

# General Business Conditions

Kagome's Founder Ichitaro Kanie took the tomato, which at the time did not sell at all because people disliked the raw smell and deep red color, and, after much trial and error, processed them into tomato sauce to start a processed food business. Today, Kagome contributes to people's "food & health" by delivering not only tomato products, but also products made from carrots and other vegetables in various forms.

**Total revenue**  
189,652 million yen

**Total core operating income**  
14,138 million yen

## Segment composition (FY2021)

■ Domestic Processed Food Business ■ Beverages ■ Direct Marketing ■ Food - Other  
■ Domestic Agri-Business ■ International Business ■ Other Businesses

### Domestic Processed Food Business

pp.42-43

Engages in the manufacturing and sales of beverages, condiments, products for direct marketing, gift products and others.



**Revenue**  
136,729 million yen  
(FY2021)

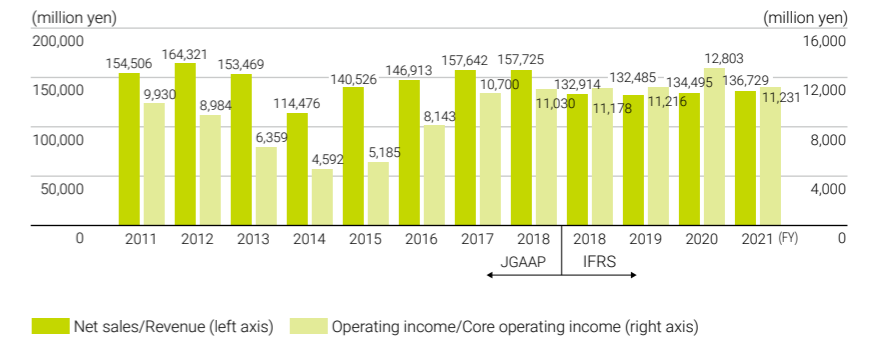
**Beverages** 75,480 million yen  
**Direct Marketing** 13,518 million yen  
**Food - Other** 47,730 million yen

**Core operating income**  
11,231 million yen  
(FY2021)

**Beverages** 7,165 million yen  
**Direct Marketing** 1,272 million yen  
**Food - Other** 2,793 million yen

Transitions in revenue segment composition  
85.8% → 72.1%  
(FY2011) (FY2021)

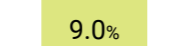
### Trends in revenue and core operating income



### Domestic Agri-Business

pp.44-45

Engages in the production and sales of fresh tomatoes and mesclun greens, etc

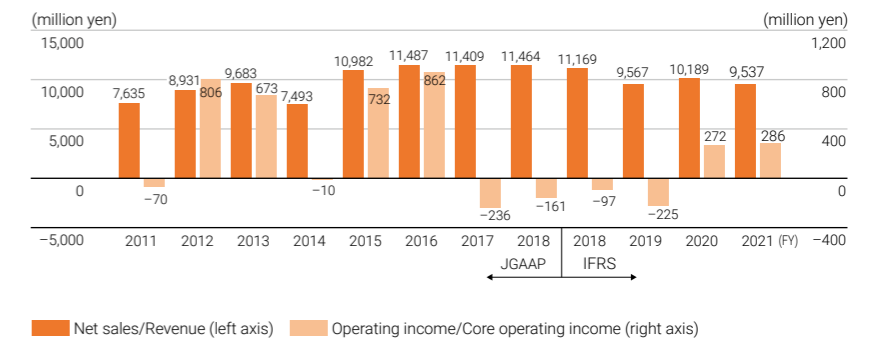


**Revenue**  
9,537 million yen  
(FY2021)

**Core operating income**  
286 million yen  
(FY2021)

Transitions in revenue segment composition  
4.2% → 5.0%  
(FY2011) (FY2021)

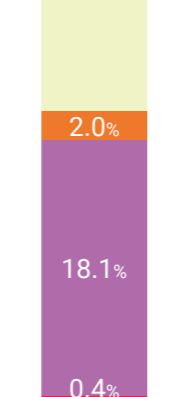
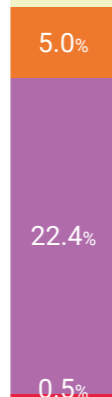
### Trends in revenue and core operating income



### International Business

pp.46-47

Engages in a broad range of operations from seed development and farming to product development, processing, and sales.

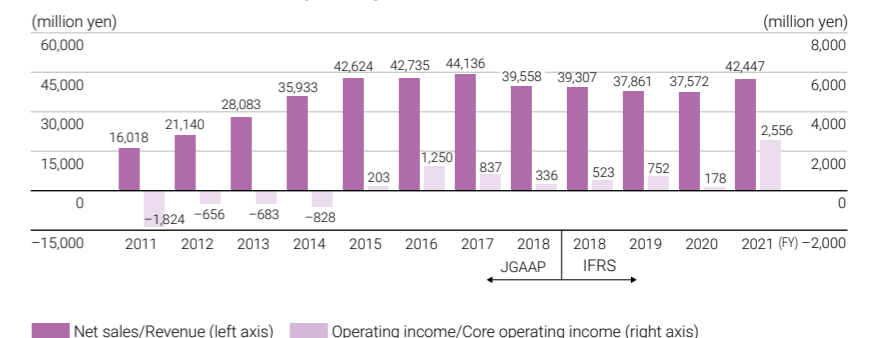


**Revenue**  
42,447 million yen  
(FY2021)

**Core operating income**  
2,556 million yen  
(FY2021)

Transitions in revenue segment composition  
8.9% → 22.4%  
(FY2011) (FY2021)

### Trends in revenue and core operating income



\* Figures after eliminations and adjustments between segments

\* Figures after eliminations and adjustments of revenue between segments

\* FY2014 represents the nine-month period from April 1, 2014 to December 31, 2014 following change to the Company's business year.

\* Kagome has adopted IFRS since FY2019. For reference, figures in conformity with IFRS are also included for FY2018.

