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KAGOME  
Integrated Report

2022

# Achieve a sustainable society and Kagome's growth by resolving social issues through food

For 123 years since our founding, Kagome has been contributing to consumers' health and vibrant eating habits with its strength in harnessing the delicious taste and nutrition of nature's bounty that are vegetables and fruits. We are enhancing corporate value through activities that address social issues head on while sharing our corporate philosophy as a steadfast sense of value with all employees. In the future, we will continue to contribute to finding solutions to social issues in Japan and the world through our business activities, including promoting longer, healthier lives, agricultural development and regional revitalization, and achieving a sustainable global environment.

Kagome's Ideal Image

What Kagome strives for by 2025

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

Social issues to address

Longer, healthier lives

Agricultural development and regional revitalization

Sustainable global environment

Vision

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

Code of Conduct

Mutual support


Respect for human rights

Fairness

Basis, mindset and attitude behind our philosophy

Corporate Philosophy

An inherited management spirit that pervades through the changing times



Appreciation

We are thankful for nature's bounty and for human relationships. We respect natural ecosystems and value human sensibility.

Nature


Through nature's bounty, we endeavor to create rich value that is ahead of the times and to contribute to consumers' health and wellbeing.

Corporate Openness

We aim to be an open company that engages in fair and transparent corporate activities and respects each person's individuality and abilities.

Brand Statement

Our promise to society and our customers



Nature

To strive for healthier food that makes the most of the antioxidants and immunological capabilities of nature's bounty.

True

To produce healthy, great tasting foods without relying on unnatural additives and technologies.

Flavor

Create new demand for delicious food, paying attention to the needs of our bodies and our planet

# How to achieve a sustainable society and Kagome's growth through resolving social issues with food?

Social issues that Kagome prioritizes are promotion of longer, healthier lives, agricultural development and regional revitalization, and sustainable global environment. With our unique value chain comprised of agricultural value and cooperation with diverse partners, we provide products and services that link farming with health and lifestyle, thereby contributing to resolving social issues and achieving continuous enhancement of corporate value.



## Support agriculture and contribute to the sustainable growth of communities

Vulnerability in the farming base has become an issue in areas with rapid decline of labor population and societal aging. Moreover, risks to the continuity of agriculture are becoming more apparent globally, such as climate change and water shortages. Kagome contributes to agricultural development and regional revitalization through promoting regional agricultural businesses via development of vegetable growing regions and processing, developing technology and services to enhance agricultural productivity and sustainability, and appealing domestic agricultural products through its businesses.

## Pioneering the future of Japan with the power of vegetables

Vegetables are important sources of nutrients, including vitamins and minerals. Many epidemiological studies have shown that consuming plenty of vegetables is effective in preventing a variety of diseases. In Japan, the average daily vegetable consumption per person is about 290 g\*1, which falls 60 g short of the national recommended value of 350 g\*2. Kagome is carefully promoting the importance of vegetable consumption to everyone, recommending effortless, smart ways to consume vegetables even for busy days, and developing attractive vegetable products to contribute to longer, healthier lives.

\*1 The average daily vegetable consumption per person in Japan was about 290 g based on the 2010-2019 National Health and Nutrition Survey (Ministry of Health, Labour, and Welfare [MHLW]).  
\*2 The target daily vegetable consumption recommended by The Ministry of Health, Labour, and Welfare's Health Japan 21 is 350 g.

## Initiatives for the environment as a company that delivers nature's bounty

Kagome's manufacturing, which has contributed to people's health by harnessing the bounty of nature, has been based on the creation of safe and high-quality raw ingredients by working from vegetable seeds to soil creation under the belief that "fields are the primary production plant." We are promoting initiatives for a sustainable global environment as the responsibility of a company that enjoys the bounty of nature and delivers this to customers. We aim to realize a sustainable global environment by focusing on environmental conservation with the same desire as our passion for manufacturing.



### CASE EXAMPLE 1

#### Efforts to increase vegetable consumption levels in Japan

In January 2020, we launched the Let's Eat Vegetables Campaign. Under the slogan of "let's increase vegetable intake by just another 60 g," we are developing various measures to increase motivation to consume vegetables in collaboration with many companies and organizations. We aim to increase vegetable consumption by increasing contact points between consumers and vegetables through valuable information and products that easily, deliciously, and happily deliver the nutrition of vegetables.



### CASE EXAMPLE 2

#### Development of bases and revitalization of communities through collaboration with agricultural companies

We are promoting collaboration with agricultural companies with the aim of developing new vegetable procurement and manufacturing bases and revitalizing local communities and agriculture. Sobetsu Agri-Foods Co., Ltd., established in Hokkaido in 2020, began selling fresh onions in autumn 2021.



### CASE EXAMPLE 3

#### Resource and energy recycling-type vegetable farms

At Yatsugatake Mirai Farm in Nagano Prefecture, heat is recovered from the hot water used by the adjacent Kagome Fujimi Plant with a heat pump and reused for heating during fresh tomato cultivation. Part of the CO<sub>2</sub> in boiler exhaust gas is used to promote photosynthesis inside the greenhouse.



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#### Editorial Policy

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

#### Kagome website

▶ <https://www.kagome.co.jp/english>

#### Units of Amounts in This Report

In this report, amounts are expressed in units of hundred of millions of yen rounded down to the nearest one hundred million yen and amounts expressed in units of millions of yen rounded down to the nearest million yen. In addition, percentages are shown after rounding.

#### Reporting Period and Boundary

This report covers the period from January 1, 2021 to December 31, 2021. However, some portions contain matters related to activities outside this defined period. The boundary of this document covers the activities of Kagome Co., Ltd. and its consolidated subsidiaries but there are items that only pertain to Kagome Co., Ltd.

#### Referenced Guidelines

This report was prepared with reference to the International Integrated Reporting Framework issued by the International Integrated Reporting Council (IIRC) and Guidance for Collaborative Value Creation issued by Japan's Ministry of Economy, Trade and Industry (METI). Moreover, our CSR activities are reported on our website, and highlights are included in the ESG section of this report.

#### [Notes Regarding Forecasts]

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

## GLOSSARY



### Engagement

A positive mental state in regard to work where an employee feels enthusiasm, dedication and vitality. Engagement results in points to equal and strong connections between the organization and individuals. As a result, stronger organizations offer greater the productivity.



### Organic growth and inorganic growth

Organic growth refers to growing existing businesses in a stable and consistent manner. Inorganic growth refers to growth that results from gaining new resources via M&A or other means.



### Core operating income

Core operating income is a profit index that measures constant business performance by deducting cost of sales and selling, general and administrative expenses from revenue plus share of loss (profit) of entities accounted for using equity method.



### Smart agriculture business

Farm management support business for processing tomatoes utilizing AI. Jointly developed with NEC. Markets services that visualize the condition of soil and growing situation of tomatoes using sensors and satellite imagery and farm management advice using AI.



### Biodiversity

A condition in which the richness and balance of an ecosystem consisting of many kinds of living things are maintained. The Convention on Biological Diversity states three levels of diversity: ecological diversity, species diversity, and genetic diversity.



### VegeCheck®

A device that measures vegetable intake level (0.1 to 12.0) and estimated vegetable intake volume (according to six levels; g) simply by holding the palm of your hand over a sensor for tens of seconds. Measurement is completed in tens of seconds providing the convenience of being able to view results on the spot.



### Plant-based domain

The plant-based domain, which is one of our growth drivers, tackles new challenges beyond existing businesses in vegetable beverages and vegetables, including plant-based milk, among others.



### Vegetable Intake Promotion Project

Part of the Let's Eat Vegetables Campaign, this project seeks to increase momentum toward eating vegetables by working closely with companies and organizations that have endorsed its mission. As of December 2021, 19 companies are participating in this project (excluding Kagome).



### Let's Eat Vegetables Campaign

An initiative intended to resolve the social issue of a lack of vegetable intake in Japan. The campaign was launched in January 2020 under the slogan "let's increase vegetable intake by just another 60 g." The campaign is now harnessing knowledge, technologies, services and products to evolve the ways in which people eat vegetables to ease the lack of vegetable intake.

# TOP MESSAGE

We will achieve what Kagome strives for by 2025 by implementing the third Mid-Term Management Plan and striking a balance between our own growth and solutions to social issues.

Kagome's third Mid-Term Management Plan will kick off from FY2022. We promise to our stakeholders that we will grow the Kagome Group by providing solutions to social issues as a culmination of our efforts to achieve what Kagome strives for by 2025.

## Market environment in FY2021 and evaluation of results

In FY2021, the market environment remained difficult to predict given the rapid changes in the balance between home cooking, home meal replacements, and eating out due to the COVID-19 pandemic. Moreover, there were significant changes in where products were purchased and consumed, shifting from urban areas to the suburbs, driven by restrictions on going out and the widespread use of remote work.

Given this situation, we experienced major impacts on our business as a food manufacturer. With trends in product sales changing by the moment, our sales department alongside supply chain management, production and procurement departments worked closely together to manage and control our supply chain over the past year. At the same time, green and yellow vegetables garnered attention for their ability to increase the effectiveness of the body's immune system amid growing health consciousness among consumers. This served to boost sales of our core vegetable drinks. The International Business, which has a high product mix toward the food service industry, was impacted by lockdowns, but in the second half of FY2021 eating out demand recovered quicker than in Japan, helping revenue move toward a recovery.

Despite the extremely challenging management environment, for FY2021 we managed to increase both revenue and profits over the previous year as revenue totaled 189,600 million yen, up 3.6% and core operating income totaled 14,100 million yen, up 4.0%. With demand trends difficult to predict, these strong results were attributed to our fulfillment of our supply side responsibilities as a food manufacturer by addressing changing sales volume as needed and to persistent activities to tap into new markets and customers in line with changes taking place in consumer behavior. I would like to express my appreciation to all of our employees and partners who never gave up despite these challenges. I believe that this experience will serve as a foundation for achieving the new value provision in the third Mid-Term Management Plan.



President & Representative Director



## Looking back on first and second Mid-Term Management Plans

When the first Mid-Term Management Plan kicked off in 2016, our profits had declined considerably, resulting in a critical situation for the company. This is why we focused our greatest energy on earnings structure reforms throughout the first and second Mid-Term Management Plans. Through our various measures, core operating income in FY2021, the final fiscal year of the second Mid-Term Management Plan, had doubled compared to FY2015, transforming us into a much higher quality profit structure. However, our growth has slowed since peaking in 2017. In

other words, our current issue is that we have become a company that can generate profits, but falls short in terms of the ability to grow. This is the result of unbalanced activities for expanding existing businesses, increasing efficiency and looking at new businesses for future growth. Another factor was we did not perform sufficient reviews concerning the accuracy of business investment.

The third Mid-Term Management Plan which gets underway in FY2022 contains strategies focused on growth based on this reflection. This will become a management plan that will serve as a culmination of our efforts to achieve what Kagome strives for by 2025, first established in 2016. Therefore, we will focus on achieving the targets and increase necessary investment and expenses.

## Third Mid-Term Management Plan focused on growth

Kagome's business domain is "food & health." As you know, this domain will be very important to society in the future. Many other companies have already announced various measures focused on "food & health," indicating a large number of entrants from different industries. The competition environment has heated up to say the least. Nevertheless, our commitment to always be chosen by customers and as a result achieve sustainable growth forms the foundation of the third Mid-Term Management Plan.

The basic strategy of the third Mid-Term Management Plan involves taking the following four actions and organically linking them in an effort to achieve sustainable growth.

### ① Promote behavioral change in terms of vegetable intake

Our company-wide initiative to increase vegetable consumption levels forms the heart of our growth strategies aimed at 2025. This initiative directly contributes to resolving the social issue of "longer, healthier lives" and leads to Kagome's growth by growing demand for vegetable beverages. The key point in increasing vegetable consumption levels is to foster the desire to eat lots of vegetables among a large number of customers. However, making concrete changes in vegetable consumption behavior is no simple

task. As such, the Let's Eat Vegetables Campaign launched in 2020 will be continued during the period of the third Mid-Term Management Plan in an effort to persistently encourage behavioral change.

Since there are actions that cannot be achieved on a standalone basis and some stakeholders we cannot reach alone, as part of the campaign, we launched the Vegetable Intake Promotion Project through collaboration with a number of companies and groups. By increasing information dissemination from the project, we will vitalize activities to the point of making them a social movement, increasing people's desire to eat more vegetables.

### ② Change to fan-based marketing

We will build strong relationships with customers so that they are drawn to our products even before they see them in-store, by fostering fans who identify with our corporate activities including initiatives in food education and for the environment, such as the Let's Eat Vegetables Campaign, our solid partnerships with vegetable producers, and regional revitalization efforts through Kagome Yasai Seikatsu Farm.

Toward this end, we will transform from our conventional transient advertising strategy to promote product purchases to stock-type communication that sustains and expands relationships. Using an integrated approach to marketing that links farming, health and living, we will establish a differentiated brand position in the domain of "food & health."

### ③ Pursue both organic and inorganic growth

We will pursue sustainable growth from the two angles of stable organic growth of existing businesses and inorganic growth by acquiring new resources from M&A and other means.

Regarding organic growth, in addition to actions to "promote behavioral change in terms of vegetable intake" and "change to fan-based marketing," we will work to review our production system and profit structure to achieve sustained revenue growth of around 2% per year.

As for inorganic growth, the key points to our efforts will be exploring opportunities overseas and in open innovation. As Japan's food market contracts, overseas growth will be extremely important. As a top priority issue, we plan to explore business opportunities targeting the United States market, which continues to see population growth and has solid social infrastructure already in place. In order to make decisions in a timely and expedited manner, we have established The US Growth Strategy Department, reporting directly to the President, which has already commenced activities.

Open innovation is another area we will actively promote in order to accelerate inorganic growth. By combining our knowledge with that of not only food manufacturers but also companies from different industries along with universities and other research institutions, we will step up our activities to identify areas of new growth potential.

Additionally, we will aim to gain new areas of earnings by organically and inorganically looking toward future growth drivers of plant-based foods, vegetable soups that contribute to vegetable consumption, and direct to consumer (DTC) services. The Business Development Office, established in 2020, will spearhead discussions on various potential M&A deals in these domains.

### ④ Strengthen the Group's management foundation and foster a culture for tackling challenges

The key point in strengthening the Group's management foundation will be continuous efforts to bolster the value chain. Currently, costs related to procurement and production are on the rise and there are growing procurement risks due to climate change. Therefore, we will work to address the issues of maintaining and improving our ability to procure raw ingredients domestically, diversifying our global procurement bases, making capital investments in production for improved environmental performance, and building a system to reduce logistics costs. Growing revenue of existing businesses in a stable manner through these measures will make it possible to tackle the challenges of new businesses.

In order to create innovation and generate growth, it is vital that we have a workplace environment where our workforce can take the initiative in tackling new challenges. This requires psychological safety where a person can freely speak their mind and convey their thoughts to others within their organization or team. Organizations and teams where employees can share their frank opinions and ideas together will increase motivation and generate much in the way of innovation. This concept has yet to penetrate deeply into the company, but through 360-degree feedback to management and efforts to strengthen management mindful of diversity and inclusion, we will increase psychological safety in terms of both internal systems and mechanisms, fostering a culture that embraces challenges in the process.



## Pursuing proactive growth investments mindful of shareholders' equity ratio\*

The third Mid-Term Management Plan retains the two goals of "To become a strong company capable of sustainable growth, using food as a means of resolving social issues" and "Transforming from a tomato company into a vegetable company" by 2025. However, to make the achievement level of these goals easier to visualize, we have decided to establish Key Goal Indicators (KGI) and Key Performance Indicators (KPI) for this plan.

The KGI of "become a strong company capable of sustainable growth" involves achieving a sales growth rate of 2% or higher over the next four years to grow the top line every year and achieving a core operating income margin of 7% or higher in 2025. Additionally, the KGI of "transforming into a vegetable company" will involve attaining the earnings target for 2025 with the KPI of revenue growth compared to FY2021 of business domains that contribute to increased vegetable consumption. Specifically, this indicator will measure whether we have increased revenue of the four business domains of vegetable beverages, side dishes and processing, vegetable soups, and plant-based products and whether we are fostering new growth pillars.

As a prerequisite for achieving this KGI and KPI, we will emphasize in particular maintaining a shareholders' equity ratio\* of 50% or higher. While further details will be provided in the CFO and CRO message, we will make investments in line with the size of inorganic growth while retaining our current credit rating of A and maintaining a sound shareholders' equity ratio\* of 50%. If we can maintain our shareholders' equity ratio\* at 50% or higher and achieving inorganic growth of 2% per year, we will be able to secure the money needed to fund investments in our targeted inorganic growth in line with our capacity for borrowings. Since the perspective of whether we are growing efficiently with invested capital will become important, we established ROIC as an important indicator to increase capital efficiency starting in 2021 and we are now implementing a number of measures to further increase this.

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

## The Kagome Group's sustainability defined by solutions to social issues through our business

When formulating the first Mid-Term Management Plan in 2015, we came up with three social issues to resolve through food;

namely, "longer, healthier lives," "agricultural development and regional revitalization" and "global food problems." Resolving these issues will contribute to the realization of a sustainable society and they represent a business opportunity that can lead to Kagome's sustainable growth. For this reason, balancing these themes formed the core of our medium-term business activities.

As for "global food problems," given the increasing severity of climate change and growing demands placed on companies to address it, we evolved this issue into "sustainable global environment" from the third Mid-Term Management Plan so that our efforts are broader in nature and possess a greater sense of urgency. As part of this, we changed our CO<sub>2</sub> reduction target to commit to the science-based target of 1.5 degrees discussed at COP26 in 2021. In response to this target, we have formulated a roadmap up to 2030 as our CO<sub>2</sub> reduction project and will achieve the milestones by actively investing in the environment from a long-term perspective.

The Kagome Group's sustainability is defined as our business activities seeking "to become a strong company capable of sustainable growth, using food as a means of resolving social issues," which includes our response to the environment. In recent years, a company's sustainability initiatives have become an important factor behind a customer's choice of brands. Going forward, we will actively disseminate details of our activities using various media in an effort to establish a positive view of our philosophy and initiatives.

## Strengthening governance within the Kagome Group

Kagome's approach to corporate governance has involved achieving "corporate openness" described in its corporate philosophy. Promoting fair and transparent corporate activities by embracing individuals' uniqueness and skills forms the basis of these efforts.

We have also put into place a number of forms and mechanisms for strengthening corporate governance; namely, increasing the ratio of external directors, establishing the Remuneration and Nomination Advisory Committee, promoting activities of the Audit & Supervisory Committee, and separating management and supervision functions using the executive officer system. In the future it will be important to further increase and evolve the effectiveness of our governance. We intend to carry out a number of initiatives and increase discussions between directors aimed at energizing the Board of Directors. As for securing the diversity of directors, we have begun backcasting from our ideal vision to review our requirements for appointment of directors by exploring the skills needed

by internal and external directors to implement and support our businesses aimed at what Kagome strives for by 2025. With this in mind, this integrated report contains a skills map of directors.

## Achieving sustainable growth by harnessing our strengths to implement the third Mid-Term Management Plan

Kagome's greatest strength is the trust placed in our brands nurtured over many years. As our corporate philosophy states, we have engaged in product development and business creation utilizing nature's bounty that is vegetables and fruits, starting from tomatoes. In this process, we have worked on raw ingredient creation alongside producers, customer-oriented product development, and exchanging views with individual shareholders. The Kagome brand is formed through the mixing and combination of these efforts. This represents our unique approach to forming value from agriculture and linking this value to customers' health. The further refinement of this strength will play a key role in our achievement of sustainable growth.

The ongoing COVID-19 pandemic has greatly transformed our way of life, including the way we work and live and our outlooks. I believe that the essence of this change can best be described by the word "acceleration." The speed of societal change has been accelerated by the pandemic, which requires action much quicker than before. In the third Mid-Term Management Plan, the Kagome Group's mission of contributing to society by providing solutions to social issues through food remains unchanged. We will transform into a company capable of sustainable growth with a sense of speed while being fully mindful of this mission.

We have received severe but warm encouragement from stakeholders in response to the current situation lacking concrete growth. To live up to these expectations, we will implement the growth strategies outlined in the third Mid-Term Management Plan without fail. I promise to further enhance Kagome's corporate value by achieving what Kagome strives for by 2025. Toward this end, I ask for your continued support as we move forward.

March 2022

**Satoshi Yamaguchi**

President & Representative Director



# 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 (Green), Domestic Agri-Business (Orange), International Business (Purple), Beverages (Light Green), Direct Marketing (Light Orange), Food - Other (Light Purple)

### Domestic Processed Food Business

pp.42-43

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

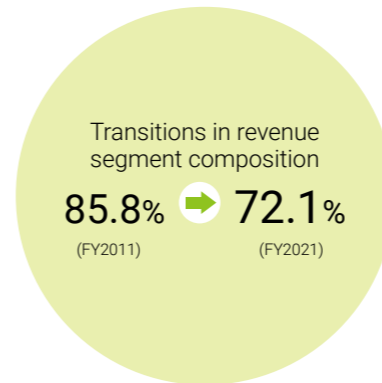


**Revenue**  
136,729 million yen (FY2021)

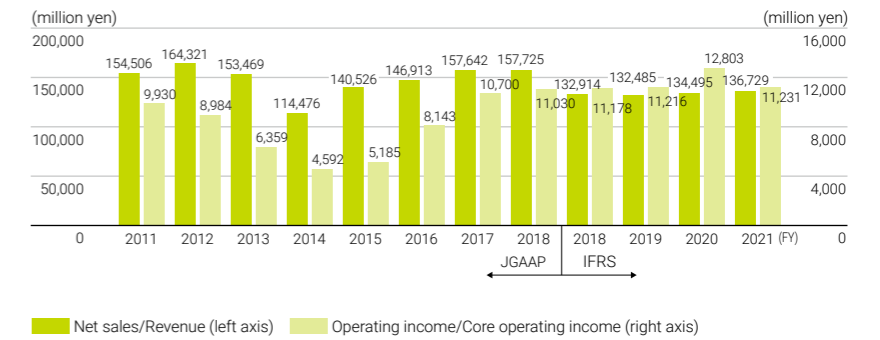
Beverages: 75,480 million yen  
Direct Marketing: 13,518 million yen  
Food - Other: 47,730 million yen

**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



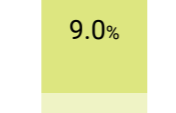
### Trends in revenue and core operating income



### Domestic Agri-Business

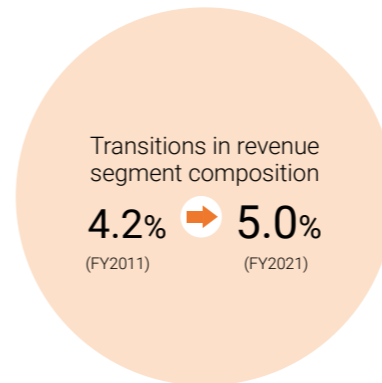
pp.44-45

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

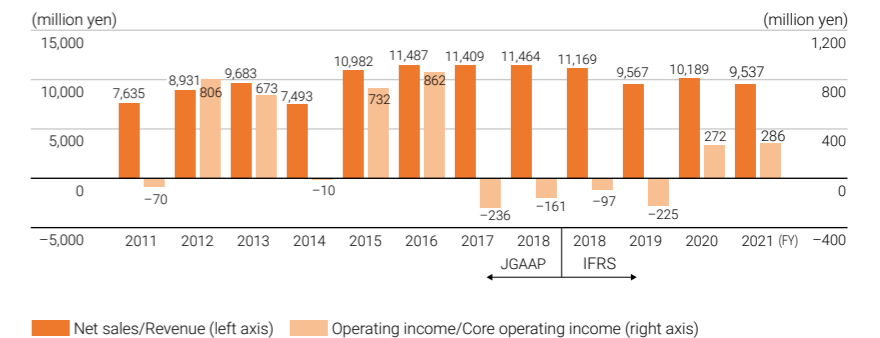


**Revenue**  
9,537 million yen (FY2021)

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



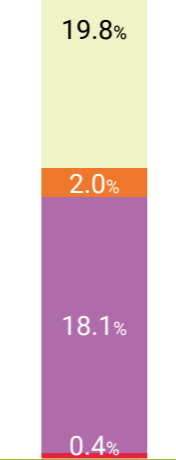
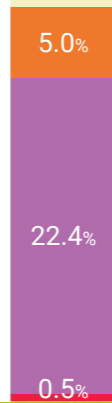
### Trends in revenue and core operating income



### International Business

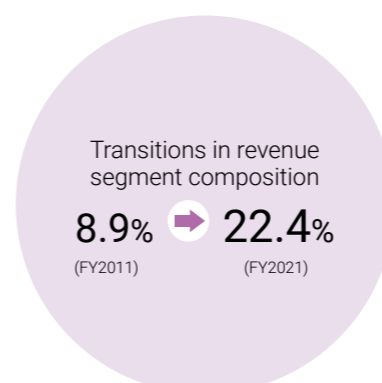
pp.46-47

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

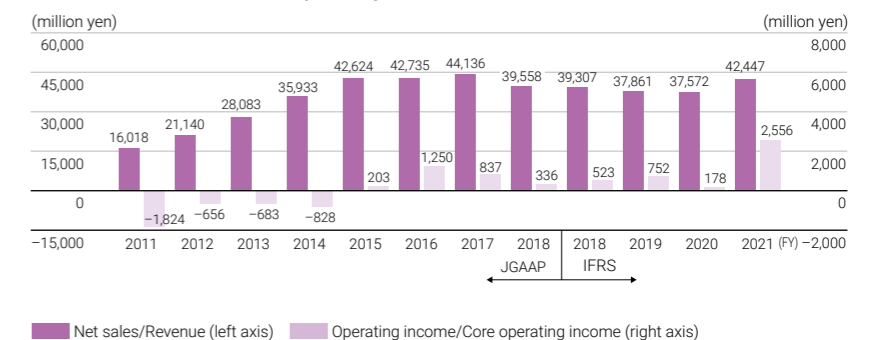


**Revenue**  
42,447 million yen (FY2021)

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



### 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


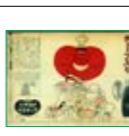
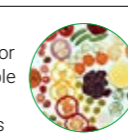



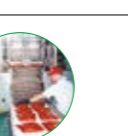

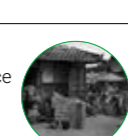
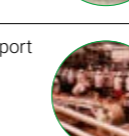
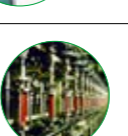
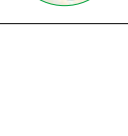
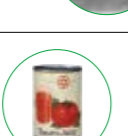
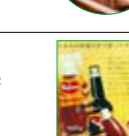

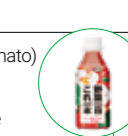
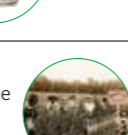
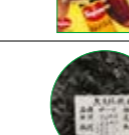





#### Strengthening governance and sustainable growth

##### 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</p> <p><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</p> <p><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</p> <p><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</p> <p><b>1995:</b> Launched sales of Yasai Seikatsu 100</p> 	<p><b>2001:</b> Launched sales of fresh tomatoes (Kokumi Tomato)</p> <p><b>2004:</b> Launched sales of Yasai Ichinichi Kore Ippon</p> <p><b>2006:</b> Launched sales of Plant-based lactic acid Labre</p> <p><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</p> <p><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</p> <p><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</p> <p><b>2013:</b> Acquired United Genetics, USA</p> <p><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.

