



**KAGOME**  
**Integrated Report**  
2020

## Long-term Vision

### By 2025 Transform from a “tomato company” to a “vegetable company”

- To become a unique entity that deals with vegetables across a variety of food ingredients, categories, temperature zones, containers, and volumes
- To become a company that provides not only products but services as well, by expanding its business concept from tomatoes to vegetables

### By around 2040 50% of the workforce consisting of women – from employees to executive officers

- To promote business activities incorporating a wide range of views, catering to diverse consumer needs
- To become a strong company where employees of any gender can work enthusiastically, thus achieving high productivity

## What Kagome Strives for by 2025

To become a “strong company” capable of sustainable growth,  
using food as a means of resolving social issues

## Social Issues We Seek to Address

Longer, healthier lives

Agricultural development and regional revitalization

Global food problems

In the Domestic Processed Foods Business, we aim to help people live longer, healthier lives by increasing the provision of vegetables.  
In the Domestic Agri-Business, we support agricultural development and regional revitalization through the development of vegetable production areas and processing locations.

In the International Business, we work to tackle global food problems through a global, vertically integrated tomato business model.

## Corporate Philosophy

An inherited management spirit that pervades through the changing times



### Appreciation

We are thankful for nature’s bounty and for human relationships. We respect natural ecosystems and value human sensibility.

### Nature

Through nature’s bounty, we endeavor to create rich value that is ahead of the times and to contribute to consumers’ health and wellbeing.

### Corporate Openness

We aim to be an open company that engages in fair and transparent corporate activities and respects each person’s individuality and abilities.

## Brand Statement

Our promise to society and our customers



### Nature

To strive for healthier food that makes the most of the antioxidants and immunological capabilities of nature’s bounty.

### True

To produce healthy, great tasting foods without relying on unnatural additives and technologies.

### Flavor

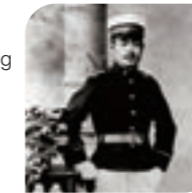
Create new demand for delicious food, paying attention to the needs of our bodies and our planet.

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#### Editorial Policy

Since the release of its Environmental Report for fiscal 1999, the Kagome Group has continuously reported to our stakeholders on our efforts toward making a social contribution through our businesses by means of the Sustainability Report (CSR report) and Kagome Story (company brochure). This Integrated Report is issued to create new opportunity for discussion by informing our stakeholders, in particular shareholders and investors, about Kagome’s mid- to long-term efforts for enhancing corporate value. For details of the financial data and CSR activities not included in this document, please refer to our website.

Kagome website  
<https://www.kagome.co.jp/company/>

#### Target Period

This document covers the period from January 1, 2019 to December 31, 2019. However, some portions of this document contain matters related to activities outside this defined period. The scope of this document covers the activities of Kagome Co., Ltd. and its consolidated subsidiaries but there are items that only pertain to Kagome Co., Ltd.

#### Referenced Guidelines

This Report is prepared with reference to the International Integrated Reporting Framework issued by the International Integrated Reporting Council (IIRC) and Guidance for Collaborative Value Creation issued by Japan’s Ministry of Economy, Trade and Industry (METI). Moreover, our CSR activities are reported on our website, and highlights are included in the ESG section of this report.

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#### [Notes Regarding Forecasted Information]

The information in this report includes forward-looking statements. These statements are made on the basis of assumptions and judgments based on information available at the time of publication, hence they may contain risks and uncertainties. Accordingly, please be advised that the actual results may differ from such statements due to various changes.

At a Glance

# Kagome Group's History of Contributing to Health and Agriculture Development

The history of the Kagome Group dates back to 1899 when Kagome's Founder Ichitaro Kanie first encountered a tomato sprout. Since then, Kagome has worked to resolve social problems through food by providing the world with products that apply nature's blessings. We will continue striving to be a strong company capable of sustainable growth by increasing vegetable consumption and promoting people's health and agriculture development.

1899  
Kagome's Founder Ichitaro Kanie cultivates tomatoes



1908  
Launch sales of tomato ketchup



1933  
Launched sales of tomato juice

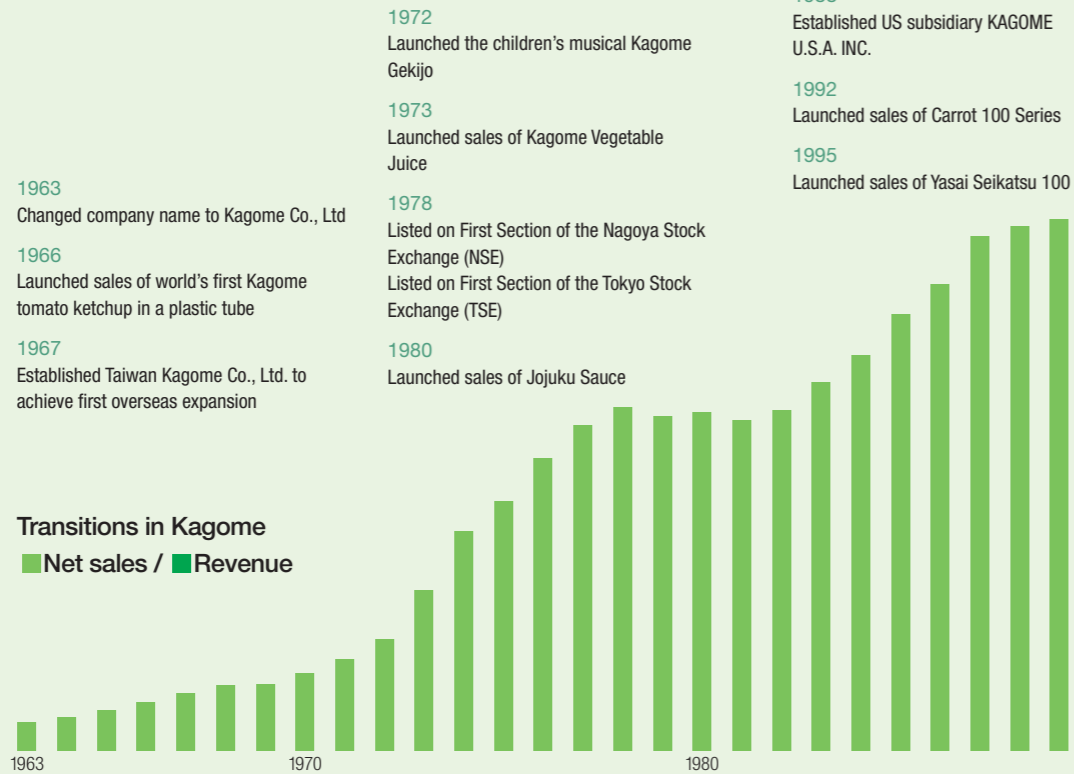


1963  
Changed company name to Kagome Co., Ltd

1966  
Launched sales of world's first Kagome tomato ketchup in a plastic tube

1967  
Established Taiwan Kagome Co., Ltd. to achieve first overseas expansion

Transitions in Kagome  
■ Net sales / ■ Revenue



1972  
Launched the children's musical Kagome Gekijo

1973  
Launched sales of Kagome Vegetable Juice

1978  
Listed on First Section of the Nagoya Stock Exchange (NSE)  
Listed on First Section of the Tokyo Stock Exchange (TSE)

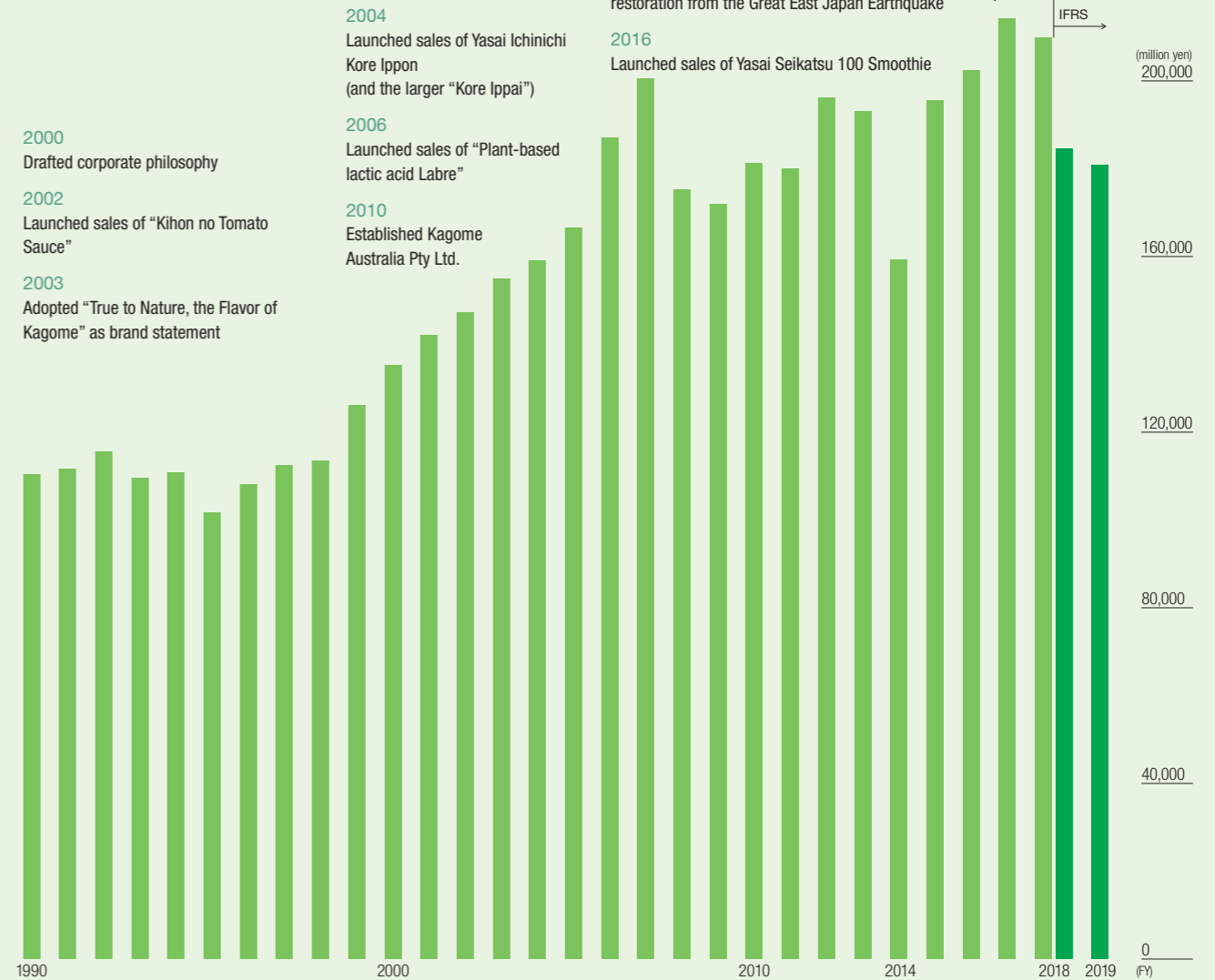
1980  
Launched sales of Jojuku Sauce

1983  
Changed brand name to **KAGOME**

1988  
Established US subsidiary KAGOME U.S.A. INC.

1992  
Launched sales of Carrot 100 Series

1995  
Launched sales of Yasai Seikatsu 100



2000  
Drafted corporate philosophy

2002  
Launched sales of "Kihon no Tomato Sauce"

2003  
Adopted "True to Nature, the Flavor of Kagome" as brand statement

2004  
Launched sales of Yasai Ichinichi Kore Ippon (and the larger "Kore Ippai")

2006  
Launched sales of "Plant-based lactic acid Labre"

2010  
Established Kagome Australia Pty Ltd.

2011  
Launched sales of Yasai Seikatsu 100 Series (seasonal limited time only)  
Established Michinoku Mirai Fund to support restoration from the Great East Japan Earthquake

2016  
Launched sales of Yasai Seikatsu 100 Smoothie

\*Figures through 1995 indicate nonconsolidated net sales while figures from 1996 onward indicate consolidated net sales and revenue.  
\*Fiscal year 2014 represents the nine-month period from April 1, 2014 to December 31, 2014 following change to the Company's business year.  
\*From FY2019, we apply IFRS. Furthermore, as reference we also indicate FY2018 figures modified to reflect IFRS.

## 1960s to 1970s

Period of advancement towards becoming a national manufacturing company

Established Kagome as the brand for tomato-based products

In 1966, Kagome began selling the world's first tomato ketchup in a plastic container using the ketchup we originally launched in 1908. This represented a new product based on technology advancements. Kagome established locations throughout Japan to develop sales routes and a national production structure.

1966

Net sales  
**10.1 billion yen**



## 1980s

Age of diversification and globalization

Developed overseas sites and expanded beyond tomato products to promote growth

Kagome shifted from the late 1970s focus on establishing tomato juice as a commodity to adopting a growth strategy that did not rely on tomatoes by engaging in the fruit juice and tea beverage markets. Simultaneously, Kagome began working to develop overseas raw material procurement sites and establishing business in America.

1988

Net sales  
**108.7 billion yen**

**KAGOME**



## 1990s

Period of establishing Kagome's brand identity

Narrowing business domains and shifting gears towards growth

The popularity of the Carrot 100 Series, which we launched in 1992, established carrots as the No. 2 vegetable after tomatoes. We then launched Yasai Seikatsu 100 in 1995 while simultaneously disseminating information about the benefits of vegetables. These efforts helped establish vegetable drinks as a normal part of the Japanese food lifestyle.

1994

Net sales  
**110.9 billion yen**



## 2000s

Applying our principles to become a company that grows with society

Achieving sustainable growth by resolving social issues

After drafting our corporate philosophy in 2000, we clarified our business domains and accelerated innovation in our governance. Today, having outlined our ideal situation for 2025, we are working towards becoming a strong company capable of sustainable growth and working to resolve social issues.

2019

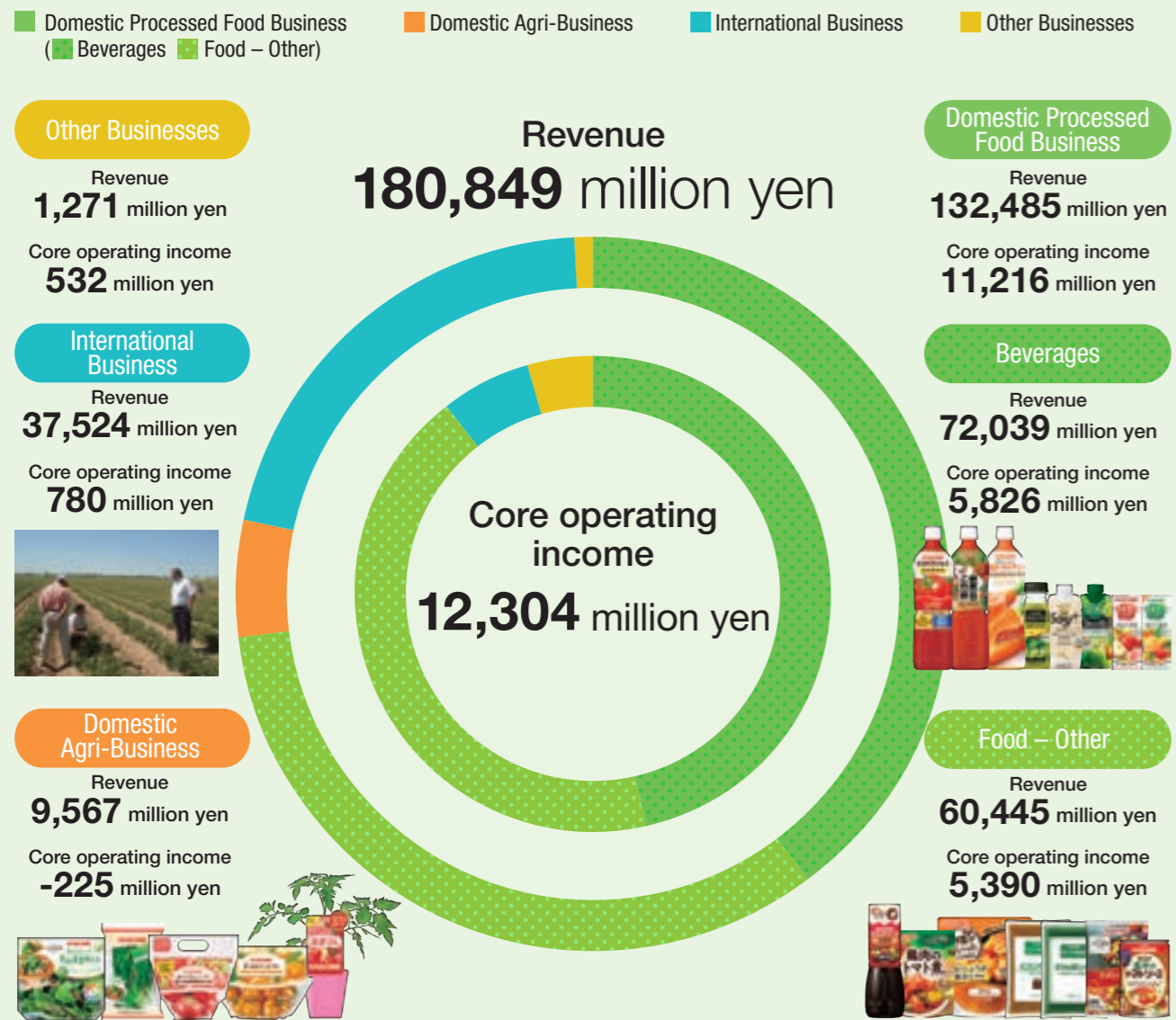
Revenue  
**180.8 billion yen**



# Kagome's Profile

Kagome's Founder Ichitaro Kanie took the tomato, which at the time did not sell at all because people disliked the raw smell and deep red color, and, after much trial and error, processed them into tomato sauce to start a processed food business. Today, Kagome contributes to people's food and health by delivering not only tomato-based products, but also products made from carrots and other vegetables in various forms.

## Segment composition (FY2019)



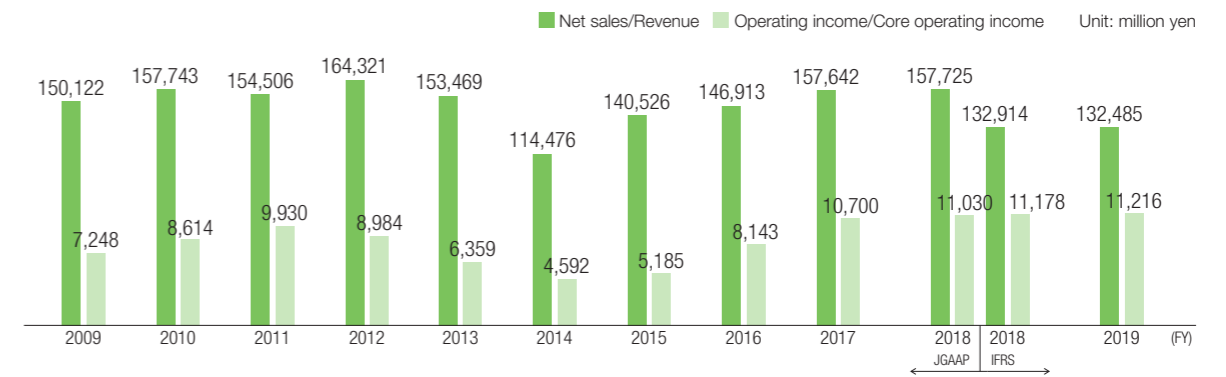
## Transitions in segment composition



## Transitions in Segment Net sales/Revenue

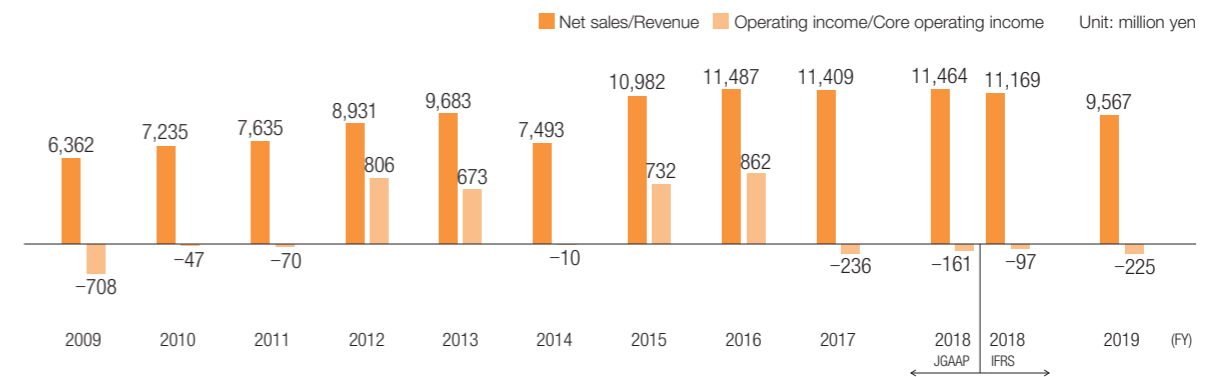
### Domestic Processed Food Business → Business strategy indicated on P.32

The Domestic Processed Food Business is engaged in the manufacturing and sales of beverages, condiments, products for direct marketing, gift products and others.



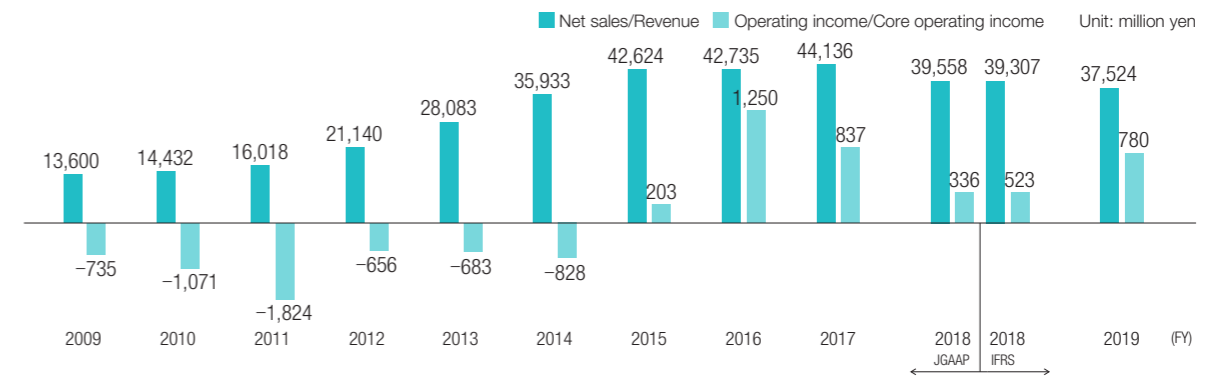
### Domestic Agri-Business → Business strategy indicated on P.34

The Domestic Agri-Business is engaged in the production and sales of fresh tomatoes and mesclun greens, etc.



### International Business → Business strategy indicated on P.36

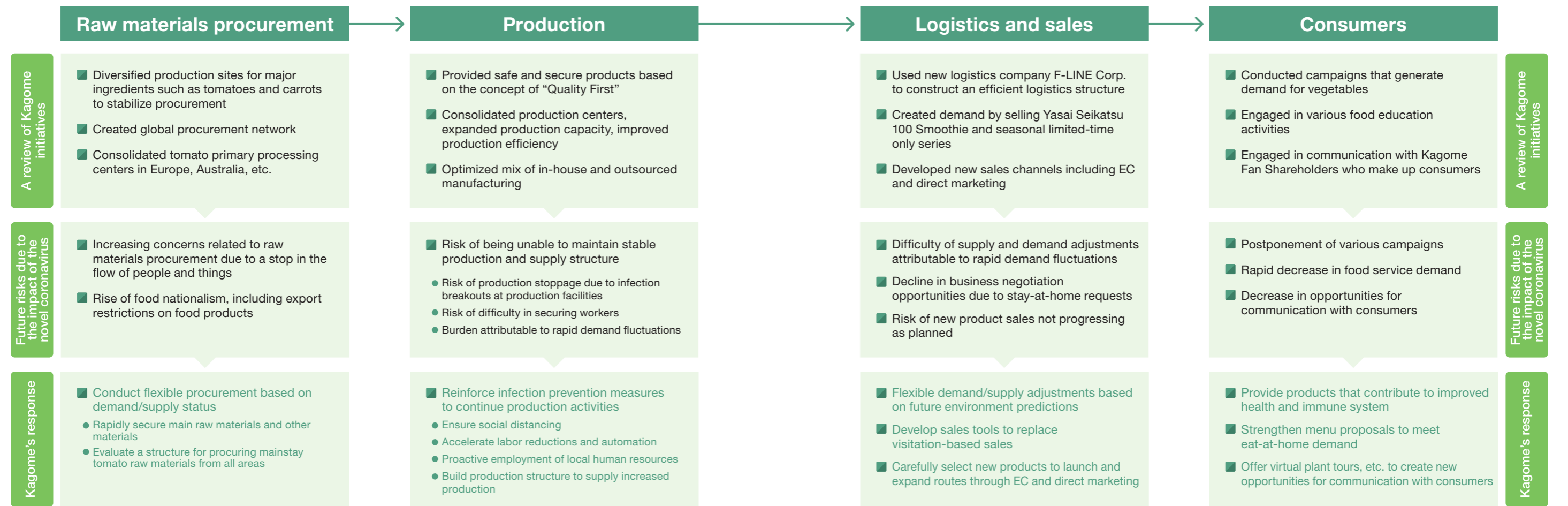
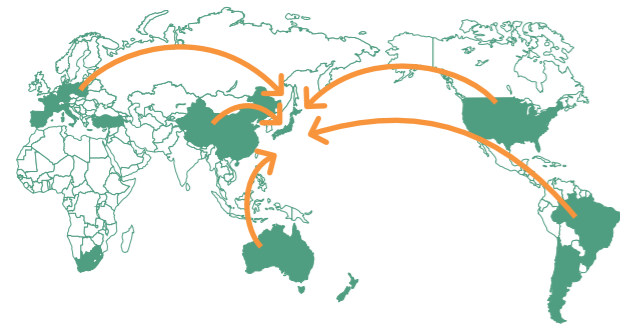
International Business is engaged in a broad range of operations from tomato seed development and firming to product development, processing, and sales.



\*Figures after eliminations and adjustments between segments  
 \*Fiscal year 2014 represents the nine-month period from April 1, 2014 to December 31, 2014 following change to the Company's business year.  
 \*From FY2019, we apply IFRS. Furthermore, as reference we also indicate FY2018 figures modified to reflect IFRS.

# Kagome's Response to the COVID-19 Pandemic

The COVID-19 pandemic is having a severe impact on societies and economies around the world. In a post-coronavirus world, we expect to see the adoption of new values and lifestyle changes. Below, we introduce the role and benefits of the Kagome BCP as well as discuss what new measures we will incorporate to overcome the difficulties of the current environment and continue contributing to society through food. (Created based on information available through May 31, 2020)



Special Preface

### Establishment of the COVID-19 Task Force

- Organization overseen by the president
- Regular meetings are held once per week
- Departments share status updates and rapid decisions are made on response matters
- Manages responses based on guidance from government and local municipalities

#### Structure of the Task Force

- HQ Director** President & Representative Director
- Members** Internal directors, Executive Officers, Division Directors, PR General Manager, etc.
- Administrative Office** Joint Risk Management Meeting

#### Basic Policy of the Task Force

- 1 We prevent infections and critical infection among Kagome Group employees and business partners**
- 2 As a food manufacturer, we constantly check the status of our entire supply chain to prioritize the supply of the lifeline products we provide.**

### Main topics of the past responses

#### Shift to telecommuting

Through end of July 2020 (excludes departments related to product supply)

In response to the nationwide emergency declaration, we have adopted telecommuting for all Japanese offices. Since FY2014, Kagome has been implementing work style reforms as we aimed to be a company with a pleasant and rewarding workplace. As part of this initiative, we have adopted various systems, including shifts, flex-time, and

telecommuting to increase employee work style freedom and promote autonomous productivity improvements. Through simultaneous efforts to establish the infrastructure needed to support these reforms, we were successful in shifting to our first-ever companywide telecommuting without any major problems.



Employee working remotely



A Tokyo Head Office with no employees (April 2020)

#### Creating a stable financial platform

Thus far, we have recorded a relatively high level of equity to total assets and maintain an A (stable) credit rating from outside institutions. To prepare to potential strains on the capital procurement environment due to the ongoing COVID-19 pandemic, we executed credit agreements for approximately 20.0 billion yen. The increase in financing expenses resulting from these loans will not have a significant impact on our Kagome Group consolidated earnings.

#### Status of external ratings

Rating agency	Rating	Rating trends
Rating and Investment Information, Inc. (R&I)	A	Stable
Japan Credit Rating Agency, Ltd. (JCR)	A	Stable

#### Changes in balance sheet

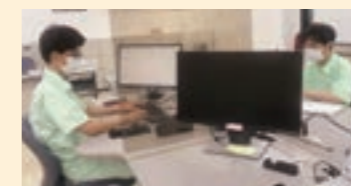
	31/12/2019	31/12/2019
Assets	201.1	209.6
Cash and cash equivalents	27.2	41.8
Liabilities	89.7	102.9
Borrowings	29.1	45.9
Capital	111.3	106.7

(Unit: billion yen)

#### Contributing to society

Embracing the basic policy of fulfilling our responsibility as a food manufacturer to provide lifeline products, we place maximum importance on ensuring the health and safety of workers directly involved in food supply as we work to maintain stable production. To support the municipalities and medical professionals battling the COVID-19 pandemic, we work with various local municipalities and medical associations to donate vegetable

beverages free of charge. Through May 30, 2020, we have donated approximately 52,000 products to organizations such as the Tokyo Medical Association, Kanagawa Prefecture, Wakayama Prefecture, and Osaka Prefecture. We hope to continue delivering vegetable beverages to the people battling on the front lines of this pandemic.



Plant employees working while engaged in infection prevention measures



Vegetable juice donated to medical institutions

### Future initiatives amid the COVID-19 pandemic

#### (1) Impact on FY2020 Q1 earnings

##### [Japan]

- Sales of condiments and other consumer products increasing on acceleration of stay-at-home consumption
- Sales from convenience stores in business districts decreased, sales of certain beverages and products for institutional and industrial use decreased due to a slump in food service demand

##### [Overseas]

- Decreased sales from businesses related to food service industry due to expanding lockdowns, including restrictions on food service industry

#### (2) Future initiatives in light of changes in external environment

##### Changes in external environment

##### 1 Food-related changes in consumer values and behavior

- Dining-out demand, increased demand for food delivery and internet supermarkets
- New values and consumer trends centering on health
- Rise of food nationalism

##### 2 Lifestyle changes

- Decline in movement and travel
- Normalization of telecommuting and business not involving face-to-face meetings
- Diversification of communication

##### Future initiatives

- Strengthen menu proposals to meet eat-at-home demand
- Expand EC and direct marketing sales routes
- Provide products that contribute to improved health and immune system
- Create new opportunities for communication with consumers
- Identify and select businesses and resources based on predictions for a post-COVID society

## Enhancing our ability to respond to environmental changes and making steady advancements towards becoming a “vegetable company”

**We will enhance our ability to respond to the COVID-19 pandemic and other environmental changes as we aim to become a “vegetable company” capable of sustainable growth.**

My name is Satoshi Yamaguchi. I was newly appointed to the position of President & Representative Director on January 1, 2020.

