



KAGOME

CSR Report 2012

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Editorial Policy

Editorial Policy

The 2012 CSR Report includes appropriate revisions based on items disclosed in the 2011 Japanese-language edition. Moreover, Kagome has made every effort to report in concrete terms the specific achievements and results of initiatives undertaken in fiscal 2010. The following references were used to draft the 2011 CSR Report: the GRI's* Sustainability Reporting Guidelines 2002 and the Sustainability Reporting Guidelines Third Edition (G3), as well as the Environmental Reporting Guidelines 2012, issued by Japan's Ministry of the Environment.

* GRI: Global Reporting Initiative

Scope of the 2012 CSR Report

In this report, "Kagome" refers to Kagome Co., Ltd. and the "Kagome Group" or "the Group" refers collectively to domestic Group companies.

Period Covered by the 2012 CSR Report

This report covers social activities undertaken between April 2012 (though some subsequent activities undertaken through November 2012 have also been included) and, in principle, environmental activities performed during fiscal 2011 (April 1, 2011 — March 31, 2012). In order to make comparisons of performance data and other information related to Kagome's environmental activities easier to understand, initiatives undertaken to date are shown next to those taken prior to fiscal 2011.

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Message from the President



Kagome dedicated much effort throughout the year ended March 31, 2012 (fiscal 2011), to promoting recovery as the nation dealt with the repercussions of the Great East Japan Earthquake that struck on March 11, 2011. Regrettably, complete recovery and restoration will be a long, ongoing process. On behalf of all Kagome Group members, I would once again, like to express our deepest sympathy for the losses suffered by all those affected by the earthquake.

The Kagome Group also suffered direct damage from the earthquake. This was severe, but thanks to the support of our stakeholders we succeeded in achieving an early restoration. We are extremely grateful for all the people who provided us with generous support and cooperation.

The unprecedented earthquake caused us to reflect on the strength of the bonds that unite people. Society is built on a spirit of mutual aid. We really are in this together, and this cooperative spirit is becoming increasingly essential. Experiencing the earthquake also led to renewed awareness of our social obligation as a food manufacturer, the importance of fulfilling our corporate responsibility and new approaches to remain a corporate citizen in good standing. Fiscal 2011 was replete with opportunities to again seriously consider issues such as these from the perspective of a corporate entity that is allowed to operate in society.

To date, Kagome has undertaken a variety of socially oriented activities in the course of its business. As described in the previously issued 2011 CSR Report, we have learned that the expertise we have gained through such activities can be quite effectively applied in the various situations encountered in the aftermath of the disaster. The previous report introduced examples where such activities benefitted both the people and communities of the devastated regions.

In pursuing these activities, we confirmed our longstanding belief. In order for Kagome to grow sustainably, it must remain an essential presence for the people and their communities by fulfilling their expectations; and this can only happen when Kagome supports the growth of larger society.

Reflecting this, Kagome has established new corporate message for fiscal 2012 “Think GREEN KAGOME: have a bite as we think about the future,” which is communicated from April 2012 onward. This represents: 1) our call for people to consider that each bite impacts your own wellbeing and your family’s, and extends to the futures of Japan’s agriculture sector and society as a whole; and 2) our intention to “team with you to do what we can for the future.” We’re in this together.

To put the abovementioned message into action, several trial projects are underway mainly in the agricultural sector and food field. For example, we are promoting “local production, nationwide consumption” and “new agricultural support” in tandem with local communities. Also, in fiscal 2011 Kagome established the Michinoku Mirai Kikin (Northeastern Japan Future Foundation) in cooperation with Calbee, Inc. and Rohto Pharmaceutical Co., Ltd. to provide long-term scholarship programs to children who lost their parents due to the disaster. Through the foundation, 96 children were granted scholarships, well exceeding initial plans. As for fiscal 2012, the foundation has already received a greater number of applications than in all of fiscal 2011. Some of these activities are introduced in the “Special Feature,” although many of these activities are only just beginning.

We’re all in this together. This perspective of “mutual aid” infuses all aspects of our corporate activities. The Kagome Group will continue to do its utmost to contribute to social growth through its business operations. In this way, we will remain a company playing an essential role in broader society. We would be delighted to hear your frank opinions and sincerely hope for your warm support.

Corporate Philosophy

Corporate philosophy: A management spirit that prevails through changing times.

Kagome formulated its new corporate philosophy in 2000.

“Appreciation” is what the Company’s founder, Ichitaro Kanie, ultimately attained as a manager. “Nature” is the source of Kagome’s products and the value it provides. “Corporate Openness” expresses Kagome’s commitment to being a company that is fair and open to people and society. These three concepts embody Kagome’s corporate philosophy.

Our corporate philosophy is reflected in our Vision for the Kagome brand, “True to nature, the flavor of KAGOME.”

Appreciation

We are thankful for nature’s bounty and for our relationships with people. We respect natural ecosystems and value human sensibilities.

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.

This brand statement represents the promise of the Kagome brand to customers



Our promise to customers:

To strive for healthier food that makes the most of natural antioxidants and immune system boosters

To produce healthy, great-tasting foods without relying on unnatural additives or technologies

To create demand for enjoyable meals, considering the needs of our bodies and our planet

Special Feature: Have a Bite as We Think About the Future

Over more than a century, Kagome has developed products based on the wealth of nature's bounty, including tomatoes and other vegetables and fruits. By providing products that take full advantage of nature's offerings, we strive to contribute to people's wellbeing and long life—this is Kagome's unchanging approach since establishment.

Today, the human race has reached a critical point, creating a shared urgency for the protection of people's health and the sustainability of the Earth's environment. This is why Kagome must continue to strengthen its focus on two areas in its CSR initiatives: (1) the preservation of nature and the global environment, which underpin the Company's business; and (2) the promotion of people's health, which is the essential value the Company provides through its products.

The Great East Japan Earthquake reconfirmed the Kagome Group's belief that we must further devote ourselves to both reflecting on and taking action to achieve a sustainable society and global environment. Moreover, we believe that these essential thoughts and actions must involve not only Kagome Group members but all of society.

We are communicating this through a new corporate message, "Think GREEN KAGOME," and calling on every member of society to join us in thinking and acting more proactively.

Have a Bite as We Think About the Future

What you are today depends on what you ate before.
Each bite you eat today helps determine your body ever more.

Because each bite is one of nature's precious gifts, eating links you with
the future of the Earth... whether you realize it or not.

Thinking about your daily diet involves thinking about the future of
your health and the future of the Earth.

Your health, nature, and the Earth—by having a thought for the future
while having a bite, perhaps, tomorrow we might see a big change.

Think GREEN KAGOME
Have a Bite as We Think About the Future

A few examples from the initiatives based on the aforementioned beliefs will introduce our passion and the approach we are taking with regard to CSR.

Special Feature: Have a Bite as We Think About the Future **THINK GREEN KAGOME**
Have a Bite as We Think About the Future

Activity information 1 Working with Local Communities to Bolster Japan's Agricultural Sector
—Local Production, Nationwide Consumption

Kagome's business is deeply associated with nature and agriculture. This is why we are always grateful for nature as well as the farmers who cultivate its bounty. Kagome's wish is to keep working hand in hand with them. Reflecting this, we engage in a variety of initiatives such as concluding cultivation and procurement contracts with farmers, providing them with seedlings, and offering support to enhance cultivation methods. In the aftermath of the Great East Japan Earthquake, we again confirmed our passion to help sustain Japan's agricultural sector. Turning this passion into the slogan "delicious foods shouldn't perish," Kagome conducted the following activities.

As a part of our initiatives under the aforementioned slogan, from 2010 onward we have promoted "local production, nationwide consumption," that is, offering people nationwide seasonal food products processed from specialty vegetables and fruits harvested from across Japan. By doing so, we intend to let the people discover and enjoy the full flavor of Japan's local vegetables and fruits. Moreover, Kagome concludes agreements with prefectural governments and JA, which is short for Japan Agricultural Cooperatives. By working in tandem with local communities under these agreements, we promote specialty agricultural products with the aim of sustaining their popularity over the long-term. For example, Kagome entered into the "Setouchi Lemon Agreement" with the Hiroshima Prefectural Government, which seeks to revitalize the prefecture's local communities and enhance services for prefectural residents. Under the agreement, Kagome works together with the prefecture in conducting a variety of initiatives with regard to the following matters.

The "Setouchi Lemon Agreement" -An Initiative for "local production, nationwide consumption"

- (1) Enhancement of the brand value of lemons produced in Hiroshima Prefecture
- (2) Promotion of Setouchi Brand agricultural products
- (3) Promotion of dietary education
- (4) Expansion of demand for prefectural agricultural products
- (5) Contribution to society
- (6) Other matters including the enhancement of services for prefectural residents and the revitalization of local communities



Okinawa Prefecture	Kumamoto Prefecture	Hiroshima Prefecture	Nagano Prefecture	Tochigi Prefecture	Yamagata Prefecture
					
Yasai Seikatsu 100 Okinawa Shekwasha Mix	Yasai Seikatsu 100 Dekopon Mix	Yasai Seikatsu 100 Setouchi Lemon Mix	Yasai Seikatsu 100 Shinshu Niagara Mix	Yasai Seikatsu 100 Tochiotome Mix	Yasai Seikatsu 100 La France Mix



To ensure the continuing cultivation of such safe and delicious agricultural products, we believe it is essential to provide farmers with economic security. To support this, Kagome will continue introducing excellent agricultural products from local areas to people nationwide by promoting these Kagome products through its corporate marketing. Looking ahead, Kagome promotes initiatives for "local production, nationwide consumption," delivering nature's wonderful bounty harvested from local areas all across the country.

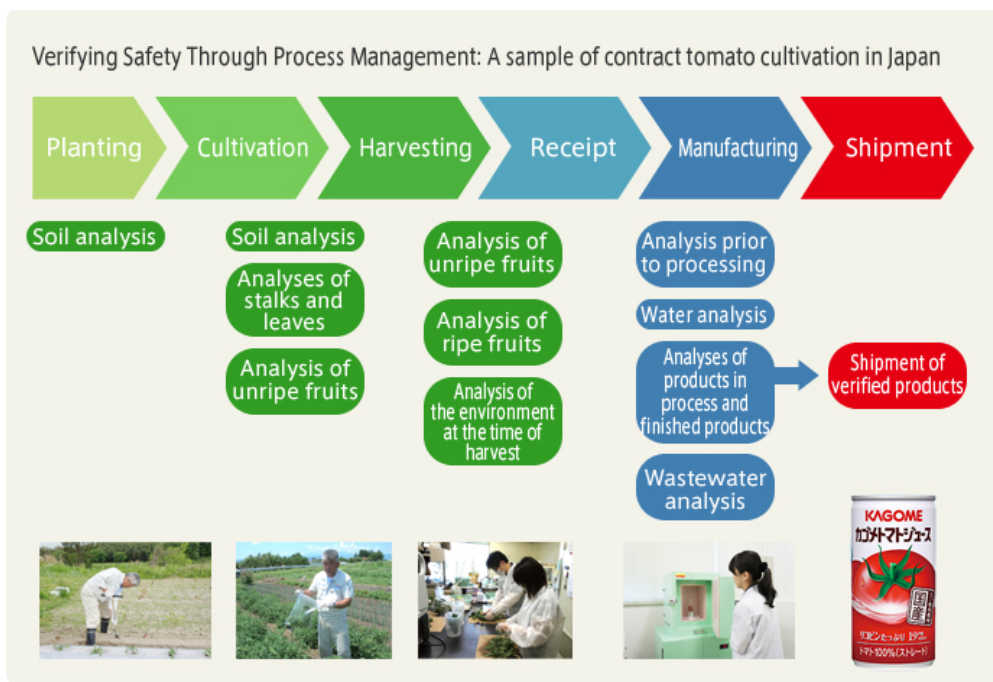
Special Feature: Have a Bite as We Think About the Future **Think GREEN KAGOME**
Have a Bite as We Think About the Future

Activity information 2 **To Provide Safety and Peace of Mind**
 —Addressing new challenges

Since its founding, Kagome has pursued Companywide efforts to deliver products that contribute to customers' wellbeing by taking advantage of nature's offerings. Since Kagome deals with food products, it recognizes that ensuring product safety and customers' peace of mind is indispensable. To this end, Kagome conducts a variety of inspections, analyses and studies.

With regard to product safety and peace of mind, issues related to radioactivity became chief concerns in fiscal 2011. As soon as the nuclear accident broke out at the Fukushima Daiichi Nuclear Power Station, Kagome checked whether or not radioactive substances were contained in water used at its plants. The water, analyzed at public institutions with specialized facilities, proved to be safe. Also, Kagome suspended contracts with farmers in Fukushima Prefecture, after cautiously deciding not to use ingredients made from agricultural products which may have been affected by radioactivity. While taking steps that give top priority to customer safety, Kagome also compensated the farmers for their losses, taking into account their individual circumstances in the absence of concrete compensatory measures determined by governmental institutions. Moreover, in tandem with the farmers Kagome is conducting test cultivation and studies to assess the actual impact of the radiation. Ahead of other companies in the industry, in May 2011 Kagome started installing germanium semiconductor detectors, equipment that can detect even extremely small amounts of radioactive substances in food products. Along with the continuing analyses at public institutions, we began in-house inspections at the Kagome Research Institute to examine our finished products as well as the ingredients, water and soil involved in the production process.

For those who have an interest in the results of these inspections, we have posted the results on our Website from July 2011 and are updating these monthly.



Kagome's Initiatives to Protect Against Radioactivity

Apr. 2011	Conducted analyses at public institutions and announced the results on the Company's website
May 2011	Installed a germanium semiconductor detector Began in-house inspections at Kagome Research Institute Conducted analyses of ingredients, water, soil and products
Jul. 2011	Began updating the posted inspection results on a monthly basis
Sep. 2011	Installed an additional germanium semiconductor detector to reinforce inspection capabilities
Jun. 2012	Installed another germanium semiconductor detector at the Fujimi Plant

During fiscal 2011, Kagome conducted more than 4,000 analyses to thoroughly verify product safety, employing a dedicated team operating around-the-clock. Although the statutory limit of radioactive cesium for general food products is set at 100Bq/kg, Kagome undertakes these analyses with a more rigorous in-house standard, setting the maximum level at 5Bq/kg. This limit has been set in reference to the limit for drinking water, which is set at 10Bq/kg, taking into consideration some customers who may consume our vegetable-based beverages in much the same manner as drinking water.

Because Kagome products are intended to contribute to people's wellbeing, their safety must definitely be ensured. Kagome continues to pursue thoroughgoing initiatives to secure product safety and customers' peace of mind.

**Activity
information 3**

Mutual Aid with People and Society

—About Michinoku Mirai Kikin (Northeastern Japan Future Foundation)

Despite suffering severe damage from the Great East Japan Earthquake, Kagome has succeeded in achieving early restoration thanks to the encouragement and support of many people. “Appreciation” is encapsulated in our Corporate Philosophy, along with the other key concepts of “Nature” and “Corporate Openness.” Nevertheless, in fiscal 2011, our sense of appreciation for all of these people far exceeded the bounds of previous experience.

Kagome engaged in a variety of initiatives to support the Tohoku region of Japan, which was heavily devastated by the earthquake. As we delivered relief supplies to disaster regions, we received many comments like “your vegetable-based beverages helped a lot because here in the devastated area fresh vegetables are quite hard to get.” This renewed our ongoing sense of purpose as a company that provides “utility lines” supporting people’s wellbeing.

Given the impact of the Great East Japan Earthquake and its tremendous damage, recovery and restoration will take considerable time, especially in the Tohoku region. Therefore, we believe that it is of utmost importance to nurture the next generation who will be tasked with leading this ongoing restoration.

Because of the earthquake, nearly 2,000 children lost their parents and relatives. They have been devastated not only by the grief of losing their loved ones but also economic damage. The loss of income providers, in turn, forced some of them to give up their dreams of study. To support these youth, in fiscal 2011 we established the Michinoku Mirai Kikin foundation in cooperation with Calbee, Inc. and Rohto Pharmaceutical Co., Ltd.. These companies share a common sense of mission with us. Each of three companies engages in different businesses. Since there are no competitive relationships, all three came together to raise funds. All three agreed that working together they will be able to maintain the foundation. And now, the foundation is gaining additional assistance from a number of other companies, institutions and individuals.

In April 2012, 96 students became the first scholarship recipients to enter into colleges, universities and other professional schools as a result of the foundation. The foundation is now soliciting applications for the coming academic year from students who are scheduled to graduate from junior and senior high school in March 2013. As of October 2012, the foundation had already received 109 applications. The recipients will receive scholarships covering up to ¥3 million of their tuition with absolutely no repayment obligation. Prior to awarding the scholarships, foundation staff members conduct face-to-face interviews with each applicant. To meet some of them, interviews may take place at the children’s homes. Through these face-to-face meetings, the wishes and kindness of those supporting the foundation are being directly conveyed to the students.



The first gathering of Michinoku Mirai Kikin students in Summer 2012



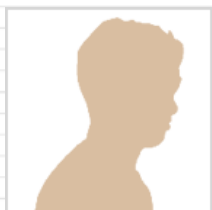
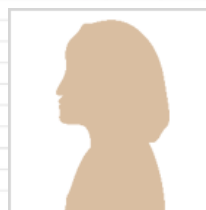
Fund-raising along the street

Recipients of Michinoku Mirai Kikin Foundation Activities



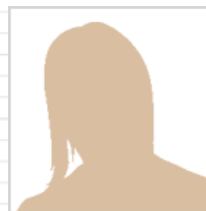
Before we had an interview with him, his teacher gave us notice that "he might suffer from mutism." As mentioned above, we usually meet each recipient face-to-face prior to awarding the scholarship, with the aim of directly conveying our wishes. However, this student had difficulty communicating with strangers. In fact, when the teacher told him that he would need to attend an interview, he thought he should give up on the scholarship. After we told him that the interview was not used to select the recipient, he calmed down and finally we were able to have the interview. We learned that he will be living on his own as he pursues his further education. We were concerned about his well-being and urged him to consult us about anything should he find himself in trouble.

When the Great East Japan Earthquake struck, she lost her father as well as her home. Her mother's income was insufficient to pay her tuition and she had to move to the house of mother's relative. That made it difficult to concentrate on studying, and in turn, her grades rapidly dropped. In the end, she had to give up on entering a highly selective national university. But because of her family's financial situation, going to a private university would be even more difficult for her. Despite this, she had a fervent desire to become a nurse or public health worker. Receiving a scholarship from the foundation, she succeeded in entering a nursing school and now aims to transfer to a four-year college during her junior year. Hearing that the foundation also assists with this sort of four-year college education, she declared that she would further devote herself to her study.



Because of a massive tsunami following the earthquake, he lost both of his parents and his sister. As a guardian, his grandmother who is in her 60s attended the interview with him. After the earthquake he seemed to enter a depression. He recovered his cheerfulness by being with his friends. He has now entered into a professional school and shared with us his ambition of developing his career by gaining a variety of job experience. Though he intended to go on to further education before the loss of his parents, the tragedy seemed to motivate him to study even more. He said, "I must become an upstanding member of society so that I can support my Grandma ever after." Hearing this, his grandmother's voice broke with emotion.

