

Results Briefing for the the Fiscal Year Ended December 31, 2021

PPT1

- Good morning, everyone. Thank you very much for watching today's briefing for the results in the fiscal year ended December 31, 2021 and the third Mid-Term Management Plan.

PPT2 (Contents)

- These are the topics of today's briefing.

PPT3 (Title)

- First is a summary of the business results for the fiscal year ended December 31, 2021.

PPT4

This is an overview of the consolidated results.

- The FY2021 was a year in which business continued to be severely affected by the COVID-19 pandemic, which has been raging since the previous fiscal year.
- Revenue in the domestic business was firm given rising health consciousness, continued stay-at-home demand and measures to stimulate demand for vegetables such as the "Let's Eat Vegetables" campaign. The international business recovered sharply. As a result, revenue increased from a year ago. All income lines recorded year-on-year increases.
- Revenue is 189.6 billion yen, up 3.6% year on year, core operating income is 14.1 billion yen, up 4% year on year, operating income is 14.0 billion yen, up 31.2%, and net income is 9.7 billion yen, up 31.5% year on year.

PPT5

- I will now explain the results by business segment.
- We achieved gains in revenue in segments except domestic agriculture business. A decrease in core operating income was recorded in the domestic processed food business due chiefly to proactive spending on promotions, which was more than offset by a significant increase in the international business. Consolidated core operating income increased.

PPT6

- This slide shows topics for these financial results.
- In the domestic processed food business, revenue rose in all categories, including, beverages, direct marketing and food.
- Income however fell, reflecting expenses for sales promotions and advertising to increase sales as well as higher raw materials prices and energy prices in the second half.
- I will now explain the results in each category. In the beverages category, revenue rose due to rising health consciousness, continued stay-at-home demand and the "Let's Eat Vegetables" campaign, but income fell, reflecting spending on strategic sales promotions.
- In the direct marketing category, revenue increased due to an increase in the use of e-commerce amid the COVID-19 pandemic. However, income declined because of a rise in advertising expenses.
- In the food and others for household use category, both revenue and income fell due to the absence of a sharp increase in eat-at-home demand in the previous year and sharp rises in raw materials prices.
- In the food and others for institutional and industrial use, both revenue and income rose, recovering from a significant decline in the previous year.
- Look at the graph for the domestic processed food business. Core operating income margin in the second half of FY2021, the orange line, is lower than that in the same period in FY2020, the gray line. That reflected sharp rises in raw materials and energy prices.
- In the domestic agriculture business, revenue decreased, reflecting a sluggish fresh tomato market in the first half and a decrease in the procurement volume of fresh tomatoes chiefly due to unseasonable weather in the second half. Income, however, climbed due to earnings structure reform, including a splitting of the domestic agriculture business, and a recovery in selling prices in the fourth quarter.
- In the international business, income increased significantly in the first half due to a recovery in food service demand and earnings structure reform.
- In the second half, however, core operating income margin fell from the first half as raw materials and energy prices rose sharply.
- In the fourth quarter of FY2020, a share of loss on investments accounted for using the equity method of 1.0 billion yen, which is related to investment in U.S.-based Ingomar, was posted. Excluding that, income fell year on year in

the second half.

PPT 7 Factors Contributing to Core Operating Income Changes

- Now, I will move on to factors contributing to the change in consolidated core operating income.
- First, let me describe factors in the domestic processed food business.
- The domestic processed food business was affected by changes in costs, including rises in raw materials and energy prices and exchange rate changes, as shown in (1), which were only partially offset by cost reductions linked to the procurement policy and an increase in productivity. Core operating income declined 0.9 billion yen overall.
- As shown in (2), advertising expenses rose, due to TV commercials and newspaper advertisements for direct marketing, and promotion expenses increased, due to strong promotions of beverages.
- In addition to these factors, the domestic agriculture business and international business posted higher profits. The resulting core operating income in FY2021 exceeded the level in FY2020 by 500 million yen.

