

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.

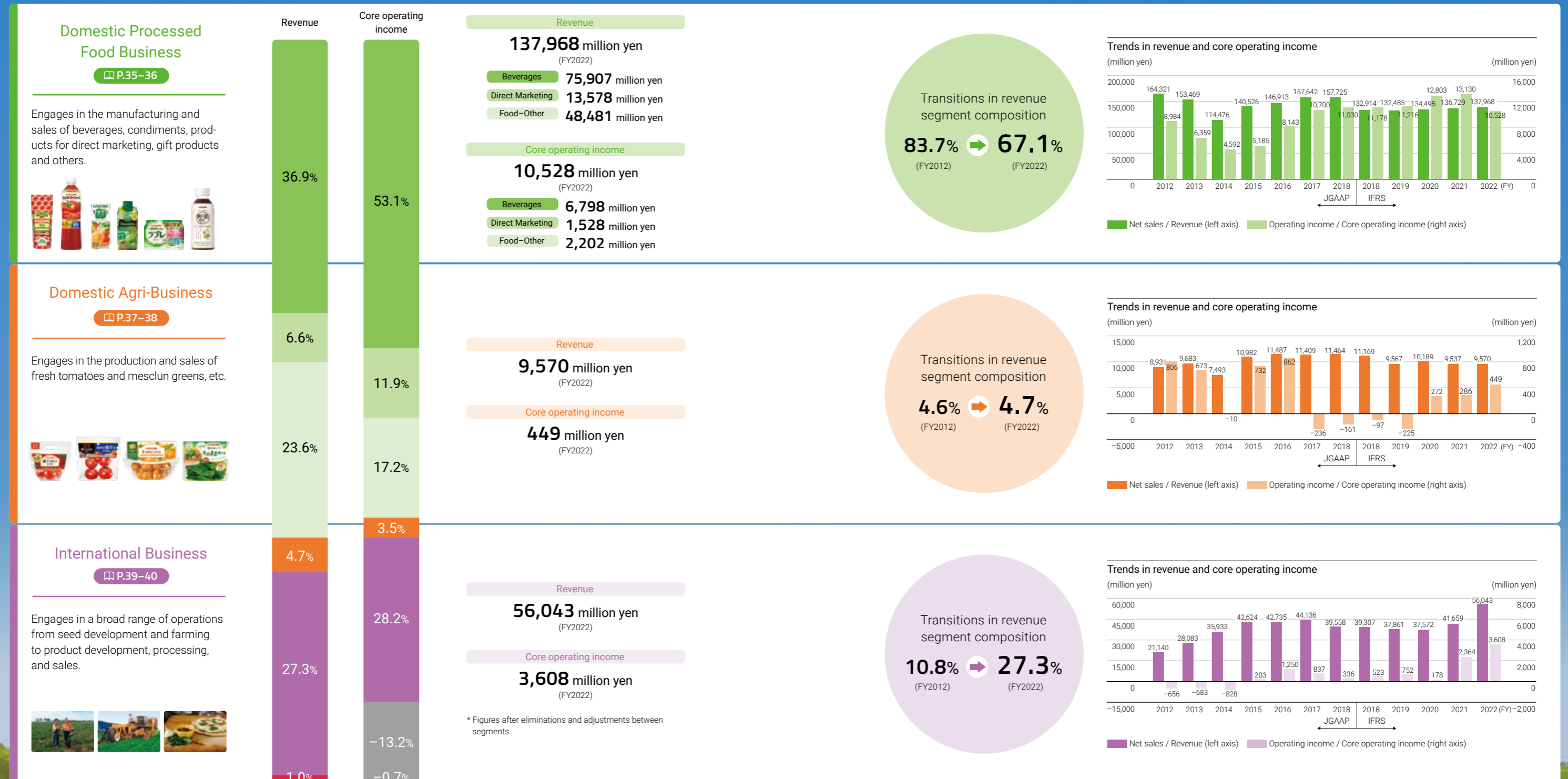
Total revenue
205,618 million yen

