



**1 Naoyuki Terada** (Born February 5, 1955)

President & Representative Director

Remuneration and Nomination Advisory Committee Member

- 1978 Joined the Company
- 2004 General Manager, Sales Promotion Department
- 2005 Director & Executive Officer
- 2006 General Manager, Tokyo Sales Office
- 2008 Director & Managing Executive Officer
- 2008 Director, Consumer Business Division
- 2010 Director & Senior Managing Executive Officer
- 2010 Sales Division Director
- 2013 Representative Director & Senior Managing Executive Officer
- 2014 President & Representative Director (to present)

He has extensive experience in marketing and sales departments, etc., and is leading the Kagome Group's business through his strong leadership toward the achievement of the Mid-Term Management Plan.

**2 Yoshihide Watanabe** (Born March 4, 1958)

Director & Senior Managing Executive Officer

- 1982 Joined The Nippon Credit Bank, Ltd. (now Aozora Bank, Ltd.)
- 1998 Joined Cerberus Japan K.K.
- 2003 Joined Industrial Revitalization Corporation of Japan
- 2007 Joined the Company; Special Adviser
- 2008 Executive Officer
- 2009 Director, Corporate Planning Division Director & Executive Officer
- 2016 Director & Senior Managing Executive Officer (to present)
- 2017 Assistant to President and Responsible for Special Assignment Projects (to present)
- 2018 Responsible for Global Industrial and Institutional Business (to present)

He has extensive experience in a financial institution and the corporate planning department, etc. of Kagome, and oversees all operational standards and the quantification of results and promotes the optimization of management resource allocation and work style reforms.

**3 Katsuyuki Miwa** (Born August 5, 1955)

Director & Senior Managing Executive Officer

- 1979 Joined the Company
- 2005 President & Representative Director of Kagome Labio Co., Ltd. 2010
- 2010 Executive Officer of the Company
- 2010 General Manager, Production Department, Production & Purchasing Division
- 2013 Managing Executive Officer
- 2013 Director, Production & Purchasing Division
- 2013 Director & Managing Executive Officer
- 2016 Director & Senior Managing Executive Officer (to present)
- 2017 Assistant to President and Responsible for Special Assignment Projects (to present)

He has extensive experience in the production and purchasing department, the management of subsidiaries, etc., and oversees Kagome's vegetable processing business projects and promotes business development for the realization of the company's long-term vision.

**4 Hirohisa Kobayashi** (Born July 16, 1961)

Director & Managing Executive Officer  
Director, Sales Division

- 1984 Joined the Company
- 2005 General Manager, Taiwan Kagome Co., Ltd.
- 2006 General Manager, Probiotics Business Unit (responsible for marketing)
- 2009 General Manager, Consumer Sales Department, Osaka Branch
- 2014 Executive Officer
- 2014 Director, Consumer Business Division
- 2015 Managing Executive Officer
- 2015 Director, Marketing Division
- 2018 Director, Sales Division (to present)
- 2019 Director & Managing Executive Officer (to present)

He has extensive experience in marketing and sales departments, etc., and oversees Kagome's sales departments and promotes raising the value of sales activities, etc.

**5 Satoshi Yamaguchi** (Born December 29, 1960)

Director & Managing Executive Officer  
Director, Vegetable Business Division and General Manager, Vegetable Solution Department

- 1983 Joined the Company
- 2003 General Manager, Institutional & Industrial Business Unit
- 2010 Executive Officer
- 2010 Director, Institutional & Industrial Business Division
- 2015 Director, Innovation Division
- 2018 Director, Vegetable Business Division and General Manager, Vegetable Solution Department (to present)
- 2019 Director & Managing Executive Officer (to present)

He has extensive experience in institutional & industrial business and research departments, and oversees Kagome's vegetable business and promotes the development of business models for the vegetable processing business, etc.

**6 Seiichi Kondo** (Born March 24, 1946)

Independent

External Director

Remuneration and Nomination Advisory Committee Member

- 1972 Joined the Ministry of Foreign Affairs of Japan
- 1999 Deputy Secretary-General, Organization for Economic Co-operation and Development
- 2006 Ambassador Extraordinary and Plenipotentiary to Permanent Delegation of Japan to the United Nations Educational, Scientific and Cultural Organization
- 2008 Ambassador of Japan to the Kingdom of Denmark
- 2010 Commissioner for Cultural Affairs
- 2014 External Director of the Company (to present)

[Significant concurrent positions]  
Outside Director of IHI Corporation  
Outside Member of the Board, Mitsubishi Chemical Holdings Corporation  
Outside Director, CHUBU Electric Power Co., Inc.

He has extensive experience in overseas assignments of central government ministries and agencies and knowledge of the economy, as exemplified by his participation in the formulation of the OECD Principles of Corporate Governance.

**7 Takayuki Hashimoto** (Born July 9, 1954)

Independent

External Director

Remuneration and Nomination Advisory Committee Member

- 1978 Joined IBM Japan, Ltd.
  - 2008 Director & Senior Executive Officer  
General Manager, Sales, IBM Japan
  - 2009 General Manager, IBM Japan
  - 2014 External Director of the Company (to present)
- [Significant concurrent positions]  
Honorary Advisor, IBM Japan  
Outside Auditor, IHI Corporation  
Outside Member of the Board, Mitsubishi Chemical Holdings Corporation  
Outside Director, CHUBU Electric Power Co., Inc.

He has extensive knowledge of diversity promotion and risk management in business as a manager of a highly diversified global company.

**8 Hidemi Sato** (Born February 17, 1959)

Independent

External Director

- 1981 Joined Mitsubishi Electric Corporation
- 1996 Completed the Doctoral Program at Graduate School of Ochanomizu University, obtained a doctorate (Doctor of Philosophy in Food Science)
- 1997 Part-time lecturer at Fukushima University, The Open University of Japan, Nippon Veterinary and Animal Science University (now Nippon Veterinary and Life Science University)
- 1999 Part-time lecturer at Meiji University College
- 2015 Visiting professor at Nippon Veterinary and Life Science University (to present)
- 2017 External Director of the Company (to present)

[Significant concurrent positions]  
Visiting professor at Nippon Veterinary and Life Science University

She has extensive knowledge of food science and food education through numerous research activities related to food science and many years of educational activities on food and nutrition.

**9 Hirohito Kodama** (Born March 22, 1959)

Director, Standing Audit and Supervisory Committee Member

Audit and Supervisory Committee Member

- 1981 Joined the Company
- 2003 General Manager, Corporate Planning Department
- 2006 Executive Officer
- 2008 Director & Executive Officer
- 2008 General Manager, Research & Development Division
- 2011 Director & Managing Executive Officer
- 2013 CEO, Asia Business Company
- 2016 Responsible for Business Process Redesign and President & Representative Director of Kagome Axis Co., Ltd.
- 2017 Responsible for Risk Management
- 2018 Director & Standing Audit and Supervisory Committee Member (to present)

He has extensive experience in corporate planning, R&D departments, management of subsidiaries, etc., and properly supervises the execution of Kagome's business as an Audit and Supervisory Committee Member.