Kagome embraces “Becoming a ‘strong company’ capable of sustainable growth, using food as a means of resolving social issues” as what Kagome strives by 2025. Under this concept, we are working to resolve three social problems: “Longer, healthier lives,” “Agricultural development and regional revitalization,” and “Global food problems.” We also adopted the long-term vision of shifting from being a tomato company to a vegetable company by 2025. We are committed to providing convenient and delicious ways to consume vegetables and disseminate the functional value of vegetables to consumers around the world as we strive to be a company that contributes to longer, healthier lives.

In Japan, which faces population decline and advanced aging, the food industry is expected to experience contraction and selection through elimination. And since entering 2020, the COVID-19 pandemic has created an even more severe operating environment that has made it difficult to make projections about the future.

Since I joined Kagome, I have worked in environments, from product development and raw materials procurement to manufacturing and sales. Most recently, I was in charge of the Research Department where I promoted open innovation and was involved in advanced research.

I will apply my career experiences towards further enhancing our corporate capabilities and rapidly identifying market changes. Through determination and commitment, I will engage in management aimed at achieving what Kagome strives for by 2025 and long-term vision.



President & Representative Director  
Satoshi Yamaguchi

*Satoshi Yamaguchi*

President's Commitment

## Response to the COVID-19 pandemic

### Continuously changing pandemic environment

The novel coronavirus infection that began in December 2019 rapidly spread through Asia, Europe, Africa, the Americas, and around the world.

While restarting the economy became a major issue in countries where the increase in the number of infected peaked, certain countries continue to see a rise in the number of infected.

In Japan, the government issued an emergency declaration on April 7, 2020 that was lifted on May 25 as the country began initiatives towards restarting economic activity.

However, we face the risk of a second and third wave of infection, and we must be prepared for the possibility of a long-term battle with the infectious disease. New norms involving achieving both infection prevention and economic activity will be the way of life for the foreseeable future. Amid such an environment, corporate activities must also shift from emergency measures to activities focused on a medium- to long-term perspective.

### Outlook for a post-coronavirus market

Even after the COVID-19 pandemic subsides, it is unlikely we will see a return to the pre-corona social or economic environment. We will see significant changes in consumer trends and consciousness.

The consumer trend of “online shopping, eating at home, and having online parties” to prevent infection will continue into a post-coronavirus world and become a part of normal life. As a result, the proliferation of online business will accelerate, new business formats for delivery and takeout will emerge, and dining establishments will be chosen for their health and hygiene response. There will also be an increased emphasis on consuming healthy foods and increasing immune systems through daily nutrition.

### Kagome's medium- and long-term response

Kagome must respond to these changes in consumer trends and consciousness by rapidly reevaluating our distribution of management resources, supply chain structure, product development direction, and sales activities.

While there is no change in what Kagome strives for by 2025 and long-term vision for 2025, nor a change in the three social problems we are working to resolve, we must make dynamic changes to our approaches and methods.

Ahead of a post-coronavirus world, top management and all Division Directors are engaged in a project to redraft our growth strategy. Through those deliberations, we will reevaluate our Second Mid-Term Management Plan and provide details on this new plan at the Second Quarter information meeting for institutional investors scheduled for the end of July 2020.

## Second Mid-Term Management Plan progress and issues

### Second Mid-Term Management Plan basic strategy

In 2016, we started our three-year Mid-Term Management Plan aimed at achieving our goals for 2025.

The issue we addressed during our First Mid-Term Management Plan (FY2016-2018) was strengthening our profitability. In the Domestic Processed Food Business, we steadily increased profitability by diligently engaging in earnings structure reforms, which enabled us to transform into a structure capable of generating stable core operating income.

For the subsequent Second Mid-Term Management Plan (FY2019-2021), we adopted a basic strategy to “achieve growth by continuing to strengthen earning capacity and taking on the challenge of entering new businesses and domains.” In addition to rapidly achieving goals for earnings structure reforms in the Domestic Agri-Business and International Business, goals we were unable to achieve during the First Mid-Term Management Plan, we outlined a strategy to focus on proposing vegetables as a side dish to create a new domain for the expanding alternatives to at-home dining and focus food and beverage markets in response to growing demand for food and beverage services. We will shift towards growth by combining these efforts with new initiatives in the health business.

### FY2019 Earnings Evaluation and FY2020 Growth Strategies

As announced in February 2020, FY2019 resulted in a 2% YoY decrease in revenue to 180.8 billion yen and a 1% decrease in core operating income to 12.3 billion yen.

The Domestic Processed Food Business recorded increased sales of products for side dishes to mass retailers by focusing on proposing vegetables as a side dish. However, sales of our mainstay product Yasai Seikatsu 100 decreased year on year due to increasing competition from soy milk and other products, resulting decreased revenues but increased profits. Furthermore, we did not see the full benefit of earnings structure reforms in the Domestic Agri-Business and International Business. As a result, these goals remain as issues to

be addressed in FY2020.

In FY2020, the second year of our Second Mid-Term Management Plan, we reaffirmed both internally and externally our commitment to the long-term vision of shifting from a tomato company to a vegetable company. We aligned all marketing activities for all businesses to start a “Let's Eat Vegetables Campaign” aimed at maximizing sales. With the COVID-19 pandemic occurred immediately after this launch, as indicated above we are currently reevaluating our Second Mid-Term Management Plan. At the same time, we are launching new challenges for 2025 aimed at resolving the three social issues Kagome is committed to resolving.

### Generating our “Let's Eat Vegetables” campaign to generate demand

In a post-coronavirus environment, we believe there will be increased interest in consuming healthy foods and improving our immune systems. We will continue to respond to changes in consumer consciousness while working to increase vegetable consumption in Japan in order to contribute to longer, healthier lives.

The Ministry of Health, Labour, and Welfare (MHLW) recommends consuming 350g of vegetables per day but the average person only consumes 290g. This condition of being “60g short” has continued in Japan for 10 years.

To change this trend, we must increase awareness in society of the importance of consuming vegetables and eating more vegetables, and help foster a consumer consciousness of the need for individuals to change their own food habits. Our “Let's Eat Vegetables” campaign is designed to facilitate cooperation between various companies and organizations to promote the increased consumption of vegetables.

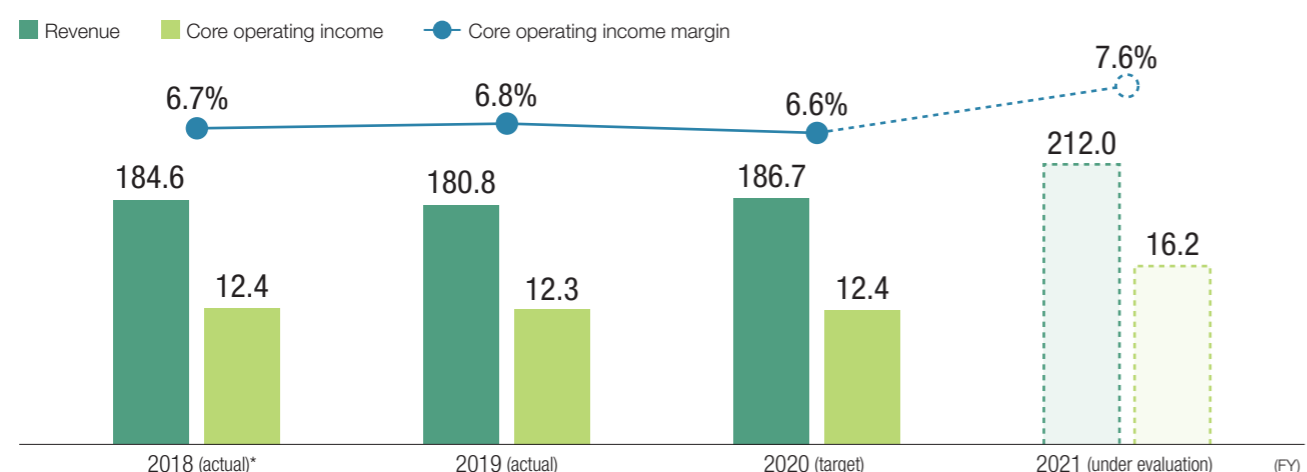
Since launching this campaign in January 2020, we have received the cooperation of numerous logistics, retail, and food and beverage companies to stimulate activities such as new proposals for vegetable-based menus.

### Launching new collaborations with agriculture companies

Our Domestic Agri-Business is unique among food manufacturers and we will continue to engage in new challenges aimed at stimulating growth and promoting agriculture.

### Status of progress for Second Mid-Term Management Plan

(Unit: billion yen)



\*Figures based on Japanese accounting standards modified to reflect IFRS



## President's Commitment

There is an image of Japanese agricultural industry as being a declining industry. However, according to the Ministry of Agriculture, Forestry and Fisheries (MAFF), agricultural output increased for three years consecutively from 2015. These increases were attributable to government strategies to promote agricultural industry growth and advancements in smart agriculture. These initiatives also led to a significant increase in the number of agricultural businesses to lead a new generation of Japanese agriculture.

To pursue new growth opportunities in the domestic agricultural business, in February 2020 we partnered with an agriculture company in Hokkaido to establish the joint venture Sobetsu Agri-Foods.

Sobetsu Agri-Foods will work to establish a business capable of the seamless provision of agricultural products from fresh produce to processed foods. There are not many examples of collaborations between agriculture companies and food manufacturers. Through this venture, we plan to establish a new six-tier business model for agriculture.

### Starting operational services using AI

From April 2020, we started a new AI-based agriculture operations support service for tomatoes to be processed. This service is based on technology that uses AI trained in the skills of master farmers to enable anyone to achieve environment-friendly, highly profitable farming operations. By disseminating this technology throughout the world, we will contribute to sustainable agriculture that helps resolve food shortages.

### Accelerating initiative to become a strong company

#### Creating a framework for continuous innovation

To accelerate our initiative of becoming a strong company capable of sustainable growth, we must adopt new thinking and innovation that is not simply an extension of existing concepts. Furthermore, we must be able to achieve various innovation on a continual basis.

In 2018, Kagome developed VegeCheck™, a device that enables the easy measurement of a person's vegetable consumption in under a minute simply by placing the palm of their hand on a small sensor.

VegeCheck enables the easy visualization of vegetable consumption levels, something that could not be measured in the past. This is one form of innovation by Kagome.

VegeCheck development started off as a proposal introduced by a young Kagome researcher. In line with the Research Department's motto "there can be no innovation without challenge," this researcher was appointed as development leader and spent nearly four years conducting collaborative research with a German venture business before finally achieving commercialization.

Moving forward, producing innovation will be something required of all departments, and not just the Research Department. I will use my own experience in the Research Department to evaluate what type of organizational and personal development we will need to achieve that innovation, how we will foster the spirit to embrace challenges, and how we can collaborate with external partners.

#### Becoming a company with a pleasant and rewarding workplace

Through our management strategies, we aim to be a company with a pleasant and rewarding workplace.

As a benchmark for a pleasant work environment, we set a goal of 1,800 annual work hours and also adopted systems to promote diverse workstyles, including flex time and telecommuting. As a result, we have seen a steady reduction in work hours while also exceeding an 80% paid leave utilization rate.

Additionally, new work styles centered on telecommuting in response to the COVID-19 pandemic have changed how we approach meetings, business trips, and meetings with clients. The current environment will potentially drive rapid advancements in work style reforms.

We will continue to adopt and standardize new work styles while also focusing on activities to create a rewarding workplace, another core management issue. We will accomplish this by creating visual representations of the commitment and motivation that lead to a rewarding work experience.

**We must identify trends ahead of our competitors, pressure ourselves to make progress, and continuously pursue change.**



#### Enhancing initiatives related to ESG and SDGs

Our corporate philosophy of appreciation, nature, and corporate openness is closely tied to ESG and the SDGs. Our corporate activities are representative of the core values of those initiatives.

As one of our initiatives, in January 2020 we drafted and published the Kagome Policy on Plastic aimed at reducing environmental load. This Policy outlines initiatives through 2030. Such initiatives include setting the goal of using 50% or more recycled materials or plant-based materials for our plastic bottles.

As a company committed to the continued manufacturing and provision of products based on nature's blessings, I believe we must increase our involvement in ESG and SDG initiatives. Over the years, we have worked continuously to validate the appropriateness of materiality. As of 2019, we reached a point where we have defined materiality as it relates to our operations and have reflected materiality in our management plan. Moving forward, we will link materiality to the KPI related to Mid-Term Management Plan issues and from 2021 we plan to implement PDCA based on materiality.

The operating environment impacting Kagome business has changed dramatically from things to services, from ownership to sharing, and from production and consumption to recycling and renewal. The impact

of the novel coronavirus will further accelerate these changes.

Amid such dramatic changes, we cannot continue to operate based on conventional business activities. We must identify trends ahead of our competitors, pressure ourselves to make progress, and continuously pursue change.

At the same time, some things must be protected at all times, regardless of the changing times. This refers to consumer trust in the Kagome brand to provide safe and reliable products. This is why we will continue to uphold the beliefs we embrace as a company; that fields are the primary production plant and "Quality First, Profit Second."

I am committed to management that values both rapid and flexible responses to change and transcending generations to protect our values.

Lastly, I believe that the growth Kagome will pursue moving forward will be impossible without the growth of our individual employees. Our own growth will lead to growth for the company. Furthermore, growth achieved by Kagome will promote the growth of each employee. A strong company is one that achieves this cycle of growth. I want us to unite as a company towards creating such a cycle.

Interview with Our Senior Managing Executive Officer

Despite the current conditions created by the COVID-19 pandemic, we must further examine our own expertise to identify growth points and overcome this difficult environment.

I want to discuss the impact of and risks related to the COVID-19 pandemic, how we will identify opportunities amid a difficult environment, and how we will leap forward into our next stage of growth.

Yoshihide Watanabe

Director & Senior Managing Executive Officer  
Assistant to President, Responsible for Special Assignment Projects, and Responsible for Global Industrial and Institutional Business



\*Created based on information available as of April 30, 2020.

Impact of and risks related to the COVID-19 pandemic

In Japan, significant increase in sales of consumer products due to stay-at-home consumption.

Products for institutional and industrial use decrease in Japan and overseas

Business in Japan

Looking at the impact on Domestic Processed Foods Business sales, stay-at-home consumption since late February drove increased sales of consumer products such as tomato ketchup and pasta sauce. In the beverage category, we saw a decrease in convenience store sales while supermarket sales increased. On the other hand, since March, the category of institutional and industrial use saw decreased sales due to the impact of declining demand for dining out. The issue for us will be how we cover decreased sales from dining-out with sales from other institutional and industrial channels such as sales of home meals and commercial raw materials.

To meet increased consumer product demand, at plants in Japan we are conducting weekend operations on some manufacturing lines. While this has placed a greater burden on our employees, we still are unable to meet increased demand in certain areas. I want to

apologize for the inconvenience we are causing our customers.

Sales of tomatoes, the mainstay product of the Domestic Agri-Business, have not been impacted significantly. We also have secured sufficient labor forces at major farms to ensure our ability to supply fresh tomatoes.

In response to the decreased opportunities for face-to-face meetings with business partners due to stay-at-home requests, we are adopting various measures, including sending new product samples in advance of web meetings. On the other hand, current conditions make it difficult to conduct storefront tastings, which provide an opportunity to engage with consumers, so we will have to carefully select which new products we launch to market. As for research and development, we are dispersing activities between sites to promote risk reduction.

International Business

Overseas, the dining industry is being impacted by lockdowns. Our core US subsidiary Kagome Inc. is weighted heavily towards sales of institutional and industrial use, resulting in decreased sales of various sauces for the fast food industry.

Supply chain status

Kagome depends on imports for raw materials. Tomato raw materials, for example, are approximately 90% import products. The stable procurement of imported raw materials can be significantly impacted by the status of pandemic in each country. However, as agriculture and food processing industries in each procurement country are designated as essential businesses, these industries are not subject to lockdowns or other measures. As such, we have experienced no problems with raw material imports.

Summer 2020 tomato planting in the northern hemisphere concluded without issue. However, there remains the risk that we will be unable to secure a workforce sufficient for the harvest period, which could result in increased raw materials costs due to delays in tomato shipments or the need to pay higher wages.

Additionally, significant fluctuations in product demand trends carries the risk of temporary product shortages or, conversely, inventory retention. We are also aware of the risk of shipment delays due to increased logistics volume and infection outbreaks at logistics centers. However, these are not viewed as critical risks.

Capital procurement

To prepare for potential strains on the capital procurement environment, we conducted borrowing for approximately 20.0 billion yen to build up cash on hand in the form of time deposits. This amount is equivalent to borrowings by overseas subsidiaries from local banks. For example, even in the event we are unable to continue receiving short-term loans, this allowance ensures the ability to supply capital from Kagome Japan. The decision to take this measure is based on experience gained from the Lehman Shock in 2008 and works to increase the stability of operations at our subsidiaries. Furthermore, the increase in financing expenses resulting from these loans will not have a significant impact on our Kagome Group consolidated earnings.

Capital investments

This fiscal year, we were planning to conduct capital investments of approximately 10.0 billion yen. These investments include production line upgrades and building expansion already underway at the Fujimi Plant, our main beverage plant, and production line investments at the Ueno Plant where we produce sauces. However, depending on conditions caused by the COVID-19 pandemic, there is a possibility of delays to previously planned capital investments and construction.

Critical future measures

How will attempts to resolving measures that affected growth from FY2019 be impacted by the COVID-19 pandemic?

Direction of Growth Strategies

Kagome believes that COVID-19 will repeat a cycle of waning and flaring back up, and that the pandemic will continue to impact markets for at least the following year. Even after the resumption of economic activities it will take time for the economy to recover as this state of instability continues for some time.

As stated earlier, while we have not incurred major risks to business operations, new lifestyle norms will present both challenges and opportunities for Kagome, and we

believe this environment holds sufficient opportunity for growth.

Evaluating our current situation with this in mind, we see that the problem impacting our growth strategies was stagnant sales growth. During our First Mid-Term Management Plan (FY2016-2018), with the earnings structure reforms we implemented, if we had increased sales then we could have shifted to a profit-generating structure. However, we did not achieve sales growth in FY2019.

## Our Commitment

The strategy of the Second Mid-Term Management Plan (FY2019-2021) was to achieve overall growth for Kagome by expanding sales of multiple core growth businesses. However, the environment changed dramatically due to the COVID-19 pandemic. Although all of society struggles to respond to dramatic changes in our environment, many companies seek opportunity in these new markets in a fight for survival. This environment presents the strong potential for new innovation and intensified competition between companies.

In such an environment, dynamic measures are required in order to ensure growth driven by increased sales. This direction involves carefully examining and identifying where we should focus the strengths of the Kagome Group as a whole. All our Executive Officers must be united in the commitment to carefully select and engage in resource distribution for internal businesses. We also must create a scenario on which we focus our efforts and move forward as a unified Kagome Group. Critical to this effort will be predicting what society will look like after the COVID-19 pandemic subsides and our ability to transform into a company that is able to adapt to those changes.

### Strengthening our supply chain

Even amid the COVID-19 pandemic, the mission of a food company is the stable provision of safe and reliable products, and strengthening our supply chain is one way we ensure our ability to achieve that mission.

In Japan, we are reinforcing infection prevention measures on our production lines. We have improved our personnel assignments so that, even in the event of a worker infection, we can continue operations without the need for close personal contact. Furthermore, the COVID-19 task force is making continuous updates to our business continuity plan (BCP). We are expanding and enhancing measures to ensure there is no stoppage in our food supply.

### Increasing health consciousness

From a macroeconomic perspective, there is possibility that we could see inflation amid economic downturn. I believe it critical that we create a supply chain that, even amid such conditions, we are able to continue the provision of safe and reliable products, generate sales and profits, and that is strong enough to withstand cost reduction demands.

At the same time, with no effective therapeutic drugs

or vaccine on the horizon, health consciousness among consumers is on the rise. I believe there are many ways in which Kagome can contribute to the growing movement among consumers to protect themselves by practicing the three fundamentals of balanced nutrition, quality sleep, and appropriate exercise.

The EC business is expanding sales in recent years and the Health business is recording promising performance. In these businesses, our goal is to expand beyond product sales to offer health support services. We will expand the domains in which we apply digital technology to offer value to our customers.

### Workplace changes and critical mission

Although we use government and local municipality directives as a standard for judgment, to ensure the health and safety of our employees, we ordered all sales and back office staff (excluding plant workers) to work from home until the end of July 2020. This shift did not cause any significant problems with operations. In fact, we benefitted from past efforts related to work style reforms, including the design of systems for flex time and telecommuting as well as cloud and other IT infrastructure investments to support those systems.

While this environment may inconvenience employees in some ways as they are forced to alter how they engage in their work, these changes also provide opportunities for employees to polish their skills. With the prohibiting of in-person sales activities, we have switched to a style of sales that involves web meetings and sending customers samples via courier. The key to these sales activities is to be able to prepare convincing proposals and having solid online communication skills. We are viewing the current environment in a positive light as it presents an opportunity for both our organization and our employees to enhance our business skills, including gaining a deeper understanding of our products and developing new presentation tools.

On the other hand, there are some employees who must continue to work in the field despite the current conditions, including order processing center and our customer service center employees. Our most critical mission is to protect health and safety of the employees working in the field. In addition to dispersing workers between multiple locations, we also are renovating relevant administrative systems to enable a gradual shift to telecommuting for some employees.

**Sudden changes in work styles have driven work optimization. We can use this opportunity to focus on work that leads to new growth.**



## Issues to address in FY2020 and reevaluating our Second Mid-Term Management Plan

**Accepting the reality of new norms after the pandemic subsides, we will focus on mid-term core issues to create a scenario for growth.**

### FY2020 Outlook

At the point of FY2019 fiscal accounting, we were already recognizing a need to reevaluate our Second Mid-Term Management Plan. Adding to that is the massive impact of the COVID-19 pandemic. At present, we intend to provide a summary of our reevaluation when we release second quarter earnings for the current fiscal year.

What is clear is that even after the pandemic subsides, there will be no returning to the pre-pandemic environment. We are on the cusp of a new world. As we prepare to embrace new norms, we must concentrate our strengths and capabilities towards achieving our next stage of growth. In the past, we have made broad-based projections on our market environment 10 years into the future to draft mid-term management plans and annual strategies. This process created the need to address a wide range of issues and resulted in us identifying more than 50 core mid-term issues. Under normal circumstances, those are issues we should work to address comprehensively. However, in this current

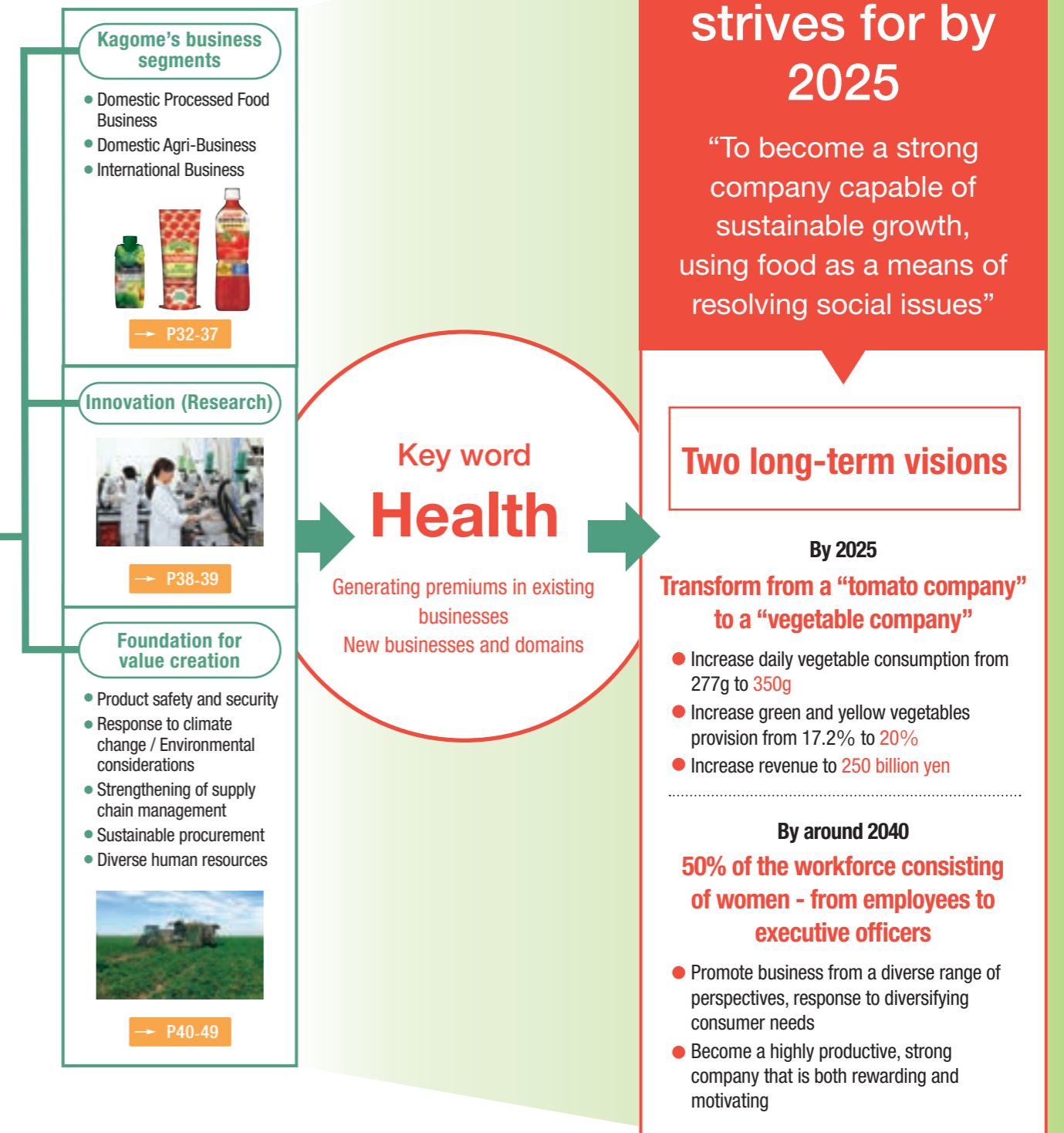
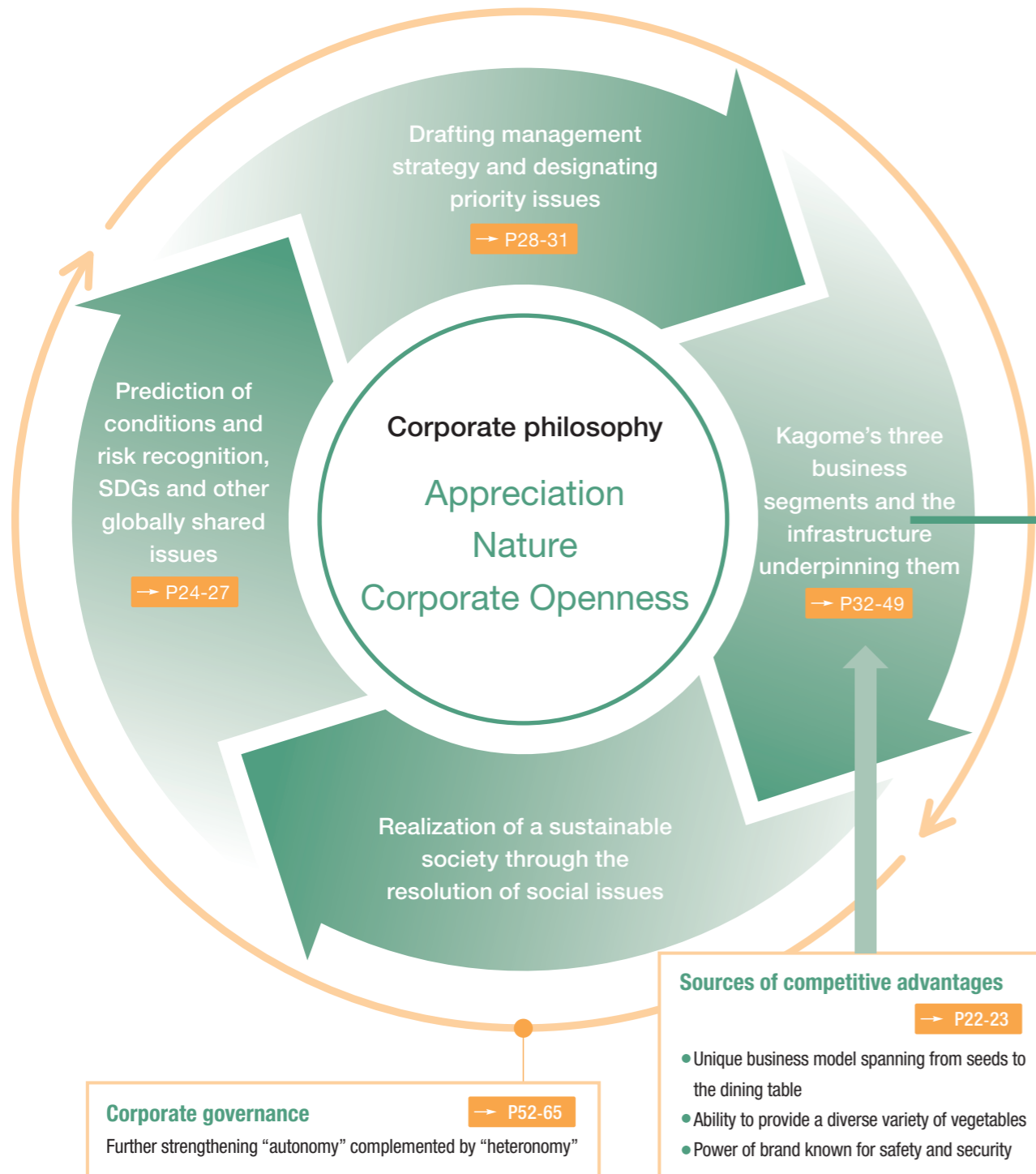
environment where we are dealing with a once-in-a-lifetime event, our sole focus must be on addressing the changes we are facing right now. We will select a new growth scenario and quickly withdraw from investments that have not produced results. We will focus on these two initiatives in FY2020.

At the same time, the current environment requires that all our employees change how they work as we seek to coexist with the ongoing pandemic. These conditions have enabled us to eliminate non-essential workflows, identify truly essential tasks, and clarify the skills we must strengthen and enhance. I also believe this has enabled us to see the type of innovation we require. While the current environment has created a struggle for everyone, by applying the experience gained in these tough times, we can make our work more efficient and focus on the work that will lead to new growth. Identifying growth strategies and embarking together as one on a unified mission. I believe there are opportunities to be had in this moment.

## Kagome's Value Creation and Growth Strategies

### Value Creation Process

To achieve what Kagome strives for by 2025, becoming a strong company capable of sustainable growth and using food as a means of resolving food issues, we must become an organization capable of continuously predicting changes in the market environment influencing our business and flexibly adapting to change. Through our business activities, we will achieve continuous growth and contribute to the realization of a sustainable society by providing with value unique to Kagome and working to resolve social issues. This represents the Kagome's value creation process.



## Sources of Kagome's Competitive Advantages

Kagome has a unique business model that spans from seed development to manufacturing and sales. We also have a global network that enables us to conduct business operations in numerous countries. As a vegetable company, the source of our competitive advantage is in our ability to provide diverse proposals for vegetables as side dishes and the power of the Kagome brand as a company known for safety and security.

