



**KAGOME**

**Integrated Report**

**2021**

## Long-term vision

Up to 2025

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

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

Up to around 2040

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

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

## What Kagome strives for by 2025

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

#### Social Issues We Seek to Address

#### Longer, healthier lives

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

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

#### Agricultural development and regional revitalization

#### Global food problems

## Code of Conduct

#### Mutual support

#### Respect for human rights

#### Fairness

## Corporate philosophy

An inherited management spirit that pervades through the changing times



#### Appreciation

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

#### Nature

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

#### Corporate Openness

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

## Brand Statement

Our promise to society and our customers



#### Nature

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

#### True

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

#### Flavor

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

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### Editorial Policy

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

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

### Target Period

This document covers the period from January 1, 2020 to December 31, 2020. However, some portions of this document contain matters related to activities outside this defined period. The scope of this document covers the activities of Kagome Co., Ltd. and its consolidated subsidiaries but there are items that only pertain to Kagome Co., Ltd.

### Referenced Guidelines

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

### [Notes Regarding Forecasts]

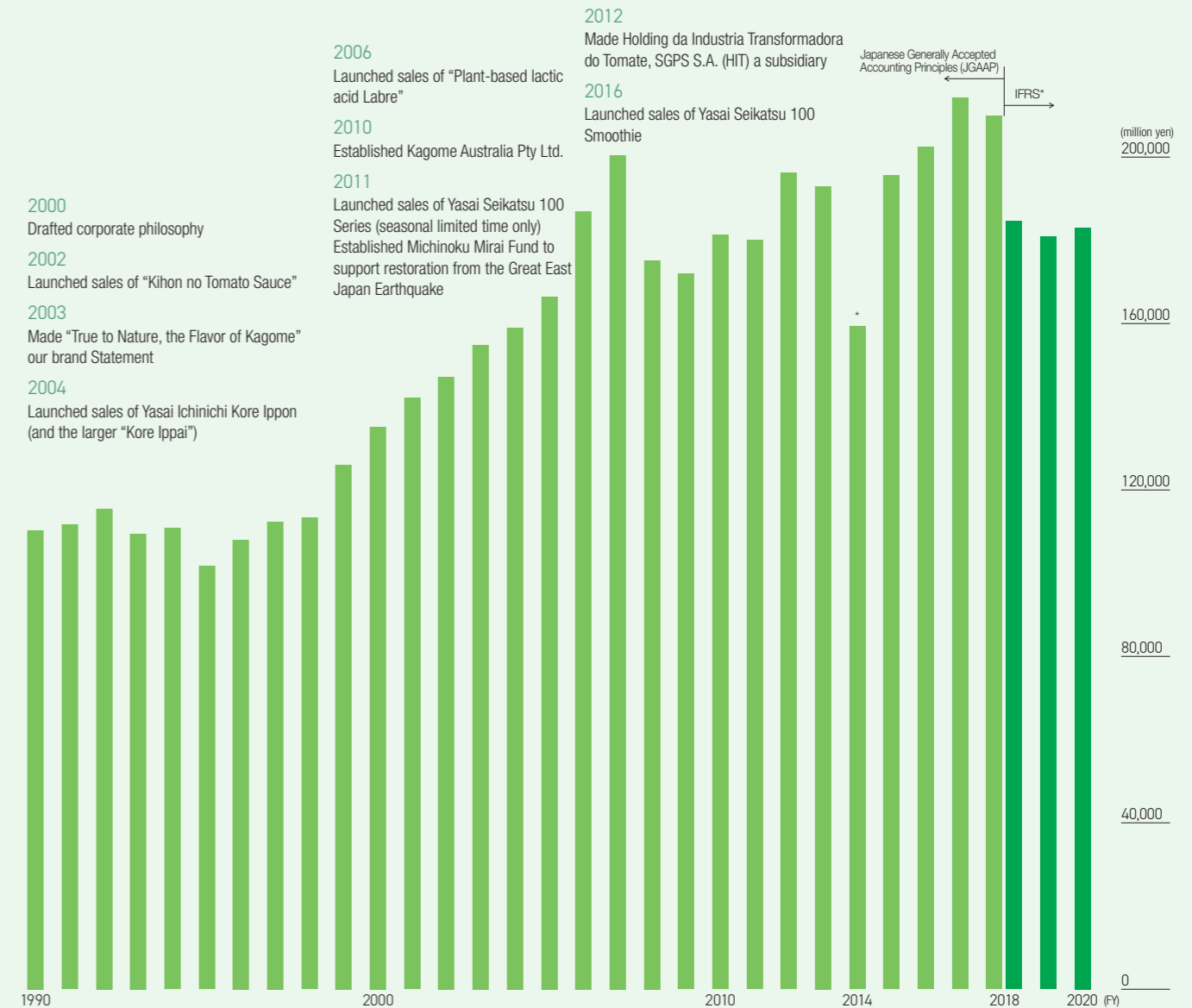
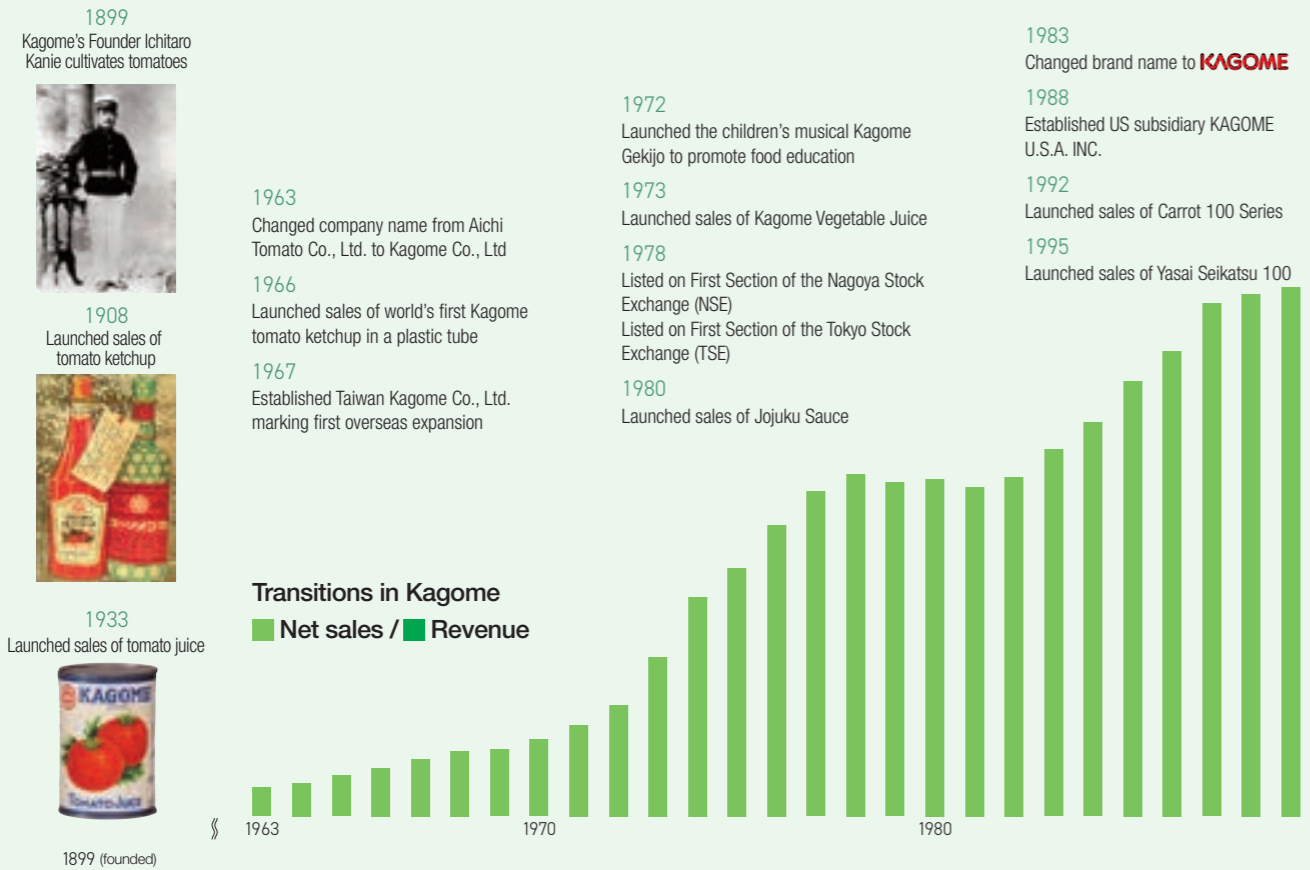
The information in this report includes forward-looking statements. These statements are made on the basis of assumptions and judgments based on information available at the time of publication, hence they may contain risks and uncertainties. Accordingly, please be advised that the actual results may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

### Units of Amounts in This Report

We give amounts expressed in units of hundreds of millions of yen rounded down to the nearest one hundred million yen and amounts expressed in units of millions of yen rounded down to the nearest million yen in this report. In addition, we give percentages after rounding them.

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

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



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

## 1960s to 1970s

Period of advancement towards becoming a national manufacturing company

### Established Kagome as the brand for tomato-based products

Kagome has created new added value through its technological advancements, starting with its release of the world's first tomato ketchup in a plastic container back in 1966. Tomato ketchup sold in plastic tubes went on to record strong sales on consumer praise for its ease of use. This proved to be a breakthrough product that minimized the impacts from foreign products that had begun entering the Japan market around this time. In the late 1970s, Japan experienced a tomato juice boom, with tomato juice becoming entrenched as a health drink.

1978

Net sales  
**71.2 billion yen**



## 1980s

Age of diversification and globalization

### Diversification and enhanced procurement aimed at dramatic growth

Kagome worked to expand its brand image with the goal of reaching net sales of 100 billion yen, making inroads into fruit juices and tea beverages. A wide variety of products were released that would be the precursor to today's drinks sold in paper containers. In addition, Kagome promoted a diversification strategy through partnerships with overseas companies even in the field of processed foods. Kagome also focused on globalizing its operations, including tapping into raw materials procurement sites overseas and establishing a subsidiary in the United States. However, sales stagnated in the late 1980s due to the expansion of business into areas where Kagome did not excel.

1988

Net sales  
**108.7 billion yen**



## 1990s to 2000s

Period of establishing Kagome's brand identity

### Narrowing business domains and shifting gears towards growth

Carrot 100 released in 1992 and Yasai Seikatsu 100 released in 1995 became hits, creating a market for vegetable beverages and entrenching vegetable beverages as a new way of consuming vegetables. After the start of the 2000s, expansion of the Yasai Seikatsu 100 series focused on vegetable color drove sales, with net sales breaking through the 200 billion yen threshold in 2007. In 1996, the first president outside the founding family was appointed and in 2000 the corporate philosophy was drawn up. Kagome clarified its business domains and accelerated innovation in governance.

2007

Net sales  
**200.4 billion yen**



## 2010s

Working to achieve the long-term vision and what Kagome strives for by 2025

### Resolving social issues and achieving sustainable growth

The vegetable beverage market repeatedly expanded and contracted after the start of the 2010s, causing Kagome's net sales and revenue to fluctuate up and down, too. In 2016, Kagome established a long-term vision and what Kagome strives for by 2025 with the aim of achieving sustainable growth and finding solutions to social issues. Following this, Kagome formulated a Mid-Term Management Plan spanning three years. FY2021 is the final year of the Second Mid-Term Management Plan. At the same time, Kagome strengthened its corporate governance system and promoted management with greater transparency.

2020

Revenue  
**183.0 billion yen**

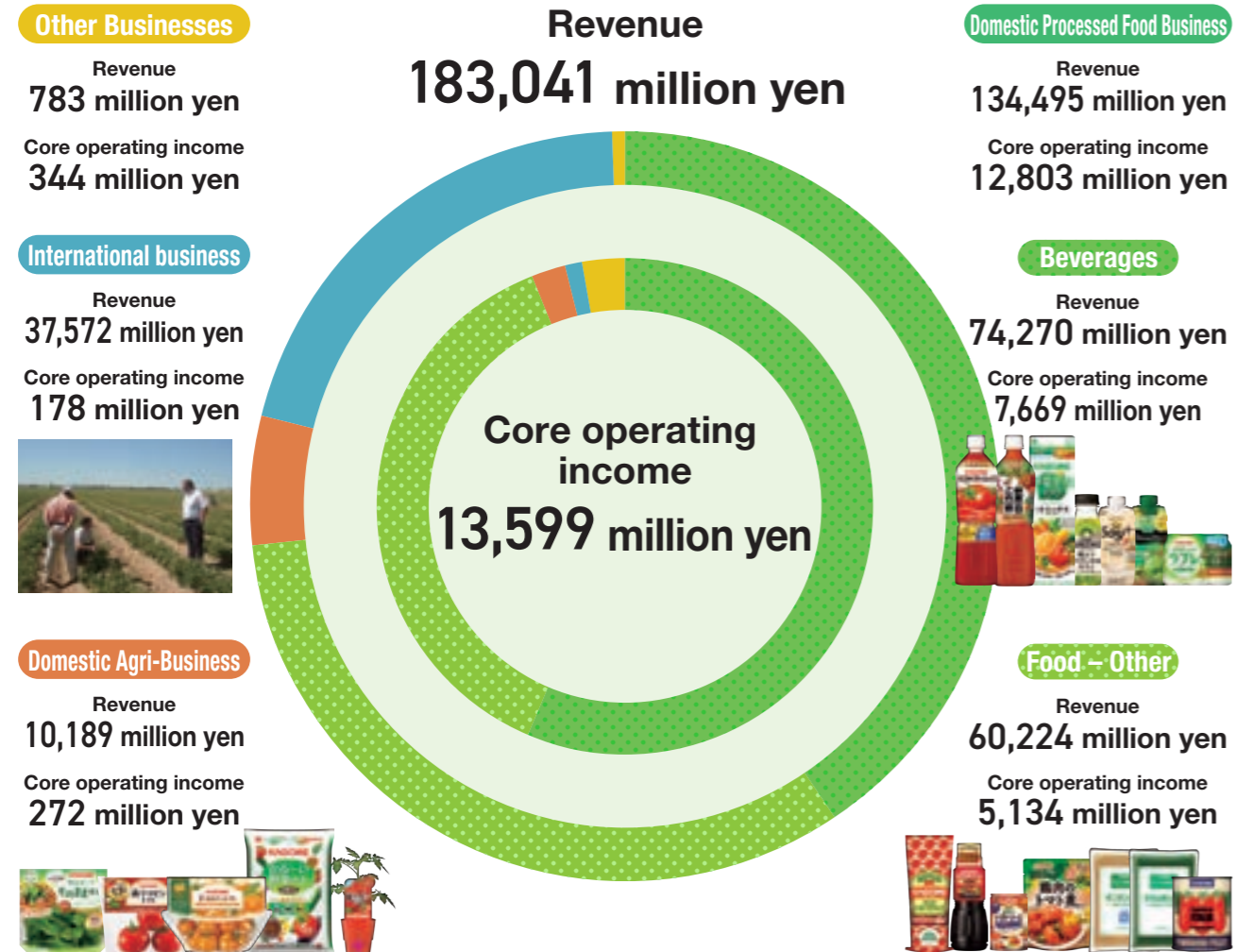


# Kagome's Profile

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

## Segment composition (FY2020)

Domestic Processed Food Business (Beverages, Food - Other) Domestic Agri-Business International Business Other Businesses



## Transitions in segment composition

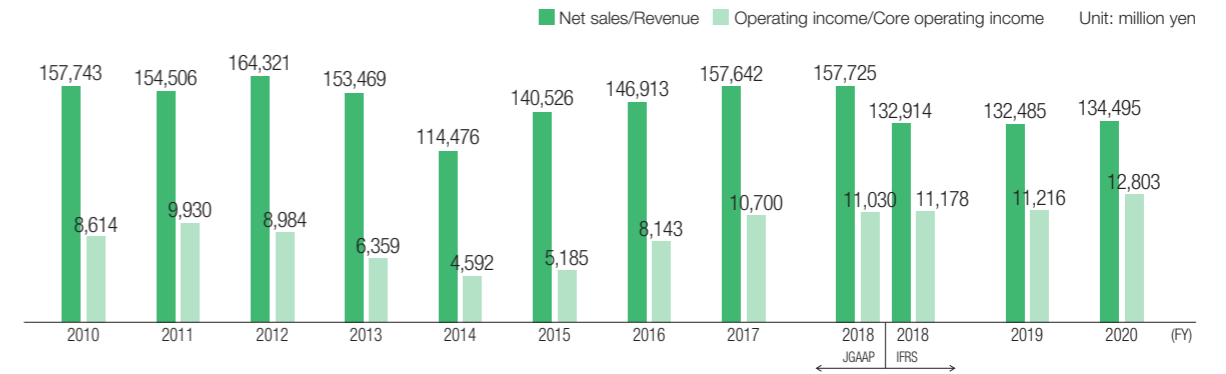


\*Figures after eliminations and adjustments between segments

## Transitions in Segment Net sales/Revenue

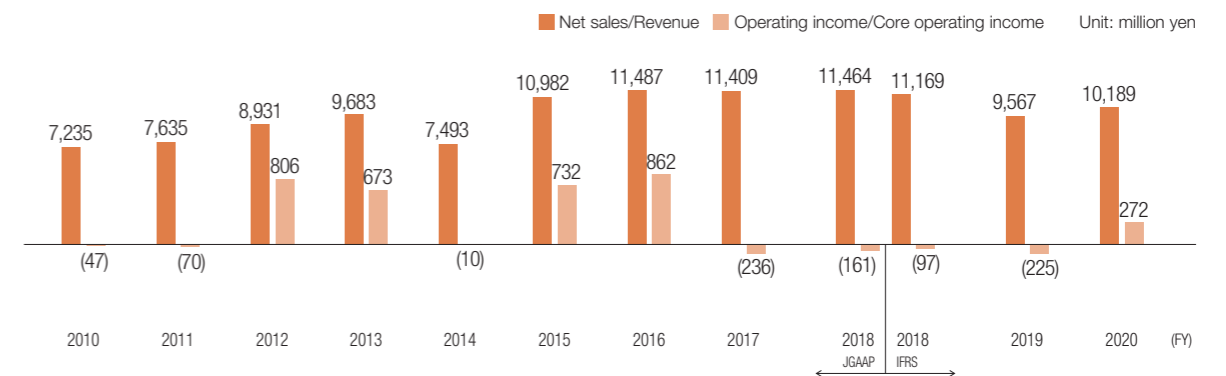
### Domestic Processed Food Business → Business strategy indicated on p.26

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



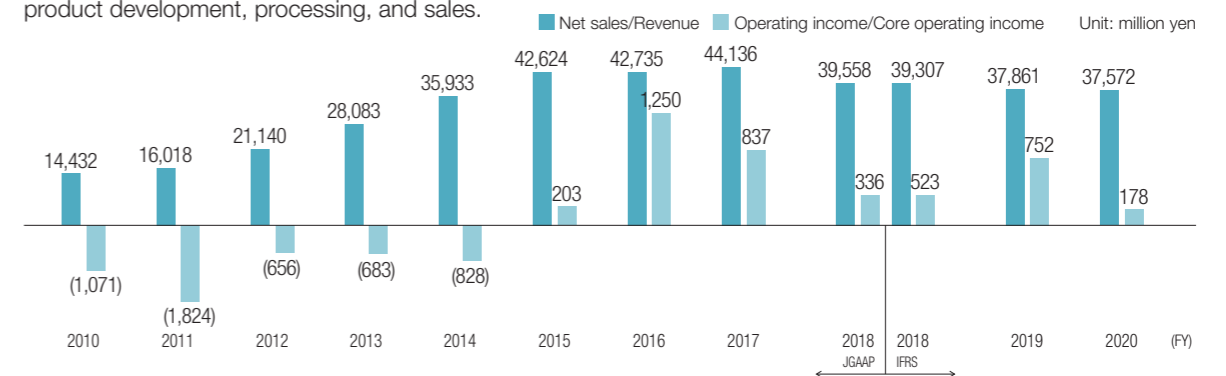
### Domestic Agri-Business → Business strategy indicated on P.28

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



### International Business → Business strategy indicated on P.30

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



\*Figures after eliminations and adjustments between segments

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

\*From FY2019, we apply IFRS. Furthermore, as reference we also indicate FY2018 figures modified to reflect IFRS.

## Transforming into a “vegetable company” by encouraging innovation that drives growth

I would like to express our deepest sympathies to those infected by the COVID-19 pandemic and condolences to those who have lost their lives.

I would also like to express my heartfelt gratitude to all the healthcare workers involved in stopping the spread of the pandemic around the world.

The novel coronavirus has brought on many trials and tribulations among people around the world, and drastically changed our daily lives at an unprecedented speed. In particular, the changes around the food environment have caused a great impact on the sales structure of our company. As we are faced with a challenging situation that cannot be overcome by keeping the status quo, I rather believe this is an opportunity to rethink our business and organization. We reviewed the second Mid-Term Management Plan following these changes, but our efforts to achieve what Kagome strives for by 2025 remain unchanged as “To become a strong company capable of sustainable growth, using food as a means of resolving social issues.” In achieving this, we must realize our long-term vision of transforming from a tomato company into a vegetable company, which requires top line growth to secure investment resources. We promise to invigorate people's health and agriculture and contribute to regional revitalization through continued creation of new value based on agriculture with an aim to achieve what Kagome strives for by 2025.

*Satoshi Yamaguchi*

President & Representative Director



## Our battle with the COVID-19 pandemic

### A year that questioned Kagome's collective strengths

In the COVID-19 pandemic, we first prioritized thorough implementation of infection control measures among employees. In addition, we launched the COVID-19 Preventive Measures Council in April 2020 in order to fulfill our product supply responsibility as a food manufacturer. We responded quickly by identifying all perceived risks through grasping the situation of the entire supply chain, and took immediate actions to address issues as they occurred in Japan and overseas. In particular, our head office procurement and SCM departments worked collaboratively with overseas Group companies and affiliated companies in addressing the maintenance of raw materials procurement and distribution network around the world, and we were able to supply products continuously as a result. In doing so, we focused the most on maintaining our internal communication. As all departments faced many restrictions, in order to enhance our adaptability to changes in business activities, we used email and video messaging to share the latest policy on infection control and response status of each department with the whole company. I truly feel we were able to unite every employee's spirit as one by sharing our company's commitment to overcome this crisis with everybody working together. Furthermore, we began the voluntary provision of vegetable beverages by our employees to the frontline healthcare workers against the COVID-19 pandemic, and have given out a total of 90,000. We also felt encouraged and uplifted with the words of gratitude received from many people. Going forward, we will

continue our activities based on the philosophy of "mutual aid" as found in the Code of Conduct.

### Prompt and nimble response to changes in the market environment

The rapid change in the awareness and spending behavior of consumers due to the COVID-19 has greatly changed our business environment. With the increase of staying home voluntarily, school closures, and working from home, there is more opportunity to eat and cook at home while opportunities for dining out drastically decreased. Also, the awareness of self-defense such that we should be on guard of our own health against COVID-19, which has no established treatment method, was rising, as the need to enhance one's own immunity has grown. Furthermore, the shift in purchasing behavior was noted such that people buy everything they need at the supermarket or via e-commerce. As all departments responded swiftly and nimbly to these ever-changing conditions, our revenue increased by 1.2% and core operating income increased by 10.5% in FY2020.

### With the view of a post-COVID-19 world in sight, we are taking steps forward with a strong sense of urgency

As a result of COVID-19, many businesses have turned their attention to the field of food and health. With the expanded line up of new products and services, the competition is further intensified as we head into the post-COVID era. Meanwhile, technological innovation has accelerated beyond our expectations, such as AI and IoT, which also drastically changed the way we work. In such a rapidly evolving business environment, we must continue to create new value in order to remain as a business in the domain of food and health. Therefore,

instead of keeping the status quo, we must create innovation. We will strongly promote diversity within the company and open innovation with external partners and accelerate our strides towards achieving what Kagome strives for and long-term vision with a strong sense of urgency.

## Progress for Second Mid-Term Management Plan

### We are halfway to reaching what Kagome strives for.

#### Top-line growth is vital to reaching this goal

We announced our vision of transforming from a tomato company into a vegetable company by 2025. In the first Mid-Term Management Plan for 2016 to 2018, we put efforts into transforming into a profit structure, which had been an issue from the past, and in 2019 we saw prospects for achieving this goal. Meanwhile, top-line growth did not progress in the B-to-B segment as anticipated at the beginning of the second Mid-Term Management Plan due to COVID-19. As performance largely deviated from the targets, we made a revised the plan downward in July 2020. Moreover, aside from the impacts of COVID-19, it is clear that our top line has lacked growth power in the past 10 years. Since becoming President in January 2020, my mission has been to accumulate growth upon the foundation of profit-earning.

