



KAGOME
S T O R Y
2017



Japanese diets have been short on vegetables. We want to solve that problem.

Some people are short on time. Others do not like vegetables. For these reasons and more, Japanese diets have not included enough vegetables, and the problem is getting worse each year. At Kagome we are doing everything we can to overcome this problem, expanding our business domain to include not only beverages, food products, and products for institutional and industrial use, but also direct marketing and agri-business as well. Providing vegetables in a variety of forms, we will contribute to longevity and good health by making it easy for people to always incorporate vegetables into their daily diets.



Beverages



Food products



Agri-business



Institutional and industrial



Direct marketing



Using food as a means to resolve social issues, we aim to be a strong company capable of sustainable growth

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

In the mid-term management plan that Kagome embarked upon last year, we set our sights on becoming a “Strong company capable of sustainable growth, using food as a means to resolve social issues.” As a company that is unique in the world with a streamlined value chain of production, processing, and sales that start at the farms, we will work to give people longer, healthy lives, promote agricultural development and regional revitalization, and tackle world food problems.

We are now also presenting our vision of transformation from a “tomato company” into a “vegetable company.” We supply the market with a variety of different products, currently producing roughly 30% of the tomatoes and 12% of the green and yellow vegetables consumed annually in Japan. Still, the Japanese diet is falling seriously short of the target level of vegetable intake. This is particularly why we continue to bring all kinds of innovative new products to the market one after another that utilize the value of vegetables, in addition to tomatoes. We hope to build sustainable growth by helping people live healthy lives.

Our corporate philosophy at 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 how we deal with turbulently changing environments. We will spare no effort to enable ourselves to deliver products and services with value.

We hope for your understanding and support.

Kagome Co., Ltd. President and Representative Director

Naoyuki Terada

Kagome by the 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



Tomato ketchup

60.8%

*Pictured is a representative product in this category.



Tomato juice

61%

*Pictured is a representative product in this category.

Share of the Japan market



Mixed vegetable juice

46.7%

*Pictured is a representative product in this category.



Mixed vegetable and fruit juice

54.6%

*Pictured is a representative product in this category.

Source: Intage SRI/Period: January through December 2016/Based on monetary amount
Geographic area: All of Japan/ Sales settings: Supermarkets, drug stores & convenience stores
Also includes: Dry & chilled, and the tomato juice category

TOPICS 3

Around 7,500 varieties

* Around 70 varieties are registered

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




Varieties of tomato genetic resources



TOPICS 2

Roughly 12%

Kagome supplies roughly 12% of the green and yellow vegetables consumed in Japan

Vegetables consumed in Japan

15.1 million tons

Green and yellow vegetables consumed in Japan

4.15 million tons

Green and yellow vegetables supplied by Kagome

494,000 tons

Percentage of the green and yellow vegetables in Japan supplied by Kagome

	28.8%	Japan consumption: 1.11 million tons Supplied by Kagome: 320,000 tons
	22.1%	Japan consumption: 770,000 tons Supplied by Kagome (orange): 170,000 tons
	2.2%	Japan consumption: 180,000 tons Supplied by Kagome: 4,000 tons

Food Balance Sheet (fiscal 2014 version) and Statistics on Production and Shipment of Vegetables (2014), Ministry of Agriculture, Forestry and Fisheries
“Trade Statistics of Japan” (2014), Ministry of Finance *Amounts supplied by Kagome are from 2014 results

TOPICS 4

Around 3,460,000 people

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”

Dietary Education Assistance

to teach parents and children the importance of food and health, and have distributed free invitations to as many as 3,460,000 people to this point. We also 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

193,091 shareholders

* As of the end of 2016

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. Kagome now overwhelmingly has the largest shareholder support base in the industry, with roughly 200,000 shareholders. We proactively listen to what shareholders have to say, and put it to use in developing products and planning events.

Number of individual shareholders



Gifts for shareholders

Individual shareholder ratio
99.6%

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Expanding the Fresh Vegetables Business

With our lineup of cutting edge technology, our fresh vegetables business is turning agriculture into a growth sector.

Our fresh tomatoes business is invigorating fresh vegetable markets with focus on high-lycopene tomatoes, while at the same time developing new varieties of tomatoes. We are also expanding our range of business domains from being a “tomato company” to being a “vegetable company” by growing both the sales area and the product lineup for packed salads and baby leaf lettuce.



Large high-tech greenhouses help us provide a stable supply of tomatoes (pictured is Iwaki Onahama Green Farm Co., Ltd.)



