

# Seed to Table

Full-cycle value creation, from seed to table

## Vertically Integrated Business

Kagome owns roughly 7,500 varieties of tomato genetic resources. From these seeds to soil cultivation, growth, harvest, production, all the way to the final product, our business model guarantees the values of safety and peace of mind. That is what Kagome has to offer, a vertically integrated business that is the only one of its kind in the world.



### Research and development

Consistent research and development that maximizes the value of agricultural products which are nature's bounty, and contributes to longevity and good health.



### Development of new varieties and seedling production

Producing and supplying seedlings that have a competitive edge, with useful new varieties created by cross-breeding our genetic resources of agricultural products.



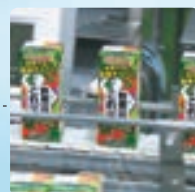
### Farming

Contracted farming and agricultural guidance for specified varieties of plants, and growing fresh tomatoes in high-tech greenhouses.



### Primary processing and procurement

We only procure raw materials that meet our own standards for quality, and our primary stage of processing keeps the flavor intact.



### Production

Production processes and quality control that maximize the value of raw materials with the optimal combination of good raw materials and technology.



### Demand creation

Communicate the value of our products to our customers with value-communicative activities that generate demand.

## Our Diverse Businesses

Bringing the value of vegetables to people in Japan and the world, under the theme of contribution to longevity and good health through food and agricultural development

The Kagome Group produces and sells unique, delicious products that are safe and reliable in Japan and the world, leveraging its vertically integrated business model. The domestic processed food business mainly deals in traditional processed tomato products, including tomato juice, for which we boast the largest market share, and tomato ketchup, and juice made from vegetables and fruits. The domestic agri-business is engaged in production of fresh tomatoes and baby leaf lettuce in large greenhouses and their sales, thus helping turn domestic agriculture into a growth sector. The international business is engaged in production and sales of tomato condiments for institutional and industrial use. It is also taking on the challenge of developing new production areas in developing countries, utilizing its strength in the seed and seedling business.

### Domestic Processed Food Business

- Production and sales of beverages and food that use tomatoes and vegetables
- Procurement of high-quality raw materials, in the belief that "fields are the primary production plant"
- Research on varieties, cultivation, processing technology, ingredients and functionality of vegetables



### Domestic Agri-Business

- Production and sales of tomatoes and vegetables
- Year-round cultivation mainly in large greenhouse farms
- Development of varieties of high value-added tomatoes, with an eye on functionality



### International Business

- Production and sales of culinary sauces such as pizza sauce
- Production and sales of tomato paste
- Production and sales of ethnic foods
- Development of new varieties/seedlings and creation of new production areas in various countries of the world



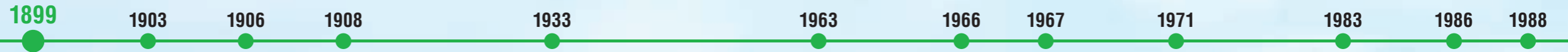




Founder Ichitaro Kanie

# We have been creating value from soil and seed for the past 118 years

Kagome's journey began on a farm in 1899, when founder Ichitaro Kanie saw the first budding of the tomato seedlings. Kagome's history that spans over 100 years is a path of development along with agriculture for stable procurement of good raw materials,



## Demand creation



Began selling tomato sauce



Began production of tomato ketchup and Worcestershire sauce



Began selling tomato juice



Renamed company "Kagome Co., Ltd." and created the tomato logo



Began selling ketchup in a plastic bottle, the first of its kind in the world



Began selling meat sauce packaged in retort pouches



Changed the corporate brand mark



Launched Fruits Mura

## Production



1906 Built a production plant in Nishiyashiki, Araomachi, Tokai City in Aichi Prefecture, and entered full-scale production of tomato sauce



1919 Completed Ueno Plant



1952 Tomato juice production



1957 Completed Kosakai Plant for production of tomato ketchup



1961 Completed Tochigi Plant (current Nasu Plant)

1962 Completed Ibaraki Plant



1967 Established Taiwan Kagome Co., Ltd. The first business expansion overseas



1968 Completed Fujimi Plant



1988 Started International business for food services Established KAGOME U.S.A. INC., a U.S. corporation

## Primary processing and procurement

1903 Began production of tomato sauce (now tomato puree)



Pot with a rim bent outward used in the early days of producing tomato sauce



1965 Continuous high capacity vacuum evaporator



1983 Tat Tohumculuk A.S. (Turkey) Started importing tomato paste

1982 Practical application of world's first RO concentration technology for concentration of tomato juice

## Farming



1899 Founder Ichitaro Kanie saw the first budding of the tomato seedlings

1906 First contract farming: Ichitaro Kanie outsourced cultivation of tomatoes to his relatives



Taisho era Designated farm (Contract farming)