# History of the Kagome Group

The history of the Kagome Group dates back to when Kagome's Founder Ichitaro Kanie first encountered a tomato sprout. Kagome tackled the challenge of cultivating Western vegetables considered uncommon at the time with a pioneering spirit, tapping into a new form of agriculture. Since then, Kagome has worked in collaboration and with mutual support from its business partners to resolve social problems through food by providing the world with products that apply nature's blessings. We will continue striving to be a strong company capable of sustainable growth by increasing vegetable consumption and promoting people's health and agriculture development.

## Kagome's accumulated strengths

### Ability to provide a diverse variety of vegetables

Volume of green and yellow vegetables supplied through Kagome's products: **604,000 tons**  
(Equivalent to 17.9% of green and yellow vegetable consumption volume in Japan)

Sources: VEGE-DAS (Kagome's vegetable supply volume calculation system), Estimated values for 2020 from "Food balance sheet," Ministry of Agriculture, Forestry and Fisheries (MAFF).

Annual vegetable procurement volume: **over 600,000 tons**

Procurement bases: **154 bases** (actual results in FY2020)

### Innovation Capability

Annual number of patent applications\*: **42**  
Among the above, number of patent applications related to new businesses: **13 (31%)**

\* Patent applications from January 1 to December 31, 2021

### Brand power

Market share for vegetable beverages: **58.4%**

Source: INTAGE Inc. (SRI +) for the period of January-December 2021, Unit: market share value  
Business types: supermarkets, convenience stores, drug stores, home improvement stores

## History of transformation

### 1899 to 1900s

#### Start of tomato cultivation and processing

##### POINT

- Cultivating new agriculture
- Collaboration and mutual support with partners

Kagome's Founder Ichitaro Kanie took up the challenge of cultivating Western vegetables as a new form of agriculture, and turned his endeavor into a business of manufacturing tomato sauce while refining Kagome's cultivation technology and processing techniques. Kagome's contract farming system not only made stable procurement possible, but also achieved symbiosis with partners, including farmers responsible for tomato cultivation.

### 1960s to 1970s

#### Establishment of the Kagome brand

##### POINT

- Creation of new values
- Going from a local manufacturer to a national manufacturing company

Kagome changed its company name from Aichi Tomato Co., Ltd. to Kagome Co., Ltd in 1963. Kagome has created new added value through its technological advancements, starting with its release of the world's first tomato ketchup in a plastic container back in 1966. In the late 1970s, Japan experienced a tomato juice boom, with tomato juice becoming entrenched as a health drink. Kagome established sales bases throughout Japan during this time, which also marked the period of an established Kagome brand.

### 1980s to 1990s

#### Diversification and strengthening of procurement base

##### POINT

- Creation of global network
- Creation of market for vegetable beverages

In the 1980s, Kagome underwent product diversification and planned a growth strategy that did not rely on tomatoes. In the 1990s, due to the popularity of Carrot 100 and Yasai Seikatsu 100, carrots became another core ingredient next to tomatoes as a vegetable. In addition, a market for vegetable beverages was created with vegetable drinks established as a new way of consuming vegetables. Following growth, the overseas procurement base was strengthened with the increased tomato procurement in Turkey and expanded procurement source for carrots as raw ingredients.

### 2000s



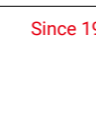

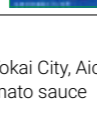





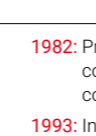
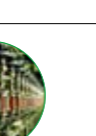




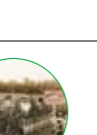
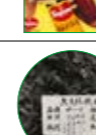
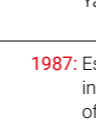
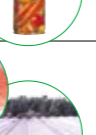



#### Strengthening governance and sustainable growth

##### POINT

- Strengthening of corporate governance
- Achieving sustainable growth by resolving social issues

In the 2000s, we eliminated cross-shareholdings with financial institutions, and promoted the Kagome Fan shareholders program while strengthened our corporate governance system. In 2016, we established the Vision and what Kagome strives for by 2025 aimed at sustainable growth and resolving social issues. We will continue striving to be a strong company capable of sustainable growth by promoting people's health and agriculture development and conscious of the global environment.

## Strengthen Business Model

Sales and creating demand	<p><b>1930s</b> Promoted popularization of Western food menus by disseminating information on usage of tomato ketchup and Worcestershire sauce</p> 	<p><b>1966:</b> Promoted popularization of Western food menus at home through the spread of ketchup in a plastic bottle</p> 	<p><b>Since 1990:</b> Focused on the nutrition of green and yellow vegetables necessary for lifestyle with a shortage in vegetable intake, and promoted the health values of tomatoes and vegetables</p> 	<p><b>2020:</b> Launched a variety of initiatives to promote interest in vegetable consumption with the Let's Eat Vegetables Campaign</p> 
Production	<p><b>1906</b> Established a factory in Nishiyashiki, Araomachi, Tokai City, Aichi Prefecture, and started full-scale production of tomato sauce <b>1908:</b> Began manufacturing of tomato ketchup and Worcestershire sauce</p> 	<p><b>1967:</b> Established Taiwan Kagome Co., Ltd. marking the first overseas expansion</p> 	<p><b>1988:</b> Launched Overseas Institutional &amp; Industrial Business Division Established US subsidiary Kagome USA, Inc.</p> 	<p><b>2003:</b> Established Vegitalia S.p.A. in Italy, and began import of frozen grilled vegetables</p> 
Procurement & primary processing	<p><b>1903</b> Started manufacturing of tomato sauce (current tomato purée)</p> 	<p><b>1960s:</b> Started manufacturing and import of tomato paste in Taiwan</p> 	<p><b>1982:</b> Practical application of tomato juice concentration using the world's first RO concentration technology <b>1993:</b> Invested in Tat in Turkey Completion of tomatoes canning line</p> 	<p><b>2003:</b> Began import of diced tomatoes and whole tomatoes from a major tomato processing manufacturer (southern Italy)</p> 
Product development	<p><b>1903</b> Launched sales of tomato sauce <b>1933:</b> Launched sales of tomato juice</p> 	<p><b>1966:</b> Launched sales of world's first tomato ketchup in a plastic container</p> 	<p><b>1992:</b> Launched sales of Kagome Carrot 100 <b>1995:</b> Launched sales of Yasai Seikatsu 100</p> 	<p><b>2001:</b> Launched sales of fresh tomatoes (Kokumi Tomato) <b>2004:</b> Launched sales of Yasai Ichinichi Kore Ippon <b>2006:</b> Launched sales of Plant-based lactic acid Labre <b>2014:</b> Launched sales of Mesclun greens</p> 
Producing seeds and nursery stock, and cultivation	<p><b>1906</b> Kagome's Founder Ichitaro Kanie began the first contracted cultivation by outsourcing tomato cultivation to his relatives</p> 	<p><b>1974:</b> Switched to 100% no-stake cultivation of processing tomatoes</p> 	<p><b>1987:</b> Established Tat Tohumculuk A.S. in Turkey and began cultivation of processing tomatoes <b>1999:</b> Established the first large glass greenhouse in Ibaraki Prefecture</p> 	<p><b>2015:</b> Began test cultivation in western Africa</p> 
Research		<p><b>Around 1962</b> Established a research institute involved in basic research, containers, and manufacturing processing <b>1970:</b> Developed Kagome 70, a tomato variety for juicing</p> 	<p><b>Around 1989:</b> Began functionality research of tomatoes</p> 	<p><b>2004:</b> Began research on plant-based lactic acid bacteria <b>2013:</b> Acquired United Genetics, USA <b>2016:</b> Established Kagome Agri-Business Research and Development Center in Portugal</p> 

