

## Corporate Governance Report

Last Update: June 2, 2021

**KAGOME CO., LTD.**

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Securities Code: 2811

<http://www.kagome.co.jp/>

The corporate governance of Kagome Co., Ltd. (the “Company”) is described below.

### **I. Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information**

#### **1. Basic Views**

In accordance with its corporate philosophy of “appreciation,” “nature” and “corporate openness,” the Company aims to achieve sustainable growth and improve the mid- to long-term value of the Company. The Company acknowledges corporate governance to be a critical management issue toward these objectives.

The Company considers further strengthening of “autonomy” complemented by “heteronomous” to be the fundamentals of its corporate governance. It 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.

The Company aims to deliver a high degree of accountability and achieve the “corporate openness” in its interactions with stakeholders, while employing the unique attributes and originality of Kagome.

#### **[Reasons for Non-compliance with the Principles of the Corporate Governance Code]**

The Company implements every principle of the Corporate Governance Code in its entirety.

#### **[Disclosure Based on the Principles of the Corporate Governance Code]**

##### Principle 1.4 Cross-Shareholdings

###### (1) Policy regarding cross-shareholdings

The Company holds the shares of companies if it judges that doing so is necessary to achieve sustainable growth or enhance its social value and economic value, or to build good relations with business partners and facilitate business as part of management strategy, including business alliances and the stable procurement of raw materials. Under the basic policy of disposing or reducing, as promptly as possible, the holding of certain shares which are considered insignificant in light of the situation at the end of the immediately preceding business year, the Company examines at meetings of the Board of Directors every year 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. In the examination of economic rationality for each holding, the ratio of the amount which the issuer of the shares contributed to the profits of the Company in the immediately preceding business year to the value of the shares held by the Company at the end of the business year is calculated. When the ratio is below a figure equivalent to approximately double the average ROA of the Company for the past five years on a non-consolidated basis, such shares shall be subject to review for sale. In addition, shares whose market price has declined 30% or more from the book value thereof and shares of a company with whom the Company has transactions amounting less than 100 million yen per year are also subject to review for sale thereof. Moreover, shares of the Company’s suppliers and clients that do not meet these standards shall be subject to deliberation at meetings of the Board of Directors every year as to whether or not to sell them and those chosen shall be sold.

As a result of a review, the Company sold some of its cross-shareholdings in FY2020.

(2) Criteria for exercise of voting rights concerning cross-shareholdings

When exercising voting rights concerning cross-shareholdings, the Company comprehensively judges the arguments for and against, taking into consideration whether or not the proposed motion will help strengthen appropriate corporate governance systems or enhance shareholders value or the proposed motion's impact on the Company, and the Company exercises voting rights appropriately.

Where necessary, the Company engages in dialogue with the issuing company over the content of a proposed motion, etc.

(3) Policy for responding to cases where the intention to sell the Company's shares concerning cross-shareholding is indicated

If a company holding the Company's shares for cross-shareholding (shareholder in cross-shareholding) indicates its intention to sell the shares, the Company will unconditionally agree to the sale. In this case, any shares of the shareholder in the cross-shareholding held by the Company shall be disposed of as promptly as possible.

Principle 1.7 Related Party Transactions

The Company monitors related party transactions through its Board of Directors by setting out in the Regulations of the Board of Directors that any related party transaction requires the prior approval of the Board of Directors and that any related party transaction that takes place must be promptly reported to the Board of Directors and by conducting operations in accordance with the Regulations. The Audit & Supervisory Committee also conducts audits in accordance with the audit & supervisory standards of the Audit & Supervisory Committee.

Principle 2.6 Exercise of Functions as Asset Owner of Corporate Pension Plan

The Company has introduced a defined contribution pension system for its employees' asset formation. In light of the significant impact of the management of the pension plan on the employees' asset formation, the Company aims to appropriately manage the assets by selecting investment products from a number of perspectives, providing education on asset management to the employees and monitoring management performance on a half-yearly basis.

Principle 3.1 Full Disclosure

(1) The Company's vision (corporate philosophy, etc.) and its management strategy and medium-term management plan are disclosed on the Company's website and in financial results presentation materials, etc.

(URL: <http://www.kagome.co.jp/company/about/philosophy/>)

(2) The Company discloses its basic views on corporate governance and its Basic Policy of Corporate Governance on the Company's website and in its annual reports, corporate governance reports, integrated reports, CSR reports, etc.

(URL: <http://www.kagome.co.jp/company/csr/management/governance/>)

[Basic Policy of Corporate Governance]

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

The Company considers further strengthening of "autonomy" complemented by "heteronomous" to be the fundamentals of its corporate governance. It 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.

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

(3) The Company discloses the policy and procedures by which the Board of Directors determines the compensation of senior management and directors in its annual reports, corporate governance reports, integrated reports, etc.

(4) When the Board of Directors appoints senior management and nominates candidates for directors and audit & supervisory board members, the Company's policy is to appoint people who will help improve the mid-to long-term value of the Company, and the procedure is that the Board of Directors approves candidates selected by the Remuneration and Nomination Advisory Committee, which is made up of a majority of independent external directors, and to put proposals on candidates for directors before the General Meeting of Shareholders. In addition, the Company implements regular reviews and checks of the appropriateness of selecting officers by assessing the officers' performance and operating the Remuneration and Nomination Advisory Committee.

(5) The appointment and removal of candidates for directors and external directors are explained in notices of convocation of general meetings of shareholders.

(Notice of the Annual General Meeting of Shareholders URL:  
<http://www.kagome.co.jp/company/ir/meeting/>)

[Supplementary principle 4-1-1: Scope of Delegation of Authority to the Management Team]

The Company transitioned to a corporate structure with an audit and supervisory committee. The transition separates executive functions from supervisory functions, which helps clarify business responsibility and speed up decision-making and execution of operations. The provisions of the Articles of Incorporation enable important decision-making to be left wholly or partially to directors by resolution of the Board of Directors. The Board of Directors mainly assumes the role of making decisions via deliberation on the Company's policies and management strategies and matters that will help improve the mid- to long-term value of the Company and monitoring their progress, and important matters related to business execution except for matters such as business reorganization, M&A, the transfer or receipt of transfer of significant assets, the borrowing and lending of large amounts of funds, and personnel affairs, are left to the management led by the President, in principle.

Principle 4.9 Independence Standards and Qualifications for Independent External Directors

The Company has established "Standards for Judging the Independence of External Directors" and discloses these in notices of annual general meeting of shareholders, annual reports, corporate governance reports, integrated reports, etc. At present, one of the standards for judging independence stipulates that the total term of tenure as external director must be within eight years, but in the future the Company will verify the relationship between term of tenure and independence as it sees fit and will examine an appropriate term of tenure.

