

Strengthening Our Foundation for Value Creation and Key Measures

Quality

Product Safety and Security

Fulfilling Our Brand Promise

Kagome established the Quality and Environmental Policy based on the belief that quality and environment are two sides of the same coin, in accordance with Kagome's corporate philosophy and its brand statement "True to Nature, the Flavor of Kagome." In line with this policy, we are working carefully on quality assurance and environmental conservation across the entire supply chain.

Approach to quality and the environment

Kagome has always engaged in manufacturing utilizing nature's bounty, beginning from vegetable seeds and soil to procuring safe, high quality raw ingredients, based on the notion that "fields are the primary production plant." Achieving both conservation of the global environment and nature-based manufacturing is vital for sustaining Kagome's growth in the future.

Because of such commonality and relevance between quality in manufacturing and our environmental philosophy, we combined our standalone Quality Policy and Environment Policy into one and established the Quality and Environmental Policy in October 2017. This Quality and Environmental Policy represents the determination of Kagome's management team to achieve a sustainable society by focusing on environmental conservation with the same passion that Kagome has maintained in its manufacturing activities.

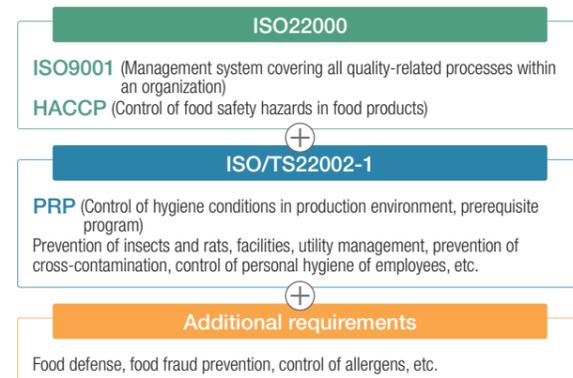
Quality and Environmental Policy

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

Enhancement of quality assurance systems in Japan

Since 2003, we have enhanced quality using our ISO 9001 quality management system across all activities, from design and development, to procurement, production and sale. In addition to traditional quality management, we have also been working to acquire FSSC 22000 certification since FY2016. FSSC 22000 is an international standard for food safety that includes management methods for preventing hazards in manufacturing processes and outsourcing operations, food defense, and food fraud prevention. We completed the certification of all six of our factories in Japan in January 2020. Kagome's major overseas subsidiaries are also making efforts to enhance their food safety management systems by acquiring FSSC 22000 or similar certification.

Structure of FSSC 22000 standard



Acquisition of FSSC 22000 certification

Timing	Plants and production lines subject to certification
Oct. 2017	Ueno Plant: kneader mixing to general-use filling line Kozakai Plant: 500 g tube line Fujimi Plant: PET line
Jun. 2018	Komaki Plant: all lines, Ibaraki Plant: film line
Sep. 2018	Nasu Plant: raw tomato processing to Tetra Pack® filling line
Oct. 2018	Ueno Plant, Kozakai Plant and Fujimi Plant: all lines
Aug. 2019	Ibaraki Plant: all lines
Jan. 2020	Nasu Plant: all lines

Global quality assurance

Kagome is working to further improve its quality assurance system by establishing a unique model for its overseas Group companies that embodies "Quality First, Profit Second."

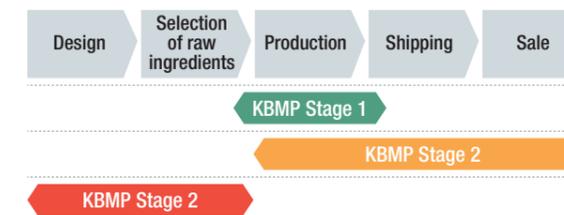
Global quality assurance system

The Global Quality Assurance Department established a common global quality management standard for overseas Group companies known as Kagome Best Manufacturing Practice (KBMP) as the minimum level of compliance. The department is now working to ensure this standard is rolled out at and followed by each Group company. We are also making a cross-sectional assessment of information relating to quality, the environment and technology at overseas Group companies and sharing and utilizing this information to improve the level of quality assurance and productivity.

As Stage 1 of KBMP, the Global Quality Assurance Department has been sharing with Group companies the KBMP approach to quality management in the production environment, such as the prevention of contamination. In Stage 2, we established common rules for responding quickly in the event of quality failures. In FY2019, as Stage 3, we carried out activities to prevent quality failures attributed to product design by presenting steps for the design of new products and the selection of raw ingredients. Design screening of products established in Stage 3 has been rolled out in support of our business operations in the United States, Taiwan and India.

Looking ahead, we will harness Kagome's expertise in product development to ensure that our overseas operations are achieving the same high standard of quality in product development as in Japan.

