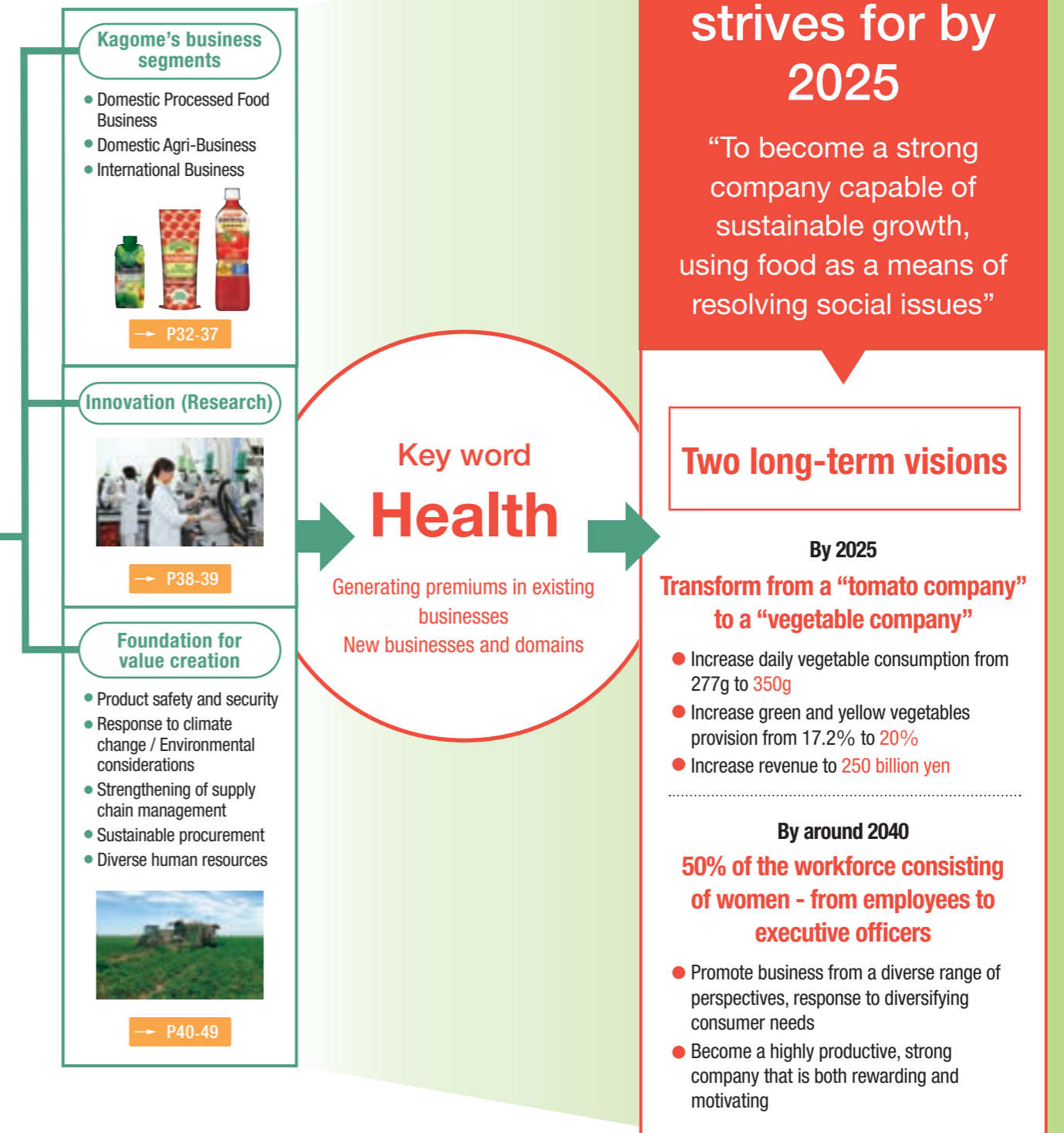
