



April 22, 2022

(Translation)

For Immediate Release

Name of Company: KAGOME CO., LTD.

Representative: Satoshi Yamaguchi,  
Representative Director & President

Securities Code: 2811 (Tokyo Stock Exchange Prime Market,  
Nagoya Stock Exchange Premier Market)

Contact: Yoshinobu Tomimori, General Manager,  
Finance & Accounting Department

TEL. +81-3-5623-8503

## Notice Regarding Continuation of the Share Remuneration System for the Company's Directors

KAGOME CO., LTD. (the "Company") hereby announces that, at a meeting held on April 22, 2022, the Board of Directors resolved to continue the medium to long term performance-linked remuneration system (hereinafter the "System") introduced for the Company's Directors (excludes Directors who are Audit and Supervisory Committee Members, External Directors and non-resident Directors; the same shall apply hereinafter). Details are as follows.

### 1. Purpose, etc. of Continuing the System

- (1) The main purpose of continuing the System, which aligns remuneration with shareholder value and has high transparency, is to motivate Directors to continue creating value over the medium and long term.
- (2) The System is a share remuneration system that uses a structure called Board Incentive Plan trust (hereinafter referred to as the "BIP Trust"). The BIP Trust is a system similar to the performance-linked share remuneration (Performance Share) and share remuneration with transfer restriction (Restricted Stock) in the U.S. for the delivery and provision (hereinafter referred to collectively as "Delivery, etc.") of KAGOME shares and cash (hereinafter referred to collectively as "KAGOME Shares, etc.") to Directors, according to rank, degree of attainment of performance targets and other criteria.

### 2. Details of the System

#### (1) Outline of the System

The System is a performance-based share remuneration system for making Delivery, etc. of KAGOME shares, etc. to Directors according to their rank, degree of attainment of performance targets and other criteria, during the three fiscal years covered by the Company's Medium-term Management Plan (hereinafter referred to as the "Applicable Period").

If the Trust is continued in line with (3)b below, the Applicable Period shall consist of the three consecutive fiscal years covered by the subsequent Medium-term Management Plan.

(2) Individuals Eligible under the System (Beneficiary Requirements)

Directors shall be entitled to receive Delivery, etc. from the Trust of KAGOME shares, etc. equivalent to the number of determined points on condition that they meet the beneficiary requirements set out below.

The beneficiary requirements are as set out below:

- 1) He/she is an officer for the entire period starting April 1 each year and ending when points are granted;
- 2) He/she resides in Japan during the period in 1) above and at the time of the determination of points;
- 3) He/she did not leave office due to his/her own convenience during the period in 1) above;
- 4) He/she did not conduct certain illegal activities while in office during the period in 1) above;
- 5) He/she did not resign and/or was not dismissed due to a gross violation of work /internal rules during the period in 1) above;
- 6) He/she satisfies other requirements deemed necessary to attain the purpose of the performance-based share remuneration plan.

(3) Trust Period after Continuation

a. Trust period of the Trust

Approximately three years from June 1, 2022 (scheduled) to the last day of May 2025 (scheduled).

b. Continuation of the Trust

Upon expiry of the trust period of the Trust, the Trust may be continued by amending the trust agreement and making additional contributions to the Trust. In such case, the trust period of the Trust shall be extended for a further three years, and the Company shall, for each such extended trust period, make additional contributions, not exceeding the upper limit of the trust fund as approved by the General Meeting of Shareholders, thereby continuing to grant Directors points during the extended trust period.

In the event of such additional contribution to the Trust, however, if there remains within the trust property KAGOME shares (excluding KAGOME shares corresponding to the number of the points granted to Directors for which Delivery, etc. has not been made), as well as cash (hereinafter referred to collectively as "Residual Shares, etc.") as of the final day of the trust period before extension, the combined amount of the Residual Shares, Etc. and the amount of the trust fund additionally contributed shall not exceed the upper limit of the trust fund as approved by the General Meeting of Shareholders. Such extension of the trust period shall not be limited to once, and the Trust may be renewed likewise thereafter.

c. Handling of termination of the Trust (extension of the trust period without additional contribution)

If, upon expiry of the trust period, the trust agreement is not amended and additional contributions to the trust are not made, no further points will be granted to Directors. However, if Directors who may meet the beneficiary requirements are still in office at such time, the trust period of the Trust may be extended for two years until such time as Delivery, etc. of KAGOME shares to such Directors is complete.

(4) KAGOME Shares for Delivery, etc. to Directors

The number of KAGOME shares, etc. for Delivery, etc. to Directors shall be determined as follows.

