

# KAGOME

KAGOME Integrated Report 2023



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## KAGOME INTEGRATED REPORT

# 2023

Kagome Co., Ltd.  
Integrated Report  
2023

Theme

Become a strong company that  
overcomes challenges and  
is capable of sustainable growth

Point

Address environmental changes in  
the Mid-Term Management Plan  
Explore new businesses to unlock growth  
over the medium to long term

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Editorial Policy

Since the release of its Environmental Report for FY1999, the Kagome Group has continuously reported to our stakeholders on our efforts toward making a social contribution through our businesses by means of the Sustainability Report (CSR report) and Kagome Story (company brochure). This Integrated Report is issued to create new opportunity for discussion by informing our stakeholders, in particular shareholders and investors, about Kagome's mid- to long-term efforts for enhancing corporate value. For details of the financial data and CSR activities not included in this document, please refer to our website.

Kagome website

▶ <https://www.kagome.co.jp/english/>

Units of Amounts in This Report

In this report, amounts are expressed in hundreds of millions of yen rounded down to the nearest one hundred million yen and amounts expressed in millions of yen rounded down to the nearest million yen. In addition, percentages are shown after rounding.

Reporting Period and Boundary

This report covers the period from January 1, 2022 to December 31, 2022. However, some portions contain matters related to activities outside this defined period. The boundary of this document covers the activities of Kagome Co., Ltd. and its consolidated subsidiaries but there are items that only pertain to Kagome Co., Ltd.

Referenced Guidelines

This report was prepared with reference to the International Integrated Reporting Framework issued by the International Integrated Reporting Council (IIRC) and Guidance for Collaborative Value Creation issued by Japan's Ministry of Economy, Trade and Industry (METI). Moreover, our CSR activities are reported on our website, and highlights are included in the ESG section of this report.

[Notes Regarding Forecasts]

The information in this report includes forward-looking statements. These statements are made on the basis of assumptions and judgments based on information available at the time of publication, hence they may contain risks and uncertainties. Accordingly, please be advised that the actual results may differ from such statements due to various changes.

# Achieve a sustainable society and Kagome's growth by resolving social issues through food

For 124 years since our founding, Kagome has been contributing to consumers' health and vibrant eating habits with its strength in harnessing the delicious taste and nutrition of nature's bounty that are vegetables and fruits.

We are enhancing corporate value through activities that address social issues head on while sharing our corporate philosophy as a steadfast sense of value with all employees. In the future, we will continue to contribute to finding solutions to social issues in Japan and the world through our business activities, including promoting longer, healthier lives, agricultural development and regional revitalization, and achieving a sustainable global environment.

**Kagome's Ideal Image**

What Kagome strives for by 2025

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

Social issues to address

Longer, healthier lives

Agricultural development and regional revitalization

Sustainable global environment

Vision

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

**Code of Conduct**

Mutual support

Respect for human rights

Fairness

**Basis, mindset and attitude behind our philosophy**

**Corporate Philosophy**

**An inherited management spirit that pervades through the changing times**

**Appreciation**

We are thankful for nature's bounty and for human relationships. We respect natural ecosystems and value human sensibility.

**Nature**

Through nature's bounty, we endeavor to create rich value that is ahead of the times and to contribute to consumers' health and wellbeing.

**Corporate Openness**

We aim to be an open company that engages in fair and transparent corporate activities and respects each person's individuality and abilities.

**Brand Statement**

**Our promise to society and our customers**

**Nature**

To strive for healthier food that makes the most of the antioxidants and immunological capabilities of nature's bounty.

**True**

To produce healthy, great tasting foods without relying on unnatural additives and technologies.

**Flavor**

Create new demand for delicious food, paying attention to the needs of our bodies and our planet.

**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 CO<sub>2</sub> 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
Stability of the financial platform	Shareholders' equity ratio Credit ratings	54.6% Single A	52.8% Single A
Growth with an emphasis on capital efficiency	ROE	8.5%	7.7%
Stable return of profits	Total return ratio*	33.6%	38.9%

Policy of Third Mid-Term Management Plan
50% or higher Maintain Single A
9% or higher
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: EBITDA ÷ 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.

# General Business Conditions

Kagome's Founder Ichitaro Kanie took the tomato, which at the time did not sell at all because people disliked the raw smell and deep red color, and, after much trial and error, processed them into tomato sauce to start a processed food business. Today, Kagome contributes to people's "food & health" by delivering not only tomato products, but also products made from carrots and other vegetables in various forms.

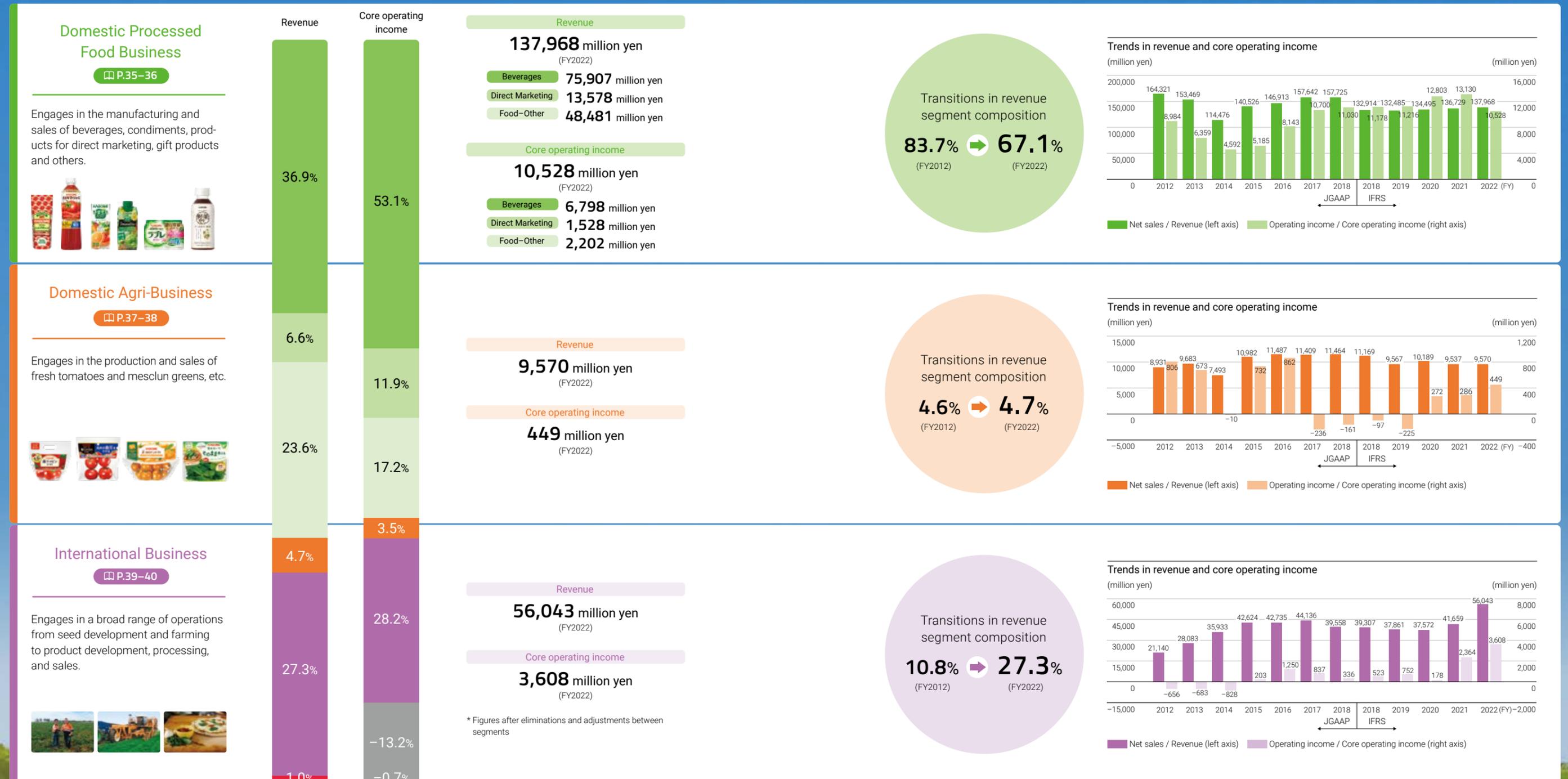
**Total revenue**  
205,618 million yen

**Total core operating income**  
12,808 million yen

## Segment composition

(FY2022)

- Domestic Processed Food Business
- Domestic Agri-Business
- International Business
- Common consolidated costs related to Group head office functions otherwise not allocated to business segments
- Beverages
- International Business
- Other Businesses
- Direct Marketing
- Food-Other



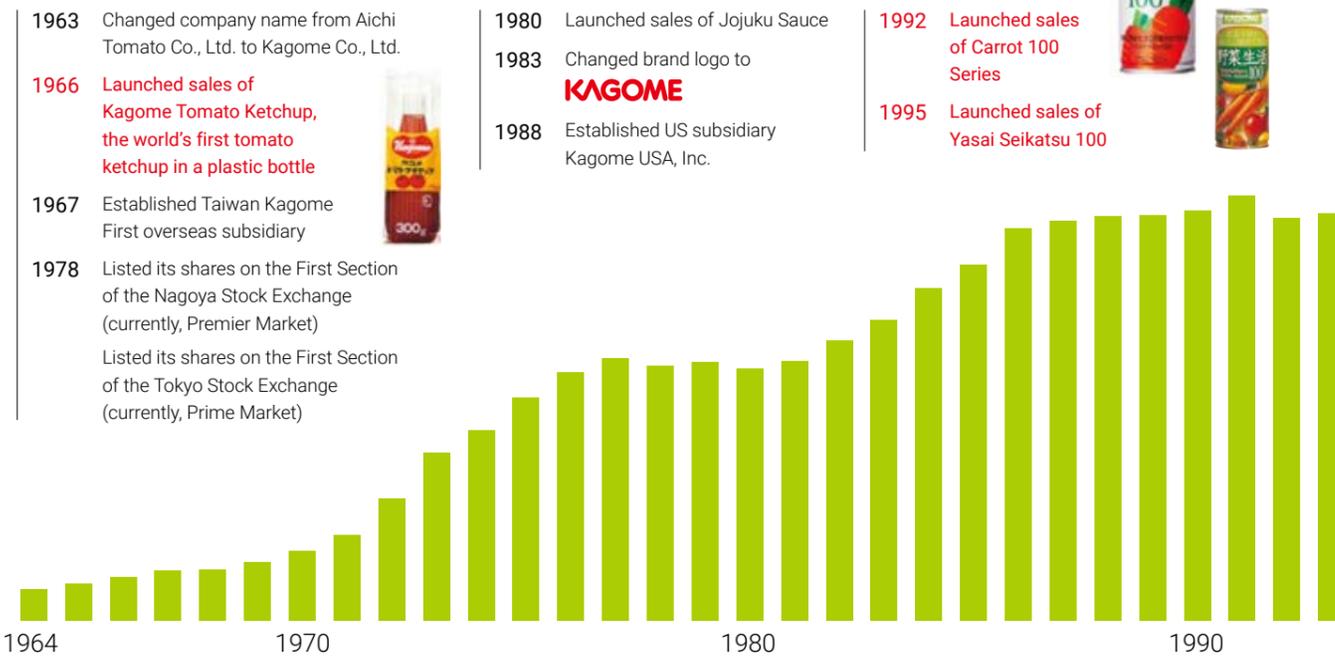
\* Figures after eliminations and adjustments between segments

\* Figures after eliminations and adjustments of revenue between segments  
 \* FY2014 represents the nine-month period from April 1, 2014 to December 31, 2014 following change to the Company's business year.  
 \* Kagome has adopted IFRS since FY2019. For reference, figures in conformity with IFRS are also included for FY2018.  
 \* Kagome changed its reporting segments from FY2022. Figures for FY2021 are presented assuming that these changes were applied retroactively.

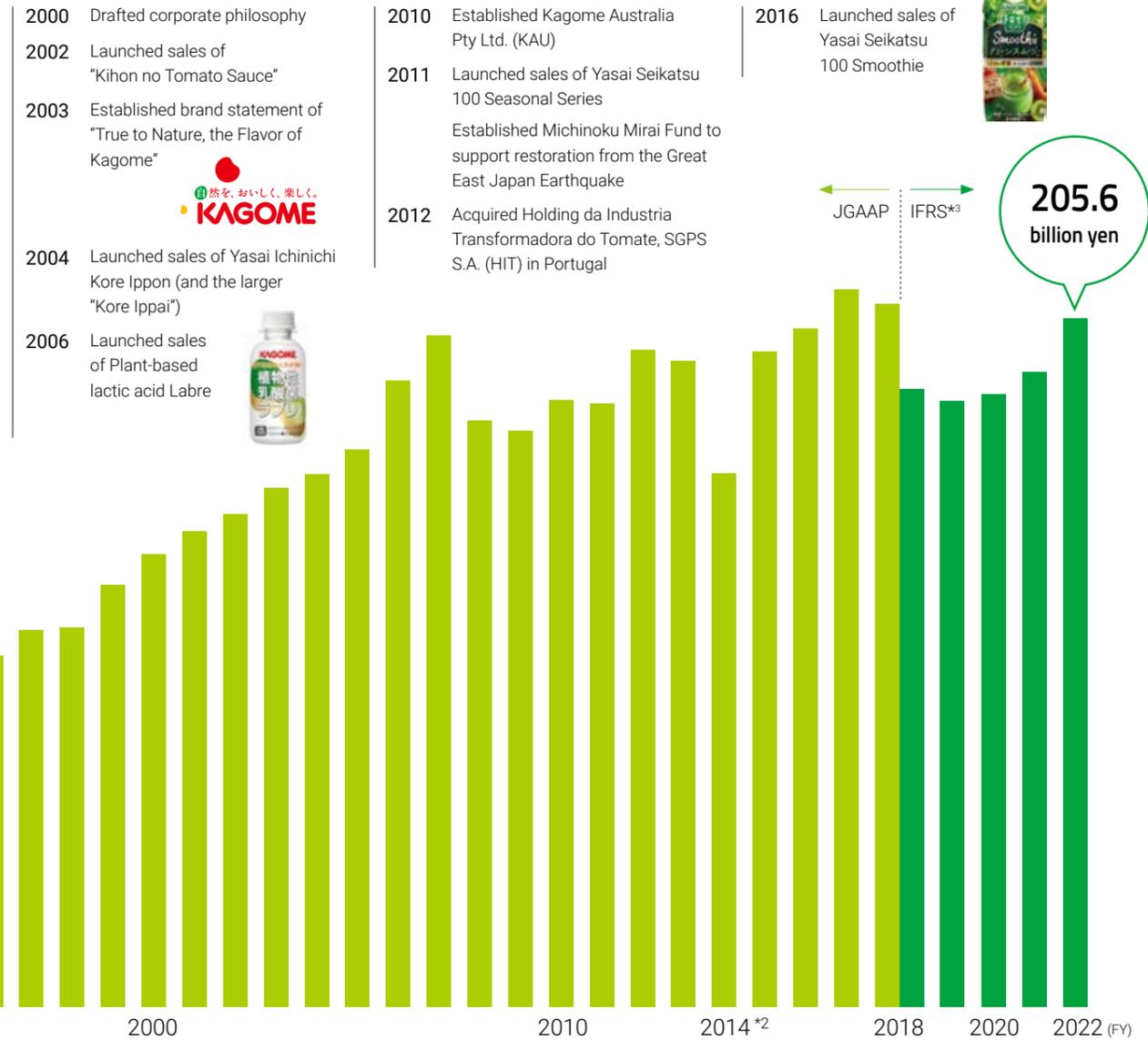
# History of the Kagome Group: Continuous Growth while Overcoming Challenges

The history of the Kagome Group began when Kagome's Founder Ichitaro Kanie first saw a tomato plant budding. He decided to tap into a new form of agriculture with a pioneering spirit because the cultivation of Western vegetables was still very much rare at the time. Since then, Kagome has utilized nature's bounty to deliver products to the world, worked to resolve social issues through food, and grown continuously, while overcoming changes in the operating environment and periods of stagnant sales.

## Trend in Kagome's Net sales / Revenue\*1



\*1 Presents nonconsolidated net sales until 1995 and consolidated net sales / revenue for 1996 onward.



\*2 FY2014 represents the nine-month period from April 1, 2014 to December 31, 2014 following change to the Company's business year.

\*3 Kagome has adopted IFRS since FY2019. For reference, figures in conformity with IFRS are also included for FY2018.

## Turning points in Kagome's history

### From 1899

Start of tomato sauce production after trial and error

Kagome's Founder Ichitaro Kanie began cultivation of Western vegetables as a crop with future potential with the hope of ushering in a new era of agriculture in Japan.

However, tomatoes were left unsold because consumers avoided their smell and taste. After trial and error, Ichitaro processed tomatoes into tomato sauce and eventually built a foundation for the tomato processing industry in Japan. In addition, contracted cultivation, a format Ichitaro established when the company was first founded, not only resulted in stable procurement, but also promoted co-existence with the farmers involved in tomato cultivation.

### From 1966

World's first tomato ketchup in a plastic bottle and response to Japan's liberalization of processed tomato product imports

In 1966, Kagome became the first in the world to launch a tomato ketchup, which it first began selling in 1908, in a plastic bottle. The product was a huge hit and sold briskly, which minimized the impacts from foreign products that began to enter Japan around this time.

In response to Japan's liberalization of processed tomato products in 1972, Kagome established a technology for no-stake cultivation that reduces costs by 30% compared to stake cultivation, contributing to labor savings in the cultivation of tomatoes for processing in Japan. In addition, Kagome expanded its procurement network for tomato paste to other regions and countries including Taiwan and Turkey, building out its overseas procurement base as its business grew.

### 1990 to 2000

Narrowing the focus of business domains to create a market for vegetable beverages

By diversifying its business portfolio during the 1980s and the Japanese asset price bubble, Kagome grew sales, but the strain of its strategy for rapid growth caused the company's growth to flatline in the early 1990s. Moving away from its diversification strategy and sharpening the focus of its business, Kagome decided to focus on carrots as the second major vegetable to grow and source after tomatoes. Sales began to grow again following the hits of Carrot 100 and Yasai Seikatsu 100 and it established vegetable beverages as a new and viable way to consume vegetables. Today, vegetable beverages remain a core business and they have helped to increase the supply volume of vegetables, which helps people live longer, healthier lives, addressing a social issue.

### From 2016

Resolving social issues and achieving sustainable growth

In 2016, Kagome announced its Long-term Vision and What Kagome Strives for by 2025 with the aim of achieving sustainable growth and resolving social issues. With these goals in mind, Kagome established three different Mid-Term Management Plans. FY2023 marks the second year of the third Mid-Term Management Plan. A severe management environment persists, including unprecedented cost increases. Nevertheless, we remain mindful of our goal to become a "strong company capable of sustainable growth, using food as a means of resolving social issues" and will overcome this challenging business phase by addressing changes in the operating environment and continuing to explore new businesses aimed at medium- to long-term growth.

# Kagome's Value Creation Process

We take consistent action as an organization by positioning our corporate philosophy as Kagome's unwavering values and brand statement as our promise to society and our customers at the foundation of our management. By predicting environmental changes and utilizing management capital that supports our growth, we are developing our value chain founded in agriculture through collaboration with various partners.

Today, we are providing products and services that integrate agriculture with health and everyday living via our three segments of Domestic Processed Food Business, Domestic Agri-Business, and International Business, as well as the value creation activities that support these businesses. We strive to address the three social issues of longer, healthier lives, agricultural development and regional revitalization, and sustainable global environment through our businesses, and become a strong company capable of continuous growth to create social and economic values.



### Management capital supporting growth

- Health, agriculture, and safety research that creates new value (P.19) - Intellectual capital
- Expansive domestic and global procurement network (P.20) - Social and relationship capital, Natural capital
- Ability to provide a diverse variety of vegetables (P.21) - Intellectual capital, Manufactured capital, Social and relationship capital
- Power of brand known for safety and security (P.22) - Intellectual capital
- Financial platform that supports businesses (P.9-12) - Financial capital
- Diverse human resources with aspiration for advancement (P.49-52) - Human capital

### Changes in social environment

- Environmental forecast
- Risk awareness
- Global issues



### 2022-2025 Third Mid-Term Management Plan Materiality

(P.25-28) (P.43-44)

Products and services that integrate agriculture with health and everyday living

- Domestic Processed Food Business (P.35-36)
- Domestic Agri-Business (P.37-38)
- International Business (P.39-40)

Strengthen value creation activities

- Sustainable global environment
- Product safety and security
- Establishing a sustainable supply chain
- Respecting diversity and expanding human capital
- Strengthen corporate governance

### Value offered

#### Social value

- Longer, healthier lives
- Agricultural development and regional revitalization
- Sustainable global environment

#### Economic value

- Achieve sustainable growth



## Health, agriculture, and safety research that creates new value

With the goal of resolving social issues using the power of vegetables, the Innovation Division boldly takes on research challenges related to health, agriculture and safety and contributes to Kagome Group's sustainable growth by linking research results to Kagome's businesses.

### Research areas at the Innovation Division

#### Health research

We are disseminating health information and conducting social implementation research for mechanisms that lead to behavior change in terms of vegetable consumption, centered on functionality research mainly for green and yellow vegetables and big data analysis.

#### Agricultural research

We are utilizing big data on genes mainly for research of new tomato varieties and cultivation technology as well as developing and utilizing advanced research on smart agriculture.

#### Safety research

We are strengthening our basic technologies for guaranteeing safety throughout the supply chain starting in the fields, including conducting activities to predict food safety risks, acquiring advanced safety evaluation technology, and conducting raw ingredient safety assessments.

### Protection and use of intellectual property

We are working to strengthen our intellectual property foundation (acquisition, protection, and prevention of obstruction and litigation) by engaging in invention and discovery based on in-house R&D as well as searches of other companies' patents. We also launched initiatives related to the effective use of our retained intellectual properties outside the company.

#### Main initiatives

Maintain competitive advantage using patent of tomato juice and tomato ketchup

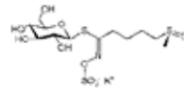
Promote establishment of competitive edge with the VegeCheck® patent

Enhance agricultural work efficiency and income from technology usage fee with the patent on tomato harvesting machine

### Examples of open innovation initiatives

#### Example 1 Sustained consumption of SGS increases processing speed and reduces negative emotions in seniors

Sulforaphane glucosinolate (SGS) contained in the family of flowering plants comprising the mustards, such as broccoli sprouts, is expected to offer a number of health functions. Kagome has conducted joint research with universities and research institutes both inside and outside of Japan. In joint research with Tohoku University's Institute of Development, Aging and Cancer, we conducted human testing on healthy elderly individuals and found that continuous SGS consumption increased processing speed, a type of cognitive function, and reduced overall negative emotions, including anger, confusion, and depression. These research results are expected to be utilized in future initiatives for the health and well-being of the elderly.



Structure of sulforaphane glucosinolate (SGS)

#### Example 2 Development and introduction of AI-powered yield forecast system for fresh tomatoes

The fresh tomatoes sold by Kagome are cultivated on large farms owned and operated by subsidiaries. Conventionally, the sales plan for fresh tomatoes (spanning one week to several weeks in the future) is prepared based on the experience of farmers, but increasing the accuracy of forecasts several weeks out was an issue. As a result, we created a yield forecast model combining our long-standing data on cultivation technology and management with AI analysis technology, enabling higher accuracy in forecasting yield several weeks in the future. This is expected to result in more accurate sales plans and reduce food waste and loss.



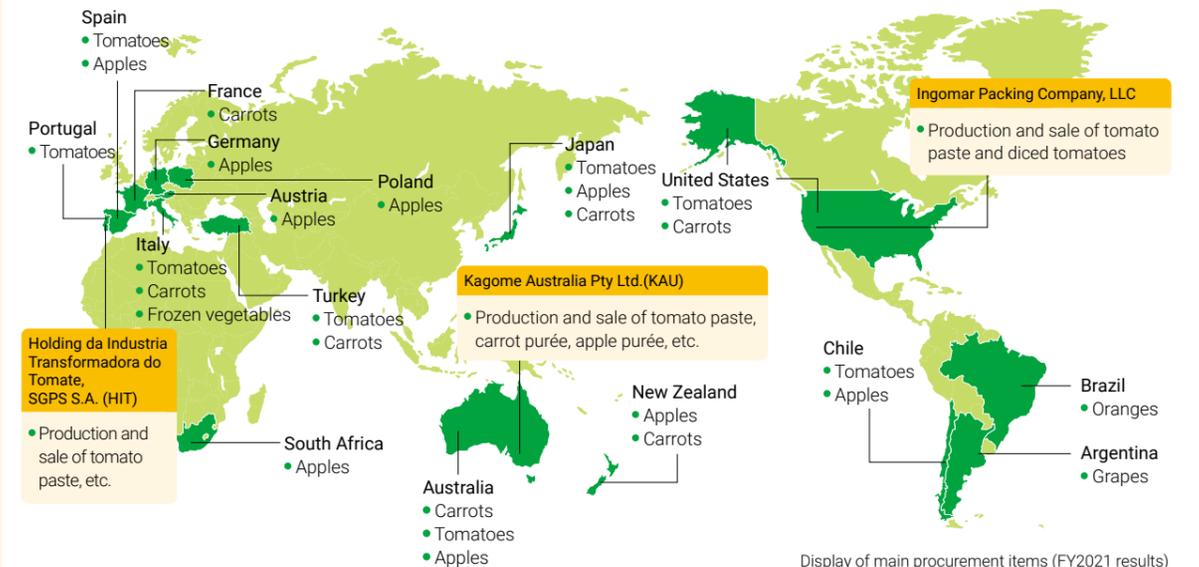
Iwaki Onahama Greenfarm, which is using this system (Fukushima Prefecture)

## Expansive domestic and global procurement network

Kagome has built out a broad procurement network in Japan and overseas in order to deliver safe and secure products to customers in a stable manner. At each of these bases, we monitor quality from cultivation to manufacturing and make every effort to enhance quality.

### Global network—origins of main raw ingredients

Number of procurement bases: 179 (FY2021 results)



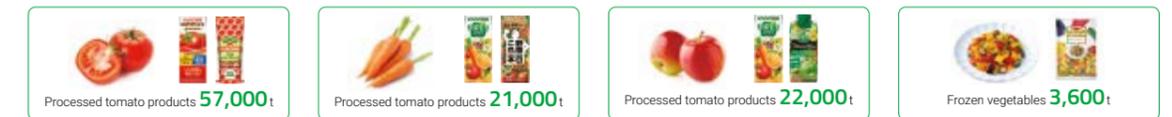
Display of main procurement items (FY2021 results)

### Main procurement items and products used

Every year, we stably procure about 110,000 tons of processed vegetables and fruit products, boasting one of the world's largest procurement volumes.

