

Last Update: November 30, 2018

KAGOME CO., LTD.

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Securities Code: 2811

<http://www.kagome.co.jp/>

The corporate governance of Kagome Co., Ltd. (the “Company”) is described below.

I. Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information

1. Basic Views

In accordance with its corporate philosophy of “appreciation,” “nature” and “corporate openness,” the Company aims to achieve sustainable growth and improve the mid- to long-term value of the Company. The Company acknowledges corporate governance to be a critical management issue toward these objectives.

The Company considers further strengthening of “autonomy” complemented by “heteronomous” to be the fundamentals of its corporate governance. It 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.

The Company aims to deliver a high degree of accountability and achieve the “corporate openness” in its interactions with stakeholders, while employing the unique attributes and originality of Kagome.

[Reasons for Non-compliance with the Principles of the Corporate Governance Code]

The Company implements every principle of the Corporate Governance Code in its entirety.

[Disclosure Based on the Principles of the Corporate Governance Code]

Principle 1.4 Cross-Shareholdings

(1) Policy regarding cross-shareholdings

The Company holds the shares of companies if it judges that doing so is necessary to achieve sustainable growth or enhance its social value and economic value, or to build good relations with business partners and facilitate business as part of management strategy, including business alliances and the stable procurement of raw materials. Under the basic policy of disposing or reducing, as promptly as possible, the holding of certain shares which are considered insignificant in light of the situation at the end of the immediately preceding business year, the Company examines at meetings of the Board of Directors every year 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. In the examination of economic rationality for each holding, the ratio of the amount which the issuer of the shares contributed to the profits of the Company in the immediately preceding business year to the value of the shares held by the Company at the end of the business year is calculated. When the ratio is below a figure equivalent to approximately double the average ROA of the Company for the past five years on a non-consolidated basis, such shares shall be subject to review for sale. In addition, shares whose market price has declined 30% or more from the book value thereof and shares of a company with whom the Company has transactions amounting less than 100 million yen per year are also subject to review for sale thereof. Moreover, shares of the Company’s suppliers and clients that do not meet these standards shall be subject to deliberation at meetings of the Board of Directors every year as to whether or not to sell them and those chosen shall be sold.

As a result of a review, the Company sold some of its cross-shareholdings in FY2018.

(2) Criteria for exercise of voting rights concerning cross-shareholdings

When exercising voting rights concerning cross-shareholdings, the Company comprehensively judges the arguments for and against, taking into consideration whether or not the proposed motion will help strengthen appropriate corporate governance systems or enhance shareholders value or the proposed motion's impact on the Company, and the Company exercises voting rights appropriately.

Where necessary, the Company engages in dialogue with the issuing company over the content of a proposed motion, etc.

(3) Policy for responding to cases where the intention to sell the Company's shares concerning cross-shareholding is indicated

If a company holding the Company's shares for cross-shareholding (shareholder in cross-shareholding) indicates its intention to sell the shares, the Company will unconditionally agree to the sale. In this case, any shares of the shareholder in the cross-shareholding held by the Company shall be disposed of as promptly as possible.

Principle 1.7 Related Party Transactions

The Company monitors related party transactions through its Board of Directors by setting out in the Regulations of the Board of Directors that any related party transaction requires the prior approval of the Board of Directors and that any related party transaction that takes place must be promptly reported to the Board of Directors and by conducting operations in accordance with the Regulations. The Audit & Supervisory Committee also conducts audits in accordance with the audit & supervisory standards of the Audit & Supervisory Committee.

Principle 2.6 Exercise of Functions as Asset Owner of Corporate Pension Plan

The Company has introduced a defined contribution pension system for its employees' asset formation. In light of the significant impact of the management of the pension plan on the employees' asset formation, the Company aims to appropriately manage the assets by selecting investment products from a number of perspectives, providing education on asset management to the employees and monitoring management performance on a half-yearly basis.

Principle 3.1 Full Disclosure

(1) The Company's vision (corporate philosophy, etc.) and its management strategy and medium-term management plan are disclosed on the Company's website and in financial results presentation materials, etc.

(URL: <http://www.kagome.co.jp/company/about/philosophy/>)

(2) The Company discloses its basic views on corporate governance and its Basic Policy of Corporate Governance on the Company's website and in its annual reports, corporate governance reports, integrated reports, CSR reports, etc.

(URL: <http://www.kagome.co.jp/company/csr/management/governance/>)

[Basic Policy of Corporate Governance]

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

The Company considers further strengthening of "autonomy" complemented by "heteronomous" to be the fundamentals of its corporate governance. It 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.

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

(3) The Company discloses the policy and procedures by which the Board of Directors determines the compensation of senior management and directors in its annual reports, corporate governance reports,

integrated reports, etc.

(4) When the Board of Directors appoints senior management and nominates candidates for directors and audit & supervisory board members, the Company's policy is to appoint people who will help improve the mid-to long-term value of the Company, and the procedure is that the Board of Directors approves candidates selected by the Remuneration and Nomination Advisory Committee, which is made up of a majority of independent external directors, and to put proposals on candidates for directors before the General Meeting of Shareholders. In addition, the Company implements regular reviews and checks of the appropriateness of selecting officers by assessing the officers' performance and operating the Remuneration and Nomination Advisory Committee.

(5) The appointment and removal of candidates for directors and external directors are explained in notices of convocation of general meetings of shareholders.

(Notice of the 74th Annual General Meeting of Shareholders URL:

<http://www.kagome.co.jp/library/company/ir/meeting/>)

[Supplementary principle 4-1-1: Scope of Delegation of Authority to the Management Team]

The Company transitioned to a corporate structure with an audit and supervisory committee. The transition separates executive functions from supervisory functions, which helps clarify business responsibility and speed up decision-making and execution of operations. The provisions of the Articles of Incorporation enable important decision-making to be left wholly or partially to directors by resolution of the Board of Directors. The Board of Directors mainly assumes the role of making decisions via deliberation on the Company's policies and management strategies and matters that will help improve the mid- to long-term value of the Company and monitoring their progress, and important matters related to business execution except for matters such as business reorganization, M&A, the transfer or receipt of transfer of significant assets, the borrowing and lending of large amounts of funds, and personnel affairs, are left to the management led by the President, in principle.

Principle 4.9 Independence Standards and Qualifications for Independent External Directors

The Company has established "Standards for Judging the Independence of External Directors" and discloses these in notices of annual general meeting of shareholders, annual reports, corporate governance reports, integrated reports, etc. At present, one of the standards for judging independence stipulates that the total term of tenure as external director must be within eight years, but in the future the Company will verify the relationship between term of tenure and independence as it sees fit and will examine an appropriate term of tenure.

[Supplementary principle 4-11-1: Preconditions for Board of Directors and Audit & Supervisory Board Effectiveness]

The Company believes that, to realize improvement in the mid-to long-term value of the Company by fully demonstrating the advisory function and monitoring function of the Board of Directors, it is desirable to ensure that the Board of Directors is of an appropriate size to be able to conduct high quality deliberation, while ensuring a composition that strikes a balance with diversity in terms of age, gender, knowledge, capability and experience. The procedure for appointing director candidates is that the Board of Directors makes decisions via deliberation by the Remuneration and Nomination Advisory Committee, the majority of whose members are external directors.

