



(1) Naoyuki Terada

(Born February 5, 1955)

President & Representative Director

Remuneration and Nomination Advisory Committee Member

- 1978 Joined the Company
- 2004 General Manager, Sales Promotion Department
- 2005 Director & Executive Officer
- 2006 General Manager, Tokyo Sales Office
- 2008 Director & Managing Executive Officer
- 2008 Director, Consumer Business Division
- 2010 Director & Senior Managing Executive Officer
- 2010 Sales Division Director
- 2013 Representative Director & Senior Managing Executive Officer
- 2014 President & Representative Director (to present)

He has extensive experience in marketing and sales departments, etc., and is leading the Kagome Group's business through his strong leadership toward the achievement of the mid-term management plan.

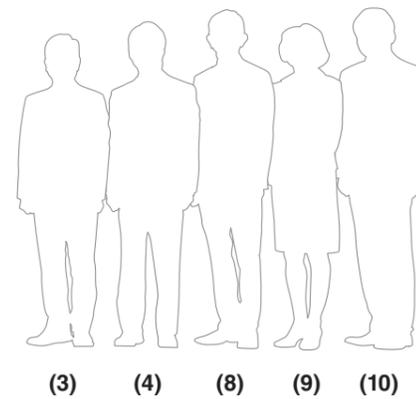
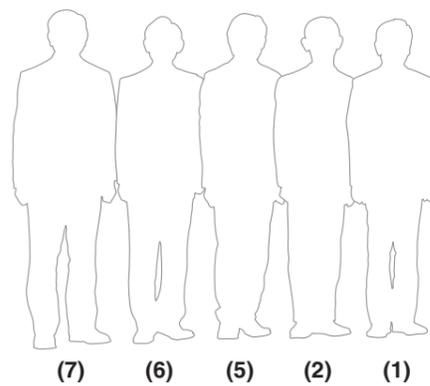
(2) Yoshihide Watanabe

(Born March 4, 1958)

Director & Senior Managing Executive Officer

- 1982 Joined The Nippon Credit Bank, Ltd. (now 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
- 2009 Director, Corporate Planning Division
- 2009 Director & Executive Officer
- 2016 Director & Senior Managing Executive Officer (to present)
- 2017 Assistant to President and Responsible for Special Assignment Projects (to present)

He has extensive experience in a financial institution and the corporate planning department, etc. of Kagome, and oversees all operational standards and the quantification of results and promotes the optimization of management resource allocation and work style reforms.



(5) Seiichi Kondo

(Born March 24, 1946)

External Director

Independent
Remuneration and Nomination Advisory Committee Member

- 1972 Joined the Ministry of Foreign Affairs of Japan
 - 1999 Deputy Secretary-General, Organization for Economic Co-operation and Development
 - 2006 Ambassador Extraordinary and Plenipotentiary to Permanent Delegation of Japan to the United Nations Educational, Scientific and Cultural Organization
 - 2008 Ambassador of Japan to the Kingdom of Denmark
 - 2010 Commissioner for Cultural Affairs
 - 2014 External Director of the Company (to present)
- [Significant concurrent positions]
Outside Director of JX Holdings, Inc.

He has extensive experience in overseas assignments of central government ministries and agencies and knowledge of the economy, as exemplified by his participation in the formulation of the OECD Principles of Corporate Governance.

(6) Morihiro Murata

(Born July 20, 1946)

External Director, Audit and Supervisory Committee Member

Independent
Audit and Supervisory Committee Member
Remuneration and Nomination Advisory Committee Member

- 1970 Joined Arthur Young & Co. Tokyo Office
 - 1974 Registered as Certified Public Accountant
 - 2002 Representative of Asahi KPMG Tax Corporation
 - 2006 Representative of Murata Morihiro Accounting Firm (to present)
 - 2011 External Auditor of the Company
 - 2016 External Director, Audit and Supervisory Committee Member of the Company (to present)
- [Significant concurrent positions]
Representative of Murata Morihiro Accounting Firm
Outside Audit & Supervisory Board Member of Kokuyo Co., Ltd.
Outside Auditor of Sumitomo Rubber Industries, Ltd.

He is proficient in corporate accounting as a certified public accountant and tax accountant, and has extensive insight for overseeing corporate management based on his experience in corporate management, etc.

(7) Takayuki Hashimoto

(Born July 9, 1954)

External Director

Independent
Remuneration and Nomination Advisory Committee Member

- 1978 Joined IBM Japan, Ltd.
 - 2008 General Manager, Sales, Japan
 - 2009 General Manager, IBM Japan
 - 2014 External Director of the Company (to present)
- [Significant concurrent positions]
Honorary Advisor, IBM Japan, Ltd.
Outside Auditor of IHI Corporation
Outside Member of the Board of Mitsubishi Chemical Holdings Corporation
Outside Director of CHUBU Electric Power Co., Inc.

He has extensive knowledge of diversity promotion and risk management in business as a manager of a highly diversified global company.

(3) Katsuyuki Miwa

(Born August 5, 1955)

Director & Senior Managing Executive Officer

- 1979 Joined the Company
- 2005 President & Representative Director of Kagome Labio Co., Ltd.
- 2010 Executive Officer of the Company
- 2010 General Manager, Production Department, Production & Purchasing Division
- 2013 Managing Executive Officer
- 2013 Director, Production & Purchasing Division
- 2013 Director & Managing Executive Officer
- 2016 Director & Senior Managing Executive Officer (to present)
- 2017 Assistant to President and Responsible for Special Assignment Projects (to present)

He has extensive experience in the production and purchasing department, the management of subsidiaries, etc., and oversees Kagome's vegetable processing business projects and promotes business development for the achievement of the company's long-term vision.