[Supplementary principle 4-11-1: Preconditions for Board of Directors and Audit & Supervisory Board Effectiveness]

The Company believes that, to realize improvement in the mid-to long-term value of the Company by fully demonstrating the advisory function and monitoring function of the Board of Directors, it is desirable to ensure that the Board of Directors is of an appropriate size to be able to conduct high quality deliberation, while ensuring a composition that strikes a balance with diversity in terms of age, gender, knowledge, capability and experience. The procedure for appointing director candidates is that the Board of Directors makes decisions via deliberation by the Remuneration and Nomination Advisory Committee, the majority of whose members are external directors.

The Board of Directors currently consists of 10 directors, seven of whom are directors (excluding directors who are audit and supervisory committee members) and three of whom are directors who are audit and supervisory committee members. Five of its directors are independent external directors. The external directors have various career backgrounds including corporate management, academic, tax accountant, and lawyer, and they also have vast experience and knowledge for diversity management, business globalization, and extension of healthy life expectancy through food that form part of the Company's mid- to long-term vision. One of the goals under the Company's long-term vision is "50% of the workforce consisting of women--from employees to executive officers" by around 2035-2040, and the Company is also aiming for early achievement of this goal with respect to its Board of Directors.

[Supplementary Principle 4-11-2: Preconditions for Board of Directors and Audit & Supervisory Board Effectiveness]

The Company stipulates in its internal regulations that the approval of management meeting must be obtained when a director excluding external director of the Company serves simultaneously as an officer of other companies, and the Company receives reports as necessary on the status of concurrent posts of external directors of the Company and confirms that they are able to fulfil their roles and responsibilities as directors of the Company, and there are no particular problem as of disclosure of this Code. The status of concurrent posts at other companies held by external directors is disclosed in notices of annual general meeting of shareholders, annual reports, corporate governance reports, etc.

[Supplementary Principle 4-11-3: Preconditions for Board of Directors and Audit & Supervisory Board Effectiveness]

The Company conducted an evaluation of the effectiveness of the Board of Directors in October 2020. A summary of the results is as follows.

#### 1. Method of implementation of the evaluation

Implementation of survey of directors (all 6 areas, 31 criteria)

The survey categories were as follows.

- (1) Design of the Board of Directors (frequency of meetings, size, composition, utilization of remote meetings, etc.)
- (2) Operation of the Board of Directors (time [explanations and deliberations], provision of information, secretariat support, etc.)
- (3) Proposals of the Board of Directors (coverage of themes, timing of submission of proposals, progress reports, etc.)
- (4) Quality of discussions of the Board of Directors (objectivity and multifaceted nature of discussions, accountability, leadership of chair, etc.)
- (5) Corporate governance structure (appointment and compensation decision process, dialogue with stakeholders, etc.)
- (6) Overall evaluation (improvement of corporate value, decision-making, effectiveness of functions, appropriateness of judgments, etc.)

Survey of the Remuneration and Nomination Advisory Committee (5 criteria)

Survey of the Audit and Supervisory Committee (7 criteria)

Discussions involving the Chairperson of the Board and external directors

Deliberations by the Board of Directors based on the foregoing

#### 2. Summary of evaluation results

The evaluation of the Company's Board of Directors following discussions based on the foregoing was that the Company's Board of Directors is generally adequate in all areas (1) - (6) and its effectiveness is fully ensured.

The criteria for which the evaluation was particularly high were as follows.

- The timing and frequency of holding meetings of the Board of Directors are appropriate.
- The size (number of members) of the Board of Directors and the ratios of internal and external directors are appropriate.
- The Board of Directors comprises members with a good balance of diversity in terms of gender, international experience, specialization, and career experience, etc., required to ensure its effectiveness.
- The time spent explaining the meeting agendas is appropriate.
- Adequate time for deliberations on important agenda items is secured.
- Time is allocated based on the priority level of agenda items.
- The timing of sending out agenda items in advance and advanced explanations is adequate, and suitable information is provided in full for deliberation of agenda items.
- The Board of Directors is managed efficiently and effectively by means of utilization of remote meetings and resolution in writing as well as digitalization of reference documents, etc.
- The timing of deliberations and proposals for important individual themes is appropriate.
- The progress of important projects and management plans is reported in a timely manner and followed up appropriately.
- The Chairperson of the Board steers discussions to a clear conclusion by exhibiting appropriate leadership and using a neutral standpoint.
- Initiatives for governance are being implemented tailored to the unique needs of the Company.

- The process used for selection, appointment and dismissal, evaluation, and determination of compensation of senior management (officers) is appropriate.
- The Board of Directors undertakes prompt, flexible decision-making.
- The Board of Directors provides both the advisory function for important decision-making and the monitoring function for the performance of duties, which are functioning effectively.
- The operations of the Board of Directors are reviewed and improved on a continuous basis.

In the latest evaluation of the effectiveness of the Board of Directors, the issues for which the Company recognized the necessity of further improvement were “comprehensive deliberation on important matters,” “reporting on the status of the execution of business operations (prioritization and planning of items of business of the Board of Directors’ meetings),” and “provision of information on the Company and its general business operations.” In this evaluation, the Company collected opinions from the Directors on the themes that need to be discussed at the Board of Directors’ meetings, based on which the Board of Directors will consider the themes for the board to discuss in the next fiscal year and what constitutes reporting of business execution status, and work to schedule deliberations, after discussions held between the Chairperson of the Board and external directors. Additionally, regarding the provision of information regarding the Company and its general business operations, meetings will be arranged outside of board meetings for external directors so as to bury any gaps in information among external directors due to differences in terms of office or role. At these meetings, information will be provided from internal departments and external directors will be able to exchange information, etc., which will serve to improve the current situation.

In addition, with regard to the Remuneration and Nomination Advisory Committee, suggestions were made concerning the development of medium- to long-term succession plans. With regard to the Audit and Supervisory Committee, suggestions were made that more agile and proactive exercising of rights should be carried out beyond simple defensive functions. The Board of Directors of the Company recognizes the above as issues to be addressed and will work on relevant initiatives.

The Company will seek to further improve the effectiveness of the Board of Directors based on the results of the latest evaluation of the effectiveness of the Board of Directors.

[Supplementary principle 4-14-2: Training Policy for Directors and Audit & Supervisory Board Members]

The Company’s policy is that Directors receive training on the roles and responsibilities of Directors on becoming Directors. The secretariat of the Board of Directors explains the management status and the corporate governance structure to external directors when they take up office, and also provides them with opportunities to visit overseas subsidiaries, plants, orchards and other business premises and to deepen their understanding of the Company’s management after they take up office.

