

February 28, 2025 Small Meeting

Question and Answer Session

Satoshi Yamaguchi, Representative Director, President & CEO

Takeshi Saeki, Managing Executive Officer, CFO and CRO

<Sell Side>

Q1

I understand that in the next mid-term management plan from 2026 onwards, the move of your solutions business upstream will be the next growth driver. What is the specific size, image and what will drive this?

A1 (Yamaguchi)

In our value chain from field to dining table, Kagome will focus on investing upstream. Specifically, Kagome plans to invest in two domains: agricultural research and diet & well-being research. Agricultural research will take time. Here, Kagome will work on climate change countermeasures such as developing new plant varieties and cultivation technology. The results of this research will first be used to strengthen the value chain within the Kagome Group, and in the future, Kagome hopes to develop these research results into a business. In diet & well-being research, Kagome has focused on the efficacy of the nutritional elements found in vegetables, as exemplified by food with function claims, but will expand the scope to include mental health and other areas. To achieve this, Kagome will use tools such as VegeCheck to accumulate evidence in upstream research. Details will be explained in the next mid-term management plan to be announced at the financial results briefing in February 2026.

Q2

It seems like it will take some time to see whether this business can drive growth.

A2 (Yamaguchi)

Our mid-term management plan is based on a 10-year cycle comprising plans of 3 years, 3 years, and 4 years. In the first half, we aim to expand our existing Domestic Processed Food Business and International Business. In the second half, we will commercialize upstream investments that will contribute to our performance as growth drivers.

Q3

Is my understanding correct that upstream investment will not involve capital investment, will not worsen ROIC, and will result in the launch of new value-added businesses?

A3 (Yamaguchi)

Plant variety and cultivation technology development do not involve large capital investments. It is important to incorporate open innovation, so in September 2024, we established a corporate venture capital (CVC) in California, to create a route of contacts with startups and universities that are researching cutting-edge agricultural technologies. By collaborating with these companies and institutions, and by combining intellectual property obtained through our own research and development, we will move on to commercialization.

Q4

Does Kagome have an advantage when it comes to commercializing the outcomes of new plant varieties and cultivation technology development?

A4 (Yamaguchi)

We have a strong advantage in the domain of tomatoes. In the decade leading up to 2025, we have expanded our scope from tomatoes to vegetables, and over the next decade, we aim to first commercialize the outcomes of new plant variety and cultivation technology development for tomatoes.

Q5

What results have been achieved in relation to What Kagome strives for by 2025?

A5 (Yamaguchi)

In 2016, we set the goal of becoming a strong company capable of sustainable growth, using food as a means of resolving social issues. We have achieved our targets of 300 billion yen in net sales and 20 billion yen in operating income*.

*JGAAP

Q6

Is your vision of becoming a vegetable company different from the strategy you are planning to undertake over the next decade?

A6 (Yamaguchi)

Over the past decade, we have expanded our vegetable product lineup and customer contact points towards becoming a vegetable company. However, we believe that in the next decade, tomatoes will be the core domain that will be a source of our competitiveness and sustainable growth.

Q7

The average total return ratio in the food sector is around 60%, which means Kagome's 40% is low. Ajinomoto and Nissin Foods have both exceeded 100%. Yakult is also at 70%. Kagome is listed on the same market as those companies. Do you feel a sense of urgency?

A7 (Yamaguchi)

We will make a commitment to shareholder returns for each medium-term management plan. The total return ratio for the third Mid-term Management Plan is 40%. We consider this for each mid-term management plan, and will announce our return policy for 2026 and beyond at the appropriate time.

Q8

Do you feel a sense of urgency?

A8 (Yamaguchi)

We are monitoring the situations of peers and are aware that our current level is below the average in the food sector.

Q9

Itoen is also at 40%, the same level as Kagome. Unless you feel a sense of urgency [to fix this], the buy side will not be willing to invest.

A9 (Yamaguchi)

I will take your opinion into consideration.

Q10

Your acquisition of Ingomar has significantly changed the business structure. Kagome went from being a processing-focused company to owning a value chain. What had previously been considered a commodity, now is a valuable resource.

