

**KAGOME**  
S T O R Y  
**2016**

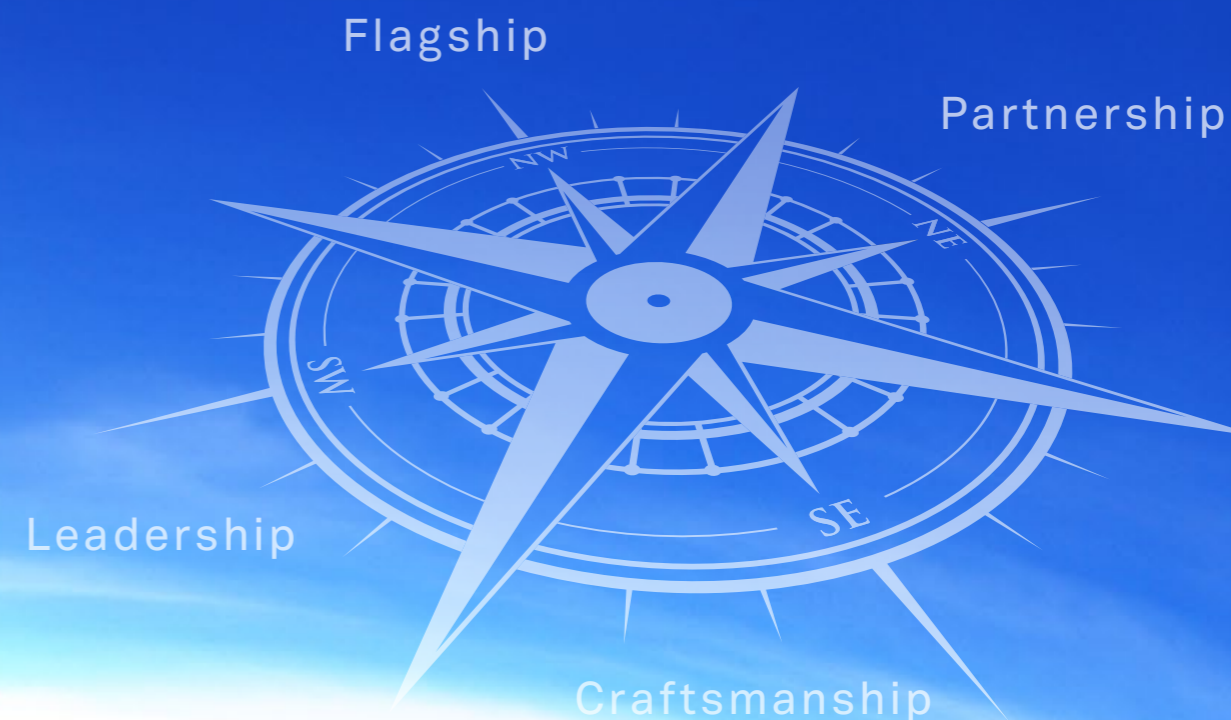


Kagome to the Future, to the World.

# Seed to Table. Creating value and spreading it worldwide.

Kagome is moving forward. To deliver the value and flavor of vegetables all over the world, starting with tomatoes.

Kagome advances. Doing our part to boost agriculture, helping overcome local issues one by one. Pressing onward and continuing to grow, powered by dreams and focused on the future.



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## Editorial Policy

Kagome has grown into the company it is today by creating value through contributions to society, under the corporate philosophy of "Appreciation" "Nature" and "Corporate Openness." Each year we have done more and more to report these efforts to our stakeholders, starting with the release of our Environmental Report in fiscal 1999 and continuing through the release of the Sustainability Report in fiscal 2013. In the future we aim to produce an "Integrated Report" which clarifies the value created by our business. Transitioning in 2016 toward this, we are publishing the "Kagome Story" which takes past and current reports into account and also considers the future to look at the value Kagome produces from the eyes of our various stakeholders.

Please see page 26 for more details.

## Aiming to be a strong company capable of sustainable growth, using food as a means to resolve social issues

Kagome was founded in 1899, the day farm owner and company founder Ichitaro Kanie saw the first budding of the tomato seedlings that he had grown himself. From then on we have been focused on food in Japan, bringing forth new food solutions over the years.

In the mid-term management plan that Kagome embarks upon in 2016, we paint the picture of the “Strong company capable of sustainable growth, using food as a means to resolve social issues” that we wish to be in 10 years, with a globally unique streamlined value chain of production, processing, and sales that starts at the farms. As such, we work to give people longer healthy lives, promote agriculture and local development, and tackle world food problems. We will also attain sustainable growth while solving these problems in Japan and globally by expanding our business domain from being a “tomato company” to a “vegetable company,” foreseeing changes in society, and developing a business strategy to deal with the needs of the times in a way that only Kagome can.

The corporate philosophy of Kagome is “Appreciation” “Nature” and “Corporate Openness.” Rooted in our origin of nature and hand-in-hand with all of our stakeholders around the world, which include communities, customers, clients, farmers, shareholders, and our employees, we will manage ourselves to be faster and more competitive in dealing with turbulent changes in the environment. We will spare no effort to be able to deliver products and services with value.

We hope for your understanding and support.



Kagome Co., Ltd. President and  
a Representative Director

*Naoyuki Terada*

# Vertically Integrated Business

Full-cycle value creation, from seed to table.

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

**Vertically**  
“For anything tomato, it’s Kagome”



### Demand creation

Communicate the value of our products to our customers, with value-communicative action that generates demand.



### Product production

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



### Primary processing and procurement

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



### Farming

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



### Development of new varieties and seedling production

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



### Research and development

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



Japan



United States



## Horizontally

Main global locations



Australia



Portugal





**TOPICS 1**

**Designing new tomato production regions**  
**Established a research and development center in Portugal**

The volume of tomatoes consumed worldwide is expected to expand as global population increases. Our company established the "Agri-Business Research and Development Center" with one of the goals being the development of tomato producing areas other than the major production areas that currently exist. This center currently has its sights on the highly populated West Africa region, doing research on tomato cultivation and processing business in Senegal. Tomato paste has taken root in the food culture of these areas, but many are dependent on imports. Kagome aims to make foundational preparations by improving local agricultural technology and establishing business models.



Last fiscal year demonstrated the ability to at least double the average local yield (30t/ha).

**TOPICS 2**

**Leading-edge tomatoes for processing**  
**Co-developing crop growing technology**

From March of 2015 we began developing leading-edge crop growing technology overseas that utilizes big data, to cultivate tomatoes for processing. Specifically, this system aims for high value-added environmentally-friendly farming by achieving maximized harvests, using the optimal amounts of inputs such as water, fertilizer and pesticides according to weather conditions and tomato growth circumstances, by utilizing data obtained from weather, soil, and other types of sensors placed in testing fields, and from satellites, drones, and such, as well as farming data such as irrigation and fertilizer use.



Achieved 146 t/ha in the summer season in 2015, about 1.5 times the average yield in Portugal.

**TOPICS 3**

**Approach to global foodservice**

We join forces with major foodservice companies that are active globally and are beginning to work on new product development in addition to providing tomato-based products. Kagome is also utilizing findings from "research on the nutritional content and functionality of tomatoes and vegetables" to realize "healthiness from food" for dealing with growing demand for "low sugar, low salt, and low fat." We are also proactively going after business opportunities and developing clientele in new areas from China to the rest of Asia, South America, and the Middle East.