Accepted to a bookkeeping school, she shared with us her dream of working at a company and handling the accounting and general affairs. When we made the first appointment with her high school teachers in the Tohoku region in August 2011 to notify them about the foundation, her teachers told us, "Numerous students gave up on their dreams of further education because of they lost their parents. Now, they are close to taking their employment exam." She was one of many such students. Hearing this, we moved to accelerate notifications at each school in the region with regard to the foundation. In the interview she said, "Without the scholarship, I would have given up on continuing my studies because of the admission fee and various other expenses." Her mother, sitting next to her, grew teary-eyed with these words.



As you can see from these examples, the first scholarship recipients ranged dramatically in personality, family background and other circumstances. Despite this, during the interviews, we saw a uniform earnestness on the faces of these youths, representing their earnest wishes to continue their studies. With bright dreams for the future, these 94 children entered into universities and professional schools in April 2012. We were glad to see that they did not give up their desire to study, and also grateful to those supporting the foundation. Working with the other stakeholders, Kagome aims to involve a greater number of people in supporting the youth of the Tohoku region. This is a down-to-earth initiative, yet we believe it can eventually help reinvigorate Japan.

About Michinoku Mirai Kikin Foundation

The Michinoku Mirai Kikin foundation supports students who lost one of or both of their parents due to the Great East Japan Earthquake, allowing them to go on to further education. If you know of such students, please let them know about the foundation. We are also seeking public assistance for the foundation from individuals, companies or other institutions. As the foundation is run by staff members seconded from the three founding companies, your donation will be entirely spent for the assistance of these students.



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*Please change [@] into @ when you input e-mail address.



Michinoku Mirai Kikin foundation staff members

Corporate Management

- ▾ Corporate Governance
- ▾ Compliance
- ▾ Countermeasures to Various Risks

Basic Approach and Structure

In line with Kagome's aim of "Corporate Openness"—a principle of its Corporate Philosophy—Kagome has positioned "achievement of management transparency," "clarification of management responsibilities," "promotion of swift decision making" and "strengthening of management oversight functions" as the pillars of its corporate governance. This stance is shared by all Kagome Group companies.

To efficiently and effectively meet changes in the business environment, Kagome reorganized its management structure in June 2008. Currently, the Company's Board of Directors consists of six directors who are tasked with making decisions regarding Companywide management strategies and supervising business execution.

The term of office of directors is one year, which helps clarify their management responsibilities. Also, the Company has adopted an executive officer system. This system allows directors to concentrate on their decision-making and supervisory duties and executive officers to focus on the execution of their business operations.

Meanwhile, a Board of Executive Officers, which has been established to facilitate deliberations on Companywide business execution and information sharing, holds meetings periodically.

To enhance its risk management structure, Kagome has established six committees and has set up the General Risk Countermeasures Task Force as a single integrated entity to further manage risk.

Kagome has adopted a corporate auditor system. The four current corporate auditors, two of whom are external appointees, attend Board of Directors' and other important meetings. Through their

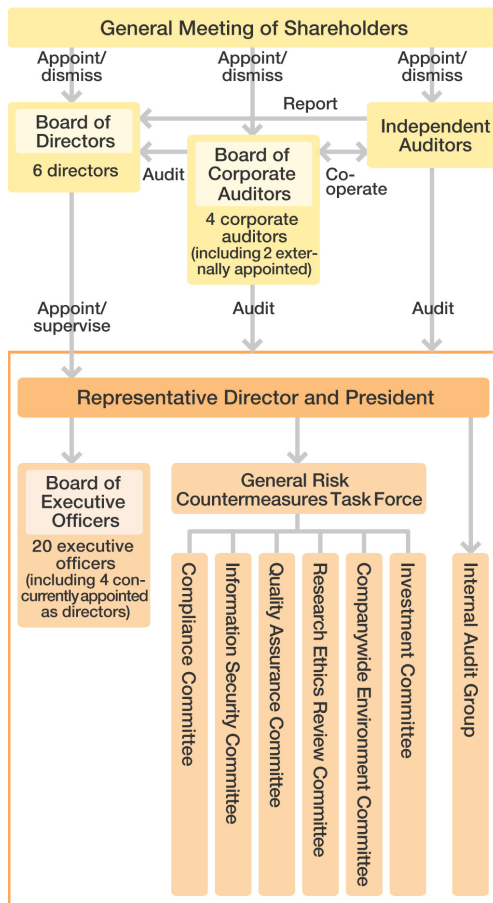
attendance in these meetings, they monitor the Company's decision-making processes and decisions made as well as business execution status, thereby contributing to the maintenance of management soundness and transparency.

With regard to its structure for the promotion of CSR, Kagome has made a decision to advance its activities to the next phase. Specifically, the Company disbanded the CSR Coordination Department in fiscal 2011.

This move was motivated by the conviction that CSR activities should not be the responsibility of a particular department; rather, all employees should promote CSR in the way they carry out daily business operations.

In line with this conviction, the entire Kagome Group will continue to promote CSR through the manner of its business operations, thereby remaining a corporate entity playing an essential role in society at large.

Corporate Governance Structure



Internal Control

In a meeting held in April 2006, Kagome's Board of Directors approved the Basic Policy on Internal Control. In accordance with this policy, the Company has promoted related initiatives to improve business efficiency and effectiveness, maintain the reliability of its financial reporting, ensure compliance with laws and regulations and secure its assets.

Also, to ensure compliance with Japan's Financial Instruments and Exchange Law, which went into force in fiscal 2008, Kagome has built and operated necessary internal control systems. In doing so, the Internal Audit Group, established under the Corporate Planning Department, has taken the lead.

In fiscal 2010, ended March 31, 2011, Kagome prepared an Internal Control Report, which certified that the Company's financial reporting was reliable. This report has been disclosed via EDINET.*

* EDINET: Electronic Disclosure for Investors' NETwork, an electronic filing system for disclosure documents under the Financial Instruments and Exchange Law of Japan

Corporate Management

▾ Corporate Governance

▾ **Compliance**

▾ Countermeasures to Various Risks

A Policy of Corporate Openness

With its executives and employees mutually recognizing one another's individuality and capabilities, Kagome espouses a philosophy of "Corporate Openness" that strives for fair and transparent business activities. Each Group company also observes this philosophy, and it is the basis upon which they conduct their corporate activities.

This corporate philosophy was initially realized through the daily actions of each executive and employee. As such, Kagome formulated the Kagome Code of Conduct, a set of behavioral guidelines thoroughly adhered to by all Group executives and employees.

Kagome Code of Conduct

- **Relations with Customers**

To bring to life the Vision for the Kagome Brand, "True to nature, the flavor of KAGOME," we at Kagome place value on our communication with customers and provide safe products that can be consumed with peace of mind.

- **Relations with Business Partners, Industry and Government**

We thoroughly comply with the Antitrust Law, Unfair Competition Prevention Act and legal regulations related to intellectual property. We conduct honest and transparent business transactions, and we contribute to the industry's development by undertaking competition in a fair manner.

- **Relations with Shareholders and Investors**

We work to deepen an understanding of our business operations among shareholders and investors by disclosing information about the Company and aggressively undertaking investor relations activities, while striving to raise sustainable corporate value.

- **Relations with Society**

Fully aware of our responsibilities and duties as a corporate citizen, we endeavor to coexist harmoniously with society.

- **Relations with Employees**

We respect fundamental human rights, strive to realize a safe and comfortable work environment, and we work to foster a corporate culture that encourages abundant individual initiative.

- **Preservation and Harmonious Coexistence with the Environment**

We cherish the global environment, which, through its many bounties, supports the healthy lifestyles of people. We will continue to engage in corporate activities that are in harmony with the global environment.

- **Compliance with International Law**

We adhere to international and regional laws and regulations while placing the utmost value on local cultures and customs.

Initiatives to Maintain Strict Compliance

Having formulated the Kagome Group Compliance Implementation Rules, Kagome Group implements thorough compliance throughout the Group. The Legal Affairs Group leads the way in these activities and serves as the secretariat of the Compliance Committee, which is chaired by a director. Activities undertaken by Kagome include the advance verification of compliance-related matters and the dissemination of compliance-related information. Kagome also implements awareness-raising activities through group sessions starting with new employee training and e-learning programs. In 2011, Kagome established basic policies and guidelines on the use of social media, which is rapidly growing today, with the aim of ensuring the appropriate and efficient use of such media. Also, in October 2011 Kagome reviewed its in-house structure in response to Organized Crime Exclusion Ordinances enacted by prefectural governments all across Japan while thoroughly raising employee awareness. In addition, Kagome has conducted e-learning sessions on insider trading in conjunction with revised regulations intended to prevent such activities. Moreover, since 2006 Kagome has implemented annual compliance awareness surveys targeting employees. In 2010, the other survey also assessed employee awareness about harassment. These surveys provide an understanding of work conditions and improve employee awareness.

Kagome Compliance Hotline

The Kagome Group established the Kagome Compliance Hotline whereby reports can be made and guidance given with regard to illegal or suspicious activities in the workplace. This system has set up an internal 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.

Kagome takes steps to protect the privacy of employees who make reports to ensure that these employees do not suffer any adverse consequences. Kagome quickly conducts investigations based on the information received and takes appropriate countermeasures. Regarding such cases, under the premise that whistleblowers and other related parties cannot be identified, Kagome shares information internally so as to prevent similar incidents. In fiscal 2011, the Kagome Compliance Hotline was used ten times, and each case was resolved.

Kagome strives to prevent and rapidly identify illegal activities through the appropriate operation of the Kagome Compliance Hotline.

Policies on the Use of Social Media

The use of social media is rapidly growing today. However, users must exercise caution or they may unintentionally expose themselves to significant risk, with potentially wide-ranging social consequences. In response, in 2011 Kagome established basic policies and guidelines on the use of social media for Group employees, aiming to ensure the appropriate and efficient use of such media.

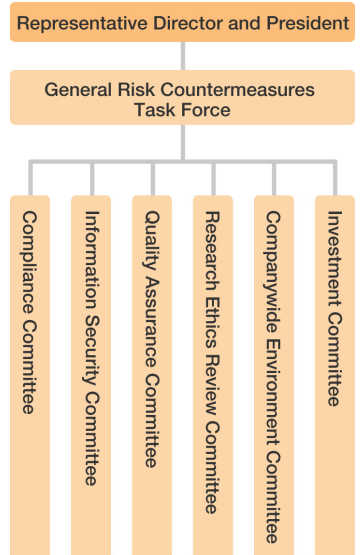
These policies and guidelines were drafted by the Information Security Committee secretariat and have been discussed and approved by the General Risk Countermeasures Task Force. In particular, the guidelines are intended to raise user awareness by providing concrete guidance with regard to 1) the characteristics of social media 2) examples of unacceptable posting to clarify precautions that users should take in real situations.

Corporate Management

- Corporate Governance
- Compliance
- Countermeasures to Various Risks

Companywide Risk Management Structure

To enhance its risk management structure, Kagome has established six committees and has set up the General Risk Countermeasures Task Force as a single integrated entity to further manage risk. The members of this group consist of directors and auditors who deliberate risk countermeasure policies and countermeasures for serious risk issues and then make swift decisions.



- Compliance Committee**

Established to promote compliance, this committee has set up a Compliance Hotline within its secretariat to receive reports or offer guidance to employees and others. In this way, Kagome works to put in place preventative measures or to detect any anti-social or unethical actions taken by the Company and its employees as early as possible.
- Information Security Committee**

The Information Security Committee determines basic policies and audits the execution with regard to the protection of important information, such as personal information held throughout the Group, as well as its proper management framework and usage. This committee works to assure legality and prevent information leaks.
- Quality Assurance Committee**

With the objective of strengthening quality assurance, the Quality Assurance Committee 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 expedient fashion, both internally and externally.
- Research Ethics Review Committee**

The Research Ethics Review Committee was established to investigate whether or not an individual's dignity or human rights might be diminished while conducting product efficacy and safety verification testing on humans at the R&D stage. This committee is comprised of employees who are not a part of the Company's R&D operations, as well as external medical experts and lawyers. This forms a framework with a neutral perspective capable of judging research objectives, ethical adequacy and scientific legitimacy.
- Companywide Environment Committee**

The Companywide Environment Committee was established with the objective of promoting adherence to environmental laws and regulations, reducing environmental burden and introducing products that take the environment into consideration. This was set up in order to realize corporate activities that are in harmony with the global environment and that are based on the Company's environmental policy and framework for environmental management.
- Investment Committee**

The Investment Committee—tasked with measuring and assessing investment risks—was established by making it independent from the Investment Drafting Division.

Protection of Personal Information

Kagome uses the personal information it collects from customers and other stakeholders in an appropriate manner, and it is conscious that the protection of this information is a company's social responsibility and fundamental business principle. Based on this awareness, Kagome has formulated its privacy policy and countermeasures to prevent information leaks. It also works to implement countermeasures that prevent leaks from unauthorized external access and to protect personal information in a thorough manner.

Protection of Intellectual Property Rights

Kagome positions intellectual property (IP) rights—such as those associated with patents and trademarks—as vital to raising corporate value and enhancing competitiveness. The Company also aggressively pursues the acquisition of IP rights so as to maintain autonomy when conducting its business activities.

At the same time, Kagome respects the intellectual property rights held by third parties. The Company conducts surveys on patent and trademark rights from the initial R&D stage to avoid the infringement of other parties' rights. These activities help Kagome describe and name unique technologies and thus enable the Company's establishment of proprietary rights while promoting highly original R&D projects.

Furthermore, for new employees and those employees involved in R&D, sales and planning working at the Research Institute and in the Product Planning and Sales Promotion divisions, the Company conducts training with the objective of creating awareness of IP rights protection and raising employees' ability to make self-judgments and detect risks.

Crisis Management

Since 2006 Kagome has been working to build a disaster prevention scheme and a structure to respond to disasters when they do occur, so as to be able to swiftly resume business activities in the case of natural disasters or unforeseen accidents. One initiative provides all employees with the Company's Earthquake Disaster Countermeasures Handbook that contains general earthquake disaster countermeasure knowledge and Kagome-specific earthquake disaster countermeasures. Employees also receive a Survival Guide that summarizes this handbook's key points.

In addition, Kagome deploys a system that utilizes mobile phones and e-mail functions for use in confirming the well-being of employees and for support in disaster areas while preparing satellite phones. The Company also conducts regular practical training so as to ensure that this system works and that the satellite phones can be operated should a disaster actually occur.

At the time the Great East Japan Earthquake struck, some of these systems proved effective. Due to the tremendous infrastructure damage, however, there were instances where back up plans and recovery systems did not work promptly. Based on experience gained in these cases Kagome is reviewing the prevention scheme and response structure. The Company is currently working to build an in-house multi-stream communication infrastructure that includes a multi-channel access (MCA) wireless communication system, which is highly dependable in disaster situations. By doing so, the Company is improving its system to confirm the well-being of employees and its Companywide communication structure.

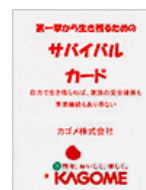
In the event of a magnitude six earthquake or a lesser magnitude earthquake resulting in severe damage an internal Disaster Countermeasure Center will be set up immediately. In addition, the Company has a system in place to formulate measures for supporting disaster stricken areas and achieving the quickest possible recovery in business operations through communication and coordination with national and local governments.



Safety Confirmation System operation screen



Earthquake Disaster Countermeasures Handbook



Survival Guide

Upgrading Business Continuity Plans to Ensure Business Continuity Management

The Company received significant damage from the Great East Japan Earthquake. As a result, Kagome strongly recognizes the need to reinforce its management structure for business continuity, maintaining “utility lines” that support the lives of our customers with healthy diets. To this end, Kagome is now reviewing its business continuity plans (BCPs). For example, the Company upgraded one such plan, which was formulated in response to a novel type of influenza virus that spread in 2009, into the “Kagome Group Disaster Countermeasures Basic Action Plan.” This new plan is now in effect and operating. To reflect the experience of the recent earthquake, Kagome is further promoting the Companywide review and upgrade of BCPs, and gaining the cooperation of overseas subsidiaries.

Responsibilities to Customers

- Product Quality Assurance
- Communication with Customers

A Philosophy and Framework for Product Safety and Peace of Mind

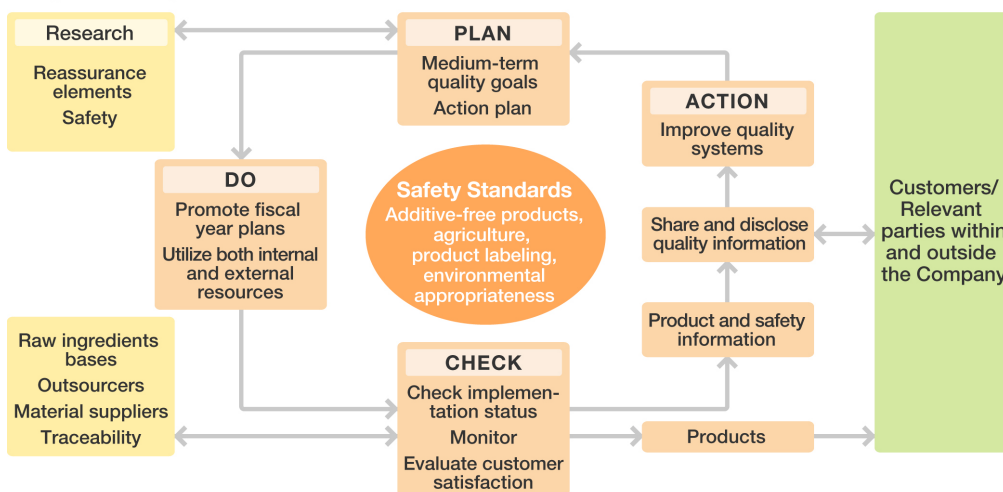
Since its foundation, nature's bounty has been an integral part of Kagome's endeavors to offer ideas for a healthy and enjoyable diet. This thinking is underpinned by the Company's commitment to customers, as represented by its "True to Nature, the Flavor of Kagome" brand statement. Vital to fulfilling this commitment, Kagome believes, is the development of safe products that offer customers peace of mind. To that end, Kagome strives to assure product safety by adopting a quality management system (QMS) in each process it undertakes—raw ingredient procurement, R&D, production and distribution—in accordance with its "Product Quality Policy."