The Board of Directors currently consists of 12 directors, nine of whom are directors (excluding directors who are audit and supervisory committee members) and three of whom are directors who are audit and supervisory committee members. Five of its directors are independent external directors. The external directors have various career backgrounds including corporate management, diplomat, academic, certified public accountant, and attorney-at-law, and they also have vast experience and knowledge for diversity management, business globalization, and extension of healthy life expectancy through food that form part of the Company's mid- to long-term vision. One of the goals under the Company's long-term vision is "50% of the workforce consisting of women--from employees to executive officers" by around 2035-2040, and the Company is also aiming for early achievement of this goal with respect to its Board of Directors.

[Supplementary Principle 4-11-2: Preconditions for Board of Directors and Audit & Supervisory Board Effectiveness]

The Company stipulates in its internal regulations that the approval of management meeting must be obtained when a director excluding external director of the Company serves simultaneously as an officer of other companies, and the Company receives reports as necessary on the status of concurrent posts of external directors of the Company and confirms that they are able to fulfil their roles and responsibilities as directors of the Company, and there are no particular problem as of disclosure of this Code. The status of concurrent posts at other companies held by external directors is disclosed in notices of annual general meeting of shareholders, annual reports, corporate governance reports, etc.

[Supplementary Principle 4-11-3: Preconditions for Board of Directors and Audit & Supervisory Board Effectiveness]

The Company conducted an evaluation of the effectiveness of the Board of Directors in November 2018. A summary of the results is as follows.

1. Method of implementation of the evaluation

Implementation of survey of directors (all 6 areas, 30 criteria)

The categories in the survey were as follows.

- (1) Design of the Board of Directors (frequency of meetings, size, composition, etc.)
- (2) Operation of the Board of Directors (time (explanations and deliberations), provision of information, secretariat support, etc.)
- (3) Proposals of the Board of Directors (coverage of themes, timing of submission of proposals, progress reports, etc.)
- (4) Quality of discussions of the Board of Directors (objectivity and multifaceted nature of discussions, accountability, leadership of chair, etc.)
- (5) Corporate governance structure (appointment and compensation decision process, dialogue with stakeholders, etc.)
- (6) Overall evaluation (improvement of corporate value, decision-making, effectiveness of functions, appropriateness of judgments, etc.)

Survey of the Remuneration and Nomination Advisory Committee (5 criteria)

Survey of Audit and Supervisory Committee (7 criteria)

Deliberations by the Board of Directors based on the foregoing

2. Summary of evaluation results

The evaluation of the Company's Board of Directors following discussions based on the foregoing was that the Company's Board of Directors generally functions properly in all areas (1) ~ (6) and is effective.

Criteria for which the evaluation was particularly high were as follows.

- The timing and frequency of holding meetings of the Board of Directors are appropriate.
- The time spent for explaining agenda of the meetings is appropriate.
- Time is allocated according to the priority of proposals.
- Support provided by the secretariat of the Board of Directors is appropriate.
- Answers given in response to questions and suggestions are appropriate and accountability is sufficiently achieved.
- The results of discussions of the Board of Directors are reviewed and revised as appropriate.
- The chair demonstrates appropriate leadership and conducts proceedings from a neutral standpoint, leading to clear conclusions.
- There is sufficient public disclosure of information and dialogue with stakeholders.
- The Board of Directors conducts activities with the objective of promoting management aimed at improving corporate value.
- The Board of Directors achieves speedy and flexible decision-making.
- There is a clear line of demarcation between matters to be resolved by the Board of Directors and matters whose resolution is the responsibility of the business execution side.
- The Board of Directors conducts discussions based on the Company's management philosophy and management strategies.
- The operations of the Board of Directors are reviewed and improved on a continuous basis.
- Appropriate risk-taking is taking into account in making decisions through deliberations at meetings of the Board of Directors.

Generally, the results of the latest evaluation of the effectiveness of the Board of Directors compared with the results of the evaluation in the previous fiscal year confirmed that the Board of Directors is more effective and that improvements are being made steadily.

In the latest evaluation of the effectiveness of the Board of Directors, the issues that the Company recognized the necessity of further improvement were “reporting of the status of the execution of business operations (prioritization and planning of items of business of the Board of Directors’ meetings),” “improvement of the timing of submitting important issues for deliberation and follow-ups” and “improvement of the quality of deliberations and securing time for deliberations.” Initiatives to deal with these issues are progressing based on the results of the evaluation of the effectiveness of the Board of Directors in the previous fiscal year. With regard to the issue of “reporting of the status of the execution of business operations (prioritization and planning of items of business of the Board of Directors’ meetings),” the Company will work to make improvements by increasing information sharing opportunities for the directors and scheduling annual reporting on the execution of directors’ duties.

With regard to the issue of “improvement of the timing of submitting important issues for deliberation and follow-ups,” suggestions were made mainly on issues concerning deliberations on investment projects. The Company will work to make improvements by enhancing and expanding the functions of the Investment Committee to achieve deliberations by the Board of Directors in an early stage and by including the reporting of results of monitoring investment projects in the ordinary business of the Board of Directors’ meetings. With regard to the issue of “improvement of the quality of deliberations and securing time for deliberations,” the Company will work to ensure more essential discussions at meetings of the Board of Directors by introducing a system of preliminary questions and answers in order to secure sufficient time for deliberations, in addition to the ongoing measures for securing time for deliberations such as shortening time for the provision of explanations through restrictions on the numbers and forms of materials for the meetings and the provision of materials (explanations) before the meetings.

In addition, with regard to the Remuneration and Nomination Advisory Committee, suggestions were made concerning timely holding of meetings and the development of discussions on succession plans. With regard to the Audit and Supervisory Committee, suggestions were made concerning further reinforcement of audit functions through reinforcing cooperation with interested sections, although the Committee was generally highly evaluated. The Board of Directors of the Company recognizes the above as issues to be addressed to and will work on relevant initiatives.

The Company will seek to further improve the effectiveness of the Board of Directors based on the results of the latest evaluation of the effectiveness of the Board of Directors.

[Supplementary principle 4-14-2: Training Policy for Directors and Audit & Supervisory Board Members]

The Company’s policy is that Directors receive training on the roles and responsibilities of Directors on becoming Directors. The secretariat of the Board of Directors explains the management status and the corporate governance structure to external directors when they take up office, and also provides them with opportunities to visit overseas subsidiaries, plants, orchards and other business premises and to deepen their understanding of the Company’s management after they take up office.

In FY2016, the Company began providing training to all officers as part of planning for the development of successors. The training focuses on the roles and responsibilities and management knowledge required of senior managers, and helpful approaches and frameworks for the formulation and execution of strategies.

The Company encourages Directors and Executive Officers to participate in outside seminars and external organizations, and the cost of this is borne by the Company in accordance with internal regulations based upon requests by Directors, Executive Officers, etc.

Principle 5.1 Policy for Constructive Dialogue with Shareholders

Based on the idea that increasing understanding of the Company’s business operations through “dialogue and exchange activities” with shareholders and institutional investors will contribute to the Company’s sustainable growth and improvement in its corporate value, the Company actively conducts IR activities through dialogue and exchange between shareholders and institutional investors and the Company’s representatives and other senior management as well as its office employees.

The Company’s IR Department is in charge of dialogue and exchange with shareholders and institutional investors, and the IR Department makes proper disclosure while examining how it responds with the President and the Director in charge in accordance with the Company’s policy of “fair, simple and timely” disclosure.

