

Results Briefing Materials

for FY2019

Kagome Co., Ltd.

“Ideal” and “Long-Term Vision” for 2025

Ideal

To become a “strong company ”
that can achieve sustainable growth,
through food as a means of resolving social issues

Long-Term Vision

Transform from a “tomato company”
to a “vegetable company”

Daily intake of vegetables per person
Approx. 290 g/day^{*1} → 350 g/day

This 60 g increase equates to an increase of
30 billion yen in net sales^{*2}

^{*1} Source: 2017 Citizens' Health and Nutrition Survey by the Ministry of Health, Labour and Welfare (MHLW)

^{*2} Calculated based on domestic business sales for FY2018, based on the assumption that the percentage share of vegetable intake supplied by Kagome (i.e. as Kagome products) does not change.

1. Summary of Business Results for FY2019 (the year ended December 31, 2019)

- In spite of decreased revenues resulting from factors such as a drop in demand for mainstay vegetable beverages due to bad weather, etc., and decreased sales for both Domestic Agriculture and International Business operations, net operating profit remained at a similar level to the previous year.
- Operating income onwards increased due to temporary profits from integration of logistics subsidiaries.

2. “Let’s Eat Vegetables” Campaign

- Kagome will launch the largest-scale campaign in its history, to stimulate demand for vegetable intake.

3. Strategies for FY2020 and State of Progress in the Second Mid-Term Management Plan

(Strategies for FY2020)

- In domestic business operations, although we will seek to increase revenues by running a “Let’s Eat Vegetables” Campaign to stimulate demand, we anticipate a decline in profits due to factors such as an increase in advertising costs.
- In Domestic Agriculture Business and International Business operations, we will implement strategies to further improve profits.

(State of Progress in the Second Mid-Term Management Plan)

- We will implement strategies to achieve the targets of the management plan, and carefully examine future plans based on the situation during the first half of FY2020.

1. Summary of Business Results for FY2019

(the year ended December 31, 2019)

FY2019 Consolidated Results

Unit: 100 million yen

	Results		Year on year		Comparison to forecast	
		margin		Rate of change		Rate of change
Revenue	1,808	-	(37)	(2)%	(82)	(4)%
Core Operating Income	123	7%	(1)	(1)%	(3)	(2)%
Operating Income	141	8%	+19	+15%	+5	+4%
Net Income ^{*1}	102	6%	+12	+13%	+7	+7%

*1 Net income attributable to owners of parent

ROE	9.8%	+0.8pt	-
ROA ^{*2}	6.1%	(0.1)pt	-
EPS	114.89	+13.39	-

*2 Return on Assets (from business operations)

Main factors for decrease in revenue

- Decline in demand for mainstay vegetable beverages due to bad weather conditions, etc.,
- Decrease in tomato procurement volume in the Domestic Agriculture Business
- Decrease in International Business sales in the United States and Australia

Main factors for decrease in income (core operating income)

- Delay in structural reforms to the Domestic Agriculture Business

Main factors for increase in profits (income level below the operating income)

- Posting of temporary profits at the time of integration of logistics subsidiaries with F-LINE

FY2019 Results by Segment

Unit: 100 million yen

		Revenue				Core Operating Income			
		FY2018	FY2019			FY2018	FY2019		
			Year on year	Rate of change			Year on year	Rate of change	
	Beverages	727	720	(7)	(1)%	58	58	(0)	(0)%
	Food and others	602	604	+2	+0%	53	54	+0	+1%
	Domestic processed food business	1,329	1,325	(4)	(0)%	112	112	+0	+0%
	Domestic agriculture business	112	96	(16)	(14)%	(1)	(2)	(1)	-
	International business	462	441	(22)	(5)%	5	8	+3	+49%
	Other/adjustments	(57)	(53)	+5	-	8	5	(3)	(33)%
	Total	1,846	1,808	(37)	(2)%	124	123	(1)	(1)%

Domestic processed food business

- Beverages: decrease in revenue due to a decline in demand for vegetable beverages, due to bad weather, etc.
- Food and others: increase in revenue due to an increase in direct marketing sales and gifts.
- Core operating income for the two categories above stood at a similar level to the previous year.

