

# 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. The history of food and the history of Kagome itself are intimately linked, and we have continued to create the value demanded by society in various eras. We could not have created that value or woven that history by ourselves alone. “Appreciation” is one aspect of our corporate philosophy, and a sentiment of gratitude towards nature’s bounty and the many

people whom we have encountered along the way. It is because we have maintained this philosophy and achieved harmonious co-existence with society that we have been able to create a history of over 120 years. Our spirit of collaboration and mutual support remains unchanged throughout the ages, and is still alive today in the implementation of Kagome’s corporate philosophy. Moving forward, Kagome will continue to value dialogues with society and work to identify those that must change and those that must remain the same, as it aims to achieve further growth.



## Kagome's Value Creation Through Coexistence with Society

### ✓ A view to the future, based on the advice of a superior officer

The words of a superior army officer—that “the future of agriculture is in growing Western vegetables”—opened Ichitaro Kanie’s eyes, and prompted him to begin the challenge of cultivating tomatoes, which were still rare in Japan at the time. Farmers could not survive by depending on rice growing alone. Ichitaro Kanie opened up a new “progressive” path for Japanese agriculture, to protect families and communities and pass them on to the next generation.



Kagome's Founder Ichitaro Kanie (1904)

### ✓ Collaboration and mutual support with partners

Kagome’s contract farming system not only ensures stable procurement but also achieves coexistence with partners. Kagome asks farmers to grow tomatoes based on a pre-determined transaction price agreed through advance discussions with the farmers. This means Kagome buys all of the tomatoes produced. Additionally, by providing guidance for maintaining and improving quality, Kagome has built a win-win relationship with these farmers.



### ✓ Promoting the good health of citizens

While awareness of public health increases with the growing seriousness of Japan’s super-aged society, consumption of vegetables—which are essential to good health—continued to decline. Kagome regards this situation as a critical social issue to be resolved by Kagome. We are therefore engaged in continuous research and development efforts to contribute to extending healthy life expectancy by delivering numerous products that enable people to consume delicious vegetables in a casual manner.

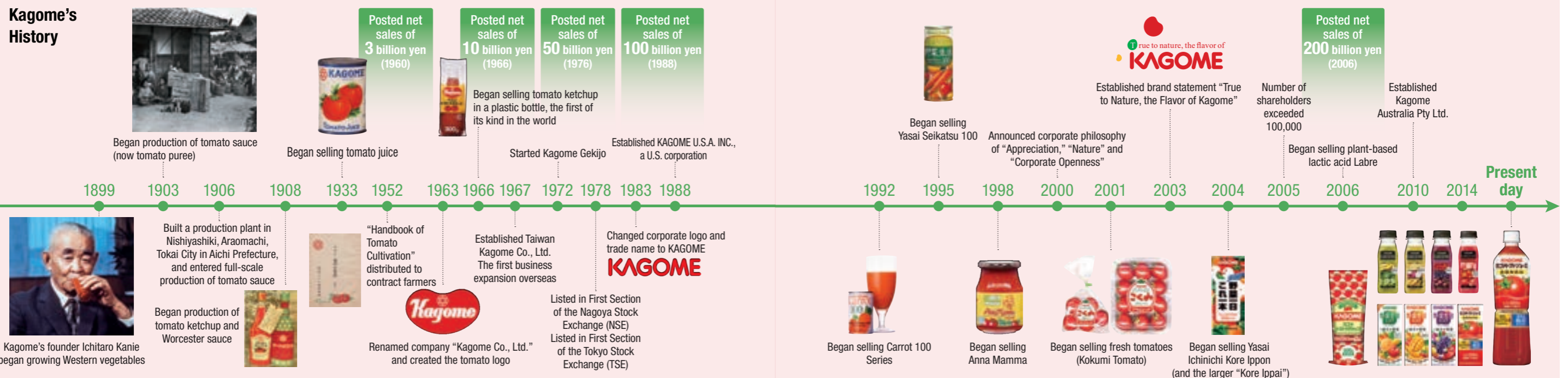


### ✓ Attempts to resolve social issues in emerging countries

Kagome possesses genetic resources for 7,500 varieties of tomatoes. Over the course of our 120-year history, we have created tomato varieties to match different needs. Today, we are trying to resolve food shortages and other food problems overseas using tomatoes for processing, which is the area in which Kagome can make most effective use of its knowledge. We are currently advancing numerous operations with local partners overseas, such as cultivating tomatoes for processing in Senegal and processing tomatoes in India.