(4) Masahiro Sumitomo

(Born February 3, 1961)

Director & Managing Executive Officer
Director of International Business Division

- 1984 Joined the Company
- 2002 General Manager, Business Development Department
- 2006 Executive Officer
- 2008 President of Vegetalia S.p.A
- 2012 Representative, Europe Regional Head Office, Corporate Planning Division of the Company; and President of Vegetalia S.p.A.
- 2012 Managing Executive Officer of the Company
- 2015 Director of International Business Division of the Company (to present); General Manager, Global Consumer Business Department; and CEO, Global Tomato Company of Kagome Co., Ltd.
- 2016 Director & Managing Executive Officer (to present)

He has extensive experience in the overseas business department, the management of overseas subsidiaries, etc., and is promoting the global expansion of Kagome's business as the supervisor of the overseas business department.

(8) Hirohito Kodama

(Born 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
- 2016 Responsible for Business Process Redesign and President & Representative Director of Kagome Axis Co., Ltd.
- 2017 Responsible for Risk Management
- 2018 Director, member of Standing Audit and Supervisory Committee

He has extensive experience in the corporate planning department, the research and development department, subsidiary management, etc., and is appropriately overseeing the performance of the Company's operations as a member of the Standing Audit and Supervisory Committee.

(9) Hidemi Sato

(Born February 17, 1959)

External Director

Independent

- 1981 Joined Mitsubishi Electric Corporation
 - 1996 Completed the Doctoral Program at Graduate School of Ochanomizu University; obtained 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 (now 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)
- [Significant concurrent positions]
Visiting professor at Nippon Veterinary and Life Science University

She has extensive knowledge of food science and food education through numerous research activities related to food science and many years of educational activities on food and nutrition.

(10) Hiroshi Mori

(Born February 21, 1965)

External Director, Audit and Supervisory Committee Member

Independent
Audit and Supervisory Committee Member

- 1989 Joined Development Bank of Japan (now Development Bank of Japan, Inc.)
 - 1993 Seconded to the Finance Bureau of the Ministry of Home Affairs (now the Ministry of Internal Affairs and Communications)
 - 2003 Seconded to Tesac Corporation, a company under restructure Trustee representative, Manager of Corporate Planning Department
 - 2006 Registered as attorney-at-law, joined Nishimura & Asahi
 - 2012 Partner at Nishimura & Asahi (to present)
 - 2016 External Director, Audit and Supervisory Committee Member of the Company (to present)
- [Significant concurrent positions]
Partner at Nishimura & Asahi Outside Director, Audit & Supervisory Committee Member, Mitsubishi UFJ Securities Holdings Co., Ltd.

As a lawyer, he is well-versed in corporate legal affairs and risk management practices, and has extensive insight to oversee corporate management.

Roundtable Discussion of External Directors

The Board of Directors Reflects on the Past Year

To Verify the Effectiveness of the Measures Taken and Further Improve Corporate Governance



External Director,
Audit and Supervisory
Committee Member
Hiroshi Mori

External Director,
Audit and Supervisory
Committee Member
Morihiko Murata

External Director
Seiichi Kondo

External Director
Takayuki Hashimoto

External Director
Hidemi Sato

Moderator: Yoshihide Watanabe, Director & Senior Managing Executive Officer

Is the Board of Directors serving adequately as the forum for discussing strategies?

– This year, we added “deliberation” to the functions of the Board of Directors, which included proposing and reporting for the purpose of making the Board a better forum for examining strategies. Does the current Board of Directors fulfill this purpose adequately?

Hashimoto Kagome provides detailed explanations in advance, so I have never felt uncomfortable about exchanging information and opinions before deliberations. It is important to reduce information asymmetry in order for external directors to hold adequate discussions, and I think Kagome is very careful about that.



Mori I think the Board of Directors is functioning very effectively. It allows the members to exchange opinions about various issues such as business, tax affairs, legal affairs, global operation and nutrition from a technical perspective, which allows the company to carry out projects in a better way.

– Mr. Murata, you have experienced the positions of both Auditor and Director and Audit and Supervisory Committee member (“Committee Member”). Did the change to a Committee Member caused any change in information asymmetry?

Murata My impression of experiencing both positions is that information asymmetry has been reduced since Kagome became a company with an audit and supervisory committee and the barrier between the Committee members and External Directors was removed.

– To reduce information asymmetry, the Division Directors of Kagome’s business segments started providing information about the company’s business operations and other matters at the Board of Directors’ meetings. What do you think about this?



Sato Food products include a range of products, so I feel that it is difficult to understand the flow from the development to the sale of such products. I therefore think that the people close to the workplace could provide us with more information in place. I appreciated the opportunity to visit the work sites such as factories. I learned of the real situation subsequent to our discussions, which was very informative.

Continuing Anti-takeover Measures

– The opinions of the Board of Directors on the anti-takeover measures, about which a resolution was passed at the 74th Regular General Meeting of Shareholders, were divided. Can you give us your thoughts again?

Mori Anti-takeover measures only to determine the procedures of the measures themselves, and we are continuing to seriously discuss how we should deal with the issue as a company. But I think it would be wrong if the management had the idea of protecting themselves by relying on such measures.

Hashimoto While it is not very likely that someone will try to buy out Kagome, it is a necessary process in the sense of insuring our business amid the dramatic changes occurring in society and the values of the public. As a result, we received the support of 80% of the shareholders, so I assume that many shareholders share the same opinion.