Sometimes it becomes a valuable resource and sometimes it is treated purely as a commodity, so in this transitional period, Kagome needs to use value engineering to generate results. While I understand that a long-term view is necessary, I think it is very important for the capital markets to know where to look to get a reliable understanding that value engineering is progressing and how you disclose it. Where can we see the quantification of this?

A10 (Yamaguchi)

Prior to making Ingomar a consolidated subsidiary, we had a medium- to long-term plan to strengthen our value chain. We have been considering step by step since around 2023 what pieces we need to put together to strengthen the value chain. In order to make the most of synergies in research departments, we consolidated the agricultural research and development functions that were scattered around the world into the Global Agricultural Research & Business Center (GARBiC). We have also been preparing for CVC for about two years. With Ingomar now part of the Kagome Group, we have the pieces in place to realize our blueprint of strengthening upstream research, commercializing plant variety cultivation technology, and utilizing the latest technology.

So, where should you look? Please take a look at the segment disclosure. Starting in 2024, we separated primary processing and secondary processing, which have different business models and revenue structures. While future synergies are still to come, we plan to improve the earnings performance of secondary processing in the short term. Be sure to pay close attention to the performance trends of secondary processing.

Q11

I would like to ask about the timeline for secondary processing. I think it is important to reinforce inorganic growth over the long term, but this involves a partner. You talked about refining your approach to secondary processing during the briefing session. Does that involve adding value or volume? What kind of plan do you have for fleshing this out in the next few years?

A11 (Yamaguchi)

Our first priority involved turning the International Business into a separate company and strengthening collaboration horizontally within the Group. In terms of expanding secondary processing, the first step is to expand our product lineup. There are differences with this progress within the Group, such as products being commercialized in North America but not

in Portugal, and we will work to even this out. Specifically, tomato flavor is the main focus at present, but in the future we will roll out oil and cream flavors. The second step is to tap into new customers. Looking at the Group as a whole, there is room for growth through horizontal collaboration, which means having products from North America adopted in Europe as well. Furthermore, companies with development capabilities like those in North America also look to acquire as new customers local food service companies. There is clear room for growth in the short term.

Q12

I feel that Kagome was able to strengthen secondary processing in the past, regardless of Ingomar's presence. Will large investments be required to promote global integration and globalization such as DX, or will it be necessary to allocate a certain amount of money as cash allocation over the next 10 years?

A12 (Yamaguchi)

Horizontal collaboration does not require much investment. This is because it mainly involves sharing software covering customer information, recipes, and the like. We are checking the manufacturing capacity of each base, and find that there is still room to increase it. There are some areas where we have excess capacity with our current equipment lineup, so I feel we can acquire new customers without having to add to our existing equipment over the next few years.

Q13

You talked about the agricultural research domain in the next mid-term management plan. Fruit and vegetables, including tomatoes, are highly profitable crops and have a lot of competition. Will it be enough to just collaborate with seed companies or will you include seed companies in the scope of M&A targets?

A13 (Yamaguchi)

We are well aware that there is a lot of competition in the fruit and vegetable seed market. The Group has a seed company called United Genetics (UG), so we will first work to make the most of our value chain already in place, including research, seed development, and sales, by working with UG and GARBiC. Beyond that, we believe there is potential for inorganic growth, which is one of our management priorities, even upstream.

Q14

I assume you distribute seeds and seedlings according to region. Are you focusing on growing tomatoes in the United States?

A14 (Yamaguchi)

UG has locations around the world. The optimal seeds and seedlings vary depending on the country and land. UG has that information. However, since they do not have cutting-edge technology, GARBiC's research departments will incorporate its cutting-edge technology into UG. In addition, if testing is required on a certain scale for commercialization, UG and GARBiC will utilize Ingomar and Ingomar's contracted farmers.

Q15

I like the idea of providing solutions in the upstream domain. If such synergies are present, Ingomar's cumulative synergies of 2 billion yen by 2030 is too small. Can we expect to see a bigger number from 2035 onwards after Kagome puts some work into it?