# Kagome's Value Creation Process

We take consistent action as an organization by positioning our corporate philosophy as Kagome's unwavering values and Brand Statement as our promise to society and our customers at the foundation of our management. By predicting environmental changes and utilizing management capital that supports our growth, we are developing our value chain founded in agriculture through collaboration with various partners.

Today, we are providing products and services that integrate agriculture with health and everyday living via our three segments of Domestic Processed Food Business, Domestic Agri-Business, and International Business, as well as the foundation for value creation that supports these businesses. We strive to address the three social issues of longer, healthier lives, agricultural development and regional revitalization, and sustainable global environment through our businesses, and become a strong company capable of continuous growth to create social and economic values.

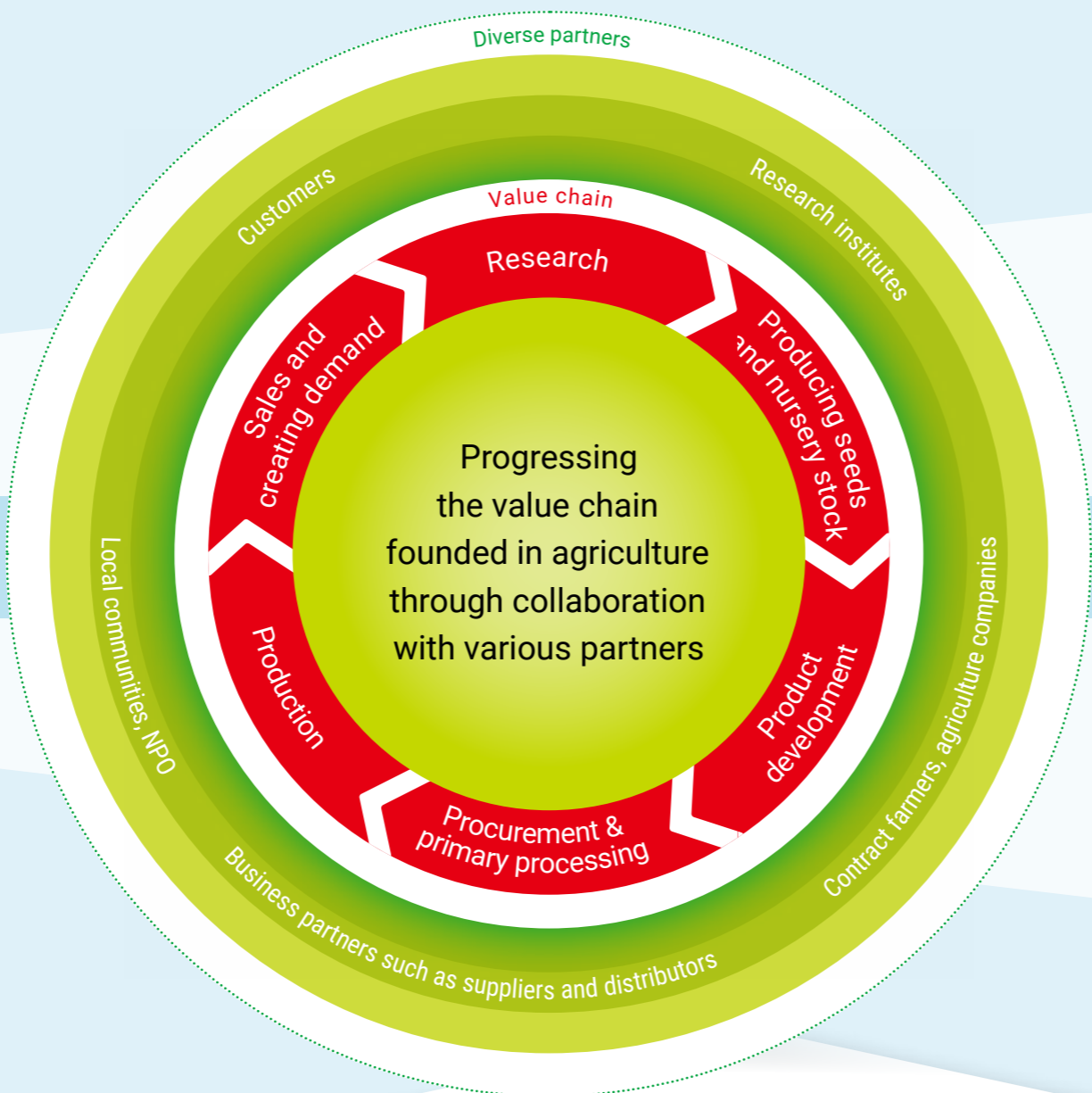


**Management capital that supports growth**  
pp.18-23

- Health, agriculture, and safety research that creates new values  
Intellectual capital
- Wide range of domestic and global procurement network  
Social and relationship capital, Natural capital
- Ability to provide a diverse variety of vegetables  
Intellectual capital, Manufactured capital, Social and relationship capital
- Power of brand known for safety and security  
Intellectual capital
- Financial platform that supports businesses  
Financial capital
- Diverse human resources with aspiration for advancement  
Human capital

