

Results Briefing for the First Half of the Fiscal Year Ending December 31, 2021

PPT1

- Good morning, everyone. Thank you very much for watching this results briefing for the second quarter of the fiscal year ending December 31, 2021, today.

PPT2

- Without further ado, please allow me to get started with the briefing. First is a summary of business results.

PPT3

- This is an overview of the consolidated results.
- The first half of FY2021 was a period in which business continued to be severely affected by the COVID-19 pandemic, which has been raging since the previous fiscal year. We achieved year-on-year gains in revenue, core operating income, operating income and net income due to measures to stimulate demand for vegetable such as the “Let’s Eat Vegetables” campaign, against a backdrop of rising health consciousness and continued stay-at-home demand.
- Revenue is 91.9 billion yen, up 3.5% year on year, core operating income is 7.1 billion yen, up 11.9% year on year, operating income is 6.9 billion yen, up 1%, and net income is 4.7 billion yen, up 3.6% year on year.

PPT4

- I will now explain the results by business segment.
- We achieved gains in revenue in all segments except domestic agriculture business. Domestic businesses posted lower core operating income mainly due to proactive spending on promotions and advertising. However, the international business performed strongly, resulting in higher core operating income totally.

PPT5

- This slide shows topics for these financial results.
- The domestic processed food business achieved a year-on-year increase in

- revenue due to the release of new products and proactive promotions.
- Direct marketing is disclosed as a separate segment following a change in segmentation from this fiscal year. During the first half, the direct marketing category posted gains in revenue and profit due to growing use of the direct marketing channel and rising health consciousness.
- Products for household use in the food and others category recorded lower revenue in the absence of a spike in demand for eating at home due to COVID-19 in 2020. However, revenue exceeded 2019 levels.
- Products for institutional and industrial use staged a recovery following a dramatic decline in 2020. However, results fell short of 2019 levels due to the protracted slump of food service industry caused by COVID-19.
- The domestic agriculture business reported declines in revenue and profit due to a downturn in market conditions for fresh tomatoes.
- The international business posted gains in revenue and profit thanks to recovery in food service demand and cost reduction due to increased productivity.

PPT6

- This graph shows monthly revenue compared with 2020 and 2019 levels for the four categories: beverages, products for household use and products of institutional and industrial use in domestic business and products for institutional and industrial use in the U.S. The scale on the vertical axis is different in each graph.
- In the beverages category of domestic business, while revenue was below 100% of the 2020 level in some months, quarterly totals exceeded 2020 levels. For all of the months shown, revenue exceeded 100% of 2019 levels.
- In the products for household use category of domestic business, revenue was less than 100% of 2020 levels from February, reflecting the effect of a surge in home cooking. However, in June, which was less affected, revenue once again exceeded the 2020 level. For all of the months shown, revenue exceeded 100% of 2019 levels.
- In the products for institutional and industrial use category of domestic business, revenue exceeded 2020 levels but hovered at around 80% of 2019 levels due to the impact of the protracted slowdown in the food service industry.
- In the products for institutional and industrial use in the U.S., the food service

industry has recovered and revenue exceeded 100% of 2020 levels and has recovered to 2019 levels.

PPT7

- I will now explain each business in detail.
- The beverage category of the domestic processed food business achieved an increase in revenue due to the release of new products and energetic promotions.
- A breakdown by sales channels shows that sales through mass retailers and EC remained strong. Sales through the convenience stores channel, which were severely affected by COVID-19, exceeded the level a year earlier from the second quarter.
- A breakdown by container size reveals that demand for beverages in large containers for consumption at home settled down while sales of beverages in personal-size containers showed a tendency to pick up
- Looking at individual brands, revenue from the Yasai Seikatsu 100 Series reached 102% of the level a year earlier, with a new Vitamin Smoothie product driving growth.
- Revenue from Yasai Ichinichi Kore-Ippon were 106% of the previous year's level, with a new light product (50% less sugar) selling well.
- Revenue from tomato juice was 97% of the year-ago level due to sluggish sales of 265g container size products which account for a large share of convenience store sales.
- Promotion expenses and advertising expenses both increased due to proactive promotions, causing core operating income to fall. However, expenditure was mostly as budgeted.

