

Helping Kagome become a strong company capable of sustainable growth that can overcome challenging business phases



Hidemi Sato
External Director

Today, it's important to increase immunity and prevent frailty to resolve the social issue of helping people live longer, healthier lives. In Japan, seniors account for more than 29% of the population and the frailty rate among seniors is around 50% including people at risk. The large number of vitamins and functional elements contained in green and yellow vegetables increase immunity while protein is key to preventing frailty.

Kagome, which is working to promote longer, healthier lives, supplies around 20% of the green and yellow vegetables consumed in Japan and the company provides soybean products which serve as a source of protein. Therefore, it would be no exaggeration to say that Kagome's sustainable growth is linked to the social issue of helping people live longer, healthier lives.

Aiming for sustainable growth, Kagome is currently strengthening the search for new vegetable varieties while also sowing the

seeds of future growth through M&A and business partnerships in order to expand the types of agricultural products it handles and provide products containing a wide variety of nutrients. In order to solidify this management foundation, I believe that it is important to effectively incorporate the "power" of seeds into Kagome's technology, product development, R&D, and marketing capabilities, which have been cultivated over 124 years, and to develop and provide products based on the customer's perspective that ultimately combine both nutrition and deliciousness and are in line with people's eating habits, which have changed significantly due to the COVID-19 pandemic.

As an External Director, I hope to utilize my expertise in food to deploy and expand businesses based on the development and provision of products from the customer's perspective.



Kumi Arakane
External Director

In 2022, while there were some bright spots following three years of COVID-19 pandemic, major changes in the international situation that completely overturned the debate on how to build a post-COVID-19 pandemic vision emerged quickly. Kagome may also need to flexibly respond and review its global raw ingredients procurement system, strategic allocation of management resources, and business portfolio strategy in light of these changes in order to realize what Kagome strives for by 2025. However, this situation is also an opportunity to think deeply about how to leverage Kagome's strengths in resolving social issues in the indispensable business domain of food. Some domains have emerged that Kagome needs to strengthen, including digital transformation (DX).

To become a company capable of sustainable growth, I believe it is very important for Kagome to demonstrate the value that it can provide while striking a balance between capital efficiency and ESG, instead of viewing these indicators as separate. I'd like to see the company deepen discussions on whether Kagome's challenges are truly important social contributions, or something unique to Kagome, or if it can say with confidence that they have a strong correlation with Kagome's future growth. In my capacity as an External Director, I will work toward deepening constructive and substantive deliberations at Board meetings so that growth strategies can be effectively implemented.



Tatsuya Endo
External Director & Audit and Supervisory Committee Member

For Kagome, 2023 is expected to be a very challenging year. This is because of the impacts from yen depreciation carrying over from 2022, global warming, and unprecedented inflation in raw ingredient prices and energy due to Russia's invasion of Ukraine, despite the large number of revisions made to the selling prices of the Company's products.

In order to overcome this challenging business phase, Kagome has perceived the drastic changes in the external environment as a "state of emergency" since mid-2022, and the company has been working hard to quantify and implement countermeasures of each functional department as part of the budget for FY2023. Kagome is also continuously considering countermeasures outside the budget.

From a broad perspective, Kagome's organization, which is subdivided and divided into function-specific departments in the food

business, is characterized in a way that each functional department can easily be run only to optimize its own department. For Kagome, which has these characteristics, one of the keys to overcoming this challenging situation is for each department to take a bird's-eye view of the entire supply chain and value chain, instead of becoming a silo, and share Kagome's purpose and work together toward the company's targets. Toward this end, it is important to have strong leadership from management, such as fostering an atmosphere where frank opinions can be expressed across departments, and making timely decisions on priorities in terms of collaboration.

As an External Director, I will provide advice by focusing attention on whether Kagome's functional business departments are effectively cooperating thanks to the leadership of executive management.



Asako Yamagami
External Director & Audit and Supervisory Committee Member

To become a strong company capable of sustainable growth, Kagome is promoting human resource strategy from the three perspectives of evolution in working styles, human resource development, and diverse workforce, based on the belief that a diverse workforce demonstrating its skill sets, while feeling a sense of job satisfaction, will lead to the creation of innovation. With these assumptions as a precondition, Kagome is building a culture that values psychological safety where employees can share their honest views and that encourages employees to tackle challenges.

To build such a culture, I believe that in addition to respecting the diversity of attributes such as gender, age, and nationality, as well as the diversity of experience, respect for the diversity of each individual's way of thinking is the key. This is because homogeneous organizations run the risk of superficiality

leading to low-quality decision-making, and if the ideal for human resources and leaders does not change, the success of diverse human resources may be hindered. Meanwhile, if diverse ways of thinking are brought in, there may not be harmony, and communication can take a long time and dissonance may occur. In order to become an organization where a diverse workforce can truly demonstrate its abilities, Kagome should overcome these discomforts and stresses, reflect on its thinking and actions, and change them to create the corporate culture it wants.

Toward this end, it is necessary to have a strong commitment from management to deeply discuss and communicate the value of diversity and inclusion. As an External Director, I will promote such discussions and strive to improve their quality.

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.