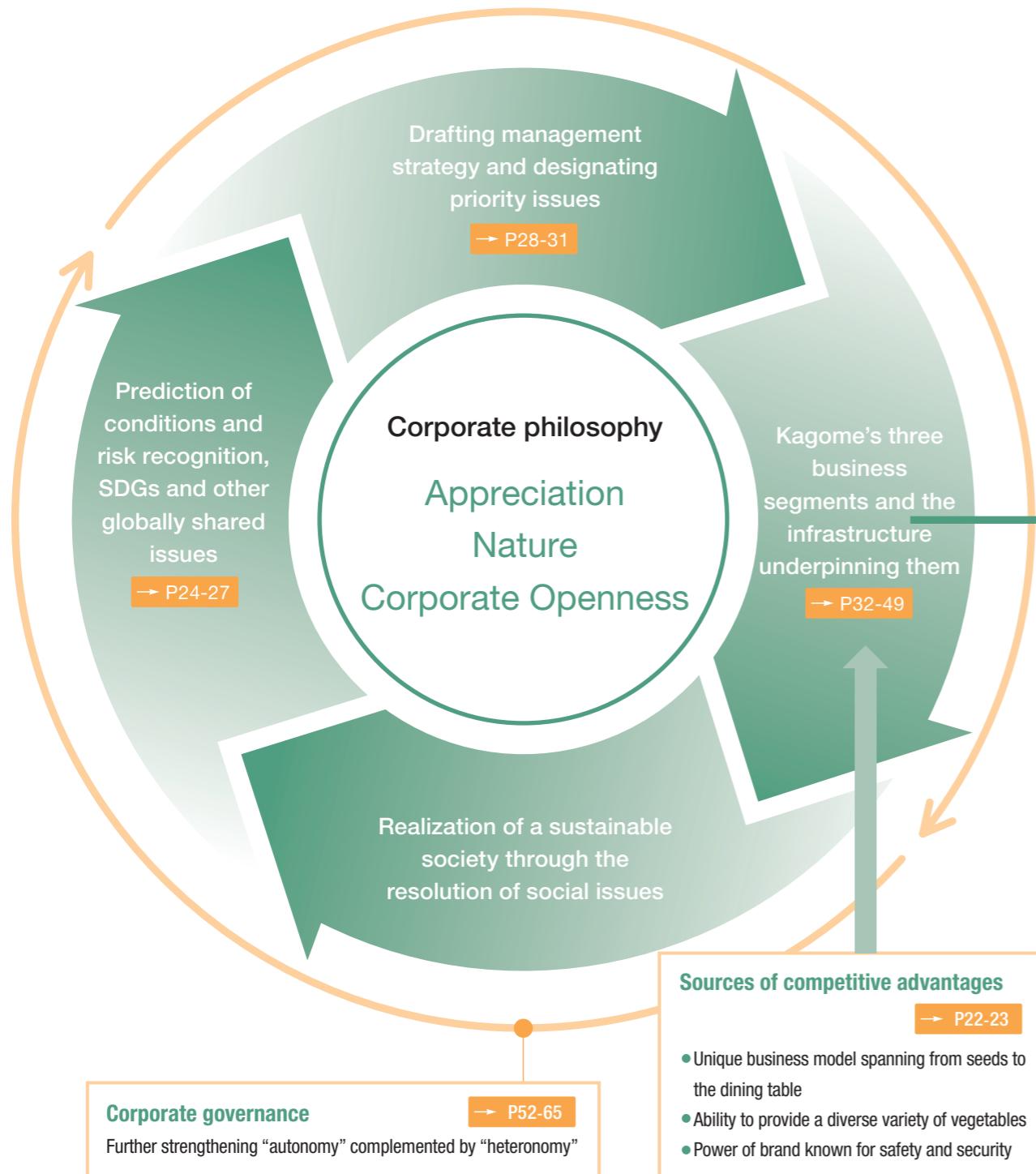


