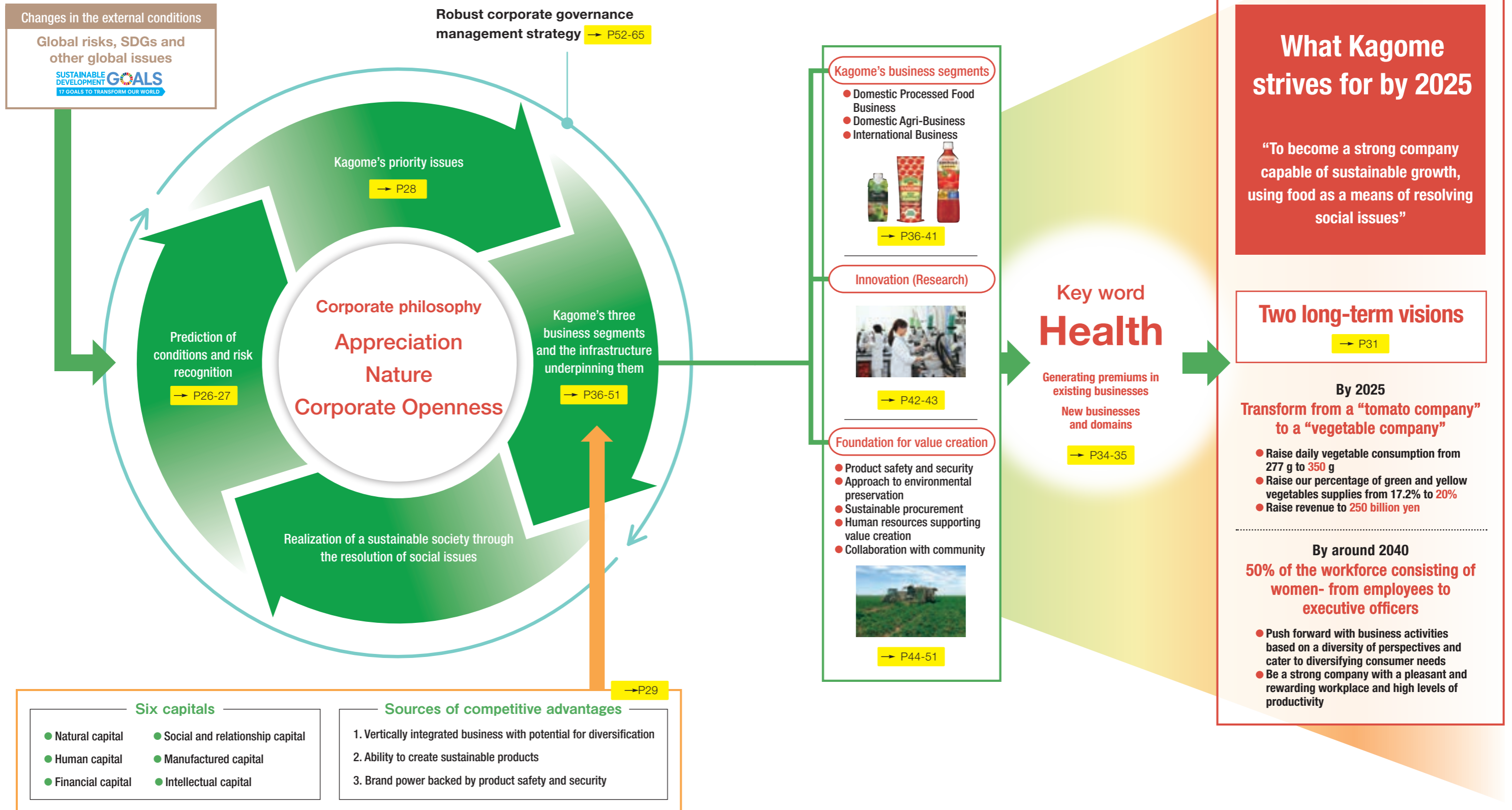


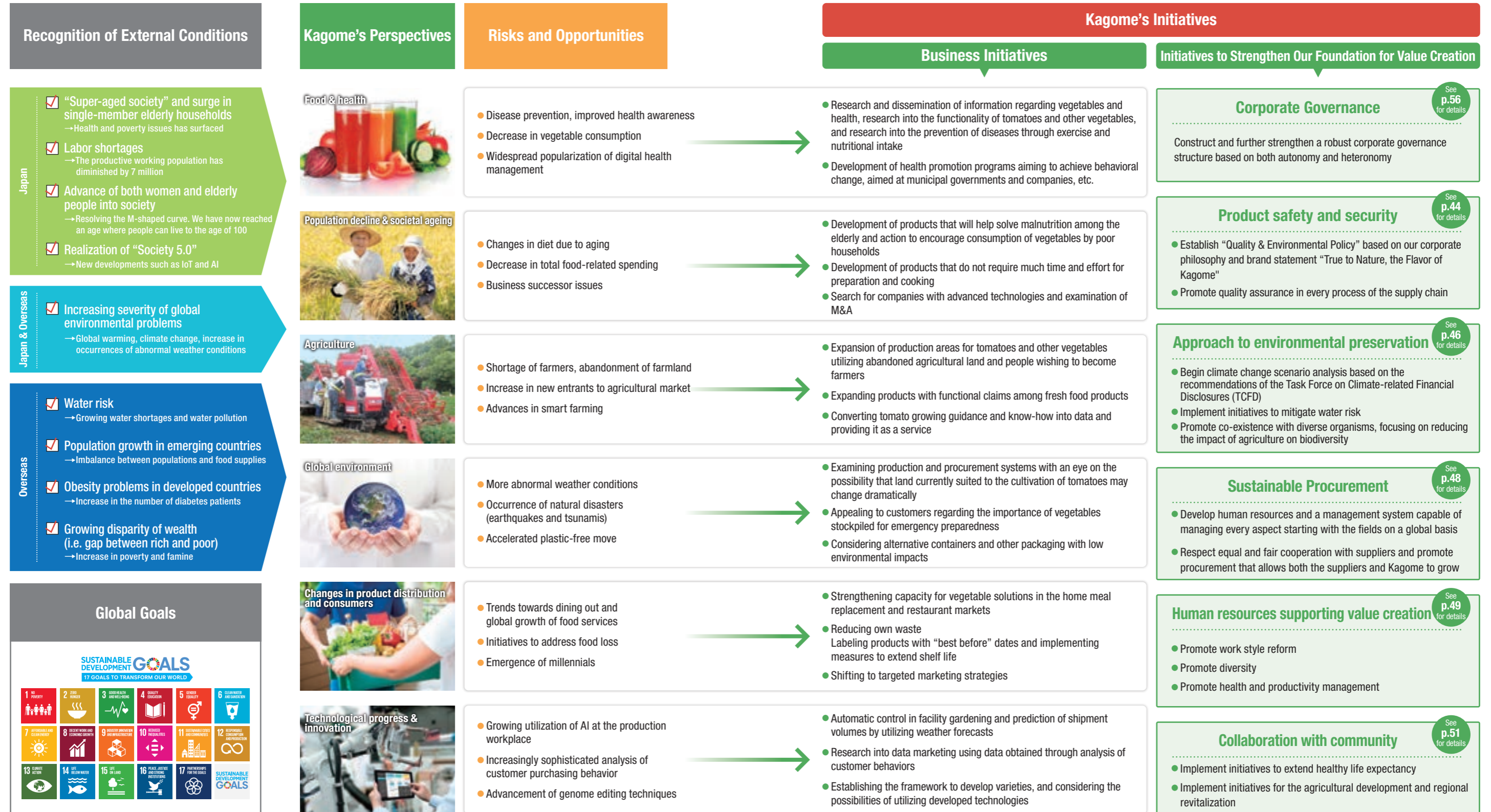
# Value Creation Process

To become “a strong company capable of sustainable growth, using food as a means of resolving food issues,” which is what Kagome strives for by 2025, we need to become an organization that constantly predicts changes in the conditions surrounding our business and is capable of responding flexibly. Providing society with value that only Kagome can create and resolving social issues, we will continue to achieve sustainable growth and contribute to the realization of a sustainable society. That is Kagome's process for creating value.



# Recognizing External Conditions, Risks and Opportunities

To realize what Kagome strives for by 2025, we need to swiftly recognize changes in external conditions and identify risks and opportunities for Kagome from short-, mid- and long-term perspectives. We also believe that in order for Kagome to continue being a company that is "needed" by society, it is important for us to implement initiatives with regard to both of the two aspects of business operations and our foundation for creating value (value creation infrastructure).



# Important Issues (Materiality) of Kagome

## Important issues (materiality) of Kagome

Kagome has begun to identify important issues (materiality) in order to remain a “strong company.” By identifying factors that are indispensable to the circulation of Kagome’s sustainable growth and the resolution of social issues and allocating capital appropriately, the company aims to remain an integral part of society.

### Process of identifying the factors



In fiscal year 2018 we identified social issues that Kagome should address by using the SDGs, ISO 26000, GRI, SASB, etc. as a reference, and narrowed down the issues to approximately 100, taking into account the aspects that are important for sustainable value creation. In addition, we held a workshop with 27 members from corporate planning, quality assurance and other departments, assessed the importance of the issues both in terms of society and business and put them in order of priority. Through this process, we narrowed the issues down to around 20 and organized them into eight groups: three social issues to be addressed through business activities and five components of the foundation for value creation. These issues were then deliberated at Management Meetings and meetings of the Board of Directors, and were deemed to be self-evaluated important issues (materiality).

In fiscal year 2019, we plan to conduct third-party evaluation of the self-evaluated materiality through dialogues with stakeholders and experts outside the company and verify the gap between self-evaluation and third-party evaluation to identify materiality. We will determine specific measures and KPIs in relation to the materiality that have been identified, evaluate each initiative and implement a PDCA cycle.

	Group	Important issues (materiality)	
Business aspects	Longer, healthier lives	<ul style="list-style-type: none"> <li>Response to super-aged society</li> <li>Development of products that can help solve health issues</li> <li>Promotion of healthy lifestyle habits</li> </ul>	Business strategies
	Agricultural development and regional revitalization	<ul style="list-style-type: none"> <li>Sustainable procurement of natural raw materials</li> <li>Response to dramatic decline in agricultural population</li> <li>Improvement of productivity through the utilization of technology</li> <li>Establishment of sustainable agriculture</li> <li>Contribution to turning agriculture into a growth industry</li> </ul>	
	Global food problems	<ul style="list-style-type: none"> <li>Response to critical shortage in food supply due to population growth</li> <li>Response to malnutrition as a consequence of poverty</li> <li>Response to rising raw material costs</li> <li>Food loss</li> </ul>	
Foundation for value creation	Corporate Governance	<ul style="list-style-type: none"> <li>Compliance</li> </ul>	Management
	Diverse Human Resources	<ul style="list-style-type: none"> <li>Creation of innovative human resources</li> <li>Consideration for human rights</li> </ul>	
	Supply chain	<ul style="list-style-type: none"> <li>Strengthening of supply chain management</li> </ul>	
	Environment	<ul style="list-style-type: none"> <li>Response to climate change</li> <li>Response to water risk</li> </ul>	
	Quality	<ul style="list-style-type: none"> <li>Product safety and security</li> </ul>	
			Sustainability strategies

## Six Capitals Essential for Value Creation and Sources of Competitive Advantage

### Six capitals

Kagome’s business builds on leveraging “the value of agricultural products,” which are part of nature’s bounty. We procure safe, high quality raw materials, process them with all the flavors and nutrients intact, and deliver them to consumers. We are also endeavoring to branch out into experiential business by fully utilizing Kagome’s assets, including its research findings relating to vegetables and health as well as the Kagome brand. Kagome leverages the six capitals explained below to conduct these businesses and to create Kagome’s corporate value.

