

Results Briefing Materials for FY2021/2Q



Kagome Co., Ltd.

Securities code: 2811

Figures in these materials

- Amounts are rounded down to the nearest 100 million yen. Part of amounts for core operating income are rounded down to the nearest 10 million yen.
- Percentages are rounded to one decimal place.

1. Summary of Business Results for FY2021/2Q

FY2021/2Q Consolidated Results



Achieved gains in revenue and profit due to rising health consciousness, continued stay-at-home demand and measures to stimulate demand for vegetables such as the “Let’s Eat Vegetables” campaign

Unit: 100 million yen	Results		YoY		FY2020/1H	FY2019/1H
		Margin		Rate of change		
Revenue	919	-	+31	+3.5%	888	885
Core Operating Income	71	7.7%	+7	+11.9%	63	54
Operating Income	69	7.6%	+0	+1.0%	68	71
Net Income*	47	5.2%	+1	+3.6%	45	54
ROE	4.2%	-	0	-	4.2%	5.4%
ROA	3.3%	-	+0.3pt	-	3.0%	2.8%
EPS (yen)	53.05	-	+1.39	-	51.66	61.53

* Net income attributable to owners of parent

FY2021/2Q Results by Segment

Achieved gains in revenue in all segments except domestic agriculture business
 Achieved higher profit overall given a strong performance in international business,
 which offset lower profit in domestic businesses

Revenue				Core Operating Income						
Unit: 100 million yen	FY2021			FY2020/ 1H	FY2019/ 1H	FY2021			FY2020/ 1H	FY2019/ 1H
	YoY	Rate of change				YoY	Rate of change			
Beverages	371	+7	+2.0%	364	352	35.1	(0.4)	(1.3)%	35.6	25.7
Direct marketing	60	+4	+8.0%	55	51	3.9	+0.3	+9.7%	3.6	4.0
Food and others	217	+1	+0.6%	216	225	13.5	(2.6)	(16.4)%	16.2	16.8
Domestic processed food business	649	+13	+2.0%	636	629	52.7	(2.7)	(5.0)%	55.4	46.6
Domestic agriculture business	49	(3)	(6.8)%	53	51	1.0	(1.3)	(58.0)%	2.3	0.0
International business	257	+31	+13.9%	225	232	17.2	+13.4	+363.3%	3.7	5.6
Other/adjustments	(37)	(9)	-	(27)	(28)	0.2	(1.7)	(88.6)%	2.0	1.9
Total	919	+31	+3.5%	888	885	71.1	+7.5	+11.9%	63.5	54.2

Domestic processed food business Beverages

Achieved a year-on-year increase in revenue due to the release of new products and proactive promotions

Domestic processed food business Direct marketing

Positioned as a business expected to drive growth and disclosed as a separate segment following a change in segmentation from this fiscal year

Posted gains in revenue and profit due to growing use of the direct marketing channel and rising health consciousness

Domestic processed food business Food and others

Products for household use: Revenue fell due to the recoil from special demand for eating at home caused by COVID-19 but exceeded 2019 levels

Products for Institutional and industrial use: Showed signs of recovery from 2020 but failed to recover to 2019 levels due to protracted slump of food service industry

Domestic agriculture business

Reported declines in revenue and profit due to a downturn in market conditions for fresh tomatoes

International business

Posted gains in revenue and profit due to recovery of food service demand and lower costs due to increased productivity

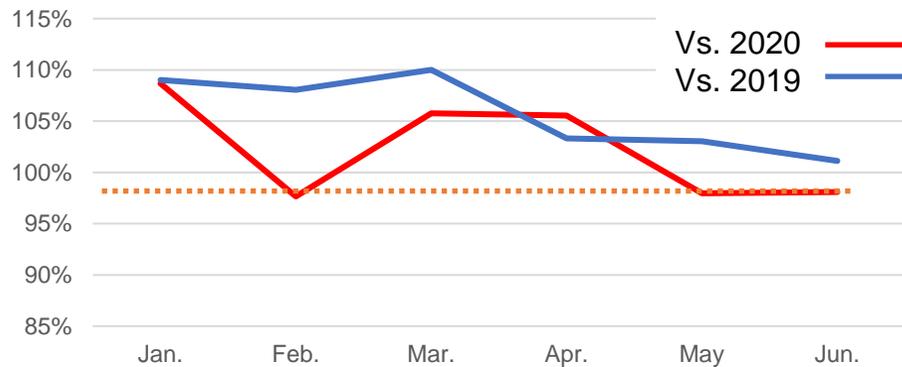
Monthly Revenue Compared with 2020 and 2019



