

# Results Briefing Materials

## for FY2020

**Kagome Co., Ltd.**  
**Feb. 3<sup>rd</sup>, 2021**

## 1. Summary of Business Results for FY2020 (the year ended December 31, 2020)

- Firm results in the domestic business excluding the institutional and industrial business. Increases in both revenue and profit chiefly due to heightened health awareness and increased demand for products for consumption at home
- A recovery trend in the institutional and industrial business in Japan and overseas, yet fluctuations in sales depending on trends in COVID-19 infections
- Structural reform, including the establishment of a new company in the Domestic Agriculture Business and the posting of an impairment loss in the International Business

## 2. Initiatives in the Domestic Processed Food Business in FY2021

- Consumer behavioral change, which is an opportunity to increase vegetable intake significantly in Japan
- Stimulate of demand for vegetable products to achieve growth in the top line

## 3. Reform of Earnings Structure of Domestic Agriculture Business and Initiatives in FY2021

- Establishment of a new company, Kagome Agri-Fresh Co., Ltd., and reform of earnings structure

## 4. Reform of Earnings Structure of International Business and Initiatives in FY2021

- Reform of earnings structure of primary processing operations and secondary processing operations and other initiatives

## 5. Full-year Consolidated Results Forecasts for FY2021 (Final Year of Second Mid-term Management Plan)

- Full-year consolidated results forecasts for FY2021, investment plan

# **1. Summary of Business Results for FY2020**

**(the year ended December 31, 2020)**

# FY2020 Consolidated Results

Unit: 100 million yen

	Results		YoY		Comparison to forecast <sup>*2</sup>	
		Margin		Rate of change		Rate of change
Revenue	1,830	-	22	+1%	8	+0%
Core Operating Income	136	7%	13	+11%	5	+4%
Operating Income	107	6%	(34)	(24)%	5	+5%
Net Income <sup>*1</sup>	74	4%	(28)	(27)%	4	+6%

\*1. Net income attributable to owners of parent

\*2. Comparison to the figures stated in the Notice on Revision to Results Forecast published on December 25, 2020

ROE	6.8%	(3.0) pt	-
ROA	6.4%	+0.3 pt	-
EPS	83.73	(31.16)	-

## Revenue

- Increased revenue chiefly due to strong sales of beverages and food for consumer use and direct marketing in the domestic business

## Core Operating Income

- Increased income mainly due to a decrease in sales promotion expenses and a reduction of costs in domestic business despite a share of loss of investments accounted for using the equity method of approximately 1.0 billion yen in the United States

## Operating Income, Net Income

- Decreased income chiefly due to a gain on sale of businesses to F-LINE, a new logistics company, of approximately 1.7 billion yen posted in the previous fiscal year and an impairment loss on fixed assets of approximately 3.0 billion yen at HIT in Portugal in the fiscal year under review

# FY2020 Results by Segment

Unit: 100 million yen

		Revenue				Core Operating Income			
		FY2019	FY2020	YoY	Rate of change	FY2019	FY2020	YoY	Rate of change
	<b>Beverages</b>	720	743	22	+3%	58	77	18	+32%
	<b>Food and others</b>	604	602	(2)	(0)%	54	51	(3)	(5)%
	<b>Domestic processed food business</b>	1,325	1,345	20	+2%	112	128	16	+14%
	<b>Domestic agriculture business</b>	96	102	6	+7%	(2)	3	5	-
	<b>International business</b>	444	443	(1)	(0)%	8	2	(6)	(76)%
	<b>(Excluding impairment losses)</b>						12	4	+57%
	<b>Other/adjustments</b>	(56)	(60)	(4)	-	6	3	(2)	(38)%
	<b>Total</b>	1,808	1,830	22	+1%	123	136	13	+11%

Note: The exports of beverages have been transferred from Other to International business in FY2020. Figures for FY2019 are those in segments after the change.

## Domestic processed food business

- Beverages: Gains in revenue and profit mainly due to growth in stay-at-home demand and stimulation of demand through the “Let’s Eat Vegetables” campaign
- Food and others: Declines in revenue and profit due to decreased sales of products for institutional and industrial use caused by a slump in demand in the food service sector

## Domestic agriculture business

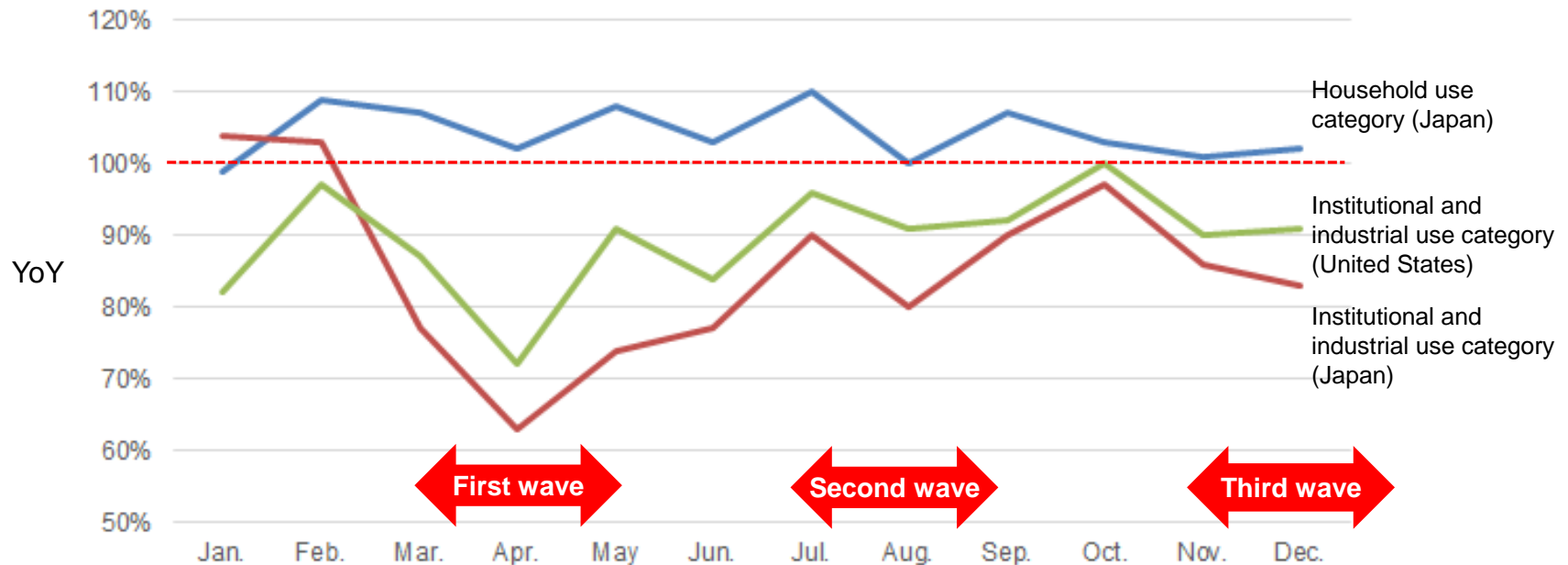
- Strong sales from the second quarter, increased revenue and income mainly due to reform of earnings structure

## International business

- Decreased revenue chiefly due to a decrease in sales in the food service sector in the United States
- Decreased in income mainly due to a share of loss of investments accounted for using the equity method in the United States (income increased except for the share of loss accounted for using the equity method)

# Impact of COVID-19 on Business (Timeline)

## Year-on-year changes in revenue in severely affected categories



### Household use category (Japan) (beverages and food from domestic processed foods)

- Revenue exceeded the year-ago level from February

### Institutional and industrial use category (Japan)

- Revenue was below the year-ago level from March
- Revenue bottomed out in April and has been on a recovery trend, but has been fluctuating depending on COVID-19 infections

### Institutional and industrial use category (United States)

- Revenue bottomed out in April and went up and down. The trends are similar to those in revenue in the institutional and industrial use category in Japan

# Domestic Processed Food Business (Beverages)

Gains in revenue and profit mainly due to the “Let’s Eat Vegetables” campaign and health-related demand and consumption at home because of COVID-19

Unit: 100 million yen

Domestic Processed Food Business (Beverages)	Revenue			Core Operating Income		
	FY2019	FY2020	YoY	FY2019	FY2020	YoY
	720	743	103%	58	77	132%

## Year-on-year comparison of revenue

By sales channel	
Mass retailer	108%
Convenience store	91%
EC	121%

By container size	
Personal-size container	102%
Large container	112%

\* The personal-size container is 330 ml or smaller.  
\* The large container is 720 ml or larger.

