

## Strategy

### Message from the President & COO



亀田製菓株式会社  
KAMEDA SEIKA CO., LTD.

**Creating a Foundation for  
Leveraging the Comprehensive  
Strengths of the KAMEDA  
SEIKA Group to Realize  
Medium- to Long-Term Growth**

Masanori Takagi  
President & COO

## Formulating the New Medium-Term Business Plan

Under the previous medium-term business plan, “Changing Gears 2023,” we aimed to further expand the domestic rice cracker business while promoting dramatic growth in the overseas and the food business. However, we now expect that increasing profitability in the overseas and the food business will take some time. Rapid changes in the business environment have also impacted the revenue base of the domestic rice cracker business, so we now need to take steps to rectify this situation.

Since my appointment as COO, I have been working to create a vision for FY2030 from the perspective of increasing corporate value over the medium to long term. The foundation for realizing this vision is gradually being put in place through various structural reforms. However, our primary source of earnings is still the domestic rice cracker business, and I feel that we now need to switch from our previous reliance on top-line growth and improve the quality of our business. To summarize the past few years, I would say that issues remain in terms of our ability to respond to change.

However, addressing these issues head on has provided an opportunity for the Group to come to some major decisions. We have already reached the limits of a business model centered on mass production and mass sales. We have decided to change our focus to strengthening brand power. Going forward, I am confident that our pursuit of more unique value will lead to happiness for customers and social contribution, and ultimately to the sustainable growth of the KAMEDA SEIKA Group. First, we will implement structural reforms, which are also intended to rapidly rebuild our revenue base, to further enhance our ability to achieve growth.

## Start of a New Medium-Term Business Plan to Evolve Our Business Model

With this resolve, we restructured our Corporate Philosophy (announced in August 2023), and formulated our long-term management plan for 2030 and the new medium-term business plan. Aiming to become a “Rice Innovation Company,” we will prioritize growth in quality (operating margin) over scale (sales amount), and rebuild our business portfolio, making it even stronger. We will also evolve our business model to “KAMEDA 3.0.”

The new medium-term business plan is positioned as a period of dramatic transformation to achieve our goals. We will combine the comprehensive strengths of the Group and pursue a management style committed to creating unique value.

The new medium-term business plan came about after numerous internal discussions over an extended period. These discussions centered on the fact that we must promote innovation while understanding changes in society. We started by thoroughly analyzing current changes, or ones that are likely to occur, such as in population trends, food supply, and consumer values. Then, we further discussed how the Group should provide value in Japan and overseas while achieving growth. This helped us determine the direction we should take and what we should aim to achieve. The next step was to formulate strategies to achieve our goals. While considering the value creation capabilities that the Group has developed to date, we worked to uncover the features, strengths, and challenges present in each area of the value chain. We then arrived at the conclusion that we should promote “technology

### Achievements and Issues under the Previous Medium-Term Business Plan

	Achievements	Issues
<b>Domestic Rice Cracker Business</b>	<ul style="list-style-type: none"> <li>Expanded business, primarily through KAMEDA Kaki-no-Tane and Happy Turn</li> <li>Developed a product portfolio from a medium-to long-term perspective</li> <li>Mugen Ebi (shrimp-flavor rice crackers) was a hit with the next generation of customers</li> </ul>	<ul style="list-style-type: none"> <li>Slow to respond to changes in the external environment (rising raw material and energy costs)</li> <li>Profitability decreased due to pricing strategy</li> <li>Insufficient production capabilities, increased capital investment, and rising manufacturing cost ratios</li> </ul>
<b>Overseas Business</b>	<ul style="list-style-type: none"> <li>Execution of growth investments, overseas business expansion, and acquisition of new platforms                             <ul style="list-style-type: none"> <li>(1) Increased production at LKD<sup>1</sup> (Cambodia)</li> <li>(2) Established SKD<sup>2</sup> (Thailand)</li> <li>(3) Made THK<sup>3</sup> (Vietnam) a consolidated subsidiary</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Slow to respond to changes in environment faced by U.S.-based MGC,<sup>4</sup> and decline in profit</li> <li>Business model excessively reliant on OEM<sup>5</sup> products and shipping to Japan</li> <li>Shortage of global strategic products and national brand products</li> </ul>
<b>Food Business</b>	<ul style="list-style-type: none"> <li>Execution of growth investments, food business expansion, and acquisition of new platforms                             <ul style="list-style-type: none"> <li>(1) Acquisition of Maisen (plant-based food business) and TAINAI (rice flour bread)</li> </ul> </li> <li>Revenue increased substantially from Onisi Foods</li> </ul>	<ul style="list-style-type: none"> <li>Should stabilize revenue from new platforms</li> <li>Should develop customers for functional ingredients and expand sales channels</li> <li>Should adequately respond to population decline in Japan and address overseas demand</li> </ul>

While net sales increased over the short term due to investments to expand business scale, concurrent and dramatic changes in the external environment resulted in profits falling far short of target. We are behind in our plans to achieve return on investments through expansion. Furthermore, **we have not been able to keep up with the speed of our growth and need to redefine business strategies and secure resources in order to deal with changes in our operating environment.**

1. LYL KAMEDA 2. Singha Kameda 3. THIEN HA KAMEDA 4. Mary's Gone Crackers 5. Original equipment manufacturer (OEM): The manufacture of products for another company's brand

innovation related to rice” through sustainable growth strategies as a way to contribute to the realization of a sustainable society. To achieve this, we need to fully explore the Group’s strengths in the real sense of the word—strengths that include the technologies and expertise that it has developed to date—and use them to drive the creation of new value and new markets.

**1 KAMEDA 1.0: Focus mainly on rice crackers for the domestic market**

The Company has developed its rice cracker-based business model since its founding. It encompasses a general manufacturing business model of investing in fixed assets such as plants to expand sales and profits.

Since its founding in 1946, the Company has developed its core portfolio through expansion of its three businesses (the domestic rice cracker business, the overseas business,

and the food business) by leveraging strengths in R&D and manufacturing and its sales network. However, the viability of this kind of conventional business model predicated on full in-house operations is becoming uncertain. Changes in the operating environment such as the COVID-19 pandemic and surging raw material and energy costs are sapping the Group’s profitability. We are addressing these issues head on, and are working on two fronts to respond to urgent management issues and to establish a management foundation for the future.

**2 KAMEDA 2.0: Expansion of business domains and regions**

We are now taking a significant step toward realizing our Vision. In addition to strengthening synergies under the ALL KAMEDA concept, we will expand into new business domains and regions through investments not only in the domestic rice cracker business, but also in the overseas business and the food business. We are currently working on initiatives to

advance this process. In our core domestic rice cracker business, we will enhance the unique value of rice crackers and conduct business management that emphasizes earnings. In the overseas business, we are working to ensure stable profits, while accelerating growth at our locations around the world and expanding our sales regions. In the food business, we will focus on making new platforms profitable and expanding the market for processed rice food products.