In FY2016, the Company began providing training to all officers as part of planning for the development of successors. The training focuses on the roles and responsibilities and management knowledge required of senior managers, and helpful approaches and frameworks for the formulation and execution of strategies.

The Company encourages Directors and Executive Officers to participate in outside seminars and external organizations, and the cost of this is borne by the Company in accordance with internal regulations based upon requests by Directors, Executive Officers, etc.

Principle 5.1 Policy for Constructive Dialogue with Shareholders

Based on the idea that increasing understanding of the Company’s business operations through “dialogue and exchange activities” with shareholders and institutional investors will contribute to the Company’s sustainable growth and improvement in its corporate value, the Company actively conducts IR activities through dialogue and exchange between shareholders and institutional investors and the Company’s representatives and other senior management as well as its office employees.

The Company’s IR Department is in charge of dialogue and exchange with shareholders and institutional investors, and the IR Department makes proper disclosure while examining how it responds with the President and the Director in charge in accordance with the Company’s policy of “fair, simple and timely” disclosure.

The IR Department deals with interviews with shareholders and institutional investors, including interviews given by the President and the Director in charge, taking the purpose of the interview and the attributes of the interviewees into consideration. As for the disclosure and presentation of financial results, etc., the relevant

departments such as Corporate Planning, Finance & Accounting, Corporate Communications, etc. hold discussions on a regular basis with the IR Department that supports dialogue to ensure organic cooperation for proper information disclosure. In addition, the Company holds financial results presentations (half-year and full-year results) twice a year for analysts and institutional investors, and the President also holds small meetings with analysts and institutional investors to explain the Company's business operations. The President holds dialogue and exchange meetings with individual shareholders with office employees participating in the meetings at the Company's offices throughout Japan. The Company also provides opportunities for dialogues during factory tours and vegetable farm tours and holds financial results briefings for individual shareholders. Furthermore, dialogue and exchanges with analysts, institutional investors and individual shareholders are being carried out over the Internet from FY2020.

Information about these activities is posted on the Company's webpages as necessary.

## 2. Capital Structure

|                            |               |
|----------------------------|---------------|
| Foreign Shareholding Ratio | Less than 10% |
|----------------------------|---------------|

### [Status of Major Shareholders]

| Name / Company Name                         | Number of Shares Owned | Percentage (%) |
|---------------------------------------------|------------------------|----------------|
| Custody Bank of Japan, Ltd.                 | 9,838,600              | 10.42          |
| The Master Trust Bank of Japan, Ltd.        | 8,045,100              | 8.52           |
| Dynapac Co., Ltd.                           | 4,379,540              | 4.64           |
| Nissin Foods Holdings Co., Ltd.             | 1,559,000              | 1.65           |
| Toshichika Kanie                            | 1,412,700              | 1.49           |
| JP MORGAN CHASE BANK 385781                 | 1,152,172              | 1.22           |
| Eikichi Kanie                               | 1,027,000              | 1.08           |
| Kagome Business Association                 | 986,800                | 1.04           |
| SMBC Nikko Securities Inc.                  | 965,300                | 1.02           |
| Kagome Employee Stock Ownership Association | 931,434                | 0.98           |

|                                                     |      |
|-----------------------------------------------------|------|
| Controlling Shareholder (except for Parent Company) | -    |
| Parent Company                                      | None |

|                           |
|---------------------------|
| Supplementary Explanation |
| -                         |

(2) The percentage (%) used in the status of major shareholders indicates the percentage of each entity's owned shares compared to the total number of issued shares (excluding treasury stock).

## 3. Corporate Attributes

|                                                                              |                                                                           |
|------------------------------------------------------------------------------|---------------------------------------------------------------------------|
| Listed Stock Market and Market Section                                       | Tokyo Stock Exchange, First Section, Nagoya Stock Exchange, First Section |
| Fiscal Year-End                                                              | December                                                                  |
| Type of Business                                                             | Foods                                                                     |
| Number of Employees (consolidated) as of the End of the Previous Fiscal Year | More than 1000                                                            |

|                                                                               |                                            |
|-------------------------------------------------------------------------------|--------------------------------------------|
| Sales (consolidated) as of the End of the Previous Fiscal Year                | From ¥100 billion to less than ¥1 trillion |
| Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year | From 10 to less than 50                    |

**4. Policy on Measures to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholder**

-

**5. Other Special Circumstances that may have a Material Impact on Corporate Governance**

-



## II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management

### 1. Organizational Composition and Operation

|                   |                                            |
|-------------------|--------------------------------------------|
| Organization Form | Company with Audit & Supervisory Committee |
|-------------------|--------------------------------------------|

#### [Directors]

|                                                                     |           |
|---------------------------------------------------------------------|-----------|
| Maximum Number of Directors Stipulated in Articles of Incorporation | 17        |
| Term of Office Stipulated in Articles of Incorporation              | One year  |
| Chairperson of the Board                                            | President |
| Number of Directors                                                 | 10        |
| Nomination of External Directors                                    | Nominated |
| Number of External Directors                                        | 5         |
| Number of Independent External Directors                            | 5         |

#### External Directors' Relationship with the Company (1)

| Name               | Attribute            | Relationship with the Company* |   |   |   |   |   |   |   |   |   |   |  |
|--------------------|----------------------|--------------------------------|---|---|---|---|---|---|---|---|---|---|--|
|                    |                      | a                              | b | c | d | e | f | g | H | i | j | k |  |
| Takayuki Hashimoto | From another company |                                |   |   |   |   |   |   |   | △ |   |   |  |
| Hidemi Sato        | Academic             |                                |   |   |   |   |   |   |   |   |   |   |  |
| Kumi Arakane       | From another company |                                |   |   |   |   |   |   |   |   |   |   |  |
| Tatsuya Endo       | Tax Accountant       |                                |   |   |   |   |   |   |   |   |   |   |  |
| Asako Yamagami     | Lawyer               |                                |   |   |   |   |   |   |   |   |   |   |  |

\* Categories for "Relationship with the Company"

\* "○" when the director presently falls or has recently fallen under the category; "△" when the director fell under the category in the past