## Kagome's History



**Kagome's Strength**

**Vertical integration business model**

Creating consistent value, from seeds to table

**Research & Development**

Kagome engages in research and product development efforts to maximize the value of agricultural produce—nature's bounty—and contribute to longevity and good health.

**Cultivation**

Kagome utilizes contracted growing of specified varieties, offers agricultural guidance, and cultivates fresh tomatoes using large-scale greenhouses.

**Product Production**

Kagome uses manufacturing processes and quality management methods that maximize the value of its raw ingredients, through an optimal combination of good ingredients and technology.

**Creating Demand**

Kagome engages in activities to communicate value to convey the value of its products to customers and create demand.

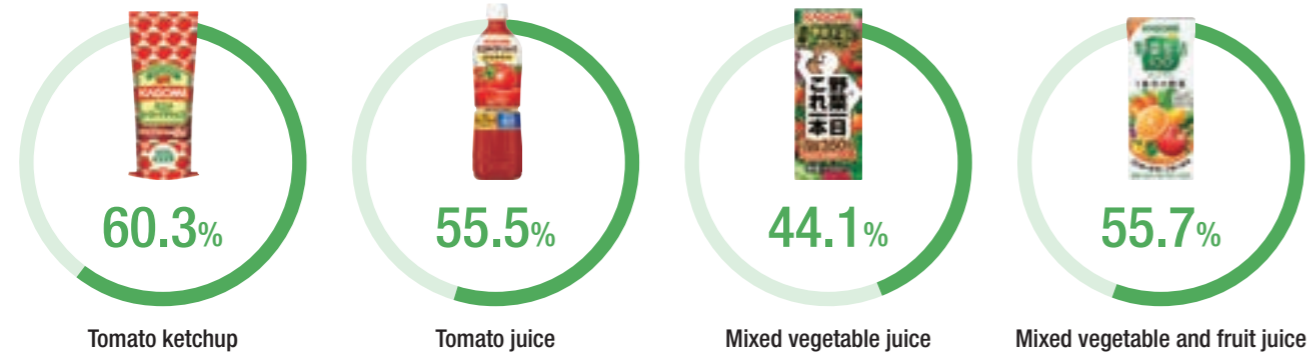
**Procurement & Primary Processing**

Kagome purchases only high-quality raw ingredients that meet its own standards, and carries out primary processing to ensure that the flavor of its ingredients is not degraded.

**Developing Plant Varieties & Producing Seeds and Nursery Stock**

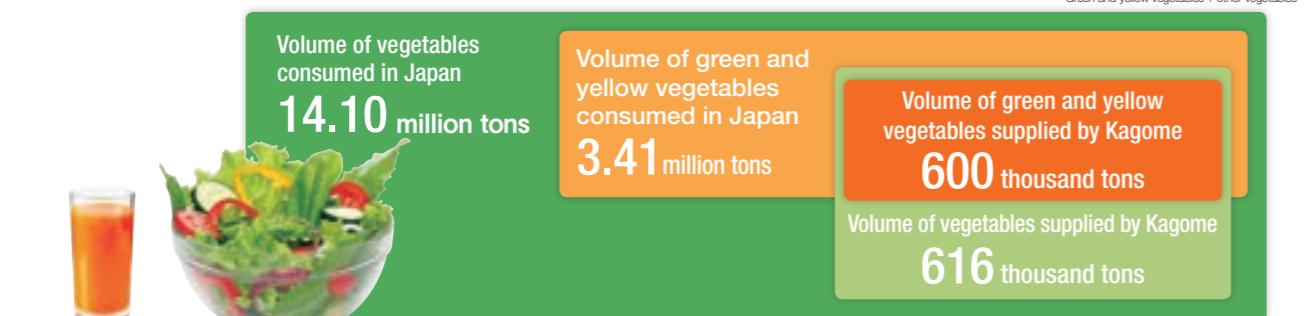
Kagome utilizes its own genetic resources for agricultural produce to create useful varieties through crossbreeding, and produces and supplies competitive seed and nursery stocks.