Coverage of KBMP, Kagome's common global quality management standard



KBMP Stage 1

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

KBMP Stage 2

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

KBMP Stage 3

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

Improvement activities to raise the bar of quality on the production floor

The Global Quality Assurance Department also carries out improvement activities to raise the bar of quality on the production floor. The department regularly organizes Group joint meetings with the CEO and the managers of production, quality management and quality assurance of each company, highlighting examples of improvements in quality at each company and conducting observations of production environments. Through this diligent application, we are working closely together to elevate quality and technology. The department has stepped up promotion of 5S activities to foster a quality mindset in employees. For example, 5S leader candidates selected by each company were invited to visit plants in Japan to undergo group training. In turn, these individuals returned to their companies and applied what they learned in spearheading voluntary 5S activities locally as 5S leaders.



Fifth Production and QA Meeting held at Kagome Foods Inc. in the United States



5S leaders training (Ibaraki Plant)



Examples of improvement through 5S activities (Kagome Inc. and Taiwan Kagome Co., Ltd.)

Environment

Response to Climate Change / Consideration of the Environment

Protecting Water, Soil and Air That Nurture Vegetables

For Kagome, which uses nature's bounty in its products, conservation of the natural environment is essential to maintaining a sustainable agricultural business. We have begun climate change scenario analysis, recognizing that our response to climate change should be a top priority. In addition, we are actively addressing other important issues, such as conservation of water resources and biodiversity as well as reduction of plastics usage.

1. Response to the new framework for climate related disclosures (TCFD)

The G20 Financial Stability Board's Task Force on Climate-related Financial Disclosures issued its final report in June 2017 entitled *Recommendations of the Task Force on Climate-related Financial Disclosures*. Following this report, Kagome is now working to address the TCFD recommendations, including conducting a trial analysis of climate change scenarios in 2019.

Item	Details of activities								
Governance	<p>The Kagome Group recognizes that an interruption in the procurement of raw ingredients is the greatest risk facing its business operations. Climate change has already caused unseasonable weather patterns, including not only rising temperatures, but also massive typhoons and torrential rainfall, which have already caused extensive damages in areas where Kagome sources its raw ingredients. To avoid this risk, Kagome has taken the lead in implementing the Paris Agreement. In April 2018, Kagome's Board of Directors approved medium- to long-term targets for CO₂ reduction to ensure the company actively works to lower emissions of greenhouse gases.</p> <p>As top management, Kagome's President & Representative Director is responsible for all of the company's environmental activities, including climate change response, under Kagome's ISO 14001 environmental management system. The President evaluates the effectiveness of the environmental management system through biannual management reviews, following the company's environmental policy, and maintains responsibility and authority to order improvements. The Three-year Environmental Management Plan launched in FY2019 is also subject to task setting, monitoring, and revision or addition of tasks during these management reviews.</p>								
Strategy	<p>The emergence of climate change represents a major risk for Kagome as a company that processes and sells agricultural produce. At the same time, however, it can also be an opportunity for harnessing our long-standing technologies. Short- and medium-term risks from climate change include water shortages and the growing intensity of unseasonable weather, such as torrential rainfall, which has already emerged. Long-term risks involve rising carbon taxes, changing consumer behavior, and declining biodiversity. Kagome believes these risks can be transformed into opportunities. Kagome will use its existing technologies to create new varieties to develop and sell vegetable varieties that can withstand climate change as well as roll out a tomato cultivation system worldwide that makes it possible to grow tomatoes with less water.</p> <p>In the past, climate change has had direct and serious impacts on our business strategy and financial standing, causing a drop in revenue from tomato production in Australia due to heavy rains and the destruction of tomato farms in Japan from massive typhoons.</p> <p>The risks and opportunities of climate change noted above represent the risks and opportunities of Kagome's business operations. As such, they have been included in our business plan together with other risks.</p>								
Risk management	<p>Kagome has established the Joint Risk Management Meeting as the body responsible for the company's risk management. Chaired by the President & Representative Director and comprised of members from Management Meetings, the Joint Risk Management Meeting facilitates the decision making process in terms of our risk response policy and responses to important forms of risk. During meetings, members holistically determine the extent of impacts on management to determine the priority of each response. Risks and opportunities related to business operations are identified holistically based on issues facing the Company, expectations of and requests from stakeholders, and the results of evaluations of environmental impacts on our operations. These issues are incorporated into the Three-year Environmental Management Plan to be addressed by the entire company.</p>								
Indicators and targets	<p>Kagome has established the goal of reducing Scope 1 and Scope 2 CO₂ emissions more than 20% by 2030 and more than 50% by 2050, both compared to 2016, as a long-term indicator for mitigating climate change. As for Scope 3, since most of our CO₂ emissions are accounted for as Category 1, we aim to identify the CO₂ emission reduction targets of our main suppliers by 2021 and begin working together to lower these emissions from 2022.</p> <p>To achieve our long-term targets, we formulated the Three-year Environmental Management Plan and established benchmarks that we are now working to achieve. Our efforts to reduce CO₂ emissions are categorized into energy conservation, energy creation, and energy purchasing. In terms of energy conservation, we will lower CO₂ emissions per production yield at our plants inside and outside Japan by 1% every year. As for energy creation, we will encourage the installation of photovoltaic systems. For energy purchasing, we plan to begin purchasing carbon-free electricity from 2021. Also, we are carrying out individual activities to lower and manage CO₂ emissions, such as using CO₂ from production plants to grow tomatoes at farms. In this manner, we are moving closer to achieving the Kagome Group's long-term targets for CO₂ reduction.</p> <table border="1"> <caption>CO₂ Emissions (10,000 tons)</caption> <thead> <tr> <th>Year</th> <th>CO₂ Emissions (10,000 tons)</th> </tr> </thead> <tbody> <tr> <td>2016 (Base year)</td> <td>16</td> </tr> <tr> <td>2030</td> <td>13 (20% reduction)</td> </tr> <tr> <td>2050</td> <td>8 (50% reduction)</td> </tr> </tbody> </table>	Year	CO ₂ Emissions (10,000 tons)	2016 (Base year)	16	2030	13 (20% reduction)	2050	8 (50% reduction)
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2. Climate change scenario analysis