\* "●" when a close relative of the director presently falls or has recently fallen under the category; "▲" when a close relative of the director fell under the category in the past

a. Executive of the Company or its subsidiaries

b. Non-executive director or executive of a parent company of the Company

c. Executive of a fellow subsidiary company of the Company

d. A party whose major client or supplier is the Company or an executive thereof

e. Major client or supplier of the listed company or an executive thereof

f. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides remuneration as a director/member of the Audit & Supervisory Committee

g. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)

h. Executive of a client or supplier company of the Company (which does not correspond to any of d, e, or f) (the director himself/herself only)

i. Executive of a company, between which and the Company external Directors/members of the Audit & Supervisory Committee are mutually appointed (the director himself/herself only)

j. Executive of a company or organization that receives a donation from the Company (the director himself/herself only)

k. Others

External Directors' Relationship with the Company (2)

| Name               | Membership of Audit & Supervisory Committee | Designation as Independent Director | Supplementary Explanation of the Relationship                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | Reasons for Appointment                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
|--------------------|---------------------------------------------|-------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Takayuki Hashimoto |                                             | ○                                   | Mr. Takayuki Hashimoto has served as President of IBM Japan, Ltd. and as Chairman thereof and presently is Honorary Executive Advisor thereof. Business transactions between the Company and IBM Japan, Ltd. include maintenance services for network equipment. As the ratios of the transaction value in FY2020 accounted for less than 1% of the consolidated net sales of the Kagome Group and IBM Japan Group, respectively, and considering the nature of the transactions, the Company believes that they do not affect Mr. Hashimoto's independence as Independent External Director. | Mr. Takayuki Hashimoto has extensive experience and knowledge of diversity promotion as a manager of a highly diversified global company. The Company believes that he will properly perform his duties as an independent External Director based on the above. In addition, the Company appoints him as independent director because he satisfies the standards for an independent director set by the Tokyo Stock Exchange which require the protection of general shareholders and also meets the Standards for Judging the Independence of Independent External Directors of the Company. |
| Hidemi Sato        |                                             | ○                                   | -                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | Dr. Hidemi Sato has extensive experience in food and nutrition education. The Company believes that she will properly perform her duties as an independent External Director based on the above. In addition, the Company appoints her as independent director because she satisfies the standards for an independent director set by the Tokyo Stock Exchange which require the protection of general shareholders and also meets the Standards for Judging the Independence of Independent External Directors of the Company.                                                               |
| Kumi Arakane       | ○                                           | ○                                   | -                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | Dr. Kumi Arakane has extensive experience and knowledge concerning corporate management from her career experience at Kose                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |

|              |   |   |   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
|--------------|---|---|---|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|              |   |   |   | <p>Corporation, including as the person responsible for R&amp;D, product development and quality assurance as a Doctor of Pharmacology and her involvement in management execution and supervision as a director. The Company believes that she will properly perform her duties as an independent External Director based on the above. In addition, the Company appoints her as independent director because she satisfies the standards for an independent director set by the Tokyo Stock Exchange which require the protection of general shareholders and also meets the Standards for Judging the Independence of Independent External Directors of the Company.</p> |
| Tatsuya Endo | ○ | ○ | - | <p>Mr. Tatsuya Endo has sufficient knowledge of supervising corporate management and in-depth expertise of corporate accounting and tax matters from his involving in accounting audits and M&amp;A deals for multiple listed companies inside and outside of Japan as a tax accountant. The Company believes that he will properly perform his duties as an independent External Director based on the above. In addition, the Company appoints him as</p>                                                                                                                                                                                                                 |

|                |   |   |  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
|----------------|---|---|--|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                |   |   |  | independent director because he satisfies the standards for an independent director set by the Tokyo Stock Exchange which require the protection of general shareholders and also meets the Standards for Judging the Independence of Independent External Directors of the Company.                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| Asako Yamagami | ○ | ○ |  | Ms. Asako Yamagami has sufficient knowledge of supervising corporate management and in-depth expertise of corporate law, based on her experience as an in-house corporate lawyer in addition to extensive international experience, including in the United States and China, as a lawyer. The Company believes that she will properly perform her duties as an independent External Director based on the above. In addition, the Company appoints her as independent director because she satisfies the standards for an independent director set by the Tokyo Stock Exchange which require the protection of general shareholders and also meets the Standards for Judging the Independence of Independent External Directors of the Company. |

[Audit & Supervisory Committee]

Committee's Composition and Attributes of Chairperson

|                               | All Committee Members | Full-time Members | Internal Directors | External Directors | Chairperson       |
|-------------------------------|-----------------------|-------------------|--------------------|--------------------|-------------------|
| Audit & Supervisory Committee | 3                     | 1                 | 1                  | 2                  | Internal Director |

Appointment of Directors and/or Staff to Support the Audit & Supervisory Committee

Appointed

Matters Related to the Independence of Such Directors and/or Staff from Executive Directors

The Company has one standing Audit & Supervisory Committee member as a Director and employee to support the Audit & Supervisory Committee in its duties, and the Internal Audit Department is in charge of assisting said member. To ensure the independence of said Director and employee, the Company is required to obtain the prior consent of the Audit & Supervisory Committee when determining matters relating to authority to manage the personnel affairs of said Director and the head of the Internal Audit Department, including appointments, personnel changes and disciplinary action.

Cooperation among the Audit & Supervisory Committee, Accounting Auditors and Internal Audit Departments

The Company receives submission of an annual audit plan and a report of audit results from PricewaterhouseCoopers Aarata LLC with which it has concluded an audit agreement. Audit and Supervisory Committee Members are present at audits conducted by the audit corporation and also cooperate closely with the accounting auditor and the Internal Audit Department, exchanging information and opinions with them on a regular basis. The Company's internal audits audit whether the business activities of each office are conducted properly and efficiently in compliance with laws and regulations, rules, management policies and management plans, and they aim to contribute to the rationalization of management and improvement of business efficiency. The Internal Audit Department monitors the reliability of financial reports from a neutral perspective as a business unit under direct supervision of the President and as the secretariat of the Audit and Supervisory Committee. It also directly audits the status of business execution of each business unit in the Group on a regular basis and endeavors to strengthen group governance. Any problems identified in audits are reported in a timely manner to the Audit and Supervisory Committee and the President and necessary measures and improvements are sought.

**[Voluntary Establishment of Nomination/Remuneration Committee]**

|                                                                                                         |             |
|---------------------------------------------------------------------------------------------------------|-------------|
| Voluntary Establishment of Committee(s) Corresponding to Nomination Committee or Remuneration Committee | Established |
|---------------------------------------------------------------------------------------------------------|-------------|

Committee's Name, Composition, and Attributes of Chairperson

|                       | Committee Corresponding to Nomination Committee | Committee Corresponding to Remuneration Committee |
|-----------------------|-------------------------------------------------|---------------------------------------------------|
| Committee's Name      | Remuneration and Nomination Advisory Committee  | Remuneration and Nomination Advisory Committee    |
| All Committee Members | 5                                               | 5                                                 |
| Full-time Members     | 0                                               | 0                                                 |
| Internal Directors    | 1                                               | 1                                                 |
| External Directors    | 3                                               | 3                                                 |
| External Experts      | 0                                               | 0                                                 |
| Other                 | 1                                               | 1                                                 |
| Chairperson           | Internal Directors                              | Internal Directors                                |

Supplementary Explanation

The Company has established the Remuneration and Nomination Advisory Committee as an advisory body to the Board of Directors to determine the compensation of directors of the Company. The Remuneration and Nomination Advisory Committee consists of at least three members, a majority of whom are independent external directors. The Remuneration and Nomination Advisory Committee deliberates matters such as a system of remuneration and level of remuneration that are appropriate to the management environment and company performance and the appropriateness of individual remuneration according to individual performance, from an objective and fair perspective.

