

Sustainable Global Environment

Kagome is conducting initiatives towards a sustainable global environment as the responsibility of a company that enjoys nature's bounty and caters to customers. We are now working to reduce CO₂ emissions, recognizing that our response to climate change should be a top priority.



Approach to quality and the environment

Kagome has always engaged in manufacturing utilizing nature's bounty from the procurement of safe ingredients. In order to sustain our business activities, it is vital that we engage in sustainable agriculture in a rich natural environment. It is also essential that we achieve a balance between a reliable system for manufacturing with natural ingredients and conservation of the environment. We established the Quality

and Environmental Policy in October 2017 after combining our Quality Policy and Environmental Policy. This new policy represents the determination of Kagome's management team to achieve a sustainable society by focusing on environmental conservation with the same passion that Kagome has maintained in its manufacturing activities.

Quality and Environmental Policy

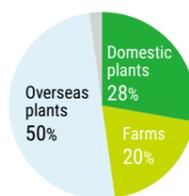
1. We contribute to the longevity and good health of people, which is important to us by providing the flavor and health value of vegetables.
2. We grow safe agricultural raw materials consistently from seeds and fields by collaborating with our partners in Japan and abroad.
3. We protect water, soil and air that nurture vegetables, maintain agriculture that fosters rich nature for the future, and effectively use the benefits acquired.
4. We deliver safe, environmentally-friendly products by complying with laws, regulations and in-house standards and continuing to improve our systems and activities.
5. We apply customers' feedback to our corporate activities while communicating the reliability of our products and services.

Initiatives to achieve CO₂ reduction targets

In order to reach our CO₂ emission reduction targets, the Kagome Group is actively promoting energy conservation activities as a whole. For solar power generation, we started with the plant at Kagome Inc. (United States) in 2017 and later introduced systems at our plants in Australia and Japan. As of January 2022, we are using 100% renewable energy to power two plants in Japan and overseas. In addition, we have started an initiative that reuses the heat and CO₂ released from Fujimi Plant in Nagano Prefecture for tomato cultivation at nearby farms.

At Kagome, CO₂ emissions come from domestic plants and tomato farms as well as overseas plants that are involved in processing tomatoes into juice and concentrate. In 2020, we launched the CO₂ Reduction Project targeting the entire Kagome Group and established a new CO₂ emissions reduction plan. Currently, we are making company-wide efforts based on this plan, following energy conservation measures (review of manufacturing methods and upgrading to higher efficiency equipment) with a long-term perspective covering all domestic plants, farms and overseas plants, and based on the use of renewable energy (solar, biomass, and renewable energy certificates, etc.). As a result of these initiatives, we were chosen by CDP, a non-profit environmental organization with international influence, as an A List company for the first time in FY2021 at CDP Climate Change 2021.

Breakdown of Kagome Group's CO₂ emissions (FY2020)



Solar panels installed at Kagome Inc. (United States)

Response to Task Force on Climate-related Financial Disclosures (TCFD)

Governance

The Kagome Group recognizes that an interruption in the procurement of raw ingredients is the greatest risk facing its business operations. Abnormal weather patterns due to global warming drastically affect the growing regions of raw ingredients. To avoid this risk, we made a revision to our medium to long-term CO₂ reduction targets in 2021, which were approved by the Board of Directors in 2018, in order to reduce greenhouse gas emissions and accelerate initiatives that prevent global warming.

Kagome's President & Representative Director is responsible for all of the company's environmental activities, including climate change response, under Kagome's ISO 14001 environmental management system. The President evaluates the effectiveness of the environmental management system through biannual management reviews, following the company's environmental policy, and maintains responsibility and authority to order improvements.

Strategy

The emergence of climate change represents a major risk for Kagome as a company that utilizes agricultural produce as raw ingredients. At the same time, however, it can also be an opportunity for harnessing our long-standing technologies. The table below shows examples of Kagome Group's risks, countermeasures and opportunities.

Examples of Kagome Group's risk countermeasures and opportunities

	Risk items	Countermeasures and opportunities
Short-term and medium-term	<ul style="list-style-type: none"> ■ Extreme weather and changing weather patterns ■ Declining production yield caused by water stress 	<ul style="list-style-type: none"> ■ Acquisition and sales of vegetable varieties that can withstand climate change ■ Development and usage of tomato cultivation system that can produce tomatoes with the fewest amount of water
Long-term	<ul style="list-style-type: none"> ■ Rising carbon prices ■ Changing consumer behaviors ■ Loss of biodiversity 	<ul style="list-style-type: none"> ■ Increased CO₂ reduction targets and initiatives to achieve them ■ Active development of environmentally friendly products and certified products ■ Proposals and promotion of agriculture in symbiosis with living organisms

For details, see our website.