A15 (Yamaguchi)

Ingomar's synergies are the result of calculating what can be converted into monetary value at present, such as reducing losses in the manufacturing process and improving productivity. Synergies generated through collaboration with GARBiC are not included. Most of these will occur after 2030, so they will be added when they can be quantified.

Q16

Do you have any specific simulations internally?

A16 (Yamaguchi)

We do not calculate the amount one by one. We are always looking at what pipelines are in the research domain, and what the sales volume will be when they reach a certain phase. Since it is a research investment, we have an exit forecast. We have an idea of how many pipelines there are, when they will be output, and how much the amount will be if it goes as expected.

Q17

Does this mean that scale is taken into consideration to some extent?

A17 (Yamaguchi)

Because this is basic research, the probability of success is not necessarily high. When deciding where to focus our investments, we are proactively allocating funds to those with large exit amounts.

Q18

Have there ever been any UG tomato varieties that were a huge hit in the past?

A18 (Yamaguchi)

Tomato varieties grown in North America are constantly being rotated in and out. In addition, because the characteristics of varieties are publicly available in North America, future seed developments could significantly affect the market share of tomato varieties in North America.

Q19

What is the size of sales and market of tomato seeds and seedlings in the United States, and what is UG's share?

A19 (Yamaguchi)

UG's share of the tomato seed market is not large. However, because the market is subject to high turnover, if a good variety is developed, it has the power to change market share.

Q20

I have a question about your share price. Previously, your share price had been supported by buying from individual investors, so institutional investors were staying away, but profits increased with the acquisition of Ingomar and the P/E ratio is now quite low. If the share price remains at this level, there is concern that business operations may be disrupted or that the company could be acquired. Are you aware of the share price or have a sense of urgency about being left behind?

A20 (Saeki)

Yes, we feel a sense of urgency. On the other hand, we need to fully consider how reducing the 220,000 individual shareholders will affect our corporate value. We intend to present our thoughts on what measures we can take at the presentation on the next mid-term management plan.

Q21

When a shareholder proposal is made, what kind of reaction do you think there will be from individual investors? Are you aware of this when communicating with individual investors?

A21 (Saeki)

Generally, communication with individual investors is often through shareholder benefits. To improve the quality of communication with individual shareholders, we hold events such as financial results briefings for individual investors and talks with the president. In addition, in light of the increasing proportion of our business overseas, we began planning tours of our overseas subsidiaries two years ago. We intend to continue and expand these activities in the future.

Q22

The only way is to make them genuine fans. So that's ultimately what happens when it comes to voting rights with individual investors?

A22 (Saeki)

Since individuals are investing with their own money, we make sure they have the opportunity to think carefully about Kagome, where we are heading, and whether we are worth investing in. We want to build a relationship that goes beyond just offering shareholder benefits.

A22 (Yamaguchi)

Thankfully, our shareholders purchase far more Kagome products than non-shareholder consumers. We are working with the goal of creating supporters and fans.

Q23

Going forward, I think it will be difficult to control working capital in terms of cash flows after the acquisition of Ingomar. That is, there will be volatility in operating cash flows. I can imagine that cash will be tight even at record profits. Exchange rates are also a factor. Although secondary processing will gradually complement this, the next three years or so will be a struggle. Profits themselves will also be volatile. With the ratio of institutional investors and engagement with global institutional investors becoming increasingly important, and with the volatility of cash flows, at present what do you see as areas of improvement in terms of a common language for the next medium-term management plan and how to consistently communicate volatility?

A23 (Saeki)

There are times when accounting profits and operating cash flow are greatly different. In particular, over the past several years, prices of raw materials have surged, and we have had to build up inventories to ensure the stable operation of our business in Japan. In addition, our share price has not necessarily been linked to fluctuations in business performance in the past. One reason for this is the large proportion of individual shareholders. Looking ahead, we must carefully consider whether we should let this situation continue.

A23 (Yamaguchi)

We are actively looking to engage overseas institutional investors. We learn a lot from their comments. We recognize the importance of steadily communicating with them.

Q24

You are currently transitioning to an in-house company system for your International Business. What discussions are taking place? What is going well? What are the current issues?