**3 KAMEDA 3.0: Evolution of business model**

Looking even further into the future (FY2030 to FY2050), the Group will leverage its advanced technologies and expertise related to rice and rice processing. Rather than investing in plants and undertaking sales all on its own, the Group intends to transition to an asset-light approach, utilize partnerships and expand earnings through licensing and partial investments, and realize return on investment.

The key themes for this stage are “external collaboration,” “cooperation,” “open innovation,” and “an asset-light approach.”

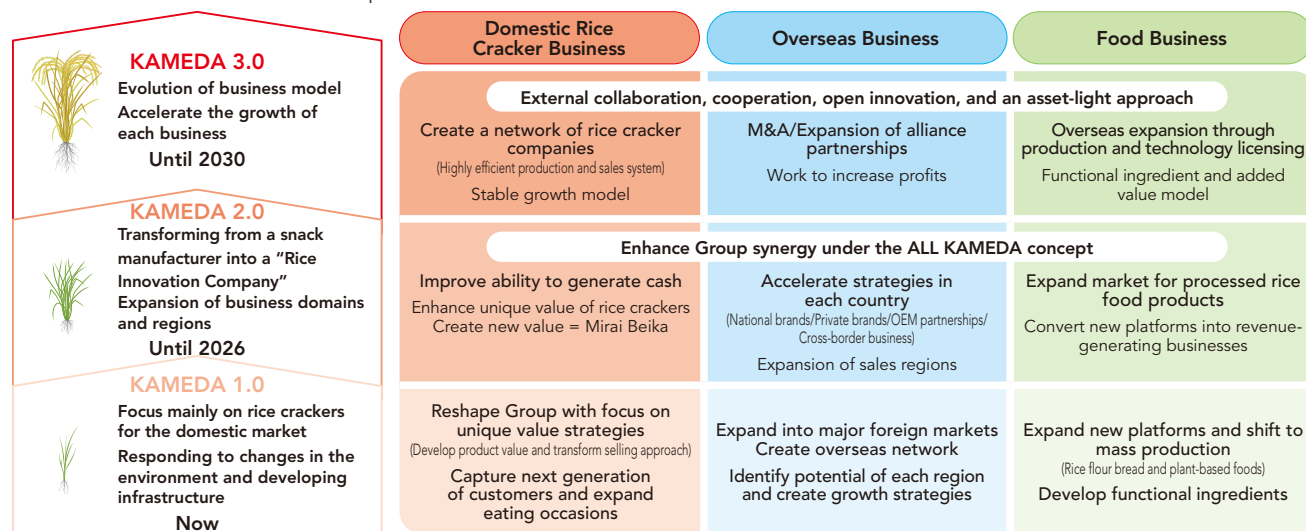
In the domestic rice cracker business, we will build a production and sales system that is highly efficient and with a high earnings capability through external alliances, including OEM partnerships. Moreover, by networking with other rice cracker companies, we will shift from price competition to value creation, with the aim of further expanding the domestic rice cracker market. In the overseas business, in addition to the expansion of OEM partnerships and cross-border business on the back of the existing overseas network, we will accelerate our growth strategies, including alliances, expanding our national brands globally to ensure profitability. In the food business, we will proactively take on the challenge of overseas expansion and work to achieve profitability in new platforms (rice flour bread, plant-based foods, and plant origin lactic acid bacteria), as well as establish a licensing-based business model.

By building value chains that reach across business and company boundaries inside and outside the Group, we aim to evolve our asset-light approach.

**Evolution of and Winning Scenarios for the KAMEDA SEIKA Group: Medium-to Long-Term Business Framework**

**“Rice Innovation Company”**

Rice innovation = The growth engines of the KAMEDA SEIKA Group will be rice crackers that provide new value, the overseas business, and the food business.



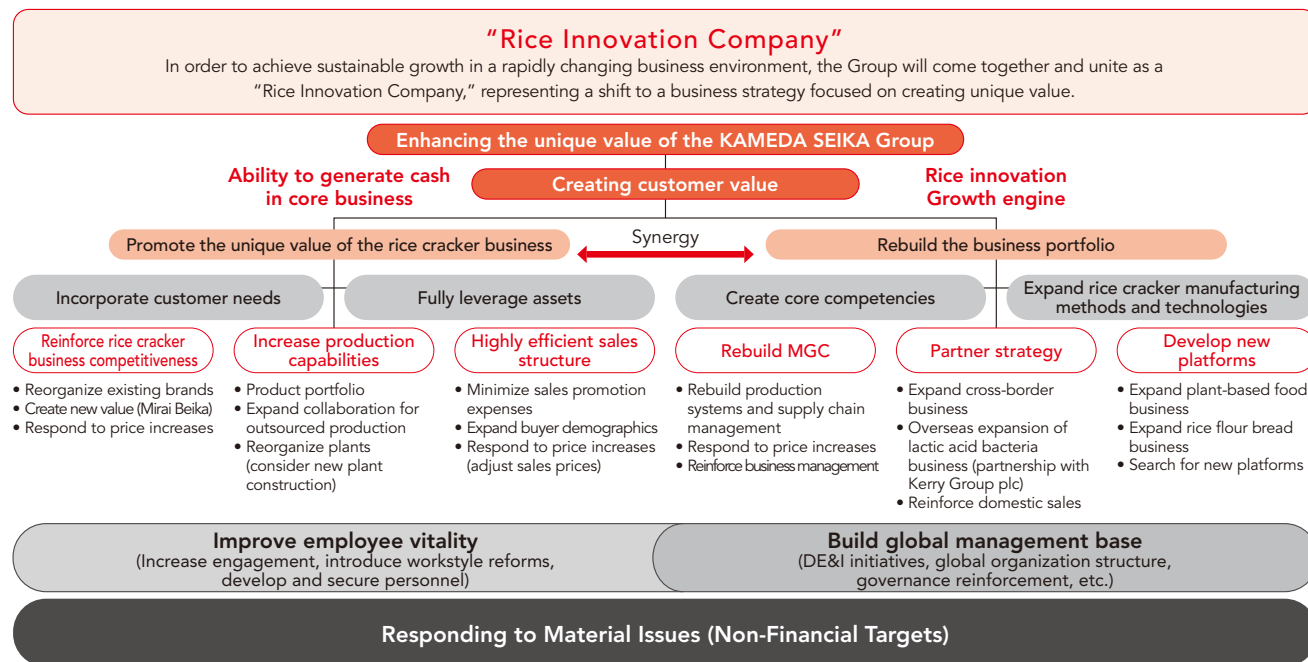
I will now give an overview of the new medium-term business plan. The main pillars of the plan are enhancing the ability of the core business to generate cash and accelerating the Group's growth engines through rice innovation.

