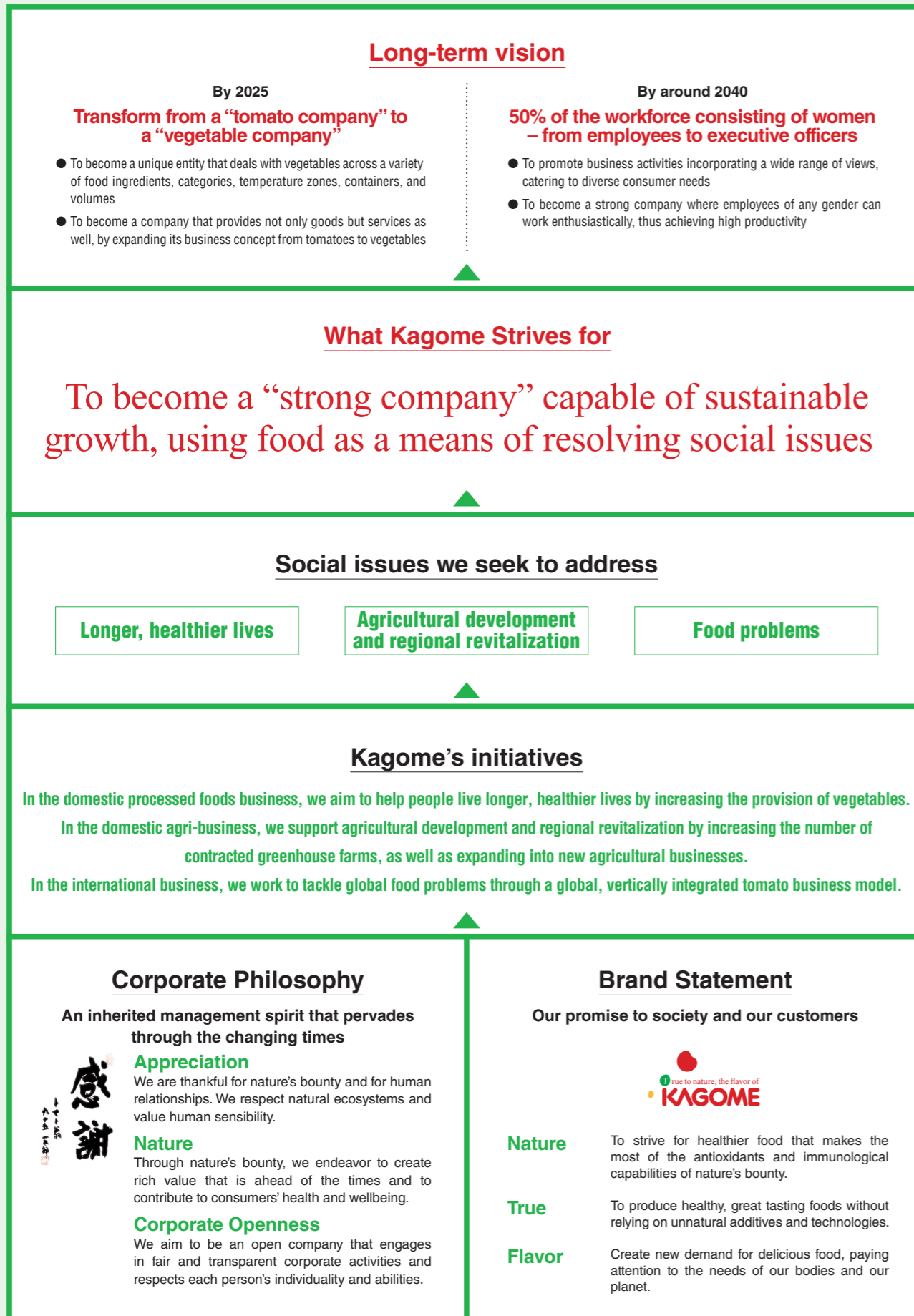


Integrated Report 2018



KAGOME



Contents

Kagome Co., Ltd.
Integrated Report 2018

Editorial Policy

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

Website
<http://www.kagome.co.jp/company/>

Target Period

This document covers the period from January 1, 2017 to December 31, 2017. However, some portions of this document contain matters related to activities outside this defined period. The scope of this document covers the activities of Kagome Co., Ltd. and its consolidated subsidiaries, but there are items that only pertain to Kagome Co., Ltd.

Referenced Guidelines

This Report is prepared with reference to the International Integrated Reporting Framework issued by the International Integrated Reporting Council (IIRC). Moreover, our CSR activities are reported on our website, and highlights are included in the ESG section of this report.

[Notes regarding forecasted information]

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

02

Kagome and Tomatoes

- 02 Kagome meets tomatoes
- 04 Kagome’s business of tomatoes for processing
- 08 Tomato production, processing and sales facilities around the world
- 10 Potential of tomatoes for processing and the outlook of Kagome’s business



12

Outline of Kagome

- 12 Kagome’s History of Creating Value
- 14 Value Creation Process
- 16 Recognizing external conditions, risks and opportunities
- 18 Kagome’s Strengths
- 19 Kagome’s Revenue Structure

20

Kagome’s Plans for the Future

- 20 Naoyuki Terada, President and Representative Director
Creating a cycle of sustainable growth and solving social issues, and become a social company that is resilient to change



26

Strategies for Achieving Sustainable Growth

- 26 Efforts to resolve social issues and generate demand through the creation of new value
- 28 Domestic Processed Food Business
- 30 Domestic Agri-Business
- 32 International Business
- 34 Research and Development
- 36 Strengthening Our Foundation for Value Creation
- 38 Quality and Environment
- 41 Sustainable Procurement
- 42 Diverse Human Resources
- 43 Bonds with Society



44

Kagome’s Management

- 44 Directors
- 46 Roundtable Discussion of External Directors
The Board of Directors Reflects on the Past Year
- 49 Corporate Governance
- 53 Compliance
- 55 Handling Different Types of Risk
- 57 Our Responsibility to Shareholders and Investors



58

Financial Performance/Company Information

- 58 Key Financial and Non-Financial Data
- 60 Yoshihide Watanabe Director & Senior Managing Executive Officer
Proactive investment in creating a foundation for sustainable growth for 2019 and beyond
- 63 Business Performance and Financial Analysis (Fiscal Year 2017)
- 65 Consolidated Financial Statements
- 68 Company Information



Kagome meets tomatoes

The Founder, Ichitaro Kanie, Who Believed in the Potential of Tomatoes

1899
Ichitaro observes the germination of a tomato.

Tomatoes were first introduced to Japan in the mid-17th century. At the time, they were treated not as food but as a rare ornamental plant in Japan. It was only in the Meiji period (1868 – 1912) that tomatoes began to be consumed as food. This occurred after tomatoes were reintroduced from Europe and the United States together with other Western vegetables such as cabbages, onions, asparagus, and carrots. Ichitaro Kanie, who founded Kagome, returned to Japan after completing his duties in the First Sino-Japanese War (1894 – 1895) and began growing Western vegetables after being inspired by his superior's words in the Army. Tomatoes were included among these vegetables; however, their grassy smell and unfamiliar bright red color did not appeal to consumers. Tomatoes were the only vegetables that did not sell at all for the first four years and were left to rot in the fields, causing serious problems.



“Souka Shasei Zukan” by Kano Tanyu (Tokyo National Museum) Image: TNM Image Archive



Ichitaro Kanie (1904)

Ichitaro launches a tomato processing business.

Ichitaro still did not give up, however. At the agricultural experiment station in Aichi Prefecture where he worked temporarily to learn tomato cultivation techniques, he heard that in the United States, tomatoes were being used after processing. He immediately obtained a bottle of imported tomato sauce from a Western-style hotel and created a prototype through trial and error with his family. They peeled, simmered, and strained the tomatoes, and bottled the result. This was how they created the bright red tomato sauce. In July 1903, the tomato sauce that Ichitaro made in his barn at home was shipped out for the first time. Its color, which was more attractive than that of imported tomato sauce, and its fresh flavor appealed to consumers, and Ichitaro's business started out smoothly.

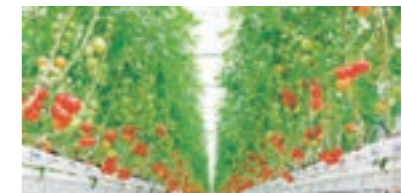
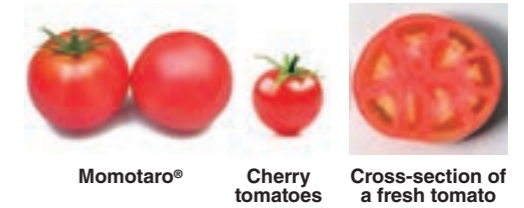


First factory and tomato straining (around 1910)

Difference between Fresh Tomatoes and Tomatoes for Processing

Fresh Tomatoes

Japanese people like to eat tomatoes uncooked. The reason is that tomatoes with pink flesh such as the Momotaro® tomato, which is suitable for eating raw, have been grown since the Meiji period, and many varieties have been created through improvements. Tomatoes with a variety of characteristics such as different sizes and flavors and high nutritional content such as lycopene and GABA are now sold, and varieties with red flesh are also sold as fresh tomatoes. They are grown by putting up supports in lanes or greenhouses (cultivation using supports).



Grown in a greenhouse

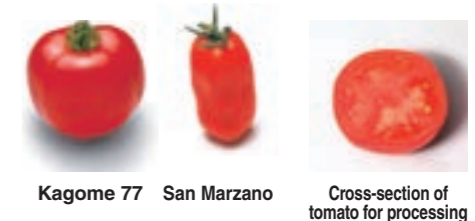


Fresh tomato dish



Tomatoes for processing

Tomato varieties for processing in Japan must adhere to the standards established by the Ministry of Agriculture, Forestry and Fisheries, which include that the tomatoes must be fully ripened, their red color must be brighter than the standard red plate, and their lycopene content must be 7 mg or higher per 100 g. The most distinct characteristic is that the skin is strong and the flesh is dense and difficult to squash, sufficient to withstand transportation in a container. Tomatoes for processing are cultivated without supports. They are grown by letting the stems crawl along the ground without using supports, which saves the labor of the producers and allows large-scale planting.



Grown under a large amount of sunlight



Tomatoes for processing are used for tomato juice, canned whole tomatoes, pizza sauce, etc.

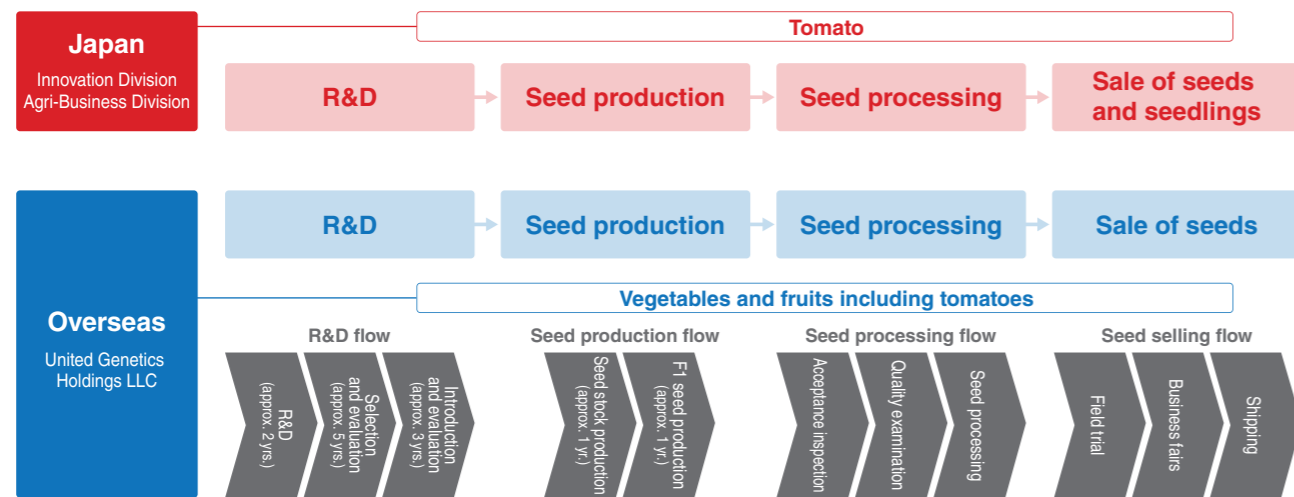
Kagome's business of tomatoes for processing

The most upstream part of the vertical integration business model. Kagome develops tomato varieties internally and sells seeds in 85 countries around the world.

Developing varieties and selling seeds



Kagome's research division in Japan stores a large amount of genetic resources, including 7,500 types of tomato seeds, and creates databases. Using these resources, we develop tomato varieties without using genetic modification technology. Kagome's subsidiary, United Genetics Holdings LLC (U.S.), develops and produces seeds of tomatoes and other vegetables and fruits and sells them in 85 countries around the world.



Varieties are developed through crossbreeding by forecasting market demand for several years into the future.

Because variety development takes at least five years, Kagome forecasts market demand for several years in the future, identifies flavors, traits, and pest resistance, etc. of tomatoes for processing that match the forecasts, and determines the specifications of parent varieties to produce such varieties. We then crossbreed the parent varieties created by collecting and combining genetic resources that potentially meet these specifications and produce a large number of new variety candidates. The new variety candidates are narrowed down by being repeatedly evaluated and improved at multiple facilities over several years, and the varieties that are ultimately selected are commercialized. The seeds (F1) that have been developed through this process undergo careful quality examinations and necessary sterilization, processing, etc. and are subsequently shipped out.

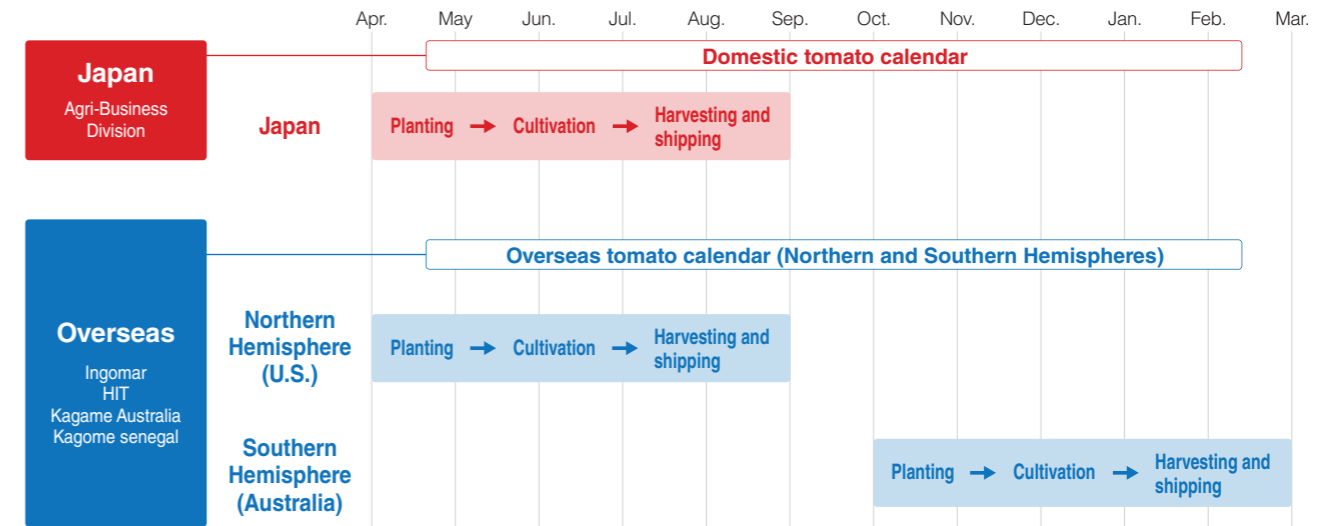


We are growing tomatoes for processing around the world. We operate agriculture with high safety standards based on the quality awareness that "fields are the primary production plant."

Agriculture



Kagome procures tomato products such as tomato paste from around the world. Kagome field masters who support the producers of tomatoes for processing that become the ingredients for such products strictly inspect the growth of tomatoes and agrochemicals used and maintain stable and safe cultivation.



Stable procurement by combining cultivation areas in the Northern and Southern Hemispheres

A system of stably procuring ingredients from around the world is required for selling tomato products all year round. The areas that are suitable for cultivating high-quality tomatoes are concentrated at latitudes 35 degrees north and 40 degrees south, which are called the tomato belts. Kagome's tomato production bases are distributed around these tomato belts in the Northern and Southern Hemispheres. The harvest season starts around July in Spain, Portugal, Italy, the U.S. (California), and Japan in the Northern Hemisphere and around January in Australia, Chile, and other regions in the Southern Hemisphere. Kagome has established stable procurement networks by combining production areas with different cultivation periods.

Yields of tomatoes for processing in Japan and overseas subsidiaries

Unit: tons

	2016	2017	2018
Kagome	19,399	18,944	17,300*
HIT	395,583	430,538	380,000*
KAU	236,612	157,299	177,237
Senegal	-	-	1,586

* Plan

Kagome's business of tomatoes for processing

Producing tomato paste that becomes the base for all tomato products to meet users needs

Primary processing



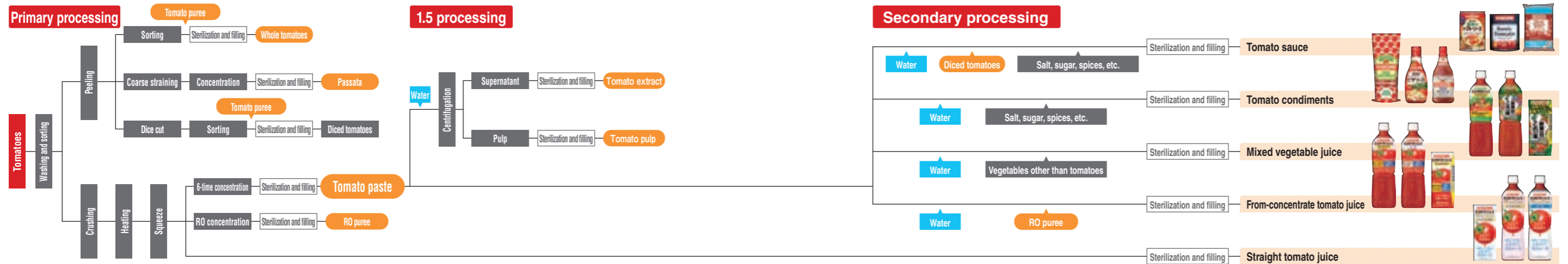
Primary processing is the process of changing raw tomatoes into manageable forms, which are broadly divided into two: making puree or paste after squeeze and concentration or processing without squeeze to maintain the tomato shapes. Tomato paste becomes an ingredient for various tomato products. Whole tomatoes that maintain their tomato shape and cut tomatoes are used as ingredients in a wide variety of dishes. Kagome maintains an extensive range of tomatoes for processing, including varieties and cultivation areas, and advanced production technology to meet the demand of consumers around the world.

From tomato juice to salsa sauce Providing a large variety of products that maximize the value of tomatoes

Secondary processing



A variety of tomato products can be made from the tomato paste produced in the primary processing. In the secondary processing, we manufacture a wide range of products, from condiments such as tomato ketchup and tomato sauce to beverages such as tomato juice and vegetable juice that utilize the flavor of tomatoes by adding flavorings and other ingredients to tomato paste.



High value provided by combining tomato cultivation areas, heating methods, and containers


Sweetness, sourness, taste, etc. in tomato flavors vary among cultivation areas in different countries and varieties. Tomato paste that becomes the base for many tomato products is produced by using the characteristics of each cultivation area and by selecting manufacturing methods suited to the purposes of use. The hot break process*1 can be selected for pizza sauces and meat sauces that require high viscosity, and the cold break process*2 can be selected for products that do not require viscosity. Kagome also offers a large selection of container sizes for household use to industrial use. Kagome's strength in primary processing is its ability to combine these to meet the varying needs of users.


*1 Hot break process: Creates high viscosity by heating tomatoes at a high temperature after crushing and deactivating the pectin breakdown enzyme to reduce pectin breakdown
*2 Cold break process: Creates low viscosity by heating at a low temperature that does not deactivate the pectin breakdown enzyme after crushing to promote pectin breakdown


■ Difference between tomato break temperatures


	Hot break	Cold break
Heating temperature	85°C - 95°C	60°C - 70°C
Viscosity	High	Low
Property	Smooth	Coarse
Brightness	Bright	Deep
Flavor	Sense of mildly simmered tomatoes	Sharp juicy flesh

Examples of variation of tomato products

Primary processing

 Puree concentrated by passing squeezed tomato through a reverse osmosis membrane tube and permeating out water. It is characterized by a fresher flavor and less color degradation compared to vacuum heating concentration. This RO concentration is Kagome's patented technology.

Secondary processing

 Broadly divided into two types – the straight type made by directly sterilizing and packing squeezed tomato, and the from-concentrate type made by reconstituting tomato paste with water. We manufacture tomato juice with a fresh flavor and fragrance, even when it is from-concentrate, by blending it with RO puree.

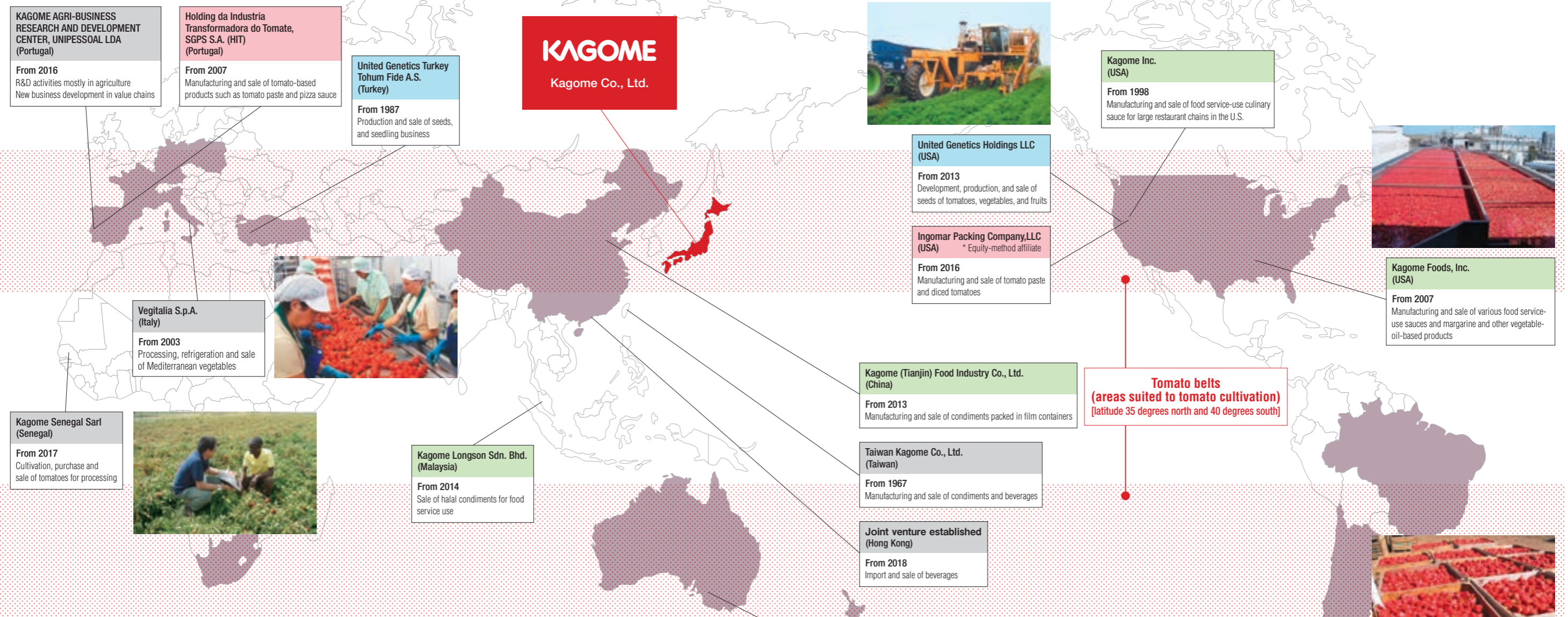
1.5 processing

 Tomato extract and tomato pulp are tomato ingredients obtained by centrifuging tomato paste with water added. Tomato extract is used to add tomato aroma, and tomato pulp is used primarily to enhance the texture of fiber in vegetable beverages, etc.

Secondary processing

 A familiar condiment made by adding sugar, brewed vinegar, salt, onions, spices, etc. to season tomato paste. There are tomato ketchup products made with organic tomatoes and high-lycopene tomatoes.

Tomato production, processing and sales facilities around the world

A network connected from seeds to table to deliver products around the world

Our strength is having facilities largely in the areas suited for tomato cultivation called the tomato belts (latitude 35 degrees north and 40 degrees south) and a business model based on vertical integration from seeds and cultivation to primary and secondary processing and sales. The Kagome Group consists of 41 subsidiaries and four affiliates, and we use the expertise we have acquired in Japan to survey numerous sites around the world, determine the optimal locations for cultivation, and operate business in a number of countries. Through this business, we contribute to the development of the countries and local producers while meeting the demands of local consumers.



Large fresh tomato cultivation facilities in Japan (domestic subsidiaries)



Kada Greenfarm Co., Ltd. (Wakayama)
From 2004
Growing Kagome brand fresh tomatoes primarily for the Chubu and Kansai regions



Hibikinada Greenfarm Co., Ltd. (Fukuoka)
From 2005
Growing Kagome brand fresh tomatoes primarily for western Japan



Iwaki Onahama Greenfarm Co., Ltd. (Fukuoka)
From 2005
Kagome's largest vegetable farm. Growing Kagome brand fresh tomatoes primarily for eastern Japan

Product development only possible through knowledge of tomatoes around the world

Tomatoes' quality characteristics vary significantly in different producing centers. As shown on the right, tomatoes in Japan and China are more sour, and those in Chile and Portugal are sweeter. The ability to apply these characteristics of the different producing centers to product development is one of the strengths of Kagome, which has a global network.

Examples of producing countries and characteristics of tomatoes for processing

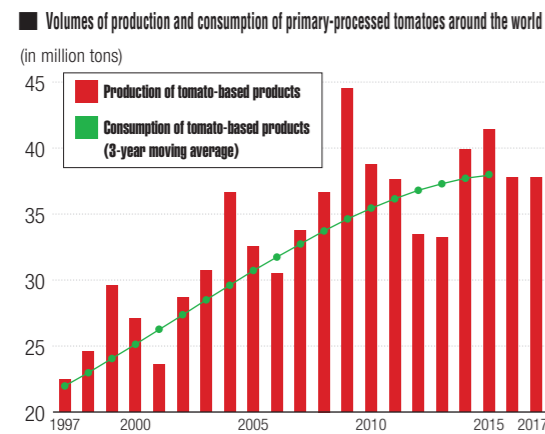
Producing country	Sweetness	Sourness	Flavor	Flavor Type	Major Processed Products
Japan	Medium	Strong	Medium	Sour	Paste, puree, juice
China	Medium	Strong	Medium	Sour	Paste, ketchup
Chile	Strong	Medium	Weak	Sweet	Paste, ketchup, juice
Italy	Medium	Medium	Strong	Flavor	Whole tomatoes, diced tomatoes, passata, paste
Turkey	Medium	Medium	Medium	Balanced	Paste, diced tomatoes, puree
USA	Medium	Medium	Medium	Balanced	Paste, juice, diced tomatoes, ketchup
Portugal	Strong	Medium	Medium	Sweet	Paste, puree, passata, juice
Australia	Strong	Medium	Medium	Sweet	Paste

Potential of tomatoes for processing and the outlook of Kagome's business

Demand for tomatoes for processing will increase as emerging economies grow

Impact of the tomato processing business on people around the world

A rising trend of consumption of tomatoes for processing



The production of primary processed products such as tomato paste, diced tomatoes and whole tomatoes in 2017 was 37,780 thousand tons. The consumption of tomato-based products has been temporarily modest due to the maturing of markets in developed countries such as the U.S. and a slowdown in the economic growth of emerging countries such as Russia, Africa and South America; however, a shift from raw tomatoes to processed tomato-based products is expected to occur as emerging economies develop, and the increase in consumption is expected to continue. To ensure growth from this situation, Kagome is actively involved in the development, etc. of new producing centers in promising regions.