## Growth in consumption due to “Let’s Eat Vegetables” campaign and impact of COVID-19

- Stimulated demand through commercials linked to campaign and emphasis on value
- Expanded Kagome’s share of vegetable beverage market to 57.4% (up 1.2 pt YoY)
- Increased sales of beverages in large containers through mass retailers and EC due to demand for products for consumption at home

## Yasai Ichinichi Kore-Ippon (Revenue of 12.2 billion yen, 108% year-on-year)

- Strong sales due to stimulation of demand for vegetables through TV commercials and labels

## Yasai Seikatsu 100 (Revenue of 41.4 billion yen, 107% year-on-year)

- Yasai Seikatsu 100 Apple Salad performed strongly.
- Sales of new product Yasai Seikatsu SOY+ were 123% of forecast level

## Tomato juice (Revenue of 11.8 billion yen, 98% year-on-year)

- Sales of beverages in large containers exceeded the year-earlier level, but sales of personal-size containers fell



## Factors for increase in core operating income

- An increase in income due to increased sales revenue, a decrease in promotion expenses, and cost reduction

# Domestic Processed Food Business (Food and others)

Both revenue and profit decreased due to decline in products for institutional and industrial use, despite brisk sales of products for home-cooked food and direct marketing sales

Unit: 100 million yen

Domestic Processed Food Business (Food and others)	Revenue			Core Operating Income		
	FY2019	FY2020	YoY	FY2019	FY2020	YoY
	604	602	100%	54	51	95%



## Products for home cooked food (Revenue of 19.1 billion yen, 109% year-on-year)

- Demand for food products increased due to an increase in home-cooked meal opportunities
- Revenue from tomato ketchup was 9.5 billion yen (107% YoY)
- Sales of basic tomato and pasta sauces were also higher than the year-ago level



## Direct marketing (Revenue of 12.6 billion yen, 109% year-on-year)

- Tsubuyori Yasai, vegetable potage and supplements all performed strongly



## Products for institutional and industrial use (Revenue of 19.4 billion yen, 84% year-on-year)

- Sales fell sharply from March due to COVID-19
- Sales to hotels and restaurants declined significantly

## Factors for increase in core operating income

- Decreased income due to a significant fall in sales of institutional/industrial-use products, and an increase in advertising expenses in direct marketing



Both revenue and profit increased, reflecting reform of the earnings structure

Unit: 100 million yen

Domestic Agriculture Business	Revenue			Core Operating Income		
	FY2019	FY2020	YoY	FY2019	FY2020	YoY
	96	102	107%	(2)	3	-



## Trends in fresh tomato sales (year-on-year comparison)

(1Q)

- Revenue fell due to lack of sunshine at Iwaki Onahama Green Farm

(From 2Q)

- Revenue increased, reflecting higher usage rates due to expansion in sales channels of plantations and an increase in supply due to expansion of the production area in summer and fall

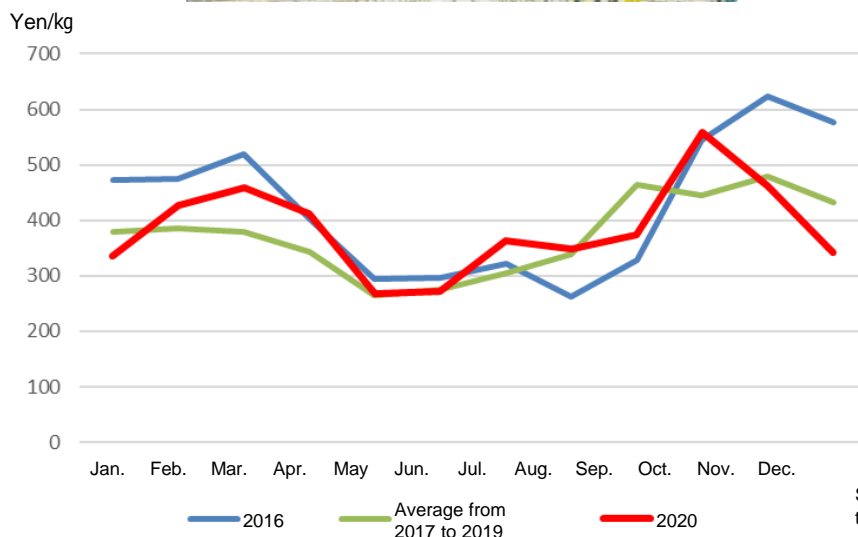
## Reform of earnings structure

- Promotion of sales and enhancement of supply-demand management
- Reduction of fixed costs



## Trend in market price of fresh tomatoes (2020)

(Comparison with the average in the past three years)

- February to April, July, August and October: Higher
- January, May, June, November and December: Lower



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

Measures	Details	Results
Collaboration with other companies and organizations (vegetable promotion project)	Collaboration with companies and organizations from other sectors to communicate the benefits of vegetables	Initiatives with 19 supporting companies started with a kick-off meeting on July 31, 2020
Communicate information via vegetable ambassadors	Information about vegetables spread by well-known people	Six Vegetable Ambassadors shared information on how they themselves eat vegetables on social media
Vegetable Maestro Skills Test 	Tests taken by employees capable of learning basic knowledge, who communicate the appeal of vegetables.	1,506 employees of approx. 2,500 in the company have been certified as “Class 3.”
“Veggie Check” experiences 	Have consumers experience “Veggie Check,” a vegetable intake estimation machine, in stores and events.	Use at supermarkets and events across Japan was delayed due to COVID-19.

