

Second Mid-Term Management Plan Progress and Issues

To achieve what Kagome strives for by 2025 and to fulfill our long-term vision, we are implementing three separate three-year Mid-Term Management Plans over the ten years from FY2016. The business environment surrounding Kagome has undergone substantial changes due to the COVID-19 pandemic, which forced us to review the Second Mid-Term Management Plan, but our efforts to achieve what Kagome strives for by 2025 and the long-term vision remain unchanged. We reviewed the progress of our Second Mid-Term Management Plan once again from the perspectives of business and ESG and identified issues. We are now formulating strategy to address these issues in the Third Mid-Term Management Plan that begins in FY2022.



What Kagome strives for by 2025
 "To become a strong company capable of sustainable growth, using food as a means of resolving social issues"
Long-term vision
 Transform from a "tomato company" to a "vegetable company"

Businesses | FY2018 → FY2021 (forecast) | Issue recognition

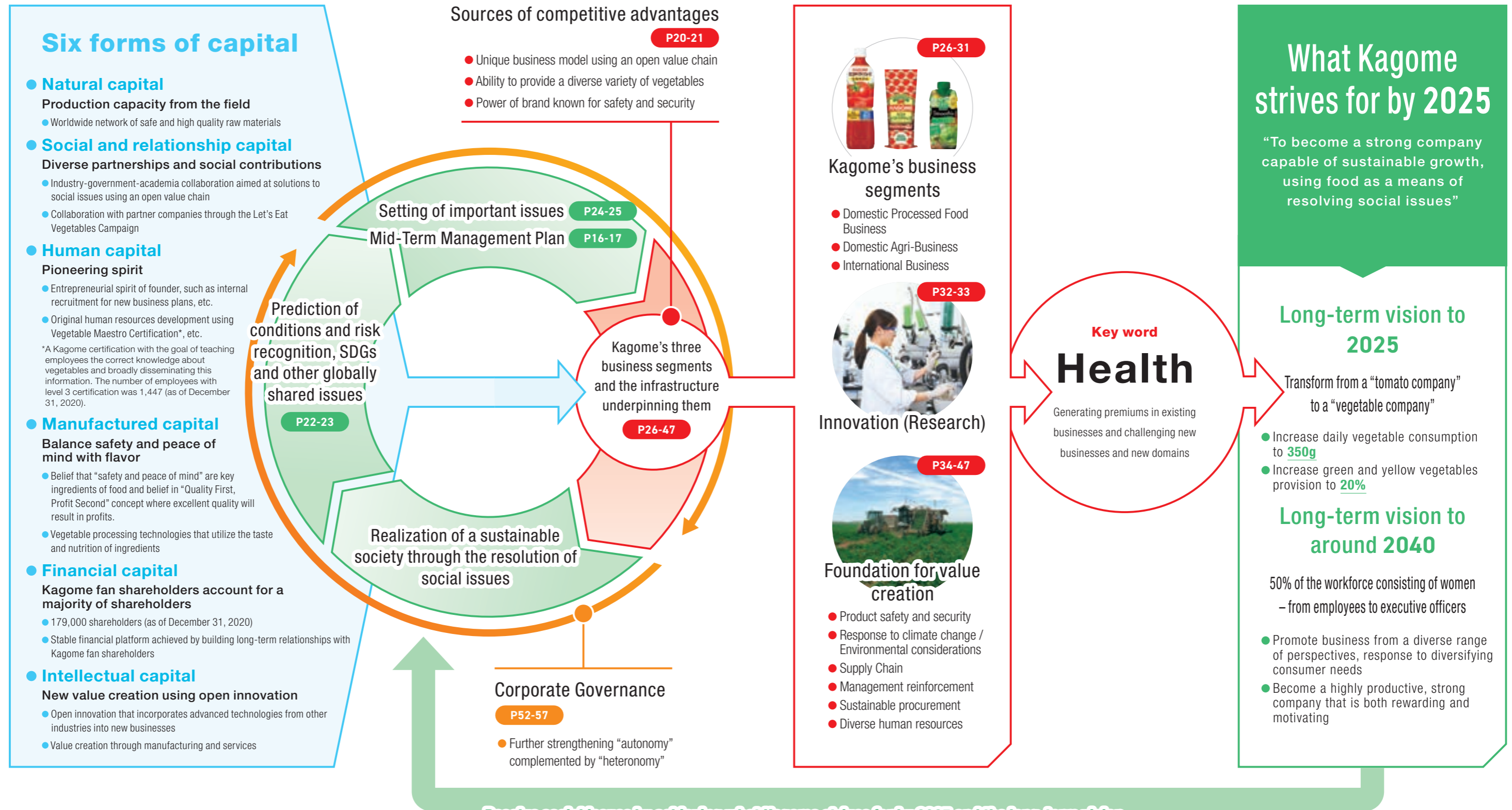
Consolidated	<p>Core operating income margin improved amid progress in structural reforms of the Domestic Agri-Business and International Business, despite challenges facing top line growth</p> <p>Revenue: 184.5 billion yen → 186.0 billion yen Core operating income: 12.4 billion yen → 13.1 billion yen Core operating income margin: 6.7% → 7.0%</p>	<p>Sustainable top line growth</p> <ul style="list-style-type: none"> Transition away from business structure reliant on the beverages business Increase sales from the Let's Eat Vegetables Campaign Cultivate businesses for the next stage of growth Enhance customer experience (CX) value using digital transformation (DX)
Domestic Processed Food Business	<p>Increase sales of vegetables, foods and direct marketing amid rising demand to eat at home and rising health consciousness. Decline in profits forecast due to proactive sales promotions and other factors</p> <p>Revenue: 132.9 billion yen → 137.6 billion yen Core operating income: 11.1 billion yen → 10.8 billion yen</p>	<p>Expand business domains that contribute to increased vegetable intake</p> <ul style="list-style-type: none"> Sustainable sales growth through entrenchment of vegetable beverage consumption Focus on direct marketing and e-commerce channels to unlock continuous growth Restructure food service products Grow the new domain of plant-based foods
Domestic Agri-Business	<p>Restore revenue through structural reforms</p> <p>Revenue: 11.1 billion yen → 10.9 billion yen Core operating income: 0 billion yen → 600 million yen</p>	<p>Increase ability to generate sustainable profits</p> <ul style="list-style-type: none"> Reduce fixed costs Introduce shipment forecasting technology using AI Upgrade supply-demand adjustment functions Develop high-function vegetables
International business	<p>Strengthen profit structure through structural reform of primary processing</p> <p>Revenue: 46.2 billion yen → 43.9 billion yen Core operating income: 500 million yen → 1.6 billion yen</p>	<p>Plan and implement growth strategy after structural reforms</p> <ul style="list-style-type: none"> Grow B-to-B business focused on the United States Grow sales of vegetable beverage business in Asia