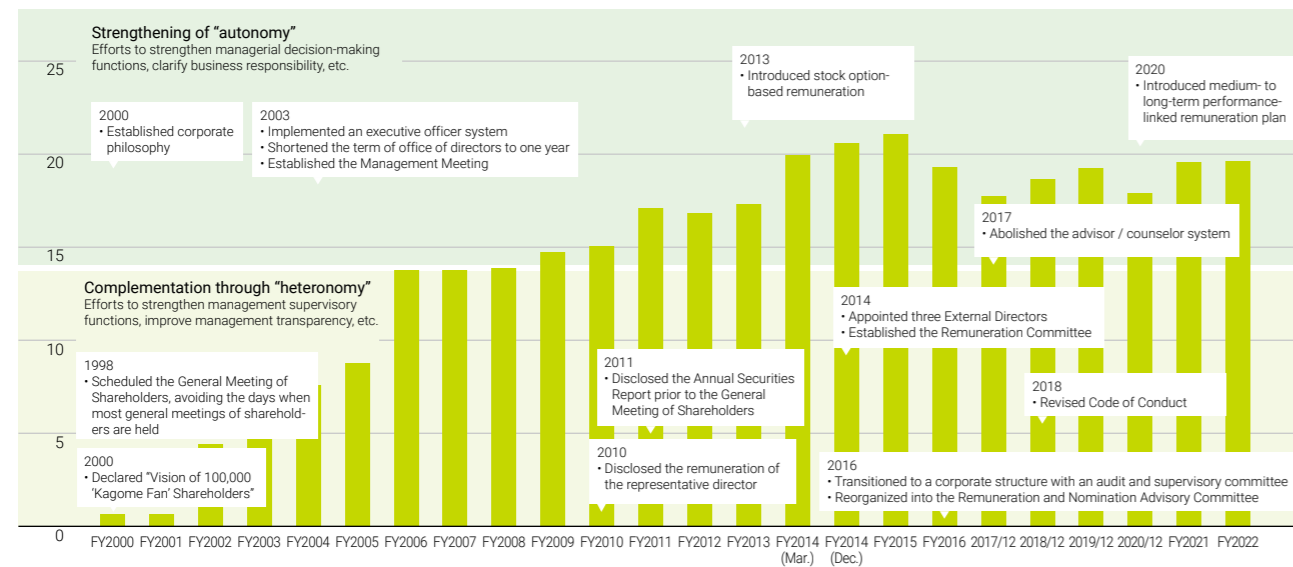
We aim to deliver a high degree of accountability and achieve "corporate openness" in interactions with stakeholders, while employing the unique attributes and originality of Kagome.

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, which has an Audit and Supervisory Committee, 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.

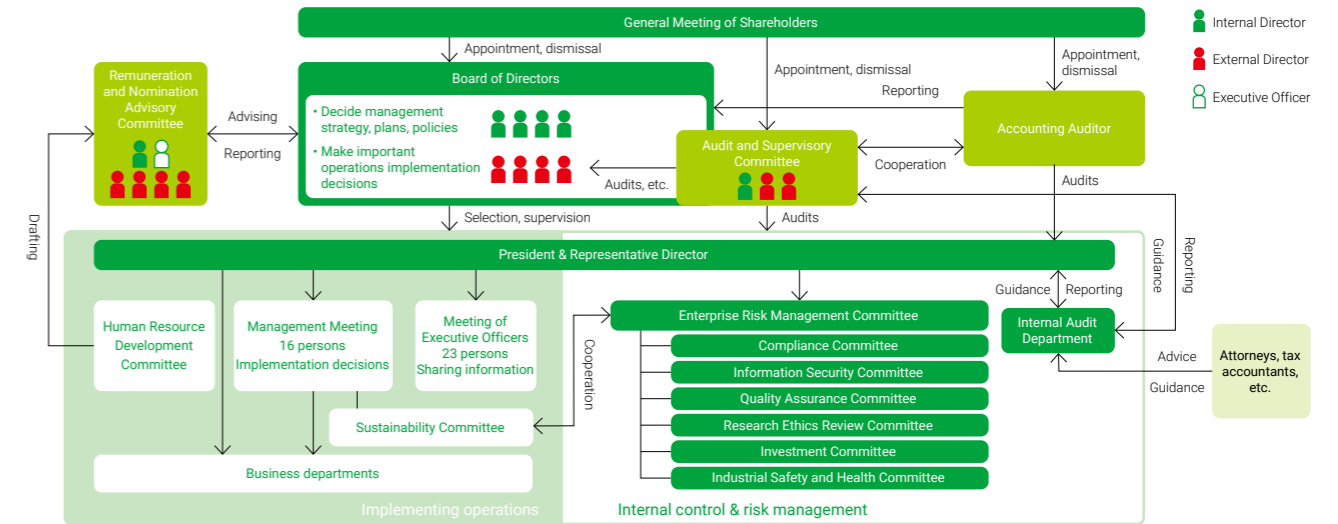
The Audit and Supervisory Committee has set a policy of having one or more standing Audit and Supervisory Committee members, and uses internal control systems to audit the legality and appropriateness of the operations implemented by the directors.

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 Meeting has 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 Meeting 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

Name	Attributes	Particular area of expertise										Attendance at Board of Directors meetings
		Corporate management	International operations	Finance, accounting	Law	Human resource development and diversity	Sales and marketing	Production and procurement	Quality and environment	Research and technology	Risk management	
Satoshi Yamaguchi President & Representative Director		○					○			○	○	100% (14/14)
Takashi Hashimoto Director & Senior Managing Executive Officer		○						○	○	○		100% (14/14)
Hirohisa Kobayashi Director & Managing Executive Officer		○	○									100% (14/14)
Hidemi Sato External Director	External Independent					○	○			○		100% (14/14)
Kumi Arakane External Director	External Independent	○					○		○	○		100% (14/14)
Hirohito Kodama Director (Audit and Supervisory Committee Member)		○	○							○	○	100% (14/14)
Tatsuya Endo External Director (Audit and Supervisory Committee Member)	External Independent		○	○							○	100% (14/14)
Asako Yamagami External Director (Audit and Supervisory Committee Member)	External Independent		○		○						○	100% (14/14)

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.