## Nineteen supporting companies participating in the vegetable promotion project



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

## Initiatives with supporting companies

### 星野リゾート

#### “Vegetables tours” to become healthy at Resonare Nasu

- Experience of harvesting, preparing and eating vegetables
- Tourists drink Kagome vegetable beverages and experience making smoothies from fresh local vegetables

### Panasonic

#### Proposing home appliances and recipes for new styles of preparing vegetables

- Creation of videos of easily preparing palatable and nutritious vegetable dishes using kitchen electric appliances at Panasonic Live Kitchen

### OMRON 東急

#### Support for the health promotion of employees working at railway sites using Veggie Check and wearable blood pressure monitors

- Helping the employees of the railway company working irregular shifts make a habit of consuming vegetables and monitoring blood pressure, and improve their lifestyles

## “Vegetable tours” at Resonare Nasu on October 4, 2020



**Decrease in revenue due to a drop in food service demand in the United States, and fall in profit chiefly due to the posting of impairment losses**

Unit: 100 million yen

International Business	Revenue			Core Operating Income		
	FY2020	YoY	YoY (excl. exchange rate impact)	FY2020	YoY	YoY (excl. exchange rate impact)
U.S.: Kagome Inc.	186	(27)	(23)	3	(1)	(1)
Portugal: HIT	104	15	16	(0)	(0)	(0)
Kagome Australia Pty Ltd.	65	4	6	3	(1)	(1)
U.S.: UG	42	0	1	3	1	1
Other	47	7	6	3	5	5
Subtotal	443	(1)	6	12	4	4
Share of loss of investments accounted for using the equity method in the United States				(10)	(10)	(10)
International Business total	443	(1)	6	2	(6)	(6)

Average rates during the period

Currency	FY2019	FY2020	Rate of change
USD	109.05	106.82	(2.0)%
EUR	122.07	121.81	(0.2)%
AUD	75.83	73.67	(2.8)%



### U.S.: Kagome Inc.

- Revenue decreased significantly due to the slump in food service demand caused by COVID-19
- The decrease was minimized by an emergency reduction in fixed cost



### Portugal: HIT

- Revenue increased on the back of growth in demand for home-cooked food due to COVID-19
- Impairment losses on fixed assets of about 3.0 billion yen, which affected operating income and levels of income below

### Kagome Australia Pty Ltd.

- Revenue increased due to a rise in sales to Kagome Japan

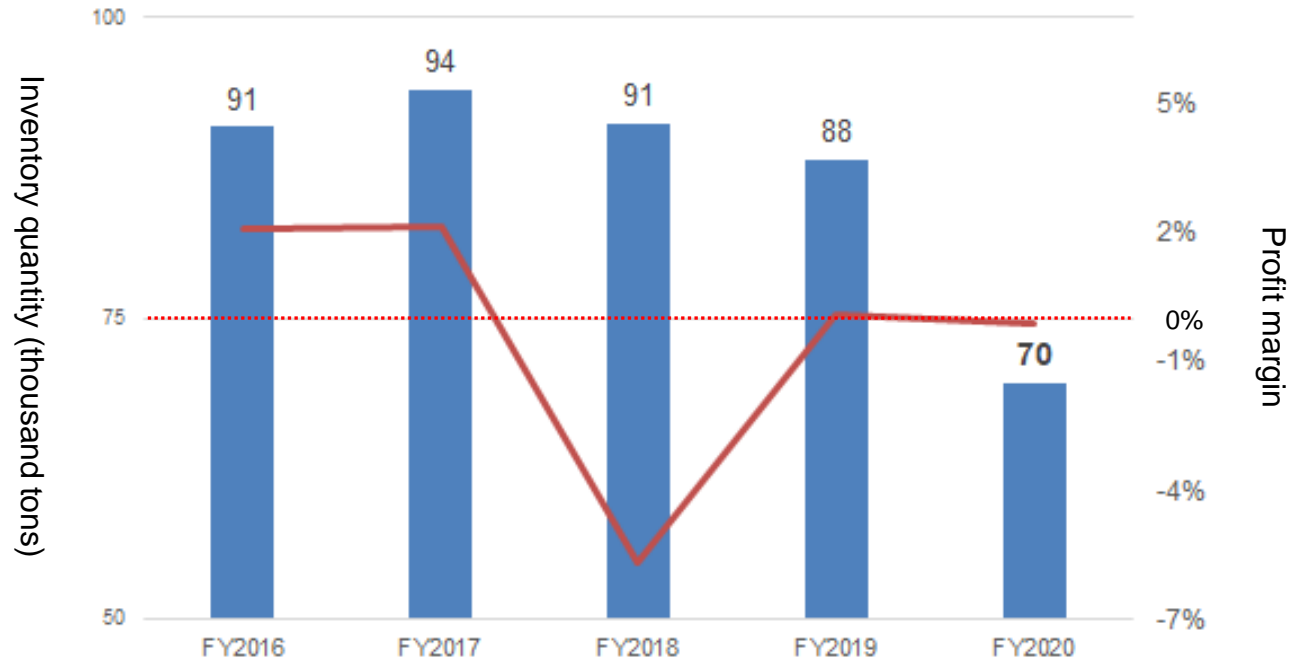
### Share of loss of investments accounted for using the equity method in the United States (Ingomar)

- Kagome has invested in Ingomar since 2016 (holding 20% of outstanding shares). Kagome does not see any issues with the business condition or future cash flow. A loss on impairment of goodwill of approximately 1.0 billion yen, which was recognized at the time of investment, was posted.

# Reform in Earnings Structure at HIT and Its Future

Impairment losses were posted in FY2020, and the foundation was laid for growth from FY2021