* Source: WPTC (2017)

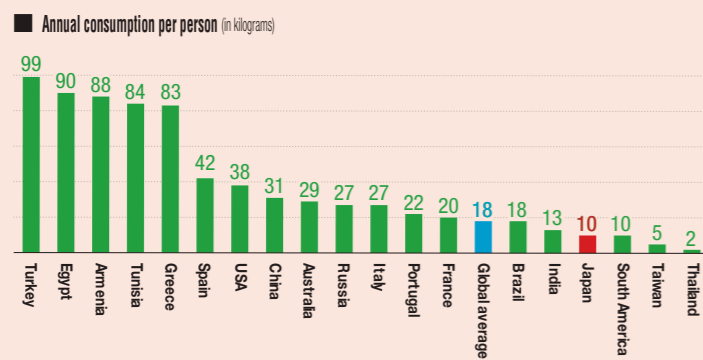
Approach to the solution of global social issues through tomatoes for processing



Kagome recognizes the importance of applying the Sustainable Development Goals (SDGs) to its corporate management. While diabetes and obesity have been rapidly increasing in the U.S. and Asian countries in recent years, people are still suffering from starvation and malnutrition in emerging countries such as those in Africa. To improve the situation, Kagome is working to solve social issues by implementing a business model based on consistent vertical integration from seeds for tomatoes for processing to the cultivation, processing and delivery of products.



Reference Global tomato consumption ranking by country



Top five countries, BRICS, VISTA, and countries related to Kagome from FAO Food Balance Sheets 2013 (as of Feb. 23, 2018)

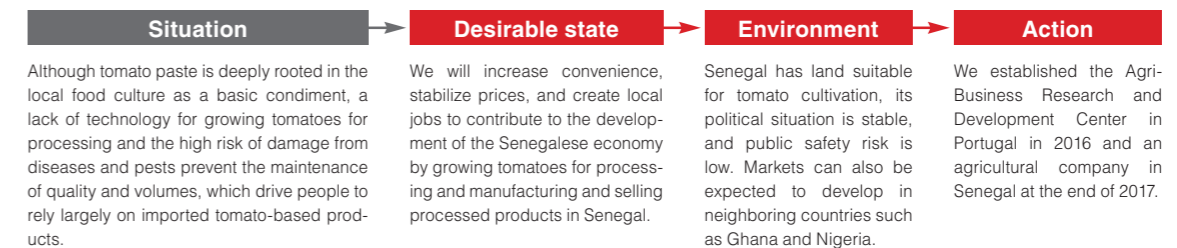
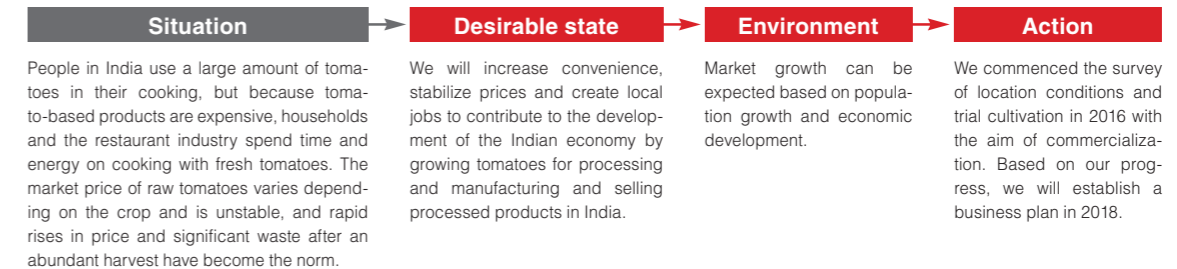
The annual tomato consumption per person worldwide is approximately 18 kilograms on average. The country with the highest tomato consumption is Turkey, where the annual consumption per person is approximately 99 kilograms. The country with the second highest consumption is Egypt, with approximately 90 kilograms per person, followed by Armenia in Eastern Europe, with approximately 88 kilograms per person. Japan is ranked 16th with approximately 10 kilograms per person.

* Ref.: From data released by UN Food and Agriculture Organization (FAO)

Efforts to develop the tomato industry in regions with potential growth

Kagome works to contribute to agriculture in Japan and abroad. In Japan, we are expanding the cultivation area of tomatoes for processing with the aim of growing our business while promoting the increased use of machine harvest to reduce the heavy burden of harvesting suffered by elderly producers of tomatoes for processing. Overseas, we are promoting farming that utilizes advanced technologies and are working to commercialize tomato cultivation in emerging regions where economic growth can be expected.

Aiming for market development and the development of the tomato industry

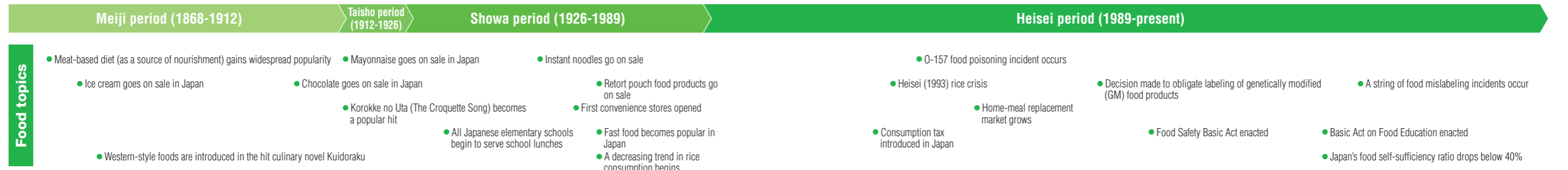


We will aim to achieve sustainable growth by solving social issues in the local communities through the optimization of the business model based on vertically integrated multi-regional value chains of tomatoes for processing.

Kagome's History of Creating Value

Kagome was founded in 1899. Since then, we have instilled our founding sentiment of wanting to "contribute to people's health by leveraging the value of agricultural products, which are part of nature's bounty" into our products, and continued to deliver them to consumers. Our 120-year history since the time of our founding is also one of technological innovation; of continuously developing new products that did not yet exist, in order to cater to the needs of the times. Throughout that history, Kagome has contributed to the advancement of technologies for the development of tomato-based products. In addition, we have also

influenced Japanese food culture in various ways, such as by pioneering the nationwide launch of products such as tomato ketchup and Worcester sauce which led the way in the widespread popularization of Western-style dining, and proposing vegetable juice as a new way of consuming vegetables. We also constructed a distribution network for fresh tomatoes, and have engaged in food education support activities for communicating the health value of vegetables. Kagome's activities continue to stay one step ahead of the needs of the times, and have a wide-reaching impact in society.



Kagome's Value Creation

Innovations with a View to the Future

Kagome's founder began cultivation of Western vegetables, which were not typical or familiar to people in Japan at the time, with aspirations of creating a new age of agriculture

- Believed that Japanese agriculture would change (forward-looking perspective)
- Avoided wasting tomatoes (value agricultural produce)
- Manufactured tomato puree using originality and ingenuity (create new value)

Innovations for Sustainable Creation


Kagome created a system for contract farming

- Bought full volumes of tomato produce at a pre-determined transaction price agreed in advance through discussions with farmers
- Provided guidance to growers to maintain and improve quality of tomato (i.e. raw ingredients)

Innovations for Market Creation (1)

Kagome created a market for Western-style condiments by promoting widespread popularization of Western-style food menus and changing Japanese people's dietary lifestyles

- Conducted activities to promote widespread popularization by communicating information on how to use tomato ketchup and Worcester sauce




A 1934 advertisement run alongside a cooking article in the Japanese women's magazine *Shulu no Tomo* (Housewife's Friend)

Innovations for Market Creation (2)

Kagome created a market for tomato juice and vegetable juices


- Launched a vegetable juice that enabled anyone to "consume vegetables deliciously"
- Created the major category of "vegetable juices," running from the 1933 launch of tomato juice up to the present day
- Expanded the market by offering new variations in terms of containers and temperature ranges



Innovations for Coexistence

Kagome engaged in initiatives to achieve corporate growth through resolving social issues

- Conducted research into the health benefits of vegetables
- Ran activities in collaboration with national government and local communities to promote healthier lifestyles
- Corporate agricultural management (fresh tomatoes and baby leaf lettuce)
- Tackled overseas food shortage problems



Kagome's History

1899: Kagome's founder Ichitaro Kanie began growing Western vegetables

1903: Began production of tomato sauce (now tomato puree)

1906: Built a production plant in Nishiyashiki, Araomachi, Tokai City in Aichi Prefecture, and entered full-scale production of tomato sauce

1908: Began production of tomato ketchup and Worcester sauce

1933: Began selling tomato juice

1952: "Handbook of Tomato Cultivation" distributed to contract farmers

1960: Posted net sales of 3 billion yen

1963: Began selling tomato ketchup in a plastic bottle, the first of its kind in the world

1966: Posted net sales of 10 billion yen

1967: Established Taiwan Kagome Co., Ltd. The first business expansion overseas

1972: Started Kagome Gekijo

1976: Posted net sales of 50 billion yen

1978: Changed corporate logo and trade name to KAGOME

1983: Listed in First Section of the Nagoya Stock Exchange (NSE)

1988: Posted net sales of 100 billion yen. Established KAGOME U.S.A. INC., a U.S. corporation. Listed in First Section of the Tokyo Stock Exchange (TSE)

1992: Began selling Yasai Seikatsu 100 Series

1995: Began selling Anna Mamma

1998: Announced corporate philosophy of "Appreciation," "Nature" and "Corporate Openness"

2000: Began selling fresh tomatoes (Kokumi Tomato)

2001: Began selling Yasai Ichinichi Kore Ippon (and the larger "Kore Ippai")

2003: Established brand statement "True to Nature, the Flavor of Kagome"

2004: Began selling plant-based lactic acid Labre

2005: Number of shareholders exceeded 100,000

2006: Posted net sales of 200 billion yen

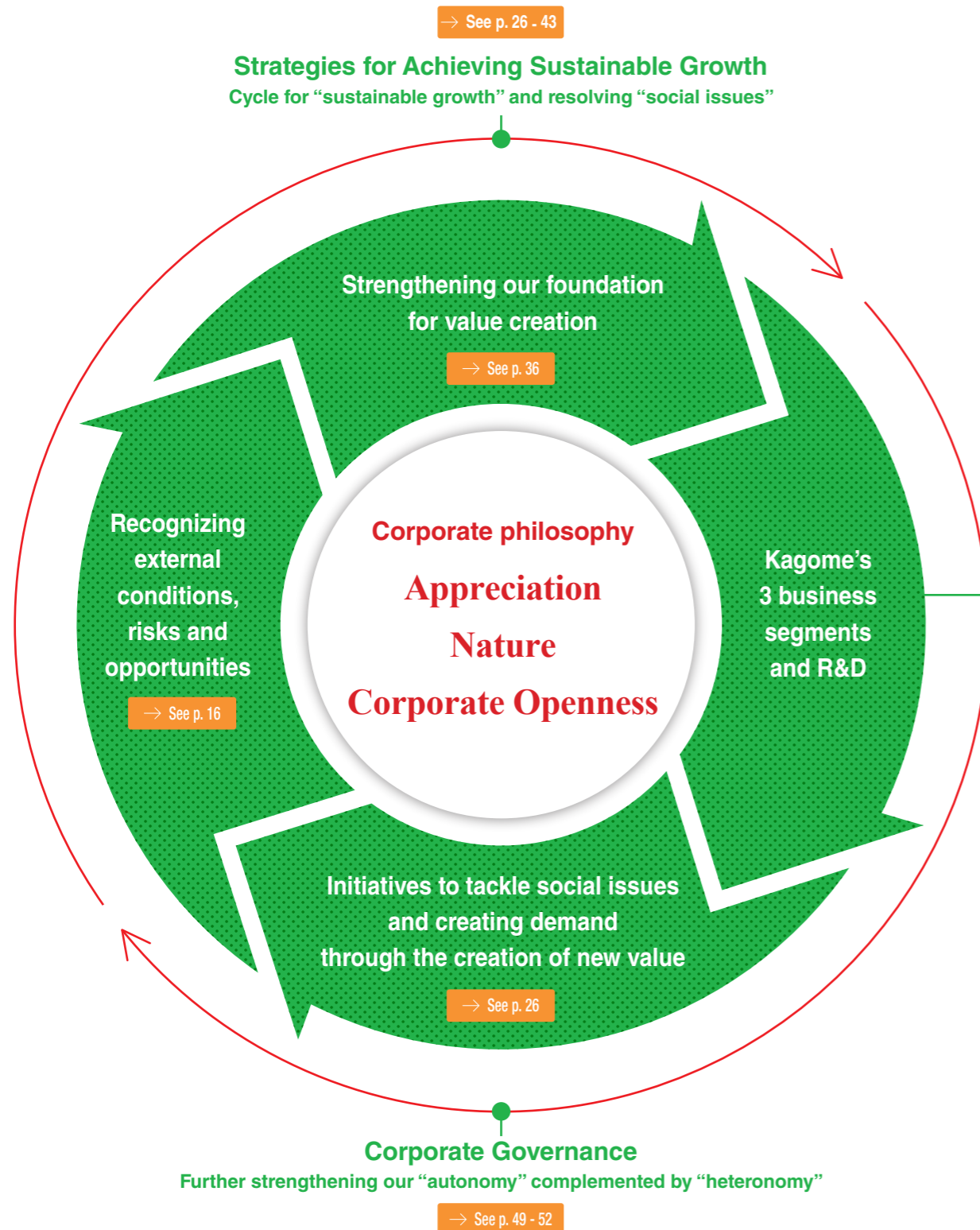
2010: Established Kagome Australia Pty Ltd.

2014: Began selling salad vegetables


Present day: Continued product development and expansion.

Value Creation Process

What Kagome strives to be is “a strong company capable of sustainable growth, using food as a means of resolving social issues.” In order to achieve the realization of this aim, it is necessary for us to become an organization that is capable of responding flexibly to changes in the business environment. By resolving social issues through the provision of value to society, which we can create precisely because we are Kagome, we will continue to achieve sustainable growth and to coexist with a sustainable society. That is Kagome’s process for creating value.




Domestic Processed Food Business




→ See p. 28

Domestic Agri-Business




→ See p. 30

International Business



→ See p. 32

Research and Development



→ See p. 34

What Kagome Strives for

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

Long-term Vision


By 2025

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

By around 2040

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

Co-creation of value with society, and creating a sustainable society



Values Offered to Society

Resolving Three Social Issues

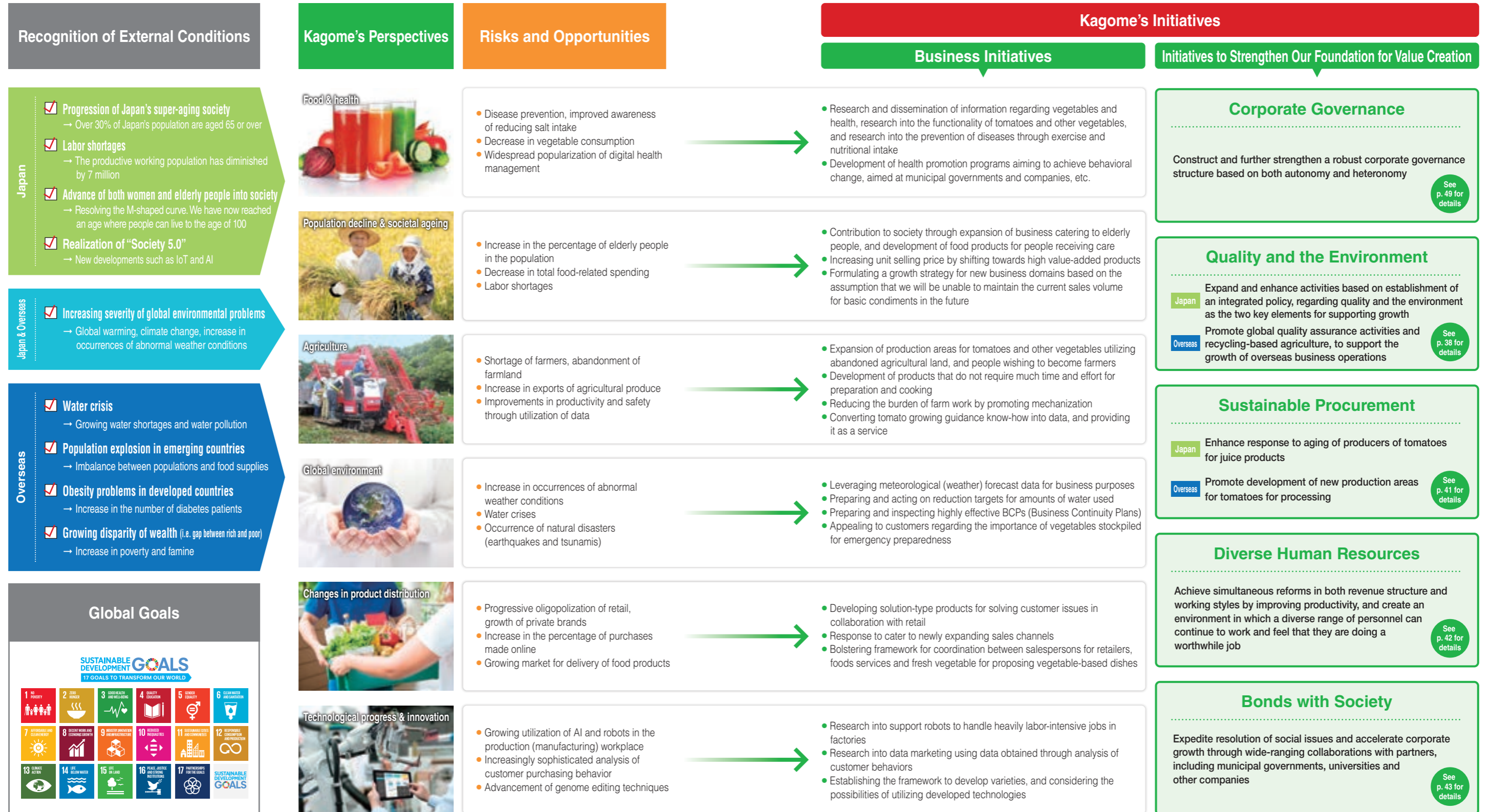
“Give people longer, healthy lives”
We aim to help people live longer, healthy lives by increasing the supply of vegetables.

“Agricultural development and regional revitalization”
We support agricultural development and regional revitalization by increasing the number of contracted farms and expanding new agricultural businesses.

“World food problems”
We contribute to resolving global food shortages and other problems through a vertically integrated tomato business model.

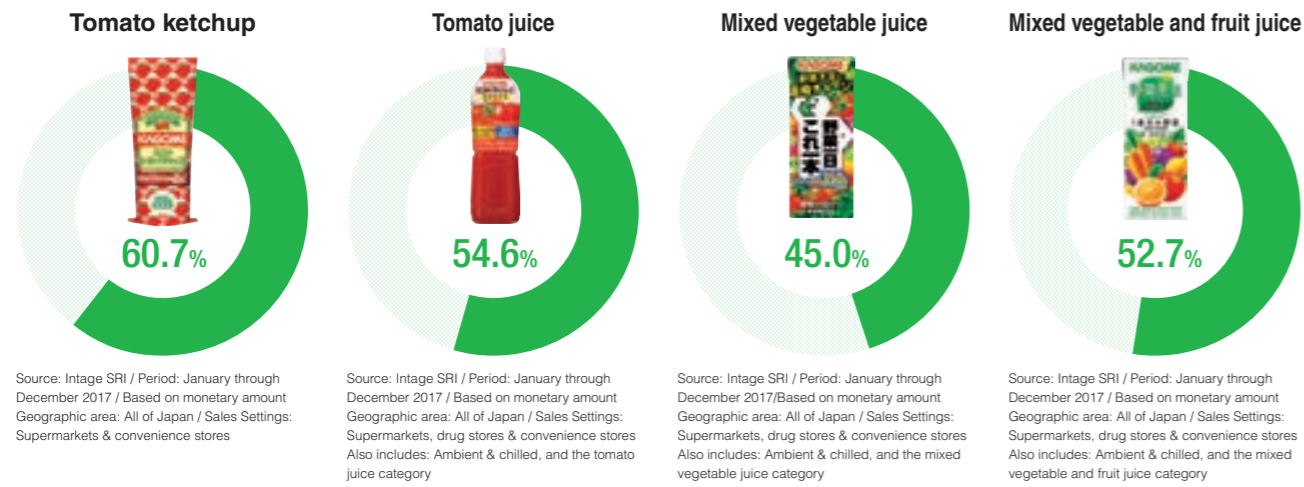
Recognizing External Conditions, Risks and Opportunities

In order to achieve what Kagome strives to be, it is necessary for us to speedily recognize changes in external conditions, and to identify risks and opportunities in our surrounding environment from short, medium and long-term perspectives. We also believe that in order for Kagome to continue being a company that is "needed" by society, it is important for us to implement initiatives with regard to both of the two aspects of business operations and our foundation for creating value (value creation infrastructure).



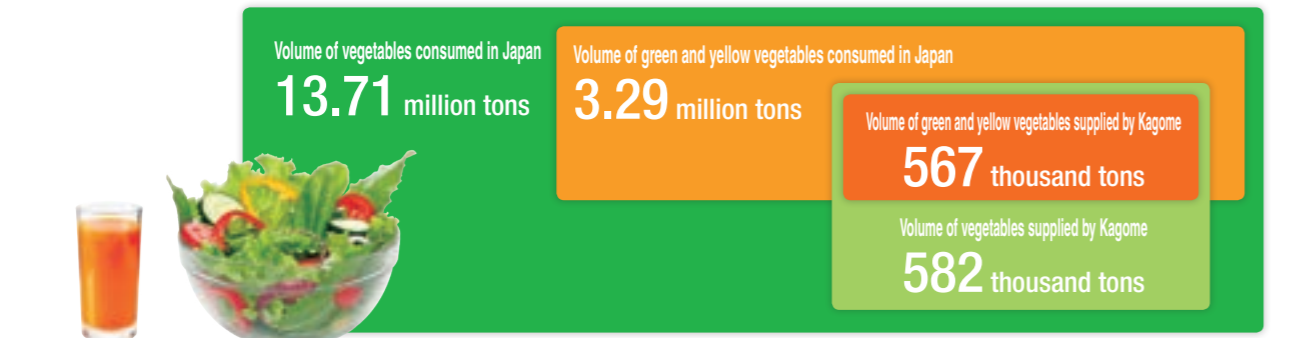
Kagome's Strengths

Our product lineup boasting **the largest share in Japan**



17.2% of the volume of **green and yellow vegetables** and **4.2%** of all vegetables* consumed in Japan are supplied by Kagome

* Green and yellow vegetables + other vegetables



Note: In past reports, Kagome's supply volume was calculated using the sorted consumption amount from MAFF's Food Balance Sheet as the denominator and Kagome's actual raw ingredient usage results as the numerator. However, this calculation method has now been changed, since it was judged more appropriate to use the actual amount of product delivered by Kagome to customers as the standard. We now use the net amount of food from MAFF's Food Balance Sheet as the denominator and Kagome's actual product sales results as the numerator.

