

Kagome's approach to sustainability



Basic Policy on Sustainability

Since its founding, the Kagome Group has proposed novel approaches to foods and services harnessing the bounty of nature, following its commitment toward manufacturing embodied by the belief that fields are the primary production plant.

To pass this approach to business on to the future, we will put into practice our corporate philosophy of "appreciation," "nature" and "corporate openness." At the same time, we will work to resolve social issues with the cooperation of stakeholders to achieve the Group's sustainable growth and realize a sustainable society.

Last year, when kicking off the third Mid-Term Management Plan, we defined our approach to sustainability as business activities aiming to make us a strong company capable of sustainable growth, using food as a means of resolving social issues. In January 2023, we established the Basic Policy on Sustainability after exploring expressions that will increase empathy among customers and employees while incorporating the relationship with our corporate philosophy and other policies.

Our corporate philosophy has always contained approaches to sustainability related to the environment and society. We believe that putting this into practice will lead to the Group's sustainable growth and the realization of a sustainable society.

The social issues within this policy align with What Kagome strives for by 2025 in terms of longer, healthier lives, agricultural development and regional revitalization, and sustainable global environment.

MESSAGE



Takashi Hashimoto
Director & Senior Managing Executive Officer

Under the third Mid-Term Management Plan that got underway in FY2022, we presented our approach to sustainability and laid out our intentions to work toward sustainability with a long-term perspective. We have co-existed with agriculture using fields as the primary production plant and addressed sustainability issues including the natural environment. To reflect and promote these issues in management strategy, we set up the Sustainability Group and established the Sustainability Committee under the Management Meeting.

Additionally, we reviewed the materiality issues that we identified in 2019 considering the external environment, such as international goals (SDGs) and increasing severity of climate change. We will now work to instill this materiality further internally as a priority issue, and at the same time, we must deepen understanding of our actions among external stakeholders.

As for our environmental initiatives, we have been promoting a high priority response to climate change. We obtained certification from the Science Based Targets initiative (SBTi), revised our reduction target for greenhouse gas emissions to the 1.5-degree scenario and announced our endorsement of the TCFD's recommendations. We have begun building a responsible procurement foundation for society and are stepping up our sustainability initiatives across the entire supply chain.

The sudden, rapid changes in operating environment, symbolized by surging commodity prices, are impacting the management of many companies. Nevertheless, we will aim to strike a balance between a sustainable society and the sustainable growth of Kagome in the future while overcoming these environmental changes.

Sustainability promotion system

Establishment of Sustainability Committee

Previously, Kagome addressed sustainability issues at the division and department level. Additionally, we identified our materiality in 2019 in the form of issues that if addressed will help us achieve value creation and a sustainable society.

In October 2022, Kagome established the Sustainability Committee, under the Management Meeting, which visualizes and promotes these initiatives to address risks and opportunities with a long-term view, as the company's control tower for promoting sustainability companywide.

The Sustainability Committee defines sustainability issues as issues that will help us to achieve long-term value creation

and the sustainability of society while addressing our own materiality. In total, the committee identified the four issues of sustainable agriculture, circular economy, reduced environmental impacts and CSR in the supply chain. It also established three subcommittees to work on these issues in the form of planning and executing specific measures. The committee discusses long-term preparations and actions in response to sustainability issues based on the matters discussed by its subcommittees. In turn, these findings are reported to the Management Meeting and Board of Directors to be reflected in specific management strategies.

Purpose and composition of the Sustainability Committee

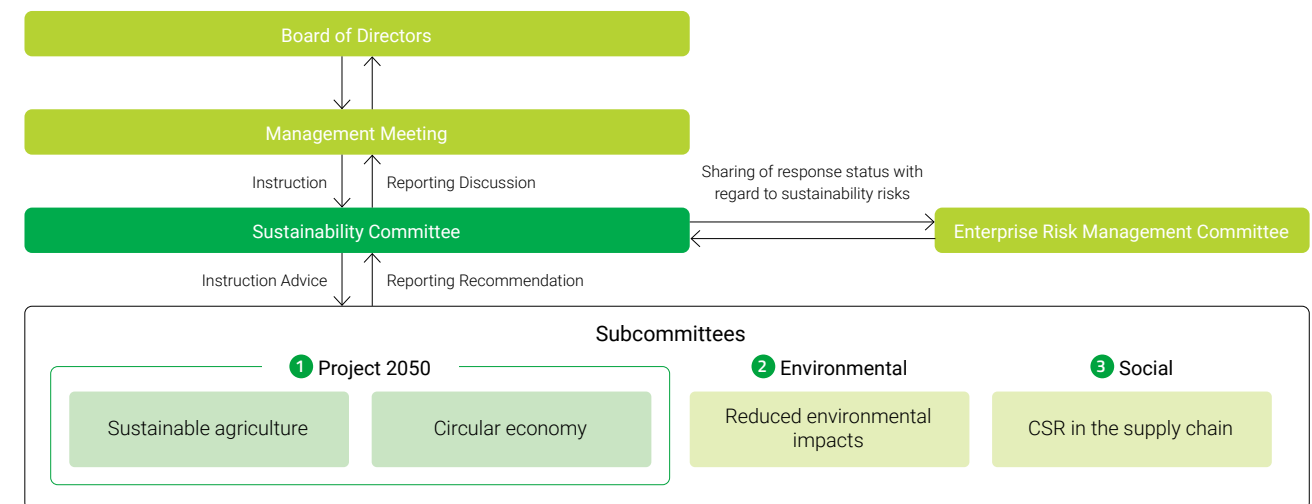
Purpose 1

Review Kagome's approaches for achieving a sustainable society (resolution of social issues) and sustainable growth of the company from a long-term perspective and reflect these findings in management strategies

Purpose 2

Monitor sustainability issues identified to address our own materiality and carry out instructions and provide advice to departments responsible for implementation