## Inventory quantity of tomato paste and profit margin at HIT at fiscal year end

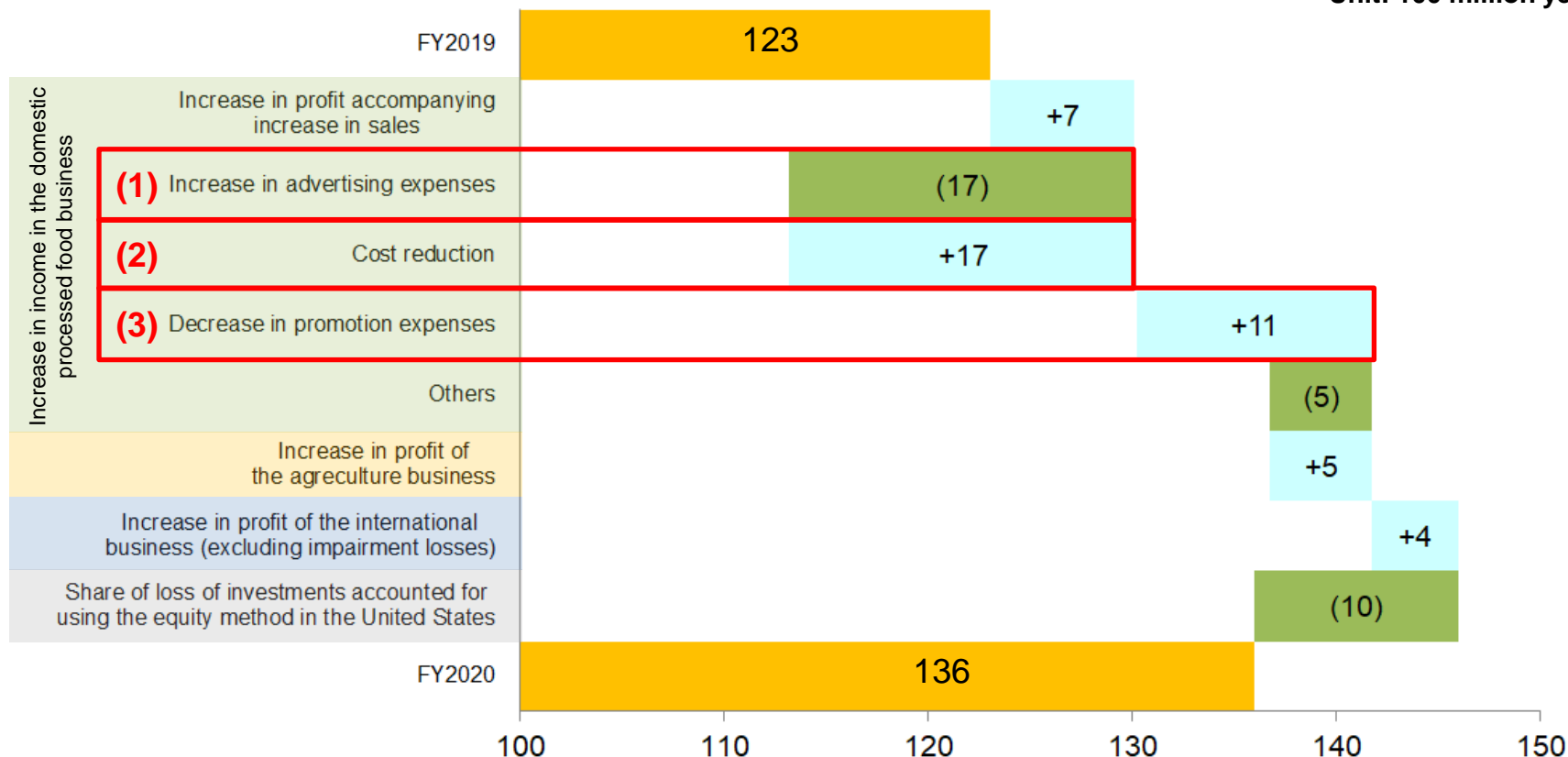


- Inventory quantity remained at a high level due to a worsening supply-demand balance of tomato paste.
- Sales to food manufacturers increased in FY2020, and excess inventories have been eliminated.
- Impairment losses on fixed assets were posted in FY2020, and the production volume has been reduced to the volume that can be sold.
- The profit margin is expected to improve to the 4% level chiefly due to a shift to high value-added products and the reduction of depreciation cost.



# Factors Contributing to Consolidated Core Operating Income

Unit: 100 million yen



- (1) Increase in advertising expenses: Mainly TV commercials linked to the “Let’s Eat Vegetables” campaign
- (2) Cost reduction: Improvement of procurement strategy, shift to in-house production of PET bottles and exchange rate changes led to cost reduction despite an increase in raw material cost
- (3) Decrease in promotion expenses: Fewer sales promotion opportunities due to COVID-19

# Factors Contributing to Operating Income and Profit Changes

Unit: 100 million yen

	FY2019	FY2020
Core operating income	123	136
Other income	27 (1)	14
Other expenses	10	43 (2)
Operating income	141	107
Profit before income tax	139	106
Income tax expense	36	45
Effective tax rate	26%	43% (3)
Profit attributable to non-controlling interests	1	(13) (4)
Profit	102	74

- (1) Gain on sale of businesses to F-LINE, a new logistics company, in the previous fiscal year
- (2) Impairment losses on fixed assets at HIT in Portugal
- (3) Increase in the effective tax rate for the FY under review due to the absence of tax payment for the gain on sale of businesses in the previous fiscal year
- (4) Loss at HIT in Portugal

# Changes to Statement of Financial Position

## Assets/liabilities and equity

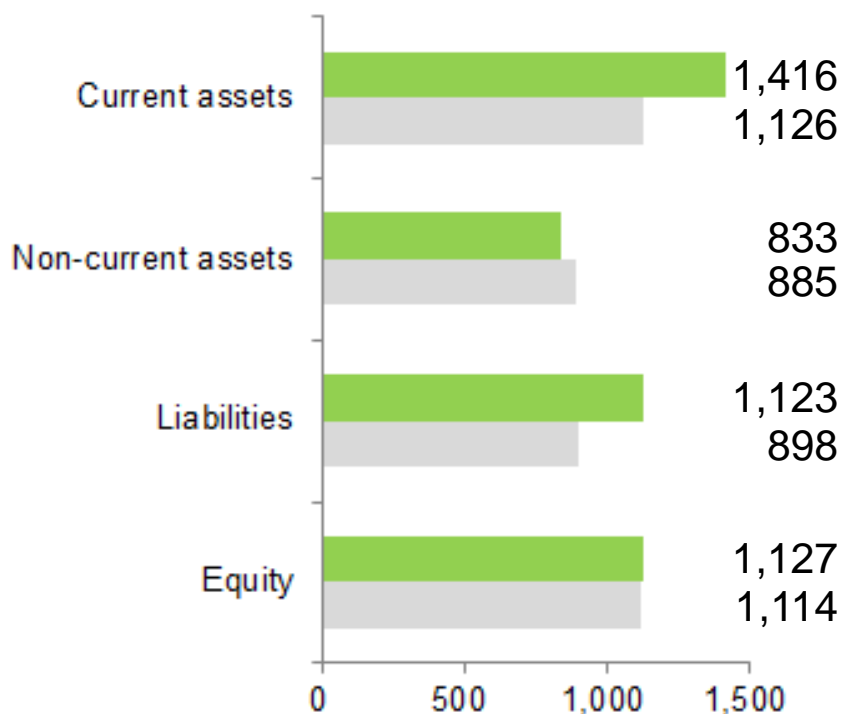
¥224.9 B (up ¥23.7 B from the end of FY2019)

Equity attributable to owners of parent to total assets:

49.3% (down 4.6 points from the end of FY2019)

Unit: 100 million yen

Unit: 100 million yen



■ : Dec. 31, 2019

■ : Dec. 31, 2020

### Current assets: 1,416 (up 289)

Cash and cash equivalents +295: Increase in time deposit corresponding to borrowings, etc.  
Inventories (7), etc.

### Non-current assets: 833 (down 52)

Property, plant and equipment (11):  
Decrease due to impairment losses at HIT (22), etc.

### Liabilities: 1,123 (up 225)

Borrowings +183: Increase in preparation for tightness of financing conditions due to the spread of COVID-19, etc.

### Equity: 1,127 (up 13)

Net income attributable to owners of parent +74, dividends (31), non-controlling interests (14), etc.



# Changes in Cash Flow

Unit: 100 million yen

	FY2019	FY2020	Change
Cash flows from operating activities (A)	122	204	82
Cash flows from investing activities (B)	(93)	(34)	59
Free cash flows (A+B)	30	170	141
Cash flows from financing activities	(51)	121	172

## Factors contributing to changes from the previous fiscal year

### <Cash flows from operating activities>

- Profit before income taxes (33), impairment losses +28, share of loss of investments accounted for using the equity method +10, decrease in inventories +22, increase (decrease) in operating and other payables +26, income taxes paid +18, etc.

### <Cash flows from investing activities>

- Purchase of property, plant and equipment, and intangible assets +43
- Proceeds from sales of property, plant and equipment +31
- Payments for acquisition of businesses (5), etc.