PPT8

- Next, I will explain factors contributing to changes in operating income and profit.
- Core operating income was 14.1 billion yen, rising 500 million yen year on year, operating income was 14.0 billion yen, up 3.3 billion yen, and profit was 9.7 billion yen, up 2.3 billion yen.
- Large increases in operating income and income lines below it reflect the absence of impairment losses on fixed assets of about 3.0 billion yen, which was posted at Portugal-based HIT in FY2020.

PPT9

- This page describes changes to the statement of financial position.
- Total assets stood at 215.2 billion yen, falling 9.7 billion yen from the end of December last year.
- Current assets decreased 18.0 billion yen, to 123.4 billion yen as a result of the repayment of short-term borrowings in preparation for the effects of COVID-19 the previous year.
- Due to the repayments, liabilities fell 16.5 billion yen, to 95.6 billion yen.

- As a result, the ratio of equity attributable to owners of parent to total assets improved to 54.6%.
- This page describes changes in cash flows. Cash flows from investing activities were negative chiefly due to the addition of a new beverage line at the Fujimi Plant.

PPT10 (Title)

- Next, I would like to review the implementation of the second Mid-Term Management Plan.

PPT11

- In the second Mid-Term Management Plan period, the top line started to grow in 2020 due to the stimulation of demand for vegetables through "Let's Eat Vegetables" campaign, rising health consciousness, and eat-at-home demand.
- However, the growth rate was more moderate than in the first Mid-Term Management Plan period. Our challenge is achieving higher growth on the top line.
- Meanwhile, earnings structure reform made progress in the domestic agriculture business and the international business, and core operating income margin exceeded the level in the first Mid-Term Management period.

PPT12

- I will go on to the results and issues in each segment.
- In the domestic processed food business, sales of products for household use, including sales in the beverages, food and others for household use, and direct marketing categories, expanded. Meanwhile, sales of products for institutional and industrial use were sluggish due to a downturn in food service demand.
- Our challenges are reconstructing the institutional and industrial business and dealing with sharp rises in raw materials and energy prices.
- The domestic agriculture business moved into the black through structural reform, including a splitting of the business.
- Meanwhile, the decline in procurement volume chiefly due to bad weather was not addressed adequately and remains a challenge.
- In the international business, the profit structure was improved primarily through earnings structure reform in tomato primary processing. The business

achieved growth on the top line, taking advantage of a recovery in food service demand.

- As a result, a foundation has been laid for further growth. However, as in the two domestic businesses, addressing sharp rises in raw materials and energy prices remains a challenge.
- The future direction and action plan in each business are as described on this page. I will describe the details in the third Mid-Term Management Plan section.

PPT13

- This page describes changes in investment in growth, equity ratio and ROA in the periods of the first and second Mid-Term Management Plans.
- With regard to investment in growth, fixed investment was 28.1 billion yen during the first Mid-Term Management Plan period and 30.6 billion yen during the second Mid-Term Management Plan period. Business investment was only 3.9 billion yen during the first Mid-Term Management Plan period and 0.6 billion yen during the second Mid-Term Management Plan period.
- The equity ratio, or the ratio of equity attributable to owners of parent to total assets, declined temporarily in certain fiscal years, but has been mostly above 50%.
- ROA has been on an upward trend. We have come to create profits efficiently on total assets.
- We think that we need to maintain this stable financial base, and in the third Mid-Term Management Plan period, when one of our challenges is growth in the top line, need to actively make growth investments.

PPT14 (Title)

- I will now move on to describe the third Mid-Term Management Plan.

PPT15

Kagome set itself in 2016 the 2025 goal of “becoming a strong company that can achieve sustainable growth resolving social issues through foods,” and established the vision of “transforming from a ‘tomato company’ to a ‘vegetable company.’” Since then, Kagome has implemented two Mid-Term Management Plans.