<https://www.kagome.co.jp/english/csr/environment/activity/globalwarming/>

The risks and opportunities of climate change represent the risks and opportunities of Kagome's business operations. As such, they have been included in our business plan together with other risks.

Risk management

Kagome has established the Enterprise Risk Management Committee, chaired by the President & Representative Director, as a body for supervising the company's risk management activities. The body helps to speed up the decision making process in terms of our risk response policy and issues based on priority selection and evaluation. Identified risks and opportunities concerning climate change are incorporated into the Environmental Management Plan* as issues to be addressed by the entire company.

* See our website for issues and KPI in the Kagome Environmental Management Plan.

<https://www.kagome.co.jp/english/csr/environment/plan/>

Indicators and targets

With the aim of achieving net zero emissions of greenhouse gases by 2050, the Kagome Group has established an emissions reduction target for 2030, which received certification from the Science Based Targets (SBT) Initiative*. The Group has reviewed its greenhouse gas emissions reduction targets in response to 1.5°C scenario for Scope 1 and Scope 2.

* An international initiative that certifies the greenhouse gas emissions reduction targets of a business are consistent with the level set in the Paris Agreement

Item	Targets (compared to 2020)	FY2020 results (t)
Scope 1 and Scope 2	Reduce greenhouse gas emissions by 42% by FY2030 (1.5°C scenario)	143,524
Scope 3	Reduce greenhouse gas emissions by 13% by FY2030	1,315,239

(FY2021 results will be announced on our CSR website following third-party verification)

Scope 1: Direct emissions of greenhouse gases from businesses (burning of fuels, industrial processes)

Scope 2: Indirect emissions from the use of electricity, heat, steam supplied by another company

Scope 3: Indirect emissions outside of Scope 1 and Scope 2 (emissions of other companies related to the business' activities)

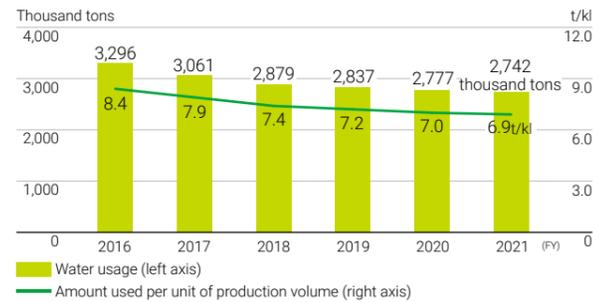
Water conservation

Kagome uses water in the cultivation of crops that serve as the raw ingredients of its products, as well as use large volumes of water in processing. Kagome has established the Kagome Group Water Policy and is implementing measures tailored to each region where it operates to mitigate water-related risks. In a survey conducted to assess water-related risks, we found risks of draught in the United States, and risks of heavy rain and draught in Australia. We are taking measures to avoid these risks such as cultivating tomatoes outside of the period of heavy rain in Australia. As a measure against drought in Australia, the water used at our plants in the winter is placed into a dammed reservoir and then supplied to nearby farmers in

the spring. This forms part of our efforts for water recycling. Moreover, we have set a target of reducing water intake per production volume by 1% compared to the previous fiscal year. In FY2021, water intake per production volume was reduced by 1% from the previous fiscal year at domestic plants. Our efforts were recognized by CDP, a non-profit environmental organization with international influence, in FY2021. Kagome was chosen as the highest ranking A List company for the first time in CDP Water Security 2021, a business survey on water resources management.



Water usage at domestic plants



Kagome Group Water Policy

1. The Kagome Group and its major suppliers understand water-related risks.
2. The Kagome Group and its major suppliers strive to reduce water intake and use water efficiently to protect local water resources.
3. The Kagome Group and its major suppliers clean used water before returning it to the local communities.
4. Factories in areas where water-related risks are high take measures for water that are appropriate for the local areas.

Initiatives for reducing environmental impacts —Initiatives for plastics—

In 2020, we established the Kagome Policy on Plastics with the goal of reducing the impacts plastics have on the environment. As a specific target, Kagome will eliminate its use of straws made from petroleum-derived materials for its paper beverage packs and shift to recyclable materials (plant-based or paper materials) by 2030. Kagome will also use

recycled or plant-based materials for at least 50% of its beverage PET bottles by 2030.

In addition, Kagome will continue to promote recycling at plants and environmental clean-up activities at all domestic business sites.