### <Cash flows from financing activities>

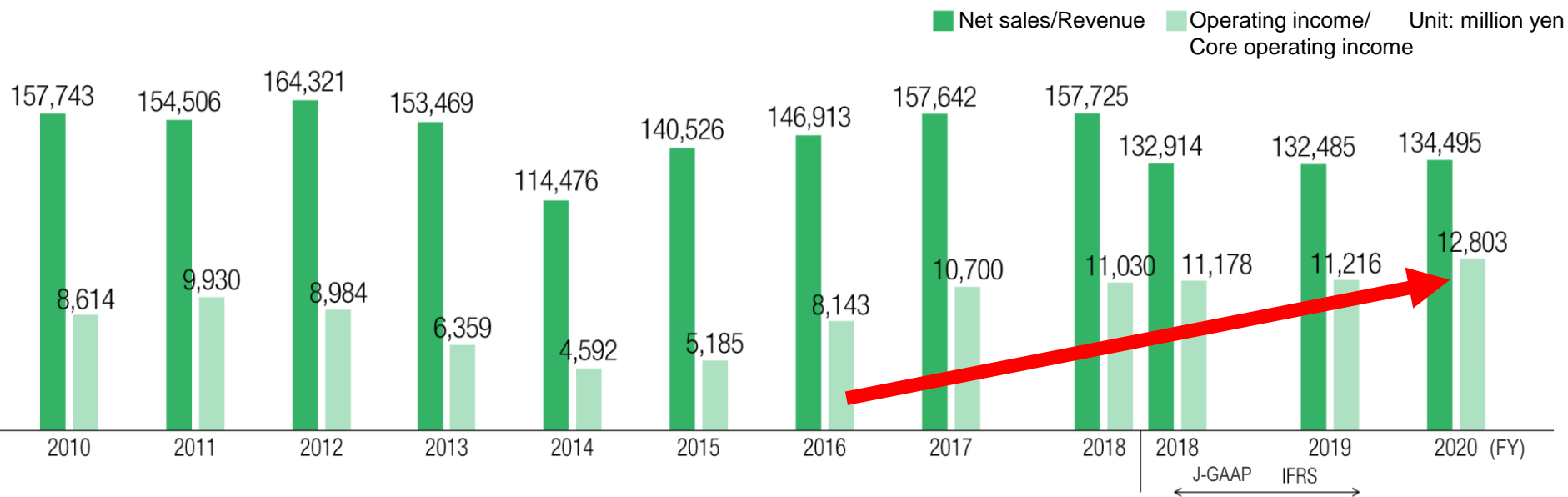
- Net increase (decrease) in short-term borrowings +235, repayments of long-term borrowings (53), etc.

## **2. Initiatives in the Domestic Processed Food Business in FY2021**

# Domestic Processed Food Business' 10 Years

Profitability increased from the First Mid-Term Management Plan from 2016 to 2018. The challenge is achieving growth in sales.

## Past Performance Trends



\* FY2014 is nine months from April 1 to December 31.



- Income increased significantly during the First Mid-Term Management Plan (2016 to 2018) through earnings structure reform.
- Revenue has remained flat from 2018. The challenge is growth in the top line.

# Consumer Behavioral Change Due to COVID-19

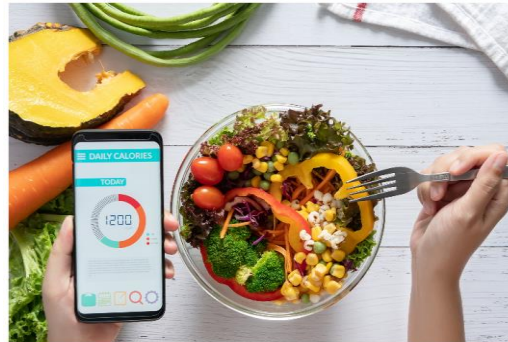
Consumer behavioral change gives Kagome an opportunity to increase vegetable intake in Japan.

Major consumer behavioral change includes:

Increased opportunities to prepare and eat food at home



Increased awareness of health, immunity and hygiene



Change in purchasing behavior



## Kagome's opportunities

- Increased opportunities to prepare food that uses general purpose seasonings, such as tomato ketchup
- Boosting immunity and physical strength using vegetables and plant foodstuffs
- Increased value of the long shelf life and hygienic aspect of processed food, such as vegetable beverages and seasoning
- Strengthening of the company's direct marketing and use of other companies' e-commerce platforms

# Initiatives in FY2021

Press ahead with the “Let’s Eat Vegetables” campaign to stimulate demand for vegetables and achieve top-line growth

## Priorities for achieving top-line growth

### Beverages

Revenue + 1.6 billion yen

Enhance the value of mainstay products

- Communicate the function of vitamin A in vegetables in maintaining immunity using TV commercials and online videos
- Print icons showing the amount of vitamins on containers



Expand into the area of plant-based products

- Launch Yasai Seikatsu 100 SOY+



### Food, institutional and industrial use

Revenue + 0.7 billion yen

Sustainable growth in the consumer business

- Promote proposals of Western-style dishes
- Strengthen ready-to-eat dishes for food manufacturers
- The Western-style dishes support team backs restaurants



Restructure the institutional and industrial business

- Expand demand for ketchup for consumer use and institutional and industrial use



Neapolitan Stadium 2021

- Expand demand for ketchup for consumer use and institutional and industrial use

### Direct marketing, e-commerce

Revenue + 1.0 billion yen (direct marketing)

Strengthen Kagome direct marketing and use e-commerce

- Kagome Health Direct Delivery and other e-commerce sites send customers to each other



### Disseminate information in the “Let’s Eat Vegetables” campaign

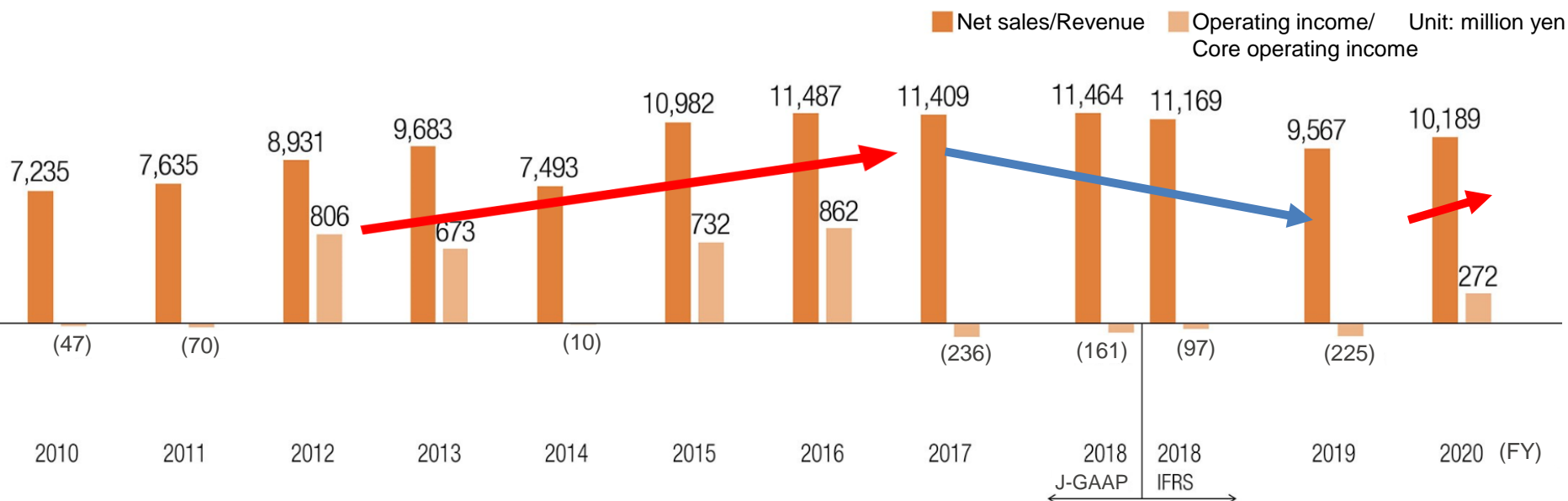
- Communicate the importance of vegetable intake in a fun and easy-to-understand way through a variety of media sources, including TV commercials, newspapers, websites and social media, and tools at stores.

# **3. Reform of Earnings Structure of Domestic Agriculture Business and Initiatives in FY2021**

# Domestic Agriculture Business' 10 Years

Performance has been weak since FY2017. The earnings structure reform will continue.

## Past Performance Trends



\* FY2014 is nine months from April 1 to December 31.