Kondo I also agree with maintaining the measures. In view of pessimistically preparing ourselves and optimistically implementing the measures, which is the standard



Hashimoto In view of the advisory function based on the knowledge of each External Director, which is the role of External Directors, I think the company could make greater efforts to bring out the function. Rather than providing all the members with the same information, they could, for example, describe the products in greater detail to Ms. Sato to obtain her advice. I think that the company needs to use us in a way that will promote deeper discussions.

Murata On the other hand, we need to make greater efforts to learn about the work sites by, for example, periodically visiting the supermarkets to observe how Kagome products are sold, in order to share the information more effectively.

Hashimoto In addition, Kagome does not have many reports on the performance of its Directors. Some companies update their information about human resources management, accounting, marketing, IT systems, legal affairs and other sections constantly, so I suggest that Kagome consider such efforts.



approach to crisis management, we are not necessarily too conservative, and I think we should maintain the anti-takeover measures.

Sato I hear that the percentage of women among the individual shareholders of Kagome is higher than the average. Assuming that the number of “fan shareholders” increased because of the economic benefits such as shareholder incentives, I imagine that women may tend to be psychologically affected when a high share price is presented in a TOB. Accordingly, I think that measures to ensure safety are necessary.

Murata I am basically against anti-takeover measures. I think we could leave the decision of whether to accept or reject any takeover offer to the management at the time. However, the approval or disapproval of a takeover offer itself should, of course, be decided through discussions in which the External Directors participate as well.

Changing the Generation of the President

– Next, I would like us to talk about how we should change the generation of our President. Concerning the endowments and approximate age required of Kagome's President, I would like to hear the thoughts of the members of the Nomination/Remuneration Committee.

Kondo We focus on the person's insight into global trends. Based on this insight, he or she develops strategic policies. People often say, "strategy means to throw away," which means that the person can make bold decisions. We then look at the person's ability to attract employees' minds to unite people with diverse backgrounds. The person must also have the ability to communicate effectively with people from other cultures such as CEOs of overseas companies.

Hashimoto The first thing is "focus." We want the person to think seriously about the value of the company's existence. For example, how Kagome can help people enjoy happy lives as people. Reversing the low vegetable intake and helping people to have longer, healthier lives with vegetables are values close to this, and we need to discard unnecessary aspects in order to make such values the corporate color of Kagome. The second factor is the ability to execute and complete an operation. This is one of Kagome's weaknesses. Then the age of the President. I think that a candidate should be a person in his or her 50s when he or she assumes the position, and should be able to stay in office for eight to 10 years.



Kondo I agree. The President should take on the leadership at ages when he or she has an adequate spirit, technique, and physical strength.

Murata Since companies are not always without problems, I think the most important question is whether the President can act according to the company's DNA in a crisis situation, rather than focusing solely on self-preservation.

Message to the President, Mr. Naoyuki Terada

– Finally, please give your requests or opinions to Mr. Terada, the President of Kagome who will concurrently hold the position of the Chairman of the Board of Directors' meeting.

Kondo His attitude of maintaining his beliefs such as reforming employees' work styles is very impressive, and I hope he will remain that way.

Hashimoto The position of the Chairman of the Board of Directors has been abolished and the President will concurrently serve as the Chairman of the Board of Directors' meeting, but I would like the President to delegate authority to the executives for daily operations and focus on the management, supervision, and monitoring of the company. He should then firmly establish Kagome's identity and develop a path to sustainable growth. Finally, he must grow his successor.

Sato Please do not overlap the two concurrently held positions of the President and the Chairman of the Board of Directors' meeting.

Murata I think that he has delegated and balanced authority by assigning the two Senior Managing Executive Officers as his right-hand men, so I encourage him to perform well with this structure.

Mori Please keep sending a solid message as to how Kagome should be 10 and 20 years from now and grow the spirit of the employees. Please bear firmly in mind that one of the President's missions is to pass down the trust of shareholders and employees to the successor and present a path to sustainable growth.

From the President, Naoyuki Terada, in Response to the Round-table Discussion of External Directors

I always sincerely appreciate your contribution as Kagome's External Directors. You have visited our overseas facilities, factories in Japan, and other places many times, all of you have taken the platform in our lecture on internal diversity, and you have come into direct contact with the company's situations both on and outside the Board of Directors. You have become complete fans of Kagome through such activities and strong outside cheerleaders for the management team. Meanwhile, your straight opinions and remarks coming from differences in the specialization and ideas of each member at the Board of Directors' meetings sometimes result in the rejection of proposals, and your absolutely uncompromising attitude did not allow discussion-based agreement and led us to resort to resolution by majority vote in some cases. While we always feel tense during the serious arguments at the Board of Directors' meetings, I am convinced that you as our External Directors undoubtedly make Kagome stronger and play a major role in increasing our corporate value.

Corporate Governance

Basic Policy of Corporate Governance

In accordance with our corporate philosophy of "appreciation," "nature" and "corporate openness," we aim to achieve sustainable growth and improve the medium- to long-term value of the company. We acknowledge that corporate governance is a critical management issue toward these objectives.