Quality Policy

<p>1. Kagome strives to develop products that capture the delicious flavor and health offered by tomatoes and other vegetables, fruits and lactic acid.</p> <ul style="list-style-type: none"> Develop values through research in the biogenic and probiotic fields Develop flavorful products without artificial or synthetic additives Utilize nonthermal and component conversion technologies that maximize the benefits of nature's bounty 	<p>2. Kagome aims to produce safe agricultural ingredients—from the seeds, to the time when they ripen and are harvested.</p> <ul style="list-style-type: none"> Develop new and useful varieties by accumulating genetic resources and using cross-breeding methods Establish business bases jointly with domestic and overseas suppliers who share Kagome's values Procure agricultural ingredients using safety control and crop traceability
<p>3. Kagome engages in the safe and efficient development of products by consistently upgrading its Hazard Analysis and Critical Control Point (HACCP)* and the ISO9001 quality management system.</p> <ul style="list-style-type: none"> Evaluate risks and monitor systems—from natural ingredient procurement to product distribution Conduct 5S activities: <i>seiri</i> (sorting), <i>seiton</i> (straightening), <i>seiso</i> (cleaning), <i>seiketsu</i> (standardizing) and <i>shitsuke</i> (self-discipline) Employ a quality management system to share quality information and learn and solve quality-related issues 	<p>4. Kagome conveys quality-related information with products, and reflects the opinions of customers and society in its corporate activities.</p> <ul style="list-style-type: none"> Use UD-based labels that make products easy to understand and choose Share the latest quality information for use in business and on the Website Analyze customer comments, then process and use as management information

* The Hazard Analysis Critical Control Point system (HACCP): A hygiene management method to give intensive control over potential food safety hazards from microorganisms, chemicals and physical factors in the entire production process from arrival of ingredients, to production and shipment.

Kagome QMS Cycle



Raw Ingredient Procurement from Fertile Farms

Good ingredients come from fertile soil. Given this, Kagome conducts quality management based on the belief that product development starts in the field and that the farm is the “First factory.”

Kagome also procures raw ingredients from overseas locations, leveraging its ideas and experience—cultivated since its establishment—in contracted tomato cultivation in Japan.

Domestic Contracted Tomato Cultivation (for Tomatoes Suitable to Make Juice)

Ingredient procurement begins with selection of the agricultural area. Kagome procures tomatoes suitable for making juice, for example, through cultivation contracts with established farmers in selected districts. Crops are purchased after negotiating the conditions.

To procure safe tomatoes of high quality, Kagome makes meticulous efforts starting from the cultivation stage. Various considerations are listed below.



A Kagome “fieldman” makes the rounds to check tomato growth



Guidance given to contracted farmers



- Farm visits by Kagome's supervisory “fieldmen” to offer a variety of advice based on the state of tomato growth
- Guidance based on Kagome's farm soil analysis for fertilizer planning tailor-made for each field
- Together with farmers, advance selection of agrochemical type and application method
- Prior to harvesting, confirmation of agrochemical utilization records that all farmers provide, to strictly observe its rule to never purchase crops that violate government standards for agrochemicals use
- Requests that tomato farmers attach labels on shipping containers to confirm quality inspection results at points of origin, consolidation and production
- Quality inspection at consolidation points in each production area, as well as sample inspections of each truck upon arrival at each plant and rejection of all tomatoes that fail inspection

The experience and knowledge cultivated through Kagome's longstanding quality assurance endeavors is also applied to the procurement of other ingredients. Kagome constantly strives to secure safe, high-quality ingredients.

Procurement of Ingredients from Optimum Overseas Cultivation Areas

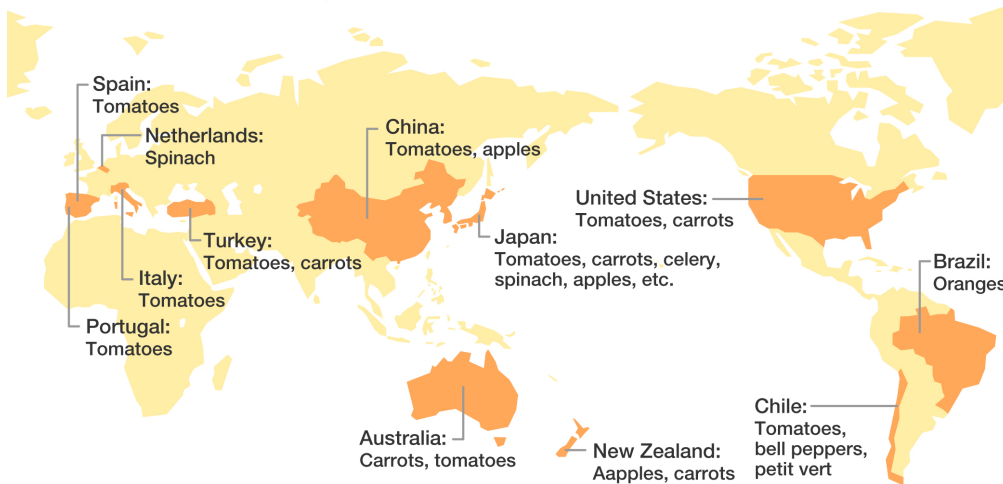
Bringing to bear its experience and knowledge gained through domestic cultivation contracts for tomatoes, Kagome procures ingredients from around the world that offer the same great taste and nutrition as its domestic fruits and vegetables. To procure ingredients from overseas locations, the Company established a global network with several reliable partner companies that pursue the same quality ingredients as Kagome. This is done to secure uniform quality, volume and prices. This structure forms the basis of Kagome's medium- to long-term business initiatives.

One example of overseas procurement is represented by the Kagome employees in charge of material procurement. Together with their partner companies, these specialists visit farms in each region to offer cultivation guidance, confirm agrochemicals used and application records, and conduct analysis of residual pesticides. These upstream management activities go hand in hand with Kagome's efforts to assure traceability.

The procurement of ingredients from China—an issue of great concern for society—is supported by the China Office of Quality Assurance. Established in Shanghai, employees based in this office conduct preproduction audits and visit actual production sites. The Company further reinforces its quality assurance by conducting residual pesticide analysis on all lots.

Based on such efforts, Kagome procures safe and quality ingredients that satisfy its high standards.

● **Principal Production Areas for Ingredients**



A Kagome supervisor periodically providing assistance and guidance



A Kagome supervisor visits production site

Research Institute Activities

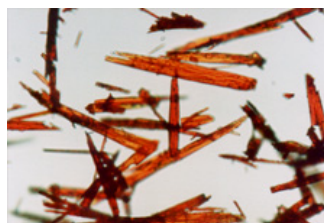
Research in Biogenic and Probiotic Fields to Discover New Value-Added Function

Kagome engages in research activities to determine the various health benefits derived from vegetables, including tomatoes, as well as lactic acid bacteria. Such activities also aim to discover better ways to promote the intake of these ingredients and enhance health benefits.

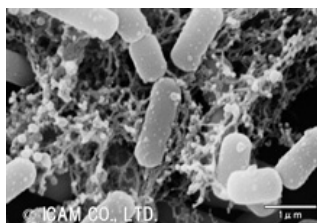
In fiscal 2011 and 2012, Kagome disclosed the following research results and made conference presentations.

- Tomato juice consumption prior to or during exercise shows promise in alleviating fatigue
Joint research with Suzuka University of Medical Science
- Confirmation that ingesting tomatoes reduces blood-alcohol concentration
Joint research with the Asahi Group
- Lactobacillus brevis KB290 shows promise in alleviating menopausal symptoms (constipation, sensitivity to cold, stiff shoulders, backache, etc.)
Joint research with Ishizuka Obstetrics and Gynecology Clinic
- Tomato juice consumption shows promise in preventing and improving male infertility
Joint research with International University of Health and Welfare Hospital
- Spinach consumption shows promise in more effectively reducing the risk of arteriosclerosis than supplements
Joint research with National University Corporation Shizuoka University
- Lycopene shows promise in curbing bone breakdown
Joint research with Tokyo University of Agriculture and Technology
- Confirmation that the intake of cooked tomatoes increases the systemic absorption and accumulation of lycopene
- Regular tomato juice consumption shows promise in improving skin condition
Joint research with Shinjuku Minamiguchi Dermatology Clinic
- Confirmation that the intake of tomato accelerates alcohol metabolism
Joint research with the Asahi Group
- Lactobacillus brevis KB290 shows promise in reducing the required dosage of laxatives for treating patients with chronic constipation and improving their anxiety and other emotional conditions
Presented at the 15th academic conference with regard to intestinal bacteria in June 16, 2012 in jointly with Matsuike Clinic
- Confirmation that the intake of tomato juice suppresses the increase of blood sugar and blood pressure levels
Joint research with Faculty of Agriculture, Kinki University

These research results from Kagome's Research Institute are disclosed on the Company's Website, on the "Kagome R&D News" page. In addition, the "Phyto Color Laboratory" and "Learn & Enjoy" pages introduce various information regarding lactic acid bacteria in an easy-to-understand manner. Kagome continues to contribute to the well-being of customers by promoting study of the diverse qualities of vegetables and lactic acid bacteria. (Available in Japanese language only).



Lycopene crystals



Lactobacillus brevis KB290

Product Development Maximizing the Benefits of Nature's Bounty

Kagome's basic concept of product development is to maximize the benefits of what nature provides through the optimal combination of excellent ingredients and superior technologies.

In line with this concept, Kagome aggressively pursues product development that delivers great taste and outstanding nutrition while ensuring product safety and reliability.

Nonthermal and Component Conversion Technologies to Maximize the Benefits of Nature's Bounty

Nonthermal processing technologies to preserve the benefits of natural ingredients include "reverse osmosis (RO) concentration technology" that can concentrate high-quality tomato juice without diminishing the natural red color and flavor components of tomatoes. Other examples are the "fresh squeeze" and "vegetable refining" technologies to squeeze carrot juice without losing its natural sweetness and carotene, retaining a carrot's distinctive flavor and smell. In addition, Kagome boasts several other unique technologies, including "steam sweet processing," used in its *Yasai Shibori* mixed vegetable and fruit beverage. This technology enhances natural sweetness by steam-infusion treating vegetable juice.

Kagome also boasts component conversion technologies that elicit the potential merits of ingredients. One example is "slow-maturing technology" for sauces that combines a fermentation technology—drawing out new flavors by leveraging enzymes and microorganisms while preserving the original flavor of vegetables and fruits—with a maturing process to unify all those flavors.

Through the development of technologies that maximize naturally occurring flavors and nutrients, Kagome realizes healthy, delicious products.

Accumulation of Genetic Resources and Development of Useful Varieties with Cross-Breeding Methods

Kagome's Research Institute has compiled a database that stores a rich collection of genetic resources, starting with approximately 7,500 varieties of tomato seeds. The Agricultural Research Department, located within the Research Institute, takes full advantage of these genetic resources to develop new varieties that will become wholesome raw ingredients, not through genetic modification, but by using traditional cross-breeding. These cross-breeding techniques are protracted, sometimes taking months or years to develop practical varieties. However, Kagome's steady, down-to-earth research activities work to unlock the unlimited potential of tomatoes so as to offer safe and delicious products to customers.

Other initiatives include the selection of the most suitable areas for cultivation of these new varieties so as to elicit their qualities to the maximum extent and work to confirm techniques that have energy-saving potential. Efforts are also made to select prospective agrochemicals for the production of safe and secure raw ingredients and to develop cultivation techniques that help plants resist diseases and pests with a minimum use of agrochemicals.

Development of Analytical Assessment Techniques to Verify Safety

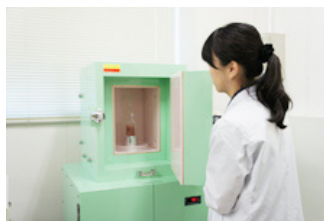
To secure consistently safe and reliable ingredients, Kagome gathers food safety information from all over the world. To verify the credibility of such information, we continually develop and apply our own analytic and evaluation technologies.

Also, Kagome established a proprietary inspection system for detecting radioactive substances in June 2011. Using this system, the Company verifies the safety of soil used for tomato cultivation, tomato-based ingredients and finished products.

Radioactivity monitoring of *Kagome Tomato Juice*



Tomato juice sampling at plant tanks



Analysis using a germanium semiconductor detector(1)



Analysis using a germanium semiconductor detector(2)

Inspection of juice tomato farm soil and unripe tomatoes



Soil sampling at a contract farm



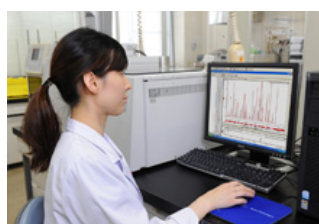
Sampling of unripe tomatoes



Analyzing unripe tomatoes after juicing

Regarding to agrochemical residues, Kagome confirms the safety of its raw ingredients by conducting an annual analysis of agrochemical residues. The Positive List System for Agricultural Chemical Residues in Foods* introduced in May 2006 significantly increased the scope of relevant chemicals and stipulated stricter standards for agrochemical residues. This is why the Research Institute's Food Taste & Safety Research Department promotes R&D of methods that enable efficient analysis of multiple components simultaneously and strives to enhance analysis accuracy. This department inspects ingredient safety by examining materials for mold toxicity and microorganisms. It also assesses the quality of products after they have been sold and confirms the accuracy of quality inspections at plants.

* Positive List System for Agricultural Chemical Residues in Foods: A system to prohibit the distribution of foods that contain agricultural chemicals above a certain level if maximum residue limits (MRLs) have not been established.



Agrochemical residue analysis at the Food Taste & Safety Research Department of Kagome's Research Institute

Standards, Rules and Action Guidelines for Production and Logistics

In 2003, Kagome acquired Companywide ISO9001 certification and continues to strive to improve quality management. In production, Kagome implements the following quality management activities at all the plants based on the Hazard Analysis Critical Control Point system (HACCP).

- Analysis of food product safety, establishment of science-based sterilization conditions
- Assessment of raw ingredient safety hazards using “New Ingredients Evaluation Sheet”
- Formulation of management and inspection standards for production processes based on Manufacturing Standard Procedure
- Stipulation of rules for insect deterrent, workers' hygiene (including hand-washing and disinfection) and sanitation areas in Hygiene Management Standard Procedure
- Record production control method of each process, inspection procedure in the QC chart

“Production sites establish product quality.” Based on this concept, in 2005 Kagome formulated its Action Guidelines for production sites, thoroughly promoting among employees engaged in production work the daily activities that place utmost emphasis on quality. From fiscal 2008, in seeking to further diffuse this quality-first concept, Kagome commenced a new type of management initiative to assess the quality of processes—the onsite fruition of the very activities that were the goal of this action policy.

■ **Action Guidelines for production front**

Established May 6, 2005 by Kagome Co., Ltd.

Production Sites Establish Product Quality (Safety and Security)

- **Our Role**
Our commitment to customers is to prioritize the development of safe products that can be consumed with peace of mind and that enhance customer health.
- **Action Guidelines**
 1. We will check ingredients and production facilities prior to operations.
 2. We will conduct operations properly according to work standards.
 3. We will reconfirm quality as processes are completed and proudly hand off operations to the next production line.
 4. We will stop the production line as soon as something unusual occurs and will inform superiors and fellow workers in the preceding and following processes.
 5. We will thoroughly review our work and strive to improve operations.

We can talk to our families with pride about what we did during our day's work

Quality Assurance through Inspections and Traceability

Kagome executes acceptance inspections when raw ingredients arrive at each plant to confirm the safety of the ingredients. In addition, the Company performs thorough quality inspections in each production process and prior to product shipping.

Furthermore, Kagome has introduced a “Pallet Card System” to manage its database by reading product bar codes. This system allows the Company to assure product traceability (management of product history), promptly providing information including production date, ship-to address and shipping volume.

Responsibilities to Customers

▶ Product Quality Assurance

▼ Communication with Customers

Valuing Customer Feedback

To remain a company that customers support, Kagome makes Companywide efforts to create market demand by offering new value.

To achieve this goal, Kagome leverages its long-cultivated technologies and the fruits of its research to offer products beneficial to customers' health. And valuing its communication with customers, it reflects the varied feedback that customers provide in its business activities. Kagome feels strongly about responding with sincerity and accuracy to the opinions or points taken up by customers, whether it concerns information on countermeasures and policies or even when the Company is unable to promptly address a certain issue.

Response to Customer Comments

Kagome set up a full-time "Customer Center" to respond to customers' questions and inquiries by telephone and through the Internet. All questions and inquiries from customers are uploaded to a dedicated database so as to be quickly shared with relevant Group departments. For product suggestions, the Customer Inquiry Center promptly informs the details to Product Development Department and other related departments of the details, to be reflected in product development and to be shared with all employees by posting the details on the internal bulletin board.

In the belief that customer opinions and feedback are the "results of customer product evaluations," every member involved in R&D, design, production and sales strives to improve products from their respective positions.

Listening Closely to Customer Feedback

Kagome's Customer Center fields a great deal of customer feedback every day. Representative opinions and common inquiries are identified, and, since August 2010, Kagome has maintained an in-house SNS (blog) system to communicate these opinions and inquiries throughout the Company. In this way, the actual voices of our customers are heard by our employees and giving them motivation for improvement.

Appropriate and Easy-to-Understand Labeling

Labeling on food products is strictly regulated by a number of laws and regulations, including the Food Sanitation Law and the Act for Standardization and Proper Labeling of Agricultural and Forestry Products.

Labels include information related to human health, such as nutritional ingredients and ingredients that may cause allergic reactions, as well as information of customer interest, including food additives, genetic modification data and origin of ingredients. Legal compliance is a matter of course, but Kagome also strives to provide easy-to-understand labeling that does not mislead consumers.

For that reason, at the product development stage, Kagome creates planning documents with regard to labels for raw ingredients and ingredients that may cause allergic reactions and confirms that the actual ingredients and labeling match. It also ensures that all ingredients are listed.

Labels that state the origin and type of ingredient are confirmed by obtaining certificates from the suppliers, and, as necessary, by visits to those suppliers.

In addition, Kagome creates labels that state nutritional information using its own nutritional analysis system, based on its own internal data. For principal products, Kagome confirms that its nutritional labeling is accurate by requesting external third-party organizations to provide analytical documentation of nutritional components. Based on this authoritative documentation, three or more people will be in charge of jointly reading through package labels—in multiple stages, from drafting to final design—to confirm the labeling of all new products and the label changes associated with renewed products.

Moreover, all package designs are archived for reference in a searchable Company database.



Persons in charge doing a label read-through

● Laws and Regulations Stipulating Food Labeling



Using QR Code to Provide Information on Origin of Ingredients

As concern over food safety grows, Kagome has seen an increasing number of customer inquiries regarding product ingredients. Kagome already provides information on the origin of its principal products' ingredients on its Website. However, in consideration of customer convenience, in January 2008 it commenced printing QR codes (two-dimensional bar codes accessible via mobile phones) on the labels of products that receive a large number of inquiries. These QR codes contain information on main ingredients, the origin of ingredients and Kagome's efforts to control ingredients.

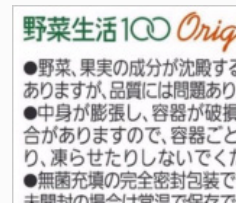


QR code on product package

Introduction of Easy-to-Read Labels for the Visually Impaired

Product packages display a variety of written information necessary for consumers to make selections and purchases, and many items are mandatory. This is why Kagome adopted a universal design* (UD) font. Because it is at times necessary to use small letters to fit all required information in a small area, this font is designed to be as readable as possible to reduce the chance of reading errors. Items that need customers' particular attention are presented in a way that ensures greater readability.

* Universal design: Designs for products and information that can be used irrespective of cultural background, language, nationality, age and gender, and despite disabilities.