Following the TCFD's Recommendations of the Task Force on Climate-related Financial Disclosures, Kagome carried out a trial analysis of climate change scenarios from October 2019 to January 2020. The analysis, which focused on procurement and production believed to be impacted the most by climate change, used the scenarios of a 2-degree and 4-degree Celsius increase in worldwide temperature to identify risks and opportunities and examine countermeasures. The results showed that our business will be largely impacted by soaring carbon taxes in case of a 2-degree Celsius increase and again largely impacted by soaring water prices and the growing severity of unseasonable weather, such as torrential rainfall, in case of a 4-degree Celsius increase. While this analysis focused on procurement and production, in the future we plan to expand the scope to countermeasures concerning products, such as responding to changing purchasing behavior due to climate change.

Risks facing the Kagome Group and impacts on business

Category	Risk			Business impact	
	Major-category	Sub-category	Indicator	Observation (examples)	Evaluation
Transition risks	Government policies and regulations	Rising carbon taxes	Expenses	Rising costs from broad impacts of carbon taxes on raw ingredients, containers and packaging materials	Large
		Stricter policy on reduction of CO ₂ emissions in each country	Expenses/Assets	Need to upgrade to higher efficiency manufacturing facility from stricter energy conservation policy	Medium
	Reputation	Changing consumer behavior	Revenue	Growing purchasing behavior mindful of environmental impacts due to climate change	Large
Changing reputation among investors		Capital	Insufficient response to climate change deteriorates reputation among investors making it difficult to procure funds	Small	
Physical risks	Chronic	Rising average temperatures	Expenses and revenue	Poorer crop quality and declining yield	Large
		Changing rainfall and weather patterns	Expenses and revenue	Higher rainfall amounts or drought negatively affects growing areas causing raw material prices to soar	Large
		Declining biodiversity	Expenses	Declining number of insects makes pollination difficult resulting in supply interruptions of raw ingredients	Large
	Urgent	Declining production yield due to pests	Expenses and revenue	Growing number of pests results in declining crop yield and quality, causing difficulty in stable procurement	Medium
		Declining productivity of agricultural workers	Expenses and revenue	Rising temperatures results in declining labor productivity of agricultural workers, causing procurement costs to rise	Small
	Declining production yield caused by water stress	Expenses and revenue	Water shortages make it difficult to secure water causing higher prices	Large	
Growing intensity of unseasonable weather	Expenses and revenue	Frequent occurrence of unseasonable weather, such as torrential rainfall, causes more growing areas to be damaged	Large		