Processed tomato products such as pizza sauce (pictured)

**Partnership** Global Tomato Supplier

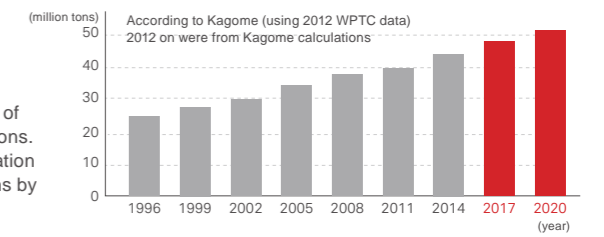
# Becoming a Global Tomato Supplier

Keep challenging ourselves, keep growing, so the whole world can say "If it's tomatoes, it's Kagome."

Global demand for food and tomatoes is expected to increase drastically as the world population grows towards what many say will be 9 billion people in 2050. From tomatoes to food in general, Kagome aims to use tomatoes and food in general to contribute to solving the various problems the world faces, and become the top global tomato supplier.

**Progression of global processed tomato consumption volume, and future forecast**

Tomatoes are more loved than any vegetable in the world, boasting 140 million tons of global consumption. Tomatoes for processing comprise around 40 million of those tons. This consumption volume will see further expansion of demand as the global population increases, forecasted to rise at a yearly pace of 1 million tons to reach 50 million tons by 2021.



**▶ Kagome is growing up, as a global company.**

Kagome boasts over 110 years of experience in processed tomato products, but only began full-scale operation as a global company a few years ago. We still have very little experience globally, but we have already grown into one of the world's top companies.



**Tomato ketchup sales 3rd Globally**

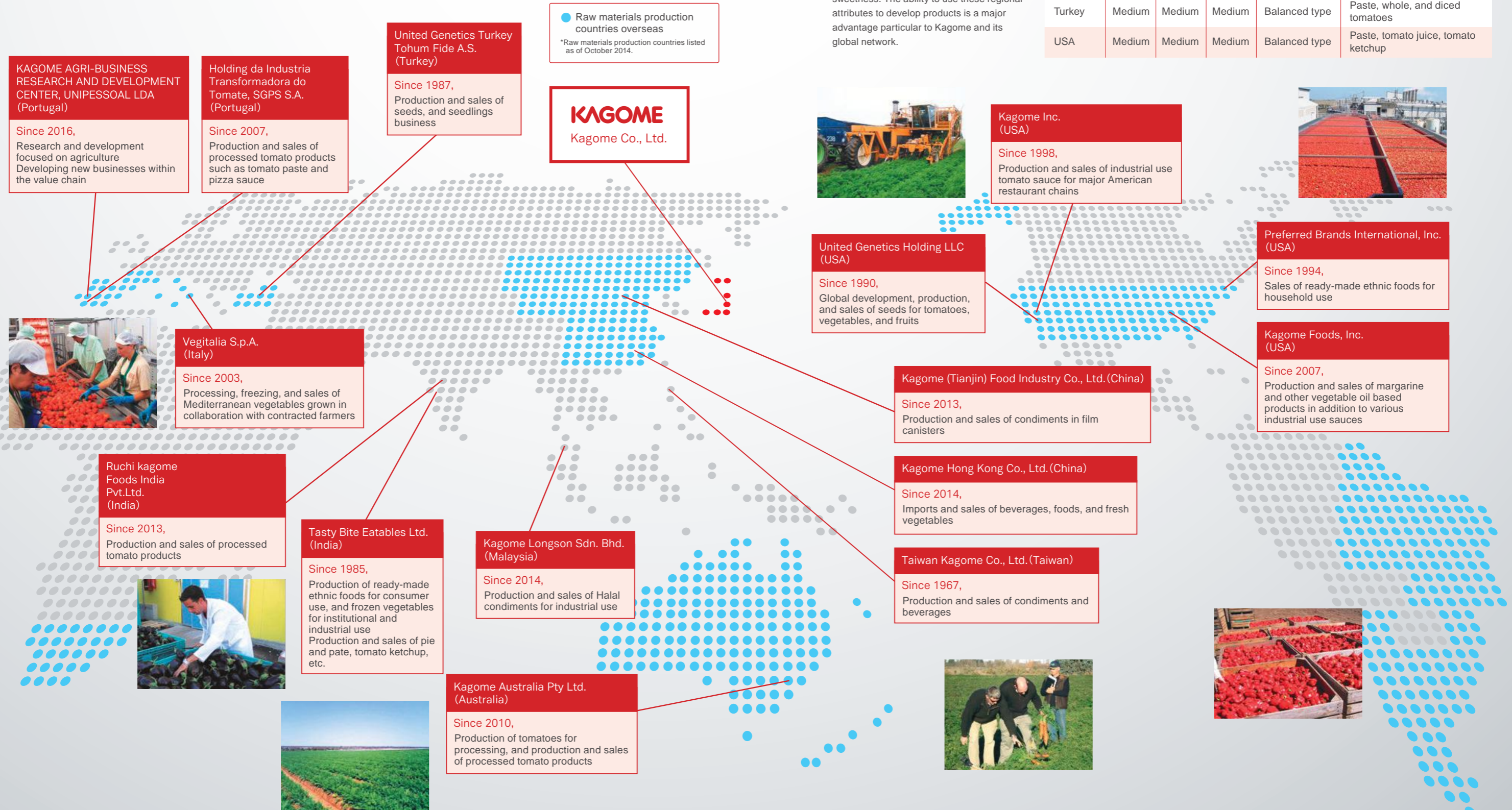
Ketchup			* Euromonitor 2015 WORLD Brand Ranking
Rank	Company	USD million	
1	Kraft Heinz Co	1,894.8	
2	Unilever Group	481.0	
3	<b>Kagome Co Ltd</b>	<b>222.3</b>	
4	Empresas Polar CA	198.5	
5	Nestlé SA	132.2	

**Processed tomato product sales 5th Globally**

Shelf Stable Tomatoes			* Euromonitor 2015 WORLD Brand Ranking
Rank	Company	USD million	
1	ConAgra Foods Inc	334.0	
2	Conserve Italia - Consorzio Cooperative Conserve Italia scarl	213.5	
3	Del Monte Pacific Ltd	183.6	
4	Monaco Foods Inc	94.5	
5	<b>Kagome Co Ltd</b>	<b>93.7</b>	

# To deliver flavor and health to people all over the world.

In 2005 we had only 2 overseas subsidiaries. About ten years later we had 34\*. Based on the expertise we built up in Japan, we research global locations looking for optimal places to grow crops, and build our business in countries all over the world. \*As of the end of March 2016



