

Enhancing our ability to respond to environmental changes and making steady advancements towards becoming a “vegetable company”

We will enhance our ability to respond to the COVID-19 pandemic and other environmental changes as we aim to become a “vegetable company” capable of sustainable growth.

My name is Satoshi Yamaguchi. I was newly appointed to the position of President & Representative Director on January 1, 2020.

Kagome embraces “Becoming a ‘strong company’ capable of sustainable growth, using food as a means of resolving social issues” as what Kagome strives by 2025. Under this concept, we are working to resolve three social problems: “Longer, healthier lives,” “Agricultural development and regional revitalization,” and “Global food problems.” We also adopted the long-term vision of shifting from being a tomato company to a vegetable company by 2025. We are committed to providing convenient and delicious ways to consume vegetables and disseminate the functional value of vegetables to consumers around the world as we strive to be a company that contributes to longer, healthier lives.

In Japan, which faces population decline and advanced aging, the food industry is expected to experience contraction and selection through elimination. And since entering 2020, the COVID-19 pandemic has created an even more severe operating environment that has made it difficult to make projections about the future.

Since I joined Kagome, I have worked in environments, from product development and raw materials procurement to manufacturing and sales. Most recently, I was in charge of the Research Department where I promoted open innovation and was involved in advanced research.

I will apply my career experiences towards further enhancing our corporate capabilities and rapidly identifying market changes. Through determination and commitment, I will engage in management aimed at achieving what Kagome strives for by 2025 and long-term vision.



President & Representative Director
Satoshi Yamaguchi

Satoshi Yamaguchi

President's Commitment

Response to the COVID-19 pandemic

Continuously changing pandemic environment

The novel coronavirus infection that began in December 2019 rapidly spread through Asia, Europe, Africa, the Americas, and around the world.

While restarting the economy became a major issue in countries where the increase in the number of infected peaked, certain countries continue to see a rise in the number of infected.

In Japan, the government issued an emergency declaration on April 7, 2020 that was lifted on May 25 as the country began initiatives towards restarting economic activity.

However, we face the risk of a second and third wave of infection, and we must be prepared for the possibility of a long-term battle with the infectious disease. New norms involving achieving both infection prevention and economic activity will be the way of life for the foreseeable future. Amid such an environment, corporate activities must also shift from emergency measures to activities focused on a medium- to long-term perspective.

Outlook for a post-coronavirus market

Even after the COVID-19 pandemic subsides, it is unlikely we will see a return to the pre-corona social or economic environment. We will see significant changes in consumer trends and consciousness.

The consumer trend of “online shopping, eating at home, and having online parties” to prevent infection will continue into a post-coronavirus world and become a part of normal life. As a result, the proliferation of online business will accelerate, new business formats for delivery and takeout will emerge, and dining establishments will be chosen for their health and hygiene response. There will also be an increased emphasis on consuming healthy foods and increasing immune systems through daily nutrition.

Kagome's medium- and long-term response

Kagome must respond to these changes in consumer trends and consciousness by rapidly reevaluating our distribution of management resources, supply chain structure, product development direction, and sales activities.

While there is no change in what Kagome strives for by 2025 and long-term vision for 2025, nor a change in the three social problems we are working to resolve, we must make dynamic changes to our approaches and methods.

Ahead of a post-coronavirus world, top management and all Division Directors are engaged in a project to redraft our growth strategy. Through those deliberations, we will reevaluate our Second Mid-Term Management Plan and provide details on this new plan at the Second Quarter information meeting for institutional investors scheduled for the end of July 2020.

Second Mid-Term Management Plan progress and issues

Second Mid-Term Management Plan basic strategy

In 2016, we started our three-year Mid-Term Management Plan aimed at achieving our goals for 2025.

The issue we addressed during our First Mid-Term Management Plan (FY2016-2018) was strengthening our profitability. In the Domestic Processed Food Business, we steadily increased profitability by diligently engaging in earnings structure reforms, which enabled us to transform into a structure capable of generating stable core operating income.