**10 Morihiro Murata** (Born July 20, 1946)

Independent

External Director, Audit and Supervisory Committee Member

Audit and Supervisory Committee Member

Remuneration and Nomination Advisory Committee Member

- 1970 Joined Arthur Young & Co. Tokyo Office
- 1974 Registered as Certified Public Accountant
- 2002 Representative of Asahi KPMG Tax Corporation
- 2006 Representative of Murata Morihiro Accounting Firm (to present)
- 2011 External Auditor of the Company
- 2016 External Director, Audit and Supervisory Committee Member of the Company (to present)[Significant concurrent positions]

[Significant concurrent positions]  
Representative of Murata Morihiro Accounting Firm  
Outside Audit & Supervisory Board Member of Kokuyo Co., Ltd.  
Outside Auditor of Sumitomo Rubber Industries, Ltd.

He is proficient in corporate accounting as a certified public accountant and tax accountant, and has extensive insight for overseeing corporate management based on his experience in corporate management, etc.

**11 Hiroshi Mori** (Born February 21, 1965)

Independent

External Director, Audit and Supervisory Committee Member

Audit and Supervisory Committee Member

- 1989 Joined Development Bank of Japan (now Development Bank of Japan, Inc.)
- 1993 Seconded to the Finance Bureau of the Ministry of Home Affairs (now the Ministry of Internal Affairs and Communications)
- 2003 Seconded to Tesac Corporation, a company under restructure, Trustee representative, Manager of Corporate Planning Department
- 2006 Registered as attorney-at-law, joined Nishimura & Asahi
- 2012 Partner at Nishimura & Asahi (to present)
- 2016 External Director, Audit and Supervisory Committee Member of the Company (to present)

[Significant concurrent positions]  
Partner at Nishimura & Asahi, Outside Director and Audit & Supervisory Committee Member, Mitsubishi UFJ Securities Holdings Co., Ltd.

As a lawyer, he is well-versed in corporate legal affairs and risk management practices, and has extensive insight to oversee corporate management.

## Suggestions from External Directors

Since fiscal year 2018, Kagome has been conducting an examination to identify important issues (materiality). In the process of the examination, we incorporate expert opinions of each of our External Directors into evaluating importance.

\* The process of identification of important issues (materiality) is detailed on page 28.

**Theme: For the identification of important issues (materiality)**



**Takayuki Hashimoto**  
External Director

Process matters in identifying important issues (materiality), and we should discuss thoroughly how each issue impacts on Kagome's business. In my opinion, all issues should not be treated equally. Instead, we need to evaluate positive and negative factors while taking changes with time and frequency of occurrence into account, and prioritize what to focus on to make management decisions.

From the viewpoint of Kagome's materiality, I believe that "diversity & inclusion" are keywords from the perspective of both product development and internal innovation. Inclusion is indeed essential inside Kagome, in terms of how we develop food products that help reduce the workload of working women and products for the elderly and people with disabilities.

A global perspective is also important. Along with Japan's crucial issue of a super-aged society, Kagome needs to work out how to address poverty and food security in developing countries. I believe this is something we need to consider, starting by discussing the positioning of the tomato processing business that Kagome is already conducting in India, for example.



**Morihiro Murata**  
External Director & Audit and Supervisory Committee Member

Kagome is currently plotting issues with "importance for society" and "importance for Kagome" as the two coordinate axes, and it is important that the plotting reflect quantitative factors such as monetary value. Not all risks can be measured quantitatively, but I believe Kagome ought to adopt a quantitative approach to examining appropriateness of the plotting. In addition, we should consider materiality three-dimensionally by adding a frequency of occurrence axis to the plotted map. Revisions of laws and regulations, for example, might not be very important for society, but they could have a huge impact on Kagome and they sometimes take place repeatedly. More frequent revisions tend to require larger invested capital, which is why we should always be mindful of the frequency factor.

As for prioritization of the 19 types of materiality, I think the connection between "social issues" and "Kagome's long-term vision" should be highlighted more clearly on the plotted map. For instance, I believe that "seeking to solve the social issue of achieving 'longer, healthier lives'" and "developing products that can contribute to this" should both be handled as very important issues.



**Hidemi Sato**  
External Director

I believe that the "impact of women's social advancement" will remain a priority issue for Kagome, which is working on achieving "longer, healthier lives."

Currently, many Japanese are malnourished. This appears to be partly attributable to needs for spending less time and effort on cooking at home associated with women's social advancement. The biggest issue facing Japan, as a super-aged society, is the good health of its elderly population, and an elderly person's health represents what he or she has eaten from an early age. Therefore, to extend healthy life expectancy, we need to turn our attention to the food consumed not only by the elderly but also by younger generations. Also, in view of the increase in single person households, the development of products that make it easy for anyone to have a high vegetable intake is also probably more important than ever before.

I believe that anticipating such social conditions and environmental changes associated with women's social advancement and markets arising from them and quickly taking appropriate action is crucial in order for Kagome to become a strong company that grows sustainably.



**Seiichi Kondo**  
External Director

Environmental issues are becoming more and more significant in and outside Japan. In the food industry, plastic straws and food loss are typical issues of waste that Kagome should also address. However, I have the impression that these issues are not perfectly clear in Kagome's discussions for the identification of important issues (materiality). As regards consideration for the environment, I believe that the question matters most as to how Kagome will take action to solve environmental problems through its products, not least because this kind of issue tends to attract criticism.

In addition, risks concerning water resources are also attracting global attention and I recognize this as a problem that Kagome should tackle first and foremost, given its involvement in agriculture.



**Hiroshi Mori**  
External Director & Audit and Supervisory Committee Member

I imagine that all companies that identify important issues (materiality) recognize that compliance is an extremely important issue that impacts on management. This is precisely why the way we foster compliance mindsets in our employees is important. Going a step further than having employees comply with rules, we need in essence to have as management the recognition that compliance runs in our very corporate culture and to inculcate the notion in our business.

I hope that Kagome is highly mindful of promoting compliance. Probably we as External Directors can also be of help to this process. I would like to be actively involved in developing this mindset through in-depth communication with employees, including visiting work sites and talking with young and middle-ranking employees.

### Comments on suggestions of External Directors from editorial staff

In fiscal year 2019, Kagome evaluated issues both in terms of materiality for society and business from a wide perspective through dialogue with external stakeholders compared to fiscal year 2018 when materiality was examined internally. On this occasion, Kagome received suggestions from External Directors drawing on each of their specialist areas respectively. All the suggestions are thought provoking and Kagome will verify and consider the gap between these suggestions and its own evaluation and continue its examination for the identification of important issues (materiality).

## Corporate Governance

### Basic Policy of Corporate Governance

In accordance with our corporate philosophy of “appreciation,” “nature” and “corporate openness,” we aim to achieve sustainable growth and improve the medium- to long-term value of the company. We acknowledge that corporate governance is a critical management issue toward these objectives.