ESG | FY2018 → FY2021 (forecast) | Issue recognition

E Environmental	<p>Reduce GHG emissions</p> <ul style="list-style-type: none"> Conduct climate change scenario analysis Review change in CO₂ reduction target in response to the 1.5 degree scenario of the Paris Agreement <p>Water and biodiversity conservation</p> <ul style="list-style-type: none"> Implement countermeasures based on water policy Engage in agriculture considerate toward biodiversity conservation <p>Reduce plastics</p> <ul style="list-style-type: none"> Establish Kagome Plastics Policy Use plant-derived raw materials for caps and straws for beverages packaged in paper containers Begin using recycled materials for some PET bottles 	<p>Achieve sustainable growth using initiatives to resolve social issues</p> <ul style="list-style-type: none"> Clarify specific measures and KPI for management policy and resolving issues in response to sustainability Update of materiality identified in 2019 and penetration internally
S Social	<p>Launch measures for a pleasant and rewarding workplace</p> <ul style="list-style-type: none"> Promote diversity activities that enable our diverse workforce to play an active role Stop bulk recruitment of new graduates and introduce a career registration system Implement human resources development measures, such as a talent management system Begin secondary job scheme to encourage autonomous work styles Commence engagement survey on employee morale <p>Be considerate of human rights and provide mutual support to local communities</p> <ul style="list-style-type: none"> Draft CSR Procurement Policy Establish Kagome Mirai Yasai Foundation to support groups working on food education and addressing childhood poverty 	
G Governance	<ul style="list-style-type: none"> Begin using IFRS Eliminate takeover defense measures Begin third-party evaluation of board effectiveness Increase board diversity (30% female representation) 	

Value Creation Process

We will continuously forecast changes in business environment surrounding our business operations and reflect these into Mid-Term Management Plans and important issues, in order to achieve what Kagome strives for by 2025 and the long-term vision. Currently, Kagome engages in business across three segments, and we are working to resolve social issues through business growth and help achieve a sustainable society. We will continue to achieve sustainable growth by implementing this process several times.