Kagome Policy on Plastics

Policy on Plastics (Summary)	Theme	Specific activities to date
1. Eliminate the excessive use of plastics and reduce overall use of plastics	Reduction of plastic usage in containers	Reduction of weight of ketchup tube containers Reduction of weight of PET bottle containers
2. Replace plastic with recycled materials and plant-based materials Paper carton: zero use of straws made from petroleum-derived materials by 2030 PET bottles: Use of at least 50% recycled/plant-based materials by 2030	Use of plant-based materials in straws and caps	Incorporation of 5% of plant-based materials in paper carton straws Use of 100% plant-based materials for paper carton caps Use of paper straws on paper carton
	Bottle to bottle recycling	Use of recyclable PET bottles for Tomato juice 265 g
3. Sustain zero emissions at plants	Continuation of zero emissions	Thorough recycling based on sorting standards
4. Continuously implement environmental clean-up activities at domestic business sites	Promotion of environmental conservation activities in communities	Planning for clean-up activities at rivers and beaches by each business site

Biodiversity conservation

Kagome Group Biodiversity Policy

Since its founding, Kagome has been conducting business utilizing nature's bounty brought to us by agriculture. In order for our business activities to continue into the future, Kagome has formulated the Kagome Group Biodiversity Policy in striving to conserve biodiversity in various situations within our business.

For details, see our website.

<https://www.kagome.co.jp/english/csr/environment/activity/biodiversity/>

Kagome Group Biodiversity Policy (Excerpt of items only)

Conservation activities in the supply chain	Collaboration with internal and external partners
1. Maintenance and utilization of genetic resources	8. Penetration internally and externally
2. Reduction of agriculture's environmental impacts	9. Dialogue with outside parties
3. Ecosystem conservation around farmland	10. Information disclosure
4. Reduction of procurement's environmental impacts	11. Social contributions
5. Considerations during transportation	12. Response to fundamental issues
6. Reduction of plants' environmental impacts	
7. Considerations for products and services	

Example 1 Pollination free of non-native bee species

Our fresh tomatoes are grown in commercial greenhouses and we use bees to pollinate tomatoes at many of these facilities. As the buff-tailed bumblebee, a non-native species, is considered an invasive species, Kagome has switched to *Bombus ignitus*, a native species of bumblebee, at its directly owned and operated commercial greenhouses since 2004. Initially, the breeding technique for this species of bumblebee had yet to be established and it was unclear if this would impact tomato quality or economic viability. Today, the technology is well-established enough to employ *Bombus ignitus* for the cultivation of tomatoes all over Japan.



Native species of *Bombus ignitus*

Example 2 Maintaining and utilizing genetic resources of vegetables

The Innovation Division possesses genetic resources of about 7,500 tomato varieties, which is one of the largest collections of any private company in the world. We collect tomato seeds with a wide range of genetic characteristics and produce new useful varieties through breeding. These seeds are stored at a fixed temperature and humidity, but they are replaced regularly because as time passes the germination rate decreases. In this manner, we maintain a bank of valuable genetic resources that is always replenished.



Innovation Division's seed storehouse

Example 3 Considerations for the mode of use of agrochemicals and fertilizers

We established the Kagome Guidelines for Agrochemical Use. They require that we carefully select and recommend the use of environmentally friendly agrochemicals for the cultivation of processing tomatoes in Japan. Moreover, we conduct preliminary analysis on the soil of farms in which we plan to cultivate as necessary, as well as provide instruction on fertilizing design and growth analysis to determine the amount of optimal fertilizer use in order to avoid excessive use of fertilizers on soil.

Message from an Executive Officer



Takashi Hashimoto
Director & Senior Managing Executive Officer

To date, Kagome has declared that sustainable growth through resolving social issues is part of what Kagome strives for. Changes to our lives as a result of the COVID-19 pandemic and frequent extreme weather have led to an increased concern for the SDGs and sustainability. I feel that balancing the two themes of resolving social issues and achieving business growth has become more important in the third Mid-Term Management Plan. Particularly, as a company, who coexists with agriculture and believes fields are the primary production plant and conducts procurement, processing and sales of agricultural products, initiatives for the natural environment are a priority theme that we are striving toward across our entire supply chain.

In the agriculture business, we are developing plant varieties and conducting initiatives on smart agriculture in response to climate change. At our plants in Japan and overseas, we are tackling specific issues such as reducing CO₂ emissions through green electricity and reducing water use by reviewing our manufacturing methods. Over the next four years, Kagome will address the issue of reducing environmental impacts, which is common to all food businesses. This will include speeding up efforts toward reducing plastics usage in containers and packaging, switching to recyclable materials, and reducing food loss and waste. Our aim is to contribute to society and live up to the expectations and demands of our stakeholders.

Respecting Diversity and Expanding Human Capital

In order to achieve sustainable growth, it is essential to create new value through diverse combinations of knowledge. For this reason, we are cultivating human resources capable of autonomous career development and promoting an organizational atmosphere that enables diverse perspectives to be harnessed and put into action.



Diversity and inclusion (D&I)

Positioning within management strategy

Diversity promotion at the Kagome Group is one of our management strategies aimed at creating a strong company capable of sustainable growth. We aim to create new value by utilizing the diverse ways of thinking and experiences of each and every employee.