- Commercialization started in 1998. Sales channels were expanded to mass retailers nationwide, and sales and income peaked in FY2016.
- From FY2017, competition intensified, chiefly reflecting the entry of large vegetable gardens. Fresh tomato market prices fell, and performance became weak.
- In FY2020, the business entered the black for the first time in four fiscal years due to the earnings structure reform.
- We need further reform to achieve stable profit and sustainable growth.

# Establishment of KAF and Initiatives in FY2021

Kagome Agri-Fresh Co., Ltd. (KAF) has taken over the domestic agriculture business

## Purposes of the establishment of KAF

- (1) Expediting decision making
- (2) Increasing productivity
- (3) Promoting alliances
- (4) Enhancing governance

## Missions

Building an advanced and sustainable agribusiness

Fresh tomatoes



Cultivation of new vegetables and a new agribusiness



New vegetable  
Kalish®

kagome home gardening  
カゴメの家庭園芸シリーズ

Home gardening  
Agri-Support

## Initiatives in FY2021

Promotion of earnings structure reform

Core operating income  
+0.4 billion yen

Core operating profit margin  
+3.4 pt

- (1) Optimize the procurement volume to maximize gross profit
- (2) Reform the cost structure
- (3) Move directly managed gardens into the black



Stimulation of demand through “Let’s Eat Vegetables” campaign

Revenue  
+ 0.7 billion yen



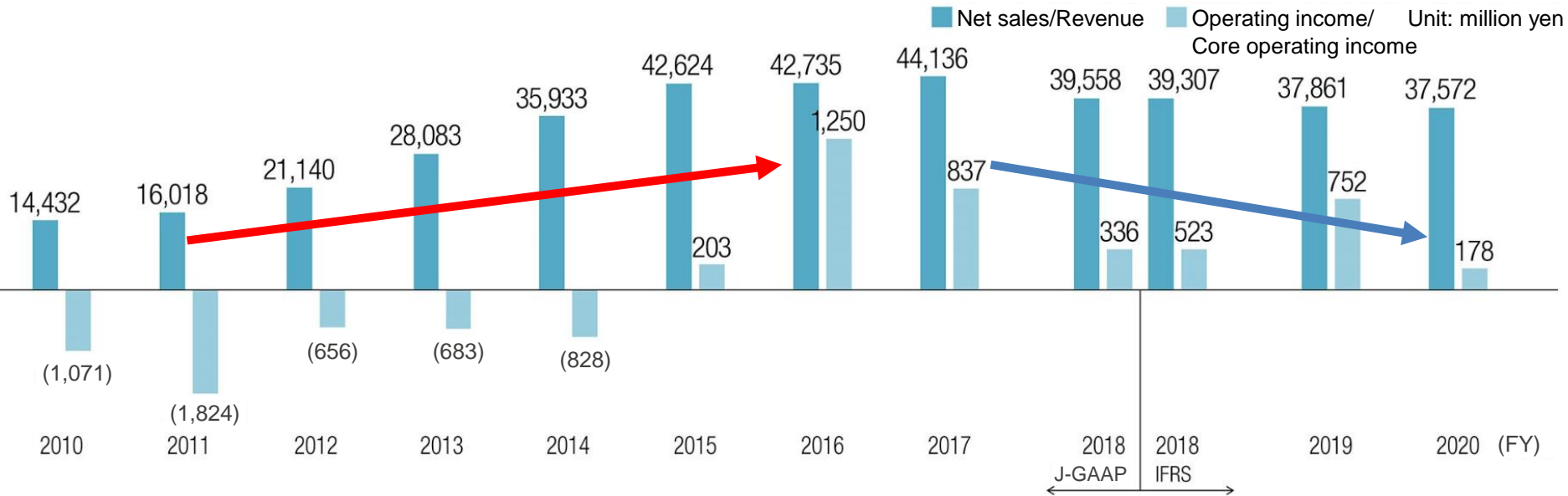


# **4. Reform of Earnings Structure of International Business and Initiatives in FY2021**

# International Business' 10 Years

Net sales grew approximately threefold. However, earnings fell especially in the primary processing domain, and earnings structure reform has started.

## Past Performance Trends



\* FY2014 is nine months from April 1 to December 31.

\* From FY2020, the beverages export business is included in the international business segment. The results in FY2019 are based on the segments after the change in segments.

- Kagome aims for a vertically integrated business model that encompasses all stages from the development of seeds to the production, processing and sale of agricultural products based on the assumption of growth in global demand for tomato paste. In FY2016, net sales grew approximately threefold from FY2010.
- Unprofitable business in Asia was discontinued, and the international business moved into the black in FY2015.
- Recently, performance has been weak, especially in the primary processing domain, due to a worsening of the tomato paste supply-demand balance.
- In FY2020, impairment losses were posted at HIT in Portugal, and the foundation was laid for growth from FY2021.

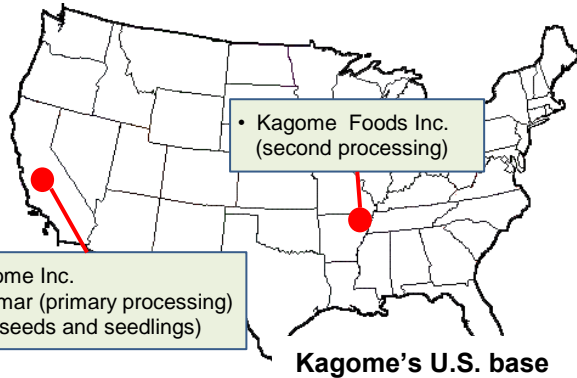
**Optimize the scale of the primary processing domain and focus on cooperation between the U.S. bases and vegetable beverages in Asia**



**Core operating income at HIT +0.2 billion yen**

## Primary processing

- Manage earnings by business and by customer and select businesses and customers to achieve stable growth rather than chasing expansion in scale



**Core operating income at Kagome Inc. +0.2 billion yen**

\* YoY comparison, excluding impairment losses

## U.S. business

- Pursue growth in B-to-B business in the entire U.S. market
- \* Growth market where the population is growing
- \* Strengthening cooperation between resources of Kagome from the sale of seeds to processing and manufacturing

**Revenue in export business +0.3 billion yen**



## B-to-C vegetable beverages business

- Expand sales in Asia, primarily sales of Yasai Seikatsu brand products
- Develop this business into a core business

**5. Full-Year Consolidated  
Results Forecasts for FY2021  
(Final Year of the Second  
Mid-Term Management Plan)**

# FY2021 Full-Year Results Forecasts

Unit: 100 million yen

	Revenue				Core Operating Income			
	FY2020	FY2021	YoY	Vs. Revised forecast <sup>*2</sup>	FY2020	FY2021	YoY	Vs. Revised forecast <sup>*2</sup>
Domestic processed food business	1,345	1,377	32	13	128	108	(20)	6
Domestic agriculture business	102	109	7	3	3	7	4	2
International business	443	439	(4)	(4)	2	16	14	4
Other/adjustments <sup>*1</sup>	(60)	(66)	(6)	(12)	3	0	(3)	(5)
<b>Total</b>	<b>1,830</b>	<b>1,860</b>	<b>30</b>	<b>0</b>	<b>136</b>	<b>131</b>	<b>(5)</b>	<b>6</b>

\*1. The adjustments include a buffer against uncertainties.

\*2. Comparison with the revised forecasts announced at the information meeting for the first six months of FY2020.

## Consolidated

- Revenue remains unchanged from the revised forecast at the closing of the first half of FY2020. Core Operating Income rose 0.6 billion yen.
- Revenue is 3.0 billion yen more than the result in FY2020. Core Operating Income is down 0.5 billion yen. (The details are described on the next page.)

