

Initiatives for Enhancing Corporate Value

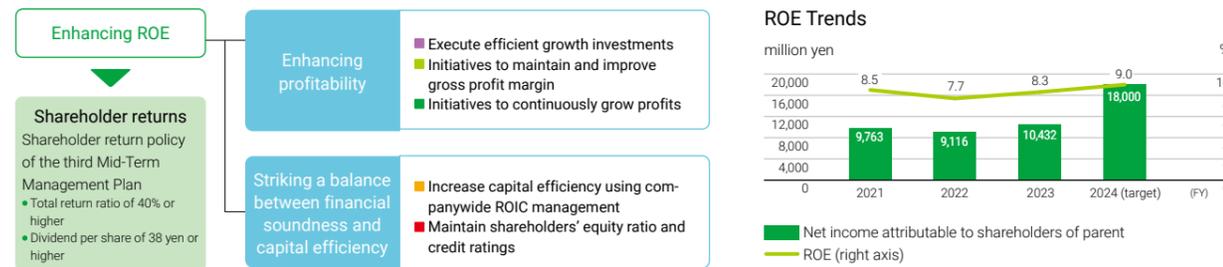
Based on our corporate philosophy (“appreciation,” “nature” and “corporate openness”), we will maximize corporate value by creating social and economic value through our business. In addition, we will focus on enhancing ROE and reducing capital costs over the medium- to long-term, with the aim of increasing corporate value in a sustainable manner.



→ Enhancing ROE (FY2025 Target: 9% or Higher)

We have set ROE as the most important indicator for enhancing corporate value.

Based on the pillars of enhancing profitability and striking a balance between financial soundness and capital efficiency, we aim to achieve an ROE of 9% or more in FY2025, the final year of the third Mid-Term Management Plan. Going forward, we will continue to increase ROE and enhance corporate value by providing stable shareholder returns.



■ Execute Efficient Growth Investments

The Investment Committee, comprised of members of specialized departments such as Corporate Planning, Legal Affairs, and Finance and Accounting, deliberates on investments in facilities and businesses proposed by each department based on profitability and risk assessments, with the Management Meetings and the Board of Directors providing final approval.

Even after investments are made, the Investment Committee continuously monitors each to confirm effectiveness.

Investment Criteria

Target	Indicator	Basic requirements
Business investments	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

Investment Plan (Cumulative) for the Third Mid-Term Management Plan Period



■ Initiatives to Maintain and Improve Gross Profit Margin

In order to enhance profitability in a sustainable manner, we are working to maintain and improve gross profit margin in addition to growing sales.

Specifically, we are constantly making cost reductions at production sites, such as reducing raw material costs, improving labor productivity, and automating production lines, according to the characteristics of each business. Also, we are maintaining and improving gross profit margin by allowing the flexibility to revise prices when costs rise.

To transform the business structure of the Group, which engages in manufacturing under the concept “fields are the primary production plant,” and to ensure a stable gross profit margin over the medium- to long-term, we are promoting initiatives to transform the cost structure of our entire global value chain. This includes expanding the procurement network for high-quality agricultural raw materials, developing plant varieties that are adaptable to water shortages and climate change, and establishing cultivation technologies.

	Results for FY2022	Results for FY2023	FY2024 Targets
Gross Profit Margin	34.6%	35.5%	29.3%
Domestic Processed Food Business	39.8%	39.3%	37.4%
Domestic Agri-Business	20.9%	17.7%	18.1%
International Business	19.9%	24.7%	17.8%*

* Temporarily at a low level due to the increase in cost of sales in the market value of Ingomar’s inventories following the application of accounting standards for business combinations.

■ Initiatives to Continuously Grow Profits

In order to achieve its profit target for FY2025, Kagome has adopted a provision management process based on future forecasts.

Through monthly monitoring conducted by the Board of Directors and the Meeting of Executive Officers, management and frontline operations are working together to continuously increase profits.

To achieve our profit targets, we have adopted a provision management process that allows us to flexibly revise our strategies by identifying deviations from profit targets at an early stage based on annual provision forecasts before actual results are finalized. Through this process, we are able to achieve our target profits by expanding sales and reducing costs in each business.



■ Increase Capital Efficiency Using Companywide ROIC Management

In order to measure the appropriateness and efficiency of invested capital in addition to earning profits, we introduced management based on Kagome ROIC* in FY2021. Kagome ROIC aims to measure the efficiency of invested capital in relation to acquired EBITDA and to clarify issues that need to be improved by breaking down balance sheet items into individual elements.

* Kagome ROIC: EBITDA ÷ invested capital

In FY2023, ROIC exceeded our target by 5.7 points to 13.2% due to a significant increase in EBITDA from our International Business. In FY2024, we expect ROIC to decline by 4.6 points to 8.6%. The status of each business segment is presented below.

- Domestic Processed Food Business:** Decline 4.7 points due to a decrease in EBITDA and increase in invested capital
- Domestic Agri-Business:** Decline 6.1 points due to a decrease in EBITDA
- International Business:** Decline 5.5 points due mainly to an increase in invested capital following the consolidation of Ingomar

(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 are making improvements where each company/department is aware of efficiency and implementing initiatives including creating an optimal supply chain structure.

	Results for FY2022	FY2023 Targets	Results for FY2023	FY2024 Targets
ROIC (%)	11.5	7.5	13.2	8.6
EBITDA Margin (%)	10.3	7.0	12.3	9.0
EBITDA (million yen)	21,091	14,900	27,726	26,100
Revenue (million yen)	205,618	213,000	224,730	289,000
Turnover of invested capital (days)	327	338	341	385

Business Segment	FY2023	FY2024
Domestic Processed Food Business	13.7%	9.0%
Domestic Agri-Business	22.4%	16.3%
International Business	15.3%	9.8%

- ### Main KPIs and Departments in Charge
- Trade receivables turnover (Sales Division)
 - Raw ingredients inventory (Purchasing Department)
 - In-house processed material inventory (Production Department)
 - Product inventory days (SCM Division)
 - ROIC of each overseas subsidiary (Kagome Food International Company)

■ Maintain Shareholders’ Equity Ratio and Credit Ratings

Shareholders’ equity ratio

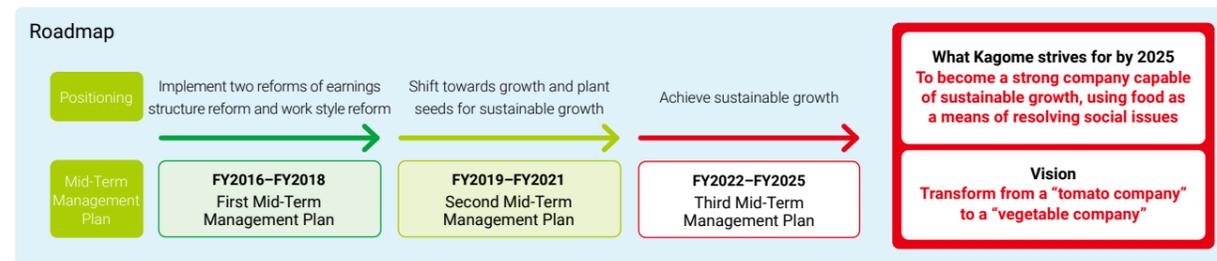
Based on the premise of a stable financial platform, we will continue to improve ROE.