The IR Department deals with interviews with shareholders and institutional investors, including interviews given by the President and the Director in charge, taking the purpose of the interview and the attributes of the

interviewees into consideration. As for the disclosure and presentation of financial results, etc., the relevant departments such as Corporate Planning, Finance & Accounting, Corporate Communications, etc. hold discussions on a regular basis with the IR Department that supports dialogue to ensure organic cooperation for proper information disclosure. In addition, the Company holds financial results presentations (half-year and full-year results) twice a year for analysts and institutional investors, and the President also holds small meetings with analysts and institutional investors to explain the Company's business operations. The President holds dialogue and exchange meetings with individual shareholders with office employees participating in the meetings at the Company's offices throughout Japan. The Company also provides opportunities for dialogues during factory tours and vegetable farm tours and holds financial results briefings for individual shareholders. Information about these activities is posted on the Company's webpages as necessary.

2. Capital Structure

Foreign Shareholding Ratio	Less than 10%
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[Status of Major Shareholders]

Name / Company Name	Number of Shares Owned	Percentage (%)
Japan Trustee Services Bank, Ltd.	8,925,300	8.95
Dynapac Co., Ltd.	4,899,540	4.91
The Master Trust Bank of Japan, Ltd.	4,789,400	4.80
Nissin Foods Holdings Co., Ltd.	1,559,000	1.56
Toshichika Kanie	1,412,700	1.41
Eikichi Kanie	1,145,400	1.14
JP MORGAN CHASE BANK 385151	1,112,705	1.11
STATE STREET BANK WEST CLIENT - TREATY 505234	983,300	0.98
Hisao Kawaguchi	980,500	0.98
Kagome Business Association	964,800	0.96

Controlling Shareholder (except for Parent Company)	-
Parent Company	None

Supplementary Explanation

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3. Corporate Attributes

Listed Stock Market and Market Section	Tokyo Stock Exchange, First Section, Nagoya Stock Exchange, First Section
Fiscal Year-End	December
Type of Business	Foods
Number of Employees (consolidated) as of the End of the Previous Fiscal Year	More than 1000
Sales (consolidated) as of the End of the Previous Fiscal Year	From ¥100 billion to less than ¥1 trillion
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	From 10 to less than 50

4. Policy on Measures to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholder

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5. Other Special Circumstances that may have a Material Impact on Corporate Governance

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II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management

1. Organizational Composition and Operation

Organization Form	Company with Audit & Supervisory Committee
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[Directors]

Maximum Number of Directors Stipulated in Articles of Incorporation	17
Term of Office Stipulated in Articles of Incorporation	One year
Chairperson of the Board	Company President
Number of Directors	10
Nomination of External Directors	Nominated
Number of External Directors	5
Number of Independent External Directors	5

External Directors' Relationship with the Company (1)

Name	Attribute	Relationship with the Company*											
		a	b	c	d	e	f	g	h	i	j	k	
Seiichi Kondo	Other												
Takayuki Hashimoto	From another company									Δ			
Hidemi Sato	Academic												
Morihiro Murata	Certified Public Accountant												
Hiroshi Mori	Lawyer												

* Categories for "Relationship with the Company"

* "○" when the director presently falls or has recently fallen under the category; "Δ" when the director fell under the category in the past

* "●" when a close relative of the director presently falls or has recently fallen under the category; "▲" when a close relative of the director fell under the category in the past

a. Executive of the Company or its subsidiaries

b. Non-executive director or executive of a parent company of the Company

c. Executive of a fellow subsidiary company of the Company

d. A party whose major client or supplier is the Company or an executive thereof

e. Major client or supplier of the listed company or an executive thereof

f. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides remuneration as a director/member of the Audit & Supervisory Committee

g. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)

h. Executive of a client or supplier company of the Company (which does not correspond to any of d, e, or f) (the director himself/herself only)

i. Executive of a company, between which and the Company external Directors/members of the Audit & Supervisory Committee are mutually appointed (the director himself/herself only)

j. Executive of a company or organization that receives a donation from the Company (the director himself/herself only)

k. Others

External Directors' Relationship with the Company (2)

Name	Membership of Audit & Supervisory Committee	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons for Appointment
Seiichi Kondo		○	-	<p>Mr. Seiichi Kondo has extensive experience in overseas assignments of central government ministries and agencies and knowledge of economy, and the Company proposes his appointment to reflect his experience and knowledge in the management of the Company which aims for global expansion of the tomato business. The Company believes that he will be able to properly execute the duties of external director of the Company from a far-reaching and sophisticated viewpoint.</p> <p>The Company nominates him as independent director because he meets the requirements for an independent director set by the stock exchange and also meets the Standards for Judging the Independence of Independent External Directors of the Company.</p>
Takayuki Hashimoto		○	<p>Mr. Takayuki Hashimoto has served as President of IBM Japan, Ltd. and as Chairman thereof and presently is Honorary Executive Advisor thereof. Business transactions between the Company and IBM Japan, Ltd. include maintenance services for network equipment. As the ratios of the transaction value in FY2017 accounted for less than 1% of the consolidated net sales of the Kagome Group and IBM Japan Group, respectively, and considering the nature of the transactions, the Company believes that they do not affect Mr. Hashimoto's independence as Independent External Director.</p>	<p>Mr. Takayuki Hashimoto has extensive experience and knowledge of diversity promotion as a manager of a highly diversified global company, and the Company proposes his appointment to reflect his experience and knowledge in the management of the Company which aims for global personnel optimization. The Company believes that he will be able to properly execute the duties of external director of the Company from a far-reaching and sophisticated viewpoint.</p> <p>The Company nominates him as independent director because he meets the requirements for an independent director set by the stock exchange and also meets the Standards for Judging the Independence of Independent External Directors of the</p>

				Company.
Hidemi Sato		○	-	Dr. Hidemi Sato is enthusiastically expanding activities for food and nutrition education through classes on food and nutrition education, general lectures and mass media including television, newspapers and magazines, while engaging in research activities accompanied by many academic papers and presentations on food and nutrition education. The Company proposes her appointment as External Director to reflect her advice on management in light of realizing its medium- and long-term vision of helping solve social problems through food. Although she has never been involved in corporate management in the past, the Company believes that she will properly perform her duties as an External Director based on the above.
Morihiro Murata	○	○	-	Mr. Morihiro Murata is proficient in corporate accounting as a certified public accountant and tax accountant, and has extensive insight to oversee corporate management. The Company believes, therefore, that he will properly execute his duties as an external director who is an Audit & Supervisory Committee Member. The Company nominates him as independent director because he meets the requirements for an independent director set by the stock exchange and also meets the Standards for Judging the Independence of Independent External Directors of the Company.
Hiroshi Mori	○	○	-	As a lawyer, Mr, Hiroshi Mori is well-versed in corporate legal affairs, and has extensive insight to oversee corporate management. The Company believes, therefore, that he will properly execute his duties as an external director who is an Audit & Supervisory Committee Member.