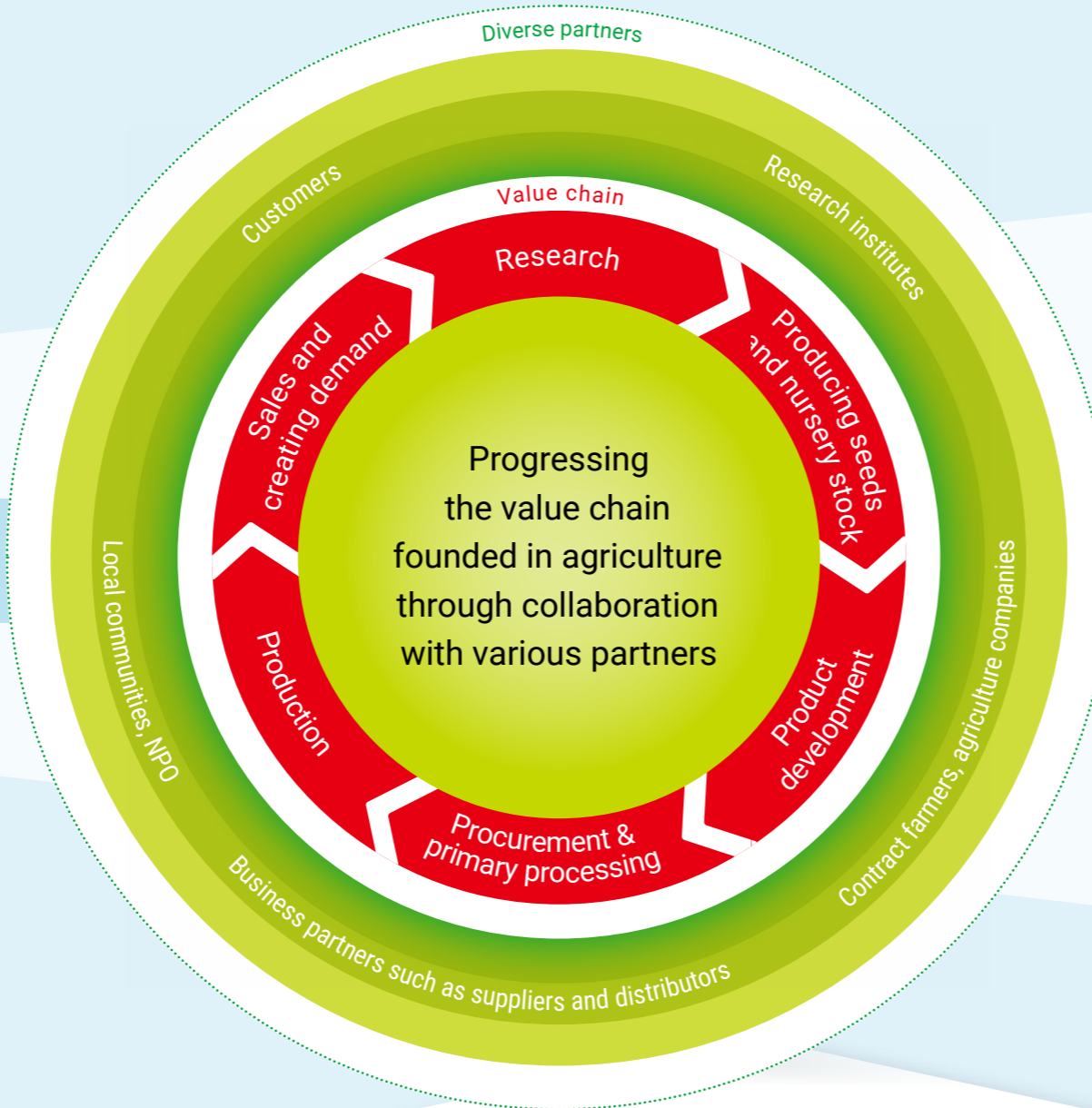


**Management capital that supports growth**  
pp.18-23

- 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.

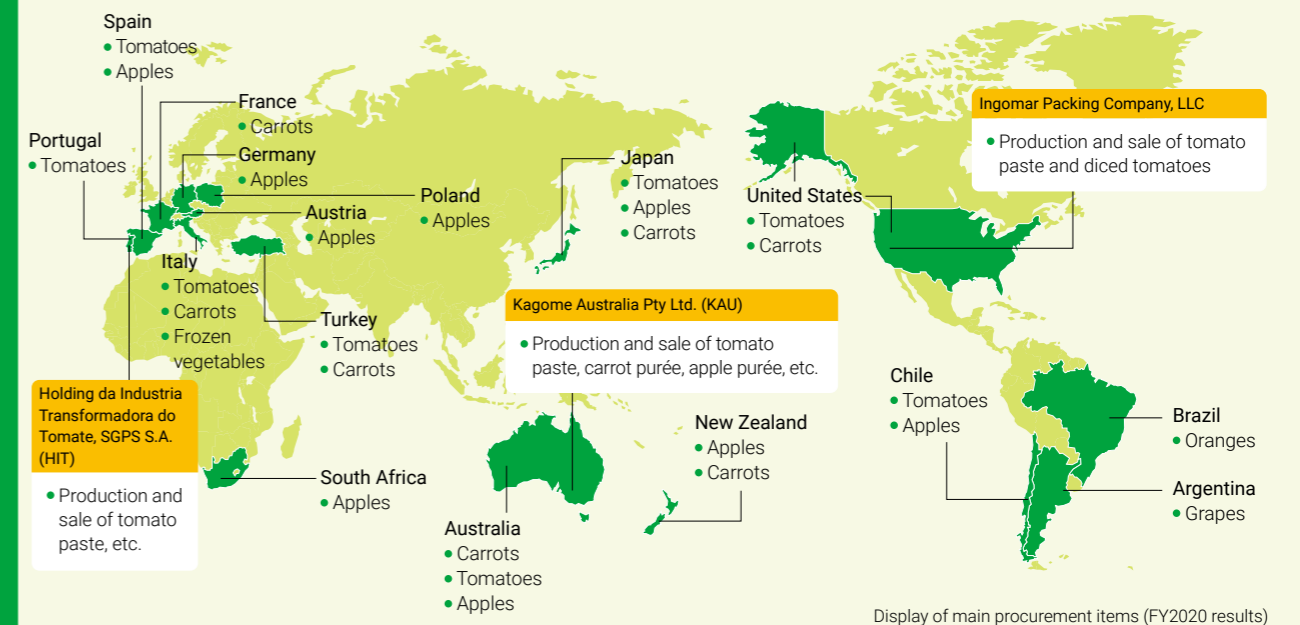
Management Capital Supporting Growth

## 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



Compiled based on actual results in FY2020

### 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.

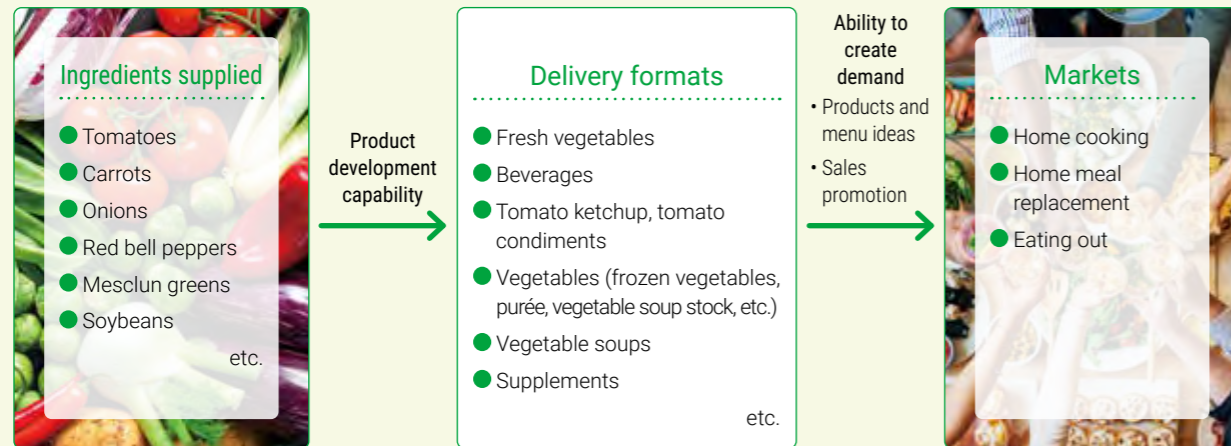
Management Capital Supporting Growth

## 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.

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.



#### 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.

Management Capital Supporting Growth

## 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

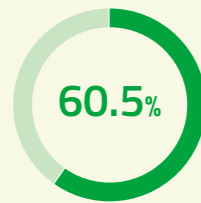
Kagome follows the philosophy that fields are the primary production plant and strives to improve the quality of raw materials from the fields and create products with both product safety and peace of mind and flavor in mind. Moreover, Kagome provides products with zero additive that are good for health, 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

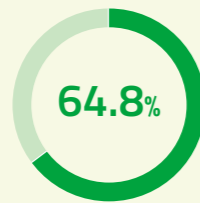
In Japan, we have captured a high market share in many products thanks to our established brand reputation for "safety and peace of mind."



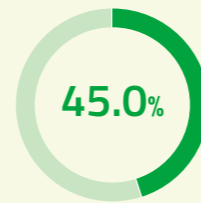
Tomato ketchup



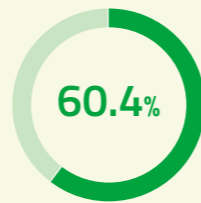
Mixed vegetable and fruit juice



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\*

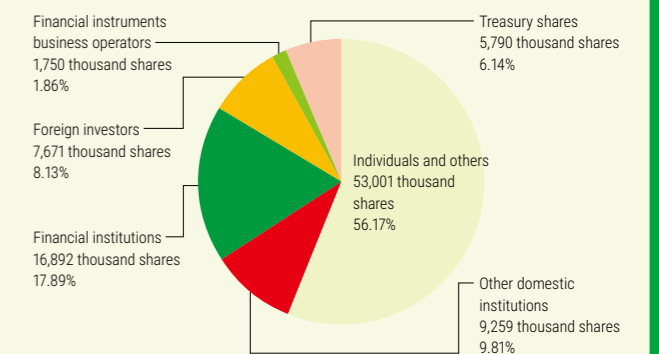
FY2018	FY2019	FY2020	FY2021
50.2%	53.9%	49.3%	54.6%

\* 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)

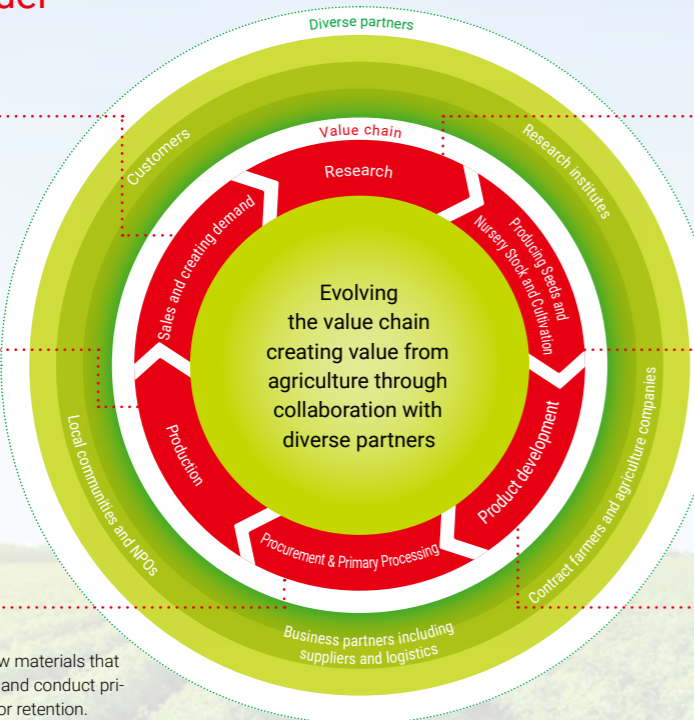
Helping people live longer, healthier lives is the greatest growth driver among the social issues that Kagome seeks to resolve. We will achieve growth by helping to resolve Japan's vegetable intake shortage with our products, including fresh vegetables and vegetable juices.

## 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 a 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



**Makiko Kita**  
Operational Reform Promotion Department, Kagome Axis Co., Ltd.

#### 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.

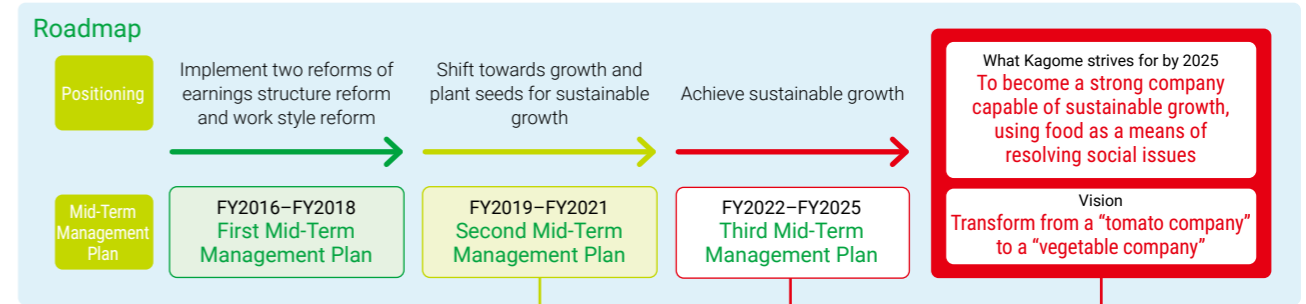


Screenshot of the app  
Teams compete against one another based on the points each team member earns from their vegetable consumption levels and answers to vegetable quizzes



**Yasunori Takagi**  
Daiwa Institute of Research Ltd. Senior Managing Director, Systems Consulting Division (II)

The third Mid-Term Management Plan, which starts in FY2022, will be a four-year plan aimed at reaching the targets of 2025. The third Mid-Term Management Plan was formulated upon review of the second Mid-Term Management Plan in recognition of the issues identified.



## Review of the Second Mid-Term Management Plan

### Basic Strategies

- Achieve growth by continuing to strengthen earning capacity and taking on the challenge of entering new businesses and domains.
- We will shift to top-line growth by putting our full efforts into the Let's Eat Vegetables Campaign to stimulate demand for vegetables.

### Changes in quantitative figures

Revenue	184.5 billion yen in FY2018	→	189.6 billion yen in FY2021
Core operating income	12.4 billion yen in FY2018	→	14.1 billion yen in FY2021
Core operating income margin	6.7% in FY2018	→	7.5% yen in FY2021

### Main Results

- **Improve profit earnings power**  
Enhanced the profit earnings power of the entire Group as the cost of goods and logistics costs are expected to rise over the medium to long term. In particular, we adopted a profit generating structure by reforming our earnings structure, including optimizing production volume and reducing fixed costs for the agriculture business and international business, which were issues. [pp.42-47](#)
- **Work style reforms**  
Total working hours have been reduced from 1,929 hours in FY2018 to 1,867 hours in FY2021 as a result of enhanced operational efficiency and system expansion.
- **Develop an infrastructure geared towards new growth**  
As the speed of change further accelerates due to COVID-19, we increased the speed of conducting work and developed an infrastructure that enables quick and nimble responses. We developed infrastructure, including promotion of DX, implementation of ROIC management, and enhanced initiatives on environmental issues, and sowed the seeds for new growth through collaboration with agriculture companies and other businesses.

### Remaining Issues

#### Sustainable top line growth

- Create more prominent presence in the vegetable domain utilizing our strengths
- Discover new pillars of profit
- Upgrade to a business model that creates innovation
- Switch from easy to work to enhancing the quality of work style

### Changes in the market environment that requires response

- Increasing world population/ Declining population in Japan
- Labor shortages in Japan
- Intensifying global environmental issues
- Changes in markets related to food & health after COVID-19
- Rising cost of food, water, and natural resources
- Advancement of digital technology
- Changes in labor environment

### Opportunities and risks in the Third Mid-Term Management Plan

- (●: opportunities ▲: risks)
- Globally heightened awareness of health and immunity (●)
  - Diversification of consumer contact points and expanded e-commerce channels due to digitalization (●)
  - Response to the intensifying labor shortage in agriculture and food industries (●▲)
  - Establishing sustainable agriculture by utilizing technology (●)
  - Creating opportunities and prepare for risks through addressing environmental themes (●▲)
  - Response to increasing supply chain issues (▲)

## Focus points and positioning in the Third Mid-Term Management Plan

Final 4 years to achieve the 2025 Targets

- point 1  
Resource allocation with a focus on medium- to long-term growth
- point 2  
Further initiative to promote vegetable consumption and delivery of results
- point 3  
Establishing a corporate culture that promotes challenges and cultivate human resources that support growth
- point 4  
Initiatives on sustainability with a long-term perspective
- point 5  
Further acceleration of DX

## What Kagome strives for by 2025 Achieving the Vision

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



KGI

Achieve average sales growth of at least 2% and topline growth each year in the four-year period, and ensure a core operating income margin of at least 7% in 2025.

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



KGI

Achieving the quantitative targets of 2025 [pp.29](#)



KPI

We are working to increase contact points with consumers and diversify our products, expand business domains that can drive vegetable consumption, and cultivate these as a pillar of growth.

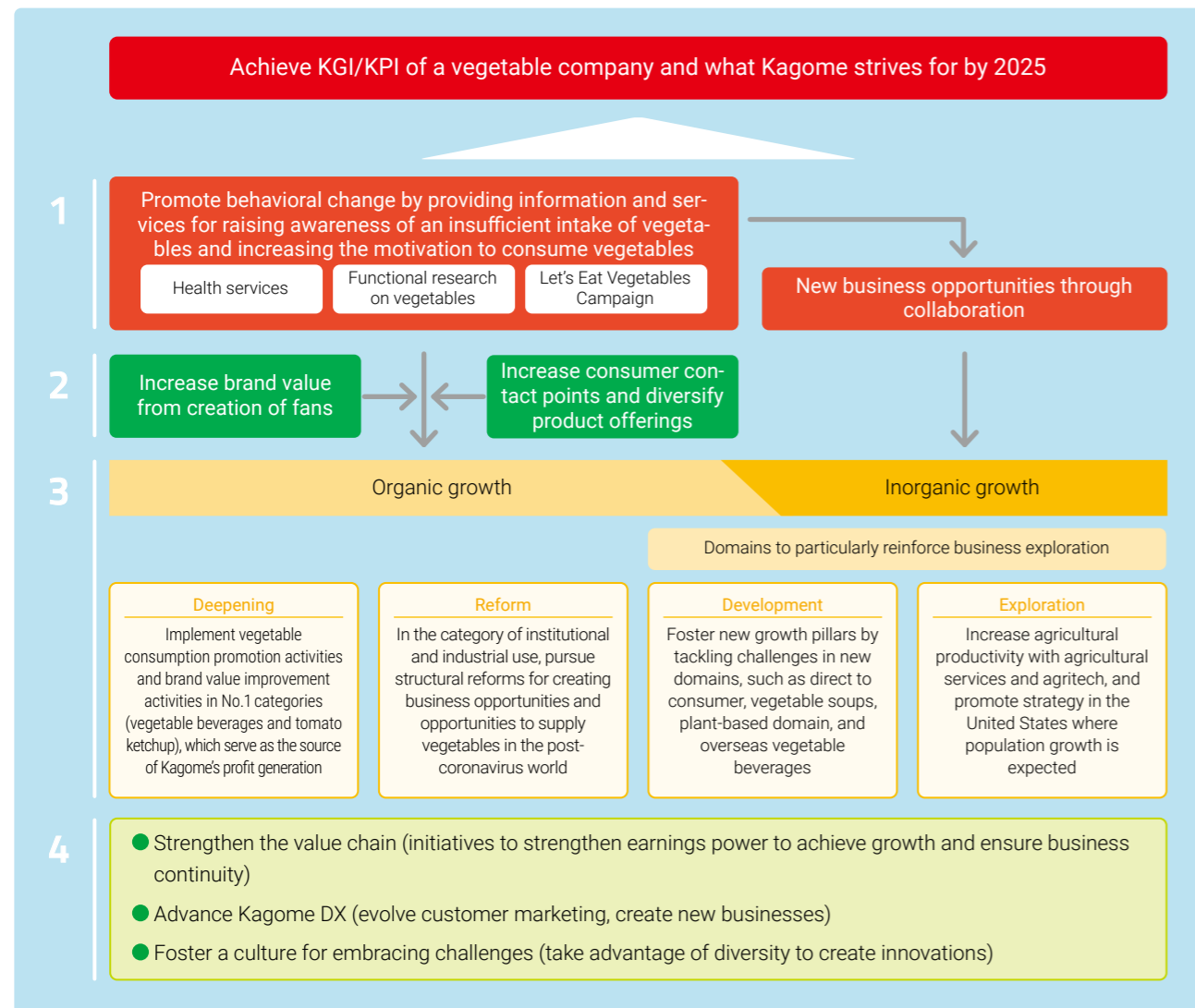
Focus areas that contribute to vegetable consumption (figures are in comparison to FY2021)

- Growth of the core beverages business: revenue +7.0 billion yen
- Expand side dishes and processing business: revenue +2.0 billion yen
- Expand vegetable soups business: revenue +3.5 billion yen
- Expand into plant-based domain: revenue +1.0 billion yen

We have positioned the four years from 2022 to 2025 as our third Mid-Term Management Plan aimed at achieving what Kagome strives for by 2025 and our vision. The basic strategy is to "achieve sustainable growth by taking four actions that are organically connected."

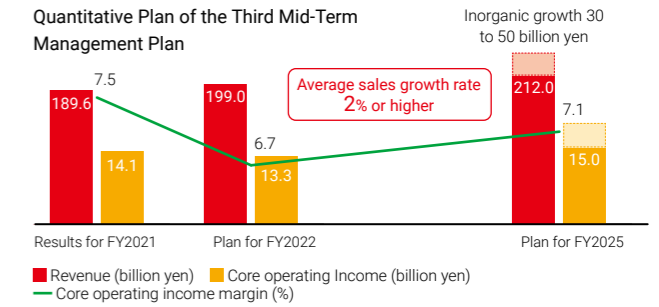


Diagram of Growth Strategies in Third Mid-Term Management Plan



## Quantitative Plan

In the third Mid-Term Management Plan, we will implement four actions based on the basic strategies. The quantitative plan covers organic growth. Inorganic growth has not been included in the quantitative plan at present, but we expect this will account for an increase in revenue of between 30 and 50 billion yen. See pp.30-33 for details about each of the four actions.



### Revenue plan

The plan calls for revenue of 212.0 billion yen in FY2025, up 22.3 billion yen compared to FY2021, which will be achieved through organic growth during the third Mid-Term Management Plan. Also, we will grow revenue every year by aiming for an average sales growth rate of 2% per year during the plan's four-year period. The main growth drivers will be growth of the core beverage business (up 7.0 billion yen compared to FY2021), expansion of the side dishes and processing business (up 2.0 billion yen compared to FY2021), expansion of the vegetable soups business (up 3.5 billion yen compared to FY2021), and growth into the plant-based domain (up 1.0 billion yen compared to FY2021).

### Core operating income plan

The plan calls for core operating income of 15.0 billion yen in FY2025 and an operating income margin of 7.1%, which will be achieved through organic growth during the third Mid-Term Management Plan. We will actively invest in DX and growth areas to sustain our growth while maintaining our profit structure despite a situation of rising costs over the mid-term, including raw ingredients and logistics.

### Quantitative plan by segment

The quantitative plan for each segment is presented below. The Domestic Processed Food Business will play a central role in organic growth. The Domestic Agri-Business will pursue additional reforms to transform into a business structure unaffected by market conditions. The International Business will continue to be a stable source of earnings in its existing domains. See pp.42-47 for the strategies of each segment.

From FY2022, we have made changes to segment management structures so that they are more in line with the actual situation. Specifically, some of the head office expenses of Kagome included in the Domestic Processed Food Business have been changed as follows. Furthermore, figures in FY2021 results affected by this change in segment management structure are presented as "restated."

- Change 1: Costs required for the Group's head office functions are managed independently as common consolidated costs.
- Change 2: Costs directly involving other businesses, such as the International Business, are managed as costs of each particular business.

		Results for FY2021			FY2022		Plan for FY2025	
		Results	Restated	Profit margin	Plan	Compared to FY2021	Plan	Compared to FY2021
Domestic Processed Food Business <a href="#">pp.42-43</a>	Revenue	136.7	136.7	/	142.0	+5.2	153.0	+16.2
	Core operating income	11.2	13.1	9.6%	12.2	8.6% (0.9)	13.1	8.6% 0
Domestic Agri-Business <a href="#">pp.44-45</a>	Revenue	9.5	9.5	/	10.0	+0.4	11.2	+1.6
	Core operating income	0.2	0.2	2.1%	0.3	3.0% +0.1	0.7	6.3% +0.4
International Business <a href="#">pp.46-47</a>	Revenue	51.6	50.7	/	53.8	+3.0	52.6	+1.8
	Core operating income	2.5	2.3	4.5%	2.4	4.5% 0	2.8	5.3% +0.4
Other/Adjustments	Revenue	(8.2)	(7.3)	/	(6.8)	+0.5	(4.8)	+2.5
	Core operating income	0	(1.6)	-	(1.7)	- 0	(1.6)	- 0
Total	Revenue	189.6	189.6	/	199.0	+9.3	212.0	+22.3
	Core operating income	14.1	14.1	7.5%	13.3	6.7% (0.8)	15.0	7.1% +0.8



Key Actions  
**1**

Promote behavioral change in terms of vegetable intake

- The starting point of our growth strategies will be efforts toward raising consumers' awareness of an insufficient intake of vegetables and increasing their motivation to consume vegetables by providing information and health service.
- The Let's Eat Vegetables Campaign, which kicked off in January 2020, serves as the core activity. It promotes awareness of insufficient intake of vegetables, the benefits of consuming vegetables, functions of vegetables, and ways to enjoy vegetables using a fun approach to encourage voluntary behavioral change in vegetable consumption.

point 1

➤ Raise awareness of insufficient vegetable consumption and improve desire to consume vegetables through health services

Promote behavioral change in terms of vegetable intake using Veggie Check®, which measures vegetable intake in tens of seconds, and health seminars

The planning, operation, information dissemination, and promotional activities on services that encourage behavioral change are led by the health services business, which supports vegetable consumption. The third Mid-Term Management Plan aims to create new businesses that promote the spread of Veggie Check®, which measures vegetable consumption within tens of seconds, further expansion of service business, and increased interest in vegetable consumption utilizing digital technology.



point 2

➤ Promote functional research on vegetables

Convey information on the power of vegetables to society based on scientific evidence to promote behavioral changes in terms of vegetable intake

Kagome supports consumers' everyday health through research, development and provision of products that harness the value found in nature's bounty, such as vegetables. To date, we have engaged in functionality research mainly for green and yellow vegetables, registering functional foods, and disseminating health-related information. In the third Mid-Term Management Plan, emphasis is placed on information dissemination on the relationship between vegetable consumption and health improvement, establishment of a system unique to Kagome to promote behavioral change in terms of vegetable consumption, acquisition of new functional claims, as well as information dissemination on evidence of functionality and taste.



point 3

➤ Let's Eat Vegetables Campaign as a core platform for information dissemination

Initiatives under the Let's Eat Vegetables Campaign

We made a broad declaration on our intent to tackle insufficient vegetable consumption in Japan by launching the Let's Eat Vegetables Campaign in January 2020, aimed at achieving the goal of a vegetable consumption of 350 g per day. We are sharing information through multiple media platforms, in-store, and through collaboration with local municipalities on the awareness of insufficient vegetable intake, why vegetables are essential, and easy and delicious ways to eat vegetables.