Sales of tomato ketchup and tomato-based products 3rd place in the world

Sales of tomato ketchup 3rd place in the world

Rank	Company name	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

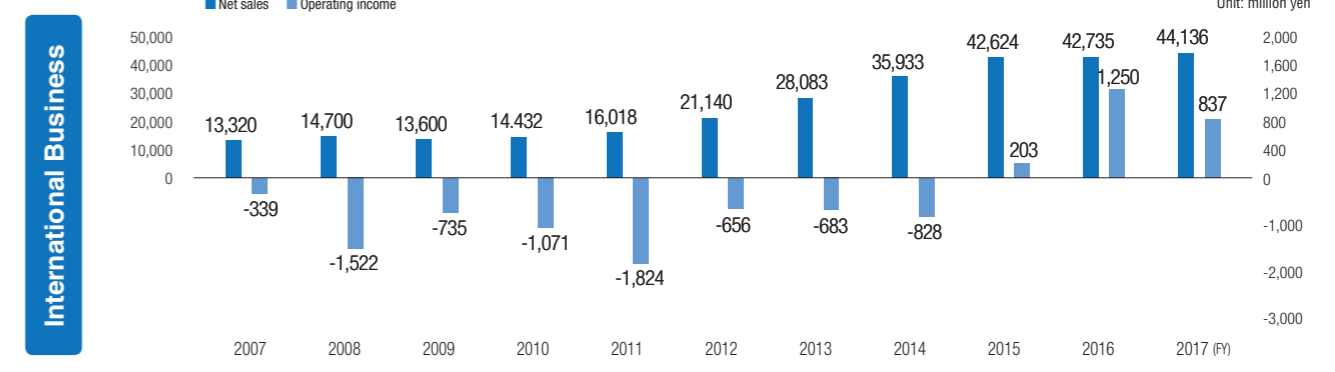
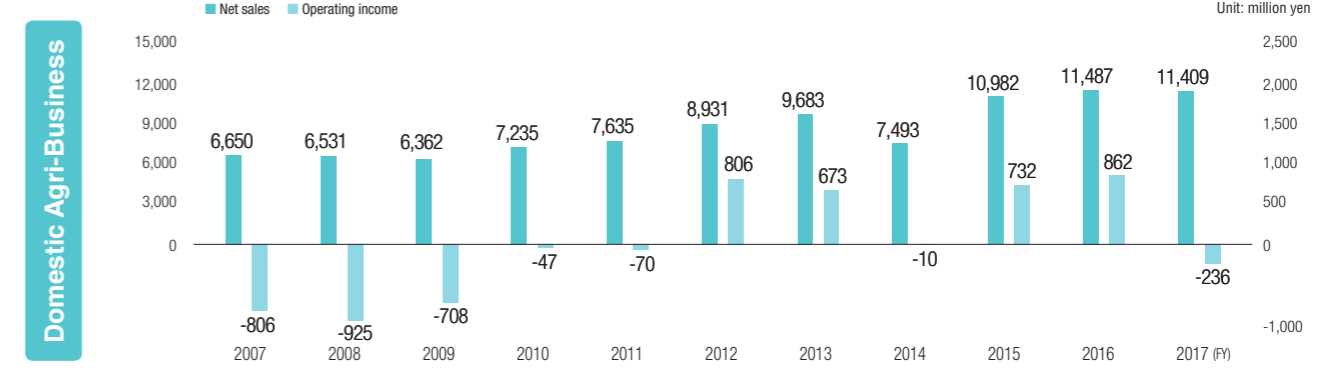
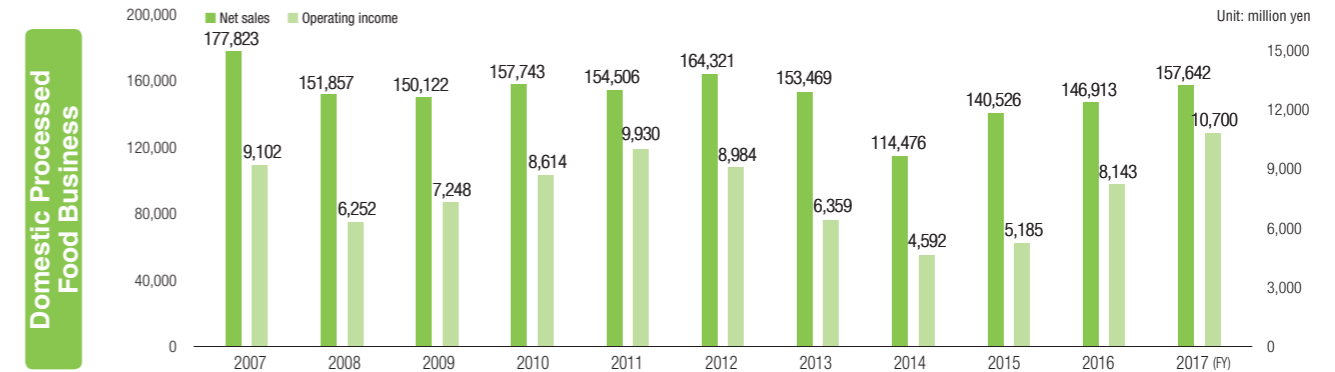
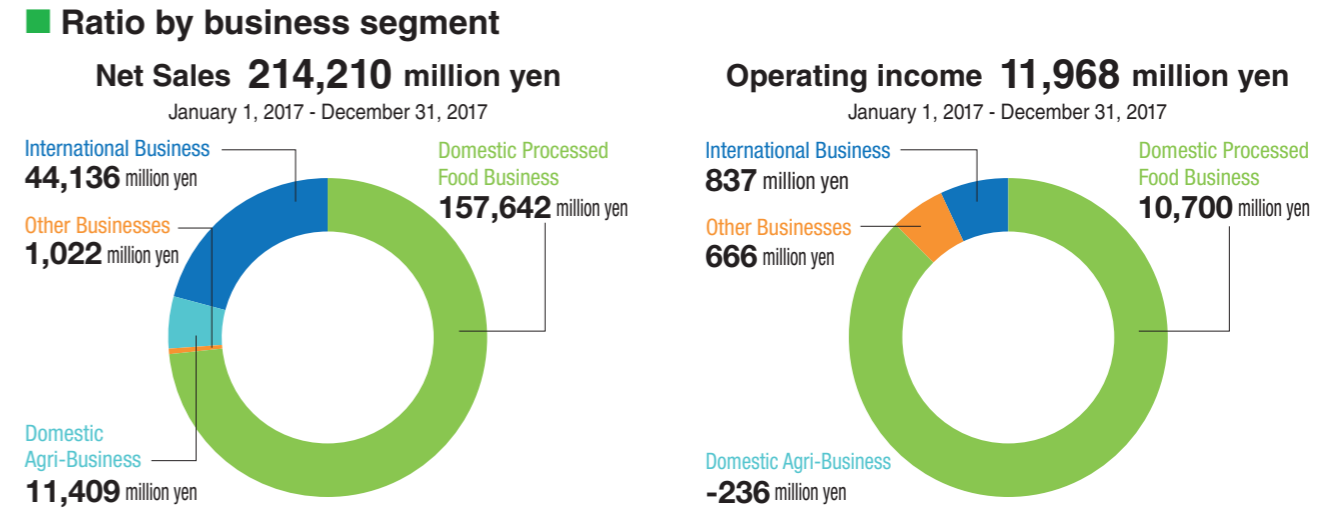
* Euromonitor 2016 WORLD Brand Ranking

Sales of tomato-based products 3rd place in the world

Rank	Company name	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

* Euromonitor 2016 WORLD Brand Ranking

Kagome's Revenue Structure



* Figures after elimination and adjustment between segments. * Figures for FY2014 are for the nine-month period between April 1 and December 31, 2014, as a result of a change to the company's business year.

Creating a cycle of sustainable growth and solving social issues, and become a social company that is resilient to change

Naoyuki Terada, President and Representative Director

Naoyuki Terada

Things to Learn from Our Founder and Other Revolutionary Figures as We Approach Our 120th Anniversary

In the spring of 1899, Kagome's founder Ichitaro Kanie saw a tomato plant germinate for the first time. We now regard this as Kagome's initial founding. In 2019, more than a century later, Kagome will celebrate its 120th anniversary. Today, tomatoes are the most eaten vegetable in the world, whether they are consumed as fresh tomato, or in the form of processed tomato-based products such as ketchup, juice, paste or in cans. At the time of Kagome's founding, however, raw tomatoes were disliked in Japan due to their grassy smell and raw vegetable flavor. Founder Ichitaro Kanie had set about the new agricultural venture of growing Western vegetables, which were still rare in Japan at the time, and he began growing tomatoes along with other vegetables such as cabbages and onions. However, because almost all of the tomatoes went unsold, Kanie decided to puree other tomatoes and sell them as tomato sauce (what we now call tomato puree). This became the impetus for him to switch from farming to producing agricultural processed food products. Sensing the possibilities of tomatoes, our founder processed his tomatoes into tomato sauce in the hope of somehow popularizing their flavor. His spirit of challenge is the original root of Kagome's growth potential.

Later, too, founder Kanie faced various other trials and tribulations, which he eventually overcame and succeeded in building the foundations for Kagome to grow into what it has become today. But he always continued to feel appreciation for the people who helped him in his business ventures, his hometown, and other local communities. That sentiment lives on to this day, in Kagome's corporate philosophy of "appreciation," "nature," and "corporate openness," which was established to mark the 100th anniversary of our founding. At the time, sixth generation president Masatsugu Ito, who became Kagome's first "salaryman" president (i.e. an employee of the company who worked his way up through the ranks) in 1996, set about implementing the separation of management from capital (i.e. ownership). Ito invested energies into achieving the embodiment of the "corporate openness" aspect of our corporate philosophy, resolving the issue of reciprocal shareholding ahead of the times, and driving the creation of "Kagome Fan Shareholders." He also made strategic moves that would enable Kagome to prevail and survive against its competitors in the 21st century, making the milestone of company's 100th anniversary a "new founding," and expanding into the fresh tomato and direct marketing businesses.

As the ninth president to take up the baton of management along the long journey of Kagome's history, it is my mission to change Kagome into a strong company by implementing various reforms. This is something that only a president can achieve. Ahead of our 120th anniversary, I am taking the opportunity to reflect upon the management styles of our founder and our sixth-generation president, to refine our ability to respond to changes, and to renew my sentiments of making further changes at Kagome.



Mid-Term Management Plan (2016–2018)

In fiscal year 2017, the two key elements of our Mid-Term Management Plan (to “reform our earnings structure” and “reform work style”) began to produce quantitative results. We are within range of achieving our most important management KPI (key performance indicator) target of “marginal income ratio of 30% or higher,” and we have already achieved our other KPI target of “ratio of break-even point to sales of 80% or less.” We have achieved record net sales and profits at all levels for two consecutive fiscal years, and our total market capitalization value has doubled. Achieving this required an increase

in the profit and cost-awareness of each and every one of our employees. For example, our Sales Division added marginal income to its list of KPIs for management positions, and worked to reduce sales promotion costs. I believe that the fact that we were able to do this is proof that by sharing a common vision of “What Kagome Strives For” and other long-term visions for the future) amongst both employees and executive officers, our character has changed to such an extent that we are now able to think, judge and act for ourselves as we head towards achieving those common goals.

Achieving “What Kagome Strives For” and Realizing Our Two-Long Term Visions

Our ultimate goals in management are to achieve “What Kagome Strives For”—to become a “strong” company capable of sustainable growth, using food as a means to resolve social issues—and to realize our long-term visions of “transforming from a ‘tomato company’ to a ‘vegetable company’” and having “50% of the workforce consisting of women – from employees to executive officers.” We aim to achieve the first of these two long-term visions by 2025, and will therefore be formulating a schedule towards doing so in our next two three-

year mid-term management plans (for 2019-2021 and 2022-2024). We aim to achieve the second of our long-term visions by around 2040. I believe that new businesses, new categories, innovations and vegetable solutions will be key factors in achieving the realization of these visions, in addition to our existing businesses, products and new products. Our next Mid-Term Management Plan is currently being formulated. As part of the plan, we will draw up a concrete road map and establish specific goals towards 2025.

Resolving the Social Issues that Kagome Seeks to Address

Kagome is working to address three key social issues: “give people longer, healthy lives,” “agricultural development and regional revitalization,” and “world food problems.” With regard to the first issue, of giving people longer, healthy lives, one part of Kagome's activities is in contributing to KPIs set by municipal governments with regard to promoting healthier living. By forming comprehensive agreements with prefectural and city governments and other initiatives such as suggesting vegetable-based menus using local ingredients and holding lectures on vegetable-related knowledge accumulated by Kagome, we are linking these efforts on to collaborative activities between the public and private sectors. As one aspect of these initiatives, at the beginning of the year we participated in a Hirosaki University open innovation project and established a “Vegetable life science” joint research course in the university's Graduate School of Medicine. In this course, we will utilize big data analysis of health checkup data to reveal mechanisms that will be of use for vegetable intake, maintaining health and preventing disease.

With regard to the second issue, of agricultural development and regional revitalization, Kagome is conducting activities that make effective use of

our knowledge and networks developed over many years working in collaboration with agriculture. We are currently engaged in a diverse range of initiatives, including the utilization of abandoned farmland to increase the number of contracted farms growing fresh tomatoes, supporting passionate agricultural producers through our *Noen Oen* (Local Obscure Farms Support) direct marketing business, and expanding our “locally grown, nationally consumed” consumption model for agricultural produce nationwide, based on our “Yasai Seikatsu 100” limited-edition seasonal product series.

With regard to the third issue, of global food problems, in December 2017, we established the farming company Kagome Senegal, utilizing knowledge and technologies developed through our vertically integrated business model (in which we oversee the production of tomatoes for processing from seed to table). Kagome Senegal cultivates and sells tomatoes for processing, in the West African nation of Senegal. The Senegalese government has high expectations for the company, and in the future the company will aim to sell tomato-based products throughout the wider West African region.

Collaboration and Mutual Support with SDGs and Establishment of an Integrated Quality & Environmental Policy

The realization of a sustainable society is a major prerequisite in order for companies to survive and continue to develop and advance. In order to achieve the realization of a sustainable society, it is important to achieve integration and collaboration on a global scale. Unfortunately, however, the current situation with regard to this is extremely unbalanced. Fearing this state of affairs, the United Nations established the SDGs: a set of Sustainable Development Goals to be achieved over the course of a 15-year period, between 2016 and 2030.

Kogome will incorporate mechanisms for acting with awareness of the issues raised by the SDGs into its next Mid-Term Management Plan. The key values involved in this are “collaboration” and “mutual support.” “Collaboration” involves achieving things that Kagome cannot achieve alone by working in collaboration with various stakeholders, including national governments, regional municipal governments, private sector companies, cooperative unions and NPOs. “Mutual support” means supporting one another, mutually, rather than conducting “charity” projects. By solving social issues through food, Kagome will surely and steadily increase its earn-

ings, and contribute to the creation of a sustainable society by supporting greater numbers of elderly people, disaster victims, and other people in need of assistance.

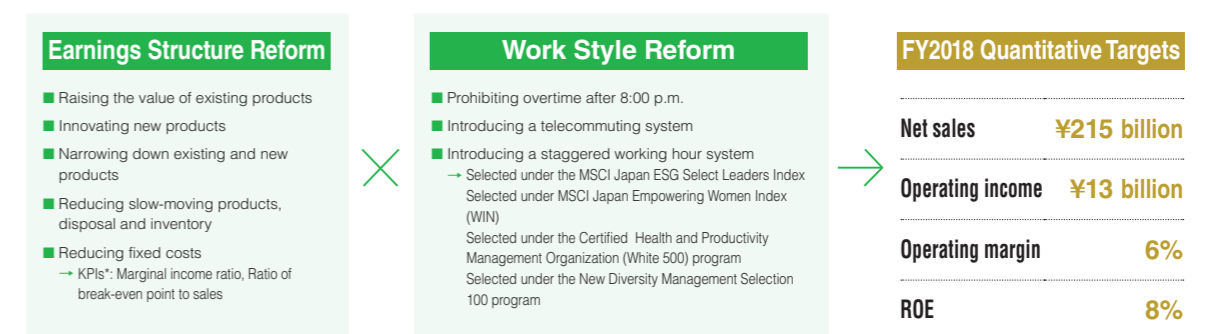
In October 2017, Kagome established a new Quality & Environment Policy, by reviewing and revising the content of its existing standalone quality and environment policies to create a single integrated policy. For food products companies like Kagome, quality and brand image are like two sides of the same coin. Based on a sufficient awareness of this fact, Kagome has valued production that surpasses the average standards that exist in society. Kagome has the philosophy of “Quality First, Profits Second.” This does not mean that we place an emphasis on quality and neglect profits. Rather, it carries the meaning that “if the quality of our products is good, then profits will follow.” Kagome's Quality & Environment Policy is an expression of our will, of aiming to achieve the realization of a sustainable society by engaging in environmental conservation activities from the same point of view and with the same passion as our production operations.

Kagome's Future Growth Strategy

Fiscal year 2018 is the final year of our current three-year Mid-Term Management Plan, which began in fiscal year 2016. In fiscal year 2017, while our domestic processed food business performed strongly, our domestic agri-business and

international business did not reach their planned targets, leaving issues to be tackled for both of these business segments. In fiscal year 2018, we will rebuild these businesses and further advance our efforts to shift them towards greater profitability.

Mid-Term Management Plan 2016–2018



* KPIs (Key Performance Indicators)

In our domestic processed food business, we will aim to greatly expand sales of smoothies and products with functional claims, in order to grow net sales of our mainstay vegetable beverages category to 100 billion yen. We will also aim to increase sales of our Yasai Seikatsu 100 Smoothie by bolstering our production capacity, and expanding and enhancing our product lineup.

In terms of food product categories, we will develop basic tomato sauce into a third key product category, along with tomato ketchup and Worcester sauce. In order to achieve this, we will enhance our proposals of vegetable-based dishes combining condiments and seasonings with industrial-use frozen vegetables, and make proactive menu suggestions for not only home cooking but also home meal replacement and restaurant items. Moreover, in addition to the development of soups utilizing the delicious taste of vegetables (i.e. vegetable stock), we will also propose new business ideas offering not only products but services, such as menu suggestions for improving diet created by our in-house registered dietitians. In this way, we will expand our business domains by communicating information regarding opportunities and methods for consuming more vegetables.

Enhancing Corporate Governance

Achieving our vision of becoming a “strong company” will also require strong organizational governance. We recognize corporate governance as an important issue to tackle in order to achieve sustainable growth under our corporate philosophy of “appreciation,” “nature” and “corporate openness.” Working under our basic policy of further strengthening our “autonomy” complementing it with “heteronomy,” we are building a corporate governance system based on our own will and sentiments as a company. By incorporating a diverse range of external viewpoints as we operate this system, we ensure objectivity and transparency in management.

Our Board of Directors includes five external directors, who involve themselves intimately in discussions based on their own expert knowledge and experiences, enabling considerations from various perspectives and enabling more sophisticated management decisions to be made. The fundamental significance of motions submitted for consideration (with regard to things that should be done within the company, etc.) are questioned from various perspectives, and on occasion the motions are sent back. Kagome's external directors have an intimate understanding and empathy with the company. I feel that it is because they deepen their understanding of our corporate philosophy by

In our domestic agri-business, in order to differentiate from our competitors, we will seek to stimulate demand by developing higher added-value tomato products and suggesting more menu items for preparing meals using them. We will also seek to develop our supply base for producing baby leaf lettuce, introduce ready-washed products to the market, and bolster our sales activities. We have also started growing new vegetables, with a focus on functionality. We will also be commencing full-scale operations in the agri-support business, leveraging know-how developed through our experiences in the fresh tomato business.

In our international business segment, despite a temporary slump in growth in the demand for tomato paste, for the time being we will continue to strengthen our efforts in collaboration with companies engaged in global food services, and aim to grow together with them. As the commoditization of tomato condiments progresses, we will shift towards making these products high value-added products, and enhance our superiority in terms of functionality and variation. We are already engaged in the cultivation of vegetables in Australia for consumption in Japan, and are also attempting to establish vegetable processing operations there.

visiting our factories and farms both in Japan and overseas to see the actual workplaces involved in our business operations and interact with our employees, and feel wholeheartedly that they would like to contribute to the realization of “What Kagome Strives For” and our other long-term visions, that they can engage in such serious and profound discussions. These functions of external directors in supervising and advising the company's management have already had a major effect, and I really feel that our governance system is changing. There have also been some cases in which our Remuneration and Nomination Advisory Committee has reviewed and revised remunerations for some of our executive officers. Open meetings of the Board of Directors and other committees have a major impact on management decisions, and help to speed up the decision-making process. We are currently working with our external directors to formulate our next Mid-Term Management Plan, and listening to their opinions as we update our predictions for the business environment 10 years from now, and consider executive officer candidates for the next fiscal year.

I always believe that in corporate governance activities it is important to work to create a culture of openness within the company. Working with the mindset that issues in the workplace are issues for

management too, I also visit our various business locations myself and create opportunities to hold theme-based discussions with small groups of around 10 employees from each location. By making continual efforts through these dialogues with our

employees to reduce the sense of distance that is always prone to arise between management and workers at our actual business locations, we are working to strengthen our foundations.

To Our Stakeholders

At the time that we formulated our vision of “What Kagome Strives for” in 2015, I regarded it as a path whereby “resolving social issues” would bring “sustainable growth.” But now, I believe that these two things as paths themselves, and that they are part of a cycle. In other words, gaining profits through business activities aimed at achieving “sustainable growth” enables us to use those profits as a resource for tackling and resolving social issues, in turn enabling us to generate further sustainable growth. For Kagome, tackling social issues is a business

opportunity in itself. In order to make effective use of this, we hold regular small meetings with institutional investors and Kagome Fan Shareholders, and endeavor to co-create corporate value by listening to the voices of society.

With the understanding and cooperation of our stakeholders, I would like Kagome to continue working to resolve social issues through food, and work in partnership with our stakeholders to achieve the realization of a sustainable society and further increase our corporate value.



Efforts to resolve social issues and generate demand

Kagome's strategy for achieving its long-term vision

Kagome considers its brand statement "True to Nature, the Flavor of Kagome" to be a promise to its customers and contributes to the realization of people's healthy diets through the development and delivery of products that benefit from the value of nature's bounty. In 2016, we established two long-term visions, "transform from a 'tomato company' to a 'vegetable company'" and "50% of the workforce consisting of women – from employees to executive officers," and we have been working to increase Kagome's corporate value while circulating sustainable growth and resolving social issues. We will first achieve our quantitative targets of net sales of 215 billion yen and operating margin of 6%, and will then continue to the next growth stage based on the new three-year Mid-Term Management Plan that is currently being developed.

What Kagome Strives for

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

SUSTAINABLE DEVELOPMENT GOALS
17 GOALS TO TRANSFORM OUR WORLD



2018

Mid-Term Management Plan 2016–2018

Earnings structure reform

- Raising the value of existing products
- Innovating new products
- Narrowing down existing and new products
- Reducing slow-moving products, disposal and inventory
- Reducing fixed costs

Work style reform

- Prohibiting overtime after 8:00 p.m
- Introducing a telecommuting system
- Introducing a staggered working hour system

Net sales

215

billion yen

Operating income

13

billion yen

Operating margin

6%

ROE

8%

Domestic Processed Food Business

Aiming to address the low vegetable intake of Japanese people

Net sales	158.7 billion yen	FY2017 (results)	→	162.3 billion yen	FY2018 (plan)
Operating income	11.4 billion yen			11.4 billion yen	

* Including "other businesses"

Domestic Agri-Business

Turning Japanese agriculture into a growth industry

Net sales	11.4 billion yen	FY2017 (results)	→	12.6 billion yen	FY2018 (plan)
Operating income	-0.2 billion yen			0.3 billion yen	

International Business

Aiming to become the top global tomato supplier

Net sales	44.1 billion yen	FY2017 (results)	→	40.1 billion yen	FY2018 (plan)
Operating income	0.8 billion yen			1.3 billion yen	

Innovation
Research and development to utilize nature's bounty to the fullest extent

By 2025

By around 2040

Long-term Vision

Transform from a "tomato company" to a "vegetable company"

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

Extend healthy life expectancy through vegetable intake

We will be a unique company providing products that use vegetables through a variety of ingredients, categories, temperatures, containers and volumes.

We will be a company that provides not only goods but also services by expanding our businesses from tomatoes to vegetables.

We provide vegetables in a variety of forms such as juices, condiments, soups, salads, frozen food and supplements. In addition to products under Kagome's conventional national brand, we will respond to the growth in demand for home meal replacements and increase opportunities for customers to consume vegetables by developing and selling private-brand products and prepared food in cooperation with vendors of mass retailers and convenience stores. We will not only develop products as goods, but we will also develop new businesses such as farming guidance business for contract farmers' vegetables and health support services.

We will be a strong company where both men and women can work enthusiastically, achieving high productivity.

We will develop and sell products that meet the varying needs of consumers, taking into account the perspectives of our key customers including homemakers.

We are implementing work style reforms. More than half of new employees hired since fiscal year 2016 have been women, with the aim of ensuring diversity through diversification. We have also introduced telecommuting and staggered working hour systems to enable a wider range of ways of working. While increasing productivity through such measures, the percentage of paid leave taken reached over 70%, which was the target for fiscal year 2017. For fiscal year 2018, we have set a company-wide target of over 80%. In fiscal year 2019, we are planning to open a preschool near our Tokyo head office for employees who are raising preschoolers. Based on the idea that work style reform leads to lifestyle reform, we will continue to help each individual maintain work-life balance and achieve a high level of performance.

Kagome's strategy of circulating sustainable

growth and solving social issues

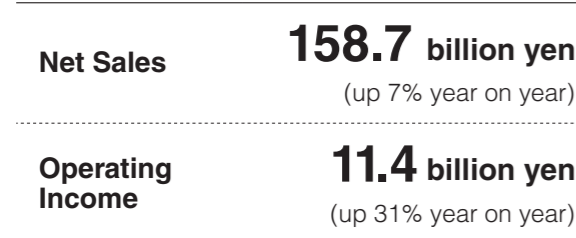
Domestic Processed Food Business



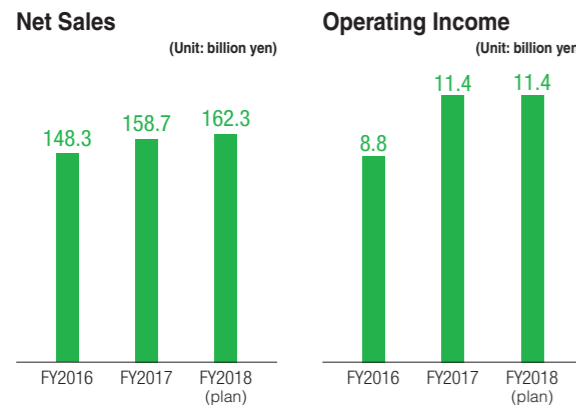
Hirohisa Kobayashi
Managing Executive Officer
Marketing Division Director

We will promote vegetable intake by entering the prepared food market and working in cooperation with agri-business and contribute to addressing the low vegetable intake.

Performance trends (FY2017)



* Including "Other businesses"
* After the elimination and adjustment of inter-segment transactions
* Figures are rounded to the nearest hundred million yen.



To address the low vegetable intake of Japanese people

In Japan, with its super-aged society, how to extend healthy life expectancy has become an important issue for individuals, households and society. Kagome contributes to the extension of healthy life expectancy by helping to increase vegetable intake through a range of products such as beverages and food products and to address the low vegetable intake of Japanese people. We have launched joint research with Hirosaki University in the current fiscal year to study the health benefits of vegetables in an effort to demonstrate why vegetables are good for the body and help consumers to eat more vegetables.

<h4>Strengths</h4> <ul style="list-style-type: none"> ● Kagome's brand power built over its 120-year history ● Ability in product development to avoid additives as much as possible ● Ability in ingredient procurement to deliver the bounty of nature to products 	<h4>Weaknesses</h4> <ul style="list-style-type: none"> ● Constraints in product development due to reliance on natural farm ingredients ● Dispersion of marketing investment caused by diverse business composition ● Decline in the relative value of our products due to the emergence of competitors' high-quality private brands
<h4>Opportunities</h4> <ul style="list-style-type: none"> ● Increasingly diversified health orientation ● Demands of the elderly and dual-earner households for simple cooking ● Expansion of restaurant and cooked food due to an increase in dining out 	<h4>Threats</h4> <ul style="list-style-type: none"> ● Further intensifying competition in the health beverage market ● Steep rise in ingredient prices due to globally unseasonable weather ● Acceleration of decrease in total spending on food due to a decrease in the population and population aging

Delivering new value

We have developed new value to provide in the beverages with the aim of delivering "lifelong health beverages." We have expanded the variations of the Yasai Seikatsu 100 Smoothie and added functional claims to Tomato Juice. In the food segment, we have improved the communication of the value of Tomato Ketchup and its promotion with the expression, "Control salt intake with tomatoes." We have provided Tomato Ketchup dispensers that are most suitable for breakfast buffets, etc. at hotels often used by the increasing number of foreign visitors to Japan. Further, we held Kagome Napolitan Stadium 2017, a competition to determine the best spaghetti Naporitan in Japan among local-style spaghetti Naporitan made in different regions around Japan in an effort to stimulate overall demand. In the tomato-based condiment segment, we responded to demand for simple cooking and focused on the development of dishes for home cooking, home meal replacement, and eating out with "Tomato Pazza," a dish made by braising seafood and vegetables with tomato sauce. In direct marketing, we worked to raise recognition of our mainstay beverage Tsubuyori Yasai and supplements.

Business results

Beverages Vegetable smoothie

The market for mixed vegetables and fruit juice grew 8% year on year, to 99.2 billion yen. Kagome's Yasai Seikatsu 100 Smoothie in capped bottles led the market growth. It fills the stomach with high viscosity and has established a new category of healthy snacks consumed between meals. GREENS, which pursues freshness, is re-growing after renewal as an additive-free smoothie in the premium product line. We will use new plant ingredients as raw materials to further increase variation.



Beverages Tomato juice

The market for tomato juice grew 29% year on year, to 25.5 billion yen. This was mainly as a result of releasing Kagome Tomato Juice as a food with functional claims in response to consumers' rising demand for health products. In February 2016, we launched tomato juice with a label that read "for people who are worried about their blood cholesterol levels," and in January 2018, we doubled the functional claims by adding "for people who have elevated blood pressure" based on the report that the GABA contained in tomatoes could reduce the blood pressure of people with elevated blood pressure.