Kagome's "Six Capitals"	Main components
<b>Natural capital</b> Productivity from fields	<ul style="list-style-type: none"> <li>Production of safe and high-quality ingredients based on the ideology that “fields are the primary production plant”</li> <li>Own standards for pesticides and fertilizers that take environmental impact into consideration</li> <li>Vegetable cultivation technology and expertise focused on tomatoes</li> </ul>
<b>Social and relationship capital</b> Diverse partnerships and social contribution	<ul style="list-style-type: none"> <li>Cooperation among industry, government and academia to resolve social issues (locally grown, nationally consumed campaign, research to promote health, agricultural development)</li> <li>Provision of food education to a total of 3,506,000 children using proprietary contents</li> <li>Development of tomato processing industry in emerging countries</li> </ul>
<b>Human capital</b> Tomato spirit that connects diversity	<ul style="list-style-type: none"> <li>Diverse human resources supporting the development of vegetable products</li> <li>Internal qualifications, including vegetable advisor and rice omelet certification, and unique human resources, such as food planner</li> <li>Fostering our founder’s entrepreneurial spirit that runs in the company through requests for new business plans, etc.</li> </ul>
<b>Manufactured capital</b> Balancing product safety and reassurance with flavor	<ul style="list-style-type: none"> <li>Belief in “Quality First, Profit Second,” in other words, that product “safety and reassurance” are the most important social responsibilities of Kagome and that “if the quality of our products is good, then profits will follow.”</li> <li>Advanced vegetable processing technologies (concentration of tomato juice by reverse osmosis under high pressure, carrot juice extraction, vegetable fractionation technology, etc.)</li> <li>Mechanisms for blending various agricultural products from all over the world whilst maintaining consistency in taste and flavor</li> </ul>
<b>Financial capital</b> Shareholder structure consisting mainly of Kagome fan shareholders	<ul style="list-style-type: none"> <li>Stable financial base due to establishment of long-term relationship with Kagome fan shareholders</li> <li>Suitable investment leading to business growth and shareholder returns</li> </ul>
<b>Intellectual capital</b> Creation of new value through open innovation	<ul style="list-style-type: none"> <li>Open innovation for the integration of cutting-edge technologies from different industries into new businesses</li> <li>Creation of new value by combining products and services</li> </ul>

### Sources of Competitive Advantages

Kagome’s brand statement “True to Nature, the Flavor of Kagome” is Kagome’s promise to society and customers. We seek out the value of ingredients, from tomatoes to vegetables, and work to create sustainable value.

- Vertically integrated business with potential for diversification:**

Our vertically integrated business model, which ensures control at every stage, from seeds to soil cultivation, growth, harvest, production, all the way to the final product, gives us greater competitiveness, enabling us to supply unique products rooted in nature, ranging from processed foods and fresh vegetables to seedlings, in Japan and around the world.
- Ability to create sustainable products:**

Our standardization of product development processes and expertise allows us to actively hire young employees to develop human resources and create sustainable, appealing products.
- Brand power backed by product safety and security:**

In a brand strategy survey (by Nikkei Research Inc.), Kagome ranked highly, coming in at 16th in the overall ranking\*, in recognition of “product safety and reliability” and “product quality.”

\*2017 Survey

# Kagome's Vision and Growth Strategies

Kagome considers its brand statement "True to Nature, the Flavor of Kagome" to be a promise to customers and contributes to the realization of people's healthy diets through the development and delivery of products that benefit from the value of nature's bounty. We established two long-term visions, "transform from a 'tomato company' to a 'vegetable company'" and "50% of the workforce consisting of women—from employees to executive officers," and we have been working to increase Kagome's corporate value while creating a cycle of sustainable growth and solving social issues.

## First Mid-Term Management Plan 2016-2018

### Earnings structure reform × Work style reform

- Raising the value of existing products
- Innovating new products
- Narrowing down existing and new products
- Reducing slow-moving products, disposal and inventory
- Reducing fixed costs
- Prohibiting overtime after 8:00 p.m.
- Introducing a telecommuting system
- Introducing a staggered working hour system

	Initial plan	FY2018 (Results)
Net sales	220.0 billion yen	209.9 billion yen
Operating income	11.0 billion yen	12.0 billion yen
Operating margin	5.0%	5.7%

### Domestic Processed Food Business

Aiming to address the low vegetable intake of Japanese people

	Initial plan	FY2018 (Results)
Net sales	150.0 billion yen	158.8 billion yen
Operating income	7.0 billion yen	11.8 billion yen

### Domestic Agri-Business

Turning Japanese agriculture into a growth industry

	Initial plan	FY2018 (Results)
Net sales	15.0 billion yen	11.5 billion yen
Operating income	1.0 billion yen	-0.1 billion yen

### International Business

Aiming to become the top global tomato supplier

	Initial plan	FY2018 (Results)
Net sales	55.0 billion yen	39.5 billion yen
Operating income	3.0 billion yen	0.3 billion yen

## Second Mid-Term Management Plan 2019-2021

### Growth by continuing to improve earning power, starting new businesses and taking on new domains

- Complete earnings structure reforms in domestic agri-business and international business in fiscal year 2019
- Start new businesses and take on new domains, aiming for growth by 2020-2021
- Go from reforming work styles to reforming lifestyles

\*Transition to IFRS from FY2019 (FY2018 results are results on an IFRS basis)

	FY2018 (Results)	FY2021 (Plan)
Revenue	184.6 billion yen	212.0 billion yen
Core operating income	12.4 billion yen	16.2 billion yen
Core operating income margin	6.7%	7.6%

### Domestic Processed Food Business

Strengthening proposals to the home meal replacement and restaurant markets through vegetable solutions

	FY2018 (Results)	FY2021 (Plan)
Revenue	134.0 billion yen	148.0 billion yen
Core operating income	11.9 billion yen	12.4 billion yen

### Domestic Agri-Business

Promoting earnings structural reforms and rebuilding product lineup

	FY2018 (Results)	FY2021 (Plan)
Revenue	11.2 billion yen	14.0 billion yen
Core operating income	-0.1 billion yen	0.8 billion yen

### International Business

Strengthening business for food service industry and expanding vegetable beverages in Asia

	FY2018 (Results)	FY2021 (Plan)
Revenue	39.4 billion yen	50.0 billion yen
Core operating income	0.6 billion yen	3.0 billion yen

## Kagome's Long-term Vision Looking Ahead to 2025 and Beyond

### Two Long-term Visions

Kagome has adopted the two long-term visions described below to become a "strong company"

#### Transform from a "tomato company" to a "vegetable company" by 2025

We will become a company that provides a variety of vegetables in a variety of forms to a variety of markets, and we aim to raise the daily vegetable consumption of Japanese people to 350 g and raise our percentage of green and yellow vegetables supplied by Kagome to 20%.

	2016	2025	
Japan	Daily vegetable intake per person	277 g	350 g
	Total vegetable consumption	13.71 million tons	17.04 million tons
	Of which, green and yellow vegetables	3.29 million tons	4.09 million tons
Kagome	Vegetables supplied/Percentage	582,000 tons/4.2%	845,000 tons/5.0%
	Of which, green and yellow vegetables	567,000 tons/17.2%	823,000 tons/20.1%

#### 50% of the workforce consisting of women—from employees to executive officers by around 2040

Kagome is making progress towards achieving "corporate openness," which is part of its corporate philosophy, and we are actively pursuing diversity, which we see as a management strategy for becoming "a strong company." Our long-term vision "50% of the workforce consisting of women—from employees to executive officers" is also intended to create innovation through diversity. To promote the empowerment of women, we are focusing on "hiring more women," "work style reforms to encourage more women to continue working even after life events" and the "development of female managers." By realizing "the right person in the right place" and a "results-oriented approach" regardless of gender through such activities to promote diversity, we aim to increase organizational productivity and improve Kagome's corporate value.

### Issues to Be Addressed to Achieve What Kagome Strives for by 2025 and Contributing Measures

#### Longer, healthier lives

- Expand the range of vegetable types that we provide by strengthening business in the domain of fresh vegetables such as baby leaf lettuce and packed salads
- Grow consumption of vegetable-based dishes through "vegetable solutions"
- Boost vegetable intake through health promotion services that change customer behavior
- Promote health in communities through collaboration with area distributors and local governments with whom we have concluded comprehensive agreements
- Reveal relationships between vegetable intake and health promotion through joint research with Hirosaki University

#### Agricultural development and regional revitalization

- Grow the vegetable processing business in Japan
- Produce tomatoes for processing and vegetables on abandoned farmland, and take measures to counter aging and insufficient labor among producers
- Discover producers who are dynamic and support their sales activities at "farm support" direct marketing
- Expand the "locally grown, nationally consumed" model for processed foods
- Grow consumption of the agriculture, fishery, and livestock products of the local governments with whom we have concluded comprehensive agreements

#### World food shortages

- Develop production areas for tomatoes for processing and help improve productivity in emerging countries
- Utilize cutting-edge technology to contribute to sustainable, highly efficient agriculture

Earnings structure reform

Growth in new businesses and new domains

Kagome's strategy of creating a cycle of

sustainable growth and solving social issues

## Review of First Mid-Term Management Plan 2016-2018

Under the three-year First Mid-Term Management Plan that began in 2016, we focused on priority issues to realize what Kagome strives for by 2025, targeting net sales of 220 billion yen, operating income of 11 billion yen, an operating margin of 5.0% and ROE of 5.0%.

### Changes in Management Indicators

Compared to fiscal year 2015, net sales increased by 14.2 billion yen and operating income increased by 5.3 billion yen. We are now able to maintain an operating margin in the 5% range and our profitability has improved significantly. Compared to our revised targets, although ROE was on target, other management indicators fell short of the target level and this is an issue that still needs to be addressed in the future.

#### Changes in Consolidated Management Indicators

Indicator	Mid-Term Management Plan period				Initial target	Revised target	Increase under the Mid-Term Management Plan (2018-2015)
	FY2015	FY2016	FY2017	FY2018			
Net sales	195.6	202.5	214.2	209.9	220.0	215.0	+14.2
Operating income	6.7	10.9	12.0	12.0	11.0	13.0	+5.3
Operating margin (%)	3.4	5.4	5.6	5.7	5.0	6.0	+2.3 pt
ROE (%)	2.9	6.4	10.4	11.3	5.0	8.0	+8.4 pt

(Unit: billion yen)

### Summary by Priority Issue

The priority issues under the Mid-Term Management Plan, which consist of seven themes, are summed up as follows. While we made progress with the development of foundations for issue management, there are still many areas for improvement in terms of implementation of PDCA.