**[Independent Directors]**

|                                 |   |
|---------------------------------|---|
| Number of Independent Directors | 5 |
|---------------------------------|---|

Matters relating to Independent Directors

The Company established Standards for Judging the Independence of Independent External Directors of the Company as follows, **and nominates as independent directors external directors who meet these standards and are deemed to** pose no risk of a conflict of interest with general shareholders.

Standards for Judging the Independence of Independent External Directors of the Company  
The Company deems an External Director to have sufficient independence in the event that he/she meets the Standards for Judging Independence as described below:

1. A person who is not or was not in the past a Director, corporate auditor (excluding outside officer), Executive Officer or employee of the Kagome Group.
2. A person who is not or has not been a major shareholder of the Kagome Group in the past five business years (pertains to a shareholder who holds 10% or more of the total voting rights of the shares of the Kagome Group), or a person who is not Director, corporate auditor, Executive, Executive Officer or employee of an entity for which the Kagome Group is a major shareholder
3. A person who is **not Director, corporate auditor (excluding outside officer), Executive, Executive Officer or employee of** a major business partner of the Kagome Group (pertains to a business partner

|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>whose amount of transactions with the Kagome Group is 2% or more of the consolidated revenue of the Kagome Group in any of the past three business years)</p> <p>4. A person who is not Director, corporate auditor (excluding outside officer), Executive, Executive Officer or employee of an entity for which the Kagome Group is a major business partner (pertains to a business partner whose amount of transactions with the Kagome Group accounts for 2% or more of the consolidated revenue of the business partner in any of the past three business years)</p> <p>5. A person who is not officer or employee of corporations or organizations that receive a large amount of donations* from the Kagome Group</p> <p>* An average of 10 million yen or more annually in the past three business years, or an amount that is 2% or more of revenue or total revenue of the recipient</p> <p>6. A person who is not Director, corporate auditor (excluding outside officer), Executive, Executive Officer or employee of a corporation which mutually exchanges Directors, corporate auditors or Executive Officers with the Kagome Group</p> <p>7. A person who has not been representative partner, partner or employee of the accounting auditor of the Kagome Group in any of the past five years</p> <p>8. A person who is not an attorney-at-law, a certified public accountant, a certified tax accountant, consultant or other professional who receives a large amount of remuneration* from the Kagome Group, other than compensation as an officer</p> <p>* On the average in the past three business years, 10 million yen or more in the case of an individual and 2% or more of consolidated revenue in the case of a corporation</p> <p>9. A person who is not the spouse, a relative within the second degree of kinship or a relative living together of any person described in 1) through 8) above</p> <p>10. A person whose total term of tenure as External Director is within eight years</p> <p>Note: The Kagome Group refers to Kagome Co., Ltd. and its subsidiaries.</p> |
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**[Incentives]**

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| Incentive Policies for Directors | Performance-linked Remuneration and Others |
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| Supplementary Explanation |
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The Directors' remuneration from the Company consists of basic remuneration as well as cash bonuses linked to performance, and share remuneration. Basic remuneration is a fixed amount of remuneration determined by the extent of the roles and duties of each title, which is within the total amount approved by the general meeting of shareholders. The composition ratios are determined for each title.

Cash bonuses and share remuneration are determined based on the core operating income ratio and net income as company-wide business performance indicators and the contribution level of each individual director and officer. From FY2020, the Company introduced a director and officer remuneration Board Incentive Plan ("BIP") trust as new form of share remuneration with greater transparency and linkages with providing value to shareholders. Furthermore, the Company established the Remuneration Committee in FY2014 as an advisory body to the Board of Directors in order to increase transparency and objectivity of decisions pertaining to director and officer remuneration. From FY2016, the Company added the roles and functions for the nomination of directors to this committee, which in turn was renamed the Remuneration and Nomination Advisory Committee, with independent external directors comprising a majority of its members.

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| Recipients of Stock Options | - |
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| Supplementary Explanation |
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**[Directors' Remuneration]**

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| Disclosure of Individual Directors' Remuneration | Selected Directors |
|--------------------------------------------------|--------------------|

## Supplementary Explanation

The Company discloses individual directors' remuneration for the representative director in the disclosure of the total amount for all directors

(Unit: Million yen)

President and Representative Director Satoshi Yamaguchi: Directors' remuneration 43 Directors' bonus 33

Stock options 3 Total payment 79

|                                                                    |             |
|--------------------------------------------------------------------|-------------|
| Policy on Determining Remuneration Amounts and Calculation Methods | Established |
|--------------------------------------------------------------------|-------------|

## Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods

As for Directors' remuneration, the participants at the 72nd Annual General Meeting of Shareholders held on March 25, 2016 passed a resolution to separate the Directors (excluding members of the Audit and Supervisory Committee) and Directors who are members of the Audit and Supervisory Committee and set the total amounts to no more than 500 million yen for Directors (excluding members of the Audit and Supervisory Committee) and no more than 100 million yen for Directors who are members of the Audit and Supervisory Committee.

The decision-making body and the procedures for Directors' remuneration are specified as indicated below in the Company's Rules on Remuneration for Directors and Executive Officers.

- The remuneration for Directors (excluding members of the Audit and Supervisory Committee) is determined by the Board of Directors upon deliberations of the Remuneration and Nomination Advisory Committee, using the average level of the results of remuneration surveys participated in by large companies in Japan as the benchmark and taking into account other factors such as each Director's social and relative position and level of contribution to the Company, in order to ensure the Company's market competitiveness.
- The remuneration for Directors who are members of the Audit and Supervisory Committee is determined through discussions of the Audit and Supervisory Committee.

For such decision-making, the Remuneration and Nomination Advisory Committee, which is an advisory body of the Board of Directors, deliberates on the establishment and revision of Directors' remuneration and evaluation systems and the appropriateness of evaluation results, fixed amounts of remuneration, and performance-linked compensation.