## Kagome's Value Creation and Growth Strategies

### Value Creation Process

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



## Sources of Kagome's Competitive Advantages

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

### Sources of competitive advantages 1 Business model

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

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

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

**Creating Demand**  
Value promotion activities to convey product value to customers and create demand.

**Product Production**  
Manufacturing processes and quality management based on using the optimal combination of quality raw materials and technology to maximize the value of raw materials.

**Procurement & Primary Processing**  
We procure only high-quality raw materials that conform to Kagome standards and conduct primary processing to ensure flavor retention.

**Cultivation**  
Contracted cultivation using specific seeds, farming instruction, fresh tomato cultivation in large-scale greenhouses.

**Developing Plant Varieties & Producing Seeds and Nursery Stock**  
Using the Kagome's stock of genetic resources for produce in hybridization methods to produce and supply competitive seeds.

**Research & Development**  
Research and product development to maximize the value of natural produce and contribute to longevity and good health.

**Horizontal direction**  
Major sites worldwide

Japan

America

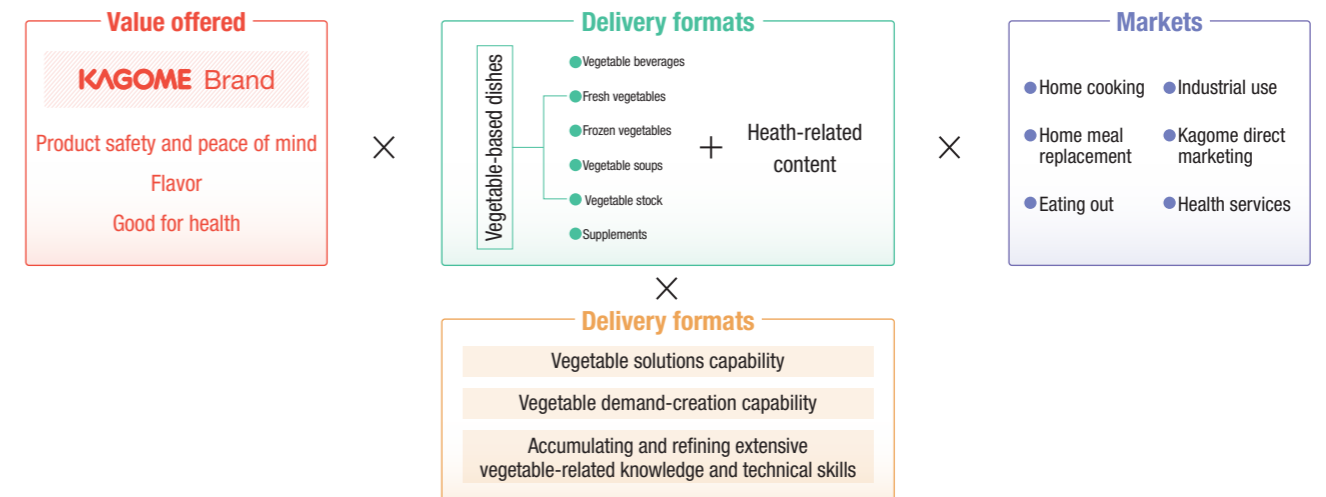
Portugal

Australia

**Vertical direction**  
From seeds to the dining table

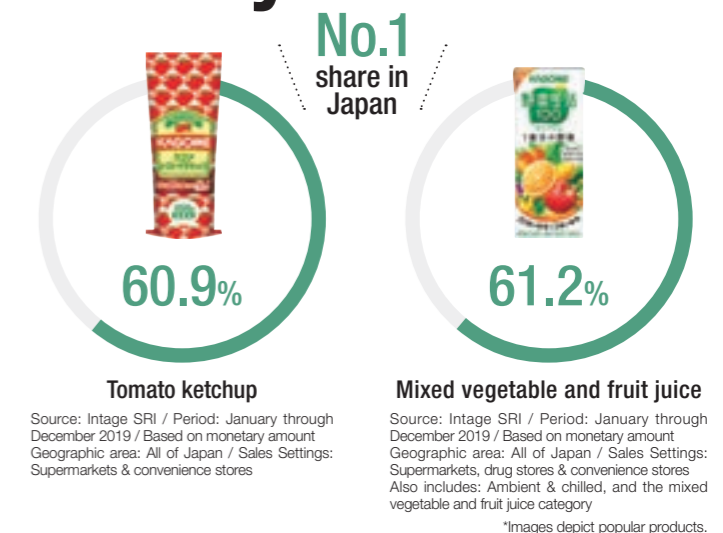
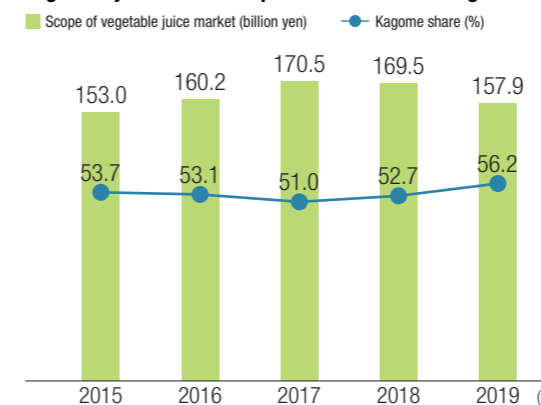
### Sources of competitive advantages 2 Ability to provide a diverse variety of vegetables