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



Source: Intage SRI / Period: January through December 2018 / Based on monetary amount  
 Geographic area: All of Japan / Sales Settings: Supermarkets, drug stores & convenience stores  
 Also includes: Ambient & chilled, and the tomato juice category

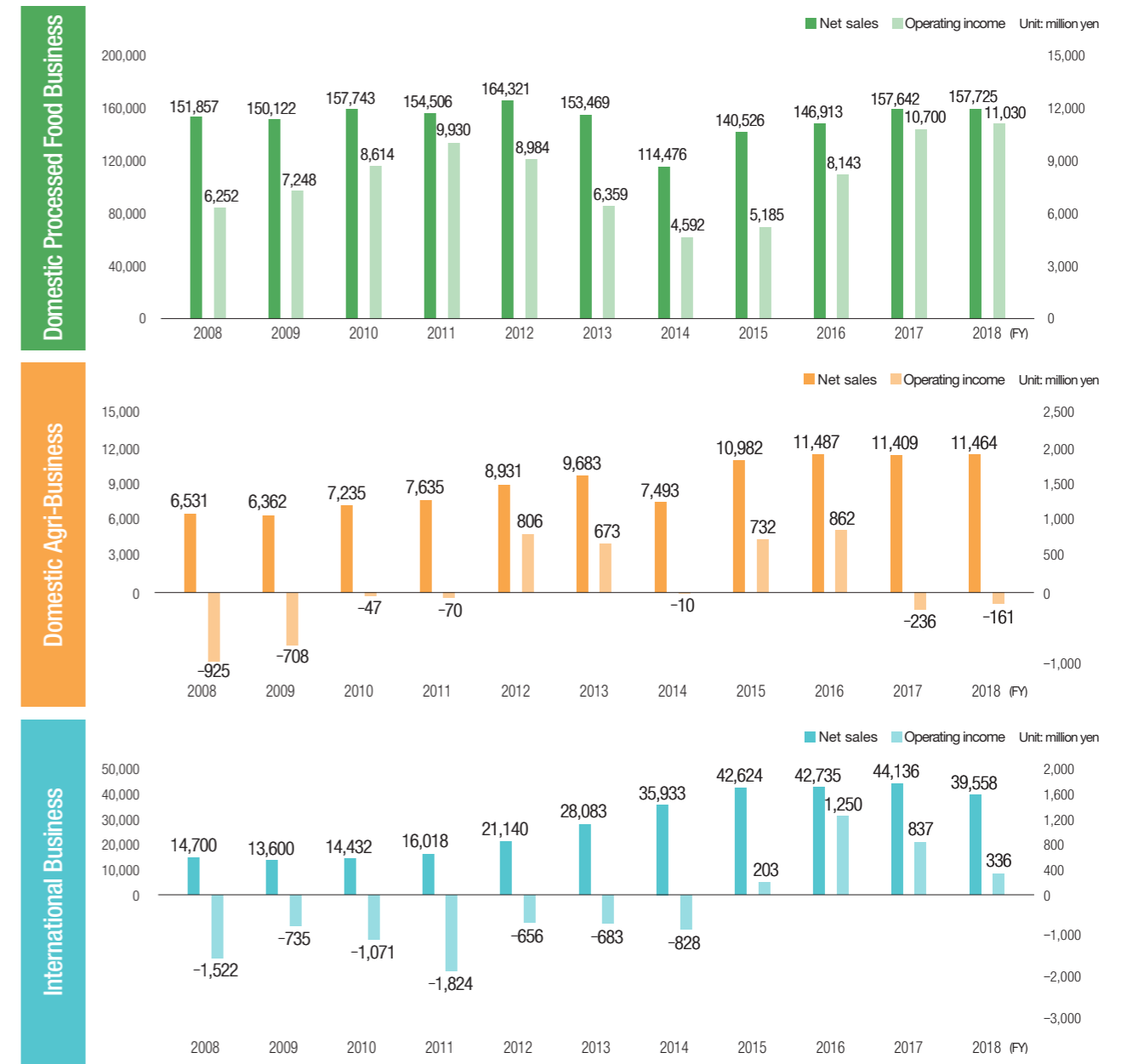
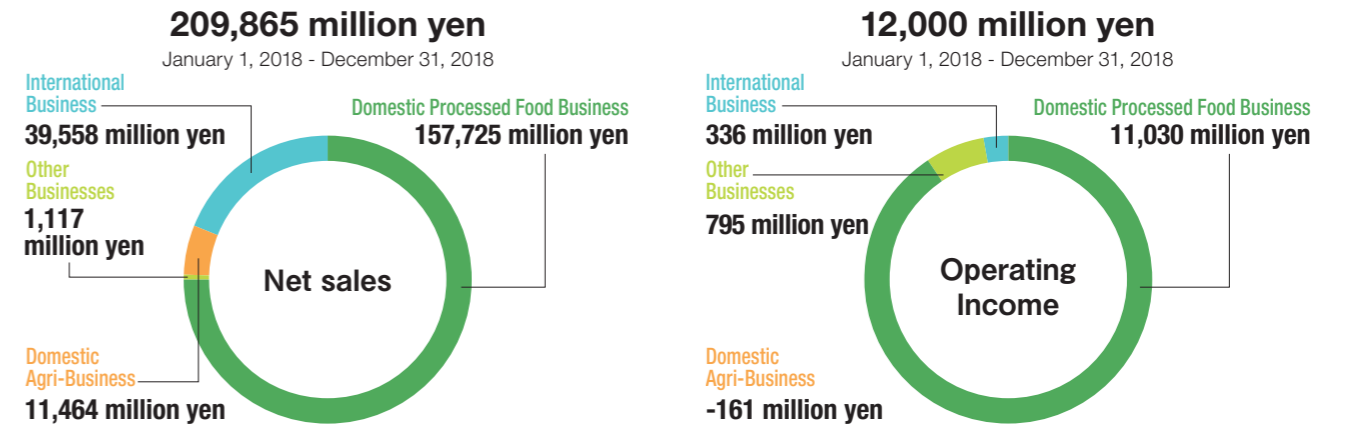
**17.6% of the volume of green and yellow vegetables and 4.4% of all vegetables\* consumed in Japan are supplied by Kagome**