Vegetable Intake Promotion Project which disseminates information in cooperation with 19 companies

In March 2020, the Vegetable Intake Promotion Project was launched as part of the Let's Eat Vegetables Campaign among 19 businesses and organizations that share the same vision as the campaign's mission. Through cooperating with other industries that have access to stakeholders that Kagome alone cannot approach, and conducting various collaboration, we have increased the momentum of Let's Eat Vegetables Campaign. In 2021, we conducted 21 joint projects and implemented programs to convey the appeal of vegetables and promote habitual vegetable consumption. Our information dissemination has reached approximately 3.4 million people through this project.

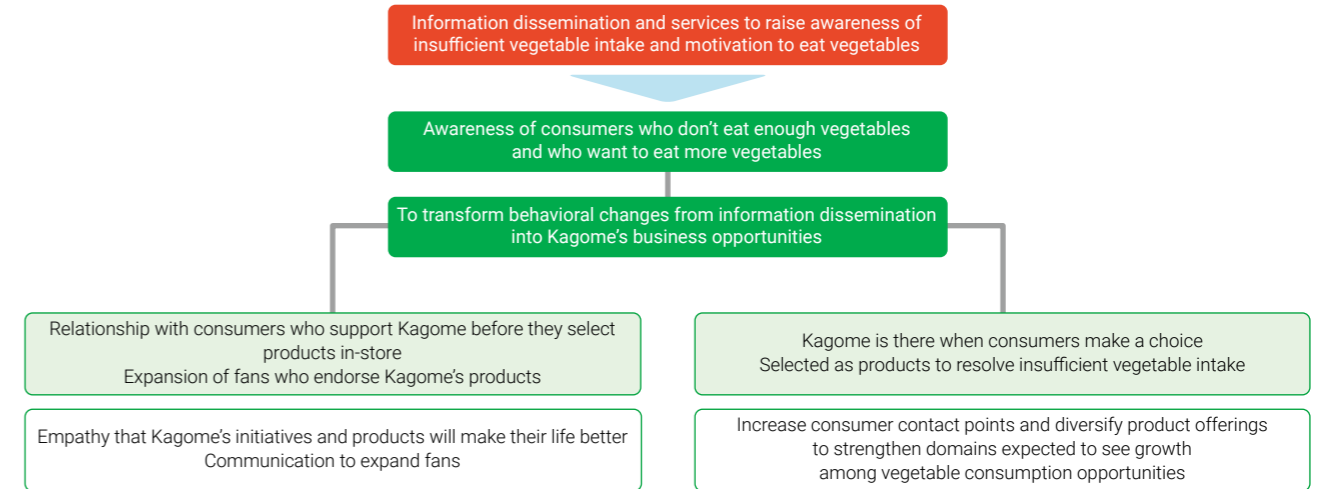


Cooking class held by ABC Cooking Studio, Kagome, and Disney Healthy-Tainment, with a special menu that allows you to consume vegetables in a tasty and fun way.

Key Actions  
**2**

Change to Fan-Based Marketing

- We will work on the two actions of "Increase brand value from creation of fans" and "Increase consumer contact points and diversify product offerings" in order to make behavioral changes toward vegetable consumption a business opportunity and growth driver.



point 1

➤ Increase brand value from creation of fans

Stock-type communication that increases fans who sympathize with Kagome's social contributions and values through Kagome's broad business activities

Transitioning away from conventional "flow-type communication" aimed at recognition of products, we will further strengthen our relationships with customers by enhancing "stock-type communication" in which consumers sympathize with values through Kagome's business activities to increase highly loyal fans. We will carry out integrated communication that conveys information that expands the value and role of vegetables for consumers and society through products and experiences, according to the contact points of consumers and vegetables. In particular, the Kagome Yasai Seikatsu Farm will be further developed as an important point of communication.



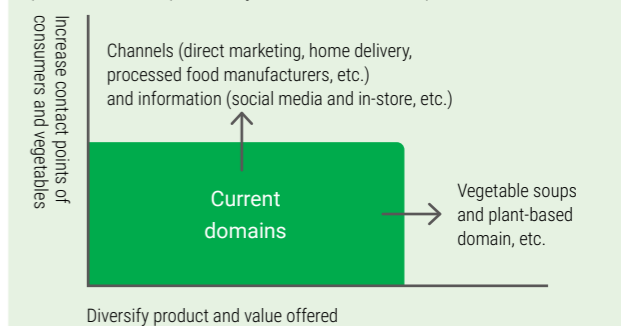
Yasai Seikatsu Farm

point 2

➤ Increase consumer contact points and diversify product offerings

Acquire opportunities for vegetable consumption by both increasing opportunities for consumers to eat vegetables anytime, anywhere, and providing a variety of products and menus that make vegetables more delicious and enjoyable

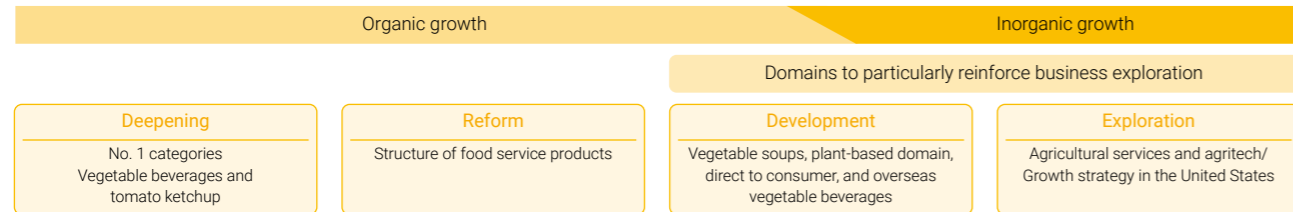
The COVID-19 pandemic has changed consumer behaviors substantially. From the perspective that a channel is where consumers obtain products, the number of people purchasing food at online and from home delivery services is increasing, which requires us to strengthen our response in these areas. One issue is the creation of contact points with vegetables through side dishes at mass retailers and convenience stores, as well as through processed food manufacturers. In addition to beverages and condiments, we will expand the way consumers eat vegetables by diversifying with the expansion of vegetable soups and the plant-based domain. Based on this strategy, we will invest resources with a better balance between product development system and sales capabilities.



Key Actions  
**3**

Pursue Both Organic and Inorganic Growth

- We will utilize internal resources and external collaboration to achieve organic growth by growing products and services already in the portfolio. However, organic growth alone will mean we fall short of our growth needs. During the third Mid-Term Management Plan, we will also pursue inorganic growth by obtaining new resources through M&A.



point 1

- **Deepening:** Core businesses that will be the source of profit creation. Increase market appeal using the right investments.

Vegetable beverages and tomato ketchup are the core businesses that greatly incorporate the behavior change of vegetable intake and the opportunities for consumers to consume vegetables spread through fan-based marketing. To increase the appeal of the market as the company with number one market share, we will make appropriate investments in new value information, container development, environmental response to enhance the attractiveness of the market.



point 2

- **Reform:** Structurally reform food service use category by procuring ingredients and strengthening product development with Kagome's unique strengths

The spread of the COVID-19 pandemic caused a great deal of volatility in food service sales. We reviewed our business strategy, and in the third Mid-Term Management Plan, we will reduce the ratio of commodity products and increase the ratio of products that make use of our unique ingredient procurement capabilities and product development capabilities. In particular, we will reform our sales structure by focusing on providing solutions that meet the requirements of processed food manufacturers and major chains.



point 3

- **Development:** Develop businesses that will become a new pillar of sales growth

- ① Vegetable soups: We will expand the soup business using the flavor of ingredients as a food that can help increase vegetable consumption.
- ② Plant-based domain: We will form markets through collaboration with other companies and utilize our proprietary plant-based ingredients and processing techniques.
- ③ Direct to consumer: We will expand customer contact points by rolling out a new direct to consumer business that goes beyond the current direct marketing business.
- ④ Overseas vegetable beverages: We will aim to expand vegetable beverages overseas recognizing that the domestic market will shrink in the future.



point 4

- **Exploration:** Carry out exploration by defining domains based on new growth opportunities

In November 2021, we established the New Project Planning Department and The US Growth Strategy Department as organizations reporting directly to top management in order to actively explore and enhance the viability of our growth strategy. We will invest resources by designating the United States, which is expected to see population growth in the future, as well as agricultural services and agritech that improve agricultural production efficiency as exploration domains.



Key Actions  
**4**

Strengthen the Group's management foundation and foster a culture for tackling challenges

point 1

- **Strengthen the value chain**

Initiatives to strengthen earnings power to support growth and enhance business continuity

An environment expected to see greater competition for resources worldwide along with rising personnel expenses and logistics costs requires efforts to further strengthen earnings power and enhance business continuity in order to address long-term risks and make investments in sustainable growth. We will also address each and every issue in our value chain, the foundation of management.



Reducing workload of farmers with mechanized harvesting of domestic tomatoes



point 2

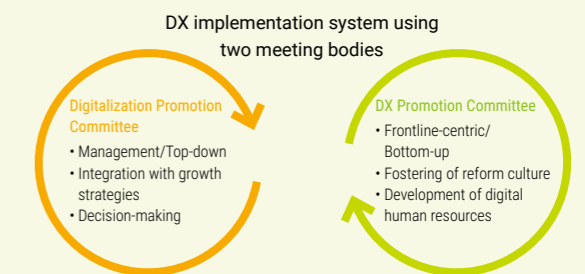
- **Promote digital transformation (DX)**

Accelerate DX, which is indispensable to the execution of management strategies, to support sustainable growth

In the second Mid-Term Management Plan, we made quick progress with upgrading our core IT system and rolling out work style reforms with digitalization (development of remote work infrastructure, migration to the cloud, digitization of seals/signatures). We began establishing a foundation for DX from FY2019 and since then our activities have focused on creating all new businesses using all new approaches.

Four initiatives in the third Mid-Term Management Plan

- ① Reform of existing business models
- ② Create new business
- ③ Increase productivity in an innovative manner
- ④ Foster DX culture and create mechanisms for promoting DX



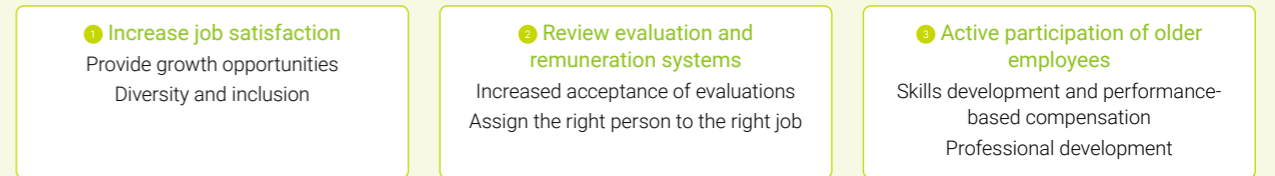
point 3

- **Foster a culture that embraces challenges**

Working to link diversity with innovation and increase engagement

The execution of our management strategies requires that our diverse workforce are motivated to engage in their work independently. In particular, fostering a culture that embraces new challenges using novel approaches is vital to achieving top-line growth. We will work to create a workplace environment where each and every employee feels job satisfaction and continues to tackle challenges while learning from past failures. [pp.52-55](#)

Important themes



## Kagome's approach to sustainability



For the Kagome Group, sustainability embodies its business activities aimed at becoming a “strong company” capable of sustainable growth, using food as a means of resolving social issues.” We aim to achieve sustainable growth of the Group and society through our efforts to address the three social issues of promote longer, healthier lives, agricultural development and regional revitalization, and sustainable global environment.

At the time of its founding, Kagome established a system not only for contracted cultivation and stable procurement of tomatoes, but also for coexistence with vegetable farmers. Since then, Kagome has worked cooperatively and through mutual support with diverse partners in bringing products to consumers, which harness nature's bounty. To become a strong company capable of sustainable growth, using food as

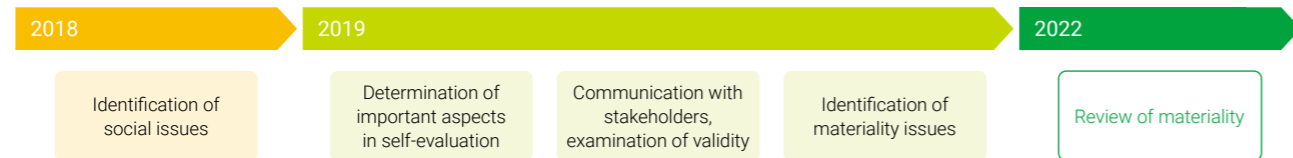
a means of resolving social issues, as what Kagome strives for by 2025, we intend to grow continuously and remain as one with society and nature through resolving social issues in our business activities. As we head into the third Mid-Term Management Plan, we are reaffirming this belief as Kagome's approach to sustainability, as we strive to address diverse issues, including materiality, for our sustainable growth.

## Review of materiality

Kagome identified materiality and reflected these items in the second Mid-Term Management Plan in 2019, but as the operating environment constantly evolves, it is necessary to make changes as appropriate. When developing the third Mid-Term Management Plan, we reviewed materiality based on thorough consideration of international targets, including SDGs, and changes in the business environment, including intensifying climate change. During the review, based on deliberation at Management Meetings and Board of Directors' meetings as well as evaluation by external stakeholders, we narrowed materiality from 17 into seven items. We used simplified wording so that our

materiality is more clear for our stakeholders to easily understand Kagome's activities. In addition, we clarified their connection to the core issues in the third Mid-Term Management Plan in order to penetrate materiality within the company. Going forward, we will continue to tackle social issues and improve the medium- to long-term value of the company with executive officers and employees working as one in addressing our materiality. In addition, the Management Meeting and Board of Directors will take the lead in deliberations based on changes in the management environment and opinions and expectations of stakeholders to continuously revise Kagome's materiality.

### Process of identifying materiality



### Revised materiality



## Seven materiality items and main initiatives

Materiality	What we strive for (KPIs, etc.)	Major initiatives	Relevant SDGs	Related pages
Longer, healthier lives	We will promote vegetable consumption through various products and information and contribute to a healthy dietary habit and lifestyle of consumers.	Develop value and disseminate information that links to behavioral change towards a diet with vegetable consumption Develop and spread products that contribute to vegetable consumption Expand health expectations domain we can be of help with	  	TOP MESSAGE: <a href="#">pp.6-11</a> Domestic Processed Food Business: <a href="#">pp.42-43</a>
Agricultural development and regional revitalization	We aim to establish sustainable agriculture through agriculture business, developing plant varieties and technological development.	Promote local agricultural business through development of vegetable growing regions and processing Develop technologies and services that improve agricultural productivity and sustainability Disseminate the appeal of domestic agricultural products through our business activities		Domestic Processed Food Business: <a href="#">pp.42-43</a> Domestic Agri-Business: <a href="#">pp.44-45</a>
Sustainable global environment	We will reduce environmental impact in our business activities from stages of procurement to products. We will achieve carbon neutrality by year 2050.	Initiatives for achieving carbon neutrality by 2050 Initiatives to reduce food loss and waste Conserve water and biodiversity Procure low environmental impact raw ingredients and material and develop similar products	     	Environment: <a href="#">pp.48-51</a>
Product safety and security	Achieve Quality First, Profit Second* *Kagome's philosophy of equally valuing the provision of safe and secure quality products to consumers and the creation of profits.	Improve quality and communicate with customers to promote trust in the brand		Quality: <a href="#">pp.56-57</a>
Develop a sustainable supply chain	We will establish a stable procurement base and logistics system adaptive to changes in the environment.	Procure materials in an environmentally and socially responsible and sustainable manner Establish a logistics system capable of consistent product delivery to customers	 	Supply Chain: <a href="#">pp.58-59</a>
Respect diversity and expand human capital	We will link diversity to innovative creation and sustainable growth.	Establish an environment conducive to innovation through promoting diversity and inclusion Promote health and productivity management	  	Human resources: <a href="#">pp.52-55</a>
Strengthen corporate governance	We will establish corporate governance that adapts to the times with our own commitment through strengthening of "autonomy" complemented by "heteronomy."	Strengthen corporate governance Ensure appropriate information disclosure and assurance of transparency Formulate an intellectual property strategy and risk management		Corporate Governance: <a href="#">pp.62-67</a>

# CFO/CRO MESSAGE

## I will address all risks in an appropriate manner in my capacity as CFO/CRO

The risks facing corporations evolve on a daily basis. For a business's wholesome growth, it is important to have a structure or system that deals with such risks in an appropriate manner. As CFO/CRO, I am committed to finance and accounting governance and establishing a risk management system for our stakeholders to support our company with peace of mind.



### Takeshi Saeki

Executive Officer  
CFO, CRO, and  
Enterprise Risk  
Management  
Committee Executive  
Director

## Establishing a finance and accounting platform underpinning the growth of Kagome's businesses

### As CFO

Growing sales is essential to a corporation's medium- to long-term growth. Kagome's third Mid-Term Management Plan focuses on such growth. Specifically, we have set out goals to grow existing businesses organically, as well as to grow inorganically, such as through M&A.

In FY2021, we acquired treasury stock to fund this inorganic growth. We will effectively utilize these funds as a means of investment in our growth.

However, we do not expect a major improvement in operating income margin during the third Mid-Term Management Plan. This is because we will proactively make necessary investment and spend where necessary to ensure sales growth.

It is my responsibility as CFO to achieve sales growth together with each department. To ensure this, it is crucial to establish a solid financial platform and appropriate finance and accounting governance.

First, let's review Kagome's financial platform. After experiencing the COVID-19 pandemic, we have reaffirmed the importance of a sound financial platform. We will pursue a financial platform that ensures stable business operations even under unforeseen situations. I believe this forms the basis of Kagome's financial structure. We require a large amount of funds for the company's inorganic growth, but we do not intend to make drastic changes to our current financial structure.

Next, let's look at appropriate finance and accounting governance. This is the cornerstone of Kagome's business, along with quality. Simply put, finance and accounting governance is the creation and implementation of a system or rules for appropriate accounting operations to be carried out at all times. In addition, the system or mechanism should be able to promptly recognize mistakes in such operations and make appropriate corrections in the event of any damages due to errors. In this sense, Corporate Openness, which forms part of our corporate philosophy, carries an important meaning. A corporate culture that communicates both positive and negative news to stakeholders in a timely and easy-to-understand manner forms a strong foundation that supports our finance and accounting governance.

### As CRO

The same things as those above can be said from the perspective of risk management. This refers to the two ideas of creating a system or mechanism to prevent risks from materializing and to address such risks in the unlikely event of their occurrence. Not all risks to a company are directly linked to financial data, but this belief has a lot in common. I will emphasize a strong financial structure that forms the basis of advancing the business, promote finance and accounting governance, and ensure establishment of a risk management system.

## Analysis of operating results for FY2021 (P/L)

### Revenue

**189,652 million yen**  
(+6,610 million yen YoY)

For the Domestic Processed Food Business, health awareness and eat-at-home demand have continued to rise, while food service demand is recovering. Under this environment, the combined effects of spurring demand through the Let's Eat Vegetables Campaign resulted in increased revenue. For the International Business, demand for dining out has recovered as a result of COVID-19 infection control policies, with revenue increasing mainly in the United States.

### Core operating income

**14,138 million yen**  
(+538 million yen YoY)

Even though the Domestic Business saw operating income decrease due to increased advertising expenses and sales promotion costs, the International Business recorded increased operating income due to the aforementioned increase in sales mainly in the United States and due to the recoil from impairment losses related to investment in equity-method affiliates in the previous fiscal year.

### Operating income

**14,010 million yen**  
(+3,328 million yen YoY)

Operating income increased due to the recoil from impairment losses in fixed assets of a subsidiary in Portugal in the previous fiscal year.

### Net income attributable to shareholders of parent

**9,763 million yen**  
(+2,337 million yen YoY)

Net income attributable to shareholders of parent increased due to the recoil from decreased non-controlling interests as a result of the aforementioned impairment losses in the previous fiscal year.

	Results (FY2021)		YoY	
		Ratio (%)		Rate of change
Revenue	189.6	—	+6.6	+3.6%
Core operating income	14.1	7.5%	+0.5	+4.0%
Operating income	14.0	7.4%	+3.3	+31.2%
Net income attributable to shareholders of parent	9.7	5.1%	+2.3	+31.5%

## Financial analysis for FY2021

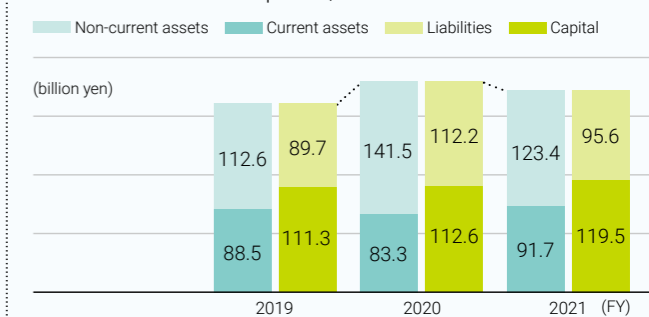
As of December 31, 2021, total assets decreased by around 9,704 million yen compared to December 31, 2020.

Current assets decreased by 18,081 million yen due to repayment of short-term borrowings in preparation for the tight capital procurement environment due to the COVID-19 pandemic, payments of dividends and income taxes in the previous fiscal year.

Non-current assets increased by 8,377 million yen as a result of increased property, plant and equipment due to updates in manufacturing equipment, etc.

Liabilities decreased by 16,595 million yen as a result of impacts such as repayment of the abovementioned borrowings.

Capital increased by 6,890 million yen despite the impact of the acquisition of treasury stock and decrease from dividends of surplus since there was an increase in net income attributable to shareholders of parent, etc.



	2019	2020	2021 (FY)
Total assets	201.1 billion yen	224.9 billion yen	215.2 billion yen
Equity attributable to shareholders of the parent to total assets	53.9%	49.3%	54.6%

## FY2021 cash flow analysis

As of December 31, 2021, cash and cash equivalents decreased by 25,537 million yen compared to December 31, 2020.

Net cash provided by operating activities was 14,796 million yen. This was mainly attributed to 13,880 million yen in profit before income taxes and 7,495 million yen in depreciation and amortization.

Net cash used in investing activities was 14,162 million yen. This was mainly attributable to outflows of 14,823 million yen for the acquisition of property, plant and equipment as well as intangible assets.

Net cash used in financing activities was 27,652 million yen. This mainly reflects 23,145 million yen to reduce short-term borrowings and 3,219 million yen used for the payment of dividends.

## Financial strategy in the Third Mid-Term Management Plan

### Basic Policy of the Financial Strategy

It is the Group's basic policy to balance both growth investment and return of profits in our financial strategy based on a stable financial structure.

#### (a) Stability of the financial platform

Minimum shareholders' equity ratio\* of 50%\*  
Maintain Single A credit ratings

Maintaining stability of the financial platform forms the premise of sustainable growth and the ability to withstand drastic changes. The funds required for inorganic growth, including M&A, under the third Medium-Term Management Plan, are assumed to come from profits earned from organic growth and borrowing within the range of maintaining a shareholders' equity ratio of 50%. We will maintain a credit rating of single A and a minimum shareholders' equity ratio of 50% in ensuring financial stability while achieving growth through business expansion.

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



#### (b) Growth with an emphasis on capital efficiency

ROE 9% or higher

The third Mid-Term Management Plan strives to achieve growth with an emphasis on capital efficiency. ROE is used as the KPI, an indicator that measures whether capital is being utilized efficiently. The third Mid-Term Management Plan sets a target for ROE to be 9% or higher. We aim to enhance capital efficiency while promoting agile capital policies in response to changes in the business environment.

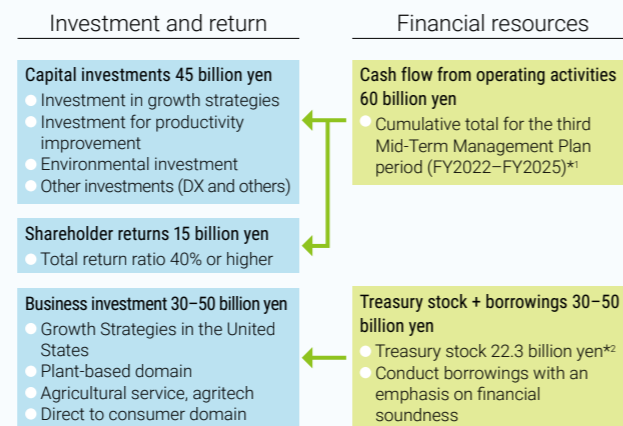
#### (c) Stable return of profits

Total return ratio 40% or higher  
Stable and continuous shareholder returns, acquisition of treasury stock

During the third Mid-Term Management Plan, we plan to provide stable and continuous shareholder returns so that the total return ratio reaches 40% or higher, including dividends and share buybacks. In addition, during the third Mid-Term Management Plan, we aim to pay a stable dividend of at least 38 yen per share.

### Capital procurement and capital demand, cash flow plan

In the third Mid-Term Management Plan, we plan to spend around 45 billion yen towards strategy for organic growth of businesses, DX and environmental investment. Moreover, we are considering business investment of 30 to 50 billion yen for inorganic growth, including M&A, through borrowings within the capacity of maintaining a shareholders' equity ratio of 50% and utilizing treasury stock. As we have acquired a single A credit rating, we also consider external capital procurement feasible.



\*1 Only the portion of organic growth

\*2 Balance sheet price in the event of acquiring 10 billion yen in treasury stock as resolved at the Board of Directors' meeting on October 29, 2021.

### Initiatives for improving capital efficiency

While we had kept track of targets by setting KPI for profit, in order to assess not only profit but also the appropriateness and efficiency of capital invested to reach such goals, Kagome has implemented ROIC\* based management since FY2021.

The aim of this is to break down balance sheet items into elements and shed light on areas that need improvement. Moreover, Kagome's ROIC measures the efficiency of capital invested on the EBITDA acquired. Our main initiatives in FY2021 focused on negotiations to shorten the account receivables collection period, reducing product inventory by improving the accuracy of shipping plans,

#### (ROIC Tree implementation)

At Kagome, the ROIC tree is used as a control driver to enhance capital efficiency. By implementing the ROIC tree, the balance sheet indicators that are broken down from ROIC can be incorporated into the KPIs of each department, and action plans based on this can be set by each company/organization, while the PDCA cycle can be self-driven to improve indicators. We will make improvements where each department is aware of efficiency and implement initiatives including creating an optimal production structure.

	Results for FY2020	Results for FY2021	FY2022 Targets
ROIC (%)	13.5%	13.1%	12.6%
EBITDA Margin (%)	11.2%	11.4%	10.7%
EBITDA (million yen)	20,494	21,633	21,200
Revenue (million yen)	183,041	189,652	199,000
Turnover of invested capital (days)	303	317	309

and controlling raw ingredient inventory according to the sales status.