#### Launch of the Let's Eat Vegetables Campaign

We launched the Let's Eat Vegetables Campaign in January 2020 in aiming to address the lack of vegetable intake in Japan. In Japan, target daily vegetable intake is set at 350g<sup>\*1</sup>, while the reality of being 60g short of this target continues to persist. In order to change this situation, we are engaged in a wide range of activities, including our original public relations to promote self-awareness of the vegetable intake shortage and understanding of why we need to eat more vegetables, as well as conducting sales promotions by teaming up with distributors. In addition, we are implementing the Vegetable Intake Promotion Project with 19 corporate sponsors of the campaign. Starting in FY2021, we have added that "vitamin A<sup>\*2</sup> in vegetables is effective in maintaining immunity" in our information content and further enhanced dissemination of this message on media platforms such as TV commercials. As a result of these efforts, we have increased the intention of

purchasing our company's products among consumers who are aware of the Let's Eat Vegetables Campaign, and discovered that it has led to actual purchases. In addition, I have heard many of our employees say that they got a real sense of contributing to customers' health through the campaign's activities, which has made the path of sustainable growth through resolving social issues clearly visible.

We recognize that it is a priority to connect this activity to our top-line growth in the third Medium-Term Management Plan.

<sup>\*1</sup> Target value of Ministry of Health, Labour and Welfare's Health Japan 21  
<sup>\*2</sup> Vitamin A contained in vegetables exists as carotene, which is converted into vitamin A in the human body.

### Major progress with earnings structure reforms for the Domestic Agri-Business and the International Business

In FY2020, we made great progress in the earnings structure reform for these two businesses which were topics that were carried over.

One of them is to turn the Domestic Agri-Business into a profit generating business. Our continued efforts in strengthening the management of sales, supply and demand, and reducing fixed costs, after the business fell into the red in 2017, have contributed to bringing the business back to profitability. Even though the Domestic Agri-Business is currently generating profit, we need to implement further reforms in order for it to evolve into an advanced and sustainable business going forward. To this end, we have established a new company, Kagome Agri-Fresh Co., Ltd. (KAF), with the purpose of expediting decision-making, improving productivity and promoting alliances. This new company took over the Domestic Agri-Business in January 2021. Through this structural reform, we strive to further solidify our earnings generating foundation and realize a structure capable of reliably generating profits.

The other business to address is the International Business. At our Portuguese subsidiary Holding da Industria Transformadora do Tomate, SGPS S.A. (HIT), we have implemented earnings structure reforms and recorded an impairment loss on property, plant and equipment held in order to maintain an appropriate business scale. In addition, we recorded an impairment loss on goodwill at the time of investment in Ingomar Packing Company, LLC, an equity-method affiliate in the United States. Through these responses, we have established a foundation for future growth.

#### Summary of major responses

Changes in environment		Impact	Response
Increased opportunity to dine and cook at home	Rapid increase in home cooking demand	Rapid expansion of demand for household products (condiments and large containers)	Maintain supply chain and increase production
	Rapid decrease in food service demand	Rapid decrease in industrial product demand	Support for decreased production and proposals for take-out
Increasing health consciousness	Expectation of food (vegetables) in health maintenance and enhancing immunity	Increased demand for vegetable intake and vegetable drinks	Expansion of the Let's Eat Vegetables Campaign / Enhanced measures to instill drinking habits / enhanced Foods with Function Claims
Changes in customer purchasing patterns	Decline in opportunities to go out	Increased demand for mail orders and EC sites	Development of packaged products suitable for EC and strengthening the foundation of mail-order business
Restrictions on business activities	Response to the COVID-19 pandemic Stay-at-home	Thorough implementation of infection control measures Continuation of business activities in a new style	Centralized information and prompt response by the COVID-19 Preventive Measures Council
			Shift to working remotely
			Hybrid business operations
			Promotion of autonomous work styles

## Creating the seeds for growth with the post-COVID economy in mind

### Development of a training infrastructure

In order to accumulate growth despite being exposed to drastic changes in the environment, it takes many times the effort than before to bring about new innovations and derive new businesses and ideas. This enhanced effort will also address our challenge of deficiency in growth power. In the past, our growth was largely dependent on the performance of the Beverage Business, which comprises 40% of our revenue. The growth strategy I have proposed aims to reform existing businesses and develop the next prospective growing businesses into reality in order to depart from the structure that relies on vegetable beverages. In October 2020, we established two dedicated units, namely the Business Development Office directly under the President and the New Business Development Lab within the Innovation Division whose purpose is to achieve this goal. The mission of these two units is to serve as a bridge that leads to business through promoting open innovation integrating knowledge between external research institutions and businesses. As one example, in April 2021, we concluded a business alliance agreement with TWO Inc., a start-up company involved in plant-based foods. Our two companies are looking into developing new businesses and products that leverage both our strengths in order to expand our market of plant-based foods.

In addition, the promotion of DX is another key factor for future growth. In response to the reduced appeal of retail flyers due to the decrease in purchasing frequency in the COVID-19 pandemic, we have established a specialized department in October 2020 with the goal of enhancing our digital marketing ability within existing businesses and promote sales utilizing SNS. Going forward, we will continue to invest where necessary.

Furthermore, in response to the change in consumer behaviors, we are also conducting drastic updates to our marketing channel policies. We are building a foundation so that we do not lose out on opportunities in growth channels, such as e-commerce and direct marketing. In addition, in response to the decline in the store visit rate at physical stores, we will take the lead in opportunities, such as sales promotion using SNS, and will implement ad hoc measures.

## Activities aimed at achieving the long-term vision

### Formulation of the third Mid-Term Management Plan

#### Breaking through from deficient growth power and remaining competitive in the increasingly competitive domain of food and health

Currently, we are formulating the third Mid-Term Management Plan spanning until 2025. This Mid-Term Management Plan will be the final plan for reaching the long-term vision of “transforming from a tomato company into a vegetable company” Kagome has announced in 2016 on what it strives for by 2025 with the aim of achieving sustainable growth and finding solutions to social issues. In order to determine the strategy for the next four years, we are first looking at what Kagome will strive for in the future, and working our way back to establish how we should act today, and how it is different from the current situation. Our efforts are put into clearly establishing issues and devising their solutions. We will further evolve the Let's Eat Vegetables Campaign, which aims to resolve the shortfall in vegetable consumption in Japan, as the trump card of our strategy aimed at achieving the Long-term Vision. To support behavioral changes aimed at increasing vegetable consumption in people's diet, we will broaden activities by fully utilizing products and services mainly provided by the health business. Also, through collaboration with companies and local governments that endorse these activities, we will expand our approaches to consumers and markets otherwise inaccessible on our own. We will also consider using the new marketing issues found through these activities in the development of new products and services.

To further increase vegetable intake, we will need to diversify the breeds, formats, markets and opportunities for the vegetables we supply and expand contact points between consumers and vegetables. To that end, we will further enhance our strengths rooted in agriculture, build an open value chain that brings in necessary resources through alliances with outside parties, and strengthen our solution capabilities through vegetables.

On the other hand, as Japan's population declines, it is impossible to achieve sustainable growth in 10 or 20 years, if we pursue growth in the domestic market only. In FY2020, we promoted structural reform in the International Business, and optimized the scale of the

primary processing business that manufactures tomato paste and other products. Going forward, we will pursue growth in B to B while strengthening cooperation between the management resources of each subsidiary in the U.S. market, where multiple Group companies operate. Moreover, the Vegetable Beverages Business in Asia is directly under the President's management and cultivated at an accelerated speed for the B to C sector.

#### Enhancing measures on ESG in order to achieve a sustainable society

In response to sustainability related challenges, we recognize both risk reduction and creation of revenue opportunities as important management issues. We will proactively make efforts to address these challenges from the perspective of enhancing our corporate value over the medium to long term.

Climate change affects the lifeline of our company that relies on natural resources as raw materials of our business. As such, the reduction of environmental impacts is an important task with high priority. In 2019, we began climate change scenario analysis, identified risks and opportunities and reflected on their business impact. Additionally, we are revising the medium- to long-term CO<sub>2</sub> reduction goals established in 2018 to match the SBT 1.5°C\* scenario as preventive measures against global warming will accelerate going forward. We are also striving to reduce plastic waste by introducing paper straws to a portion of our products, reducing petroleum-based plastic used in PET bottles and switching to plant-based materials. We will conduct environmental investment with a long-term perspective following an established road map.

Furthermore, it is important that employees work with a sense of vigor and satisfaction for the growth of the company. Our goal to become a company that is employee friendly and rewarding remains unchanged, while we will focus on creating a strong organization that is autonomous by increasing job satisfaction. In October 2020, we conducted an employee engagement survey which serves as a measure to assess employees' job satisfaction. Although the overall evaluation score was higher than the average for companies of the same size, we will continue to conduct surveys each year and further improve the job satisfaction of employees. In addition, we believe that diversity will give rise to the innovation needed for the company's future growth. We have established a diversity promotion policy for FY2021 that states “strengthening communication to foster a culture of taking on new challenges.” We are holding



seminars for officers and diversity committee activities on the theme of psychological safety in order to develop a workplace conducive for every employee to freely express their opinions and knowledge.

And to implement these activities, it is imperative to have a strong governance structure. Each year, we evaluate the effectiveness of the Board of Directors. In FY2021, we began incorporating effective evaluation through a third party to further enhance our governance.

\*SBT: Science Based Targets

#### Continue to take on challenges in order to achieve new growth with an aspiration for advancement

At Kagome, we have the phrase “aspiration for advancement” which means to always stay one step ahead in anticipating and creating future changes. In order to continue to grow amidst the currently uncertain environment, it is necessary to foster expertise and innovative thinking as a company that brings together the individuality of every employee, and have the poise to embrace challenges towards new growth.

“To become a strong company capable of sustainable growth, using food as a means of resolving social issues.” To achieve this vision, we will strive to enhance shareholder value, brand value, and employee engagement in enhancing our corporate value.

Interview with Our Senior Managing Executive Officer

# Becoming a strong company with autonomous management by responding to environmental changes with a greater sense of urgency

**Yoshihide Watanabe**

Director & Senior Managing Executive Officer



The COVID-19 pandemic not only brought on direct changes in our lives, as seen in people staying at home, but also made things that we had thought would happen sometime in the future, such as the rapid popularization of e-commerce, a reality in a short time. As the speed of changes in the business environment has increased, the conventional way of making decisions through a long review process is not keeping pace with the times, and there is an urgent need to create a system to speed up work within the company.

In terms of business performance in FY2020, sales of household beverages and food products in the Domestic Business were strong, with increased revenue and core operating income. At the same time, structural reforms in the Domestic Agri-business and International Business, which had been delayed, moved forward. In FY2021, the final year of the second Mid-Term Business Plan, we expect revenue will increase mainly in the Domestic Business because of increased vegetable intake achieved through advancements in the Let's Eat Vegetables Campaign. On the other hand, looking back at the second Mid-Term Management Plan implemented between 2019 and 2021, the slowdown in growth is evident. To break through this situation, it is essential to develop a structure

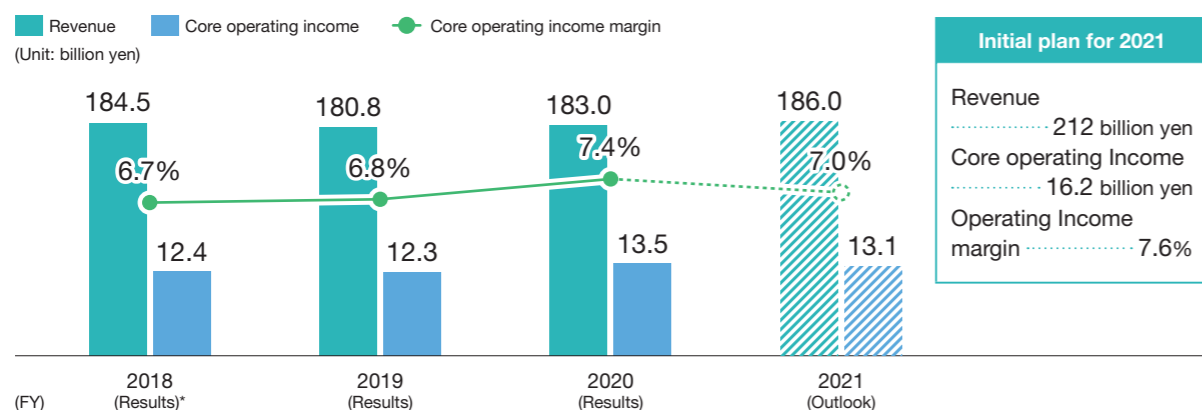
within the company and be agile in changing our work style.

We are currently implementing digital transformation (DX) within the company. In FY2020, we have moved away from the old core system and shifted into a new system (ERP). The promotion of DX focuses on changing the way and accelerating the speed of work.

In addition, we have introduced ROIC management started in FY2021 with a focus placed on the effective utilization of invested capital. We hope it will not only manage the profitability of individual projects, but also enable employees to visualize where they are making contributions to the company's finances while carrying out their work.

The type of teamwork through which members come together in fostering new ideas is also becoming important for work in the future. To cultivate this culture, we are actively adopting new ideas through incorporating diverse human resources and cooperation with other companies. Through these efforts, we aim to become a strong company with deepened corporate culture and autonomous management.

► Status of progress for Second Mid-Term Management Plan



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

## Analysis of operating results for FY2020

■ **Revenue: 183,041 million yen**  
(up 2,192 million yen year on year)

In the Domestic Processed Food Business, revenue increased on the growth in sales of beverages and products for home cooking due to demand spurred by the Let's Eat Vegetables Campaign and demand for stay-at-home consumption, despite the decline in sales of food service products due to weaker demand. The Domestic Agri-Business, too, recorded an increase in revenue on higher sales volume and expansion of sales channels. However, the International Business experienced a downturn in revenue on weaker food service demand at major subsidiary, Kagome Inc. in the United States. As a result, consolidated revenue increased.

■ **Core operating income: 13,599 million yen**  
(up 1,295 million yen year on year)

Core operating income increased due to reduced promotion expenses and lower cost of sales in the domestic business, despite around 1,000 million yen in goodwill recorded at the time of equity investment in Ingomar Packing Company, LLC, an equity-method affiliate in the United States.

■ **Operating income: 10,682 million yen**  
(down 3,397 million yen year on year)

Operating income declined due to the gain on transfer of business of around 1,700 million yen realized when merging Kagome Distribution Service Co., Ltd., our logistics subsidiary, into new logistics company F-LINE Corp. in FY2019 and the booking of approximately 3,000 million yen in impairment losses on fixed assets owned by HIT, our subsidiary in Portugal, in FY2020.

■ **Net income attributable to shareholders of parent: 7,425 million yen** (down 2,773 million yen year on year)

The effective corporate tax rate in FY2020 increased because there was no tax burden related to the above gain on business transfer in FY2019 and corporate tax expenses increased around 900 million yen, causing profits to decline.

(Unit: billion yen)	Results (FY2020)		Year on year	
	Ratio	Rate of change	Ratio	Rate of change
Revenue	183.0	-	+2.1	+1%
Core operating income	13.5	7%	+1.2	+11%
Operating income	10.6	6%	(3.3)	-24%
Income attributable to shareholders of parent	7.4	4%	(2.7)	-27%

## Financial Analysis for FY2020

As of December 31, 2020, total assets increased around 23,700 million yen compared to December 31, 2019.

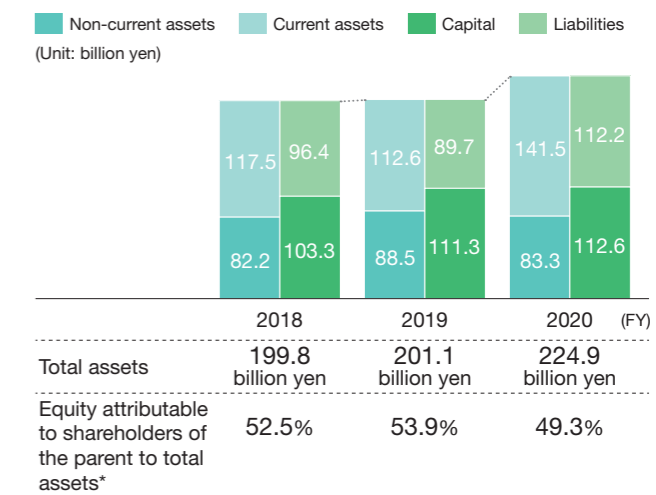
Current assets increased 29,500 million yen due to the increase in time deposits associated with the increase in borrowings to prepare for potential strains on the capital procurement environment due to the COVID-19 pandemic.

Non-current assets declined about 5,200 million yen compared to December 31, 2019. Property, plant and equipment declined about 1,100 million yen due to HIT's impairment losses.

Liabilities increased around 22,500 million yen compared to December 31, 2019 amid the increase in borrowings of about 18,300 million yen per above.

Furthermore, borrowings executed in FY2020 planned to be repaid in FY2021 considering stability of the capital procurement environment.

Capital increased around 1,300 million yen compared to December 31, 2019. This is attributed to the increase in net income attributable to owners of parent of around 7,400 million yen, which offset the declines of about 3,100 million yen due to dividends of surplus and about 1,400 million yen on the acquisition of treasury shares.



## Earnings Forecast for FY2021

**Revenue 186.0 billion yen**  
(Up 3 billion yen and 1.6% year on year)

**Core operating income 13.1 billion yen**  
(Down 500 million yen and 3.7% year on year)

We will continue to implement the Let's Eat Vegetables Campaign to grow sales mainly in the Domestic Processed Food Business by spurring demand for vegetables. However, revenue is expected to decline due to expectations for increased costs, which had declined temporarily in FY2020 due to the COVID-19 pandemic, and to higher sales promotion expenses due to proactive promotions.



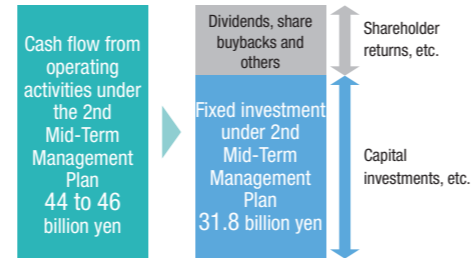
## Growth investments during the second Mid-Term Management Plan period

Cash flows from operating activities in FY2020 totaled 20.4 billion yen, setting a new record high. As a result, we expect to roughly achieve the initial target for total cash flows from operating activities during the second Mid-Term Management Plan period of 44 to 46 billion yen. Total fixed investments up to FY2020 amounted to 16.8 billion yen due to suspension and postponement of certain plans. In contrast, we plan to make 15.1 billion yen in fixed investments during FY2021. Fixed investments during the second Mid-Term Management Plan period are expected to total 31.8 billion yen.

The main fixed investments during the second Mid-Term Management Plan include 3.3 billion yen for a new PET bottle line at the Nasu Plant, 8.6 billion yen for a new paper beverage line at the Fujimi Plant (7.9 billion yen of which will be made in FY2021), and 1.6 billion yen for renewal of our core IT system.

Investments in these facilities and businesses have been approved based on deliberation by the Investment Committee. We are now confirming the effectiveness of these investments through post-investment monitoring.

### Use of cash during the 2nd Medium-Term Management Plan



(Unit: billion yen)	FY2019	FY2020	FY2021 (Outlook)	Total for 2nd Mid-Term Management Plan (Outlook)
Cash flows from operating activities	12.2	20.4	-	44.0-46.0
Fixed investment	8.0	8.6	15.1	31.8
Total dividend	3.1	3.2	3.4	9.8
Total share buybacks	0	1.2	-	1.2

\* "-" indicates undisclosed.

### Steps to deliberating investments



### Investment monitoring system

- Covers 5-year period post-execution
- Reported annually to the Board of Directors/ Management Meeting

Target	Indicator	Basic requirements
Business investment	Internal Rate of Return (IRR)	10% +
Capital investments	Payback Period (PBP)	4 years

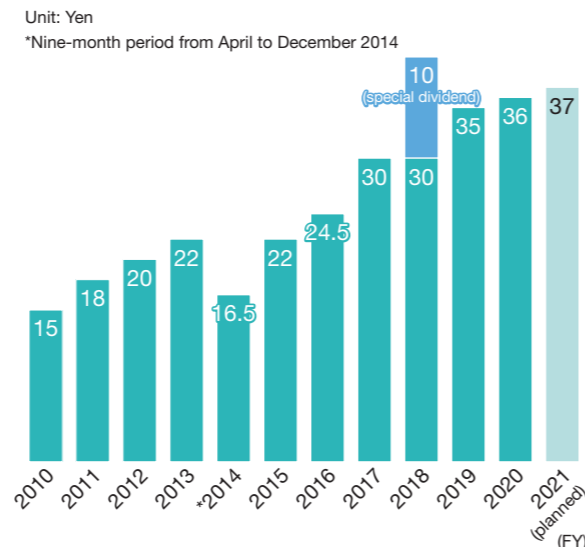
## Measures for shareholder returns

Our dividend policy for the second Mid-Term Management Plan calls for providing an annual dividend per share of 35 yen and achieving a 40% total return ratio during the period of the plan. We have increased the dividend 1 yen per share each year from 35 yen offered in FY2019, as we plan to pay a dividend of 37 yen per share in FY2021. In addition, we expect to reach a total return ratio of 40% or higher during the second Mid-Term Management Plan period when combining dividends with the amount of share buybacks totaling 480,000 shares carried out in FY2020.

### Trends in the number of treasury shares (thousand shares)

	Treasury shares	Shareholding ratio (%)	Change	Shares outstanding
June 2019	10,659	10.70%		99,617
December 2019	5,409	5.70%	-5,250	94,367
June 2020	5,890	6.24%	480	94,367
December 2020	4,946	5.24%	-944	94,367

### Trend in dividends paid



## Initiatives aimed at new growth

### Using ROIC management to deepen recognition of assets and returns used in businesses to ensure all employees work toward increasing corporate value

We launched ROIC management in FY2021. ROIC measures the efficiency of invested capital generating profits as part of the bigger picture of managing various projects and monitoring their profitability, including capital investments and M&A. Compared to ROA and other indicators, our approach to ROIC involves asking ourselves where we will invest funds we currently have on hand, making it more user friendly.

Also, in rolling out ROIC management, we have broken down ROIC to visualize the contribution of each department and established KPIs for applicable departments. Through the concept of ROIC, we can make clearly grasp the impacts of increased sales and profits, streamlined assets, higher output generated from existing assets, and other results of our efforts. It is easy to take an interest in how our work is reflected in the three financial statements and how it contributes to financial activities.

The key in introducing ROIC management is to foster an ability to see through our business operations to gain greater insight. Without this, the introduction of ROIC management will have been for naught. We were able to introduce ROIC management with confidence in FY2021 because through monitoring at the Investment Committee, we have developed the ability to see the growth potential of our businesses, such as trends behind businesses that decline and fail over time and businesses that grow if we persevere for several years.

### Pursuing Mode 2 by promoting DX to dramatically speed up work

In terms of DX promotion, we have renewed our core IT system to ERP in FY2020 by committing a great deal of money to development and operation. This has enabled us to consolidate and integrate individual systems used for each work process. We expect this will help us to reduce costs substantially. The Ministry of Economy, Trade and Industry's 2025 Digital Cliff is five years away and our future investment in systems has become easier.

Going forward, we will shift from our conventional approach to mass marketing to marketing tailored to individual consumers, while maintaining both Mode 1 and Mode 2. I believe the main focus of DX is to transform our

work styles and shorten processes that before took one year to three months, while taking a trial and error approach during short-term development.

Kagome will continue to promote diversity and inclusion. I feel like incorporating new DNA from outside the company will help to evolve our corporate culture. In terms of DX promotion, there are new discoveries awaiting through collaboration with outside talent and outside companies. We need to create more opportunities for collaboration, not just in DX, to speed up the evolution process through diligent cooperation with outside parties.

### Toward a strong company with greater management discipline

#### Investor engagement, which forms the basis for disciplined management and knowing our future self with investor dialogue a mirror

Investor engagement is like a mirror that shows us Kagome's real life-sized appearance. Looking at our own reflection is very useful as it will allow us to notice what we should aim for and what we need to build upon. However, I believe that disciplined governance is where management does not just do as it is told by others, but rather follows its heart after identifying through dialogue what we really want to accomplish. I will manage the Company based on the conviction that disciplined governance is essential to becoming a strong company.

# Second Mid-Term Management Plan Progress and Issues

To achieve what Kagome strives for by 2025 and to fulfill our long-term vision, we are implementing three separate three-year Mid-Term Management Plans over the ten years from FY2016. The business environment surrounding Kagome has undergone substantial changes due to the COVID-19 pandemic, which forced us to review the Second Mid-Term Management Plan, but our efforts to achieve what Kagome strives for by 2025 and the long-term vision remain unchanged. We reviewed the progress of our Second Mid-Term Management Plan once again from the perspectives of business and ESG and identified issues. We are now formulating strategy to address these issues in the Third Mid-Term Management Plan that begins in FY2022.