### Domestic processed food business (year on year)

- Top-line growth due to the sophistication of the “Let’s Eat Vegetables” campaign: +3.2 billion yen
- Increases in promotion expenses and other expenses, which were reduced in FY2020 due to the COVID-19 pandemic: -2.0 billion yen in Core Operating Income

### Domestic processed food business (year on year)

- Strengthening of gross profit management at KAF and an improvement in profitability at subsidiary green farms: +0.4 billion yen in Core Operating Income

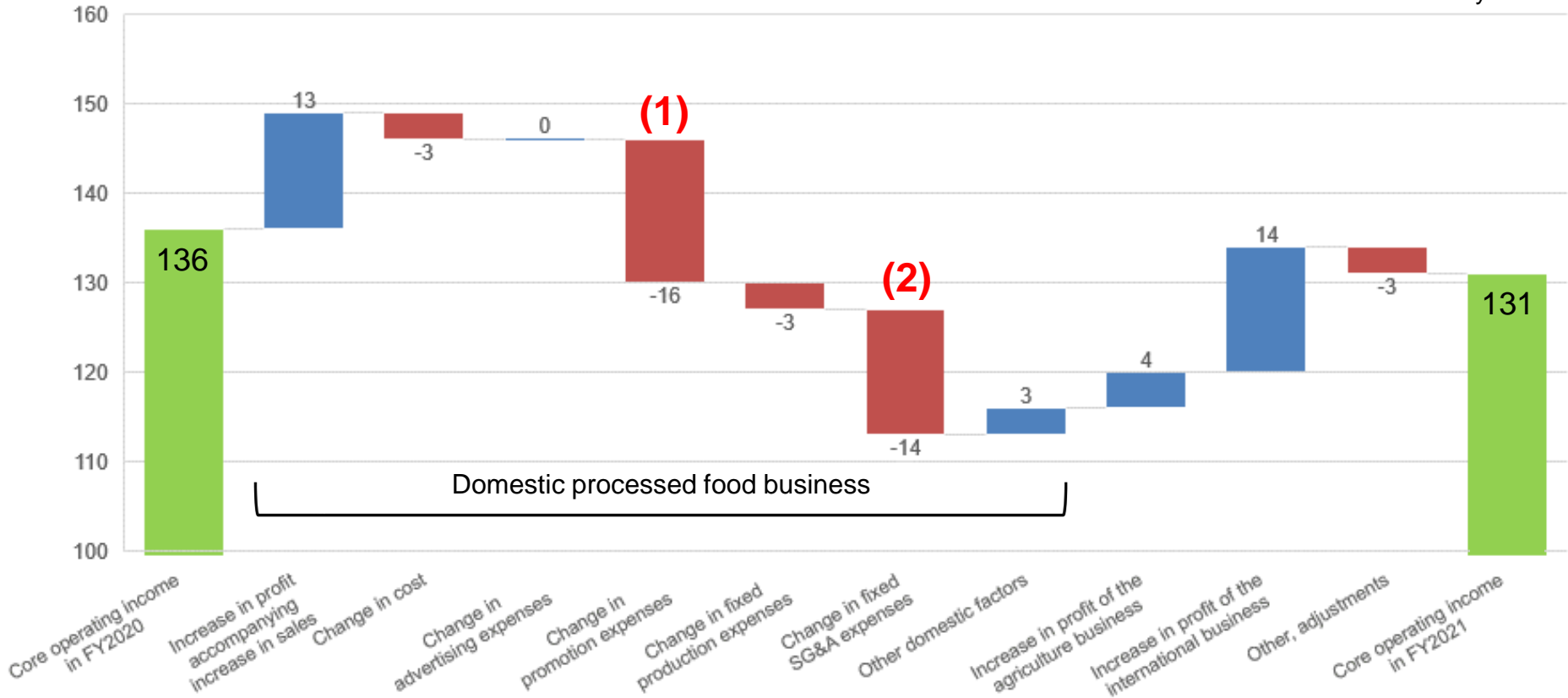
### International business (year on year)

- Structural reform in FY2020: +1.4 billion yen in Core Operating Income (+0.4 billion yen, excluding impairment losses in FY2020)

# Factors Contributing to Consolidated Core Operating Income Changes in FY2021

Significant income decline in the domestic processed food business leads to a decrease in consolidated core operating income

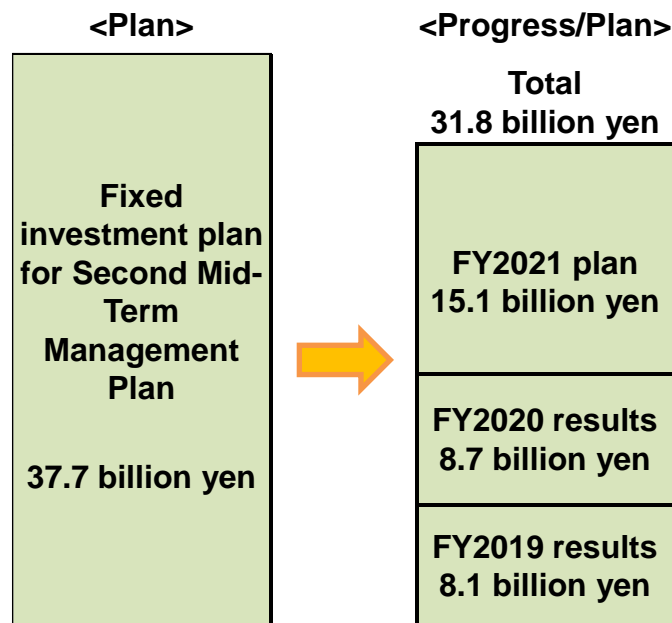
Unit: 100 million yen



## Major factors contributing to income decline in the domestic processed food business

- (1) Increase in promotion expenses: Reaction to promotions in FY2020 and active promotions
- (2) Increase in SG&A expenses: Increase in personnel expenses, travel and transportation expenses

## Fixed investment plan



### Fixed investment plan in the Second Mid-Term Management Plan

- Approx. 6.0 billion yen less than the plan, 37.7 billion yen
- Although part of the plan was cancelled or postponed, an investment of 15.1 billion yen is planned for FY2021.

### Major investment in FY2021

- Fujimi Plant (Nagano) 7.9 billion yen, including investment in the creation of a new, 200-mL paper container line (a total investment of 8.6 billion yen).

