

Results Briefing for the First Half of the Fiscal Year Ending December 31, 2022

PPT1

- Good morning, everyone. Thank you very much for watching this results briefing for the second quarter of the fiscal year ending December 31, 2022, today.

PPT2 (Contents)

- These are the topics of today's briefing.

PPT3 (Title)

- First is a summary of Business Results for FY2022/2Q

PPT4

- Consolidated revenue amounted to 95.7 billion yen, up 4.2% year on year. The international business drove the increase in revenue, in part due to the forex impact of the weakening yen.
- Meanwhile, core operating income was 5.3 billion yen, a year-on-year decrease of 24.5%, reflecting the sharp rise in global raw material prices, active spending on sales promotion expenses domestically, and other factors.
- Operating income amounted to 5.5 billion yen, down 20.1%, while profit fell 24.9% to 3.5 billion yen

PPT5

- I will now explain the results by business segment.
- Revenue in the domestic processed food business increased 0.1% year on year. While revenue from key beverages fell in part due to a reactionary decline from higher stay-at-home demand in the previous year, revenue increased in the food category on the back of food service demand and other factors, offsetting the decline from beverages. Core operating income declined, reflecting rising prices and increased sales promotion expenses.
- Revenue in the international business increased significantly. In addition to the forex impact from the depreciating yen, business aimed at US food services and the tomato primary processing business in Europe performed strongly. However, as a result of rising raw material prices in various countries, core

operating income declined.

PPT6

- This slide shows the highlights of these financial results for each segment.
- Revenue increased but income declined in the domestic processed food business.
- Revenue declined in beverages from lower sales of large Yasai Seikatsu 100 containers for home use due to declining stay-at-home demand, in addition to struggling sales at convenience stores.
- We also conducted proactive sales promotion activities to secure trials of the plant-based beverage Hatakeumareno Yasashii Milk, a new product.
- In direct marketing, the number of subscription customers increased as a result of stepped up advertising efforts, but average customer spend declined, and sales were flat compared with the previous year.
- For food, the increase in revenue from the institutional and industrial use category surpassed the decline in revenue in the consumer use category, resulting in an increase in revenue overall.

In the consumer use category, the decline in revenue was due to falling eat-at-home demand as well as condiment sales declining year-on-year after a price revision in April.

In the institutional and industrial use category, revenue increased thanks to recovering restaurant demand. This category remained solid even after the price revisions.

- However, core operating income declined, due to rising prices, higher sales promotion spending for beverages and food, and other factors.
- The domestic agriculture business recorded increased revenue and income.
- Fresh tomato yield declined due to bad weather and other factors, but as a result of improved market conditions compared with the previous year, sales inched upward 0.1% year over year. In addition to market conditions, income rose as a result of ongoing improvements to revenue structure from splitting businesses.
- The international business posted increased revenue and a decline in income. Revenue increased even when forex effects are excluded.
- In the United States, revenue increased due to recovering food service demand and the effects of price revisions, but due to costs exceeding the price revisions and rising logistics expenses, income declined.

- In Europe, revenue increased significantly in response to rising prices for tomato paste, which is experiencing a tight supply-demand relationship worldwide, but due to various factors including the sharp rise in energy prices, core operating income was held to a modest increase.
- In Australia, slipping shipping times to major customers resulted in lower revenue. In addition, one-off losses due to quality issues and other developments increased costs, resulting in a decline in income.
- In the seed and seedling category, both revenue and income declined, reflecting the forex impact due to the weaker Turkish lira and sluggish sales of seeds in Europe.

PPT7

- Next, I will describe sales of condiments, which underwent a price revision in April 2022.
- The graph on the left shows sales for consumer use and institutional and industrial use condiments compared with the previous year.
- Institutional and industrial use, denoted in orange, continued to perform strongly even after the price revision.
- Consumer use, denoted in blue, experienced a strong reactionary decline from rush demand that occurred ahead of the price revision, and also sales did not reach the previous year's levels, but they are recovering.
- The table in the center shows the frequency rate of meals with tomato ketchup eaten at home compared with the previous year. The frequency rate remained high even after the price revision, suggesting that consumers stocked up prior to the revision and are continuing to consume it.
- The table on the right shows store prices of 500g condiment, showing that the new price has been penetrating the market since April.
- Regarding consumer use condiment, as I will explain later, we will aim to restore sales to their previous levels as early as possible through measures to be implemented in the second half of the year.

PPT8 Factors Contributing to Core Operating Income Changes

- Now, I will move on to factors contributing to the change in consolidated core operating income.
- For the domestic processed food business, the main factors behind the 2.1 billion yen in change in cost shown in (1) were rising prices of raw materials

and energy, and forex effects. In contrast, 0.9 billion yen in cost reductions were achieved through productivity improvements, revised procurement policies and so on, and implementing price revisions for tomato flavoring from April had an effect of 0.2 billion yen.