**Changes in social environment**

- Environmental forecast
- Risk awareness
- Global issues



**2022-2025 Third Mid-Term Management Plan Materiality**  
pp.26-35

Products and services that integrate agriculture with health and everyday living

- Domestic Processed Food Business (pp.42-43)
- Domestic Agri-Business (pp.44-45)
- International Business (pp.46-47)

**Strengthen foundation for value creation**

- Sustainable global environment
- Product safety and security
- Establishing a Sustainable Supply Chain
- Respecting Diversity and Expanding Human Capital
- Strengthen corporate governance

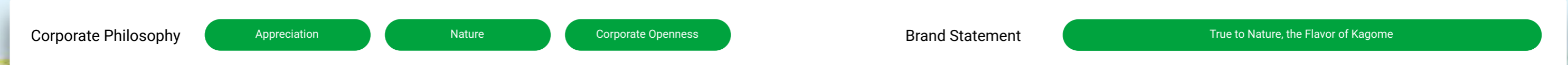
**Value offered**

**Social values** (pp.2-3)

- Longer, healthier lives
- Agricultural development and regional revitalization
- Sustainable global environment

**Economic values**

- Achieve continuous growth



Management Capital Supporting Growth

## Health, agriculture, and safety research that creates new value

With the goal of resolving social issues using the power of vegetables, the Innovation Division boldly takes on research challenges related to health, agriculture and safety and contributes to Kagome Group's sustainable growth by linking research results to Kagome's businesses.

### Research areas at the Innovation Division

#### Health research

We are conducting social implementation research for a system that will lead to behavioral modification for vegetable intake and health information dissemination with a focus on functionality research on green and yellow vegetables. We are actively promoting open research and incorporating partnerships with the faculty of medicine at universities and co-operative research among industry, academia and government.

#### Agricultural research

We are conducting research using the genetic information of approximately 7,500 varieties of tomatoes to develop new breeds and cultivation technology for processing tomatoes that are resistant to climate change and pests, and fresh tomatoes and gardening tomatoes in line with market needs. In addition to conventional methods, we are taking on advanced technology development and utilization for smart agriculture and utilizing genetic big data.

#### Safety research

We are strengthening our basic technologies for assuring safety throughout the supply chain starting in the fields, including conducting activities to predict food safety risks, acquiring advanced analysis and evaluation technology, and conducting raw material safety assessments.

### Protection and use of intellectual property

To maintain continuous competitiveness, we are working to strengthen our intellectual property foundation (acquisition, protection, and prevention of obstruction and litigation) by engaging in invention and discovery based on in-house R&D as well as periodical searches of other companies' patents. We also launched initiatives related to the effective use of our retained intellectual properties outside the company.

#### Main initiatives

Maintain competitive advantage using patent of tomato juice and tomato ketchup

Promote establishment of competitive edge with the Veggie Check® patent

Enhance agricultural work efficiency and income from technology usage fee with the patent on tomato harvesting machine

### Examples of open innovation initiatives

#### Example 1

#### Sodium-to-potassium ratio (Na/K ratio) as a new indicator for dining and behavior change Initiative to promote Na/K together with Tohoku University (COI Tohoku Site/Tohoku Medical Megabank Organization)

While excess salt consumption is a known to cause hypertension, consuming large amount of potassium in fruits and vegetables is known to lower blood pressure. Kagome is working in collaboration with Tohoku University to promote the sodium-to-potassium ratio (Na/K ratio), which indicates the consumption balance of salt and vegetables, and a mechanism that changes eating habits based on this index. We have created Na/K Map\*\* which displays various menu items with the vertical axis indicating the amount of sodium and the horizontal axis indicating the amount of potassium. By making it visually easy to understand, we are supporting the change of eating habits. The Na/K initiative is adopted by the Ministry of Health, Labor and Welfare for large-scale demonstration project, in which, Kagome is also participating.



\* Na/K Map® is a registered trade mark of Tohoku University and Kagome, and both have jointly applied for a patent.

#### Developing a contaminant detection technology for processed tomatoes

We began to experiment on detecting contaminants from tomatoes using AI since 2018. We developed a system of removing contaminants using AI together with YE DIGITAL Corporation, known for its strength in AI-image screening service, and Suematsu Kyuki Co., Ltd., with track record in building systems using robotic technology, and introduced this technology to the Ibaraki Plant. In this equipment, AI detects contaminants from continuous images of diced tomatoes moving on a conveyor belt and removes them with a robot. This technology can ensure product safety and peace of mind as well as address the challenge of labor shortages.



Contaminant removal system introduced at the Ibaraki Plant

### Future strengthening measures

- Further promote the cultivation of T-shaped personnel who can serve as a bridge between research creativity and commercialization. (Active research secondment to universities and other companies, secondment to venture businesses, conduct external consulting, etc.)
- Strengthen the acquisition, maintenance, value creation, and dissemination of intellectual properties and build barriers to entry through intellectual properties.
- Developing plant varieties and expanding development sites overseas in response to environmental change in raw ingredient procurement.
- Strengthen the platform for safety through food safety consulting activities.