From the perspective of increasing customer value, we aim to become a "Rice Innovation Company" that can succeed on a global level by enhancing the Group's unique characteristics and converting them into strengths. Specifically, in the domestic rice cracker business, our core business, we will further increase our ability to generate cash by linking product development, production, and sales functions. In the overseas business, we will rebuild Mary's Gone Crackers (MGC) in North America and expand our sales region in Asia through strategic partnering. In the food business, we will develop and expand new platforms.

For FY2030, we target both an operating margin and ROE of 10%, and ROIC of 8% or higher. At the halfway point in FY2026, we aim to achieve record high operating results. By focusing on strengthening our earning capability and value creation, we expect to see an operating margin of 6.5% and ROE of 7.3% in the short term, with ROIC expected to increase to 5.1%. By FY2026, our structural reforms will be complete. From FY2027, we will be prepared to achieve continuous growth by allocating the results of these efforts to the next growth areas.

Directors, including myself, and other executive officers are currently in the process of visiting the Company's locations in Japan and overseas to explain the new medium-term business plan and promote dialogue with employees. One-way communication is not sufficient to get individual employees of the KAMEDA SEIKA Group to take personal ownership of the new plan, so it is crucial to achieve mutual understanding between management and employees. Through measures to promote the plan, we will align all of the Group's employees in the same direction and make a strong start.

## Key Points of the Medium-Term Business Plan



## Business Indicators: Main KGIs and KPIs

	Unit	FY2021 Results	FY2022 Results	FY2023 Forecast	FY2026 Target	FY2030 Target	CAGR FY2023–FY2026	CAGR FY2027–FY2030
Profitability	Operating income	¥100 million	48.3	35.6	45.0	<b>75.0</b>	<b>140.0</b>	20.4%
	Operating margin	%	5.7	3.8	4.6	<b>6.5</b>	<b>10.0</b>	
	EBITDA	¥100 million	100.1	96.5	110.1	<b>156.0</b>	<b>256.1</b>	
Growth	Net sales	¥100 million	851.6	949.9	975.0	<b>1,150.0</b>	<b>1,400.0</b>	4.9%
	Rice innovation composition ratio*	%				<b>35.0</b>	<b>50.0</b>	
Efficiency and Safety	ROIC	%	4.3	2.9	3.5	<b>5.1</b>	<b>8.0</b>	
	ROE	%	7.3	3.0	5.0	<b>7.3</b>	<b>10.0</b>	

\* Ratio of sales of new value creation (Mirai Beika) products, the overseas business, the food business, and others

## Business Expansion in the Three Pillars: Domestic Rice Cracker Business, Overseas Business, and Food Business

Next, I will discuss details of the business strategy up to FY2026 by segment.

### Domestic Rice Cracker Business

The key themes for reforming the domestic rice cracker business are “upgrade” (value deepening) and “update” (evolution).

Our main objective in the domestic rice cracker business is to provide value by enhancing the uniqueness of our products, and in so doing transform the market environment, which has

been centered on price competition. To accomplish this objective, we will employ a two-fold approach. First is “upgrade,” which entails deepening the product value of existing brands to enhance brand value. Second is “update,” which involves new value creation in rice crackers, as exemplified by Mirai Beika products. Specifically, we will concentrate management resources on four key brands, and work to enhance profitability by increasing their sales composition ratio. We will also conduct price and specification revisions as necessary, with the goal of further enhancing product value. In addition, we will strengthen communication about our initiatives to “upgrade” our existing brands. We will also “update” our brands by launching products with an eye to the future, and work to expand sales channels and reach

younger customers. To do so, we must refine our unique value, as well as create a product story to convey that value to customers. Going forward, we will fine-tune this story and propose new value to customers, including by transforming what were once considered luxury products into staple foods. We are also revising product packaging and marketing activities to further promote the appeal of this new value. We are proposing new lifestyle options in the hope that customers will notice a change in KAMEDA SEIKA. I would like to enhance product value by meeting the diverse needs of customers. Leveraging our core competencies centered on rice, we will implement product strategies to refine our unique value and then link them with production and sales strategies to improve profitability and reach new customers.

### Strategy by Business Segment

### Building our business portfolio by leveraging our core competencies

FY2023–FY2026

FY2027–FY2030

#### Domestic Rice Cracker Business

#### Upgrade (value deepening) and Update (evolution)

<b>Product strategy</b>	Promote the unique value of brands and products based on customer perspectives	- Redevelop product portfolio focusing on four key brands* - Expand into new areas through “Mirai Beika” new value creation
<b>Sales strategy</b>	Expand rice cracker customer base and enhance value of the KAMEDA SEIKA brand	- Expand sales channels and reinforce efforts to attract younger customers - Review and revise sales prices in conjunction with price and specification revisions
<b>Production strategy</b>	Optimize and improve efficiency by creating a production network through external collaboration and by utilizing new technologies	- Create a production network through external collaboration - Utilize new manufacturing methods and visualize production sites by introducing IoT solutions

#### Overseas Business

#### Capture demand for gluten-free snacks, and shift to profit contribution

- North America strategy: Achieve profitability by rebuilding MGC
- Asia strategy: Fully leverage production capacity by expanding local sales (Vietnam and China)
- Hybrid management encompassing expansion of brand value through global strategic products and OEM partnerships that leverage our rice cracker manufacturing methods and technologies
- Expand scale through M&A, alliances, etc.

#### Food Business

#### Establish revenue base for new platforms and take on the challenge of overseas expansion

- Long-term preserved foods: Stable growth through cultivation of individual consumer demand
- Rice flour bread and plant-based food: Establish production systems and expand applications
- Functional ingredients: Cultivate new clients and launch new products
- Establish model for overseas expansion
- Create Group synergy and strengthen partnerships
- Develop new products based on our core competencies and strengthen the sales system

\* KAMEDA Kaki-no-Tane, Happy Turn, KAMEDA Tsumami Dane, and the Mugen series

### Domestic Rice Cracker Business

### Specific Initiatives

Shift from emphasis on price to emphasis on value and begin transition to a business strategy focused on uniqueness

#### Upgrade Value deepening of flagship brands/products

#### 1. Raise composition ratios of four key brands

- Raise composition ratios of four key brands in stages
- FY2023 composition ratio showed solid growth compared with FY2022



#### 2. Promote value in conjunction with price and specification revisions

- Prices and specifications were revised for 27 products, including KAMEDA Kaki-no-Tane and Potapota Yaki in August and September 2023. Retail prices are expected to rise between 6% and 16%.
- Renovate brands (packaging and other characteristics)



#### 3. Reinforce consumer communication and brand value

- Strengthen social media strategy, and create new day-to-day points of contact with the next generation of customers
- Enhance uniqueness and profitability by adding new, higher-end products
- Stimulate demand by addressing the creation of new eating occasions



#### 4. Increase production capacity

- Increase production capacity for four key brands by streamlining product portfolio and utilizing OEM partnerships

Furthermore, companies in the rice cracker industry have generally focused on in-house production and price competition. However, to increase the value of rice crackers, it will be necessary to address the issue of discount (low price) sales. We will take the lead in promoting external collaboration in the area of production as part of our efforts to realize an efficient, asset-light supply structure.