UD display of *Yasai Seikatsu 100*

Quality Monitoring

Kagome conducts quality monitoring by inviting consumers to its production lines and analysis areas—sites that are not included in the usual plant tours—to receive valuable opinions about Kagome's product quality and initiatives from a consumer's perspective.

The Company considers how to improve its day-to-day plant operations by utilizing quality monitors' feedback in its production activities.

Quality monitoring offers a good opportunity for customers to achieve peace of mind and be assured of safety. Kagome will continue to conduct this activity as it provides a chance to carefully review whether or not its production activities are indeed as good as the Company believes.



Quality monitors examine Kosakai Plant's production facilities and exchange opinions(fiscal 2010)



Quality monitors checking analysis methods(fiscal 2010)

Storefront Communication with Customers

Expressing its feeling of gratitude to customers and the blessings of nature, Kagome employees, including top management, distribute fresh tomatoes suitable for making juice every August. It turns out to be a precious opportunity to directly communicate with customers.



Sampling tomato juice by Kagome's president

Plant Tours

Initiatives to realize the philosophy of "Corporate Openness" include plant tours at the Fujimi and Nasu plants, generally in the tomato harvesting season of summer. Kagome welcomes approximately 12,000 visitors every year, plant tours being an important opportunity to deepen customer understanding, including elementary school students, with regard to Kagome Corporation and its environmental preservation activities.

Furthermore, reflecting opinions of plant tour participants, Kagome launched a virtual plant tour site named "Kagome Plant Expedition!" for children on the Company Website in fiscal 2006.



Scene at the plant tour

Advertising and Promotional Campaigns

Kagome positions advertising as an important means of communicating with customers. The Company therefore proactively conducts advertising activities mainly on TV, in newspapers and on its Website.

When placing advertisements, Kagome double-checks with its Advertising and Legal Affairs departments to assure adherence to the Act Against Unjustifiable Premiums and Misleading Representations as well as to the Pharmaceutical Affairs Law to confirm that the statement of contents does not exaggerate or convey incorrect information. Furthermore, Kagome makes ongoing efforts to provide information regarding the value of its products and corporate activities, not from its own standpoint, but in a way that customers will find easy to understand and interesting.



TV commercial for *Yasai Ichinichi Kore Ippon*

Website

In line with Corporate Openness, Kagome proactively discloses information to various stakeholders, including customers. As part of such efforts, the Company launched its Website in 1998. The Company gives due consideration to user-friendliness and readability based on user opinions and provides useful information regarding products and corporate activities in a timely manner.



Kagome Website

Responsibilities to Suppliers

Fair Relationships with Suppliers

Maintaining Mutually Fair and Appropriate Relationships

Kagome strives to maintain mutually fair and appropriate relationships with domestic suppliers and local manufacturers as part of its efforts to retain "Corporate Openness."

Kagome accepts proposals on an as-needed and equitable basis from companies that wish to engage in new business transactions. Kagome undertakes business transactions in full compliance with the Antitrust Law and, adhering to the spirit of this law, never engages in unfair transactions with suppliers. In addition, the Kagome Compliance Hotline provides consultation services to suppliers.

A Shared Understanding with Suppliers

Common Values based on the Kagome Corporate Philosophy

Kagome provides products of worth to customers by sharing common values based on the Kagome Corporate Philosophy and by gaining the cooperation of trusted suppliers with which it has formed medium- to long-term partnerships.

Kagome holds meetings once a year, primarily with long-term business partners, to deepen mutual knowledge and understanding.

Due to the Great East Japan Earthquake, the fiscal 2011 meeting was cancelled; however, the Company plans to hold annual supplier meetings from fiscal 2012 onward.



Annual meetings foster communication with suppliers

Responsibilities to Shareholders and Investors

Strengthening Information Disclosure and Management Oversight

Kagome discloses information to shareholders and investors in a fair, simple and timely manner. In strengthening management oversight, Kagome reflects in its business activities the shareholder opinions and demands that emerge from the direct and indirect dialog and exchange that take place at the General Meeting of Shareholders and at shareholder forums. It also gathers opinions by conducting surveys.

Communication with Kagome Shareholders

Kagome has great respect for its shareholders, which it likes to call "Kagome Fans." With the aim of further deepening these "fans'" understanding of the Company, encouraging their greater support and listening closely to what they have to say, Kagome holds events nationwide that allow lively exchanges between itself and its shareholders.

Reports on these events are posted on Kagome's website and included in booklets prepared for and distributed to shareholders.

Kagome, financially backed by Kagome Fan shareholders, will continue to promote dialogue and exchange events with its shareholders.

General Meeting of Shareholders

Since fiscal 1998, Kagome has encouraged an ever-greater number of shareholders to participate in its General Meeting of Shareholders by scheduling this event in advance at a time that does not overlap with the period when most companies convene their shareholder meetings. In fiscal 2010, the Company began making its convocation notices easier to understand by putting them in a Q&A format. In the fiscal 2011 convocation notice, we included photos of director candidates along with their answers to questions that had been submitted. In such ways, we are striving to make our convocation notices a more interesting and useful resource.

In the period following the Great East Japan Earthquake, the Company worked to disclose in a timely manner information on damage incurred by its facilities as well as their pace of recovery. To do so, Kagome used its website and issued various reports. The subject was also covered at the General Meeting of Shareholders by the chairman's address, a video presentation and exhibits in the lobby area of the venue.

The 68th Regular General Meeting of Shareholders was held on June 20, 2012, and the 1,868 shareholders in attendance deliberated for approximately 90 minutes. The results of voting rights exercised during the meeting (including those of attending shareholders) were disclosed on the Company's website the following day.

Kagome adopted the "Cool Biz" casual dress code advocated by the Japanese government for its shareholders' meetings in fiscal 2009. For the 68th meeting, the Company asked an apparel company based in Miyagi Prefecture—a disaster stricken region—to create a polo shirt with a printed message showing support for victims of the disaster as well as the Kagome Group's determination to contribute to restoration efforts. Many Kagome employees purchased the polo shirts and all the staff at the venue wore one. A portion of proceeds from polo shirt sales will be used to help children affected by the disaster to continue their schooling.



The 68th Regular General Meeting of Shareholders

Health Support Seminars

To support the healthy lifestyles of its shareholders, Kagome regularly holds health support seminars. In fiscal 2011, these seminars took place in Yokohama, a city situated in Japan's metropolitan area, and Sapporo in Hokkaido Prefecture in February and March 2012 respectively, attracting a total of more than 500 shareholders. The events opened with an address by Kagome's president followed by Company researchers delivering presentations on vegetables that are effective for health maintenance and improving longevity as well as on the benefits of lactic acid bacteria in vegetables. In the lobbies of both venues, panel displays were used to illustrate details on the subjects covered by the presentations as well as Kagome's initiatives to protect biodiversity and to create safe products that ensure customers' peace of mind including measures against radioactivity. In the panel display areas, Kagome executives and employees were on hand for vigorous exchanges of opinion with attending shareholders. The Company plans to hold similar events that cover major cities throughout Japan sequentially.



Health Support Seminars in Yokohama

Plant and Farm Tours for Shareholders

Kagome organizes plant and farm for its shareholders so that they can gain a better understanding of the Company's production and other facilities. One such tour was held in July 2012 at Kada Greenfarm Co., Ltd., a subsidiary cultivating fresh tomatoes. Two others were held in August 2012 at the Fujimi and Nasu Plants. These tours were attended by 105 people, comprising 55 Kagome shareholders accompanied by their family members and friends. During the plant tours, the participants had a first-hand opportunity to harvest *Lylyco* juice tomatoes on the tomato farm within the plant premises. Through this, they were able to learn more about Kagome's never-ending quest to ensure the high quality of its ingredients. At the plants, they were able to observe actual operations on production lines, witnessing the many steps that are taken to ensure the manufacture of safe products, and assure customers with peace of mind. In the course of the plant tour, we also explained our corporate stance of placing emphasis on environmental preservation, including the protection of ecosystems. Also, in September 2011, the Company presented a tour at the Kagome Memorial Hall located in Aichi Prefecture with 28 shareholders in attendance. At this event, we explained that Kagome founder Ichitaro Kanie's achievements and passion have been inherited in the form of corporate "DNA" and, as such, are incorporated into our current Corporate Philosophy as "Appreciation."



Tour participants enjoying the tomato harvest

"From the Table Support for Family Wellbeing" Seminars

To help its shareholders more fully appreciate the value it offers through high-quality food, Kagome holds cooking seminars for shareholders. In fiscal 2012, Kagome reviewed and upgraded these seminars. In September 2012, this resulted in the introduction of new "From the Table Support for Family Wellbeing" seminars, which were held in Tokyo and Hiroshima and attended by a total of 236 people, comprising 139 Kagome shareholders accompanied by their family members and friends.

Kagome shared some recommendations on great tomato recipes at the seminars, which also covered the health benefits of tomatoes and introduced new products for the autumn and winter season. The seminars also provided an opportunity for the participating shareholders to directly exchange opinions with the Company's executives and employees.

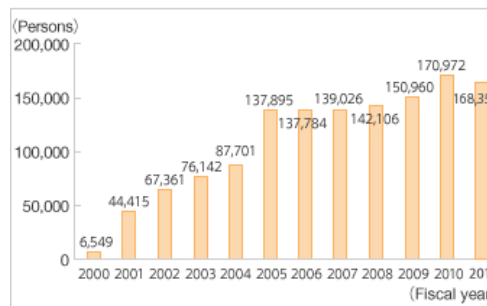


"From the table support for family wellbeing" seminar in Tokyo

Management Oversight

Based on the idea that management oversight is enhanced by feedback about its corporate activities and business performance from the perspective of numerous shareholders, in fiscal 2001 Kagome began working to cultivate 100,000 Kagome Fan shareholders. This initiative drove shareholder numbers past the 100,000 mark on September 30, 2005—a year and a half earlier than anticipated—and today shareholder numbers stand at over 160,000. Kagome will continue to appropriately reflect the valuable opinions and needs of its shareholders in all its corporate activities.

● Total shareholders as of the fiscal year-end over



Kagome's Shareholder Policy

Kagome strives to achieve sustainable profitability through the creation of new demand to satisfy the expectations and gain the trust of its shareholders.

Dividend Policy

Kagome recognizes returning profits to its shareholders to be one of its most important management issues. Accordingly, the Company adheres to a policy of providing stable cash dividends, with a payout ratio target of 25% based on consolidated net income. Kagome utilizes internal reserves to undertake growth-focused investments and other activities aimed at enhancing its corporate value. Profits generated through future business development will be returned to shareholders in line with the policy stated above.

Dividends for fiscal 2011, ended March 31, 2012, totaled ¥18 per share. As a result, the consolidated payout ratio stood at 42.5%.

● Dividends (per share) and consolidated payout ratio



Special Shareholder Benefits

Through its special shareholder benefit program, Kagome delivers products to applicable shareholders twice a year. Specifically, Kagome sends beverage gift boxes to shareholders identified as having the right to exercise their voting rights as of March 31 of the applicable year. Similarly, the Company sends food gift boxes to those possessing such rights as of September 30 of the applicable year. Kagome keeps this special shareholder benefit program separate from its cash dividend program. The special program has been designed to help familiarize its shareholders with the Company through the use of its products. Therefore, these gift boxes of our products are accompanied by a questionnaire that is used to solicit shareholder opinions and feedback on our products. Their opinions and feedback are reflected in our efforts to improve our operations and products.

Credit Ratings

Kagome's financial credibility is rated by Rating and Investment Information, Inc. (R&I) and Japan Credit Rating Agency, Ltd. (JCR). The most recent ratings on Kagome by the two agencies are shown below.

- R&I Long-term: A
- JCR Long-term: A; Short-term: J-1

Responsibilities to Employees

- Employment Security and Respect for Diverse Work Styles**
- Maintain and Enhance Abilities and Motivation
- Development of Work Environment

Honest and Fair Employment Conditions and Systems

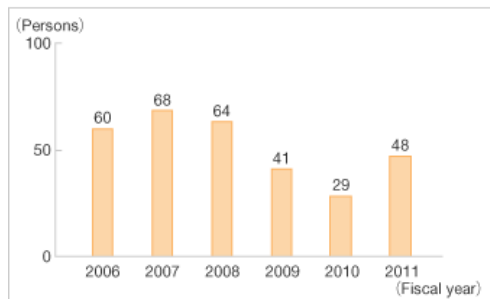
Kagome believes in the importance of being able to fully realize the maximum potential of each individual employee, free from discrimination or harassment based on nationality, creed, gender or social status, with all employees recognizing each others' diverse sense of values.

One element of this belief is the respect Kagome has for diverse work styles and ways of living. Kagome implements and expands upon initiatives that include systems to rehire employees who have resigned for personal reasons and programs that shorten work hours to support employees' child care activities.

To encourage those who hope for an active lifestyle and to balance their work and personal lives, Kagome has launched a Work—Family Compatibility Support Site on the Company's intranet to help support employees' home life, specifically relating to childbirth, child rearing and home care. This site offers employees of child-bearing age or those who are raising children concise information on topics such as support programs and how to apply for them.

Kagome undertakes hiring activities with a full appreciation of the individuality and personality of every applicant in order to give each employee the opportunity to realize their potential. For example, in line with the globalization of society, in 2011 Kagome began hiring new employees (both recent and older graduates) during the summer while continuing to hire new employees during the traditional spring hiring season.

● New Graduate Hiring



Rehiring of Employees Who Resigned for Personal Reasons

Kagome introduced this system in 2006 to bolster its support of work—life balance by rehiring former employees who had resigned for personal reasons.

This system is intended for all employees who have resigned of their own accord for such reasons as marriage or a spouse's job transfer, including former employees who were hired by other companies. When the need arises to hire new staff at any branch in Japan, applicants are recruited from among pre-registered former employees and in full consideration of career paths, with the rehiring conducted on term contracts. Through the system, 43 of the 59 former employees registered had been rehired. (as of September 2011)

Childcare Assistance

Kagome maintains a system of shortened work hours to support the child care endeavors of employees who wish to balance their work and child care activities. Employees are able to reduce their work hours by a maximum of two hours per day up until the end of their child's third grade elementary school year.

The number of employees who used this system totaled 41 in fiscal 2011, and in fiscal 2012 (as of September 30), 4 newly entered into the system.



Work—Family Compatibility Support Site

Rehiring Retirees

From fiscal 2006, Kagome introduced a system to rehire retirees which, together with fully utilizing the talents of those who possess a high level of skill and an abundance of experience, reemploys retirees who desire to resume working. Under this system, we are able to rehire retirees up to 65 years of age on a full-time basis on the premise that no pension will be paid during their employment. Among retirees, approximately 60% wish to be reemployed. Kagome had hired back 78 retirees as of September 30, 2012.

Hiring People with Disabilities

A significant number of disabled persons are employed as regular staff, beginning with the Tokyo headquarters, and including Kagome's branches and plants. Disabled persons employed by Kagome as of the end of fiscal 2011 accounted for 2.02% of its employees, exceeding the 1.8% designated by law.

Sexual Harassment Consultation Service

Kagome aims to be a company where female employees can flourish. To this end, Kagome has strived to raise all employees' awareness of sexual harassment. Moreover, the Company established a sexual harassment consultation service as part of the existing Compliance Committee secretariat. In fiscal 2007, Kagome set up an external consultation service to create an in-house environment that makes it even easier for employees to seek counseling.

Responsibilities to Employees

▶ Employment Security and Respect for Diverse Work Styles

▶ **Maintain and Enhance Abilities and Motivation**

▶ Development of Work Environment

Fundamental Stance on Employee Development

Individual employee growth and development as a company are firmly linked. Based on this recognition, Kagome listens to the opinions of its employees, maintaining systems that elicit their abilities to the fullest and placing the right person in the right position. The Company also works to foster a corporate culture that encourages an abundance of individual initiative.

As part of these efforts, Kagome promotes its Independent Career Plan to support autonomous employee growth.

Independent Career Plan

Kagome respects its employees for developing the ability to think and act independently. It establishes an array of systems that work to bring about a “vision of the future” that originates from the ideas of each employee.



The 2012 Kagome Self-Education Guide

Systems That Support the Creation of a “Vision of the Future”

- **Self-Reporting System (targeting all employees)**

This is a personnel training system in which the creation of medium- to long-term career plans and the development of skills are shared between supervisors and subordinates.

- **Career Choice System/Internal Recruitment System (applicants only)**

This system increases opportunities to assume desired positions for those who are interested in new challenges.

- **“A La Carte-Style” Education and Training**

“A la carte-style” education and training supports the development of skills and abilities that fit the needs of each employee.

Skill Improvement through Education and Training

Kagome supports the acquisition of knowledge and the improvement of employees skills through a broad range of educational and training programs, notably the “New Employee Training” and “Career Plan Training for Employees in Their 50s.”



Tomato harvesting experience

Training Available for All Employees

- **New Employee Training**

This training is held periodically to provide actual experience in all company operations for new employees in each department.

- **Career Plan Training for Employees in Their 50s**

This is a program that helps employees in their 50s to formulate a future life plan.

Honoring Employees

Kagome works to maintain and increase employee motivation through various awards that honor employee achievement.

Main Employee Awards

- **Length of Service Awards (10, 20, 30 Years)**

These awards, presented every ten years after entering the Company, recognize the length of employee service.

- **Invention Awards**

This award spotlights employees who offer inventions, improvements, innovations or ideas beneficial to operations.

- **Special Awards**

An award system that honors employees in the areas of good conduct, technological excellence, occupational passion, acting as a good role model for other employees, disaster prevention and distinguished actions during disasters.

Responsibilities to Employees

▶ Employment Security and Respect for Diverse Work Styles

▶ Maintain and Enhance Abilities and Motivation

▶ **Development of Work Environment**

Creating a Safe and Comfortable Work Environment

Maintaining a competitive edge requires companies to emphasize the creation of a labor environment where employees can work under healthy conditions with peace of mind and vitality.

To this end, Kagome endeavors to create a safe and easy-to-work-in environment. This includes collaborating with its management partner, the Kagome Roudou Kumiai (KRK=Kagome Labor Union), to implement measures with regard to the prevention of overwork, starting with a management structure that promotes health and safety, while providing physical checkups and mental health care.

Occupational Health and Safety Education

Kagome strives to raise employee awareness of occupational health and safety. This includes acquisition of health and safety management knowledge through correspondence courses, with credentials in this area being one prerequisite for promotion to a management position.

Prevention of Overwork

As an extension of efforts to enhance productivity, Kagome continuously endeavors to maintain employee health and a work—life balance. In support of this, Kagome strives to prevent overwork by raising awareness of it during executive-level training, managing overtime hours and keeping track of the operational status of each employee's computer.

From September 2008, Kagome introduced a new employee attendance system to management of weekly working hours with the aim of preventing the overlong working hours.

Health Maintenance and Mental Health Care

Kagome knows that employee health underpins sound corporate management. This is why the Company encourages and supports employees with an annual standard health checkup, dental checkup and influenza vaccination. Moreover, the Company offers a thorough physical examination to employees over 30 years old and their spouses.

