

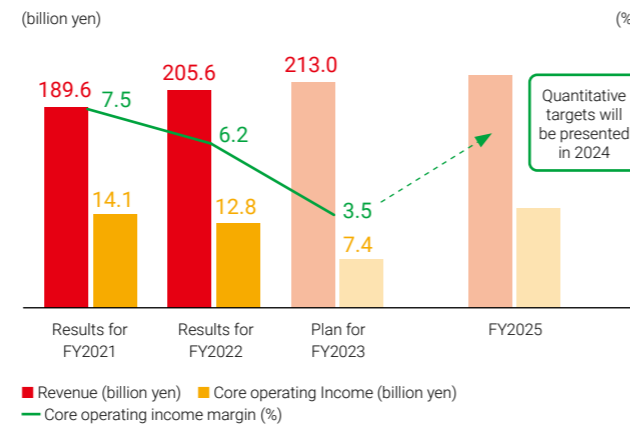
The four year period from 2022 to 2025 is positioned as the third Mid-Term Management Plan aimed at achieving our Vision and what Kagome strives for by 2025. In FY2022, the first year of the plan, our management environment underwent substantial changes due to soaring prices of raw ingredients caused 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.

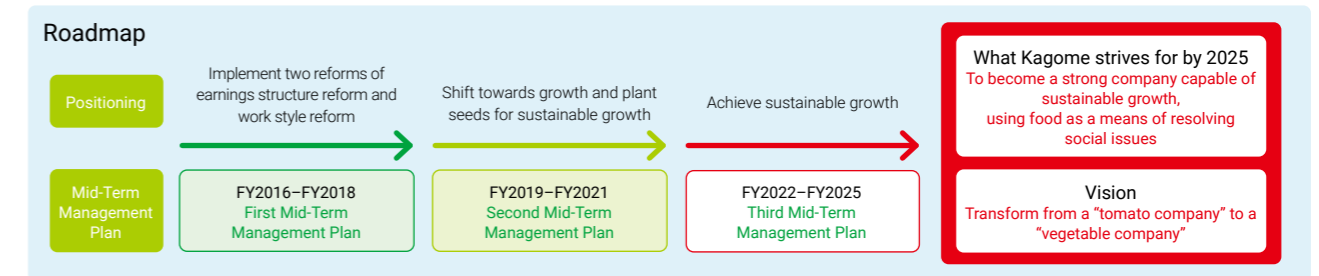
### Stable profit creation in the International Business

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.

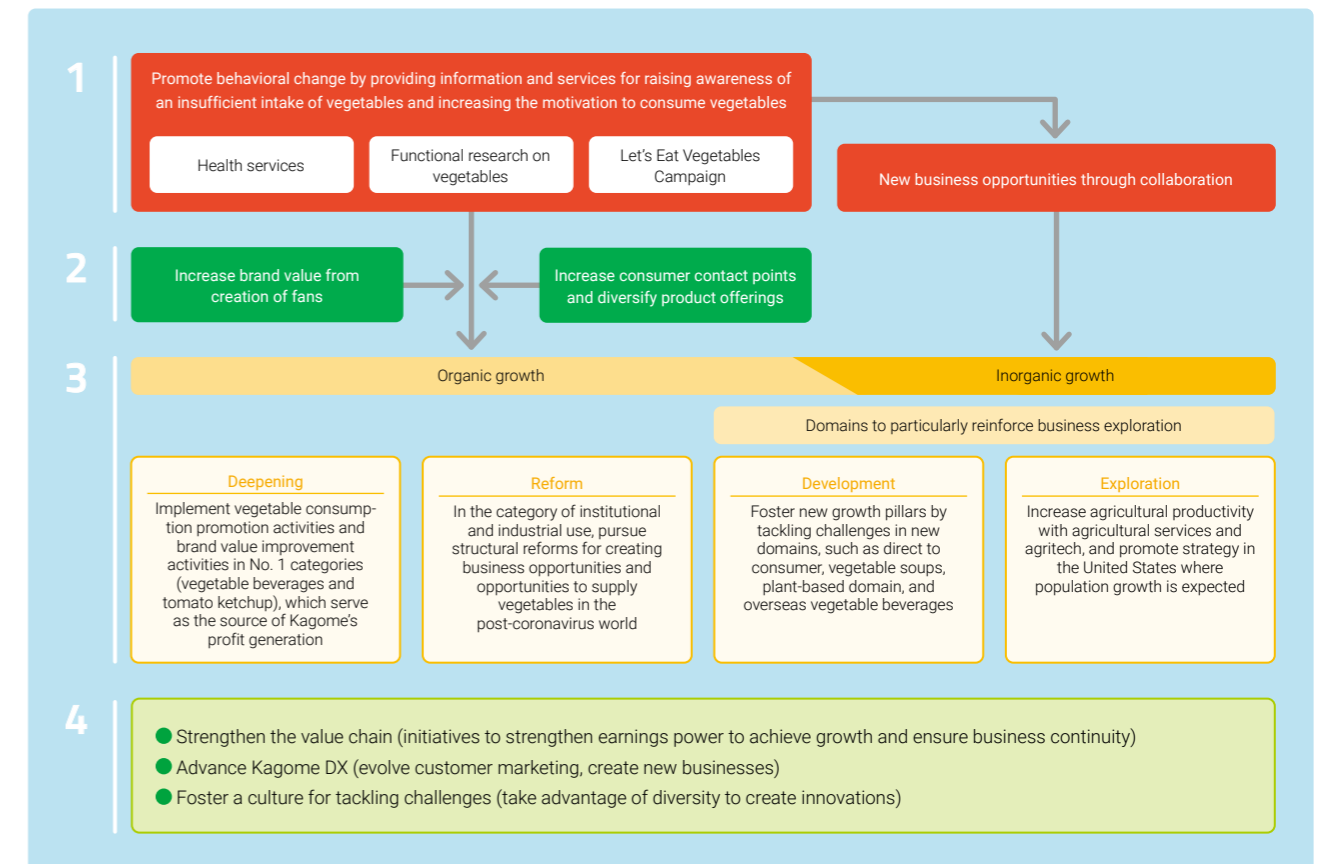
The basic strategy outlined in the third Mid-Term Management Plan is to achieve sustainable growth by taking four actions that are organically connected. These actions hold the key for our medium- to long-term growth in the current management environment symbolized by growing severity. We will work collectively 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**