	Seven Themes	Three-year Summary
1	Improvement of value in existing businesses and categories	<ul style="list-style-type: none"> <li>Earnings from tomato juice improved significantly, reflecting improvement in value due to added functional claims. We are currently conducting activities to add functional claims to many products besides tomato juice.</li> </ul>
2	Creation of new categories and business models and generation of earnings from them	<ul style="list-style-type: none"> <li>We did not achieve our initial targets in any new business in which we sought to contribute to earnings, including GREENS and packed salads.</li> <li>Yasai Seikatsu 100 Smoothie gained top market share after the concentration of resources on this category.</li> </ul>
3	Promotion of globalization and generation of earnings from international business	<ul style="list-style-type: none"> <li>Profitability of the international business improved following a review of the consumer business in Asia.</li> <li>The earnings of overseas subsidiaries are unstable and although performance is improving in terms of quality, there are still many issues to be addressed.</li> </ul>
4	Promotion of solutions business	<ul style="list-style-type: none"> <li>In fiscal year 2018, our ability to meet customer needs definitely increased due to the establishment of the Solution Sales Division, despite slow growth in collaborative development with CVS.</li> </ul>
5	"Work style reform" and "earnings structure reform"	<ul style="list-style-type: none"> <li>We made significant progress with work style reforms. We established Kagome Axis as a shared services organization.</li> <li>In terms of earnings structure reform, marginal income ratio and ratio of break-even point to sales improved considerably.</li> </ul>
6	Initiatives to improve corporate value	<ul style="list-style-type: none"> <li>We implemented various measures to improve corporate value, including transitioning to a corporate structure with an audit and supervisory committee, evaluating the effectiveness of the Board of Directors, preparing to transition to IFRS, and issuing an integrated report, and we improved our governance capacity.</li> </ul>
7	Optimization of resource allocation	<ul style="list-style-type: none"> <li>Resource allocation improved due to stronger governance. However, this did not lead to the introduction of a framework for raising the level of investment projects.</li> </ul>

### Results of Two Reforms

#### "Earnings structure reform"

Although reforms produced results in the domestic processed food business, reforms are behind schedule in the domestic agri-business and international business.

In the domestic processed food business, alongside growth in beverages, we made progress in areas such as reducing the cost of sales ratio by reviewing raw material procurement policies and improving production efficiency, reducing the ratio of sales promotion costs through management of earnings based on marginal income and reducing unprofitable products, and this led to expansion of sales and profits. However, in the domestic agri-business and international business, improvement of earnings was behind schedule, causing consolidated

business results to depend more heavily on the beverage business. To move away from a beverage-dependent earnings structure, it is essential to diversify sources of earnings in the domestic processed food business and strengthen earning capacity in the agri-business and international business.

In the domestic agri-business business, we were slow in adapting to oversupply in the market and our earning potential worsened. The creation of an earnings structure immune to price fluctuations remains a challenge.

In the international business, net sales decreased due to the sale of US-based PBI, but income edged up mainly due to our withdrawal from unprofitable business in Asia. Our global food service business, which is a pillar of business growth, is steady but we still have a long way to go with initiatives to strengthen the earning power of our overseas subsidiaries.

#### Changes in Business Results by Segment (after elimination and adjustment between segments; JGAAP)

	FY2015				FY2018			
	Net sales	Component ratio	Operating income	Component ratio	Net sales	Component ratio	Operating income	Component ratio
Domestic Processed Food Business	142.0	72%	5.8	87%	158.8	76%	11.8	98%
Of which, beverages	74.4	38%	2.3	34%	89.1	42%	5.8	48%
Domestic Agri-Business	11.0	6%	0.7	10%	11.5	5%	-0.1	—
International Business	42.6	22%	0.2	3%	39.5	19%	0.3	2%

(Unit: billion yen)

#### "Work style reform"

Improving the efficiency of business operations and promoting work-life balance

Under the First Mid-Term Management Plan, we established a new company responsible for shared services to consolidate and improve the efficiency of business operations, and we also introduced a staggered working hour system and a telecommuting system to improve the productivity of employees and support work-life balance. In addition, we made headway toward creating a comfortable working environment, including introducing a "regional card system" to support workers who find it difficult to continue with their careers after life events.

Monthly overtime hours per Kagome employee were reduced by 20%, from 17 hours to 14 hours, and the average paid leave usage rate also improved sharply from 55% to 83%.

Meanwhile, we put effort into promoting diversity, and awareness among Kagome employees has also been changing. Women are now actively participating in a range of workplaces, with the percentage of women in management positions growing from 2.2% to 5.4%, and women accounting for more than 50% of all newly hired graduates in fiscal years 2017 and 2018. Kagome was also selected by the Ministry of Economy, Trade and Industry as a winner of the New Diversity Management Selection 100 program in recognition of its activities to promote workplaces in which diverse perspectives and values are utilized.

#### Results of work style reform (FY2015 → FY2018)

Introduction of various types of system including a staggered working hour system and a telecommuting system

20% reduction in average monthly overtime hours worked per Kagome employee (17 hours → 14 hours)

28 pt improvement in average paid leave usage rate: (55% → 83%)

#### Promoting Diversity

3.0 pt increase in percentage of women in managerial positions (2.2% → 5.4%)

23 pt increase in percentage of newly hired female graduates (37% → 60%)

Selected by the Ministry of Economy, Trade and Industry as a winner of the New Diversity Management Selection 100 program

As of December 31, 2018

## Outline of the Second Mid-Term Management Plan 2019-2021

The Second Mid-Term Management Plan, which began in fiscal year 2019, is an important milestone for Kagome's achievement of its long-term vision. Kagome will start new businesses and take on new domains and will focus on further improving its social value and economic value.

### Basic Strategy and Four Priorities

Kagome's basic strategy is "growth by continuing to improve earning power, starting new businesses and taking on new domains. We will complete earnings structure reforms in the domestic agri-business and international business during fiscal year 2019 and will transition to growth from fiscal year 2020 by starting new businesses and taking on new domains. We also have four priorities and will apply these to each business.

#### Basic Strategy

Growth by continuing to improve earning power, starting new businesses and taking on new domains

#### Priorities

1. Continue to boost value and reduce "unreasonableness, waste and inconsistency"
2. Start new businesses and take on new domains
3. Go from reforming work styles to reforming lifestyles -Be a company that is enjoyable and meaningful to work for, even with strict accountability
4. Develop the mechanisms to be a strong company

### Consolidated Quantitative Targets (IFRS Basis)

With the application of international financial reporting standards (IFRS) starting from fiscal year 2019, we have adopted core operating income as a unique reference indicator. In fiscal year 2021, which is the final fiscal year of the plan, we aim to achieve revenue of 212.0 billion yen, core operating income of 16.2 billion yen and a core operating margin of 7.6%.

\*Revenue minus cost of sales and selling, general and administrative expenses, plus share of profit (loss) of entities accounted for using the equity method

Unit: billion yen

	Actual Result for FY2018*	FY2021 Target	Increase/Decrease (2021-2018)	FY2025 Target
Revenue	184.6	212.0	+27.4	250.0
Core operating income	12.4	16.2	+3.8	20.0
Core operating margin	6.7%	7.6%	+0.9 pt	8.0%

\*Results based on Japanese accounting standards have been rewritten and displayed in accordance with the IFRS standard.

### Continued Earnings Structure Reform

In the domestic processed food business, we will continue to reduce slow-moving inventory and inventory disposal costs and we will also diversify sources of earnings and expand "food products and food service use." In the domestic agri-business, we will strengthen our earning capacity on the assumption of weak market prices for fresh tomatoes. In the international business, we will put in place a profit-making business structure through earnings structure reform and will then aim to achieve net sales on a scale of 50 billion yen, mainly through the expansion of high added value products.

#### Quantitative Targets by Business Segment

(after elimination and adjustment between segments; IFRS basis)

Unit: billion yen

	Actual Result for FY2018*		FY2021 Target	
	Revenue	Core operating income	Revenue	Core operating income
Domestic Processed Food Business	134.0	11.9	148.0	12.4
Domestic Agri-Business	11.2	-0.1	14.0	0.8
International Business	39.4	0.6	50.0	3.0

\*Results based on Japanese accounting standards have been rewritten and displayed in accordance with the IFRS standard.

### Initiatives in Line with Four Priorities

Continue to boost value and reduce "unreasonableness, waste and inconsistency"

Meet needs by enhancing value in terms of functionality, convenience and flavor

#### ● Boosting value

We will focus on boosting value in terms of "improving the convenience of containers" for tomato sauce and other products, and "enhancing the flavor" of fresh tomatoes as well as "strengthening products with functional claims." In vegetable beverages, we will step up the search for ingredients and development of products that meet growing demand for sugar-free products among all generations. Meanwhile, we will focus on raising the prices of products that offer more value to a level commensurate with the value they offer. Using the same kind of thinking, we will also strive for higher sales of existing high added value products at a price level at which reasonable earnings can be expected.

#### ● Reducing the cost of goods sold and slow-moving inventory and inventory disposal, and increasing logistical efficiency

Besides ensuring stable procurement of raw materials and narrowing down unprofitable products, we plan to reduce the cost of goods sold by improving production line efficiency. We will also focus on reducing slow-moving inventory and inventory disposal, which remains an issue, and on improving logistical efficiency.



Go from reforming work styles to reforming lifestyles -Be a company that is enjoyable and meaningful to work for, even with strict accountability

Aiming to achieve total annual working hours of 1,800 by 2020

#### ● Work style reform

"Work style reform" will enter a second phase. We will promote improvement in the efficiency of business operations through standardization and systemization, ensuring that all employees grasp that "work style reform" means "reforming their own lifestyles" and are able to produce results at work in 8 hours per day for the achievement of total annual working hours of 1,800. We will also focus on making it even easier for employees to work, including letting employees have secondary jobs and introducing a flextime system, and we are aiming for an average percentage of paid leave of 80%.

#### ● Promoting diversity

Aspiring for the ideal "scenario where all employees experience self-realization and job satisfaction through their proactive work at Kagome, increasing the sense of unity and strength of its organizations," Kagome will further promote the development of structures that enable it to fully demonstrate the effectiveness of diversity management. Besides aiming to achieve our vision of "50% of the workforce consisting of women—from employees to executive officers" by around 2040, we will also make a start on increasing work opportunities for LGBT, foreign workers and people with disabilities.



Starting new businesses and taking on new domains - For transformation to a "vegetable company"

Proposing "vegetable-based dishes" in the growing home meal replacement and restaurant markets

#### ● Vegetable solutions

Commercial farms and vegetable processing plants are faced with many challenges including reducing the workloads and expanding sales networks in the agricultural industry, and consumers want food preparation and cooking to be simpler and less time-consuming. The business which consists in proposing solutions that leverage Kagome's expertise to meet these needs is called "vegetable solutions." Vegetable solutions is a top strategic priority for maximizing earnings and steadily making progress towards a "vegetable company" under the Second Mid-term Management Plan. Under our new structure without the boundaries between the consumer use, food service use and agri-business (fresh vegetables), we will expand the vegetable processing business as a new business and will propose convenient vegetable-based dishes using vegetable ingredients and condiments to the home meal replacement and restaurant markets.