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



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

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



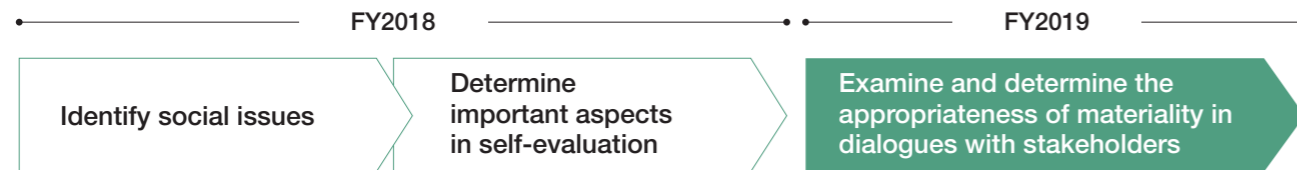
**Customer Experience Value (CX) Ranking No. 1 (2019)**

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

## Identifying Kagome's Important Issues (Materiality)

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

### Process of identifying the factors



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

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

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

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

### Comments from experts



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

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

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



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

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

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



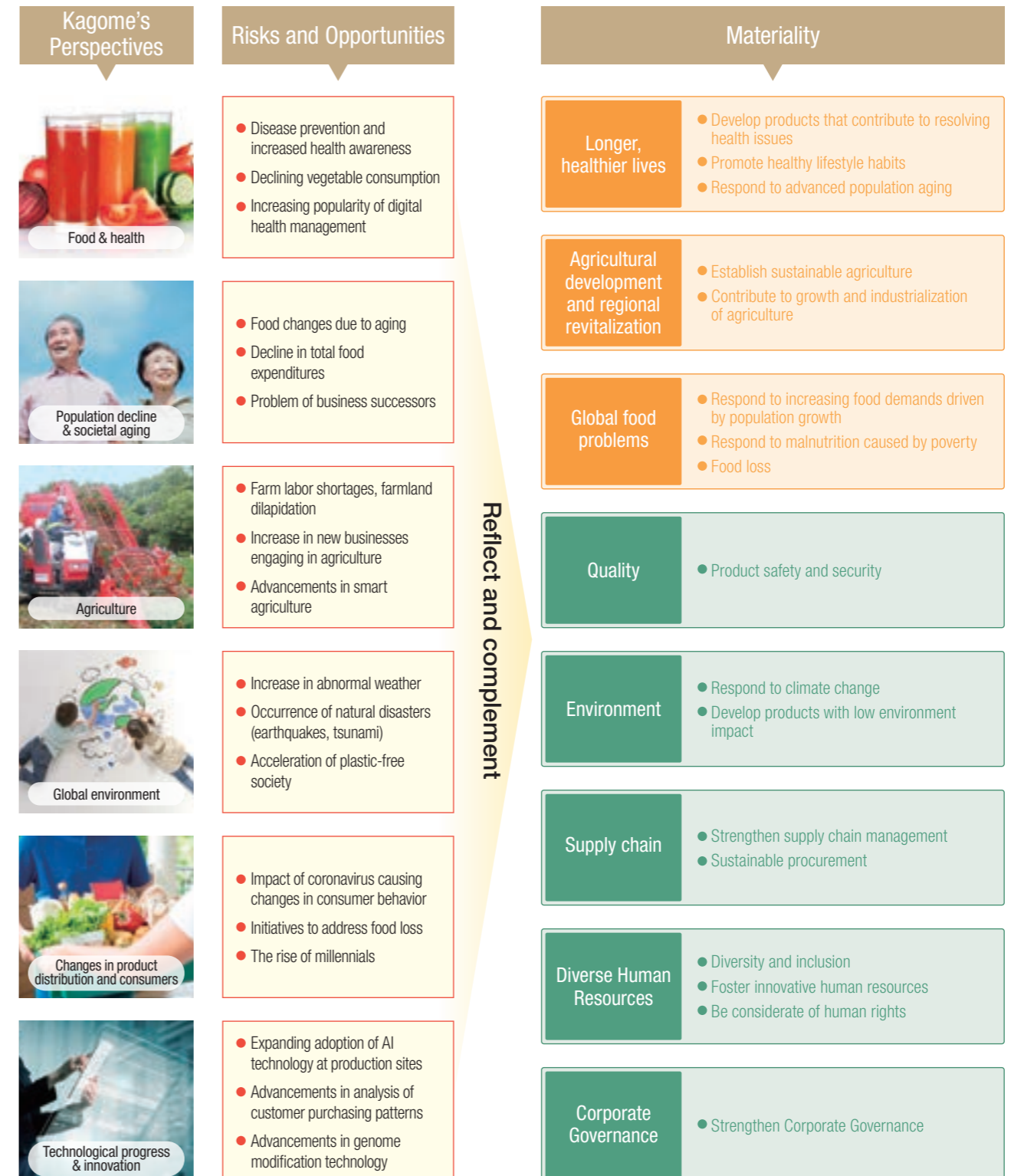
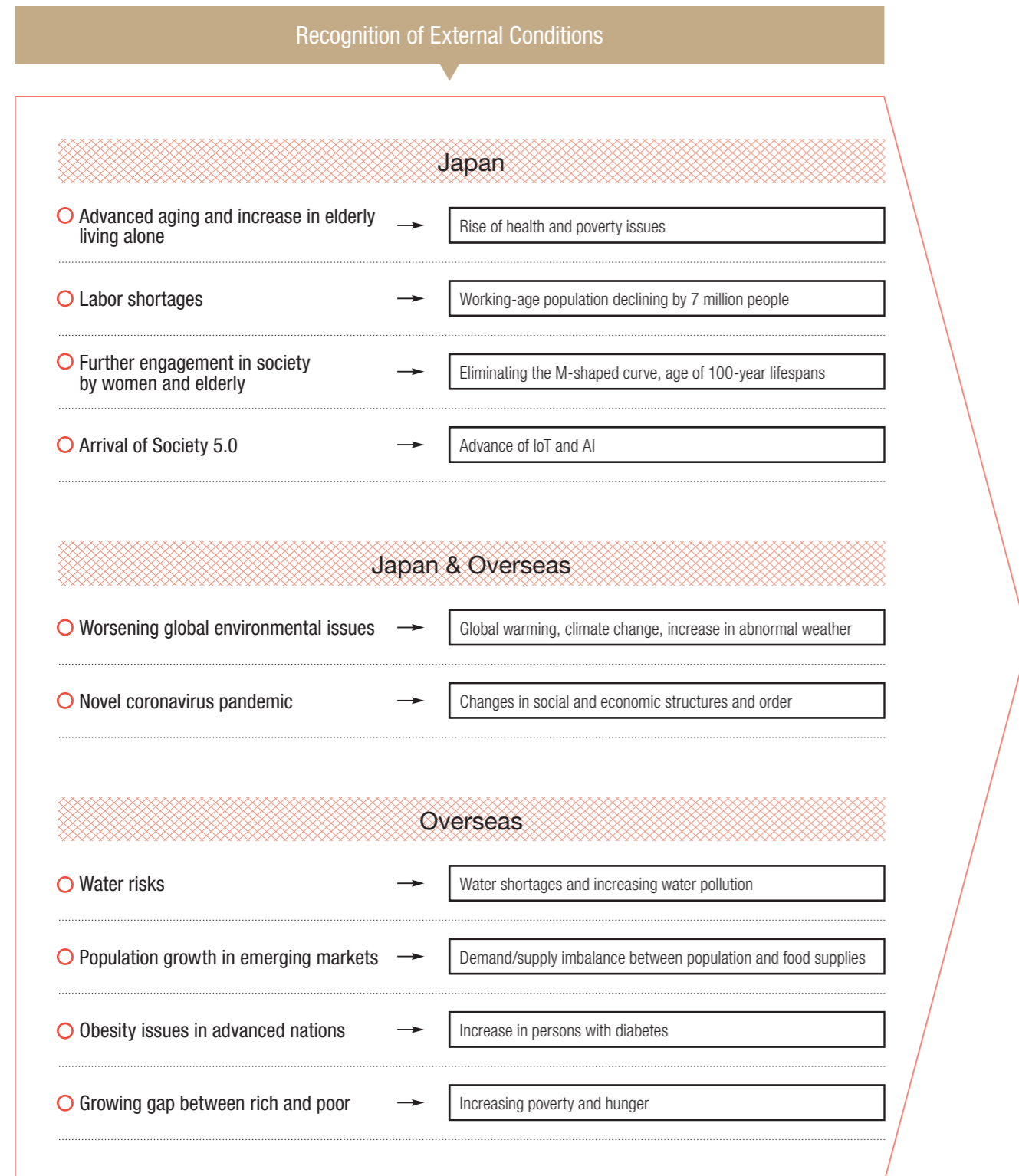
Consumer Lifestyle Consultant  
Maki Morita