We will maintain a shareholders’ equity ratio of 50% or more and aim for a credit rating of Single A or higher.

	FY2021	FY2022	FY2023	FY2024
Consolidated	54.6%	52.8%	49.8%	50% or higher
Rating	A	A	A	—

Progress of the Third Mid-Term Management Plan

In 2016, we defined our vision and what Kagome strives for by 2025. Since then, we have been managing the company under three separate medium-term management plans to achieve both. The third Mid-Term Management Plan, spanning from 2022 to 2025, represents an important four-year period with a view to the completion of the 10-year period and the growth of the next 10 years.



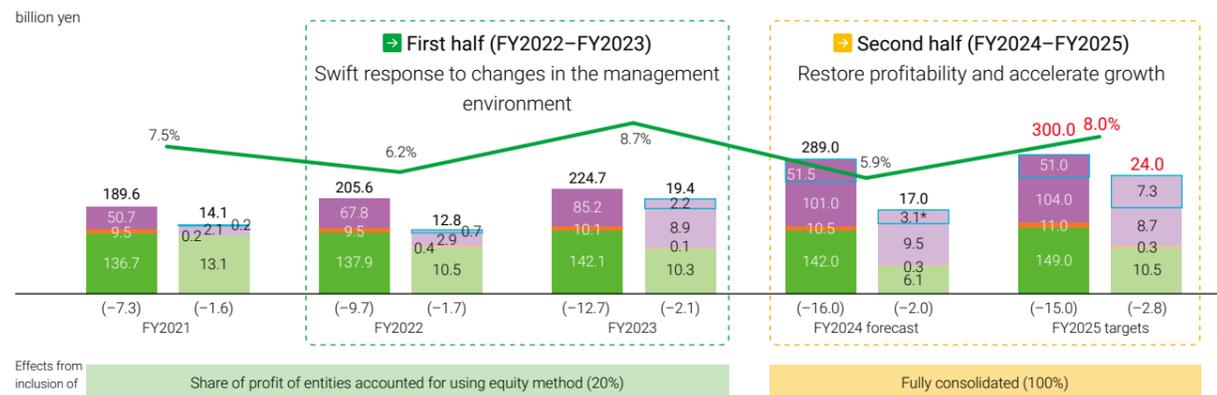
The basic strategy of the third Mid-Term Management Plan is to achieve sustainable growth by taking four actions that are organically connected.

In the first two years of the third Mid-Term Management Plan, 2022 and 2023, Kagome's business environment changed significantly due to soaring raw materials prices caused by heightened geopolitical risks such as the war in Ukraine, the depreciation of the yen, and a decline in yields of agricultural raw materials resulting from the effects of climate change. In the domestic business, we were able to get sales volume on track toward recovery by revising prices for almost all of our products and implementing measures to spur demand. In the International Business, in addition to the results of our previous earnings structure reforms, we were able to significantly boost both revenue and core operating income thanks to price revisions in line with high market prices for processed tomato products and a recovery in demand for eating out. In 2024 and 2025, representing the second half of the plan, we will work to restore the profitability of the domestic business and accelerate the growth of the International Business in an environment where raw materials prices are expected to rise still further.

Basic Strategy of the Third Mid-Term Management Plan



Quantitative Trends of the Third Mid-Term Management Plan (Results/Plan)



Revenue: Domestic Processed Food Business, Domestic Agri-Business, International Business, Ingomar portion
 Core operating income: Domestic Processed Food Business, Domestic Agri-Business, International Business, Ingomar portion
 Core operating income margin
 Figures in parentheses indicate other businesses and adjustments

* Transient decline in profits caused by the evaluation of Ingomar's inventories, etc., using fair market values.

First Half of the Third Mid-Term Management Plan (FY2022-FY2023)

Swift response to changes in the management environment

Initiatives in the first half	Risks and opportunities (risks denoted with △ and opportunities with ○)	Future challenges
<ul style="list-style-type: none"> In response to soaring raw materials prices, implemented flexible price revisions and measures to spur demand in both the domestic and international businesses. Grew sales revenue and core operating income in the International Business in response to changes in the market conditions for processing tomatoes. Revised raw materials procurement strategy with a focus on tomatoes Took on the challenges in the plant-based domain and established and launched DXAS for sustainable agriculture using AI Established a promotion system for sustainability and risk management. 	<ul style="list-style-type: none"> Increasing severity of worldwide environmental issues (○△) Increasing global population and declining domestic population (○△) Changing markets for food & health post-coronavirus (○△) Diversifying customer contact points through digitalization (○) Rising prices of foods, such as natural farm-produced ingredients, water and natural resources (△) Labor shortages (○△) Response to supply chain issues (△) 	<ul style="list-style-type: none"> Swift response to further increases in raw materials prices Implement measures to spur demand that stop weaker demand caused by price revisions Further accelerate growth of the International Business Accelerate business expansion in regions with growing populations Commit resources to sustainable agriculture that mitigates environmental impacts Strengthen human capital and develop supply chain ahead of medium- to long-term growth

Second Half of the Third Mid-Term Management Plan (FY2024-FY2025)

Restore profitability and accelerate growth

Raw materials prices are expected to remain high throughout 2024 as well. We will continue to focus on activities to earn revenue and promote our basic strategy of "taking four actions that are organically connected."

Moreover, looking ahead to 2026 and beyond, we will continue to address medium- to long-term issues in agriculture, which is one of the characteristics of our business model.

Specific initiatives

Domestic Business: Initiatives to restore profitability	International Business: Accelerate growth	Strengthen management base
<ul style="list-style-type: none"> Implement cost reductions, cost savings, price revisions, and measures to spur demand in response to further increases in raw material prices Strengthen marketing measures in categories that can benefit vegetable intake through VegeCheck® and the "Let's Eat Vegetables Campaign." Expand plant-based domain 	<ul style="list-style-type: none"> Speed up decision-making with the establishment of Kagome Food International Company and bolster cooperation between Group companies Initiate price revisions in response to soaring raw materials prices Provide a stable supply of processed tomato products and strengthen cost competitiveness Increase sales to food service companies using capabilities in development and sales Accelerate business expansion in regions with growing populations, such as the United States and India 	<ul style="list-style-type: none"> Strengthen procurement base <ul style="list-style-type: none"> Step up development of plant varieties and cultivation technology with low environmental impacts through the Global Agri Research & Business Center Further expand procurement base Supply chain <ul style="list-style-type: none"> Crystalize supply network concept P.63 Strengthening human capital P.55-58

Medium- to long-term issues

In response to extreme weather caused by global warming and growing populations overseas, the stable production of natural farm-produced ingredients worldwide is an important medium- to long-term issue. In particular, the global supply-demand balance of tomatoes has been tight in recent years, and there is a high probability that it will also be affected by climate change over the long term. Therefore, in October 2023 we established the Global Agri Research & Business Center, which will play a central role in the exploration and development of agriculture-related businesses and agriculture-related technologies, in order to concentrate human capital and other resources in the upstream development and breeding of new plant varieties and the development of cultivation technologies such as agritech, with the goal of securing raw materials over the medium- to long-term and establishing sustainable agriculture.