Food and other products

While the market for tomato ketchup decreased 3% year on year, to 17.9 billion yen, sales of our other tomato-based condiments increased. The new tomato dish, "Tomato Pazza," has gained popularity. We are promoting it as a dish that can be easily made with our basic tomato sauce at home and with tomato-based condiments at mass retailers and restaurants. In direct marketing, sales of Tsubuyori Yasai and supplements have been strong.



* The market size was estimated by Kagome.

Message from the Division Director To extend our customers' healthy life expectancy

In the domestic processed food business, we deliver products ranging from room temperature and chilled beverages to food, prepared food and restaurant food. Recently, we have become able to offer our products with a fresh vegetables sales area by collaborating with agri-business. We are able to be connected with customers in all directions while also using the gift sale and direct marketing channels. By providing products that use vegetables in a variety of forms, we will continue to promote vegetable intake, which tends to be low, and help our customers to extend their healthy lives.

Domestic Agri-Business



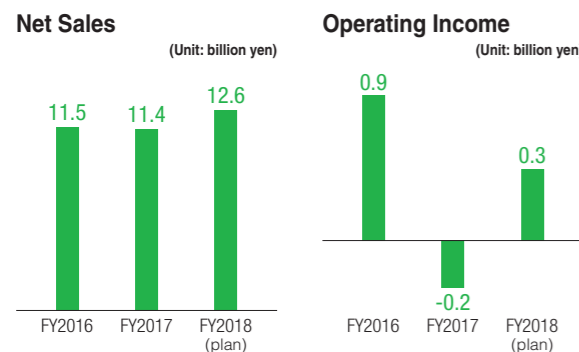
Keigo Fujii
Executive Officer
Director of Agri-Business
Division

We will contribute to the promotion of agriculture by taking measures against a decrease in the number of producers of tomatoes for processing and farming guidance provided to fresh tomato producers.

Performance trends (FY2017)



* After the elimination and adjustment of inter-segment transactions
* Figures are rounded to the nearest hundred million yen.



Aiming for the agricultural development and regional revitalization

In rural areas, population aging and shortages of farm successors are threatening the continuity of agriculture. Kagome is working on agricultural development and regional revitalization using the system of contract farming, which has operated since the beginning of the company's business, and its agricultural expertise in farm expansion and the use of machinery. In the fresh tomato business, we purchase all the tomatoes grown by our contract farmers throughout Japan and sell them directly to mass retailers and other businesses. For baby leaf lettuce, which is currently grown as a next-generation vegetable, we have developed new production facilities and improved the supply system. The business of vegetable farming guidance provided to contract farmers is also supporting the new agriculture.

<h4>Strengths</h4> <ul style="list-style-type: none"> ● Kagome brand established in the fresh tomato market ● Ability to develop tomato varieties equipped with functionality such as high lycopene content ● Capacity for all-year-round supply based on own sales force and distribution networks providing stable shipments and nationwide 10,000 stores 	<h4>Weaknesses</h4> <ul style="list-style-type: none"> ● A lack of accuracy in forecasting fluctuations in the fresh tomato market and a lack of ability to adjust demand and supply ● A lack of consumer recognition of new fresh vegetables such as baby leaf lettuce ● Intensifying competition in the salad business due to the participation of numerous competitors
<h4>Opportunities</h4> <ul style="list-style-type: none"> ● The government's activities to turn agriculture into a growth sector and revitalize agriculture ● A shortage of farm successors and an increase in abandoned farmland ● Growing demand for tasty and convenient fresh vegetables 	<h4>Threats</h4> <ul style="list-style-type: none"> ● Increase in companies from other industries and large companies entering agriculture ● Increasing difficulty in securing employees due to the acceleration of the super-aging of society ● A decrease in farm land due to climate change such as global warming and the emergence of new diseases and pests

Growing agri-business

In the domestic agri-business that commenced in 1998, we have been selling fresh tomatoes grown all year round at large greenhouse to mass retailers and other stores. Net sales began exceeding 10 billion yen in fiscal year 2015, and operating margin reached a new level exceeding the company's overall operating margin, which was 6.7% in 2015 and 7.5% in 2016. We are developing new contract farmers to further expand the business. Meanwhile, as the range of businesses expands, it has become clear that fluctuations in the fresh tomato market caused by weather and other factors significantly affect the performance of agri-business. We are currently working to increase the accuracy of meteorological and yield forecasts to reduce this impact. We will also focus on expanding the business of products other than fresh tomatoes such as baby leaf lettuce and packed salads to diversify our business portfolio. In addition, we will continue to increase the use of agricultural machinery to shift to the next growth stage.

Business results

Fresh tomatoes

By increasing the number of large contract farms, we expanded the total cultivation area to 74 hectares and the shipping volume to 18,900 tons, up from 17,600 tons in the previous year. Good weather in early spring, however, caused a rapid increase in the volume of fresh tomatoes shipped from large production regions such as Kumamoto and resulted in a fall in the market price, which led to a full-year operating deficit. At present, we are working to increase the accuracy of our yield and market forecasts and improve our ability to adjust demand and supply. The composition ratio of net sales of value-added products with high content of specific nutrients such as high-lycopene, beta-Carotene, and GABA reached approximately 50% as a result of strengthening the promotion of these products.



Baby leaf lettuce

The size of the domestic market for baby leaf lettuce is approximately 10 billion yen. This is a product for which market expansion can be expected in the future. Green Vege Bowl Baby Leaf Mix and Green Vege Bowl Baby Spinach, which are washed products sold in the Tokyo metropolitan area, can be eaten right out of the package without washing, providing value that meets consumer demand for time-saving, simple and healthy products. Sales of such products have therefore been strong. We have had only one production base for the Tokyo metropolitan area, but we will open new vegetable farms in Chiba and Yamanashi Prefectures. Our production capacity will triple with the start of shipment from a total of three farms.



Packed salads

The market for processed vegetables such as cut vegetables and salads has been on a growing trend thanks to population aging and lifestyle changes. Kagome sells packed salads to mass retailers and other stores, and the key products are Tomato Salad and 10-Vegetable Salad. Salad for Enjoying Tomatoes received an award in the Bento and Prepared Meal Awards 2018. We plan to build our production bases and low-temperature distribution networks from now on to expand our market area. Further, we will also increase the number of products that use new functional vegetables such as germinated soybeans, kale and sprouts.



Message from the Division Director Aiming for the agricultural development and regional revitalization

The aging of farm workers and a shortage of farm successors are increasingly serious problems in rural areas. Using our two decades of experience in large facility gardening, Kagome provides motivated people with opportunities to practice "profitable farming, lucrative farming." Stable income can be earned by establishing an agricultural corporation in a rural area and growing vegetables on a large greenhouse while using government subsidies. We are also engaging in the research and development of harvest robots with the aim of achieving further labor savings. We will continue to expand our business to promote agricultural development and regional revitalization.

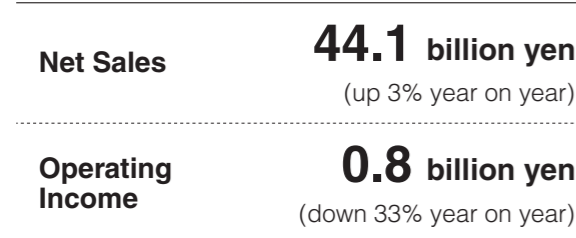
International Business



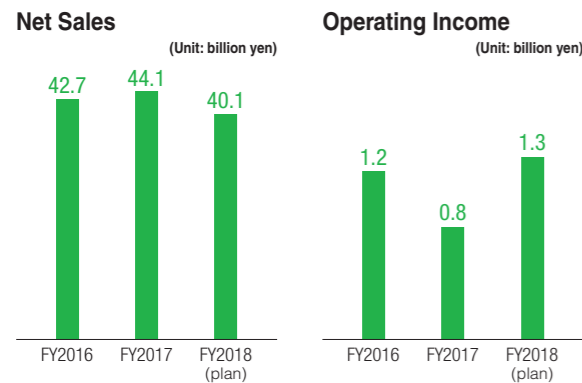
Masahiro Sumitomo
Director & Managing Executive Officer
Director of International Business
Division

We contribute to solving global food shortages using our vertically integrated value chains of tomatoes for processing from seeds to food on the table.

Performance trends (FY2017)



* After the elimination and adjustment of inter-segment transactions
* Figures are rounded to the nearest hundred million yen.



Developing the global business of tomatoes

In contrast to Japan, which is facing a decline in population, the United Nations estimates that the global population will increase from approximately 7.3 billion to 9.7 billion by 2050, and it is concerned about food shortages caused by the population growth. In this environment, Kagome is working to expand our business of tomatoes, the most-consumed vegetable in the world. Global tomato consumption is 140 million tons a year, of which tomatoes for processing comprise 40 million tons. Kagome develops tomato seeds, cultivates tomatoes, manufactures and sells primary-processed tomato products such as tomato paste, and manufactures and sells secondary-processed products such as pizza sauce on a global scale.

<h4>Strengths</h4> <ul style="list-style-type: none"> ● Reliable quality unique to Kagome, which handles every step in tomato production, from seed to table ● Solution capacity to propose dishes to food service chains in North America, Asia and Europe ● Global primary processing network of tomatoes that is one of the largest in the world 	<h4>Weaknesses</h4> <ul style="list-style-type: none"> ● Cost competitiveness that is lower than that of manufacturers that exclusively produce tomato-based sauces ● High reliance on specific customers with large purchase amounts ● Lack of brand power in the general consumer market (B to C)
<h4>Opportunities</h4> <ul style="list-style-type: none"> ● Further globalization of food through the global pizza and fast food chains, etc. ● Growing demand for simple cooking and takeout food due to women's social advancement and the declining birthrate and aging population ● Population growth and economic development in large tomato consumption regions such as India, the Middle East, North Africa and West Africa 	<h4>Threats</h4> <ul style="list-style-type: none"> ● Increase in damage to the growth of raw materials in various production regions caused by global climate change ● Structural market slowdown due to competition in the expansion of primary-processed tomatoes ● Damage to tomato production regions caused by serious water shortages in California, which is the world's largest production region.

Kagome's overseas expansion history

Kagome's overseas expansion began in 1967 when we founded Taiwan Kagome for the procurement of ingredients. The US subsidiary founded in 1988 was the predecessor of the current Kagome Inc., which currently operates a B-to-B business of culinary sauces such as pizza sauce. Besides pizza sauce, the company has been adding products such as salsa and BBQ sauce. This culinary sauces business has been growing together with the development of global food services of large pizza chains, etc. that are the company's customers, which now comprise nearly half of Kagome's overall overseas sales. The principal business of HIT, a Portuguese company that was founded in 2007, and Kagome Australia that was founded in 2010 is to produce tomato paste by heating, crushing, and concentrating tomatoes for processing and sell it to large food manufacturers, etc. United Genetics is a US company that was acquired in 2013 that develops seeds, raises seedlings and exports seeds that meet the farming conditions in each of approximately 85 countries around the world. Kagome operates a global vertical integration business covering from seeds to tomato-based products.

Business results

Globally expanding B-to-B business of culinary sauces

At Kagome Inc. in the US, while its B-to-B business targeting global food services performed well, sales decreased due mainly to changes in the timing of transactions among the group companies. Profit also fell due to temporary impacts such as manufacturing problems. We will continue to expand the range of our businesses while maintaining relationships with major customers. The Portuguese subsidiary, HIT, has also been growing its business of culinary sauces for the US-style food services through transactions with a large UK pizza chain and other companies.



B-to-B tomato paste business based on global networks

HIT in Portugal and Kagome Australia, which are subsidiaries, and Ingomar Packing Company in the US, which became an equity-method company through a capital and business alliance in 2016, also produce primary-processed products such as tomato paste from tomatoes for processing and sell them to food companies and others. These three companies are capable of processing a combined total of approximately two million tons per year. In 2017, they produced 1,880,000 tons, which was the third-largest amount in the world. We are growing our businesses while diversifying business risk through the network of Europe, Australia, and the US.



A Senegalese farming company working to help solve global food shortages

In December 2017, we founded Kagome Senegal, a farming company to grow tomatoes for processing in Senegal. Population growth and economic development are expected in the long run in the region, and we are engaging in a long-term project to develop a new production area of tomatoes for processing using our agricultural technology resources. We intend to expand the business area to include the manufacturing of tomato-based products in the future. Kagome Senegal has received recognition from the Japan External Trade Organization (JETRO) as an African business demonstration project.



Message from the Division Director Helping to solve global food shortages using tomatoes

People in Senegal and other West African countries use tomato paste as an essential basic condiment. However, they rely largely on imported tomato-based products for much of their local consumption due to issues such as inadequate technology for growing tomatoes for processing and damage caused by diseases and pests. In 2017, therefore, we founded a company that would grow, purchase and sell tomatoes for processing, and we are aiming to develop a new production area of tomatoes for processing. Kagome will address global food issues using its tomato expertise developed over its 120 years of history.

Research and Development

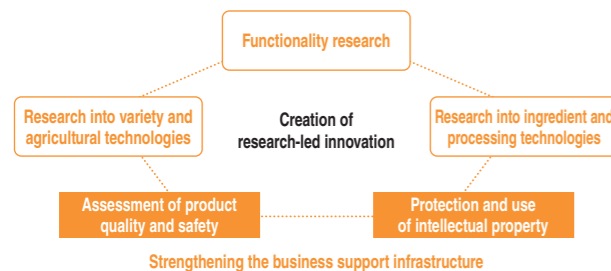


Satoshi Yamaguchi
Executive Officer
Director of Innovation
Division

Efforts to achieve growth

Research and development with missions to create research-led innovation and strengthen the foundation for business support

The Innovation Division consists of five sections. The division has the function of carrying out functionality research, research into variety and cultivation technologies, and research into ingredient and processing technologies with the mission of creating research-led innovation and the function of assessing product quality and safety and protecting and using intellectual property with the mission of strengthening the foundation for business support.



Recent research findings	
Aug. 2016	We confirmed that drinking tomato juice in the morning helps to effectively absorb lycopene, a functional nutrient (announced at the 63rd annual meeting of the Japanese Society for Food Science and Technology).
Mar. 2017	We confirmed that sulforaphane contained in broccoli sprouts can control obesity caused by excessive fat intake. Joint research with the Brain/Liver Interface Medicine Research Center of Kanazawa University (published in the online edition of "Diabetes," the bulletin of the American Diabetes Association, on February 17, 2017).

We will accelerate the creation of new value through open innovation and use the research findings to help resolve social issues.

Descriptions of each research project

Functionality research

We are promoting functionality research, primarily into brightly colored vegetables. In fiscal year 2017, we successfully developed Kagome Yasai (vegetable) Juice with functional claims that read "for people who have elevated blood pressure" after demonstrating the effect of the juice, which can control the contraction of blood vessels and reduce elevated blood pressure. We also released information on obesity control with sulforaphane contained in broccoli sprouts. In addition, we have been working on joint research with Hirosaki University to identify food and dietary habits that contribute to the attainment of longer, healthier lives.

Research into variety and agricultural technologies

We have accumulated 7,500 types of tomato genetic resources and are developing new varieties and cultivation technologies in our original experimental field. In fiscal 2017, we submitted patent applications for a total of four varieties, including a disease-resistant fresh tomato variety and a variety of tomatoes for processing that are suitable for machine harvest.

Research into ingredient and processing technologies

We are carrying out activities to maximize the original flavors, properties and nutrients of tomatoes and vegetables and increase the product's added value. In the research on tomato fractionation technology, we are developing a variety of tomato ingredients such as tomato extract and tomato pulp and vegetable ingredients.

Assessment of product quality and safety

To deliver safe, reliable products to our customers, we are conducting activities to predict risk, acquire analysis and evaluation technologies and assess the stability of raw materials. We are also working to improve our technology for the management of fresh vegetable microbes.

Protection and use of intellectual property

To maintain sustainable competitiveness, we are strengthening the foundation for our intellectual property (acquisition, protection and prevention of obstruction and litigation) through invention and discovery as a result of in-house research and development and periodical searches of other companies' patents.

Promotion of open innovation to help resolve social issues

We believe that rather than relying solely on our original technologies, we need to incorporate technologies used in other industries and cutting-edge technologies in our existing and new businesses. The following describes our industry-government-academia partnership.

I. Joint research course, "Vegetable life science," at Hirosaki University Graduate School of Medicine.

In January 2018, we established a research course, "Vegetable life science," jointly with Hirosaki University. We dispatch Kagome researchers to conduct joint research that combines medical science, life science and food science and carry out the following two projects for social implementation, namely promoting vegetable intake.



1. Identify the mechanism whereby vegetable intake contributes to health maintenance and illness prevention.

Using the big data on health collected in the Iwaki Project examinations that the School of Medicine of Hirosaki University has been conducting for more than a decade, we analyze the relationships between vegetable intake and more than 2,000 health indicators measured in the examinations. At the same time, we explain the reasons why vegetable intake contributes to the improvement and maintenance of health by biochemically proving this mechanism.

2. Develop means of easily measuring the sufficiency of vegetable intake in order to help address the low vegetable intake

To encourage consumers to change their behavior in terms of vegetable intake, we develop means of easily measuring the sufficiency of vegetable intake at Kagome and verify the effectiveness of such means in the health examinations conducted at Hirosaki University.

II. Open innovation-based research with the National Institute of Advanced Industrial Science and Technology (AIST) in the fields of food and agriculture

Kagome is the first food company to sign a comprehensive joint research agreement with AIST, which occurred in October 2017, and Kagome's researchers were sent to AIST. Specific partnership projects that are currently planned include research to pursue taste, the detection of foreign substances using AI, the development of new packaging containers, and a yield forecast system based on meteorological data analysis in the fields of food and agriculture, and we are aiming to create new businesses and innovation.



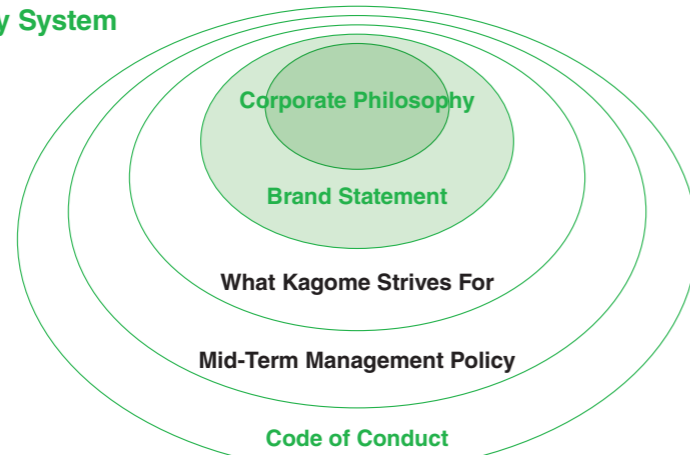
Iwaki Onahama Greenfarm collects data such as temperatures and humidity and carbon dioxide concentration, which are used in the development of yield forecast systems at AIST.

Message from the Division Director Using research findings to resolve social issues

The Innovation Division develops research strategies with an eye to a decade or two into the future and refines its activities for new research themes with the spirit of "no challenges, no innovation." In particular, we have been accelerating the creation of new value through open innovation that combines in-house and outside technologies since 2017. We will continue to carry out our research while strongly hoping to apply the outcomes to resolving social issues.

Strengthening Our Foundation for Value Creation

Kagome's Philosophy System



Dialogues with Stakeholders

Relationships with Customers

To achieve its brand statement "True to Nature, the Flavor of Kagome," we value communication with customers and provide them with products with safety and reassurance.

Relationships with Business Partners, Industry, and Government

We comply with the Antimonopoly Act, the Unfair Competition Prevention Act, laws and regulations related to intellectual property and other applicable regulations, and conduct fair and transparent transactions and fair competition to contribute to the development of the industry.

Relationships with Shareholders and Investors

We facilitate the better understanding of our shareholders and investors through the disclosure of corporate information and effective IR activities and strive to achieve a continuous increase in corporate value.

Relationships with Society

We recognize our responsibility and duties as a corporate citizen and strive to maintain coexistence with society.

Relationships with Employees

We respect basic human rights and strive to create a corporate culture for a safe and comfortable workplace filled with individual energies.

Harmony with the Preservation of the Global Environment

We appreciate the global environment that supports our healthy life through various bounties, and we will continue our corporate activities that are in harmony with the global environment.

Legal Compliance in the International Community

We comply with international rules and local laws and regulations and respect local cultures and customs.

Important Aspects

Corporate Governance → Page 49



We are building an autonomous and heteronomous, transparent and open governance system for ourselves in order to remain a strong company.

Quality and Environment → Page 38



Since quality and the environment are essential aspects of business, we have established a new integrated policy in the current fiscal year and are enhancing our activities.

Kagome's ESG activities

We believe that we should achieve a sustainable society while co-creating value with our society by circulating Kagome's sustainable growth and the resolution of social issues. To this end, we must be a strong company with a resilient organization. To be a strong company, we must continue to strengthen our foundation for value creation while applying not only our internal assessment, but also opinions obtained in dialogues with our stakeholders. Kagome recognizes this as one of its growth strategies and is improving its ESG activities.

Important issues (materiality) of Kagome

Kagome has begun to identify important issues (materiality) in order to remain a strong company. By identifying factors that are indispensable to the circulation of Kagome's sustainable growth and the resolution of social issues and allocating capital appropriately, the company aims to remain an integral part of society.

Process of identifying the factors



We identified approximately 300 issues that should be addressed by using SDGs, UNGC, ISO 26000, GRI, SASB, etc. as a reference. Subsequently, we narrowed down the issues to approximately 100, taking into account the aspects that are important in Kagome's short-, medium-, and long-term value creation, and we are currently determining the priorities of such issues. We will determine the issues that are important to Kagome by the end of fiscal year 2018.

In dialogues with our stakeholders, we will identify gaps from issues important to Kagome, which will be identified by the end of fiscal year 2018, determine Kagome's materiality by taking their opinions into account, and establish KPIs.

Sustainable Procurement → Page 41



Kagome profoundly values collaborative efforts with its partners to provide a stable supply of safe, reliable bounty of nature.

Diverse Human Resources → Page 42



Kagome develops human resources who are capable of creating new value beyond the boundaries of nationality, religion, gender and other differences and focuses on its diversity management.

Bonds with Society → Page 43



Kagome values communication with communities to build a sustainable society together.

Quality and Environment



Action

Kagome considers quality and the environment to be a pair of wheels that support its growth, has established an integrated policy, and is expanding its activities.

The quality and environmental literacy of the entire Kagome Group is improving.

Establishing Quality and Environmental Policy

In the manufacturing of Kagome, which has been contributing to people's health using nature's bounty, we begin, in principle, from the development of vegetable seeds and soil to grow safe, high-quality raw materials based on the idea that "fields are the primary production plant." To continue to enjoy the bounty of nature, it is essential to maintain a sustainable agricultural business in a rich natural environment. Achieving both the preservation of the global environment and nature-based manufacturing is vital for maintaining the growth of Kagome's business activities into the future.

Because of such commonality and activity relevance between quality (manufacturing) and the environmental philosophy, we combined our Quality Policy and Environmental Policy, which had been separate in the past, into one and established it as the Quality and Environmental Policy in October 2017. This Quality and Environmental Policy represents the determination of Kagome's management team to aim to achieve a sustainable society by focusing on environmental protection with the same passion that Kagome has maintained in its manufacturing activities.

Quality and Environmental Policy (established October 1, 2017)

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

Environment & Quality → **Managing the use of agrochemicals for raw material tomatoes and residual chemical testing through inter-division partnership**

Kagome has established agrochemical standards that are stricter than the statutorily required levels in its cultivation of tomatoes for domestic processing and ensures yield and safety by spraying chemicals at an appropriate frequency to eliminate blight and pests. Purchasing Department staff called "field masters" provide producers with cultivation guidance and management to avoid unnecessary environmental burdens and producers' economic burdens. Meanwhile, the Innovation Division, which tests pesticide residues in tomatoes, shares information with the Purchasing Department and improves a system corresponding to the "Positive List System for Agricultural Chemical Residues in Foods"* to achieve quality assurance through the inter-departmental alliance.



* A system of generally prohibiting the distribution of food products containing agrochemicals, etc., for which standards have not been established, above the specified levels.

Quality → **Consistent quality control from the fields to the products**

We conduct various tests, analysis and research in the process from the fields to the products. We periodically test tomatoes for pesticide residues and radioactive materials to ensure safety. Further, the Research Department is working to raise the level of our quality assurance technology to ensure safety.



Quality → **Improving measures to prevent mixed foreign substances**

In preparation for the intentional contamination of foreign substances in Japan, we have established our original management guidelines based on risk assessment of food defense, and we ensure thorough compliance. More specifically, we have installed security cameras in our factories, renewed the locking systems, promote active communication among factory employees, and request that our partner factories also establish systems according to Kagome's management guidelines in our company-wide efforts.

Quality → **Promoting activities aimed at acquiring FSSC 22000 certification**

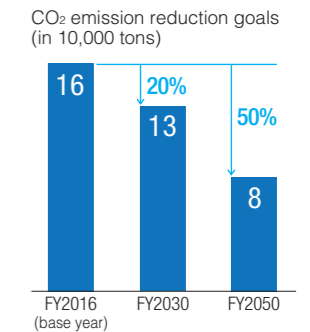
We obtained ISO 9001 certification in 2003 for the process from design and development to procurement, production, distribution and sale, and the entire company has been working to improve its quality management. We have also been working to acquire FSSC 22000* certification, the international standard for food safety, since fiscal year 2016, and are expecting to complete the certification of all six of our factories in Japan by fiscal 2019.

*The Food Safety System Certification (FSSC) 22000 is international standards approved by the Global Food Safety Initiative (GFSI) founded mainly by global food manufacturers and food distributors, which includes the mechanism for safe food manufacturing (ISO 22000) and hygiene control requirements that are preconditions for food manufacturing (ISO/TS 22002-1).

Timing	Plants and production lines subject to certification
Oct. 2017	Ueno Plant: kneader mixing to general-use filling line Kozakai Plant: 500 g tube line Fujimi Plant: PET line
Jun. 2018	Komaki Plant: all lines, Ibaraki Plant: film line
Sep. 2018	Nasu Plant: raw tomato processing to Tetra Pack® filling line
Oct. 2018	Ueno Plant, Kozakai Plant and Fujimi Plant: all lines
2019	Ibaraki Plant and Nasu Plant: all lines

Environment → **Establishing Kagome Group Medium- and Long-term CO₂ Reduction Targets**

Based on the Paris Agreement for establishing an international framework for measures to counteract global warming, Kagome has set goals of reducing the entire Group's CO₂ emissions by at least 20% by 2030 and at least 50% by 2050. We will take a range of measures to achieve these goals.



Environment → **Establishing the Kagome Group Water Policy**

A large amount of water is used in Japan and abroad for growing and processing crops that become the raw materials for the products. According to this policy, we will promote the sustainable use of water by the Kagome Group and its major suppliers to protect the local water resources in the areas we operate.

Kagome Group Water Policy

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

Environment → **Establishing the Kagome Group Biodiversity Policy**

We have established this policy to strive to increase biodiversity in various areas of the business and maintain corporate activities that use nature's bounty for a long time into the future. We will continue to promote effective activities.