Sustainability promotion system

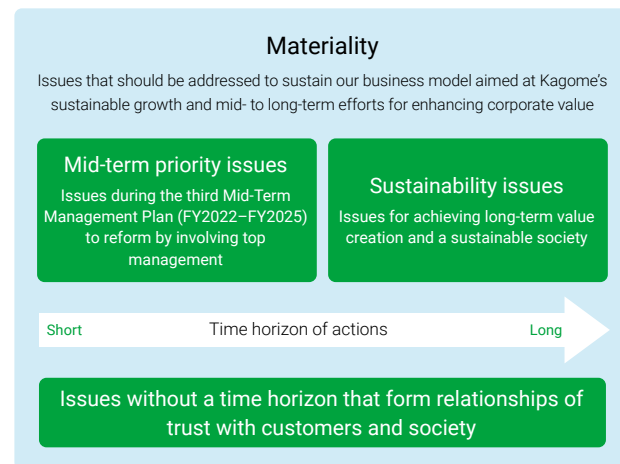


Contents of main discussions held by subcommittees

Subcommittee 1 Project 2050	<ul style="list-style-type: none"> Review future scenarios and Kagome's vision toward 2050 Review inputs to organizations formulating the next long-term vision and examine review of future materiality
Subcommittee 2 Environmental	<ul style="list-style-type: none"> Discuss recovery measures for highly challenging issues related to the implementation of environmental management plans
Subcommittee 3 Social	<ul style="list-style-type: none"> Identify human rights risks in the supply chain, assess impacts on business, and review countermeasures

Kagome's approach to materiality

Kagome positions materiality as issues to address in sustaining its business model for sustainable growth and the enhancement of corporate value over the mid to long term. These issues include mid-term priority issues, sustainability issues and issues without a specific time horizon. Three of the seven materiality items identified are social issues that we seek to address through our businesses while the remaining four issues involve strengthening Kagome's value creation activities. [P.44](#) By addressing these materiality items, we will aim to become a strong company capable of sustainable growth.



Process of identifying materiality

Kagome identified its materiality issues in 2019 and since then the company has reflected them in management. Nevertheless, the management environment is changing almost daily. Therefore, in 2021 we revised these materiality issues taking into account assessments by external stakeholders and the Board of Directors after considering these changes in the external environment during the review of the third Mid-Term Management Plan. The new materiality issues will be addressed through the Sustainability Committee and reflected in specific management strategies. After the current Mid-Term Management Plan ends in 2026, materiality issues will again be examined mainly by the subcommittees of the Sustainability Committee and revised as necessary.

2018	Identification and sorting of social issues
2019	Identification of materiality using a third-party assessment from external stakeholders
2021	Review of materiality (reorganized materiality issues from 17 to 7) • Interviews of external stakeholders • Validity evaluation by the Board of Directors
2023 onward	Promotion of issues through the Sustainability Committee
Up to 2025	Review of materiality for the next Mid-Term Management Plan

Policies and targets related to materiality

Greenhouse gas reduction targets P.46	FY2030 42% reduction in Scope 1 and 2 emissions compared to 2020 13% reduction in Scope 3 emissions compared to 2020
Kagome Group Water Policy P.47	https://www.kagome.co.jp/english/csr/environment/activity/waterprotection/
Kagome Policy on Plastics P.48	Up to 2030 • Paper carton: zero use of straws made from petroleum-derived materials • PET bottles: use of at least 50% recycled/plant-based materials https://www.kagome.co.jp/english/csr/environment/activity/wastereduction/
Kagome Group Biodiversity Policy P.47	https://www.kagome.co.jp/english/csr/environment/activity/biodiversity/
Kagome Health and Productivity Management Pledge P.52	https://www.kagome.co.jp/company/about/philosophy/healthandproductivity/

Seven materiality issues and main initiatives

	Materiality	What we strive for (KPIs, etc.)	Main initiatives	Relevant SDGs	Related pages
Three social issues	Longer, healthier lives	We will promote vegetable consumption through various products and information and contribute to a healthy dietary habit and lifestyle of consumers.	Develop value and disseminate information that links to behavioral change towards a diet with vegetable consumption Develop and spread products that contribute to vegetable consumption Expand health expectations domain we can be of help with	 	Domestic Processed Food Business: P.35–36
	Agricultural development and regional revitalization	We aim to establish sustainable agriculture through agriculture business, developing plant varieties and technological development.	Promote local agricultural business through development of vegetable growing regions and processing Develop technologies and services that improve agricultural productivity and sustainability Disseminate the appeal of domestic agricultural products through our business activities		Domestic Agri-Business: P.37–38
	Sustainable global environment	We will reduce environmental impact in our business activities from stages of procurement to products. We will achieve carbon neutrality by 2050.	Initiatives for achieving carbon neutrality by 2050 Initiatives to reduce food loss and waste Conserve water and biodiversity Procure low environmental impact raw ingredients and material and develop similar products	 	Environment: P.45–48
Strengthening activities for value creation	Product Safety and Security	Achieve Quality First, Profit Second* *Kagome's philosophy of equally valuing the provision of safe and secure quality products to consumers and the creation of profits	Improve quality and communicate with customers to promote trust in the brand		Quality: P.53–54
	Develop a sustainable supply chain	We will establish a stable procurement base and logistics system adaptive to changes in the environment.	Procure materials in an environmentally and socially responsible and sustainable manner Establish a logistics system capable of consistent product delivery to customers	 	Supply chain: P.55–56
	Respect diversity and expand human capital	We will link diversity to innovative creation and sustainable growth.	Establish an environment conducive to innovation through promoting diversity and inclusion Promoting health and productivity management	 	Human Resources: P.49–52
	Strengthen corporate governance	We will establish corporate governance that adapts to the times with our own commitment through further strengthening of "autonomy" complemented by "heteronomy."	Strengthen corporate governance system Ensure appropriate information disclosure and assurance of transparency Formulate an intellectual property strategy and risk management		Corporate Governance: P.59–66