- In other areas, as seen in (2), promotion expenses increased for beverages, food and other.
- This, combined with increased income in the domestic agricultural business and reduced income in the international business, resulted in core operating income for the first half of fiscal 2022 falling short of the first half of fiscal 2021 by 1.7 billion yen.

PPT9

- Here you can see the factors contributing to the change in operating income and net income changes.
- In response to the decline in core operating income, both operating income and net income fell, but other revenue / expenses increased 340 million yen.

PPT10

- This page describes changes to the statement of financial condition.
- Assets stood at 213.9 billion yen, a decline of 1.3 billion yen from the end of December last year. Excluding forex effects, the decline was 10.2 billion yen.
- This is mainly due to a decline in cash and cash equivalents from the acquisition of treasury stock continued from the previous fiscal year.

PPT11

- This page describes changes in cash flows. Free cash flow declined from the previous year due to a deterioration in cash flow from operating activities, while cash flow from financing activities increased as a reactionary bump from the previous year when repayments on borrowings were made.

PPT12 (Title)

- Now I will discuss the second-half outlook and strategies we will implement.

PPT13

- First I will describe the consolidated performance forecast for the full year.
- As announced in yesterday's consolidated summary report, we will revise the

consolidated performance forecast that was made at the beginning of the period.

- Total consolidated revenue will be revised upward by 3 billion yen from our initial forecast to 202 billion yen. Core operating income will be revised downward by 2.6 billion yen from our initial forecast to 10.7 billion yen.
- Now I will explain about the changes for each segment.
- While revenue in the domestic processed food business has advanced greater than expected in the institutional and industrial use category, as beverages and direct marketing have fallen short of what was planned, the forecast will be revised downward by 4.8 billion yen.
- In addition to the recovery of food service demand, an increase in revenue in the International business is expected from price revisions and forex effects, and the forecast will be revised upward by 9.7 billion yen.
- However, core operating income will be revised downward by 2.6 billion yen, due to cost increases above forecasts in addition to reduced income from not meeting sales targets in the domestic business.

PPT14

- Regarding the revised performance forecasts, I would like to explain in detail about the domestic processed food business, which will be revised by a large margin.
- These graphs show the fiscal 2021 results, initial fiscal 2022 forecast and revised fiscal 2022 forecast, with revenue on the left, and core operating income on the right.
- With revenue, the institutional and industrial use category has performed better than planned, but due to lower revenue from vegetable beverages in the first half and a slowdown in the direct marketing sales growth rate, performance fell far short of forecasts. In the second half of the year we will actively conduct sales promotions and campaigns in an attempt to make up for lost ground, but since we will not meet the initial forecast, it will be revised downward by 4.8 billion yen.
- For core operating income, considering a 1.9 billion yen decline in income due to sales deviating from initial forecasts, a 1.9 billion yen decline in income due to cost increases surpassing initial forecasts, and a 1.2 billion yen rise in income from controlling SG&A expenses, a 2.5 billion yen downward revision will be made.

- We also expect prices of the raw materials to be used in fiscal 2023 to rise considerably, and are considering urgent action to take in the lead up to the next fiscal year.

PPT15

- In this next section I will explain the measures we will take in the second half of the year to restore sales. First I will talk about beverages.
- For vegetable beverages, we will reiterate their basic value of "supplementing your diet in delicious ways with vegetables that tend to be difficult to get enough of through meals alone," and make an all-out efforts to restore demand as a leading manufacturer.
- The third quarter represents a peak period for beverage sales. We will step up efforts to draw attention to the basic value of vegetable beverages through Vegetable Day on August 31, in-store events, and other campaigns.
- Additionally, we will use popular characters in autumn to run large-scale campaigns with the message of "adding something extra to your meal with vegetables!" and rebuilt demand for vegetable beverages.
- Despite still having low brand recognition, Hatakeumareno Yasashii Milk is a product that is highly rated by drinkers in terms of taste. We will earn opportunities for trials through television commercials and sampling and bolster sales of large 1,000g containers, leading to the formation of consumption habits.

PPT16

- Next I would like to discuss the measures we will implement in food and other.
- In the condiment category, we will encourage in-home consumption and try to restore sales at an early stage following the price revisions.
- In the second half of the year, we will step up efforts to disseminate information and create buzz around pan-fried ketchup as the secret to making recipes taste great
- We will also release new products including salsas and sauces specifically for use in recipes, focusing on stimulating eat-at-home demand.
- In the institutional and industrial use category, we will surely capture recovering demand for eating-out and hold the Vegetable Solutions 2022 exhibition utilizing online media and enhance recipe suggestions that use vegetable ingredients such as the popular frozen grilled vegetable product.