## Product development tailored to the features of tomatoes.

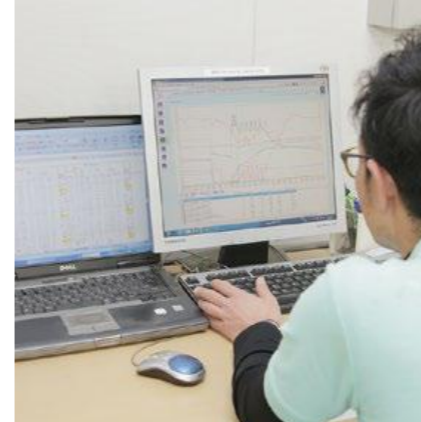
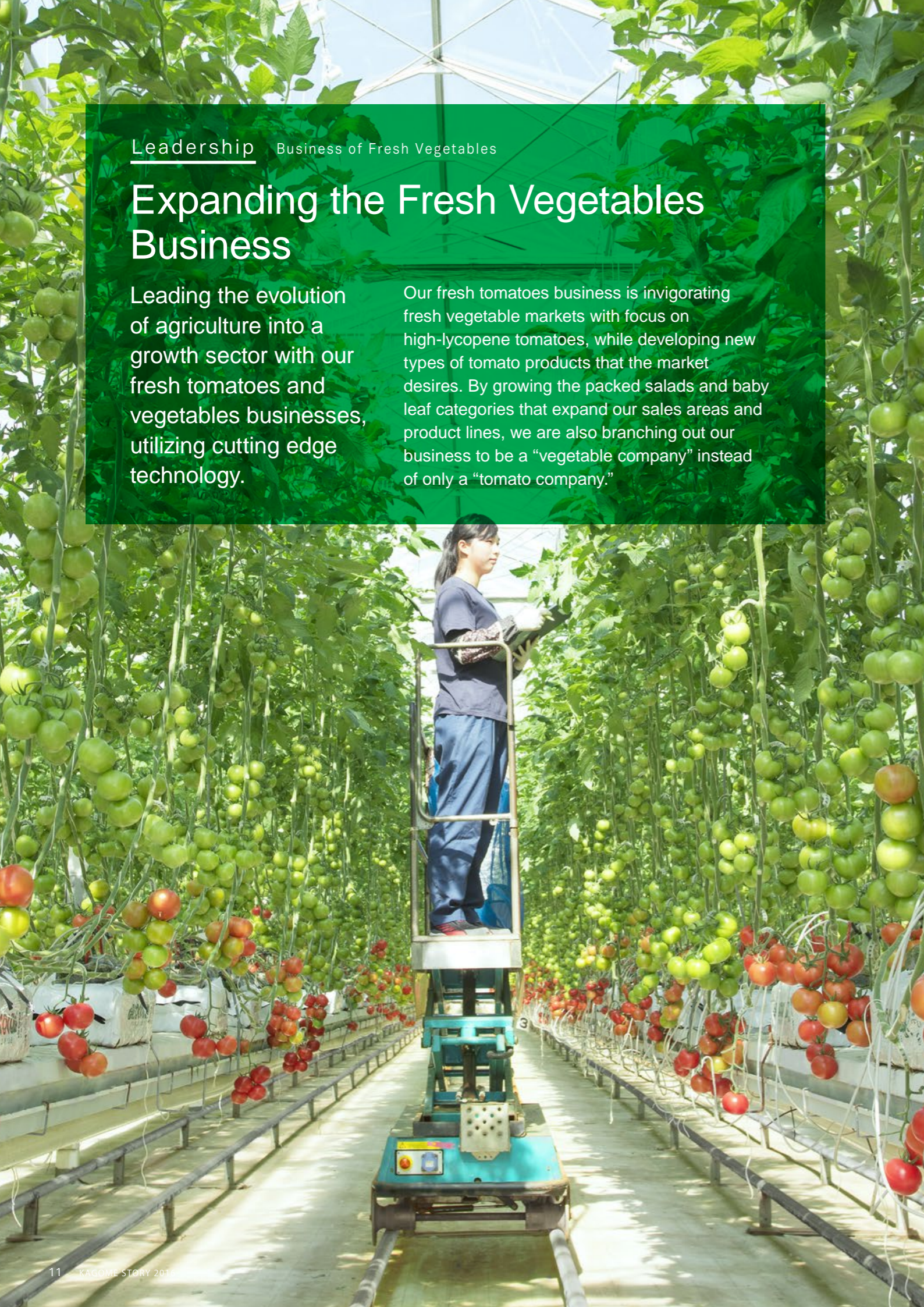
The quality attributes of tomatoes differ greatly by region. For example, tomatoes in Japan and China have tartness, though tomatoes in Chile and Portugal have more sweetness. The ability to use these regional attributes to develop products is a major advantage particular to Kagome and its global network.

An example of attributes of tomatoes for processing, and the places they are grown					
Production Region	Sweet	Tart	Flavor	Flavor type	Main processed products
Japan	Medium	Intense	Medium	Tart type	Tomato juice
Chile	Intense	Medium	Mild	Sweet type	Paste
Portugal	Intense	Medium	Medium	Sweet type	Paste
Italy	Medium	Medium	Intense	Flavorful type	Whole and diced tomatoes
Turkey	Medium	Medium	Medium	Balanced type	Paste, whole, and diced tomatoes
USA	Medium	Medium	Medium	Balanced type	Paste, tomato juice, tomato ketchup

# Expanding the Fresh Vegetables Business

Leading the evolution of agriculture into a growth sector with our fresh tomatoes and vegetables businesses, utilizing cutting edge technology.

Our fresh tomatoes business is invigorating fresh vegetable markets with focus on high-lycopene tomatoes, while developing new types of tomato products that the market desires. By growing the packed salads and baby leaf categories that expand our sales areas and product lines, we are also branching out our business to be a “vegetable company” instead of only a “tomato company.”



Utilizing accumulated data to control temperature and humidity as well as quantity of nutrient solution, according to changes in climate



Cutting-edge greenhouse cultivation for high turnover and high yield



Baby leaves, with higher nutritional value than adult leaves

## TOPICS 1

### Developing large, high-tech greenhouses across Japan

Our fresh tomato business started in 1998. We grow them outdoors when they are in season in the summer and fall, and in large greenhouses the rest of the year. Temperature, humidity, and irrigation are controlled automatically by computers in the large greenhouses. Limiting exposure to the outside world allows us to limit the risk of damage from insects and diseases. Also, uniform environments and uniform management operations within the greenhouses allow us to achieve consistent shipment volumes and high yield per unit area throughout the year, employing techniques such as three-dimensional modeling that maximizes yield per unit area. We have large high-tech greenhouses in 13 locations across Japan, which employ clean energy, carbon dioxide treatment, water conservation, and consideration for the ecosystem. Each year we ship out 17,600 tons of tomatoes, including our “Round Red” and “High-Lycopene Tomatoes”.



Round Red



High-Lycopene Tomatoes



Tomato Salad

## TOPICS 2

### Expanding the market for packed salads

Each year markets tend to get larger processed vegetable products such as salads and cut vegetables, which require less food preparation effort for today’s changing lifestyles and aging society. Kagome sells its packed salads mainly to supermarkets and convenience stores. We plan to build a cold food distribution network and expand our sales area. At the same time we will further invigorate markets as we expand our lines of products that utilize new functional vegetables such as sprouted soybeans, kale, and sprouts. We will help make tables more colorful and people healthier. We will also proactively create fresh vegetable markets that are appealing for retailers and consumers, such as for Italian vegetable and functional vegetable corners.

## TOPICS 3

### Boosting sales of baby leaf lettuce

The first vegetables that Kagome sold other than tomatoes were baby leaf lettuce. Baby leaf lettuce is a highly functional vegetable with fiber, calcium, iron, vitamin A, and other nutritional components that exceed standard values for nutritional intake indicated on food labelling in Japan. It has also become known that baby leaf lettuce includes more polyphenol and beta carotene than adult leaves. Kagome has partnered with the largest baby leaf lettuce farm in Japan, Kajitsudo in Kumamoto Prefecture, and is boosting sales while also presenting suggestions for new dishes. Additionally, we will bring appealing products to our customers by developing new ready-to-eat products.

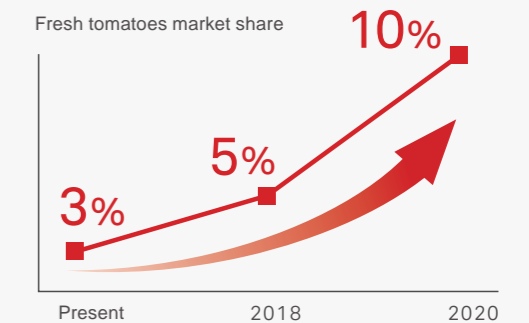


Baby Leaf Lettuce

### Three-pronged plan to continue agri-business growth

Record for yearly sales **11 billion yen** (fiscal 2015)

Kagome agri-business continues to grow with fresh tomatoes, packed salads, and baby leaf lettuce as its three main pillars. We had our highest sales yet in fiscal 2015, and forecast even more growth in 2016 with a target of 15 billion yen in agri-business sales.