PPT8

- In the direct marketing category, both revenue and core operating income increased due to growing use of the direct marketing channel and rising health-consciousness.
- We entered the direct marketing business in 1998 and manufacture and sell mainly vegetable beverages, supplements and soups under our Kenko Chokusobin direct marketing brand.
- A breakdown by core product shows that revenue from vegetable beverages was 103% of the level a year earlier, reflecting new customers gained by

stepping up advertising from the spring. Revenue from supplements also grew to 118% of the previous year's level as a result of investment in advertising to increase recognition and the acquisition of regular customers. Revenue from soups also expanded, reached 115% of the year-ago level.

- Advertising expenses rose 150 million yen year on year but core operating income rose on the back of brisk sales.

PPT9

- The food and other category posted higher revenue but lower core operating income, with revenue in the products for household use category falling in the absence of the previous year's demand and revenue from products for institutional and industrial use recovering from the year before.
- Revenue from products for household use reached 95% of the 2020 level and 105% of the 2019 level.
- The result reflects the absence of the previous year's surge in demand but was still higher than the 2019 level.
- Revenue from tomato ketchup, which is a core product in this category, was also 95% of the 2020 level but reached 104% of the 2019 level due to increased promotions related to Neapolitan Stadium.
- Meanwhile, revenue from products for institutional and industrial use reached 102% of the 2020 level but was 82% of the 2019 level, indicating the severe impact of the protracted slump in food services. Food processing industry sales, which include sales to food manufacturers, etc., were solid, exceeding the 2019 level.
- Promotion expenses and advertising expenses increased mainly due to proactive promotions related to Neapolitan Stadium.
- Due to the increase in these expenses and decreased revenue from products for household use, the food and others category reported lower core operating income.

PPT10

- Next, I will explain about the domestic agriculture business.
- In the domestic agriculture business, revenue and core operating income both declined due to weaker selling prices of fresh tomatoes caused by the downturn in market conditions from January to April, despite an increase in sales volume.

- Revenue from fresh tomatoes was 4 billion yen, which is 95% of the level a year earlier.
- The graph at the bottom left of the slide shows the trend in the market price of fresh tomatoes. Prices reached an historic low as a result of unusually abundant harvests amid favorable weather conditions from the start of the year.
- Since May, tomato prices have recovered due to an earlier-than-usual rainy season.

PPT11

- Let me now move on to the progress in the Let's Eat Vegetables campaign.
- In the domestic business, we launched the Let's Eat Vegetables Campaign in 2020 and have been disseminating information via media such as TV commercials, newspaper ads and social media encouraging people to increase their vegetable intake by 60g.
- The graph on the left side of the slide shows that consumers who answered that they had purchased products in the past and intended to purchase them again in the future was 10 percentage points higher for all products among consumers aware of the campaign than among consumers not aware of the campaign.
- In some cases, the dissemination of information via handouts in supermarkets and social media linked to the recipes of Remi Hirano used in TV commercials has prompted consumers to actually cook with Kagome products at home.

PPT12

- We have also collaborated with 19 companies that support the "Let's Eat Vegetables" campaign on various "Vegetable Promotion Project" initiatives and, by involving more companies and organizations, we intend to achieve growth as a company by increasing vegetable intake while at the same time solving social issues.

PPT13

- Next, I would like to explain the international business.
- In the international business, revenue and core operating income both increased as recovery of demand in the food service market was steadily turned into revenue and the effects of structural reform initiated the previous

year also became evident.

- The table shows the results at each company. At U.S.-based Kagome Inc. revenue and profit both increased, reflecting success tapping into the recovery of food sector demand leading to higher sales and increased productivity leading to lower costs.
- At Portugal-based HIT, although revenue fell in the absence of strong sales to food manufacturers the previous year, profit increased through improvement in profitability, with higher selling prices and lower depreciation and amortization expense.
- At Kagome Australia, revenue and profit both increased mainly due to rising demand for tomato paste and growth in sales of raw materials, tomatoes and carrots, to Kagome Japan.
- At U.S.-based UG, revenue and profit both increased, reflecting strong sales of seeds mainly in Europe and the Middle East.

Factors Contributing to Core Operating Income Changes

- 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 460 million yen. The increase is chiefly due to TV commercials, newspaper ads and other advertising linked to the Let's Eat Vegetables campaign.
- Promotion expenses rose by 390 million yen, reflecting the promotion of new products mainly in the beverages category.
- In addition to these factors, the domestic agriculture business posted lower profits. However, thanks to higher profits in the international business, the core operating income in FY2021 exceeded the level in FY2020 by 750 million yen.