Kagome Group's risk countermeasures and opportunities

Risk items	Risk countermeasures	Opportunities
Rising carbon prices	<ul style="list-style-type: none"> Achieve target of 50% reduction in CO₂ emissions by 2050 using energy conservation, energy creation, and energy purchasing by the Kagome Group Lower CO₂ emissions through collaboration with suppliers Establish and execute measures to pass on cost increases to product prices Change the Company's CO₂ reduction target (emissions: 50% to 0%) 	
Changing consumer behaviors	<ul style="list-style-type: none"> Identify consumer purchasing behaviors and engage in precise sales activities Actively develop environmentally friendly products and certified products 	<ul style="list-style-type: none"> Product development and marketing tailored to demand during unseasonable weather
Rising average temperatures	<ul style="list-style-type: none"> Respond to climate change using smart agriculture including use of data 	<ul style="list-style-type: none"> Acquire vegetable varieties that can withstand climate change (resistant to high temperatures and pests)
Changing rainfall and weather patterns	<ul style="list-style-type: none"> Market vegetable varieties for climate change around the world 	
Declining biodiversity	<ul style="list-style-type: none"> Propose and promote agriculture in symbiosis with living organisms 	<ul style="list-style-type: none"> Promote tomato cultivation on farms that does not use bees
Declining production yield caused by water stress	<ul style="list-style-type: none"> Promote water recycling and water conservation initiatives at plants (membrane filtration, etc.) Develop and use tomato cultivation system that can produce tomatoes with the fewest amount of water Promote resource-recycling agriculture (use of plant effluent and rainwater on farms) 	<ul style="list-style-type: none"> Share around the world tomato cultivation system that can produce tomatoes with the fewest amount of water
Growing intensity of unseasonable weather	<ul style="list-style-type: none"> Raise the level of procurement strategy (review of growing areas; diversification) Create sustainable cultivation system even during torrential rainfall Upgrading of BCP countermeasures (climate change scenario) 	<ul style="list-style-type: none"> Shift to service business (Shift to service business unaffected by cost price fluctuations)

Strengthening Our Foundation for Value Creation and Key Measures

3. Water and biodiversity conservation

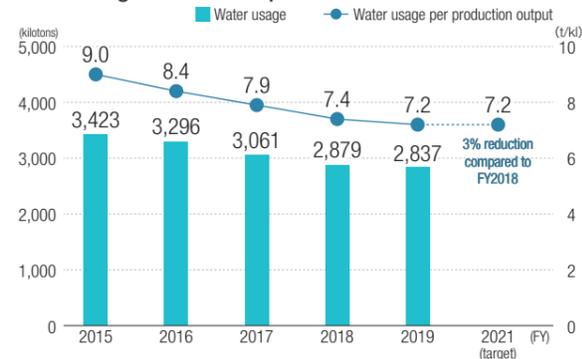
Water conservation

As a company that uses large amounts of water in cultivation and processing, Kagome is implementing measures tailored to each region to mitigate water-related risks.

Kagome Group Water Policy

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

Water usage at domestic plants



Biodiversity conservation

In order to continually reap nature's bounty, Kagome aims to achieve coexistence with a diverse array of living creatures, primarily by reducing agriculture's impact on biodiversity.

Kagome engages in various activities following the Kagome Group Biodiversity Policy established in FY2018, based on an assessment of the current situation with regard to biodiversity and the Group's business operations.

Details of activities

- Maintaining genetic resources (7,500 tomato varieties)
- Environmentally conscious use of agrichemicals and fertilizers for sustainable farming
- Biodiversity surveys of tomato fields and their surrounding areas
- Avoiding the use of nonindigenous species of bees for pollination in the cultivation of fresh tomatoes
- Promoting agricultural development in Japan (e.g. introducing examples of regional agricultural produce through direct marketing services such as Kagome Nouen Ouen)

4. Initiatives for plastics

In January 2020, we established the Kagome Policy on Plastics with the goal of reducing the impacts plastics have on the environment. As a specific target for the straws attached to paper beverage packs, we aim to eliminate use of plastic straws made from petroleum by 2030. For beverage PET bottles, our target is to use at least 50% recycled materials or plant-derived materials by 2030.

Our initiatives

- (1) Using plastic caps made of plant-derived materials (sugar cane) for paper packs (steadily rolled out since April 2020)



- (2) Using straws made of a 5% blend of plant-derived plastic (sugar cane)



Kagome Policy on Plastics

- 1 Kagome will eliminate the excessive use of plastics in product containers and reduce its overall use of plastics. Kagome has reduced the weight of its tomato ketchup bottles and PET bottles, and going forward it will continue to reduce its use of plastics.
- 2 Kagome will curtail the use of new plastics made from petroleum and promote a shift to recycled or plant-derived materials that make resource recycling possible. Based on this, Kagome has established the following two targets.
 - (1) Kagome will eliminate its use of straws made from petroleum-derived materials for its paper beverage packs and shift to recyclable materials (plant-derived or paper materials) by 2030.
 - (2) Kagome will use recycled or plant-derived materials for at least 50% of its beverage PET bottles by 2030.
- 3 Kagome will promote the recycling of wastes including plastic and continually achieve net zero emissions* at its plants.

*Kagome defines net zero emissions as a waste recycling rate of at least 99%.
- 4 Kagome will actively conduct environmental clean-up activities led by its business sites nationwide along shorelines and rivers in order to raise awareness about stopping littering of plastic containers.