The “Kokumi Ladies” who inform customers of the value we provide



Baby leaves have higher nutritional value than full-grown lettuce

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. With uniform environments and uniform management operations within the greenhouses, we also achieve consistent shipment volumes and high yield per unit area throughout the year, employing techniques such as three-dimensional modeling that maximize yield per unit area. We have large high-tech greenhouses in 14 locations across Japan, which employ clean energy and carbon dioxide treatment, conserve water, and are friendly to 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

As the aging of society continues and lifestyles also change, we see bigger markets each year for processed vegetable products such as salads and cut vegetables that require less effort for food preparation. 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 highly functional vegetables such as sprouted soybeans, kale, and sprouts. We will help make meals more colorful and people healthier. We will also proactively create fresh vegetable markets that are appealing for retailers and consumers, such as Italian vegetable and functional vegetable corners.

TOPICS 3

Boosting sales of baby leaf lettuce

Baby leaf lettuce was the first vegetable product that Kagome sold other than tomatoes. It is a highly functional vegetable with fiber, calcium, iron, vitamin A, and other nutritional components in excess of the standard values for nutritional intake shown on food labels in Japan. Baby leaf lettuce is also now known to include more polyphenol and beta carotene than full-grown lettuce. This year we launched operations at Takane Baby Leaf Green Farm Co.,Ltd. in Hokuto, Yamanashi Prefecture. Strengthening our supply system and our sales, we will be rolling out new recipe suggestions. At the same time, we will be developing new ready-to-eat items to bring appealing products to our customers.

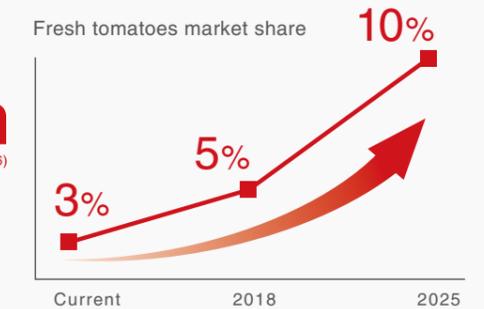


Baby Leaf Lettuce

Three-pronged plan to continue agri-business growth

Highest ever yearly sales **11.5 billion yen** (FY2016)

Kagome agri-business continues to grow with fresh tomatoes, packed salads, and baby leaf lettuce as its three main pillars. We posted yet another record sales year in FY2016, and forecast even more growth into the future.



Agricultural development and regional revitalization

Supporting agriculture and helping communities achieve sustainable growth.



In communities where the workforce is dwindling and the population is super-aging at alarming rates, thinned infrastructure for agricultural production is becoming a problem. Kagome believes that agricultural development in Japan is the key to revitalization of communities. We will help turn agriculture in Japan into a growth sector.

Partnering with producers and local governments to support agriculture in communities.

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. We will work on connecting producers with consumers by spotlighting the agricultural products that are beloved in local communities and featuring them in products.

[Agreements that Kagome has concluded in communities]

Local Governments & JA	Year Concluded	Description
Hiroshima Prefecture	2012	Setouchi Lemon Agreement
JA Okinawa	2012	Partnership agreement for agricultural products, processing, and sales
Ehime Prefecture	2013	Agreement aimed at revitalizing Ehime Prefecture and communities, while also improving services for prefectural citizens
Ehime Prefecture & Hiroshima Prefecture	2013	"Setouchi" Partnership agreement between the three entities of Hiroshima and Ehime Prefectures, and Kagome
Town of Fujimi (Nagano Prefecture)	2013	Agreement to supply beverages in times of disaster
Kanagawa Prefecture	2013	Agreement on the handling of emergency supplies in times of disaster
Kochi Prefecture	2013	Comprehensive agreement for partnership and cooperation
Tochigi Prefecture	2013	Partnership agreement for production, processing, and sales of agricultural products
City of Hirosaki	2014	Comprehensive agreement for engaging in agricultural development

Local Governments & JA	Year Concluded	Description
City of Tokai (Aichi Prefecture)	2014	Agreement for "Tomatoes for a Healthy City"
Nagano Prefecture	2014	Agreement to engage the 3Rs (Reduce, reuse, recycle) of industrial waste
Kyoto Prefecture	2014	Partnership agreement to be "Tanoshimo Kyo-no-Shokuzai" (English: "Let's Enjoy Kyoto Foods") partner
Mie Prefecture	2015	Comprehensive agreement for partnership and cooperation
Yamanashi Prefecture	2016	Partnership agreement for agricultural development
City of Hokuto (Yamanashi Prefecture)	2016	Partnership agreement for "Development of the local agriculture and economy" with Takane Baby Leaf Green Farm Co.,Ltd. in the city of Hokuto
Town of Fujimi (Nagano Prefecture)	2016	Partnership agreement for regional development
Oita Prefecture	2016	Agreement for comprehensive partnership

* As of September 2016



Our new direct marketing business connects producers with consumers all over Japan.

In addition to the existing "Kenko Chokusōbin" (direct health shipments), in October 2016 the Direct Marketing Department launched the new "Nouen Ouen" (farm support) business brand. There has been heightened interest in communities and agriculture in the area of food. With the "Nouen Ouen" program, Kagome uses this as an opportunity to visit communities all over Japan and make their valuable yet unknown agricultural products available to be embraced by the next generation. We incorporate a storyline along with the agricultural products that local producers have painstakingly produced and the consumer products that Kagome has used them to make. By connecting local producers with consumers through "Nouen Ouen", we hope to help inject life into local agriculture and facilitate regional revitalization.