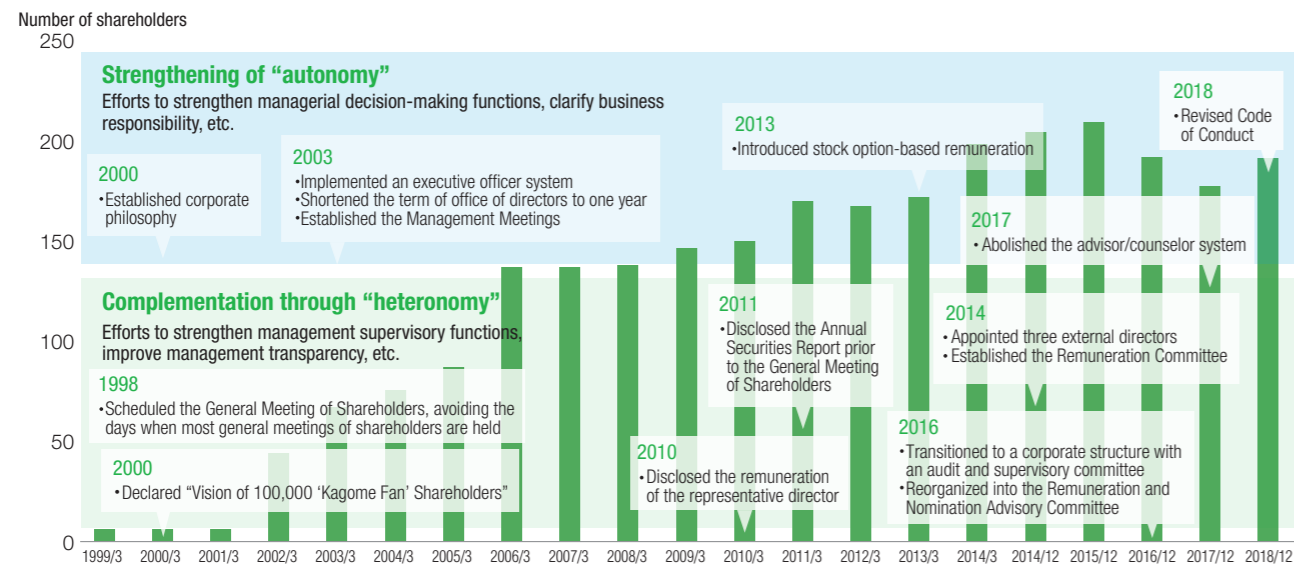
Our company considers the further strengthening of “autonomy” complemented by “heteronomy” to be the fundamentals of our corporate governance. We will ensure objectivity and transparency, forming a basis by designing

our 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 functions of the external directors, among other things.

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

### History of corporate governance and historical trends in the number of shareholders

The history of our corporate governance is a culmination of our efforts to achieve “corporate openness” as part of our corporate philosophy that can be traced back to the aspirations of our company’s founder. We have been continuously evolving up until the present through the public offering of our shares and the separation of capital from management, etc. in the past.



### Corporate Governance System

We are separating executive functions from supervisory functions to accelerate managerial decision making and help clarify business responsibility. The Board of Directors has specified that determining the company’s management strategies and policies and monitoring the implementation of such strategies and policies are its primary duties. The Board enhances the advisory and supervisory functions and increases the effectiveness of such functions by electing one third or more external directors, who satisfy the Standards for Judging the Independence of Independent External Directors, as the members of the Board.

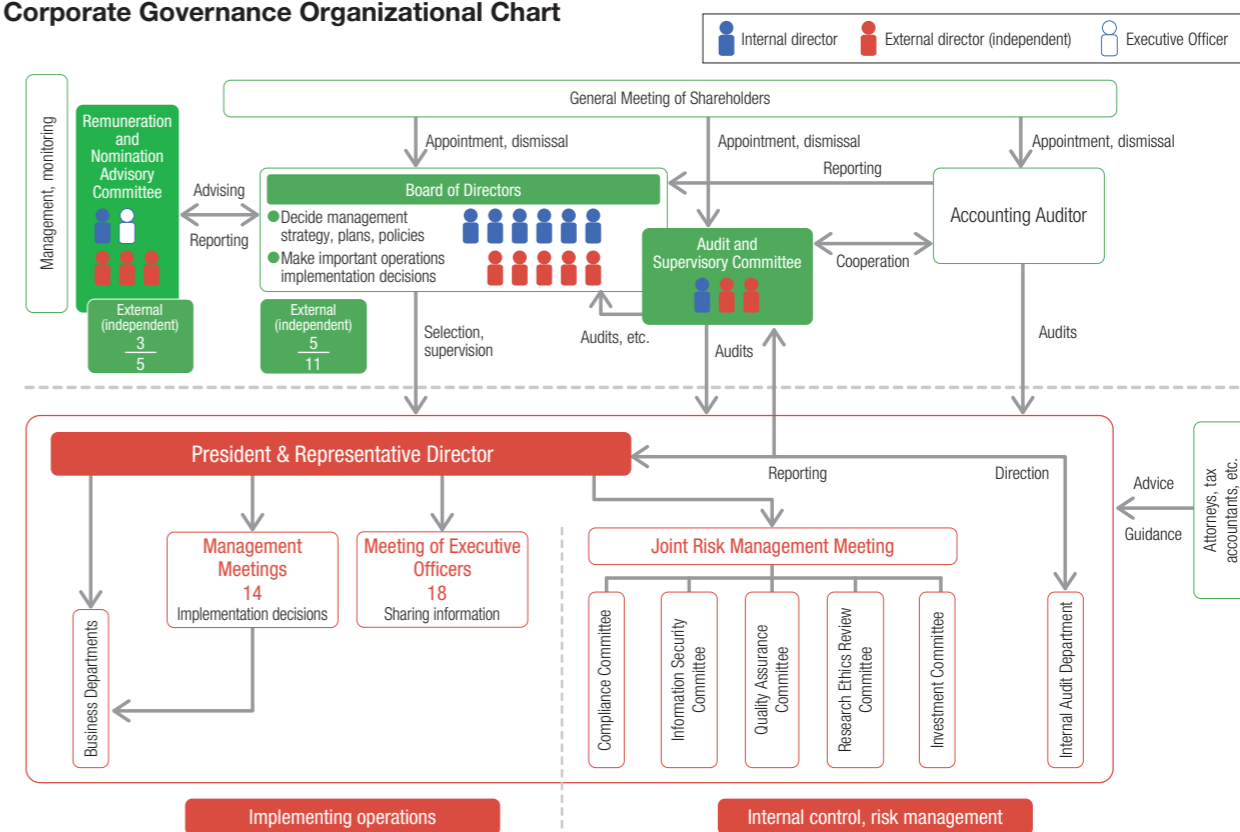
The audit and supervisory committee has set a policy of having one or more standing audit and supervisory committee members, and uses internal control systems to audit the legality and appropriateness of the operations implemented by the directors.