#### ● Initiatives for service business

We will lay the foundations for commercialization of the health promotion seminars tackled since 2017 and strengthen the related sales structure. We will also explore new business potential at facilities such as Kagome Yasai Seikatsu Farm Fujimi, which we opened as a sightseeing facility that embodies a "vegetable company."



Develop the mechanisms to be a "strong company"

Mechanisms to increase the probability of success of equipment and business investments

#### ● Initiatives to improve quality

Aiming for zero quality failures, we will pursue more sophisticated quality management. At the same time, we will adopt an integrated approach to environmental management, which takes into consideration issues such as prevention of global warming, water preservation on a global scale, and protection of biodiversity.

#### ● Optimization of resource allocation

For the achievement of its long-term vision, Kagome will promote the "optimization of resource allocation." More specifically, we will thoroughly manage the allocation of resources by creating a business portfolio in business units, and we will focus on the innovation of business models and divestment.

#### ● Investment decision criteria and monitoring of investment effect

Kagome will seek to improve the probability of success of investment projects by reviewing investment criteria and setting new criteria. We will also introduce mechanisms for monitoring and evaluating important projects after investment.



## Domestic Processed Food Business

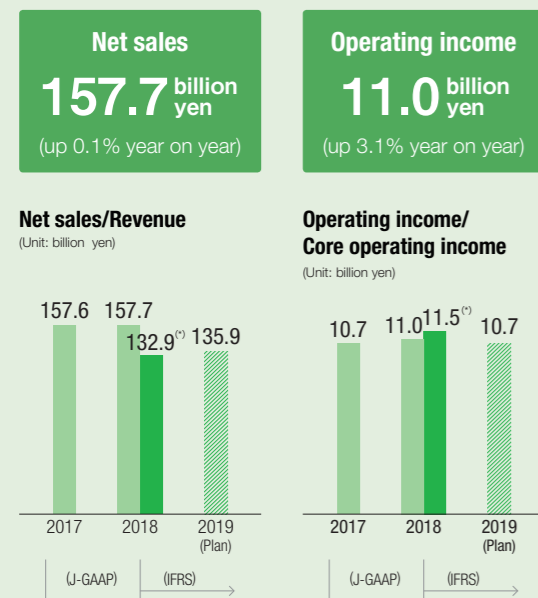


Masanori Miyachi  
Executive Officer  
Marketing Division Director

**We will contribute to longer, healthier lives in Japan by increasing the supply of vegetables through beverages, food products and a range of other products.**

### Performance trends (FY2018)

\*After elimination and adjustment of inter-segment transactions



\*Results based on Japanese accounting standards have been rewritten and displayed in accordance with the IFRS standard.

### Recognition of General Business Conditions

In Japan, with its super-aged society, how to extend healthy life expectancy has become an important social issue. In the domestic processed food business, we will contribute to longer, healthier lives by providing a range of products such as beverages and food products to all generations, from children to the elderly, increasing their vegetable intake and solving the issue of low vegetable intake among Japanese people.

#### Beverages

Kagome sells tomato juice, vegetable beverages, such as the Yasai Seikatsu 100 Series, and lactic acid bacteria beverages. We are seeking to increase the range of products meeting various health needs and suitable for various drinking scenarios and develop versatile and habitual drinking uses including increased functions under the catchphrase "To provide vegetables with ease and a delicious taste," aiming to offer "Lifelong Health Beverages" that meet consumers' expectations for good health.

#### Food and Other Products

Besides food products such as tomato ketchup, tomato-based condiments and sauces, Kagome sells products for food service use, for direct marketing sales and for gifts. Sales of condiments for home use are on a gradual downward trend as a result of consumers' growing inclination towards dining out. We are strengthening proposals of side dishes and menus using vegetables to the expanding home meal replacement and restaurant markets.



#### Strength

- Kagome's brand power built over its 120-year history
- Ability in product development to avoid additives as much as possible
- Ability in ingredient procurement to deliver the bounty of nature to products
- Ability in sales to tapping into many markets, including the ambient, chilled and fresh food markets and the markets for side dishes and gifts

#### Weakness

- Constraints in product development due to reliance on natural farm ingredients
- Dispersion of marketing investment caused by diverse business composition
- Decline in the relative value of our products due to the emergence of competitors' high-quality private brands

#### Opportunity

- Increasingly diversified health orientation
- Demands of the elderly and dual-earner households for simple cooking
- Expansion of restaurant and cooked food due to an increase in dining out

#### Threat

- Further intensifying competition in the health beverage market
- Steep rise in ingredient prices due to globally unseasonable weather
- Acceleration of decrease in total spending on food due to a decrease in the population and population aging

### Results and Issues to Be Addressed

In fiscal year 2018, domestic processed food business achieved the targets under the First Mid-term Management Plan, with net sales reaching 157.7 billion yen, up 0.1% year on year, and operating income amounting to 11.0 billion yen, up 3.1% year on year.

#### Beverages

Kagome Tomato Juice was renewed and released as a product with two functional claims: "increase in good cholesterol" and "decrease in high blood pressure," and recorded strong sales. Yasai Seikatsu 100 Smoothie has been well received, especially among women in their 20s, 30s and 40s, reflecting recognition of the 330ml recappable container and its product value as a quick light meal as well as efforts to tap into new drinking scenarios with the launch of the Yasai Seikatsu 100 Smoothie Soy Potage, which also serves as a meal replacement. However, sales of the existing Yasai Seikatsu 100 Series and 200ml beverages such as Yasai Ichinichi Kore Ippon decreased due to competition with other beverages such as lactic acid bacteria beverages, soymilk and FOSHU (foods for specified health use) beverages. Given the increasing number of variations of rival health beverages, Kagome needs to remind customers of the health benefits of vegetable beverages.

#### Food and Other Products

Sales of tomato ketchup and tomato-based condiments were slightly down on the year-ago level. In fiscal year 2019, we will seek to create demand for tomato ketchup through promotional events such as the Kagome Rice Omelet Stadium. Sales of other products for gifts and products for direct marketing sales were strong, reflecting Kagome's focus on the sale of products which offer value in terms of health, flavor and availability for a limited time only that only Kagome can offer.



### Specific Measures to Address Weaknesses and Threats

- Turn past product development failures and other important data into knowhow and create a knowledge database
- Put marketing investments in order of priority based on clarification of domains that require strengthening and marketing direction
- Differentiate Kagome beverages from own-brand beverages and health beverages of other companies through natural ingredients and additive-free manufacturing technologies
- Prepare for risks of climate change and price fluctuation through decentralized procurement, the adoption of efficient supply lines and activities to reduce costs
- Gain loyal customers through direct marketing sales amid the ongoing decline in total expenditures on food in Japan

### Matters Requiring Focus in the Mid- to Long-term

#### Beverages

In the beverage category, we will strengthen three domains: foods with functional claims, the plant-based domain and target-specific beverages.

#### Foods with Functional Claims

Kagome plans to expand beverages that are classed as foods with functional claims. In February 2019, we launched Labre Alpha Plain with the functional claim that it "improves the intestinal environment."

#### Plant-based Domain

We plan to launch beverages incorporating not only the vitamins and minerals, which are nutrients contained in vegetables and fruit, but also nutrients from the plant-based domain such as soymilk and nuts. We will differentiate our beverages from existing vegetable beverages by strengthening their potential as meal replacement products.

#### Target-specific Beverages

Kagome plans to strengthen beverages for clearly defined targets. In April 2019, we launched a beverage for millennials in their 20s and 30s who purchase fewer vegetable beverages compared with other generations. We also plan to launch beverages to help maintain and improve health among elderly consumers. The existing Yasai Seikatsu 100 Series is clearly positioned as a beverage that parents want their children to drink and we renewed the series, introducing flavors that will be popular with children.

#### Food and Other Products

In the food business, we will strengthen proposals for the growing home meal replacement and restaurant market as well as the home cooking market, based on the theme of vegetable solutions. Kagome will solve the problems of the home meal replacement and restaurant markets by proposing seven strategic menus using processed vegetable products and condiments based on ingredients such as vegetable puree, sautéed onions and frozen grilled vegetables, which can eliminate vegetable prep amid labor shortages. We will also help increase vegetable consumption in Japan by satisfying the needs of consumers who want to consume great-tasting vegetables without any fuss.

## Domestic Agri-Business

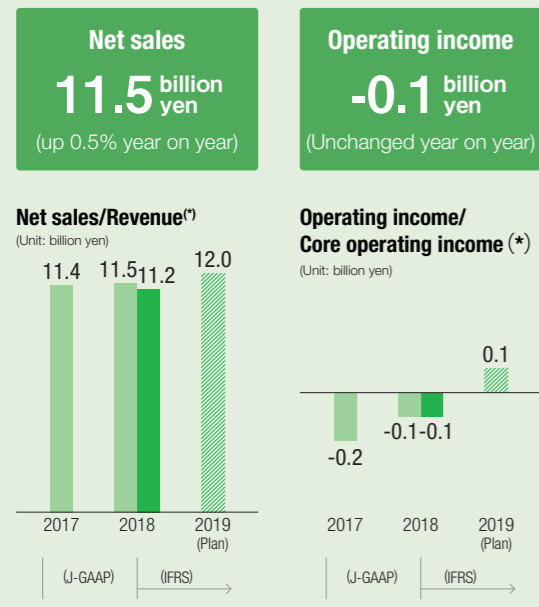


**Satoshi Yamaguchi**  
Director & Managing Executive Officer  
Vegetable Business Division Director  
General Manager, Vegetable Solution  
Department

**We will reform the earnings structure of the fresh tomato business and aim to transform to “a vegetable company” by promoting “vegetable solutions.”**

### Performance trends (FY2018)

\*After elimination and adjustment of inter-segment transactions



\*Results based on Japanese accounting standards have been rewritten and displayed in accordance with the IFRS standard.

### Recognition of General Business Conditions

In the domestic agri-business that commenced in 1998, we have been selling fresh tomatoes grown all year round at large greenhouse to mass retailers and other stores. Since 2014, we have produced and sold baby leaf lettuce and have been conducting business activities to transform from “a tomato company” to “a vegetable company.” While net sales have grown to a level exceeding 10 billion yen since fiscal year 2015, it has also become clear that, as our business operations have expanded, fluctuations in market conditions for fresh tomatoes caused by the weather and other factors have a major impact on the business results of the agri-business. We are currently focusing on increasing the accuracy of yield predictions to mitigate the impact of such fluctuations.

### Vegetable Business Division

Under the Second Mid-term Management Plan, which began in 2019, we established the “Vegetable Business Division” to accelerate growth into “a vegetable company.” In addition to the “Agricultural Production Department,” which is responsible for the business of producing and selling fresh tomatoes and baby leaf lettuce, we set up the “Vegetable Solution Department,” which develops production areas and processing sites and builds a network between processing sites and customers, with the aim of utilizing tomatoes for processing, carrots, new vegetables, surplus vegetables and vegetable scraps. By creating new business models and strengthening our procurement foundations, we aim to expand our earnings and help develop Japan’s agricultural industry.