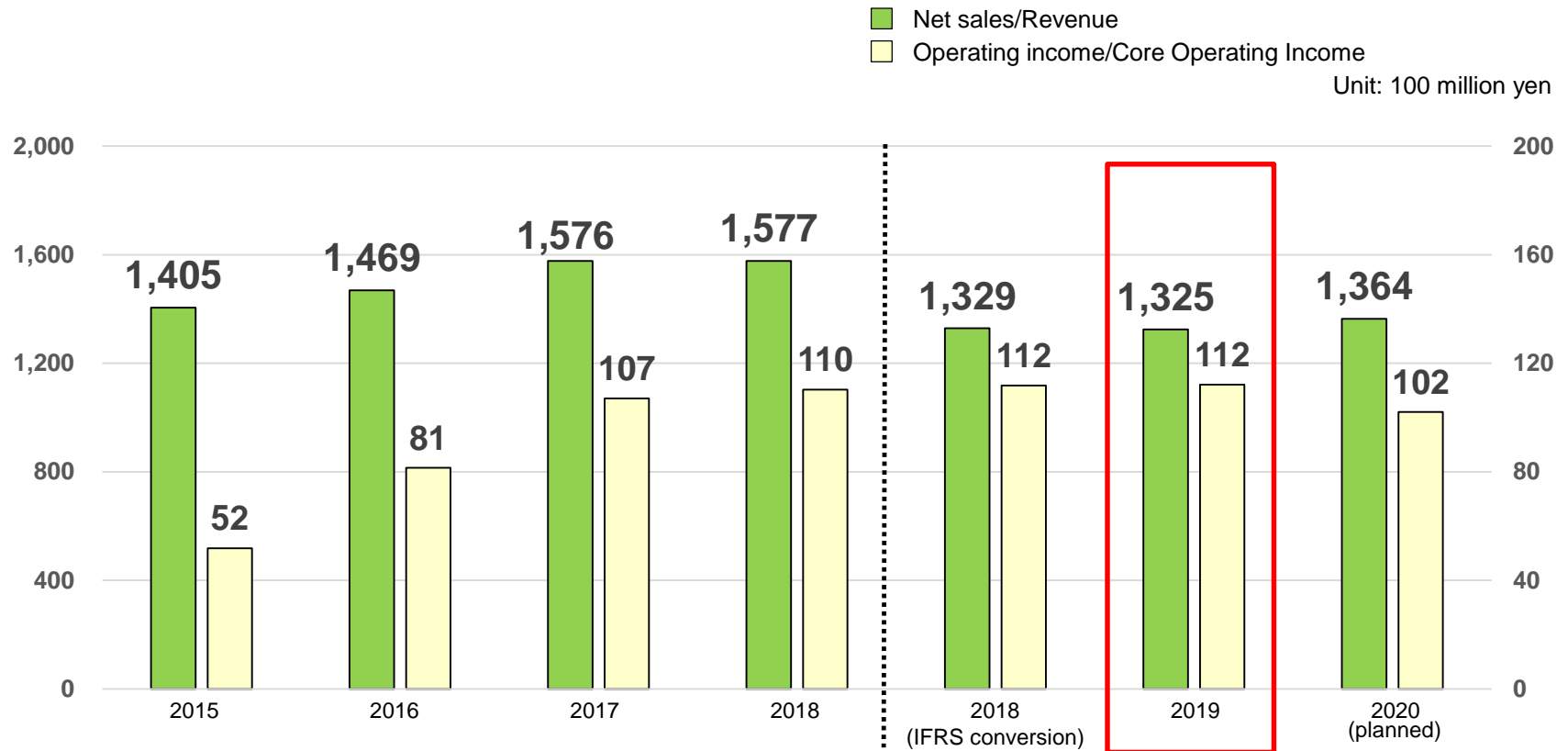
Domestic agriculture business

- Procurement volume could not be secured due to factors such as insufficient sunlight and delays in the development of summer and fall production locations, resulting in a decrease in both revenue and profit.

International business

- Revenue decreased due to a decrease in sales at U.S. Kagome Inc. and the impact of exchange rate fluctuations.
- Profit increased as a result of posting revenue/income structure reform costs in the previous year, primarily for UG.

Domestic Processed Food Business



- * IFRS accounting was applied from 2019 onwards.
- * Sales/revenue and profit increased until 2017, and have remained at a similar level from 2018 onwards.

FY2019 Domestic Processed Food Business (Beverages)

Sales were driven by tomato juice and new products, despite bad weather conditions and intensifying competition with other marketable beverages.

Unit: 100 million yen

Domestic Processed Food Business (Beverages)	Revenue			Core Operating Income		
	FY2018	FY2019	YoY	FY2018	FY2019	YoY
	727	720	99.1%	58	58	99.9%



Released Yasai Seikatsu 100 Apple Salad on March 2019



September 30 – November 29, 2019 Kagome ran a campaign in collaboration with the popular anime/comic series *Case Closed (Detective Conan)*



The size of the vegetable beverage market shrunk below that of the previous year, due to intensifying competition

- Demand declined temporarily due to bad weather in July.
- The size of the vegetable beverage market shrunk below that of the previous year, but recovered moving into the 4th quarter.
- Competition intensified for vegetable beverages against soymilk and other marketable beverages.
- Kagome's vegetable beverage market share increased to 56% (a YoY increase of 3pt).

Tomato juice (Net sales of 12.1 billion yen, 106% year-on-year)

- Growth of habitual consumption of tomato juice progressed due to labelling with function claims, marking a fourth successive year of increased sales.

Yasai Seikatsu 100 (Net sales of 38.7 billion yen, 98% year-on-year)

- The new product Yasai Seikatsu 100 Apple Salad performed strongly.
- Smoothie sales fell to 98% YoY.

Beverage product campaign (Sep 30 – Nov 29) performed strongly

- Sales increased to 102% YoY for the fourth quarter (standalone).

Prices of some products in large-sized containers were raised in July

- The new price is now firmly established, and sales from September exceeded those for the previous year in terms of both amount and revenue.

FY2019 Domestic Processed Food Business(Food and others)

Kagome enhanced proposals for home-meal replacement and restaurant markets. Revenues and profit increased due to strong performance of direct marketing and products to give as gifts.

Unit: 100 million yen

Domestic Processed Food Business (Food and others)	Revenue			Core Operating Income		
	FY2018	FY2019	YoY	FY2018	FY2019	YoY
	602	604	100.4%	53	54	100.9%



Home-meal replacement and eating out (restaurants)

- Sales of institutional/industrial-use frozen Mediterranean vegetables rose to 2.1 billion yen (109% YoY).
- Kagome launched Yasai Dashi vegetable stock, which can cater to the needs of vegetarians and vegans.
- Despite an increase in sales of ready-to-eat prepared dishes to mass retailers, sales of consigned goods to convenience stores decreased.



Eating at home (home meals)

- Sales of tomato ketchup increased to 8.8 billion yen (103% YoY) due to stimulation of demand, such as with Omurice Stadium.
- Sales of sauce (Kagome Sauce / Worcestershire Sauce, etc.) and other condiments are in a trend of gradual decline.



Direct marketing and products to give as gifts

- Tsubuyori Yasai, vegetable potage and supplements all performed strongly.
- Direct marketing sales stood at 11.6 billion yen (103% YoY).

Domestic Agriculture Business



- * Until 2016, sales continued to grow along with increased profitability.
- * From 2017 onwards, market conditions have changed significantly, and business performance has slumped.

Procurement volume could not be secured due to delays in the development of summer and fall production locations, resulting in a decrease in both revenue and profit as the stagnation of market prices continued.

Unit: 100 million yen

Domestic Processed Food Business (Food and others)	Revenue			Core Operating Income		
	FY2018	FY2019	YoY	FY2018	FY2019	YoY
	112	96	85.7%	(1)	(2)	-



Trends in the fresh tomato market

- A downward trend in market prices has continued since 2017.
- Market structure tends towards excessive supply, due to factors such as the increase in the number of large-scale glasshouse plantations.

State of market entry by large-scale glasshouse plantations*

(February 2016 → February 2019)

- Number of facilities increased from 79 to 160 facilities.

* Source: Japan Greenhouse Horticulture Association (JGHA) FY2018 Next-Generation Facility Greenhouse Horticulture Regional Development Promotion Project – Project Report

The majority of these plantations are hydroponic solution-based cultivation facilities covering an area of 1ha or greater. The number of facilities also includes some facilities that cultivate other produce besides tomatoes.

