

FY2023 Results Briefing Scenario

PPT1

- Good morning, everyone. Thank you very much for participating in our results briefing for the fiscal year ended December 31, 2023.
- First, I would like to express my deepest sympathies to those affected by the Noto Peninsula Earthquake that struck on January 1. We have donated money to the disaster-affected areas and delivered vegetable beverages as relief supplies. It is our hope that the areas affected by this disaster will recover and complete reconstruction as soon as possible.

PPT2 (Topics)

- Today, I will be presenting the agenda outlined on this slide.

PPT3 (Title)

- In this first section, I will present a summary of our financial results for FY2023.

PPT4

- Consolidated revenue for FY2023 increased 9.3% year-on-year to 224.7 billion yen, and core operating income jumped 52.1% to 19.4 billion yen.
- Operating income increased 37% to 17.4 billion yen, while net income rose 14.4% to 10.4 billion yen.

PPT5

- Next, this slide presents our results by segment.
- In the Domestic Processed Foods Business shown by (1), revenue increased in Food-Other, but declined in Beverages and Direct Marketing, and overall revenue increased. Core operating income declined for the entire segment.
- In the Domestic Agri-Business shown by (2), revenue increased on higher sales volume of fresh tomatoes, but income declined due to surging costs of energy and fertilizer.
- In the International Business shown by (3), revenue and income both increased owing to strong sales to food service companies in the US and the effects of price revisions for tomato paste and other products.

PPT6

- This slide provides details of the Domestic Processed Food Business.
- Using the figure at left, I will explain the revenue for each category.
- In Beverages, measures to spur demand following the price revisions of February resulted

- in a recovery in sales volume. In particular, tomato juice performed well as we acquired new users who were interested in beauty.
- In Direct Marketing, the number of regular customers for vegetable beverages declined from the previous year, resulting in lower revenue.
 - In Food-Other, after the February price revisions, we posted an increase in revenue from the effects of promotions such as Rice Omelet Stadium for consumer use products and elevated food service demand, even for institutional and industrial use products.
 - Next, the figure at right covers core operating income.
 - In Beverages, despite soaring raw materials prices, we secured an increased profits thanks to the effects of price revisions and efforts to control promotion expenses.
 - In Direct Marketing, core operating income declined due to lower revenue and higher contact center operating cost.
 - In Food-Other, core operating income increased thanks to revenue growth, despite soaring raw materials prices.

PPT7

- Now, I would like to explain in detail the situation after our price revisions in February 2023.
- After the price revisions in February, both volume and value of vegetable beverages temporarily fell below the previous year's level, but the effects of measures to spur demand became apparent with each passing month, and annual value came in at 99% of the previous year.
- In terms of consumer use foods, sales of tomato ketchup, our mainstay product, recovered quickly, and the annual value increased year-on-year.
- Sales volume for institutional and industrial use products exceeded the previous year even after the price revisions, and on a value basis, it was significantly higher than the previous year.
- The table below shows the monthly trends in the average prices of our mainstay Yasai Seikatsu 100 and Tomato Ketchup products at supermarkets nationwide. Since the February price revisions, the average price has risen and has remained at that level.

PPT8

- Next, I would like to talk about the Domestic Agri-Business.
- Revenue increased thanks to higher procurement volume of fresh tomatoes and an increase in sales of high-value-added products such as high-lycopene tomatoes. Core operating income declined due to higher energy costs for greenhouses and higher fertilizer prices.

PPT9

- Moving on, I would like to take a look at the International Business.
- In the International Business, both revenue and income increased. Even excluding the impact of foreign exchange rates, both revenue and income increased significantly.
- Kagome Inc. (USA) recorded increased revenue on higher selling prices due to price revisions and strong sales of secondary processed products, such as pizza sauce, due to growing demand for eating out.
- Looking at HIT in Portugal, in addition to price revisions for primary processed products such as tomato paste, sales of secondary processed products to the UK also increased, resulting in higher revenue.
- Next is core operating income.
- Kagome Inc. (USA) was able to revise prices in line with market prices, and the timing of the changeover of raw materials produced in 2023 was pushed back, which reined in cost increases. Owing to larger equity in earnings of Ingomar, which manufactures tomato paste, the company also posted an increase in core operating income.
- As in the US, core operating income of HIT in Portugal increased on the back of price revisions and other factors.