Supply Chain

Strengthening of Supply Chain Management

Building a Foundation for Product Development from the Field

The logistics industry in Japan is facing a number of urgent issues, including labor shortages, the prolonged working hours of drivers, and environmental concerns. To resolve these issues, Kagome is working with other food manufacturers to streamline logistics and participating in the "White Logistics" promotion campaign.

Drastic changes in the logistics environment

In recent years, the driver shortage from an aging population and declining rate of people seeking employment as drivers have become even more serious; and yet, logistics throughput is rising amid changes in consumption structure from the growth of online shopping. Logistics for processed foods faces its own unique challenges; it takes time to position foods during loading and to unload them upon delivery, and the increased number of vehicles needed because of the split-use of pallets at intermediaries. This has resulted in prolonged working hours and inefficient logistics.

Such issues simply cannot be resolved by a single company. Negotiations and collaboration across industry lines are required involving other food manufacturers, distributors, and retailers. As a result, in 2015 six companies from the same industry launched the F-LINE project to research, review and commercialize joint transport services. This culminated in the April 2019 establishment of F-LINE Co., Ltd., a nationwide joint venture logistics company involving five food manufacturers.

Basic philosophy and objective of the F-LINE project

Basic philosophy

Pursue social and economic rationalities of logistics infrastructure for the entire food industry and secure more efficient and stable logistics capabilities based on the belief that the partners will compete in products, but carry out logistics jointly.

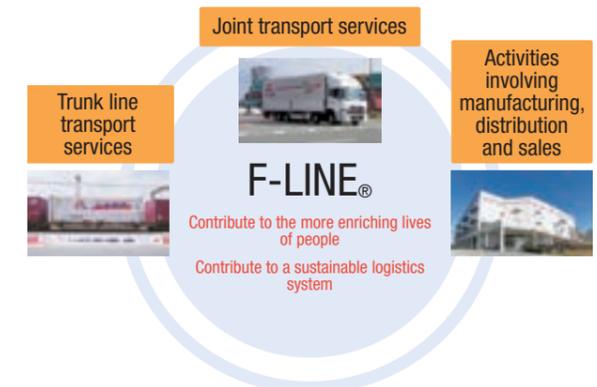
Objectives

- (1) Ensure stable supply of foods indispensable to people's lifestyles
- (2) Develop total optimization and achieve sustainability involving the entire food industry
- (3) Resolve the logistics challenges facing the food industry and optimize the supply chain
- (4) Enhance the corporate value of participating companies through social and environmental contributions
- (5) Pursue top productivity and efficiency in food logistics and generate synergistic effects

Results of activities

After the F-LINE project was launched, participants examined joint transport services in Hokkaido and Kyushu, improved efficiency of mid- to long-range trunk routes, and shared standards for industry orders and deliveries, aimed at the establishment of a sustainable logistics system. In terms of joint transport services, part of the logistics hubs of each company were consolidated into one and vehicle fleets were deployed more efficiently. As a result, the CO₂ emissions of the six companies were lowered about 15% in FY2019 compared to before the joint transport services, while the number of deployed vehicles was reduced and load factor increased. Looking ahead, these efforts will be expanded nationwide to further build a sustainable logistics environment together with industry and government.

Problem-solving cycle of the F-LINE project



Kagome's own initiatives <https://white-logistics-movement.jp/wp-content/themes/white-logistics/docs/declarations/00038.pdf>

In terms of logistics for processed foods, it is customary to deliver products the next day after an order is received, which has abetted logistics issues. Kagome has begun to introduce day-after-next delivery to extend delivery lead time and improve the logistics environment. Kagome endorses the White Logistics movement advocated by the Ministry of Land, Infrastructure, Transport and Tourism, Ministry of Economy, Trade and Industry, and Ministry of Agriculture, Forestry and Fisheries, and we have announced our own voluntary action pledge for sustainable logistics.

Strengthening Our Foundation for Value Creation and Key Measures

Sustainable procurement

Kagome has worked to diversify its sourcing locations and built a global network, as it seeks to avoid risks such as climate change and foreign exchange rate volatility and to optimize costs and suppliers. We also respect our fair and equal cooperation framework with suppliers, and we are developing our own procurement sites.

Supplier selection and initiatives to improve suppliers' quality

Kagome's advantage in procurement lies in its knowledge and expertise in production, quality and cost structure, gained through the fact that Kagome engages in all aspects of its business, from cultivation to processing of raw ingredients. By clearly communicating its expectations in these areas to suppliers, Kagome is able to establish mid- to long-term transactions at appropriate prices, enabling selection of suppliers who can work together with Kagome to improve quality.