Initiatives on diversity in the third Mid-Term Management Plan

The work style reforms first launched in 2014 aim to create a workplace that is employee friendly regardless of personal circumstances or restrictions. We have implemented a variety of improvements by introducing various personnel systems and measures and conducting management at each office and largely improved the ease of work.

In the third Mid-Term Management Plan, we will take diversity and inclusion one step further to ensure psychological safety and provide project-type growth opportunities in creating an environment that utilizes human resources with diverse ideas and background; thereby, creating a workplace conducive to innovation.



Initiatives on diversity and inclusion

FY2022 priority activities (themes)

- Strengthen initiatives aimed at creating a workplace of psychological safety, where employees can share their honest opinions, as a foundation for utilizing human resources with diverse ideas and backgrounds.
- Expand the areas of promotion for diversity and inclusion in order to create a work environment where human resources with diverse ideas and backgrounds can actively participate. We will particularly focus on initiatives concerning SOGI* and active participation of persons with disability.

* SOGI: abbreviation for sexual orientation and gender identity.

Specific initiatives

Instilling psychological safety

- Rolling out measures aimed at enhancing the mind skills of those in managerial positions, who serve as the key to team building and have a large impact on workplace climate.
- The Diversity Committee conducts bottom-up activities as the main body involved in fostering awareness towards the goal of diversity and inclusion promotion and permeating psychological safety.

Expanding areas of promotion of diversity and inclusion

- Promoting initiatives to both enhance understanding (soft) and develop structure and environment (hard) towards SOGI and persons with disability.
- Voluntary clubs and communities are formed within the Diversity Committee to conduct research on the latest trends on priority themes and present ideas on committee activities.



Diversity Day 2021 With "Developing a Climate that Embraces Diversity" as the theme of FY2021, we had a special speech and talk session by Miho Tanimoto, Japan HR Leader, Google.

Promoting active roles for women

Kagome has set a target of increasing the percentage of female employees in all positions from staff to officers to 50% by 2040 as a long-term vision in promoting active roles for women.

Having a 50% workforce consisting of women serves as an indicator for a diverse organization that generates innovation.

Through such efforts, we hope to become a company where diverse human resources will find job satisfaction and exert their diversity to create innovation and achieve sustainable growth.

Action on Promotion of Women's Participation and Advancement in the Workplace Action Plan (target by March 2022)

Target 1	Ensure that at least 60% of new general career track hires out of university are female employees	▶ 58% (Employees hired in April 2021)
Target 2	Maintain the continuous employment percentage of female employees hired during FY2010 (around 9 to 11 years prior) at 100% or more of male employees	▶ 1.0 (female employees hired between 2010-2012)
Target 3	Maintain the three-year continuous employment percentage of female employees hired during FY2017-2019 at 100% or more of male employees	▶ 1.0 (Two years' later)
Target 4	Ensure that female employees make up at least 12% of managerial positions (manager and above)	▶ 8.4% (As of November 1, 2021)

Be considerate of human rights

Respect for human rights as part of the Kagome Group Code of Conduct

Kagome's Code of Conduct consists of three pillars; one of which is respect for human rights. "Respect for human rights" is shown to be the axis of daily actions of Kagome Group employees in three points.

Excerpt of "Respect for Human Rights" from Kagome Group Code of Conduct

<p>Respect for individuals</p> <p>We respect individuals and their privacy. We mutually recognize the various skill sets and diversity of employees as Kagome's most valuable assets.</p>	<p>Prohibition of discrimination</p> <p>Each person is treated fairly and equally in the workplace. Discrimination is an infringement of human rights and is strictly prohibited.</p>	<p>Measures against harassment</p> <p>We nourish a corporate culture that prevents and stops all forms of harassment, both inside and outside of our company. We never look the other way.</p>
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Initiatives implemented for respect of human rights

1. Raw materials and the supply chain

In order to achieve a sustainable society with our suppliers as business partners as well as ensure safe and secure procurement of raw materials, we have established the CSR Procurement Policy and Kagome Supplier CSR Action Guidelines, which provide specific guidelines to our suppliers in Japan and overseas. We are promoting procurement with consideration for human rights based on the above.

For details, see our website.
<https://www.kagome.co.jp/english/csr/supplier/>

2. Harassment in the workplace

Harassment is a deep-rooted issue that can only be eliminated with increased awareness, even with a system of prevention in place. We recognize that there is potential for anyone to conduct acts of harassment. We are taking resolute actions against harassment in order to develop a culture that fosters taking thoughtful actions toward others, making it easy for employees to seek consultations, and be caring and not turn a blind eye.