**What Kagome strives for by 2025**  
 "To become a strong company capable of sustainable growth, using food as a means of resolving social issues"  
**Long-term vision**  
 Transform from a "tomato company" to a "vegetable company"

## Businesses | FY2018 → FY2021 (forecast) | Issue recognition

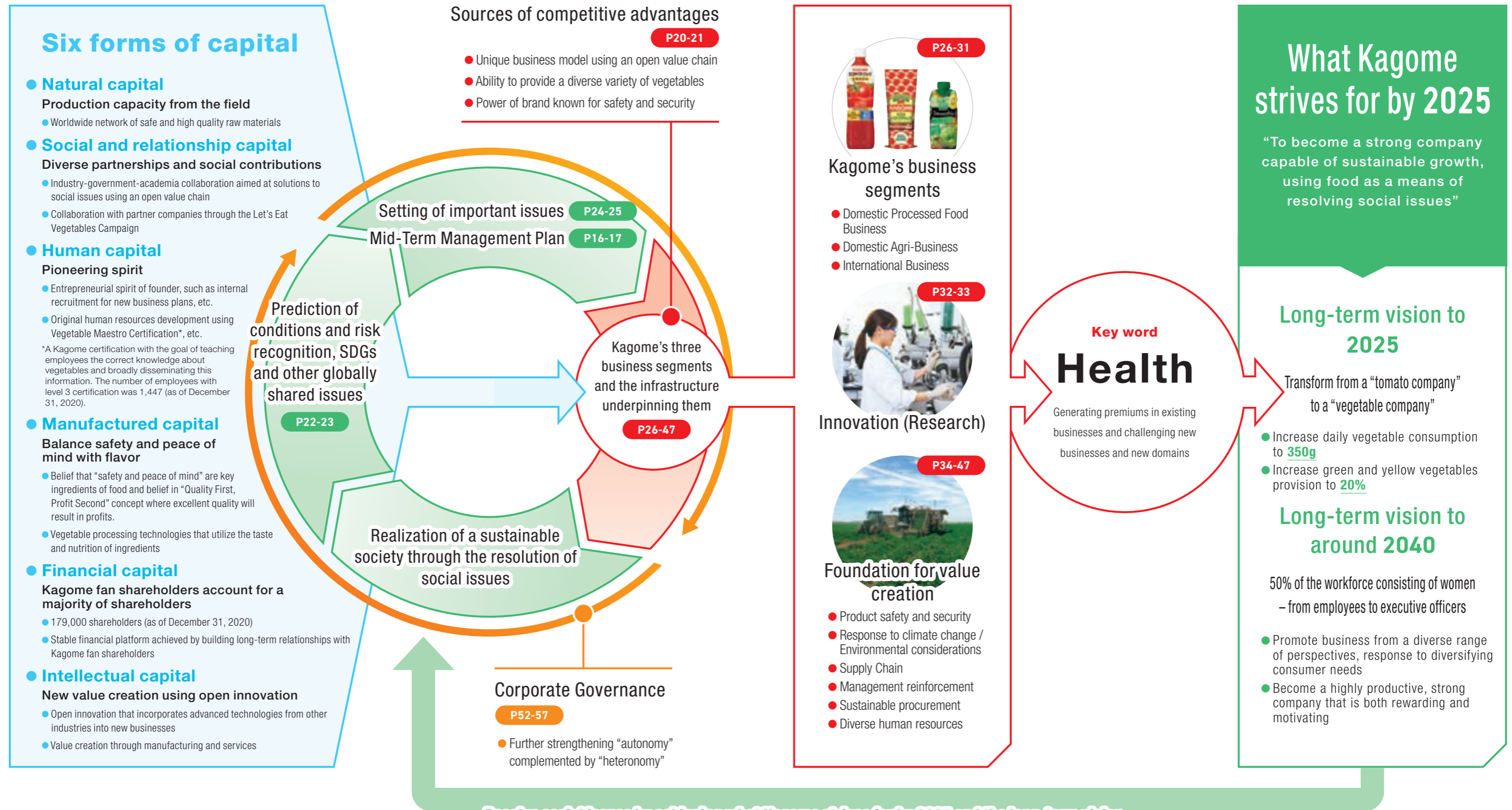
<b>Consolidated</b>	<p><b>Core operating income margin improved amid progress in structural reforms of the Domestic Agri-Business and International Business, despite challenges facing top line growth</b></p> <p>Revenue: 184.5 billion yen → 186.0 billion yen                  Core operating income: 12.4 billion yen → 13.1 billion yen                  Core operating income margin: 6.7% → 7.0%</p>	<p><b>Sustainable top line growth</b></p> <ul style="list-style-type: none"> <li>Transition away from business structure reliant on the beverages business</li> <li>Increase sales from the Let's Eat Vegetables Campaign</li> <li>Cultivate businesses for the next stage of growth</li> <li>Enhance customer experience (CX) value using digital transformation (DX)</li> </ul>
<b>Domestic Processed Food Business</b>	<p><b>Increase sales of vegetables, foods and direct marketing amid rising demand to eat at home and rising health consciousness. Decline in profits forecast due to proactive sales promotions and other factors</b></p> <p>Revenue: 132.9 billion yen → 137.6 billion yen                  Core operating income: 11.1 billion yen → 10.8 billion yen</p>	<p><b>Expand business domains that contribute to increased vegetable intake</b></p> <ul style="list-style-type: none"> <li>Sustainable sales growth through entrenchment of vegetable beverage consumption</li> <li>Focus on direct marketing and e-commerce channels to unlock continuous growth</li> <li>Restructure food service products</li> <li>Grow the new domain of plant-based foods</li> </ul>
<b>Domestic Agri-Business</b>	<p><b>Restore revenue through structural reforms</b></p> <p>Revenue: 11.1 billion yen → 10.9 billion yen                  Core operating income: 0 billion yen → 600 million yen</p>	<p><b>Increase ability to generate sustainable profits</b></p> <ul style="list-style-type: none"> <li>Reduce fixed costs</li> <li>Introduce shipment forecasting technology using AI</li> <li>Upgrade supply-demand adjustment functions</li> <li>Develop high-function vegetables</li> </ul>
<b>International business</b>	<p><b>Strengthen profit structure through structural reform of primary processing</b></p> <p>Revenue: 46.2 billion yen → 43.9 billion yen                  Core operating income: 500 million yen → 1.6 billion yen</p>	<p><b>Plan and implement growth strategy after structural reforms</b></p> <ul style="list-style-type: none"> <li>Grow B-to-B business focused on the United States</li> <li>Grow sales of vegetable beverage business in Asia</li> </ul>

## ESG | FY2018 → FY2021 (forecast) | Issue recognition

<b>E Environmental</b>	<p><b>Reduce GHG emissions</b></p> <ul style="list-style-type: none"> <li>Conduct climate change scenario analysis</li> <li>Review change in CO<sub>2</sub> reduction target in response to the 1.5 degree scenario of the Paris Agreement</li> </ul> <p><b>Water and biodiversity conservation</b></p> <ul style="list-style-type: none"> <li>Implement countermeasures based on water policy</li> <li>Engage in agriculture considerate toward biodiversity conservation</li> </ul> <p><b>Reduce plastics</b></p> <ul style="list-style-type: none"> <li>Establish Kagome Plastics Policy</li> <li>Use plant-derived raw materials for caps and straws for beverages packaged in paper containers</li> <li>Begin using recycled materials for some PET bottles</li> </ul>	<p><b>Achieve sustainable growth using initiatives to resolve social issues</b></p> <ul style="list-style-type: none"> <li>Clarify specific measures and KPI for management policy and resolving issues in response to sustainability</li> <li>Update of materiality identified in 2019 and penetration internally</li> </ul>
<b>S Social</b>	<p><b>Launch measures for a pleasant and rewarding workplace</b></p> <ul style="list-style-type: none"> <li>Promote diversity activities that enable our diverse workforce to play an active role</li> <li>Stop bulk recruitment of new graduates and introduce a career registration system</li> <li>Implement human resources development measures, such as a talent management system</li> <li>Begin secondary job scheme to encourage autonomous work styles</li> <li>Commence engagement survey on employee morale</li> </ul> <p><b>Be considerate of human rights and provide mutual support to local communities</b></p> <ul style="list-style-type: none"> <li>Draft CSR Procurement Policy</li> <li>Establish Kagome Mirai Yasai Foundation to support groups working on food education and addressing childhood poverty</li> </ul>	
<b>G Governance</b>	<ul style="list-style-type: none"> <li>Begin using IFRS</li> <li>Eliminate takeover defense measures</li> <li>Begin third-party evaluation of board effectiveness</li> <li>Increase board diversity (30% female representation)</li> </ul>	

# Value Creation Process

We will continuously forecast changes in business environment surrounding our business operations and reflect these into Mid-Term Management Plans and important issues, in order to achieve what Kagome strives for by 2025 and the long-term vision. Currently, Kagome engages in business across three segments, and we are working to resolve social issues through business growth and help achieve a sustainable society. We will continue to achieve sustainable growth by implementing this process several times.



# 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. Kagome aims to become a "vegetable company" by increasing its supply of vegetables using its ability to supply a wide range of vegetables commanding these networks. In Japan, we have captured a high market share in many products thanks to our established brand reputation for "safety and peace of mind."

## 1 Business model

### Unique business model using an open value chain

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

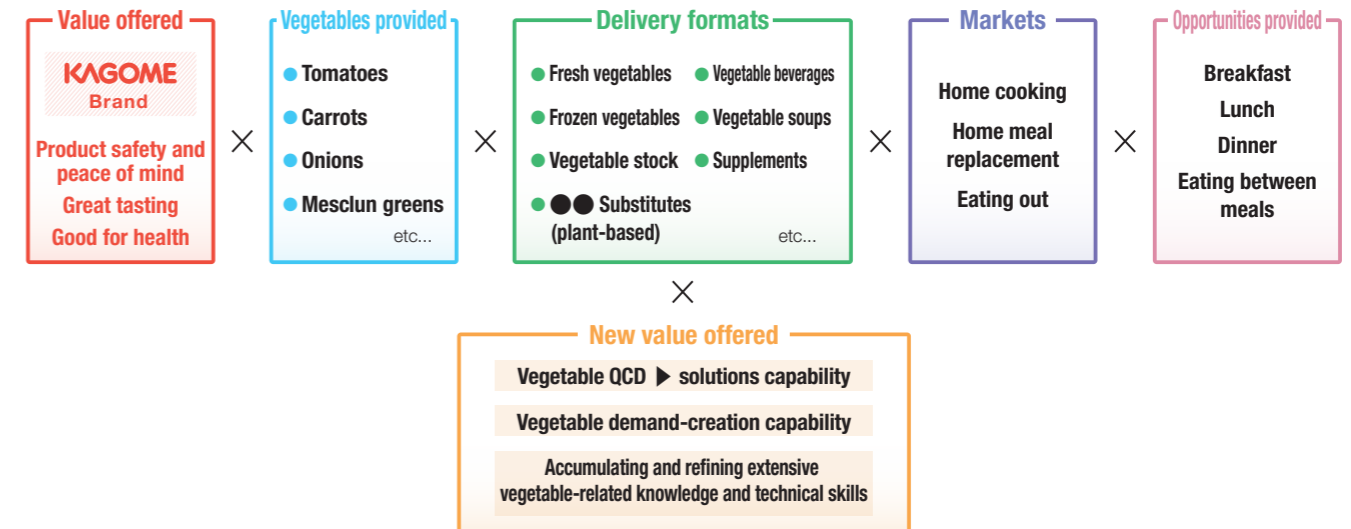
Kagome maintains an expansive value chain, spanning from seed (upstream) to table (downstream).

We will increase our solutions capability as a vegetable company by incorporating and building upon the strengths of this unique value chain internally and by using an open value chain where we can access necessary resources quickly and build the best possible combinations.



## 2 Ability to provide a diverse variety of vegetables

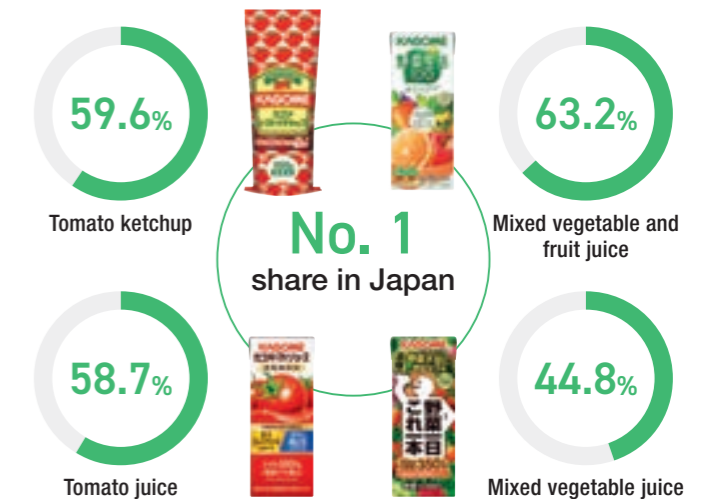
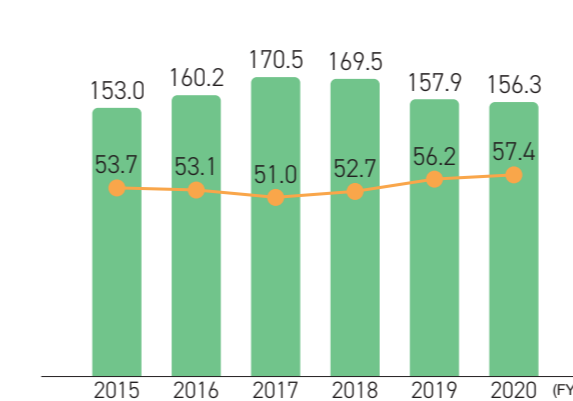
### - How to supply vegetables -



We will use a variety of processing methods and product formats to provide a diverse range of vegetables to various markets and increase our supply of vegetables. 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 expand the range of social issues to which we are able to contribute as we continue to embrace new challenges.

## 3 Power of brand known for safety and security

Vegetable juice market scope and transitions in Kagome share



Source: Intage SRI / Period: January through December 2020 / Based on monetary amount and geographic area: All of Japan / Sales Settings: Supermarkets, convenience stores and drug stores (beverages only) \*Images depict popular products.

**Brand strategy survey** (Nikkei Research)  
**Ranked 14th** out of 600 companies representing various industries (4th among food manufacturers)

**Ranking concerning brand image** (partial excerpt from consumer evaluations)

- Quality with uncompromisable safety: 2nd
- Sense of product quality: 9th
- Products commensurate with price: 36th
- Sense of consideration toward health: 42nd

# Recognizing External Conditions, Risks and Opportunities

To achieve what Kagome strives for by 2025, we must recognize changes in the external environment and identify the opportunities and risks associated with Kagome operations, reflecting these findings in the Mid-Term Management Plan and materiality. The COVID-19 pandemic has sped up changes in the external environment. As such, we are now working to respond to these changes in a flexible manner.



# Kagome's Materiality

In response to materiality issues, we have outlined specific initiative themes based on an analysis of risks and opportunities. Some of these themes have been incorporated into the core mid-term issues for FY2021 and we are now working to penetrate materiality within the company. By steadily implementing these initiatives, we will aim to achieve our financial goals and what Kagome strives for by 2025.

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

	Group	Materiality issues	Major Kagome initiatives	Relevant SDGs	Major non-financial benchmarks
Business strategies	<p><b>Longer, healthier lives</b></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>Promote initiatives related to health through partnerships with local municipalities and other companies</li> <li>Disseminate information on the value of vegetables through initiatives such as health seminars and VegeCheck.</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>Volume of vegetables supplied to Japanese markets via Kagome products <b>2019: 610,000 t</b> → <b>2025: 830,000 t</b></li> </ul>
	<p><b>Agricultural development and regional revitalization</b></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>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> <li>Expand procurement volume of vegetables grown in Japan</li> </ul>		
	<p><b>Global food problems</b></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 and purée)</li> <li>Add product date labeling and extend use-by dates for Japanese products</li> </ul>		
Strengthen foundation for value creation	<p><b>Quality</b></p>	<ul style="list-style-type: none"> <li>Provide product safety and security</li> </ul>	<ul style="list-style-type: none"> <li>Obtain FSSC 22000 certification at all plants in Japan and establish quality control standards for suppliers</li> <li>Draft Quality and Environmental Policy</li> <li>Engage Global Quality Assurance Department to improve quality of overseas Group companies</li> <li>Curtail quality incidents at the Kagome Group and prevent recurrence</li> </ul>	<p>6.3 Improving water quality</p> <p>6.6 Protect and restore water-related ecosystems</p> <p>12.2 Sustainable management and efficient use of natural resources</p> <p>5.5 Ensure women's full and effective participation and equal opportunities for leadership</p>	<ul style="list-style-type: none"> <li>CO<sub>2</sub> emissions (compared to 2016) ..... <b>2030: 20% reduction, 2050: 50% reduction</b> (Currently examining response to the 1.5 degree standard of the SBT Initiative)</li> <li>Straw materials used for paper containers ..... <b>2030: Switch to plant-derived materials and/or paper materials</b></li> <li>Beverage plastic bottle recycling or use of plant-based plastics ..... <b>2030: 50% or higher</b></li> <li>Water use by production volume (compared to 2018) ..... <b>2021: 3% reduction</b> → P36-39</li> <li>Product inventory installation rates at plants and hubs ..... <b>2019: 36% → 2025: 50%</b> → P40-41</li> <li>Act on Promotion of Women's Participation and Advancement in the Workplace: Kagome's Action Plan (Phase II 2019-2022) figures  <b>Target 1</b> Percentage of females in new graduate hiring for generalist positions ..... <b>60% or higher</b>  <b>Target 2</b> Continuous employment percentage of female employees hired around 10 fiscal years earlier (9 to 11 years earlier) to male employees ..... <b>1.0 or higher</b>  <b>Target 3</b> Continuous employment percentage of female employees hired during FY2017-2019 to male employees ..... <b>1.0 or higher</b>  <b>Target 4</b> Percentage of female employees in managerial positions (manager and above) ..... <b>12% or higher</b>                      Total annual working hours ..... <b>1,800 hours</b> → P42-44</li> <li>Appoint <b>one-third or more</b> External Directors who meet standards as an Independent Director</li> <li>Formulate and disclose calculation methods and composition ratio by position of basic compensation and performance-linked compensation of directors' remuneration</li> <li>Formulate and disclose standards for disposal of cross-shareholdings → P52-57</li> </ul>
	<p><b>Environment</b></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>Conduct climate change scenario analysis and work to reduce CO<sub>2</sub> emissions</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>Reduce plastic usage</li> <li>Accelerate initiatives to achieve environmental targets for the entire Kagome Group</li> </ul>		
	<p><b>Supply chain</b></p>	<ul style="list-style-type: none"> <li>Strengthen 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>Global diversification of procurement sites</li> <li>Maintain appropriate inventory levels and strengthen profit structure</li> <li>Draft CSR Procurement Policy</li> </ul>		
	<p><b>Diverse Human Resources</b></p>	<ul style="list-style-type: none"> <li>Foster innovative human resources</li> <li>Diversity and inclusion</li> <li>Be considerate of human rights</li> </ul>	<ul style="list-style-type: none"> <li>Provide opportunities for self-expression and growth by soliciting new business plans</li> <li>Evolving work styles</li> <li>Promote diversity via the Diversity Committee</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><b>Corporate Governance</b></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>Communicate with stakeholders</li> <li>Promote compliance</li> <li>Combine KPI target sheet and ROIC management</li> <li>Strengthen governance of overseas subsidiaries</li> </ul>		

# Domestic Processed Food Business

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



Keiichi Inagaki  
Executive Officer  
Director of Marketing  
Division

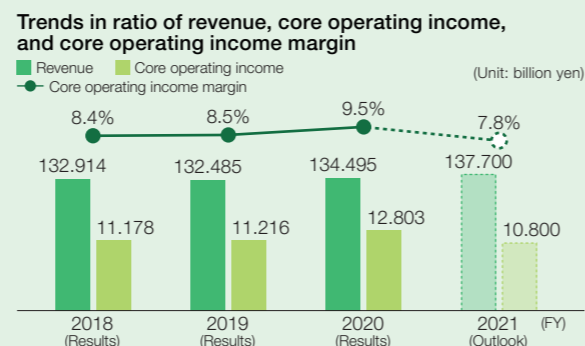
## Performance trends (FY2020)

### Revenue

**134,495 million yen**  
Up 1.5% year on year

### Core operating income

**12,803 million yen**  
Up 14.2% year on year



## Recognition of general business conditions

With the spread of the COVID-19 pandemic, consumer behaviors have changed substantially. While health consciousness had been on the rise, such change is not transient but is expected to continue going forward. In the Domestic Processed Food Business, we strive to deliver a variety of products such as vegetable beverages and foods to a wide range of generations from children to the elderly for use in a variety of situations in everyday life. Furthermore, we hope to contribute to the extension of healthy life expectancy in Japan through activities that promote increased vegetable intake.

### + Strength

- + Kagome's brand power cultivated over our 120-year history
- + Vertical integration capability from seeds to final products
- + Functional research and product development capability utilizing the power of raw materials
- + Sales capability to provide solutions through multiple contact points both in real settings and e-commerce offering a wide range of product categories

### - Weakness

- Flexible value chain adaptability to environmental changes
- Resource diversification in order to maintain offerings of wide range of categories
- Commodity market price responsiveness

### 🔔 Opportunity

- 🔔 Growing health, security and safety awareness
- 🔔 Formation of a new network through environmental awareness and social contribution
- 🔔 Creating innovation through rapid progression of digitalization
- 🔔 Expansion of new information exchanges and purchase contact points with consumers

### ⚠️ Threat

- ⚠️ Instability of raw materials procurement resulting from exchange rates and market prices
- ⚠️ Decreased domestic market due to declining population
- ⚠️ Increase in relative rate of decline in value in existing areas

## Specific measures to address opportunities and threats

- ▶ Develop and enhance human resources with advanced marketing skills and strong ideas
- ▶ Develop an open culture and workplace that encourages innovation
- ▶ Further enhancement of the vegetable beverage sector and branching out of growth factors
- ▶ Promotion of marketing activities deeply committed to the environment and sustainability
- ▶ Continuous enhancement of value on existing products and overall strengthening of the Kagome brand

## Results and issues to be addressed

In FY2020, revenues were up 1.5% year on year to 134,495 million yen while core operating income was up 14.2% year on year to 12,803 million yen, resulting in increased revenue and profit. In vegetable beverages, we were able to expand demand with the aggressive launching of new products and promotions through the Let's Eat Vegetables Campaign that started in January 2020. In addition, we launched a new product, Vegetable Life Soy +, which enables consumers to easily obtain vegetable protein through vegetables and fruits, and established a new contact point with new customers. In other food categories, as a result of the increased opportunities to cook at home, the frequency of ketchup and basic tomato sauce usage has gone up. On the other hand, industrial products, mainly targeting restaurants and school lunches, saw sales decline as a result of the COVID-19 pandemic. However, the adoption of new products such as high lycopene tomatoes and vegetable soup stock has shown positive results for future growth. For the direct marketing business, sales were strong for vegetable beverages, supplements as well as soups and seasonal products due to consumers' health consciousness as well as increased tendency to support farming regions.

Due to changes in consumer lifestyle, the changes in the points of contact for purchasing Kagome products, including the information recognition pathway and ways of sharing information, which are different from before, have become apparent. Given these conditions, Kagome is fully focused on the Let's Eat Vegetables Campaign, as we strive to earn more loyal customers through new approaches.

## Initiatives for FY2021

Kagome is committed to addressing social issues through its efforts to increase vegetable intake amount among consumers. In 2019, we supplied 610,000 tons of vegetable products, which comprised 4.4% of overall consumption in Japan out of an annual total consumption of 13,900,000 tons, based on an average of 290g of vegetable intake per day for a Japanese person.

However, this is still 60g shy of the recommended daily intake amount of 350g from a health enhancement standpoint. As such, we will further develop the Let's Eat Vegetables Campaign in order to achieve the vision of eliminating any shortfall in vegetable intake in Japan.

In terms of beverages, we strive to improve on products and information dissemination in response to the increased consumer desire for improving immunity in addition to appealing the value of consuming vegetables through juices. In terms of foods, we hosted the Kagome Neapolitan Stadium which takes place once every four years under a new style, as well as organized events to promote delicious menu ideas that incorporate vegetables, while striving to increase the consumption of ketchup and tomato sauce in all areas including both dining in and dining out.

At the same time, we will work with partner companies who share our belief in the Let's Eat Vegetables Campaign to strengthen our efforts aimed at increasing vegetable consumption and create new demand.

### PICK UP

## Initiatives of the health services business

We engage in the Health Service Business with the aim of extending healthy life expectancy through resolving the issue of vegetable intake deficiency. We aim to enhance health awareness through controlling the amount of vegetables eaten per meal and improving eating habits. As the professionals of foods and health, registered dietitians conduct fun and informative seminars on the importance of eating vegetables and improvement of eating habits. In 2020, we launched the sales of health improvement program accessible using a mobile app together with Daiwa Research Institute Ltd. We aim to increase sales by providing interactive services that raise awareness of vegetable intake and behavior modification.