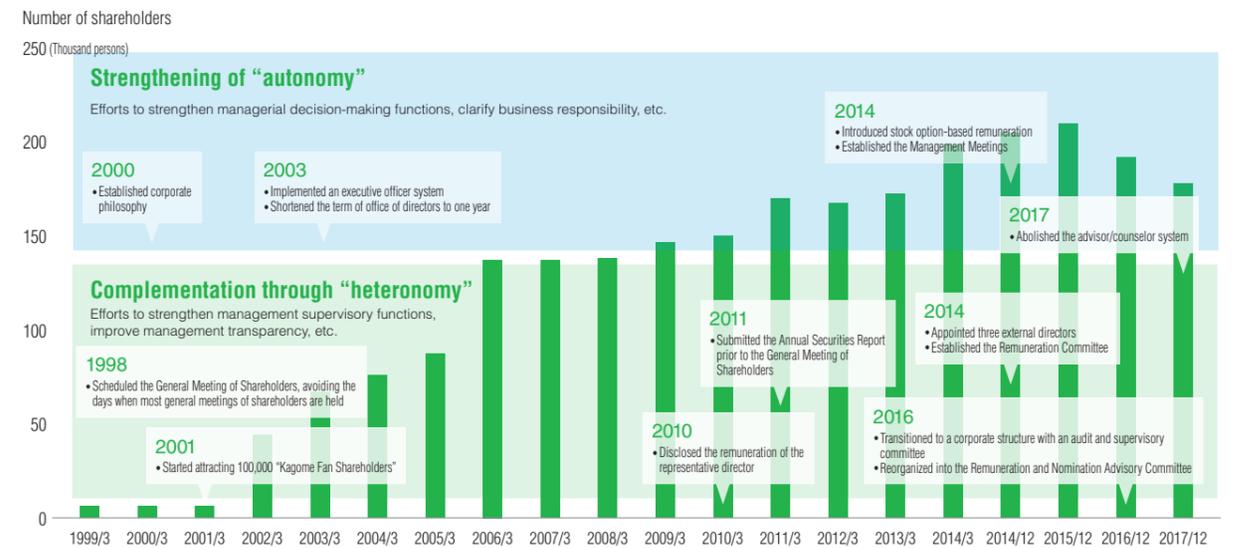
Our company considers the further strengthening of "autonomy" complemented by "heteronomy" to be the fundamentals of our corporate governance. We will ensure objectivity and transparency, forming a basis by designing

our 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 functions of the external directors, among other things.

We aim to deliver a high degree of accountability and achieve true "corporate openness" in our 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.



Corporate Governance System

We are separating executive functions from supervisory functions to accelerate managerial decision making and help clarify business responsibility. The Board of Directors has specified that determining the company's management strategies and policies and monitoring the implementation of such strategies and policies are its primary duties. 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.

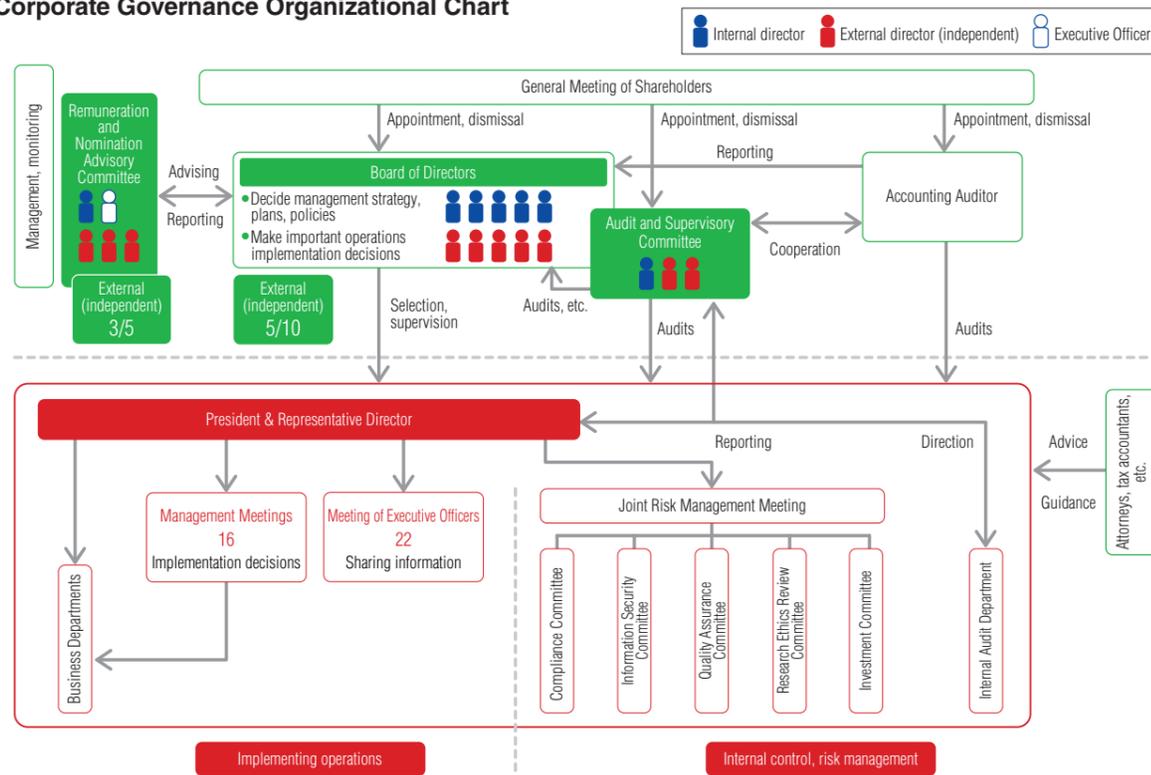
The audit and supervisory committee has set a policy of having one or more standing audit and supervisory committee members, and uses internal control systems to audit the legality and appropriateness of the operations implemented by the directors.