The Kagome Group also actively promotes mental health care. With the establishment of a system that allows people to seek free advice for their concerns or stress at counseling organizations and a system that enables people to conduct self-evaluations of their mental condition. Furthermore, all top executives up to the president are required to take "Employee Assistance Program(EAP)" and proactively engage in the promotion of mental health care at each work site.

Kagome encourages all management-level employees, including top executives, to take e-learning courses on sexual harassment, power harassment and mental health, while also providing ongoing training on these topics for those who make assessments.

Responsibilities to Local Communities and Society

- Activities to Support Dietary Education & Plant Tours
- ▶ Kagome and the Great East Japan Earthquake

Activities to Support Dietary Education

The importance of dietary education is being reexamined in tandem with the rise in health trends and diversifying dietary habits in recent years. As a company engaged in the production of food and beverage products, Kagome aims to contribute to people's health and long life through its business activities. It takes measures enthusiastically to support dietary education, and, in so doing, hopes that it can widely convey the "joys of the table" by providing food and beverage information as well as the delightful experience of actual consumption. What this encompasses is the pleasure of sharing with friends and family a healthy diet—especially one that is delicious—a diet that plays a vital role in nurturing mind and body and promotes knowledge of food cultivation, followed by the pleasure of tasting freshly harvested food.

Dietary Educational Activities for Children

■ The Kagome Theater (1972 onward)

The Kagome Theater stages original, full-scale musicals based on animal characters every summer vacation with the aim of instilling proper dietary habits in children from a young age.

The musicals are composed of two acts. In the first act, the mascot character Mogumo conveys the importance of food in an enjoyable manner. The second act then presents the songs of great plays from around the world.

During fiscal 2012, ended March 31, 2013, approximately 60,000 children and their parents were invited free of charge to attend musical performances held at 15 venues nationwide. Over 3.3 million people have enjoyed these performances since this program started 40 years ago in 1972. Wishing to encourage the sound mental and physical development of children who will lead the coming generation, the Kagome Theater 2012 held a special 40th anniversary performance featuring a charity musical to support recovery efforts following the Great East Japan Earthquake. With the kind contributions of the audiences who supported this aim, the Theater raised funds from donations collected during the event, as well as proceeds from the sale of beverages and original goods. These funds were given to the Michinoku-Mirai Foundation, which provides scholarships for university and other professional education opportunities to students who lost their parents in the earthquake.



The Kagome Theater supports Kagome's dietary educational activities



"Mogumo," Kagome's dietary mascot

■ Kagome Mini Theater (2012 Onward)

For children who live in the disaster region, Kagome began holding a series of mini-theatrical events in June 2012. The programs were similar in content to that of the Kagome Theater, but condensed to allow local, on-site performances. Kagome has suggested holding these events to local schools (preschools, kindergartens and elementary schools) in the affected Tohoku region, those that applied for Tomato Seedling Gifts.* Upon request from such schools, Theater staff visit the local venue and give a performance. Through the Kagome Mini Theater, children learn proper eating habits in an enjoyable manner that deepens their interest in food. To date, Kagome Mini Theater performances have been staged in approximately 30 schools.

* For more, see the following section entitled "Lylyco Waku Waku Program' Tomato Seedling Gifts (1999 onward)"

Dietary Education Support Activities for Teachers

■ **"Lylyco Waku Waku Program" Tomato Seedling Gifts (1999 onward)**

Lylyco refers to a variety of tomatoes used as an ingredient in Kagome beverages. Every April and May, Kagome distributes *Lylyco* tomato seedlings in bundles of 48 and 96 free to elementary schools, kindergartens and preschools nationwide. Kagome hopes that tomato cultivation will nurture an awareness of life and a sense of gratitude in children.

During fiscal 2012, children at 4,315 elementary schools, kindergartens and preschools nationwide grew *Lylyco* tomatoes.

Kagome also offers helpful tips and other information about plant cultivation and dietary education to teachers, primarily through its cultivation guidebooks, educator training and its Website. Kagome supports these cultivation activities in order to provide an opportunity for children to enjoy gaining hands-on experience raising *Lylyco* tomatoes.



Researchers provide assistance in cultivating *Lylyco* tomatoes



Introducing tomato recipes that children can make

Plant Tours

Kagome holds tours at its Nasu and Fujimi plants while providing opportunities to participate in tomato harvesting during the summer. These activities enable the public to observe Kagome's unique vegetable processing and production processes, which represent the ideal integration of wholesome ingredients and cutting-edge technologies.

Kagome also introduces the life story of its founder, Ichitaro Kanie, and its corporate history at the Kagome Memorial Hall, which is located in the Ueno Plant.



Plant tour at Nasu Plant



Harvesting experience at Fujimi Plant



Kagome Memorial Hall tour at the Ueno Plant

Responsibilities to Local Communities and Society

▶ Activities to Support Dietary Education & Plant Tours

▣ Kagome and the Great East Japan Earthquake

Kagome and the Great East Japan Earthquake

Practicing the Spirit of Mutual Aid

Kagome adheres to its Corporate Philosophy, which is encapsulated in three key concepts: “Appreciation,” “Nature” and “Corporate Openness.” For us, 2011 was a year in which we truly came to understand the importance of appreciation. In this year of disaster on an unprecedented scale, we were once again and more forcefully than ever brought to the humble realization that in our pre-disaster lives we had enjoyed the most fortunate of circumstances and that we should never take such blessings for granted but sincerely appreciate them. Motivated by this sense of appreciation, all Kagome Group members will continue to think how they can contribute to society, both as individuals and as a corporate group. By putting into practice the spirit of mutual aid, the Kagome Group will encourage the sound development of society long into the future.

Impact of the Disaster on Kagome

■ Injuries/Casualties

No Kagome employees or family members of employees were directly injured.

■ Facility Damage

Including inventories, the physical damage caused by the disaster has been valued at approximately ¥2,800 million. As of September 30, 2011, all the Kagome facilities affected by the disaster have resumed their operations at full capacity. The damage status of each facility immediately after the earthquake is explained below.

Damage to Production Facilities

- **Nasu Plant (Nasushiobara City, Tochigi Prefecture)**

The earthquake devastated the automated warehouse and a part of production line. For a period following the earthquake, no lines were able to operate.

- **Ibaraki Plant (Omitama City, Ibaraki Prefecture)**

Stacks, pallets and other groupings of materials and finished products stored in the warehouse were dislodged or fell over with damage to many items. Production equipment also suffered severe damage.

- **Iwaki Onahama Greenfarm (Iwaki City, Fukushima Prefecture)**

Three particularly large earthquakes in March and April 2011 caused the shattering of more than 300 sheets of glass at a tomato greenhouse. With air-conditioning and liquid-supply pipes also damaged, tomato cultivation was suspended in one section of the greenhouse.

Damage to Sales and R&D Bases

- **Tohoku Branch Office (Sendai City, Miyagi Prefecture)**

The main earthquake on March 11 and a large aftershock on April 7 resulted in damage to a variety of office equipment. Around the office premises, sinkholes and cracks in the earth appeared. For several days following the main earthquake, the entire area, including the office and employees' residences, was cut off from lifelines.

- **Kagome Research Institute (Nasushiobara City, Tochigi Prefecture)**

External walls and sections connecting buildings were devastated. Lights fell from the ceiling, windows shattered, and a variety of indoor equipment was damaged. In particular, analytic equipment that had fallen over was severely damaged.

Damage to Distribution Facilities

- **Sendai Distribution Center (Sendai City, Miyagi Prefecture)**

The tsunami devastated the two distribution facilities for frozen and chilled products. The function of the frozen product distribution facilities was transferred to another location and recovered, while that of the chilled product distribution facilities was restored at the original location.

- **Tohoku Logistics Center (Sendai City, Miyagi Prefecture)**

The logistics center is jointly used by Kagome, Mizkan Group Corporation and the Nisshin OilliO Group, Ltd. to warehouse their dry products. Due to the tsunami and a subsequent fire, the center's functions were stopped, and Kagome lost approximately 100,000 cases of dry products stored there. Although logistics center operations are still suspended, similar functions are now provided at another location.

Charitable Donations and Relief Supplies

Following the disaster, Kagome offered emergency support in forms that included:

- **Charitable Donations**

Kagome donated ¥300 million through Japanese Red Cross Society (JRCS).

- **Fund-Raising Involving Executives and Employees**

A total of ¥23,311,803 was collected from current and former Kagome Group executives and employees throughout the world. It was donated through JRCS on March 31, 2011.

- **Relief Supplies**

To help improve the nutritional intake of refugees, Kagome delivered a total of 1.11 million vegetable beverages to refugee sites.

Efforts to Help Realize a Society Built on Mutual Support

■ Michinoku Mirai Kikin (Northeastern Japan Future Foundation)

In cooperation with Calbee, Inc. and Rohto Pharmaceutical Co., Ltd., Kagome has established this foundation for scholarship programs. Through the foundation, the three companies will provide financial support to children who lost their parents due to the disaster so that they can fulfill their desires for schooling.

In the three major disaster-affected prefectures, more than 200 children lost both of their parents, while about 2,000 children lost one of their parents. Kagome strongly believes that it is of utmost importance that these children will be able to hold on to their dreams and hopes as they grow. Therefore, we are committed to supporting these children through this foundation over the long term by offering student grants with no repayment obligation for university and college education.



Joint press conference announcing the establishment of the Michinoku Mirai Kikin

■ Exchanges with Refugees from Fukushima Prefecture

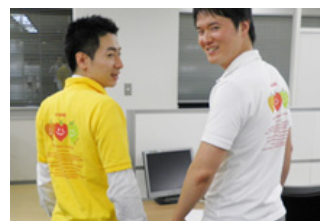
In June and July 2011, staff from the Kagome Research Institute volunteered to hold exchange events, including cooking seminars, at the Nasu Fureai-no-Oka culture center in Tochigi Prefecture, which has been designated as a refuge for people from Fukushima Prefecture. Prior to these events, Kagome listened to refugees' requests, such as: "We are really grateful that we are offered meals here every day. But it is really inconvenient that we cannot cook. We would like to prepare our own meals as much as possible"; and "We would like to have meals using tomatoes once in a while, if possible." In response to these requests, Kagome organized the June event where refugees made their own *omu-raisu* or "rice omelet," a popular dish filled with ketchup-seasoned fried rice. At the July event, they enjoyed cooking and eating Japanese family favorites, including simmered meat and potatoes, *okonomiyaki* (pancake with meat, vegetables and seafood) and do-it-yourself sushi rolls. Some refugees who enjoyed these events commented, "We were able to picture a happy family life in the not-so-distant future. It gave us hope. Thanks so much!" Indeed, these events helped us realize again the importance of the rituals of everyday life, such as enjoying homemade meals with family members.



Exchange event in July 2011

■ Disaster Recovery Support Polo Shirts

Young Kagome employees voluntarily came up with the idea of creating polo shirts as part of efforts to support recovery from the disaster. They asked an apparel company based in disaster-stricken Miyagi Prefecture to manufacture about 3,500 polo shirts. These polo shirts not only came handy in promoting the "Cool Biz" casual dress code for electricity savings, but served as a visual reminder of the Kagome Group's passion for contributing to the quickest possible recovery from the disaster. A portion, roughly ¥2 million, of proceeds from polo shirt sales was donated to the Michinoku Mirai Kikin.



Disaster recovery support polo shirts

■ Supporting Tomato Cultivation Study for Children

Every spring since 1999, Kagome has distributed *Lyluco* juice tomato seedlings to approximately 4,000 elementary schools, kindergartens and preschools nationwide. Through this dietary education support program, the Company has helped children gain interest in wonders of nature and nurture a sense of gratitude. During fiscal 2010, we introduced this program at junior high and elementary schools and kindergartens in Minami Sanriku and Kesenuma City in Miyagi Prefecture, a region affected by the disaster. In addition to providing tomato seedlings, we offered planters and nursery soil and visited refugee facilities to lead special classroom activities. In October 2011, a tomato cultivation study presentation was held at Minami Sanriku Municipal Isatomae Elementary School. Second- and fifth-grade students staged a cooking show using the tomatoes they themselves had cultivated while making group presentations on the experience. The students shared the pleasure of harvesting tomatoes with school teachers and staff and local residents, giving them hope for the future.



Making pizzas and tomato jam sandwiches using tomatoes they grew themselves



Second graders sang and danced on the theme of *Lyluco* tomatoes



Sharing tomato jam with refugees living in temporary housing

■ Great East Japan Earthquake Recovery Support Office

Since March 11, 2011, Kagome has promoted activities to support recovery in disaster-affected regions through in-house projects involving various divisions and business sites. In anticipation that disaster recovery will continue for many years, Kagome established the Great East Japan Earthquake Recovery Support Office under the Corporate Communication Division on October 1, 2011. Previously, each division and business site had promoted recovery support programs independently. Now, however, this office coordinates all Company initiatives aimed at supporting the recovery of local communities and revitalizing the agricultural sector in disaster stricken areas. The office is also responsible for planning and establishing new support programs.

Environmental Policy and Medium-Term Environmental Plan

Environmental Plan from Fiscal 2010

Benchmark Year: Fiscal 2009 (Final Year: Fiscal 2012)

Environmental Policy (Formulated on January 22, 1999)	The Fourth Medium-Term Environmental Plan (Fiscal 2010-2012)
	Targets
<p>1. Kagome strives to offer safe products that take into consideration people's health and the environment</p> <p><Action Guidelines></p> <ul style="list-style-type: none"> • Development of highly safe, recyclable, energy-saving products • Production and procurement of safe agricultural produce with low environmental burden 	Development of safe, recyclable and resource-saving products
	Procurement of safe ingredients with low impact on soil environments (Japan and overseas)
	Further improvement of eco-friendly cultivation systems for fresh tomatoes
<p>2. Kagome engages in activities that do not waste agricultural produce and that seek to reduce wastage</p> <p><Action Guidelines></p> <ul style="list-style-type: none"> • Make full use of vegetable and fruit ingredients at all plants • Reduce and recycle waste—from ingredient procurement to product sale 	Reduction of the amount of production-related by-products (to production volume) by 3% or more at all eight domestic plants
	Reduction and recycling of waste products (maintain zero emissions at all eight domestic plants)
	Maintain a 100% recycling ratio for plant by-products and sludge at all eight domestic plants
	Achieve a recycling ratio of 85% for food products
	Reduction of waste at the ingredients procurement and distribution stages
	Reduction of water use ratio (to production volume) at plants by 3% or over
	Promotion of turning unused resources into high-value-added ingredients
Promotion of efficient use of materials in fresh tomato cultivation	
<p>3. Kagome works to reduce CO₂ emissions, which lead to global warming</p> <p><Action Guidelines></p> <ul style="list-style-type: none"> • Reduce CO₂ emissions as a result of production activities based on promotion of energy-savings and technology development • Reduce shipping-generated CO₂ emissions with enhanced logistics efficiency 	Reduction of CO ₂ emissions at all domestic Group companies
	Reduction of CO ₂ emissions volume (to production volume) by 3% or more at all eight domestic plants
	Reduction of CO ₂ emissions volume (to production volume by variety) by 3% or more at Greenfarms for fresh tomato cultivation
	Reduction of CO ₂ emissions volume (to sales volume) by 3% or more in logistics
	Reduction of CO ₂ emissions volume (to the number of employees) by 3% or more in offices

Environmental Policy (Formulated on January 22, 1999)	The Fourth Medium-Term Environmental Plan (Fiscal 2010-2012)
	Targets
4. Kagome engages in environmental preservation activities at all business sites <Action Guidelines> <ul style="list-style-type: none"> • Promotion of environmental preservation activities at offices • Establishment and improvement of environmental management systems • Participation in environmental preservation activities in local communities 	A 5% reduction of paper use (to number of employees) for office equipment (Companywide)
	Enhanced recycling of general waste from business activities
	Achieve 100% introduction of eco-friendly (low-emission) vehicles at all business sites
	Reinforcement of Group management both in Japan and overseas
	Global environment preservation activities

Kagome and the Great East Japan Earthquake

Impact of the Disaster on Kagome

■ Facility Damage

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Environmental Management

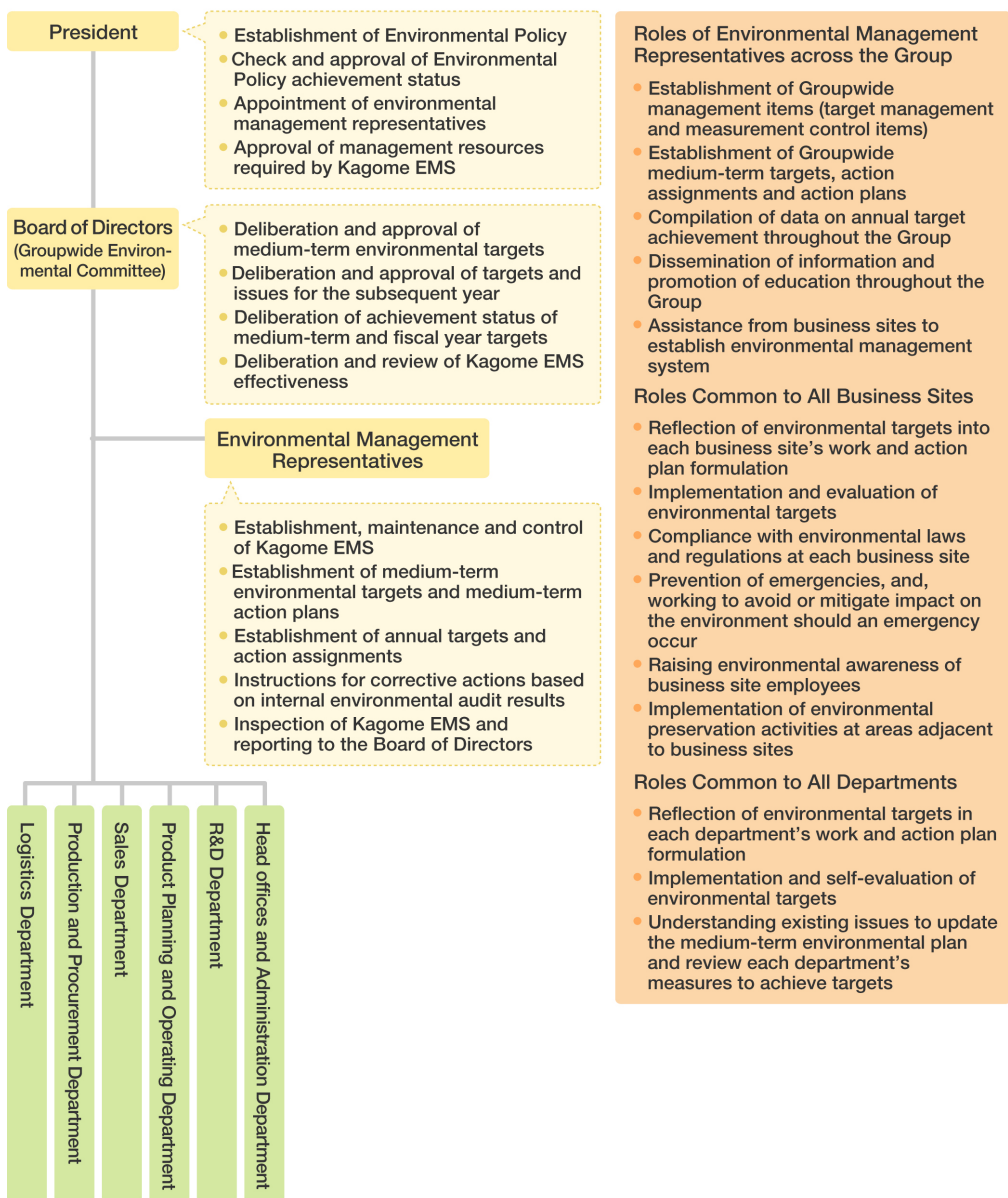
Environmental Management System

Environmental Policy and Environmental Management System Operation

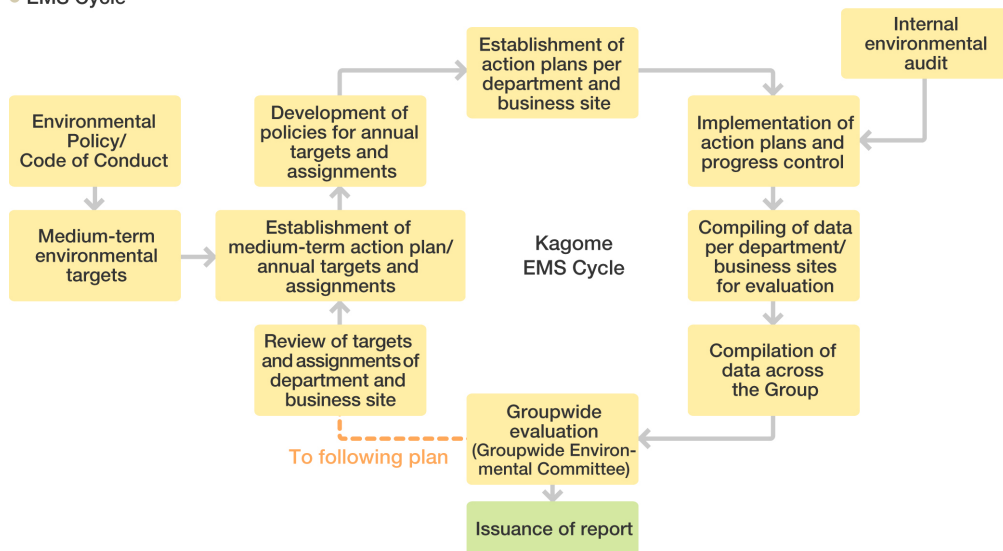
In line with its Environmental Policy and Environmental Management System set up in 1999, Kagome clearly defines the roles of all departments and business sites and strives to make consistent efforts to improve its Environmental Management System (EMS).