In order to visualize whether our business management maintains good capital efficiency, we have planned to continuously monitor whether initiatives are linked to improvements in the third Mid-Term Management Plan period. In the future, we will conduct comparison of capital cost and ROIC by business to verify the efficiency of each business in aiming to improve our corporate value through earning profits efficiently.

\* Kagome ROIC: EBITDA ÷ Invested capital

#### 2021 Results and Main Points of 2022 Targets and KPIs

2021 Results	<ul style="list-style-type: none"> <li>EBITDA margin (improving)</li> <li>Increased EBITDA above the impact of increased sales</li> </ul>
2022 Goals	<ul style="list-style-type: none"> <li>Turnover of invested capital (deteriorating)</li> <li>Increased inventories due to strategic accumulation in preparation for soaring raw ingredient costs</li> <li>Increased fixed assets through renovated Fujimi Plant, etc.</li> <li>EBITDA margin (deteriorating)</li> <li>Increased cost of goods as a result of soaring costs of raw ingredients and increase sales promotion costs for sales growth, etc.</li> <li>Turnover of invested capital (improving)</li> <li>Shortened account receivables turnover, etc.</li> </ul>
<b>Main KPIs:</b> Trade receivables turnover (Sales Division), raw ingredients inventory (Purchasing Department), in-house processed material inventory (Production Department), product inventory days (SCM Division), inventory days at overseas subsidiaries (International Business Division)	

### Structure to ensure efficient investment

Investments in equipment and businesses are determined by the Investment Committee, which consists of members selected from specialized internal departments, after reviewing the investment proposals of each department based on profitability and risk assessment. The same committee also monitors each investment to verify its effect. Proposals verified by the committee are submitted to the Board of Directors or the Management Meeting, where they are deliberated officially.

#### Investment criteria

Target	Indicator	Basic requirements
Business investment	Internal Rate of Return (IRR)*1	10% + α*2
Capital investments	Payback Period (PBP)*3	4 years

\*1 Internal Rate of Return: The discount rate where the amount obtained by subtracting the initial investment from the current value of free cash flow gained from a business plan becomes zero.

\*2 α denotes the respective country risk for each country or region.

\*3 Payback period: The period taken to recover the invested amount.

#### Investment monitoring system

- Covers 5-year period post-execution
- Reported annually to the Board of Directors/Management Meeting

## Policies for handling risk

Kagome, as a "vegetable company" that makes maximum use of nature's bounty and aims to contribute to helping customers live longer, healthy lives, has been promoting activities to reduce various risks centering on food safety. We are engaged in continuous risk management efforts in keeping with a company-wide approach to risk management (ERM: Enterprise Risk Management) to improve the efficiency of management decision-making with an eye on ESG.

### Risk management activities and structure

In terms of company-wide risk management, we are seeking to create an enhanced risk management structure and have established six specialized committees which handle issues that are viewed as being particularly important for a food products company. We have also established the Enterprise Risk Management Committee chaired by the President, as a body overseeing risk management. This committee is attended by the Senior Managing Executive Officer(s), standing Audit and Supervisory Committee member(s) and Managing Executive Officer & Chief Human Resource Officer, and also includes other Audit and Supervisory Committee members who are external directors in its membership, enabling the meeting to obtain objective assessments from an outside perspective. The Enterprise Risk Management Committee, which was newly established in 2021, is responsible for establishing a risk management system and maintaining the control environment, in addition to the roles of the old Joint Risk Management Meeting in place up to 2020. Moreover, the Internal Audit Department's subjective involvement in risk management was transferred over to the Enterprise Risk Management Committee, which has enabled the Internal Audit Department to provide independent and objective assurance on risk management covering the entire company.

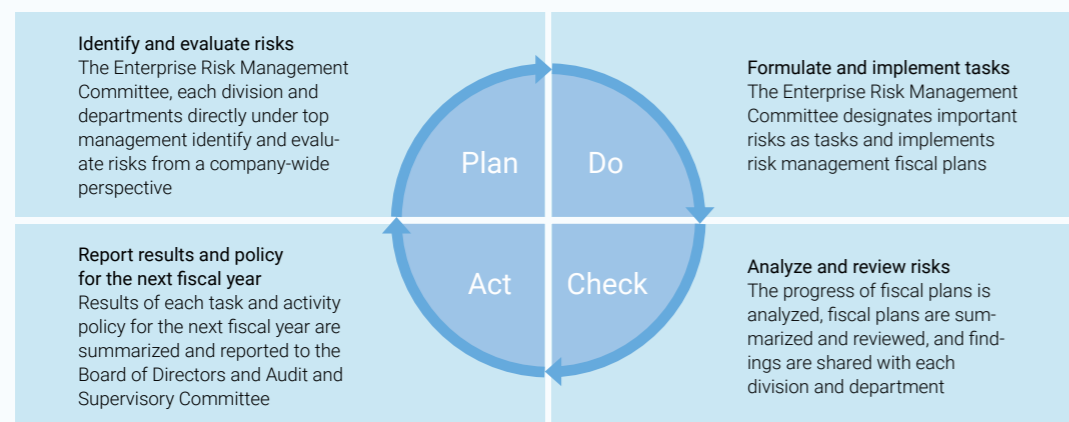
Furthermore, in order to establish a risk management system and clearly differentiate the roles of the Enterprise Risk Management Committee as the secondary front, and the

Internal Audit Department as the tertiary front, the position of Chief Risk Management Officer (CRO) was established as the person in charge of the committee.

#### Risk management structure



#### Risk management activity cycle



### Risks and countermeasures

Main risks that potentially have an impact on the Kagome Group's operating results, stock price, and financial condition, etc. are as follows.

For details, see Kagome's website

<https://www.kagome.co.jp/english/company/ir/management/risk/>

Category	Item	Risk scenario	Countermeasures
Management	Changes in operating environment	<ul style="list-style-type: none"> <li>Loss of competitiveness due to changes in domestic economy and consumption trends</li> <li>Failed business strategy due to investment with misunderstanding of future potential</li> </ul>	<ul style="list-style-type: none"> <li>Expansion of overseas businesses, development of new businesses and investments such as M&amp;A during the third Mid-Term Management Plan</li> <li>Review of unprofitable businesses</li> <li>Timely implementation of profitability evaluation on various business investment by the Investment Committee</li> </ul>
	Supply chain	<ul style="list-style-type: none"> <li>Poor crop yield, rising procurement prices and shortages of supply due to climate change</li> <li>Rapid fluctuations in foreign currency supply and demand, impacts on business performance when converted from foreign currencies</li> </ul>	<ul style="list-style-type: none"> <li>Dispersion of harvesting area and purchasing time</li> <li>Diversification of manufacturing partners, increased quantity of in-house production</li> <li>Establishment of the SMC Division which specializes in supply and demand adjustment</li> <li>Implementation of foreign exchange hedging transactions in accordance with the Company's policy</li> </ul>
	Impairment of owned assets, etc.	<ul style="list-style-type: none"> <li>Deterioration of profitability due to declining prices of owned assets, impact on financial condition</li> </ul>	<ul style="list-style-type: none"> <li>Establishment of investment criteria and regular monitoring by the Investment Committee</li> <li>Prevent delayed decisions on revisions to strategy through annual management deliberation</li> </ul>
Disasters and accidents	Safety	<ul style="list-style-type: none"> <li>Tarnished brand image, recall or damage compensation due to incidents such as contamination</li> </ul>	<ul style="list-style-type: none"> <li>Monthly meeting of the Quality Assurance Committee across divisions</li> <li>Create a system to prevent intentional mixing of contaminants and prove there is no abnormality</li> </ul>
	Natural disasters and infectious diseases	<ul style="list-style-type: none"> <li>Supply chain disruptions and stagnation in product supply due to disasters or infectious diseases</li> </ul>	<ul style="list-style-type: none"> <li>Monthly meeting of the Quality Assurance Committee across divisions</li> <li>Introduction of Food Defense and development of a mechanism</li> </ul>
	Information system	<ul style="list-style-type: none"> <li>Collapse or shutdown of information system, loss/leakage/falsification of information</li> </ul>	<ul style="list-style-type: none"> <li>Detection and monitoring of risks through the Information Security Committee</li> <li>Obligatory regular e-learning for employees</li> </ul>
Economy and society	Country risk	<ul style="list-style-type: none"> <li>Unable to procure or supply due to political or economic upheaval, wars, or terrorism</li> </ul>	<ul style="list-style-type: none"> <li>Regular political and economic risk evaluation and revision of business portfolio</li> <li>Diversification of suppliers</li> </ul>
	Stronger regulations	<ul style="list-style-type: none"> <li>Restrictions on business activities due to violation or changes to regulations, additional costs</li> </ul>	<ul style="list-style-type: none"> <li>Thorough recycling of waste, energy conservation, and CO<sub>2</sub> emissions reduction</li> <li>Compliance with environmental laws and regulations</li> </ul>
	Climate change	<ul style="list-style-type: none"> <li>Disruption of raw material procurement and damage to production areas due to climate change</li> </ul>	<ul style="list-style-type: none"> <li>Conducting scenario analysis based on TCFD recommendations</li> <li>Reviewing response to the 1.5 degree target of the SBT Initiative</li> </ul>

### Initiatives for the business continuity plan (BCP)

Kagome has formulated the First Action Guidelines after Occurrence of Large-scale Disasters and is conducting disaster drills and safety confirmation training at each business site. These guidelines indicate the roles and initiation of actions by management resource for the initiation of the BCP up to the establishment of the Disaster Countermeasures Center, which will be headed by the president as the HQ Director in the event of a major disaster.

For details, see Kagome's website

<https://www.kagome.co.jp/company/csr/management/riskmanagement.html>

#### ▶ Refining our management through engagement with the capital markets

Constructive engagement with investors and analysts helps us to determine what we should aim for and what we need to build upon. By incorporating the insight gained from engagement into our management, we will further refine our undertakings, which will lead to a "strong Kagome."



# Domestic Processed Food Business

The Domestic Processed Food Business offers a variety of vegetable beverages and food products using tomatoes, carrots, and a wide range of other vegetables. We deliver products that can be consumed by many generations, from children to the elderly, for use in various situations in everyday life to help people live longer, healthier lives through increased vegetable consumption.



## FY2021 in Review (Results and Issues)

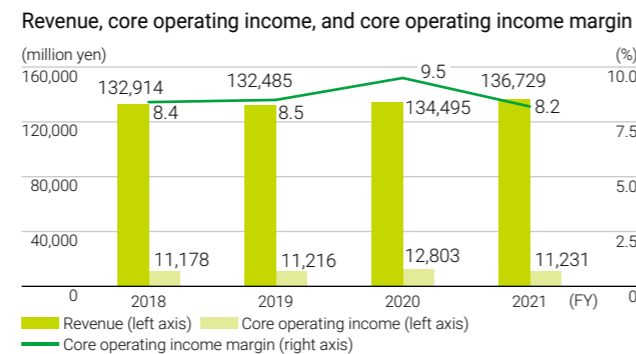
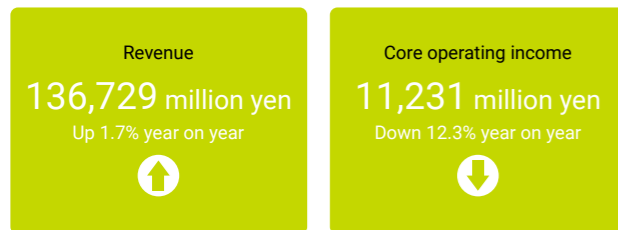
### > Results <

For vegetable beverages, we promoted the Let's Eat Vegetables Campaign aimed at increasing vegetable intake by 60g and actively advertised and conducted sales promotion activities. In addition, rising health consciousness due to the COVID-19 pandemic has led to increased opportunities for beverage consumption. For the direct marketing business, sales were strong for vegetable beverages such as Tsubuyori Yasai Vegetable Juice, supplements such as sulforaphane, and vegetable soups due to increased use of e-commerce channels. While revenue increased in all categories, including beverages, direct marketing, and food - other businesses, core operating income decreased due to spending on sales promotion and advertising aimed at increase in sales, along with soaring prices of raw ingredients and energy in the second half.

### > Issues <

The Domestic Processed Food Business is Kagome's core business as well as a source of profits. In particular, the business is structured such that both sales and profit are highly dependent on vegetable beverages. As global raw ingredient and logistics costs are expected to soar going forward, we will promote new initiatives that depart from the status quo both in terms of acquiring profits through sustainable growth of the top line and reforming our cost structure. Specifically, we strive to diversify factors that drive our sales and profits through continuously boosting value of existing domains and growing new domains, including plant-based milk, foods and supplements.

### Performance trends (FY2021)



## Key Areas of the Third Mid-Term Management Plan

### > Diversify contact points between consumers and vegetables with a focus on the Let's Eat Vegetables Campaign <

As a result of COVID-19, consumers' awareness and behaviors towards lifestyle and foods have drastically changed over the past two years. Given this, the Let's Eat Vegetables Campaign is positioned at the center of our activities for creating demand to further strengthen activities promoting vegetable consumption. In particular, we will expand on the provision formats for vegetables to increase consumers' contact points with vegetable, including developing packaging suited to each delivery channel and providing vegetables of various processing stages according to the preference of the food service industry. In addition to disseminating new information on the value of vegetable drinks, we will also strengthen the growing vegetable soups business to improve diverse methods of vegetable consumption. We will further enhance our adaptability to consumers' dining scenarios beyond the boundaries of consumer and food-service use.



## Domestic Processed Food Business strengths and weaknesses based on value chain analysis

### Strengths

- Kagome's brand power cultivated over its 120-year history
- Raw ingredients procurement and quality assurance from the field
- Functional research and product development capability utilizing the power of raw ingredients
- Sales capability to provide solutions through a wide range of product categories and sales channels

### Weaknesses

- Flexible value chain adaptability to environmental changes
- Resource diversification, including sales capability, in order to maintain offerings of wide range of categories
- Competitiveness in commodity markets
- Ability to reach young people

### Incorporating growth opportunities

—Towards sustainable growth—

- Provision of new products in response to rising awareness towards health and vegetable consumption among consumers
- Strategic investment of resources following the accelerated change in consumers' purchasing behavior and logistics as a result of COVID-19
- Response to changes in consumers' brand choices
- Expansion of new information exchanges and purchase contact points with consumers due to digitalization

### Response to risk

—Reducing capital costs—

- Diversification of countries/areas to avoid unstable raw ingredient procurement due to foreign exchange rates and market prices
- Provision of value-added products in response to increased pressure for lower prices
- Continuous creation of new value in response to relative value decrease in existing domains

## Towards medium- to long-term value creation

Amid growing awareness towards health management and the environment, consumer interest in plant-based milk and foods is also rising. Kagome has taken the initiative to develop plant-based food products ahead of others. In order to achieve delicious flavor in the plant-based domain, we are utilizing our know-how in manufacturing that emphasizes maximizing natural flavor without additives, which Kagome has been striving for. In addition, the use for Kagome's various raw ingredients such as vegetable fiber, vegetable stock, and vegetable extract are growing as materials that support the delicious flavor of plant-based foods. In March 2022, we released Hatakeumareno Yasashii Milk, a new product developed with a technology that brings out the value of food ingredients, which Kagome has cultivated through product development to date, and packaged in an environmentally friendly container.

In order to meet the health expectations of diverse consumers, Kagome will implement new initiatives that contribute to sustainable growth and promote longer, healthier lives.



Hatakeumareno Yasashii Milk, a new brand of beverage using plant-based milk (soy milk and oat milk)

## Business Strategies

# Domestic Agri-Business

Through the Domestic Agri-Business, we engage in business activities to transform into a “vegetable company” with a focus on the production and sales of fresh vegetables including fresh tomatoes and mesclun greens. We aim to elevate the value chain of fresh produce from production to consumption, while also acquiring stable revenue and contributing to solutions to the social issues of agricultural development and helping people live longer, healthier lives.



### FY2021 in Review (Results and Issues)

#### > Results <

In January 2021, we spun off our Domestic Agri-Business into Kagome Agri-Fresh Co., Ltd., launching a new business structure in order to speed up decision making, boost productivity, promote alliances, and strengthen governance.

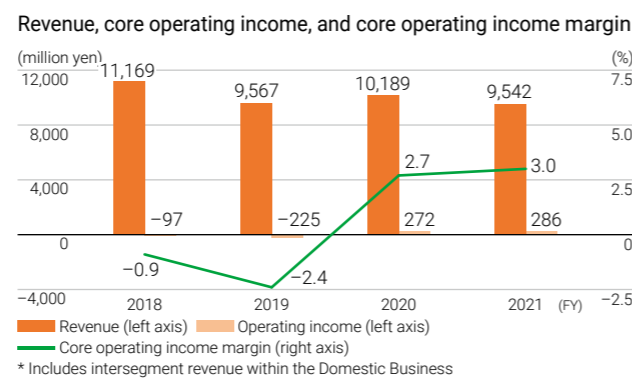
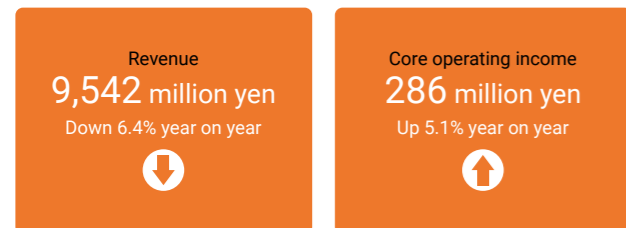
In terms of sales, we spurred demand by adding the message “Remi Hirano recommended menu item” to our fresh tomato and mesclun greens packaging, which is linked to the Let’s Eat Vegetables Campaign being implemented company-wide. As part of our initiatives to boost productivity, we made improvements to our business platform, which included improving work efficiency at farms using the IE method and systemizing order operations. We also worked to foster new businesses such as home gardening and agri-support, which helped to generate stable profits.

#### > Issues <

FY2021 was impacted by external environment more so than anticipated, as sales prices declined following weakness in fresh tomato market conditions from January to April, and there was a substantial decline in fresh tomato yields in the summer and autumn due to the heat wave and long periods of rain in July and later. Nevertheless, thanks to our various initiatives under our new business structure, we managed to secure profits despite a downturn in sales. Our greatest issue going forward will be pushing ahead with transformation into a business structure less susceptible to market conditions through our ongoing earnings structure reforms.

Another issue is developing new growth domains that will help to secure stable profitability and grow our businesses. We will work to develop growth domains in agriculture so that we can contribute to solutions to social issues facing Japan, including agricultural development and helping people live longer, healthier lives.

#### Performance trends (FY2021)



### Key Areas of the Third Mid-Term Management Plan

#### > Transform into a corporate structure that can generate stable profits and develop new growth domains <

We will maximize gross profit in the core fresh tomatoes business in order to transform into a structure that can secure stable profits. Stepping up cooperation with relevant departments, we will increase the visibility of the Kagome tomato brand and increase contact points with customers. At the same time, we will increase the sales ratio of value-added products such as high lycopene tomatoes and high GABA tomatoes to shift toward a structure that is less susceptible to market conditions. Also, we will achieve a cost structure that can secure profits even during market weakness by introducing environmental control technologies and improving energy utilization efficiency. As part of our efforts to develop new growth domains, we will develop and foster fresh vegetables to drive business growth after tomatoes and mesclun greens. In the home gardening business, we will build relationships with customers and expand sales channels through our fun proposals to grow vegetables at home.



### Domestic Agri-Business strengths and weaknesses based on value chain analysis

#### Strengths

- Established a national brand for fresh tomatoes
- Advanced tomato breed development abilities, procurement capabilities and marketing capabilities
- Year-round supply capabilities and sales network empowered by our own marketing and logistics networks
- Quality assurance system using analysis of functional ingredients and residual pesticides

#### Weaknesses

- Lacking ability to respond to unique market conditions of fresh tomatoes and volatility caused by volume changes
- Declining cost competitiveness in commodity markets for fresh tomatoes
- Lagging behind with production automation in labor-intensive commercial horticulture
- Lack of production base, including varieties, cultivation areas and distribution, for vegetables other than tomatoes and mesclun greens

#### Incorporating growth opportunities —Towards sustainable growth—

- Government promoting agricultural industry growth and stimulation measures
- Progress with smart agriculture driven by robotics, AI and IoT and with development of environmental control technologies
- Increased sales channels for fresh vegetables and rising health consciousness
- Rising interest in agriculture, such as ESG investment and the SDGs

#### Response to risk —Reducing capital costs—

- Response to tougher competition by increasing large greenhouses
- Response to rising costs including personnel, energy, materials, and logistics
- Response to decline in suitable cultivation land due to climate change and to emergence of new pests

### Towards medium- to long-term value creation

We will promote value creation aiming to “build a progressive and sustainable agri-business that aggressively revamps Japan’s agriculture industry.” Toward this end, we will further strengthen our variety development, technology, procurement and sales capabilities through cooperation internally and externally as well as enhance the value chain from fresh vegetable production to consumption.

Specifically, we will work toward a progressive value chain by cooperating with the research and development department to develop new high-function vegetables, research and develop plant monitoring technology and harvesting robots using the latest technologies, and also introduce an AI-driven shipment forecasting technology. Enhancing the supply chain, we will address the diversifying health needs of consumers by increasing our lineup of high value added fresh vegetables and related products.

We will also actively tackle environmental issues, including reducing CO<sub>2</sub> emissions of farms by expanding our eco-friendly facilities. Through these efforts, we will also contribute to solutions to the social issues facing Japan of agricultural development and helping people live longer, healthier lives.



High quercetin purple onions feature a vividly purple color and 1.5 times the quercetin of normal onions



# International Business

The International Business will achieve sales growth through growth of food service businesses in the United States with inorganic growth in mind and expansion of the existing business portfolio.



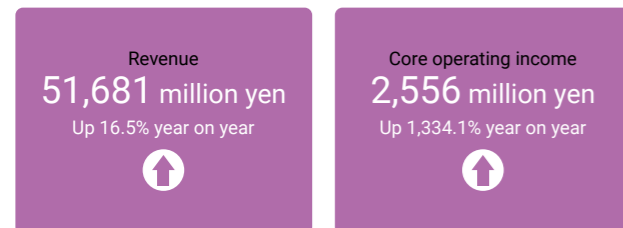
## FY2021 in Review (Results and Issues)

### > Results <

Both revenue and profit increased due to the recovery of food service demand, which had suffered mightily at the hands of COVID-19.

With the recovering trend in demand for dining out, revenue and profit increased for Kagome Inc. in the United States, with strong sales among food service companies, including new customers, and increased profit due to improved productivity and reduced fixed costs. Profit increased at Holding da Industria Transformadora do Tomate, SGPS S.A. (HIT) in Portugal as a result of the rising price of tomato paste, which is a mainstay product, and improved profitability following impairment losses in FY2020. Both revenue and profit increased for Kagome Australia Pty Ltd. as a result of increased production scale of carrot juice concentrate, which is sold to the Group. For Taiwan Kagome Co., Ltd., both revenue and profit increased as a result of the launch of new products for household use and strong sales targeting food service chains.

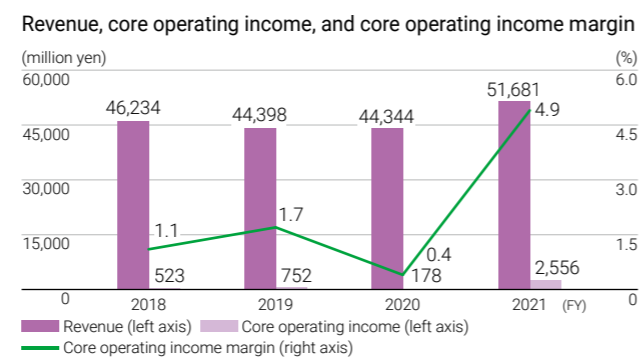
### Performance trends (FY2021)



### > Issues <

Up to FY2020, our Portugal-based subsidiary, Holding da Industria Transformadora do Tomate, SGPS S.A. (HIT) had optimized its production scale of upstream primary processing for tomatoes and improved the revenue structure, including recording an impairment loss on property, plant and equipment. Going forward, one issue to address in downstream secondary processing will be to strengthen the BtoB segment for the United States market and transition from the stage of stable earnings to growth.

For this reason, we must achieve sales growth with inorganic growth in mind. Moreover, the soaring cost of raw ingredients and logistics costs worldwide is another challenge. While we will further strive to improve productivity and reduce fixed costs, we will also need to secure profits through actions such as price revisions.



\*Includes intersegment revenue with the Domestic Business.

## Key Areas of the Third Mid-Term Management Plan

### > Expand food service businesses in the United States with inorganic growth in mind <

We established The US Growth Strategy Department to focus on inorganic business expansion in the United States. The department will explore opportunities for resource acquisition in the BtoB business domain in the United States. For other regions, we aim to increase sales by expanding our business and product portfolios for each subsidiary and through cooperation within the Group. For the BtoC business domain, we will continue to increase exports of vegetable beverages in Asia, while looking into overseas expansion that includes areas outside of Asia. In addition, we will instill the foundation for quality assurance, KBMP (P57), at each subsidiary, and continuously promote quality improvement and increased productivity in securing profits by minimizing the impact of rising costs.



\* Includes intersegment revenue with the Domestic Business

## International Business strengths and weaknesses based on value chain analysis

### Strengths

- Ability to propose menu item solutions to food service chains
- Global primary processing network
- Quality capability in rolling out a common global quality management standard at our Group companies

### Weaknesses

- Earnings volatility in the upstream business, such as primary processing, etc.
- High level of dependence on specific high-volume customers
- Lack of brand recognition in BtoC

### Incorporating growth opportunities

—Towards sustainable growth—

- Improvement of proposal of ideas to Quick Service Restaurants (QSR) and the fast casual business format in the United States
- Development of small container products, etc. to capture the needs for simplified foods, take-out, and deliveries due to COVID-19
- Growth of vegetable beverages in Asia amid rising health consciousness among consumers

### Response to risk

—Reducing capital costs—

- Consideration of the possibility for producing vegetables other than tomatoes and processed fruit products by primary processing
- Cultivation of new clientele and shift towards high value-added products, including inorganic growth
- Differentiation and establishment of the brand name through conveying the value of vegetable drinks and use of unique food ingredients

## Towards medium- to long-term value creation

Kagome has expanded its International Business with a focus on food service businesses for processed tomato products. Going forward, we will launch global sales of vegetable drinks, which is a core component of the Domestic Business over the medium- to long-term, to showcase the health value, flavor and enjoyment of consuming vegetables as juice in promoting the health of the body and mind among consumers worldwide.

With the goal of reaching a business scale that contributes to Kagome's earnings in 10 years, the third Mid-Term Management Plan is regarded as the preparation period, during which activities for creating demand and development of sales channels will be implemented in the Asia region where vegetable drinks are currently exported and sold. At the same time, we will also consider our options to expand into other overseas locations aside from the Asia. Moreover, our subsidiary Taiwan Kagome launched Yasai Seikatsu 100 series, which is manufactured locally, as it strives to expand its product line-up through enhancing cooperation with Kagome. We will deliver products tailored to market needs to acquire regular beverage consumers in establishing a business foundation through the know-how cultivated in Japan for developing and manufacturing vegetable drinks and thorough marketing activities locally.



Yasai Seikatsu 100 series, which is now being manufactured and sold by Kagome Taiwan

# Sustainable Global Environment

Kagome is conducting initiatives towards a sustainable global environment as the responsibility of a company that enjoys nature's bounty and caters to customers. We are now working to reduce CO<sub>2</sub> emissions, recognizing that our response to climate change should be a top priority.