For the subsequent Second Mid-Term Management Plan (FY2019-2021), we adopted a basic strategy to “achieve growth by continuing to strengthen earning capacity and taking on the challenge of entering new businesses and domains.” In addition to rapidly achieving goals for earnings structure reforms in the Domestic Agri-Business and International Business, goals we were unable to achieve during the First Mid-Term Management Plan, we outlined a strategy to focus on proposing vegetables as a side dish to create a new domain for the expanding alternatives to at-home dining and focus food and beverage markets in response to growing demand for food and beverage services. We will shift towards growth by combining these efforts with new initiatives in the health business.

FY2019 Earnings Evaluation and FY2020 Growth Strategies

As announced in February 2020, FY2019 resulted in a 2% YoY decrease in revenue to 180.8 billion yen and a 1% decrease in core operating income to 12.3 billion yen.

The Domestic Processed Food Business recorded increased sales of products for side dishes to mass retailers by focusing on proposing vegetables as a side dish. However, sales of our mainstay product Yasai Seikatsu 100 decreased year on year due to increasing competition from soy milk and other products, resulting decreased revenues but increased profits. Furthermore, we did not see the full benefit of earnings structure reforms in the Domestic Agri-Business and International Business. As a result, these goals remain as issues to

be addressed in FY2020.

In FY2020, the second year of our Second Mid-Term Management Plan, we reaffirmed both internally and externally our commitment to the long-term vision of shifting from a tomato company to a vegetable company. We aligned all marketing activities for all businesses to start a “Let's Eat Vegetables Campaign” aimed at maximizing sales. With the COVID-19 pandemic occurred immediately after this launch, as indicated above we are currently reevaluating our Second Mid-Term Management Plan. At the same time, we are launching new challenges for 2025 aimed at resolving the three social issues Kagome is committed to resolving.

Generating our “Let's Eat Vegetables” campaign to generate demand

In a post-coronavirus environment, we believe there will be increased interest in consuming healthy foods and improving our immune systems. We will continue to respond to changes in consumer consciousness while working to increase vegetable consumption in Japan in order to contribute to longer, healthier lives.

The Ministry of Health, Labour, and Welfare (MHLW) recommends consuming 350g of vegetables per day but the average person only consumes 290g. This condition of being “60g short” has continued in Japan for 10 years.

To change this trend, we must increase awareness in society of the importance of consuming vegetables and eating more vegetables, and help foster a consumer consciousness of the need for individuals to change their own food habits. Our “Let's Eat Vegetables” campaign is designed to facilitate cooperation between various companies and organizations to promote the increased consumption of vegetables.

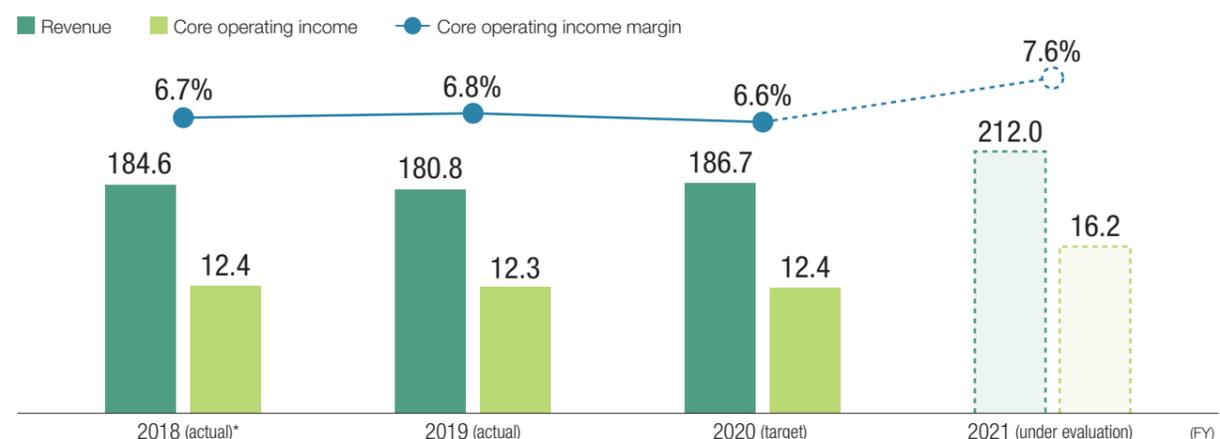
Since launching this campaign in January 2020, we have received the cooperation of numerous logistics, retail, and food and beverage companies to stimulate activities such as new proposals for vegetable-based menus.