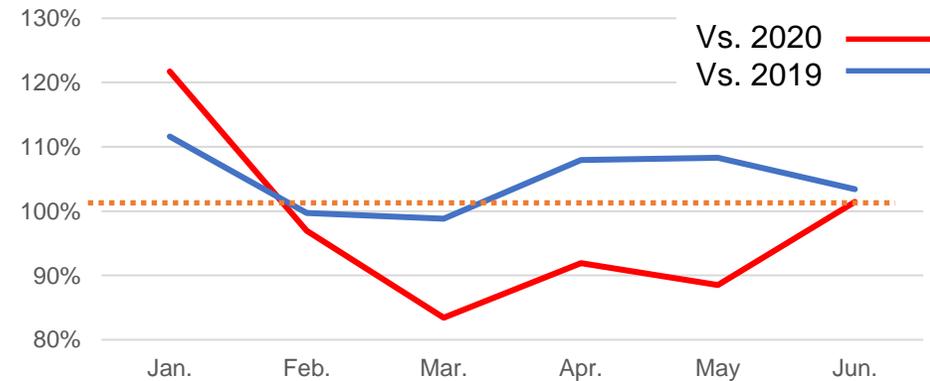
Revenue from beverages and products for household use in domestic business exceeded 2019 levels
 Revenue from products for institutional and industry use fell far below 2019 levels in domestic business and almost recovered to 2019 levels in the U.S.

* 29 days for February 2020

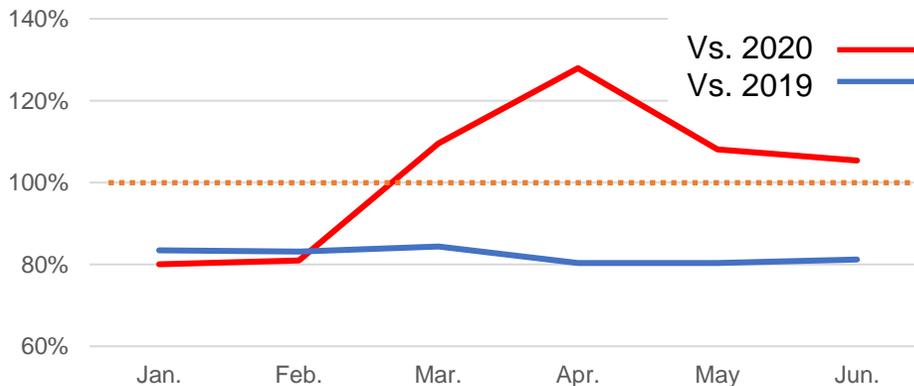
Domestic: Beverages



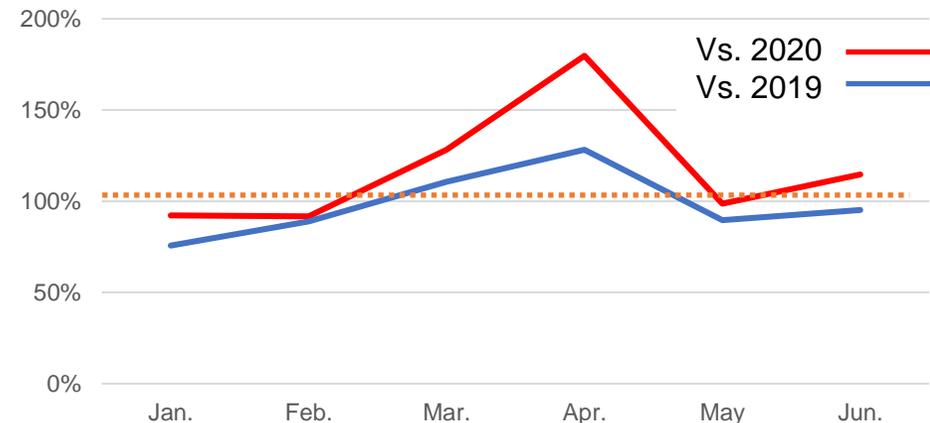
Domestic: Products for household use



Domestic: Products for institutional and industrial use



U.S.: Products for institutional and industrial use



Domestic Processed Food Business Beverages



Achieved year-on-year increase in revenue due to the release of new products and energetic promotions
Revenue reached 37.1 billion yen (up 700 million yen year on year) and core operating income was 3.51 billion yen (down 40 million yen year on year).