Vegetables and lifestyle Registered Dietitians Lab

## Business Foundation Enhancements and Growth Strategies

# Domestic Agri-Business

We aim to elevate the value chain of fresh produce from production to consumption and contribute to the promotion of Japanese agriculture and extension of healthy life expectancy.



Shinsuke Habutsu  
President and CEO,  
Kagome Agri  
Fresh Co., Ltd.

### Performance trends (FY2020)

#### Revenue

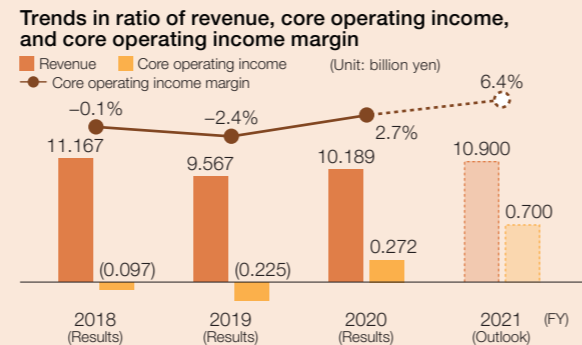
**10,189 million yen**

Up 6.5% year on year

#### Core operating income

**272 million yen**

Change year on year –



### Recognition of general business conditions

The Domestic Agri-Business, which we started in 1998, sells fresh tomatoes cultivated year-round at large-scale vegetable farms to mass retailers. In 2014, we started production and sales of mesclun greens as part of business activities to transform from a tomato company to a vegetable company. While net sales since FY2015 have grown to surpass 10 billion yen, the more we engage in business expansion, the clearer it has become that there are challenges to achieving profits and further growth. Therefore, we will transfer the business to this new company and work on establishing growth strategy and enhancing our profit base.

### + Strength

- + Established as a national brand for fresh tomatoes
- + Advanced tomato breed development abilities, procurement capabilities and processing technology
- + Kagome's own year-round supply capabilities and sales network empowered by its own marketing and logistics networks

### - Weakness

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

### 🔔 Opportunity

- 🔔 Government promoting agricultural industry growth and stimulation measures
- 🔔 Increase in agriculture producing companies and advancements in smart agriculture
- 🔔 Increased need for processed vegetable products to eliminate hassle of food preparation

### ⚠️ Threat

- ⚠️ Growing intensity of competition in large greenhouse cultivation
- ⚠️ Impact of COVID-19 pandemic at production sites
- ⚠️ Climate change resulting in decline in suitable cultivation land and emergence of new pests

### Specific measures to address opportunities and threats

- ▶ Switch to a business structure capable of securely generating profit by establishing a new company
- ▶ Further enhance business collaboration both internally and externally and strengthen the value chain from production to consumption
- ▶ Use latest technology to conduct research and development in areas such as plant monitoring technology and harvesting robots
- ▶ Strengthen profit management by implementing shipping forecast technology utilizing AI and enhancing supply and demand adjustment functions
- ▶ Partner with research and development departments to develop new high-function vegetables

## Results and issues to be addressed

Since FY2017, revenue was down as a result of impacts from lower market prices for fresh tomatoes due to tougher competition. We have implemented profit structure reform efforts with the aim of strengthening and stabilizing our ability to generate revenue.

In FY2020, revenue was up 6.5% year on year to 10,189 million yen and core operating income totaled 272 million yen.

In the first quarter, tomato procurement volume declined due to a lack of sunlight and other factors, causing sales volume to fall below the previous year, but since the second quarter sales increased on rising procurement volume and the expansion of sales channels. Particularly, in the third and fourth quarters, procurement volume of fresh tomato increased with the expansion of summer and autumn growing areas, resulting in a large increase in sales from the previous year. In terms of the bottom line, we turned a profit and escaped the red, which had continued for three consecutive years, buoyed by the increase in revenue and efforts to reduce fixed costs. In addition, the cultivation of new businesses, such as home gardening and the agri-support business, also contributed to the bottom line. Going forward, we will further solidify our profit base through the company we newly established.

We are also working on enhancing our value chain from production to consumption of fresh vegetables in aiming to become a vegetable company. We aim to transform to an advanced value chain by stepping up business cooperation with parties inside and outside the company to further enhance our breed development capabilities, technical capabilities, procurement capabilities and sales capabilities. By working to address these issues, we will contribute to resolving the social issues of promoting Japanese agriculture and extending healthy life expectancy.

## Efforts through the establishment of a new company

We established Kagome Agri Fresh Co., Ltd. in October 2020 and transferred the Domestic Agri-Business to this company in January 2021. Under this new management structure, we are now working on structural reforms and growth strategies for the Domestic Agri-Business.

### 1 Accelerate decision making

We aim to speed up decision-making so that we can quickly respond to rapid changes in the business environment. Through this spin off, we will rebuild our organizational structure into one that is more autonomous and nimble.

### 2 Improve productivity

We will seek to develop specialist human resources in the agriculture business. This will allow us to aim for increased productivity by enhancing our farm management and cultivation technologies. In the future, we will examine hiring career employees for and establishing labor conditions best suited to this business. We will seek out improved cost competitiveness by more closely managing profits.

### 3 Promote alliances

To become a vegetable company, we will actively incorporate outside knowledge in the agriculture business and further enhance our vegetable solution capability and vegetable demand-creation capability. Toward this end, we will promote alliances with other companies, including capital tie-ups.

### 4 Strengthen governance

This organizational restructuring will entrust the business administration of our farms that produce fresh tomatoes and mesclun greens to the new company. Through this, we will seek to strengthen corporate governance for the business.

PICK UP

### Diversifying away from tomatoes

We are working to commercialize other vegetable businesses outside of tomatoes in an effort to become a vegetable company. Mesclun greens, which we already sell, contain many nutrients because they are young leaves. In 2019, we began marketing a vegetable called kalish, which is a combination of kale and daikon radish. Kalish contains a large amount of sulforaphane, a healthy nutrient. By expanding these vegetables, we hope to contribute to the healthy and vibrant eating habits of our customers.





# International business

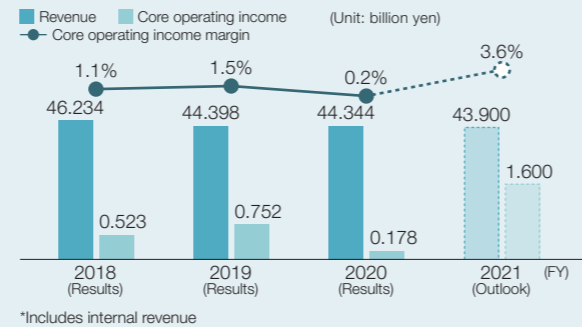
We will contribute to solving global food issues by making the great taste and value of vegetables available to people all over the world.



## Performance trends (FY2020)

**Revenue**  
**44,344 million yen**  
 Down 0.1% year on year

**Core operating income**  
**178 million yen**  
 Down 76.3% year on year



## Recognition of general business conditions

With food shortages a concern as the world's population grows, we have engaged in a vertically integrated business spanning from tomato breed development to growing, product development, processing and marketing, with the expectation that demand for tomatoes—the world's most consumed vegetable—will continue growing.

However, in recent years our primary processing business including tomato paste production has seen earnings slump and amid the COVID-19 pandemic food service demand, too, has declined. As such, rethinking our growth strategy has become an urgent task. Currently, we have identified priority regions and businesses and now we are working to shift to a profit structure more resilient to change.

### + Strength

- + Quality capability in rolling out a common global quality management standard at our Group companies around the world
- + Ability to propose menu item solutions to food service chains
- + Global primary processing network

### - Weakness

- Declining profitability of primary processing business
- High level of dependence on specific high-volume customers
- Lack of brand recognition in B to C

### 🔔 Opportunity

- 🔔 Growing food service industry in the United States due to population growth (post COVID-19)
- 🔔 Rising demand for simple and easy takeout foods following an increase in home cooking
- 🔔 Growth of vegetable beverages in Asia amid rising health consciousness among consumers

### ⚠️ Threat

- ⚠️ Increase in raw material production losses due to global climate change
- ⚠️ Temporary decline in food service demand due to COVID-19
- ⚠️ Tougher competition among suppliers of condiments for food service chains

## Specific measures to address weaknesses and threats

- ▶ Rationalize scale of primary processing business and undergo structural reforms at Kagome Inc. through fixed cost reduction, etc.
- ▶ Tap into new customers, thoroughly manage profit from each customer, and shift to high value-added products
- ▶ Form local brand strength through joint venture with Nissin Foods (H.K.) Co., Ltd.
- ▶ Diversify growing areas for climate risk diversification and establish cutting edge cultivation technologies using climate data analysis.

## Results and issues to be addressed

In FY2020, revenues were down 0.1% year on year to 44,344 million yen while core operating income was off 76% year on year to 178 million yen, resulting in decreased revenue and decreased profit. Following the worldwide spread of the COVID-19 pandemic, our International Business, focusing on food service businesses, has been impacted significantly. Despite this situation, we have implemented earnings structure reforms in FY2020, paving the way for sustainable growth from the next year onward.

The global supply and demand gap of tomato paste that started in 2016 has shown signs of improvement, while our Portugal-based subsidiary, Holding da Industria Transformadora do Tomate, SGPS S.A. (HIT) is rectifying its overstocking of tomato paste. In addition, in FY2020, we recorded an impairment loss on property, plant and equipment held by HIT and optimized its production scale. We will increase our cost competitiveness through improving operation efficiency and reducing fixed expenses going forward.

Sales decreased for Kagome Inc., which sells industrial pizza sauce and tomato sauce in the U.S., as a result of the slump in the restaurant industry due to the COVID-19 pandemic. Under these circumstances, we worked to optimize the revenue base by lowering the break-even point through reducing fixed costs and thoroughly eliminating waste. In the future, we will restore sales by strengthening response to business formats with growing demand, such as take-out.

As for other subsidiaries, we have established the steady generation of profits with improving asset efficiency through efforts such as adding carrots processing outside of the tomato processing season at Kagome Australia. Moreover, we raised our market share in condiments by improving our business solutions proposal capability at Taiwan Kagome Co., Ltd. while enhancing the earnings structure by integrating management with Comat (condiment manufacturer).

## Initiatives for FY2021

### Achieve profitable growth for the global tomato business

In the primary processing field such as tomato paste, we have enhanced the earnings structure through structural reforms. By stabilizing the upstream revenue base and clearly establishing focus region and product areas for downstream secondary processing, we will shift from the stage of revenue stabilization to growth while moving towards the third Mid-Term Management Plan.

By region, we will pursue growth in the B to B segment for the entire U.S. market. As the population is expected to continuously grow in the U.S., processed tomato products will remain an enormous market. As it is also a major growth region of processing tomatoes, we have established a community-based SCM for processed tomatoes. Once again, we will review our growth opportunities in areas that were previously untapped in terms of customers, regions, and products within the U.S., and aim to expand our business by strengthening cooperation among our bases.

### Expanding vegetable beverage business in Asia

We will create demand through the unique Japanese culture of consuming vegetables through juice. We will use our external value chain to achieve speedy sales growth and establish Kagome brand value in the Asia region. Since October 2020, the Vegetable Beverage Business in Asia has been restructured as a top-managed business. This expedites the speed of growth and cultivates the prospective core business with the aim of maturing into the leading company of vegetable beverages in Asia.

PICK UP

## Present and future of the consumer business

Vegetable beverage exports and sales in Asia currently spans seven regions. We are developing a foundation for sustainable growth through marketing policies that are appropriate for the market environment of each country and utilizing both local distributors and cross-border e-commerce channels.

We will contribute to the extension of healthy life expectancy in Asia by promoting beverages as a daily health drink that enables one to easily consume vegetables.



# Innovation (Research)

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



Hiroyuki Ueda  
Executive Officer  
Director of Innovation  
Division

## Research Strategy

Looking back in history, diseases such as the plague drastically changed the way of life and sense of value, while numerous innovations occurred under the circumstance where imbalances, such as inconvenience and dissatisfaction, arose. Given the rapid changes happening due to the COVID-19 pandemic, we believe there is a growing possibility for creating new value that exceeds conventional value. Seizing such changes as opportunities, we have narrowed down our research areas into: health; agriculture; and safety. Moreover, we have newly established the New Business Development Lab within the head office to enhance its function to commercialize non-financial assets (patents and breeds, etc.) derived from our research activities.

## Descriptions of each research project

### 1 Health research

We are conducting social implementation research for a system that will lead to behavioral modification for vegetable intake and health information dissemination with a focus on functionality research on green and yellow vegetables. We are actively promoting open research and incorporating partnerships with the faculty of medicine at universities and co-operative research among industry, academia and government.

### 2 Agricultural research

(breed and cultivation technologies)

We are conducting research using the genetic information of tomatoes to develop new breeds and cultivation technology for processing tomatoes that are resistant to climate change and pests, and fresh tomatoes and gardening tomatoes in line with the value of consumers. In addition to conventional methods, we are taking on advanced technology development and utilization for smart agriculture and utilizing genetic big data. In FY2020, we introduced an AI-based facility cultivated crop yield prediction system in vegetable fields that was developed together with the National Institute of Advanced Industrial Science and Technology.

### 3 Safety research

(assessment of product quality and safety)

To deliver safe, reliable products to our customers, we are strengthening our basic technologies for assuring safety throughout the supply chain starting in the fields, including conducting activities to predict food safety risks, acquiring analysis and evaluation technology, and conducting raw material safety assessments. Moreover, we have developed a system base capable of conducting analysis efficiently and remotely for the process of safety evaluation.

### 4 Protection and use of intellectual property

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

### 5 Establishment of the New Business Development Lab that links intellectual property to businesses

We established the New Business Development Lab at the head office in October 2020. The lab functions to promptly examine and utilize intellectual property and conducts incubation for business commercialization.

## Promotion of open innovation to help resolve social issues

### Joint research with Hirosaki University, "Identifying the relationship between vegetable intake and health"

Kagome has launched a Vegetable Life Sciences seminar at Hirosaki University with the aim to further identify why it is important to eat vegetables in order to maintain and improve health through analysis of big data of health exams. In FY2020, two articles that demonstrate the relationship between vegetable intake and metabolic syndrome were published in an international journal (both in Nutrients).

#### 1. The level of vegetable intake can be estimated based on the carotenoid level in blood or skin

Vegetables, and particularly yellow and green vegetables, contain the pigments called carotenoids such as lycopene and beta-carotene. Kagome took measurements of the carotenoid levels in blood and skin (using Veggie Check®) during a health exam, and demonstrated that these levels reflect the level of vegetable intake.



Veggie Check® monitor

#### 2. The higher the carotenoid level, the better the indicator in health assessment.

Data analysis revealed that the higher the carotenoid levels in blood and skin, the healthier the indices for metabolic syndrome, such as obesity, hypertension, diabetes and hyperlipidemia. Upon closer examination, this relationship was more pronounced in men between in their 20s to 30s and women in their 40s to 50s (both are the age groups when metabolic syndrome-related indicators begin to deteriorate).

The novelty of this analysis is that it was conducted on healthy individuals without major illnesses. While we still need to identify the causal relationship, we believe it is important to have sufficient vegetable intake while being healthy especially in these ages.

These research results show that vegetable consumption levels are strongly related to health status, while "Veggie Check®" is also beginning to be used in the providing health instruction.



Veggie Check® monitor results screen

## Human resource development in research departments

During the five-year period from the start of the first Mid-Term Management Plan, we are working on human resources development and fundamental reforms to our culture and mechanisms for research activities since people are the main actors in generating innovation. In order to realize innovation, it is necessary to develop "T-shaped human resources" by cultivating two basic skills; namely, deepening expertise and bridging skills for commercialization.

### Specific undertakings (partial excerpt)

Research secondment to universities and national research institutes, secondment to venture companies, system × design thought training, results presentations and discussions, commercialization wall-hitting sessions with people outside the company, etc.

### Innovation Division Action Guidelines

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

## Strengthening Foundation for Value Creation and Core Strategies

Quality and Environment

# Product Safety and Security/Environmental Conservation

## Fulfilling Our Brand Promise

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

### Approach to quality and the environment

Kagome has always engaged in manufacturing utilizing nature's bounty from the procurement of safe ingredients. In order to sustain our business activities, it is vital that we engage in sustainable agriculture in a rich natural environment. It is also essential that we achieve a balance between a reliable system for manufacturing with natural ingredients and conservation of the environment. We established the Quality and Environmental Policy in October 2017 after combining our Quality Policy and Environmental Policy. This new policy represents the determination of Kagome's management team to achieve a sustainable society by focusing on environmental conservation with the same passion that Kagome has maintained in its manufacturing activities.

#### Quality and Environmental Policy

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

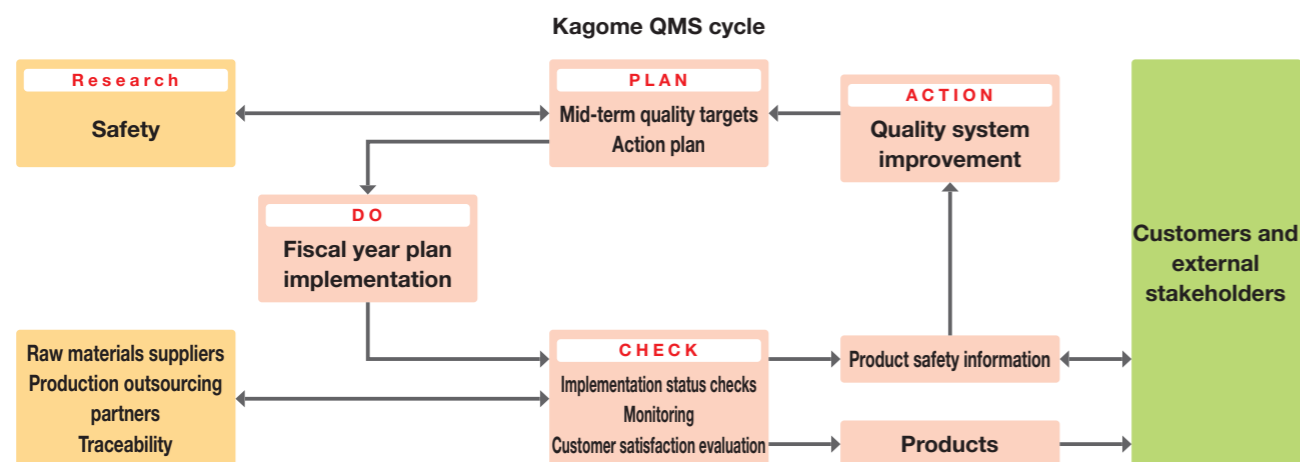
### Certification systems in Japan

#### Quality management system

Kagome employs the Kagome Quality Management System (KQMS) during the processes of design, development, procurement, production, logistics, and sales in an effort to provide product safety and peace of mind. KQMS satisfies the requirements of ISO 9001:2015 and FSSC 22000. In addition to fulfilling customer requirements along with relevant laws and regulations, KQMS ensures that we are able to develop and provide value-added products well into the future while further reinforcing our preparedness toward quality risks.

#### Environmental management system

In terms of the environment, we established the Kagome Environment Management System (KEMS) following ISO 14001:2015, with the aim of improving environmental performance, fulfilling our compliance obligations, and achieving environmental targets. KEMS originally covered all plants in Japan and related departments, but in December 2020, we expanded this scope to include all departments in Japan and we obtained ISO 14001 certification.



### Quality and environmental topics Examples in Japan

We have launched initiatives not only at Kagome, but also at our suppliers in order to share our approach to quality and quality management mechanisms.

#### (1) Quality management standard for suppliers

These standards lay out essential quality management standards, such as control of allergens and prevention of contaminants, for suppliers (raw materials suppliers and production outsourcing partners) in order to ensure the quality of Kagome products. Kagome's Quality Assurance Department checks supplier compliance with these standards using on-site quality audits. Going forward, we will require all new suppliers to comply with these standards.

#### (2) Building mechanisms for food fraud prevention

Kagome established mechanisms for food defense and food fraud prevention in 2019. Mainly, we closely manage unique raw materials that emphasize certain origins or varieties to consumers in order to prevent food fraud.

### Quality and environmental topics Examples overseas

We have established quality management standards common to all Group companies overseas as part of our efforts to improve quality at these companies.

The Global Quality Assurance Department established a common global quality management standard for overseas Group companies known as Kagome Best Manufacturing Practice (KBMP). The department is also working with Group companies to share the same Japanese know-how in terms of best manufacturing practices at Kagome's Group companies overseas.

Until now, we have used common rules on immediate response in case of a quality failure and quality management for preventing contaminants during manufacturing at our overseas Group companies.

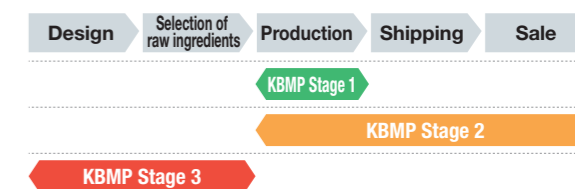
From FY2019, we carried out activities to prevent quality failures attributed to product design. In FY2020, we worked on revising our product development program at major subsidiary, Kagome Inc. By making changes to ensure quality assurance departments can participate in risk identification from the product planning stage, we have been able to initiate risk countermeasures at an early stage in product design, resulting in a system where product development that is safer and offers greater peace of mind can be carried out reliably. Going forward, we will expand the number of companies covered.

These activities have resulted in a steady increase the entrenchment rate of KBMP at Group companies, helping to penetrate the philosophy of "Quality First, Profit Second" (good quality will result in profits) at our business locations around the world.

We are also making a cross-sectional assessment of information relating to quality, the environment and technology at overseas Group companies and sharing and utilizing this information to improve the level of quality assurance and productivity.

From FY2020, we have expanded the scope of activities outward from quality to include the environment and company-wide cross-functional technical issues related to production. This included working as a Group to lower costs and reduce CO<sub>2</sub> emissions.

#### Common quality management standard for overseas Group companies KBMP coverage



#### KBMP Stage 1

- Magnet inspection
- X-ray inspection and metal detector inspection
- Filter inspection
- Cleaning
- Maintenance
- Management of packing materials and other consumables
- Procedures and main points of 5S (Seiri [Sort], Seiton [Set], Seiso [Shine], Seiketsu [Standardize], and Shitsuke [Sustain])

#### KBMP Stage 2

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

#### KBMP Stage 3

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

Quality and Environment

# Responding to Climate Change

## CO<sub>2</sub> Reduction Initiatives

For Kagome, which uses nature's bounty in its products, conservation of the natural environment is essential to the continuity of its business. We are now working to reduce CO<sub>2</sub> emissions, recognizing that our response to climate change should be a top priority.

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

Kagome conducted scenario analysis based on the recommendations made by the Task Force on Climate-related Financial Disclosures (TCFD) in 2019 in order to shed light on the risks and opportunities facing our business. From FY2020, we began a review of indicators and targets.

**Governance** The Kagome Group recognizes that an interruption in the procurement of raw ingredients is the greatest risk facing its business operations. Climate change has resulted in unseasonable weather patterns, including massive typhoons and torrential rainfall, which have caused extensive damages in areas where raw ingredients are grown. To avoid this risk, Kagome has taken the lead in implementing the Paris Agreement. In April 2018, Kagome's Board of Directors approved medium- to long-term targets for CO<sub>2</sub> reduction to ensure the company actively works to lower emissions of greenhouse gases.

Kagome's President & Representative Director is responsible for all of the company's environmental activities, including climate change response, under Kagome's ISO 14001 environmental management system. The President evaluates the effectiveness of the environmental management system through biannual management reviews, following the company's environmental policy, and maintains responsibility and authority to order improvements.

**Strategy** The emergence of climate change represents a major risk for Kagome as a company that processes and sells agricultural produce. At the same time, however, it can also be an opportunity for harnessing our long-standing technologies. Below are examples of Kagome Group's risks, countermeasures and opportunities.