				The Company nominates him as independent director because he meets the requirements for an independent director set by the stock exchange and also meets the Standards for Judging the Independence of Independent External Directors of the Company.
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[Audit & Supervisory Committee]

Committee's Composition and Attributes of Chairperson

	All Committee Members	Full-time Members	Internal Directors	External Directors	Chairperson
Audit & Supervisory Committee	3	1	1	2	Internal Director

Appointment of Directors and/or Staff to Support the Audit & Supervisory Committee	Appointed
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Matters Related to the Independence of Such Directors and/or Staff from Executive Directors

The Company has one standing Audit & Supervisory Committee member as a Director and employee to support the Audit & Supervisory Committee in its duties, and the Internal Audit Department is in charge of assisting said member. To ensure the independence of said Director and employee, the Company is required to obtain the prior consent of the Audit & Supervisory Committee when determining matters relating to authority to manage the personnel affairs of said Director and the head of the Internal Audit Department, including appointments, personnel changes and disciplinary action.

Cooperation among the Audit & Supervisory Committee, Accounting Auditors and Internal Audit Departments

The Company receives submission of an annual audit plan and a report of audit results from Nagoya Audit Corporation with which it has concluded an audit agreement. Audit and Supervisory Committee Members are present at audits conducted by the audit corporation and also cooperate closely with the accounting auditor and the Internal Audit Department, exchanging information and opinions with them on a regular basis. The Company's internal audits audit whether the business activities of each office are conducted properly and efficiently in compliance with laws and regulations, rules, management policies and management plans, and they aim to contribute to the rationalization of management and improvement of business efficiency. The Internal Audit Department monitors the reliability of financial reports from a neutral perspective as a business unit under direct supervision of the President and as the secretariat of the Audit and Supervisory Committee. It also directly audits the status of business execution of each business unit in the Group on a regular basis and endeavors to strengthen group governance. Any problems identified in audits are reported in a timely manner to the Audit and Supervisory Committee and the President and necessary measures and improvements are sought.

[Voluntary Establishment of Nomination/Remuneration Committee]

Voluntary Establishment of Committee(s) Corresponding to Nomination Committee or Remuneration Committee	Established
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Committee's Name, Composition, and Attributes of Chairperson
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	Committee Corresponding to Nomination Committee	Committee Corresponding to Remuneration Committee
Committee's Name	Remuneration and Nomination Advisory Committee	Remuneration and Nomination Advisory Committee
All Committee Members	5	5
Full-time Members	0	0
Internal Directors	1	1
External Directors	3	3
External Experts	0	0
Other	1	1
Chairperson	Internal Directors	Internal Directors

Supplementary Explanation

<p>The Company established the Remuneration and Nomination Advisory Committee as an advisory body to the Board of Directors to determine the compensation of directors of the Company. The Remuneration and Nomination Advisory Committee consists of at least three members, a majority of whom are independent external directors. The Remuneration and Nomination Advisory Committee deliberates matters such as a system of remuneration and level of remuneration that are appropriate to the management environment and company performance and the appropriateness of individual remuneration according to individual performance, from an objective and fair perspective.</p>

[Independent Directors]

Number of Independent Directors	5
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Matters relating to Independent Directors

The Company established Standards for Judging the Independence of Independent External Directors of the Company as follows, and nominates as independent directors external directors who meets these standards and are deemed to pose no risk of a conflict of interest with general shareholders.

Standards for Judging the Independence of Independent External Directors of the Company

The Company deems an External Director to have sufficient independence in the event that he/she meets the Standards for Judging Independence as described below:

1. A person who is not or was not in the past a Director, corporate auditor (excluding outside officer), Executive Officer or employee of the Kagome Group.
2. A person who is not or has not been a major shareholder of the Kagome Group in the past five business years (pertains to a shareholder who holds 10% or more of the total voting rights of the shares of the Kagome Group), or a person who is not Director, corporate auditor, Executive, Executive Officer or employee of an entity for which the Kagome Group is a major shareholder
3. A person who is not Director, corporate auditor (excluding outside officer), Executive, Executive Officer or employee of a major business partner of the Kagome Group (pertains to a business partner whose amount of transactions with the Kagome Group is 2% or more of the consolidated net sales of the Kagome Group in any of the past three business years)
4. A person who is not Director, corporate auditor (excluding outside officer), Executive, Executive Officer or employee of an entity for which the Kagome Group is a major business partner (pertains to a business partner whose amount of transactions with the Kagome Group accounts for 2% or more of the consolidated net sales of the business partner in any of the past three business years)
5. A person who is not officer or employee of corporations or organizations that receive a large amount of donations* from the Kagome Group
 - * An average of 10 million yen or more annually in the past three business years, or an amount that is 2% or more of net sales or total revenue of the recipient
6. A person who is not Director, corporate auditor (excluding outside officer), Executive, Executive Officer or employee of a corporation which mutually exchanges Directors, corporate auditors or Executive Officers with the Kagome Group
7. A person who has not been representative partner, partner or employee of the accounting auditor of the Kagome Group in any of the past five years
8. A person who is not an attorney-at-law, a certified public accountant, a certified tax accountant, consultant or other professional who receives a large amount of remuneration* from the Kagome Group, other than compensation as an officer
 - * On the average in the past three business years, 10 million yen or more in the case of an individual and 2% or more of consolidated net sales in the case of a corporation
9. A person who is not the spouse, a relative within the second degree of kinship or a relative living together of any person described in 1) through 8) above
10. A person whose total term of tenure as External Director is within eight years

Note: The Kagome Group refers to Kagome Co., Ltd. and its subsidiaries.

[Incentives]

Incentive Policies for Directors	Performance-linked Remuneration, Stock Options
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Supplementary Explanation

Directors' bonuses are linked to consolidated ordinary income.
The Company introduced stock compensation-type stock options at the 69th Annual General Meeting of

Shareholders held on June 19, 2013.

Recipients of Stock Options

Internal Directors

Supplementary Explanation

Every fiscal year, the Company allocates stock acquisition rights in the form of stock options to Directors (excluding Directors who are Audit and Supervisory Committee Members and External Directors) of up to 500 million yen per annum, which is the amount of compensation for Directors (excluding Directors who are Audit and Supervisory Committee Members and External Directors) resolved at the 72 nd annual general meeting of shareholders of the Company held on March 25, 2016.
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[Directors' Remuneration]

Disclosure of Individual Directors' Remuneration
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Selected Directors

Supplementary Explanation

The Company discloses individual directors' remuneration for one representative director in the disclosure of the total amount for all directors (Unit: Million yen) Representative Director Naoyuki Terada: Directors' remuneration 43 Directors' bonus 22 Stock options 5 Total payment 71

Policy on Determining Remuneration Amounts and Calculation Methods
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Established

Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods
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<p>The Company's directors' remunerations, etc. comprise basic remuneration and bonus, and the policy for determining each is as follows.</p> <p>Basic remuneration is fixed remuneration that is based on the highest annual salary of employees and determined according to the importance of roles played by directors within the limits of the total amount resolved by the general meeting of shareholders. Since bonuses are linked to degree of contribution to management, they are determined based on the consolidated ordinary income ratio and an individual director's degree of contribution to performance.</p> <p>The Company established the Remuneration and Nomination Advisory Committee as an advisory body to the Board of Directors to determine the compensation of directors of the Company. The Remuneration and Nomination Advisory Committee consists of at least three members, a majority of whom are independent external directors. The Remuneration and Nomination Advisory Committee deliberates matters such as a system of remuneration and level of remuneration that are appropriate to the management environment and company performance and the appropriateness of individual remuneration according to individual performance, from an objective and fair perspective.</p> <p>At the 72nd annual general meeting of shareholders held on March 25, 2016, a proposal on "Determination of amount and specific content of compensation related to stock acquisition rights in the form of stock options for Directors (excluding Directors who are Audit and Supervisory Committee members) was approved and adopted, and stock compensation-type stock options were introduced. As part of evaluation and remuneration system reforms under the medium-term management plan, the stock options are aimed at getting directors to share the benefits and risks of stock price fluctuations with shareholders and making them more motivated to increase the Company's stock price and improve its corporate value.</p> <p>The remuneration of Audit and Supervisory Committee members is determined through discussions of the Audit and Supervisory Committee within the limit of a total amount resolved at a general meeting of shareholders.</p> <p>The system of directors' retirement benefits was abolished at the annual general meeting of shareholders in</p>
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June 2005.

