

## Recommendations from External Directors

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



**Takayuki Hashimoto**  
External Director

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

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



**Hidemi Sato**  
External Director

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

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

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

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



**Kumi Arakane**  
External Director

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

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



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

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

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

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

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



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

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

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

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

# Corporate Governance

## Basic policy of corporate governance

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

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

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

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

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

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

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

### Number of shareholders

(10,000 persons)



## Corporate governance system

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

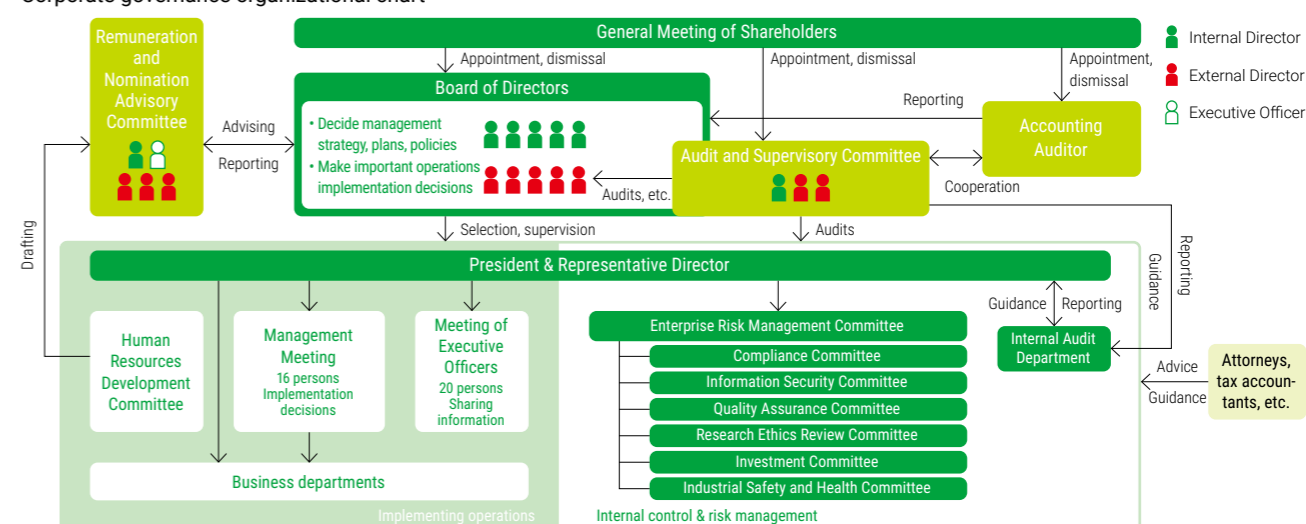
The Audit and Supervisory Committee has set a policy of having one or more standing Audit and Supervisory Committee members, and uses internal control systems to audit the legality and appropriateness of the operations implemented by the directors.

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

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

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

## Corporate governance organizational chart



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

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

## Kagome's policy on appointing directors

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

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

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

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

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

## Evaluation of the effectiveness of the Board of Directors

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

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



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

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

#### 1 Third-party evaluation

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

#### 2 Methods of evaluation

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

#### 3 Evaluation results

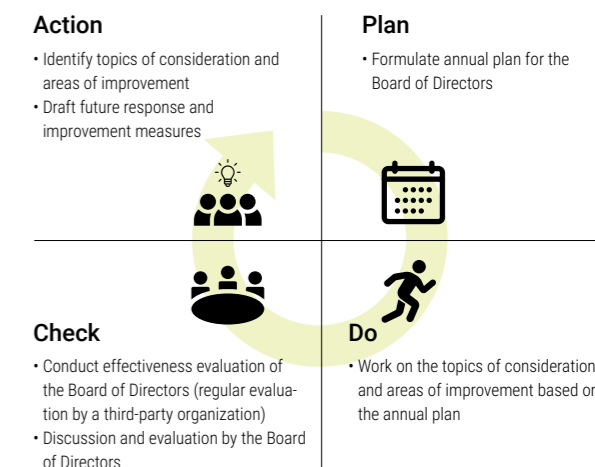
Kagome's Board of Directors was determined to be effective by a third-party organization.