The nomination and remuneration of directors are deliberated by the Remuneration and Nomination Advisory

Committee, in which independent external directors account for one half or more of its members. The results of the deliberations are advised to the Board of Directors, which then determines the nomination and remuneration of the directors, thereby enhancing fairness and appropriateness.

Under our executive officer system, we are using set criteria to delegate implementation responsibilities and authority to our departments. In addition, we have 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 the executive officers. Furthermore, the Management Meetings have been established under the leadership of the president to ensure that business is executed in an agile manner and through mutual coordination. Deliberations at the Management Meetings enable appropriate risk taking and also produce clear allocations of responsibilities, while enabling us to make decisions in an expedient manner.

### Corporate Governance Organizational Chart



### Kagome's Policy on Appointing Directors

We consider a size that is appropriate for holding high-quality discussions while ensuring diversity and balance in terms of knowledge, abilities and experience in the composition of the Board of Directors in order to achieve a medium- to long-term increase in corporate value by maximizing the advisory and monitoring functions of the Board of Directors. Additionally, the Board of Directors selects candidates, taking into account the internal and external compositions, independence, specific experiences, areas of expertise, genders, nationalities, etc. according to the business environment, after deliberations of the Remuneration and Nomination Advisory Committee. One third or more of the members of the Board of Directors elected are independent external directors.

The Board of Directors currently consists of 11 members, including eight directors (excluding Directors who are Audit and Supervisory Committee members) and three Directors who are Audit and Supervisory Committee members, of which five are independent external directors. Our external directors come from a variety of backgrounds and have extensive experience and knowledge that contribute to the diversity management and business globalization included in our medium- to long-term vision and the achievement of longer, healthier lives through food. As a long-term vision, we have set the goal of increasing the percentage of women in the workforce, including executives, to 50% by around 2040, and we will aim to achieve the same for the Board of Directors at an early stage.

### Specialized areas of external directors

	Corporate management	Global	Society, economy	Finance, accounting	Law	Diversity	Food, nutrition
Seiichi Kondo		○	○				
Takayuki Hashimoto	○					○	
Hidemi Sato						○	○
Morihiro Murata		○		○			
Hiroshi Mori				○	○		

### 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:

<p>(1) A person who is not or was not in the past a director, audit &amp; supervisory board member (excluding outside officer), executive officer or employee of the Kagome Group</p> <p>(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 a director, corporate auditor, executive, executive officer or employee of an entity for which the Kagome Group is a major shareholder</p> <p>(3) A person who is not a 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 whose transactions with the Kagome Group amount to 2% or more of the consolidated net sales of the Kagome Group in any of the past three business years)</p> <p>(4) A person who is not a 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 transactions with the Kagome Group amount to 2% or more of the consolidated net sales of the business partner in any of the past three business years)</p> <p>(5) A person who is not an 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 the net sales or total revenue of the recipient</p> <p>(6) A person who is not a director, corporate auditor (excluding outside officer), executive, executive officer or employee of a corporation that mutually exchanges directors, corporate auditors or executive officers with the Kagome Group</p> <p>(7) A person who has not been a 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, a consultant or another professional who receives a large amount of remuneration* from the Kagome Group, other than compensation as an officer</p> <p>* On average in the past three business years, 10 million yen or more in the case of an individual and 2% or more of consolidated net sales 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 with any person described in (1) through (8) above</p> <p>(10) A person whose total term of tenure as an external director is at most eight years</p>
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Note: The Kagome Group refers to Kagome Co., Ltd. and its subsidiaries.

### Directors' Remuneration

Our company's directors' remuneration comprises basic compensation and cash bonuses and stock options that are linked to business performance. The proportions of each of the above are determined based on the positions of the directors. Basic compensation is fixed compensation that is determined based on directors' positions and the scope of the role of each job grade. Cash bonuses and stock options are determined based on consolidated profit indicators as the company-wide business performance and contribution made by each individual director. Stock options serve as incentives for mid-term and multiple-year management and are designed to be exercisable based on consolidated profit indicators after a certain period of time from the time of allotment as exercise conditions. Accordingly, the exercisable number of these stock options is determined according to the degree of attainment.

Compensation for directors, audit and supervisory committee members and external directors each comprise basic compensation. Further details are provided in the Annual Securities Report for the 75th Period. (<https://www.kagome.co.jp/company/ir/data/statutory/2018/>)

In fiscal 2014, the Remuneration Committee, as an advisory body to the Board of Directors in which external directors account for one half or more of its members, was established in order to enhance transparency and objectivity in determining directors' compensation, etc. In fiscal 2016, the same committee was given functions as an advisory body concerning the nomination of directors, and was then reorganized to become the current Remuneration and Nomination Advisory Committee.

### Remuneration and Nomination Advisory Committee: 4 or 5 meetings held/year

Fiscal year in which the committee was convened	Main matters deliberated	Fiscal year in which the committee was convened	Main matters deliberated
2018 The first committee	<ul style="list-style-type: none"> <li>FY2017 executive bonus factor</li> <li>Personnel reshuffle of directors with effect from March 2018</li> </ul>	2019 The first committee	<ul style="list-style-type: none"> <li>Directors' bonus for FY2018</li> <li>Directors' compensation for FY2019 (first deliberation)</li> <li>Directors' performance-linked bonus indicators for FY2019</li> <li>Proposal of exercise conditions of stock options</li> <li>Finalization of FY2016 stock options</li> </ul>
The second committee	<ul style="list-style-type: none"> <li>Directors' compensation for FY2018</li> <li>Finalization of FY2015 stock options</li> <li>Process of determining overseas CEO remuneration</li> <li>FY2018 succession process</li> </ul>	The second committee	<ul style="list-style-type: none"> <li>Directors' compensation for FY2019 (second deliberation)</li> <li>Evaluation and compensation of overseas CEOs</li> <li>FY2019 succession process</li> </ul>
The third committee	<ul style="list-style-type: none"> <li>Personnel reshuffle of directors with effect from October 2018</li> <li>Review of stock compensation</li> </ul>		
The fourth committee	<ul style="list-style-type: none"> <li>Market data on directors' compensation</li> <li>Estimates of variable compensation for FY2018</li> <li>Progress of succession process</li> </ul>		
The fifth committee	<ul style="list-style-type: none"> <li>Personnel reshuffle of directors with effect from March 2019</li> <li>Business performance indicators concerning directors' compensation</li> <li>Proposal of introduction of stock compensation</li> </ul>		

### Directors' compensation

Category of directors	Total amount of compensation, etc. (million yen)	Total amount of compensation, etc. by type (million yen)			Number of eligible directors (persons)
		Basic remuneration	Stock options	Bonus	
Directors (excluding audit and supervisory committee members)*	298	133	45	120	6
Directors (audit and supervisory committee members)*	26	22	3	-	2
External directors	51	51	-	-	5

\* Excluding external directors. Our company transitioned to a corporate structure with an audit and supervisory committee as of March 25, 2016.