[Supporting System for External Directors]

The Corporate Planning Department which is the secretariat of the Board of Directors explains and distributes reference materials for meetings of the Board of Directors, etc. to External Directors before meetings where necessary.

2. Matters on Functions of Business Execution, Auditing, Oversight, Nomination and Remuneration Decisions (Overview of Current Corporate Governance System)

The Company has a corporate structure with an Audit and Supervisory Committee. The Company defines the main role of the Board of Directors as to decide management strategy and management policies and monitor their implementation, and the Company seeks to enhance the advisory function and strengthen the supervisory function of the Board of Directors and to increase its effectiveness by appointing three or more External Directors who satisfy the Standards for Judging the Independence of Independent External Directors of the Company. The Audit and Supervisory Committee sets 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.

Nomination and remuneration of Directors are deliberated by the Remuneration and Nomination Advisory Committee, in which Independent External Directors account for one half or more of its members. The results of the deliberation are advised to the Board of Directors which then determines the nomination and remuneration of Directors, thereby enhancing fairness and appropriateness.

Under its executive officer system, the Company uses set criteria to delegate implementation responsibilities and authority to its departments. The Company has established the Meeting of Executive Officers in order to convey and make known the Board of Directors' resolutions and reported matters as well as to facilitate communication and coordination among executive officers. Moreover, the Management Meetings have been established under the leadership of the President to ensure business is executed agilely and through mutual coordination. Deliberations in the Management Meetings enable appropriate risk taking and also produce clear allocations of responsibilities, while enabling the Company to make decisions in an expedient manner.

3. Reasons for Adoption of Current Corporate Governance System

The Company chose a corporate structure with an Audit and Supervisory Committee to further separate business executive functions from supervisory functions, increasing the speed and flexibility of decisions on the business execution side while at the same time strengthening the business execution supervisory functions. The Company adopted the current system to increase the accountability of the Board of Directors and realize sustainable growth and improvement in corporate value over the medium and long term.

III. Implementation of Measures for Shareholders and Other Stakeholders

1. Measures to Vitalize the General Shareholder Meetings and Smooth Exercise of Voting Rights

	Supplementary Explanations
Early Notification of General Shareholder Meeting	The Notice of the 73 rd Annual General Meeting of Shareholders was sent on March 8, 2017. On February 23, 2017, before the date of sending, the Company also made early internet disclosure of the meeting on its website.
Allowing Electronic Exercise of Voting Rights	The Company began allowing exercise of voting rights via the Internet in 2004.
Participation in Electronic Voting Platform and other Measures for Improving Environment for Exercise of Voting Rights by Institutional Investors	The Company first used the electronic voting platform in 2013.
Other	To help activate general meetings of shareholders and improve communication with shareholders, the Company uses a shareholder email magazine service and its website to notify shareholders that it is sending notices of shareholder meetings, ask them to exercise their voting rights, disclose individual results of the exercise of voting rights and report general meetings of shareholders using video, etc. The Company also asks shareholders who come to the shareholders meeting on the day to answer a questionnaire survey and uses this to activate shareholders meetings in subsequent years.

2. IR Activities

	Supplementary Explanations	Explanations by Representative
Preparation and Publication of Disclosure Policy	The Company publishes details of its disclosure policy such as the Standards and Policy for Information Disclosure on its website.	
Regular Investor Briefings for Analysts and Institutional Investors	The Company holds financial results briefings for analysts and institutional investors twice a year on the day following the announcement of its financial results (for the first half and the full year).	Yes
Posting of IR Materials on Website	The Company posts annual reports, financial summary reports and other reports and scenes from financial results briefings and general meetings of shareholders on its website.	
Establishment of Department and/or Manager in Charge of IR	The IR Group of the Finance & Accounting Department is in charge of IR.	
Other	The Company is constantly engaged in direct and indirect dialogue and exchange activities with shareholders, holding visits to facilities and meetings between the President and individual shareholders, and conducting questionnaire surveys, to increase understanding of the Company's corporate activities among individual shareholders and institutional investors.	

3. Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanations
Stipulation of Internal Rules for Respecting the Position of Stakeholders	<p>With regard to proper collaboration with stakeholders and respect for their interests and ethical business activities, the Company has established a Code of Conduct that must be upheld by all officers and employees of the Group based on its corporate philosophy and brand statement.</p> <p><Corporate philosophy> “Appreciation” “Nature” “Corporate Openness” Established in 2000 as an inherited management spirit that pervades through changing times</p> <p><Brand statements> True to nature, the flavor of KAGOME Established in 2003 as a promise to customers</p> <p>The Company’s Compliance Policy and Code of Conduct are published on the Company’s website. Code of Conduct: http://www.kagome.co.jp/company/about/code.html Compliance Promotion System: http://www.kagome.co.jp/company/kankyo/report/management_03/index.html</p>
Implementation of Environmental Activities, CSR Activities etc.	<p>The Kagome Group contributes to extending people’s healthy life expectancy by creating products derived from the wealth of nature's bounty, including tomatoes and other fruits and vegetables, and delivering them to consumers, while at the same time contributing to the sustainability of agriculture and the global environment through its involvement in the whole process starting from agriculture to maintain and develop this business. By implementing this cycle and creating a structure that provides both “social value” and “economic value” through the creation of demand, the Group aims to achieve sustainable growth. To realize this, the Company appreciates the global environment that supports people’s lives and in order to maintain corporate activities that are in harmony with the global environment, it formulates an “Environmental Policy” and a “Medium-Term Environmental Plan” and operates and continuously improves its Environmental Management System (EMS). The Company posts information about its social and environmental initiatives on its website and updates them each year. (URL:http://www.kagome.co.jp/company/kankyo/report/index.html)</p>
Development of Policies on Information Provision to Stakeholders	<p>The Company includes “Corporate Openness” in its corporate philosophy and strives for proper disclosure, including not only information disclosure required by laws and regulations but also disclosure of other information. The Company actively discloses non-financial information in its sustainability report and on its website, etc.</p>

IV. Matters Related to the Internal Control System

1. Basic Views on Internal Control System and the Progress of System Development

Basic Policy on Internal Control Systems

1. System to ensure that the execution of duties by directors and employees is in conformity with the laws and regulations and Articles of Incorporation