### Overseas Business

In the overseas business, our first priority is to stabilize MGC in North America. In Asia, we will look to capture growing global demand for rice crackers and quickly build a growth foundation by further expanding partnerships based on an OEM model.

The Group has abundant potential for growth in overseas markets, and I think it is extremely important to communicate the health-related value of rice crackers to even more people around the world in order to get as many people as possible to try them.

Regarding MGC, production has been unstable due to the significant impact of ingredient costs, as its products are organic. The company has also struggled to secure human resources, and recruitment has been a significant challenge. We are examining all options for returning MGC's business to a growth trajectory. Personally, I believe that MGC has significant potential. From the perspective of rice cracker manufacturing, the company has an extremely simple production line that is able to prepare products in just a few

hours. I have huge hope for this as a new approach to rice cracker production in the future. In that sense, I am determined to push the company toward profitability as quickly as possible and to achieve further growth.

In addition, we have established a system for promoting the overseas business, including initiatives to strengthen the development of technical personnel and overseas management personnel in order to succeed globally. As a unique company that is expanding globally with a focus on rice crackers, we will work to strengthen our bases and promote cross-border business.

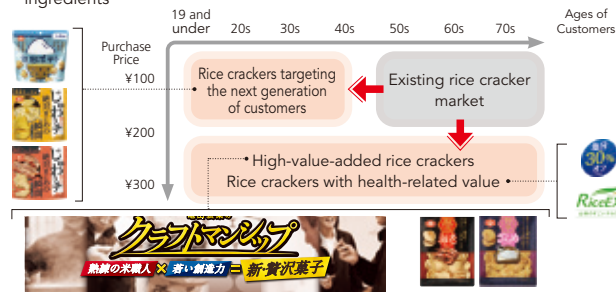
### Update Creation of new value for rice crackers (Mirai Beika)

#### 1. Address changes in consumer value to expand market into new areas

- 1-1. Launch rice crackers with new value to capture the next generation of customers
- Create unique snacks that are distinct from existing snacks by utilizing rice ingredients
  - Create new sales space proposals, aiming to attract younger rice cracker customers

#### 1-2. Develop high-value-added products with health-related value

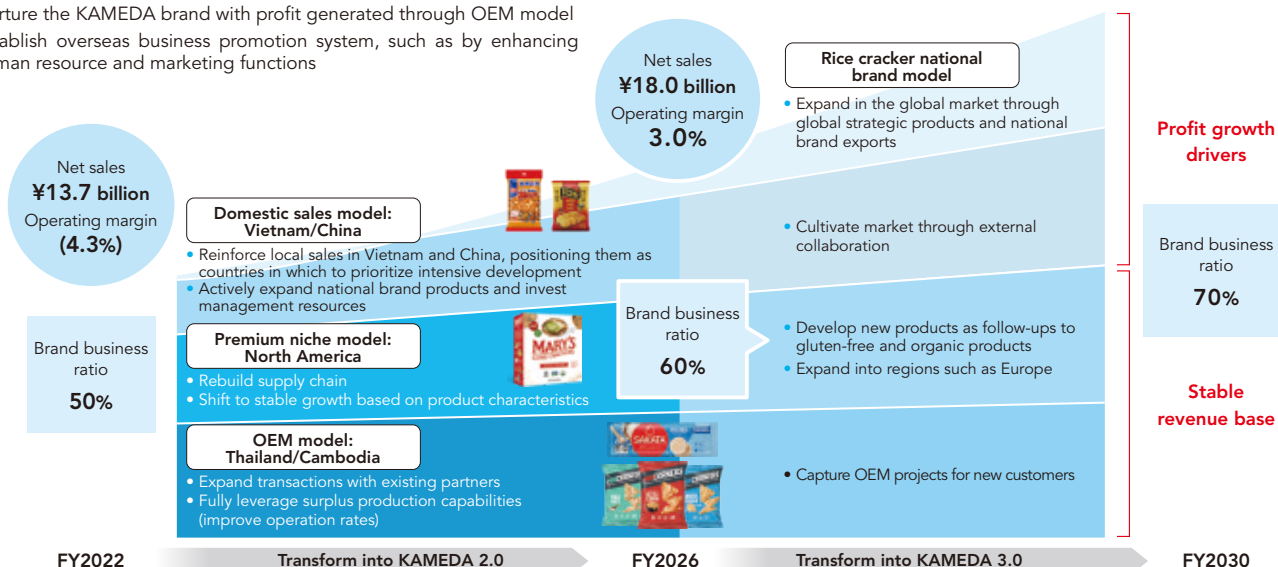
- Launch high-value-added rice crackers, such as the craftsmanship series, made with our original manufacturing methods
- Develop products with health-related value by leveraging our unique functional ingredients



### Overseas Business Key Points

#### Global development that meets demand for gluten-free snacks

- Achieve profitability of the overseas business by rebuilding MGC
- Nurture the KAMEDA brand with profit generated through OEM model
- Establish overseas business promotion system, such as by enhancing human resource and marketing functions





### Food Business

In the food business, we have invested proactively in businesses and products that have growth potential in areas peripheral to rice processing technologies. In addition, we believe the Group's businesses have the potential to expand and grow globally. This takes into account both the risks, including global population growth, pandemics, and climate change, and the opportunities, such as increased awareness of health and the environment.

Demand for long-life preserved foods is expected to grow further given the value they offer in terms of their function as preserved foods as well as their flavor and potential social impact. We are therefore building new plants and adding production equipment. We are also responding to new needs

such as for retort pouch products and nursing care meals. For rice flour bread and plant-based foods, new plants are beginning operations in phases and we will work to rapidly recover our investment.