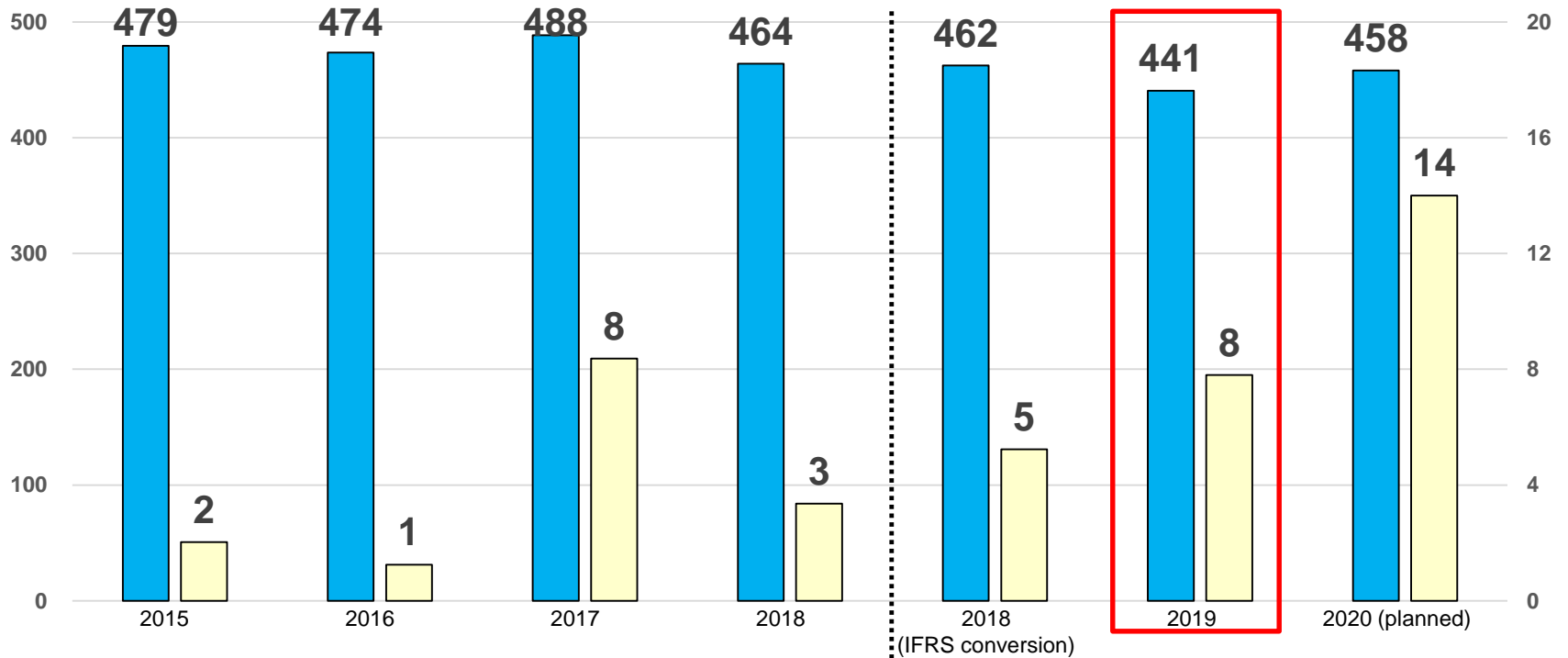


Controlling the supply volume of fresh tomatoes

- May – June (when market prices fall):
Intentionally decrease supply volume to ensure an increase in profits for the second quarter (standalone)
- August – November (when market prices rise):
Procurement volume decreased due to factors such as delay in development of summer and fall production locations

International Business

■ Net sales/Revenue
■ Operating income/Core Operating Income
 Unit: 100 million yen



- * Sales have been in a declining trend since 2017 onwards.
- * Profit decreased markedly in 2018, and revenue/income structure reforms are continuing.

FY2019 International Business

Although revenue decreased due to a drop in sales at the U.S. subsidiary and the impact of exchange rate fluctuations, profit increased as a result of structure reforms.

Unit: 100 million yen

International Business	Revenue			Core Operating Income		
	FY2019	Y on Y	Y on Y (excl. Exchange rate impact)	FY2019	Y on Y	Y on Y (excl. exchange rate impact)
U.S.: Kagome Inc.	213	(8)	(5)	3	(4)	(4)
Portugal: HIT	89	(3)	+3	0	+5	+5
Kagome Australia Pty Ltd.	61	(8)	(3)	4	(0)	+0
U.S.: UG	42	+3	+3	2	+5	+5
Other, adjustments	36	(6)	(4)	(2)	(4)	(4)
International Business total	441	(22)	(6)	8	+3	+3



U.S.: Kagome Inc.

- Revenue decreased due to shipping delays as a result of system changes at major consignees, and profit decreased as a result of equity method losses due to poor business performance at affiliates.

Portugal: HIT

- Bolstered customer-specific profitability management, and posted increases in revenue and profit when viewed on a local currency basis.

Kagome Australia Pty Ltd.

- Despite a decrease in sales to the Group and a corresponding decrease in revenue, an increase in profit was achieved by cutting manufacturing costs.
- The ratio of core operating income to sales revenue has exceeded 6% for two consecutive years.