**Strengthen the value chain**

- Strengthen ability to purchase raw ingredients [P.20](#)
- Sustainability [P.41-44](#)
- Risk management and BCP [P.67-70](#)

**Promote digital transformation (DX)**

[P.33-34](#)

**Foster a culture for tackling challenges**

[P.49-52](#)

**Comments from a Person in Charge**

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

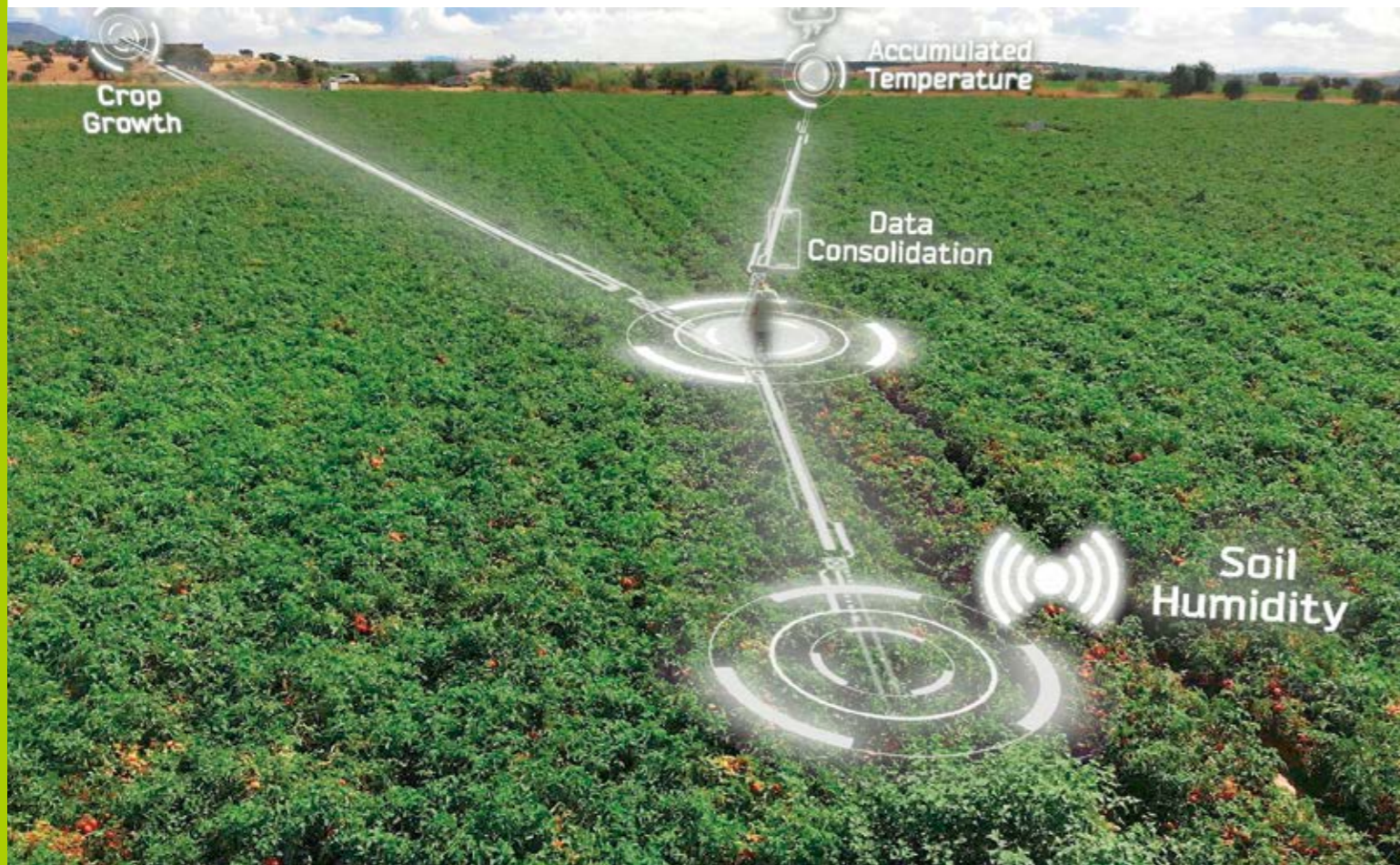
The declining scale and even outright abandonment of cultivation of processing tomatoes caused by an aging agricultural workforce and labor shortages in Japan has resulted in a shortfall in procurement volume. As one possible solution, we are working to promote increased cultivation of mechanically harvested 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**