**Relevant SDGs**

## Approach to quality and the environment

Kagome has always engaged in manufacturing utilizing nature's bounty from the procurement of safe ingredients. In order to sustain our business activities, it is vital that we engage in sustainable agriculture in a rich natural environment. It is also essential that we achieve a balance between a reliable system for manufacturing with natural ingredients and conservation of the environment. We established the Quality

and Environmental Policy in October 2017 after combining our Quality Policy and Environmental Policy. This new policy represents the determination of Kagome's management team to achieve a sustainable society by focusing on environmental conservation with the same passion that Kagome has maintained in its manufacturing activities.

## Quality and Environmental Policy

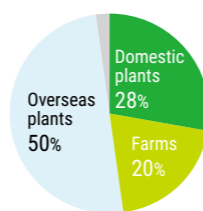
1. We contribute to the longevity and good health of people, which is important to us by providing the flavor and health value of vegetables.
2. We grow safe agricultural raw materials consistently from seeds and fields by collaborating with our partners in Japan and abroad.
3. We protect water, soil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

## Initiatives to achieve CO<sub>2</sub> reduction targets

In order to reach our CO<sub>2</sub> emission reduction targets, the Kagome Group is actively promoting energy conservation activities as a whole. For solar power generation, we started with the plant at Kagome Inc. (United States) in 2017 and later introduced systems at our plants in Australia and Japan. As of January 2022, we are using 100% renewable energy to power two plants in Japan and overseas. In addition, we have started an initiative that reuses the heat and CO<sub>2</sub> released from Fujimi Plant in Nagano Prefecture for tomato cultivation at nearby farms.

At Kagome, CO<sub>2</sub> emissions come from domestic plants and tomato farms as well as overseas plants that are involved in processing tomatoes into juice and concentrate. In 2020, we launched the CO<sub>2</sub> Reduction Project targeting the entire Kagome Group and established a new CO<sub>2</sub> emissions reduction plan. Currently, we are making company-wide efforts based on this plan, following energy conservation measures (review of manufacturing methods and upgrading to higher efficiency equipment) with a long-term perspective covering all domestic plants, farms and overseas plants, and based on the use of renewable energy (solar, biomass, and renewable energy certificates, etc.). As a result of these initiatives, we were chosen by CDP, a non-profit environmental organization with international influence, as an A List company for the first time in FY2021 at CDP Climate Change 2021.

Breakdown of Kagome Group's CO<sub>2</sub> emissions (FY2020)



Solar panels installed at Kagome Inc. (United States)

## Response to Task Force on Climate-related Financial Disclosures (TCFD)

### Governance

The Kagome Group recognizes that an interruption in the procurement of raw ingredients is the greatest risk facing its business operations. Abnormal weather patterns due to global warming drastically affect the growing regions of raw ingredients. To avoid this risk, we made a revision to our medium to long-term CO<sub>2</sub> reduction targets in 2021, which were approved by the Board of Directors in 2018, in order to reduce greenhouse gas emissions and accelerate initiatives that prevent global warming.

Kagome's President & Representative Director is responsible for all of the company's environmental activities, including climate change response, under Kagome's ISO 14001 environmental management system. The President evaluates the effectiveness of the environmental management system through biannual management reviews, following the company's environmental policy, and maintains responsibility and authority to order improvements.

### Strategy

The emergence of climate change represents a major risk for Kagome as a company that utilizes agricultural produce as raw ingredients. At the same time, however, it can also be an opportunity for harnessing our long-standing technologies. The table below shows examples of Kagome Group's risks, countermeasures and opportunities.

Examples of Kagome Group's risk countermeasures and opportunities

	Risk items	Countermeasures and opportunities
Short-term and medium-term	<ul style="list-style-type: none"> <li>■ Extreme weather and changing weather patterns</li> <li>■ Declining production yield caused by water stress</li> </ul>	<ul style="list-style-type: none"> <li>■ Acquisition and sales of vegetable varieties that can withstand climate change</li> <li>■ Development and usage of tomato cultivation system that can produce tomatoes with the fewest amount of water</li> </ul>
Long-term	<ul style="list-style-type: none"> <li>■ Rising carbon prices</li> <li>■ Changing consumer behaviors</li> <li>■ Loss of biodiversity</li> </ul>	<ul style="list-style-type: none"> <li>■ Increased CO<sub>2</sub> reduction targets and initiatives to achieve them</li> <li>■ Active development of environmentally friendly products and certified products</li> <li>■ Proposals and promotion of agriculture in symbiosis with living organisms</li> </ul>

For details, see our website.

<https://www.kagome.co.jp/english/csr/environment/activity/globalwarming/>

The risks and opportunities of climate change represent the risks and opportunities of Kagome's business operations. As such, they have been included in our business plan together with other risks.

### Risk management

Kagome has established the Enterprise Risk Management Committee, chaired by the President & Representative Director, as a body for supervising the company's risk management activities. The body helps to speed up the decision making process in terms of our risk response policy and issues based on priority selection and evaluation. Identified risks and opportunities concerning climate change are incorporated into the Environmental Management Plan\* as issues to be addressed by the entire company.

\* See our website for issues and KPI in the Kagome Environmental Management Plan.

<https://www.kagome.co.jp/english/csr/environment/plan/>

### Indicators and targets

With the aim of achieving net zero emissions of greenhouse gases by 2050, the Kagome Group has established an emissions reduction target for 2030, which received certification from the Science Based Targets (SBT) Initiative\*. The Group has reviewed its greenhouse gas emissions reduction targets in response to 1.5°C scenario for Scope 1 and Scope 2.

\* An international initiative that certifies the greenhouse gas emissions reduction targets of a business are consistent with the level set in the Paris Agreement

Item	Targets (compared to 2020)	FY2020 results (t)
Scope 1 and Scope 2	Reduce greenhouse gas emissions by 42% by FY2030 (1.5°C scenario)	143,524
Scope 3	Reduce greenhouse gas emissions by 13% by FY2030	1,315,239

(FY2021 results will be announced on our CSR website following third-party verification)

Scope 1: Direct emissions of greenhouse gases from businesses (burning of fuels, industrial processes)

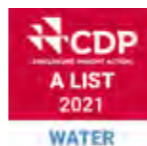
Scope 2: Indirect emissions from the use of electricity, heat, steam supplied by another company

Scope 3: Indirect emissions outside of Scope 1 and Scope 2 (emissions of other companies related to the business' activities)

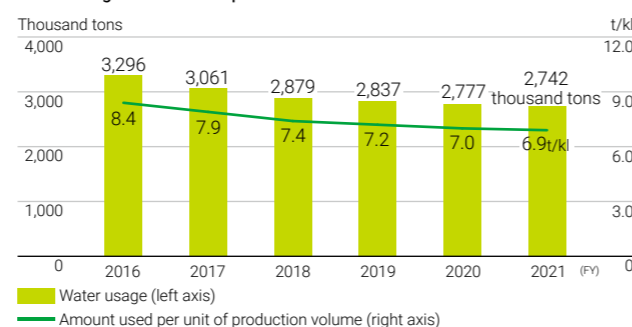
Water conservation

Kagome uses water in the cultivation of crops that serve as the raw ingredients of its products, as well as use large volumes of water in processing. Kagome has established the Kagome Group Water Policy and is implementing measures tailored to each region where it operates to mitigate water-related risks. In a survey conducted to assess water-related risks, we found risks of draught in the United States, and risks of heavy rain and draught in Australia. We are taking measures to avoid these risks such as cultivating tomatoes outside of the period of heavy rain in Australia. As a measure against drought in Australia, the water used at our plants in the winter is placed into a dammed reservoir and then supplied to nearby farmers in

the spring. This forms part of our efforts for water recycling. Moreover, we have set a target of reducing water intake per production volume by 1% compared to the previous fiscal year. In FY2021, water intake per production volume was reduced by 1% from the previous fiscal year at domestic plants. Our efforts were recognized by CDP, a non-profit environmental organization with international influence, in FY2021. Kagome was chosen as the highest ranking A List company for the first time in CDP Water Security 2021, a business survey on water resources management.



Water usage at domestic plants



Kagome Group Water Policy

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

Initiatives for reducing environmental impacts —Initiatives for plastics—

In 2020, we established the Kagome Policy on Plastics with the goal of reducing the impacts plastics have on the environment. As a specific target, Kagome will eliminate its use of straws made from petroleum-derived materials for its paper beverage packs and shift to recyclable materials (plant-based or paper materials) by 2030. Kagome will also use

recycled or plant-based materials for at least 50% of its beverage PET bottles by 2030.

In addition, Kagome will continue to promote recycling at plants and environmental clean-up activities at all domestic business sites.

Kagome Policy on Plastics

Policy on Plastics (Summary)	Theme	Specific activities to date
1. Eliminate the excessive use of plastics and reduce overall use of plastics	Reduction of plastic usage in containers	Reduction of weight of ketchup tube containers Reduction of weight of PET bottle containers
2. Replace plastic with recycled materials and plant-based materials  Paper carton: zero use of straws made from petroleum-derived materials by 2030  PET bottles: Use of at least 50% recycled/plant-based materials by 2030	Use of plant-based materials in straws and caps	Incorporation of 5% of plant-based materials in paper carton straws Use of 100% plant-based materials for paper carton caps Use of paper straws on paper carton
	Bottle to bottle recycling	Use of recyclable PET bottles for Tomato juice 265 g
3. Sustain zero emissions at plants	Continuation of zero emissions	Thorough recycling based on sorting standards
4. Continuously implement environmental clean-up activities at domestic business sites	Promotion of environmental conservation activities in communities	Planning for clean-up activities at rivers and beaches by each business site

Biodiversity conservation

Kagome Group Biodiversity Policy

Since its founding, Kagome has been conducting business utilizing nature's bounty brought to us by agriculture. In order for our business activities to continue into the future, Kagome has formulated the Kagome Group Biodiversity Policy in striving to conserve biodiversity in various situations within our business.

For details, see our website.

<https://www.kagome.co.jp/english/csr/environment/activity/biodiversity/>

Kagome Group Biodiversity Policy (Excerpt of items only)

Conservation activities in the supply chain	Collaboration with internal and external partners
1. Maintenance and utilization of genetic resources	8. Penetration internally and externally
2. Reduction of agriculture's environmental impacts	9. Dialogue with outside parties
3. Ecosystem conservation around farmland	10. Information disclosure
4. Reduction of procurement's environmental impacts	11. Social contributions
5. Considerations during transportation	12. Response to fundamental issues
6. Reduction of plants' environmental impacts	
7. Considerations for products and services	

Example 1 Pollination free of non-native bee species

Our fresh tomatoes are grown in commercial greenhouses and we use bees to pollinate tomatoes at many of these facilities. As the buff-tailed bumblebee, a non-native species, is considered an invasive species, Kagome has switched to *Bombus ignitus*, a native species of bumblebee, at its directly owned and operated commercial greenhouses since 2004. Initially, the breeding technique for this species of bumblebee had yet to be established and it was unclear if this would impact tomato quality or economic viability. Today, the technology is well-established enough to employ *Bombus ignitus* for the cultivation of tomatoes all over Japan.



Native species of *Bombus ignitus*

Example 2 Maintaining and utilizing genetic resources of vegetables

The Innovation Division possesses genetic resources of about 7,500 tomato varieties, which is one of the largest collections of any private company in the world. We collect tomato seeds with a wide range of genetic characteristics and produce new useful varieties through breeding. These seeds are stored at a fixed temperature and humidity, but they are replaced regularly because as time passes the germination rate decreases. In this manner, we maintain a bank of valuable genetic resources that is always replenished.



Innovation Division's seed storehouse

Example 3 Considerations for the mode of use of agrochemicals and fertilizers

We established the Kagome Guidelines for Agrochemical Use. They require that we carefully select and recommend the use of environmentally friendly agrochemicals for the cultivation of processing tomatoes in Japan. Moreover, we conduct preliminary analysis on the soil of farms in which we plan to cultivate as necessary, as well as provide instruction on fertilizing design and growth analysis to determine the amount of optimal fertilizer use in order to avoid excessive use of fertilizers on soil.

Message from an Executive Officer



**Takashi Hashimoto**  
Director & Senior Managing Executive Officer

To date, Kagome has declared that sustainable growth through resolving social issues is part of what Kagome strives for. Changes to our lives as a result of the COVID-19 pandemic and frequent extreme weather have led to an increased concern for the SDGs and sustainability. I feel that balancing the two themes of resolving social issues and achieving business growth has become more important in the third Mid-Term Management Plan. Particularly, as a company, who coexists with agriculture and believes fields are the primary production plant and conducts procurement, processing and sales of agricultural products, initiatives for the natural environment are a priority theme that we are striving toward across our entire supply chain.

In the agriculture business, we are developing plant varieties and conducting initiatives on smart agriculture in response to climate change. At our plants in Japan and overseas, we are tackling specific issues such as reducing CO<sub>2</sub> emissions through green electricity and reducing water use by reviewing our manufacturing methods. Over the next four years, Kagome will address the issue of reducing environmental impacts, which is common to all food businesses. This will include speeding up efforts toward reducing plastics usage in containers and packaging, switching to recyclable materials, and reducing food loss and waste. Our aim is to contribute to society and live up to the expectations and demands of our stakeholders.

# Respecting Diversity and Expanding Human Capital

In order to achieve sustainable growth, it is essential to create new value through diverse combinations of knowledge. For this reason, we are cultivating human resources capable of autonomous career development and promoting an organizational atmosphere that enables diverse perspectives to be harnessed and put into action.



## Diversity and inclusion (D&I)

### Positioning within management strategy

Diversity promotion at the Kagome Group is one of our management strategies aimed at creating a strong company capable of sustainable growth. We aim to create new value by utilizing the diverse ways of thinking and experiences of each and every employee.

### Initiatives on diversity in the third Mid-Term Management Plan

The work style reforms first launched in 2014 aim to create a workplace that is employee friendly regardless of personal circumstances or restrictions. We have implemented a variety of improvements by introducing various personnel systems and measures and conducting management at each office and largely improved the ease of work.

In the third Mid-Term Management Plan, we will take diversity and inclusion one step further to ensure psychological safety and provide project-type growth opportunities in creating an environment that utilizes human resources with diverse ideas and background; thereby, creating a workplace conducive to innovation.



### Initiatives on diversity and inclusion

#### FY2022 priority activities (themes)

- Strengthen initiatives aimed at creating a workplace of psychological safety, where employees can share their honest opinions, as a foundation for utilizing human resources with diverse ideas and backgrounds.
- Expand the areas of promotion for diversity and inclusion in order to create a work environment where human resources with diverse ideas and backgrounds can actively participate. We will particularly focus on initiatives concerning SOGI\* and active participation of persons with disability.

\* SOGI: abbreviation for sexual orientation and gender identity.

### Specific initiatives

#### Instilling psychological safety

- Rolling out measures aimed at enhancing the mind skills of those in managerial positions, who serve as the key to team building and have a large impact on workplace climate.
- The Diversity Committee conducts bottom-up activities as the main body involved in fostering awareness towards the goal of diversity and inclusion promotion and permeating psychological safety.

#### Expanding areas of promotion of diversity and inclusion

- Promoting initiatives to both enhance understanding (soft) and develop structure and environment (hard) towards SOGI and persons with disability.
- Voluntary clubs and communities are formed within the Diversity Committee to conduct research on the latest trends on priority themes and present ideas on committee activities.



Diversity Day 2021 With "Developing a Climate that Embraces Diversity" as the theme of FY2021, we had a special speech and talk session by Miho Tanimoto, Japan HR Leader, Google.

### Promoting active roles for women

Kagome has set a target of increasing the percentage of female employees in all positions from staff to officers to 50% by 2040 as a long-term vision in promoting active roles for women.

Having a 50% workforce consisting of women serves as an indicator for a diverse organization that generates innovation.

Through such efforts, we hope to become a company where diverse human resources will find job satisfaction and exert their diversity to create innovation and achieve sustainable growth.

### Action on Promotion of Women's Participation and Advancement in the Workplace Action Plan (target by March 2022)

<b>Target 1</b>	Ensure that at least 60% of new general career track hires out of university are female employees	▶ 58% (Employees hired in April 2021)
<b>Target 2</b>	Maintain the continuous employment percentage of female employees hired during FY2010 (around 9 to 11 years prior) at 100% or more of male employees	▶ 1.0 (female employees hired between 2010-2012)
<b>Target 3</b>	Maintain the three-year continuous employment percentage of female employees hired during FY2017-2019 at 100% or more of male employees	▶ 1.0 (Two years' later)
<b>Target 4</b>	Ensure that female employees make up at least 12% of managerial positions (manager and above)	▶ 8.4% (As of November 1, 2021)

## Be considerate of human rights

### Respect for human rights as part of the Kagome Group Code of Conduct

Kagome's Code of Conduct consists of three pillars; one of which is respect for human rights. "Respect for human rights" is shown to be the axis of daily actions of Kagome Group employees in three points.

### Excerpt of "Respect for Human Rights" from Kagome Group Code of Conduct

<p><b>Respect for individuals</b></p> <p>We respect individuals and their privacy. We mutually recognize the various skill sets and diversity of employees as Kagome's most valuable assets.</p>	<p><b>Prohibition of discrimination</b></p> <p>Each person is treated fairly and equally in the workplace. Discrimination is an infringement of human rights and is strictly prohibited.</p>	<p><b>Measures against harassment</b></p> <p>We nourish a corporate culture that prevents and stops all forms of harassment, both inside and outside of our company. We never look the other way.</p>
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### Initiatives implemented for respect of human rights

#### 1. Raw materials and the supply chain

In order to achieve a sustainable society with our suppliers as business partners as well as ensure safe and secure procurement of raw materials, we have established the CSR Procurement Policy and Kagome Supplier CSR Action Guidelines, which provide specific guidelines to our suppliers in Japan and overseas. We are promoting procurement with consideration for human rights based on the above.

For details, see our website.  
<https://www.kagome.co.jp/english/csr/supplier/>

#### 2. Harassment in the workplace

Harassment is a deep-rooted issue that can only be eliminated with increased awareness, even with a system of prevention in place. We recognize that there is potential for anyone to conduct acts of harassment. We are taking resolute actions against harassment in order to develop a culture that fosters taking thoughtful actions toward others, making it easy for employees to seek consultations, and be caring and not turn a blind eye.

For details, see our website.  
<https://www.kagome.co.jp/english/csr/management/compliance/>

#### Countermeasures

Policy:	Establishment of Code of Conduct and Harassment Eradication Rules/Top Message
Education:	Reading out loud of Harassment Eradication Rules and Case Studies
Monitoring:	Harassment survey
Reporting/Consultation:	Internal whistleblowing system
Fair punishment:	Disciplinary action and reporting

Expansion of human capital

Human resources development for building autonomous career paths

In order to achieve the management strategies, it is vital that Kagome creates mechanisms that empower employees to develop their careers autonomously in order for everyone working at the company to become “strong individuals.” A strong individual is a person who has acquired a high degree

of value in the labor market. We aim to develop and increase these individuals to expand our human capital. In addition, we are working to expand mechanisms in order for employees to feel proud to work at Kagome and to become a company that attracts talent as an appealing place to work.

Main mechanisms that support autonomous career development

- Self-assessment system** (targeting all employees annually) Initiatives on medium to long-term career plans and skills development are shared among supervisors and subordinates in this system, which is used in human resources development. Interviews with direct supervisors are conducted based on comments from the company (business site manager, direct supervisor) on the content of self-assessment for the career development of individual employees.
- Mid-career transfer request system and internal recruiting system (interested applicants only)** A system that increases the chance for an employee to land a position they desire through self nomination
- Self-directed education and training** Education and training offering supportive skills development based on the needs of each employee
- Career training and career counseling** Providing opportunities to develop one’s own career autonomously Career counseling with human resource development managers and career advisors

About human resource development managers

Kagome has established the position of a human resource development manager. These employees are in charge of supporting autonomous career development aimed at enhancing individual human resources value, which leads to enhanced human capital. They provide feedback based on the desired career path and aspirations of each individual employee and guide them to address issues on their own. In FY2021, 610 employees were interviewed. Human resource development managers also bridge the gap between employees and management. They collect feedback from frontline staff to identify human resource



**Hiroaki Osawa**  
Human Resource Development Manager, Human Resources Department

issues, which are relayed to management for assigning the right person to the right position given consideration of the employees’ voices and Kagome’s business.

Diversified hiring

As we believe that innovation comes from mutual respect of diverse values and sharing of opinions, we strive to enhance our foundation of human resources not only by encouraging the active participation of women but also extending an open arm towards mid-career hires. Our mid-career hiring process was revamped in 2020 to encompass a career registration system on our website. There are currently about 2,600 registered applicants. Going forward, we will ensure that mid-career hires account for around 20 to 30% of all hiring and develop these individuals into core human resources.



**Saki Shibata**  
Global Consumer Business Division

**TOPICS** Autonomous career development through provision of diverse experiences

I participated in the cross-industry exchange training to strengthen independent learning that leads to career autonomy, which is one of the human resources strategies in the third Mid-Term Management Plan.

Through working on problems together between five companies based on management theory, where we conducted discussions repeatedly without being bound by the common sense of our own respective company culture, I was able to think about the strengths and issues of Kagome objectively.

I hope to have more opportunities for discussion in the future with participating members from other companies and apply what I have learned to strengthening the organization.

Promoting health and productivity management

At Kagome, we believe that to be a sound company, it is important to ensure that each individual employee is healthy, both physically and mentally. We are therefore working proactively to manage the health of our people.

Kagome Health and Productivity Management Pledge

In 2017, we established Kagome’s 7 Points for Good Health, and made the Kagome Health and Productivity Management Pledge. In December 2020, we were given the highest rank by the Development Bank of Japan (DBJ) under its DBJ Employees’ Health Management Rating. Furthermore, in March 2021, we were recognized under the Certified Health and Productivity Management Organization (large corporations) program administered by the Ministry of Economy, Trade and Industry (METI) and Nippon Kenko Kaigi.

Framework for promoting health and productivity management

In 2016, we established the General Health Services Department at Kagome Axis Co., Ltd. We have appointed industrial physicians at all business locations, where we promote health management together with public health nurses. Additionally, in 2018, we launched the Health Promotion Committee, under which we are engaging in health improvement activities with a focus on independent initiatives driven by each business location.

Industrial physician system

We have established health management desks at all of our business locations in Japan. While working with industrial health staff (industrial physicians and public health nurses), we engage in efforts for the early detection of employees with physical or mental health issues and to provide health guidance.

Current situation with regard to health management and health promotion measures

In addition to promoting initiatives based on Kagome’s 7 Points for Good Health, Kagome also implements its own unique annual health checkups (Kagome Kenshin) in collaboration with the Kagome Health Insurance Union.

Improving employees’ health literacy

In order to maintain the physical and mental health of each of our employees, we consider it necessary to visualize and share employees’ state of health, and to help them to acquire correct health-related knowledge. In 2017, we began publishing the Kagome Health Report, and holding health seminars for employees.

For details, see our website.

<https://www.kagome.co.jp/company/about/philosophy/healthandproductivity/>



Kagome Health and Productivity Management Pledge

The health of employees links directly to feelings of job satisfaction, through improving their sense of pride and engagement at Kagome.

Kagome contributes to the health of its customers through food, while at the same time promoting health and productivity management based around the core of Kagome’s 7 Points for Good Health.

Contents	(FY)		
	2019	2020	2021
<b>Situation regarding health checkups</b>			
Percentage of employees taking health checkups	100	100	100
Percentage of employees receiving specific health guidance	72.0	84.8	88.7
<b>Current situation with regard to stress checks</b>			
Percentage of employees taking health checkups	95.7	93.3	92.0
Rate of high stress employees (%)	7.4	7.6	8.3
Smoking rate among employees (%)	20.8	19.5	16.2

Message from an Executive Officer



**Masahito Arisawa**  
Managing Executive Officer  
Chief Human Resources Officer (CHO)

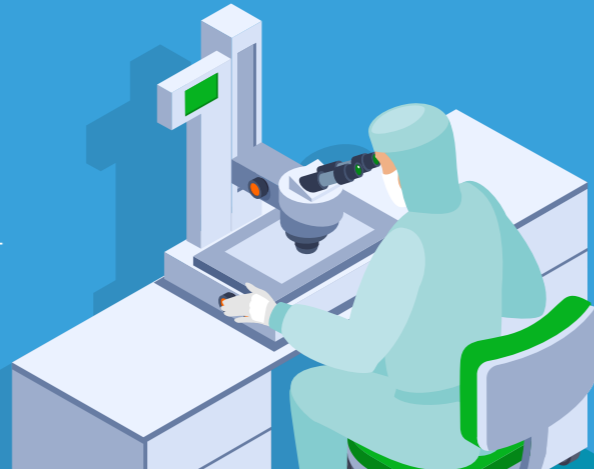
The third Mid-Term Management Plan aims to create new value in existing domains while accelerating the development and exploration of new businesses that will become our growth drivers. To execute this management strategy, it is important for our employees to take action autonomously in responding to change while continuously embracing new challenges with a sense of job satisfaction. In addition, we need to develop a human resources portfolio with active participation by diverse individuals, where each person can exert their individuality to invigorate the organization through interlinkage of management and human resources strategies. While we have developed mechanisms such as promoting a pleasant workplace, expanding mid-career hires, visualizing job satisfaction, enabling autonomous career development of employees during the second Mid-Term Management Plan, there are still gaps between the current stage and what we are aiming for. Specifically, our remaining issues include the development of a “culture that

embraces challenges,” the penetration of psychological safety, the development of an evaluation system that makes a fair differentiation, and the job development of seniors, each highlighted in the engagement survey. Enhancing job satisfaction is a priority within the third Mid-Term Management Plan, with issue design from three perspectives of work style (pleasant workplace, provision of diverse experience opportunities), human resources development (evaluation remuneration, assignment and promotion, skills development), and organization of diverse human capital (recruitment and utilizing skills). We will strive to expand our human capital through expedited implementation of structure, mechanisms and cultivation of climate that lead to value creation.

I believe that personnel expenses are an investment that leads to value creation and not a cost. We will execute human resource strategy from the viewpoint of how to approach management strategies with long-term growth in mind.

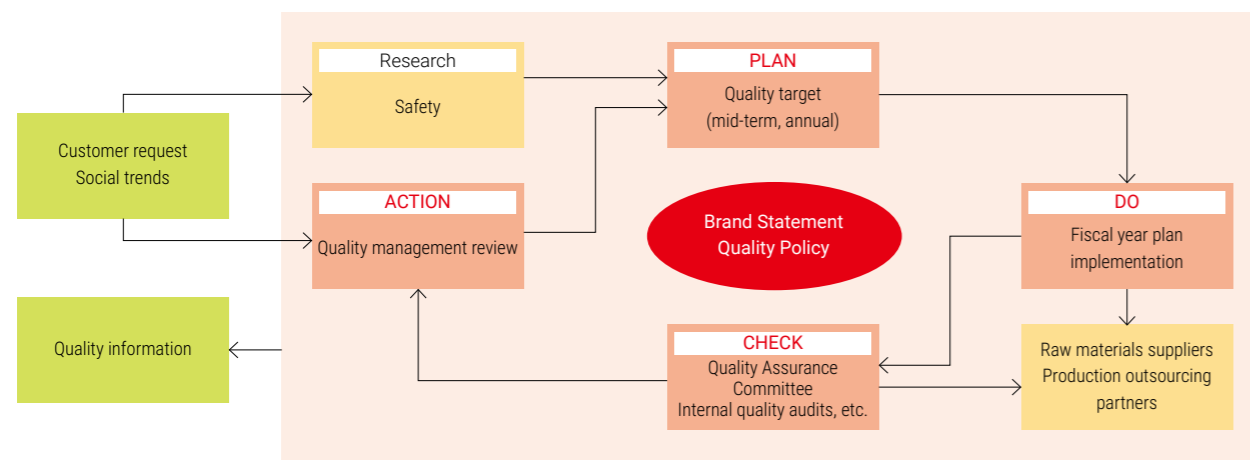
# Product Safety and Security

Based on the belief that fields are the primary production plant, we strive to provide safe and high quality products starting with initiatives on vegetable seeds and soil creation. We have established a quality assurance system to guarantee this fundamental quality while also rolling out the system at overseas Group companies.