Energizing Japan with the "Yasai Seikatsu 100 Seasonals Series."

"Yasai Seikatsu 100 Seasonals Series" is the flagship product of the "locally grown, nationally consumed" campaign to consume locally produced agricultural products all over Japan. The series now sells in at least 10 different flavors each year. Kagome will continue to support local agriculture in addition to good health and longevity through collaboration and the pioneering of new vegetables and fruits.



Yasai Seikatsu 100 Seasonals Series (April 2016 to April 2017)

Using food to help people live longer, healthy lives

Paving the way to the future of Japan using the power of vegetables.

Improving modern salt-heavy diets that lack vegetables involves more than just providing products with the functional values of vegetables. We support healthy everyday living by also giving people delicious ways to eat them, and by making them easy to consume.



Fields are the Primary Production Plant

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

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



Tomato ketchup that tastes great and reduces salt by 30% or more

According to the “Dietary Reference Intakes for Japanese*” the reference value of salt intake for males is less than 8.0g per day, and for females is less than 7.0g per day. Male and female adults are said to need a reduction of roughly 30% in their daily salt intake levels. This is where Kagome has zeroed in on the “umami” (savory flavor) component of glutamine acid in tomatoes. We are proposing “Recipes that reduce salt by 30% or more” that use tomato ketchup to replace half the normal amounts of soy sauce or miso in cooking. With our products we support “great taste with less salt.”



* Ministry of Health, Labour and Welfare “Dietary Reference Intakes for Japanese” 2015

We call our professional farmers “field masters.”

Since its founding, Kagome has stayed true to the ideal that good ingredients come from good fields, and has 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 they plant it. Then Kagome employees called “field masters” 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 younger, inexperienced farmers. In this way, Kagome aims to expand the regions in Japan for tomato juice ingredient production in the near future.



Preserving Japanese food culture with “Tomato Pazza”

To draw more attention toward the need for fish in diets as people also become increasingly health-conscious, we are developing and expanding on our new “Tomato Pazza” recipe, which includes our “Kihon no Tomato Sauce” as a base. We are spreading the appeal of our recipes to households and in the institutional and industrial market all over Japan. Response has been great for the simple way to cook up fresh fish and vegetables, as well as the visual presentation. Tomato Pazza is now becoming established as a go-to, easy-to-make tomato dish.

Labeling our longtime bestselling products with functional claims one after another.

With a focus on tomatoes, Kagome has been engaged in research on vegetable nutrition for a number of years, testing out a variety of effects and efficacies. Lycopene has been reported to act in a way that boosts high-density lipoprotein (HDL) cholesterol, so starting last year we began selling our Kagome Tomato Juice (265g, 720ml, and 200ml sizes) and Lycopene Cholest-Fine with functional claims on the labels. Furthermore, GABA coming from vegetables has also been reported to have a reducing effect on higher blood pressures, so we are re-branding our “Kagome Vegetable Juice” in 2017 with functional claim food labeling.



Our 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.



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”

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 that have 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.



Demand creation

Communicate the value of our products to our customers, with value-communicative activities that generate 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.



Japan



United States



Horizontally

Main global locations



Portugal



Australia



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. Kagome aims to use tomatoes and food in general to help solve the various problems the world faces, and become the top 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."

TOPICS 1

Creating 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" in Portugal 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 fundamental preparations by improving local agricultural technology and establishing business models.



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

TOPICS 2

Co-developing cutting-edge technology for cultivation of tomatoes for processing

Starting in March 2015 we began developing leading-edge crop growing technology overseas that utilizes big data for cultivation of tomatoes for processing. Specifically, this system aims for high value-added, environmentally-friendly farming by maximizing harvests. It acquires a wide range of data from weather, soil, and other types of sensors placed in testing fields, as well as from satellites, drones, and other monitoring devices. It also incorporates farming data such as irrigation and fertilizer use. Utilizing all this information, it determines the optimal amounts of inputs such as water, fertilizer and pesticides according to weather conditions and the growth of the tomatoes.