The nomination and remuneration of directors are deliberated by the Remuneration and Nomination Advisory Committee, in

which independent external directors account for one half or more of its members. 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. In addition, we have 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 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 expedient manner.

Corporate Governance Organizational Chart



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 of Directors in order to achieve a medium- to long-term increase in corporate value by maximizing the advisory and monitoring functions of the Board of Directors. Additionally, the Board of Directors 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.

Specialized areas of external directors

	Corporate management	Global	Society, economy	Accounting, tax	Law	Diversity	Food
Seichi Kondo		○	○				
Takayuki Hashimoto	○					○	
Hidemi Sato						○	○
Morihiro Murata		○		○			
Hiroshi Mori				○	○		

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, audit & supervisory board member (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 a 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 a 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 transactions with the Kagome Group amount to 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 a 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 transactions with the Kagome Group amount to 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 an officer or employee of corporations or organizations that receive a large amount of donations* from the Kagome Group.
 - (6) A person who is not a director, corporate auditor (excluding outside officer), executive, executive officer or employee of a corporation that mutually exchanges directors, corporate auditors or executive officers with the Kagome Group
 - (7) A person who has not been a 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, a consultant or another professional who receives a large amount of remuneration* from the Kagome Group, other than compensation as an officer.
 - (9) A person who is not the spouse, a relative within the second degree of kinship or a relative living together with any person described in 1) through 8) above
 - (10) A person whose total term of tenure as an external director is at most eight years
- * An average of 10 million yen or more annually in the past three business years, or an amount that is 2% or more of the net sales or total revenue of the recipient
- * On 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

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

Directors' Remuneration

Our company's directors' remuneration, etc. comprises basic compensation, a bonus linked to business performance and (cash) stock options. The proportions of each of the above are determined based on the positions of the directors. Basic compensation is fixed-amount compensation that is determined based on the importance of the roles played by the directors. Both the bonus and the stock options are determined based on consolidated profit indicators as the company-wide business performance and the contributions made by each individual director. Stock options are incentives for medium-term and multiple-year management and are designed to be exercisable based on consolidated profit indicators after a certain period of time from the time of allotment as exercise conditions. Accordingly, the

exercisable number of these stock options is determined according to the degree of attainment. Compensation for directors, audit and supervisory committee members and external directors each comprise basic compensation.

In fiscal 2014, the Remuneration Committee, as an advisory body to the Board of Directors in which external directors account for one half or more of its members, was established in order to enhance transparency and objectivity in determining directors' compensation, etc. In fiscal 2016, the same committee was given functions as an advisory body concerning the nomination of directors, and was then reorganized to become the current Remuneration and Nomination Advisory Committee.

Remuneration and Nomination Advisory Committee: 4 or 5 meetings held/year

Fiscal year in which the committee was convened	Matters deliberated
2017 The first committee	<ul style="list-style-type: none"> Determination of the amount of the directors' bonus for FY2016 New appointment and reappointment of directors in FY2017
The second committee	<ul style="list-style-type: none"> Members of the Remuneration and Nomination Advisory Committee in FY2017 Directors' compensation for FY2017 Business performance indicators for FY2017
The third committee	<ul style="list-style-type: none"> Personnel reshuffle with effect from October 1, 2017 Job grades of transferred executives and directors' compensation
The fourth committee	<ul style="list-style-type: none"> Market data on directors' compensation for FY2017 Estimates of variable compensation expected for FY2017 Abolition of the advisor/counselor remuneration system
The fifth committee	<ul style="list-style-type: none"> Abolition of the advisor/counselor system Promotion and advancement of executives Partial revision of executive appraisal sheet items

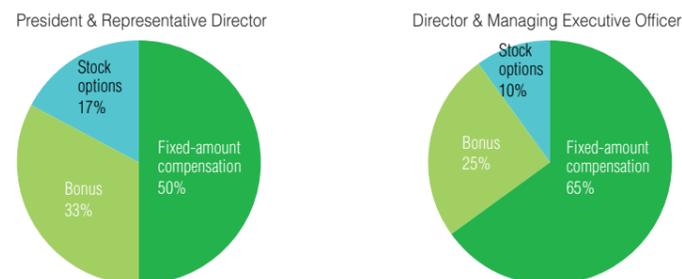
Fiscal year in which the committee was convened	Matters deliberated
2018 The first committee	<ul style="list-style-type: none"> FY2017 executive bonus factor Promotion of executives Abolition of the advisor/counselor system FY2018 schedule of Remuneration and Nomination Advisory Committee
The second committee	<ul style="list-style-type: none"> Simulation of FY2018 executive bonuses Directors' compensation for FY2018 Committee members' remuneration Members of the Remuneration and Nomination Advisory Committee in FY2018 Process of allowances in FY2018 Finalization of FY2015 stock options Process of determining overseas CEO remuneration FY2018 succession process

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	Stock options	Bonus	
Directors (excluding audit and supervisory committee members)*	344	166	43	134	6
Directors (audit and supervisory committee members)*	21	21	-	-	1
External directors	49	49	-	-	6

* Excluding external directors
Our company transitioned to a corporate structure with an audit and supervisory committee as of March 25, 2016.

Composition of directors' compensation (part)



Results of Evaluation of the Effectiveness of the Board of Directors

Our company undertook an evaluation of the effectiveness of the Board of Directors in November 2017. An overview of the results is described below.

1. Methods of evaluation

Conducted surveys of directors (30 items within 6 categories)
The survey categories are as follows.