## Kagome's Quality Management System (KQMS)

Kagome employs the Kagome Quality Management System (KQMS), based on its Quality and Environmental Policy, during the processes of design, development, procurement, production, logistics, and sales in an effort to provide product safety and peace of mind.



## Safety management from field to product

### Initiatives for food defense

In order to prevent intentional mixing of contaminants or chemicals in Japan, we conduct risk assessments on food defense and implement controls based on the results. In addition to installing safety and security cameras, upgrading locking system and promoting communication among plant employees, Kagome also requests the plants of production outsourcing companies to comply with its management guidelines.

### Safety management from field to product

Since its founding, Kagome has been working on a company-wide basis to supply products that are good for customers' health using nature's bounty. With the assurance of safety and security as the main premise of food handling, Kagome conducts a variety of inspections, analysis, and research on processes from field to product.

We analyze raw ingredients for residual pesticide, etc. in order to confirm their safety. We have acquired ISO 17025 certification, which certifies our ability as a testing and analysis institution, as we strive to further enhance the precision of our analysis.

## Quality management and quality assurance system for overseas Group companies

We established a common global quality management standard based on our Quality and Environmental Policy that applies to overseas Group companies known as Kagome Best Manufacturing Practice (KBMP) as the minimum level of compliance. We are also conducting cross-functional

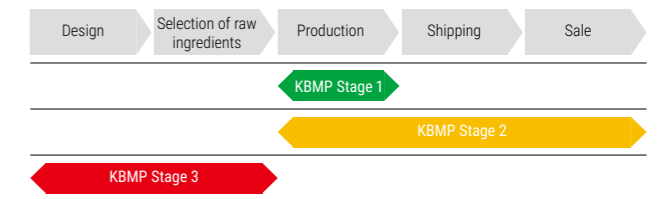
assessments of information relating to quality, the environment and technology at overseas Group companies and sharing and utilizing this information to improve the level of quality assurance and productivity, as well as to implement CO<sub>2</sub> emissions reduction initiatives.

## Roll-out of a common global quality management standard (KBMP) at overseas Group companies

Until now, at our overseas Group companies, we have used common rules on quality management for preventing contaminants during manufacturing as Stage 1 of KBMP and immediate response in case of a quality failure as Stage 2 of KBMP. Moreover, we have now expanded our efforts to prevention activities for quality failures at the product design stage (overall production, containers, microorganism control, etc.) as Stage 3. We have established a structure that properly carries out product development to ensure product safety and peace of mind, with engagement in risk measures at the initial product development stage for eight cases in FY2021. Through these efforts, we have reduced quality issues at overseas Group companies, while autonomous quality improvement activities and 5S activities\* are also being rolled out at each overseas Group company. The third Mid-Term Management Plan aims to further reduce loss attributed to quality issues. Our overseas Group companies will strive to establish a quality assurance system which they can operate more promptly and independently.

\* The five elements to improve the workplace environment: Seiri [Sort], Seiton [Set], Seiso [Shine], Seiketsu [Standardize], and Shitsuke [Sustain]

### Common quality management standard for overseas Group companies KBMP coverage



#### KBMP Stage 1

- a) Magnet inspection
- b) X-ray inspection and metal detector inspection
- c) Filter inspection
- d) Cleaning
- e) Maintenance
- f) Management of packing materials and other consumables
- g) Procedures and main points of 5S (Seiri [Sort], Seiton [Set], Seiso [Shine], Seiketsu [Standardize], and Shitsuke [Sustain])

#### KBMP Stage 2

- a) Response to quality failures
- b) Change point management and validation of production line
- c) Inspection of equipment before, during and after production
- d) Management of equipment in aseptic filling system

#### KBMP Stage 3

- a) Development procedures for high risk products and design screenings
- b) Management of hazards originating from raw ingredients

## Examples of workshops and training across the Group

With the goals of strengthening the Group's production base overseas and conducting more in depth factor analysis at the time of trouble, overseas Group companies are implementing initiatives for deepening 5S activities and factor analysis skill training.

Since the launch of 5S promotion staff training program in 2019, each overseas Group company has been implementing their own 5S activities. In 2021, 5S promotion staff of overseas Group companies met online in a meeting called the Online 5S Workshop (43 participants worldwide). During this meeting, participants showcased their own initiatives to date and shared feedback. They also held a discussion on how to go about instilling and developing 5S activities at each company.

The overseas Group companies will further focus on their own 5S activities from 2022 based on the action plan formulated during the workshop.

Factor analysis at the time of problems aims to take preventive measures that address the root cause to stop recurrence. For this reason, it is necessary to dive deep into the cause of trouble from various angles. As a learning tool for the approach for overseas Group companies, Kagome has created and distributed the Root Cause Analysis (RCA) Handbook to each company. In addition to understanding the content of the handbook, we also conduct practical training for hands-on factor analysis using past examples of each company as improvement themes, according to the contents of the handbook.



Online 5S Workshop (October 2021)



5S activity (Taiwan Kagome Co., Ltd.)



Production floor after Seiri [Sort] and Seiton [Set] in 5S (Kagome Inc. (United States))

# Establishing a Sustainable Supply Chain

We are working to optimize the entire supply chain in order to respond to risks such as climate change, water shortages, labor shortages and soaring raw ingredient prices so that we can continuously deliver products to our customers.



## Procure materials in an environmentally and socially responsible and sustainable manner

To achieve stable raw ingredient procurement, Kagome has diversified procurement locations and established a global network. In response to the rising demand for raw ingredients produced in Japan, we are working to secure access to domestically grown raw ingredients.

We established the Kagome CSR Procurement Policy and the Kagome Supplier CSR Action Guidelines in 2021 not just for the procurement of safe and secure raw ingredients, but

also for contributing to the realization of a sustainable society together with procurement partners. This policy ensures fair, equitable, and transparent transactions and promotes procurement activities that take into account laws, ethics, human rights, labor, and the environment.

For details, see our website.  
<https://www.kagome.co.jp/english/csr/supplier/>

### Activities in FY2021 based on CSR Procurement Policy and Supplier CSR Action Guidelines

- Provided information to all suppliers, including production outsourcing partners, raw ingredients producers, farms, etc.
- Engaged third-party to conduct survey on actual condition of fair trade
- Results of the survey were reported to Management Meetings and shared with relevant departments
- Conducted study sessions on deficiencies and revised consultation record flow, based on the result



Field check

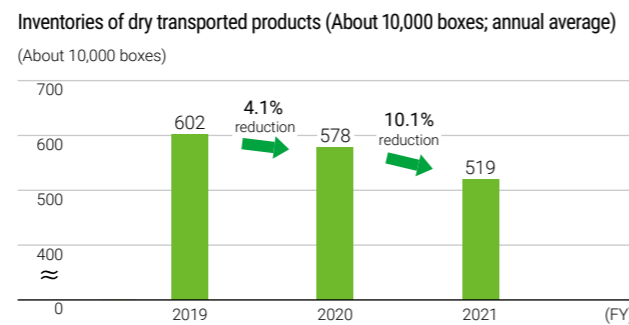
## Establish a logistics system capable of consistent product delivery to customers

The logistics industry in Japan is facing a number of urgent issues, including labor shortages, the prolonged working hours of drivers, and environmental concerns. To resolve these social issues found in logistics, Kagome is undertaking such initiatives as extending delivery lead time and product

date labeling. Additionally, we are working to curtail logistics costs, which are expected to rise over the medium to long term, and we are striving to achieve cost savings by rationalizing inventory levels.

### Initiatives on inventory optimization with container unit\* management

Since FY2020, Kagome has been conducting Container Unit Management, which involves control of production, inventory, and transport by container unit, in cooperation with the production and purchasing divisions aimed at optimizing inventory levels. By optimizing month-end inventory with the establishment and management of appropriate stock date for each container unit, in FY2021 we made progress with initiatives for not only beverages, but gifts and foods as well, reducing the inventory level of dry transported products by 10.1% compared to the previous fiscal year. Through this, we are seeing lower inventory amounts, storage fees and transportation costs.



\* Containers have been divided into about 50 categories by volume for inventory management

## TOPICS Renewal of Fujimi Plant with advanced technology and DX promotion

Kagome has six production locations in Japan. Fujimi Plant is the production location of Kagome's mainstay paper carton vegetable drinks, such as Kagome Tomato Juice and Yasai Seikatsu 100. It has an annual production volume of 15.18 million cases (FY2021 results). We invested a total of around 8.6 billion yen between 2020 and 2021 to upgrade the Fujimi Plant. The key areas of the improvements were to

improve production capacity of paper beverage packs, develop a worker friendly production floor, and promote environmentally-conscious production activities. We will expand the production capacity of vegetable drinks, as one of the growth drivers within the third Mid-Term Management Plan period, in responding to growing demand over the medium to long-term.

### POINT 1

#### Addressed growing demand over medium to long-term by boosting production capacity by 20%

The plant introduced three high speed fillers. Also, robotic arms contributed to higher speed production and manufacturing of products in multiple packaging styles. The plant also eliminated operations during holidays that occurred during busy periods, which contributed to reduced employee workload.



Products coming out of a high speed filler

### POINT 2

#### Established a centralized control room to oversee all production processes using monitors

The plant's centralized control room was newly established as a part of the initiatives to promote DX and smart factory. All production processes can be verified on screen, making it possible to promptly assess and address any abnormalities. The accumulated data is used to implement improvements.



Centralized control room

### POINT 3

#### Used automated warehouse to reduce employees' workload and reduce logistics costs

While workers used to move raw ingredients in and out of warehouses using forklifts, now movement in and out of the warehouse is automated by one worker's instructions. The plant has automated supply of various materials to the lines and storage of products into warehouses. Expanded plant storage also led to reduced logistics costs.



Raw ingredients coming out of an automated raw ingredients warehouse

### POINT 4

#### Installed environmentally friendly solar panels

With solar panels installed on the roof of the new building, renewable energy is used as a portion of electricity. This accounts for 23% of annual electricity used at Fujimi Plant, with an estimated CO<sub>2</sub> emissions reduction of 600 tons per year.



Solar panels installed on the factory roof

## Recommendations from External Directors

### Roles to play in achieving a sustainable society and Kagome's growth by resolving social issues through food



**Takayuki Hashimoto**  
External Director

While we've been committed to achieving a sustainable society and Kagome's growth by resolving social issues through food for some time, as consumers' awareness towards health has grown during the COVID-19 pandemic, I can sense that the expectations of Kagome steadily rising. However, the approach should not be an extension of the status quo, but rather completely novel ideas lent to us through the rare opportunity of the COVID-19 pandemic. It is important for us to hone our unique abilities through maintaining harmony with society. This can be achieved by acquiring new knowledge through extensive use of digital technology and alliances with other companies, including capital investment, responding promptly to market changes by ensuring flexibility in the supply chain, cultivating a culture of tolerating and learning from mistakes, incorporating diverse

ideas and sensibilities, and establishing a deeper relationship with customers and business partners. It is inevitable that the ratio of overseas sales will increase due to the shrinking domestic market over the medium term. In overseas consumer markets, interest in health products, including immunity, is increasing, while the market is undergoing major changes such as higher personal incomes. I hope to see a strong will and ability in everyone to carry out what they want to do, and not merely continue on as usual, in order to realize our desired goals. I participated in the discussions from the beginning of the formulation of the current Mid-Term Management Plan and compiled a specific action plan. My role as an external director is to monitor the progress of the execution and provide advice as necessary.



**Hidemi Sato**  
External Director

During COVID-19, we have seen the health consciousness of consumers grow and greater emphasis placed on maintaining a nutrient-rich diet, while our way of life has changed, too. These changes are expected to stay with us even after the pandemic ends.

Kagome is implementing initiatives that contribute to promoting longer, healthier lives as a social issue. In the third Mid-Term Management Plan, the Company will continue to conduct the Let's Eat Vegetables Campaign which conveys to consumers the message that vegetables are essential to a nutritious diet. In addition, we aim to expand on the varieties of agricultural products that form our raw ingredients, as well as to enhance our opportunities to introduce a

multitude of nutrients and functional ingredients through our products that will be helpful in maintaining and improving health.

I believe it is imperative for us to address the diversified needs resulting from changing lifestyles, which accelerated due to the COVID-19 pandemic, in order for us to achieve sustainable growth through our initiatives. As we utilize the technology and product development capability Kagome has amassed over 123 years, I believe it is also important to further expand our sales channels to provide useful products that help people live longer, healthier lives, and enhance the mechanism for organic cooperation with overseas subsidiaries and other collaborating companies.



**Kumi Arakane**  
External Director

The COVID-19 pandemic still rages on, with uncertainties still remaining in the future forecast. Despite this, as Kagome is in the essential business domain of foods, we must have a stronger, renewed sense of resolve to contribute to social issues through expanding our current businesses while embracing the challenge of developing new solutions and businesses across the whole company. In order to enhance our existential purpose as a company that contributes to the establishment of a sustainable society, including realizing the SDGs and contributing to ESG, we must address the fact that the goals will not be met without our own growth.

With Kagome being in the essential business domain of foods, my role is to oversee and provide support to the company as it sets its own bar high and reaches for its growth. This involves participating in further active discussion on how to utilize the company's strengths to resolve social issues and thinking subjectively about the company's future, what it strives for, and what it should aim for. I will do my best as an external director to ensure constructive and substantive proceedings at Board of Directors meetings.



**Tatsuya Endo**  
External Director & Audit and Supervisory Committee Member

Exemplified by the Let's Eat Vegetables Campaign, Kagome's efforts to promote vegetable consumption among people in Japan aim to contribute to the social issue of promoting longer, healthier lives, which I believe is the purpose of the Kagome Group. My goal for the four-year period of the third Mid-Term Management Plan that begins in 2022 is to work on permeating the purpose of Kagome among the management team and all employees towards the realization of Kagome's growth.

In addition, I will actively provide input to the management team with anticipation of consumer behavior, industrial structure and major medium to long-term changes to the

business environment post-pandemic, without being bound by the common sense unique to Kagome while being cognizant of sustainability from our diverse stakeholders' point of view. I hope my input will contribute to raising some awareness even if in small ways.

In addition, as an Audit and Supervisory Committee member, I hope to speak and act more from the angle of "proactive governance" that continuously seeks out and takes on sustainable growth fields even in a rapidly changing business environment for the purpose of Kagome's sustainable growth, in addition to "defensive governance" that focuses on risk management.



**Asako Yamagami**  
External Director & Audit and Supervisory Committee Member

Resolving social issues through food embodies the very spirit of business passed down since the company's founding. Kagome has penetrated its priority theme of helping people live longer, healthier lives through the Let's Eat Vegetables Campaign. However, I believe it is important to foresee and capture needs by looking broadly at the changes in lifestyle and society without being restricted to the topics of food and health in expanding products and services that support making vegetable consumption a healthy habit.

Moreover, in order to achieve inorganic growth through accepting new businesses and companies with different history or characteristics, we need to establish a Group governance and compliance structure that

enables the sharing of philosophy while concentrating management resources for growth. I have great expectations for Kagome's development of a structure that accurately assesses the status of its subsidiaries and businesses and provides systematic and continuous support. I hope to provide support for appropriate business operations while being considerate of the latest trends of governance and compliance. Also, I will be keeping an eye on the progress of global human resources development and global personnel underway, as I believe they serve as the key to strengthen human resources rotation and engagement, which are indispensable for proper management.



# Corporate Governance

## Basic policy of corporate governance

In accordance with its corporate philosophy of "appreciation," "nature" and "corporate openness," we aim to achieve sustainable growth and improve the mid- to long-term value of the Company. We acknowledge corporate governance to be a critical management issue toward these objectives.

Kagome considers further strengthening of "autonomy" complemented by "heteronomy" to be the fundamentals of our corporate governance. This will ensure objectivity and transparency, forming

a basis by designing its own concept of corporate governance adapted to the present day, while incorporating diverse outside viewpoints by working to attract more "Kagome Fan Shareholders" and leveraging the function of external directors among other things.

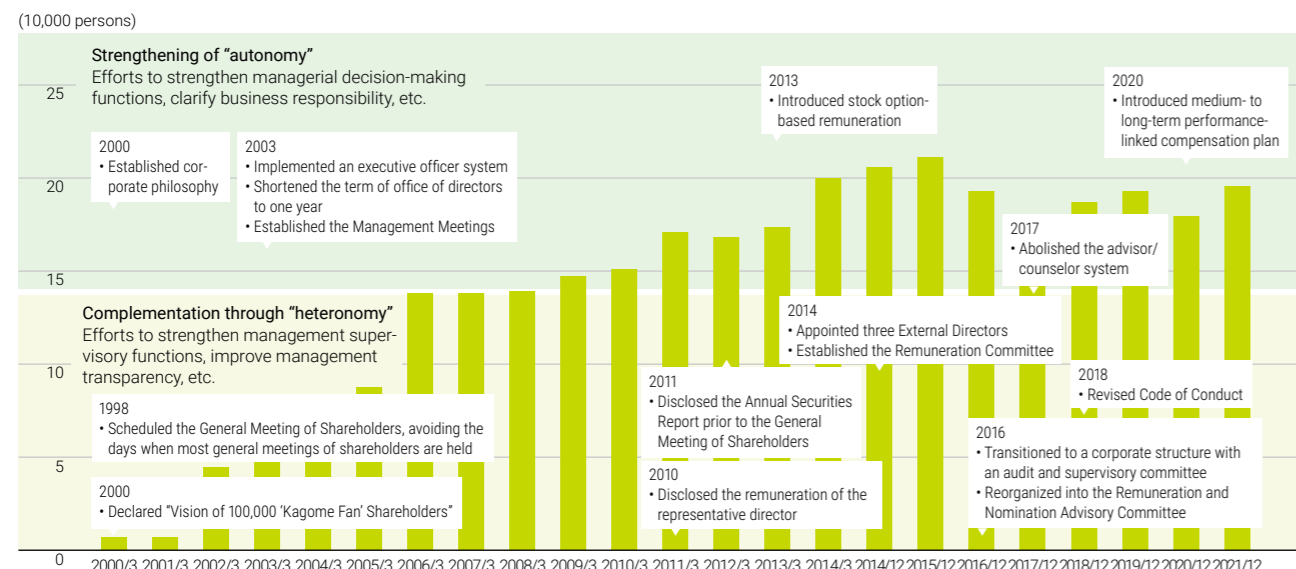
We aim to deliver a high degree of accountability and achieve "corporate openness" in interactions with stakeholders, while employing the unique attributes and originality of Kagome.

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

The history of our corporate governance is a culmination of our efforts to achieve "corporate openness" as part of our corporate philosophy that can be traced back to the aspirations of our

company's founder. We have been continuously evolving up until the present through the public offering of our shares and the separation of capital from management, etc. in the past.

### Number of shareholders



## Corporate governance system

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

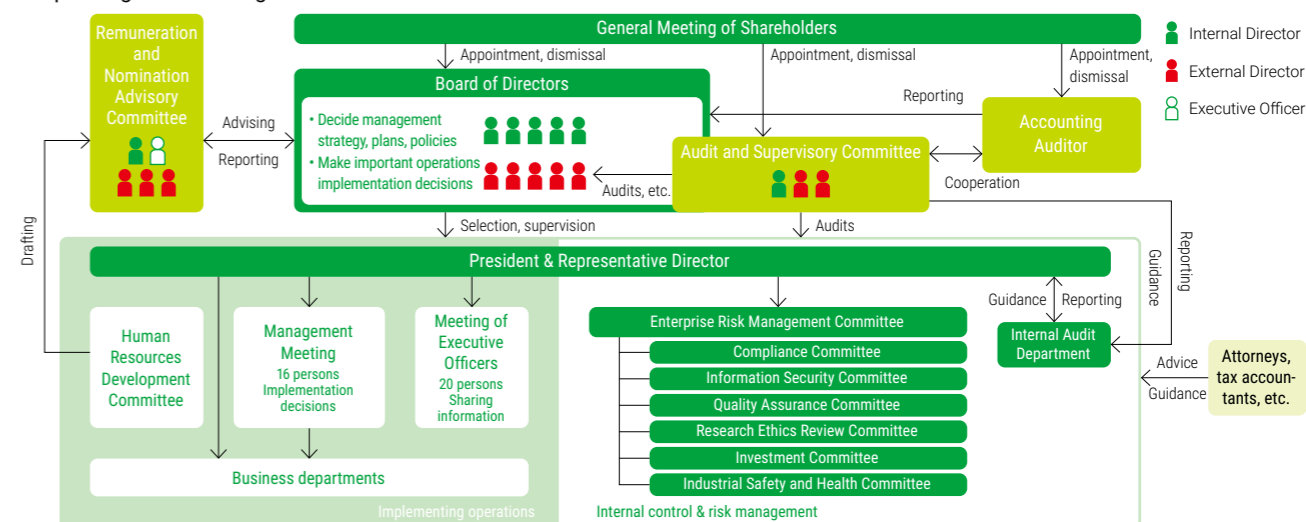
The Audit and Supervisory Committee has set a policy of having one or more standing Audit and Supervisory Committee members, and uses internal control systems to audit the legality and appropriateness of the operations implemented by the directors.

The nomination and remuneration of directors are deliberated by the Remuneration and Nomination Advisory Committee; more than half of whose members are independent external directors.

The results of the deliberations are advised to the Board of Directors, which then determines the nomination and remuneration of the directors, thereby enhancing fairness and appropriateness.

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

## Corporate governance organizational chart



## Board of Directors Skill Matrix (As of March 2022)

Name	Attributes	Particular area of expertise											Attendance at Board of Directors meetings
		Corporate management	International operations	Finance, accounting	Law	Human resources development and diversity	Sales and marketing	Production and procurement	Quality and Environment	Research and technology	Risk management	DX	
Satoshi Yamaguchi President & Representative Director		○					○			○	○		100% (15/15)
Yoshihide Watanabe Director & Senior Managing Executive Officer		○	○	○					○		○	○	100% (15/15)
Takashi Hashimoto Director & Senior Managing Executive Officer		○					○	○	○				100% (15/15)
Hirohisa Kobayashi Director & Managing Executive Officer		○	○				○						100% (15/15)
Takayuki Hashimoto External Director	External Independent	○	○			○						○	100% (15/15)
Hidemi Sato External Director	External Independent					○	○			○			100% (15/15)
Kumi Arakane External Director	External Independent	○					○		○	○			100% (15/15)
Hirohito Kodama Director (Audit and Supervisory Committee Member)		○	○						○	○			100% (15/15)
Tatsuya Endo External Director (Audit and Supervisory Committee Member)	External Independent		○	○							○		100% (15/15)
Asako Yamagami External Director (Audit and Supervisory Committee Member)	External Independent		○		○						○		100% (15/15)

## Kagome's policy on appointing directors

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

The Board of Directors currently consists of 10 members, including seven directors (excluding directors who are Audit and Supervisory

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

For more details on the reasons for appointment and standards for judging the independence of outside officers, please refer to the Annual Securities Report on our website.

▶ <https://www.kagome.co.jp/company/ir/data/statutory/>

## Evaluation of the effectiveness of the Board of Directors

### Continuous efforts to enhance the Board of Directors (fiscal year when initiatives commenced)

Kagome has been continuously working to revitalize the Board of Directors.



### Results of evaluation of the effectiveness of the Board of Directors

Since FY2016, the Company undertakes an annual evaluation of the effectiveness of the Board of Directors. In FY2021, we evaluated the effectiveness of the Board of Directors targeting the directors in October. An overview of the results in FY2021 is described below.

#### 1 Third-party evaluation

We chose to engage a third-party for evaluation in order to incorporate a more objective and independent perspective.

#### 2 Methods of evaluation

Conducted questionnaire	<p>We conducted a questionnaire targeting all directors and used a third-party organization for results analysis</p> <p>In FY2021, we added evaluation items for individual themes of particular importance</p> <ul style="list-style-type: none"> <li>Questionnaire for Directors <ul style="list-style-type: none"> <li>Design of the Board of Directors, operation, proposals, quality of discussions, corporate governance system, comprehensive evaluation, individual themes (business portfolio, Group governance, etc.)</li> </ul> </li> <li>Questionnaire for the Remuneration and Nomination Advisory Committee</li> <li>Questionnaire for the Audit and Supervisory Committee</li> <li>Questionnaire for attendees of the Joint Risk Management Meeting</li> </ul>
Conducted interviews	Conducted individual interview with all directors via third-party
Discussions by the chair of the Board of Directors and external directors	Conducted free discussion between the chair of the Board of Directors and all external directors
Deliberations by the Board of Directors taking the above into account	With reference to the summary of survey and interview results and evaluation by third-party, we set up opportunities for deliberation and opinion exchange involving all directors to conduct evaluation on effectiveness of the Board of Directors, identification of issues, assignment of priority for each issue, and discussion of countermeasures

#### 3 Evaluation results

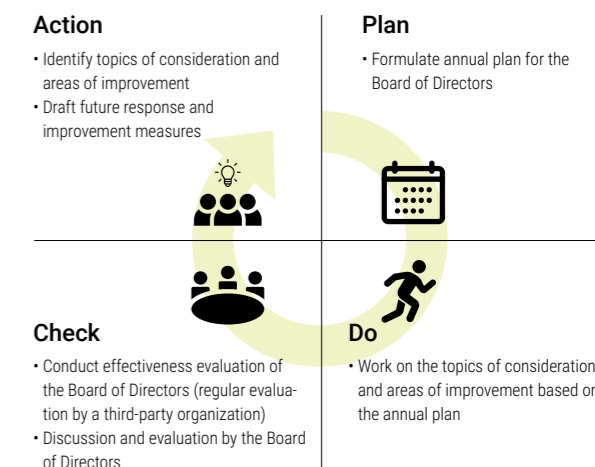
Kagome's Board of Directors was determined to be effective by a third-party organization.

In addition, upon review of the evaluation results by the third-party organization, the Board of Directors also deemed that it has properly met all evaluation items, and agreed that the effectiveness is sufficiently ensured.

#### 4 Topics to consider for further improvement in effectiveness

Of the issues recognized by the Board of Directors that need further improvement in this round of effectiveness evaluation, "systematic consideration of long-term strategy" is recognized as a topic of particular high priority. For Kagome to implement its third Mid-Term Management Plan in FY2022-2025, the Board of Directors will establish important themes that form the foundation of the plans and visions of the Group in order to develop a long-term vision aimed at sustainable growth, and then make systematic and focused efforts toward these themes over several years.

We will seek to further improve board effectiveness in light of the results of the latest evaluation.