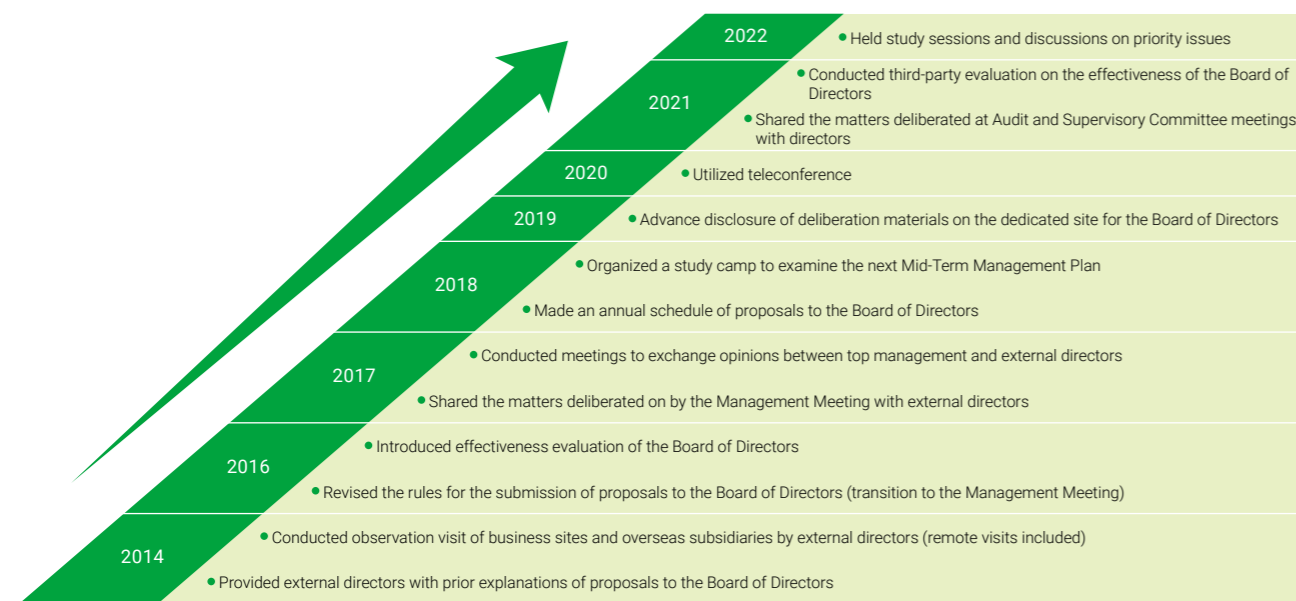
The Board of Directors currently consists of eight members, including five directors (excluding directors who are Audit and Supervisory Committee members) and three directors who are Audit and Supervisory Committee members, of which four are independent external directors. Our external directors come 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 external officers, please refer to 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. Following the third-party evaluation received in 2021, we held study sessions and discussions on priority issues in 2022.



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 FY2022, we evaluated the effectiveness of the Board of Directors targeting the directors in October. An overview of the results in FY2022 is described below.

1 Methods of evaluation

Conducted questionnaire	We conducted a questionnaire targeting all directors and analyzed the results. <ul style="list-style-type: none"> Questionnaire for Directors Design operation, proposals, and quality of discussions of the Board of Directors, corporate governance system, comprehensive evaluation, individual themes (business portfolio, Group governance, ESG, SDGs, etc.) Questionnaire for the Remuneration and Nomination Advisory Committee Questionnaire for the Audit and Supervisory Committee Questionnaire for the Enterprise Risk Management Committee
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.

2 Evaluation results

Based on the above, the Board of Directors also deemed that it has properly met all evaluation items, and agreed that the effectiveness is sufficiently ensured.

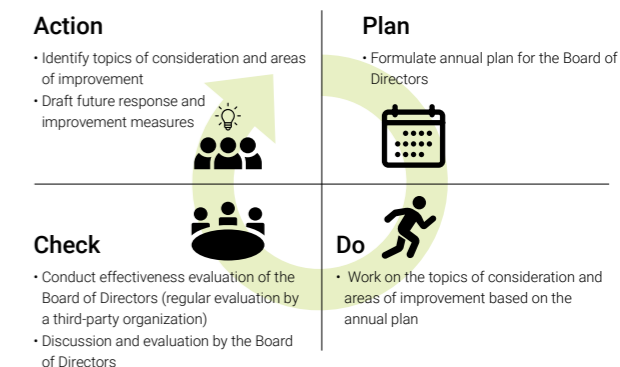
3 Topics to consider for further improvement in effectiveness

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. To achieve sustainable growth even in a rapidly changing environment, the Company will establish important themes for the Board to deliberate on with an eye toward the period after the third Mid-Term Management Plan in FY2022-2025, in addition to issues identified or assumed from the current situation, and then make systematic and focused efforts toward these themes throughout the year.

Toward this end, we will establish a meeting venue outside of the Board of Directors and provide information from inside and outside the Company and exchange information among directors to bridge the information gap between directors due to differences in terms of office and roles and improve the quality of discussions.