\* Value based on actual weight, not converted to fresh produce

Compiled based on actual results in FY2021



### Future strengthening measures—response to environmental changes

Establish stable supply chain using Group companies involved in primary processing

- Strengthen tomato processing supply chain through cooperation between Group companies
- Supply new ingredients such as carrot powder from Australia to the Domestic Processed Food Business

Strengthen global network

- Build out stable procurement system through base diversification
- Increase ratio of medium-to long-term contracts with suppliers offering cost competitiveness

Strengthen procurement of domestically farmed raw ingredients

- Increase procurement volume of domestically farmed raw ingredients by expanding domestic tomato production and mechanical harvesting



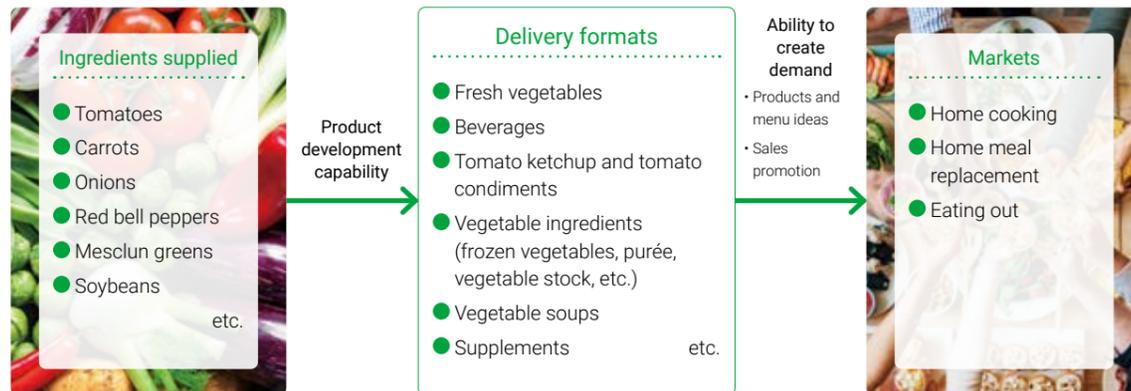
Mechanical harvesting in Japan

## Ability to provide a diverse variety of vegetables

### Product development and demand creation capability for vegetables

We will use the right processing methods and product formats to provide a diverse range of vegetables to various markets and increase our supply of vegetables. What is required to achieve this is product development and demand creation capability for vegetables. We bring new products to the world by refining our wealth of knowledge and technology on vegetables accumulated to date to create a demand for vegetables and address the issue of vegetable intake shortage.

### How to supply vegetables



### Product development capability of vegetables

#### Product development using natural food ingredients and many years of development know-how

- Valuing the fundamental taste and nutrition of vegetables and fruit, we are committed to processing using as little additives as possible. In addition, we obtain certification for our products as Foods with Functional Claims based on evidence concerning the nutritional elements of ingredients.
- As a top manufacturer of vegetable beverages, we are using knowledge and past examples of combination acquired in the past development, such as processing techniques and bacteria control methods, in the development of new products.
- We create targeted flavors and textures using vegetable ingredients developed in-house, such as tomato and carrot pulps, and we develop easy to drink beverages by utilizing the production methods and technology that control the harshness and tartness in vegetables.

#### Example 1

##### Yasai Ichinichi Kore Ippon Plus

We obtained certification as a Food with Functional Claims based on the dietary fiber and GABA from tomatoes. The beverage delivers the fundamental flavor of tomatoes and vegetables without fortification.



#### Example 2

##### Industrial and institutional use sauteed onions

Sauteed onions is a processed vegetable product in the spotlight for not only reducing the hassle of preparation and food waste, but also helping resolve labor shortages in commercial kitchens.



#### Example 3

##### Rice Omelet Stadium®

Rice Omelet Stadium® is a nationwide tournament featuring restaurants that passed regional qualifying rounds battling for the best tasting rice omelet in Japan. The event helps to spur demand for tomato ketchup.



### Ability to create demand

#### Solution proposals and demand stimulation

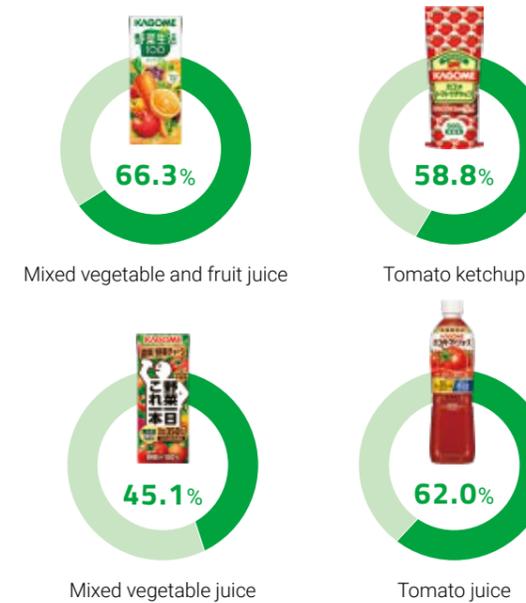
- We create demand for vegetables by resolving customer challenges through menu proposals using a host of vegetables.
- We stimulate demand continuously using large-scale sales promotions.
- We are promoting behavioral change in terms of vegetable consumption in the service business using VegeCheck® and health seminars.

## Power of brand known for safety and peace of mind

Kagome follows the philosophy that fields are the primary production plant and strives to improve the quality of raw ingredients from the fields and create products with both safety and peace of mind and flavor in mind. Moreover, Kagome provides products with zero additive that are good for health, with many products boasting top market shares in Japan as well as high ratings in external brand rankings, etc.

### Products with a top market share in Japan and external brand rankings

In Japan, we have captured a high market share in many products thanks to our established brand reputation for "safety and peace of mind."



Source: Intage SRI+ Period: January to December 2022 Unit: market share by value (%) Target area: nationwide in Japan Sales settings: supermarkets, convenience stores, drug stores, home improvement stores

#### External rankings

Brand Strategy Survey 2022 (NIKKEI Research)

#### Total ranking

**10<sup>th</sup>**

Brand offering quality with uncompromisable safety

**2<sup>nd</sup>**

Sense of empathy

**3<sup>rd</sup>**

### Intellectual property activities safeguarding our brands

To protect and develop the brands built since its founding, Kagome's legal, business, and advertising departments cooperate to utilize intellectual property rights effectively. The brand power of Yasai Seikatsu 100 and Yasai Ichinichi Kore Ippon is safeguarded through the multifaceted and effective utilization of intellectual property rights, such as design rights, in addition to trademark rights following changes in product packaging. Additionally, for long-selling products whose design remains the same, such as tomato ketchup, we have obtained trademark rights for each symbolic design element and are stepping up efforts against counterfeits and similar products.



New packaging of Yasai Seikatsu 100

### Fan-based marketing activities

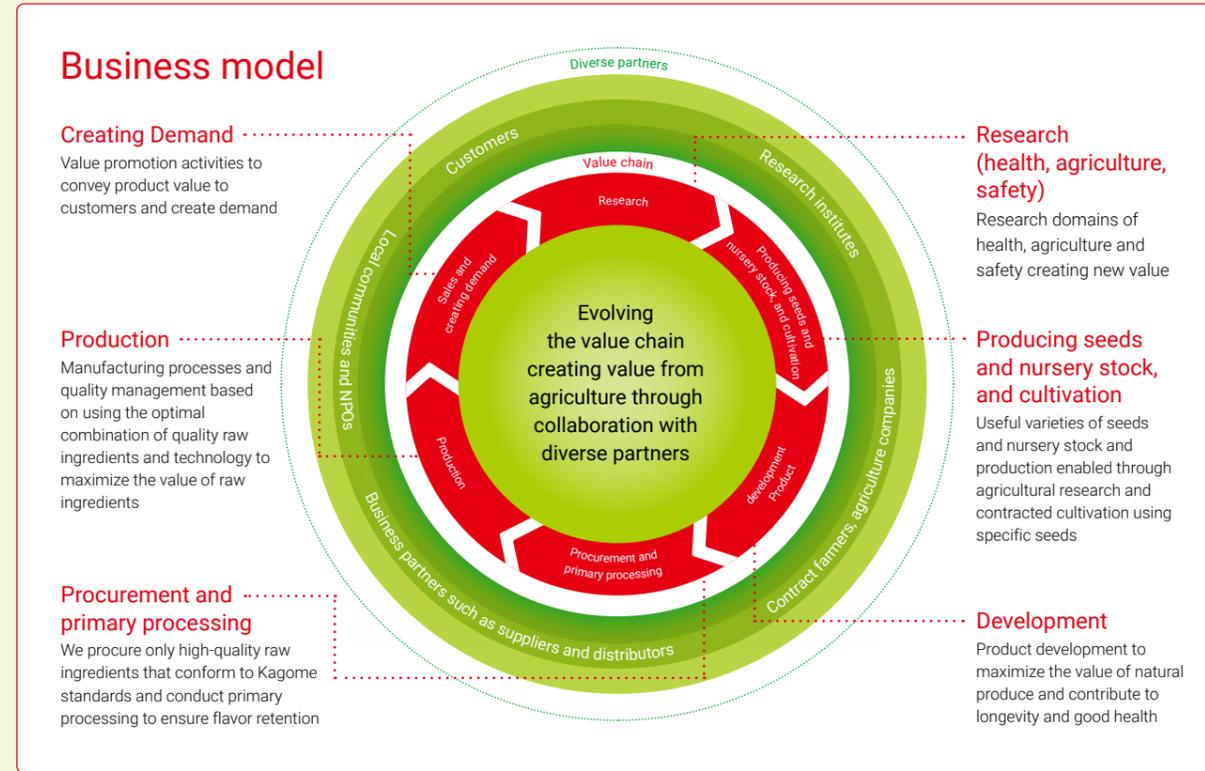
One of the actions within the basic strategy outlined in our third Mid-Term Management Plan is change to fan-based marketing. We are working to increase the number of fans who identify with Kagome's business activities and corporate stance by building relationships with consumers so that they support the Kagome brand before selecting our products in store. Toward this end, we are disseminating information and providing opportunities for consumers to experience our products. [P.27](#)



Food education event: Wonder Farm and Tomato Vines

# Kagome's Business Model

Kagome engages in business activities inside and outside of Japan with a unique value chain formed by the value of agriculture. We have deepened our business model using an open value chain where we can access necessary resources quickly through proactive external collaboration to build the best possible combination while also incorporating and building upon the strengths of this unique value chain internally.



## Characteristics of business model

**1 Advanced technical knowledge and know-how gained from consistent involvement spanning from seeds to the dining table**

Tomato genetic resources: approx. 7,500 varieties

We possess advanced technological prowess and know-how in each process, including a database of tomato genetic resources and proprietary concentration techniques.

**2 New value creation capability by combining a robust supply chain and open innovation**

Number of procurement bases: 179 (FY2021 results)

For many years, we have been building a flexible and robust supply chain resilient in the face of any and all forms of change. Furthermore, we continue to create new value using open innovation with other companies and universities.

**3 High profit margin using procurement and development capabilities**

Domestic Processed Foods Business Beverage Margin: 9.0% (FY2022 results)

Our vegetable beverages deliver a high profit margin thanks to our procurement and product development capabilities along with our know-how in blending vegetables and fruits.

**4 Growth driver: Contribution to the social issue of helping people live longer, healthier lives**

Kagome's green and yellow vegetables supply volume: 18.5% of that consumed in Japan

Sources: VEGE-DAS (Kagome's vegetable supply volume calculation system), Estimated values for 2021 from "Food balance sheet," Ministry of Agriculture, Forestry and Fisheries (MAFF)

Helping people live longer, healthier lives is the greatest growth driver among the social issues that Kagome seeks to resolve. We will achieve growth by helping to resolve Japan's vegetable intake shortage with our products, including fresh vegetables and vegetable juices.

## Direction of business model evolution

Evolving our business model using an open value chain not only transforms existing businesses, but also helps to increase sustainable competitiveness and foster a culture for tackling challenges. Here, we will introduce our initiatives for an open value chain currently underway.

### Specific examples

#### ▶▶ Example 1 Rollout of VegeCheck®

The average daily vegetable consumption of an adult in Japan is around 290 grams, which falls short of the Ministry of Health, Labour, and Welfare (MHLW)'s recommended daily intake of 350 grams. To increase vegetable consumption, Kagome is rolling out a number of initiatives to increase people's appetite for vegetable consumption, including the Let's Eat Vegetables Campaign. The focal point of these initiatives is a tool called VegeCheck® co-developed with Biozoom Services GmbH of Germany. We are now working to develop technologies (data linkage, etc.) that make it easier to convey measurement results to users and encourage behavioral change, aimed at the further penetration and utilization of VegeCheck®. Going forward, we will develop VegeCheck® into a tool that makes vegetable consumption fun and familiar.



**Hiroki Hayashi**  
Health Business Department

#### ▶▶ Example 2 Rollout of SOVE® brand

Interest in plant-based foods is growing mainly among consumers highly conscious of their health and the environment. In October 2022, Kagome together with Fuji Oil Co., Ltd. established the SOVE® brand of plant-based foods combining soybeans and vegetables, with the first product under this brand a cereal made from soybeans and vegetables. SOVE® is a coined word that combines soy and vegetable. To create a world view for this new brand characterized by simple, high quality and refinement, the Kagome name is not used and instead products will be sold exclusively on the SOVE official website. Through the SOVE® brand, we hope to make plant-based foods easily accessible as a fun, common everyday meal option for all people.



**Masakazu Era**  
SOVE Business Department

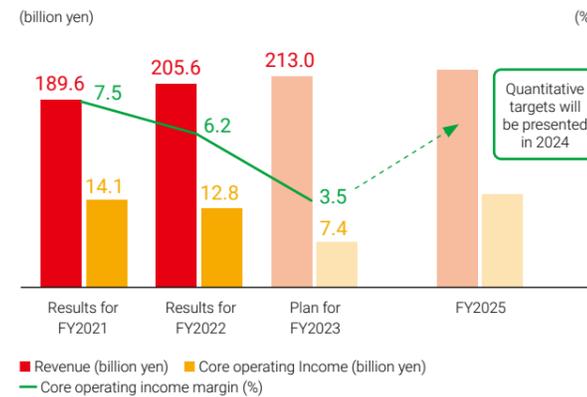
The four year period from 2022 to 2025 is positioned as the third Mid-Term Management Plan aimed at achieving our Vision and what Kagome strives for by 2025. In FY2022, the first year of the plan, our management environment underwent substantial changes due to soaring prices of raw ingredients caused by a combination of the rapidly changing situation in Ukraine, sharp depreciation of the yen, and declining yields of natural farm-produced ingredients resulting from climate change. Despite such changes, our Vision and what Kagome strives for by 2025 remains the same. However, we will take a second look at our quantitative targets for 2025 based on the current environment. Revenue is expected to exceed the initial plan amid higher sales of the International Business driven by the weaker yen and price revisions. Core operating income will decline due to higher prices for raw ingredients, but we will focus on priority issues, including earnings structure reforms of the domestic business, and grow our bottom line in 2024 and beyond.

## Quantitative Plan

We expect revenue for FY2023 will increase by 3.6% YoY to 213.0 billion yen. The Domestic Processed Food Business will see unit prices increase on price revisions, but revenue is expected to be largely the same as FY2022 because of a temporary decline in sales volume until new prices take hold. The International Business is expected to see rising selling prices of tomato ingredients for processing and growth in sales volume caused by tight supply-demand conditions worldwide. Additionally, in the United States, we will fortify our sales structure for the food service industry and seize new opportunities to increase sales.

Core operating income is expected to total 7.4 billion yen. We forecast core operating income will decline in FY2023 due to rising prices of raw ingredients and a temporary downturn in sales volume caused by price revisions.

Progress of the third Mid-Term Management Plan (billion yen) (%)



## FY2023: Respond Swiftly to Current Issues

### Reducing cost of sales with the perspective of structural reforms and quickly restoring demand following price revisions in the Domestic Processed Food Business

The price of raw ingredients continues to surge following the major environmental changes of FY2022. In particular, prices for primary raw ingredients such as tomatoes and carrots, containers and packaging, and fuels are expected to remain at elevated levels. Amid this environment, we will make price revisions and work together as a single company toward creating demand to entrench new prices for the target category.

Regarding our efforts to reduce cost of sales, we are promoting fundamental cost of sales planning with the perspective of structural reforms.

### Stable profit creation in the International Business

In the International Business, we are making progress on the profit side as planned, underpinned by the recovery in dining-out demand and price revisions. We will grow this business segment further by increasing sales of primary processed products such as tomato paste, obtaining new customers of secondary processed products for food service, and generating synergies within the Group.

### Increasing global procurement capabilities

Around 90% of our raw ingredients are procured from outside of Japan. In FY2022, droughts occurred due to climate change and geopolitical risks emerged, such as the situation in Ukraine. To consistently deliver products that are safe and offer peace of mind, we will further strengthen our expansive domestic and global procurement network and enhance our stable procurement capabilities.

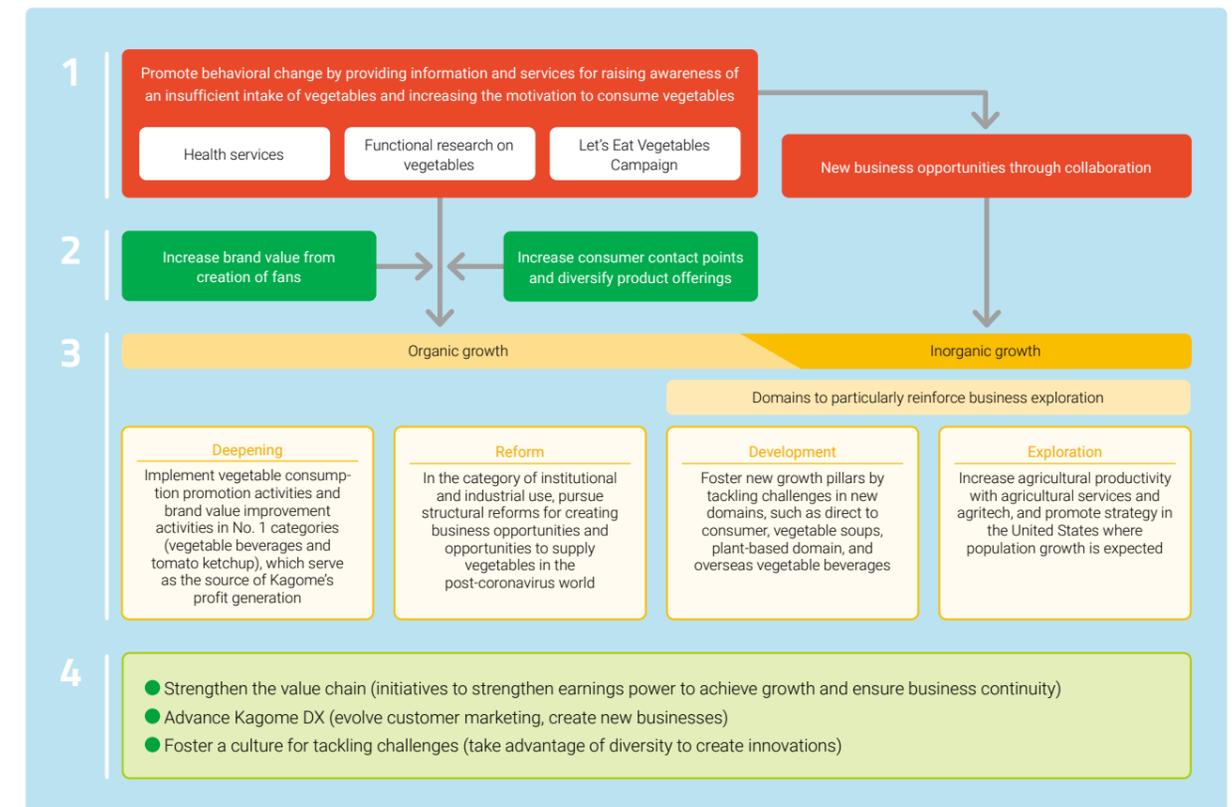
The basic strategy outlined in the third Mid-Term Management Plan is to achieve sustainable growth by taking four actions that are organically connected. These actions hold the key for our medium- to long-term growth in the current management environment symbolized by growing severity. We will work collectively as a Group of companies to make steady forward progress with these four actions.



## Basic Strategy of the Third Mid-Term Management Plan



## Diagram of Growth Strategies in Third Mid-Term Management Plan



**1** Key Actions

**Promote behavioral change in terms of vegetable intake**

The starting point of our growth strategies will be efforts toward raising consumers' awareness of insufficient vegetable consumption and increasing their motivation to consume vegetables by providing information and health service.

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

We are increasing opportunities and places where people can experience VegeCheck®, a device that can measure a person's estimated vegetable consumption levels in around 30 seconds. As of January 2023, the total number of measurements exceeded 2.32 million. We have been rolling out the devices at retail stores, which have seen sales of fresh produce and vegetable juices increase as a result.

**Promote functional research on vegetables**

We are promoting increased awareness of Na/K, which balances reduced sodium intake with potassium intake that contributes to sodium excretion, as a way to prevent high blood pressure. We are also implementing health guidance programs using Na/K in various scenes, including the specified health exams of local governments.

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

Through the Let's Eat Vegetables Campaign, launched in 2020, we are sharing information via multiple media platforms, in-store, and through collaboration with local municipalities to raise awareness of insufficient vegetable intake, inform people why vegetables are essential, and suggest easy and delicious ways to eat vegetables. As part of this, under the Vegetable Intake Promotion Project, through which we cooperate with 19 companies and organizations that endorse the campaign, there were 38 joint projects in 2022 (up 17 from 2021), and since the project's inception, we have shared information with a total of 35 million people and provided hands-on experiences to 21,000.



VegeCheck® in a retail store



AI Pudding, made with ingredients suggested by AI that pair well with vegetables children have difficulty eating and jointly developed between NEC and Kagome

**2** Key Actions

**Change to fan-based marketing**

We are enhancing brand value and increasing fans who share the same view with Kagome's social contributions and values through Kagome's broad business activities.

**Launch of Food Education with Its Origins in Growth Processes**

We launched an activity that conveys our food education world view based on daily and ongoing contact points with consumers through the three hands-on steps of growing, harvesting and creating experiences with continuity in our everyday lives, to encourage ongoing actions in terms of vegetables even after growing season. In 2022, we held a food education event called Wonder Farm and Tomato Vines at six shopping malls across Japan. This fun, interactive event informed 22,000 visitors about life with vegetables through an original story and characters portraying our world view up to the vegetable growth process, along with a huge tomato vine. Looking ahead, we will expand our contact points with consumers to create more Kagome fans by increasing content on tomato seedling cultivation and hosting of hands-on events.

**Creating fans with empathy in real-life spaces**

We rebranded the kitchens at our branches across Japan used to share information and provide hands-on experiences to customers to inform them about the excitement of living with vegetables as Kagome Kitchen Farm. These kitchens will foster empathy in not only our products, but also services by connecting us directly with local consumers. Additionally, at Yasai Seikatsu Farm, an important communication point, we convey to many consumers Kagome's value formation from agriculture through hands-on harvesting of vegetables and factory tours.



Harvesting experience part of Wonder Farm and Tomato Vines



Yasai Seikatsu Farm

**3** Key Actions

**Pursue both organic and inorganic growth**

**Earnings structure reforms in the domestic business**

The cost structure of the domestic business is undergoing major changes due to the rising prices of raw ingredients and energy. Given expectations of future cost increases, we will pursue additional earnings structure reforms by reviewing the cost structure of many categories and products in the domestic business and revamping products with changes in specifications and retiring unprofitable products.

**Strengthening domains that contribute to vegetable consumption**

Topline growth is vital to generating greater profits. The main growth driver of the third Mid-Term Management Plan is business domains contributing to vegetable consumption. Specifically, with focus given to the four domains of vegetable beverages, prepared dishes and processed items, vegetable soups, and plant-based foods, we will supply various vegetables through many channels using various degrees of processing and formats. This will create an environment where people can easily eat vegetables anywhere and at anytime.



**Progress of inorganic growth**

We are stepping up business exploration in terms of inorganic growth achieved with new resources obtained through M&A and other means. Our growth strategy in the United States, which is spearheaded by the US Growth Strategy Department, involves exploration of business domains for primary processed tomato products and for food service applications in the country. In the agriculture service and agritech domains, DXAS, our joint venture with NEC Corporation, launched AI-driven farming management recommendation service and automated irrigation control services for pulse drip irrigation. This addresses water shortages experienced by farms to encourage more profitable and environmentally friendly farming and contribute to sustainable agriculture. [P.29-30](#)

In the plant-based domain, we engage in the plant-based foods business together with TWO Inc. [P.31-32](#)

**4** Key Actions

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

<p><b>Strengthen the value chain</b></p> <ul style="list-style-type: none"> <li>Strengthen ability to purchase raw ingredients <a href="#">P.20</a></li> <li>Sustainability <a href="#">P.41-44</a></li> <li>Risk management and BCP <a href="#">P.67-70</a></li> </ul>	<p><b>Promote digital transformation (DX)</b></p> <p><a href="#">P.33-34</a></p>	<p><b>Foster a culture for tackling challenges</b></p> <p><a href="#">P.49-52</a></p>
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**Comments from a Person in Charge**

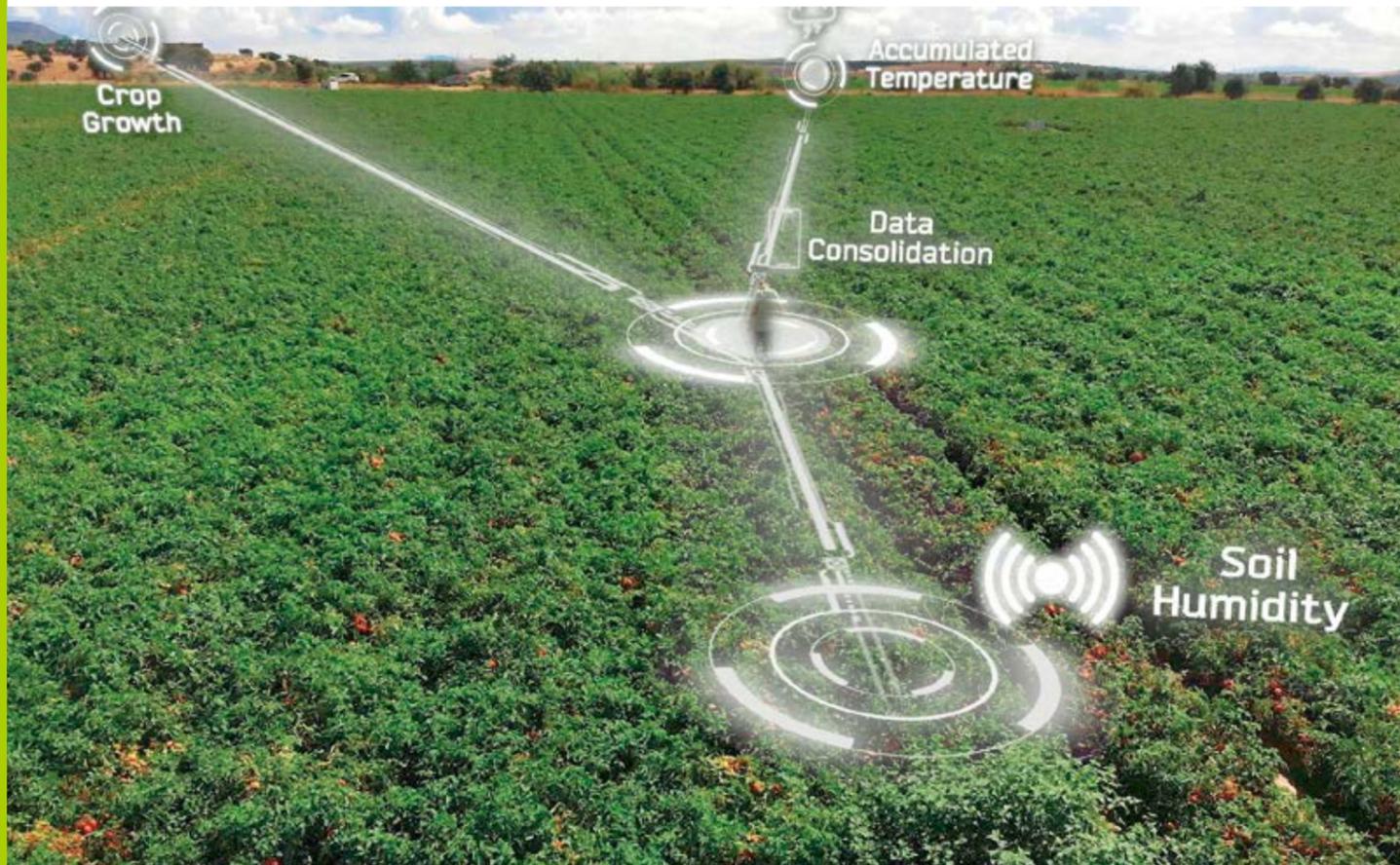
**Working to increase procurement of processing tomatoes domestically**

The declining scale and even outright abandonment of cultivation of processing tomatoes caused by an aging agricultural workforce and labor shortages in Japan has resulted in a shortfall in procurement volume. As one possible solution, we are working to promote increased cultivation of mechanically harvested tomatoes that reduce workload. We aim to create a stable supply system by mechanizing and standardizing not only harvesting work, but also cultivation management leading up to the harvest. In 2022, planted area with mechanical harvesting and cultivation was 155% of the previous year's level, while this same type of harvesting and cultivation accounted for 38% of total planted area including manual harvesting. In the future, we will need to further stabilize harvests in order for our contract farmers to cultivate processing tomatoes continuously. We will work to address the issue of increasing harvests using mechanical harvesting and cultivation to achieve a stable supply of processing tomatoes farmed domestically.