For details, see our website.
<https://www.kagome.co.jp/english/csr/management/compliance/>

Countermeasures

Policy:	Establishment of Code of Conduct and Harassment Eradication Rules/Top Message
Education:	Reading out loud of Harassment Eradication Rules and Case Studies
Monitoring:	Harassment survey
Reporting/Consultation:	Internal whistleblowing system
Fair punishment:	Disciplinary action and reporting

Expansion of human capital

Human resources development for building autonomous career paths

In order to achieve the management strategies, it is vital that Kagome creates mechanisms that empower employees to develop their careers autonomously in order for everyone working at the company to become “strong individuals.” A strong individual is a person who has acquired a high degree

of value in the labor market. We aim to develop and increase these individuals to expand our human capital. In addition, we are working to expand mechanisms in order for employees to feel proud to work at Kagome and to become a company that attracts talent as an appealing place to work.

Main mechanisms that support autonomous career development

- Self-assessment system** (targeting all employees annually) Initiatives on medium to long-term career plans and skills development are shared among supervisors and subordinates in this system, which is used in human resources development. Interviews with direct supervisors are conducted based on comments from the company (business site manager, direct supervisor) on the content of self-assessment for the career development of individual employees.
- Mid-career transfer request system and internal recruiting system (interested applicants only)** A system that increases the chance for an employee to land a position they desire through self nomination
- Self-directed education and training** Education and training offering supportive skills development based on the needs of each employee
- Career training and career counseling** Providing opportunities to develop one’s own career autonomously Career counseling with human resource development managers and career advisors

About human resource development managers

Kagome has established the position of a human resource development manager. These employees are in charge of supporting autonomous career development aimed at enhancing individual human resources value, which leads to enhanced human capital. They provide feedback based on the desired career path and aspirations of each individual employee and guide them to address issues on their own. In FY2021, 610 employees were interviewed. Human resource development managers also bridge the gap between employees and management. They collect feedback from frontline staff to identify human resource



Hiroaki Osawa
Human Resource Development Manager, Human Resources Department

issues, which are relayed to management for assigning the right person to the right position given consideration of the employees’ voices and Kagome’s business.

Diversified hiring

As we believe that innovation comes from mutual respect of diverse values and sharing of opinions, we strive to enhance our foundation of human resources not only by encouraging the active participation of women but also extending an open arm towards mid-career hires. Our mid-career hiring process was revamped in 2020 to encompass a career registration system on our website. There are currently about 2,600 registered applicants. Going forward, we will ensure that mid-career hires account for around 20 to 30% of all hiring and develop these individuals into core human resources.



Saki Shibata
Global Consumer Business Division

TOPICS Autonomous career development through provision of diverse experiences

I participated in the cross-industry exchange training to strengthen independent learning that leads to career autonomy, which is one of the human resources strategies in the third Mid-Term Management Plan.

Through working on problems together between five companies based on management theory, where we conducted discussions repeatedly without being bound by the common sense of our own respective company culture, I was able to think about the strengths and issues of Kagome objectively.

I hope to have more opportunities for discussion in the future with participating members from other companies and apply what I have learned to strengthening the organization.

Promoting health and productivity management

At Kagome, we believe that to be a sound company, it is important to ensure that each individual employee is healthy, both physically and mentally. We are therefore working proactively to manage the health of our people.

Kagome Health and Productivity Management Pledge

In 2017, we established Kagome’s 7 Points for Good Health, and made the Kagome Health and Productivity Management Pledge. In December 2020, we were given the highest rank by the Development Bank of Japan (DBJ) under its DBJ Employees’ Health Management Rating. Furthermore, in March 2021, we were recognized under the Certified Health and Productivity Management Organization (large corporations) program administered by the Ministry of Economy, Trade and Industry (METI) and Nippon Kenko Kaigi.

Framework for promoting health and productivity management

In 2016, we established the General Health Services Department at Kagome Axis Co., Ltd. We have appointed industrial physicians at all business locations, where we promote health management together with public health nurses. Additionally, in 2018, we launched the Health Promotion Committee, under which we are engaging in health improvement activities with a focus on independent initiatives driven by each business location.

Industrial physician system

We have established health management desks at all of our business locations in Japan. While working with industrial health staff (industrial physicians and public health nurses), we engage in efforts for the early detection of employees with physical or mental health issues and to provide health guidance.

Current situation with regard to health management and health promotion measures

In addition to promoting initiatives based on Kagome’s 7 Points for Good Health, Kagome also implements its own unique annual health checkups (Kagome Kenshin) in collaboration with the Kagome Health Insurance Union.

Improving employees’ health literacy

In order to maintain the physical and mental health of each of our employees, we consider it necessary to visualize and share employees’ state of health, and to help them to acquire correct health-related knowledge. In 2017, we began publishing the Kagome Health Report, and holding health seminars for employees.