In addition, in the questionnaire, there were opinions regarding the Remuneration and Nomination Advisory Committee as to further improvements of the medium- to long-term succession plan, and opinions regarding the Audit and Supervisory Committee as to exercising rights more proactively and aggressively as audits of overseas business sites have been resumed. The Board of Directors recognizes these issues and will proceed with initiatives to address them.

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

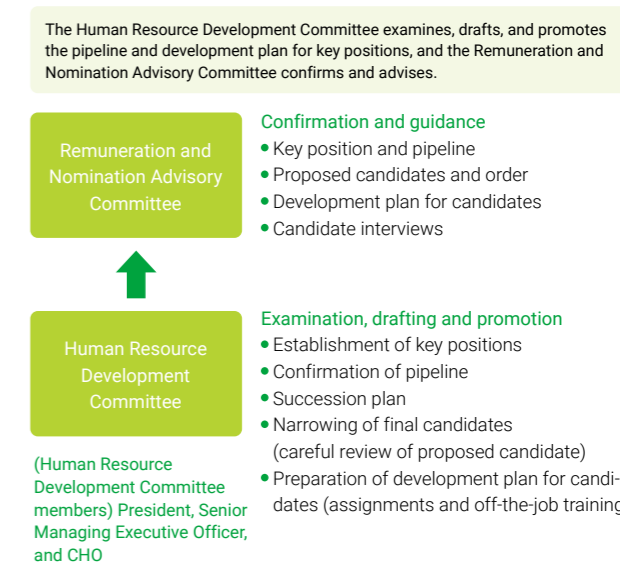


▶ Succession plan

The development of management personnel and the realization of highly transparent appointments are important matters required by Japan's Corporate Governance Code. Recognizing that the development of next-generation executive candidates is an important management issue for sustainable value creation through growth, we have established and are promoting a selection and training process.

In the development of management and executive candidates, we use a combination of "education" (off-the-job training and on-the-job training) and "selection" to measure actions to be demonstrated in a hierarchical manner for executives and general managers.

The Human Resource Development Committee, which is an internal decision-making body, conducts the selection, development plan, and review of candidates, while the Remuneration and Nomination Advisory Committee discusses and reviews appointment of officers and management before submitting them to the Board of Directors, thereby enhancing transparency and objectivity.



▶ 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 remuneration and remuneration 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
2022	First committee: 1. FY2021 executive bonus (matter deliberated), 2. Appointment of directors (matter deliberated), 3. Committee system (matter deliberated), 4. Finalization of FY2019 stock options (matter reported)
	Second committee: 1. Directors' remuneration for FY2022 (matter deliberated), 2. Continuation of BIP trust-type stock remuneration (matter deliberated), 3. Overseas CEOs' remuneration (matter deliberated)
	Third committee: 1. Personnel reshuffle of directors of October 2022 (matter deliberated), 2. Board system after FY2023 (matter deliberated)
	Fourth committee: 1. Personnel reshuffle of directors of October 2022 (matter deliberated), 2. Succession plan for directors (matter deliberated)
	Fifth committee: 1. Results of remuneration survey (matter reported)
	Sixth committee: 1. Personnel reshuffle of directors (matter deliberated), 2. Remuneration and Nomination Advisory Committee schedule for FY2023 (matter deliberated)
2023	First committee: 1. FY2022 executive bonus (matter deliberated), 2. Personnel reshuffle of directors (matter deliberated), 3. Review of executive bonus (matter deliberated), 4. Personnel reshuffle of directors (matter deliberated), 5. Succession plan (matter deliberated), 6. Committee system (matter deliberated), 7. Skills matrix (matter deliberated)
	Second committee: 1. Directors' remuneration for FY2023 (matter deliberated), 2. Overseas CEOs' remuneration (matter deliberated), 3. Succession plan (matter deliberated)

Board of Directors' remuneration

Directors' remuneration

Category of directors	Total amount of remuneration, etc. (million yen)	Total amount of remuneration, etc. by type (million yen)				Number of eligible directors
		Basic remuneration	Bonus	Stock options	Stock remuneration	
Directors (excluding Audit and Supervisory Committee members)*	232	134	69	1	26	4
Directors (Audit and Supervisory Committee members)*	30	30	—	—	—	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 remuneration*, etc. of individual directors

Category of directors	Total amount of remuneration, etc. (million yen)	Total amount of remuneration, etc. by type (million yen)			
		Basic remuneration	Bonus	Stock options	Stock remuneration
Satoshi Yamaguchi, President & Representative Director	86	43	29	0	13

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

Breakdown of remuneration by position

Position	Fixed-amount remuneration	Performance-linked remuneration			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 remuneration by position (excluding Director & Audit and Supervisory Committee member and External Director)

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

Calculation method of performance-linked remuneration

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

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

*1 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."

- 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. 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 FY2022 was 96%.
- 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 108% for FY2022.
- 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 FY2022 was 104%.

*2 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 Key Performance Indicators (KPIs). The contents and progress of KPIs are disclosed and disseminated throughout the company in a way that enhances their transparency and receptivity.