Message from a Person in Charge

Don't waste a good crisis!

Shortages of food, farmland, and agricultural population resulting from population growth and climate change, and the resulting changes in consumer awareness have increased the value in realization of sustainable agriculture, which requires innovations in the agriculture domain. In addition, cutting-edge technologies such as AI, big data, and molecular biology are being put to practical use, and at the same time, investment in climate-friendly technologies is growing. Regarding this change in the environment as a "good crisis (opportunity)", we will further develop value through developing plant varieties and cultivation technology, along with their combinations, that we have continued since our founding, not only organically but also by acquiring technologies from outside the company. Through co-creation with the farmers contracted by the Group's subsidiaries, mainly in the U.S., we aim to become a "low-environmental-impact tomato and vegetable platformer" that produces vegetables and sells technologies by promoting technology development and new business creation that translate globally.



Hiroyuki Ueda
General Manager of the Global Agri Research and Business Center



Unlocking Greater Growth for the International Business by Building a Sustainable Tomato Processing Business

Acquisition of Ingomar in the United States: the world's fourth largest producer of primary processed tomatoes*

On January 26, 2024, we acquired an additional 50% stake in Ingomar, the world's fourth largest (and second largest in the U.S.) primary processor of tomatoes. As a result, Kagome's stake in Ingomar increased from 20% to 70%, making it a consolidated subsidiary.

In addition to bolstering our global network in the tomato processing business, we aim to build a sustainable tomato processing business and further grow our International Business by stepping up our efforts in the agriculture domain.

* Results for FY2022 (Source: Tomato News, May 9, 2023)

1 About Ingomar

For about four decades since its founding in 1983, Ingomar has been manufacturing and selling primary processed tomato products such as tomato paste and diced tomatoes in California, the world's largest producer of processing tomatoes.

In 2008, Kagome began procuring primary processed tomatoes from Ingomar. Since then, Kagome has positioned Ingomar as one of its main suppliers and uses its primary processed tomato products as raw materials for tomato sauce, pizza sauce, tomato ketchup, and other products manufactured in Japan, the United States, Taiwan, Australia, and other countries. In 2016, with the aim of procuring primary processed tomato products and providing a stable supply to customers, Kagome acquired a 20% stake in Ingomar through its subsidiary, Kagome Inc., making Ingomar an equity-method affiliate. We also concluded a business and capital partnership agreement with Ingomar to strengthen the relationship.

On January 26, 2024, we acquired an additional 50% equity stake and made Ingomar a consolidated subsidiary. With an acquisition cost of approximately 36 billion yen, this latest investment in Ingomar represents Kagome's largest ever investment to date.



Ingomar's tomato processing plant

Ingomar's strengths

- Stable and solid procurement base for processing tomatoes since Ingomar's shareholders are farmers who grow processing tomatoes
- Good efficiencies with a processing base in the production area
- Cost competitiveness in global markets
- Stable quality and supply verified during our business relationship spanning around four decades

2 Accelerate the growth of the entire International Business by strengthening our global network in the tomato processing business

Having a primary processing function in the world's largest growing area of processing tomatoes will strengthen our global network underpinning the growth of transactions with global food service companies and food manufacturers. Ingomar will join Kagome Food International Company, an in-house organization newly established by Kagome in October 2023, in an effort to further collaboration with Kagome Group companies.



Fresh processing tomatoes arriving at the plant

3 Raise our competitive advantages by bolstering our efforts in the agriculture domain to build a sustainable tomato processing business

In collaboration with Ingomar, its grower shareholders, and contract farmers, we will work on the development of cultivation technologies in particular, with the goal to mitigate environmental impacts, stabilize yields, and boost cultivation efficiency. In the development of technologies, we will capitalize on the fact that California is the world's largest producer of processing tomatoes and home to the most advanced technologies in agriculture to dynamically promote open innovation with local research institutions and agriculture companies.

The developed technology will be deployed to Ingomar's suppliers of processing tomatoes as well as to Group companies outside the U.S. In this way, Kagome will strengthen its tomato processing business in each region, which in turn will enhance the competitive advantages and sustainability of our tomato processing business from a global perspective.



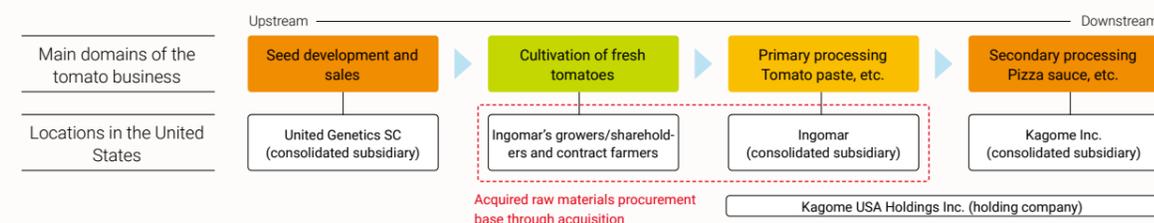
Processing tomatoes being harvested

2 What Kagome Stands to Gain from the Consolidation

1 Further grow our presence in the United States by strengthening the value chain of our tomato processing business locally

In addition to incorporating the functions of primary processing into the seed development and sales and secondary processing of our existing tomato business in the United States, we will step up our involvement in processing tomato cultivation, which is one of Ingomar's unique traits and strengths. By maintaining a complete value chain within the same region, we will enhance the stability and sustainability of our business operations and further grow our tomato processing business in the United States.

Kagome Group's Global Tomato Business Locations



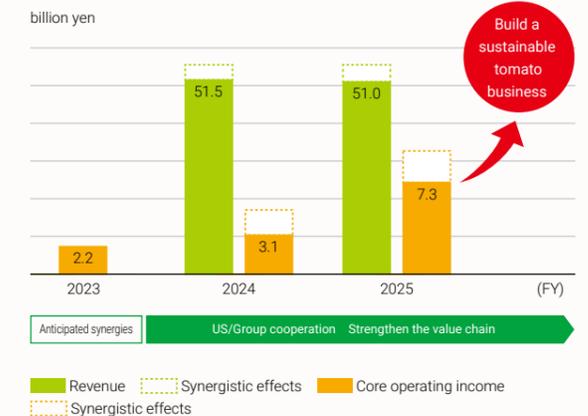
3 Future Outlook

The effects of this investment on Kagome's revenue and core operating income are shown in the figure on the right. Revenue and core operating income are expected to reach 51.5 billion yen and 3.1 billion yen in FY2024 and by 51.0 billion yen and 7.3 billion yen in FY2025. Synergistic effects will also be added to this.

In the short term, we will create synergies by investing the Kagome Group's network and know-how to improve production efficiency, reduce costs, and increase product variations through collaboration with other Group subsidiaries.

In the medium- to long-term, we will grow both revenue and core operating income by building a sustainable tomato processing business with a competitive advantage, which is the main objective of this investment.