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

	Risk items	Countermeasures and opportunities
Short-term and medium-term	<ul style="list-style-type: none"> <li>Extreme weather and changing rainfall and weather patterns</li> <li>Declining production yield caused by water stress</li> </ul>	<ul style="list-style-type: none"> <li>Acquisition and sales of vegetable varieties that can withstand climate change</li> <li>Develop and use tomato cultivation system that can produce tomatoes with the fewest amount of water</li> </ul>
Long-term	<ul style="list-style-type: none"> <li>Rising carbon prices</li> <li>Changing consumer behaviors</li> <li>Declining biodiversity</li> </ul>	<ul style="list-style-type: none"> <li>Increased CO<sub>2</sub> reduction targets and initiatives to achieve them</li> <li>Actively develop environmentally friendly products and certified products</li> <li>Propose and promote agriculture in symbiosis with living organisms</li> </ul>

\*For details, see our corporate website. <https://www.kagome.co.jp/english/csr/environment/production/energysaving/>

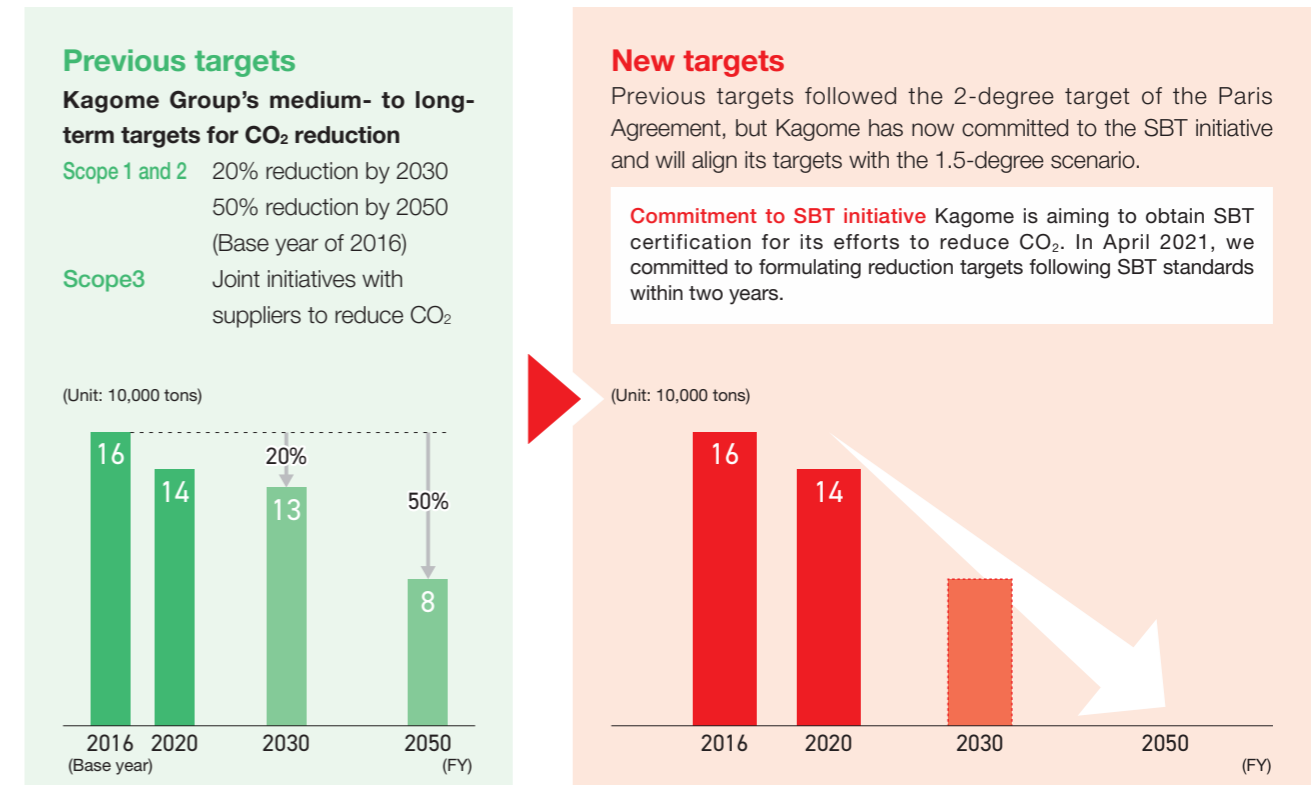
The risks and opportunities of climate change represent the risks and opportunities of Kagome's business operations. As such, they have been included in our business plan together with other risks.

**Risk management** Kagome has established the Joint Risk Management Meeting, chaired by the President & Representative Director, as a body for supervising the company's risk management activities. The body helps to speed up the decision making process in terms of our risk response policy and issues. Identified risks and opportunities concerning climate change are incorporated into the Three-year Environmental Management Plan\* as issues to be addressed by the entire company.

\*See Kagome's website for issues and KPI in the Three-year Environmental Management Plan (FY2019-FY2021). <https://www.kagome.co.jp/english/csr/environment/plan/>

**Indicators and targets** Kagome established medium- to long-term targets for reducing CO<sub>2</sub> emissions in 2018 in order to mitigate risks associated with climate change. Going forward, we will speed up our initiatives to prevent global warming and move ahead with our commitment to Business Ambition for 1.5-degree under the SBT initiative\*.

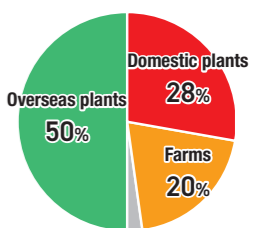
\*SBT (Science Based Targets) initiative is an international initiative to ensure consistency between the greenhouse gas reduction targets of companies with the standards set out in the Paris Agreement.



### Initiatives to achieve CO<sub>2</sub> reduction targets

In addition to its proactive efforts toward energy conservation, in 2020 Kagome began using exhaust heat and CO<sub>2</sub> from its plants for tomato cultivation and from April 2021 Kagome started using solar power at two of its plants in Japan. In this manner, we are moving forward with efforts to reduce our CO<sub>2</sub> emissions. A large percentage of the CO<sub>2</sub> we emit originates from our plants in Japan as well as tomato farms, and overseas plants where we

#### Breakdown of Kagome Group's CO<sub>2</sub> emissions (2020)



#### Effective use of exhaust heat and CO<sub>2</sub> from plants



We are using the Fujimi Plant's waste warm water and CO<sub>2</sub> contained in boiler exhaust gas for the cultivation of tomatoes at a nearby farm.

#### Solar power



We have installed solar panels at the Kozakai and Ibaraki plants, which began generating electricity in April 2021.

juice and condense tomatoes. In order to reduce emissions as a Group, in 2020 we launched the CO<sub>2</sub> Reduction Project headed up by the Senior Managing Executive Officer responsible for environmental management. Under this project, we are making company-wide efforts following energy conservation measures with a long-term perspective covering all domestic plants, farms and overseas plants, and a CO<sub>2</sub> reduction plan based on the use of renewable energy (solar, biomass, and renewable energy certificates, etc.).

Additionally, we are participating in the JCI\* and we have endorsed the JCI Message to the Japanese Government Calling for an Ambitious 2030 Target for Japan to Realize the Paris Agreement Goal of April 2021.

\*JCI is an acronym for Japan Climate Initiative; a network of 105 companies, local governments and NGOs actively working on climate change countermeasures.

Strengthening Foundation for Value Creation and Core Strategies

Quality and Environment

Conserve Water and Biodiversity/Develop Products with Low Environmental Impact

Protecting Water and Soil that Nurture Vegetables

Kagome is working to conserve water used to grow its vegetables and biodiversity. We aim for sustainable agriculture and we are now actively working to promote resource-recycling, which includes reducing environmental impacts from plastics usage.

Water conservation

As a company that uses large amounts of water in cultivation and processing, Kagome has established the Kagome Group Water Policy and is implementing measures tailored to each region where it operates to mitigate water-related risks. A survey of the water risks facing our overseas plants concluded that there is risk of drought in the United States and risk of both drought and heavy rainfall in Australia. In Australia, we are mitigating risk by cultivating tomatoes avoiding the second half of April when there is a high risk of heavy rainfall. Since there is also risk of drought in Australia, the water used at our plants in the winter is placed into a dammed reservoir and then supplied to nearby farmers in the spring. This forms part of our efforts for water recycling.

Kagome Group Water Policy

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



Reservoir dam of Kagome Australia Pty Ltd.

Biodiversity conservation

In order to continually reap nature's bounty, Kagome aims to achieve coexistence with a diverse array of living creatures, primarily by reducing agriculture's impact on biodiversity. Kagome engages in various activities following the Kagome Group Biodiversity Policy, based on an assessment of the current situation with regard to biodiversity and the Group's business operations.

Farms in symbiosis with living organisms

To achieve sustainable agriculture, in 2020 we opened a 1.2-hectare field next to the Kagome Yasai Seikatsu Farm Fujimi (located in Fujimi Town, Suwa District, Nagano Prefecture) as a farm in symbiosis with living organisms. At this field, we place bamboo tubes and rock piles to attract living organisms useful to farming, such as the natural enemies of pests, to evaluate their effectiveness. We also offer visitors chances to deepen their understanding of biodiversity, including by taking part in quiz rallies, where visitors search for answers by checking different stations throughout the farm. Based on the know-how accumulated here, we hope to increase the number of farmers who endorse farming that utilizes the power of living organisms.

These activities were featured in a compilation of biodiversity initiatives in the areas of agriculture, forestry and fisheries published on the website of the Ministry of Agriculture, Forestry and Fisheries in March 2021.



Bamboo tubes (used as a nest by mason wasps)



Rock piles (provides a habitat for lizards and spiders)

Initiatives for plastics—Developing products with low environmental impact

In January 2020, we established the Kagome Policy on Plastics with the goal of reducing the impacts plastics have on the environment. As a specific target, Kagome will eliminate its use of straws made from petroleum-derived materials for its paper beverage packs and shift to recyclable materials (plant-derived or paper materials) by 2030. Kagome will also use recycled or plant-derived materials for at least 50% of its beverage PET bottles by 2030.

Kagome Policy on Plastics

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

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

Our initiatives

1 Using plant-derived plastics on paper beverage packs

As part of our efforts to mitigate environmental impacts due to plastics, we began using plant-derived (sugar cane) plastic caps and plastic straws made up of 5% plant-derived materials on our paper beverage packs from April 2020.

**Target products** Capped paper beverage packs, including the Kagome Yasai Seikatsu 100 Smoothie series  
Paper beverage packs including Yasai Seikatsu 100 Original 200ml



2 Using 100% recycled materials for PET bottles

In September 2020, we began using recycled PET resin materials from used PET bottles in some of our PET bottle products.

**Target products** Kagome Tomato Juice High Lycopene Tomato 265g



3 Released limited edition seasonal Yasai Seikatsu 100 using eco-friendly paper straw

We released a limited run seasonal version of Yasai Seikatsu 100 with paper straw made from eco-friendly FSC®-certified paper\* through the e-commerce page of our corporate website. Going forward, we plan to release similar limited run seasonal versions of Yasai Seikatsu 100 with paper straw.

**Target products** Yasai Seikatsu 100 Shinshu Hakuto Mix and other Yasai Seikatsu 100 Seasonal Series



\*A certification program for forests that produce wood and the processes of distribution and processing for this wood. It indicates that paper products were produced without major impacts on the environment or society.

Supply Chain

# Strengthening of Supply Chain Management

## Building a Foundation for Product Development from the Field

### Initiatives for resolving social issues posed by logistics

The logistics industry in Japan is facing a number of urgent issues, including labor shortages, the prolonged working hours of drivers, and environmental concerns. To resolve these social issues found in logistics, in 2020 Kagome undertook such initiatives as extending delivery lead time and product date labeling. Additionally, we worked to curtail logistics costs, which are expected to rise over the medium to long term and we achieved positive results toward cost savings by rationalizing inventory levels.

#### Start of day-after-next delivery and addition of product date labeling

Following the logistics crisis caused by a serious shortage of truck drivers and warehouse workers, improving the work environment and increasing labor productivity in the logistics industry have become social issues. In particular, improving the logistics environment in the distribution of processed foods has become an urgent issue. This is due to large undulation of logistics demand, long wait hours during deliveries and ancillary work.

Starting in April 2020, Kagome instituted "day-after-next delivery" to extend delivery lead time with the cooperation of retailers. The goal of improvements in logistics environment is to deliver products to customers in a reliable and sustainable manner.

In addition, in October 2020, we began steadily changing product date labeling from day, month and year to month add year focusing on consumer beverage products with a best-before period of 360 days or more, in order to reduce food loss and mitigate burdens placed on distributors, including logistics providers, warehouses and retailers. Going forward, we will encourage product date labeling for other products and continue working to extend the best-before period.

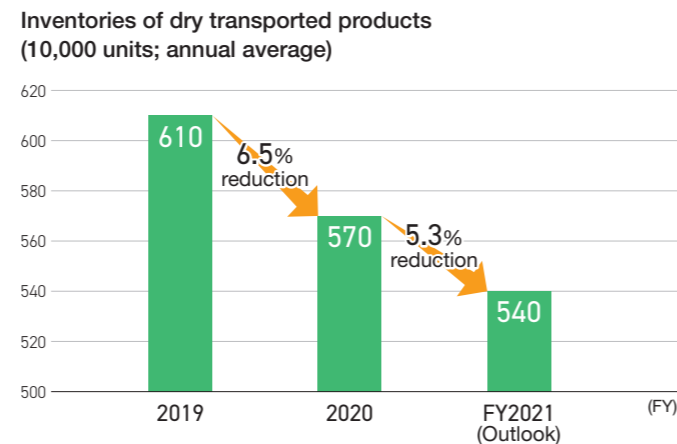


Products subject to product date labeling

#### Lowering logistics costs by rationalizing inventories

Logistics costs are expected to continue rising in the future following the deterioration in logistics environment. In 2020, Kagome began reviewing appropriate inventory amounts for each main container unit in order to rationalize inventory levels. Based on previous shipment results, we analyzed factors for any gaps with the plan, visualized the balance between shipment volume and production capacity, and determined the current situation such as breakdown by product within categories. By doing so, we were able to set inventory days and important management items for inventory rationalization. We worked with our production plants to determine responses to fluctuations in supply and demand in advance in an effort to adjust the production system flexibly based on actual conditions.

As a result, we reduced the inventory level of dry shipped products, mainly beverages, by 6.5% over the previous year, resulting in lower logistics costs. We will continue with these initiatives going forward to better control rising logistics costs.



### Sustainable procurement

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

#### Establishment of Kagome CSR Procurement Policy

We established the Kagome CSR Procurement Policy not just for the procurement of safe and secure raw materials, but also for contributing to the realization of a sustainable society together with procurement partners. This policy ensures fair, equitable, and transparent transactions and promotes procurement activities that take into account laws, ethics, human rights, labor, and the environment.

##### (1) Ensuring raw material and product safety and security

- To deliver peace of mind to customers, our procurement activities will prioritize quality and safety while taking into account the best combination of quality, cost and supply.

##### (2) Fair trade

- We will select business partners fairly and transparently based on a comprehensive evaluation of technical prowess, proposal capabilities, and initiatives toward the environment, in addition to quality, cost and supply.
- We will not permit transactions using a superior bargaining position or transactions complicit in exploitation.

##### (3) Consideration for human rights, labor and the environment

- We will carry out initiatives that respect the human rights of individuals, labor environment and health and safety.
- We will carry out procurement activities considerate of the environment while attempting to prevent pollution of water, land and air used to cultivate vegetables.

##### (4) Compliance with laws and ethics

- We will comply with the laws and regulations of each country and engage in fair and transparent procurement activities.
- We will fulfill contractual obligations with business partners and appropriately manage confidential and personal information related to procurement transactions.

##### (5) Mutual prosperity with business partners

- We will mutually support and assist business partners and implement measures aimed at resolving social issues.

#### Kagome Supplier CSR Guidelines

We established the Kagome Supplier CSR Guidelines, which contains detailed guidelines for our procurement partners inside and outside of Japan based on the belief that supplier cooperation is vital to implementing the Kagome CSR Procurement Policy.

The guidelines are broken down into sections with international relevance, including respect for human rights, appropriate labor environment, and consideration toward the environment. We are now working to make suppliers known of these guidelines and deepen their understanding and implementation in an effort to further enhance the effectiveness of our CSR procurement activities.



Meeting with supplier

The Kagome Supplier CSR Guidelines can be found here.

[https://www.kagome.co.jp/library/company/csr/supplier/pdf/supplier\\_csr\\_guidelines.pdf](https://www.kagome.co.jp/library/company/csr/supplier/pdf/supplier_csr_guidelines.pdf)

Strengthening Foundation for Value Creation and Core Strategies

Diverse Human Resources

Human Resources Strategy for Improving Mid- to Long-term Corporate Value

Human Resources Development for Building Autonomous Career Paths



**Masato Arisawa,**  
Chief Human Resources Officer (CHO) and  
Managing Executive Officer

Kagome is creating a company and culture that is strict but also provides a pleasant and rewarding workplace, as part of its efforts to improve corporate value.

**Q1. What are your thoughts on the career development of employees?**

Improving corporate value by increasing the market value of employees and becoming a group of strong individuals

Kagome is working to create mechanisms that empower employees to develop their careers autonomously in order for everyone working at the company to become "strong individuals."

A strong individual is a person who has acquired a high degree of value in the labor market. We aim to develop and increase these individuals to expand our human capital. That is, we are working to expand mechanisms following this perspective in order for employees to feel proud to work at Kagome and to become a company that attracts talent as an appealing place to work.

In terms of the skills development of individuals, in addition to group training at the company and department level, we support independent learning by offering elective business skills training tailored to individual career. Employees can select training on such themes as logical thinking, leadership and marketing tailored to their individual career path. In FY2020, we offered training covering 14 themes, with 315 employees participating. Also, our human resource development managers conduct career interviews to support the autonomous career development of employees and promote the assignment of the right person to the right position. In a typical year, we interview around 600 employees. In FY2020, we interviewed 592 employees online. Through these interviews, we inform employees that rather than the company they should take the lead in developing their own careers and we instill the habit of being self-inquisitive when it comes to exploring career paths. We have also introduced a secondary job scheme where employees can look beyond their career at Kagome to refine their specializations outside the company. This is an era where people should not be tied down to a single

employer, but rather have the opportunity to build a career uniquely their own while working for multiple employers. We look at secondary jobs as not just a side hustle but working multiple jobs and employees are allowed to conclude an employment contract with another company. However, only employees who work less than 1,900 hours annually can use this scheme. In addition, from the perspective of health management, the scheme requires that employees do not work more than 45 hours per month when combining their secondary jobs with the overtime work of their job at Kagome. We want our people to become high value talent in the labor market by acquiring broad perspectives.

To promote autonomy, we are fostering a culture of autonomous work styles by revamping our attendance management system and managing schedules closer. Moreover, we have developed a pleasant work environment by introducing flex time and telework schemes.

I believe that personnel expenses are an investment and not a cost. With the long term in mind, Kagome is working to create mechanisms and schemes that empower employees to develop their careers autonomously in order to become "strong individuals."

**Education and training provided by the Human Resources Department (FY2020 results)**  
**(Does not include the educational programs or e-learning of each department)**

Results of employee training for skills building  
We conduct rank-based training mainly for younger employees, career training at certain milestones, miscellaneous assessments, elective training, and training for officers and managers.

Total number of participants (persons)	1,320
Types of training held	28
Training hours (Unit: days)	1,532

**Q2. What is the goal behind promoting diversity and inclusion?**

**"Innovation is born from diversity"**  
**With this in mind, we are improving the work environment**

Kagome's diversity is promoted as an important element of management strategy that forms the foundation and basis of organizational and individual actions aimed at realization of the long-term vision and what Kagome strives for by 2025.

From FY2017, we updated our KGI and KPI on continuous employment and promotions, in addition to maintaining the hiring rate of women at over 50%, aimed at achieving our long-term vision of 50% of the workforce consisting of women – from employees to executive officers. Currently, we are making steady progress toward this goal. Achieving what Kagome strives for by 2025 will require the creation of ceaseless innovation. To create such an environment, we are improving measures for energizing the combination of the knowledge of our diverse workforce.

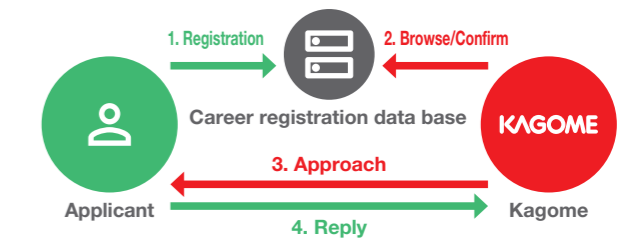
I believe that a workforce of differing skills and values who shares work while respecting one another will give rise to healthy conflict and generate innovation as a result. Toward this end, in addition to promoting the active role of women in the workplace, we will broadly open our doors to mid-career hires to build our human resources foundation aimed at becoming a vegetable company. In 2020, we revamped our approaches to mid-career hiring and introduced a career posting scheme on our website. Currently, around 3,600 employees have posted. Going forward, we will ensure

that mid-career hires account for around 20 to 30% of all hiring and develop these individuals into core human resources.

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

Target 1	Ensure that at least 60% of new general career track hires out of university are female employees	58% (Employees hired in April 2021)
Target 2	Maintain the continuous employment percentage of female employees hired during FY2010 (around 9 to 11 years prior) at 100% or more of male employees	1.0 (female employees hired between 2010-2012)
Target 3	Maintain the three-year continuous employment percentage of female employees hired during FY2017-2019 at 100% or more of male employees	1.0 (Two years' later)
Target 4	Ensure that female employees make up at least 12% of managerial positions (manager and above)	7.4% (As of April 1, 2020)

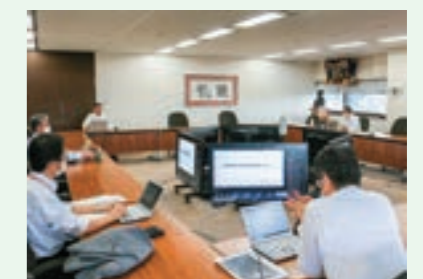
**Mechanism for career registration and hiring**



- 1. Posting**  
An applicant posts his/her career (professional history).
- 2. Browsing/ Confirmation**  
The company browses posts and reviews positions where they can utilize the applicant's career experience.
- 3. Approach**  
If the company finds a suitable job or position, they contact the applicant individually.
- 4. Reply**  
If the applicant approves, they will proceed to the interview.

**Initiatives for diversity in FY2021 - Securing psychological safety**

In FY2021, we are promoting diversity activities under the policy of "enhancing communication aimed at fostering a culture for tackling new challenges." Behind this policy is the creation of a culture that creates innovation, and as a part of this effort, we are working on the theme of fostering psychological safety that creates healthy conflict by enabling every employee to freely share their knowledge and ideas. Based on this theme, our seminar for officers and Diversity Committee, which is the key leader of the company's diversity activities, are implementing activities. The training session emphasizes ensuring psychological safety. Members learned about 1) promoting dialogue within a team, 2) eliminating unconscious bias, and 3) ways to welcome healthy conflict, which they brought back to their own workplaces to share with others in expanding the reach of these activities.



The seminar on psychological safety for directors (conducted virtually via conference room and participants' homes)

Strengthening Foundation for Value Creation and Core Strategies

**Q3. What are some of the efforts to utilize diversity and human resources with leadership skills in order to direct the lead the company to become a Strong Kagome?**

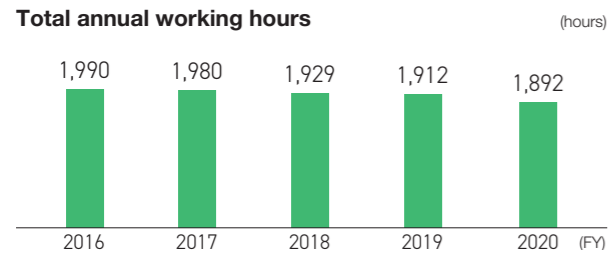
**We are developing a culture that enables diverse personnel to work together in exerting their skills and embracing challenges in order to become a strong company.**

It is imperative to create a work environment that allows diverse employees to utilize their skills freely while respecting one another in order to create a strong organization. To achieve this, we are implementing reform with consideration for ensuring a pleasant and rewarding workplace as the top priorities. We started work style reforms in 2014, and along the way, we have set the KPI of total working hours per year of 1,800 hours and paid leave utilization rate of 85%. Due to the COVID-19 pandemic, changes in the labor environment have made clear there are many "things you don't need to do." We will continue on with our reform by grasping this opportunity to reduce wasteful work processes. Moreover, the increasing trend of working from home and not coming to the office everyday will also continue after COVID-19. For this reason, we continue to further pursue a work environment that is pleasant for everyone.

Improving the sense of rewarding work is hard to quantify as each individual's sense of value greatly impacts it. However, we have started a survey as we consider employee engagement to be the key. We will enhance the connection between employees and the organization while attempting to find out how much we can add to the current figures.

Through these activities to achieve an employee friendly workplace, we hope for that employees will exert their leadership abilities autonomously.

Also, the fair evaluation of employees is also important. Since FY2013, we have been developing a global human resources system in order to address the diversifying work styles of our employees. This system aims to achieve a tailor made career structure for employees around the world to choose a career type that suits them, and enables them to be evaluated based on fair criteria and receive fair compensation regardless of where in the world and which position they have chosen. Through shifts, including from seniority to position-based pay (Pay for Job), performance/evaluation-linked compensation structure reform (Pay for Performance) and achievement of clearly defined compensation (Pay for Differentiation), we will foster the awareness of healthy competition, and as a result generate maximum results as individuals and organizations. In addition, through disclosing the KPI sheet to all employees, everyone will have access to the knowledge of who is doing what type of work and with what kind of goals. This is an effort to embody one of the corporate philosophies of "corporate openness," which not only prevents centralization of power, but serves as proof of practicing truly fair evaluation.