For main imported raw ingredients, we check quality controls, from cultivation to manufacturing processes, by visiting suppliers locally every year. Ahead of the manufacturing season, we hold meetings with suppliers to review issues not only in manufacturing, but all processes, from field to manufacturing plant. These meetings even cover cultivation methods at contract farms, such as the number of times pesticide is used and the right type of fertilizer to use. Through this process, we are working to improve quality.



Meeting with supplier



Field check

Network for supporting business growth as a "vegetable company"

Tomatoes and carrots are the main raw ingredient used by Kagome. For tomatoes, we have diversified procurement locations for some time in order to mitigate regional risk. However, for carrots, we needed to develop our own procurement locations to meet our stringent quality and cost standards. This is because there are few suppliers who can supply processed carrots since carrots are used in fewer processed food applications than tomatoes. In 2014, we began trials for the cultivation and processing of carrots for the Japan market at our subsidiary Kagome Australia. In the four years since then, we worked to improve quality and cost in terms of varieties, cultivation, and processing, and today Kagome Australia has become a major supplier of carrots for raw ingredients. In addition, from FY2020, Kagome Australia will make investments to expand its farm cultivation area and increase production capacity. After further cost reductions, the procurement ratio of carrots split between the northern and southern hemispheres, which was about 7 to 3 in 2007, is expected to be equal.



Farm in Australia

Diverse Human Resources

Initiatives for the Continued Growth of Diverse Human Resources

Fostering Innovation

Kagome is working to become "a company with a pleasant and rewarding workplace" as part of its management strategy, under the commitment of top management to "use the growth of each and every employee for the growth of the company."

1. Diversity and inclusion

Kagome is working to reinforce its organizational strengths by providing its diverse workforce with access to more active and flexible means of work.

Positioning within management strategy

Kagome's diversity is positioned and promoted as the foundation and basis of organizational and individual actions aimed at realization of the long-term vision and what Kagome strives for by 2025.

Implement, self-propel and instill Kagome-style diversity



Promoting active roles for women

Women account for a large percentage of the customers who purchase our products and the students desiring to work for Kagome. However, the ratio of female employees is still low. Promoting the active role of women in the workplace is vital to Kagome's growth. For this reason, we are promoting active roles for women under the long-term vision to achieve a state where 50% of our workforce consists of women. In the Second Mid-Term Management Plan, we further evolved this initiative and updated our KGI and KPI on the hiring, continued employment and promotion of women.

Act on Promotion of Women's Participation and Advancement in the Workplace: Kagome's Action Plan (Phase II 2019-2022) figures

Target 1	Hire new employees, of whom 50% or more are female employees	65% (Actual result for FY2020)
Target 2	Maintain the continuous employment percentage of female employees hired during FY2009-2011 at 80% or more of male employees	1.0 (female employees hired between 2009-2011)
Target 3	Maintain the continuous employment percentage of female employees hired during FY2017-2019 at 100% of male employees	1.0 (female employees hired between 2009-2011) As at one year later
Target 4	Ensure that female employees make up at least 12% of managerial positions (manager and above)	6.6% (As of April 1, 2020)

Activities of the Diversity Committee

In July 2019, we held Diversity Day 2019 as an in-house public forum covering the perspectives of unconscious bias and sexual orientation and gender identity, in an effort to broaden the scope of our diversity initiatives. Following this, the diversity committees of each business site spearheaded seminars on LGBT issues, which resulted in reviewing the signage used for restrooms.

Example of changing the restroom signage of the Hokkaido Branch



Strengthening Our Foundation for Value Creation and Key Measures

2. Creation of innovative human resources

We are working to create a new business model for Kagome's future growth and implementing measures to improve employees' conceptual ability and creativeness, aimed at increasing our sensitivity toward a changing environment and needs.

Fostering Innovation

Our calls for a new business plan that began in FY2017 helped to sow the seeds for a new business model where employee engagement in business concept is connected to growth. It also functions as a mechanism for increasing our solution capabilities. From FY2020, we made changes to our guidelines in order to draw out diverse values and creative ideas from more employees. These changes include emphasizing thoughts and business hypothesis based on proposers' diverse experiences, and incorporating follow-up and networks of accelerators in the selection process. This will solidify the path to commercialization of proposer ideas.

Aim of soliciting new business plan from employees

- (1) Aim to be a "strong company" that can continually grow by predicting change and providing products and services that address this change
- (2) Foster human resources in business development who are committed to creating new businesses

Business plans that have passed the final selection

FY2017	Veggie Kids Nursery, which teaches children to love vegetables → Launched in April 2019
FY2018	Food fiber business using carrot pulp → Began developing carrot pulp as new ingredient
FY2019	Soil conditioner made from lactobacillus brevis compound, along with manufacture and sales of organic fertilizer → Commercialization review ongoing



Planted tomato seedlings during Veggie Kids Nursery, which teaches children to love vegetables

3. Consideration for human rights

Kagome is promoting work style reforms along with health and productivity management to help employees lead a more creative and enriching life.