Outlook of Investment Effects



→ Summary of Operating Results for FY2023

In the fiscal year under review (January 1 to December 31, 2023), Kagome continued to face a severe management environment amid surging raw materials prices worldwide, while Japan continued to face an uncertain situation because of consumers' heightened awareness toward cutting costs caused by inflation.

In the Domestic Processed Food Business, revenue increased despite a drop in demand due to revisions to the wholesale prices of some products, and core operating income* declined due to soaring raw materials prices. The International Business recorded higher profit on higher revenue from rising selling prices of tomato paste and strong sales to food service companies. In addition, in the Domestic Agri-Business, we recorded impairment losses on fixed assets of 2,236 million yen as a result of comprehensively taking into account uncertainties in the fresh tomatoes market and rising costs associated with soaring energy prices.

As a result, revenue for the fiscal year under review increased by 9.3% year over year to 224,730 million yen, and core operating income increased by 52.1% to 19,476 million yen. Operating income increased to 17,472 million yen, up 37.0% year on year, and net income attributable to shareholders of parent increased to 10,432 million yen, up 14.4%.

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

Performance Summary for Each Segment

(Unit: million yen)

Segment	Revenue			Core operating income (loss)		
	FY2022	FY2023	Change	FY2022	FY2023	Change
Domestic Processed Food Business	137,968	142,173	+4,204	10,528	10,369	-159
Beverages	75,907	75,446	-461	6,798	6,903	+105
Direct marketing	13,578	13,130	-448	1,528	664	-863
Food-Other	48,481	53,596	+5,114	2,202	2,800	+598
Domestic Agri-Business	9,582	10,110	+527	449	115	-333
International Business	67,830	85,208	+17,377	3,608	11,130	+7,521
Other	2,221	2,481	+260	-91	-106	-15
Adjustments	-11,984	-15,242	-3,258	-1,686	-2,032	-346
Total	205,618	224,730	+19,112	12,808	19,476	+6,667

* Kagome changed its reporting segments from FY2022.

Domestic Processed Food Business

Revenue: Up 3.0% YoY 142,173 million yen Core operating income: Down 1.5% YoY 10,369 million yen

Beverages

Tomato juice recorded strong sales amid the acquisition of new users from beauty-minded consumers, in addition to the health-conscious users concerned about blood pressure and cholesterol. Yasai Seikatsu 100 series saw sales decline due to dampened demand for buying in bulk caused by price revisions and increased opportunities for people to go out. As a result, revenue of the beverage category decreased 0.6% year over year to 75,446 million yen, while core operating income increased 1.6% to 6,903 million yen thanks to declining sales promotion expenses, despite soaring raw materials prices.

Direct marketing

Revenue of the direct marketing category, which engages in the Kenko Chokusobin service, declined 3.3% year over year to 13,130 million yen, as the number of regular customers of vegetable beverages fell below the previous year. Core operating income declined to 664 million yen, down 56.5% year on year, owing to lower revenue and higher contact center operating costs.

Food-Other

Within the food category, revenue increased in the consumer food category compared to the previous fiscal year, as we stepped up menu information dissemination and sales promotion activities for products such as baked ketchup and Rice Omelet Stadium® in response to weaker demand caused by price revisions. In the institutional and industrial-use category, revenue also increased thanks to rising food service demand, even after price revisions. In the gifts and specialty items category, revenue declined as a result of lower sales of contract manufactured products. As a result, revenue of the food-other category increased 10.5% year over year to 53,596 million yen, while core operating income increased 27.2% to 2,800 million yen thanks to higher sales, despite soaring raw materials prices.

Domestic Agri-Business

In the fiscal year under review, revenue of the Domestic Agri-Business increased to 10,110 million yen, up 5.5% year on year, as the volume of fresh tomatoes increased. However, due to a drop in selling prices caused by market prices in the summer falling below last year's prices, and higher energy and fertilizer prices, core operating income declined 74.2% year over year to 115 million yen.

International Business

Our International Business encompasses the development of seeds, agricultural production, product development, processing and sales. Kagome Inc. (United States) recorded an increase in revenue amid rising selling prices and brisk sales to food service companies. Additionally, profits were up amid increased profits at Ingomar Packing Company, LLC, an equity-method affiliate of Kagome Inc. Holding da Industria Transformadora do Tomate, SGPS S.A. (Portugal) recorded an increase in revenue and profits on rising selling prices for tomato paste, its mainstay product. Kagome Australia Pty Ltd. posted a decrease in revenue attributed to lower sales volume of tomato paste, despite brisk sales to food service companies. On the other hand, core operating income increased due to a rebound from losses caused by flood damages that occurred in October 2022 and process defects that occurred in the first quarter of the previous year. Accordingly, revenue of the International Business increased to 85,208 million yen, up 25.6% year on year, and core operating income increased to 11,130 million yen, up 3.1x compared to the previous fiscal year.

→ Summary of Financial Condition

As of the end of the fiscal year under review, consolidated total assets increased by 40,276 million yen compared to the end of FY2022. Current assets increased by 36,289 million yen, mainly attributable to an increase in inventories due mainly to soaring raw materials prices as well as an increase in cash and cash equivalents due to an increase in interest-bearing debt. Non-current assets increased by 3,987 million yen mainly due to an increase in other financial assets resulting from the higher market value of derivative assets due to the depreciation of the yen.

Liabilities increased by 25,633 million yen mainly attributed to an increase in borrowings (including long-term borrowings) resulting from capital procurement and increased working capital costs.

Capital increased by 14,643 million yen. There was a decrease owing to dividend payments, which were offset by an increase resulting from net income attributable to shareholders of parent and from yen weakness against other major currencies.

Trend in Consolidated Balance Sheets



→ Summary of Cash Flows

Cash and cash equivalents for the fiscal year under review on a consolidated basis were 36,010 million yen, an increase of 14,620 million yen compared to the end of the previous fiscal year. Net cash provided by operating activities totaled 4,617 million yen (net cash of 4,635 million yen provided by operating activities a year earlier). The main factors were profit before income taxes of 16,489 million yen and depreciation and amortization of 8,249 million yen (net cash provided by operating activities) along with an increase in inventories of 14,780 million yen and cash used in the payment of income taxes of 4,271 million yen (net cash used in operating activities). Net cash used in investing activities totaled 6,056 million yen (net cash of 9,457 million yen used in investing activities a year earlier). The main factors were expenditure of 6,426 million yen (compared to expenditure of 9,878 million yen in the previous fiscal year) from the acquisition of property, plant and equipment, and intangible assets (including investment real estate). Net cash gained in financing activities totaled 15,626 million yen (net cash of 5,512 million yen used in financing activities a year earlier). The main factors were expenditures of 3,277 million yen for the payment of dividends, while there was income of 10,387 million yen owing to proceeds from long-term borrowings and an increase in short-term borrowings of 9,209 million yen.

Item	Dec. 2022	Dec. 2023
Shareholders' equity ratio (%)	52.8	49.8
Shareholders' equity ratio based on market value (%)	116.7	101.8
Ratio of interest-bearing debt to cash flow (%)	9.7	14.4
Interest coverage ratio (times)	8.8	3.3

Financial (Consolidated) & Non-Financial Highlights

Revenue / Gross profit margin



POINT Revenue in FY2023 totaled 224.7 billion yen, marking a record high since Kagome adopted IFRS. The gross profit margin was 35.5%.

