

FY2023 ESG Small Meeting (Held on September 6, 2023)

### **Question and Answer Session**

Satoshi Yamaguchi, President & Representative Director

Takashi Hashimoto, Director & Senior Managing Executive Officer

Takeshi Saeki, Executive Officer, CFO and CRO

#### **Q1**

**Your engagement score remained unchanged at 70 in 2021 and 2022 according to your integrated report. What is the reason for that? Where does that place you in comparison to other companies? I would also like to hear what kind of feedback you are getting from employees in your “Talk with Top Management” meetings.**

A1

(Yamaguchi)

We use an external engagement survey as an indicator to improve job satisfaction. We have set the engagement score as a KPI. We are targeting a score of around 76. That would be equivalent to being in the top 20% of companies using this survey. Our score varies by business site. However, we know the score will change if we take measures to improve it. Therefore, we use the results of this survey and move through the PDCA cycle. Plant divisions had a relatively low score. We see that as being the result of the toughness of the work and the low level of freedom there. In response to that, we are working to improve the environment at our plants. For example, we are establishing new welfare buildings and renovating employee cafeterias.

We first held “Talk with Top Management” meetings in the form of answering questions from employees. However, we are currently holding them by asking young employees to discuss among themselves what kind of company they want Kagome to be. The management team then participates in those discussions. The themes of these meetings include the future vision for Kagome toward 2035 looking ahead 10 years from 2025 when our current Mid-term Management Plan will end. Employees have expressed various opinions and lively discussions have taken place in these meetings.

#### **Q2**

**I think it is necessary to visualize brands, intellectual properties and customers in addition to human capital when visualizing intangible assets to look at their financial**

**impact. What progress are you making on that?**

A2

(Yamaguchi)

We recognize that a major intangible asset for our company is our brand. The Advertising Department benchmarks external evaluations. We have maintained a high evaluation for the past 10 years. The accumulated efforts of our many predecessors have led to where we are today. Nevertheless, we are still not able to sufficiently visualize that. We established a department several years ago for our intellectual properties. The department is at the stage of organizing and utilizing those properties.

**Q3**

**I want you to disclose more about that in your integrated report. Although you have mentioned this in your integrated report, it is difficult to see how you will enhance your corporate value. For example, how do you see the ratio of Kagome fan shareholders to lower your WACC and beta? I think it would be good if you could systematically disclose the value creation unique to your company. Other companies are also starting to take measures to increase their number of individual investors. Wouldn't it be a good idea to disclose more about the uniqueness of low beta due to your company's high ratio of individual investors?**

A3

(Saeki)

We have been disclosing our ROIC since last year. The purpose of that is to make people in the field aware of our balance sheet to lead to an improvement in our group's ROIC as a result. We have not yet reached the point at the current stage where we can disclose to investors our efforts such as that we are working on this KPI to enhance our corporate value. There is also an approach to ultimately become a fables company to improve our ROIC and ROA. We have had discussions internally about what is the significance of possessing our own production sites and whether we should just be pursuing financial indicators. We think it is necessary to proceed with discussions from the perspective of how our current disclosures such as ROIC are seen by those outside our company.

**Q4**

**It was wonderful to hear the opinions of young employees coming up from the bottom of your company about human capital. You have set a target when it comes to diversity**

**to raise the ratio of females at each level of your company to 50%. I was surprised that 70% of your newly graduated recruits are women. However, I think diversity is not just about gender. What policies have you actually adopted and how do you see diversity?**

A4

(Yamaguchi)

Our goal is to raise the level of ratio of females at each level of our company to 50% by 2040. If we calculate this backward, the current ratio is the guideline for when we hire new recruits. We are also proactively hiring mid-career recruits in addition to those who are newly graduated. Our current ratio of recruits is about 70% who are newly graduated and 30% who are in the middle of their careers. We will continue to hire those in the middle of their careers in consideration of diversity.

**Q5**

**What kind of people in the middle of their careers are you hiring for your vegetable company? Are there any fields which cannot be incorporated without hiring externally in addition to developing employees in-house?**

A5

(Yamaguchi)

Human resources are becoming more fluid. The hiring environment in the food industry is also changing. There are two main types of mid-career hire. The first is those who have been in charge of sales at another food manufacturer. For example, we have a policy to strengthen our side dish sales. We can incorporate new forms of sales by hiring people with experience in selling side dishes at other companies for that. The other type is specialist recruits. For instance, we are hiring those in the middle of their careers who have strengths in specialized fields such as digital transformation (DX) and finance and accounting. However, it is difficult to hire such specialists.