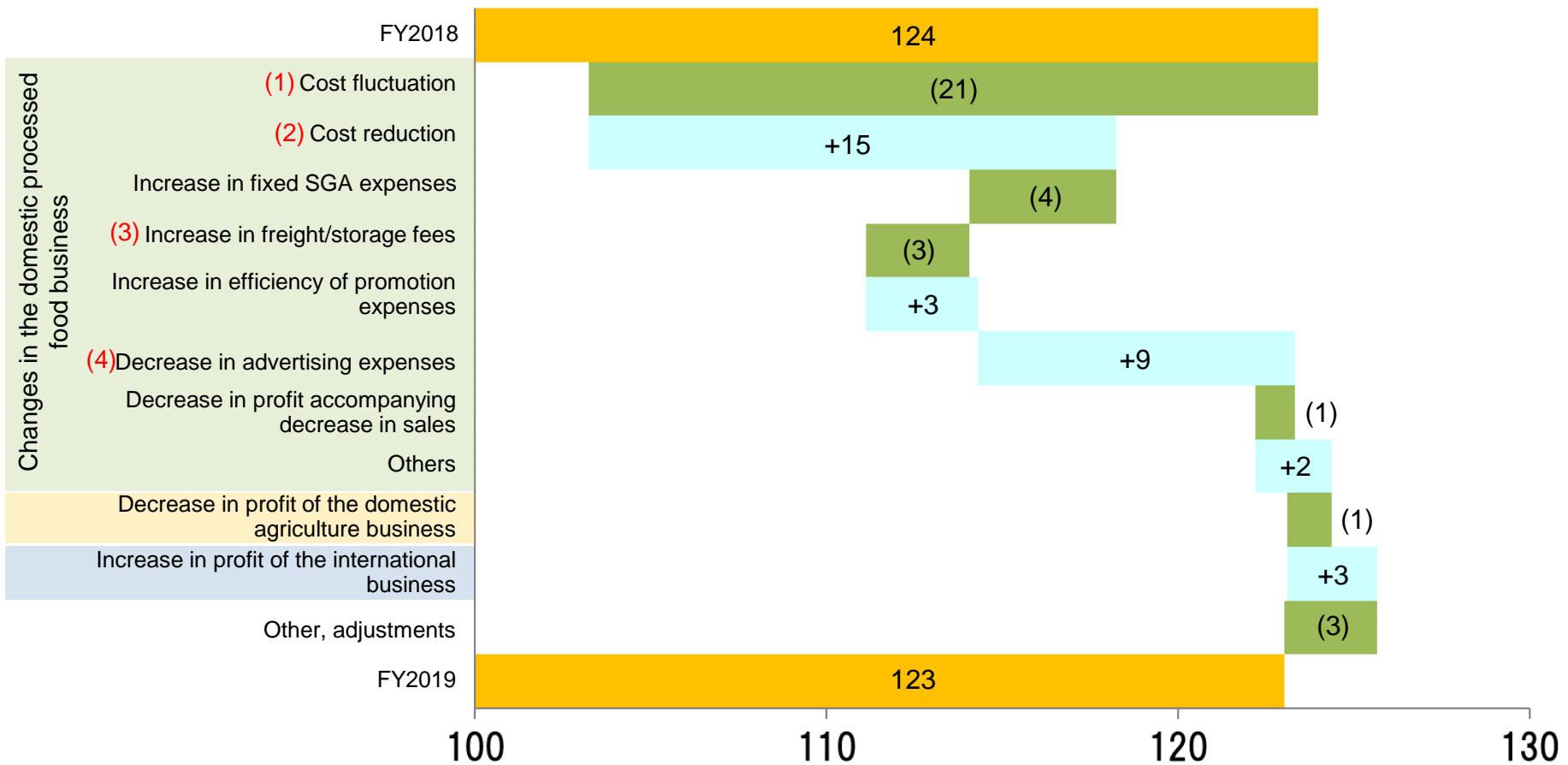
U.S.: UG

- Revenue and profit increased as a result of increase in sales of seed growing business in Turkey, and as a reaction to inventory disposal losses for the previous year.



Factors Contributing to Core Operating Income Changes in FY2019

Unit: 100 million yen



- (1) Cost fluctuations: 900 million yen in exchange rate fluctuations, and 700 million yen in crude oil price fluctuations, etc.
- (2) Cost reductions: 800 million yen from procurement strategy revisions, etc., and 300 million yen from labor saving
- (3) Freight/storage fees: increases in logistics expenses in Japan
- (4) Decrease in advertising expenses: shift in modes of communication (e.g. digital advertising and Yasai Seikatsu Farm)

Factors Contributing to Operating Income and Profit Changes in FY2019

Unit: 100 million yen

	FY2018	FY2019
Core operating income	124	123
Other income	19	27 (1)
Other expenses	21	10 (2)
Operating income	122	141

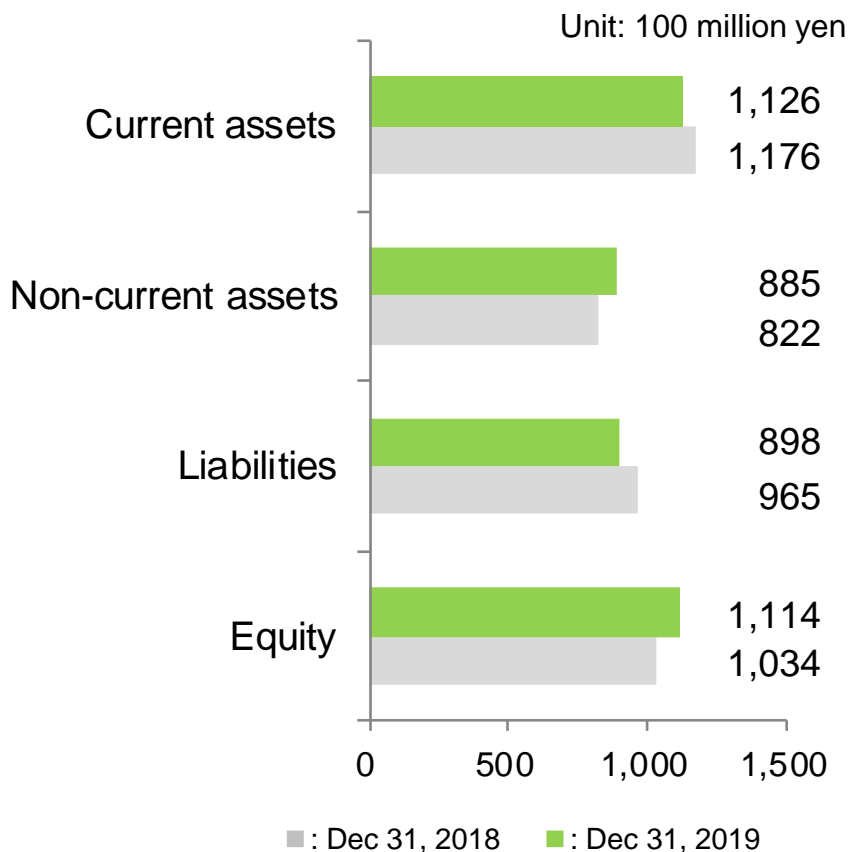
Profit before income tax	122	139
Income tax expense	37	36
Effective tax rate	30%	26% (3)
Profit	90	102

- (1) 1.7 billion yen in business transfer-related capital gains from integration with F-LINE, etc.
- (2) 360 million yen in disaster-related losses, etc.
- (3) Lack of tax burden with regard to the capital gains described in (1)

Changes to FY2019 Statement of Financial Position

Assets/liabilities and equity
201.2 billion yen
(YoY increase of 1.4 billion yen)

Unit: 100 million yen



Current assets: down 50

Cash and deposits (21): payments of dividends and corporate income taxes, etc.

Operating and other receivables (13), assets held for sale (13), etc.

Non-current assets: up 63

Investments accounted for using equity method +41: acquisition of F-LINE shares, etc.

Other financial assets +12: increase in market value of shares held, etc.

Intangible assets +8: update of core system, etc.

Liabilities: down 67

Operating and other payables (21), interest-bearing liabilities (16), corporate income taxes payable (18), liabilities held for sale (16), etc.

Equity: up 80

Net income attributable to owners of parent +102, dividends (36), etc.

Cash Flows for FY2019

Unit: 100 million yen

	FY2018	FY2019	Change
Cash flows from operating activities (A)	107	122	15
Cash flows from investing activities (B)	(3)	(93)	(90)
Free cash flows (A+B)	104	30	(75)
Cash flows from financing activities	(17)	(51)	(34)

Factors contributing to changes in cash flows

<Cash flows from operating activities>

- Profit before income taxes +17, increase in operating and other receivables +14
- Decrease in inventories (7), increase in income taxes and other taxes paid (9), etc.

<Cash flows from investing activities>

- Decrease in proceeds from sale of land, etc., in the previous year (21)
- Decrease in proceeds from sale of financial assets, etc., in the previous year (79), etc.

<Cash flows from financing activities>

- Increase in cash dividends paid (9), net decrease in loans payable (26), etc.