## Directors' remuneration

The Company's directors' remuneration plan is designed and managed according to the basic policy that it be a remuneration plan suited to a global corporation aimed at the realization of the mid-term management plan and that the results provided to the company and roles expected through the job duties of individual

directors are important and that they are evaluated appropriately. Specifically, remuneration comprises basic compensation and the compensation that are linked to business performance. The proportions of each of the above are determined based on the positions of the directors.

### Remuneration and Nomination Advisory Committee

Fiscal year in which the committee was convened	Main matters deliberated
2021	<p>First committee</p> <ol style="list-style-type: none"> <li>FY2020 executive bonus (matter deliberated)</li> <li>Personnel reshuffle of directors (matter deliberated)</li> <li>Progress of succession plan (matter reported)</li> <li>Finalization of FY2018 stock options (matter reported)</li> </ol>
	<p>Second committee</p> <ol style="list-style-type: none"> <li>Committee system after April 2021 (matter deliberated)</li> <li>Directors' compensation for FY2021 (matter deliberated)</li> <li>Overseas CEOs' compensation (matter deliberated)</li> </ol>
	<p>Third committee</p> <ol style="list-style-type: none"> <li>Treatment of directors (matter deliberated)</li> </ol>
	<p>Fourth committee</p> <ol style="list-style-type: none"> <li>Results of compensation survey (matter reported)</li> <li>Clawback &amp; Malus clause (matter deliberated)</li> </ol>
	<p>Fifth committee</p> <ol style="list-style-type: none"> <li>Clawback clause (matter deliberated)</li> <li>Remuneration and Nomination Advisory Committee schedule for FY2022 (matter deliberated)</li> </ol>
2022	<p>First committee</p> <ol style="list-style-type: none"> <li>FY2021 executive bonus (matter deliberated)</li> <li>Finalization of FY2019 stock options (matter reported)</li> </ol>
	<p>Second committee</p> <ol style="list-style-type: none"> <li>Committee system after April 2022 (matter deliberated)</li> <li>Directors' compensation for FY2022 (matter deliberated)</li> <li>Overseas CEOs' compensation (matter deliberated)</li> </ol>

## Board of Directors' compensation

### Directors' compensation

Category of directors	Total amount of compensation, etc. (million yen)	Total amount of compensation, etc. by type (million yen)				Number of eligible directors (persons)
		Basic remuneration	Bonus	Stock options	Stock remuneration	
Directors (excluding Audit and Supervisory Committee members)*	313	143	86	21	61	6
Directors (Audit and Supervisory Committee members)*	33	33	—	—	—	1
External Director	54	54	—	—	—	5

\* Excludes external directors. Kagome transitioned to a corporate structure with an Audit and Supervisory Committee as of March 25, 2016.

### Total amount of compensation\*, etc. of individual directors

Category of directors	Total amount of compensation, etc. (million yen)	Total amount of compensation, etc. by type (million yen)			
		Basic remuneration	Bonus	Stock options	Stock remuneration
Satoshi Yamaguchi, President & Representative Director	92	43	30	1	16

\* Only compensation, etc. of persons whose total amount of compensation, etc. is 100 million yen or more is stated.

### Breakdown of compensation by position

Position	Fixed-amount compensation	Performance-linked compensation			Distribution of evaluation	
		Short-term cash bonus	Stock remuneration	Total	Company-wide business performance	Individual performance
President & Representative Director	50%	33%	17%	50%	100%	0%
Director & Senior Managing Executive Officer	60%	28%	12%	40%	80%	20%
Director & Managing Executive Officer	65%	25%	10%	35%	80%	20%
Director & Audit and Supervisory Committee member	100%	0%	0%	0%	—	—
External Director	100%	0%	0%	0%	—	—

### Amount of fixed compensation by position (excluding Director & Audit and Supervisory Committee member and External Director)

Position	Fixed-amount compensation (million yen)
President & Representative Director	43
Director & Senior Managing Executive Officer (set according to job grade)	30–32
Director & Managing Executive Officer (set according to job grade)	24–26

## ■ Calculation method of performance-linked compensation

The performance-linked compensation of each director is calculated using the formula shown below:

■ Basic bonus amount = Total basic compensation of each position/job grade × Total percentage of performance-linked compensation  
 ■ Total amount of performance-linked compensation = Standard bonus amount × (Company performance pay coefficient 1\*<sup>1</sup> [core operating income vs. budget] × Position weighting + Company performance pay coefficient 2\*<sup>1</sup> [year-on-year consolidated revenue] × Position weighting + Company performance pay coefficient 3\*<sup>1</sup> [net income attributable to shareholders of parent vs. budget] × Position weighting + Individual performance pay coefficient\*<sup>2</sup> × Position weighting)

\*1 The "Company performance pay coefficient" is determined through a "company performance evaluation" which evaluates the rate of achievement of company performance indicators. The Company has set three indicators as company performance indicators: (1) Amount of core operating income vs. budget," (2) "Amount of year-on-year consolidated revenue," and (3) "Amount of net income attributable to shareholders of parent vs. budget."

(1) Amount of core operating income vs. budget

Following our voluntary adoption of International Financial Reporting Standards in FY2019, we have set "feasibility of core operating income" (degree of achievement) compared to the initial budget as one of the company performance indicators, which serves as an important measure of consolidated management related to company performance evaluation. The ratio of consolidated ordinary income to consolidated revenue for FY2021 was 7.5%. Specifically, the achievement rate of the results versus the initial budget is set as the coefficient. The achievement rate of the results versus the budget for FY2021 was 108%.

(2) Amount of year-on-year consolidated revenue

We have chosen consolidated revenue amount as the second management indicator, which serves as a measure for evaluation in achieving the sustainable growth we aim for. Specifically, the achievement rate of the results versus previous fiscal year's actual results is set as the coefficient. The achievement rate of the results versus previous year's actual results was 104% for FY2021.

(3) Amount of net income attributable to shareholders of parent vs. budget

We set "Net income attributable to shareholders of parent," the ultimate bottom line, as a third management indicator so that we can continually create value for shareholders and achieve a higher level of contributions. Specifically, the achievement rate of the results versus the initial budget is set as the coefficient. The achievement rate of the results versus the budget for FY2021 was 111%.

\*2 The "individual performance pay coefficient" is determined through an "individual performance evaluation" which evaluates achievement and contribution against the individual performance indicators of each director. Individual performance indicators measure degree of contribution to solving company-wide issues and departmental issues and are set for each director in the form of KPIs (Key Performance Indicators).

In order to further assert our direction that emphasizes continued growth, starting in FY2021, in addition to consolidated revenue, which serves as a measure of growth potential, we are using the wording "amount" for all other indicators to enhance the consistency and transparency of the company's performance indicators.

## ■ Short-term performance-linked compensation: Cash bonus

The cash bonus for a single fiscal year, which is short-term performance-linked compensation, is calculated using the formula shown below:

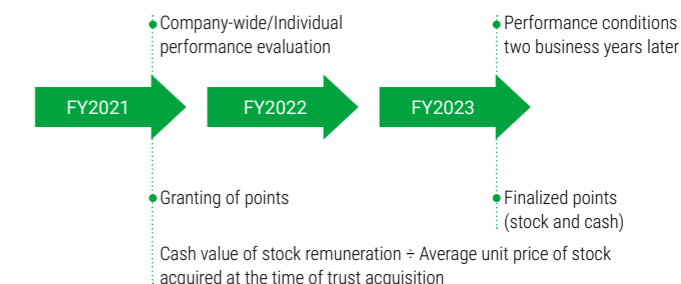
■ Cash bonus = Total amount of performance-linked compensation for single fiscal year × Percentage of total amount of performance-linked compensation accounted for by cash bonus

## ■ Medium- to long-term performance-linked compensation: BIP trust

Furthermore, we introduced a BIP trust in FY2020 as a medium- to long-term performance-linked compensation that is highly transparent and highly correlated to shareholder value. In the BIP trust, points are allocated by applying the average unit price of share acquisition at the time of trust acquisition to the amount equivalent to stock compensation cash determined based on the performance evaluation in a single fiscal year. This mechanism involves granting stock and providing cash decided according to the degree of achievement of the company-wide performance indicator (ratio of consolidated ordinary income to consolidated revenue) in two years' time where one point is converted to one share. Since stocks, instead of rights, will be granted directly to directors in the BIP trust, this will increase directors' motivation to create value for shareholders. We also expect the plan and its implementation to be easy to understand and transparent.

The cash value of the stock remuneration is calculated using the formula shown below:

■ Cash value of stock remuneration = Total amount of performance-linked compensation for single fiscal year × Percentage of stock remuneration in total amount of performance-linked compensation



## ■ Approach to repayment of directors' compensation

We have a Clawback & Malus clause that enables the Company to require all or a portion of the cash bonus and stock options to be repaid, and stop payment of stock options before they are paid out, in the event of a serious accounting error or fraud, serious breach against the delegation contract, or an act that significantly violates the psychological safety that the Company emphasizes.

The details of the disposal shall be deliberated by the Remuneration and Nomination Advisory Committee on a case-by-case basis followed by reporting to the Board of Directors.

In principle, remuneration paid in the fiscal year in which the applicable event was discovered plus remuneration that trace back to three business years prior are subject to repayment. Starting FY2022, the repayment may be made from cash bonus and stock options.

## Strengthening group governance

In order to enhance the Group's finance and accounting governance, we established a Group-wide accounting, tax and financial management policy in FY2019. We are dispatching finance and accounting personnel directly from the head office to major Group companies in order to ensure compliance with these policies.

Domain	Name	Main points
Accounting	Kagome Group Financial Reporting Standards (K-FRS)	■ Conformity with IFRS
Tax	Kagome Group Tax Policy	■ Compliance with laws and regulations of each country and each region ■ Prohibition of tax evasion and excessive tax avoidance
Finance	Kagome Financial Management Basic Policy	■ Reduction of risk assets; maximization of capital and asset efficiency ■ Risk management and prohibition of speculative financial transactions
	Kagome (Subsidiaries) Financial Management Basic Policy	■ Same as above ■ No holdings of financial products such as derivatives, in principle

## Cross-shareholdings

Our basic policy is to dispose of or reduce, as promptly as possible, the holding of shares considered insignificant. Each year, our company reviews the significance, economic rationality and other factors of cross-shareholding and determines whether or not to continue each holding and the number of shares to be held. The examination of economic rationality sets the value for each holding as of the end of the most recent fiscal year as the standard to calculate the percentage at which the holding contributed to the profit of the Company in such fiscal year. When such percentage is below a figure equivalent to approximately twice the average ROA of the Company for the past five years on a non-consolidated basis, such shares are subject to review for sale. Also reviewed are shares whose market price has declined 30% or more from the book value and shares of a company with whom the Company has transactions amounting to less than 100 million yen per year. Each year, the Board of Directors meet to deliberate on whether or not to sell shares of suppliers and clients that fall below these standards, determine the shares for sale, and sell some of its cross-shareholdings.

For response to the Corporate Governance Code, please refer to the Corporate Governance Report on our website.  
 ● [https://www.kagome.co.jp/library/company/ir/json/english/news/upload\\_file/tdnrelease/2811\\_20210602438790\\_P01\\_.pdf](https://www.kagome.co.jp/library/company/ir/json/english/news/upload_file/tdnrelease/2811_20210602438790_P01_.pdf)

## Compliance

### Revision of Code of Conduct

In recent years, the world is seeing more severe problems in all aspects of society while Japan has been experiencing a continuous super aged society and frequent natural disasters. In light of these, we revised our Code of Conduct with a view to realizing a sustainable society for Kagome's survival, looking to the environment that requires a "mutual support" spirit and framework.

The new Code of Conduct consists of three pillars: "mutual support," "respect for human rights" and "fairness," and it is considered pivotal

### Compliance promotion system

The Kagome Group has established a Compliance Committee, under the supervision of the Enterprise Risk Management Committee chaired by Kagome's President. The Compliance Committee, which is chaired by the Executive Officer with responsibility for overseeing compliance, undertakes the verification of compliance promotion and monitoring status. The results of the Compliance Committee's deliberations are reported to the members of the Management Meetings via the Enterprise Risk Management Committee. The Legal Affairs Office, which functions as the committee's secretariat, plays the central role in day-to-day compliance operations. Kagome established the Kagome Compliance Hotline, which is accessible to all domestic Group employees, and through which reports can be made and guidance given with regard to illegal or suspicious activities (including harassment and corruptions such as bribery) in the workplace. This system incorporates an internal direct line to the Compliance Committee's secretariat, as well as an external hotline to an outside law firm. To encourage employees to use these contacts without hesitation, the identities of those making reports are kept strictly confidential on the condition that they can be contacted by the hotline.

Kagome takes steps to protect the privacy of employees who make reports to ensure that these employees do not suffer any adverse consequences. We quickly conduct investigations based on the information received and take appropriate countermeasures. In such cases, respecting the principle that whistleblowers and other related parties cannot be identified, we share information internally so as to prevent similar incidents from occurring in the future. In FY2021, the Kagome Compliance Hotline was used 15 times, and each case was resolved.

### Initiatives to maintain rigorous compliance

Having formulated the Kagome Group Compliance Implementation Rules, Kagome Group in Japan implements thorough compliance throughout the Group. At domestic Group companies, the Legal Affairs Office, which serves as the secretariat of the aforementioned Compliance Committee, leads these efforts. Compliance implementation activities include not only the preliminary checks in compliance-related cases and the dissemination of compliance-related information, but also in-house compliance training conducted on an ongoing basis using group training and e-learning for new employees and new managers that incorporate awareness raising, case studies, and group discussions.

### Tax compliance

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

for the daily activities of Kagome Group employees, indicating how they should behave as corporate citizens as Kagome set its sights on becoming a "Strong company capable of sustainable growth, using food as a means of resolving social issues" by 2025. We will seek to raise awareness of the revised Code of Conduct and maintain high ethical standards as we fulfill our social responsibilities in compliance with laws, regulations, international rules and the spirit of our Code of Conduct.

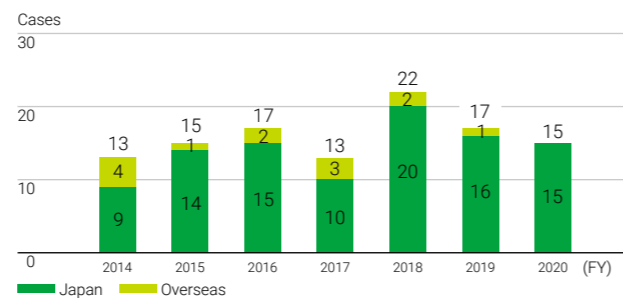
Kagome fully recognizes the importance of compliance in relation to Group companies located overseas. In 2014, an overseas internal reporting system was introduced, and the scope of this system has been gradually expanded to include the Group companies located in the U.S. and Australia.

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

In the event of compliance-violation, we will endeavor to accurately gather the facts and investigate the root cause, and take the facts seriously and carry out strict actions to thoroughly prevent recurrence as well as appropriately discipline the employees involved in the violation.

In FY2021, there was no case leading to legal measures, such as bribery or corruption.

### Kagome Compliance Hotline Number of consultations and reports received



In recent years, as an initiative for anti-corruption, which has become an important worldwide issue as indicated in the SDGs, we evaluated the bribery risks of overseas subsidiaries, and formulated the Kagome Group Corruption Prevention Policy to complement the Code of Conduct. In addition, in response to the expansion of business areas such as smart agriculture, we are reviewing the export control system in order to achieve an appropriate import & export control from a security perspective in terms of international peace and security maintenance. We strive to prevent corruption by conducting regular audits on the status of compliance and operation, with the monitoring results reported to the Board of Directors.

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

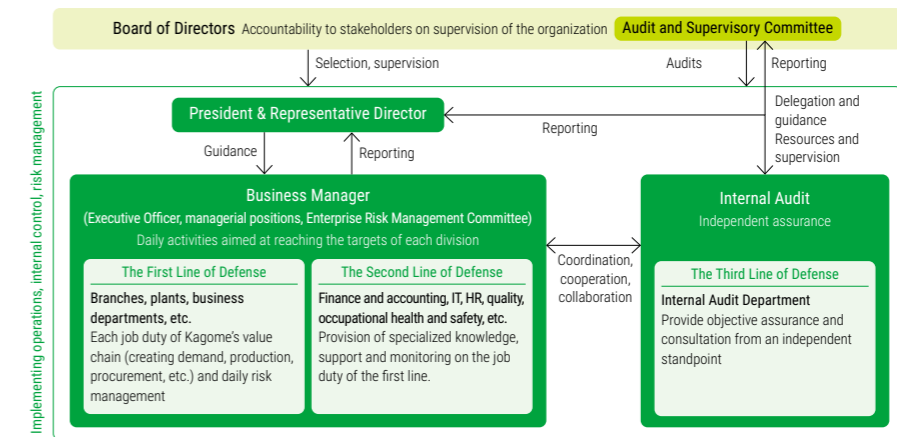
## Internal Control

### Initiatives based on the Three Lines of Defense Model

The Kagome Group conducts measures across the entire Group following the Three Lines of Defense Model as a global standard for internal control aimed at expanding its businesses in Japan and overseas to realize its Mid-Term Management Plan. There are merits in having the three lines.

These include maintaining a mutual check within the organization by separating and allocating functions appropriately to individual departments without overlap and enabling optimal response for the entire company by clarifying the responsibility of each job function, and so on.

### Three Lines of Defense Model



The First Line of Defense is responsible for creating demand in Kagome's value chain, production, procurement and primary processing, cultivation, research and development, and developing plant varieties, etc., namely the frontline of the field. The First Line of Defense conducts risk management in daily business activities by assessing the various risks in the execution of job duties at each business site, and implementing an appropriate controlling mechanism for these activities (segregation of duties, rules, documentation, etc.) It also incorporates necessary management systems, such as FSSC 22000 for quality and ISO 14001 for environment, for daily implementation on the first line at each business site.

The Second Line of Defense is a specialized organization that oversees finance and accounting, IT, HR, quality, occupational health and safety, etc. and provides daily support while monitoring the duties of the First Line of Defense. The Finance & Accounting Department, Information Systems Department, Human Resources Department, Quality Assurance Department, etc. have been established as the departments in charge of the Second Line of Defense. The Enterprise Risk Management Committee is established as a supervisory organization that oversees the risk management of the entire company. It conducts systematic risk management through cooperation with six specialist committees.

The Third Line of Defense comprises of the Internal Audit Department, which provides objective assurance (organizational diagnosis through audits) and consulting services from a standpoint that is

independent of the First and Second Lines of Defense. The Internal Audit Department serves as an organization that adds value to the achievement of Kagome's organizational targets, and needs to have an organizational independence. As such, it has a double reporting line to the president and the Audit and Supervisory Committee. It promotes improvements within the Group by providing audit reports that present various points of improvements within the organization to the departments under audit, the management, and Audit and Supervisory Committee. The assurance includes job audits conducted in response to internal risks and activities under the Internal Control Report System stipulated by the Financial Instruments and Exchange Act (J-SOX). In addition, it provides consulting services based on its specialized knowledge upon request from the First or Second Line of Defense. It provides advice and training in response to inquiries and requests from dozens of business managers annually.

Internal Control of the Kagome Group as a whole not only depends on the top management, but also requires practice of ethical behaviors from each and every employee in all three lines of defense on a regular basis. For this reason, the Internal Audit Department conducts internal awareness promotion activities for all employees throughout the year, as well as annual internal control self-assessment targeting all employees in monitoring changes in awareness and behavior of Kagome's employees.

For detail on Compliance and Internal Control, refer to the Organizational Governance page on the website.  
<https://www.kagome.co.jp/english/csr/management/>

## Our Responsibility to Shareholders and Investors

### Information disclosure

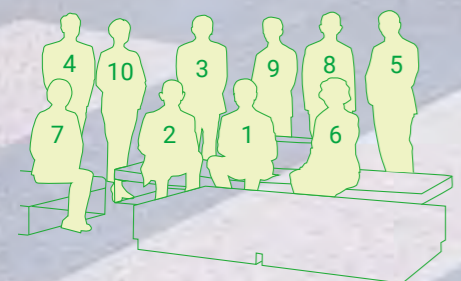
Kagome discloses information to shareholders and investors in a fair, simple and timely manner. We attach great importance to opportunities for two-way communication with shareholders and investors through IR events such as the General Meeting of Shareholders, Financial results briefing, Talks with the President, and production plant tours, among others.

### General Meeting of Shareholders

We encourage all shareholders to participate in its General Meeting of Shareholders. This is achieved by disclosing the content of the convocation notice and documents accompanying the convocation notice on the company website and sending them as early as possible. We make efforts to promote a deep understanding of our Group and enrich our communication with shareholders. On the actual day of the meeting, we provide visual presentations of the Chair's explanations and videos, and accept questions and provide answers via live streaming on the Internet. After the meeting, we promptly disclose details on Q&A sessions and results of questionnaires.

### Management oversight

Kagome recognizes that management oversight is enhanced through feedback on corporate activities and business performance from the perspective of numerous shareholders. As such, in 2001, we began working to attract 100,000 Kagome Fan shareholders. This initiative drove shareholder numbers past the 100,000 mark on September 30, 2005. Today, the number of shareholders stands at around 180,000. We will continue to appropriately reflect the valuable opinions and needs of our shareholders in all our corporate activities.



**Directors**

(As of March 30, 2021)

- 1 Satoshi Yamaguchi** (date of birth: December 29, 1960)  
 President & Representative Director  
 Remuneration and Nomination Advisory Committee Member  
 1983 Joined the Company  
 2003 General Manager, Institutional & Industrial Business Unit  
 2010 Executive Officer  
 2010 Director, Institutional & Industrial Business Division  
 2015 Director, Innovation Division  
 2018 Director, Vegetable Business Division  
 2019 Director & Managing Executive Officer  
 2020 President & Representative Director (to present)
- 2 Yoshihide Watanabe** (date of birth: March 4, 1958)  
 Director & Senior Managing Executive Officer  
 1982 Joined The Nippon Credit Bank, Ltd. (currently, Aozora Bank, Ltd.)  
 1998 Joined Cerberus Japan K.K.  
 2003 Joined Industrial Revitalization Corporation of Japan  
 2007 Joined the Company, Special Adviser  
 2008 Executive Officer  
 2008 General Manager, Corporate Planning Department, Corporate Planning Division  
 2009 Director, Corporate Planning Division  
 2009 Director & Executive Officer  
 2011 Director & Managing Executive Officer  
 2016 Director & Senior Managing Executive Officer (to present)
- 3 Takashi Hashimoto** (date of birth: October 30, 1958)  
 Director & Senior Managing Executive Officer  
 1983 Joined the Company  
 2001 General Manager, Shizuoka Plant  
 2003 General Manager, Kozakai Plant  
 2005 General Manager, Production Technology Department  
 2008 General Manager, Production and Procurement Planning Department  
 2012 General Manager, Corporate Planning Department  
 2013 Executive Officer  
 2017 Director, Production & Purchasing Division  
 2019 Managing Executive Officer  
 2020 Senior Managing Executive Officer  
 2021 Director & Senior Managing Executive Officer (to present)
- 4 Hirohisa Kobayashi** (date of birth: July 16, 1961)  
 Director & Managing Executive Officer  
 Director, Sales Division  
 1984 Joined the Company  
 2005 General Manager, Taiwan Kagome Co., Ltd.  
 2006 General Manager, Probiotics Business Unit (responsible for marketing)  
 2009 General Manager, Consumer Sales Department, Osaka Branch  
 2014 Executive Officer  
 2014 Director, Consumer Business Division  
 2015 Managing Executive Officer  
 2015 Director, Marketing Division  
 2018 Director, Sales Division (to present)  
 2019 Director & Managing Executive Officer (to present)
- 5 Takayuki Hashimoto** (date of birth July 9, 1954)  
 External Director  
 Independent  
 Remuneration and Nomination Advisory Committee Member  
 1978 Joined IBM Japan, Ltd.  
 2000 Vice President, Small & Medium Business, IBM Japan  
 2003 Vice President, Business Partner & Personal Computing & System Group, IBM Japan  
 2007 General Manager, Global Technology Services, IBM Japan  
 2008 General Manager, Sales, IBM Japan  
 2009 General Manager, IBM Japan  
 2012 Director & Chairman, IBM Japan  
 2014 Chairman, IBM Japan  
 2014 External Director of the Company (to present)  
 2015 Vice Chairman, IBM Japan  
 2015 Outside Auditor of IHI Corporation  
 2016 Outside Member of the Board of Mitsubishi Chemical Holdings Corporation (to present)  
 2016 Outside Director of CHUBU Electric Power Co., Inc. (to present)  
 2017 Honorary Advisor, IBM Japan (to present)  
 2019 President and Representative Director, Yamashiro Management R&D Institute LTD. (to present)  
 2021 Independent Non-Executive, Deloitte Tohmatsu LLC and Deloitte Touche Tohmatsu LLC (to present)
- 6 Hidemi Sato** (date of birth: February 17, 1959)  
 External Director  
 Independent  
 Remuneration and Nomination Advisory Committee Member  
 1981 Joined Mitsubishi Electric Corporation  
 1996 Completed Doctoral Program at Graduate School of Ochanomizu University, took a doctorate (Doctor of Philosophy in Food Science)  
 1997 Part-time lecturer at Fukushima University, The Open University of Japan, Nippon Veterinary and Animal Science University (currently Nippon Veterinary and Life Science University)  
 1999 Part-time lecturer at Meiji University College  
 2015 Visiting professor at Nippon Veterinary and Life Science University (to present)  
 2017 External Director of the Company (to present)
- 7 Kumi Arakane** (date of birth: July 4, 1956)  
 External Director  
 Independent  
 1981 Joined KOBAYASHI KOSE COMPANY LIMITED (currently, KOSE Corporation)  
 1997 Obtained a doctorate (Doctor of Pharmacy) from the University of Tokyo  
 2002 Senior Chief Researcher, R&D Headquarters Advanced Cosmetic Research Laboratories of KOSE Corporation  
 2004 General Manager, Product Development Dept., Marketing Headquarters of KOSE Corporation  
 2006 Executive Officer, Deputy Director-General of Marketing Headquarters and General Manager of Product Development Dept. of KOSE Corporation  
 2010 Executive Officer, General Manager, R&D Laboratories of KOSE Corporation  
 2011 Executive Officer, General Manager, Quality Assurance Dept. of KOSE Corporation  
 2011 Director, KOSE Corporation (in charge of Quality Assurance Dept., Customer Service Center, Purchasing Dept., and Product Designing Dept.)  
 2017 Audit & Supervisory Board Member, KOSE Corporation  
 2019 Outside Audit & Supervisory Board Member, Kubota Corporation  
 2020 External Director of the Company (to present)  
 2020 Outside Director, Toda Corporation (to present)  
 2021 Outside Director, Kubota Corporation (to present)
- 8 Hirohito Kodama** (date of birth: March 22, 1959)  
 Director, Standing Audit and Supervisory Committee Member  
 Audit and Supervisory Committee Member  
 1981 Joined the Company  
 2003 General Manager, Corporate Planning Department  
 2006 Executive Officer  
 2008 Director & Executive Officer  
 2008 General Manager, Research & Development Division  
 2011 Director & Managing Executive Officer  
 2013 CEO, Asia Business Company  
 2015 General Manager, Shared Service Preparation Office  
 2016 Responsible for Business Process Redesign of the Company and President & Representative Director of Kagome Axis Co., Ltd.  
 2018 Outside Audit & Supervisory Board Member of Dynapac Co., Ltd.  
 2018 Director, Audit and Supervisory Committee Member (to present)  
 2021 Outside Director (Audit and Supervisory Committee Member) of Dynapac Co., Ltd. (to present)
- 9 Tatsuya Endo** (date of birth: August 18, 1959)  
 Remuneration and Nomination Advisory Committee Member  
 Independent  
 Audit and Supervisory Committee Member  
 External Director, Audit and Supervisory Committee Member  
 1985 Joined Arthur Andersen & Co., Tokyo Office  
 1990 Certified as tax accountant  
 1998 Partner at Arthur Andersen & Co., Tokyo Office  
 2002 Partner at Asahi KPMG Tax Corporation (currently, KPMG Tax Corporation)  
 2016 Deputy Senior Partner at KPMG Tax Corporation  
 2020 Representative of Tatsuya Endo Tax Accountant Office (to present)  
 2020 External Director, Audit and Supervisory Committee Member of the Company (to present)
- 10 Asako Yamagami** (date of birth: January 1, 1970)  
 External Director, Audit and Supervisory Committee Member  
 Independent  
 Audit and Supervisory Committee Member  
 1999 Registered as attorney-at-law. Joined Taiyo Law Office (currently, Paul Hastings LLP).  
 2005 Seconded to The Walt Disney Company (Japan) Ltd.  
 2006 Joined IBM Japan, Ltd.  
 2012 Contracted attorney, Office of International Affairs, Japan Federation of Bar Associations  
 2012 Joined Natori Law Office (currently, ITN Partners) as Partner (to present)  
 2015 Outside Director, Audit & Supervisory Committee Member, Musashi Seimitsu Industry Co., Ltd.  
 2016 Director, Office of International Affairs, Japan Federation of Bar Associations (to present)  
 2020 External Director, Audit and Supervisory Committee Member of the Company (to present)  
 2020 External Director, Audit and Supervisory Committee Member, Nikon Corporation (to present)  
 2021 Outside Director, NEC Capital Solutions, Limited (to present)