Core operating income / Core operating income margin



POINT Core operating income in FY2023 totaled 19.4 billion yen, marking a record high since Kagome adopted IFRS. The core operating income margin was 8.7%.

Net income attributable to shareholders of parent / Basic earnings per share



POINT Net income attributable to shareholders of parent and EPS in FY2023 reached record highs since Kagome's adoption of IFRS at 10.4 billion yen and 121.17 yen, respectively.

ROE / ROIC*



POINT ROE in FY2020 was 6.8% due to the recognition of an impairment loss on fixed assets at HIT, our subsidiary located in Portugal.

*Kagome ROIC

Total assets / Shareholders' equity ratio



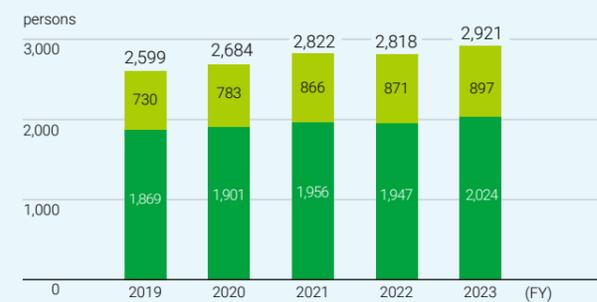
POINT The shareholders' equity ratio was slightly below the target of more than 50% in FY2020 and FY2023 due to a temporary increase in borrowings.

Capital investments for fixed assets



POINT In FY2021, capital investments totaled 13.8 billion after we invested 5.2 billion yen in the renewal of the Fujimi Plant.

Number of employees (consolidated)



POINT The number of employees (consolidated basis) totaled 2,921 in FY2023, a slight increase from the previous year.

* Coverage is the Kagome Group.

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



POINT The number of employees in managerial positions (in Japan) was 371, a decrease of nine from the previous year.

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

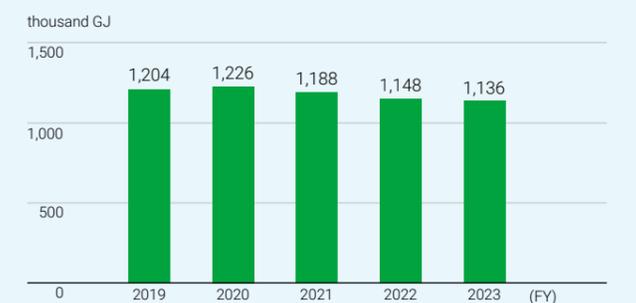
Number of new hires (Kagome Co., Ltd.)



POINT In our action plan under the Act on Promotion of Women's Participation and Advancement in the Workplace, we have set a target to achieve a 60% or higher ratio of women in new general career track hires out of university. The number of new hires in 2023 (non-consolidated) was 50, an increase over the previous year.

* Coverage is Kagome Co., Ltd.

Energy used (Japan)



POINT As a result of energy conservation at our plants achieved from energy-saving investments and promotion of energy-saving activities, we were able to reduce the amount of energy used.

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

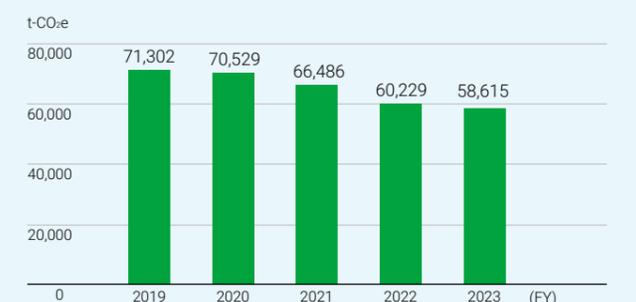
Water used (Japan)



POINT The decrease in production volume at our plants had a significant impact, resulting in a decrease in water used. We will continue to advance water reduction activities such as reviewing cleaning methods.

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

Greenhouse gas emissions (GHG) (Japan)



POINT In addition to energy conservation at our plants, we were able to reduce GHG emissions by promoting the switch to electricity derived from renewable energy sources.

* From this report, CO₂ emissions have been changed to GHG emissions (Scope 1 and 2). Figures for previous fiscal years are also presented based on these changes. Data for FY2023 represents figures before third-party verification. Figures after verification will be published on our sustainability website.

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

10 Years of Financial and Non-Financial Data

Accounting Period (Fiscal Year)	2014*1	2015	2016	2017	2018	2018	2019	2020	2021	2022	2023	
	JGAAP					IFRS						
Profit and Loss (Unit: million yen)												
Net sales / Revenue	159,360	195,619	202,534	214,210	209,865	184,595	180,849	183,041	189,652	205,618	224,730	
Gross profit	67,615	85,314	90,927	96,472	94,649	66,298	65,181	67,572	69,531	71,136	79,794	
Gross profit margin (%)	42.4	43.6	44.9	45.0	45.1	35.9	36.0	36.9	36.7	34.6	35.5	
Research and development expenses	2,566	3,240	3,219	3,346	3,557	3,555	3,525	3,557	3,796	4,090	4,296	
Advertising expenses	5,319	4,671	5,086	5,977	6,109	6,110	5,150	6,872	7,509	7,424	7,288	
Core operating income	–	–	–	–	–	12,400	12,304	13,599	14,138	12,808	19,476	
Core operating income margin (%)	–	–	–	–	–	6.7	6.8	7.4	7.5	6.2	8.7	
Operating Income	4,328	6,723	10,946	11,968	12,000	12,228	14,079	10,682	14,010	12,757	17,472	
Operating margin (%)	2.7	3.4	5.4	5.6	5.7	6.6	7.8	5.8	7.4	6.2	7.8	
Net income attributable to shareholders of parent / Net income attributable to owners of parent	4,366	3,441	6,764	10,100	11,527	8,998	10,198	7,425	9,763	9,116	10,432	
Net income margin attributable to shareholders of parent / Net income margin attributable to owners of parent (%)	2.7	1.8	3.3	4.7	5.5	4.9	5.6	4.1	5.1	4.4	4.6	
Financial Condition (Unit: million yen)												
Total assets	203,413	208,885	219,804	195,737	193,612	199,826	201,179	224,913	215,208	225,372	265,648	
Total net assets	124,566	126,344	97,991	105,853	104,843	103,363	111,386	112,651	119,542	121,792	136,435	
Interest-bearing debt	35,904	37,419	74,538	37,168	37,302	39,625	38,020	55,295	36,520	44,851	66,622	
Cash Flows (Unit: million yen)												
Cash flows from operating activities	1,753	12,039	18,824	16,598	10,130	10,722	12,224	20,442	14,796	4,635	4,617	
Cash flows from investing activities	-7,110	-11,023	-18,576	17,271	-299	-299	-9,267	-3,398	-14,162	-9,457	-6,056	
Cash flows from financing activities	1,793	1,555	6,904	-40,761	-1,083	-1,675	-5,068	12,104	-27,652	-5,512	15,626	
Free cash flow	-4,269	-4,011	10,442	21,588	1,574	10,423	2,956	17,043	634	-4,821	-1,438	
Per Share Information (Unit: yen)												
Net income per share / Basic earnings per share	44.01	34.64	68.30	114.03	130.03	101.50	114.89	83.73	109.37	105.11	121.17	
Net assets per share / Equity attributable to shareholders of the parent per share	1,204.77	1,201.96	1,043.89	1,150.50	1,146.85	1,130.27	1,219.47	1,242.19	1,328.36	1,383.50	1,535.90	
Annual dividend per share	16.5	22.0	24.5	30.0	40.0	40.0	35.0	36.0	37.0	38.0	41.0	
Key Management Indicators (Unit: %)												
Shareholders' equity ratio / Equity attributable to shareholders of the parent to total assets	58.8	57.2	42.1	52.1	52.5	50.2	53.9	49.3	54.6	52.8	49.8	
Return on equity / Ratio of equity attributable to shareholders of the parent (ROE)	3.8	2.9	6.4	10.4	11.3	9.0	9.8	6.8	8.5	7.7	8.3	
Return on assets / Ratio of core operating income to total assets (ROA)	2.6	3.4	5.3	6.1	6.2	6.2	6.1	6.4	6.4	5.8	7.9	
Dividend payout ratio	37.5	63.5	35.9	26.3	30.8	39.4	30.5	43.0	33.8	36.2	33.8	
Dividend on net assets ratio / Dividend on equity attributable to shareholders of the parent (DOE)	1.4	1.8	2.2	2.7	3.5	3.5	3.0	2.9	2.9	2.8	2.8	
Share price at fiscal year end	1,828	2,116	2,923	4,185	2,881	2,881	2,618	3,640	2,992	3,055	3,139	
Non-Financial Information												
Number of employees*2 (persons)	2,368	2,569	2,621	2,456	2,504	2,504	2,599	2,684	2,822	2,818	2,921	
Men	1,832	2,016	2,054	1,902	1,918	1,918	1,869	1,901	1,956	1,947	2,024	
Women	536	553	567	554	586	586	730	783	866	871	897	
Energy used*3 (thousand GJ)	1,329	1,336	1,380	1,376	1,334	1,334	1,204	1,226	1,188	1,148	1,136	
Water used*3 (thousand tons)	3,850	3,828	3,628	3,442	3,247	3,247	3,137	3,131	3,087	3,101	2,952	
Greenhouse gas (GHG) emissions*3*4 (t)	64,693	63,968	66,499	66,599	64,839	64,839	71,302	70,529	66,486	60,229	58,615	