PPT17

- Next I will discuss the international business
- In the international business, we will implement price revisions to account for cost increases of tomato primary processing products and secondary processing products.
- There is a solid recovery in restaurant demand in the US, Europe and Australia, and we will enhance sales to the strongly performing food services sector.
- Additionally, in the second half of this year we will complete a tomato processing line and a line that creates powder from byproducts of carrot processing in Australia. We will expand our product lineup and their suggested applications, and at the same time improve profitability through reduced waste, which will also lead to reduced food loss.
- In Taiwan, which is experiencing strong business results, we will complete a new plant. This will boost production capacity, improve sales to major customers, and lead to an expansion into the Southeast Asian market.

PPT18 (Title)

- I will now discuss our initiatives for medium-to-long-term growth.
- In the Third Mid-term Management Plan that began in the current fiscal year, in addition to existing business, we are stepping up efforts to search for new fields and businesses to achieve growth in the medium and long term.

PPT19

- In Portugal, we plan to establish DXAS Agricultural Technology as a joint venture with NEC. By promoting environmentally friendly and highly profitable commercial agriculture, we will contribute to sustainable agriculture in countries around the world.
- The technologies sold by the new company will visualize the state of fields by utilizing satellites and soil sensors, or have an AI system that has been trained in expert techniques create prescriptions for how produce should be cultivated in the future.
- If this technology is utilized, then even producers with little experience in cultivating tomato will be able to maintain yield through optimal irrigation while conserving water resources. They will also be able to reduce the amount of

fertilizer applied.

- In this business, we will accelerate support for farm management in the processed tomatoes markets, mainly in Europe, the United States and Australia. We will promote this business with the aim of generating sales of 3 billion yen by 2026.

PPT20

- Next I will discuss the development status of plant-based foods and beverages.
- In recent years, there has been heightened interest in plant-based foods as a sustainable food option due to concerns for the global environment and other reasons.
- As explained during the results briefing in February, we are an equity participant in the plant-based food startup TWO Inc. and are developing plant-based foods on a joint basis with the company.
- As the first jointly developed product of this endeavor, a plant-based omurice (fried rice and omelet dish) was released in March.
- The unique features of this omurice are the use of Ever Egg plant-based eggs as an ingredient, and the use of carrot and white kidney bean instead of soybean, and how the fluffy texture seen at restaurants is reproduced.
- We are focusing attention on the diversification of products that are not simply meat substitutes, and will take on the challenge of creating new possibilities for plant-based foods.
- We are also pursuing the development of plant-based foods and beverages under our national brands.
- We currently market plant-based curry and pasta sauce products for home use, and will expand the lineup to 11 products in September.
- In addition, Hatakeumareno Yasashii Milk, which is made from carefully selected soy beans and oats, has been beating sales forecasts since its release in March. We will focus on sales activities to accelerate its growth.
- We will maintain sustainable growth by continuing to make full use of internal and external resources to reliably cultivate the seeds of growth in new fields.

PPT21

- Lastly, I would like to introduce our sustainability initiatives.
- Efforts to achieve a sustainable global environment are essential to Kagome,

which enjoys the gifts of nature including agricultural produce and delivers them to customers.

- Regarding greenhouse gas reductions, we have set the goal of achieving effectively zero emissions Groupwide by the year 2050, and have set reduction targets to be met by the year 2030. The set targets received SBT initiative certification in February. Going forward, we will endeavor to steadily reduce our emissions.
- We are also making water conservation efforts. We have reduced water usage at our domestic plants in line with targets, and were selected for the highest-ranked A list in the CDP Water Security List 2021.
- We have also set targets up to 2030 for the plastic used in containers and other items, and are making progress in reducing usage
- From mid-September, we will switch the PET bottles used for our tomato juice product to a new Smart Eco Bottle.
- These bottles are made from 100% recycled materials and feature improved ease of use.
- Going forward we will continue with efforts to achieve a sustainable global environment.

PPT22

- In 2022, the first year of the Third Mid-term Management Plan, the management environment surrounding Kagome has changed dramatically due to unprecedented cost increases, the situation in Ukraine, and other developments.
- This state of extreme uncertainty that makes it difficult to predict the future is expected to continue.
- However, there is no change to Kagome's aims. We will continue to win in the field of food and health with the power of vegetables, and strive to achieve our ideal and long-term vision for 2025
- At this point, there are no changes to the qualitative or quantitative targets for 2025 set in the Third Mid-Term Management Plan.
- This brings me to the end of my presentation. Thank you for your attention.