PPT10 FY2023 Factors Contributing to Core Operating Income Changes (YoY)

- I will now explain the details of the factors behind changes in core operating income.
- Compared to the 8.4 billion yen increase in income accompanying the increase in sales shown in (1), there was a decrease of 7.4 billion yen, which is the sum of 9.3 billion yen for the change in costs and 1.9 billion yen for cost reductions, as shown in (2).
- The 7.4 billion yen decrease due to rising costs was offset by an increase of 8.4 billion yen due to price revisions, but there were other increases in personnel expenses and other factors, resulting in a decrease in core operating income for the domestic business as a whole.
- On the other hand, the 7.5 billion yen increase of the International Business shown in (3) offset the decrease in the domestic business, resulting in core operating income of 19.4 billion yen.

PPT11

- Using this slide, I will explain the factors behind changes in operating income and net income.
- As a result of the increase in core operating income, both operating income and net income increased.
- The increase in other expenses shown with (1) was due to the recording of an impairment loss of 2.2 billion yen in the Domestic Agri-Business, taking into account uncertainties in

the fresh tomato market and rising costs.

- Net income was 10.4 billion yen due to higher income taxes.

PPT12

- Moving on, this slide shows the changes to the statement of financial condition.
- Due to soaring raw materials prices, inventories and borrowings are increasing. The details are provided on this slide as you can see.

PPT13

- Changes in cash flow are presented on this slide. As you can see, free cash flow increased over the previous year due to a decrease in cash flows from investing activities.
- Cash flows from financing activities also increased over the previous year, mainly owing to an increase in long-term debt.

PPT14 (Title)

- Next, I would like to share our progress under the third Mid-Term Management Plan, which is currently underway. I will look back on the first two years of the plan and highlight our efforts for the final two years.

PPT15

- Immediately after the start of the Mid-Term Management Plan, which began in 2022, we faced drastic changes in the business environment, such as the COVID-19 pandemic, the war in Ukraine, the depreciation of the yen, and natural disasters.
- As a result, the cost of raw materials, including processing tomatoes, rose sharply.
- In the first two years, in the domestic business, we were able to get sales volume back on track by revising prices across almost all products and implementing measures to spur demand in order to bounce back from the substantial increase in cost of sales.
- In the International Business, in addition to the results of earnings structure reforms to date, we revised prices in line with the higher market prices for processed tomato products. Due to the recovery in demand for eating out after the pandemic, we were able to significantly expand both revenue and core operating income.
- In addition, we worked to strengthen the management foundation of the entire Group by promoting initiatives to enhance business continuity, such as contracting with new suppliers in the southern hemisphere for stable procurement of raw materials and establishing a new Enterprise Risk Management Committee.
- In the final two years of FY2024 to FY2025, we will continue to strengthen our management foundation while aiming to restore profits in the domestic business and accelerate growth in the International Business.

PPT16

- At the same time, we will continue to work toward achieving sustainable growth through the four actions that are organically connected, which represents our basic strategy.

PPT17

- I would like to explain the quantitative plan for the final two years of the Mid-Term Management Plan.
- We have set new quantitative targets for 2025, the final year of the Mid-Term Management Plan, with revenue of 300.0 billion yen and core operating income of 24.0 billion yen.
- In the domestic business, the market environment is expected to be more severe than last year, and revenue looks to be flat. The plan is to turnaround the decline in core operating income from 2025.
- In the International Business, we will capture food service demand, mainly from food service companies. The tomato paste market is expected to peak in FY2024 and gradually decline thereafter, but we expect to accelerate growth by making Ingomar a consolidated subsidiary, and we expect a significant increase in both revenue and core operating income.
- Ingomar's contribution to consolidated profit is expected to be 3.1 billion yen in 2024 and 7.3 billion yen in 2025. In 2024, the level will be temporarily low due to the rise in cost of sales and other factors in the valuation of inventories due to the application of the Accounting Standard for Business Combinations.

PPT18

- I will explain the initiatives of the domestic and international businesses.
- In the domestic business, we will place top priority on restoring profits.
- We believe that increasing opportunities to consume vegetables, providing a variety of products and menu ideas that make vegetables tastier and more enjoyable to eat, and continuing measures to spur on demand with the aim of becoming a vegetable company will lead to a recovery in profits.
- Even after last year's price revisions, tomato juice has gained new customers who are highly interested in beauty. Our shipment volume in 2023 was the largest since comparable data began in 2007 and set new record highs for the second year in a row.
- In the final two years, we will take measures to maintain the strong performance of tomato juice and strategically disseminate information on the beauty value of beta-carotene contained in carrots.
- We will also promote measures to stimulate demand using new products.