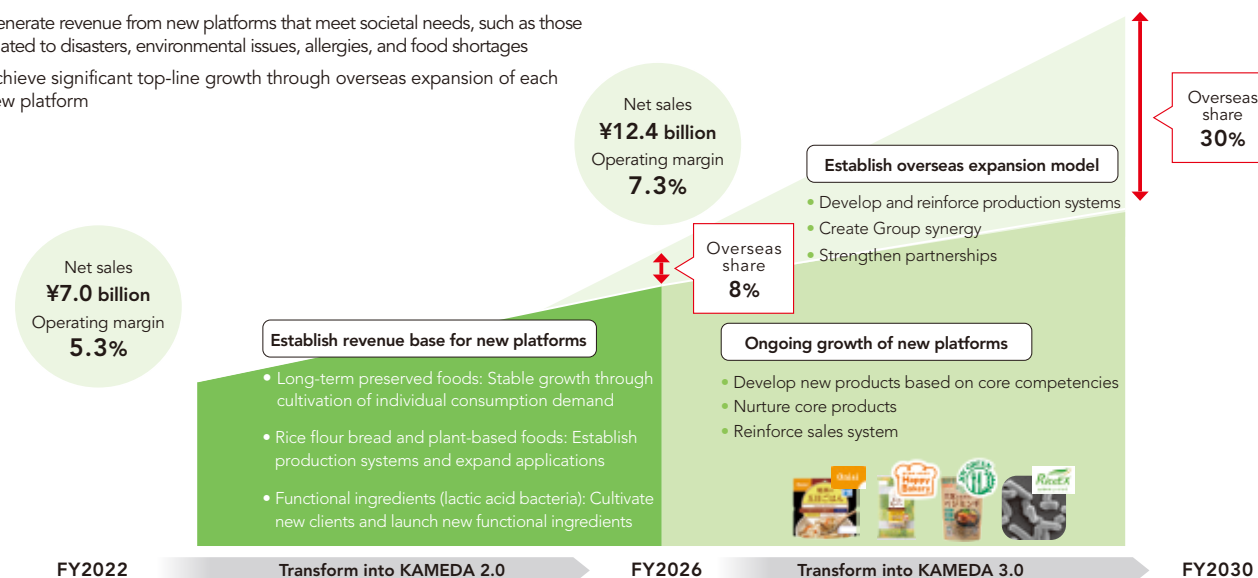
There is significant potential for overseas expansion of plant origin lactic acid bacteria and the development of new platforms such as rice peptides and rice protein. As these are high-added-value products in Japan and overseas, we will invest a suitable amount of capital in R&D to enhance these strengths.

We will renew our efforts to expand operations through coordination across organizations and businesses based on technology and R&D.

### Food Business Key Points

Establish revenue base for new platforms that meet societal needs and take on the challenge of overseas expansion

- Generate revenue from new platforms that meet societal needs, such as those related to disasters, environmental issues, allergies, and food shortages
- Achieve significant top-line growth through overseas expansion of each new platform



## Strengthening Our Management Base for Sustainable Growth

Strengthening our management base will be essential for promoting the growth strategies that I have described. The key is converting the Group's strengths, such as diverse human resources and accumulated technologies and expertise, into a competitive advantage. Specifically, we are promoting mutual sharing and integration of technologies and expertise by dispatching technicians in Japan to Group companies overseas, and conversely, by inviting human resources from overseas to plants in Japan.

For human resources, rather than identifying only a few talented individuals and focusing just on their utilization, I

think it is important for all employees to feel a sense of satisfaction in their working environment and in turn a desire to contribute to the Company. For this reason, we are fully committed to creating positive workplace environments.

Another important point is the introduction and utilization of digital technology. In particular, we aim to enhance efficiency in manufacturing processes through digital transformation (DX), as well as achieve rationalization and increased efficiency in supply chain management. By using AI for demand prediction, we plan to make order-related processes more efficient. Although some aspects of the rice cracker manufacturing process are complex and difficult to replace with digital technologies, we will continue to promote digitalization.

## Thoughts at the Start of Our Transformation

Since my appointment as COO, the business environment has undergone rapid change. I recognize that the long-standing business model of mass production and mass sales of rice crackers in Japan has reached its limit.

When a competitor suspended its operations following a fire in 2022, the entire rice cracker industry was on the brink of crisis. As a leading company in the industry, the KAMEDA SEIKA Group prioritized supply to avoid causing problems for customers. Nevertheless, even in such a business environment, we worked to increase profitability through measures such as continuing to launch new products and further promoting the health-related value of rice crackers.

After reflecting on the above, the Group has decided to dramatically change its business model for the future. Having overcome crisis, we believe this is an opportune time to make a new start. I also feel that it will be necessary to change the mindset of the industry as a whole in order to ensure that we are not again faced with a similar crisis.

We are committed to achieving sustainable growth by changing our business model to become a "Rice Innovation Company" and refining our unique value. We will start by enhancing our comprehensive strengths as a Group.

I ask for your continued support for the KAMEDA SEIKA Group as it takes on new challenges and continues to evolve.

## Reinforcing the Management Base That Supports Growth

### Human resource strategy

**Hire, develop, and leverage diverse human resources that can help us realize "innovation" and "KAMEDA's originality"**

- Visualize competencies based on the utilization of a talent management system and place appropriate personnel in the positions where they are needed
- Codify manufacturing skills, technologies, and expertise and pass them on to the next generation through our technical school and mentor program
- Enrich and expand systems for supporting employees in taking on new challenges matched to individual and flexible workstyles

### Supply chain management and purchasing strategy

**Improve efficiency of supply chain in conjunction with production and sales, and enhance resilience of supply chain**

- Predict demand and improve efficiency of order placement and reception operations based on scientific approaches such as AI
- Increase logistics efficiency by promoting digitalization
- Make entire supply chain sustainable, such as by enhancing decarbonization and human rights initiatives
- Review and revise procurement systems from a global perspective, and diversify procurement methods

### Digital strategy

**Increase added value by applying digital technologies, and improve operation productivity**

- Identify issues and enhance sales activities through the use of sales management systems
- Reinforce multifaceted communication with customers, such as through social media
- Improve efficiency of production sites by enhancing the functionality of production management systems

### Intellectual property strategy

**Visualize, acquire, and utilize intellectual property in line with the KAMEDA SEIKA Group's overall strategy**

- Codify and pass on manufacturing skills, technologies, and expertise, and provide a further boost to the sustained growth of our businesses
- Draw out the strengths of the KAMEDA SEIKA Group in the domestic rice cracker, overseas, and food businesses, and create a business model that leverages intellectual property



## Message from the CFO



**Akira Kobayashi**

Senior Managing Director &  
CFO, General Manager of  
Administrative Division

### Review of Period up until Now and Challenges in Formulating the New Medium-Term Business Plan

I would like to explain some of the challenges we faced in formulating the new medium-term business and review the period up until now.

The objectives of the previous medium-term business plan were to generate cash flow by further expanding the domestic

rice cracker business and to establish three solid pillars through growth investments in the overseas and food businesses. In the end, the Company fell significantly short in terms of earnings and is still working toward its targets.

In addition to external factors such as the COVID-19 pandemic, an increase in geopolitical risk, and destabilization of the monetary situation, various political, economic, and industry-related issues emerged, such as shortfalls in supply capacity within the rice cracker industry in particular.

Each time an issue arose, we were forced to make a difficult decision.

Even in this environment, we made numerous growth investments from a medium- to long-term perspective. Overseas, we strengthened our local business base with the establishment of Singha Kameda (Thailand) Co., Ltd. in Thailand and the consolidation of THIEN HA KAMEDA, JSC. in Vietnam. In Japan, we have nurtured the seeds of new growth businesses within the Group through the acquisitions of Maisen Fine Foods Co., Ltd. (plant-based food) and TAINAI Co., Ltd. (rice flour bread). We have also been working on creating new alliances, such as the strategic business alliance with Kerry Group plc of Ireland and the capital and business alliance with MASUYA Co., Ltd.