- We position the third Mid-Term Management Plan for four years, from 2022 to

2025, as the final stage to achieve the goal and vision.

PPT16

- This page describes our views on the business environment where we will implement the third Mid-Term Management Plan.
- While awareness of health, immunity and hygiene continues to rise and digitalization is bringing about diverse points of customer contact, labor shortages in agriculture and the food service industry are becoming increasingly serious. We believe that the need to address issues related to the supply chain and the environment will increase.
- In this environment, the changes below will give us business opportunities. We will take advantage of them to create business opportunities up to 2025.

PPT17

- This page describes two goals that we will strive to achieve by 2025, the final year of the third Mid-Term Management Plan.
- The KGIs for the goal are revenue growth rate and core operating income margin. We aim to increase the top line every year at an average growth rate of 2% or more over the four years. As for core operating income, we aim to achieve a core operating income margin of 7% or more in 2025.
- The KGI for the vision is medium-term quantitative targets. The KPIs are increases in revenue in four business areas where we can contribute to vegetable intake, which are stated in the table on the lower right corner of the page.

PPT18

- This page shows an image of growth in the third Mid-Term Management Plan period. The numerical targets to achieve in 2025 are a revenue of 212.0 billion yen, a core operating income of 15.0 billion yen, and a core operating income margin of 7.1%. We will achieve those targets through organic growth in the existing businesses.
- We will also pursue inorganic growth as well through alliances and M&A. We assume that inorganic growth will be a revenue of 30 billion yen to 50 billion yen. That amount is not included in the third Mid-Term Management Plan at

present.

PPT19

- This page provides the quantitative plans for FY2022 and FY2025 by segment. We change our segment management system from the third Mid-Term Management Plan period, and core operating income will change accordingly. The results in 2021 in the table are figures under the new management system. For details of the change in the segment management system, refer to the reference material.
- The consolidated revenue and core operating income plans for FY2022, the first year of the third Mid-Term Management Plan are 199.0 billion yen and 13.3 billion yen, respectively. Revenue will rise, and income will fall.
- The main reason for the decrease in income is the effects of rising raw materials and energy prices in the domestic processed food business. The increase in cost caused by the price increases will be partially offset by price revisions, cost reductions, and an increase in productivity. Income in the domestic processed food business is expected to decline 0.9 billion yen. For the factors contributing to income changes in FY2022, refer to the reference material.
- The top line is expected to increase in all three segments in FY2022.
- From FY2022, the consolidated top line is planned to continue to rise 2% annually, and core operating income margin will recover to the 7% range by 2025 according to the quantitative plan.

PPT20

- Let me explain the basic strategy of the third Mid-Term Management Plan.
- The basic strategy in the third Mid-Term Management Plan is achieving sustainable growth by taking four actions that are organically connected.
- The four actions are promoting behavioral change in terms of vegetable intake, changing to fan-based marketing, pursuing both organic and inorganic growth, and strengthening the Group's management foundation and fostering a culture for tackling challenges.

PPT21

- This page shows an outline of strategies in the third Mid-Term Management Plan, or the relationships among the four actions.

- First, to promote change in behavior in terms of vegetable intake, we provide information and services for raising awareness of the insufficient intake of vegetables and motivating people to eat vegetables.
- To strengthen the link that the behavioral change and the resulting increase in the intake of vegetables has with the growth of the Company, it is necessary to increase the number of fans who support Kagome's business activities and appreciate the value of its brand. We will thus strive to change our marketing to fan-based marketing.
- Based on the two actions that I have just touched on, we will pursue both organic and inorganic business growth. We will pursue organic growth by deepening, reforming and developing the existing businesses. We will also strive to achieve inorganic growth by exploring and cultivating new businesses.
- To implement those actions, we will strengthen the Group's management foundation and foster a culture for tackling challenges.