1952 "Handbook of Tomato Cultivation" distributed to contract farmers



1974 Completely shifted to the method of cultivation without supporting struts for tomatoes for processing



1987 Established Tat Tohumculuk A.S. (TAT Seeds) in Turkey

## Development of new varieties and seedling production



1926 Developed a tomato variety, "Aichi tomato"



1963 Tochigi Experimental Farm

1970 Developed a tomato variety for making juice, "Kagome 70"



1977 Developed a tomato variety for making juice, "Kagome 77"

1988 Developed a tomato variety for making juice, "Kagome 88"

## Research and development



1962 Established a laboratory for basic research and research on containers, manufacturing and processing



1979 Established the Kagome Research Institute



1989 Started research on functionalities of tomatoes



# and will continue to do so going forward. True to nature, the flavor of KAGOME

as well as a history of "technological innovation" in which we have continued to develop products that never existed before in order to satisfy the needs of the times. We will continue to deliver a wide range of safe, reliable and innovative products without relying on unnatural additives and technologies.

1992 1995 1997 1998 2001 2003 2004 2005 2006 2008 2014 Present day

## What Kagome aims for

### Demand creation

Proposals on a variety of ways for vegetable consumption

### Production

Development of processing methods to make use of flavor and nutrition of vegetables

### Primary processing and procurement

Stable procurement of safe and reliable raw materials

### Farming

Contribution to agricultural development both in Japan and abroad

### Development of new varieties and seedling production

Development of safe tomato varieties that meet the demands of the times

### Research and development

Establishing the relationship between vegetables/lactic acid and health; dissemination of useful information



Began selling Carrot 100 Series



Began selling Yasai Seikatsu 100



Began selling seasonal tomato juice, "Natsushibori"



Began selling Anna Mamma



Began selling fresh tomatoes (Kokumi Tomato)



Formulated the corporate brand statement



Began selling Yasai Ichinichi Kore Ippai (and the larger "Kore Ippai")



Began selling fresh tomatoes (high-lycopene tomatoes)



Began selling plant-based lactic acid Labre



Began selling "plant-based supplement" series



Began selling baby leaf lettuces



Began selling tomato juice with functional claims



1992 Fresh squeezer for carrot juice



1993 Invested in Tat Tohumculuk A.S. of Turkey Completed production lines for canned tomatoes

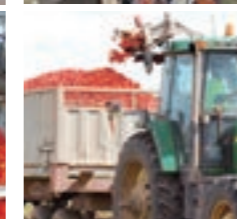
2002 Acquired Snow Brand Labio Co., Ltd.



2003 Established Vegetalia S.p.A. in Italy



2007 Established Portugal-based Holding da Industria Transformadora do Tomate, SGPS S.A. (HIT)



2016 Entered into a business and capital tie up with Ingomar Packing Company, LLC in the U.S.  
2010 Established holding company Kagome Australia Pty Ltd.



1999 First shipment from a large greenhouse farm for fresh tomatoes, Minori Farm, began



2001 Shipment from Sera Greenfarm began



2006 Shipment from Hibikinada Greenfarm began  
2005 Shipment from Iwaki Onahama Greenfarm and Kada Greenfarm began



2015 Conducted test cultivation in West Africa



2016 Established Takane Baby Leaf Greenfarm Co., Ltd.



1992 Developed a thin-skinned variety for fresh tomato, "Kinukohime"



1993 Developed a tomato variety for making juice, "Kagome 931" Started full-scale introduction of jointless varieties



1995 Developed a tomato variety with high levels of lycopene for processing, "Kagome 952"



1999 Developed a tomato variety for making juice, "Kagome 993"

2002 Named tomatoes for making juice as "Lylyco" collectively

2013 Made United Genetics Holding LLC in the U.S. a subsidiary

Established Kagome Agri-Business Research and Development Center in Portugal



2016

2014 Uncovered the effect of sulforaphane on improving liver function on human subjects

2004 Started research on plant-based lactic acid

2009 Uncovered the mechanism of bowel movement improvement by lactic acid bacteria on human subjects Received a Technology Award from the Japanese Society for Food Science and Technology for developing prepared foods comprising aseptic packaged foods