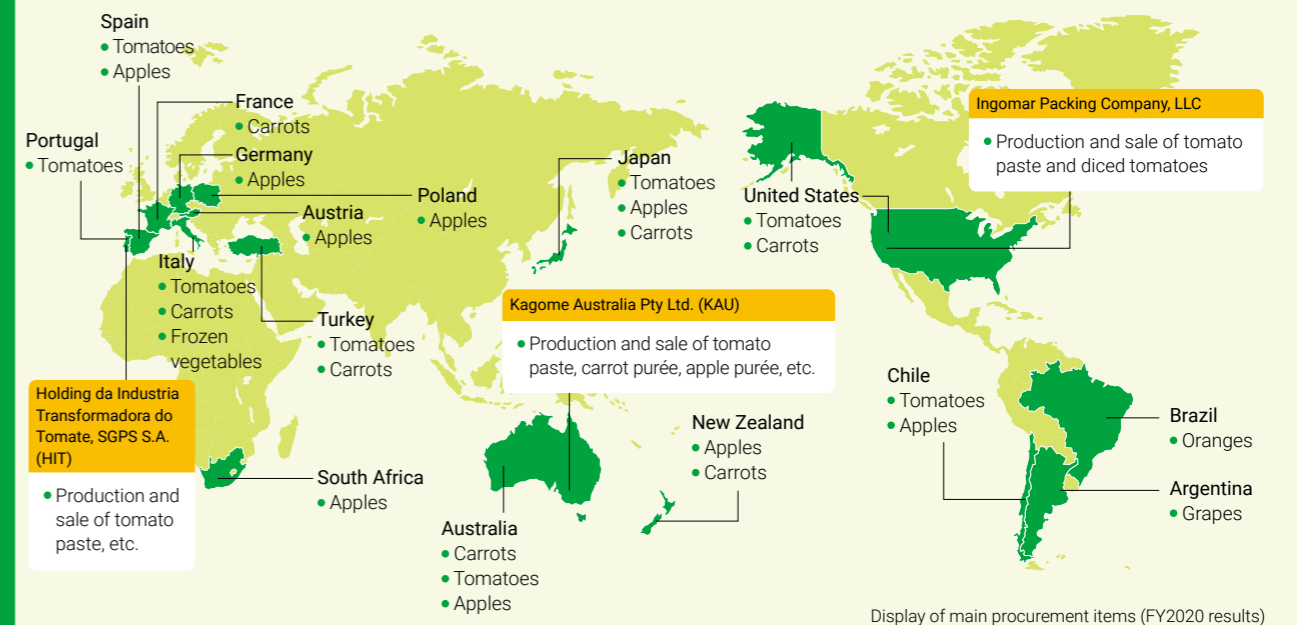
Management Capital Supporting Growth

## Wide range of domestic and global procurement network

Kagome has established an expansive domestic and global procurement network to stably provide safe and secure products. In addition to primary processing Group companies that manufacture and sell processed agricultural products, such as pastes, we also procure from overseas agricultural processing companies (suppliers). Kagome strives to improve procurement quality by having Kagome employees visit each base to ensure the quality management status from cultivation to manufacturing.

### Global network—origins of main raw ingredients

Number of procurement sites: 154 locations (FY2020 results)



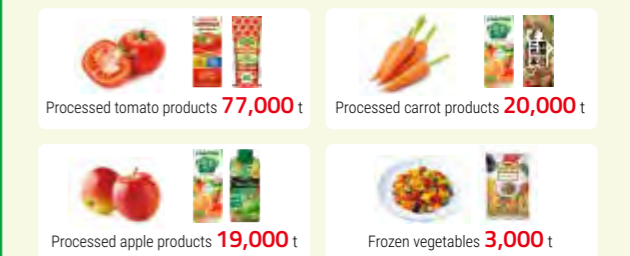
### Raw ingredients procurement

Kagome possesses the knowledge and know-how of production, quality, and cost as its business is also involved in cultivation and raw ingredients processing. By clearly stating our expectations for these items, we are able to conduct medium- to long-term business transactions at appropriate pricing, and select suppliers with whom we can enhance the quality of products. Also, we have established the CSR Procurement Policy, aimed at achieving a sustainable society with our suppliers.



### Main procurement items and products used

Every year, we stably procure about 130,000 t\* of processed vegetables and fruit products, boasting one of the world's largest procurement volumes. \*Value based on actual weight, not converted to fresh produce



### Future strengthening measures

- As the costs of raw ingredients continue to rise, we are developing and procuring proprietary raw materials for processed tomato products such as high concentrate and high lycopene that suppress the cost.
- Contribute to domestic agriculture by strengthening procurement of domestic tomatoes and carrots through mechanical harvesting and choosing the optimal variety.
- Reduce CO<sub>2</sub> emissions in procured products through collaboration with suppliers, and improvement in distribution and containers and packaging.

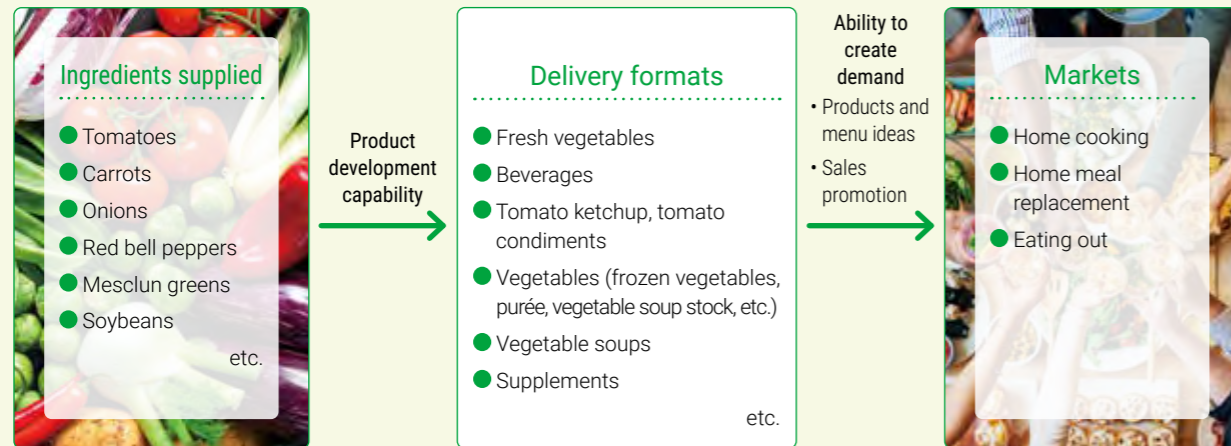
Management Capital Supporting Growth

## Ability to provide a diverse variety of vegetables

### Product development and demand creation capability for 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 develop vegetable-based products and the ability to create demand. We bring new products to the world by refining our wealth of knowledge and technology on vegetables accumulated to date to create a demand for vegetables and address the issue of vegetable shortage.