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

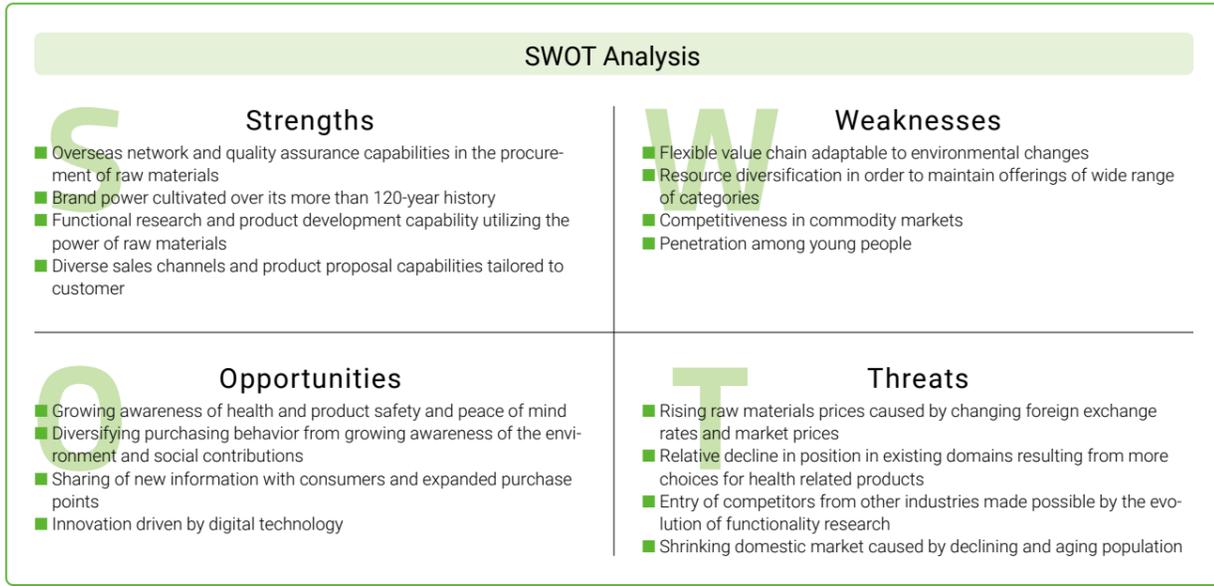
*2 Coverage is the Kagome Group.

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

*4 From this report, CO₂ emissions have been changed to GHG emissions (Scope 1 and 2). Data from 2019 onwards is presented based on these changes. Data for FY2023 represents figures before third-party verification. Figures after verification will be published on our sustainability website. Data prior to 2018 is CO₂ emissions data. The electricity conversion coefficient for calculating CO₂ emissions is a fixed coefficient developed internally: 0.421 kg-CO₂ /kWh

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.



FY2023 in Review (Results and Issues)

Results

In the vegetable beverages market, our market share has reached a record high thanks to the aggressive introduction of new products and the deployment of activities creating demand, despite slow growth in the market. In terms of food products, as a result of holding Kagome Rice Omelet Stadium® 2023, a national competition to determine the best tasting rice omelets in Japan, and spurring demand for Western food and tomato menus, the rate at which tomatoes are being used on dining tables in Japan has reached a record high. As a result, revenue increased.

Performance trends (FY2023)

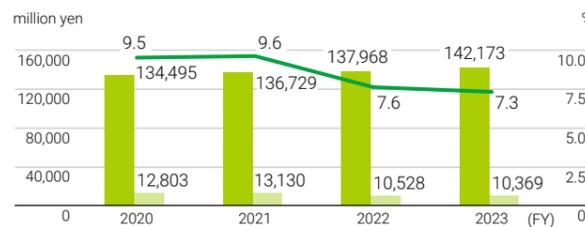


Issues

We recognize that invigorating the vegetable beverages market is our greatest responsibility as a category leader. In order to ensure that new prices are accepted by consumers, we will actively implement measures to spur demand, including advertising. In addition, we will promote the idea of Na/K balance*, change the behavior of consumers in vegetable consumption using VegeCheck®, and increase the number of Kagome fans by stepping up food education activities.

* Na/K balance: A balance of sodium and potassium intake from foods.

Revenue, core operating income, and core operating income margin



■ Revenue (left axis) ■ Core operating income (left axis)
 — Core operating income margin (right axis)

* Kagome changed its reporting segments from FY2022. Figures for FY2021 were prepared retroactively and are presented based on this change.