2012 Received a Technology Award from the Japanese Society for Food Science and Technology for developing a new vegetable beverage allowing you to enjoy the original flavor of vegetables

2015 Confirmed the effect of vegetable juice to suppress elevation of postprandial blood glucose levels after eating on human subjects

1992 "Presentation of Research Results" held as a company-wide event

1993 Received a Technology Award from Japan Fruit Association for the fruit juice concentration technology using new reverse osmosis systems

1995 Received a Technology Award from the Japanese Society for Food Science and Technology for production of carrot juice by the fresh squeeze method

1998 Built Venlo greenhouses at the Research Institute





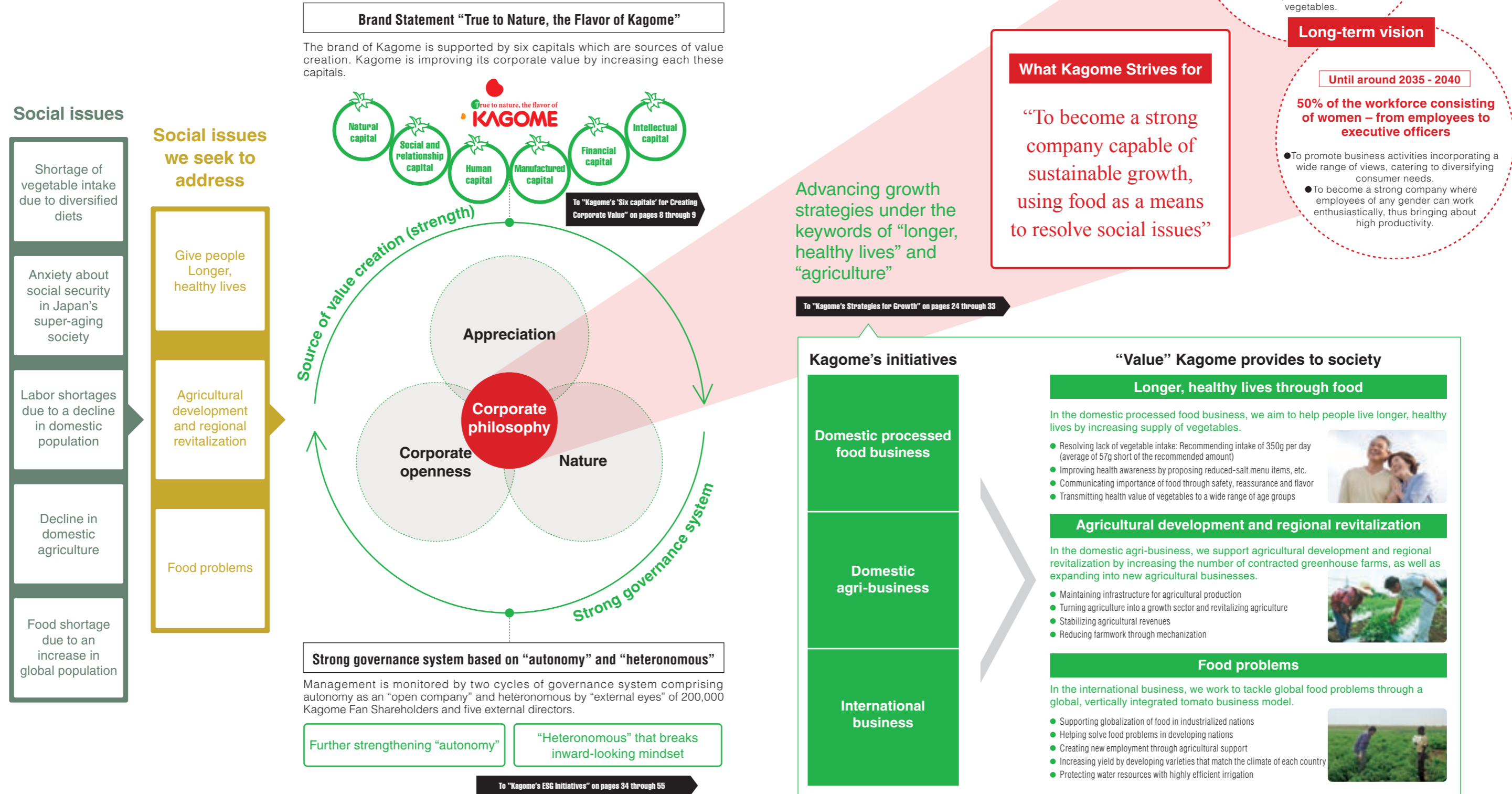
# Kagome's "Six Capitals" for Creating Corporate Value