- (1) Design of the Board of Directors
- (2) Operation of the Board of Directors' meetings
- (3) Proposals by the Board of Directors
- (4) Quality of Discussions by the Board of Directors
- (5) Corporate Governance System
- (6) General Assessment

Questionnaires undertaken by each committee / discussion between the Chairman of the Board of Directors and external directors / deliberations by the Board of Directors taking the above into account

2. Overview of results of evaluation

As a result of discussions that took the above into account, the Board of Directors of the company concluded that the Board generally functioned in an appropriate manner in all categories and its effectiveness was positive.

The results generally improved from the results of the evaluation of the effectiveness of the Board of Directors conducted in the previous fiscal year, suggesting steady progress and improvement.

Areas suggesting a need for further improvement in the evaluation of effectiveness this time included "reporting the status of operations and progress in solving issues" and "securing time for deliberations on important proposals." In terms of expanding the range of reporting at the Board of Directors' meetings, we worked to reduce

information disparities between internal and external directors by reporting matters discussed in the Management Meetings, business of major departments, etc.; however, we consider that the frequency of reporting and the completeness of the matters reported were still inadequate. We will share key indicators of the progress of business operations at the Board of Directors' meetings and establish reporting based on these indicators.

In terms of securing time for deliberations of the Board of Directors, we were able to reduce the time spent on explanations by controlling the formats and the number of pages of information materials used in the Board of Directors' meetings and by sending (explaining) these materials in advance. Meanwhile, however, the number of proposals presented varied depending on the timing of holding the Board of Directors' meetings and, in some cases, adequate time for deliberations could not be secured. We will better manage the annual deliberation schedule to improve deliberations throughout the year.

Through such activities, we will strive to hold lively arguments in the development of the next medium-term management plan, which we position as one of important matters to be discussed at the Board of Directors' meetings in fiscal year 2018.

Further, members of the Remuneration and Nomination Advisory Committee and the Audit and Supervisory Committee pointed out some issues concerning the division of roles in the management and audit of overseas subsidiaries. Our Board of Directors also recognizes these as issues to address and will work to solve them.

Initiatives to Enhance the Effectiveness of the Board of Directors

- Revision of the rules for the submission of proposals to the Board of Directors (transition to the Management Meetings)
- Making an annual schedule of proposals to the Board of Directors
- Providing external directors with prior explanations of proposals to the Board of Directors
- ★ Holding a study camp to examine the next medium-term management plan
- Holding meetings for external directors to share the matters deliberated in the Management Meetings
- Conducting site visits to the company's overseas subsidiaries by external directors
- Changing seats at the Board of Directors' meetings
- ★ Adding "deliberations" to proposal categories

The start marks (★) indicate new activities.

Response to the Corporate Governance Code

For details, please refer to our corporate governance report. (Kagome website: www.kagome.co.jp/company/ir/stock/governance)

Compliance

A Policy of "Corporate Openness"

With its company executives and employees mutually recognizing and respecting one another's individuality and capabilities, our company supports a philosophy of "corporate openness" that strives for fair and transparent business operation. Each Group company also observes this philosophy, and it is the basis upon which they conduct

their corporate activities.

This corporate philosophy is realized only through the daily actions of each executive and employee. In this regard, our company formulated the Kagome Code of Conduct, a set of behavioral guidelines thoroughly adhered to by all Group executives and employees.

Compliance Promotion System

The Kagome Group has established a Compliance Committee, under the supervision of the Joint Risk Management Meeting (which is chaired by Kagome's President & Representative Director). The Compliance Committee, which is chaired by Executive Officer with responsibility for overseeing compliance, undertakes 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 Joint Risk Management Meeting. The Legal Affairs Office, which functions as the secretariat of the Compliance Committee, 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 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.

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 fiscal year 2017, the Kagome Compliance Hotline was used 17 times, and each case was resolved.

Contact details of the Compliance Hotline are registered

on Kagome Safety Net, a smartphone application which can be downloaded by the employees, and every effort is made to ensure that employees can access the Compliance Hotline at any time.



Kagome fully recognizes the importance of compliance in relation to the Group companies located overseas. In 2014, an overseas internal reporting system has been 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.

Number of consultations and reports received by Kagome Compliance Hotline



Initiatives to Maintain Rigorous Compliance

Having formulated the Kagome Group Compliance Implementation Rules, Kagome Group implements thorough compliance throughout the Group. At domestic Group companies, the legal affairs department, 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 the conduct of group training for new employees and new managers, and an ongoing program of in-house compliance seminars, etc. that make use of e-learning, case studies, and group discussions. The in-house compliance seminars

are integrated with the Skill Points program that forms part of the company's personnel management system, and participation in these seminars is a prerequisite for promotion.

Efforts are made to keep training up-to-date, taking account of new development in society and using examples from within the company. The training arranged during fiscal year 2017 included e-learning concerning information security. In addition, the group training aimed to increase employees' awareness of compliance-related issues, handling content that forced participants to think deeply about the impact of compliance violations, based on the theme of past corporate scandals.

Tax Compliance

In all of 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

enlighten employees 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.

Handling Different Types of Risk

Policies for Handling Risk

Kagome, as a "vegetable company" which 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. With an eye on ESG, we are engaged in continuous risk

management efforts from the perspective of "Governance, Risk, Compliance" (hereinafter GRC), which is an integrated collection of risk management techniques to improve the efficiency of management decision-making.

