

Results Briefing for the Fiscal Year Ended December 31, 2020

PPT1

- Good morning, everyone. Thank you very much for watching this results briefing for the fiscal year ended December 31, 2020, today.

PPT2

- Today, I will first summarize the business results for the fiscal year ended December 31, 2020, followed by an explanation of initiatives in the domestic processed food business in fiscal year 2021, together with the reform of the earnings structure of the domestic agriculture business and initiatives, the reform of the earnings structure of the international business and initiatives and the full-year consolidated results forecasts, all in the same fiscal year 2021. The presentation will take a little less than 30 minutes.

PPT3

- First is a summary of business results.

PPT4

- This is an overview of the consolidated results.
- The COVID-19 pandemic had a significant impact in fiscal year 2020. The entire Company worked together to address the crisis while striving to prevent infection. As a result, both revenue and core operating income increased from the level of the previous year.
- Revenue is 183 billion yen, up 1% year on year, core operating income is 13.6 billion yen, up 11% year on year, operating income is 10.7 billion yen, down 24%, and net income is 7.4 billion yen, down 27% year on year.
- Revenue rose, thanks chiefly to the strong performance of beverages and food for consumer use and direct marketing in the domestic business. Core operating income increased as a result of a decrease in promotion expenses and cost reductions in the domestic business, although impairment losses were posted in the United States.
- Operating income and net income decreased chiefly due to a gain on sale of businesses of a logistics subsidiary in fiscal year 2019 and impairment losses on fixed assets at HIT in Portugal in fiscal year 2020.

PPT5

- I will now explain the results by business segment.
- In the domestic processed food business, revenue and profit increased in the beverages category, while revenue and profit decreased in the food and others category, chiefly due to a fall in sales of institutional- and industrial-use products.
- In the domestic agriculture business, both revenue and profit rose, reflecting strong sales from the second quarter and the reform of the earnings structure.
- Revenue in the international business declined chiefly due to a decrease in sales in the food service sector in the United States. Core operating income decreased mainly due to a share of loss of investments accounted for using the equity method in the United States. Core operating income excluding the share of loss of investments increased.

PPT6

- Next, I will chronologically describe the impact of COVID-19 on our business.
- Three categories in our business, household-use products in Japan, institutional- and industrial-use products in Japan, and institutional- and industrial-use products in the United States, are significantly affected by COVID-19. This graph shows the year-on-year percentage changes in revenue in these three categories.
- Revenue of household-use products in Japan exceeded the level of the previous year from February, reflecting demand for stay-at-home products.
- Revenue of institutional- and industrial-use products in Japan bottomed out in April, when COVID-19 had the most significant impact, and it has been on a recovery trend since then. However, revenue is continuing to fluctuate depending on the number of people being infected by the COVID-19 coronavirus.
- Revenue of institutional- and industrial-use products in the United States bottomed out in April, and is subsequently on a recovery trend. Revenue is going up and down as in the institutional- and industrial-use products in Japan.

PPT7

- Next, I will explain about the beverages category of the domestic processed food business.

- Revenue and profit in the beverages category increased chiefly due to the Let's Eat Vegetables campaign, health-related demand attributable to COVID-19 and consumption at home because of COVID-19.
- As described in a separate document, the size of the vegetable beverages market decreased from the level of the previous year. This is attributable to the impact of a decline in demand for offices caused by the expansion of remote working. In this environment, the Company increased its share of the vegetable beverages market to 57.4% through commercials linked to the Let's Eat Vegetables campaign and emphasis on value.
- Looking at the Company's revenue from vegetable beverages by sales channel, sales at convenience stores fell year on year but rose at mass retailers and in e-commerce from the level of the previous year. By container size, sales of beverages in large containers were strong, which indicate that consumption at home increased.
- Looking at sales by item, sales of Yasai Ichinichi Kore-Ippon increased 8% year on year due to TV commercials and emphasis on value on cartons.
- Sales of the Yasai Seikatsu 100 series rose 7% year on year due to strong sales of Apple Salad and SOY+, which was launched in February last year.
- Sales of tomato juice fell 2% year on year. Although sales of tomato juice in large containers exceeded the year-ago level, sales in personal-size containers decreased from the year-ago level.
- Core operating income climbed chiefly due to the increase in revenue, a reduction in promotion expenses, and cost reduction thanks to the in-house production of plastic bottles.