Initiatives to reduce total working hours per year to 1,800 hours

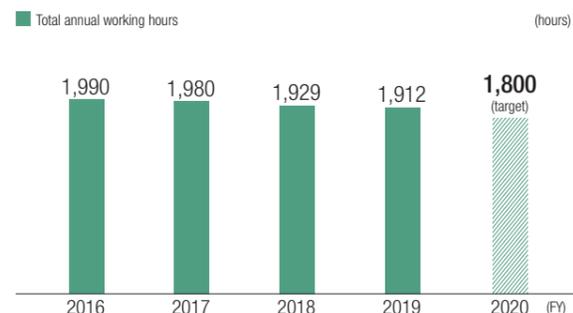
The work style reforms we have implemented since FY2014 include various measures that strike a balance between improving the quality of work of both organizations and individuals (process and results) and reducing work load (hours). We have continued with efforts to reach our target of reducing total working hours per year to 1,800 hours by 2020, and the use of various work management tools and programs are now beginning to show results.

In addition, we launched a secondary job scheme using the time freed up from reduced working hours, which empowers employees to make social contributions from a greater range of options.

Main programs and measures introduced in FY2019



Change in total annual working hours



4. Promoting health and productivity management

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

Kagome Health and Productivity Management Pledge

In 2017, we established Kagome's 7 Points for Good Health, and made the Kagome Health and Productivity Management Pledge. In November 2017, we were given the highest rank by the Development Bank of Japan (DBJ) under its DBJ Employees' Health Management Rating. Furthermore, in March 2020, we were recognized for the fourth consecutive year, under the Certified Health and Productivity Management Organization (White 500) program administered by the Ministry of Economy, Trade and Industry (METI) and Nippon Kenko Kaigi.



Kagome Health and Productivity Management Pledge

The health of employees links directly to feelings of job satisfaction, through improving their sense of pride and engagement at Kagome. Kagome contributes to the health of its customers through food, while at the same time promoting health and productivity management based around the core of Kagome's 7 Points for Good Health.

Framework for promoting health and productivity management

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

We are also working to identify issues relating to employee health, and implement health-related initiatives, such as holding regular Collaborative Health Promotion Meetings together with the Kagome Health Insurance Union. We also hold Kagome Health Meetings, at which industrial health staff from major business locations, Kagome corporate officers responsible for health issues, and members of the General Health Services Department and Kagome Health Insurance Union assemble to share and discuss Group-wide health-related initiatives.

Kagome's 7 Points for Good Health

1. Nutritional balance, eat 350g of vegetables a day
2. Feel fresh and cleansed every day, drink Labre
3. Sleep well, greet people, and enjoy a fun lifestyle
4. Take appropriate exercise, walk 8,000 steps a day
5. Develop habits of brushing teeth, gargling and washing hands
6. Don't drink too much alcohol, and avoid smoking
7. Take regular health checkups and manage your own health

Industrial physician system

We have established health management desks at all of our business locations in Japan. Public health nurses patrol our business locations while collaborating with these desks. During patrols, public health nurses work alongside industrial physicians to interview employees for the early detection of employees with physical or mental health issues and to provide an environment where employees find it easy to consult regarding their own health issues.

Current situation with regard to health management

In addition to promoting initiatives based on Kagome's 7 Points for Good Health, Kagome also implements its own unique health checkups (Kagome Kenshin) in collaboration with the Kagome Health Insurance Union, and carries out regular dental checkups, influenza vaccinations and walking campaigns every year. We also encourage and support employees age 30 or above, and their spouses, to undergo comprehensive medical examinations.

Situation regarding health checkups (as of March 31) (%)

	2017	2018	2019 (FY)
Percentage of employees taking health checkups	100	100	100
Percentage of employees receiving specific health guidance	50.3	58.2	72.0

Current situation with regard to stress checks (%)

	2017	2018	2019 (FY)
Examination rate	96.6	92.0	95.7
Rate of high stress employees	9.2	6.3	7.4

Improving employees' health literacy

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

Stakeholder Engagement

Working with Society

Resolving Social Issues Through Food

Kagome actively embraces collaboration with local communities knowing that this is essential to the realization of a sustainable society in terms of “Longer, healthier lives” and “Agricultural development and regional revitalization,” both social issues that Kagome is seeking to resolve.

