



News Release dated January 26, 2024

- ✓ **Kagome converts Ingomar (US), a world's 4th largest primary tomato processing company, into a consolidated subsidiary.**
- ✓ **To further grow its International Business for building a sustainable tomato processing business.**

Kagome Co., Ltd. (Representative Director & President: Satoshi Yamaguchi; Head office: Nagoya, Aichi; hereinafter, the “Company”) resolved at the Board of Directors’ meeting held on January 26, 2024 to acquire an additional 50% equity stake in Ingomar Packing Company, LLC (California, the USA; hereinafter, “Ingomar”), an equity-method associate of the Company. As a result, the Kagome Group’s equity stake in Ingomar will increase from 20% to 70%, and Ingomar will be converted into a consolidated subsidiary of the Company effective today (US time).

The Company hereby announces the background of the additional acquisition, medium- to long-term objectives, impact on its consolidated financial performance, and other matters as follows.

\* Primary tomato processing refers to processing tomatoes into tomato paste by juicing them into concentrate or diced tomatoes to be used as raw ingredients for secondary processed products such as tomato ketchup and tomato sauce.

## 1. About Ingomar

- Since its foundation in 1983, Ingomar has produced and sold primary processed tomato products, including tomato paste and diced tomatoes in California, the US, the world’s largest producer of processing tomatoes, for about 40 years.
- With the annual volume of processing tomatoes reaching 1.55 million metric tons, the company is ranked 2nd in the US and 4th in the world.

\*2022 actual (Source: Tomato News, May 9, 2023)

[https://www.tomatonews.com/en/top-50-global-processors-in-2022\\_2\\_1980.html](https://www.tomatonews.com/en/top-50-global-processors-in-2022_2_1980.html)

- One of Ingomar’s strengths lies in the fact that it has a stable and solid procurement base for processing tomatoes because its founding members, who are still the major shareholders, are processing tomato farmers. The other strengths are its high operational efficiency enabled by locating its processing bases in the tomato-producing region, cost competitiveness in the global market, and stability of product quality and supply that has been proven by Kagome through the business with the company over years.

## **2. Relationship with the Kagome Group**

- The Kagome Group started procuring primary processed tomato products from Ingomar in 2008. Since then, positioning Ingomar as one of the Group's main suppliers, the Group has used its processed tomato products as raw ingredients for its secondary processed tomato products, including tomato sauce, pizza sauce, and tomato ketchup, in countries and regions such as Japan, the US, Taiwan, and Australia.
- In 2016, for the purpose of procuring primary processed tomato products and ensuring stable supply to customers, the Company acquired a 20% equity stake in Ingomar via KAGOME INC. (California, the USA; hereinafter, "KIUS"), a subsidiary of the Company that produces and sells secondary processed tomato products, converting Ingomar into an equity-method associate of the Company. At the same time, the Company also entered into a business and capital alliance agreement with Ingomar to strengthen its relationship with the company.

## **3. Background and objectives of the acquisition of additional equity stake in Ingomar**

### **(1) Background**

#### **i ) Accelerating growth overseas**

- In its global tomato processing business, the Kagome Group possesses the functions of seed development and sales, cultivation for processing tomatoes, primary processing, and secondary processing, and its strength lies in its ability to create value-added that meets customer needs in each of the above functions.
- The Group's International Business leverages this strength to sell processed tomato products and others in the US, Portugal, Australia, Taiwan, and India, where our business bases are located, primarily to food service and food manufacturing companies that operate regionally or globally. As a result of reinforcing these activities, the presence of International Business is increasing year by year as the Company expects it to mark a third consecutive year of increases in both revenue and profits for FY2023.
- To further expand this growth, the Company intends to strengthen cooperation among overseas group companies by setting the management policy of International Business for 2024 as "Accelerating growth overseas."