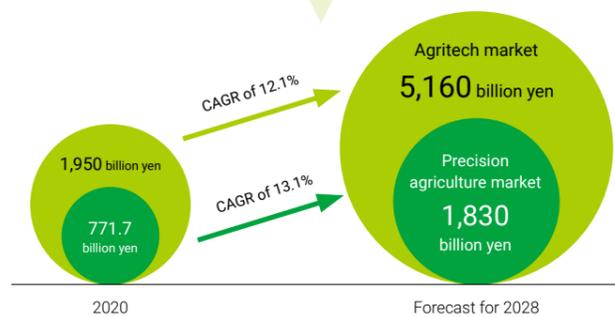
**Shozo Kawada**  
Raw Material Department, Production & Purchasing Division

# Special Feature 1 | Innovate Global Agriculture with DX Solutions



## Growing agritech market

The agritech market and precision farming market have seen consistently high CAGR in the range of 12 and 13% while both were impacted minimally by the COVID-19 pandemic.



Source  
GlobeNewswire  
<https://www.globenewswire.com/en/news-release/2021/04/16/2211431/28124/en/Global-Agritech-Market-Report-2021-Market-was-Valued-at-17-442-7-Million-in-2019-and-is-Projected-to-Reach-41-172-5-Million-by-2027.html>

Grand View Research  
<https://www.grandviewresearch.com/industry-analysis/precision-farming-market>

Tomato paste is an extremely important raw ingredient for Kagome's business. In turn, the sustainable cultivation of processing tomatoes used as a raw ingredient for tomato paste is essential to the continuity of our business operations.

Kagome has been working with NEC Corporation on the development of AI-driven farming management recommendation services since 2015, with this partnership yielding the establishment of joint venture company DXAS Agricultural Technology LDA (DXAS) in Portugal in September 2022. DXAS will contribute to sustainable agriculture in countries around the world by promoting innovations in agriculture to create environmentally friendly and profitable farming through the integration of Kagome's agronomies and NEC's technologies.

### Background to establishment of DXAS

#### Company name: DXAS Agricultural Technology LDA\*1

Achieving sustainable tomato cultivation requires that we address a number of issues, such as responding to the decline in producers and reducing environmental impacts. Kagome and NEC have been harnessing each other's strengths to enhance CropScope\*2, an AI-enabled agricultural ICT platform, for processing tomatoes.

With the establishment of DXAS, both companies seek to accelerate technological development, strengthen the service provision system, as well as achieve sustainable, low-input high-output agriculture and higher production efficiency of tomato processing companies.

\*1 DXAS The company's name DXAS embodies the commitment to use digital transformation (DX) to make agriculture sustainable.

\*2 CropScope An ICT platform featuring a service for visualizing the growing conditions of tomatoes and an AI-driven farming management recommendation service.



### Actions to be taken by DXAS

#### Accelerating technological development

DXAS will reduce the workload of tomato producers and processing companies by further streamlining farming management work by linking AI technologies with irrigation systems. Additionally, it will provide environmentally friendly and profitable farming support services by improving cultivation methods, from soil preparation which is important for crop growth, to harvesting, using Kagome's agricultural research results.



#### Strengthening the service provision system

DXAS will establish a system in countries around the world where personnel with agronomic knowledge and experience who understand each user's farm site propose optimal services and support the application of technologies. In addition to its home market of Europe, DXAS will first support farming management in the United States and Australia. It will also strengthen partnerships in the agricultural industry to further accelerate business development.



### Comments from a Person in Charge

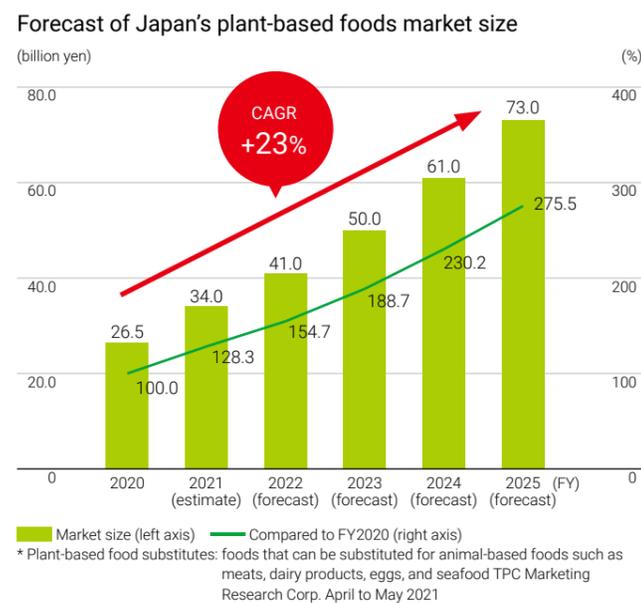
#### Innovating global agriculture and contributing to solutions to social issues

Currently, trials are taking place or services are being offered in seven countries. Going forward, we will further accelerate this rollout and aim to become the de facto standard in the global tomato market. Our sales target for 2026 is 3.0 billion yen and we anticipate that this market will continue to grow further in the future. We also aim to contribute to solutions to social issues by further increasing sales and expanding business domains with the many synergies gained primarily from DXAS.



**Kengo Nakata**  
DXAS Agricultural Technology LDA CEO

## Special Feature 2 | Expansion into Plant-based Domain



Plant-based foods refers to all foods made from plant-based ingredients that do not contain any animal-based raw ingredients. In recent years, the plant-based foods market in Japan is growing. One reason why the market is garnering attention is soybean meat, one of the most well-known plant-based foods. Given its ability to be a substitute for meat, which will see supply shortages in the future, and it uses less water and generates less CO<sub>2</sub> emissions than ordinary meat, soybean meat is in the spotlight as part of a sustainable diet. Capitalizing on our long-standing knowledge of plant-based food ingredients, we will supply a number of plant-based foods tailored to a variety of lifestyles.

Launch of plant-based products made with high quality and great tasting food ingredients cultivated as a vegetable company

Plant-based food series maximizing the flavor of vegetables

The Kagome Plant-based Food Series featuring such staples as plant-based curry and pasta sauce made from vegetable-derived raw ingredients is offered in single serving retort packaging to ensure even more consumers have quick and easy access to flavorful plant-based menu options that maximize the flavor of vegetables. This series is certified vegan by VegeProject Japan.



Creation of new value using collaboration with other companies

Establishment of new plant-based food brand SOVE® combining soybeans and vegetables to propose a new style of eating

In October 2022, Kagome released SOVE® Cereal, which offers ample vegetable-based protein and dietary fiber in a single serving (30g), jointly developed with Fuji Oil Co., Ltd. Through the SOVE® brand, we hope to make plant-based foods a familiar meal option that anyone can enjoy and sustain. We are planning to develop and sell a number of new products under the brand going forward.



Second jointly developed product between TWO and Kagome Released the eggless Ever Egg product for dry temperature zones

In April 2023, we plan to release a new product in the brand jointly developed with TWO Inc. By launching new products such as the eggless Ever Egg, made using a soft boiled method for cooking vegetables, we will aim to expand our contact points with consumers with a strong interest in plant-based foods and to gain new users.



First jointly developed product: 2foods Plant-based Omelet Rice

Comments from a Person in Charge

Using teamwork to create a surprising plant-based food

Staffed with people of various backgrounds, the project team established with TWO Inc. is discussing and testing various ideas with the goal to create plant-based foods that surprise. The team is a venue for earnest thinking on products that will really surprise consumers. Ever Egg is the first such product. This egg made from carrots represents an epoch-making product for Kagome.

We intend to steadily create a number of novel and exciting products by combining TWO Inc.'s creative thinking with Kagome's expertise in commercialization and vegetables.



**Daisuke Ishioka**  
Food Marketing and Sales Promotion Department, Marketing Division

# Special Feature 3 | Kagome's Digital Transformation

Promoting digital transformation (DX) will allow us to shift to marketing tailored to individual consumers, create new businesses, and quickly transform our business processes.

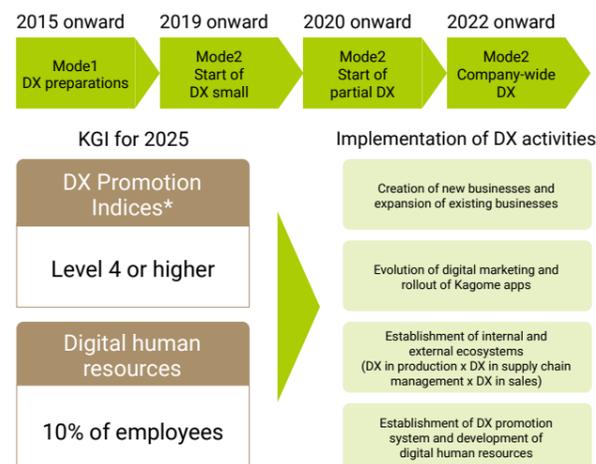
## DX strategy for becoming a strong company that can continue growing sustainably

After revamping our legacy systems in the preparatory phase, around 2020 we started with a more aggressive Mode 2 approach to IT partially changing parts such as establishing a CDP\*. With DX, we are shifting to marketing tailored to individual consumers, creating new businesses, and transforming our business processes. Under the third Mid-Term Management Plan that kicked off in 2022, we are implementing DX as part of management strategy and working on these activities on a company-wide basis.

We aim to achieve three goals by 2025. First, we will expand DX initiatives overseas and achieve level 4 in the DX Promotion Indices. Second, we will ensure DX contributes directly to the top line through creation of new business, expansion of existing business, and increasing productivity in innovation. Third, we will develop digital human resources internally who can play an active role in DX projects.

In 2022, we established two meeting bodies in preparation to achieve the above. The Digitalization Promotion Committee works to integrate DX with management strategy, while the DX Promotion Committee fosters a culture of reform and develops human resources. Going forward, we will promote an effective DX strategy by fostering a culture of DX internally.

\* CDP Customer Data Platform. A data platform for gathering, integrating and analyzing attribution data and behavior data of individual customers.



\* DX Promotion Indices: indices that measure the maturity of DX promotion published by Japan's Ministry of Economy, Trade and Industry (METI)

## Development of digital human resources

We have defined three levels of digital skills; namely, digital utilization, digital application, and digital expert, and are now conducting training and development through open recruitment and nominations.

In addition to digital skills, we will integrate this with business skills training to develop 1% of employees into human resources who can lead DX projects and 10% of employees into human resources who can support DX by 2025.

Levels	Skills	2025 targets
Digital expert	Promote DX companywide using specialist skills • Digital business concepts • Data scientists • Project management	1% of employees
Digital application	Complete utilization of miscellaneous tools • Programming • Automation (RPA) • Utilization for standardization and streamlining of data analysis work	20% of employees
Digital utilization	Complete utilization of IT tools on a day-to-day basis, including preparing documents and web meetings	80% of employees

Business skills training

DX leaders: 20 persons

DX supporters: 200 persons

### Open recruitment type RPA training for developing digital skill holders

We will move away from the conventional approach where the company, using its own costs and time, requests IT divisions to develop systems to achieve an approach where we can streamline and automate frontline operations autonomously. Additionally, this frontline-led approach to the use of digital technology will enable motivated personnel to play a leading role. By 2025, we plan to train and develop 20% of our total workforce so that they can apply digital technologies, such as RPA, autonomously to improve operations.

## Quick look at specific initiatives

### Evolution of digital marketing and rollout of Kagome apps

We have begun personalizing data accumulated on our CDP for utilization in marketing. Additionally, we released a smartphone app called "Let's Eat Vegetables" in June 2022. Using our CDP infrastructure and apps, we will support business divisions and promote behavioral change in consumers.



### Comments from a Person in Charge



#### Utilization of CDP

Kagome's strength can be found in its ability to propose the appeal of vegetables and foods in various different formats through its fresh produce, condiments, beverages, and health businesses, along with interactive hands-on facilities. Using our CDP to identify products and services across all of our businesses, we are seeking to propose encounters with vegetables and foods tailored to individual customers. We will use approaches unique to Kagome to play a helping hand in the making the lives of our customers more fulfilling.

Sae Suzuki Digital Marketing Group, Sales Promotion and Support Department, Sales Division

### Creation of new business

In September 2022, Kagome established a joint venture company called DXAS Agricultural Technology LDA together with NEC Corporation. We will combine Kagome's strengths in agronomy with NEC's technologies to usher in an agricultural transformation, and contribute to sustainable agriculture in countries around the world by promoting highly profitable farming management that is also environmentally friendly. [P.29-30](#)

In March 2022, we released a smartphone compatible app called Vege Home! that can be easily used in the cultivation of tomatoes remotely. We are now exploring ways to create new businesses in agriculture using this app.

### Comments from a Person in Charge



#### Development of new service Vege Home! enabling remote cultivation of tomatoes

Vege Home! is a farming experience app that makes it possible to grow your own tomatoes from anywhere and at anytime using a smartphone, with the actual tomatoes delivered to your door. Through a partnership with Hibikinada Greenfarm Co., Ltd.\*, users can give cultivation instructions and observe their tomatoes from the app. This service is ideal for people who want to try their hand at agriculture, but do not have the space or time.

\* Large hi-tech farm cultivating Kagome brand tomatoes

Makiko Kita Operational Reform Promotion Department, Kagome Axis Co., Ltd.

### Operational process reform and improvement (Production DX)

We began digitizing daily reports at our production sites in 2019. In addition to reducing transcription errors and time spent recording data, we have been able to utilize and deploy this data in stages. Currently, we are moving ahead with a project to automate the planning work for production plans, which require countless hours to complete.

### Comments from a Person in Charge



#### Production plan automation

Our top priority issue in plant DX is production plan automation. The production plan is compiled with complex restrictions in mind. This relies heavily on personal experience and requires a large amount of time to complete. Therefore, we will automate this work by 2025 in an effort to eliminate this reliance and reduce time spent on it by around 4,500 hours annually. In addition, my role is to plan, design and implement to ensure that digital technology changes our plants, including digitization of daily reports as well as visualization of data and automation of its analysis.

Hiroki Ito Production Technology Department, Production & Purchasing Division



► Business Strategies

## Domestic Processed Food Business

The Domestic Processed Food Business offers a variety of vegetable beverages and food products using tomatoes, carrots, and a wide range of other vegetables. We deliver products that can be consumed by all ages, from children to the elderly, for use in various situations in everyday life to help people live longer, healthier lives through increased vegetable consumption.



### FY2022 in Review (Results and Issues)

#### Results

We implemented the Let's Eat Vegetables Campaign, which seeks to increase vegetable consumption levels by another 60 g, and undertook proactive sales promotion activities. In terms of beverages, demand for home packs of Yasai Seikatsu 100 series declined, but sales of tomato juice and the Yasai Ichinichi Kore Ippon series were strong. In food products, we stepped up our promotions targeting home cooking demand. Institutional and industrial use sales were strong amid the recovery in demand for dining out. Revenue increased, but core operating income declined due to surging prices of raw ingredients and other factors.

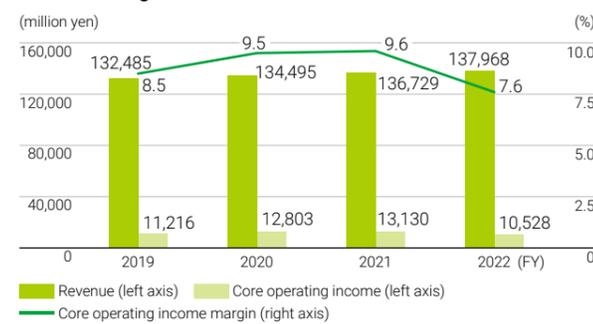
#### Issues

We have seen rising costs for packaging and energy, not to mention surging prices of agricultural raw ingredients around the world, including our main raw ingredient of tomatoes. Based on this situation, we implemented price revisions on our products in February 2023. One major issue is minimizing any decline in sales volume caused by these price revisions and creating demand to ensure these new prices become entrenched. Additionally, we recognize other urgent tasks to be the rejuvenation of markets for vegetable beverages which are now contracting along with strengthening the Yasai Seikatsu 100 series, our largest brand.

#### Performance trends (FY2022)



#### Revenue, core operating income, and core operating income margin



\* The Company made changes to its reporting segment classification in FY2022. Figures for FY2021 were prepared retroactively and are presented based on this change.

#### Strengths and weaknesses of the business based on value chain analysis

##### Strengths

- Overseas network and quality assurance capabilities in the procurement of raw ingredients
- Brand power cultivated over its 120-year history
- Functional research and product development capability utilizing the power of raw ingredients
- Diverse sales channels and product proposal capabilities tailored to customer

##### Weaknesses

- Flexible value chain adaptability in the face of environmental changes
- Resource diversification in order to maintain offerings of wide range of categories
- Competitiveness in commodity markets
- Penetration among young people

#### Incorporating growth opportunities

—Towards sustainable growth—

- Enhancement of corporate communication to increase Kagome fans
- Maintenance and enhancement of ability to capture profits by boosting the value of existing categories
- Expansion of active domains for the formation of elements vital to the next stage of growth
- DX supporting the above activities and particularly sophisticated utilization of CDP

#### Response to risk

—Reducing capital costs—

- Further diversification of procurement capabilities / areas to avoid unstable raw ingredient procurement due to foreign exchange rates and market prices
- Strengthening of initiatives focused on high profit and growth potential businesses and flexible reshuffling of product portfolio
- Promotion of fundamental activities to carefully plan cost of sales and reduction of product SKUs

### Current response and development of pillars for medium-term growth

#### Food products and institutional and industrial use business

Taking into account rapidly rising prices of raw ingredients, we instituted price revisions in February 2023, following a similar move in 2022, in the food products and institutional and industrial use business. To create demand following these price revisions, in terms of food products, we will hold Rice Omelet Stadium® 2023, a major sales promotion that takes place once every four years. This event will mark its 10th year since inception and with each event it garners more and more attention. Centered around this, we will carry out activities beyond the boundary of the food products, institutional and industrial use, and the agriculture businesses to focus on breathing new life into people's Western menu options throughout the year in terms of home cooking, home meal replacement, and dining out.

Additionally, by expanding our collaboration with TWO Inc., we will speed up activities in categories aimed at the next stage of our growth, such as plant-based foods.



Rice Omelet Stadium® 2023

#### Beverage business

We initiated price revisions of our products in the beverage business in February 2023. To create demand following these price revisions, we will revamp the Yasai Seikatsu 100 series, our most important brand in the vegetable beverages market. We have already increased the vegetable blend ratio from the current 60% to 70% and created a smooth, easy-to-drink flavor without any aftertaste. In addition, we will focus on the value of color of vegetable beverages and roll out a much larger sales promotion than ever before balancing emotional value with functional value, symbolized by carotenoid. Under the campaign's message "Go Vivid," we will approach consumers from multiple angles both online and offline in an effort to increase the frequency of consumption among current users and capture new ones.





► Business Strategies

# Domestic Agri-Business

Through the Domestic Agri-Business, we engage in business activities to transform into a “vegetable company” with a focus on the production and sales of fresh vegetables including fresh tomatoes and mesclun greens. We aim to elevate the value chain of fresh produce from production to consumption, while also acquiring stable revenue and contributing to solutions to the social issues of agricultural development and helping people live longer, healthier lives.



## FY2022 in Review (Results and Issues)

### Results

Revenue rose year on year as we actively deployed measures to spur demand and market conditions improved compared to FY2021. This cancelled out the diminished volume of fresh tomatoes caused by weather and disease. Core operating income increased on the effects of fixed cost reductions achieved through structural reforms.

In terms of sales and marketing initiatives, we were able to generate demand among a wide range of age groups with our products featuring Disney character designs. Additionally, we were able to steadily increase the share of high value-added products, such as high lycopene tomatoes and high GABA tomatoes, in our sales mix. There is also growing interest in home gardening among consumers, which led to strong sales of tomato seedlings and soil. As for initiatives to improve productivity, we rolled out an AI-powered system that can predict tomato yields (using deep learning functions with artificial intelligence) at our main farms.

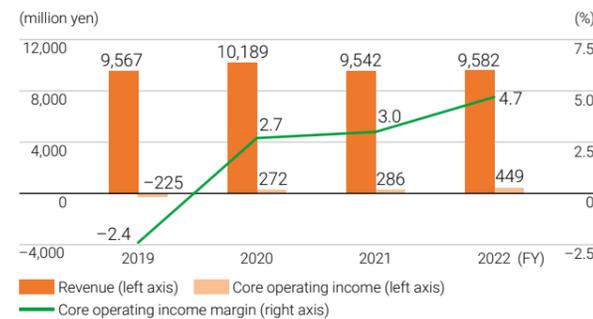
### Performance trends (FY2022)



### Issues

In FY2022, we were impacted by negative external factors beyond our expectations. These included higher production cost pressures caused by a higher minimum wage along with a rapid increase in commodity prices, such as surging fertilizer and LP gas prices, as well as a shortfall in procurement volume of fresh tomatoes due to unstable weather during the summer and autumn (heat waves and torrential rainfall). We recognize that the greatest issue we face is promoting a shift to a business structure less susceptible to the impacts of these environmental changes. We will focus on increasing productivity by using energy more efficiently and increasing work efficiency, for example, as well as promoting a procurement strategy tailored to variety, cropping type and location. Furthermore, we will work to stabilize quality, cost and delivery and actively propose new products in an effort to expand sales to reach new customers and channels.

### Revenue, core operating income, and core operating income margin



\* Includes intersegment revenue within the Domestic Business.  
 \* The Company made changes to its reporting segment classification in FY2022. Figures for FY2021 were prepared retroactively and are presented based on this change.

### Strengths and weaknesses of the business based on value chain analysis

#### Strengths

- Established a national brand for fresh tomatoes
- Advanced tomato breed development abilities, procurement capabilities and marketing capabilities
- Year-round supply capabilities and sales network empowered by our own marketing and logistics networks
- Quality assurance system using analysis of functional ingredients and residual pesticides
- Human resources with specialized skills (knowledge and techniques) in the agriculture business

#### Weaknesses

- Earnings volatility due to market conditions unique to fresh tomatoes
- Declining cost competitiveness in commodity markets for fresh tomatoes
- Lagging behind with production automation in labor-intensive commercial horticulture
- Lack of production base, including varieties, cultivation areas and distribution, for vegetables other than tomatoes and mesclun greens

### Incorporating growth opportunities —Towards sustainable growth—

- Acquisition of opportunities to utilize our know-how, such as reducing pesticides, in the Japanese government's Green Food System Strategy
- Progress with smart agriculture driven by robotics, AI and IoT and with development of environmental control technologies
- Increased sales channels for fresh vegetables and rising health consciousness
- Rising interest in ESG investment and the SDGs in agriculture

### Response to risk —Reducing capital costs—

- Response to tougher competition by increasing large greenhouses
- Response to rising costs including personnel, energy, materials, and logistics
- Response to decline in suitable cultivation land and to emergence of new pests due to climate change

## Current response and development of pillars for medium-term growth

### Environmental changes in the Mid-Term Management Plan and our response

In response to rapidly increasing commodity prices, we will secure profits by increasing selling prices of our products and by both controlling rising cost of sales and reducing fixed costs. We will step up cooperation with relevant departments to increase awareness of the Kagome tomato brand and expand customer contact points. At the same time, we will increase the share of sales of high value-added products, such as high lycopene tomatoes and high GABA tomatoes, to more than 66% (54% in 2022) and shift to a business structure that is less susceptible to market fluctuations. At the same time as reining in rising cost of sales, we will work to establish procurement prices that enable continuous production, implement sales measures to increase earnings power, and reform business processes, in order to establish a cost structure that ensures profitability even in poor market conditions. In terms of development in new growth domains, we will develop and grow other fresh vegetables (purple onions, etc.) as the next source of income after tomatoes and mesclun greens.

In the home gardening business, we aim to become the industry leader in tomato seedlings and also expand sales to include the seedlings of other vegetables.



Mesclun greens farm

### Towards medium- to long-term value creation

We will promote value creation aiming to “build a progressive and sustainable agri-business that aggressively revamps Japan’s agriculture industry.” Toward this end, we will further strengthen our variety development, technology, procurement and sales capabilities through cooperation internally and externally as well as enhance the value chain from fresh vegetable production to consumption.

Specifically, we will work to make our value chain more advanced by developing new high-function vegetables in cooperation with research and development departments, researching and developing harvesting robots using the latest technologies, and expanding the agri-services business utilizing our management resources in the agriculture business. Through upgrading our supply chain, we will address the diversifying health needs of consumers by expanding fresh vegetables and related products with a higher degree of added value.



High quercetin purple onions feature a vividly purple color and contain around 1.5 times the quercetin of normal onions.



Business Strategies

# International Business

In the International Business, we engage in a broad range of operations from seed development and farming to processing and sales. In processing, we largely classify our operations into primary processing, which manufactures tomato paste and other products, and secondary processing, which manufactures tomato sauce and pizza sauce using tomato paste. Our main customers in the International Business are condiment makers and food service companies, with the business focused on the BtoB category in the United States, Europe, and Australia.

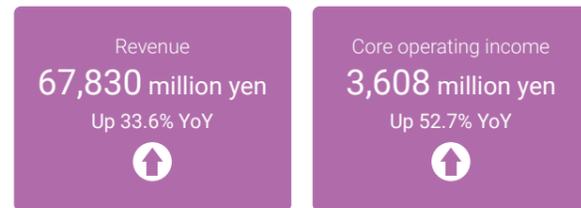


## FY2022 in Review (Results and Issues)

### Results

Kagome Inc., which mainly operates in the United States, posted strong sales to food service companies including new customers driven by robust food service demand in the United States. Kagome Inc.'s revenue greatly exceeded the level in FY2019 before the COVID-19 pandemic, driving the growth of the International Business as a whole. Tomato primary processing, including HIT of Portugal, also contributed greatly to increased revenue thanks to high prices for tomato paste worldwide. Core operating income increased on yen depreciation and price revisions implemented by each company, which helped to offset rapidly rising prices of raw ingredients and energy.