Field is First

## Fields are the Primary Production Plant

Good ingredients come from good fields. That is the philosophy behind our products.

With “fields are the primary production plant” as our farming ideology, we continue to grow crops with contracted farmers as we have since the founding of our business, and increase production areas in Japan that grow ingredients for tomato juice. At the same time we also procure agricultural raw materials from overseas using our expertise and track record from contracted farming over the years.



Nationwide Consumption of Local Products

## Locally Grown, Nationally Consumed

Because we want everyone in Japan to taste seasonal local flavor.

Rather than “locally grown, locally consumed” where agricultural products are consumed in the places they are grown, we want to spotlight the fruits and vegetables that are beloved in local communities and inspire people all over Japan with their flavor and freshness. This is the motivation behind our “locally grown, nationally consumed” campaign.



### We have pro farmers called “field masters.”

Since its founding, Kagome has stayed true to the ideal that good ingredients come from good fields, and engaged in “contracted farming” for crops such as tomatoes in order to procure safe and reliable ingredients. For contracted farming, in which Kagome and Japanese farmers work together for mutual benefit, we enter into agreements with the farmers to buy their entire crop before the crop is planted. Then Kagome employees called “field men” survey the fields of the contracted farmers and give out proper advice in relation to the growth stage of the tomatoes, including Kagome’s very own brand of meticulous farming guidance. “Contracted farming” frees farmers from their concerns about waste or price fluctuations, and lets them concentrate on producing high-quality ingredients. At the same time, this allows aging farmers in Japan to train the younger, inexperienced farmers. In this way, Kagome aims to increase production regions in Japan for tomato juice ingredients in the near future.



### Partnering with producers and local governments, supporting local agriculture.

Spring, summer, fall, and winter; each season has its own distinct feeling in Japan, and the country is blessed with special seasonal flavors in regions from Hokkaido all the way to Okinawa. However, local communities are faced with social problems including the reality that there is little knowledge or demand for their local products. In order to help solve these problems, Kagome has entered into agreements with

Japan Agricultural Cooperatives (JA) and local governments across Japan and launched the “Locally Grown, Nationally Consumed” campaign in fiscal 2010. This campaign brings the appeal of local products from communities all over Japan to consumers nationwide in the form of Kagome brand products.



“Locally grown, nationally consumed” logo

Local Governments & JA	Year Concluded	Month Concluded	Description
Hiroshima Prefecture	2012	Feb	Setouchi Lemon Agreement
JA Okinawa	2012	Jun	Partnership agreement for agricultural products, processing, and sales
Ehime Prefecture	2013	Feb	Ehime “Setouchi” partnership agreement
Kochi Prefecture	2013	Nov	Comprehensive agreement for partnership and cooperation
Tochigi Prefecture	2013	Dec	Partnership agreement for producing, processing, and selling agricultural products
Yamanashi Prefecture	2016	Mar	Partnership agreement for promotion and development of agriculture



### Seeds and seedlings business now reaches more than 80 countries.

In November 2013, Kagome acquired ownership of US seedling company United Genetics. This company develops its own non-genetically modified tomato and vegetable seeds, and sells them in markets in over 80 countries worldwide, with a focus on the United States. This allows Kagome to expand its tomato business worldwide with seeds as a starting point. Kagome is globalizing faster than ever, equipped with a horizontal lineup of companies spanning the globe, and a unique vertically-integrated business model for full-cycle value creation, from seeds to ingredients, processing, and sales.

### The “Yasai Seikatsu 100 Kisei Gentei (seasonal) Series” energizes Japan.

The “Yasai Seikatsu 100 Seasonals Series” is the flagship product of the “locally grown, nationally consumed” campaign. The series started with “Okinawa Shekwasha Mix,” and now sells in at least 10 different flavors each year, contributing to expanded consumption of local vegetables and fruits. Kagome continues to support local agriculture in addition to good health and longevity, through the development of new local products from more areas, and collaborative products and menu items.



Yasai Seikatsu 100 Seasonals Series (April 2015 to April 2016)





Craftsmanship Fresh Innovation Challenge Project

## Fresh Innovation Challenge

The freshest project, creating the products of the future.

As the name "Freshness Innovation" indicates, this is a project to come up with "innovations in freshness." Pooling its technological and developmental capacity, Kagome aims to commercialize one new product after another in genres the world has never seen.

### You'll never innovate if you don't challenge yourself.

Bring juice that gets maximum flavor and nourishment from fresh fruits and vegetables, insisting on freshness in a different dimension than previous vegetable beverages. This is the mission of the new project that our Innovation Division in Nasushiobara, Tochigi Prefecture took on, starting in April 2014. Our young researchers were excited at the chance to apply, and their challenge began.

### Color, scent, texture. Getting the most out of fresh flavor and nutrition.

The first step was to take a look at locations abroad like Hong Kong and Taiwan that have a high concentration of advanced chilled beverages. Then, after repeated verification and analysis of what it is that customers consider the "value of freshness" of fruits and vegetables to be, we found the answers to be "color" "scent" and "texture." After that, we researched agricultural raw materials one by one to determine their characteristics and optimal combinations. However, agricultural raw materials procurement, processing technology, and production lines among other things became major obstacles. Regardless, we overcame issues one by one by not compromising and not relenting with our research and continued trial and error. After a year and a half working on the project, our new genre of fresh beverage was born. Based on our new "cold coarse-straining production method" of cutting up raw vegetables and fruits and processing them with as little heat as possible, "GREENS" was released in the fall of 2015.



### A fresh beverage called "GREENS" An encounter with a new level of freshness.

"GREENS" has pleasing textures, and colors and scents that maintain the original freshness of the ingredients. "Cleansing Green" features the green color of the vegetables themselves, the crunchiness of celery, and the grainy texture of kiwis, "Refresh Yellow" has the vibrant yellow color and refreshing scent of grapefruit, and "Energy Purple" features beets, the recently popular vegetable containing the concentrated life force accumulated from the earth itself. These are the three flavors we offer. However, the project has only recently begun. Our research and product development for health and flavor continue, in pursuit of even more new freshness.



"Fresh Beverage" GREENS

### Recent research results

The mission of the Innovation Division is to provide energy from technological growth, as the source of the value chain for the group. It has announced several of its research findings in papers, and is pursuing technology that can be utilized now and into the future.

#### September 2010

Eating tomatoes is expected to show effects of alleviating fatigue  
-- Collaborative research with Osaka City University --  
(Announced at the 57th Annual Meeting of the Japanese Society for Food Science and Technology)

#### July 2014

Confirmed that drinking vegetable juice before or during meals curbs the sudden rises in blood sugar level after meals which are known to cause metabolic syndrome  
(Announced at the 61st Annual Meeting of the Japanese Society for Food Science and Technology)



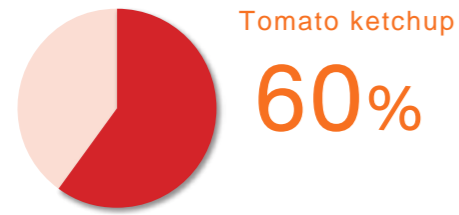
# Kagome by Numbers

"Wh..what? Really?" "I had no idea" "Wow!" We can describe the special characteristics and capabilities of Kagome with words, but here we describe them with a variety of numbers as well.