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

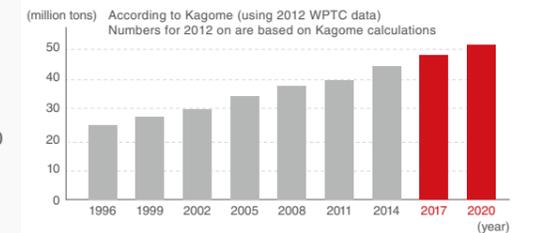
We have joined forces with major foodservice companies that are active globally and are beginning to work on new product development in addition to providing tomato-based products. Kagome is also utilizing findings from "research on the nutritional content and functionality of tomatoes and vegetables" to make "healthy food" possible that can cater to the growing demand for "low sugar, low salt, and low fat." We are also proactively pursuing 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)

Progression of global processed tomato consumption volume, and future forecast

Tomatoes are the most beloved of any vegetable in the world, boasting 140 million tons of global consumption. Tomatoes for processing comprise around 40 million of those tons. Relative to this consumption volume, demand is expected to increase even more as the global population increases. Forecasts call for annual increases of 1 million tons, reaching 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

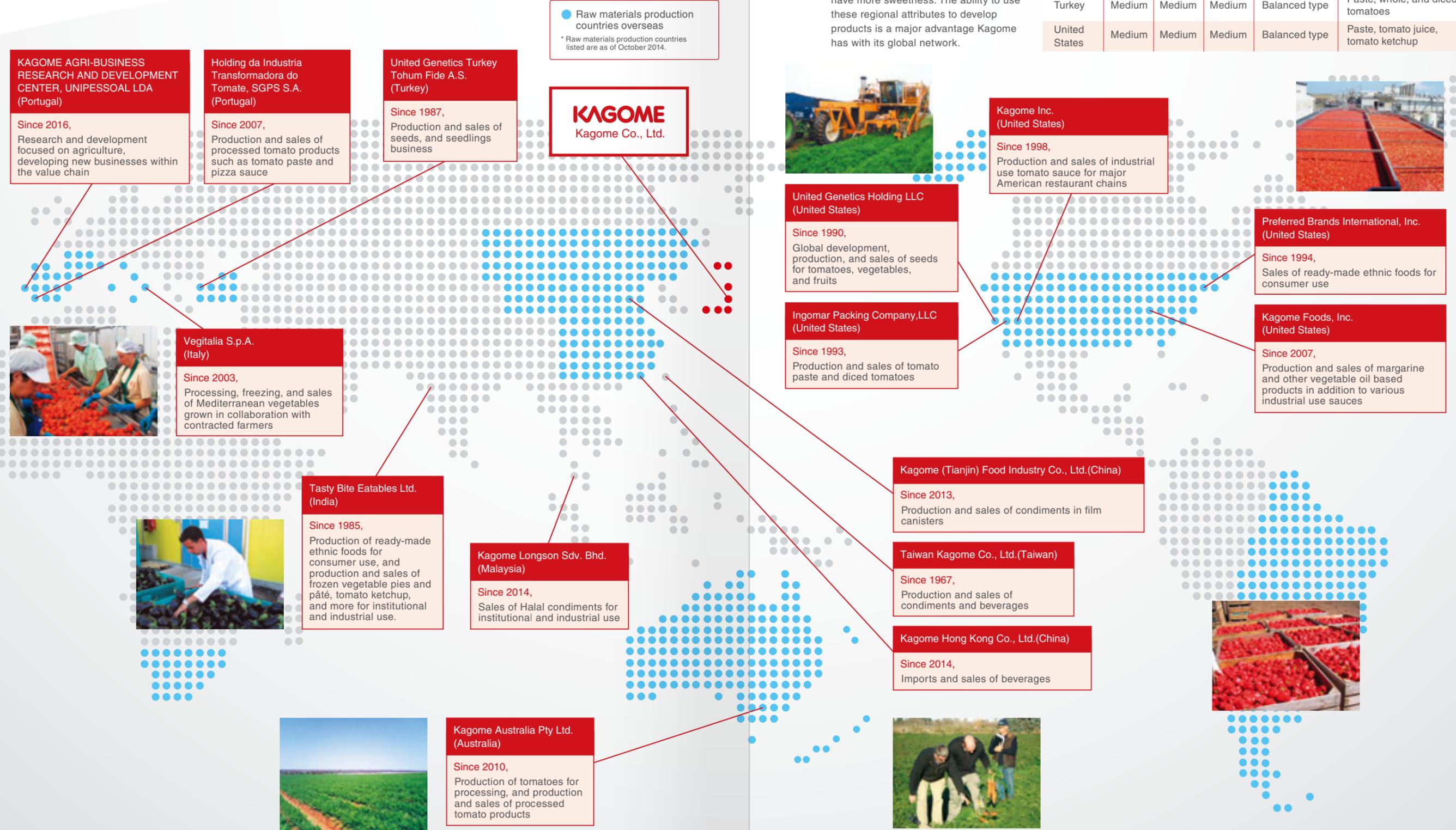
Rank	Company	USD million
1	Kraft Heinz Co	1,639.8
2	Unilever Group	445.9
3	Kagome Co Ltd	232.0
4	Del Monte Pacific Ltd	182.9
5	Nestlé SA	125.2

Processed tomato product sales 3rd Globally

Rank	Company	USD million
1	ConAgra Foods Inc	315.2
2	Del Monte Pacific Ltd	186.8
3	Kagome Co Ltd	104.8
4	Conserve Italia - Consorzio Cooperative Conserve Italia scarl	89.0
5	Desan Trading	70.6

Bringing flavor and health to people all over the world.