- The Company conducts business activities in line with its corporate philosophy of “Appreciation” “Nature” and “Corporate Openness,” which it see as an inherited management spirit that pervades through changing times.
- The Company establishes a Code of Conduct to enable its Directors and Executive Officer (hereinafter “officers”) and employees to comply with laws and regulations and the Articles of Incorporation and realize “Corporate Openness” which is part of its corporate philosophy.
- The Company has a Compliance Committee to decide on actions to address major issues and recurrence prevention measures and to examine compliance policy measures, etc.
- The Company develops internal reporting systems, and strives for the early discovery and correction of violations of laws and regulations, Articles of Incorporation, rules, social norms and corporate ethics (hereinafter “violations of laws and regulations”) or the risk thereof.
- The Company provides training and education on compliance to its officers and employees on an ongoing basis.
- The Company develops and applies internal control over financial reporting in accordance with the Financial Instruments and Exchange Act and other relevant laws and regulations to ensure the reliability of financial reports.
- The Company has absolutely no involvement with anti-social forces and takes a resolute stance against anti-social forces’ unjust demands by collaborating with police and lawyers.
- The Company has an Internal Audit Department which conducts audits to check that business activities at every place of business are conducted properly and efficiently in compliance with laws and regulations, the Articles of Incorporation, company regulations and management policies and plans and which proposes and implements countermeasures and improvement measures where necessary.

2. Regulations and other systems concerning management of loss risk

- The Company has a Joint Risk Management Meeting as a body to oversee risk management in the Group comprising the Company and its subsidiaries (hereinafter the “Group”) and this meeting examines risk policy and issues in addressing major risks and expedites decision-making.
- The Company has a Quality Assurance Committee which efficiently implements quality assurance activities including recognition of the current status of quality management and product quality and deliberation of quality policy and targets and product design standards.
- The Company formulates business continuity plans in case of a large-scale natural disaster such as an earthquake or an epidemic of a new strain of influenza or other infection, and endeavors to minimize interruption to business.
- The Company has a Research Ethics Review Committee, which examines the ethical adequacy and scientific legitimacy of medical research on humans conducted by the Company.

3. System for ensuring that directors perform duties efficiently

- The Company separates the supervisory and business execution functions to clarify management responsibility and to expedite decision-making and business execution.

- The Company defines the main role of the Board of Directors as to decide the Company's management strategy and policies and monitor their implementation, and the Company seeks to enhance the advisory function and strengthen the supervisory function of the Board of Directors by appointing three or more Independent External Directors who satisfy the Standards for Judging the Independence of Independent External Directors set out by the Company.
 - The Company has a Remuneration and Nomination Advisory Committee and the results of its deliberations are advised to the Board of Directors which then determines the nomination and remuneration of officers, thereby enhancing fairness and appropriateness.
 - Under its executive officer system, the Company uses set criteria to delegate implementation responsibilities and authority to its departments. The Company has a Meeting of Executive Officers in order to convey and make known the Board of Directors' resolutions and reported matters as well as to facilitate communication and coordination among executive officers.
 - The Company has established Management Meetings under the leadership of the President to ensure business is executed agilely and through mutual coordination. Deliberations in the Management Meetings enable appropriate risk taking and also produce clear allocations of responsibilities, while enabling the Company to make decisions in an expedient manner.
 - The Company establishes "Rules on Organization and Division of Duties," "Rules on Administrative Authorities" and "Rules on Consensus Decision Making (Ringi)" and executes business properly and efficiently.
 - Each department within the Company is involved in activities for achievement of targets under the Mid-Term Management Plan and Annual Plan adopted by resolution of the Board of Directors and the Company verifies this through regular reports at meetings of the Board of Directors to confirm progress and make any adjustments to the Company's trajectory.
 - Based on the idea that being evaluated by many shareholders will help strengthen its management supervisory functions, the Company promotes the creation of "Kagome-Fan" shareholders. The Company will continue to use feedback from shareholders to improve its management activities and will also continue to enhance disclosure of information about its corporate activities in the future.
4. System for the storage and management of information with regard to the execution of duties by Directors
- The Company stores and manages information with regard to the execution of duties by Directors such as the minutes of meetings and documents for consensus decision making in accordance with laws and regulations and internal rules.
 - The Company works to protect information assets including personal information through measures such as the establishment of an Information Security Committee and the establishment of an Information Security Policy.
 - The Company provides training and education about information security to its officers and employees on an ongoing basis.
5. System for ensuring appropriate business operations within the Kagome Group
- The Company sets out a corporate philosophy, a Code of Conduct, a Mid-Term Management Plan and a Corporate Policy for each fiscal year that apply to the Group to ensure appropriate business operations within the Kagome Group and puts them into action.
 - The Company exercises management over the business operations of Group companies through relevant responsible departments while respecting their autonomy and receives reports as appropriate about the business results, execution of important business, major risks and major violations of laws and regulations at each company through its Board of Directors and the Joint Risk Management Meeting.
 - The Company's Internal Audit Department audits and verifies all the Group's business operations and provides advice.

- The Company dispatches officers and employees of the Company to each Group company as Directors or corporate auditors to supervise and audit the execution of business.
 - The Company makes the Group's internal reporting system known within the Group and seeks to gradually introduce an internal reporting system to its overseas subsidiaries that do not have such a system.
 - Regarding Group information management, the Company has a Group Information Security Policy and works to protect information assets.
6. System for assisting the duties of the Audit and Supervisory Committee
- The Company's Internal Audit Department is the department that assists the duties of the Audit and Supervisory Committee.
 - In assisting the Audit and Supervisory Committee, the Internal Audit Department shall not be under the direction or command of anyone other than the Audit and Supervisory Committee Members, and decisions on matters related to the authority to manage personnel affairs of the Internal Audit Department such as appointment of the head of the department, personnel changes and disciplinary action, shall require the consent of the Audit and Supervisory Committee.
7. System for reporting to the Audit and Supervisory Committee and system for ensuring effective auditing by the Audit and Supervisory Committee
- Audit and Supervisory Committee Members shall be allowed to attend meetings of the Board of Directors as well as other important meetings such as Management Meetings, Meetings of Executive Officers, and Joint Risk Management Meetings, and the Company has a system in place that allows the Audit and Supervisory Committee to check decision-making by the Board of Directors and business execution by senior management.
 - The Audit and Supervisory Committee may ask officers and employees of the Group for reports at any time where necessary.
 - Officers and employees of the Group may report to an Audit and Supervisory Committee member or the Audit and Supervisory Committee when they have discovered a violation of laws and regulations or a fact that might be seriously damaging to the Company.
 - The Audit and Supervisory Committee regularly receives reports on matters such as the status of operation of internal reporting systems.
 - The Internal Audit Department reports its audit plans and audit results to the Audit and Supervisory Committee and otherwise endeavors to exchange information and cooperate closely with the committee. It also receives advice and instructions from the Audit and Supervisory Committee before acting.
8. System for ensuring that anyone who has reported to the Audit and Supervisory Committee does not suffer from detrimental treatment for the reason of having made said report
- The Company does not allow any officer or employee who has reported to an Audit and Supervisory Committee Member or the Audit and Supervisory Committee to suffer from detrimental treatment for the reason of having made said report.
9. Matters related to procedures for advance payment or reimbursement of expenses arising in conjunction with the execution of duties by Audit and Supervisory Committee and other policies for processing expenses and obligations arising with respect to execution of such duties
- Audit and Supervisory Committee Members may pass resolutions in the Audit and Supervisory Committee meetings on matters related to audit policy, audit methods and the budget for audit expenses that are deemed necessary for Audit and Supervisory Committee Members to execute their duties.
 - Audit and Supervisory Committee members may retrospectively claim reimbursement from the Company of urgent or incidental expenses related to the execution of their duties.