#### **ii ) Addressing changes in environment surrounding the tomato processing business**

- The tomato processing business is expected to continue to enjoy solid demand due to the increase in the world population, economic growth, and other factors, but on the other hand, it is facing an increase in climate change, geopolitical and other risks.
- In particular, the cultivation of processing tomatoes, like other agricultural products, faces a variety of challenges such as reducing environmental impact, stabilizing and improving yield, and lowering cultivation costs, in addition to coping with climate change (drought, etc.). The Kagome Group considers these as urgent issues to be addressed to realize sustainable growth of the tomato processing business and the Kagome Group as a whole.

## **(2) Objectives**

### **i ) To further grow the US business by strengthening the value chain for the US tomato processing business**

- Kagome will strengthen its involvement in the cultivation of processing tomatoes, which is one of Ingomar's unique characteristics, while incorporating the primary processing function into the current US tomato processing business (seed development and sales and secondary processing). By owning a complete value chain within the same region, Kagome will increase the stability and sustainability of its business and further grow its US tomato processing business.

### **ii ) To accelerate overall growth of International Business by strengthening the global network of tomato processing business**

- Possessing a primary processing function in the world's largest processing tomato-growing region will lead to strengthening the Company's global network that support the expansion of business with the global food service providers and food manufacturers. Ingomar will join an intragroup organization named Kagome Food International Company, which was established by the Company in October 2023, seeking to collaborate with overseas companies that fall under this organization.
- In addition, Ingomar's primary tomato processing technology and knowledge will be deployed throughout the Kagome Group to enhance the competitiveness of the Group's tomato processing business and accelerate the globalization of the Kagome Group, including through personnel exchange.

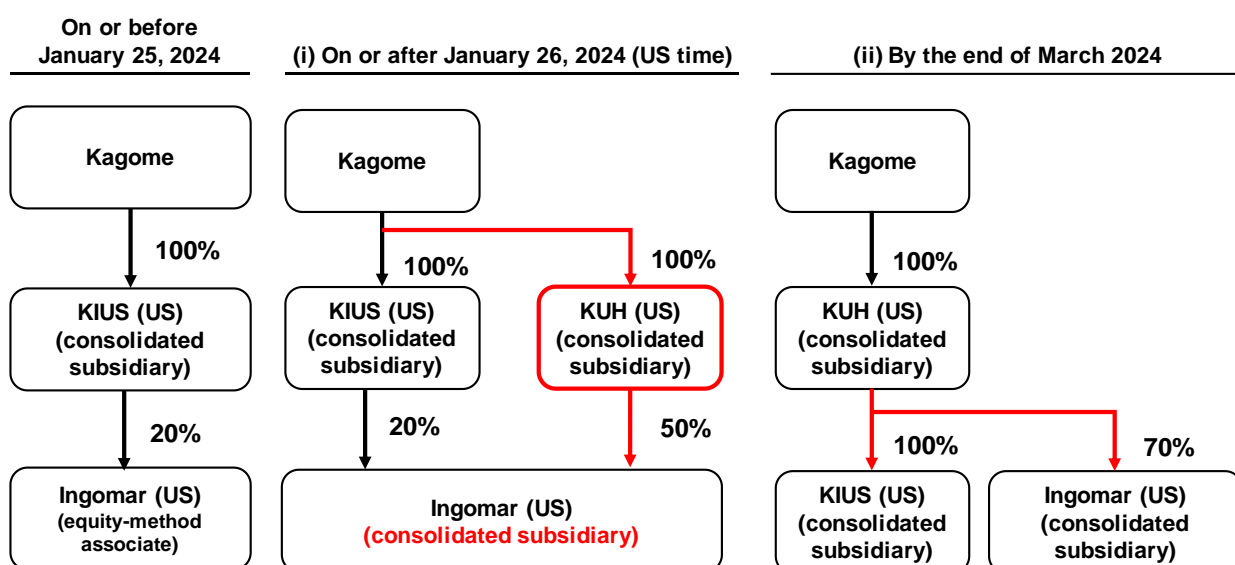
### **iii ) To build a competitive and sustainable tomato processing business by strengthening initiatives in the agricultural area**