For details, see our website.

<https://www.kagome.co.jp/company/about/philosophy/healthandproductivity/>



Kagome Health and Productivity Management Pledge

The health of employees links directly to feelings of job satisfaction, through improving their sense of pride and engagement at Kagome.

Kagome contributes to the health of its customers through food, while at the same time promoting health and productivity management based around the core of Kagome’s 7 Points for Good Health.

Contents	(FY)		
	2019	2020	2021
Situation regarding health checkups			
Percentage of employees taking health checkups	100	100	100
Percentage of employees receiving specific health guidance	72.0	84.8	88.7
Current situation with regard to stress checks			
Percentage of employees taking health checkups	95.7	93.3	92.0
Rate of high stress employees (%)	7.4	7.6	8.3
Smoking rate among employees (%)	20.8	19.5	16.2

Message from an Executive Officer



Masahito Arisawa
Managing Executive Officer
Chief Human Resources Officer (CHO)

The third Mid-Term Management Plan aims to create new value in existing domains while accelerating the development and exploration of new businesses that will become our growth drivers. To execute this management strategy, it is important for our employees to take action autonomously in responding to change while continuously embracing new challenges with a sense of job satisfaction. In addition, we need to develop a human resources portfolio with active participation by diverse individuals, where each person can exert their individuality to invigorate the organization through interlinkage of management and human resources strategies. While we have developed mechanisms such as promoting a pleasant workplace, expanding mid-career hires, visualizing job satisfaction, enabling autonomous career development of employees during the second Mid-Term Management Plan, there are still gaps between the current stage and what we are aiming for. Specifically, our remaining issues include the development of a “culture that

embraces challenges,” the penetration of psychological safety, the development of an evaluation system that makes a fair differentiation, and the job development of seniors, each highlighted in the engagement survey. Enhancing job satisfaction is a priority within the third Mid-Term Management Plan, with issue design from three perspectives of work style (pleasant workplace, provision of diverse experience opportunities), human resources development (evaluation remuneration, assignment and promotion, skills development), and organization of diverse human capital (recruitment and utilizing skills). We will strive to expand our human capital through expedited implementation of structure, mechanisms and cultivation of climate that lead to value creation.

I believe that personnel expenses are an investment that leads to value creation and not a cost. We will execute human resource strategy from the viewpoint of how to approach management strategies with long-term growth in mind.

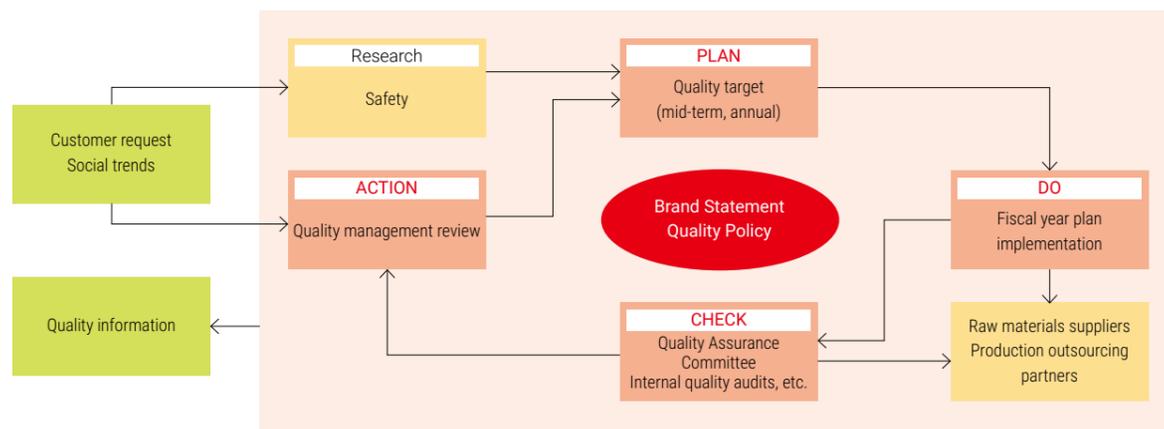
Product Safety and Security

Based on the belief that fields are the primary production plant, we strive to provide safe and high quality products starting with initiatives on vegetable seeds and soil creation. We have established a quality assurance system to guarantee this fundamental quality while also rolling out the system at overseas Group companies.



Kagome's Quality Management System (KQMS)

Kagome employs the Kagome Quality Management System (KQMS), based on its Quality and Environmental Policy, during the processes of design, development, procurement, production, logistics, and sales in an effort to provide product safety and peace of mind.



Safety management from field to product

Initiatives for food defense

In order to prevent intentional mixing of contaminants or chemicals in Japan, we conduct risk assessments on food defense and implement controls based on the results. In addition to installing safety and security cameras, upgrading locking system and promoting communication among plant employees, Kagome also requests the plants of production outsourcing companies to comply with its management guidelines.