**Provide opportunities for self-expression and growth by soliciting new business plans**

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

**Business plans that have passed the final selection**

- FY2017** Veggie Kids Nursery, which teaches children to love vegetables → **Launched in April 2019**
- FY2018** Food fiber business using carrot pulp → **Began developing carrot pulp as new ingredient**
- FY2019** Soil conditioner made from lactobacillus brevis compound, along with manufacture and sales of organic fertilizer → **Continuing basic research and experiments**
- FY2020** Ghost restaurant for vegetables → **Began provision of trial menu for business development**

**Be considerate of human rights**

**○ Respect for human rights as part of the Kagome Group Code of Conduct**

Kagome's Code of Conduct consists of three pillars, and one of them is the respect for human rights. "Respect for human rights" is shown to be the axis of daily actions of Kagome Group employees in three points.

**[Excerpt of "Respect for Human Rights" from Kagome Group Code of Conduct]**

- Respect for individuals:** We respect individuals and their privacy. We mutually recognize the various skill sets and diversity of employees as Kagome's most valuable assets.
- Prohibition of discrimination:** Each person is treated fairly and equally in the workplace. Discrimination is an infringement of human rights and is strictly prohibited.
- Measures against harassment:** We nourish a corporate culture that prevents and stops all forms of harassment, both inside and outside of our company. We never look the other way.

**○ Initiatives implemented for respect of human rights**

**1. Raw materials and the supply chain**

In order to achieve a sustainable society with our suppliers as business partners as well as ensure safe and secure procurement of raw materials, we have established the CSR Procurement Policy and Kagome Supplier CSR Action Guidelines, which provide specific guidelines to our suppliers in Japan and overseas. Through these efforts, we are promoting procurement with consideration for human rights. (See p.41)

Countermeasures	Items for consideration of human rights
Kagome CSR Procurement Policy	We respect the rights of individuals and conduct efforts that are mindful of labor environment and safety and health.
Kagome Supplier CSR Procurement Guidelines	We have established guidelines based on the five subjects of prohibition of discrimination and harassment, prohibition of child labor and forced labor, ensuring appropriate wages and benefits, provision of a safe work environment, and appropriate management of work hours.

**2. Harassment in the workplace**

Harassment is a deep-rooted issue that can only be eliminated with increased awareness, even with a system of prevention in place. We recognize that there is potential for anyone to conduct acts of harassment. We are taking resolute actions against harassment in order to develop a culture that fosters taking thoughtful actions toward others, making it easy for employees to seek consultations, and be caring and not turn a blind eye.

Countermeasures	Items for consideration of human rights	Items for consideration of human rights
Policy	Established Harassment Eradication Rules in the Guidelines Top Message	In addition to clearly stating the prohibition of harassment in the Code of Conduct, we continuously disseminate messages from top management that harassment is not tolerated at corporate policy presentations and in the company newsletter.
Education	Reading out loud of Harassment Eradication Rules and Case Studies	Case studies are compiled based on actual cases of harassment at the company and shared internally. Members of each office are asked to read the Harassment Eradication Rules and Case Studies out loud in order to enhance their understanding of problematic behaviors and encourage exchange of opinions and ideas, which leads to a commitment within the workplace to prevent harassment.
Monitoring	Survey on actual condition of harassment	The survey is conducted among all employees every year in order to assess the actual situation of workplace harassment and implement further improvement. The results are reported to the management meeting and published in company-wide announcement.
Reporting/Consultation	Internal whistleblowing system	See p.58
Fair punishment	Disciplinary action and reporting	If an act of harassment causes any damage to the company, such as deterioration of the work environment or hindrance of other employees from work execution, disciplinary action will be determined following deliberation at the Disciplinary Committee meeting and reported to the Board of Directors as appropriate.



## Promoting health and productivity management

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

### Kagome Health and Productivity Management Pledge

In 2017, we established Kagome's 7 Points for Good Health, and made the Kagome Health and Productivity Management Pledge. In December 2020, we were given the highest rank by the Development Bank of Japan (DBJ) under its DBJ Employees' Health Management Rating. Furthermore, in March 2021, we were recognized under the Certified Health and Productivity Management Organization (large corporations) program administered by the Ministry of Economy, Trade and Industry (METI) and Nippon Kenko Kaigi.

### Framework for promoting health and productivity management

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

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

### Industrial physician system

We have established health management desks at all of our business locations in Japan. While working with industrial health staff (industrial physicians and public health nurses), we engage in efforts for the early detection of employees with physical or mental health issues and to provide health guidance.

### Current situation with regard to health management and health promotion measures

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

We have launched a nationwide health promotion program, Karada Ikiki Challenge. As part of this program, there is a walking campaign to promote exercise, vegetable juice drinking campaign to promote intake of vegetables, as well as a competition for the amount of vegetable intake in each meal. Furthermore, starting April 2021, we are enhancing measures to prevent secondhand smoke and encourage smoking cessation, while gradually phasing out the smoking areas at each business office. We will also provide support to employees trying to quit smoking together with the Kagome Health Insurance Association, including subsidy for attending outpatient smoking cessation clinics.

### Improving employees' health literacy

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



#### 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

#### Situation regarding health checkups (%)

	2018	2019	2020 (FY)
Percentage of employees taking health checkups	100	100	100
Percentage of employees receiving specific health guidance	58.2	72.0	84.8

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

	2018	2019	2020 (FY)
Examination rate	92.0	95.7	93.3
Rate of high stress employees	6.3	7.4	7.6

#### Smoking rate among employees (%)

	2018	2019	2020 (FY)
Smoking rate	23.1	20.8	19.5

## Working with Communities

### Resolving Social Issues Through Food

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

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

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



Kagome Yasai Seikatsu Farm Fujimi

#### ○ Oishii! Vegetable Challenge activity, which provides elementary school students the opportunity to learn about food.

We are conducting support activities on food education for people of all ages. One of the programs is Oishii! Vegetable Challenge, a hands-on activity for children launched in cooperation with Houkago NPO Afterschool, that strives to develop safe and enriching after school programs. We delivered the program to 130 schools and 4,800 students across Japan between FY2018 and FY2020. The program involves an employee who leads the students as Yasai Sensei (Vegetable Teacher) in understanding the importance of vegetable intake and developing new topics for learning.



野菜チャレンジ

- Program content (example)**
- 1 Hands-on learning, including quiz on vegetables, juice making, etc.
  - 2 Food education experienced with the five senses. Food education taught by putting all five senses to work.
  - 3 Cultivate growth power. Learning about how vegetables benefit the body.

#### ○ Kagome Mirai Yasai Foundation providing greater mutual support through assistance for food education

Kagome Mirai Yasai Foundation was established in October 2020 based on our philosophy of mutual support as stated in the Code of Conduct. It is extremely difficult for an individual, organization, or business alone to resolve social issues such as nutrition education assistance or child poverty. Therefore, the mission of the Foundation is to address these issues together with the local community. In FY2020 and FY2021, aid has been provided mainly targeting organizations that implement food education support activities for children. As part of this aid program, the Foundation's proactive economic support through donations made to cafeterias providing meals to children for free or at reduced prices is aimed at expanding the provision of homemade hot meals to as many children as possible. This is because the organization had faced a difficult operation situation relying on donations from the private sector, individuals and government authorities.



Children dining at a children's cafeteria

- Main activities in FY2020 and FY2021**
- Collaborative organizations: NPO Musubie, and others
  - Sponsored organizations: 75 organizations (children's cafeterias nationwide) / Aid provided in April 2021



## Directors



- 1 Satoshi Yamaguchi** (Born December 29, 1960)  
President & Representative Director

**Remuneration and Nomination Advisory Committee Member**

1983 Joined the Company  
2003 General Manager, Institutional & Industrial Business Unit  
2010 Executive Officer  
2010 Director, Institutional & Industrial Business Division  
2015 Director, Innovation Division  
2018 Director, Vegetable Business Division  
2019 Director & Managing Executive Officer  
2020 President & Representative Director (to present)
- 2 Yoshihide Watanabe** (Born March 4, 1958)  
Director & Senior Managing Executive Officer

1982 Joined The Nippon Credit Bank, Ltd. (currently, Aozora Bank, Ltd.)  
1998 Joined Cerberus Japan K.K.  
2003 Joined Industrial Revitalization Corporation of Japan  
2007 Joined the Company, Special Adviser  
2008 Executive Officer  
2008 General Manager, Corporate Planning Department, Corporate Planning Division  
2009 Director, Corporate Planning Division  
2009 Director & Executive Officer  
2011 Director & Managing Executive Officer  
2016 Director & Senior Managing Executive Officer (to present)
- 3 Takashi Hashimoto** (Born October 30, 1958)  
Director & Senior Managing Executive Officer

1983 Joined the Company  
2001 General Manager, Shizuoka Plant  
2003 General Manager, Kozakai Plant  
2005 General Manager, Production Technology Department  
2008 General Manager, Production and Procurement Planning Department  
2012 General Manager, Corporate Planning Department  
2013 Executive Officer and General Manager, Corporate Planning Department  
2017 Executive Officer and Director, Production & Purchasing Division  
2019 Managing Executive Officer and Director, Production & Purchasing Division  
2020 Senior Managing Executive Officer  
2021 Director & Senior Managing Executive Officer (to present)
- 4 Hirohisa Kobayashi** (Born July 16, 1961)  
Director & Managing Executive Officer  
Director, Sales Division

1984 Joined the Company  
2005 General Manager, Taiwan Kagome Co., Ltd.  
2006 General Manager, Probiotics Business Unit (responsible for marketing)  
2009 General Manager, Consumer Sales Department, Osaka Branch  
2014 Executive Officer  
2014 Director, Consumer Business Division  
2015 Managing Executive Officer  
2015 Director, Marketing Division  
2018 Director, Sales Division (to present)  
2019 Director & Managing Executive Officer (to present)
- 5 Takayuki Hashimoto** (Born July 9, 1954)  
External Director

**Independent Remuneration and Nomination Advisory Committee Member**

1978 Joined IBM Japan, Ltd.  
2000 Vice President, Small & Medium Business, Japan  
2003 Vice President, Business Partner & Personal Computing & System Group  
2007 General Manager, Global Technology Services, Japan  
2008 General Manager, Sales, Japan  
2009 General Manager, IBM Japan  
2012 Director & Chairman, IBM Japan  
2014 Chairman, IBM Japan  
2014 External Director of the Company (to present)  
2015 Vice Chairman, IBM Japan  
2015 Outside Auditor of IHI Corporation  
2016 Outside Member of the Board of Mitsubishi Chemical Holdings Corporation (to present)  
2016 Outside Director of CHUBU Electric Power Co., Inc. (to present)  
2017 Honorary Advisor, IBM Japan (to present)  
2019 President and Representative Director, Yamashiro Management R&D Institute LTD. (to present)
- 6 Hidemi Sato** (Born February 17, 1959)  
External Director

**Independent Remuneration and Nomination Advisory Committee Member**

1981 Joined Mitsubishi Electric Corporation  
1996 Completed Doctoral Program at Graduate School of Ochanomizu University; took a doctorate (Doctor of Philosophy in Food Science)  
1997 Part-time lecturer at Fukushima University, The Open University of Japan, Nippon Veterinary and Animal Science University (currently Nippon Veterinary and Life Science University)  
1999 Part-time lecturer at Meiji University College  
2015 Visiting professor at Nippon Veterinary and Life Science University (to present)  
2017 External Director of the Company (to present)
- 7 Kumi Arakane** (Born July 4, 1956)  
External Director

**Independent**

1981 Joined KOBAYASHI KOSE COMPANY LIMITED (currently, KOSE Corporation)  
1997 Obtained a doctorate (Doctor of Pharmacy) from the University of Tokyo  
2002 Senior Chief Researcher, R&D Headquarters Advanced Cosmetic Research Laboratories of KOSE Corporation  
2004 General Manager, Product Development Dept., Marketing Headquarters of KOSE Corporation  
2006 Executive Officer, Deputy Director-General of Marketing Headquarters and General Manager of Product Development Dept. of KOSE Corporation  
2010 Executive Officer, General Manager, R&D Laboratories of KOSE Corporation  
2011 Executive Officer, General Manager, Quality Assurance Dept. of KOSE Corporation  
2011 Director, KOSE Corporation (in charge of Quality Assurance Dept., Customer Service Center, Purchasing Dept., and Product Designing Dept.)  
2017 Audit & Supervisory Board Member, KOSE Corporation  
2019 Outside Audit & Supervisory Board Member, Kubota Corporation  
2020 External Director of the Company (to present)  
2020 Outside Director, Toda Corporation (to present)  
2021 Outside Director, Kubota Corporation (to present)
- 8 Hirohito Kodama** (Born March 22, 1959)  
Director, Standing Audit and Supervisory Committee Member

**Audit and Supervisory Committee Member**

1981 Joined the Company  
2003 General Manager, Corporate Planning Department  
2006 Executive Officer  
2008 Director & Executive Officer  
2008 General Manager, Research & Development Division  
2011 Director & Managing Executive Officer  
2013 CEO, Asia Business Company  
2015 General Manager, Shared Service Preparation Office  
2016 Responsible for Business Process Redesign of the Company and President & Representative Director of Kagome Axis Co., Ltd.  
2018 Outside Audit & Supervisory Board Member of Dynapac Co., Ltd.  
2018 Director, Audit and Supervisory Committee Member (to present)
- 9 Tatsuya Endo** (Born August 18, 1959)  
External Director, Audit and Supervisory Committee Member

**Independent Audit and Supervisory Committee Member**

**Remuneration and Nomination Advisory Committee**

1985 Joined Arthur Andersen & Co., Tokyo Office  
1990 Certified as tax accountant  
1998 Partner at Arthur Andersen & Co., Tokyo Office  
2002 Partner at Asahi KPMG Tax Corporation (currently, KPMG Tax Corporation)  
2016 Deputy Senior Partner at KPMG Tax Corporation  
2020 Representative of Tatsuya Endo Tax Accountant Office (to present)  
2020 External Director, Audit and Supervisory Committee Member (to present)
- 10 Asako Yamagami** (Born January 1, 1970)  
External Director, Audit and Supervisory Committee Member

**Independent Audit and Supervisory Committee Member**

1999 Registered as attorney-at-law. Joined Taiyo Law Office (currently, Paul Hastings LLP).  
2005 Seconded to The Walt Disney Company (Japan) Ltd.  
2006 Joined IBM Japan, Ltd.  
2012 Contracted attorney, Office of International Affairs, Japan Federation of Bar Associations  
2012 Joined Natori Law Office as Partner (to present)  
2015 Outside Director, Audit & Supervisory Committee Member, Musashi Seimitsu Industry Co., Ltd.  
2016 Director, Office of International Affairs, Japan Federation of Bar Associations  
2020 External Director, Audit and Supervisory Committee Member (to present)

## Recommendations from External Directors

### What should Kagome do now for the sustainable improvement of corporate value?

We received recommendations from our five External Directors regarding Kagome's prospects and challenges in a post-COVID-19 world, the roles of External Directors, and initiatives for sustainability.

#### Kagome's prospects and challenges in a post-COVID-19 world



**Takayuki Hashimoto**  
External Director

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

This goal is becoming more important as we head into a post-COVID-19 world. In terms of our initiatives to resolve social issues, our ability to empower all employees to consider and practice such initiatives as something that matter to them personally through their work is being questioned. As for sustainable growth, while it has long been said that we are in the era of VUCA, the spread of COVID-19 has further extended the reach of these factors, and largely affected the timeline. We face many challenges such as the changes and diversification of products and sales channels as a result of behavioral changes and work style reform as well as responses to environmental issues and economic security. In order to tackle these challenges and enhance our corporate value, we need to apply a next-level response capability that has not been seen before. It is crucial to accomplish true diversity and incorporate a multitude of sensibilities including hiring of young people, women, mid-career workers, and non-Japanese employees. Also, DX is a main tool. It is inevitable that the ratio of overseas sales will increase from the shrinking domestic market in the medium term. In overseas consumer markets, interest in health products, including immunity, is increasing, while the market is undergoing major changes such as increase in personal income. I hope to see a strong will and ability in everyone to carry out what they want to do, and not merely continue on as usual, in order to realize our desired goals.



**Hidemi Sato**  
External Director

It is expected that even after COVID-19, the trend of moving work and school to an online platform as a result of the pandemic will continue, and there will be more opportunities to cook meals or eat at home. From worries of new infectious diseases, people are expected to become more conscious of eating healthy in order to enhance their immunity.

Consumers have known the importance of vegetable intake which contributes to maintenance and improvement of health. Since the COVID-19 pandemic, the number of people mindful of eating vegetables either through cooking or dining is on the rise. As the opportunity to dine or cook at home increases, people will want to eat healthy without spending too much time or efforts. Currently, in addition to vegetable products for consumer use, such as vegetable juices and processed tomato products, Kagome offers hassle-free and delicious frozen vegetables in industrial format, such as grilled colored peppers, and onions, and pureed pumpkin and spinach. In addition, we also offer development recipes using industrial vegetable products for home meal replacements and dining out.

As Kagome aims to evolve into a vegetable company from a tomato company by 2025, I believe it is important to offer vegetable products that will be easily incorporated into the diversified lifestyles of consumers using our existing resources.



**Kumi Arakane**  
External Director

The COVID-19 pandemic has drastically changed the way we live. I feel in all types of situations that conventional concepts will no longer work, and we need to respond to the future vision that we have painted for ourselves with a sense of speed. Given this situation, while awareness and interest towards health and food will continue to rise, the values that society and consumers expect and points of contact they need will also without a doubt change. It also brought on major changes to the purchasing behavior of consumers.

Kagome has presented its vision of transformation from a tomato company into a vegetable company, and aims to contribute to health and foods using a broader scope. However, in doing so, the Company needs to realize it cannot stay in its main battlefield, and needs to expand further to bigger markets. And in those arenas, there are already many strong rivals who are not directly related in the tomato or vegetable business. Kagome needs to share the sense of urgency among all employees that if it cannot promptly enter these markets with its unique business ideas, then not to mention growth, but remaining in these markets alone will become difficult. I believe Kagome is expected to morph from a company that makes good products into a company that is indispensable to society which provides truly valuable solutions in terms of health and foods.

#### Role as External Director



**Tatsuya Endo**  
External Director, Audit and Supervisory Committee Member

As an Outside Director in FY2020, I focused on the supervisory and advising role on whether the management team was promptly setting out and implementing appropriate measures in response to the changes surrounding Kagome's business environment due to the COVID-19 pandemic globally. In addition, I oversaw and advised on the progress of structural reforms of the agricultural business and overseas business, which have been a management issue in recent years, by utilizing the diverse backgrounds and specialty areas of each of the five external directors. In addition, I also provided specific proposals to stimulate the discussion among the team of managing executives on medium to long term growth strategies, which are included in the agenda of the Board of Directors for FY2021. In FY2021 the Company will formulate the 3rd Mid-Term Management Plan for the period between FY2022 and FY2025. As an external director, I hope to draw on my knowledge in my areas of expertise and actively participate in discussions, particularly on growth strategies, from the perspective of shareholders.

#### Initiatives on sustainability



**Asako Yamagami**  
External Director, Audit and Supervisory Committee Member

I highly appreciate that Kagome positions the solution of social issues such as extending healthy life expectancy as materiality, and is implementing sustainability initiatives in its business activities related to food and agriculture throughout the value chain based on its corporate philosophy.

Going forward, it is essential to establish specific indicators aimed at reaching the targets in all areas, and monitor their progress in order to further enhance these initiatives. Furthermore, I believe it is a topic for consideration to incorporate sustainability goals into our management strategy and reflect the degree of achievement in the evaluation.

In addition, in order to grow sustainably and survive in a rapidly changing society, it is necessary to identify risks and opportunities from the various social issues illustrated within the SDGs and connect them to new value creation. In order to tackle this with the company as a whole, it is crucial to instill the awareness of sustainability among each and every employee.

Furthermore, having the active participation of diverse employees is the key to rethinking the business from a fresh perspective toward value creation. As we are now finally about to enter the stage of value creation with the human resources structure developed to support the above, including hiring, evaluation, and work style, it is important to consciously foster an open and positive culture in order to truly demonstrate the value of diversity, and for which I hope to play a role in serving the company as an external director.

## Corporate Governance

### Basic policy of corporate governance

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

Kagome considers further strengthening of “autonomy” complemented by “heteronomy” to be the fundamentals of our corporate governance. This will ensure objectivity and

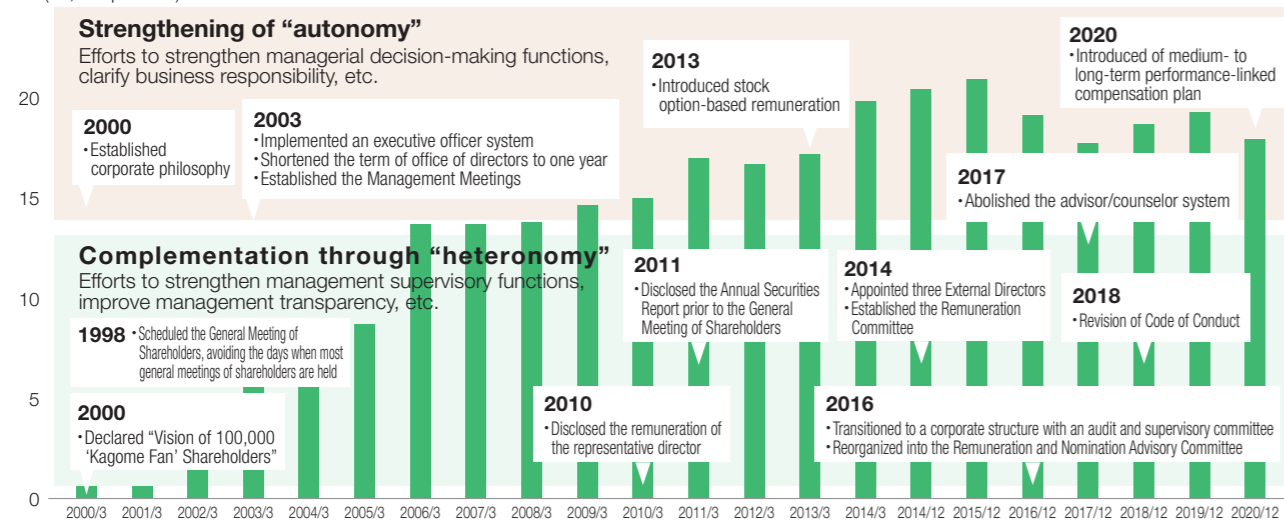
transparency, forming a basis by designing its own concept of corporate governance adapted to the present day, while incorporating diverse outside viewpoints by working to attract more “Kagome Fan Shareholders” and leveraging the function of external directors among other things.

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

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

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

Number of shareholders  
25 (10,000 persons)



### Corporate governance system

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

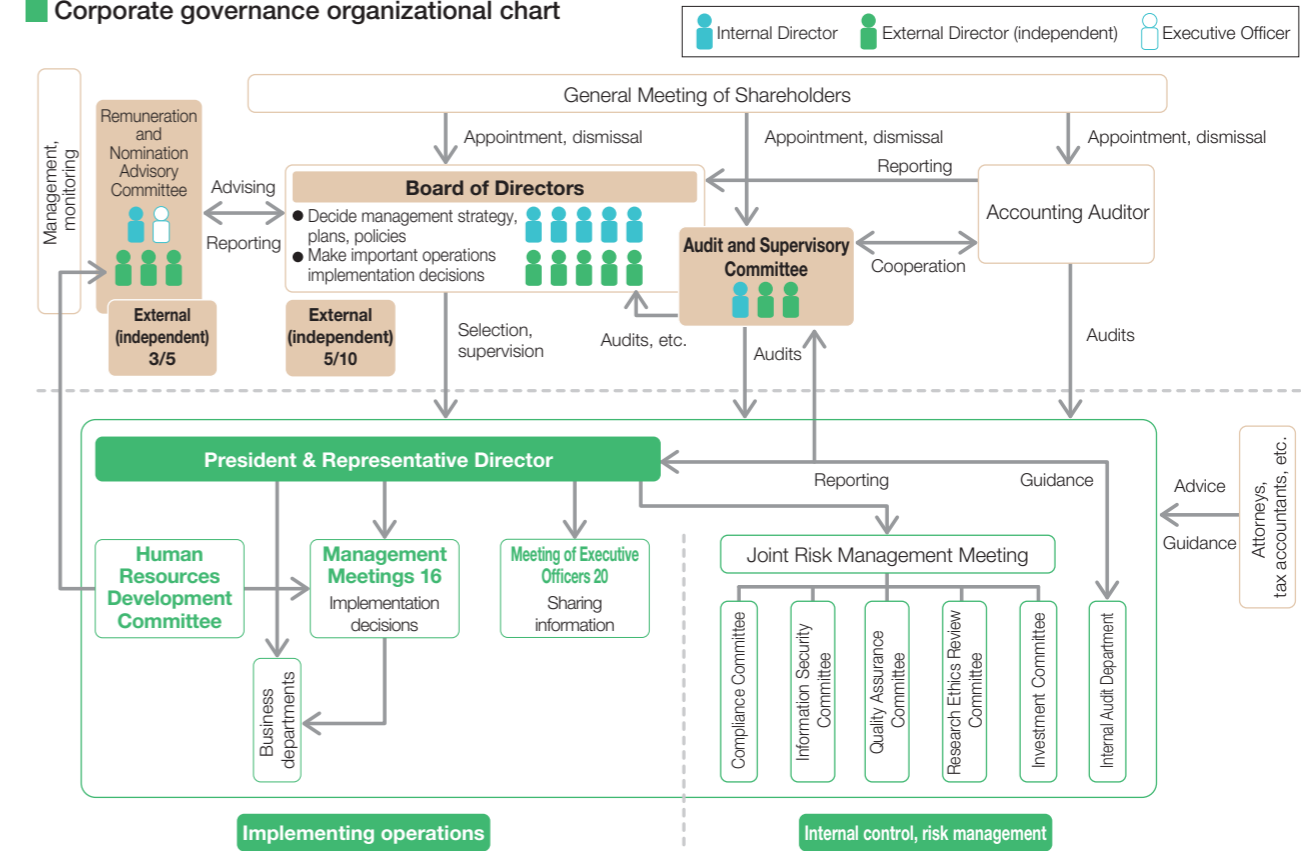
The Audit & Supervisory Committee has set a policy of having one or more standing Audit and Supervisory Committee members, and uses internal control systems to audit the legality and appropriateness of the operations implemented by the directors.