PPT8

- Both revenue and profit declined in the food and others category in the domestic processed food business, reflecting a decrease in products for institutional- and industrial-use, despite brisk sales of products for home-cooked food and strong direct marketing sales.
- Due to an increase in home-cooked meal opportunities, sales of tomato ketchup, tomato sauce and pasta sauce rose significantly, and revenue from products for home-cooked food increased 9% year on year.
- Direct marketing also rose 9% year on year.
- Meanwhile, institutional- and industrial-use products fell a significant 16% year on year.

- Core operating income decreased, chiefly reflecting the decrease in revenue from products for institutional- and industrial-use and an increase in advertising expenses in direct marketing.

PPT9

Let's move on to the domestic agriculture business.

- Both revenue and profit increased in the domestic agriculture business, reflecting the reform of the earnings structure.
- In the first three months, revenue fell due to a decrease in supply of tomatoes caused by a lack of sunshine. From the second quarter, however, revenue rose, reflecting higher plantation usage rates and the expansion of production areas in summer and fall as planned.
- The market price of fresh tomatoes moved up and down in 2020. Regardless, core operating income increased, reflecting the reform of the earnings structure, including the strengthening of the management of sales and supply and demand. The business moved into the black for the first time in four fiscal years.

PPT10

- Let me now move on to the progress in the Let's Eat Vegetables campaign.
- In the domestic business, we began the Let's Eat Vegetables campaign in fiscal year 2020. We are working to end the insufficient consumption of vegetables with the slogan "Increasing vegetable intake per person per day by 60 g in Japan."
- The upper part of the page describes the major initiatives of the Let's Eat Vegetables campaign in fiscal year 2020. Due to the COVID-19 pandemic, the vegetable promotion project, which was launched together with 19 supporting companies, started in earnest about six months later than was planned, on July 31.

PPT11

- This page describes certain initiatives with supporting companies.
- We are considering more initiatives like these.

PPT12

- Next, I would like to explain the international business.

- Revenue in the international business decreased, reflecting a business downturn at Kagome Inc. in the United States due to the COVID-19 pandemic.
- Core operating income fell due to a share of loss of investments accounted for using the equity method in the United States, but rose except for the share of loss of investments.
- The table shows the results at each company. Kagome Inc. in the United States recorded a significant decrease due to a fall in food service demand.
- In response to the situation, Kagome Inc. urgently reduced fixed costs, primarily through job cuts. As a result, Kagome Inc. minimized the decrease in core operating income.
- At HIT in Portugal, revenue increased due to an increase in sales of raw materials to food manufacturers as a result of an increase in demand for home-cooked food due to COVID-19, but HIT posted a small core operating loss. I will explain the impairment losses on fixed assets of about 3.0 billion yen on the next page.
- Revenue at Kagome Australia rose, reflecting an increase in sales of raw materials, tomatoes and carrots, to Kagome Japan.
- The share of loss of investments accounted for using the equity method in the United States, which is stated in the lower part of the table, is related to Ingomar, which engages in the primary processing of tomatoes. Ingomar has not posted the profits that were expected at the time of investment due to weak demand for tomato paste in recent years. We have thus posted a loss on impairment of goodwill of approximately 1.0 billion yen. Ingomar has posted stable cash flows, and we do not see any significant issues in the management of the company.

PPT13

- Let me explain reform in the earnings structure of HIT in Portugal and its future.
- The graph shows trends in the inventory quantity of tomato paste and the profit margin at HIT at the fiscal year end. Inventory quantity remained at a high level from fiscal year 2016 chiefly due to weak demand for tomato paste worldwide, which pushed down profits.
- Sales to food manufacturers increased in fiscal year 2020, and excess inventories were eliminated.

We think that it is important to reduce the production volume to the volume that can be sold.