### 1 Sources of competitive advantages Business model

#### Unique business model spanning from seeds to the dining table

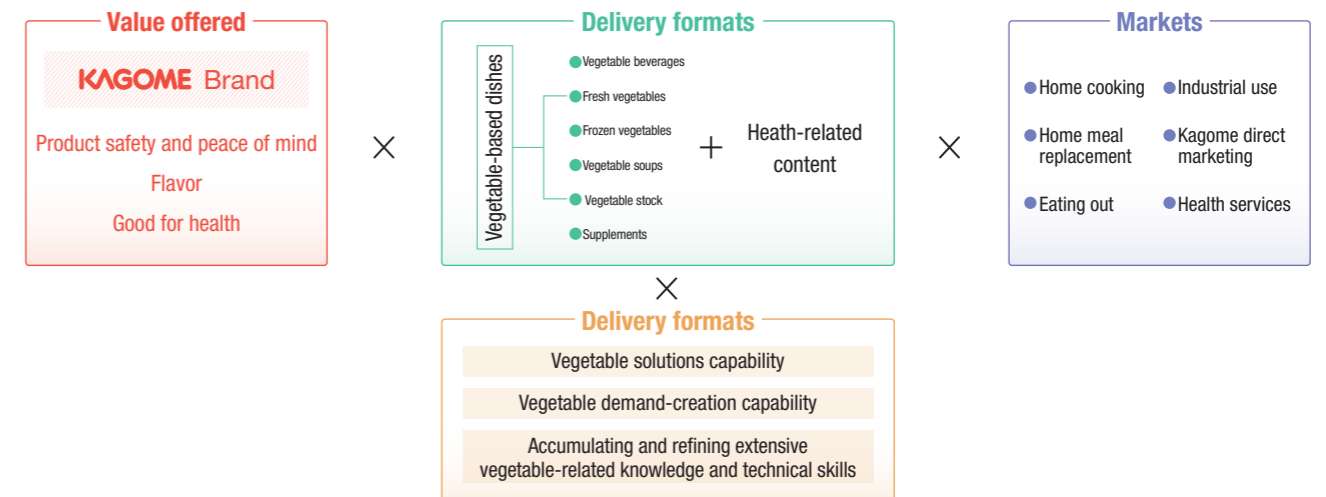
##### Creating consistent value, from seeds to table

Kagome possesses roughly 7,500 tomato genetic resources. We have created a business model designed to ensure our ability to deliver value in the form of safety and security in every aspect of our business, from seeds, soil creation, cultivation, harvesting, and production to final product sales.



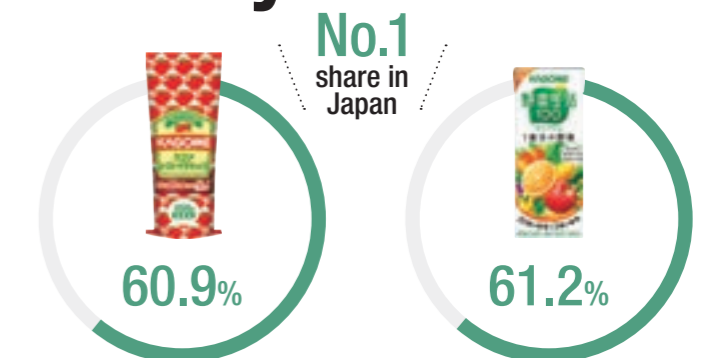
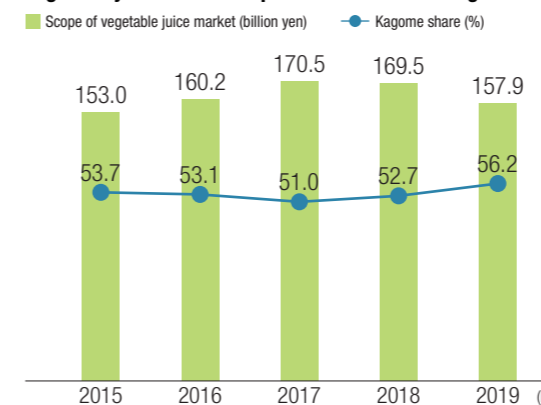
### 2 Sources of competitive advantages Ability to provide a diverse variety of vegetables

We will use a variety of processing methods and product formats to provide a diverse range of vegetables to various markets and strengthen proposals for consuming vegetables as side dishes. What is required to achieve this is the ability to provide vegetable-based solutions and the ability to create demand. We will further enhance the vegetable expertise and technology we have cultivated over the years and pursue self-improvement to expand the range of social issues to which we are able to contribute as we continue to embrace new challenges.



### 3 Sources of competitive advantages Power of brand known for safety and security

#### Vegetable juice market scope and transitions in Kagome share



Source: Intage SRI / Period: January through December 2019 / Based on monetary amount. Geographic area: All of Japan / Sales Settings: Supermarkets & convenience stores

Source: Intage SRI / Period: January through December 2019 / Based on monetary amount. Geographic area: All of Japan / Sales Settings: Supermarkets, drug stores & convenience stores. Also includes: Ambient & chilled, and the mixed vegetable and fruit juice category

\*Images depict popular products.

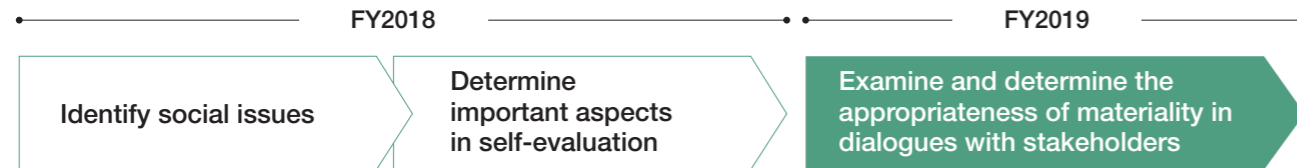


In the Customer Experience Value (CX) Ranking (2019) conducted by C\_Space Japan, Kagome was ranked No. 1 overall. The Kagome experience value was highly praised for our commitment to the highest quality and as a brand that can be trusted for our corporate openness.

## Identifying Kagome's Important Issues (Materiality)

Kagome has worked to identify important issues (materiality) to becoming a strong company. By identifying the factors essential to the circulation of Kagome's sustainable growth and the resolution of social issues and ensuring the appropriate injection of capital, we aim to be a company that is essential to society.

### Process of identifying the factors



In FY2018, we referenced guidelines and standards such as the SDGs, ISO26000, GRI, and SASB to identify social issues in which Kagome should engage. We further evaluated issues specifically based on their importance in relation to sustainable value creation to identify to nearly 100 issues. From there, we then held workshops comprised of 27 employees from various departments including Corporate Planning and Quality Assurance to evaluate and prioritize issues based on importance to society and Kagome business. Through this process, we narrowed down this group to approximately 20 issues, which we categorized into 8 groups: three social issues and five components of the foundation for value creation to be addressed through our business activities. We then deliberated these issue groups at Management Meetings and meetings of the Board of Directors to designate core issues (materiality) to apply towards our corporate self-evaluations.

We identified the issue of materiality during our corporate self-evaluation in FY2019. This process involved a third-party evaluation conducted by engaging in dialogue with external stakeholders and experts, then analyzing the gap between our self-evaluation and the third-party evaluation to identify materiality. We will set specific policies and KPI related to identified materiality (see right page), evaluate our initiatives, and engage in the PDCA cycle.

	Group	Important issues		
Business aspects	Longer, healthier lives	<ul style="list-style-type: none"> <li>Develop products that can contribute to resolving health issues</li> <li>Promote healthy lifestyle habits</li> <li>Responses for advanced aging society</li> </ul>	Business strategies	
	Agricultural development and regional revitalization	<ul style="list-style-type: none"> <li>Establish sustainable agriculture</li> <li>Contribute to the growth and industrialization of agriculture</li> </ul>		
	Global food problems	<ul style="list-style-type: none"> <li>Response to growing food demand caused by population growth</li> <li>Response to malnutrition caused by poverty</li> <li>Food loss</li> </ul>		
Foundation for value creation	Quality	<ul style="list-style-type: none"> <li>Product safety and security</li> </ul>	Management	
	Environment	<ul style="list-style-type: none"> <li>Response to climate change</li> <li>Develop products with low environmental impact</li> </ul>		
	Supply chain	<ul style="list-style-type: none"> <li>Strengthening of supply chain management</li> <li>Sustainable procurement</li> </ul>		Sustainability strategies
	Diverse Human Resources	<ul style="list-style-type: none"> <li>Diversity and inclusion</li> <li>Creation of innovative human resources</li> <li>Consideration for human rights</li> </ul>		
	Corporate Governance	<ul style="list-style-type: none"> <li>Strengthening Corporate Governance</li> </ul>		

\*These comments were received between October and December 2019.

### Comments from experts



Kamakura Investment Management Co., Ltd.  
**Yasuyuki Kamata**  
President & Representative Director

#### I hope the company uses its unique methods to promote longer, healthier lives

I received the impression that the company is thoroughly discussing and organizing materiality issues evaluated internally. I think the backbone of this initiative will be the pursuit of contributing to longer, healthier lives. We invest in what we consider to be good companies, and we define good companies as companies that are able to contribute to society through their main business operations. I hope Kagome will continue working to identify the unique issues and initiatives and continue making contributions towards increasing the number of healthy people in society. Important to achieving this will be the permeation of materiality in the minds and actions of their employees, and promoting these initiatives both externally and internally. I hope each employee at Kagome identifies and implements initiatives that will contribute to longer, healthier lives.



Development Bank of Japan (DBJ)  
**Keisuke Takegahara**  
Executive Officer & Deputy Chief  
Research Officer

#### The key is whether or not Kagome's strengths today can be maintained 30 years from now

I view material issues as the factors that influence whether or not Kagome's strengths today can be maintained 20 to 30 years from now when we look ahead into an uncertain future. From that perspective, my impression of Kagome's materiality is that they have achieved a balance between business and support infrastructure with no apparent excess or deficiencies. I believe issues related to climate change are particularly important. For example, there is the potential for problems with crop harvests due to poor produce or quality deterioration. To produce products with unchanging value, there will be an even greater emphasis on the company's ability to predict such phenomena and implement countermeasures in advance to control changes in the supply chain.



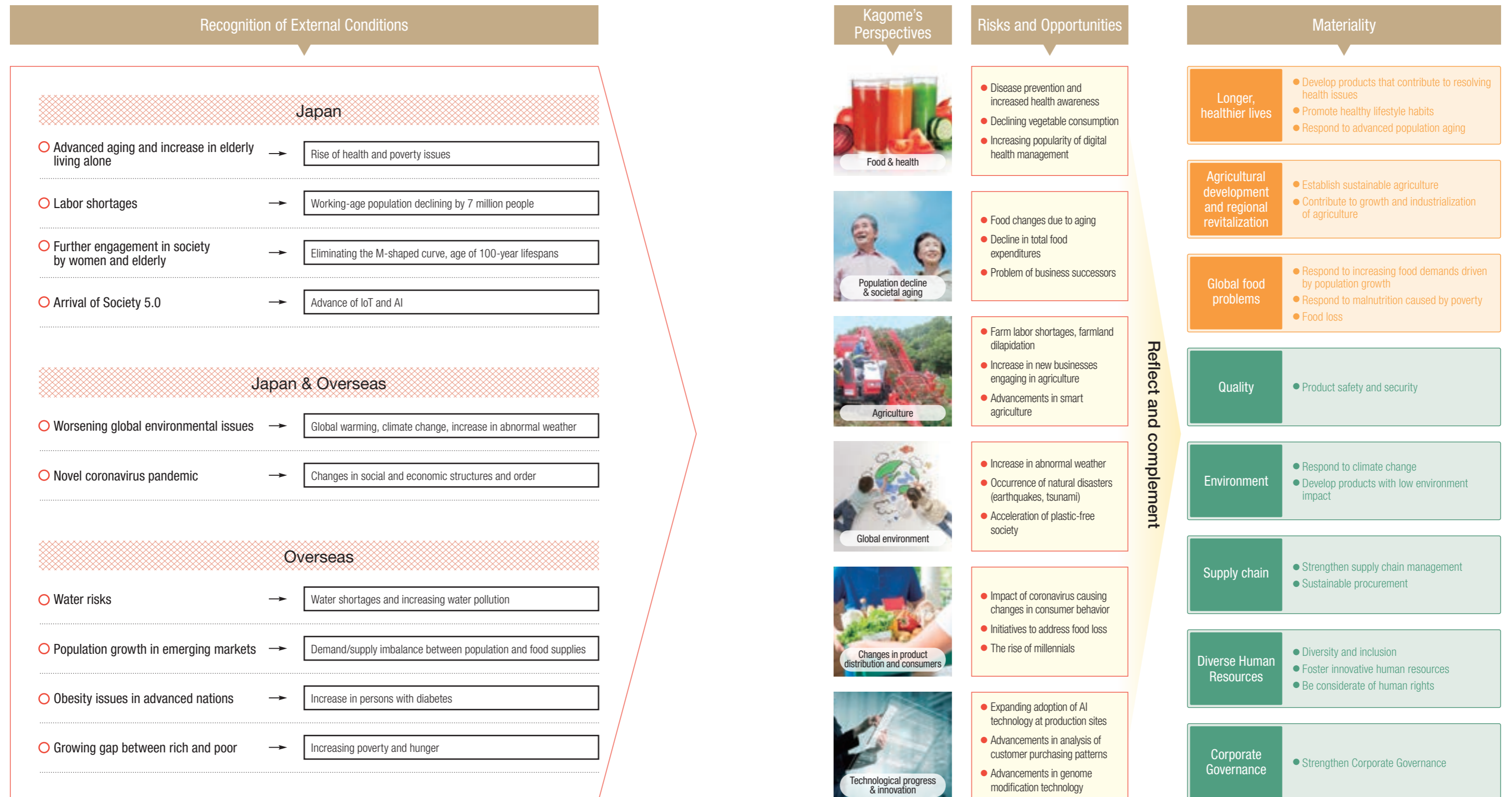
Consumer Lifestyle Consultant  
**Maki Morita**

#### Quality is the material that will grow in importance

My familiarity with Kagome products and the Kagome brand is linked to my trust in their quality. Food safety and security is incredibly important to consumers, and my impression is that Kagome works to secure quality in every step, from raw material procurement to production and processing. The future will bring changes in the market environment, including issues such as climate change and the diversification of consumer needs. Amid such an environment, being able to ensure quality will become increasingly important and this issue will play a greater role in materiality. In response to global food problems, Kagome has launched initiatives such as commercial tomato cultivation and processing in India and Senegal. My hope is that Kagome will be able to link these initiatives to local industry development by maintaining stable quality in its efforts to address global food issues as well.

## Recognizing External Conditions, Risks and Opportunities

To achieve what Kagome strives for by 2025, we must rapidly recognize changes in the external environment and identify the opportunities and risks associated with Kagome operations. In addition to incorporating these opportunities and risks into Mid-Term Management Plan and other management strategies as 10-year market projections, we will reflect these opportunities and risks in our materiality initiatives. We will also continuously confirm the need to review plans and initiatives.



# Kagome's Materiality

In response to identified materiality issues, we have outlined specific initiative themes based on an analysis of risks and opportunities. We also have established non-financial goals related to materiality. By working to implement these initiatives, we will aim to achieve the financial goal and what Kagome strives for by 2025.

- Materiality issues are those identified in December 2019.
- We will continuously review materiality based on changes in the market environment.

	Group	Materiality issues	Major Kagome initiatives	Relevant SDGs	Major non-financial benchmarks	Major financial impact												
Business strategies	Longer, healthier lives	<ul style="list-style-type: none"> <li>Develop products that contribute to resolving health issues</li> <li>Promote healthy lifestyle habits</li> <li>Respond to advanced population aging</li> </ul>	<ul style="list-style-type: none"> <li>Provide diverse vegetable products for a variety of ages, household types, and consumption occasions</li> <li>Disseminate information on the value of vegetables through initiatives such as health seminars and VegeCheck.</li> <li>Promote initiatives related to health through partnerships with local municipalities and other companies</li> </ul>	<p>3 GOOD HEALTH AND WELL-BEING</p>	<ul style="list-style-type: none"> <li>Vegetables supplied to Japanese markets via Kagome products/ratio 2018: 620,000 t &gt; 2025: 830,000 t</li> <li>Number of people provided health information by the Health Business Department 2021: 1 million people</li> </ul>	<div style="border: 1px solid black; padding: 5px; margin-bottom: 5px;"> <b>2025 goals</b> </div> <p><b>Revenue</b> 250.0 billion yen</p> <p><b>Core operating income</b> 20.0 billion yen</p> <p><b>Operating income margin</b> 8%</p> <div style="border: 1px solid black; padding: 5px; margin-bottom: 5px;"> <b>2050 projections</b> </div> <p>Evaluating financial impact in the event of an average temperature increase of 4°C/2°C</p> <div style="border: 1px solid black; padding: 5px; margin-bottom: 5px;"> <b>2025 goals</b> </div> <p><b>Logistics expense margin</b> 7.4% or lower</p>												
	Agricultural development and regional revitalization	<ul style="list-style-type: none"> <li>Establish sustainable agriculture</li> <li>Contribute to the growth and industrialization of agriculture</li> </ul>	<ul style="list-style-type: none"> <li>Adopt mechanical harvesting to expand production of vegetable raw materials in Japan</li> <li>Establish a platform for linking production locations and consumption locations to expand consumption of local produce (initiatives to promote "locally grown, nationally consumed")</li> <li>Form industry-academic partnerships to conduct research related to vegetable breeds, cultivation technology, and productivity improvements.</li> </ul>	<p>2 ZERO HUNGER</p>	<ul style="list-style-type: none"> <li>Expand vegetables in Japan Vegetable procurement volume in Japan (tomatoes, carrots), handling volume (onions)</li> </ul> <table border="1"> <thead> <tr> <th></th> <th>2019</th> <th>2021</th> </tr> </thead> <tbody> <tr> <td>Tomatoes</td> <td>17,000 t</td> <td>20,000 t</td> </tr> <tr> <td>Carrots</td> <td>10,000 t</td> <td>11,000 t</td> </tr> <tr> <td>Onions</td> <td>5,000 t</td> <td>15,000 t</td> </tr> </tbody> </table>			2019	2021	Tomatoes	17,000 t	20,000 t	Carrots	10,000 t	11,000 t	Onions	5,000 t	15,000 t
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Global food problems	<ul style="list-style-type: none"> <li>Respond to increasing food demands driven by population growth</li> <li>Respond to malnutrition caused by poverty</li> <li>Food loss</li> </ul>	<ul style="list-style-type: none"> <li>Form tomato production sites in regions projected to see increased demand</li> <li>Develop commercial tomato farm management business incorporating AI</li> <li>Use tomato and carrot scraps (pulp, purée)</li> <li>Add product date labeling and extend use-by dates for Japanese products</li> </ul>	<p>2.4 Ensure sustainable food production systems and implement resilient agricultural practices</p> <p>2.a Build agriculture infrastructure in developing nations</p>	<ul style="list-style-type: none"> <li>Use of carrot pulp by Kagome Australia 2021: 1,000 t</li> <li>Volume of food waste in Japan 2030: Reduce by 50% compared to 2018</li> <li>No. of smart agriculture customers 2021: Five countries, nine processing companies</li> </ul>														
Strengthen foundation for value creation	Quality	<ul style="list-style-type: none"> <li>Product safety and security</li> </ul>	<ul style="list-style-type: none"> <li>Acquire FSSC22000 certification at all plants in Japan</li> <li>Draft Quality and Environmental Policy</li> <li>Engage Global Quality Assurance Department to improve quality of overseas Group companies</li> </ul>	<p>6 CLEAN WATER AND SANITATION</p>	<ul style="list-style-type: none"> <li>Quality improvements by overseas Group companies by implementing KBMP (Kagome Best Manufacturing Practice) Conformance ratio in 2021: 100%</li> </ul>													
	Environment	<ul style="list-style-type: none"> <li>Respond to climate change</li> <li>Develop products with low environmental impact</li> </ul>	<ul style="list-style-type: none"> <li>TCFD-recommended climate change scenario analysis</li> <li>CO<sub>2</sub> emissions reduction initiatives</li> <li>Water usage reductions based on Water Conservation Policy, water risk analysis and countermeasures</li> <li>Conservation activities based on Biodiversity Policy</li> <li>Reduction of plastic</li> </ul>	<p>6.3 Improving water quality</p> <p>6.6 Protect and restore water-related ecosystems</p>	<ul style="list-style-type: none"> <li>CO<sub>2</sub> emissions (compared to 2016) 2030: 20% reduction, 2050: 50% reduction</li> <li>Water use by production volume (compared to 2018) 2021: 3% reduction</li> <li>Beverage plastic bottle recycling or use of plant-based plastics 2030: 50% or higher</li> </ul>													
	Supply chain	<ul style="list-style-type: none"> <li>Strengthen of supply chain management</li> <li>Sustainable procurement</li> </ul>	<ul style="list-style-type: none"> <li>Build an efficient logistics network on a nationwide scale</li> <li>Enhance product inventory capacity by using Kagome plant space</li> <li>Global dispersal of procurement sites</li> </ul>	<p>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</p>	<ul style="list-style-type: none"> <li>Average days in inventory 2019: 39 days &gt; 2025: 34 days</li> <li>Product inventory installation rates at plants and hubs 2019: 36% &gt; 2025: 50%</li> </ul>													
	Diverse Human Resources	<ul style="list-style-type: none"> <li>Diversity and inclusion</li> <li>Foster innovative human resources</li> <li>Be considerate of human rights</li> </ul>	<ul style="list-style-type: none"> <li>Promote diversity via the Diversity Committee</li> <li>Provide opportunities for self-expression and growth by soliciting new business plans</li> <li>Draft Code of Conduct grounded on the three principles of mutual support, respect for human rights, and fairness</li> <li>Promote health management and productivity focused on the health of employees</li> </ul>	<p>5 GENDER EQUALITY</p>	<ul style="list-style-type: none"> <li>Act on Promotion of Women's Participation and Advancement in the Workplace Set numerical goals for Phase II Action Plan</li> <li>Total annual working hours 2020: 1,800 hours</li> </ul>													
	Corporate Governance	<ul style="list-style-type: none"> <li>Strengthen Corporate Governance</li> </ul>	<ul style="list-style-type: none"> <li>Initiatives to increase efficacy of the Board of Directors</li> <li>Communication with stakeholders</li> <li>Promoting compliance</li> <li>Draft and implement shared Group policies on accounting, taxes, and financial management</li> <li>Strengthen governance of overseas subsidiaries</li> </ul>	<p>5.5 Ensure women's full and effective participation and equal opportunities for leadership</p>	<ul style="list-style-type: none"> <li>1/3 or more External Directors meet standards as an Independent Director</li> <li>Standards for disposal of cross-shareholding</li> </ul>													



## Long-term Vision and Mid-Term Management Plan Progress and Issues

To achieve what Kagome strives for by 2025 and to fulfill our long-term vision, we will implement three separate three-year Mid-Term Management Plans over the nine years since FY2016. FY2020, which is the second year of our Second Mid-Term Management Plan, represents the half-way point of this nine-year journey. We positioned FY2020 as a critical year during which we will build momentum for future growth. However, as of the end of FY2019, we recognized the difficulty in achieving the quantitative goals outlined in our Second Mid-Term Management Plan. And to reflect changes in our operating environment, we are currently rebuilding this plan.

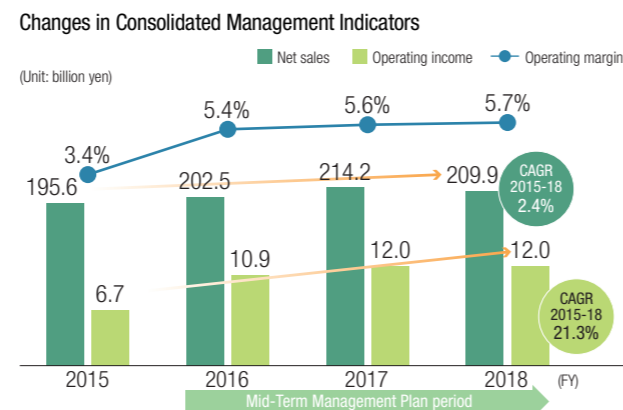


### Looking back on Mid-Term Management Plans thus far

2016-2018

**First Mid-Term Management Plan**  
Implement two reforms and develop ability to secure revenue

During the First Mid-Term Management Plan (FY2016-2018), we focused on two reforms: earnings structure reforms and work style reforms. As part of earnings structure reforms, for the Domestic Processed Food Business we adopted a revenue management structure based on profit thresholds. We also reduced costs and eliminated unprofitable products to transform into a profitable structure capable of consistently generating a consolidated operating income margin of 5% or better. For work style reforms, we reduced work hours by 20% and improved productivity. On the other hand, earnings structure reforms for the Domestic Agri-Business and the International Business were slower than expected, resulting in issues remaining from this plan period.



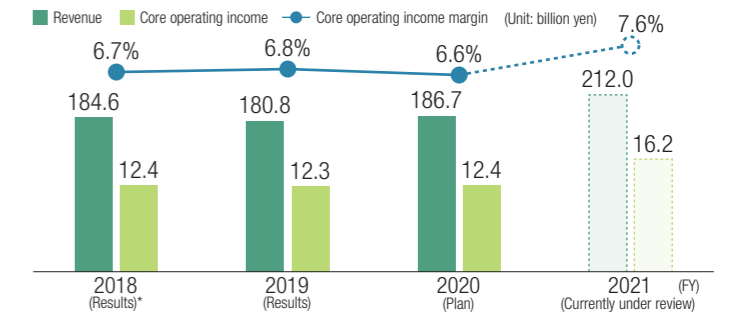
2019-2021

**Second Mid-Term Management Plan**  
Continue strengthening ability to generate revenue and challenge ourselves to new businesses and domains

Our plans for the Second Mid-Term Management Plan (FY2019-2021) entailed using FY2019 to complete earnings structure reforms for the Domestic Agri-Business and the International Business, initiatives that were left over from

the First Mid-Term Management Plan. We also planned to enhance activities related to providing proposals for vegetable side dishes and menu items to the home meal replacement and food service industry to create a scenario for growth in

FY2020 and beyond. However, at the end of FY2019, we recognized that earnings structure reforms for the Domestic Agri-Business and the International Business were insufficient. Furthermore, the COVID-19 pandemic caused significant change to the operating environment for food and beverage industry. In light of these circumstances, we decided to reevaluate our Second Mid-Term Management Plan. However, there is no change in what Kagome strives for by 2025 or the goals outlined in our long-term vision.



\*Figures based on Japanese accounting standards modified to reflect IFRS

### Core strategies from FY2020 - Let's Eat Vegetables Campaign

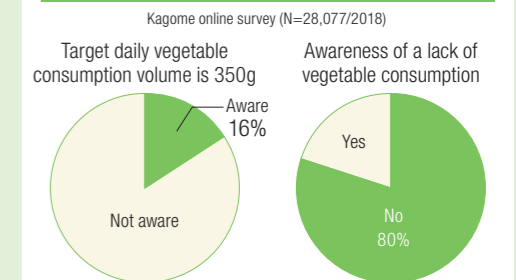


To contribute to longer, healthier lives, Kagome is committed to increasing vegetable consumption in Japan. As of 2018, vegetable consumption by Japanese citizens was 290g per day, which is 60g short of the MHLW recommendations for 350g/day.

Through Kagome web surveys, we discovered that only some 16% of consumers were aware of the MHLW recommendation for 350g of vegetables per day. Furthermore, of consumers not consuming enough vegetables, some 80% were not aware of their own vegetable deficiency.

To change this situation, we must work to increase awareness among society of the importance of vegetable consumption and promote individual behavior that leads to changes in food habits. As part of this initiative, All Kagome employees in Japan are rededicating themselves to acquiring accurate knowledge concerning vegetables so that they may become communicators of information regarding vegetables. At the same time, Kagome will partner with numerous companies and organizations in activities to promote vegetable consumption. This constitutes our Let's Eat Vegetables Campaign. Following the strategies outlined below, we will help generate vegetable demand and maximize sales in Japan. Furthermore, we will continue these activities in 2021 and beyond.

#### Vegetable consumption awareness survey



#### Let's Eat Vegetables Campaign

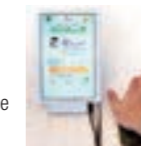
- Promote awareness of vegetable consumption deficiency
- Promote understanding of why vegetables are important
- Disseminate information on delicious and skillful ways to consume vegetables

#### Campaign strategies Let's Eat Vegetables 60g more!



#### Aiming for 1 million participants! Nationwide VegeCheck Experience

- Promoting the vegetable sufficiency gauge VegeCheck™ at retail shops and events nationwide
- Promote awareness of lack of vegetable consumption among consumers



#### Kagome original Vegetable Maestro Certification to foster development of people who can promote the appeal of vegetables

- Certification that teaches basic vegetable knowledge and skillful ways to consume vegetables
- Nearly 1,600 Kagome employees in Japan plan to take certification testing



#### Projects based on partnerships with other companies and organizations

- Inter-industry partnerships with some 20 business organizations
- Using new platforms to convey the appeal of vegetables
- Creating contact points with stakeholders inaccessible to Kagome by ourselves

#### Information distribution by Kagome shareholders, experts, registered dietitians, and vegetable advisors

- Conducting Vegetable Maestro certification testing for some 190,000 shareholders
- Experts and registered dietitians distributing information based on their own expertise



## Domestic Processed Food Business

We will increase the volume of vegetables we supply and contribute the longer, healthier lives of Japanese people by offering various food and beverage products.

**Masanori Miyachi**

Executive Officer  
Marketing Division Director

### Performance trends (FY2019)

\*After elimination and adjustment of inter-segment transactions

Revenue **132.5 billion yen**  
Down **0.3%** year on year

Core operating income **112 billion yen**  
Up **0.3%** year on year

### Recognition of general business conditions

As Japan faces advanced population aging, how society extends healthy life expectancy has become a critical issue. The Domestic Processed Food Business will contribute to longer, healthier lives by providing various food and beverage products for a diverse range of consumers, from children to the elderly, to promote increased vegetable consumption and resolve the issue of a lack of vegetable consumption by Japanese people.

### Results and Issues to be addressed

FY2019 resulted in decreased revenue but increased profits. Revenue was down 0.3% year on year to 132.5 billion yen while core operating income was up 0.3% year on year to 11.2 billion yen.

Although the vegetable beverages market scope declined compared to the previous year due to a temporary drop in demand attributable to poor weather, tomato juice sales continued to grow. In the Food - Other category, we held

#### Strength

- Kagome's brand power cultivated over our 120-year history
- Ability in product development that doesn't rely on additives.
- Ability in ingredient procurement to incorporate nature's blessings into our products
- Ability in sales to approach various markets, from dry and chilled products to fresh produce, prepared dishes, and gifts

#### Opportunity

- Diversification of health awareness
- Need for simple meal preparation for seniors and families with both parents working
- Increased dining out and consumption of prepared foods driven by growing preferences for alternatives to at-home meals

#### Weakness

- Product development restrictions related to reliance on natural produce for raw materials
- Dispersal of marketing investments due to diverse business structure
- Decline in relative value of Kagome products due to the emergence of high-quality private brands

#### Threat

- Intensifying competition on health beverage market
- Skyrocketing raw materials prices due to global climate instability
- Accelerating decline in food expenditures due to population decline and population aging



### Matters requiring focus in the mid- to long-term

the food tasting event Rice Omelet Stadium 2019, which featured delicious rice omelets from around Japan, as part of efforts to increase demand for tomato ketchup. We also launched sales of a vegetable stock seasoning for professional-use to support vegetarian and vegan menu options. Our Vegetable Stock Seasoning has been highly praised by customers. With online sales, we expanded sales of Tsubuyori Yasai Vegetable Juice and supplements registered as Foods with Function Claims.

