

FY2022 ESG Small Meeting (Held on September 27, 2022)

Question and Answer Session

Satoshi Yamaguchi, President & Representative Director

Yoshihide Watanabe, Director & Senior Managing Executive Officer

Q1

My question relates human capital. It appears that other companies are presenting detailed KPI on human capital and monitoring them over the medium to long-term. Has Kagome made any progress with quantifying specific human capital initiatives or engagement score?

A1 (Yamaguchi)

In the work style reforms we have implemented thus far under the Mid-Term Management Plan, we have worked on improving employee comfort and convenience. Today, we are now looking at how to elevate our people's sense of job satisfaction. Since 2021, we have conducted an engagement survey and scored job satisfaction. The survey has only been implemented once, but engagement score has been included as a KPI on the target sheet of the Human Resources Department and CHO. We continue to monitor the score. In addition, we are able to determine the score for each organization, so this will help us to visualize the correlation between organizational performance and engagement.

Q2

Kagome is carrying out initiatives to increase both economic value and social value, such as the Let's Eat Vegetables Campaign. I believe monitoring has been difficult since a long duration of time is required to confirm the effects of social value. You mentioned that Veggie Check® (machine able to visualize estimated vegetable intake) has yet to spread sufficiently due to COVID-19. Has Kagome made any progress with monitoring of social value?

A2 (Yamaguchi)

As you point out, we explain vegetable consumption volume using the national government's statistics, but there is a time lag until these statistics are released, which does not make them the best choice as an indicator. On the other hand, we have increased the number of Veggie Check® machines and put into place a system where more customers can access them. The data on vegetable intake amounts from Veggie Check® is close to that of the national

government's statistics, and we are in the process of establishing a mechanism to utilize this data in the evaluation of our measures. Going forward, we plan to increase the number of Veggie Check® machines at retail outlets and other locations.

Q3

Did Kagome make any changes in terms of governance system over the past year, aimed at inorganic growth, the other wheel of the third Mid-Term Management Plan?

A3 (Yamaguchi)

We are moving ahead with creating organizations that report directly to top management and establishing individual projects. Specifically, we have established the US Growth Strategy Department and the New Project Planning Department, among others. Additionally, we have set up the Business Development Office that manages all inorganic growth projects. We have a system in place for quick decision making within meeting bodies where top management also participates.

Q4

I understand that Kagome is strengthening its governance system. My question pertains to sustainability. Are any findings presented to the business execution side by the Board of Directors as the auditing side with regard to sustainability practices?

A4 (Yamaguchi)

Previously, we have implemented our sustainability initiatives at each division, but there were opinions that we should establish an integrated sustainability structure covering the entire company. For this reason, we have made preparations by establishing the Sustainability Group within the Corporate Planning Department. In October, we established Sustainability Committee under the Management Meeting, as the control tower for promoting companywide sustainability initiatives. Under this we have set up subcommittees. The matters they review, from long term out to 2050 and recent events, are being discussed by the Sustainability Committee and deliberated on further at meetings of the Management Meeting and Board of Directors.

Q5

My question relates to the positioning of the overseas business. Can you tell me about your medium- to long-term expansion plans and global context, including with regard to sustainability?

A5 (Watanabe)

The global context for Kagome can be largely broken in two, and when including in-process, it increases to three. First is the business with multiple raw materials procurement channels. This involves the primary processing of tomatoes by HIT in Portugal and Kagome Australia. We process raw tomatoes into paste for export to Japan and to supply it to local food companies. This includes UG, which engages in tomato variety development and sales. Second is the business close to the institutional and industrial use business in Japan. Kagome Inc. of the United States and others supply tomato paste and pasta sauce to quick service restaurants (QSR). The head office of many QSR are located in the United States, so business meetings held in there can lead to contracts for supplying our products to other countries. For QSR, cost is an important issue, so Kagome Inc. offers the benefit of creating institutional and industrial use sauces close to the primary processing location. Third, which is still in-process, is the consumer business. We are looking to deliver the health value of vegetable drinks sold in Japan to overseas markets. As a global consumer business, we are working with local distributors to sell products in Hong Kong, China, Mongolia, and ASEAN. Unlike soft drinks, health awareness is closely connected to diet and food culture, so we must market our products in a way that appeals to local values. This process has been taking time. We are working on building a brand message that can share values with local consumers so that the business begins to blossom around 2026 and later.

Q5 (Thoughts)

I would like to see this type of initiative highlighted in the next integrated report. I hope to see Kagome's competitive advantages in a comparison with global peers.

Q6

My question relates to human capital. Amid stagflation, what are your thoughts on securing talent and future pay levels?

A6 (Yamaguchi)

I feel like human resources are becoming more fluid. Currently, around 30% of recruitment is mid-career hires. I would like to maintain this level also from the perspective of diversity and inclusion. However, an increasing number of employees are leaving Kagome. I feel like securing human resources is now an issue. I recognize that pay level is an important condition for securing human resources. However, this alone does not necessarily lead to retention, so the executive management team and the labor union are now comprehensively

reviewing this matter.

Q7

Can you tell me about Kagome's sustainability practices in procurement? Amid inflation globally, there is growing concern that Japan will end up paying a higher price or be unable to procure raw materials after facing a comparative time lag in response to soaring raw material prices. How are you responding?

