

Results Briefing Scenario for FY2024/2Q

PPT1

- Good morning, everyone. Thank you very much for joining us today for our results briefing for the first half of the fiscal year ending December 31, 2024.

PPT2 (Topics)

- Today, I will be briefing you on the agenda shown here.

PPT3 (Title)

- First, I would like to give you an overview of our financial results for the first half of FY2024.

PPT4

- Consolidated revenue increased 40.7% year on year to 148.2 billion yen owing to the conversion of Ingomar to a consolidated subsidiary, and core operating income increased 81.9% year on year to 16.0 billion yen due to price revisions and other factors.
- Operating income increased 183.9% year on year to 25.2 billion yen, and net income for the first half increased 242.6% year on year to 17.7 billion yen.

PPT5

- Next, I would like to explain the results by business segment.
- In the Domestic Processed Food Business shown in (1), revenue in Beverages and Food-Other increased, while Direct Marketing decreased, but total revenue increased. Core operating income increased across all segments.
- In the International Business shown in (2), both tomato and other primary processing and tomato and other secondary processing saw increased revenue and profits. From this fiscal year, we have disclosed the International Business segment by dividing the manufacture and sale of tomato paste into the tomato and other primary processing, and the manufacture and sale of pizza sauces and other products made by adding seasonings to the primary processed products into tomato and other secondary processing. I will explain each of these as primary processing and secondary processing.

PPT6

- This slide shows details of the Domestic Processed Food Business by segment.
- Using the graph on the left, I will explain the revenue for each category.
- In beverages, we were able to increase revenue without reducing sales volume due to

- measures to stimulate demand implemented after the price revisions in February. In particular, tomato juice has been performing well since last year, with the spread of new users interested in beauty and the increase in the number of high volume users.
- In Direct Marketing, revenue declined due to a decrease in the number of regular customers of supplements.
 - In the Food-Other, revenue of foods for consumer use increased driven by strong sales of tomato ketchup after the price revisions in February. Since it is possible to easily make one-plate meals such as rice omelet at a reasonable price, demand is growing among the child-rearing cohort who use a lot of ketchup. In institutional and industrial use, revenue increased due to continued strong demand for eating out.
 - Next, take a look at core operating income on the right.
 - In Beverages and Food-Other, raw material prices continued to rise, but profit increased thanks to the effects of price revisions.
 - In Direct Marketing, revenue declined, but we secured an increase in profit by controlling advertising expenses.

PPT7

- I will now go over the detailed situation after the price revisions made in February 2024.
- In each category, sales performed better than initially expected.
- Sales of vegetable beverages in the first half were up 102% of the forecast in terms of volume and 113% in amount due to price revisions.
- Sales of foods for consumer use were 99% of the forecast in terms of volume, but increased by 109% in amount due to the effects of price revisions.
- Sales of institutional and industrial use foods increased significantly from the previous year, 104% of the forecast on a volume basis and 118% on an amount basis in the first half.
- The table below shows the monthly changes in the average prices of our main products, Yasai Seikatsu 100 and Tomato Ketchup, at supermarkets nationwide in Japan. Since the February price revision, the average price has risen and has remained at that level.

PPT8

- Moving on, I would like to review the International Business.
- In the International Business, revenue and profits increased. Even excluding the impact of foreign exchange rates, revenue and profits both rose.
- Primary processing increased significantly due to the acquisition and consolidation of Ingomar, but even in primary processing excluding Ingomar, price revisions linked to market conditions for tomato paste resulted in higher revenue and profits.
- In secondary processing, revenue and profits increased thanks to an increase in selling

prices from price revisions and higher demand for eating out, resulting in strong sales of pizza sauces and other products.

PPT9 FY2024/1H Factors Contributing to Core Operating Income Changes (YoY)

- Let's take a look at the factors that caused changes in core operating income.
- There was a decrease of 2.6 billion yen, which is calculated by subtracting the cost reduction of 0.6 billion yen from the increase in cost of sales of 3.2 billion yen in (2), compared to the increase in profit of 6.1 billion yen due to the price revisions in (1) and larger sales volume.
- The decrease in profit due to the increase in cost of sales was offset by the higher profit resulting from the price revisions. In addition, personnel costs increased by 0.7 billion yen.
- Combined with the 4.1 billion yen increase in profit in the International Business described in (3), core operating income totaled 16.0 billion yen.