2. “Let’s Eat Vegetables” Campaign

“Ideal” and “Long-Term Vision” for 2025

Ideal

To become a “strong company ”
that can achieve sustainable growth,
through food as a means of resolving social issues

Long-Term Vision

Transform from a “tomato company”
to a “vegetable company”

Daily intake of vegetables per person
Approx. 290 g/day^{*1} → 350 g/day

This 60 g increase equates to an increase of
30 billion yen in net sales^{*2}

^{*1} Source: 2017 Citizens' Health and Nutrition Survey by the Ministry of Health, Labour and Welfare (MHLW)

^{*2} Calculated based on domestic business sales for FY2018, based on the assumption that the percentage share of vegetable intake supplied by Kagome (i.e. as Kagome products) does not change.

“Let’s Eat Vegetables” Campaign

Sales estimates for when daily vegetable intake of 350 g/day is achieved

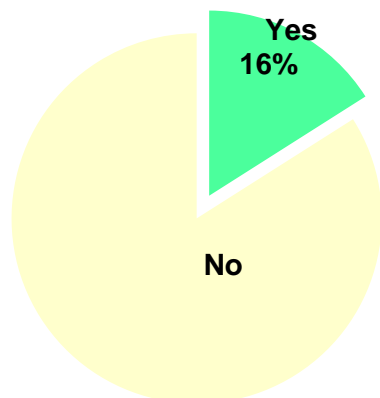
	2018 results	2025 estimate	Difference
Japanese person’s daily vegetable intake (g)	290 ^{*1}	350	+60
Vegetable consumption of Japan (10,000 t)	1,397 ^{*2}	1,686	+289
Volume of vegetables supplied by Kagome (10,000 t)	62	75	+13
Percentage of total vegetables supplied by Kagome	4.4%	4.4%	-
Sales revenue from domestic businesses (100 million yen)	1,453	1,753	+301

*1 Source: 2017 Citizens’ Health and Nutrition Survey by the Ministry of Health, Labour and Welfare (MHLW)

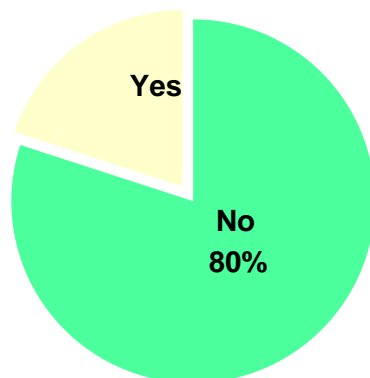
*2 Source: 2018 estimates, Food Supply and Demand Table by the Ministry of Agriculture, Forestry and Fisheries

Awareness survey regarding vegetable intake

Do you know that the target of daily vegetable intake is 350 g?



Are you aware that your vegetable intake is insufficient?



Kagome web survey
(N=28,077 respondents / conducted in 2018)

“Let’s Eat Vegetables” Campaign

1. Encourage self-awareness regarding insufficient vegetable intake
2. Promote understanding of why vegetables are necessary
3. Spread information on smart and delicious ways of consuming vegetables

“Let’s Eat Vegetables” Campaign

Campaign Strategies

Nationwide “Veggie Check” experiences Target: 1 million people!

ベジチェック

- Kagome will roll out “Veggie Check” vegetable intake sufficiency measurement system at mass retailers and events nationwide.
- This will encourage self-awareness of insufficient vegetable intake amongst individual consumers.



Projects in collaboration with other companies and organizations

- Kagome is currently engaged in collaborations with around 20 companies/organizations that go beyond the boundaries of business type.
- These collaborations will convey the appeal of vegetables from new angles.
- Collaborations also offer Kagome opportunities for contact with stakeholders that it could not normally approach alone.

Train missionaries to convey the appeal of vegetables through the use of an original Kagome “Vegetable Maestro Skills Test”

- The skills test will enable employees to acquire basic knowledge of vegetables and smart ways of consuming them.
- Kagome plans for around 1,600 personnel (all of Kagome’s domestic employees) to take the skills test.



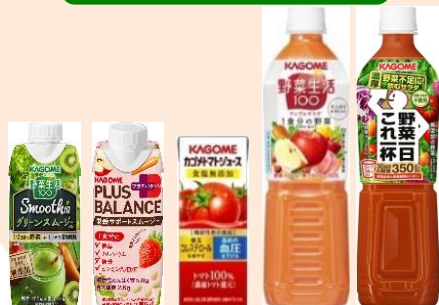
Communicate information via vegetable ambassadors (Kagome shareholders, academics and registered dietitians)

- Kagome will run an ambassador skills test aimed at around 190,000 shareholders.
- Other stakeholders, such as academics and registered dietitians will communicate information from their respective standpoints.

“Let’s Eat Vegetables” Campaign

Stimulate demand for vegetables and maximize sales for all domestic businesses

Beverages



Health Business



Consumer & Institutional Use Food Products and Fresh Foods



Vegetable Processing Business



“Let’s Eat Vegetables” Campaign



KAGOME

3. Strategies for FY2020 and State of Progress in the Second Mid-Term Management Plan

“Let’s Eat Vegetables” Campaign

Stimulating demand

Plant-based domain
Rollout in soymilk area of sales floors



Yasai Seikatsu Soy+
Launch date: February 25
Mixed beverage containing fruits, vegetables and soybeans

Increasing value of vegetable beverages

Sales revenue: +2 billion yen



KAGOME
カゴメトマトジュース

Target-specific beverages
Developing senior and youth demographics



KAGOME
ONE DAY
VEGE CHARGE DRINK

Expanding labelling with functional claims



Amai Tomato GABA & Relax
Launch date: January 28
Renewal as a food product with functional claims

Environmental response

- As of April, (plastic) straws and caps will gradually be replaced using plant-derived raw materials.
- Kagome has established a policy on plastics to reduce environmental impact.



“Let’s Eat Vegetables” Campaign

Stimulating demand

Unified vegetable proposals combining consumer use, institutional use and fresh food products

Home-meal replacement and eating out

Sales revenue: +1.1 billion yen

Proposing menu ideas utilizing vegetable ingredients

- Three key focus business types: hotels, industrial use, and ready-to-eat dishes for supermarkets



Proposing new menu ideas made with Yasai Dashi vegetable stock

- Vegetarian needs are increasing.
- Using Yasai Dashi vegetable stock resolves the issue of time and effort taken to prepare vegetable bouillon.



Home-cooked meals

Sales revenue: +0.5 billion yen

Bolstering marketing of western-style dishes

- Seeking to increase opportunities for preparing meals at home due to moneysaving-oriented attitudes



Proposing menu ideas linked to fresh foods

- Combining seasonal vegetables with condiments that make it easy to produce the desired flavor.