- In collaboration with Ingomar and, its investors, processing tomato farmers, the Kagome Group will work on the development of cultivation technology among others, aiming to reduce environmental impact, stabilize yield, and improve cultivation efficiency. In developing the technology, the Group will take advantage of the US, California's position as the world's largest processing-tomato growing region and a center of cutting-edge technologies in the agricultural industry to actively pursue open innovation with local research institutes and agricultural companies.
- In addition to deploying the developed technology to Ingomar's suppliers of processing tomatoes, Kagome also aims to deploy the technology to group companies outside of the United States. This will strengthen the tomato processing business in each region and, by extension, enhance the competitive advantage and sustainability of the tomato processing business from a global perspective.

#### 4. Impacts on the consolidated financial performance

- The impact of the investment on the consolidated earnings forecasts for the fiscal year ended December 31, 2023 is immaterial. In addition, the additional acquisition of the equity stake in Ingomar has no impact on the incorporation of earnings from Ingomar for the fiscal year ended December 31, 2023.
- The impact of the investment on the Company's consolidated operating results for the fiscal year ending December 31, 2024 is currently under careful review. The earnings forecasts for the fiscal year ending December 31, 2024, including the impact of the investment, is scheduled to be announced in "Consolidated Summary Report <under IFRS> for the fiscal year ended December 31, 2023" to be disclosed on February 1, 2024.

#### 5. <Reference> Overview of the transaction



- (i) The Company acquires an additional 50% equity stake in Ingomar through a capital contribution to KAGOME USA HOLDINGS INC. (KUH), a wholly owned subsidiary of the Company, on January 26, 2024 (US time). Together with the 20% equity stake already acquired in 2016 via KIUS, a wholly owned subsidiary of the Company, this additional acquisition will result in Ingomar becoming a consolidated subsidiary of the Kagome Group.
- (ii) The Company will contribute all shares of KIUS it holds in kind to KUH by the end of March 2024. The Company will also transfer the 20% equity stake in Ingomar held by KIUS to KUH. This will result in KUH becoming a parent company of both KIUS and Ingomar. In the future, KUH is expected to serve not only as a holding company of KIUS and Ingomar but as a control base overseeing the business, funding, and governance of the Kagome Group in the US.

**<Reference> Acquisition cost of 50% equity stake in Ingomar**

USD243,341 thousand [JPY36.0 billion]

\*The figures in square bracket ([ ]) are those denominated in Japanese yen as reference amounts translated at an exchange rate of JPY148/USD.

\* The Company has borrowed the entire amount of the acquisition cost of 50% equity stake in Ingomar.

**<Reference> Company profile of Ingomar**

Name	Ingomar Packing Company, LLC	
Location	Los Banos, California, the United States	
Establishment	1983	
Name and job title of representative	Greg Pruett, CEO	
Description of business	Production and sale of processed tomato products (tomato paste and diced tomatoes)	
Sales revenue (FY2023)	USD310,523 thousand [JPY45.9 billion]	
Shareholders (shareholding ratios)	Before acquisition	Total of 6 farming businesses, including Vaquero Farms (80.00%), KIUS (20.00%)
	After Acquisition	KUH (70.00%), Total of 6 farming businesses, including Vaquero Farms (30.00%)
Website	<a href="https://ingomarpacking.com">https://ingomarpacking.com</a> /	

\*The figures in square bracket ([ ]) are those denominated in Japanese yen as reference amounts translated at an exchange rate of JPY148/USD.

**<Reference> Company profile of KUH**

Name	KAGOME USA HOLDINGS INC.
Location	Wilmington, Delaware, the Unites States
Date of establishment	December 22, 2023
Name and job title of representative	Norito Ebata, President (President of Kagome Food International Company; Executive Officer, General Manager of Global Tomato Division of the Company)
Description of business	A holding company
Share capital	USD0
Major shareholder (shareholding ratio)	Kagome Co., Ltd. (100%)

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