► Strengthen foundation for value creation—Response to materiality

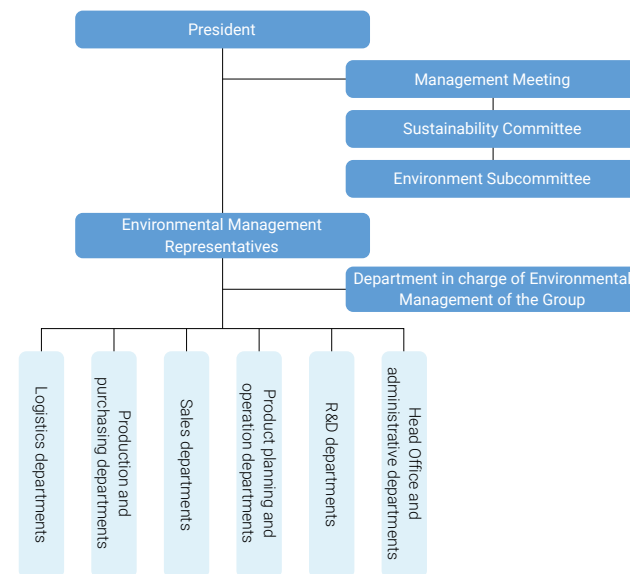
Sustainable Global Environment

Kagome is conducting initiatives towards a sustainable global environment as the responsibility of a company that enjoys nature's bounty and caters to customers. We are now working to reduce CO₂ emissions, recognizing that our response to climate change should be a top priority.



Operation of Quality and Environmental Policy and company-wide environmental management

At all domestic Kagome Group companies, we have established and implement the Kagome Environmental Management System (KEMS). This system clearly defines responsibilities for all departments and business sites nationwide, with the President at the top, based on the Quality and Environmental Policy established in 2017. Specifically, we have developed an environmental management plan based on the Quality and Environmental Policy, and set annual goals in order to reach the set targets. Individual departments and business sites promote environmental activities to achieve targets for each fiscal year. Results of the activities are checked regularly by top management and the head of each department and business site to set goals and an action policy for the next fiscal year.

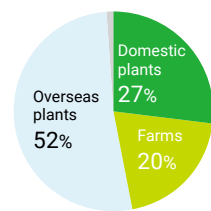


For details on KEMS, see our website.
https://www.kagome.co.jp/english/csr/environment/env_management/

Initiatives to achieve CO₂ reduction targets

Kagome initiated the CO₂ Reduction Project targeting the entire Group and formulated a new CO₂ reduction plan in 2020. A breakdown of the Group's CO₂ emissions can be found in the graph at right. We are now working collectively as a Group to reduce these emissions. Our main initiatives include energy conservation (review of production methods and switching to high efficiency facilities, etc.) and utilization of renewable energy (solar, biomass, renewable energy certificates, etc.). At some of our plants in Portugal and Japan, we are already using electricity generated from renewable energy to cover our entire power consumption. As a result of these initiatives, we were chosen by CDP, a non-profit environmental organization with international influence, as an A- List company at CDP Climate Change 2022, following a similar accolade in 2021.

Breakdown of Kagome Group's CO₂ emissions (FY2021)



Solar panels installed at Fujimi Plant (Nagano Prefecture)

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

As its response to climate change, in 2019 Kagome conducted scenario analysis following the TCFD's recommendations to identify risks and opportunities involving our business operations. We have also been reviewing our indicators and targets. In 2022, we announced our endorsement of the TCFD's recommendations and participated in the TCFD Consortium.

Governance

The Kagome Group recognizes that an interruption in the procurement of raw ingredients is the greatest risk facing its business operations. Extreme weather due to global warming drastically affect the growing regions of raw ingredients. In 2021, we made a revision to our mid- to long-term CO₂ reduction targets formulated in 2018, in order to avoid this risk and speed up the reduction of greenhouse gas emissions.

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

Strategy

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

Examples of Kagome Group's risk countermeasures and opportunities

	Risks	Countermeasures and opportunities
Short-term and mid-term	<ul style="list-style-type: none"> Extreme weather and changing weather patterns Declining production yield caused by water stress 	<ul style="list-style-type: none"> Acquisition and sales of vegetable varieties that can withstand climate change Development and usage of tomato cultivation system that can produce tomatoes with the fewest amount of water
Long-term	<ul style="list-style-type: none"> Rising carbon prices Changing consumer behaviors Loss of biodiversity 	<ul style="list-style-type: none"> Increased CO₂ reduction targets and initiatives to achieve them Active development of environmentally friendly products and certified products Proposals and promotion of agriculture in symbiosis with living organisms

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

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

Risk management

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

* See our website for details of the Kagome Environmental Management Plan.
<https://www.kagome.co.jp/english/csr/environment/plan/>

Indicators and targets

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

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

Item	Targets (compared to 2020)	FY2021 results (tons)
Scope 1 and Scope 2	Reduce greenhouse gas emissions by 42% by FY2030 (1.5°C scenario)	138,346
Scope 3	Reduce greenhouse gas emissions by 13% by FY2030	1,412,630

(FY2022 results will be announced on our CSR website following third-party verification)

Scope 1: Direct emissions of greenhouse gases from businesses (burning of fuels, industrial processes)
 Scope 2: Indirect emissions from the use of electricity, heat, steam supplied by another company
 Scope 3: Indirect emissions outside of Scope 1 and Scope 2 (emissions of other companies related to the business' activities)

► Strengthen foundation for value creation—Response to materiality

Sustainable Global Environment

Water conservation

Kagome consumes water in the cultivation of crops used as raw ingredients for its products, but also consumes a large amount of water during the processing stage. Following the Kagome Group Water Policy established in 2018, we are promoting the sustainable use of water in each region to protect water resources in the regions where we operate.

In the regions where we operate, we are implementing the following countermeasures in the high water stress areas of the United States and Australia. Moreover, we have begun developing technologies, including linking AI of our new company DXAS with irrigation facilities, in an effort to mitigate water risk. As a result of these initiatives, in FY2022, we were selected as an A- List company in CDP Water Security 2022 administered by CDP, a non-profit environmental organization with international influence.

Countries with high water stress and our countermeasures

Country	Risk	Response
United States	Drought	Dispersion of procurement bases
Australia	Drought	Dispersion of procurement bases Use of water stored from winter in spring cultivation
	Torrential rainfall	Avoid months with heavy rainfall risk by shifting timing of tomato cultivation

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.



Reservoir dam of Kagome Australia Pty Ltd. (in response to drought)

Biodiversity conservation

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

For details on biodiversity, see our website.
<https://www.kagome.co.jp/english/csr/environment/activity/biodiversity/>

Kagome Group Biodiversity Policy

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

Specific activities

1 Establishment of farms in symbiosis with living organisms

We are cultivating various forms of vegetation around our farms in order to increase insect species that are the natural predators of pests with the goal of reducing the use of agrochemicals in the future. Also, we are educating farmers about using these same practices.