### Total amount of compensation, etc. of individual directors

Category of directors	Total amount of compensation, etc. (million yen)	Total amount of compensation, etc. by type (million yen)		
		Basic remuneration	Stock options	Bonus
President & Representative Director Naoyuki Terada	114	43	21	49

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

### Breakdown of compensation by position

Position	Fixed-amount compensation	Performance-linked compensation			Distribution of evaluation	
		Short-term cash bonus	Stock options	Total	Company-wide business performance	Individual performance
President & Representative Director	50%	33%	17%	50%	100%	0%
Director & Senior Managing Executive Officer	60%	28%	12%	40%	80%	20%
Director & Managing Executive Officer	65%	25%	10%	35%	80%	20%
Director & Audit and Supervisory Committee member	100%	0%	0%	0%	-	-
External Director	100%	0%	0%	0%	-	-

### Amount of fixed compensation by position

(excluding Director & Audit and Supervisory Committee member and External Director)

Position	Fixed-amount compensation (Million yen)
President & Representative Director	43
Director & Senior Managing Executive Officer (set according to job grade)	25 - 27
Director & Managing Executive Officer (set according to job grade)	23 - 25

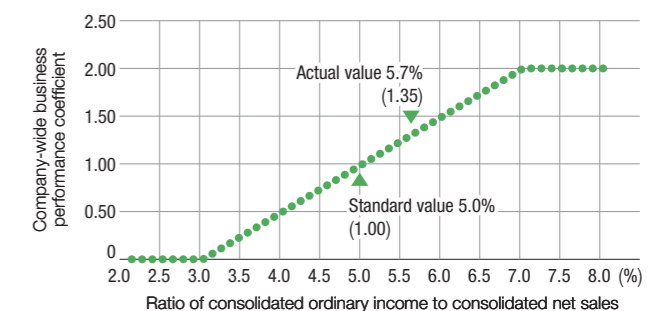
### Calculation Method of Performance-linked Compensation

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

- Basic bonus amount = Total basic compensation of each position/job grade × Total percentage of performance-linked compensation
- Total amount of performance-linked compensation = Company performance pay coefficient<sup>1</sup> × Company performance evaluation weight × Basic bonus amount + Individual performance pay coefficient<sup>2</sup> × Individual performance evaluation weight × Basic bonus amount

<sup>1</sup> The "company performance pay coefficient" is determined through a "company performance evaluation" which evaluates the rate of achievement of company performance indicators. For FY2015 to FY2018 (the First Mid-Term Management Plan period), our company set as a company performance indicator the "ratio of consolidated ordinary income to consolidated net sales" that it has defined as an important consolidated management indicator for the evaluation of company performance. The FY2018 standard value (1.00) was set at 5.0%, which is the target ratio of consolidated ordinary income to consolidated net sales under the First Mid-Term Management Plan. Against this target, the actual ratio of consolidated ordinary income to consolidated net sales for FY2018 was 5.7%. Accordingly, the company performance pay coefficient used in the calculation was 1.35, the value set in advance.

<sup>2</sup> The "individual performance pay coefficient" is determined through an "individual performance evaluation" which evaluates achievement and contribution against the individual performance indicators of each director. Individual performance indicators measure degree of contribution to solving company-wide issues and departmental issues and are set for each director in the form of KPIs (Key Performance Indicators).



### Short-term performance-linked compensation: Cash bonus

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

$$\text{Cash bonus} = \text{Total amount of performance-linked compensation for single fiscal year} \times \text{Percentage of total amount of performance-linked compensation accounted for by cash bonus}$$

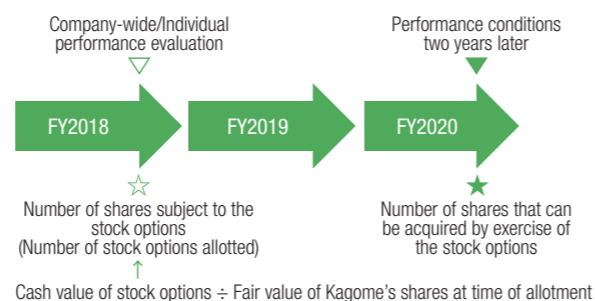
### Medium- to long-term performance-linked compensation: Stock options

Our company adopts stock options as medium- to long-term performance-linked compensation for directors.

Our company's stock options are designed based on a scheme of stock options as compensation whereby the exercise price is 1 yen (the amount paid by the individual is one yen per share). The number of stock options allotted is determined by dividing the cash value of the stock options, which is decided based on the performance evaluation for a single fiscal year, by the fair value of Kagome's shares at the time of their allotment. The number of shares that can be acquired by exercise of the stock options will then be decided according to the degree of achievement of the company-wide performance indicator (ratio of consolidated ordinary income to consolidated net sales) in two years' time.

The cash value of stock options is calculated using the formula shown below:

$$\text{Cash value of stock options} = \text{Total amount of performance-linked compensation for single fiscal year} \times \text{Percentage of total amount of performance-linked compensation accounted for by stock options}$$



### Results of Evaluation of the Effectiveness of the Board of Directors

Our company undertook an evaluation of the effectiveness of the Board of Directors in November 2018. An overview of the results is described below.

#### 1. Methods of evaluation

Conducted surveys of directors (30 items within 6 categories) The survey categories are as follows.

- (1) Design of the Board of Directors
- (2) Operation of the Board of Directors' meetings
- (3) Proposals by the Board of Directors
- (4) Quality of Discussions by the Board of Directors
- (5) Corporate Governance System
- (6) General Assessment

Questionnaire undertaken by each committee/deliberations by the Board of Directors taking the above into account.

#### 2. Overview of results of evaluation

As a result of discussions that took the above into account, the Board of Directors of the company concluded that the Board generally functioned in an appropriate manner in all categories and its effectiveness was positive.

Areas suggesting a need for further improvement in the evaluation of the effectiveness this time included "reporting the status of operations (setting agenda items systematically and in order of priority)," "improving the timing of discussions of important issues and following them up" and "improving the quality of deliberations and securing time for deliberations."

We are implementing initiatives in these areas in response to last fiscal year's results of evaluation of the effectiveness. In terms of "reporting the status of operations (setting agenda items systematically and in order of priority)," we will enhance effectiveness by increasing opportunities to share information with directors and by

developing an annual schedule for reporting operations.

In terms of "improving the timing of discussions of important issues and following them up," the comments that were made mainly concerned deliberations of investment projects and we will seek improvement by enhancing the functions of the Investment Committee to speed up opportunities for deliberations by the Board of Directors and to include agenda items on monitoring and reporting investment projects.

In terms of "improving the quality of deliberations and securing time for deliberations," we have sought to secure time for deliberations through efforts to shorten explanation time by restricting the number of forms/sheets of materials for meetings of the Board of Directors and always sending (explaining) materials ahead of meetings. To ensure more time for deliberations, we will introduce advance questioning to ensure that more substantive discussions take place at meetings of the Board of Directors.

