

FY2024 ESG Small Meeting (Held on September 4, 2024)

Question and Answer Session

Satoshi Yamaguchi, President & Representative Director

Takeshi Saeki, Managing Executive Officer, CFO and CRO

Harunobu Okuya, Director & Executive Officer, General Manager of Corporate Division and General Manager, Corporate Planning Department

Q1

What are your thoughts on subsidiary governance? How will you go about increasing the return on investment? (SMBC Nikko Securities: Hara)

A1 (Yamaguchi)

Our overseas subsidiaries became part of the company system in October 2023. With regard to internal audits, staff from Kagome regularly visit overseas subsidiaries, and dual control is established in conjunction with local operations. For large-scale overseas subsidiaries, Kagome's Finance & Accounting Department staff are seconded, and they have a reporting line for the overseas subsidiary and a reporting line for Kagome. Local expatriate employees are playing a central role in working with Kagome itself to figure out how to increase returns.

Q2

I saw the opinions of the external directors in your integrated report. They said that they monitored the return on investments. What are your thoughts about their opinion that there is a shortage of return on investment as a whole? (SMBC Nikko Securities: Hara)

A2 (Yamaguchi)

In the past, there has been a lack of monitoring of what has happened to various investments after investment and whether they were meeting expectations. Currently, investment is monitored regularly twice a year by the Management Meetings and the Board of Directors.

Q3

What challenges do you face in further improving engagement survey scores? Please comment on psychological safety, job satisfaction, and empowerment. (SMBC Nikko Securities: Hara)

A3 (Yamaguchi)

Since job satisfaction varies from individual to individual, it is important to visualize the situation, so we have incorporated an engagement survey as an indicator. Recently, the overall score has increased, but there are large differences between departments. The results of the engagement survey are made available to each department, and we are considering what kind of measures to implement for each department. Plants have lower than average scores, and as a result of their efforts to improve their facilities, these scores have been rising. I think we are on the way to increasing engagement scores. From the perspective of employee empowerment, the importance of psychological safety is instilled through diversity activities. Based on the premise of psychological safety, we would like to create a culture in which innovation is created by bouncing various opinions off each other. The main purpose of psychological safety is to create innovation, but it also leads to governance and fraud prevention.

Q4

While the overseas business is performing well and your Japanese business profits are improving, there may be a conflict of interest with this when tackling ESG issues such as reducing greenhouse gases. Specifically, how much impact will it have on sales and profits, and do you have any investment criteria or plans related to ESG? (Tokai Tokyo Securities: Araki)

A4 (Okuya)

In our Japanese business, while raw materials prices are rising, price revisions and measures to stimulate demand are starting to have an effect, and profit margins are improving. On the other hand, investments related to sustainability, such as the reduction of greenhouse gases, may seem to conflict with this. However, for Kagome, environmental initiatives are not positioned as an issue that requires consideration as a company, but rather as an important issue that forms the basis of business continuity. The acquisition of Ingomar as a consolidated subsidiary may contribute to profitability, but it also has a strong meaning as a foundation for strengthening and enhancing the sustainability of our tomato raw materials procurement base.

We will utilize this foundation to develop tomato varieties and cultivation technologies with low environmental impact. Although we have not clearly set numerical targets for ESG investments, we are investing money in targets set for compliance with the SBTi and initiatives to eliminate plastics.

A4 (Yamaguchi)

We are working to reduce CO2 emissions according to a roadmap. This does not require a large amount

of investment and we will proceed within the annual investment quota.

Q5

When you pivot overseas, what changes will you make in terms of governance? Are there any issues or innovations, are you reviewing governance and are you deploying these globally mainly in North America? (Tokai Tokyo Securities: Araki)

A5 (Saeki)

In making Ingomar a subsidiary, we established KUH, placing Ingomar and KIUS along with other subsidiaries under its umbrella. We dispatch human resources from Japan knowledgeable in finance and governance to KUH. In order to build appropriate governance as a Group company, we have been promoting documentation in accordance with J-SOX since the acquisition, and these efforts are proceeding as expected. In addition, the local management has a good understanding of governance. We will be able to establish a sufficient governance system through these measures.

Q6

Regarding Ingomar, if you strengthen governance in the United States, your value will increase overseas. In particular, from the perspective of overseas companies, Kagome is a bargain, and I am concerned that it would not be surprising if some companies think the same. Are you taking any measures to address this? Can you answer in terms of governance? (Nippon Life Insurance Company: Momose)

A6 (Yamaguchi)

We have withdrawn our takeover defense measures. If necessary, we will carefully consider listening to the opinions of appropriate third parties.

A6 (Saeki)

I believe it is important to regularly review the business portfolio and strengthen governance.