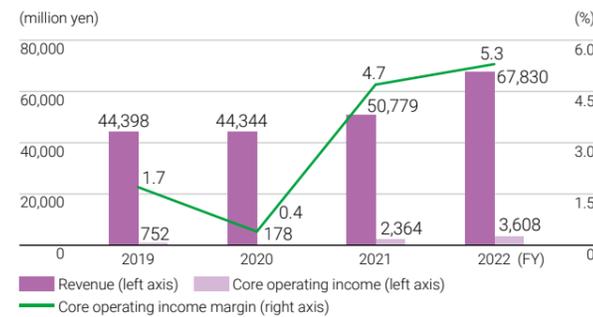
### Performance trends (FY2022)



### Issues

Our most recent issue is addressing inflation around the world. This involves increasing productivity, reducing fixed costs, and implementing price revisions to secure profits. In upstream businesses such as primary processing, we have been able to steadily pass on higher costs to selling prices, and in secondary processing, we are initiating price revisions as needed. Through these initiatives, we expect to increase the core operating income margin in FY2023 by 0.4 pts to 5.7%. Over the medium to long term, issues involve the review and implementation of growth strategy centered on the United States and strengthening the supply chain around primary processing.

### Revenue, core operating income, and core operating income margin



\* Includes intersegment revenue with the Domestic Business.  
 \* The Company made changes to its reporting segment classification in FY2022. Figures for FY2021 were prepared retroactively and are presented based on this change.

## Strengths and weaknesses of the business based on value chain analysis

### Strengths

- Ability to propose menu item solutions to food service chains
- Stable access to tomato paste from tomato primary processing companies globally
- Quality capability in rolling out a common global quality management standard at our Group companies and promotion of solutions to ESG issues

### Weaknesses

- Earnings volatility in the upstream business, such as primary processing, etc.
- High level of dependence on specific high-volume customers
- Lack of brand recognition in BtoC

### Incorporating growth opportunities

—Towards sustainable growth—

- Improvement of proposal of ideas to Quick Service Restaurants (QSR) and the fast casual business format in the United States
- Development of containers and products compatible with take-out and delivery needs and efficient restaurant operations
- Growth of vegetable beverages in Asia amid rising health consciousness among consumers

### Response to risk

—Reducing capital costs—

- Establishment of stable supply chain utilizing our own resources
- Consideration of the possibility for producing vegetables other than tomatoes and processed fruit products in primary processing
- Cultivation of new clientele and shift towards high value-added products, including inorganic growth
- Differentiation and establishment of the brand name through conveying the value of vegetable drinks and use of unique food ingredients

## Current response and development of pillars for medium-term growth

### Environmental changes in the Mid-Term Management Plan and our response

Food service demand experienced a strong recovery in the United States following the easing of COVID-19 restrictions, and this demand is expected to grow continuously going forward. Food service companies face the issues of rising raw ingredient costs and staff shortages at restaurants, and since they are proactive in addressing environmental changes, we will step up development of new product containers that increase restaurant efficiency and initiatives to address ESG issues across the Group.

Furthermore, following the COVID-19 pandemic and situation in Ukraine, there has been increased eat-at-home demand and a shift from tomatoes to competing crops, while worldwide volumes of tomato paste have switched from high to low levels due to water shortages and other factors. For the time being, it is important to establish a stable supply chain, and we will increase competitiveness by utilizing the resources of Group companies to secure a certain volume of high quality tomato paste.



Food service menu using Kagome Inc. products

### Towards medium- to long-term value creation

Looking ahead, in the International Business, we will strengthen our growth strategy around the United States and the supply chain centered on primary processing.

One of the four actions under the third Mid-Term Management Plan is to pursue both organic and inorganic growth. We are pursuing a growth strategy that harnesses the synergies with Group companies in the United States and considers inorganic growth through partnerships with other companies and M&A. The US Growth Strategy Department established in 2021 will spearhead reviews of growth from various angles, including expansion of coverage area and product formats.

Amid worldwide supply chain disruptions, securing stable production and supplies of tomato paste is vital not only for the continuity of the International Business, but also the Domestic Processed Food Business, which relies on tomato paste as a major raw ingredient. We will focus on building a stable supply chain using our strength of having our own Group companies in primary processing.



Kagome Australia Pty Ltd.

Kagome's approach to sustainability



Basic Policy on Sustainability

Since its founding, the Kagome Group has proposed novel approaches to foods and services harnessing the bounty of nature, following its commitment toward manufacturing embodied by the belief that fields are the primary production plant.

To pass this approach to business on to the future, we will put into practice our corporate philosophy of "appreciation," "nature" and "corporate openness." At the same time, we will work to resolve social issues with the cooperation of stakeholders to achieve the Group's sustainable growth and realize a sustainable society.

Last year, when kicking off the third Mid-Term Management Plan, we defined our approach to sustainability as business activities aiming to make us a strong company capable of sustainable growth, using food as a means of resolving social issues. In January 2023, we established the Basic Policy on Sustainability after exploring expressions that will increase empathy among customers and employees while incorporating the relationship with our corporate philosophy and other policies.

Our corporate philosophy has always contained approaches to sustainability related to the environment and society. We believe that putting this into practice will lead to the Group's sustainable growth and the realization of a sustainable society.

The social issues within this policy align with What Kagome strives for by 2025 in terms of longer, healthier lives, agricultural development and regional revitalization, and sustainable global environment.

MESSAGE



**Takashi Hashimoto**  
Director & Senior Managing Executive Officer

Under the third Mid-Term Management Plan that got underway in FY2022, we presented our approach to sustainability and laid out our intentions to work toward sustainability with a long-term perspective. We have co-existed with agriculture using fields as the primary production plant and addressed sustainability issues including the natural environment. To reflect and promote these issues in management strategy, we set up the Sustainability Group and established the Sustainability Committee under the Management Meeting.

Additionally, we reviewed the materiality issues that we identified in 2019 considering the external environment, such as international goals (SDGs) and increasing severity of climate change. We will now work to instill this materiality further internally as a priority issue, and at the same time, we must deepen understanding of our actions among external stakeholders.

As for our environmental initiatives, we have been promoting a high priority response to climate change. We obtained certification from the Science Based Targets initiative (SBTi), revised our reduction target for greenhouse gas emissions to the 1.5-degree scenario and announced our endorsement of the TCFD's recommendations. We have begun building a responsible procurement foundation for society and are stepping up our sustainability initiatives across the entire supply chain.

The sudden, rapid changes in operating environment, symbolized by surging commodity prices, are impacting the management of many companies. Nevertheless, we will aim to strike a balance between a sustainable society and the sustainable growth of Kagome in the future while overcoming these environmental changes.

Sustainability promotion system

Establishment of Sustainability Committee

Previously, Kagome addressed sustainability issues at the division and department level. Additionally, we identified our materiality in 2019 in the form of issues that if addressed will help us achieve value creation and a sustainable society.

In October 2022, Kagome established the Sustainability Committee, under the Management Meeting, which visualizes and promotes these initiatives to address risks and opportunities with a long-term view, as the company's control tower for promoting sustainability companywide.

The Sustainability Committee defines sustainability issues as issues that will help us to achieve long-term value creation

and the sustainability of society while addressing our own materiality. In total, the committee identified the four issues of sustainable agriculture, circular economy, reduced environmental impacts and CSR in the supply chain. It also established three subcommittees to work on these issues in the form of planning and executing specific measures. The committee discusses long-term preparations and actions in response to sustainability issues based on the matters discussed by its subcommittees. In turn, these findings are reported to the Management Meeting and Board of Directors to be reflected in specific management strategies.

Purpose and composition of the Sustainability Committee

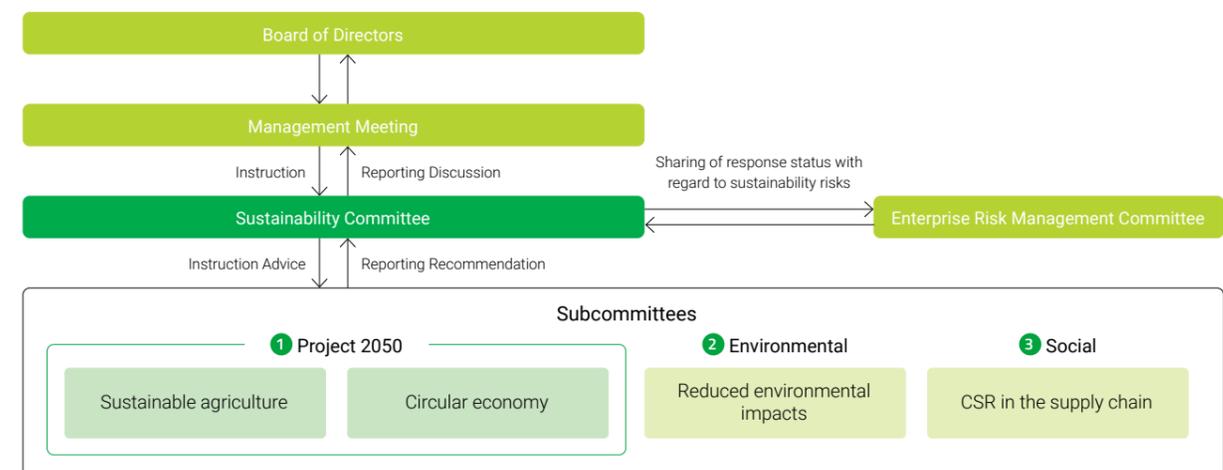
Purpose 1

Review Kagome's approaches for achieving a sustainable society (resolution of social issues) and sustainable growth of the company from a long-term perspective and reflect these findings in management strategies

Purpose 2

Monitor sustainability issues identified to address our own materiality and carry out instructions and provide advice to departments responsible for implementation

Sustainability promotion system

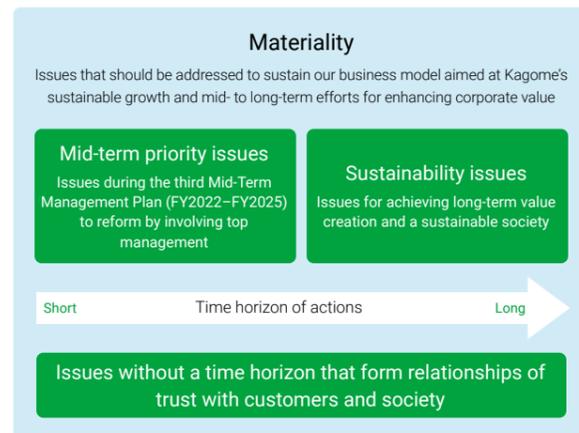


Contents of main discussions held by subcommittees

Subcommittee ① Project 2050	<ul style="list-style-type: none"> <li>Review future scenarios and Kagome's vision toward 2050</li> <li>Review inputs to organizations formulating the next long-term vision and examine review of future materiality</li> </ul>
Subcommittee ② Environmental	<ul style="list-style-type: none"> <li>Discuss recovery measures for highly challenging issues related to the implementation of environmental management plans</li> </ul>
Subcommittee ③ Social	<ul style="list-style-type: none"> <li>Identify human rights risks in the supply chain, assess impacts on business, and review countermeasures</li> </ul>

**Kagome's approach to materiality**

Kagome positions materiality as issues to address in sustaining its business model for sustainable growth and the enhancement of corporate value over the mid to long term. These issues include mid-term priority issues, sustainability issues and issues without a specific time horizon. Three of the seven materiality items identified are social issues that we seek to address through our businesses while the remaining four issues involve strengthening Kagome's value creation activities. [P.44](#) By addressing these materiality items, we will aim to become a strong company capable of sustainable growth.



**Process of identifying materiality**

Kagome identified its materiality issues in 2019 and since then the company has reflected them in management. Nevertheless, the management environment is changing almost daily. Therefore, in 2021 we revised these materiality issues taking into account assessments by external stakeholders and the Board of Directors after considering these changes in the external environment during the review of the third Mid-Term Management Plan. The new materiality issues will be addressed through the Sustainability Committee and reflected in specific management strategies. After the current Mid-Term Management Plan ends in 2026, materiality issues will again be examined mainly by the subcommittees of the Sustainability Committee and revised as necessary.

2018	Identification and sorting of social issues
2019	Identification of materiality using a third-party assessment from external stakeholders
2021	Review of materiality (reorganized materiality issues from 17 to 7) • Interviews of external stakeholders • Validity evaluation by the Board of Directors
2023 onward	Promotion of issues through the Sustainability Committee
Up to 2025	Review of materiality for the next Mid-Term Management Plan

**Policies and targets related to materiality**

<b>Greenhouse gas reduction targets</b> <a href="#">P.46</a>	FY2030 42% reduction in Scope 1 and 2 emissions compared to 2020 13% reduction in Scope 3 emissions compared to 2020
<b>Kagome Group Water Policy</b> <a href="#">P.47</a>	<a href="https://www.kagome.co.jp/english/csr/environment/activity/waterprotection/">https://www.kagome.co.jp/english/csr/environment/activity/waterprotection/</a>
<b>Kagome Policy on Plastics</b> <a href="#">P.48</a>	Up to 2030 • Paper carton: zero use of straws made from petroleum-derived materials • PET bottles: use of at least 50% recycled/plant-based materials <a href="https://www.kagome.co.jp/english/csr/environment/activity/wastereduction/">https://www.kagome.co.jp/english/csr/environment/activity/wastereduction/</a>
<b>Kagome Group Biodiversity Policy</b> <a href="#">P.47</a>	<a href="https://www.kagome.co.jp/english/csr/environment/activity/biodiversity/">https://www.kagome.co.jp/english/csr/environment/activity/biodiversity/</a>
<b>Kagome Health and Productivity Management Pledge</b> <a href="#">P.52</a>	<a href="https://www.kagome.co.jp/company/about/philosophy/healthandproductivity/">https://www.kagome.co.jp/company/about/philosophy/healthandproductivity/</a>

**Seven materiality issues and main initiatives**

	Materiality	What we strive for (KPIs, etc.)	Main initiatives	Relevant SDGs	Related pages
Three social issues	Longer, healthier lives	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	  	Domestic Processed Food Business: <a href="#">P.35–36</a>
	Agricultural development and regional revitalization	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 Agri-Business: <a href="#">P.37–38</a>
	Sustainable global environment	We will reduce environmental impact in our business activities from stages of procurement to products. We will achieve carbon neutrality by 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: <a href="#">P.45–48</a>
Strengthening activities for value creation	Product Safety and Security	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: <a href="#">P.53–54</a>
	Develop a sustainable supply chain	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: <a href="#">P.55–56</a>
	Respect diversity and expand human capital	We will link diversity to innovative creation and sustainable growth.	Establish an environment conducive to innovation through promoting diversity and inclusion Promoting health and productivity management	  	Human Resources: <a href="#">P.49–52</a>
	Strengthen corporate governance	We will establish corporate governance that adapts to the times with our own commitment through further strengthening of "autonomy" complemented by "heteronomy."	Strengthen corporate governance system Ensure appropriate information disclosure and assurance of transparency Formulate an intellectual property strategy and risk management		Corporate Governance: <a href="#">P.59–66</a>

► Strengthen foundation for value creation—Response to materiality

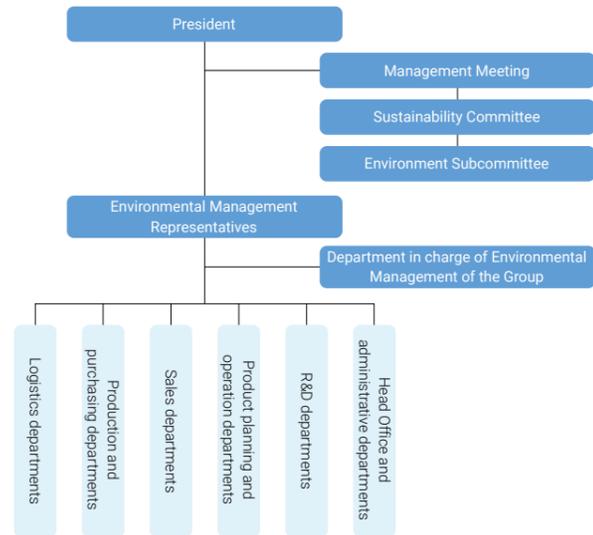
# Sustainable Global Environment

Kagome is conducting initiatives towards a sustainable global environment as the responsibility of a company that enjoys nature's bounty and caters to customers. We are now working to reduce CO<sub>2</sub> emissions, recognizing that our response to climate change should be a top priority.



## Operation of Quality and Environmental Policy and company-wide environmental management

At all domestic Kagome Group companies, we have established and implement the Kagome Environmental Management System (KEMS). This system clearly defines responsibilities for all departments and business sites nationwide, with the President at the top, based on the Quality and Environmental Policy established in 2017. Specifically, we have developed an environmental management plan based on the Quality and Environmental Policy, and set annual goals in order to reach the set targets. Individual departments and business sites promote environmental activities to achieve targets for each fiscal year. Results of the activities are checked regularly by top management and the head of each department and business site to set goals and an action policy for the next fiscal year.

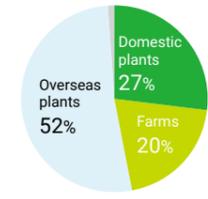


For details on KEMS, see our website. [https://www.kagome.co.jp/english/csr/environment/env\\_management/](https://www.kagome.co.jp/english/csr/environment/env_management/)

## Initiatives to achieve CO<sub>2</sub> reduction targets

Kagome initiated the CO<sub>2</sub> Reduction Project targeting the entire Group and formulated a new CO<sub>2</sub> reduction plan in 2020. A breakdown of the Group's CO<sub>2</sub> emissions can be found in the graph at right. We are now working collectively as a Group to reduce these emissions. Our main initiatives include energy conservation (review of production methods and switching to high efficiency facilities, etc.) and utilization of renewable energy (solar, biomass, renewable energy certificates, etc.). At some of our plants in Portugal and Japan, we are already using electricity generated from renewable energy to cover our entire power consumption. As a result of these initiatives, we were chosen by CDP, a non-profit environmental organization with international influence, as an A- List company at CDP Climate Change 2022, following a similar accolade in 2021.

### Breakdown of Kagome Group's CO<sub>2</sub> emissions (FY2021)



Solar panels installed at Fujimi Plant (Nagano Prefecture)

## Response to Task Force on Climate-related Financial Disclosures (TCFD)

As its response to climate change, in 2019 Kagome conducted scenario analysis following the TCFD's recommendations to identify risks and opportunities involving our business operations. We have also been reviewing our indicators and targets. In 2022, we announced our endorsement of the TCFD's recommendations and participated in the TCFD Consortium.

### Governance

The Kagome Group recognizes that an interruption in the procurement of raw ingredients is the greatest risk facing its business operations. Extreme weather due to global warming drastically affect the growing regions of raw ingredients. In 2021, we made a revision to our mid- to long-term CO<sub>2</sub> reduction targets formulated in 2018, in order to avoid this risk and speed up the reduction of greenhouse gas emissions. Under KEMS in accordance with ISO 14001, the President & Representative Director is responsible for all of the company's environmental activities, including climate change response. The President evaluates the effectiveness of the environmental management system through biannual management reviews, following the company's environmental policy, and maintains responsibility and authority to order improvements.

### Strategy

The emergence of climate change represents a major risk for Kagome as a company that utilizes agricultural produce as raw ingredients. At the same time, however, it can also be an opportunity for harnessing our long-standing technologies. The table below shows examples of Kagome Group's risks, countermeasures and opportunities.

#### Examples of Kagome Group's risk countermeasures and opportunities

	Risks	Countermeasures and opportunities
Short-term and mid-term	<ul style="list-style-type: none"> <li>Extreme weather and changing weather patterns</li> <li>Declining production yield caused by water stress</li> </ul>	<ul style="list-style-type: none"> <li>Acquisition and sales of vegetable varieties that can withstand climate change</li> <li>Development and usage of tomato cultivation system that can produce tomatoes with the fewest amount of water</li> </ul>
Long-term	<ul style="list-style-type: none"> <li>Rising carbon prices</li> <li>Changing consumer behaviors</li> <li>Loss of biodiversity</li> </ul>	<ul style="list-style-type: none"> <li>Increased CO<sub>2</sub> reduction targets and initiatives to achieve them</li> <li>Active development of environmentally friendly products and certified products</li> <li>Proposals and promotion of agriculture in symbiosis with living organisms</li> </ul>

For details, see our website. <https://www.kagome.co.jp/english/csr/environment/activity/tcfd/>

The risks and opportunities of climate change represent the risks and opportunities of Kagome's business operations. As such, they have been included in our business plan together with other risks.

### Risk management

Kagome has established the Enterprise Risk Management Committee, chaired by the President & Representative Director, as a body for supervising the company's risk management activities. The body helps to speed up the decision making process in terms of our risk response policy and issues based on priority selection and evaluation. Identified risks and opportunities concerning climate change are incorporated into the Environmental Management Plan as issues to be addressed by the entire company.

\* See our website for details of the Kagome Environmental Management Plan. <https://www.kagome.co.jp/english/csr/environment/plan/>

### Indicators and targets

With the aim of achieving net zero emissions of greenhouse gases by 2050, the Kagome Group has established a greenhouse gas emission reduction target for 2030, which received certification from the Science Based Targets (SBT) initiative\*. The Group has reviewed its greenhouse gas emissions reduction targets in response to 1.5°C scenario for Scope 1 and Scope 2.

\* An international initiative that certifies the greenhouse gas emissions reduction targets of a business are consistent with the level set in the Paris Agreement

Item	Targets (compared to 2020)	FY2021 results (tons)
Scope 1 and Scope 2	Reduce greenhouse gas emissions by 42% by FY2030 (1.5°C scenario)	138,346
Scope 3	Reduce greenhouse gas emissions by 13% by FY2030	1,412,630

(FY2022 results will be announced on our CSR website following third-party verification)

Scope 1: Direct emissions of greenhouse gases from businesses (burning of fuels, industrial processes)  
 Scope 2: Indirect emissions from the use of electricity, heat, steam supplied by another company  
 Scope 3: Indirect emissions outside of Scope 1 and Scope 2 (emissions of other companies related to the business' activities)

► Strengthen foundation for value creation—Response to materiality

Sustainable Global Environment

Water conservation

Kagome consumes water in the cultivation of crops used as raw ingredients for its products, but also consumes a large amount of water during the processing stage. Following the Kagome Group Water Policy established in 2018, we are promoting the sustainable use of water in each region to protect water resources in the regions where we operate.

In the regions where we operate, we are implementing the following countermeasures in the high water stress areas of the United States and Australia. Moreover, we have begun developing technologies, including linking AI of our new company DXAS with irrigation facilities, in an effort to mitigate water risk. As a result of these initiatives, in FY2022, we were selected as an A- List company in CDP Water Security 2022 administered by CDP, a non-profit environmental organization with international influence.

Countries with high water stress and our countermeasures

Country	Risk	Response
United States	Drought	Dispersion of procurement bases
Australia	Drought	Dispersion of procurement bases Use of water stored from winter in spring cultivation
	Torrential rainfall	Avoid months with heavy rainfall risk by shifting timing of tomato cultivation

Kagome Group Water Policy

1. The Kagome Group and its major suppliers understand water-related risks.
2. The Kagome Group and its major suppliers strive to reduce water intake and use water efficiently to protect local water resources.
3. The Kagome Group and its major suppliers clean used water before returning it to the local communities.
4. Factories in areas where water-related risks are high take measures for water that are appropriate for the local areas.



Reservoir dam of Kagome Australia Pty Ltd. (in response to drought)

Biodiversity conservation

Since its founding, Kagome conducts business utilizing nature's bounty brought to us by agriculture. In order for our business activities to continue into the future, Kagome has formulated the Kagome Group Biodiversity Policy in striving to conserve biodiversity in various situations within our business.

For details on biodiversity, see our website.  
<https://www.kagome.co.jp/english/csr/environment/activity/biodiversity/>

Kagome Group Biodiversity Policy

Conservation activities in the supply chain	Collaboration with internal and external partners
1. Maintenance and utilization of genetic resources	8. Penetration internally and externally
2. Reduction of agriculture's environmental impacts	9. Dialogue with outside parties
3. Ecosystem conservation around farmland	10. Information disclosure
4. Reduction of procurement's environmental impacts	11. Social contributions
5. Considerations during transportation	12. Response to fundamental issues
6. Reduction of plants' environmental impacts	
7. Considerations for products and services	

Specific activities

1 Establishment of farms in symbiosis with living organisms

We are cultivating various forms of vegetation around our farms in order to increase insect species that are the natural predators of pests with the goal of reducing the use of agrochemicals in the future. Also, we are educating farmers about using these same practices.

2 Supporting education that teaches about the importance of living organisms

Every year since 1999, we have provided elementary schools, kindergartens, and nursery schools across Japan with seedlings of Lylyco Tomatoes, a variety used to make Kagome Tomato Juice, free of charge for use as a learning material.

Initiatives for reducing environmental impacts—Initiatives for plastics—

In 2020, we established the Kagome Policy on Plastics with the goal of reducing the impacts plastics have on the environment. As a specific target, Kagome will eliminate its use of straws made from petroleum-derived materials for its paper beverage packs and shift to recyclable materials (plant-based or paper materials) by 2030. Kagome will also use recycled or plant-based materials for at least 50% of its beverage PET bottles by 2030.

In addition, Kagome will continue to promote recycling at plants and environmental clean-up activities at all domestic business sites.

Kagome Policy on Plastics

Policy on Plastics (Summary)	
1.	Eliminate the excessive use of plastics and reduce overall use of plastics
2.	Replace plastic with recycled materials and plant-based materials Paper carton: zero use of straws made from petroleum-derived materials by 2030 PET bottles: use of at least 50% recycled / plant-based materials by 2030
3.	Sustain zero emissions at plants
4.	Continuously implement environmental clean-up activities at domestic business sites



PET bottles

We use 100% recycled materials in our tomato juice packaging. PET bottles can be reused several times and PET bottles made from recycled materials contribute to the resource recycling.



Paper beverage packs

We are steadily shifting to straws made from 5% plant-derived materials. For some products, we have also introduced straws with a higher percentage of plant-derived materials. We are switching caps for our smoothies to 100% plant-derived materials.

Comments from a Person in Charge

Environmental initiatives at overseas plants

At HIT, we manufacture tomato paste by juicing fresh tomatoes into concentrate, and we emit large amounts of CO<sub>2</sub> in the production process. In implementing the Kagome Group's CO<sub>2</sub> Reduction Project, HIT is promoting sustainability initiatives in an effort to reduce our CO<sub>2</sub> emissions. In July 2021, we began purchasing electricity generated from 100% renewable energy and in 2023, we plan to begin operating a solar power generation system. We are also working to increase the energy efficiency of our facilities by installing new-type high-efficiency boilers, for example. As a member of the Kagome Group, HIT will continue working to reduce its environmental impacts.



Sofia Stilwell  
 Agriculture, Sustainability & Competitiveness Manager, HIT



Installation of solar panels



Installation of new-type boiler

▶ Strengthen foundation for value creation—Response to materiality

# Respecting Diversity and Expanding Human Capital

New value creation combining various forms of knowledge is essential to achieving sustainable growth. We are focusing on three measures to increase job satisfaction and ways to foster a sound corporate culture, which will lead to the creation of innovation.



**Masahito Arisawa**  
Chief Human Resources Officer (CHO) & Managing Executive Officer

## Increasing job satisfaction and creating innovation

To achieve our management strategies, it is important to develop workplaces where each and every employee feels job satisfaction and engages in their work independently in order to fully display their individuality and skill sets. We support organization and team building where members can share and express their honest opinions and ideas so that we can become a company where every employee is able to tackle challenges independently. In turn, this will create innovation and pave the way toward our sustainable growth.