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

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

# Recognizing External Conditions, Risks and Opportunities

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



# Kagome's Materiality

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

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

	Group	Materiality issues	Major Kagome initiatives	Relevant SDGs	Major non-financial benchmarks	Major financial impact																			
Business strategies	<p>Longer, healthier lives</p>	<ul style="list-style-type: none"> <li>• Develop products that contribute to resolving health issues</li> <li>• Promote healthy lifestyle habits</li> <li>• Respond to advanced population aging</li> </ul>	<ul style="list-style-type: none"> <li>• Provide diverse vegetable products for a variety of ages, household types, and consumption occasions</li> <li>• Disseminate information on the value of vegetables through initiatives such as health seminars and VegeCheck.</li> <li>• Promote initiatives related to health through partnerships with local municipalities and other companies</li> </ul>	<p>3 GOOD HEALTH AND WELL-BEING</p>	<ul style="list-style-type: none"> <li>• Vegetables supplied to Japanese markets via Kagome products/ratio 2018: 620,000 t &gt; 2025: 830,000 t</li> <li>• Number of people provided health information by the Health Business Department 2021: 1 million people</li> </ul>	<div style="border: 1px solid black; padding: 5px; margin-bottom: 5px;"> <b>2025 goals</b> </div> <p><b>Revenue</b> 250.0 billion yen</p> <p><b>Core operating income</b> 20.0 billion yen</p> <p><b>Operating income margin</b> 8%</p> <div style="border: 1px solid black; padding: 5px; margin-bottom: 5px;"> <b>2050 projections</b> </div> <p>Evaluating financial impact in the event of an average temperature increase of 4°C/2°C</p> <div style="border: 1px solid black; padding: 5px; margin-bottom: 5px;"> <b>2025 goals</b> </div> <p><b>Logistics expense margin</b> 7.4% or lower</p>																			
	<p>Agricultural development and regional revitalization</p>	<ul style="list-style-type: none"> <li>• Establish sustainable agriculture</li> <li>• Contribute to the growth and industrialization of agriculture</li> </ul>	<ul style="list-style-type: none"> <li>• Adopt mechanical harvesting to expand production of vegetable raw materials in Japan</li> <li>• Establish a platform for linking production locations and consumption locations to expand consumption of local produce (initiatives to promote "locally grown, nationally consumed")</li> <li>• Form industry-academic partnerships to conduct research related to vegetable breeds, cultivation technology, and productivity improvements.</li> </ul>	<p>2 ZERO HUNGER</p>	<table border="1"> <tr> <th>Year</th> <th>Vegetable supply volume (10,000 t)</th> </tr> <tr> <td>2018</td> <td>62</td> </tr> <tr> <td>2025</td> <td>83</td> </tr> </table>		Year	Vegetable supply volume (10,000 t)	2018	62	2025	83	<ul style="list-style-type: none"> <li>• Expand vegetables in Japan Vegetable procurement volume in Japan (tomatoes, carrots), handling volume (onions)</li> </ul> <table border="1"> <tr> <th></th> <th>2019</th> <th>2021</th> </tr> <tr> <td>Tomatoes</td> <td>17,000 t</td> <td>20,000 t</td> </tr> <tr> <td>Carrots</td> <td>10,000 t</td> <td>11,000 t</td> </tr> <tr> <td>Onions</td> <td>5,000 t</td> <td>15,000 t</td> </tr> </table>		2019	2021	Tomatoes	17,000 t	20,000 t	Carrots	10,000 t	11,000 t	Onions	5,000 t	15,000 t
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<p>Global food problems</p>	<ul style="list-style-type: none"> <li>• Respond to increasing food demands driven by population growth</li> <li>• Respond to malnutrition caused by poverty</li> <li>• Food loss</li> </ul>	<ul style="list-style-type: none"> <li>• Form tomato production sites in regions projected to see increased demand</li> <li>• Develop commercial tomato farm management business incorporating AI</li> <li>• Use tomato and carrot scraps (pulp, purée)</li> <li>• Add product date labeling and extend use-by dates for Japanese products</li> </ul>	<p>2.4 Ensure sustainable food production systems and implement resilient agricultural practices</p> <p>2.a Build agriculture infrastructure in developing nations</p>	<ul style="list-style-type: none"> <li>• Use of carrot pulp by Kagome Australia 2021: 1,000 t</li> <li>• Volume of food waste in Japan 2030: Reduce by 50% compared to 2018</li> <li>• No. of smart agriculture customers 2021: Five countries, nine processing companies</li> </ul>																					