Kagome Group Biodiversity Policy

Preservation of biodiversity in supply chains.	Cooperation with partners outside the company
(1) Use and maintenance of genetic resources. (2) Reduction of environmental burdens in agriculture (3) Preservation of farmland and surrounding ecosystems (4) Reduction of environmental burdens of procured goods (5) Consideration for the environment during transportation (6) Reduction of environmental burdens of factories (7) Consideration for products and services	(8) Penetration of the policy both in and outside the company (9) Dialogues with parties outside the company (10) Information disclosure (11) Social contribution (12) Response to fundamental causes

* Items are extracted from each policy.

Quality and Environment

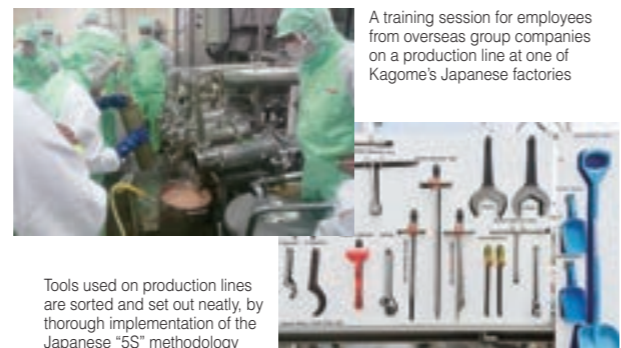
Action
 Promoting global quality assurance activities and recycling-based agriculture, to support the growth of overseas business operations

- Enhancing competitiveness by improving quality at overseas group companies
- Achieving a balance between stable procurement of raw materials and social responsibilities

Quality → Building a global quality assurance system to ensure quality at overseas group companies

In the past, due to differences between countries in terms of legal regulations, business practices, the level of customer requirements, and various other aspects, there were discrepancies between the levels of quality management in place at Kagome's various overseas group companies. In order to tackle this issue, in 2016, we established the Global Quality Assurance Department, with the aim of improving the level of quality assurance at our various overseas group companies and prevent losses due to quality-related problems. Based on quality management expertise developed by Kagome in Japan, we have established a common global quality management standard known as Kagome Best Manufacturing Practice, and are conducting quality assurance activities at each company using this standard. As the first of these, we have created specialized standards for the prevention of foreign-object contaminations, and advanced their widespread adoption and establishment in terms of both hard (machinery) and soft (management) aspects of production processes, with the cooperation of both local staff and Japanese engineers dispatched to these overseas locations. Moving forward, we will continue to expand and enhance group-wide quality control standards overseas, and drive the

creation of products that cater to the expectations of our customers. We will do this by advancing the improvement of our workplaces through various initiatives, such as activities to implement the 5S methodology, in order to foster a quality-oriented mindset in the production workplace.



Environment → Implementing the latest cutting-edge agricultural techniques to reduce environmental impact, from seeds to cultivation

The agricultural processes involved in cultivating the produce used as the raw ingredients for Kagome's products require large amounts of water, and place a burden on the environment due to activities such as soil fertilization and spraying with pesticides and other agrichemicals. By choosing crop varieties and establishing cultivation techniques that are a good match for the land where they are being grown, we are working to reduce our environmental footprint.

- **United Genetics Holdings (United States)**
 Working to reduce environmental impact through the development of tomato and other vegetable varieties suited to various growing locations around the world, and to optimize volumes of agrichemicals used by utilizing disease resistance
- **Agri-business Research and Development Center (Portugal)**
 Developing tomato varieties and cultivation techniques aimed at achieving stable production of raw-ingredient tomatoes at new growing locations
- Working to establish cutting-edge cultivation techniques for tomatoes for processing that utilize ICT to analyze big data (including weather, soil, tomato growing conditions and farm management records) to achieve optimal management of water, fertilizer and agrichemical usage
- **Kagome Australia (Australia)**
 Implements drip irrigation-based management of water and fertilizers and appropriate crop rotation methods in 100% compliance with Unilever plc's Sustainable Agriculture Code (SAC)

Environmental Data for Overseas Production Locations (actual results for FY2017)

	Energy usage (1,000 GJ)	CO ₂ emissions (tons)	Water usage (kilotons)
Kagome Inc.	101	6,738	169
Kagome Foods, Inc.	128	7,962	64
Vegitalia S.p.A.	71	3,121	126
HIT (Italagro)	458	19,774	2,643
HIT (FIT)	261	13,764	1,069
Kagome Australia Pty Ltd.	298	19,358	271
Taiwan Kagome Co., Ltd.	49	2,467	81



Sustainable Procurement



Action
 Enhancing our response to ageing of Japanese growers of tomatoes for processing
 Promoting the development of new overseas production locations for tomatoes for processing

- Responding to the shortage of manpower for growing and harvesting tomatoes for processing
- Increasing and expanding the range of market opportunities for tomatoes for processing, for which there is growing global demand

In Japan → Introducing measures to tackle the ageing of Japanese growers of tomatoes for processing

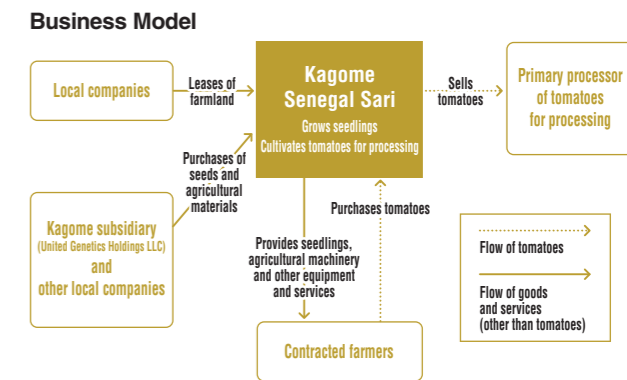
A major issue with regard to the procurement of tomatoes for processing in Japan is societal ageing of tomato producers. Many growers had been cultivating tomatoes continuously for around 30 or 40 years, and there are cases in which they retire from the business of cultivation due to a lack of successors. The chief cause of this is that the harvesting season for tomatoes is between late July and mid-August, which is concentrated around the hottest time of year, and manual harvesting of tomato crops places a crushing burden on producers. Kagome came up with the idea of dividing cultivation and harvesting work, and spent approximately six years working in collaboration with agricultural machinery manufacturers to develop the Kagome Tomato Harvester (KTH), a machine for harvesting tomatoes for processing. Work efficiency of harvesting using the KTH has reached approximately three times that of hand pick harvesting, enabling around 1.8 tons of tomatoes to be harvested per day. In 2017, we introduced a test initiative in Ibaraki prefecture whereby KTH harvesting machines and workers were dispatched to farms as a set. The operation and transportation of the KTH machines were outsourced to the same company to which we entrust the transportation of the tomatoes

themselves. Moving forward, we will continue to drive initiatives to ensure the continuation of tomato cultivation by existing growers and increase numbers of new growers.

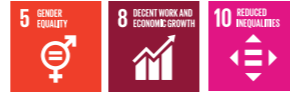


Overseas → Developing new overseas production locations to respond to global food shortages

Global demand for tomatoes is predicted to continue growing for the foreseeable future, and the Kagome Group is working to secure tomato harvest volumes and develop production locations in countries around the world, from a medium to long-term perspective. Kagome Senegal utilizes seeds, cultivation techniques and other agricultural technology resources owned by other Kagome Group companies to create new production locations in Senegal to grow tomatoes for processing. In the future, the company will aim to expand the scope of its business operations to include the manufacture of tomato-based products. Tomato paste as a basic condiment is deeply enrooted in the culinary cultures of many countries in the ECOWAS (Economic Community of West African States) region. However, due to issues such as poor advancement of cultivation techniques for tomatoes for processing and high levels of disease and pest-related stress, the quality and volume of tomatoes being cultivated is insufficient, and these countries rely on imports from overseas for the majority of their tomato-based products. By raising the level of tomato cultivation techniques with the aim of achieving a situation in which tomatoes are both locally grown and locally consumed, we will continue to develop new production locations for tomatoes for processing and make Senegal a strategic hub, with a view to consumption within the ECOWAS region in the future.



Diverse Human Resources



Action

Achieving simultaneous reforms in both our earnings structure and work styles, by improving productivity, and creating an environment in which a diverse range of personnel can continue to work and feel that they are doing a worthwhile job

- Aiming to achieve our target of 1,800 total working hours per year by 2020
- Creating a strong organization by advancing diversity

Work Style Reform

Reducing total working hours with an awareness of reforming the way we live

Since 2014, we have been working to reform the way we work. Our efforts begin by prohibiting overtime work past 8 p.m., and we have now developed this concept into "reforming the way we live," with the two goals of "creating a company that is easy to work at and where employees feel that they are doing a worthwhile job" and "achieving total annual working hours of 1,800 hours" by 2020.

1. Creating an environment that is even easier to work in

Kagome is advancing the revision of existing schemes and the establishment of new ones to enable all employees to make greater effective use of their abilities and take active roles in the company. We are also considering lifting our ban on secondary jobs as of 2019, with the hope of creating greater synergy in employees' main job by diversifying their career paths.

- Introducing a staggered working hour system where employees can choose their hours
- Introducing a telecommuting system
- Introducing a hour-based paid leave scheme for the factory division

2. Total annual working hours of 1,800 hours

By advancing improvements in work efficiency as an organization by eliminating unreasonableness, waste and inconsistency at the individual level, we are working to reduce total annual working hours (which currently stand at between 1,900 and 2,000 hours) to 1,800* hours by 2020. In order to improve work efficiency, it is essential to coordinate between departments and improve productivity at the section and team level. We are currently engaged in productivity initiatives, such as by slimming down meeting presentation materials, improving time management such as by sharing of individual schedules online amongst teams in our staff and sales divisions, and labor saving and more effective utilization of personnel by introducing new equipment and machinery in our factory divisions.

* 1,800 hours: 224 days (working days excluding holidays and 20 paid leave days) × 8 working hours per day

Promoting Diversity

Improving productivity by respecting diversity



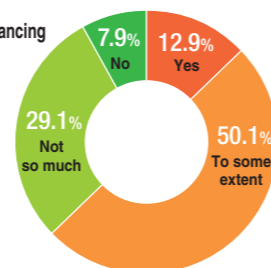
Kagome has the long term vision of having "50% of the workforce consisting of women – from employees to executive officers," which we hope to achieve by around 2040. By making effective use of the diverse perspectives of not only women but each and every one of our employees, we are maximizing the performance of our organization, reforming internal awareness, and driving the creation of systems that will enable a diverse range of personnel to continue working with us, with the objective of creating new value. We have established a "Diversity Committee" comprised of representatives from all offices, which organizes activities to revitalize workplace communication, and are working to reform employee awareness and identify issues, such as by holding events including work-life seminars and IkuBoss (a progressive on childcare issues) seminars, run primarily by the Diversity Promotion Department. In March 2018, we were selected in the New Diversity Management Selection 100.

<The Act on Promotion of Women's Participation and Advancement in the Workplace> Progress of Kagome's Action Plan

Target 1	To hire new employees, of whom 50% or more are female employees	Actual result for FY2018	60%
Target 2	To maintain the continuous employment percentage of female employees hired before the 2009-2011 fiscal years at least 80% of that of male employees	Actual result for FY2017	0.75
Target 3	To ensure that female employees make up at least 8% of managerial positions (Manager and above)	As of April 1, 2018	4.6%

Do you feel that the level of diversity is advancing in your workplace?

(from an internal questionnaire-based survey conducted in November 2017)



Bonds with Society



Action

Expediting resolution of social issues and accelerate corporate growth through wide-ranging collaborations with partners, including municipal governments, universities and other companies

- Contributing to longer, healthy lives
- Achieving agricultural development and regional revitalization
- Attempting to solve world food problems
- Offering support to victims of the Great East Japan Earthquake

What Kagome Strives For

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

Joint research in collaboration with Hirosaki University to reveal the health benefits of vegetables

In January 2018, Kagome established a "Vegetable Life Science" joint research course in association with Hirosaki University. In addition to conducting joint research on the health benefits of vegetables through a combination of medical, life science and food science approaches, the course also aims to contribute to extending the health life spans of Japanese people.



Opening ceremony at Hirosaki University

Farm management with the aim of advancing the tomato industry in Senegal

At the end of 2017, Kagome established a farming company in the West African country of Senegal. As well as providing a foothold for tomato cultivation, the company ultimately aims to energize the tomato industry in the country. Through the use of cultivation and farm-management techniques developed by Kagome, the company is contributing to encouraging the local growing and local consumption of produce, as well as promoting increased employment and improvement of incomes.



A tomato field in Senegal

Forming agreements to promote collaborative relationships with local governments

As of June 2018, Kagome has signed agreements with 19 prefectures and regions in Japan, and is working with them and making mutual use of resources to improve services for local residents and further revitalize these regions. Specifically, Kagome makes use of the local specialty produce of these regions as raw ingredients for its products, and engages in a wide-range of other activities including food education support and assistance in times of disaster.



A ceremony to mark the signing of an agreement with Kanagawa prefecture

The MICHINOKU Future Fund (a scholarship fund supporting around 1,300 children who have lost one or both parents because of the Great East Japan Earthquake)

Kagome operates the MICHINOKU Future Fund in association with Calbee, Inc., Rohto Pharmaceutical Co., Ltd. and Ebara Foods Industry, Inc. The fund provides support to enable children who have lost one or both parents by the Great East Japan Earthquake to continue their education to university to vocational school. For the coming 19 years, we plan to support around 1,300 children, including those who were not yet born at the time of the disaster, until they graduate.



The 7th MICHINOKU Future Fund gathering, held in March 2018

Connecting consumers with producers through the Noen Oen (Local Obscure Farm Support) direct marketing business

Kagome's Noen Oen (Farm Support) direct marketing business was launched in 2015. Through this initiative, Kagome conducts limited sales of rare and delicious fruit and vegetables grown by passionate producers nationwide. Through these activities, we aim to pass on producers' high-level skills and rare fruit and vegetable varieties to the next generation of growers.



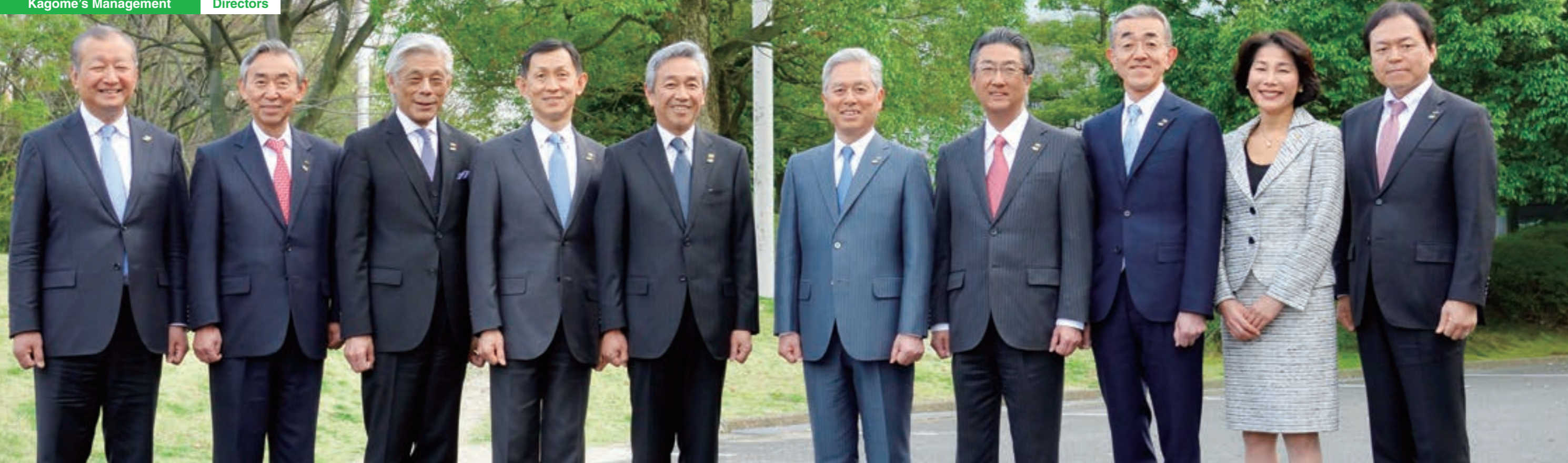
A Farm Support producer

Food education activities experienced by a total of 3,506,000 people

Kagome is engaged in continuous activities to develop children's interest in food and support healthy growth. Our activities include inviting parents and children to our musical Kagome Theater which communicates the importance of food and health, and providing tomato seedlings and study materials to approximately 1,000 elementary schools and preschools nationwide.



Kagome Theater 2017



(1) Naoyuki Terada

(Born February 5, 1955)

President & Representative Director

Remuneration and Nomination Advisory Committee Member

- 1978 Joined the Company
- 2004 General Manager, Sales Promotion Department
- 2005 Director & Executive Officer
- 2006 General Manager, Tokyo Sales Office
- 2008 Director & Managing Executive Officer
- 2008 Director, Consumer Business Division
- 2010 Director & Senior Managing Executive Officer
- 2010 Sales Division Director
- 2013 Representative Director & Senior Managing Executive Officer
- 2014 President & Representative Director (to present)

He has extensive experience in marketing and sales departments, etc., and is leading the Kagome Group's business through his strong leadership toward the achievement of the mid-term management plan.

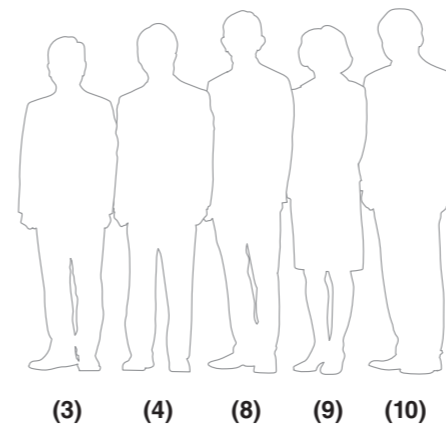
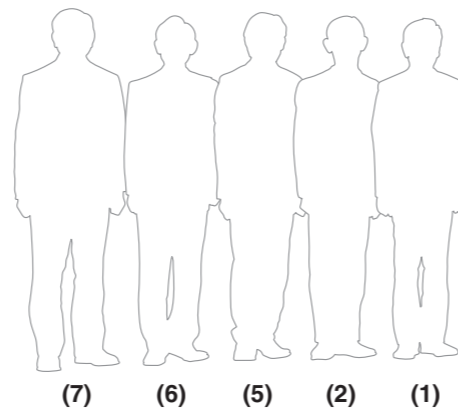
(2) Yoshihide Watanabe

(Born March 4, 1958)

Director & Senior Managing Executive Officer

- 1982 Joined The Nippon Credit Bank, Ltd. (now Aozora Bank, Ltd.)
- 1998 Joined Cerberus Japan K.K.
- 2003 Joined Industrial Revitalization Corporation of Japan
- 2007 Joined the Company; Special Adviser
- 2008 Executive Officer
- 2009 Director, Corporate Planning Division
- 2009 Director & Executive Officer
- 2016 Director & Senior Managing Executive Officer (to present)
- 2017 Assistant to President and Responsible for Special Assignment Projects (to present)

He has extensive experience in a financial institution and the corporate planning department, etc. of Kagome, and oversees all operational standards and the quantification of results and promotes the optimization of management resource allocation and work style reforms.



(3) Katsuyuki Miwa

(Born August 5, 1955)

Director & Senior Managing Executive Officer

- 1979 Joined the Company
- 2005 President & Representative Director of Kagome Labio Co., Ltd.
- 2010 Executive Officer of the Company
- 2010 General Manager, Production Department, Production & Purchasing Division
- 2013 Managing Executive Officer
- 2013 Director, Production & Purchasing Division
- 2013 Director & Managing Executive Officer
- 2016 Director & Senior Managing Executive Officer (to present)
- 2017 Assistant to President and Responsible for Special Assignment Projects (to present)

He has extensive experience in the production and purchasing department, the management of subsidiaries, etc., and oversees Kagome's vegetable processing business projects and promotes business development for the achievement of the company's long-term vision.

(4) Masahiro Sumitomo

(Born February 3, 1961)

Director & Managing Executive Officer
Director of International Business Division

- 1984 Joined the Company
- 2002 General Manager, Business Development Department
- 2006 Executive Officer
- 2008 President of Vegetalia S.p.A
- 2012 Representative, Europe Regional Head Office, Corporate Planning Division of the Company; and President of Vegetalia S.p.A.
- 2012 Managing Executive Officer of the Company
- 2015 Director of International Business Division of the Company (to present); General Manager, Global Consumer Business Department; and CEO, Global Tomato Company of Kagome Co., Ltd.
- 2016 Director & Managing Executive Officer (to present)

He has extensive experience in the overseas business department, the management of overseas subsidiaries, etc., and is promoting the global expansion of Kagome's business as the supervisor of the overseas business department.

(5) Seiichi Kondo

(Born March 24, 1946)

External Director

Independent
Remuneration and Nomination Advisory Committee Member

- 1972 Joined the Ministry of Foreign Affairs of Japan
 - 1999 Deputy Secretary-General, Organization for Economic Co-operation and Development
 - 2006 Ambassador Extraordinary and Plenipotentiary to Permanent Delegation of Japan to the United Nations Educational, Scientific and Cultural Organization
 - 2008 Ambassador of Japan to the Kingdom of Denmark
 - 2010 Commissioner for Cultural Affairs
 - 2014 External Director of the Company (to present)
- [Significant concurrent positions]
Outside Director of JX Holdings, Inc.

He has extensive experience in overseas assignments of central government ministries and agencies and knowledge of the economy, as exemplified by his participation in the formulation of the OECD Principles of Corporate Governance.

(6) Morihiro Murata

(Born July 20, 1946)

External Director, Audit and Supervisory Committee Member

Independent
Audit and Supervisory Committee Member
Remuneration and Nomination Advisory Committee Member

- 1970 Joined Arthur Young & Co. Tokyo Office
 - 1974 Registered as Certified Public Accountant
 - 2002 Representative of Asahi KPMG Tax Corporation
 - 2006 Representative of Murata Morihiro Accounting Firm (to present)
 - 2011 External Auditor of the Company
 - 2016 External Director, Audit and Supervisory Committee Member of the Company (to present)
- [Significant concurrent positions]
Representative of Murata Morihiro Accounting Firm
Outside Audit & Supervisory Board Member of Kokuyo Co., Ltd.
Outside Auditor of Sumitomo Rubber Industries, Ltd.

He is proficient in corporate accounting as a certified public accountant and tax accountant, and has extensive insight for overseeing corporate management based on his experience in corporate management, etc.

(7) Takayuki Hashimoto

(Born July 9, 1954)

External Director

Independent
Remuneration and Nomination Advisory Committee Member

- 1978 Joined IBM Japan, Ltd.
 - 2008 General Manager, Sales, Japan
 - 2009 General Manager, IBM Japan
 - 2014 External Director of the Company (to present)
- [Significant concurrent positions]
Honorary Advisor, IBM Japan, Ltd.
Outside Auditor of IHI Corporation
Outside Member of the Board of Mitsubishi Chemical Holdings Corporation
Outside Director of CHUBU Electric Power Co., Inc.

He has extensive knowledge of diversity promotion and risk management in business as a manager of a highly diversified global company.

(8) Hirohito Kodama

(Born March 22, 1959)

Director, Standing Audit and Supervisory Committee Member

Audit and Supervisory Committee Member

- 1981 Joined the Company
- 2003 General Manager, Corporate Planning Department
- 2006 Executive Officer
- 2008 Director & Executive Officer
- 2008 General Manager, Research & Development Division
- 2011 Director & Managing Executive Officer
- 2013 CEO, Asia Business Company
- 2016 Responsible for Business Process Redesign and President & Representative Director of Kagome Axis Co., Ltd.
- 2017 Responsible for Risk Management
- 2018 Director, member of Standing Audit and Supervisory Committee

He has extensive experience in the corporate planning department, the research and development department, subsidiary management, etc., and is appropriately overseeing the performance of the Company's operations as a member of the Standing Audit and Supervisory Committee.

(9) Hidemi Sato

(Born February 17, 1959)

External Director

Independent

- 1981 Joined Mitsubishi Electric Corporation
 - 1996 Completed the Doctoral Program at Graduate School of Ochanomizu University; obtained a doctorate (Doctor of Philosophy in Food Science)
 - 1997 Part-time lecturer at Fukushima University, The Open University of Japan, Nippon Veterinary and Animal Science University (now Nippon Veterinary and Life Science University)
 - 1999 Part-time lecturer at Meiji University College
 - 2015 Visiting professor at Nippon Veterinary and Life Science University (to present)
 - 2017 External Director of the Company (to present)
- [Significant concurrent positions]
Visiting professor at Nippon Veterinary and Life Science University

She has extensive knowledge of food science and food education through numerous research activities related to food science and many years of educational activities on food and nutrition.

(10) Hiroshi Mori

(Born February 21, 1965)

External Director, Audit and Supervisory Committee Member

Independent
Audit and Supervisory Committee Member

- 1989 Joined Development Bank of Japan (now Development Bank of Japan, Inc.)
 - 1993 Seconded to the Finance Bureau of the Ministry of Home Affairs (now the Ministry of Internal Affairs and Communications)
 - 2003 Seconded to Tesac Corporation, a company under restructure Trustee representative, Manager of Corporate Planning Department
 - 2006 Registered as attorney-at-law, joined Nishimura & Asahi
 - 2012 Partner at Nishimura & Asahi (to present)
 - 2016 External Director, Audit and Supervisory Committee Member of the Company (to present)
- [Significant concurrent positions]
Partner at Nishimura & Asahi Outside Director, Audit & Supervisory Committee Member, Mitsubishi UFJ Securities Holdings Co., Ltd.

As a lawyer, he is well-versed in corporate legal affairs and risk management practices, and has extensive insight to oversee corporate management.

Roundtable Discussion of External Directors

The Board of Directors Reflects on the Past Year

To Verify the Effectiveness of the Measures Taken and Further Improve Corporate Governance



External Director,
Audit and Supervisory
Committee Member
Hiroshi Mori

External Director,
Audit and Supervisory
Committee Member
Morihiko Murata

External Director
Seiichi Kondo

External Director
Takayuki Hashimoto

External Director
Hidemi Sato

Moderator: Yoshihide Watanabe, Director & Senior Managing Executive Officer

Is the Board of Directors serving adequately as the forum for discussing strategies?

– This year, we added “deliberation” to the functions of the Board of Directors, which included proposing and reporting for the purpose of making the Board a better forum for examining strategies. Does the current Board of Directors fulfill this purpose adequately?

Hashimoto Kagome provides detailed explanations in advance, so I have never felt uncomfortable about exchanging information and opinions before deliberations. It is important to reduce information asymmetry in order for external directors to hold adequate discussions, and I think Kagome is very careful about that.



Mori I think the Board of Directors is functioning very effectively. It allows the members to exchange opinions about various issues such as business, tax affairs, legal affairs, global operation and nutrition from a technical perspective, which allows the company to carry out projects in a better way.

– Mr. Murata, you have experienced the positions of both Auditor and Director and Audit and Supervisory Committee member (“Committee Member”). Did the change to a Committee Member caused any change in information asymmetry?

Murata My impression of experiencing both positions is that information asymmetry has been reduced since Kagome became a company with an audit and supervisory committee and the barrier between the Committee members and External Directors was removed.

– To reduce information asymmetry, the Division Directors of Kagome's business segments started providing information about the company's business operations and other matters at the Board of Directors' meetings. What do you think about this?