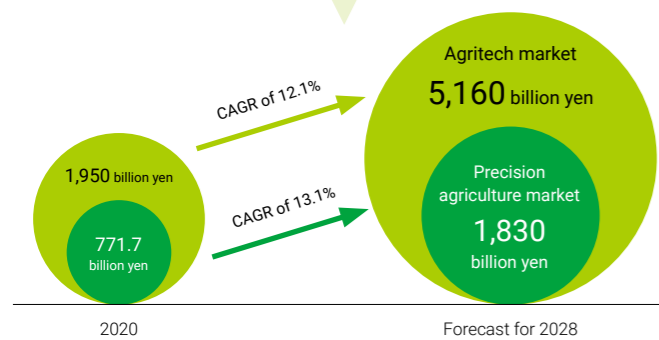
Raw Material Department, Production & Purchasing Division

# 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

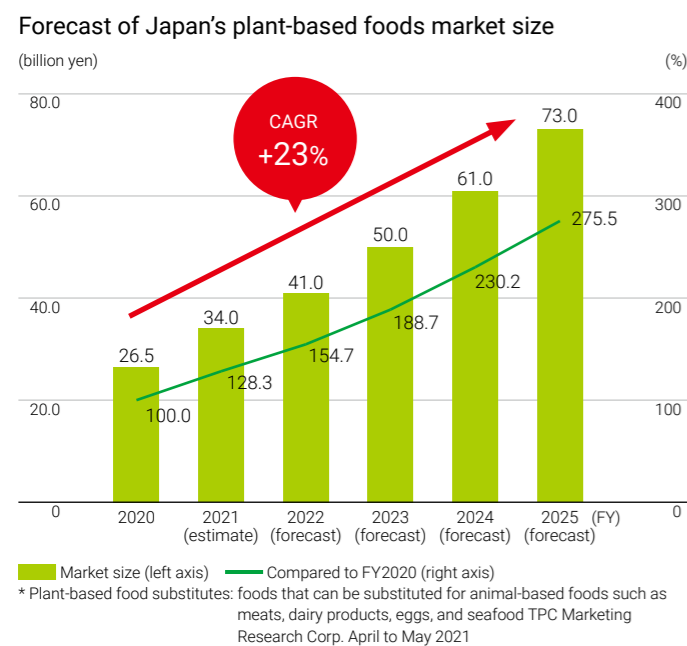
#### Innovating global agriculture and contributing to solutions to social issues

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.