- 1) With respect to individuals serving as Directors as of April 1 each year, the number of points under the System for the fiscal year commencing January 1 the same year (hereinafter “referred to as the Evaluated Fiscal Year”) shall be calculated in accordance with the formula for calculating share granting points shown below, based on rank, degree of attainment of performance targets (the targets for the Applicable Period after continuation relate to the consolidated core operating income, consolidated revenue, and net income attributable to owners of parent) and other criteria during the Evaluated Fiscal Year.
- 2) For performance targets after two fiscal years (hereinafter referred to as the “Performance Assessment Fiscal Years”) from the Evaluated Fiscal Year, final points (hereinafter referred to as “Determined Points”) will be determined by multiplying share granting points by a performance determined coefficient (ranging from 0% to 100%) based on degree of attainment of performance targets (the targets for the Applicable Period after continuation relate to the consolidated core operating income ratio).
- 3) One Determined Point shall be equivalent to one share of KAGOME stock and Delivery, etc. of shares shall be made to Directors who meet the beneficiary requirements. The number of KAGOME shares corresponding to one point may be adjusted if adjustment is deemed fair due to events such as a share split or reverse share split during the trust period.

[Formula for calculating share granting points]

Share granting points = Amount of share remuneration of each Director (\*1) / Average share price on acquisition of KAGOME stock by the Trust (\*5) (Any fraction less than one shall be rounded down)

\*1 Amount of share remuneration = Total amount of variable remuneration of each Director (\*2) × Performance-based coefficient (\*3) × Ratio of share remuneration (\*4)

\*2 Total amount of variable remuneration = Total amount of remuneration of each Director x Percentage of variable remuneration prescribed below

Rank	Percentages of variable remuneration
Chairman & Representative Director	50%
President & Representative Director	50%
Senior Executive Officer & Director	40%
Managing Executive Officer & Director	35%

\*3 The performance-based coefficient will fluctuate in the range 0%-200% according to the degree of attainment of the consolidated core operating income, consolidated revenue, net income attributable to owners of parent and KPIs (Key Performance Indicators) and other criteria.

\*4 Ratio of share remuneration prescribed below

Rank	Ratio of share remuneration
Chairman & Representative Director	17/50

President & Representative Director	17/50
Senior Executive Officer & Director	12/40
Managing Executive Officer & Director	10/35

\*5 If the trust agreement was amended and the Trust was continued in line with (3) b above, average share price on acquisition of shares by the Trust after continuation

(5) Method and timing of Delivery, etc. of KAGOME Shares, etc.

Upon completion of the required Beneficiary Determination Procedure promptly after the Determined Points decision, in principle, the Trust will make Delivery, etc. of KAGOME Shares, etc. equivalent to such Determined Points to Directors who meet the beneficiary requirements in (2) above. In such a case, the Trust will deliver KAGOME Shares equivalent to 50% of the number of Determined Points (shares less than one trading unit will be discarded) and will convert KAGOME Shares equivalent to the remaining number of Determined Points into cash within the Trust and provide cash equivalent to the proceeds from conversion thereof.

If a Director who satisfies the beneficiary requirements passes away prior to the decision on Determined Points, all KAGOME shares corresponding to Share Granting Points as of such date will be converted into cash within the Trust and the Trust will provide the heir of such Director with cash equivalent to the proceeds from conversion thereof.

(6) Upper limit of trust funds to be contributed to the Trust, and maximum number of KAGOME Shares (includes shares to be converted into cash) subject to Delivery, etc. by the Trust

The total amount of trust funds contributed to the Trust within the trust period and the total number of points to be granted to Directors by the Trust shall be in line with the upper limits shown below subject to their approval at the General Meeting of Shareholders.

Upper limit of trust funds to be contributed to the Trust: ¥300 million (for 3 years) (\*)

(\*) The combined amount of the funds for acquisition of shares by the Trust and trust fees and expenses.

Maximum number of share granting points per year to be granted to Directors: 50,000 points (\*)

The Maximum Number of Delivered Shares for the Applicable Period after continuation shall be 150,000 shares, in other words, the number of shares equivalent to such maximum number of share granting points per year multiplied by 3, which is the number of years of the trust period.

(\*) This Maximum Number of Delivered Shares is set based on the abovementioned upper limit of trust funds and with reference to the current share price and other factors.

(7) Method used by the Trust for acquiring KAGOME shares

KAGOME shares will be initially acquired by the Trust in the share market, within the scope of the fund for share acquisition as described in (6) above, as well as the upper limit on shares to be delivered.

(8) Exercise of voting rights of KAGOME shares held in the Trust

The voting rights for KAGOME shares held in the Trust (KAGOME shares prior to Delivery, etc.

to Directors) shall not be exercised during the trust period, to ensure neutrality of the Trust with no influence on the management of KAGOME.