- In the beverage market, in light of the ongoing growth in the sugar-free market, we aim to acquire new customers by launching new products in the Yasai Seikatsu brand that people who are concerned about sweetness and sugar will want to drink.
- We will also continue to promote behavioral changes in terms of vegetable intake. The use of VegeCheck and the "Let's Eat Vegetables" campaign will also be linked to fan-based marketing to grow revenue and restore profits.

PPT19

- In addition to existing categories, we will take on the challenge of developing the next pillars of sales growth and expanding our business domains.
- As a growth domain, we will aim to expand around vegetable soups and plant-based ingredients. By collaborating with other companies, including plant-based food company TWO, we will develop new points of contact with customers and tap into demand from in-bound tourism.
- We will also continue to pursue earnings structure reforms. In order to restore profits, we will review the raw materials combinations, optimize manufacturing costs, promote loss reforms, and review unprofitable products.

PPT20

- In the International Business, we will continue to revise prices in line with market conditions and capture food service demand.
- In the final two years, we will expand the number of secondary processed products supplied to food service companies, review our primary processing strategy, including Ingomar, and further deepen collaboration among Group companies, which will accelerate growth.
- In order to strengthen collaboration, in October last year, we reorganized the existing International Business Division as Kagome Food International Company and converted operations to the company system.
- In addition to establishing a new meeting body for the CEOs of Group companies, we have established a system that allows for flexible management decision-making by transferring most authority to company presidents.
- Demand for primary processed tomato products is expected to remain strong in the future, and we will set selling prices in response to changes in the environment to secure profits.
- For secondary processing in the US and Europe, we will newly tap into leading local food service companies in these regions, in conjunction with the strategies of global food service companies.
- We will also expand our presence in India as a new business area. Kagome Foods India, established in 2016, will establish a business foundation for processed tomatoes and

expand its food service business.

PPT21

- We will also strengthen our management foundation.
- Improving the efficiency of logistics, ahead of expected cost increases, has become a major management issue. In addition to transportation and delivery from production plants to customers, we will work on the supply network concept of optimization to centrally manage inventories from upstream to downstream, including raw materials suppliers, and to improve the efficiency of transportation and delivery.
- In addition, to further strengthen our value chain, we have established the new Global Agri Research & Business Center.
- We will consolidate the divisions responsible for the development of plant varieties and cultivation technologies, which have been dispersed in Japan and overseas, into a single organization and enhance our development capabilities.
- Moving forward, we will concentrate our research resources on this organization to create new innovations as a source of medium- to long-term competitiveness. In the future, we hope to contribute to the sustainability of agriculture worldwide.

PPT22 (Title)

- In the next section, I will discuss the consolidation of Ingomar, which we announced the other day.

PPT23

- Ingomar is a primary tomato processing company that ranks fourth worldwide in annual tomato processing volume and second in California, the world's largest producer of processing tomatoes. The company is positioned as one of our main raw materials procurement partners.

PPT24

- Next, I will explain in detail our objective for making Ingomar a consolidated subsidiary.
- The first is the further growth of the US tomato processing business.
- The current US tomato processing business functions include seed development and sales and secondary processing, and now we will incorporate the functions of primary processing and strengthen our involvement in cultivation of processing tomatoes, which is a characteristic and strength of Ingomer. With a complete value chain within the same region, we will enhance the stability and sustainability of our business and further grow our tomato processing business in the US.
- The second is to accelerate the growth of the International Business as a whole by

- expanding our global network in the tomato processing business.
- Possessing a primary processing function in the world's largest tomato processing region will help to expand our global network to support the expansion of transactions with global food service companies and food manufacturers.
 - In addition, we will expand Ingomar's primary tomato processing technology and knowledge within the Kagome Group to enhance the competitiveness of our tomato processing business.
 - The third is to build a competitive and sustainable tomato processing business by strengthening initiatives in the agricultural domain.
 - Ingomar and its investment partners and the Global Agri Research & Business Center, which I mentioned earlier, will jointly work on the development of cultivation technologies in particular, with the aim of reducing environmental impact, stabilizing yields, and improving cultivation efficiency.