A24 (Yamaguchi)

The CEOs of our overseas subsidiaries and the company presidents meet at the monthly operating committee. This has increased the speed at which the companies can resolve any issues. Activities such as each proposal and settlement details are also monitored quarterly at Kagome's Management Meeting. We believe that by delegating authority to the companies, we can speed up business development. This has also served to motivate the CEOs of the overseas subsidiaries even more.

A24 (Saeki)

The internal control environment has improved significantly. It is true that there is a difference in the level of internal control between Kagome (parent company) and its subsidiaries (especially overseas subsidiaries). On the other hand, the proportion of the overseas business in consolidated sales and consolidated total assets is increasing. Therefore, it will be necessary to raise the level of internal control of the International Business in the future. Specifically, we are moving forward with standardization as a package, including the frequency of individual company board meetings, the format of the Management Meetings, and the design of the approval system.

<Buy Side>

Q1

The consolidation of Ingomar has resulted in a dramatic growth in Kagome's International Business. What are your thoughts on the optimal capital structure before and after the consolidation?

A1 (Saeki)

Basically, we use the ratio of debt to equity of roughly 50:50 as a benchmark. We acquired Ingomar in FY2024 and initially raised funds through a bridge loan. As of the end of March after the acquisition, the shareholders' equity ratio had fallen to 41%. We sold treasury shares from June to July, covering 23 billion yen of the acquisition funds of the 36 billion yen in total. As a result, the shareholders' equity ratio was restored to 51% at the end of FY2024. Ingomar was our largest acquisition to date, but without this acquisition, there would have been no need to sell our treasury shares.

The main purpose of selling our treasury shares was to quickly restore our financial structure, increase our equity capital, and enable us to raise funds through new borrowings. In other words, we wanted to be able to respond quickly and flexibly to new M&A opportunities, although there are no specific cases to speak of at this time. As for whether we will use leverage to borrow on a large scale in the future, we are not considering this at this point, and we would like to keep our financial structure stable.

Q2

What are your thoughts on the future market conditions for processing tomatoes?

A2 (Yamaguchi)

Since there was little tomato paste inventories worldwide until the 2023 crop, the market price soared to an unprecedented level due to increased demand from the restart of economies after COVID-19 and reduced crop yields due to climate change. Then, with production increasing for the last two consecutive years, the inventory shortage has been rapidly unwound, and the market price has been declining since the 2024 crop. As of early February, Tomato News has compiled a planting plan for processing tomatoes in the 2025 crop indicating about 40 million tons, and it is expected that production will be reduced to the level before the price hikes. Based on this premise, we are closely watching what will happen with the tomato paste market.

Q3

What measures are you taking to deal with the volatility in business performance caused by tomato paste market conditions?

A3 (Yamaguchi)

In the International Business as a whole, we will aim to reduce volatility by increasing the proportion of secondary processing, where prices are relatively stable. In primary processing, we will also aim to stabilize prices and reduce volatility by increasing the proportion of medium- to long-term contracts.

Q4

Given the fluctuations in tomato market conditions, what level of core operating income margin do you plan to continuously achieve for your International Business?

A4 (Yamaguchi)

We will kick off a new mid-term management plan in 2026. We are currently discussing how to set the core operating income margin for the International Business. As it is too early to share this, we will be explaining targets at a later date.

Q5

I have a question regarding "Purchase of property, plant and equipment, and intangible assets" in the cash flows from investing activities. Why did it increase from 6.4 billion yen in 2023 to 11 billion yen in 2024? Also, what is the breakdown between domestic business and International Business?

A5 (Saeki)

The main reason is that it includes capital investments of Ingomar. In 2023, Ingomar was an equity method affiliate and not consolidated, so its capital investments were not included in 2023. The ratio for 2024 was 30% domestic and 70% international. Investments are mainly for updating aging facilities and increasing production capacity. Subsequent investment plans are currently under discussion as a new mid-term management plan will begin in 2026, so they have not been firmed up at this point. There are no single-year plans for the next 3 to 4 years that will significantly exceed the amount in 2024.

Q6

Of the 11 billion yen in capital investment, how much is maintenance investment?