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

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

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

### Corporate governance organizational chart



### Meetings/attendance of the Board of Directors, Audit and Supervisory Committee and optional committees in FY2020

	Board of Directors	Audit and Supervisory Committee	Remuneration and Nomination Advisory Committee	Joint Risk Management Meeting
Naoyuki Terada	100% (14/14)		100% (6/6)	100% (6/6)
Satoshi Yamaguchi	100% (14/14)		100% (6/6)	100% (6/6)
Yoshihide Watanabe	100% (14/14)			100% (6/6)
Katsuyuki Miwa	100% (14/14)			100% (6/6)
Hirohisa Kobayashi	100% (14/14)			
Seichi Kondo	100% (4/4)		100% (3/3)	
Takayuki Hashimoto	100% (14/14)		100% (6/6)	
Hidemi Sato	100% (14/14)		100% (3/3)	
Kumi Arakane	100% (10/10)			
Hirohito Kodama	100% (14/14)	100% (14/14)		100% (6/6)
Morihiro Murata	100% (4/4)	100% (4/4)	100% (3/3)	100% (1/1)
Hiroshi Mori	100% (4/4)	100% (4/4)		
Tatsuya Endo	100% (10/10)	100% (10/10)	100% (3/3)	80% (4/5)
Asako Yamagami	100% (10/10)	100% (10/10)		80% (4/5)

### Kagome's policy on appointing directors

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

The Board of Directors currently consists of 10 members, including seven directors (excluding directors who are Audit and Supervisory Committee members) and three directors who are Audit and Supervisory Committee members, of which five are independent external directors. Our external directors come from a variety of backgrounds and have extensive experience and knowledge that contribute to the diversity management and business globalization included in our medium- to long-term vision and the achievement of longer, healthier lives through food. As a long-term vision, we have set the goal of increasing the percentage of women in the workforce, including executives, to 50% by around 2040, and we will aim to achieve the same for the Board of Directors at an early stage.

Specialized areas/Areas of expertise of Directors

Name	Position at the Company	Attributes	Corporate management	International operations	Finance, accounting	Law	Human resources development and diversity	Sales and marketing	Production and procurement	Research and technology
Satoshi Yamaguchi	President & Representative Director		○					○		○
Yoshihide Watanabe	Director & Senior Managing Executive Officer		○	○	○					
Takashi Hashimoto	Director & Senior Managing Executive Officer		○						○	○
Hirohisa Kobayashi	Director & Managing Executive Officer		○	○				○		
Takayuki Hashimoto	External Director	External Independent	○	○			○			
Hidemi Sato	External Director	External Independent					○	○		○
Kumi Arakane	External Director	External Independent	○					○		○
Hirohito Kodama	Director & Audit and Supervisory Committee member		○	○						○
Tatsuya Endo	External Director & Audit and Supervisory Committee Member	External Independent		○	○					
Asako Yamagami	External Director & Audit and Supervisory Committee Member	External Independent		○		○				

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

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

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

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

Directors' remuneration

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

Basic compensation is fixed compensation that is determined based on directors' positions and the scope of the role of each job grade. Performance-linked compensation comprises cash bonuses and stock options determined based on consolidated profit indicators as the company-wide business performance and contribution made by each individual director. Stock options serve as incentives for mid-term and multiple-year management and are designed to be exercisable based on consolidated profit

indicators after a certain period of time from the time of allotment as exercise conditions. Accordingly, the exercisable number of these stock options is determined according to the degree of attainment. Compensation for directors who are audit and supervisory committee members and external directors comprises basic compensation only. Further details are provided in the Annual Securities Report for the 77th Period.

([https://www.kagome.co.jp/library/company/ir/json/statutory/upload\\_file/m001-m001\\_02/S100KWYO.pdf](https://www.kagome.co.jp/library/company/ir/json/statutory/upload_file/m001-m001_02/S100KWYO.pdf))

In FY2014, the Remuneration Committee, as an advisory body to the Board of Directors in which external directors account for one half or more of its members, was established in order to enhance transparency and objectivity in determining directors' compensation, etc. In FY2016, the same committee was given functions as an advisory body concerning the nomination of directors, and was then reorganized to become the current Remuneration and Nomination Advisory Committee.

Remuneration and Nomination Advisory Committee: 4 to 6 meetings held/year

Fiscal year in which the committee was convened	Main matters deliberated
2020	<p>First committee</p> <ol style="list-style-type: none"> <li>1. FY2019 executive bonus (matter deliberated)</li> <li>2. Introduction of new stock compensation (matter deliberated)</li> <li>3. Personnel reshuffle of directors (matter deliberated)</li> <li>4. Finalization of FY2017 stock options (matter reported)</li> </ol> <p>Second committee</p> <ol style="list-style-type: none"> <li>1. Proposal to review selection of specially appointed officers (matter deliberated)</li> </ol> <p>Third committee</p> <ol style="list-style-type: none"> <li>1. Committee system after April 2020 (matter deliberated)</li> <li>2. Directors' compensation for FY2020 (matter deliberated)</li> <li>3. Rules on the Handling of the Mandatory Retirement Age of Directors and Executive Officers (matter deliberated)</li> <li>4. Applicability of committee member stipend (matter deliberated)</li> <li>5. Evaluation of overseas CEOs and compensation (matter deliberated)</li> <li>6. Alternate External Director (Audit and Supervisory Committee Member) compensation (matter deliberated)</li> </ol> <p>Fourth committee</p> <ol style="list-style-type: none"> <li>1. Personnel reshuffle of directors with effect from October 2020 (matter deliberated)</li> <li>2. Representative Director and President of Kagome Agri-Fresh Co., Ltd. in October 2020 (matter deliberated)</li> </ol> <p>Fifth committee</p> <ol style="list-style-type: none"> <li>1. Results of compensation survey (matter reported)</li> <li>2. Review of directors' performance-linked bonus factor (matter deliberated)</li> <li>3. Candidates for Director in FY2021 (matter deliberated)</li> </ol> <p>Sixth committee</p> <ol style="list-style-type: none"> <li>1. Candidates for executive officer positions in FY2021 (matter deliberated)</li> <li>2. Directors' performance-linked bonus factor (matter deliberated)</li> <li>3. Remuneration and Nomination Advisory Committee schedule for FY2021</li> </ol>
2021	<p>First committee</p> <ol style="list-style-type: none"> <li>1. FY2020 executive bonus (matter deliberated)</li> <li>2. Personnel reshuffle of directors (matter deliberated)</li> <li>3. Progress of succession plan (matter reported)</li> <li>4. Finalization of FY2018 stock options (matter reported)</li> </ol> <p>Second committee</p> <ol style="list-style-type: none"> <li>1. Committee system after April 2021 (matter deliberated)</li> <li>2. Directors' compensation for FY2021 (matter deliberated)</li> <li>3. Overseas CEOs' compensation (matter deliberated)</li> </ol>

Directors' compensation

Category of directors	Total amount of compensation, etc. (million yen)	Total amount of compensation, etc. by type (million yen)			Number of eligible directors (persons)
		Basic remuneration	Stock remuneration	Bonus	
Directors (excluding Audit and Supervisory Committee members)*	351	171	38	140	5
Directors (Audit and Supervisory Committee members)*	30	30	—	—	1
External Directors	53	53	—	—	8

\*Excludes External Directors. Kagome transitioned to a corporate structure with an Audit and Supervisory Committee as of March 25, 2016.

Total amount of compensation, etc. of individual directors

Category of directors	Total amount of compensation, etc. (million yen)	Total amount of compensation, etc. by type (million yen)		
		Basic remuneration	Stock remuneration	Bonus
Chairman of the Board of Directors Naoyuki Terada	102	36	18	46
President & Representative Director Satoshi Yamaguchi	79	43	3	33

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

Breakdown of compensation by position

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

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

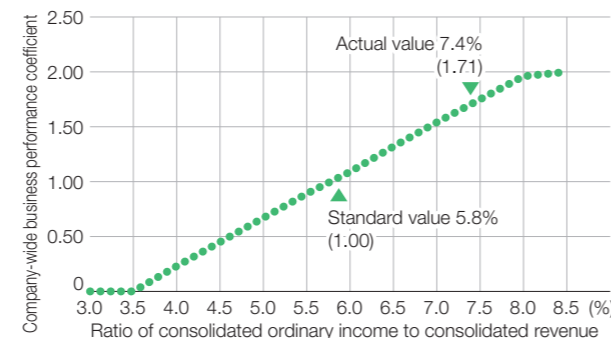
Position	Fixed-amount compensation (million yen)
Chairman of the Board of Directors	36
President & Representative Director	43
Director & Senior Managing Executive Officer (set according to job grade)	30 to 32
Director & Managing Executive Officer (set according to job grade)	24 to 26

### Calculation method of performance-linked compensation

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

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

\*1. The "Company performance pay coefficient" is determined through a "company performance evaluation" which evaluates the rate of achievement of company performance indicators. We have established the two indicators of (1) Ratio of consolidated ordinary income to consolidated revenue and (2) Net income versus budget as company performance indicators. (1) Ratio of consolidated ordinary income to consolidated revenue We set "ratio of consolidated ordinary income to consolidated revenue" as one of the company performance indicators representing an important consolidated management indicator related to company performance evaluation following our voluntary adoption of International Financial Reporting Standards in FY2019. The ratio of consolidated ordinary income to consolidated revenue for FY2020 was 7.4%. As a result, the coefficient of the ratio of consolidated ordinary income to consolidated revenue was set at 1.71 in advance pursuant to the table at right. (2) Net income versus budget We set "Net income attributable to shareholders of parent," the ultimate bottom line, as a second management indicator so that we can continually create value for shareholders and achieve a higher level of contributions. Specifically, the achievement rate of the results versus the initial budget is set as the coefficient. The achievement rate of the results versus the budget for FY2020 was 0.85. \*2. The "individual performance pay coefficient" is determined through an "individual performance evaluation" which evaluates achievement and contribution against the individual performance indicators of each director. Individual performance indicators measure degree of contribution to solving company-wide issues and departmental issues and are set for each director in the form of KPIs (Key Performance Indicators).



From FY2021 onward, in order to further clarify the direction of the Company, which is focused on continuous growth, we will add consolidated sales revenue, which is a measure of growth potential, and set indicators that can more complexly capture company performance, along with consolidated ordinary income to consolidated revenue and net income attributable to owners of parent.

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

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

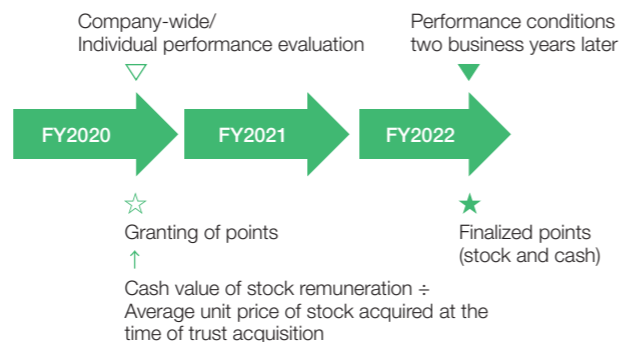
$$\text{Cash bonus} = \text{Total amount of performance-linked compensation for single fiscal year} \times \text{Percentage of total amount of performance-linked compensation accounted for by cash bonus}$$

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

Furthermore, we introduced a BIP trust in FY2020 as a medium- to long-term performance-linked compensation that is highly transparent and highly correlated to shareholder value. In the BIP trust, points are allocated by applying the average unit price of share acquisition at the time of trust acquisition to the amount equivalent to stock compensation cash determined based on the performance evaluation in a single fiscal year. This mechanism involves granting stock and providing cash decided according to the degree of achievement of the company-wide performance indicator (ratio of consolidated ordinary income to consolidated revenue) in two years' time where one point is converted to one share. Since stocks, instead of rights, will be granted directly to directors in the BIP trust, this will increase directors' motivation to create value for shareholders. We also expect the plan and its implementation to be easy to understand and transparent.

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

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



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

Since FY2016, the Company undertakes an annual evaluation of the effectiveness of the Board of Directors. In FY2020, we evaluated the effectiveness of the Board of Directors targeting the directors in October. An overview of the results is described below.

**1. Methods of evaluation**  
Conducted surveys of directors (31 items within 6 categories)  
The survey categories are as follows:  
(1) Design of the Board of Directors  
(2) Operation of the Board of Directors' meetings  
(3) Proposals by the Board of Directors  
(4) Quality of Discussions by the Board of Directors  
(5) Corporate Governance System  
(6) General Assessment  
Questionnaire undertaken by each committee  
Discussions by the chair of the Board of Directors and external directors  
Deliberations by the Board of Directors taking the above into account

**2. Overview of results of evaluation**  
As a result of discussions that took the above into account, the Board of Directors of the Company concluded that the Board generally functioned in an appropriate manner in all categories from (1) to (6), and its effectiveness was fully secured.  
Areas suggesting a need for further improvement in the evaluation this time included "more exhaustive deliberation on important themes," "reporting the status of operations (setting agenda items systematically and in order of priority)" and "information provision on the Company and business in general." This evaluation asked each director's opinions on the themes that need to be deliberated at the Board of Directors meetings. Based on these opinions, the chair of the Board and external directors will discuss their ideas in striving to stipulate the main agenda items for the Board to deliberate and report on in the next fiscal year and create a detailed schedule of when to deliberate on these items. In addition, we will make improvements with regard to the provision of information about the company and business in general. We have established a place for external directors to meet aside from the Board of Directors meetings in order to close the information gap among external directors due to differences in their terms and roles, where we can disseminate information as a company as well as enable external directors to exchange information.  
There was feedback regarding development of a medium- to long-term succession plan for the Remuneration and Nomination Advisory Committee, as well as feedback for the Audit and Supervisory Committee to more actively and proactively exercise its authority beyond its protective functions. Our Board of Directors also recognizes these as issues to address and will work to solve them.  
We will seek to further improve board effectiveness in light of the results of the latest evaluation.

Furthermore, we plan to conduct a third-party evaluation on the effectiveness of the Board of Directors in FY2021.

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

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

### Strengthening group governance

In order to enhance the Group's finance and accounting governance, we established a Group-wide accounting, tax and financial management policy in FY2019.

We are dispatching finance and accounting personnel directly from the head office to major Group companies in order to ensure compliance with these policies.

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

### Cross-shareholdings

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

ROA of the Company for the past five years on a non-consolidated basis, such shares are subject to review for sale. Also reviewed are shares whose market price has declined 30% or more from the book value and shares of a company with whom the Company has transactions amounting to less than 100 million yen per year. Shares that meet any of these criteria are subject to deliberation at meetings of the Board of Directors every year as to whether or not to sell them. As a result of the review, the Company sold some of its cross-shareholdings in FY2020.

### Response to the Corporate Governance Code

For details, please refer to our corporate governance report. (Kagome website: <https://www.kagome.co.jp/english/company/ir/esg/governance>)

## Compliance

### Revision of Code of Conduct

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

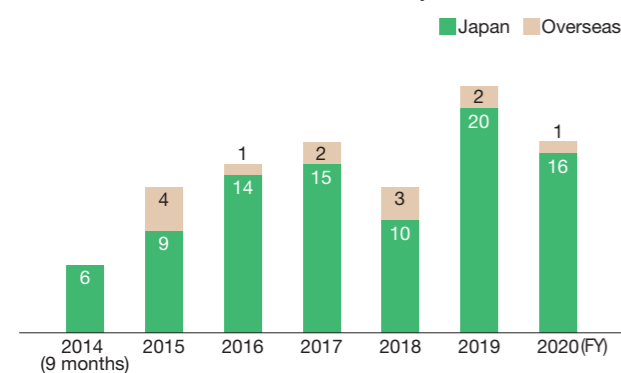
The new Code of Conduct consists of three pillars: "mutual support," "respect for human rights" and "fairness," and it is considered pivotal for the daily activities of Kagome Group employees, indicating how they should behave as corporate citizens as Kagome set its sights on becoming a "Strong company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

### Compliance promotion system

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

Kagome takes steps to protect the privacy of employees who make reports to ensure that these employees do not suffer any adverse consequences. We quickly conduct investigations based on the information received and take appropriate countermeasures. In such cases, respecting the principle that whistleblowers and other related parties

**Kagome Compliance Hotline**  
Number of consultations and reports received



cannot be identified, we share information internally so as to prevent similar incidents from occurring in the future. In FY2020, the Kagome Compliance Hotline was used 17 times, and each case was resolved.

Kagome fully recognizes the importance of compliance in relation to Group companies located overseas. In FY2014, an overseas internal reporting system was introduced, and the scope of this system has been gradually expanded to include the Group companies located in the U.S. and Australia.

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

In the event of compliance-violation, we will endeavor to accurately gather the facts and investigate the root cause, and take the facts seriously and carry out strict actions to thoroughly prevent recurrence as well as appropriately discipline the employees involved in the violation.

In FY2020, there was no case leading to legal measures, such as bribery or corruption.

### Initiatives to maintain rigorous compliance

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

In recent years, as an initiative for anti-corruption, which has become an important worldwide issue as indicated in the SDGs, we evaluated the bribery risks of overseas subsidiaries, and formulated the Kagome Group Corruption Prevention Policy to complement the Code of Conduct. In addition, in response to the expansion of business areas such as smart agriculture, we are reviewing the export control system in order to achieve an appropriate import & export control from a security perspective in terms of international peace and security maintenance. We strive to prevent corruption by conducting regular audits on the status of compliance and operation, with the monitoring results reported to the Board of Directors.

### Tax compliance

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

## Initiatives to Strengthen Internal Control

### Policies for handling risk

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

### Company-wide risk management structure

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

### Compliance Committee

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

### Information Security Committee

The Information Security Committee determines basic policies and audits the execution of these policies with regard to the protection of important information, such as personal information held throughout the Group, as well as the proper management framework and usage. The committee works to assure adherence to the law and prevent information leaks. The Information Security Committee conducts monitoring of any unauthorized access from the outside and examines measures to enhance operation of information systems.

### Quality Assurance Committee

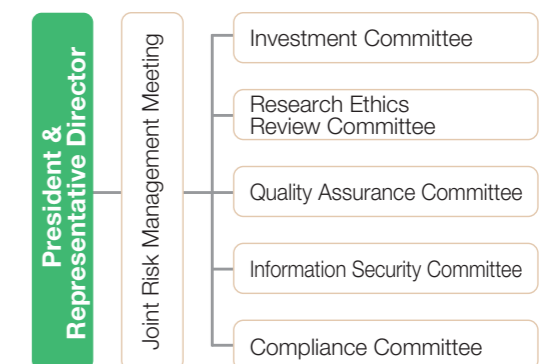
To ensure customers enjoy peace of mind when using our products which contribute to customers' longevity and good health through nature's bounty, maintaining quality is always the most important issue for Kagome as a food manufacturer. With the objective of strengthening quality assurance of products,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

### Research Ethics Review Committee

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

### Investment Committee

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



## Kagome's Management

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

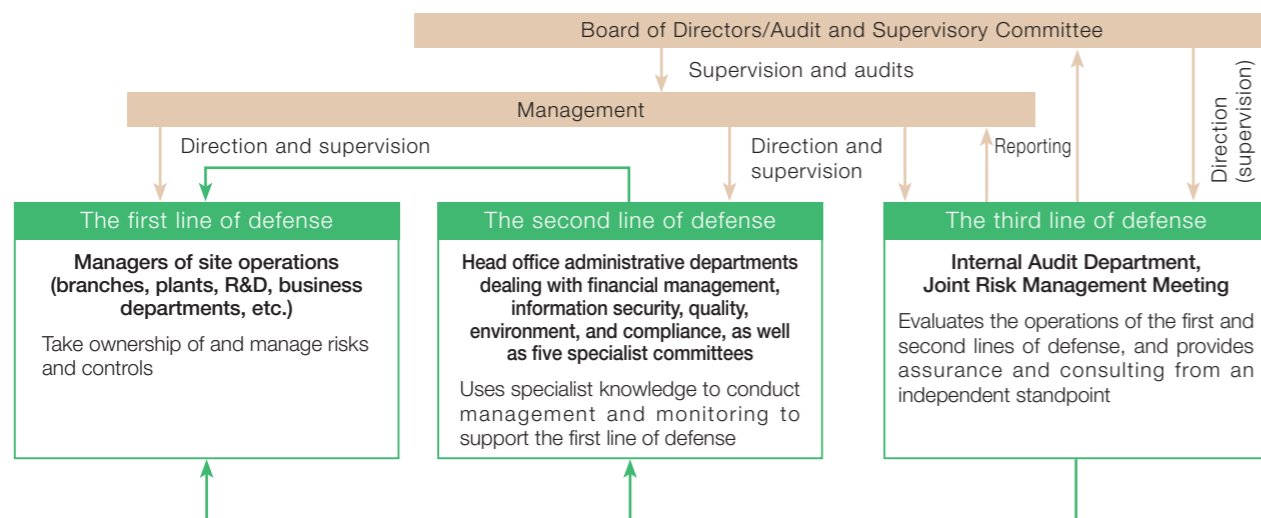
The Kagome Group leverages the internationally recognized “Three Lines of Defense” model and COSO Framework for internal control since it is expanding business domains and also broadening its operations globally to achieve the targets of the Mid-Term Management Plan. This approach enables us to systematically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

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

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

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

#### ■ Kagome’s “Three Lines of Defense” model



### BCP-driven initiatives for the supply chain

Kagome sustained significant damage from the Great East Japan Earthquake. As a result, like many other companies, we are working to strengthen company-wide communication infrastructure in the event of large-scale disasters or other contingencies. At the same time, through activities to support disaster-stricken areas, such as provision of our products to evacuation centers after the earthquakes, we listened to the opinions of many people about vegetable intake. This reminded us about the social significance of Kagome’s existence and that we occupy an integral part of the lifeline of food. Based on the lessons learned from the Great East Japan Earthquake, we set out “First Action Guidelines after Occurrence of Large-scale Disasters,” which state roles and first actions in accordance with management resources (people, products, facilities, information). First actions from the time of occurrence of large-scale disaster until the time of assembling the in-house Disaster Countermeasures Center headed by the president according to BCP<sup>\*1</sup> are determined

by management based on a consensus reached among relevant departments. In accordance with the guidelines, in the event of a disaster a distribution network is established under the SCM Division to achieve the quickest possible restoration of product supply. Development of BCM<sup>\*2</sup> on a global scale in cooperation with overseas locations represents a next step for the future although we may face difficulties due to the difference in laws and regulations by country and other issues.

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

<sup>\*1</sup> BCP: Business Continuity Plan  
<sup>\*2</sup> BCM: Business Continuity Management

## Our Responsibility to Shareholders and Investors

### Information disclosure

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

### General Meeting of Shareholders

Our company encourages all shareholders to participate in its General Meeting of Shareholders. This is achieved by enhancing the content of the convocation notice and documents accompanying the convocation notice, disclosing them on the company website and sending them as early as possible. These also feature messages from directors and recommendations from external directors. On the actual day of the meeting, we make efforts to provide reports in an easily understood manner, such as through the Chair’s explanations and visuals. For shareholders who are unable to attend meetings, we accept questions and provide answers via the Internet. The 77th General Meeting of Shareholders was live streamed for shareholders who could not attend the meeting in person to access the event live.

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



### Management oversight

Kagome recognizes that management oversight is enhanced through feedback on corporate activities and business performance from the perspective of numerous shareholders. As such, in 2001, we began working to attract 100,000 Kagome Fan shareholders. This initiative drove shareholder numbers past the 100,000 mark on September 30, 2005. Today, the number of shareholders stands at around 180,000. We will continue to appropriately reflect the valuable opinions and needs of our shareholders in all our corporate activities.

### Dividends for FY2020 and FY2021

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

Our policy on shareholder returns aims for a total return ratio of 40% based on consolidated business performance during the Mid-term Management Plan for the three-year period from FY2019 to 2021. At the same time, we have committed to providing a stable cash annual dividend of at least 35 yen per share during the period.