- In fiscal year 2020, we posted impairment losses on fixed assets, considering an optimal scale of production. We believe that the impairment losses have enabled us to lay a foundation for growth from fiscal year 2021.
- We expect that in fiscal year 2021, the profit margin will improve to 4% chiefly due to a shift to high value-added products and the reduction of depreciation expenses.

PPT14

- Now, I will move on to factors contributing to the change in consolidated core operating income.
- Regarding the domestic processed food business, first, income was affected by an increase in advertising expenses of 1.7 billion yen. The increase is chiefly due to TV commercials linked to the Let's Eat Vegetables campaign.
- Second, a cost reduction of 1.7 billion yen was achieved mainly due to the improvement of the procurement strategy and a shift to the in-house production of PET bottles, which offset the increase in advertising expenses.
- Thirdly, promotion expenses decreased 1.1 billion yen, reflecting fewer sales promotion opportunities due to COVID-19.
- Due to these factors and the increases in profits in the domestic agriculture business and the international business, the core operating income in fiscal year 2020 exceeded the level in fiscal year 2019 by 1.3 billion yen.

PPT15

- Next, I will explain factors contributing to changes in operating income and profit.
- Core operating income in fiscal year 2020 stood at 13.6 billion yen, which exceeded the level in fiscal year 2019. Operating income in fiscal year 2020 was 10.7 billion yen, which was 3.4 billion yen less than in fiscal year 2019. The main contributing factors were, first, a gain on sale of businesses to a new logistics company in fiscal year 2019 and, second, impairment losses on fixed assets at HIT. Profit in fiscal year 2020 fell 2.8 billion yen from fiscal year 2019, chiefly reflecting an increase in the effective tax rate from a year ago.

PPT16

- This page describes changes to the statement of financial position.
- Current assets rose 28.9 billion yen due to borrowings in anticipation of a tougher financing environment.
- Due to the borrowings, liabilities increased 22.5 billion yen.
- The ratio of equity attributable to owners of parent to total assets fell to 49.3%, but the decrease does not adversely impact our financial strength.

PPT17

- This page describes changes in cash flows.

PPT18(タイトル)

- Next, I will explain the initiatives in the domestic processed food business in fiscal year 2021.

PPT19

- First, let's look back on trends in the domestic processed food business over the past decade.
- In the first mid-term management plan from fiscal year 2016 to fiscal year 2018, we carried out earnings structure reform in the domestic processed food business and increased profitability.
- However, revenue in the business has remained flat from fiscal year 2018. Our challenge is growth in the top line.

PPT20

- As eating out and events are greatly restricted amid the COVID-19 pandemic, consumers' perceptions of food and their behavior have changed significantly.
- Opportunities to prepare and eat food at home have increased markedly. More and more consumers tend to enjoy preparing food and talking with family members while having a meal.
- To prevent COVID-19 infections, consumers have become more aware of health, immunity and hygiene than ever.
- As people go out and travel to the office less frequently, their purchasing behavior has changed. They go to convenient stores less often and buy large amounts of food at supermarkets and through e-commerce transactions.

- We think that those changes in consumer behavior offer an opportunity to increase vegetable intake in Japan.

PPT21

- Next, I will describe initiatives in fiscal year 2021.
- In fiscal year 2021, we will press ahead with the "Let's Eat Vegetables" campaign to stimulate demand for vegetables and achieve top-line growth.
- With regard to beverages, we will communicate more information about vitamins in vegetables and will encourage consumers to develop a habit of drinking vegetable beverages in response to increasing interest in them. We will launch new products in the SOY+ series, which are selling well, and continue to expand into the area of plant-based products.
- In the food and institutional and industrial use category, we will promote proposals of Western-style dishes at home for sustainable growth in the consumer business. To restructure the institutional and industrial business, we will promote sales to business categories that are performing well amid the COVID-19 pandemic, such as business with food manufacturers and the ready-to-eat dishes business. We will hold Neapolitan Stadium 2021 to determine the most beloved Neapolitan dish in Japan to expand demand for ketchup.
- In the direct marketing and e-commerce business, we will strengthen Kagome direct marketing and cooperate with e-commerce operators to attain new customers.
- We have appointed Remi Hirano, a culinary enthusiast, as the "Let's Eat Vegetables" campaign ambassador. From fiscal year 2021, she will communicate the importance of vegetable intake through a variety of media and tools at stores in a fun and easy-to-understand way.