Year-on-year comparison of revenue by sales channel and container size

Sales channel	1Q	2Q	1H
Convenience store	94% (2)	101%	98%
Mass retailer	105%	101% (1)	103%
EC	119%	114%	116%
Total	103%	102%	102%

Container size	1Q	2Q	1H
Personal-size container	102% (3)	105%	104%
Large container	106%	95%	102%
Total	103%	102%	102%

The personal-size container is 265g PET bottle or 330 ml or smaller carton.

The large container is 720 ml PET bottle or 1L carton.



Sales by sales channel and by container size

- (i) Sales through mass retailers and EC remained strong
- (ii) Second-quarter sales through convenience stores exceeded the level a year earlier despite the long-lasting impact of COVID-19
- (iii) Compared with the previous year, demand for beverages in large containers for consumption at home sold through mass retailers settled down and sales of beverages in personal-size containers showed a tendency to pick up

Revenue by core brand

Yasai Seikatsu 100 Series 20.8 billion yen (102% year-on-year)

- A new Vitamin Smoothie product drove growth

Yasai Ichinichi Kore-Ippon 6.2 billion yen (106% year-on-year)

- A new light product (50% less sugar) sold well

Tomato juice 5.4 billion yen (97% year-on-year)

- Revenue fell year on year mainly due to sluggish sales of 265g container size products which account for a large share of convenience store sales

Promotion expenses, advertising expenses, etc.

Both increased, reflecting proactive promotions and the inability to conduct promotions the previous year

Promotion expenses rose 430 million yen year on year and advertising expenses increased 140 million yen year on year

Domestic Processed Food Business

Direct marketing

Revenue increased due to growing use of the direct marketing channel and rising health-consciousness
 Revenue reached 6.0 billion yen (an increase of 400 million yen year on year), and core operating income was 390 million yen (rising 30 million yen year on year)



Direct marketing business

- Entered direct marketing business in 1998
- Handling high value-added products based on the concept of special Kagome products which cannot be purchased in-store
- Manufacturing and selling mainly vegetable beverages, supplements and soups through the Kenko Chokusobin direct marketing service

Revenue by core product

Vegetable beverages 3.9 billion yen (103% year-on-year)

- Gained new customers by stepping up advertising from the spring

Supplements 1.0 billion yen (118% year on year)

- Sales grew as a result of investment in advertising to increase recognition and the acquisition of regular customers

Soups 500 million yen (115% year-on-year)

Advertising expenses, etc.

Increased due to proactive advertising campaigns
 Advertising expenses rose 150 million yen year on year

Domestic Processed Food Business Food and others



Revenue from products for household use fell in the absence of the previous year's demand while revenue from products for institutional and industrial use increased

Revenue reached 21.7 billion yen (up 100 million yen year on year), and core operating income was 1.35 billion yen (falling → falling 260 million yen year on year)



Products for household use

Revenue of 9.0 billion yen (95% compared with 2020 level and 105% compared with 2019 level)

- Result reflects the absence of the previous year's surge in demand but was still higher than the FY2019 level

Revenue by core product

Tomato ketchup: 4.5 billion yen (95% compared with 2020 level and 104% compared with 2019 level)

- Exceeded 2019 level due to increased promotions related to Napolitan Stadium



Products for institutional and industrial use

Revenue of 8.8 billion yen (102% compared with 2020 level and 82% compared with 2019 level)

- Showed signs of recovery from FY2020 but failed to reach 2019 level

- Food processing industry sales (sales to food manufacturers, etc.) were solid, exceeding the 2019 level



Promotion expenses, advertising expenses, etc.

Increased due to proactive promotions including Napolitan Stadium

Advertising expenses rose 160 million yen year on year

Domestic Agriculture Business

Revenue and core operating income both declined year on year due to weaker selling prices of fresh tomatoes caused by the downturn in market conditions from January to April
 Revenue was 4.9 billion yen (a drop of 300 million yen year on year) and core operating income was 100 million yen (a decrease of 130 million yen year on year)