Kagome's businesses are hinged on leveraging the "value of agricultural products" which are part of nature's bounty. We procure safe and high-quality ingredients, process them in ways that will keep their flavor and nutrition intact and deliver them to consumers. Kagome-style philosophy dwells in each of the six capitals that support this value chain.



# Kagome's Process of Creating Value

Kagome has contributed to people's health for over 100 years now with products made from nature's bounty. We have also been able to further build value of the Kagome brand, which is the core of our corporate strategies, along with the times, while remaining true to our corporate philosophy of "Appreciation," "Nature" and "Corporate Openness." Under a governance system with enhanced transparency, we will make the most of the sources of creating value unique to Kagome that we have cultivated thus far and proactively focus on solving various social problems facing Japan and the rest of the world for the goal of further sustainable growth and improvement of long-term corporate value under the keywords of "longer, healthy lives" and "agriculture".



### Kagome's initiatives

- Domestic processed food business
- Domestic agri-business
- International business

### "Value" Kagome provides to society

**Longer, healthy lives through food**

In the domestic processed food business, we aim to help people live longer, healthy lives by increasing supply of vegetables.

- Resolving lack of vegetable intake: Recommending intake of 350g per day (average of 57g short of the recommended amount)
- Improving health awareness by proposing reduced-salt menu items, etc.
- Communicating importance of food through safety, reassurance and flavor
- Transmitting health value of vegetables to a wide range of age groups

**Agricultural development and regional revitalization**

In the domestic agri-business, we support agricultural development and regional revitalization by increasing the number of contracted greenhouse farms, as well as expanding into new agricultural businesses.

- Maintaining infrastructure for agricultural production
- Turning agriculture into a growth sector and revitalizing agriculture
- Stabilizing agricultural revenues
- Reducing farmwork through mechanization

**Food problems**

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

- Supporting globalization of food in industrialized nations
- Helping solve food problems in developing nations
- Creating new employment through agricultural support
- Increasing yield by developing varieties that match the climate of each country
- Protecting water resources with highly efficient irrigation

### Long-term vision

**Until 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 goods but services as well, by expanding its business concept from tomatoes to vegetables.

**Until around 2035 - 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 diversifying consumer needs.
- To become a strong company where employees of any gender can work enthusiastically, thus bringing about high productivity.