Strengthen foundation for value creation	<p>Quality</p>	<ul style="list-style-type: none"> <li>• Product safety and security</li> </ul>	<ul style="list-style-type: none"> <li>• Acquire FSSC22000 certification at all plants in Japan</li> <li>• Draft Quality and Environmental Policy</li> <li>• Engage Global Quality Assurance Department to improve quality of overseas Group companies</li> </ul>	<p>6 CLEAN WATER AND SANITATION</p>	<ul style="list-style-type: none"> <li>• Quality improvements by overseas Group companies by implementing KBMP (Kagome Best Manufacturing Practice) Conformance ratio in 2021: 100%</li> </ul>																				
	<p>Environment</p>	<ul style="list-style-type: none"> <li>• Respond to climate change</li> <li>• Develop products with low environmental impact</li> </ul>	<ul style="list-style-type: none"> <li>• TCFD-recommended climate change scenario analysis</li> <li>• CO<sub>2</sub> emissions reduction initiatives</li> <li>• Water usage reductions based on Water Conservation Policy, water risk analysis and countermeasures</li> <li>• Conservation activities based on Biodiversity Policy</li> <li>• Reduction of plastic</li> </ul>	<p>6.3 Improving water quality</p> <p>6.6 Protect and restore water-related ecosystems</p>	<ul style="list-style-type: none"> <li>• CO<sub>2</sub> emissions (compared to 2016) 2030: 20% reduction, 2050: 50% reduction</li> <li>• Water use by production volume (compared to 2018) 2021: 3% reduction</li> <li>• Beverage plastic bottle recycling or use of plant-based plastics 2030: 50% or higher</li> </ul>																				
	<p>Supply chain</p>	<ul style="list-style-type: none"> <li>• Strengthen of supply chain management</li> <li>• Sustainable procurement</li> </ul>	<ul style="list-style-type: none"> <li>• Build an efficient logistics network on a nationwide scale</li> <li>• Enhance product inventory capacity by using Kagome plant space</li> <li>• Global dispersal of procurement sites</li> </ul>	<p>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</p>	<ul style="list-style-type: none"> <li>• Average days in inventory 2019: 39 days &gt; 2025: 34 days</li> <li>• Product inventory installation rates at plants and hubs 2019: 36% &gt; 2025: 50%</li> </ul>																				
	<p>Diverse Human Resources</p>	<ul style="list-style-type: none"> <li>• Diversity and inclusion</li> <li>• Foster innovative human resources</li> <li>• Be considerate of human rights</li> </ul>	<ul style="list-style-type: none"> <li>• Promote diversity via the Diversity Committee</li> <li>• Provide opportunities for self-expression and growth by soliciting new business plans</li> <li>• Draft Code of Conduct grounded on the three principles of mutual support, respect for human rights, and fairness</li> <li>• Promote health management and productivity focused on the health of employees</li> </ul>	<p>5 GENDER EQUALITY</p>	<ul style="list-style-type: none"> <li>• Act on Promotion of Women's Participation and Advancement in the Workplace Set numerical goals for Phase II Action Plan</li> <li>• Total annual working hours 2020: 1,800 hours</li> </ul>																				
	<p>Corporate Governance</p>	<ul style="list-style-type: none"> <li>• Strengthen Corporate Governance</li> </ul>	<ul style="list-style-type: none"> <li>• Initiatives to increase efficacy of the Board of Directors</li> <li>• Communication with stakeholders</li> <li>• Promoting compliance</li> <li>• Draft and implement shared Group policies on accounting, taxes, and financial management</li> <li>• Strengthen governance of overseas subsidiaries</li> </ul>	<p>5.5 Ensure women's full and effective participation and equal opportunities for leadership</p>	<ul style="list-style-type: none"> <li>• 1/3 or more External Directors meet standards as an Independent Director</li> <li>• Standards for disposal of cross-shareholding</li> </ul>																				