Companywide Risk Management Structure

Our company strives to address operational risks in each department and "risks related to business" described in our Annual Securities Report. With regard to companywide risk management, too, copying from the concept of internal control (discussed later), we are seeking to create an enhanced risk management structure based on the idea of three lines of defense, and have established five specialized committees (our second line of defense) which handle issues that are viewed as being particularly important for a food products company. We have also established a Joint Risk Management Meeting (our third line of defense), as an overall risk management structure. As of this fiscal year, we have reviewed and revised the membership of the Joint Risk Management Meeting to enable deeper consideration of risk issues. The meeting now has the President and Representative Director as its chair, and includes the Senior Managing Executive Officer(s), Standing Audit and Supervisory Committee Member(s) in its membership, along with other Audit and Supervisory Committee Members

who are external directors, enabling the meeting to hear objective assessments from an outside perspective. The meeting endeavors to maintain a detailed grasp of the state of risk response activities across the entire Kagome Group, and to make improvements that will enable swifter decision making with regard to risk response policies and significant risk response issues. The Joint Risk Management Meeting meets on a regular basis to receive reports and suggestions from the secretariat and relevant departments on day-to-day social issues, their impact on the Kagome Group and responses to such issues, in addition to reports on the activities of each committee, and to discuss and instruct on necessary responses, thereby seeking to enhance internal control as a risk-reducing activity. In addition, in order to improve effectiveness of internal control, details of the instructions are utilized in monitoring by the Internal Audit Department, and the results of the monitoring are reported to the Board of Directors and the Audit and Supervisory Committee.

● **Compliance Committee**

The Compliance Committee is a corporate body to promote compliance in Kagome Group. This committee has set up a Compliance Hotline within its secretariat to receive reports from employees and others. In this way, we work to put in place preventive measures and to detect any anti-social or unethical actions taken by the company and its employees as early as possible. Furthermore, this committee discusses measures in response to new public regulations, etc. as necessary.

● **Information Security Committee**

The Information Security Committee determines basic policies and audits the execution of these policies with regard to the protection of important information, such as personal information held throughout the Group, as well as the proper management framework and usage. This committee works to assure adherence to the law and prevent information leaks. The Information Security Committee conducts monitoring of any unauthorized access from the outside and examines measures to enhance operation of information system.

● **Quality Assurance Committee**

In order to ensure customers with peace of mind when using our products which contribute to customers' longevity and good health through nature's bounty, maintaining

quality is always the most important issue for our company as a food manufacturer. With the objective of strengthening quality assurance of products, the Quality Assurance Committee brings together representatives of relevant departments and meets monthly to address customer comments, prevent accidents, respond to amendments of laws, and assure proper labeling. The establishment of this committee has enabled Kagome to respond more precisely, and in a more expeditious fashion, both internally and externally.

● **Research Ethics Review Committee**

For the purpose of contributing to giving customers longer, healthy lives through provision of vegetables, our company is engaged in research activities toward unraveling of the mechanism behind the benefits of vegetables and acquisition of its evidence. The Research Ethics Review Committee was established to investigate possible risk of individual dignity or human rights being impinged on when product efficacy and safety verification testing on humans is being conducted at the R&D stage. This committee is comprised of employees who are not a part of our company's R&D operations, as well as external medical experts and lawyers, hence creating a framework with a neutral perspective, capable of judging ethical adequacy and scientific legitimacy of research objectives and methods.

● **Investment Committee**

Our company is working on various business developments in order to be transformed from a "tomato company" to a "vegetable company." The Investment Committee is an independent committee which consists of members selected from in-house specialized departments. This committee was established for the purpose of measuring and assessing risks of investments which are drafted by each department. Proposals which are verified by this committee are submitted to the Board of Directors or the Management Meetings and deliberated officially.

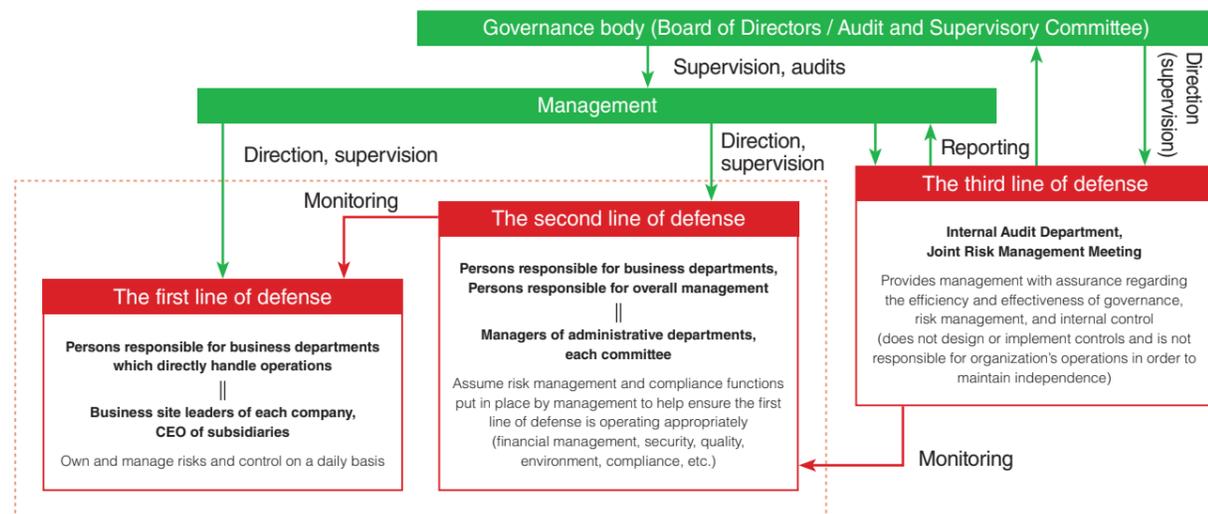


Views Based on GRC

Our company is expanding our business domain and business areas to achieve the targets of the mid-term management plan. Our pressing issue is to strengthen governance of the entire Group to ensure sound management of the Group. In order to promote sound group governance, Kagome is continuing its internal auditing initiatives, with an eye on "Leveraging COSO across the Three Lines of Defense," a paper which is a collaboration between the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and The Institute of Internal Auditors, Inc. (IIA). At the base of this initiative are control activities (the first line of defense) performed appropriately in business departments and Group companies which conduct day-to-day operational activities. We are currently advancing the development of a system in which head offices (the second line of defense) which oversee such activities and conduct overall management help further ensure that risks and controls are effectively managed, as the internal audit (the