### Advancing growth strategies under the keywords of "longer, healthy lives" and "agriculture"

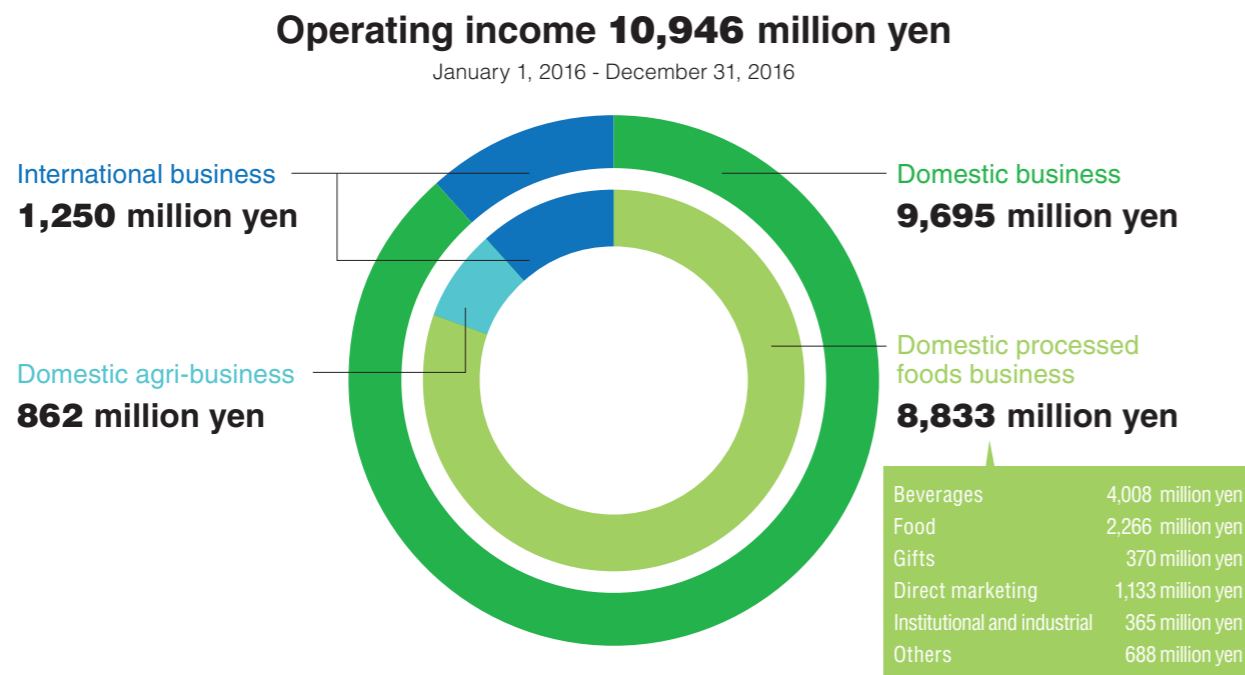
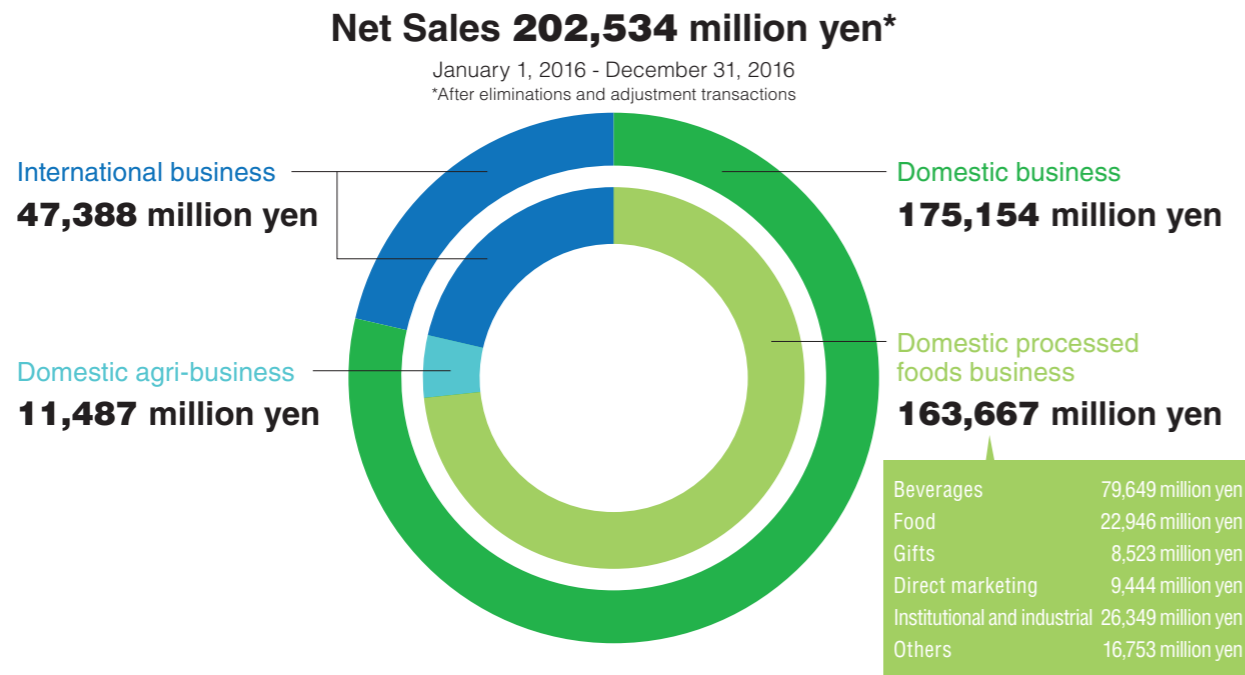
To "Kagome's Strategies for Growth" on pages 24 through 33