“Let’s Eat Vegetables” Campaign

Stimulating
demand

Sales revenue:
+1.3 billion yen



Achieving profitability by completing revenue structure reforms

Core operating income:
+0.7 billion yen



Expand farm sales channels

- Expand sales channels to buyers other than Kagome, increase operating rate and increase profit

Increase procurement volume for August – November

- Develop summer and fall production locations in Hokkaido and Yamagata prefectures

Respond to fluctuating market prices

- Cut procurement costs by achieving procurement prices that are linked to market prices

Expand percentage share of high-added value varieties

- Stabilize selling prices

FY2020 International Business Strategies

Increase profitability by further advancing reforms to revenue structure

Core operating income:
+0.6 billion yen



U.S.: Kagome Inc.

Core operating income:
+0.2 billion yen

- Concentrate resources by narrowing down SKU
- Enhance cost competitiveness by reducing fixed costs



Portugal: HIT

Core operating income:
+0.3 billion yen

- Continue reforms to revenue structure
- Narrow down business domains and customers

U.S.: UG

Core operating income:
+0.1 billion yen

- Expand sales of tomatoes for processing (in North America) and seeds for fresh vegetables (in Europe, Central and Southern America) and control costs



Expand vegetable beverage business in Asia

- Sell to Hong Kong and China area via Kagome Nissin Foods (H.K.)
- Develop the Southeast Asian / ASEAN market

“Missionary” activities to promote vegetable beverages overseas

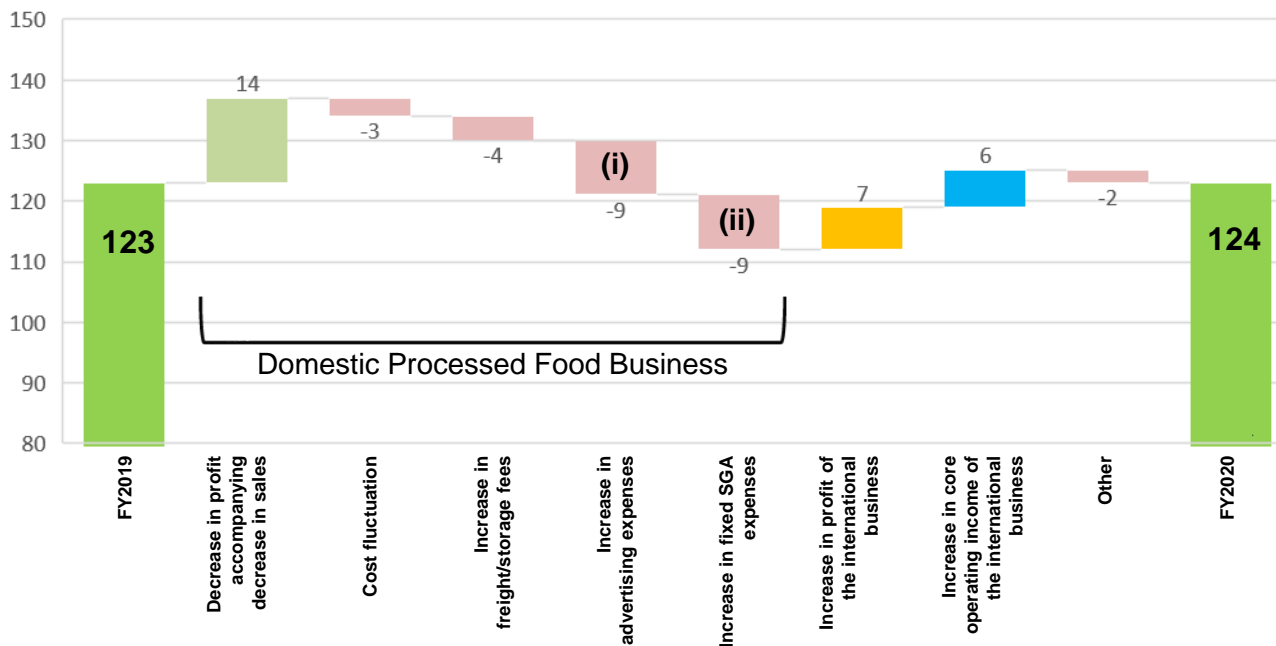
FY2020 Results Forecasts

Unit: 100 million yen

	Revenue				Core Operating Income			
	FY2019	FY2020	Year on year	Rate of change	FY2019	FY2020	Year on year	Rate of change
Domestic processed food business	1,325	1,364	+39	+3%	112	102	(10)	(9)%
Domestic agriculture business	96	108	+13	+13%	(2)	4	+7	-
International business	444	458	+14	+3%	8	14	+6	+73%
Other/adjustments	(56)	(62)	(6)	-	5	4	(1)	(27)%
Total	1,808	1,867	+59	+3%	123	124	+1	+1%

*As of FY2020 the export beverage business has been transferred from the "Other" segment to the "international business" segment. Corresponding figures for FY2019 have been converted.

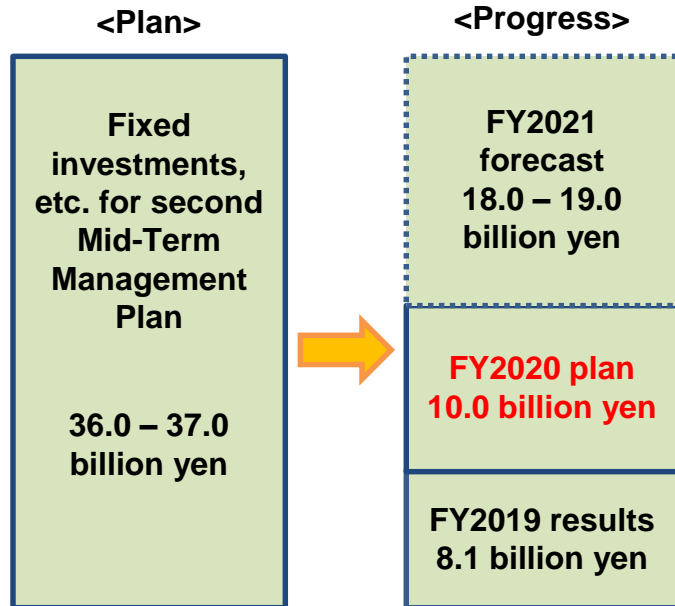
Factors contributing to change in core operating income (100 million yen)



- (i) Increase in advertising expenses due to "Let's Eat Vegetables" Campaign
- (ii) Increase in depreciation expenses due to update of core system and increase in personnel costs due to salary increases

- The majority of advertising expenses are focused on the first half of the year
- We plan to secure profits during the second half of the year

Investment Plan



Key points of investment plan

- Main investments for FY2020
Update of equipment and facilities at Kozakai Plant (ketchup plant)
Renewal of ageing facilities at Taiwan Kagome plant
- Depreciation costs for FY2020:
6.7 billion yen
- Total amount of investments during Second Mid-Term Management Plan period: 36.0 – 37.0 billion yen

(Main investments for FY2021 onwards)
Buildings/manufacturing equipment at Fujimi Plant, etc.