Short-term performance-linked remuneration: Cash bonus

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

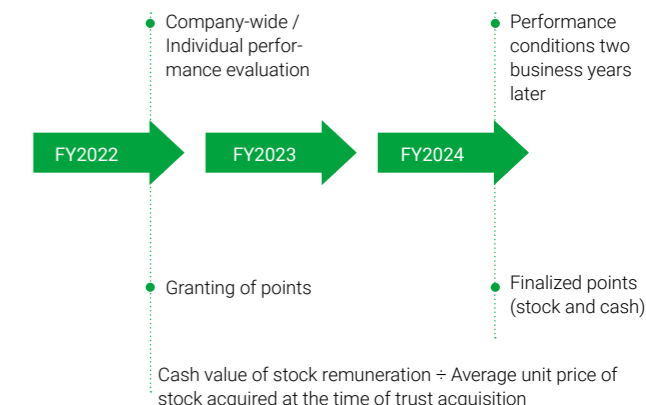
Cash bonus = Total amount of performance-linked remuneration for single fiscal year × Percentage of total amount of performance-linked remuneration accounted for by cash bonus

Medium- to long-term performance-linked remuneration: BIP trust

Furthermore, we introduced a BIP trust in FY2020 as a medium- to long-term performance-linked remuneration 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 cash amount equivalent to stock remuneration 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 core operating 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 remuneration for single fiscal year × Percentage of stock remuneration in total amount of performance-linked remuneration



Approach to repayment of directors' remuneration

On April 1, 2022, we instituted 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 targets are cash bonuses and share-based remuneration (performance-linked bonuses) of Directors and Executive Officers (persons who have the role and treatment as "directors" responsible for the management of the Company).

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. When requesting repayment, the repayment will be made from cash bonus and stock options for fiscal years starting from FY2022.

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 details on our response to the Corporate Governance Code, please refer to our website.
<https://www.kagome.co.jp/english/company/ir/data/others/>

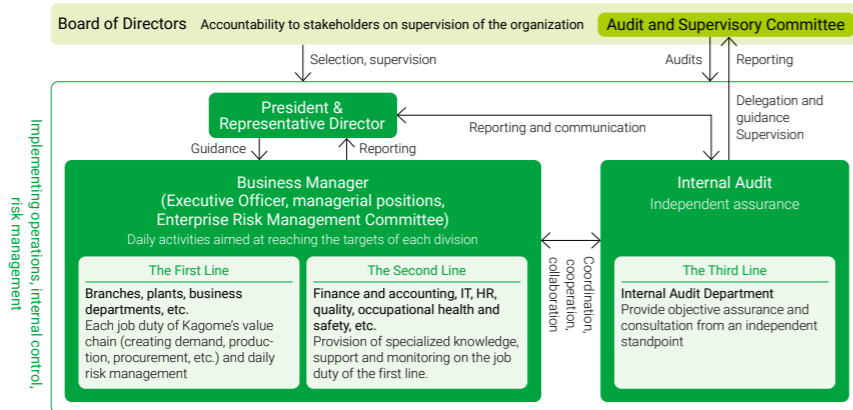
Internal control

Initiatives based on the Three Lines Model

The Kagome Group conducts measures across the entire Group following the Three Lines 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 Model



The First Line 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 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 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. 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. 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 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. 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. 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 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 details on our compliance and internal control, refer to our website.
<https://www.kagome.co.jp/company/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 on the company website and sending out as early as possible the content of the convocation notice and documents accompanying the convocation notice. On the actual day of the meeting, we provide visual presentations of the Chair's explanations and videos in an effort to make the reports easy to understand. Furthermore, we stream the meeting live online so that shareholders who are unable to attend may listen in. After the meeting, we promptly disclose details on Q&A sessions and results of questionnaires. In this manner, we are working to enhance and expand communication with shareholders.

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 190,000. We will continue to appropriately reflect the valuable opinions and needs of our shareholders in all our corporate activities.

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 for the daily activities of Kagome Group employees, indicating how they should behave as corporate citizens as Kagome sets 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.

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 Meeting 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 at an outside law firm, 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.

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 FY2022, the Kagome Compliance Hotline was used 28 times, and each case was resolved.

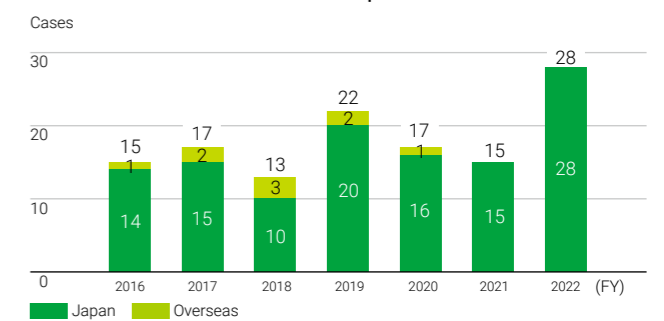
Kagome fully recognizes the importance of compliance in relation to Group companies located overseas. An overseas internal reporting system was introduced, and the scope of this system has been gradually expanded to include the Group companies located in the U.S. and Australia.

We will continue to strive to prevent and rapidly identify illegal activities through the appropriate operation of these systems.

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 FY2022, there was no case leading to legal measures, such as bribery or corruption.

Kagome Compliance Hotline
Number of consultations and reports received



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 involve not only the preliminary checks in compliance-related cases and the dissemination of compliance-related information, including bribery prevention and consideration of human rights, 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.

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.

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 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.

Policies for Handling Risk Becoming a resilient Kagome Group that minimizes risks

Basic policy on risk management

Kagome aims to become a “strong company capable of sustainable growth, using food as a means of resolving social issues” and a company that can fulfill the expectations of all stakeholders. Toward this end, we believe it is important for each and every person who works at Kagome to not only abide by laws and regulations, but also fulfill their social responsibilities with a high level of ethical values. In addition to acting ethically based on our Corporate Philosophy and Code of Conduct, it is important for employees to respond appropriately to various risks surrounding the company based on our Corporate Philosophy and Code of Conduct.