(9) Clawback clause

If a Director is judged to have committed a serious accounting error or fraud, a serious breach of his or her mandate, or jeopardized the psychological safety which KAGOME holds dear, KAGOME may demand reimbursement in part or in full of the amount obtained when the number of shares already delivered under the System to such Director (includes the number of shares sold to fund the payment of taxes) is multiplied by the closing price of KAGOME shares on the Tokyo Stock Exchange on the date of notification of return.

(10) Treatment of the dividends on KAGOME shares held in the Trust

Dividends paid on KAGOME shares held in the Trust shall be received by the Trust and used to pay the trust fee and the trust expenses of the Trust.

(11) Handling of residual shares and residual dividends at the expiry of the trust period

Any residual shares occurring upon expiry of the trust period will be used for Delivery, etc. to Directors if the Company continues to use the Trust as part of the System as it is, or as part of a similar but new share remuneration system. Alternatively, if the Company winds up the Trust upon expiry of the trust period, the Trust will transfer the residual shares to the Company without compensation and the Company will cancel these shares based on a resolution by the Board of Directors as a shareholder returns policy measure.

Moreover, the residual dividends on KAGOME shares held in the Trust upon expiry of the trust period, if the Trust is to be continuously used, shall be used as funds to acquire KAGOME shares, while, if the Trust is to be terminated due to expiry of the trust period, the portion in excess of the trust expense reserve will be donated to organizations that have no interest in KAGOME and Directors

(Reference)

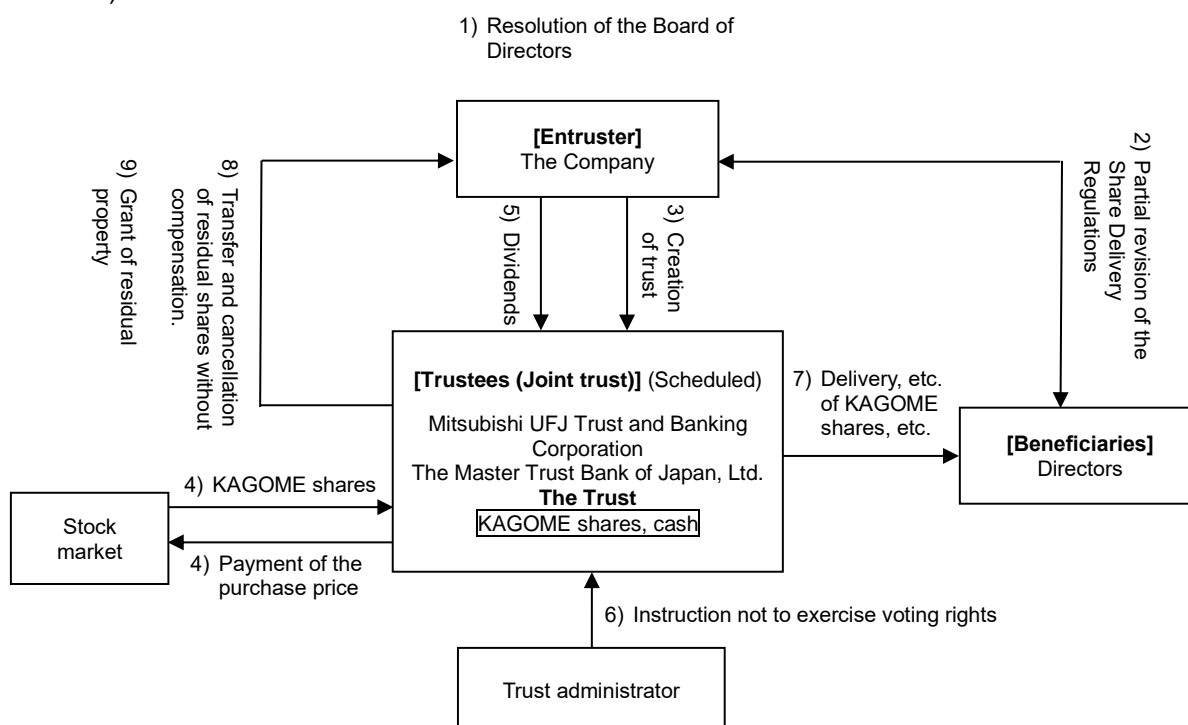
Assuming that the System is approved at the General Meeting of Shareholders, the Company plans to apply the System to Executive Officers (excludes non-resident Executive Officers) as well and to administer the funds for Executive Officers and Directors separately within the Trust. Necessary matters concerning the System for Executive Officers shall be decided by resolution of the Board of Directors.