Launching new collaborations with agriculture companies

Our Domestic Agri-Business is unique among food manufacturers and we will continue to engage in new challenges aimed at stimulating growth and promoting agriculture.

Status of progress for Second Mid-Term Management Plan

(Unit: billion yen)



*Figures based on Japanese accounting standards modified to reflect IFRS

President's Commitment

There is an image of Japanese agricultural industry as being a declining industry. However, according to the Ministry of Agriculture, Forestry and Fisheries (MAFF), agricultural output increased for three years consecutively from 2015. These increases were attributable to government strategies to promote agricultural industry growth and advancements in smart agriculture. These initiatives also led to a significant increase in the number of agricultural businesses to lead a new generation of Japanese agriculture.

To pursue new growth opportunities in the domestic agricultural business, in February 2020 we partnered with an agriculture company in Hokkaido to establish the joint venture Sobetsu Agri-Foods.

Sobetsu Agri-Foods will work to establish a business capable of the seamless provision of agricultural products from fresh produce to processed foods. There are not many examples of collaborations between agriculture companies and food manufacturers. Through this venture, we plan to establish a new six-tier business model for agriculture.

Starting operational services using AI

From April 2020, we started a new AI-based agriculture operations support service for tomatoes to be processed. This service is based on technology that uses AI trained in the skills of master farmers to enable anyone to achieve environment-friendly, highly profitable farming operations. By disseminating this technology throughout the world, we will contribute to sustainable agriculture that helps resolve food shortages.

Accelerating initiative to become a strong company

Creating a framework for continuous innovation

To accelerate our initiative of becoming a strong company capable of sustainable growth, we must adopt new thinking and innovation that is not simply an extension of existing concepts. Furthermore, we must be able to achieve various innovation on a continual basis.

In 2018, Kagome developed VegeCheck™, a device that enables the easy measurement of a person's vegetable consumption in under a minute simply by placing the palm of their hand on a small sensor.

VegeCheck enables the easy visualization of vegetable consumption levels, something that could not be measured in the past. This is one form of innovation by Kagome.

VegeCheck development started off as a proposal introduced by a young Kagome researcher. In line with the Research Department's motto "there can be no innovation without challenge," this researcher was appointed as development leader and spent nearly four years conducting collaborative research with a German venture business before finally achieving commercialization.

Moving forward, producing innovation will be something required of all departments, and not just the Research Department. I will use my own experience in the Research Department to evaluate what type of organizational and personal development we will need to achieve that innovation, how we will foster the spirit to embrace challenges, and how we can collaborate with external partners.

Becoming a company with a pleasant and rewarding workplace

Through our management strategies, we aim to be a company with a pleasant and rewarding workplace.

As a benchmark for a pleasant work environment, we set a goal of 1,800 annual work hours and also adopted systems to promote diverse workstyles, including flex time and telecommuting. As a result, we have seen a steady reduction in work hours while also exceeding an 80% paid leave utilization rate.

Additionally, new work styles centered on telecommuting in response to the COVID-19 pandemic have changed how we approach meetings, business trips, and meetings with clients. The current environment will potentially drive rapid advancements in work style reforms.

We will continue to adopt and standardize new work styles while also focusing on activities to create a rewarding workplace, another core management issue. We will accomplish this by creating visual representations of the commitment and motivation that lead to a rewarding work experience.

We must identify trends ahead of our competitors, pressure ourselves to make progress, and continuously pursue change.