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

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

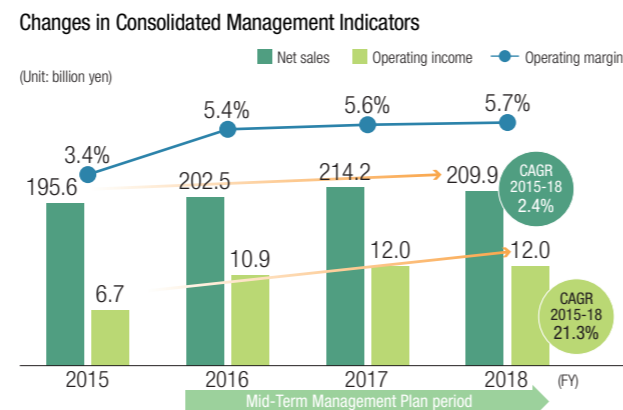


### Looking back on Mid-Term Management Plans thus far

2016-2018

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

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



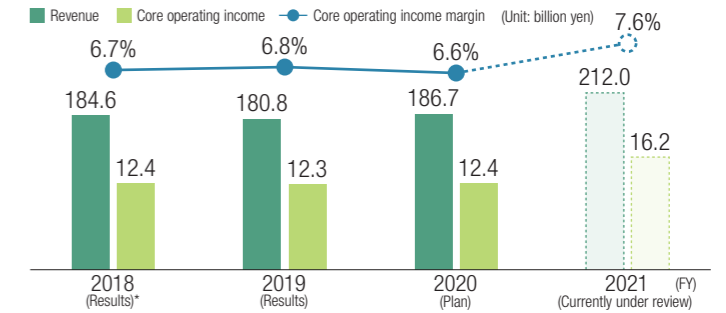
2019-2021

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

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

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

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



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

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



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

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

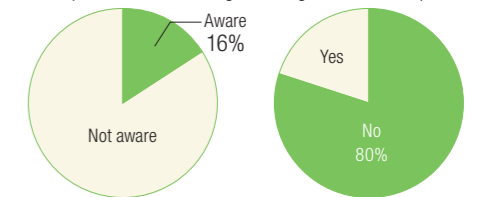
To change this situation, we must work to increase awareness among society of the importance of vegetable consumption and promote individual behavior that leads to changes in food habits. As part of this initiative, All Kagome employees in Japan are rededicating themselves to acquiring accurate knowledge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

#### Vegetable consumption awareness survey

Kagome online survey (N=28,077/2018)

Target daily vegetable consumption volume is 350g

Awareness of a lack of vegetable consumption



#### Let's Eat Vegetables Campaign

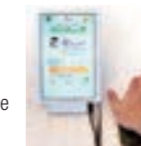
- Promote awareness of vegetable consumption deficiency
- Promote understanding of why vegetables are important
- Disseminate information on delicious and skillful ways to consume vegetables

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



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

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



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

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



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

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

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

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