In 2005 we had only 2 overseas subsidiaries. About ten years later we had 35*. 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 2017



Product development tailored to the attributes of tomatoes.

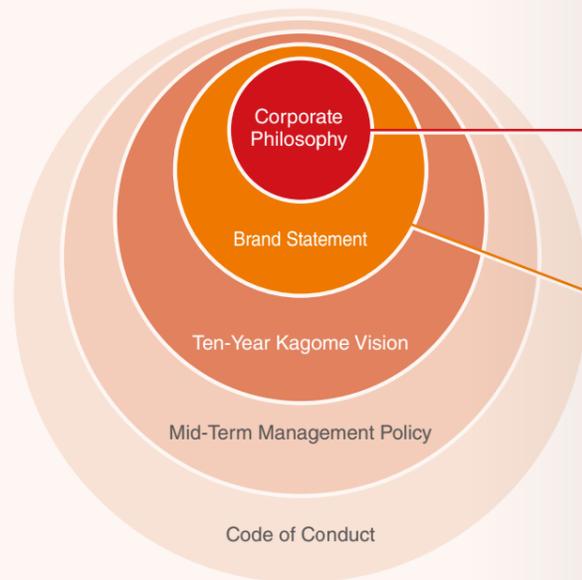
The quality attributes of tomatoes differ greatly by region. For example, tomatoes in Japan and China have tartness, though tomatoes in Chile and Portugal have more sweetness. The ability to use these regional attributes to develop products is a major advantage Kagome has with its global network.

Examples of the places tomatoes for processing are grown, and their attributes					
Produced in	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
United States	Medium	Medium	Medium	Balanced type	Paste, tomato juice, tomato ketchup



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 using 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

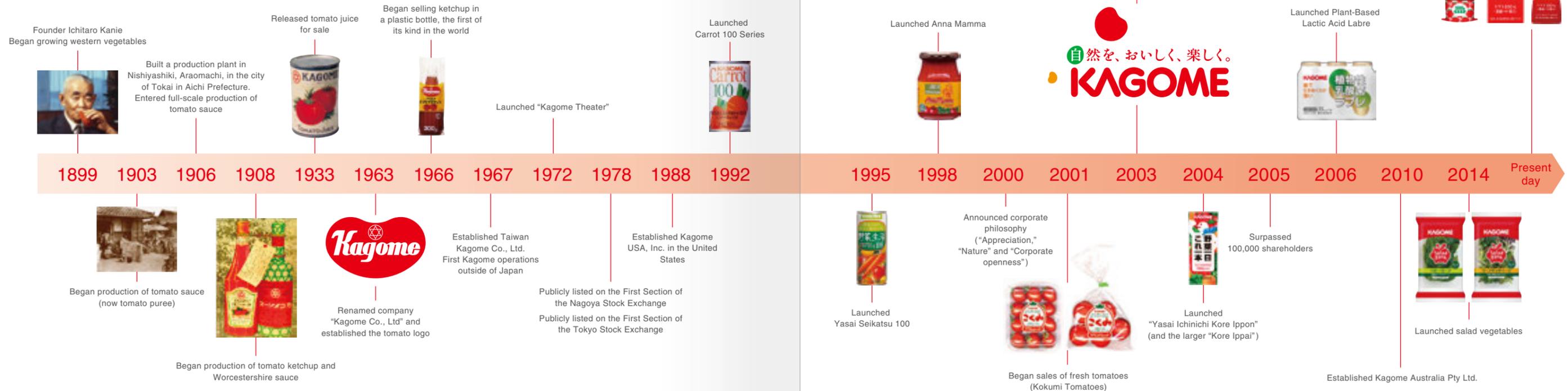
Create new demand for delicious food, paying attention to the needs of our bodies and our planet.



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 the bounty of nature."

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

What we strive for

“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** Agricultural development and regional revitalization **Social issue 3** Food problems

We will utilize the knowledge we have accumulated in the areas of vegetables and health to help resolve social issues in Japan and abroad. In Japan our focus will be on areas with aging societies and shrinking workforces, including health and longevity issues associated with rising costs for medical and nursing care. We will also look to help resolve social problems overseas where food shortages are escalating due to accelerated population growth, inclement weather, and other such phenomena.

Long-term vision

10 years
Shift from a “tomato company” to a “vegetable company”

Kagome has a unique presence as a company that deals in “vegetables” with a variety of food ingredients, categories, temperature ranges, containers, and volumes; and in a wide range of forms from fresh vegetables to juices, condiments, frozen ingredients, and supplements. Refining the value that we provide, we aim to be a “vegetable company.”

20 to 25 years
50% of the workforce consisting of women—from employees to executive officers

Catering to diversifying consumer needs and incorporating a wide range of views based on a diversity approach, we will see things through the eyes of consumers as we push forward with business strategies and activities.