Safety management from field to product

Since its founding, Kagome has been working on a company-wide basis to supply products that are good for customers' health using nature's bounty. With the assurance of safety and security as the main premise of food handling, Kagome conducts a variety of inspections, analysis, and research on processes from field to product.

We analyze raw ingredients for residual pesticide, etc. in order to confirm their safety. We have acquired ISO 17025 certification, which certifies our ability as a testing and analysis institution, as we strive to further enhance the precision of our analysis.

Quality management and quality assurance system for overseas Group companies

We established a common global quality management standard based on our Quality and Environmental Policy that applies to overseas Group companies known as Kagome Best Manufacturing Practice (KBMP) as the minimum level of compliance. We are also conducting cross-functional

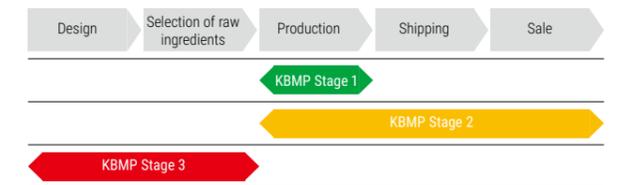
assessments of information relating to quality, the environment and technology at overseas Group companies and sharing and utilizing this information to improve the level of quality assurance and productivity, as well as to implement CO₂ emissions reduction initiatives.

Roll-out of a common global quality management standard (KBMP) at overseas Group companies

Until now, at our overseas Group companies, we have used common rules on quality management for preventing contaminants during manufacturing as Stage1 of KBMP and immediate response in case of a quality failure as Stage 2 of KBMP. Moreover, we have now expanded our efforts to prevention activities for quality failures at the product design stage (overall production, containers, microorganism control, etc.) as Stage 3. We have established a structure that properly carries out product development to ensure product safety and peace of mind, with engagement in risk measures at the initial product development stage for eight cases in FY2021. Through these efforts, we have reduced quality issues at overseas Group companies, while autonomous quality improvement activities and 5S activities* are also being rolled out at each overseas Group company. The third Mid-Term Management Plan aims to further reduce loss attributed to quality issues. Our overseas Group companies will strive to establish a quality assurance system which they can operate more promptly and independently.

* The five elements to improve the workplace environment: Seiri [Sort], Seiton [Set], Seiso [Shine], Seiketsu [Standardize], and Shitsuke [Sustain]

Common quality management standard for overseas Group companies KBMP coverage



KBMP Stage 1

- a) Magnet inspection
- b) X-ray inspection and metal detector inspection
- c) Filter inspection
- d) Cleaning
- e) Maintenance
- f) Management of packing materials and other consumables
- g) Procedures and main points of 5S (Seiri [Sort], Seiton [Set], Seiso [Shine], Seiketsu [Standardize], and Shitsuke [Sustain])

KBMP Stage 2

- a) Response to quality failures
- b) Change point management and validation of production line
- c) Inspection of equipment before, during and after production
- d) Management of equipment in aseptic filling system

KBMP Stage 3

- a) Development procedures for high risk products and design screenings
- b) Management of hazards originating from raw ingredients

Examples of workshops and training across the Group

With the goals of strengthening the Group's production base overseas and conducting more in depth factor analysis at the time of trouble, overseas Group companies are implementing initiatives for deepening 5S activities and factor analysis skill training.

Since the launch of 5S promotion staff training program in 2019, each overseas Group company has been implementing their own 5S activities. In 2021, 5S promotion staff of overseas Group companies met online in a meeting called the Online 5S Workshop (43 participants worldwide). During this meeting, participants showcased their own initiatives to date and shared feedback. They also held a discussion on how to go about instilling and developing 5S activities at each company.

The overseas Group companies will further focus on their own 5S activities from 2022 based on the action plan formulated during the workshop.

Factor analysis at the time of problems aims to take preventive measures that address the root cause to stop recurrence. For this reason, it is necessary to dive deep into the cause of trouble from various angles. As a learning tool for the approach for overseas Group companies, Kagome has created and distributed the Root Cause Analysis (RCA) Handbook to each company. In addition to understanding the content of the handbook, we also conduct practical training for hands-on factor analysis using past examples of each company as improvement themes, according to the contents of the handbook.



Online 5S Workshop (October 2021)



5S activity (Taiwan Kagome Co., Ltd.)



Production floor after Seiri [Sort] and Seiton [Set] in 5S (Kagome Inc. (United States))

Establishing a Sustainable Supply Chain

We are working to optimize the entire supply chain in order to respond to risks such as climate change, water shortages, labor shortages and soaring raw ingredient prices so that we can continuously deliver products to our customers.