### How to supply vegetables



### Product development capability of vegetables

#### 1 Developing products by utilizing the natural food ingredients and emphasis on additive-free

● We appreciate the natural flavor and nutrients in vegetables and fruits, and emphasize food processing without the use of additives as much as possible. We create a target flavor or property using our proprietary vegetable ingredients, including the best combination of vegetables and fruits, and pulp of tomatoes and carrots. While vegetables and fruits have slightly different tastes depending on their growth region, we are building a system that quantifies the percentage of vegetables and fruits from which production area should be used for each product and adjust the composition so that the taste remains constant.

#### 2 Developmental know-how of vegetable beverages accumulated over many years

● Previous knowledge and past examples of combination acquired in the development of vegetable drinks in the past, such as processing techniques and bacteria control methods, are used in the development of new products.  
 ● We are developing easy to drink beverages by utilizing the production methods and technology that control the harshness and tartness in vegetables.

#### Example 1 Tomato juice, Yasai Ichinichi Kore Ippon

Tomato juice and Yasai Ichinichi Kore Ippon provide the nutrition and delicious taste that come naturally from tomatoes and vegetables without the use of fragrances or nutritional enhancers.



#### Example 2 Yasai Seikatsu 100 Smoothie

Yasai Seikatsu 100 Smoothie achieves the desired texture, thickness, and ease of drinking by complexly blending vegetables and fruits with dietary fiber derived from food without using thickeners.



#### Example 3 Yasai Ichinichi Kore Ippon Light

In order to reduce the amount of sugar in Yasai Ichinichi Kore Ippon Light, vegetables with less sugar contents, such as Chinese cabbage, are used. The Chinese cabbage is treated to suppress its aftertaste, which reduces the peculiar taste and enhances deliciousness.



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## Ability to create demand

### 1 The optimal raw ingredients plus production method plus container style suited for the application

● Kagome's vegetable food ingredients come in many forms, including puréed vegetables, frozen grilled vegetables, and vegetable stock. Our menu ideas using these ingredients resolve the issues faced by various industries and increase the amount of vegetables supplied.  
 ● There is a development group dedicated to containers within the Product Development Division, which conducts research specialized in containers, such as how to improve customer's ease of use and reduce environmental impact.

### 2 Provide solutions to customer troubles

● We are conducting activities to create demand through ideas such as menus and promotions for a variety of distribution channels, including mass retailers, convenience stores, drug stores, co-ops, direct marketing, and food service industry.  
 ● For customers needing our products for processing, etc. we send both the developer and salesperson on a site visit to hear the customer's voice firsthand to provide ideas on how to address customer's challenges (such as menu, way of utilizing our proprietary food ingredients, and value information).

### 3 Contents development and ideas on food & health from registered dietitians

● Kagome has the Vegetables and Lifestyle: Registered Dietitians Lab, which is staffed by 71 employees with the qualification of registered dietitian.  
 ● We draw on the knowledge developed through our vegetable research and idea proposal capability developed through communication with customers in developing and suggesting contents related to food & health.



#### Example 1 Frozen vegetables that address the issues faced by the food service industry

Frozen grilled vegetables and sauteed onion that are picked and processed during their prime contribute to reduced preparation time and food loss.



#### Example 2 Development of new products that contribute to vegetable consumption

Our vegetable soup developed using Kagome's proprietary vegetable stock is a future focus product. We are promoting the message that vegetables can be consumed in soups together with our products.



#### Example 3 Develop a new container that reflects consumers' feedback

Jojuku Sauce was developed following customers' feedback and uses a container that is easy to pour, and opens and closes easily for young children to the elderly.



### Future strengthening measures

- Speedy product design derived from a new combination of raw ingredients plus production method plus container style.
- Expand new product domain, such as vegetable soups and plant-based domain.
- Develop new product commercialization technology and proprietary food ingredients.
- Cultivate developers who take joy in challenges.
- Promote a change in vegetable consumption behavior in the consumers with a focus on the Let's Eat Vegetables Campaign.
- Foster multi-point contact between consumers and vegetables using digital technology.

Management Capital Supporting Growth

## Power of brand known for safety and security

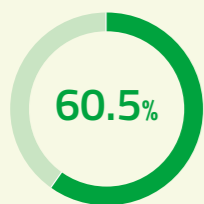
Kagome follows the philosophy that fields are the primary production plant and strives to improve the quality of raw materials from the fields and create products with both product safety and peace of mind and flavor in mind. Moreover, Kagome provides products with zero additive that are good for health, with many products acquiring top shares in Japan as well as high ratings in external brand rankings, etc.

### Products boasting number one shares in Japan

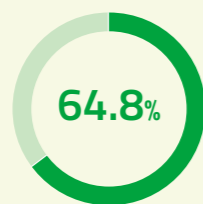
In Japan, we have captured a high market share in many products thanks to our established brand reputation for "safety and peace of mind."



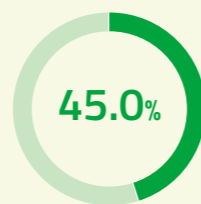
Tomato ketchup



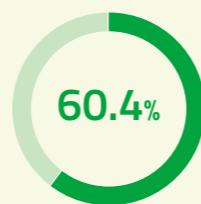
Mixed vegetable and fruit juice



Mixed vegetable juice



Tomato juice



Source: INTAGE Inc. SRI+/Period: January through December, 2021/Based on monetary amount geographic area: All of Japan  
Sales settings: Supermarkets, convenience stores, drug stores, home improvement stores

### External rankings

Brand Strategy Survey 2021  
(Nikkei Research Inc.)