### Details of the investment in Fujimi Plant

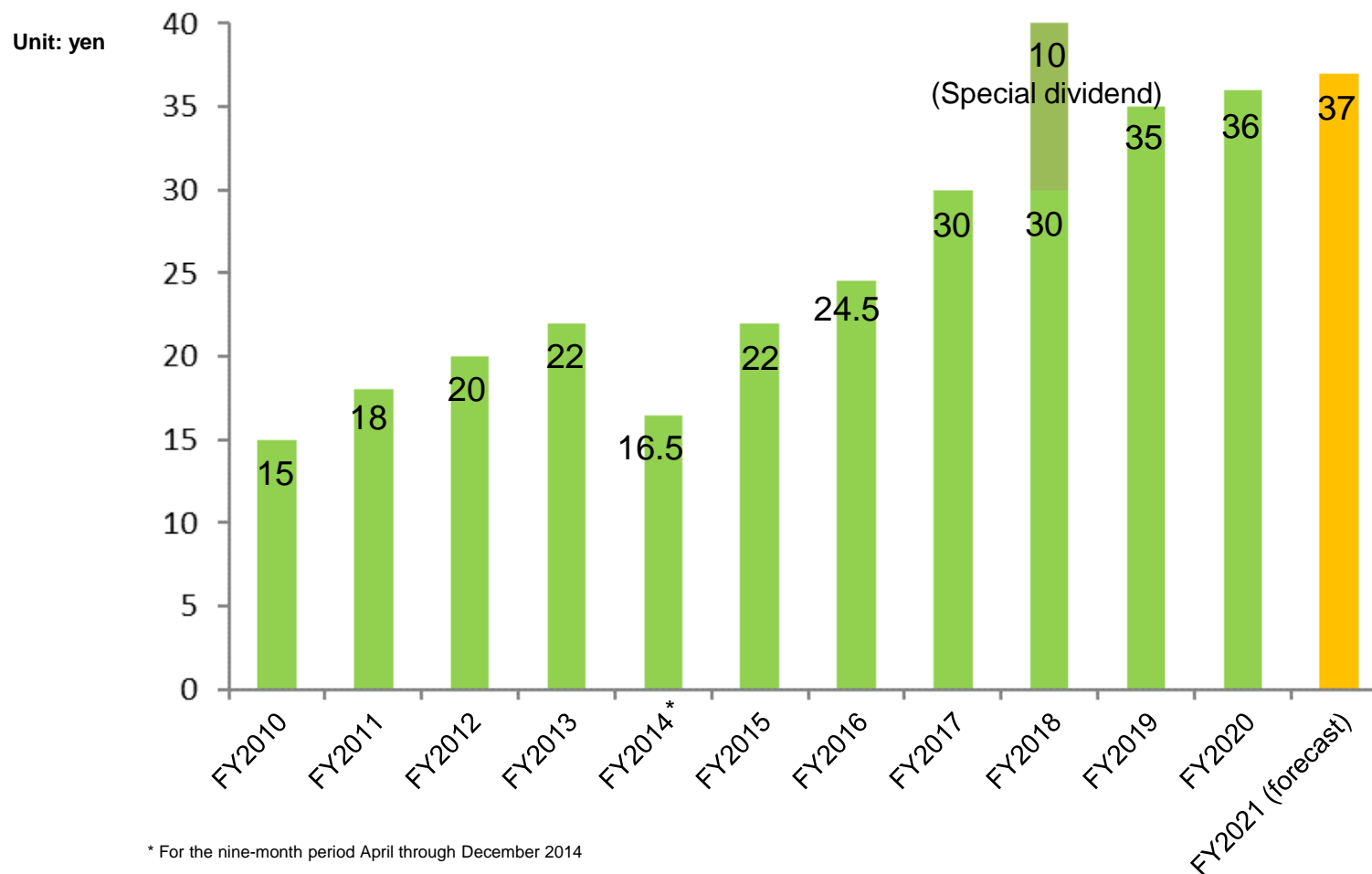
- Production capacity will rise by 20% compared to the present level.
- Productivity of new line will double from the present level by improving work efficiency through automation of facilities and use of IoT.

## Dividend payout policy for the Second Mid-Term Management Plan

- Payout at least 35 yen in annual dividends per share
- Total return ratio of 40% during the plan period

## Annual dividend payouts per share

- FY2020: **36 yen**
- FY2021 (expected): **37 yen**



\* For the nine-month period April through December 2014



# **Initiatives before the Third Mid-Term Management Plan**

## Environmental conservation is necessary for the continuity of the Company's business for which the raw materials are nature's bounty.

E	Reduction of greenhouse gas emissions	<ul style="list-style-type: none"> <li>Analyzing climate change scenarios, following the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)</li> <li>Reviewing the CO<sub>2</sub> emissions target in accordance with the 1.5°C target under the Paris Agreement</li> </ul>
	Conservation of water and biodiversity	<ul style="list-style-type: none"> <li>Establishing a policy on water in the Kagome Group and upholding measures for different regions of the world</li> <li>Aiming to coexist with diverse creatures by reducing the impact on the ecosystem from agriculture</li> <li>Considering the conservation of biodiversity at Kagome Yasai Seikatsu Farm Fujimi</li> </ul>
	Reduction of Plastics	<ul style="list-style-type: none"> <li>Establishing the Kagome Policy on Plastics in January 2020</li> <li>Using plant-derived raw materials for caps and straws for paper containers</li> <li>Starting to use recycled materials for some plastic bottles</li> </ul>
S	Mutual assistance with local communities	<ul style="list-style-type: none"> <li>Establishing the Kagome Mirai Yasai Foundation in October 2020</li> <li>Supporting organizations engaged in food education and the alleviation of children's poverty mainly through grants</li> </ul>
G	Abolition of takeover defense measures	<ul style="list-style-type: none"> <li>Deciding to discontinue (abolish) the takeover defense measures</li> </ul>
	Response to a new section of Tokyo Stock Exchange	<ul style="list-style-type: none"> <li>Adopting a revised corporate governance code in response to the creation of the prime market</li> </ul>



## Two approaches to become a vegetable company

### (1) Increasing the **consumption** of vegetables

KPI	Consumption of vegetables in Japan: 350 g per person daily
Method	<ul style="list-style-type: none"> <li>Stimulation of demand for vegetables and <b>promotion of behavioral change</b> in terms of eating habits</li> </ul>
Key initiatives and businesses	<ul style="list-style-type: none"> <li>“Let’s Eat Vegetables” campaign</li> <li>Health business</li> <li>Proposals of dishes and promotions</li> </ul>

### (2) Increasing **supply of vegetables**

KPI	The Company’s supply of vegetables: 830,000 tons per year
Method	<ul style="list-style-type: none"> <li><b>Building an open value chain</b> and strengthening the ability to supply vegetables</li> </ul>
Key initiatives and businesses	<ul style="list-style-type: none"> <li>Diversifying and increasing vegetables to provide, and products and markets</li> <li>Cooperation with other companies and universities, including joint research</li> </ul>

## Laying the foundation for new growth

### (1) Introducing ROIC-based management

- Starting ROIC-based management for each business and subsidiary in FY2021
- Making factors of the ROIC tree KPIs for departments
- Focusing on the efficient use of invested capital** as well as revenue and income

### (2) Laying the foundation for digital transformation

- Starting a company-wide digital transformation project
- Advancing the restructuring of the company-wide customer data platform (CDP) and its effective strategic use**
- Continuing to encourage ways of working and digital transformation after the end of the COVID-19 pandemic

### (3) Increasing job satisfaction

- Encouraging changes in ways of working and shifting the focus toward initiatives to increase job satisfaction
- Strengthening engagement**

## 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 reviewed and announced in consideration of changes in the environment when a Third Mid-Term Management Plan is announced

## Note

All information contained herein on the current plans, forecasts and strategies of Kagome that does not consist of historical facts is based on judgments made by Kagome's management from currently available information. We therefore request that you refrain from relying comprehensively and solely on these forecasts. Please note that actual results may differ materially from these forecasts due to various important factors that could have an impact on actual results, including but not limited to (1) weather, particularly low temperatures in summer, (2) product accidents such as contamination by foreign substances, (3) economic conditions, particularly consumer trends, surrounding the business domains of Kagome, and (4) Kagome's capability of continuing to plan and develop products and services that will be accepted by customers in the market exposed to fierce competition that is characterized by rapidly changing customer preferences. The purpose of these materials is to promote a greater understanding of Kagome, and not necessarily to solicit investment in Kagome. Market data, etc. stated herein are also prepared based on information that the Company deems to be reliable and accurate. However, please note that these data, including future as well as past data, could change without prior notice due to revisions, etc.