### Monitoring of job satisfaction

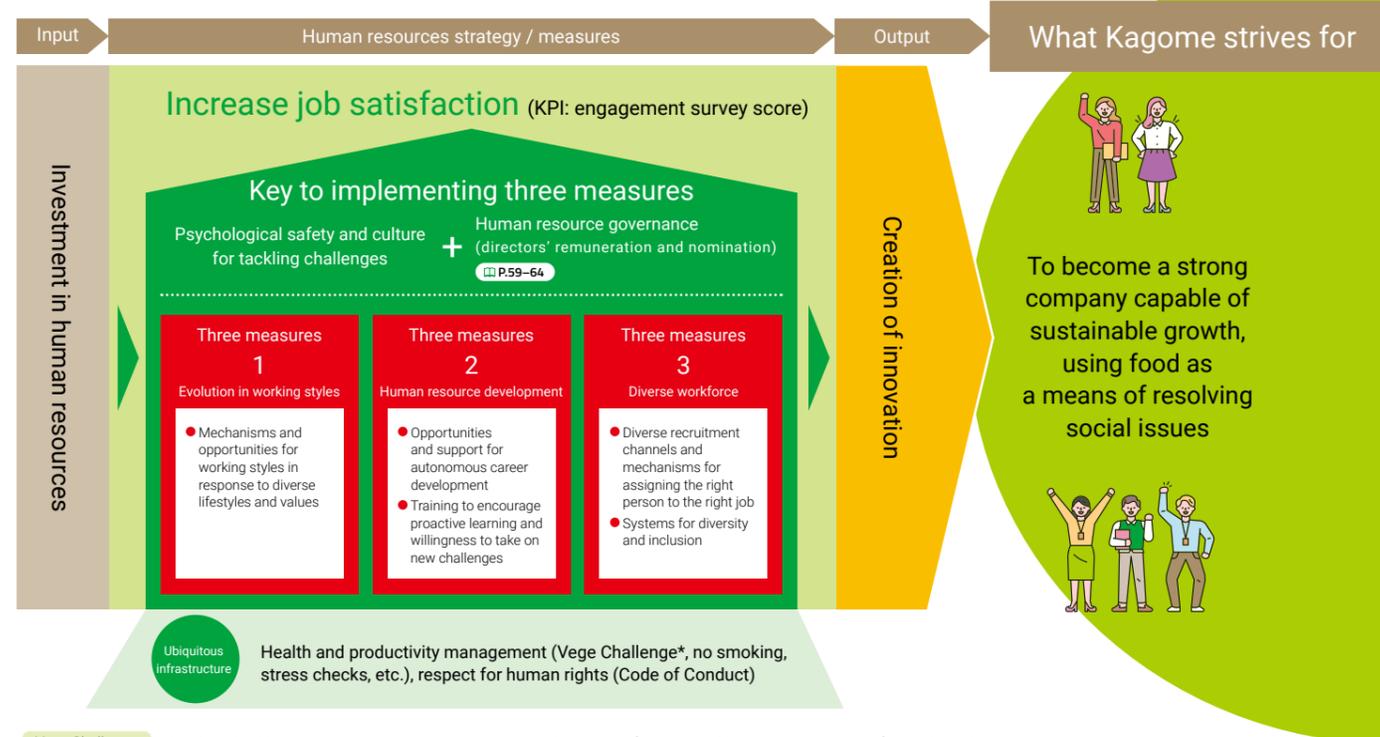
Since 2021, we have conducted an engagement survey (Wevox: a tool for measuring and supporting employee engagement provided by Atrac, Inc.) of all employees to monitor job satisfaction. After each survey, we analyze the results by item and department to identify themes for increasing job satisfaction and implement countermeasures. Our target is to achieve an engagement score within the top 20% of peer companies by 2025.

Trend in engagement survey score

	2021	2022
Total score	70	70

The results of the 2021 survey revealed a correlation between job satisfaction (engagement) and psychological safety. Therefore, we are using various measures to increase the number of workplaces with a high degree of psychological safety.

### Kagome's human resources strategy aimed at its vision



\* Vege Challenge is a hands-on health improvement program where participants keep track of their vegetable consumption levels after each meal and compete with others to earn the most points

### Instilling psychological safety

In 2022, we held study sessions for managerial positions as a measure to instill psychological safety. Additionally, the Diversity Committee organized a presentation on the theme of learning from failure and taking on challenges and Talk with Top Management where the President and two Senior Managing Executive Officers take turns meeting with employees for a candid conversation.

Talk with Top Management were held 16 times from October 2021 to December 2022. These talks reached more than 300 employees who had the chance to talk candidly with the President or Senior Managing Executive Officer in a psychologically safe setting. Some of the topics covered include Kagome's aspirations as a company as well as questions and concerns about company policies.



Talk with Top Management held online

### Measures to instill psychological safety

Target	Activities in FY2022	Contents
Departments, groups and project teams, etc.	Introduction of dialogue program	Instill psychological safety through dialogue and support team building where employees can engage in work with job satisfaction
Managerial positions	Implementation of psychological safety study session	Participation by all managerial positions Venue for learning correct knowledge about psychological safety and inputs for actual implementation
	Regular implementation of 360-degree feedback	Raise awareness and promote learning among managerial positions
All employees	Regular hosting of Talk with Top Management, a dialogue session involving top management and employees	President and two Senior Managing Executive Officers take turns participating Candid dialogue between top management and employees
	Holding of Diversity Day	Presentation on the theme of learning from failure and taking on challenges

### Voice from a Participant in Talk with Top Management

#### An opportunity to identify with management

I decided to participate because I have very few opportunities to meet directly with the President or Senior Managing Executive Officers during the course of my day-to-day work and I thought Talk with Top Management would give me an opportunity to ask questions and deepen my understanding of company policies.

After taking part, top management carefully answered every question and I learned more about company policies in a casual setting. I was also able to identify further with top management after hearing their answers and discussions with other employees. All told, this was a great opportunity for me. I plan to regularly attend these sessions going forward.



**Ayano Kato**  
Sales Division  
Solution Provider Department I

### Three measures ① Evolution in working styles

#### Developing employee-friendly systems

We are developing systems that enable even more diverse working styles by easing restrictions placed on where and when work is performed based on employees' changing values and needs when it comes to their job (childcare or family care obligations or households where both spouses are working).

#### Expanding elective working styles

We are looking to provide opportunities for employees to work beyond the boundary of their own organization through the secondary job scheme and cross-boundary learning in order to connect diverse experiences and opportunities to innovation. We will expand career development opportunities that go beyond one's current line of work.

#### Environmental improvements for evolution in working styles

FY introduced	System
2019	Flex time system
2019	Telecommuting system
2019	Secondary job scheme
2020	Elimination of core time in flex time system
2021	Utilization of family care leave in hourly increments
2021	Telecommuting stipend

► Strengthen foundation for value creation—Response to materiality

Respecting Diversity and Expanding Human Capital

Three measures ② Human resource development

We recognize that the growth of individual employees and the development of the company are strongly linked. Based on this recognition, we maintain systems that elicit their abilities to the fullest and place the right person in the right position while listening to the opinions of our employees. We also work to foster a corporate culture that encourages an abundance of individual initiatives. As part of this, we promote independent career planning that supports the autonomous growth of our employees.

To become a vegetable company, we are implementing unique initiatives that include Vegetable Maestro Certification\*1 and Vegetable Teacher\*2 for employees to convey the appeal of vegetables as evangelists.

\*1 **Vegetable Maestro Certification** a Kagome certification with the goal of teaching employees the correct knowledge about vegetables and broadly disseminating this information

\*2 **Vegetable Teacher** an activity where Kagome employees teach children about the appeal of vegetables as Vegetable Teacher

Progress of human resource development measures

		2021	2022
Training to enhance skills and encourage autonomous career planning	Total training sessions	33	39
	Total participants	1,105	1,436
	Among the above, elective business skills training	14	14
	Themes		
	Total participants	411	316
Number of career interviews		610	645
Vegetable Maestro Certification (number of certificate holders as of December 31, 2022)	Level 2	121	172
	Level 3	1,415	1,413
Experience working as Vegetable Teacher		36	23

For details about our Human Resource Development Policy, see our website.  
<https://www.kagome.co.jp/english/csr/employee/motivation/>

Three measures ③ Diverse workforce

Diversity promotion at the Kagome Group is one of our management strategies aimed at creating a strong company capable of sustainable growth. We aim to create new value by utilizing the diverse ways of thinking and experiences of each and every employee. In terms of women's empowerment, Kagome has set a target of increasing the percentage of female employees in all positions from employee to executive officer to 50% by around 2040 as a long-term vision in promoting active roles for women.

As for recruitment, we will secure a diverse workforce by combining diverse recruiting channels and departments for assignment. We widely open the door to mid-career recruitment to strengthen our foundation of human resources for becoming a vegetable company. We will develop core human resources by increasing mid-career hiring to around 20 to 30% of total hires.

Also, we will create opportunities for our people to utilize their skill sets based on their own unique experiences and knowledge. In April 2023, we changed the contract formats available in our reemployment system and now employees can extend their contract up to the age of 70.

Action plan under the Act on Promotion of Women's Participation and Advancement in the Workplace

Period: April 1, 2022 to March 31, 2026

Indicator	2021	2022	Target	
Ratio of women in new general career track hires out of university	58.0%	71.0%	60% or more every year	
Ratio of women remaining on the job within 10 years of joining the company (compared to men)	1.0	1.0 (estimate)	1.0 compared to men every year	
Ratio of women in managerial positions	8.4%	9.5%	12% by 2026	
Ratio of men taking childcare leave	General career track	62.0%	75.7%	
	Technical track	64.3%	84.6%	
Gender pay gap*	Total workers	66.2%	65.4%	—
	Permanent employees	68.6%	67.3%	—
	Part-time and fixed-term contract employees	87.8%	87.6%	—

\* Notes  
 • Target period: FY2022 (January 1, 2022 to December 31, 2022)  
 • Permanent employees: employees excluding directors  
 • Part-time and fixed-term contract workers: directly employed fixed-term or non-fixed-term contract employees and contract workers  
 • Wages: salary, bonus, stipends, etc. (including commuter stipend)  
 • Tabulation includes Kagome Co., Ltd. as well as Kagome Axis Co., Ltd., Kagome Agri-Fresh Co., Ltd., and other employees seconded externally.  
 \* Supplemental explanation of differences in gender  
 • The difference in gender (ratio of female to male employees) by age group of permanent employee is 59% for 50s, 75% for 40s, 83% for 30s, and 102% for 20s.  
 • The ratio of women in managerial positions is 9.5% (as of December 31, 2022). Managerial positions are predominantly filled by employees in their 40s and 50s. To reduce this gender gap, we are systematically implementing measures for the more active role of women in the workplace including hiring and managerial position promotions following the target of increasing the percentage of female employees in all positions from employee to executive officer to 50% by around 2040 cited in our long-term vision.

Comments from a Person in Charge



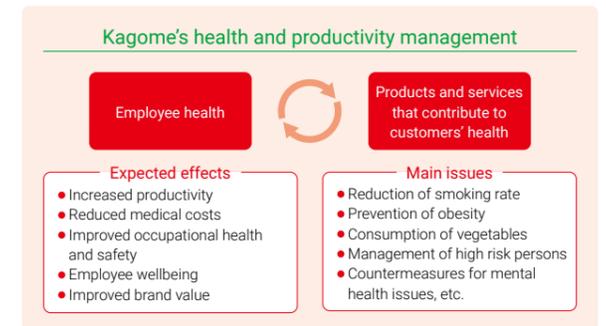
Susana Zorrinho  
HIT HR Manager

Focusing on wellbeing and team building

I'm HR manager at HIT in Portugal. Our workforce is quite diverse in terms of age, gender and origin. I'd like to introduce two initiatives we are undertaking that focus on getting the most out of our diverse workforce. First is wellbeing. The COVID-19 pandemic has made employee wellbeing a top priority. We are implementing a number of programs for mental and physical health. Second is human resource development. We have been implementing various training activities including team building exercises. We believe that improving the workplace environment and empowering employees will lead to business growth.

Promoting health and productivity management

Kagome's products and services benefit the health of customers. The mental and physical wellbeing of employees translates not only to their personal health but also convinces consumers of the authenticity of our business operations. Furthermore, this is also very important in the sense that it results in the improved performance of the company. As such, we are working actively on employee health management and advancement.



Kagome Health and Productivity Management Pledge

In 2017, we established Kagome's 7 Points for Good Health, and made the Kagome Health and Productivity Management Pledge.

In December 2020, we were given the highest rank by the Development Bank of Japan (DBJ) under its DBJ Employees' Health Management Rating. Furthermore, in March 2022, we were recognized under the Certified Health and Productivity Management Organization (large corporations) 2022 program administered by the Ministry of Economy, Trade and Industry (METI) and Nippon Kenko Kaigi.



Framework for promoting health and productivity management

To maintain and improve employee health, in 2016 we established the General Health Services Department (currently, Health and Productivity Management Promotion Office) within Kagome Axis Co., Ltd. Also, we are exploring and implementing health measures jointly involving Kagome, Kagome Health Insurance Union and each business site.

Situation regarding health management

In addition to promoting initiatives based on Kagome's 7 Points for Good Health, Kagome also implements its own unique health checkups in collaboration with the Kagome Health Insurance Union, along with dental exams, influenza vaccinations and walking campaigns every year. We encourage employees and their spouses who are 30 years of age or older to undergo comprehensive medical examinations and provide necessary support.

Furthermore, since 2021, we have stepped up efforts to prevent exposure to secondhand smoke and encourage employees to stop smoking. Toward this end, we banned smoking during working hours (excluding break time) and we are removing smoking rooms at our business sites in stages. We are jointly implementing measures with the Kagome Health Insurance Union, including offering subsidies for receiving outpatient care to stop smoking, as a way to support employees who desire to stop smoking. Through these initiatives, we have reduced the smoking rate among Kagome employees from 19.5% in 2020 to 15.1% in 2022.

Contents		2020	2021	2022	2025 target
Situation regarding health checkups	Percentage of employees taking health checkups (%)	100	100	100	100
	Percentage of employees receiving specific health guidance (%)	84.8	88.7	86.9	100
Current situation with regard to stress checks	Examination rate (%)	93.3	92.0	93.7	—
	Rate of high stress employees (%)	7.6	8.3	7.9	8.0
Trend in smoking rate among employees	Smoking rate (%)	19.5	16.1	15.1	12.0

Improving employees' health literacy

In order to maintain the physical and mental health of each of our employees, we consider it necessary to visualize and share employees' state of health, and to help them to acquire correct health-related knowledge. In 2017, we began publishing the Kagome Health Report, and holding health seminars for employees.

For details, see our website.  
<https://www.kagome.co.jp/company/about/philosophy/healthandproductivity/>

▶ Strengthen foundation for value creation—Response to materiality

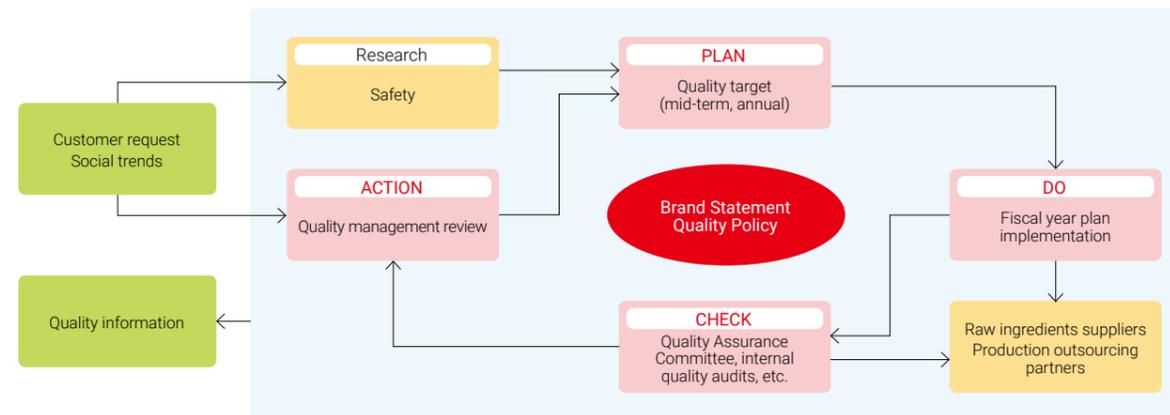
# Product Safety and Security

Based on the belief that fields are the primary production plant, we strive to provide safe and high quality products starting with initiatives on vegetable seeds and soil creation. We have established a quality assurance system to guarantee this fundamental quality while also rolling out the system at overseas Group companies.



## Kagome's Quality Management System (KQMS)

Kagome believes in Quality First, Profit Second. This means that we equally value the provision of safe and secure quality products to consumers and the creation of profits. In conjunction with this, we are always making company-wide efforts to improve quality. As a system to guarantee quality, we have established our own proprietary quality management system called Kagome Quality Management System (KQMS) in compliance with ISO 9001 standards. Our quality activities span from design and development to procurement, production, logistics, and sales.



## Safety management from field to product

### Initiatives for food defense

In order to prevent intentional mixing of contaminants or chemicals in Japan, we conduct risk assessments on food defense and implement controls based on the results. In addition to installing security cameras, upgrading locking systems and promoting communication among employees at its own plants, Kagome also requests the plants of production outsourcing partners to comply with its management guidelines.

### Initiatives in response to radioactive materials

Immediately after the accident at the Fukushima Daiichi Nuclear Power Plant in 2011, Kagome began inspecting raw ingredients and products procured and manufactured and water used in its plants in Japan for radioactive materials to confirm their safety. This is a practice that we continue today.

### Initiatives to address residual pesticides

We analyze raw ingredients for residual pesticides in order to confirm their safety. We have acquired ISO 17025 certification, which certifies our ability as a testing and analysis institution, as we strive to further enhance the precision of our analysis.



Residual pesticides analysis

## Quality management and quality assurance system for overseas Group companies

In 2016, we established the Global Quality Assurance Department (located in Tokyo) within the International Business Division. This department formulated Group-wide quality management standards known as Kagome Best Manufacturing Practice (KBMP) for overseas Group companies, and it continues working to roll out these standards to overseas Group companies. In addition to quality assurance, it is working to increase the quality assurance level and boost productivity of the entire Group by identifying, sharing cross-functionally, and utilizing the outcomes of environmental themes and technical themes, such as cost reductions being pursued at Group company. The department is also actively working to reduce CO<sub>2</sub> emissions and conserve water resources in our overseas businesses.

## Roll-out of a common global quality management standard (KBMP) at overseas Group companies and audit-based verification and improvement

The main focus of the KBMP roll-out is not simply to impose our approach in Japan on other regions, but rather to share examples of improvements at overseas Group companies through the Global Quality Assurance Meeting (see below) and to foster mutual awareness toward improving quality. In the early days of KBMP introduction, we rolled out our approach and technologies related to foreign contaminants to overseas Group companies and worked to improve the level of quality control. Next, we developed activities to prevent quality accidents attributed to product design and common rules for response manuals based on quality incident scenarios. The entrenchment of KBMP has improved quality of the entire Kagome Group in each process, from design to sales.

KBMP is incorporated not only in existing manufacturing facilities but also in new plants and newly introduced manufacturing equipment from the design stage.

## Coverage of common quality management standard for overseas Group companies (KBMP)

	Product development	Raw ingredients procurement	Production	Logistics	Sales	Customer service
	Design review	Change point management	Magnet inspection			
		Management of hazards associated with raw ingredients	Filter inspection			
Process management			X-ray / metal detector management			
			Cleaning			
			Gasket management			
			Production line condition check			
			Maintenance			
			Aseptic system management			
Mindset		5S procedures and main points				
Reporting			Crisis management			

## Hosting of Global Quality Assurance Meeting

The Global Quality Assurance Meeting, which had been postponed in-person due to the COVID-19 pandemic, was held in Tokyo in November 2022. Senior management and quality assurance and manufacturing managers from Group companies in the United States, Portugal, Australia, Taiwan, and India gathered to share case studies and discuss each company's quality, production, 5S, safety, and sustainability initiatives. In addition to preventive training and workshops led by outside instructors, participants observed Fujimi Plant's process monitoring system from the central control room in Nagano Prefecture and experienced Kagome's culture firsthand at Yasai Seikatsu Farm. These initiatives not only improve quality mindsets through friendly competition involving Group companies, but also help to align perspectives on issues and targets such as production and the environment.



Global Quality Assurance Meeting (preventive training) held in November 2022 in Tokyo

► Strengthen foundation for value creation—Response to materiality

# Establishing a Sustainable Supply Chain

We are working to optimize the entire supply chain in order to respond to risks such as climate change, water shortages, labor shortages and soaring raw ingredient prices so that we can continuously deliver products to our customers.



## Procure materials in an environmentally and socially responsible and sustainable manner

We have worked to diversify our procurement bases and build a global network in order to avoid risks such as climate change and exchange rate volatility, and to optimize costs and suppliers. [P.20](#)

In addition to respecting an equal and fair cooperative system with supplier companies, we are developing procurement bases in order to procure a stable supply of safe and secure raw ingredients.

### Kagome CSR Procurement Policy

We established the Kagome CSR Procurement Policy not just for the procurement of safe and secure raw ingredients, but also for contributing to the realization of a sustainable society together with procurement partners. This policy requires that we ensure fair, equitable, and transparent transactions and promote procurement activities that take into account compliance with laws and ethics, human rights, labor, and the environment.

#### Ensuring safety and security of raw ingredients and products

- We conduct procurement that prioritizes quality and safety above everything else, while giving consideration for the best combination of quality, cost and supply for customers' peace of mind.

#### Fair trade

- We will select business partners fairly and transparently based on a comprehensive evaluation of technical prowess, proposal capabilities, and initiatives toward the environment, in addition to quality, cost and supply.
- We will not permit transactions using a superior bargaining position or transactions complicit in exploitation.

#### Consideration for human rights, labor and the environment

- We will carry out initiatives that respect the human rights of individuals, labor environment and health and safety.

- We will carry out procurement activities considerate of the environment while attempting to prevent pollution of water, land and air used to cultivate vegetables.

#### Compliance with laws and ethics

- We will comply with the laws and regulations of each country and engage in fair and transparent procurement activities.
- We will fulfill contractual obligations with business partners and appropriately manage confidential and personal information related to procurement transactions.

#### Mutual prosperity with business partners

- We will mutually support and assist business partners and implement measures aimed at resolving social issues.

### Kagome Supplier CSR Actions Guidelines

We established the Kagome Supplier CSR Actions Guidelines, which contains detailed guidelines for our procurement partners inside and outside of Japan based on the belief that supplier cooperation is vital to implementing the Kagome CSR Procurement Policy. The guidelines are broken down into sections considered highly relevant internationally, including respect for human rights, appropriate labor environment, and consideration toward the environment. We are now working to ensure compliance with these guidelines by making them known to suppliers through briefings and other means, along with self-checks using a dedicated questionnaire or field audits, each intended to deepen their understanding and implementation in an effort to further enhance the effectiveness of our CSR procurement activities.



For details about the Kagome Supplier CSR Actions Guidelines, see our website.  
[https://www.kagome.co.jp/english/csr/supplier/pdf/kagome\\_supplier\\_csr\\_actions\\_guidelines.pdf](https://www.kagome.co.jp/english/csr/supplier/pdf/kagome_supplier_csr_actions_guidelines.pdf)

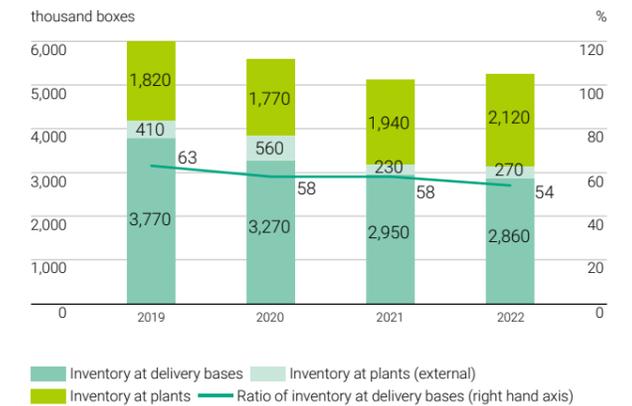
## Build a stable distribution system

The logistics industry in Japan is facing a number of urgent issues, including labor shortages, the prolonged working hours of drivers, environmental concerns, and rising fuel prices. To resolve these social issues found in logistics, Kagome is undertaking such initiatives as extending delivery lead time and product date labeling.

### Inventory optimization with container unit management and initiatives for inventory level optimization at our bases

Through container unit management launched in 2020, sales plans and production and inventory status have been visualized in units of containers commonly used in production facilities, such as cans, paper containers, and PET bottles. Through consistent management from production to sales, we have achieved a stable supply in response to demand fluctuations caused by the COVID-19 pandemic. In addition, we plan and manage inventory according to each plant and delivery base and are working to reduce inventory at delivery bases. In 2022, total inventory increased year-on-year due to demand fluctuations caused by price revisions and other factors, but by reducing inventory at delivery bases with high storage costs by 4%, we reined in higher storage fees and optimized logistics costs.

Trend in boxes of inventory of dry products transported for delivery (annual average) and inventory ratio at delivery bases



### Increasing plant storage capacity

We have increased storage capacity at our plants as one measure to strengthen supply chain management (SCM) infrastructure for cost control and reduction of environmental impacts, while achieving both optimization of inventory levels and stable supply. At our five plants in Japan, storage capacity has been increased by 33% compared to 2020 thanks to increased inventory space and improved storage efficiency. We built a new automated warehouse at the Fujimi Plant, which was renovated in 2021. In addition to reducing logistics costs such as transportation costs and storage fees by expanding storage at the plant, we also reduced employee workload through automation.



Warehouse at Ibaraki Plant with expanded space following the installation of large storage racks

## Comments from a Person in Charge

### Promoting and evolving smart logistics

Armed with the diversity of our supply chain, we have built out a network to deliver products to customers through various channels. We believe that the diversity of our network is an important asset unique to Kagome and a strength that we should continue to refine.

In order to evolve logistics, it is essential to prepare SCM information, standardize and enhance operations, and optimize resources. Believing that this is the first step in Kagome's version of smart logistics, we are now implementing project activities. For example, with F-LINE Co., Ltd., which we outsource logistics operations to, we plan to secure sustainable transportation and delivery methods and improve operational efficiency by sharing SCM information such as order information, sales forecasts, and inventory planning. By optimizing the supply chain, including Kagome, F-LINE Co., Ltd., suppliers and customers, we will do our best to contribute to the stable supply of products and solutions to social logistics issues.



**Keiichi Shimura**  
 Supply Network Department, SCM Division

## Helping Kagome become a strong company capable of sustainable growth that can overcome challenging business phases



**Hidemi Sato**  
External Director

Today, it's important to increase immunity and prevent frailty to resolve the social issue of helping people live longer, healthier lives. In Japan, seniors account for more than 29% of the population and the frailty rate among seniors is around 50% including people at risk. The large number of vitamins and functional elements contained in green and yellow vegetables increase immunity while protein is key to preventing frailty.

Kagome, which is working to promote longer, healthier lives, supplies around 20% of the green and yellow vegetables consumed in Japan and the company provides soybean products which serve as a source of protein. Therefore, it would be no exaggeration to say that Kagome's sustainable growth is linked to the social issue of helping people live longer, healthier lives.

Aiming for sustainable growth, Kagome is currently strengthening the search for new vegetable varieties while also sowing the

seeds of future growth through M&A and business partnerships in order to expand the types of agricultural products it handles and provide products containing a wide variety of nutrients. In order to solidify this management foundation, I believe that it is important to effectively incorporate the "power" of seeds into Kagome's technology, product development, R&D, and marketing capabilities, which have been cultivated over 124 years, and to develop and provide products based on the customer's perspective that ultimately combine both nutrition and deliciousness and are in line with people's eating habits, which have changed significantly due to the COVID-19 pandemic.

As an External Director, I hope to utilize my expertise in food to deploy and expand businesses based on the development and provision of products from the customer's perspective.