Specifically, strategy risks, social and environmental risks, and operational risks involving the execution of important business operations are assessed and examined by the management institutions such as the Management Meeting and Board of Directors. Operational risks involving the execution of other business operations are addressed by each organization following the Kagome Group Risk Management Policy. Furthermore, the Regulations on Official Authority require that all levels of managerial positions implement and supervise risk management within the scope of operations of their own respective departments. The Company defines risk as “uncertainties that negatively affect business operations.”

Kagome Group Risk Management Policy

We stand committed to fulfilling our social responsibilities by becoming “strong company capable of sustainable growth, using food as a means of resolving social issues,” under our vision of “transforming from a tomato company into a vegetable company.” Toward this end, we identify and assess various risks that could occur in the constantly changing external environment or in our own operations, and respond accordingly.

Additionally, we are working to enhance our ability to deal with risks, having established a system that enables us to prevent damages from spreading as well as minimize damages and losses in the event that a serious incident were to occur.

Risk management structure

Kagome has established a risk management system based on the approach of the Three Lines Model.

i) Enterprise Risk Management Committee

The Enterprise Risk Management Committee, chaired by the President, oversees risk management activities for the Group as a whole with the CRO serving as director of the committee's administrative office. The committee, which is in charge of the First and Second Lines, monitors the initiatives of each line to implement the PDCA cycle for companywide risk management activities, using integrated perspectives based on management strategies.

ii) First and Second Lines

The First Line entails identifying and assessing risks related to one's own work and creating action plans to define the response. At Kagome, persons in charge of specific operations at our plants, branches, domestic and overseas subsidiaries, and the departments therein form the First Line.

The Second Line involves creation of basic policy and procedures for risk management activities related to risk domains it is responsible for. It also checks that risk management activities of the First Line are carried out appropriately through monitoring of and advice provided to the First Line. At Kagome, departments responsible for sales and production, such as the Sales Promotion Department and Production Department, and corporate head office departments, such as the Finance & Accounting Department, form the Second Line. Additionally, the CRO is responsible for overseeing the entire Second Line.

Risks identified and assessed by the First Line are organized and integrated from the standpoint of Group-wide management, and reported to management institutions including the Board of Directors by the Second Line.

The First and Second Lines work together to identify and assess risks and implement the PDCA cycle of risk management activities for the company as a whole.

iii) Third Line

The Internal Audit Department, which serves as the Third Line, provides objective assurances for the risk management activities of the First and Second Lines from an independent standing.

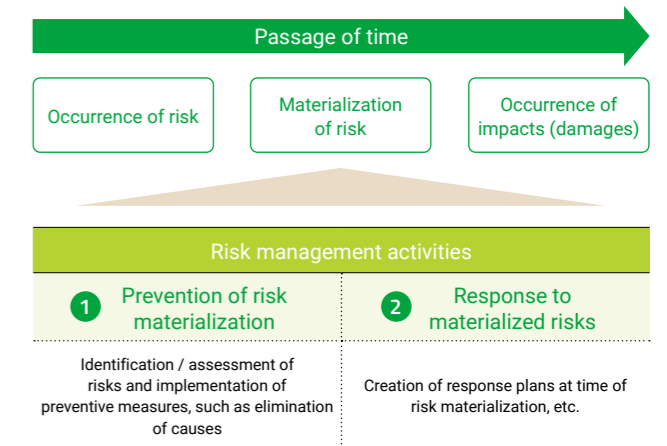
The Internal Audit Department, while maintaining its independence, conducts effective and efficient audits by cooperating mainly with the Enterprise Risk Management Committee to share management strategies and the basic policy on risk management activities carried out by the First and Second Lines based on these strategies.

In addition, findings by the Internal Audit Department are shared with the Enterprise Risk Management Committee as well as the audited departments. The Enterprise Risk Management Committee organizes the positioning of shared audit findings as issues in risk management activities for the entire Group. The Internal Audit Department adds integrated risks or revises assessments for the Group as a whole, and provides advice on improvement activities to the target departments.

For details, see our website.
<https://www.kagome.co.jp/company/ir/data/statutory/>

Risk management activities

The primary focus of our risk management activities is the prevention of risk materialization and response to risks that have already materialized. In case of both our initiatives for prevention of risk materialization and response to risks that have already materialized, specific activities entail risk management based on management plans and business targets using the PDCA cycle.



1 Prevention of risk materialization

i) Basic framework

The Company organizes risks concerning corporate activities into the following three categories in order to conduct appropriate management based on the nature and content of risks.

- **Strategy risks:** Risks designated by the Company as being recognized to have serious impacts based on mid- to long-term management strategies
- **Social and environmental risks:** Risks generally recognized as force majeure if materialized among those risks caused by external factors such as socioeconomic environment or natural disasters
- **Operational risks:** All other risks excluding strategy risks and social and environmental risks

Based on the above three categories of risks, those risks recognized individually are separated into the following two risks depending on the impact they have on corporate management.

- **Risks covered in priority risk themes of the company:** risks from among strategy risks, social and environmental risks, and operational risks that are assessed to have a large impact on corporate management. The Management Meeting or Enterprise Risk Management Committee implements risk management activities for these risks using the PDCA cycle, and it also reports to the Board of Directors.

- **Risks covered in risk themes of each organization:** risks other than risks covered in priority risk themes of the company. As risk owner, each organization implements risk management activities for these risks using the PDCA cycle.