Sources of Kagome's Competitive Advantages

Kagome has a unique business model that spans from seed development to manufacturing and sales. We also have a global network that enables us to conduct business operations in numerous countries. Kagome aims to become a "vegetable company" by increasing its supply of vegetables using its ability to supply a wide range of vegetables commanding these networks. In Japan, we have captured a high market share in many products thanks to our established brand reputation for "safety and peace of mind."

1 Business model

Unique business model using an open value chain

Creating consistent value, from seeds to table

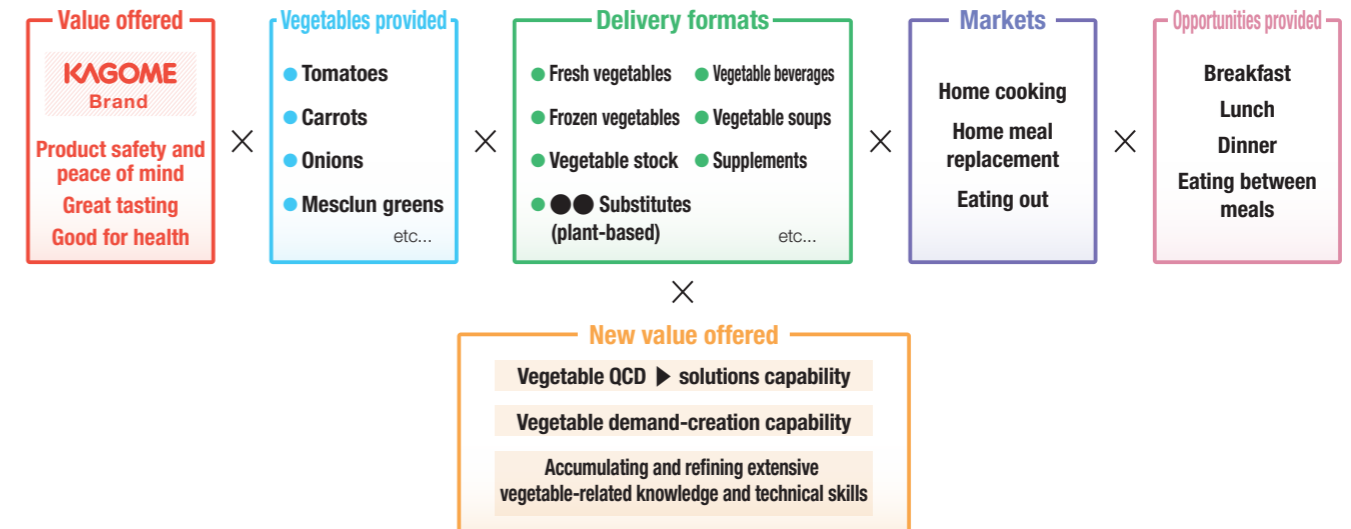
Kagome maintains an expansive value chain, spanning from seed (upstream) to table (downstream).

We will increase our solutions capability as a vegetable company by incorporating and building upon the strengths of this unique value chain internally and by using an open value chain where we can access necessary resources quickly and build the best possible combinations.