2. Basic Views on Eliminating Anti-Social Forces and the Progress of System Development

The Company has established a Code of Conduct to enable officers and employees to comply with laws and regulations and the Articles of Incorporation and to realize “Corporate Openness,” which is part of its corporate philosophy. The Code of Conduct clearly states that the Company’s basic policy is to resolutely oppose any antisocial forces that pose a threat to civil society and that it will not respond in any way to unjust demands, and the Company distributes this Code and makes it known to all its officers and employees. The Compliance Committee acts as a general point of contact in the event of unjust demands by anti-social forces and will deal with them by collaborating with legal advisors, the police and other specialists.

V. Other

1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	Adopted.
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Supplementary Explanation

The Company received approval for “Measures for Responding to Large-Scale Purchases of the Company’s Shares (Anti-Takeover Measures)” (hereinafter the “Rules”) at the 74th Annual General Meeting of Shareholders held on March 28, 2018.

1. Basic Policy on the Control of the Company

The Company has established a basic policy regarding the nature of persons who control the Company’s decisions on financial and business policy (hereinafter the “Basic Policy”), and the details of the Policy is as follows.

1-1 Details of the Basic Policy

The Kagome Group’s philosophy is “Appreciation,” “Nature” and “Corporate Openness.” Prompted by its 100th anniversary in 1999, Kagome established this philosophy in January 2000, aiming for the further development of the Kagome Group. The philosophy encapsulates the inherited management spirit of Kagome’s founder and his successors (Appreciation), the source of the Company’s products and the value it creates (Nature), and its determination to be a company that is fair and open to people and society (Corporate Openness). The Group conducts its corporate activities in accordance with this corporate philosophy.

The Company believes that, in the case of a proposed large-scale purchase of the Company’s shares by a specific offeror, the question of whether shareholders sell the Company’s shares should ultimately be left to the judgment of shareholders. As a prerequisite for this, it may, however, be important to provide shareholders with appropriate and sufficient information and to then ensure that they have sufficient time and opportunity to make a judgement. The Company believes, therefore, that the best way to secure and enhance the Company’s corporate value and shareholders’ common interests is for the Company’s Board of Directors to gather detailed information from the party proposing the large-scale purchase and to provide this to shareholders. If the Company’s Board of Directors judges that such large-scale purchase could cause damage to the Company’s corporate value and shareholders’ common interests, the Company’s Board of Directors should provide shareholders with appropriate and sufficient information to help them choose between the proposal for said large-scale purchase and an alternative proposal prepared by the Company’s Board of Directors and should then ask shareholders to make a judgment.

1-2 Special Efforts that Will Contribute to Achieving the Basic Policy

True to its corporate philosophy, the Group recognizes that corporate growth goes hand in hand with social growth and, as an “open company,” the Group is working together with various stakeholders around the world to be able to offer products with new value. The source of the value of the products created by the Group is “Nature” and, as a globally unique company that is rooted in nature and has an integrated value chain encompassing agriculture, production, processing and sales, the Company pursues management that will utilize these strengths and develop the speed and competitiveness to respond to dramatic environmental changes with an eye on the global market. The Group will also work tirelessly to be a company that shows “Appreciation” its stakeholders and continues to be loved and supported by them.

(1) Approach to Improvement of Corporate Value under the Mid-Term Management Plan

The Group made comprehensive forecasts of future environmental changes to formulate the 2016-2018 Mid-Term Management Plan that is currently underway. These forecasts made the worsening of social issues in Japan evident. The Group recognized the extension of healthy life expectancy as a common theme among these issues, which it should address ahead of everything else. In addition to this issue, the Group realized that the conversion of agriculture into a growth industry, regional revitalization and global food shortages were themes with whose solutions it should help. Based on these realizations, the Company set its ideal state in 2025 as a strong company that can maintain sustainable growth by resolving social issues through food. In 2016, the Company established the long-term vision of transforming itself from a “tomato company” to a “vegetable company.” The Company seeks to realize the ideal state and the long-term vision stated above through undertakings including the provision of a wide variety of products that make vegetable consumption

easy, including fresh vegetables, juices, seasonings, frozen materials and supplements, information about the health values of vegetables, and the development of new businesses. The quantitative targets for 2025 set under the long-term vision are net sales of 300 billion yen and operating income of 20 billion yen. In addition to these financial target figures, the Company adopted raising the daily per-capita vegetable intake in Japan from 293 grams to 350 grams or more, the target level recommended by the Ministry of Health, Labour and Welfare, and increasing the ratio of brightly colored vegetables that the Company supplies in Japan from about 12% to 15% or more. With these figures as the targets, the Company will engage in operations for transforming itself into a “vegetable company.”

Furthermore, the Company set a ratio of 50% women in all ranks ranging from employees to directors as its target based on a hard, long-term look at what things will be like from 2035 to 2040. Based on that target, the Company is advancing diversity-related activities. Through these activities, the Company will transform itself into an enterprise that is able to create innovations, advance its responses to diversifying consumer demands and implement business strategies developed from the viewpoint of purchasers.

(2) Efforts to Strengthen Corporate Governance

The Company is aiming to sustain its growth and improve its value over the medium and long terms based on its philosophy of appreciation, nature and corporate openness. The Company recognizes corporate governance as a critical management issue for that reason.

The Company considers the further strengthening of autonomy and its supplementation by heteronomy to be corporate governance foundations. They mean guaranteeing objectivity and transparency by introducing diverse external viewpoints through initiatives including the promotion of a campaign for increasing Kagome fans among shareholders and the practical use of the functions of external directors, while maintaining the development of corporate governance that is able to adapt to the changing times based on the Company’s intentions as a principle.

The Company seeks to achieve advanced accountability and transform itself into an enterprise that is genuinely open through its dialogues with stakeholders, making the most of its characteristics and originality.

The Company became a company with an audit and supervisory committee in March 2016 to advance the separation of supervisory and executive functions, speed up business administration and clarify management responsibility. In making the switch, the Company stipulated the determination of management strategies and policies and the monitoring of their execution as the main roles of the Board of Directors. The Company is improving advisory functions, stepping up supervisory functions and increasing their effectiveness by appointing three or more external directors who fulfill its criteria for the independence of external directors stipulated originally.

The Company has adopted the policy of including at least one standing member in the audit and supervisory committee. The committee is auditing the legality and appropriateness of business execution by directors using internal control systems.

The Company is increasing objectivity and fairness with regard to the nomination of directors and their remuneration by submitting items deliberated at the Remuneration and Nomination Advisory Committee, where independent external directors comprise a majority, to Board of Directors meetings and deciding on them there.

Regarding the execution of businesses, the Company delegates execution responsibility and authority to its respective departments based on criteria set under an executive officer system. The Company has established the Meeting of Executive Officers for communicating matters resolved by and reported to the Board of Directors, making those matters widely known, and facilitating contacts and coordination among executive officers. Furthermore, the Company has implemented Management Meetings to enable flexible business execution based on mutual cooperation under the leadership of the President. Deliberations at Management Meetings have made it possible for the Company to take risks it considers appropriate. The Company is making prompt decisions based on clarified responsibilities.