Strategy for FY2024

We will do our utmost to maintain and expand the number of users in order to restore demand for vegetable beverages. In particular, we will refocus on acquiring new customers who have never experienced drinking vegetable beverages before. In FY2023, we implemented a communication program called GoVivid that recognizes the vibrant colors of vegetables as one of the unique values of vegetable beverages. As a result, we have acquired new consumers of vegetable beverages and seen signs that they are making this choice habitual. In FY2024, we will further expand and accelerate these activities.



In terms of food products, as a new proposal to make the dining table tastier and more enjoyable with Kagome Tomato Ketchup, we will set ourselves apart by further strengthening the appeal of "baked ketchup," a new cooking method that allows consumers to enjoy a deeper, richer taste just by frying tomato ketchup in oil. We are also promoting opportunities for the greater consumption of Western and tomato menu ideas.

In the institutional and industrial use category, in parallel with structural reforms such as reviewing unprofitable products, we will work to expand frozen vegetable ingredients such as various vegetable purées and sautéed onions, which have high added value and are growing rapidly.

In FY2024, the prices of natural farm-produced ingredients, including tomatoes, our main raw material, will continue to rise. We will sustain efforts to maximize sales and profits by minimizing the decline in sales volume due to the impact of price revisions and implementing measures to spur demand to entrench new prices.



Message from the Director of Marketing Division

Evolving Fan-Based Marketing from the Farm

I view farms as very important. In addition to being a place to create value as "fields are the primary production plant," I view farms as a place to create value together with customers and share inspirational experiences, such as the Kagome Yasai Seikatsu Farm, an interactive vegetable theme park, and the Kagome Kitchen Farm, which promotes the joy of living with vegetables at each sales office. I am wondering if it is possible not only to connect the farm and table but also connect this value to the domain of life. We still have a long way to go, but I would like to instill this idea and use it as a force for the advancement of fan-based marketing. In addition, in order to achieve sustainable growth as a company, we will enhance marketing personnel, collaboration outside the organization, and participation in new businesses. Through these series of actions, we will strengthen companywide marketing and foster an organizational culture that takes on challenges.



Keiichi Inagaki
 Executive Officer, Director of Marketing Division and General Manager of Digital Marketing Department

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.



SWOT Analysis

Strengths

- Established a national brand for fresh tomatoes
- Advanced tomato breed development abilities, procurement capabilities and marketing capabilities
- Year-round supply capabilities and delivery capabilities empowered by our own marketing and logistics networks
- 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

Opportunities

- Advancements in smart agriculture driven by robotics, AI and IoT and with the technical development of environmental control devices powered by AI
- Increased sales channels for fresh vegetables and rising health consciousness
- Rising interest in ESG investment and the SDGs in agriculture
- Existence of latent consumers and companies with an interest in gardening

Threats

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

FY2023 in Review (Results and Issues)

Results

Revenue rose owing to an increase in the throughput of fresh tomatoes and the implementation of aggressive measures to spur demand. Core operating income decreased due to a decline in selling prices caused by a deterioration in the supply-demand balance during a period of surplus, as well as higher energy and fertilizer prices.

As a major initiative, we actively developed promotions to spur demand for beauty in addition to conventional health promotions. As a result, we were able to steadily increase the sales mix of high value-added products such as high lycopene tomatoes and high GABA tomatoes. High GABA tomatoes can now be sold year-round by combining winter-spring and summer-autumn crops.

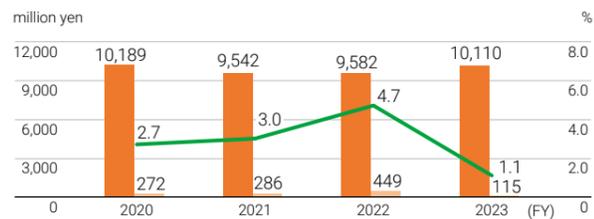
Performance trends (FY2023)



Issues

One issue is bolstering profitability in response to the deterioration in the external environment, such as production cost tightness due to rising material, energy, and labor costs, and fluctuations in procurement volume of fresh tomatoes due to weather conditions. We will work to optimize the balance between supply and demand by changing product capacity and restructuring production bases nationwide in Japan. Also, we will enhance our menu proposals to convenience stores and other establishments that use high lycopene tomatoes in sandwiches and side dishes.

Revenue, core operating income, and core operating income margin



Revenue (left axis) Core operating income (left axis)
Core operating income margin (right axis)

* Includes intersegment revenue within the domestic business.
* Kagome changed its reporting segments from FY2022. Figures for FY2021 were prepared retroactively and are presented based on this change.

Strategy for FY2024

For mainstay fresh tomatoes, we aim to establish the unique position of “healthy value-added tomato.” We will bolster our product lineup by expanding sales of high beta-carotene tomatoes and vitamin C tomatoes, which are mini-products, centered on high lycopene tomatoes, which have expanded the customer base with the acquisition of beauty demand. In terms of the bottom line, we will work to lower costs and improve efficiency throughout the supply chain, from production to sales, in order to generate profits in a sustainable manner by quickly responding to changes in the external environment, such as the rapid increase in materials costs.



Large glass greenhouse for growing fresh tomatoes

We will expand our use of AI (deep learning function using artificial intelligence) not only for yield forecasting, but also in areas such as environmental control (temperature, humidity, CO₂ concentration, etc.) of tomato greenhouses and sales measures, which will help to improve profitability.

We will actively promote more trials of washed mesclun greens as a healthy and convenient ingredient and the sale of them in conjunction with fresh tomatoes. Including fresh vegetables (purple onions, etc.), which we are newly working on, we will invigorate the fruit and vegetable sales floor using the theme of “color” and promote initiatives to enrich people’s daily dining table.

In home gardening, which sells tomato seedlings to general households at home improvement stores, we will propose sales floor solutions throughout the year by creating a series of popular “thin-skinned tomato seedlings” and increasing the number of vegetable seedlings other than tomatoes. In addition to developing new products and contact points, such as direct marketing and proposals for companies, we will work to further tap into gardening demand using digital tools.

In terms of the environment, we will promote efforts to explore and verify new technologies that are friendly to the global environment, such as energy conservation and reduction of greenhouse gas emissions.

Message from the President of Kagome Agri-Fresh Co., Ltd.

Upgrading the Value Chain, from the Production of Fresh Vegetables to Consumption

We will promote value creation aiming to “build a progressive and sustainable agribusiness model that aggressively revamps Japan’s agriculture industry.” In addition to addressing the diversifying health needs and lifestyles of consumers, we will also work to mitigate environmental impacts at each stage of production, distribution, and consumption. To this end, we will make the most of our internal and external management resources, further enhance our capabilities in variety development, technology, procurement, and sales, and upgrade the value chain from the production of fresh vegetables to consumption, which is the source of our competitiveness.

To create value over the medium- to long-term, we believe that human resources are the most important of our management resources. In addition to a high level of expertise in the agriculture business, we will focus on developing human resources with the ability to continue to transform themselves over a long-term time horizon with the changing times. We will strategically engage in human resources management, including the recruitment of highly specialized human resources, the development of a training system, and the creation and activation of job rotations and collaboration opportunities. This will lead to the effective use of management resources, the establishment of uniqueness as an indispensable agriculture business, the improvement of customer satisfaction by providing high value-added products and services, and the resolution of social issues with an eye toward the future.