### [Supporting System for External Directors]

The Corporate Planning Department which is the secretariat of the Board of Directors explains and distributes reference materials for meetings of the Board of Directors, etc. to External Directors before meetings where necessary.

## 2. Matters on Functions of Business Execution, Auditing, Oversight, Nomination and Remuneration Decisions (Overview of Current Corporate Governance System)

The Company has a corporate structure with an Audit and Supervisory Committee. The Company defines the main role of the Board of Directors as to decide management strategy and management policies and monitor their implementation, and the Company seeks to enhance the advisory function and strengthen the supervisory function of the Board of Directors and to increase its effectiveness by appointing three or more External Directors who satisfy the Standards for Judging the Independence of Independent External Directors of the Company. The Audit and Supervisory Committee sets 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.

Nomination and remuneration of Directors are deliberated by the Remuneration and Nomination Advisory Committee, in which Independent External Directors account for one half or more of its members. The results of the deliberation are advised to the Board of Directors which then determines the nomination and remuneration of Directors, thereby enhancing fairness and appropriateness.



Under its executive officer system, the Company uses set criteria to delegate implementation responsibilities and authority to its departments. The Company has established the Meeting of Executive Officers in order to convey and make known the Board of Directors' resolutions and reported matters as well as to facilitate communication and coordination among executive officers. Moreover, the Management Meetings have been established under the leadership of the President to ensure business is executed agilely and through mutual coordination. Deliberations in the Management Meetings enable appropriate risk taking and also produce clear allocations of responsibilities, while enabling the Company to make decisions in an expedient manner.

### **3. Reasons for Adoption of Current Corporate Governance System**

The Company chose a corporate structure with an Audit and Supervisory Committee to further separate business executive functions from supervisory functions, increasing the speed and flexibility of decisions on the business execution side while at the same time strengthening the business execution supervisory functions. The Company adopted the current system to increase the accountability of the Board of Directors and realize sustainable growth and improvement in corporate value over the medium and long term.

### III. Implementation of Measures for Shareholders and Other Stakeholders

#### 1. Measures to Vitalize the General Shareholder Meetings and Smooth Exercise of Voting Rights

|                                                                                                                                                   | Supplementary Explanations                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
|---------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Early Notification of General Shareholder Meeting                                                                                                 | The Notice of the 77 <sup>th</sup> Annual General Meeting of Shareholders was sent on March 4, 2021. On February 18, 2021, before the date of sending, the Company also made early internet disclosure of the meeting on its website.                                                                                                                                                                                                                                                                                                                                                                         |
| Allowing Electronic Exercise of Voting Rights                                                                                                     | The Company began allowing exercise of voting rights via the Internet in 2004.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| Participation in Electronic Voting Platform and other Measures for Improving Environment for Exercise of Voting Rights by Institutional Investors | The Company first used the electronic voting platform in 2013.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| Other                                                                                                                                             | To help activate general meetings of shareholders and improve communication with shareholders, the Company uses a shareholder email magazine service and its website to notify shareholders that it is sending notices of shareholder meetings, ask them to exercise their voting rights, disclose individual results of the exercise of voting rights and report general meetings of shareholders using video, etc. The Company also asks shareholders who come to the shareholders meeting on the day to answer a questionnaire survey and uses this to activate shareholders meetings in subsequent years. |

#### 2. IR Activities

|                                                                     | Supplementary Explanations                                                                                                                                                                                                                                                                                                                                                 | Explanations by Representative |
|---------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------|
| Preparation and Publication of Disclosure Policy                    | The Company publishes details of its disclosure policy such as the Standards and Policy for Information Disclosure on its website.                                                                                                                                                                                                                                         |                                |
| Regular Investor Briefings for Analysts and Institutional Investors | The Company holds financial results briefings for analysts and institutional investors twice a year on the day following the announcement of its financial results (for the first half and the full year).                                                                                                                                                                 | No                             |
| Posting of IR Materials on Website                                  | Annual reports, financial summary reports, convocation notices, financial results briefings, and other reports and scenes from general meetings of shareholders                                                                                                                                                                                                            | Yes                            |
| Establishment of Department and/or Manager in Charge of IR          | The IR Group of the Finance & Accounting Department is in charge of IR.                                                                                                                                                                                                                                                                                                    |                                |
| Other                                                               | The Company is constantly engaged in direct and indirect dialogue and exchange activities with shareholders, holding visits to facilities and meetings between the President and individual shareholders, and conducting questionnaire surveys, to increase understanding of the Company's corporate activities among individual shareholders and institutional investors. |                                |

### 3. Measures to Ensure Due Respect for Stakeholders

|                                                                           | Supplementary Explanations                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
|---------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Stipulation of Internal Rules for Respecting the Position of Stakeholders | <p>With regard to proper collaboration with stakeholders and respect for their interests and ethical business activities, the Company has established a Code of Conduct that must be upheld by all officers and employees of the Group based on its corporate philosophy and brand statement.</p> <p>&lt;Corporate philosophy&gt;<br/> “Appreciation” “Nature” “Corporate Openness”<br/> Established in 2000 as an inherited management spirit that pervades through changing times</p> <p>&lt;Brand statements&gt;<br/> True to nature, the flavor of KAGOME<br/> Established in 2003 as a promise to customers</p> <p>The Company’s Compliance Policy and Code of Conduct are published on the Company’s website.<br/> Code of Conduct:<br/> <a href="http://www.kagome.co.jp/company/about/code.html">http://www.kagome.co.jp/company/about/code.html</a><br/> Compliance Promotion System:<br/> <a href="http://www.kagome.co.jp/company/kankyo/report/management_03/index.html">http://www.kagome.co.jp/company/kankyo/report/management_03/index.html</a></p>                                                                                                                                                                                                                 |
| Implementation of Environmental Activities, CSR Activities etc.           | <p>The Kagome Group contributes to extending people’s healthy life expectancy by creating products derived from the wealth of nature’s bounty, including tomatoes and other fruits and vegetables, and delivering them to consumers, while at the same time contributing to the sustainability of agriculture and the global environment through its involvement in the whole process starting from agriculture to maintain and develop this business. By implementing this cycle and creating a structure that provides both “social value” and “economic value” through the creation of demand, the Group aims to achieve sustainable growth. To realize this, the Company appreciates the global environment that supports people’s lives and in order to maintain corporate activities that are in harmony with the global environment, it formulates an “Environmental Policy” and a “Medium-Term Environmental Plan” and operates and continuously improves its Environmental Management System (EMS). The Company posts information about its social and environmental initiatives on its website and updates them each year.<br/> (URL:<a href="http://www.kagome.co.jp/company/kankyo/report/index.html">http://www.kagome.co.jp/company/kankyo/report/index.html</a>)</p> |
| Development of Policies on Information Provision to Stakeholders          | <p>The Company includes “Corporate Openness” in its corporate philosophy and strives for proper disclosure, including not only information disclosure required by laws and regulations but also disclosure of other information. The Company actively discloses non-financial information in its integrated report and on its website, etc.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |