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



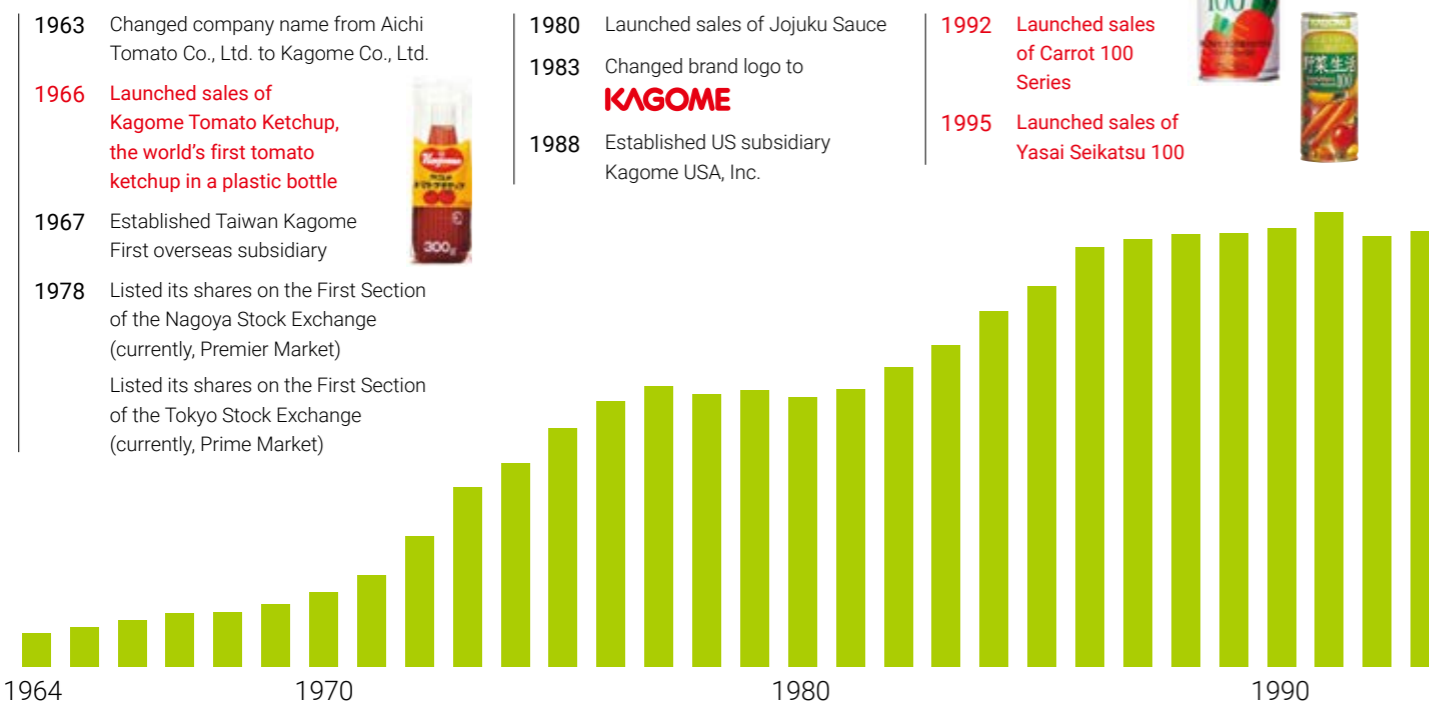
* Figures after eliminations and adjustments between segments