2 Ability to provide a diverse variety of vegetables

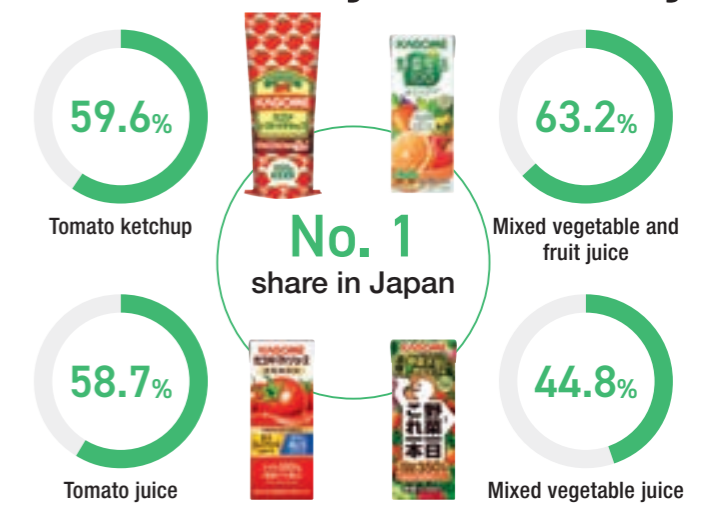
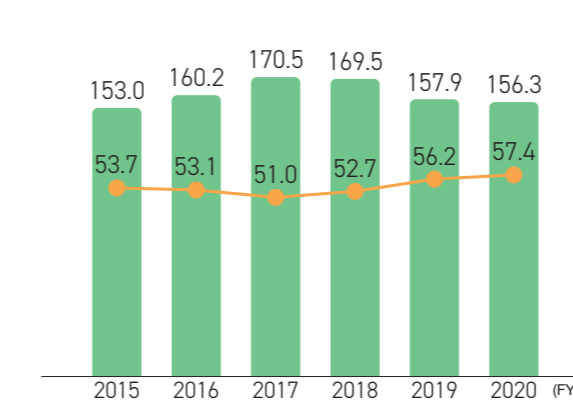
- How to supply vegetables -



We will use a variety of processing methods and product formats to provide a diverse range of vegetables to various markets and increase our supply of vegetables. What is required to achieve this is the ability to provide vegetable-based solutions and the ability to create demand. We will further enhance the vegetable expertise and technology we have cultivated over the years and expand the range of social issues to which we are able to contribute as we continue to embrace new challenges.

3 Power of brand known for safety and security

Vegetable juice market scope and transitions in Kagome share



Source: Intage SRI / Period: January through December 2020 / Based on monetary amount and geographic area: All of Japan / Sales Settings: Supermarkets, convenience stores and drug stores (beverages only) *Images depict popular products.

Brand strategy survey (Nikkei Research)
Ranked 14th out of 600 companies representing various industries (4th among food manufacturers)

Ranking concerning brand image (partial excerpt from consumer evaluations)

- Quality with uncompromisable safety: 2nd
- Sense of product quality: 9th
- Products commensurate with price: 36th
- Sense of consideration toward health: 42nd

Recognizing External Conditions, Risks and Opportunities

To achieve what Kagome strives for by 2025, we must recognize changes in the external environment and identify the opportunities and risks associated with Kagome operations, reflecting these findings in the Mid-Term Management Plan and materiality. The COVID-19 pandemic has sped up changes in the external environment. As such, we are now working to respond to these changes in a flexible manner.



Kagome's Materiality

In response to materiality issues, we have outlined specific initiative themes based on an analysis of risks and opportunities. Some of these themes have been incorporated into the core mid-term issues for FY2021 and we are now working to penetrate materiality within the company. By steadily implementing these initiatives, we will aim to achieve our financial goals and what Kagome strives for by 2025.

- Current materiality issues are those identified in December 2019.
- We continuously review materiality based on changes in the market environment.