[Details of the trust agreement]

- |                                      |   |
|--------------------------------------|---|
| 1) Type of trust                     | Cash trust other than individually-operated designated trust of cash (third-party benefit trust)  |
| 2) Purpose of trust                  | Increasing Directors' awareness of contributing to improvement in the Company's performance and corporate value over the medium and long term                                       |
| 3) Trustor                           | KAGOME  |
| 4) Trustee                           | Mitsubishi UFJ Trust and Banking Corporation (scheduled)<br>(Co-trustee: The Master Trust Bank of Japan, Ltd. (scheduled))  |
| 5) Beneficiaries                     | Directors and Executive Officers who meet beneficiary requirements  |
| 6) Trust administrator               | A third party that does not have any interest in KAGOME (certified public accountant)   |
| 7) Trust agreement date              | May 1, 2020 (an amended agreement extending the trust period is scheduled to be concluded on May 2, 2022)   |
| 8) Trust period                      | From May 1, 2020 (scheduled) to end of May 2025 (the trust period is scheduled to be extended to the end of May 2025 through the conclusion of an amended agreement on May 2, 2022) |
| 9) Exercise of voting rights         | No exercise   |
| 10) Class of shares acquired         | Common shares of KAGOME stock   |
| 11) Amount of additional trust funds | ¥300 million (scheduled) (including trust fees and expenses)  |
| 12) Timing of acquisition of shares  | From May 10, 2022 (scheduled) to May 31, 2022 (scheduled)   |
| 13) Method of acquisition of shares  | Acquisition in the share market   |
| 14) Holder of vested right           | KAGOME  |
| 15) Residual property                | Residual property that KAGOME (holder of vested right) may receive shall be within the scope of the trust expense reserve.  |

(Note) The scheduled timing of the foregoing may change as appropriate in light of applicable laws, regulations and other matters.

(Reference) Overview of BIP Trust



- 1) The Company will approve continuation and details of the System by resolution of the Board of Directors.
- 2) The Company will partially revise the Share Delivery Regulations as regulations on remuneration under the System by resolution of the Board of Directors.
- 3) The Company will entrust cash within the scope of the resolution approved at the 76<sup>th</sup> General Meeting of Shareholders (hereinafter referred to as the “General Meeting of Shareholders”) and create a trust (hereinafter referred to as the “Trust”) wherein directors who meet the beneficiary requirements are beneficiaries.
- 4) The Trust will, under the instruction of the trust administrator, acquire KAGOME shares from the stock market, using cash entrusted in 3). The number of shares to be acquired by the Trust shall be within the scope of the resolution approved at the General Meeting of Shareholders.
- 5) Payment of dividends for KAGOME shares held in the Trust shall be treated in the same way as other KAGOME shares.
- 6) Voting rights for KAGOME shares held in the Trust will not be exercised throughout the trust period.
- 7) During the trust period, beneficiaries will be granted a certain number of points in accordance with the Company’s Share Delivery Regulations and then two years after the points were granted, in principle, beneficiaries will receive delivery of KAGOME shares equivalent to a certain proportion of the number of such points. Meanwhile, KAGOME shares in a number equivalent to the remaining points will be converted into cash in the Trust in accordance with the provisions of the Trust Agreement and beneficiaries will receive cash equivalent to the proceeds.
- 8) Any residual shares occurring upon expiry of the trust period will be used for Delivery, etc. to Directors if the Company continues to use the Trust as part of the System as it is, or as part of a similar but new share remuneration system by amending the trust agreement or making additional contribution to the Trust. Alternatively, if the Company winds up the Trust upon expiry of the trust period, the Trust will transfer the residual shares to the Company without compensation and the Company will cancel these shares based on a resolution by the Board of Directors.
- 9) Any residual dividends on KAGOME shares in the Trust occurring on expiry of the trust period will be utilized as funds to acquire KAGOME shares if the Trust will continue to be used. If the Trust will be terminated upon expiry of the trust period, any residual dividends in excess of the trust expense reserve (reserve for trust fees, trust expenses, etc.; the same

applies hereinafter) will be donated to an organization in which the Company and the Directors do not have any interest.

- \* If it becomes likely, during the trust period, that the number of KAGOME shares held in the Trust may fall short of the number of KAGOME shares corresponding to the number of determined points to be granted to Directors during the trust period (as set out in 2. (4) below; the same applies hereinafter), or that the amount of cash as part of the trust property may not be enough to pay the trust fees and expenses, additional cash may be transferred into the Trust, not exceeding the upper limit of the trust fund as set out in 2. (6) below.