PPT22

- I will now explain the four actions in detail.
- First, I will explain the promotion of a change in behavior in terms of vegetable intake. We will contribute to solving a social issue, extending healthy life expectancy, by changing behavior and through this will strive to achieve the growth of the Company.
- We will leverage our resources in the health service business to raise awareness of the problem of insufficient intake of vegetables and increase the motivation to take in vegetables. We will promote behavioral changes in terms of vegetable intake using experiential business, including the measurement of vegetable intake using Veggie Check®, which we were not able to adequately implement in the second Mid-Term Management Plan period due to the COVID-19 pandemic, and holding health seminars.
- Meanwhile, we will promote functional research on vegetables. We will convey information on the power of vegetables, based on scientific evidence, to society and will thereby help change behavior, namely vegetable intake.
- We will continue the Let's eat vegetable campaign in the period of the third Mid-Term Management Plan. We will continue to make available many different types of information to promote behavioral changes, or a change in vegetable intake.

PPT23

- The second action is changing to fan-based marketing.
- We will take steps to increase the number of fans who support Kagome's business activities and appreciate the value of its brand.
- To that end, we will change the existing advertising strategy, or short-term advertising campaigns, and will strengthen communication that has cumulative effects, or communication that continues to strengthen relationships.
- We will convey the value and roles of vegetables, using the Yasai Seikatsu Farm and kitchens at different facilities as well as products.
- We will increase customer loyalty and build relationships where customers choose the Kagome brand before choosing products at stores.

PPT24

- The third action is the pursuit of both organic growth and inorganic growth.
- Let me first describe focus fields in the organic growth area.
- As the vegetable beverage category leader, we will develop containers, invest in advertising, and address environmental friendliness to make the market more attractive.
- We will expand the field to include plant-based beverages and accelerate growth.
- The ready-to-eat and processing business is growing in the institutional and industrial business where sales are weak amid the COVID-19 pandemic. We will focus on the ready-to-eat and processing business and increase the percentage it accounts for in the institutional and industrial business.
- We will develop vegetable soups as food products that symbolize our contribution to vegetable intake. We will develop vegetable soups primarily using online channels, which can convey value.
- In the area of plant-based products, we will expand food products using plant foodstuffs as needs for plant-based foods is increasing.

PPT25

- I will move on to the inorganic growth area.
- In the inorganic growth area, we will actively consider alliances and M&A.
- We have decided to make business investments of 30 billion yen to 50 billion yen in the inorganic area in the third Mid-Term Management Plan period. We will invest primarily in the area of plant-based products, in the United States,

and in agriculture.

- An example of investment in the area of plant-based products is equity participation in TWO Inc., a plant-based food startup.
- We will generate synergies with TWO to create new demand for plant-based foods.
- We will change the Company's value chain from seeds to tables, using the inorganic growth approach as part of the growth strategy in the United States and in the field of agricultural services and agri-tech. I will explain our strategies in detail on the next page.

PPT26

- Companies in Kagome's international business are positioned in the chart on the left. The horizontal axis indicates positions in the value chain. The vertical axis indicates ROA. ROA is high on the upstream side and on the downstream side.
- We will draw up growth strategies, including alliances and M&A, in area (i), the B2B tomato secondary processing business on the downstream side of the "smile curve," and in area (ii), the area of agricultural services, agri-tech and seeds on the upstream side.
- We have two subsidiaries in the United States, Kagome Inc. and United Genetics. We will take advantage of the synergies between them.
- Meanwhile, we will rationalize the tomato primary processing area at the bottom of the "smile curve" and pursue profitability.

PPT27

- The fourth action is strengthening the Group's management foundation and fostering a culture for tackling challenges.
- It is important to deal with long-term risks and strengthen the Group's management foundation to achieve sustainable growth. We will strengthen risk management under a new system headed by CRO and the management foundation.
- We will focus on strengthening our value chain to bolster our earnings strength and ensure business continuity, while advancing digital transformation to execute management strategies.
- To achieve growth in the top line in the period of the third Mid-Term Management Plan, we need to foster a culture for taking on new challenges

that are not extensions of the existing operations. We will create environments where employees will have job satisfaction, learn from mistakes, and continue to take on challenges.