PPT22(タイトル)

Next, I will describe the earnings structure reform of the domestic agriculture business and initiatives in fiscal year 2021.

PPT23

- The commercialization of the domestic agriculture business started in 1998. Sales channels were expanded to mass retailers nationwide, and sales and income peaked in fiscal year 2016.
- From fiscal 2017, however, large vegetable gardens entered the market, one

after another, and competition intensified, which resulted in a decline in results.

- To overcome the situation, we implemented the earnings structure reform. In fiscal year 2020, the business entered the black.
- We think we need further reform to achieve stable profit and sustainable growth.

PPT24

- To advance the reform, we established Kagome Agri-Fresh. (I will refer to the company as KAF.) From fiscal year 2021, KAF operates the domestic agriculture business.
- The establishment of KAF has four purposes: Expediting decision making, increasing productivity, promoting alliances and enhancing governance.
- The mission of KAF comprises building an advanced and sustainable agribusiness, and cultivating new vegetables as well as fresh tomatoes and a new agribusiness. By fulfilling the mission, KAF will consolidate the earnings base of the domestic agriculture business and change the structure to make sure the business makes a profit.
- In fiscal year 2021, we will advance the earnings structure reform to improve the core operating profit margin and expand sales through the "Let's Eat Vegetables" campaign.

PPT25(タイトル)

- Next, I will explain the earnings structure reform of the international business and initiatives in fiscal year 2021.

PPT26

- The mainstay products of the international business are primary processing products, such as tomato paste, and secondary processing products, such as pizza sauce. We have developed a vertically integrated business that encompasses all stages from the development of seeds to the production, processing and sale of agricultural products based on the assumption of growth in global demand for tomato paste.
- In fiscal year 2017, net sales grew approximately threefold from fiscal year 2010. We discontinued unprofitable business in Asia, and the international business moved into the black in fiscal year 2015.

- In recent years, the results worsened, especially in the primary processing domain, with profitability falling due to weak demand for tomato paste.
- In fiscal year 2020, we posted impairment losses at HIT, as I mentioned, and laid a foundation for growth from fiscal year 2021.

PPT27

- In fiscal year 2021, we will optimize the scale of the primary processing domain and focus on cooperation between the business bases in the United States and the vegetable beverage business in Asia.
- In the primary processing domain, we will not pursue an expansion in scale. We will manage earnings by business and by customer and will select businesses and customers to achieve stable growth.
- In the United States, we will pursue growth in B-to-B business in the entire U.S. market.
- The United States is a growth market where the population is rising. It is an appealing area that has huge production areas and markets for processed tomatoes. In the United States, we have management resources for stages from the sale of tomato seeds to the production and sale of tomato-based products. We will strengthen the relationships between different stages and pursue new growth in the U.S. market.
- In the B-to-C vegetable beverages business, we will continue to expand exports to and sales in Asia.
- We export vegetable beverages to seven regions in Asia, and sales in the business have grown to 0.7 billion yen. We will develop the business so that it will become a core business.

PPT28(タイトル)

- I will go on to the fiscal year 2021 results forecasts.

PPT29

- Consolidated revenue and core operating income in fiscal year 2021 are forecast to be 186.0 billion yen, up 3.0 billion yen year on year, and 13.1 billion yen, down 0.5 billion yen, respectively. Compared with the revised forecasts announced after the first six months of fiscal year 2020, revenue will be on a par with the revised forecast, and core operating income will be 0.6 billion yen higher.
- The top line of the domestic processed food business will grow because of the "Let's Eat Vegetables" campaign. Revenue is expected to rise 3.2 billion

yen. Core operating income is expected to fall 2.0 billion yen, reflecting an increase in promotion expenses for sales growth and a rise in expenses that were reduced temporarily in fiscal year 2020 due to the COVID-19 pandemic.