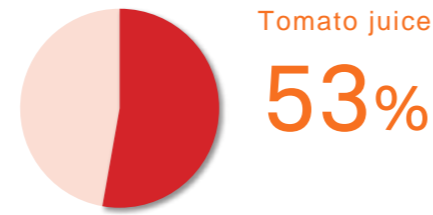
TOPICS  
1

NO.1 Share

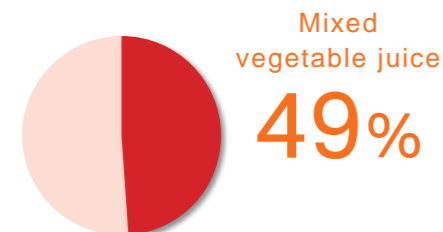
Share of the Japan market



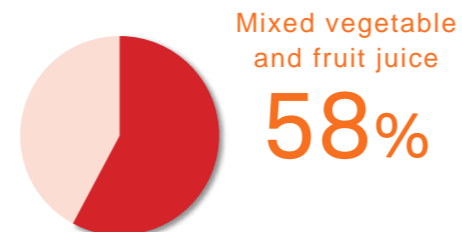
Source: SRI by monetary sum (INTAGE) Jan-Dec 2014 supermarkets + convenience stores



Source: SRI by monetary sum (INTAGE) Jan-Dec 2014 supermarkets + convenience stores + drugstores + others



Source: SRI by monetary sum (INTAGE) Jan-Dec 2014 supermarkets + convenience stores + drugstores + others



Source: SRI by monetary sum (INTAGE) Jan-Dec 2014 supermarkets + convenience stores + drugstores + others

TOPICS  
2

501,000 tons

Amount of green and yellow vegetables supplied to Japan by Kagome

Kagome supplies approx. 11.8% of green and yellow vegetables consumed in Japan.

Kagome supplies more than 30% of all tomatoes consumed in Japan.

Total vegetables consumed in Japan  
15.08 million tons

Total green and yellow vegetables consumed in Japan  
4.25 million tons

Amount of green and yellow vegetables supplied by Kagome  
501,000 tons

32.1% Amount consumed in Japan: 1.13 million tons  
Amount supplied by Kagome: 360,000 tons

18.3% Amount consumed in Japan: 740,000 tons  
Amount supplied by Kagome (orange): 130,000 tons

2.2% Amount consumed in Japan: 180,000 tons  
Amount supplied by Kagome: 4,000 tons

Food Balance Sheet (fiscal 2012 version) and Statistics on Production and Shipment of Vegetables (2013), Ministry of Agriculture, Forestry and Fisheries "Trade Statistics of Japan" (2013), Ministry of Finance Amounts supplied by Kagome are from 2013 results

TOPICS  
3

Around 7,500 varieties

Types of tomato genetic resources

The Innovation Division manages an abundance of genetic resources including roughly 7,500 varieties of tomato seeds, and maintains the information in a database. We utilize these to develop new varieties of tomatoes for fresh and processed products, without genetic modifications.



\* Around 70 varieties are registered



TOPICS  
4

Around 3,410,000 people

Dietary Education Assistance

Kagome "Dietary Education Assistance" develops children's interest in food and helps them grow up healthy. This began in 1964 long before the term "dietary education" became commonplace, when we began distributing picture-story shows and picture books to kindergartens across Japan to support childcare. In 1972 we launched the musical "Kagome Theater"

teaching parents and children the importance of food and health, to which 3,410,000 people up to now have received free invitations. Additionally, we continue to provide seedlings of "Lylyco" tomatoes used for juice, along with educational materials, free of charge to about 10% of elementary schools and childcare centers across Japan.



TOPICS  
5

211,056 shareholders

Gifts for shareholders

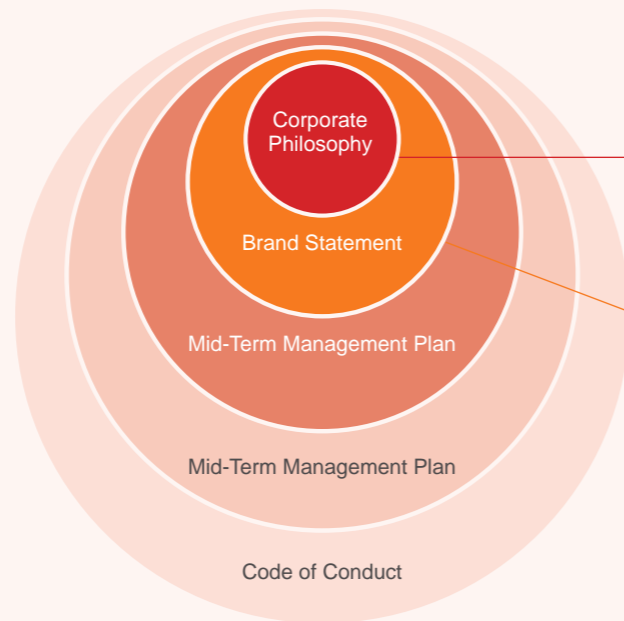
With "Corporate openness" as part of our corporate philosophy, in 2001 we started working toward our "Vision of 100,000 Kagome Fans (shareholders)," and in September 2005 we surpassed the 100,000 mark. There are now more than double that number, as Kagome overwhelmingly has the largest shareholder support base in the industry with over 200,000 shareholders. We proactively listen to what shareholders have to say, and put it to use as we develop products and plan events.



Gifts for shareholders

# Kagome Corporate Philosophy

Kagome has contributed to people's health for over 100 years now with products made from tomatoes and more of nature's bounty. We have also been able to further build our value along with the times, while remaining true to our corporate philosophy. That brings us to our Ten-Year Kagome Vision, to be a strong Kagome that grows sustainably, and proactively uses tomato and health knowledge built up over the years to contribute to solving various social issues faced by Japan and the world.



## Corporate Philosophy An inherited management spirit that pervades through changing times

### Appreciation

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

### Nature

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

### Corporate Openness

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



Calligraphy by Tomato Okina (Patriarch) Ichitaro Kanie

## Brand Statement What our brand should be

### Nature

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

### True

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

### Flavor

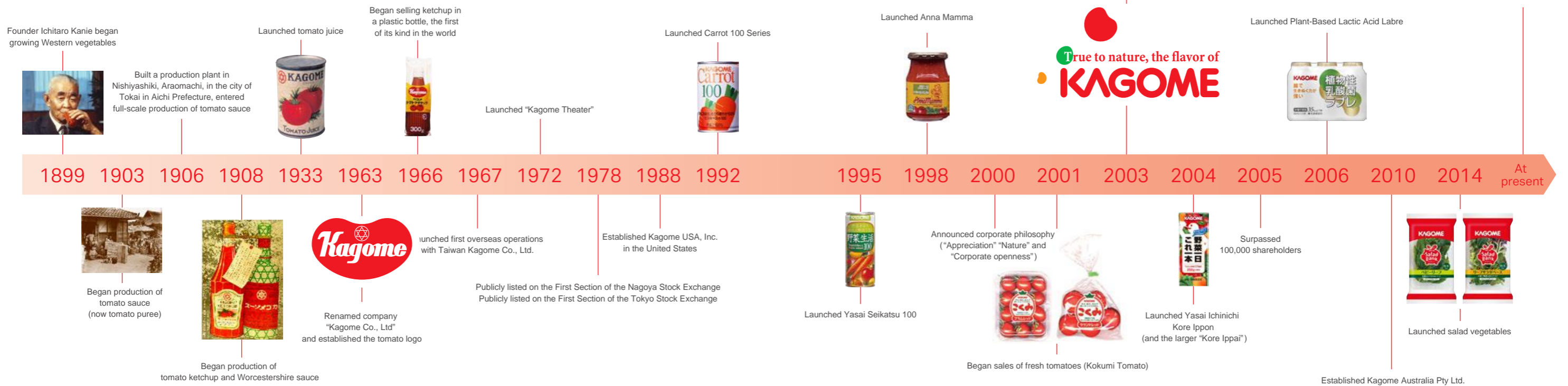
Create new demand for delicious food, paying attention to the needs of our bodies and our planet.