Furthermore, in the domestic rice business, there is a palpable sense that we have been able to entice more customers to try KAMEDA SEIKA products following the success of Mugen Ebi (shrimp-flavored rice crackers). Through these initiatives, we achieved the previous medium-term business plan targets for consolidated net sales and the overseas sales ratio a year early.

However, in terms of earnings, the impact of increasing raw material and fuel costs that emerged from FY2021 caused performance to differ from the initial plan. In FY2022, earnings in the domestic rice cracker business decreased compared with both the plan and the previous fiscal year. In addition, Mary's Gone Crackers, Inc. (MGC) recorded impairment losses. As a result, final earnings fell significantly short of the plan.

We are already working to address these issues, and are shifting the focus of our product strategy for the entire rice cracker business from price to value, revising prices and specifications, and dispatching a support team to help rebuild MGC. Signs of improvement are beginning to appear in FY2023.

As the CFO, I see rebuilding and then strengthening the Group's overall ability to generate cash as the most important issue. As I mentioned at the start, we are starting to see some results in terms of increasing scale through proactive investments. On the other hand, results on the earnings front are taking longer to achieve than expected. The problem is that the delay in recovering investments has led to an accumulation of borrowings on fixed assets and a decrease in capital efficiency.

Furthermore, we are expanding our business fields and increasing the number of countries in which we operate. As such, we now face a shortage of human resources, particularly senior management and technicians. The new medium-term business plan aims to realize sustainable growth by resolving these issues.

Going forward, as the Group accelerates its global expansion we will look to strengthen management of our supply chain, including the procurement of raw materials and the supply of goods across borders, in light of rising geopolitical risks and overseas business development.

## Supporting Innovation by Building a Solid Financial Base

For the new medium-term business plan, we discussed both risks and opportunities from medium- to long-term perspectives based on the above management issues.

Considering both risks and opportunities, such as the problem of worldwide food security, the response to climate change, and the demand for wellness-supporting goods and the rise in ethical consumption centered on advanced countries, we foresee dramatic changes across the entire food industry.

Even in this environment, the KAMEDA SEIKA Group has businesses and products that contribute to resolving social

issues, and the management team has reconfirmed that these assets have latent long-term potential.

To continuously refine these strengths, we will focus on financial stability. Our basic financial policy is to keep shareholder returns and the regular investment program within the scope of operating cash flow, while leveraging external financing for strategic investments such as M&A as needed until FY2026.

The Company aims not only to secure resources necessary for stable dividends, but also to lay the foundation for realizing a more efficient reinvestment cycle for sustainable growth. Therefore, our main management KPIs are EBITDA (to measure ability to generate cash) and operating income (to measure business profit).

We have recently been working to quickly restore our revenue base in response to the impact of cost inflation and other issues. By achieving further business growth on top of this base, we expect to secure returns in excess of the cost of capital in FY2030, with an operating margin of 10.0% and ROIC of 8.0%.

In addition, we will quickly work to recover the upfront investments we have made so far. We will also concentrate on investments in businesses and projects with even higher growth potential to enhance recoverability and capital efficiency. We will maintain a certain degree of financial leverage, with an emphasis on financial discipline, to support business growth. Looking ahead, in a period of rising interest rates following monetary

### Financial Plan

	Unit	FY2021 Results	FY2022 Results	Y2023 Forecast	FY2026 Target	FY2030 Target	
Balance Sheet	Total assets	¥100 million	1,034.2	1,111.8	1,157.6	<b>1,304.7</b>	<b>1,559.9</b>
	Net assets	¥100 million	660.4	679.9	708.5	<b>817.4</b>	<b>1,112.3</b>
	Interest-bearing debt	¥100 million	191.2	235.1	249.1	<b>265.9</b>	<b>195.0</b>
	Equity ratio	%	61.3	58.3	57.9	<b>59.3</b>	<b>67.4</b>
	D/E ratio	%	30.2	36.3	37.2	<b>34.4</b>	<b>18.6</b>
Cash Flow	Operating cash flow	¥100 million	83.0	82.8	109.5	<b>121.8</b>	<b>205.8</b>
	Investing cash flow	¥100 million	(98.4)	(84.4)	(120.1)	<b>(106.0)</b>	<b>(140.8)</b>
	Free cash flow	¥100 million	(15.3)	(1.5)	(10.6)	<b>15.7</b>	<b>64.9</b>

normalization, we will work to ensure financial soundness, while considering diversification of funding methods.

We aim to achieve record high profits in FY2026 under the new medium-term business plan, and to establish a path to further growth after that.

By shifting the focus of our product strategy from price to value, while factoring in the increase in depreciation due to growth investments and intangible investments such as strengthening human capital and R&D, we aim to achieve operating income of ¥7.5 billion in FY2026. This will mainly result from the contribution to earnings from the impact of increased sales and gross profit, price increases, productivity improvements, normalization of operations at overseas subsidiaries, and expansion of the food business.

From FY2022 we began to shift the focus of our product strategy from price to value, including initiatives to renew products in stages. In FY2023, we will start to enhance our revenue base from a medium-term perspective, including measures such as additional price increases. Raw material and energy costs remain unpredictable, and we will continue to respond flexibly with regard to price revisions and specification changes.

## Pivoting to Management with a Focus on the Balance Sheet and Capital Efficiency

As a manufacturing company, KAMEDA SEIKA has continued to grow in business scale and quality by utilizing its fixed assets, mainly in the domain of rice crackers. Now, however, as we are expanding our business fields and increasing the number of countries in which we operate in the overseas business and the food business, which are expected to be growth drivers, insisting on full in-house operations and keeping everything inside the Company would not be the right approach.

Aiming to transition to a highly efficient business model and profitable asset-light approach, we will build on the foundation we have established through upfront investments, adding the strengths and expertise that we have cultivated in rice crackers. We will also leverage partnerships with external companies.

To achieve our goals, we will continue to make investments going forward. However, reflecting on the previous medium-term business plan, we will place even more emphasis on the results of our investments and scrutinize the specifics of them. In this manner, we have revised our investment approach. Based on the goal of increasing the Group's overall investment efficiency, we have tightened our investment criteria to include a hurdle rate of around 8%, and we will judge each investment individually.

For now, the Group conducts unified ROIC management in line with its business structure. We intend to foster an awareness of the cost of capital and capital efficiency in each business and division, while aiming to expand independent management of businesses in the future. Essentially, we will focus mainly on increasing the operating margin through business growth and value creation while fully utilizing existing

facilities in order to make efficient use of capital through careful implementation of PSI management.\*

Furthermore, in addition to strengthening our systems, we will promote a multifaceted response including prior verification by the department in charge of implementing rules, visualization of the status of investments through reviews, and training of relevant personnel.