Sato Food products include a range of products, so I feel that it is difficult to understand the flow from the development to the sale of such products. I therefore think that the people close to the workplace could provide us with more information in place. I appreciated the opportunity to visit the work sites such as factories. I learned of the real situation subsequent to our discussions, which was very informative.

Continuing Anti-takeover Measures

– The opinions of the Board of Directors on the anti-takeover measures, about which a resolution was passed at the 74th Regular General Meeting of Shareholders, were divided. Can you give us your thoughts again?

Mori Anti-takeover measures only to determine the procedures of the measures themselves, and we are continuing to seriously discuss how we should deal with the issue as a company. But I think it would be wrong if the management had the idea of protecting themselves by relying on such measures.

Hashimoto While it is not very likely that someone will try to buy out Kagome, it is a necessary process in the sense of insuring our business amid the dramatic changes occurring in society and the values of the public. As a result, we received the support of 80% of the shareholders, so I assume that many shareholders share the same opinion.

Kondo I also agree with maintaining the measures. In view of pessimistically preparing ourselves and optimistically implementing the measures, which is the standard



Hashimoto In view of the advisory function based on the knowledge of each External Director, which is the role of External Directors, I think the company could make greater efforts to bring out the function. Rather than providing all the members with the same information, they could, for example, describe the products in greater detail to Ms. Sato to obtain her advice. I think that the company needs to use us in a way that will promote deeper discussions.

Murata On the other hand, we need to make greater efforts to learn about the work sites by, for example, periodically visiting the supermarkets to observe how Kagome products are sold, in order to share the information more effectively.

Hashimoto In addition, Kagome does not have many reports on the performance of its Directors. Some companies update their information about human resources management, accounting, marketing, IT systems, legal affairs and other sections constantly, so I suggest that Kagome consider such efforts.



approach to crisis management, we are not necessarily too conservative, and I think we should maintain the anti-takeover measures.

Sato I hear that the percentage of women among the individual shareholders of Kagome is higher than the average. Assuming that the number of “fan shareholders” increased because of the economic benefits such as shareholder incentives, I imagine that women may tend to be psychologically affected when a high share price is presented in a TOB. Accordingly, I think that measures to ensure safety are necessary.

Murata I am basically against anti-takeover measures. I think we could leave the decision of whether to accept or reject any takeover offer to the management at the time. However, the approval or disapproval of a takeover offer itself should, of course, be decided through discussions in which the External Directors participate as well.

Changing the Generation of the President

– Next, I would like us to talk about how we should change the generation of our President. Concerning the endowments and approximate age required of Kagome's President, I would like to hear the thoughts of the members of the Nomination/Remuneration Committee.

Kondo We focus on the person's insight into global trends. Based on this insight, he or she develops strategic policies. People often say, "strategy means to throw away," which means that the person can make bold decisions. We then look at the person's ability to attract employees' minds to unite people with diverse backgrounds. The person must also have the ability to communicate effectively with people from other cultures such as CEOs of overseas companies.

Hashimoto The first thing is "focus." We want the person to think seriously about the value of the company's existence. For example, how Kagome can help people enjoy happy lives as people. Reversing the low vegetable intake and helping people to have longer, healthier lives with vegetables are values close to this, and we need to discard unnecessary aspects in order to make such values the corporate color of Kagome. The second factor is the ability to execute and complete an operation. This is one of Kagome's weaknesses. Then the age of the President. I think that a candidate should be a person in his or her 50s when he or she assumes the position, and should be able to stay in office for eight to 10 years.



Kondo I agree. The President should take on the leadership at ages when he or she has an adequate spirit, technique, and physical strength.

Murata Since companies are not always without problems, I think the most important question is whether the President can act according to the company's DNA in a crisis situation, rather than focusing solely on self-preservation.

Message to the President, Mr. Naoyuki Terada

– Finally, please give your requests or opinions to Mr. Terada, the President of Kagome who will concurrently hold the position of the Chairman of the Board of Directors' meeting.

Kondo His attitude of maintaining his beliefs such as reforming employees' work styles is very impressive, and I hope he will remain that way.

Hashimoto The position of the Chairman of the Board of Directors has been abolished and the President will concurrently serve as the Chairman of the Board of Directors' meeting, but I would like the President to delegate authority to the executives for daily operations and focus on the management, supervision, and monitoring of the company. He should then firmly establish Kagome's identity and develop a path to sustainable growth. Finally, he must grow his successor.

Sato Please do not overlap the two concurrently held positions of the President and the Chairman of the Board of Directors' meeting.

Murata I think that he has delegated and balanced authority by assigning the two Senior Managing Executive Officers as his right-hand men, so I encourage him to perform well with this structure.

Mori Please keep sending a solid message as to how Kagome should be 10 and 20 years from now and grow the spirit of the employees. Please bear firmly in mind that one of the President's missions is to pass down the trust of shareholders and employees to the successor and present a path to sustainable growth.

From the President, Naoyuki Terada, in Response to the Round-table Discussion of External Directors

I always sincerely appreciate your contribution as Kagome's External Directors. You have visited our overseas facilities, factories in Japan, and other places many times, all of you have taken the platform in our lecture on internal diversity, and you have come into direct contact with the company's situations both on and outside the Board of Directors. You have become complete fans of Kagome through such activities and strong outside cheerleaders for the management team. Meanwhile, your straight opinions and remarks coming from differences in the specialization and ideas of each member at the Board of Directors' meetings sometimes result in the rejection of proposals, and your absolutely uncompromising attitude did not allow discussion-based agreement and led us to resort to resolution by majority vote in some cases. While we always feel tense during the serious arguments at the Board of Directors' meetings, I am convinced that you as our External Directors undoubtedly make Kagome stronger and play a major role in increasing our corporate value.

Corporate Governance

Basic Policy of Corporate Governance

In accordance with our corporate philosophy of "appreciation," "nature" and "corporate openness," we aim to achieve sustainable growth and improve the medium- to long-term value of the company. We acknowledge that corporate governance is a critical management issue toward these objectives.

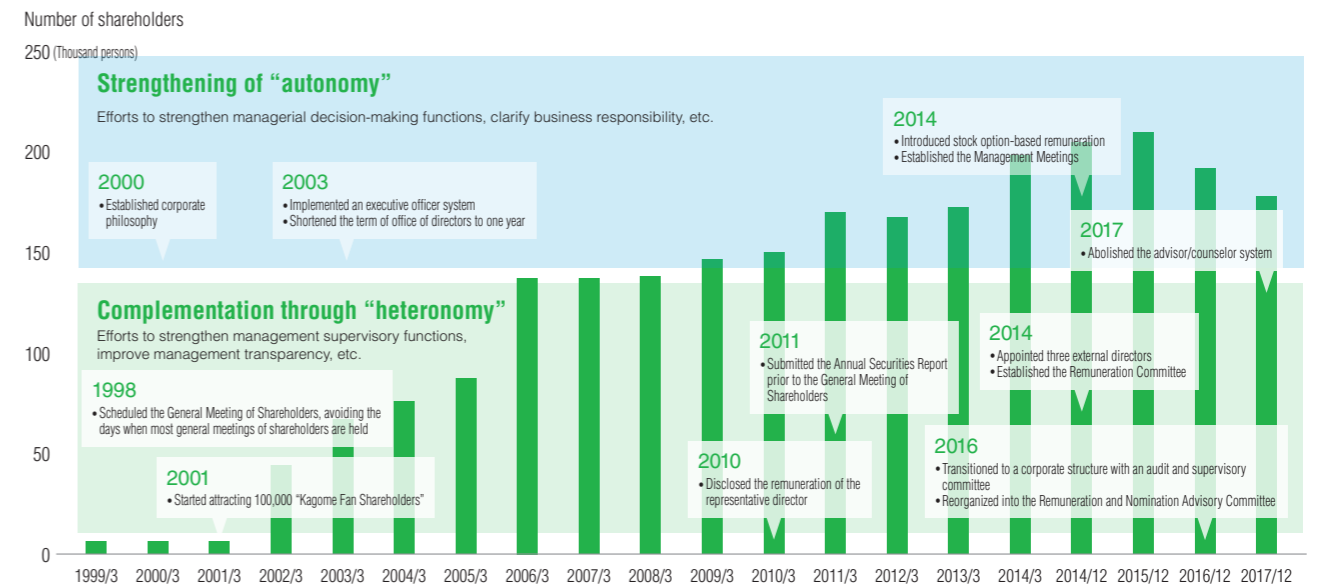
Our company considers the further strengthening of "autonomy" complemented by "heteronomy" to be the fundamentals of our corporate governance. We will ensure objectivity and transparency, forming a basis by designing

our own concept of corporate governance adapted to the present day, while incorporating diverse outside viewpoints by working to attract more "Kagome Fan Shareholders" and leveraging the functions of the 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.

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

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



Corporate Governance System

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

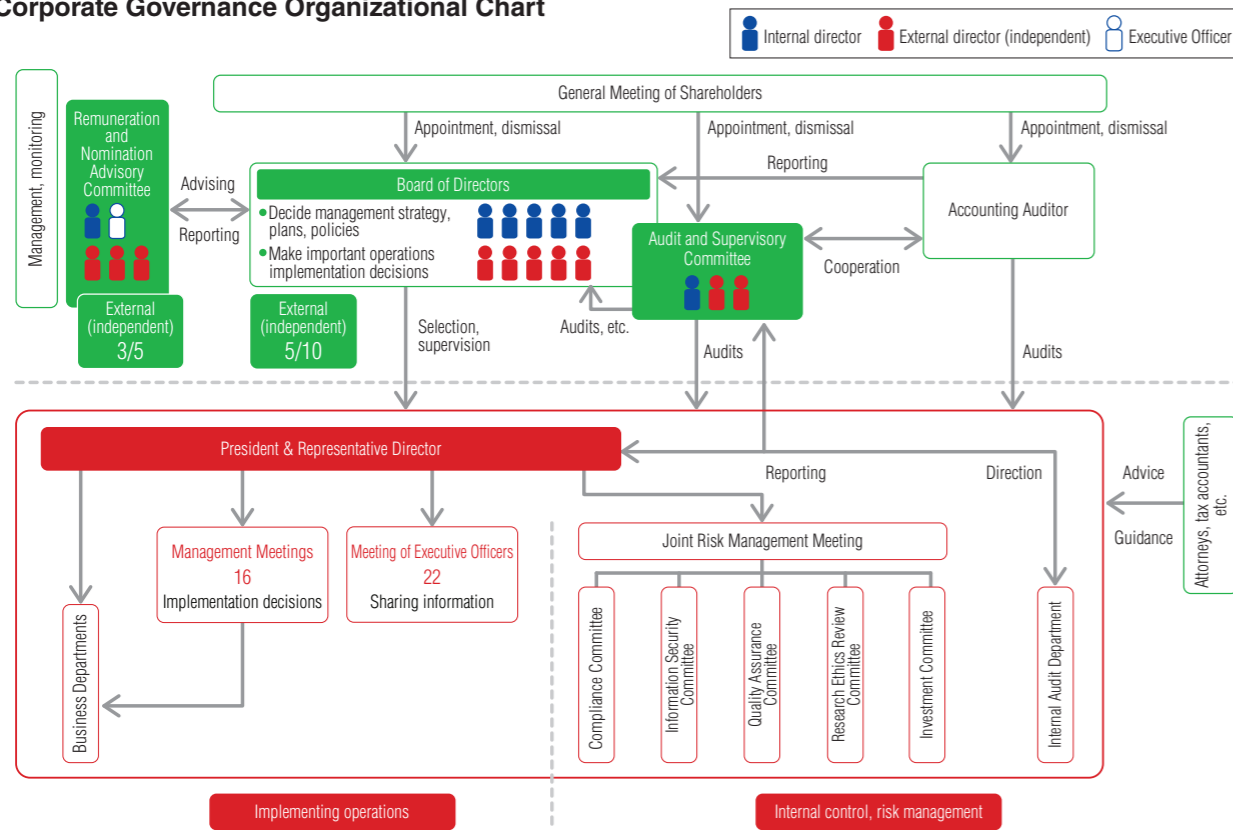
The audit and supervisory committee has set a policy of having one or more standing audit and supervisory committee members, and uses internal control systems to audit the legality and appropriateness of the operations implemented by the directors.

The nomination and remuneration of directors are deliberated by the Remuneration and Nomination Advisory Committee, in

which independent external directors account for one half or more of its members. The results of the deliberations are advised to the Board of Directors, which then determines the nomination and remuneration of the directors, thereby enhancing fairness and appropriateness.

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

Corporate Governance Organizational Chart



Kagome's Policy on Appointing Directors

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

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

Specialized areas of external directors

	Corporate management	Global	Society, economy	Accounting, tax	Law	Diversity	Food
Seichi Kondo		○	○				
Takayuki Hashimoto	○					○	
Hidemi Sato						○	○
Morihiro Murata		○		○			
Hiroshi Mori				○	○		

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

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

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

* An average of 10 million yen or more annually in the past three business years, or an amount that is 2% or more of the net sales or total revenue of the recipient

* On average in the past three business years, 10 million yen or more in the case of an individual and 2% or more of consolidated net sales in the case of a corporation

Directors' Remuneration

Our company's directors' remuneration, etc. comprises basic compensation, a bonus linked to business performance and (cash) stock options. The proportions of each of the above are determined based on the positions of the directors. Basic compensation is fixed-amount compensation that is determined based on the importance of the roles played by the directors. Both the bonus and the stock options are determined based on consolidated profit indicators as the company-wide business performance and the contributions made by each individual director. Stock options are incentives for medium-term and multiple-year management and are designed to be exercisable based on consolidated profit indicators after a certain period of time from the time of allotment as exercise conditions. Accordingly, the

exercisable number of these stock options is determined according to the degree of attainment. Compensation for directors, audit and supervisory committee members and external directors each comprise basic compensation.

In fiscal 2014, the Remuneration Committee, as an advisory body to the Board of Directors in which external directors account for one half or more of its members, was established in order to enhance transparency and objectivity in determining directors' compensation, etc. In fiscal 2016, the same committee was given functions as an advisory body concerning the nomination of directors, and was then reorganized to become the current Remuneration and Nomination Advisory Committee.

Remuneration and Nomination Advisory Committee: 4 or 5 meetings held/year

Fiscal year in which the committee was convened	Matters deliberated
2017 The first committee	<ul style="list-style-type: none"> Determination of the amount of the directors' bonus for FY2016 New appointment and reappointment of directors in FY2017
The second committee	<ul style="list-style-type: none"> Members of the Remuneration and Nomination Advisory Committee in FY2017 Directors' compensation for FY2017 Business performance indicators for FY2017
The third committee	<ul style="list-style-type: none"> Personnel reshuffle with effect from October 1, 2017 Job grades of transferred executives and directors' compensation
The fourth committee	<ul style="list-style-type: none"> Market data on directors' compensation for FY2017 Estimates of variable compensation expected for FY2017 Abolition of the advisor/counselor remuneration system
The fifth committee	<ul style="list-style-type: none"> Abolition of the advisor/counselor system Promotion and advancement of executives Partial revision of executive appraisal sheet items

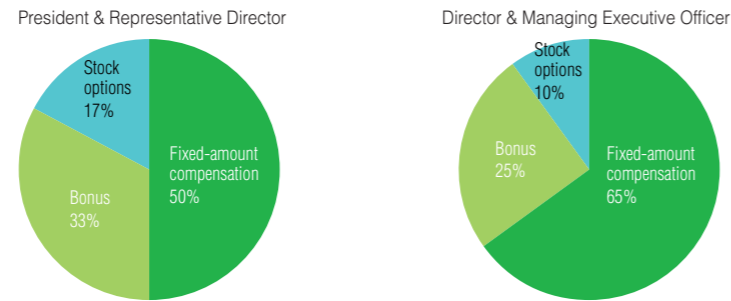
Fiscal year in which the committee was convened	Matters deliberated
2018 The first committee	<ul style="list-style-type: none"> FY2017 executive bonus factor Promotion of executives Abolition of the advisor/counselor system FY2018 schedule of Remuneration and Nomination Advisory Committee
The second committee	<ul style="list-style-type: none"> Simulation of FY2018 executive bonuses Directors' compensation for FY2018 Committee members' remuneration Members of the Remuneration and Nomination Advisory Committee in FY2018 Process of allowances in FY2018 Finalization of FY2015 stock options Process of determining overseas CEO remuneration FY2018 succession process

Directors' compensation

Category of directors	Total amount of compensation, etc. (million yen)	Total amount of compensation, etc. by type (million yen)			Number of eligible directors (persons)
		Basic remuneration	Stock options	Bonus	
Directors (excluding audit and supervisory committee members)*	344	166	43	134	6
Directors (audit and supervisory committee members)*	21	21	-	-	1
External directors	49	49	-	-	6

* Excluding external directors
Our company transitioned to a corporate structure with an audit and supervisory committee as of March 25, 2016.

Composition of directors' compensation (part)



Results of Evaluation of the Effectiveness of the Board of Directors

Our company undertook an evaluation of the effectiveness of the Board of Directors in November 2017. An overview of the results is described below.

1. Methods of evaluation

Conducted surveys of directors (30 items within 6 categories)
The survey categories are as follows.
(1) Design of the Board of Directors
(2) Operation of the Board of Directors' meetings
(3) Proposals by the Board of Directors
(4) Quality of Discussions by the Board of Directors
(5) Corporate Governance System
(6) General Assessment
Questionnaires undertaken by each committee / discussion between the Chairman of the Board of Directors and external directors / deliberations by the Board of Directors taking the above into account

2. Overview of results of evaluation

As a result of discussions that took the above into account, the Board of Directors of the company concluded that the Board generally functioned in an appropriate manner in all categories and its effectiveness was positive.
The results generally improved from the results of the evaluation of the effectiveness of the Board of Directors conducted in the previous fiscal year, suggesting steady progress and improvement.
Areas suggesting a need for further improvement in the evaluation of effectiveness this time included "reporting the status of operations and progress in solving issues" and "securing time for deliberations on important proposals." In terms of expanding the range of reporting at the Board of Directors' meetings, we worked to reduce

information disparities between internal and external directors by reporting matters discussed in the Management Meetings, business of major departments, etc.; however, we consider that the frequency of reporting and the completeness of the matters reported were still inadequate. We will share key indicators of the progress of business operations at the Board of Directors' meetings and establish reporting based on these indicators.
In terms of securing time for deliberations of the Board of Directors, we were able to reduce the time spent on explanations by controlling the formats and the number of pages of information materials used in the Board of Directors' meetings and by sending (explaining) these materials in advance. Meanwhile, however, the number of proposals presented varied depending on the timing of holding the Board of Directors' meetings and, in some cases, adequate time for deliberations could not be secured. We will better manage the annual deliberation schedule to improve deliberations throughout the year.
Through such activities, we will strive to hold lively arguments in the development of the next medium-term management plan, which we position as one of important matters to be discussed at the Board of Directors' meetings in fiscal year 2018.
Further, members of the Remuneration and Nomination Advisory Committee and the Audit and Supervisory Committee pointed out some issues concerning the division of roles in the management and audit of overseas subsidiaries. Our Board of Directors also recognizes these as issues to address and will work to solve them.

Initiatives to Enhance the Effectiveness of the Board of Directors

- Revision of the rules for the submission of proposals to the Board of Directors (transition to the Management Meetings)
- Making an annual schedule of proposals to the Board of Directors
- Providing external directors with prior explanations of proposals to the Board of Directors
- ★ Holding a study camp to examine the next medium-term management plan
- Holding meetings for external directors to share the matters deliberated in the Management Meetings
- Conducting site visits to the company's overseas subsidiaries by external directors
- Changing seats at the Board of Directors' meetings
- ★ Adding "deliberations" to proposal categories

The start marks (★) indicate new activities.

Response to the Corporate Governance Code

For details, please refer to our corporate governance report. (Kagome website: www.kagome.co.jp/company/ir/stock/governance)

Compliance

A Policy of "Corporate Openness"

With its company executives and employees mutually recognizing and respecting one another's individuality and capabilities, our company supports a philosophy of "corporate openness" that strives for fair and transparent business operation. Each Group company also observes this philosophy, and it is the basis upon which they conduct

their corporate activities.

This corporate philosophy is realized only through the daily actions of each executive and employee. In this regard, our company formulated the Kagome Code of Conduct, a set of behavioral guidelines thoroughly adhered to by all Group executives and employees.

Compliance Promotion System

The Kagome Group has established a Compliance Committee, under the supervision of the Joint Risk Management Meeting (which is chaired by Kagome's President & Representative Director). The Compliance Committee, which is chaired by Executive Officer with responsibility for overseeing compliance, undertakes verification of compliance promotion and monitoring status. The results of the Compliance Committee's deliberations are reported to the members of the Management Meetings via the Joint Risk Management Meeting. The Legal Affairs Office, which functions as the secretariat of the Compliance Committee, plays the central role in day-to-day compliance operations.

Kagome established the Kagome Compliance Hotline, which is accessible to all domestic Group employees, and through which reports can be made and guidance given with regard to illegal or suspicious activities in the workplace. This system incorporates an internal direct line to the Compliance Committee's secretariat, as well as an external hotline to an outside law firm. To encourage employees to use these contacts without hesitation, the identities of those making reports are kept strictly confidential.

Kagome takes steps to protect the privacy of employees who make reports to ensure that these employees do not suffer any adverse consequences. We quickly conduct investigations based on the information received and take appropriate countermeasures. In such cases, respecting the principle that whistleblowers and other related parties cannot be identified, we share information internally so as to prevent similar incidents from occurring in the future. In fiscal year 2017, the Kagome Compliance Hotline was used 17 times, and each case was resolved.

Contact details of the Compliance Hotline are registered

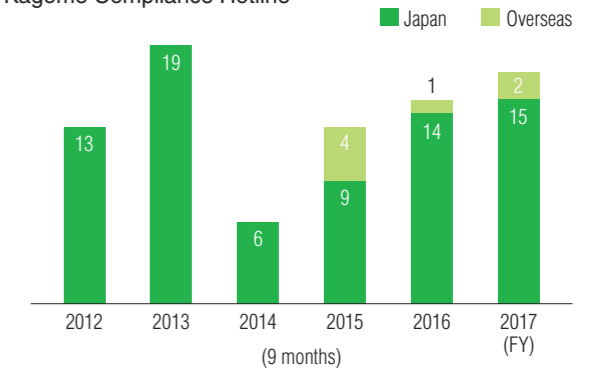
on Kagome Safety Net, a smartphone application which can be downloaded by the employees, and every effort is made to ensure that employees can access the Compliance Hotline at any time.



Kagome fully recognizes the importance of compliance in relation to the Group companies located overseas. In 2014, an overseas internal reporting system has been introduced, and the scope of this system has been gradually expanded to include the Group companies located in the U.S. and Australia.

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

Number of consultations and reports received by Kagome Compliance Hotline



Initiatives to Maintain Rigorous Compliance

Having formulated the Kagome Group Compliance Implementation Rules, Kagome Group implements thorough compliance throughout the Group. At domestic Group companies, the legal affairs department, which serves as the secretariat of the aforementioned Compliance Committee, leads these efforts.

Compliance implementation activities include not only the preliminary checks in compliance-related cases and the dissemination of compliance-related information, but also the conduct of group training for new employees and new managers, and an ongoing program of in-house compliance seminars, etc. that make use of e-learning, case studies, and group discussions. The in-house compliance seminars

are integrated with the Skill Points program that forms part of the company's personnel management system, and participation in these seminars is a prerequisite for promotion.

Efforts are made to keep training up-to-date, taking account of new development in society and using examples from within the company. The training arranged during fiscal year 2017 included e-learning concerning information security. In addition, the group training aimed to increase employees' awareness of compliance-related issues, handling content that forced participants to think deeply about the impact of compliance violations, based on the theme of past corporate scandals.

Tax Compliance

In all of the countries and regions where it conducts its business operations, the Kagome Group observes and adheres to tax laws, maintains good relationships with tax authorities, and contributes to society by paying the appropriate taxes. We also respond in a timely and appropriate manner with regard to annual revisions to taxation systems and changes in international taxation rules, including tax treaties, conventions and OECD guidelines. Internally, we carry out regular e-learning and other training with regard to tax compliance, in order to

enlighten employees regarding observance of tax laws. With regard to transfer pricing taxation, we have established transfer pricing management regulations. For international transactions between companies belonging to the Group, we analyze the functions, assets and risks associated with each party in the transaction based on the arm's length price principle, and calculate appropriate profit allocations and transfer prices based on their respective contributions.

Handling Different Types of Risk

Policies for Handling Risk

Kagome, as a "vegetable company" which makes maximum use of nature's bounty and aims to contribute to helping customers live longer, healthy lives, has been promoting activities to reduce various risks centering on food safety. With an eye on ESG, we are engaged in continuous risk

management efforts from the perspective of "Governance, Risk, Compliance" (hereinafter GRC), which is an integrated collection of risk management techniques to improve the efficiency of management decision-making.

Companywide Risk Management Structure

Our company strives to address operational risks in each department and "risks related to business" described in our Annual Securities Report. With regard to companywide risk management, too, copying from the concept of internal control (discussed later), we are seeking to create an enhanced risk management structure based on the idea of three lines of defense, and have established five specialized committees (our second line of defense) which handle issues that are viewed as being particularly important for a food products company. We have also established a Joint Risk Management Meeting (our third line of defense), as an overall risk management structure. As of this fiscal year, we have reviewed and revised the membership of the Joint Risk Management Meeting to enable deeper consideration of risk issues. The meeting now has the President and Representative Director as its chair, and includes the Senior Managing Executive Officer(s), Standing Audit and Supervisory Committee Member(s) in its membership, along with other Audit and Supervisory Committee Members

who are external directors, enabling the meeting to hear objective assessments from an outside perspective. The meeting endeavors to maintain a detailed grasp of the state of risk response activities across the entire Kagome Group, and to make improvements that will enable swifter decision making with regard to risk response policies and significant risk response issues. The Joint Risk Management Meeting meets on a regular basis to receive reports and suggestions from the secretariat and relevant departments on day-to-day social issues, their impact on the Kagome Group and responses to such issues, in addition to reports on the activities of each committee, and to discuss and instruct on necessary responses, thereby seeking to enhance internal control as a risk-reducing activity. In addition, in order to improve effectiveness of internal control, details of the instructions are utilized in monitoring by the Internal Audit Department, and the results of the monitoring are reported to the Board of Directors and the Audit and Supervisory Committee.

● **Compliance Committee**

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

● **Information Security Committee**

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

● **Quality Assurance Committee**

In order to ensure customers with peace of mind when using our products which contribute to customers' longevity and good health through nature's bounty, maintaining

quality is always the most important issue for our company as a food manufacturer. With the objective of strengthening quality assurance of products, the Quality Assurance Committee brings together representatives of relevant departments and meets monthly to address customer comments, prevent accidents, respond to amendments of laws, and assure proper labeling. The establishment of this committee has enabled Kagome to respond more precisely, and in a more expeditious fashion, both internally and externally.

● **Research Ethics Review Committee**

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

● **Investment Committee**

Our company is working on various business developments in order to be transformed from a "tomato company" to a "vegetable company." The Investment Committee is an independent committee which consists of members selected from in-house specialized departments. This committee was established for the purpose of measuring and assessing risks of investments which are drafted by each department. Proposals which are verified by this committee are submitted to the Board of Directors or the Management Meetings and deliberated officially.