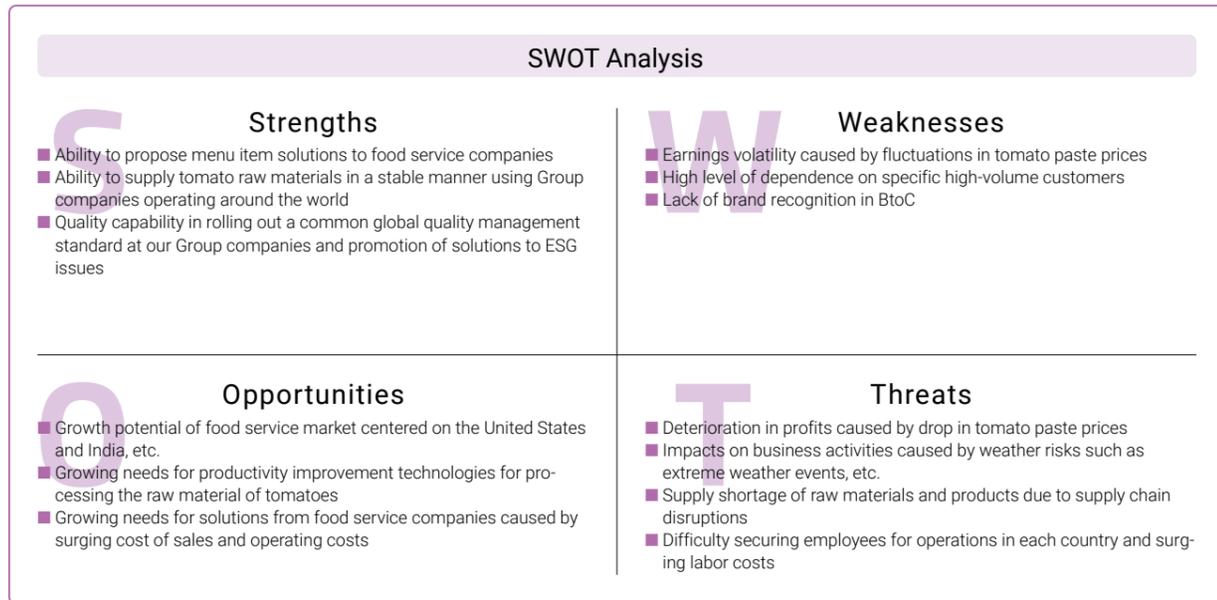
The current business environment makes it difficult to predict economic fluctuations and market changes. Nevertheless, we will meet the expectations of society through the sustainable growth of our business.

Shinsuke Habutsu
President and CEO,
Kagome Agri-Fresh Co., Ltd.



International Business

The International Business engages in agricultural production, processing and sales, among other businesses. 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.

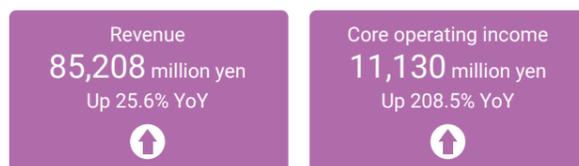


FY2023 in Review (Results and Issues)

Results

Kagome Inc., which operates mainly in the United States, recorded brisk sales to food service companies against the backdrop of strong demand for eating out in the United States. In addition, primary tomato processing, including HIT in Portugal, also contributed significantly to the increase in revenue, partly due to the high market price of tomato paste around the world. Kagome Australia Pty Ltd. experienced a downturn in production volume of tomato paste due to the impacts of flood damage suffered in October 2022, despite brisk sales to food service companies. Core operating income increased owing to price revisions at each company and the impact of yen depreciation, despite soaring raw materials and energy prices.

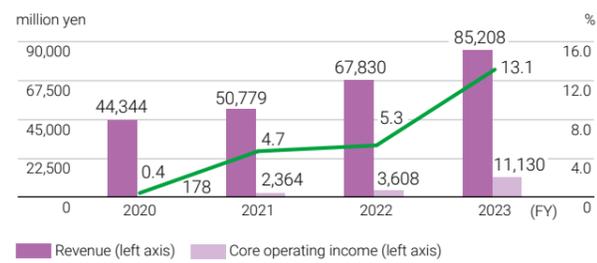
Performance trends (FY2023)



Issues

In response to global inflation, we will increase productivity and reduce fixed costs, as well as implement price revisions to secure profits. Raw materials prices and personnel expenses are rising in both primary and secondary processing, and we will continue to pass higher costs on to product prices. In the medium- to long-term, securing processing tomatoes and primary processed products, which are affected by climate change, is an issue, which will require us to strengthen the supply chain.

Revenue, core operating income, and core operating income margin



* Includes intersegment revenue with the domestic business.
 * Kagome changed its reporting segments from FY2022. Figures for FY2021 were prepared retroactively and are presented based on this change.

Strategy for FY2024

In the International Business, in light of the global expansion of food service companies, our main customers, and supply chain risks, we have shifted the International Business Division to a company structure (Kagome Food International Company) in October 2023 in order to accelerate business expansion by strengthening cooperation among Group companies more than ever before. This structure will see us implement mainly three initiatives. First, we will strengthen cooperation in the value chain. In addition to production procurement and quality assurance upstream in the value chain, we will also strengthen cooperation downstream such as marketing and solution sales activities, and enhance our ability to make proposals to global food service companies whose markets are expanding in each country, which will lead to sales growth. Second, we will rebuild our governance system. Under the leadership of the Company Management Meetings, we will increase the speed of decision-making and address issues such as risk management and improvement of operational productivity. Third, we will develop global human resources. Acquiring and developing human resources who can play an active role in our overseas operations is an urgent issue for the growth of the International Business. By adopting a company structure, we aim to develop global human resources throughout the International Business. This will involve optimizing the organization and personnel structure throughout the company and establishing training programs.



Meeting of CEOs organized by Kagome Food International Company



Tasting processed tomato products of Group companies at a global meeting for promoting cooperation

Message from the President of Kagome Food International Company

Accelerating Growth Using Global Optimization

Kagome Food International Company has established a new meeting body for CEOs of overseas subsidiaries to flexibly make decisions from the perspective of global optimization and to execute them promptly. The aim is to accelerate growth by leveraging the stable foundation achieved through earnings structure reforms of individual companies completed in the first half of the third Mid-Term Management Plan. In the secondary processing domain, a growth driver, we will identify and share growth opportunities and customer needs in each market in a timely manner, and develop and deploy new products and solutions using a collaborative system. At the same time, we will invest in the development of the agriculture and raw materials base and organizational infrastructure that supports our activities in each market while enabling efficient production. As the proportion of the overseas business in Kagome's management increases, it is essential to advance global management. The most important foundation to make this possible is human resources. We will build a system that realizes sustainable growth by bringing together the collective strengths of a global team that shares our corporate philosophy and Action Guidelines.



Norito Ebata

Executive Officer, President of Kagome Food International Company and General Manager of Global Tomato Business Department.