third line of defense) monitors both of the abovementioned lines of defense and provides assurance to the management and the Board of Directors. In internal audit, we have been trying to perform inspection not merely by evaluating good from bad based on a check list, but also by interviewing persons who are involved in the management as well as by verifying actual atmosphere and background of operation. This initiative is implemented not only in operational audits run by the Internal Audit Department, but also in monitoring quality, environment, labor and other areas in relevant departments. Through various audit activities, we strive to accomplish the four purposes of internal control, namely to improve "effectiveness and efficiency of business operations" to achieve business purposes while acknowledging risks, ensure "reliability of financial reporting," "comply with laws and regulations relevant to business activities" and "safeguard assets" through the proper procedures.

Concept of Internal Control (image of three lines of defense and internal audit)



Initiatives for Supply Chain with an Eye on BCP

Our company sustained significant damage from the Great East Japan Earthquake. As a result, like many other companies, we are working to strengthen the company-wide communication infrastructure in the event of large-scale disasters and such. At the same time, through activities to support disaster-stricken areas such as provision of our products to evacuation centers after the earthquakes, we listened to the opinions of many people about vegetable intake. This reminded us about the social significance of Kagome's existence and that our company is an integral part of a lifeline which involves food. Based on what was learned and experienced from the Great East Japan Earthquake, we set out "First Action Guidelines after Occurrence of Large-scale Disasters," which state roles and first actions in accordance with management resources (people, products,

facilities, information). With regard to initial actions from the time of occurrence of large-scale disasters until the time of assembling the in-house Disaster Countermeasures Center headed by the president according to BCP*, at the initiative of the management, a consensus is made among relevant departments to take actions without delay. In accordance with the guidelines, in the event of disasters, a distribution network is to be established under the leadership of SCM Division to achieve the quickest possible recovery of product supply. Development of BCM on a global scale in cooperation with overseas locations will be our challenge for the future, where there may be difficulties due to the difference in laws and regulations by country and other issues.

* BCP: Business Contingency Plan

Our Responsibility to Shareholders and Investors

Information Disclosure

Our company discloses information to shareholders and investors in a fair, simple and timely manner. We attach great importance to opportunities of two-way communication with shareholders and investors through IR events such as the General Meeting of Shareholders, "Talks with the President," "Production Plant Tours," etc.

General Meeting of Shareholders

Our company encourages an ever-greater number of shareholders to participate in its General Meeting of Shareholders by enhancing the content of "convocation notice" and "documents accompanying the convocation notice," disclosing them on the company website and sending them as early as possible. We also feature round-table meetings among directors and include suggestions from external directors. On the actual day of the General Meeting of Shareholders, we make efforts to provide reports in an easily understandable manner, such as through speaker explanations and visuals using videos. Furthermore, through displays in the lobby, we work to share information about our activities with shareholders in a more productive manner and encourage their direct feedback. For shareholders who are unable to attend meetings, we accept questions and provide answers via the Internet.



After the meeting, we promptly disclose details of the meeting on our website, including details of Q&A sessions and results of questionnaire surveys completed by shareholders who attended the meeting.

Management Oversight

Based on the idea that management oversight is enhanced by feedback about a company's corporate activities and business performance from the perspective of numerous shareholders, in fiscal year 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, and shareholder number currently stands at around 170,000. We will continue to appropriately reflect the valuable opinions and needs of our shareholders in all our corporate activities.

Dividend Policy

Our company recognizes that returning profits to its shareholders is one of its most important management issues. We make it a basic policy to distribute stable dividends, targeting a dividend payout ratio of 40%. For 2018, we plan to pay out special commemorative dividends to mark the 120th anniversary of our founding, in addition to ordinary dividends. Internal reserves will be allocated to the strengthening of financial structure, future strategic investments and other activities aimed at even greater shareholder returns through future business growth.

Special Shareholder Benefits

Under Kagome's Special Shareholder Benefits system, a selection of Kagome products is sent to shareholders throughout Japan. Rather than merely being a case of "giving something back" to shareholders, the main aim of the Special Shareholder Benefits system is to use Kagome products to give a better understanding of our company; every time, the products are accompanied by a questionnaire survey which helps our company to understand shareholders' views and expectations, information which can then be utilized effectively in our company's business activities. As of 2018, we have introduced a new scheme whereby we present commemorative gifts to shareholders who have kept their shares for 10 years or longer, with the aim of encouraging shareholders to maintain ownership of their shares in the long term.

Credit Ratings

Our company's financial credibility is rated by Rating and Investment Information, Inc. (R&I) and Japan Credit Rating Agency, Ltd. (JCR). The most recent ratings on Kagome by the two agencies are shown on the right.

R&I (Rating and Investment Information, Inc.) Long-term credit rating A	JCR (Japan Credit Rating Agency, Ltd.) Long-term credit rating Short-term credit rating A J-1
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