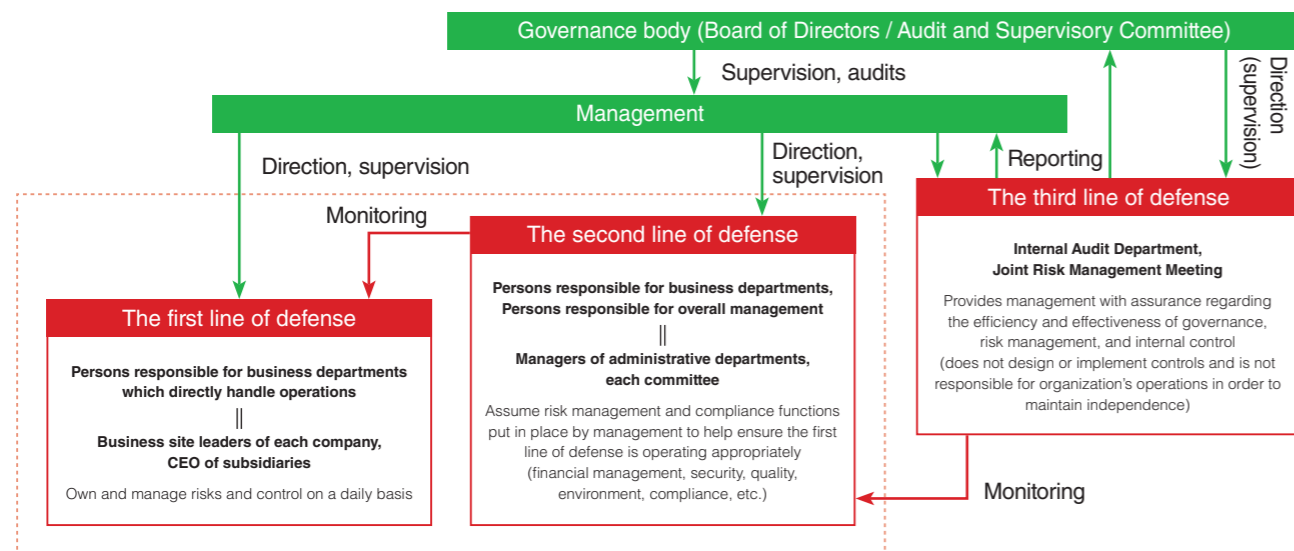


Views Based on GRC

Our company is expanding our business domain and business areas to achieve the targets of the mid-term management plan. Our pressing issue is to strengthen governance of the entire Group to ensure sound management of the Group. In order to promote sound group governance, Kagome is continuing its internal auditing initiatives, with an eye on "Leveraging COSO across the Three Lines of Defense," a paper which is a collaboration between the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and The Institute of Internal Auditors, Inc. (IIA). At the base of this initiative are control activities (the first line of defense) performed appropriately in business departments and Group companies which conduct day-to-day operational activities. We are currently advancing the development of a system in which head offices (the second line of defense) which oversee such activities and conduct overall management help further ensure that risks and controls are effectively managed, as the internal audit (the

third line of defense) monitors both of the abovementioned lines of defense and provides assurance to the management and the Board of Directors. In internal audit, we have been trying to perform inspection not merely by evaluating good from bad based on a check list, but also by interviewing persons who are involved in the management as well as by verifying actual atmosphere and background of operation. This initiative is implemented not only in operational audits run by the Internal Audit Department, but also in monitoring quality, environment, labor and other areas in relevant departments. Through various audit activities, we strive to accomplish the four purposes of internal control, namely to improve "effectiveness and efficiency of business operations" to achieve business purposes while acknowledging risks, ensure "reliability of financial reporting," "comply with laws and regulations relevant to business activities" and "safeguard assets" through the proper procedures.

Concept of Internal Control (image of three lines of defense and internal audit)



Initiatives for Supply Chain with an Eye on BCP

Our company sustained significant damage from the Great East Japan Earthquake. As a result, like many other companies, we are working to strengthen the company-wide communication infrastructure in the event of large-scale disasters and such. At the same time, through activities to support disaster-stricken areas such as provision of our products to evacuation centers after the earthquakes, we listened to the opinions of many people about vegetable intake. This reminded us about the social significance of Kagome's existence and that our company is an integral part of a lifeline which involves food. Based on what was learned and experienced from the Great East Japan Earthquake, we set out "First Action Guidelines after Occurrence of Large-scale Disasters," which state roles and first actions in accordance with management resources (people, products,

facilities, information). With regard to initial actions from the time of occurrence of large-scale disasters until the time of assembling the in-house Disaster Countermeasures Center headed by the president according to BCP*, at the initiative of the management, a consensus is made among relevant departments to take actions without delay. In accordance with the guidelines, in the event of disasters, a distribution network is to be established under the leadership of SCM Division to achieve the quickest possible recovery of product supply. Development of BCM on a global scale in cooperation with overseas locations will be our challenge for the future, where there may be difficulties due to the difference in laws and regulations by country and other issues.

* BCP: Business Contingency Plan

Our Responsibility to Shareholders and Investors

Information Disclosure

Our company discloses information to shareholders and investors in a fair, simple and timely manner. We attach great importance to opportunities of two-way communication with shareholders and investors through IR events such as the General Meeting of Shareholders, "Talks with the President," "Production Plant Tours," etc.

General Meeting of Shareholders

Our company encourages an ever-greater number of shareholders to participate in its General Meeting of Shareholders by enhancing the content of "convocation notice" and "documents accompanying the convocation notice," disclosing them on the company website and sending them as early as possible. We also feature round-table meetings among directors and include suggestions from external directors. On the actual day of the General Meeting of Shareholders, we make efforts to provide reports in an easily understandable manner, such as through speaker explanations and visuals using videos. Furthermore, through displays in the lobby, we work to share information about our activities with shareholders in a more productive manner and encourage their direct feedback. For shareholders who are unable to attend meetings, we accept questions and provide answers via the Internet.



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

Management Oversight

Based on the idea that management oversight is enhanced by feedback about a company's corporate activities and business performance from the perspective of numerous shareholders, in fiscal year 2001, we began working to attract 100,000 "Kagome Fan" shareholders. This initiative drove shareholder numbers past the 100,000 mark on September 30, 2005, and shareholder number currently stands at around 170,000. We will continue to appropriately reflect the valuable opinions and needs of our shareholders in all our corporate activities.

Dividend Policy

Our company recognizes that returning profits to its shareholders is one of its most important management issues. We make it a basic policy to distribute stable dividends, targeting a dividend payout ratio of 40%. For 2018, we plan to pay out special commemorative dividends to mark the 120th anniversary of our founding, in addition to ordinary dividends. Internal reserves will be allocated to the strengthening of financial structure, future strategic investments and other activities aimed at even greater shareholder returns through future business growth.

Special Shareholder Benefits

Under Kagome's Special Shareholder Benefits system, a selection of Kagome products is sent to shareholders throughout Japan. Rather than merely being a case of "giving something back" to shareholders, the main aim of the Special Shareholder Benefits system is to use Kagome products to give a better understanding of our company; every time, the products are accompanied by a questionnaire survey which helps our company to understand shareholders' views and expectations, information which can then be utilized effectively in our company's business activities. As of 2018, we have introduced a new scheme whereby we present commemorative gifts to shareholders who have kept their shares for 10 years or longer, with the aim of encouraging shareholders to maintain ownership of their shares in the long term.

Credit Ratings

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

R&I (Rating and Investment Information, Inc.)
Long-term credit rating

A

JCR (Japan Credit Rating Agency, Ltd.)
Long-term credit rating Short-term credit rating

A

J-1

Key Financial and Non-Financial Data

Millions of U.S. dollars

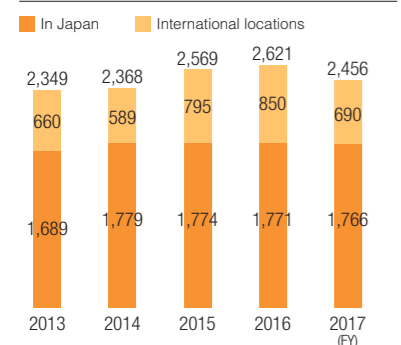
Accounting Period (Fiscal Year)	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2017
Profit and Loss (Unit: million yen)												
Net sales	¥200,483	¥175,134	¥171,937	¥181,304	¥180,047	¥196,233	¥193,004	¥159,360	¥195,619	¥202,534	¥214,210	1,895,664
Research and development expenses	2,895	2,541	2,577	2,567	2,655	3,009	3,084	2,566	3,240	3,219	3,346	
Advertising expenses	7,376	6,784	5,326	6,312	6,122	7,053	6,918	5,319	4,671	5,086	5,977	
Operating income	8,786	4,447	6,397	7,978	8,466	9,278	6,775	4,328	6,723	10,946	11,968	105,912
Operating income to net sales (%)	4.4	2.5	3.7	4.4	4.7	4.7	3.5	2.7	3.4	5.4	5.6	
Ordinary income	8,366	4,249	7,304	8,389	9,213	10,025	7,529	4,969	7,015	11,315	12,618	111,664
Profit attributable to shareholders of parent	4,167	2,000	2,981	2,473	4,217	6,480	5,105	4,366	3,441	6,764	10,100	89,381
Financial Transition (Unit: million yen)												
Total assets	¥138,682	¥140,938	¥134,005	¥142,661	¥148,207	¥168,965	¥183,621	¥203,413	¥208,885	¥219,804	¥195,737	1,732,186
Net assets	90,378	87,707	89,418	88,941	92,815	104,432	113,023	124,566	126,344	97,991	105,853	936,752
Interest-bearing debt	9,487	23,267	12,665	16,159	15,851	24,004	31,088	35,904	37,419	74,538	37,168	
Cash Flows (Unit: million yen)												
Cash flows from operating activities	¥2,225	¥4,137	¥15,230	¥18,241	¥11,757	¥7,407	¥(1,073)	¥1,753	¥12,039	¥18,824	¥16,598	146,885
Cash flows from investing activities	(14,999)	(5,431)	(6,458)	(19,093)	(4,985)	(1,781)	(3,941)	(7,110)	(11,023)	(18,576)	17,271	152,841
Cash flows from financing activities	(4,091)	4,433	(12,544)	1,414	(1,861)	1,050	2,322	1,793	1,555	6,904	(40,761)	(360,717)
Free cash flow	(8,325)	(1,559)	13,902	8,757	7,866	(1,417)	(12,661)	(4,269)	(4,011)	10,442	21,588	
Per Share Information (Unit: yen)												
Net income per share	41.85	20.09	29.97	24.87	42.40	65.15	51.39	44.01	34.64	68.30	114.03	
Net assets per share	887.26	866.10	885.16	880.13	920.81	1,020.86	1,094.07	1,204.77	1,201.96	1,043.89	1,150.50	
Annual dividend per share	15.0	15.0	15.0	15.0	18.0	20.0	22.0	16.5	22.0	24.5	30.0	
Key Management Indicators (Unit: %)												
Net assets to total assets	63.7	61.1	65.7	61.4	61.8	60.1	59.1	58.8	57.2	42.1	52.1	
Return on equity (ROE)	4.7	2.3	3.4	2.8	4.7	6.7	4.9	3.8	2.9	6.4	10.4	
Return on assets (ROA)	5.9	3.0	5.3	6.1	6.3	6.3	4.3	2.6	3.4	5.3	6.1	
Dividend payout ratio	35.8	74.7	50.1	60.3	42.5	30.7	42.8	37.5	63.5	35.9	26.3	
Dividend on net assets ratio	1.7	1.7	1.7	1.7	2.0	2.1	2.1	1.4	1.8	2.2	2.7	
Non-Financial Information												
Number of employees*2 (persons)	1,951	2,038	2,031	2,045	2,101	2,209	2,349	2,368	2,569	2,621	2,456	
Energy used*3 (thousands of gigajoules)	1,560	1,368	1,360	1,379	1,319	1,297	1,289	1,329	1,336	1,380	1,376	
Water used*3 (thousands of tons)	4,260	3,583	3,440	3,484	3,452	3,627	3,945	3,850	3,828	3,628	3,442	
CO ₂ emissions*3 *4 (tons)	81,701	70,682	69,875	69,908	66,379	65,454	62,777	64,693	63,968	66,499	66,599	

*1 The accounting period was changed in 2014, and FY2014 only covers the 9-month period from April 1 until December 31, 2014. *2 Scope: Kagome Group

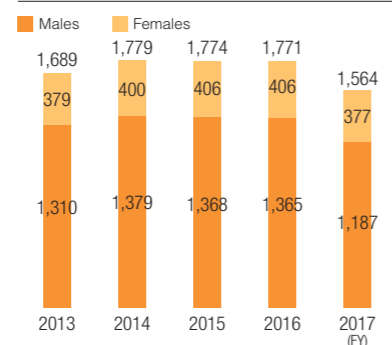
*3 Scope: Kagome Co., Ltd. + Group companies in Japan (Kagome Axis, Kagome Distribution Service, four greenhouse farms)

*4 Company management fixed coefficient of 0.421 kg-CO₂/kWh was used as the electricity conversion factor for calculated values of CO₂.

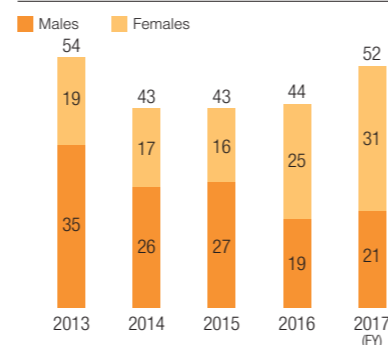
Number of employees (consolidated)
(Unit: persons)



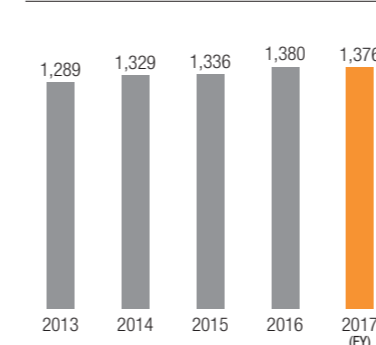
Number of employees (in Japan)
(Unit: persons)



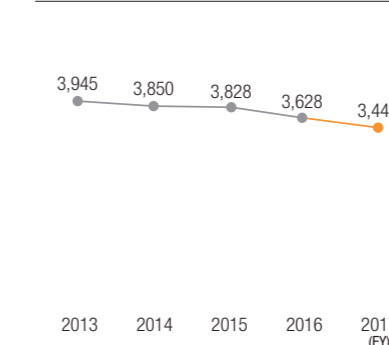
Number of newly hires
(Unit: persons)



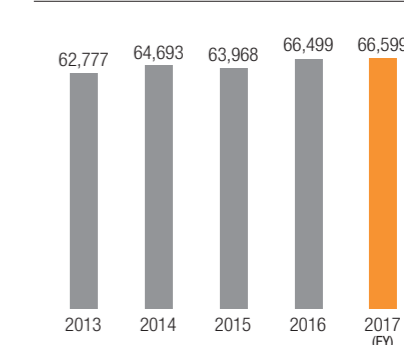
Energy used
(Unit: thousands of gigajoules)



Water used
(Unit: thousands of tons)



CO₂ emissions
(Unit: tons)



* Scope: Kagome Group



Proactive investment in creating a foundation for sustainable growth for 2019 and beyond

Yoshihide Watanabe
Director & Senior Managing Executive Office

[Review of the Fiscal Year Ended December 2017]

Improving Costs through Marginal Profit Based Management

In fiscal year 2017, our operating income to net sales was 5.6%, an increase of 2.2 points in comparison with the figure 3.4% at the time of the introduction of our 2016-2018 Mid-Term Management Plan. Our cost of sales ratio and SG&A (Selling, General and Administrative) expenses ratio have also improved, by 1.4 and 0.8 points respectively, and really feel that our policy of marginal profit based management is producing results.

The most significant variable expense in our cost of sales is the cost of raw ingredients. With regard to vegetable and fruit juices, by making use of different types of raw ingredients according to attributes such as production area, level of concentration and price, we were able to revise our costs while maintaining standards, quality and flavor. This enabled us to reduce associated expenses by over 500 million yen in fiscal year 2017.

We also worked to review and rethink unprofitable products. Naturally, when marginal profits are in the red, and even when they

are not, we work to concentrate and consolidate our operations by considering the state of sales and how they relate to our production processes, and link this on to cost reductions and improvements in efficiency.

When considering variable expenses, sales promotion costs are another major significant factor. By introducing marginal profits as a KPI for our sales divisions, and thoroughly applying the profit management concept of "how to best increase profits rather than increasing sales" in the field, we have sought to ensure appropriate sales promotion costs. Additionally, we have also become able to make various proposals, from the perspective of using sales promotion costs efficiently, that lead directly to increased business performance and earnings for our customers. In this way, we have improved our cost ratio for sales promotion costs (also a variable expense) by 0.7 points in comparison with the time of the introduction of our Mid-Term Management Plan.

[Two Issues that Must Be Tackled]

Essential Requirements for Sustainable Growth

The fiscal year ending December 2018 will be the final year of our current Mid-Term Management Plan. While we consider the figure of 6% that we set as our target ratio for operating income to be an achievable level, we also value the importance of building a solid foundation to enable the stable growth of this amount. In order to do so, we recognize two major issues that Kagome must resolve right now.

The first issue is to achieve stable growth while a high percentage of our sales are comprised of beverage products.

While on one hand it is easier to generate sales with beverages in comparison with food products, they are also characterized by the fact that consumer commitment is low and customers are easily influenced by current trends or fads, and performance is therefore prone to be unstable. Beverages are the central focus of Kagome's business operations, and in order to achieve continuous stable growth it is essential for us to develop products based on new ideas, including surrounding categories. Our Smoothie series—which makes effective use of plant ingredients which had not been utilized

in our Yasai Seikatsu 100 brand products until now (such as nut-type ingredients)—is a prime example.

Amidst all of this, and given the current situation in which the boundaries between existing categories and channels (such as between beverages and food products, and between consumer use and food service use) are becoming fainter and less distinct, we modified our business segments. This involved the consolidation of five separately classified segments into a single processed food products segment. It was also a message to those within the company that we want them to stop considering things in terms of existing frameworks, and to advance their work from a broader perspective, making wide-reaching collaborations."

The second issue is to increase the accuracy of our investment planning.

Looking back over the past 10 years, even with the exclusion of earthquake-related items, we have posted cumulative losses (including fixed asset disposal and impairment losses) totaling almost 10 billion yen (cumulative).

Many of these extraordinary losses were a result of what could be called strategic failures, in which we were unable to generate the sales or profits that were originally anticipated prior to making certain

investments, and were therefore unable to find a way to collect on those investments. Based on our reflection upon these failures, in recent years, we have devised various unique approaches in terms of project risk management techniques, such as by setting a sufficient test marketing phase prior to carrying out such investments, or conducting monitoring from the initial year after an investment is made to prevent delays in launching associated operations. However, if cautious stance with regard to investments causes atrophy with regard to starting new business operations, it will lead to the even greater risk of insufficient growth potential for the future. For that reason, rather than considering investments on an individual, case-by-case basis, I would like us to engage more in approaches such as focusing on areas in which we should concentrate our resources as a Group, and conducting studies in advance with regard to anticipated issues.

Unless we resolve these issues and create a leaner organization for generating profits, then it will be difficult for us to achieve sustainable growth in our next mid-term management plan. We have therefore resolved to approach and tackle such issues with a strong sense of urgency/crisis.

[Capital Investment Policy]

Raising the Scale of Investment from 10 Billion to Between 12 and 13 Billion Yen

While in Japan the growth of our processed foods business is predicted to slump in the long term due to factors such as the shrinking of the market as a result of population decline, we have hopes for our domestic agri-business and international business segments to play a major role in future growth.

In our domestic agri-business, as Japan's entire agricultural industry aims to become a growth industry, there is significant room for Kagome to grow, thanks to its wealth of experience with tomatoes. In reality, however, there are many cases where actual business performance is influenced by market conditions, and risk countermeasures are a pressing concern.

In comparison with Kagome's business operations, agri-business requires a relatively low percentage fixed investment, and offers a comparatively high asset turnover ratio. This is because we are promoting contracted growing, in which we outsource production to local farmers. We then take delivery of produce from contracted farmers and sell them on a nationwide scale. It can surely be said that this is a business model that makes maximum effective use of our strength, in terms of the network that we have built up through our processed food operations.

In our international business, we expect demand for tomatoes for processing to grow in the long term, and are thinking that we will continue to expand our investments in this area in the future.

With regard to tomato sauce sales to global food services, we are engaging in capital investments with the aim of reducing costs (such as energy and transportation costs) from a long term perspective, by integrating various processes for processing our products. Our tomato processing operations can be broadly divided into two categories: primary processing, in which we manufacture tomato paste, and secondary processing, in which we manufacture

culinary sauces and other products using that tomato paste as a raw ingredient. However, because the thinking with regard to hygiene management for these two categories is completely different, it is usually difficult for primary processing business operators to extend their operations to handle secondary processing. The realization of this business domain can be achieved only by Kagome, which is capable of secondary processing, integrating its upstream processing processes. In this way, we believe that we can build a unique business model that is only possible for Kagome.

With regard to capital investments in domestic factories, renewals and automation, which will ensure safety and security with regards to quality and respond to our efforts for work style reform are a priority issue. We will seek to secure production capabilities and space for factory expansions that will enable us to respond swiftly and flexibly to future growth in sales and changes in our business structure. Our policy is to create beneficial effects with our investments that exceed the increase in our depreciation costs and achieve a positive overall effect in terms of our profits and losses, by focusing on select investments.

For the last few years, depreciation costs have remained steady at around 6 billion yen. But over the coming few years, this burden of depreciation will increase by around 200 million yen every year. In terms of investment, the amount has remained fairly constant at around the 10 billion yen mark, but moving forward we will increase this to around 12 or 13 billion yen. This is anticipated to continue for several years.

Essentially, we plan to cover the amount of these planned investments with our own cash flow, although if they exceed this then we plan to borrow to cover the cost of these investments.



[Investing in our Foundation for Value Creation]
Improving Productivity and Building Systems to Support Our Strengths

With regard to improving productivity, we believe that there is room for improvement in terms of white-collar work. Firstly, we have made shortening working hours a priority, and are working with the aim of cutting annual working hours per person, which currently reach up to 1,980 hours, down to 1,800 hours.

Over the last two years, we have invested just under 2 billion yen into renewing our ERP (Enterprise Resource Planning) as part of our Infrastructure Renewal Project. We regard rebuilding our work processes and workflow as a pressing task, and will continue to invest proactively going forward.

While on one hand aiming to reduce workloads with regard to cost calculations, accounting systems and other aspects that form the basis of our ERP activities, we will also seek to build systems that pay particular attention to uniqueness with regard to aspects that could potentially be advantages for Kagome, such as information exchanges and sales forecasts in our sales divisions. We plan to continue investing around 1 billion yen annually in order to link these activities to achieving swift and accurate decision-making as a company.

We will also be investing approximately 200 million yen into talent management, with the aim of “visualizing” areas which until now have depended on the experience and gut instinct of our human resources departments.

Talent management is a means of developing human resources by managing individual career paths and utilizing that information to develop succession plans and tailor-made training, and to increase employees’ feelings that they are doing a worthwhile job. At the same time, it also leads to improvements in productivity. As one aspect of this, we have established a new Career Advisor System. Through this system, staff with a detailed knowledge of the company’s work and operations are conducting interviews with employees on a one-to-one basis and collecting information regarding their individual abilities, hopes and wishes with regard to their future careers.

[Creating Value by Utilizing Intangible Assets]
Aiming to Enable Longer, Healthy Lives

Kagome is working to tackle and resolve the social issue of enabling longer, healthy lives. As one aspect of this, our Innovation Division is working in collaboration with Hirosaki University to unravel the mechanisms that make consuming vegetables useful in maintaining health and preventing illness. We hope that the results of big data analyses of health checkups being carried out as part of this project

can be applied as Kagome’s own unique assets in developing future products and services.

We are also advancing our existing functionality research, and making efforts that will enable us to produce more factual, proof-based research results more efficiently, through proactive collaborations and coordination with external institutions.

[Towards 2019 and Beyond]
Increasing Returns through Investment to Achieve a Dividend Payout Ratio of 40%

With regard to our target ratio for operating income in our mid-term management plan for the next three-year period, we are currently at a stage where we are making considerations while considering various factors. At this present time, we are thinking less of an absolute target level and more of a moving target.

Profits are an important indicator, as a measure of how just much the value of our products is being recognized by our customers. At the same time, we cannot afford to value profits to the extent of sacrificing investment expenses for future growth. For these reasons, I would like us to continue to carefully watch market trends and ensure that we are not too late to follow them; and in terms of income ratio, too, to aim slightly higher than the average income ratio for food products companies.

Regarding shareholder returns, we will aim for a stable dividend payout ratio of 40%, using ordinary income after taxes (which constitutes continuous business performance excluding extraordinary gain) as our standard. To avoid reducing dividend payouts due to adverse short-term fluctuations in business performance, we hope to increase our returns through investment and answer to the expectations of our shareholders as soon as possible.

In the fiscal year ending December 2018, Kagome will mark the 120th anniversary of its founding. Kagome is a company that has achieved sustainable growth throughout its long history up until now. I would like our investors to look forward to even greater achievements from us in the future.

Business Performance and Financial Analysis (Fiscal Year 2017)

Conditions of Earnings and Profits

Net Sales

We saw an increase of 10,473 million yen (a 6.6% increase) in domestic business sales in comparison with the previous year, due to factors including brisk sales in our core beverage business.

In our international business, sales to major food service customers remained strong, while sales on a local currency basis fell due to factors such as heavy rainfall in Australia. In yen terms, net sales increased by 1,486 million yen (a 3.1% increase) in comparison with the previous year due to the effects of the depreciation of the yen in the currency market, which continued from the beginning of the year.

As a result of eliminations of the above results by net sales between consolidated companies, net sales for the consolidated fiscal year under review increased by 11,675 million yen (a 5.8% increase) to 214,210 million yen, compared with 202,534 million yen for the previous consolidated fiscal year.

Cost of sales and gross profit

Cost of sales for the consolidated fiscal year under review increased by 6,130 million yen (a 5.5% increase) to 117,738 million yen, compared with 111,607 million yen for the previous consolidated fiscal year. The cost of sales ratio improved by 0.1 points, from 55.1% in the previous consolidated fiscal year to 55.0%. This was mainly due to cost reductions and elimination of underperforming products in domestic businesses, which had a positive effect on cost of sales.

As a result, gross profit for the consolidated fiscal year under review increased by 5,544 million yen (a 6.1% increase) to 96,472 million yen, compared with 90,927 million yen for the previous year.

Selling, general and administrative expenses and operating income

Selling, general and administrative expenses for the consolidated fiscal year under review increased by 4,522 million yen (a 5.7% increase) to 84,503 million yen, compared with 79,981 million yen for the previous consolidated fiscal year. The ratio of selling, general and administrative expenses to net sales was 39.4%, decreased by 0.1

points from 39.5% in the previous consolidated fiscal year. This was mainly due to effective utilization of sales promotion expenses in our domestic businesses.

As a result, operating income for the consolidated fiscal year under review increased by 1,022 million yen (a 9.3% increase) to 11,968 million yen, compared with 10,946 million yen for the previous consolidated fiscal year. The ratio of operating income to net sales was 5.6%, improved by 0.2 points from 5.4% in the previous consolidated fiscal year.