Procure materials in an environmentally and socially responsible and sustainable manner

To achieve stable raw ingredient procurement, Kagome has diversified procurement locations and established a global network. In response to the rising demand for raw ingredients produced in Japan, we are working to secure access to domestically grown raw ingredients.

We established the Kagome CSR Procurement Policy and the Kagome Supplier CSR Action Guidelines in 2021 not just for the procurement of safe and secure raw ingredients, but

also for contributing to the realization of a sustainable society together with procurement partners. This policy ensures fair, equitable, and transparent transactions and promotes procurement activities that take into account laws, ethics, human rights, labor, and the environment.

For details, see our website.
<https://www.kagome.co.jp/english/csr/supplier/>

Activities in FY2021 based on CSR Procurement Policy and Supplier CSR Action Guidelines

- Provided information to all suppliers, including production outsourcing partners, raw ingredients producers, farms, etc.
- Engaged third-party to conduct survey on actual condition of fair trade
- Results of the survey were reported to Management Meetings and shared with relevant departments
- Conducted study sessions on deficiencies and revised consultation record flow, based on the result



Field check

Establish a logistics system capable of consistent product delivery to customers

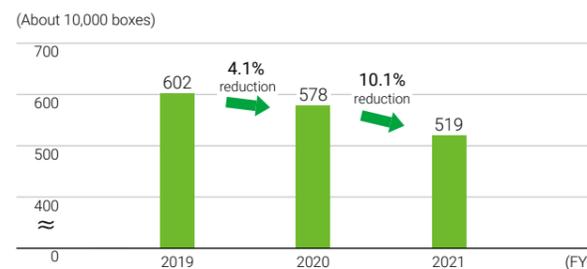
The logistics industry in Japan is facing a number of urgent issues, including labor shortages, the prolonged working hours of drivers, and environmental concerns. To resolve these social issues found in logistics, Kagome is undertaking such initiatives as extending delivery lead time and product

date labeling. Additionally, we are working to curtail logistics costs, which are expected to rise over the medium to long term, and we are striving to achieve cost savings by rationalizing inventory levels.

Initiatives on inventory optimization with container unit* management

Since FY2020, Kagome has been conducting Container Unit Management, which involves control of production, inventory, and transport by container unit, in cooperation with the production and purchasing divisions aimed at optimizing inventory levels. By optimizing month-end inventory with the establishment and management of appropriate stock date for each container unit, in FY2021 we made progress with initiatives for not only beverages, but gifts and foods as well, reducing the inventory level of dry transported products by 10.1% compared to the previous fiscal year. Through this, we are seeing lower inventory amounts, storage fees and transportation costs.

Inventories of dry transported products (About 10,000 boxes; annual average)



* Containers have been divided into about 50 categories by volume for inventory management

TOPICS Renewal of Fujimi Plant with advanced technology and DX promotion

Kagome has six production locations in Japan. Fujimi Plant is the production location of Kagome's mainstay paper carton vegetable drinks, such as Kagome Tomato Juice and Yasai Seikatsu 100. It has an annual production volume of 15.18 million cases (FY2021 results). We invested a total of around 8.6 billion yen between 2020 and 2021 to upgrade the Fujimi Plant. The key areas of the improvements were to

improve production capacity of paper beverage packs, develop a worker friendly production floor, and promote environmentally-conscious production activities. We will expand the production capacity of vegetable drinks, as one of the growth drivers within the third Mid-Term Management Plan period, in responding to growing demand over the medium to long-term.

POINT 1

Addressed growing demand over medium to long-term by boosting production capacity by 20%

The plant introduced three high speed fillers. Also, robotic arms contributed to higher speed production and manufacturing of products in multiple packaging styles. The plant also eliminated operations during holidays that occurred during busy periods, which contributed to reduced employee workload.



Products coming out of a high speed filler

POINT 2

Established a centralized control room to oversee all production processes using monitors

The plant's centralized control room was newly established as a part of the initiatives to promote DX and smart factory. All production processes can be verified on screen, making it possible to promptly assess and address any abnormalities. The accumulated data is used to implement improvements.



Centralized control room

POINT 3

Used automated warehouse to reduce employees' workload and reduce logistics costs

While workers used to move raw ingredients in and out of warehouses using forklifts, now movement in and out of the warehouse is automated by one worker's instructions. The plant has automated supply of various materials to the lines and storage of products into warehouses. Expanded plant storage also led to reduced logistics costs.



Raw ingredients coming out of an automated raw ingredients warehouse

POINT 4

Installed environmentally friendly solar panels

With solar panels installed on the roof of the new building, renewable energy is used as a portion of electricity. This accounts for 23% of annual electricity used at Fujimi Plant, with an estimated CO₂ emissions reduction of 600 tons per year.



Solar panels installed on the factory roof