For FY2020, we paid out a dividend of 36 yen per share. In addition, for FY2021, we plan to offer a dividend of 37 yen per share.

### Special shareholder benefits

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

### Credit ratings

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

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

Long-term credit rating

**A**

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

Long-term credit rating

**A**

Short-term credit rating

**J-1**

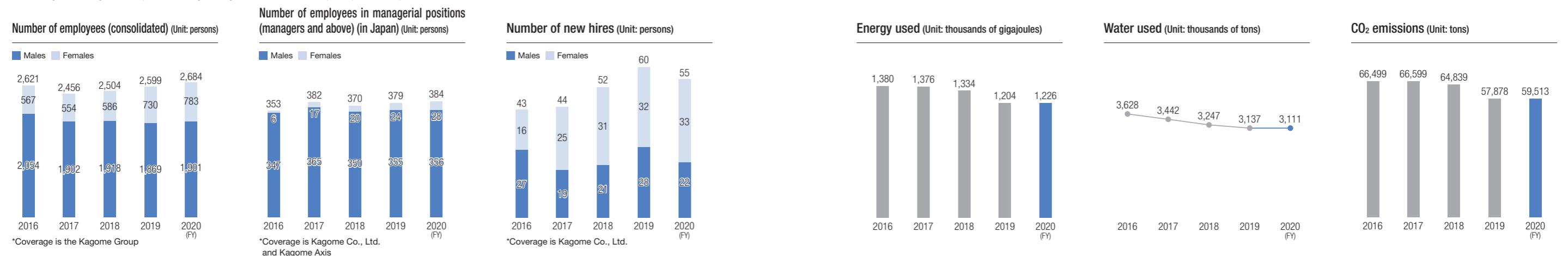


## Key Financial and Non-Financial Data

Accounting Period (Fiscal Year)	2010	2011	2012	2013	2014 <sup>1</sup>	2015	2016	2017	2018	2019	2020	
	Japanese Generally Accepted Accounting Principles (JGAAP)									IFRS		
<b>Profit and Loss</b> (Unit: million yen)												
Net sales/Revenue	181,304	180,047	196,233	193,004	159,360	195,619	202,534	214,210	209,865	184,595	180,849	183,041
Research and development expenses	2,567	2,655	3,009	3,084	2,566	3,240	3,219	3,346	3,557	3,555	3,525	3,557
Advertising expenses	6,312	6,122	7,053	6,918	5,319	4,671	5,086	5,977	6,109	6,110	5,150	6,872
Core operating income	—	—	—	—	—	—	—	—	—	12,400	12,304	13,599
Core operating income margin (%)	—	—	—	—	—	—	—	—	—	6.7	6.8	7.4
Operating income	7,978	8,466	9,278	6,775	4,328	6,723	10,946	11,968	12,000	12,228	14,079	10,682
Operating margin	4.4	4.7	4.7	3.5	2.7	3.4	5.4	5.6	5.7	6.6	7.8	5.8
Net income attributable to shareholders of parent/ Net income attributable to owners of parent	2,473	4,217	6,480	5,105	4,366	3,441	6,764	10,100	11,527	8,998	10,198	7,425
<b>Financial Condition</b> (Unit: million yen)												
Total assets	142,661	148,207	168,965	183,621	203,413	208,885	219,804	195,737	193,612	199,826	201,179	224,913
Total net assets	88,941	92,815	104,432	113,023	124,566	126,344	97,991	105,853	104,843	103,363	111,386	112,651
Interest-bearing debt	16,159	15,851	24,004	31,088	35,904	37,419	74,538	37,168	37,302	39,625	38,020	55,295
<b>Cash Flows</b> (Unit: million yen)												
Cash flows from operating activities	18,241	11,757	7,407	(1,073)	1,753	12,039	18,824	16,598	10,130	10,722	12,224	20,442
Cash flows from investing activities	(19,093)	(4,985)	(1,781)	(3,941)	(7,110)	(11,023)	(18,576)	17,271	(299)	(299)	(9,267)	(3,398)
Cash flows from financing activities	1,414	(1,861)	1,050	2,322	1,793	1,555	6,904	(40,761)	(1,083)	(1,675)	(5,068)	12,104
Free cash flow	8,757	7,866	(1,417)	(12,661)	(4,269)	(4,011)	10,442	21,588	1,574	10,423	2,956	17,044
<b>Per Share Information</b> (Unit: yen)												
Net income per share/Basic earnings per share	24.87	42.40	65.15	51.39	44.01	34.64	68.30	114.03	130.03	101.50	114.89	83.73
Net assets per share/equity attributable to shareholders of the parent per share	880.13	920.81	1,020.86	1,094.07	1,204.77	1,201.96	1,043.89	1,150.50	1,146.85	1,130.27	1,219.47	1,242.19
Annual dividend per share	15.0	18.0	20.0	22.0	16.5	22.0	24.5	30.0	40.0	40.0	35.0	36.0
<b>Key Management Indicators</b> (Unit: %)												
Equity attributable to shareholders of the parent to total assets	61.4	61.8	60.1	59.1	58.8	57.2	42.1	52.1	52.5	50.2	53.9	49.3
Return on equity / Ratio of equity attributable to shareholders of the parent (ROE)	2.8	4.7	6.7	4.9	3.8	2.9	6.4	10.4	11.3	9.0	9.8	6.8
Return on assets / Ratio of core operating income to total assets (ROA)	6.1	6.3	6.3	4.3	2.6	3.4	5.3	6.1	6.2	6.2	6.1	6.4
Dividend payout ratio	60.3	42.5	30.7	42.8	37.5	63.5	35.9	26.3	30.8	39.4	30.5	43.0
Dividend on net assets ratio / Dividend on equity attributable to shareholders of the parent (DOE)	1.7	2.0	2.1	2.1	1.4	1.8	2.2	2.7	3.5	3.5	3.0	2.9
<b>Non-Financial Information</b>												
Number of employees <sup>2</sup> (persons)	2,045	2,101	2,209	2,349	2,368	2,569	2,621	2,456	2,504	2,504	2,599	2,684
Energy used <sup>3</sup> (thousands of gigajoules)	1,379	1,319	1,297	1,289	1,329	1,336	1,380	1,376	1,334	1,334	1,204	1,226
Water used <sup>3</sup> (thousands of tons)	3,484	3,452	3,627	3,945	3,850	3,828	3,628	3,442	3,247	3,247	3,137	3,111
CO <sub>2</sub> emissions <sup>3,4</sup> (tons)	69,908	66,379	65,454	62,777	64,693	63,968	66,499	66,599	64,839	64,839	57,878	59,513

<sup>1</sup> Fiscal year 2014 represents the nine-month period from April 1, 2014 to December 31, 2014 following change to the Company's business year.  
<sup>2</sup> Coverage is the Kagome Group. <sup>3</sup> Coverage is Kagome Co., Ltd. and Group companies in Japan.

<sup>4</sup> The electricity conversion coefficient for calculating CO<sub>2</sub> emissions is a fixed coefficient developed internally: 0.421 kg-CO<sub>2</sub>/kWh



## Consolidated Financial Statements

## Consolidated Balance Sheets

Unit: million yen

	As of Dec. 31, 2019	As of Dec. 31, 2020
<b>Assets</b>		
<b>Current assets:</b>		
Cash and cash equivalents	27,260	56,768
Trade and other receivables	40,011	40,104
Inventories	42,960	42,304
Income taxes receivable	0	180
Other financial assets	665	407
Other current assets	1,748	1,800
<b>Total current assets</b>	<b>112,647</b>	<b>141,567</b>
<b>Non-current assets:</b>		
Property, plant and equipment	53,634	52,571
Intangible assets	3,379	3,546
Other financial assets	14,445	14,795
Investments accounted for using the equity method	8,238	7,176
Other non-current assets	6,476	3,325
Deferred tax assets	2,357	1,930
<b>Total non-current assets</b>	<b>88,531</b>	<b>83,345</b>
<b>Total assets</b>	<b>201,179</b>	<b>224,913</b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
<b>Current liabilities:</b>		
Trade and other payables	29,594	33,681
Borrowings	29,155	47,465
Income taxes payable	1,770	2,851
Other financial liabilities	975	810
Provisions	353	—
Other current liabilities	6,555	7,429
<b>Total current liabilities</b>	<b>68,404</b>	<b>92,238</b>
<b>Non-current liabilities:</b>		
Long-term debt	6,197	5,459
Other financial liabilities	4,246	3,655
Retirement benefit liability	5,650	5,755
Provisions	1,061	1,088
Other non-current liabilities	1,046	872
Deferred tax liabilities	3,186	3,190
<b>Total non-current liabilities</b>	<b>21,388</b>	<b>20,023</b>
<b>Total liabilities</b>	<b>89,793</b>	<b>112,261</b>
<b>Net Assets:</b>		
Share capital	19,985	19,985
Capital surplus	22,669	22,723
Treasury shares	(13,529)	(12,351)
Other components of equity	3,589	2,888
Retained earnings	75,629	77,730
Equity attributable to shareholders of parent	108,344	110,976
Non-controlling interests	3,041	1,674
<b>Total net assets</b>	<b>111,386</b>	<b>112,651</b>
<b>Total liabilities and net assets</b>	<b>201,179</b>	<b>224,913</b>

## Consolidated Statements of Income

Unit: million yen

	Previous fiscal year January 1, 2019 to December 31, 2019	Fiscal year under review January 1, 2020 to December 31, 2020
Revenue	180,849	183,041
Cost of sales	115,667	115,469
<b>Gross profit</b>	<b>65,181</b>	<b>67,572</b>
Selling, general and administrative expenses	52,986	53,059
Equity gains of affiliated companies	108	(914)
Other income	2,733	1,377
Other expenses	958	4,293
<b>Operating income</b>	<b>14,079</b>	<b>10,682</b>
Finance income	451	523
Finance costs	642	581
<b>Profit before income taxes</b>	<b>13,888</b>	<b>10,624</b>
Income taxes	3,574	4,522
<b>Net income</b>	<b>10,314</b>	<b>6,102</b>
Net income attributable to:		
Shareholders of parent	10,198	7,425
Non-controlling interests	115	(1,323)
<b>Total</b>	<b>10,314</b>	<b>6,102</b>
Amounts per share of common stock		
Net income	114.89	83.73
Diluted net income	114.73	83.59

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

Gross profit	65,181	67,572
Selling, general and administrative expenses	(52,986)	(53,059)
Share of profit of entities accounted for using equity method	108	(914)
<b>Core operating income (*)</b>	<b>12,304</b>	<b>13,599</b>

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

## Consolidated Statements of Comprehensive Income

Unit: million yen

	Previous fiscal year January 1, 2019 to December 31, 2019	Fiscal year under review January 1, 2020 to December 31, 2020
Net income	10,314	6,102
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Remeasurements of defined benefit plans	(163)	65
Financial assets measured at fair value through other comprehensive income	1,262	244
Share of other comprehensive income of investments accounted for using equity method, net of tax	—	22
<b>Total</b>	<b>1,099</b>	<b>332</b>
Items that may be reclassified subsequently to profit or loss		
Effective portion of cash flow hedges	(690)	482
Cash flow hedges costs	1,018	(288)
Exchange differences on translation of foreign operations	(464)	(923)
Share of other comprehensive income of investments accounted for using equity method, net of tax	(0)	(2)
<b>Total</b>	<b>(136)</b>	<b>(732)</b>
Other comprehensive income	963	(400)
<b>Comprehensive income</b>	<b>11,278</b>	<b>5,701</b>
Comprehensive income attributable to:		
Shareholders of parent	11,261	7,000
Non-controlling interests	17	(1,298)
<b>Total</b>	<b>11,278</b>	<b>5,701</b>

Consolidated Statements of Cash Flows

Unit: million yen

	Previous fiscal year January 1, 2019 to December 31, 2019	Fiscal year under review January 1, 2020 to December 31, 2020
<b>Cash flows from operating activities:</b>		
Profit before income taxes	13,888	10,624
Depreciation and amortization	6,395	6,895
Impairment losses	223	3,028
Gain on business transfer	(1,692)	—
Interest and dividend income	(450)	(397)
Interest expenses	435	480
Share of (profit) loss of investments accounted for using the equity method	(108)	914
(Gains) losses on sale and retirement of property, plant and equipment, and intangible assets	(46)	(189)
(Increase) decrease in trade and other receivables	823	(270)
(Increase) decrease in inventories	(1,421)	746
Increase (decrease) in trade and other payables	(643)	2,006
Other	23	(0)
Subtotal	17,427	23,838
Interest and dividends received	513	400
Interest paid	(442)	(327)
Income taxes paid	(5,274)	(3,469)
Cash flows from operating activities	12,224	20,442
<b>Cash flows from investing activities:</b>		
Purchase of property, plant and equipment, and intangible assets, including investment property	(10,444)	(6,107)
Proceeds from sales of property, plant and equipment, including investment property	198	3,346
Payments for acquisition of businesses	—	(499)
Purchase of investments in subsidiaries	—	(10)
Purchase of other financial assets	(47)	(398)
Gain on available-for-sale financial assets	1,069	260
Other	(43)	10
Cash flows from investing activities	(9,267)	(3,398)
<b>Cash flows from financing activities:</b>		
Net increase (decrease) in short-term borrowings	430	23,927
Proceeds from long-term borrowings	1,076	1,036
Repayments of long-term borrowings	(2,539)	(7,888)
Expenditures from repayment of lease liabilities	(774)	(662)
Dividends paid	(3,553)	(3,112)
(Increase) decrease in treasury shares	369	(1,127)
Dividends paid to non-controlling interests	(77)	(68)
Cash flows from financing activities:	(5,068)	12,104
Net increase (decrease) in cash and cash equivalents	(2,112)	29,148
Cash and cash equivalents at beginning of period	29,408	27,260
Foreign translation adjustment on cash and cash equivalents	(35)	359
Cash and cash equivalents at end of period	27,260	56,768

Company Overview

Founded	1899
Incorporated	1949
Head Office	3-14-15, Nishiki, Naka-ku, Nagoya, Aichi Tel. +81-52-951-3571 (Main) Fax. +81-52-968-2510
Tokyo Head Office	Nihonbashi-hamacho F-Tower, 3-21-1 Nihonbashi-hamacho, Chuo-ku, Tokyo Tel. +81-3-5623-8501 (Main) Fax. +81-3-5623-2331
Capital	19,985 million yen
Number of Employees	2,684 (consolidated)
Places of Business	Head Office, Tokyo Head Office, 1 division office, 8 branches, 6 plants, Innovation Division
Description of Business	Production and sales of food seasonings, preserved foods, beverages, and other food products; purchasing, production, and sales of seedlings, fruits, and vegetables



Tokyo Head Office

Places of Business and Group Companies

Places of Business

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

Main Group companies

Domestic Subsidiaries and Associates

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

Overseas Subsidiaries and Associates

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

Status of Shares

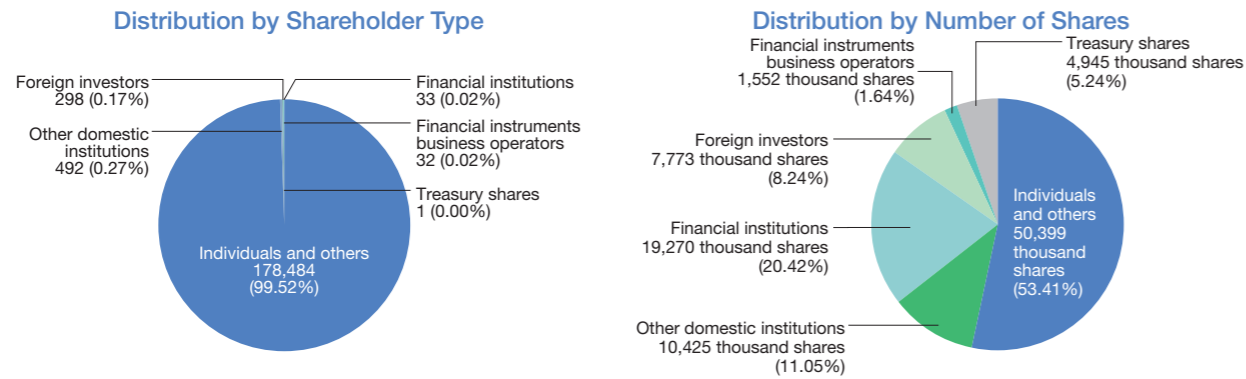
Number of shares outstanding	94,366,944 shares
(Note) 1. Total number of authorized shares	279,150,000 shares
2. Number of shares per unit	100 shares
Number of shareholders	179,340

Major Shareholders

Names of Major Shareholders	Capital Contribution to the Company	
	Number of Shares Held (thousand shares)	Shareholding Ratio (%)
Custody Bank of Japan, Ltd. (account in trust)	9,838	11.00
The Master Trust Bank of Japan, Ltd. (account in trust)	8,045	8.99
Dynapac Co., Ltd.	4,379	4.89
Nissin Foods Holdings Co., Ltd.	1,559	1.74
Toshichika Kanie	1,412	1.57
JP MORGAN CHASE BANK 385781	1,152	1.28
Eikichi Kanie	1,027	1.14
Kagome Business Association	986	1.10
SMBC Nikko Securities Inc.	965	1.07
Kagome Employee Stock Ownership Plan	931	1.04

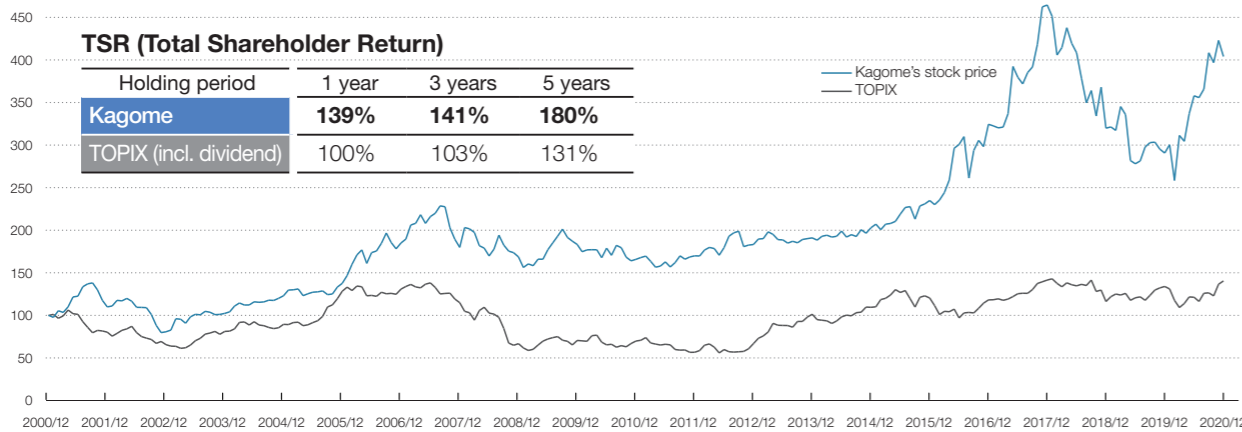
\*The shareholding ratios were calculated without treasury shares (4,945 thousand shares). Treasury shares do not include 82 thousand shares of the Company owned by The Master Trust Bank of Japan, Ltd. (account in trust), which was established for the introduction of the Board Incentive Plan trust.

Status of Share Distribution



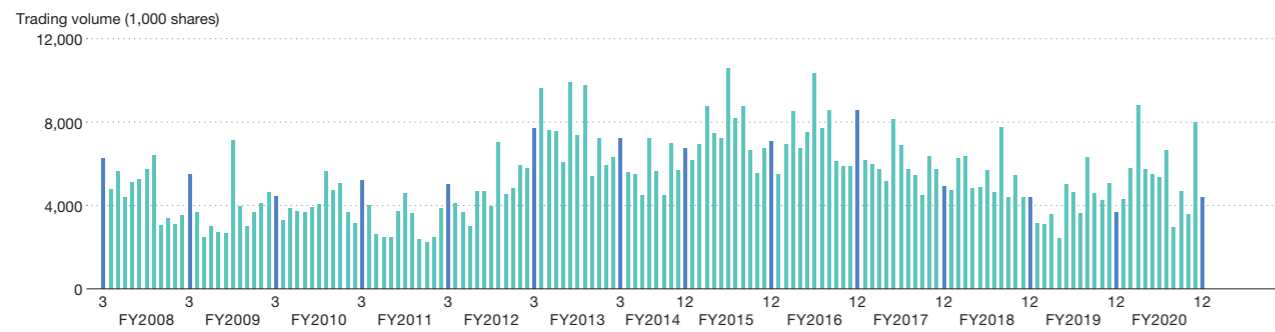
Stock Price Trend

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

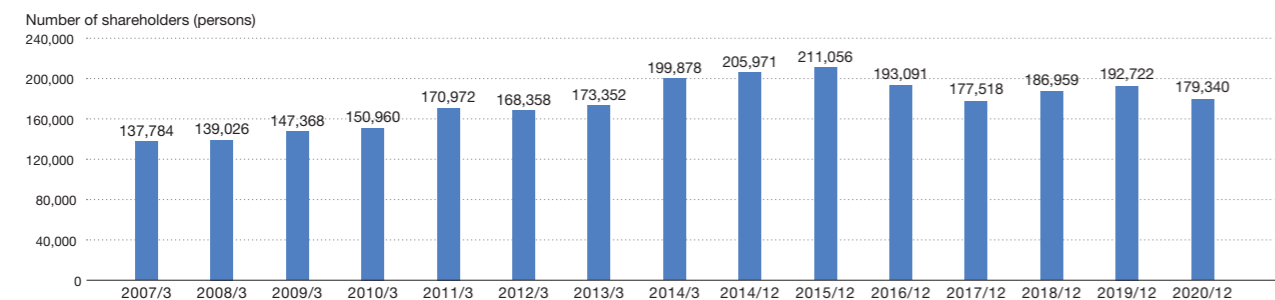


\*Relative stock price at month end with December 31, 2000 set as 100.

Changes in Trading Volume



Trends in the number of shareholders



Glossary

<b>Engagement</b>	A positive mental state in regard to work where an employee feels enthusiasm, dedication and vitality. Engagement results in points to equal and strong connections between the organization and individuals. As a result, stronger organizations offer greater the productivity.
<b>Core operating income</b>	Core operating income is a profit index that measures constant business performance by deducting cost of sales and selling, general and administrative expenses from revenue plus share of loss (profit) of entities accounted for using equity method.
<b>Smart agriculture business</b>	Farm management support business for commercial tomatoes based on AI developed in collaboration with NEC. Markets services that visualize the condition of soil and growing situation of tomatoes using sensors and satellite imagery and farm management advice using AI. AI, having acquired the know-how of experienced farmers, provides instructions on the optimal amount and timing of water and fertilizer, resulting in stable yield and lower costs regardless of the farmer's skills. This also results in sustainable agriculture that is environmentally friendly.
<b>Biodiversity</b>	A condition in which the richness and balance of an ecosystem consisting of many kinds of living things are maintained. The Convention on Biological Diversity states three levels of diversity: ecological diversity, species diversity, and genetic diversity.
<b>Plant-based food</b>	Refers broadly to "all forms of foods made from plant-based ingredients." Plant-based substitutions such as plant-based meats are growing rapidly, even in Japan.
<b>VegeCheck®</b>	A device that measures vegetable intake level (0.1 to 12.0) and estimated vegetable intake volume (according to six levels; g) simply by holding the palm of your hand over a sensor for tens of seconds. Measurement is completed in tens of seconds providing the convenience of being able to view results on the spot.
<b>Materiality</b>	Refers to important issues identified for Kagome to become a "strong company."
<b>Vegetable intake promotion project</b>	Part of the Let's Eat Vegetables Campaign, this project seeks to increase momentum toward eating vegetables by working closely with companies and organizations that endorse its mission. As of June 2021, 19 companies are participating in this project (excluding Kagome).
<b>Let's Eat Vegetables Campaign</b>	An initiative intended to resolve the social issue of a lack of vegetable intake in Japan. The campaign was launched in January 2020 under the slogan "let's increase vegetable intake by just another 60g." The campaign is now harnessing knowledge, technologies, services and products to evolve the ways in which people eat vegetables to eliminate the lack of vegetable intake.
<b>DX</b>	Digital Transformation To use digital technologies and data to transform existing business models, create new business models, and improve innovative productivity in order to build a competitive advantage.
<b>IRR</b>	Internal Rate of Return The discount rate where the amount obtained by subtracting the initial investment from the current value of free cash flow gained from a business plan becomes zero.
<b>PBP</b>	Payback Period The period required to recoup an investment.
<b>ROIC</b>	Return On Invested Capital An indicator that shows the amount of profits generated using funds invested for business activities.
<b>VUCA</b>	VUCA is a synonym that stands for Volatility, Uncertainty, Complexity, and Ambiguity. It refers to a situation where the future is uncertain and difficult to predict.

Presented in alphabetic order.



## Kagome Co., Ltd.

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