Clearing these investment criteria will be a requirement as a matter of course, and we will seek ways to maximize investment efficiency. From that perspective, we will pursue high returns on investments rather than being bound entirely by the criteria.

For human resources, guided by the key themes of "KAMEDA's originality" and "innovation," we will formalize the knowledge of our diverse human resources and the manufacturing technologies and various expertise that have been accumulated since our founding. We will then create ways to systemize this knowledge and convert it into a competitive advantage.

\* An acronym for production, sales, and inventory. It is a management method that promotes production, sales, and inventory planning to optimize inventory.

## Cash Allocation for Long-Term Profit Maximization

We think about medium- to long-term cash allocation in two stages: the four-year period of KAMEDA 2.0 (FY2023–FY2026) and the four-year period for realizing KAMEDA 3.0 (FY2027–FY2030).

Up to FY2026, we plan to make key brand investments in the domestic rice cracker business and investments for increasing production capacity in the food business.

Operating cash flow of ¥43.0 billion generated over the

four-year period is to be balanced between shareholder returns and various investments. During this period, our top priority will be on maximizing the impact of upfront investments, while strategic investments such as M&A will be made through external funding using the optimal method, depending on the details and scale of the investment.

Furthermore, to accelerate global expansion, it is crucial to pass down techniques throughout the entire Group, accumulate expertise, and enhance our core competences. With regard to this, we will raise funds by streamlining operating capital and reducing assets. We will allocate those funds for practical purposes such as investments in R&D and human resources.

From FY2027 onward, we expect to have the capacity to invest in businesses, region expansion, and technologies due to our ability to stably generate cash. We also expect to be able to finance M&A using our own funds.

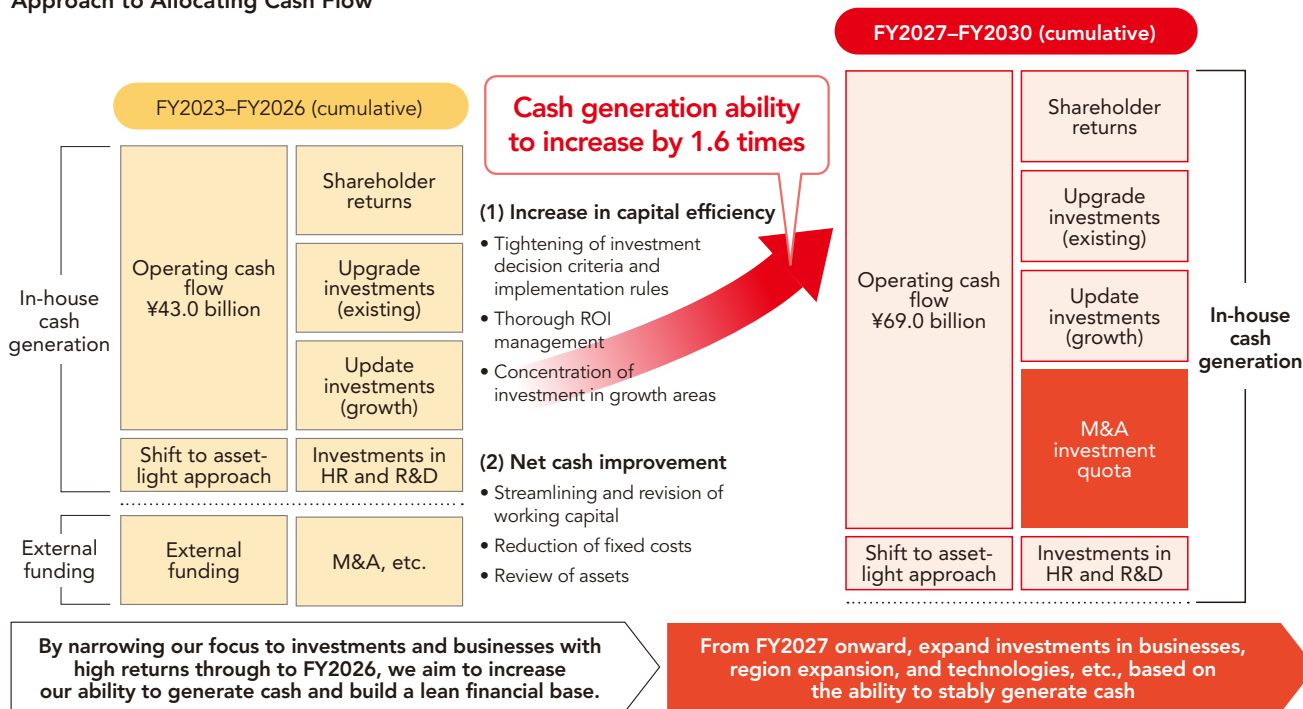
Our basic approach to shareholder returns is to provide stable and continuous dividends based on presumed profit growth, targeting a dividend payout ratio of approximately 30%.

To achieve future growth, we will continue to make investments while expanding our business and increasing our corporate value, with the aim of further enhancing shareholder returns.

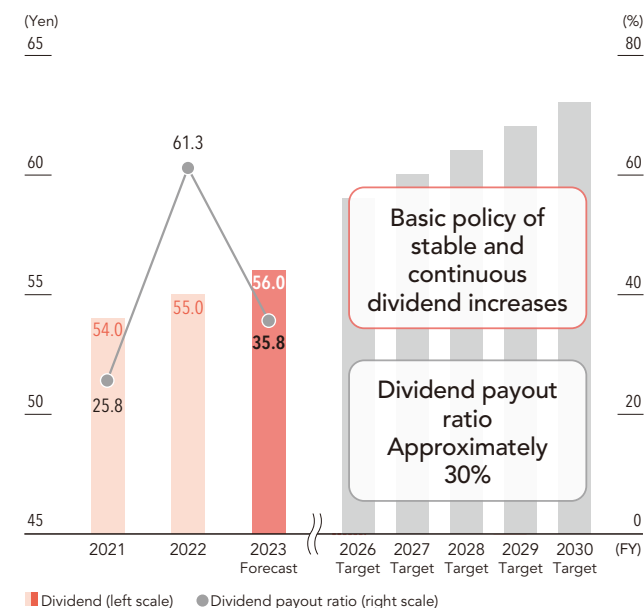
## To Our Shareholders and Investors

The KAMEDA SEIKA Group is in the process of transforming its business model, shifting its focus from price to value. By working to realize our new Vision of becoming a "Rice Innovation Company," we will maximize the potential of rice to create new value and markets around the world. We are committed to meeting expectations by becoming a globally unique corporate group and increasing our corporate value.

### Approach to Allocating Cash Flow



### Shareholder Return Performance and Plan



## A Conversation between Outside Directors

It is the start of a new KAMEDA SEIKA with the restructuring of the Group's Corporate Philosophy.

Mackenzie Clugston  
Outside Director



KAMEDA SEIKA is focusing on human resource development and innovation to promote rice cracker culture throughout the world.