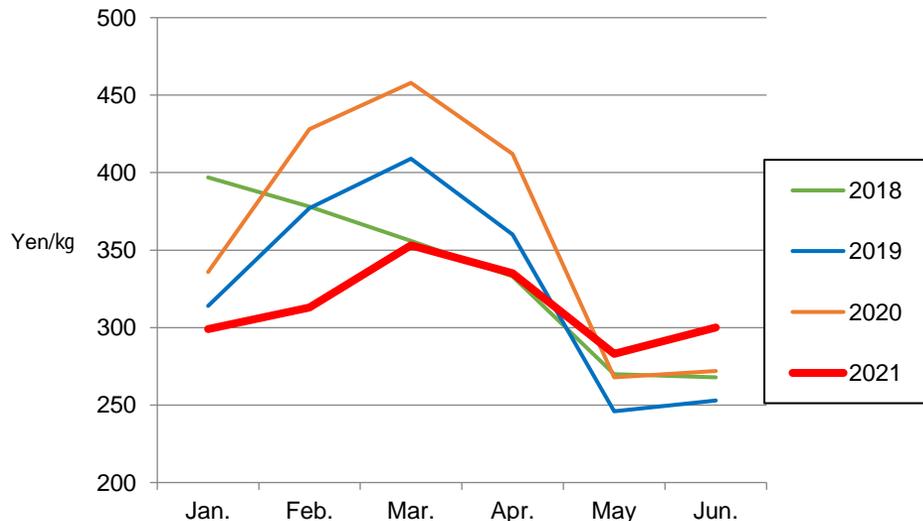
Trends in fresh tomato sales

- Selling price fell after prices reached a five-year low in January-April
- Sales volume increased but revenue and core operating income both declined due to lower selling prices

Revenue by core product

Fresh tomatoes 4.0 billion yen (95% year-on-year)

Trend in Market Price of Fresh Tomatoes



Source: Created based on market statistics data obtained from the Tokyo Metropolitan Central Wholesale Market website

Status of fresh tomato market

- Prices reached a five-year low in January-April due to oversupply as a result of unusually abundant harvests amid favorable weather conditions from the start of the year
- Tomato prices recovered from May due to an earlier-than-usual rainy season

Domestic Business Implementation of “Let’s Eat Vegetables” campaign



Implemented various collaborations as part of the vegetable promotion project from January to August 2021

Example (1) Vegetable-themed collaboration at YANMAR MUSEUM



Example (2) Cooking classes teaching delicious, fun vegetable recipes with Mini Mouse as a motif



Example (3) Promotion internally and dissemination of information externally through interview with ABC Cooking Studio President



Example (4) Production of cooking program promoting vegetables



Example (5) Collaborative product planning by ABC Cooking Studio, Kagome and Asahi Kasei Home Products



Example (6) “Veggie Challenge” at ROHTO RECIPE, a restaurant directly operated by Rohto Pharmaceutical



Example (7) Vegetable promotion project Part 2 by Hoshino Resorts and Kagome @RISONARE Yatsugatake



International Business

Revenue and core operating income both increased as a recovery of demand in the food service market was steadily turned into revenue and the effects of structural reforms initiated the previous year also became evident

Revenue reached 25.7 billion yen (increasing 3.1 billion yen year on year) and core operating income was 1.72 billion yen (rising 1.34 billion yen year on year)

Revenue

Unit: 100 million yen	FY2021			FY2020/ 1H	FY2019/ 1H
		YoY	YoY (excl. exchange rate impact)		
U.S.: Kagome Inc.	105	+13	+14	92	110
Portugal: HIT	49	(5)	(9)	54	46
Kagome Australia Pty Ltd.	44	+13	+6	31	32
U.S.: UG	26	+4	+4	22	21
Others	30	+5	+3	25	21
International Business total	257	+31	+19	225	232

Core Operating Income

FY2021	YoY	YoY (excl. exchange rate impact)	FY2020/ 1H	FY2019/ 1H
6.0	+5.7	+5.7	0.3	3.7
2.8	+3.3	+3.2	(0.4)	0.4
3.4	+2.1	+1.9	1.2	1.7
4.4	+0.7	+0.8	3.6	1.6
0.5	+1.5	+1.5	(1.0)	(1.8)
17.2	+13.4	+13.3	3.7	5.6



Summary by company (local currency basis)

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

Portugal: HIT: Although revenue fell in the absence of strong sales to food manufacturers the previous year, profit increased through improvement in profitability

Kagome Australia Pty Ltd.: Revenue and profit both increased mainly due to rising demand for tomato paste and growth in sales to Kagome Japan

U.S.: 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



Increases in advertising expenses and promotion expenses in the Domestic Processed Food Business and lower profit in the Domestic Agriculture Business were offset by higher profit in the International Business



Main Factors Contributing to Changes

- (1) Increase in advertising expenses: Mainly newspaper ads and TV commercials linked to the “Let’s Eat Vegetables” campaign
- (2) Increase in promotion expenses...Promotion of new products mainly in the beverages

Factors Contributing to Operating Income and Profit Changes

Increase in operating income and profit before income tax were smaller, reflecting the recording of gain on sales of non-current assets the previous year