Enhancing initiatives related to ESG and SDGs

Our corporate philosophy of appreciation, nature, and corporate openness is closely tied to ESG and the SDGs. Our corporate activities are representative of the core values of those initiatives.

As one of our initiatives, in January 2020 we drafted and published the Kagome Policy on Plastic aimed at reducing environmental load. This Policy outlines initiatives through 2030. Such initiatives include setting the goal of using 50% or more recycled materials or plant-based materials for our plastic bottles.

As a company committed to the continued manufacturing and provision of products based on nature's blessings, I believe we must increase our involvement in ESG and SDG initiatives. Over the years, we have worked continuously to validate the appropriateness of materiality. As of 2019, we reached a point where we have defined materiality as it relates to our operations and have reflected materiality in our management plan. Moving forward, we will link materiality to the KPI related to Mid-Term Management Plan issues and from 2021 we plan to implement PDCA based on materiality.

The operating environment impacting Kagome business has changed dramatically from things to services, from ownership to sharing, and from production and consumption to recycling and renewal. The impact

of the novel coronavirus will further accelerate these changes.

Amid such dramatic changes, we cannot continue to operate based on conventional business activities. We must identify trends ahead of our competitors, pressure ourselves to make progress, and continuously pursue change.

At the same time, some things must be protected at all times, regardless of the changing times. This refers to consumer trust in the Kagome brand to provide safe and reliable products. This is why we will continue to uphold the beliefs we embrace as a company; that fields are the primary production plant and "Quality First, Profit Second."

I am committed to management that values both rapid and flexible responses to change and transcending generations to protect our values.

Lastly, I believe that the growth Kagome will pursue moving forward will be impossible without the growth of our individual employees. Our own growth will lead to growth for the company. Furthermore, growth achieved by Kagome will promote the growth of each employee. A strong company is one that achieves this cycle of growth. I want us to unite as a company towards creating such a cycle.

Interview with Our Senior Managing Executive Officer

Despite the current conditions created by the COVID-19 pandemic, we must further examine our own expertise to identify growth points and overcome this difficult environment.

I want to discuss the impact of and risks related to the COVID-19 pandemic, how we will identify opportunities amid a difficult environment, and how we will leap forward into our next stage of growth.

Yoshihide Watanabe

Director & Senior Managing Executive Officer
Assistant to President, Responsible for Special Assignment Projects, and Responsible for Global Industrial and Institutional Business



*Created based on information available as of April 30, 2020.

Impact of and risks related to the COVID-19 pandemic

In Japan, significant increase in sales of consumer products due to stay-at-home consumption.

Products for institutional and industrial use decrease in Japan and overseas

Business in Japan

Looking at the impact on Domestic Processed Foods Business sales, stay-at-home consumption since late February drove increased sales of consumer products such as tomato ketchup and pasta sauce. In the beverage category, we saw a decrease in convenience store sales while supermarket sales increased. On the other hand, since March, the category of institutional and industrial use saw decreased sales due to the impact of declining demand for dining out. The issue for us will be how we cover decreased sales from dining-out with sales from other institutional and industrial channels such as sales of home meals and commercial raw materials.

To meet increased consumer product demand, at plants in Japan we are conducting weekend operations on some manufacturing lines. While this has placed a greater burden on our employees, we still are unable to meet increased demand in certain areas. I want to

apologize for the inconvenience we are causing our customers.

Sales of tomatoes, the mainstay product of the Domestic Agri-Business, have not been impacted significantly. We also have secured sufficient labor forces at major farms to ensure our ability to supply fresh tomatoes.

In response to the decreased opportunities for face-to-face meetings with business partners due to stay-at-home requests, we are adopting various measures, including sending new product samples in advance of web meetings. On the other hand, current conditions make it difficult to conduct storefront tastings, which provide an opportunity to engage with consumers, so we will have to carefully select which new products we launch to market. As for research and development, we are dispersing activities between sites to promote risk reduction.