2 Supporting education that teaches about the importance of living organisms

Every year since 1999, we have provided elementary schools, kindergartens, and nursery schools across Japan with seedlings of Lylyco Tomatoes, a variety used to make Kagome Tomato Juice, free of charge for use as a learning material.

Initiatives for reducing environmental impacts—Initiatives for plastics—

In 2020, we established the Kagome Policy on Plastics with the goal of reducing the impacts plastics have on the environment. As a specific target, Kagome will eliminate its use of straws made from petroleum-derived materials for its paper beverage packs and shift to recyclable materials (plant-based or paper materials) by 2030. Kagome will also use recycled or plant-based materials for at least 50% of its beverage PET bottles by 2030.

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

Kagome Policy on Plastics

Policy on Plastics (Summary)	
1.	Eliminate the excessive use of plastics and reduce overall use of plastics
2.	Replace plastic with recycled materials and plant-based materials Paper carton: zero use of straws made from petroleum-derived materials by 2030 PET bottles: use of at least 50% recycled / plant-based materials by 2030
3.	Sustain zero emissions at plants
4.	Continuously implement environmental clean-up activities at domestic business sites



PET bottles

We use 100% recycled materials in our tomato juice packaging. PET bottles can be reused several times and PET bottles made from recycled materials contribute to the resource recycling.



Paper beverage packs

We are steadily shifting to straws made from 5% plant-derived materials. For some products, we have also introduced straws with a higher percentage of plant-derived materials. We are switching caps for our smoothies to 100% plant-derived materials.

Comments from a Person in Charge

Environmental initiatives at overseas plants

At HIT, we manufacture tomato paste by juicing fresh tomatoes into concentrate, and we emit large amounts of CO₂ in the production process. In implementing the Kagome Group's CO₂ Reduction Project, HIT is promoting sustainability initiatives in an effort to reduce our CO₂ emissions. In July 2021, we began purchasing electricity generated from 100% renewable energy and in 2023, we plan to begin operating a solar power generation system. We are also working to increase the energy efficiency of our facilities by installing new-type high-efficiency boilers, for example. As a member of the Kagome Group, HIT will continue working to reduce its environmental impacts.



Sofia Stilwell
 Agriculture, Sustainability & Competitiveness Manager, HIT



Installation of solar panels



Installation of new-type boiler

▶ Strengthen foundation for value creation—Response to materiality

Respecting Diversity and Expanding Human Capital

New value creation combining various forms of knowledge is essential to achieving sustainable growth. We are focusing on three measures to increase job satisfaction and ways to foster a sound corporate culture, which will lead to the creation of innovation.



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

Increasing job satisfaction and creating innovation

To achieve our management strategies, it is important to develop workplaces where each and every employee feels job satisfaction and engages in their work independently in order to fully display their individuality and skill sets. We support organization and team building where members can share and express their honest opinions and ideas so that we can become a company where every employee is able to tackle challenges independently. In turn, this will create innovation and pave the way toward our sustainable growth.

Monitoring of job satisfaction

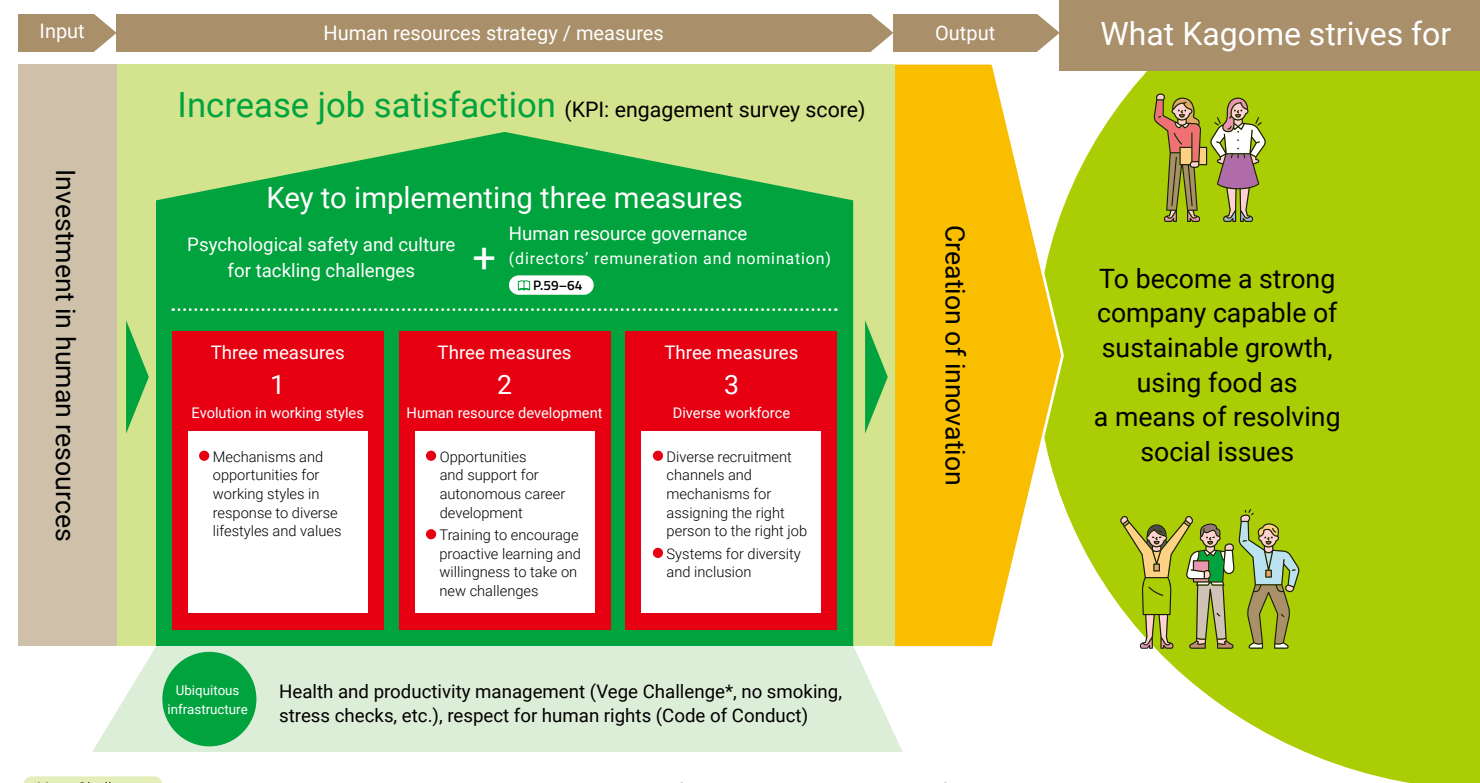
Since 2021, we have conducted an engagement survey (Wevox: a tool for measuring and supporting employee engagement provided by Atrac, Inc.) of all employees to monitor job satisfaction. After each survey, we analyze the results by item and department to identify themes for increasing job satisfaction and implement countermeasures. Our target is to achieve an engagement score within the top 20% of peer companies by 2025.