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

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

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

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



## Directors' remuneration

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

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

### Remuneration and Nomination Advisory Committee

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



## Board of Directors' compensation

### Directors' compensation

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

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

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

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

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

### Breakdown of compensation by position

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

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

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

## ■ Calculation method of performance-linked compensation

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

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

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

(1) Amount of core operating income vs. budget

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

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

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

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

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

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

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

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

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

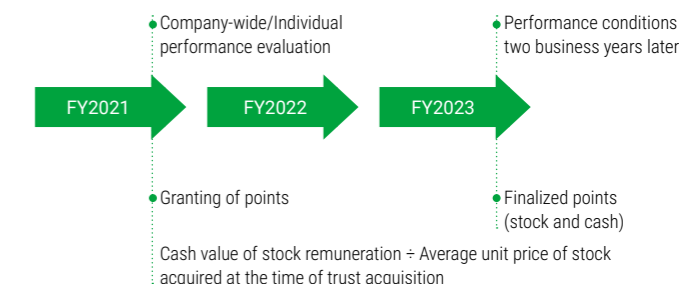
■ Cash bonus = Total amount of performance-linked compensation for single fiscal year × Percentage of total amount of performance-linked compensation accounted for by cash bonus

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

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

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

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



## ■ Approach to repayment of directors' compensation

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

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

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

## Strengthening group governance

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

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

## Cross-shareholdings

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

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

## Compliance

### Revision of Code of Conduct

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

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

### Compliance promotion system

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

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

### Initiatives to maintain rigorous compliance

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

### Tax compliance

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

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

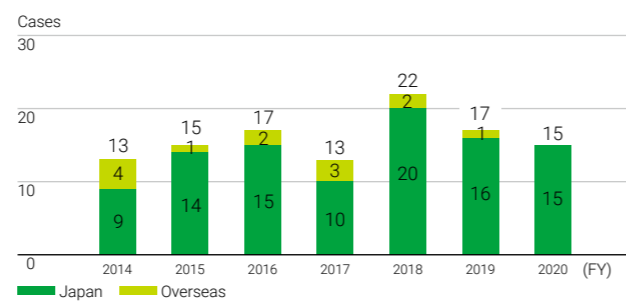
Kagome fully recognizes the importance of compliance in relation to Group companies located overseas. In 2014, an overseas internal reporting system was introduced, and the scope of this system has been gradually expanded to include the Group companies located in the U.S. and Australia.

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

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

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

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



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

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

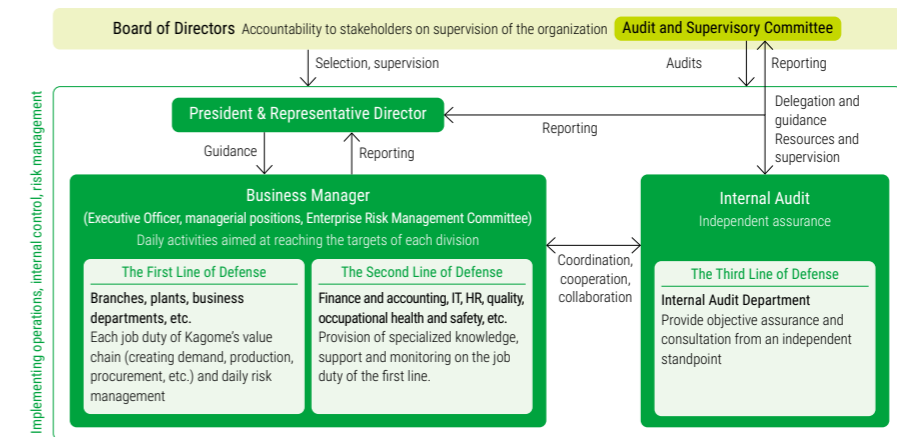
## Internal Control

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

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

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

### Three Lines of Defense Model



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

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

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

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

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

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

## Our Responsibility to Shareholders and Investors

### Information disclosure

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

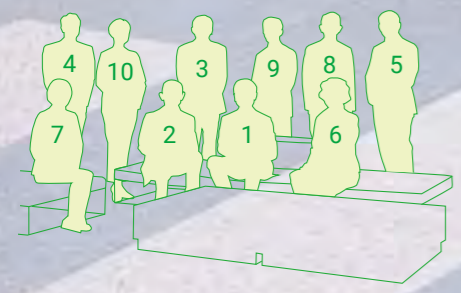
### General Meeting of Shareholders

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

### Management oversight

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





**Directors**

(As of March 30, 2021)

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