Minesaburo Miyake  
Outside Director

The new medium- to long-term growth strategy has a clear direction and is an opportunity for major transformation.

**Clugston** The medium- to long-term growth strategy for 2030 presents an ambitious and impactful path forward. In contrast, the new medium-term business plan covers a four-year period, which necessitates setting more realistic targets. This includes changing the corporate mindset and culture by 2026. By enhancing team and leadership capabilities, and continuing to take on challenges, I think that KAMEDA SEIKA can communicate to the world that it has entered a new era.

**Miyake** Aspects that I find commendable in the new medium-term business plan are the restructuring of the Corporate Philosophy (Purpose, Vision, and Values) to promote innovation, and the clear expression of the Group's Vision to become a "Rice Innovation Company." Looking ahead, at the stage where the Company is poised to realize its business framework, I think it is important that employees have a sense of personal motivation, and that the management team listens to the

opinions of employees and incorporates them into initiatives. There are now more opportunities for dialogue between employees, and I see this as an opportunity for major transformation.

**Clugston** The expression "Rice Innovation" that you mentioned is also very important in terms of the growth strategy. KAMEDA SEIKA is a traditional company that makes rice crackers and snacks. However, in order to grow, it needs to provide new products for young customers in the domestic market, and to transform into a more flexible organization overseas. Rice offers diverse value, and the Company needs to deploy its young employees to open up new markets and create new products, and to establish a corporate culture that can continuously generate innovation. I believe that outside directors can also contribute a lot to this process.

**Miyake** I think past discussions tended to focus on current numerical targets, and medium-term goals were sometimes overlooked. Quantitative results are important of course, but I think that processes are critical for growth. In this regard, employees' sense of participation is crucial, and positive effects

can only be realized by linking everyday work and the medium-term business plan. The key point is not to judge the proposals and opinions of young employees based on previous cases. Management must understand that the times and the generations have changed, and guide the Company to success, and by that I mean in all of its business processes.

The Company is moving to the next stage under a new management structure. The key will be to focus on how to evolve and promote its unique strengths.

**Miyake** With the transition to a new management structure in 2022, I can feel a change in the language of the management team, as the policy has shifted from sales to earnings, and from price competition to value competition. However, it will take a little longer for the change to fully reach each individual sales representative. The front line is also where the Company competes for sales and market share, and I recognize that one of the challenges going forward is how best to communicate KAMEDA SEIKA's unique value to supermarkets and retailers.

On the other hand, I also hear from executive officers that the COO has taken a stance of valuing feedback from the front lines, and this gives me great confidence that the Company is heading in the right direction. What do you feel has been the biggest change in the management structure?

**Clugston** Under the previous management structure, the Company built a foundation for globalization, and I was struck by the positioning of overseas strategy as a priority issue under the new medium- to long-term growth strategy as well. The Company's management to date has made bold moves overseas to build new business pillars in countries such as the United States, Thailand, Cambodia, Vietnam, and India. Now, I think it has arrived at the next stage. That is to say, rather than a conceptual overseas strategy, it is now important to discuss more concrete steps. Although it is called the overseas business, North America and Southeast Asia are different markets. Accelerating country-specific strategies is a huge challenge, but I feel that it is also a great opportunity.

**Miyake** I agree. The next step is important, and I think it is time to review the overall strategy in the North American market, including making some hard choices about what to keep, and what to discard. Moreover, the Company has a long history in the Southeast Asian market, so it will be important going forward to consolidate the KAMEDA SEIKA brand based on the Company's product capabilities. To this end, the Company needs to focus on local production and sales, so developing non-Japanese human resources and sharing the Company's values with them will likely be a priority issue. Regarding values, the Company must also be considerate of factors such as cultural and religious views, and it is important to strike a balance between KAMEDA SEIKA's core values and the values of each country. The new medium-term business plan calls for faster development of global human resources, and I feel this will create more opportunities to secure diverse talent.

**Clugston** I have talked about my impression of the new management structure, but it is also necessary to touch on the inherent strengths of KAMEDA SEIKA. Rice crackers are one

of the signature foods of Japan, and have been enjoyed by people here since childhood. The traditional culture of rice crackers will likely continue to be passed on without changing. In overseas expansion, appealing to the value of rice crackers as part of Japanese food culture is likely to pique the interest of non-Japanese people. Moreover, rice has tremendous potential. Going forward, the Company should consider how to create new products and services based on rice. My expectations are growing for this new structure, especially given that the CEO was originally involved in the research of rice.

**Miyake** I think that the restructured Corporate Philosophy expresses the Company's strengths succinctly. In addition, promotion of the Mission Statement, "製菓展道立己 (Seika-Tendo-Rikk)",<sup>1</sup> among employees is another point that deserves mention. In order for overseas employees to understand and share this Mission Statement as well, I think it is important to explain it in a manner that best suits the culture of each country, rather than as a literal translation, so another issue will be how to simplify and promote it internally.

1. The Mission Statement of KAMEDA SEIKA encompasses working in the snack manufacturing business, conducting research, and striving every day to contribute to society and build one's own life.

With expectations that the Company will expand overseas and strengthen its brand power in Japan, I will be even more proactive in speaking up.

**Miyake** As an outside director, I believe my primary role is to give voice to opinions that may be difficult for those inside the Company to provide. Based on my experience, I am also able to point out risks that are difficult to detect from within the Company. Moreover, with regard to corporate governance, I think it is important to promote an organizational design that reflects KAMEDA SEIKA's spirit, and I am also able to contribute in this area. In addition, I intend to speak up proactively regarding how to strengthen the Company's brand power, including overseas. For initiatives under the new medium-term business plan, I intend to talk about how to better

listen to the opinions of employees and to help create systems for doing so.

**Clugston** As an outside director, I recognize my role in speaking up from the perspective of a non-Japanese person in areas related to overseas expansion and DE&I.<sup>2</sup> I have lectured at universities on themes such as cultural exchange, drawing on my experience to date, and I feel that it takes a long time to change a corporate culture. I intend to provide advice on the creation of structures and systems for internally promoting DE&I by making use of my various insights. What are your expectations of KAMEDA SEIKA?

**Miyake** I have particularly strong expectations regarding innovation of the Company's mainstay products in Japan and overseas strategies. I hope to see strategies to achieve further growth of KAMEDA Kaki-no-Tane and Happy Turn. KAMEDA SEIKA has also accumulated various expertise across the value chain from raw ingredients to finished products. By reviewing this expertise, the Company may find pathways to new businesses, such as the creation of new products from intermediate processes. Given that Japan's population continues to decline, I have great expectations for the Company's overseas strategy.

**Clugston** I also have big expectations for further overseas expansion. In addition, I hope to see the Company find answers for how to innovate in areas related to the expertise and foundation it has built to date. By accelerating innovation internally and further advancing the development of its young employees, I am certain that the Company can achieve amazing results in five or six years' time.

2. Diversity, equity and inclusion