**Q6**

**I agree that no longer being able to procure raw materials is the biggest risk when it comes to why we need to tackle global warming. I understand your framework in which you move through the PDCA cycle with the President at the top in your environmental management system. However, how are you analyzing and responding to global warming in your business processes?**

A6

(Hashimoto)

Droughts are occurring worldwide. Accordingly, we are strengthening the decentralization of the sites from which we procure raw materials. The price at which we procure raw materials and the quantity we procure vary depending on the producing area due to the effects of climate change. However, we have entered into medium- to long-term contracts with relatively stable sites. Reducing variations more than other companies through these efforts will lead to us creating a situation in which we can stably procure raw materials.

**Q7**

**Do you analyze the positive and negative impacts on natural capital when you proceed with business?**

A7

(Hashimoto)

We discuss those impacts in the Environment Subcommittee of the three subcommittees of the Sustainability Committee. I understand us to be ahead of other companies in the same industry as us. For example, we have acquired SBT Initiative certification. We have also revised our CO<sub>2</sub> emission target to a 1.5°C target and set targets which include Scope 3. We use a lot of energy overseas. Therefore, we are making capital investment for the environment at the same time as investing for growth there. In addition to our three plants in Japan, our plant in Portugal uses 100% renewable energy for its power.

(Yamaguchi)

Being environmentally-friendly leads to better use of energy. That, in turn, leads to lower costs. We will be able to improve crop yields and process yields by developing environmentally-friendly varieties as well. We feel that being environmentally-friendly and conducting business are not separate but rather closely related.

**Q7**

**(Thoughts)**

**It is very important to not think of the environment and business as separate from each other. I believe each employee understanding that will lead to an improvement in your corporate value.**

**Q8**

**There are a lot of CO<sub>2</sub> emissions overseas relative to the sales composition. I would like to hear detail about the composition of that.**

A8

(Hashimoto)

We have many primary processing companies in our overseas business. Those companies squeeze and concentrate raw materials to manufacture paste. A lot of energy is used in that process. Therefore, the energy dependence is higher than in our Japanese business. If we reduce the energy we use in primary processing, we will reduce our CO<sub>2</sub> emissions. Our costs will also drop. We are working hard on this issue to be able to meet the needs of society at the same time as benefitting our company. We cannot completely eliminate our CO<sub>2</sub> emissions. Nevertheless, we are adopting certification and striving to reduce emissions.

**Q9**

**Will your environmental initiatives have an impact on your business portfolio in the future?**

A9

(Hashimoto)

We have had hope of accomplishing our targets for Scope 1 and Scope 2 since acquiring SBT Initiative certification. We will be able to achieve our targets even without ending primary processing. We do not believe our environmental initiatives will lead to future business development or site reorganization until at least 2023.

**Q10**

**I want to ask you about your vertically integrated business. You have a natural hedge working for you with the strong performance of your international business covering for your Japanese business. Are those working in the field also aware that vertically integrated business serves as the philosophy of your company? I would like you to tell me your approach and potential in this area such as by improving your brand value and topline with collaboration between departments.**

A10

(Yamaguchi)

We will reorganize our organization on October 1. We will strengthen horizontal cooperation

by uniting divisions and businesses which were previously dispersed across several organizations into one organization. That will include upstream departments such as our Agri-business R&D Division, DXAS, UG and Senegalese business. We expect that will produce major synergies. We would like to produce results through horizontal cooperation between upstream divisions to lead to primary processing and secondary processing.

Our International Business Division, which is responsible for primary and secondary processing, will transition to an in-house company. We will delegate authority and responsibility to it to enable speedy decision-making. We hope that it will become possible to seize opportunities we have missed in the past by strengthening horizontal cooperation between our overseas group companies.

**Q11**

**Half of your profits come from your international business. What kind of human resources will you deploy internationally in the future? I cannot see your human resources strategy to grow your business. What are your thoughts about this?**

A11

(Yamaguchi)

Clarifying our human resources strategy to grow our international business is a major challenge. Our overseas group companies have respectively hired human resources up to now. However, there has been no exchange of human resources. We will urgently work on our human resources strategy and consider our global personal affairs systems and human resource development as part of our 100-day plan after the transition of our International Business Division into an in-house company.

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