* 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

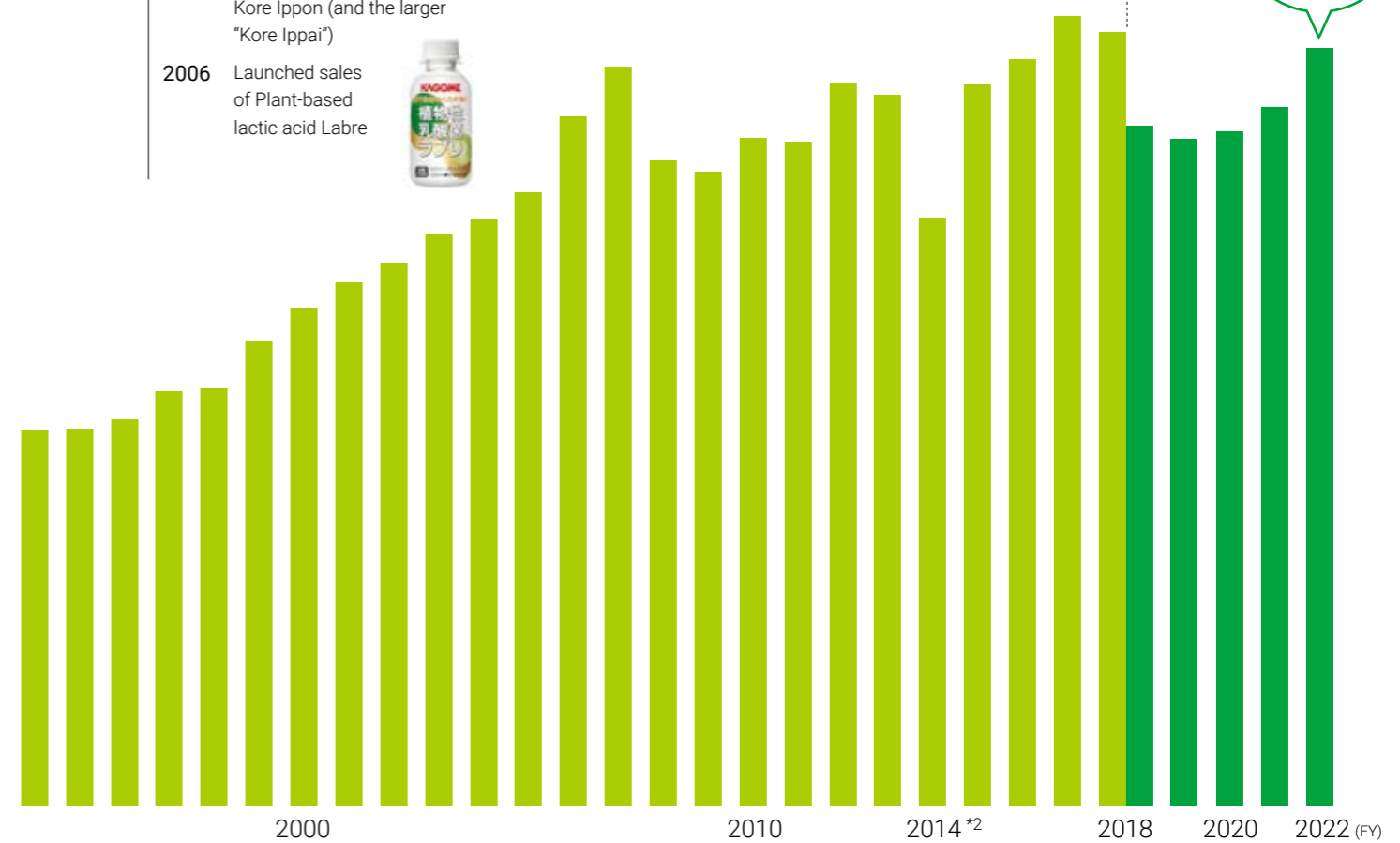
The history of the Kagome Group began when Kagome's Founder Ichitaro Kanie first saw a tomato plant budding. He decided to tap into a new form of agriculture with a pioneering spirit because the cultivation of Western vegetables was still very much rare at the time. Since then, Kagome has utilized nature's 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.

- 2000 Drafted corporate philosophy
- 2002 Launched sales of "Kihon no Tomato Sauce"
- 2003 Established brand statement of "True to Nature, the Flavor of Kagome"
- 2004 Launched sales of Yasai Ichinichi Kore Ippon (and the larger "Kore Ippai")
- 2006 Launched sales of Plant-based lactic acid Labre
- 2010 Established Kagome Australia Pty Ltd. (KAU)
- 2011 Launched sales of Yasai Seikatsu 100 Seasonal Series
Established Michinoku Mirai Fund to support restoration from the Great East Japan Earthquake
- 2012 Acquired Holding da Industria Transformadora do Tomate, SGPS S.A. (HIT) in Portugal
- 2016 Launched sales of Yasai Seikatsu 100 Smoothie



*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

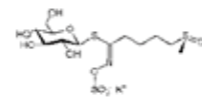
Promote establishment of competitive edge with the VegeCheck® patent

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.