# Our History

Since our founding in 1899, we have given consumers products made with "the desire to contribute to people's health, using the value of agricultural products which are nature's bounty." This history that spans over 100

years is also a history of "technological innovation" in which we have continued to develop products that never existed before in order to satisfy the needs of the times.



# Mid-Term Management Plan

## Ten-Year Kagome Vision

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

**Social Issue 1** Give people longer, healthy lives    **Social Issue 2** Regional development and agricultural revitalization    **Social Issue 3** Food supplies

We will contribute to resolving social issues, including health and longevity issues associated with rising costs for medical and nursing care, with an eye also on areas with aging societies and shrinking workforces, as well as countries overseas where food shortages are escalating due to causes such as accelerated population growth and inclement weather.

## Mid-Term Management Plan (fiscal 2016 through 2018)

- Be a “strong company” in addition to a “good company”
- Shift from a “tomato company” to a “vegetable company”

To grow our business, creating a foothold as a “strong Kagome” which functions not only as a company that sends products out, but also provides solutions in line with what society desires, while also expanding our business domain from being a “tomato company” to being a “vegetable company.”

### 1 Overseas Business

Overseas sales    Operating income  
**55 billion yen**    **3 billion yen**  
(29% increase from fiscal 2015)    (15 times higher than fiscal 2015)

Overseas sales ratio  
**25%**  
(was 21.8% in fiscal 2015)

#### Work With Global Foodservice

We are expanding our business by sharing information between group companies including Kagome Inc. in the US, and building a horizontal organization that integrates sales and product development.

#### Harness Synergies with Preferred Brands International (PBI)

Further strengthen our partnership with US food company PBI, and work with them to create synergies that expand our health foods and health beverages businesses.

### 2 Agri-Business

Agri-business sales    Operating income  
**15 billion yen**    **1 billion yen**  
(36% increase from fiscal 2015)    (43% increase from fiscal 2015)

#### Fresh Tomatoes

Incorporate functional fresh vegetable corners with focus on high-lycopene tomatoes which have growing sales. Also, start working on developing new varieties of tomatoes.

#### Packed Salads

Build on our lines of products that utilize new functional vegetables such as germinated soybeans, kale, and sprouts along with the expansion of our sales area.

#### Baby Leaf Lettuce

Offer more appealing products to our consumers by developing pre-prepared ready-to-eat food products.

### 3 Domestic Business

Domestic business sales    Operating profit  
**150 billion yen**    **7 billion yen**  
(6% increase from fiscal 2015)    (21% increase from fiscal 2015)  
\* Excludes agri-business    \* Excludes agri-business

#### Beverage Business

We will solidify demand for vegetable beverages with functional-labeled tomato juices and with “GREENS” which established our own original “fresh beverages” segment.

#### Food Business

Start working on new business categories for fresh seasonings and fresh prepared foods that utilize the freshness of vegetables. Also released reduced-salt menu items that incorporate tomato ketchup.

## Reform the way we work, reform our earnings structure

### Diversity

We established a specialized department called the Diversity Promotion Department, with the aim of building a better work environment. This department is working on promoting the participation of women as a priority among the many issues it deals with, and leading the way towards utilization of a wide variety of human resources including those from outside the company, without preferences for gender, age, or nationality.

### Establishing the SCM Division

By bolstering the function of Supply Chain Management (SCM) and employing centralized control over sales, production, and procurement planning, we will optimize inventories while avoiding stock-outs, and transform our profit structure. Further, in addition to adjusting for current supply and demand, we will evolve management of new product introductions and existing product phase-outs (product quantity optimization).

### The launch of Kagome Axis Co., Ltd.

We established Kagome Axis Co., Ltd in order to aggregate and standardize remote operations such as finance and accounting, general affairs, and information systems that have been decentralized in the group of companies up to now, and facilitate improved operation efficiency of the group as a whole. As an independent company it will pioneer new ways to work, making the entire Kagome group stronger.

## Efforts to improve societal enterprise value

### Healthy management

We will develop systems to promote health management throughout the company, to become a “company with a healthy mind and a healthy body” suitable for giving people in Japan longer, healthy lives. We are fostering a culture of self-help, for employees to each become skilled at managing their own health, and a culture of mutual support, for employees to look out for each other and communicate together openly.

### Transitioning to a company with committees for audits, etc.

We will transition to being a company that has committees for things such as audits, with the goal of building the optimal system of corporate governance. We will further boost the value of our company by building a governance system from which we can receive more objective assessments as our business activities continue to diversify and globalize.

## Mid-Term Key Issues

### Key Issue 1 Enhancing the value of existing businesses and categories

We aim to improve value, from vegetable beverages to tomato ketchup and tomato condiments, sauces, and fresh tomatoes, and add even more value with functional labeling.

### Key Issue 2 Creation and profitability of new categories and business models

In addition to fresh beverage “GREENS,” we will develop new condiment and prepared foods products that are also categorized as “fresh.” We will also devise business models and other approaches for communities and for the elderly.

### Key Issue 3 Promoting globalization and profitability

We aim to expand B to B solutions for the tomato business, and to secure new tomato business in emerging countries. In addition, we will harness synergies with PBI.

### Key Issue 4 Promoting our solutions business

We will get deeply involved with clients (key accounts) and make proposals that are flexible and comprehensive. We will also introduce a wider range of solutions that we can offer to resolve issues in retail and distribution.

### Key Issue 5 Transforming the way we work, and transforming our profit structure

Profit structure transformations include establishing the SCM Division and improving on marginal profits. We will also transform the way we work, by having the Human Resources Department institute training and development programs for employees, and reshuffle their work assignments.

### Key Issue 6 Improving company value

We are taking a number of different initiatives to enhance the value of our company, such as building the optimal governance system, ensuring safe and reliable quality, health management, and dietary education.

### Key Issue 7 Optimal allocation of resources

Whether in Japan or overseas, we will prioritize possible investments and select those that promise higher returns, in order to make effective use of limited funds.

# Corporate Governance

## Basic Concepts and Systems

In accordance with our corporate philosophy of “appreciation,” “nature,” and “corporate openness” our company will work to make management more transparent, clarify business responsibility, make speedy decisions, and enhance the function of monitoring management, in order to achieve sustainable growth and improve the mid-to-long term value of the company.

Our company considers the fundamentals of its corporate governance to be the establishment of new “autonomy” and the complementarity of “subordination.” Based on this, we are continually evolving our corporate governance system.

We aim to achieve true “corporate openness” that delivers a high level of accountability to stakeholders by taking a proactive approach to the external viewpoint, enhancing objectivity in decision making and oversight, and bringing in more “Kagome fans (shareholders),” all without compromising any of the Kagome-ness that we have established over the years.