A6 (Saeki)

Domestically, about 20% of investments is for improving profits, about 40% for updating aging facilities, and the rest for investments in the environment, quality, and systems. Internationally, about 40% of investments is for improving profits, about 30% for updating aging facilities, and the rest for investments related to the environment, quality, and safety and health.

Q7

In your International Business segment, secondary processing had a core operating income margin of 10% in 2024. What level do you plan to aim for going forward?

A7 (Yamaguchi)

Since secondary processing has a relatively higher profit margin than primary processing, we would like to grow secondary processing as a way to rein in volatility. We will explain our specific future targets in the next mid-term management plan.

Q8

I have a question on page 27 of your FY2024 financial results briefing materials with regard to the core operating income of the International Business and Ingomar for FY2025. With purchase price allocation (PPA) in mind, do you expect to see impacts in FY2026 and beyond? Also, are there any other factors besides the market downturn effecting the 6.4 billion yen profit decrease due to weaker sales?

A8 (Saeki)

Page 27 shows the performance trends of Ingomar. The 7.9 billion yen listed in the core operating income for FY2024 is due to the mark-to-market valuation of inventory assets, machinery, and equipment held by Ingomar when we acquired it. Consolidated profits are being pushed down by the sale of inventories and depreciation charges for machinery. Ingomar alone has a core operating income of 12.5 billion yen, which is 7.9 billion yen + 4.6 billion yen, but consolidated profits are being pushed down by 7.9 billion yen. In 2025, 3.2 billion yen will be an expense that will push down consolidated profits. As for what will happen in the future, since only the inventory at the time of acquisition was marked to market, there will be no inventories with the same treatment from 2026 onwards, so there is expected to be no impact. Therefore, only the depreciation for fixed assets will remain. This will gradually

decrease, but since the useful life of intangible customer-related assets is 22 years and the market value is 24 billion yen, 1.1 billion yen will be incurred every year.

A 8 (Yamaguchi)

The lower profits due to weaker sales was mainly due to market conditions.

Q9

I had thought that the 2023 crop would be able to be sold in 2024. Is there still tomato paste inventory remaining at this point? Will there be depreciation of tangible and intangible assets in 2026 and beyond?

A 9 (Saeki)

As you are aware, there was a certain amount of stock remaining from the 2023 crop at the end of 2024, which will have an impact on 2025.

Q10

What is the tomato market situation and your thoughts on the 2025 crop? Earlier you mentioned plans to reduce production of processing tomatoes. What are the production trends in China?

A10 (Yamaguchi)

Tomato News has data on the worldwide production volume of processing tomatoes. Plans for 2025 were announced in early February. They call for a major cut in production. Meanwhile, China has significantly increased production to 6 million tons in 2022, 8 million tons in 2023, and 10 million tons in 2024, but plans cut back to 6 million tons in 2025, which is the level before the large upticks in production.

Q11

Has there been any change in demand for secondary processed products?

A11 (Yamaguchi)

The American fast food market is expected to continue growing at an annual rate of 5%, and demand itself is expected to remain solid.

Q12

What can we expect from the medium- to long-term growth prospects for tomato juice in Japan? Do you need to make upfront investments in activities to raise awareness about the benefits of tomatoes? What are your thoughts on the potential size of the market and how to expand it?

A 12 (Yamaguchi)

Tomato juice sales are growing steadily, rising by about 20% in volume and 30% in value and driving the market for vegetable beverages as a whole. There are several reasons for this. First, the juice is labeled with the functional claim of "lowering blood pressure," addressing such needs. Second, the number of new female users in their 20s and 30s has increased due to the expectation that lycopene will improve their skin. Third, because the price of fresh tomatoes has risen sharply, tomato juice is chosen as a relatively stable and good value product. This is not a boom attributed to a single factor, so it is expected to continue in the future. In terms of future sales potential, tomato juice is a product supported by a limited number of users, with a purchase rate of 11%. In order to encourage the remaining 90% to drink it, we will continue to disseminate information about its health value through TV commercials and other means this spring. We want to continue the current favorable trend as long as possible.

Q13

Do you have any plans to step up and increase advertising costs for tomato juice in the future?