International Business

Overseas, the dining industry is being impacted by lockdowns. Our core US subsidiary Kagome Inc. is weighted heavily towards sales of institutional and industrial use, resulting in decreased sales of various sauces for the fast food industry.

Supply chain status

Kagome depends on imports for raw materials. Tomato raw materials, for example, are approximately 90% import products. The stable procurement of imported raw materials can be significantly impacted by the status of pandemic in each country. However, as agriculture and food processing industries in each procurement country are designated as essential businesses, these industries are not subject to lockdowns or other measures. As such, we have experienced no problems with raw material imports.

Summer 2020 tomato planting in the northern hemisphere concluded without issue. However, there remains the risk that we will be unable to secure a workforce sufficient for the harvest period, which could result in increased raw materials costs due to delays in tomato shipments or the need to pay higher wages.

Additionally, significant fluctuations in product demand trends carries the risk of temporary product shortages or, conversely, inventory retention. We are also aware of the risk of shipment delays due to increased logistics volume and infection outbreaks at logistics centers. However, these are not viewed as critical risks.

Capital procurement

To prepare for potential strains on the capital procurement environment, we conducted borrowing for approximately 20.0 billion yen to build up cash on hand in the form of time deposits. This amount is equivalent to borrowings by overseas subsidiaries from local banks. For example, even in the event we are unable to continue receiving short-term loans, this allowance ensures the ability to supply capital from Kagome Japan. The decision to take this measure is based on experience gained from the Lehman Shock in 2008 and works to increase the stability of operations at our subsidiaries. Furthermore, the increase in financing expenses resulting from these loans will not have a significant impact on our Kagome Group consolidated earnings.

Capital investments

This fiscal year, we were planning to conduct capital investments of approximately 10.0 billion yen. These investments include production line upgrades and building expansion already underway at the Fujimi Plant, our main beverage plant, and production line investments at the Ueno Plant where we produce sauces. However, depending on conditions caused by the COVID-19 pandemic, there is a possibility of delays to previously planned capital investments and construction.

Critical future measures

How will attempts to resolving measures that affected growth from FY2019 be impacted by the COVID-19 pandemic?

Direction of Growth Strategies

Kagome believes that COVID-19 will repeat a cycle of waning and flaring back up, and that the pandemic will continue to impact markets for at least the following year. Even after the resumption of economic activities it will take time for the economy to recover as this state of instability continues for some time.

As stated earlier, while we have not incurred major risks to business operations, new lifestyle norms will present both challenges and opportunities for Kagome, and we

believe this environment holds sufficient opportunity for growth.

Evaluating our current situation with this in mind, we see that the problem impacting our growth strategies was stagnant sales growth. During our First Mid-Term Management Plan (FY2016-2018), with the earnings structure reforms we implemented, if we had increased sales then we could have shifted to a profit-generating structure. However, we did not achieve sales growth in FY2019.

Our Commitment

The strategy of the Second Mid-Term Management Plan (FY2019-2021) was to achieve overall growth for Kagome by expanding sales of multiple core growth businesses. However, the environment changed dramatically due to the COVID-19 pandemic. Although all of society struggles to respond to dramatic changes in our environment, many companies seek opportunity in these new markets in a fight for survival. This environment presents the strong potential for new innovation and intensified competition between companies.

In such an environment, dynamic measures are required in order to ensure growth driven by increased sales. This direction involves carefully examining and identifying where we should focus the strengths of the Kagome Group as a whole. All our Executive Officers must be united in the commitment to carefully select and engage in resource distribution for internal businesses. We also must create a scenario on which we focus our efforts and move forward as a unified Kagome Group. Critical to this effort will be predicting what society will look like after the COVID-19 pandemic subsides and our ability to transform into a company that is able to adapt to those changes.

Strengthening our supply chain

Even amid the COVID-19 pandemic, the mission of a food company is the stable provision of safe and reliable products, and strengthening our supply chain is one way we ensure our ability to achieve that mission.