Purchasing of Treasury Stocks

(Details)

- Kagome will purchase around 0.5% of issued stocks, from February to March 2020.

(Purpose)

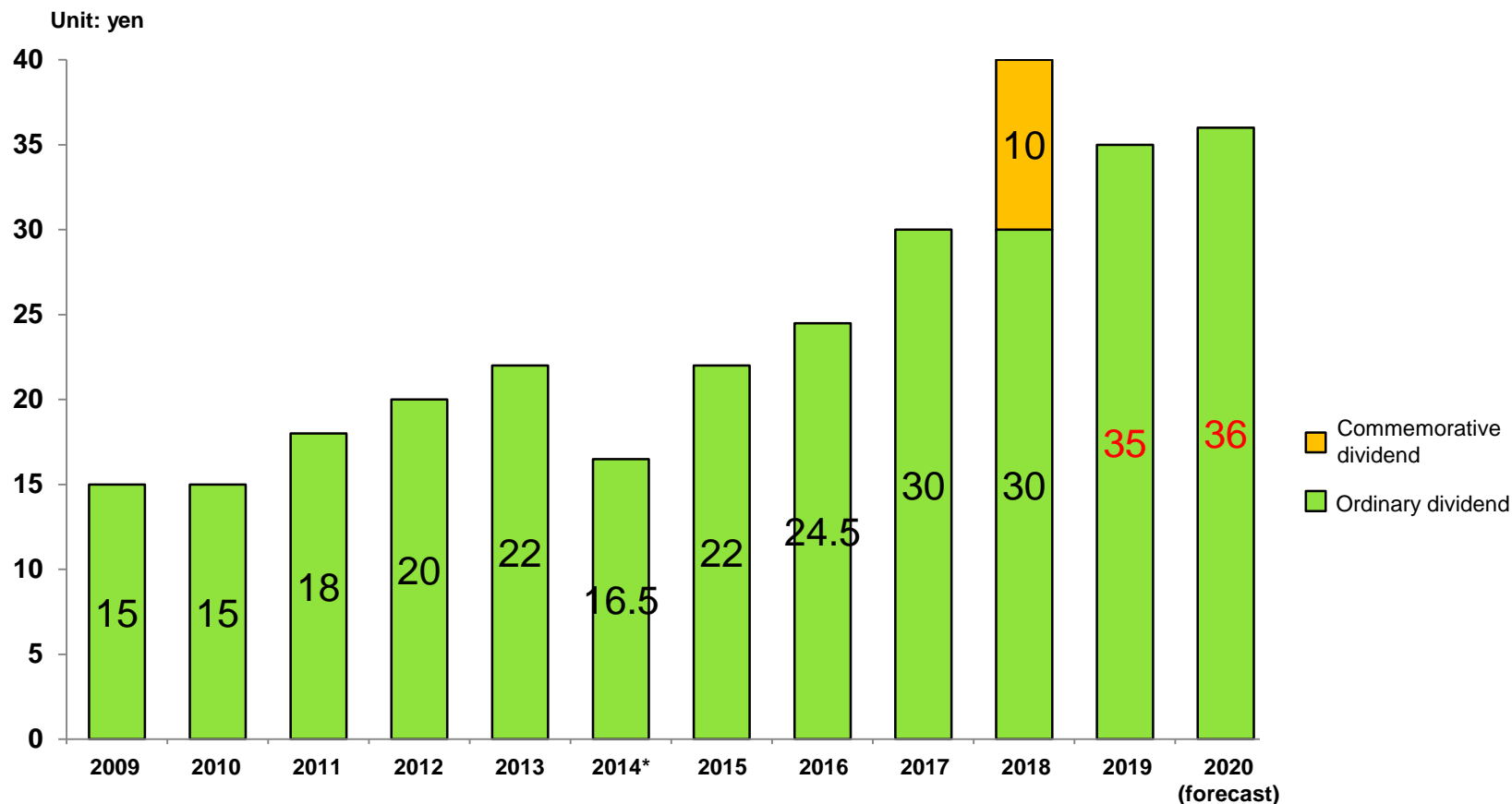
- To reduce the impact of dilution by advantageous disposal to the Kagome Mirai Yasai Foundation.

Dividend payout policy for the second Mid-Term Management Plan

- Payout at least 35 yen in annual dividends per share
- Total return ratio of 40% during the plan period