A 13 (Yamaguchi)

In the spring of 2025, we will be running a campaign with the concept of encouraging current drinkers to drink a little more. We will continue to carry out promotions in the future.

Q14

Will there be enough domestic production capacity for tomato juice to cover demand when it increases, or will investment be required?

A 14 (Yamaguchi)

If demand continues to grow at the same rate as the past two years, there is still capacity available.

Q15

What is the impact of surging rice prices in Japan? I think that consumption of products other than rice may be stabilizing. What is the impact on Kagome's seasonings, how do you perceive the risks, and what countermeasures you are taking?

A 15 (Yamaguchi)

We have heard that the number of items purchased by consumers at supermarkets is decreasing due to surging rice prices. As you might expect, there is a growing tendency to refrain from purchasing foods other than rice. On the other hand, purchases of pasta, udon, and other foods are increasing somewhat. Tomato ketchup is compatible with a wide range of menu options, so at present, tomato ketchup and other products are not being affected by surging rice prices. This spring, we will hold an event called Kagome Napolitan Stadium, inviting interested restaurants from all over the country to participate, where we will also increase the dissemination of information about pasta menu ideas.

Q16

The value chain for your tomato processing business in the United States is now stronger. What KPIs will be used to monitor this going forward?

A 16 (Yamaguchi)

Starting from FY2024, we are breaking down disclosures for the International Business segment into "tomato and other primary processing" and "tomato and other secondary processing." Over the short term, we would like you to see how each segment performs. In the medium to long term, we aim to increase yields by developing new tomato varieties and cultivation technology, so we will need to take some time to explain how we will show this part.

Q17

So, for the time being, we should wait and see whether the upstream segment is outperforming the industry standard?

A 17 (Yamaguchi)

Yes, correct.

Q18

In the 2025 plan, costs will remain elevated and the effect of price revisions will be smaller. Will you be increasing prices?

A 18 (Yamaguchi)

We revised the prices of our main products in February for the second consecutive year, but we did not do so in February 2025. This spring, we will focus on creating new demand and increasing sales volume. It is clear that costs are continuing to rise, so we are always considering price revisions if necessary.

Q19

I have a question about cash flow allocation. As you are strengthening your International Business, do you find any piece missing? With the total return ratio 40%, what is your thinking on cash allocation?

A 19 (Saeki)

When we designed the current mid-term management plan, we initially expected cash flows from operating activities to be 60 billion yen, of which 45 billion yen was for capital investment, 15 billion yen for shareholder returns, and M&A was based on the assumption that we would finance deals. As of now, we estimate that cash flow from operating activities has increased by about 8 billion yen since the initial plan, which we plan to use to return to shareholders. We are currently examining our future policy.

Q20

Although you have plans to increase sales volume in 2025, advertising expenses are budgeted to be lower. How do you plan to increase sales volume?

A 20 (Yamaguchi)

We will decide on three major themes and make well-balanced investments in advertising.

1. In 2025, Yasai Seikatsu will celebrate its 30th anniversary since its launch. We will implement a campaign based on the concept of "retrying" it.
2. In the institutional and industrial use and food categories, we will host Kagome Napolitan Stadium.
3. We will expand sales of almond milk, which will be fully launched this spring.

Q21

Were you affected by the Los Angeles fires? With the appointment of Robert Kennedy Jr. as US Secretary of Health and Human Services, it is expected that there will be changes in regulations regarding food additives in the future. Will Kagome be impacted by this, too?

A21 (Yamaguchi)

Tomato growing areas and processing plants are located north of Los Angeles, far from the areas hit by wildfires, so they are currently operating normally and I have not heard of any impact on crops. Regarding food additives, it is not yet clear what policy will be issued, but generally speaking, the pizza sauce, ketchup, and tomato paste that the Kagome Group sells in the United States only contain a limited number of food additives. Therefore, at this time, we do not anticipate any significant risks.

Q22

Regarding food additives, coloring agents are currently a hot topic. Is it safe to understand that the red color of your products is naturally derived?

A22 (Yamaguchi)

The red color of ketchup and other foods is all natural. It comes from the nutrient lycopene in tomatoes. We don't use coloring agents.