PPT15

- Next, I will explain factors contributing to changes in operating income and profit.
- Core operating income was 7.11 billion yen, rising 750 million yen year on year, operating income as 6.94 billion yen, up 60 million yen, and profit was 4.73 billion yen, up 160 million yen.
- The increases in operating income, profit before income tax and profit were smaller mainly due to the recording of gain on sales of non-current assets the

previous year.

PPT16

- This page describes changes to the statement of financial position.
- Total assets amounted to 204.9 billion yen, shrinking 20 billion yen from the end of FY2020 as a result of the repayment of short-term borrowings in preparation for the tightness of financing conditions due to COVID-19 the previous year.
- Current assets decreased 25.6 billion yen, to 115.9 billion yen.
- Due to the repayments, liabilities fell 24.5 billion yen, to 87.7 billion yen.
- As a result, the ratio of equity attributable to owners of parent to total assets improved to 56.2%.

PPT17

- This page describes changes in cash flows.

PPT18(タイトル)

- Next, I would like to explain our second-half initiatives and direction.

PPT19

- In the domestic processed food business, we will implement initiatives to encourage the intake of vegetables from multiple perspectives through the “Let’s Eat Vegetables” campaign.
- We will seek to expand sales by steadily tapping into the ongoing interest in health and immunity as the effects of COVID-19 drag on.

PPT20

- I will now explain specific initiatives in each category.
- In the beverages category, we will continue focusing on strengthening promotions for vegetable beverages. We will disseminate information about vitamins via the web, social media and other media to increase recognition of the value of vegetables and also continue to conduct a campaign based on a popular character, which was well received last year, for a second year.
- As a second initiative, we will strengthen the plant-based domain. We will expand the lineup of Yasai Seikatsu Soy+ products through the addition of a new banana product. We will also release Yasai Seikatsu Oats+ and market

Oats+ and Soy+ products together as a plant-based product group

- In the food, etc. category, we will strengthen promotions of Western-style food and recipes. Through promotions to raise awareness of vegetable intake and cooking with vegetables, we will disseminate easy vegetable recipes for both products for household use and products for institutional and industrial use.
- Also, from the second half, we plan to market the plant-based products released for institutional and industrial use in 2019 as products for household use, to tap into new demand.

PPT21

- Moving on to the domestic agriculture business. We will ensure profitability on a full-year basis by stepping up promotions linked to the “Let’s Eat Vegetables” campaign and increasing productivity.
- Firstly, we plan to increase product exposure opportunities by planning appearances of Remi Hirano, who is famous celebrities for **advertising the Let's Eat Vegetables Campaign**. More specifically, we will disseminate information about recipes on fresh tomato and baby leaf salad packaging and conduct gift campaigns and other promotions in a bid to expand sales.
- We are now switching to summer-autumn production areas for tomatoes but we will stabilize earnings through price control. More specifically, we plan to increase selling prices during the off-season by ensuring crops of tomatoes from summer-autumn production areas.
- We plan to increase the share of high lycopene tomatoes, which are classed as a functional food, by expanding uptake among companies for a longer period, as they are less sensitive to changes in market conditions.
- At the same time, we aim to increase productivity at plantation sites. We have already conducted operations analysis at plantations, and sought standardization of harvesting and fruit sorting operations. Moving forward, we will continue to increase productivity by promoting the systemization of business processes.

PPT22

- Turning to the international business.
- In the international business, we will steadily turn recovery of demand in food services market into revenue and seek sustainable profit growth.
- In the primary processing domain, which includes products such as tomato

paste, HIT aims for production of this season's crop on an appropriate scale. We will continue strengthening management of earnings by customer to generate profit.

- In Australia, tomato paste shipments were moved up to the first half and, as a result, second-half shipments are expected to fall year on year
- In the secondary processing domain, food services demand in the U.S. has almost recovered to 2019 levels as shown in the graph in the middle of the left side of the slide entitled Sales Trend of Major Customer Applebee's. We will seek to expand sales by stepping up sales in the U.S.
- In the vegetable beverages business in Asia, we are currently exporting products for sale in 7 regions. We intend to build a business base using mainly local distributors.

PPT23(タイトル)

- I will go on to the FY2021 results forecasts.