Unit: 100 million yen	FY2021	FY2020	Change
Core operating income	71.1	63.5	+7.5
Other income	2.2	10.5	(1) (8.2)
Other expenses	3.9	5.3	(1.4)
Operating income	69.4	68.7	+0.6
Profit before income tax	69.8	68.8	+0.9
Income tax expense	20.1	22.6	(2) (2.4)
Net income	47.3	45.7	+1.6

Factors Contributing to Changes

- (1) Other income (8.2)...Recorded gain on sales of non-current assets of 700 million yen due to the sale of leased real estate in FY2020
- (2) Income tax expense (2.4)...Due to fall in effective tax rate (FY2020:32.8%, FY2021:28.9%)

Changes to Statement of Financial Position

Balance sheet shrank due to repayment of borrowings in preparation for tightness of financing conditions due to COVID-19

Assets/liabilities and equity
¥204.9 B (down ¥20 B from the end of FY2020)
Equity attributable to owners of parent to total assets: 56.2% (up 6.9 points)

Quarterly Consolidated Statement of Financial Position
(As of June 30, 2021)

Unit: 100 million yen

Total assets	2,049 (down 200)	Liabilities	877 (down 245)
Current assets	1,159 (down 256)	Equity	1,171 (up 45)
Non-current assets	889 (up 56)		

Factors Contributing to Changes

Unit: 100 million yen

Current assets: 1,159 (down 256)

Cash and cash equivalents (264) (mainly repayments of borrowings)
 Trade and other receivables +18
 Inventories (18), etc.

Non-current assets: 889 (up 56)

Property, plant and equipment +44
 Other financial assets +15, etc.

Liabilities: 877 (down 245)

Mainly repayments of borrowings

Equity: 1,171 (up 45)

Net income +47, Other comprehensive income +28
 Dividends paid (32), etc.

Changes in Cash Flow

Unit: 100 million yen	FY2021*	FY2020*	Change
Cash flows from operating activities (A)	89	73	15
Cash flows from investing activities (B)	(58)	1	(59)
Free cash flows (A+B)	31	75	(43)
Cash flows from financing activities	(308)	105	(414)

* For first six months of each fiscal year respectively

Key Components of FY2021 Cash Flows (Unit: billion yen)

Cash flows from operating activities

Profit before income taxes +6.9, Depreciation and amortization +3.5, Income taxes paid (2.2), etc.

Cash flows from investing activities

Purchase of non-current assets (5.9), etc.

Cash flows from financing activities

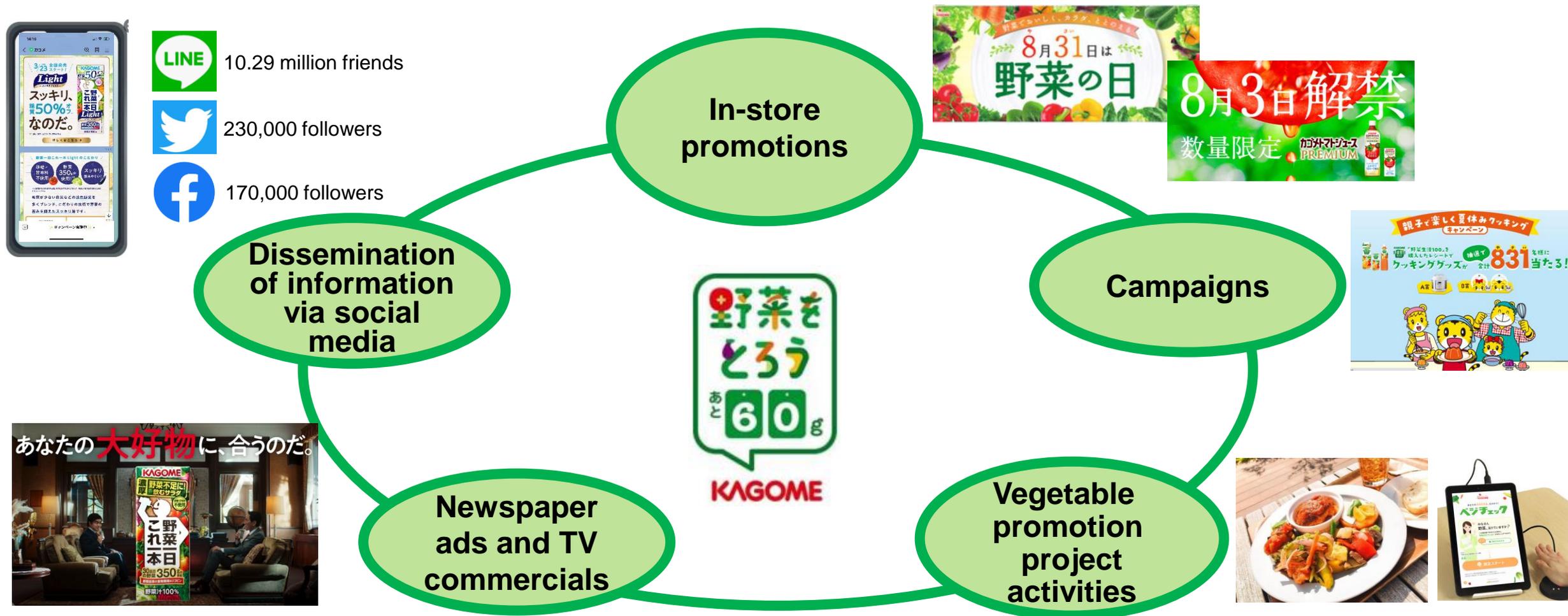
Repayments of borrowings (27.3), Dividends paid (3.2), etc.