In FY2020, we will maximize sales for all businesses in Japan through our Let's Eat Vegetables Campaign. For beverages, we will launch and grow sales of Yasai Seikatsu SOY+, which combines vegetable and fruit juice with soy milk. We will continue to launch to market beverages that respond to generation-specific health needs as we strive to develop customers in new age groups. For food, we will strengthen promotions for vegetable consumption across all segments: consumer use, food service use, and fresh produce. We also will enhance vegetable and vegetable stock-based menu proposals for the home meal replacement and food service industry. For the home cooking market, we will strengthen marketing promoting western cuisine and proposing menus linked to fresh tomatoes to target the increased opportunities for home cooking driven by trends towards cost consciousness.

Looking at our Second Mid-Term Management Plan, progress for beverages and direct marketing sales is largely on par with plans but the food segment seems to be struggling overall. Kagome will strive for growth by and become a true vegetable company by succeeding in our Let's Eat Vegetable Campaign. Through various strategies, we will generate demand for vegetables and maximize sales for all Japanese businesses.

Vegetable beverages have highs and lows in demand. If consumer consciousness related to consuming vegetables wanes, demand for vegetable beverages declines. We must solidify our demand foundation and widely engage in like-minded parties as we work united as a company towards this initiative. In 2018, vegetable consumption in Japan was approximately 290g per day and total consumption was 13.97 million tons. Of this total amount, Kagome supplied 620,000 tons (4.4%). This ratio equated to 145.3 billion yen in sales from business in Japan. If vegetable consumption increases to 350g per day, total consumption would increase to 16.86 million tons, resulting in increased sales of approximately 30.0 billion yen assuming our current provision rate of 4.4%. We will address Japan's vegetable consumption deficiency with strong determination and commitment to achieving corporate growth by resolving society's problems.

### ✓ Specific measures to address weaknesses and threats

- Create database using past product development failures and important data as knowhow
- Prioritize marketing investments based on clarification of priority domains and direction
- Use natural raw materials and additive-free technology to distinguish ourselves from competitor private brands and health beverages
- Disperse procurement, adopt efficient lines, and engage in cost reduction activities to prepare for risks associated with climate change and price fluctuations
- Amid declining food expenditures in Japan, secure loyal customers through online and mail-order sales

### ✓ Impact of COVID-19 pandemic

As people are still being asked to stay at home to prevent the spread of the virus, sales of consumer products such as tomato ketchup are growing at supermarkets due to the acceleration of stay-at-home consumption. On the other hand, sales for certain beverages and products for institutional and industrial use declined due to lower sales at convenience stores in office districts as a result of a shift to telecommuting and the contraction of food service markets due to stay-at-home measures. This has resulted in lower sales for some beverages and decreased sales of commercial products. To respond to changes in demand, we are operating certain manufacturing lines at full capacity. Due to production capacity limits, there is a possibility that we will be unable to meet dramatic increases in demand but we will continue to propose food consumption that is aligned with new lifestyle norms.



## Domestic Agri-Business

We will expand profits and contribute to the development of Japanese agriculture by building a new business model and strengthening our procurement platform to support our further growth as a vegetable company.

**Satoshi Yamaguchi**  
President & Representative Director and  
Vegetable Business Division Director

### Performance trends (FY2019)

\*After elimination and adjustment of inter-segment transactions

Revenue **9.6 billion yen**  
Down **14.3%** year on year

Core operating income **-0.2 billion yen**  
Unchanged year on year

### Recognition of general business conditions

The Domestic Agri-Business, which we started in 1998, sells fresh tomatoes cultivated year-round at large-scale vegetable farms to mass retailers. In 2014, we started production and sales of baby leaf lettuce as part of business activities to transform from a tomato company to a vegetable company. While net sales since FY2015 have grown to surpass 10 billion yen, the more we engage in business expansion, the clearer it has become that climate and other factors causing market price fluctuations for fresh tomatoes

can have a significant impact on the Domestic Agri-Business. Currently, we are engaged in earnings structure reforms, including initiatives to control supply volume in response to fluctuating fresh tomato market prices, as we aim to establish a new business model and strengthen our procurement platform to support further growth as a vegetable company.

#### Strength

- Established as a national brand for fresh tomatoes
- Advanced tomato breed development abilities and processing technology
- Kagome's own logistics network that enables stable deliveries year-round and a sales network comprising 100,000 stores nationwide

#### Opportunity

- Government promoting agricultural industry growth and stimulation measures
- Lack of agricultural successors and increase in dilapidated farmland
- Increased need for processed vegetable products due to labor shortages

#### Weakness

- Lack of prediction accuracy and ability to adjust supply/demand in response to market price fluctuations for fresh tomatoes
- Lack of consumer recognition for new fresh produce such as baby leaf lettuce
- Lack of breeds and production sites for vegetables other than tomatoes and baby leaf lettuce

#### Threat

- Intensifying competition among vegetable processing businesses
- Accelerating population aging resulting in decrease in farm operators
- Global warming and other climate change resulting in decline in suitable cultivation land and emergence of new pests



### Results and issues to be addressed

In FY2019, revenue was down 14.3% year on year to 9.6 billion yen and core operating income was -0.2 billion yen, representing a third consecutive fiscal year of operating losses.

Market prices for fresh tomatoes have declined since 2017 due to a continued state of oversupply driven by an increase in large-scale glass greenhouses, among other factors. Amid such conditions, we purposely reduced supply volume between May and June, when market prices tend to drop, to secure increased income for the second quarter (nonconsolidated). However, losses increased due to the inability to secure sufficient procurement volume from August through November, when market prices tend to rise, due to delays in forming summer and autumn agricultural lands.

We will aim to return to a profitable state in FY2020. To address intensifying competition and oversupply on the fresh tomato market, we will implement additional measures, such as linking procurement prices to market prices and promoting cost reductions at agricultural sites. As we aim to become a vegetable company, this fiscal year we will focus on creating a structure for the seamless provision of various vegetable products, from fresh produce to processed goods. As part of this initiative, we will search for new vegetables and increase our processing formats. We will engage in open innovation and form external partnerships to increase the speed of our initiatives. We also will address climate change risks by strengthening our platform for the stable provision of raw material vegetables and fresh produce in Japan.

### Matters requiring focus in the mid- to long-term

#### Fresh vegetables business

We will reduce volatility in the fresh vegetables business and stabilize revenues by enhancing fresh tomato QCD and expanding sales routes and reducing costs for baby leaf lettuce. For fresh tomatoes, we will advance the shift to delicious-tasting breeds and restore our competitiveness at mass retailers while continuously engaging in revenue improvement policies, including linking procurement prices to market prices and expanding farm-direct sales.

#### Vegetable processing business

By increasing vegetables that promote a seamless supply structure for everything from fresh produce to processed goods, we will increase our ability to use vegetables to provide vegetable solutions that meet the needs of our customers. In October 2019, we launched sales of Kalish®, a new leafy vegetable developed in collaboration with Nagano Prefecture. Kalish®, which is derived from kale and daikon radish, is a new leafy vegetable containing high levels of the popular health compound sulforaphane. We will follow up Kalish® by continuing to develop new fresh vegetables as we strive to create engines for new growth.

#### Domestic procurement of source vegetables

We will work to stabilize our procurement of source vegetables in Japan by strengthening every aspect of our value chain from seeds to produce and by responding to changes in Japan's agricultural industry. We will respond to farmer aging and labor shortages and strengthen our seed collection and sapling cultivation functions, the foundation of our domestic source vegetables procurement, by collaborating with overseas subsidiaries to build a global seed collection network.

### Specific measures to address weaknesses and threats

- Use latest technology to increase accuracy of harvest predictions, research and development in areas such as harvesting robots
- Strengthen ability to control yield without engaging in selloffs
- Consolidate knowledge and human capital cultivated through fresh and commercial tomato procurement, provide vegetable solutions that take advantage of our existing domestic sales network
- Create a network linking collaborative sales activities for consumer use, food service use, and agri-business (fresh vegetables) products with vegetable production sites and processing plants
- Partner with research and development department to develop new high-function vegetables

### Impact of COVID-19 pandemic

As a future risk, there is a possibility that we may not be able to secure sufficient labor forces needed during harvesting and processing periods for produce such as tomatoes. However, we are working to strengthen our platform for domestic source vegetable procurement and for ensuring the stable supply of fresh vegetables.



## International Business

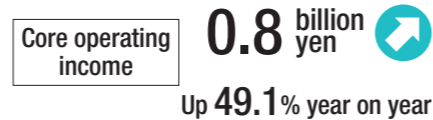
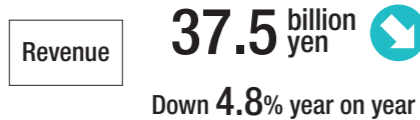
We will contribute to solving global food shortages by making the great taste and value of tomatoes and vegetables available to people all over the world.

### Norito Ebata

Executive Officer, Director of International Business Division, General Manager, Global Tomato Business Department

### Performance trends (FY2019)

\*After elimination and adjustment of inter-segment transactions



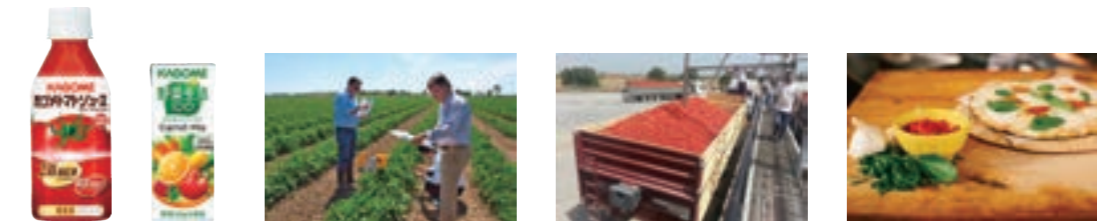
### Recognition of general business conditions

By 2050, the world's population is expected to reach 9.8 billion people. With concerns that population increase will lead to food shortages, demand for tomatoes, the vegetable most consumed around the world, is expected to increase. In this environment, we are engaging in the International Business based on a vertically integrated business model spanning from the development of tomato seeds and agricultural production to product development, processing, and sales.

### Results and issues to be addressed

In FY2019, revenues were down 4.8% year on year to 37.5 billion yen while core operating income was up 49.1% year on year to 0.8 billion yen, resulting in decreased revenue but increased income.

In recent years, unbalanced demand and supply has resulted in a decline in tomato market prices. In particular, conditions have been difficult in the primary processing domain. On the other hand, with increasing demand from



customers for cost reductions, we are faced with the need to pursue aggressive structural reforms. In response to these conditions, in FY2019 we reviewed the global tomato business to identify and eliminate unprofitable transactions business as well as implement business management reforms. We feel that we have achieved a certain degree of success. In particular, we worked to reform management of agricultural operations involving an advanced degree of difficulty. Among these efforts, our greatest achievement thus far has been the stabilization of profitability at Kagome Australia Pty Ltd. In the global consumer business, we are working to increase sales by expanding sales routes. Led by Kagome Nissin Hong Kong's efforts to expand into Hong Kong and Chinese markets, we will enthusiastically engage in enlightenment activities to establish Kagome brand value in regions such as Taiwan, Singapore, the ASEAN region, and Mongolia.

Expanding on initiatives from FY2019, in FY2020 we will aim to establish a structure for focusing on highly profitable domains and promote advanced structural reforms.

### Matters requiring focus in the mid- to long-term

#### Achieve profitable growth for the global tomato business by strengthening cost competitiveness

Cost competitiveness is essential to elevating overseas Group companies from a focus on profit stabilization

to a growth stage. In FY2020, we started a Cost Competitiveness Improvement Project based on a company and Group-wide collaborative effort so we can strengthen cost competitiveness by applying Japan's cost reduction knowhow to group companies.

#### Expanding vegetable beverage business in Asia

We will create demand through Japanese unique culture of consuming vegetables through juice. We will use our external value chain to achieve speedy sales growth and establish Kagome brand value in the Asia region. In addition to sales in the Taiwan, Hong Kong, and China areas, we will strengthen market development activities in East Asia and the ASEAN region to become a leading company for vegetable juice in Asia.

#### Focus on quality to strengthen global business platform

Kagome has a high-level quality assurance structure. We will integrate this structure into our overseas Group companies to establish a Group quality assurance structure. Establishing this quality assurance structure will reduce quality loss and promote cost reductions. We will also integrate the 5S and other education tools used at Japanese production sites to achieve "Quality First" management that is backed by our Group's unique quality assurance standards.

### ✓ Specific measures to address weaknesses and threats

- Develop value-added products, strengthen solutions proposal abilities and Group partnerships, develop new customers
- Diversify raw material centers, optimize processing scope, strengthen cost competitiveness, use climate data analysis to establish advanced tomato cultivation technology
- Farm management support business for commercial tomatoes based on AI developed in collaboration with NEC
- Form brand strength by enhancing sales promotions for the vegetable beverage business in collaboration with Nissin Foods (H.K.) Co., Ltd.
- Create commercial tomato cultivation platforms, manufacture and sell processed tomato products in future growth markets Senegal and India

### ✓ Impact of COVID-19 pandemic

With governments placing restrictions on the food and beverage industries of their respective nations, market conditions remain unclear. In the US, business to major food services was impacted by lower sales. Moving forward, we expect sales to decline due to a stagnant food and beverage industry. And like conditions in Japan, decreased opportunities to engage in sales activities could result in new product sales and new customer numbers that fall below plans. However, we will aim to establish a structure for focusing on highly profitable domains and promote advanced structural reforms.

### Strength

- Reliable quality unique to Kagome, from seed to table
- Ability to propose solutions to food service chains in North America, Asia, and Europe
- World-class global primary processing network

### Weakness

- Lacking in total cost competitiveness (including logistics)
- High level of dependence on specific high-volume customers
- Lack of brand recognition on consumer market (B to C)

### Opportunity

- Advancing food globalization due to global expansion of pizza chains and fast food chains
- Growing needs for simplified foods and takeout due to women's engagement in the workforce, low birth rates, and population aging
- Population growth and economic development in major tomato consumer regions such as India, Middle East, North Africa, and West Africa

### Threat

- Increase in raw material production losses due to global climate change
- Emergence of structural market decline due to growing competition for primary processed tomatoes
- Damage to tomato farmland due to worsening water shortage in California, the world's largest producer region

## Innovation (Research)



We are engaged in research themes to promote the resolution of social issues using the power of vegetables. We will contribute to sustainable growth for the Kagome Group by linking those results to business operations.

**Hiroyuki Ueda**  
Executive Officer  
Director of Innovation Division

### Policy of Innovation Division

- Develop ability to target meaningful research themes towards becoming a vegetable company based by identifying social environmental changes and technology advancements 10 and 20 years into the future.
- Maintain strong awareness of strengths and weaknesses, continuously embrace open innovation that widely engages internal and external resources.
- Embrace the mentality of proactively learning from mistakes and constantly taking on new challenges to increase the level of research results.

processing technologies to maximize the flavor and aroma, properties, nutritional value, function, and taste of tomatoes and vegetables. In addition to internal R&D, in this field we also proactively pursue technology partnerships with other companies.

#### (3) Functionality research

We engage in functionality research mainly for green and yellow vegetables, registering Foods with Function Claims, and disseminating health-related information. In FY2019, we demonstrated that sulforaphane glucosinolate reduces liver damage in middle aged and elderly persons and helps improve blood ALT scores (one of the markers indicating liver health status).

#### (4) Assessment of product quality and safety

To deliver safe, reliable products to our customers, we are strengthening our basic technologies for assuring safety throughout the supply chain starting in the fields, including conducting activities to predict risks, acquiring analysis and evaluation technology, and conducting raw material safety assessments.

#### (5) Protection and use of intellectual property

To maintain continuous competitiveness, we are working to strengthen our intellectual property foundation (acquisition, protection, and prevention of obstruction and litigation) by engaging in invention and discovery based on in-house R&D as well as periodical searches of other companies' patents. We also launched initiatives related to the effective use of our retained IP outside the company.

### Descriptions of each research project

#### (1) Research into variety and agricultural technologies

We are engaged in accumulating tomato genetic resources, developing new varieties, and researching cultivation technologies. In FY2019, we filed a total of 6 Plant Variety Registrations, including for a fresh tomato variety focused on delicious taste and seedlings for gardening. We also enhanced and promoted research in the vegetable domain as part of our initiative to become a vegetable company.

#### (2) Research into ingredient and processing technologies

We engage in activities to increase product value, including developing new ingredients and advanced

### Promotion of open innovation to help resolve social issues

#### Joint research with the Hokkaido Agricultural Research Center, NARO Succeeded in developing a tomato with *globodera rostochiensis* resistance and density reduction effect

*Globodera rostochiensis* (golden nematode) is a foreign pest first confirmed in Japan in 1972 in Hokkaido. This pest lives in the roots of nightshade plants such as potatoes and tomatoes, preventing their proper growth. In Hokkaido, preventing the spread of and eradicating golden nematode is a major agricultural issue. Kagome applied our more than 50 years of experience in tomato seed development to develop a breed of tomatoes for processing that retain resistance to golden nematode. Working with the Hokkaido Agricultural Research Center, NARO, we confirmed that not only with this breed prevent the settling of golden nematode, it also has the effect of reducing golden nematode density in soil.



Current breed cyst formation status (Potato golden nematode)  
Yellow arrow indicates cyst

### COVID-19 causing renewed focus on immune system strength

#### Relationship between vitamins absorbed through vegetable consumption and immune system strength

There is a deep link between immune system strength and vitamin consumption. The MHLW recognizes seven types of vitamins as being allowed to using the language "nutritional elements that help maintain healthy skin and mucus membranes" as labeling on a dietary supplement. Those seven vitamins are A, C, B1, B2, B6, niacin, and pantothen.

Japanese people get most of their vitamin A (as  $\beta$ -carotene) and vitamin C from vegetables. Japanese people also consume 10% or more of their B1, B6, and pantothen from vegetables. Consuming a sufficient amount of vegetables is vital to maintaining immune system strength.

Through functionality research pursuing vegetable nutrition and physiological stimulation, Kagome is aiming for the resolution of social issues using the power of vegetables.

#### Contribution of vegetables in the consumption of vitamins related to the immune system

- Vitamin A (as  $\beta$ -carotene): 53.1% (Rank: 1)
- Vitamin C: 40.0% (Rank: 1)

Source: National Health and Nutrition Survey (2018)



### Message from the Director of Innovation Division

The difference between research activities and other operations is that, with research, there is high level of uncertainty and the road to beneficial results can be quite long. This is why we establish output and delivery deadlines (milestones) for each theme characteristic and why it is important that we evaluate the external environment and implement course correction for our research themes. Research activities also require flexible and creative human resources who are capable of adapting to change. We believe it critical that we foster the development of young personnel who can act as game changers while adapting to new rules.

### Recent research findings

Sep. 2019

Savior from pests causes serious damage to the Hokkaido farming industry. Success developing tomato with resistance and density reduction effect on *globodera rostochiensis*. Enables agricultural expansion for commercial tomatoes and contributes to sustainable agriculture (Presented at the 27<sup>th</sup> Japanese Nematological Society Conference)

Nov. 2019

Demonstrated that the functional ingredient sulforaphane glucosinolate reduces liver damage in middle aged and elderly persons and helps improve blood ALT scores (one of the markers indicating liver health status). (Presented at the 7<sup>th</sup> International Conference on Food Factors)

Nov. 2019

Demonstrated that combined consumption of *Lactobacillus brevis* KB290 (Labre lactobacillus) and  $\beta$ -carotene improved stomach condition (stomach pain, bowel movement frequency) in otherwise healthy people suffering from irritable bowel syndrome with diarrhea (IBS-D). (Presented at the 7<sup>th</sup> International Conference on Food Factors)

## Strengthening Our Foundation for Value Creation and Key Measures

### Quality

## Product Safety and Security

### Fulfilling Our Brand Promise

Kagome established the Quality and Environmental Policy based on the belief that quality and environment are two sides of the same coin, in accordance with Kagome's corporate philosophy and its brand statement "True to Nature, the Flavor of Kagome." In line with this policy, we are working carefully on quality assurance and environmental conservation across the entire supply chain.

### Approach to quality and the environment

Kagome has always engaged in manufacturing utilizing nature's bounty, beginning from vegetable seeds and soil to procuring safe, high quality raw ingredients, based on the notion that "fields are the primary production plant." Achieving both conservation of the global environment and nature-based manufacturing is vital for sustaining Kagome's growth in the future.

Because of such commonality and relevance between quality in manufacturing and our environmental philosophy, we combined our standalone Quality Policy and Environment Policy into one and established the Quality and Environmental Policy in October 2017. This Quality and Environmental Policy represents the determination of Kagome's management team to achieve a sustainable society by focusing on environmental conservation with the same passion that Kagome has maintained in its manufacturing activities.

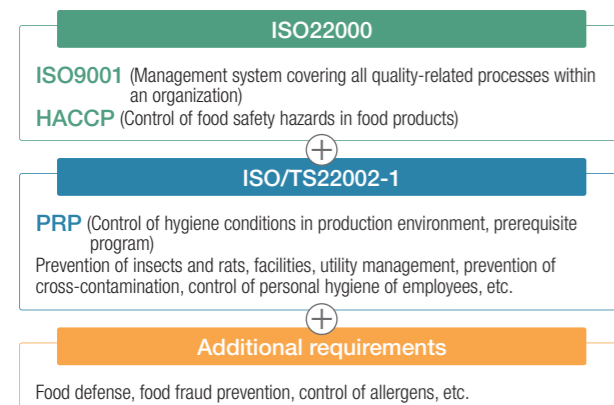
#### Quality and Environmental Policy

- 1 We contribute to the longevity and good health of people, which is important to us by providing the flavor and health value of vegetables.
- 2 We grow safe agricultural raw materials consistently from seeds and fields by collaborating with our partners in Japan and abroad.
- 3 We protect water, soil and air that nurture vegetables, maintain agriculture that fosters rich nature for the future, and effectively use the benefits acquired.
- 4 We deliver safe, environmentally-friendly products by complying with laws, regulations and in-house standards and continuing to improve our systems and activities.
- 5 We apply customers' feedback to our corporate activities while communicating the reliability of our products and services.

### Enhancement of quality assurance systems in Japan

Since 2003, we have enhanced quality using our ISO 9001 quality management system across all activities, from design and development, to procurement, production and sale. In addition to traditional quality management, we have also been working to acquire FSSC 22000 certification since FY2016. FSSC 22000 is an international standard for food safety that includes management methods for preventing hazards in manufacturing processes and outsourcing operations, food defense, and food fraud prevention. We completed the certification of all six of our factories in Japan in January 2020. Kagome's major overseas subsidiaries are also making efforts to enhance their food safety management systems by acquiring FSSC 22000 or similar certification.

#### Structure of FSSC 22000 standard



#### Acquisition of FSSC 22000 certification

Timing	Plants and production lines subject to certification
Oct. 2017	Ueno Plant: kneader mixing to general-use filling line Kozakai Plant: 500 g tube line Fujimi Plant: PET line
Jun. 2018	Komaki Plant: all lines, Ibaraki Plant: film line
Sep. 2018	Nasu Plant: raw tomato processing to Tetra Pack® filling line
Oct. 2018	Ueno Plant, Kozakai Plant and Fujimi Plant: all lines
Aug. 2019	Ibaraki Plant: all lines
Jan. 2020	Nasu Plant: all lines

### Global quality assurance

Kagome is working to further improve its quality assurance system by establishing a unique model for its overseas Group companies that embodies "Quality First, Profit Second."

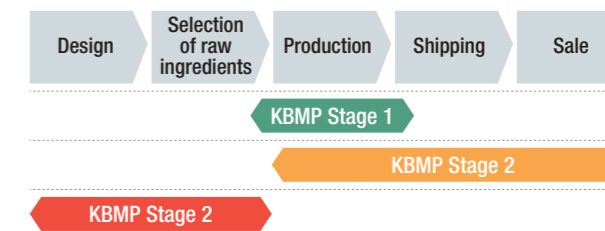
### Global quality assurance system

The Global Quality Assurance Department established a common global quality management standard for overseas Group companies known as Kagome Best Manufacturing Practice (KBMP) as the minimum level of compliance. The department is now working to ensure this standard is rolled out at and followed by each Group company. We are also making a cross-sectional assessment of information relating to quality, the environment and technology at overseas Group companies and sharing and utilizing this information to improve the level of quality assurance and productivity.

As Stage 1 of KBMP, the Global Quality Assurance Department has been sharing with Group companies the KBMP approach to quality management in the production environment, such as the prevention of contamination. In Stage 2, we established common rules for responding quickly in the event of quality failures. In FY2019, as Stage 3, we carried out activities to prevent quality failures attributed to product design by presenting steps for the design of new products and the selection of raw ingredients. Design screening of products established in Stage 3 has been rolled out in support of our business operations in the United States, Taiwan and India.

Looking ahead, we will harness Kagome's expertise in product development to ensure that our overseas operations are achieving the same high standard of quality in product development as in Japan.

#### Coverage of KBMP, Kagome's common global quality management standard



#### KBMP Stage 1

- a) Magnet inspection
- b) X-ray inspection and metal detector inspection
- c) Filter inspection
- d) Cleaning
- e) Maintenance
- f) Procedures and main points of 5S (Seiri [Sort], Seiton [Set], Seiso [Shine], Seiketsu [Standardize], and Shitsuke [Sustain])

#### KBMP Stage 2

- a) Response to quality failures
- b) Change point management and validation of production line
- c) Inspection of equipment before, during and after production
- d) Management of equipment in aseptic filling system

#### KBMP Stage 3

- a) Development procedures for high risk products and design screenings
- b) Management of hazards originating from raw ingredients

### Improvement activities to raise the bar of quality on the production floor

The Global Quality Assurance Department also carries out improvement activities to raise the bar of quality on the production floor. The department regularly organizes Group joint meetings with the CEO and the managers of production, quality management and quality assurance of each company, highlighting examples of improvements in quality at each company and conducting observations of production environments. Through this diligent application, we are working closely together to elevate quality and technology. The department has stepped up promotion of 5S activities to foster a quality mindset in employees. For example, 5S leader candidates selected by each company were invited to visit plants in Japan to undergo group training. In turn, these individuals returned to their companies and applied what they learned in spearheading voluntary 5S activities locally as 5S leaders.



Fifth Production and QA Meeting held at Kagome Foods Inc. in the United States



5S leaders training (Ibaraki Plant)



Examples of improvement through 5S activities (Kagome Inc. and Taiwan Kagome Co., Ltd.)

Environment

# Response to Climate Change / Consideration of the Environment

## Protecting Water, Soil and Air That Nurture Vegetables

For Kagome, which uses nature's bounty in its products, conservation of the natural environment is essential to maintaining a sustainable agricultural business. We have begun climate change scenario analysis, recognizing that our response to climate change should be a top priority. In addition, we are actively addressing other important issues, such as conservation of water resources and biodiversity as well as reduction of plastics usage.

### 1. Response to the new framework for climate related disclosures (TCFD)

The G20 Financial Stability Board's Task Force on Climate-related Financial Disclosures issued its final report in June 2017 entitled *Recommendations of the Task Force on Climate-related Financial Disclosures*. Following this report, Kagome is now working to address the TCFD recommendations, including conducting a trial analysis of climate change scenarios in 2019.

Item	Details of activities												
<b>Governance</b>	<p>The Kagome Group recognizes that an interruption in the procurement of raw ingredients is the greatest risk facing its business operations. Climate change has already caused unseasonable weather patterns, including not only rising temperatures, but also massive typhoons and torrential rainfall, which have already caused extensive damages in areas where Kagome sources its raw ingredients. To avoid this risk, Kagome has taken the lead in implementing the Paris Agreement. In April 2018, Kagome's Board of Directors approved medium- to long-term targets for CO<sub>2</sub> reduction to ensure the company actively works to lower emissions of greenhouse gases.</p> <p>As top management, Kagome's President &amp; Representative Director is responsible for all of the company's environmental activities, including climate change response, under Kagome's ISO 14001 environmental management system. The President evaluates the effectiveness of the environmental management system through biannual management reviews, following the company's environmental policy, and maintains responsibility and authority to order improvements. The Three-year Environmental Management Plan launched in FY2019 is also subject to task setting, monitoring, and revision or addition of tasks during these management reviews.</p>												
<b>Strategy</b>	<p>The emergence of climate change represents a major risk for Kagome as a company that processes and sells agricultural produce. At the same time, however, it can also be an opportunity for harnessing our long-standing technologies. Short- and medium-term risks from climate change include water shortages and the growing intensity of unseasonable weather, such as torrential rainfall, which has already emerged. Long-term risks involve rising carbon taxes, changing consumer behavior, and declining biodiversity. Kagome believes these risks can be transformed into opportunities. Kagome will use its existing technologies to create new varieties to develop and sell vegetable varieties that can withstand climate change as well as roll out a tomato cultivation system worldwide that makes it possible to grow tomatoes with less water.</p> <p>In the past, climate change has had direct and serious impacts on our business strategy and financial standing, causing a drop in revenue from tomato production in Australia due to heavy rains and the destruction of tomato farms in Japan from massive typhoons.</p> <p>The risks and opportunities of climate change noted above represent the risks and opportunities of Kagome's business operations. As such, they have been included in our business plan together with other risks.</p>												
<b>Risk management</b>	<p>Kagome has established the Joint Risk Management Meeting as the body responsible for the company's risk management. Chaired by the President &amp; Representative Director and comprised of members from Management Meetings, the Joint Risk Management Meeting facilitates the decision making process in terms of our risk response policy and responses to important forms of risk. During meetings, members holistically determine the extent of impacts on management to determine the priority of each response. Risks and opportunities related to business operations are identified holistically based on issues facing the Company, expectations of and requests from stakeholders, and the results of evaluations of environmental impacts on our operations. These issues are incorporated into the Three-year Environmental Management Plan to be addressed by the entire company.</p>												
<b>Indicators and targets</b>	<p>Kagome has established the goal of reducing Scope 1 and Scope 2 CO<sub>2</sub> emissions more than 20% by 2030 and more than 50% by 2050, both compared to 2016, as a long-term indicator for mitigating climate change. As for Scope 3, since most of our CO<sub>2</sub> emissions are accounted for as Category 1, we aim to identify the CO<sub>2</sub> emission reduction targets of our main suppliers by 2021 and begin working together to lower these emissions from 2022.</p> <p>To achieve our long-term targets, we formulated the Three-year Environmental Management Plan and established benchmarks that we are now working to achieve. Our efforts to reduce CO<sub>2</sub> emissions are categorized into energy conservation, energy creation, and energy purchasing. In terms of energy conservation, we will lower CO<sub>2</sub> emissions per production yield at our plants inside and outside Japan by 1% every year. As for energy creation, we will encourage the installation of photovoltaic systems. For energy purchasing, we plan to begin purchasing carbon-free electricity from 2021. Also, we are carrying out individual activities to lower and manage CO<sub>2</sub> emissions, such as using CO<sub>2</sub> from production plants to grow tomatoes at farms. In this manner, we are moving closer to achieving the Kagome Group's long-term targets for CO<sub>2</sub> reduction.</p> <table border="1"> <caption>CO<sub>2</sub> Emissions (10,000 tons)</caption> <thead> <tr> <th>Year</th> <th>CO<sub>2</sub> Emissions (10,000 tons)</th> <th>Reduction Target</th> </tr> </thead> <tbody> <tr> <td>2016 (Base year)</td> <td>16</td> <td>-</td> </tr> <tr> <td>2030</td> <td>13</td> <td>20%</td> </tr> <tr> <td>2050</td> <td>8</td> <td>50%</td> </tr> </tbody> </table>	Year	CO <sub>2</sub> Emissions (10,000 tons)	Reduction Target	2016 (Base year)	16	-	2030	13	20%	2050	8	50%
Year	CO <sub>2</sub> Emissions (10,000 tons)	Reduction Target											
2016 (Base year)	16	-											
2030	13	20%											
2050	8	50%											

### 2. Climate change scenario analysis

Following the TCFD's Recommendations of the Task Force on Climate-related Financial Disclosures, Kagome carried out a trial analysis of climate change scenarios from October 2019 to January 2020. The analysis, which focused on procurement and production believed to be impacted the most by climate change, used the scenarios of a 2-degree and 4-degree Celsius increase in worldwide temperature to identify risks and opportunities and examine countermeasures. The results showed that our business will be largely impacted by soaring carbon taxes in case of a 2-degree Celsius increase and again largely impacted by soaring water prices and the growing severity of unseasonable weather, such as torrential rainfall, in case of a 4-degree Celsius increase. While this analysis focused on procurement and production, in the future we plan to expand the scope to countermeasures concerning products, such as responding to changing purchasing behavior due to climate change.