# Kagome Group's Businesses

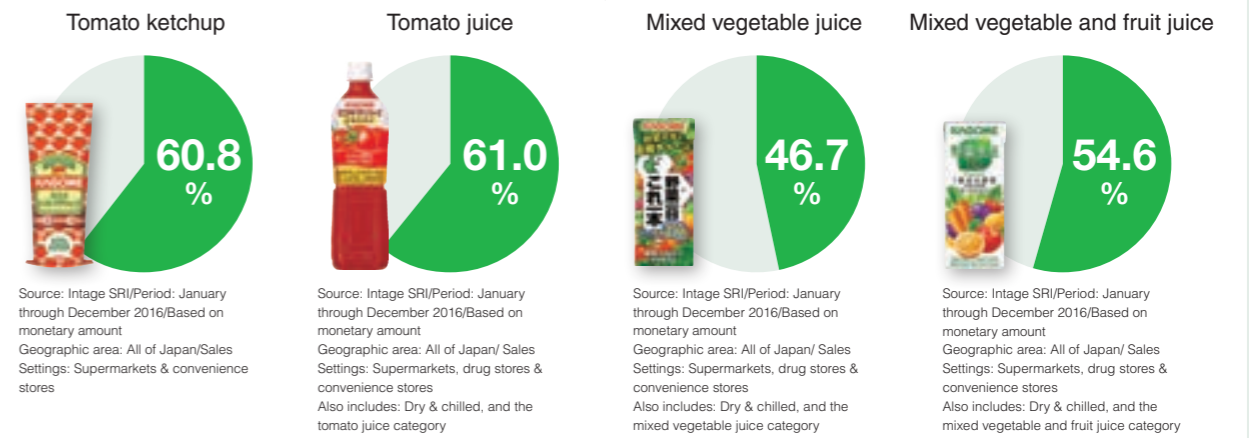
The Kagome Group's business consists of three segments. In the domestic processed foods business, we are engaged in production and sales of condiments, beverages, etc. In the domestic agricultural business, we handle production and sales of fresh tomatoes, baby leaf lettuces, packed salads and other products. In the international business, we produce and sell culinary sauces, tomato pastes, ethnic foods, as well as seeds and seedlings of vegetables. We are developing the Group's business into that of a vertically integrated business from the stages of seed development to agricultural production, product development, processing and sales.

## Ratio by business segment

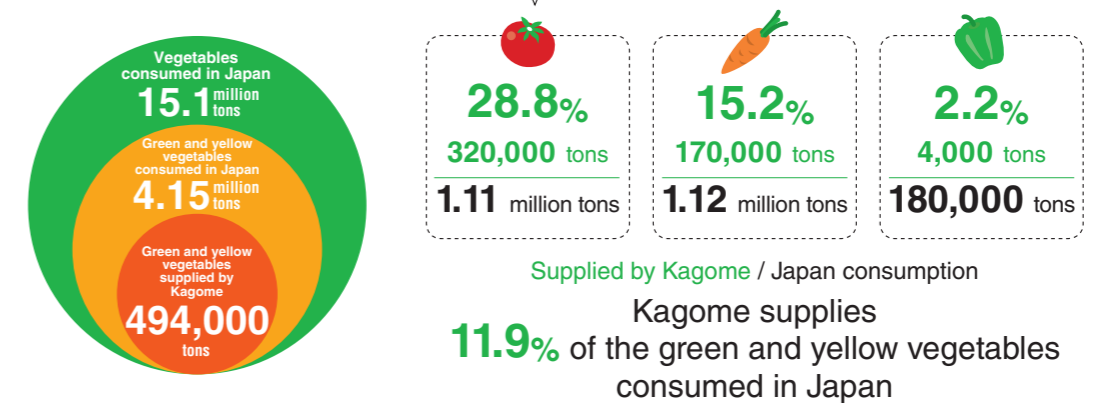


## Kagome's Strengths

### Our product lineup boasting the largest share in Japan



### Overwhelming volume of the green and yellow vegetables in Japan supplied by Kagome



Food Balance Sheet (fiscal 2014 version) and Statistics on Production and Shipment of Vegetables (2014), Ministry of Agriculture, Forestry and Fisheries  
\*Trade Statistics of Japan\* (2014), Ministry of Finance. Amounts supplied by Kagome are from 2014 results