2. Second-Half Initiatives/Direction

Domestic Processed Food Business: Second-half Initiatives



Implement initiatives to encourage the intake of vegetables from multiple perspectives through the “Let’s Eat vegetables” campaign and seek to expand sales by steadily tapping into the continually growing interest in health and immunity



Domestic Processed Food Business: Second-half Initiatives

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Second-half initiatives in the beverages category

(1) Strengthen promotion of vegetable beverages

- Disseminate information about vitamins via the WEB, social media and other media to increase recognition of the value of vegetables
- Continue to conduct a campaign based on a popular character, which was well received last year



(2) Strengthen plant-based domain

- Expand Yasai Seikatsu Soy+ products
- Release Oats+ to expand plant-based milk products
Market together with Soy+ as plant-based products



Release of Yasai Seikatsu Soy+ Tounyu Banana Mix in September

Release of Yasai Seikatsu Oats+ in September

Second-half initiatives in the food, etc. category

(1) Promote Western-style food and dishes

- Step up ongoing efforts to promote Western-style dishes since Neapolitan Stadium
- Reboot the Western-style dishes support team for the food service industry



(2) Conduct promotions to raise awareness of vegetable intake and cooking with vegetables

- Disseminate menu information through Remi Hirano
- Expand ingredients for institutional and industrial products used for processing and in ready-to-eat dishes
- Hold Vegetable Solution 2021 (exhibition of products of institutional and industrial use) online



(3) Tap into new demand with plant-based food

- First company which comes to mind for plant-based products (according to our WEB survey)
- Market products for institutional and industrial use as products for household use from this second half



Domestic Agriculture Business: Second-half Initiatives



Ensure profitability on a full-year basis by stepping up promotions linked to the “Let’s Eat Vegetables” campaign and increasing productivity



八ヶ岳みらい菜園(長野県)



Second-half initiatives

(1) Increase product exposure opportunities by planning appearances of Remi Hirano

- Disseminate information about “Remi Hirano Recommended Dishes” on packaging and conduct a gift campaign

(2) Stabilize earnings through price control

- Increase selling prices during the off-season by ensuring crops of summer-autumn tomatoes
- Secure sales promotion according to procurement volume

(3) Encourage more stores to stock high lycopene tomatoes for longer

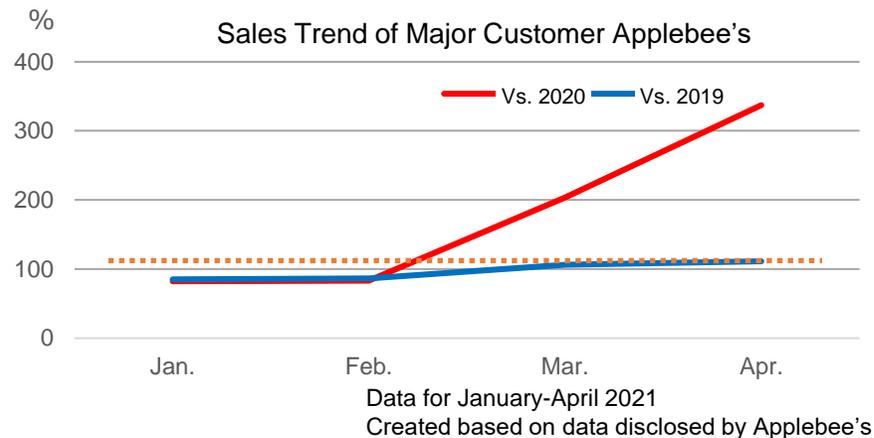
- Increase stores stocking high lycopene tomatoes among CVS and small supermarkets which are less sensitive to changes in market conditions
- Expand market for products for institutional and industrial use including CVS-ready-to-eat meals

