities in today's management environment and their reasonableness, and fulfill my accountability as CFO.

Growth investment and the financial platform underpinning it

As President & CEO Yamaguchi noted in his message, we have no intention of modifying the vision laid out in the third Mid-Term Management Plan. We do need to review our quantitative targets because of the sharp changes in management environment, and, for business growth, it will be important to push ahead with the basic strategy of the third Mid-Term Management Plan.

Improving our core operating income margin is a particularly urgent task. In addition to restoring the profit margin in existing domains, achieving inorganic growth using M&A and other means has become even more important. Investment in inorganic growth during the third Mid-Term Management Plan announced in 2022 will amount to between 30 and 50 billion yen, an unprecedented amount. At the present, we do not intend to change this investment amount. This is because aggressive investment to accelerate business growth is essential and our financial platform underpinning this investment remains intact. Our shareholders' equity ratio stood at 52.8% as of the end of FY2022.

Furthermore, we completed share buybacks for investment in inorganic growth before the end of FY2022, with treasury stock amounting to 22.5 billion yen as of the end of FY2022.

This severe business environment is precisely the time to move ahead with investments aimed at future growth. At the same time, it is important to maintain the financial platform underpinning these investments, and we are working diligently toward this end.

Promoting governance for sound business growth

Building appropriate finance and accounting governance is critical to sound business growth. This represents the foundation of Kagome's business operations just as important as product quality. It also forms a core component of "corporate openness," an integral component of our Corporate Philosophy. A corporate culture of informing stakeholders in a timely and easily understood manner of both positive and negative news is a foundation that strongly supports our finance and accounting governance. Going forward, we will continue to maintain and strengthen this finance and accounting governance.

Analysis of operating results for FY2022 (P/L)

Revenue

205,618 million yen
(+15,966 million yen YoY)

The Domestic Processed Food Business recorded an increase in revenue amid strong sales of mainstay vegetable beverages in the second half and the recovery in food service demand in the category of Food-Other. The International Business also posted an increase in revenue amid increased demand for primary processed tomato products, the effects of price revisions, and yen depreciation, in addition to robust sales to food service companies in the United States.

Core operating income

12,808 million yen
(-1,329 million yen YoY)

The International Business posted increased profit on greater demand for primary processed tomato products, as mentioned above, but the Domestic Processed Food Business saw decreased profit due to surging raw ingredient prices that outpaced price revisions and increased sales promotion expenses.

Operating income

12,757 million yen
(-1,253 million yen YoY)

Profits decreased amid the decline in core operating income.

Net income attributable to shareholders of parent

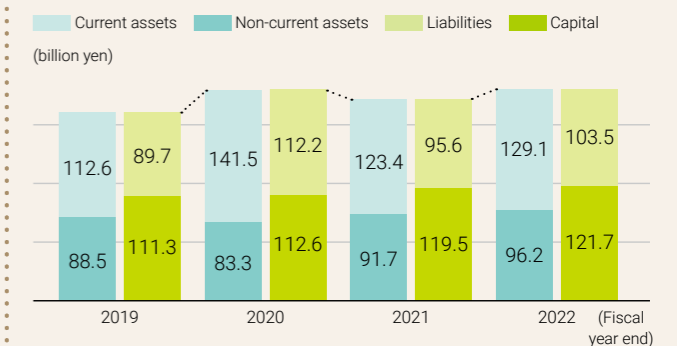
9,116 million yen
(-647 million yen YoY)

The effective tax rate declined amid the increased profit of overseas subsidiaries in low tax rate jurisdictions and tax incentives implemented by countries. Therefore, the extent of the drop in net income attributable to shareholders of parent narrowed compared to operating income.

	Results (FY2022)		YoY	
		Ratio (%)		Rate of change
Revenue	205.6	—	+15.9	+8.4%
Core operating income	12.8	6.2%	-1.3	-9.4%
Operating income	12.7	6.2%	-1.2	-8.9%
Net income attributable to shareholders of parent	9.1	4.4%	-0.6	-6.6%

Financial analysis for FY2022

As of December 31, 2022, total assets increased by 10,163 million yen compared to December 31, 2021. Current assets increased by 5,677 million yen owing to the increase in inventories due to efforts to accumulate inventory in preparation for soaring raw ingredients costs. Non-current assets increased by 4,486 million yen as a result of increased property, plant and equipment due to updates in manufacturing equipment, etc. of overseas subsidiaries. Liabilities increased by 7,913 million yen due mainly to the increase in borrowings following an increase in working capital. Capital increased by 2,249 million yen since there was an increase in net income attributable to shareholders of parent, etc., which offset the decrease due to the acquisition and retirement of treasury stock.



FY2022 cash flow analysis

As of December 31, 2022, cash and cash equivalents decreased by 9,840 million yen compared to December 31, 2021.

Net cash provided by operating activities was 4,635 million yen. This was mainly attributed to 12,557 million yen in profit before income taxes and 8,282 million yen in depreciation and amortization.

Net cash used in investing activities was 9,457 million yen. This was mainly attributable to outflows of 9,878 million yen for the acquisition of property, plant and equipment as well as intangible assets.

Net cash used in financing activities was 5,512 million yen. This mainly reflects 7,786 million yen from the net increase in treasury stock and 3,278 million yen used for the payment of dividends.