<p><b>Strength</b></p> <ul style="list-style-type: none"> <li>● Kagome brand established in the fresh tomato market</li> <li>● Advanced ability to develop varieties of vegetables, and processing technologies</li> <li>● Capacity for all-year-round supply based on own sales force and distribution networks providing stable shipments and nationwide 100,000 stores</li> </ul>	<p><b>Weakness</b></p> <ul style="list-style-type: none"> <li>● A lack of accuracy in forecasting fluctuations in the fresh tomato market and a lack of ability to adjust demand and supply</li> <li>● A lack of consumer recognition of new fresh vegetables such as baby leaf lettuce</li> <li>● A lack of varieties and production areas for vegetables other than tomatoes and baby leaf lettuce</li> </ul>
<p><b>Opportunity</b></p> <ul style="list-style-type: none"> <li>● The government’s activities to turn agriculture into a growth sector and revitalize agriculture</li> <li>● A shortage of farm successors and an increase in abandoned farmland</li> <li>● Growing demand for processed vegetable products amid labor shortages</li> </ul>	<p><b>Threat</b></p> <ul style="list-style-type: none"> <li>● Intensifying competition in the vegetable processing business</li> <li>● Fewer farmers due to acceleration of the super-aged society</li> <li>● A decrease in farm land due to climate change such as global warming and the emergence of new diseases and pests</li> </ul>

### Results and Issues to Be Addressed

In 2018, the domestic agri-business secured higher sales but posted an operating loss for the second consecutive year, with net sales amounting to 11.5 billion yen, up 0.5% year on year, and the operating loss coming in at 0.1 billion yen. Although the loss was smaller than a year ago, reflecting progress in improving costs, further earnings structure reform is required in the future.

#### Fresh tomatoes

Kagome’s fresh tomatoes are high in added value, containing higher levels of specified ingredients such as lycopene and beta-carotene than regular tomatoes. In December 2018, we launched GABA Select as a tomato product with functional claims. The shipping volume of fresh tomatoes has been increasing thanks to the improved productivity of large-scale greenhouse farming and contract farms. However, competitors’ shipping volumes to the fresh tomato market has also increased sharply. Assuming that 2019 will continue to see the current low market price of fresh tomatoes, we will focus on the development and procurement of new high added value varieties as well as the development of industrial and institutional sales channels. We will also institute earnings structure reforms that will enable us to secure profit even under challenging business conditions, including strengthening our capacity to control yields to avoid selling at cut-rate prices.

#### Baby leaf lettuce

The market for baby leaf lettuce is expected to expand in the future. Sales of washed baby leaf lettuce are strong because it can be eaten right out of the package without washing, providing value that meets consumer demand for time-saving, simple and healthy products. We have also increased our production bases for the Tokyo metropolitan area from only one to three. While our sales of baby leaf lettuce are still small, this is a product which is expected to grow in the future.



### Matters Requiring Focus in the Mid- to Long-term

#### Vegetable Solutions

Our vegetable farms and processing bases face a range of problems such as workloads and expansion of their sales networks. Meanwhile, customers and consumers have a strong preference for appealing production areas and attractive vegetables, and want time-saving, simple products to avoid prepping vegetables altogether due to a shortage of labor. Kagome’s “vegetable solutions” address these problems and meet these needs by integrating the knowledge and human capital Kagome has built up in its agri-business and utilizing our existing domestic sales network. We plan to diversify the varieties of vegetables we offer and our production areas (both in Japan and overseas) to meet the diverse needs of our customers.

Our sales bases in Japan will establish systems to quickly develop and supply local vegetables as domestic processed vegetables and, by selling these products both locally and nationally, we will aim for expansion of locally grown, locally consumed products and locally grown, nationally consumed products. To realize this idea, we have assigned Vegetable Solution Engineers (VSEs) to our Hokkaido and Kyushu branches, which are close to the main production areas in Japan. We will collaborate with sales activities integrating the consumer use, food service use, and agri-business (fresh vegetables) to meet the needs of local customers and create a network of vegetable production areas and processing businesses. We also plan to carefully select appealing ingredients made from various types of vegetable scraps and imperfect vegetables that arise in the sorting process throughout Japan and to commercialize these ingredients.

As for our efforts to develop new highly functional vegetables in cooperation with our research and development department, we also plan to examine the possibility of developing all kinds of products, including fresh food, processed food and supplements.



### Specific Measures to Address Weaknesses and Threats

- Improve the accuracy of yield forecasting through use of the latest technologies, and conduct research and development on harvesting robots, etc.
- Strengthen our ability to control yields to avoid selling at cut-rate prices
- Offer “vegetable solutions” by integrating the knowledge and human capital Kagome has built up in its agri-business and utilizing Kagome’s existing domestic sales network in Japan
- Collaborate with sales activities integrating consumer use, food service use, and agri-business (fresh vegetables) to create a network of vegetable production areas and processing businesses
- Develop new highly functional vegetables in cooperation with our research and development department



## International Business

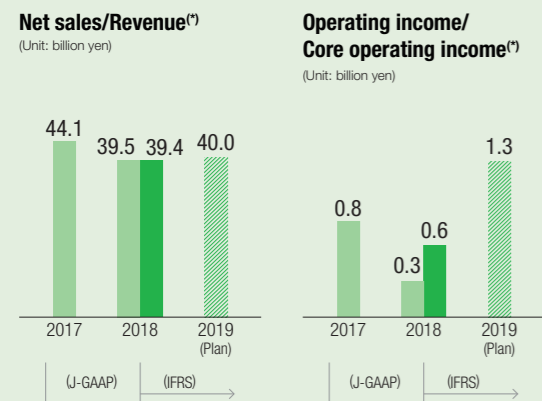


**Norito Ebata**  
Executive Officer, Director of International Business Division, General Manager, Global Tomato Business Department

**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.**

### Performance trends (FY2018)

\*After elimination and adjustment of inter-segment transactions



\*Results based on Japanese accounting standards have been rewritten and displayed in accordance with the IFRS standard.

### Recognition of General Business Conditions

The world population is projected to reach 9.8 billion by 2050 and, amid concerns over food shortages due to population growth, demand for tomato, the most consumed vegetable in the world, is expected to increase. In this environment, the international business conducts business based on a vertically integrated business model encompassing the entire supply chain from the development of tomato seeds to agricultural production, product development, processing and sales.

#### B-to-B business

U.S.-based Kagome Inc. and Kagome's other overseas subsidiaries supply culinary sauces such as pizza sauce to global food service providers. The culinary sauces business has been growing alongside the development of its customers and now comprises nearly half of Kagome's overall overseas sales. In the tomato paste business, Portugal-based HIT, Kagome Australia and U.S.-based Ingomar, all of which have bases in areas that produce tomatoes for processing, supply the tomato paste that results from primary tomato processing to large food manufacturers, including Kagome. Meanwhile, U.S.-based UG, which develops seeds and raises seedlings, improves crop varieties and exports seeds that meet country-specific farming conditions to more than 80 countries.

#### B-to-C business

Kagome Nissin Foods (H.K.) started selling vegetable beverages in Hong Kong.

#### Business Operations of International Business Division by Region

Category	Products	Americas	Europe	Australia	Asia	Other
B-to-B	Seeds	●	●		●	●
	Primary processing (products such as tomato paste)	●	●	●		
	Secondary processing (products such as pizza sauce)	●	●	●	●	
	Other		●	●	●	
B-to-C	Vegetable beverages, etc.				●	

#### Strength

- Reliable quality unique to Kagome, which handles every step in tomato production, from seed to table
- Solution capacity to propose dishes to food service chains in North America, Asia and Europe
- Global primary processing network of tomatoes that is one of the largest in the world

#### Weakness

- Weakness in terms of total cost competitiveness including logistics
- High reliance on specific customers with large purchase amounts
- Lack of brand recognition in the general consumer market (B-to-C)

#### Opportunity

- Further globalization of food through the global expansion of pizza and fast food chains, etc.
- Growing demand for simple cooking and takeout food due to women's social advancement and the declining birthrate and aging population
- Population growth and economic development in large tomato consumption regions such as India, the Middle East, North Africa and West Africa

#### Threat

- Increase in damage to the growth of raw materials in various production regions caused by global climate change
- Structural market slowdown due to growing competition in the expansion of primary-processed tomatoes
- Damage to tomato production regions caused by serious water shortages in California, which is the world's largest production region.

### Results and Issues to Be Addressed

In 2018, the international business posted declines in sales and profits, with net sales amounting to 39.5 billion yen, down 10.4% year on year, and operating income totaling 0.3 billion yen, down 59.9% year on year. The segment failed to reach the targets set under the First Mid-term Management Plan. The challenge facing the international business in 2019 is to complete earnings structure reform, albeit behind schedule, and to translate this into growth from 2020.

#### Performance of main subsidiaries

Kagome Inc. posted higher sales but lower profits. While sales grew due to a strong performance in business for the food service sector and changes in the timing of shipments to Kagome Group companies, profits fell due to deterioration in production efficiency as a result of problems with newly introduced manufacturing equipment and higher logistics expenses reflecting higher oil prices. Kagome Inc. has now resumed normal production but plans to establish a more stable production system and maximize production efficiency to ensure greater earning power.

HIT increased its production capacity in 2016 to expand processing volumes but posted declines in sales and profits because deterioration of market conditions due to a global oversupply of tomato paste led to excess inventories, causing selling prices to slump. To increase its earning power, HIT plans to strengthen customer profitability management and focus on inventory control by ensuring appropriate tomato processing volumes. It will also aim for expansion in areas such as added value products with high profit margins and condiments for the food service industry.

Kagome Australia succeeded in expanding sales and moving into profit by implementing structural reform, shortening the harvesting season to avoid the risk of bad weather and improving productivity. By continuing to focus on other vegetable business besides tomatoes, including expanding sales of processed carrot products and developing the garlic business as a new business, Kagome Australia aims to further expand and stabilize its earnings.

UG reported higher sales but lower profits. Although sales of seeds to the Middle East and Latin America increased, sales of tomato seeds for tomatoes for processing fell due to the stagnation of global demand. To increase its earning power, UG is implementing initiatives to expand sales in the U.S. and Asia and to reduce costs.

### Matters Requiring Focus in the Mid- to Long-term

#### Food service business

The global food service market is seeing the same home meal replacement and dining out trends as Japan, and North America, Europe and Asia account for 80% of this market growth. To meet demand in each of these regions, Kagome has started to focus on collaboration and development with leading food service companies. At the same time, by further strengthening cooperation between Kagome Group companies and combining their knowhow and resources, we aim to improve our ability to make proposals and tap into growing demand.

#### Creation of business through the development of tomato cultivation infrastructure

Kagome has launched initiatives in Senegal and India, where economic growth is expected in the future, with the aim of contributing to local communities through agriculture. Kagome Senegal is building the infrastructure for growing tomatoes for processing using advanced cultivation technologies in the country and is working with local processing businesses to develop processing technologies. Meanwhile, KF India began manufacturing and selling processed tomato products. By helping each of these businesses to grow, Kagome aims to contribute to local communities, improving convenience through stable prices and high-quality products and contributing to economic development by creating jobs for local people.