## IV. Matters Related to the Internal Control System

### 1. Basic Views on Internal Control System and the Progress of System Development

#### Basic Policy on Internal Control Systems

1. System to ensure that the execution of duties by directors and employees is in conformity with the laws and regulations and Articles of Incorporation

- The Company conducts business activities in line with its corporate philosophy of “Appreciation” “Nature” and “Corporate Openness,” which it sees as an inherited management spirit that pervades through changing times.
- The Company establishes a Code of Conduct to enable its Directors and Executive Officer (hereinafter “officers”) and employees to comply with laws and regulations and the Articles of Incorporation and realize “Corporate Openness” which is part of its corporate philosophy.
- The Company has a Compliance Committee to decide on actions to address major issues and recurrence prevention measures and to examine compliance policy measures, etc.
- The Company develops internal reporting systems, and strives for the early discovery and correction of violations of laws and regulations, Articles of Incorporation, rules, social norms and corporate ethics (hereinafter “violations of laws and regulations”) or the risk thereof.
- The Company provides training and education on compliance to its officers and employees on an ongoing basis.
- The Company develops and applies internal control over financial reporting in accordance with the Financial Instruments and Exchange Act and other relevant laws and regulations to ensure the reliability of financial reports.
- The Company has absolutely no involvement with anti-social forces and takes a resolute stance against anti-social forces’ unjust demands by collaborating with police and lawyers.
- The Company has an Internal Audit Department which conducts audits to check that business activities at every place of business are conducted properly and efficiently in compliance with laws and regulations, the Articles of Incorporation, company regulations and management policies and plans and which proposes and implements countermeasures and improvement measures where necessary.

2. Regulations and other systems concerning management of loss risk

- The Company has a Joint Risk Management Meeting as a body to oversee risk management in the Group comprising the Company and its subsidiaries (hereinafter the “Group”) and this meeting examines risk policy and issues in addressing major risks and expedites decision-making.
- The Company has a Quality Assurance Committee which efficiently implements quality assurance activities including recognition of the current status of quality management and product quality and deliberation of quality policy and targets and product design standards.
- The Company formulates business continuity plans in case of a large-scale natural disaster such as an earthquake or an epidemic of a new strain of influenza or other infection, and endeavors to minimize interruption to business.
- The Company has a Research Ethics Review Committee, which examines the ethical adequacy and scientific legitimacy of medical research on humans conducted by the Company.

3. System for ensuring that directors perform duties efficiently

- The Company separates the supervisory and business execution functions to clarify management responsibility and to expedite decision-making and business execution.

- The Company defines the main role of the Board of Directors as to decide the Company's management strategy and policies and monitor their implementation, and the Company seeks to enhance the advisory function and strengthen the supervisory function of the Board of Directors by appointing three or more Independent External Directors who satisfy the Standards for Judging the Independence of Independent External Directors set out by the Company.
  - The Company has a Remuneration and Nomination Advisory Committee and the results of its deliberations are advised to the Board of Directors which then determines the nomination and remuneration of officers, thereby enhancing fairness and appropriateness.
  - Under its executive officer system, the Company uses set criteria to delegate implementation responsibilities and authority to its departments. The Company has a Meeting of Executive Officers in order to convey and make known the Board of Directors' resolutions and reported matters as well as to facilitate communication and coordination among executive officers.
  - The Company has established Management Meetings under the leadership of the President to ensure business is executed agilely and through mutual coordination. Deliberations in the Management Meetings enable appropriate risk taking and also produce clear allocations of responsibilities, while enabling the Company to make decisions in an expedient manner.
  - The Company establishes "Rules on Organization and Division of Duties," "Rules on Administrative Authorities" and "Rules on Consensus Decision Making (Ringi)" and executes business properly and efficiently.
  - Each department within the Company is involved in activities for achievement of targets under the Mid-Term Management Plan and Annual Plan adopted by resolution of the Board of Directors and the Company verifies this through regular reports at meetings of the Board of Directors to confirm progress and make any adjustments to the Company's trajectory.
  - Based on the idea that being evaluated by many shareholders will help strengthen its management supervisory functions, the Company promotes the creation of "Kagome-Fan" shareholders. The Company will continue to use feedback from shareholders to improve its management activities and will also continue to enhance disclosure of information about its corporate activities in the future.
4. System for the storage and management of information with regard to the execution of duties by Directors
- The Company stores and manages information with regard to the execution of duties by Directors such as the minutes of meetings and documents for consensus decision making in accordance with laws and regulations and internal rules.
  - The Company works to protect information assets including personal information through measures such as the establishment of an Information Security Committee and the establishment of an Information Security Policy.
  - The Company provides training and education about information security to its officers and employees on an ongoing basis.
5. System for ensuring appropriate business operations within the Kagome Group
- The Company sets out a corporate philosophy, a Code of Conduct, a Mid-Term Management Plan and a Corporate Policy for each fiscal year that apply to the Group to ensure appropriate business operations within the Kagome Group and puts them into action.
  - The Company exercises management over the business operations of Group companies through relevant responsible departments while respecting their autonomy and receives reports as appropriate about the business results, execution of important business, major risks and major violations of laws and regulations at each company through its Board of Directors and the Joint Risk Management Meeting.
  - The Company's Internal Audit Department audits and verifies all the Group's business operations and provides advice.