#### Risks facing the Kagome Group and impacts on business

Category	Risk			Business impact	
	Major-category	Sub-category	Indicator	Observation (examples)	Evaluation
Transition risks	Government policies and regulations	Rising carbon taxes	Expenses	Rising costs from broad impacts of carbon taxes on raw ingredients, containers and packaging materials	Large
		Stricter policy on reduction of CO <sub>2</sub> emissions in each country	Expenses/Assets	Need to upgrade to higher efficiency manufacturing facility from stricter energy conservation policy	Medium
	Reputation	Changing consumer behavior	Revenue	Growing purchasing behavior mindful of environmental impacts due to climate change	Large
Changing reputation among investors		Capital	Insufficient response to climate change deteriorates reputation among investors making it difficult to procure funds	Small	
Physical risks	Chronic	Rising average temperatures	Expenses and revenue	Poorer crop quality and declining yield	Large
		Changing rainfall and weather patterns	Expenses and revenue	Higher rainfall amounts or drought negatively affects growing areas causing raw material prices to soar	Large
		Declining biodiversity	Expenses	Declining number of insects makes pollination difficult resulting in supply interruptions of raw ingredients	Large
	Urgent	Declining production yield due to pests	Expenses and revenue	Growing number of pests results in declining crop yield and quality, causing difficulty in stable procurement	Medium
		Declining productivity of agricultural workers	Expenses and revenue	Rising temperatures results in declining labor productivity of agricultural workers, causing procurement costs to rise	Small
	Declining production yield caused by water stress	Expenses and revenue	Water shortages make it difficult to secure water causing higher prices	Large	
Growing intensity of unseasonable weather	Expenses and revenue	Frequent occurrence of unseasonable weather, such as torrential rainfall, causes more growing areas to be damaged	Large		

#### Kagome Group's risk countermeasures and opportunities

Risk items	Risk countermeasures	Opportunities
Rising carbon prices	<ul style="list-style-type: none"> <li>Achieve target of 50% reduction in CO<sub>2</sub> emissions by 2050 using energy conservation, energy creation, and energy purchasing by the Kagome Group</li> <li>Lower CO<sub>2</sub> emissions through collaboration with suppliers</li> <li>Establish and execute measures to pass on cost increases to product prices</li> <li>Change the Company's CO<sub>2</sub> reduction target (emissions: 50% to 0%)</li> </ul>	
Changing consumer behaviors	<ul style="list-style-type: none"> <li>Identify consumer purchasing behaviors and engage in precise sales activities</li> <li>Actively develop environmentally friendly products and certified products</li> </ul>	<ul style="list-style-type: none"> <li>Product development and marketing tailored to demand during unseasonable weather</li> </ul>
Rising average temperatures	<ul style="list-style-type: none"> <li>Respond to climate change using smart agriculture including use of data</li> </ul>	<ul style="list-style-type: none"> <li>Acquire vegetable varieties that can withstand climate change (resistant to high temperatures and pests)</li> </ul>
Changing rainfall and weather patterns	<ul style="list-style-type: none"> <li>Market vegetable varieties for climate change around the world</li> </ul>	
Declining biodiversity	<ul style="list-style-type: none"> <li>Propose and promote agriculture in symbiosis with living organisms</li> </ul>	<ul style="list-style-type: none"> <li>Promote tomato cultivation on farms that does not use bees</li> </ul>
Declining production yield caused by water stress	<ul style="list-style-type: none"> <li>Promote water recycling and water conservation initiatives at plants (membrane filtration, etc.)</li> <li>Develop and use tomato cultivation system that can produce tomatoes with the fewest amount of water</li> <li>Promote resource-recycling agriculture (use of plant effluent and rainwater on farms)</li> </ul>	<ul style="list-style-type: none"> <li>Share around the world tomato cultivation system that can produce tomatoes with the fewest amount of water</li> </ul>
Growing intensity of unseasonable weather	<ul style="list-style-type: none"> <li>Raise the level of procurement strategy (review of growing areas; diversification)</li> <li>Create sustainable cultivation system even during torrential rainfall</li> <li>Upgrading of BCP countermeasures (climate change scenario)</li> </ul>	<ul style="list-style-type: none"> <li>Shift to service business (Shift to service business unaffected by cost price fluctuations)</li> </ul>

Strengthening Our Foundation for Value Creation and Key Measures

3. Water and biodiversity conservation

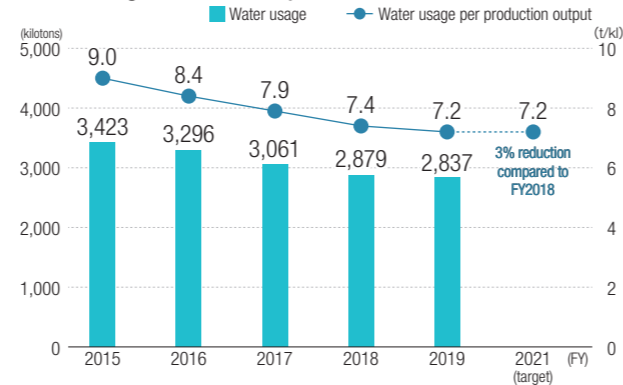
Water conservation

As a company that uses large amounts of water in cultivation and processing, Kagome is implementing measures tailored to each region to mitigate water-related risks.

Kagome Group Water Policy

- 1 The Kagome Group and its major suppliers understand water-related risks.
- 2 The Kagome Group and its major suppliers strive to reduce water intake and use water efficiently to protect local water resources.
- 3 The Kagome Group and its major suppliers clean used water before returning it to the local communities.
- 4 Factories in areas where water-related risks are high take measures for water that are appropriate for the local areas.

Water usage at domestic plants



Biodiversity conservation

In order to continually reap nature's bounty, Kagome aims to achieve coexistence with a diverse array of living creatures, primarily by reducing agriculture's impact on biodiversity.

Kagome engages in various activities following the Kagome Group Biodiversity Policy established in FY2018, based on an assessment of the current situation with regard to biodiversity and the Group's business operations.

Details of activities

- Maintaining genetic resources (7,500 tomato varieties)
- Environmentally conscious use of agrichemicals and fertilizers for sustainable farming
- Biodiversity surveys of tomato fields and their surrounding areas
- Avoiding the use of nonindigenous species of bees for pollination in the cultivation of fresh tomatoes
- Promoting agricultural development in Japan (e.g. introducing examples of regional agricultural produce through direct marketing services such as Kagome Nouen Ouen)

4. Initiatives for plastics

In January 2020, we established the Kagome Policy on Plastics with the goal of reducing the impacts plastics have on the environment. As a specific target for the straws attached to paper beverage packs, we aim to eliminate use of plastic straws made from petroleum by 2030. For beverage PET bottles, our target is to use at least 50% recycled materials or plant-derived materials by 2030.

Our initiatives

- (1) Using plastic caps made of plant-derived materials (sugar cane) for paper packs (steadily rolled out since April 2020)
- (2) Using straws made of a 5% blend of plant-derived plastic (sugar cane)



Kagome Policy on Plastics

- 1 Kagome will eliminate the excessive use of plastics in product containers and reduce its overall use of plastics. Kagome has reduced the weight of its tomato ketchup bottles and PET bottles, and going forward it will continue to reduce its use of plastics.
- 2 Kagome will curtail the use of new plastics made from petroleum and promote a shift to recycled or plant-derived materials that make resource recycling possible. Based on this, Kagome has established the following two targets.
  - (1) Kagome will eliminate its use of straws made from petroleum-derived materials for its paper beverage packs and shift to recyclable materials (plant-derived or paper materials) by 2030.
  - (2) Kagome will use recycled or plant-derived materials for at least 50% of its beverage PET bottles by 2030.
- 3 Kagome will promote the recycling of wastes including plastic and continually achieve net zero emissions\* at its plants.
 

\*Kagome defines net zero emissions as a waste recycling rate of at least 99%.
- 4 Kagome will actively conduct environmental clean-up activities led by its business sites nationwide along shorelines and rivers in order to raise awareness about stopping littering of plastic containers.

Supply Chain

Strengthening of Supply Chain Management

Building a Foundation for Product Development from the Field

The logistics industry in Japan is facing a number of urgent issues, including labor shortages, the prolonged working hours of drivers, and environmental concerns. To resolve these issues, Kagome is working with other food manufacturers to streamline logistics and participating in the "White Logistics" promotion campaign.

Drastic changes in the logistics environment

In recent years, the driver shortage from an aging population and declining rate of people seeking employment as drivers have become even more serious; and yet, logistics throughput is rising amid changes in consumption structure from the growth of online shopping. Logistics for processed foods faces its own unique challenges; it takes time to position foods during loading and to unload them upon delivery, and the increased number of vehicles needed because of the split-use of pallets at intermediaries. This has resulted in prolonged working hours and inefficient logistics.

Such issues simply cannot be resolved by a single company. Negotiations and collaboration across industry lines are required involving other food manufacturers, distributors, and retailers. As a result, in 2015 six companies from the same industry launched the F-LINE project to research, review and commercialize joint transport services. This culminated in the April 2019 establishment of F-LINE Co., Ltd., a nationwide joint venture logistics company involving five food manufacturers.

Basic philosophy and objective of the F-LINE project

Basic philosophy

Pursue social and economic rationalities of logistics infrastructure for the entire food industry and secure more efficient and stable logistics capabilities based on the belief that the partners will compete in products, but carry out logistics jointly.

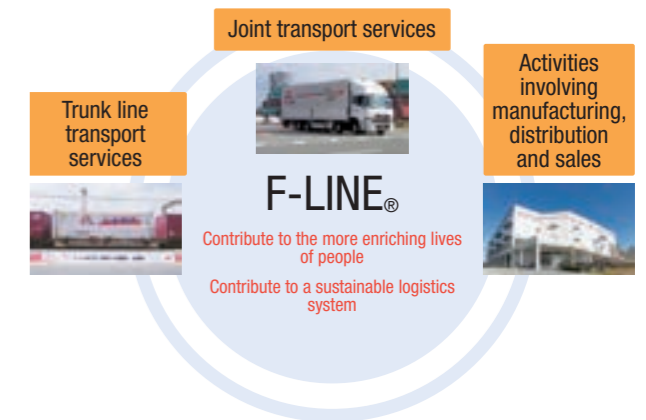
Objectives

- (1) Ensure stable supply of foods indispensable to people's lifestyles
- (2) Develop total optimization and achieve sustainability involving the entire food industry
- (3) Resolve the logistics challenges facing the food industry and optimize the supply chain
- (4) Enhance the corporate value of participating companies through social and environmental contributions
- (5) Pursue top productivity and efficiency in food logistics and generate synergistic effects

Results of activities

After the F-LINE project was launched, participants examined joint transport services in Hokkaido and Kyushu, improved efficiency of mid- to long-range trunk routes, and shared standards for industry orders and deliveries, aimed at the establishment of a sustainable logistics system. In terms of joint transport services, part of the logistics hubs of each company were consolidated into one and vehicle fleets were deployed more efficiently. As a result, the CO<sub>2</sub> emissions of the six companies were lowered about 15% in FY2019 compared to before the joint transport services, while the number of deployed vehicles was reduced and load factor increased. Looking ahead, these efforts will be expanded nationwide to further build a sustainable logistics environment together with industry and government.

Problem-solving cycle of the F-LINE project



Kagome's own initiatives <https://white-logistics-movement.jp/wp-content/themes/white-logistics/docs/declarations/00038.pdf>

In terms of logistics for processed foods, it is customary to deliver products the next day after an order is received, which has abetted logistics issues. Kagome has begun to introduce day-after-next delivery to extend delivery lead time and improve the logistics environment. Kagome endorses the White Logistics movement advocated by the Ministry of Land, Infrastructure, Transport and Tourism, Ministry of Economy, Trade and Industry, and Ministry of Agriculture, Forestry and Fisheries, and we have announced our own voluntary action pledge for sustainable logistics.



Strengthening Our Foundation for Value Creation and Key Measures

Sustainable procurement

Kagome has worked to diversify its sourcing locations and built a global network, as it seeks to avoid risks such as climate change and foreign exchange rate volatility and to optimize costs and suppliers. We also respect our fair and equal cooperation framework with suppliers, and we are developing our own procurement sites.

Supplier selection and initiatives to improve suppliers' quality

Kagome's advantage in procurement lies in its knowledge and expertise in production, quality and cost structure, gained through the fact that Kagome engages in all aspects of its business, from cultivation to processing of raw ingredients. By clearly communicating its expectations in these areas to suppliers, Kagome is able to establish mid- to long-term transactions at appropriate prices, enabling selection of suppliers who can work together with Kagome to improve quality.

For main imported raw ingredients, we check quality controls, from cultivation to manufacturing processes, by visiting suppliers locally every year. Ahead of the manufacturing season, we hold meetings with suppliers to review issues not only in manufacturing, but all processes, from field to manufacturing plant. These meetings even cover cultivation methods at contract farms, such as the number of times pesticide is used and the right type of fertilizer to use. Through this process, we are working to improve quality.



Meeting with supplier



Field check

Network for supporting business growth as a "vegetable company"

Tomatoes and carrots are the main raw ingredient used by Kagome. For tomatoes, we have diversified procurement locations for some time in order to mitigate regional risk. However, for carrots, we needed to develop our own procurement locations to meet our stringent quality and cost standards. This is because there are few suppliers who can supply processed carrots since carrots are used in fewer processed food applications than tomatoes. In 2014, we began trials for the cultivation and processing of carrots for the Japan market at our subsidiary Kagome Australia. In the four years since then, we worked to improve quality and cost in terms of varieties, cultivation, and processing, and today Kagome Australia has become a major supplier of carrots for raw ingredients. In addition, from FY2020, Kagome Australia will make investments to expand its farm cultivation area and increase production capacity. After further cost reductions, the procurement ratio of carrots split between the northern and southern hemispheres, which was about 7 to 3 in 2007, is expected to be equal.



Farm in Australia

Diverse Human Resources

Initiatives for the Continued Growth of Diverse Human Resources

Fostering Innovation

Kagome is working to become "a company with a pleasant and rewarding workplace" as part of its management strategy, under the commitment of top management to "use the growth of each and every employee for the growth of the company."

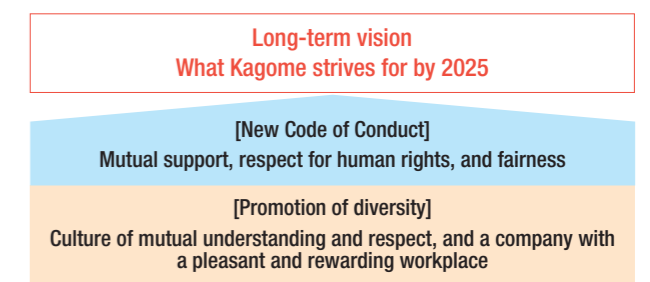
1. Diversity and inclusion

Kagome is working to reinforce its organizational strengths by providing its diverse workforce with access to more active and flexible means of work.

Positioning within management strategy

Kagome's diversity is positioned and promoted as the foundation and basis of organizational and individual actions aimed at realization of the long-term vision and what Kagome strives for by 2025.

Implement, self-propel and instill Kagome-style diversity



Promoting active roles for women

Women account for a large percentage of the customers who purchase our products and the students desiring to work for Kagome. However, the ratio of female employees is still low. Promoting the active role of women in the workplace is vital to Kagome's growth. For this reason, we are promoting active roles for women under the long-term vision to achieve a state where 50% of our workforce consists of women. In the Second Mid-Term Management Plan, we further evolved this initiative and updated our KGI and KPI on the hiring, continued employment and promotion of women.

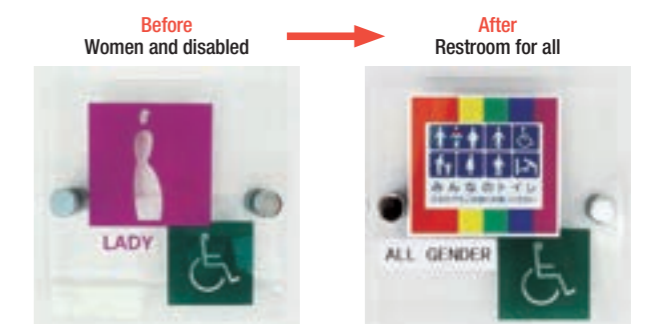
Act on Promotion of Women's Participation and Advancement in the Workplace: Kagome's Action Plan (Phase II 2019-2022) figures

Target 1	Hire new employees, of whom 50% or more are female employees	65% (Actual result for FY2020)
Target 2	Maintain the continuous employment percentage of female employees hired during FY2009-2011 at 80% or more of male employees	1.0 (female employees hired between 2009-2011)
Target 3	Maintain the continuous employment percentage of female employees hired during FY2017-2019 at 100% of male employees	1.0 (female employees hired between 2009-2011) As at one year later
Target 4	Ensure that female employees make up at least 12% of managerial positions (manager and above)	6.6% (As of April 1, 2020)

Activities of the Diversity Committee

In July 2019, we held Diversity Day 2019 as an in-house public forum covering the perspectives of unconscious bias and sexual orientation and gender identity, in an effort to broaden the scope of our diversity initiatives. Following this, the diversity committees of each business site spearheaded seminars on LGBT issues, which resulted in reviewing the signage used for restrooms.

Example of changing the restroom signage of the Hokkaido Branch



Strengthening Our Foundation for Value Creation and Key Measures

2. Creation of innovative human resources

We are working to create a new business model for Kagome's future growth and implementing measures to improve employees' conceptual ability and creativeness, aimed at increasing our sensitivity toward a changing environment and needs.

Fostering Innovation

Our calls for a new business plan that began in FY2017 helped to sow the seeds for a new business model where employee engagement in business concept is connected to growth. It also functions as a mechanism for increasing our solution capabilities. From FY2020, we made changes to our guidelines in order to draw out diverse values and creative ideas from more employees. These changes include emphasizing thoughts and business hypothesis based on proposers' diverse experiences, and incorporating follow-up and networks of accelerators in the selection process. This will solidify the path to commercialization of proposer ideas.

Business plans that have passed the final selection

FY2017	Veggie Kids Nursery, which teaches children to love vegetables → Launched in April 2019
FY2018	Food fiber business using carrot pulp → Began developing carrot pulp as new ingredient
FY2019	Soil conditioner made from lactobacillus brevis compound, along with manufacture and sales of organic fertilizer → Commercialization review ongoing



Planted tomato seedlings during Veggie Kids Nursery, which teaches children to love vegetables

Aim of soliciting new business plan from employees

- (1) Aim to be a "strong company" that can continually grow by predicting change and providing products and services that address this change
- (2) Foster human resources in business development who are committed to creating new businesses

3. Consideration for human rights

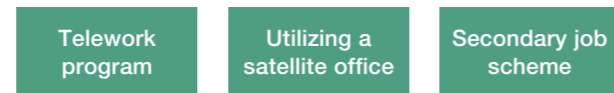
Kagome is promoting work style reforms along with health and productivity management to help employees lead a more creative and enriching life.

Initiatives to reduce total working hours per year to 1,800 hours

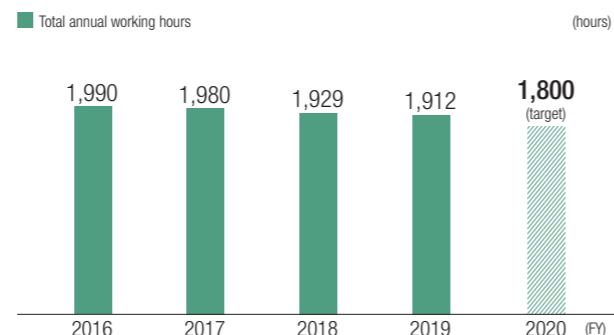
The work style reforms we have implemented since FY2014 include various measures that strike a balance between improving the quality of work of both organizations and individuals (process and results) and reducing work load (hours). We have continued with efforts to reach our target of reducing total working hours per year to 1,800 hours by 2020, and the use of various work management tools and programs are now beginning to show results.

In addition, we launched a secondary job scheme using the time freed up from reduced working hours, which empowers employees to make social contributions from a greater range of options.

Main programs and measures introduced in FY2019



Change in total annual working hours



4. Promoting health and productivity management

At Kagome, we believe that to be a sound company, it is important to ensure that each individual employee is healthy, both physically and mentally. We are therefore working proactively to manage the health of our people.

Kagome Health and Productivity Management Pledge

In 2017, we established Kagome's 7 Points for Good Health, and made the Kagome Health and Productivity Management Pledge. In November 2017, we were given the highest rank by the Development Bank of Japan (DBJ) under its DBJ Employees' Health Management Rating. Furthermore, in March 2020, we were recognized for the fourth consecutive year, under the Certified Health and Productivity Management Organization (White 500) program administered by the Ministry of Economy, Trade and Industry (METI) and Nippon Kenko Kaigi.



Kagome Health and Productivity Management Pledge

The health of employees links directly to feelings of job satisfaction, through improving their sense of pride and engagement at Kagome. Kagome contributes to the health of its customers through food, while at the same time promoting health and productivity management based around the core of Kagome's 7 Points for Good Health.

Framework for promoting health and productivity management

In 2016, we established the General Health Services Department at Kagome Axis Co., Ltd. We have appointed industrial physicians at all business locations, where we promote health management together with public health nurses. In 2018, we launched the Health Promotion Committee, under which we are engaging in health improvement activities with a focus on independent initiatives driven by each business location.

We are also working to identify issues relating to employee health, and implement health-related initiatives, such as holding regular Collaborative Health Promotion Meetings together with the Kagome Health Insurance Union. We also hold Kagome Health Meetings, at which industrial health staff from major business locations, Kagome corporate officers responsible for health issues, and members of the General Health Services Department and Kagome Health Insurance Union assemble to share and discuss Group-wide health-related initiatives.

Kagome's 7 Points for Good Health

1. Nutritional balance, eat 350g of vegetables a day
2. Feel fresh and cleansed every day, drink Labre
3. Sleep well, greet people, and enjoy a fun lifestyle
4. Take appropriate exercise, walk 8,000 steps a day
5. Develop habits of brushing teeth, gargling and washing hands
6. Don't drink too much alcohol, and avoid smoking
7. Take regular health checkups and manage your own health

Industrial physician system

We have established health management desks at all of our business locations in Japan. Public health nurses patrol our business locations while collaborating with these desks. During patrols, public health nurses work alongside industrial physicians to interview employees for the early detection of employees with physical or mental health issues and to provide an environment where employees find it easy to consult regarding their own health issues.

Current situation with regard to health management

In addition to promoting initiatives based on Kagome's 7 Points for Good Health, Kagome also implements its own unique health checkups (Kagome Kenshin) in collaboration with the Kagome Health Insurance Union, and carries out regular dental checkups, influenza vaccinations and walking campaigns every year. We also encourage and support employees age 30 or above, and their spouses, to undergo comprehensive medical examinations.

Situation regarding health checkups (as of March 31) (%)

	2017	2018	2019 (FY)
Percentage of employees taking health checkups	100	100	100
Percentage of employees receiving specific health guidance	50.3	58.2	72.0

Current situation with regard to stress checks (%)

	2017	2018	2019 (FY)
Examination rate	96.6	92.0	95.7
Rate of high stress employees	9.2	6.3	7.4

Improving employees' health literacy

In order to maintain the physical and mental health of each of our employees, we consider it necessary to visualize and share employees' state of health, and to help them to acquire correct health-related knowledge. In 2017, we began publishing the Kagome Health Report, and holding health seminars for employees run by registered dietitians and public health nurses.

## Stakeholder Engagement

### Working with Society

#### Resolving Social Issues Through Food

Kagome actively embraces collaboration with local communities knowing that this is essential to the realization of a sustainable society in terms of “Longer, healthier lives” and “Agricultural development and regional revitalization,” both social issues that Kagome is seeking to resolve.

#### ○ Kagome Yasai Seikatsu Farm Fujimi, a core part of Kagome’s regional revitalization efforts

Over the years, Kagome has deepened its connection with Fujimi Town, in the Suwa District of Nagano, through Kagome Fujimi Plant that began operating back in 1968. In 2015, we jointly invested in Yatsugatake Mirai Farm as part of agricultural development for utilizing idle land, and in 2019, we began cultivating fresh tomatoes. In 2016, Kagome concluded a regional development agreement with Fujimi Town, under which we are working to resolve social issues faced by the local community. In April 2019, we opened Kagome Yasai Seikatsu Farm Fujimi to generate tourism demand locally.

Looking ahead, Kagome is committed to working closely with Fujimi Town to resolve such social issues as “longer, healthier lives,” “turning agriculture into a grow industry” and “revitalizing Fujimi Town.”

##### About Kagome Yasai Seikatsu Farm Fujimi

###### [Concept]

Interactive vegetable theme park combining agriculture, industry and tourism

**Food experiences:** restaurant, shop and cooking classes using harvested vegetables

**Agricultural experiences:** tomato and lettuce picking in a neighboring field

**Plant tours:** showcases processes and technologies for making vegetable juice at the Kagome Fujimi Plant

###### [Visitors]

34,000 (April to November 2019)

###### [Employment]

- Hiring of customer service staff and guides from the local community
- Yatsugatake Mirai Farm employs 40 to 60 people year round

###### [Main initiatives for local collaboration in FY2019]

- Sales of vegetables grown by local high school students
- Product development and sales for the farm shop using collaboration with local pâtissiers and artists
- Planning and implementation of events such as the sunflower field maze together with local elementary schools, welfare facilities, and local volunteers
- Promotion of agriculture-welfare collaboration on Yatsugatake Mirai Farm

###### [Recognitions]

The development project for the Odaira area of Fujimi Town, including Kagome Yasai Seikatsu Farm Fujimi, received the Minister of Agriculture, Forestry and Fisheries Award at the Rural Agricultural Development Contest in 2019 organized by the Liaison Council of Land Improvement Project Groups and supported by the Ministry of Agriculture, Forestry and Fisheries. This project was praised for its contributions to the development of rural agriculture by establishing a vegetable theme park on a general purpose farm and achieving attendance of 30,000 people through its combination of agriculture, industry and tourism.



Kagome Yasai Seikatsu Farm Fujimi



Large year-round greenhouse at Yatsugatake Mirai Farm



Sunflower field maze made with the help of the local community (August 2019)



Product jointly created with a local artist

#### ○ Sobetsu Agri-Foods, aims to be a model for agricultural development and regional revitalization

Kagome got involved this fiscal year in a business that promotes agricultural development and regional revitalization by increasing vegetable production including onions, creating jobs at processing facilities, and utilizing the buildings and land of junior high schools that have been closed, in depopulated areas of Hokkaido Prefecture.

##### About Sobetsu Agri-Foods

###### [Location]

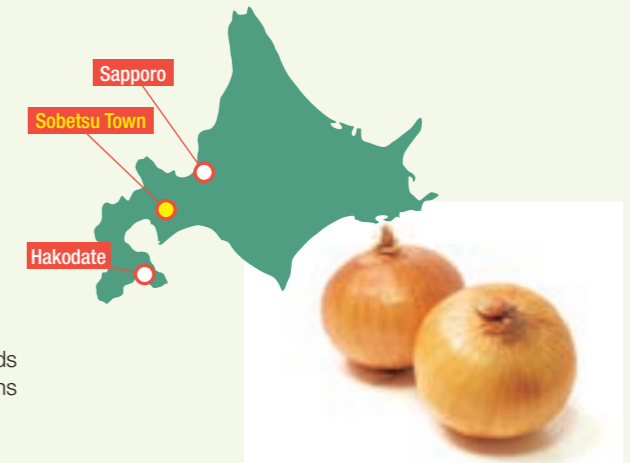
Sobetsu Town, Hokkaido

###### [Mission]

- Seamlessly supply onions, from fresh to processed foods
- Provide added-value products with useful varieties and processing technologies

###### [Business structure]

- Manufacture and market fresh produce and processed foods by sourcing onions grown by local agricultural corporations and local farmers
- Plan to expand contractor business including harvest work



#### ○ Establishment of Kagome Mirai Yasai Foundation for greater mutual support

Mutual aid is the first concept defined in the Code of Conduct, which serves as a platform for Kagome to realize its corporate philosophy and brand statement. For social themes that cannot be addressed with self-help or public assistance, Kagome works with local communities to support one another. With this motto in mind, we will establish the Kagome Mirai Yasai Foundation as a mechanism for realizing such.

##### About Kagome Mirai Yasai Foundation

###### [Mission]

- Provide support to social issues involving foods, especially food education for children
- Return the foundation's social contributions to business activities and enhance corporate value

###### [Activities]

Provide grants (donations) to groups that make social contributions related to food (mainly initiatives for children’s food education, etc.)

###### [Funding]

Annual endowment of 50 million yen

###### [Established]

October 1, 2020 (planned)



## Interview with the Chairman

## Building a Universal System for Enhancing Corporate Value at All Times

### —Discussing Kagome's Evolution in Corporate Governance as the Chairman of the Board—

Building the optimum corporate governance system is one of the key parameters for enhancing corporate value set out in the mid-term management plan.

Chairman of the Board of Directors

寿田 直行

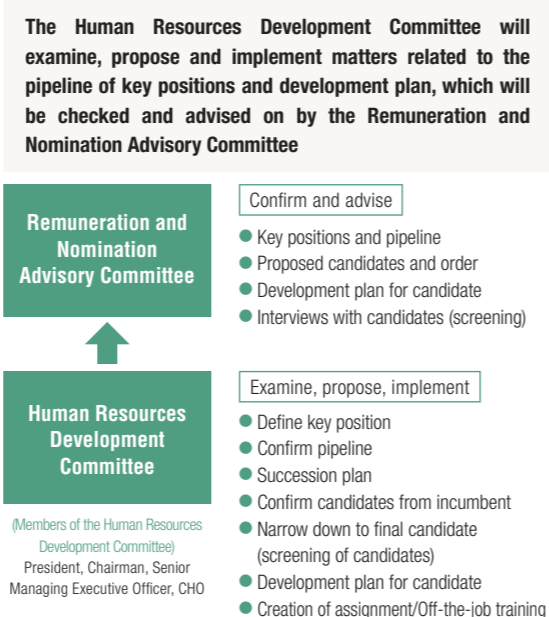


### Q1 Can you provide details about Kagome's succession plan?

We introduced a new system and process starting from the election of the new president, which increased transparency and objectivity.