#### Vegetable beverage business in Asia

Under its thorough localization strategy, Kagome will work to expand the vegetable beverage business, focusing on Hong Kong. With Yasai Seikatsu 100 Original as our core product, we will develop and launch products exclusively for Hong Kong, and we will seek to create demand and build our brand through activities to convey the value of vegetables via diverse sales channels. We are also using our business in Hong Kong as a foothold for starting to expand into mainland China.



#### Specific Measures to Address Weaknesses and Threats

- Food service business: Develop added value products, strengthen ability to provide solutions and cooperation between Kagome Group companies, and develop new customers
- Tomato paste manufacturing business: Decentralize sources of raw materials, maintain processing volumes at a reasonable level, strengthen cost competitiveness, and establish cutting-edge tomato cultivation technologies based on analysis of meteorological data
- Vegetable beverage business in Asia: Build brand power by strengthening sales promotions in cooperation with NISSIN FOODS (H.K.) CO., LTD.

## Innovation (Research)



Hiroyuki Ueda  
Director of Innovation Division

**We will contribute to the sustainable growth of the Kagome Group by focusing on research issues for the “resolution of social issues using the power of vegetables” and translating these research findings into business.**

### Recent research findings

**Apr. 2018** We confirmed that the indicator for reducing salt intake (urinary sodium-to-potassium ratio) improves significantly as a result of consumption of a tomato low-salt diet (joint research with Kagawa Nutrition University; Journal of Japanese Society of Shokuiiku, Volume 12, Issue 2)

We confirmed that the structure of lycopene, which is found in tomatoes, changes when lycopene is heated with garlic, onion and oil, improving lycopene bioavailability (joint research with Nagoya University; announced at the 83rd annual meeting of The Society of Chemical Engineers, Japan)

**May 2018** We announced new research findings relating to rises in blood glucose levels in a human study  
(1) Drinking mixed vegetable and fruit juice before a meal is effective in inhibiting a postprandial blood glucose level rise  
(2) The sugar contained in vegetable juice is absorbed into the blood more slowly than regular sugar  
(Announced at the 6th Academic Conference of the Japanese Society of Shokuiiku)

**Nov. 2018** We developed high precision technology for the detection of contaminants in processed tomato products utilizing artificial intelligence (AI) (joint research with Kagawa Nutrition University; Journal of Japanese Society of Shokuiiku, Volume 12, Issue 2)

**Mar. 2019** We developed a device that can determine a person's vegetable intake simply by placing the palm of his or her hand on the device  
- Proposal of health promotion support tool for businesses practicing health and productivity management and local governments -  
(Device that determines vegetable intake by optically measuring the skin's carotenoid level, etc.; jointly developed with German company biozoom services)

### Policy of Innovation Division

In an age of rapid technological advancements and dramatic market changes, we will create sustainable value and differentiate ourselves from our competitors by more actively promoting open innovation research, incorporating the technologies of other industries and cutting-edge technologies rather than simply relying on our own technologies. The value we offer is also shifting away from the provision of products (goods) toward the systemized provision of value through experiences that span all Kagome's operations (services), and the Innovation Division will contribute to business growth by promoting the “creation of value through the combination of goods and services.”

### Descriptions of each research project

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

We are accumulating tomato genetic resources, developing new varieties and researching cultivation technologies. In fiscal year 2018, we applied to the Plant Variety Registration for a total of four varieties, including a great-tasting fresh tomato variety. We are also expanding and promoting research in the area of vegetables for transforming to a “vegetable company.”

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

We are conducting activities to enhance product value by developing new ingredients that maximize the original flavors, properties, nutritional value and functions of tomatoes and vegetables and developing more sophisticated processing technologies. Especially in this field, we are actively pursuing technical cooperation with other companies instead of confining ourselves to technologies developed in-house.

#### (3) Functionality research

We are conducting functionality research, primarily into green and yellow vegetables, registering foods with functional claims and disseminating health-related information. In fiscal year 2018, we demonstrated the effect of developed tomato varieties in controlling the contraction of blood vessels and lowering high blood pressure and this led to the release of “GABA Select,” a food with functional claims for “a person who suffers with high blood pressure.”

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

To deliver safe, reliable products to our customers, we are strengthening “basic technologies for assuring safety throughout the supply chain starting in the fields,” including conducting activities to predict risk, acquire analysis and evaluation technologies and assess the safety of raw materials.

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

To maintain stable competitiveness, we are reinforcing the foundation for our intellectual property (acquisition, protection, and prevention of obstruction and litigation) through invention and discovery as a result of in-house research and development and periodical searches of other companies' patents.

### Promotion of Open Innovation to Help Resolve Social Issues

Below are examples of open innovation that incorporates technologies used in other industries and cutting-edge technologies into our existing businesses and new businesses, and “creation of value through the combination of goods and services.”

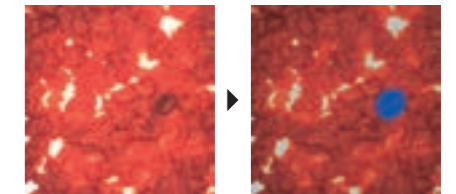
#### (1) Example of open innovation

Kagome and the National Institute of Advanced Industrial Science and Technology developed technology for detecting contaminants in processed tomato products with high accuracy by utilizing artificial intelligence (AI)

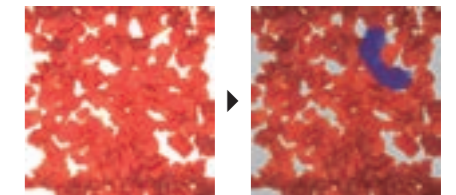
In October 2017, Kagome became the first food company to sign a comprehensive joint research agreement with the National Institute of Advanced Industrial Science and Technology (“AIST”) and dispatch researchers to AIST. In fiscal year 2018, Kagome and AIST succeeded in developing technology for detecting with high accuracy contaminants, tomato skin, traces of stems, and discoloration in processed tomato products through the utilization of an AI algorithm\* developed by AIST. In a performance assessment of this technology, the technology successfully detected without omission all the detection targets contained in 500 sample images. Kagome aims to put this technology into practical use at all its production plants by fiscal year 2020.

\*An AI algorithm is a set of rules given to an artificial intelligence program to help it process information. In this research, we enhance detection accuracy by conducting an experiment in which we use an AI algorithm developed by AIST to identify detection targets.

#### Detection of tomato fruit discoloration



#### Detection of hair



#### (2) Example of combining goods and services

To increase vegetable consumption, it is important to determine current vegetable intake. However, determining vegetable intake has previously been troublesome, costly and time-consuming, requiring collection of a blood sample to measure carotenoid concentrations in the blood. In 2017, Kagome teamed up with German firm biozoom services to jointly develop a measuring device that can determine the level of vegetable intake quickly and easily by optically measuring skin carotenoid levels, etc. From the summer of 2019, Kagome plans to sell and lease this measuring device and offer health services utilizing this device to companies practicing health and productivity management and local governments seeking to strengthen health promotion measures. By using this measuring device to make service users more aware of their vegetable intake and delivering seminars on creative ways to eat more vegetables, Kagome will help increase vegetable intake and support health promotion and the implementation of health and productivity management.

#### Measuring device for determining vegetable intake



### Message from the Director of Innovation Division

The Innovation Division is increasing its focus on research themes that are meaningful for Kagome's transformation to a “vegetable company,” in anticipation of changes in social conditions and advances in technology 10 or 20 years from now. The division is committed to open innovation, searching far and wide, both inside and outside the company, for the resources it needs, and it develops researchers with a forward-looking attitude, who learn from mistakes and continue taking on new challenges. The Innovation Division will conduct its research activities based on an acute awareness of the need to link its research findings to the resolution of social issues and to Kagome's business.

# Product Safety and Security Fulfilling our Brand Promise

Kagome has established a 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 focusing on quality assurance and environmental preservation in every process of the supply chain.

## (1) Approach to quality and the environment

Kagome has always conducted manufacturing that uses nature's bounty, beginning from the development of vegetable seeds and soil to procure high quality raw materials, based on the idea that "fields are the primary production plant." Achieving both the preservation of the global environment and nature-based manufacturing is vital for maintaining the growth of Kagome's business activities in the future.

Because of such commonality and activity relevance between quality (manufacturing) and the environmental philosophy, we combined our Quality Policy and Environment Policy, which had been separate in the past, 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 aim to achieve a sustainable society by focusing on environmental protection 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.

## (2) Enhancement of quality assurance systems in Japan

Since 2003, we have been endeavoring to raise quality by applying a quality management system based on ISO 9001 across all our 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 fiscal year 2016. 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 are expecting to complete the certification of all six of our factories in Japan by fiscal year 2019. Kagome's major overseas subsidiaries overseas are also endeavoring to enhance their food safety management systems by acquiring FSSC 22000 certification 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
Sep. 2019 (Plan)	Ibaraki Plant and Nasu Plant: all lines

## (3) Strengthening competitiveness of overseas Group companies by improving quality

Kagome is working to raise the level of quality assurance by establishing a unique quality assurance model for its overseas Group companies that embodies "Quality First, Profit Second."

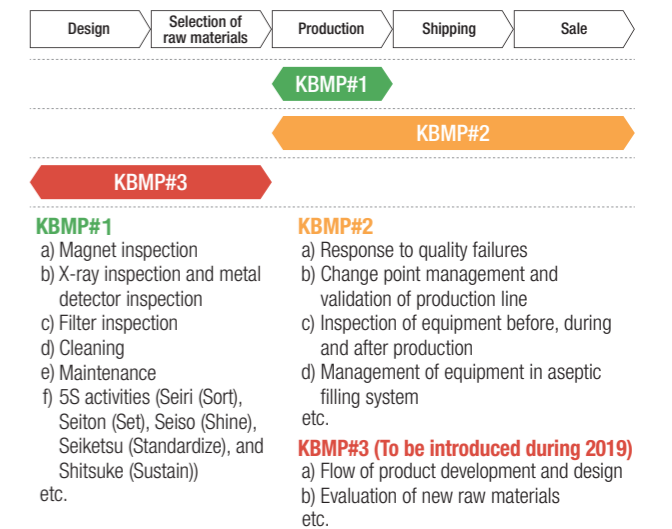
### Global quality assurance system

In the past, there were discrepancies between the level of quality management at overseas Group companies depending on the laws and regulations, business practices and level of customer requirements in each country. To tackle this issue, we established the Global Quality Assurance Department in 2016 and, based on quality management expertise developed by Kagome in Japan, we have established a common global quality management standard known as Kagome Best Manufacturing Practice (KBMP), and are conducting quality assurance activities at each company using this standard. We are also focusing on 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 the KBMP approach to quality management in the production environment, such as the prevention of contamination, with Group companies. In Stage 2, we will establish common rules for responding quickly in the event of quality failures and, in Stage 3, we will conduct activities to prevent quality failures caused by product design by presenting steps for the design of new products and the selection of raw materials.

In this way, we will gradually broaden the scope of operations covered by the quality assurance system, from upstream to downstream processes, and endeavor to improve the level of quality assurance in every process.