**Kumi Arakane**  
External Director

In 2022, while there were some bright spots following three years of COVID-19 pandemic, major changes in the international situation that completely overturned the debate on how to build a post-COVID-19 pandemic vision emerged quickly. Kagome may also need to flexibly respond and review its global raw ingredients procurement system, strategic allocation of management resources, and business portfolio strategy in light of these changes in order to realize what Kagome strives for by 2025. However, this situation is also an opportunity to think deeply about how to leverage Kagome's strengths in resolving social issues in the indispensable business domain of food. Some domains have emerged that Kagome needs to strengthen, including digital transformation (DX).

To become a company capable of sustainable growth, I believe it is very important for Kagome to demonstrate the value that it can provide while striking a balance between capital efficiency and ESG, instead of viewing these indicators as separate. I'd like to see the company deepen discussions on whether Kagome's challenges are truly important social contributions, or something unique to Kagome, or if it can say with confidence that they have a strong correlation with Kagome's future growth. In my capacity as an External Director, I will work toward deepening constructive and substantive deliberations at Board meetings so that growth strategies can be effectively implemented.



**Tatsuya Endo**  
External Director & Audit and Supervisory Committee Member

For Kagome, 2023 is expected to be a very challenging year. This is because of the impacts from yen depreciation carrying over from 2022, global warming, and unprecedented inflation in raw ingredient prices and energy due to Russia's invasion of Ukraine, despite the large number of revisions made to the selling prices of the Company's products.

In order to overcome this challenging business phase, Kagome has perceived the drastic changes in the external environment as a "state of emergency" since mid-2022, and the company has been working hard to quantify and implement countermeasures of each functional department as part of the budget for FY2023. Kagome is also continuously considering countermeasures outside the budget.

From a broad perspective, Kagome's organization, which is subdivided and divided into function-specific departments in the food

business, is characterized in a way that each functional department can easily be run only to optimize its own department. For Kagome, which has these characteristics, one of the keys to overcoming this challenging situation is for each department to take a bird's-eye view of the entire supply chain and value chain, instead of becoming a silo, and share Kagome's purpose and work together toward the company's targets. Toward this end, it is important to have strong leadership from management, such as fostering an atmosphere where frank opinions can be expressed across departments, and making timely decisions on priorities in terms of collaboration.

As an External Director, I will provide advice by focusing attention on whether Kagome's functional business departments are effectively cooperating thanks to the leadership of executive management.



**Asako Yamagami**  
External Director & Audit and Supervisory Committee Member

To become a strong company capable of sustainable growth, Kagome is promoting human resource strategy from the three perspectives of evolution in working styles, human resource development, and diverse workforce, based on the belief that a diverse workforce demonstrating its skill sets, while feeling a sense of job satisfaction, will lead to the creation of innovation. With these assumptions as a precondition, Kagome is building a culture that values psychological safety where employees can share their honest views and that encourages employees to tackle challenges.

To build such a culture, I believe that in addition to respecting the diversity of attributes such as gender, age, and nationality, as well as the diversity of experience, respect for the diversity of each individual's way of thinking is the key. This is because homogeneous organizations run the risk of superficiality

leading to low-quality decision-making, and if the ideal for human resources and leaders does not change, the success of diverse human resources may be hindered. Meanwhile, if diverse ways of thinking are brought in, there may not be harmony, and communication can take a long time and dissonance may occur. In order to become an organization where a diverse workforce can truly demonstrate its abilities, Kagome should overcome these discomforts and stresses, reflect on its thinking and actions, and change them to create the corporate culture it wants.

Toward this end, it is necessary to have a strong commitment from management to deeply discuss and communicate the value of diversity and inclusion. As an External Director, I will promote such discussions and strive to improve their quality.

## Basic policy of corporate governance

In accordance with its corporate philosophy of "appreciation," "nature" and "corporate openness," we aim to achieve sustainable growth and improve the mid- to long-term value of the Company. We acknowledge corporate governance to be a critical management issue toward these objectives.

Kagome considers further strengthening of "autonomy" complemented by "heteronomy" to be the fundamentals of our corporate governance. This will ensure objectivity and transparency, forming a

basis by designing its own concept of corporate governance adapted to the present day, while incorporating diverse outside viewpoints by working to attract more "Kagome Fan Shareholders" and leveraging the function of external directors among other things.

We aim to deliver a high degree of accountability and achieve "corporate openness" in interactions with stakeholders, while employing the unique attributes and originality of Kagome.

## History of corporate governance and historical trends in the number of shareholders

The history of our corporate governance is a culmination of our efforts to achieve "corporate openness" as part of our corporate philosophy that can be traced back to the aspirations of our company's founder. We have been continuously evolving up until the present through the public offering of our shares and the separation of capital from management, etc. in the past.

### Number of shareholders

(10,000 persons)



## Corporate governance system

We are separating executive functions from supervisory functions to accelerate managerial decision making and help clarify business responsibility. The Company, which has an Audit and Supervisory Committee, has specified that the Board's primary duties are determining the company's management strategies and policies and monitoring the implementation of such strategies and policies. The Board enhances the advisory and supervisory functions and increases the effectiveness of such functions by electing one third or more external directors, who satisfy the Standards for Judging the Independence of Independent External Directors, as the members of the Board.

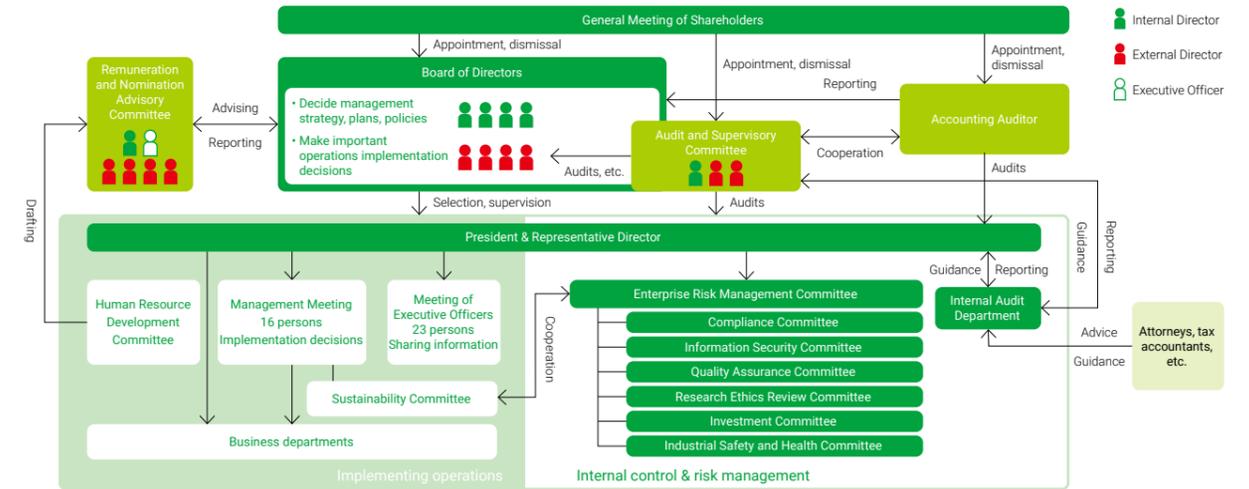
The Audit and Supervisory Committee has set a policy of having one or more standing Audit and Supervisory Committee members, and uses internal control systems to audit the legality and appropriateness of the operations implemented by the directors.

The nomination and remuneration of directors are deliberated by the Remuneration and Nomination Advisory Committee; more than

half of whose members are independent external directors. The results of the deliberations are advised to the Board of Directors, which then determines the nomination and remuneration of the directors, thereby enhancing fairness and appropriateness.

Under our executive officer system, we are using set criteria to delegate implementation responsibilities and authority to our departments regarding the execution of business. In addition, we have established the Meeting of Executive Officers in order to convey and make known Board resolutions and reported matters as well as to facilitate communication and coordination among the executive officers. Furthermore, the Management Meeting has been established under the leadership of the president to ensure that business is executed in an agile manner and through mutual coordination. Deliberations at the Management Meeting enable appropriate risk taking and also produce clear allocations of responsibilities, while enabling us to make decisions in an expedited manner.

## Corporate governance organizational chart



## Board of Directors Skill Matrix

Name	Attributes	Particular area of expertise										Attendance at Board of Directors meetings
		Corporate management	International operations	Finance, accounting	Law	Human resource development and diversity	Sales and marketing	Production and procurement	Quality and environment	Research and technology	Risk management	
<b>Satoshi Yamaguchi</b> President & Representative Director		○					○			○	○	100% (14/14)
<b>Takashi Hashimoto</b> Director & Senior Managing Executive Officer		○						○	○	○		100% (14/14)
<b>Hirohisa Kobayashi</b> Director & Managing Executive Officer		○	○				○					100% (14/14)
<b>Hidemi Sato</b> External Director	External Independent					○	○			○		100% (14/14)
<b>Kumi Arakane</b> External Director	External Independent	○					○		○	○		100% (14/14)
<b>Hirohito Kodama</b> Director (Audit and Supervisory Committee Member)		○	○							○	○	100% (14/14)
<b>Tatsuya Endo</b> External Director (Audit and Supervisory Committee Member)	External Independent		○	○							○	100% (14/14)
<b>Asako Yamagami</b> External Director (Audit and Supervisory Committee Member)	External Independent		○		○						○	100% (14/14)

## Kagome's policy on appointing directors

We consider a size that is appropriate for holding high quality discussions, while ensuring diversity and balance in terms of knowledge, abilities and experience in the composition of the Board. Such a size achieves a medium- to long-term increase in corporate value by maximizing the advisory and monitoring functions of the Board of Directors.

Additionally, the Board selects candidates, taking into account the internal and external compositions, independence, specific experiences, areas of expertise, genders, nationalities, etc. according to the business environment, after deliberations of the Remuneration and Nomination Advisory Committee. One third or more of the members of the Board of Directors elected are independent external directors.

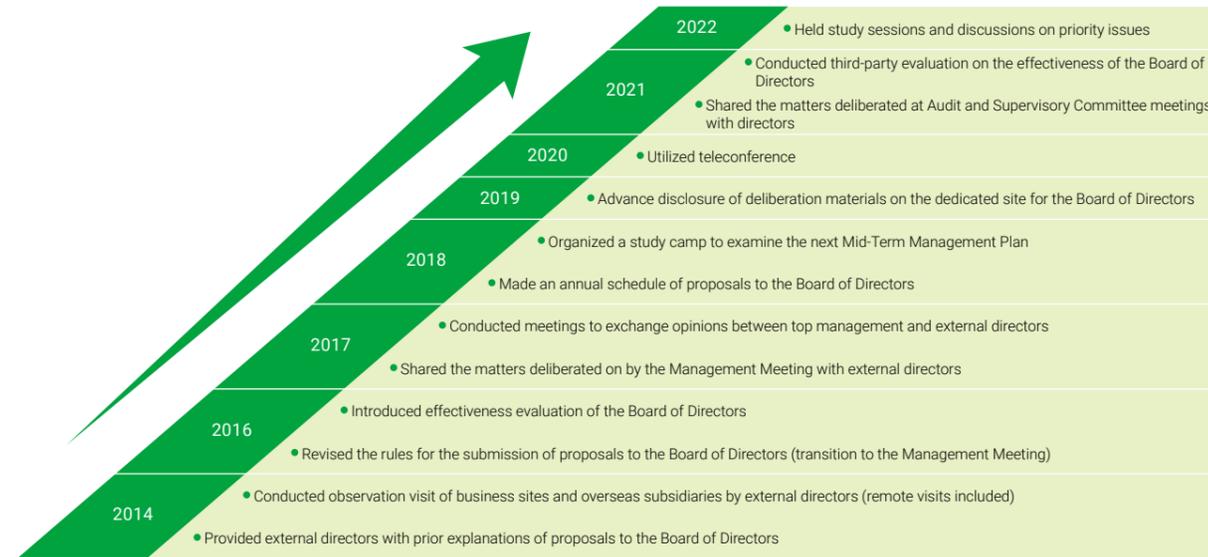
The Board of Directors currently consists of eight members, including five directors (excluding directors who are Audit and Supervisory Committee members) and three directors who are Audit and Supervisory Committee members, of which four are independent external directors. Our external directors come from a variety of backgrounds and have extensive experience and knowledge that contribute to the diversity management and business globalization included in our medium- to long-term vision and the achievement of longer, healthier lives through food. As a long-term vision, we have set the goal of increasing the percentage of women in the workforce, including executives, to 50% by around 2040, and we will aim to achieve the same for the Board of Directors at an early stage.

For more details on the reasons for appointment and standards for judging the independence of external officers, please refer to our website.  
<https://www.kagome.co.jp/company/ir/data/statutory/>

## ▶ Evaluation of the effectiveness of the Board of Directors

### Continuous efforts to enhance the Board of Directors (fiscal year when initiatives commenced)

Kagome has been continuously working to revitalize the Board of Directors. Following the third-party evaluation received in 2021, we held study sessions and discussions on priority issues in 2022.



### Results of evaluation of the effectiveness of the Board of Directors

Since FY2016, the Company undertakes an annual evaluation of the effectiveness of the Board of Directors. In FY2022, we evaluated the effectiveness of the Board of Directors targeting the directors in October. An overview of the results in FY2022 is described below.

#### 1 Methods of evaluation

<p>Conducted questionnaire</p>	<p>We conducted a questionnaire targeting all directors and analyzed the results.</p> <ul style="list-style-type: none"> <li>Questionnaire for Directors Design operation, proposals, and quality of discussions of the Board of Directors, corporate governance system, comprehensive evaluation, individual themes (business portfolio, Group governance, ESG, SDGs, etc.)</li> <li>Questionnaire for the Remuneration and Nomination Advisory Committee</li> <li>Questionnaire for the Audit and Supervisory Committee</li> <li>Questionnaire for the Enterprise Risk Management Committee</li> </ul>
<p>Deliberations by the Board of Directors taking the above into account</p>	<p>With reference to the summary of survey and interview results and evaluation by third-party, we set up opportunities for deliberation and opinion exchange involving all directors to conduct evaluation on effectiveness of the Board of Directors, identification of issues, assignment of priority for each issue, and discussion of countermeasures.</p>

#### 2 Evaluation results

Based on the above, the Board of Directors also deemed that it has properly met all evaluation items, and agreed that the effectiveness is sufficiently ensured.

#### 3 Topics to consider for further improvement in effectiveness

Of the issues recognized by the Board of Directors that need further improvement in this round of effectiveness evaluation, "systematic consideration of long-term strategy" is recognized as a topic of particular high priority. To achieve sustainable growth even in a rapidly changing environment, the Company will establish important themes for the Board to deliberate on with an eye toward the period after the third Mid-Term Management Plan in FY2022-2025, in addition to issues identified or assumed from the current situation, and then make systematic and focused efforts toward these themes throughout the year.

Toward this end, we will establish a meeting venue outside of the Board of Directors and provide information from inside and outside the Company and exchange information among directors to bridge the information gap between directors due to differences in terms of office and roles and improve the quality of discussions.

In addition, in the questionnaire, there were opinions regarding the Remuneration and Nomination Advisory Committee as to further improvements of the medium- to long-term succession plan, and opinions regarding the Audit and Supervisory Committee as to exercising rights more proactively and aggressively as audits of overseas business sites have been resumed. The Board of Directors recognizes these issues and will proceed with initiatives to address them.

We will seek to further improve board effectiveness in light of the results of the latest evaluation.

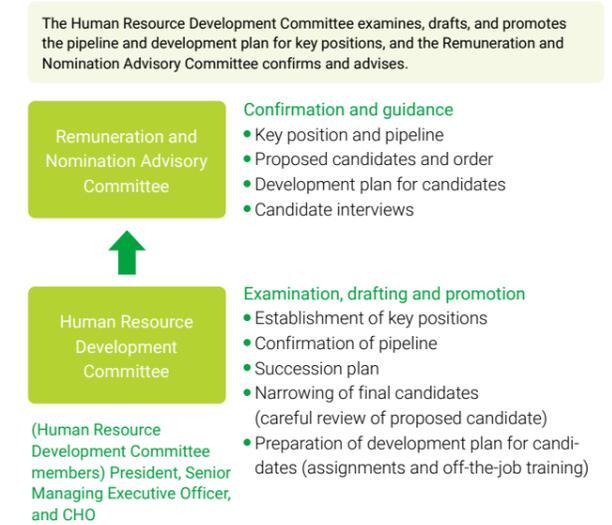


## ▶ Succession plan

The development of management personnel and the realization of highly transparent appointments are important matters required by Japan's Corporate Governance Code. Recognizing that the development of next-generation executive candidates is an important management issue for sustainable value creation through growth, we have established and are promoting a selection and training process.

In the development of management and executive candidates, we use a combination of "education" (off-the-job training and on-the-job training) and "selection" to measure actions to be demonstrated in a hierarchical manner for executives and general managers.

The Human Resource Development Committee, which is an internal decision-making body, conducts the selection, development plan, and review of candidates, while the Remuneration and Nomination Advisory Committee discusses and reviews appointment of officers and management before submitting them to the Board of Directors, thereby enhancing transparency and objectivity.



## ▶ Directors' remuneration

The Company's directors' remuneration plan is designed and managed according to the basic policy that it be a remuneration plan suited to a global corporation aimed at the realization of the mid-term management plan and that the results provided to the company and roles expected through the job duties of individual directors are important and that they are evaluated appropriately. Specifically, remuneration comprises basic remuneration and remuneration linked to business performance. The proportions of each of the above are determined based on the positions of the directors.

### Remuneration and Nomination Advisory Committee

Fiscal year in which the committee was convened	Main matters deliberated
2022	First committee: 1. FY2021 executive bonus (matter deliberated), 2. Appointment of directors (matter deliberated), 3. Committee system (matter deliberated), 4. Finalization of FY2019 stock options (matter reported)
	Second committee: 1. Directors' remuneration for FY2022 (matter deliberated), 2. Continuation of BIP trust-type stock remuneration (matter deliberated), 3. Overseas CEOs' remuneration (matter deliberated)
	Third committee: 1. Personnel reshuffle of directors of October 2022 (matter deliberated), 2. Board system after FY2023 (matter deliberated)
	Fourth committee: 1. Personnel reshuffle of directors of October 2022 (matter deliberated), 2. Succession plan for directors (matter deliberated)
	Fifth committee: 1. Results of remuneration survey (matter reported)
	Sixth committee: 1. Personnel reshuffle of directors (matter deliberated), 2. Remuneration and Nomination Advisory Committee schedule for FY2023 (matter deliberated)
2023	First committee: 1. FY2022 executive bonus (matter deliberated), 2. Personnel reshuffle of directors (matter deliberated), 3. Review of executive bonus (matter deliberated), 4. Personnel reshuffle of directors (matter deliberated), 5. Succession plan (matter deliberated), 6. Committee system (matter deliberated), 7. Skills matrix (matter deliberated)
	Second committee: 1. Directors' remuneration for FY2023 (matter deliberated), 2. Overseas CEOs' remuneration (matter deliberated), 3. Succession plan (matter deliberated)

Board of Directors' remuneration

Directors' remuneration

Category of directors	Total amount of remuneration, etc. (million yen)	Total amount of remuneration, etc. by type (million yen)				Number of eligible directors
		Basic remuneration	Bonus	Stock options	Stock remuneration	
Directors (excluding Audit and Supervisory Committee members)*	232	134	69	1	26	4
Directors (Audit and Supervisory Committee members)*	30	30	—	—	—	1
External Director	54	54	—	—	—	5

\* Excludes external directors. Kagome transitioned to a corporate structure with an Audit and Supervisory Committee as of March 25, 2016.

Total amount of remuneration\*, etc. of individual directors

Category of directors	Total amount of remuneration, etc. (million yen)	Total amount of remuneration, etc. by type (million yen)			
		Basic remuneration	Bonus	Stock options	Stock remuneration
Satoshi Yamaguchi, President & Representative Director	86	43	29	0	13

\* Only remuneration, etc. of persons whose total amount of remuneration, etc. is 100 million yen or more is stated.

Breakdown of remuneration by position

Position	Fixed-amount remuneration	Performance-linked remuneration			Distribution of evaluation	
		Short-term cash bonus	Stock remuneration	Total	Company-wide business performance	Individual performance
President & Representative Director	50%	33%	17%	50%	100%	0%
Director & Senior Managing Executive Officer	60%	28%	12%	40%	80%	20%
Director & Managing Executive Officer	65%	25%	10%	35%	80%	20%
Director & Audit and Supervisory Committee member	100%	0%	0%	0%	—	—
External Director	100%	0%	0%	0%	—	—

Amount of fixed remuneration by position (excluding Director & Audit and Supervisory Committee member and External Director)

Position	Fixed-amount remuneration (million yen)
President & Representative Director	43
Director & Senior Managing Executive Officer (set according to job grade)	30 to 32
Director & Managing Executive Officer (set according to job grade)	24 to 26

Calculation method of performance-linked remuneration

The performance-linked remuneration of each director is calculated using the formula shown below:

- Standard bonus amount = Total basic remuneration of each position / job grade × Total percentage of performance-linked remuneration
- Total amount of performance-linked remuneration = Standard bonus amount × (Company performance pay coefficient 1\*1 [core operating income vs. budget] × Position weighting + Company performance pay coefficient 2\*1 [year-on-year consolidated revenue] × Position weighting + Company performance pay coefficient 3\*1 [net income attributable to shareholders of parent vs. budget] × Position weighting + Individual performance pay coefficient\*2 × Position weighting)

\*1 The "Company performance pay coefficient" is determined through a "company performance evaluation" which evaluates the rate of achievement of company performance indicators. The Company has set three indicators as company performance indicators: (1) "Amount of core operating income vs. budget," (2) "Amount of year-on-year consolidated revenue," and (3) "Amount of net income attributable to shareholders of parent vs. budget."

- Amount of core operating income vs. budget  
Following our voluntary adoption of International Financial Reporting Standards in FY2019, we have set "feasibility of core operating income" (degree of achievement) compared to the initial budget as one of the company performance indicators, which serves as an important measure of consolidated management related to company performance evaluation. Specifically, the achievement rate of the results versus the initial budget is set as the coefficient. The achievement rate of the results versus the budget for FY2022 was 96%.
- Amount of year-on-year consolidated revenue  
We have chosen consolidated revenue amount as the second management indicator, which serves as a measure for evaluation in achieving the sustainable growth we aim for. Specifically, the achievement rate of the results versus previous fiscal year's actual results is set as the coefficient. The achievement rate of the results versus previous year's actual results was 108% for FY2022.
- Amount of net income attributable to shareholders of parent vs. budget  
We set "Net income attributable to shareholders of parent," the ultimate bottom line, as a third management indicator so that we can continually create value for shareholders and achieve a higher level of contributions. Specifically, the achievement rate of the results versus the initial budget is set as the coefficient. The achievement rate of the results versus the budget for FY2022 was 104%.

\*2 The "individual performance pay coefficient" is determined through an "individual performance evaluation" which evaluates achievement and contribution against the individual performance indicators of each director. Individual performance indicators measure degree of contribution to solving company-wide issues and departmental issues and are set for each director in the form of Key Performance Indicators (KPIs).  
The contents and progress of KPIs are disclosed and disseminated throughout the company in a way that enhances their transparency and receptivity.

Short-term performance-linked remuneration: Cash bonus

The cash bonus for a single fiscal year, which is short-term performance-linked remuneration, is calculated using the formula shown below:

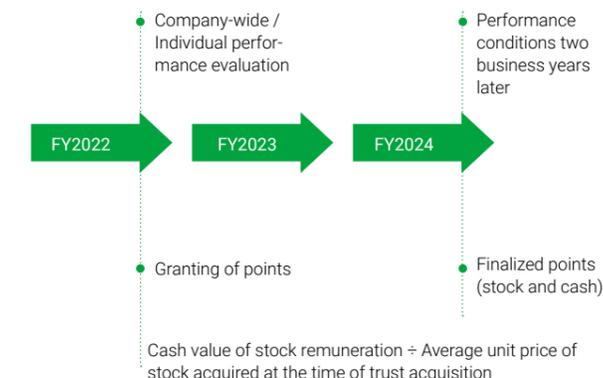
$$\text{Cash bonus} = \text{Total amount of performance-linked remuneration for single fiscal year} \times \text{Percentage of total amount of performance-linked remuneration accounted for by cash bonus}$$

Medium- to long-term performance-linked remuneration: BIP trust

Furthermore, we introduced a BIP trust in FY2020 as a medium- to long-term performance-linked remuneration that is highly transparent and highly correlated to shareholder value. In the BIP trust, points are allocated by applying the average unit price of share acquisition at the time of trust acquisition to the cash amount equivalent to stock remuneration determined based on the performance evaluation in a single fiscal year. This mechanism involves granting stock and providing cash decided according to the degree of achievement of the company-wide performance indicator (ratio of consolidated core operating income to consolidated revenue) in two years' time where one point is converted to one share. Since stocks, instead of rights, will be granted directly to directors in the BIP trust, this will increase directors' motivation to create value for shareholders. We also expect the plan and its implementation to be easy to understand and transparent.

The cash value of the stock remuneration is calculated using the formula shown below:

$$\text{Cash value of stock remuneration} = \text{Total amount of performance-linked remuneration for single fiscal year} \times \text{Percentage of stock remuneration in total amount of performance-linked remuneration}$$



Approach to repayment of directors' remuneration

On April 1, 2022, we instituted a Clawback & Malus clause that enables the Company to require all or a portion of the cash bonus and stock options to be repaid, and stop payment of stock options before they are paid out, in the event of a serious accounting error or fraud, serious breach against the delegation contract, or an act that significantly violates the psychological safety that the Company emphasizes. The targets are cash bonuses and share-based remuneration (performance-linked bonuses) of Directors and Executive Officers (persons who have the role and treatment as "directors" responsible for the management of the Company).

The details of the disposal shall be deliberated by the Remuneration and Nomination Advisory Committee on a case-by-case basis followed by reporting to the Board of Directors.

In principle, remuneration paid in the fiscal year in which the applicable event was discovered plus remuneration that trace back to three business years prior are subject to repayment. When requesting repayment, the repayment will be made from cash bonus and stock options for fiscal years starting from FY2022.

Strengthening group governance

In order to enhance the Group's finance and accounting governance, we established a Group-wide accounting, tax and financial management policy in FY2019. We are dispatching finance and accounting personnel directly from the head office to major Group companies in order to ensure compliance with these policies.

Domain	Name	Main points
Accounting	Kagome Group Financial Reporting Standards (K-FRS)	Conformity with IFRS
Tax	Kagome Group Tax Policy	Compliance with laws and regulations of each country and each region Prohibition of tax evasion and excessive tax avoidance
Finance	Kagome Financial Management Basic Policy	Reduction of risk assets; maximization of capital and asset efficiency Risk management and prohibition of speculative financial transactions
	Kagome (Subsidiaries) Financial Management Basic Policy	Same as above No holdings of financial products such as derivatives, in principle

Cross-shareholdings

Our basic policy is to dispose of or reduce, as promptly as possible, the holding of shares considered insignificant. Each year, our company reviews the significance, economic rationality and other factors of cross-shareholding and determines whether or not to continue each holding and the number of shares to be held. The examination of economic rationality sets the value for each holding as of the end of the most recent fiscal year as the standard to calculate the percentage at which the holding contributed to the profit of the Company in such fiscal year. When such percentage is below a figure equivalent to approximately twice the average ROA of the Company for the past five years on a non-consolidated basis, such

shares are subject to review for sale. Also reviewed are shares whose market price has declined 30% or more from the book value and shares of a company with whom the Company has transactions amounting to less than 100 million yen per year. Each year, the Board of Directors meet to deliberate on whether or not to sell shares of suppliers and clients that fall below these standards, determine the shares for sale, and sell some of its cross-shareholdings.