Mid-Term Management Policy (FY2016 to FY2018)

1 Overseas Business

Overseas sales Operating income
53 billion yen **3** billion yen

Overseas sales ratio
25%

Work With Global Foodservice
We will expand 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
14 billion yen **700** million yen

Fresh Tomatoes
Invigorating functional fresh vegetable corners with focus on high-lycopene tomatoes, which show increasing sales. Also initiating new tomato variety development.

Packed Salads
As our sales area expands, we are bolstering our lines of products that utilize new highly functional vegetables such as germinated soybeans, kale, and sprouts along with the expansion of our sales area.

Baby Leaf Lettuce
Offering more appealing products to our consumers by developing pre-prepared ready-to-eat food products.

3 Domestic Business

Domestic business sales Operating income
153 billion yen **9.5** billion yen
* Excludes agri-business * Excludes agri-business

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

Food Business
We are also ambitiously taking on the new business categories of fresh seasonings and fresh prepared foods, which leverage the freshness of vegetables. We also released reduced-salt menu items that incorporate tomato ketchup.

Reform the way we work, reform our earnings structure

Promoting diversity

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

Optimizing logistics

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 make advancements in the way we manage new product introductions and phase-outs of existing products (product quantity optimization).

Standardizing operations and boosting productivity

We established Kagome Axis Co., Ltd in 2016 in order to aggregate and standardize remote operations such as finance and accounting, general affairs, and information systems, which had been decentralized in the group of companies up to now. This would also facilitate improved operation efficiency of the group as a whole. As an independent company Kagome Axis will pioneer new ways to work, making the entire Kagome group stronger.

Initiatives to improve societal enterprise value

Healthy management

We will develop systems to promote healthy management throughout the company, to become a “company with a healthy mind and a healthy body” that is fit to give 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.

Starting in 2016 we transitioned to a corporate structure with an audit and supervisory committee, aiming to build the optimal system of corporate governance. We will further boost the value of our company by building a governance system that can deliver 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 Creating new categories and business models, and enhancing profitability

In addition to developing our fresh beverage “GREENS” we will build up our arsenal of salad ingredient products, with a focus on baby leaf lettuce. We will also create business models and other initiatives that cater to communities and elderly citizens.

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 build deep connections 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 for resolving issues in retail and distribution.

Key Issue 5 Transforming the way we work. Transforming our profit structure

Our 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 our optimal governance system, ensuring safe and reliable quality, healthy management, and dietary education.

Key Issue 7 Optimal allocation of resources

Whether in Japan or overseas, we will set priorities for potential 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,” we aim to achieve sustainable growth and improve the mid-to-long term value of the company. We acknowledge corporate governance to be a critical management issue toward these objectives.

Our company considers further strengthening of “autonomy” complemented by “subordination” to be the fundamentals of our corporate governance. We will ensure objectivity and transparency, forming a basis by designing our own concept of corporate governance adapted to the present day, while incorporating diverse outside viewpoints by working to attract more “Kagome Fans” (shareholders) and leveraging the function of external directors among other things.