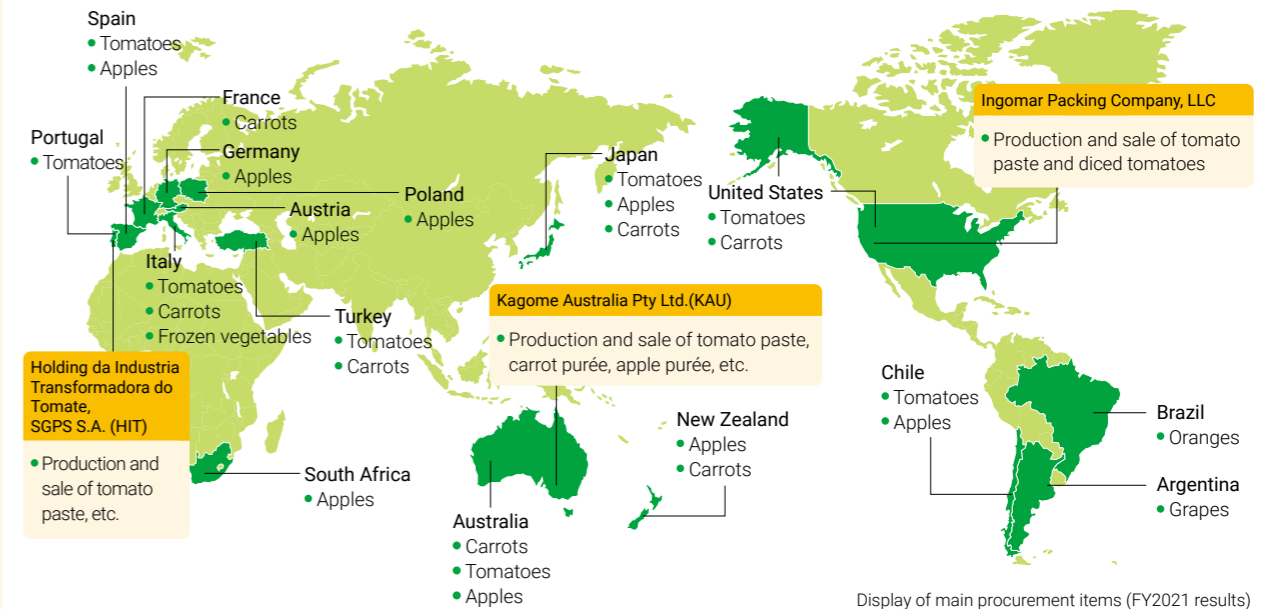
Iwaki Onahama Greenfarm, which is using this system (Fukushima Prefecture)

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)



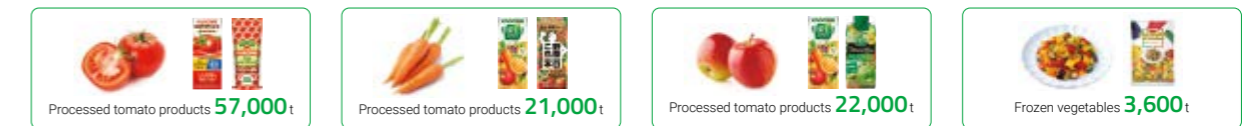
Display of main procurement items (FY2021 results)

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



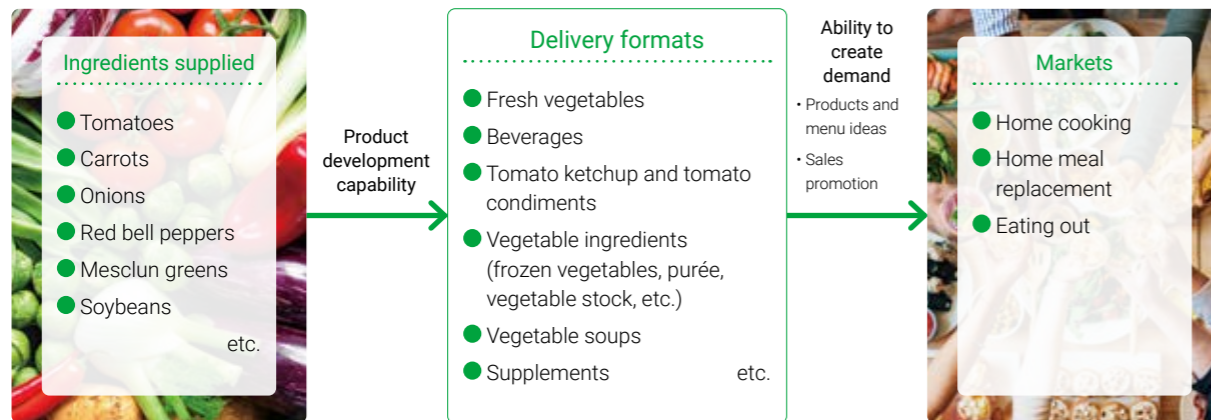
Mechanical harvesting in Japan

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

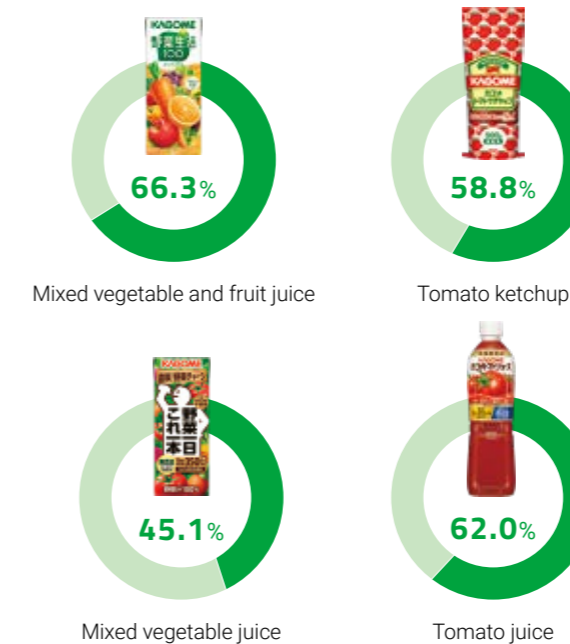
- We create demand for vegetables by resolving customer challenges through menu proposals using a host of vegetables.
- We stimulate demand continuously using large-scale sales promotions.
- We are promoting behavioral change in terms of vegetable consumption in the service business using VegeCheck®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