For details on our response to the Corporate Governance Code, please refer to our website.  
▶ <https://www.kagome.co.jp/english/company/ir/data/others/>

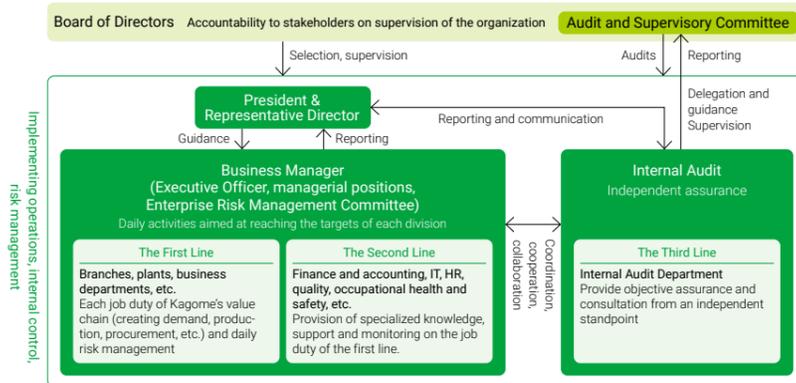
Internal control

Initiatives based on the Three Lines Model

The Kagome Group conducts measures across the entire Group following the Three Lines Model as a global standard for internal control aimed at expanding its businesses in Japan and overseas to realize its Mid-Term Management Plan. There are merits in having the three lines. These include maintaining a mutual check within the

organization by separating and allocating functions appropriately to individual departments without overlap and enabling optimal response for the entire company by clarifying the responsibility of each job function, and so on.

Three Lines Model



The First Line is responsible for creating demand in Kagome's value chain, production, procurement and primary processing, cultivation, research and development, and developing plant varieties, etc., namely the frontline of the field. The First Line conducts risk management in daily business activities by assessing the various risks in the execution of job duties at each business site, and implementing an appropriate controlling mechanism for these activities (segregation of duties, rules, documentation, etc.) It also incorporates necessary management systems, such as FSSC 22000 for quality and ISO 14001 for environment, for daily implementation on the first line at each business site.

The Second Line is a specialized organization that oversees finance and accounting, IT, HR, quality, occupational health and safety, etc. and provides daily support while monitoring the duties of the First Line. The Finance & Accounting Department, Information Systems Department, Human Resources Department, Quality Assurance Department, etc. have been established as the departments in charge of the Second Line. The Enterprise Risk Management Committee is established as a supervisory organization that oversees the risk management of the entire company. It conducts systematic risk management through cooperation with six specialist committees.

The Third Line comprises of the Internal Audit Department, which provides objective assurance (organizational diagnosis through audits) and consulting services from a standpoint that is

independent of the First and Second Lines. The Internal Audit Department serves as an organization that adds value to the achievement of Kagome's organizational targets, and needs to have an organizational independence. As such, it has a double reporting line to the president and the Audit and Supervisory Committee. It promotes improvements within the Group by providing audit reports that present various points of improvements within the organization to the departments under audit, the management, and Audit and Supervisory Committee. The assurance includes job audits conducted in response to internal risks and activities under the Internal Control Report System stipulated by the Financial Instruments and Exchange Act (J-SOX). In addition, it provides consulting services based on its specialized knowledge upon request from the First or Second Line. It provides advice and training in response to inquiries and requests from dozens of business managers annually.

Internal Control of the Kagome Group as a whole not only depends on the top management, but also requires practice of ethical behaviors from each and every employee in all three lines on a regular basis. For this reason, the Internal Audit Department conducts internal awareness promotion activities for all employees throughout the year, as well as annual internal control self-assessment targeting all employees in monitoring changes in awareness and behavior of Kagome's employees.

For details on our compliance and internal control, refer to our website.  
<https://www.kagome.co.jp/company/csr/management/>

Our responsibility to shareholders and investors

Information disclosure

Kagome discloses information to shareholders and investors in a fair, simple and timely manner. We attach great importance to opportunities for two-way communication with shareholders and investors through IR events such as the General Meeting of Shareholders, financial results briefing, Talks with the President, and production plant tours, among others.

General Meeting of Shareholders

We encourage all shareholders to participate in its General Meeting of Shareholders. This is achieved by disclosing on the company website and sending out as early as possible the content of the convocation notice and documents accompanying the convocation notice. On the actual day of the meeting, we provide visual presentations of the Chair's explanations and videos in an effort to make the reports easy to understand. Furthermore, we stream the meeting live online so that shareholders who are unable to attend may listen in. After the meeting, we promptly disclose details on Q&A sessions and results of questionnaires. In this manner, we are working to enhance and expand communication with shareholders.

Management oversight

Kagome recognizes that management oversight is enhanced through feedback on corporate activities and business performance from the perspective of numerous shareholders. As such, in 2001, we began working to attract 100,000 Kagome Fan shareholders. This initiative drove shareholder numbers past the 100,000 mark on September 30, 2005. Today, the number of shareholders stands at around 190,000. We will continue to appropriately reflect the valuable opinions and needs of our shareholders in all our corporate activities.

Compliance

Revision of Code of Conduct

In recent years, the world is seeing more severe problems in all aspects of society while Japan has been experiencing a continuous super aged society and frequent natural disasters. In light of these, we revised our Code of Conduct with a view to realizing a sustainable society for Kagome's survival, looking to the environment that requires a "mutual support" spirit and framework.

The new Code of Conduct consists of three pillars: "mutual support," "respect for human rights" and "fairness," and it is considered pivotal for the daily activities of Kagome Group employees, indicating how they should behave as corporate citizens as Kagome sets its sights on becoming a "Strong company capable of sustainable growth, using food as a means of resolving social issues" by 2025. We will seek to raise awareness of the revised Code of Conduct and maintain high ethical standards as we fulfill our social responsibilities in compliance with laws, regulations, international rules and the spirit of our Code of Conduct.

Compliance promotion system

The Kagome Group has established a Compliance Committee, under the supervision of the Enterprise Risk Management Committee chaired by Kagome's President. The Compliance Committee, which is chaired by the Executive Officer with responsibility for overseeing compliance, undertakes the verification of compliance promotion and monitoring status. The results of the Compliance Committee's deliberations are reported to the members of the Management Meeting via the Enterprise Risk Management Committee. The Legal Affairs Office, which functions as the committee's secretariat, plays the central role in day-to-day compliance operations. Kagome established the Kagome Compliance Hotline at an outside law firm, which is accessible to all domestic Group employees, and through which reports can be made and guidance given with regard to illegal or suspicious activities (including harassment and corruptions such as bribery) in the workplace.

Kagome takes steps to protect the privacy of employees who make reports to ensure that these employees do not suffer any adverse consequences. We quickly conduct investigations based on the information received and take appropriate countermeasures. In such cases, respecting the principle that whistleblowers and other related parties cannot be identified, we share information internally so as to prevent similar incidents from occurring in the future. In FY2022, the Kagome Compliance Hotline was used 28 times, and each case was resolved.

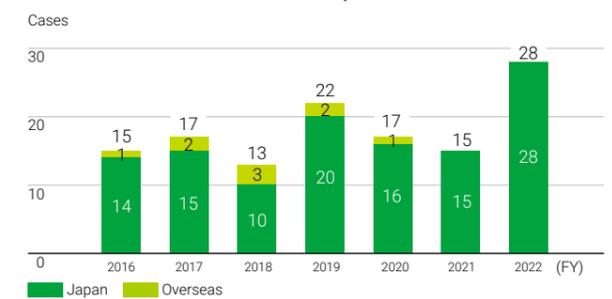
Kagome fully recognizes the importance of compliance in relation to Group companies located overseas. An overseas internal reporting system was introduced, and the scope of this system has been gradually expanded to include the Group companies located in the U.S. and Australia.

We will continue to strive to prevent and rapidly identify illegal activities through the appropriate operation of these systems.

In the event of compliance-violation, we will endeavor to accurately gather the facts and investigate the root cause, and take the facts seriously and carry out strict actions to thoroughly prevent recurrence as well as appropriately discipline the employees involved in the violation.

In FY2022, there was no case leading to legal measures, such as bribery or corruption.

Kagome Compliance Hotline  
Number of consultations and reports received



Initiatives to maintain rigorous compliance

Having formulated the Kagome Group Compliance Implementation Rules, Kagome Group in Japan implements thorough compliance throughout the Group. At domestic Group companies, the Legal Affairs Office, which serves as the secretariat of the aforementioned Compliance Committee, leads these efforts. Compliance implementation activities involve not only the preliminary checks in compliance-related cases and the dissemination of compliance-related information, including bribery prevention and consideration of human rights, but also in-house compliance training conducted on an ongoing basis using group training and e-learning for new employees and new managers that incorporate awareness raising, case studies, and group discussions.

In recent years, as an initiative for anti-corruption, which has become an important worldwide issue as indicated in the SDGs, we evaluated the bribery risks of overseas subsidiaries, and formulated the Kagome Group Corruption Prevention Policy to complement the Code of Conduct. In addition, in response to the expansion of business areas such as smart agriculture, we are reviewing the export control system in order to achieve an appropriate import & export control from a security perspective in terms of international peace and security maintenance. We strive to prevent corruption by conducting regular audits on the status of compliance and operation, with the monitoring results reported to the Board of Directors.

Tax compliance

In all the countries and regions where it conducts its business operations, the Kagome Group observes and adheres to tax laws, maintains good relationships with tax authorities, and contributes to society by paying the appropriate taxes. We also respond in a timely and appropriate manner with regard to annual revisions to taxation systems and changes in international taxation rules, including tax treaties, conventions and OECD guidelines. Internally, we carry out regular e-learning and other training with regard to tax compliance,

in order to heighten employees' awareness regarding observance of tax laws. With regard to transfer pricing taxation, we have established transfer pricing management regulations. For international transactions between companies belonging to the Group, we analyze the functions, assets and risks associated with each party in the transaction based on the arm's length price principle, and calculate appropriate profit allocations and transfer prices based on their respective contributions.

# Policies for Handling Risk Becoming a resilient Kagome Group that minimizes risks

## Basic policy on risk management

Kagome aims to become a “strong company capable of sustainable growth, using food as a means of resolving social issues” and a company that can fulfill the expectations of all stakeholders. Toward this end, we believe it is important for each and every person who works at Kagome to not only abide by laws and regulations, but also fulfill their social responsibilities with a high level of ethical values. In addition to acting ethically based on our Corporate Philosophy and Code of Conduct, it is important for employees to respond appropriately to various risks surrounding the company based on our Corporate Philosophy and Code of Conduct.

Specifically, strategy risks, social and environmental risks, and operational risks involving the execution of important business operations are assessed and examined by the management institutions such as the Management Meeting and Board of Directors. Operational risks involving the execution of other business operations are addressed by each organization following the Kagome Group Risk Management Policy. Furthermore, the Regulations on Official Authority require that all levels of managerial positions implement and supervise risk management within the scope of operations of their own respective departments. The Company defines risk as “uncertainties that negatively affect business operations.”

### Kagome Group Risk Management Policy

We stand committed to fulfilling our social responsibilities by becoming “strong company capable of sustainable growth, using food as a means of resolving social issues,” under our vision of “transforming from a tomato company into a vegetable company.” Toward this end, we identify and assess various risks that could occur in the constantly changing external environment or in our own operations, and respond accordingly.

Additionally, we are working to enhance our ability to deal with risks, having established a system that enables us to prevent damages from spreading as well as minimize damages and losses in the event that a serious incident were to occur.

## Risk management structure

Kagome has established a risk management system based on the approach of the Three Lines Model.

### i) Enterprise Risk Management Committee

The Enterprise Risk Management Committee, chaired by the President, oversees risk management activities for the Group as a whole with the CRO serving as director of the committee's administrative office. The committee, which is in charge of the First and Second Lines, monitors the initiatives of each line to implement the PDCA cycle for companywide risk management activities, using integrated perspectives based on management strategies.

### ii) First and Second Lines

The First Line entails identifying and assessing risks related to one's own work and creating action plans to define the response. At Kagome, persons in charge of specific operations at our plants, branches, domestic and overseas subsidiaries, and the departments therein form the First Line.

The Second Line involves creation of basic policy and procedures for risk management activities related to risk domains it is responsible for. It also checks that risk management activities of the First Line are carried out appropriately through monitoring of and advice provided to the First Line. At Kagome, departments responsible for sales and production, such as the Sales Promotion Department and Production Department, and corporate head office departments, such as the Finance & Accounting Department, form the Second Line. Additionally, the CRO is responsible for overseeing the entire Second Line.

Risks identified and assessed by the First Line are organized and integrated from the standpoint of Group-wide management, and reported to management institutions including the Board of Directors by the Second Line.

The First and Second Lines work together to identify and assess risks and implement the PDCA cycle of risk management activities for the company as a whole.

### iii) Third Line

The Internal Audit Department, which serves as the Third Line, provides objective assurances for the risk management activities of the First and Second Lines from an independent standing.

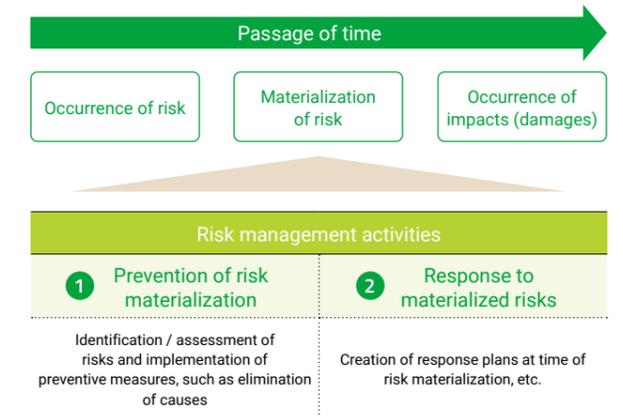
The Internal Audit Department, while maintaining its independence, conducts effective and efficient audits by cooperating mainly with the Enterprise Risk Management Committee to share management strategies and the basic policy on risk management activities carried out by the First and Second Lines based on these strategies.

In addition, findings by the Internal Audit Department are shared with the Enterprise Risk Management Committee as well as the audited departments. The Enterprise Risk Management Committee organizes the positioning of shared audit findings as issues in risk management activities for the entire Group. The Internal Audit Department adds integrated risks or revises assessments for the Group as a whole, and provides advice on improvement activities to the target departments.

For details, see our website.  
<https://www.kagome.co.jp/company/ir/data/statutory/>

## Risk management activities

The primary focus of our risk management activities is the prevention of risk materialization and response to risks that have already materialized. In case of both our initiatives for prevention of risk materialization and response to risks that have already materialized, specific activities entail risk management based on management plans and business targets using the PDCA cycle.



### 1 Prevention of risk materialization

#### i) Basic framework

The Company organizes risks concerning corporate activities into the following three categories in order to conduct appropriate management based on the nature and content of risks.

- **Strategy risks:** Risks designated by the Company as being recognized to have serious impacts based on mid- to long-term management strategies
- **Social and environmental risks:** Risks generally recognized as force majeure if materialized among those risks caused by external factors such as socioeconomic environment or natural disasters
- **Operational risks:** All other risks excluding strategy risks and social and environmental risks

Based on the above three categories of risks, those risks recognized individually are separated into the following two risks depending on the impact they have on corporate management.

- **Risks covered in priority risk themes of the company:** risks from among strategy risks, social and environmental risks, and operational risks that are assessed to have a large impact on corporate management. The Management Meeting or Enterprise Risk Management Committee implements risk management activities for these risks using the PDCA cycle, and it also reports to the Board of Directors.

- **Risks covered in risk themes of each organization:** risks other than risks covered in priority risk themes of the company. As risk owner, each organization implements risk management activities for these risks using the PDCA cycle.

		Plan: determine a plan and response	Do: execute	Check: monitor and evaluate progress and response status	Action: rectify and improve risk response
Priority risk themes of the company	Strategy risks	Management Meeting: designate strategy risks and determine priority risk themes Each organization: determine a plan and response	Each organization: implement risk response	Management Meeting: check reports from each organization Each organization: report on progress to Management Meeting	Management Meeting: point out areas of improvement to each organization Each organization: reflect findings in activities
	Social and environmental risks	Management Meeting: determine priority risk themes Each organization: determine a plan and response ⇒ appears in the KPI target sheet of risk owners	Each organization: implement risk response	Management Meeting and Enterprise Risk Management Committee: check reports from each organization Each organization: self-evaluate themes and formulate future plans	Management meeting and Enterprise Risk Management Committee: point out areas of improvement to each organization Each organization: reflect findings in KPI target sheet
	Operational risks	Each organization: determine a plan and response ⇒ appears in the KPI target sheet of risk owners	Each organization: implement risk response	Each organization: manage and evaluate progress	Each organization: rectify and improve

ii) Priority risk themes for the Company in FY2023

We recognize the following risks covered in priority risk themes for the company, which are subject to priority risk management activities.

Priority risk themes	Contents
1 Management strategies	<ul style="list-style-type: none"> <li>Deterioration of profits due to gap between budget and actual results</li> <li>Deterioration in performance and loss of revenue opportunities due to failures or delays in new businesses and / or M&amp;A</li> </ul>
2 Establishment of appropriate governance structure	<ul style="list-style-type: none"> <li>Deficiencies in effectiveness of the Board of Directors and Audit &amp; Supervisory Committee</li> <li>Disabling of internal control caused by management</li> </ul>
3 Consumers and public relations	<ul style="list-style-type: none"> <li>Litigation, boycotts, and damage to brand image due to inappropriate advertising or failure to address customer needs</li> </ul>
4 Social situation and customer needs	<ul style="list-style-type: none"> <li>Economic recession or decline in demand in Japan or decline in sales due to delays in addressing consumer needs</li> </ul>
5 Financial markets	<ul style="list-style-type: none"> <li>Rising capital procurement costs or deteriorating liquidity caused by fluctuations in foreign exchange rates or interest rates</li> </ul>
6 Natural disasters and force majeure	<ul style="list-style-type: none"> <li>Stalled business activities caused by earthquake or other disasters or infectious diseases (BCP)</li> <li>Stalled raw ingredients procurement caused by extreme weather</li> </ul>
7 Information management and cybersecurity	<ul style="list-style-type: none"> <li>Unauthorized server access due to cyberattack or loss of personal information or confidential information due to inappropriate management</li> </ul>
8 Health and safety	<ul style="list-style-type: none"> <li>Negative health effects on employees incurred due to occupational accident in the workplace or long working hours or infectious disease, etc.</li> </ul>
9 Safety of products and services	<ul style="list-style-type: none"> <li>Possibility of shipment of defective products, negative health effects, and liability costs due to foreign contaminants, labeling errors, inadequate quality inspections, contamination of different varieties of seeds, inadequate quality inspections of non-food products, etc.</li> </ul>
10 Supply chain (procurement, production, transport / logistics)	<ul style="list-style-type: none"> <li>Shortage of raw ingredients attributed to sudden spikes in demand or shortages of seedlings or other raw ingredients</li> <li>Stalled production and / or shipments due to system failures at automated warehouses or in logistics</li> </ul>
11 Regulations and violations of laws / rules	<ul style="list-style-type: none"> <li>Serious violations of laws or regulations (Companies Act, tax law, Financial Instruments and Exchange Act, Tokyo Stock Exchange rules, etc.)</li> <li>Violations of food safety related regulations, illicit activities of individuals, and scandals involving affiliated companies</li> <li>Negative evaluations from shareholders and investors because of delayed response to environmental issues (GHG emissions reduction, water resource issues, plastics issues, etc.)</li> <li>Occurrence of litigation and rising number of people leaving the company due to human rights issues (forced labor, harassment, etc.)</li> </ul>

2 Response to materialized risks

i) Basic framework

In order to respond effectively and efficiently to risk materialization events, the Company classifies these events based on the assessment of their impact and develops a business continuity plan and other response plans according to risk materialization.

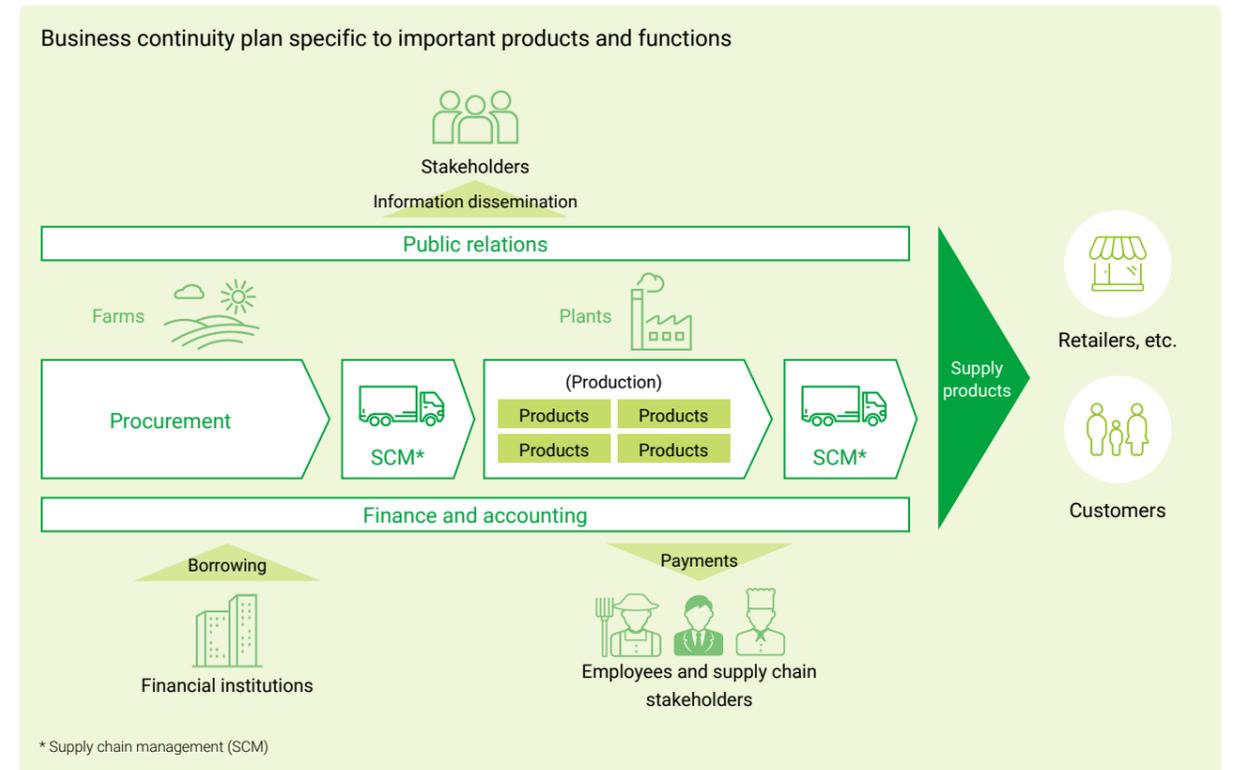
ii) Business continuity plan (BCP)

The Company has prepared a business continuity plan based on the scenarios in several individual contingencies anticipated in the future.

A business continuity plan is generally prepared for each business segment. However, since the value chains of multiple business segments overlap or are approximated, the Company has created a business continuity plan for each important product and function.

Along with important products, Kagome's business continuity plan consists of four important functions: procurement, supply chain management (SCM), finance and accounting, and public relations. Procurement and supply chain management are essential functions for conducting production activities as a food manufacturer. In addition, finance and accounting is the basic function for the survival of the company, the maintenance of the supply chain, the livelihood of employees, and the other production activities of companies as a business. Public relations is a function considered important in light of "Corporate openness," forming part of the Company's corporate philosophy. Accountability to internal and external stakeholders is absolutely necessary, especially in emergencies, and public relations is considered an essential function for this purpose.

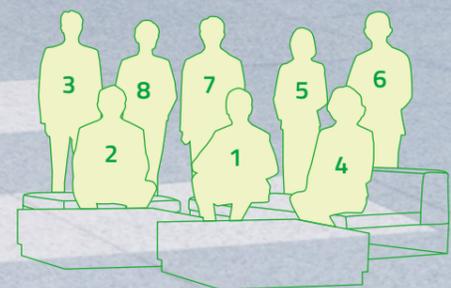
Through the business continuity plan, Kagome's business activities will continue even in the event of a contingency, or Kagome will promptly recover from the cessation of business operations to preserve corporate value.



iii) Other initiatives to address the materialization of risks

Currently, we are developing a plan for responding to the materialization of individual risks, including a business continuity plan, and are systematically organizing these individual response plans in accordance with the Business Continuity Guidelines published by the Cabinet Office and creating an integrated response plan. In the

process of these efforts, we ensure the proactive involvement of stakeholders within the Kagome Group and obtain support from external experts as appropriate. In addition, the Company has established a PDCA cycle that regularly reviews response plans through tabletop training and simulations (dry runs) in an effort to improve our ability to respond to risks that materialize.