Quality with uncompromisable safety: **3rd**

Sense of product quality: **3rd**

2021 Set Favorability Ranking (Nikkei BP Consulting, Inc.)

**1st, 3rd**

Set Favorability/Rank	Message	Company name	Set favorability (pt)
1	KAGOME True to Nature, the Flavor of Kagome KAGOME	Kagome	43.7
2	SUNTORY Mizu To Ikiru SUNTORY	Suntory	40.2
3	Let's Eat Vegetables with 60 g to go	Kagome	40.0
4	Delicious, Fun, and Healthy	Morinaga & Co.	39.8

\* The company name and corporate message are shown as a set, while the question "how did you feel about the message this company is sending?" is asked. For each of the five options related to favorability (very favorable to not at all favorable) is given a weighted value and scored between -100 and 130.

### Future strengthening measures

- Transform into fan-based marketing to increase loyalty of customers who share the values in our brand and cultivate fans.
- Conduct integrated communication through experience by using facilities such as Kagome Yasai Seikatsu Farm Fujimi and kitchens at each base.

Management Capital Supporting Growth

## Financial platform that supports businesses

To support the sustainable growth of the Kagome Group and be resistant to major environmental changes, stability in the financial platform is important. In the third Mid-Term Management Plan that starts in FY2022, we will maintain a credit rating of A (stable) and maintain an equity to total assets of 50% or higher to achieve both a secure financial base and expanded businesses through capital procurement. [pp.36-39](#)

### Creating a stable financial platform

Thus far, we have recorded a relatively high level of equity to total assets and maintain an A (stable) credit rating from ratings agencies. In addition, Kagome's unique shareholder composition with many individual shareholders has led to the establishment of long-term relationship with many Kagome Fan shareholders.

#### Credit Ratings Status (FY2021)

Rating agency	Credit ratings	Rating trends
Rating and Investment Information, Inc. (R&I)	A	Stable
Japan Credit Rating Agency, Ltd. (JCR)	A	Stable

#### Equity to total assets\*

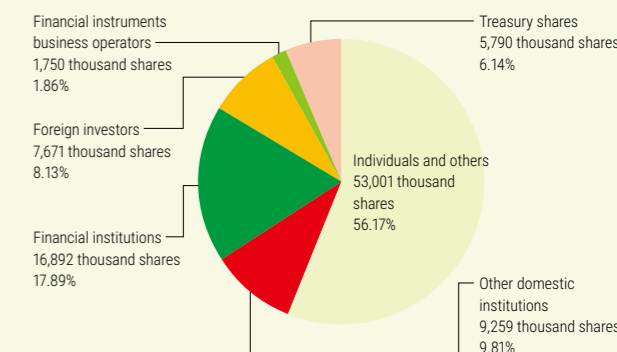
FY2018	FY2019	FY2020	FY2021
50.2%	53.9%	49.3%	54.6%

\* Equity attributable to shareholders of the parent to total assets

#### Number of shareholders (as of December 31, 2021)

**195,877**

#### Shareholder composition



Management Capital Supporting Growth

## Diverse human resources with aspiration for advancement

At Kagome, we have the phrase "aspiration for advancement" which means to always stay one step ahead in anticipating and creating future changes. The climate of embracing new challenges is cultivated by the active promotion of diversity in human resources and autonomous career building system. We conduct our own programs such as Vegetable Maestro Certification and Vegetable Teacher to foster employees' capability to promote the attractiveness of vegetables as crusaders in order to achieve our goal as a vegetable company. [pp.52-55](#)



#### Diversity of human resources (FY2021 results)

- Number of employees (consolidated) 2,822  
Female 866 (30.7%)
- Number of employees in managerial positions (managers and above) (in Japan) 377  
Female 30 (8.0%)
- Number of hires 68 (in Japan)  
Mid-career hires 22 (32.4%)



#### Human Resources Department management education, training participants, side business holders

- Group training 32 sessions, total 1,099 participants
- Of these, elective business skills training offered in 14 themes, with a total of 411 participants (FY2021 results)
- Side business permits 42 cases (as of December 31, 2021)



#### Human resources to convey the appeal of vegetables

- Vegetable Maestro Certification\*1  
Number of employees with Level 2 certification: 121, number of employees with Level 3 certification: 1,510 (as of December 31, 2021)
- Vegetable Teacher\*2  
Number of people with implementation experience: 91 (total number since July 2019)

\*1 A Kagome certification with the goal of teaching employees the correct knowledge about vegetables and broadly disseminating this information.

\*2 An activity where Kagome employees teach children about the appeal of vegetables as Vegetable Teacher.

# Kagome's Business Model

Kagome engages in business activities inside and outside of Japan with a unique value chain formed by the value of agriculture. We have deepened our business model using an open value chain where we can access necessary resources quickly through proactive external collaboration to build the best possible combination while also incorporating and building upon the strengths of this unique value chain internally.

## Characteristics of business model

**1** Advanced technical knowledge and know-how gained from consistent involvement spanning from seeds to the dining table

Tomato genetic resources: approx. 7,500 varieties

We have been able to build techniques and know-how in each process through our integrated business model spanning from seeds to the dining table.

**2** New value creation capability by combining a robust supply chain and open innovation

Number of procurement bases: 154 (FY2020 results)

For many years, we have been building a flexible and robust supply chain resilient in the face of any and all forms of change. Furthermore, we continue to create new value using open innovation with other companies and universities.

**3** High profit margin using procurement and development capabilities

Domestic Processed Foods Business Beverage Margin: 9.5% (FY2021 results)

Our vegetable beverages deliver a high profit margin thanks to our procurement and product development capabilities along with our know-how in blending vegetables and fruits.