Developing the persons responsible for management and achieving a highly transparent selection process are important matters required under Japan's Corporate Governance Code. The selection of the next president until now was largely delegated to the incumbent president, but we introduced a new system and process for the election of the new president. This involves the Remuneration and Nomination Advisory Committee discussing candidates selected by the newly established Human Resources Development Committee, with the findings of the committee reported to the Board of Directors for election of the candidate.

The new Human Resources Development Committee has enhanced the objectivity of candidate selection, and the human resources development plan will be used strategically not only for the president and other officers, but also employees considered to be future management resources. By continuing with this system and process, we will seek to strengthen corporate governance.



### Q2 What are the key points behind the Board's initiatives to strengthen governance and its role?

We are strengthening our systems to enable fundamentally deep discussions for enhancing corporate value over the medium term.

Since transitioning to a corporate structure with an audit and supervisory committee in FY2016, we have evaluated board effectiveness. Every year, we conduct a survey of directors comprised of 30 items, and discuss the results during board meetings. Efforts are made to rectify issues that were brought to light as a result, and in FY2019, we instituted countermeasures, including increasing the time spent on deliberating important agenda items and issuing findings only after sufficient discussion. We are making steady progress with improvements through this ongoing evaluation of board effectiveness.

Amid growing importance placed on dialogue with various stakeholders, including institutional investors and shareholders, we have placed even greater expectations on External Directors and Audit & Supervisory Committee Members supervising management and facilitating sound management practices based on recommendations.

The Board plays two important roles. First is the

supervision of management. Business execution is carried out in an expedient manner by delegating it to Management Meetings, while the Board makes decisions regarding policy and important execution matters. In turn, the Audit & Supervisory Committee audits this process. The key word of supervision is whether transparent, fair, prompt and bold decision making is being carried out or not.

Second is advice to management. This focuses predominantly on advice for sustainable growth and enhancing medium- to long-term corporate value, and External Directors are involved in the formulation of the mid-term management plan. The advice of External Directors at Board meetings simply cannot be obtained from members of management alone internally, such as opposition to a proposal or stricter reviews of conditions. I feel like a high level of decision making is being carried out.

### Q3 What is your approach and expectations regarding the three newly appointed External Directors?

We will utilize diversity for increasing board effectiveness and to grow by overcoming the recent crisis.

To ensure board effectiveness, we select a suitable number of members that can effectively conduct discussions and with diversity in terms of gender, international experience, expertise, career experience and personality. From this perspective, the three newly elected External Directors are appropriate, and female representation increased, which puts us one step closer to achieving our long-term vision of 50% of the workforce consisting of women—from employees to

executive officers.

In addition, our response to the COVID-19 pandemic has become a major challenge. The opinions of External Directors will be important particularly during such a crisis, and I find their views to be very reassuring in terms of governance. To overcome this crisis and achieve greater growth, I expect External Directors to provide advice not only to the Board, but also in a broad range of other opportunities.

### Q4 What are your thoughts about employees' efforts toward strengthening governance as it pertains to the new Code of Conduct established in October 2018?

The Code of Conduct has become the focal point of employee actions for enhancing corporate value coupled with our corporate philosophy

For us, a company that is working on social issues aimed at the realization of its vision for 2025, we revised the Code of Conduct believing there was a need for a focal point of employees' activities as a member of a socially responsible company. A corporate philosophy is the pulse of management that does not change no matter the times, while a Code of Conduct represents a conscience that should mimic the times, along with society's issues and interests. I expect employees to respect our new Code of Conduct, which comprises the three elements of mutual support, respect for

human rights and fairness, and use it to elevate their self-awareness in all of their actions as members of Kagome and society in general.

The recent establishment of the Kagome Mirai Yasai Foundation is an initiative that combines our business activities with solutions to social issues. It will function as a mechanism of mutual support as per our Code of Conduct. By having employees support the activities of the foundation, they will be actively involved in resolving social issues and the spirit of mutual support will penetrate the entire company.

# Directors



## Naoyuki Terada

(Born February 5, 1955)  
Chairman of the Board of Directors

Remuneration and Nomination Advisory Committee Member

1978 Joined the Company/2004 General Manager, Sales Promotion Department/2005 Director & Executive Officer/2006 General Manager, Tokyo Sales Office/2008 Director & Managing Executive Officer/2008 Director, Consumer Business Division/2010 Director & Senior Managing Executive Officer/2010 Sales Division Director/2013 Representative Director & Senior Managing Executive Officer/2014 President & Representative Director/2020 Chairman of the Board of Directors (to present)



## Satoshi Yamaguchi

(Born December 29, 1960)  
President & Representative Director and Director, Vegetable Business Division

Remuneration and Nomination Advisory Committee Member

1983 Joined the Company/2003 General Manager, Institutional & Industrial Business Unit/2010 Executive Officer/2010 Director, Institutional & Industrial Business Division/2015 Director, Innovation Division/2018 Director, Vegetable Business Division (to present)/2019 Director & Managing Executive Officer/2020 President & Representative Director (to present)



## Yoshihide Watanabe

(Born March 4, 1958)  
Director & Senior Managing Executive Officer

1982 Joined The Nippon Credit Bank, Ltd. (now Aozora Bank, Ltd.)/1998 Joined Cerberus Japan K.K./2003 Joined Industrial Revitalization Corporation of Japan/2007 Joined the Company; Special Adviser/2008 Executive Officer/2009 Director, Corporate Planning Division, Director & Executive Officer/2016 Director & Senior Managing Executive Officer (to present)/2017 Assistant to President and Responsible for Special Assignment Projects (to present)/2018 Responsible for Global Industrial and Institutional Business (to present)



## Katsuyuki Miwa

(Born August 5, 1955)  
Director & Senior Managing Executive Officer

1979 Joined the Company/2005 President & Representative Director of Kagome Labio Co., Ltd./2010 Executive Officer of the Company/2010 General Manager, Production Department, Production & Purchasing Division/2013 Managing Executive Officer/2013 Director, Production & Purchasing Division/2013 Director & Managing Executive Officer/2016 Director & Senior Managing Executive Officer (to present)/2017 Assistant to President and Responsible for Special Assignment Projects (to present)



## Hirohisa Kobayashi

(Born July 16, 1961)  
Director & Managing Executive Officer Director, Sales Division

1984 Joined the Company/2005 General Manager, Taiwan Kagome Co., Ltd./2006 General Manager, Probiotics Business Unit (responsible for marketing)/2009 General Manager, Consumer Sales Department, Osaka Branch/2014 Executive Officer/2014 Director, Consumer Business Division/2015 Managing Executive Officer/2015 Director, Marketing Division/2018 Director, Sales Division (to present)/2019 Director & Managing Executive Officer (to present)



## Takayuki Hashimoto

(Born July 9, 1954)  
External Director

Independent

Remuneration and Nomination Advisory Committee Member

1978 Joined IBM Japan, Ltd./2008 Director & Senior Executive Officer General Manager, Sales, IBM Japan/2009 General Manager, IBM Japan/2014 External Director of the Company (to present)/2016 Outside Member of the Board, Mitsubishi Chemical Holdings Corporation (to present)/Outside Director, CHUBU Electric Power Co., Inc. (to present)/2017 Honorary Advisor, IBM Japan (to present)/2019 Representative Director and President, Yamashiro Management R&D Institute Ltd. (to present)



## Hidemi Sato

(Born February 17, 1959)  
External Director

Independent

Remuneration and Nomination Advisory Committee Member

1981 Joined Mitsubishi Electric Corporation/1996 Completed the Doctoral Program at Graduate School of Ochanomizu University, obtained a doctorate (Doctor of Philosophy in Food Science)/1997 Part-time lecturer at Fukushima University, The Open University of Japan, Nippon Veterinary and Animal Science University (now Nippon Veterinary and Life Science University)/1999 Part-time lecturer at Meiji University College/2015 Visiting professor at Nippon Veterinary and Life Science University (to present)/2017 External Director of the Company (to present)



## Hirohito Kodama

(Born March 22, 1959)  
Director, Standing Audit and Supervisory Committee Member

Audit and Supervisory Committee Member

1981 Joined the Company/2003 General Manager, Corporate Planning Department/2006 Executive Officer/2008 Director & Executive Officer/2008 General Manager, Research & Development Division/2011 Director & Managing Executive Officer/2013 CEO, Asia Business Company/2016 Responsible for Business Process Redesign and President & Representative Director of Kagome Axis Co., Ltd./Outside Audit & Supervisory Board Member, Dynapac Co., Ltd./2018 Director & Standing Audit and Supervisory Committee Member (to present)

## Recommendations from newly appointed External Director



## Kumi Arakane

(Born July 4, 1956)  
External Director

Independent

1981 Joined KOBAYASHI KOSÉ COMPANY LIMITED (now KOSÉ Corporation)/1997 Obtained PhD in Pharmaceutical Sciences from the University of Tokyo/2002 Senior Chief Researcher of R&D Headquarters Advanced Cosmetic Research Laboratories of KOSÉ Corporation/2004 General Manager of Product Development Dept., Marketing Headquarters of KOSÉ Corporation/2006 Executive Officer and Deputy Director-General of Marketing Headquarters and General Manager of Product Development Dept. of KOSÉ Corporation/2010 Executive Officer and General Manager of R&D Laboratories of KOSÉ Corporation/2011 Executive Officer and General Manager of Quality Assurance Dept. of KOSÉ Corporation/2011 Director of KOSÉ Corporation/2017 Audit & Supervisory Board Member of KOSÉ Corporation (to present)/2019 Outside Audit & Supervisory Board member, Kubota Corporation (to present)

### Contributing to Kagome and its dramatic growth potential

Kagome has the potential to grow dramatically from a company that creates good products to a company that can provide truly valuable solutions in healthcare, food and agriculture. I look forward to helping realize this potential with the support of stakeholders.



## Tatsuya Endo

(Born August 18, 1959)  
External Director, Audit and Supervisory Committee Member

Independent

Audit and Supervisory Committee Member  
Remuneration and Nomination Advisory Committee

1985 Joined Tokyo Office of Arthur Andersen LLP/1990 Registered as Certified Tax Accountant/1998 Became Tax Partner of Tokyo Office of Arthur Andersen LLP/2002 Tax Partner at Asahi KPMG (now KPMG Japan)/2016 Deputy Senior Partner of KPMG Japan/2020 Representative, Tatsuya Endo Tax Accountant Office (to present)

### Contributing to sustainable growth and creation of corporate value for Kagome as it transforms itself

To identify issues well in advance, I will visit Kagome's places of business to carefully and broadly listen to what frontline workers have to say. I will strive to contribute to Kagome's sound and sustainable growth and medium- to long-term corporate value as the company undergoes a transformation from tomato company to vegetable company.



## Asako Yamagami

(Born January 1, 1970)  
External Director, Audit and Supervisory Committee Member

Independent

Audit and Supervisory Committee Member

1999 Registered as an attorney-at-law and joined Taiyo Law Office (now Paul Hastings)/2005 Forwarded to Walt Disney Company (Japan) Ltd./2006 Joined IBM Japan, Ltd. /2012 Attorney attached to the Office of International Affairs, Japan Federation of Bar Associations/2012 Joined Natori Law Office as Partner (to present)/2015 Outside Director and Audit & Supervisory Committee Member, Musashi Seimitsu Industry Co., Ltd./2016 Head of the Office of International Affairs, Japan Federation of Bar Associations

### Utilizing my knowledge as an attorney for Kagome's corporate stance that resonates with me

I hope to utilize my knowledge as an attorney to contribute so that Kagome achieves fair business activities that transcend compliance and workplace environments, where diversity and individual skills are embraced, while focusing on social changes through discussions with a diverse range of stakeholders.

## Corporate Governance

### Basic policy of corporate governance

In accordance with its corporate philosophy of “appreciation,” “nature” and “corporate openness,” we aim to achieve sustainable growth and improve the mid- to long-term value of the Company. We acknowledge corporate governance to be a critical management issue toward these objectives.

We consider further strengthening of “autonomy” complemented by “heteronomy” to be the fundamentals of our corporate governance. It will ensure objectivity and

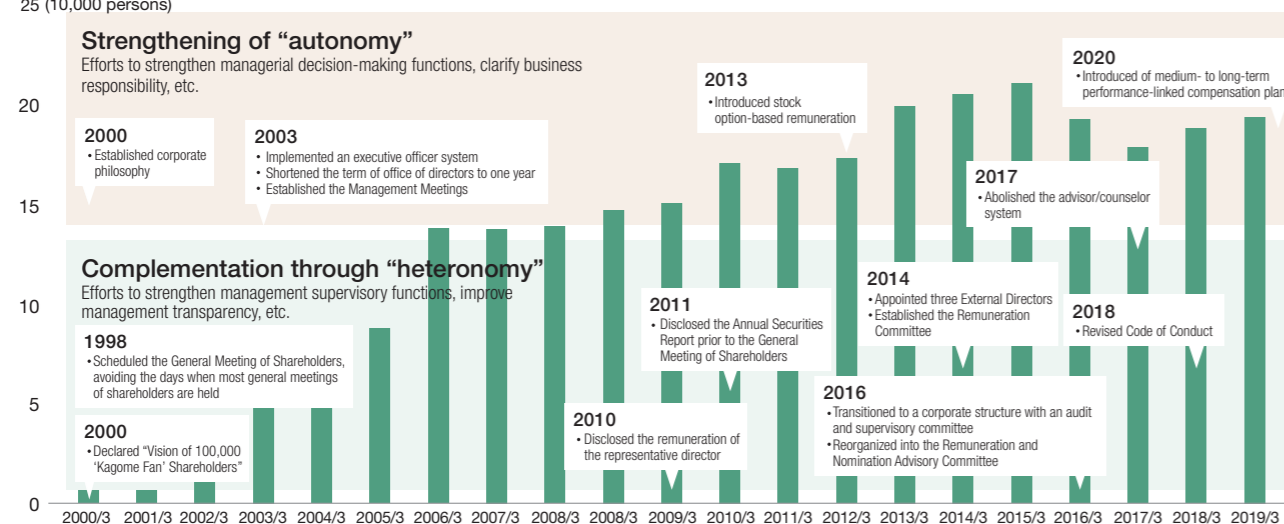
transparency, forming a basis by designing its own concept of corporate governance adapted to the present day, while incorporating diverse outside viewpoints by working to attract more “Kagome Fan Shareholders” and leveraging the function of external directors among other things.

We aim to deliver a high degree of accountability and achieve “corporate openness” in interactions with stakeholders, while employing the unique attributes and originality of Kagome.

### History of corporate governance and historical trends in the number of shareholders

The history of our corporate governance is a culmination of our efforts to achieve “corporate openness” as part of our corporate philosophy that can be traced back to the aspirations of our company’s founder. We have been continuously evolving up until the present through the public offering of our shares and the separation of capital from management, etc. in the past.

Number of shareholders  
25 (10,000 persons)



### Corporate governance system

We are separating executive functions from supervisory functions to accelerate managerial decision making and help clarify business responsibility. The Company has specified that the Board’s primary duties are determining the company’s management strategies and policies and monitoring the implementation of such strategies and policies. The Board enhances the advisory and supervisory functions and increases the effectiveness of such functions by electing one third or more external directors, who satisfy the Standards for Judging the Independence of Independent External Directors, as the members of the Board.

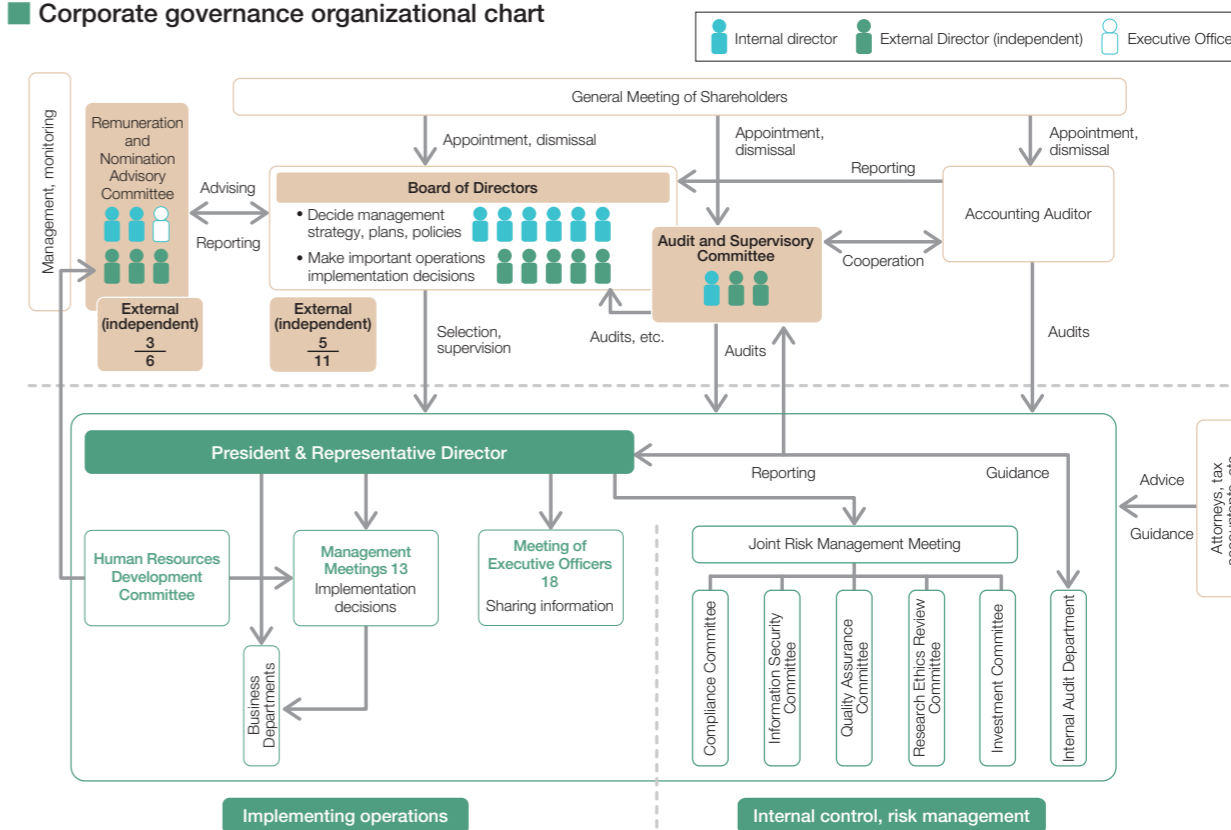
The Audit & Supervisory Committee has set a policy of having one or more standing Audit and Supervisory Committee members, and uses internal control systems to audit the legality and appropriateness of the operations implemented by the directors.

The nomination and remuneration of directors are deliberated by the Remuneration and Nomination Advisory Committee; more than

half of whose members are independent external directors. The results of the deliberations are advised to the Board of Directors, which then determines the nomination and remuneration of the directors, thereby enhancing fairness and appropriateness.

Under our executive officer system, we are using set criteria to delegate implementation responsibilities and authority to our departments regarding the execution of business. In addition, we have established the Meeting of Executive Officers in order to convey and make known Board resolutions and reported matters as well as to facilitate communication and coordination among the executive officers. Furthermore, the Management Meetings have been established under the leadership of the president to ensure that business is executed in an agile manner and through mutual coordination. Deliberations at the Management Meetings enable appropriate risk taking and also produce clear allocations of responsibilities, while enabling us to make decisions in an expedient manner.

### Corporate governance organizational chart



### Kagome’s policy on appointing directors

We consider a size that is appropriate for holding high quality discussions, while ensuring diversity and balance in terms of knowledge, abilities and experience in the composition of the Board. Such a size achieves a medium- to long-term increase in corporate value by maximizing the advisory and monitoring functions of the Board of Directors. Additionally, the Board selects candidates, taking into account the internal and external compositions, independence, specific experiences, areas of expertise, genders, nationalities, etc. according to the business environment, after deliberations of the Remuneration and Nomination Advisory Committee. One third or more of the members of the Board of Directors elected are independent external directors.

The Board of Directors currently consists of 11 members, including eight directors (excluding directors who are Audit and Supervisory Committee members) and three directors who are Audit and Supervisory Committee members, of which five are independent external directors. Our external directors come from a variety of backgrounds and have extensive experience and knowledge that contribute to the diversity management and business globalization included in our medium- to long-term vision and the achievement of longer, healthier lives through food. As a long-term vision, we have set the goal of increasing the percentage of women in the workforce, including executives, to 50% by around 2040, and we will aim to achieve the same for the Board of Directors at an early stage.

### Specialized areas/Areas of expertise of Directors

	Corporate management	International operations	Finance, accounting	Law	Human resources development and diversity	Sales and marketing	Production and procurement	Research and technology
Naoyuki Terada	○				○			
Satoshi Yamaguchi	○					○		○
Yoshihide Watanabe	○	○	○					
Katsuyuki Miwa	○						○	○
Hirohisa Kobayashi	○	○				○		
Takayuki Hashimoto	○	○			○			
Hidemi Sato					○	○		○
Kumi Arakane	○					○		○
Hirohito Kodama	○	○						○
Tatsuya Endo		○	○					
Asako Yamagami		○		○				

## Kagome's Management

### Standards for Judging the Independence of Independent External Directors of the Company

We deem an external director to have sufficient independence in the event that he/she meets the Standards for Judging Independence as described below:

1. A person who is not or was not in the past a director, corporate auditor (excluding outside officer), executive officer or employee of the Kagome group
2. A person who is not or has not been a major shareholder of the Kagome Group in the past five business years (pertains to a shareholder who holds 10% or more of the total voting rights of the shares of the Kagome Group), or a person who is not director, corporate auditor, executive, executive officer or employee of an entity for which the Kagome Group is a major shareholder
3. A person who is not director, corporate auditor (excluding outside officer), executive, executive officer or employee of a major business partner of the Kagome Group (pertains to a business partner whose amount of transactions with the Kagome Group is 2% or more of the consolidated net sales of the Kagome Group in any of the past three business years)
4. A person who is not director, corporate auditor (excluding outside officer), executive, executive officer or employee of an entity for which the Kagome Group is a major business partner (pertains to a business partner whose amount of transactions with the Kagome Group accounts for 2% or more of the consolidated net sales of the business partner in any of the past three business years)
5. A person who is not officer or employee of corporations or organizations that receive a large amount of donations\* from the Kagome Group
  - \* An average of 10 million yen or more annually in the past three business years, or an amount that is 2% or more of net sales or total revenue of the recipient
6. A person who is not director, corporate auditor (excluding outside officer), executive, executive officer or employee of a corporation which mutually exchanges directors, corporate auditors or executive officers with the Kagome Group
7. A person who has not been representative partner, partner or employee of the accounting auditor of the Kagome Group in any of the past five years
8. A person who is not an attorney-at-law, a certified public accountant, a certified tax accountant, consultant or other professional who receives a large amount of remuneration\* from the Kagome Group, other than compensation as an officer
  - \* On the average in the past three business years, 10 million yen or more in the case of an individual and 2% or more of consolidated net sales in the case of a corporation
9. A person who is not the spouse, a relative within the second degree of kinship or a relative living together of any person described in 1. through 8. above
10. A person whose total term of tenure as External director is within eight years

Note: The Kagome Group refers to Kagome Co., Ltd. and its subsidiaries.

### Directors' remuneration

Our company's directors' remuneration plan is designed and managed according to the basic policy [that it be a remuneration plan suited to a global corporation aimed at the realization of the mid-term management plan and that the results provided to the company and roles expected through the job duties of individual directors are important and that they are evaluated appropriately](#). Specifically, remuneration comprises basic compensation and the compensation that are linked to business performance. The proportions of each of the above are determined based on the positions of the directors.

Basic compensation is fixed compensation that is determined based on directors' positions and the scope of the role of each job grade. Performance-linked compensation comprises cash bonuses and stock options determined based on consolidated profit indicators as the company-wide business performance and contribution made by each individual director. Stock options serve as incentives for mid-term and multiple-year management and are designed to be exercisable based on consolidated profit indicators after a certain period of time from the time of allotment as exercise conditions. Accordingly, the exercisable number of these stock options is determined according to the degree of attainment. Compensation for directors who are audit and supervisory committee members and external directors comprises basic compensation only. Further details are provided in the Annual Securities Report for the 76th Period. ([https://www.kagome.co.jp/library/company/ir/data/statutory/2020/pdf/2020\\_all.pdf](https://www.kagome.co.jp/library/company/ir/data/statutory/2020/pdf/2020_all.pdf))

In FY2014, the Remuneration Committee, as an advisory body to the Board of Directors in which external directors account for one half or more of its members, was established

in order to enhance transparency and objectivity in determining directors' compensation, etc. In FY2016, the same committee was given functions as an advisory body concerning the nomination of directors, and was then reorganized to become the current Remuneration and Nomination Advisory Committee.

### Remuneration and Nomination Advisory Committee: 4 or 5 meetings held/year

Fiscal year in which the committee was convened	Main matters deliberated
2019 First committee	<ul style="list-style-type: none"> <li>FY2018 executive bonus</li> <li>Revision to director compensation for FY2019</li> <li>Performance-linked bonus factor for FY2019</li> <li>Finalization of FY2016 stock options</li> <li>Personnel reshuffle of directors with effect from April 2019</li> </ul>
Second committee	<ul style="list-style-type: none"> <li>Remuneration and Nomination Advisory Committee for FY2019</li> <li>Directors' compensation for FY2019</li> <li>Evaluation of overseas CEOs and compensation</li> <li>FY2019 succession process</li> </ul>
Third committee	<ul style="list-style-type: none"> <li>Candidates for the next President</li> </ul>
Fourth committee	<ul style="list-style-type: none"> <li>Candidates for the next President</li> <li>Personnel reshuffle of directors and major posts with effect from October 2019</li> </ul>
Fifth committee	<ul style="list-style-type: none"> <li>Candidates for External Director in FY2020</li> <li>Candidates for executive officer positions in FY2020</li> <li>New stock compensation proposal (trust-type stock compensation)</li> </ul>
Sixth committee	<ul style="list-style-type: none"> <li>Compensation for President and Chairman after January 2020</li> <li>Results of compensation survey for FY2018</li> </ul>
2020 First committee	<ul style="list-style-type: none"> <li>FY2019 executive bonus</li> <li>Finalization of FY2017 stock options</li> <li>Personnel reshuffle of directors with effect from April 2020</li> </ul>
Second committee	<ul style="list-style-type: none"> <li>Committee system after April 2020</li> </ul>
Third committee	<ul style="list-style-type: none"> <li>Directors' compensation for FY2020</li> <li>Evaluation of overseas CEOs and compensation</li> </ul>

### Directors' compensation

Category of directors	Total amount of compensation, etc. (million yen)	Total amount of compensation, etc. by type (million yen)			Number of eligible directors (persons)
		Basic remuneration	Stock options	Bonus	
Directors (excluding Audit and Supervisory Committee members)*	313	150	42	120	6
Directors (Audit and Supervisory Committee members)*	30	30	-	-	1
External Directors	52	52	-	-	5

\* Excluding external directors. Our company transitioned to a corporate structure with an audit and supervisory committee as of March 25, 2016.

### Total amount of compensation, etc. of individual directors

Category of directors	Total amount of compensation, etc. (million yen)	Total amount of compensation, etc. by type (million yen)		
		Basic remuneration	Stock options	Bonus
President & Representative Director Naoyuki Terada	112	43	21	48

\* Only compensation, etc. of persons whose total amount of compensation, etc. is 100 million yen or more is stated.

### Breakdown of compensation by position

Position	Fixed-amount compensation	Performance-linked compensation			Distribution of evaluation	
		Short-term cash bonus	Stock options	Total	Company-wide business performance	Individual Performance
President & Representative Director	50%	33%	17%	50%	100%	0%
Director & Senior Managing Executive Officer	60%	28%	12%	40%	80%	20%
Director & Managing Executive Officer	65%	25%	10%	35%	80%	20%
Director & Audit and Supervisory Committee member	100%	0%	0%	0%	-	-
External Director	100%	0%	0%	0%	-	-

### Amount of fixed compensation by position (excluding Director & Audit and Supervisory Committee member and External Director)

Position	Fixed-amount compensation (Million yen)
President & Representative Director	43
Director & Senior Managing Executive Officer (set according to job grade)	25~27
Director & Managing Executive Officer (set according to job grade)	23~25

### Calculation method of performance-linked compensation

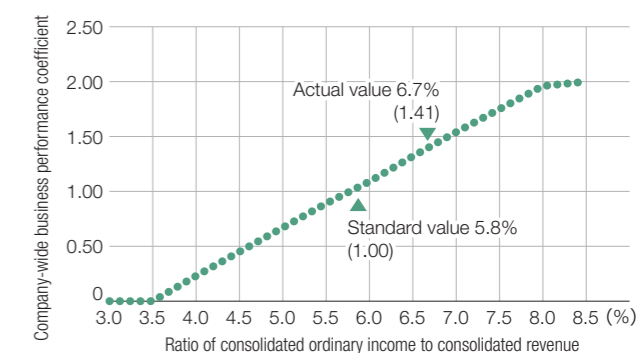
The performance-linked compensation of each director is calculated using the formula shown below:

- Basic bonus amount = Total basic compensation of each position/job grade × Total percentage of performance-linked compensation
- Total amount of performance-linked compensation = Standard bonus amount × (Company performance pay coefficient<sup>1</sup> [ratio of consolidated ordinary income to consolidated revenue] × Position weight + Company performance pay coefficient<sup>2</sup> [net income versus budget] × Position weight + Individual performance pay coefficient<sup>2</sup> × Position weight)

\*1. The "Company performance pay coefficient" is determined through a "company performance evaluation" which evaluates the rate of achievement of company performance indicators. We have established the two indicators of (1) Ratio of consolidated ordinary income to consolidated revenue and (2) Net income versus budget as company performance indicators.

- (1) Ratio of consolidated ordinary income to consolidated revenue  
We set "ratio of consolidated ordinary income to consolidated revenue" as one company performance indicator using for important consolidated management indicators related to company performance valuation following our voluntary adoption of International Financial Reporting Standards in FY2019. The ratio of consolidated ordinary income to consolidated revenue for FY2019 was 6.7%. As a result, the coefficient of the ratio of consolidated ordinary income to consolidated revenue was set at 1.41 in advance pursuant to the table at right.
- (2) Net income versus budget  
We set "Net income attributable to shareholders of parent," the ultimate bottom line, as a second management indicator so that we can continually create value for shareholders and achieve a higher level of contributions. Specifically, the achievement rate of the performance amount versus the initial budget is set as the coefficient. The achievement rate of the performance amount versus the budget for FY2019 was 1.07.

\*2. The "individual performance pay coefficient" is determined through an "individual performance evaluation" which evaluates achievement and contribution against the individual performance indicators of each director. Individual performance indicators measure degree of contribution to solving company-wide issues and departmental issues and are set for each director in the form of KPIs (Key Performance Indicators).