Financial Strategy in the Third Mid-Term Management Plan

Basic Policy of the Financial Strategy

Purpose	Indicator	Results for FY2021	Results for FY2022	Policy of Third Mid-Term Management Plan
Stability of the financial platform	Shareholders' equity ratio Credit ratings	54.6% Single A	52.8% Single A	50% or higher Maintain Single A
Growth with an emphasis on capital efficiency	ROE	8.5%	7.7%	9% or higher
Stable return of profits	Total return ratio*	33.6%	38.9%	40% or higher

* Does not include the 10 billion yen of treasury stock resolved at the meeting of the Board of Directors held on October 29, 2021.

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 stable financial platform is essential to supporting sustainable growth and having resilience in the face of major changes. At the end of FY2022, our shareholders' equity ratio stood at 52.8% and our credit rating was Single A, indicating a stable financial platform. However, the business environment surrounding the Group is becoming more severe. This is because of the worldwide shortage of tomato raw ingredients and surging costs including for other raw ingredients.

Under this environment, Kagome is strategically increasing raw ingredient inventory to provide a stable supply of products to customers, controlling costs, and reviewing selling prices. In this process, as part of our response to demand for funds from increased working capital required for our operations, including for inventory and in preparation for a temporary downturn in earnings, we will incorporate new capital procurement methods, such as issuing corporate bonds with digital benefit, while also relying on borrowings from financial institutions. Therefore, during the third Mid-Term Management Plan, we expect there to be temporary phases where it may be difficult for us to maintain a shareholders'

equity ratio of 50% or higher and credit rating of Single A, which are used as indicators of financial platform stability for the Group.

To breakthrough this severe environment, of particular importance will be achieving inorganic growth including through M&A, not to mention the early restoration of profitability.

Investment in inorganic growth during the third Mid-Term Management Plan is expected to amount to between 30 and 50 billion yen. We have secured capital toward this end through treasury stock and our commitment lines and overdraft facilities from financial institutions. Restoring profitability in organic domains and achieving inorganic growth will make our financial platform, which may temporarily erode, more stable and ultimately result in medium- to long-term growth. Furthermore, in addition to stability of the financial platform, we will pursue growth with an emphasis on capital efficiency, including a Groupwide emphasis on ROIC management and thorough investment management. Also, 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. During the third Mid-Term Management Plan, we aim to pay a stable dividend of at least 38 yen per share.

Initiatives for improving capital efficiency

In FY2021, we introduced Kagome ROIC* management in order to not only generate profits, but also measure the suitability and efficiency of invested capital. Kagome ROIC measures the efficiency of invested capital compared to generated EBITDA. By breaking down balance sheet items according to each element, this approach aims to clarify themes that need to be improved.

* Kagome ROIC: $\text{EBITDA} \div \text{Invested capital}$

Kagome's targets and results for FY2022 are presented in the table below.

In FY2022, revenue of the International Business increased substantially, but the decreased profits of the Domestic Processed Food Business resulting from soaring prices of raw ingredients and energy caused our EBITDA margin to decline. Additionally, inventories increased largely causing turnover of invested capital to increase. This was the result of changes in the external environment including soaring costs for raw ingredients and strategic efforts to secure inventories as a countermeasure. Consequently, FY2022 ROIC stood at 11.5%, 1.1 point lower than the target.

(ROIC Tree implementation)

At Kagome, the ROIC tree is used as a control driver to increase 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 / department, while the PDCA cycle can be self-driven to improve indicators. In addition, we will make improvements where each company / department is aware of efficiency and implement initiatives including creating an optimal supply chain structure.

	Results for FY2021	FY2022 Targets	Results for FY2022	FY2023 Targets
ROIC (%)	13.1	12.6	11.5	7.5
EBITDA Margin (%)	11.4	10.7	10.3	7.0
EBITDA (million yen)	21,633	21,200	21,091	14,900
Revenue (million yen)	189,652	199,000	205,618	213,000
Turnover of invested capital (days)	317	309	327	338

2022 Results and Main Points of 2023 Targets and KPIs

- 2022 Results**
- EBITDA margin (deteriorating)
 - Increased sales of International Business and higher cost of sales due to soaring raw ingredient costs
 - Turnover of invested capital (deteriorating)
 - Increased inventories due to strategic accumulation and soaring raw ingredient costs
- 2023 Targets**
- EBITDA margin (deteriorating)
 - Higher cost of sales due to soaring raw ingredient costs and decreased profitability owing to lower sales volume following price revisions
 - Turnover of invested capital (deteriorating)
 - Increased inventories due to strategic accumulation and soaring raw ingredient costs
- 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%+ *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 Plus 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



Achieving Both Capital Procurement and Growth

In 2023, we will try new capital procurement methods. As part of this, we have already issued a corporate bond with digital benefit called Kagome Bond to Support Health with Vegetables in Japan in the amount 1 billion yen. This corporate bond with digital benefit utilizes Mizuho Financial Holdings' digital engagement platform with blockchain technology, making it intrinsically different than conventional corporate bonds. These differences include a low unit purchase price, as well as the ability to obtain the information of bond holders with bondholder consent, and to provide Kagome products to bondholders as a benefit.

Currently, Kagome is supported by around 190,000 "fan shareholders." It is our hope that we can create "fan lenders" among the bondholders of this corporate bond with digital benefit. We also hope to create relationships where we deepen people's understanding of our products through financial instruments and encourage investors to buy our products.