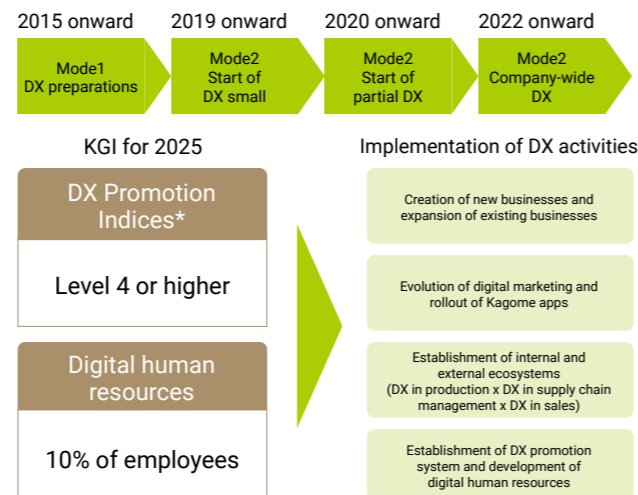
## DX strategy for becoming a strong company that can continue growing sustainably

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<br>• Digital business concepts<br>• Data scientists<br>• Project management                                     | 1% of employees  |
| Digital application | Complete utilization of miscellaneous tools<br>• Programming<br>• Automation (RPA)<br>• 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.

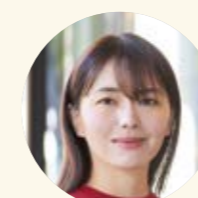
Sae Suzuki Digital Marketing Group, Sales Promotion and Support Department, Sales Division

### 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.

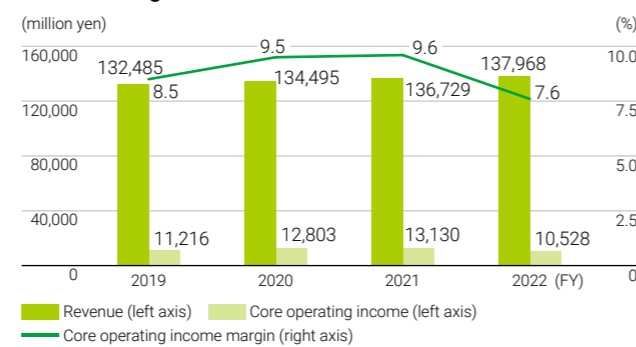
#### Issues

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.



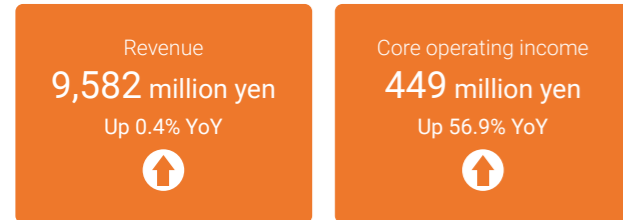
## FY2022 in Review (Results and Issues)

### 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.

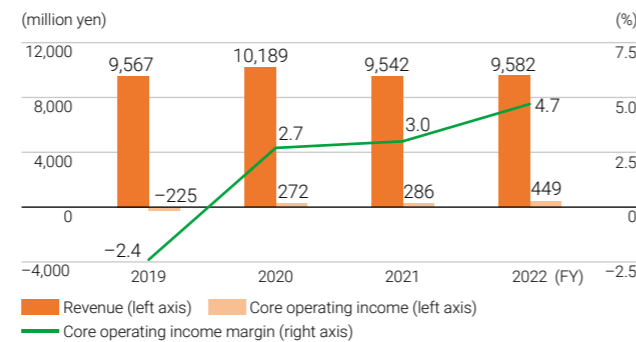
### Performance trends (FY2022)



### 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.

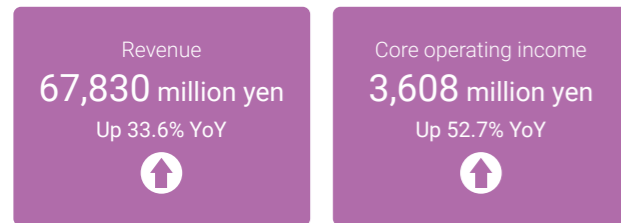


## FY2022 in Review (Results and Issues)

### 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.

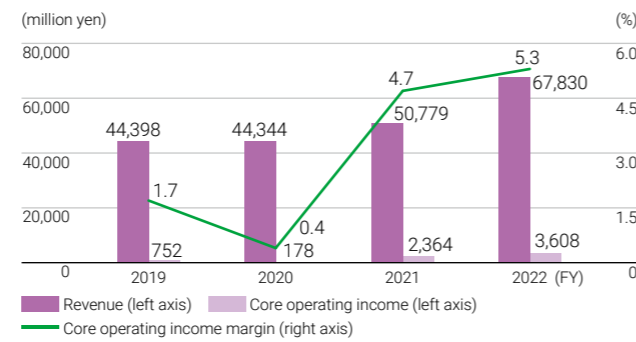
### Performance trends (FY2022)



### 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.