A7 (Yamaguchi)

Risks have emerged in terms of securing natural farm-produced ingredients in a stable manner over the medium to long term. We have built out our system for raw materials procurement globally, and for tomatoes, we have procurement sites distributed evenly around the world. Over the past one or two years, geopolitical risks and climate change risks have materialized, causing the situation to change greatly. Currently, we are in the process of finalizing our approach to procurement for next year and beyond. We are working on securing a stable supply of natural farm-produced ingredients, recognizing that this is a precondition for the sustainability of our business operations.

Q8

What are your thoughts on raw materials procurement from a financial perspective?

A8 (Watanabe)

We are also concerned about the financial condition of our procurement partners. Primary tomato processing is a capital-intensive industry and those with the highest market share are the price setters. Everyone else is price takers. The scale of facilities determines the cost structure. Today, there is strong demand and earnings are solid, but in the past we've seen earnings deteriorate because of the gap between scale of facilities and demand. Environmentally, on the Iberian Peninsula some producers have given up on tomato cultivation altogether because of water shortages. In the United States, a lack of snowfall in the winter caused sodium content in the soil to rise, resulting in salt-air damage to tomato crops. This year every company is seeing strong earnings, but since instability will increase going forward, it will be important to procure from suppliers with stable financial condition and environmental situation.

Q9

Is it safe to understand that KPI linked to the finances of the primary processing business extends across a broad scope? Can you share any parameters that you focus on in particular?

A9 (Watanabe)

The first focus is the situation of water resources. The second is that China is a moving factor in terms of tomatoes. In China, tomato processing is concentrated in the Xinjiang Uygur Autonomous Region. The number of tomato businesses purchasing tomatoes from here affects market prices. We are focusing on both. At present, we established to some extent a system for dispersing production sites and long-term procurement.

Q10

With regard to human capital, how is Kagome securing psychological safety? Can voices of dissent reach President Yamaguchi unfiltered?

A10 (Yamaguchi)

We have been working to foster a culture that ensures psychological safety since last year. Although easy to say, the difficulty lies in penetrating this concept internally. We are providing officers and managers with training systematically and sharing information internally. We hold online meetings called "Talk with Top Management" as an opportunity to solicit frank feedback from employees. Every month we ask around eight employees to take part in these meetings to discuss various topics. Participants help to raise the awareness of one another and I personally feel a high degree of satisfaction.

Q11

In the Let's Eat Vegetables Campaign, Kagome is working on initiatives through alliances with other companies via the Vegetable Intake Promotion Project. Are there any updates you can share?

A11 (Yamaguchi)

The Vegetable Intake Promotion Project is moving ahead with initiatives together with 19 other companies. Specific initiatives are somewhat behind schedule due to the COVID-19 pandemic, but we have seen some cases lead to actual sales. In our initiative with Walt Disney Japan, we sold fresh tomatoes in packaging featuring Disney characters. This increased Kagome's sales and also helped Walt Disney Japan to promote its PR efforts to

improve health through fresh tomatoes. We are working with ABC Cooking Studio to teach cooking classes featuring a menu of vegetables. Currently, most are sales promotion type initiatives, but we will continue with activities linked to new business that encourage consumers to eat vegetables.

Q12

Can you share specific initiatives Kagome is carrying out to address its materiality issue of “agricultural development and regional revitalization”? Does Sobetsu Agri-Foods, which you explained about previously, fall under this materiality issue? Or do you have other examples? Also, I understand the social value therein, but what about the economic value?

A12 (Yamaguchi)

Sobetsu Agri-Foods is one output. This project uses an old school in Sobetsu Town, Hokkaido, which faces intense population decline. If the opportunity presents itself, we would like to expand this to other regions as well. Also, we continue with an initiative to increase the number of producers of tomatoes for tomato juice in Japan. The growing area dedicated to tomatoes for tomato juice in Japan had been declining with each passing year, but it has actually increased for the past three consecutive years. We purchase the entire volume through contract cultivation, which leads to the stabilization of their income. Contract farming area is also increasing mainly with agriculture corporations. The growing area has even expanded to Tohoku and Hokkaido. We will continue to focus on this going forward because it will help us to secure raw materials over the medium to long term.

Q13

I have a question regarding fan shareholders, a form of financial capital. Soaring raw materials prices are impacting earnings, and as a result, the share price could stagnate, but the presence of fan shareholders appears to be supporting Kagome’s share price. Are there any changes in your initiatives or approach to fan shareholders who are individual investors?

A13 (Yamaguchi)

Under the third Mid-Term Management Plan, we are pursuing fan-based marketing. The idea of fan shareholders is a basis for this. Having consumers understand the company and products and use our products for a long period of time will lead to fan-based marketing. At the same time, it is important for our 190,000 shareholders to monitor our management. This

provides a good sense of pressure. Going forward, we will continue with implementing our fan shareholder policy. We do not intend to change it.

Q13 (Addition)

Individual investors account for more than half of Kagome's shareholders. Are you thinking of making changes to your initiatives for individual investors, who are supporting your share price by effectively reducing beta, especially during times of intense environmental changes? What are your thoughts?

A13 (Watanabe)

We won't be changing our stance, but we are working on initiatives to fortify it. We inform our 70,000 shareholders who subscribe to emails about events such as IR meetings for individual investors and meetings with the President. This is helping us to enhance information disclosures and two-way communications. Also, we have begun IR activities for younger individual investors together with online securities companies. We don't differentiate our approach to fan shareholders between individual investors and institutional investors. We would like institutional investors to become fan shareholders and have them point out various flaws so that we can overcome them. We will work to disseminate more information for institutional investors. As for valuation, our very high valuation has come down a bit. Now it can be viewed as simply a high valuation. I feel that we are now gradually moving toward a regular multiple.

End