Members of the Remuneration and Nomination Advisory Committee expressed opinions on the timely convocation of meetings and the progress of discussions on the succession plan, while members of the Audit and Supervisory Committee generally rated effectiveness highly but expressed the view that efforts should be made to further strengthen audit functions through stronger collaboration with relevant departments and others. Our Board of Directors also recognizes these as issues to address and will work to solve them.

Our company will seek to further improve the effectiveness of the Board of Directors in light of the results of the latest evaluation of the effectiveness of the Board of Directors.

### Initiatives to Enhance the Effectiveness of the Board of Directors

- Revision of the rules for the submission of proposals to the Board of Directors (transition to the Management Meetings)
- Making an annual schedule of proposals to the Board of Directors
- Providing external directors with prior explanations of proposals to the Board of Directors
- ★ Organizing a study camp to examine the next Mid-Term Management Plan
- Holding meetings for external directors to share the matters deliberated in the Management Meetings
- Conducting site visits to the company's overseas subsidiaries by external directors
- Changing seats at the Board of Directors' meetings
- ★ Adding "deliberation" to proposal categories

The star marks (★) indicate new activities.

### Response to the Corporate Governance Code

For details, please refer to our corporate governance report. (Kagome website: [www.kagome.co.jp/company/ir/stock/governance](http://www.kagome.co.jp/company/ir/stock/governance))

### Strengthening Group Governance

Our company voluntarily adopted International Financial Reporting Standards ("IFRS") in place of the existing Japanese accounting standards ("JGAAP") from fiscal year 2019. By using IFRS, we will seek to improve our business administration quality and enhance international comparability.

With the adoption of IFRS, we changed our accounting auditor to PricewaterhouseCoopers Aarata LLC. In our judgment, PricewaterhouseCoopers Aarata LLC is suitable for the job because it has the expertise, independence and quality control structure required of an accounting auditor and is also

a member of the global network of PricewaterhouseCoopers, which operates as an accounting auditor worldwide.

With the adoption of IFRS and the change of accounting auditor, Kagome has established and implemented Group accounting, tax and financial management policies as shown below. We are dispatching finance and accounting personnel directly from head office to major group companies and are working to improve Group governance including compliance with these policies.

Domain	Name	Main points
Accounting	Kagome Group Financial Reporting Standards (K-FRS)	● Conformity with IFRS
Tax	Kagome Group Tax Policy	● Compliance with laws and regulations of each country and each region ● Prohibition of tax evasion and excessive tax avoidance
Finance	Kagome Financial Management Basic Policy	● Reduction of risk assets; maximization of capital and asset efficiency ● Risk management and prohibition of speculative financial transactions
	Kagome (Subsidiaries) Financial Management Basic Policy	● Same as above ● No holdings of financial products such as derivatives, in principle

### Cross-shareholdings

Our basic policy is to dispose of or reduce, as promptly as possible, the holding of shares considered insignificant. Each year, our company reviews the significance, economic rationality and other factors of cross-shareholding and determines whether or not to continue each holding and the number of shares to be held. The examination of economic rationality sets the value for each holding as of the end of the most recent fiscal year as the standard to calculate the percentage at which the holding contributed to the profit of the Company in such fiscal year. When such percentage is below a figure equivalent to approximately

twice the average ROA of the Company for the past five years on a non-consolidated basis, such shares are subject to review for sale. Also reviewed are shares whose market price has declined 30% or more from the book value and shares of a company with whom the Company has transactions amounting less than 100 million yen per year. Shares of the Company's suppliers and clients that fall below these standards are subject to deliberation at meetings of the Board of Directors every year as to whether or not to sell them. As a result of a review, the Company sold some of its cross-shareholdings in fiscal year 2018.

## Compliance

### Revision of Code of Conduct

The world is seeing more severe problems in all aspects of society while Japan has been experiencing a super-aged society and frequent natural disasters. In light of these, we revised our Code of Conduct last year with a view to realizing a sustainable society for our company's survival, looking to the environment that requires a "mutual support" spirit and framework.

The new Code of Conduct consists of three strands: "mutual support," "respect for human rights" and "fairness" and it is con-

### Compliance Promotion System

The Kagome Group has established a Compliance Committee, under the supervision of the Joint Risk Management Meeting chaired by Kagome's President & Representative Director. The Compliance Committee, which is chaired by the Executive Officer with responsibility for overseeing compliance, undertakes the verification of compliance promotion and monitoring status. The results of the Compliance Committee's deliberations are reported to the members of the Management Meetings via the Joint Risk Management Meeting. The Legal Affairs Office, which functions as the secretariat of the Compliance Committee, plays the central role in day-to-day compliance operations. Kagome established the Kagome Compliance Hotline, which is accessible to all domestic Group employees, and through which reports can be made and guidance given with regard to illegal or suspicious activities in the workplace. This system incorporates an internal direct line to the Compliance Committee's secretariat, as well as an external hotline to an outside law firm. To encourage employees to use these contacts without hesitation, the identities of those making reports are kept strictly confidential.

Kagome takes steps to protect the privacy of employees who make reports to ensure that these employees do not suffer any adverse consequences. We quickly conduct investigations based on the information received and take appropriate counter-

### Initiatives to Maintain Rigorous Compliance

Having formulated the Kagome Group Compliance Implementation Rules, Kagome Group implements thorough compliance throughout the Group. At domestic Group companies, the legal affairs department, which serves as the secretariat of the aforementioned Compliance Committee, leads these efforts.

Compliance implementation activities include not only the preliminary checks in compliance-related cases and the dissemination of compliance-related information, but also the conduct of group-training for new employees and new managers, and an ongoing program of in-house compliance seminars, etc. that make use of e-learning, case studies, and

### Tax Compliance

In all the countries and regions where it conducts its business operations, the Kagome Group observes and adheres to tax laws, maintains good relationship with tax authorities, and contributes to society by paying the appropriate taxes. We also respond in a timely and appropriate manner with regard to annual revisions to taxation systems and changes in the international taxation rules, including tax treaties, conventions and OECD guidelines. Internally, we carry out regular e-learning and other training with regard to tax compliance, in order to

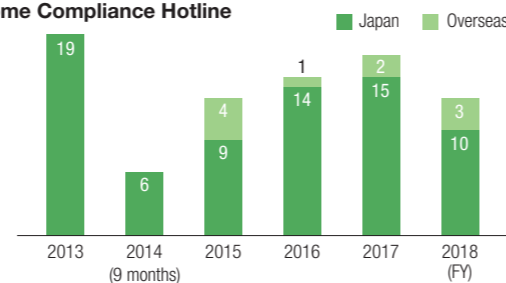
considered pivotal for the daily activities of Kagome Group employees, indicating how they should behave as corporate citizens as Kagome set its sights on becoming a "Strong company capable of sustainable growth, using food as a means of resolving social issues" by 2025. We will seek to raise awareness of the revised Code of Conduct and maintain high ethical standards as we fulfill our social responsibilities in compliance with laws, regulations, international rules and the spirit of our Code of Conduct.

measures. In such cases, respecting the principle that whistleblowers and other related parties cannot be identified, we share information internally so as to prevent similar incidents from occurring in the future. In fiscal year 2018, the Kagome Compliance Hotline was used 13 times, and each case was resolved.