Trend in engagement survey score

	2021	2022
Total score	70	70

The results of the 2021 survey revealed a correlation between job satisfaction (engagement) and psychological safety. Therefore, we are using various measures to increase the number of workplaces with a high degree of psychological safety.

Kagome's human resources strategy aimed at its vision



* Vege Challenge is a hands-on health improvement program where participants keep track of their vegetable consumption levels after each meal and compete with others to earn the most points

Instilling psychological safety

In 2022, we held study sessions for managerial positions as a measure to instill psychological safety. Additionally, the Diversity Committee organized a presentation on the theme of learning from failure and taking on challenges and Talk with Top Management where the President and two Senior Managing Executive Officers take turns meeting with employees for a candid conversation.

Talk with Top Management were held 16 times from October 2021 to December 2022. These talks reached more than 300 employees who had the chance to talk candidly with the President or Senior Managing Executive Officer in a psychologically safe setting. Some of the topics covered include Kagome's aspirations as a company as well as questions and concerns about company policies.



Talk with Top Management held online

Measures to instill psychological safety

Target	Activities in FY2022	Contents
Departments, groups and project teams, etc.	Introduction of dialogue program	Instill psychological safety through dialogue and support team building where employees can engage in work with job satisfaction
Managerial positions	Implementation of psychological safety study session	Participation by all managerial positions Venue for learning correct knowledge about psychological safety and inputs for actual implementation
	Regular implementation of 360-degree feedback	Raise awareness and promote learning among managerial positions
All employees	Regular hosting of Talk with Top Management, a dialogue session involving top management and employees	President and two Senior Managing Executive Officers take turns participating Candid dialogue between top management and employees
	Holding of Diversity Day	Presentation on the theme of learning from failure and taking on challenges

Voice from a Participant in Talk with Top Management

An opportunity to identify with management

I decided to participate because I have very few opportunities to meet directly with the President or Senior Managing Executive Officers during the course of my day-to-day work and I thought Talk with Top Management would give me an opportunity to ask questions and deepen my understanding of company policies.

After taking part, top management carefully answered every question and I learned more about company policies in a casual setting. I was also able to identify further with top management after hearing their answers and discussions with other employees. All told, this was a great opportunity for me. I plan to regularly attend these sessions going forward.



Ayano Kato
Sales Division
Solution Provider Department I

Three measures ① Evolution in working styles

Developing employee-friendly systems

We are developing systems that enable even more diverse working styles by easing restrictions placed on where and when work is performed based on employees' changing values and needs when it comes to their job (childcare or family care obligations or households where both spouses are working).

Expanding elective working styles

We are looking to provide opportunities for employees to work beyond the boundary of their own organization through the secondary job scheme and cross-boundary learning in order to connect diverse experiences and opportunities to innovation. We will expand career development opportunities that go beyond one's current line of work.

Environmental improvements for evolution in working styles

FY introduced	System
2019	Flex time system
2019	Telecommuting system
2019	Secondary job scheme
2020	Elimination of core time in flex time system
2021	Utilization of family care leave in hourly increments
2021	Telecommuting stipend

► Strengthen foundation for value creation—Response to materiality

Respecting Diversity and Expanding Human Capital

Three measures ② Human resource development

We recognize that the growth of individual employees and the development of the company are strongly linked. Based on this recognition, we maintain systems that elicit their abilities to the fullest and place the right person in the right position while listening to the opinions of our employees. We also work to foster a corporate culture that encourages an abundance of individual initiatives. As part of this, we promote independent career planning that supports the autonomous growth of our employees.

To become a vegetable company, we are implementing unique initiatives that include Vegetable Maestro Certification*1 and Vegetable Teacher*2 for employees to convey the appeal of vegetables as evangelists.

*1 **Vegetable Maestro Certification** a Kagome certification with the goal of teaching employees the correct knowledge about vegetables and broadly disseminating this information
 *2 **Vegetable Teacher** an activity where Kagome employees teach children about the appeal of vegetables as Vegetable Teacher

Progress of human resource development measures

		2021	2022
Training to enhance skills and encourage autonomous career planning	Total training sessions	33	39
	Total participants	1,105	1,436
	Among the above, elective business skills training	14	14
	Themes		
	Total participants	411	316
Number of career interviews		610	645
Vegetable Maestro Certification (number of certificate holders as of December 31, 2022)	Level 2	121	172
	Level 3	1,415	1,413
Experience working as Vegetable Teacher		36	23

For details about our Human Resource Development Policy, see our website.
 ▶ <https://www.kagome.co.jp/english/csr/employee/motivation/>

Three measures ③ Diverse workforce

Diversity promotion at the Kagome Group is one of our management strategies aimed at creating a strong company capable of sustainable growth. We aim to create new value by utilizing the diverse ways of thinking and experiences of each and every employee. In terms of women's empowerment, Kagome has set a target of increasing the percentage of female employees in all positions from employee to executive officer to 50% by around 2040 as a long-term vision in promoting active roles for women.

As for recruitment, we will secure a diverse workforce by combining diverse recruiting channels and departments for assignment. We widely open the door to mid-career recruitment to strengthen our foundation of human resources for becoming a vegetable company. We will develop core human resources by increasing mid-career hiring to around 20 to 30% of total hires.