Specifically, based on the Environmental Policy, the Company established a three-year medium-term environmental plan, the goals of which are formulated on a fiscal year basis. Each department and business site promotes environmental preservation activities, with activity performance regularly checked and reviewed by top management, each department manager and business site leader. This enables Kagome to make targets and action policies for the subsequent fiscal year.

● EMS Structure



● EMS Cycle



Environment Promotion Meeting

The Kagome Group holds semiannual environmental management meetings in the first and second half of each fiscal year. In this way Kagome can check the results of environmental activities at each business site and domestic Group company and exchange information between environmental management representatives, reinforcing the network. At this meeting, each representative makes a presentation about their environmental plans and the results of respective departments or business sites, while exchanging opinions and making suggestions in pursuit of improved environmental activities. In addition to these regular meetings, the Group holds other meetings based on particular subjects on an as needed basis.



A regularly held meeting

Kagome Acquires Highest Environmental Rating from Development Bank of Japan Inc. (DBJ)

DBJ's "Financing Employing Environmental Ratings" is the world's first lending menu—a DBJ-developed rating system that assesses the degree of a company's environmental management, selects excellent companies, and sets up financing conditions in accordance with points acquired.

Kagome acquired the top rating in September 2009, owing to the high score it earned for its "particularly innovative environmental approach." The following are details of DBJ's evaluation:

- Kagome significantly enhanced energy efficiency at its plants by improving the heat insulation of heat-dissipating equipment and streamlining operations at main facilities
- Kagome commenced a modal shift and joint shipping at an early stage to substantially reduce CO₂ emissions in its logistics
- Kagome participated in the "Study Group to Develop and Promote a Practical Carbon Footprint System" to proactively raise consumer awareness of CO₂ emissions reductions
- Kagome took prompt consideration of the ecosystem and replaced non-native bumblebees with indigenous Japanese species for tomato pollination at its large-scale Greenfarms

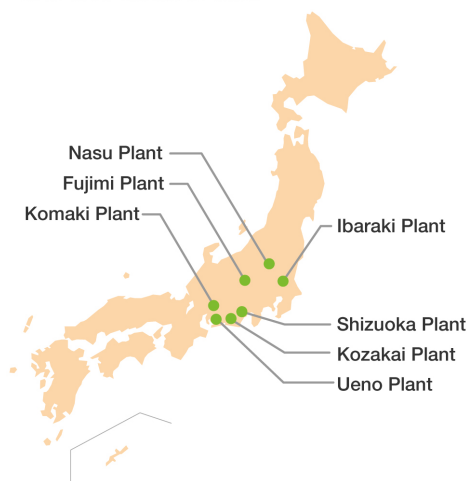


The DBJ environmental rating logo

ISO 14001 Certification Status

After having acquired ISO14001 certification at all of its domestic plants, both internal and external audits are regularly conducted at each plant in accordance with the ISO 14001 rules. These are implemented in pursuit of appropriate environmental management system operations.

● ISO14001-Certified Plants



Environmental Education

Kagome offers environmental education as part of its training for new employees and also arranges correspondence courses that include subjects with environment-related themes. In fiscal 2011, Kagome conducted training sessions for internal ISO 14001 environmental auditors based on an in-house manual, inviting external lecturers. With 17 employees attending, the training took place at actual production sites to emulate real-life situations and thus enhance their auditing skills. In addition to these efforts, Kagome reports on the environmental events in which individual business sites participate via its internal video news program, "Kagome News Satellite." It also directs the people in charge of environmental management at these sites to issue informative environmental announcements by e-mail while calling each business site to participate in the "Light-Down Campaign" and "Eco-Drive Campaign." As such, the Company aims to raise environmental awareness among employees and to promote environmental activities at these locations. Also, through its plant tours, Kagome introduces its environmental initiatives to participating customers.



A training session for new employees



Training to upgrade internal auditing skills

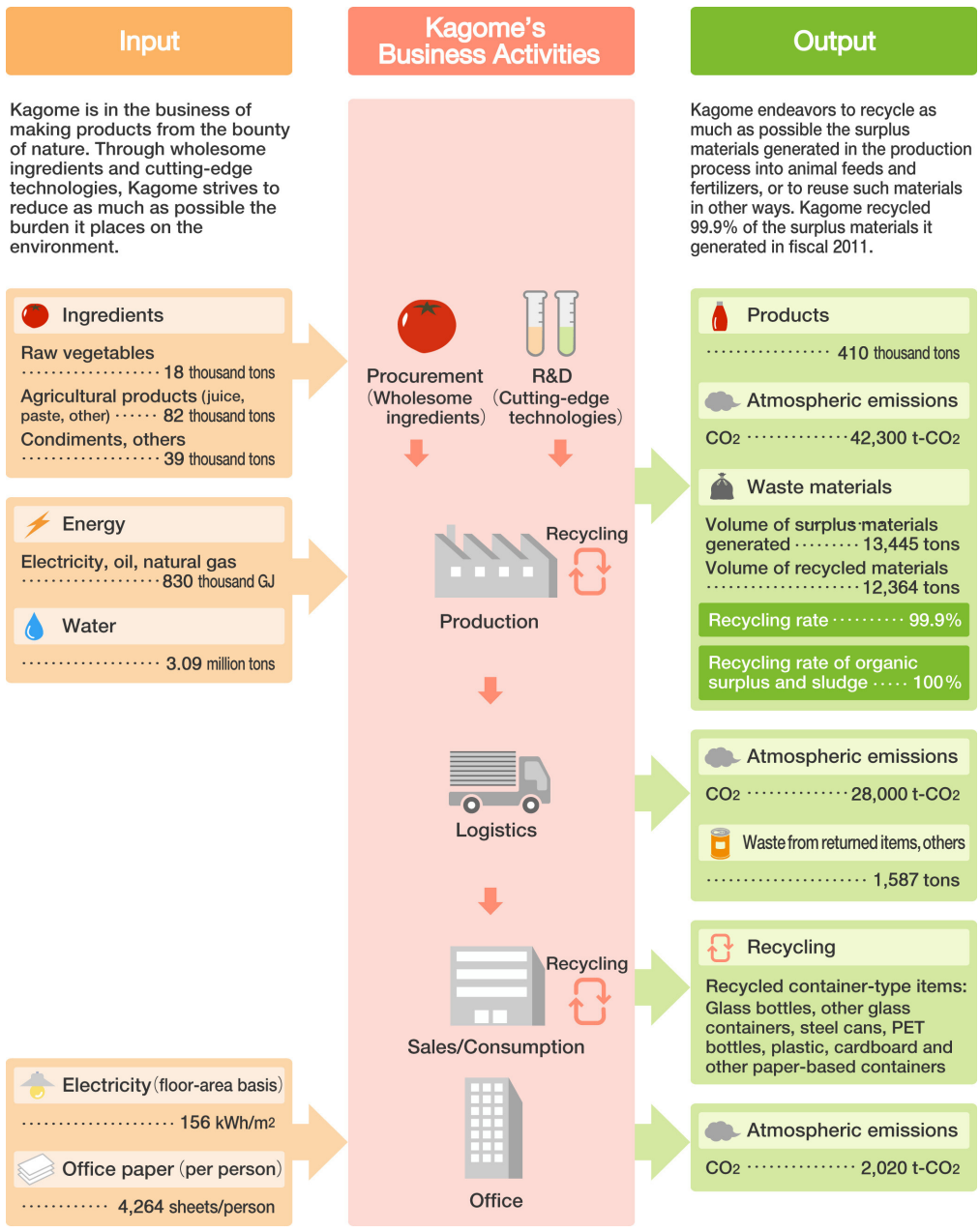
Environmental Accounting

Referencing Environmental Accounting Guidelines, Kagome revises environmental accounting items as needed so as to advance appropriate measures. During fiscal 2011, the Company expended approximately ¥715 million in costs and investments in environmental measures, in total.

(Millions of yen)

Item	Overview	Investment	Cost
1. Pollution control cost	Costs to prevent pollution (atmospheric, water and soil), noise, vibration and odor	5	134
2. Global environmental preservation cost	Costs to prevent global warming and destruction of ozone layer	31	4
3. Resource recycling cost	Costs to make efficient use of resources; treat, dispose, reduce and recycle industrial wastes	3	484
4. Indirect environmental burdens reduction cost	Costs to pay the balance of green procurement, costs to collect and appropriately dispose of products, and the industry's dues	0	0
5. Environmental management cost	Costs for employee training, analysis and human resources to address environmental issues	0	45
6. Environmental preservation cost in R&D activities	Costs for R&D activities and tests with regard to reducing environmental burden	0	2
7. Environmental preservation cost in social activities	Costs for greening, environmental activities and membership in environment-related organizations	0	6
Total		40	675
Grand total		715	

Environmental Burden Overview



Environmental Considerations with Regard to Production

- ▣ Energy Conservation and Global Warming Mitigation Efforts
- ▣ Waste Material Reduction and Resource Recycling
- ▣ Reducing Volume of Water Usage
- ▣ Preserving Water Quality and Managing Chemical Substances

Kagome strives to reduce the volume of energy it uses, first in the ongoing implementation of energy conservation activities taken in production processes, and also by strengthening efforts to improve efficiency in these production processes.

Although the total amount of energy used rises and falls in line with variations in production volume, Kagome's energy usage volume per unit of production has been declining every year.

Reduction of Energy Usage Volume

A significant amount of energy, including energy from fuel oil and electricity, is required to maintain Kagome's production activities. In its endeavors to enhance energy usage efficiency, the Kagome Group established a council to verify the results of each plant's energy efficiency and conservation efforts, to identify pertinent issues and to consider ways of making improvements. Participating in this council, which meets regularly, are the heads of all domestic plants.

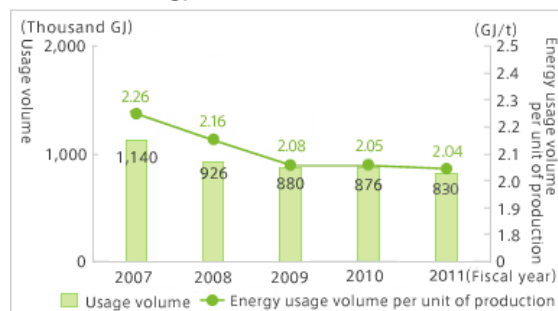
In fiscal 2011, Kagome continued to undertake such initiatives as the implementation of energy conservation patrols and the introduction of measures to reduce energy loss by identifying the causes within production processes. Moreover, Kagome promoted investment for other energy conservation measures including the adoption of LED lighting and the application of thermal insulating paint on building roofs. Also, we launched an energy conservation project at the Komaki Plant. The project is now underway with a target of reducing energy consumption by 10%.



Members of Komaki Plant's energy conservation project examining facilities on-site

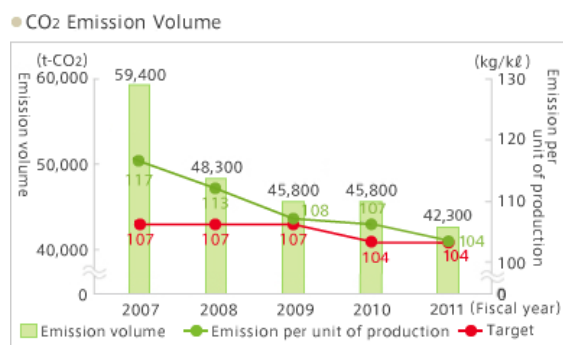
Although some factories were affected by damage from the Great East Japan Earthquake, the volume of energy used at all Kagome factories in fiscal 2011 fell approximately 5.3% from fiscal 2010 to 830,000GJ, and the volume of energy used per unit of production decreased about 0.5% year on year to 2.04GJ/t.

● Volume of Energy Used



Reducing the Volume of CO₂ Emissions

In fiscal 2011, CO₂ emissions produced by all Kagome plants in Japan were 42,300t-CO₂, a decrease of approximately 7.6% compared with fiscal 2010, while emissions per unit of production fell approximately 2.8% to 104kg/kℓ compared with fiscal 2010.



Energy Conservation Measures in Response to the Repercussions of the Great East Japan Earthquake

Due to the accidents at the Fukushima Daiichi Nuclear Power Station and the suspension of the Onagawa Nuclear Power Station following the Great East Japan Earthquake, the Japanese government obliged business operators in summer 2011 to reduce electricity and implemented planned power outages. In response, Kagome strove to curb energy consumption at all departments not just the areas subject to the government imposed energy-restrictions. To this end, Kagome undertook steps for energy conservation including the following measures, which were spearheaded mainly by the Environmental Management Department and the Great East Japan Earthquake Response Headquarters.

At our plants, we implemented measures including the adjustment of previously determined production plans (e.g., the strategic selection of production lines for operation/closure, the modification of production shifts), pursuance of further energy conservation, and installation of emergency in-house power generation equipment.

At our offices, we implemented such measures as reducing non-essential lighting, modifying air-conditioner settings, and suspending use of non-urgent office equipment. Moreover, we promoted the “SUPER COOL BIZ” casual summer dress code to enhance air-conditioning efficiency.

In addition, for those employees working at Tokyo and Nagoya Headquarters, we designated substitute public holidays during summertime to pursue further energy conservation by changing their working style. Thanks to these measures and the earnest efforts of our employees, we succeeded in reducing energy consumption well beyond our targets. Utilizing this experience, Kagome will pursue Companywide efforts to further reduce energy consumption.

Environmental Considerations with Regard to Production

- ▶ Energy Conservation and Global Warming Mitigation Efforts
- ▶ Waste Material Reduction and Resource Recycling
- ▶ Reducing Volume of Water Usage
- ▶ Preserving Water Quality and Managing Chemical Substances

Accomplish and Maintain Zero Emissions

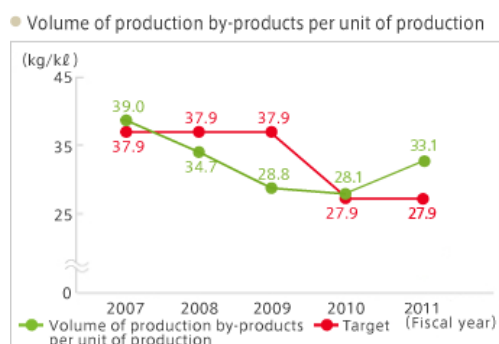
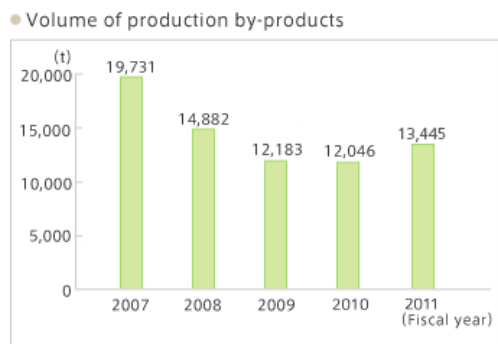
Kagome uses raw materials and agricultural crops in a non-wasteful manner—this is a fundamental stance of the Company. Kagome also takes steps to reduce production by-products and to engage in recycling activities. Kagome achieved a 100% recycling-rate for production by-products (including plant by-products and sludge) in fiscal 2001 and has worked to maintain this rate ever since.

Kagome also realized zero emissions* at six plants in fiscal 2005. With the inclusion of one newly renovated Kagome Labio plant in fiscal 2006, all seven plants in Japan currently maintain zero emissions. However, the recycling-rate declined to 92% in fiscal 2011 due to the impact of the Great East Japan Earthquake.

* Based on Kagome's own standards, the term "zero emissions" refers to a 99% or above recycling rate for production by-products.

Measures Concerning Production-Related By-Products

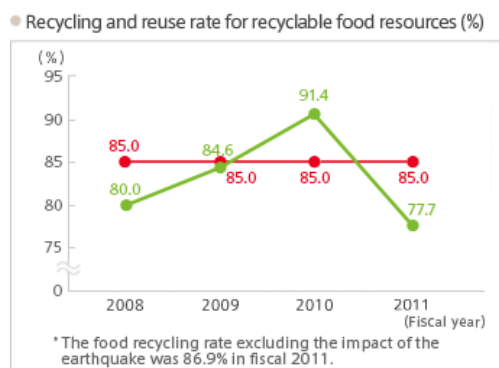
In fiscal 2011, the volume of production by-products generated by all Kagome factories in Japan increased approximately 12% from fiscal 2010 to 13,445t, while the volume generated per unit of production rose about 19% year on year to 33.1kg/kl.