○ Kagome Yasai Seikatsu Farm Fujimi, a core part of Kagome’s regional revitalization efforts

Over the years, Kagome has deepened its connection with Fujimi Town, in the Suwa District of Nagano, through Kagome Fujimi Plant that began operating back in 1968. In 2015, we jointly invested in Yatsugatake Mirai Farm as part of agricultural development for utilizing idle land, and in 2019, we began cultivating fresh tomatoes. In 2016, Kagome concluded a regional development agreement with Fujimi Town, under which we are working to resolve social issues faced by the local community. In April 2019, we opened Kagome Yasai Seikatsu Farm Fujimi to generate tourism demand locally.

Looking ahead, Kagome is committed to working closely with Fujimi Town to resolve such social issues as “longer, healthier lives,” “turning agriculture into a grow industry” and “revitalizing Fujimi Town.”

About Kagome Yasai Seikatsu Farm Fujimi

[Concept]

Interactive vegetable theme park combining agriculture, industry and tourism

Food experiences: restaurant, shop and cooking classes using harvested vegetables

Agricultural experiences: tomato and lettuce picking in a neighboring field

Plant tours: showcases processes and technologies for making vegetable juice at the Kagome Fujimi Plant

[Visitors]

34,000 (April to November 2019)

[Employment]

- Hiring of customer service staff and guides from the local community
- Yatsugatake Mirai Farm employs 40 to 60 people year round

[Main initiatives for local collaboration in FY2019]

- Sales of vegetables grown by local high school students
- Product development and sales for the farm shop using collaboration with local pâtissiers and artists
- Planning and implementation of events such as the sunflower field maze together with local elementary schools, welfare facilities, and local volunteers
- Promotion of agriculture-welfare collaboration on Yatsugatake Mirai Farm

[Recognitions]

The development project for the Odaira area of Fujimi Town, including Kagome Yasai Seikatsu Farm Fujimi, received the Minister of Agriculture, Forestry and Fisheries Award at the Rural Agricultural Development Contest in 2019 organized by the Liaison Council of Land Improvement Project Groups and supported by the Ministry of Agriculture, Forestry and Fisheries. This project was praised for its contributions to the development of rural agriculture by establishing a vegetable theme park on a general purpose farm and achieving attendance of 30,000 people through its combination of agriculture, industry and tourism.



Kagome Yasai Seikatsu Farm Fujimi



Large year-round greenhouse at Yatsugatake Mirai Farm



Sunflower field maze made with the help of the local community (August 2019)



Product jointly created with a local artist

○ Sobetsu Agri-Foods, aims to be a model for agricultural development and regional revitalization

Kagome got involved this fiscal year in a business that promotes agricultural development and regional revitalization by increasing vegetable production including onions, creating jobs at processing facilities, and utilizing the buildings and land of junior high schools that have been closed, in depopulated areas of Hokkaido Prefecture.

About Sobetsu Agri-Foods

[Location]

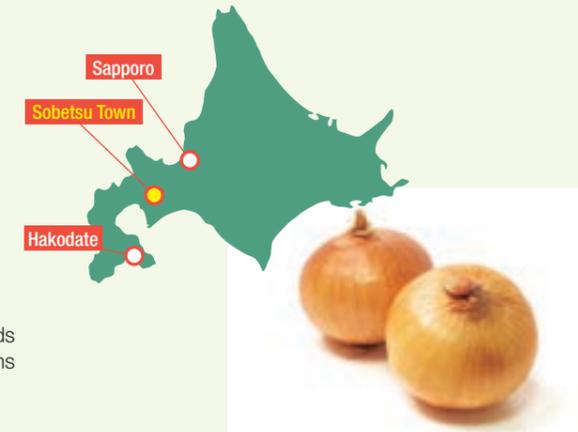
Sobetsu Town, Hokkaido

[Mission]

- Seamlessly supply onions, from fresh to processed foods
- Provide added-value products with useful varieties and processing technologies

[Business structure]

- Manufacture and market fresh produce and processed foods by sourcing onions grown by local agricultural corporations and local farmers
- Plan to expand contractor business including harvest work



○ Establishment of Kagome Mirai Yasai Foundation for greater mutual support

Mutual aid is the first concept defined in the Code of Conduct, which serves as a platform for Kagome to realize its corporate philosophy and brand statement. For social themes that cannot be addressed with self-help or public assistance, Kagome works with local communities to support one another. With this motto in mind, we will establish the Kagome Mirai Yasai Foundation as a mechanism for realizing such.

About Kagome Mirai Yasai Foundation

[Mission]

- Provide support to social issues involving foods, especially food education for children
- Return the foundation's social contributions to business activities and enhance corporate value

[Activities]

Provide grants (donations) to groups that make social contributions related to food (mainly initiatives for children’s food education, etc.)

[Funding]

Annual endowment of 50 million yen

[Established]

October 1, 2020 (planned)