Source: Food Balance Sheet (fiscal 2017 estimates), Ministry of Agriculture, Forestry and Fisheries (MAFF) Volumes supplied by Kagome are calculated based on actual 2017 sales results.  
 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.

**Kagome's Revenue Structure**

**Ratio by business segment**



\*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.

Feature Story  
 Outline of Kagome  
 President's Commitment  
 Kagome's Vision and Growth Strategies  
 Kagome's Management  
 Financial Performance/Company Information

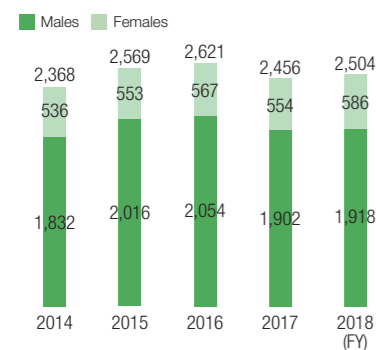
# Key Financial and Non-Financial Data

Thousands of U.S. dollars

Accounting Period (Fiscal Year)	2008	2009	2010	2011	2012	2013	2014 <sup>1</sup>	2015	2016	2017	2018	2018
<b>Profit and Loss (Unit: million yen)</b>												
Net sales	175,134	171,937	181,304	180,047	196,233	193,004	159,360	195,619	202,534	214,210	209,865	1,890,676
Research and development expenses	2,541	2,577	2,567	2,655	3,009	3,084	2,566	3,240	3,219	3,346	3,557	
Advertising expenses	6,784	5,326	6,312	6,122	7,053	6,918	5,319	4,671	5,086	5,977	6,109	
Operating income	4,447	6,397	7,978	8,466	9,278	6,775	4,328	6,723	10,946	11,968	12,000	108,108
Operating income to net sales (%)	2.5	3.7	4.4	4.7	4.7	3.5	2.7	3.4	5.4	5.6	5.7	
Ordinary income	4,249	7,304	8,389	9,213	10,025	7,529	4,969	7,015	11,315	12,618	12,051	108,568
Profit attributable to shareholders of parent	2,000	2,981	2,473	4,217	6,480	5,105	4,366	3,441	6,764	10,100	11,527	103,847
<b>Financial Condition (Unit: million yen)</b>												
Total assets	140,938	134,005	142,661	148,207	168,965	183,621	203,413	208,885	219,804	195,737	193,612	1,744,252
Net assets	87,707	89,418	88,941	92,815	104,432	113,023	124,566	126,344	97,991	105,853	104,843	944,532
Interest-bearing debt	23,267	12,665	16,159	15,851	24,004	31,088	35,904	37,419	74,538	37,168	37,302	
<b>Cash Flows (Unit: million yen)</b>												
Cash flows from operating activities	4,137	15,230	18,241	11,757	7,407	(1,073)	1,753	12,039	18,824	16,598	10,130	91,261
Cash flows from investing activities	(5,431)	(6,458)	(19,093)	(4,985)	(1,781)	(3,941)	(7,110)	(11,023)	(18,576)	17,271	(299)	(2,694)
Cash flows from financing activities	4,433	(12,544)	1,414	(1,861)	1,050	2,322	1,793	1,555	6,904	(40,761)	(1,083)	(9,757)
Free cash flow	(1,559)	13,902	8,757	7,866	(1,417)	(12,661)	(4,269)	(4,011)	10,442	21,588	1,575	
<b>Per Share Information (Unit: yen)</b>												
Net income per share	20.09	29.97	24.87	42.40	65.15	51.39	44.01	34.64	68.30	114.03	130.03	
Net assets per share	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	1,146.85	
Annual dividend per share	15.0	15.0	15.0	18.0	20.0	22.0	16.5	22.0	24.5	30.0	40.0	
<b>Key Management Indicators (Unit: %)</b>												
Net assets to total assets	61.1	65.7	61.4	61.8	60.1	59.1	58.8	57.2	42.1	52.1	52.5	
Return on equity (ROE)	2.3	3.4	2.8	4.7	6.7	4.9	3.8	2.9	6.4	10.4	11.3	
Return on assets (ROA)	3.0	5.3	6.1	6.3	6.3	4.3	2.6	3.4	5.3	6.1	6.2	
Dividend payout ratio	74.7	50.1	60.3	42.5	30.7	42.8	37.5	63.5	35.9	26.3	30.8	
Dividend on net assets ratio	1.7	1.7	1.7	2.0	2.1	2.1	1.4	1.8	2.2	2.7	3.5	
<b>Non-Financial Information</b>												
Number of employees <sup>2</sup> (persons)	2,038	2,031	2,045	2,101	2,209	2,349	2,368	2,569	2,621	2,456	2,504	
Energy used <sup>3</sup> (thousands of gigajoules)	1,368	1,360	1,379	1,319	1,297	1,289	1,329	1,336	1,380	1,376	1,334	
Water used <sup>3</sup> (thousands of tons)	3,583	3,440	3,484	3,452	3,627	3,945	3,850	3,828	3,628	3,442	3,247	
CO <sub>2</sub> emissions <sup>3,4</sup> (tons)	70,682	69,875	69,908	66,379	65,454	62,777	64,693	63,968	66,499	66,599	64,839	