In Japan, we are reinforcing infection prevention measures on our production lines. We have improved our personnel assignments so that, even in the event of a worker infection, we can continue operations without the need for close personal contact. Furthermore, the COVID-19 task force is making continuous updates to our business continuity plan (BCP). We are expanding and enhancing measures to ensure there is no stoppage in our food supply.

Increasing health consciousness

From a macroeconomic perspective, there is possibility that we could see inflation amid economic downturn. I believe it critical that we create a supply chain that, even amid such conditions, we are able to continue the provision of safe and reliable products, generate sales and profits, and that is strong enough to withstand cost reduction demands.

At the same time, with no effective therapeutic drugs

or vaccine on the horizon, health consciousness among consumers is on the rise. I believe there are many ways in which Kagome can contribute to the growing movement among consumers to protect themselves by practicing the three fundamentals of balanced nutrition, quality sleep, and appropriate exercise.

The EC business is expanding sales in recent years and the Health business is recording promising performance. In these businesses, our goal is to expand beyond product sales to offer health support services. We will expand the domains in which we apply digital technology to offer value to our customers.

Workplace changes and critical mission

Although we use government and local municipality directives as a standard for judgment, to ensure the health and safety of our employees, we ordered all sales and back office staff (excluding plant workers) to work from home until the end of July 2020. This shift did not cause any significant problems with operations. In fact, we benefitted from past efforts related to work style reforms, including the design of systems for flex time and telecommuting as well as cloud and other IT infrastructure investments to support those systems.

While this environment may inconvenience employees in some ways as they are forced to alter how they engage in their work, these changes also provide opportunities for employees to polish their skills. With the prohibiting of in-person sales activities, we have switched to a style of sales that involves web meetings and sending customers samples via courier. The key to these sales activities is to be able to prepare convincing proposals and having solid online communication skills. We are viewing the current environment in a positive light as it presents an opportunity for both our organization and our employees to enhance our business skills, including gaining a deeper understanding of our products and developing new presentation tools.

On the other hand, there are some employees who must continue to work in the field despite the current conditions, including order processing center and our customer service center employees. Our most critical mission is to protect health and safety of the employees working in the field. In addition to dispersing workers between multiple locations, we also are renovating relevant administrative systems to enable a gradual shift to telecommuting for some employees.

Sudden changes in work styles have driven work optimization. We can use this opportunity to focus on work that leads to new growth.



Issues to address in FY2020 and reevaluating our Second Mid-Term Management Plan

Accepting the reality of new norms after the pandemic subsides, we will focus on mid-term core issues to create a scenario for growth.

FY2020 Outlook

At the point of FY2019 fiscal accounting, we were already recognizing a need to reevaluate our Second Mid-Term Management Plan. Adding to that is the massive impact of the COVID-19 pandemic. At present, we intend to provide a summary of our reevaluation when we release second quarter earnings for the current fiscal year.

What is clear is that even after the pandemic subsides, there will be no returning to the pre-pandemic environment. We are on the cusp of a new world. As we prepare to embrace new norms, we must concentrate our strengths and capabilities towards achieving our next stage of growth. In the past, we have made broad-based projections on our market environment 10 years into the future to draft mid-term management plans and annual strategies. This process created the need to address a wide range of issues and resulted in us identifying more than 50 core mid-term issues. Under normal circumstances, those are issues we should work to address comprehensively. However, in this current

environment where we are dealing with a once-in-a-lifetime event, our sole focus must be on addressing the changes we are facing right now. We will select a new growth scenario and quickly withdraw from investments that have not produced results. We will focus on these two initiatives in FY2020.

At the same time, the current environment requires that all our employees change how they work as we seek to coexist with the ongoing pandemic. These conditions have enabled us to eliminate non-essential workflows, identify truly essential tasks, and clarify the skills we must strengthen and enhance. I also believe this has enabled us to see the type of innovation we require. While the current environment has created a struggle for everyone, by applying the experience gained in these tough times, we can make our work more efficient and focus on the work that will lead to new growth. Identifying growth strategies and embarking together as one on a unified mission. I believe there are opportunities to be had in this moment.