PPT25

- This slide shows the amount of our additional investment and future outlook.
- We acquired an additional 50% stake, increasing our equity stake from 20% to 70%. The investment amount was approximately 36.0 billion yen, making it Kagome's largest investment ever.
- The investment was funded with a one-year bridge loan, and we plan to convert this to a permanent financing scheme in the next year or so through treasury stock and dividends from Ingomar.
- The effects of this investment on Kagome's revenue and core operating income are shown in the figure on the right.
- The contribution to revenue is expected to be 51.5 billion yen in 2024 and 51.0 billion yen in 2025, and for core operating income, it is expected to be 3.1 billion yen and 7.3 billion yen, respectively.
- However, these quantitative figures do not include any synergies.
- In the short term, we will create synergies by investing Kagome's network and know-how, such as improving production efficiency, reducing cost of sales, and increasing product variations through collaboration with other Group subsidiaries.
- In addition, we will build a tomato processing business with a competitive advantage in the medium to long term, which is the main objective of this investment, and thereby achieve growth in both revenue and core operating income.

PPT26 (Title)

- Moving on, in the next section, I will discuss Kagome's full-year earnings forecast for FY2024.

PPT27

- Revenue and core operating income are expected to come in at 289.0 billion yen and 17.0 billion yen in FY2024.
- Revenue from the Domestic Processed Foods Business is expected to be 142.0 billion yen, the same as the previous year, while core operating income is expected to total 6.1 billion yen due to higher raw materials prices and logistics costs.
- Revenue of the International Business is expected to be 152.5 billion yen and core operating income is forecast to be 12.6 billion yen.
- As I explained earlier, the impact of Ingomar's consolidation on the International Business will be 51.5 billion yen in revenue and 3.1 billion yen in core operating income. Core operating income will temporarily remain at a low level due to higher cost of sales from the valuation of inventories following the application of the Accounting Standard for Business Combinations.

PPT28

- I would like to explain the factors contributing to changes in core operating income in FY2024.
- In the Domestic Processed Foods Business, as shown in (1) in blue, we expect an increase in income of 7.8 billion yen owing to price revisions. On the other hand, as shown in (2), we have factored in 2.8 billion yen as a risk of weaker profit due to a decrease in sales volume caused by price revisions. As shown in (3) in red, we expect a cost increase of 7.2 billion yen from FY2023, which is a combination of cost fluctuations and cost reductions.
- I will explain the cost of sales increase of 7.2 billion yen on the next slide.

PPT29

- The largest increase in cost of sales of 7.2 billion yen in FY2024 will be 6.0 billion yen for raw materials and imported products. Use of raw materials produced in 2023, which has a large price increase, will begin in earnest from 2024.
- The cost of containers and packaging materials is also expected to continue to rise.

PPT30

- This slide presents an estimate of operating income and net income.
- Operating income is expected to total 26.0 billion yen, an increase of 8.6 billion yen from the previous year. This is due to marking to market our existing 20% equity stake in Ingomar.
- Net income is expected to be 18.0 billion yen.

PPT31

• The dividend for FY2023 will be 41 yen per share. In addition, we plan to pay a dividend of 52 yen per share in FY2024. This will consist of a 10 yen per share commemorative dividend, in light of the significant expansion of our business in the milestone year of the 125th anniversary, added to the ordinary dividend of 42 yen per share.

PPT32

• Finally, I would like to introduce some of sustainability initiatives.

PPT33

• For our energy conservation investments and activities through agriculture-industry collaboration, we received an award at the Energy Conservation Grand Prize sponsored by the Energy Conservation Center of Japan. As an example of our efforts, we were recognized for making effective use of vegetable residues and tomatoes that cannot be shipped, generating biomethane gas, and using it as fuel for use in our production plants.

• We are also working on the 2024 problem facing Japan's logistics industry. Since 2019, we have been preparing for this logistics risk by participating in F-LINE, a logistics company jointly established by food manufacturers, and have been working to realize an efficient and stable logistics system, including joint deliveries. We are working to secure a stable transportation network by reviewing the warehouse layout of our production plants to improve work efficiency and collaborating with sales offices to reduce the waiting time of drivers.

• We will continue to implement sustainability initiatives in the future.

PPT34

• The business environment will change drastically, along with the structure of our business, but our 2025 Vision and what Kagome strives for by 2025 remains the same.

• We will continue to win in the "food and health" domain with the power of vegetables and aim to achieve our 2025 Vision and what Kagome strives for by 2025.

• This concludes my presentation. Thank you for your attention.