		Plan: determine a plan and response	Do: execute	Check: monitor and evaluate progress and response status	Action: rectify and improve risk response
Priority risk themes of the company	Strategy risks	Management Meeting: designate strategy risks and determine priority risk themes Each organization: determine a plan and response	Each organization: implement risk response	Management Meeting: check reports from each organization Each organization: report on progress to Management Meeting	Management Meeting: point out areas of improvement to each organization Each organization: reflect findings in activities
	Social and environmental risks	Management Meeting: determine priority risk themes Each organization: determine a plan and response ⇒ appears in the KPI target sheet of risk owners	Each organization: implement risk response	Management Meeting and Enterprise Risk Management Committee: check reports from each organization Each organization: self-evaluate themes and formulate future plans	Management meeting and Enterprise Risk Management Committee: point out areas of improvement to each organization Each organization: reflect findings in KPI target sheet
	Operational risks	Each organization: determine a plan and response ⇒ appears in the KPI target sheet of risk owners	Each organization: implement risk response	Each organization: manage and evaluate progress	Each organization: rectify and improve

ii) Priority risk themes for the Company in FY2023

We recognize the following risks covered in priority risk themes for the company, which are subject to priority risk management activities.

Priority risk themes	Contents
1 Management strategies	<ul style="list-style-type: none"> Deterioration of profits due to gap between budget and actual results Deterioration in performance and loss of revenue opportunities due to failures or delays in new businesses and / or M&A
2 Establishment of appropriate governance structure	<ul style="list-style-type: none"> Deficiencies in effectiveness of the Board of Directors and Audit & Supervisory Committee Disabling of internal control caused by management
3 Consumers and public relations	<ul style="list-style-type: none"> Litigation, boycotts, and damage to brand image due to inappropriate advertising or failure to address customer needs
4 Social situation and customer needs	<ul style="list-style-type: none"> Economic recession or decline in demand in Japan or decline in sales due to delays in addressing consumer needs
5 Financial markets	<ul style="list-style-type: none"> Rising capital procurement costs or deteriorating liquidity caused by fluctuations in foreign exchange rates or interest rates
6 Natural disasters and force majeure	<ul style="list-style-type: none"> Stalled business activities caused by earthquake or other disasters or infectious diseases (BCP) Stalled raw ingredients procurement caused by extreme weather
7 Information management and cybersecurity	<ul style="list-style-type: none"> Unauthorized server access due to cyberattack or loss of personal information or confidential information due to inappropriate management
8 Health and safety	<ul style="list-style-type: none"> Negative health effects on employees incurred due to occupational accident in the workplace or long working hours or infectious disease, etc.
9 Safety of products and services	<ul style="list-style-type: none"> Possibility of shipment of defective products, negative health effects, and liability costs due to foreign contaminants, labeling errors, inadequate quality inspections, contamination of different varieties of seeds, inadequate quality inspections of non-food products, etc.
10 Supply chain (procurement, production, transport / logistics)	<ul style="list-style-type: none"> Shortage of raw ingredients attributed to sudden spikes in demand or shortages of seedlings or other raw ingredients Stalled production and / or shipments due to system failures at automated warehouses or in logistics
11 Regulations and violations of laws / rules	<ul style="list-style-type: none"> Serious violations of laws or regulations (Companies Act, tax law, Financial Instruments and Exchange Act, Tokyo Stock Exchange rules, etc.) Violations of food safety related regulations, illicit activities of individuals, and scandals involving affiliated companies Negative evaluations from shareholders and investors because of delayed response to environmental issues (GHG emissions reduction, water resource issues, plastics issues, etc.) Occurrence of litigation and rising number of people leaving the company due to human rights issues (forced labor, harassment, etc.)

2 Response to materialized risks

i) Basic framework

In order to respond effectively and efficiently to risk materialization events, the Company classifies these events based on the assessment of their impact and develops a business continuity plan and other response plans according to risk materialization.