In Response to the Food Recycling Law

Kagome makes Companywide efforts to maximize food product recycling, aiming to recycle more than 85% of production by-products and waste products. To this end, the Company is promoting resource recycling set forth in the Food Recycling Law, involving production sites as well as departments not related to production. After the report obligation has been applied in fiscal 2008, the recycling rate has steadily improved, reaching 91.4% in fiscal 2010. However, in fiscal 2011, the rate dipped below the target due to the impact of the Great East Japan Earthquake.

With the aim of again achieving the target, Kagome will pursue these recycling initiatives.



Recycling Center

Kagome sets up recycling centers on the premises of its plants to recycle production by-products. For example, the Fujimi Plant painstakingly separates such materials as drum- and plastic-type raw material containers and scrap metal into 63 classifications within 19 categories. These recycled materials are carefully stored until they can be collected by respective vendors. In addition, placing these centers in locations that are highly visible from outside the plants ensures that stored materials are correctly separated and organized.



Nasu Plant's recycling center



Separating operation at Fujimi Plant

Reimbursement of Used Product Container and Packaging Recycling Expenses

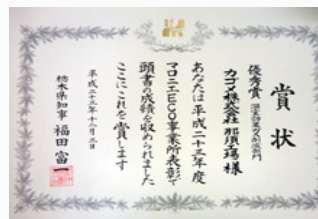
Plastic containers/packaging and PET bottles from used products are recycled by recycling vendors after being collected by local governments. Food manufacturers fulfill their responsibility to recycle products, as required under the Containers and Packaging Recycling Law, by consigning such activities to the designated group, The Japan Containers and Packaging Recycling Association. Kagome assumed ¥218 million in recycling consignment expenses during fiscal 2010. However, in fiscal 2011 the total amount paid by Kagome rose to ¥230 million because of a ¥12 million payment of consignment charges to local governments that became mandatory in 2009.

To further promote the recycling of containers, Kagome participates in related activities undertaken by the Plastic Packaging Recycling Council, Long Life Pack Paper Recycling Council and the Glass Bottle Recycling Promoter Association.

Award Eco-Friendly Nasu Plant Receives Award from Tochigi Prefecture

In December 2011, Kagome's Nasu Plant received an Award for Excellence in the Greenhouse Gas Reduction category of the "Marronnier Eco Plant" awards program organized by Tochigi Prefecture.

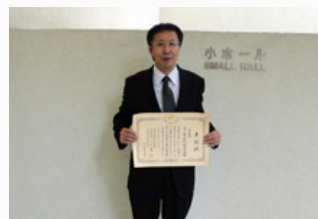
This program is aimed at encouraging factories operating in the prefecture to strengthen their environmental preservation activities by acknowledging outstanding achievements. Nasu Plant's winning of the award represents the prefectural government's recognition of Kagome's initiatives to reduce greenhouse gases.



Award certification

Award Nasu Plant Receives "Public Health Award"

In November 2011, the Company's Nasu Plant received the Japan Public Health Association Chairman's Award in environmental pollution prevention category of the 50th Congress of Public Health of Otawara, Yaita and Minami-Nasu districts. The award was given for the Company's achievements with regard to its continued environmental initiatives, which have garnered a high reputation, winning a number of prizes from Tochigi Prefecture.



With an award from the Japan Public Health Association

Environmental Considerations with Regard to Production

- ▶ Energy Conservation and Global Warming Mitigation Efforts
- ▶ Waste Material Reduction and Resource Recycling
- ▶ **Reducing Volume of Water Usage**
- ▶ Preserving Water Quality and Managing Chemical Substances

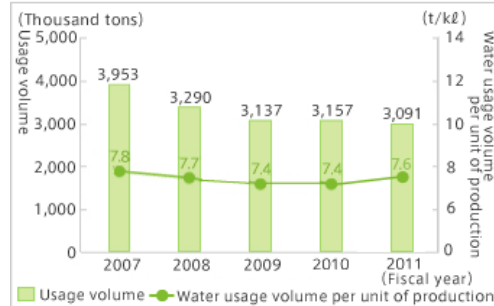
Promotion of Efficient Water Use and Recycling

Kagome plants use a huge volume of water to clean harvested crops and to keep products cool. Consequently, Kagome strives to reduce the volume of water it uses by promoting the efficient use and reuse of this resource.

In fiscal 2011, the volume of water used at all Kagome plants in Japan decreased by approximately 2.1% year on year to 3,091 thousand tons. However, the volume of water used per unit of production increased year on year to 7.6t/kl. This was attributable to recovery work undertaken at plants devastated by the Great East Japan Earthquake, which, in turn, deteriorated the efficiency of water usage.

Looking ahead, Kagome will work to reduce the amount of water it uses mainly by reexamining usage methods and reusing coolant water.

● Reducing the Volume of Water Used



Environmental Considerations with Regard to Production

▶ Energy Conservation and Global Warming Mitigation Efforts

▶ Waste Material Reduction and Resource Recycling

▶ Reducing Volume of Water Usage

▶ Preserving Water Quality and Managing Chemical Substances

Plant Management Based on Legal Standards

All Kagome plants in Japan discharge wastewater in accordance with established legal standards. To preserve water quality in local communities, Kagome discharges wastewater in accordance with the existing standards put in place by regional authorities.

Kagome appropriately handles controlled chemical substances in adherence to the PRTR Law. This law requires companies to provide notification when controlled chemical substances exceeding fixed amounts are discharged or transferred. The Nasu Plant made such notification in fiscal 2011.

Environmental Considerations in Transportation

Curbing Global Warming

Reduction of CO₂ Emissions

In accordance with the Energy Saving Law revised in April 2006, Kagome was named a “designated shipper.”* In fiscal 2011, Kagome's distribution facilities and transportation infrastructure were largely affected by the Great East Japan Earthquake. As a result, Kagome's CO₂ emissions per unit of shipping in fiscal 2011 increased declined approximately 1.2% from fiscal 2010, although total CO₂ emissions from shipping decreased about 2.1% year on year to 28,000t-CO₂.

Kagome will continue to reduce CO₂ emissions from shipping by reinforcing ongoing efforts that include increasing the ratio of large-sized delivery vehicles used and shortening transportation distances.

* A designated shipper is a business consigned with shipping an annual volume of freight totaling 30 million ton-kilometers or more (including in-house shipments).

Note: Changes in CO₂ emissions volume in accordance with the revision to the Energy Saving Law: Revisions to the Energy Saving Law mandated changes to the CO₂ conversion factor per ton-kilometer as well as to the calculation method. Statements of CO₂ emissions volume have therefore been revised since fiscal 2007 results reporting.

Modal Shift

The Kagome Group continually promotes “modal shift” to reduce the environmental burden of its shipping. Modal shift refers to a shift to rail transportation or other shipping methods with less environmental burden.

These endeavors resulted in Kagome being awarded the “Eco Rail” mark issued by the Ministry of Land, Infrastructure, Transport and Tourism for companies that proactively adopt rail transportation.



Joint Shipping

Together with the Mizkan and Nisshin Oillio groups, the Kagome Group participates in joint shipping. These three groups load their cargo together in a single train car or vehicle. Today, 77% of Japan is a joint shipping area.

- Kagome/Mizkan Group/Nisshin Oillio Group Joint Shipping Area



Efforts with Asahi Logistics Co., Ltd.

In tandem with Asahi Logistics Co., Ltd., a subsidiary of Asahi Breweries, Ltd., Kagome is moving forward on CO₂ emissions reductions by efficiently utilizing trucks that are on their return trip from cargo delivery destinations.

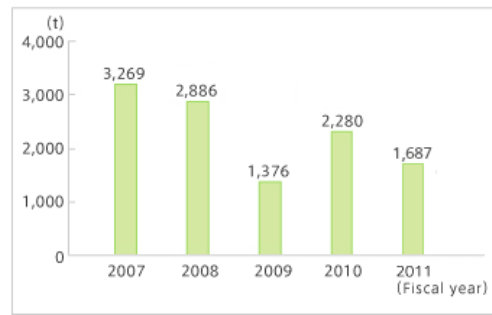
Reduction of Product Wastage

Reductions through Appropriate Inventory Management

The Kagome Group uses appropriate inventory management in its efforts to reduce the volume of products wasted as goods returned from distribution and shipment expiration.

During fiscal 2011, the amount of product wastage declined approximately 26% from fiscal 2010 (excluding production wastage due to the effects of the Great East Japan Earthquake). This was due to year-on-year decreases in the disposal of substandard materials procured from overseas sources as well as disposal attributable to unfavorable supply-demand conditions. Kagome will make continuing efforts to reduce product wastage.

● Product Wastage Trends



Eco-Friendly Offices

Various Measures through Regular Business Activities

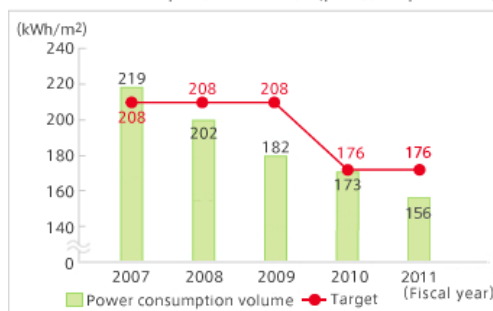
The Kagome Group promotes energy and resource conservation initiatives even in its offices, including at its head offices and branch offices.

Reducing Power Consumption

The Kagome Group has introduced the government-advocated "COOL BIZ" and "WARM BIZ" schemes at all of its offices. These involve setting air conditioning to operate at higher temperatures in the summer and for heating to be run at lower temperatures in the winter.

In fiscal 2011 summer, all of Kagome's employees enthusiastically promoted energy saving at each business site nationwide. To this end, the employees earnestly conducted such measures as removing non-essential lighting while putting out other lighting as much as possible, modifying air-conditioner settings in offices, and suspending use of non-urgent office equipment. Moreover, Kagome promoted the "SUPER COOL BIZ" casual summer dress code to enhance air-conditioning efficiency. As a result, Kagome significantly reduced its power consumption. In particular, Kagome reduced office power consumption per unit of floor space by approximately 12%, compared with fiscal 2010, to 156kWh/m². Utilizing this experience, Kagome will pursue Companywide efforts to further reduce energy consumption.

● Volume of office power consumed(per floor space area)



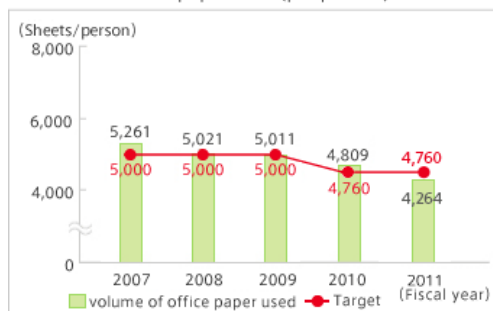
Reducing Office Paper Usage

The Kagome Group is working to reduce the amount of paper used in its offices. These efforts entail the introduction of paperless internal meetings, such as by the use of large-sized monitors, and by installing office equipment with multiple functions.

At the same time, the aforementioned "creative office" program is helping to significantly reduce paper use in offices.

In fiscal 2011, Kagome reduced the per person use of paper in offices compared with the fiscal 2010 level by 545 sheets to 4,264 sheets.

● Amount of office paper used (per person)



Introducing Low-Emission Vehicles

Also included within the scope of Kagome Group offices is the progressive introduction of low-emission vehicles for use at its branch offices. Such vehicles produce a minimal amount of CO₂ and other greenhouse gasses. The Group is also promoting measures that include increasing gas mileage by discouraging idling and improving driving techniques; encouraging such eco-driving initiatives as reducing load-carrying capacity; and decreasing the number of commercial vehicles used primarily through car sharing. In addition, in fiscal 2011 Kagome began installing car equipment that records and analyzes driving data at the Tokyo Branch Office. The installation also aims to reinforce driving safety. After confirming the effectiveness of this new equipment, it will be installed at other branch offices.

Biodiversity Protection

Basic Approach to Biodiversity Protection

In the course of its long history, Kagome has developed a wide variety of products based on nature's myriad gifts, such as tomatoes and other fruits and vegetables. Kagome seeks to contribute to the wellbeing and longevity of people worldwide by offering products that maximize the benefits of nature's bounty.

Farmland biodiversity helps nurture these gifts of nature. Biodiversity is secured through proper ecosystem maintenance with regard to farmland, forest and other natural settings. As a food company, Kagome knows the extreme importance of ecosystems and biodiversity. High-quality crops can be grown only on farmland that is host to the healthy existence of a diversity of life. The ongoing viability of such farmland depends on us, human beings.

Protecting ecosystems and biodiversity—this will continue to be one of Kagome's most significant commitments.



A tomato farm maintained by Kagome

Promoting Sustainable Agriculture through Contract Cultivation

In Japan, Kagome produces tomatoes used as ingredients in juice and other processed products through contract cultivation.

In contract tomato cultivation, purchase prices are determined through negotiations with contract farmers before cultivation even begins. After harvest, Kagome purchases the full yield from the contract farms. To ensure yield levels, Kagome provides the farmers with tomato seeds and seedlings and offers cultivation guidance. This frees farmers to concentrate on cultivation and, in turn, to stabilize their farm management. In recent years, Japan is seeing its population of farmers aging. With advancing age, farm maintenance becomes more difficult. In response, Kagome is promoting technological advances toward automated harvesting. Moreover, we are accelerating the development of easy-to-harvest tomato varieties, such as those whose hull remains on the stem when picked. By helping lessen the physical burden on farmers, we are helping farmers to continue cultivating tomatoes.

Farmland biodiversity can be maintained only through proper use and management. Therefore, by supporting farmers in remaining in tomato businesses, Kagome is helping to curb the increase in farmland lying fallow while contributing to the sustainability of farmland that supports rich ecosystems.



A Kagome "field man" and a contract farmer



Tomato harvester

Comprehensive Cultivation Guidance for Biodiversity-Focused Agriculture

In strict adherence to its cultivation philosophy emphasizing safety, reliability and environmental considerations, Kagome provides contract farmers with guidance that begins with soil development. By doing so, the Company is working to promote tomato cultivation with minimal use of agrochemicals and chemical fertilizers.

Specific Guidelines for Agrochemical Use

We use agrochemicals only when absolutely necessary. When agrochemicals must be used, we abide by strict in-house guidelines to ensure ecosystem preservation.

- In Japan, 170 types of agrochemical constituents are allowed for use in tomato cultivation. From among this group, we have carefully selected 49, giving consideration to consumer and producer safety; environmental impact; and effect on productivity. We established the list of agrochemical constituents as the Kagome Agrochemical Standard. We follow this standard in all tomato cultivation. The standard was established by:
 - Eliminating agrochemicals designated as poisonous substances
 - Eliminating agrochemicals suspected of being hormone-disrupting substances
 - Eliminating agrochemicals believed to have adverse impact on such living organisms as microorganisms and the natural predators of tomato pests living in the soil as well as fish in water systems
 - Prioritizing the use of bacillus thuringiensis (BT) and other microbial pesticides believed to have relatively lower environmental impact
 - Prioritizing the use of agrochemicals that can be analyzed by Kagome's simultaneous analysis method
- When Kagome's field men monitor farms, they check for and diagnose diseases and insect damage on crops. When necessary, they provide guidance on proper agrochemical use to minimize the dosage.
- Diseases and insect damage confirmed are comprehensively recorded. Drawing on these records, we focus on preventing damage and thereby minimizing agrochemical use.
- By advocating crop rotation, including for tomatoes, we promote the maintenance of soil biodiversity and help circumvent the deleterious effects of continuous cropping, disease and insect damage.
- By keeping a close eye on agrochemical use through record maintenance and conducting in-house simultaneous analyses on residual agrochemicals for approximately 550 types of constituents, we ensure that the Kagome Agrochemical Standard is strictly observed at farms.

Specific Guidelines for Chemical Fertilizer Use

- We promote soil development with a minimal use of chemical fertilizers, prioritizing the use of such organic fertilizers as compost and green manure.
- We analyze soil prior to initiating tomato cultivation. Based on analysis results, we provide guidance on how to plan fertilizer application suitable for particular soils. Later, through growth diagnosis based on tomato leaf and fruit development, we decide on the optimal dose of fertilizers. In this way, we minimize fertilizer use.



Kagome field man providing cultivation guidance



Farm soil rich in organic fertilizers

Effective Maintenance and Utilization of Genetic Resources

The Kagome Research Institute maintains genetic information database that includes the seeds of approximately 7,500 tomato varieties—a size that makes it a world-leading private-sector database. To establish this database, we collected the seeds of tomato varieties with distinctive genetic characteristics. Drawing on this database, we promote plant breeding to create new useful tomato varieties. These seeds are stored at a specified temperature and humidity. However, aging deteriorates their germination rates. Therefore, they are periodically updated. These meticulous steps are required to maintain our genetic information database on tomatoes. Certain genetic information on wild and other tomato varieties is provided to public and other research institutions. As such, the Kagome Research Institute functions somewhat like a gene bank. Also, we reevaluate the genetic information that we collect. The results of such reevaluations are used to develop new disease-resistant tomato varieties that require less agrochemical usage.



Tomato seeds



Tomato seed library at the Kagome Research Institute



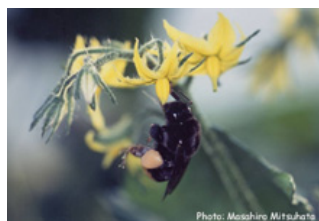
Wide-ranging tomato varieties created based on our rich genetic resources

Eliminating the Use of Nonindigenous Bee Species for Pollination

Kagome started the production and sale of fresh tabletop tomatoes in 1998. Unlike tomatoes for processed products, which are grown outdoors, tabletop tomatoes are grown inside greenhouses where wind pollination is not possible and so we use bees for pollination. In May 2004, immediately after the nonindigenous bumblebees we had been using were designated an invasive alien species, we replaced the entire stock with native black bumblebees at the three greenhouses in Japan under our direct control. Our five other greenhouses constructed after these three have used the native bees from the start. At the time, no large-scale breeding technologies had been established for these native bees. Kagome supported technological development even though the native bees' impact on tomato quality and economic viability was not then clear. The relevant technologies have since been developed and today such bees are supplied for tomato cultivation throughout Japan.



Kagome's mega greenhouse



Native black bumblebees

Teaching Children the Preciousness of Life through Tomato Cultivation

Since 1999, Kagome has distributed *Lylyco* juice tomato seedlings to elementary schools, kindergartens and preschools nationwide. About 4,000 educational institutions—one out of every eight institutions in Japan—use these seedlings as educational materials to nurture children's interest in and sense of gratitude for the wonders of nature.



Lylyco juice tomatoes



Observing tomato growth

Relationship Between Kagome's Business Activities and Biodiversity

In the course of its business, Kagome seeks to continuously contribute to the living things, environment and the wellbeing and longevity of people. To this end, we believe that it is essential to appropriately manage our farmlands with an eye to preserving farmland biodiversity.