Kagome fully recognizes the importance of compliance in relation to the Group companies located overseas. In 2014, an overseas internal reporting system has been introduced, and the scope of this system has been gradually expanded to include the Group companies located in the U.S. and Australia.

We will continue to strive to prevent and rapidly identify illegal activities through the appropriate operation of the Kagome Compliance Hotline.

Number of consultations and reports received by Kagome Compliance Hotline



group discussions. The in-house compliance seminars are integrated with the Skill Points program that forms part of the company's personnel management system, and participation in these seminars is a prerequisite for promotion.

In fiscal year 2018, we conducted an internal survey about harassment in light of social trends. We also formulated detailed rules of implementation for the eradication of harassment as a concrete example of creating a climate that does not foster or tolerate harassment, which is mentioned in the Code of Conduct. We also established a collection of harassment case studies with reference to the internal survey and sought to raise awareness among employees.

enlighten employees regarding observance of tax laws. With regard to transfer pricing taxation, we have established transfer pricing management regulations. For international transactions between companies belonging to the Group, we analyze the functions, assets and risks associated with each party in the transaction based on the arm's length price principle, and calculate appropriate profit allocations and transfer prices based on their respective contributions.

## Initiatives to Strengthen Internal Control

### Policies for Handling Risk

Kagome, as a "vegetable company" that makes maximum use of nature's bounty and aims to contribute to helping customers live longer, healthy lives, has been promoting activities to reduce various risks centering on food safety. We

### Companywide Risk Management Structure

Our company strives to address operational risks in each department and "risks related to business" described in our Annual Securities Report. Also, in terms of company-wide risk management, we are seeking to create an enhanced risk management structure and have established five specialized committees which handle issues that are viewed as being particularly important for a food products company. We have also established a Joint Risk Management Meeting chaired by the President and Representative Director, as an overall risk management structure. The meeting is attended by the Director & Senior Managing Executive Officer(s), Director & Standing Audit and Supervisory Committee Member(s) and Managing Executive Officer & Chief Human Resource Officer, and also includes other Audit and Supervisory Committee Members who are external directors in its membership, enabling the meeting

#### ● Compliance Committee

The Compliance Committee is a corporate body to promote compliance in the Kagome Group. This committee has set up a Compliance Hotline within its secretariat to receive reports from employees and others. In this way, we work to put in place preventive measures and to detect any anti-social or unethical actions as early as possible. Furthermore, this committee discusses measures in response to new public regulations, etc. as necessary.

#### ● Information Security Committee

The Information Security Committee determines basic policies and audits the execution of these policies with regard to the protection of important information, such as personal information held throughout the Group, as well as the proper management framework and usage. The committee works to assure adherence to the law and prevent information leaks. The Information Security Committee conducts monitoring of any unauthorized access from the outside and examines measures to enhance operation of information system.

#### ● Quality Assurance Committee

To ensure customers enjoy peace of mind when using our products which contribute to customers' longevity and good health through nature's bounty, maintaining quality is always the most important issue

are engaged in continuous risk management efforts in keeping with a company-wide approach to risk management (ERM: Enterprise Risk Management) to improve the efficiency of management decision-making with an eye on ESG.

to obtain objective assessments from an outside perspective. The meeting endeavors to maintain a detailed grasp of the state of risk response activities across the entire Kagome Group and to make improvements that will enable swifter decision-making with regard to risk response policies and significant risk response issues. The Joint Risk Management Meeting meets on a regular basis to receive reports and suggestions from the each committee and relevant departments on day-to-day social issues, their impact on the Kagome Group and responses to such issues, and to discuss and instruct on necessary responses. In addition, in order to improve effectiveness of internal control, details of the instructions are utilized in monitoring by the Internal Audit Department, and the results of the monitoring are reported to the Board of Directors and the Audit and Supervisory Committee.

for our company as a food manufacturer. With the objective of strengthening quality assurance of products, the Quality Assurance Committee brings together representatives of relevant departments and meets monthly to address customer comments, prevent accidents, respond to amendments of laws, and assure proper labeling. The establishment of this committee has enabled Kagome to respond more precisely, and in a more expeditious fashion, both internally and externally.

#### ● Research Ethics Review Committee

For the purpose of contributing to giving customers longer, healthy lives through provision of vegetables, our company is engaged in research activities toward unraveling of the mechanism behind the benefits of vegetables and acquisition of its evidence. The Research Ethics Review Committee was established to investigate possible risk of individual dignity or human rights being impinged on when product efficacy and safety verification testing on humans is being conducted at the R&D stage. This committee is comprised of employees who are not a part of our company's R&D operations, as well as external medical experts and lawyers, hence creating a framework with a neutral perspective, capable of judging ethical adequacy and scientific legitimacy of research objectives and methods.

#### ● Investment Committee

Our company is working on various business developments in order to be transformed from a "tomato company" to a "vegetable company." The Investment Committee is an independent committee which consists of members selected from in-house specialized departments. The committee was established for the purpose of assessing the profitability and risks of investments drafted by each department and monitoring investment returns. Proposals which are verified by this committee are submitted to the Board of Directors or the Management Meetings and deliberated officially.