Q7

This question is about your stock price. Profits are being made and valuations are being cut. In the past, your stock price was expensive and did not attract interest from institutional investors, but it is becoming more reasonable. Wouldn't it be better to show that you are conscious of stock

price and corporate value? (UBS Securities: Ihara)

A7 (Yamaguchi)

We must be more conscious than ever of increasing our corporate value. Specifically, it is important to know how to promote each business and product. If there are any deficiencies in the dissemination of information externally, we will devise ways to do so.

Q8

Even if the business performance is good, the stock price is not reacting to this. If the stock price does not respond, institutional investors will sell and the business value will not increase. If profits do not increase, the multiple will decrease, and Kagome may become a target for acquisition. Wouldn't it be better to review the stock price and business performance so that they are linked, and to say that Kagome is aware of this to the market, including the composition of shareholders? (UBS Securities: Ihara)

A8 (Yamaguchi)

The overseas ratio of Kagome's business is rapidly increasing, and the structure of the business is changing. Under such circumstances, one of the challenges is to consider the future composition of shareholders. As part of the consideration of the next Mid-Term Management Plan, we believe that it is necessary to discuss the composition of shareholders.

A8 (Saeki)

During the period of the current Mid-Term Management Plan, the company aims to achieve a total return ratio of 40%. However, at present, we do not believe that this level is superior to that of other companies. In the future, we will consider making the return even more attractive not only for institutional investors and individual investors.

Q9

Kagome's business portfolio has changed, and when viewed from an ESG perspective, there is a relationship between business risk and growth. It would be interesting to summarize the story of conducting research and development because there will be a shortage of tomatoes in the medium to long term due to climate change and other factors, and from the perspective that ESG is a growth opportunity, with the strength of " fields are the primary production plant." In addition, you state that ROIC management and ROE management are being carried out to

enhance corporate value. Yet, only the integrated report is updated, and this does not appear in the briefing. Other companies have released the ROIC for each business over the past 10 years and included in scenarios the businesses that will recover in the future and why they are improving. If ROIC/ROE was included in your integrated report, I feel it can be included in the financial results briefing materials. The acquisition of Ingomar will also change working capital. ROIC management will become an important phase as primary industries are introduced, so I am looking forward to the next medium-term management plan, in which ROIC is fully emphasized.
(UBS Securities: Ihara)

A8 (Yamaguchi)

We have always said that working on ESG is a growth opportunity. It is about creating both economic and social value. We consider it a significant opportunity and want to communicate it better.

A8 (Saeki)

We believe that it is necessary to enhance the disclosure of ROIC. Until now, the position of ROIC has focused on visualizing the degree of contribution in each department. Specifically, using the ROIC tree, for example, in the case of the SCM departments, we find that the inventory turnover period is shortened, and in the case of the sales departments, the collection period of accounts receivable is shortened. These are set as KPIs for each department. In addition, ROIC for each business, such as seedling, primary processing, and secondary processing, is also shared within the company.

Q9

With the acquisition of Ingomar, will there be any changes in the numerical values of environmental initiatives? (Cadira Capital Management: Shimizu)

A9 (Yamaguchi)

We knew that acquiring Ingomar would increase our GHG emissions. In the short term, emissions will increase, but we will address this by rolling out the GHG reduction measures that we have already been working on at Kagome to Ingomar. We are verifying how to reduce quality loss in tomato processing this summer, and we are also verifying GHG reductions one by one and considering measures that can be taken from next year onward.

Q10

What impact does the “Let's Eat Vegetables Campaign” have on society as a whole? Is it about

reducing medical expenses, promoting longer, healthier lives, or emphasizing the health benefits of vegetables and tomatoes over other foods? What does consuming vegetables signify? (Cadira Capital Management: Shimizu)

A10 (Yamaguchi)

Efforts to increase vegetable intake are also being promoted in collaboration with local governments such as Hirosaki City in Aomori Prefecture and Hokota City in Ibaraki Prefecture. There is a strong need to reduce medical costs, and we are verifying that eating vegetables leads to this. If the reduction in medical costs is demonstrated, we believe that it will be appealing as a social movement. We are looking to spread information about the positives associated with eating vegetables.

Q11

Isn't it possible to say the same thing about activities within the company and the health of Kagome's employees? (Cadira Capital Management: Shimizu)

A11 (Yamaguchi)

At the moment, it is difficult to say that employees are healthy by linking them to dietary habits and health checkup data, but we are working on it.

Q12

This is not a question, but as information, the Supreme Court has previously ruled against a hostile takeover in the past acquisition of a food manufacturer, and I think that it is becoming more difficult to make acquisitions in the food industry. Can you use this Supreme Court precedent if a company proposed a takeover of Kagome? The legal community and others recognize this precedent as a major case, making acquisitions less likely. There was a question about an acquisition, but I think it would be a good idea for Kagome's management to share its thoughts. (Tokai Tokyo Securities: Araki)