Since its foundation in 1899, the Company has worked to increase Kagome’s corporate value, and the Company firmly believes that by promoting such initiatives, it will be able to further enhance its corporate value and shareholders’ common interests.

1-3 Efforts to Prevent Inappropriate Control According to the Basic Policy

The aim of the Rules is to ensure that, in the event of a tender offer (defined below) for the Company’s shares, the offeror (defined below) will be presented in advance with a procedure that must be upheld and that shareholders will be given appropriate and sufficient information and time and opportunity to judge whether to accept the offeror’s proposed tender offer. The Rules also aim to prevent any tender offer that would cause

damage to the Company's corporate value and shareholders' common interests and to ensure and enhance the Company's corporate value and shareholders' common interests through verification of the proposed tender offer and negotiation with the offeror.

The Company believes that measures against a proposed tender offer should be taken after confirming the intentions of shareholders, in principle, even in cases where the proposed tender offer may damage the Company's value and the common interests of shareholders because the execution of such measures affects their common interests. For that reason, these Rules state that the Board of Directors and an independent committee (defined below) of the Company shall carefully and sufficiently verify in-depth information that the Board has gathered from the offeror and provided to the independent committee in cases where the offeror proposes a tender offer. The Company's Board of Directors shall ask shareholders to decide whether or not to take anti-takeover measures by promptly convening a meeting such as a general meeting of shareholders for confirming their intentions after supplying them with appropriate and sufficient information about the proposed tender offer, the Board's opinion regarding the proposed tender offer and an alternative plan prepared by the Board based on an advisory opinion in cases where the independent committee supplies the advisory opinion to the effect that the proposed tender offer may damage the Company's value and the common interests of shareholders (excluding cases where the Board judges that observing the recommendation may run counter to the directors' duty of care and diligence as good managers).

The Company's Board of Directors shall resolve the execution of anti-takeover measures based on the recommendation made by the independent committee without convening a meeting such as a general meeting of shareholders to confirm their intentions in cases where the tender offer clearly damages the Company's value and the common interests of shareholders or the offeror fails to observe these Rules (excluding cases where the Board judges that observing the recommendation may run counter to the directors' duty of care and diligence as good managers).

- *1 "Tender offer" refers to a tender offer or any other activity that would result in the holding ratio of share certificates, etc. of a holder amounting to 20% or more of the share certificates, etc. issued by the Company or a tender offer that would result in the holding ratio of share certificates, etc. of the tender offeror and a person having a special relationship with the tender offeror amounting to 20% or more of the share certificates, etc. issued by the Company.
- *2 "Tender offeror" refers to a person who makes a tender offer or a person who tries to make a tender offer (including a person who makes disclosure of information concerning such tender offer and a person who makes a tender offer proposal without obtaining the Company's consent).
- *3 "Independent committee" refers to a committee composed of three or more members appointed based on a resolution of the Company's Board Directors from among external directors of the Company and academics, etc. who are independent from the management engaged in implementing the operations of the Company.

1-4 Judgment of the Company's Board of Directors on Specific Efforts and the Reason for its Judgment

The Company's Board of Directors believes that these Rules are the best way to ensure and enhance the Company's corporate value and shareholders' common interests in accordance with the Basic Policy because they take the following requirements into consideration and incorporate them into their design.

(1) Requirement to satisfy guidelines regarding takeover defense

These Rules satisfy the three principles set out in the "Guidelines Regarding Takeover Defense for the Purposes of Protection and Enhancement of Corporate Value and Shareholders' Common Interests" published by the Ministry of Economy, Trade and Industry and the Ministry of Justice on May 27, 2005 and are also consistent with the recommendations in "Takeover Defense Measures in Light of Recent Environmental Changes" published by the Corporate Value Study Group on June 30, 2008.

(2) Requirement to attach importance to the wishes of shareholders

These Rules adopt a method in which shareholders are asked to directly decide whether or not to take anti-takeover measures through procedures for confirming their intentions after being provided with appropriate and sufficient information for judgement in cases where the Company's Board of Directors has resolved that the proposed tender offer may damage the Company's value and the common interests of shareholders, and that anti-takeover measures should be taken according to a recommendation made by the independent committee (excluding cases where the Board judges that observing the recommendation may run counter to the directors' duty of care and diligence as good managers).

The Company is continuing these Rules resolved by its Board of Directors with approval obtained from shareholders at their ordinary general meeting held in March 2018. The Company shall change or abolish these Rules in cases where their change or abolishment is resolved at a subsequent general meeting of its shareholders. The so-called sunset provision that sets three years as the term of validity was added to these Rules in March 2018.

Furthermore, the Company sets one year as the term of office for its directors (excluding the members of its audit and supervisory committee). These arrangements enable shareholders to reflect their intentions through the appointment of directors at their annual general meetings even while the term of validity of these Rules remains.

The Rules thus adopt mechanisms through which shareholders wishes are sufficiently reflected.

(3) Restriction on the mobilization of anti-takeover measures based on the judgment of the Company's Board of Directors

The Company's Board of Directors may implement anti-takeover measures without performing the procedures for confirming the intentions of shareholders only in cases where, as prescribed in section 2 (4) above, the tender offeror acted against the Rules, the tender offer clearly damages the Company's value and the common interests of shareholders, and the independent committee agrees to the execution of the measures decided by the Board.

(4) Importance attached to opinions of independent committee and third-party experts

To ensure that judgement on execution of measures against the proposed tender offer is appropriately made, these Rules adopt a mechanism through which an independent committee, which consists of three or more members who are independent from the management team members in charge of executing the Company's businesses, is established, the opinions of the independent committee are sought regarding matters such as the collection of information about the proposed tender offer from the tender offeror, the pros and cons of the execution of anti-takeover measures according to procedures for confirming the intentions of shareholders because the proposed tender offer may damage the Company's value and the common interests of shareholders, and the pros and cons of the execution of anti-takeover measures based on judgement made by the Company's Board of Directors without performing the procedures for confirming the intentions of shareholders, and the independent committee's opinions are followed (with the exception of cases where observing its recommendations is judged to run counter to the directors' duty of care and diligence as good managers).

In preparing an alternative plan and opinions about the proposed tender offer, the Company's Board of Directors may seek advice from third parties who are independent from the management team members in charge of executing the Company's businesses (including financial advisors, certified public accountants, lawyers, consultants and other experts). The Board of Directors shall respect their advice to prevent its judgment from becoming arbitrary in cases where it seeks their advice.

(5) Avoidance of dead-hand and slow-hand anti-takeover measures

These Rules are designed to enable its abolishment by the Company's Board of Directors, which consists of directors appointed at general meetings of the Company's shareholders. These Rules are not dead-hand or no-hand takeover defense measures (takeover defense measures whose execution cannot be blocked even if a majority of Board of Directors members are replaced). They are not slow-hand takeover defense measures, either (takeover defense measures whose blockage takes time because Board of Directors members cannot be replaced all at once), because the Company does not adopt a system of staggered terms of office for directors (excluding audit and supervisory committee members).

2. Details

For further details, please refer to "Measures for Responding to Large-Scale Purchases of the Company's Shares (Anti-Takeover Measures)" on the Company's website.

2. Other Matters Concerning to Corporate Governance System

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