PPT24

- Looking at our FY2021 consolidated results forecasts, we raised our initial revenue forecast by 2 billion yen to 188 billion yen and our initial core operating income forecast by 600 million yen to 13.7 billion yen mainly due to recovery of food service demand in the U.S.
- Regarding the domestic processed food business, we raised our forecast for core operating income only due to lower-than-initially anticipated business trip and travel expenses. Moving forward, we intend to continue expanding revenue through proactive promotions
- As for the domestic agriculture business, we lowered our forecasts due to a poor first-half performance, although profitability will be ensured by increasing the selling prices for summer-autumn production areas and increasing share of functional foods such as high lycopene tomatoes.
- Meanwhile, we raised our forecasts for the international business due to a strong first-half performance.

PPT25

- Next, I would like to explain current initiatives in preparation for the Third Mid-Term Management Plan.

PPT26

- First, this shows progress under the Second Mid-Term Management Plan. As you can see, during the period of the Second Mid-Term Management Plan, revenue and core operating income have both showed slower growth. Our challenge under the Third Mid-Term Management Plan is to achieve revenue growth whilst maintaining profitability.
- In FY2022, which will be the first year under the plan, we expect a harsher business environment because we expect expenses to rise temporarily and raw material prices to increase as global economic activity recovers.
- Therefore, already this fiscal year, we are implementing initiatives for the next-stage of growth.

PPT27

- We are currently pursuing digital transformation or DX internally as the foundations for the next stage of growth.
- We launched DX initiatives in 2016 with the aim of strengthening our ability to adapt to digital transformation and market changes. We standardized our core business processes in connection with backbone system renewal in 2020. The so-called mode 1 of DX is over.
- Moving forward, we will implement "offensive" mode 2 initiatives. This is the phase where we create new customer contact points and new business models
- We will hold workshops with internally recruited members and business division members to develop a framework for promoting DX in preparation for the Third Mid-Term Management Plan. We will also design meetings to promote DX across the Group.
- Divisions promoting DX have already started distributing videos explaining DX to raise awareness of DX initiatives internally. Judging from the strong internal response, we feel there has been a good reaction to this initiative.
- In addition, at the Amazon Web Services Summit held in May, we gave a presentation of Kagome's DX initiatives and received a positive response.

PPT28

- We will also actively pursue open innovation to develop seeds for the next stage of growth.

- To give an example, we created the CropScope Agricultural ICT Platform with NEC to realize sustainable agriculture. This is a service that uses sensors and satellite photographs to visualize the growth status of tomatoes and the condition of soils, as well as a service that provides farming advice using artificial intelligence (AI). It stabilizes harvests and reduces cultivation costs and implements environmentally friendly farming.
- We have also established Sobetsu Agri-Foods Co., Ltd. in a joint venture with an agricultural production corporation in the town of Sobetsu in Hokkaido. We built an onion processing plant using the disused building and site of a junior high school to meet growing demand for processed onion products and to contribute to regional revitalization.
- In addition, we are also seeking expansion into the plant-based food domain, which is attracting growing interest worldwide. We recently announced a business alliance with TWO Inc., which markets plant-based food brands. Leveraging the knowledge of the two companies, we will plan and develop plant-based food/beverages and services.
- We will actively implement such new open innovation initiatives, which we see as opportunities for further growth.

PPT29

- Action on the environment is also an important challenge. We will focus on environmental issues and pursue sustainable business, recognizing that since “nature” is the source of Kagome's products, protection of the environment is essential for our business survival.
- In 2018, we set a medium-to-long term goal for the reduction of CO2 emissions. However, we recently committed to the Science Based Targets initiative (SBTi) and are considering an emissions reduction target in line with stricter criteria, aiming for a 1.5°C-aligned target.
- We have also launched initiatives to reduce plastic in products in line with our plastic reduction policy established in 2020.
- To give an example, we sold seasonal special Yasai Seikatsu 100 products with eco-friendly paper straws as limited edition products via the Kagome website.
- Priced at 120 yen per unit, these products are more expensive than regular products but they were well received by environmentally aware customers. We plan to continue balancing environmental initiatives and business through such

initiatives in the future.

PPT30

- COVID-19 has raised awareness of a healthy diet and increasing immunity, which has had a positive effect on us. At the same time, there is now fierce competition in the "food and health" domain, including market entry by companies from other industries.
- 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.
- The Third Mid-Term Management Plan to be launched in 2022 will cover the four-year period from 2022 to 2025 and plots a course towards their achievement. We plan to explain the Third Mid-Term Management Plan in more detail at the next results briefing.
- This brings me to the end of my presentation. Thank you for your attention.