Increase productivity at plantation sites

- Make improvements through harvesting based on operations analysis, standardization of tomato sorting operations and target setting
- Increase productivity by promoting the systemization of business processes

International Business: Second-half Initiatives

Steadily turn recovery of demand in food services market into revenue and seek sustainable profit growth



Primary processing

- HIT aims for production of this season's crop on an appropriate scale
- Strengthen 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

Secondary processing

- Food services demand in the U.S. has almost recovered to 2019 levels
- Seek to expand sales by steadily tapping into demand recovery

Vegetable beverages in Asia

- Continue exports and sales in 7 Asian regions
- Build business base using local distributors, etc.

3. Full-Year Consolidated Results Forecasts for FY2021

FY2021 Full-Year Results Forecasts

Raised results forecasts mainly due to recovery of food service demand in the U.S.

Revenue

Unit: 100 million yen	FY2021 Revised Forecast			FY2021 Initial Forecast	FY2020 Result
		Vs. Initial Forecast	YoY		
Domestic processed food business	1,377	-	+32	1,377	1,344
Domestic agriculture business	101	(8)	(0)	109	101
International business	475	+36	+31	439	443
Other/adjustments	(73)	(8)	(13)	(65)	(59)
Total	1,880	+20	+49	1,860	1,830

Core Operating Income

FY2021 Revised Forecast	Vs. Initial Forecast	YoY	FY2021 Initial Forecast	FY2020 Result
2.0	(5.0)	(0.7)	7.0	2.7
23.0	+7.0	+21.2	16.0	1.7
2.0	+2.0	(1.4)	0.0	3.4
137.0	+6.0	+1.0	131.0	135.9

Red text indicates revisions from initial forecasts

Factors for Revision from Initial Forecast

Domestic processed food business:

Raised forecast for core operating income due to reduction of business trip expenses and other costs. Plan to continue expanding revenue through proactive promotions.

Domestic agriculture business:

Lowered forecasts due to poor first-half performance, although profitability will be ensured by increasing the selling prices for summer-autumn production areas and increasing share of high lycopene tomatoes.

International business:

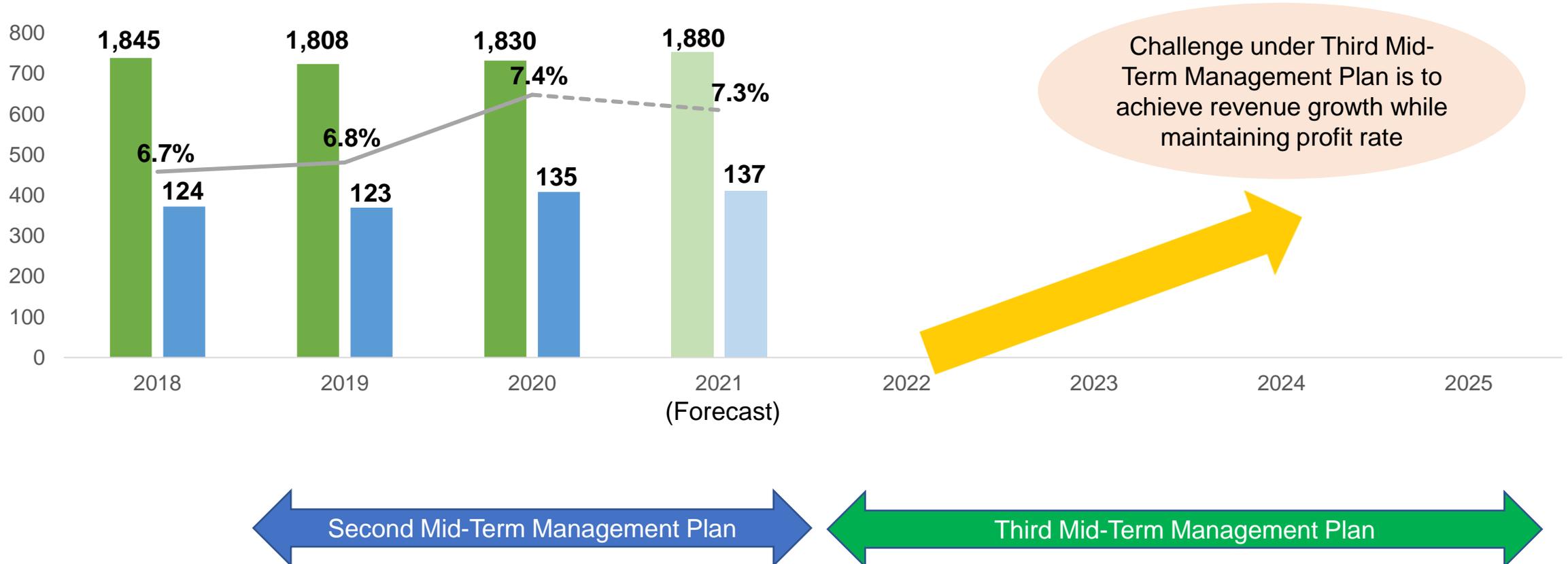
Raised forecasts due to strong first-half performance.