PPT10

- I will now take a closer look at the factors causing changes in operating income and net Income.
- Due to the increase in core operating income, both operating income and net Income increased.
- As a result of remeasuring the equity held in connection with Ingomar's consolidation at fair value on the acquisition date, a gain of 9.3 billion yen was recorded in "Other Income" as shown in (1).
- This gain is exempt from taxation, and as a result, the effective tax rate in (2) decreased by 11 percentage points, resulting in a net Income of 17.7 billion yen.

PPT11

- Now, let's look at the changes in the Statement of Financial Condition.
- As a result of Ingomar's consolidation, inventories in (1) increased by 29.8 billion yen and intangible assets increased by 39.1 billion yen in (2), resulting in an increase of 96.1 billion yen in total assets from the end of the previous fiscal year, as shown in (3).
- The liabilities in (4) increased by 46.6 billion yen, mainly due to an increase in borrowings associated with our acquisition and consolidation of Ingomar.
- Equity in (5) increased by 49.5 billion yen, mainly due to increases in non-controlling interests and retained earnings.
- The ratio of equity attributable to shareholders of the parent in (6) was 43.9%, a decrease of 5.9 percentage points.
- The detailed breakdown is presented on this slide, as you can see.

PPT12

- I will now present the details of changes in cash flow. Although cash flows from operating activities increased, cash flows from investing activities decreased due to the acquisition of Ingomar and other factors, resulting in a negative free cash flow of 13.9 billion yen.
- Cash flow from financing activities increased over the previous year, mainly due to an increase in short-term borrowings.

PPT13 (Title)

- Next, let's take a look at our earnings forecast for FY2024.

PPT14

- As indicated in (1), the full-year earnings forecast for FY2024 calls for revenue of 296.0 billion yen and core operating income of 23.0 billion yen, which is unchanged from the revised forecast at the time of the announcement of the first quarter financial results. This is due to the risk factors in the second half facing both the Domestic Processed Foods Business and the International Business.
- In terms of risk factors in the Domestic Business, consumers are becoming more interested in saving money amid the ongoing inflationary environment. There is also a shift in preferences to lower prices, including among our peers.
- In the International Business, the market for tomato paste produced in 2024 should start to decline, and the impact will be felt from the fourth quarter onwards.
- In (2), the figures obtained by subtracting the results of the first half from the revised forecast for the year are displayed as the forecast for the second half. Although profits are decreasing, we will focus on measures to reverse the impact of rising costs and aim to increase profits on a consolidated basis.

PPT15

- This slide contains the issues to be addressed in aiming for higher profits in the second half and measures to be taken.
- In the Domestic Processed Foods Business, cost of sales will increase as in the first half. In response to this, we will work to maintain and expand the sales volume of repriced products through promotions and other means. In addition, we will continue to engage in cost reduction activities.
- In the International Business, one issue is responding to the decline in the market price of the 2024 crop of tomatoes. In primary processing, we will promote a pricing strategy linked to the tomato paste market.
- In secondary processing, we will promote the acquisition of new customers by utilizing inter-group collaboration to strengthen our stable supply system and menu item proposal

capabilities for global food service companies.

- Through these efforts, we aim to increase consolidated profits in the second half of FY2024.

PPT16

- I will now explain our measures for the second half of FY2024.