Also, we will create opportunities for our people to utilize their skill sets based on their own unique experiences and knowledge. In April 2023, we changed the contract formats available in our reemployment system and now employees can extend their contract up to the age of 70.

Action plan under the Act on Promotion of Women's Participation and Advancement in the Workplace

Period: April 1, 2022 to March 31, 2026

Indicator	2021	2022	Target	
Ratio of women in new general career track hires out of university	58.0%	71.0%	60% or more every year	
Ratio of women remaining on the job within 10 years of joining the company (compared to men)	1.0	1.0 (estimate)	1.0 compared to men every year	
Ratio of women in managerial positions	8.4%	9.5%	12% by 2026	
Ratio of men taking childcare leave	General career track	62.0%	75.7%	
	Technical track	64.3%	84.6%	
Gender pay gap*	Total workers	66.2%	65.4%	—
	Permanent employees	68.6%	67.3%	—
	Part-time and fixed-term contract employees	87.8%	87.6%	—

* Notes
 • Target period: FY2022 (January 1, 2022 to December 31, 2022)
 • Permanent employees: employees excluding directors
 • Part-time and fixed-term contract workers: directly employed fixed-term or non-fixed-term contract employees and contract workers
 • Wages: salary, bonus, stipends, etc. (including commuter stipend)
 • Tabulation includes Kagome Co., Ltd. as well as Kagome Axis Co., Ltd., Kagome Agri-Fresh Co., Ltd., and other employees seconded externally.
 * Supplemental explanation of differences in gender
 • The difference in gender (ratio of female to male employees) by age group of permanent employee is 59% for 50s, 75% for 40s, 83% for 30s, and 102% for 20s.
 • The ratio of women in managerial positions is 9.5% (as of December 31, 2022). Managerial positions are predominantly filled by employees in their 40s and 50s. To reduce this gender gap, we are systematically implementing measures for the more active role of women in the workplace including hiring and managerial position promotions following the target of increasing the percentage of female employees in all positions from employee to executive officer to 50% by around 2040 cited in our long-term vision.

Comments from a Person in Charge



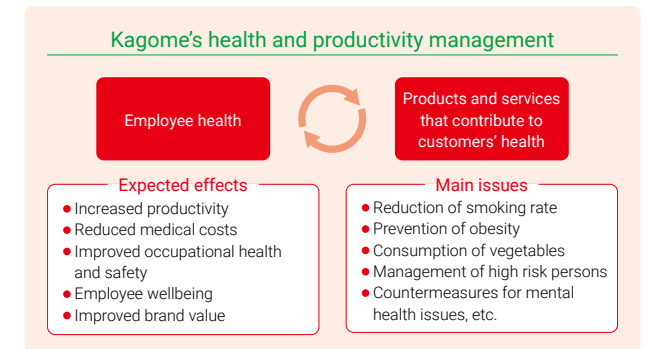
Susana Zorrinho
 HIT HR Manager

Focusing on wellbeing and team building

I'm HR manager at HIT in Portugal. Our workforce is quite diverse in terms of age, gender and origin. I'd like to introduce two initiatives we are undertaking that focus on getting the most out of our diverse workforce. First is wellbeing. The COVID-19 pandemic has made employee wellbeing a top priority. We are implementing a number of programs for mental and physical health. Second is human resource development. We have been implementing various training activities including team building exercises. We believe that improving the workplace environment and empowering employees will lead to business growth.

Promoting health and productivity management

Kagome's products and services benefit the health of customers. The mental and physical wellbeing of employees translates not only to their personal health but also convinces consumers of the authenticity of our business operations. Furthermore, this is also very important in the sense that it results in the improved performance of the company. As such, we are working actively on employee health management and advancement.



Kagome Health and Productivity Management Pledge

In 2017, we established Kagome's 7 Points for Good Health, and made the Kagome Health and Productivity Management Pledge.

In December 2020, we were given the highest rank by the Development Bank of Japan (DBJ) under its DBJ Employees' Health Management Rating. Furthermore, in March 2022, we were recognized under the Certified Health and Productivity Management Organization (large corporations) 2022 program administered by the Ministry of Economy, Trade and Industry (METI) and Nippon Kenko Kaigi.



Framework for promoting health and productivity management

To maintain and improve employee health, in 2016 we established the General Health Services Department (currently, Health and Productivity Management Promotion Office) within Kagome Axis Co., Ltd. Also, we are exploring and implementing health measures jointly involving Kagome, Kagome Health Insurance Union and each business site.

Situation regarding health management

In addition to promoting initiatives based on Kagome's 7 Points for Good Health, Kagome also implements its own unique health checkups in collaboration with the Kagome Health Insurance Union, along with dental exams, influenza vaccinations and walking campaigns every year. We encourage employees and their spouses who are 30 years of age or older to undergo comprehensive medical examinations and provide necessary support.

Furthermore, since 2021, we have stepped up efforts to prevent exposure to secondhand smoke and encourage employees to stop smoking. Toward this end, we banned smoking during working hours (excluding break time) and we are removing smoking rooms at our business sites in stages. We are jointly implementing measures with the Kagome Health Insurance Union, including offering subsidies for receiving outpatient care to stop smoking, as a way to support employees who desire to stop smoking. Through these initiatives, we have reduced the smoking rate among Kagome employees from 19.5% in 2020 to 15.1% in 2022.