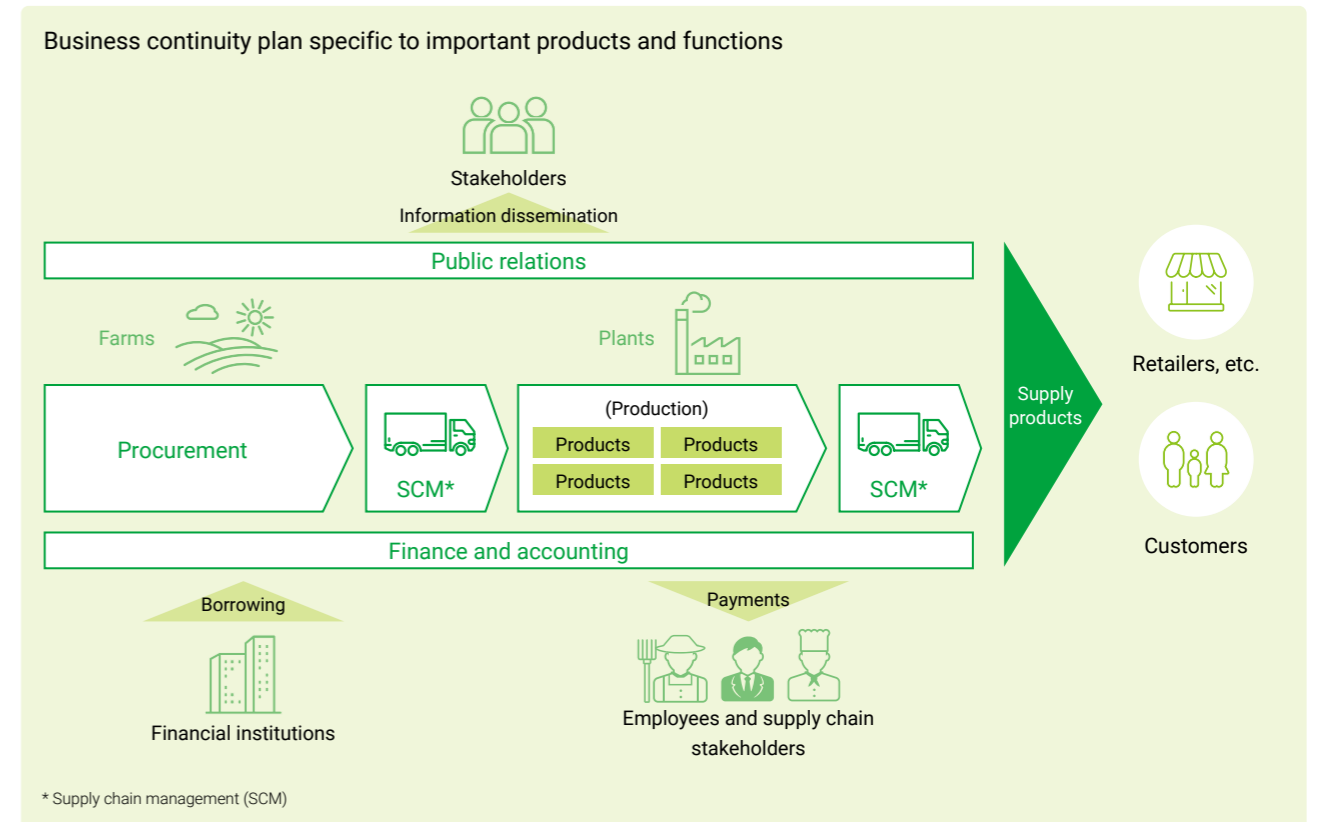
ii) Business continuity plan (BCP)

The Company has prepared a business continuity plan based on the scenarios in several individual contingencies anticipated in the future.

A business continuity plan is generally prepared for each business segment. However, since the value chains of multiple business segments overlap or are approximated, the Company has created a business continuity plan for each important product and function.

Along with important products, Kagome's business continuity plan consists of four important functions: procurement, supply chain management (SCM), finance and accounting, and public relations. Procurement and supply chain management are essential functions for conducting production activities as a food manufacturer. In addition, finance and accounting is the basic function for the survival of the company, the maintenance of the supply chain, the livelihood of employees, and the other production activities of companies as a business. Public relations is a function considered important in light of "Corporate openness," forming part of the Company's corporate philosophy. Accountability to internal and external stakeholders is absolutely necessary, especially in emergencies, and public relations is considered an essential function for this purpose.

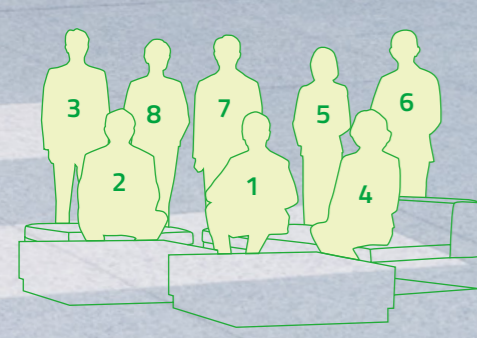
Through the business continuity plan, Kagome's business activities will continue even in the event of a contingency, or Kagome will promptly recover from the cessation of business operations to preserve corporate value.



iii) Other initiatives to address the materialization of risks

Currently, we are developing a plan for responding to the materialization of individual risks, including a business continuity plan, and are systematically organizing these individual response plans in accordance with the Business Continuity Guidelines published by the Cabinet Office and creating an integrated response plan. In the

process of these efforts, we ensure the proactive involvement of stakeholders within the Kagome Group and obtain support from external experts as appropriate. In addition, the Company has established a PDCA cycle that regularly reviews response plans through tabletop training and simulations (dry runs) in an effort to improve our ability to respond to risks that materialize.



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 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)

3 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)

4 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 Mejiro University College
 2015 Visiting professor at Nippon Veterinary and Life Science University (to present)
 2017 External Director of the Company (to present)

5 Kumi Arakane (date of birth: July 4, 1956)
 External Director
 Independent

1981 Joined KOBAYASHI KOSÉ COMPANY LIMITED (currently, KOSÉ 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 KOSÉ Corporation
 2004 General Manager, Product Development Dept., Marketing Headquarters of KOSÉ Corporation
 2006 Executive Officer, Deputy Director-General of Marketing Headquarters and General Manager of Product Development Dept. of KOSÉ Corporation
 2010 Executive Officer, General Manager, R&D Laboratories of KOSÉ Corporation
 2011 Executive Officer, General Manager, Quality Assurance Dept. of KOSÉ Corporation
 2011 Director, KOSÉ Corporation (in charge of Quality Assurance Dept., Customer Service Center, Purchasing Dept., and Product Designing Dept.)
 2017 Audit & Supervisory Board Member, KOSÉ 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)

6 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 of the Company (to present)
 2021 Outside Director (Audit and Supervisory Committee Member) of Dynapac Co., Ltd. (to present)

7 Tatsuya Endo (date of birth: August 18, 1959)
 External Director, Audit and Supervisory Committee Member
 Independent
 Audit and Supervisory Committee Member
 Remuneration and Nomination Advisory 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)

8 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)