### 3rd place in the world in sales of tomato ketchup and processed products

#### Sales of tomato ketchup 3rd place in the world

\* Euromonitor 2016 WORLD Brand Ranking

Rank	Company name	USD million
1	Kraft Heinz Co	1,639.8
2	Unilever Group	445.9
3	Kagome Co Ltd	232.0
4	Del Monte Pacific Ltd	182.9
5	Nestlé SA	125.2

#### Sales of tomato-based products 3rd place in the world

\* Euromonitor 2016 WORLD Brand Ranking

Rank	Company name	USD million
1	ConAgra Foods Inc	315.2
2	Del Monte Pacific Ltd	186.8
3	Kagome Co Ltd	104.8
4	Conserve Italia - Consorzio Cooperative Conserve Italia scarl	89.0
5	Desan Trading	70.6

Key Financial and Non-Financial Data

Millions of U.S. dollars

Accounting Term (Fiscal Year)	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2016
<b>Status of Profit and Loss (Unit: million yen)</b>												
Net sales	¥187,004	¥200,483	¥175,134	¥171,937	¥181,304	¥180,047	¥196,233	¥193,004	¥159,360	¥195,619	¥202,534	\$1,745,983
Research and development expenses	2,746	2,895	2,541	2,577	2,567	2,655	3,009	3,084	2,566	3,240	3,219	
Advertising expenses	7,958	7,376	6,784	5,326	6,312	6,122	7,053	6,918	5,319	4,671	5,086	
Operating income	9,586	8,786	4,447	6,397	7,978	8,466	9,278	6,775	4,328	6,723	10,946	94,362
Operating income to net sales (%)	5.1	4.4	2.5	3.7	4.4	4.7	4.7	3.5	2.7	3.4	5.4	-
Ordinary Income	8,296	8,366	4,249	7,304	8,389	9,213	10,025	7,529	4,969	7,015	11,315	97,543
Profit attributable to Shareholders of parent	4,086	4,167	2,000	2,981	2,473	4,217	6,480	5,105	4,366	3,441	6,764	58,310
<b>Financial Status (Unit: million yen)</b>												
Total assets	¥150,561	¥138,682	¥140,938	¥134,005	¥142,661	¥148,207	¥168,965	¥183,621	¥203,413	¥208,885	¥219,804	\$1,894,862
Total net assets	92,399	90,378	87,707	89,418	88,941	92,815	104,432	113,023	124,566	126,344	97,991	844,750
Interest-bearing debt	11,743	9,487	23,267	12,665	16,159	15,851	24,004	31,088	35,904	37,419	74,538	
<b>Status of Cash Flows (Unit: million yen)</b>												
Cash flows from operating activities	¥8,080	¥2,225	¥4,137	¥15,230	¥18,241	¥11,757	¥7,407	¥(1,073)	¥1,753	¥12,039	¥18,824	\$162,276
Cash flows from investing activities	(8,513)	(14,999)	(5,431)	(6,458)	(19,093)	(4,985)	(1,781)	(3,941)	(7,110)	(11,023)	(18,576)	(160,138)
Cash flows from financing activities	14,904	(4,091)	4,433	(12,544)	1,414	(1,861)	1,050	2,322	1,793	1,555	6,904	59,517
Free cash flow	(269)	(8,325)	(1,559)	13,902	8,757	7,866	(1,417)	(12,661)	(4,269)	(4,011)	10,442	
<b>Per Share Information (Unit: yen)</b>												
Net income per share	¥45.08	¥41.85	¥20.09	¥29.97	¥24.87	¥42.40	¥65.15	¥51.39	¥44.01	¥34.64	¥68.30	-
Net assets per share	908.07	887.26	866.10	885.16	880.13	920.81	1,020.86	1,094.07	1,204.77	1,201.96	1,043.89	-
Annual dividend per share	15.0	15.0	15.0	15.0	15.0	18.0	20.0	22.0	16.5	22.0	24.5	-
<b>Key Management Indicators (Unit: %)</b>												
Net assets to total assets	60.1	63.7	61.1	65.7	61.4	61.8	60.1	59.1	58.8	57.2	42.1	-
Return on equity (ROE)	5.1	4.7	2.3	3.4	2.8	4.7	6.7	4.9	3.8	2.9	6.4	-
Return on assets (ROA)	5.9	5.9	3.0	5.3	6.1	6.3	6.3	4.3	2.6	3.4	5.3	-
Dividend payout ratio	33.3	35.8	74.7	50.1	60.3	42.5	30.7	42.8	37.5	63.5	35.9	-
Dividend on net assets ratio	1.8	1.7	1.7	1.7	1.7	2.0	2.1	2.1	1.4	1.8	2.2	-
<b>Non-Financial Information</b>												
Number of employees *2 (persons)	2,002	1,951	2,038	2,031	2,045	2,101	2,209	2,349	2,368	2,569	2,621	-
Energy used *3 (thousands of gigajoules)	1,558	1,560	1,368	1,360	1,379	1,319	1,297	1,289	1,329	1,336	1,380	-
Water used *3 (thousands of tons)	4,331	4,260	3,583	3,440	3,484	3,452	3,627	3,945	3,850	3,828	3,628	-
CO2 emissions *3 *4 (tons)	81,952	81,701	70,682	69,875	69,908	66,379	65,454	62,777	64,693	63,968	66,499	-