10th

Brand offering quality with uncompromisable safety

2nd

Sense of empathy

3rd

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

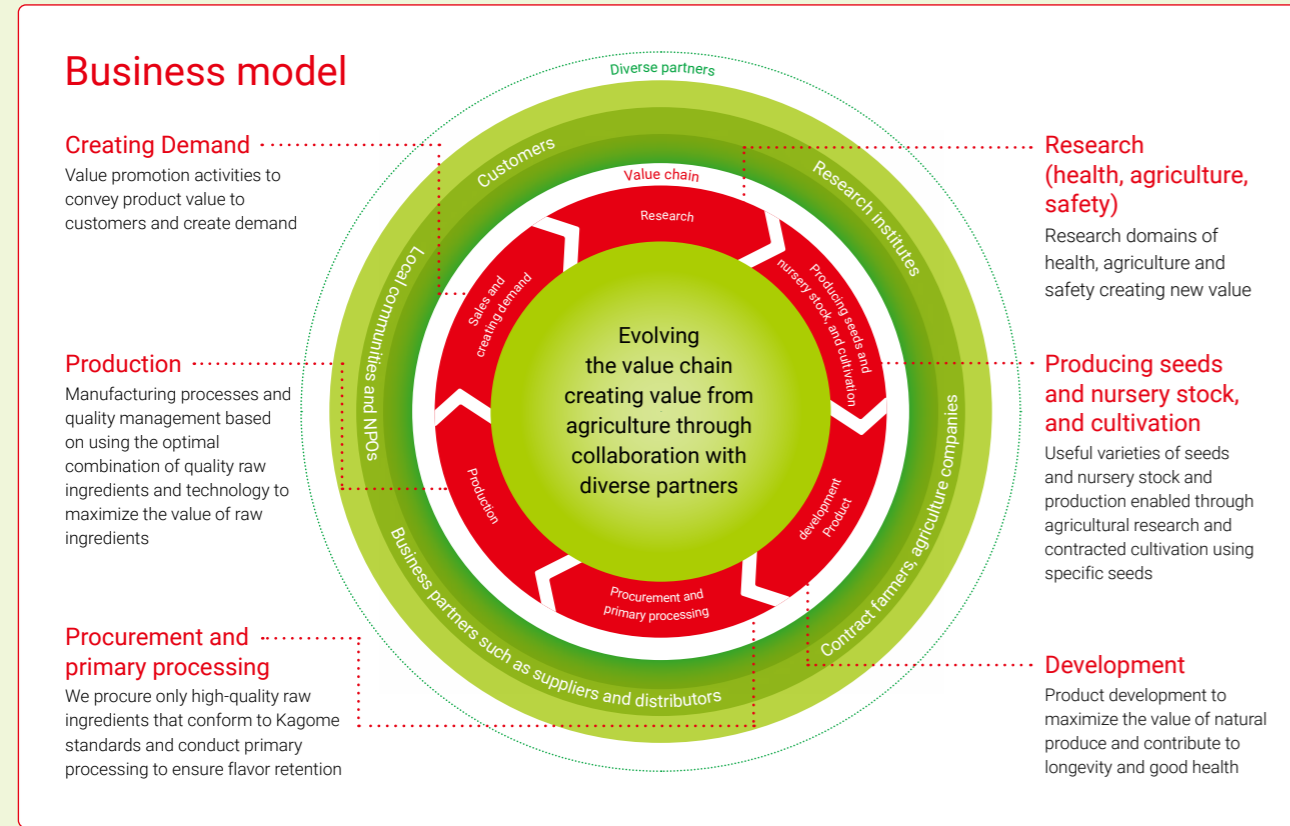
One of the actions within the basic strategy outlined in our third Mid-Term Management Plan is change to fan-based marketing. We are working to increase the number of fans who identify with Kagome's business activities and corporate stance by building relationships with consumers so that they support 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