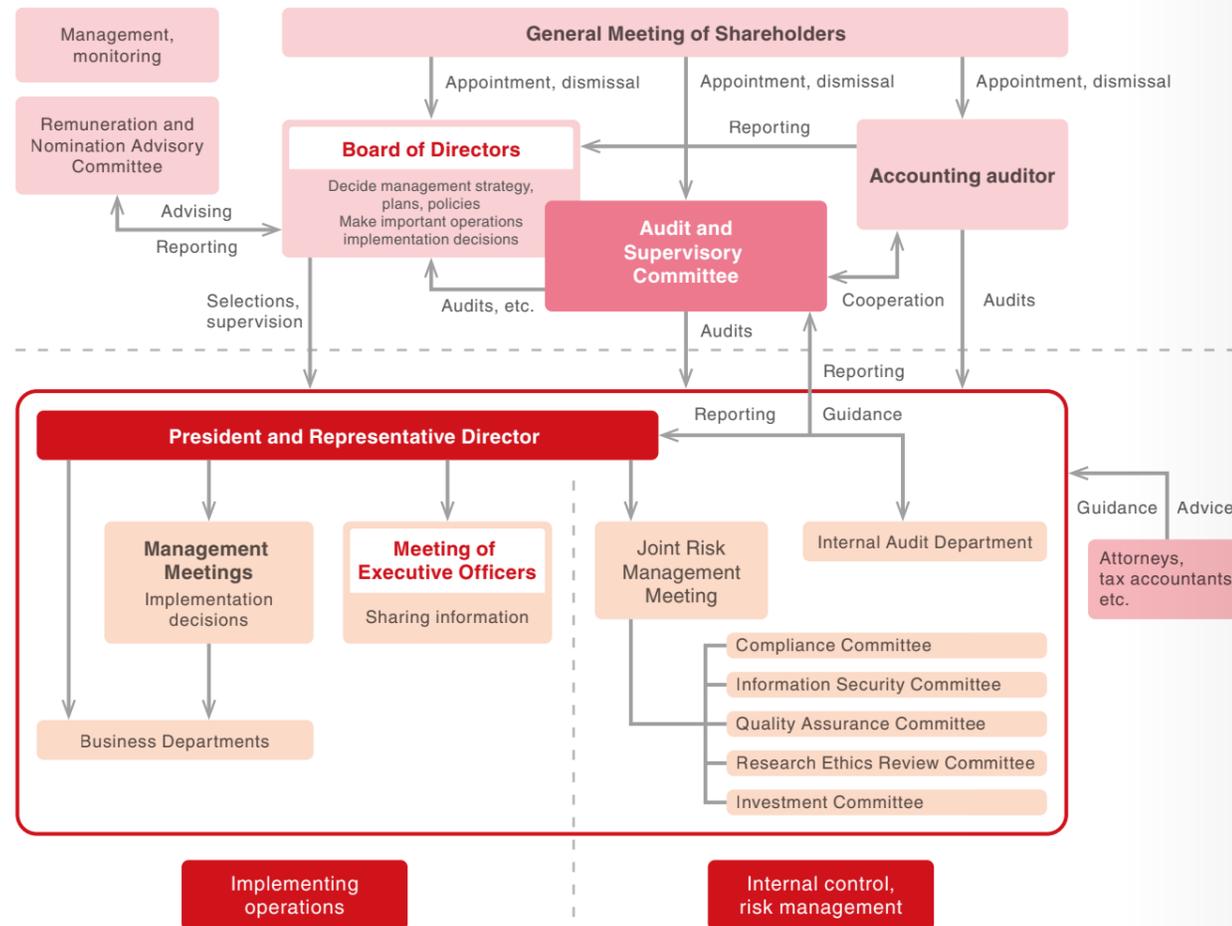
We aim to deliver a high degree of accountability and achieve true “corporate openness” in our interactions with stakeholders, while employing the unique attributes and originality of Kagome.

On March 25th of 2016, we transitioned to a governance structure

with an audit and supervisory committee. 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 are to decide our management strategy and policies, and monitor their implementation. This is boosting our effectiveness with improved, enhanced advisory and supervisory functions. The audit and supervisory committee uses internal control systems to audit the legality and appropriateness of the operations implemented by board members.

Under our executive officer system we are using set criteria to delegate implementation responsibilities and authority to our departments. Deliberations in management meetings also produce clear allocations of responsibilities, while enabling us to make decisions in an expedient manner.

Corporate Governance Organizational Chart



Directors



Chairman of the Board of Directors
Hidenori Nishi



President & Representative Director
Naoyuki Terada



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



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



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



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



Visiting Professor, Nippon Veterinary and Life Science University
Hidemi Sato

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.