Contents		2020	2021	2022	2025 target
Situation regarding health checkups	Percentage of employees taking health checkups (%)	100	100	100	100
	Percentage of employees receiving specific health guidance (%)	84.8	88.7	86.9	100
Current situation with regard to stress checks	Examination rate (%)	93.3	92.0	93.7	—
	Rate of high stress employees (%)	7.6	8.3	7.9	8.0
Trend in smoking rate among employees	Smoking rate (%)	19.5	16.1	15.1	12.0

Improving employees' health literacy

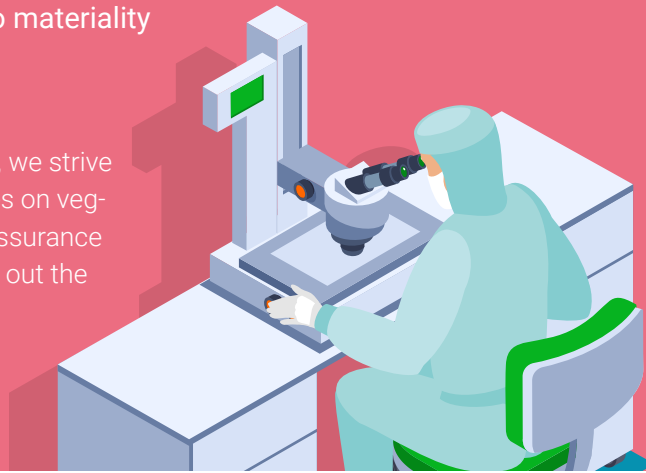
In order to maintain the physical and mental health of each of our employees, we consider it necessary to visualize and share employees' state of health, and to help them to acquire correct health-related knowledge. In 2017, we began publishing the Kagome Health Report, and holding health seminars for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

For details, see our website.
 ▶ <https://www.kagome.co.jp/company/about/philosophy/healthandproductivity/>

▶ Strengthen foundation for value creation—Response to materiality

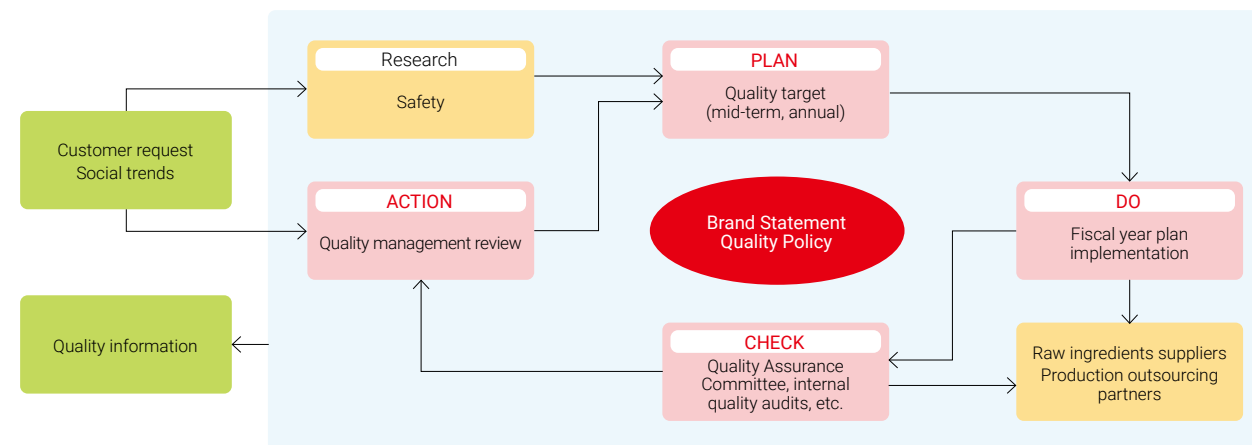
Product Safety and Security

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



Kagome's Quality Management System (KQMS)

Kagome believes in Quality First, Profit Second. This means that we equally value the provision of safe and secure quality products to consumers and the creation of profits. In conjunction with this, we are always making company-wide efforts to improve quality. As a system to guarantee quality, we have established our own proprietary quality management system called Kagome Quality Management System (KQMS) in compliance with ISO 9001 standards. Our quality activities span from design and development to procurement, production, logistics, and sales.



Safety management from field to product

Initiatives for food defense

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

Initiatives in response to radioactive materials

Immediately after the accident at the Fukushima Daiichi Nuclear Power Plant in 2011, Kagome began inspecting raw ingredients and products procured and manufactured and water used in its plants in Japan for radioactive materials to confirm their safety. This is a practice that we continue today.

Initiatives to address residual pesticides

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



Residual pesticides analysis

Quality management and quality assurance system for overseas Group companies

In 2016, we established the Global Quality Assurance Department (located in Tokyo) within the International Business Division. This department formulated Group-wide quality management standards known as Kagome Best Manufacturing Practice (KBMP) for overseas Group companies, and it continues working to roll out these standards to overseas Group companies. In addition to quality assurance, it is working to increase the quality assurance level and boost productivity of the entire Group by identifying, sharing cross-functionally, and utilizing the outcomes of environmental themes and technical themes, such as cost reductions being pursued at Group company. The department is also actively working to reduce CO₂ emissions and conserve water resources in our overseas businesses.

Roll-out of a common global quality management standard (KBMP) at overseas Group companies and audit-based verification and improvement

The main focus of the KBMP roll-out is not simply to impose our approach in Japan on other regions, but rather to share examples of improvements at overseas Group companies through the Global Quality Assurance Meeting (see below) and to foster mutual awareness toward improving quality. In the early days of KBMP introduction, we rolled out our approach and technologies related to foreign contaminants to overseas Group companies and worked to improve the level of quality control. Next, we developed activities to prevent quality accidents attributed to product design and common rules for response manuals based on quality incident scenarios. The entrenchment of KBMP has improved quality of the entire Kagome Group in each process, from design to sales.

KBMP is incorporated not only in existing manufacturing facilities but also in new plants and newly introduced manufacturing equipment from the design stage.

Coverage of common quality management standard for overseas Group companies (KBMP)

	Product development	Raw ingredients procurement	Production	Logistics	Sales	Customer service
	Design review	Change point management	Magnet inspection			
		Management of hazards associated with raw ingredients	Filter inspection			
Process management			X-ray / metal detector management			
			Cleaning			
			Gasket management			
			Production line condition check			
			Maintenance			
			Aseptic system management			
Mindset		5S procedures and main points				
Reporting			Crisis management			

Hosting of Global Quality Assurance Meeting

The Global Quality Assurance Meeting, which had been postponed in-person due to the COVID-19 pandemic, was held in Tokyo in November 2022. Senior management and quality assurance and manufacturing managers from Group companies in the United States, Portugal, Australia, Taiwan, and India gathered to share case studies and discuss each company's quality, production, 5S, safety, and sustainability initiatives. In addition to preventive training and workshops led by outside instructors, participants observed Fujimi Plant's process monitoring system from the central control room in Nagano Prefecture and experienced Kagome's culture firsthand at Yasai Seikatsu Farm. These initiatives not only improve quality mindsets through friendly competition involving Group companies, but also help to align perspectives on issues and targets such as production and the environment.