- We will achieve sustainable growth by implementing the four actions, which are organically connected.

PPT28

- Let me explain our financial strategies to implement those actions.
- The first strategy is maintaining a stable financial base. We will firmly maintain an equity capital ratio of 50% or more and a single-A credit rating to maintain a stable financial base for sustainable growth and responding to major environmental changes. We plan to borrow funds to make investments for inorganic growth, provided that we maintain an equity capital ratio of 50% or more.
- The second strategy is achieving growth, while emphasizing capital efficiency. We will execute flexible capital policies in response to changes in the business environment, aiming for an ROE of 9% or more.
- The third strategy is stable profit distribution. In the period of the third Mid-Term Management Plan, we will maintain a total return ratio of 40% or more and an annual dividend per share of 38 yen or more. The purchase of treasury stock that was determined in FY2021 is not included in the calculation of the total return ratio in the period of the third Mid-Term Management Plan.
- We will make sure to implement these three strategies so that we can invest in growth, while returning profits.

PPT29

- Next, I would like to explain our financing, demand for funds, and cash flow plan.
- We plan to make capital investments of 45.0 billion yen, including environmental investments and investments for digital transformation for organic growth. The shareholder return is planned to be 15.0 billion yen. The capital investments and shareholder return will be all expected to be funded from cash flows from operating activities.
- As I have said, we plan to make business investments of 30 billion yen to 50 billion yen for inorganic growth. The business investments are planned to be funded from 22.3 billion yen's worth of treasury stock, including stock that is

being acquired, and funds borrowed while financial soundness is maintained.

PPT30 (Title)

- I will move on now to our actions for sustainability.

PPT31

- At the start of the period of the third Mid-Term Management Plan, we reviewed our views on sustainability at the Company.
- The Kagome Group believes that sustainability means business activities to become a strong company that can achieve sustainable growth resolving social issues through foods.
- We will work to solve three social issues: extending healthy life expectancy, agricultural revitalization and regional revitalization, and achieving a sustainable global environment.

PPT32

- Since nature, including agricultural products, is the source of Kagome's products, we need to make efforts to achieve a sustainable global environment.
- Among our sustainability initiatives, I will describe some of our environmental efforts.
- We aim to achieve effectively zero greenhouse gas emissions by 2050. To reach this goal, we have changed our emissions target for 2030 to a more challenging one. We have applied for SBT certification for the revised target.
- We have recently installed solar panels on the roof of the production facilities at the Fujimi Plant. The solar panels generate 23% of the annual power consumption at the plant and reduce CO₂ emissions by 600 tons each year.
- At the Kozakai Plant, renewable energy is generating 100% of the power needs from January this year.
- We plan to make environmental investments during the period of the third Mid-Term Management Plan. We will continue to take actions to reduce our environmental footprint.

PPT33

- I will move on to describe our activities to conserve water and biodiversity. Water and biodiversity are closely related to our business activities.

- To address the risk of drought, Kagome Australia stores water used at the plant and provides it to farms nearby during dry seasons.
- The domestic plants use water efficiently and reduce the amount of water intake per unit of production by 1% every year.
- Because of these activities, we were placed on CDP's Water Security A List, the highest rank, for the first time in 2021.
- We are committed also to conserving biodiversity. For example, we do not use alien bees for pollination in farms that we operate directly.
- The Innovation Division has 7,500 types of tomato genetic resources. It strives not to deplete precious genetic resources.
- We will continue sustainability activities like those I have described here in the period of the third Mid-Term Management Plan.

PPT34

- Fierce competition continues in the "food and health" domain, including market entry by companies from other industries.
- All staff at the Company will do their best to survive the competition through the power of vegetables and achieve the 2025 goal and vision.
- This brings me to the end of my presentation. Thank you for your attention.