Other income or loss and ordinary income

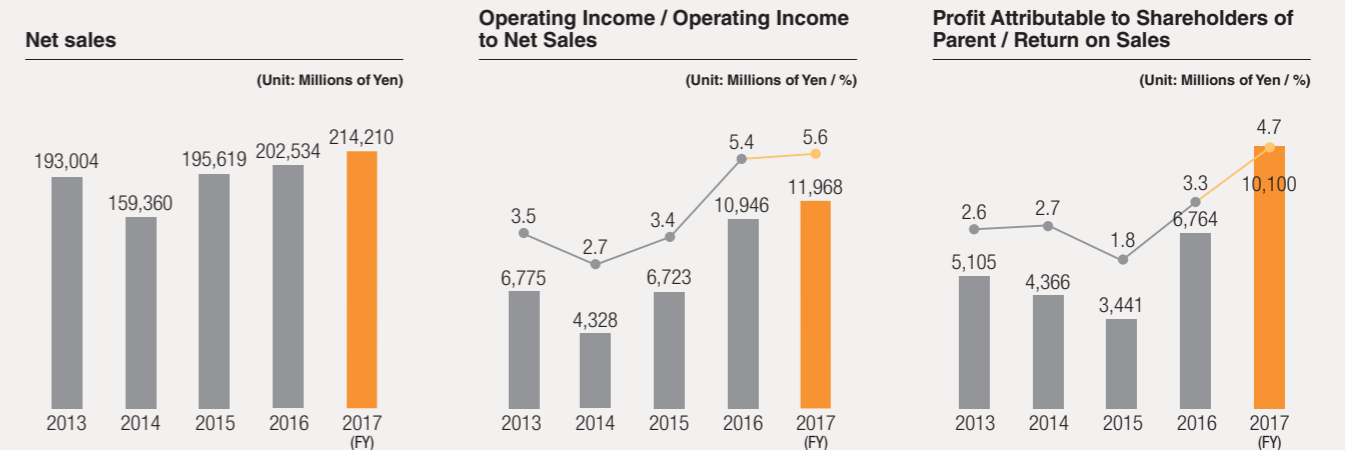
Other income for the consolidated fiscal year under review increased by 335 million yen to 1,559 million yen, compared with 1,224 million yen for the previous consolidated fiscal year. This was due to the positive effect of fluctuations in the market value of company-owned derivatives. Other expenses for the consolidated fiscal year under review were 910 million yen, at around the same level as the previous consolidated fiscal year (854 million yen).

As a result, ordinary income for the consolidated fiscal year under review increased by 1,302 million yen (a 11.5% increase) to 12,618 million yen, compared with 11,315 million yen for the previous consolidated fiscal year. The ratio of ordinary income to net sales was 5.9%, improved by 0.3 points from 5.6% in the previous consolidated fiscal year.

Extraordinary gain or loss

Extraordinary gain for the consolidated fiscal year under review increased by 2,356 million yen to 4,590 million yen, compared with 2,233 million yen for the previous consolidated fiscal year. This was mainly due to the sale of shares of the subsidiary Preferred Brands International, Inc. and partial sale of investment securities during the consolidated fiscal year under review, which resulted in posting a gain of 2,171 million yen on sales of shares of subsidiaries and associates and 1,721 million yen on sales of investment securities.

In addition to the above, for the consolidated fiscal year under review, we also posted a gain of 354 million yen on sales of fixed assets, a gain of 330 million yen on transfer of business due to



Financial Performance

the sale of subsidiary Kagome Axis Co., Ltd.'s insurance agency business and Kagome Distribution Service Co., Ltd.'s vehicle leasing business operations, and compensation income for expropriation of 11 million yen.

Extraordinary loss for the consolidated fiscal year under review decreased by 681 million yen to 1,598 million yen, compared with 2,279 million yen for the previous consolidated fiscal year.

For the consolidated fiscal year under review, the company posted a loss of 195 million yen on disposal of fixed assets (167 million yen for the previous consolidated fiscal year), impairment loss of 1,337 million yen on fixed assets owned by the company (606 million yen for the previous consolidated fiscal year) mainly due to reforms to the business structure of subsidiary Kagome Australia Pty Ltd., and loss on valuation of investment securities of 2 million yen (223 million yen for the previous consolidated fiscal year).

Income taxes and profit attributable to shareholders or parent

Total income taxes for the consolidated fiscal year under review increased by 1,107 million yen to 5,232 million yen, compared with 4,125 million yen for the previous consolidated fiscal year. Actual effective tax rate after application of deferred tax accounting was 33.5%, which is over the effective statutory tax rate in Japan.

Profit attributable to shareholders of parent for the consolidated fiscal year under review after deducting profit attributable to non-controlling interests from net income increased by 3,336 million yen to 10,100 million yen, compared to 6,764 million yen for the previous consolidated fiscal year.

Analysis of Assets and Liabilities

Assets

Kagome's total assets at the end of the consolidated fiscal year under review decreased by 24,066 million yen from the end of the previous consolidated fiscal year.

Current assets decreased by 15,830 million yen from the end of the previous consolidated fiscal year. This was due to a decrease of 16,768 million yen in "cash and deposits" due to repayment of interest-bearing debts, etc.

Fixed assets decreased by 8,236 million yen from the end of the previous consolidated fiscal year.

"Property, plant and equipment" decreased by 384 million yen from the end of the previous consolidated fiscal year. The main increase was 8,017 million yen in fixed investments due to renewal of manufacturing equipment, etc.

Main decreases were depreciation and amortization of 4,909 million yen, 1,436 million yen due to exclusion of Preferred Brands International, Inc. from consolidation, and impairment loss of 1,337 million yen.

"Intangible assets" decreased by 10,771 million yen from the end of the previous consolidated fiscal year.

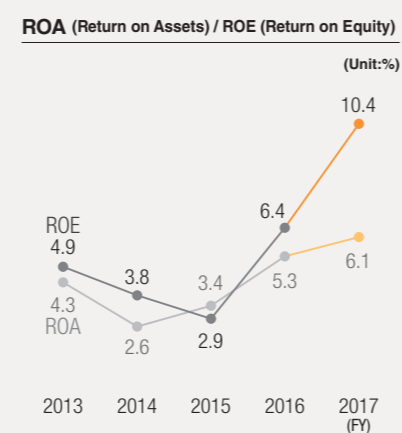
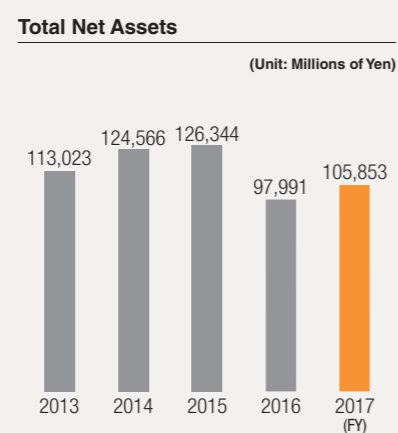
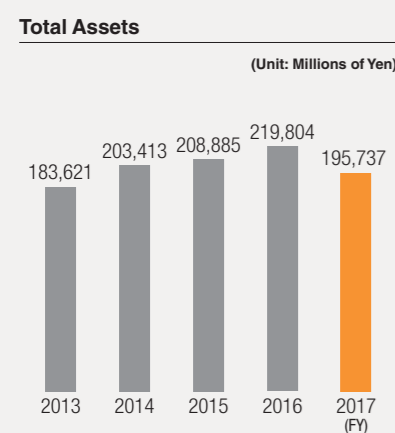
This was due to total decrease of 9,475 million yen in goodwill, customer relationship and trademark rights, etc., due to the exclusion of Preferred Brands International, Inc. from consolidation.

"Investments and other assets" increased by 2,919 million yen from the end of the previous consolidated fiscal year due to increases in the market value of listed shares owned by the company.

Liabilities and net assets

Liabilities decreased by 31,928 million yen from the end of the previous consolidated fiscal year. This was due to a 37,369 million yen decrease in interest-bearing debt (the sum total of "Short-term borrowings" and "Long-term borrowings" including "Current portion of long-term borrowings," and various other liabilities) due to factors such as repayment of funds for the public offering of treasury stocks carried out during the previous consolidated fiscal year and funds for stock acquisition for Preferred Brands International, Inc. In addition, "Income taxes payable" increased by 3,213 million yen due to an increase in taxable income, and "Notes and accounts payable" increased by 2,825 million yen. Net assets increased by 7,861 million yen from the end of the previous consolidated fiscal year. This was due to an increase of 7,988 million yen in shareholder's equity resulting from an increase of 10,100 million yen in "Retained earnings" due to "Profit attributable to shareholders of parent" and a decrease of 2,179 million yen due to distribution of surplus money.

As a result, the shareholder equity ratio was 52.1% and net assets per share were 1,150.50 yen.



Financial Performance

Consolidated Financial Statements

Consolidated Balance Sheets

	Millions of Yen		Thousands of U.S. dollars	Millions of Yen		Thousands of U.S. dollars
	As of Dec. 31, 2016	As of Dec. 31, 2017	As of Dec. 31, 2017	As of Dec. 31, 2016	As of Dec. 31, 2017	As of Dec. 31, 2017
Assets						
Current assets:						
Cash and deposits	38,918	22,150	196,018			
Notes and accounts receivable	33,617	36,042	318,956			
Merchandise and finished goods	19,648	21,143	187,106			
Work in process	932	919	8,133			
Raw material and supplies	19,985	19,636	173,770			
Deferred tax assets	660	506	4,478			
Derivatives	5,675	2,568	22,726			
Other current assets	6,325	7,051	62,398			
Allowance for doubtful accounts	(264)	(351)	(3,106)			
Total current assets	125,498	109,667	970,504			
Fixed assets:						
Property, plant and equipment:						
Buildings and structures, net	16,966	18,824	166,584			
Machinery, equipment and vehicles, net	18,535	17,821	157,708			
Tools and furniture, net	1,101	942	8,336			
Land	13,241	12,874	113,929			
Lease assets, net	650	851	7,531			
Construction in progress	3,138	1,935	17,124			
Property, plant and equipment net	53,634	53,250	471,239			
Intangible assets:						
Goodwill	6,515	503	4,451			
Trademark right	2,192	0	0			
Customer relationship	2,496	-	-			
Software	1,442	1,426	12,619			
Other intangible assets	321	266	2,354			
Total intangible assets	12,968	2,196	19,434			
Investments and other assets:						
Investment securities	19,532	22,364	197,912			
Long-term loans receivable	1,691	1,581	13,991			
Deferred tax assets	93	95	841			
Other assets	6,460	6,663	58,965			
Allowance for doubtful accounts	(75)	(82)	(726)			
Total investments and other assets	27,702	30,621	270,982			
Total fixed assets	94,305	86,069	761,673			
Total assets	219,804	195,737	1,732,186			
Liabilities						
Current liabilities:						
Notes and accounts payable	13,729	16,554	146,496			
Short-term borrowings	38,232	21,218	187,770			
Current portion of long-term borrowings	8,285	1,447	12,805			
Other payable	12,096	12,039	106,540			
Income taxes payable	704	3,918	34,673			
Deferred tax liabilities	1,104	14	124			
Accrued bonuses for employees	1,241	1,251	11,071			
Accrued bonuses for directors	101	105	929			
Derivatives liabilities	12	2	18			
Other current liabilities	3,050	3,158	27,947			
Total current liabilities	78,558	59,710	528,407			
Long-term liabilities						
Long-term borrowings	27,952	14,154	125,257			
Deferred tax liabilities	3,704	3,882	34,354			
Net defined benefit liability	5,427	5,045	44,646			
Provision for loss on guarantees	172	190	1,681			
Other	5,996	6,900	61,062			
Total long-term liabilities	43,253	30,173	267,018			
Total liabilities	121,812	89,883	795,425			
Net Assets						
Shareholder's equity:						
Common stock	19,985	19,985	176,858			
Capital surplus	22,362	22,362	197,894			
Retained earnings	66,492	74,303	657,549			
Treasury stock	(27,163)	(26,985)	(238,805)			
Total shareholder's equity	81,677	89,665	793,496			
Accumulated other comprehensive income:						
Unrealized gain on available-for-sale securities	6,487	8,971	79,389			
Deferred gains or losses on derivatives under hedge accounting	4,287	2,420	21,416			
Foreign currency translation adjustments	1,276	1,754	15,522			
Remeasurements of defined benefit plans	(1,296)	(864)	(7,646)			
Total accumulated other comprehensive income	10,754	12,283	108,699			
Subscription rights to shares	44	106	938			
Non-controlling interests	5,514	3,798	33,611			
Total net assets	97,991	105,853	936,752			
Total liabilities and net assets	219,804	195,737	1,732,186			

Note: U.S. dollar amounts have been translated from Japanese yen, for convenience only, at the rate of 113yen = 1 U.S. dollar, the approximate Tokyo foreign exchange market rate as of December 31, 2017.

Consolidated Statements of Income

	Millions of Yen		Thousands of U.S. dollars
	Fiscal year ended Dec. 31, 2016	Fiscal year ended Dec. 31, 2017	Fiscal year ended Dec. 31, 2017
Net sales	202,534	214,210	1,895,664
Cost of sales	111,607	117,738	1,041,929
Gross profit	90,927	96,472	853,735
Selling, general and administrative expenses	79,981	84,503	747,814
Operating income	10,946	11,968	105,912
Other income			
Interest income	255	409	3,619
Dividend income	314	341	3,018
Share of profit of entities accounted for using equity method	46	-	-
Insurance income	194	4	35
Gain on valuation of derivatives	-	391	3,460
Other	413	413	3,655
Total other income	1,224	1,559	13,796
Other expenses			
Interest expense	195	477	4,221
Share of loss of entities accounted for using equity method	-	44	389
Foreign exchange losses	293	41	363
Other	366	346	3,062
Total other expenses	854	910	8,053
Ordinary income	11,315	12,618	111,664
Extraordinary gain			
Gain on sales of fixed assets	1,689	354	3,133
Gain on sales of investment securities	-	1,721	15,230
Gain on sales of shares of subsidiaries and associates	-	2,171	19,212
Gain on transfer of business	-	330	2,920
Compensation income for expropriation	236	11	97
Gain on forgiveness of debts	307	-	-
Total extraordinary gain	2,233	4,590	40,619
Extraordinary loss			
Loss on disposal of non-current assets	167	195	1,726
Impairment loss	606	1,337	11,832
Loss on valuation of investment securities	223	2	18
Loss on disaster	62	-	-
Expense for voluntary recall of goods	414	-	-
Business structure improvement expenses	631	-	-
Provision for loss on guarantees	172	-	-
Other	-	62	549
Total extraordinary loss	2,279	1,598	14,142
Profit before income taxes	11,269	15,610	138,142
Income taxes			
Income taxes - current	2,208	4,688	41,487
Income taxes - deferred	1,917	544	4,814
Total income taxes	4,125	5,232	46,301
Net income	7,144	10,377	91,832
Profit attributable to shareholders of parent	6,764	10,100	89,381
Profit (loss) attributable to non-controlling interests	379	276	2,442

Consolidated Statements of Comprehensive Income

	Millions of Yen		Thousands of U.S. dollars
	Fiscal year ended Dec. 31, 2016	Fiscal year ended Dec. 31, 2017	Fiscal year ended Dec. 31, 2017
Other comprehensive income			
Unrealized gain on available-for-sale securities	43	2,484	21,982
Deferred gains or losses on derivatives under hedge accounting	(2,667)	(1,850)	(16,372)
Foreign currency translation adjustments	(1,014)	656	5,805
Remeasurements of defined benefit plans	(275)	435	3,850
Share of other comprehensive income of an affiliate by the equity method	4	(2)	(18)
Total other comprehensive income	(3,910)	1,723	15,248
Comprehensive income	3,233	12,100	107,080
Comprehensive income attributable to shareholders of parent	3,359	11,621	102,841
Comprehensive income attributable to non-controlling interests	(125)	479	4,239

Note: U.S. dollar amounts have been translated from Japanese yen, for convenience only, at the rate of 113yen = 1 U.S. dollar, the approximate Tokyo foreign exchange market rate as of December 31, 2017.

Consolidated Statements of Cash Flows

	Millions of Yen		Thousands of U.S. dollars
	Fiscal year ended Dec. 31, 2016	Fiscal year ended Dec. 31, 2017	Fiscal year ended Dec. 31, 2017
Cash flows from operating activities:			
Profit before income taxes	11,269	15,610	138,142
Depreciation and amortization	5,732	5,813	51,442
Impairment loss	990	1,337	11,832
Amortization of goodwill	752	722	6,389
Interest and dividend income	(569)	(750)	(6,637)
Interest expense	195	477	4,221
Increase (decrease) in accrued bonuses	714	18	159
Increase (decrease) in other provisions	147	93	823
Increase (decrease) in net defined benefit liability	147	242	2,142
Share of loss (profit) of entities accounted for using equity method	(46)	44	389
Loss (gain) on sales of investment securities	-	(1,721)	(15,230)
Loss (gain) on valuation of securities	223	2	18
Loss (gain) on sales of shares of subsidiaries and associates	-	(2,171)	(19,212)
Loss (gain) on sales and disposal of fixed assets- net	(1,521)	(158)	(1,398)
Loss (gain) on transfer of business	-	(330)	(2,920)
Gain on forgiveness of debts	(307)	-	-
Compensation income for expropriation	(236)	(11)	(97)
Changes in assets and liabilities:			
Decrease (increase) in notes and accounts receivable	(1,748)	(2,993)	(26,487)
Decrease (increase) in inventories	4,041	(1,876)	(16,602)
Decrease (increase) in accounts receivable- other	164	(974)	(8,619)
Increase (decrease) in notes and accounts payable	(1,374)	3,113	27,549
Increase (decrease) in accounts payable- other	2,173	1,203	10,646
Proceeds from lease and guarantee deposits received	1,255	615	5,442
Decrease (increase) in other current assets	156	(260)	(2,301)
Increase (decrease) in other current liabilities	(110)	(255)	(2,257)
Other- Increase (decrease)- net	542	(53)	(469)
Subtotal	22,591	17,738	156,973
Cash received from interest and dividend income	541	772	6,832
Cash paid for interest expense	(196)	(449)	(3,973)
Income taxes paid	(4,264)	(1,474)	(13,044)
Proceeds from compensation for expropriation	153	11	97
Net cash provided by (used in) operating activities	18,824	16,598	146,885
Cash flows from investing activities:			
Disbursement for time deposits	(10,676)	(96)	(850)
Proceeds from withdrawal of time deposits	546	10,122	89,575
Purchases of marketable and investment securities	(64)	(682)	(6,035)
Proceeds from sales and redemption of securities	-	2,938	26,000
Acquisition of fixed assets	(6,836)	(9,202)	(81,434)
Proceeds from sales of fixed assets	2,210	1,830	16,195
Collection of loans receivable	58	263	2,327
Proceeds from transfer of business	-	868	7,681
Purchase of shares and capital of subsidiaries resulting in change in scope of consolidation	-	(90)	(796)
Purchase of shares of subsidiaries and associates	(3,741)	(48)	(425)
Proceeds from sales of subsidiaries resulting in change in scope of consolidation	-	11,246	99,522
Other- Increase (decrease)- net	(73)	122	1,080
Net cash provided by (used in) investing activities	(18,576)	17,271	152,841
Cash flows from financing activities:			
Increase (decrease) in short- term borrowings	28,160	(17,918)	(158,566)
Proceeds from long- term borrowings	11,333	8,634	76,407
Repayments of long- term borrowings	(904)	(29,277)	(259,088)
Repayments of finance lease obligations	(57)	(123)	(1,088)
Dividends paid	(2,187)	(2,180)	(19,292)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(2,715)	-	-
Proceeds from share issuance to non-controlling shareholders	195	0	0
Dividends paid to non-controlling interests	(72)	(69)	(611)
Decrease (increase) in treasury shares	(26,848)	173	1,531
Other	-	0	0
Net cash provided by (used in) financing activities	6,904	(40,761)	(360,717)
Foreign translation adjustment on cash and cash equivalents	86	377	3,336
Net increase (decrease) in cash and cash equivalents	7,238	(6,513)	(57,637)
Cash and cash equivalents at beginning of period	21,075	28,313	250,558
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	-	(249)	(2,204)
Cash and cash equivalents at end of period	28,313	21,550	190,708

Note: U.S. dollar amounts have been translated from Japanese yen, for convenience only, at the rate of 113yen = 1 U.S. dollar, the approximate Tokyo foreign exchange market rate as of December 31, 2017.

Company Information

Company Overview

Founded	1899
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 million yen
Number of Employees	2,456 (consolidated)
Places of Business	Head Office, Tokyo Head Office, 1 division office, 8 branches, 6 plants, Innovation Division
Description of Business	Production and sales of food seasonings, preserved foods, beverages, and other food products; purchasing, production, and sales of seedlings, fruits, and vegetables



Head Office



Tokyo Head Office

Places of Business and Group Companies

Places of Business

Head Office	Business Office	● Hokkaido Branch	● Shizuoka Business Office	Plants	● Ueno Plant
Tokyo Head Office		● Tohoku Branch	● Hokuriku Business Office		● Kozakai Plant
Innovation Division		● Kita-Tohoku	● Osaka Branch		● Fujimi Plant
Tokyo Laboratory	Business Office	● Tokyo Branch	● Chu-Shikoku Branch		● Nasu Plant
		● Kanagawa Branch	● Okayama Business Office		● Ibaraki Plant
		● Kanto Branch	● Shikoku Business Office		● Komaki Plant
		● Nagoya Branch	● Kyusyu Branch		
			● Okinawa Business Office		

Main Group companies

Domestic Subsidiaries and Associates

● Kada Greenfarm Co., Ltd.	(Wakayama City, Wakayama)
● Hibikinada Greenfarm Co., Ltd.	(Kitakyushu City, Fukuoka)
● Iwaki Onahama Greenfarm Co., Ltd.	(Iwaki City, Fukushima)
● Kagome Axis Co., Ltd.	(Nagoya City, Aichi)
● Kagome Distribution Service Co., Ltd.	(Obu City, Aichi)

Overseas Subsidiaries and Associates

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

Status of Shares

Number of shares outstanding	99,616,944 shares
(Note) 1. Total number of authorized shares	279,150,000 shares
2. Number of shares per unit	100 shares

Number of shareholders	177,518
-------------------------------	---------

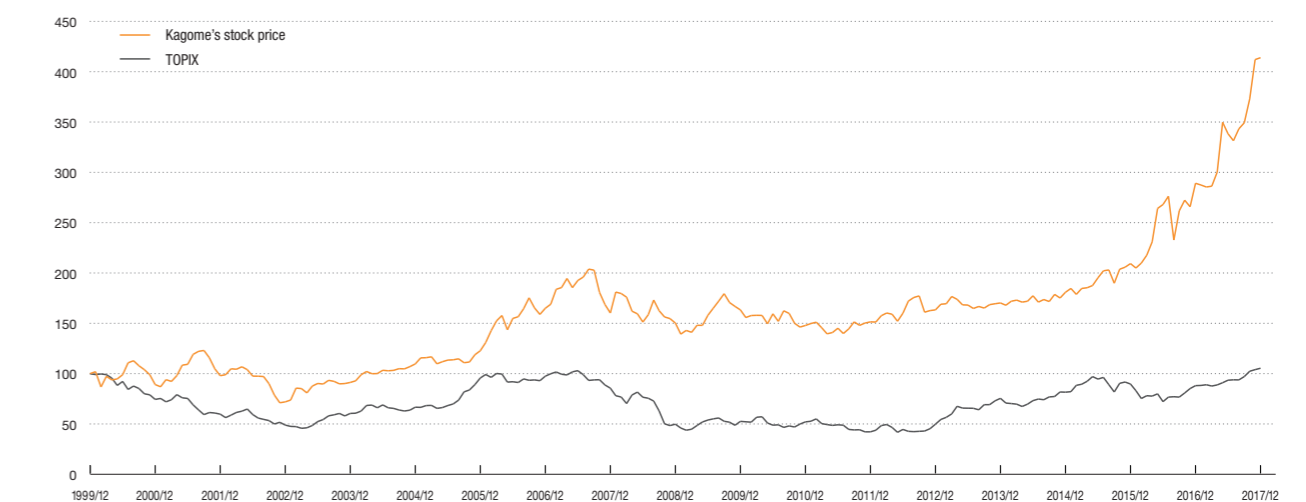
Major Shareholders

Names of Major Shareholders	Capital Contribution to the Company	
	Number of Shares Held (thousand shares)	Shareholding Ratio (%)
Japan Trustee Services Bank, Ltd. (account in trust)	9,418	10.59
The Master Trust Bank of Japan, Ltd. (account in trust)	4,981	5.60
Dynapac Co., Ltd.	4,899	5.51
Nissin Foods Holdings Co., Ltd.	1,559	1.75
Toshichika Kanie	1,412	1.59
Eikichi Kanie	1,145	1.29
JP MORGAN CHASE BANK 385151	1,035	1.16
Hisao Kawaguchi	983	1.11
Kagome Business Association	950	1.07
Kagome Employee Stock Ownership Plan	896	1.00
Total	27,283	30.67

* The shareholding ratios were calculated without treasury shares (10,658 thousand shares). The treasury shares do not include 345 thousand shares of the Company owned by The Master Trust Bank of Japan, Ltd. (account in trust), which was established in the introduction of the employee incentive plan, "Employee Stock Ownership Plan (ESOP) Trust."

Stock Price Trend

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



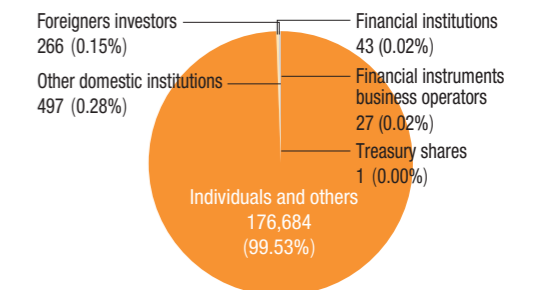
* Month-end stock prices relative to the stock price as of December 31, 1999, being 100.

Changes in stock price, trading volume, and dividend (in yen)

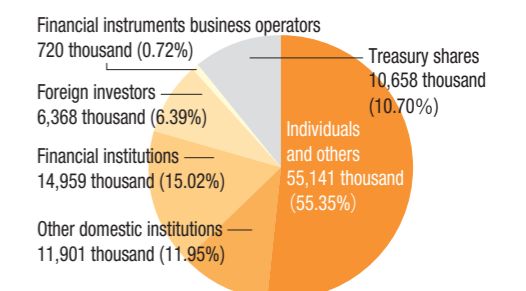
Fiscal Year	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Stock price (fiscal year-end)	1,875	1,778	1,426	1,596	1,472	1,620	1,785	1,828	2,116	2,923	4,185
Volume (100 shares)	95,681	59,035	49,913	39,067	48,262	43,589	68,742	61,069	64,610	85,838	44,516
Annual dividend per share	15.00	15.00	15.00	15.00	18.00	20.00	22.00	16.50	22.00	24.50	30.00

Status of Share Distribution

Distribution by Shareholder Type



Distribution by Number of Shares





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



We use environmentally friendly FSC® certified paper and vegetable oil-based inks