4. Preparing for Third Mid-Term Management Plan

Preparing for Third Mid-Term Management Plan

During the Second Mid-Term Management Plan Period, revenue and core operating income both showed slower growth

Looking ahead to the Third Mid-Term Management Plan, revenue growth is an issue which needs to be addressed



Laying Foundations for Next Growth Phase (1)

DX is essential for the creation of new customer contact points and new business models

Defensive (Mode 1) phase is over

DX initiatives to date

- Launched initiatives in 2016 with the aim of strengthening ability to adapt to digital transformation and market changes
- Standardized core business processes with backbone system renewal in 2020
- Introduced cloud services
- Introduced teleworking system

Presentation of Kagome's DX Initiatives at AWS* Summit

- Amazon Web Service

- ✓ Status quo = Decline
- ✓ DX is important for increasing touchpoints with new customers and expand revenue
- ✓ Combination of “top-down” approach and “employee awareness” creates momentum for DX



Offensive (Mode 2)

Promotion of DX in preparation for Third Mid-Term Management Plan

(1) Explore DX seeds in each business field

Think out of the box to create new businesses

Turn “exciting” ideas into projects

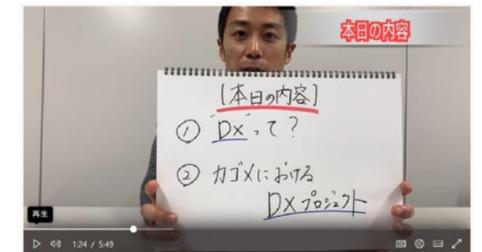
- 5 businesses: retail distribution, institutional and industrial products business, direct marketing business, health business, agricultural business (including smart agriculture)
- Hold workshops with internally recruited members and business division members

(2) Design meetings to promote DX

- Verify group-wide progress and direction in relation to DX issues

(3) Raise awareness of DX initiatives internally

- Regularly distribute videos explaining DX projects internally



Laying Foundations for Next Growth Phase (2)

Actively pursue open innovation and use solutions to social problems as opportunities for further growth

Realization of sustainable agriculture



During successful growth AI farming advice service applied in the field



Screen for data comparative analysis between fields

Creation of CropScope Agricultural ICT Platform with NEC

- 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).
- Stabilizes harvests and reduces cultivation costs
- Implements environmentally friendly farming

Agricultural revitalization/Regional revitalization

Sobetsu Agri-Foods Co., Ltd.



Fruit sorting area using gymnasium

Establishment of joint venture with agricultural production corporation

- Meets growing demand for processed opinion products
- Built using disused school premises and site
- Contributes to regional revitalization through the promotion of local employment

Expansion into plant-based food domain



Business alliance with TWO Inc., which markets plant-based food brands

- Leveraging the knowledge of the two companies to plan and develop plant-based food/beverages and services
- Increasing recognition of plant-based food
- Proposing products and exploring needs for home-cooked food, meal replacements and food service users
- Consider new brands and channel expansion

Laying Foundations for Next Growth Phase (3)

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

Revision of CO₂ emissions goal

Revised medium-to-long term goal for reduction of CO₂ emissions set in 2018 in line with SBTi's 1.5°C ambition



Initiatives to reduce plastic in products

Launched initiatives to reduce plastic in products in line with plastic policy

Example:

Sale of seasonal special Yasai Seikatsu 100 products with eco-friendly paper straws

- Sold as limited edition via Kagome website shopping site (sold by the case)
- More expensive (120 yen per unit) than regular products but well received
- Plan to continue balancing environmental initiatives and business in the future



Growing consumer interest in a healthy diet and increasing immunity

Survive in the “food and health” domain through the power of vegetables

2025 Goal

“Become a strong company that can achieve sustainable growth resolving social issues through foods.”

2025
Long-term Vision

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

2025
Numerical Targets

To be announced at the time of the announcement of the Third Mid-Term Management Plan