# Key Financial and Non-Financial Data

Accounting Period (Fiscal Year)	2011	2012	2013	2014*1	2015	2016	2017	2018	2018	2019	2020	2021
	Japanese Generally Accepted Accounting Principles (JGAAP)								IFRS			
<b>Profit and Loss (Unit: million yen)</b>												
Net sales/Revenue	180,047	196,233	193,004	159,360	195,619	202,534	214,210	209,865	184,595	180,849	183,041	189,652
Research and development expenses	2,655	3,009	3,084	2,566	3,240	3,219	3,346	3,557	3,555	3,525	3,557	3,796
Advertising expenses	6,122	7,053	6,918	5,319	4,671	5,086	5,977	6,109	6,110	5,150	6,872	7,509
Core operating income	—	—	—	—	—	—	—	—	12,400	12,304	13,599	14,138
Core operating income margin (%)	—	—	—	—	—	—	—	—	6.7	6.8	7.4	7.5
Operating income	8,466	9,278	6,775	4,328	6,723	10,946	11,968	12,000	12,228	14,079	10,682	14,010
Operating margin (%)	4.7	4.7	3.5	2.7	3.4	5.4	5.6	5.7	6.6	7.8	5.8	7.4
Net income attributable to shareholders of parent/ Net income attributable to owners of parent	4,217	6,480	5,105	4,366	3,441	6,764	10,100	11,527	8,998	10,198	7,425	9,763
<b>Financial Condition (Unit: million yen)</b>												
Total assets	148,207	168,965	183,621	203,413	208,885	219,804	195,737	193,612	199,826	201,179	224,913	215,208
Total net assets	92,815	104,432	113,023	124,566	126,344	97,991	105,853	104,843	103,363	111,386	112,651	119,542
Interest-bearing debt	15,851	24,004	31,088	35,904	37,419	74,538	37,168	37,302	39,625	38,020	55,295	36,520
<b>Cash Flows (Unit: million yen)</b>												
Cash flows from operating activities	11,757	7,407	(1,073)	1,753	12,039	18,824	16,598	10,130	10,722	12,224	20,442	14,796
Cash flows from investing activities	(4,985)	(1,781)	(3,941)	(7,110)	(11,023)	(18,576)	17,271	(299)	(299)	(9,267)	(3,398)	(14,162)
Cash flows from financing activities	(1,861)	1,050	2,322	1,793	1,555	6,904	(40,761)	(1,083)	(1,675)	(5,068)	12,104	(27,652)
Free cash flow	7,866	(1,417)	(12,661)	(4,269)	(4,011)	10,442	21,588	1,574	10,423	2,956	17,044	634
<b>Per Share Information (Unit: yen)</b>												
Net income per share/Basic earnings per share	42.40	65.15	51.39	44.01	34.64	68.30	114.03	130.03	101.50	114.89	83.73	109.37
Net assets per share/equity attributable to shareholders of the parent per share	920.81	1,020.86	1,094.07	1,204.77	1,201.96	1,043.89	1,150.50	1,146.85	1,130.27	1,219.47	1,242.19	1,328.36
Annual dividend per share	18.0	20.0	22.0	16.5	22.0	24.5	30.0	40.0	40.0	35.0	36.0	37.0
<b>Key Management Indicators (Unit:%)</b>												
Shareholders' equity ratio/Equity attributable to shareholders of the parent to total assets	61.8	60.1	59.1	58.8	57.2	42.1	52.1	52.5	50.2	53.9	49.3	54.6
Return on equity/Ratio of equity attributable to shareholders of the parent (ROE)	4.7	6.7	4.9	3.8	2.9	6.4	10.4	11.3	9.0	9.8	6.8	8.5
Return on assets/Ratio of core operating income to total assets (ROA)	6.3	6.3	4.3	2.6	3.4	5.3	6.1	6.2	6.2	6.1	6.4	6.4
Dividend payout ratio	42.5	30.7	42.8	37.5	63.5	35.9	26.3	30.8	39.4	30.5	43.0	33.8
Dividend on net assets ratio/Dividend on equity attributable to shareholders of the parent (DOE)	2.0	2.1	2.1	1.4	1.8	2.2	2.7	3.5	3.5	3.0	2.9	2.9
<b>Non-Financial Information</b>												
Number of employees*2 (persons)	2,101	2,209	2,349	2,368	2,569	2,621	2,456	2,504	2,504	2,599	2,684	2,822
Energy used*3 (thousands of gigajoules)	1,319	1,297	1,289	1,329	1,336	1,380	1,376	1,334	1,334	1,204	1,226	1,188
Water used*3 (thousands of tons)	3,452	3,627	3,945	3,850	3,828	3,628	3,442	3,247	3,247	3,137	3,111	3,064
CO <sub>2</sub> emissions*3 **4 (tons)	66,379	65,454	62,777	64,693	63,968	66,499	66,599	64,839	64,839	57,878	59,513	57,515

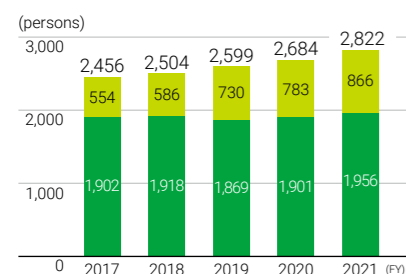
\*1 FY2014 represents the nine-month period from April 1, 2014 to December 31, 2014 following change to the Company's business year.

\*2 Coverage is the Kagome Group.

\*3 Coverage is Kagome Co., Ltd. and Group companies in Japan.

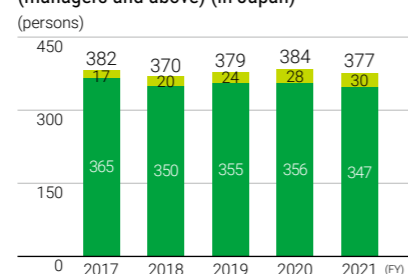
\*4 The electricity conversion coefficient for calculating CO<sub>2</sub> emissions is a fixed coefficient developed internally: 0.421 kg-CO<sub>2</sub>/kWh

Number of employees (consolidated)



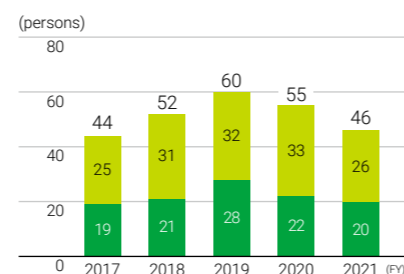
\* Coverage is the Kagome Group

Number of employees in managerial positions (managers and above) (in Japan)



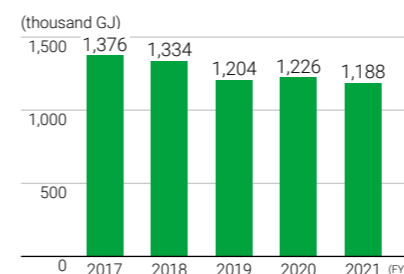
\* Coverage is Kagome Co., Ltd. and Kagome Axis Co., Ltd.

Number of new hires

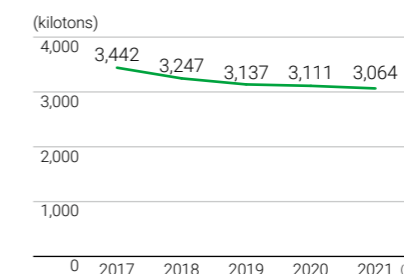


\* Coverage is Kagome Co., Ltd.

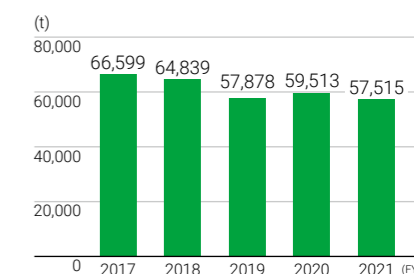
Energy Used



Water used



CO<sub>2</sub> emissions



\* Kagome obtains a verification report on CO<sub>2</sub> emissions from a third-party institution each year. Data from FY2021 reflects figures prior to third-party verification. Verified figures will be disclosed on the CSR website.

# Consolidated Financial Statements

## Consolidated Balance Sheets

	Unit: million yen	
	Previous fiscal year (December 31, 2020)	Fiscal year under review (December 31, 2021)
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	56,768	31,231
Trade and other receivables	40,104	41,657
Inventories	42,304	47,150
Income taxes receivable	180	189
Other financial assets	407	1,257
Other current assets	1,800	1,999
<b>Total current assets</b>	<b>141,567</b>	<b>123,485</b>
<b>Non-current assets</b>		
Property, plant and equipment	52,571	60,193
Intangible assets	3,546	3,351
Other financial assets	14,795	15,212
Investments accounted for using the equity method	7,176	7,873
Other non-current assets	3,325	3,141
Deferred tax assets	1,930	1,950
<b>Total non-current assets</b>	<b>83,345</b>	<b>91,723</b>
<b>Total assets</b>	<b>224,913</b>	<b>215,208</b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
<b>Current liabilities</b>		
Trade and other payables	33,681	35,244
Borrowings	47,465	26,436
Income taxes payable	2,851	2,530
Other financial liabilities	810	948
Other current liabilities	7,429	7,751
<b>Total current liabilities</b>	<b>92,238</b>	<b>72,911</b>
<b>Non-current liabilities</b>		
Long-term debt	5,459	7,824
Other financial liabilities	3,655	3,225
Retirement benefit liability	5,755	5,963
Provisions	1,088	1,162
Other non-current liabilities	872	1,122
Deferred tax liabilities	3,190	3,456
<b>Total non-current liabilities</b>	<b>20,023</b>	<b>22,754</b>
<b>Total liabilities</b>	<b>112,261</b>	<b>95,666</b>
<b>Net Assets</b>		
Share capital	19,985	19,985
Capital surplus	22,723	22,799
Treasury shares	(12,351)	(14,810)
Other components of equity	2,888	5,355
Retained earnings	77,730	84,235
Equity attributable to shareholders of parent	110,976	117,565
Non-controlling interests	1,674	1,977
<b>Total net assets</b>	<b>112,651</b>	<b>119,542</b>
<b>Total liabilities and net assets</b>	<b>224,913</b>	<b>215,208</b>

## Consolidated Statements of Income

	Unit: million yen	
	Previous fiscal year January 1, 2020 To December 31, 2020	Fiscal year under review January 1, 2021 To December 31, 2021
Revenue	183,041	189,652
Cost of sales	115,469	120,121
<b>Gross profit</b>	<b>67,572</b>	<b>69,531</b>
Selling, general and administrative expenses	53,059	55,809
Equity gains (losses) of affiliated companies	(914)	416
Other income	1,377	675
Other expenses	4,293	802
<b>Operating income</b>	<b>10,682</b>	<b>14,010</b>
Finance income	523	592
Finance costs	581	722
<b>Profit before income taxes</b>	<b>10,624</b>	<b>13,880</b>
Income taxes	4,522	3,897
<b>Net income</b>	<b>6,102</b>	<b>9,983</b>
Net income attributable to		
Shareholders of parent	7,425	9,763
Non-controlling interests	(1,323)	220
<b>Total</b>	<b>6,102</b>	<b>9,983</b>
Amounts per share of common stock		
Net income	83.73	109.37
Diluted net income	83.59	109.18

Note: Adjusted from gross profit to core operating income in the table.

Gross profit	67,572	69,531
Selling, general and administrative expenses	53,059	55,809
Equity gains (losses) of affiliated companies	(914)	416
<b>Core operating income*</b>	<b>13,599</b>	<b>14,138</b>

\* Core Operating Income is profit deducting cost of sales and selling, general, and administrative expenses from sales revenue plus equity gains (losses) of affiliated companies. Although not an indicator defined under IFRS, Kagome's Board of Directors evaluates the performance of business segment based on core operating income. Because it is considered useful information as an indicator measuring constant business performance of the Company, Kagome has voluntarily included this indicator in the Consolidated Statements of Income.

## Consolidated Statements of Comprehensive Income

	Unit: million yen	
	Previous fiscal year January 1, 2020 To December 31, 2020	Fiscal year under review January 1, 2021 To December 31, 2021
Net income	6,102	9,983
<b>Other comprehensive income</b>		
<b>Items that will not be reclassified to profit or loss</b>		
Remeasurements of defined benefit plans	65	(0)
Financial assets measured at fair value through other comprehensive income	244	(362)
Share of other comprehensive income of investments accounted for using equity method, net of tax	22	(44)
<b>Total</b>	<b>332</b>	<b>(407)</b>
<b>Items that may be reclassified subsequently to profit or loss</b>		
Effective portion of cash flow hedges	482	1,625
Cash flow hedges costs	(288)	(1)
Exchange differences on translation of foreign operations	(923)	1,902
Share of other comprehensive income of investments accounted for using equity method, net of tax	(2)	6
<b>Total</b>	<b>(732)</b>	<b>3,532</b>
<b>Other comprehensive income</b>	<b>(400)</b>	<b>3,124</b>
<b>Comprehensive income</b>	<b>5,701</b>	<b>13,108</b>
<b>Comprehensive income attributable to</b>		
Shareholders of parent	7,000	12,731
Non-controlling interests	(1,298)	376
<b>Total</b>	<b>5,701</b>	<b>13,108</b>

## Consolidated Statements of Cash Flows

	Unit: million yen	
	Previous fiscal year January 1, 2020 To December 31, 2020	Fiscal year under review January 1, 2021 To December 31, 2021
<b>Cash flows from operating activities</b>		
Profit before income taxes	10,624	13,880
Depreciation and amortization	6,895	7,495
Impairment losses	3,028	—
Interest and dividend income	(397)	(367)
Interest expenses	480	332
Equity gains (losses) of affiliated companies	914	(416)
(Gains) losses on sale and retirement of property, plant and equipment, and intangible assets	(189)	61
(Increase) decrease in trade and other receivables	(270)	(968)
(Increase) decrease in inventories	746	(3,226)
Increase (decrease) in trade and other payables	2,006	3,127
Other	(0)	(401)
<b>Subtotal</b>	<b>23,838</b>	<b>19,517</b>
Interest and dividends received	400	333
Interest paid	(327)	(508)
Income taxes paid	(3,469)	(4,545)
<b>Cash flows from operating activities</b>	<b>20,442</b>	<b>14,796</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment, and intangible assets, including investment property	(6,107)	(14,823)
Proceeds from sales of property, plant and equipment, including investment property	3,346	532
Payments for acquisition of businesses	(499)	—
Purchase of investments in subsidiaries	(10)	(65)
Purchase of other financial assets	(398)	(41)
Gain on available-for-sale financial assets	260	260
Other	10	(24)
<b>Cash flows from investing activities</b>	<b>(3,398)</b>	<b>(14,162)</b>
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term borrowings	23,927	(23,145)
Proceeds from long-term borrowings	1,036	2,777
Repayments of long-term borrowings	(7,888)	(673)
Expenditures from repayment of lease liabilities	(662)	(812)
Dividends paid	(3,112)	(3,219)
(Increase) decrease in treasury shares	(1,127)	(2,500)
Dividends paid to non-controlling interests	(68)	(91)
Income from the sale of a subsidiary's equity to a non-controlling interests	—	14
<b>Cash flows from financing activities</b>	<b>12,104</b>	<b>(27,652)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>29,148</b>	<b>(27,018)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>27,260</b>	<b>56,768</b>
<b>Foreign translation adjustment on cash and cash equivalents</b>	<b>359</b>	<b>1,480</b>
<b>Cash and cash equivalents at end of period</b>	<b>56,768</b>	<b>31,231</b>

Company Overview As of March 31, 2022

Kagome Co., Ltd.

Founded: 1899

Incorporated: 1949

Head Office: 3-14-15, Nishiki, Naka-ku, Nagoya, Aichi  
Tel: +81-52-951-3571 (Main) Fax: +81-52-968-2510Tokyo Head Office: Nihonbashi-hamacho F-Tower, 3-21-1 Nihonbashi-hamacho, Chuo-ku, Tokyo  
Tel: +81-3-5623-8501 (Main) Fax: +81-3-5623-2331

Capital: 19,985 million yen

Number of employees: 2,822 persons (consolidated)

Business locations: Head Office, Tokyo Head Office, 1 division office, 8 branches, 6 business offices, 6 plants, Innovation Division, and Tokyo Laboratory

Description of business: Production and sales of food seasonings, preserved foods, beverages, and other food products; purchasing, production, and sales of seedlings, fruits, and vegetables

● Division offices, branches and business offices

● Plants

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

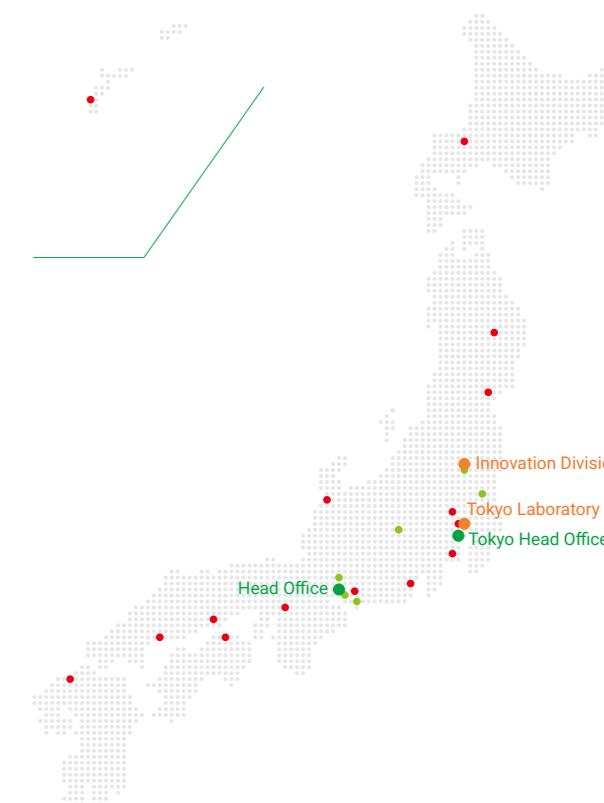
## Main Group companies

## Domestic Subsidiaries and Associates

- Kagome Agri Fresh Co., Ltd. (Chuo-ku, Tokyo)
- Hibikinada Greenfarm Co., Ltd. (Kitakyushu City, Fukuoka)
- Iwaki Onahama Greenfarm Co., Ltd. (Iwaki City, Fukushima)
- Kagome Axis Co., Ltd. (Nagoya City, Aichi)
- F-LINE Corp. (Chuo-ku, Tokyo)

## Overseas Subsidiaries and Associates

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





# Stock Information As of December 31, 2021

## Status of Shares

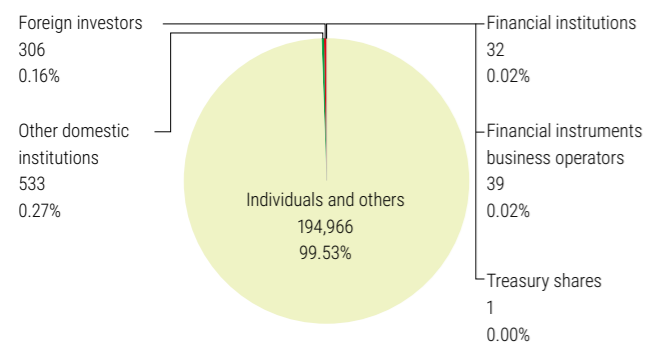
Number of shares outstanding:	94,366,944 shares
Total number of authorized shares:	279,150,000 shares
Number of shares per unit:	100 shares
Number of shareholders:	195,877

## Major Shareholders

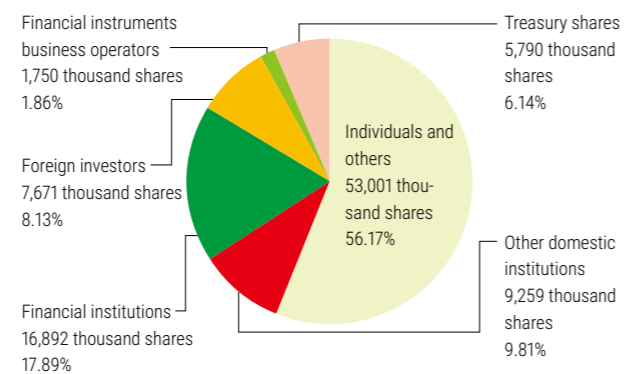
Names of Major Shareholders	Capital Contribution to the Company	
	Number of Shares Held (thousand shares)	Shareholding Ratio (%)
The Master Trust Bank of Japan, Ltd. (account in trust)	11,071	12.49
Custody Bank of Japan, Ltd. (account in trust)	4,475	5.05
Dynapac Co., Ltd.	4,379	4.94
Toshichika Kanie	1,412	1.59
JP MORGAN CHASE BANK 385781	1,095	1.23
SMBC Nikko Securities Inc.	1,030	1.16
STATE STREET BANK WEST CLIENT - TREATY 505234	1,012	1.14
Kagome Business Association	987	1.11
Eikichi Kanie	982	1.10
Kagome Employee Stock Ownership Plan	930	1.05
<b>Total</b>	<b>27,377</b>	<b>30.90</b>

## Status of Share Distribution

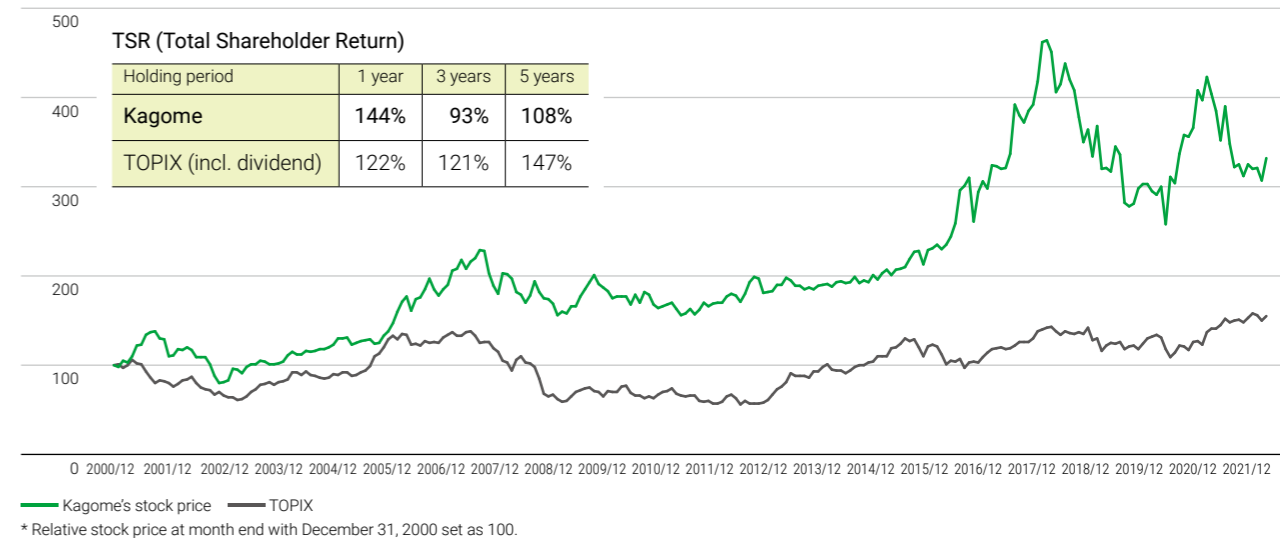
### Distribution by Shareholder Type



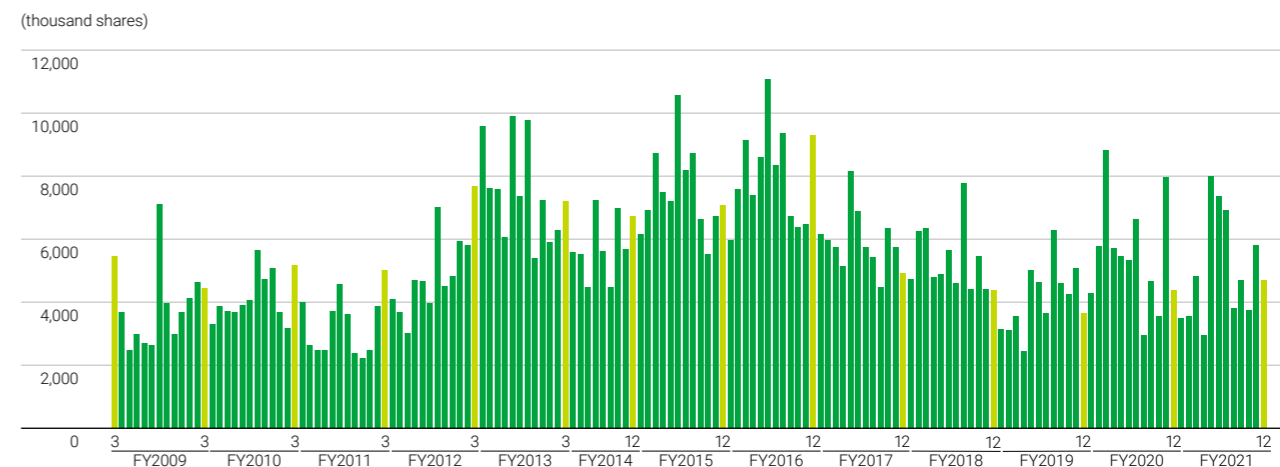
### Distribution by Number of Shares



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



## Changes in Trading Volume



## Trends in the Number of Shareholders