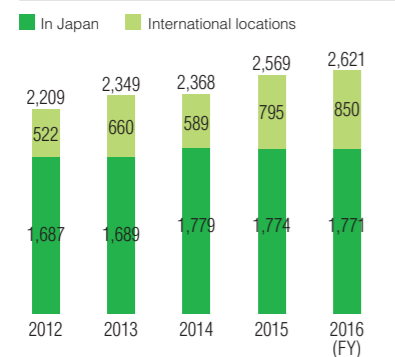
\*1 The accounting period was changed in 2014, and fiscal 2014 only covers the 9-month period from April 1 until December 31, 2014.

\*2 Scope: Kagome Group

\*3 Scope: Kagome Co., Ltd. + group companies within Japan (Kagome Axis, Kagome Distribution Service, four greenhouse farms)

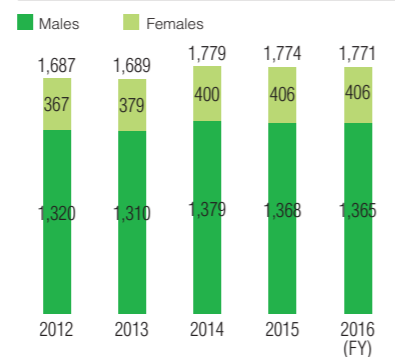
\*4 Company management fixed coefficient of 0.421kg-CO<sub>2</sub>/kWh was used as the electricity conversion factor for calculated values of CO<sub>2</sub>

**Number of employees (consolidated)**  
(Unit: persons)

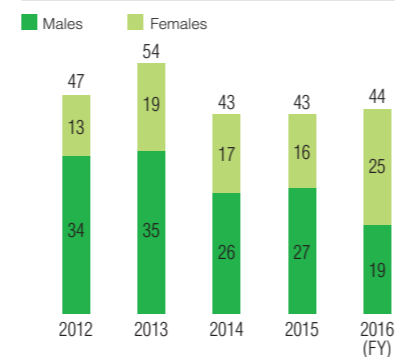


\*Scope: Kagome Group

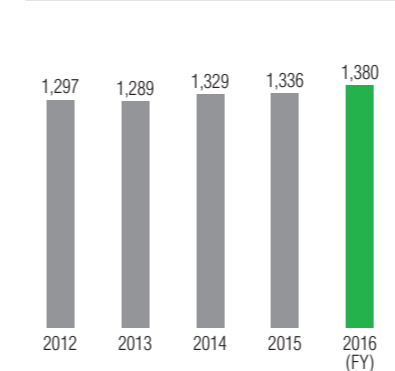
**Number of employees (in Japan)**  
(Unit: employees)



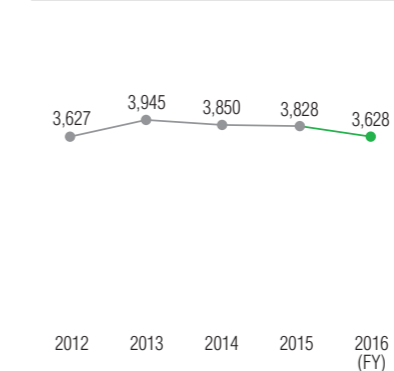
**Number of newly hires**  
(Unit: employees)



**Energy used**  
(Unit: thousands of gigajoules)



**Water used**  
(Unit: thousands of tons)



**CO2 emissions**  
(Unit: tons)