Global Quality Assurance Meeting (preventive training) held in November 2022 in Tokyo

► Strengthen foundation for value creation—Response to materiality

Establishing a Sustainable Supply Chain

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



Procure materials in an environmentally and socially responsible and sustainable manner

We have worked to diversify our procurement bases and build a global network in order to avoid risks such as climate change and exchange rate volatility, and to optimize costs and suppliers. [P.20](#)

In addition to respecting an equal and fair cooperative system with supplier companies, we are developing procurement bases in order to procure a stable supply of safe and secure raw ingredients.

Kagome CSR Procurement Policy

We established the Kagome CSR Procurement Policy not just for the procurement of safe and secure raw ingredients, but also for contributing to the realization of a sustainable society together with procurement partners. This policy requires that we ensure fair, equitable, and transparent transactions and promote procurement activities that take into account compliance with laws and ethics, human rights, labor, and the environment.

Ensuring safety and security of raw ingredients and products

- We conduct procurement that prioritizes quality and safety above everything else, while giving consideration for the best combination of quality, cost and supply for customers' peace of mind.

Fair trade

- We will select business partners fairly and transparently based on a comprehensive evaluation of technical prowess, proposal capabilities, and initiatives toward the environment, in addition to quality, cost and supply.
- We will not permit transactions using a superior bargaining position or transactions complicit in exploitation.

Consideration for human rights, labor and the environment

- We will carry out initiatives that respect the human rights of individuals, labor environment and health and safety.

- We will carry out procurement activities considerate of the environment while attempting to prevent pollution of water, land and air used to cultivate vegetables.

Compliance with laws and ethics

- We will comply with the laws and regulations of each country and engage in fair and transparent procurement activities.
- We will fulfill contractual obligations with business partners and appropriately manage confidential and personal information related to procurement transactions.

Mutual prosperity with business partners

- We will mutually support and assist business partners and implement measures aimed at resolving social issues.

Kagome Supplier CSR Actions Guidelines

We established the Kagome Supplier CSR Actions Guidelines, which contains detailed guidelines for our procurement partners inside and outside of Japan based on the belief that supplier cooperation is vital to implementing the Kagome CSR Procurement Policy. The guidelines are broken down into sections considered highly relevant internationally, including respect for human rights, appropriate labor environment, and consideration toward the environment. We are now working to ensure compliance with these guidelines by making them known to suppliers through briefings and other means, along with self-checks using a dedicated questionnaire or field audits, each intended to deepen their understanding and implementation in an effort to further enhance the effectiveness of our CSR procurement activities.



For details about the Kagome Supplier CSR Actions Guidelines, see our website.
https://www.kagome.co.jp/english/csr/supplier/pdf/kagome_supplier_csr_actions_guidelines.pdf

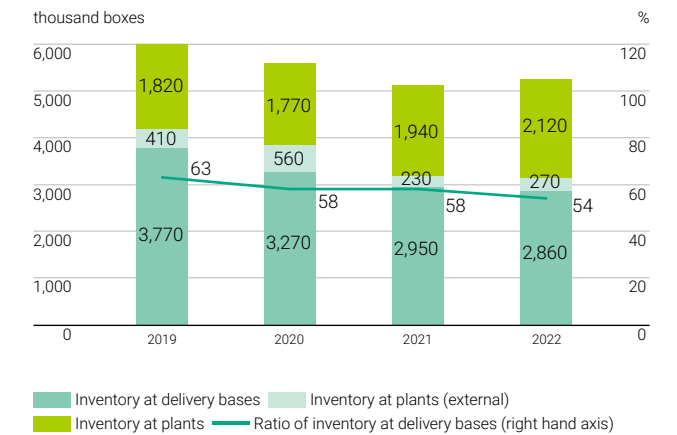
Build a stable distribution system

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

Inventory optimization with container unit management and initiatives for inventory level optimization at our bases

Through container unit management launched in 2020, sales plans and production and inventory status have been visualized in units of containers commonly used in production facilities, such as cans, paper containers, and PET bottles. Through consistent management from production to sales, we have achieved a stable supply in response to demand fluctuations caused by the COVID-19 pandemic. In addition, we plan and manage inventory according to each plant and delivery base and are working to reduce inventory at delivery bases. In 2022, total inventory increased year-on-year due to demand fluctuations caused by price revisions and other factors, but by reducing inventory at delivery bases with high storage costs by 4%, we reined in higher storage fees and optimized logistics costs.

Trend in boxes of inventory of dry products transported for delivery (annual average) and inventory ratio at delivery bases



Increasing plant storage capacity

We have increased storage capacity at our plants as one measure to strengthen supply chain management (SCM) infrastructure for cost control and reduction of environmental impacts, while achieving both optimization of inventory levels and stable supply. At our five plants in Japan, storage capacity has been increased by 33% compared to 2020 thanks to increased inventory space and improved storage efficiency. We built a new automated warehouse at the Fujimi Plant, which was renovated in 2021. In addition to reducing logistics costs such as transportation costs and storage fees by expanding storage at the plant, we also reduced employee workload through automation.



Warehouse at Ibaraki Plant with expanded space following the installation of large storage racks

Comments from a Person in Charge

Promoting and evolving smart logistics

Armed with the diversity of our supply chain, we have built out a network to deliver products to customers through various channels. We believe that the diversity of our network is an important asset unique to Kagome and a strength that we should continue to refine.

In order to evolve logistics, it is essential to prepare SCM information, standardize and enhance operations, and optimize resources. Believing that this is the first step in Kagome's version of smart logistics, we are now implementing project activities. For example, with F-LINE Co., Ltd., which we outsource logistics operations to, we plan to secure sustainable transportation and delivery methods and improve operational efficiency by sharing SCM information such as order information, sales forecasts, and inventory planning. By optimizing the supply chain, including Kagome, F-LINE Co., Ltd., suppliers and customers, we will do our best to contribute to the stable supply of products and solutions to social logistics issues.



Keiichi Shimura
 Supply Network Department, SCM Division