In fiscal 2011, Kagome conducted surveys in tandem with biodiversity specialists to study the relationship between biodiversity and Kagome's value chain. By doing so, we sought to objectively assess the positive and negative impacts of our entire value chain on biodiversity.

The surveys revealed that of all our business activities what positively affects biodiversity the most is the appropriate management, maintenance and widening of farmlands. In addition, in 2012 Kagome began more detailed surveys on the actual status of farmland diversity.

Biodiversity Specialist's Opinion



The Farmland Biodiversity
Evaluation Committee
Lecturer, Faculty of Agriculture,
Tokyo University of Agriculture and
Technology
Fumiaki Nagaishi

About the Relationship Between Kagome's Business Activities and Biodiversity

I immediately recognized that the surveys Kagome conducted in 2011 were quite progressive initiatives for a company handling food products. The surveys were designed to analyze and perceive the relationship between biodiversity and Kagome's business activities. Reflecting the survey results, in 2012 Kagome has established the Farmland Biodiversity Evaluation Committee to accurately perceive farmland biodiversity while assessing the impacts of cultivation methods on biodiversity as well as the positive contributions made by such methods, taking open-field tomato cultivation as an example. Involving specialists in vegetation, birds, insects, spiders, amphibia and reptiles as Committee members, the Committee conducted a wide-ranging survey that entailed meeting with local residents.

In conducting this survey, we gradually came to see the connection between the characteristics of open-field tomato cultivation and changes in living things that are dependent on the farmland, as well as the relationship between such living things and the environment surrounding the farmland.

I hope that Kagome will continue studying the roles and functions of open-field tomato cultivation in regional environments to pursue better approaches to realize sustainable farmlands.

Environment-Friendly Product and System R&D

Environment-Friendly Products and Systems

The Kagome Group focuses its R&D efforts on the creation of products that demonstrate its concern for the environment. Kagome also endeavors to minimize environmental burden by switching to low-impact product containers and packaging as well as securing environmentally benign methods to cultivate fresh vegetables for its products.

Adopting Containers Produced with “Green Electricity”

Paper containers used for Kagome’s key *Yasai Seikatsu 100* product series are made with green electricity,* the details of which are printed on product containers. Although issues exist in such areas as electricity volume of electricity supplied, Kagome will continue to work with its partners to move forward on such environmental initiatives.

* Green electricity refers to electricity generated by natural energy sources including wind, solar and biomass. Energy produced from these sources is considered to be non-CO₂ emitting.



Yasai Seikatsu 100 series containers manufactured with green energy

Reduction of Container Weight

As part of its efforts to conserve natural resources, in September 2009 Kagome began shifting from hard plastic containers to bags as packaging for its *Kokumi Tomatoes* brand. The new bag-type containers are approximately one-fifth lighter than previous packaging. In November of the same year, Kagome commenced switching to 280g PET bottles (approximately 13% lighter than previous containers). The first products to take advantage of the lighter containers were *Kagome Tomato Juice*, *Yasai Seikatsu 100* and *Yasai Ichinichi Kore Ippon*.



Lightweight, 280g PET bottle



Packaging for *Kokumi Tomatoes* shifted from hard plastic containers to bags.

Promotion of Sorting and Volume Reduction for Post-Use Paper-Based Containers

Kagome's paper-based containers display the message, "Thank you for flattening" in appreciation of those customers who sort and flatten the containers for disposal to reduce the bulk. Beginning with its 200ml containers in September 2008, Kagome now displays this message on its 100ml, 250ml and 365ml containers. This initiative has also been taken up by other companies.



A Kagome product displays the message "Thank you for flattening" in appreciation of customers' cooperation in disposal efforts

Easily Recyclable Packaging

Previously, most of Kagome's gift products were packaged in presentation boxes; but the Company adopted a box top made of cardboard for some of these products. While adopting recyclable materials as much as possible, the Company displays how to fold a gift box on the side of these boxes to ensure that these materials are once again recycled after disposal.



A box top of a gift product

Putting into Practice Low-Environmental Impact Tomato Cultivation

Kagome utilizes large-scale greenhouses to cultivate safe and delicious tomatoes that are delivered to the market in steady, year-round shipments. These large-scale greenhouses feature nutriculture hydroponics that use rock wool and coconut husks as a culture media. In addition, Kagome promotes the following initiatives to reduce environmental impact.

- Liquefied petroleum (LP) gas is used as a low-pollution fossil fuel heat source. The CO₂ produced during combustion is recovered and used for photosynthesis, a process necessary to tomato growth.
- Resources are used effectively, including the use of rainwater, the reuse of nutriculture and culture media and other materials, and the recycling of plant residue.
- The use of synthetic pesticides is minimized by taking early countermeasures that involve preventing insects from entering greenhouses and monitoring the outbreak of insects on a daily basis. In addition, pests are exterminated primarily by introducing natural predators, and using microbial pest control agents and electrolytic water.
- Tomato leaves and stalks produced during cultivation are fermented and recycled into fertilizer for use at the Iwaki Onahama Greenfarm
- Effective use of natural energy sources include satisfying a portion of the electricity needs of the Hibikinada Greenfarm from a nearby, large-scale, 1,000kW solar power plant.



CO₂ produced by LP gas to heat greenhouses is used for photosynthesis.



The solar power plant that supplies electricity to Hibikinada Greenfarm

Involvement in Environmental Conservation Activities throughout Society

Participation in Various Environmental Conservation Activities

In addition to the beautification, tree planting and other initiatives undertaken at each business site, the Kagome Group is involved in an assortment of environmental conservation activities organized by Japan's Ministry of the Environment (MOE) and other organizations.

All Kagome Business Sites Take Part in "Light-Down Campaign"

The Kagome Group enthusiastically participates in the MOE's "Light-Down Campaign," which promote the reduction of CO₂ and other greenhouse gas emissions. As was the case in fiscal 2010, all Kagome business sites, including the Group's domestic subsidiaries, took part in these activities in fiscal 2011. In line with these activities, the Group reduced its power consumption by 1,456kWh, reducing CO₂ emissions by approximately 808kg-CO₂* (roughly the bulk volume of 80,800 soccer balls).



Light being turned down

* CO₂: As determined by the MOE, the benchmark CO₂ emissions coefficient is calculated at 0.555kg-CO₂/kWh.

Promotion of Community Beautification Activities

As part of its Groupwide environmental conservation initiatives, the Kagome Group continues to expand its community beautification activities. Such activities involve taking part in clean-up events held around business sites and in local communities. In fiscal 2011, a total of 58 events were held at Group business sites throughout Japan. As a representative of the Japan Tomato Processors Association, Kagome participates in The Beverage Industry Environment Beautification Association with promotional support of city beautification activities.



Clean-up activities at the Nagoya Branch



Clean-up activities at the Chugoku Branch



Clean-up activities at the Kosakai Plant

Volunteer Tree Planting Activities

Employees from the Fujimi Plant volunteer to plant trees on Mt. Nyukasayama. These activities have been hosted by Fujimi Town in Nagano Prefecture since fiscal 2005 and are undertaken in appreciation of the natural bounty of the Mt. Nyukasayama range, which is the source of the plant's well water. In tandem with the Nihon Bonsai Kyokai (Japan Bonsai Association), employees from the Nasu Plant helped plant red pine seedlings in a red pine forest that lines the sides of the town's Nasu Kaido street. Taking biodiversity into consideration, seedlings of native plants nurtured in the local area were planted.



Volunteer tree planting on Mt. Nyukasayama



Nasu Plant employees helping to plant red pines

Associated Organizations

In addition to its own initiatives, Kagome participates in environmental activities conducted by the following organizations.

- Kanto Regional Agricultural Administration Office's Environmental Countermeasures Council
- Japan Soft Drink Association
- Japan Canners Association
- The Beverage Industry Environment Beautification Association
- Plastic Packaging Recycling Council
- Long Life Pack Paper Recycling Council
- Glass Bottle Recycling Promoter Association
- The Food Study Group, the Institute of Life Cycle Assessment, Japan
- Nippon Keidanren Environmental Safety Committee
- ECO Management Forum
- Green Purchasing Network

History of Environmental Activities

History of Activities to Preserve the Environment

Green Denotes International Milestones

Year	International and Domestic Meetings and Government Activities	Kagome's Environmental Activities
1967	Basic Law for Environmental Pollution Control formulated	Wastewater treatment control equipment deployed
1970		Pollution control measures initiated at each plant Pollution Control Committee established
1971	Ministry of the Environment established	
1972	United Nations Conference on the Human Environment held Nature Conservation Act formulated	
1985	Vienna Convention for the Protection of the Ozone Layer adopted	
1991	Keidanren Global Environment Charter formulated	Groupwide Environmental Committee activities begin
1992	Earth Summit convened to address urgent problems of environmental protection and socio-economic development MITI Voluntary Plan issued	
1993	Basic Environment Law formulated	
1994		NGP Project environmental initiatives formulated
1995	The Containers and Packaging Recycling Law enacted (fully effective from 1997)	Social Environment Committee preliminary activities commence
1996	Keidanren Voluntary Action Plan on the Environment (36 industries, 137 organizations)	Social Response Office/Social Environmental Group established Joint product shipping begins
1997	The 3rd Session of the Conference of the Parties to the United Nations Framework Convention on Climate Change convened	Waste treatment methods strengthened (dioxins, manifest)
1998		Kagome EMS project launched First Medium-Term Environmental Plan (five-year plan) formulated
1999		Environmental Policy formulated Nasu Plant acquires ISO 14001 certification Kagome Environmental Management System formulated Kagome Environmental Management System commences operation Minister's Prize, the Ministry of Agriculture, Forestry and Fisheries, received for environmental activities

Year	International and Domestic Meetings and Government Activities	Kagome's Environmental Activities
2000	Basic Act on Establishing a Sound Material-Cycle Society formulated Food Recycling Law formulated Law on Promoting Green Purchasing formulated Environmental Accounting Guidelines Announced	Quality Management & Environment Division, Environment Group established Quality Management & Environment Division, Environment Group convened
2001	Ministry of the Environment established Law Concerning Special Measures against PCB waste formulated Law Concerning the Recovery and Destruction of Fluorocarbons formulated	All plants ISO 14001 certified Quality Assurance Office, Environmental Group established Introduction of low-emission vehicles commenced
2002	World Summit on Sustainable Development convened with world leaders Soil Contamination Countermeasures Act formulated	Logistics Merit Award
2003		Measures taken to adhere to The Containers and Packaging Recycling Law Shizuoka and Kosakai plants install natural gas boilers
2004	Law Concerning the Promotion of Business Activities with Environmental Consideration by Corporations formulated	Nasu Plant adopts cogeneration system Kagome Labio Co., Ltd., Nagoya Plant and Shizuoka Plant become ISO 14001 certified Second Medium-Term Environmental Plan (three-year plan) formulated
2005	Kyoto Protocol comes into effect Team Minus 6% initiative begins	Environmental database operation begins COOL BIZ and WARM BIZ put into practice
2006	Revised Energy Conservation Law enacted	Domestic plants throughout Japan achieve zero emissions "Light-Down" Campaign participation
2007	Revised Food Recycling Law comes into effect REACH entered into force in EU	Third Medium-Term Environmental Plan (three-year plan) formulated
2008	Toyako Summit convened Eco-Action Point Model Projects begin Domestic emissions trading trials begin "Study Group to Develop and Promote a Practical Carbon Footprint System" participation	Carbon footprint trial products exhibited at Eco-Products 2008 Awarded Gold Prize at the Aichi Environmental Awards Received award at the Agri-Food Industry CO2 Emissions Reduction Contest: Energy, Savings category (eight domestic plants) Awarded top honors for "Tochigi's Stop Global Warming Action" campaign

Year	International and Domestic Meetings and Government Activities	Kagome's Environmental Activities
2009	<p>Nippon Keidanren: Declaration on Biodiversity</p> <p>Revised Energy Conservation Law enacted</p> <p>Tokyo Metropolitan Ordinance on Environmental Preservation enacted</p> <p>Eco-Point system begins</p>	<p>Environmental rating acquired from Development Bank of Japan, and related financing is undertaken</p> <p>Fujimi Plant installs LNG satellite facility</p> <p>Fujimi Plant awarded the Nagano Prefectural Governor's Award for the Promotion of a Recycling Society</p> <p>Nasu Plant becomes ECOKEEPER certified</p> <p>Participation in "Light-Down" Campaign spreads to all business sites</p>
2010	<p>10th Conference of the Parties to the Convention on Biological Diversity (COP 10) held</p>	<p>Kagome participates in COP 10's Interactive Fair for Biodiversity</p> <p>Nasu Plant receives an Award for Excellence in the Greenhouse Gas Reduction category of the "Marronnier Eco Plant" awards program organized by Tochigi Prefecture</p> <p>Nasu Plant wins a Special Award through the "Tochigi Stop Global Warming Action" awards program promoted by Tochigi Prefecture</p> <p>Fourth Medium-Term Environmental Plan (three-year plan) formulated</p>
2011	<p>The Great East Japan Earthquake occur</p> <p>International Year of Forests</p> <p>Revised Waste Material Disposal Law enacted</p>	<p>Nasu Plant received an Award for Excellence in the Greenhouse Gas Reduction category of the "Marronnier Eco Plant" awards</p> <p>Nasu Plant received the Japan Public Health Association Chairman's Award</p>

Business Overview

Main Product Categories

Beverage Products



Food Products



Gift Products



Institutional & Industrial Products



Fresh Vegetables

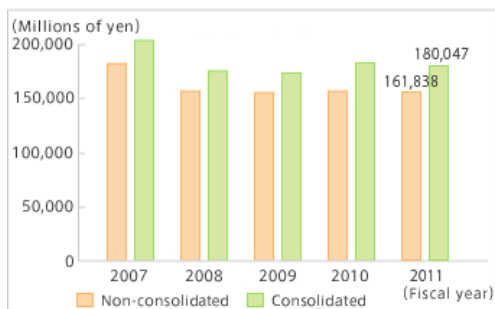


Direct Marketing

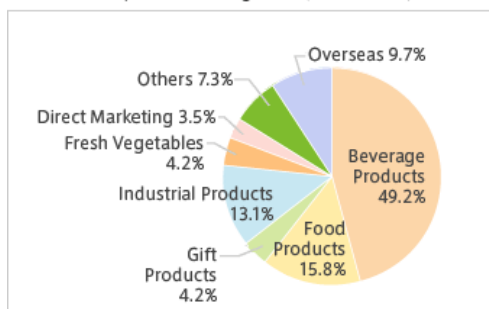


Financial Results

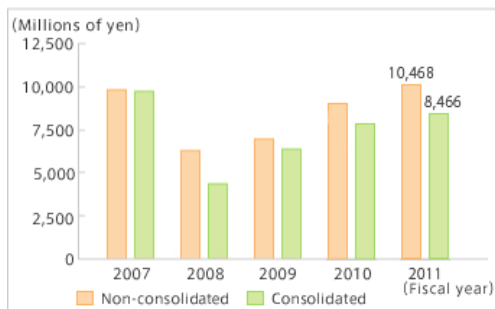
● Net sales



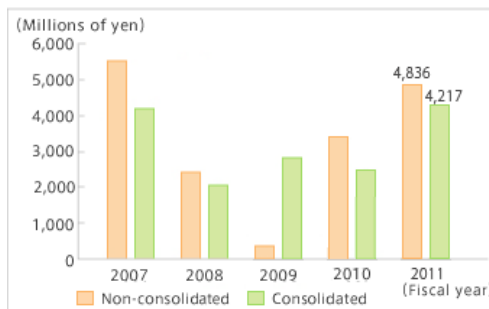
● Net sales by business segment (Fiscal 2011)



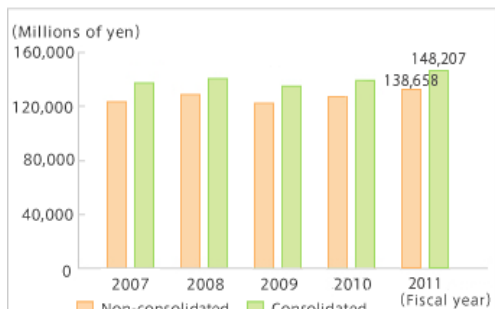
● Operating income



● Net income



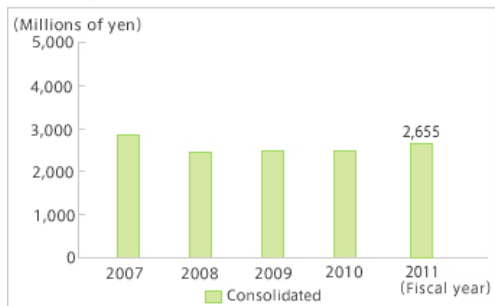
● Total assets



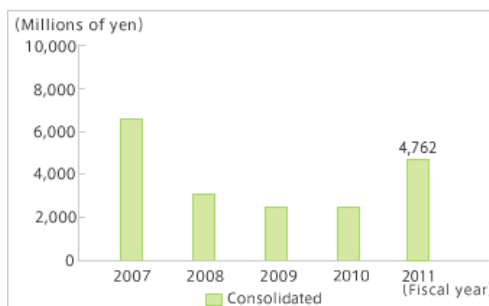
● Number of employees



● R&D expenses



● Capital investment



Corporate Overview (as of March 31, 2012)

Founded	1899
Established	1949
Head Office	3-14-15, Nishiki, Naka-ku, Nagoya 460-0003, JAPAN Tel : +81-52-951-3571 Fax: +81-52-968-2510
Tokyo Head Office	Nihonbashi Hamacho F-Tower, 3-21-1 Nihonbashi Hamacho, Chuo-ku, Tokyo 103-8461, JAPAN Tel : +81-3-5623-8501 Fax: +81-3-5623-2331
Domestic Offices	See the following "Business Locations"
Paid-in Capital	¥19,985 million
Number of Employees	1,542 (non-consolidated); 2,101 (consolidated)
Business Locations	Head Office, Tokyo Head Office, 1 branch office, 10 branches, 7 plants, 1 Research Institute
Principal Activities	Manufacture and sale of condiments, preserved foods, beverages and other foods; Purchase, production and sale of seeds, seedlings, fruits and vegetables
Subsidiaries	Kagome Real Estate Co., Ltd. Kagome Distribution Service Co., Ltd. Kagome Inc. Taiwan Kagome Co., Ltd. Kada Greenfarm Co., Ltd. Inner Mongolia Kagome Food Inc. Kagome (Hangszhou) Food Co., Ltd. Hibikinada Greenfarm Co., Ltd. Kagome Foods Inc. Vegetalia S.p.A. Iwaki Greenfarm Co., Ltd. KAGOME FOOD SERVICE MANAGEMENT (WUXI) CO., LTD Kagome Australia Pty Ltd. Cedenco Australia Pty Ltd. Cedenco Farms Australia Pty Ltd.

Note: Inner Mongolia Kagome Food Inc. and Kagome Foods Inc. are indirectly owned through Kagome Inc.
Cedenco Australia Pty Ltd. and Cedenco Farms Australia Pty Ltd. are indirectly owned through Kagome Australia Pty Ltd.



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