On March 25th of 2016, we became a company with a committee governance structure for audits, etc. Since this transition separates executive functions from supervisory functions, it helps clarify business responsibility and speed up decision making and execution of operations. The main duties of the board of directors

at our company shall be to decide management strategy and policies and monitor their implementation. Selecting three or more outside directors who meet the criteria of our company’s own independence standards for outside directors, yields increased effectiveness through improved advisory function and enhanced supervisory function. Policy shall call for at least one standing auditor to be placed in the audit and supervisory committee, and use internal control systems to audit the legality and appropriateness of the execution of operations by board members. Under the executive officer system for execution of operations, according to certain standards, responsibility and authority for administration shall be delegated to the departments, and meetings of executive officers shall be arranged to communicate and inform of decisions taken by the board of directors, and to facilitate contact and organization between executive officers. Management meetings under the guidance of the president shall also be arranged, to facilitate flexible and mutual cooperation for the execution of operations. Management meeting discussions make it possible to set the appropriate level of risk taking, and expedite decision making while also clarifying responsibilities.

## Cooperation between the audit and supervisory committee, accounting auditors, and the Internal Audit Department

We receive the annual accounting audit plan and report of the accounting audit results from the auditing company in Nagoya with whom our company has an auditing contract. Additionally, the audit and supervisory committee may be present to observe the audits done by the accounting auditors, and practices close mutual cooperation by regularly exchanging information, opinions and such with the company auditors and the Internal Audit Department. Internal audit at Kagome audits whether business operations at each branch office are being managed reasonably and efficiently, in accordance with laws, rules, and management policies and plans. The goal is to contribute to rationalization of management

and operational efficiency improvements. As a department directly controlled by the president, and with a neutral standpoint as the secretariat to the audit and supervisory committee, the Internal Audit Department monitors the reliability of financial reports, while also working to enhance group governance by directly auditing the business operations of departments within the group on a regularly basis. Any problem points discovered during the audits are reported to the president and the audit and supervisory committee as appropriate, and the necessary countermeasures or improvements are implemented.

## Compliance

Our corporate philosophy of “corporate openness” means that executives and employees respect the individuality and abilities of one another, and that company actions are fair and transparent. Other companies within the group are also using this philosophy as a basis for their business activities.

This philosophy is something that needs to be realized through the everyday actions of each Kagome group executive and employee. As such, we established the “Kagome Code of Conduct” as a set of action guidelines, and are making sure that these are observed by all executives and employees in the group.

## Directors



Chairman of the Board of Directors  
**Hidenori Nishi**



Director & Senior Managing Executive Officer  
Director of Corporate Planning Division  
**Yoshihide Watanabe**



Director & Managing Executive Officer  
Responsible for Business Process Redesign  
Also President of Kagome Axis Co., Ltd.  
**Hirohito Kodama**



President & Representative Director  
**Naoyuki Terada**



Director & Senior Managing Executive Officer  
Director of Production & Purchasing Division  
**Katsuyuki Miwa**



Director & Managing Executive Officer  
Director of International Business Division  
**Masahiro Sumitomo**

## Outside Directors



President, Kondo Research Institute of Cultural and Foreign Affairs Formerly with Japan Ministry of Foreign Affairs (Special Envoy for reform of the UN Security Council)  
**Seiichi Kondo**



Vice Chairman, IBM Japan Co., Ltd.  
**Takayuki Hashimoto**



President, Marutomo Co., Ltd.  
**Miyo Myoseki**

## Directors that are Audit and Supervisory Committee Members



Director, Standing Audit and Supervisory Committee Member  
**Mutsuhisa Kanie**



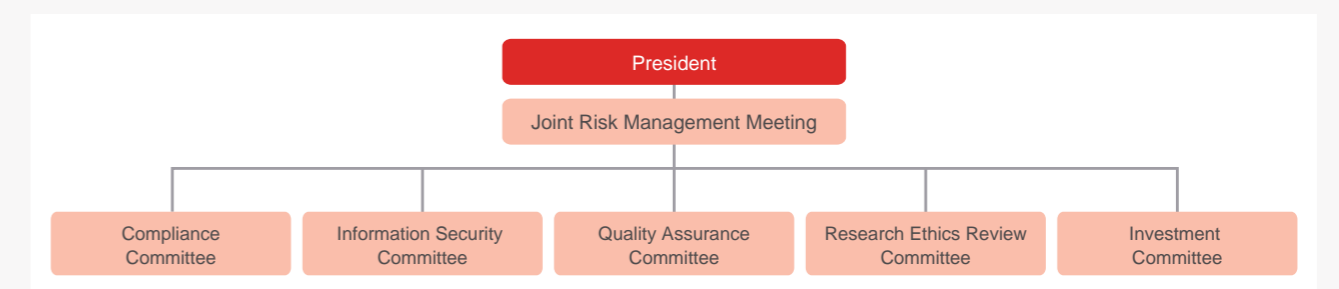
Outside Director, Audit and Supervisory Committee Member / President of Morihiro Murata Accounting Office  
**Morihiro Murata**



Outside Director and Auditor / Partner at law firm Nishimura & Asahi  
**Hiroshi Mori**

## Risk Management Structure

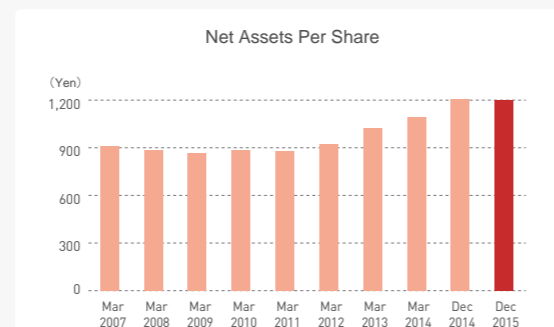
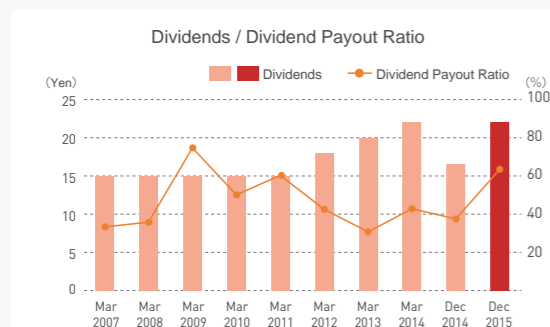
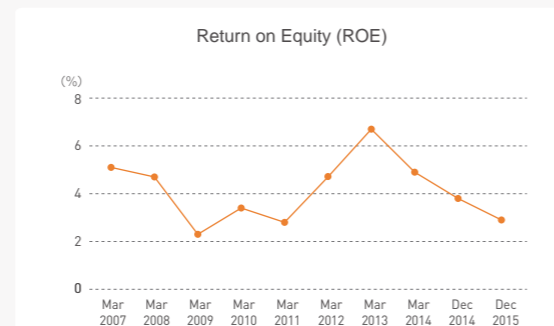
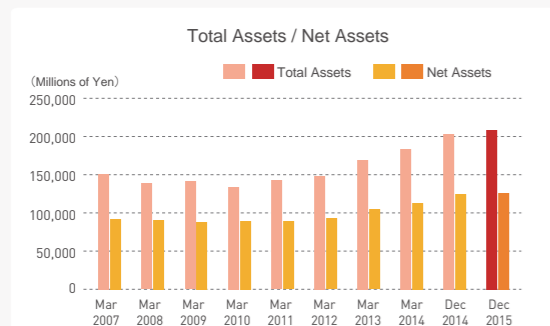
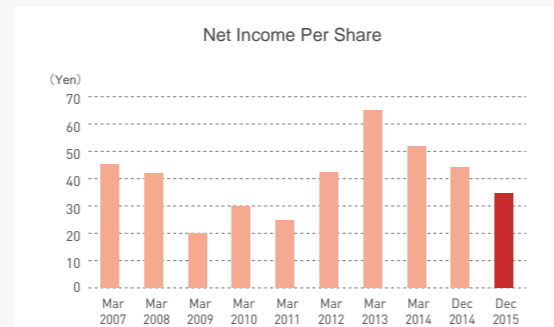
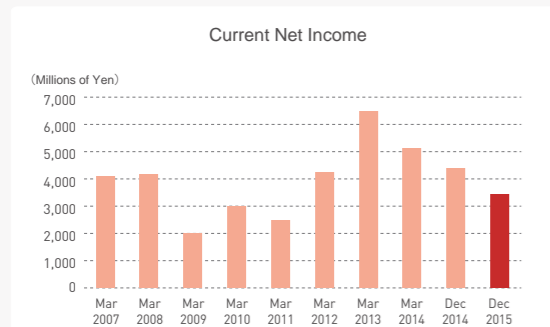
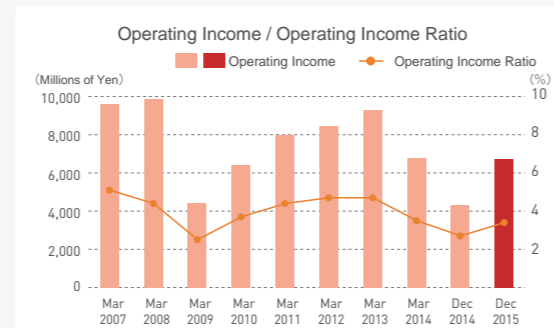
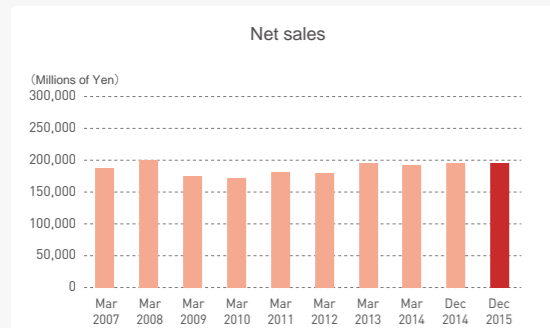
Kagome has installed five committees to make the risk management structure more complete, and has established the Joint Risk Management Meeting as a central body for the management of risk. The aim of this meeting is to facilitate quick decision making. The president serves as chairman of the Joint Risk Management Meeting, and members of the management meeting discuss policies for handling risk and important risk-related issues.