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



### Activities to improve quality in production environment

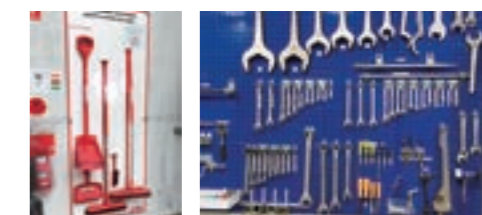
As a result of the activities of the Global Quality Assurance Department, each Group company's rate of compliance with KBMP has risen year by year, leading to a reduction in losses due to quality-related problems. Other activities to improve quality in production environment include regularly organizing 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 these activities, we point out strengths and weaknesses to each other and make improvements.

We have also strengthened promotion of 5S activities to develop a quality mindset in employees. Every company now understands the purpose of the 5S and voluntarily conducts 5S activities.

#### Fourth Production and QA Meeting held at Kagome Australia



#### Examples of improvement through 5S activities (Kagome Australia)



# Approach to Environmental Preservation

## Protecting water, soil and air that nurture vegetables

For Kagome, which has been contributing to people's health using nature's bounty, it is essential to maintain a sustainable agricultural business in a rich natural environment for continuing to enjoy the bounty of nature. Achieving both the preservation of the global environment and nature-based manufacturing is vital for maintaining the growth of Kagome's business activities into the future.

### (1) Prevention of global warming

In fiscal year 2019, Kagome made a start on analysis of climate change scenarios as recommended by the Task Force on Climate-related Financial Disclosures (TCFD). We recognize that responding to climate change is a high-priority issue among the important issues (materiality) we identified based on our own internal examination and we have identified risks and opportunities based on the assumption of multiple scenarios for global warming and more frequent extreme weather events. The table below shows some of the identified risks and opportunities. We plan to continue examining countermeasures, taking the financial impacts of these risks and opportunities into consideration, and to reflect our analysis results in concrete business plans.

#### Business risks and opportunities

Category	Type	Details
Transition risks	Government policies, laws and regulations	<ul style="list-style-type: none"> <li>Introduction of carbon tax</li> <li>Tightening of relevant laws and regulations regarding waste recycling, energy conservation and reduction of CO<sub>2</sub></li> </ul>
	Market	<ul style="list-style-type: none"> <li>Sales decline due to unseasonable weather in summer (extremely low or high temperatures, etc.)</li> </ul>
Physical risks	Acute	<ul style="list-style-type: none"> <li>Decreased procurement volumes and increased procurement cost of agricultural raw materials due to unseasonable weather in production areas</li> <li>Damage to production equipment and suspension of product supply due to extreme weather events (severe typhoon, flooding, inundation, weather that makes it difficult for employees to come to work)</li> </ul>
Opportunities	Resource efficiency	<ul style="list-style-type: none"> <li>Improvement in efficiency of distribution process through the establishment of logistics company F-LINE</li> <li>Development and sale of heat and disease resistant tomato varieties</li> </ul>
	Products and services	<ul style="list-style-type: none"> <li>Development of a tomato cultivation system with minimal water use</li> <li>Adaptation to abnormal weather events through the development of a global tomato procurement network</li> <li>Creation and expansion of market for vegetable-related products as emergency stockpile</li> </ul>

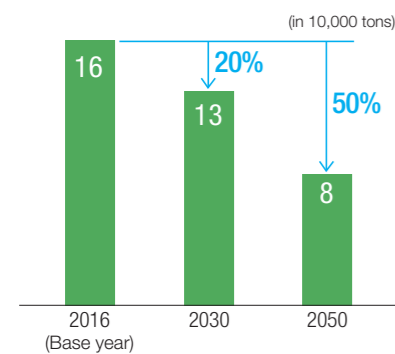
### Establishing mid- to long-term CO<sub>2</sub> reduction targets

#### Scope 1 and Scope 2

In line with the Paris Agreement objective of keeping global warming below 2°C, Kagome has set goals of reducing the entire Group's CO<sub>2</sub> emissions by at least 20% by 2030 and at least 50% by 2050 (compared to emissions in 2016).

#### Scope 3

The majority of Scope 3 CO<sub>2</sub> emissions relate to purchased raw materials and production, and therefore Kagome will set its suppliers reduction targets by 2021 and endeavor to reduce CO<sub>2</sub> emissions in collaboration with suppliers from 2022.



#### Plants

We will reach our mid- to long-term CO<sub>2</sub> reduction targets through energy-saving activities and the use of renewable energy. At our overseas factories, we are promoting solar power generation and we introduced solar power generation at Kagome Inc. in the U.S. in 2017. We also plan to introduce solar power generation at Kagome Australia in 2019.

#### Logistics

In April 2019, we made the full-scale transition from our own delivery system to joint delivery using F-LINE, a logistics company jointly established by five food companies including Kagome. This has improved our transport efficiency and is helping to reduce our CO<sub>2</sub> emissions.

### Relationship between the content of this Integrated Report and the SDGs

Content of this Integrated Report	Target	No.	Details (Summary)
(1) Prevention of global warming (Establishing mid- to long-term reduction targets)	13	13.3	Climate change mitigation and adaptation
(2) Conservation of water (understanding water-related risks, taking action to address them, and reducing water usage)	6	6.4	Increase water-use efficiency and address water scarcity

Content of this Integrated Report	Target	No.	Details (Summary)
(3) Protection of biodiversity (agricultural development, protection of biodiversity, response to invasive alien species)	11	11.a	Support positive links between urban, peri-urban and rural areas
	15	15.5	Halt the loss of biodiversity
	15	15.8	Prevent the introduction of invasive alien species

### (2) Preservation of water

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

#### Kagome Group Water Policy

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

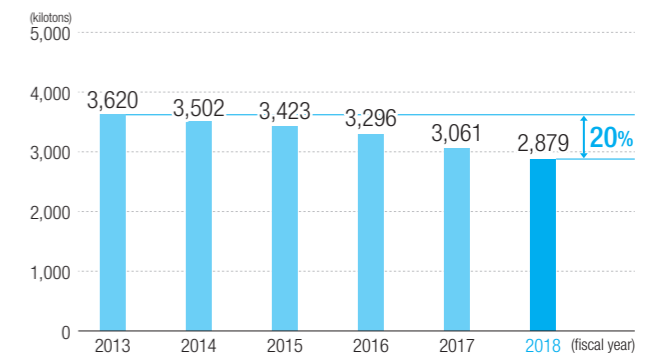
#### Reducing water usage

The Kagome Group draws water from various sources. In the U.S. and Australia we use tap water supplies. In Portugal, Italy and Japan we use well water, and in Taiwan we use a combination of both. The Kagome Group is working to reduce water usage, and has set targets of reducing water usage per unit produce by 1% each year, and by 3% overall between 2019 and 2021. At our domestic plants, we have reduced water usage (total volume) by 20% over a five year period (2013 through 2018).

### Identifying and combating water-related risks

In surveys of tomato and carrot processing locations at Kagome Group companies and major suppliers, we found risks at locations in Australia (drought and heavy rain risks), the U.S., Turkey, Chile and China (drought risks). In order to combat these risks, we have launched initiatives that include reducing drought risks by making use of water stored during rainy seasons in dry periods, and avoiding periods at high risk of heavy rainfall when cultivating crops.

#### Water usage at domestic plants



### (3) Protection of biodiversity

In order to continue to sustainably enjoy nature's bounty, Kagome aims to achieve a peaceful coexistence with a diverse array of living creatures, primarily by reducing impact on biodiversity in its agricultural practices.

#### Conservation activities in line with the Kagome Group Biodiversity Policy

Kagome is engaged in various activities in line with its biodiversity policy, which was established in fiscal year 2018, 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 Noen Oen (Local Obscure Farms Support))

#### Case studies

##### Biodiversity surveys of tomato fields

As a result of biodiversity surveys of open-air cultivation tomato fields operated by contracted farmers conducted in fiscal year 2012 regarding the actual state of biodiversity in those fields, we were able to confirm the presence of many living creatures; and found that assessment indicators for biological surveys—animal life such as frogs and spiders—were being maintained in an almost completely unaffected state. In July 2018, we also conducted biodiversity surveys of open-air cultivation tomato fields and their surrounding areas in Ibaraki prefecture. Moving forward, we will continue to conduct surveys to ascertain the risks and opportunities to biodiversity posed by tomato growing using different methods of cultivation in various regions, and work to achieve tomato cultivation that will help to enrich the natural environment.

## Sustainable Procurement **Bolstering our foundation for manufacturing products, starting from the fields**

Kagome has built a global pool of human resources and management system to enable management of fields, as it seeks to avoid risks such as climate change and foreign exchange rate fluctuations and to optimize costs and suppliers. We also engage in procurement activities with respect for an equal and fair cooperation framework enabling us to grow together.

### Thinking on Procurement Activities and Initiatives for Creating Opportunities

Contract farming of tomatoes for processing was started by our founder. It is a system by which we secure high-quality raw ingredients through collaborative partnerships between producers and processors, and is the starting point for our procurement activities. Procurement in Japan is almost exclusively through contract farming. Overseas, we engage in purchasing transactions with local suppliers, based on our basic policies of establishing long-term transactions, ensuring appropriate pricing, and conducting on-site checks. We are also bolstering our network of procurement locations for other ingredients aside from tomatoes, with a view to achieving our vision of transforming into a "vegetable company."

#### Supply Chain Management Initiatives

##### Selection of suppliers

Kagome's advantage in procurement lies in its knowledge and expertise in areas such as production, quality and cost structure, gained through the fact that Kagome engages in all aspects of its business, from growing to processing of raw ingredients into products. 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.

##### Sharing of information with suppliers

For products and raw materials procured from overseas producers and processors of agricultural produce, as a general rule, Kagome personnel visit the suppliers to check the status of quality management in their operations from growing to production processes. We also hold advance meetings with suppliers annually and prior to the production season with regard to their main products and raw ingredients for import. Together with suppliers, we consider issues in the overall supply chain process, from the fields to the factories. These considerations include not only production processes in which harvested agricultural produce is processed, but also aspects of growing methods used by contracted farmers, such as the number of agrichemicals applied and optimal use of fertilizers. In this way, we guarantee the production of better quality products and raw ingredients. After the end of each season, we conduct reviews of the season and identify issues for the next fiscal year, and set targets that will enable us to continue growing together.



A meeting with suppliers

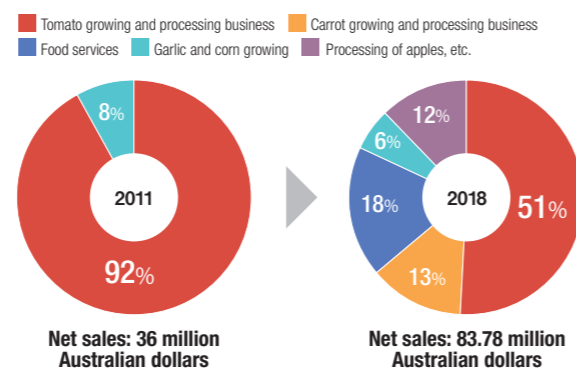


Conducting checks in a field

#### Case studies of initiatives for developing procurement locations with a view to transforming to a "vegetable company"

Kagome Australia was established in June 2010, through a transfer of business operations from a local company engaged in farm management and ingredient processing activities, primarily for producing tomatoes for processing. One of the objectives of its establishment was to stabilize procurement by dispersal of ingredient procurement locations across various latitudes from north to south. With increasing needs for carrots as a raw ingredient in Japan, in 2014, Kagome Australia commenced trials for the growing and processing of carrots for the Japanese market. Since then, the company has worked to improve quality and costs to match Japanese requirements. As of 2018, the operation shifted to full-scale transactions for carrots, providing a valuable procurement source for carrots as a raw ingredients. In 2011, 92% of Kagome Australia's sales were accounted for by tomato growing and processing business. In 2018, this percentage decreased to around 51%, with secondary processed tomato products for the food service market, as well as cultivation and sale of carrots, apples, garlic and other ingredients also contributing. In this way, Kagome Australia is growing steadily as a procurement location contributing towards Kagome's vision of transforming to a "vegetable company."