### Leveraging the “Three Lines of Defense” Model and the COSO Framework

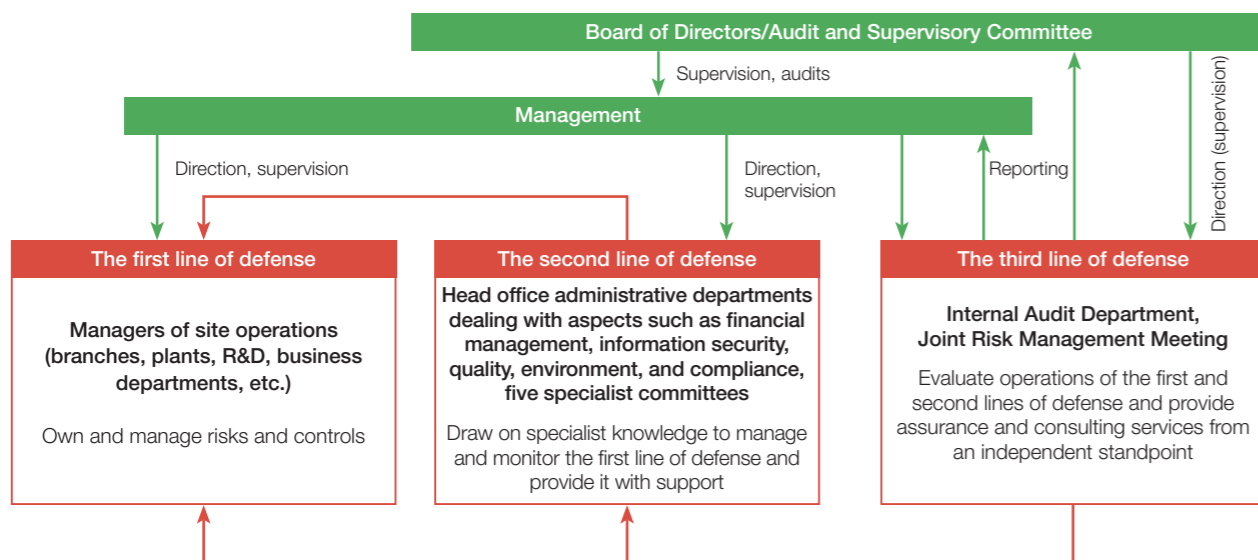
Since the Kagome Group is expanding its business domains and also broadening its areas of operation globally in order to achieve the targets of the Mid-Term Management Plan, the Group leverages the internationally recognized “Three Lines of Defense” model and COSO Framework for internal control and is systematically implementing initiatives accordingly.

Under the “Three Lines of Defense” model, management at business sites (branches, plants, etc.) and subsidiaries which conduct day-to-day business activities is positioned as the first line of defense and department managers at each business site introduce and implement controls (segregation of duties, rules, documentation, etc.) to address various risks related to business execution. The head office departments responsible for financial management, quality, environment and so forth which oversee these activities serve as the second line of defense and use their specialist knowledge to conduct supervision and regular monitoring of the first line of defense. In addition, the Internal Audit Department, which is an organization under the direct

supervision of the management, maintains its independence and objectivity as a third line of defense and provides assurance to the management by conducting regular internal audits of the first and second lines of defense. It also draws on its specialist knowledge to provide consulting services to the first and second lines of defense upon request.

Internal audit initiatives by the third line of defense are conducted in line with four objectives of the COSO Framework: We conduct J-SOX audits in collaboration with an external audit corporation concerning (i) reliability of financial reporting and (ii) safeguarding of assets, while we conduct operational audits with respect to (iii) compliance with applicable laws and regulations and (iv) effectiveness and efficiency of operations, based on our internal auditing standards. For overall improvement in (i) through (iv), it is important to encourage ethical behaviors on the part of all employees and we also carry out various internal awareness-raising campaigns (by such means as social media and surveys) throughout the year.

#### Kagome's “Three Lines of Defense” Model



### Initiatives for Supply Chain with an Eye on BCP

Our company sustained significant damage from the Great East Japan Earthquake. As a result, like many other companies, we are working to strengthen the company-wide communication infrastructure in the event of large-scale disasters and such. At the same time, through activities to support disaster-stricken areas such as provision of our products to evacuation centers after the earthquakes, we listened to the opinions of many people about vegetable intake. This reminded us about the social significance of Kagome's existence and that our company is an integral part of a lifeline which involves food. Based on what was learned and experienced from the Great East Japan Earthquake, we set out “First Action Guidelines after Occurrence of Large-scale Disasters,” which state roles and first actions in accordance with management resources (people, products, facilities, information). With regard to initial actions from the time

of occurrence of large-scale disasters until the time of assembling the in-house Disaster Countermeasures Center headed by the president according to BCP<sup>1</sup>, at the initiative of the management, a consensus is made among relevant departments to take actions without delay. In accordance with the guidelines, in the event of disasters, a distribution network is to be established under the leadership of SCM Division to achieve the quickest possible recovery of product supply. Development of BCM<sup>2</sup> on a global scale in cooperation with overseas locations will be our challenge for the future, where there may be difficulties due to the difference in laws and regulations by country and other issues.

<sup>1</sup> BCP: Business Continuity Plan  
<sup>2</sup> BCM: Business Continuity Management

## Our Responsibility to Shareholders and Investors

### Information Disclosure

Our company discloses information to shareholders and investors in a fair, simple and timely manner. We attach great importance to opportunities for two-way communication with shareholders and investors through IR events such as the General Meeting of Shareholders, “Talks with the President,” “Production Plant Tours,” etc.

### General Meeting of Shareholders

Our company encourages an ever-greater number of shareholders to participate in its General Meeting of Shareholders by enhancing the content of the “convocation notice” and “documents accompanying the convocation notice,” disclosing them on the company website and sending them as early as possible. These also feature messages from directors and suggestions from external directors. On the actual day of the General Meeting of Shareholders, we make efforts to provide reports in an easily understandable manner, such as through speaker explanations and visuals using videos. Furthermore, through displays in the lobby, we work to share information about our activities with shareholders in a more productive manner and encourage their direct feedback. For shareholders who are unable to attend meetings, we accept questions and provide answers via the Internet.



After the meeting, we promptly disclose details of the meeting on our website, including details of Q&A sessions and results of questionnaires completed by shareholders who attended the meeting.

### Management Oversight

Based on the idea that management oversight is enhanced by feedback about a company's corporate activities and business performance from the perspective of numerous shareholders, in fiscal year 2001, we began working to attract 100,000 “Kagome Fan” shareholders. This initiative drove shareholder numbers past the 100,000 mark on September 30, 2005, and the number of shareholders currently stands at around 180,000. We will continue to appropriately reflect the valuable opinions and needs of our shareholders in all our corporate activities.

### Dividends for Fiscal Years 2018 and 2019

Our company recognizes that returning profits to its shareholders is one of its most important management issues. For 2018, we decided to pay dividends of 40 yen per share, which comprises an ordinary dividend of 30 yen per share plus a commemorative dividend of 10 yen to mark the 120th anniversary of our founding. For 2019, we plan to pay dividends of 35 yen per share.

### Special Shareholder Benefits

Under Kagome's Special Shareholder Benefits system, a selection of Kagome products is sent to shareholders throughout Japan. Rather than merely being a case of “giving something back to shareholders,” the main aim of the Special Shareholder Benefits system is to use Kagome products to give a better understanding of our company; every time, the products are accompanied by a questionnaire survey which helps our company to understand shareholders' views and expectations, information which can then be utilized effectively in our company's business activities. In 2019, we are launching a new scheme whereby we present commemorative gifts to shareholders who have kept their shares for 10 years or longer, with the aim of encouraging shareholders to maintain ownership of their shares in the long term.

### Credit Ratings

Our company's financial credibility is rated by Rating and Investment Information, Inc. (R&I) and Japan Credit Rating Agency, Ltd. (JCR). The most recent ratings on Kagome by the two agencies are shown on the right.

R&I (Rating and Investment Information, Inc.)		JCR (Japan Credit Rating Agency, Ltd.)	
Long-term credit rating		Long-term credit rating	Short-term credit rating
<b>A</b>		<b>A</b>	<b>J-1</b>