## Kagome's Management

### Short-term performance-linked compensation: Cash bonus

The cash bonus for a single fiscal year, which is short-term performance-linked compensation, is calculated using the formula shown below:

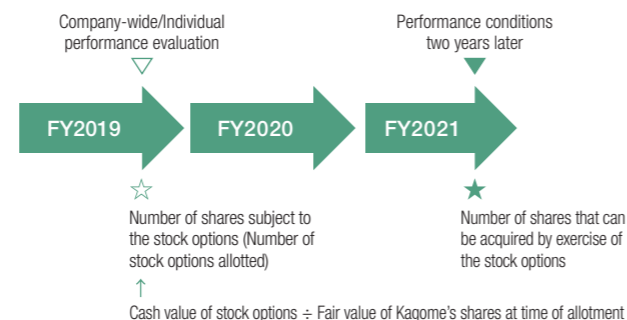
$$\text{Cash bonus} = \text{Total amount of performance-linked compensation for single fiscal year} \times \text{Percentage of total amount of performance-linked compensation accounted for by cash bonus}$$

### Medium- to long-term performance-linked compensation: stock compensation

We use stock options as medium- to long-term performance-linked compensation for directors. Until FY2019, we have used a scheme of stock options as compensation whereby the exercise price is 1 yen (the amount paid by the individual is one yen per share). The number of stock options allotted is determined by dividing the cash value of the stock options, which is decided based on the performance evaluation for a single fiscal year, by the fair value of Kagome's shares at the time of their allotment. The number of shares that can be acquired by exercise of the stock options will then be decided according to the degree of achievement of the company-wide performance indicator (ratio of consolidated ordinary income to consolidated revenue) in two years' time.

The cash value of stock options is calculated using the formula shown below:

$$\text{Cash value of stock options} = \text{Total amount of performance-linked compensation for single fiscal year} \times \text{Percentage of total amount of performance-linked compensation accounted for by stock options}$$



Furthermore, we will introduce a director compensation Board Incentive Plan trust ("BIP trust") in FY2020 as a medium- to long-term performance-linked compensation that is highly transparent and highly correlated to shareholder value, following our policy on directors' compensation. The BIP trust is a new stock compensation plan that will replace stock options. Since stocks, instead of rights, will be granted directly to directors, this will increase directors' motivation to create value for shareholders. We also expect the plan and its implementation to be easy to understand and transparent.

## Results of evaluation of the effectiveness of the Board of Directors

Our company undertook an evaluation of the effectiveness of the Board of Directors in November 2019. An overview of the results is described below.

### 1. Methods of evaluation

Conducted surveys of directors (30 items within 6 categories)  
The survey categories are as follows.

- (1) Design of the Board of Directors
- (2) Operation of the Board of Directors' meetings
- (3) Proposals by the Board of Directors
- (4) Quality of Discussions by the Board of Directors
- (5) Corporate Governance System
- (6) General Assessment

Questionnaire undertaken by each committee/Deliberations by the Board of Directors taking the above into account.

### 2. Overview of results of evaluation

As a result of discussions that took the above into account, the Board of Directors of the company concluded that the Board generally functioned in an appropriate manner in all categories and its effectiveness was positive.

Areas suggesting a need for further improvement in the evaluation this time included "reporting the status of operations (setting agenda items systematically and in order of priority)" and "more

exhaustive deliberation on important themes." We are implementing initiatives regarding the reporting of status of operations from major organizations based on the results of the effectiveness evaluation from the previous fiscal year, but we did not set out key points for discussion. In this effectiveness evaluation, we received the opinions of each director on "themes that should be deliberated upon" during a Board meeting. Based on these opinions, we will have the Board discuss the themes to deliberate for this fiscal year, stipulate the main agenda items for the year, and create a detailed schedule of when to deliberate these items.

Members of the Remuneration and Nomination Advisory Committee expressed opinions on the development of a medium- to long-term succession plan, while members of the Audit and Supervisory Committee said further efforts should be made to ascertain the actual situation of subsidiaries and business sites in order to secure the effectiveness of audits. Our Board of Directors also recognizes these as issues to address and will work to solve them.

We will seek to further improve board effectiveness in light of the results of the latest evaluation.

## Initiatives to enhance the effectiveness of the Board of Directors

- Revision of the rules for the submission of proposals to the Board of Directors (transition to the Management Meetings)
- Making an annual schedule of proposals to the Board of Directors
- Providing external directors with prior explanations of proposals to the Board of Directors
- Organizing a study camp to examine the next Mid-Term Management Plan
- Holding meetings for external directors to share the matters deliberated in the Management Meetings
- Observation visit of business sites and overseas subsidiaries by external directors
- Advanced disclosure of deliberation materials on the dedicated site for the Board of Directors

## Response to the Corporate Governance Code

For details, please refer to our corporate governance report. (Kagome website: [www.kagome.co.jp/company/ir/stock/governance](http://www.kagome.co.jp/company/ir/stock/governance))

## Strengthening group governance

Kagome voluntarily adopted International Financial Reporting Standards ("IFRS") in place of the existing Japanese accounting standards ("JGAAP") from FY2019. By using IFRS, we will seek to improve business administration quality and enhance international comparability of the Group.

With the adoption of IFRS, we changed our accounting auditor to PricewaterhouseCoopers Aarata LLC. In our judgment, PricewaterhouseCoopers Aarata LLC is suitable for the job because it has the expertise, independence and quality control structure required of an accounting

auditor and is also a member of the global network of PricewaterhouseCoopers, which operates as an accounting auditor worldwide.

With the adoption of IFRS and the change of accounting auditor, Kagome has established and implemented Group accounting, tax and financial management policies as shown below. We are dispatching finance and accounting personnel directly from head office to major Group companies and are working to improve Group governance including compliance with these policies.

Domain	Name	Main points
Accounting	Kagome Group Financial Reporting Standards (K-FRS)	● Conformity with IFRS
Tax	Kagome Group Tax Policy	● Compliance with laws and regulations of each country and each region ● Prohibition of tax evasion and excessive tax avoidance
Finance	Kagome Financial Management Basic Policy	● Reduction of risk assets; maximization of capital and asset efficiency ● Risk management and prohibition of speculative financial transactions
	Kagome (Subsidiaries) Financial Management Basic Policy	● Same as above ● No holdings of financial products such as derivatives, in principle

## Cross-shareholdings

Our basic policy is to dispose of or reduce, as promptly as possible, the holding of shares considered insignificant. Each year, our company reviews the significance, economic rationality and other factors of cross-shareholding and determines whether or not to continue each holding and the number of shares to be held. The examination of economic rationality sets the value for each holding as of the end of the most recent fiscal year as the standard to calculate the percentage at which the holding contributed to the profit of the Company in such fiscal year. When such percentage is below a figure equivalent to approximately twice the

average ROA of the Company for the past five years on a non-consolidated basis, such shares are subject to review for sale. Also reviewed are shares whose market price has declined 30% or more from the book value and shares of a company with whom the Company has transactions amounting to less than 100 million yen per year. Shares of suppliers and clients that fall below these standards are subject to deliberation at meetings of the Board of Directors every year as to whether or not to sell them. As a result of a review, the Company sold some of its cross-shareholdings in FY2019.



## Compliance

### Revision of Code of Conduct

The world is seeing more severe problems in all aspects of society while Japan has been experiencing a super aged society and frequent natural disasters. In light of these, we revised our Code of Conduct last year with a view to realizing a sustainable society for Kagome's survival, looking to the environment that requires a "mutual support" spirit and framework.

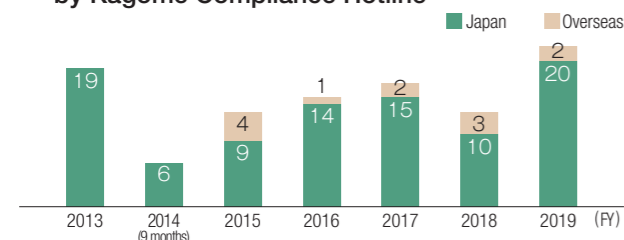
The new Code of Conduct consists of three pillars: "mutual support," "respect for human rights" and "fairness," and it is considered pivotal for the daily activities of Kagome Group employees, indicating how they should behave as corporate citizens as Kagome set its sights on becoming a "Strong company capable of sustainable growth, using food as a means of resolving social issues" by 2025. We will seek to raise awareness of the revised Code of Conduct and maintain high ethical standards as we fulfil our social responsibilities in compliance with laws, regulations, international rules and the spirit of our Code of Conduct.

### Compliance promotion system

The Kagome Group has established a Compliance Committee, under the supervision of the Joint Risk Management Meeting chaired by Kagome's President. The Compliance Committee, which is chaired by the Executive Officer with responsibility for overseeing compliance, undertakes the verification of compliance promotion and monitoring status. The results of the Compliance Committee's deliberations are reported to the members of the Management Meetings via the Joint Risk Management Meeting. The Legal Affairs Office, which functions as the committee's secretariat, plays the central role in day-to-day compliance operations. Kagome established the Kagome Compliance Hotline, which is accessible to all domestic Group employees, and through which reports can be made and guidance given with regard to illegal or suspicious activities in the workplace. This system incorporates an internal direct line to the Compliance Committee's secretariat, as well as an external hotline to an outside law firm. To encourage employees to use these contacts without hesitation, the identities of those making reports are kept strictly confidential on the condition that they can be contacted by the hotline.

Kagome takes steps to protect the privacy of employees who make reports to ensure that these employees do not suffer any adverse consequences. We quickly conduct investigations based on the information received and take appropriate countermeasures. In such cases, respecting the principle that whistleblowers and other related parties cannot be identified, we share information internally so as to prevent similar incidents from occurring in the future. In FY2019, the Kagome Compliance Hotline was used 22 times, and each case was resolved.

### Number of consultations and reports received by Kagome Compliance Hotline



Kagome fully recognizes the importance of compliance in relation to Group companies located overseas. In 2014, an overseas internal reporting system was introduced, and the scope of this system has been gradually expanded to include the Group companies located in the U.S. and Australia.

We will continue to strive to prevent and rapidly identify illegal activities through the appropriate operation of the Kagome Compliance Hotline.

### Initiatives to maintain rigorous compliance

Having formulated the Kagome Group Compliance Implementation Rules, Kagome Group in Japan implements thorough compliance throughout the Group. At domestic Group companies, the legal affairs department, which serves as the secretariat of the aforementioned Compliance Committee, leads these efforts. Compliance implementation activities include not only the preliminary checks in compliance-related cases and the dissemination of compliance-related information, but also in-house compliance training conducted on an ongoing basis using group training and e-learning for new employees and new managers that incorporate awareness raising, case studies, and group discussions. The in-house compliance seminars are integrated with the Skill Points program in the personnel management system, and participation in these seminars is a prerequisite for promotion.

In recent years, we conducted an internal investigation into harassment following worldwide developments. Based on the results, we formulated implementation guidelines for eliminating harassment in the workplace, with an eye toward the statement in our Code of Conduct "We nourish a corporate culture that prevents and stops all forms of harassment," and created a compilation of harassment case studies, which we are using to raise greater awareness among our employees. In addition, as an initiative for anti-corruption, which has become an important worldwide issue as indicated in the SDGs, we evaluated the bribery risks of overseas subsidiaries, and after deliberations by management level meeting bodies, we formulated the Kagome Group Corruption Prevention Policy to complement the Code of Conduct. In addition to Japanese, the policy has been localized in other languages as well, including English, Chinese (Traditional), Portuguese, Italian, and Spanish. Efforts are now underway to make this policy known to all employees of the Group, spearheaded by the CEOs of overseas Group companies.

### Tax compliance

In all the countries and regions where it conducts its business operations, the Kagome Group observes and adheres to tax laws, maintains good relationships with tax authorities, and contributes to society by paying the appropriate taxes. We also respond in a timely and appropriate manner with regard to annual revisions to taxation systems and changes in the international taxation rules, including tax treaties, conventions and OECD guidelines. Internally, we carry out regular e-learning and other training with regard to tax compliance, in order to heighten employees' awareness regarding observance of tax laws. With regard to transfer pricing taxation, we have established transfer pricing management regulations. For international transactions between companies belonging to the Group, we analyze the functions, assets and risks associated with each party in the transaction based on the arm's length price principle, and calculate appropriate profit allocations and transfer prices based on their respective contributions.

## Initiatives to Strengthen Internal Control

### Policies for handling risk

Kagome, as a "vegetable company" that makes maximum use of nature's bounty and aims to contribute to helping customers live longer, healthy lives, has been promoting activities to reduce various risks centering on food safety. We are engaged in continuous risk management efforts in keeping with a company-wide approach to risk management (ERM: Enterprise Risk Management) to improve the efficiency of management decision-making with an eye on ESG.

### Companywide risk management structure

Kagome strives to address compliance risks and operational risks after identifying the issues faced by each individual department. Also, in terms of company-wide risk management, we are seeking to create an enhanced risk management structure and have established five specialized committees which handle issues that are viewed as being particularly important for a food products company. We have also established the Joint Risk Management Meeting chaired by the President, as an overall risk management structure. The meeting is attended by the Senior Managing Executive Officer(s), standing Audit and Supervisory Committee member(s) and Managing Executive Officer & Chief Human Resource Officer, and also includes other Audit and Supervisory Committee members who are external directors in its membership, enabling the meeting to obtain objective assessments from an outside perspective. The meeting endeavors to maintain a detailed grasp of the state of risk response across the entire Kagome Group and to make improvements that will enable swifter decision making with regard to risk response policies and significant risk response issues. The Joint Risk Management Meeting meets on a regular basis to receive reports and suggestions from the each committee and relevant departments on day-to-day social events, their impact on the Kagome Group and responses to such issues, and to discuss and instruct on necessary responses. In addition, in order to improve effectiveness of internal control, details of the instructions are utilized in monitoring by the Internal Audit Department, and the results of the monitoring are reported to the Board of Directors and the Audit and Supervisory Committee.

### Compliance Committee

The Compliance Committee is a corporate body to promote compliance within the Kagome Group. This committee has set up a Compliance Hotline within its secretariat to receive reports from employees and others. In this way, we work to put in place preventive measures and to detect any anti-social or unethical actions as early as possible. Furthermore, this committee discusses measures in response to new public regulations, etc. as necessary.

### Information Security Committee

The Information Security Committee determines basic policies and audits the execution of these policies with regard to the protection of important information, such as personal information held throughout the Group, as well as the proper management framework and usage. The committee works to assure adherence

to the law and prevent information leaks. The Information Security Committee conducts monitoring of any unauthorized access from the outside and examines measures to enhance operation of information systems.

### Quality Assurance Committee

To ensure customers enjoy peace of mind when using our products which contribute to customers' longevity and good health through nature's bounty, maintaining quality is always the most important issue for Kagome as a food manufacturer. With the objective of strengthening quality assurance of products, the Quality Assurance Committee brings together representatives of relevant departments and meets monthly to address customer comments, prevent accidents, respond to amendments of laws, and assure proper labeling. The establishment of this committee has enabled Kagome to respond more precisely, and in a more expeditious fashion, both internally and externally.

### Research Ethics Review Committee

For the purpose of contributing to giving customers longer, healthy lives through provision of vegetables, we engage in research activities toward elucidating the mechanism behind the benefits of vegetables and acquisition of its evidence. The Research Ethics Review Committee was established to investigate possible risk of individual dignity or human rights violations when product efficacy and safety verification testing on humans is conducted at the R&D stage. This committee is comprised of employees who are not a part of our company's R&D operations, as well as external medical experts and lawyers; hence creating a framework with a neutral perspective, capable of judging ethical adequacy and scientific legitimacy of research objectives and methods.

### Investment Committee

We are working on various business developments in order to transform ourselves from a "tomato company" to a "vegetable company." The Investment Committee is an independent committee which consists of members selected from in-house specialized departments. The committee was established for the purpose of assessing the profitability and risks of investments drafted by each department and monitoring investment returns. Proposals which are verified by this committee are submitted to the Board of Directors or the Management Meetings, where they are deliberated officially.



**Kagome's Management**

**Leveraging the “Three Lines of Defense” model and the COSO Framework**

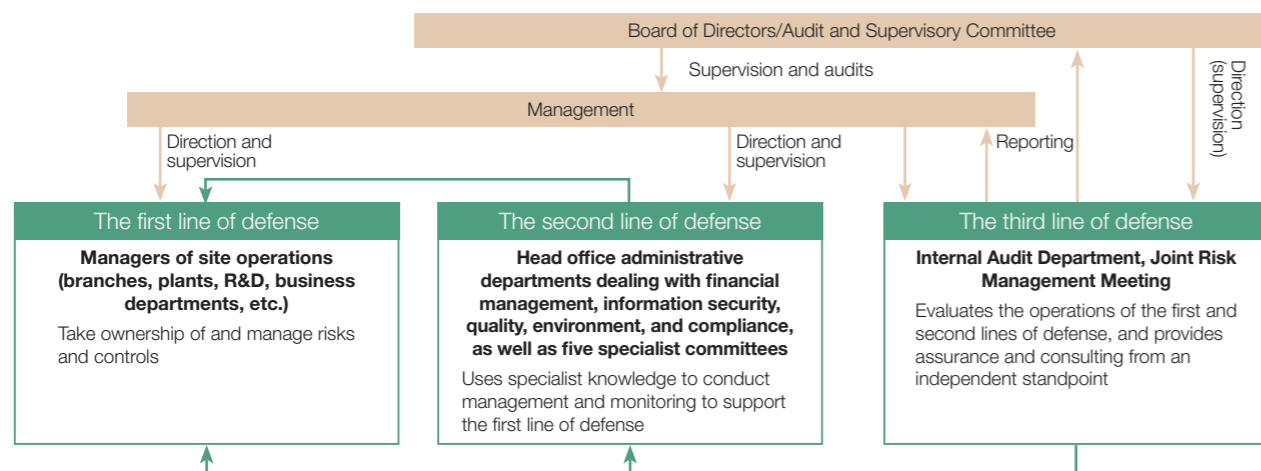
The Kagome Group leverages the internationally recognized “Three Lines of Defense” model and COSO Framework for internal control since it is expanding business domains and also broadening its operations globally to achieve the targets of the Mid-Term Management Plan. This approach enables us to systematically implement initiatives accordingly.

Under the “Three Lines of Defense” model, management at Kagome’s business sites (branches, plants, etc.) and subsidiaries that engage in day-to-day business activities is positioned as the first line of defense. This involves department managers at each business site introducing and implementing controls (segregation of duties, rules, documentation, etc.) to address various risks related to business execution. The head office departments responsible for financial management, quality, environment and so forth that oversee these activities serve as the second line of defense. They use their specialist knowledge to conduct supervision and regular monitoring of the first line of defense. In addition, the Internal Audit Department, which is an organization under the direct supervision of top

management, maintains its independence and objectivity as a third line of defense, providing assurance to management by conducting regular internal audits of the first and second lines of defense. It also draws on its specialist knowledge to provide consulting services to the first and second lines of defense upon request.

Internal audits by the third line of defense are conducted in line with the four objectives of the COSO Framework. We conduct J-SOX audits in collaboration with an external audit corporation concerning the first two objectives of (i) reliability of financial reporting and (ii) safeguarding of assets, while we conduct operational audits with respect to the final two objectives of (iii) compliance with applicable laws and regulations and (iv) effectiveness and efficiency of operations, based on our internal auditing standards. For overall improvement in (i) through (iv), it is important to encourage ethical behaviors on the part of all employees. This is why we also carry out various internal awareness-raising campaigns, by such means as social media and surveys, throughout the year.

**Kagome’s “Three Lines of Defense” model**



**BCP-driven initiatives for the supply chain**

Kagome sustained significant damage from the Great East Japan Earthquake. As a result, like many other companies, we are working to strengthen company-wide communication infrastructure in the event of large-scale disasters or other contingencies. At the same time, through activities to support disaster-stricken areas, such as provision of our products to evacuation centers after the earthquakes, we listened to the opinions of many people about vegetable intake. This reminded us about the social significance of Kagome’s existence and that we occupy an integral part of the lifeline of food. Based on the lessons learned from the Great East Japan Earthquake, we set out “First Action Guidelines after Occurrence of Large-scale Disasters,” which state roles and first actions in accordance with management resources (people, products, facilities, information). First actions from the time of occurrence of large-scale disaster until the time

of assembling the in-house Disaster Countermeasures Center headed by the president according to BCP\*1 are determined by management based on a consensus reached among relevant departments. In accordance with the guidelines, in the event of a disaster a distribution network is established under the SCM Division to achieve the quickest possible restoration of product supply. Development of BCM\*2 on a global scale in cooperation with overseas locations represents a challenge for the future, where we may face difficulties due to the difference in laws and regulations by country and other issues.

In addition, we established the Basic Policy on Kagome’s Response to COVID-19, in order to quickly respond to changes in the social environment taking place due to the pandemic. Under this policy, we are working to fulfill our responsibilities for employee safety and supplying products to customers.

\*1 BCP: Business Continuity Plan  
\*2 BCM: Business Continuity Management

**Our Responsibility to Shareholders and Investors**

**Information disclosure**

Kagome discloses information to shareholders and investors in a fair, simple and timely manner. We attach great importance to opportunities for two-way communication with shareholders and investors through IR events such as the General Meeting of Shareholders, Talks with the President, and production plant tours, among others.

**General Meeting of Shareholders**

Our company encourages all shareholders to participate in its General Meeting of Shareholders. This is achieved by enhancing the content of the convocation notice and documents accompanying the convocation notice, disclosing them on the company website and sending them as early as possible. These also feature messages from directors and recommendations from external directors. On the actual day of the meeting, we make efforts to provide reports in an easily understandable manner, such as through speaker explanations and visuals. Furthermore, through displays in the lobby, officers and employees share information about our activities with shareholders in a more productive manner and encourage their direct feedback. For shareholders who are unable to attend meetings, we accept questions and provide answers via the Internet.

After the meeting, we promptly disclose details on our website, including Q&A sessions and results of questionnaires completed by shareholders who attended the meeting.



**Management oversight**

Kagome recognizes that management oversight is enhanced through feedback on corporate activities and business performance from the perspective of numerous shareholders. As such, in 2001, we began working to attract 100,000 Kagome Fan shareholders. This initiative drove shareholder numbers past the 100,000 mark on September 30, 2005. Today, the number of shareholders stands at around 190,000. We will continue to appropriately reflect the valuable opinions and needs of our shareholders in all our corporate activities.

**Dividends for fiscal years 2019 and 2020**

Kagome recognizes that returning profits to its shareholders is one of its most important tasks of management.

Our policy on shareholder returns aims for a total return ratio of 40% based on consolidated business performance during the Mid-term Management Plan for the three-year period from 2019 to 2021. At the same time, we have committed to providing a stable cash annual dividend of at least 35 yen per share during the period.

For 2019, we paid out a dividend of 35 yen per share. In addition, for 2020, we plan to offer a dividend of 36 yen per share.

**Special shareholder benefits**

Kagome has established a Special Shareholder Benefits program that sends out Kagome products to shareholders throughout Japan. Unlike shareholder returns, the program’s main aim is to use Kagome products to provide shareholders with a better understanding of the company. Products are accompanied each time by a questionnaire which helps us to understand shareholders’ views and expectations; information which can then be utilized effectively in our business activities. In 2019, we launched a new program whereby we present commemorative gifts to shareholders who have owned our shares for 10 years or longer, with the aim of encouraging a buy-and-hold relationship with shareholders.

**Credit ratings**

Kagome has received the following credit ratings from Rating and Investment Information, Inc. (R&I) and Japan Credit Rating Agency, Ltd. (JCR).

**R&I (Rating and Investment Information, Inc.)**

Long-term credit rating

**A**

**JCR (Japan Credit Rating Agency, Ltd.)**

Long-term credit rating

**A**

Short-term credit rating

**J-1**

## Financial Performance

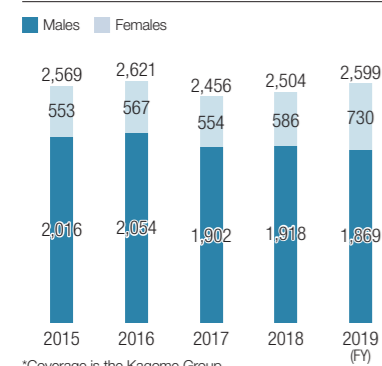
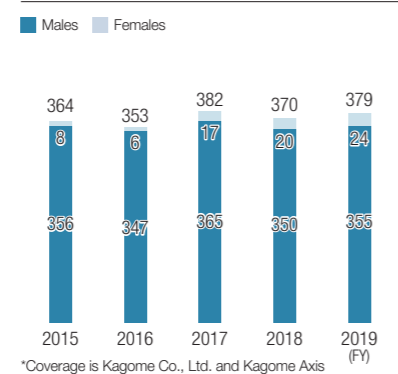
## Key Financial and Non-Financial Data

Accounting Period (Fiscal Year)	2009	2010	2011	2012	2013	2014**1	2015	2016	2017	2018	2019	
	Japanese Generally Accepted Accounting Principles (JGAAP)										IFRS	
<b>Profit and Loss</b> (Unit: million yen)												
Net sales/Revenue	171,937	181,304	180,047	196,233	193,004	159,360	195,619	202,534	214,210	209,865	184,595	180,849
Research and development expenses	2,577	2,567	2,655	3,009	3,084	2,566	3,240	3,219	3,346	3,557	3,555	3,525
Advertising expenses	5,326	6,312	6,122	7,053	6,918	5,319	4,671	5,086	5,977	6,109	6,110	5,150
Core operating income	-	-	-	-	-	-	-	-	-	-	12,400	12,304
Core operating income margin (%)	-	-	-	-	-	-	-	-	-	-	6.7	6.8
Operating income	6,397	7,978	8,466	9,278	6,775	4,328	6,723	10,946	11,968	12,000	12,228	14,079
Operating margin	3.7	4.4	4.7	4.7	3.5	2.7	3.4	5.4	5.6	5.7	6.6	7.8
Net income attributable to shareholders of parent/ Net income attributable to owners of parent	2,981	2,473	4,217	6,480	5,105	4,366	3,441	6,764	10,100	11,527	8,998	10,198
<b>Financial Condition</b> (Unit: million yen)												
Total assets	134,005	142,661	148,207	168,965	183,621	203,413	208,885	219,804	195,737	193,612	199,826	201,179
Total net assets	89,418	88,941	92,815	104,432	113,023	124,566	126,344	97,991	105,853	104,843	103,363	111,386
Interest-bearing debt	12,665	16,159	15,851	24,004	31,088	35,904	37,419	74,538	37,168	37,302	39,625	38,020
<b>Cash Flows</b> (Unit: million yen)												
Cash flows from operating activities	15,230	18,241	11,757	7,407	(1,073)	1,753	12,039	18,824	16,598	10,130	10,722	12,224
Cash flows from investing activities	(6,458)	(19,093)	(4,985)	(1,781)	(3,941)	(7,110)	(11,023)	(18,576)	17,271	(299)	(299)	(9,267)
Cash flows from financing activities	(12,544)	1,414	(1,861)	1,050	2,322	1,793	1,555	6,904	(40,761)	(1,083)	(1,675)	(5,068)
Free cash flow	13,902	8,757	7,866	(1,417)	(12,661)	(4,269)	(4,011)	10,442	21,588	1,574	10,423	2,956
<b>Per Share Information</b> (Unit: yen)												
Net income per share/Basic earnings per share	29.97	24.87	42.40	65.15	51.39	44.01	34.64	68.30	114.03	130.03	101.50	114.89
Net assets per share/equity attributable to shareholders of the parent per share	885.16	880.13	920.81	1,020.86	1,094.07	1,204.77	1,201.96	1,043.89	1,150.50	1,146.85	1,130.27	1,219.47
Annual dividend per share	15.0	15.0	18.0	20.0	22.0	16.5	22.0	24.5	30.0	40.0	40.0	35.0
<b>Key Management Indicators</b> (Unit: %)												
Equity attributable to shareholders of the parent to total assets	65.7	61.4	61.8	60.1	59.1	58.8	57.2	42.1	52.1	52.5	50.2	53.9
Return on equity (ROE) / Ratio of equity attributable to shareholders of the parent (ROE)	3.4	2.8	4.7	6.7	4.9	3.8	2.9	6.4	10.4	11.3	9.0	9.8
Return on assets (ROA) / Ratio of core operating income to total assets	5.3	6.1	6.3	6.3	4.3	2.6	3.4	5.3	6.1	6.2	6.2	6.1
Dividend payout ratio	50.1	60.3	42.5	30.7	42.8	37.5	63.5	35.9	26.3	30.8	39.4	30.5
Dividend on net assets ratio / Dividend on equity attributable to shareholders of the parent (DOE)	1.7	1.7	2.0	2.1	2.1	1.4	1.8	2.2	2.7	3.5	3.5	3.0
<b>Non-Financial Information</b>												
Number of employees <sup>2</sup> (persons)	2,031	2,045	2,101	2,209	2,349	2,368	2,569	2,621	2,456	2,504	2,504	2,599
Energy used <sup>3</sup> (thousands of gigajoules)	1,360	1,379	1,319	1,297	1,289	1,329	1,336	1,380	1,376	1,334	1,334	1,204
Water used <sup>3</sup> (thousands of tons)	3,440	3,484	3,452	3,627	3,945	3,850	3,828	3,628	3,442	3,247	3,247	3,137
CO <sub>2</sub> emissions <sup>3,4</sup> (tons)	69,875	69,908	66,379	65,454	62,777	64,693	63,968	66,499	66,599	64,839	64,839	57,878

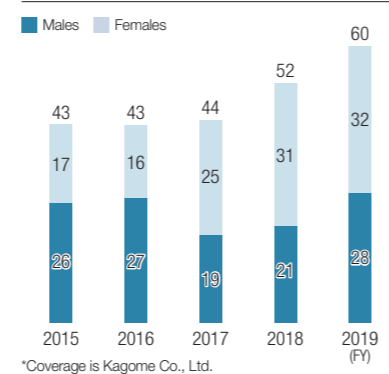
\*1 Fiscal year 2014 represents the nine-month period from April 1, 2014 to December 31, 2014 following change to the Company's business year.

\*2 Coverage is the Kagome Group.

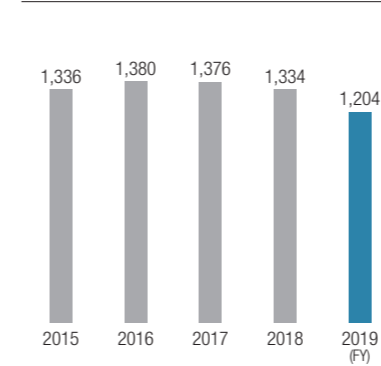
\*3 Coverage is Kagome Co., Ltd. and Group companies in Japan.

\*4 The electricity conversion coefficient for calculating CO<sub>2</sub> emissions is a fixed coefficient developed internally: 0.421 kg-CO<sub>2</sub>/kWhNumber of employees (consolidated)  
(Unit: persons)Number of employees in managerial positions (managers and above) (in Japan)  
(Unit: persons)

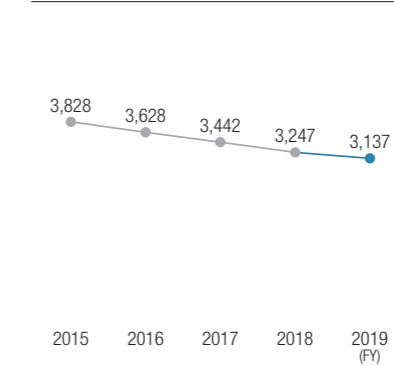
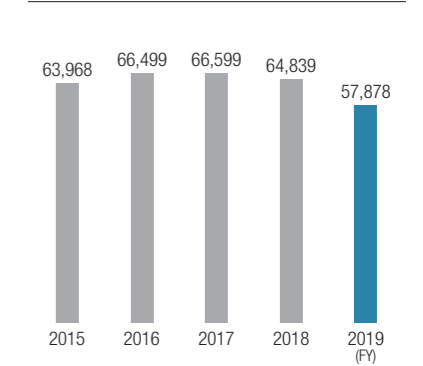
Number of new hires (Unit: persons)



Energy used (Unit: thousands of gigajoules)



Water used (Unit: thousands of tons)

CO<sub>2</sub> emissions (Unit: tons)

## Analysis of Financial Condition, Operating Results and Cash Flows for Fiscal Year 2019

### Analysis of operating results

#### Revenue

Revenue totaled 180,849 million yen, down 2.0%, or 3,745 million yen compared to the previous consolidated fiscal year at 184,595 million yen.