Annual dividend payouts per share

- FY2019: **35 yen**
- FY2020 (expected): **36 yen**

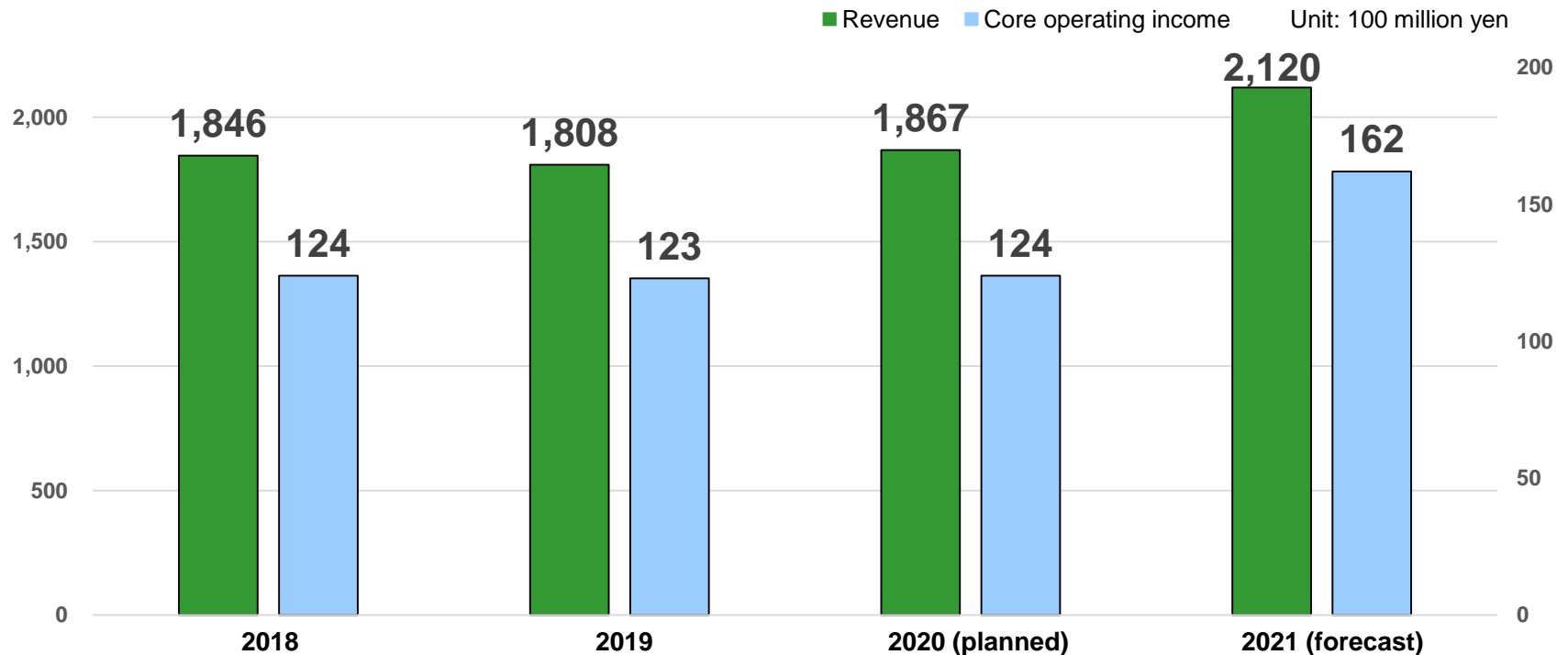


* For the nine month period April through December 2014

State of Progress in the Second Mid-Term Management Plan

Results

Planned / Forecast



- Quantitative targets for FY2021 remain unchanged at the present time.
- We will continue to build up strategies, based primarily around the “Let’s Eat Vegetables” Campaign.
- We will carefully examine our future plans while verifying the results of strategies for the first half of FY2020.

Note

All information contained herein on the current plans, forecasts and strategies of Kagome that does not consist of historical facts is based on judgments made by Kagome's management from currently available information. We therefore request that you refrain from relying comprehensively and solely on these forecasts. Please note that actual results may differ materially from these forecasts due to various important factors that could have an impact on actual results, including but not limited to (1) weather, particularly low temperatures in summer, (2) product accidents such as contamination by foreign substances, (3) economic conditions, particularly consumer trends, surrounding the business domains of Kagome, and (4) Kagome's capability of continuing to plan and develop products and services that will be accepted by customers in the market exposed to fierce competition that is characterized by rapidly changing customer preferences. The purpose of these materials is to promote a greater understanding of Kagome, and not necessarily to solicit investment in Kagome. Market data, etc. stated herein are also prepared based on information that the Company deems to be reliable and accurate. However, please note that these data, including future as well as past data, could change without prior notice due to revisions, etc.

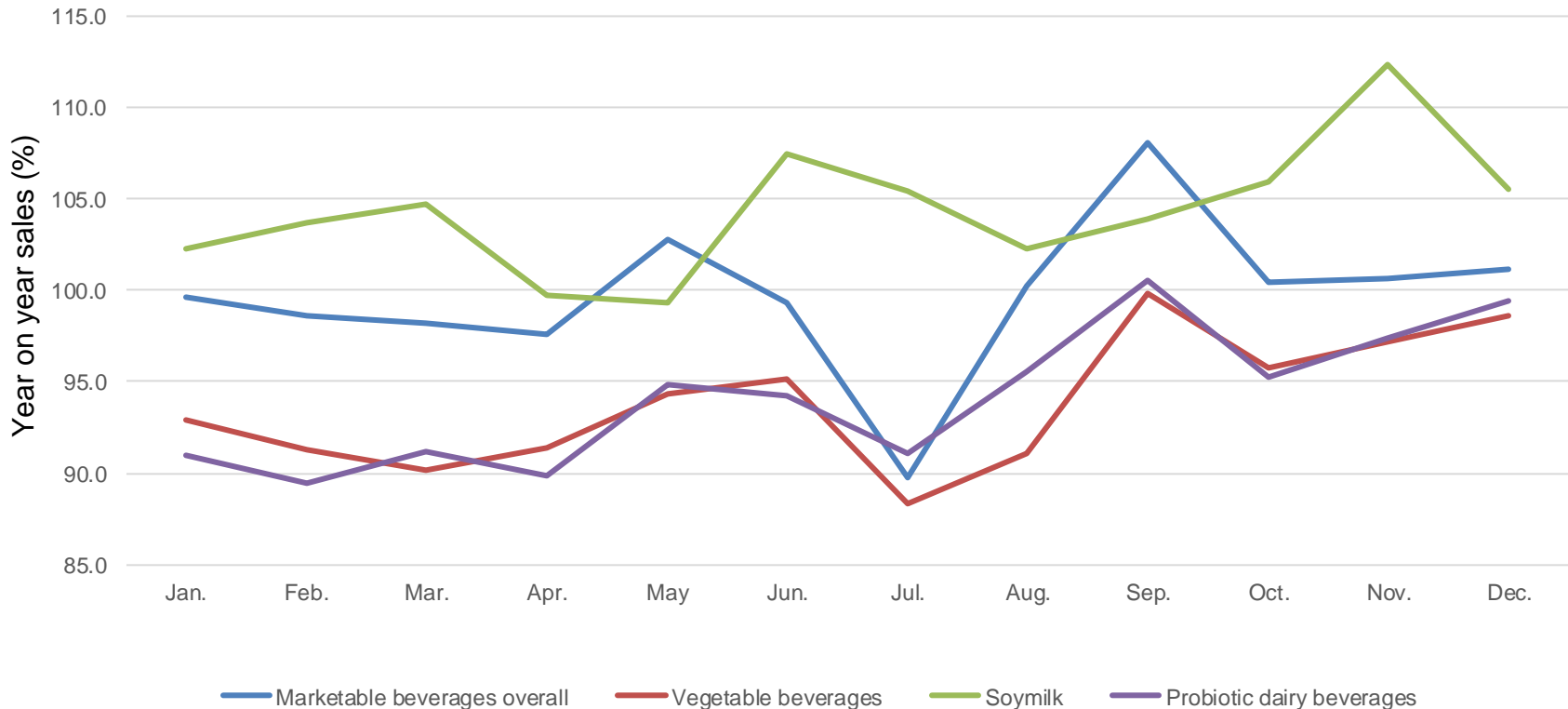
Reference

FY2019 YoY Sales Comparison for Valuable Beverages

Trends in the valuable beverages market in Japan

- Demand declined temporarily due to bad weather in July.
- The size of the vegetable beverage market remained below that of the previous year, but began to recover moving into the second half of the year.
- Soymilk continued to perform strongly. Competition with vegetable beverages intensified.

Source: Intage SRI(Japan nationwide, SM+CVS+DRUG)



Fresh Tomato Market Prices

Trends in the fresh tomato market in Japan

- A downward trend in market prices has continued since 2017.
- Market structure tends towards excessive supply, due to factors such as the increase in the number of large-scale glasshouse plantations.

