

Briefing Materials for FY2023 (February 2, 2024)

Question and Answer Session

Satoshi Yamaguchi, President & Representative Director

Takeshi Saeki, Managing Executive Officer, CFO and CRO

Q1

My question pertains to Ingomar. The Domestic Agri-business posted an impairment loss and Ingomar is also an agricultural business. I am very worried about whether Kagome can really manage Ingomar, which is a cooperative of farmers and has roller coaster earnings.

Kagome has failed with M&A before, and I think there are places where you have tried the global tomato strategy many times in the past and given up. What is different about this M&A deal?

Also, in the area of synergies, I think that you have probably shown billions of yen in the bar line graph. What kind of things do you expect to produce synergies in what places? (UBS Securities Japan Co., Ltd.: Ihara)

A1 (Yamaguchi)

The decision to make Ingomar a consolidated subsidiary was based on the fact that the market environment for primary processed tomato products has changed considerably over the past few years. In the past, market prices have fluctuated up and down every five years, but we do not believe that there will be a sharp decline in market conditions as in the past.

There are two reasons for this. The first is that as droughts and other disasters occur more frequently due to climate change, restrictions on agricultural water are becoming stricter year by year, making it difficult to rapidly increase the growing area of tomatoes.

The other reason is that California's excess production capacity of primary processed tomatoes has been eliminated over the past few years. Three companies and four factories that do primary tomato processing have withdrawn, thereby putting a lid on oversupply.

In the past, when Ingomar was underperforming, the oversupply of tomato paste in California led to a drop in prices, which also affected Ingomar. Currently, the market environment has

changed significantly for the above two reasons.

However, volatility will still be present in the future, so I think the key will be to manage it. By making Ingomar a subsidiary, Kagome will be able to take the initiative and influence Ingomar's annual growing plan or primary processing plan more than before. Over the past few years, we have experienced quite a bit due to the increase in the cost of primary processed products and the tight inventory situation. We now have the ability to respond flexibly to these situations. I believe that if we can demonstrate this ability at Ingomar, we will be able to manage this volatility in a different way than before.

Another area of synergy is the short-term and medium- to long-term. In the short term, Kagome's quality control and manufacturing management will be deployed at Ingomar to reduce costs and make quality more consistent. In the medium to long term, there is a possibility of various synergies in the field of agriculture from upstream to downstream. We will continue to elaborate on specific quantitative issues through the PMI process.

Q2

Can you answer my first question? You are still talking about filling in synergies with PMI, but I would like to know if you have some kind of picture as to how much in the way of synergies you expect to generate in the short term, and how much you expect to generate in the medium to long term. (UBS Securities Japan Co., Ltd.: Ihara)

A2 (Yamaguchi)

At present, we have not yet reached the stage where we can provide a picture of the actual amount. The PMI team has been at Ingomar since last week and has started communicating with various departments. I hope you can give us some more time before we share this information.

Q3

The second question is just my personal opinion, but I honestly think that the way Ingomar was disclosed when it became a consolidated subsidiary was terrible. It says that the consolidation of Ingomar will double your EPS. On the other hand, if you look at the financial results, doubling EPS is almost a 20% valuation gain on your original stake in Ingomar, and it is not organic growth or anything. If you take into account the dilution of stocks, EPS will probably only rise by about 20% on a real basis. The disclosure said it would double it, and to be honest, I don't think this is disclosing

information fairly to the stock market. Honestly, the market looks like it is also confused. What are your thoughts at present on this disclosure? (UBS Securities Japan Co., Ltd.: Ihara)

A3 (Yamaguchi)

Thank you for your feedback on the details of our disclosure. First, I would like to have CFO Saeki explain this.

A3 (Saeki)

Thank you for pointing this out. Some of the points that you have shared may be true. But, I also think that it is up to the reader to decide how to look at it.

As Yamaguchi explained earlier, in 2024 we will consolidate Ingomar in a way that is different from Ingomar's results on a non-consolidated basis by applying mark-to-market accounting. With this in mind, we will give due consideration to future disclosures.

Q4

I understand. The fact that the disclosure says EPS will double if you just check it means that the impact of valuation gains is large, and if you consider the EPS growth rate due to the consolidation of Ingomar, which does not really take into account synergies, is it correct to understand that about 20% is the actual result, considering that shares will be diluted in the future on a real basis? (UBS Securities Japan Co., Ltd.: Ihara)

A4 (Saeki)

We do not think it is 20%. As for the dilution of shares, at this point, of course, we are still in the process of considering how much and when to dilute them. We have a certain range of assumptions about the market value of inventories. This will be finalized by the accounting auditor, along with the amount, in the next three to six months.

Therefore, the profit for 2024 will naturally change again depending on this, so I would like to refrain from commenting on the situation at this point in time.

Q5

This question pertains to dilution. Do you plan to update us on the detailed timeline you are going to use for releasing these shares into the stock market. (UBS Securities

Japan Co., Ltd.: Ihara)

A5 (Saeki)

First, I mentioned the purpose of using treasury shares to fund M&A when we last acquired treasury shares in 2021 and 2022. This use is in accordance with that context.

In addition, the Board of Directors will discuss matters including the handling of treasury shares outside of those to be used. We will disclose this promptly once approved by the Board of Directors.

Q6

With regard to the outflow of treasury shares, is it correct to understand that you will determine the number of shares to release to the stock market paying attention to your original shareholders' equity ratio of 50%? (UBS Securities Japan Co., Ltd.: Ihara)

A6 (Saeki)

Yes. However, we do not believe that it should never fall below 50%. I think it's possible that this could happen temporarily.

Comment

Basically, Kagome has a very clean balance sheet compared to other companies. I would like you to take that into consideration. (UBS Securities Japan Co., Ltd.: Ihara)

(Saeki)

Thank you. You also wrote a report. Within it, there was a comment about whether dilution is really necessary.

For us, if this is our only M&A deal during this Mid-Term Management Plan period, I think there is an option not to dilute. On the other hand, we are considering other deals, and we believe that financial soundness will be important in raising funds.

We believe that it is important to maintain a sound financial position, not simply to maintain a shareholders' equity ratio of 50%, but to maintain a sound financial position while taking into account the financing for future growth. Please understand that we will explore the release of treasury shares based on such considerations.

(Yamaguchi)

Thank you, Mr. Ihara, for your questions and comment. One of Kagome's corporate philosophies is "corporate openness," so we will continue to disclose various matters in a timely and careful manner. Thank you for your continued support.