Compliance

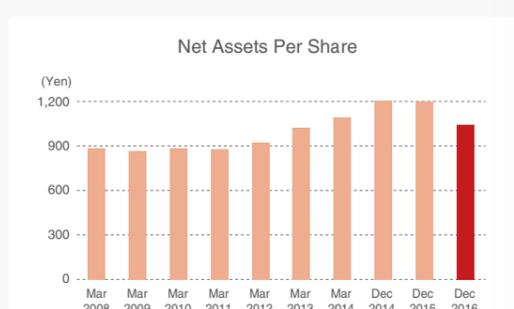
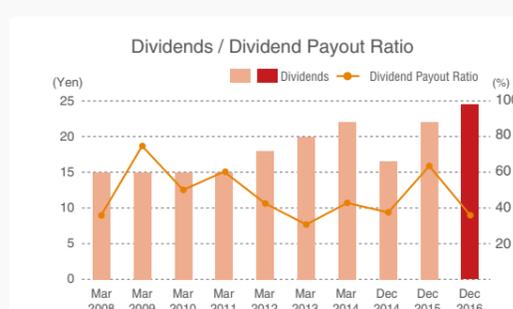
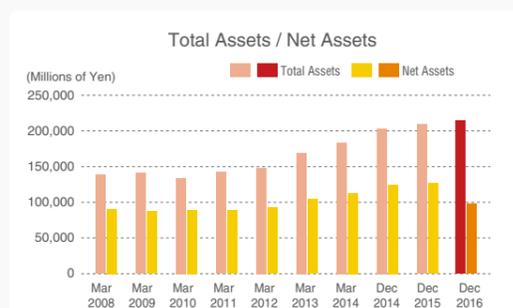
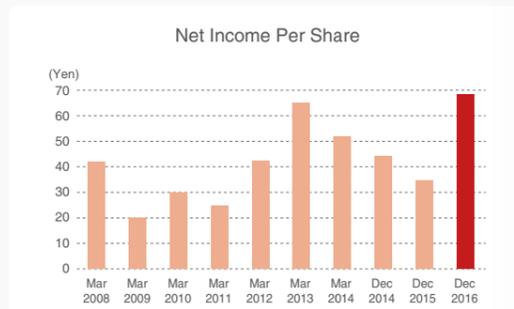
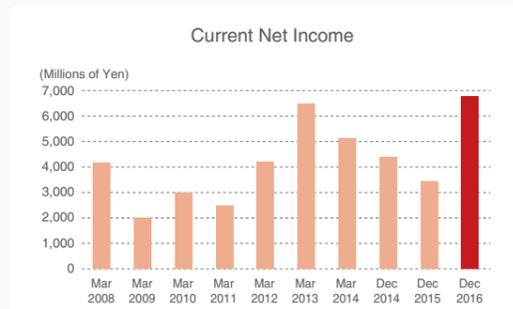
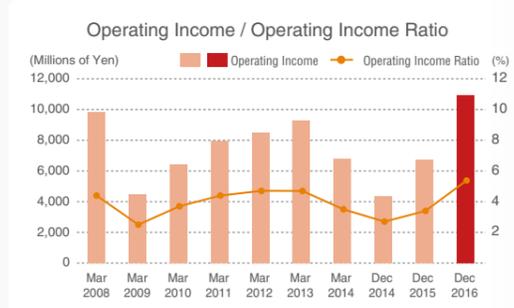
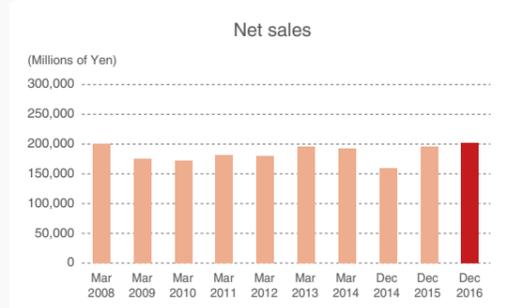
Our corporate philosophy of “corporate openness” means that executives and employees respect the individuality and abilities of one another, and that company actions are fair and transparent. Other companies within the group are also using this philosophy as a basis for their business activities.

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.

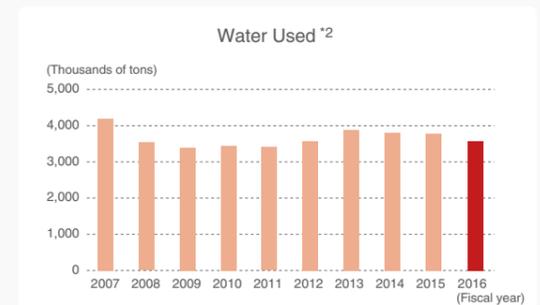
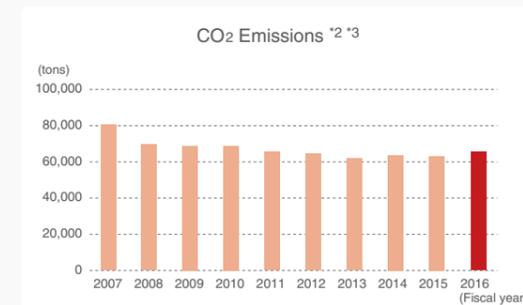
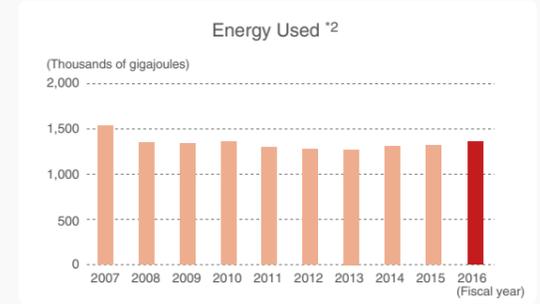
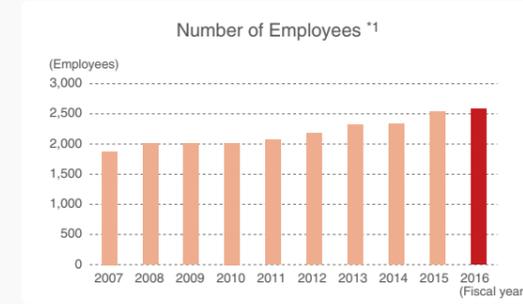
Financial and Non-Financial Performance

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 Service, four greenhouse farms) Fiscal accounting periods are April through March for fiscal 2007 through 2014, and January through December (change of accounting period) for fiscal 2015 and 2016.
 *3 Company management fixed coefficient of 0.421kg-CO₂/kWh was used as the electricity conversion factor for calculated values of CO₂

Company Overview (As of April 2017)

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 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	2,621 (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	

CSR Information Guide

For information related to CSR, please visit the site below.
<http://www.kagome.co.jp/company/kankyo/index.html>



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