The domestic processed food business saw sales decline 0.3% year on year, or 429 million yen, due to a temporary downturn in demand for beverages caused by bad weather in July, which offset strong sales of foods, such as tomato ketchup.

Our domestic agri-business and international business posted lower than expected growth due to delays in addressing changes in the business environment.

#### Core operating income

The cost of sales for the fiscal year under review totaled 115,667 million yen, down 2.2%, or 2,629 million yen, over the previous consolidated fiscal year at 118,296 million yen. The cost of sales ratio declined by 0.1% to 64% compared to the previous consolidated fiscal year at 64.1%. Factors that increased the cost of sales ratio included the soaring costs of raw materials in the domestic processed food business and soaring personnel expenses at Kagome Inc. (United States), a major subsidiary in the international business, while factors that lowered the cost of sales ratio over the previous fiscal year included the progress of structural reforms at Holding da Industria Transformadora doTomate, SGPS S.A (Portugal), and United Genetics Holdings LLC, which contributed greatly to lowering cost of sales.

As a result, gross profit in the fiscal year under review totaled 65,181 million yen, down 1.7%, or 1,116 million yen, compared to the previous fiscal year at 66,298 million yen.

Selling, general and administrative expenses in the fiscal year under review totaled 52,986 million yen, down 1.7%, or 914 million yen, compared to the previous fiscal year at 53,901 million yen. The ratio of selling, general and administrative expenses to net sales was 29.3%, worsening by 0.1% compared to the previous fiscal year at 29.2%, due to rising transport and storage costs in Japan, despite the efficient utilization of advertising expenses. Equity gains of affiliated companies during the fiscal year under review was 108 million yen, an increase of 105 million yen over the previous fiscal year at 3 million yen. This was mainly attributable to our investment in new logistics company F-LINE Corp. established in April 2019.

As a result, core operating income in the fiscal year under review totaled 12,304 million yen, down 0.8%, or 96 million yen, compared to the previous fiscal year at 12,400 million yen.

The ratio of core operating income to revenue increased 0.1% to 6.8% compared to the previous consolidated fiscal year at 6.7%.

#### Operating income

Other income in the fiscal year under review was 2,733 million yen, an increase of 835 million yen over the previous consolidated fiscal year at 1,897 million yen. This is attributed to the gain on transfer of business of 1,692 million yen realized when merging Kagome Distribution Service Co., Ltd., our logistics subsidiary, into new logistics company F-LINE Corp. in the fiscal year under review.

Other expenses in the consolidated fiscal year under review totaled 958 million yen, down 1,111 million yen compared to the previous consolidated fiscal year at 2,069 million yen. This is because 1,154 million yen in losses recorded by subsidiary Kada Greenfarm Co., Ltd. due to extensive

damages suffered in the previous consolidated fiscal year at the hand of a major typhoon.

As a result, operating income in the consolidated fiscal year under review totaled 14,079 million yen, up 15.1%, or 1,850 million yen, compared to the previous consolidated fiscal year at 12,228 million yen. This represents a record high.

The ratio of operating income to revenue increased 1.2% to 7.8% compared to the previous consolidated fiscal year at 6.6%.

#### Net income attributable to shareholders of parent

Income taxes in the consolidated fiscal year under review totaled 3,574 million yen, down 83 million yen, compared to 3,657 million yen in the previous consolidated fiscal year. The income tax rate after application of deferred tax accounting was 25.7%, below Japan's statutory effective tax rate, because the gain on business transfer from the merger of logistics company Kagome Distribution Service Co., Ltd. with new logistics company F-LINE Corp. was non-taxable.

Net income attributable to shareholders of the parent totaled 10,198 million yen in the consolidated fiscal year under review, up 13.3%, or 1,200 million yen, over the previous consolidated fiscal year at 8,998 million yen, after deducting net income attributable to non-controlling interests. As a result, revenue in the consolidated fiscal year under review declined 2.0% year on year to 180,849 million yen and core operating income declined 0.8% year on year to 12,304 million yen. Operating income increased 15.1% year on year to 14,079 million yen and net income attributable to shareholders of the parent increased 13.3% year on year to 10,198 million yen.

### Analysis of financial condition

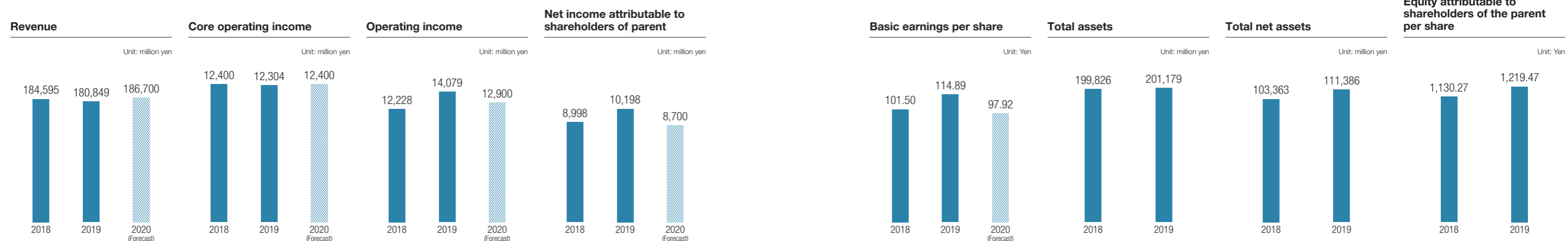
As of December 31, 2019, total assets increased 1,352 million yen compared to December 31, 2018. Current assets declined 4,950 million yen compared to December 31, 2018. This decrease was attributed to the drop in cash and cash equivalents of 2,147 million yen due to payments of dividends and corporate income tax as well as repayment of interest-bearing debt, while trade and other receivables declined 1,317 million yen and assets held for sale fell 1,266 million yen due to restructuring of the logistics business, which offset an increase in inventories of 953 million yen.

Non-current assets increased 6,303 million yen compared to December 31, 2018. This was attributable to an increase in investments accounted for using the equity method of 4,096 million yen due to the acquisition of affiliates shares following the restructuring of the logistics business, an increase in intangible assets of 781 million yen due to the renewal of the Company's core IT system, and an increase in other financial assets of 1,154 million yen owing to the rising market value of stocks owned by the Company.

Liabilities decreased 6,669 million yen compared to the end of the previous consolidated fiscal year. This was owing to a decrease in trade and other payables of 2,130 million yen, a decrease in borrowings including long-term borrowings of 1,584 million yen due to repayments, a decrease in income taxes payable of 1,846 million yen, and a decrease in liabilities related to assets held for sale of 1,617 million yen associated with the restructuring of the logistics business.

Capital increased 8,022 million yen compared to December 31, 2018. This was mainly attributable to the increase of 10,198 million yen from net income attributable to shareholders of the parent of 10,198 million yen and a decrease of 3,558 million yen due to dividends of surplus.

As a result, the ratio of equity attributable to shareholders of the parent was 53.9% and equity attributable to shareholders of the parent per share was 1,219.47 yen.



## Financial Performance

### Analysis of status of consolidated cash flows

Cash and cash equivalents totaled 27,260 million yen at December 31, 2019, which is 2,147 million yen lower than December 31, 2018.

The status of each respective cash flow is presented below.

Net cash provided by operating activities was 12,224 million yen, compared to 10,722 million yen in the previous fiscal year. This mainly reflects net cash inflows of profit before income taxes of 13,888 million yen and depreciation and amortization of 6,395 million yen, and net cash outflows of income taxes paid of 5,274 million yen.

Net cash used in investing activities was 9,267 million yen, compared to 299 million yen in the previous fiscal year. This was mainly attributable to outflows of 10,444 million yen in the acquisition of property, plant and equipment as well as intangible assets including real estate for investment. Net cash used in financing activities was 5,068 million yen, compared to 1,675 million yen in the previous fiscal year. This mainly reflects 1,032 million yen used for the repayment of borrowings including long-term borrowings and 3,553 million yen used for the payment of dividends.

#### Capital resources and capital liquidity

The Group's basic policy is to ensure the capital liquidity and capital resources needed for its business operations. The Group's main capital resources are cash flows from operating activities and loans from financial institutions.

Long-term funding demand for capital investment, etc. is met mainly through the Group's own funds and long-term borrowings from financial institutions while short-term funding needs for working capital, etc. are met mainly through the Group's own funds.

As of December 31, 2019, cash and cash equivalents totaled 27,260 million yen and interest-bearing debt amounted to 38,020 million yen.

### Outlook for the fiscal year ending December 31, 2020

Conditions in the domestic food industry are expected to remain uncertain in 2020, with contraction of the market due to population decline, the end of the reward program for cashless payments to encourage consumption which began with the consumption tax hike, increased logistics expenses, and changes in the global situation. In this environment, Kagome will work to achieve its Mid-term Management Plan by fiscal year 2021, to "become a strong company capable of sustainable growth, using food as a means of resolving social issues" and to realize its long-term vision of transforming from a "tomato company" to a "vegetable company."

#### Domestic business

In its domestic business, Kagome will help find solutions to social issues by providing a broad range of vegetables to diverse markets using varying degrees of processing and formats, in order to eliminate any shortfall of vegetable intake in Japan. Kagome will roll out nationwide the Let's Eat Vegetables Campaign which aims to foster greater awareness of vegetable intake by showing the current vegetable intake shortfall in Japan and the importance of consuming vegetables.

#### International business

In its international business, Kagome will aim to contribute to local communities by delivering the value and great taste of tomatoes and vegetables broadly to the entire world. Kagome will work to increase the earnings capability of the tomato business and establish a foundation for its consumer foods business in Asia.

Fiscal year ending December 31, 2020 (Forecast) Percentage indicates year-on-year change

Revenue (million yen)	Core operating income (million yen)	Operating income (million yen)	Net income attributable to shareholders of parent (million yen)	Basic earnings per share (yen)
Note 1 186,700 (3.2%)	Note 2 12,400 (0.8%)	12,900 (-8.4%)	8,700 (-14.7%)	97.92

Note 1. Revenue is presented net of sales rebates and discounts, which were previously presented in selling, general and administrative expenses

Note 2. Core operating income is a profit index that measures constant business performance by deducting cost of sales and selling, general and administrative expenses from revenue plus share of loss (profit) of entities accounted for using equity method.

## Consolidated Financial Statements

### Consolidated Balance Sheets

Unit: million yen

	As of Dec. 31, 2018	As of Dec. 31, 2019
<b>Assets</b>		
<b>Current assets:</b>		
Cash and cash equivalents	29,408	27,260
Trade and other receivables	41,329	40,011
Inventories	42,007	42,960
Income taxes receivable	572	0
Other financial assets	674	665
Other current assets	2,339	1,748
Subtotal	116,331	112,647
Assets held for sale	1,266	-
Total current assets	117,598	112,647
<b>Non-current assets:</b>		
Property, plant and equipment	53,541	53,634
Intangible assets	2,597	3,379
Other financial assets	13,291	14,445
Investments accounted for using the equity method	4,142	8,238
Other non-current assets	6,422	6,476
Deferred tax assets	2,232	2,357
Total non-current assets	82,227	88,531
<b>Total assets</b>	199,826	201,179
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
<b>Current liabilities:</b>		
Trade and other payables	31,725	29,594
Borrowings	24,026	29,155
Income taxes payable	3,616	1,770
Other financial liabilities	91	975
Provisions	-	353
Other current liabilities	7,114	6,555
Subtotal	66,573	68,404
Liabilities related to assets held for sale	1,617	-
Total current liabilities	68,191	68,404
<b>Non-current liabilities:</b>		
Long-term debt	12,910	6,197
Other financial liabilities	4,315	4,246
Retirement benefit liability	5,291	5,650
Provisions	1,340	1,061
Other non-current liabilities	1,051	1,046
Deferred tax liabilities	3,360	3,186
Total non-current liabilities	28,271	21,388
<b>Total liabilities</b>	96,462	89,793
<b>Net Assets:</b>		
Share capital	19,985	19,985
Capital surplus	22,564	22,669
Treasury shares	(26,739)	(13,529)
Other components of equity	2,693	3,589
Retained earnings	81,757	75,629
Equity attributable to shareholders of parent	100,261	108,344
Non-controlling interests	3,102	3,041
Total net assets	103,363	111,386
<b>Total liabilities and net assets</b>	199,826	201,179

## Financial Performance

## Consolidated Statements of Income

Unit: millions yen

	Previous fiscal year From January 1, 2018 To December 31, 2018	Fiscal year under review From January 1, 2019 To December 31, 2019
Revenue	184,595	180,849
Cost of sales	118,296	115,667
<b>Gross profit</b>	<b>66,298</b>	<b>65,181</b>
Selling, general and administrative expenses	53,901	52,986
Equity gains of affiliated companies	3	108
Other income	1,897	2,733
Other expenses	2,069	958
<b>Operating income</b>	<b>12,228</b>	<b>14,079</b>
Finance income	630	451
Finance costs	646	642
Profit before income taxes	12,213	13,888
Income taxes	3,657	3,574
Net income	8,555	10,314
Net income attributable to:		
Shareholders of parent	8,998	10,198
Non-controlling interests	(442)	115
<b>Total</b>	<b>8,555</b>	<b>10,314</b>
Amounts per share of common stock:		
Net income	101.50	114.89
Diluted net income	101.40	114.73

Note: Adjusted from gross profit to core operating income in the table.

Gross profit	66,298	65,181
Selling, general and administrative expenses	(53,901)	(52,986)
Share of profit of entities accounted for using equity method	3	108
Core operating income (*)	12,400	12,304

(\*) Core Operating Income is profit deducting cost of sales and selling, general, and administrative expenses from sales revenue plus share of loss (profit) of entities accounted for using the equity method. Although not an indicator defined under IFRS, Kagome's Board of Directors evaluates the performance of business segment based on core operating income. Because it is considered useful information as an indicator measuring constant business performance of the Company, Kagome has voluntarily included this indicator in the Consolidated Statements of Income.

## Consolidated Statements of Comprehensive Income

Unit: million yen

	Previous fiscal year From January 1, 2018 To December 31, 2018	Fiscal year under review From January 1, 2019 To December 31, 2019
Net income	8,555	10,314
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Remeasurements of defined benefit plans	(232)	(163)
Financial assets measured at fair value through other comprehensive income	(2,985)	1,262
Share of other comprehensive income of investments accounted for using equity method, net of tax	-	-
Total	(3,218)	1,099
Items that may be reclassified subsequently to profit or loss		
Effective portion of cash flow hedges	(132)	(690)
Cash flow hedges costs	(265)	1,018
Exchange differences on translation of foreign operations	(1,435)	(464)
Share of other comprehensive income of investments accounted for using equity method, net of tax	0	(0)
Total	(1,833)	(136)
Other comprehensive income	(5,052)	963
Comprehensive income	3,503	11,278
Comprehensive income attributable to:		
Shareholders of parent	4,252	11,261
Non-controlling interests	(749)	17
<b>Total</b>	<b>3,503</b>	<b>11,278</b>

## Consolidated Statements of Cash Flows

Unit: million yen

	Previous fiscal year From January 1, 2018 To December 31, 2018	Fiscal year under review From January 1, 2019 To December 31, 2019
<b>Cash flows from operating activities:</b>		
Profit before income taxes	12,213	13,888
Depreciation and amortization	5,769	6,395
Impairment losses	754	223
Gain on business transfer	-	(1,692)
Interest and dividend income	(619)	(450)
Interest expenses	410	435
Share of (profit) loss of investments accounted for using the equity method	(3)	(108)
(Gains) losses on sale and retirement of property, plant and equipment, and intangible assets	(1,242)	(46)
(Increase) decrease in trade and other receivables	(542)	823
(Increase) decrease in inventories	(767)	(1,421)
Increase (decrease) in trade and other payables	(253)	(643)
Other	(754)	23
Subtotal	14,963	17,427
Interest and dividends received	555	513
Interest paid	(404)	(442)
Income taxes paid	(4,392)	(5,274)
Cash flows from operating activities	10,722	12,224
<b>Cash flows from investing activities:</b>		
Purchase of property, plant and equipment, and intangible assets, including investment property	(10,718)	(10,444)
Proceeds from sales of property, plant and equipment, including investment property	2,331	198
Purchase of investments in subsidiaries	(121)	-
Purchase of other financial assets	(821)	(47)
Gain on available-for-sale financial assets	8,961	1,069
Other	69	(43)
Cash flows from investing activities	(299)	(9,267)
<b>Cash flows from financing activities:</b>		
Net increase (decrease) in short-term borrowings	2,301	430
Proceeds from long-term borrowings	7,726	1,076
Repayments of long-term borrowings	(8,497)	(2,539)
Expenditures from repayment of lease liabilities	(711)	(774)
Dividends paid	(2,668)	(3,553)
Dividends paid to non-controlling interests	(74)	(77)
Other	248	369
Cash flows from financing activities	(1,675)	(5,068)
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>8,748</b>	<b>(2,112)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>21,550</b>	<b>29,408</b>
<b>Foreign translation adjustment on cash and cash equivalents</b>	<b>(185)</b>	<b>(35)</b>
<b>Net increase (decrease) in cash and cash equivalents due to transfer to assets held for sale</b>	<b>(704)</b>	<b>-</b>
<b>Cash and cash equivalents at end of period</b>	<b>29,408</b>	<b>27,260</b>

## Company Information

### Company Overview

<b>Founded</b>	1899
<b>Incorporated</b>	1949
<b>Head Office</b>	3-14-15, Nishiki, Naka-ku, Nagoya, Aichi Phone: +81-52-951-3571 (Main) Fax: +81-52-968-2510
<b>Tokyo Head Office</b>	Nihonbashi-hamacho F-Tower, 3-21-1 Nihonbashi-hamacho, Chuo-ku, Tokyo Phone: +81-3-5623-8501 (Main) Fax: +81-3-5623-2331
<b>Capital</b>	19,985 million yen
<b>Number of Employees</b>	2,599 (consolidated)
<b>Places of Business</b>	Head Office, Tokyo Head Office, 1 division office, 8 branches, 6 plants, Innovation Division
<b>Description of Business</b>	Production and sales of food seasonings, preserved foods, beverages, and other food products; purchasing, production, and sales of seedlings, fruits, and vegetables



Head Office



Tokyo Head Office

### Places of Business and Group Companies

#### Places of Business

<b>Head Office</b> <b>Tokyo Head Office</b> <b>Innovation Division</b> <b>Tokyo Laboratory</b>	<b>Business Office</b> <ul style="list-style-type: none"> <li>• Hokkaido Branch</li> <li>• Tohoku Branch</li> <li>• Kita-Tohoku Business Office</li> <li>• Tokyo Branch</li> <li>• Kanagawa Branch</li> <li>• Kanto Branch</li> <li>• Nagoya Branch</li> <li>• Shizuoka Business Office</li> </ul>	<ul style="list-style-type: none"> <li>• Hokuriku Business Office</li> <li>• Osaka Branch</li> <li>• Chu-Shikoku Branch</li> <li>• Okayama Business Office</li> <li>• Shikoku Business Office</li> <li>• Kyusyu Branch</li> <li>• Okinawa Business Office</li> </ul>	<b>Plants</b> <ul style="list-style-type: none"> <li>• Ueno Plant</li> <li>• Kozakai Plant</li> <li>• Fujimi Plant</li> <li>• Nasu Plant</li> <li>• Ibaraki Plant</li> <li>• Komaki Plant</li> </ul>
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#### Main Group companies

##### Domestic Subsidiaries and Associates

• Hibikinada Greenfarm Co., Ltd.	(Kitakyushu City, Fukuoka)
• Iwaki Onahama Greenfarm Co., Ltd.	(Iwaki City, Fukushima)
• Kagome Axis Co., Ltd.	(Nagoya City, Aichi)
• F-LINE Corp.	(Chuo-ku, Tokyo)

##### Overseas Subsidiaries and Associates

• Kagome Inc.	(California, U.S.A.)
• Ingomar Packing Company, LLC	(California, U.S.A.)
• United Genetics Holdings LLC	(California, U.S.A.)
• Holding da Industria Transformadora do Tomate, SGPS S.A. (HIT)	(Palmela City, Portugal)
• Vegitalia S.p.A.	(Calabria, Italy)
• Kagome Australia Pty Ltd.	(Victoria, Australia)
• Taiwan Kagome Co., Ltd.	(Tainan City, Taiwan)

## Company Information

### Status of Shares

<b>Number of shares outstanding</b>	94,366,944 shares
(Note) 1. Total number of authorized shares	279,150,000 shares
2. Number of shares per unit	100 shares
<b>Number of shareholders</b>	192,722

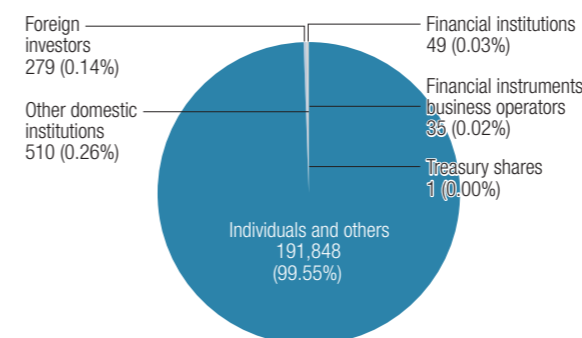
### Major Shareholders

Names of Major Shareholders	Capital Contribution to the Company	
	Number of Shares Held (thousand shares)	Shareholding Ratio (%)
Japan Trustee Services Bank, Ltd. (account in trust)	8,725	9.80
The Master Trust Bank of Japan, Ltd. (account in trust)	4,975	5.59
Dynapac Co., Ltd.	4,399	4.94
Nissin Foods Holdings Co., Ltd.	1,559	1.75
Toshichika Kanie	1,412	1.58
JP MORGAN CHASE BANK 385151	1,296	1.45
Eikichi Kanie	1,071	1.20
STATE STREET BANK WEST CLIENT - TREATY 505234	988	1.11
Kagome Business Association	966	1.08
Kagome Employee Stock Ownership Plan	933	1.04

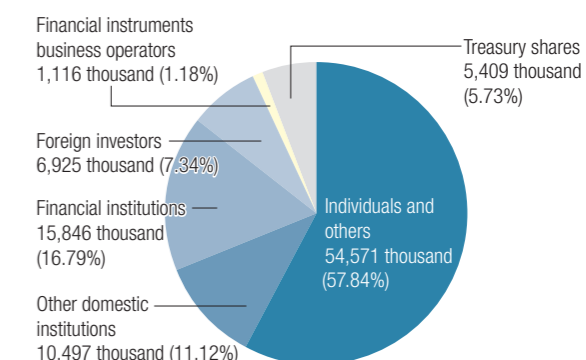
\*The shareholding ratios were calculated without treasury shares (5,409 thousand shares). The treasury shares do not include 112 thousand shares of the Company owned by The Master Trust Bank of Japan, Ltd. (account in trust), which was established for the introduction of the employee incentive plan, "Employee Stock Ownership Plan (ESOP) Trust."

### Status of Share Distribution

#### Distribution by Shareholder Type



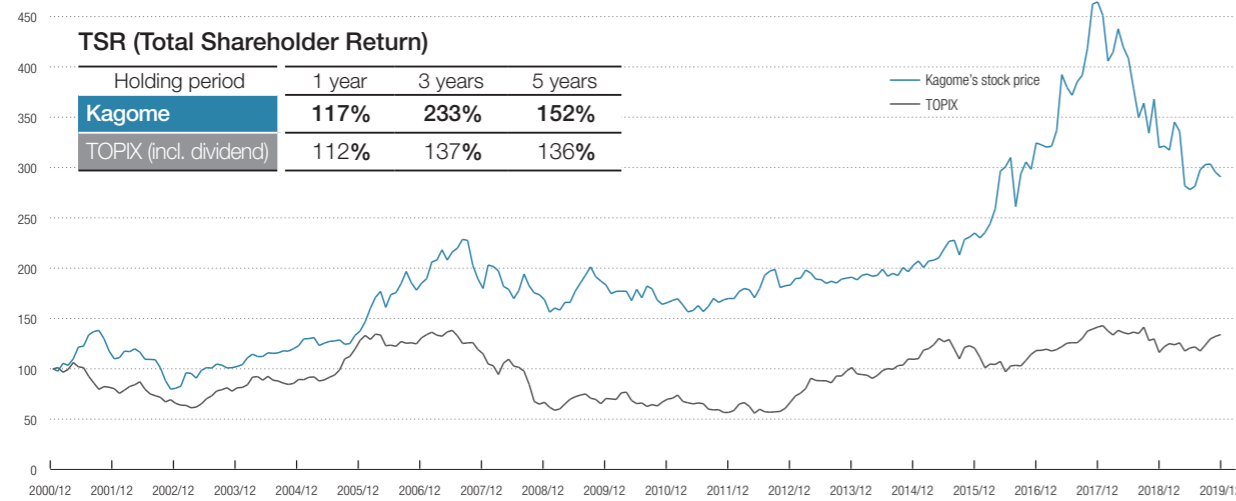
#### Distribution by Number of Shares



## Company Information

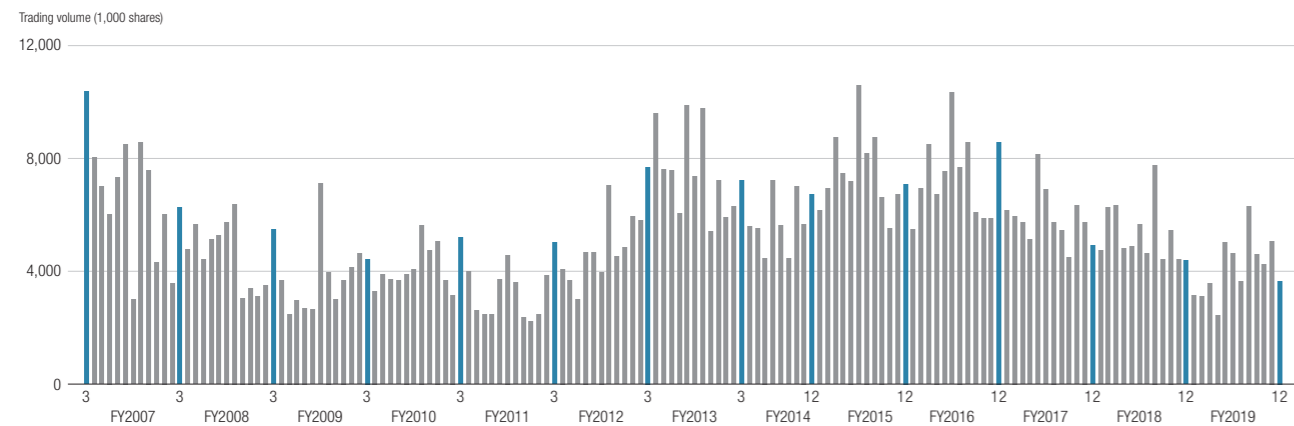
### Stock Price Trend

Trends of the Company's stock price and Tokyo Stock Price Index (TOPIX)

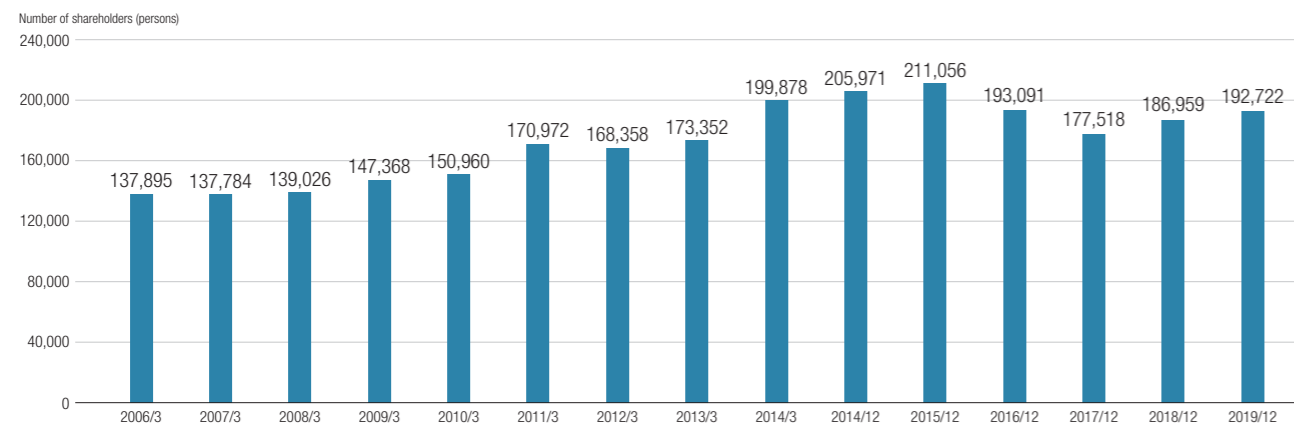


\*Relative stock price at month end with December 31, 1999 set as 100.  
\*TSR is calculated as of December 31, 2014.

### Changes in Trading Volume



### Trends in the number of shareholders



## Kagome in 2019

### Products/Services/Development

- March**
  - Launched **Yasai Seikatsu 100 Apple Salad**
  - Developed **VegeCheck™**, a device for measuring vegetable intake
- April**
  - Opened flagship facility called **Kagome Yasai Seikatsu Farm Fujimi**
- May**
  - Hosted **Kagome Rice Omelet Stadium 2019**, where famous restaurants nationwide compete
- September**
  - Successfully developed a tomato with resistance to golden nematode and density reduction effect
  - Released new product for businesses **Vegetable Stock Seasoning (Condensed Type)**
- October**
  - Launched sales of **Kalish®**, made from kale and daikon

### Management

- March**
  - Introduced **sterilized PET line** at the Nasu Plant, our mainstay beverage plant, and increased supply capacity
- April**
  - Established **logistics company F-LINE Corp.** with four other food companies
  - Commenced **sales of vegetable beverages in South Korea**
- July**
  - Modified the price of 16 vegetable beverages supplied in 720 ml PET bottle and 1,000 ml paper carton
- August**
  - Established **shareholder return policy** for the second Mid-term Management Plan of achieve "40% total return ratio based on consolidated performance" and "provide a stable cash annual dividend of at least 35 yen per year"
  - Cancelled 5.25 million shares of treasury stock

### Stakeholders

- February**
  - Certified **Health and Productivity Management Organization White 500** for third straight year
- April**
  - Established **Veggie Kids Nursery**, which teaches children to love vegetables
  - Marked **120th anniversary** since founding
- May**
  - Established **Yasai Seikatsu 100 Vegetore**, a food education program for increasing the number of children who like vegetables
- July**
  - Received the highest **DBJ Environmental Rating** from the Development Bank of Japan (DBJ) for the second time
- August**
  - Began **supporting children's cafeterias** through cooperation with NPO Musubie
  - Received the 13th Kids Design Award for **Oishiii! Vegetable Challenge**, a food education project conveying the appeal of vegetables
- September**
  - Concluded **partnership agreement** with Osaka Prefecture
- October**
  - Concluded **comprehensive partnership agreement** with Wakayama Prefecture







## Kagome Co., Ltd.

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Tokyo Head Office Nihonbashi-hamacho F-Tower, 3-21-1 Nihonbashi-hamacho, Chuo-ku, Tokyo  
Tel. +81-3-5623-8501 (Main)



We use environmentally friendly FSC® certified paper and vegetable oil-based inks.