**1 Satoshi Yamaguchi** (date of birth: December 29, 1960)  
President & Representative Director  
Remuneration and Nomination Advisory Committee Member

1983 Joined the Company  
2003 General Manager, Institutional & Industrial Business Unit  
2010 Executive Officer  
2010 Director, Institutional & Industrial Business Division  
2015 Director, Innovation Division  
2018 Director, Vegetable Business Division  
2019 Director & Managing Executive Officer  
2020 President & Representative Director (to present)

**3 Hirohisa Kobayashi** (date of birth: July 16, 1961)  
Director & Managing Executive Officer  
Director, Sales Division

1984 Joined the Company  
2005 General Manager, Taiwan Kagome Co., Ltd.  
2006 General Manager, Probiotics Business Unit (responsible for marketing)  
2009 General Manager, Consumer Sales Department, Osaka Branch  
2014 Executive Officer  
2014 Director, Consumer Business Division  
2015 Managing Executive Officer  
2015 Director, Marketing Division  
2018 Director, Sales Division (to present)  
2019 Director & Managing Executive Officer (to present)

**5 Kumi Arakane** (date of birth: July 4, 1956)  
External Director  
Independent

1981 Joined KOBAYASHI KOSÉ COMPANY LIMITED (currently, KOSÉ Corporation)  
1997 Obtained a doctorate (Doctor of Pharmacy) from the University of Tokyo  
2002 Senior Chief Researcher, R&D Headquarters Advanced Cosmetic Research Laboratories of KOSÉ Corporation  
2004 General Manager, Product Development Dept., Marketing Headquarters of KOSÉ Corporation  
2006 Executive Officer, Deputy Director-General of Marketing Headquarters and General Manager of Product Development Dept. of KOSÉ Corporation  
2010 Executive Officer, General Manager, R&D Laboratories of KOSÉ Corporation  
2011 Executive Officer, General Manager, Quality Assurance Dept. of KOSÉ Corporation  
2011 Director, KOSÉ Corporation (in charge of Quality Assurance Dept., Customer Service Center, Purchasing Dept., and Product Designing Dept.)  
2017 Audit & Supervisory Board Member, KOSÉ Corporation  
2019 Outside Audit & Supervisory Board member, Kubota Corporation  
2020 External Director of the Company (to present)  
2020 Outside Director, Toda Corporation (to present)  
2021 Outside Director, Kubota Corporation (to present)

**7 Tatsuya Endo** (date of birth: August 18, 1959)  
External Director, Audit and Supervisory Committee Member  
Independent  
Audit and Supervisory Committee Member  
Remuneration and Nomination Advisory Committee Member

1985 Joined Arthur Andersen & Co., Tokyo Office  
1990 Certified as tax accountant  
1998 Partner at Arthur Andersen & Co., Tokyo Office  
2002 Partner at Asahi KPMG Tax Corporation (currently, KPMG Tax Corporation)  
2016 Deputy Senior Partner at KPMG Tax Corporation  
2020 Representative of Tatsuya Endo Tax Accountant Office (to present)  
2020 External Director, Audit and Supervisory Committee Member of the Company (to present)

**2 Takashi Hashimoto** (date of birth: October 30, 1958)  
Director & Senior Managing Executive Officer

1983 Joined the Company  
2001 General Manager, Shizuoka Plant  
2003 General Manager, Kozakai Plant  
2005 General Manager, Production Technology Department  
2008 General Manager, Production and Procurement Planning Department  
2012 General Manager, Corporate Planning Department  
2013 Executive Officer  
2017 Director, Production & Purchasing Division  
2019 Managing Executive Officer  
2020 Senior Managing Executive Officer  
2021 Director & Senior Managing Executive Officer (to present)

**4 Hidemi Sato** (date of birth: February 17, 1959)  
External Director  
Independent  
Remuneration and Nomination Advisory Committee Member

1981 Joined Mitsubishi Electric Corporation  
1996 Completed Doctoral Program at Graduate School of Ochanomizu University; took a doctorate (Doctor of Philosophy in Food Science)  
1997 Part-time lecturer at Fukushima University, The Open University of Japan, Nippon Veterinary and Animal Science University (currently Nippon Veterinary and Life Science University)  
1999 Part-time lecturer at Mejiro University College  
2015 Visiting professor at Nippon Veterinary and Life Science University (to present)  
2017 External Director of the Company (to present)

**6 Hirohito Kodama** (date of birth: March 22, 1959)  
Director, Standing Audit and Supervisory Committee Member  
Audit and Supervisory Committee Member

1981 Joined the Company  
2003 General Manager, Corporate Planning Department  
2006 Executive Officer  
2008 Director & Executive Officer  
2008 General Manager, Research & Development Division  
2011 Director & Managing Executive Officer  
2013 CEO, Asia Business Company  
2015 General Manager, Shared Service Preparation Office  
2016 Responsible for Business Process Redesign of the Company and President & Representative Director of Kagome Axis Co., Ltd.  
2018 Outside Audit & Supervisory Board Member of Dynapac Co., Ltd.  
2018 Director, Audit and Supervisory Committee Member of the Company (to present)  
2021 Outside Director (Audit and Supervisory Committee Member) of Dynapac Co., Ltd. (to present)

**8 Asako Yamagami** (date of birth: January 1, 1970)  
External Director, Audit and Supervisory Committee Member  
Independent  
Audit and Supervisory Committee Member

1999 Registered as attorney-at-law. Joined Taiyo Law Office (currently, Paul Hastings LLP)  
2005 Seconded to The Walt Disney Company (Japan) Ltd.  
2006 Joined IBM Japan, Ltd.  
2012 Contracted attorney, Office of International Affairs, Japan Federation of Bar Associations  
2012 Joined Natori Law Office (currently, ITN Partners) as Partner (to present)  
2015 Outside Director, Audit & Supervisory Committee Member, Musashi Seimitsu Industry Co., Ltd.  
2016 Director, Office of International Affairs, Japan Federation of Bar Associations  
2020 External Director, Audit and Supervisory Committee Member of the Company (to present)  
2020 External Director, Audit and Supervisory Committee Member, Nikon Corporation (to present)  
2021 Outside Director, NEC Capital Solutions, Limited (to present)

# Key Financial and Non-Financial Data

Accounting Period (Fiscal Year)	2012	2013	2014**	2015	2016	2017	2018	2018	2019	2020	2021	2022
	Japanese Generally Accepted Accounting Principles (JGAAP)							IFRS				
<b>Profit and Loss (Unit: million yen)</b>												
Net sales / Revenue	196,233	193,004	159,360	195,619	202,534		214,210	209,865	184,595	180,849	183,041	205,618
Research and development expenses	3,009	3,084	2,566	3,240	3,219		3,346	3,557	3,555	3,525	3,557	4,090
Advertising expenses	7,053	6,918	5,319	4,671	5,086		5,977	6,109	6,110	5,150	6,872	7,424
Core operating income	—	—	—	—	—		—	—	12,400	12,304	13,599	14,138
Core operating income margin (%)	—	—	—	—	—		—	—	6.7	6.8	7.4	7.5
Operating income	9,278	6,775	4,328	6,723	10,946		11,968	12,000	12,228	14,079	10,682	12,757
Operating margin (%)	4.7	3.5	2.7	3.4	5.4		5.6	5.7	6.6	7.8	5.8	6.2
Net income attributable to shareholders of parent / Net income attributable to owners of parent	6,480	5,105	4,366	3,441	6,764		10,100	11,527	8,998	10,198	7,425	9,116
<b>Financial Condition (Unit: million yen)</b>												
Total assets	168,965	183,621	203,413	208,885	219,804		195,737	193,612	199,826	201,179	224,913	225,372
Total net assets	104,432	113,023	124,566	126,344	97,991		105,853	104,843	103,363	111,386	112,651	121,792
Interest-bearing debt	24,004	31,088	35,904	37,419	74,538		37,168	37,302	39,625	38,020	55,295	44,851
<b>Cash Flows (Unit: million yen)</b>												
Cash flows from operating activities	7,407	(1,073)	1,753	12,039	18,824		16,598	10,130	10,722	12,224	20,442	14,796
Cash flows from investing activities	(1,781)	(3,941)	(7,110)	(11,023)	(18,576)		17,271	(299)	(299)	(9,267)	(3,398)	(9,457)
Cash flows from financing activities	1,050	2,322	1,793	1,555	6,904		(40,761)	(1,083)	(1,675)	(5,068)	12,104	(27,652)
Free cash flow	(1,417)	(12,661)	(4,269)	(4,011)	10,442		21,588	1,574	10,423	2,956	17,043	(4,821)
<b>Per Share Information (Unit: yen)</b>												
Net income per share / Basic earnings per share	65.15	51.39	44.01	34.64	68.30		114.03	130.03	101.50	114.89	83.73	109.37
Net assets per share / equity attributable to shareholders of the parent per share	1,020.86	1,094.07	1,204.77	1,201.96	1,043.89		1,150.50	1,146.85	1,130.27	1,219.47	1,242.19	1,383.50
Annual dividend per share	20.0	22.0	16.5	22.0	24.5		30.0	40.0	40.0	35.0	36.0	38.0
<b>Key Management Indicators (Unit: %)</b>												
Shareholders' equity ratio / Equity attributable to shareholders of the parent to total assets	60.1	59.1	58.8	57.2	42.1		52.1	52.5	50.2	53.9	49.3	54.6
Return on equity / Ratio of equity attributable to shareholders of the parent (ROE)	6.7	4.9	3.8	2.9	6.4		10.4	11.3	9.0	9.8	6.8	8.5
Return on assets / Ratio of core operating income to total assets (ROA)	6.3	4.3	2.6	3.4	5.3		6.1	6.2	6.2	6.1	6.4	5.8
Dividend payout ratio	30.7	42.8	37.5	63.5	35.9		26.3	30.8	39.4	30.5	43.0	33.8
Dividend on net assets ratio / Dividend on equity attributable to shareholders of the parent (DOE)	2.1	2.1	1.4	1.8	2.2		2.7	3.5	3.5	3.0	2.9	2.8
<b>Non-Financial Information</b>												
Number of employees**2 (persons)	2,209	2,349	2,368	2,569	2,621		2,456	2,504	2,504	2,599	2,684	2,818
Energy used**3 (thousands of gigajoules)	1,297	1,289	1,329	1,336	1,380		1,376	1,334	1,334	1,204	1,226	1,148
Water used**3 (thousands of tons)	3,627	3,945	3,850	3,828	3,628		3,442	3,247	3,247	3,137	3,131	3,101
CO <sub>2</sub> emissions**3 **4 (tons)	65,454	62,777	64,693	63,968	66,499		66,599	64,839	64,839	57,878	59,513	57,515

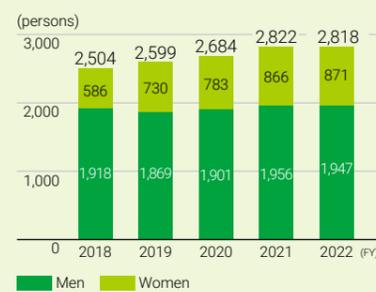
\*1 FY2014 represents the nine-month period from April 1, 2014 to December 31, 2014 following change to the Company's business year.

\*2 Coverage is the Kagome Group.

\*3 Coverage is Kagome Co., Ltd. and Group companies in Japan.

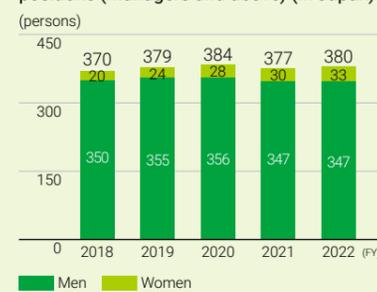
\*4 The electricity conversion coefficient for calculating CO<sub>2</sub> emissions is a fixed coefficient developed internally: 0.421 kg-CO<sub>2</sub> / kWh

Number of employees (consolidated)



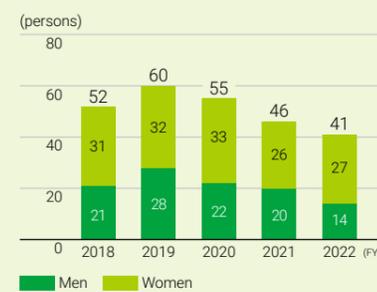
\* Coverage is the Kagome Group

Number of employees in managerial positions (managers and above) (in Japan)



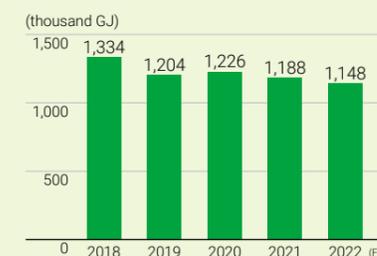
\* Coverage is Kagome Co., Ltd. and Kagome Axis Co., Ltd.

Number of new hires

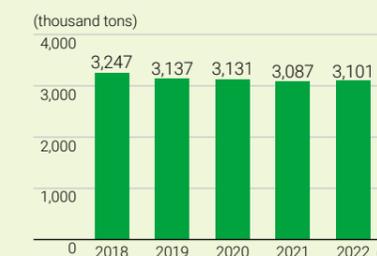


\* Coverage is Kagome Co., Ltd.

Energy used

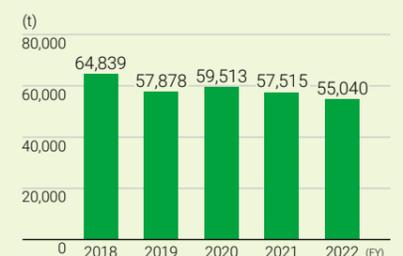


Water used



\* Due to changes in aggregation method, water used data for previous years is presented in figures prepared retroactively based on the new method.

CO<sub>2</sub> emissions



\* Kagome obtains a verification report on CO<sub>2</sub> emissions from a third-party institution each year. Data from FY2022 reflects figures prior to third-party verification. Verified figures will be disclosed on the CSR website.

# Consolidated Financial Statements

Section 1

Section 2

Section 3

Section 4

Section 5

Section 6

Section 7

Financial Performance /  
Company Information

## Consolidated Balance Sheets

(Unit: million yen)

	Previous fiscal year (December 31, 2021)	Fiscal year under review (December 31, 2022)
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	31,231	21,390
Trade and other receivables	41,657	45,487
Inventories	47,150	57,565
Income taxes receivable	189	410
Other financial assets	1,257	1,697
Other current assets	1,999	2,611
<b>Total current assets</b>	<b>123,485</b>	<b>129,162</b>
<b>Non-current assets</b>		
Property, plant and equipment	60,193	61,779
Intangible assets	3,351	3,220
Other financial assets	15,212	16,203
Investments accounted for using the equity method	7,873	9,141
Other non-current assets	3,141	3,626
Deferred tax assets	1,950	2,237
<b>Total non-current assets</b>	<b>91,723</b>	<b>96,209</b>
<b>Total assets</b>	<b>215,208</b>	<b>225,372</b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
<b>Current liabilities</b>		
Trade and other payables	35,244	35,486
Borrowings	26,436	34,604
Income taxes payable	2,530	1,923
Other financial liabilities	948	849
Other current liabilities	7,751	7,449
<b>Total current liabilities</b>	<b>72,911</b>	<b>80,313</b>
<b>Non-current liabilities</b>		
Long-term debt	7,824	8,346
Other financial liabilities	3,225	3,520
Retirement benefit liability	5,963	5,590
Provisions	1,162	1,155
Other non-current liabilities	1,122	1,084
Deferred tax liabilities	3,456	3,567
<b>Total non-current liabilities</b>	<b>22,754</b>	<b>23,266</b>
<b>Total liabilities</b>	<b>95,666</b>	<b>103,580</b>
<b>Net Assets</b>		
Share capital	19,985	19,985
Capital surplus	22,799	22,836
Treasury shares	(14,810)	(22,543)
Other components of equity	5,355	8,084
Retained earnings	84,235	90,708
Equity attributable to shareholders of parent	117,565	119,071
Non-controlling interests	1,977	2,720
<b>Total net assets</b>	<b>119,542</b>	<b>121,792</b>
<b>Total liabilities and net assets</b>	<b>215,208</b>	<b>225,372</b>

## Consolidated Statements of Income

(Unit: million yen)

	Previous fiscal year From January 1, 2021 To December 31, 2021	Fiscal year under review From January 1, 2022 To December 31, 2022
Revenue	189,652	205,618
Cost of sales	120,121	134,481
<b>Gross profit</b>	<b>69,531</b>	<b>71,136</b>
Selling, general and administrative expenses	55,809	59,232
Equity gains (losses) of affiliated companies	416	904
Other income	675	713
Other expenses	802	765
<b>Operating income</b>	<b>14,010</b>	<b>12,757</b>
Finance income	592	903
Finance costs	722	1,103
<b>Profit before income taxes</b>	<b>13,880</b>	<b>12,557</b>
Income taxes	3,897	2,790
<b>Net income</b>	<b>9,983</b>	<b>9,766</b>
Net income attributable to		
Shareholders of parent	9,763	9,116
Non-controlling interests	220	650
<b>Total</b>	<b>9,983</b>	<b>9,766</b>
<b>Amounts per share of common stock</b>		
Net income (Yen)	109.37	105.11
Diluted net income (Yen)	109.18	104.91

Note: Adjusted from gross profit to core operating income in the table.

Gross profit	69,531	71,136
Selling, general and administrative expenses	55,809	59,232
Equity gains (losses) of affiliated companies	416	904
<b>Core operating income*</b>	<b>14,138</b>	<b>12,808</b>

\* Core Operating Income is profit deducting cost of sales and selling, general, and administrative expenses from sales revenue plus equity gains (losses) of affiliated companies. Although not an indicator defined under IFRS, Kagome's Board of Directors evaluates the performance of business segment based on core operating income. Because it is considered useful information as an indicator measuring constant business performance of the Company, Kagome has voluntarily included this indicator in the Consolidated Statements of Income.

## Consolidated Statements of Comprehensive Income

(Unit: million yen)

	Previous fiscal year From January 1, 2021 To December 31, 2021	Fiscal year under review From January 1, 2022 To December 31, 2022
Net income	9,983	9,766
<b>Other comprehensive income</b>		
<b>Items that will not be reclassified to profit or loss</b>		
Remeasurements of defined benefit plans	(0)	399
Financial assets measured at fair value through other comprehensive income	(362)	806
Share of other comprehensive income of investments accounted for using equity method, net of tax	(44)	(1)
<b>Total</b>	<b>(407)</b>	<b>1,205</b>
<b>Items that may be reclassified subsequently to profit or loss</b>		
Effective portion of cash flow hedges	1,625	2,278
Cash flow hedges costs	(1)	(1,067)
Exchange differences on translation of foreign operations	1,902	2,737
Share of other comprehensive income of investments accounted for using equity method, net of tax	6	12
<b>Total</b>	<b>3,532</b>	<b>3,960</b>
<b>Other comprehensive income</b>	<b>3,124</b>	<b>5,165</b>
<b>Comprehensive income</b>	<b>13,108</b>	<b>14,932</b>
<b>Comprehensive income attributable to</b>		
Shareholders of parent	12,731	14,139
Non-controlling interests	376	792
<b>Total</b>	<b>13,108</b>	<b>14,932</b>

Consolidated Statements of Cash Flows

(Unit: million yen)

	Previous fiscal year From January 1, 2021 To December 31, 2021	Fiscal year under review From January 1, 2022 To December 31, 2022
<b>Cash flows from operating activities</b>		
Profit before income taxes	13,880	12,557
Depreciation and amortization	7,495	8,282
Interest and dividend income	(367)	(438)
Interest expenses	332	554
Equity gains (losses) of affiliated companies	(416)	(904)
(Gains) losses on sale and retirement of property, plant and equipment, and intangible assets	61	97
(Increase) decrease in trade and other receivables	(968)	(2,771)
(Increase) decrease in inventories	(3,226)	(7,575)
Increase (decrease) in trade and other payables	3,127	638
Other	(401)	(1,462)
Subtotal	19,517	8,978
Interest and dividends received	333	446
Interest paid	(508)	(529)
Income taxes paid	(4,545)	(4,260)
Cash flows from operating activities	14,796	4,635
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment, and intangible assets, including investment property	(14,823)	(9,878)
Proceeds from sales of property, plant and equipment, including investment property	532	259
Purchase of investments in subsidiaries	(65)	—
Purchase of other financial assets	(41)	(536)
Gain on available-for-sale financial assets	260	563
Other	(24)	134
Cash flows from investing activities	(14,162)	(9,457)
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term borrowings	(23,145)	6,319
Proceeds from long-term borrowings	2,777	1,044
Repayments of long-term borrowings	(673)	(1,036)
Expenditures from repayment of lease liabilities	(812)	(743)
Dividends paid	(3,219)	(3,278)
(Increase) decrease in treasury shares	(2,500)	(7,786)
Dividends paid to non-controlling interests	(91)	(72)
Income from the sale of a subsidiary's equity to a non-controlling interests	14	—
Proceeds from share issuance to non-controlling shareholders	—	100
Payments for the purchase of a subsidiary's equity from non-controlling interests	—	(58)
Cash flows from financing activities	(27,652)	(5,512)
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(27,018)</b>	<b>(10,334)</b>
Cash and cash equivalents at beginning of period	56,768	31,231
Foreign translation adjustment on cash and cash equivalents	1,480	493
<b>Cash and cash equivalents at end of period</b>	<b>31,231</b>	<b>21,390</b>

Company Overview As of March 31, 2023

**Trade name:** Kagome Co., Ltd.  
**Founded:** 1899  
**Incorporated:** 1949  
**Head Office:** 3-14-15, Nishiki, Naka-ku, Nagoya, Aichi  
 Tel. +81-52-951-3571 (Main)  
**Tokyo Head Office:** Nihonbashi-hamacho F-Tower, 3-21-1 Nihonbashi-hamacho, Chuo-ku, Tokyo  
 Tel. +81-3-5623-8501 (Main)

**Capital:** 19,985 million yen  
**Number of employees:** 2,818 (consolidated)  
**Business locations:** Head Office, Tokyo Head Office, 1 division office, 8 branches, 6 business offices, 6 plants, Innovation Division, and Tokyo Laboratory  
**Description of business:** Production and sales of food seasonings, preserved foods, beverages, and other food products; purchasing, production, and sales of seedlings, fruits, and vegetables



- Division offices, branches and business offices**
- |                             |                          |                         |
|-----------------------------|--------------------------|-------------------------|
| Hokkaido Branch             | Kanshinetsu Branch       | Chu-Shikoku Branch      |
| Tohoku Branch               | Nagoya Branch            | Okayama Business Office |
| Kita-Tohoku Business Office | Shizuoka Business Office | Kyusyu Branch           |
| Office                      | Hokuriku Business Office | Okinawa Business Office |
| Tokyo Branch                | Osaka Branch             |                         |
| Kanagawa Branch             |                          |                         |
- Plants**
- |               |              |               |
|---------------|--------------|---------------|
| Ueno Plant    | Fujimi Plant | Ibaraki Plant |
| Kozakai Plant | Nasu Plant   | Komaki Plant  |

▶ Main Group Companies

Domestic Subsidiaries and Associates

- Kagome Agri Fresh Co., Ltd. (Chuo-ku, Tokyo)
- Hibikinada Greenfarm Co., Ltd. (Kitakyushu City, Fukuoka)
- Iwaki Onahama Greenfarm Co., Ltd. (Iwaki City, Fukushima)
- Kagome Axis Co., Ltd. (Nagoya City, Aichi)
- F-LINE Corp. (Chuo-ku, Tokyo)

Overseas Subsidiaries and Associates

- Kagome Inc. (California, U.S.A.)
- Ingomar Packing Company, LLC (California, U.S.A.)
- United Genetics Holdings LLC (Delaware, U.S.A.)
- Holding da Industria Transformadora do Tomate, SGPS S.A. (HIT) (Palmela City, Portugal)
- DXAS Agricultural Technology LDA (Lisbon, Portugal)
- Vegitalia S.p.A. (Calabria, Italy)
- Kagome Australia Pty Ltd. (Victoria, Australia)
- Taiwan Kagome Co., Ltd. (Tainan City, Taiwan)

# Stock Information As of December 31, 2022

## ▶ Status of Shares

Number of shares outstanding:

94,366,944 shares

Total number of authorized shares:

279,150,000 shares

Number of shares per unit:

100 shares

Number of shareholders:

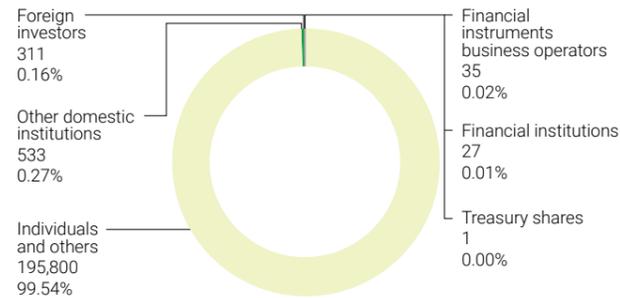
196,707

## ▶ Major Shareholders

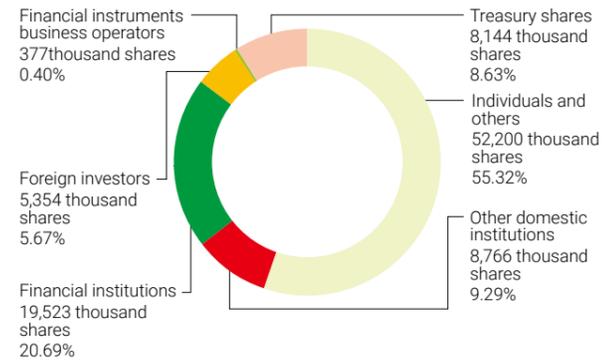
Names of Major Shareholders	Capital Contribution to the Company	
	Number of Shares Held (thousand shares)	Shareholding Ratio (%)
The Master Trust Bank of Japan, Ltd. (account in trust)	14,343	16.63
Dynapac Co., Ltd.	4,379	5.07
Custody Bank of Japan, Ltd. (account in trust)	3,889	4.51
Toshichika Kanie	1,412	1.63
STATE STREET BANK WEST CLIENT-TREATY 505234	1,100	1.27
Eikichi Kanie	982	1.13
Kagome Business Association	978	1.13
Kagome Employee Stock Ownership Plan	949	1.10
Shinichi Sano	836	0.97
Hisao Kawaguchi	644	0.74
<b>Total</b>	<b>29,515</b>	<b>34.18</b>

## ▶ Status of Share Distribution

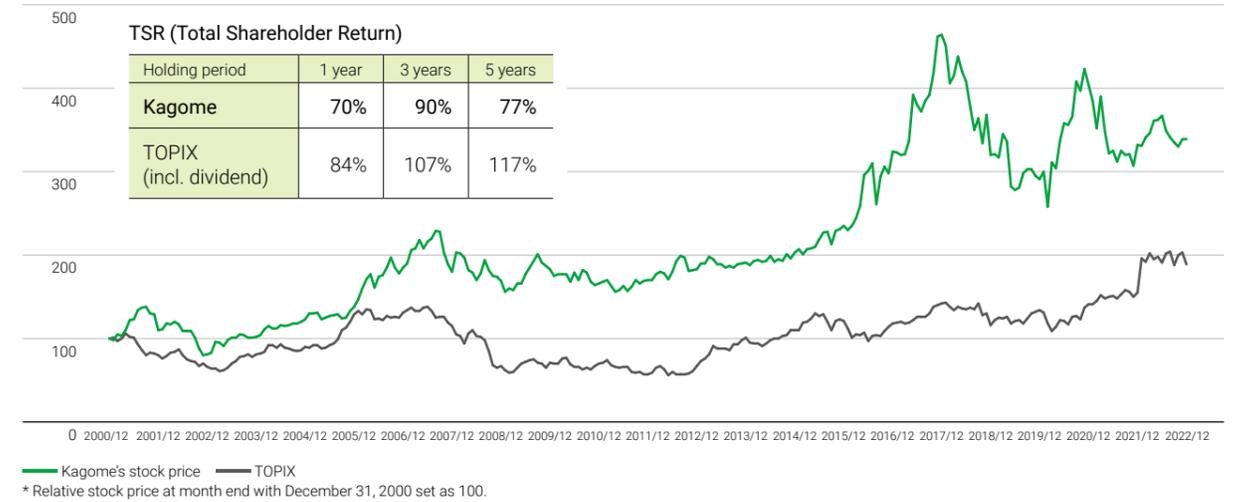
Distribution by shareholder type



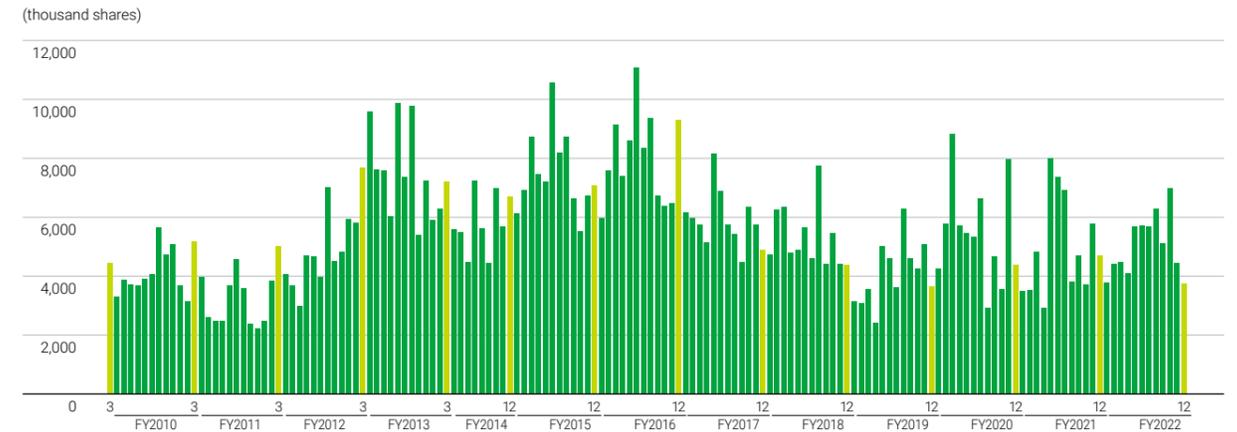
Distribution by number of shares



Trends of the Company's stock price and Tokyo Stock Price Index (TOPIX)



Changes in trading volume



Trends in the number of shareholders