- The Company dispatches officers and employees of the Company to each Group company as Directors or corporate auditors to supervise and audit the execution of business.
  - The Company makes the Group's internal reporting system known within the Group and seeks to gradually introduce an internal reporting system to its overseas subsidiaries that do not have such a system.
  - Regarding Group information management, the Company has a Group Information Security Policy and works to protect information assets.
6. System for assisting the duties of the Audit and Supervisory Committee
- The Company's Internal Audit Department is the department that assists the duties of the Audit and Supervisory Committee.
  - In assisting the Audit and Supervisory Committee, the Internal Audit Department shall not be under the direction or command of anyone other than the Audit and Supervisory Committee Members, and decisions on matters related to the authority to manage personnel affairs of the Internal Audit Department such as appointment of the head of the department, personnel changes and disciplinary action, shall require the consent of the Audit and Supervisory Committee.
7. System for reporting to the Audit and Supervisory Committee and system for ensuring effective auditing by the Audit and Supervisory Committee
- Audit and Supervisory Committee Members shall be allowed to attend meetings of the Board of Directors as well as other important meetings such as Management Meetings, Meetings of Executive Officers, and Joint Risk Management Meetings, and the Company has a system in place that allows the Audit and Supervisory Committee to check decision-making by the Board of Directors and business execution by senior management.
  - The Audit and Supervisory Committee may ask officers and employees of the Group for reports at any time where necessary.
  - Officers and employees of the Group may report to an Audit and Supervisory Committee member or the Audit and Supervisory Committee when they have discovered a violation of laws and regulations or a fact that might be seriously damaging to the Company.
  - The Audit and Supervisory Committee regularly receives reports on matters such as the status of operation of internal reporting systems.
  - The Internal Audit Department reports its audit plans and audit results to the Audit and Supervisory Committee and otherwise endeavors to exchange information and cooperate closely with the committee. It also receives advice and instructions from the Audit and Supervisory Committee before acting.
8. System for ensuring that anyone who has reported to the Audit and Supervisory Committee does not suffer from detrimental treatment for the reason of having made said report
- The Company does not allow any officer or employee who has reported to an Audit and Supervisory Committee Member or the Audit and Supervisory Committee to suffer from detrimental treatment for the reason of having made said report.
9. Matters related to procedures for advance payment or reimbursement of expenses arising in conjunction with the execution of duties by Audit and Supervisory Committee and other policies for processing expenses and obligations arising with respect to execution of such duties
- Audit and Supervisory Committee Members may pass resolutions in the Audit and Supervisory Committee meetings on matters related to audit policy, audit methods and the budget for audit expenses that are deemed necessary for Audit and Supervisory Committee Members to execute their duties.
  - Audit and Supervisory Committee members may retrospectively claim reimbursement from the Company of urgent or incidental expenses related to the execution of their duties.

## **2. Basic Views on Eliminating Anti-Social Forces and the Progress of System Development**

The Company has established a Code of Conduct to enable officers and employees to comply with laws and regulations and the Articles of Incorporation and to realize “Corporate Openness,” which is part of its corporate philosophy. The Code of Conduct clearly states that the Company’s basic policy is to resolutely oppose any antisocial forces that pose a threat to civil society and that it will not respond in any way to unjust demands, and the Company distributes this Code and makes it known to all its officers and employees. The Compliance Committee acts as a general point of contact in the event of unjust demands by anti-social forces and will deal with them by collaborating with legal advisors, the police and other specialists.

**V. Other**

**1. Adoption of Anti-Takeover Measures**

|                                    |    |
|------------------------------------|----|
| Adoption of Anti-Takeover Measures | No |
|------------------------------------|----|

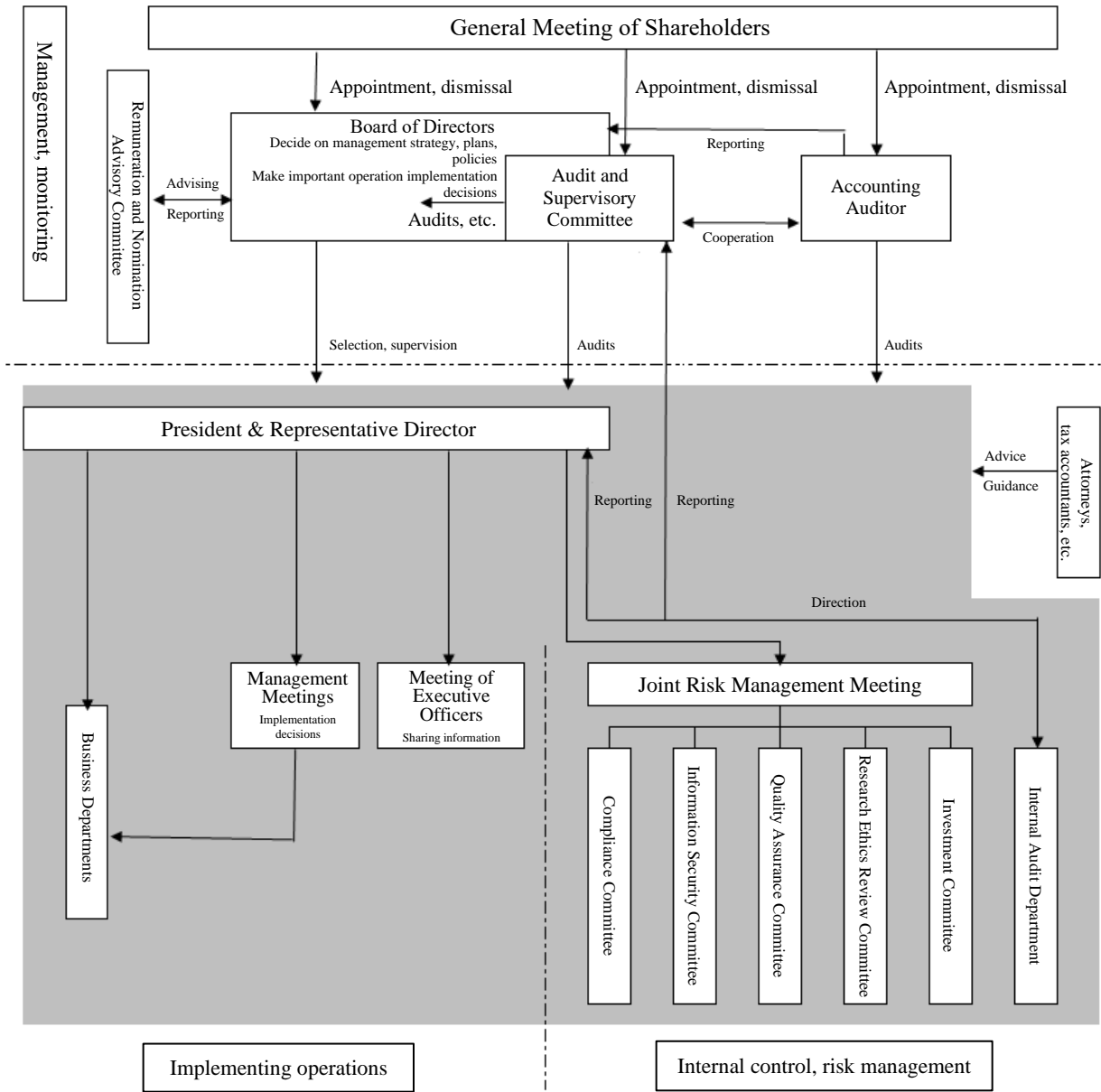
Supplementary Explanation

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**2. Other Matters Concerning to Corporate Governance System**

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### Timely Disclosure Structure (Outline)