- Core operating income in the domestic agriculture business is anticipated to increase 0.4 billion yen chiefly due to the strengthening of gross profit management at KAF and an improvement in profitability at green farms.
- Revenue in the international business is forecast to fall 0.4 billion yen due to the optimization of the scale of the primary processing domain, and core operating income is expected to rise 1.4 billion yen. Excluding impairment losses of 1.0 billion yen in fiscal year 2020, core operating income is forecast to rise 0.4 billion yen.

PPT30

- Now, I will explain factors contributing to consolidated core operating income changes in fiscal year 2021.
- First, core operating income will be reduced 1.6 billion yen in fiscal year 2021 due to an increase in promotion expenses in the domestic processed food business. The increase in promotion expenses reflects active promotions planned for growth in the top line.
- Second, an increase in fixed SG&A expenses in the domestic processed food business will reduce income by 1.4 billion yen. We expect that corporate activity will return to normal in fiscal year 2021 and personnel expenses and travel and transportation expenses, among other expenses, will increase.
- Revenue in the domestic processed food business will increase and core operating income will rise in the domestic agriculture business and international business due to the earnings structure reform, but those increases will be more than offset by increases in promotion expenses and fixed SG&A expenses. Overall core operating income is expected to be 13.1 billion yen, down 0.5 billion yen from fiscal year 2020.

PPT31

- I will now explain our fixed investment plan.
- The fixed investment plan in the Second Mid-Term Management Plan was 37.7 billion yen. Part of the plan was cancelled or postponed, and the revised plan is 31.8 billion yen, about 6.0 billion yen less than the previous plan. An

investment of 15.1 billion yen is planned for fiscal year 2021. A major component is an investment of 7.9 billion yen in the creation of a new paper container line at Fujimi Plant.

- The investment in Fujimi Plant will increase beverages in paper containers production capacity at the plant by 20%.

PPT32

- Dividend payouts per share will be 36 yen in fiscal year 2020 and 37 yen in 2021.

PPT33(タイトル)

- Lastly, I will explain initiatives before the Third Mid-Term Management Plan.

PPT34

- First, I will describe sustainability initiatives.
- Environmental conservation is necessary for the continuity of the Company's business for which the raw materials are nature's bounty.
- With regard to the reduction of greenhouse gas emissions, we are considering stricter CO₂ emissions reduction standards in accordance with changes in the target, from the 2°C target to the 1.5°C target, under the Paris Agreement.
- In addition, we use plant-derived raw materials and recycled materials for plastics to reduce the environmental impact.
- In relation to governance, we have decided to abolish the takeover defense measures as we announced in yesterday's press release.

PPT35

- In the Third Mid-Term Management Plan, sustainable growth is required. To achieve top-line growth, we will continue to take two approaches.
- First is increasing the consumption of vegetables. We will continue the "Let's Eat Vegetables" campaign in fiscal year 2021 and thereafter and will promote behavioral change in terms of eating habits and create a habit of consuming vegetables.
- Second is increasing the supply of vegetables. We will strengthen the ability to supply vegetables by building an open value chain that will create an optimal combination of capacities within and outside the company.
- Meanwhile, we will lay the foundation for new growth.
- First, we will focus on the efficient use of invested capital, introducing ROIC-

based internal management in fiscal year 2021.

- Second, we will lay the foundation for digital transformation. We have launched a company-wide digital transformation project. We will restructure the company-wide customer data platform and advance its effective strategic use.
- Third, we will increase job satisfaction. We will encourage changes in ways of working and shift the focus toward initiatives to increase job satisfaction. In particular, we will strengthen engagement.

PPT36

- COVID-19 has raised awareness of a healthy diet and increasing immunity, which has had a positive effect on us. Meanwhile, competition is expected to intensify in the "food and health" domain.
- All staff at the Company will do their best to survive the competition through the power of vegetables and achieve the 2025 goal and long-term vision.
- We will review the 2025 numerical targets in consideration of environmental changes and will announce them when a Third Mid-Term Management Plan is announced.
- This brings me to the end of my presentation. Thank you for your attention.