PPT17

- In the domestic business, we will continue working toward restoring profits, which is an issue for the second half of the Mid-Term Management Plan.
- In the beverages market, we will lead a recovery in the vegetable beverage market by implementing measures to stimulate demand by increasing opportunities for vegetable consumption in order to entrench new prices.
- The vegetable beverage market has been stagnant, but the market size is expected to turn around toward growth in 2024.
- In particular, tomato juice has made a significant contribution to the recovery of the vegetable beverage market as a whole, with a forecast market growth rate of 115% year-on-year.
- Revenue of Kagome's tomato juice is also strong. The reason for the strong performance is that we have been able to acquire new users, mainly those who are interested in beauty, which have become high volume users.
- In the second half of FY2024, we will promote understanding of the functional value of lycopene, which is the trigger for the trial, with the goal of further acquiring new users, and we will also engage in communication activities targeting young women.
- In terms of Yasai Seikatsu, we will continue to use Ryokuoushoku Shakai, a Japanese pop rock band, to star in our commercials and to disseminate the communication message of "Make morning an ally." By stimulating demand for morning consumption, where opportunities for drinking have been decreasing, we aim to increase the number of opportunities to consume vegetables in the morning.
- In addition, with the aim of expanding our business domain, in April 2024, we signed a license agreement with Blue Diamond Growers for the manufacture and sale of its almond milk brand "Almond Breeze" in Japan. Production and sales are scheduled to begin in September.
- Founded in 1910, Blue Diamond Growers is the world's largest almond processing and sales company, sourcing and processing almonds through 3,000 contract farmers in California. The company has a high affinity with us in terms of value creation from agriculture.
- Although the contribution to revenue and core operating income in FY2024 will be limited,

we will make the most of our resources and expand our sales channels in earnest from FY2025 onward.

PPT18

- As for foods, tomato ketchup continues to perform well. Proposals for local Chinese rice omelet and promotions using Atarashii Gakko! have been successful.
- In the second half of FY2024, we will expand the product usage by proposing inexpensive, easy, and family-friendly menu ideas that match cost and time performance needs, taking advantage of the affordability of basic seasonings.
- In addition, our new product Soup for Rice, which will be released in August, will appeal to consumers because it is possible to make an entire delicious meal without much effort, which tap into the needs of women who are highly conscious of time saving and convenience as the number of menu items on the dining table is decreasing due to heightened awareness of both saving time and money.
- Sales of institutional and industrial use products are performing well as the number of foreign visitors to Japan has reached a record high. Amid this, labor shortages have become a serious issue in the restaurant industry including both hotels and restaurants. In the second half of FY2024, we will strengthen our proposals for products that address these labor shortages at hotels and restaurants, while also promoting earnings structure reforms, such as reviewing unprofitable products, which are ongoing.

PPT19

- In the International Business, sales of both primary and secondary processing for food service companies continue to perform well against the backdrop of strong market conditions and rising prices for tomato paste, but we expect the market to turn downward for the 2024 production run of tomato paste.
- In the International Business, we have adopted a company structure since last year, and we are strengthening Group cooperation by holding monthly Management Meetings with the CEOs of major subsidiaries.
- As a result, we have been able to enhance our ability to provide a stable supply of products through the cooperation of multiple production bases.
- In the second half of FY2024, in anticipation of a future decline in tomato paste prices, we will promote strategy that includes our overseas Group companies, including pricing strategies.
- We will also further strengthen our ability to serve food service companies. By bolstering our ability to propose menu ideas and expanding product categories beyond pizza sauce, such as barbecue sauce, we aim to expand sales with existing business partners. In addition to our main business partners, global food service companies, we will also

- acquire new ones in the form of local food service companies in each area.
- With Ingomar, we will work on specific issues to create synergies. In terms of short-term synergies, we expect to reduce costs by reducing production losses and to borrow at lower rates.
 - In terms of long-term synergies, we have started a project that aims to develop sustainable agricultural technologies with competitive advantages.
 - In order to create synergies with Ingomar, we will need to foster collaboration with the Global Agri Research & Business Center (GARBiC), which we established last year.
 - The person in charge visited Ingomar's contract farmers directly to better understand the situation of agriculture in California and explore the needs of local farmers.
 - Locally, we are able to share issues related to water procurement and soil disease, and we will work on the development of new varieties and cultivation technologies in the future.
 - In addition, GARBiC's new location in California, the same location as Ingomar, established in April of this year, has enabled closer collaboration.
 - In addition, the GARBiC is preparing for the establishment of a corporate venture capital (CVC) in agriculture to explore cutting-edge technologies that may be opportunities for innovation that it cannot possess on its own. Details of the CVC will be announced at a later date.

PPT20

- The business environment has changed drastically, and Kagome's business structure has reached a turning point in which the share of Domestic and International Businesses has reversed.
- In the field of food and health, we will aim to achieve our vision and what Kagome strives for by 2025.
- That is all for my presentation. Thank you for your attention.