##### Kagome Australia's sales breakdown



## Human Resources Underpinning the Creation of Value

### Work Style Reforms and Diversity

In today's rapidly-changing world, Kagome believes that in order to achieve sustainable growth it is important to provide a working environment in which each and every individual employee can make maximum use of their diverse strengths and abilities, and feel a sense of job satisfaction.

#### Relationship between the content of this Integrated Report and the SDGs

Content of this Integrated Report	Target	No.	Details (Summary)
(2) Promoting Diversity	5.5	5.5	Ensuring participation and equal leadership opportunities for female employees

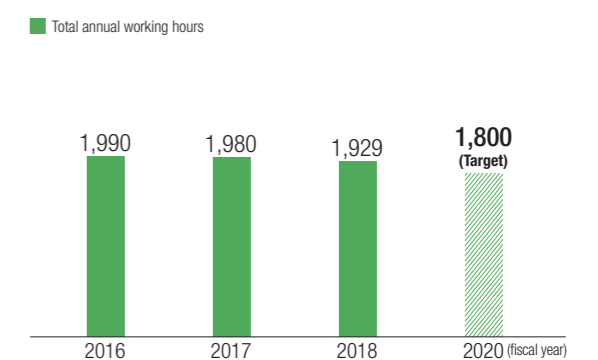
### (1) Promoting Work Style Reforms

Since 2014, Kagome has worked to implement work style reforms with the aim of creating a company where it is easy to work, and where employees feel a sense of job satisfaction.

#### Efforts to achieve total annual working hours of 1,800

We launched our program of work style reforms in fiscal year 2014, and have advanced to the second phase of these reforms from fiscal year 2018. We have launched initiatives towards achieving our target of total annual working hours of 1,800 by 2020, and are investing efforts into building a culture for increasing job performance with eight-hour days. As a measure for reducing the constraints of working hours and locations, in April 2018 we introduced a staggered working hour system and a regional card system that enables employees to choose where they work. From April 2019, we have been testing a flextime system, and have also introduced a telecommuting system. By increasing the level of freedom for employees with regard to work styles, and by enabling them to devise their own ways of working, we aim to improve productivity with greater autonomy.

#### Change in total annual working hours



#### Secondary job scheme: hopes for creating greater motivation for employees' main job at Kagome

Kagome's work style reforms have also promoted lifestyle reforms. In April 2019, we introduced a secondary job scheme, hoping to support the formation of employees' careers and having a positive impact on their work at Kagome. Although only several employees had made use of this scheme as of June 2019, some of the employees are utilizing the scheme to make use of their own qualifications in activities outside of their work at Kagome. Examples of such qualifications include Small and Medium Enterprise Management Consultant, Labor and Social Security Attorney, and Registered Dietitian.

### (2) Promoting Diversity

Understanding of the importance of promoting diversity within the company has improved, and disparities in ease of working for male and female employees have been almost completely eliminated.

#### Promoting active roles for women

Over the past three years, Kagome has made mostly steady progress in tackling issues such as recruitment, continuous employment, and employee development and promotion, working under its long-term vision of achieving a state where 50% of its workforce consists of women. Over the next three years, in addition to continuing to tackle these issues, we will also work to enhance our systems for mutual learning and development, and initiatives aimed at younger employees, as we seek to further increase the pace of our efforts in promoting active participation and advancement for women in the workplace.

#### Act on Promotion of Women's Participation and Advancement in the Workplace: Kagome's Action Plan figures

Target 1	To hire new employees, of whom 50% or more are female employees	60% (Actual result for FY2018)
Target 2	To maintain the continuous employment percentage of female employees hired before the 2009-2011 fiscal years at least 80% of that of male employees	0.81 (Actual result for FY2018)
Target 3	To ensure that female employees make up at least 8% of managerial positions (Manager and above)	5.6% (As of April 1, 2019)

#### Establishment of Veggie Kids Nursery, which teaches children to love vegetables

In April 2019, Kagome established Veggie Kids Nursery, which teaches children to love vegetables, near its Tokyo head office in Chuo-ku, Tokyo. The objective of establishing this nursery was to help create an environment in which employees can work with peace of mind during their child raising years, without feeling anxious about balancing their career and work with raising their children. The idea for the nursery came from a Kagome employee who was also a working mother herself, in response to an open call for new project ideas.



### (3) Promoting health and productivity management

At Kagome, we believe that in order to maintain a sound and healthy company, it is important to ensure that each individual employee is also healthy, both physically and mentally. We are therefore working proactively to manage the health of our employees. In 2017, we established Kagome's 7 Points for Good Health, and made the Kagome Health and Productivity Management Pledge. We have been recognized externally, for three consecutive years since 2017, under the Certified Health and Productivity Management Organization (White 500) program operated by the Ministry of Economy, Trade and Industry (METI) and Nippon Kenko Kaigi. In November 2017, we were also given the highest rank by the Development Bank of Japan (DBJ) under its DBJ Employees' Health Management Rated Loan Program.

#### Framework for promoting health and productivity management

In 2016, we established the General Health Services Department of Kagome Axis Co., Ltd. We have appointed industrial doctors to all business locations, and are promoting health management together with public health nurses and industrial counselors. In fiscal year 2018 we launched a Health Promotion Committee, and 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 measures and initiatives, such as by holding regular Collaborative Health Promotion Meetings together with the Kagome Health Insurance Union. We also hold Kagome Health Meetings, at which industrial doctors from major business locations, other industrial health staff, Kagome corporate officers responsible for health issues, and members of the General Affairs and Health Services Department and Kagome Health Insurance Union assemble to share and discuss group-wide health-related initiatives.

#### Current situation with regard to health management

In addition to promoting and implementing 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 our regular dental checkups, influenza vaccinations and walking campaigns every year. We also encourage and support employees aged 30 or above, and their spouses, to undergo annual comprehensive medical examinations.

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

	FY2016	FY2017	FY2018
Percentage of employees taking health checkups	100	100	100
Percentage of employees taking reexaminations	95.9	100	100
Percentage of employees receiving specific health guidance	2.2	50.3	58.2

#### Current situation with regard to mental health

Kagome has established contact desks for mental health issues at all of its business locations in Japan. Industrial counselors and other professionals collaborate with these contact desks and travel around the country visiting all business locations every year. During these tours, professionals engage in monitoring and ascertaining the current situation, share information with the health management desk at head office, offer support and follow-up for employees returning to work after periods of absence, work to identify employees with poor mental health at an early stage, and help to create an environment where employees feel that they can easily consult with someone regarding their mental health. Additionally, Kagome also runs annual mental health training seminars for new employees and management personnel.

#### Current situation with regard to stress checks (%)

	FY2016	FY2017	FY2018
Examination rate	94.4	96.6	92.0

\*The method used for performing checks was changed in FY2018.

#### 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 fiscal year 2017, we began publishing the Kagome Health Report, and holding health seminars for employees run by registered dietitians and public health nurses. In fiscal year 2018, we also started e-learning study programs (physical health edition and mental health edition) for all employees.

#### 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.

#### 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



## Collaborating with Communities

### Resolving social issues through food

Kagome aims to grow by creating a sustainable society through working to resolve social issues in collaboration with local communities, with a view to achieving its vision ("What Kagome Strives For").

#### Relationship between the content of this Integrated Report and the SDGs

Content of this Integrated Report	Target	No.	Details (Summary)
(2) Initiatives Aimed at Agricultural Development and Regional Revitalization	4 Quality Education	4.4	Increase in the percentage of young people and adults with technical and vocational skills
	8 Decent Work and Economic Growth	8.9	Tourism business leading to creation of jobs, promotion of regional culture and sales of regional produce

### (1) Initiatives to Enable Longer, Healthier Lives

In addition to its products, Kagome is working to enable people to live longer, healthier lives through the simultaneous provision of information and services, such as guidance for improving dietary lifestyles, and dietary education for children.

#### Proposing dietary lifestyle improvements in the health service business

Kagome proposed its Kagome Good Health Support Program for the "lively and active workplace support program" segment of the Longevity and Good Health Fukushima Promotion Project, run by Fukushima Prefecture in fiscal years 2017 and 2018. The proposal was successfully adopted. Kagome's team of registered dietitians (Vegetables and Lifestyle: Dietitians' Labo) supported efforts to improve the health of employees at companies in Fukushima Prefecture by running dietary lifestyle improvement seminars and other activities.



#### Activities to eradicate children's dislike of vegetables

The collaborative child-raising project Oishii ("Delicious") Vegetable Challenge Program was launched in April 2018 in collaboration with Houkago NPO After School, with the aim of overcoming children's dislike of vegetables. As of December 31, 2018, the program was implemented at 20 schools in the Kanto region, with 854 children participating. In the program, hands-on dietary education lessons were conducted in which children used their senses to engage in various experiences, based on the theme of "the sense of accomplishment of being able to eat vegetables." In fiscal year 2019, the program will be expanded to a nationwide scale, with 50 locations across Japan.



### (2) Initiatives Aimed at Agricultural Development and Regional Revitalization

Strengthening ties with local regions through agriculture is essential to the growth of Kagome's business.

#### Kagome Yasai Seikatsu Farm Fujimi opened

In April 2019, Kagome opened the Kagome Yasai Seikatsu Farm Fujimi vegetable theme park at Fujimi, in the Suwa District of Nagano Prefecture. With the majestic natural scenery of Yatsugatake as a backdrop, the facility enables visitors to experience harvesting and cooking vegetables, to enjoy meals prepared using fresh seasonal vegetables in the restaurant, and to observe manufacturing processes for vegetable juices produced at the neighboring Fujimi Plant. As a flagship facility for visitors to experience the "vegetable company" vision that Kagome aims to achieve, Kagome Yasai Seikatsu Farm Fujimi is drawing attention as a tourist attraction that carries the hopes of both Fujimi and Nagano Prefecture as a whole. At Yatsugatake Mirai Farm, a location within the facility for growing fresh tomatoes, Kagome actively promotes the employment of people with disabilities, and seeks to achieve a collaborative link between agriculture and welfare.



#### Agri-support business utilizing expertise in growing fresh tomatoes

In April 2017, Kagome launched an agri-support business offering guidance on starting up and operating farms and technical advice on tomato cultivation, aimed at tomato producers. This business leverages the know-how accumulated through Kagome's experience over 20 years in the fresh tomato business.