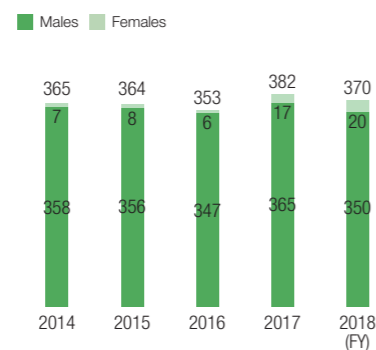
<sup>1</sup>The accounting period was changed in 2014, and FY2014 only covers the 9-month period from April 1 until December 31, 2014. <sup>2</sup>Scope: Kagome Group  
<sup>3</sup>Scope: Kagome Co., Ltd. + Group companies in Japan  
<sup>4</sup>Company management fixed coefficient of 0.421kg-CO<sub>2</sub>/kWh was used as the electricity conversion factor for calculated values of CO<sub>2</sub>.

**Number of employees (consolidated)**  
(Unit: persons)



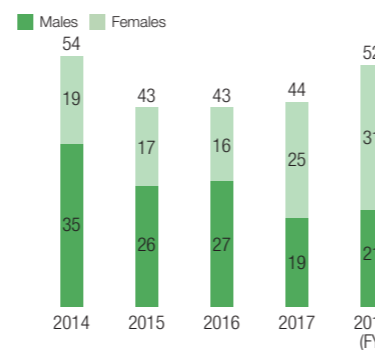
\*Scope: Kagome Group

**Number of employees in managerial positions (managers and above) (in Japan)**  
(Unit: persons)



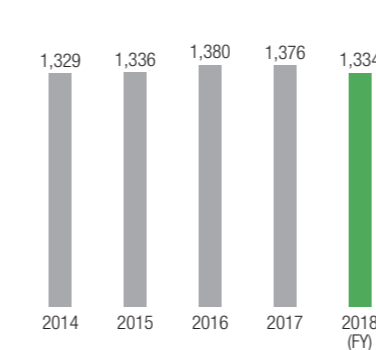
\*Scope: Kagome and Kagome Axis

**Number of new hires (Unit: persons)**

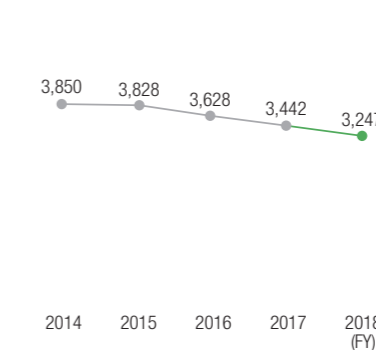


\*Scope: Kagome

**Energy used (Unit: thousands of gigajoules)**



**Water used (Unit: thousands of tons)**



**CO<sub>2</sub> emissions (Unit: tons)**