**4** Growth driver: Contribution to the social issue of helping people live longer, healthier lives

Kagome's green and yellow vegetables supply volume: 17.9% of that consumed in Japan

Source: VEGE-DAS (Kagome vegetable supply volume calculation system) Estimated values for 2020 from "Food balance sheet," Ministry of Agriculture, Forestry and Fisheries (MAFF)

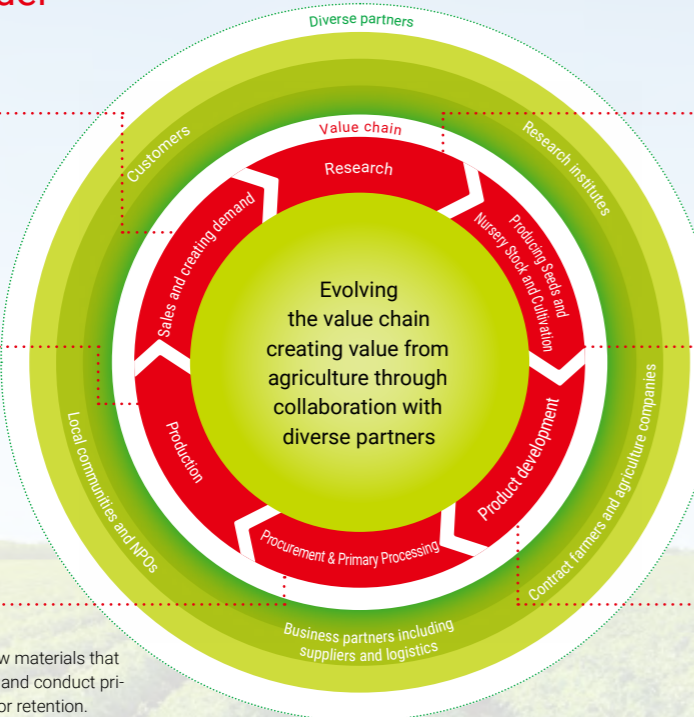
Helping people live longer, healthier lives is the greatest growth driver among the social issues that Kagome seeks to resolve. We will achieve growth by helping to resolve Japan's vegetable intake shortage with our products, including fresh vegetables and vegetable juices.

## Business model

**Creating Demand**  
Value promotion activities to convey product value to customers and create demand

**Production**  
Manufacturing processes and quality management based on using the optimal combination of quality raw materials and technology to maximize the value of raw materials

**Procurement & Primary Processing**  
We procure only high-quality raw materials that conform to Kagome standards and conduct primary processing to ensure flavor retention.



**Research (health, agriculture, safety)**  
Research domains of health, agriculture and safety creating new value

**Producing Seeds and Nursery Stock and Cultivation**  
Useful varieties of seeds and nursery stock and production enabled through agricultural research and contracted cultivation using specific seeds

**Development**  
Product development to maximize the value of natural produce and contribute to longevity and good health.

## Direction of business model evolution

Building new business models with other companies through open innovation and promoting digital transformation (DX) will not only help to transform our existing business, but also increase competitiveness sustainably, fostering a corporate culture that embraces challenges. Here, we will introduce examples of new business and in-house reforms driven by our current efforts toward an open value chain and DX.

### Specific examples

#### Example 1 /

##### Plant-based foods business - TWO Inc.

TWO Inc. owns the plant-based foods brand "2foods" and operates cafe serving plant-based foods. Kagome and TWO concluded a business partnership agreement in 2021. Both companies are now working to develop new businesses and new products from their strengths by combining TWO's knowledge of plant-based food menu development and Kagome's expertise in processed food development. In addition, we will begin a full-fledged push to spread plant-based foods and expand the marketplace as well as achieving a sustainable society jointly. We are excited about the future prospects of our relationship.



Joint product development

#### Example 2 /

##### Smart agri-business - NEC Corporation

NEC and Kagome began joint demonstration testing in 2015. Since 2020, as business development partners, the two companies have continued to enhance CropScope, an agriculture-based ICT platform, for processing tomatoes, utilizing NEC's strengths in technology and Kagome's strengths in agronomy (agricultural sciences and agricultural research). CropScope comprises a service to visualize the growing status of tomatoes and farm cultivation environment and an AI-driven service that provides advice on agricultural management. This will stabilize tomato production yield and lower cultivation costs, resulting in sustainable and eco-friendly agriculture.



Vegetables being grown at a farm using the AI-driven agriculture management service



**Yoshikazu Azuma**  
Representative Director and CEO, TWO Inc



**Norika Oki (seconded to Kagome)**  
Corporate Business Development Division, NEC Corporation

#### Example 3 /

##### DX-driven new business planning project

With the business environment changing substantially with progress in digitalization, business transformation with DX and new business creation are vital to Kagome's continuity and future growth. Based on this, we openly recruited employees internally to help plan DX, which is positioned as an important business in the third Mid-Term Management Plan. In the fields of institutional and industrial use, retail, health, direct marketing, and agriculture, employees of each business together with internally recruited employees are working together to plan new businesses with a medium- to long-term outlook and exploring commercial viability. Efforts are now underway aimed at commercialization after addressing several issues that have been identified.



Final report of the NEXT Mid-Term Commercialization Review Project

#### Example 4 /

##### Collaboration in the Let's Eat Vegetables Campaign -

##### Daiwa Research Institute Ltd.

Daiwa Research Institute Ltd. and Kagome jointly developed a health improvement program for employees of companies and local governments called "Team Battle - Vegetable Championship 4 Week Challenge." We hope to improve dietary habits using this game-like app. In addition, Daiwa Research Institute offers consulting for finding solutions to personnel and management issues by visualizing employee happiness based on knowledge gained from data science. We are working to contribute to the sustainable growth of organizations and maintaining and improving health by combining Kagome's Veggie Check® and knowledge of vegetables with Daiwa Research Institute's health and productivity management solutions.



Screenshot of the app  
Teams compete against one another based on the points each team member earns from their vegetable consumption levels and answers to vegetable quizzes



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