	Group	Materiality issues	Major Kagome initiatives	Relevant SDGs	Major non-financial benchmarks
Business strategies	Longer, healthier lives	<ul style="list-style-type: none"> Develop products that contribute to resolving health issues Promote healthy lifestyle habits Respond to advanced population aging 	<ul style="list-style-type: none"> Provide diverse vegetable products for a variety of ages, household types, and consumption occasions Promote initiatives related to health through partnerships with local municipalities and other companies Disseminate information on the value of vegetables through initiatives such as health seminars and VegeCheck. 	 2.4 Ensure sustainable food production systems and implement resilient agricultural practices 2.a Build agriculture infrastructure in developing nations	<ul style="list-style-type: none"> Volume of vegetables supplied to Japanese markets via Kagome products 2019: 610,000 t → 2025: 830,000 t
	Agricultural development and regional revitalization	<ul style="list-style-type: none"> Establish sustainable agriculture Contribute to the growth and industrialization of agriculture 	<ul style="list-style-type: none"> Establish a platform for linking production locations and consumption locations to expand consumption of local produce (initiatives to promote "locally grown, nationally consumed") Form industry-academic partnerships to conduct research related to vegetable breeds, cultivation technology, and productivity improvements. Expand procurement volume of vegetables grown in Japan 		
	Global food problems	<ul style="list-style-type: none"> Respond to increasing food demands driven by population growth Respond to malnutrition caused by poverty Food loss 	<ul style="list-style-type: none"> Form tomato production sites in regions projected to see increased demand Develop commercial tomato farm management business incorporating AI Use tomato and carrot scraps (pulp and purée) Add product date labeling and extend use-by dates for Japanese products 		
Strengthen foundation for value creation	Quality	<ul style="list-style-type: none"> Provide product safety and security 	<ul style="list-style-type: none"> Obtain FSSC 22000 certification at all plants in Japan and establish quality control standards for suppliers Draft Quality and Environmental Policy Engage Global Quality Assurance Department to improve quality of overseas Group companies Curtail quality incidents at the Kagome Group and prevent recurrence 	 6.3 Improving water quality 6.6 Protect and restore water-related ecosystems 12.2 Sustainable management and efficient use of natural resources 5.5 Ensure women's full and effective participation and equal opportunities for leadership	<ul style="list-style-type: none"> CO₂ emissions (compared to 2016) 2030: 20% reduction, 2050: 50% reduction (Currently examining response to the 1.5 degree standard of the SBT Initiative) Straw materials used for paper containers 2030: Switch to plant-derived materials and/or paper materials Beverage plastic bottle recycling or use of plant-based plastics 2030: 50% or higher Water use by production volume (compared to 2018) 2021: 3% reduction → P36-39 Product inventory installation rates at plants and hubs 2019: 36% → 2025: 50% → P40-41 Act on Promotion of Women's Participation and Advancement in the Workplace: Kagome's Action Plan (Phase II 2019-2022) figures Target 1 Percentage of females in new graduate hiring for generalist positions 60% or higher Target 2 Continuous employment percentage of female employees hired around 10 fiscal years earlier (9 to 11 years earlier) to male employees 1.0 or higher Target 3 Continuous employment percentage of female employees hired during FY2017-2019 to male employees 1.0 or higher Target 4 Percentage of female employees in managerial positions (manager and above) 12% or higher Total annual working hours 1,800 hours → P42-44 Appoint one-third or more External Directors who meet standards as an Independent Director Formulate and disclose calculation methods and composition ratio by position of basic compensation and performance-linked compensation of directors' remuneration Formulate and disclose standards for disposal of cross-shareholdings → P52-57
	Environment	<ul style="list-style-type: none"> Respond to climate change Develop products with low environmental impact 	<ul style="list-style-type: none"> Conduct climate change scenario analysis and work to reduce CO₂ emissions Water usage reductions based on Water Conservation Policy, water risk analysis and countermeasures Conservation activities based on Biodiversity Policy Reduce plastic usage Accelerate initiatives to achieve environmental targets for the entire Kagome Group 		
	Supply chain	<ul style="list-style-type: none"> Strengthen supply chain management Sustainable procurement 	<ul style="list-style-type: none"> Build an efficient logistics network on a nationwide scale Global diversification of procurement sites Maintain appropriate inventory levels and strengthen profit structure Draft CSR Procurement Policy 		
	Diverse Human Resources	<ul style="list-style-type: none"> Foster innovative human resources Diversity and inclusion Be considerate of human rights 	<ul style="list-style-type: none"> Provide opportunities for self-expression and growth by soliciting new business plans Evolving work styles Promote diversity via the Diversity Committee Draft Code of Conduct grounded on the three principles of mutual support, respect for human rights, and fairness Promote health management and productivity focused on the health of employees 		
	Corporate Governance	<ul style="list-style-type: none"> Strengthen Corporate Governance 	<ul style="list-style-type: none"> Initiatives to increase efficacy of the Board of Directors Communicate with stakeholders Promote compliance Combine KPI target sheet and ROIC management Strengthen governance of overseas subsidiaries 		