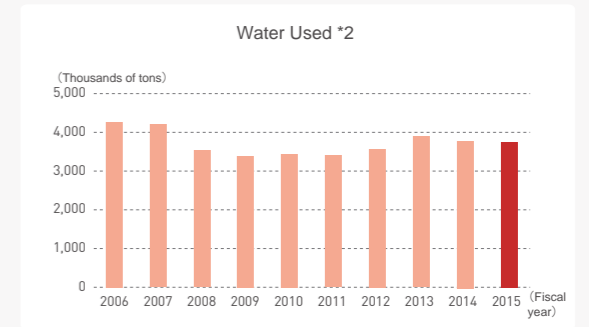
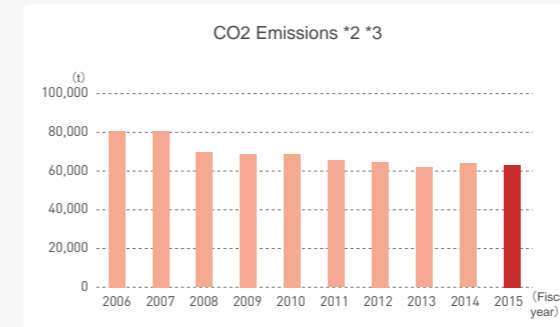
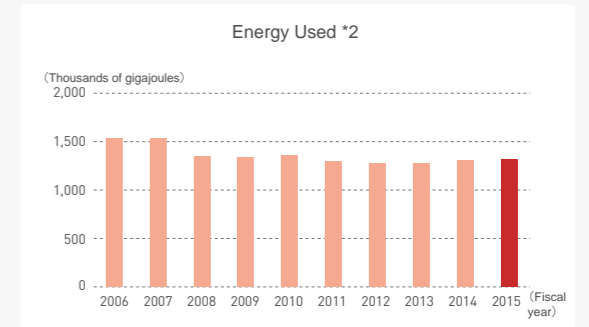
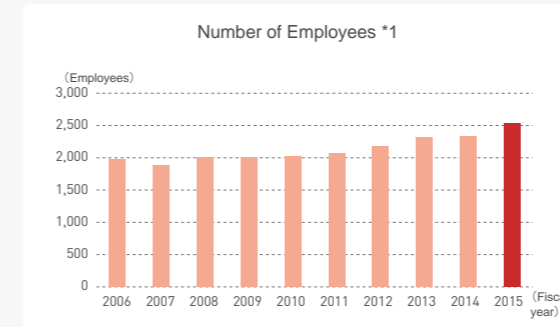
# Financial and Non-Financial Performance

## Consolidated Financial Performance

\*The accounting period was changed in 2014, and the 2014 fiscal year only covers the nine month period from April 1st until December 31, 2014



## Consolidated Non-Financial Performance



\*1 Scope: Kagome Group \*2 Scope: Kagome Co., Ltd. + group companies within Japan (Kagome Axis, Kagome Distribution Services, 4 greenhouse farms) Fiscal accounting periods are calculated as April through March for fiscal 2006 through 2014, and January through December for fiscal 2015 (change of accounting period).  
\*3 Company management fixed coefficient of 0.421kg-CO<sub>2</sub>/kWh was used as the electricity conversion factor for calculated values of CO<sub>2</sub>

## Company Overview (As of April 2016)

Founded	1899	Main consolidated subsidiaries  Kada Green Farm Co.,Ltd. Hibikinada Green Farm Co.,Ltd. Iwaki Onahama Green Farm Co.,Ltd. Kagome Axis Co., Ltd. Kagome Distribution Service Co., Ltd Kagome Inc. United Genetics Holdings LLC Vegetalia S.p.A. Holding da Industria Transformadora do Tomate, SGPS S.A. (HIT) Taiwan Kagome Co., Ltd. Kagome (Hangzhou) Food Co., Ltd. Kagome Australia Pty Ltd. Preferred Brands International, Inc.
Established	1949	
Head Office	3-14-15, Nishiki, Naka-ku, Nagoya, Aichi Phone: +81-52-951-3571 (Main) Fax: +81-52-968-2510	
Tokyo Head Office	Nihonbashi-hamacho F-Tower, 3-21-1 Nihonbashi-hamacho, Chuo-ku, Tokyo Phone: +81-3-5623-8501 (Main) Fax: +81-3-5623-2331	
Capital	19.985 billion yen	
Number of Employees	2,569 (consolidated)	
Places of Business	Head Office, Tokyo Head Office, 1 division office, 8 branches, 7 plants, the Innovation Division	
Description of Business	Production and sales of food seasonings, preserved foods, beverages, and other food products; purchasing, production, and sales of seedlings, fruits, and vegetables	

### Changes in Reporting and Future Developments

Environmental Report, fiscal 1999	Sustainability Report, fiscal 2013
Social & Environment Report, fiscal 2005	Kagome Story (company brochure), fiscal 2016
CSR Activity Report, fiscal 2010	Kagome Integrated Report (scheduled), fiscal 2018

### CSR Information Guide

For information related to CSR, please visit the site below.  
<http://www.kagome.co.jp/company/kankyo/index.html> \* To be released around summer 2016.



**KAGOME CO.,LTD.**

Head Office / 3-14-15 Nishiki, Naka-ku, Nagoya, Aichi 460-0003 Japan  
Tel +81-52-951-3571

Tokyo Head Office / Nihonbashi-hamacho F-Tower, 3-21-1 Nihonbashi-hamacho, Chuo-ku, Tokyo 103-8461 Japan  
Tel +81-3-5623-8501

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